

Office of the Consumer Advocate

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

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

Dear Ms. Blundon:

**Re: Request for Re-hearing of Newfoundland Power's Application
re: EV Load Management Pilot Project**

On June 2, 2023 Newfoundland Power ("NP") filed an Application with the Public Utilities Board (the "Board") entitled *Application for EV Load Management Pilot Project* (the "Application"). According to NP, the purpose of the pilot project is:

"to assess the cost-effectiveness of strategies to manage light-duty EV load in this jurisdiction that is consistent with sound public utility practice. The EV Load Management Pilot Project will collect information on local EV owners' charging behaviours, the effectiveness of various strategies in shifting load to off-peak periods, and the costs and challenges of implementing these strategies. This information is needed to inform the development of cost-effective customer programs to manage EV load in this jurisdiction prior to the widespread adoption of EVs."

NP proposes that the project:

"take place from the third quarter of 2023 to the second quarter of 2025. The total budget estimate for the EV Load Management Pilot Project is \$1,504,000. It is proposed that actual costs incurred to complete the EV Load Management Pilot Project be recovered through the Applicant's Electrification Cost Deferral Account."

NP provided responses to Requests for Information ("RFIs") and the parties including the Consumer Advocate made submissions on the Application by July 13, 2023 as requested by the Board. The Board issued Order No. P.U. 23(2023) on the Application on August 31, 2023. The Board decided the case as follows:

The Board finds that approval of the Pilot Project would support the delivery of reliable service in an environmentally responsible manner at the lowest possible cost to consumers, as required by the provincial power policy set out in EPCA. The Board will approve Newfoundland Power's request to recover the costs of the Pilot Project through the Electrification Cost Deferral Account.

Pursuant to Section 28(2) of the Regulations made under the Public Utilities Act, RSNL, c. P-4 7 (the "Act"), the Consumer Advocate requests that the Board rehear the matter because the decision is inconsistent with earlier Board Orders, namely, P.U. 33(2022) relating to NP's 2021 Electrification, Conservation and Demand Management Application, P.U. 38(2022) relating to Newfoundland Power's

2023 Capital Budget Application, and P.U. 21(2023) relating to Hydro's recent application for the Construction and Installation of Ultra-Fast Electric Vehicle Charging Stations.

Basis for the Consumer Advocate's Request for Re-hearing

In the Application (para. 3) Newfoundland Power states:

In Order No. P.U. 33 (2022), the Board confirmed that it continues to believe appropriate electrification initiatives, combined with measures to reduce peak load, are likely to lead to positive outcomes for customers in the long term. The Board invited the the Applicant, along with Newfoundland and Labrador Hydro, to file subsequent applications for the approval to recover the cost of specific electrification initiatives which are shown to be appropriate for this province at this time.

A number of points made in Board Order No. P.U. 33(2022) are directly relevant to the Application on the pilot project, as follows:

- 1) (Page 11) *"The potential benefits of electrification initiatives for this Province was raised in the Board's 2019 rate mitigation review. ... the recovery of the costs of the Muskrat Falls Project from customers on the Island Interconnected system is expected to place significant upward pressure on rates."*

(Page 14, with respect to the near-term rate impacts of electrification programs) *"While the rate increases in the early years are not forecast to be large the Board has concerns as to whether these measures should be approved considering the other pressures on rates at this time and the uncertainties as to the estimated long-term benefits."*

Relevance: Rates for customers on the Island Interconnected system continue to be under significant upward pressure and approval of the pilot project at this time will add to the near-term rate pressure. Adding \$1.5 million to customer rates would be an additional cost.

- 2) (Page 11, with respect to the Board's conclusion that maximizing domestic load is likely the best means of accomplishing rate mitigation) *"The Board recommended that the utilities and Government should develop a comprehensive and coordinated approach to develop the most appropriate programs for the Province."*

Relevance: There is no evidence on the record that the utilities and the Government have developed a comprehensive and coordinated approach to electrification in the province. Quite simply, as of yet, there is no plan and no explanation as to how the pilot project would fit into it, if at all. Allowing a piecemeal approach is inconsistent with the Board's conclusion that a comprehensive and coordinated approach is needed.

