

1 Q. Table I-2 in Schedule I of the Electrification Conservation Demand Management Plan 2021-2025,  
2 provides the primary economic tests used to evaluate electrification programs in North  
3 American jurisdictions. The majority of jurisdictions that evaluate the cost-effectiveness of  
4 electrification programs use an overall cost assessment. There is no indication whether any of  
5 the seven jurisdictions identified in Table I-2 that evaluate cost-effectiveness of electrification  
6 program, which are all from the US, do so using only the mTRC test as proposed. It also suggests  
7 that two of the seven (California and Oregon) use multiple tests.

8 a) Is this jurisdictional information the basis on which the proposed mTRC test is claimed to be  
9 consistent with accepted utility practice?

10 b) Can it be inferred from this table that no Canadian jurisdictions currently assess cost-  
11 effectiveness of electrification programming?

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

18 a) This jurisdictional information is one of the bases upon which using the proposed modified  
19 Total Resource Cost (“mTRC”) test is consistent with sound public utility practice.

20 Table I-2 of the 2021 Plan<sup>1</sup> shows that, of the seven utilities that undertake cost-  
21 effectiveness testing of electrification programs, all do so by way of an overall cost  
22 assessment. The mTRC test is an overall cost assessment.

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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. I, at p. 1 of 3.

1 The mTRC test was developed based on the principles outlined in the National Standard  
2 Practice Manual (“Manual”).<sup>2</sup> These principles represent “sound economic and regulatory  
3 practices.”<sup>3</sup>

4 According to the Manual, the mTRC test is a jurisdiction-specific test. While the mTRC test is  
5 used in other jurisdictions, such as Colorado, the test is designed to align with the specific  
6 policy goals of each jurisdiction. As a result, the inputs used in each jurisdiction vary.<sup>4</sup>

7 The Utilities have applied the mTRC test in conjunction with a net present value (“NPV”)  
8 analysis. The combined use of the mTRC test and the NPV analysis ensures that: (i)  
9 electrification programs are sufficiently economic to enable customer participation and (ii)  
10 customer participation in electrification programs will provide a rate-mitigating benefit to all  
11 customers.<sup>5</sup> The use of a secondary assessment is consistent the principles provided in the  
12 Manual and the approach taken in several jurisdictions that use multiple tests.

13 The Utilities further observe that cost-effectiveness testing may not be appropriate in  
14 certain jurisdictions. This includes jurisdictions where programs are based on mandatory  
15 requirements or where they are pursued on a pilot basis.<sup>6</sup> However, in the Utilities’ view, it  
16 is sound public utility practice to undertake cost-effectiveness testing when program costs

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<sup>2</sup> “National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources,” National Energy Screening Project (“NESP”), August 2020.

<sup>3</sup> “National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources,” National Energy Screening Project (“NESP”), August 2020, at p. iii.

<sup>4</sup> For example, the Colorado Public Utilities Commission approved calculating the cost effectiveness of demand side management programs, including electrification offerings, using an mTRC test. In Colorado, the benefits included in the mTRC test are, as applicable: (i) the utility’s avoided production, distribution, and energy costs; (ii) the participant’s avoided operating and maintenance costs; (iii) the valuation of avoided emissions; and (iv) non-energy benefits. Utility and participant costs are also included. Please refer to Code of Colorado Regulations: Section 4 CCR 723-4-4751 – Definitions, Current through Vol. 44, No. 14, July 25, 2021, <<https://casetext.com/regulation/colorado-administrative-code/departments-700-department-of-regulatory-agencies/division-723-public-utilities-commission/rule-4-CCR-723-4-rules-regulating-gas-utilities/demand-side-management/section-4-CCR-723-4-4751-definitions>> and Section 4 CCR 723-4-4753 - Periodic DSM Plan Filing, Current through Vol. 44, No. 14, July 25, 2021, < <https://casetext.com/regulation/colorado-administrative-code/departments-700-department-of-regulatory-agencies/division-723-public-utilities-commission/rule-4-CCR-723-4-rules-regulating-gas-utilities/demand-side-management/section-4-CCR-723-4-4753-periodic-dsm-plan-filing>>.

<sup>5</sup> Please refer to Hydro’s response to PUB-NLH-022.

<sup>6</sup> For example, states that, in several cases, electrification proposals were no subject to comprehensive cost-effectiveness analysis because they were only proposed as pilot programs. “The Total Value Test: A Framework for Evaluating the Cost-Effectiveness of Efficient Electrification,” Electric Power Research Institute, August 2019, at p. 11.

1           are proposed to be recovered from ratepayers on the basis that they are consistent with  
2           least-cost service delivery.

3           b) Yes, it can be inferred from the table that no Canadian jurisdictions currently assess the  
4           cost-effectiveness of electrification programs. Electrification programs are currently more  
5           prevalent in the United States, where such programs are pursued based on specific policy  
6           goals (e.g., greenhouse gas reductions).

7           While electrification programs are an emerging area, the benefits of electrification have  
8           been recognized in industry research. For example, the Electric Power Research Institute  
9           states:

10                   Replacing fossil-fueled end-use and non-energized processes with electric  
11                   technologies, a conversion known as *electrification*, can yield considerable  
12                   benefits not only to customers who undertake this activity but more broadly to  
13                   electricity billpayers and society-at-large”<sup>7</sup>

14           In the Newfoundland and Labrador context, electrification programs provide a valuable  
15           opportunity to pursue the provincial policy goal of customer rate mitigation. The provincial  
16           and federal governments recently announced an agreement-in-principle that would see  
17           customer rates increasing by approximately 9% above the previously indicated target of  
18           13.5 ¢/kWh. This increase in rates increases the rate mitigating value of electrification for  
19           customers. Please refer to Hydro’s response to PUB-NLH-047 for the NPV impact of an  
20           increase in customer rates.

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<sup>7</sup> “The Total Value Test: A Framework for Evaluating the Cost-Effectiveness of Efficient Electrification,” Electric Power Research Institute, August 2019, at p. 6.