



Cabot Place, 1100 – 100 New Gower Street, P.O. Box 5038
St. John's NL A1C 5V3 Canada tel: 709.722.4270 fax: 709.722.4565 stewartmckelvey.com

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Paul L. Coxworthy
Direct Dial: 709.570.8830
pcoxworthy@stewartmckelvey.com

Via Electronic Mail

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

**Attention: Ms. G. Cheryl Blundon, Director of Corporate Services
and 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**

We write on behalf of the Island Industrial Customer (IIC) Group further to the Board's communication of September 9, 2021 requesting the comments of the other parties to the IIC request for a technical conference, to Hydro's correspondence dated September 10, 2021 and the Consumer Advocate's correspondence dated September 13, 2021, and to the Board's communication of September 13, 2021 requesting comments on Hydro's proposal to separate the approval of the proposed supplementary capital expenditures for EV charging stations from the other issues raised by Hydro's application.

Approval of the proposed supplementary capital expenditures for EV charging stations

The IIC Group is supportive of the bifurcation of the strict approval of the supplementary capital expenditures for EV charging stations from the other approvals sought by Hydro by this Application.

While the IIC Group is of the view, as is the Consumer Advocate (per sections 4(a) and 4(d) of Consumer Advocate's correspondence dated September 13, 2021), that there is reason to question why Hydro's rate payers should be burdened with cost recovery for the supplementary capital expenditures for EV charging stations, the IIC Group does not propose to further comment on this particular supplementary capital expenditure, for the following reasons and on the following basis:

- 1.the dollar amount of this specific capital expenditure is, relatively speaking, small when measured against Hydro's overall capital expenditures;
2. the IIC Group is mindful that it would be unfortunate if a prolonged approval process jeopardized Hydro's ability to maximize its access to approved federal funding for public EV charging stations;

3. the IIC Group is comfortable that the existing Application record is, in light of the foregoing circumstances, adequate for the Board to determine whether this specific capital expenditure should be approved, without further proceedings;

4. the IIC Group, by taking the above position in relation to this specific capital expenditure, should not be deemed to have accepted Hydro's use of the mTRC test and net present value analysis as sufficient to justify approvals of future proposed electrification or CDM capital expenditures, including approvals of any further proposed additions to the EV charger network, or to have accepted that Hydro's rate payers should be further burdened by cost recovery for such future proposed expenditures; and

5. the IIC Group, with reference to the previous point, reiterate that further regulatory process is warranted with respect to wider issues raised in our correspondence dated September 7, 2021.

Further regulatory process on Hydro's electrification/CDM program

Hydro, in its correspondence dated September 10, 2021, detailed its reasons as to why it felt the existing Application record was sufficient to justify the wider approvals being sought by the Application and as to why it felt a technical conference would not result in additional or more robust evidence.

The concerns raised by our correspondence dated September 7, 2021 were informed by the analysis of the IIC expert consultant, Mr. Patrick Bowman of InterGroup. Those concerns were expressed in an open-ended way, without making specific proposals to counter those made by Hydro, as it is the IIC Group's objectives to, with an open mind, obtain a better understanding of Hydro's approach, and to ascertain whether or not additional or more robust evidence may be obtained. For example, Hydro states that it "does not have access to any information with respect to Synapse's work beyond that filed in the Board's Rate Mitigation Options and Impacts Reference proceeding". Could Hydro not identify to the Board what additional information from Synapse might be helpful, and that information then be provided to Hydro and the parties?

In summary fashion, the following are some of the questions which bear further and early consideration:

- 1) Is the energy marginal cost being used to assess electrification and CDM projects appropriate, and in particular should a lower energy marginal cost be used, at least in the next 5 years? There is evidence that suggests this is the case, as filed in the proceeding before the Board with respect to Hydro Supply Costs.
- 2) Is the capacity marginal cost being used appropriate, and in particular in advance of conclusions in the Reliability and Resource Adequacy Study review process?
- 3) If there is a chance the appropriate energy marginal cost is lower than assumed by Hydro, is it possible Hydro is proposing to significantly underinvest in electrification, and overinvest in conservation? This would be exacerbated to the extent the capacity marginal cost used by Hydro is also shown to be higher than merited.
- 4) Is it possible that Hydro is failing to recognize fast moving changes in federal standards for many conservation technologies like EVs, and increases in carbon taxes, and new

subsidies, and is there therefore a risk of over-investing in conservation that will happen anyway even without Hydro investment?

- 5) Is it possible that Hydro, by relying only on a TRC and NPV metric, will measure excessive benefits from conservation that at best arise only over the long-term, and thus be led to overinvestment compared to a standard that prioritized nearer-term rate benefits? Other metrics could be considered, such as truncated NPVs that only look at 5-10 years out, or RIM or Program Administrator metrics.

The IIC Group has proposed a technical conference as the least onerous, and most timely, further regulatory process to advance the above consideration and objectives.

If, notwithstanding the IIC Group request (supported by the Consumer Advocate) and Hydro's proposal, the Board determines that it will not bifurcate Hydro's Application, and will not convene the requested technical conference, then the IIC Group wish to reserve their opportunity to make further submissions on the Application.

We trust these comments will be found to be in order.

Yours truly,

Stewart McKelvey



Paul L. Coxworthy

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- c. Newfoundland and Labrador Hydro
NLH Regulatory Email: nlregulatory@nlh.nl.ca
Newfoundland Power Inc.
NP Regulatory, Email: regulatory@newfoundlandpower.com
Consumer Advocate
Stephen Fitzgerald, Email: sfitzgerald@bfma-law.com
Sarah Fitzgerald, Email: sarahfitzgerald@bfma-law.com
Bernice Bailey, Email: bbailey@bfma-law.com
Labrador Interconnected Group
Julia Brown, Email: jbrown@oktlaw.com
Praxair Canada Inc.
Peter Strong, Email: peter.strong@linde.com