

1 Q. What will Labrador Interconnected customers receive in return for the 8% rate increase brought  
2 on by the proposed Labrador transmission expansion plan? For example, what benefits will  
3 customers see in terms of reliability, customer quality of service, provincial economic activity,  
4 etc.

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7 A. The estimated rate increase for Newfoundland and Labrador Hydro's ("Hydro") Rural customers  
8 of 8% was based on the inclusion in determining revenue requirement of the common  
9 transmission costs related to approximately \$48 million in capital investment for the Muskrat  
10 Falls to Happy Valley Interconnection Project and upgrades to the Wabush Terminal Station and  
11 the Wabush Substation. Upon further review, it was determined that the costs associated with  
12 the Wabush Substation should be fully assigned for recovery from Hydro Rural customers as this  
13 substation only serves Hydro Rural customers. Based on this updated information, the projected  
14 increase for Hydro Rural customers is approximately 10%.

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16 Please see Hydro's response to part (a) of PUB-NLH-087 for a summary of the improvements to  
17 reliability and customer quality of service resulting from the proposed upgrades. While these  
18 reliability improvements will have an associated economic benefit due to the reduction of  
19 customer interruptions, the upgrades will also ensure sufficient system capacity for retail load  
20 growth in accordance with Hydro's 25-year baseline load forecast.