



Newfoundland and Labrador Hydro
Hydro Place, 500 Columbus Drive
P.O. Box 12400, St. John's, NL
Canada A1B 4K7
t. 709.737.1400 | f. 709.737.1800
nlhydro.com

January 21, 2022

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Supply Cost Accounting Compliance Application

Enclosed is Newfoundland and Labrador Hydro's ("Hydro") application for approval of various deferral account proposals reflecting the directions of the Board of Commissioners of Public Utilities ("Board") in Board Order No. P.U. 33(2021) ("Supply Cost Accounting Compliance Application").

On July 29, 2021, Hydro filed its Supply Cost Accounting Application requesting approval of various deferral account proposals to address material changes in system costs associated with the integration of the Muskrat Falls Project assets to the provincial electricity system. On December 8, 2021, the Board issued Board Order No. P.U. 33(2021) outlining its decisions and directions regarding the Supply Cost Accounting Application. The Board directed Hydro to file a subsequent application reflecting the findings and determinations of the Board resulting from the Supply Cost Accounting Application. Specifically, the Board directed Hydro to apply for approval of changes to the account definitions to address the determinations of the Board as well as any concerns about the dead bands in the deferral accounts. Hydro's account definitions, revised to address the directions of the Board, are attached to the Supply Cost Accounting Compliance Application as Exhibits 2 through 6. Hydro proposes to have the effective date of the Supply Cost Deferral Account to be November 1, 2021 to reflect the month in which Hydro made the initial payment pursuant to the Muskrat Falls Power Purchase Agreement ("Muskrat Falls PPA"). This is in keeping with how Hydro's supply cost deferral account balances have historically been calculated. Hydro's evidence in support of the proposals is attached to the Supply Cost Accounting Compliance Application as Exhibit 1.

The Board, in Board Order No. P.U. 33(2021), approved Hydro's proposals for regulatory accounting policy deviations from International Financial Reporting Standards and the Muskrat Falls PPA Sustaining Capital Deferral Account. No additional filings were required in the Supply Cost Accounting Compliance Application as a result of these approvals.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

Encl.

Ms. C. Blundon
Public Utilities Board

2

ecc:

Board of Commissioners of Public Utilities

Jacqui H. Glynn
Maureen P. Greene, QC
PUB Official Email

Labrador Interconnected Group

Senwung F. Luk, Olthuis Kleer Townshend LLP
Julia K.G. Brown, Olthuis Kleer Townshend LLP

Praxair Canada Inc.

Sheryl E. Nisenbaum
Peter Strong

Consumer Advocate

Dennis M. Browne, QC, Browne Fitzgerald Morgan & Avis
Stephen F. Fitzgerald, Browne Fitzgerald Morgan & Avis
Sarah G. Fitzgerald, Browne Fitzgerald Morgan & Avis
Bernice Bailey, Browne Fitzgerald Morgan & Avis
Bernard M. Coffey, QC

Newfoundland Power Inc.

Dominic J. Foley
Lindsay S.A. Hollett
Regulatory Email

Industrial Customer Group

Paul L. Coxworthy, Stewart McKelvey
Denis J. Fleming, Cox & Palmer
Dean A. Porter, Poole Althouse

Iron Ore Company of Canada

Gregory A.C. Moores, Stewart McKelvey

Teck Resources Limited

Shawn Kinsella



Supply Cost Accounting Compliance Application

January 21, 2022



An application to the Board of Commissioners of Public Utilities

IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, c E-5.1 (“EPCA”) and the *Public Utilities Act*, RSNL 1990, c P-47 (“Act”), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“Hydro”) pursuant to s 58, 71, and 80 of the *Act*, for the approval of deferral accounts to address material changes in system costs as a result of the Muskrat Falls Project (“Project”) and the phasing out of the Holyrood Thermal Generating Station (“Holyrood TGS”) as a generating facility; and

IN THE MATTER OF an application by Hydro for approval of changes to various deferral account definitions, approval of changes to the rules and regulations applicable to the Rate Stabilization Plan (“RSP”), and other matters reflecting the determinations set out in Board Order No. P.U. 33(2021) (“Supply Cost Accounting Compliance Application”).

TO: The Board of Commissioners of Public Utilities (“Board”)

HYDRO’S SUPPLY COST ACCOUNTING COMPLIANCE APPLICATION STATES THAT:

A. Background

1. Hydro is a corporation continued and existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*, and is subject to the provisions of the *EPCA*.
2. Under the *Act*, the Board has the general supervision of public utilities and requires that a public utility submit for the approval of the Board the rates, tolls, and charges for the service provided by the public utility and the rules and regulations which relate to that service.
3. On July 29, 2021, Hydro filed its Supply Cost Accounting Application, requesting approval of the following:
 - (i) A Supply Cost Variance Deferral Account to become effective on the date upon which Hydro is required to begin payments under the Muskrat Falls Power Purchase Agreement (“Muskrat Falls PPA”);

- (ii) The discontinuance, on the date of the implementation of the Supply Cost Variance Deferral Account, of the following established deferral accounts:
 - a. RSP;
 - b. Revised Energy Supply Cost Variance Deferral Account;
 - c. Isolated Systems Supply Cost Variance Deferral Account; and
 - d. Holyrood Conversion Rate Deferral Account.
 - (iii) A Holyrood TGS Accelerated Depreciation Deferral Account to become effective January 1, 2022;
 - (iv) The deviation from International Financial Reporting Standards (“IFRS”) to allow Hydro to recognize the power purchase costs relating to the delivery of post-commissioning energy in accordance with the commercial terms of the Muskrat Falls PPA and the Transmission Funding Agreement; and
 - (v) A Muskrat Falls PPA Sustaining Capital Deferral Account.
4. The Board issued its decisions and directions in Board Order No. P.U. 33(2021). The Board approved the IFRS deviations and the Muskrat Falls PPA Sustaining Capital Deferral Account; however, the Board determined that the RSP, the Revised Energy Supply Cost Variance Deferral Account, and the Holyrood Conversion Rate Deferral Account should be maintained to provide for the transparent and timely recovery of the historical balances, and those existing balances will not be included in the Supply Cost Variance Deferral Account.
5. The Board directed Hydro to file a subsequent application for approval of the following, reflecting the findings and determinations of the Board:
- (i) A revised Supply Cost Variance Deferral Account definition;
 - (ii) Revised RSP Rules;
 - (iii) Revised definitions for the Revised Energy Supply Cost Variance Deferral Account and the Holyrood Conversion Rate Deferral Account; and
 - (iv) Definition of a Holyrood TGS Accelerated Depreciation Deferral Account.

