Q. **Reference: GRA, Vol. I, pages 63-66 pdf**

Citation:

2.2.2 Maximizing Value of Energy

Once the security of supply for domestic load is met, Hydro seeks to optimize the use of its hydrological resources. The role of Energy Marketing is to maximize value creation opportunities that arise due to the connection of the Island system with the broader North American grid. This is done through imports and exports. Export profits generated by Hydro are used to benefit customers either directly by offsetting Hydro's supply costs or through the funding of rate mitigation.

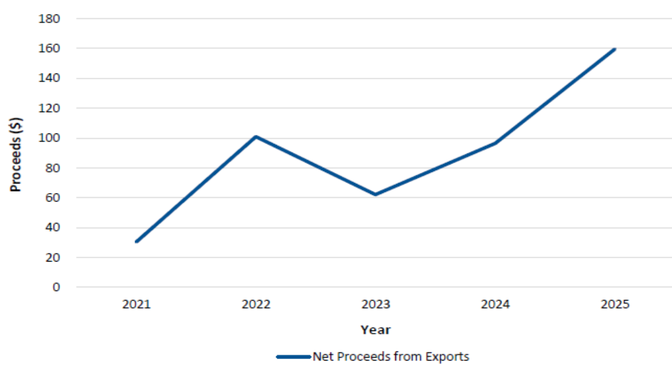

Chart 2-10: Value for Customers Generated by Energy Marketing ($ Millions)

a) Please present in tabular form the Energy Marketing costs (imports) and revenues (exports) resulting in the net proceeds shown in Citation 1, for each year from 2021 through 2025, inclusive;

b) Please explain the regulatory and accounting treatment of both import costs and export revenues.

c) Please explain, detail and quantify any benefits to LIS customers that result from Energy Marketing.

A. **a)** Please refer to LAB-NLH-018, Attachment 1 for the breakdown of the Newfoundland and Labrador Hydro ("Hydro") Group of Companies consolidated Net Export Proceeds by year.

b) Hydro, either directly or through Energy Marketing, engages in imports and exports with external electricity markets to support reliability and optimize the value of available energy resources. From an accounting perspective, import costs are recorded as power purchases and export revenues are recorded as energy sales in the financial statements of the applicable Hydro group entity in accordance with the underlying commercial arrangements. Intercompany transactions are eliminated on consolidation.

From a regulatory perspective, the benefits and costs associated with imports and exports are provided to the Island Interconnected System customers either directly through Hydro's revenue requirement or through approved regulatory mechanisms. Where actual import costs or export revenues differ from the amounts included in the test year, the resulting variances are generally captured in the applicable regulatory deferral account and recorded through the regulatory adjustments line on Hydro's income statement for future disposition in accordance with Board of Commissioners of Public Utilities-approved regulatory treatment.

Additional information on the specific import and export transaction types and their associated customer benefits is provided in Hydro's responses to LAB-NLH-010, LAB-NLH-017, part g) of IIC-NLH-015, part h) of IIC-NLH-015, CA-NLH-042, and NP-NLH-067 of this proceeding.

c) Labrador Interconnected System customers are not impacted by the revenues and expenses that result from the activities of Energy Marketing. Currently, no benefit or cost as a result of export energy trading are passed on to Labrador Interconnected System customers.

Energy Marketing
Net Proceeds from Exports (Consolidated)
For the Year Ending December 31 ($ Millions)

The following table presents the Newfoundland and Labrador Hydro ("Hydro") Group of Companies' Net Proceeds from Exports generated by Energy Marketing on a consolidated basis.

	2021	2022	2023	2024	2025
Revenue From Export Sales	58.1	132.7	100.7	138.5	196.3
Total Revenue	**58.1**	**132.7**	**100.7**	**138.5**	**196.3**
Power Purchased	1.5	1.2	1.8	1.5	1.7
Transmission Rental and Market Fees	24.8	27.6	39.6	33.6	28.0
Other Operating Costs[1]	1.4	3.0	(2.7)	6.9	7.0
Total Expenses	**27.7**	**31.8**	**38.7**	**42.0**	**36.7**
Total Net Proceeds[2]	**30.4**	**100.9**	**62.0**	**96.5**	**159.6**

[1] Other Operating Costs include operating costs, net finance expenses, foreign exchange gains and losses and market value adjustments.
[2] For further clarity, the Net Proceeds balances above are created to show the net benefit of Energy Marketing activities to the Hydro Group of Companies. The balances are not reflective of the Nalcor Energy Marketing financial statement net income and should not be used for any other purpose.