

1 **Q. (Reference Application) In light of existing and proposed 'green energy'**
 2 **initiatives by the governments of Canada and Newfoundland and Labrador, has**
 3 **Newfoundland Power analyzed the possibility that capital expenditures on**
 4 **thermal capacity and thermal energy may become stranded? If so, please**
 5 **provide copies of all such analyses.**

6
 7 **A. A. General**

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 9 Newfoundland Power has six thermal generation units ("thermal plants") with a total
 10 generation capacity of 44.5 MW. These thermal plants are used to provide standby and
 11 emergency generation, both locally and for the Island Interconnected System, and to
 12 minimize customer outages during scheduled maintenance on transmission, distribution
 13 or substation assets.

14
 15 Four of the thermal plants are stationary. These include the Wesleyville gas turbine,
 16 Greenhill gas turbine, Port aux Basques diesel generator, and the Mobile Gas Turbine
 17 ("MGT").¹ Two of the thermal plants are mobile. These include the Mobile Diesel #3
 18 and Mobile Gas Turbine #2 ("MG2").

19
 20 Capital expenditures undertaken by Newfoundland Power, including those related to the
 21 Company's thermal plants, are approved by the Board when proven to be justified.
 22 Capital expenditures proposed by the Company consider an asset's service life, the
 23 benefits to be delivered to customers, and any risk of the asset becoming stranded.
 24 This is done in accordance with Newfoundland Power's obligation to provide reliable
 25 service to customers at least cost, in an environmentally responsible manner.

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 27 **B. Environmental Regulations**

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 29 The Government of Canada published a draft of proposed Clean Electricity Regulations
 30 ("CER") on August 10, 2023.² The CER are intended to help Canada achieve a net-zero
 31 electricity grid in 2035, while maintaining reliability and affordability. The Federal
 32 Government is accepting feedback on the proposed regulations until November 2, 2023,
 33 with the goal of publishing final regulations in 2024.³

34
 35 The CER, as proposed, will not impact the operation of Newfoundland Power's thermal
 36 plants. It is noted that the CER will apply to units that have a generation capacity of
 37 25 MW or more.⁴ All of the Company's thermal plants have a generation capacity of
 38 20 MW or less and therefore would not be subject to the regulations. Further, the CER

¹ The Wesleyville gas turbine, Greenhill gas turbine, Port aux Basques diesel generator and MGT have maximum capacities of 8.0 MW, 20.0 MW, 2.5 MW, and 6.0 MW, respectively. MGT is no longer able to be transported due to the deteriorated condition of the trailer chassis. It is now permanently stationed at the Company's Grand Bay Substation on the southwest coast of Newfoundland.

² See Government of Canada (n.d.). *Clean Electricity Regulations*. Retrieved August 22, 2023 from <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/clean-electricity-regulation.html>

³ Ibid.

⁴ See *Clean Electricity Regulations Unofficial Version*, pages 4 to 5.

1 provides an exemption for use of emitting sources in emergency circumstances to avoid
2 outages and to restore power at peak times.⁵

3
4 The Company continues to monitor the development of CER as part of planning studies
5 with its thermal generation. With the release of the draft CER, these regulations are not
6 expected to result in Newfoundland Power's thermal plants becoming stranded.

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8 The Provincial House of Assembly passed Bill 34 which implemented a number of
9 amendments to the *Public Utilities Act* and the *Electrical Power Control Act, 1994* (the
10 "EPCA") on May 25, 2023.⁶ The amendments introduced the requirement that all
11 sources and facilities for the production, transmission and distribution of power in the
12 province should be managed and operated in an environmentally responsible manner, in
13 addition to being provided at the lowest possible cost consistent with reliable service.

14
15 With the amendment to the EPCA it would be reasonable for the Board to consider other
16 regulations such as the CER which recognizes the critical role of thermal generation in
17 maintaining reliable service for customers. It is expected that thermal plants will
18 continue to play a role in effectively balancing the considerations of cost, reliability and
19 environmental responsibility.

20
21 The requirement for Newfoundland Power to deploy thermal plants has been recognized
22 by the Board in previous orders. In its order approving MG2, the Board stated:

23
24 *The Board believes that the mobile gas turbine is an important asset for*
25 *Newfoundland Power's operations and supports the company's ability to*
26 *supply power to customers in all service areas on the island during*
27 *extended outages, whether unplanned or planned.*⁷

28
29 Newfoundland Power views its thermal plants as necessary to fulfill the Company's
30 obligation to provide reliable and environmentally responsible service to customers at
31 least cost in accordance with provincial legislation. As a result, the Company does not
32 expect that capital investment in its thermal plants will become stranded.

⁵ Ibid., page 6.

⁶ See *An Act to Amend the Electrical Power Control Act, 1994 and the Public Utilities Act*, SNL 2023, c. 10.

⁷ See Board Order No. P.U. 37 (2017), page 7, lines 28 to 30.