6. Exhibit 1 to this Supply Cost Accounting Compliance Application contains the detailed evidence supporting Hydro's proposed Supply Cost Deferral Account definitions and its proposed Holyrood TGS Accelerated Depreciation Deferral Account.

B. Supply Cost Variance Deferral Account

7. In Board Order No. P.U. 33(2021), the Board determined that the Supply Cost Variance Deferral Account definition should include only the following components:
- (i) Muskrat Falls Project cost variances;
 - (ii) Rate mitigation funding;
 - (iii) Project cost recovery from customers;
 - (iv) Holyrood TGS fuel cost variance, excluding the proposed transfer of the RSP Hydraulic Production Variation component balance;
 - (v) Other Island Interconnected System supply cost variance, excluding the proposed transfer of the balances in the Revised Energy Supply Cost Variance Deferral Account and the Holyrood Conversion Rate Deferral Account;
 - (vi) Net revenue from exports variance, including the proposed IFRS deviation;
 - (vii) Transmission tariff revenue variance;
 - (viii) Load variation;
 - (ix) Rural Rate Alteration, including the variance from the test year load forecast for Hydro Rural Island Interconnected System customers; and
 - (x) Greenhouse gas credit revenues variance, including the 2021 variance.
8. The proposed Supply Cost Variance Deferral Account definition, reflecting the Board's directions in Board Order No. P.U. 33(2021), is included with this Supply Cost Accounting Compliance Application as Exhibit 2. The definition proposes to begin to apply the cost variance threshold to the Other Island Interconnected System Supply Cost component of the deferral account in 2022, to avoid duplication of the deadband with that of the deadband for the Revised Energy Supply Cost Variance Deferral Account applied for the 2021 balances.

9. As discussed in Section 2.2 of Exhibit 1 to this Supply Cost Accounting Compliance Application, Hydro's supply cost deferral account balances have historically been calculated on a monthly basis, and Hydro's test year supply costs are not forecast on a daily basis. Therefore, although Hydro's initial payment under the Muskrat Falls PPA was for the period of November 23 to November 30, 2021, there is no obvious approach to apportion cost variances between the old and new deferral accounts. Therefore, Hydro proposes to have the Supply Cost Deferral Account become effective as of November 1, 2021, reflecting the month the payments under the Muskrat Falls PPA were implemented.
10. In accordance with the Board's direction, the proposed definition for the Supply Cost Variance Deferral Account stipulates that the financing charges on the plan balances be calculated based on the short-term borrowing costs. Further detail with respect to the application of financing costs is provided in Section 2.4 of Exhibit 1 to this Supply Cost Accounting Compliance Application.

C. RSP Rules and other Supply Cost Deferral Account Definitions

11. The RSP was established to smooth rate impacts for Hydro's Utility customer, Newfoundland Power Inc., as well as Hydro's Island Industrial customers resulting from variations between actual results and Test Year Cost of Service estimates for: hydraulic production; No. 6 fuel cost used at the Holyrood TGS; customer load (Utility and Island Industrial); and rural rates. Board Order No. P.U. 33(2021) directed transfers of these variations to the RSP to be discontinued as of the effective date of the Supply Cost Variance Deferral Account. However, the Board directed that the RSP balances existing as of the effective date be maintained for the transparent and timely recovery of historical balances. Hydro was directed to file revised RSP Rules and revised definitions for the Revised Energy Supply Cost Variance Deferral Account and Holyrood Conversation Rate Deferral Account, reflecting the determinations of the Board.
12. Hydro's proposed RSP Rules for Balance Disposition are set out in Exhibit 3 to this Supply Cost Accounting Compliance Application and are discussed in detail in Section 3.3 of Exhibit 1 to this Supply Cost Accounting Compliance Application. The proposed rules are absent the sections of the existing RSP Rules which require monthly transfers as a result of supply cost variances as these future cost transfers will accumulate in the Supply Cost Variance Deferral Account as of the proposed effective date of November 1, 2021. Hydro also proposes a revised recovery period for the hydraulic variation to provide balance recovery over a fixed four-year period

rather than 25% of the previous year-end balance as the continued use of 25% of the previous year-end balance does not provide a definitive conclusion to the amortization period.

13. Consistent with Board Order No. P.U. 33(2021), Hydro has revised the definitions of the Revised Energy Supply Cost Variance Deferral Account and the Holyrood Conversation Rate Deferral Account to discontinue transfers into those accounts as of the proposed November 1, 2021 effective date of the Supply Cost Variance Deferral Account.
14. Variations in the price and volume of standby thermal generation, variations in the price and volume of off-island power purchases, and variations in volume only from on-island power purchases will thereafter be transferred to the Other Island Interconnected System Supply Costs component of the Supply Cost Variance Deferral Account instead of the Revised Energy Supply Cost Variance Deferral Account. As noted in paragraph 8, Hydro proposes to maintain the deadband of $\pm\$500,000$ to apply to the 2021 balance in the Revised Energy Supply Cost Variance Deferral Account. Hydro's proposed definition of the Revised Energy Supply Cost Variance Deferral Account: Rules for Balance Disposition is discussed in Exhibit 1 and attached as Exhibit 4.
15. The Holyrood Conversation Rate Deferral Account permits Hydro to defer costs that result from differences between the actual and test year No. 6 fuel conversion rate. As with the Revised Energy Supply Cost Variance Deferral Account, no further transfers will be made to the Holyrood Conversation Rate Deferral Account as of November 1, 2021, the proposed effective date of the Supply Cost Variance Deferral Account. Instead, the supply cost variances related to Holyrood TGS fuel will be transferred to the Holyrood TGS Fuel Cost Variances component of the Supply Cost Variance Deferral Account. Additionally, Hydro proposes to maintain the deadband of $\pm\$500,000$ to apply to the 2021 balance in the Holyrood Conversation Rate Deferral Account. These proposals are discussed in Exhibit 1 and Hydro's proposed definition of the Holyrood Conversation Rate Deferral Account: Rules for Balance Disposition is attached as Exhibit 5.
16. The existing RSP Rules and the existing rules relating to the Revised Energy Supply Cost Variance Deferral Account and the Holyrood Conversation Rate Deferral Account are no longer necessary as of November 1, 2021 as, pursuant to Board Order No. P.U. 33(2021), directed transfers of the variations to those accounts are discontinued as of the effective date of the Supply Cost Variance Deferral Account. The disposition of the balances in each account will be governed by the proposed Rules for Balance Disposition proposed for each of the accounts.

