

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

AN ORDER OF THE BOARD

NO. P. U. 7(2014)

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*”), as amended, and regulations
5 thereunder; and
6

7 **IN THE MATTER OF** an Application by
8 Newfoundland Power Inc. for an Order of the
9 Board providing for disposition of the balance
10 in the Demand Management Incentive Account
11 pursuant to Sections 58 and 80 of the *Act*.
12
13

14 **WHEREAS** Newfoundland Power Inc. (“Newfoundland Power”) is a corporation duly
15 organized and existing under the laws of the Province of Newfoundland and Labrador, is a public
16 utility within the meaning of the *Act*, and is also subject to the provisions of the *EPCA*; and
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18 **WHEREAS** in Order No. P.U. 44(2004) the Board approved, among other things, a demand and
19 energy rate to be charged to Newfoundland Power effective January 1, 2005 and the
20 establishment of a reserve mechanism, the Purchased Power Unit Cost Variance Reserve
21 Account; and
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23 **WHEREAS** in Order No. P.U. 32(2007) the Board approved the replacement of the Purchased
24 Power Unit Cost Variance Reserve Account with the Demand Management Incentive Account
25 (the “DMI Account”) and approved the definition of the DMI Account to be included in
26 Newfoundland Power’s System of Accounts; and
27

28 **WHEREAS** the approved definition of the DMI Account establishes: (i) a range of $\pm 1\%$ of test
29 year wholesale demand costs for which no account transfer is required (the “Demand
30 Management Incentive”); and (ii) the use of test year unit demand costs as the basis for
31 comparison against actual unit demand costs in determining the purchased power cost variance
32 (the “Demand Supply Cost Variance”) for comparison to the Demand Management Incentive to
33 determine if an account transfer is required; and
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35 **WHEREAS** in Order No. P.U. 43(2009) the Board approved continued use of the DMI Account;
36 and

1 **WHEREAS** in 2013 Newfoundland Power's Demand Supply Cost Variance exceeded the
2 Demand Management Incentive by \$383,085 and, in accordance with Order No. P.U. 32(2007),
3 Newfoundland Power debited the amount of \$271,990 to the DMI Account; and
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5 **WHEREAS** Newfoundland Power is required to file an application with the Board no later than
6 the 1st day of March each year for the disposition of any balance in the DMI Account for the
7 previous year; and
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9 **WHEREAS** on February 27, 2014 Newfoundland Power filed an application for the disposition
10 of the balance in the DMI Account (the "Application"); and
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12 **WHEREAS** the Application proposes recovery of the 2013 balance in the DMI Account, as well
13 as the related income tax effects in 2013, through the July 1, 2014 Rate Stabilization Adjustment
14 by debiting the Rate Stabilization Account (the "RSA"), as of March 31, 2014, in the amount of
15 \$383,085, which is the 2013 DMI Account balance of \$271,990 plus the related income tax
16 effects of \$111,095; and
17

18 **WHEREAS** in Order No. P.U. 6(2008) the Board approved Section II(6) of the Rate
19 Stabilization Clause which provides for such adjustment to the RSA upon order of the Board;
20 and
21

22 **WHEREAS** the Board is satisfied that Newfoundland Power's proposal to recover the 2013
23 balance in the DMI Account, as well as the related income tax effects, by means of a debit in the
24 amount of \$383,085 to the RSA as of March 31, 2014 allows for the timely transfer of this debit
25 to consumers and is appropriate in the circumstances.
26
27

28 **IT IS THEREFORE ORDERED THAT:**
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- 30 1. The Board approves, pursuant to Sections 58 and 80 of the *Act*, the recovery of the 2013
31 balance in the Demand Management Incentive Account and related income tax effects by
32 means of a debit in the amount of \$383,085 to the Rate Stabilization Account as of March
33 31, 2014.
34
- 35 2. Newfoundland Power shall pay all costs and expenses of the Board arising from this
36 Application.

Dated at St. John's, Newfoundland and Labrador this 20th day of March, 2014.

Darlene Whalen, P.Eng.
Vice-Chair

James Oxford
Commissioner

Colleen Jones
Assistant Board Secretary