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We'll be there.



March 5, 2021

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

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

Dear Ms. Blundon:

**Re: 2021 Electrification, Conservation and Demand Management Application – NP  
Submission**

Please find enclosed Newfoundland Power's Submission in relation to the above mentioned.

In accordance with the Board's March 17, 2020 notice regarding the activation of its Business Continuity Plan to address the COVID-19 pandemic, Newfoundland Power is providing the Submission in electronic format only.

If you have any questions regarding the enclosed, please feel free to contact the undersigned.

Yours truly,

A handwritten signature in blue ink, appearing to read "Kelly Hopkins".

Kelly Hopkins  
Corporate Counsel

Enclosures

cc. Shirley A. Walsh  
Newfoundland and Labrador Hydro

Dennis Browne, Q.C.  
Browne Fitzgerald Morgan & Avis

**Newfoundland Power Inc.**

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**IN THE MATTER OF** the *Public Utilities Act* (the "Act"); and

**IN THE MATTER OF** an application by Newfoundland Power Inc., pursuant to sections 58 and 80 of the Act, for the approval of an economic test and a deferral account to provide for recovery of costs proposed to be incurred in 2021 for customer electrification programs; and

**IN THE MATTER OF** an application by Newfoundland Power Inc., pursuant to section 41(3) of the Act, for the approval of supplemental 2021 capital expenditures related to the construction of an Electric Vehicle Charging Network.

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**2021 Electrification, Conservation and Demand Management Application**

**Submission of Newfoundland Power Inc.**

**March 5, 2021**

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1 **1.0 INTRODUCTION**

2 Newfoundland Power Inc.'s ("Newfoundland Power" or the "Company") *2021 Electrification,*  
3 *Conservation and Demand Management Application* (the "Application") was filed with the  
4 Newfoundland and Labrador Board of Commissioners of Public Utilities (the "Board") on  
5 December 16, 2020.

6  
7 The Application was filed following the development of a new plan by Newfoundland Power and  
8 Newfoundland and Labrador Hydro ("Hydro" or, collectively, the "Utilities") to guide the delivery  
9 of customer programs over the period 2021 to 2025 (the "2021 Plan").

10 Reference: Application, Volume 2, 2021 Plan.

11  
12 The 2021 Plan continues longstanding customer CDM programs. Customer CDM programs will  
13 continue to be implemented in a manner that complies with existing orders of the Board.  
14 Accordingly, the Application does not contain any proposals relating to CDM programs.

15 Reference: Application, Volume 1, Evidence, page 3, lines 3-5.

16  
17 The 2021 Plan introduces customer electrification programs. To enable the delivery of customer  
18 electrification programs in 2021, the Application seeks an order of the Board:

- 19 (i) Pursuant to sections 58 and 80 of the *Public Utilities Act*, approving an economic test  
20 and a deferral account to provide for recovery of costs incurred in 2021 for customer  
21 electrification programs, estimated at \$935,000; and  
22 (ii) Pursuant to section 41(3) of the *Public Utilities Act*, approving 2021 capital  
23 expenditures totalling \$1,538,000 to commence construction of an Electric Vehicle  
24 ("EV") Charging Network.

1 To provide context for the Board’s consideration of the Application, this submission will:  
2 (i) summarize the process engaged in by the Board and intervenors in considering the  
3 Application; (ii) describe the public policy context under which the Application is being  
4 considered; (iii) describe how Newfoundland Power’s proposals are consistent with provincial  
5 legislation, sound public utility practice and Board practice; (iv) address intervenors’ comments  
6 on the Application; and (v) conclude with the Company’s submissions on the Application.

## 7 8 **2.0 PROCESS**

9 On January 19, 2021, the Board established a schedule for hearing the Application. The  
10 schedule provided for Requests for Information (“RFIs”) on the Application followed by  
11 comments from parties.

12  
13 On January 27, 2021, Newfoundland Power received 31 RFIs from the Board on the Application.  
14 An additional 38 RFIs were received from the Consumer Advocate on January 28, 2021.

15  
16 Hydro provided comments on the Application on February 15, 2021. Hydro’s comments support  
17 approval of the Application.

18  
19 The Consumer Advocate provided comments on the Application on March 1, 2021 (the  
20 “Consumer Advocate’s Comments.”). The Consumer Advocate’s Comments are addressed in  
21 section 5.0 of this submission.

22  
23 The Board is legally required to determine issues on the basis of the evidence before it.

