

1 Q. **Reference: Schedule 1: Evidence**

2 The current operation of the RSP Hydraulic Production Variation component includes the net
3 ponded energy results (kWh) and spill exports (kWh). Will this activity be tracked in the
4 proposed Supply Cost Variance Deferral Account? If not, please explain how it will be tracked in
5 the future and, if this activity is included, please explain how it will operate within the proposed
6 Supply Cost Variance Deferral Account.

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9 A. Currently, Newfoundland and Labrador Hydro (“Hydro”) defers savings associated with ponding
10 activity in the Hydraulic Resources Optimization Deferral Account as approved in Order No.
11 P.U. 49(2018). In order to ensure the Rate Stabilization Plan (“RSP”) is not impacted by these
12 ponding activities, Hydro also reflects the impacts of ponding activities in the computation of
13 the RSP Hydraulic Production Variation.¹

14 Hydro will continue to track ponded energy results and spill exports in the Hydraulic Resources
15 Optimization Deferral Account. In this application, Hydro has not proposed to transfer the
16 benefits from these activities into the Net Revenue From Exports component of the Supply Cost
17 Variance Deferral Account. However, Hydro anticipates addressing the long-term operation of
18 the Hydraulic Resources Optimization Deferral Account in its next general rate application.

¹ The RSP Hydraulic Production Variation is costed based upon the Annual Average Test Year Cost of Service No. 6 Fuel Cost inclusive of foreign exchange gains/losses, which is not appropriate for hydraulic production relating to ponding activities. As such, actual net hydraulic production is adjusted for net ponded energy and spill exports.