

CANADA

PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

NO. : R-3401-98

RÉGIE DE L'ÉNERGIE

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HYDRO-QUÉBEC,

Applicant

and

**ACTION RÉSEAU CONSOMMATEUR et  
FÉDÉRATION DES ASSOCIATIONS  
COOPÉRATIVES D'ÉCONOMIE FAMILIALE  
DU QUÉBEC ("ARC/FACEF"),**

**ASSOCIATION COOPÉRATIVE D'ÉCONOMIE  
FAMILIALE DE QUÉBEC ("ACEF  
DE QUÉBEC"),**

**ASSOCIATION DE L'INDUSTRIE  
ÉLECTRIQUE DU QUÉBEC ("AIEQ"),**

**ASSOCIATION DES CONSTRUCTEURS  
DE ROUTES ET GRANDS TRAVAUX DU  
QUÉBEC ("ACRGTQ"),**

**ASSOCIATION DES REDISTRIBUTEURS  
D'ÉLECTRICITÉ DU QUÉBEC ("AREQ"),**

**CENTRE D'ÉTUDES RÉGLEMENTAIRES  
DU QUÉBEC ("CERQ"),**

**ASSOCIATION QUÉBÉCOISE DES  
CONSOMMATEURS INDUSTRIELS  
D'ÉLECTRICITÉ, ASSOCIATION DES  
INDUSTRIES FORESTIÈRES DU  
QUÉBEC LTÉE et ASSOCIATION  
QUÉBÉCOISE DE LA PRODUCTION DE  
L'ÉNERGIE RENOUEVELABLE ("Coalition  
industrielle"),**

**S.T.O.P. et STRATÉGIES  
ÉNERGÉTIQUES ("STOP/SÉ"),**

**GAZODUC TRANS QUÉBEC &  
MARITIMES INC. (“GAZODUC TQM”),**

**GROUPE DE RECHERCHE APPLIQUÉE  
EN MACROÉCOLOGIE et UNION POUR  
LE DÉVELOPPEMENT DURABLE  
(“GRAME/UDD”),**

**NEW YORK POWER AUTHORITY  
(“NYPA”),**

**ONTARIO POWER GENERATION  
(“OPG”),**

**OPTION CONSOMMATEURS (“OC”),**

**REGROUPEMENT DES ORGANISMES  
ENVIRONNEMENTAUX EN ÉNERGIE  
(“ROEE”),**

**REGROUPEMENT NATIONAL DES  
CONSEILS RÉGIONAUX DE L’ENVIRON-  
NEMENT DU QUÉBEC (“RNCREQ”),**

**SOCIÉTÉ EN COMMANDITE GAZ  
MÉTROPOLITAIN (“SCGM”),**

Intervenors

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**REVISED APPLICATION FOR THE MODIFICATION OF RATES FOR THE  
TRANSMISSION OF ELECTRIC POWER**

[Sections 31, 48, 49, 50 and 51 of the *Act respecting the Régie de l’énergie*,  
(R.S.Q., chapter R-6.01) and  
sections 2, 6, 10, 11, 12, 13 and 55 of the *Act to amend the Act respecting the Régie  
de l’énergie and other legislative provisions*  
(2000, chapter 22)]

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**IN SUPPORT OF ITS REVISED APPLICATION, THE APPLICANT RESPECTFULLY SUBMITS THAT :**

