

1 Q. Is there scope for NLH, or non-utility generators, to develop other hydro
2 sources on the Labrador coast that could provide communities with a more
3 cost-effective supply of electricity?
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5 A. It is Hydro's experience and from past studies and analyses, that diesel
6 generated electricity is the most cost effective method for supplying isolated
7 rural communities on the Labrador Coast. There are a number of
8 fundamental reasons for this result. They are:
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- 10 • Optimum hydroelectric project developments are too large in capacity
11 relative to the size of the community loads and highly capital intensive,
12 making development uneconomic;
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- 14 • Larger sites in particular would be considered environmentally sensitive;
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- 16 • Hydroelectric projects would primarily be run-of-river projects (relatively
17 little water storage capability) to keep capital cost to a minimum, but offer
18 only energy and no firm capacity to a diesel system. The diesel systems
19 still need to be maintained and operated for capacity and reliability of
20 supply. Therefore, developments are justified on the basis of fuel
21 displacement only and do not displace the fixed costs of a diesel system.
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23 Regardless of Hydro's findings, the opportunity exists for non-utility
24 generators to develop generation alternatives to diesel generation. Since
25 1987, Hydro has had a policy in place for the purchase of energy from non-
26 utility projects. Please refer to CA-80 NLH. To this point in time, except for
27 the Mary's Harbour Hydro project, no other private developer has availed of
28 Hydro's policy.