1 The primary evidence on the record of this proceeding was filed by Newfoundland Power.  
2 Newfoundland Power's evidence includes: (i) the Application, supporting evidence and exhibits;  
3 (ii) a comprehensive plan for customer program delivery to 2025; and (iii) responses to 69 RFIs.  
4

### 5 **3.0 PUBLIC POLICY CONTEXT**

#### 6 **3.1 Provincial Regulatory Framework**

7 Section 3(b) of the *Electrical Power Control Act, 1994* contains the provincial power policy.

8 The provincial power policy requires, in effect, that customers be provided with reliable service  
9 at the lowest possible cost.  
10

11 Section 41(3) of the *Public Utilities Act* prohibits a utility from proceeding with an improvement  
12 or addition to its property in excess of \$50,000 without the Board's prior approval.  
13

14 Section 80 of the *Public Utilities Act* establishes that a utility is entitled to earn annually a just  
15 and reasonable return, and that the return shall be in addition to those expenses that the Board  
16 allows as reasonable and prudent and properly chargeable to an operating account.  
17

18 The principal focus of this proceeding is whether Newfoundland Power's proposals respecting  
19 the delivery of customer electrification programs in 2021 are reasonable and prudent in  
20 providing its customers with reliable service at the lowest possible cost.  
21

22 Newfoundland Power submits that the proposals outlined in the Application are consistent with  
23 the provision of least-cost, reliable service to its customers and should be approved by the Board.

### 1 3.2 Customer Rate Mitigation

2 On September 5, 2018, the Provincial Government issued a reference to the Board on Muskrat Falls  
3 Project rate mitigation (the “Reference”). In assessing rate mitigation options and impacts, the  
4 Board was directed to consider, among other issues, whether it is more advantageous for customers  
5 to maximize domestic load or maximize export sales. The Board found that:

6

7 *“[M]aximizing domestic load through electrification, improving energy efficiency*  
8 *and using demand response to reduce peak and allow for increased export sales*  
9 *leads to the best outcomes for customers.”*

10 Reference: Application, Volume 1, Evidence, page 6, lines 12-19.

11

12 The Board recommended the Utilities and Provincial Government work together on a  
13 comprehensive and coordinated approach to developing the most appropriate programs for the  
14 province. The Board stated that the analysis being undertaken by the Utilities on electrification  
15 and CDM potential is critical and should be made available as soon as possible. The Board  
16 recommended that a plan for customer programs be finalized and submitted to the Board in 2021.

17 Reference: Application, Volume 1, Evidence, page 7, lines 1-4; Volume 2, 2021 Plan, page 3.

18

19 The 2021 Plan provides a comprehensive and coordinated approach to delivering customer CDM  
20 and electrification programs. The Provincial Government has provided a letter of support for the  
21 2021 Plan.

22 Reference: Application, Volume 2, Schedule M, pages 1-2.

23

24 Newfoundland Power submits that the Application is consistent with the Board’s  
25 recommendations as part of the Reference and aligns with provincial rate mitigation objectives.

### 1 3.3 Canadian Regulatory Practice

2 The Application proposes the construction of a utility-owned EV Charging Network to provide  
3 customers with access to EV charging services.

4

5 There is currently no prevailing practice in Canada with respect to the regulation of EV charging  
6 services. As observed by the Board in Order No. P.U. 27 (2020), approaches to regulating EV  
7 charging services vary in response to the unique circumstances in each province.

8 Reference: PUB-NP-002, page 3, lines 15-17.

9

10 Certain provinces have determined that the regulation of EV charging services is not required.

11 The Nova Scotia Utility and Review Board found that EV chargers are not a regulated service.

12 The Ontario Energy Board determined that EV charging services are not subject to its  
13 jurisdiction. Under a current Maritime Electric pilot project, the rates for EV charging services  
14 will be established by the municipalities.

15 Reference: PUB-NP-002, page 3, lines 19-23.

16

17 Other provinces take a different view on the regulation of EV charging services. The British  
18 Columbia Utilities Commission found that the regulation of EV charging services is required to  
19 protect the public interest when the service is provided by a public utility. Legislation in Quebec  
20 allows the government to set rates for EV charging services.

21 Reference: PUB-NP-002, page 3, lines 25-30.

1 While the circumstances in Canadian jurisdictions vary, 3 essential considerations have emerged:

2 (i) The provision of EV charging services is generally viewed as a service that is  
3 different than a traditional core utility service;

4 (ii) A compelling business case is necessary to justify utility investment in EV  
5 charging services and programs; and

6 (iii) When utility investment is justified, appropriate oversight is required to ensure the  
7 interests of ratepayers are protected.

8 Reference: PUB-NP-002, page 7, lines 10-18.

9

10 In Order No. P.U. 27 (2020), the Board determined that: (i) the *Public Utilities Act* and *Electrical*  
11 *Power Control Act, 1994* do not require that the Board approve rates, tolls or charges for the  
12 provision of EV charging services; and (ii) the regulation of EV charging services in the  
13 province was not required at that time to protect the public interest or to be consistent with sound  
14 public utility practice. The Board did not, however, make a finding as to whether EV charging  
15 services are subject to the legislative authority of the province.

16 Reference: PUB-NP-002, page 4, lines 6-12.

17

## 18 **4.0 NEWFOUNDLAND POWER'S APPLICATION**

### 19 **4.1 Customer Electrification Programs**

#### 20 Evidence

21 The 2021 Plan includes incentives for residential and commercial customers to reduce the upfront  
22 cost of purchasing an EV and associated charger. The 2021 Plan also includes initiatives to increase  
23 access to EV charging infrastructure through a combination of utility and private sector investment.

