

1 Q. **Reference: Embedded and Marginal Cost of Service Review, May 3,2019, The Brattle**
2 **Group, Table 1, Pages 5-7.**

3

4 For each of Brattle’s recommendations that differs from Hydro’s proposal, please quantify
5 the change in the cost allocation to each customer class. Please provide the cost of service
6 study and the principal assumptions used as the basis of Hydro’s response.

7

8

9 A. Table 1 provides a comparison of the 2021 illustrative revenue requirements reflecting
10 Newfoundland and Labrador Hydro’s (“Hydro”) methodology recommendations (Column A)
11 and a revised revenue requirement reflecting each of The Brattle Group, Inc. (“Brattle”)
12 recommendations that differed from Hydro’s proposals (Column B).¹ Column C in Table 1
13 provides the difference in revenue requirement resulting from each recommendation and
14 column D provides the cumulative revenue requirement difference between Hydro’s
15 proposals and Brattle’s recommendations.

16

17 Table 1 assumes Hydro Rural rates will increase as a result of the required increase in
18 Newfoundland Power’s retail rates, thereby contributing to a reduction in the rural deficit.

19

20 Hydro has not computed revenue requirement impacts for Brattle’s recommendation for
21 the use of a single cost of service study or the recommended changes for Holyrood Unit 3
22 as Hydro is unclear on how to apply these recommendations. Hydro has also not assumed
23 any change in revenue requirement by class as a result of Brattle’s proposal to use a rate
24 rider to deal with net export revenues versus. Hydro’s proposal to net the savings against
25 Muskrat Falls Project power purchases.

¹ The 2021 Illustrative Cost of Service Study results, reflecting Hydro’s proposals, have been adjusted to reflect functionalization of TL 247 and TL 243 as generation. The original filing incorrectly had these assets functionalized as transmission.

Table 1: 2021 Illustrative Revenue Requirements using Hydro Proposals vs. Brattle Recommendations (\$000s)

Customer Class	Hydro (A)	Brattle (B)	Difference (C)	Cumulative (D)
1 LIL² functionalized as transmission and classified as 100% demand:				
Newfoundland Power (before Rural Deficit)	875,503	891,112	15,609	15,609
Rural Deficit allocated to NP	67,257	65,188	(2,068)	(2,068)
Newfoundland Power (after Rural Deficit)	942,537	956,088	13,551	13,551
Island Industrial	92,520	77,921	(14,599)	(14,599)
LIS rural deficit allocation	1,485	1,414	(71)	(71)
2 LTA³ functionalized as transmission and classified as 100% demand:				
Newfoundland Power (before Rural Deficit)	875,503	877,676	2,173	17,782
Rural Deficit allocated to NP	67,257	66,969	(288)	(2,356)
Newfoundland Power (after Rural Deficit)	942,537	944,424	1,887	15,437
Island Industrial	92,520	90,487	(2,033)	(16,632)
LIS ⁴ rural deficit allocation	1,485	1,475	(10)	(81)
3 Muskrat Falls Generation (including net exports) classified using system load factor:				
Newfoundland Power (before Rural Deficit)	875,503	878,417	2,914	20,696
Rural Deficit allocated to NP	67,257	66,957	(300)	(2,656)
Newfoundland Power (after Rural Deficit)	942,537	945,153	2,616	18,053
Island Industrial	92,520	89,699	(2,821)	(19,452)
LIS rural deficit allocation	1,485	1,473	(12)	(92)
4 TL 247 and TL 243 functionalized and classified as transmission:				
Newfoundland Power (before Rural Deficit)	875,503	875,529	26	20,722
Rural Deficit allocated to NP	67,257	67,247	(10)	(2,666)
Newfoundland Power (after Rural Deficit)	942,537	942,551	14	18,067
Island Industrial	92,520	92,464	(55)	(19,508)
LIS rural deficit allocation	1,485	1,485	(0)	(93)
5 LIS and IIS⁵ diesel and gas turbine units classified as demand and fuel classified as energy:				
Newfoundland Power (before Rural Deficit)	875,503	875,334	(169)	20,552
Rural Deficit allocated to NP	67,257	67,260	3	(2,663)
Newfoundland Power (after Rural Deficit)	942,537	942,371	(166)	17,902
Island Industrial	92,520	92,683	164	(19,344)
LIS rural deficit allocation	1,485	1,501	16	(77)

² Labrador-Island Link

³ Labrador Transmission Assets

⁴ Labrador Interconnected System

⁵ Island Interconnected System