

1 Q. According to Appendix A, page 2 of 7, Section A-5.0 and 10.0, Hydro is proposing to transfer the
2 balances accumulated in the Revised Energy Supply Cost Deferral Account, the Holyrood
3 Conversion Rate Deferral Account and the Isolated Systems Supply Cost Deferral Account to the
4 proposed Supply Variance Cost Deferral Account on the effective date of implementation of the
5 proposed account. Please explain if Hydro foresees any issue with maintaining the balances
6 accumulated in these accounts before this date in their respective existing deferral accounts to
7 be addressed in an application to be filed by Hydro on March 31, 2022 with the necessary
8 reports relating to these balances for the Board's determination of the disposition of these
9 accounts.

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12 A. Newfoundland and Labrador Hydro does not foresee any issue with maintaining the balances
13 accumulated in these accounts before this date in their respective existing deferral accounts to
14 be addressed in an application to be filed on March 31, 2022 with required supporting
15 documentation.

16 The calculation of the Isolated Systems Supply Cost Variance Deferral Account remains the same
17 after the effective date of implementation of the proposed account. The balance in this account
18 is not impacted by supply costs related to Muskrat Falls. The Holyrood Conversion Rate Deferral
19 Account will be discontinued on the effective date of implementation of the proposed account.

20 The balances in the existing deferral accounts upon approval of the new Supply Cost Variance
21 Deferral Account are based on a partial year of activity and the deadband of +/- \$500,000 that
22 applies to each account is applied based on a full calendar year of supply cost variances.

23 Therefore, it may be reasonable to adjust the deadband range if the year-to-date balances are
24 to be kept separate from the new deferral account to reflect the proportion of the year's activity
25 reflected in the account balances.