- 3) (Page 11) *"... the Board is required to apply tests which are consistent with generally accepted sound public utility practice. As the Board has stated previously with respect to mini-split heat pump CDM initiatives, approaches that do not result in overall system savings and savings to all customers should not be approved."*

Relevance: Tests have not been developed or approved by the Board that show electrification initiatives will result in system savings or savings to all customers. Neither has it been shown that conducting the pilot project at this time is necessary or useful. As discussed in the submission of the Consumer Advocate there are in fact a number of very good reasons for delaying the pilot

project until technology has stabilized somewhat and there is a meaningful and representative sampling of customers in the province with EVs. The evidence shows that the province is lagging other provinces in EV adoption. The province should take advantage of this lag by delaying the pilot project until there is a more representative sample of EV owners in the province and the benefits and impacts of electrification are better informed. There is nothing on the record showing that the pilot project will result in savings to all customers if carried out at this time rather than at some point in the future. As argued in the Consumer Advocate's submission, the need for undertaking the project now is dubious at best.

- 4) (Page 13 with respect to electrification programs) *"The Board notes, however, that the estimated benefits are subject to variances in a number of key assumptions, including future rates and sales estimates. Sensitivity analyses shows that relatively small changes in several key assumptions can impact the estimated rate mitigation benefits significantly over time."*

Relevance: Future rates and sales estimates continue to be significant unknowns. There is no more understanding now than when the Board's Order was issued in 2022. The utilities are unable to quantify EV penetration rates or predict the types of chargers that are likely to become prevalent. The estimates of EV adoption submitted in evidence clearly show that there is no urgent need to conduct the pilot project at this time (see Consumer Advocate's submission). By waiting to conduct the pilot project the uncertainties identified in the Board's Order will be better informed.

- 5) (Page 14) *"Based on the evidence there is no Canadian precedent for the recovery of EV incentive costs from utility customers as EV incentives are typically matters of public policy in Canada and, as such, funded by government and not ratepayers. The evidence in this proceeding raises significant concerns in relation to whether it would be appropriate for the costs of incentives for EVs to be recovered from customers in this Province at this time."*

Relevance: The Board should not approve the pilot project because it proposes to recover the cost of incentives, namely EV charging equipment, from customers. As pointed out in the Consumer Advocate's submission, under the pilot project up to 75% of participating EV owners (150 out of 200) will each be given approximately \$2,000 worth of Level-2 charging equipment. This expenditure of \$300,000 will prove nothing other than that EV owners who chose not to purchase Level 2 smart chargers will accept them when provided at no charge. More worrisome is the fact that this expenditure makes the sample in the pilot project unrepresentative. According to NP, 75% of participants will not have Level 2 smart chargers. Those EV owners decided not to purchase Level-2 smart chargers and are presumably making do with Level-1 chargers that come with an EV purchase. In short, the population of EVs appears to be: 25% with Level 2 smart chargers and 75% without. The pilot project requires 100% of participants to have Level 2 smart chargers, which is not representative of the existing 25%/75% distribution, and this bias is the result of NP's proposed incentives that it wants to recover from its customers.

EV charging demand can readily be managed by simply introducing time-of-use rates and using an app such as Alexa to ensure EVs are charged only during lower-cost off-peak periods, thus avoiding the need for peaking generation. A \$1.5 million pilot project is not necessary to gain an understanding of this type of consumer behaviour.

- 6) (Page 15) *"The Board concludes that the request by the utilities for approval to use the mTRC test in the economic evaluation of electrification programming with supporting NPV analysis should not be approved at this time. The utilities have not shown that the proposed approach would ensure*

that electrification programming is consistent with the provision of least-cost service or that it is consistent with generally accepted sound public utility practice.”

Relevance: Customers should not be required to fund the pilot project when the utilities have not even developed a test that shows electrification and more specifically, EV charging incentives and programs, are consistent with the provision of least-cost service and generally accepted sound public utility practice. The need for the pilot project at this time has not been established, let alone that the need is urgent. In P.U. 23(2023), the Board referred to potential peak savings in 2040 but that is 17 years from now. The Board also stated that Hydro expects more than 65,000 EVs in the province by 2033, but that is a decade from now.

