



Newfoundland and Labrador Hydro
Hydro Place, 500 Columbus Drive
P.O. Box 12400, St. John's, NL
Canada A1B 4K7
t. 709.737.1400 | f. 709.737.1800
nlhydro.com

December 2, 2022

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon
Director of Corporate Services and Board Secretary

Dear Ms. Blundon:

Re: Application for Revisions to the Conservation and Demand Management ("CDM") Deferral Account Definition and CDM Cost Recovery Adjustment

Newfoundland and Labrador Hydro ("Hydro") filed its application for the Electrification, Conservation and Demand Management Plan with the Board of Commissioners of Public Utilities ("Board") on June 16, 2021,¹ for approvals including, but not limited to, revision to the existing CDM Cost Deferral Account and CDM Cost Recovery Adjustment to allow for deferral of CDM costs incurred for customers on the Labrador Interconnected System. In that application process, Hydro also noted that it would make a future application for a revised account definition to increase the amortization period for CDM program costs from seven to ten years, to be consistent with the increase in amortization period previously approved by the Board for Newfoundland Power Inc. ("Newfoundland Power").

In Order No. P.U. 33(2022),² the Board approved Hydro's proposal to allow deferral of CDM costs incurred for customers on the Labrador Interconnected System. The application within requests approval of revisions to the existing CDM Cost Deferral Account definition and the CDM Cost Recovery Adjustment, which have been attached as Schedule 1 and 2 of the application, respectively.

In Order No. P.U. 33(2022), the Board also indicated that Hydro should request approval of a separate electrification cost deferral account to be consistent with Newfoundland Power. If Hydro proceeds with an application for approval of an electrification initiative, Hydro will apply for the electrification cost deferral account at that time.

Should you have any questions, please contact the undersigned.

¹ "Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021–2025," Newfoundland and Labrador Hydro, rev. July 8, 2021 (originally filed June 16, 2021).

² *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 33(2022), Board of Commissioners of Public Utilities, November 10, 2022.

Cheryl Blundon
Board of Commissioners of Public Utilities

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Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

Encl.

ecc:

Board of Commissioners of Public Utilities
Jacqui H. Glynn
Maureen Greene, KC
PUB Official Email

Island Industrial Customer Group
Paul L. Coxworthy, Stewart McKelvey
Denis J. Fleming, Cox & Palmer
Dean A. Porter, Poole Althouse

Iron Ore Company of Canada
Gregory A.C. Moores, Stewart McKelvey

Labrador Interconnected Group
Senwung F. Luk, Olthuis Kleer Townshend LLP
Nicholas E. Kennedy, Olthuis Kleer Townshend LLP

Consumer Advocate
Dennis M. Browne, KC, Browne Fitzgerald Morgan Avis & Wadden
Stephen F. Fitzgerald, Browne Fitzgerald Morgan Avis & Wadden
Sarah G. Fitzgerald, Browne Fitzgerald Morgan Avis & Wadden
Bernice Bailey, Browne Fitzgerald Morgan Avis & Wadden
Bernard M. Coffey, KC

Teck Resources Limited
Shawn Kinsella

Linde Canada Inc.
Sheryl E. Nisenbaum
Peter Strong

Newfoundland Power Inc.
Dominic J. Foley
Lindsay S.A. Hollett
Regulatory Email

Application for Revisions to the CDM Deferral Account Definition and CDM Cost Recovery Adjustment

December 2, 2022

An application to the Board of Commissioners of Public Utilities



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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“*Hydro*”), pursuant to Subsection 70(1) of the *Act*, for the approval of a change in the Conservation and Demand Management (“*CDM*”) Deferral Account effective January 1, 2023.

To: The Board of Commissioners of Public Utilities (“Board”)

THE APPLICATION OF HYDRO STATES THAT:

A. Background

1. Hydro, a corporation continued and existing under the *Hydro Corporation Act, 2007*,¹ is a public utility within the meaning of the *Act* and is also subject to the provisions of the *EPCA*.
2. Under the *Act*, the Board has the general supervision of public utilities and requires that a public utility submit for the approval of the Board the rates, tolls, and charges for the service provided by the public utility and the rules and regulations which relate to that service.
3. Section 58 of the *Act* requires a public utility to keep its books, accounts, papers, and records and make its returns in the manner and form prescribed by the Board.
4. Section 80 of the *Act* requires that a public utility be entitled to earn annually a just and reasonable return as determined by the Board on the rate base as fixed and determined by the Board for each type or kind of service supplied by the public utility.
5. In Order No. P.U. 49(2016),² the Board approved Hydro’s proposal to defer annual CDM program costs commencing in 2015 in a CDM Cost Deferral Account for customers on the Island Interconnected System, as well as Hydro’s proposed recovery of the existing balance of deferred

¹ *Hydro Corporation Act, 2007*, SNL 2007 c H-17.

