Undertaking 171

Page 169, line 7 to Page 170, line 10

Re: Deferral account, Schedule 7

Undertaking for an example that shows how the customers would be protected under that deferral account as it's currently worded.

Ms. Lutz advised they work through some scenarios and present it back.

The proposed Energy Supply Cost Variance Deferral Account (Energy Supply Account) has been designed to ensure harmonization with Rate Stabilization Plan (RSP). Consider the following scenario: a reduction of 100 GWh of Hydraulic Production in the RSP and a corresponding increase of 100 GWh at Nalcor Exploits in the Energy Supply Account.

Table 1

Line No.	Particulars	Due From/(To) Customers ($)	Notes
	Energy Supply Cost Variance Deferral		
1	Energy Supply Savings	(15,373,970)	Line C as defined in Finance Schedule VII, the Energy Supply Account
2	Additional Power Purchase Costs	4,000,000	(Line A - Line B) as defined in the Energy Supply Account (100 GWh purchased at $0.04 / kWh)
3	Cost Variance Threshold	500,000	Proposed in the Energy Supply Account
4	**Energy Supply Cost Variance Deferral**	**(10,873,970)**	Sum of lines 1 through 3
	Rate Stabalization Plan		
5	**Impact on RSP**	**15,373,970**	-100 GWh at 2015 TY Holyrood Price of $93.32 and 607 kWh/bbl
6	**Net Due From Customers**	**4,500,000**	Line 4 plus line 5

In this scenario, a loss of 100 GWh in hydraulic production is assumed by the RSP rules to have been replaced by generation at the Holyrood Thermal Generating Station (Holyrood TGS). This results in $15.4 million due from customers to Hydro, through the RSP as noted on Line 5 of Table 1. This amount is exactly offset in Line 1 through the Energy Supply Account as the corresponding 100 GWh increase in production at Nalcor Exploits is assumed to have displaced

generation at the Holyrood TGS.[1] These lines of Table 1 show the impact of the RSP and the proposed Energy Supply account offset.

The net impact on customers in this scenario is $4.5 million. $4.0 million represents the additional power purchase costs incurred by Hydro to replace lost hydraulic generation. The remaining $0.5 million will increase Hydro's net income through the Cost Variance Threshold as defined in the Energy Supply Account. The calculation of the energy supply cost variance balance in the above scenario is provided in Undertaking 171, Attachment 1.

[1] "C" is defined in the Energy Supply Account per Finance Schedule VII of Hydro's Amended Application as "Energy supply costs or savings, resulting from the variance, if any, in kWh, based on the cost of generation at the Holyrood Thermal Generating Facility ("Holyrood")."

Undertaking 171
Energy Supply Cost Variance Account

Particulars ($)	Power Purchases Wind	CBPP	Hydraulic [1]	Diesel	Gas Turbine	Total
A - Actual Energy Supply Costs	12,732,178	10,281,290	36,280,949	87,140	3,473,690	62,855,247
B - Test Year Energy Supply Costs	12,732,178	10,281,290	32,280,949	87,140	3,473,690	58,855,247
C - Energy Supply (Costs)/Savings						15,373,970
Energy Supply Costs [(A-B)-C]						(11,373,970)
Cost Variance Threshold						(500,000)
Energy Supply Costs Deferral Balance						**(10,873,970)**

D - Holyrood 2015 Test Year Average Fuel Cost (bbl)	93.32
E - Test Year Fuel Conversion Factor (kWh/bbl)	607
F - Annual kWh variance - 2015 Actual vs. 2015 Test Year (kWh)	100,000,000
F1 - Actual Consumption (kWh)	1,145,460,000
F2 - Test Year Consumption (kWh)	1,045,460,000

[1] Includes Nalcor Grand Falls, Bishop Falls and Buchans.