

1 Q. **Reference: Application, Page 9, Figure 2**

2 Why does Hydro consider alternative 1 as the base case for the purposes of comparison?

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5 A. Typically, Newfoundland and Labrador Hydro (“Hydro”) would use the status quo as the base
6 case for the purposes of its cost-benefit analysis. However, the existing supply configuration for
7 customers previously served by the Charlottetown Diesel Generating Station was implemented
8 as an interim solution and was only intended to be used until an appropriate long-term solution
9 was implemented. Continued use of the mobile gensets in Charlottetown without additional
10 capital investment is not a viable alternative as it would present an unacceptable level of risk to
11 safety and reliability, as well as concerns regarding increased environmental risks and operating
12 costs. The specific nature of each of these risks and concerns is further outlined in Hydro’s
13 application¹ and its response to PUB-NLH-001, Attachment 1.

14 As noted in Hydro’s application, capital investment of at least \$10.4 million² is required to
15 mitigate risks associated with the safety, reliability, environmental, and cost control issues
16 associated with the existing mobile generation and ensure reliable long-term operation.³ Since
17 Alternative 1 represents the level of investment required to continue using the mobile
18 generators to supply Charlottetown, Hydro considers it to be the best representation of the
19 status quo. Therefore, Hydro believes Alternative 1 is the most appropriate scenario for use as
20 the base case in its analysis.

¹ “Long-Term Supply for Southern Labrador – Phase 1,” Newfoundland and Labrador Hydro, July 16, 2021, sch. 1, att. 1, sec. 3.2, pp. 14–17.

² Based on a Class 5 estimate.

³ The scope of the work required to upgrade the existing mobiles in Charlottetown is described in “Long-Term Supply for Southern Labrador – Phase 1,” Newfoundland and Labrador Hydro, July 16, 2021, sch. 1, att. 1, sec. 4.1, pp. 22–23.