

1 **Q.** **Reference: The Brattle Group Deferral Account Report, p. 14.**

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The Brattle Group states in Recommendation 3 on page 14:

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We recommend that the DMI Account should be modified to remove the incentive threshold related to peak demand. The account should still be maintained to capture variance from actual to test year demand costs via the calculation of the Demand-Supply Cost Variance. However, netting off the demand management incentive should no longer be included. If the Board wishes to incentivize reductions in peak demand, incentives to specific demand reduction programs through the existing Conservation and Demand Management Program should be considered instead.

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If the Board were to accept this recommendation, in The Brattle Group’s opinion, what incentive would Newfoundland Power have to maintain its voltage management and customer curtailment practices? Is there a risk that this recommendation, if accepted, could result in increased system peaks? Please explain.

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A. We have not reviewed Newfoundland Power’s voltage management and customer curtailment practices in detail. However, given the past practices of curtailing service during peak load conditions, even when there is no bona fide system constraint, it is demonstrated that the incentive has already created unintended consequences for Newfoundland Power to meet the DMI threshold. To the extent there is concern regarding peak system demand, it may be better managed through the Conservation and Demand Management Program, targeting specific and long-lasting peak demand reductions.

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