

1 Q. **(2018 Cost Deferral and Interim Rates Application, Revision 2)** Paragraph 20 of the  
2 Application states *“The recovery of the balance in the Revised Energy Supply Cost*  
3 *Variance Deferral Account is subject to a further order of the Board, originally*  
4 *included in Hydro’s March 22, 2018 filing in compliance with Order No. P.U. 2(2018),*  
5 *has been amended to clearly indicate that the O&M Costs for the LIL and the LTA*  
6 *will not be charged to this account.”* Do the rates included in the Application reflect  
7 Hydro’s best estimate of its cost to supply Island customers? Is it Hydro’s  
8 expectation that the funds accumulating in the Revised Energy Supply Cost Variance  
9 Deferral Account will be close to zero at the end of 2019 and beyond, and that  
10 there is an equal probability that rates will under- or over-collect revenues in the  
11 2019 Test Year and beyond?

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14 A. As of the filing of Hydro’s 2018 Cost Deferral and Interim Rates Application on  
15 October 26, 2018, all information and forecasts reflected the best information  
16 Hydro had at that time, including forecasted rates as well as supply costs. At that  
17 time, there were no forecast transfers to Hydro’s supply cost deferral accounts  
18 resulting from 2018 or 2019 activities with respect to off-island purchases.  
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20 Hydro has provided updated projections of off-island purchases for 2018 and 2019  
21 in response to PUB-NLH-176. Hydro has assumed that variances from the forecast  
22 savings from off-island power purchases reflected in its October 26, 2018 filing will  
23 be accounted for through the Revised Energy Supply Cost Variance Deferral Account  
24 for future recovery from customers. The response to PUB-NLH-176 also provides  
25 estimates of the transfers to the Revised Energy Supply Cost Variance Deferral  
26 Account as a result of variances from forecast off-island power purchases for 2018  
27 and 2019.