

1 Q. LAB-NLH-62: Re: NP-NLH-004

2

3 **Citation 1 (GRA, page 1.10, lines 19-20)**

4 Hydro is proposing that the costs to use the Muskrat Falls Project transmission
5 assets be recognized and paid for from the savings from off-island purchases.

6

7 **Citation 2:**

8 Nalcor's Power Supply division is responsible for determining the costs to operate
9 and maintain the transmission assets of the Muskrat Falls Project, specifically the
10 Labrador-Island Link and the Labrador Transmission Assets. Hydro has been advised
11 that the current estimates provided to Hydro are supported by research into
12 existing HVdc transmission assets that have high reliability requirements similar to
13 those required of the Labrador-Island Link, and based on existing practices
14 employed in Newfoundland and Labrador on AC assets. It is Hydro's understanding
15 that approval of annual O&M budgets will reside with the Boards of Directors of the
16 companies owning these assets.

17

18 **Preamble:**

19 The response suggests that the cost of using the Muskrat Falls Project transmission
20 assets will be determined by Nalcor's Power Supply division, taking into account the
21 O&M budgets determined by the Labrador-Island Link Limited Partnership and the
22 Labrador Transmission Corporation.

23

a) Please confirm or correct the statement in the Preamble.

24

25 b) Please indicate precisely what role, if any, the PUB will have in determining the
26 revenue requirements related to the transmission assets of the Muskrat Falls

1 Project, specifically the Labrador-Island Link and the Labrador Transmission
2 Assets.

3

4

5 A. a) It is confirmed.

6

7 b) Board approval is required in establishing customer rates to provide recovery of
8 the Test Year revenue requirement related to the transmission assets of the
9 Muskrat Falls Project, specifically the Labrador-Island Link and the Labrador
10 Transmission Assets; however, OC2013-343 directs the Board with respect to
11 the recovery of these cost components.

12

13 Board approval is required to establish deferral accounts and deferral account
14 recovery mechanisms, if required, to enable recovery through customer rates of
15 variances in costs than those reflected in customer rates for the transmission
16 assets of the Muskrat Falls Project.