

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

AN ORDER OF THE BOARD

NO. P. U. 9(2012)

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 organized
15 and existing under the laws of the Province of Newfoundland and Labrador, is a public utility within
16 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 establishment of
20 a reserve mechanism, the Purchased Power Unit Cost Variance Reserve Account; and

21
22 **WHEREAS** in Order No. P.U. 32(2007), the Board approved the replacement of the Purchased
23 Power Unit Cost Variance Reserve Account with the Demand Management Incentive Account
24 (“DMI Account”) and approved the definition of the DMI Account to be included in Newfoundland
25 Power’s System of Accounts; and

26
27 **WHEREAS** the approved definition of the DMI Account establishes: (i) a range of $\pm 1\%$ of test year
28 wholesale demand costs for which no account transfer is required (the “Demand Management
29 Incentive”); and (ii) the use of test year unit demand costs as the basis for comparison against actual
30 unit demand costs in determining the purchased power cost variance (the “Demand Supply Cost
31 Variance”) for comparison to the Demand Management Incentive to determine if an account transfer
32 is required; and

33
34 **WHEREAS** in Order No. P.U. 43(2009), the Board approved continued use of the DMI Account;
35 and

36 **WHEREAS** in 2011 Newfoundland Power’s Demand Supply Cost Variance exceeded the Demand

1 Management Incentive by \$1,800,628 and, in accordance with Order No. P.U. 32(2007),
2 Newfoundland Power transferred the amount of \$1,251,436 to the DMI Account; and
3

4 **WHEREAS** Newfoundland Power is required to file an Application with the Board no later than the
5 1st day of March each year for the disposition of any balance in the DMI Account; and
6

7 **WHEREAS** on February 10, 2012 Newfoundland Power filed an application for the disposition of
8 the balance in the DMI Account (the “Application”); and
9

10 **WHEREAS** the Application proposes disposition of the 2011 balance in the DMI Account, as well
11 as the related income tax effects in 2011, through the July 1, 2012 Rate Stabilization Adjustment by
12 crediting the Rate Stabilization Account (the “RSA”), as of March 31, 2012, in the amount of
13 \$1,800,628, which is the 2011 DMI Account balance of \$1,251,436 plus the related income tax
14 effects of \$549,192; and
15

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

19 **WHEREAS** the Board is satisfied that Newfoundland Power’s proposal to dispose of the 2011
20 balance in the DMI Account, as well as the related income tax effects, by means of a credit in the
21 amount of \$1,800,628 to the RSA as of March 31, 2012 allows for the timely transfer of this credit to
22 consumers and therefore is appropriate in the circumstances and is approved.
23

24 **IT IS THEREFORE ORDERED THAT:**
25

- 26 1. The Board approves, pursuant to Sections 58 and 80 of the *Act*, the disposition of the 2011
27 balance in the Demand Management Account and related income tax effects by means of a
28 credit in the amount of \$1,800,628 to the Rate Stabilization Account as of March 31, 2012.
29
- 30 2. Newfoundland Power shall pay all costs and expenses of the Board arising from this
31 Application.

Dated at St. John's, Newfoundland and Labrador this 5th day of April, 2012.

Darlene Whalen, P.Eng.
Vice-Chairperson

Dwanda Newman, LL.B.
Commissioner

Cheryl Blundon
Board Secretary