D. Holyrood TGS Accelerated Depreciation

17. In Board Order No. P.U. 33(2021), the Board approved Hydro's proposal for the establishment of a deferral account for future recovery of the difference between the accelerated depreciation expense for the Holyrood TGS and the accelerated depreciation expense for the Holyrood TGS included in the approved 2019 Test Year; however, the Board directed Hydro to revise its proposed definition to specify that the deferral account be for variances in excess of \$2.5 million for 2022 and in 2023 if it is not a test year. Hydro's proposed definition, revised as per the Board's Order, is attached as Exhibit 6.

E. Order Requested

18. Hydro has made all necessary revisions as directed by the Board in Board Order No. P.U. 33(2021). In doing so, Hydro has addressed all findings and determinations of the Board in its Order. Hydro requests that the following be approved effective November 1, 2021:
- (i) Proposed Supply Cost Variance Deferral Account definition as provided in Exhibit 2;
 - (ii) Proposed Rate Stabilization Rules for Balance Disposition as set out in Exhibit 3;
 - (iii) Proposed Revised Energy Supply Cost Variance Deferral Account: Rules for Balance Disposition as provided in Exhibit 4;
 - (iv) Proposed Holyrood Conversion Rate Deferral Account: Rules for Balance Disposition as provided in Exhibit 5;
 - (v) Discontinuance of the existing RSP Rules and the existing rules related to the Revised Energy Supply Cost Variance Deferral Account and Holyrood Conversion Rate Deferral Account; and
 - (vi) Proposed Holyrood TGS Accelerated Depreciation Deferral Account definition as provided in Exhibit 6.

F. Communications

19. Communications with respect to this Supply Cost Accounting Compliance Application should be forwarded to Shirley A. Walsh, Senior Legal Counsel, Regulatory for Hydro.

DATED at St. John's in the Province of Newfoundland and Labrador this 21st day of January 2022.

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley Walsh
Counsel for the Applicant
Newfoundland and Labrador Hydro
500 Columbus Drive P.O. Box 12400
St. John's, NL A1B 4K7
Telephone: (709) 685-4973



Exhibit 1

Evidence to the Supply Cost Accounting Compliance Application



Contents

1.0	Introduction	1
2.0	Supply Cost Variance Deferral Account	2
2.1	General.....	2
2.2	Effective Date.....	3
2.3	Deadband Approach	3
2.4	Financing Costs	4
2.5	Account Definition	5
3.0	Balance Disposition of Other Supply Cost Deferral Accounts.....	5
3.1	General.....	5
3.2	Effective Date.....	5
3.3	Revised RSP Rules	5
3.4	Revised Energy Supply Cost Variance Deferral Account.....	6
3.5	Holyrood Fuel Conversion Rate Deferral Account	7
4.0	Holyrood TGS Accelerated Depreciation	8
5.0	Summary	8

1.0 Introduction

On July 29, 2021, Newfoundland and Labrador Hydro (“Hydro”) filed its Supply Cost Accounting

Application requesting approval of:

(i) A Supply Cost Variance Deferral Account to become effective on the date upon which Hydro is required to begin payments under the Muskrat Falls Power Purchase Agreement (“Muskrat Falls PPA”);

(ii) The discontinuance, on the date of the implementation of the Supply Cost Variance Deferral Account, of the following established deferral accounts:

a. Rate Stabilization Plan (“RSP”);

b. Revised Energy Supply Cost Variance Deferral Account;

c. Isolated Systems Supply Cost Variance Deferral Account; and

d. Holyrood Conversion Rate Deferral Account.

(iii) A Holyrood Thermal Generating Station (“Holyrood TGS”) Accelerated Depreciation Deferral Account to become effective January 1, 2022;

(iv) The deviation from International Financial Reporting Standards (“IFRS”) to allow Hydro to recognize the power purchase costs relating to the delivery of post-commissioning energy in accordance with the commercial terms of the Muskrat Falls PPA and the Transmission Funding Agreement; and

(v) A Muskrat Falls PPA Sustaining Capital Deferral Account.

On December 8, 2021, the Board of Commissioners of Public Utilities (“Board”) issued Board Order No. P.U. 33(2021) outlining its decisions and directions regarding the Supply Cost Accounting Application (“Board Order”). In the Board Order, the Board directed Hydro to file a subsequent application reflecting the findings and determinations of the Board resulting from the Supply Cost Accounting Application (“Supply Cost Accounting Compliance Application”). Specifically, the Board directed Hydro to apply for approval of changes to the account definitions to address the determinations of the Board as well as any concerns about the dead bands in the accounts.¹ The following is the detailed evidence used to support

¹ Board Order No. P.U. 33(2021), p. 6/36–38.

1 Hydro's Supply Cost Accounting Compliance Application for approval of various matters, including the
2 revised account definitions, in accordance with the requirements of the Board Order.

3 **2.0 Supply Cost Variance Deferral Account**

4 **2.1 General**

5 The Board Order requires Hydro to apply for approval of a definition for the Supply Cost Variance
6 Deferral Account reflecting the determinations detailed in the Board Order. The Board determined that
7 the Supply Cost Variance Deferral Account definition should include only the following components:

- 8 (i) Muskrat Falls Project cost variances;
- 9 (ii) Rate mitigation funding;
- 10 (iii) Project cost recovery from customers;
- 11 (iv) Holyrood TGS fuel cost variance, excluding the proposed transfer of the RSP Hydraulic
12 Production Variation component balance;
- 13 (v) Other Island Interconnected System supply cost variance, excluding the proposed
14 transfer of the balances in the Revised Energy Supply Cost Variance Deferral Account
15 and the Holyrood Conversion Rate Deferral Account;
- 16 (vi) Net revenue from exports variance, including the proposed IFRS deviation;
- 17 (vii) Transmission tariff revenue variance;
- 18 (viii) Load variation;
- 19 (ix) Rural Rate Alteration ("RRA"), including the variance from the test year load forecast
20 for Hydro Rural Island Interconnected System customers;² and
- 21 (x) Greenhouse gas credit revenues variance, including the 2021 variance.

22 The Board also determined that the Supply Cost Variance Deferral Account definition should reflect the
23 calculation of financing charges based on Hydro's short-term borrowing costs.

² The RRA will be allocated between Newfoundland Power Inc. ("Newfoundland Power") and customers on the Labrador Interconnected System on the same basis as the Rural Deficit is allocated in the most recent test year cost of service study with the portion allocated to the Labrador Interconnected System written off to Hydro's net income. The remaining balance will be tracked for future disposition to/from Newfoundland Power.

