

1 **Q. Newfoundland Power’s response to PUB-NP-024 states that the majority of**  
2 **jurisdictions that evaluate the cost-effectiveness of electrification programs use an**  
3 **overall cost assessment. The response does not indicate whether any of the seven**  
4 **jurisdictions identified in Table 1 that evaluate cost-effectiveness of electrification**  
5 **program, which are all from the US, do so using only the mTRC test as proposed.**  
6 **The response also suggests that two of the seven (California and Oregon) use**  
7 **multiple tests.**

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9 **a) Is this jurisdictional information the basis on which the proposed mTRC test is**  
10 **claimed to be consistent with accepted utility practice?**

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12 **b) Can it be inferred from the table provided that no Canadian jurisdictions**  
13 **currently assess cost-effectiveness of electrification programming?**

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15 *A. This Request for Information relates to the Electrification, Conservation and Demand*  
16 *Management Plan: 2021-2025 (the “2021 Plan”) developed in partnership by*  
17 *Newfoundland Power and Newfoundland and Labrador Hydro (“Hydro” or, collectively,*  
18 *the “Utilities”). Accordingly, the response reflects collaboration between the Utilities.*

19  
20 a) This jurisdictional information is one of the bases upon which using the proposed  
21 mTRC test is consistent with sound public utility practice.

22  
23 Table 1 of response to Request for Information PUB-NP-024 shows that, of the 7  
24 jurisdictions that undertake cost-effectiveness testing of electrification programs, all  
25 do so by way of an overall cost assessment. The mTRC test is an overall cost  
26 assessment.

27  
28 The mTRC test was developed based on the principles outlined in the *National*  
29 *Standard Practice Manual* (the “Manual”). These principles represent “*sound*  
30 *economic and regulatory practices.*”<sup>1</sup>

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32 According to the Manual, the mTRC test is a Jurisdiction Specific Test. While the  
33 mTRC test is used in other jurisdictions, such as Colorado, the test is designed to  
34 align with the specific policy goals of each jurisdiction. As a result, the inputs used in  
35 each jurisdiction vary.<sup>2</sup>

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37 The Utilities have applied the mTRC test in conjunction with a net present value  
38 (“NPV”) analysis. The combined use of the mTRC test and the NPV analysis ensures  
39 that: (i) electrification programs are sufficiently economic to enable customer  
40 participation; and (ii) customer participation in electrification programs will provide a

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<sup>1</sup> See the Manual, page iii.

<sup>2</sup> For example, the Colorado Public Utilities Commission approved calculating the cost-effectiveness of demand side management programs, including electrification offerings, using an mTRC test. In Colorado, the benefits included in the mTRC test are, as applicable: (i) the utility’s avoided production, distribution and energy costs; (ii) the participant’s avoided operating and maintenance costs; (iii) the valuation of avoided emissions; and (iv) non-energy benefits. Utility and participant costs are also included. See Code of Colorado Regulations, 4751. Definitions and 4753. Periodic DSM Plan Filing.

1 rate mitigating benefit to all customers.<sup>3</sup> The use of an NPV analysis as a secondary  
2 assessment is consistent with the principles provided in the Manual and the approach  
3 taken in several jurisdictions that use multiple tests.  
4

5 The Utilities further observe that cost-effectiveness testing may not be appropriate in  
6 certain jurisdictions. This includes jurisdictions where programs are pursued on a  
7 pilot basis.<sup>4</sup> However, in the Utilities' view, it is sound public utility practice to  
8 undertake cost-effectiveness testing where program costs are proposed to be  
9 recovered from ratepayers on the basis that they are consistent with least-cost service  
10 delivery.  
11

- 12 b) Yes, it can be inferred from the table provided that no Canadian jurisdictions  
13 currently assess the cost-effectiveness of electrification programs. Electrification  
14 programs are currently more prevalent in the United States, where such programs are  
15 pursued based on specific policy goals (e.g. greenhouse gas reductions).  
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17 While electrification programs are an emerging area, the benefits of electrification  
18 have been recognized in industry research. For example, the Electric Power Research  
19 Institute states:

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21 *"Replacing fossil-fueled end-use and non-energized processes with electric*  
22 *technologies, a conversion known as electrification, can yield considerable*  
23 *benefits not only to customers who undertake this activity but more broadly to*  
24 *electricity billpayers and society at-large."*<sup>5</sup>  
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26 In the Newfoundland and Labrador context, electrification programs provide a  
27 valuable opportunity to pursue the provincial policy goal of customer rate mitigation.  
28 The provincial and federal governments recently announced an agreement-in-  
29 principle that would see customer rates increasing by approximately 9% above the  
30 previously indicated target of 13.5 ¢/kWh. This increase in rates increases the rate  
31 mitigating value of electrification for customers. For more information, see response  
32 to Request for Information PUB-NP-051.

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<sup>3</sup> See response to Request for Information PUB-NP-053.

<sup>4</sup> For example, in several cases, electrification proposals are not subject to comprehensive cost-effectiveness analysis because they are only proposed as pilot programs. See Electric Power Research Institute, *The Total Value Test: A Framework for Evaluating the Cost-Effectiveness of Efficient Electrification*, August 2019, page 11.

<sup>5</sup> *Ibid.*, page 6.