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October 25, 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 September 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:

Board of Commissioners of Public Utilities

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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 September 2022 (Unaudited)

October 25, 2022



A report to the Board of Commissioners of Public Utilities

**Supply Cost Variance Deferral Account
Summary
September 30, 2022**

	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	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	(1,703,067)	-	32,673,279
February	56,447,649	(2,433,486)	-	54,014,163
March	78,951,174	(3,240,286)	-	75,710,888
April	76,332,458	(3,784,567)	-	72,547,891
May	102,440,250	(4,152,419)	-	98,287,831
June	123,456,515	(4,309,654)	-	119,146,861
July	136,942,153	(4,344,604)	-	132,597,549
August	155,466,052	(4,495,624)	-	150,970,428
September	170,232,309	(5,384,218)	-	164,848,091
October				
November				
December				

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 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
 Section A: Summary
 September 30, 2022

	Project Cost Recovery Rider			Load Variation			Financing Charges			Cumulative Net Balance (\$)						
	Muskat Falls Project Cost Variance (\$)	Rate Mitigation Fund (\$)	Utility ¹ (\$)	Industrial (\$)	Holyhood TGS ² Fuel Cost Variance ³ (\$)	Other IS ⁴ Supply Variance ³ (\$)	Net Revenue From Exports Variance (\$)	Transmission Tariff Revenue Variance (\$)	Utility (\$)		Industrial (\$)	Greenhouse Gas Credit Revenue Variance ⁵ (\$)	Subtotal Monthly Variances (\$)	Utility (\$)	Other (\$)	Transfers (\$)
Opening Balance	39,876,511	-	-	-	(26,879,560)	(3,220,124)	-	(700,298)	10,532,226	2,485,599	(3,096,317)	18,998,037	-	(8,356)	-	18,989,681
Adjustment ³	-	-	-	-	(1,391,304)	123,804	-	-	-	-	-	(1,261,500)	-	(1,679)	-	(1,263,179)
Adjusted Opening Balance	39,876,511	-	-	-	(28,270,864)	(3,096,320)	-	(700,298)	10,532,226	2,485,599	(3,096,317)	17,736,537	-	(10,035)	-	17,726,502
January	32,631,191	-	-	-	(23,253,578)	(2,235,242)	-	(818,277)	9,116,758	1,182,038	-	16,622,890	-	26,954	-	34,376,346
February	32,657,316	-	-	-	(13,670,459)	(3,683,542)	(1,733,737)	(970,188)	8,443,002	976,640	-	22,019,032	-	52,271	-	56,447,649
March ⁶	17,324,542	-	-	-	11,038,375	(6,506,569)	(2,523,522)	(303,488)	2,224,383	1,163,972	-	22,417,693	-	85,832	-	78,951,174
April ⁷	(9,535,425)	-	-	-	2,154,738	(539,120)	(327,464)	(842,928)	4,892,177	1,459,257	-	(2,738,765)	-	120,049	-	76,332,458
May	21,568,529	-	-	-	3,532,182	(1,063,789)	(807,072)	(851,265)	2,386,638	1,226,502	-	25,991,725	-	116,067	-	102,440,250
June	20,977,982	-	-	-	(3,102,552)	(1,099,851)	(332,147)	(518,174)	3,702,433	1,132,808	-	20,860,499	-	155,766	-	123,456,515
July	21,035,577	-	-	-	38,029	(393,243)	(185,919)	(852,559)	2,954,154	1,489,533	(8,460,392)	13,297,916	-	187,722	-	136,942,153
August	19,910,418	-	-	-	(13,394)	(253,971)	(182,394)	(495,364)	417,022	1,327,304	(14,280)	18,315,671	-	211,767	-	155,466,052
September	19,983,949	-	-	-	(6,042,136)	(1,193,840)	(195,675)	(616,942)	3,553,998	1,394,090	-	14,529,863	-	(7,157)	-	170,232,309
October																
November																
December																
Year-to-Date	176,554,079	-	-	(7,060,515)	(29,318,795)	(16,969,167)	(6,187,930)	(6,269,185)	37,690,565	11,352,144	(8,474,672)	151,316,524	(10,696)	1,199,979	-	152,505,807
Total	216,430,590	-	-	(7,060,515)	(57,589,659)	(20,059,487)	(6,187,930)	(6,969,483)	48,222,791	13,837,743	(11,570,988)	169,053,061	(10,696)	1,189,944	-	170,232,309

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 Holyhood Thermal Generating Station ("Holyhood TGS").

³ In August 2022, 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 (\$0.6 million).

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 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.

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, resulting in a credit of \$9.5 million for the month.

Supply Cost Variance Deferral Account
Section B: Utility Customer Balance
September 30, 2022

	Allocation Rural Rate Alteration ¹ (\$)	Financing Charges (\$)	Transfers (\$)	Cumulative Net Balance (\$)
Opening Balance	(729,046)	(350)	-	(729,396)
Adjustments	(123,374)	-	-	(123,374)
Adjusted Opening Balance²	(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				
November				
December				
Year-to-Date	(4,486,870)	(44,578)	-	(4,531,448)
Total	(5,339,290)	(44,928)	-	(5,384,218)

¹The 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 Inc.'s allocation of Rural Rate Alteration and associated interest until further approval is obtained from the Board.

²There 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.

Supply Cost Variance Deferral Account
Section B: Industrial Customers Balance¹
September 30, 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.