

**DEMANDE DE RENSEIGNEMENTS NO 1 D'HYDRO-QUÉBEC À
COALITION INDUSTRIELLE**

1. Contexte : Mémoire, page 9, 2.1 :

Compte tenu que c'est la ventilation du revenu requis de 1997 selon le modèle 2001 qui est utilisée comme point de départ du calcul de l'augmentation du revenu requis entre 1997 et 2001, (...).

Question :

- 1.1 Pouvez-vous nous indiquer précisément où la preuve d'Hydro-Québec mentionne que la ventilation du revenu requis de 1997 aurait servi de point de départ pour établir celui de 2001 ?**

2. Contexte : Mémoire, page 9, 2.1 :

Compte tenu que le mode de calcul du revenu additionnel requis constitue la pierre angulaire de tout dossier tarifaire, (...).

Questions :

- 2.1 Faites-vous une différence entre le concept de “ *Revenu additionnel requis* ” utilisé depuis plusieurs années dans les dossiers tarifaires devant la Régie de l'énergie et celui d’“ *augmentation du revenu requis* ” entre deux années tarifaires distinctes ?**
- 2.2 N'est-il pas vrai que le revenu additionnel requis (ou une diminution) peut non seulement être affecté par l'évolution des charges (exploitation, amortissement, coût du capital) mais également par l'évolution des ventes, des transactions et du service à être rendu (demande de pointe et demande contractuelle) ?**

3. Contexte : Mémoire, page 13, 2.2 :

(...) la Régie devrait se prononcer, dès cette année, dans le contexte du présent dossier, sur le traitement comptable et réglementaire qui devrait être réservé au manque à gagner associé aux besoins de la charge locale à compter du 1er janvier 2001. (...).

Question :

- 3.1 Croyez-vous qu'il serait justifié, sur le plan réglementaire, qu'Hydro-Québec demande l'établissement d'un compte de frais reportés afin de récupérer le manque à gagner qu'elle subit depuis 1998 ?

4. Contexte : Document Coalition 2; Rapport d'expertise de messieurs Booth et Berkowitz, TABLE OF CONTENTS

(...)

APPENDIX C: INSTRUMENTAL MODEL FOR ESTIMATING BETA

APPENDIX D: MULTI-FACTOR MODEL

APPENDIX E: ESTIMATION OF THE MARKET RISK PREMIUM

APPENDIX F: U.S. RISK PREMIUM EVIDENCE

Question :

- 4.1 Veuillez déposer les annexes C à F mentionnées dans votre table des matières et manquantes lors de l'envoi de votre témoignage.

5. Contexte : Document Coalition 3 – Rapport d'expertise de André Mercier, pages 10-11 :

(...) Toutefois, ces exercices ne permettent pas une vue d'ensemble ou même régionale qui permettrait l'élaboration de nouvelles solutions plus globales. (...).

Question :

- 5.1 Qu'entendez-vous par " nouvelles solutions plus globales " ?

6. Contexte: Document Coalition 3 – Rapport d'expertise de André Mercier, page 11 :

Le processus de collaboration qui s'est développé jusqu'ici entre Hydro-Québec et les grands clients industriels, risque d'être compliqué par l'introduction des nouvelles unités d'affaires d'Hydro-Québec.

Question :

- 6.1 Pouvez-vous nous expliquer comment l'introduction des nouvelles unités d'affaires d'Hydro-Québec risque de compliquer le processus de collaboration qui s'est développé jusqu'ici entre Hydro-Québec et les grands clients industriels ?

7. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly “Business Risk Analysis”, page 3, A6 :

Upon reviewing the submission by Hydro-Québec on behalf of TransÉnergie, having evaluated TransÉnergie and its operational environment, and given my experience in the regulatory rate setting process, I have not been able to directly identify the existence of any material business risks that TransÉnergie would likely face. (...).

Question :

- 7.1 Avez-vous déjà témoigné comme expert, devant un organisme de réglementation, sur l'évaluation des risques encourus par une entreprise réglementée? Le cas échéant, veuillez nous fournir les références précises.
- 7.2 Veuillez fournir une copie de votre curriculum vitae.

8. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly “Business Risk Analysis”, page 9, A12 :

(...)

