

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 Will there be any cost impact on Newfoundland Power or its customers as a result
13 of Hydro’s proposed Muskrat Falls to Happy Valley Interconnection project?

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16 A. There will be no direct impact on Newfoundland Power or its customers as a result
17 of the proposed project. In its 2017 General Rate Application, Newfoundland and
18 Labrador Hydro has proposed to recover the cost of the Muskrat Falls to Happy
19 Valley Interconnection project from customers on the Labrador Interconnected
20 System. Therefore, there is no direct cost impact on Newfoundland Power or its
21 customers.

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23 However, an increase in the test year cost of serving the Labrador Interconnected
24 System does impact the test year rural deficit allocation between Newfoundland
25 Power and the Hydro Rural Labrador Interconnected customers. Therefore,
26 Newfoundland Power and its customers could see an indirect impact through the
27 rural deficit allocation.