

1 Q. Please explain in detail why Transmission Demand expenses for the Labrador  
2 Interconnected System have increased more than five times in the 2015 Test Year  
3 Cost of Service compared to the 2013 Test Year Cost of Service, as shown on  
4 Schedule 2.1E of Exhibit 13, 2013 Amended General Rate Application, November  
5 10, 2014.

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8 A. Expenses for Transmission Demand as shown on Schedule 2.1E of Exhibit 13 has  
9 increased from \$976,985 in the 2013 Test Year to \$5,276,318 in the 2015 Test Year,  
10 which includes an increase in Operating and Maintenance Expense (O&M) of  
11 \$4,137,296 (\$479,418 to \$4,616,714). This increase in O&M is primarily related to  
12 the costs Hydro will be required to pay CF(L)Co for maintenance of the TwinCo  
13 assets on the Labrador Interconnected System.<sup>1</sup> As illustrated in Table 4.14 of the  
14 Evidence to Hydro's Amended Application, 63.37% of the total Transmission  
15 Demand costs will be recovered through Labrador Industrial Customers through the  
16 Labrador Industrial Transmission Rate of \$1.25/kW effective January 1, 2015.

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<sup>1</sup> The transmission lines from Churchill Falls to Labrador West are constructed and operated on land which is subleased from CF(L)Co by TwinCo. These transmission lines serve both the iron ore mines of IOCC and Wabush Mines as well as Hydro Rural Customers in Labrador West. The lines were previously maintained by CF(L)Co on behalf of TwinCo with no costs passed on to Hydro. The long standing sublease expired at the end of 2014. Discussions are ongoing regarding transfer of assets to Hydro.