

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

AN ORDER OF THE BOARD

NO. P. U. 21(2009)

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

5
6 **AND**

7
8 **IN THE MATTER OF** the Demand Management
9 Incentive Account (the “*DMI Account*”)
10 established by Order No. P. U. 32(2007);

11
12 **AND**

13
14 **IN THE MATTER OF** an Application by
15 Newfoundland Power Inc. (“Newfoundland
16 Power”) for an Order of the Board providing
17 for disposition of the balance in the
18 *DMI Account* pursuant to Sections 58
19 and 80 of the *Act* (the “*Application*”).
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23 **WHEREAS** Newfoundland Power is a corporation organized and existing under the laws of the
24 Province of Newfoundland and Labrador, is a public utility within the meaning of the *Act*, and is
25 also subject to the provisions of the *EPCA*; and

26
27 **WHEREAS** by Order No. P. U. 44(2004), the Board approved, among other things, a demand and
28 energy rate to be charged to Newfoundland Power effective January 1, 2005 and the establishment of
29 a reserve mechanism, the Purchased Power Unit Cost Variance Reserve Account; and

30
31 **WHEREAS** in Order No. P. U. 32(2007), the Board approved the replacement of the Purchased
32 Power Unit Cost Variance Reserve Account with the *DMI Account* and approved the definition of
33 the *DMI Account* to be included in Newfoundland Power’s System of Accounts; and

1 **WHEREAS** the approved definition of the DMI Account establishes: (i) a range of $\pm 1\%$ of test year
2 wholesale demand costs for which no account transfer is required (the “Demand Management
3 Incentive”); and (ii) the use of test year unit demand costs as the basis for comparison against actual
4 unit demand costs in determining the purchased power cost variance (the “Demand Supply Cost
5 Variance”) for comparison to the Demand Management Incentive to determine if an account transfer
6 is required; and
7

8 **WHEREAS** in 2008 Newfoundland Power’s Demand Supply Cost Variance exceeded the Demand
9 Management Incentive by \$641,336 and, in accordance with Order No. P. U. 32(2007),
10 Newfoundland Power transferred the after-tax amount of \$426,488 to the DMI Account; and
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12 **WHEREAS** Newfoundland Power is required to file an Application with the Board no later than the
13 1st day of March each year for the disposition of any balance in the DMI Account; and
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15 **WHEREAS** on February 27, 2009 Newfoundland Power filed an application for the disposition of
16 the balance in the DMI Account; and
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18 **WHEREAS** the Application proposes disposition of the 2008 balance in the DMI Account, as well
19 as the related income tax effects in 2008, through the July 1, 2009 Rate Stabilization Adjustment by
20 crediting the Rate Stabilization Account (the “RSA”), as of March 31, 2009, in the amount of
21 \$641,336, which is the 2008 DMI Account balance of \$426,488 plus the related income tax effects
22 of \$214,848; and
23

24 **WHEREAS** Section II(6) of the Rate Stabilization Clause provides for such adjustment to the RSA
25 upon Order of the Board; and
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27 **WHEREAS** the Board is satisfied that Newfoundland Power’s proposal to dispose of the 2008
28 balance in the DMI Account as well as the related income tax effects, by means of a credit in the
29 amount of \$641,336 to the RSA as of March 31, 2009 allows for the timely transfer of this credit to
30 consumers and therefore is appropriate in the circumstances and should be approved.
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32 **IT IS THEREFORE ORDERED THAT:**
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- 34 1. The Board approves, pursuant to Sections 58 and 80 of the *Act*, the disposition of the 2008
35 balance in the Demand Management Incentive Account as well as the related income tax
36 effects by means of a credit in the amount of \$641,336 to the Rate Stabilization Account, as
37 of March 31, 2009.
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- 39 2. Newfoundland Power shall pay all costs and expenses of the Board in connection with this
40 Application.

DATED at St. John's, Newfoundland and Labrador this 22nd day of May 2009.

Andy Wells
Chair & Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chair

Dwanda Newman, LL.B
Commissioner

Cheryl Blundon
Board Secretary