Q. Further to the response to NLH-NP-084, please explain whether in Newfoundland Power's opinion modifications should be made to Hydro's Supply Cost Variance Deferral Account to enable credits to the load variation component resulting from increased revenues from Newfoundland Power to be used to offset the charges to Newfoundland Power's Energy Supply Cost Variance Deferral Account.

A. In Order No. P.U. 4 (2022) the Board approved Hydro's Supply Cost Variance Deferral Account ("SCVDA"). The account definition includes activity related to the Muskrat Falls Project Cost, Rate Mitigation Fund, Project Cost Recovery, Holyrood Thermal Generating ("Holyrood TGS") Fuel Cost, Other Island Interconnected System Supply Cost, Net Revenue from Exports, Transmission Tariff Revenue, Load Variation, Rural Rate Alteration, Greenhouse Gas Credit Revenues and Finance Charges.[1]

The Load Variation component captures the revenue variation for firm energy sales compared with the 2019 test year sales separately for Newfoundland Power and Hydro's Island Industrial Customer class.[2] Variations in Newfoundland Power's firm sales are costed at the current second block energy charge of 18.165 ¢/kWh.[3]

Newfoundland Power is currently in discussion with Hydro regarding the implementation of a new wholesale rate effective January 1, 2025.[4] If a new wholesale rate is implemented on January 1, 2025, variations in Newfoundland Power's firm sales in the Load Variation component of Hydro's SCVDA would be costed at the revised second block energy charge, which is expected to be based on energy exports.[5]

In Newfoundland Power's view, if a new wholesale rate is implemented on January 1, 2025, modification to the Load Variation component of Hydro's SCVDA is not necessary. In that scenario, variances in customer energy usage in Newfoundland Power's Energy Supply Cost Variance Deferral Account would be based on updated marginal energy costs.

If a new wholesale rate is not in place by January 1, 2025, then Newfoundland Power believes there would be merit in considering modification to Hydro's SCVDA to enable credits to the Load Variation component resulting from increased revenues from Newfoundland Power to be used to offset charges to Newfoundland Power's Energy Supply Cost Variance Deferral Account.

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1 See Order No. P.U. 4 (2022), Schedule A.

2 Ibid., page 5.

3 The definition of Hydro's Load Variation account states: *"where the rate designs include more than one energy block, the excess energy rate will apply in computing Load Variation transfers."*

4 See the response to Request for Information PUB-NP-132 for an update on these discussions.

5 As provided in part a) of the response to Request for Information PUB-NP-004, a revised wholesale rate is expected to include a second block rate based on the market value of exports. For example, in Hydro's *Supply Cost Accounting Application* filed on July 29, 2021, Hydro provided that the marginal cost of energy on the Island Interconnected System would change from No. 6 fuel at the Holyrood TGS to the market value of exports upon the commissioning of the Muskrat Falls Project. See page 10 in Schedule 1 of that application.