BC Hydro rate freeze which effectively keeps rates frozen at artificially high levels in excess of what would have been justified given actual system costs and high export revenue.

(...)

Questions :

- 8.1 Veuillez préciser d'avantage votre affirmation. Plus particulièrement, quel est le niveau de tarif que vous considèreriez “normal” pour les clients de BC Hydro ? Quel rôle devraient jouer les revenus d'exportations dans l'établissement des tarifs domestiques ?

- 8.2 Qu'entendez-vous par " actual system costs " ?
- 8.3 Selon le rapport annuel 2000 de BC Hydro (disponible à l'adresse Internet <http://eww.bchydro.bc.ca/about/ar/>), son taux de rendement sur l'avoir propre est de 16,69 %. Veuillez expliquer comment la BCUC a fixé ce taux. À quel secteur d'activités de BC Hydro s'applique-t-il ?
- 8.4 On lit également dans ce rapport annuel que "on February 3, 2000, the provincial government announced that along with the extension of the rate freeze to September 30, 2001, a rate stabilization account (RSA) was also being reinstated". On y explique également comment ce compte de stabilisation fonctionne lorsque le taux de rendement réel est supérieur ou inférieur au taux autorisé. À votre avis, l'existence de ce compte a-t-elle une influence sur les risques encourus par BC Hydro ? Le cas échéant, de quel type ?

9. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly "Business Risk Analysis", page 10, A12 :

(...)

Hydro-Québec's rate freeze, decreed by the Government which might also keep rates artificially high relative to actual system costs.

Question :

- 9.1 Veuillez fournir tout document ou calcul à l'appui de cette affirmation.

10. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly "Business Risk Analysis", page 11, A14 :

There are three key components in defining the Transmission Revenue Requirements (TRRs), namely:

- *Establishing a rate base – defining which assets will be allocated or assigned to the operation of the business.*
- *Calculating the corresponding capitalization and financing related charges.*

- *Estimating the operating and maintenance costs.*

Questions :

- 10.1 À votre avis, l'établissement du revenu requis est-il un élément important d'une cause tarifaire?**
- 10.2 À votre avis, le processus d'établissement des tarifs est-il aussi un élément important d'une cause tarifaire?**

11. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly “Business Risk Analysis”, page 12, A16 :

(...) When a project is approved the investment is considered prudent and the associated cost will be rolled in and recovered from the existing rate base. (...).

Question :

- 11.1 À votre avis, une telle autorisation élimine-t-elle toute possibilité que la Régie refuse à une date ultérieure d'approuver une partie ou la totalité des dépenses engagées dans ledit projet?**

12. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly “Business Risk Analysis”, page 13, A16 :

(...) As long as the facility is prudently acquired, used and useful, it becomes part of the rate base and the corresponding revenue requirement.

Question :

- 12.1 N'êtes-vous pas d'avis que c'est justement cela qu'Hydro-Québec doit démontrer à la Régie, et que cela constitue une partie des risques qu'elle court ?**

13. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly “Business Risk Analysis”, page 14, A17 :

(...) As TransÉnergie can control the timing of revenue requirement hearings and since these costs are recoverable, such financial risks can be mitigated.

(...)

Question :

- 13.1 Veuillez démontrer comment TransÉnergie pourrait déterminer le moment où la Régie de l'énergie tiendra des audiences sur ses demandes tarifaires ?**

14. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly “Business Risk Analysis”, page 15, A17 :

(...) The sole source of risk to TransÉnergie lies in its ability to correctly forecast its financing costs.

Question :

- 14.1 Veuillez produire tout document démontrant l'unique lien de causalité entre, d'une part, les risques financiers encourus par une entreprise de services publics et, d'autre part, la précision de ses prévisions financières.**

15. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly “Business Risk Analysis”, page 15, A18 :

Operation and maintenance costs are minor compared to the overall cost of owning and funding the system and therefore have very little impact on the Transmission Revenue Requirement.

Question :

- 15.1 Selon votre définition, quel est le montant des charges d'exploitation et d'entretien que TransÉnergie a prévu dans la présente demande ?**

16. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly “Business Risk Analysis”, page 16-17, A20 :

(...) The business risk would still have been mitigated if the provincial government had not assisted with financial aid, as the costs would have been recoverable from the ratepayers through being included in the Transmission Revenue Requirement. (...).