24 Reference: Application, Volume 1, Evidence, page 14, lines 6-9; Volume 2, 2021 Plan, page 15.

1 The 2021 Plan includes a custom electrification program for commercial customers. This program  
2 will provide individualized incentives to help commercial customers reduce their costs by replacing  
3 a range of fossil-fuel technologies with equivalent electric technologies.

4 Reference: Application, Volume 1, Evidence, page 14, lines 11-13.

5

6 Newfoundland Power's planned electrification programs will provide a rate mitigating benefit to  
7 customers over the longer term. Planned electrification programs will provide additional net  
8 revenue of approximately \$123 million over the period 2021 to 2034, or \$62 million on a net  
9 present value basis. From a customer rates perspective, increased net revenue will provide a rate  
10 mitigating benefit for customers of approximately 0.5¢/kWh by 2034. This equates to \$100 in  
11 reduced electricity charges that year for an average residential customer with electric heating.

12 This rate mitigating benefit is consistent with the least-cost delivery of service to customers.

13 Reference: Application, Volume 1, Evidence, page 19, lines 1-11.

14

15 While planned electrification programs will provide a rate mitigating benefit for customers over  
16 the longer term, such benefits will not be realized if utility interventions are not pursued.

17

18 The market potential study completed by Dunsy Energy Consulting ("Dunsy") determined that  
19 system costs will increase without utility intervention in electrification. This is attributable to an  
20 increase in capacity-related system costs. The forecast increase in capacity-related system costs  
21 is due to an increase in system peak resulting from the unmanaged charging of EVs. These

1 increased system costs would put upwards pressure on customer rates and would be inconsistent  
2 with provincial rate mitigation objectives.

3 Reference: PUB-NP-009, page 2, lines 18-22; Application, Volume 2, 2021 Plan, page 27,  
4 Figure 6.

5

6 Newfoundland Power’s planned customer electrification programs are consistent with current  
7 industry practice. Of 43 North American jurisdictions that offer customer electrification  
8 programs: (i) 32 jurisdictions provide incentives for EVs or chargers; (ii) 31 jurisdictions invest  
9 in EV charging infrastructure; and (iii) 27 jurisdictions provide custom electrification solutions  
10 for commercial customers. The 2021 Plan includes programs in each of these areas.

11 Reference: Application, Volume 1, Evidence, page 14, footnote 38; Volume 2, Schedule B.

12

### 13 Newfoundland Power’s Submission

14 Newfoundland Power submits that the customer electrification programs outlined in the Application  
15 are consistent with least-cost, reliable service delivery and current industry practice.

16

## 17 **4.2 Newfoundland Power’s Proposals**

### 18 **4.2.1 Program Cost Effectiveness**

#### 19 Evidence

20 The Application proposes the Board approve the use of a modified Total Resource Cost (“mTRC”)  
21 test to evaluate the cost effectiveness of electrification programs.

22 Reference: Application, Volume 1, The Application, page 2, paragraph 10.

1 The mTRC test is conceptually similar to the Total Resource Cost test approved by the Board in  
2 Order No. P.U. 18 (2016) for evaluating customer CDM programs. The primary difference is that,  
3 unlike the Total Resource Cost test, the mTRC test includes non-electrical customer benefits. For  
4 example, the mTRC test includes the lower fuel and maintenance costs associated with owning an  
5 EV. These non-electrical benefits are essential to the customer economics of electrification.

6 Reference: Application, Volume 1, Evidence, page 17, lines 9-12.

7

8 Use of the mTRC test to evaluate the cost effectiveness of customer electrification programs is  
9 consistent with current industry practice. A survey identified 7 North American jurisdictions that  
10 undertake cost effectiveness testing for electrification programs. All 7 jurisdictions apply an overall  
11 cost assessment as part of their cost effectiveness testing. These overall cost assessments consider  
12 non-electrical or other societal benefits, and are conceptually similar to the mTRC test.

13 Reference: Application, Volume 1, Evidence, page 18, lines 7-11; PUB-NP-024.

14

#### 15 Newfoundland Power's Submission

16 Newfoundland Power submits that use of the mTRC test to evaluate customer electrification  
17 programs is consistent with sound public utility practice and the Company's current practice with  
18 respect to the evaluation of customer CDM programs and should be approved.

19

#### 20 **4.2.2 2021 Cost Recovery**

##### 21 Evidence

22 The Application proposes the Board approve the establishment of an Electrification Cost Deferral  
23 Account to provide for the deferred recovery of electrification program costs incurred in 2021.

24 Reference: Application, Volume 1, The Application, page 3, paragraph 15, and Exhibit 1.

1 The Electrification Cost Deferral Account is proposed to operate in a manner similar to the CDM  
2 Cost Deferral Account approved by the Board in Order Nos. P.U. 13 (2009) and P.U. 13 (2013).

3

4 The proposed account would include: (i) costs incurred for electrification program development,  
5 delivery and evaluation; (ii) costs to operate Company-owned charging stations; and (iii) costs for  
6 studies that are greater than \$100,000, such as pilot programs. The proposed account would be  
7 credited with the receipt of government funding related to electrification programs and revenues  
8 associated with the operation of Company-owned charging stations.

