

1 Q. (Reference 2017 GRA Volume I, page 1.5) *“Hydro is proposing to establish a*
2 *deferral account, the Off-Island Deferral Account, to include the difference between:*
3 *(i) the actual costs attributable to off-island power purchases, including the cost of*
4 *delivery and (ii) the costs that would have been incurred if that same amount of*
5 *energy had been supplied from the Holyrood Thermal Generating Station based on*
6 *the approved Test Years unit cost of No. 6 fuel.”* Has Hydro ever established such an
7 account in the past?

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10 A. The proposed Off-Island Purchases Deferral Account is consistent with previous
11 Board decisions regarding deferral accounts. See excerpt from Order No. P.U.
12 49(2016) with respect to the implementation of deferral accounts.

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14 *The approval of supply related cost deferral and recovery*
15 *mechanisms is common practice in regulatory jurisdictions across*
16 *Canada. Both Hydro and Newfoundland Power have such*
17 *mechanisms. Hydro’s RSP provides for the deferral and recovery of*
18 *variances associated with production at the Holyrood thermal*
19 *generating station, including fuel price, hydrology and load.*
20 *Newfoundland Power also has a Rate Stabilization Account. In*
21 *addition over the years numerous other deferral accounts have been*
22 *approved for both utilities.*

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24 *In appropriate circumstances deferral accounts are sound regulatory tools to*
25 *address earnings volatility associated with certain costs outside of the*
26 *utility’s control. In the Board’s view deferral accounts can contribute to a*

1 *stable and predictable regulatory environment to the benefit of both the*
2 *utility and its customers.*¹

¹ Source: Page 115 of Order No. 49(2016).