

1 Q. Please provide details of the operation of the regulatory mechanism to recover the
2 balances in the proposed Power Purchases Cost Variance Account and the proposed
3 Diesel Unit Cost Variance Deferral Account allocated to Newfoundland Power's
4 customers. In the response please provide an illustrative example of the proposed
5 July 1 rate adjustment.

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10 In Hydro's Amended Application, Hydro is proposing an Energy Supply Cost Variance
11 Deferral Account to recover variances on power purchases, diesel and gas turbine
12 fuel costs on the Island Interconnected System that are in excess of a $\pm\$500,000$
13 threshold relative to the 2015 Test Year forecast. The disposition of any balance in
14 the account will be subject to an application to the Board no later than March 1 of
15 each year. The proposed definition of the Energy Supply Cost Variance Deferral
16 Account is provided in Schedule VII to the Finance Evidence in the Amended
17 Application.

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19 Hydro will apply to have any amount for disposition included in the calculation of
20 the RSP adjustment for recovery of the current balance.