

1 Q. **Reference: 2018 Cost of Service Methodology Review Report dated November 15, 2018**

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3 Why was the Muskrat Falls project committed for construction and how has this been
4 reflected in Hydro's proposed cost of service methodology? Please address the project as a
5 whole, and its individual components; i.e., Muskrat Falls generation, LIL and LTA. In Hydro's
6 opinion, has this been accurately reflected in the Brattle Group Inc review of Hydro's
7 proposed cost of service methodology (May 3, 2019 report by Brattle Group, Inc entitled
8 *Embedded and Marginal Cost of Service Review*)? If not, please explain.

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11 A. The Island Interconnected Option, which included the Muskrat Falls Generating Station,
12 Labrador Transmission Assets and the Labrador-Island Link, was selected as the least-cost
13 alternative to replace the Holyrood Thermal Generating Station primarily based on the
14 projected long-term fuel cost savings. Newfoundland and Labrador Hydro ("Hydro")
15 considered most of the costs of the project to be energy related and has proposed to
16 functionalize the entire project as generation. For further discussion of the manner in
17 which the Muskrat Falls Project was reflected in Hydro's proposed Cost of Service
18 Methodology and its opinion of The Brattle Group, Inc.'s review of Hydro's Cost of Service
19 Methodology, please see Hydro's response to PUB-NLH-034.