

1 Q. (Re: *2016 Standby Fuel Deferral Application*, February 5, 2016 Report, Appendix B
2 and Appendix E) Please provide a proof based on assumptions in Appendix E that
3 the RSP and the proposed deferral account would not over-collect from customers.
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6 A. Please see attachment 1 for the requested calculation which shows that no over-
7 collection will occur between the RSP and the proposed deferral.
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9 As noted in Hydro's response to CA-NLH-003, the 2016 Standby Fuel Deferral, as
10 proposed in the Application, would capture variances from the 2015 Test Year in
11 both price and volume for all Standby Generation (Part A). It would also capture
12 volume variances only, associated with hydraulic power purchases (Part B).
13

14 These variances are offset by the costs or savings of avoided Holyrood TGS energy
15 production, as calculated in Part C of the 2016 Standby Fuel Deferral. The
16 calculation of Part C, as defined, ensures no over-collection from customers in
17 conjunction with the RSP.
18

19 Attachment 1 shows the requested proof for the Average Inflows scenario. As noted
20 in Appendix E Line 8 of the Application, the amount to be collected from customers
21 is reduced by approximately \$2.3 million. This amount will be collected from
22 customers through normal operation of the RSP, as shown in the attached proof.
23

24 Line 1 of Attachment 1 shows that hydraulic production has increased by 0.5 GWh
25 when compared to the 2015 Test Year. The RSP assumes this increase in hydraulic
26 production will result in decreased thermal production at the Holyrood TGS. As

such, customers are credited for 0.5 GWh at the cost of Holyrood TGS production, \$0.1061.

Line 14 of Attachment 1 shows that Load has decreased by 88.6 GWh when compared to the 2015 Test Year. The RSP assumes this reduction in load will result in less thermal production at the Holyrood TGS. As such, customers are credited for 88.6 GWh at the cost of Holyrood TGS production, \$0.1061.

The net impact of the RSP on this scenario is that customers are credited for 89.1 GWh of production, priced at the cost of production at the Holyrood TGS.¹

In the Average Inflows scenario, Hydro will produce 111.4 GWh less than the 2015 Test Year at the Holyrood TGS. This is 22.2 GWh less than the 89.1 GWh reduction as assumed by the RSP. As such, customers will have paid for 22.2 GWh (\$2.3 million) of production at the Holyrood TGS which did not occur. However, additional production was provided through use of Standby Generation for which the costs will be recovered through the proposed Standby Fuel Deferral account.

In order to ensure customers are not over-charged, Part C of the proposed deferral account reduces the amount to be collected by this same \$2.3 million. This ensures no over collection occurs and that both the RSP and 2016 Standby Deferral are harmonized.

Hydro has also provided the same proof for both the 1961 and 1985 Inflows scenarios as attachments 2 and 3.

¹ 0.5 GWh + 88.6 GWh.