Question :

- 16.1 Veuillez expliquer la méthodologie en vertu de laquelle TransÉnergie pourrait inclure dans sa demande tarifaire des provisions pour aléas ou événements imprévus de façon à en récupérer les coûts, le cas échéant, auprès de ses clients.

17. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly “Business Risk Analysis”, page 19, A21 :

(...)

Besides, any remaining regulatory risk is minimal, since the Québec Government has demonstrated a willingness to guide and direct the Régie to ensure that its interests in Hydro-Québec and TransÉnergie are preserved, as has been detailed previously.

Question :

- 17.1 Quelles sont les dispositions de la *Loi sur la Régie de l'énergie* qui imposent à la Régie de s'assurer que les intérêts du gouvernement dans Hydro-Québec ou TransÉnergie soient préservés ?

18. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly “Business Risk Analysis”, page 19, A22 :

Regulatory lag typically, and on average, should produce neutral risk. (...).

Questions :

- 18.1 Veuillez produire tout document que vous avez consulté définissant un “ délai réglementaire ”.
- 18.2 TransÉnergie a déposé sa demande originale le 1^{er} mai 1998. Selon toute vraisemblance, la Régie ne rendra sa décision que vers la fin de 2001. À votre avis, s'agit-il là d'un délai réglementaire ?

19. Contexte: Document Coalition 4 – Rapport d'expertise de Zak El-Ramly “Business Risk Analysis”, page 34, A30 :

(...) TransÉnergie's business environment, corporate structure and relative size justify the lowest ROR that would be allowable for a Canadian transmission only company.

Question :

- 19.1 À votre connaissance, quel est le plus faible taux de rendement accordé à une entreprise canadienne dont la seule activité est le transport d'énergie ? Veuillez produire les décisions réglementaires à l'appui de votre réponse, en indiquant la prime de risque consentie par l'organisme réglementaire.**

QUESTIONS ADRESSÉES PAR DR REN ORANS:**20. Contexte: Document Coalition 5 – Rapport d'expertise de Zak El-Ramly “Rate Design Analysis”, page 8-9, 3.1.3 :**

(..) Industry experience is that vertically integrated entities are able to appear to be strictly abiding by FERC Orders while managing to exploit these rules to the benefit of their subsidiaries. (..).

Question:

- 20.1 You state that there is a general ability to exploit FERC rules for the benefit of the subsidiaries. Beyond the submission made by Enron referred in your paragraph 3.3.2 (which involves HQ, and HQUS), are you aware of any specific abuses made by TransÉnergie of the principles outlines in FERC orders 888 and 889? Please file any evidence to that effect.**

21. Contexte: Document Coalition 5 – Rapport d'expertise de Zak El-Ramly “Rate Design Analysis”, page 20, 5.1.1 et 5.1.3 :

5.1.1 *TransÉnergie's proposed transmission rate and tariff structure will not promote the efficient use of the system, enhance economic efficiency, or advance competition and open access.*

(...)

5.1.3 *TransÉnergie's rates can be brought down to reasonable levels if the transmission rate can be divided into components/parts (multi-part rates) to reflect the use of the system. Three components can be easily envisioned:*

- *A remote generation related component (similar to gathering rates in gas transmission)*
- *A network component; and*
- *An intertie component (for facilities connecting the network to neighboring jurisdictions). Again the intertie component could be included in the network component. (...).*

Question:

- 21.1 You state that “the transmission rate and tariff structure will not promote the efficient use of the system” and go on to propose a rate structure that includes three components. Have you calculated what the rate components for each of the three different elements you propose would be? If so, please provide Hydro-Québec with all calculations.**

22. Contexte: Document Coalition 5 – Rapport d'expertise de Zak El-Ramly “Rate Design Analysis”, page 27, 5.3.7 :

(...) Equity can only be achieved through a rate design that incorporates the proper allocation of costs to the appropriate classes of users, namely those that are responsible for causing the costs to be incurred (cost causation principal).

