

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

**AN ORDER OF THE BOARD**

**NO. P.U. 37(2022)**

1 **IN THE MATTER OF** the **Electrical Power Control**  
2 **Act, 1994**, SNL 1994, Chapter E-5.1  
3 (the “**EPCA**”) and the **Public Utilities Act**, RSNL  
4 1990, Chapter P-47 (the “**Act**”), as amended and  
5 regulations thereunder; and  
6

7 **IN THE MATTER OF** an application by Newfoundland  
8 and Labrador Hydro for approval of a change in its  
9 Conservation and Demand Management Deferral Account  
10 pursuant to section 70(1) of the **Act**.  
11

12  
13 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and existing  
14 under the **Hydro Corporation Act, 2007**, is a public utility within the meaning of the **Act**, and is  
15 also subject to the provisions of the **EPCA**; and  
16

17 **WHEREAS** in Order No. P.U. 22(2017) the Board approved Hydro’s Conservation and Demand  
18 Management (“CDM”) Deferral Account; and  
19

20 **WHEREAS** in Order No. P.U. 3(2022) the Board approved an increase in the amortization period  
21 for Newfoundland Power’s CDM program costs from seven to ten years; and  
22

23 **WHEREAS** on June 16, 2021 Hydro filed an application requesting, among other things, approval  
24 of the deferral of CDM costs incurred for customers on the Labrador Interconnected System and,  
25 during the application review process, stated that it would also apply for a revised account  
26 definition to align its amortization period to be consistent with Newfoundland Power; and  
27

28 **WHEREAS** in Order No. P.U. 33(2022) the Board approved the proposal to allow deferral of CDM  
29 costs incurred for customers on the Labrador Interconnected System in the CDM Cost Deferral  
30 Account, and noted that Hydro stated it will apply for a revised account definition to align the  
31 amortization period between the utilities but did not approve the proposed deferral of costs  
32 associated with the delivery of the electrification programs on the Island Interconnected system;  
33 and

1 **WHEREAS** on December 2, 2022, to give effect to Order No. P.U. 33(2022), Hydro filed an  
2 application:

- 3 (i) proposing modifications to the CDM Cost Deferral Account definition to allow for  
4 deferral of costs associated with CDM programs for customers on the Labrador  
5 Interconnected System beginning January 1, 2023, including a portion of the Rural  
6 Deficit allocation related to CDM investments for Hydro Rural customers, and  
7 (ii) to increase the amortization period of annual CDM costs from seven to ten years  
8 effective as of January 1, 2023 for both historical balances and annual charges (the  
9 “Application”); and  
10

11 **WHEREAS** the Application was copied to: Newfoundland Power Inc. (“Newfoundland Power”);  
12 the Consumer Advocate, Dennis Browne, K.C.; Hydro’s Island Industrial customers: Corner Brook  
13 Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) GP Inc., and Vale Newfoundland  
14 and Labrador Limited (“Industrial Customer Group”); the communities of Sheshatshiu, Happy  
15 Valley-Goose Bay, Wabush, and Labrador City; Teck Resources Limited; Iron Ore Company of  
16 Canada; and Linde Canada Inc.; and  
17

18 **WHEREAS** on December 8, 2022 Newfoundland Power and the Industrial Customer Group  
19 advised they had no comments; and  
20

21 **WHEREAS** no other comments were received by the Board; and  
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23 **WHEREAS** on December 12, 2022 Hydro requested that the Board approve the Application as  
24 submitted; and  
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26 **WHEREAS** the Board is satisfied that the revisions to the CDM Cost Deferral Account and the CDM  
27 Cost Recovery Adjustment definitions reflect Order No. P.U. 33(2022) and should be approved.  
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29

30 **IT IS THEREFORE ORDERED THAT:**  
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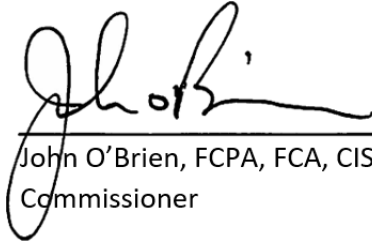
- 32 1. The Revised Conservation and Demand Management Cost Deferral Account Definition as set  
33 out in Schedule A, with an effective date of January 1, 2023, is approved.  
34  
35 2. The Revised Conservation and Demand Management Cost Recovery Adjustment Definition as  
36 set out in Schedule B, with an effective date of January 1, 2023, is approved.  
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38 3. Hydro shall pay all expenses of the Board arising from this Application.

