

1 Q. **Reference: Rates and Regulation Evidence**

2 Please provide the current forecast of electricity rate impacts for customers served
3 by the Island grid as a result of the proposed interconnection of Muskrat Falls to the
4 Island Interconnected System. The response should specifically include the
5 marginal cost of demand and energy delivered from Muskrat Falls to customers
6 served by the Island Interconnected System. (Rates and Regulation Evidence, page
7 4.7, lines 7-9)

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12 Hydro is continuing to analyze the optimal level of purchases from Muskrat Falls
13 versus Island generation, which will impact final costs and customer rates. Hydro is
14 also of the view that it is necessary to have a Cost of Service methodology review
15 prior to the inclusion of costs reflecting the Labrador-Island Interconnection in
16 customer rates. Therefore, the electricity rate impacts by customer class are not
17 yet available.

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19 In 2015, Hydro will complete a marginal cost study reflecting the Labrador-Island
20 Interconnection. The results of the marginal cost study will form a basis for a
21 review of customer rate design to reflect the new system cost structure.