1. It is an enterprise of which certain activities such as the transmission of electric power are subject to regulation by the Régie de l'énergie ("the Régie") to the extent provided by the *Act respecting the Régie de l'énergie* ("the Act");
2. Hydro-Québec when carrying on electric power transmission activities through its division TransÉnergie, ("the carrier") has the mandate to develop and operate the electric power transmission network ("the network") to meet the requirements of its customers while maintaining and enhancing assets;
3. By this revised application, Hydro-Québec asks the Régie to :
  - a) modify the rates for the transmission of electric power chargeable to the users of the network in accordance with the *Hydro-Québec Open Access Transmission Tariff*, approved by the Order in Council 276-97 of the Government of Québec dated 5 March 1997, approving Hydro-Québec By-law number 659;
  - b) modify certain terms and conditions of the *Hydro-Québec Open Access Transmission Tariff* and maintain all other conditions for transmission service contained in the said *Hydro-Québec Open Access Transmission Tariff*, the whole in accordance with Exhibit **HQT- 11, document 2**, now entitled *Tarifs et conditions du service de transport d'Hydro-Québec*, filed in support of the present application ;
4. The present revised application and the exhibits in support thereof reflect the general regulatory principles established by the Régie in its decision D-99-120 of 16 July 1999;
5. The present revised application and the exhibits in support thereof also reflect the directives given by the Régie in its decision D-2000-102 of 2 June 2000;
6. The present revised application and the exhibits in support thereof further reflect the recent amendments made to the Act by the *Act to amend the Act respecting the Régie de l'énergie and other legislative provisions*, particularly at section 2 regarding the definition of the electric power transmission system, at section 11 regarding the maintaining of uniform rates throughout the territory served by the network and at section 55 regarding the assets deemed to be prudently acquired and useful for the operation of a network, being, respectively, section 2, paragraph 11° of section 49 and section 164.1 of the Act as amended;

7. Furthermore, in accordance with section 14 of the *Regulation respecting the procedure of the Régie de l'énergie*, Hydro-Québec files with the present revised application the documents which it intends to quote or rely upon in support of its revised application;

### **Transmission Needs**

8. Hydro-Québec projects, for the test year 2001, for the purpose of establishing electric power transmission rates, annual transmission needs of 35 570 MW, as more fully detailed in Exhibit **HQT-10, document 1**;

### **Rate Base**

9. Hydro-Québec projects, for the test year 2001, a rate base for the carrier of 14 450 M\$, representing the fair value of the assets required for the operation of the network, as appears from Exhibit **HQT-7, document 2**;
10. Additional capital expenditures in 2001 included in this rate base for the carrier amount to 825 M\$, as appears from Exhibit **HQT-7, document 4**;

### **Capital Structure**

11. Hydro-Québec projects, for the test year 2001, a deemed capital structure for the carrier made of 70% debt and 30% equity, as appears from Exhibit **HQT-8, document 1**;

### **Rate of Return on Rate Base**

12. Hydro-Québec is of the view that a rate of return on the rate base of the carrier of 10,0% would be just and reasonable for the test year 2001, as more fully detailed in Exhibit **HQT-8, document 1**;
13. This rate of return reflects, namely, a just and reasonable rate of return of 10,6% on equity, as more fully detailed in Exhibit **HQT-9, document 1**;

### **Prospective Cost of Capital**

14. Hydro-Québec establishes its prospective cost of capital at 8,4%, for the test year 2001, as more fully detailed in Exhibit **HQT-10, document 1**;

### **Expenditures to Provide Service**

15. Hydro-Québec projects, for the test year 2001, total expenditures of 1 239 M\$ for the carrier to provide service, as more fully detailed in Exhibit **HQT-6, document 1**;

### **Revenue Requirement**

16. Given the return on the rate base, the projected sales of the carrier and its projected total expenditures to provide service, the revenue requirement of the carrier for the test year 2001 is 2 685 M\$, as more fully detailed in Exhibit **HQT-5, document 3**;

### **Rates**

17. Hydro-Québec requests the Régie to approve new electric power transmission rates effective 1 January 2001 enabling the carrier to recover its total cost of service of 2 685 M\$, as more fully detailed in Exhibit **HQT-10, document 1**;

### **Terms and Conditions of Transmission Service**

18. Hydro-Québec also requests the Régie to approve the proposed changes to the terms and conditions of transmission service, as more fully detailed in Exhibit **HQT-11, documents 1 and 2**;

