Q. (Reference Application)

a) Provide a comparison of proposals made by Newfoundland Power and its ECDM partner, Hydro, for the following. Provide the rationale for any differences in approach:

(i) CDM cost recovery for Island customers identifying those costs to be recovered in a deferral account and those to be included in rate base.

(ii) Electrification cost recovery for Island customers identifying those costs to be recovered in a deferral account and those to be included in rate base.

A. (i) Newfoundland Power has made no proposals in its *2021 Electrification, Conservation and Demand Management Application* (the "Application") related to CDM program cost recovery.

Similarly, the Company is not aware of any proposals Hydro has made in its application that is specific to CDM cost recovery for Island Interconnected customers.[1]

Therefore, there are no differences for which to provide a rationale.

Further, both Newfoundland Power and Hydro (collectively, the "Utilities") recover CDM program costs through a deferral account, which is included in the Utilities' respective calculations of rate base.[2]

The inclusion of deferred charges in the calculation of regulated rate base is consistent with the Asset Rate Base Method. In Order No. P.U. 32 (2007), the Board approved Newfoundland Power's calculation of regulated rate base in accordance with the Asset Rate Base Method.

(ii) Newfoundland Power's application proposes that the Board approve an Electrification Cost Deferral Account.[3] The proposed account will provide for the deferred recovery of program costs associated with implementation of the Company's electrification initiatives in 2021.

Similarly, Hydro is proposing the deferred recovery of its electrification program costs through its proposed ECDM Cost Deferral Account.[4]

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[1] See Hydro's *Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021-2025.*

[2] See, for example, *Return 3: Computation of Rate Base* and *Return 11: Deferred Charges* included with Hydro's *2020 Annual Returns* filed with the Board on June 11, 2021.

[3] See Newfoundland Power's *2021 Electrification, Conservation and Demand Management Application,* Volume 1, Exhibit 1, for the definition of the Electrification Cost Deferral Account.

[4] See Hydro's *Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021-2025,* Schedule 1, Appendix B.

Differences in the Utilities' approaches to electrification cost recovery are:

(a) Newfoundland Power is proposing to charge capital expenditures associated with its electric vehicle ("EV") fast chargers to capital cost accounts. Hydro is proposing to charge capital expenditures associated with its EV fast chargers to its ECDM Cost Deferral Account.[5]

Conceptually, there is no difference in approach. Both approaches require the Utilities to finance the up-front cash outlay, which is included in the Utilities' calculations of rate base.[6]

For further information, see response to Request for Information PUB-NP-061.

(b) Newfoundland Power is proposing a separate account to recover electrification program costs, while Hydro is combining its recovery of electrification and CDM program costs in a single account.

Similar to CDM programs, deferred cost recovery associated with the Utilities' electrification programs is included in the Utilities' respective calculations of rate base.

There would no material advantage or disadvantage if Newfoundland Power combined its electrification and CDM program costs in one account. For further information, see response to Request for Information PUB-NP-062.

[5] Ibid.

[6] See, for example, *Return 3: Computation of Rate Base* and *Return 11: Deferred Charges* included with Hydro's *2020 Annual Returns* filed with the Board on June 11, 2021.