

1 Q. **With reference to Exhibit 1 of the COS Methodology Review Report, at page 3 of 3,** please  
2 explain why Muskrat Falls levelized cost per kW includes cost related to transmission  
3 facilities (LIL and LTA).

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6 A. The Muskrat Falls Generating Station, the Labrador-Island Link (“LIL”) and the Labrador  
7 Transmission Assets (“LTA”) comprise the Muskrat Falls Project. It is an integrated project,  
8 where each facility element (i.e., Muskrat Falls, LIL, LTA) contributes to the result of lifetime  
9 fuel cost savings. The primary purpose of the Muskrat Falls Project is to replace the  
10 Holyrood Thermal Generating Station on the Island Interconnected System and displace the  
11 requirement for thermal generation to supply customers’ base load energy requirements.  
12 Newfoundland and Labrador Hydro believes its recommendation to functionalize the  
13 Muskrat Falls Project, including all facility elements, as a single generation project is  
14 consistent with cost causation. Please refer to response PUB-NLH-034.