

WHENEVER. WHEREVER.  
We'll be there.



February 27, 2024

Board of Commissioners  
of Public Utilities  
P.O. Box 21040  
120 Torbay Road  
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau  
Executive Director and Board Secretary

Dear Ms. Galarneau:

**Re: Demand Management Incentive Account**

***Introduction***

In Order No. P.U. 32 (2007), the Board approved the Demand Management Incentive Account (the "DMI Account") for Newfoundland Power Inc. ("Newfoundland Power" or the "Company"). In Order No. P.U. 43 (2009), the Board approved the continued use of the DMI Account.

The DMI Account definition provides two principal parameters with regard to the mechanism's operation. They are:

- (i) a Demand Management Incentive (i.e., an amount of additional costs or savings for which no reserve transfer would be required); and
- (ii) the use of test year unit demand costs as the basis for comparison against actual unit demand costs to compute the Demand Supply Cost Variance ("DSCV") for comparison to the Demand Management Incentive to determine whether a charge or credit to the DMI Account is required.

In accordance with the Board's approval of the DMI Account, the Company is required to file an application no later than March 1<sup>st</sup> of each year for the disposition of any balance in the DMI Account for the previous year.

The application in relation to the disposition of the balance related to the 2023 transfer to the DMI Account (the "Application") is enclosed.

**Newfoundland Power Inc.**

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6

PHONE (709) 693-3206 • FAX (709) 737-2974 • [dfoley@newfoundlandpower.com](mailto:dfoley@newfoundlandpower.com)

### ***2023 Operation of DMI Account***

The DSCV for 2023, determined in accordance with the DMI Account definition, exceeded the Demand Management Incentive by \$1,397,701. The associated after-tax debit transfer to the DMI Account for 2023 was \$978,391.

To calculate the Unit Cost of Demand Supply for the purpose of the DMI Account, the test year and actual unit cost of demand supply for the year are determined by applying the wholesale purchased power rate, respectively, to the test year and actual billing demand (“Billing Demand”) purchases from Newfoundland and Labrador Hydro (“Hydro”). The calculation is intended to capture the variance in unit cost attributable to variations in demand between the test year and actual results for the year.

Newfoundland Power’s actual weather-adjusted system peak for the 2022-2023 winter season occurred at approximately 5:45 p.m. on February 4, 2023 and measured 1,462.7 MW.<sup>1</sup> It was the largest peak ever recorded by the Company. Newfoundland Power exercised its voltage management capabilities and requested curtailment from its customers under the *Curtable Service Option* to limit demand to the extent possible.

The peak on February 4, 2023 provided for a 2023 Billing Demand of 1,352.6 MW for the Company which was higher than its 2023 test year billing demand of 1,251.1 MW and resulted in a higher 2023 actual unit cost of demand supply than the 2023 test year.<sup>2</sup>

### ***Proposed Disposition of Reserve Balance***

The Application proposes that the 2023 balance in the DMI Account be debited to customers by means of an adjustment to the Rate Stabilization Account (“RSA”). The amount of the proposed RSA debit is \$1,397,701, or the pre-tax amount by which the 2023 DSCV exceeded the Demand Management Incentive for 2023.

The RSA mechanism provides an appropriate and efficient means of charging or crediting customers with the annual balance in the DMI Account. The terms of the RSA provide flow-through in customer rates of March 31<sup>st</sup> RSA balances. Addressing the additional 2023 purchased power costs associated with the 2023 DMI Account balance by means of a debit to the RSA as of March 31, 2024 would allow for the recovery of costs from customers through the July 1, 2024 RSA rate adjustment.

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<sup>1</sup> See Attachment 1 – letter from Hydro, *Re: Weather Adjusted Native Load by Newfoundland Power Inc.*, dated April 5, 2023.

<sup>2</sup> See Schedule A, Page 1 of 2 of the Application for a calculation of Actual and Test Year Unit Cost of Demand Supply.

