

1 **Section 3: Finance/Demand Management Incentive Account**  
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3 **Q. Reference: “2025/2026 General Rate Application,” Newfoundland Power Inc.,**  
4 **December 12, 2023, vol. 1, Evidence, sec. 4.3.4, p. 4-10/18 to p. 4-11/2.**  
5 **Hydro observes that the Demand Management Incentive (“DMI”) mechanism has**  
6 **been rebased. Please explain why it is appropriate to rebase the costs used by the**  
7 **DMI but not rebase the unit energy costs used by the Energy Supply Cost Variance**  
8 **mechanism.**  
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10 A. The demand rate included in the wholesale rate has been relatively stable over time, with  
11 demand rate increases typically negotiated between Newfoundland Power and  
12 Newfoundland Labrador Hydro (“Hydro”), rather than being strictly determined based on  
13 marginal cost forecasts.<sup>1</sup> As such, the same level uncertainty and materiality associated  
14 with changes in marginal energy costs are not expected with the Company’s demand  
15 costs.

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<sup>1</sup> The demand rate has increased from \$4.00/kW per month in 2007 to \$5.00/kW per month in 2023. The demand rate changed three times over that timeframe: to \$4.32/kW per month in 2015, to \$4.75/kW per month in 2016 and to \$5.00/kW per month in 2019. No demand rate change was more than 10%. The current demand charge rate was included in the settlement agreement associated with Hydro’s 2017 *General Rate Application*.