



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
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2021-08-23

Dennis Browne, Q.C.
Consumer Advocate
Browne Fitzgerald Morgan & Avis
Terrace on the Square, Level 2
P.O. Box 23135
St. John's, NL A1B 4J9

Dear Mr. Browne:

Re: Newfoundland Power Inc. – 2022 Capital Budget Application - Elenchus Research Associates Inc. Report - To CA - Requests for Information

Enclosed are Requests for Information PUB-CA-001 to PUB-CA-010 regarding the above-noted application.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacqui Glynn, by email, jglynn@pub.nl.ca or telephone (709) 726-6781.

Sincerely,

Cheryl Blundon
Board Secretary

CB/cj

ecc **Newfoundland Power Inc.**
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1 **IN THE MATTER OF** the *Public*
2 *Utilities Act*, (the “Act”); and
3

4

5 **IN THE MATTER OF** an application by
6 Newfoundland Power Inc. for an order pursuant
7 to sections 41 and 78 of the *Act*:

8 (a) approving a 2022 Capital Budget of
9 \$109,651,000;

10 (b) approving certain capital expenditures related
11 to multi-year projects commencing in 2022; and

12 (c) fixing and determining a 2020 rate base of
\$1,181,897,000.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-CA-001 to PUB-CA-010

Issued: August 23, 2021

1 **Elenchus Research Associates Inc. Report, August 13, 2021**

2
3 **PUB-CA-001** On page 16, lines 20-27 Elenchus states that the validity of the assumption
4 that the grid assets will remain used and useful for the full duration of the
5 expected service life of the asset is “becoming doubtful, however, due to the
6 declining relative cost of behind the meter self-generation and storage, the
7 expanding adoption of behavioural incentives such as demand side
8 management and demand response programs, and increased accessibility to
9 automated load control technologies. These developments reduce both the
10 capacity and the energy requirement for grid-dependent electricity. Put
11 simply, the grid and the utilities that supply customers with electricity through
12 the grid are facing a future where customers have increasingly attractive
13 competitive alternatives to the grid.” What consideration was given to the
14 expressed policy in this province of electrification and the expected increase
15 in the uptake of electric vehicles and other technologies in the coming years?
16

17 **PUB-CA-002** On page 17, lines 11 to 15 Elenchus states: “Given the increasing uncertainty
18 about the long-term value of traditional generation, transmission and
19 distribution grid assets, prudence dictates that options that are less vulnerable
20 to stranding should be given preference over traditional assets, even if their
21 expected cost is modestly higher based on a scenario in which market
22 disruptions are more benign than the more dire scenarios that can be
23 envisioned.”

- 24 a) Is there a risk of impact to reliability and adequate supply in the near-
25 term if existing sources are replaced with non-traditional options? If so,
26 how can this risk be accounted for in least-cost planning?
27 b) How does a utility address the uncertainty with take-up by customers of
28 non-grid options while at the same time having the obligation to provide
29 reliable service at the lowest possible cost?
30

31 **PUB-CA-003** On page 18, line 28 to page 19, line 2 Elenchus discusses the risk that
32 distributed energy resources (DER) will disrupt the electricity sector in
33 Newfoundland, stating that “consumers in Newfoundland will increasingly
34 opt for non-grid supply in the coming half-century.”

- 35 a) What are examples of non-grid supply options that these consumers will
36 pursue?
37 b) Can Elenchus provide information on the experience or expectations in
38 other Canadian provinces with respect to electricity consumers opting
39 for non-grid solutions?
40 c) Is there any data available which would suggest the expected level of
41 participation of consumers in non-grid supply options in this province in
42 the future, both short-term and long-term?
43 d) Should consideration of these issues be made in the context of the
44 overall interconnected system on the Island and the role of both
45 Newfoundland Power and Newfoundland and Labrador Hydro?
46

47 **PUB-CA-004** Pages 23-24: Please provide information on the two hypothetical DER
48 projects, described as “two consecutive utility-scale distributed energy
49 resource alternatives”, evaluated in the two illustrative examples, including

