

1 Q. **Reference: Midgard Consulting March 28, 2023 Report - Southern Labrador Communities –**  
2 **Integrated Resource Plan**

3 Page 5 of 103, line 27, states that Midgard’s preferred approach has a net present cost that is \$5  
4 million less than the phased approach proposed by Hydro. Please detail the reasons for the  
5 lower net present cost estimate by Midgard.

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8 A. *This response has been provided by Midgard Consulting Inc.*

9 As outlined in the response to PUB-NLH-070 of this proceeding, the reason the cost of the  
10 preferred approach is less than that of the phased approach is primarily due to the savings in  
11 fuel costs provided by servicing the load from a centralized facility using larger, more efficient  
12 generators. This increase in fuel efficiency savings is larger than the additional cost due to earlier  
13 deployment of assets. In general, for thermal (diesel) power plants, the dominant cost is  
14 operational fuel cost. Furthermore, due to the passage of time since Newfoundland and  
15 Labrador Hydro’s initial estimates, costs associated with future phases are discounted over a  
16 shorter period and therefore have a higher net present value. It should also be noted that the  
17 additional cost to be incurred at Mary’s Harbour to maintain it in an operational state also favor  
18 full interconnection.