9 Reference: Application, Volume 1, Exhibit 1.

10

11 Transfers to and from the proposed account would be tax effected. Newfoundland Power's net cost  
12 deferral resulting from the implementation of customer electrification programs is estimated at  
13 approximately \$935,000 in 2021. The disposition of any balance in the account would be subject to  
14 a future order of the Board.

15 Reference: Application, Volume 1, Evidence, page 21, lines 1-7.

16

17 As customer electrification programs were not conceived at the time of Newfoundland Power's last  
18 general rate application, costs associated with implementing these programs were not reasonably  
19 determinable at that time. Accordingly, these costs are not included in current customer rates.

20 Reference: Application, Volume 1, Evidence, page 22, lines 1-3.

21

22 Deferred cost recovery will enable the earliest feasible realization of the rate mitigating benefit of  
23 customer electrification programs. A general rate application to consider cost recovery is an

1 alternative to deferred cost recovery. However, this alternative would delay implementation of  
2 customer electrification programs until at least 2022.

3 Reference: Application, Volume 1, Evidence, page 22, lines 5-8.

4

5 The costs of effective utility electrification programs, which are consistent with the provision of  
6 least-cost service delivery, should be approved for recovery by the utility. Permitting the deferred  
7 recovery of electrification program costs is consistent with the Board's approval of the deferred  
8 recovery of CDM program costs in Order No. P.U. 13 (2009).

9 Reference: Application, Volume 1, Evidence, page 22, lines 10-13.

10

11 Recovery through customer rates of electrification program costs, including infrastructure  
12 investments, is common utility practice in North America. A 2019 survey indicated that  
13 approximately 60% of utilities fund EV programs either solely through customer rates or through  
14 a combination of ratepayer recovery and government funding. Newfoundland Power has  
15 provided 10 examples of North American jurisdictions where utilities provide vehicle or charger  
16 incentives and recover the costs through customer rates.

17 Reference: PUB-NP-027.

18

19 Newfoundland Power's Submission

20 Newfoundland Power submits that the recovery of 2021 electrification program costs is  
21 consistent with least-cost service delivery and sound public utility practice. Deferred cost  
22 recovery by way of the proposed Electrification Cost Deferral Account is consistent with Board  
23 practice and should be approved.

1 **4.2.3 2021 Capital Expenditures**

2 Evidence

3 The Application proposes the approval of supplemental capital expenditures of approximately  
4 \$1,538,000 in 2021 to commence construction of an EV Charging Network. Newfoundland  
5 Power has applied for approximately \$550,000 in federal funding for this project in 2021 to  
6 offset costs to customers. Capital expenditures for subsequent years will be brought forward for  
7 approval as part of Newfoundland Power's annual capital budget applications.

8 Reference: Application, Volume 1, The Application, page 3, paragraph 17; Exhibit 2.

9

10 As described in section 3.3, regulators have noted the need for a compelling business case to  
11 justify utility investment in EV charging infrastructure.

12

13 The Application provides detailed information on Newfoundland Power's business case for  
14 investing in EV charging infrastructure. The Company's business case is based on the rate  
15 mitigating benefit that will be realized for customers through increasing EV adoption in the  
16 province.

17

18 Local market research determined the single largest factor influencing the adoption of EVs in the  
19 province is access to fast charging infrastructure. Access to fast charging infrastructure is  
20 limited in Newfoundland and Labrador and lags behind that of other Canadian provinces. The  
21 market potential study conducted by Dunsky found that private sector investment in fast  
22 charging infrastructure is constrained by a weak business case.

23 Reference: Application, Volume 1, Exhibit 2, page 4.

1 Without access to fast charging infrastructure, customers will be less likely to purchase an EV.  
2 The rate mitigating benefit of electrification programs would not be realized without investment  
3 in fast charging infrastructure. Utility investment in fast charging infrastructure is therefore  
4 considered a critical success factor in realizing the customer benefits of electrification.  
5  
6 Deferring construction of the EV Charging Network would fail to address a barrier to customers'  
7 participation in electrification programs. As a result, deferring construction of the EV Charging  
8 Network would, in effect, defer the rate mitigating benefit associated with electrification  
9 programs. Deferring construction of the EV Charging Network would also eliminate potential  
10 benefits to customers associated with federal funding available in 2021.

11

12 *Newfoundland Power's Submission*

13 Newfoundland Power submits that the capital expenditures proposed for 2021 to commence  
14 construction of an EV Charging Network are consistent with the least-cost delivery of reliable  
15 service to customers and should be approved.

16

17 **4.3 Regulatory Oversight**

18 *Evidence*

19 In Newfoundland Power's view, provincial legislation does not require the regulation of EV  
20 charging services and there is no prevailing practice with respect to the regulation of EV  
21 charging services in Canada. The Board's determination regarding the regulation of EV  
22 charging services continues to be appropriate.

23 Reference: PUB-NP-002, page 5, lines 28-29.

1 However, utility investment in EV charging services requires measures to ensure the interests of  
2 customers are adequately protected. In Newfoundland Power’s view, this can be achieved  
3 through Board oversight of: (i) the costs and benefit of customer electrification programs,  
4 including all proposed capital expenditures; (ii) revenues from EV charging services; and (iii) the  
5 recovery of costs through the proposed Electrification Cost Deferral Account.

