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February 8, 2024

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

Attention: Jo-Anne Galarneau
Executive Director 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 2023.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

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

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 2023

February 8, 2024

A report to the Board of Commissioners of Public Utilities



**Supply Cost Variance Deferral Account
Summary
December 31, 2023**

	Supply Cost Variance Deferral Account Balance ^{1,2,3,4} (\$) (from page 2)	Utility Balance ⁴ (\$) (from page 3)	Industrial Balance (\$) (from page 4)	Total to Date (\$)
Opening Balance	196,185,156	(5,784,457)	-	190,400,699
Adjustment	-	-	-	-
Adjusted Opening Balance	196,185,156	(5,784,457)	-	190,400,699
January	207,837,816	(6,394,437)	-	201,443,379
February	192,873,065	(7,482,907)	-	185,390,158
March	20,728,990	(8,241,621)	-	12,487,369
April	56,116,635	(8,651,043)	-	47,465,592
May	105,902,499	(8,987,627)	-	96,914,872
June	157,304,255	(9,325,035)	-	147,979,220
July	216,822,839	(9,598,603)	-	207,224,236
August	126,239,693	(10,012,717)	-	116,226,976
September	155,772,745	(10,312,317)	-	145,460,428
October	212,448,322	(10,668,497)	-	201,779,825
November	249,522,707	(11,617,366)	-	237,905,341
December	283,716,067	(12,444,308)	-	271,271,759

¹ In March 2023, the Government of Newfoundland and Labrador ("Government") provided \$190.4 million for the purpose of mitigating projected future customer rate increases that would be required to recover net supply costs incurred.

² In 2022, as part of the Government's rate mitigation plan, Newfoundland and Labrador Hydro ("Hydro"), the Government and the Government of Canada signed term sheets enabling access, upon commissioning of the Labrador-Island Link ("LIL"), to a \$1.0 billion investment by the Government of Canada in the LIL in the form of a convertible debenture. On August 15, 2023, the first drawing on the convertible debenture of \$144.7 million was received by LIL (2021) Limited Partnership, and on August 28, 2023, the funds were transferred to Hydro for the purpose of rate mitigation, reducing the balance in the Supply Cost Variance Deferral Account.

³ Balances in this report reflect the true-up of initial estimates made throughout the year relating to the elimination of incremental costs for fuel and/or imports over the Maritime Link as a result of delivery of the Nova Scotia Block. All balances reported as at December 31, 2023 reflect final actual incremental cost eliminations. Refer to footnote 7 on page 2.

⁴ For the period January to November 2023, the interest rate applied to the Supply Cost Variance Deferral Account balance was 4.32%, based on the prior year-end rate. In December 2023, the interest expense was trueed-up for the year, based on the short-term interest rate for 2023 of 5.72%. A detailed calculation of the short-term interest rate will be included in the Quarterly Regulatory Report for the Quarter Ended December 31, 2023.

Supply Cost Variance Deferral Account Report for December 2023 (Unaudited)