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The Board has previously approved the use of the RSA for disposition of DMI Account balances in Order Nos. P.U. 21 (2009), P.U. 7 (2011), P.U. 9 (2012), P.U. 8 (2013), P.U. 7 (2014), P.U. 8 (2015), P.U. 10 (2018), P.U. 11 (2020), P.U. 14 (2021), P.U. 20 (2022), and P.U. 8 (2023).

If there are any questions concerning the Application, please contact the undersigned.

Yours truly,



Dominic Foley  
Legal Counsel

Enclosures

cc. Shirley Walsh  
Newfoundland and Labrador Hydro

Dennis Browne, K.C.  
Browne Fitzgerald Morgan and Avis

**Newfoundland Power Inc.**

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6  
PHONE (709) 693-3206 • FAX (709) 737-2974 • [dfoley@newfoundlandpower.com](mailto:dfoley@newfoundlandpower.com)

**IN THE MATTER OF** the *Electrical Power Control Act*, RSNL 1994, Chapter E-5.1 (the “*EPCA*”) and the *Public Utilities Act*, RSNL 1990, Chapter P-47, (the “*Act*”) as amended; and

**IN THE MATTER OF** the Demand Management Incentive Account (the “DMI Account”) established by Order No. P.U. 32 (2007); and

**IN THE MATTER OF** an Application by Newfoundland Power Inc. (“Newfoundland Power”) for an Order of the Board providing for disposition of the balance in the DMI Account pursuant to sections 58 and 80 of the *Act* (the “Application”).

**TO:** The Board of Commissioners of Public Utilities (the "Board")

**THE APPLICATION OF** Newfoundland Power **SAYS:**

**A. The 2023 DMI Account Balance**

1. Newfoundland Power, a corporation organized and existing under the laws of the Province of Newfoundland and Labrador, is a public utility within the meaning of the *Act* and is subject to the provisions of the *EPCA*.
2. In Order No. P.U. 32 (2007), the Board approved a definition of the DMI Account to be included in Newfoundland Power’s System of Accounts.
3. In Order No. P.U. 43 (2009), the Board approved the continued use of the DMI Account.
4. The DMI Account includes the following parameters:
  - (i) a range of  $\pm 1\%$  of test year wholesale demand costs for which no account transfer is required (the “Demand Management Incentive”); and
  - (ii) the use of test year unit demand costs as the basis for comparison against actual unit demand costs in determining the purchased power cost variance (the “Demand Supply Cost Variance”) for comparison to the Demand Management Incentive to determine if a charge or credit to the DMI Account is required.
5. The Demand Supply Cost Variance for 2023 resulted in a transfer to the DMI Account of \$978,391 being debited to customers (the “2023 DMI Account Balance”). Schedule A to this Application provides detail on the calculation of the 2023 DMI Account Balance.

**B. Disposition of the Balance**

6. Newfoundland Power proposes disposition of the 2023 DMI Account Balance by means of a debit to the Rate Stabilization Account ("RSA") as of March 31, 2024. The debit to the RSA will be in the amount of \$1,397,701. This amount consists of the 2023 DMI Account Balance together with tax effects all as shown in Schedule A to this Application.
7. Newfoundland Power's Rate Stabilization Clause provides for adjustment to the RSA as proposed in paragraph 6 hereof upon order of the Board.

**C. Procedural Matters**

8. The 2023 DMI Account Balance is calculated in accordance with the definition of the DMI Account approved by Board orders. In addition, the proposed disposition of the 2023 DMI Account Balance is consistent with Board practice. Accordingly, Newfoundland Power submits that public notice of, and hearing into, this Application is not necessary for the protection of the public interest.
9. Communications with respect to this Application should be forwarded to the attention of Dominic Foley, Legal Counsel to Newfoundland Power.

**D. Order Requested**

10. Newfoundland Power requests that the Board order, pursuant to sections 58 and 80 of the *Act*, disposition of the balance in the DMI Account Balance by means of a debit to the RSA of \$1,397,701 as of March 31, 2024.

