

1 Q. **Reference: Schedule 1 – Evidence, page 6**

2 It is stated

3 Hydro is proposing to credit the revenues and charge the operating and
4 maintenance costs associated with its first 14 chargers to its CDM deferral
5 account for recovery on a prospective basis. Consistent with previous
6 applications, Hydro will not seek any capital related recovery associated with
7 these chargers. Hydro believes that the findings of the Conservation Potential
8 Study and the economic justification of the electrification programs, including
9 utility investment in EV charging infrastructure, support this approach.” Further
10 on page 6 Hydro states “Hydro believes it is appropriate for the proposed capital
11 investment associated with the additional six chargers on the Island
12 Interconnected System to be recovered from customers. Therefore, Hydro is
13 proposing to charge capital costs incurred to deliver the plan to the ECDM Cost
14 Deferral Account for future recovery from customers.

15 a) Provide the rationale for proposing different approaches for capital cost recovery for the
16 first 14 chargers versus the next 6 chargers.

17 b) What is the rationale to recover any of these expenses from Hydro’s and Newfoundland
18 Power’s customers?

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21 A. a) As noted in the evidence to Newfoundland and Labrador Hydro’s (“Hydro”) application:

22 Board Order No. P.U. 7(2020) approved approximately \$2.1 million in capital
23 expenditures for the construction of the first 14 fast charging stations across the
24 island portion of the province. At the time of its application in December 2019,
25 Hydro was able to avail of approximately \$1.8 million in government funding to
26 offset the cost of the project. Hydro proposed to contribute the remaining
27 funds, exclude the chargers from its regulated rate base, and not seek recovery
28 of the capital investment from customers. However, at that time Hydro
29 indicated that if the charging network was demonstrated to be similar to CDM
30 program costs incurred for the long-term benefit of all customers, and
31 consistent with the provision of least-cost reliable service over the long term,
32 Hydro may propose to include the future operating costs in Hydro’s revenue
33 requirement as a CDM program cost. The 2021 Plan demonstrates the rate
34 mitigation benefits for customers on the Island Interconnected System of utility
35 investment in EV assets. As such, Hydro is proposing to credit the revenues and
36 charge the operating and maintenance costs associated with its first 14 chargers

1 to its CDM deferral account for recovery on a prospective basis. Consistent with
2 previous applications, Hydro will not seek any capital related recovery
3 associated with these chargers. Hydro believes that the findings of the
4 Conservation Potential Study and the economic justification of the
5 electrification programs, including utility investment in EV charging
6 infrastructure, support this approach.

7 Hydro believes it is appropriate for the proposed capital investment associated
8 with the additional six chargers on the Island Interconnected System to be
9 recovered from customers. Therefore, Hydro is proposing to charge capital costs
10 incurred to deliver the plan to the ECDM Cost Deferral Account for future
11 recovery from customers.¹

12 In summary, Hydro was able to secure government funding for approximately 85% of the
13 cost of the first phase of the public fast charging network. However, Hydro could not, at the
14 time, demonstrate the capital investment was in the best interest of all customers on the
15 Island Interconnected System versus benefiting electric vehicle owners only. As such, Hydro
16 proceeded to take advantage of the high ratio of government funding and construct 14 fast
17 chargers along the Trans-Canada Highway while absorbing the remaining 15% cost in order
18 to contribute to rate mitigation efforts in the province.

19 Since that time, Hydro and Newfoundland Power Inc. (“Newfoundland Power”) engaged
20 Dunsky Energy Consulting to prepare a potential study.² This study, combined with the
21 attached application and evidence, demonstrates that public electric vehicle charging
22 investments provide rate mitigation benefits to all customers on the Island Interconnected
23 System through increasing domestic energy sales which contribute more towards the cost of
24 the Muskrat Falls Project when compared to exporting that same energy. As such,
25 investment in these assets is consistent with Hydro’s statutory mandate to provide service
26 to customers at the lowest possible cost consistent with reliable service; therefore, Hydro is
27 seeking to recover the cost of capital investment for the second phase of the charging
28 network.

¹ “Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021–2025,” Newfoundland and Labrador Hydro, rev. 1, July 8, 2021 (originally filed June 16, 2021), sch. 1, sec. 4.2, at pp. 5/15–20 to 6/1–14.

² “Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021–2025,” Newfoundland and Labrador Hydro, rev. 1, July 8, 2021 (originally filed June 16, 2021), sch. 3.

1 b) Hydro’s application shows that investment in fast charging infrastructure results in lower
2 costs to customers over the long term.³ In this regard, the investment in charging
3 infrastructure is consistent with the power policy of the province under Section 3(a)(iii) of
4 the *Electrical Power Control Act, 1994* that requires power be delivered to customers in the
5 province at the lowest possible cost consistent with reliable service.

6 Section 80(2) of the *Public Utilities Act, RSNL 1990* provides for the opportunity to recover
7 those expenses that the Board of Commissioners of Public Utilities may allow as reasonable
8 and prudent. It is therefore on the basis of prudently incurred costs in the provision of least-
9 cost service that Hydro is seeking to recover the cost of capital investment in public charging
10 infrastructure.

³ “Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021–2025,” Newfoundland and Labrador Hydro, rev. 1, July 8, 2021 (originally filed June 16, 2021), sch. 1, app. A.