**Supply Cost Variance Deferral Account
Section A - Summary
December 31, 2023**

	Muskat Falls Project Cost Variance ²		Rate Mitigation Fund ^{3,4}		Project Cost Recovery Rider		Holyrood TGS ⁵ Fuel Cost Variance ⁷		Other IIS ⁸ Supply Cost Variance ⁷		Net Revenue From Exports Variance ⁹		Transmission Tariff Revenue Variance ⁹		Load Variation		Greenhouse Gas Credit Revenue Variance ¹⁰		Subtotal Monthly Variances		Financing Charges ¹		Cumulative Net Balance (\$) (to page 1)
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
Opening Balance	277,547,131	-	-	-	-	-	(65,302,273)	(28,114,785)	(33,075,710)	(10,113,160)	63,550,645	18,294,888	(12,412,517)	191,432,132	(133,641)	4,886,665	-	-	-	-	-	-	196,185,156
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Opening Balance	277,547,131	-	-	-	-	-	(65,302,273)	(28,114,785)	(33,075,710)	(10,113,160)	63,550,645	18,294,888	(12,412,517)	191,432,132	(133,641)	4,886,665	-	-	-	-	-	-	196,185,156
January	19,795,154	-	(5,134,003)	-	(5,134,003)	-	(16,202,730)	(812,794)	(499,872)	(862,075)	13,086,281	1,367,244	3,962	10,741,167	(88,007)	999,500	-	-	-	-	-	-	207,837,816
February	19,400,443	-	(5,471,265)	-	(5,471,265)	-	(17,752,133)	(4,643,889)	(385,775)	(1,179,438)	(6,743,241)	1,080,034	(235,119)	(15,930,383)	(111,860)	1,077,492	-	-	-	-	-	-	192,873,065
March	20,390,107	(190,404,321)	(5,338,713)	-	(5,338,713)	-	11,674,220	(5,025,833)	(343,485)	(1,107,140)	(4,180,062)	1,295,997	(950)	(173,040,180)	(137,280)	1,033,385	-	-	-	-	-	-	20,728,990
April	40,844,451	-	(4,335,837)	-	(4,335,837)	-	2,992,153	(951,082)	(146,610)	(1,534,710)	(2,840,629)	1,263,600	-	(162,084)	(162,084)	258,393	-	-	-	-	-	-	56,116,635
May	59,641,132	-	(3,591,165)	-	(3,591,165)	-	(1,095,680)	(725,657)	(110,345)	(1,498,412)	(5,144,457)	2,049,725	(180,887)	(180,887)	(182,228)	442,951	-	-	-	-	-	-	105,902,499
June	60,819,151	-	(2,949,492)	-	(2,949,492)	-	(3,102,773)	(71,781)	(41,093)	(1,498,023)	(4,434,173)	2,368,795	(180,887)	(180,887)	(198,913)	690,945	-	-	-	-	-	-	157,304,255
July	61,225,265	-	(2,449,926)	-	(2,449,926)	-	(138,368)	(654)	(68,528)	(1,498,023)	161,981	1,947,549	(180,887)	(180,887)	(212,617)	943,466	-	-	-	-	-	-	216,822,839
August	56,198,307	(144,700,000)	(2,400,596)	-	(2,400,596)	-	(654)	(474,663)	(71,846)	(1,498,023)	(59,310)	1,414,565	(180,887)	(180,887)	(223,999)	1,231,376	-	-	-	-	-	-	126,239,693
September	60,909,116	-	(2,467,140)	-	(2,467,140)	-	(6,540,541)	(1,107,382)	(81,876)	(1,498,023)	969,035	1,272,044	(180,887)	(180,887)	(235,153)	821,673	-	-	-	-	-	-	155,772,745
October	60,823,046	-	(3,093,106)	-	(3,093,106)	-	(4,254,770)	(2,164,312)	(109,625)	(1,498,023)	4,739,733	1,508,835	(180,887)	(180,887)	(246,615)	970,348	-	-	-	-	-	-	212,448,322
November	59,216,366	-	(4,424,036)	-	(4,424,036)	-	(5,332,555)	(1,727,587)	(464,203)	(1,498,023)	(10,697,456)	1,180,513	(180,887)	(180,887)	(165,687)	1,248,039	-	-	-	-	-	-	249,522,707
December ¹¹	58,227,348	-	(5,093,581)	-	(5,093,581)	-	(9,136,964)	(2,356,175)	(13,171,948)	(1,498,023)	4,687,782	1,371,907	(180,887)	(180,887)	(281,541)	1,440,845	-	-	-	-	-	-	283,716,067
Year-to-Date	577,489,886	(335,104,321)	(46,748,860)	-	(46,748,860)	-	(48,890,795)	(20,453,370)	(15,495,206)	(16,667,936)	(10,454,496)	18,120,808	(23,081,929)	(23,081,929)	(2,341,283)	11,158,413	-	-	-	-	-	-	87,530,911
Total	855,037,017	(335,104,321)	(65,690,947)	-	(65,690,947)	-	(114,193,068)	(48,568,155)	(48,570,916)	(26,781,096)	53,096,149	36,415,696	(35,494,446)	(35,494,446)	(2,474,924)	16,045,078	-	-	-	-	-	-	283,716,067

¹ For the period January to November 2023, the interest rate applied to the Supply Cost Variance Deferral Account balance was 4.32%, based on the prior year-end rate. In December 2023, the interest expense was trued-up for the year, based on the short-term interest rate for 2023 of 5.72%. A detailed calculation of the short-term interest rate will be included in the Quarterly Regulatory Report for the Quarter Ended December 31, 2023.

