

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P. U. 8(2013)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act 1994*, SNL 1994, Chapter E-5.1 (the
3 “*EPCA*”) and the *Public Utilities Act*, RSNL 1990,
4 Chapter P-47 (the “*Act*”), and regulations thereunder;

5
6 **AND**

7
8 **IN THE MATTER OF** an Application by
9 Newfoundland Power Inc. for an Order
10 of the Board providing for disposition of the
11 balance in the Demand Management Incentive
12 Account pursuant to Sections 58 and 80 of the *Act*.

13
14 **WHEREAS** Newfoundland Power Inc. (“Newfoundland Power”) is a corporation duly
15 organized and existing under the laws of the Province of Newfoundland and Labrador, is a public
16 utility within the meaning of the *Act*, and is also subject to the provisions of the *EPCA*; and

17
18 **WHEREAS** in Order No. P.U. 44(2004) the Board approved, among other things, a demand and
19 energy rate to be charged to Newfoundland Power effective January 1, 2005 and the
20 establishment of a reserve mechanism, the Purchased Power Unit Cost Variance Reserve
21 Account; and

22
23 **WHEREAS** in Order No. P.U. 32(2007) the Board approved the replacement of the Purchased
24 Power Unit Cost Variance Reserve Account with the Demand Management Incentive Account
25 (the “DMI Account”) and approved the definition of the DMI Account to be included in
26 Newfoundland Power’s System of Accounts; and

27
28 **WHEREAS** the approved definition of the DMI Account establishes: (i) a range of $\pm 1\%$ of test
29 year wholesale demand costs for which no account transfer is required (the “Demand
30 Management Incentive”); and (ii) the use of test year unit demand costs as the basis for
31 comparison against actual unit demand costs in determining the purchased power cost variance
32 (the “Demand Supply Cost Variance”) for comparison to the Demand Management Incentive to
33 determine if an account transfer is required; and

34
35 **WHEREAS** in Order No. P.U. 43(2009) the Board approved continued use of the DMI Account;
36 and

1 **WHEREAS** in 2012 Newfoundland Power’s Demand Supply Cost Variance exceeded the
2 Demand Management Incentive by \$785,446 and, in accordance with Order No. P.U. 32(2007),
3 Newfoundland Power transferred the amount of \$557,667 to the DMI Account; and
4

5 **WHEREAS** Newfoundland Power is required to file an application with the Board no later than
6 the 1st day of March each year for the disposition of any balance in the DMI Account; and
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8 **WHEREAS** on February 27th, 2013 Newfoundland Power filed an application for the disposition
9 of the balance in the DMI Account (the “Application”); and
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11 **WHEREAS** the Application proposes disposition of the 2012 balance in the DMI Account, as
12 well as the related income tax effects in 2012, through the July 1, 2013 Rate Stabilization
13 Adjustment by crediting the Rate Stabilization Account (the “RSA”), as of March 31, 2013, in
14 the amount of \$785,446, which is the 2012 DMI Account balance of \$557,667 plus the related
15 income tax effects of \$227,779; and
16

17 **WHEREAS** in Order No. P.U. 6(2008) the Board approved Section II(6) of the Rate
18 Stabilization Clause which provides for such adjustment to the RSA upon order of the Board;
19 and
20

21 **WHEREAS** the Board is satisfied that Newfoundland Power’s proposal to dispose of the 2012
22 balance in the DMI Account, as well as the related income tax effects, by means of a credit in the
23 amount of \$785,446 to the RSA as of March 31, 2013 allows for the timely transfer of this credit
24 to consumers and is appropriate in the circumstances.
25

26 **IT IS THEREFORE ORDERED THAT:**
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- 28 1. The Board approves, pursuant to Sections 58 and 80 of the *Act*, the disposition of the
29 2012 balance in the Demand Management Incentive Account and related income tax
30 effects by means of a credit in the amount of \$785,446 to the Rate Stabilization Account
31 as of March 31, 2013.
32
- 33 2. Newfoundland Power shall pay all costs and expenses of the Board arising from this
34 Application.

Dated at St. John's, Newfoundland and Labrador this 15th day of March, 2013.

Darlene Whalen, P.Eng.
Vice-Chair

James Oxford
Commissioner

Cheryl Blundon
Board Secretary