

1 **Section 2: Customer Operation/Operating Costs**
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3 **Q. (Section 2, page 2-12) Footnote 23 indicates that of the \$180 million in system cost**
4 **savings due to Newfoundland Power’s CDM programs, the bulk of savings, 72%,**
5 **resulted from avoided energy costs. In light of Newfoundland Power’s forecast of a**
6 **decline in its energy sales by 2026, will it continue spending on CDM programs that**
7 **primarily reduce energy consumption and, if so, why?**
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9 A. Newfoundland Power will continue to offer CDM programs as they provide benefits for
10 customers through customer bill savings and lower system costs. For example, from 2009
11 to 2022 customers have saved an estimated \$180 million on their electricity bills from
12 participating in CDM programs. Additionally, through energy and capacity savings, these
13 programs have also saved approximately \$180 million in system costs.¹
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15 Newfoundland Power evaluates the cost-effectiveness of its CDM programs through the
16 Total Resource Cost (“TRC”) test and the Program Administrator Cost (“PAC”) test.²
17 Both the TRC and the PAC tests use avoided energy and avoided capacity marginal costs
18 to calculate the benefits of CDM programs compared to the cost of those programs. The
19 economic screening that Newfoundland Power uses to evaluate CDM programs is
20 consistent with Canadian industry best practice.³ Similar results can be found in the
21 United States.⁴
22

23 In 2022, Newfoundland Power’s CDM portfolio achieved a TRC result of 2.6 and a PAC
24 result of 3.6.⁵ These test results indicate that benefits from CDM programs were at least
25 2.6 times the cost of implementing those programs.
26

27 Newfoundland Power completes potential studies and gathers information from
28 stakeholders and customers to evaluate CDM programs that could potentially be offered
29 to customers. Newfoundland Power and Hydro have engaged Posterity Group, an
30 economic and engineering consulting firm, to conduct a potential study that will examine
31 opportunities for electrification, demand response, and energy efficiency for the Island
32 Interconnected System. The findings, which are anticipated to be finished in the third
33 quarter of 2024, along with the results of the EV Load Management Pilot, will inform
34 and influence the initiatives and programs that are included in the utilities’ next multi-
35 year plan.

¹ See the response to Request for Information CA-NP-006 for further information on customer bill savings.

² The PAC test is also known as the Utility Cost test (“UCT”) in some jurisdictions.

³ The most recent jurisdictional scan completed showed that all Canadian jurisdictions who responded to the survey were using either the TRC or the PAC as their primary test to evaluate CDM programs. Jurisdictions that responded to the survey include British Columbia, Ontario, Nova Scotia, Manitoba, Quebec, Prince Edward Island and New Brunswick.

⁴ Of the 45 states that report using cost-effectiveness testing, 32 (71%) are using the TRC or PAC as their primary test. Five states are using the Societal Cost Test (“SCT”) which is similar to the TRC except it includes environmental or societal benefits. Seven states are using a state-specific or jurisdiction-specific test and one is using the Rate Impact Measure (“RIM”) test.

⁵ A result of 1.0 indicates the program is cost-effective. Results from 2023 will be available in the 2023 CDM report to be filed with the Board in April 2024. See the response to Request for Information CA-NP-040, Attachment A for a copy of the 2022 CDM Report.