

1 Q. **Labrador T&D costs**

2 **Re: CA-NLH-53, PUB-NLH-84, PUB-NLH-297**

3 Preamble:

4 CA-NLH-53 states that the costs associated with the installation of new  
5 facilities to provide construction power for Muskrat Falls was budgeted in  
6 the Test Year at \$6.1 million and would be fully contributed.

7 PUB-NLH-84 states:

8 Please note that the change in spending from 2007 to 2013 is \$41.7 million  
9 and not \$39.0 million. The \$39.0 million included the gross additions for  
10 2013 for Muskrat Falls Construction Power of \$6.1 million, rather than the  
11 average cost of \$3.1 million. There are no COS impacts because the Muskrat  
12 Falls Construction Power is fully contributed.

13 The table in PUB-NLH-84 indicates the contribution amount for Muskrat Falls  
14 Construction Power as \$3.1 million.

15 The Amended Application appears to contain no section analogous to Section  
16 3.7.1.1. "Labrador Interconnected Rate Base" of the Original Application, to which  
17 PUB-NLH-084 referred.

18 The passage quoted above from PUB-NLH-084 is not found in PUB-NLH-084 Rev. 1.

19 In the original version of the response, please explain the distinction between  
20 "gross additions" (\$6.1 million) and "average cost" (\$3.1 million) and indicate:

- 21 • if the cost of the work (described in Exhibit 3, p. 3, lines 8-13) is \$3.1  
22 million, or \$6.1million,  
23 • if Nalcor's contribution was \$3.1 million, or \$6.1 million, and  
24 • how the use of average or gross costs explains the divergence between  
25 \$39.0 million and 41.7 million.

- 1 A. (i) The total capital cost of the Muskrat Falls Construction Power related work  
 2 included in the 2013 Test Year was \$6.1 million. For Cost of Service purposes, the  
 3 average cost for 2014 and 2015 plant in service is used which amounts to \$3.1  
 4 million.  
 5
- 6 (ii) The full \$6.1 million annual capital cost was treated as fully contributed and  
 7 excluded from the calculation of Hydro's rate base.<sup>1</sup>  
 8
- 9 (iii) The net (average) plant in service asset additions between the 2007 and 2013  
 10 Test Years is \$41.7 million (not the \$39.0 million as originally filed), calculated as  
 11 follows:

	2013 TY	2007 TY	Variance
<b>As originally filed</b>			
Total Plant in Service	133.3	88.5	44.8
Muskrat Falls (full year)	(6.1)	0.0	(6.1)
Net Plant in Service	127.2	88.5	38.7
<b>Revised</b>			
Total Plant in Service	133.3	88.5	44.8
Muskrat Falls (average)	(3.1)	0.0	(3.1)
Net Plant in Service	130.2	88.5	41.7

<sup>1</sup> For Cost of Service operating and maintenance expense allocation purposes only, the \$3.1 million average cost would be added back to plant in service.