

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. 6.**

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5 **Specifically, Hydro’s NAP proposal requires the payment**  
6 **of, at most, the full cost of advancing the investment rather**  
7 **than the full cost of the investment.**

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9 **a) Please illustrate the difference between the “but for” contribution**  
10 **approach the approach proposed by Hydro.**

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12 **b) From a perspective of fairness among existing and new customers, please**  
13 **evaluate the “but for” contribution approach rather than Hydro’s**  
14 **proposed approach which provides for the recovery of the advancement**  
15 **cost of the transmission investment less the value of the benefits to existing**  
16 **customers.**

17  
18 **c) Please explain why it would not be reasonable for a portion of the cost of**  
19 **transmission system upgrades to be recovered from existing customers if**  
20 **the transmission upgrades provide reliability benefits to existing**  
21 **customers.**

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23 **A. a) Please refer to page 35 of the Brattle Report, which provides an example based**  
24 **on Hydro’s response to LAB-NLH-101:**

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26 “A concrete example is given in one of Hydro’s responses to an RFI. The RFI  
27 shows a hypothetical example of Hydro needing to advance the upgrade of the  
28 Happy Valley power transformers to 2042 as a result of a 10 MW load addition  
29 in 2021. This means that Hydro will not need to invest until 2042 and given the  
30 extended time frame, there is significant uncertainty on the anticipated  
31 transmission cost. Nevertheless, the requesting customer is responsible today  
32 for \$4.4 million. Similar to the policy for the customers between 200 kW and  
33 1,500 kW, the policy for these customer types fails to reflect cost causation  
34 principles adequately and distorts the price signal that the requesting customer  
35 receives, biasing the customer’s decision-making. There may be potential  
36 customers deciding not to request service even though the value they would  
37 obtain from the service would be higher than the cost of the request.” [footnote  
38 omitted]

- 1 Under the “but for” approach, a customer that does not cause investments in the  
2 near term, as described in Brattle’s response to NLH-PUB-002, would not be  
3 required to make a financial contribution. For a customer that does cause  
4 investments in the near term under a “but for” approach, we understand that  
5 under Hydro’s NAP the customer is charged an advancement cost and not the  
6 actual costs resulting from a “but for” approach.  
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- 8 b) Brattle’s recommendations resulted from a finding that “Hydro’s proposed  
9 NAP is an improvement over the current system and a move in the right  
10 direction. Nevertheless, we believe there can be further improvements that will  
11 balance more fairly the competing regulatory and cost of service interests such  
12 as cost causation principles, prevention of undue rate discrimination and rate  
13 stability, and prevention of rate shock.” Thus, we necessarily find its  
14 recommendations to provide greater fairness than the proposal from Hydro.  
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- 16 c) As described in the Brattle Report on pages 31-32, the transmission investments  
17 approved by the Board to support system reliability reflect a trade-off between  
18 costs and reliability benefits. Increasing reliability beyond this level may result  
19 in costs not necessarily commensurate with their benefits.