

1 Q. In its letter, dated March 3, 2025, Hydro states: *"If approved, this transfer will result in a credit*
2 *to the Supply Cost Variance Deferral Account, thereby reducing the balance owing from*
3 *customers."*

4 There is currently a deferred balance of \$18.8 million owing from end-use customers,
5 predominantly related to 2023 power supply costs, pursuant to Order Nos. P.U. 16 (2024) and
6 P.U. 18 (2024).

7 Would Hydro agree that it is reasonable to transfer the utility allocation of the Deferral Account
8 balance to Newfoundland Power to reduce the \$18.8 million deferred balance owing from
9 customers? If not, why not?

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12 A. Newfoundland and Labrador Hydro ("Hydro") has applied for disposition of \$5.7 million owing
13 to customers in the Hydraulic Resources Optimization Account prior to the next general rate
14 application ("GRA"). To consider whether it is reasonable to transfer the utility allocation of this
15 balance to Newfoundland Power Inc. ("Newfoundland Power") to reduce the \$18.8 million
16 deferred balance, Hydro must also consider amounts owing from customers to Hydro and the
17 collection of those amounts.

18 The following are deferred balances at the end of 2024, for which recovery from customers has
19 not commenced:

- 20 • \$6.7 million – Business Systems Transformation Program ("BSTP") cost approved for
21 recovery with disposition proposed in the next GRA.
- 22 • \$4.0 million – BSTP costs to be proposed for recovery.
- 23 • \$3.0 million – Reliability and Resource Adequacy Study costs to be proposed for
24 recovery in the next GRA.
- 25 • \$16.0 million – Muskrat Falls Sustaining Capital to be proposed for recovery in the next
26 GRA.

- 1 • \$0.7 million – Electric Vehicles Charger Deferral to be proposed for recovery in the next
2 GRA.

3 While the allocation of these amounts between customer classes has not been proposed or
4 approved, it is anticipated that Newfoundland Power would be allocated a high percentage of
5 the costs. The annual impact of the recovery of these costs would depend on the amortization
6 period approved by the Board of Commissioners of Public Utilities.

7 Given the amounts owing from customers that are yet to be reflected in rates and the rate
8 mitigation plan targeting an increase of 2.25% for Island Interconnected System domestic
9 customers, Hydro does not believe it is appropriate to transfer this credit balance to
10 Newfoundland Power.