

September 14, 2021

Board of Commissioners  
of Public Utilities  
P.O. Box 21040  
120 Torbay Road  
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon  
Director of Corporate Services  
and Board Secretary

Dear Ms. Blundon:

**Re: 2021 Electrification, Conservation and Demand Management Application –  
Response to Request for Technical Conference**

**A. Introduction**

Newfoundland Power Inc. (“Newfoundland Power” or the “Company”) filed its *2021 Electrification, Conservation and Demand Management Application* with the Board on December 16, 2020 (“Newfoundland Power’s Application”). On June 16, 2021, Newfoundland and Labrador Hydro (“Hydro”) filed an *Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021-2025* (“Hydro’s Application”). The applications reflect the utilities’ continued collaboration in developing and delivering customer programs. On August 30, 2021, the Board advised that both applications would be joined and proceed as one matter.

On September 7, 2021, the Island Industrial Customer Group (the “IIC Group”) requested a technical conference on certain matters relating to Hydro’s application. The Board requested comments from parties be filed by September 14, 2021.

Hydro filed its response to the IIC Group’s request on September 10, 2021. Hydro stated that the evidence on the record sufficiently addresses the issues raised by the IIC Group and a technical conference would not result in any more robust evidence being made available.

The Consumer Advocate filed its response to the IIC Group’s request on September 13, 2021. The Consumer Advocate supports the request for a technical conference.

Part B of this response provides Newfoundland Power’s comments on the IIC Group’s request. Part C provides the Company’s response to the Consumer Advocate’s comments.

**Newfoundland Power Inc.**

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## **B. Response to IIC Group Request**

Newfoundland Power agrees with Hydro's position that a technical conference would not contribute to a more robust understanding of the matters currently before the Board, and is therefore unnecessary.

The Company offers the following comments on certain issues raised by the IIC Group:

### **(i) Program Cost-Effectiveness Testing**

The IIC Group states that further justification is required for use of the modified Total Resource Cost ("mTRC") test, as well as consideration of other tests. The IIC Group takes issue with the fact that Program Administrator Cost ("PAC") test results have not been provided for electrification programs. The IIC Group also takes issue with the absence of an estimate of rate impacts for conservation and demand management ("CDM") programs.

The National Standard Practice Manual (the "Manual") is the authoritative source of information on evaluating the cost-effectiveness of customer programs. A core principle of the Manual is that a cost-effectiveness test should align with a jurisdiction's specific policy goals.<sup>1</sup>

The policy goals of CDM and electrification programs differ.

The Board approved the use of the Total Resource Cost test and PAC test to evaluate the cost-effectiveness of CDM programs in Order No. P.U. 18 (2016). Following that order, Newfoundland Power was no longer required to evaluate CDM programs by way of the Rate Impact Measures test, which is no longer widely used for CDM programs.<sup>2</sup>

The PAC test determines whether system costs will be reduced and includes avoided utility system costs and program delivery costs.<sup>3</sup> Use of the PAC test is appropriate for CDM programs, as CDM programs are designed to result in lower system costs. For example, CDM programs have reduced system costs by approximately \$137 million for Newfoundland Power's customers since 2009.<sup>4</sup>

Electrification programs are not designed to result in lower system costs, as evaluated by the PAC test. Rather, electrification programs are designed to provide a rate

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<sup>1</sup> See the Manual, page iv, Table S-1.

<sup>2</sup> See Order No. P.U. 18 (2016), pages 7-8.

<sup>3</sup> See response to Request for Information CA-NP-009.

<sup>4</sup> See Newfoundland Power's Application, Volume 1, Evidence, page 5, lines 8-10.

mitigating benefit for customers over the longer term.<sup>5</sup> Use of the PAC test is therefore not appropriate for evaluating the cost-effectiveness of these programs.

The benefits of the utilities' electrification programs are evaluated using two analyses.

First, electrification programs are evaluated through the mTRC test. The mTRC test determines whether the customer benefits of a program outweigh the costs. This ensures that programs are sufficiently economic to enable customer participation in those programs. Use of the mTRC test has been thoroughly interrogated by the Board through Requests for Information.<sup>6</sup> Responses to these requests show that the mTRC test is consistent with the Manual and sound public utility practice.<sup>7</sup>

Second, electrification programs are evaluated through an NPV analysis. The NPV analysis evaluates the rate mitigating benefit of electrification programs. The results of the NPV analysis show that electrification programs will provide a rate mitigating benefit for customers of approximately 0.5 cents/kWh by 2034.<sup>8</sup>

The IIC Group questions whether the regulatory template sought as part of this proceeding will ensure adequate scrutiny of future CDM and electrification projects.

Newfoundland Power observes that CDM programs are subject to annual reporting requirements, including annual reporting on program cost-effectiveness results. The Company envisions a similar approach for electrification programs, with annual updates of the mTRC test and NPV analysis.<sup>9</sup> Annual updates will account for any changes in marginal costs or other matters that could affect the cost-effectiveness of programs. Programs will be adjusted over time if market and other factors change.<sup>10</sup>

Overall, the cost-effectiveness testing proposed for CDM and electrification programs is appropriate and will ensure all programs are designed and delivered in a manner consistent with the least-cost delivery of reliable service to customers.

