

1    **Q:    Reference: “Review of Existing and Proposed Network Additions Policies for**  
 2    **Newfoundland and Labrador Hydro,” The Brattle Group, November 19, 2019,**  
 3    **p. 32, paragraph 4.**  
 4

5           **While the proposed NAP provides greater protections to**  
 6           **existing load than the current policy, existing customers will**  
 7           **likely continue to be responsible for the majority of immediate**  
 8           **network upgrade costs caused by new load customers. For new**  
 9           **customers with 1,500 kW of demand that require immediate**  
 10          **network upgrades, the new customers will pay for the**  
 11          **advancement of that infrastructure rather than the total cost.**  
 12          **Consider the hypothetical example where a new customer comes**  
 13          **online in 2020 and requires the advancement of a network**  
 14          **upgrade previously scheduled for 2025. The new customers**  
 15          **would be responsible for advancing the network from 2025 to**  
 16          **2020, which will only be a fraction of the total asset cost.**  
 17

18          **Does Brattle believe this costing outcome is improper? If so, why should a**  
 19          **customer who advances transmission expansion plans from 2025 to 2020 be**  
 20          **required to pay the entire cost of the new transmission investment, rather than**  
 21          **the advancement costs?**  
 22

23          **A.**    Brattle notes that the quoted section is under the general heading “Potential Risks  
 24          to Existing Load in the Proposed NAP” and sub-heading “Use of Advancement  
 25          Costs.” The point in this example is to compare and contrast what the customer  
 26          would be responsible for under Hydro’s proposed NAP *vis-à-vis* the Brattle  
 27          recommendation.  
 28

29          Hydro’s proposed NAP is focused on advancement costs of immediate and  
 30          uncertain future investments,<sup>1</sup> while Brattle’s recommendations identify three types  
 31          of costs: 1) immediate costs needed to meet the customer’s service request not  
 32          included in an existing approved transmission plan, 2) costs related to the  
 33          advancement of future investments to immediate investments, and 3) costs related  
 34          to the advancement of future investments to be “highly certain” investments. On

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<sup>1</sup>        In the case of customers greater than 1,500 kW, footnote 2 in section 1.2 defining the System Impact Study appears to contemplate the potential for immediate investments not in the Transmission Expansion Plan, “A customer interconnection or load addition is deemed to have a material impact if it requires an advancement of transmission system expansion, as defined in the Transmission Expansion Plan, or requires additional transmission system expansion which is not yet reflected in the Transmission Expansion Plan.” [emphasis added]

1 this point, the difference between the Brattle recommendations and the Hydro  
 2 policy seems to be the limitation of advancement costs to those investments that  
 3 have a high degree of certainty, as summarized in Table 1 below. A “high degree  
 4 of certainty” could be operationalized through for example, the need for the utility  
 5 to make an immediate expenditure, to make immediate or near term internal  
 6 planning commitments, or the need to include the investment in a near-term Board  
 7 approved transmission plan, etc. Please refer to the response to NLH-PUB-009.

*Table 1: Recommendation to Include Total Cost or Advancement Cost of Investments*

Investment Cost Type	Recommended for Inclusion of Advancement or Total Cost		
	Party	High Degree of Certainty	Low Degree of Certainty
Total Cost of Immediate Investment (not identified in prior plan)	Brattle	Yes	n/a <i>(must be high certainty if immediate)</i>
	Hydro	Yes	n/a <i>(must be high certainty if immediate)</i>
Advanced to Immediate Investment	Brattle	Yes	n/a <i>(must be high certainty if immediate)</i>
	Hydro	Yes	n/a <i>(must be high certainty if immediate)</i>
Advanced but Future Investment	Brattle	Yes	<b>No</b>
	Hydro	Yes	<b>Yes</b>

Note: Yes in the table indicate that the cost would be included in a network upgrade cost analysis while a No indicates that it would not.