² The UL was commissioned on April 14, 2023 and Hydro began making payments under the Transmission Funding Agreement.

³ In March 2023, the Government provided \$190.4 million for the purpose of mitigating projected future customer rate increases that would be required to recover net supply costs incurred.

⁴ In 2022, as part of the Government's rate mitigation plan, Hydro, the Government, and the Government of Canada signed term sheets enabling access, upon commissioning of the L.L. to a \$1.0 billion investment by the Government of Canada in the UL in the form of a convertible debenture. On August 15, 2023, the first drawing on the convertible debenture of \$144.7 million was received by UL (2021) Limited Partnership and on August 28, 2023, the funds were transferred to Hydro for the purpose of rate mitigation, reducing the balance in the Supply Cost Variance Deferral Account.

⁵ As per Order No. P.U. 19(2022), the Board of Commissioners of Public Utilities ("Board") approved a Project Cost Recovery Rider that became effective as of July 1, 2022. There is no change to the Project Cost Recovery Rider effective July 1, 2023, as per Board Order No. P.U. 15(2023).

⁶ Holyrood Thermal Generating Station ("Holyrood TGS").

⁷ In 2022, Nalcor Energy ("Nalcor") commenced delivery of the Nova Scotia Block that, combined with limited UL 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 2023 balances reflect adjustments to the calculation to eliminate incremental costs incurred by Hydro as a result of reduced deliveries. The balances in this report reflect the true-up of initial estimates of incremental costs made throughout the year. All balances reported as at December 31, 2023 reflect final actual incremental cost eliminations.

⁸ Island Interconnected System ("IIS").

⁹ Effective June 1, 2023, Hydro assigned its long-term transmission rights, including associated payment obligations, to Energy Marketing for a period of ten years. Energy Marketing has been paying all costs associated with these rights under an interim agreement for the month of May 2023, since Hydro's long-term rights commenced on May 1, 2023, following commissioning of the UL in April 2023.

¹⁰ In September 2023, Hydro sold 493,536 Greenhouse Gas Performance Credits within the province for \$22.5 million through a request for bids.

¹¹ In December 2023, the account included a true-up of the actual settlement of 2022 net export sales under the Muskrat Falls Power Purchase Agreement as compared to the estimate included in December 2022. Also included in December 2023, is an estimate of net export sales that occurred during 2023; the actual settlement value will not be finalized until the first quarter of 2024.

Supply Cost Variance Deferral Account
Section B: Utility Customer Balance
December 31, 2023

	Allocation Rural Rate Alteration ¹ (\$)	Financing Charges ² (\$)	Transfers (\$)	Cumulative Net Balance (\$) (to page 1)
Opening Balance	(5,625,788)	(158,669)	-	(5,784,457)
Adjustments	-	-	-	-
Adjusted Opening Balance	(5,625,788)	(158,669)	-	(5,784,457)
January	(583,105)	(26,875)	-	(6,394,437)
February	(1,058,761)	(29,709)	-	(7,482,907)
March	(723,948)	(34,766)	-	(8,241,621)
April	(371,131)	(38,291)	-	(8,651,043)
May	(296,391)	(40,193)	-	(8,987,627)
June	(295,651)	(41,757)	-	(9,325,035)
July	(230,243)	(43,325)	-	(9,598,603)
August	(369,518)	(44,596)	-	(10,012,717)
September	(253,080)	(46,520)	-	(10,312,317)
October	(308,268)	(47,912)	-	(10,668,497)
November	(899,302)	(49,567)	-	(11,617,366)
December	(772,967)	(53,975)	-	(12,444,308)
Year-to-Date	(6,162,365)	(497,486)	-	(6,659,851)
Total	(11,788,153)	(656,155)	-	(12,444,308)

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 Customer Balance are Newfoundland Power Inc.'s allocation of the Rural Rate Alteration and associated interest until further approval is obtained from the Board.

² For the period January to November 2023, the interest rate applied to the deferral account balance was 4.32% based on the prior year-end rate. In December 2023, the interest expense was trued-up for the year based on the short-term interest rate for 2023 of 5.72%. A detailed calculation of the short-term interest rate will be included in the Quarterly Regulatory Report for the Quarter Ended December 31, 2023.

Supply Cost Variance Deferral Account
Section B: Industrial Customers Balance¹
December 31, 2023

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

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