

1 **Q:** (Reference May 3, 2019 report by Brattle Group, Inc entitled *Embedded and*
2 *Marginal Cost of Service Review*) Are the cost uncertainties discussed on page
3 34 of the report also relevant to the calculation of marginal costs? Are not all
4 cost of service studies based on assumptions with a level of uncertainty,
5 whether marginal cost-based or embedded cost-based? Does the Brattle Group
6 support using easily calculated, verified and precise allocators in all elements
7 of a cost of service study, or just in the case of Muskrat Falls?
8

9 A. All cost studies have a level of uncertainty and assumptions, but some are more
10 relevant than others, and here we were specifically focused on comparing the level
11 of uncertainties under two alternative cost classification approaches for Muskrat
12 Falls. One of the virtues cited for embedded cost of service studies is that, because
13 they largely if not entirely rely on historical accounting information for their
14 information, that they are subject to less uncertainty than, say, marginal cost of
15 service studies. It is generally to be preferred to not use an allocator which courts
16 controversy because of its substantial uncertainty.