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October 24, 2023

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),<sup>1</sup> 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 September 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:

**Board of Commissioners of Public Utilities**

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<sup>1</sup> *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)

September 2023

October 24, 2023

A report to the Board of Commissioners of Public Utilities



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

	<b>Supply Cost Variance Deferral Account Balance (\$)<sup>1,2</sup></b>	<b>Utility Balance (\$)</b>	<b>Industrial Balance (\$)</b>	<b>Total to Date (\$)</b>
	<b>(from page 2)</b>	<b>(from page 3)</b>	<b>(from page 4)</b>	
Opening Balance	196,185,156	(5,784,457)	-	190,400,699
Adjustment	-	-	-	-
<b>Adjusted Opening Balance</b>	<b>196,185,156</b>	<b>(5,784,457)</b>	-	<b>190,400,699</b>
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	215,142,687	(9,536,817)	-	205,605,870
August	124,311,753	(9,940,006)	-	114,371,747
September	153,697,183	(10,228,180)	-	143,469,003
October				
November				
December				

<sup>1</sup> 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.

<sup>2</sup> In 2022, as part of the government's rate mitigation plan, Newfoundland and Labrador Hydro ("Hydro"), the Government of Newfoundland and Labrador 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.

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

	Muskat Falls Project Cost Variance <sup>1</sup>		Rate Mitigation Fund <sup>2,3</sup>		Project Cost Recovery Rider		Holyrood TGS <sup>5</sup> Fuel Cost Variance <sup>6</sup>		Other IIS <sup>7</sup> Supply Cost Variance <sup>6</sup>		Net Revenue From Exports Variance <sup>8</sup>		Transmission Tariff Revenue Variance <sup>9</sup>		Load Variation		Greenhouse Gas Credit Revenue Variance <sup>10</sup>		Subtotal Monthly Variances		Financing Charges			Cumulative Net Balance (\$) (to page 1)
	(\$)	(\$)	(\$)	(\$)	Utility <sup>4</sup> (\$)	Industrial (\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	Utility (\$)	Industrial (\$)	(\$)	(\$)	(\$)	(\$)	Utility (\$)	Other (\$)	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	-	-	-	(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
<b>Adjusted Opening Balance</b>	<b>277,547,131</b>	<b>-</b>	<b>-</b>	<b>(18,942,087)</b>	<b>-</b>	<b>(65,302,273)</b>	<b>(28,114,785)</b>	<b>(33,075,710)</b>	<b>(10,113,160)</b>	<b>63,550,645</b>	<b>18,294,888</b>	<b>(12,412,517)</b>	<b>191,432,132</b>	<b>(133,641)</b>	<b>-</b>	<b>-</b>	<b>4,886,665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>196,185,156</b>
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	-	58,787,735	(151,157)	-	-	522,300	-	-	-	-	-	-	155,804,863
July	61,225,265	-	-	(2,449,926)	-	(138,368)	(392,215)	(68,528)	(1,498,023)	161,981	1,947,549	-	91,590,523	(170,220)	-	-	929,809	-	-	-	-	-	-	215,142,687
August	56,198,307	(144,700,000)	-	(2,400,596)	-	(654)	(474,663)	(71,846)	(1,498,023)	(59,310)	1,414,565	1,697	(91,590,523)	(170,220)	-	-	929,809	-	-	-	-	-	-	124,311,753
September	60,909,116	-	-	(2,467,140)	-	(6,540,541)	(1,107,382)	(81,876)	(1,498,023)	969,035	1,272,044	(22,508,701)	28,946,532	(178,696)	-	-	617,594	-	-	-	-	-	-	153,697,183
October	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
November	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
December	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Year-to-Date</b>	<b>399,223,126</b>	<b>(335,104,321)</b>	<b>-</b>	<b>(34,138,137)</b>	<b>-</b>	<b>(30,200,561)</b>	<b>(14,791,003)</b>	<b>(1,749,430)</b>	<b>(12,173,867)</b>	<b>(9,184,575)</b>	<b>14,059,553</b>	<b>(22,919,998)</b>	<b>(46,979,213)</b>	<b>(1,179,494)</b>	<b>5,670,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42,487,973)</b>
<b>Total</b>	<b>676,770,257</b>	<b>(335,104,321)</b>	<b>-</b>	<b>(53,080,224)</b>	<b>-</b>	<b>(95,502,834)</b>	<b>(42,905,788)</b>	<b>(34,825,140)</b>	<b>(22,287,027)</b>	<b>54,366,070</b>	<b>32,354,441</b>	<b>(35,332,515)</b>	<b>144,452,919</b>	<b>(1,313,135)</b>	<b>10,557,399</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>153,697,183</b>

<sup>1</sup>The LUL was commissioned on April 14, 2023, and Hydro began making payments under the Transmission Funding Agreement.

<sup>2</sup>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.

<sup>3</sup>In 2022, as part of the government's rate mitigation plan, Hydro, the Government of Newfoundland and Labrador and the Government of Canada signed term sheets enabling access, upon commissioning of the LUL, to a \$1.0 billion investment by the Government of Canada in the LUL, 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 LUL (2023) 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.

<sup>4</sup>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. There was no change to the Project Cost Recovery Rider effective July 1, 2023 as per Board Order No. P.U. 15(2023).

<sup>5</sup>Holyrood Thermal Generating Station ("Holyrood TGS").

<sup>6</sup>In 2021, Nalcor Energy ("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 2023 balances reflect adjustments to the calculation to eliminate incremental costs incurred by Hydro as a result of reduced deliveries.

<sup>7</sup>Island Interconnected System ("IIS").

<sup>8</sup>In August 2023, an adjustment was made to July's export activity to reflect actual net exports for that month.

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

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

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

	Allocation Rural Rate Alteration <sup>1</sup> (\$)	Financing Charges (\$)	Transfers (\$)	Cumulative Net Balance (\$)
Opening Balance	(5,625,788)	(158,669)	-	(5,784,457)
Adjustments	-	-	-	-
<b>Adjusted Opening Balance</b>	<b>(5,625,788)</b>	<b>(158,669)</b>	-	<b>(5,784,457)</b>
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	(230,243)	(32,742)	-	(9,536,817)
August	(369,518)	(33,671)	-	(9,940,006)
September	(253,080)	(35,094)	-	(10,228,180)
October				
November				
December				
<b>Year-to-Date</b>	<b>(4,181,828)</b>	<b>(261,895)</b>	-	<b>(4,443,723)</b>
<b>Total</b>	<b>(9,807,616)</b>	<b>(420,564)</b>	-	<b>(10,228,180)</b>

<sup>1</sup> 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 Balance<sup>1</sup>**  
**September 30, 2023**

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

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