Average Inflows					
Line No.	Production (GWh)	2015 Test Year (a)	2016 Average Inflows (b)	RSP (c) = (a) - (b)	Variance Standby Fuel Deferral (d) = (a) - (b)
1	NLH Hydro Total Hydroelectric ¹	4,603.6	4,604.1	(0.5)	-
2	NLH Standby Holyrood CT	6.5	68.4	-	(61.9)
3	Hardwoods Gas Turbine	3.2	6.4	-	(3.2)
4	Stephenville Gas Turbine	1.2	1.2	-	-
5	St. Anthony Diesel	0.2	0.2	-	(0.0)
6	Hawkes Bay Diesel	0.1	0.2	-	(0.1)
7	Blackstart Diesel	-	1.7	-	(1.7)
8	NP Thermal	-	0.6	-	(0.6)
9	Total Standby	11.3	78.9	-	(67.6)
10	NLH Purchases Nalcor Exploits	633.5	588.0	-	45.5
11	Star Lake	142.2	142.2	-	(0.0)
12	Rattle Brook	15.0	14.8	-	0.2
13	Total Purchases	790.7	745.0	-	45.7
14	Total Load ²	7,239.0	7,150.4	(88.6)	-
15	Variance (GWh) (Line 1 + Line 9 + Line 13 + Line 14)			(89.1) ³	(21.9)
16	NLH Thermal Holyrood Thermal ⁴	1,593.0	1,481.6	111.4	-
17	Net Variance (GWh) (Line 15 + Line 16)			22.2	(21.9)
18	Cost of production at Holyrood (\$/kWh) (\$64.41 per bbl / 607 kWh/bbl)			0.1061	0.1061
19	Over/(Under) Contribution from the RSP for No. 6 Fuel (\$)			2,356,792	
20	Part C - Holyrood TGS Fuels Costs/(Savings) Appendix C (\$)				(2,321,519)
21	Variance				35,273 ⁵
¹ The RSP hydraulic variation balance captures the difference between Actual and Test Year hydraulic production. According to RSP rules, any hydraulic production variance is priced at the cost of production at the Holyrood TGS (\$0.1061 cents / kWh). This results in \$57,725 owing to customers (0.5 GWh * \$0.1061).					
² Total Load includes all sources of supply, including those not normalized in either the RSP or the 2016 Standby Fuel Deferral, such as wind and CBPP Cogeneration. The RSP load variation balance captures the difference between Actual and Test Year Load. According to RSP rules, any Load variance is priced at the cost of production at the Holyrood TGS (\$0.1061 cents / kWh). This results in \$9,401,482 owing to customers (88.6 GWh * \$0.1061).					
³ 89.1 GWh is the net reduction in assumed production from the Holyrood TGS in the RSP.					
⁴ 111.4 GWh is the actual reduction in production at the Holyrood TGS versus the Test Year. This is compared to the 89.1 GWh reduction assumed in the RSP on Line 15.					
⁵ A difference of approximately \$35,000 exists between the amount collected through the RSP and Part C of the 2016 Standby Fuel Deferral. This difference is primarily due to the energy from NP Thermal, as defined in the proposed deferral, which was not included in the forecast load of 7,150.4 GWh as shown in Appendix A of the Application.					

1961 Inflows					
Line No.	Production (GWh)	2015 Test Year (a)	2016 1961 Inflows (b)	Variance RSP (c) = (a) - (b)	Standby Fuel Deferral (d) = (a) - (b)
1	NLH Hydro Total Hydroelectric ¹	4,603.6	3,617.6	986.0	-
2	NLH Standby Holyrood CT	6.5	204.3	-	(197.8)
3	Hardwoods Gas Turbine	3.2	6.4	-	(3.2)
4	Stephenville Gas Turbine	1.2	1.2	-	-
5	St. Anthony Diesel	0.2	0.2	-	(0.0)
6	Hawkes Bay Diesel	0.1	0.2	-	(0.1)
7	Blackstart Diesel	-	1.7	-	(1.7)
8	NP Thermal	-	0.6	-	(0.6)
9	Total Standby	11.3	214.7	-	(203.5)
10	NLH Purchases Nalcor Exploits	633.5	472.9	-	160.6
11	Star Lake	142.2	117.4	-	24.8
12	Rattle Brook	15.0	11.4	-	3.6
13	Total Purchases	790.7	601.7	-	189.0
14	Total Load ²	7,239.0	7,150.4	(88.6)	-
15	Variance (GWh) (Line 1 + Line 9 + Line 13 + Line 14)			897.4 ³	(14.5)
16	NLH Thermal Holyrood Thermal ⁴	1,593.0	2,475.5	(882.5)	-
17	Net Variance (GWh) (Line 15 + Line 16)			14.8	(14.5)
18	Cost of production at Holyrood (\$/kWh) (\$64.41 per bbl / 607 kWh/bbl)			0.1061	0.1061
19	Over/(Under) Contribution from the RSP for No. 6 Fuel (\$)			1,571,552	
20	Part C - Holyrood TGS Fuels Costs/(Savings) Appendix C (\$)				(1,536,323)
21	Variance				35,229 ⁵
¹ The RSP hydraulic variation balance captures the difference between Actual and Test Year hydraulic production. According to RSP rules, any hydraulic production variance is priced at the cost of production at the Holyrood TGS (\$0.1061 cents / kWh). This results in \$104,622,001 owing from customers (986.0 GWh * \$0.1061).					
² Total Load includes all sources of supply, including those not normalized in either the RSP or the 2016 Standby Fuel Deferral, such as wind and CBPP Cogeneration. The RSP load variation balance captures the difference between Actual and Test Year Load. According to RSP rules, any Load variance is priced at the cost of production at the Holyrood TGS (\$0.1061 cents / kWh). This results in \$9,401,482 owing to customers (88.6 GWh * \$0.1061).					
³ 897.4 GWh is the net increase in production assumed from the Holyrood TGS in the RSP.					
⁴ 882.5 GWh is the actual increase in production at the Holyrood TGS versus the Test Year. This is compared to the 897.4 GWh increase assumed in the RSP on Line 15.					
⁵ A difference of approximately \$35,000 exists between the amount collected through the RSP and Part C of the 2016 Standby Fuel Deferral. This difference is primarily due to the energy from NP Thermal, as defined in the proposed deferral, which was not included in the forecast load of 7,150.4 GWh as shown in Appendix A of the Application.					

