

1 **Q. Re: NLH Evidence, Section 4, page 4.21, line 12.**

2 Please explain the distinction between the deferral and recovery method that is
3 sought for CDM program costs and the existing deferral and recovery method for
4 Deferred Energy Conservation Costs, as well as the Conservation and Demand
5 Management Deferral mentioned on p. 4.22, line 4, and the Demand Management
6 Incentive Account (DMI), mentioned on p. 4.22, line 9.

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9 **A.** Previous to filing the current Application, Hydro did not have a means of recovering
10 its approved deferred Conservation and Demand Management (CDM) program
11 costs, the recovery for which was to be dealt with in the future. The deferral and
12 recovery method that is sought for CDM program costs will enable Hydro to recover
13 its previously deferred amounts, and is akin to the method Newfoundland Power
14 has been approved to use in Board Order No. P.U. 13(2013), to recover its deferred
15 costs in its own Conservation and Demand Management Deferral account
16 mentioned on p. 4.22, line 4. Further information on Newfoundland Power's
17 recovery method can be found in Exhibit 14, page 3 of 4, in Volume 2, of NP's 2013-
18 2014 General Rate Application filing (attached as IN-NLH-18, Attachment 1).

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20 Explanation of Newfoundland Power's Demand Management Incentive Account
21 (DMI) can be found in NP's 2008 General Rate Application, Exhibit 4, page 1, in
22 Volume 1 (attached as IN-NLH-18, Attachment 2).

3.0 Recovery of Conservation and Demand Management ("CDM") Costs

Proposed

II. RATE STABILIZATION ACCOUNT ("RSA")

7. On March 31st of each year, beginning in 2014, the Rate Stabilization Account shall be increased on a before tax basis, by the CDM Cost Recovery Transfer.

The CDM Cost Recovery Transfer, expressed in dollars, 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") over a seven-year period, commencing in the year following the year in which the CDM Cost Deferral is charged to the Conservation and Demand Management Cost Deferral Account.

The CDM Cost Deferral Account will identify the year in which each CDM Cost Deferral was incurred.

The CDM Cost Recovery Transfer for each year will be the sum of individual amounts representing 1/7th of each CDM Cost Deferral, which individual amounts shall be included in the CDM Cost Recovery Transfer for seven years following the year in which the CDM Cost Deferral was recorded.

Newfoundland Power Inc.

Demand Management Incentive Account

Proposed Definition

Demand Management Incentive Account

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This account shall be charged or credited with the amount by which the Demand Supply Cost Variance exceeds the Demand Management Incentive. The Demand Management Incentive equals $\pm 1\%$ of test year wholesale demand charges.

The Demand Supply Cost Variance expressed in dollars shall be calculated as follows:

$$(A - B) \times C$$

Where:

- A = actual demand supply cost in dollars per kWh determined by dividing the wholesale demand charges in the calendar year by the weather normalized kWh purchases for that year (as will be reported in Return 13 of Newfoundland Power's Annual Report to the Board).
- B = test year demand supply cost in dollars per kWh determined by dividing the test year wholesale demand charges by the test year kWh purchases.
- C = the weather normalized annual purchases in kWh.

The amount charged or credited to this account shall be adjusted for applicable income taxes calculated at the statutory income tax rate.

Disposition of any Balance in this Account

Newfoundland Power shall file an Application with the Board no later than the 1st day of March each year for the disposition of any balance in this account.