

Office of the Consumer Advocate

PO Box 23135
Terrace on the Square
St. John's, NL Canada A1B 4J9

Tel: 709-724-3800
Fax: 709-754-3800

July 8, 2022

Board of Commissions of Public Utilities
120 Torbay Road, P.O. Box 2140
St. John's, NL A1A 5B2

**Attention: G. Cheryl Blundon, Director of
Corporate Services / Board Secretary**

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro - Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021-2025 Application; and Newfoundland Power Inc. - 2021 Electrification, Conservation and Demand Management Application

On June 17, 2022 Newfoundland and Labrador Hydro (Hydro) and Newfoundland Power (NP) (collectively known as the "utilities") responded to a request from the Public Utilities Board (PUB) to provide a "market conditions update" on their electrification applications. As noted in the June 17, 2022 submission made by the utilities:

Newfoundland Power filed its 2021 Electrification, Conservation and Demand Management Application with the Board of Commissioners of Public Utilities ("Board") on December 16, 2020. On June 16, 2021, Newfoundland and Labrador Hydro ("Hydro") filed its Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021-2025. Newfoundland Power's application and Hydro's application are collectively referred to as the "Applications." The Applications reflect the utilities' continued collaboration in developing and delivering customer programs as outlined in the Electrification, Conservation and Demand Management Plan: 2021-2025 ("2021 Plan"). On August 30, 2021, the Board advised the Applications would be joined and proceed as one matter.

The Consumer Advocate has already made two submissions on the electrification applications, including:

- A March 1, 2021 submission on Newfoundland Power's electrification application.
- A September 22, 2021 submission on 2021 supplemental capital expenditures for utility-owned EV charging infrastructure.

In each submission, the Consumer Advocate opposed utility involvement in electrification beyond that related to traditional roles (e.g., rate design, service entrance upgrades, customer education programs, etc.). We have, in particular, opposed utility ownership of charging infrastructure as a regulated undertaking with customers taking on all risks.¹

In a letter dated June 29, 2022, the Board requested that parties provide comments on the utilities' 'market conditions update' by July 15, 2022. This letter documents the Consumer Advocate's comments.

Market Conditions Update

In the market conditions update of June 17, 2022, the utilities conclude:

On March 25, 2022, the utilities provided an update to the electrification cost-effectiveness testing included in the 2021 Plan for material changes that have occurred since the filing of the Applications. These changes were: (i) an updated rate mitigation target announced by the Provincial Government; (ii) an updated marginal cost forecast; and (iii) a delay in executing the electrification initiatives included in 2021 Plan.

Changes in market conditions since March 25, 2022 have not materially affected the information filed at that time and do not affect the business case for proceeding with electrification initiatives included in the 2021 Plan.

Consumer Advocate Response

The Consumer Advocate disagrees that these are the only "material changes" that have occurred since the applications were filed in late 2020 and mid-2021 (the electrification program), including:

- 1) We are now a year closer to the point in time when electric vehicles will reach cost parity. As stated by Hydro: "*EVs are forecast to reach cost parity with gasoline-powered vehicles in 2025. Recent advancements in battery technology may result in cost parity earlier*".² Further, as stated in the June 17, 2022 submission by the utilities (page 6 of 9), "*On April 22, 2022, the Federal Government announced a future sales mandate for zero-emission vehicles so that at least 20% of new passenger vehicles sold in Canada will be zero emission by 2026, at least 60% by 2030, and 100% by 2035.*" Why is there a need for utilities to provide incentives when: 1) EVs will reach cost parity in 3 short years or less, 2) both the federal and provincial governments are providing their own EV purchase incentives, and 3) the federal government is mandating EV sales? There is significant potential for free-ridership.

¹ The Consumer Advocate is not opposed to utility ownership of charging infrastructure provided it is owned and operated by an unregulated subsidiary.

² See Schedule 3 of Hydro's ECDM Application "Electrification, Conservation and Demand Management Plan 2021–2025, page 30.

- 2) Another year has passed and the Muskrat Falls project, in particular, the Labrador Island Link (LIL), is still not in commercial operation. As noted by Liberty in its Fifteenth Quarterly Monitoring Report dated May 6, 2022:

*“The LIL has been failing FAT rounds for two years - - a remarkably discouraging performance record. Experience since the start of 2022 shows no tangible measures of progress. It remains impossible to project a reasonable date for attainment of commercial operations at full design capability. There remains no material degree of confidence that attaining that state will come within 12 months and it may well be longer away. Now well into the year, the importance in pursuing the best path forward for operating through yet another coming winter season without a reliably performing LIL has increased.”*³

