

1 Q. On page 5, paragraph 19 of the Application, Hydro is proposing to charge the capital cost of the  
2 DCFC charging stations on the Island Interconnected system, net of the government  
3 contributions, to the ECDM Cost Deferral Account but to not include the capital costs in rate  
4 base.

5 a) The current CDM Cost Deferral Account is included in Hydro’s rate base. Please confirm  
6 whether or not the ECDM Cost Deferral Account included in rate base will be net of the  
7 capital costs associated with the DCFC charging stations?

8 b) If the ECDM Cost Deferral Account included in rate base is not net of the capital costs,  
9 please explain the basis which the capital costs should be included in the account and  
10 therefore in rate base, addressing the advantages and disadvantages of this approach.

11 c) Is Hydro proposing a similar treatment for the capital costs of the Level 2 EV chargers?

12 d) The application proposes that the capital costs relating to the Labrador locations will not be  
13 included in the ECDM Cost Deferral Account, please confirm that the costs that will not be  
14 included in rate base?

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17 A. a) Newfoundland and Labrador Hydro (“Hydro”) will continue to include the Electrification,  
18 Conservation and Demand Management (“ECDM”) Cost Deferral Account in its calculation of  
19 regulated rate base, consistent with the treatment of the Conservation and Demand  
20 Management (“CDM”) Cost Deferral Account. As noted in the evidence to Hydro’s  
21 application, Hydro is seeking approval to charge the capital costs associated with all public  
22 electric vehicle (“EV”) charging stations on the Island (both direct current fast charger and  
23 Level 2) to the ECDM Cost Deferral Account.<sup>1</sup>

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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. 1, p. 6/11–14.

1           b) Hydro’s proposal to charge capital costs to the ECDM Cost Deferral Account results from  
2           Order No. P.U. 27(2020) where the Board of Commissioners of Public Utilities (“Board”)  
3           stated that “The Board does not believe that in the circumstances EV charging services are  
4           public utility services which should be subject to the requirements set out in the *Act*.”<sup>2</sup>  
5           Given EV charging has been determined to not be considered a public utility service, Hydro  
6           is not seeking to include these assets directly in its rate base as a capital asset. Rather, Hydro  
7           is proposing to charge the full capital cost to the ECDM Cost Deferral Account for future  
8           recovery from customers.

9           This proposed approach will allow Hydro to record the cost of public EV charging assets in a  
10           deferral account, similar to other CDM-related non-utility costs such as insulation,  
11           thermostat, and high-efficiency lighting costs. Such costs, while not directly attributable to  
12           Hydro’s core business of “the production, generation, storage, transmission, delivery or  
13           provision of electric power,”<sup>3</sup> are consistent with Hydro’s mandate to deliver service at the  
14           lowest possible cost consistent with reliable service, and are therefore recoverable from  
15           customers. In this regard, Hydro believes its proposed approach is consistent with legislation  
16           and the Board’s application of that legislation with respect to EV charging services in Order  
17           No. P.U. 27(2020).

18           Recording capital assets in a deferral account can pose challenges with respect to financial  
19           reporting under International Financial Reporting Standards; however, assuming similar  
20           recovery periods between the capital assets and deferral account, there is little difference to  
21           customers with respect to cost recovery as both alternatives are included in Hydro’s rate  
22           base and both attract financing costs.

23           c) Please refer to Hydro’s response to PUB-NLH-030, part a).

24           d) Hydro is not seeking to recover the capital costs associated with the proposed charger  
25           installations on the Labrador Interconnected System. If Hydro were to seek to recover  
26           capital costs associated with future charger installations, consistent with Hydro’s response  
27           to PUB-NLH-030, part a), Hydro would not propose to include these assets in rate base.

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<sup>2</sup> Board Order No. P.U. 27(2020), p. 5/24–26.

<sup>3</sup> *Public Utilities Act, RSNL 1990, Chapter P-47, Section 2(1)(h)(i)*.

- 1            Instead, Hydro would propose to include the capital costs in the ECDM Cost Deferral
- 2            Account for future recovery from customers.