6 Reference: PUB-NP-002, page 1, lines 24-29, and page 6, lines 20-23.

7

8 The oversight contemplated by Newfoundland Power for customer electrification programs is  
9 consistent with the Board’s approach to regulating customer CDM programs. While the Board  
10 does not approve specific programs, such as rebate amounts, oversight of program costs and  
11 customer benefits is achieved through annual reporting requirements and on a triennial basis  
12 through general rate applications.

13 Reference: PUB-NP-002, page 6, line 36, to page 7, line 5.

14

15 *Newfoundland Power’s Submission*

16 Newfoundland Power submits that Board oversight of customer electrification programs should  
17 be undertaken in a manner consistent with the Board’s approach for providing oversight of  
18 customer CDM programs.

19

20 **5.0 RESPONSE TO CONSUMER ADVOCATE’S COMMENTS**

21 **5.1 General**

22 The Consumer Advocate does not oppose any part of the Application relating to customer CDM  
23 programs. The Consumer Advocate’s Comments relate only to planned electrification programs.

24 Reference: Consumer Advocate’s Comments, pages 1-2.

1 The Consumer Advocate’s Comments indicate “[w]e likewise support electrification efforts in  
2 the Province provided the programs are implemented in a manner that optimizes value to the  
3 Province’s electricity consumers while minimizing risks.”

4 Reference: Consumer Advocate’s Comments, page 1.

5

6 As described in section 3.2, the Board has determined that the best outcomes for customers  
7 would be achieved by maximizing domestic load through electrification and using CDM to  
8 reduce peak and increase export sales. The electrification and CDM programs outlined in the  
9 Application are consistent with achieving the best outcomes for customers.

10

11 The Consumer Advocate expresses a belief that the Application could have an adverse impact on  
12 customers.

13 Reference: Consumer Advocate’s Comments, page 8.

14

15 The Consumer Advocate has provided no evidence substantiating potential adverse impacts on  
16 customers. The Consumer Advocate’s belief is unfounded and not reflective of the information  
17 on the record of this proceeding regarding the customer benefits of electrification programs.

18

19 The following section addresses the Consumer Advocate’s specific comments on: (i) the  
20 customer benefits of electrification programs; (ii) regulatory considerations with respect to EV  
21 charging services; and (iii) matters related to regulatory procedure.

1 **5.2 Specific Comments**

2 **5.2.1 Customer Benefits**

3 Consumer Advocate's Comments

4 The Consumer Advocate claims there is no evidence that customers value the benefits of planned  
5 electrification programs.

6 Reference: Consumer Advocate's Comments, page 5.

7

8 The Consumer Advocate recommends the Application be rejected on the basis that "*the project*  
9 *has not been shown to be needed to provide least cost reliable service to customers.*"

10 Reference: Consumer Advocate's Comments, pages 8-9.

11

12 The Consumer Advocate claims that rates will not be reduced as a result of electrification, but  
13 rather that the benefits of electrification will be experienced by the Provincial Government.

14 Reference: Consumer Advocate's Comments, pages 2-3.

15

16 The Consumer Advocate further alleges that Newfoundland Power has not proposed any risk  
17 mitigation measures to ensure customers' interests are protected.

18 Reference: Consumer Advocate's Comments, page 4.

19

20 Evidence

21 The Consumer Advocate's claim that there is no evidence that customers value the benefits of  
22 planned electrification programs is without merit.

1 Rate mitigation is a significant concern to Newfoundland Power’s customers. The Consumer  
2 Advocate’s Comments reference research indicating customers’ desire to reduce their costs.

3 Reference: Consumer Advocate’s Comments, page 6.

4

5 Customer electrification programs reduce costs from 2 perspectives. First, participating  
6 customers will experience a reduction in overall energy costs, primarily through vehicle fuel and  
7 maintenance savings. Second, all customers will benefit from the rate mitigating effect of  
8 electrification programs. These benefits are consistent with customers’ service expectations.

9 Reference: Application, Volume 2, 2021 Plan, pages 26-29.

10

11 The Consumer Advocate’s recommendation that the Application be rejected is based, in part, on  
12 an erroneous claim that electrification programs will benefit the Provincial Government and not  
13 customers.

14 Reference: Consumer Advocate’s Comments, pages 2-3.

15

16 There is no basis to claim that the Provincial Government, and not Newfoundland Power’s  
17 customers, will benefit from electrification programs. Electrification programs will increase  
18 energy sales. Increased energy sales will provide a rate mitigating benefit for Newfoundland  
19 Power’s customers over the longer term. This benefit will be provided to customers regardless  
20 of what rate mitigation options are ultimately pursued by the Provincial Government. As  
21 described in section 4.1, costs to customers will increase if utility interventions are not pursued.

22

23 The Consumer Advocate’s claim that Newfoundland Power has not proposed any risk mitigation  
24 measures is without merit and not reflective of the information on the record of this proceeding.

