

**NEWFOUNDLAND AND LABRADOR  
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**AN ORDER OF THE BOARD  
NO. P.U. 1(2021)**

1 **IN THE MATTER OF** the *Electrical Power*  
2 *Control Act*, 1994, SNL 1994, Chapter E-5.1  
3 (the “*EPCA*”) and the *Public Utilities Act*, RSNL  
4 1990, Chapter P-47 (the “*Act*”), as amended, and  
5 regulations thereunder; and  
6

7 **IN THE MATTER OF** an Application by Newfoundland  
8 and Labrador Hydro for the approval of a revision to the  
9 Revised Energy Supply Cost Variance Deferral Account,  
10 pursuant to Order No. P.U. 29(2020).  
11  
12

13 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and  
14 existing under the Hydro Corporation Act, 2007, is a public utility within the meaning of the *Act*,  
15 and is also subject to the provisions of the *EPCA*; and  
16

17 **WHEREAS** in Order No. P.U. 35(2019) the Board approved the Firm Energy Power Purchase  
18 Agreement between Hydro and Corner Brook Pulp and Paper Limited (“CBPP”) and directed  
19 Hydro to file a proposal for an account to defer the savings associated with the Firm Energy Power  
20 Purchase Agreement (“PPA”); and  
21

22 **WHEREAS** in Order No. P.U. 3(2020) the Board approved the Firm Energy Power Purchase  
23 Deferral Account (“Deferral Account”) for the savings related to the Firm Energy PPA; and  
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25 **WHEREAS** in Order No. P.U. 29(2020) the Board approved the disposition of the savings in the  
26 Deferral Account and ordered that Hydro file for the approval of the Board a revision to the  
27 definition of the Revised Energy Supply Cost Variance Deferral Account (“ESCVDA”) to provide  
28 for the flow through of variances associated with future agreements which may be approved for  
29 firm energy purchases from CBPP; and  
30

31 **WHEREAS** on December 16, 2020 Hydro filed an application requesting approval of a revision  
32 to the ESCVDA definition pursuant to Order No. P.U. 29(2020) with an effective date of January  
33 1, 2021; and  
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35 **WHEREAS** the proposed revised definition of the ESCVDA allows for the flow through of  
36 variances associated with future firm energy purchase agreements which may be approved  
37 between Hydro and CBPP; and

1 **WHEREAS** the Application was copied to Newfoundland Power Inc. (“Newfoundland Power”);  
2 the Consumer Advocate, Mr. Dennis Browne, Q.C.; a group of Island Industrial Customers: Corner  
3 Brook Pulp and Paper Limited, NARL Refining Limited Partnership and Vale Newfoundland and  
4 Labrador Limited (the “Industrial Customer Group”); the communities of Sheshatshiu, Happy  
5 Valley Goose Bay, Wabush, and Labrador City; and Teck Resources Ltd.; and  
6

7 **WHEREAS** on January 6, 2021 Newfoundland Power and the Industrial Customer Group advised  
8 that they would not be making comments on the Application; and  
9

10 **WHEREAS** the Board did not receive any other comments on the Application; and  
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12 **WHEREAS** on January 8, 2021 Hydro filed a submission requesting that the Application be  
13 approved as submitted; and  
14

15 **WHEREAS** the Board is satisfied that the proposed revision to the definition of the ESCVDA  
16 provides for the flow through of variances associated with future agreements which may be  
17 approved for firm energy purchases from CBPP in accordance with Order No. P.U. 29(2020).  
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20 **IT IS THEREFORE ORDERED THAT:**  
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- 22 1. The proposed revision to the Revised Energy Supply Cost Variance Deferral Account as set  
23 out in Schedule A, with an effective date of January 1, 2021, is approved.  
24  
25 2. Hydro shall pay all expenses of the Board arising from this Application.

**DATED** at St. John’s, Newfoundland and Labrador, this 12<sup>th</sup> day of January, 2021.

  
\_\_\_\_\_  
Darlene Whalen, P. Eng., FEC  
Chair and Chief Executive Officer

  
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Dwanda Newman, LL.B.  
Vice-Chair

  
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Cheryl Blundon  
Board Secretary

**Newfoundland and Labrador Hydro  
Revised Energy Supply Cost Variance Deferral Account**

This account shall be charged or credited with the Energy Supply cost variance incurred by Hydro on the Island Interconnected System that is in excess of the Cost Variance Threshold in the calendar year.

Variations resulting from both the price and volume of the following thermal generation sources shall be charged or credited to this account:

- Holyrood Combustion Turbine;
- Hardwoods Gas Turbine;
- Stephenville Gas Turbine;
- St. Anthony Diesel Plant; and
- Hawkes Bay Diesel Plant.

Variations resulting from both the price and volume of off-island power purchases, including delivery costs, shall be charged or credited to this account.

Variations resulting from the volume of the following power purchases shall be charged or credited to this account:

- Nalcor Exploits;
- Star Lake;
- Rattle Brook;
- CBPP Cogeneration;
- St. Lawrence wind; and
- Fermeuse wind.

Variations resulting from the price and volume of firm energy power purchases from Corner Brook Pulp and Paper Limited shall be charged or credited to this account.

***Energy Supply costs*** will be determined by the following formula:

$$A + B + C + D + E$$

A = Test Year Thermal Generation Variances resulting from both price and volume;

Where:

$$A = (\text{Actual Thermal Generation Cost} - \text{Test Year Thermal Generation Cost})$$

B = Test Year Off-Island Power Purchase Variances resulting from both price and volume;

Where:

$$B = (\text{Actual Off-Island Power Purchase Cost} - \text{Test Year Off-Island Power Purchase Cost})$$

“Actual Off-Island Power Purchase Cost” shall not include any expenditure related to use of the Labrador-Island Link or use of the Labrador Transmission Assets under the Interim Transmission Funding Agreements.

C = Test Year Power Purchase Variances resulting from volume;

Where:

$$C = (\text{Actual kWh Purchases} - \text{Test Year kWh Purchases}) \times (\text{Test Year Purchase Cost in } \$/\text{kWh})$$

D = Variances based on firm energy purchases from Corner Brook Pulp and Paper Limited (CBPP);

Where:

$$D = (\text{Actual CBPP Power Purchase Cost} - \text{Capacity Assistance Adjustment}) - (\text{Test Year CBPP Firm Energy Power Purchase Cost})$$

“Capacity Assistance Adjustment” shall represent any change in fixed capacity assistance payments as a result of firm energy purchases from CBPP.

E = Fuel costs or savings resulting from the variance in generation at the Holyrood Thermal Generating Facility (Holyrood TGS);

Where:

$$E = F/G \times H$$

F = Holyrood TGS Test Year average annual fuel cost per barrel;

G = Test Year fuel conversion factor (kWh/bbl); and

$$H = [(\text{Test Year kWh Thermal Generation} + \text{Test Year kWh Power Purchases} + \text{Test Year kWh CBPP Firm Energy Purchases}) - (\text{Actual kWh Thermal Generation} + \text{Actual kWh Power Purchases} + \text{Actual kWh CBPP Firm Energy Purchases})] \text{ for all defined sources.}$$

Actual Off-Island Power Purchases shall be based upon delivered kWh, net of transmission losses.

The **Cost Variance Threshold** equals  $\pm$ \$500,000 in a calendar year.

***Disposition of any Balance in this Account***

Hydro shall file an Application for the disposition of any balance in this account with the Board no later than the 31st day of March each year.