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June 28, 2022

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

Attention: Ms. Cheryl Blundon  
Director of Corporate Services and Board Secretary

Dear Ms. Blundon:

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

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**

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

Encl.

ecc:

**Board of Commissioners of Public Utilities**

Jacqui H. Glynn  
PUB Official Email

**Consumer Advocate**

Dennis M. Browne, QC, Browne Fitzgerald Morgan Avis & Wadden  
Stephen F. Fitzgerald, Browne Fitzgerald Morgan Avis & Wadden  
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**Iron Ore Company of Canada**

Gregory A.C. Moores, Stewart McKelvey

**Labrador Interconnected Group**

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**Island Industrial Customer Group**

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Denis J. Fleming, Cox & Palmer  
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**Teck Resources Limited**

Shawn Kinsella

**Praxair Canada Inc.**

Sheryl E. Nisenbaum  
Peter Strong

**Newfoundland Power Inc.**

Dominic J. Foley  
Lindsay S.A. Hollett  
Regulatory Email

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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 for May 2022 (Unaudited)**

**June 28, 2022**



**A report to the Board of Commissioners of Public Utilities**

**Supply Cost Variance Deferral Account  
Summary  
May 31, 2022**

	<b>Supply Cost Variance Deferral Account Balance (\$)</b>	<b>Utility Balance (\$)</b>	<b>Industrial Balance (\$)</b>	<b>Total To Date (\$)</b>
Opening Balance	18,989,681	(729,396)	-	18,260,285
Adjustment <sup>1, 2</sup>	(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				
July				
August				
September				
October				
November				
December				

<sup>1</sup> There was a correction to the volume calculation for the November and December 2021 rural rate alteration, which is reflected as an adjustment to the opening balance for 2022, totalling \$0.1 million.

<sup>2</sup> 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**  
**May 31, 2022**

	Muskrat Falls Project Cost Variance (\$)	Rate Mitigation Fund (\$)	Project Cost Recovery		Holyrood TGS <sup>1</sup>		Other IIS <sup>2</sup>		Transmission		Load Variation		Greenhouse Gas		Subtotal Monthly Variances (\$)	Financing Charges Transfers (\$)	Cumulative Net Balance (\$)
			Utility (\$)	Industrial (\$)	Fuel Cost Variance (\$)	Supply Cost Variance (\$)	Net Revenue From Exports Variance (\$)	Tariff Revenue Variance (\$)	Utility Variance (\$)	Industrial Variance (\$)	Credit Revenues Variance (\$)	Utility Variance (\$)	Industrial Variance (\$)				
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 <sup>3</sup>	-	-	-	-	(1,391,304)	129,804	-	-	-	-	-	(1,261,500)	(1,679)	-	(1,263,179)	-	-
Adjusted Opening Balance	39,876,511	-	-	-	(28,270,864)	(3,090,320)	-	(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 <sup>4</sup>	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 <sup>5</sup>	(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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
November	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
December	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Year-to-Date	94,646,153	-	-	-	(20,198,742)	(14,028,262)	(5,391,795)	(3,786,146)	27,062,958	6,008,409	-	84,312,575	401,173	-	84,713,748	-	-
<b>Total</b>	<b>134,522,664</b>	-	-	-	<b>(48,469,606)</b>	<b>(17,118,582)</b>	<b>(5,391,795)</b>	<b>(4,486,444)</b>	<b>37,595,184</b>	<b>8,494,008</b>	<b>(3,096,317)</b>	<b>102,049,112</b>	<b>391,138</b>	-	<b>102,440,250</b>	-	-

<sup>1</sup> Holyrood Thermal Generating Station ("Holyrood TGS").

<sup>2</sup> Island Interconnected System ("IIS").

<sup>3</sup> In August 2021, Nalcor commenced delivery of the Nova Scotia Block that, combined with limited IIS 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 by compensating Hydro for incremental costs of fuel and/or imports over the Maritimes Link. The opening adjustment is the result of refining the calculation to identify incremental costs as a result of these reduced deliveries.

<sup>4</sup> 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.

<sup>5</sup> 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**  
**May 31, 2022**

	<b>Allocation</b>	<b>Financing</b>	<b>Transfers</b>	<b>Cumulative</b>
	<b>Rural Rate</b>	<b>Charges</b>	<b></b>	<b>Net</b>
	<b>Alteration<sup>1</sup></b>	<b>(\$)</b>	<b>(\$)</b>	<b>Balance</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Opening Balance	(729,046)	(350)	-	(729,396)
Adjustments	(123,374)	-	-	(123,374)
Adjusted Opening Balance <sup>2</sup>	(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				
July				
August				
September				
October				
November				
December				
Year-to-Date	(3,270,021)	(18,242)	-	(3,288,263)
<b>Total</b>	<b>(4,122,441)</b>	<b>(18,592)</b>	<b>-</b>	<b>(4,141,033)</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).

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

<sup>2</sup> There was a correction to the volume calculation for the 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 Balance<sup>1</sup>  
May 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	-	-	-
<b>Total</b>	-	-	-

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