

1 Q. **Reference: GRA, Vol. I, page 169 pdf**

2 Citation:

3 **5.7.5 Load Variation**

4 The load variation in the Supply Cost Variance Deferral Account removes revenue variations
5 from test year sales to Newfoundland Power and Hydro's Island Industrial Customers. While the
6 allocation of the load variation is not an issue for the preparation of the cost of service, it is
7 necessary to review, as Hydro is proposing to allocate variances in the Long-Term Supply Cost
8 Variance Deferral Account based on demand and energy instead of the past practice of
9 allocating supply and revenue variances based on energy only.

10 The load variation is calculated using the marginal cost of energy for Newfoundland Power and
11 the average embedded cost of energy for Island Industrial Customers based on the test year. As
12 load changes, customer revenue is impacted, but the export value in the deferral account also
13 changes since it is the marginal cost of supply on the Island Interconnected System. As more
14 energy is sold to Island Interconnected customers compared to the test year, less energy is
15 available to export. The opposite is also true as customer load or sales decline, more energy is
16 available to export. These variations in export sales are reflected in the Net Revenue from
17 Exports component of the Supply Cost Variance Deferral Account.

18 Therefore, Hydro proposes to allocate the load variation in the Long-Term Supply Cost Variance
19 Deferral Account between demand and energy using the system load factor, which is consistent
20 with the allocation method approved for Net Revenue from Exports in Board Order No. P.U.
21 37(2019).

- 22 a) Please provide a numerical example of the Load Variation calculation described in
23 Section 5.7.5, showing: (i) the marginal cost of energy used for Newfoundland Power;
24 (ii) the average embedded cost of energy used for Island Industrial Customers; (iii) how
25 each is derived from the 2027 Test Year; and (iv) the resulting dollar impact under an
26 illustrative scenario where actual sales are, for example, 3% above and 3% below Test
27 Year forecast sales.

1 **b)** Please confirm whether the marginal cost of energy used for the Load Variation
2 calculation for Newfoundland Power will be updated periodically (e.g., annually, or upon
3 Board-approved changes to the wholesale rate under Order No. P.U. 1(2025)), or held
4 fixed at the 2027 Test Year value for the life of the LTSCVDA until the next GRA.

5 **c)** Please provide a precise definition of system load factor used to allocate the LTSCVDA. Is
6 it based on the IIS, the LIS, or a combination of the two?

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9 **A.** **a)** Please refer to LAB-NLH-023, Attachment 1 for illustrative load variation calculations, using
10 3% above and 3% below test year forecast sales.¹

11 **b)** The marginal cost of energy used for the calculation of the load variation for Newfoundland
12 Power Inc. will be updated as updates are made to the wholesale rate. Please refer to Board
13 of Commissioners of Public Utilities Order (“Board”) No. P.U. 13(2026) where the Board
14 granted an extension to Newfoundland and Labrador Hydro to November 30, 2026 to
15 propose a methodology for updating the wholesale rate between test years.

16 **c)** The system load factor used to classify the load variation component of the Long-Term
17 Supply Cost Variance Deferral Account is the Island Interconnected System load factor. It is
18 calculated as average demand divided by coincident peak at generation. The resulting load
19 factor represents the energy-related classification, with the remaining balance classified as
20 demand-related. The calculation does not include Labrador Interconnected System load.

¹ Please refer to “2026 General Rate Application,” Newfoundland and Labrador Hydro, May 27, 2026, vol. I, ch. 6, p. 6.16, Table 6-5 and vol. III, exh. 17 for the derivation of marginal cost (Table 6-5: Utility and Exhibit 17: Island Industrial).

Long Term Supply Cost Deferral Account
Load Variation - Utility
December 31, 2027

	A	B	C	D	E
	Cost of			Firm	
	Service	Actual	Sales	Energy	Load
	Sales	Sales	Variance	Rate	Variation
	(kWh)	(kWh)	(kWh)	(\$/kWh)	(\$)
			(A - B)		(C x D)
January	766,305,915	743,316,737	22,989,177	0.08958	2,059,371
February	700,798,706	679,774,744	21,023,961	0.08958	1,883,326
March	689,119,433	668,445,850	20,673,583	0.08958	1,851,940
April	531,348,942	515,408,474	15,940,468	0.03480	554,728
May	415,832,403	403,357,431	12,474,972	0.03480	434,129
June	347,124,508	336,710,773	10,413,735	0.03480	362,398
July	313,450,423	304,046,911	9,403,513	0.03480	327,242
August	312,212,800	302,846,416	9,366,384	0.03480	325,950
September	318,656,728	309,097,026	9,559,702	0.03480	332,678
October	417,449,389	404,925,907	12,523,482	0.03480	435,817
November	521,880,579	506,224,162	15,656,417	0.03480	544,843
December	680,402,174	659,990,109	20,412,065	0.08958	1,828,513
	6,014,582,000	5,834,144,540	180,437,460		10,940,935