### **Regulatory Principles, Estimation Methods and Accounting Policies**

19. Hydro-Québec further requests the Régie to acknowledge and accept the regulatory principles, the estimation methods and the accounting policies, including the proposed changes, which have been relied upon for the purposes of the present revised rate application, the whole as more fully detailed in Exhibits **HQT-1, document 1** and **HQT-5, documents 1 and 2**;

### **Interim Rates**

20. Hydro-Québec finally asks the Régie to order, by a specific interlocutory decision rendered in due course, that the current rates for electric power transmission service become interim rates as of 1 January 2001 and that the electric power carrier be authorized to apply the new rates for electric power transmission

service as proposed in the present revised application, retroactively, to 1 January 2001, in accordance with the final decision to be rendered on this revised application;

21. The present revised application is well founded in fact and in law.

**FOR THESE REASONS, MAY IT PLEASE THE RÉGIE :**

**TO GRANT** the present revised application;

**TO APPROVE** for the carrier a revenue requirement of 2 685 M\$ for the test year ending 31 December 2001;

**TO APPROVE** for the carrier a deemed capital structure made of 70% debt and 30% equity;

**TO AUTHORIZE** a rate of return on the rate base of the carrier of 10,0% which reflects a rate of return of 10,6% on equity;

**TO AUTHORIZE** the use by the carrier of a prospective cost of capital of 8,4 %, for the test year 2001, as detailed in Exhibit **HQT-10, document 1**;

**TO MODIFY** the electric power transmission rates chargeable to the users of the network in accordance with the *Hydro-Québec Transmission Service Rates and Conditions*, as detailed in Exhibit **HQT- 10, document 1**, in order that they generate revenues of 2 685 M\$ thus enabling the carrier to recover its total cost of service and to earn the applied for rate of return;

**TO APPROVE** the terms and conditions of transmission service, as proposed in the *Hydro-Québec Transmission Service Rates and Conditions* filed in support of this revised application as Exhibit **HQT-11, document 2**;

**TO AUTHORIZE** the projects for the extensions or modifications to the network as well as the other capital expenditures included in the 2001 capital budget submitted by the carrier;

**TO ACKNOWLEDGE AND ACCEPT** the regulatory principles, the estimation methods and the accounting policies, including the proposed changes, which have been relied upon for the purposes of the present revised rate application;

**TO ACKNOWLEDGE AND ACCEPT** the method used to separate non-regulated activities from regulated activities and the treatment of their costs;

**TO ORDER** by a specific interlocutory decision rendered in due course, that the current rates for electric power transmission service become interim rates as of 1 January 2001 and **TO AUTHORIZE** Hydro-Québec to apply the new rates for electric power transmission service as proposed in the present revised application, retroactively, to 1 January 2001, in accordance with the final decision to be rendered on this revised application.

**Montréal, 15 August 2000**

**(S) MARCHAND, LEMIEUX**

**MARCHAND, LEMIEUX  
Counsel to the Applicant  
HYDRO-QUÉBEC**

**SOLEMN AFFIRMATION**

I, the undersigned, **MICHEL BASTIEN**, Director, Regularory Affairs and Rates, for the Applicant, Hydro-Québec, at 75 René-Lévesque Blvd. West, 17<sup>th</sup> floor, in the City of Montréal, Province of Québec, solemnly affirm as follows :

1. The present revised application for the modification of rates for the transmission of electric power has been prepared under my supervision and control ;
2. I have personal knowledge of the facts alleged in the present revised application in the **R-3401-98** proceedings;
3. The facts alleged in the present revised application are true.

And I have signed at Montréal, Québec, this day, 15 August 2000

(Sgd) Michel Bastien  
**MICHEL BASTIEN**

Solemnly declared before me,  
at Montréal, Québec, this 15 August 2000

(Sgd) Monique Brisson #88,163  
Commissionner for Oaths in and for  
the District of Montréal

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

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NO : R-3401-98

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**RÉGIE DE L'ÉNERGIE**

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**HYDRO-QUÉBEC**

Applicant

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TRUE COPY

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