

1 **Q. Which of the electrification and CDM expenditures included in the Electrification,**
2 **Conservation and Demand Management Plan 2021-2025 (the 2021 Plan) for**
3 **programs during 2021 to 2025 have been approved by the Board? Do all the 2021**
4 **Plan expenditures have to be approved by the Board?**

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6 A. *This Request for Information relates to the Electrification, Conservation and Demand*
7 *Management Plan: 2021-2025 (the “2021 Plan”) developed in partnership by*
8 *Newfoundland Power Inc. (“Newfoundland Power”) and Newfoundland and Labrador*
9 *Hydro (“Hydro”) (collectively, the “Utilities”) and the related Technical Conference*
10 *presented by the Utilities on February 1, 2022. Accordingly, the response reflects*
11 *collaboration between the Utilities.*

12
13 **A. CDM Programs**

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15 There are 3 categories of expenditures related to CDM programs included in the 2021
16 Plan: (i) program costs, which include incentive costs and the cost of research over
17 \$100,000; (ii) general costs, which include plan administration costs; and (iii) capital
18 costs, which include costs associated with takeCHARGE website. These costs are
19 reviewed by the Board through various proceedings.

20
21 CDM program costs are evaluated using the Total Resource Cost (“TRC”) test and the
22 Program Administrator Cost (“PAC”) test. The Board approved the use of these tests to
23 evaluate the cost-effectiveness of CDM programs in Order No. P.U. 18 (2016).¹ The
24 approval of economic tests, rather than specific programs, provides the Utilities with
25 flexibility to respond to changing market conditions while ensuring that all CDM
26 programs are cost-effective for customers.

27
28 Program costs associated with CDM programs that pass the TRC and the PAC tests are
29 included in the CDM Cost Deferral Account approved by the Board in Order No.
30 P.U. 13 (2013).² These costs are amortized over 10 years in accordance with Order No.
31 P.U. 3 (2022), with annual amounts recovered through the July 1st rate adjustment.³

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33 General costs associated with CDM programs are included in test year operating costs
34 that form part of Newfoundland Power’s revenue requirement during general rate
35 applications. The Board approved Newfoundland Power’s revenue requirement for 2022
36 and 2023 test years in Order No. P.U. 3 (2022).

37
38 Capital costs associated with CDM programs are reviewed and approved by the Board
39 through annual capital budget applications. The Board approved Newfoundland Power’s
40 capital costs associated with the takeCHARGE website in Order Nos. P.U. 37 (2020) and
41 P.U. 36 (2021).

¹ See Order No. P.U. 18 (2016), page 50, paragraph 9.

² See Order No. P.U. 13 (2013), page 60, paragraphs 12 and 13.

³ See Order No. P.U. 3 (2022), page 21, paragraph 11.

1 Additionally, the Board ensures appropriate oversight of CDM programs through annual
2 reports required to be filed by the Utilities. These reports provide annual updates on
3 customer participation, annual energy and peak demand savings, all costs associated with
4 delivering CDM programs, and the TRC and PAC test results.

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6 **B. Electrification Programs**

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8 The Utilities have proposed that costs associated with electrification programs be treated
9 in a manner consistent with the Board’s longstanding practices for reviewing and
10 approving costs associated with CDM programs.

11
12 Electrification program costs are proposed to be evaluated using a modified Total
13 Resource Cost (“mTRC”) test.⁴ The mTRC test is used to ensure that electrification
14 programs are economic to support customer participation. A net present value analysis is
15 then used as a secondary assessment to ensure that electrification programs are beneficial
16 for all ratepayers.⁵

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18 Similar to CDM programs, the approval of an economic test, rather than specific
19 programs, would provide the Utilities with flexibility to adapt to changing market
20 conditions while ensuring programs remain cost-effective for customers. Costs
21 associated with electrification programs that pass the mTRC test are proposed to be
22 recovered through the Electrification Cost Deferral Account and amortized over a period
23 to be approved by the Board.⁶

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25 With respect to capital costs, in Order No. P.U. 30 (2021), the Board approved
26 supplemental capital expenditures for 2021 associated with the Utilities’ Electric Vehicle
27 Charging Network. The Board has indicated that capital costs proposed for 2022 will be
28 considered following consideration of the Utilities’ current applications.

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30 Consistent with the Utilities’ approach to delivering CDM programs, Board oversight of
31 electrification programs would be achieved through annual reporting requirements that
32 outline the costs and benefits of program delivery.

⁴ See Newfoundland Power’s Application, Volume 1, Evidence, Section 3.3.2 Economic Justification.

⁵ For information on how the mTRC test works in conjunction with the net present value analysis, see response to Request for Information PUB-NP-054.

⁶ See Newfoundland Power’s Application, Volume 1, Exhibit 1.