Q. **Reference: Newfoundland and Labrador Hydro Cost of Service Methodology Review Report, Appendix A – Cost of Service Methodology Review prepared by Christensen Associates Energy Consulting, November 15, 2018, Page 34, Line 26 to Page 35 Line 2.**

*"The LIL is a 1,100 km dc transmission line, stretching from Muskrat Falls in Labrador across the Strait of Belle Isle, then southeast to Soldiers Pond on the Avalon Peninsula. The LIL and MF constitute an integrated resource strategy where the net economic benefits of the strategy are jointly determined. The incremental economic value of the LIL is compromised absent MF; and similarly for MF, absent LIL."*

Would Christensen agree that it is not common to build long transmission lines, such as the LIL, simply for capacity needs? If agreed, please explain why that is the case.

A. This response has been provided by Christensen Associates Energy Consulting.

CA Energy Consulting believes that the key issue with respect to long transmission lines like the Labrador-Island Link, which are built to connect a single generation site at a remote location to the grid, is functionalization. Of secondary concern is the method by which costs are classified and allocated. As we have noted, using marginal cost-based cost allocation allows a jurisdiction to avoid this question. The equivalent peaker method, which is a combination energy and demand classification system, is a useful approximation.