

1    **Q:    Reference: “Review of Existing and Proposed Network Additions Policies for**  
2    **Newfoundland and Labrador Hydro,” The Brattle Group, November 19, 2019,**  
3    **Executive Summary, Current and Proposed NAP, p. 5.**  
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5           **In this sense, the policy generally fails to reflect cost**  
6           **causation principles adequately. It distorts the price signal**  
7           **that the requesting customer receives and biases that**  
8           **customer’s decision-making, as the customer may be asked**  
9           **to pay for costs that its decision did not cause under a “but**  
10          **for” criterion. This policy could result in some potential**  
11          **customers deciding not to request service even though the**  
12          **value they would obtain from the service would be greater**  
13          **than the cost of the request. Other customers would have**  
14          **been better off having the customer take service from Hydro**  
15          **as Hydro’s common costs would be shared among a larger**  
16          **group of customers.**  
17

18          **a) Does Brattle believe the “but for” contribution approach could result in**  
19          **some potential customers deciding not to request service due to the**  
20          **potential high cost of the service request?**  
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22          **b) Has Brattle considered how the “but for” contribution approach would**  
23          **impact economic investment by Industrial customers in Labrador?**  
24

25          **c) It is the power policy of the province that the rates to be charged for the**  
26          **supply of power within the province “should promote the development of**  
27          **industrial activity in Labrador”. Would the “but for” contribution**  
28          **approach be consistent with the promotion of industrial development in**  
29          **Labrador?**  
30

31    **A.    a) The “but for” approach allows customers to determine whether the costs of**  
32           **requesting service outweigh the value the customer receives from the service.**  
33           **If a customer decides that the cost of connection is higher than the value of**  
34           **connecting, it may decline to request the connection.**  
35

36          **b) Yes. The “but for” approach allows new or expanding industrial customers to**  
37          **make an economically efficient decision, as outlined in the response to part a**  
38          **above. If the new or expanding industrial customer does not require upgrades,**  
39          **the “but for” protects these customers from paying for investments for which**  
40          **they are not cost causative. Similarly, the “but for” approach protects existing**

1 customers, including industrials, from paying for costs that they did not cause.  
2 By contrast, under Hydro's proposed policy, new and existing industrial  
3 customers may be responsible for paying for costs for which they are not the  
4 cost causers through the Expansion Cost per kW charge or cost shifting. If there  
5 is a public policy goal to encourage additional investment by industrial  
6 customers beyond that which would result from the application of economically  
7 sound cost-caustion principles, the additional costs of such a policy should be  
8 measured and made explicit.

9  
10 c) Yes, we believe it would. The "but for" allows all customers, including  
11 industrial consumers, to make economically efficient decisions and provides  
12 protection to all existing customers, including industrial customers from not  
13 paying for costs which they did not cause. Please refer to the response in part  
14 b.