

1 Q. Once the final methodology for the allocation of the existing Supply Cost Variance Deferral
2 Account (“SCVDA”) is approved by the Board, is it Hydro’s expectation that the allocated
3 balances for each component (i.e., funding from government, Holyrood fuel costs, net revenues
4 from exports, Project costs, etc.) will be totaled for each customer class and then compared to
5 the payment balances for each customer class to determine the future disposition requirements
6 for the SCVDA balance. Please explain.

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9 A. As per Order in Council OC2024-062 (“OC”), Newfoundland and Labrador Hydro (“Hydro”) has
10 been directed to *“structure any application for utility rate increases such that retail rate*
11 *increases to domestic rate class customers attributable to Newfoundland and Labrador Hydro*
12 *shall be targeted at 2.25 per cent per year (the “Hydro Target Rate Increase”) and for other*
13 *customers subject to Island Interconnected rates in a manner that is compatible with the Hydro*
14 *Target Rate Increase.”*¹ All of the balances in the SCVDA up until December 31, 2026² will be
15 disposed of through an application filed after Hydro’s next general rate application. While a
16 formal proposal will be developed upon conclusion of activity in the existing SCVDA, disposition
17 will consider the rate setting objective set forth in the OC, and the amounts paid and required to
18 be paid by customers on the Island Interconnected System. The way individual components are
19 allocated may not significantly influence the final disposal of the existing SCVDA account. This is
20 due to government direction since 2022, which targets a specific increase in the domestic rate.
21 Any differences between the costs incurred and the amounts recovered through rates are
22 addressed through rate mitigation measures.

23 Consideration will also be given to the different implementation dates of the Project Cost
24 Recovery Rider when proposing disposition of the existing SCVDA to ensure fairness among
25 customer classes. The Project Cost Recovery Rider was implemented for Newfoundland Power
26 on July 1, 2022, and for Island Industrial customers on January 1, 2024 due to outstanding
27 balances owed in the Rate Stabilization Plan.

¹ OC2024-062 <https://www.exec-oic.gov.nl.ca/public/oic/details?order-id=21851>

² Based on a 2027 Test Year.