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January 25, 2023

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Cheryl Blundon
Director of Corporate Services and Board Secretary

Re: Supply Cost Variance Deferral Account Monthly Report

Further to correspondence from the Board of Commissioners of Public Utilities accompanying Board Order No. P.U. 4(2022),¹ please find enclosed Newfoundland and Labrador Hydro's report on the activity and balance of the Supply Cost Variance Deferral Account to the end of December 2022.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

Encl.

ecc:

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¹ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 4(2022), Board of Commissioners of Public Utilities, February 21, 2022.

Supply Cost Variance Deferral Account Report (Unaudited)

December 2022

January 25, 2023

A report to the Board of Commissioners of Public Utilities



**Supply Cost Variance Deferral Account
 Summary
 December 31, 2022**

	Supply Cost Variance Deferral Account Balance^{1,2} (\$)	Utility Balance (\$)	Industrial Balance (\$)	Total to Date (\$)
	(from page 2)	(from page 3)	(from page 4)	
Opening Balance	18,989,681	(729,396)	-	18,260,285
Adjustment ^{1,3}	(1,263,179)	(123,374)	-	(1,386,553)
Adjusted Opening Balance	17,726,502	(852,770)	-	16,873,732
January	34,259,161	(1,703,067)	-	32,556,094
February	56,309,399	(2,433,486)	-	53,875,913
March	78,810,697	(3,240,286)	-	75,570,411
April	76,182,112	(3,784,567)	-	72,397,545
May	102,265,091	(4,152,419)	-	98,112,672
June	123,274,718	(4,309,654)	-	118,965,064
July	136,722,125	(4,344,604)	-	132,377,521
August	155,244,173	(4,495,624)	-	150,748,549
September	170,009,759	(5,384,218)	-	164,625,541
October	189,273,151	(4,602,990)	-	184,670,161
November	198,891,673	(5,145,040)	-	193,746,633
December	191,631,409	(5,784,457)	-	185,846,952

¹ In August 2021, Nalcor Energy ("Nalcor") commenced delivery of the Nova Scotia Block that, combined with limited Labrador-Island Link ("LIL") capacity, meant Newfoundland and Labrador Hydro ("Hydro") could not be delivered as much energy from the Muskrat Falls Hydroelectric Generating Facility as it would otherwise. Nalcor committed to indemnify Hydro for any damages suffered as a result of this reduction in deliveries including compensating Hydro for incremental costs of fuel and/or imports over the Maritime Link. The opening adjustment and 2022 balances reflect adjustments to the calculation to eliminate incremental costs incurred by Hydro as a result of reduced deliveries.

² Prior monthly balances may reflect immaterial adjustments.

³ There was a correction to the volume calculation for November and December 2021 Rural Rate Alteration, which is reflected as an adjustment to the opening balance for 2022, totalling \$0.1 million.

Supply Cost Variance Deferral Account Report for December 2022 (Unaudited)

Supply Cost Variance Deferral Account
Section A - Summary
December 31, 2022

	Project Cost Recovery Rider			Load Variation			Financing Charges			Cumulative Net Balance (\$)	
	Muskat Falls Project Cost Variance (\$)	Rate Mitigation Fund (\$)	Muskat Falls Fuel Cost Variance ¹ (\$)	Utility ¹ (\$)	Industrial (\$)	Greenhouse Gas Credit Revenue Variance ⁵ (\$)	Subtotal Monthly Variances (\$)	Utility ⁶ (\$)	Other ⁶ (\$)		Transfers (\$)
Opening Balance	39,876,511	-	-	10,532,226	2,485,599	(3,096,317)	18,998,037	-	(8,356)	-	18,989,681
Adjustment ³	-	-	(1,391,304)	-	-	-	(1,261,500)	-	(1,679)	-	(1,263,179)
Adjusted Opening Balance	39,876,511	-	(28,270,864)	10,532,226	2,485,599	(3,096,317)	17,736,537	-	(10,035)	-	17,726,502
January	32,631,191	-	(23,368,762)	9,116,758	1,182,038	-	16,505,705	-	26,954	-	34,259,161
February	32,657,316	-	(13,691,346)	8,443,002	976,640	-	21,998,145	-	52,093	-	56,309,399
March ⁷	17,324,542	-	11,036,359	2,224,383	1,163,972	-	22,415,677	-	85,621	-	78,810,697
April ⁸	(9,535,425)	-	2,145,366	4,892,177	1,459,257	-	(2,748,421)	-	119,836	-	76,182,112
May	21,568,529	-	3,510,574	2,386,638	1,226,502	-	25,967,140	-	115,839	-	102,265,091
June	20,977,982	-	(3,108,712)	3,702,433	1,132,808	-	20,854,128	-	155,499	-	123,274,718
July	21,035,577	-	176	2,954,154	1,489,533	(8,460,392)	13,259,961	-	187,446	-	136,722,125
August	19,910,418	-	(14,910)	417,022	1,327,304	(14,280)	18,314,155	(3,539)	211,432	-	155,244,173
September	19,983,949	-	(6,042,470)	3,553,998	1,394,090	-	14,529,529	(7,157)	243,214	-	170,009,759
October	20,209,764	-	(8,676,820)	13,026,657	1,807,710	(625,010)	19,004,883	(10,736)	269,245	-	189,273,151
November	20,300,032	-	631,826	(5,098,281)	1,269,224	-	9,330,722	(4,886)	302,686	-	198,891,673
December ⁹	20,606,745	-	547,310	7,399,478	1,380,211	(216,518)	(10,289,776)	(97,323)	3,126,835	-	191,631,409
Year-to-Date	237,670,620	-	(37,031,409)	53,018,419	15,809,289	(9,316,200)	169,141,848	(133,641)	4,896,700	-	173,904,907
Total	277,547,131	-	(65,302,273)	63,550,645	18,294,888	(12,412,517)	186,878,385	(133,641)	4,886,665	-	191,631,409

¹ As per Order No. P.U. 19(2022), the Board of Commissioners of Public Utilities ("Board") approved a Project Cost Recovery Rider of 0.798 cents per kWh that became effective as of July 1, 2022.

