

Section 3: Finance/Demand Management Incentive Account

Q. Reference: “2025/2026 General Rate Application,” Newfoundland Power Inc., December 12, 2023, vol. 1, Evidence, sec. 3.4.2, p. 3-51/2–5 and p. 3-54/15–17. Page 3-51, lines 2–5 state:

Newfoundland Power has limited ability to manage system demand on a peak day. Peak demand is typically driven by a period of extremely cold weather and normally occurs in the morning or early evening. Peak demand varies annually depending on timing and weather conditions.

Page 3-54, lines 15–17 state:

Newfoundland Power proposes to revise the DMI Account definition to replace the calculation of the threshold from $\pm 1\%$ of test year wholesale demand charges to $\pm \$500,000$ with effect from January 1, 2025.

- a) Please explain what aspects of peak day demand Newfoundland Power believes to be in its control.**
- b) If its proposal for a lower Demand Management Incentive (“DMI”) Account threshold was approved, how might Newfoundland Power’s efforts to manage peak demand be impacted? In the response, please detail how Newfoundland Power’s proposal to lower the DMI Account threshold is consistent with the actions Newfoundland Power can take to limit peak demand.**

- A. a) All of Newfoundland Power’s demand management initiatives are within its control, including voltage management, customer curtailment and the Company’s conservation and demand management activities.**

For an explanation of these initiatives, see the 2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3: Finance, 3.4.2 Demand Management Incentive.

The Company’s proposal is based on limitations in managing its demand costs from the level included in its latest test year. This is due to the fact that the demand reduction resulting from Newfoundland Power’s demand management initiatives is reflected in the Company’s test year forecasts. Further, increases in Newfoundland Power’s demand costs charged by Newfoundland and Labrador Hydro are outside the Company’s control.¹

- b) See the responses to Requests for Information PUB-NP-074 and NLH-NP-074.**

¹ Since 2008, Newfoundland Power’s ability to reduce its purchased power demand costs has become more limited while the cost threshold has increased by more than 40%. For a fulsome discussion on limitations in managing its demand costs since 2008, see the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3: Finance, 3.4.2 Demand Management Incentive.*