

Section 3: Finance/ Demand Management Incentive Account (DMI)

Q. Volume 1, Section 3, page 3-54, lines 15-17. Newfoundland Power proposes to revise the Demand Management Incentive Account (DMI) 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 provide the past experience with the current deadband since its implementation and demonstrate how the DMI Account has benefitted customers and the utility.**
- b) Based on billing demand variability since the implementation of the DMI Account, provide a comparison of the amounts that would be transferred to the DMI Account in each year and in aggregate assuming: (i) the existing demand charge and the existing DMI deadband; (ii) the existing demand charge and the proposed DMI deadband; (iii) a 25% increase in the wholesale demand charge and the current DMI deadband; and (iv) a 25% increase in the wholesale demand charge and the proposed DMI Account deadband.**
- c) Page 3-53, lines 5-13. Newfoundland Power provides an example of the 2019-2020 winter season when its actual billing demand was less than Newfoundland and Labrador Hydro’s minimum billing demand of 1,251.1 MW. How many years since the implementation of this account has Newfoundland Power’s billing demand been less than Newfoundland and Labrador Hydro’s minimum billing demand of 1,251.1 MW?**
- d) Please confirm that the current threshold of $\pm 1\%$ of test year wholesale demand charges will continue to be $\pm \$750,631$ until Newfoundland and Labrador Hydro’s next general rate application, not considering Newfoundland Power’s current proposal.**

A. a) Attachment A provides a summary of the demand cost variances for the years 2008 through 2023, with a breakdown of the savings allocation between the Company and its customers.

Table 1 summarizes the activity since 2008.

**Table 1:
DMI Account Activity
2008 to 2023
(\$millions)**

	2008 to 2015	2016 to 2023
Demand cost variance (savings)	(6.7)	12.3
Company cost (savings)	(2.2)	2.9
Customer cost (savings)	(4.5)	9.4

1 In the first eight years, demand savings of \$6.7 million were achieved, with \$4.5
2 million being credited to customers. In the last eight years, demand costs have totaled
3 \$12.3 million, with \$9.4 million being charged to customers.

4
5 Higher demand cost variances in the last eight years reflect the fact that
6 Newfoundland Power's ability to reduce its purchased power demand costs from
7 those included in customer rates has become more limited since the establishment of
8 the DMI Account. This is largely reflective of peak savings related to the Company's
9 demand initiatives being incorporated into the test year demand cost forecast used to
10 set customer rates as outlined in the *2025/2026 General Rate Application, Volume 1,*
11 *Section 3.4.2 Demand Management Incentive.*

12
13 While short-term reductions in demand costs from those determined in the test year
14 (e.g. 2023 actual vs. 2023 test year) are limited, the Company continues to focus on
15 managing its demand costs to reduce overall costs for customers. As examples:

- 16
17 • Through the continued implementation of conservation and demand
18 management ("CDM") initiatives, customers are forecast to achieve peak
19 demand savings of 68 MW by 2025.¹ For context, in Efficiency Canada's
20 2022 Scorecard, Newfoundland and Labrador (based on Newfoundland
21 Power's performance) ranked 4th out of 11 jurisdictions for capacity savings
22 as a percentage of peak demand.²
- 23
24 • The Company has increased the level of peak reduction that can be achieved
25 through its Curtailable Service Option.³
- 26
27 • Newfoundland Power has designed a pilot project to investigate measures for
28 managing the load of electric vehicle charging. The results of the pilot project
29 are expected to inform the customer CDM programs to be launched by the
30 utilities in 2026.
- 31
32 • The Company is in discussions with Memorial University on a capacity
33 assistance agreement associated with its electric boilers.

34
35 b) See Attachment A for the proposed scenarios.

36
37 c) Hydro's minimum billing demand of 1,251.1 MW was established following Hydro's
38 *2017 General Rate Application* which was approved by the Board in Order No.
39 P.U. 30 (2019). Since the implementation of the minimum billing demand, there have

¹ See the *2025/2026 General Rate Application, Volume 1, Section 2.2.4 Conservation and Demand Management* for further information.

