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May 13, 2022

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

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

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro's and Newfoundland Power Inc.'s Electrification, Conservation and Demand Management Applications –Expert Report from the Island Industrial Customer Group – Requests for Information

Please find enclosed Newfoundland and Labrador Hydro's ("Hydro") requests for information NLH-IIC-001 to NLH-IIC-007 concerning the Expert Report filed by the Island Industrial Customer Group[1] in relation to Hydro's "Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021–2025"[2] and Newfoundland Power Inc.'s "2021 Electrification, Conservation and Demand Management Application,"[3] which were joined by the Board on August 30, 2021 to proceed as one matter.[4]

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/sk

Encl.

ecc:

Board of Commissioners of Public Utilities
Jacqui H. Glynn
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Labrador Interconnected Group
Senwung F. Luk, Olthuis Kleer Townshend LLP
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[1] Bowman, Patrick, "Electrification, Conservation and Demand Management Plan Review, including Use of a Modified Total Resource Cost Test," InterGroup Consultants Ltd., May 4, 2022.
[2] "Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021–2025," Newfoundland and Labrador Hydro, rev. July 8, 2021 (originally filed June 16, 2021).
[3] "2021 Electrification, Conservation and Demand Management Application," Newfoundland Power Inc., December 16, 2020.
[4] "Newfoundland and Labrador Hydro – Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021-2025 Application; and Newfoundland Power Inc. - 2021 Electrification, Conservation and Demand Management Application – To Parties – Applications to Proceed as One Matter," Board of Commissioners of Public Utilities, August 30, 2021, p. 2, para. 2.

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IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, Chapter E-5.1 ("*EPCA*") and the *Public Utilities Act*, RSNL 1990, Chapter P-47 ("*Act*"), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro pursuant to sections 58, 71 and 80 of the *Act*, for the approval of an economic test and deferral of Electrification, Conservation and Demand Management ("ECDM") program costs in the proposed ECDM Cost Deferral Account for future recovery through the proposed ECDM Cost Recovery Adjustment; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro, pursuant to section 41(3) of the Act, for the approval of supplemental 2021 capital expenditures related to the construction of an electric vehicle charging network; and

IN THE MATTER OF an application by Newfoundland Power Inc. for the approval of an economic test and a deferral account to provide for recovery of costs proposed to be incurred in 2021 for customer electrification programs, pursuant to sections 58 and 80 of the *Act*; and

IN THE MATTER OF an application by Newfoundland Power Inc. for the approval of supplemental 2021 capital expenditures related to the construction of an Electric Vehicle Charging Network, pursuant to section 41(3) of the *Act.*

Newfoundland and Labrador Hydro

Requests for Information

NLH-IIC-001 to NLH-IIC-007

May 13, 2022

NLH-IIC-001 **Reference: Bowman, Patrick, "Electrification, Conservation and Demand Management Plan Review, including Use of a Modified Total Resource Cost Test," InterGroup Consultants Ltd., May 4, 2022, p. 9/8–10.**

> Second, based on the above cost profile, the assumptions about the NPV benefits to the utility and its other customers are extremely marginal over the 15 year horizon. It should be imminently clear that the program exhibiting these metrics would not yield measurable rate mitigation benefits.

Please confirm that this statement is in reference to Newfoundland and Labrador Hydro's ("Hydro") net present value ("NPV") calculation as filed (approximately $0.7 million) and not the updated NPV calculation as provided in Hydro's response to TC-PUB-NLH-004 (approximately $3.2 million).

NLH-IIC-002 **Reference: Bowman, Patrick, "Electrification, Conservation and Demand Management Plan Review, including Use of a Modified Total Resource Cost Test," InterGroup Consultants Ltd., May 4, 2022, p. 9/8–10.**

> Second, based on the above cost profile, the assumptions about the NPV benefits to the utility and its other customers are extremely marginal over the 15 year horizon. It should be imminently clear that the program exhibiting these metrics would not yield measurable rate mitigation benefits.

