

1 **Q. The Dunsky report states at page 94, that with a large incentive of 70% of**  
2 **incremental costs along with enabling strategies to help reduce barriers,**  
3 **approximately 3.5% of commercial floor space adopts some form of heat pump**  
4 **heating system to displace oil-fired heating while only marginal numbers of**  
5 **customers adopt heat pump domestic water heaters over oil-fired heating systems.**  
6 **Please provide available analysis which demonstrates that the proposed recovery**  
7 **from customers of the costs associated with the Custom Electrification program**  
8 **incentives should be approved at this time. What are the considerations associated**  
9 **with waiting to implement this program until the completion of the Small Business**  
10 **Direct Install Pilot Program and until there is further study with respect to the peak**  
11 **demand impacts?**

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13 A. *This Request for Information relates to the Electrification, Conservation and Demand*  
14 *Management Plan: 2021-2025 (the “2021 Plan”) developed in partnership by*  
15 *Newfoundland Power and Newfoundland and Labrador Hydro (“Hydro” or, collectively,*  
16 *the “Utilities”). Accordingly, the response reflects collaboration between the Utilities.*

17  
18 The Custom Electrification Program is designed to assist customers in replacing fossil  
19 fuel technologies with equivalent electric technologies. This program will operate in a  
20 similar fashion to the existing Business Efficiency Program, where incentives are  
21 provided on an individualized basis.<sup>1</sup>

22  
23 While space heating and domestic hot water are examples of projects that could qualify  
24 under the program, other opportunities include the electrification of off-road vehicles  
25 such as forklifts. The number of projects pursued under this program is forecast to be  
26 modest, but the potential benefits of each project are meaningful. For example, the  
27 electrification of one forklift would provide an increase in energy usage that is equivalent  
28 to three passenger EVs. The increase in energy usage associated with electrifying a  
29 building’s heating system would be even greater.

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31 All projects pursued under the Custom Electrification Program will be analyzed using the  
32 modified Total Resource Cost (“mTRC”) test. The mTRC test is consistent with sound  
33 public utility practice.<sup>2</sup> By applying the mTRC test, the Utilities will ensure that, for  
34 each project pursued under this program, the customer benefits outweigh the costs. This  
35 includes costs associated with peak demand impacts. If peak demand impacts are too  
36 high, a project will not be assessed as cost-effective in accordance with the mTRC test.

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38 An mTRC result of 1.0 is required for a project to be considered cost-effective. The  
39 Utilities’ analysis shows that the Custom Electrification Program is currently forecast to  
40 have an mTRC result of 2.1. This indicates that the customer benefits of the program  
41 would be more than double the costs.<sup>3</sup>

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<sup>1</sup> See Newfoundland Power’s *2021 Electrification, Conservation and Demand Management Application*,  
Volume 2, Schedule F, pages 7 to 8.

<sup>2</sup> See response to Request for Information PUB-NP-052.

<sup>3</sup> See Newfoundland Power’s *2021 Electrification, Conservation and Demand Management Application*,  
Volume 1, Evidence, page 17, Table 6.

1           Additionally, the Custom Electrification Program is currently forecast to contribute  
2           approximately 2.6 GWh of energy usage to the system by 2025. This energy usage is  
3           included in the net present value analysis confirming the rate mitigating benefit of the  
4           Utilities’ portfolio of electrification programs.<sup>4</sup> The rate mitigating benefit of these  
5           programs is consistent with the delivery of least-cost, reliable service to customers.<sup>5</sup> It is  
6           therefore appropriate for these costs to be recovered from customers.  
7

8           The Small Business Direct Install Pilot Program is aimed at addressing barriers to  
9           customers’ adoption of energy-efficient technologies. The results of this pilot are not  
10          expected to impact the Custom Electrification Program.  
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12          For more information on why the Utilities’ portfolio of electrification programs is  
13          appropriate, see response to Request for Information PUB-NP-035.

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<sup>4</sup> See response to Request for Information PUB-NP-035.

<sup>5</sup> See Section 3(b)(iii) of the *Electrical Power Control Act, 1994*.