

1 Q. Reference: Hydro's 2015 & 2016 Supply Cost Recovery Application Evidence,
2 October 11, 2017, Page 17. Hydro states:

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4 *"In addition, Hydro's proposal is consistent with past practice of the Board as noted*
5 *in Board Order No. P.U. 8(2007)."*

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7 Please explain why Hydro has not proposed a transfer from the RSP hydraulic
8 balance, as approved in Order No. P.U. 8 (2007).

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11 A. Approval of a transfer of funds from the Rate Stabilization Plan (RSP) Hydraulic
12 balance would reduce the balance in the supply cost deferral accounts to be
13 recovered from customers. However, transferring funds from the RSP Hydraulic
14 Variation Account does not provide a mechanism for recovery of the remaining
15 balance owing from customers.

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17 As there is no recovery mechanism in place to deal with the remaining portion to be
18 recovered from customers, Hydro is proposing to utilize the RSP Hydraulic Variation
19 Account to provide an amortization period for recovery of the remaining balance
20 from customers. The amortization through the RSP Hydraulic Variation Account
21 reduces the immediate customer impact of a proposal for full recovery in a single
22 year (which is an option through transfers to the RSP Current Plan balances).

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24 An alternative to Hydro's proposal is to set aside the supply cost deferral amount as
25 a segregated balance in the RSP and define an amortization period for recovery
26 through the RSP Current Plan balances. Hydro proposed the use of the RSP

1 Hydraulic Variation Account rather than the creation of a separate account balance
2 within the RSP as it is an administratively simpler approach.

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4 Another alternative would be to establish a separate recovery mechanism to deal
5 with the annual disposition of supply cost recovery balances. Given that Hydro's
6 recovery of annual supply cost variances will be subject to review prior to the
7 implementation of customer rates to recover the additional costs resulting from the
8 commissioning of the Muskrat Falls Project, Hydro does not believe it is practical to
9 implement an additional recovery mechanism at this time.