1 The following provides details to support and clarify: (i) the proposed effective date for the new deferral
2 account; (ii) the approach to the use of a deadband for 2021; (iii) the approach to be used in calculating
3 financing costs; and (iv) the proposed deferral account definition.

4 **2.2 Effective Date**

5 Hydro's supply cost deferral account balances have historically calculated on a monthly basis reflecting
6 the differences between the actual monthly supply costs incurred by Hydro and those reflected in the
7 test year used to establish customer rates. Hydro's initial payment requirement under the Muskrat Falls
8 PPA was part way through November 2021;³ however, there is no obvious approach for apportioning
9 the November cost variances between the old and new deferral accounts as Hydro's test year supply
10 costs are not forecast on a daily basis. Therefore, Hydro is proposing that the Supply Cost Variance
11 Deferral Account become effective November 1, 2021 reflecting the month the payments under the
12 Muskrat Falls PPA were implemented.

13 **2.3 Deadband Approach**

14 An annual deadband of $\pm\$500,000$ applies to the balance in the Revised Energy Supply Cost Variance
15 Deferral Account.⁴ Cost variances outside the deadband range are either credited to or recovered from
16 customers. The cost elements previously recorded in Revised Energy Supply Cost Variance Deferral
17 Account will be included the Other Island Interconnected System Supply Costs component of the Supply
18 Cost Variance Deferral Account for which a deadband will also apply. For 2021, the use of a $\pm\$500,000$
19 deadband for both the Revised Energy Supply Cost Variance Deferral Account and the Other Island
20 Interconnected System Supply Costs component would result in the deadband for this cost component
21 applying twice.

22 To avoid duplication of the $\pm\$500,000$ deadband in 2021, Hydro is proposing to maintain the $\pm\$500,000$
23 deadband for the 2021 balance in the Revised Energy Supply Cost Variance Deferral Account and begin
24 to apply the $\pm\$500,000$ deadband in 2022 for the Other Island Interconnected System Supply Costs
25 component of the Supply Cost Variance Deferral Account.

³ The initial payment under the Muskrat Falls PPA for the period November 23, 2021 to November 30, 2021 (8 days).

⁴ A deadband is also applied to the balance in the Holyrood Conversion Rate Deferral Account for determining the balance disposition to/from customers. With the approval of the Supply Cost Variance Deferral Account, Holyrood fuel cost variances from those reflected in test year rates are recorded in the Holyrood TGS Fuel Costs component for which no cost variance deadband applies.

2.4 Financing Costs

In accordance with the Board Order, financing charges on the plan balances will be calculated annually using Hydro's short-term borrowing costs. Hydro is proposing that the interest rate will be calculated annually in December. For the period of January to November the interest rate used in calculating financing costs will be the rate calculated from the prior year-end. In the month of December, the interest expense will be trued up for the year as the interest rate will be re-calculated and applied to the deferral account balance outstanding at the end of each month, inclusive of compound interest. The financing charges will include interest and fees associated with Hydro's credit facility, promissory note and the recoverable portion of the debt guarantee fee on short-term interest.

The interest rate formula is as follows:

Annual Short Term Interest Rate = (Credit Facility Interest and fees + Promissory Note Interest and fees + recoverable portion of debt guarantee fees⁵ associated with promissory note balances)/(Weighted Annual Average of (Credit Facility Debt + Promissory Note Debt Balances)).

The example below provides an illustration of the calculation of the short-term borrowing rate based on Hydro's short-term borrowing costs in December 2021.

**Short-Term Interest Example
2021 Short-Term Interest Calculation
(\$000's)**

Promissory Note Interest	107
Operating Line Interest	-
Standby and Upfront Fee	838
Brokerage Fee	72
Debt Guarantee Fee – Recoverable Portion Only	328
Total Short-Term Borrowing Costs	1,345
Weighted Average Short-Term Debt Balance*	73,118
Short-Term Cost of Borrowing 2021	1.84%

*The weighted average of the short-term debt balance is calculated using the 365 day average of the credit facility debt and the promissory note debt balances.

⁵ The portion of the debt guarantee fee that is approved for recovery through customer rates.

1 **2.5 Account Definition**

2 The proposed Supply Cost Variance Deferral Account definition, provided as Exhibit 2 to the application,
3 reflects the determinations provided in the Board Order, including: (i) the removal of the section related
4 to the transfer of the balances from Hydro’s existing supply cost variance deferral accounts and the
5 removal of the Isolated Systems Supply Cost Variance component; (ii) the proposal for the deadband on
6 the Other Island Interconnected System Supply Costs component to become effective January 1, 2022,
7 and (iii) the proposal for use in the calculation of financing costs based on Hydro’s short-term borrowing
8 costs.

9 **3.0 Balance Disposition of Other Supply Cost Deferral**
10 **Accounts**

11 **3.1 General**

12 The RSP Rules and the existing account definitions for the Revised Energy Supply Cost Variance Deferral
13 Account and the Holyrood Conversion Rate Deferral Account must be revised to reflect the
14 determinations provided in the Board Order including the continued separation of the historical
15 balances in these accounts to enable future disposition to/from customers on a timely basis. The
16 proposed revisions to the account definitions discontinue the debiting or crediting of future supply cost
17 variances to these accounts.

18 **3.2 Effective Date**

19 Hydro is proposing a November 1, 2021 effective date for the revised RSP Rules, Revised Energy Supply
20 Cost Variance Deferral Account, and the Holyrood Conversion Rate Deferral Account. The November 1,
21 2021 effective date is consistent with the proposed effective date for the Supply Cost Variance Deferral
22 Account which would deal with future supply cost variances.

23 **3.3 Revised RSP Rules**

24 The RSP was established for Hydro’s Utility customer, Newfoundland Power, and Island Industrial
25 customers to smooth rate impacts for variations between actual results and Test Year Cost of Service
26 estimates for: hydraulic production; No. 6 fuel cost used at the Holyrood TGS; customer load (Utility and
27 Island Industrial); and rural rates. The approval of the Supply Cost Variance Deferral Account
28 discontinued transfers to the RSP resulting from variations in future costs associated with the Test Year
29 Cost of Service estimates for the items listed above. However, the Board approved the maintenance of

1 RSP balances for the transparent and timely recovery of historical balances. The Board also concluded
2 that the rate adjustments should proceed as scheduled on January 1 and July 1.

