

1 Q. (Reference 2017 GRA Volume I, page 6.8) It is stated (lines 6 to 8) *“Through*  
2 *evaluation of the evidence provided in the GRA process, the Board will determine*  
3 *whether Hydro’s proposed approach to disposition is reasonable or if an alternate*  
4 *approach is preferred.”* Did Hydro consider replacing the proposed deferral account,  
5 the RSP and other supply cost-related deferral accounts with a single supply cost  
6 variance account that tracks variances between the test year supply cost and actual  
7 supply costs? Please provide pros and cons of this approach versus the proposed  
8 approach.

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11 A. Hydro did consider the whether blending of all of its deferral accounts related to  
12 supply cost variances on the Island interconnected System into a single supply cost  
13 deferral account.

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15 Such an approach would blend the savings from off-island purchases with the costs  
16 and savings from other supply cost variances. The single supply cost deferral  
17 account approach would not provide transparency so that the savings from off-  
18 island purchases could be set aside to mitigate the costs of the Muskrat Falls Project  
19 in future customer rates. This provides intergenerational equity concerns.

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21 The replacement of the Rate Stabilization Plan and Hydro’s other supply cost  
22 deferral accounts with a new single deferral account would require an extensive  
23 review process. On June 15, 2016, Hydro filed a report providing a Supply Cost  
24 Recovery Mechanism Review identifying the supply cost recovery mechanisms  
25 required when customer rates will be providing recovery of the Muskrat Falls  
26 Project costs. It is Hydro’s position that it would not be efficient to implement  
27 major changes to its approved deferral accounts solely for the Muskrat Falls pre-

- 1 commissioning period. Therefore, Hydro proposed a new deferral account to deal
- 2 with supply cost variability during the Muskrat Falls Pre-commissioning period.