

1 Q. **Reference: Response to CA-NLH-188**

2 Further to CA-NLH-188, please explain why the carrying-charge rate for the Long-Term SCVDA
3 should be determined in this proceeding rather than in Hydro's future application for disposition
4 of the account. Would considering the carrying-charge rate and disposition together be more
5 effective and efficient? Explain why or why not.

6
7
8 A. Newfoundland and Labrador Hydro ("Hydro") does not consider it more effective and efficient
9 to address the carrying-charge rate and disposition of the Long-Term Supply Cost Variance
10 Deferral Account ("SCVDA") together.

11 The carrying-charge rate and disposition serve different purposes. The carrying-charge rate
12 establishes how financing costs are accrued while balances remain outstanding in the account.
13 Disposition addresses the timing and method of recovery or refund of accumulated balances.

14 If the balance of the account is a balance due from customers, the carrying-charge rate ensures
15 that Hydro is appropriately compensated for its costs associated with funding those balances
16 until recovered from customers. Conversely, if the balance of the account is a balance due to
17 customers, the financing rate ensures that customers are appropriately compensated until the
18 balance is provided back to customers. Accordingly, Hydro or its customers will be required to
19 finance those balances until recovery occurs and should have regulatory certainty regarding the
20 treatment of the associated financing costs from the inception of the account.

21 By contrast, determination of the methodology for disposition of the account can occur at a
22 later date. Under the current rate mitigation plan, the balance in the account will be settled on
23 an annual basis up to and including 2030.

24 In Hydro's view, it is both more effective and more efficient to establish the carrying-charge
25 methodology as part of the approval of the Long-Term SCVDA framework in this proceeding,
26 while addressing disposition in a future application.