Office of the Consumer Advocate

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September 13, 2021

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: IIC Group Letter to the Board on NLH Application for Approvals of Electrification Programs and Expenditures

1. BACKGROUND

On December 16, 2020 Newfoundland Power ("NP") submitted to the Public Utilities Board (the "Board") its *2021 Electrification, Conservation and Demand Management Application* (the "NP Application"). On June 16, 2021 Newfoundland and Labrador Hydro ("Hydro") filed an *Application for Approvals to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021-2025* (the "Hydro Application"). The NP and Hydro Applications relate to a jointly developed electrification, conservation and demand management plan (the "ECDM plan") in the period 2021-2025.

The NP and Hydro Applications have proceeded through the request for information ("RFI") process. In an August 30, 2021 letter the Board advised that it had determined that the NP and Hydro Applications should be joined and proceed as one matter to improve efficiency and consistency "*in terms of required regulatory approvals and oversight*". In its letter the Board directed the parties to make submissions by September 13, 2021.

On September 7, 2021, the Island Industrial Customer Group ("IIC Group") wrote the Board concerning the Hydro Application. The IIC Group submitted that a number of Hydro's RFI responses are insufficient. The IIC Group goes on to identify the RFIs and issues of concern, and notes that the insufficiency of information raises "*significant concerns about whether the regulatory template apparently sought to be established by the present Application for future electrification and CDM* *projects will ensure adequate scrutiny of those future projects*". The IIC Group goes on to request that "*a technical conference be convened to provide Hydro with the opportunity to further address the above issues, as well as such other issues as the Board and the other parties may wish to have addressed.*"

In a September 9, 2021 email, the Board acknowledged receipt of the correspondence from the IIC Group, and requested comments from the parties concerning the IIC Group request. The date for submissions on the NP and Hydro ECDM Applications has coincidentally been delayed.

This submission documents the Consumer Advocate's comments on the IIC Group request.

2. COMMENTS OF THE CONSUMER ADVOCATE

The Consumer Advocate supports the request by the IIC Group that a technical conference be held to allow Hydro, and Newfoundland Power since this is a joint ECDM plan, the opportunity to address the issues raised in the IIC Group letter as well as other issues raised by the parties and the Board.

The Applications would establish regulatory precedent for the handling of electrification and CDM programs going forward. The costs of the programs are expected to result in rate increases in the short term when there is already significant upward pressure on rates owing to the Muskrat Falls project during this very difficult economic time in the province made worse by the global pandemic.

The Applications must be given full consideration based on all of the facts before capital expenditures are approved. The Consumer Advocate believes that the information currently on the record is inadequate for the Board to issue an Order approving the Applications. However, the Consumer Advocate is in favour of rate mitigation efforts, so rather than have the Board reject the Applications outright, we believe that a Technical Conference should be held in an effort to gain consensus on an ECDM plan that provides a proper balance of ratepayer costs, benefits and risks. In the opinion of the Consumer Advocate, a Technical Conference, and perhaps a series of Technical Conferences, is long overdue.

3. OTHER ISSUES FOR DISCUSSION AT A TECHNICAL CONFERENCE

In addition to the issues raised by the IIC Group, the Consumer Advocate requests that the following issues be included for discussion at the Technical Conference:

1) Why is it important for the utilities to "*accelerate*" the federal and provincial electrification effort when: a) EVs will reach price parity with gasoline vehicles only 4 years from now, b) EV adoption is being mandated by the Canadian government, c) both the federal and provincial governments are already offering EV incentives, and d) electrification appears to be economic whether or not the utilities participate. Given the circumstances, why is there a need for utility involvement beyond traditional roles relating to load management/rate design, customer connection enhancements, and if necessary, grid enhancements to support EV charger demand?

