

WHENEVER. WHEREVER.
We'll be there.



February 18, 2025

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 1st 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 2024 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

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2024 Operation of DMI Account

The DSCV for 2024, determined in accordance with the DMI Account definition outlined in Order No. P.U. 32 (2007), exceeded the Demand Management Incentive by \$2,207,721. The associated after-tax debit transfer to the DMI Account for 2024 was \$1,545,405.

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 2023-2024 winter season occurred at approximately 7:45 a.m. on January 24, 2024 and measured 1,487.0 MW.¹ It was the largest peak ever recorded by the Company. Newfoundland Power exercised its voltage management capabilities to limit demand to the extent possible.

The peak on January 24, 2024 provided for a 2024 Billing Demand of 1,349.3 MW for the Company which was higher than its 2023 test year billing demand of 1,251.1 MW and resulted in a higher 2024 actual unit cost of demand supply than the 2023 test year.²

Proposed Disposition of Reserve Balance

The Application proposes that the 2024 balance in the DMI Account be debited to the Rate Stabilization Account (“RSA”) on March 31, 2025. The amount of the proposed RSA debit is \$2,207,721, or the pre-tax amount by which the 2024 DSCV exceeded the Demand Management Incentive for 2024.

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 31st RSA balances. Addressing the additional 2024 purchased power costs associated with the 2024 DMI Account balance by means of a debit to the RSA as of March 31, 2025 would allow for the recovery of costs from customers through the July 1, 2025 RSA rate adjustment.

¹ See Attachment 1 – letter from Hydro, *Re: Weather Adjusted Native Load by Newfoundland Power Inc.*, dated April 4, 2024.

² 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), P.U. 8 (2023), and P.U. 12 (2024).

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

Yours truly,


Siobhan Donovan
Manager Regulatory Affairs

Enclosures

ec. Shirley Walsh
Newfoundland and Labrador Hydro

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

Newfoundland Power Inc.

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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 2024 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 which included these 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.
3. In Order No. P.U. 43 (2009), the Board approved the continued use of the DMI Account.
4. The Demand Supply Cost Variance for 2024 was calculated in accordance with the parameters approved in Order No. P.U. 32 (2007). This calculation resulted in a debit transfer to the DMI Account of \$1,545,405 (the “2024 DMI Account Balance”). Schedule A to this Application provides detail on the calculation of the 2024 DMI Account Balance.

B. Disposition of the Balance

5. Newfoundland Power proposes disposition of the 2024 DMI Account Balance by means of a debit to the Rate Stabilization Account (“RSA”) as of March 31, 2025. The debit to the RSA will be in the amount of \$2,207,721. This amount consists of the 2024 DMI Account Balance together with tax effects all as shown in Schedule A to this Application.
6. Newfoundland Power’s Rate Stabilization Clause provides for adjustment to the RSA as proposed in paragraph 5 hereof upon order of the Board.

C. Procedural Matters

7. The 2024 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 2024 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.
8. Communications with respect to this Application should be forwarded to the attention of Siobhan Donovan, Manager Regulatory Affairs at Newfoundland Power.

D. Order Requested

9. 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 \$2,207,721 as of March 31, 2025.

DATED at St. John’s, Newfoundland and Labrador, this 18th day of February, 2025.

NEWFOUNDLAND POWER INC.



Siobhan Donovan
Manager Regulatory Affairs
P.O. Box 8910
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St. John's, NL A1B 3P6

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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

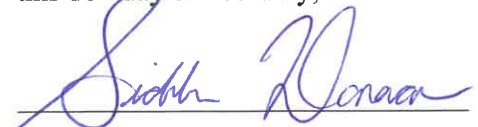
IN THE MATTER OF an Application by Newfoundland Power Inc. (“Newfoundland Power”) for an Order of the Board providing for disposition of the balance in the DMI Account pursuant to sections 58 and 80 of the *Act* (the “Application”).

