

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

2 Please provide a detailed description of the deferral mechanism for Deferred
3 Energy Conservation Costs, indicating the types of costs for which it is applied and
4 the recovery mechanism.

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7 A. The Conservation and Demand Management (CDM) Recovery account captures
8 direct costs associated with the CDM Program portfolio. These costs include
9 program development, implementation and evaluation costs, as well as application
10 and incentive costs, training costs, marketing and advertising costs associated with
11 specific programs in the CDM Program portfolio.

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13 Under the proposed mechanism, the Island Interconnected balance in the CDM
14 Recovery account at March 31 of every year will be divided by the recovery period
15 of seven years to determine the following year's total Recoverable Amount. This
16 amount will be allocated to Newfoundland Power, the Island Industrial Customers,
17 and Rural Island Interconnected customers. The amount allocated to the Rural
18 Island Interconnected customers is tracked in a manner similar to the Rural Deficit
19 in Hydro's COS. The portion of the CDM costs attributable to Labrador
20 Interconnected customers will be written off to Hydro's net income. The balance of
21 the deferral account will be reduced by the Recoverable Amount.

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23 Please refer to Rate Schedules, Page 20 of 47, in Volume 1, of Hydro's current
24 General Rate Application, for more specific detail.