

1 Q. Application for Deferral of 2015, 2016 and 2017 Supply Costs, Schedule 1, page 29:
2 Hydro states that the Isolated Systems Deferral is proposed to refund
3 approximately \$3.3 million to customers as a result of lower than forecasted diesel
4 fuel prices and power purchases in isolated communities.

5

6 Hydro's Interim Rates Application, Schedule 1- Evidence (Revision 1 – April 20,
7 2018), page 11, states, in relation to wholesale interim rates that it is proposing the
8 recovery of \$65.4 million in deferred supply costs.

9

10 Which customers does Hydro propose to refund/charge the balances in the Isolated
11 Systems Supply Cost Variance Deferral Account? Please explain the implications of
12 government directives with respect to rates and the Rural Deficit on the isolated
13 systems for the recovery from customers of positive and negative balances in the
14 Isolated Systems Supply Cost Variance Deferral Account.

15

16

17 A. Hydro proposes refunding the Isolated Systems Supply Cost Variance Deferral
18 Account consistent with existing Rural Deficit Allocation methodology by use of the
19 Rural Rate Adjustment in the Rate Stabilization Plan. This would result in
20 approximately 96% of the refund being allocated to Newfoundland Power, and the
21 remainder allocated to Labrador Hydro Rural Interconnected Customers.¹

22

23 Legislation prevents the Rural Deficit from being recovered from Industrial

24 Customers. Hydro's position is that the proposed approach would be consistent

¹ Based on the 2019 Test Year in Hydro 2017 GRA filing, 96% is allocated for recovery from Newfoundland Power and 4% is allocated to Hydro Rural Labrador Interconnected. Amounts allocated to Labrador Interconnected customers between test years are written off against Hydro's net income.

- 1 with existing government directives as well as the established RSP Rules for dealing
- 2 with changes in Hydro Rural revenues that result from flowing through
- 3 Newfoundland Power retail rate changes between test years.