

1 Q. **Reference: CA-NLH-008**

2 Footnote 4 states “The Rate Stabilization Plan and Supply Cost Variance Deferral Account are
3 excluded from rate base.”

4 a) Are all other amounts in the deferral accounts in Table 1 included in rate base?

5 b) What adjustments to the amounts in the Supply Cost Variance Deferral Account have been
6 made as a result of government contributions?

7 c) How does Hydro propose to collect the amounts in the Supply Cost Variance Deferral
8 Account from customers and how much money has been collected from customers to date?

9 d) What factors have contributed to the large amount built up in the Rate Stabilization Plan?
10
11

12 A. a) The recovery of the hearing costs for the *Investigation and Hearing into Supply Issues and*
13 *Power Outages on the Island Interconnected System – Phase Two*¹ and the ongoing
14 *Reliability and Resource Adequacy Study Review (“RRA Study Review”)* proceeding are
15 subject to future recovery by the Board of Commissioners of Public Utilities (“Board”) and,
16 as a result, are excluded from rate base. A portion of the Business Systems Transformation
17 Program has not been approved for recovery by the Board and, as a result, is excluded from
18 rate base.² In addition, the Muskrat Falls and Labrador Transmission Assets Sustaining
19 Capital Account and the Holyrood Thermal Generating Station Accelerated Depreciation
20 Deferral Account are excluded from rate base as the method of recovery is subject to a
21 future Board Order. Newfoundland and Labrador Hydro (“Hydro”) can confirm that the Rate
22 Stabilization Plan (“RSP”) and Supply Cost Variance Deferral Account (“SCVDA”) are excluded

¹ In its correspondence, “Investigation and Hearing into Supply Issues and Power Outages on the Island Interconnected System - Phase Two - Conclusion / Review of the Reliability and Resource Adequacy Study - Record and Proceeding,” Board of Commissioners of Public Utilities, December 4, 2019, the Board advised that the Phase Two proceeding should be brought to a close. Any issues raised in Phase Two that continue to be relevant will be addressed in the *RRA Study Review* proceeding.

² As per *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 27(2022), Board of Commissioners of Public Utilities, August 22, 2022, the actual deferred costs up to the end of 2022 associated with the Enterprise Resource Planning like-for-like implementation and the Information Management Program, estimated to be \$6.7 million, are approved to be recovered. The remaining costs are subject to a future Board Order.

1 from rate base because they accrue interest on their outstanding balances instead of being
2 included in rate base.

3 Please refer to CA-NLH 119, Attachment 1,³ for the updated listing that highlights the total
4 deferred balance as at June 30, 2023⁴ and the amount included in rate base. Due to the
5 exclusions noted herein, the amount of deferrals included in rate base was \$61.8 million on
6 June 30, 2023.

7 **b)** As of June 30, 2023,⁵ the SCVDA was adjusted for the receipt of \$190.4 million in rate
8 mitigation funding from the Government of Newfoundland and Labrador in March 2023.
9 The purpose of this funding was to mitigate projected future customer rate increases that
10 would be required to recover the net supply costs incurred up to December 31, 2022.

11 **c)** The balances in the SCVDA will be funded through a combination of rate mitigation funding
12 and collection from customers. Hydro is currently collecting a portion of the SCVDA balance
13 from customers through the Project Cost Recovery Rider in accordance with Board
14 Order No. P.U. 15(2023).⁶ As of August 31, 2023, \$50.6 million has been collected from
15 customers through the Project Cost Recovery Rider. Any increase to the collection from
16 customers as part of the Project Cost Recovery Rider is subject to a further Board Order. The
17 balance of the SCVDA that will be collected from customers will not be known until Hydro
18 has the final details of the Government of Newfoundland and Labrador's rate mitigation
19 plan.

20 **d)** The approval of the SCVDA, as of November 1, 2021, discontinued transfers to the RSP. The
21 balance in the RSP consists primarily of the Hydraulic Production Variation balance as of
22 October 31, 2021, which is being amortized over four years commencing November 1, 2021
23 per the RSP Rules for Disposition approved by the Board in Order No. P.U. 4(2022).⁷ In
24 addition, the 2022 Isolated Systems Supply Cost Variance Deferral was approved for

³ The total balance originally noted in CA-NLH-008, Attachment 1 of this proceeding was \$278.3 million, which included a summing error. The total balance in CA-NLH-119, Attachment 1 indicates the correct total balance of \$274.4 million.

