

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

AN ORDER OF THE BOARD

NO. P. U. 8(2015)

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
17

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
22

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
34

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

1 **WHEREAS** in 2014 Newfoundland Power's Demand Supply Cost Variance exceeded the
2 Demand Management Incentive by \$627,503 and, in accordance with Order No. P.U. 32(2007),
3 Newfoundland Power transferred the amount of \$445,527 to the DMI Account; and
4

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 26, 2015 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 2014 balance in the DMI Account, as well
13 as the related income tax effects in 2014, through the 2015 Rate Stabilization Adjustment by
14 crediting the Rate Stabilization Account (the "RSA"), as of March 31, 2015, in the amount of
15 \$627,503, which is the 2014 DMI Account balance of \$445,527 plus the related income tax
16 effects of \$181,976; and
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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 dispose of the 2014
23 balance in the DMI Account, as well as the related income tax effects, by means of a credit in the
24 amount of \$627,503 to the RSA as of March 31, 2015 allows for the timely transfer of this credit
25 to consumers and is appropriate in the circumstances.
26
27

28 **IT IS THEREFORE ORDERED THAT:**
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- 30 1. The disposition of the 2014 balance in the Demand Management Incentive Account and
31 related income tax effects by means of a credit in the amount of \$627,503 to the Rate
32 Stabilization Account as of March 31, 2015 is approved.
33
- 34 2. Newfoundland Power shall pay all costs and expenses of the Board arising from this
35 Application.

Dated at St. John's, Newfoundland and Labrador this 6th day of March, 2015.



Darlene Whalen, P.Eng.
Vice-Chair



Dwanda Newman, LL.B.
Commissioner



Cheryl Blundon
Board Secretary