

1 Q. On page 5 paragraph 21 of the Application, Hydro states that the proposed programs directly
2 associated with electrification by Hydro’s Rural Island Interconnected customers, are projected
3 to provide estimated rate mitigation benefits of approximately \$0.7 million over the longer
4 term. Please explain how this will impact costs and rates for all customers on the Island
5 Interconnected system.

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8 A. Estimated rate mitigation benefits of approximately \$0.7 million over the long term associated
9 with electrification by Newfoundland and Labrador Hydro’s (“Hydro”) Rural Island
10 Interconnected customers will reduce the rural deficit by \$0.7 million. Hydro notes that in the
11 absence of programs outlined in the plan, (e.g., managed electric vehicle charging) not only will
12 potential rate mitigation opportunities be lost, but system costs for all customers will increase
13 resulting in a negative net present value (“NPV”).¹

14 Based on the allocation of the rural deficit in the 2019TY,² \$0.7 million in rate mitigation will
15 result in a 0.13%³ reduction in the revenue requirement from Newfoundland Power Inc.
16 (“Newfoundland Power”) and approximately a 0.089%⁴ reduction in end customer rates. Rates
17 for Island Industrial customers are not impacted by changes in the rural deficit.

18 Due to the interconnected nature of the provincial electricity system, with service territories
19 belonging to both Hydro and Newfoundland Power, it is reasonable to expect that Hydro’s
20 investment in electrification initiatives, such as public charging infrastructure along the Trans-

¹ “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, p. 12, table 1. Unmanaged Charging under the baseline scenario will result in \$163 million in new system costs and an NPV of (\$44M) for the entire Island Interconnected System.

² Newfoundland Power 96.1%; Rural Labrador Interconnected 3.9%.

³ $\$700,000 \times 96.1\% / \$506,976,868$ (Newfoundland Power revenue requirement after deficit).

⁴ $0.13\% \times 66.8\%$ (flow through rate to end customer).

- 1 Canada Highway or the Great Northern Peninsula, will also contribute to increased energy sales
- 2 to customers in Newfoundland Power’s service territory.⁵

⁵ Hydro’s application evidence is based upon the forecast rate mitigation potential from its own retail customers; however, clear synergies exist between Hydro and Newfoundland Power as it relates to increasing electric vehicle ownership across the Island Interconnected System. In this regard, a joint electrification plan by both Hydro and Newfoundland Power is in the best interest of all customers on the Island Interconnected System.