3 The proposed RSP Rules provide for the disposition of balances in alignment with the RSP Rules
4 previously approved by the Board and also continue to apply financing costs to RSP balances using
5 Hydro's approved test year weighted average cost of capital. The proposed RSP Rules for balance
6 disposition do not contain requirements for monthly transfers as a result of supply cost variances, as
7 these future cost transfers will accumulate in the Supply Cost Variance Deferral Account. Hydro has also
8 proposed a revision to the recovery period for the hydraulic variation to provide balance recovery over a
9 fixed four-year period rather than 25% of the previous year-end balance (i.e., with the accumulated
10 financing costs continuing to be recovered on an annual basis) as the continued use of 25% of the
11 previous year-end balance does not provide a definitive conclusion to the amortization period.⁶

12 Hydro's proposed RSP Rules reflecting the determinations provided in the Board Order are included as
13 Exhibit 3 to the application: Rate Stabilization Plan Rules for Balance Disposition.

14 **3.4 Revised Energy Supply Cost Variance Deferral Account**

15 The Revised Energy Supply Cost Variance Deferral Account permits Hydro to defer certain price and
16 volume variances from the approved test year for specific supply costs on Hydro's Island Interconnected
17 System. The Revised Energy Supply Cost Variance Deferral Account is comprised of four main sections:
18 (i) variations in the price and volume of standby thermal generation; (ii) variations in the price and
19 volume of off-island power purchases; (iii) variations in volume only from on-island power purchases;
20 and (iv) fuel cost variations at the Holyrood TGS as a result of variations in energy production from
21 sources specifically covered by the Revised Energy Supply Cost Variance Deferral Account.⁷ The
22 deadband for this account is +/- \$500,000 per calendar year; therefore, Hydro is required to propose
23 recovery/credit of annual cost variances of annual amounts outside the range of the deadband.

24 The approval of the Supply Cost Variance Deferral Account discontinued transfers to the Revised Energy
25 Supply Cost Variance Deferral Account as of the effective date of the new account. Supply cost variances
26 for the above components (with the exception of Holyrood TGS fuel costs), incurred from November 1,

⁶ Hydro is proposing the allocation of the hydraulic component balance based on the 12 month-to-date kWh as of October 31, 2021.

⁷ Variations in load, hydrology, and No. 6 fuel price are captured in the RSP.

1 2021 forward, will be transferred to the Other Island Interconnected System Supply Costs component of
2 the Supply Cost Variance Deferral Account.

3 The Board Order requires Hydro to revise the Revised Energy Supply Cost Variance Deferral Account
4 definition to maintain the 2021 balance for recovery from customers on a timely basis. The 2021 year-
5 end balance in the Revised Energy Supply Cost Variance Deferral Account is approximately \$13 million
6 owing from customers. Hydro is required to file an application for the disposition of the balance in this
7 account no later than the 31st day of March, 2022. The year-end balance reflects the cumulative
8 transfers up to October 31, 2021.

9 As mentioned in the previous section, Hydro is proposing to maintain the deadband of \pm \$500,000 to
10 apply to the 2021 balance in the Revised Energy Supply Cost Variance Deferral Account. This approach
11 will result in Hydro absorbing the full \$500,000 deadband as a reduction in net income for 2021.

12 Exhibit 4 to the application: Revised Energy Supply Cost Variance Deferral Account: Rules for Balance
13 Disposition provides Hydro's proposed rules for the disposition of the account balance following an
14 approach consistent with past practice.

15 **3.5 Holyrood Fuel Conversion Rate Deferral Account**

16 The Holyrood Conversion Rate Deferral Account permits Hydro to defer No. 6 fuel costs that result from
17 differences between the actual and test year No. 6 fuel conversion rate. The Holyrood TGS conversion
18 rate can be affected by unit loading, fuel BTU⁸ content, and station services. Generally, higher unit
19 loading at the Holyrood TGS will improve the conversion rate and result in fuel savings; conversely,
20 lower unit loading at the Holyrood TGS will reduce the conversion rate and result in higher fuel costs.
21 Further, fuel BTU content that is lower than Hydro's specification results in a lower conversion rate and
22 consumption of more fuel to achieve the same level of energy production.

23 The approval of the Supply Cost Variance Deferral Account discontinued transfers to the Holyrood
24 Conversion Rate Deferral Account as of the effective date of the new account. Supply costs variances
25 related to Holyrood TGS fuel, incurred from November 1, 2021 forward, will be transferred to the
26 Holyrood TGS Fuel Cost Variances component of the Supply Cost Variance Deferral Account.

⁸ British Thermal Unit ("BTU").

1 The Board Order requires Hydro to revise the Holyrood Conversion Rate Deferral Account definition to
2 maintain the 2021 balance for recovery from customers on a timely basis. The 2021 year-end balance in
3 the Holyrood Conversion Rate Deferral Account is approximately \$1.9 million owing from customers.
4 The year-end balance reflects the cumulative transfers up to October 31, 2021. Hydro is required to file
5 an application for the disposition of the balance in this account no later than the 31st day of March,
6 2022.

7 Consistent with the approach proposed for the Revised Energy Supply Cost Variance Deferral Account,
8 Hydro is proposing to maintain the deadband of \pm \$500,000 to apply to the 2021 balance in the Holyrood
9 Conversion Rate Deferral Account. This approach will result in Hydro absorbing the full \$500,000
10 deadband as a reduction in net income for 2021.

11 Exhibit 5 to the application: Holyrood Conversion Rate Deferral Account: Rules for Balance Disposition
12 provides Hydro's proposed rules consistent with the past practice in dealing with disposition of the
13 deferral account balances.

14 **4.0 Holyrood TGS Accelerated Depreciation**

15 In the Supply Cost Accounting Application, Hydro proposed that the Holyrood TGS Accelerated
16 Depreciation Deferral Account be established to defer, for future recovery, the difference between the
17 accelerated depreciation expense for the Holyrood TGS in 2022 and the accelerated depreciation
18 expense for the Holyrood TGS included in the approved 2019 Test Year.

19 In the Board Order, the Board approved the establishment of a deferral account but instructed Hydro to
20 revise the definition to defer variances in excess of \$2.5 million for 2022 and in 2023 if it is not a test
21 year.

22 Exhibit 6 to the application: Holyrood TGS Accelerated Depreciation Deferral Account provides a revised
23 definition in accordance with the Board's decision.

24 **5.0 Summary**

25 To comply with the Board's determinations on the Supply Cost Accounting Application, this evidence has
26 provided the following:

- 27 (i) Proposed Supply Cost Variance Deferral Account definition;
- 28 (ii) Rate Stabilization Plan Rules for Balance Disposition;

- 1 (iii) Revised Energy Supply Cost Variance Deferral Account: Rules for Balance Disposition
- 2 (iv) Holyrood Conversion Rate Deferral Account: Rules for Balance Disposition; and the
- 3 (v) Holyrood TGS Accelerated Depreciation Deferral Account definition.