**DATED** at St. John's, Newfoundland and Labrador, this 27<sup>th</sup> day of February, 2024.

**NEWFOUNDLAND POWER INC.**



Dominic Foley  
Legal Counsel to Newfoundland Power  
P.O. Box 8910  
55 Kenmount Road  
St. John's, NL A1B 3P6

Telephone: (709) 693-3206  
Telecopier: (709) 737-2974

**IN THE MATTER OF** the *Electrical Power Control Act*, RSNL 1994, Chapter E-5.1 (the “*EPCA*”) and the *Public Utilities Act*, RSNL 1990, Chapter P-47, (the “*Act*”) as amended; and

**IN THE MATTER OF** the Demand Management Incentive Account (the “DMI Account”) established by Order No. P.U. 32 (2007); and

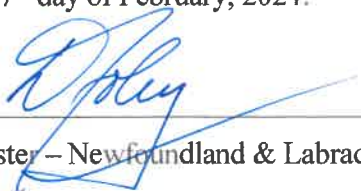
**IN THE MATTER OF** an Application by Newfoundland Power Inc. (“Newfoundland Power”) for an Order of the Board providing for disposition of the balance in the DMI Account pursuant to sections 58 and 80 of the *Act* (the “Application”).

**AFFIDAVIT**

I, Brian Menchenton, of the City of St. John’s in the Province of Newfoundland and Labrador, professional accountant, make oath and say as follows:

1. That I am the Director, Business and Regulatory Affairs of Newfoundland Power Inc.
2. That I have read and understand the foregoing application.
3. To the best of my knowledge, information and belief, all matters, facts and things set out in the Application are true.

**SWORN TO**, at City of St. John’s in the Province of Newfoundland and Labrador this 27<sup>th</sup> day of February, 2024:

  
Barrister – Newfoundland & Labrador

  
Brian Menchenton

**Table 1**  
**Test Year Unit Cost of Demand Supply**

2023 Test Year Billing Demand (kW)	A	1,251,052 <sup>1</sup>
Wholesale Rate Demand Charge	B	\$5.00 per kW <sup>2</sup>
2023 Test Year Demand Cost	$C = A \times B \times 12$	<u>\$75,063,120</u>
2023 Test Year Energy Purchases (MWh)	D	5,545,900 <sup>3</sup>
<b>2023 Test Year Unit Cost of Demand Supply</b>	$C \div D$	<b>1.353¢ per kWh</b>

**Table 2**  
**Actual Unit Cost of Demand Supply**

2023 Billing Demand (kW)	A	1,344,691 <sup>4</sup>
Wholesale Rate Demand Charge	B	\$5.00 per kW
2023 Demand Cost	$C = A \times B \times 12$	<u>\$80,681,460</u>
2023 Energy Purchases (MWh)	D	5,806,304 <sup>5</sup>
<b>2023 Actual Unit Cost of Demand Supply</b>	$C \div D$	<b>1.390¢ per kWh</b>

<sup>1</sup> The 2023 test year forecast of billing demand with the generation credit effective October 1, 2019. Hydro's Minimum Billing Demand of 1,251,052 kW was used in test year as the Company's actual Billing Demand of 1,211,304 kW was lower. [Source: Customer, Energy and Demand Forecast, May 2021 filed with Newfoundland Power's 2022/2023 General Rate Application, Appendix C, Purchased Energy and Demand Forecast 2021 – 2023F].

<sup>2</sup> The wholesale demand rate became effective October 1, 2019 in accordance with Order No. P.U. 30 (2019).

<sup>3</sup> The 2023 test year forecast of purchased energy. [Source: Customer, Energy and Demand Forecast, May 2021 filed with Newfoundland Power's 2022/2023 General Rate Application, Appendix C, Purchased Energy and Demand Forecast 2021 – 2023F].

<sup>4</sup> The 2023 Billing Demand of 1,344,691 kW is determined by subtracting the weather adjustment true-up of 7,910 kW from the weather-adjusted billing demand of 1,352,601 kW. [Source: Attachment 1, Hydro's letter to Newfoundland Power dated April 5, 2023].

<sup>5</sup> Normalized purchased energy for 2023 per page 3 of the Rate Stabilization Report included in Newfoundland Power's Quarterly Regulatory Report for the period ended December 31, 2023 filed with the Board on February 14, 2024.