**DATED** at St. John's, Newfoundland and Labrador, this 16<sup>th</sup> day of December 2022.



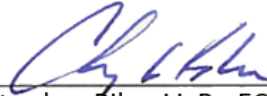
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Darlene Whalen, P. Eng., FEC  
Chair and Chief Executive Officer



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John O'Brien, FCPA, FCA, CISA  
Commissioner



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Christopher Pike, LL.B., FCIP  
Commissioner



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Assistant Board Secretary

**Conservation and Demand Management (CDM) Cost Deferral Account**

The account shall be charged with the costs incurred in implementing the CDM Program Portfolio.

The costs include the CDM Program Portfolio costs incurred by Hydro for: detailed program development, promotional materials, advertising, pre and post customer installation checks, processing applications and incentives, training of employees and trade allies, and program evaluation costs.

This account shall also be charged the costs for major CDM studies such as comprehensive customer end use surveys and CDM potential studies that cost greater than \$100,000. This account will include Hydro's program expenditures for prior years which received Board approval for deferral.

**Disposition of any Balance in this Account**

Balances in the account shall be maintained separately for the Island Interconnected, Labrador Interconnected and Rural Isolated Systems. This account will maintain a linkage of all costs recorded in the account to the year the cost was incurred.

Recovery of annual amortizations of costs in this account for the Island Interconnected System and Rural Isolated Systems shall be through an annual application to the Board in accordance with Hydro's approved CDM Cost Recovery Adjustment.

Recovery of deferred program costs for the Labrador Interconnected System will be dealt with through Hydro's General Rate Applications.

## **CONSERVATION AND DEMAND MANAGEMENT COST RECOVERY**

The CDM Cost Recovery Adjustment, expressed in cents per kWh, will be calculated to provide for the recovery of costs charged annually to the Conservation and Demand Management Cost Deferral Account (the "CDM Cost Deferral Account") over a ten-year period.

The CDM Cost Recovery Adjustment will be calculated to recover the sum of individual amounts representing 1/10th of the transfer to the CDM Deferral Account for the previous year and the amortizations carried forward from prior years will be adjusted to reflect the recovery over a ten-year period.

There will be different CDM Cost Recovery Adjustments for Island Industrial Customers and Newfoundland Power. The CDM Cost Recovery Adjustment for Island Industrial Customers will be calculated based upon the Island Interconnected Recoverable Amount allocated for recovery from Island Industrial Customers. The CDM Cost Recovery Adjustment for Newfoundland Power will be calculated based upon the allocated Island Interconnected Recoverable Amount to Newfoundland Power (including the allocated Island Interconnected Hydro Rural Amount) plus the allocated Hydro Rural Isolated System amount to Newfoundland Power.

### **Assignment of Customer Balance for Recovery**

The Island Interconnected Recoverable Amount will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages of previous calendar year sales for Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The portion of the Island Interconnected Recoverable Amount, which is initially allocated to Rural Island Interconnected, will be added to the Hydro Rural Isolated System Recoverable Amount, and then re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The portion of the Recoverable Amount which is re-allocated to Labrador Interconnected customers shall be charged to the CDM Cost Deferral Account for future recovery from customers on the Labrador Interconnected System.

## **CDM Cost Recovery Adjustment**

### **Newfoundland Power**

The adjustment rate for each year will be determined as follows:

$$B = (C \div D)$$

Where:

- B = adjustment rate (¢ per kWh) for the 12-month period commencing the following July.
- C = Recoverable Amount assigned to Newfoundland Power from the previous calendar year.
- D = energy sales (kWh) (firm and firm-up secondary) to Newfoundland Power for the previous calendar year.

### **Island Industrial Customers**

The adjustment rate for each year will be determined as follows:

$$E = (F \div H)$$

Where:

- E = adjustment rate (¢ per kWh) for the 12-month period commencing the following July.
- F = Recoverable Amount assigned to Industrial Customers from the previous calendar year.
- H = firm energy sales (kWh) to Industrial Customers for the previous calendar year.