1 Newfoundland Power’s Application considers risk mitigation from 3 perspectives to ensure  
2 electrification programs benefit customers.

3  
4 First, the Application considers risk mitigation from a program development perspective.

5  
6 A lack of access to EV charging infrastructure and accurate information regarding EVs are  
7 barriers to customers’ adoption of this technology. Investments in charging infrastructure and  
8 customer education are therefore critical success factors for program delivery. By addressing  
9 these barriers, the Application reduces risks that customer participation in electrification  
10 programs will be insufficient to achieve the associated rate mitigating benefit for customers.

11 Reference: Application, Volume 2, 2021 Plan, pages 14-21.

12  
13 Second, the Application considers risk mitigation from a program evaluation perspective.

14  
15 The Application proposes use of the mTRC test to ensure electrification programs are cost  
16 effective for customers. The mTRC test will be updated annually to account for changes in  
17 market factors, such as changes in federal incentives. Electrification programs will be adjusted,  
18 as required, to reduce the risk that programs will become uneconomic for customers. Third-party  
19 evaluations of program effectiveness will also be conducted after the first year of implementation  
20 and biennially thereafter.

21 Reference: PUB-NP-029, page 1, lines 12-22; Application, Volume 2, Schedule F, page 2.

22  
23 Third, the Application considers risk mitigation from a regulatory oversight perspective.

1 As described in section 4.3, the Application contemplates Board oversight of electrification  
2 program costs, revenues and benefits. This includes annual reporting requirements for customer  
3 programs, annual reviews of capital expenditures through capital budget applications, and  
4 triennial reviews of costs and revenues through general rate applications. Board oversight  
5 provides a transparent process through which to ensure customers' interests are protected and  
6 risks are mitigated.

7 Reference: PUB-NP-002, page 6, line 20, to page 7, line 5.

8

### 9 Newfoundland Power's Submission

10 Newfoundland Power submits that the electrification programs outlined in the Application are  
11 consistent with the least-cost delivery of reliable service. Board oversight will provide a  
12 transparent means through which to ensure customers' interests are protected.

13

### 14 **5.2.2 Regulatory Considerations**

#### 15 Consumer Advocate's Comments

16 The Consumer Advocate raises 3 regulatory considerations with respect to the proposed EV  
17 Charging Network and related charging services.

18

19 The first consideration relates to cost recovery. The Consumer Advocate questions whether  
20 “*utility funding of charging stations and passing this cost on to ratepayers is legal under current*  
21 *legislation.*”

22 Reference: Consumer Advocate's Comments, page 3.

1 The second consideration relates to private sector competition. The Consumer Advocate claims  
2 that the “*proposed program would effectively present a barrier to private sector entry to the*  
3 *charging station business*” and questions whether the proposed EV Charging Network will  
4 “*violate the Province’s monopoly/anti-competition laws.*”

5 Reference: Consumer Advocate’s Comments, page 3.

6

7 The third consideration relates to the regulation of EV charging rates. The Consumer Advocate  
8 states that “[i]t is not clear if the Board has ever approved rates in the Province other than cost-  
9 based rates” or whether the Board has the authority to approve rates that are not cost-based.

10 Reference: Consumer Advocate’s Comments, page 5.

11

## 12 Evidence

13 The Consumer Advocate’s question regarding the legality of recovering electrification costs, as  
14 proposed in the Application, has been addressed on the record of this proceeding.

15

16 The provincial power policy effectively requires that customers be provided with reliable service  
17 at the lowest possible cost. Costs adjudged by the Board to be consistent with least-cost, reliable  
18 service are permitted to be recovered by the utility.

19 Reference: PUB-NP-005, page 1, lines 6-10.

20

21 The customer electrification programs outlined in the Application will provide a rate mitigating  
22 benefit to customers over the longer term. This rate mitigating benefit is consistent with the

1 least-cost delivery of reliable service to customers. Recovering electrification program costs,  
2 including related infrastructure investments, is therefore permissible under provincial legislation.

3 Reference: PUB-NP-005, page 1, lines 12-15.

4

5 The Consumer Advocate's claims that the proposed EV Charging Network will pose a barrier to  
6 private sector competition or may violate "*monopoly/anti-competition laws*" are unfounded.

7

8 EV charging services do not exhibit monopolistic characteristics. As described in section 3.3,  
9 EV charging services are generally viewed as a service that is different than a traditional core  
10 utility service.

11

12 The market potential study conducted by Dunsky determined that private sector investment in  
13 EV charging infrastructure is constrained by a weak business case. The weak business case for  
14 private sector investment is due to: (i) the high upfront cost of installing an EV charging station;  
15 and (ii) the low number of EVs in the province. These dynamics currently make it difficult for  
16 private sector businesses to profit from EV charging services.

17 Reference: Application, Volume 2, 2021 Plan, page 15, footnote 37; Schedule C,  
18 page 150 of 325.

19

20 The Application addresses both factors that contribute to the weak business case for private  
21 sector investment in charging services in the province.

22

23 First, the upfront capital costs for private sector businesses to install EV charging infrastructure  
24 will be reduced through a make-ready investment model. The make-ready model will cover

1 costs associated with getting a site ready for charger installation. These costs typically account  
2 for 30% to 40% of the total cost of installing a charging station.