1985 Inflows					
Line No.	Production (GWh)	2015 Test Year (a)	2016 1985 Inflows (b)	Variance RSP (c) = (a) - (b)	Standby Fuel Deferral (d) = (a) - (b)
1	NLH Hydro Total Hydroelectric ¹	4,603.6	3,861.4	742.1	-
2	NLH Standby Holyrood CT	6.5	88.1	-	(81.6)
3	Hardwoods Gas Turbine	3.2	6.4	-	(3.2)
4	Stephenville Gas Turbine	1.2	1.2	-	-
5	St. Anthony Diesel	0.2	0.2	-	(0.0)
6	Hawkes Bay Diesel	0.1	0.2	-	(0.1)
7	Blackstart Diesel	-	1.7	-	(1.7)
8	NP Thermal	-	0.6	-	(0.6)
9	Total Standby	11.3	98.5	-	(87.2)
10	NLH Purchases Nalcor Exploits	633.5	472.9	-	160.6
11	Star Lake	142.2	117.4	-	24.8
12	Rattle Brook	15.0	11.4	-	3.6
13	Total Purchases	790.7	601.7	-	189.0
14	Total Load ²	7,239.0	7,150.4	(88.6)	-
15	Variance (GWh) (Line 1 + Line 9 + Line 13 + Line 14)			653.5 ³	101.8
16	NLH Thermal Holyrood Thermal ⁴	1,593.0	2,348.0	(755.0)	-
17	Net Variance (GWh) (Line 15 + Line 16)			(101.4)	101.8
18	Cost of production at Holyrood (\$/kWh) (\$64.41 per bbl / 607 kWh/bbl)			0.1061	0.1061
19	Over/(Under) Contribution from the RSP for No. 6 Fuel (\$)			(10,763,186)	
20	Part C - Holyrood TGS Fuels Costs/(Savings) Appendix C (\$)				10,798,139
21	Variance				34,953 ⁵
¹ The RSP hydraulic variation balance captures the difference between Actual and Test Year hydraulic production. According to RSP rules, any hydraulic production variance is priced at the cost of production at the Holyrood TGS (\$0.1061 cents / kWh). This results in \$78,749,767 owing from customers (742.1 GWh * \$0.1061). ² Total Load includes all sources of supply, including those not normalized in either the RSP or the 2016 Standby Fuel Deferral, such as wind and CBPP Cogeneration. The RSP load variation balance captures the difference between Actual and Test Year Load. According to RSP rules, any Load variance is priced at the cost of production at the Holyrood TGS (\$0.1061 cents / kWh). This results in \$9,401,482 owing to customers (88.6 GWh * \$0.1061). ³ 653.5 GWh is the net increase in production assumed from the Holyrood TGS in the RSP. ⁴ 755.0 GWh is the actual increase in production at the Holyrood TGS versus the Test Year. This is compared to the 653.5 GWh increase assumed in the RSP on Line 15. ⁵ A difference of approximately \$35,000 exists between the amount collected through the RSP and Part C of the 2016 Standby Fuel Deferral. This difference is primarily due to the energy from NP Thermal, as defined in the proposed deferral, which was not included in the forecast load of 7,150.4 GWh as shown in Appendix A of the Application.					