

1 Q. The Dunsky report states at page 94 that, with a large incentive of 70% of incremental costs  
2 along with enabling strategies to help reduce barriers, approximately 3.5% of commercial floor  
3 space adopts some form of heat pump heating system to displace oil-fired heating while only  
4 marginal numbers of customers adopt heat pump domestic water heaters over oil-fired heating  
5 systems. Please provide available analysis which demonstrates that the proposed recovery from  
6 customers of the costs associated with the custom electrification program incentives should be  
7 approved at this time. What are the considerations associated with waiting to implement this  
8 program until the completion of the Small Business Direct Install Pilot Program and until there is  
9 further study with respect to the peak demand impacts?

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12 A. *This Request for Information relates to the Electrification, Conservation and Demand*  
13 *Management Plan: 2021-2025 (the “2021 Plan”) developed in partnership by Newfoundland and*  
14 *Labrador Hydro and Newfoundland Power (“Hydro” or, collectively, the “Utilities”). Accordingly,*  
15 *the response reflects collaboration between the Utilities.*

16 The Custom Electrification Program is designed to assist customers in replacing fossil fuel  
17 technologies with equivalent electric technologies. This program will operate in a similar fashion  
18 to the existing Business Efficiency Program, where incentives are provided on an individualized  
19 basis.<sup>1</sup>

20 While space heating and domestic hot water are examples of projects that could qualify under  
21 the program, other opportunities include the electrification of off-road vehicles such as forklifts.  
22 The number of projects pursued under this program is forecast to be modest, but the potential  
23 benefits of each project are meaningful. For example, the electrification of one forklift would  
24 provide an increase in energy usage that is equivalent to three passenger electric vehicles

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<sup>1</sup> “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, sch. F, pp. 7 to 8 of 33.

1 (“EVs”). The increase in energy usage associated with electrifying a building’s heating system  
2 would be even greater.

3 All projects pursued under the Custom Electrification Program will be analyzed using the  
4 modified Total Resource Cost (“mTRC”) test. The mTRC test is consistent with sound public  
5 utility practice.<sup>2</sup> By applying the mTRC test, the Utilities will ensure that, for each project  
6 pursued under this program, the customer benefits outweigh the costs. This includes costs  
7 associated with peak demand impacts. If peak demand impacts are too high, a project will not  
8 be assessed as cost-effective in accordance with the mTRC test.

9 An mTRC result of 1.0 is required for a project to be considered cost-effective. The Utilities’  
10 analysis shows the Custom Electrification Program is currently forecast to have an mTRC result  
11 of 2.1. This indicates that the customer benefits of the program are more than double the costs.

12 Additionally, the Custom Electrification Program is currently forecast to contribute  
13 approximately 2.6 GWh of energy usage to the system by 2025. This energy usage is included in  
14 the net present value analysis confirming the rate mitigating benefit of the Utilities’ portfolio of  
15 electrification programs.<sup>3</sup> The rate mitigating benefit of these programs is consistent with the  
16 delivery of least-cost, reliable service to customers.<sup>4</sup> It is therefore appropriate for these costs to  
17 be recovered from customers.

18 The Small Business Direct Install Pilot Program is aimed at addressing barriers to customers’  
19 adoption of energy-efficient technologies. The results of this pilot are not expected to impact  
20 the Custom Electrification Program.

21 For more information on why the Utilities’ portfolio of electrification programs is appropriate,  
22 please refer to Hydro’s response to PUB-NLH-004.

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<sup>2</sup> Please refer to Hydro’s response to PUB-NLH-021.

<sup>3</sup> Please refer to Hydro’s response to PUB-NLH-004.

<sup>4</sup> See Section 3(b)(iii) of the *Electrical Power Control Act, 1994*.