² *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 49(2016), Board of Commissioners of Public Utilities, December 1, 2016.

CDM costs as of December 31, 2014 plus the annual costs over a seven-year period through the CDM Cost Recovery Adjustment.

6. Hydro's CDM Cost Deferral Account definition and the Rules and Regulations for Hydro's CDM Cost Recovery Adjustment were approved in Board Order No. P.U. 22(2017).³
7. In Board Order No. P.U. 3(2022),⁴ regarding Newfoundland Power Inc.'s ("Newfoundland Power") 2022/2023 General Rate Application, the Board approved an increase in the amortization period for Newfoundland Power's customer CDM program costs from seven to ten years.⁵
8. On June 16, 2021 Hydro filed an application for approvals required for the execution of electrification programming. Among other things, the application requested approval of the deferral of CDM costs incurred for customers on the Labrador Interconnected System. This request was approved in Board Order No. P.U. 33(2022).⁶ In that application process, Hydro stated that it would also apply for a revised account definition to align the amortization period between the utilities.⁷

B. Conservation and Demand Management Deferral Account

9. In compliance with Board Order No. P.U. 33(2022), Hydro is proposing modifications to the CDM Cost Deferral Account definition and CDM Cost Recovery Adjustment, as outlined in Schedule 1 and 2 to this application respectively, to permit deferral of Labrador Interconnected System CDM costs beginning January 1, 2023, including their portion of the Rural Deficit allocation related to CDM investments for Hydro Rural customers.

³ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 22(2017), Board of Commissioners of Public Utilities, June 14, 2017.

⁴ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 3(2022), Board of Commissioners of Public Utilities, February 16, 2022.

⁵ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 3(2022), Board of Commissioners of Public Utilities, February 16, 2022, pp. 9–10.

⁶ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 33(2022), Board of Commissioners of Public Utilities, November 10, 2022.

⁷ Please refer to Hydro's response to request for information CA-NLH-021 in the Electrification, Conservation and Demand Management Plan proceeding.

10. To be consistent with Newfoundland Power’s approved CDM cost amortization approach, the proposed revisions to the CDM Cost Recovery Adjustment also increases the amortization period of annual CDM costs from seven to ten years effective January 1, 2023.

C. Order Sought

11. Hydro requests that the Board approve:

- (i) The revised CDM Deferral Account definition provided in Schedule 1 to allow for the deferral of costs associated with CDM programs for customers on the Labrador Interconnected System, including their portion of the Rural Deficit allocation related to CDM investments for Hydro Rural customers, to be effective as of January 1, 2023; and
- (ii) The revised CDM Cost Recovery Adjustment provided in Schedule 2 to allow for the recovery of CDM program costs allocated to the Labrador Interconnected System from those customers, and reflecting the increase in the amortization period from seven to ten years to be effective as of January 1, 2023 for both historical balances and annual charges.

D. Communications

12. Communications with respect to this CDM Deferral Account Application should be forwarded to Shirley A. Walsh, Senior Legal Counsel, Regulatory, for Hydro.

DATED at St. John’s in the Province of Newfoundland and Labrador this 2nd day of December 2022.

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
Counsel for the Applicant
Newfoundland and Labrador Hydro,
500 Columbus Drive, P.O. Box 12400
St. John's, Newfoundland, A1B 4K7
Telephone: (709) 685-4973

Schedule 1

Revised CDM Deferral Account Definition



Conservation and Demand Management (CDM) Cost Deferral Account

The account shall be charged with the costs incurred in implementing the CDM Program Portfolio [].

The costs include the CDM Program Portfolio costs incurred by Hydro for: detailed program development, promotional materials, advertising, pre and post customer installation checks, processing applications and incentives, training of employees and trade allies, and program evaluation costs.

This account shall also be charged the costs for major CDM studies such as comprehensive customer end use surveys and CDM potential studies that cost greater than \$100,000. This account will include Hydro's program expenditures for prior years which received Board approval for deferral.

