

1 Q. **2018 Cost Deferral and Interim Rates Evidence - Revision 2, November 14, 2018**
2 Further to PUB-NLH-175 and Table 1, Evidence, Schedule 1, page 7 of 81 - Provide
3 revised Tables 1, 2 and 3 to reflect the current forecast of off-island purchases for
4 2018, a revised forecast of off-island purchases for 2019 if required, and updated
5 net savings for 2018 and 2019. Also provide an estimate of the costs forecast to be
6 deferred in 2018 and 2019 in the Energy Supply Cost Variance Account resulting
7 from the changes in off-island purchases provided in the response to this question.

8
9

10 A. Subsequent to the filing of the 2018 Cost Deferral and Interim Rates Application on
11 November 27, 2018, Tacora Resources announced that it had secured sufficient
12 financing to restart the Scully Mine in Labrador West.¹ Based upon this new
13 information, Hydro estimates that 2019 energy deliveries over the Labrador-Island
14 Link (“LIL”) could be reduced by approximately 30 GWh from what was included in
15 the October 26, 2018 filing. Hydro has also updated its 2018 forecast to reflect its
16 most current estimates.

17

18 The following updated Tables 1, 2, and 3 assume a reduction of 30 GWh over the LIL
19 in calendar year 2019, as well as updated 2018 figures reflecting an updated
20 estimate of Hydro’s 2018 off-island power purchases.

¹ <https://www.tacoraresources.com/wp-content/uploads/2018/11/Press-Release-Tacora-Announces-funding-to-restart-Scully-Mine-20181127....pdf>

Table 1: Expected Supply from Off-Island Purchases (GWh)

Supply Source	As Filed		Updated	
	2018	2019	2018	2019
Recapture Energy	69	667	53	637
Other Off-Island Purchases	83	49	56	49
Total	152	716	109	686

Table 2: Projected Cost of Supply from Off-Island Purchases (\$000)²

Supply Source	As Filed		Updated	
	2018	2019	2018	2019
Recapture Energy	219	1,537	165	1,475
Other Off-Island Purchases	7,316	4,582	4,490	4,582
Total	7,535	6,119	4,656	6,057

Table 3: Projected Net Savings from Off-Island Purchases (\$000)

Particulars	As Filed		Updated	
	2018	2019	2018	2019
No. 6 Fuel Savings	18,342 ³	113,578	12,142	108,794
Less: Projected Costs of Off-Island Purchases	(7,535)	(6,119)	(4,656)	(6,057)
Total	10,808	107,460	7,486	102,737

- 1 Table 3 shows that Hydro's most current forecast indicates a reduction in off-island
2 purchases of 43 GWh from the October forecast for 2018 and a 30 GWh reduction

² The Energy Supply Cost Variance Deferral Account excludes LIL and LTA costs and expenditures. In Board Order P.U. 47(2018), the Board approved the Muskrat Falls Pre-Commissioning Costs Deferral Account which would include the costs, expenditures and payments incurred under the Interim Transmission Funding Agreement.

³ Upon further review, 2018 No. 6 fuel savings as filed should have been presented as \$17.353 million, with the total being revised to \$9.818 million.

1 for 2019. Table 3 also shows a reduction in net savings from off-island purchases of
2 \$2.3 million in 2018⁴ and \$4.7 million in 2019.⁵

3

4 If Hydro's Test Year forecasts are not updated to reflect the decreased energy over
5 the LIL, there would be a transfer to the Revised Energy Supply Cost Variance
6 Deferral Account (for future recovery from customers) of approximately \$1.6
7 million in 2018⁶ and \$4.7 million in 2019.

⁴ Using the corrected figures for 2018, \$7.486 million – \$9.818 million = (\$2.3 million).

⁵ \$102.737 million – \$107.460 million = (\$4.723 million).

⁶ The difference of approximately \$0.7 million is as a result of the calculation of fuel savings on a monthly versus annual basis. This difference will be addressed through Hydro's compliance application.