

1 **Q. (Reference Application Schedule B, page iv) It is stated “Newfoundland Power**
 2 **also considered risks of assets becoming stranded for each proposed project**
 3 **and program”. How did Newfoundland Power incorporate the risk of an asset**
 4 **becoming stranded owing to new technology, new environmental regulations**
 5 **such as zero-carbon policies, distributed generation, rate design, etc, or owing**
 6 **to a significant rate increase resulting from Muskrat Falls? Have the potential**
 7 **results of the retail rate design review been incorporated, and if so, how?**
 8

9 A. Newfoundland Power considered the risk of assets becoming stranded in preparing its
 10 *2023 Capital Budget Application*, including due to new technology, system costs
 11 following commissioning of the Muskrat Falls Project, and new environmental
 12 regulations.
 13

14 Newfoundland Power recognizes that emerging technologies, including non-wires-
 15 alternatives (“NWA”), may become consistent with the least-cost delivery of reliable
 16 service to customers in the future. The Company considers emerging technologies and
 17 NWAs in its assessments of alternatives for capital projects, when relevant.¹ Currently,
 18 such alternatives have not been found to be least-cost for customers and do not expose
 19 Newfoundland Power’s assets to a risk of becoming stranded. For example, the 2023
 20 *Feeder Additions for Load Growth* project evaluates the use of commercial-grade battery
 21 storage technology as an alternative to proposed feeder upgrades. This alternative was
 22 determined to be cost prohibitive.
 23

24 With respect to distributed generation, Newfoundland Power’s Net Metering Service
 25 Option provides customers with the ability to generate electricity to offset their own
 26 consumption.² Customer participation in the Net Metering Service Option has been low
 27 since its introduction.³ As a result, the Company does not currently consider customer
 28 generation to be a factor that exposes its assets to a risk of becoming stranded.
 29

30 Newfoundland Power has identified that potential future changes in customer rate
 31 designs represent a risk of its Automated Meter Reading (“AMR”) technology becoming
 32 stranded. This is due to a potential requirement to implement Advanced Metering
 33 Infrastructure (“AMI”) in order to offer dynamic rates to customers in the future.⁴ The
 34 deployment of AMI technology would require most existing AMR meters to be removed
 35 from service. Newfoundland Power would consider the risk of asset stranding in the
 36 development of any future business case to implement AMI technology to ensure it is
 37 least cost for customers.

1 See the responses to Requests for Information CA-NP-101 and CA-NP-103.

2 Newfoundland Power’s Net Metering Service Option is based on the principles outlined in the Provincial Government’s Net Metering Policy Framework.

3 As of December 31, 2021, Newfoundland Power has 21 customers with generation systems installed, totaling 210.1 kW of generation capacity and 47,270 kWh of energy delivered to Newfoundland Power. This represents approximately 0.02% of Newfoundland Power’s peak demand and approximately 0.0008% of the Company’s annual energy sales.

4 See Newfoundland Power’s *2023 Capital Budget Application, Schedule B*, page 69. See also the response to Request for Information PUB-NP-016 for information on the potential implementation of AMI technology.

1 Newfoundland Power also considered changes in system costs following commissioning
2 of the Muskrat Falls Project in assessing whether its assets are exposed to risks of
3 becoming stranded. Economic analyses completed for the proposed refurbishments of
4 the Sandy Brook Hydro Plant and Mobile Hydro Plant reflect the latest information
5 available on marginal costs following commissioning of the Muskrat Falls Project. The
6 analyses confirm that neither plant is exposed to risk of asset stranding as both would
7 continue to provide an economic benefit for customers following commissioning of the
8 Muskrat Falls Project.⁵
9

10 In Newfoundland Power's experience, changes in customer rates have not historically
11 exposed assets to a risk of becoming stranded. The Company is commencing a Retail
12 Rate Review in 2022. Until more clarity is gained regarding future electricity rates
13 following commissioning of the Muskrat Falls Project, it is not possible to speculate on
14 what, if any, impact future customer rates may have on the potential stranding of
15 Newfoundland Power's assets.
16

17 With respect to new environmental regulations, see the response to Request for
18 Information CA-NP-099.

⁵ See the *2023 Capital Budget Application*, report *4.1 Sandy Brook Hydro Plant Generator Refurbishment, Section 4.0 Risk Assessment* and report *4.2 Mobile Hydro Plant Refurbishment, Section 4.0 Risk Assessment*.