- 7) (Page 18) *“...in the case of load management measures, the utilities may present evidence as to the criticality of these measures and capacity cost savings, and for customer research and pilot programs, evidence may be presented as to the need for the information which will be gathered.”*

Relevance: The Application has not established that conducting the pilot program at this time is needed, let alone **“critical”**. As stated by NP in CA-NP-111 (NP 2024 Capital Budget Application) with respect to Advanced Metering Infrastructure (AMI) *“AMI technology has continually evolved with improved communication networks and additional functionality. Installing AMI meters too far in advance of an AMI implementation increases the risk of the meters becoming obsolete prior to the full AMI implementation. This could also increase costs to customers as a result of the higher cost of AMI meters compared to AMR meters.”* This same argument applies to the EV charger load management pilot program – it is premature to undertake the pilot project at this time as EV charging technology may change substantially before EVs become a large proportion of on-road vehicles in the province.

Board Order No P.U. 38(2022), which dealt with Newfoundland Power’s 2023 Capital Budget Application, and Board Order 21(2023), which dealt with Hydro’s application for the Construction and Installation of Ultra-Fast Electric Vehicle Charging Stations, are also relevant.

(P.U. 38(2022) Page 32) *“Newfoundland Power’s proposed multi-year construction and purchase of improvements or additions to its property, with the exception of the proposed Electric Vehicle Charging Network, as set out in Schedule B to this Order, are approved.”*

(P.U. 21(2023) Page 3) *“The costs related to the proposed electric vehicle chargers should not be included in Hydro’s regulated rate base or recovered from customers at this time.”*

Relevance: The Board has been reluctant to approve EV charging infrastructure except in cases where the costs are either funded by government or not included in utilities’ rate bases. It is noteworthy that neither Newfoundland Power nor Hydro’s 2024 Capital Budget Applications seeks funding for EV charging infrastructure. Hydro’s July 27, 2023 supplemental Application for the Construction and Installation of Ultra-Fast Electric Vehicle Charging Stations did request approval for a budget of approximately \$2.1 million but up to \$2 million of that would be funded by government and the small remainder would be covered by Hydro but not included in its rate base and thus not recovered from its customers. That is why the Consumer Advocate did not oppose Hydro’s application. In contrast, Newfoundland Power wants its customers to pay for the EV load management pilot project. There is no evidence on the record that Newfoundland Power approached either level of government in an effort to secure funding for any portion of the pilot project.

The acceleration of EV adoption is a policy of government. Purchases of EVs are encouraged by and subsidized by governments, both federal and provincial. As well, governments support other means to accelerate EV adoption, such as providing funding for EV charging stations. A pilot project intended to assess the future impact of EV adoption is the result of such policy and is within the ambit of that policy. Therefore, it should be funded by government. The logic behind the Board's reluctance to place the cost of EV charging networks on ratepayers extends to Newfoundland Power's pilot project application.

Finally, there is an issue of duplication which arises. There is currently a load research study and rate design review which was included in the settlement agreement in relation to Newfoundland Power's 2022-2023 GRA, which was approved by the Board in Order No. P.U. 2(2022). Presumably, the load research study would be deficient if it did not include issues pertaining to electric vehicle loads. Clearly, there is an overlap in these studies and there is no reason why the load research and rate design study, which was agreed to in the settlement agreement, could not include coverage of the information being sought in the pilot. Ratepayers should not be required to pay for the comprehensive load research study and rate design review as well as the EV Pilot Project.

Summary

The Consumer Advocate requests a re-hearing of Newfoundland Power's *Application for EV Load Management Pilot Project* on the grounds that Board Order No. P.U. 23(2023) is inconsistent with several positions expressed by the Board in its previous Orders No. P.U. 33(2022), P.U. 38(2022) and P.U. 21(2023).

Further, the overlapping of studies, as referenced above, was not reasonably considered, nor the duplication of costs to ratepayers in this regard.

Alternatively, the Consumer Advocate requests that the implementation of Order No. P.U. 23(2023) be deferred until:

- a) The GRA settlement Load Research Study has been completed to determine if any further load study is required specific to electric vehicles; and,
- b) Such time as the Board clarifies this 2023 decision to impose the cost burden of the EV pilot project on all ratepayers, while, in the 2022 Order, refusing to place the cost burden of EV charging stations on these same ratepayers.

Yours truly,



Dennis Browne, KC
Consumer Advocate

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