4 The Board Order also approved Hydro's proposals for regulatory accounting policy deviations from IFRS
5 and the Muskrat Falls PPA Sustaining Capital Deferral Account. No additional filings are required in the
6 compliance application as a result of these approvals.



Exhibit 2

Supply Cost Variance Deferral Account Definition



Newfoundland and Labrador Hydro Supply Cost Variance Deferral Account Definition

Newfoundland and Labrador Hydro's ("Hydro") Supply Cost Variance Deferral Account is established to smooth rate impacts for Hydro's Utility customer, Newfoundland Power Inc. ("Newfoundland Power"), and Island Industrial customers and to provide Hydro the opportunity to recover supply cost variances between the forecasts reflected in customer rates and the actual costs incurred.

The formulae used to calculate the account's activity are outlined below. Positive values denote amounts owing from customers to Hydro whereas negative values denote amounts owing from Hydro to customers.

Section A

1.0 Muskrat Falls Project ("Project") Cost Variances

The **Project Cost Variances** will reflect the variance from test year costs for the Muskrat Falls Purchase Power Agreement ("Muskrat Falls PPA") and the Transmission Funding Agreement ("TFA").

Project Cost Variances will be calculated monthly based on the following formula:

$$(A - A_T) + (B - B_T)$$

Where:

A = Actual Purchased Power Expense from Muskrat Falls PPA Charges;

A_T = Test Year Purchased Power Expense from Muskrat Falls PPA Charges;

B = Actual Purchased Power Expense from TFA Charges; and

B_T = Test Year Purchased Power Expense from TFA Charges.

2.0 Rate Mitigation Fund

Any funding to provide rate mitigation to offset the costs of the Project will be credited to the **Rate Mitigation Fund** component of the deferral account.

3.0 Project Cost Recovery

Charges applied to customers to recover Project costs will be credited to the **Project Cost Recovery** component of the deferral account and tracked by customer class.

4.0 Holyrood Thermal Generating Station (“Holyrood TGS”) Fuel Cost Variance

Holyrood TGS Fuel Cost Variances will be calculated monthly based on the following formula:

$$(C - C_T)$$

Where:

C = Actual Holyrood TGS Fuel Cost incurred in the month to supply firm energy to customers on the Island Interconnected System; and

C_T = Test Year Holyrood TGS Fuel Cost in the month to supply firm energy to the customers on the Island Interconnected System.

5.0 Other Island Interconnected System Supply Cost Variance

The account shall be charged or credited monthly with the **Other Island Interconnected System Supply Cost Variance** incurred by Hydro on the Island Interconnected System that is in excess of the Cost Variance Threshold in the calendar year.

Variations resulting from both the price and volume of the following thermal generation sources shall be charged or credited to this account:

- Holyrood Combustion Turbine;
- Hardwoods Gas Turbine;
- Stephenville Gas Turbine;
- St. Anthony Diesel Plant; and
- Hawkes Bay Diesel Plant.

Variations resulting from the volume of the following on-island power purchases shall be charged or credited to this account:

- Nalcor Exploits;
- Star Lake;
- Rattle Brook;
- Corner Brook Pulp and Paper Limited (“CBPP”) Cogeneration;
- St. Lawrence wind; and
- Fermeuse wind.

Variations from the price and volume of firm energy power purchases from CBPP shall be charged or credited to this account.

Variations resulting from the cost of off-island power purchases shall also be charged or credited to this account. Off-island power purchase costs shall not include any expenditure related to Muskrat Falls PPA, TFA or the Interim TFAs.

The **Other Island Interconnected System Supply Cost Variance** will be determined monthly by the following formula:

$$D + E + F + G$$

D = Test Year Thermal Generation Variances resulting from both price and volume;

Where:

D = (Actual Thermal Generation Cost in providing firm energy – Test Year Thermal Generation Cost).

E = Test Year Off-Island Power Purchase Variances resulting from both price and volume;

Where:

E = (Actual Off-Island Power Purchase Cost – Test Year Off-Island Power Purchase Cost).

F = Test Year Power Purchase Variances resulting from volume;

Where:

F = (Actual kWh Purchases – Test Year kWh Purchases) x (Test Year Purchase Cost in \$/kWh).

G = Variances based on firm energy purchases from CBPP;

Where:

G = (Actual CBPP Power Purchase Cost – Capacity Assistance Adjustment) – (Test Year CBPP Firm Energy Power Purchase Cost).

“Capacity Assistance Adjustment” shall represent any change in fixed capacity assistance payments as a result of firm energy purchases from CBPP.

The **Cost Variance Threshold** equals $\pm\$500,000^1$ in a calendar year.

¹ The effective date of the cost variance threshold commences January 1, 2022.

6.0 Net Revenue from Exports Variance

The **Net Revenue from Exports Variance** is computed on monthly basis by the following formula:

$$(H_T - H)$$

Where:

Net Revenue from Exports reflect the revenues from Hydro exports less the costs incurred to export energy.

H_T = Test Year Net Revenues from Exports (\$); and

H = Actual Net Revenues from Exports (\$).

The account will be credited in December with an estimate of net export sales that occurred during the year but the actual settlement value will not be finalized until the following period. The account will be adjusted in the following period for any difference between the estimated and actual value.

Revenues from non-firm sales on the Island Interconnected System supplied by hydraulic generation will also be credited to the Net Revenue from Exports Variance component.

7.0 Transmission Tariff Revenue Variance

For the purpose of this deferral account, Transmission Tariff Revenues reflect the transmission revenues paid by third parties to enable exports. The **Transmission Tariff Revenue Variance** is computed on monthly basis by the following formula:

$$(I_T - I)$$

Where:

I_T = Test Year Transmission Tariff Revenues paid by third parties (\$); and

I = Actual Transmission Tariff Revenues paid by third parties (\$).

8.0 Load Variation

Firm: Firm load variation is determined based on the revenue variation for firm energy sales compared with the test year Cost of Service Study firm sales. It is calculated separately for Newfoundland Power firm sales and Island Industrial firm sales on a monthly basis, in accordance with the following formula:

$$(J_T - J_A) \times K_R$$

Where:

J_T = Test Year Cost of Service Firm Sales, by customer class (kWh);

J_A = Actual Firm Sales, by customer class (kWh); and

K_R = Firm Energy Rate, by customer class.

Where the rate designs include more than one energy block, the excess energy rate will apply in computing **Load Variation** transfers.