**Table 3**  
**Demand Supply Cost Variance**

2023 Actual Unit Cost of Demand Supply (¢ per kWh) <sup>6</sup>	A	1.390
2023 Test Year Unit Cost of Demand Supply (¢ per kWh) <sup>7</sup>	B	1.353
2023 Energy Purchases (MWh)	C	5,806,304
<b>Demand Supply Cost Variance</b>	<b>(A - B) x C</b>	<b>\$2,148,332</b>

**Table 4**  
**Amount Charged or (Credited) to DMI Account**

Demand Supply Cost Variance <sup>8</sup>	A	<b>\$2,148,332</b>
Demand Management Incentive <sup>9</sup>	B	±750,631
Amount Exceeding Demand Management Incentive	C = (A - B)	\$1,397,701
Less Income Tax	D = C x 30%	\$419,310
<b>Net Charge or (Credit) to the DMI Account</b>	<b>C - D</b>	<b><u>\$978,391</u></b>

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<sup>6</sup> Source: Table 2.

<sup>7</sup> Source: Table 1.

<sup>8</sup> Source: Table 3.

<sup>9</sup> ±1% of 12 x 1,251,052 kW x \$5.00, the Test Year demand cost under the wholesale demand rate of \$5.00 per kW, effective October 1, 2019 in accordance with Order No. P.U. 30 (2019).





Newfoundland and Labrador Hydro  
Hydro Place, 500 Columbus Drive  
P.O. Box 12400, St. John's, NL  
Canada A1B 4K7  
t. 709.737.1400 | f. 709.737.1800  
nlhydro.com

April 5, 2023

Newfoundland Power Inc.  
P.O. Box 8910  
St. John's, NL A1B 396

Attention: Michael Comerford  
Director, Rates and Supply

**Re: Weather-Adjusted Native Load by Newfoundland Power Inc.**

Newfoundland and Labrador Hydro's ("Hydro") schedule of rates for Newfoundland Power Inc. ("Newfoundland Power") includes a section on weather adjustment which requires Hydro to prepare a preliminary estimate of the weather-adjusted native load by March 15 each year, and a final calculation of the weather-adjusted native load by April 5 each year. Please accept this letter as Hydro's confirmation of the final calculation of the 2023 weather-adjusted native load.

For the December 2022 through March 2023 period, Newfoundland Power's maximum native load occurred on Saturday, February 4, 2023 at 17:45 and was 1,473,971 kW. The weather adjustment, calculated in accordance with Hydro's schedule of rates for Newfoundland Power, is a reduction of 11,226 kW. The resulting weather-adjusted maximum native load for the 2022–2023 winter period is 1,462,745 kW, as shown in Attachment 1. This varies from the preliminary estimate of 1,462,767 kW filed on March 15, 2023 due to a small adjustment to the wind chill value. Newfoundland Power's 2022–2023 calculated billing demand is 1,352,601 kW as shown in Attachment 2 to this letter.

Attachment 3 to this letter includes the calculation of Newfoundland Power's minimum billing demand of 1,251,052 kW based on the approved 2019 Test Year. Newfoundland Power's weather-adjusted billing demand for the 2022–2023 winter period is more than the billing demand that was applied for the months of January through March 2023. As a result, a weather adjustment true-up is required.

Newfoundland Power's weather-adjusted billing demand of 1,352,601 kW will be in effect from April to December 2023. A monthly schedule of the 2023 billing demand for Newfoundland Power is included as Attachment 2 to this letter.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**

A handwritten signature in blue ink, appearing to read "Kevin Fagan", written over a horizontal line.

Kevin Fagan  
Vice President, Regulatory and Stakeholder Relations  
KF/kd

Encl.

Attachment 1

Michael Comerford  
Newfoundland Power Inc.

