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August 24, 2022

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 ("Hydro") report on the activity and balance of the Supply Cost Variance Deferral Account to the end of July 2022.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

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

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 for July 2022 (Unaudited)

August 24, 2022



A report to the Board of Commissioners of Public Utilities

Supply Cost Variance Deferral Account
Summary
July 31, 2022

	Supply Cost Variance	Utility	Industrial	Total
	Deferral Account	Balance	Balance	To Date
	Balance	(\$)	(\$)	(\$)
Opening Balance	18,989,681	(729,396)	-	18,260,285
Adjustment ^{1,2}	(1,263,179)	(123,374)	-	(1,386,553)
Adjusted Opening Balance	17,726,502	(852,770)	-	16,873,732
January	34,376,346	(1,702,118)	-	32,674,228
February	56,447,649	(2,428,860)	-	54,018,789
March	78,951,174	(3,235,471)	-	75,715,703
April	76,332,458	(3,777,764)	-	72,554,694
May	102,440,250	(4,141,033)	-	98,299,217
June	123,456,515	(4,302,167)	-	119,154,348
July	136,942,153	(4,329,830)	-	132,612,323
August				
September				
October				
November				
December				

¹ 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.

² 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 by compensating Hydro for incremental costs of fuel and/or imports over the Maritime Link. The opening adjustment is the result of refining the calculation to identify incremental costs as a result of these reduced deliveries.

Supply Cost Variance Deferral Account
Section A: Summary
July 31, 2022

Muskat Falls Project Cost	Rate Mitigation Fund	Project Cost Recovery		Holyrood TGS ²		Other IIS ³ Supply Cost		Net Revenue From Exports		Transmission Tariff Revenue		Load Variation		Greenhouse Gas Credit Revenues		Subtotal Monthly		Financing Charges			Cumulative Net Balance (\$)
		Utility ¹	Industrial	Fuel Cost	Variance	Variance	Variance	Variance	Variance	Variance	Variance	Variance	Variance	Variance	Variance	Variance	Utility	Other	Transfers		
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Opening Balance	39,876,511	-	-	-	(26,879,560)	(3,220,124)	(3,220,124)	(700,298)	10,532,226	2,485,599	-	-	2,485,599	(3,096,317)	18,998,037	-	(8,356)	-	-	18,989,681	
Adjustment ⁵	-	-	-	(1,391,304)	-	129,804	129,804	-	-	-	-	-	-	-	(1,261,500)	-	(1,679)	-	-	(1,263,179)	
Adjusted Opening Balance	39,876,511	-	-	(28,270,864)	-	(3,090,320)	(3,090,320)	(700,298)	10,532,226	2,485,599	-	-	2,485,599	(3,096,317)	17,736,537	-	(10,035)	-	-	17,726,502	
January	32,631,191	-	-	(23,253,578)	(2,235,242)	(2,235,242)	(2,235,242)	(818,277)	9,116,758	1,182,038	-	-	1,182,038	-	16,622,890	-	26,954	-	-	34,376,346	
February	32,657,316	-	-	(13,670,459)	(3,683,542)	(3,683,542)	(3,683,542)	(970,188)	8,443,002	976,640	-	-	976,640	-	22,019,032	-	52,271	-	-	56,447,649	
March ⁶	17,324,542	-	-	11,038,375	(6,506,569)	(6,506,569)	(6,506,569)	(303,488)	2,224,383	1,163,972	-	-	1,163,972	-	22,417,693	-	85,832	-	-	78,951,174	
April ⁷	(9,535,425)	-	-	2,154,738	(539,120)	(539,120)	(539,120)	(327,464)	4,892,177	1,459,257	-	-	1,459,257	-	(2,738,765)	-	120,049	-	-	76,332,458	
May	21,568,529	-	-	3,532,182	(1,063,789)	(1,063,789)	(1,063,789)	(807,072)	2,386,638	1,226,502	-	-	1,226,502	-	25,991,725	-	116,067	-	-	102,440,250	
June	20,977,982	-	-	(3,102,552)	(1,099,851)	(1,099,851)	(1,099,851)	(232,147)	3,702,433	1,132,808	-	-	1,132,808	-	20,860,499	-	155,766	-	-	123,456,515	
July	21,035,577	-	-	-	38,029	(393,243)	(393,243)	(852,559)	2,954,154	1,489,533	-	-	1,489,533	(8,460,392)	13,297,916	-	187,722	-	-	136,942,153	
August	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
September	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
October	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
November	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
December	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Year-to-Date	136,659,712	-	(2,327,264)	-	(23,263,265)	(15,521,356)	(15,521,356)	(5,809,861)	33,719,545	8,630,750	-	-	8,630,750	(8,460,392)	118,470,990	-	744,661	-	-	119,215,651	
Total	176,536,223	-	(2,327,264)	-	(51,534,129)	(18,611,676)	(18,611,676)	(5,809,861)	44,251,771	11,116,349	(5,857,177)	(5,857,177)	11,116,349	(11,556,709)	136,207,527	-	734,626	-	-	136,942,153	

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 Island Interconnected System ("IIS").

⁴ 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 St. Lawrence Wind and Fermeuse Wind projects and the Granite Canal Hydroelectric Generating Station to external markets through the Energy Marketing Corporation (\$0.6 million).

⁵ In August 2021, Nalcor commenced delivery of the Nova Scotia Block that, combined with limited LL 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 is the result of refining the calculation to identify incremental costs as a result of these reduced deliveries.

⁶ 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 2022 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 2022.

⁷ 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, this resulted in a credit of \$9.5 million for the month.

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

	Allocation	Financing	Transfers	Cumulative
	Rural Rate	Charges		Net
	Alteration¹			Balance
	(\$)	(\$)	(\$)	(\$)
Opening Balance	(729,046)	(350)	-	(729,396)
Adjustments	(123,374)	-	-	(123,374)
Adjusted Opening Balance ²	(852,420)	(350)	-	(852,770)
January	(848,051)	(1,297)	-	(1,702,118)
February	(724,154)	(2,588)	-	(2,428,860)
March	(802,918)	(3,693)	-	(3,235,471)
April	(537,373)	(4,920)	-	(3,777,764)
May	(357,525)	(5,744)	-	(4,141,033)
June	(154,837)	(6,297)	-	(4,302,167)
July	(21,121)	(6,542)	-	(4,329,830)
August				
September				
October				
November				
December				
Year-to-Date	(3,445,979)	(31,081)	-	(3,477,060)
Total	(4,298,399)	(31,431)	-	(4,329,830)

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 may change to reflect adjustments.

No other transactions will be applied to this balance until further approval is obtained from the Board of Commissioners of Public Utilities ("Board").

² 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.

Supply Cost Variance Deferral Account
Section B: Industrial Customers Balance¹
July 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	-	-	-

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