

1 **Q: Reference: "Embedded and Marginal Cost of Service Review," The Brattle**
2 **Group, May 3, 2019, Exhibit II at p. 18/8-13**
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4 **The evidence provided in support of the interim Newfoundland and Labrador**
5 **System Operator transmission tariff (as referenced at p.18, fn. 14) indicates**
6 **that a final determination on the functionalization of the Labrador-Island**
7 **Link will be determined through the Cost of Service Methodology Review**
8 **Hearing. Please explain why the use of the forecast operating costs for the**
9 **Labrador-Island Link and the Labrador Transmission Assets as transmission**
10 **costs on an interim basis in the Newfoundland and Labrador System Operator**
11 **transmission tariff should have any bearing on the Board of Commissioners of**
12 **Public Utilities' final decision on the functionalization of the Labrador Island**
13 **Link and the Labrador Transmission Assets in the Cost of Service**
14 **Methodology Review Hearing.**
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16 A. The use of forecasted operating costs has no bearing. However, the decision of the
17 Newfoundland and Labrador System Operator (NLSO) in functionalizing the LIL
18 and LTA as transmission assets for purposes of developing interim rates should
19 have bearing on the Board of Commissioners of Public Utilities' final decision
20 because of the important role of the NLSO in wholesale electricity markets in
21 Newfoundland and Labrador. Specifically, NLSO "has developed and will
22 maintain a comprehensive set of transmission rates and associated operating
23 procedures designed to be consistent with the reciprocity requirements set out in
24 the United States Federal Energy Regulatory Commission (FERC) Order 888. In
25 addition, OC2017-380 directs the Board of Commissioners of Public Utilities
26 (PUB) to approve, on an interim basis, the pro-forma Transmission Service
27 Agreement."¹ In addition, it "is responsible for the safe and reliable operation of
28 the NL Transmission System, including the administration and provision of
29 transmission service."²

¹ See Newfoundland and Labrador System Operator Methodology for the Development of Rates for
Transmission Service, February 5, 2018, p.1.

² Ibid.