

1 Q. In response to PUB-NLH-021, Hydro provided an example indicating that a reduction in hydraulic  
2 production due to Muskrat Falls Project purchases would result in No. 6 Fuel costs being  
3 charged to the RSP. However, the increase in off-island purchases from the Project would create  
4 an off-setting No. 6 fuel savings in the Revised Energy Supply Cost Deferral Account. In response  
5 to NP-NLH-007, Hydro provided the balances of the RSP and the Supply Deferral Accounts as of  
6 October 1, 2021, December 31, 2021 and December 31, 2022, assuming that the Board did not  
7 approve any of Hydro's proposals ("Supply Deferrals/RSP (Existing)").

8 (a) Please explain why the balances in the Revised Energy Supply Cost Variance Deferral  
9 Account would have estimated balances of \$45 million and \$70 million as of December  
10 31, 2021 and December 31, 2022, respectively.

11 (b) Please explain why there would be no balance in the Holyrood Conversion Deferral  
12 Account as of December 31, 2022.

13 (c) Please explain the decrease in the RSP Hydraulic Production Variation component to  
14 approximately \$20 million and \$15 million as of December 31, 2021 and December 31,  
15 2022, respectively.

16 (d) Please provide the RSP Current Plan Adjustment rates and fuel rider (if any) used in  
17 estimating the balances in the Utility RSP Current Plan balance and the Industrial  
18 Customer RSP Current Plan balance as of December 31, 2022.

19

20

21 A. (a) Newfoundland and Labrador Hydro projects a balance owing from customers of  
22 approximately \$20 million in the Revised Energy Supply Cost Variance Deferral Account to  
23 be transferred to the Other Island Interconnected System Supply Costs component of the  
24 proposed Supply Cost Variance Deferral Account to be recovered in future from customers.  
25 However, the continuation of the operation of the Revised Energy Supply Cost Variance  
26 Deferral Account (using its current definition) would result in additional fuel costs charged  
27 to the deferral account primarily due to a reduction from the 2019 Test Year forecast supply

1 from off-island purchases (excluding post-commissioning Muskrat Falls power purchases).  
2 The additional \$25 million in 2021 and \$70 million deferred charges in 2022 reflect the  
3 assumption in the existing deferral account definition that the Holyrood Thermal Generating  
4 Station (“Holyrood TGS”) fuel remains the marginal energy supply for the Island  
5 Interconnected System and would be incurred to offset the reduction in off-island power  
6 purchases

7 As explained in Hydro’s evidence, the Holyrood TGS is not anticipated to be the marginal  
8 energy supply for the Island Interconnected System once payments begin under the  
9 Muskrat Falls Power Purchase Agreement. The additional \$25 million in 2021 and the  
10 projected \$70 million balance at the end of 2022 calculated under the existing account  
11 definition does not reflect supply costs that are expected to be incurred in serving Hydro’s  
12 customers. For this reason, Hydro has removed the charging or crediting of Holyrood TGS  
13 fuel costs as a result of supply variations after transitioning from the Revised Energy Supply  
14 Cost Variance Account to the Other Island Interconnected System Supply Costs component  
15 of the proposed Supply Cost Variance Deferral Account.

16 Upon Muskrat Falls Project commissioning, variation from the test year forecast supply from  
17 these sources will impact the amount of energy available for export. Therefore, Hydro is  
18 proposing that the calculation in the proposed Supply Cost Variance Deferral Account will  
19 not refer to No. 6 fuel cost variations as a result of load or supply variations as there is a  
20 separate deferral account component to deal with net revenues from exports.

21 (b) There is no balance in the Holyrood Conversion Deferral Account as of December 31, 2022  
22 due to the forecast fuel conversion factor being equal to the 2019 Test Year Fuel Conversion  
23 Factor of 583 kWh/bbl.<sup>1</sup> The Holyrood TGS is only forecasted to have fuel consumption  
24 during the first quarter of 2022.

25 (c) The decrease in the RSP<sup>2</sup> Hydraulic Production Variation component to approximately \$20  
26 million and \$15 million as of December 31, 2021 and December 31, 2022, respectively, is  
27 primarily due to forecast actual hydraulic production exceeding the 2019 Test Year forecast

---

<sup>1</sup> Barrel (“bbl”).

<sup>2</sup> Rate Stabilization Plan (“RSP”).

1 and the annual transfer of balances to the Current Plan of the Industrial and Utility  
 2 customers. This calculation is performed assuming the existing RSP rules which assume  
 3 Holyrood fuel savings will result when hydraulic production exceeds the 2019 Test Year  
 4 forecast. However, as explained in part (a) of this response, this supply source and cost  
 5 relationship will no longer apply when deliveries from the Muskrat Falls Project become the  
 6 norm.

7 (d) The RSP Current Plan Adjustment rates and fuel rider (if any) used in estimating the balances  
 8 in the Utility RSP Current Plan balance and the Industrial Customer RSP Current Plan balance  
 9 as of December 31, 2022 are provided in Table 1.

**Table 1: Utility and Industrial Customer Current Plan and Fuel Riders 2022**

	RSP Fuel Rider ¢/kWh	RSP Current Plan Adjustment ¢/kWh
<b>Utility Customer</b>		
January 1, 2022 to June 30, 2022 <sup>3</sup>	(0.151)	0.749
July 1, 2022 to December 31, 2022 <sup>4</sup>	-	0.238
<b>Industrial Customer</b>		
January 1, 2022 to December 31, 2022 <sup>5</sup>	-	0.704

<sup>3</sup> Approved in Board Order No. P.U. 22(2021).

<sup>4</sup> Forecast based on Current Plan balances.

<sup>5</sup> Forecast based on Current Plan balances.