Q: Reference: "Review of Existing and Proposed Network Additions Policies for Newfoundland and Labrador Hydro," The Brattle Group, November 19, 2019, Executive Summary, Background, p. 2.

> **Typically, it is the immediate or near-term investments prompted by a customer's request that serves as the basis of the costs the requesting customer is responsible for paying—i.e., the investment that "but for" the customer's request would not be required. Following the cost causation principle ensures its corollary holds—the protection of existing customers from costs caused by new customers. A customer that pays for the costs that its actions have caused ensures that other customers are protected.**

Consider This Context Situation: The completion of a transmission project in Labrador East in 2020 will provide 27 MW of additional transmission capacity to Labrador East (increasing transmission capacity from 77 MW to 104 MW). Hydro anticipates that this 27 MW of additional capacity would be sufficient for at least the next 25 years with no additional transmission network additions required. Hydro faces a 2021 service request from a large rural customer on the Labrador Interconnected System of 20 MW of additional load ("Customer A"). Complying with this load request would prompt transmission network additions substantially earlier than the 25 years plus Hydro had anticipated, but no immediate build to supply the load for the requested customer. Using the "but for" approach, at least as it is characterized by The Brattle Group ("Brattle"), please explain how customer contributions would be determined under the following scenarios for Labrador East:

a) Assume Customer A was the sole customer requesting new service, please confirm Customer A would not be required to pay a contribution for new service in 2021. If Customer A would be required to pay a contribution, please provide the basis for the calculation of the contribution including a demonstration of the calculation.

b) Assume Customer A was connected in 2021 and then Customer B requests service in the amount of an addition 6 MW peak load in 2022, leaving 1 MW of available transmission capacity in Labrador East. Would Customer B be required to pay a contribution to be connected in 2022? If yes, please provide the basis for the calculation of the contribution for Customer B, including a demonstration of the calculation.

c) Assume Customer A was connected in 2021 and Customer B requested service in 2022, leaving 1 MW of available capacity. Assume Customer C requested service in 2023 requiring 1,500 kW of peak demand and the transmission upgrade required to serve Customer C would cost $5 million in capital costs. Would Customer C be required to pay a contribution to obtain service and provide recovery of revenue shortfall resulting from the $5 million transmission investment? Please provide the basis for the calculation of the contribution for Customer C.

a) As a general point, Brattle notes that this scenario assumes almost perfect foresight for the next 25 years, which, as noted in the Brattle Report on page 30, is an unrealistic assumption. Following the recommendations on pages 36-37 of the Brattle Report, the customer contribution in the scenario is based on the identification of cost causation through a "but for" analysis. If the proposed scenario does not result in investments using a "but for" analysis, then there would be an analysis to determine if "but for" a previous customer's network upgrade request Customer A would have been unable to obtain service. In the latter case, Customer A would be responsible for some costs. Please refer to the response in NLH-PUB-012.

b) Please refer to the response in part a.

c) Following the recommendations on pages 36-37 of the Brattle Report, the customer contribution is based on the identification of cost causation through a "but for" analysis. If the proposed scenario results in an investment cost, then "Customer C" would be required to contribute toward costs in excess of anticipated revenues. Customer C would be eligible for some refunds of its contribution from subsequent customers that would not have been able to serve "but for" the investments contributed to by Customer C. Please refer to the responses in LAB-PUB-009 and LAB-PUB-012.