⁴ The date utilized in the referenced RFI response.

⁵ The date utilized in the referenced RFI response.

⁶ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 15(2023), Board of Commissioners of Public Utilities, June 1, 2023.

⁷ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 4(2022), Board of Commissioners of Public Utilities, February 21, 2022.

- 1 recovery in Board Order No. P.U. 7(2023)⁸ from the RSP Current Plan, resulting in an
- 2 increase to the RSP of \$8.7 million in March 2023.

⁸ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 7(2023), Board of Commissioners of Public Utilities, April 13, 2023.

Newfoundland and Labrador Hydro
Deferred Charges
As at June 30, 2023
(\$000)

	<u>Board Order No.</u>	<u>Deferred Charges¹</u>
Foreign Exchange Losses	P.U. 7(2002–2003)	39,903
Foreign Exchange on Fuel	P.U. 30(2019)	174
Conservation Demand Program	P.U. 30(2019)	6,491
Phase II Hearing Costs ²	P.U. 13(2016)	1,705
Asset Disposal	P.U. 13(2016)	264
Supply Deferrals	P.U. 30(2019)	7,891
Deferred Power Purchases	P.U. 5(1996–1997)	(122)
2018 Revenue Deficiency	P.U. 30(2019)	(1)
2019 Revenue Deficiency	P.U. 30(2019)	77
Business Systems Transformation Program ³	P.U. 16(2019)	2,221
Business Systems Transformation Program ³	P.U. 27(2022)	6,687
Reliability and Resource Adequacy Study Review ²	P.U. 29(2019)	3,613
Hydraulic Resource Optimization - Ponding	P.U. 49(2018)	(5,712)
Retirement Asset Pool ⁴	P.U. 30(2019)	35,640
Rate Stabilization Plan ⁵		60,903
Removal Provision ⁴	P.U. 30(2019)	(24,545)
Insurance Proceeds ⁴	P.U. 13(2012)	(4,095)
Corner Brook Pulp and Paper Frequency Converter	P.U. 35(2020)	(816)
Supply Cost Variance Deferral Account ⁵	P.U. 33(2021)	146,533
Muskrat Falls & Labrador Transmission Assets Sustaining Capital Account ⁶	P.U. 33(2021)	1,497
Holyrood Thermal Generating Station Accelerated Depreciation Deferral ⁶	P.U. 33(2021)	(3,923)
Total		<u>274,384</u> ⁷
Excluded from Rate Base ^{2, 3, 5, 6}		<u>(212,549)</u>
Total included in Rate Base		<u>61,835</u>

¹ Numbers may not add due to rounding.

² The recovery of the hearing costs for the Investigation and Hearing into Supply Issues and Power Outages on the Island Interconnected System – Phase Two and the ongoing Reliability and Resource Adequacy Study Review proceeding are subject to future recovery by the Board of Commissioners of Public Utilities (“Board”).

³ As per Board Order No. P.U. 27(2022), the actual deferred costs up to the end of 2022 associated with the Enterprise Resource Planning like-for-like implementation and the Information Management Program, estimated to be \$6.7 million, are approved to be recovered. The remaining costs are subject to a future Board Order.

⁴ For purposes of calculating Hydro's revenue requirement, these deferred charges are grouped in property, plant, and equipment.

⁵ The Rate Stabilization Plan and Supply Cost Variance Deferral Account accrue interest monthly and, therefore, are excluded from rate base.

⁶ The Muskrat Falls and Labrador Transmission Assets Sustaining Capital Account and Holyrood Thermal Generating Station Accelerated Depreciation Deferral Account have been excluded from rate base as the method of recovery is subject to a future Board Order.

⁷ Please note in CA-NLH-008, Attachment 1 of this proceeding there was a summing error; the correct total, as indicated here, is \$274.4 million.