

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. 22.**

4
5 **We agree with Mr. Raphals that the beneficiary pays concept is**
6 **less applicable to network upgrade policies carried out by a**
7 **jurisdictional utility applying its own FERC-compliant OATT.”**
8

9 **a) Please confirm that In the case of the Federal Energy Regulatory**
10 **Commission’s (“FERC”) Order 1000 regarding transmission expansion**
11 **planning and cost allocation, the FERC identifies the following cost**
12 **allocation principles as relevant to transmission cost allocation.**
13

14 **(i) “[...] the cost causation principle also requires the Commission to**
15 **ensure that the costs allocated to a beneficiary under a cost allocation**
16 **method are at least roughly commensurate with the benefits that are**
17 **expected to accrue to that entity.” (p. 83; p. 91)**
18

19 **(ii) “Those that receive no benefit from transmission facilities, either at**
20 **present or in a likely future scenario, must not be involuntarily**
21 **allocated the costs of those facilities.” (p. 91)**
22

23 **(iii)“The costs of a new interregional facility must be allocated to each**
24 **transmission planning region in which that facility is located in a**
25 **manner that is at least roughly commensurate with the estimated**
26 **benefits of that facility in each of the transmission planning regions.**
27 **(p. 97)**
28

29 **(iv)“If a benefit-cost threshold ratio is used to determine whether an**
30 **interregional transmission facility has sufficient net benefits to**
31 **qualify for interregional cost allocation, this ratio must not be so**
32 **large as to exclude a facility with significant positive net benefits from**
33 **cost allocation.”(p. 98)**
34

35 **(v) “The cost allocation method and data requirements for determining**
36 **benefits and identifying beneficiaries for an interregional facility**
37 **must be transparent with adequate documentation to allow a**
38 **stakeholder to determine how they were applied to a proposed**
39 **transmission facility.”(p. 99)**

- 40 **b) Does Brattle agree that the FERC believes it is important to consider both**
41 **costs and benefits in determining a reasonable approach to transmission**
42 **cost allocation? If no, why not?**
43
- 44 A. a) The text cited in clause “i” is not a direct citation from FERC Order 1000. The
45 remainder of the citations may be found in FERC Order 1000, though the
46 citations provided (e.g., “p.98”) do not correspond to paragraph or page
47 numbers within FERC Order 1000. While citations noted in iii-v accurately
48 quote the FERC, they are limited to guidance on interregional planning, which
49 is not the matter under consideration in this inquiry.
50
- 51 b) Brattle agrees that FERC Order 1000 regarding transmission expansion
52 planning and cost allocation takes into account costs and benefits. We note that
53 FERC Order 1000 addresses transmission expansion planning explicitly. The
54 Order is neither directly applicable nor relevant to recovering network upgrade
55 costs caused by the request of a transmission customer. The latter FERC policy
56 is generally reflected in FERC’s “but for” and “higher of” policy decisions. As
57 cited in the Brattle Report on page 19-20, the FERC’s “higher of” transmission
58 pricing policy, which is applicable to network upgrades, was based on three
59 Commission adopted goals: 1) to hold native load customers harmless; 2) to
60 provide the lowest reasonable cost-based price to third-party firm transmission
61 customers; and 3) to prevent the collection of monopoly rents by transmission
62 owners and promote efficient transmission decisions.