9.0 Rural Rate Alteration

The **Rural Revenue Adjustment** transfers to Newfoundland Power: (i) changes in Hydro Rural revenues resulting from changes in Rural Rates between test years, and (ii) changes in Rural revenues on the Island Interconnected System as a result of changes in Rural load between test years. The **Rural Revenue Adjustment** is calculated on a monthly basis, in accordance with the following formula:

$$[(N_T - N_A) \times O_T] + [(P_T - P_A) \times Q_T]$$

Where:

N_T = Test Year Cost of Service rural rates;

N_A = Existing rural rates;

O_T = Test Year Billing Units (kWh, bills, billing demand);

P_T = Test Year kWh sales for Hydro Rural Island Interconnected (excluding street and area lighting);

P_A = Actual kWh sales for Hydro Rural Island Interconnected (excluding street and area lighting); and

Q_T = Test Year rates per class for Rural Island Interconnected System (excluding street and area lighting).

The **Rural Revenue Adjustment** will be allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion that the Rural Deficit was allocated in the approved Test Year Cost of Service Study. The portion allocated to Hydro Rural Labrador Interconnected will be removed from the plan and written off to Hydro's net income (loss).

10.0 Greenhouse Gas Credit Revenues Variance

The **Greenhouse Gas Credit Revenues Variance** is computed on monthly basis, beginning on January 1, 2021, by the following formula:

$$(T_T - T)$$

Where:

T_T = Test Year Greenhouse Gas Credit Revenues (\$); and

T = Actual Greenhouse Gas Credit Revenues (\$).

Section B

1.0 Plan Balances

Separate plan balances for the Utility and Island Industrial customers will be maintained in this account as required. Transfers to the Utility balance will continue to reflect the monthly adjustments for the **Rural Rate Alteration**. No other transfers to the Utility balance and Industrial Customer balance will occur until further approval is obtained from the Board of Commissioners of Public Utilities ("Board").

2.0 Financing Costs

Financing charges on the plan balances will be calculated monthly using a financing rate calculated based on Hydro's short-term borrowing costs. The calculation of the annual short-term borrowing rate is as follows:

$$(U + V + W) \text{ divided by } (X + Y)$$

Where:

U = Credit Facility Interest and fees;

V = Promissory Note Interest and fees;

W = Recoverable portion of debt guarantee fees associated with promissory note balances;

X = Weighted Average Credit Facility Debt; and

Y = Weighted Average Promissory Note Debt Balances.

For the period of January to November the interest rate used will be the rate calculated based on the prior year-end. In the month of December, the interest expense will be trued up for the current year as the interest rate will be re-calculated and applied to the deferral account balance outstanding at the end of each month, inclusive of compound interest.

3.0 Customer Allocation

Customer Allocation of balances in the Supply Cost Variance Deferral Account will be subject to further approval by the Board.

4.0 Balance Disposition

Disposition of balances in the Supply Cost Variance Deferral Account will be subject to further approval by the Board.

5.0 Balance Transfers

The balances in the Supply Cost Variance Deferral Account shall be adjusted by other amounts as ordered by the Board.



Exhibit 3

Proposed Rate Stabilization Rules for Balance Disposition



**Newfoundland and Labrador Hydro
Rate Stabilization Plan Rules for Balance Disposition**

The Rate Stabilization Plan of Newfoundland and Labrador Hydro (“Hydro”) was established for Hydro’s Utility customer, Newfoundland Power Inc. (“Newfoundland Power”), and Island Industrial customers to smooth rate impacts for variations between actual results and Test Year Cost of Service estimates for:

- hydraulic production;
- No. 6 fuel cost used at Hydro’s Holyrood Thermal Generating Station;
- customer load (Utility and Island Industrial); and
- rural rates.

In Board Order No. P.U. 33(2021), the Board of Commissioners of Public Utilities (“Board”) approved the Supply Cost Variance Deferral Account to deal with future supply cost variances on the Island Interconnected System beginning in the month in which Hydro was required to begin payments under the Muskrat Falls Purchase Power Agreement (i.e., November 2021). The approval of the Supply Cost Variance Deferral Account discontinued transfers to the Rate Stabilization Plan (“RSP”), effective as of the implementation of the Supply Cost Variance Deferral Account, resulting from variations in future costs associated with the Test Year Cost of Service estimates for the items listed above. However, the Board directed that the RSP balances be maintained for the transparent and timely recovery of historical balances. The following rules provide for the disposition of historical balances in accordance with the RSP Rules previously approved by the Board.

Section A: Hydraulic Production Variation Balance Disposition

1.0 Financing

Each month, financing charges, using Hydro's approved test year weighted average cost of capital, will be calculated on the balance.

2.0 Hydraulic Variation Customer Assignment

Customer assignment of hydraulic variations will be performed annually as follows:

$$(E \times 25\%) + F$$

Where:

E = Hydraulic Variation Account Balance as of October 31, 2021 excluding financing charges; and

F = Financing charges accumulated to December 31 for each year.

The total amount of the Hydraulic Customer Assignment shall be removed from the Hydraulic Variation Account.

3.0 Customer Allocation

The annual customer assignment will be allocated among the Island Interconnected customer groups of (i) Newfoundland Power; (ii) Island Industrial Firm; and (iii) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date

kWh up to October 31, 2021 for Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The portion of the hydraulic customer assignment which is initially allocated to Rural Island Interconnected will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The Newfoundland Power and Island Industrial customer allocations shall be included with the Newfoundland Power and Island Industrial RSP balances, respectively, as of December 31 each year. The Labrador Interconnected Hydraulic customer allocation shall be written off to Hydro's net income (loss).

Section B: Fuel Cost Variation, Load Variation and Rural Rate Alteration

1.0 Customer Allocation: Load and Fuel Activity Historical Balance

The year-to-date total for fuel price variation as of October 31, 2021 and the year-to-date total for the load variation as of October 31, 2021 will be allocated among the Island Interconnected customer groups of (i) Newfoundland Power; (ii) Island Industrial Firm; and (iii) Rural Island Interconnected. The allocation will be based on percentages derived from 12 months-to-date kWh as of October 31, 2021 for Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The year-to-date portion of the fuel price variation as of October 31, 2021 and the year-to-date portion of the load variation as of October 31, 2021, which is initially allocated to Rural Island Interconnected, will be re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The amount allocated to regulated Labrador Interconnected customers will be removed from the plan and written off to Hydro's net income (loss).

2.0 Customer Allocation: Rural Rate Alteration Activity Historical Balance

The rural rate alteration as of October 31, 2021 will be allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study. The portion allocated to regulated Labrador Interconnected will be removed from the plan and written off to Hydro's net income (loss).