Why would the utilities embark on a program to accelerate electricity consumption in the province when it may be necessary to supply the increased demand with a very dirty and expensive Holyrood oil-fired generating station? What is the economic impact on the 2021 electrification program if the increased electricity demand were supplied by Holyrood even for one year of the program? We note that Holyrood produced significant amounts of energy to meet system requirements during the past winter, a total of 568 GWh in the December 2021 through March 2022 time frame. Clearly, Holyrood continues to be the marginal plant for meeting system energy requirements.⁴

- 3) Oil prices have increased by 39% in the past year (US\$ 110/barrel compared to US\$ 79 per barrel a year ago).⁵ The province’s gasoline prices have increased by 48% in the past year (\$2.15 per litre compared to \$1.45/litre a year ago).⁶ Clearly, this is a “material change” since the ECDM program was filed. This extraordinary increase in oil and gasoline prices provides the public significant incentive to purchase EVs nullifying the need for the utilities to accelerate EV adoption.
- 4) The St. John’s City Council has passed a proposal for the installation of 26 level 2 EV charging stations. The charging stations have been purchased by the city through Flo Inc.⁷ How many other government and private sector entities are likely to follow suit, nullifying the need for regulated utilities to own and operate charging stations?
- 5) In May 2022, the province’s inflation rate reached 8.0%, the highest level since 1983.⁸ Electricity consumers can ill-afford a near-term rate increase as a result of an electrification program

3 See Liberty Consulting Group’s Fifteenth Quarterly Monitoring Report on the Integration of Power Supply Facilities to the Island Interconnected System dated May 6, 2022. FAT refers to “factory acceptance testing”.

4 See Monthly Energy Supply Report for the Island Interconnected System for December 2021, January 2022 and February 2022.

5 The June 30, 2022 price of crude oil was US\$ 109.78 per barrel. This compares to US\$ 79 per barrel a year ago (June 2021). See <https://www.macrotrends.net/1369/crude-oil-price-history-chart>

6 The average gasoline price in St. John’s on June 30, 2022 was \$2.15/litre. This compares to \$1.45/litre in June 2021. See <https://www.caa.ca/gas-prices/>

7 See <https://vocm.com/2022/06/07/st-johns-council-electric-vehicle-charging-stations/>

8 Consumers in Newfoundland and Labrador paid 8.0% more for goods and services in May 2022 than in May 2021, marking the highest year-over-year increase since April 1983. This was mostly influenced by higher energy and food prices. See

<https://www.gov.nl.ca/fin/economics/eb-cpi/#:~:text=Consumers%20in%20Newfoundland%20and%20Labrador,higher%20energy%20and%20food%20prices.>

rationalized by dubious long-term “rate-mitigating” benefits, and at a time when rates are soon to increase due to the Muskrat Falls project.

- 6) Since the electrification applications were filed, the Board has issued Provisional Capital Budget Application Guidelines (December 20, 2021). The electrification applications do not meet the requirements set out for capital projects in the Provisional Guidelines.
- 7) The provincial government recently announced that it is undertaking a review of legislation governing Board oversight of the electricity sector. This could significantly impact Board jurisdiction and utility involvement in activities that are not directly related to the supply and delivery of electricity.

Of these, our overriding concern is that there is no evidence to date that excess energy is available or will be reliably available to island consumers for next winter. It is telling that Hydro’s June update failed to provide any assurance otherwise.

Please contact the undersigned if you have any questions.

Yours truly,


Dennis Browne, Q.C.
Consumer Advocate

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cc **Newfoundland and Labrador Hydro**
 NLH Regulatory (NLHRegulatory@nlh.nl.ca)
 Shirley Walsh (shirleywalsh@nlh.nl.ca)
Newfoundland Power Inc.
 NP Regulatory (regulatory@newfoundlandpower.com)
 Dominic Foley (dfoley@newfoundlandpower.com)
 Lindsay Hollett (lhollett@newfoundlandpower.com)
Industrial Customer Group
 Paul Coxworthy (pcoxworthy@stewartmckelvey.com)
 Dean Porter (dporter@poolealthouse.ca)
 Denis Fleming (dfleming@coxandpalmer.com)
Board of Commissioners of Public Utilities
 Jacqui Glynn (jglynn@pub.nl.ca)
 Maureen Greene (mgreene@pub.nl.ca)
 Colleen Jones (cjones@pub.nl.ca)
 PUB Official Email (ito@pub.nl.ca)

Iron Ore Company of Canada
 Greg Moores (gmoores@stewartmckelvey.com)
Labrador Interconnected Group
 Senwung Luk (sluk@oktlaw.com)
 Josh Favel (jfavel@oktlaw.com)
Teck Resources Limited
 Shawn Kinsella (shawn.kinsella@teck.com)
Praxair Canada Inc.
 Sheryl Nisenbaum (sheryl_nisenbaum@praxair.com)
 Peter Strong (peter_strong@linde.com)