

1 Q: Reference: Embedded and Marginal Cost of Service Review, May 3, 2019  
2 prepared by The Brattle Group, Inc., Page 16, Lines 1-3.  
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4 *"We agree that the generation facilities at Muskrat Falls should be*  
5 *functionalized as generation. Concerning the LIL and the LTA, however, we*  
6 *believe that it is more appropriate to functionalize them as transmission."*  
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8 The Newfoundland and Labrador System Operator (NLSO), *Methodology for*  
9 *the Development of Rates for Transmission Service* (the "Methodology") was  
10 approved by the Board in Order No. P.U. 3(2018). At Page 19, Lines 21-23, the  
11 Methodology states:

12  
13 *"The important issues arising from the functional allocation is to determine the*  
14 *level of costs to be collected through each component of the transmission. This*  
15 *allocation is more often influenced by provincial regulation rather than market*  
16 *forces or FERC. "*  
17

18 Does Brattle agree with the above statement that functional allocation of costs  
19 is "more often influenced by provincial regulation rather than market forces  
20 or FERC"? If not, why not?  
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22 A. Brattle has not performed a review of the influence of provincial regulation and  
23 market forces on the question of functional allocation of transmission assets.