2) The success of the proposed ECDM plan hinges on proper management of EV charger demand. While there is a potential rate mitigation benefit of $34 million, or 0.5 cents/kWh[1] if charger demand is properly managed, there is also potential for a ***net increase*** in system costs of $163 million and a negative NPV of approximately $44 million if charger demand is not properly managed (CA-NLH-025). In spite of the importance of EV charger load management to the ECDM plan, the utilities do not have a defined load management plan. They propose to study EV charger load management through the conduct of pilot programs to explore customer acceptance and cost effectiveness (PUB-NP-037) ***after*** the Board has approved the funds for the electrification plan. How can the Board judge the merits of the electrification plan in providing reliable least cost supply without this information? The Board requires this information ***before*** it approves the electrification plan – not ***after***.

Further complicating the matter is the fact that the NL utilities have no plans to introduce dynamic rates (i.e., time-of-use rates) or advanced metering infrastructure (AMI) stating (CA-NLH-017) "*dynamic rates are not forecast to be cost-effective for customers until after 2030.*" Why are the utilities proposing an electrification plan to triple the number of EVs in the Province when they do not know how, or at what cost, EV charger demand will be managed? The utilities currently do not have AMI, dynamic rates or load research necessary to manage EV charger demand.

The Consumer Advocate notes that Nova Scotia Power's EV Smart Charging Program aims at (PUB-NP-044) "*collecting information on how smart charging systems can help lower energy usage during peak times. The pilot program is implemented as part of the Smart Grid Nova Scotia initiative, which is supported by Natural Resources Canada and the Government of Nova Scotia. The policy goal is to support renewable energy and new energy technologies in a manner that maintains reliability and affordability for customers.*" In our opinion this represents a sound and reasonable approach. It acquires information vital to the success of the plan ***before*** committing significant amounts of ratepayer money. Further, it recognizes that the industry is changing, not only with respect to electrification, but also with respect to distributed energy resources (DER) and non-wires alternatives (NWAs).

3) Under the proposed ECDM plan, the utilities would provide incentives toward the purchase of electric vehicles, and to offset costs for upgrades to customer grid connections. PUB-NP-047 indicates that the "*make ready model*" supports customer investment in charging by providing incentives to offset costs to connect to the distribution network (under the existing Extensions policy).

There appears to be a fairness issue with the proposed electrification program. Although all customers would potentially benefit from rate mitigation, the customers who avail of the electrification incentives would benefit from rate mitigation ***and*** the incentive for an EV

1 Under the latest Government rate mitigation plan, this figure is expected to increase to 0.65 cents/kWh (PUB-NP-035).

purchase ***and*** the incentive for an upgraded electric service. This is unfair to customers who do not avail of the incentive programs because: (a) they have already purchased an EV, (b) they already have an upgraded electric service, (c) they cannot afford an EV and upgraded electric service even with the incentives, or (d) they use public transit and have no vehicle ownership.

4) With respect to utility construction and ownership of EV charging station infrastructure:

(a) Does the Board have the authority to approve utility funding of charging stations and passing this cost on to ratepayers?

(b) Is ownership of charging stations by a privately-owned utility such as Newfoundland Power with protections as a fully-regulated monopoly in violation of monopoly/anti-competition laws in the Province?

(c) Does the proposal by the utilities to build and own charging stations present a barrier to market entry by the private sector? In PUB-NP-002, Newfoundland Power states "*In regulating utility-provided charging services, the British Columbia Utilities Commission noted 2 principal concerns: (i) ensuring fairness in the EV charging market; and (ii) mitigating ratepayer risk.*" Does the electrification plan proposed by the NL utilities adequately address these concerns?

(d) Does the Board have the authority under current law to approve a rate/charge for use of utility-owned charging stations that is not cost-based? Hydro says in IIC-NLH-004 (c) that the Board found in P.U. 27(2020) that charging rates are behind the meter and are not subject to regulation. Is it also true that charging station infrastructure is behind the meter and its costs are not subject to regulation, in which case cost recovery should not be allowed in rates?

Based on all of the foregoing, the Consumer Advocate supports the request by the IIC Group that a technical conference be held to allow Hydro and NL Power, since this is a joint ECDM plan, the opportunity to address these and other issues.

We look forward to your reply.

Yours truly,

Denny Browne

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cc

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