

1 **Q: Reference: “Embedded and Marginal Cost of Service Review,” The Brattle**
2 **Group May 3, 2019, Exhibit II at pp. 15-16**

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4 **The Brattle Group Report states: “We agree that the generation facilities at**
5 **Muskrat Falls should be-functionalized as generation. Concerning the LIL**
6 **and the LTA, however, we believe that it is more appropriate to functionalize**
7 **them as transmission.”**

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9 **a) Please confirm that Manitoba Hydro's Open Access Transmission Tariff**
10 **conforms to the Federal Energy Regulatory Commission criteria, but**
11 **excludes the costs of its very large HVdc facilities from Open Access**
12 **Transmission Tariff charges as these facilities are viewed as generation-**
13 **related in its cost of service methodology.**

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15 **b) Does The Brattle Group disagree with the cost of service approach**
16 **followed in Manitoba? If yes, please explain why.**

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18 **A. a) We cannot make a legal determination with regard to whether Manitoba**
19 **Hydro’s OATT conforms to FERC’s criteria for open access.**

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21 **b) The Brattle Group has reviewed Manitoba Hydro’s cost of service approach. Its**
22 **cost of service has been performed under circumstances which differ from that**
23 **of Hydro. The Manitoba Public Utility Board views the HVDC lines as merely**
24 **extensions of Manitoba Hydro’s northern generation since they are entirely**
25 **radial and asserts that flows will be unidirectional. This differs from the FERC’s**
26 **position on what should be included as part of the transmission system. See our**
27 **response to LAB-PUB-001. Manitoba Hydro has not functionally separated its**
28 **generation activities from its transmission activities except for its power**
29 **marketing activities. Our understanding is that NLH has functionally separated**
30 **generation and transmission and has formed the NLSO. The LTA and LIL in**
31 **conjunction with Muskrat Falls generation constitute a transmission system**
32 **which provides a means to connect to electricity markets outside of**
33 **Newfoundland and Labrador through two separate interconnection paths.**