

1 Q. On page 13 (of 74) of Attachment 1 to Newfoundland and Labrador Hydro's reply document,
2 Midgard Consulting states the following:

3 Provincially, the recent changes to Newfoundland and Electrical Power Control
4 Act, 1994 add a requirement for NLH to consider environmental effects.
5 However, as NLH has already been ensuring compliance with environmental
6 regulations and has been actively working to reduce greenhouse gas ("GHG")
7 emissions, this new provincial legislation is not anticipated to impact the
8 generator selection in Southern Labrador.

9 It is concluded that the current known regulatory regime does not impact the
10 selection of this generation source for a load not interconnected to a NERC
11 [North American Electric Reliability Corporation] system as in Southern
12 Labrador.

13 The above reply by Midgard Consulting appears to be in contrast to NLH's prior response to
14 Requests for Information PUB-NLH-067 and NCC-NLH-003 regarding the requirement to produce
15 power pursuant to the new legislative requirement of "... in an environmentally responsible
16 manner."

17 Please confirm any justification and rationale for how the proposed regional diesel plant is
18 environmentally responsible, as well as any analysis that was completed to reach this
19 conclusion.

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22 A. Newfoundland and Labrador Hydro ("Hydro") does not believe that Midgard Consulting Inc.'s
23 ("Midgard") statement, as referenced by the NunatuKavut Community Council, is in contrast
24 with Hydro's responses to PUB-NLH-067 and NCC-NLH-003 of this proceeding. Hydro
25 acknowledged in its responses that it is mandated to provide power to its customers at the
26 lowest possible cost, in an environmentally responsible manner, consistent with reliable service.
27 Midgard's statement indicates that Hydro had already been ensuring compliance with
28 environmental regulations and working to reduce greenhouse gas emissions. Hydro reads
29 Midgard's statement as indicating that Hydro had been and is meeting the mandate of acting in
30 an environmentally responsible manner. Hydro's responses further detail how it balances the

1 requirement to be environmentally responsible with the additional requirements of providing
2 reliable service at the lowest possible cost.

3 As detailed in Hydro's response to PUB-NLH-067 of this proceeding, when evaluating project
4 alternatives, Hydro must not solely consider environmental impacts; rather, Hydro must balance
5 cost, reliability, and environmental impacts. Hydro has a legislated obligation to serve its
6 customers in southern Labrador in a safe, reliable, and environmentally responsible manner,
7 while managing the costs borne by ratepayers across the province. As stated by Midgard, Hydro
8 also has an obligation to comply with all provincial and federal legislation, including
9 environmental legislation; these requirements are not mutually exclusive. To Hydro's
10 knowledge, the federal Clean Electricity Regulations currently under development will represent
11 the most stringent environmental legislation governing electricity generation in Canada. Based
12 on the current draft of the regulations and messaging from Environment and Climate Change
13 Canada, Hydro fully expects that rural, isolated systems will be exempt from the Clean Electricity
14 Regulations.¹

15 While Hydro recognizes that recent changes made to provincial legislation may enable the
16 consideration of higher-cost alternatives in the interest of reduced environmental impacts,
17 Hydro does not believe that mitigation of environmental impacts negate the requirement for
18 prudent cost management. The aforementioned requirements must all be considered and
19 balanced in providing service to customers. Alternatives for southern Labrador that do not rely
20 on fossil fuels have been estimated to cost significantly more than Hydro's proposed alternative,
21 by a factor of hundreds of millions of dollars. Hydro also notes that solutions involving the
22 continued use of local diesel generating stations, such as the reconstruction of a diesel
23 generating station in Charlottetown, are expected to have greater environmental impacts for
24 the foreseeable future, due to the operation of multiple diesel generating stations with smaller
25 units and lower efficiency.

26 In the case of long-term supply for southern Labrador, Hydro notes the proposed project meets
27 all environmental guidelines and legal requirements and is expected to have the least

¹ The current draft of the Clean Electricity Regulations exempt non-North American Electric Reliability Corporation (NERC) regulated units as well as units with a capacity not exceeding 25 MW, both of which would exempt Hydro's isolated systems from the Clean Electricity Regulations.

- 1 environmental impact of any of the alternatives deemed technically and economically viable.
- 2 Any alternatives that would be perceived as optimal from an environmental standpoint were
- 3 deemed not to provide a tenable balance between cost, reliability, and environmental impacts.