

1 Q. **Reference: Midgard Consulting *Southern Labrador Communities – Integrated Resource Plan,***
2 **March 28, 2023, Page 5, Lines 19-24.**

3 *“A series of supply scenarios, capable of meeting NLH’s capacity, reliability, and*
4 *energy supply requirements, were developed. These included alternatives*
5 *previously studied by NLH as well as some new ones (such as the use of*
6 *compressed natural gas as a fuel source). Various scenario parameters were*
7 *investigated, including transmission and generation alternatives with varying*
8 *levels of project phasing to defer capital costs. Scenarios were compared using a*
9 *25-year Discounted Cash Flow (“DCF”) Model. A planning period of 25-years is*
10 *considered appropriate for this study.”*

11 Midgard’s recommended alternative involves the immediate construction of a 25kV
12 interconnected system and regional diesel generating station at a cost of \$86.4 million. Other
13 alternatives include phased approaches that involve capital expenditures over a longer period of
14 time as those capital expenditures are required. How has Midgard assessed the risk that its
15 recommended alternative may not continue to be the least-cost alternative over the 25-year
16 planning period due to unforeseen factors such as a decline in customer load in southern
17 Labrador.

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20 A. *This response has been provided by Midgard Consulting Inc. (“Midgard”).*

21 A requirement for prudent planning is to adopt credible load forecasts to determine energy
22 supply requirements. This was the approach used in the “Southern Labrador Communities -
23 Integrated Resource Plan” (“Midgard IRP”),¹ filed with the Board of Commissioners of Public
24 Utilities on March 31, 2023.² The preferred solution adopted from the Midgard IRP has been
25 staged to meet existing load requirements.

1 “Southern Labrador Communities - Integrated Resource Plan,” Midgard Consulting Inc., March 28, 2023.

2 “Long-Term Supply for Southern Labrador – Phase 1 – Midgard Consulting Inc. Report,” Newfoundland and Labrador Hydro, March 31, 2023, att. 1.

1 Please refer to the Midgard IRP for further discussion on changing customers loads, as Midgard
2 considered the potential for a reduction in customer load as part of its sensitivity analysis.³

3 The preferred solution is largely insulated from the risk of future demand reduction as a result
4 of a declining customer load. A reduction in customer load would result in lower fuel cost which
5 would reduce the Net Present Cost of the chosen alternative.

³ "Southern Labrador Communities - Integrated Resource Plan," Midgard Consulting Inc., March 28, 2023, p. 88/1–11.