

1 Q. Further to the response to PUB-NP-084:

2 a) Please confirm that if Newfoundland Power's purchases exceed Hydro's most recent  
3 test year purchases forecast, the additional revenue to Hydro from Newfoundland  
4 Power is credited to the load variation component of the Supply Cost Variance Deferral  
5 Account.

6 b) Would it be reasonable to modify the RSP and the Supply Cost Variance Deferral  
7 Account so that the change in load variation revenues would be dealt with through the  
8 RSP to offset Newfoundland Power's charges to its RSA due to increased purchased  
9 power expense? In the response, please include a discussion of the implications on the  
10 industrial customer load variation balance and how such an approach could work.

11 c) Does Hydro agree that the Island Industrial customers should be a party to any  
12 application to modify (i) the Supply Cost Variance Deferral Accounts: (ii) the RSP and (iii)  
13 a new Wholesale Rate of Newfoundland Power?

14 d) Is the RSP expected to fully transition to some form of the Supply Cost Variance Deferral  
15 Account upon the conclusion of the next general rate application? Would it be more  
16 practical to make no changes to Hydro's existing deferral accounts until that transition is  
17 dealt with in the next general rate application?

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20 A. a) It is confirmed. If Newfoundland Power Inc.'s ("Newfoundland Power") purchases exceed  
21 Newfoundland and Labrador Hydro's ("Hydro") most recent test year purchases forecast,  
22 the additional revenue to Hydro from Newfoundland Power is credited to the load variation  
23 component of the Supply Cost Variance Deferral Account at the current wholesale end block  
24 rate of 18.165¢ per kWh.

25 In the case where purchases are less than the most recent test year purchases forecast, the  
26 revenue shortfall would be debited to the load variation component of the Supply Cost  
27 Variance Deferral Account.

1           **b)** Hydro does not believe it would be reasonable to modify the Rate Stabilization Plan (“RSP”)  
2           and the Supply Cost Variance Deferral Account so that the change in load variation revenues  
3           would be dealt with through the RSP to offset Newfoundland Power’s charges to its Rate  
4           Stabilization Account due to increased power purchase expense.

5           Currently, in the Supply Cost Variance Deferral Account, the increase in sales compared to  
6           the test year is being offset by reduced export revenues or offset with other supply costs.  
7           Having both components in one deferral account presents the opportunity to change the  
8           end block energy charge to the marginal cost of exports and have no impact on the deferral  
9           account balance as a result of the increase in sales. If only the load variation revenues were  
10          transferred to the RSP, the associated cost of the marginal sales would remain in the Supply  
11          Cost Variance Deferral Account and be disconnected.

12          The rules for the disposition of balances in the existing Supply Cost Variance Deferral  
13          Account will be proposed after Hydro’s general rate application (“GRA”). If allocating  
14          variances to customers were based on energy ratios, similar to the RSP, customers would be  
15          allocated the net balance related to the Industrial customers.<sup>1</sup>

16          Additional analysis is required to ensure there would be no adverse impacts of taking such  
17          an approach.

18          **c)** Hydro agrees that the Island Industrial Customers should be a party to any application to  
19          modify:

- 20                **i.**    The Supply Cost Variance Deferral Account,
- 21                **ii.**   The Isolated Systems Supply Cost Variance Deferral Account,
- 22                **iii.**   The RSP, and
- 23                **iv.**   A new wholesale rate of Newfoundland Power if the proposed changes have  
24                any impact on their rates or future balances to be recovered through the  
25                deferral accounts.

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<sup>1</sup> In the RSP, the Load Variation – Utility related to firm energy sales was effectively zero since both marginal sales and costs were priced at the test year cost of fuel.

- 1           **d)** The RSP rules for balance disposition were approved in Order No. P.U. 4(2022). The approval  
2           of the Supply Cost Variance Deferral Account effective November 1, 2021, discontinued  
3           transfers to the RSP as of that date. Since that time the activity in the RSP consists of:
- 4                   **i.**     The amortization of the hydraulic balance as of October 31, 2021, over four  
5                   years; and
- 6                   **ii.**    Newfoundland Power’s portion of the Isolated Systems Supply Cost Variance  
7                   Deferral Account, which has been transferred to the Utility current plan balance  
8                   as of March 31 each year for inclusion in the July 1 rate change.

9           It is expected the hydraulic balance will be fully recovered as of June 30, 2026, and this  
10          account can be discontinued. An alternative for recovery of Isolated Systems Supply Cost  
11          Variance Deferral Account will be proposed once the RSP is discontinued.

12          The current Supply Cost Variance Deferral Account will continue after the conclusion of the  
13          next GRA and will be updated with rules for the allocation of variances to customers if  
14          required. Proposing changes to the existing deferral accounts could be part of the solution  
15          to implementing a new wholesale rate before the conclusion of Hydro’s GRA.