The updated combined net present value of both Newfoundland and Labrador Hydro (TC-PUB-NLH-004) and Newfoundland Power Inc. (TC-PUB-NP-005, Rev 1) is approximately $98 million over the 15-year time horizon. Further, net revenues contributing to rate mitigation are forecast to be in excess of $60 million annually by 2034. In light of this information, would any of Mr. Bowman's conclusions change? If not, why not?

NLH-IIC-003 **Reference: Bowman, Patrick, "Electrification, Conservation and Demand Management Plan Review, including Use of a Modified Total Resource Cost Test," InterGroup Consultants Ltd., May 4, 2022, p. 10/10–12.**

> In short, assuming the above cost profile has been properly developed to capture all incremental benefits of the program (including benefits of avoiding peak load impacts), then the program is a relative wash at best, and on a risk-adjusted basis should likely not be aggressively pursued.

As noted in Newfoundland Power Inc.'s response to PUB-NP-066, the largest negative impact for customers would be an average annual bill increase of $4 in 2024, in contrast

to an average annual bill savings of over $100 by 2034. In this context, does Mr. Bowman maintain his opinion regarding the Plan as quoted above? Please explain.

NLH-IIC-004 **Reference: Bowman, Patrick, "Electrification, Conservation and Demand Management Plan Review, including Use of a Modified Total Resource Cost Test," InterGroup Consultants Ltd., May 4, 2022, p. 2/20–22.**

> Hydro (and NP) should also be directed to ensure that assessments focus primarily on the early years of any program. Specifically, annual Net Revenue impacts should be positive from the outset or should achieve zero-to-positive within no more than about 5 years at the longest.

a) Mr. Bowman's evidence suggests that a maximum five-year term be given for programs to achieve a positive net present value ("NPV"), regardless of the potential long-term benefits. Does Mr. Bowman consider this proposal to be consistent with generally accepted public utility practice?

b) Is Mr. Bowman aware of utilities in any other jurisdictions that require short-term positive NPV outcomes in the evaluation of long-term investments?

c) How did Mr. Bowman determine that a time horizon of ". . . no more than about 5 years at the longest" was appropriate for the evaluation of electrification programming?

NLH-IIC-005 **Reference: Bowman, Patrick, "Electrification, Conservation and Demand Management Plan Review, including Use of a Modified Total Resource Cost Test," InterGroup Consultants Ltd., May 4, 2022, p. 2/20–22.**

> Hydro (and NP) should also be directed to ensure that assessments focus primarily on the early years of any program. Specifically, annual Net Revenue impacts should be positive from the outset or should achieve zero-to-positive within no more than about 5 years at the longest.

The National Standard Practice Manual ("NSPM") states the following on Benefit-Cost Analysis ("BCA") principles:

> Long-run benefits and costs: BCAs should have a study period that is long enough to include long-run benefits and costs of DERs. This approach is necessary to account for the full benefits and costs of the DER being evaluated, particularly since energy resources, including

> many DERs and their alternatives, can last decades and thus resource decisions made today can affect costs and benefits far into the future.[1]
>
> This principle is consistent with utilities having a responsibility to meet utility customer needs in a safe, reliable, and least-cost way over the long term, as well as regulators having a responsibility to protect customers over both the short term and the long term. Over-emphasis on short-term costs may lead to an increase in long-term costs for customers.[2]

Please reconcile Mr. Bowman's recommendation for a maximum five-year time horizon with the guidance of the NSPM.

NLH-IIC-006 **Reference: Bowman, Patrick, "Electrification, Conservation and Demand Management Plan Review, including Use of a Modified Total Resource Cost Test," InterGroup Consultants Ltd., May 4, 2022, p. 4/20–27.**

> In the case of the IIS, however, a different dramatic and acute policy objective prevails – the need to mitigate rate levels. Specifically, the province has noted that rates are the priority:
>
> > Government's position is that the projected rate increases associated with Muskrat Falls Project costs are not acceptable. Without intervention, these projected rate increases would likely cause financial hardship for customers in all rate classes on the island portion of Newfoundland and Labrador ("Ratepayers").
>
> The roles of both CDM and electrification in the province need be tested first and foremost against this rate mitigating policy objective.

