

1 Q. (Reference Hydro’s 2018 Capital Budget Application, Volume 2, Tab 13 – Muskrat  
 2 Falls to Happy Valley – Interconnection) How have the costs of this project been  
 3 allocated to customers in the cost of service study and what is the rate impact on  
 4 these customers in the 2018 and 2019 Test Years?

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 7 A. The costs related to the Muskrat Falls (MF) to Happy Valley (HVY) Interconnection  
 8 have been functionalized as transmission and allocated between Hydro Rural  
 9 Labrador Interconnected customers and Labrador Industrial Transmission  
 10 customers based on single coincident peak cost allocation.

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 12 Table 1 provides the revenue requirement and rate increase impacts for these  
 13 projects in the 2018 and 2019 Test Years.

**Table 1 Estimated Revenue Requirement and Rate Increase Impacts of MF to HVY Capital Project (\$000)**

<b>Revenue Requirement:</b>	<b>2018TY</b>	<b>2019TY</b>
Depreciation	44	528
Return	683 <sup>1</sup>	1,340 <sup>2</sup>
<b>Total Revenue Requirement Impact<sup>3</sup></b>	<b>727</b>	<b>1,868</b>
Proposed Revenue Requirement	24,458	26,512
<b>% Increase Impact<sup>4</sup></b>	<b>3.1%</b>	<b>7.6%</b>

<sup>1</sup> Based on 2018 Test Year Net Book Value of \$11,926,000.

<sup>2</sup> Based on 2019 Test Year Net Book Value of \$23,587,000.

<sup>3</sup> For the Labrador Interconnected System. Excludes O&M impact.

<sup>4</sup> Total Revenue Requirement Impact / (Proposed Revenue Requirement minus Total Revenue Requirement Impact).