

1 Q. On page 2 of 3, lines 22-27 of Newfoundland Power’s response to PUB-NP-024, in relation to
2 Newfoundland Power’s application *“Electrification, Conservation and Demand Management”*
3 stated the following in its description of the mTRC test:

4 *“Referred to in the National Standard Practice Manual as a jurisdiction specific test, the mTRC*
5 *test includes utility system impacts and customer impacts and can also include impacts*
6 *associated with achieving applicable policy goals.”*

7 Page 3-14 of the National Standard Practice Manual states that a jurisdiction-specific test
8 includes the utility system impacts, **plus** those impacts associated with achieving applicable
9 policy goals.

10 a) What specific policy goals, if any, have been included in the proposed mTRC test?

11 b) Is it proposed that the mTRC test would be the primary test for evaluating cost-effectiveness
12 of electrification programming?

13 c) Was the use of a secondary cost-assessment test to supplement the mTRC test considered?
14 What secondary tests could be used in this case? What factors would inform a decision to
15 use a secondary test?

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

1 a) The National Standard Practice Manual (“Manual”)¹ establishes that jurisdiction-specific
2 tests, such as the modified Total Resource Cost (“mTRC”) test, should be aligned with the
3 policy goals of a jurisdiction. In some jurisdictions, this is done by assigning a value to
4 specific societal benefits. For example, in Colorado and Wisconsin the mTRC test includes a
5 value for avoided emissions, such as carbon dioxide emissions. The valuation of these
6 benefits aligns with environmental policy goals in those jurisdictions.²

7 The Utilities have not designed the mTRC test to include a value for a specific policy goal.
8 However, the mTRC test, in conjunction with a net present value (“NPV”) analysis, is
9 designed to align with the provincial policy goal of customer rate mitigation.³

10 The mTRC test is used by the utilities to determine whether electrification programs will
11 provide a net benefit to participating customers. For example, the mTRC test determines
12 whether the benefits of reduced fuel and maintenance costs of an electric vehicle exceed
13 the electricity supply costs, incremental equipment costs, and program administration costs.
14 Ensuring customers benefit from programs is essential to encouraging their participation in
15 those programs. If programs are not economic for customers, participation would be
16 limited. Similarly, if the Utilities’ costs to deliver a program were greater than the benefits
17 provided to customers, utility investment in that area would not be justified.

18 Once a set of cost-effective programs were developed using the mTRC test, the Utilities then
19 completed a secondary assessment of the customer rate impacts of those programs and
20 related infrastructure investments. The NPV analysis assessed the net revenue of increased

¹ “National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources,” National Energy Screening Project (“NESP”), August 2020.

² Please refer to Hydro’s response to PUB-NLH-022.

³ The provincial government stated: “The plan indicates the province’s utilities are taking actions to begin addressing the electrification, and conservation and demand management (CDM) recommendations in the Board of Commissioners of Public Utilities Rate Mitigation Options and Impacts Report. The Board’s report demonstrated clearly that these action areas have excellent potential to assist with our rate mitigation efforts.” “2021 Electrification, Conservation and Demand Management Application,” Newfoundland Power Inc., December 16, 2020, vol. 2, sch. M, at p. 1 of 7.

1 energy sales through electrification to 2034. The net revenue impact was then divided by
2 projected energy sales to determine an indicative customer rate impact.⁴

3 Separately assessing the cost effectiveness and rate impacts of programs is consistent with
4 the principles outlined in the Manual.⁵ The combined use of the mTRC test and the NPV
5 analysis ensures that: (i) electrification programs are sufficiently economic to enable
6 customer participation and (ii) customer participation in electrification programs will
7 provide a rate mitigating benefit to all customers.

8 b) Yes, it is proposed that the mTRC test would be the primary test for evaluating the cost
9 effectiveness of electrification programs.

10 c) Consistent with the principles of the Manual, a secondary assessment of the rate impacts of
11 customer electrification programs was completed by way of an NPV analysis. Please refer to
12 part a) for more information. The Utilities will update the NPV analysis annually to account
13 for any required modifications to programs. The updated result will be presented to the
14 Board of Commissioners of Public Utilities as part of the Utilities' annual reporting
15 requirements for customer programs.

⁴ "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. 2, app. A.

⁵ Please refer to Hydro's response to PUB-NLH-022.