² See *Electricity Canada, 2022 Canadian Energy Efficiency Scorecard*, Table 13. Retrieved from <https://www.scorecard.energycanada.org/wp-content/uploads/2022/11/2022-Canadian-Energy-Efficiency-Scorecard-English.pdf>. There was no scorecard completed for the year 2023.

³ During the 2015-2016 winter season, the average load curtailed by Curtailable Service Option participants was 10.4 MW. During the 2022-2023 winter season, the average load curtailed by Curtailable Service Option participants was 12.4 MW.

- 1 been two years where Newfoundland Power’s billing demand was less than
2 Newfoundland and Labrador Hydro’s minimum billing demand of 1,251.1 MW.⁴
3
4 d) Not considering Newfoundland Power’s proposal, the current threshold of ± 1% of
5 test year wholesale demand charges would change based on the 2025 and 2026 test
6 year demand costs. The current threshold of ± \$750,631 is based on the forecast
7 native peak for Newfoundland Power’s 2023 test year.⁵ This amount would increase
8 to \$807,723 for 2025 and \$800,887 for 2026.

⁴ Newfoundland Power’s weather adjusted billing demand for 2020 and 2021 was 1,238,256 kW and 1,169,731 kW, respectively.

⁵ Minimum billing demand of 1,251,052 x 1% x \$5.00/ kW x 12 months = \$750,631.

**DMI Account
Demand Cost Variations**

Newfoundland Power Inc.
DMI Account
Demand Cost Variations
(\$000s)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Existing Demand Charge and the Existing DMI Deadband																
1 Demand Cost Variance	(1,170)	(104)	(1,539)	(2,346)	(1,331)	965	(1,222)	59	(587)	2,856	462	3,445	2,186	2,672	(904)	2,148
2 Company (Savings) Cost	(529)	(104)	(545)	(545)	(545)	582	(594)	59	(587)	728	462	758	755	755	(751)	751
3 Customer (Savings) Cost	(641)	-	(994)	(1,801)	(786)	383	(628)	-	-	2,128	-	2,687	1,431	1,917	(153)	1,397
4																
Existing Demand Charge and the Proposed DMI Deadband																
6 Demand Cost Variance	(1,170)	(104)	(1,539)	(2,346)	(1,331)	965	(1,222)	59	(587)	2,856	462	3,445	2,186	2,672	(904)	2,148
7 Company (Savings) Cost	(500)	(104)	(500)	(500)	(500)	500	(500)	59	(500)	500	462	500	500	500	(500)	500
8 Customer (Savings) Cost	(670)	-	(1,039)	(1,846)	(831)	465	(722)	-	(87)	2,356	-	2,945	1,686	2,172	(404)	1,648
9																
25% Increase in Wholesale Demand Charge and the Existing DMI Deadband																
11 Demand Cost Variance	(1,476)	(104)	(1,857)	(2,891)	(1,608)	1,136	(1,512)	59	(704)	3,614	519	4,306	2,746	3,340	(1,187)	2,613
12 Company (Savings) Cost	(661)	(104)	(682)	(682)	(682)	728	(742)	59	(704)	910	519	948	943	943	(938)	938
13 Customer (Savings) Cost	(815)	-	(1,175)	(2,209)	(926)	408	(770)	-	-	2,704	-	3,358	1,803	2,397	(249)	1,675
14																
25% Increase in Wholesale Demand Charge and the Proposed DMI Deadband																
16 Demand Cost Variance	(1,476)	(104)	(1,857)	(2,891)	(1,608)	1,136	(1,512)	59	(704)	3,614	519	4,306	2,746	3,340	(1,187)	2,613
17 Company (Savings) Cost	(500)	(104)	(500)	(500)	(500)	500	(500)	59	(500)	500	500	500	500	500	(500)	500
18 Customer (Savings) Cost	(976)	-	(1,357)	(2,391)	(1,108)	636	(1,012)	-	(204)	3,114	19	3,806	2,246	2,840	(687)	2,113