

1 Q. Evidence on Customer Rates, Revision 2 – November 14, 2018, Schedule 1, Page
2 10 of 81, Table 3: Projected Net Savings from Off-Island Purchases (\$000s).

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4 Please provide a reconciliation of any difference between the No. 6 Fuel Savings
5 shown in *Table 3: Projected Net Savings from Off-Island Purchases* and the savings
6 reflected in the comparison of the original and updated No. 6 Fuel Production Cost
7 requested in Request for Information NP-NLH-339. In the response, please describe
8 why it is appropriate to describe the net savings from off-island purchases in terms
9 of No. 6 Fuel Savings and not include savings in Gas Turbine/ Diesel Production
10 Cost.

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12

13 A. Please refer to Hydro’s response to NP-NLH-339 for the requested No. 6 fuel savings
14 reconciliation.

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16 Hydro considers it appropriate to value the savings associated with off-island
17 energy deliveries at the Test Year cost of No. 6 fuel because the deliveries over the
18 Labrador-Island Link are forecast to displace Test Year base load generation from
19 the Holyrood Thermal Generating Station.

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21 Off-island purchases can also be used to reduce gas turbine operation when
22 technically and economically possible. Should off-island power purchases result in a
23 reduction of actual gas turbine fuel expense relative to Hydro’s Test Year forecasts,
24 the savings in excess of the Test Year Holyrood fuel cost will be reflected in the
25 balance of the Revised Energy Supply Cost Variance Deferral Account.¹

¹ Balances to be refunded to/recovered from customers are net of the \$500,000 deadband reflected in the deferral account definition.