

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 7(2011)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994* SNL 1994, Chapter E-5.1 (the
3 “*EPCA*”) and the *Public Utilities Act*, RSNL 1990,
4 Chapter P-47 (the “*Act*”), and regulations thereunder;

5
6 **AND**

7
8 **IN THE MATTER OF** the Demand Management
9 Incentive Account established by Order No. P.U. 32(2007)

10
11 **AND**

12
13 **IN THE MATTER OF** an Application by
14 Newfoundland Power Inc. for an Order of the
15 Board providing for disposition of the balance in the
16 Demand Management Incentive Account pursuant to
17 Sections 58 and 80 of the *Act*.

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19
20 **WHEREAS** Newfoundland Power Inc. (“Newfoundland Power”) is a corporation duly
21 organized and existing under the laws of the Province of Newfoundland and Labrador, is a public
22 utility within the meaning of the *Act*, and is also subject to the provisions of the *EPCA*; and

23
24 **WHEREAS** in Order No P.U. 44(2004), the Board approved, among other things, a demand and
25 energy rate to be charged to Newfoundland Power effective January 1, 2005 and the
26 establishment of a reserve mechanism, the Purchased Power Unit Cost Variance Reserve
27 Account; and

28
29 **WHEREAS** in Order No. P.U. 32(2007), the Board approved the replacement of the Purchased
30 Power Unit Cost Variance Reserve Account with the Demand Management Incentive Account
31 (“DMI Account”) and approved the definition of the DMI Account to be included in
32 Newfoundland Power’s System of Accounts; and

33
34 **WHEREAS** in Order No. P.U. 43(2009), the Board approved continued use of the DMI
35 Account; and

1 **WHEREAS** the approved definition of the DMI Account establishes: (i) a range of $\pm 1\%$ of test
2 year wholesale demand costs for which no account transfer is required (the “Demand
3 Management Incentive”); and (ii) the use of test year unit demand costs as the basis for
4 comparison against actual unit demand costs in determining the purchased power cost variance
5 (the “Demand Supply Cost Variance”) for comparison to the Demand Management Incentive to
6 determine if an account transfer is required; and
7

8 **WHEREAS** in 2010 Newfoundland Power’s Demand Supply Cost Variance exceeded the
9 Demand Management Incentive by \$994,207 and, in accordance with Order No. P.U. 32(2007),
10 Newfoundland Power transferred the after tax amount of \$676,061 to the DMI Account; and
11

12 **WHEREAS** Newfoundland Power is required to file an application with the Board no later than
13 the 1st day of March each year for the disposition of any balance in the DMI Account; and
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15 **WHEREAS** on February 28, 2011 Newfoundland Power filed an application for the disposition
16 of the balance in the DMI Account (the “Application”); and
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18 **WHEREAS** the Application proposes disposition of the 2010 balance in the DMI Account, as
19 well as the related income tax effects in 2010, through the July 1, 2011 Rate Stabilization
20 Adjustment by crediting the Rate Stabilization Account (the “RSA”), as of March 31, 2011, in
21 the amount of \$994,207, which is the 2010 DMI Account balance of \$676,061 plus the related
22 income tax effects of \$318,146; and
23

24 **WHEREAS** on March 11, 2011 Newfoundland Power filed a Revised Schedule A to the
25 Application; and
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27 **WHEREAS** Section II(6) of the RSA provides for such adjustment to the RSA upon order of the
28 Board; and
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30 **WHEREAS** the Board is satisfied that Newfoundland Power’s proposal to dispose of the 2010
31 balance in the DMI Account, as well as the related income tax effects, by means of a credit in the
32 amount of \$994,207 to the RSA as of March 31, 2011 allows for the timely transfer of this credit
33 to consumers and therefore is appropriate in the circumstances and should be approved.
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36 **IT IS THEREFORE ORDERED THAT:**
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- 38 1. The disposition of the 2010 balance in the Demand Management Incentive Account and
39 related income tax effects by means of a credit in the amount of \$994,207 to the Rate
40 Stabilization Account as of March 31, 2011 is approved.
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- 42 2. Newfoundland Power shall pay all costs and expenses of the Board in connection with
43 this Application.

DATED at St. John's, Newfoundland and Labrador, this 24th day of March, 2011.

Darlene Whalen, P.Eng.
Vice-Chair

Dwanda Newman, LL.B.
Commissioner

James Oxford
Commissioner

G. Cheryl Blundon
Board Secretary