Long Term Supply Cost Deferral Account

Load Variation - Utility

December 31, 2027

	A	B	C	D	E
	Cost of			Firm	
	Service	Actual	Sales	Energy	Load
	Sales	Sales	Variance	Rate	Variation
	(kWh)	(kWh)	(kWh)	(\$/kWh)	(\$)
			(A - B)		(C x D)
January	766,305,915	789,295,092	(22,989,177)	0.08958	(2,059,371)
February	700,798,706	721,822,667	(21,023,961)	0.08958	(1,883,326)
March	689,119,433	709,793,016	(20,673,583)	0.08958	(1,851,940)
April	531,348,942	547,289,410	(15,940,468)	0.03480	(554,728)
May	415,832,403	428,307,375	(12,474,972)	0.03480	(434,129)
June	347,124,508	357,538,244	(10,413,735)	0.03480	(362,398)
July	313,450,423	322,853,936	(9,403,513)	0.03480	(327,242)
August	312,212,800	321,579,184	(9,366,384)	0.03480	(325,950)
September	318,656,728	328,216,430	(9,559,702)	0.03480	(332,678)
October	417,449,389	429,972,871	(12,523,482)	0.03480	(435,817)
November	521,880,579	537,536,996	(15,656,417)	0.03480	(544,843)
December	680,402,174	700,814,239	(20,412,065)	0.08958	(1,828,513)
	6,014,582,000	6,195,019,460	(180,437,460)		(10,940,935)

Long Term Supply Cost Deferral Account
Load Variation - Industrial
December 31, 2027

	A	B	C	D	E
	Cost of			Firm	
	Service	Actual	Sales	Energy	Load
	Sales	Sales	Variance	Rate	Variation
	(kWh)	(kWh)	(kWh)	(\$/kWh)	(\$)
			(A - B)		(C x D)
January	50,226,244	48,719,456	1,506,787	0.08889	133,938
February	41,995,198	40,735,342	1,259,856	0.08889	111,989
March	51,609,152	50,060,878	1,548,275	0.08889	137,626
April	45,602,231	44,234,164	1,368,067	0.03285	44,941
May	56,944,190	55,235,865	1,708,326	0.03285	56,118
June	53,105,373	51,512,212	1,593,161	0.03285	52,335
July	57,753,955	56,021,336	1,732,619	0.03285	56,917
August	57,134,008	55,419,988	1,714,020	0.03285	56,306
September	55,394,092	53,732,269	1,661,823	0.03285	54,591
October	51,298,683	49,759,722	1,538,960	0.03285	50,555
November	36,145,101	35,060,748	1,084,353	0.03285	35,621
December	56,163,113	54,478,220	1,684,893	0.08889	149,770
	613,371,340	594,970,200	18,401,140		940,707

Long Term Supply Cost Deferral Account
Load Variation - Industrial
December 31, 2027

	A	B	C	D	E
	Cost of			Firm	
	Service	Actual	Sales	Energy	Load
	Sales	Sales	Variance	Rate	Variation
	(kWh)	(kWh)	(kWh)	(\$/kWh)	(\$)
			(A - B)		(C x D)
January	50,226,244	51,733,031	(1,506,787)	0.08889	(133,938)
February	41,995,198	43,255,054	(1,259,856)	0.08889	(111,989)
March	51,609,152	53,157,427	(1,548,275)	0.08889	(137,626)
April	45,602,231	46,970,298	(1,368,067)	0.03285	(44,941)
May	56,944,190	58,652,516	(1,708,326)	0.03285	(56,118)
June	53,105,373	54,698,534	(1,593,161)	0.03285	(52,335)
July	57,753,955	59,486,573	(1,732,619)	0.03285	(56,917)
August	57,134,008	58,848,028	(1,714,020)	0.03285	(56,306)
September	55,394,092	57,055,915	(1,661,823)	0.03285	(54,591)
October	51,298,683	52,837,643	(1,538,960)	0.03285	(50,555)
November	36,145,101	37,229,454	(1,084,353)	0.03285	(35,621)
December	56,163,113	57,848,007	(1,684,893)	0.08889	(149,770)
	613,371,340	631,772,480	(18,401,140)		(940,707)