

2018 Capital Budget Application – Muskrat Falls to Happy Valley Interconnection Project

1 Q. **Reference: Hydro’s letter Re: Newfoundland and Labrador Hydro – 2018 Capital**
2 **Budget Application – Muskrat Falls to Happy Valley Interconnection Update,**
3 **Dated November 30, 2018, page 1.**

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5 *“Two new 315 kV transmission lines interconnect Churchill Falls and*
6 *the new Muskrat Falls Terminal Station 2 (“Muskrat Falls TS2”). The*
7 *Project was proposed as the least-cost option to improve service*
8 *reliability to the Labrador East section of the Labrador*
9 *Interconnected System, and to provide sufficient transmission*
10 *capacity to serve the installed load base.”*

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12 With the anticipated completion of the Muskrat Falls Project, including the 315kV
13 Labrador Transmission Assets between Muskrat Falls and Churchill Falls, will the
14 Island Interconnected System and the Labrador Interconnected System continue to
15 be treated separately from a cost of service perspective? If so, please provide the
16 supporting rationale.

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19 A. Newfoundland and Labrador Hydro (“Hydro”) anticipates that this matter will be
20 dealt with in the Cost of Service Methodology Review later in 2019. Hydro filed its
21 Cost of Service Methodology Application with the Board of Commissioners of Public
22 Utilities on November 15, 2018.

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24 In OC2013-343, Government provided a directive setting forth the requirement for
25 the cost of supply from the Muskrat Falls Project (including the Labrador-Island Link
26 and the Labrador Transmission Assets) to be recovered in full through Island

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1 Interconnected rates charged to the appropriate classes of ratepayers.¹ This
2 Government direction exempts customers on the Labrador Interconnected System
3 from paying costs related to the Muskrat Falls project.

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5 Hydro proposes to maintain separate cost of service studies for the Labrador
6 Interconnected System and the Island Interconnected System for use in
7 determining customer rates. This approach is consistent with the Government
8 direction exempting customers on the Labrador Interconnected System from paying
9 costs related to the Muskrat Falls project.

¹ Section 5.1(2) of the *EPCA* sets forth the authority of the Government to direct the Board to implement policies, procedures and directives with respect to the Muskrat Falls Project.