

1 Q. **Reference: Supply Cost Accounting Application, Schedule 1, page 14.**

2 Will Hydro's proposed supply cost accounts attract interest charges at the Company's weighted
3 average cost of capital on a monthly basis? If so, is this treatment consistent with Hydro's other
4 supply cost accounts, before any transfers to the Rate Stabilization Plan?

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7 A. As noted in Section C, 1.0 of the Proposed Supply Cost Variance Deferral Account Definition,¹
8 financing charges on the plan balances are proposed to be calculated monthly using
9 Newfoundland and Labrador Hydro's ("Hydro") approved test year weighted average cost of
10 capital.

11 Due to the material uncertainty in the forecast balances in the proposed Supply Cost Variance
12 Deferral Account, Hydro is proposing to exclude the Supply Cost Variance Deferral Account in its
13 calculation of rate base in its next general rate application. Therefore, Hydro's proposal to apply
14 financing costs to the deferral account balance based on Hydro's approved test year weighted
15 average cost of capital is consistent with the financing costs as currently applied to the Rate
16 Stabilization Plan. In the past Hydro has included the balances in its test year rate base for the
17 Revised Energy Supply Cost Variance Deferral Account, the Holyrood Conversion Rate Deferral
18 Account and its Isolated System Supply Cost Variance Deferral Account.

¹ "Supply Cost Accounting Application," Newfoundland and Labrador Hydro, July 29, 2021, sch. 1, app. A, page 7 of 7.