

1 Q. **Volume 1 (1<sup>st</sup> Revision), Chapter 6: Supplemental Evidence**

2 What is Hydro's current estimate of the balance that may accumulate in the Off-  
3 Island Purchases Deferral account by December 31, 2018 and December 31, 2019?  
4 (Volume I (1st Revision), Chapter 6: Supplemental Evidence, Pages 6.3, Line 4, et.  
5 seq.)

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8 A. Hydro has updated the estimated balance that may accumulate in the proposed  
9 Off-Island Purchases Deferral Account should Hydro use Recapture Energy and pre-  
10 commissioning energy from the Muskrat Falls Generating Station to displace  
11 thermal generation at Holyrood. NP-NLH-115, Attachment 1 provides the results of  
12 Hydro's most recent analysis. Based on this updated analysis, Hydro projects that  
13 for the period from 2018 until full commissioning of the Muskrat Falls Project, the  
14 use of CF(L)Co Recapture Energy and pre-commissioning energy from the Muskrat  
15 Falls Generating Station could create a balance in the Off-Island Purchases Deferral  
16 account of \$143.3 million, by August 31, 2020. The deferral account balance was  
17 forecast based on the proposals provided in Section 6.3 of Hydro's Supplemental  
18 Evidence dated September 15, 2017.

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20 Hydro is engaged in confidential commercial negotiations for the purchase of  
21 additional power to further reduce thermal generation at Holyrood. Hydro is unable  
22 to provide an estimate of the deferral account balance should such purchases  
23 materialize. Should Hydro be successful in entering commercial arrangements  
24 which would impact the balance of the deferral account, it will file revised  
25 projections with the Board.

**Table 1**  
**Off-Island Deferral Account**  
**(\$ 000)**

	2018	2019	2020
<b>Fuel Consumption Savings</b>			
A CF(L)Co Recapture (GWh) <sup>1</sup>	520	859	41
B Muskrat Falls Pre-Commissioning (GWh) <sup>1</sup>	-	-	723
C Out-of-Province Purchases (GWh)	-	-	-
D Less: Losses LTA / LiL (GWh)	68	117	70
E Delivery of Off-Island Power Purchases (GWh) <sup>2</sup>	452	742	694
F Test Year Holyrood conversion rate (kWh/barrel)	618	616	616
G Test year price of No. 6 <sup>3</sup>	\$ 64.41	\$ 87.11	\$ 87.11
<b>H = (E / F) x G</b>	<b>\$ 47,141</b>	<b>\$ 104,971</b>	<b>\$ 98,201</b>
<b>Fuel Inventory Savings<sup>4</sup></b>			
I Test year No. 6 inventory barrels	634,795	600,125	629,732
J Forecast No. 6 inventory barrels	624,751	591,999	124,811
K Test year price of No. 6	\$ 64.41	\$ 87.11	\$ 87.11
L Test year WAAC	6.61%	5.68%	5.68%
<b>M = (I - J) x K x L</b>	<b>\$ 43</b>	<b>\$ 40</b>	<b>\$ 2,498</b>
<b>Cost of Off-Island Purchases<sup>5</sup></b>			
N CF(L)Co Recapture	\$ 1,016	\$ 1,680	\$ 127
O Muskrat Falls Pre-Commissioning	\$ -	\$ -	\$ -
P Out-of-Province Purchases	\$ -	\$ -	\$ -
Q Total Off-Island Purchase Cost	\$ 1,016	\$ 1,680	\$ 127
R OpEx for LiL \ LTA	\$ 27,300	\$ 52,900	\$ 35,700
<b>S = Q + R</b>	<b>\$ 28,316</b>	<b>\$ 54,580</b>	<b>\$ 35,827</b>
<b>T = H + M - S</b>			
Off-Island Supply Deferral Transfer	\$ 18,868	\$ 50,432	\$ 64,872
Interest @ WACC	\$ 624	\$ 2,539	\$ 5,958
Off-Island Supply Deferral Balance	<b>\$ 19,491</b>	<b>\$ 72,462</b>	<b>\$ 143,293</b>

<sup>1</sup> Off-Island purchases expressed at Churchill Falls with losses, shown in C, to express energy delivered to the Island Interconnected System.

<sup>2</sup> Expressed at Island Interconnected System.

<sup>3</sup> The 2018 Test Year price of No 6 fuel reflects the 2015 Test Year.

<sup>4</sup> For the purpose of the calculation of fuel inventory savings, if the forecast 13 month Average Volume of No. 6 Fuel Inventory in barrels exceeds