



Cabot Place, 1100 – 100 New Gower Street, P.O. Box 5038
St. John's NL A1C 5V3 Canada tel: 709.722.4270 fax: 709.722.4565 stewartmckelvey.com

September 7, 2021

Paul L. Coxworthy
Direct Dial: 709.570.8830
pcoxworthy@stewartmckelvey.com

Via Electronic Mail

Newfoundland and Labrador Board of Commissioners of Public Utilities
120 Torbay Road
P.O. Box 21040
St. John's, NL A1A 5B2

**Attention: Ms. G. Cheryl Blundon, Director of Corporate Services
and Board Secretary**

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro- Approvals Required to Execute Programming
Identified in the Electrification, Conservation and Demand Management Plan 2021-
2025 Application**

We write on behalf of the Island Industrial Customer (IIC) Group further to the Board's correspondence of August 30, 2021, establishing Monday, September 13, 2021 as the filing date for submissions from interested parties. (We acknowledge that the Board has determined that Newfoundland Power's 2021 Electrification, Conservation and Demand Management Application and the above Hydro Application should proceed as one matter; at the present time, our comments in this letter are limited to Hydro's Application).

As a preliminary comment, the IIC Group would note that the present Application is not a routine CDM proposal. Given the imperative of rate mitigation in light of Muskrat Falls Project impacts, due consideration must be given, from the outset, to whether Hydro's proposals, now and going forward, will serve that imperative.

The IIC Group, following review of Hydro's responses to the requests for information (RFIs) filed by the Board, the IIC Group and the other interested parties, is concerned that Hydro's responses to some of those RFIs have been insufficient. In summary fashion, we identify below the RFIs and the issues of concern that we believe have not been sufficiently addressed by Hydro's responses to date:

1. With reference to Hydro's response to IC-NLH-001, Hydro has confirmed that it is seeking, by this Application, approval of the economic evaluation of customer electrification programs by use of a modified Total Resource Cost ("mTRC") test. The approval of this test is not only being sought in respect of the expansion of the EV charging network, but also in relation to future electrification programs. The IIC Group are concerned that it is, at best, premature to pre-approve the mTRC test in relation to future electrification programs. The IIC Group is of the view that further justification for the use of the mTRC test, and further consideration of other potentially applicable tests and metrics, is needed.

4129-4354-1297 v1

2. With reference to Hydro's response to IC-NLH-005(c), Hydro has not provided, for each TRC and mTRC quoted, the metrics for utility economic perspective (PACT), for participating customers (PCT) and for ratepayers overall including non-participants (RIM) (e.g., for Schedule L, Table L-6 and L-7), but has only provided the PCT and RIM for the overall electrification portfolio. Hydro has not provided PACT ratio even for the overall electrification portfolio; Hydro states that this is due to a technical limitation in its model, but in the view of the IIC Group this is an insufficient explanation for the failure to compute/provide the PACT metrics requested.

3. With reference to Hydro's response to IC-NLH-021, in the view of the IIC Group Hydro has given insufficient consideration to the potential impact of the new Federal Government policy mandating 100% EV sales by 2035, particularly given that substantive rate mitigation benefits (if any) of the EV program will only manifest themselves over the longer term covered by the new policy.

4. With reference to Hydro's response to IC-NLH-026, the IIC Group take issue with Hydro's failure to provide any estimate of rate impacts.

5. With reference to Hydro's response to IC-NLH-027, Hydro acknowledges that it has only completed a " cursory review " of the underlying assumptions noted in the Synapse Phase 1 report with respect to the potential for electrification of space and water heating in homes and buildings. In the view of the IIC Group, a cursory review is not sufficient to support Hydro's conclusion that such programs have limited potential.

6. With reference to Hydro's response to IC-NLH-028, Hydro acknowledges that there is uncertainty as to marginal cost. In the view of the IIC Group, there has not been an adequate review of the system or approach that Hydro uses to estimate marginal cost. If estimated marginal costs are too high, this will skew CDM program metrics. For example, Hydro has not provided an explanation as to why marginal costs of energy (as distinct from capacity) are higher in peak periods than in non-peak periods. The net system benefits calculated in Table 1 of Hydro's response to IC-NLH-034 cannot be relied upon given the untested marginal costs being used by Hydro.

In the view of the IIC Group, the issues identified above, if not satisfactorily addressed by further information from Hydro and/or restrictions in the scope of the approvals sought by (or granted to) Hydro by the present Application, raise significant concerns about whether the regulatory template apparently sought to be established by the present Application for future electrification and CDM projects will ensure adequate scrutiny of those future projects.

The IIC Group respectfully request, prior to the filing of submissions, that a technical conference be convened to provide Hydro with the opportunity to further address the above issues, as well as such other issues as the Board and the other parties may wish to have addressed. We respectfully submit that such a technical conference should address the appropriate derivation of marginal costs for the purposes of maximizing near-term and long-term rate mitigation benefits from both CDM and Electrification, as well as the appropriate weighting of TRC tests with other CDM measures that more appropriately track impacts to rates and contributions towards rate mitigation.

We thank the Board for its consideration of this request.

Yours truly,

Stewart McKelvey



Paul L. Coxworthy

PLC/tas

- c. Newfoundland and Labrador Hydro
NLH Regulatory Email: niregulatory@nlh.nl.ca
Newfoundland Power Inc.
NP Regulatory, Email: regulatory@newfoundlandpower.com
Consumer Advocate
Stephen Fitzgerald, Email: sfitzgerald@bfma-law.com
Sarah Fitzgerald, Email: sarahfitzgerald@bfma-law.com
Bernice Bailey, Email: bbailey@bfma-law.com
Labrador Interconnected Group
Julia Brown, Email: jbrown@oktlaw.com
Praxair Canada Inc.
Peter Strong, Email: peter.strong@linde.com