Section 3: Finance/ Electrification Cost Deferral Account and Recovery of Costs

Q. Volume 1, Section 3, page 3-49, lines 6-7. Newfoundland Power is proposing to recover approved customer electrification costs through the Rate Stabilization Account over 10 years, commencing January 1, 2025.

a) Please explain why it is appropriate to begin recovery, at this time, of the balance in the Electrification Cost Deferral Account.

b) Please describe the benefits to Newfoundland Power and to customers of the utility making investments in electric vehicle charging infrastructure.

A. a) In Order No. P.U. 3 (2022), the Board approved the establishment of an Electrification Cost Deferral Account ("ECDA").[1] The ECDA is designed to provide for the deferred recovery of costs related to electrification initiatives and provides for recovery of costs over 10 years through the Company's Rate Stabilization Account.

Newfoundland Power has requested that the Board approve amendments to Clause II.9 of the Rate Stabilization Clause to allow for recovery of costs in the ECDA, incurred since January 1, 2021, commencing January 1, 2025.[2]

Charges to the ECDA began in 2022 and include costs associated with the electric vehicle ("EV") charging infrastructure approved in Order No. P.U. 30 (2021) and costs associated with the EV Demand Management Pilot Project approved in Order No. P.U. 23 (2023).[3] The Board has accepted that a 10-year period to recover the costs associated with electrification initiatives is appropriate and consistent with sound public utility practice and regulatory fairness principles.[4]

The Company submits that regulatory fairness principles support the timely recovery of prudently incurred costs. Recovery of costs should correspond to the timeframe of customer use of the asset or participation in the project. Given that the EV charging infrastructure has been in service since 2022 and the EV Demand Management Pilot Project is currently underway, cost recovery commencing in January 1, 2025 is appropriate and consistent with the regulatory principle of intergenerational equity.

[1] See Order No. P.U. 3 (2022), page 21, line 30.

[2] See Newfoundland Power's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 1: Introduction,* page 1-10.

[3] See Newfoundland Power's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3: Finance*, page 3-49, footnote 131.

[4] See Order No. P.U. 33 (2022), page 18, lines 11 to 14.

b) Expenditures for the EV Charging Network were approved by the Board in Order No. P.U. 30 (2021). In that order the Board provided the following with respect to customer benefits associated with the 2021 capital expenditures:

> *"The Board is satisfied that investment by the utilities in EV charging infrastructure is the best currently available tool to contribute to increased EV uptake in the province which will ultimately contribute to increased sales of electricity, increased revenues and, with appropriate load management measures, reduced costs for customers. In addition, approval at this time would allow the utilities to avail of available funding which may offset a significant portion of the costs. The Board is satisfied that the 2021 capital expenditures proposed in the Newfoundland Power Application and the Hydro Application for EV charging stations will benefit customers and should be approved with recovery of the costs associated with the Island EV charging stations from customers, net of federal funding."* [5]

As provided by the Board, the approval also allowed the Company to avail of available funding to offset a significant portion of the cost.

Further, since implementation in April 2022, the EV Charging Network has provided environmental benefits for Newfoundland Power and its customers. For example, customers using the level 3 charging ports at the Company's charging stations have saved an estimated 51,000 litres of gasoline, equating to approximately 111,000 kilograms of greenhouse gas savings.

See response to Request for Information PUB-NP-054 for further information associated with the Company's EV charging stations.

Newfoundland Power continues to assess the impacts of electrification on the electricity system and appropriate ways to manage these impacts to ensure the benefits for customers are maximized. Presently, Newfoundland Power and Newfoundland and Labrador Hydro are collaborating with Posterity Group, an economic and engineering consulting firm, to conduct a potential study that will examine opportunities for electrification, demand response, and energy efficiency for the Island Interconnected System. The findings, which are anticipated to be finished in third quarter of 2024, along with the results of the EV Load Management Pilot, will inform the initiatives and programs that are included in the utilities' next multi-year plan, which is due to commence in 2026.

[5] See Order No. P.U. 30 (2021), page 13, lines 13 to 22.