

1 **Q: Re: Brattle Group, Embedded and Marginal Cost of Service Review, May 3,**
2 **2019, page 46 (50 pdf)**

3
4 **Citation:**

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6 **The following criteria are ones to consider when determining**
7 **the appropriateness of a specific allocation methodology:**

8
9 **1. Reflect cost causation as much as possible; i.e., based upon**
10 **the actual activity that drives a particular cost and on rate**
11 **classes' share of that activity;**

12
13 **2. Reflect the actual planning and operating characteristics of**
14 **the utility's system;**

15
16 **3. Recognize customer class characteristics such as electric load**
17 **demands, peak period consumption, number of customers and**
18 **directly assignable costs;**

19
20 **4. Produce fairly stable results on a year-to-year basis;**

21
22 **5. Customers who benefit from the use of the system should also**
23 **bear some responsibility for the costs of utilizing the system.**

24
25 **a) Are these criteria derived from a particular text or authority? If so,**
26 **please provide the source.**

27
28 **b) Please explain how these five criteria apply to the question of the**
29 **appropriate allocations for the various elements of the Lower**
30 **Churchill Project (Muskrat Falls, LTA, LIL).**

31
32 **A. a) These criteria are based upon our experience and expertise developed over time**
33 **in cost of service analysis and are influenced by *The Principles of Public Utility***
34 ***Rates* by James C. Bonbright, and the 1992 NARUC Electric Utility Cost**
35 **Allocation Manual.**

36
37 **b) The allocation of the energy component of the Muskrat Falls is based upon an**
38 **annual energy consumption allocator, which we believe is consistent with the**
39 **five criteria. The allocation of the demand component of the Muskrat Falls and**
40 **the LTA and LIL is based upon a 1CP allocator, which we also believe is**
41 **consistent with the five criteria.**