

1 Q. On page 1 of the Electrification, Conservation and Demand Management Plan 2021–2025  
2 [Schedule 3] it is noted that over the duration of the 2021 Plan “*CDM programs are forecast to*  
3 *provide energy savings of 1,610 GWh and 82 MW in peak demand reduction. Combined, these*  
4 *energy savings and peak demand reductions are forecast to lower system costs by approximately*  
5 *\$113 million.*”

6 How is this consistent with the rate mitigation options related to the Muskrat Falls Project,  
7 which sought to maximize domestic load in order to increase revenues to offset Muskrat Falls  
8 Project costs?

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11 A. On February 7, 2020, the Board of Commissioners of Public Utilities (“Board”) issued its final  
12 report on the Rate Mitigation Options and Impacts with respect to the Muskrat Falls Project. As  
13 noted by the Board:

14 Revenue opportunities arising from increased electrification in the building and  
15 transportation sectors in the Province were also considered. The primary  
16 consideration with electrification is to ensure that higher electricity use does  
17 not significantly impact the peak load on the system, requiring future capital  
18 investment and higher system costs.<sup>1</sup>

19 As noted by the Board, the primary consideration with respect to increasing electricity sales  
20 revenues on the Island Interconnected System is to ensure those increases do not drive system  
21 peak and therefore require future capital investment. The revenue potential from increased  
22 energy sales can be quickly overtaken by increased capacity related costs required to serve that  
23 load during peak hours. The Conservation Potential Study was prepared in consideration of  
24 these marginal costs, as noted in Newfoundland and Labrador Hydro’s (“Hydro”) response to  
25 IIC-NLH-028.

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<sup>1</sup> “Reference to the Board – Rate Mitigation Options and Impacts Muskrat Falls Project – Final Report,” Newfoundland & Labrador Board of Commissioners of Public Utilities, February 7, 2020, p. ii.

1           While conservation and demand management (“CDM”) programs provide energy savings, they  
2           also naturally have a demand savings component whereby they reduce system load during peak  
3           hours. The majority of savings (energy and demand) associated with CDM programs occur  
4           during winter months, thereby lowering the winter peak on the Island Interconnected System.  
5           As such, the value capacity savings provided by CDM programs is greater than any lost revenues  
6           associated with reduced energy sales.

7           Please refer to Hydro’s response to IIC-NLH-034, which shows CDM programs are forecast to  
8           produce net system cost savings, on a portfolio basis.