

1 Q. (Application for Approval to Defer the 2015, 2016 and 2017 Balances in the Isolated  
2 Systems Supply Cost Variance Deferral Account, the Energy Supply Cost Variance  
3 Deferral Account and the Holyrood Conversion Rate Deferral Account, April 13,  
4 2018 Letter to the Board) Based on Hydro's forecast of funds expected to  
5 accumulate in the proposed Off-Island Purchases Deferral Account through 2020,  
6 how much would the rate increase needed on January 1, 2021 be reduced in  
7 percent if all of the forecast balance in the proposed Off-Island Purchases Deferral  
8 Account were applied to reduce the revenue requirement needed in 2021? How  
9 much would the rate increase needed on January 1, 2019 be reduced in percent if  
10 all of the forecast balance in the proposed Off-Island Purchases Deferral Account at  
11 year-end 2020 were applied to reduce the revenue requirement needed in 2019?  
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14 A. 2021 Rate Impact

15 Hydro does not have the detailed 2021 revenue requirement required to provide a  
16 response to this request for information. For context, Hydro notes that every \$65  
17 million in revenue requirement results in approximately 1 cent/kWh impact on the  
18 end consumer.  
19

20 2019 Rate Impact

21 Based on response to IC-NLH-203, Hydro is forecasting a credit balance of \$13.4  
22 million in the Off-Island Purchases Deferral Account at the end of 2018. The credit  
23 balance is projected to increase to \$91.3 million at the end of 2019 and further  
24 increase to \$172.7 million at the end of August 2020.  
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26 The question appears to be requesting what rate increase would be needed if  
27 Hydro applied a \$172.7 million credit of funds (of which \$159.3 million has not yet

1 accumulated in the Off-Island Purchases Deferral Account) to reduce its 2019 Test  
2 Year Revenue Requirement under the proposed Deferral Account Scenario.

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4 To implement this scenario, Hydro would be required to borrow approximately  
5 \$150 million in early 2019 to fund the single year revenue requirement credit. This  
6 would result in Hydro incurring additional financing costs in 2019 and providing a  
7 material customer rate *decrease* in 2019. A material customer rate *increase* would  
8 then be required on January 1, 2020 to conclude the refund of \$172.7 million  
9 provided in 2019, as disposition of all forecast net savings from off-island purchases  
10 would have occurred. A further rate increase would still be required in September  
11 2020 reflecting the full commissioning of the Muskrat Falls Project with no funds  
12 being available in the Off-Island Purchases Deferral Account for rate mitigation.