

1 **Q. (Application Volume 1, Table 3-1, page 3-3) Why are there credit balances in the**
2 **RSA for each year from 2019 through 2023? How would these balances be**
3 **impacted if load turns out to be the same as it was in 2019?**
4

5 A. The credit transfers to the Rate Stabilization Account (“RSA”) for 2019 to 2023 forecast
6 reflect the normal operation of regulatory mechanisms under existing customer rates.
7 See, for example, response to Request for Information NLH-NP-037 which shows the
8 breakdown of the RSA transfers for 2022 and 2023 forecast under existing customer
9 rates.

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11 The primary driver of the credit transfers is the normal operation of the Energy Supply
12 Cost Variance regulatory mechanism. See response to Request for Information
13 PUB-NP-027 for further information on the Energy Supply Cost Variance.
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15 Newfoundland Power’s energy and demand requirements are subject to a variety of
16 impacts in a given year, such as differences in weather, hydro production, energy
17 purchases and wholesale power supply rate and cost changes, which impact the supply
18 cost mechanisms included in the RSA in different ways.¹ As such, the requested
19 scenario cannot be reasonably determined. The Company can provide that if actual
20 energy purchases were consistent with the level reflected in customer rates, there would
21 be no Energy Supply Cost Variance to be transferred to the RSA in a given year. If this
22 were the case over the 2019 to 2023 period, the credit transfers to the RSA under existing
23 customer rates would have been lower.²
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25 As part of the Company’s 2022/2023 *General Rate Application*, forecast supply costs
26 will be reconciled with forecast revenue from energy sales during the test period. As a
27 result of the rebalancing of 2022 and 2023 supply costs, the forecast RSA transfers in
28 those years are forecast to be higher under proposed rates when compared to the RSA
29 transfers under existing customer rates.³

¹ The credit balances shown in RSA transfers in 2019 and 2023 reflect recovery through the RSA of amounts associated with: (i) the Energy Supply Cost Variance Adjustment Clause; (ii) variances in employee future benefit costs; (iii) the July 1, 2017 Hydro supply cost rate increase; (iv) the Weather Normalization reserve; and (v) certain costs related to the implementation of CDM programs, all of which were approved by the Board.

² Section 2.3: Energy Supply Cost Variance Clause of the *Supply Cost Mechanisms Update* filed as Attachment A to response to Request for Information PUB-NP-041 provides the annual Energy Supply Cost Variance over the 2016 to 2020 period. The 2021 forecast Energy Supply Cost Variance is \$24.2 million. The Energy Supply Cost Variance for the 2022 and 2023 forecast years under existing customer rates is provided in response to Request for Information NLH-NP-037.

³ See the 2022/2023 *General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 5*, page 1, line 2.