Q. Reference: Page 24 of Appendix A of Coyne Evidence

Which of the other firms listed in Figure 9 have Weather Normalization Reserves similar to that for NP? Please provide details for those that do have such reserves.

A. Newfoundland Power has a Weather Normalization Reserve that is geared to its specific risks. The Reserve consists of two primary components:

i. The Hydro Production Equalization Reserve
ii. The Degree Day Normalization Reserve

The Hydro Production component normalizes Newfoundland Power's annual supply costs for variations in the Company's hydro-electric production due to abnormal precipitation levels. If cumulative stream flows are below normal for the year, the Reserve is debited by the amount equal to the additional electricity purchase by Newfoundland Power. If the cumulative stream flows are above normal, the Reserve is credited for lower electricity purchases than originally planned. The degree day component allows Newfoundland Power to normalize sales and purchases for annual variations in temperature and wind. The Company uses a degree-day variable to measure temperature and average daily wind speed to measure wind speed. The amount of adjustment is dependent on econometric coefficients measuring the response for each rate class of sales and purchases to one degree variation from normal weather. Monthly adjustments are made to the Reserve.[1]

Though the Hydro Production Equalization Reserve is unique, the protection it affords Newfoundland Power is much the same as other companies' purchase power cost adjustment mechanisms. Newfoundland Power's hydro mechanism serves to segregate weather related variances in power supply costs from price-related variances; however, both are recoverable by Newfoundland Power. Although other companies do not have this sort of segregation in their power supply variance accounting, the companies in the table that have power supply costs have similar protection through their power cost adjustment mechanisms.

Of the five companies for which Consumer Advocate requests this information, FortisBC Electric has comparable protection against variations due to weather, as would Maritime Electric if its weather normalization reserve is approved by its regulator. The Alberta electric utilities (ATCO Electric and FortisAlberta) do not have weather protection, but have a different set of risks since they are not generators or suppliers of electricity, but instead are distributors. Nova Scotia Power has partial protection against weather-related variances as it affects its two large industrial customers. All companies with power supply costs are allowed full recovery of those costs, with the exception of Nova Scotia Power, which is allowed to recover fuel costs within certain limits, as discussed on page

[1] See the response to Request for Information CA-NP-399, in Newfoundland Power's *2013/2014 General Rate Application*.

19 of Appendix A to Concentric's report.

To put this issue in context, as discussed on page 22 of Appendix A to Concentric's report, Newfoundland Power has the highest market share of electric heating customers among Canadian investor-owned electric utilities. The Company has been allowed to implement a weather-related variance account to mitigate this risk. The Company's volumetric/demand risk is more analogous to a gas distribution company than to the typical electric utility. Gas distribution companies typically have weather normalization accounts.

Company	Weather Deferral	Hydro Production Deferral	Comments
ATCO Electric	No	N/A	ATCO Electric transmission or distribution is not a provider of electric supply.
FortisBC Electric	Yes	No	FortisBC Electric operates under a revenue stabilization plan that includes full protection against volumetric risk (weather-related or otherwise). Fortis is also allowed full recovery of power purchase costs.
FortisAlberta	No	N/A	Like ATCO Electric, FortisAlberta is not a supplier of electricity.
Maritime Electric	Pending	No	Recovers fuel and purchased power costs annually through an Energy Cost Adjustment Mechanism. Maritime Electric proposed, in its most recent Cost of Capital Proceeding, a weather normalization reserve account that adjusts sales for differences in heating degree days to normal weather based on a rolling 10-year average.
Nova Scotia Power	No	No	Nova Scotia Power has a Fixed Cost Recovery deferral account that provides for recovery of lost revenues associated with two large industrial customers. It also recovers fuel and purchased power costs that deviate from forecast (has built in fuel incentive) whereby 90% of any savings or increase in cost will be credited or charged to customers. Credits or charges will be incorporated in the energy charge. Allows recovery of all prudently incurred fuel costs through an annual rate adjustment.