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July 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 ("Hydro") report on the activity and balance of the Supply Cost Variance Deferral Account to the end of June 2023.

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 (Unaudited)

June 2023

July 25, 2023

A report to the Board of Commissioners of Public Utilities



**Supply Cost Variance Deferral Account
Summary
June 30, 2023**

	Supply Cost Variance Deferral Account Balance (\$)¹	Utility Balance (\$)	Industrial Balance (\$)	Total to Date (\$)
	(from page 2)	(from page 3)	(from page 4)	
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	207,618,980	(6,387,985)	-	201,230,995
February	192,419,865	(7,469,300)	-	184,950,565
March	20,059,048	(8,219,619)	-	11,839,429
April	55,416,417	(8,619,770)	-	46,796,647
May	105,120,896	(8,946,594)	-	96,174,302
June	155,804,863	(9,273,832)	-	146,531,031
July				
August				
September				
October				
November				
December				

¹ 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.

Supply Cost Variance Deferral Account
Section A: Summary
June 30, 2023

	Muskrat Falls Project Cost Variance ¹ (\$)	Rate Mitigation Fund ² (\$)	Project Cost Recovery Rider		Holyrood TGS ⁴ Fuel Cost Variance ⁵ (\$)	Other IIS ⁶ Supply Cost Variance ⁵ (\$)	Net Revenue From Exports Variance (\$)	Transmission Tariff Revenue Variance (\$)	Load Variation		Greenhouse Gas Credit Revenue Variance (\$)	Subtotal Monthly Variances (\$)	Financing Charges			Cumulative Net Balance (\$) (to page 1)
			Utility ³ (\$)	Industrial (\$)					Utility (\$)	Industrial (\$)			Transfers (\$)			
Opening Balance	277,547,131	-	(18,942,087)	-	(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	-	(18,942,087)	-	(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)	-	(16,202,730)	(812,794)	(499,872)	(862,075)	13,086,281	1,367,244	3,962	10,741,167	(66,877)	759,534	-	207,618,980
February	19,400,443	-	(5,471,265)	-	(17,765,083)	(4,632,696)	(385,775)	(1,179,438)	(6,743,241)	1,080,034	(235,119)	(15,932,140)	(85,004)	818,029	-	192,419,865
March	20,390,107	(190,404,321)	(5,338,713)	-	11,674,220	(5,025,833)	(343,485)	(1,107,140)	(4,180,062)	1,295,997	(950)	(173,040,180)	(104,321)	783,684	-	20,059,048
April	40,844,451	-	(4,335,837)	-	2,987,365	(951,082)	(146,610)	(1,534,710)	(2,840,629)	1,263,600	-	35,286,548	(123,170)	193,991	-	55,416,417
May	59,641,132	-	(3,591,165)	-	(1,111,997)	(725,657)	(110,345)	(1,498,412)	(5,144,457)	2,049,725	-	49,508,824	(138,478)	334,133	-	105,120,896
June	60,819,151	-	(2,949,492)	-	(3,102,773)	(668,681)	(41,093)	(1,498,023)	(4,434,173)	2,368,795	(180,887)	50,312,824	(151,157)	522,300	-	155,804,863
July																
August																
September																
October																
November																
December																
Year-to-Date	220,890,438	(190,404,321)	(26,820,475)	-	(23,520,998)	(12,816,743)	(1,527,180)	(7,679,798)	(10,256,281)	9,425,395	(412,994)	(43,122,957)	(669,007)	3,411,671	-	(40,380,293)
Total	498,437,569	(190,404,321)	(45,762,562)	-	(88,823,271)	(40,931,528)	(34,602,890)	(17,792,958)	53,294,364	27,720,283	(12,825,511)	148,309,175	(802,648)	8,298,336	-	155,804,863

¹ The Labrador-Island Link ("LIL") was commissioned on April 14, 2023; therefore, the balances from April 2023 onward reflect Hydro's payments under both the Muskrat Falls Power Purchase Agreement and the Transmission Funding Agreement.

² 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.

³ 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.

⁴ Holyrood Thermal Generating Station ("Holyrood TGS").

⁵ In 2021, Nalcor Energy ("Nalcor") commenced the delivery of the Nova Scotia Block that, combined with limited 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 2023 balances reflect adjustments to the calculation to eliminate incremental costs incurred by Hydro as a result of reduced deliveries. In May 2023, Hydro received updated estimates for March and April 2023 that were retroactively updated.

⁶ Island Interconnected System ("IIS").

Supply Cost Variance Deferral Account
Section B: Utility Customer Balance
June 30, 2023

	Allocation Rural Rate Alteration ¹ (\$)	Financing Charges (\$)	Transfers (\$)	Cumulative Net Balance (\$) <u>(to page 1)</u>
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)	(20,423)	-	(6,387,985)
February	(1,058,761)	(22,554)	-	(7,469,300)
March	(723,948)	(26,371)	-	(8,219,619)
April	(371,131)	(29,020)	-	(8,619,770)
May	(296,391)	(30,433)	-	(8,946,594)
June	(295,651)	(31,587)	-	(9,273,832)
July				
August				
September				
October				
November				
December				
Year-to-Date	(3,328,987)	(160,388)	-	(3,489,375)
Total	(8,954,775)	(319,057)	-	(9,273,832)

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

Supply Cost Variance Deferral Account
Section B: Industrial Customers Balance¹
June 30, 2023

	Financing Charges (\$)	Transfers (\$)	Cumulative Net Balance (\$)
	<u> </u>	<u> </u>	<u> </u> (to page 1)
Opening Balance	-	-	-
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July			
August			
September			
October			
November			
December			
Year-to-Date	<u> </u> -	<u> </u> -	<u> </u> -
Total	<u> </u> <u> </u> -	<u> </u> <u> </u> -	<u> </u> <u> </u> -

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