

1 Q. **Reference: 2018 Cost of Service Methodology Review Report dated November 15, 2018**

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3 On page 34 (lines 11 to 15) of the CA Energy Consulting Report, it is stated “Also,
4 *transmission can substitute for local generation, in selected cases. For example, the recent*
5 *expansion of transmission capability in Southwest Connecticut and along California’s Path*
6 *15 rather dramatically improved flow capability, thus reducing the costs of generation by*
7 *significantly lowering congestion costs, specifically costs related to out-of-merit generation*
8 *dispatch.” In these cases, were the transmission assets classified as 100% demand related?
9 In Hydro’s opinion, should transmission assets in such cases be classified as 100% demand
10 related?*

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13 A. (i) This response has been provided by Christensen Associates Energy Consulting.

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15 CA Energy Consulting has not researched how each of these transmission projects’
16 costs were classified. However, such costs are typically subject to load ratio share-
17 based allocation. From the perspective of subfunctionalization, the topic of the report
18 section referenced, the method of classification of such facilities is not relevant. In
19 particular, when the topic is “special purpose transmission facilities”, functionalization
20 and classification decisions are specific to context, including the conditions that gave
21 rise to the installation of the facilities and costs under consideration. In this context,
22 the question as to Hydro’s views on transmission asset classification asks for views on a
23 general topic – classification of transmission assets generally – that is not relevant to
24 the question previously asked. In summary, special purpose transmission facility
25 classification and allocation is highly specific to context and a matter of discretion
26 among stakeholders, including service providers and the regulatory authority.

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28 (ii) Newfoundland and Labrador Hydro has not reviewed the cases referenced and
29 therefore has no opinion to provide.