

1 Q. Reference 2018 Cost of Service Methodology Review Report, Appendix A, Cost of Service
2 Methodology Review, Christensen Associates Energy Consulting (CAEC), Nov. 15, 2018,
3 page 8 (64 pdf):
4

5 Preamble:

6 In Section II.B of the Brattle Group report prepared for the Board (pages 12-14,
7 pages 16-18 pdf), the Brattle Group recommends that Hydro “plan for and prepare
8 a single integrated system for COS purposes in future GRA proceedings”. More
9 specifically, Brattle states:

10
11 In our opinion, given that the two systems have been interconnected via
12 the LIL, viewing the LIS and the IIS as a single integrated system for COS
13 purposes would be beneficial going forward and can be done while still
14 adhering to the relevant policy constraints that exist. It is quite common in
15 COS studies to reflect relevant policy constraints—such as exempting
16 (mandating) that certain classes of customers avoid (pay) for specific assets
17 or expenses as is currently the case with the Muskrat Falls project—
18 without the need to have separate COS studies to accommodate such
19 policy considerations. In the present case, Hydro can straightforwardly
20 accommodate the aforementioned policy constraints within an integrated
21 system for COS purposes. For example, the COS study can retain separate
22 rate classes based upon geography and the costs of the Muskrat Falls
23 project could be assigned 100% to customers who reside within the Island
24 Interconnected system—an approach that is an option that CAEC raised (at
25 8). The benefits of a single integrated system for COS purposes is that it will
26 more readily accommodate the changing nature of the systems going
27 forward in which future assets and expenses will more likely be shared
28 among regions compared to the system before the LIL. While that will not
29 happen immediately, over time, one would expect more of Hydro’s assets
30 to be used to provide services in both territories and it would be more

1 straightforward to treat both areas as one independent area for COS
2 purposes. (underlying added)

3

4 a) In Hydro's view, are Brattle's statements that "future assets and expenses will more likely
5 be shared among regions compared to the system before the LIL" and that "over time, one
6 would expect more of Hydro's assets to be used to provide services in both territories" well
7 founded? Please explain your response.

8

9 b) Does CAEC share Brattle's view that "future assets and expenses will more likely be shared
10 among regions compared to the system before the LIL" and that "over time, one would
11 expect more of Hydro's assets to be used to provide services in both territories"?

12

13

14 A. a) In Newfoundland and Labrador Hydro's ("Hydro") view the interconnection of Labrador to
15 the Island portion of the province creates the possibility for the installation of future assets
16 that could benefit both regions; however, this is not guaranteed. If such assets are
17 installed, Hydro feels that this would not necessitate a single integrated system for Cost of
18 Service purposes in future General Rate Application proceedings. For example, Hydro could
19 determine the benefit share of the future asset(s) and assign the expenses to each territory
20 under the current separate Cost of Service approach.

21

22 b) Part b of this response has been provided by Christensen Associates Energy Consulting.

23

24 CA Energy Consulting does not have a forecast of future asset or cost trends with respect to
25 sharing across Hydro's interconnected regions.