

1 Q. **Re: Letter from NLH to Board dated November 30, 2018,**

2 Preamble:

3 The table shows commissioning of «Transmission/Muskrat Falls TS2 Expansion»
4 ending in December 2019, and commissioning of «Happy Valley Terminal Station
5 upgrades/expansion» ending in October 2020.

6

7 Preamble:

8 “Therefore, the transmission line extension and Muskrat Falls TS2 work is scheduled
9 for completion by December 2019, and the Happy Valley work will continue into
10 2020 and be complete by December 2020.” (p3)

11

12 a) Please break down the total project costs between «Transmission/Muskrat Falls
13 TS2 Expansion» and «Happy Valley Terminal Station upgrades/expansion».

14 b) Please confirm that « the Project » consists of both of these components, and so
15 that the Project will not be fully commissioned until October 2020.

16 c) Please explain Hydro’s understanding of the implications of this provision and,
17 for greater clarity, indicate the rate base amounts related to the MF-HV Project
18 at the end of 2019, 2020 and 2021, under the following hypotheses :

19 a. The Board approves the Project in or before February 2019;

20 b. Hydro’s 2017 GRA Compliance Filing is filed in March and approved in
21 April;

22 c. Construction of « Transmission/Muskrat Falls TS2 Expansion » is
23 completed in 2019, and

24 d. Construction of « Happy Valley Terminal Station upgrades/expansion » is
25 completed in 2020.

1 A.

2 a) The total project costs for Transmission/Muskrat Falls TS2 Expansion and Happy
3 Valley Terminal Station upgrades/expansion are as shown in Table 1.

Table 1: Breakdown of Project Cost by In-Service Scope

Item	Estimated Cost
Transmission/Muskrat Falls TS2 Expansion	\$ 9,452,900
Happy Valley Terminal Station upgrades/expansion	\$ 11,344,600
Total	\$ 20,797,500

4 b) The transmission line construction and Muskrat Falls TS2 work will be fully
5 commissioned and in-service by December 2019 and will be included, as such, in
6 Newfoundland and Labrador Hydro's ("Hydro") 2019 closing rate base for rate
7 making. The Happy Valley Terminal Station work will be commissioned and in
8 service in 2020, and will be reflected in Hydro's next General Rate Application.

9

10 c) Based on its most current forecast, Hydro expects the value of capital assets
11 placed into service to be approximately \$9.5 million in 2019 and \$11.4 million in
12 2020 related to the Muskrat Falls to Happy Valley Interconnection Project.
13 Consistent with the Labrador Settlement Agreement and the assumptions listed
14 above, Hydro will include the approximately \$9.5 million in its closing 2019 Test
15 Year rate base for setting customer rates.

16

17 The inclusion of approximately \$9.5 million in Hydro's closing 2019 Test Year
18 rate base will result in approximately \$4.7 million in average rate base being
19 recovered from customer rates. Capital additions occurring subsequent to 2019
20 will not be recovered from customers until Hydro's next General Rate
21 Application.

2018 Capital Budget Application - Muskrat Falls to Happy Valley Interconnection

Table 2: Forecast Average Rate Base Related to the Muskrat Falls to Happy Valley Interconnection Project by Year¹ (\$ millions)

Particulars	2019	2020	2021²
Average Rate Base	4.7	15.1	20.8

¹ Excluding the impact of depreciation.

² Hydro notes the value of rate base (excluding depreciation accumulated amortization) will not change for years beyond 2021.