

1 Q. **Reference: Schedule 1**

2 It is stated (Page 26) *"In line with customer expectations, Hydro's proposed projects, BDE Unit 8*
3 *and the Avalon CT continue to be the least-cost projects to provide reliable, electricity in an*
4 *environmentally responsible manner."*

5 a) Does that quote mean that customers are agreeable to the least-cost projects that
6 increase reliability no matter how high "least-cost" is?

7 b) In its surveys of customers, has Hydro ever asked customers if they would be willing to
8 change their consumption levels or patterns of consumption rather than support
9 additions to capacity? If not, does Hydro have sufficient information to assess how
10 customers would answer that question?

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13 A. a) Newfoundland and Labrador Hydro ("Hydro") has an obligation to supply electrical energy
14 to customers, as set out in the *Public Utilities Act*.¹ As electricity demand grows, Hydro must
15 construct and contract new sources of electricity generation to ensure an adequate supply
16 for the provincial electricity grid. As a regulated utility, Hydro is under the oversight of the
17 Board of Commissioners of Public Utilities ("Board"), which reviews and determines whether
18 the electricity rates and capital expenditures proposed by Hydro are prudent.

19 In the 2025 Build Application, Hydro stated:

20 Customers have been very clear. The cost of living, including electricity rates, is
21 a concern, and that is why the options presented in the 2025 Build Application
22 are based on the Minimum Investment Required scenario to meet the imminent
23 needs of the system.²

¹ *Public Utilities Act*, RSNL 1990, c. P-47, s. 37.

² "2025 Build Application – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, March 21, 2025, sch. 1, p. 7/1–3.

As Hydro noted in the quoted passage, Hydro is aware of customer concerns regarding the cost of living and electricity rates. Hydro balances its requirement to meet its legislated mandate with the acknowledgement of the customer concerns by recommending only the work scopes that absolutely and urgently must be completed to support reliability and begin to prepare for load growth.

- b) Hydro completed a digital public engagement survey in January 2024 with questions eliciting some insight into how customers prioritize cost and system reliability. The survey did not include questions regarding willingness to voluntarily reduce consumption of electricity; however, it did query customers on the degree of investment in the system that Hydro should make to maintain or improve reliability. The results of that question are provided in Figure 1.³

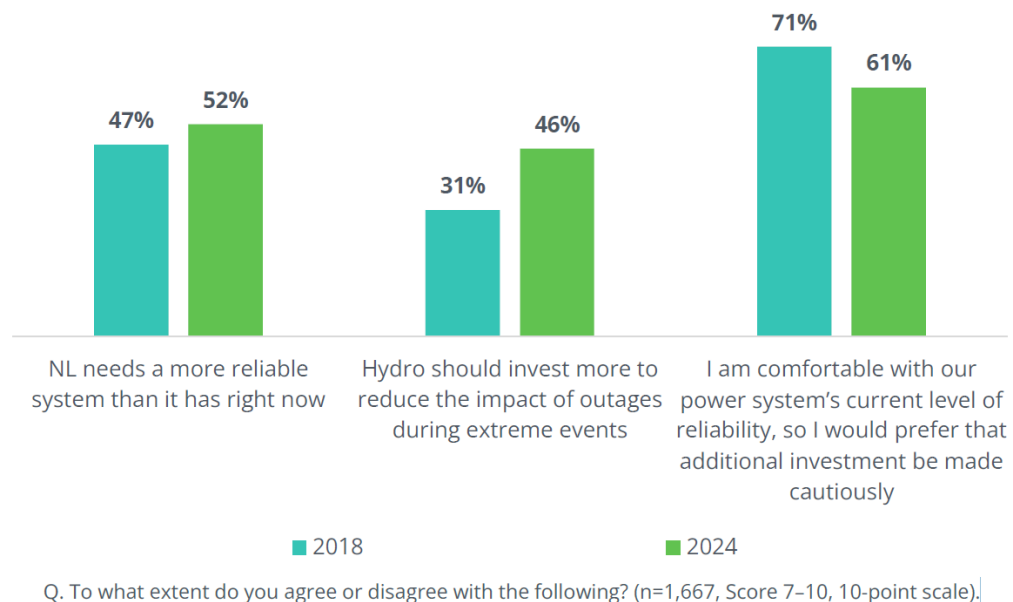


Figure 1: Reliability Levels of Investment – Customer Engagement Question January 2024

As shown in the survey results, customers surveyed in 2024 expect more investment in the electrical system relative to 2018; however, future investment should be approached

³ For further information on the engagement survey results, please refer to "2024 Resource Adequacy Plan – An Update to the Reliability and Resource Adequacy Study," Newfoundland and Labrador Hydro, rev. August 26, 2024 (originally filed July 9, 2024), sch. 1, app. D.

1 cautiously. This sentiment is reflected in Hydro's application, which seeks the Minimum
2 Investment Required to meet growing customer demand. Hydro's load forecast reflects
3 appropriate levels of forecast growth and peak demand reductions from conservation and
4 demand management.

5 Practically, if customers were "willing to change their consumption levels or patterns of
6 consumption rather than support additions to capacity," they would require a signal from
7 their utility to undertake this shift in consumption during periods of peak demand. The
8 recent Potential Study, completed by Posterity Group, evaluated the potential for demand
9 and energy reduction on the Island Interconnected System. One of the solutions modelled
10 was Critical Peak Pricing ("CPP"), a type of dynamic rate which provides an economic signal
11 to customers to conserve electricity during periods of high demand on the electrical system.
12 The Potential Study indicated that customers undertaking load shifting in response to CPP
13 would reduce system peak by less than 10 MW by 2040.⁴ The Potential Study found that the
14 required investment in Advanced Metering Infrastructure ("AMI") to enable CPP is not
15 forecast to be cost-effective.

16 The Potential Study shows that none of the evaluated rate design measures are
17 cost-effective due to the capital and operating costs associated with Advanced
18 Metering Infrastructure ("AMI") which would be required to implement rate
19 design measures, and the relatively low time-varying rate participation and load
20 reduction seen in other jurisdictions. The cost-effectiveness ratios range from
21 0.12 for residential time-of-use ("TOU") rates excluding EV load, to 0.95 for
22 residential TOU rates that include EV load and are opt-out driven versus opt-in
23 driven. The forecast benefits used in the cost-effectiveness testing are highly
24 dependent on the forecast number of EVs adopted and how many customers
25 would participate in the TOU rate.⁵

26 A further 10 MW of load shifting on the Island Interconnected System would be insufficient
27 to displace the need for capacity additions proposed by Hydro in this application.

⁴ "Conservation, Demand Management and Electrification Plan," Newfoundland Power Inc. and Newfoundland and Labrador Hydro, p. 17, Table 2, filed as Attachment 1 to "Reliability and Resource Adequacy Study Review – Semi-Annual Update for the Second Quarter of 2026," Newfoundland and Labrador Hydro, June 30, 2026. Excludes potential load shifting benefits associated with electric vehicle ("EV") charging, which has already been reflected in Hydro's load forecast.

⁵ "Conservation, Demand Management and Electrification Plan," Newfoundland Power Inc. and Newfoundland and Labrador Hydro, p. 18, filed as Attachment 1 to "Reliability and Resource Adequacy Study Review – Semi-Annual Update for the Second Quarter of 2026," Newfoundland and Labrador Hydro, June 30, 2026.