

1 **Q:** (Reference May 3, 2019 report by Brattle Group, Inc entitled *Embedded and*
2 *Marginal Cost of Service Review*) What is the Brattle Group's understanding
3 of why the Muskrat Falls project was committed for construction and how has
4 this been reflected in its review of Hydro's proposed cost of service
5 methodology? Please address the project as a whole, and its individual
6 components; i.e., Muskrat Falls generation, LIL and LTA.
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8 A. Our understanding is that at the time the decision was taken, the Muskrat Falls
9 project was a least-cost solution to Hydro's future resource requirements, given
10 then existing demand projections and supply considerations. Our understanding of
11 why the Muskrat Falls project was committed for construction is reflected in our
12 review of Hydro's proposed cost of service methodology. As discussed in our
13 response in NP-PUB-001 ex-ante justifications for investment decisions should be
14 balanced with ex-post consumption effects on costs going forward (*i.e. the effect*
15 *that changes in demand for energy, capacity and customer has on current and*
16 *future costs*). This is reflected in our review of Hydro's proposed cost of service
17 methodology and it applies to the project as a whole as well as its individual
18 components.