Is it Mr. Bowman's position/belief that rate mitigation is the Government of Newfoundland and Labrador's priority over all other policy objectives? In the response, please address the letters of support provided by the Government of Newfoundland and Labrador included in Newfoundland and Labrador Hydro's response to TC-PUB-NLH-002.

[1] "National Standard Practice Manuel For Benefit-Cost Analysis of Distributed Energy Resources," National Screening Energy Project, August 2020, p. 2-7.
[2] "National Standard Practice Manuel For Benefit-Cost Analysis of Distributed Energy Resources," National Screening Energy Project, August 2020, p. 2-7.

NLH-IIC-007 **Reference: Bowman, Patrick, "Electrification, Conservation and Demand Management Plan Review, including Use of a Modified Total Resource Cost Test," InterGroup Consultants Ltd., May 4, 2022, p. 4/10–21.**

> The NSPM goes on to state its Principle #2, that evaluation of CDM should "align with policy goals" and that:
>
> > Jurisdictions invest in or support energy resources to meet a variety of goals and objectives. The primary cost-effectiveness test should therefore reflect this intent by accounting for the jurisdiction's applicable policy goals and objectives.
>
> Indeed, Step 1 in the manual is to "Articulate Applicable Policy Goals." This is a necessary step, as the policy objectives of different jurisdictions can differ materially. In some jurisdictions, for example, increases in energy efficiency that reduce GHG emissions or reduce the need to invest in new resources can be prominent policy objectives. These objectives can abide somewhat higher power rates in order to achieve other priorities.
>
> In the case of the IIS, however, a different dramatic and acute policy objective prevails – the need to mitigate rate levels. Specifically, the province has noted that rates are the priority . . . "

The Government of Newfoundland and Labrador's Plan for the Development of the Renewable Energy Industry in Newfoundland and Labrador ("Renewable Energy Plan") lists the following action items, amongst others:

> Support the utilities in identifying opportunities to increase the efficiency of the province's electricity system, to maximize the use and benefit of developed renewable energy.[3]
>
> Work with Newfoundland and Labrador Hydro, and the Department of Environment and Climate Change, and the Department of Finance, to explore options to increase electrification of electric vehicles and oil fueled space heating.[4]
>
> Continue to review the carbon pricing system with a view to incenting electrification and energy efficiency in line with planned national reviews.[5]

[3] "Maximizing Our Renewable Future – A Plan for Development of the Renewable Energy Industry in Newfoundland and Labrador, Government of Newfoundland and Labrador, p. 16, item 1.1.5.
[4] "Maximizing Our Renewable Future – A Plan for Development of the Renewable Energy Industry in Newfoundland and Labrador, Government of Newfoundland and Labrador, p. 23, item 1.4.4.
[5] "Maximizing Our Renewable Future – A Plan for Development of the Renewable Energy Industry in Newfoundland and Labrador, Government of Newfoundland and Labrador, p. 26, item 2.7.

> Work with Newfoundland and Labrador Hydro, to explore opportunities to leverage federal investment to enhance the province's transmission system, and use tools to build a more flexible and modern electrical grid, in order to maximize the efficient use of, and value from, the province's developed renewable energy resources.[6]

a) Is Mr. Bowman suggesting that these policy objectives should be ignored in the evaluation of conservation and demand management and electrification programming for this jurisdiction?

b) Does Mr. Bowman agree that the statements from the Renewable Energy Plan cited above appear to indicate that the promotion of the utilities' Electrification, Conservation and Demand Management Plan is consistent with provincial government policy? If not, why not?

DATED at St. John's, in the province of Newfoundland and Labrador this 13th day of May 2022.

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[6] "Maximizing Our Renewable Future – A Plan for Development of the Renewable Energy Industry in Newfoundland and Labrador, Government of Newfoundland and Labrador, p. 40, item 3.7.