

1 Q. Reference: Response to Request for Information NP-NLH-142 (Revision 1, Nov 20-
2 14), filed in relation to Hydro's Amended 2013 General Rate Application (GRA).
3 Hydro's response states:

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5 *"In Hydro's Amended Application, Hydro is proposing an Energy Supply Cost*
6 *Variance Deferral Account to recover variances on power purchases, diesel and gas*
7 *turbine fuel costs on the Island Interconnected System that are in excess of a*
8 *±\$500,000 threshold relative to the 2015 Test Year forecast. The disposition of any*
9 *balance in the account will be subject to an application to the Board no later than*
10 *March 1 of each year. The proposed definition of the Energy Supply Cost Variance*
11 *Deferral Account is provided in Schedule VII to the Finance Evidence in the Amended*
12 *Application. Hydro will apply to have any amount for disposition included in the*
13 *calculation of the RSP adjustment for recovery of the current balance."*

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15 Please explain the differences in the deferral account definition as described in
16 Appendix B of this Application and the definition provided in Schedule VII to the
17 Finance Evidence in the Amended Application. In the response, include an
18 explanation of how the deferral requested in this Application will operate if the
19 *Energy Supply Cost Variance Account* proposed in the Amended Application is
20 approved by the Board.

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23 A. The Standby Fuel Deferral requested in this Application is designed to address the
24 cost of Standby Generation in 2016 only, driven primarily by low hydrology. The
25 Energy Supply Cost Variance Account (ESCVA), as proposed in Hydro's Amended
26 GRA, proposes deferral of the variable costs of several energy sources; these
27 include the diesel fuel costs to generate energy from Hydro's standby resources

1 proposed to be addressed in the 2016 Standby Fuel Deferral. Hydro believes that a
2 deferral account to recover energy supply cost variances such as the ESCVA, which
3 includes the cost of fuel consumed in standby generation sources, will be needed
4 on an ongoing basis, excluding the period covered by the 2016 Standby Fuel
5 Deferral.

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7 Please see Hydro's response to CA-NLH-003 for a detailed comparison of the 2016
8 Standby Fuel Deferral to the ESCVA.