

1 Q. **Reference: Application**

2 Is Hydro concerned about the utility death spiral? Why or why not? How has Hydro incorporated  
3 the advent of distributed energy resources and non-wires alternatives in its 2022 Capital Budget  
4 Application?

5

6

7 A. While the costs associated with the Muskrat Falls Project continue to place pressure on rates, at  
8 the present time, the provincial and federal governments have made commitments to rate  
9 mitigation for the province. As a result of these commitments, the rate increases embedded in  
10 Hydro's forecast are not projected to result in the significant declines in energy consumption  
11 that would put further pressure on rates resulting in further reduction in sales (i.e., the utility  
12 death spiral). Further, Newfoundland and Labrador Hydro ("Hydro") has always and will  
13 continue to monitor trends in energy efficiencies, including the impact of new technologies,  
14 policies and consumer preferences on customer average use and total electricity sales.

15 The Conservation Potential Study<sup>1,2</sup> ("Study"), identified and assessed the potential changes in  
16 electricity consumption associated with the full range of commercially viable energy efficiency  
17 measures. The Study also included the assessment of increases in electricity consumption from  
18 primary space and water heating fuel switching, as well as electric vehicle adoption. While  
19 Hydro recognizes a shift towards greater energy efficiency and consumer conservation, the push  
20 towards electrification within the province, federal government targets for electrifying the  
21 transportation sector and the potential mitigated rates for Island Interconnected System  
22 customers, continue to result in forecast load growth in the long term.

---

<sup>1</sup> "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), sch. 3, sch. C.

<sup>2</sup> The Study was part of a joint initiative by Hydro and Newfoundland Power Inc. to identify the potential electrification, conservation and demand management in this province. The study was an update to past conservation potential studies and was completed by Dunsky Energy Consulting in 2019.

1 Changes to Newfoundland and Labrador’s energy supply, with the addition of the Muskrat Falls  
2 Hydroelectric Generating Facility and Labrador-Island-Link transmission line, has also better  
3 positioned Hydro to offer self-generating customers using fossil fuels the opportunity to switch  
4 to renewable resources, providing customers the ability to be more environmentally conscious  
5 and achieve their own corporate goals with respect to climate change.

6 Hydro is focused on long-term strategic planning to ensure a continued, reliable source of  
7 electricity that is also cost-efficient, sustainable and environmentally sound. As outlined in  
8 Hydro’s Long-Term Resource Plan,<sup>3</sup> Hydro has identified several resource options, including non-  
9 wires alternatives, to fulfill Hydro’s mandate of least-cost, reliable supply for the provincial  
10 interconnected system. Hydro welcomes the opportunity to further examine the potential of  
11 these resource options in future long-term planning studies.

12 Please refer to Hydro’s response to CA-NLH-036 of this proceeding for information regarding the  
13 integration of distributed energy resources and non-wires alternatives into the 2022 Capital  
14 Budget Application.

---

<sup>3</sup> “Reliability and Resource Adequacy Study,” Newfoundland and Labrador Hydro, rev. September 6, 2019 (originally filed November 16, 2018), vol. III.