Q. **Reference: Attachment 1- Long-Term Supply for Southern Labrador - Economic and Technical Assessment**

In light of the recent passing of Bill C-12 by the Canadian government with the objective of attaining net-zero emissions by 2050 with incremental five-year targets beginning in 2030 to attain the net-zero goal, does Hydro anticipate any climate-related regulatory impediments to maintaining a diesel generating solution for Southern Labrador beyond, or even before, 2050? Please outline any contingency plans Hydro has in the event that government climate policy at some point in the future may either preclude fossil fuel generation or introduce regulations which make continued use of fossil fuel generation more costly.

A. As noted in Newfoundland and Labrador Hydro's ("Hydro") response to PUB-NLH-001, Hydro is aware that the long-term objective of the government is to reduce reliance on fuel consumption and is working with the federal government on its objective to attain net-zero emissions by 2050.[1] However, based on the technologies which are currently available, Hydro does not foresee a scenario whereby diesel generation equipment will not be required in some form to support firm generation during periods when renewable energy sources (run-of-river hydro, wind, and solar) are unable to generate. As the development of technologies to firm up renewable energy resources takes time and Hydro would not be able to implement such technologies in its isolated communities until they are proven to be reliable and are the most cost-effective solution for the provision of reliable power, Hydro does not expect to be able to make a complete transition from diesel generation in its isolated communities in the foreseeable future.

[1] Hydro has met with the Department of Crown-Indigenous Relations and Northern Affairs Canada ("CIRNAC") and Natural Resources Canada ("NRCAN") on multiple occasions in 2019 and 2020 to discuss energy priorities and a longer-term vision for the energy future of Labrador, including discussions on the Clean Energy for Rural and Remote Communities funding program and some proposed projects. Hydro has also received funding from CIRNAC through the Northern REACHE program to fund the *Labrador Interconnection Option Study* (provided in Hydro's response to PUB-NLH-015). Finally, Hydro is a participant in an advisory committee for a NRCAN and CIRNAC study that has the objectives to identify, research and analyze the policy, technical, regulatory and financial conditions faced by utilities in regard to clean energy development in remote communities. Work on this committee is currently ongoing and the study is scheduled to be complete by the end of March 2022.

Hydro believes the risk that government climate policy in the foreseeable future, and particularly in the next 15 years, will either preclude fossil fuel generation or introduce regulations which make continued use of fossil fuel generation more costly than alternative sources of firm generation capacity is very low. Since Hydro's analysis indicates that Alternative 3a is the least-cost alternative and its benefits are realized at approximately 15 years into the study period,[2] it would not be beneficial to rate payers to defer interconnection as doing so requires Hydro to continue to invest in individual, community-based isolated diesel systems which are not the least-cost alternative and which would be subject to the same policies and regulations as the regional diesel generating station.

Hydro believes the best approach for working towards compliance with climate policies and reducing reliance on diesel generation is to prepare for the incorporation of non-firm renewable sources which would reduce diesel fuel consumption. As noted in Hydro's response to PUB-NLH-001, the proposed regional interconnection will create a system that will better attract and allow for economically feasible renewable energy projects.

[2] Please refer to Hydro's response to PUB-NLH-001, Attachment 1, Chart 1.