

1 **Q. Reference slide 36**

2 (a) When household rates have a flat energy charge as they do now, does the potential exist for
3 significant cross-subsidization; i.e., under the current rate design, are oil heating customers
4 subsidizing electric baseboard heating customers, and will customers with no EV chargers be
5 subsidizing customers with EV chargers?

6 (b) If it has been determined that no such cross-subsidization is taking place, please provide the
7 analyses.

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10 A. *This Request for Information relates to the Electrification, Conservation and Demand*
11 *Management Plan 2021–2025 (“2021 Plan”) developed in partnership by Newfoundland and*
12 *Labrador Hydro (“Hydro”) and Newfoundland Power Inc. (“Newfoundland Power”) (collectively,*
13 *the “Utilities”) and the related Technical Conference presented by the Utilities on February 1,*
14 *2022. Accordingly, the response reflects collaboration between the Utilities.*

15 (a) Newfoundland Power assesses cross-subsidization on a regular basis through its Cost of
16 Service Study.¹ The level of cross-subsidization is measured in terms of a revenue to cost
17 ratio. The Cost of Service Study includes each customer class of service. Hydro's rates for the
18 Island Interconnected System are set to equal those of Newfoundland Power in accordance
19 with the Schedule of Rates, Rules and Regulations.

20 Hydro also calculates the revenue to cost ratios for regular and all-electric customer classes.
21 Customer revenue to cost ratios change over time due to changes in customer usage
22 patterns and supply cost characteristics. These changes are incorporated into the Cost of
23 Service Study as they occur.

24 While cross-subsidization issues between customers with no electric vehicle (“EV”) chargers
25 and customers with EV chargers has not been determined at this time, it has been

¹ Approved in *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 30(2019), Board of Commissioners of Public Utilities, September 11, 2019.

1 determined that the electrification initiatives outlined in the 2021 Plan will provide rate
2 mitigation benefits to all customers over the long term.

3 (b) The Utilities assessed the rate mitigating benefit of customer electrification programs for all
4 customers through a net present value (“NPV”) analysis.² The NPV analysis shows that
5 electrification initiatives will provide additional net revenue. By 2034, increased net revenue
6 through electrification will provide a rate mitigating benefit for customers of approximately
7 0.5¢/kWh.

² “2021 Electrification, Conservation and Demand Management Application,” Newfoundland Power Inc., December 16, 2020, vol. 1, exh. 2, app. A, along with “Application for Approvals Required to Execute Programming Identified in the Electrification, Conservation and Demand Management Plan 2021–2025,” Newfoundland and Labrador Hydro, rev. 1, July 8, 2021 (originally filed June 16, 2021), sch. 1, app. A.