

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. 23.**

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5 **Finally, based on our review of network addition policies, in our**
6 **opinion, the beneficiary pays approach applied to network**
7 **additions policy is not a best practice and is not widely or**
8 **commonly used in the United States or Canada to allocate the**
9 **costs of transmission network investments made in response to a**
10 **new or expanded interconnection request.**

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12 **Christensen Associates Energy Consulting (“CA Energy Consulting”)**
13 **provided a Memorandum to Hydro on May 31, 2019, that was subsequently**
14 **filed with the Board of Commissioners of Public Utilities on June 4, 2019. The**
15 **Memorandum stated:**

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17 **Most importantly, our report discusses at length the beneficiary**
18 **pays approach now gaining currency in both the United States**
19 **and Canada and points out the usefulness of the approach in the**
20 **case of the potentially large new loads in Labrador that would**
21 **result in accelerated transmission investment.**

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23 **Please confirm that Brattle does not agree with the conclusion of CA Energy**
24 **Consulting with respect to the evolution of the use of the beneficiary pays**
25 **approach. If not confirmed, please explain.**

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27 A. The term “now gaining currency...” leaves significant interpretation up to the
28 reader to decide how to define it precisely and, importantly, how to quantify it. One
29 interpretation is that regulators are adopting it with some regularity and that it
30 cannot be characterized as being implemented sporadically. Based upon that
31 general definition, our answer to the question is no. In the context of network
32 addition policies, Brattle does not agree that the beneficiary pays approach is
33 “gaining currency.” As stated on page 22 of the Report: “We have reviewed the
34 submissions of Philip Raphals on behalf of the Labrador Interconnected Group and
35 are in general agreement that the beneficiary pays concept seems to be more
36 applicable to situations that are not the main issue in this proceeding. That is, to
37 the extent that there is an “emergence of the use of the beneficiary pays” approach,
38 it seems to be reflected more in transmission planning procedures and transmission
39 investments whose costs and benefits differ between RTOs (or ISOs) and serves as
40 a potential basis for cost allocation between their separate areas. We agree with

Network Additions Policy and Labrador Interconnected System Transmission Expansion Study

1 Mr. Raphals that the beneficiary pays concept is less applicable to network upgrade
2 policies carried out by a jurisdictional utility applying its own FERC-compliant
3 OATT.” [footnotes omitted]