**(ii) *The Synapse Report***

The IIC Group questions differences in the results of *Conservation Potential Study* completed by Dunsky Energy and the *Phase 2 Report on Muskrat Falls Project Rate Mitigation* completed by Synapse Energy Economics (the "Synapse Report").

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<sup>5</sup> Traditional inputs into the PAC test, such as incremental system costs resulting from electrification programs, and program administration costs are included in the net present value ("NPV") analysis of the rate mitigating benefit of these programs. See Newfoundland Power's Application, Volume 1, Exhibit 2, Appendix A, Column D.

<sup>6</sup> See, as examples, responses to Requests for Information PUB-NP-052 through PUB-NP-060.

<sup>7</sup> See response to Request for Information PUB-NP-052.

<sup>8</sup> See Newfoundland Power's Application, Volume 1, Evidence, page 18, line 13, to page 19, line 8.

<sup>9</sup> See response to Request for Information PUB-NP-002, page 6, line 36, to page 7, line 5.

<sup>10</sup> See response to Request for Information PUB-NP-039.

Differences between the results of these reports were reviewed and acknowledged as part of the Synapse Report. The Synapse Report states that the findings of both reports roughly align. The Synapse Report specifically states:

*“Dunsky’s findings on building heat electrification appear to initially diverge from Synapse’s assessment, but as noted on closer review, Dunsky does support partial provision of heat with ductless mini-split heat pumps in oil-heated dwellings.”<sup>11</sup>*

The Synapse Report acknowledges that the *“Dunsky Report presents a much more in-depth analysis of local conditions and should be used for detailed input into 2020-2025 CDM program design, as was its intention.”<sup>12</sup>*

### **C. Response to Consumer Advocate Comments**

The Consumer Advocate supports the IIC Group’s request for a technical conference. The Consumer Advocate lists four additional issues to be addressed during a technical conference: (i) why it is important for the utilities to accelerate electrification efforts; (ii) matters relating to load management, including the use of dynamic rates; (iii) fairness issues, as benefits will differ between participants and non-participants; and (iv) matters with respect to the Board’s authority to approve the application.

In Newfoundland Power’s view, the business case for utility intervention in electrification and matters related to load management have been fully addressed on the record of this proceeding. As examples, responses to Requests for Information PUB-NP-035 and PUB-NP-037 address why utility intervention is required to address barriers to electrification and how the utilities plan to achieve effective load management. In Newfoundland Power’s view, based on the information already on the record, these issues can be fully addressed through the written submission process.

The Company further observes that a technical conference is not the appropriate forum to address matters with respect to the Board’s authority to approve the applications. Newfoundland Power provided its views on this issue in response to Request for Information PUB-NP-002 and through its first written submission on its application.<sup>13</sup> In the Company’s view, such matters are best addressed by the Board in an order following consideration of the applications.

With respect to the issue of fairness, the Consumer Advocate notes that customers who avail of electrification incentives would receive both a rate mitigation benefit and lower vehicle purchase costs. The Consumer Advocate alleges that this is unfair to customers who do not participate in electrification programs.

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<sup>11</sup> See the Synapse Report, pages 14-15.

<sup>12</sup> Ibid., page 126.

<sup>13</sup> See Newfoundland Power’s first written submission, March 5, 2021, page 19, line 14 *et seq.*

Newfoundland Power does not agree that electrification programs create an issue of fairness, as alleged by the Consumer Advocate. From a fairness perspective, the customer benefits of electrification programs are comparable to the customer benefits of CDM programs.

Under CDM programs, participating customers have realized electricity bill savings of approximately \$118 million from 2009 to 2020. All Newfoundland Power customers have benefitted from reduced system costs of approximately \$137 million over this period.<sup>14</sup>

Under electrification programs, participating customers would realize savings through lower fuel and maintenance costs. All Newfoundland Power customers would receive the rate mitigating benefit of electrification programs.

In both cases, participating customers incur costs to realize the benefits of participating in these programs, such as the cost of purchasing insulation or an electric vehicle. Overall, *all* Newfoundland Power customers benefit from both CDM and electrification programs, regardless of their participation in those programs.

#### **D. Conclusion**

In Newfoundland Power's view, the issues raised by the IIC Group have been fully interrogated on the record of this proceeding and a technical conference would not assist the Board in considering the utilities' proposals. The issues raised by the Consumer Advocate have either been fully interrogated on the record, or are matters relating to Board authority that are not appropriate to be addressed by the utilities at a technical conference.

Newfoundland Power concurs with Hydro that the regulatory process previously established by the Board should continue. The utilities can respond to any issues identified by the parties through the written submission process.

In its response, Hydro suggested that, if further process is required, the Board should separate the consideration of the utilities' proposed capital expenditures for an electric vehicle charging network from other issues. Newfoundland Power acknowledges practical constraints regarding the availability of federal funding for which the utilities have applied, as noted by Hydro. However, the Company observes that the proposals contained in its application are interrelated. The approval of all proposals is necessary to achieve the rate mitigating benefit of electrification programs.

Should you have any questions, please contact the undersigned at your convenience.

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<sup>14</sup> See Newfoundland Power's Application, Volume 1, Evidence, page 5, lines 6-10.

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Yours truly,

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