Disposition of any Balance in this Account

Balances in the account shall be maintained separately for the Island Interconnected, Labrador Interconnected and Rural Isolated Systems. This account will maintain a linkage of all costs recorded in the account to the year the cost was incurred.

[]

Recovery of annual amortizations of costs in this account for the Island Interconnected System and Rural Isolated Systems shall be through an annual application to the Board in accordance with Hydro's approved CDM Cost Recovery Adjustment.

Recovery of deferred program costs for the Labrador Interconnected System will be dealt with through Hydro's General Rate Applications.

Schedule 2

Revised CDM Cost Recovery Adjustment



CONSERVATION AND DEMAND MANAGEMENT COST RECOVERY

The CDM Cost Recovery Adjustment, expressed in cents per kWh, will be calculated to provide for the recovery of costs charged annually to the Conservation and Demand Management Cost Deferral Account (the “CDM Cost Deferral Account”) over a ten-year period.

[] The CDM Cost Recovery Adjustment will be calculated to recover the sum of individual amounts representing 1/10th of the transfer to the CDM Deferral Account for the previous year and the amortizations carried forward from prior years will be adjusted to reflect the recovery over a ten-year period.

There will be different CDM Cost Recovery Adjustments for Island Industrial Customers and Newfoundland Power. The CDM Cost Recovery Adjustment for Island Industrial Customers will be calculated based upon the Island Interconnected Recoverable Amount allocated for recovery from Island Industrial Customers. The CDM Cost Recovery Adjustment for Newfoundland Power will be calculated based upon the allocated Island Interconnected Recoverable Amount to Newfoundland Power (including the allocated Island Interconnected Hydro Rural Amount) plus the allocated Hydro Rural Isolated System amount to Newfoundland Power.

Assignment of Customer Balance for Recovery

The Island Interconnected Recoverable Amount will be allocated among the Island Interconnected customer groups of (1) Newfoundland Power; (2) Island Industrial Firm; and (3) Rural Island Interconnected. The allocation will be based on percentages of previous calendar year sales for Utility Firm and Firmed-Up Secondary invoiced energy, Industrial Firm invoiced energy, and Rural Island Interconnected bulk transmission energy.

The portion of the Island Interconnected Recoverable Amount, which is initially allocated to Rural Island Interconnected, will be added to the Hydro Rural Isolated System Recoverable Amount, and then re-allocated between Newfoundland Power and regulated Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study.

The portion of the Recoverable Amount which is re-allocated to Labrador Interconnected customers shall be charged to the CDM Cost Deferral Account for future recovery from customers on the Labrador Interconnected System.

[]

CDM Cost Recovery Adjustment

Newfoundland Power

The adjustment rate for each year will be determined as follows:

$$B = (C \div D)$$

Where:

- B = adjustment rate (¢ per kWh) for the 12-month period commencing the following July.
- C = Recoverable Amount assigned to Newfoundland Power from the previous calendar year.
- D = energy sales (kWh) (firm and firm-ed-up secondary) to Newfoundland Power for the previous calendar year.

Island Industrial Customers

The adjustment rate for each year will be determined as follows:

$$E = (F \div H)$$

Where:

- E = adjustment rate (¢ per kWh) for the 12-month period commencing the following July.
- F = Recoverable Amount assigned to Industrial Customers from the previous calendar year.
- H = firm energy sales (kWh) to Industrial Customers for the previous calendar year.

Affidavit



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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro ("*Hydro*"), pursuant to Subsection 70(1) of the *Act*, for the approval of a change in the Conservation and Demand Management ("*CDM*") Deferral Account effective January 1, 2023.

AFFIDAVIT

I, Kevin Fagan, of St. John's in the province of Newfoundland and Labrador, make oath and say as follows:

- 1) I am Vice President, Regulatory Affairs and Stakeholder Relations for Newfoundland and Labrador Hydro, the applicant named in the attached application.
- 2) I have read and understand the foregoing application.
- 3) To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

SWORN at St. John's in the)
province of Newfoundland and)
Labrador this 2nd day of)
December 2022 before me:)



Commissioner for Oaths, Newfoundland and Labrador



Kevin Fagan

KIMBERLEY DUGGAN
A Commissioner for Oaths in and for
the Province of Newfoundland and Labrador.
My commission expires on December 31, 2022.