Q. On page 2 of 3, lines 22-27 of Newfoundland Power's response to PUB-NP-024, in relation to Newfoundland Power's application *"Electrification, Conservation and Demand Management"* stated the following in its description of the mTRC test:

"Referred to in the National Standard Practice Manual as a jurisdiction specific test, the mTRC test includes utility system impacts and customer impacts and can also include impacts associated with achieving applicable policy goals."

Page 3-14 of the National Standard Practice Manual states that a jurisdiction-specific test includes the utility system impacts, plus those impacts associated with achieving applicable policy goals.

a) What specific policy goals, if any, have been included in the proposed mTRC test?

b) Is it proposed that the mTRC test would be the primary test for evaluating cost-effectiveness of electrification programming?

c) Was the use of a secondary cost-assessment test to supplement the mTRC test considered? What secondary tests could be used in this case? What factors would inform a decision to use a secondary test?

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

a) The *National Standard Practice Manual* (the "Manual") establishes that Jurisdiction-Specific Tests, such as the mTRC test, should be aligned with the policy goals of a jurisdiction. In some jurisdictions, this is done by assigning a value to specific societal benefits. For example, in Colorado and Wisconsin the mTRC test includes a value for avoided emissions, such as carbon dioxide emissions. The valuation of these benefits aligns with environmental policy goals in those jurisdictions.[1]

The Utilities have not designed the mTRC test to include a value for a specific policy goal. However, the mTRC test, in conjunction with a net present value ("NPV") analysis, is designed to align with the provincial policy goal of customer rate mitigation.[2]

[1] See response to Request for Information PUB-NP-053.

[2] The Provincial Government stated: *"The Plan indicates the province's utilities are taking actions to begin addressing the electrification, and conservation and demand management (CDM) recommendations in the Board of Commissioners of Public Utilities Rate Mitigation Options and Impacts Report. The Board's report demonstrated clearly that these action areas have excellent potential to assist with our rate mitigation efforts."* See Newfoundland Power's *2021 Electrification, Conservation and Demand Management Application,* Volume 2, Schedule M, page 1 of 7.

The mTRC test is used by the Utilities to determine whether electrification programs will provide a net benefit to participating customers. For example, the mTRC test determines whether the benefits of reduced fuel and maintenance costs of an electric vehicle exceed the electricity supply costs, incremental equipment costs and program administration costs. Ensuring customers benefit from programs is essential to their participation in those programs. If programs are not economical for customers, participation would be limited. Similarly, if the Utilities' costs to deliver a program were greater than the benefits provided to customers, utility investment in that area would not be justified.

Once a set of cost-effective programs were developed using the mTRC test, the Utilities then completed a secondary assessment of the customer rate impacts of those programs and related infrastructure investments. The NPV analysis assessed the net revenue of increased energy sales through electrification to 2034. The net revenue impact was then divided by projected energy sales to determine an indicative customer rate impact.[3]

Separately assessing the cost-effectiveness and rate impacts of programs is consistent with the principles outlined in the Manual.[4] The combined use of the mTRC test and the NPV analysis ensures that: (i) electrification programs are sufficiently economical to enable customer participation; and (ii) customer participation in electrification programs will provide a rate mitigating benefit to all customers.

b) Yes, it is proposed that the mTRC test would be the primary test for evaluating the cost-effectiveness of electrification programs.

c) Consistent with the principles of the Manual, a secondary assessment of the rate impacts of customer electrification programs was completed by way of an NPV analysis. See part (a) for more information. The Utilities will update the NPV analysis annually to account for any required modifications to programs. The updated result will be presented to the Board as part of the Utilities' annual reporting requirements for customer programs.

[3] See Newfoundland Power's *2021 Electrification, Conservation and Demand Management Application,* Volume 1, Exhibit 2, Appendix A.

[4] See response to Request for Information PUB-NP-053.