

1 **Q. (Schedule B, clause 9 (l)) Is this clause relating to adjustment of customer billing**
2 **demands consistent with practice elsewhere in Canada?**
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4 A. Prior to August 2003, clause 9(l) provided customers the opportunity to reduce their
5 billing demand charges following actions the customer had taken to reduce its demand.¹
6 This reduction was possible when Newfoundland Power's General Service rates had a
7 minimum billing demand based on the customer's maximum demand that occurred over
8 the most recent 12 months (a "Demand Ratchet").² The clause permitted the Company
9 to adjust the customer's maximum billing demand.

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11 The Board, in Order No. P.U. 19(2003), approved rate structure changes that eliminated
12 all remaining demand ratchets that were part of General Service rates. Since 2003, clause
13 9(l) permitted General Service customers who permanently reduced their load to change
14 their rate class prior to when the rate change might otherwise occur.³ This clause has
15 rarely, if ever, been used since 2003.

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17 Newfoundland Power is aware of one other utility in Canada that has a clause similar to
18 9(l) for adjusting billing demands.⁴ Fortis Alberta's General Service rates include billing
19 demand charges that are based on the customer's Minimum Contract Demand specified
20 in their service agreement.⁵ Fortis Alberta's *Customer Terms and Conditions of Electric*
21 *Distribution Service* provides for a customer to request a reduction in their Minimum
22 Contract Demand. This, similar to clause 9(l), permits customers to request a reduction
23 in their billing demand for a permanent/contractual reduction in demand requirements.

¹ For example, if a customer's billing demand was based on the maximum demand that occurred in the past 12 months and they subsequently took steps to permanently reduce demand from say, 5 MW to 3 MW, clause 9(l) would permit the Company to immediately reduce the customer's billing demand from 5 MW to 3 MW. Without clause 9(l) the customer would have to wait 12 months before their billing demand would reflect their permanent reduction in demand.

² Up until August 2003, Newfoundland Power General Service rates for customers with demand charges had a minimum monthly bill that included a \$2.47/kW charge for the maximum demand occurring in the 12 months ending with the current month.

³ For example a General Service customer currently supplied on Rate #2.4 can, by reducing their maximum demand, change to Rate #2.3. Normally, after 12 months with a reduced maximum demand, a customer will automatically be moved to a new rate class in accordance with each rate's availability clause.

⁴ Newfoundland Power reviewed the rules and regulations of 9 utilities in relation to adjustment of customer billing demands. Fortis Alberta's rules and regulations were found to be comparable Newfoundland Power's in this regard.

⁵ General Service customers of Fortis Alberta provide an Expected Peak Demand, Contract Minimum Demand and Supply Capacity to Fortis Alberta when signing up for service.