Q. **Re: Section 6.2, page 6.3**

Citation:

The existing supply cost deferral accounts will not capture savings that may result from off island power purchases. (Note 6: Supply cost variances as a result of variability in power purchases are dealt with through the ESCVA. However, the existing terms of the ESCVA identifies each source of purchase to be used in computing the cost deferral. Off-island power purchases are not included in the current ESCV Account definition. Therefore, the Holyrood No. 6 fuel savings from off-island power purchases will not flow to the ESCVA. Off-island power purchases will also impact the Holyrood fuel conversion rate and the balance to be recovered from customers.) Under the current mechanics of Hydro's existing supply cost deferral accounts, savings related to off-island power purchases would result in increased earnings to Hydro.

Preamble:

It is apparently because off-island power purchases are not included in the current ESCV Account definition that savings related to off-island power purchases would result in increased earnings to Hydro, instead of being passed on to customers.

Please:

a) confirm or correct the statement in the Preamble;

b) confirm that, if the terms of the ESCVA were amended to include off-island purchases, savings related to off-island power purchases could be passed on to customers; and

c) indicate whether not the PUB has jurisdiction to amend the ESCVA.

A. a) Please refer to Hydro's response to NP-NLH-114 for an explanation as to why Hydro is proposing a stand-alone deferral account for savings achieved in relation to off-island power purchases rather than including them in the Energy Supply Cost Variance Account (ESCVA).

b) Please refer to Hydro's responses to part a).

c) Both the modification of the ESCVA and the approval of the proposed Off-Island Purchases Deferral are within the jurisdiction of the Board.