2

ecc:

**Board of Commissioners of Public Utilities**  
Cheryl Blundon  
Jacqui H. Glynn  
PUB Official Email

**Newfoundland Power Inc.**  
Dominic J. Foley  
Lindsay S.A. Hollett  
Regulatory Email

**Newfoundland and Labrador Hydro  
Final Weather-Adjusted Native Load of Newfoundland Power for Billing (kW)  
2023**

Newfoundland Power Maximum Native Load during peak on February 4, 2023	<b>A</b>	<b>1,473,971</b>
Weather Adjustment <sup>1</sup>	<b>B</b>	<b>(11,226)</b>
<b>Newfoundland Power Weather-Adjusted Native Load</b>	<b>C = A + B</b>	<b><u>1,462,745</u></b>

<sup>1</sup>The Weather Adjustment included in "Preliminary Estimate of the Weather Adjustment Native Load by Newfoundland Power Inc.," Newfoundland and Labrador Hydro, March 15, 2023 was (11,204). The change is a result of rounding on the wind chill value.

**Newfoundland and Labrador Hydro**  
**Calculation of Newfoundland Power Monthly Billing Demand (kW)**  
**2023**

	January	February	March	April	May	June	July	August	September	October	November	December
Maximum Native Load	1,306,899	1,473,971	1,473,971	1,473,971	1,473,971	1,473,971	1,473,971	1,473,971	1,473,971	1,473,971	1,473,971	1,473,971
Weather Adjustment	-	-	-	(11,226)	(11,226)	(11,226)	(11,226)	(11,226)	(11,226)	(11,226)	(11,226)	(11,226)
Weather-Adjusted Native Load <sup>1</sup>	1,306,899	1,473,971	1,473,971	1,462,745	1,462,745	1,462,745	1,462,745	1,462,745	1,462,745	1,462,745	1,462,745	1,462,745
Generation Credit	(118,054)	(118,054)	(118,054)	(118,054)	(118,054)	(118,054)	(118,054)	(118,054)	(118,054)	(118,054)	(118,054)	(118,054)
Curtailable Credit <sup>2</sup>	(12,000)	-	-	-	-	-	-	-	-	-	-	-
Weather Adjustment True-Up <sup>3</sup>	-	-	-	7,910	7,910	7,910	7,910	7,910	7,910	7,910	7,910	7,910
<b>Total</b>	<b>1,176,845</b>	<b>1,355,917</b>	<b>1,355,917</b>	<b>1,352,601</b>	<b>1,352,601</b>	<b>1,352,601</b>	<b>1,352,601</b>	<b>1,352,601</b>	<b>1,352,601</b>	<b>1,352,601</b>	<b>1,352,601</b>	<b>1,352,601</b>

(H) = the greater of (G) and minimum billing demand of 1,251,052 kW

<sup>1</sup> The period January through March 2023 reflects the highest native load between December 2022 and March 2023. April to December 2023 includes the weather adjustment and the weather-adjusted true-up.

<sup>2</sup> If at the time of establishing its maximum native load, Newfoundland Power has been requested by Hydro to reduce its native load by shedding curtailable load, the calculation of billing demand for each month shall not deduct the curtailable credit. On February 3, 2023 at 17:45 there was a curtailment at the time of system peak.

<sup>3</sup> Weather Adjustment True-Up

$$= (1/9) \times ((\text{Weather-Adjusted Native Load less Generation Credit and Curtailable Credit}) \times 3) - (\text{Sum of Billed Demands in January, February and March})$$

$$= (1/9) \times ((1,462,745 - 118,054) \times 3) - (1,251,052 + 1,355,917 + 1,355,917)$$

$$= 7,910$$

<sup>4</sup> Calculated billing demand is equal to the minimum billing demand of 1,251,052 kW for January, 1,355,917 kW for February to March and 1,352,601 per month for April through December 2023.

**Newfoundland and Labrador Hydro  
Calculation of Newfoundland Power Minimum Billing Demand**

	<b>2019 Test Year (kW)</b>
Newfoundland Power Test Year Native Load	1,392,743
Hydraulic Generation Credit	(83,486)
Thermal Generation Credit	<u>(34,568)</u>
Less: Generation Credit	(118,054)
Less: Curtailable Credit	<u>(11,000)</u>
Net Newfoundland Power Test Year Native Load	1,263,689
Applicable Percentage	<u>99%</u>
<b>Minimum Billing Demand (B)</b>	<b><u><u>1,251,052</u></u></b>