

1 **Q. (Reference Application) Provide a comparison of Newfoundland Power and Hydro**
2 **costs to build, own and operate charging stations. Base the comparison on the**
3 **assumption that each utility would construct charging station infrastructure of \$1**
4 **million in 2022. Assume no government funding and include tax impacts in the**
5 **comparison. Further, show impacts on revenue requirement and rates based on**
6 **each utility’s proposed recovery method for charging station capital costs.**
7

8 A. Newfoundland Power cannot provide a comparison as outlined in this Request for
9 Information as the Company cannot attest to Newfoundland and Labrador Hydro’s
10 (“Hydro”) costs to install and operate electric vehicle (“EV”) charging stations.
11

12 Newfoundland Power can provide a *pro forma* analysis that uses the same assumptions
13 put forward in Request for Information CA-NP-043. That is, a *pro forma* analysis that
14 compares:
15

- 16 (i) The Company’s revenue requirement associated with investing \$1 million in EV
17 charging infrastructure in 2022 using the assumptions included in its net present
18 value (“NPV”) analysis;¹ and
19
20 (ii) A *pro forma* scenario for the same investment based on the assumptions from
21 Hydro’s NPV analysis, which include a weighted average cost of capital of
22 5.30%, no income tax effects and an amortization period of 7 years.²
23

24 Attachment A provides the *pro forma* analysis. Newfoundland Power observes that, with
25 a difference of only \$5,000 on an NPV basis, there is effectively no difference between
26 the 2 scenarios over the 10-year period.

¹ See Newfoundland Power’s 2021 *Electrification, Conservation and Demand Management Application*, Volume 1, Exhibit 2, Appendix A.

² See Hydro’s *Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan: 2021-2025*, Schedule 1, Evidence, Appendix A.

Pro Forma Revenue Requirement Analysis

Pro Forma Revenue Requirement Analysis
(\$000s)

Year	Capital Costs A	Capital Cost Recovery B	Pro Forma Scenario C	Difference D	Cumulative NPV E	Pro Forma Customer Rate Impact F
2021	0	0	0	0	0	
2022	1,000	75	26	48	43	0.0%
2023	0	147	192	(45)	5	0.0%
2024	0	142	184	(43)	(29)	0.0%
2025	0	136	177	(40)	(60)	0.0%
2026	0	131	169	(38)	(87)	0.0%
2027	0	126	162	(36)	(111)	0.0%
2028	0	121	154	(33)	(132)	0.0%
2029	0	116	147	(31)	(151)	0.0%
2030	0	110	0	110	(88)	0.0%
2031	0	105	0	105	(31)	0.0%
2032	0	51	0	51	(5)	0.0%
Total		1,261	1,212	49	(5)	0.0%

Notes

- A Assumes a \$1 million investment in electric vehicle ("EV") charging infrastructure in 2022, as requested.
- B Includes forecast depreciation, financing costs and associated income taxes related to the EV charging infrastructure investment. Based on an estimated 10 year service life, the Company's incremental weighted average cost of capital ("WACC") of 5.81% and an income tax rate of 30%.
- C Includes *pro forma* amortization and financing costs and excludes income tax effects related to the EV charging infrastructure investment. Based on a 7 year amortization period and a *pro forma* WACC of 5.30%.
- D Calculated as B - C.
- E The net present value ("NPV") as of the end of each period using the Company's incremental WACC of 5.81%. If the *pro forma* incremental WACC of 5.30% was used, the cumulative difference would be (\$2,000).
- F Based on the impact the Difference (D) would have on total revenue requirement reflected in current customer rates.