

1 Q. **Reference: Responses to Requests for Information NP-NLH-007 and NP-NLH-010.**

2 Please provide an estimated end-customer rate impact on July 1, 2022 assuming existing supply
3 cost mechanisms continue to operate.

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6 A. Newfoundland and Labrador Hydro's ("Hydro") existing supply costs deferral accounts were
7 structured to deal with volatility in the marginal energy cost on the Island Interconnected
8 System. The Revised Energy Supply Cost Variance Deferral Account also operates on the premise
9 that Holyrood Thermal Generating Station is the marginal generating source on the Island
10 Interconnected System. With No. 6 fuel as the marginal energy cost on the Island
11 Interconnected System, actual costs (due to changes in supply source, fuel price, or load
12 variability) could change materially from the test year costs that were the basis for establishing
13 customer rates.

14 Due to the change in Island Interconnected System supply costs as well as the potential for
15 incurrence of Muskrat Falls Project costs in advance of Hydro's ability to recover, Hydro must
16 revise its supply cost deferral accounts to ensure the transfers to its supply cost deferral
17 accounts will reflect the system cost variances that will occur from that point forward.¹ The
18 Supply Cost Variance Deferral Account proposed in the application presents proposals to enable
19 a deferral account to deal with Hydro being required to make payments under the Muskrat Falls
20 Project agreements prior to having the opportunity to recover the costs. Energy supply from the
21 Muskrat Falls Project is projected to reduce No. 6 fuel costs which would be credited to the
22 existing supply cost deferral accounts if the deferral accounts were not consolidated.

23 It would not be appropriate to consider an end-consumer impact without consolidation of the
24 existing supply cost deferral accounts with the new components as the resulting rate impact

¹ A review on the anticipated changes to its supply cost recovery mechanisms was filed by Hydro on June 15, 2016 in accordance with the Settlement Agreements to the 2013 General Rate Application ("GRA"). In that report, Hydro indicated it will file, prior to filing its next GRA, the proposed supply cost deferral accounts and recovery mechanisms that are required to permit Hydro to recover supply cost payments resulting from the commissioning of the Muskrat Falls Project assets.

1 would not accurately reflect the changes in system supply costs subsequent to payments being
2 required under the Muskrat Falls Power Purchase Agreement. Therefore, as the rate impact
3 requested would misrepresent supply cost changes, Hydro has not undertaken to derive it.