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 18th day of February, 2025:



Barrister – Newfoundland & Labrador



Brian Menchenton

Table 1
Test Year Unit Cost of Demand Supply

2023 Test Year Billing Demand (kW)	A	1,251,052 ¹
Wholesale Rate Demand Charge	B	\$5.00 per kW ²
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 ³
2023 Test Year Unit Cost of Demand Supply	$C \div D$	1.353¢ per kWh

Table 2
Actual Unit Cost of Demand Supply

2024 Billing Demand (kW)	A	1,356,955 ⁴
Wholesale Rate Demand Charge	B	\$5.00 per kW
2024 Demand Cost	$C = A \times B \times 12$	<u>\$81,417,300</u>
2024 Energy Purchases (MWh)	D	5,800,691 ⁵
2024 Actual Unit Cost of Demand Supply	$C \div D$	1.404¢ per kWh

¹ 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].

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

³ 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].

⁴ The 2024 Billing Demand of 1,356,955 kW is determined by subtracting the weather adjustment true-up of -7,624 kW from the weather-adjusted billing demand of 1,349,331 kW. [Source: Attachment 1, Hydro's letter to Newfoundland Power dated April 4, 2024.]

⁵ Normalized purchased energy for 2024 per page 3 of the Rate Stabilization Report included in Newfoundland Power's Quarterly Regulatory Report for the period ended December 31, 2024 filed with the Board on February 14, 2025.

Table 3
Demand Supply Cost Variance

2024 Actual Unit Cost of Demand Supply (¢ per kWh) ⁶	A	1.404
2023 Test Year Unit Cost of Demand Supply (¢ per kWh) ⁷	B	1.353
2024 Energy Purchases (MWh)	C	5,800,691
Demand Supply Cost Variance	(A - B) x C	\$2,958,352

Table 4
Debit (Credit) to DMI Account

Demand Supply Cost Variance ⁸	A	\$2,958,352
Demand Management Incentive ⁹	B	±750,631
Amount Exceeding Demand Management Incentive	C = (A - B)	\$2,207,721
Less Income Tax	D = C x 30%	\$662,316
After-Tax Debit (Credit) to the DMI Account¹⁰	C - D	<u>\$1,545,405</u>

⁶ Source: Table 2.

⁷ Source: Table 1.

⁸ Source: Table 3.

⁹ ±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).

¹⁰ A debit balance represents an amount owing from customers. A credit balance represents an amount owing to customers.



Newfoundland and Labrador Hydro
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Canada A1B 4K7
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nlhydro.com

April 4, 2024

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 2024 weather-adjusted native load.

For the December 2023 through March 2024 period, Newfoundland Power's maximum native load occurred on Wednesday, January 24, 2024, at 7:45 and was 1,509,880 kW. The weather adjustment, calculated in accordance with Hydro's schedule of rates for Newfoundland Power, is a reduction of 22,871 kW. The resulting weather-adjusted maximum native load for the 2023–2024 winter period is 1,487,009 kW, as shown in Attachment 1. There was no change from the preliminary estimate filed on March 15, 2024. Newfoundland Power's 2023–2024 calculated billing demand effective April 2024 is 1,349,331 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 2023–2024 winter period is less than the billing demand that was applied for the months of January through March 2024. As a result, a weather adjustment true-up is required.

Newfoundland Power's weather-adjusted billing demand, including true-up, of 1,349,331 kW will be in effect from April to December 2024. A monthly schedule of the 2024 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 "Dana Pope", written over a horizontal line.

Dana Pope
Vice President, Regulatory and Stakeholder Relations
DP/kd

Encl.

Attachment 1

Michael Comerford
Newfoundland Power Inc.

2

ecc:

Board of Commissioners of Public Utilities
Jo-Anne Galarneau
Jacqui H. Glynn
Board General

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)
2024**

Newfoundland Power Maximum Native Load during peak on January 24, 2024	A	1,509,880
Weather Adjustment	B	(22,871)
Newfoundland Power Weather-Adjusted Native Load	C = A + B	<u><u>1,487,009</u></u>

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

	2019 Test Year (kW)
Newfoundland Power Test Year Native Load	<u>1,392,743</u>
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>
Minimum Billing Demand (B)	<u><u>1,251,052</u></u>