- 1 assumptions that would have been made with respect to reliability statistics,
 2 the useful service and economic lives of the asset and other relevant
 3 information.
- 4
- 5 **PUB-CA-005** On page 28, in discussing the options of shorter-term customer-owned DER
 6 projects versus the longer-term, Elenchus states at lines 4 to 8: “Limiting
 7 consideration of alternatives to what has been traditionally viewed as “good
 8 utility practice” may have been prudent in the past. But that does not suggest
 9 that the same approach in the future, or even the present, is prudent. This
 10 conclusion is unavoidable if the PUB determines that the prudent economic
 11 life to use for a capital asset can be shorter than its physical, or potential
 12 service, life.” Are there examples from other Canadian jurisdictions where this
 13 determination has been made and applied by regulators in reviewing utility
 14 capital programs?
 15
- 16 **PUB-CA-006** On page 30 Elenchus notes that there is an incentive for customers to
 17 undertake investments that result in uneconomic bypass when the electric
 18 utility’s rate design recovers a portion of its fixed costs through variable
 19 capacity and energy charges. Could rate design changes mitigate some of the
 20 risk of stranded assets?
 21
- 22 **PUB-CA-007** On page 33, lines 9-11 Elenchus states: “The evidence to date indicates to
 23 Elenchus that NP is excluding consideration in its 2022 CBA of alternatives
 24 that merit at least preliminary inclusion in “a reasonable range of alternative
 25 solutions”. Please reconcile this statement with the response provided in CA-
 26 NP-114.
 27
- 28 **PUB-CA-008** On page 33, lines 12-13 Elenchus states that it “has not attempted to identify
 29 excluded alternatives that could be considered within the reasonable range of
 30 alternatives for each project included in the 2022 CBA.” While not specific to
 31 individual projects, please identify alternatives that, in the opinion of
 32 Elenchus, are best suited for the NL electric system and for NL utilities to be
 33 considering.
 34
- 35 **PUB-CA-009** On page 33, lines 9-15 Elenchus states: “The evidence to date indicates to
 36 Elenchus that NP is excluding consideration in its 2022 CBA of alternatives
 37 that merit at least preliminary inclusion in “a reasonable range of alternative
 38 solutions.”
 39
- 40 Further on page 35, lines 17-22 Elenchus states: “Unless NP can demonstrate
 41 through further disclosure and discovery that (i) it has considered a reasonable
 42 range of alternatives and (ii) those alternatives are not preferable to the
 43 proposed projects taking into account both costs and uncertainty with respect
 44 to the long-term value of the proposed projects, it follows that all relevant
 45 information has not been identified and included as is necessary to identify the
 46 least cost option and therefore prudent alternative.”
 47 (a) Which specific projects in Newfoundland Power’s 2022 Capital Budget
 48 is Elenchus referring to when stating that all relevant information has not
 49 been identified?

1 (b) What specific additional information for each of these projects is
 2 Elenchus recommending Newfoundland Power provide to demonstrate
 3 that it has considered a reasonable range of alternatives and that the
 4 alternatives are not preferable to the proposed project?
 5

6 **PUB-CA-010**

7 On page 36, lines 5-9 Elenchus states: “In Elenchus’ view, it would be
 8 desirable for NP to conduct its planning on the basis of an integrated resource
 9 plan (IRP) that determines the least cost supply scenario based on the
 10 recognition that generation, demand-side management (DSM) and DERs are
 11 supply options that will increasingly be substitutable in the next few decades
 12 (i.e., over the planning horizon for projects such as Sandy Brook). All relevant
 13 projects providing generation, transmission or distribution capacity should be
 14 consider [sic] in the IRP.” In Elenchus’ view how would the provisions of Part
 15 II.1 of the *EPCA*, which gives Newfoundland and Labrador Hydro the
 16 exclusive right to supply, distribute and sell electrical power or energy to a
 17 retailer or industrial customer on the island and requires a retailer or industrial
 18 customer to purchase power or energy exclusively from Newfoundland and
 19 Labrador Hydro, affect how Newfoundland Power would conduct its planning
 in the context of IRP?

DATED at St. John’s, Newfoundland this 23rd day of August, 2021.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per


 Cheryl Blundon
 Board Secretary