3 Reference: Application, Volume 2, 2021 Plan, page 15.

4

5 Second, the low number of EVs in the province will be addressed through customer incentives,  
6 education and infrastructure investments. Without utility intervention, the province is forecast to  
7 have approximately 41,000 EVs on its roads by 2034. Implementing the 2021 Plan is forecast to  
8 more than triple the province's adoption of EVs to 140,000 vehicles by 2034.

9 Reference: Application, Volume 1, Exhibit 2, page 4.

10

11 These interventions will encourage private sector investment in EV charging infrastructure.  
12 There is no basis upon which to assert that adequate investment in EV charging infrastructure  
13 will occur over the duration of the 2021 Plan without utility intervention.

14

15 The Consumer Advocate's claim of issues relevant to the federal *Competition Act* is  
16 unsubstantiated. The Consumer Advocate does not reference a particular section of the  
17 *Competition Act* or specify any issues of concern relevant to that legislation.

18

19 The Consumer Advocate's points regarding the province's cost-of-service regulation of  
20 electricity rates is not a relevant consideration for EV charging services.

21

22 In Newfoundland Power's view, EV charging services are not a service under provincial  
23 legislation. This is consistent with the Board's determination in Order No. P.U. 27 (2020). As a  
24 result, the province's cost-of-service regulation does not apply to EV charging services.

1 Furthermore, Newfoundland Power’s research has determined that current industry practice is to  
2 set market-based rates for EV charging services. This is consistent with the approach adopted by  
3 Newfoundland Power and Hydro for EV charging services.

4 Reference: PUB-NP-026, page 2, Table 1.

### 6 Newfoundland Power’s Submission

7 Newfoundland Power submits that the Application complies with all applicable laws and  
8 regulations.

### 10 **5.2.3 Procedural Considerations**

#### 11 Consumer Advocate’s Comments

12 The Consumer Advocate claims that the Application would be more fully understood by the  
13 parties and the Board if viewed in the context of Newfoundland Power’s next general rate  
14 application or capital budget application. The Consumer Advocate alleges an information void,  
15 claiming that information has not been provided on: (i) how proposed initiatives fit with other  
16 capital projects; or (ii) how proposed initiatives would impact customer rates and system load in  
17 the context of other Newfoundland Power proposals.

18 Reference: Consumer Advocate’s Comments, page 7.

20 With respect to the EV Charging Network, the Consumer Advocate claims that the proposed  
21 capital expenditures are not suitable for a supplemental application because this “*issue has been*  
22 *well known for some time and should have been anticipated.*”

23 Reference: Consumer Advocate’s Comments, page 1.

1 The Consumer Advocate questions perceived differences between Newfoundland Power's  
2 Application and a previous application filed by Hydro with respect to EV charging infrastructure.  
3 The Consumer Advocate suggests that perhaps the Utilities should have submitted a combined  
4 application on electrification.

5 Reference: Consumer Advocate's Comments, page 6.

6

7 Evidence

8 The Consumer Advocate's claims regarding an information void are not reflective of the  
9 information on the record of this proceeding.

10

11 The Application provides a comprehensive view for the Board and parties of all customer  
12 programs planned for 2021 to 2025. The Application puts forward all proposals necessary to  
13 enable the delivery of customer electrification programs in 2021. This ensures the Board has  
14 access to all information necessary to consider the Application.

15

16 The Application provides an analysis of the customer rate impact and system load impact of  
17 planned electrification programs. For example, the Application forecasts a customer rate impact of  
18 -0.5¢/kWh by 2034. This rate impact was determined by dividing increased net revenues of  
19 \$33.9 million in 2034 by projected Company energy sales of 6,527 GWh, including energy sales  
20 from electrification. The Application forecasts a peak demand increase of 3.2 MW by 2025,

1 which will be offset by peak demand savings from customer CDM programs. The annual  
2 impacts of electrification programs on energy sales and demand will be reflected in  
3 Newfoundland Power's future general rate applications.

4 Reference: Application, Volume 1, Evidence, page 15, lines 8-10, and page 19, footnote 46;  
5 PUB-NP-009, page 1, Table 1.

6  
7 The Application is consistent with a 2009 application filed by Newfoundland Power regarding  
8 the deferred recovery of CDM program costs. That application was considered and approved by  
9 the Board in Order No. P.U. 13 (2009).

10

11 Newfoundland Power's proposal to construct an EV Charging Network by way of a  
12 supplemental application is consistent with the Board's Capital Budget Application Guidelines.  
13 The capital expenditures proposed in the Application were identified through the development of  
14 the 2021 Plan. The 2021 Plan was finalized in December 2020, approximately 5 months after  
15 the filing of the Company's *2021 Capital Budget Application*. Information on the specific  
16 capital expenditures required was therefore not available for inclusion in that application.

