Q. **Reference: Volume I, Section 5.7 and Volume 3, Exhibit 13, Issue Topic: Long Term Supply Cost Variance Deferral Account**

Please provide an analysis showing the impact using the proposed approach would have had if it were in place at the time the Rate Stabilization surplus accumulated. Please show the actual customer allocation of the total Rate Stabilization surplus and compare it to the estimated customer allocation of the Rate Stabilization surplus if the proposed allocation methodology was used.

A. In Newfoundland and Labrador Hydro's ("Hydro") response to NP-NLH-095 of this proceeding, Hydro provided allocations for the variances included in the Supply Cost Variance Deferral Account from 2021–2025 based on an energy-only allocation and a demand and energy allocator. The variances in this account are currently higher than what is anticipated going forward as a result of the inclusion of updated supply costs in the 2027 Test Year, primarily Muskrat Falls supply costs. However, the example provided gives an indicator of the outcome of the allocation of larger variances.

The Rate Stabilization Plan ("RSP") surplus accumulated between July 1, 2007 and August 31, 2013, and was approximately $185 million. Hydro considers the accumulation of a surplus of that magnitude to have been anomalous and does not expect a similar balance to recur. However, if it did, the disposition would have to be addressed in a separate application, similar to the RSP surplus disposition.