



NEWFOUNDLAND AND LABRADOR

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

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2023-03-22

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Sheryl Nisenbaum  
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Dear Sirs/Madams:

**Re: Newfoundland and Labrador Hydro – Application for the Recovery of Deferred 2022 Isolated Systems Supply Costs – To Parties – Enclosing Grant Thornton Report**

Please find enclosed a copy of the Grant Thornton Report in relation to the above-noted matter.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacquie Glynn, by email, [jglynn@pub.nl.ca](mailto:jglynn@pub.nl.ca) or by telephone 709-726-6781.

Sincerely,

Cheryl Blundon  
Board Secretary

CB/cj

ecc **Newfoundland and Labrador Hydro**

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Ms. Cheryl Blundon  
Board of Commissioners of Public Utilities  
120 Torbay Road  
Prince Charles Building  
St. John's, NL A1A 5B2

March 22, 2023

1 Dear Ms. Blundon,

2 **Re: Newfoundland and Labrador Hydro Application Evidence for**  
3 **Recovery of 2022 Isolated Systems Supply Cost Variance Deferral Account**  
4

5 We have completed our review relating to Newfoundland and Labrador Hydro's (the "Company's" or  
6 "Hydro") Application evidence for recovery of the 2022 Isolated Systems Supply Costs (the  
7 "Application") as it pertains to the calculation of the 2022 balance of the Isolated Systems Supply Cost  
8 Variance Deferral account.

9 Our procedures were directed towards the verification of the data incorporated in the calculation and  
10 the deferral account formula used by the Company. Specifically, the procedures which we performed  
11 included the following:

- 12 • agreed component data (actual and test year data) to supporting documentation, i.e.: the  
13 Company's general ledgers; 2019 test year data; and Board orders;
- 14 • checked the clerical accuracy of the deferral account calculation for 2022; and,
- 15 • reviewed the formula used in the calculation of the deferral account for 2022 to ensure  
16 compliance with the account definition as approved in Order No. P.U. 22 (2017).

17 The procedures undertaken in the course of our financial analysis do not constitute an audit of the  
18 Company's financial information and consequently, we do not express an opinion on the financial  
19 information.

1 **The results from our review are noted below:**

2 Pursuant to Order No. P.U. 49 (2016), the Board of Commissioners of Public Utilities (the “Board”)  
 3 approved the Company’s proposal to create three new supply cost deferral accounts to become  
 4 effective January 1, 2015: the Isolated Systems Supply Cost Variance Deferral Account; the Energy  
 5 Supply Cost Variance Deferral Account; and the Holyrood Conversion Rate Deferral Account. The  
 6 Board approved definitions for each account in Order No. P.U. 22 (2017).

7  
 8 In Order No. P.U. 4 (2022), the Board approved the Supply Cost Variance Deferral Account to become  
 9 effective November 1, 2021, which discontinued transfers to the Revised Energy Supply Cost  
 10 Variance Deferral Account and the Holyrood Conversion Rate Deferral Account. The Board also  
 11 approved revised account definitions for these accounts requiring Hydro to file an application for the  
 12 disposition of the October 31, 2021 balances. Board Order No. P.U. 16 (2022) subsequently  
 13 approved the balances in the Revised Energy Supply Cost Variance Deferral Account and the  
 14 Holyrood Conversion Rate Deferral Account for 2021, and the allocations of those balances. As there  
 15 are no further transfers into these accounts, no further applications are necessary. There were no  
 16 changes to the Isolated Systems Supply Cost Variance Deferral Account.

17  
 18 On March 10, 2023, the Company filed its Application to recover the deferred 2022 Isolated Systems  
 19 Supply Costs. The Company is also seeking approval of its allocation methodology and it is proposing  
 20 that recovery of any amount approved in the Application be dealt with through a transfer of balances to  
 21 the RSP Current Plan effective March 31, 2023. The proposed allocation method and proposed  
 22 recovery included in the Application were beyond the scope of our report.

23 A summary of the deferral account for 2022 and customers allocations included in the Application is as  
 24 follows:

| Deferral Account     | 2022 Total (ii) Per report | Newfoundland Power | Island Industrial Customers | Rural Labrador Interconnected Allocation |
|----------------------|----------------------------|--------------------|-----------------------------|--|
| Isolated Systems (i) | \$9,037,722                | \$8,685,251        | -                           | \$352,471                                |

25 (i) The balance of the deferral account represents a balance due from customers. The Rural Labrador  
 26 Interconnected customers’ portion is written off to the Company’s net income.

27 (ii) The deferral account balance for 2022 is consistent with the amounts included in the application filed on  
 28 March 10, 2023.

29 The Application also included a section pertaining to Hydro’s efforts to minimize costs on the isolated  
 30 systems titled ‘Cost Management in Isolated Systems’. This section was beyond the scope of our  
 31 report.

1    **CONCLUSION**

2    Based on our review and procedures conducted on the Application, nothing has come to our attention  
3    to suggest that the amount reported is not in accordance with account definition approved in Order No.  
4    P.U. 22 (2017). Specifically, we conclude the following:

- 5           •   Component data outlined in the calculation of the deferred account balance agree to  
6           supporting documentation (i.e.: the Company's general ledger; 2019 test year data; and  
7           Board orders);
- 8           •   No errors were noted in the clerical accuracy of the deferred account calculation for 2022;  
9           and,
- 10          •   The formula used in the calculation of the deferred account balance is consistent with the  
11          account definition approved in Order No. P.U. 22 (2017).

12   I trust this is the information you requested. If you have any questions, please contact me.

Yours sincerely,  
**Grant Thornton LLP**



Barry Griffiths, CPA, CA  
Principal