17 Reference: Application, Volume 1, Exhibit 2; CA-NP-037, page 1, lines 28-31.

18

19 The Application states that costs associated with connecting a charging site to the distribution  
20 system will be incurred under the *Extensions, Services, Transformers and Meters* capital projects.  
21 There are no other impacts on capital projects, as raised by the Consumer Advocate. Incremental  
22 system costs, including costs associated with connecting a charging site to the distribution system,  
23 are reflected in the net present value analysis included with the Application.

24 Reference: Application, Volume 1, Exhibit 2, page 9, footnote 28, and Appendix A;  
25 CA-NP-027, page 1, lines 7-8.

1 Perceived differences between Newfoundland Power’s Application and a previous application  
2 filed by Hydro have been addressed on the record of this proceeding.

3  
4 Order No. P.U. 7 (2020) approved approximately \$2.1 million in capital expenditures proposed  
5 by Hydro for the construction of EV charging infrastructure. The timing of Hydro’s application  
6 was driven by the availability of government funding and was completed prior to the  
7 development of the 2021 Plan. Hydro’s application did not seek cost recovery from customers as  
8 the rate mitigating benefit of utility investment in EV charging infrastructure was not determined  
9 at that time. However, Hydro stated that it would seek cost recovery for operating and  
10 maintenance costs on a prospective basis if it can be shown that operation of the EV charging  
11 infrastructure is consistent with the provision of least-cost, reliable service over the long term.

12 Reference: PUB-NP-001, page 2, lines 4-20.

13  
14 The filing of separate applications by Newfoundland Power and Hydro with respect to customer  
15 electrification programs is consistent with the Utilities’ longstanding approach for seeking Board  
16 approval of costs and other matters related to customer CDM programs.

17  
18 *Newfoundland Power’s Submission*

19 Newfoundland Power submits that the Application is consistent with past practice of the Board  
20 and the Board’s Capital Budget Application Guidelines. Deferring consideration of the  
21 Application to a future proceeding would provide no practical benefit to the Board or parties in  
22 considering the Application’s proposals. Deferring consideration of the Application would delay  
23 the delivery of the associated rate mitigating benefit of electrification programs for customers.

1   **6.0   CONCLUSION**

2   Newfoundland Power submits that the customer electrification programs outlined in the  
3   Application are consistent with: (i) the provision of least-cost, reliable service to customers;  
4   (ii) the Board’s recommendations as part of the Reference on rate mitigation options and  
5   impacts; and (iii) sound public utility practice.

6  
7   The Application proposes use of the mTRC test to evaluate the cost effectiveness of customer  
8   electrification programs. Use of the mTRC test to evaluate customer electrification programs is  
9   consistent with sound public utility practice and current practice in this jurisdiction with respect  
10  to the evaluation of customer CDM programs.

11  
12  The Application proposes the creation of an Electrification Cost Deferral Account to provide for  
13  the deferred recovery of electrification program costs incurred in 2021. The recovery of  
14  electrification program costs through customer rates is consistent with provincial legislation and  
15  sound public utility practice. The proposed deferral account is consistent with current Board  
16  practice for the recovery of CDM program costs.

17  
18  The Application proposes the approval of supplemental capital expenditures to commence  
19  construction of an EV Charging Network. Utility investment in charging infrastructure is  
20  necessary to enable the successful delivery of customer electrification programs and the  
21  associated rate mitigating benefit for customers.

1 As described in this submission, 3 essential considerations have emerged with respect to the  
2 regulation of EV charging services in Canada. The Application addresses each of these  
3 considerations:

4  
5 (i) The Application contemplates that EV charging services in Newfoundland and  
6 Labrador will continue to be treated as a service that is different than a core utility  
7 service. The Utilities' plan to implement market-based rates for EV charging services  
8 is consistent with sound public utility practice. The regulation of a specific rate, toll  
9 or charge for EV charging services is not required at this time to be consistent with  
10 provincial legislation or sound public utility practice.

11  
12 (ii) The Application provides a compelling business case for utility investment in EV  
13 charging infrastructure and programs. Investing in EV charging infrastructure and  
14 programs will provide a rate mitigating benefit to the Company's customers over the  
15 longer term. This benefit will not be realized without utility intervention. Rather,  
16 costs to customers are forecast to increase without utility intervention due to increases  
17 in capacity-related system costs.

18  
19 (iii) The Application describes an approach to providing regulatory oversight that will  
20 ensure customers' interests are protected. Regulatory oversight would be achieved  
21 through annual reporting requirements, annual capital budget applications, and  
22 triennial general rate applications. Use of the mTRC test to confirm program cost  
23 effectiveness will also ensure customers' interests are protected.

1 Newfoundland Power submits there is no evidence before the Board that demonstrates: (i) the  
2 Application is inconsistent with least-cost, reliable service delivery or provincial legislation;  
3 (ii) the Application is inconsistent with sound public utility practice or past practice of the Board;  
4 or (iii) that deferring consideration or rejecting the Application is beneficial for customers.

5  
6 Newfoundland Power submits the Application is consistent with its statutory obligation to  
7 provide reliable service to customers at the lowest possible cost and should be approved.

8  
9 **RESPECTFULLY SUBMITTED** at St. John's, Newfoundland and Labrador, this 5<sup>th</sup> day of  
10 March, 2021.



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