² Holyrood Thermal Generating Station ("Holyrood TGS").

³ In August 2021, Nalcor commenced delivery of the Nova Scotia Block that, combined with limited LUL capacity, meant Hydro could not be delivered as much energy from the Muskrat Falls Hydroelectric Generating Facility as it would otherwise. Nalcor committed to indemnify Hydro for any damages suffered as a result of this reduction in deliveries including compensating Hydro for incremental costs of fuel and/or imports over the Maritime Link. The opening adjustment and 2022 balances reflect adjustments to the calculation to eliminate incremental costs incurred by Hydro as a result of reduced deliveries.

⁴ Island Interconnected System ("IIS").

⁵ In July 2022, Hydro sold 230,000 Greenhouse Gas Performance Credits within the province through request for bids (\$7.9 million). As well, Hydro sold 406,412 Renewable Energy Certificates associated with the St. Lawrence Wind and Fermeuse Wind projects and the Granite Canal Hydroelectric Generating Station to external markets through the Energy Marketing Corporation (\$8.6 million).

⁶ For the period January to November, the interest rate applied to the deferral account balance was 1.84% based on the prior year-end rate. In December, the interest expense was true-up for the year based on the short-term interest rate for 2022 of 4.32%. In the calculation of the interest rate to be applied to the account balance for 2022, only a portion of the fixed fees were included due to the lower than anticipated promissory note balances. A detailed calculation of the short-term interest rate will be included in the Quarterly Regulatory Report for the quarter ended December 31, 2022.

⁷ In March 2022, the payments for the Muskrat Falls Power Purchase Agreement ("Muskrat Falls PPA") were adjusted to reflect the financial restructuring of the project, resulting in a revised amount to be transferred to the deferral account of approximately \$20.7 million. The amount for March was further reduced by \$3.4 million primarily due to the adjustment of billed operating costs to actual from November 23, 2021 to March 31, 2022 resulting in a total transfer to the deferral account of \$17.3 million in March.

⁸ In April 2022, Hydro received a credit for \$30.4 million adjusting the payments made under the agreement from November 23, 2021 to February 28, 2022. The credit was applied against the April 2022 invoices, which totalled \$20.9 million, resulting in a credit of \$9.5 million for the month.

⁹ In December, the account is credited with an estimate of net export sales that occurred during the year but the actual settlement value will not be finalized until the first quarter of 2023.

Supply Cost Variance Deferral Account
Section B: Utility Customer Balance
December 31, 2022

	Allocation Rural Rate Alteration ¹ (\$)	Financing Charges ² (\$)	Transfers (\$)	Cumulative Net Balance (\$)
Opening Balance	(729,046)	(350)	-	(729,396)
Adjustments	(123,374)	-	-	(123,374)
Adjusted Opening Balance³	(852,420)	(350)	-	(852,770)
January	(849,000)	(1,297)	-	(1,703,067)
February	(727,829)	(2,590)	-	(2,433,486)
March	(803,100)	(3,700)	-	(3,240,286)
April	(539,354)	(4,927)	-	(3,784,567)
May	(362,097)	(5,755)	-	(4,152,419)
June	(150,921)	(6,314)	-	(4,309,654)
July	(28,397)	(6,553)	-	(4,344,604)
August	(144,414)	(6,606)	-	(4,495,624)
September	(881,758)	(6,836)	-	(5,384,218)
October ⁴	789,415	(8,187)	-	(4,602,990)
November	(535,051)	(6,999)	-	(5,145,040)
December	(540,862)	(98,555)	-	(5,784,457)
Year-to-Date	(4,773,368)	(158,319)	-	(4,931,687)
Total	(5,625,788)	(158,669)	-	(5,784,457)

¹ The Rural Rate Alteration is allocated between Utility and Labrador Interconnected customers in the same proportion that the rural deficit was allocated in the approved 2019 Cost of Service Study, which is 96.1% and 3.9%, respectively. The Labrador Interconnected amount is then removed from the plan and written off to net income (loss).

Monthly balances reflect immaterial adjustments.

The only transactions posted to the Utility's Customer Balance is Newfoundland Power's allocation of Rural Rate Alteration and associated interest until further approval is obtained from the Board.

² For the period January to November, the interest rate applied to the deferral account balance was 1.84% based on the prior year-end rate. In December, the interest expense was trueed-up for the year based on the short-term interest rate for 2022 of 4.32%. In the calculation of the interest rate to be applied to the account balance for 2022 only a portion of the fixed fees were included due to the lower than anticipated promissory note balances. A detailed calculation of the short-term interest rate will be included in the Quarterly Regulatory Report for the quarter ended December 31, 2022.

³ There was a correction to the volume calculation for November and December 2021 Rural Rate Alteration that is reflected as an adjustment to the opening balance for 2022.

⁴ October activity includes an adjustment to the volume variation for September of \$0.8 million related to a correction to the rural revenue accrual.

Supply Cost Variance Deferral Account
Section B: Industrial Customers Balance¹
December 31, 2022

	Financing Charges (\$)	Transfers (\$)	Cumulative Net Balance (\$)
Opening Balance	-	-	-
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	-	-	-
Year-to-Date	-	-	-
Total	-	-	-

¹No transactions will be applied to this balance until further approval is obtained from the Board.