3.0 Plan Balances

Separate plan balances for Newfoundland Power and the Island Industrial customer class will be maintained. The RSP balances shall be adjusted by other amounts as ordered by the Board. Financing charges on the plan balances will be calculated monthly using Hydro's approved test year weighted average cost of capital.

Section C: Adjustment

1.0 Newfoundland Power

As of March 31 each year, Newfoundland Power's adjustment rate for the 12-month period commencing the following July 1 is determined as the rate per kWh which is projected to collect:

Newfoundland Power March 31 Balance

less projected recovery/repayment of the balance for the following three months (if any), estimated using the energy sales (kWh) for April, May and June from the previous year;

plus forecast financing charges to the end of the 12-month recovery period (i.e., June in the following calendar year);

divided by the 12-months-to-date firm plus firmed-up secondary kWh sales to the end of March.

2.0 Island Industrial Customers

As of December 31 each year, the adjustment rate for Island Industrial customers for the 12-month period commencing January 1 is determined as the rate per kWh which is projected to collect:

Industrial December 31 Balance

plus forecast financing charges to the end of the following calendar year;

divided by 12-months-to-date kWh sales to the end of December.



Exhibit 4

Revised Energy Supply Cost Variance Deferral Account: Rules for Balance Disposition



Newfoundland and Labrador Hydro
Revised Energy Supply Cost Variance Deferral Account: Rules for Balance Disposition

Background

The Revised Energy Supply Deferral Account enabled Newfoundland and Labrador Hydro (“Hydro”) to defer certain price and volume variances from the approved test year for specific supply costs on Hydro’s Island Interconnected System. The Revised Energy Supply Deferral Account was comprised of four main sections: (i) variations in the price and volume of standby thermal generation; (ii) variations in the price and volume of off-island power purchases; (iii) variations in volume only from on-island power purchases; and (iv) fuel cost variations at the Holyrood Thermal Generating Station (“Holyrood TGS”) as a result of variations in energy production from sources specifically covered by the Revised Energy Supply Cost Variance Deferral Account.

The approval of the Supply Cost Variance Deferral Account, effective November 1, 2021, discontinued transfers to the Revised Energy Supply Cost Variance Deferral Account. Supply costs variances for the above components (with the exception of Holyrood TGS fuel costs) incurred from November 1, 2021, will be transferred to the Other Island Interconnected System Supply Costs component of the Supply Cost Variance Deferral Account.

Board Order No. P.U. 33(2021) directed the maintenance of this account for the transparent and timely recovery of historical balances.

Disposition of any Balance in this Account

Hydro shall file an application with the Board of Commissioners of Public Utilities for the disposition of the October 31, 2021 balance in this account no later than the 31st day of March, 2022. Disposition will be inclusive of a Cost Variance Threshold equal to $\pm\$500,000$.



Exhibit 5

Holyrood Conversion Rate Deferral Account: Rules for Balance Disposition

**Newfoundland and Labrador Hydro
Holyrood Conversion Rate Deferral Account: Rules for Balance Disposition**

Background

The Holyrood Conversion Rate Deferral Account permits Newfoundland and Labrador Hydro (“Hydro”) to defer costs that result from differences between the actual and test year No. 6 fuel conversion rate. The Holyrood Thermal Generating Station (“Holyrood TGS”) conversion rate can be affected by unit loading, fuel BTU¹ content, and station services. Generally, higher unit loading at the Holyrood TGS will improve the conversion rate and result in fuel savings; conversely, lower unit loading at the Holyrood TGS will reduce the conversion rate and result in higher fuel costs. Further, fuel BTU content that is lower than Hydro’s specification results in a lower conversion rate and consumption of more fuel to achieve the same level of energy production.

The approval of the Supply Cost Variance Deferral Account, effective November 1, 2021, discontinued transfers to the Holyrood Conversion Rate Deferral Account. Supply costs variances related to Holyrood TGS fuel incurred from November 1, 2021 will be transferred to the Holyrood TGS Fuel Cost Variances component of the Supply Cost Variance Deferral Account.

Board Order No. P.U. 33(2021) directed the maintenance of this account for the transparent and timely disposition.

Disposition of any Balance in this Account

Hydro shall file an application with the Board for the disposition of the October 31, 2021 balance in this account no later than the 31st day of March, 2022. Disposition will be inclusive of a Cost Variance Threshold equal to ±\$500,000.

¹ British Thermal Unit (“BTU”).



Exhibit 6

Proposed Holyrood TGS Accelerated Depreciation Deferral Account Definition



**Newfoundland and Labrador Hydro
Proposed Holyrood TGS Accelerated Depreciation Deferral Account Definition**

Newfoundland and Labrador Hydro's ("Hydro") Holyrood Thermal Generation Station ("Holyrood TGS") Accelerated Depreciation Deferral Account is established to defer for future recovery any difference in excess of ± 2.5 million between the accelerated depreciation expense for the Holyrood TGS in 2022 and 2023 (if 2023 is not a test year in a general rate application) and the accelerated depreciation expense for the Holyrood TGS included in the approved 2019 Test Year. If 2023 is a test year in Hydro's next general rate application, no transfer to the deferral account will be made for cost differences in 2023.

The disposition of the balance in this account will be subject to a further Order of the Board of Commissioners of Public Utilities.



Affidavit

IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, c E-5.1 (“EPCA”) and the *Public Utilities Act*, RSNL 1990, c P-47 (“Act”), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“Hydro”) pursuant to s 58, 71, and 80 of the *Act*, for the approval of deferral accounts to address material changes in system costs as a result of the Muskrat Falls Project (“Project”) and the phasing out of the Holyrood Thermal Generating Station (“Holyrood TGS”) as a generating facility; and

IN THE MATTER OF an application by Hydro for approval of changes to various deferral account definitions, approval of changes to the rules and regulations applicable to the Rate Stabilization Plan (“RSP”), and other matters reflecting the determinations set out in Board Order No. P.U. 33(2021) (“Supply Cost Accounting Compliance Application”).

AFFIDAVIT

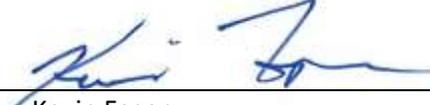
I, Kevin Fagan, of St. John’s in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am Vice President, Regulatory Affairs and Stakeholder Relations for Newfoundland and Labrador Hydro, the applicant named in the attached application.
2. I have read and understand the foregoing application.
3. To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

SWORN at St. John’s in the)
Province of Newfoundland and)
Labrador this 21st day of)
January 2022, before me:)



Barrister – Newfoundland and Labrador



Kevin Fagan