Question:

- 22.1 You mention that the cost causation principle can be used to determine the proper allocation of costs between third parties and domestic customers. Are you**

suggesting that it is more equitable to allocate embedded costs between generators and existing load customers based on marginal cost than on load ratio shares of embedded cost?

23. Contexte: Document Coalition 5 – Rapport d'expertise de Zak El-Ramly “Rate Design Analysis”, page 27, 5.3.8 :

With respect to objective A) 5), the promotion of efficiency, Dr. Orans, in his answer to question 19 of his testimony, responded that the “The tariff promotes economic efficiency under Québec’s market environment and system condition by encouraging efficient use of the transmission system. Because the grid is primarily used by an integrated utility, Hydro-Québec can operate the grid efficiently and reliably, without relying on a more complicated tariff that prices congestion by location. To improve capacity utilization, the tariff permits discounting to promote efficient use the capacity of the system.” (HQT-10, Document 4, p.16, lines 2-7). Dr. Orans’ justification is refuted. First, the discounting applies only to short-term Point-to-Point services, without the users being given any assurance of its availability in advance. Such discounting applies to only 0.4% of transmission revenues. Second, the short-term Point-to-Point rate itself has been inflated, as TransÉnergie indicated in its response to questions from Ontario Power Generation, to discourage the use of the rate. (...).

Questions:

- 23.1 How many transmission owners are you aware of in North America that discount long-term point-to-point transmission capacity? Please identify them.**
- 23.2 What was BC Hydro’s expected short-term point-to-point revenues as a percentage of their total transmission revenue requirement?**
- 23.3 Do you have any evidence that shows that the actual discounted prices for short-term point-to-point service applied by TransÉnergie are inflated above what the market will bear?**

24. Contexte: Document Coalition 5 – Rapport d'expertise de Zak El-Ramly “Rate Design Analysis”, page 28, 5.3.8 :

(...)

Finally, the long-term Point-to-Point rate and the Network Integration

Rate have nothing in their design that would change the use, by the primary user Hydro-Québec, or send a price signal to the industry. For example, the BCUC instructed BC Hydro to develop Point-to-Point rates based on marginal costs and to implement a long-term discounting policy that would promote the location of new generators. (...).

Question:

24.1 Has BC Hydro implemented this policy? And does it include substantial discounts of long-term service?

25. Contexte: Document Coalition 5 – Rapport d’expertise de Zak El-Ramly “Rate Design Analysis”, page 29, 5.3.9 :

(...)

TransÉnergie’s rate design includes nothing that could practically be considered to promote economic efficiency.

Question:

25.1 In the absence of congestion, what locational considerations would the proper price signal have?

26. Contexte: Document Coalition 5 – Rapport d’expertise de Zak El-Ramly “Rate Design Analysis”, page 30, 5.3.10 :

Additionally, a key test that all rate designs must meet, and one that is ignored by Hydro-Québec’s expert Dr. Ren Orans, is the “reasonableness test”. (...).

Question:

26.1 In your opinion, is it more reasonable to have a rate that collects the revenue requirement with comparable discounting to promote efficiency as suggested by FERC and adopted by TransÉnergie or to design the rate to under-collect the transmission revenue requirement but promote third party generation?

27. Contexte: Document Coalition 5 – Rapport d'expertise de Zak El-Ramly “Rate Design Analysis”, page 30, 5.3.11 :

(...) TransÉnergie's rates do not reflect the structures of, and are not consistent with, comparable Canadian transmission utilities. For example, the rates, as proposed, do not include marginal pricing, such as those implemented by BC Hydro, and do not include special provisions for exports and wheel through such as those developed by Hydro One Networks. (...).

Questions:

- 27.1 Does BC Hydro's adopted transmission rate result in postage stamp rates when their incremental costs of expansion are zero?**
- 27.2 Does BC Hydro have a separate wheel-through and export service?**
- 27.3 And with the exception of the use of incremental cost for a single constrained path in their network does the BC Hydro tariff and structure follow the FERC pro-forma?**
- 27.4 Is the Hydro One Networks export and wheel-through rate based on the embedded cost of their intertie facilities or is it an export fee combined with congestion pricing based on having a competitive energy market in Ontario?**
- 27.5 Under Hydro One Network's rate, do third party generators or domestic customers pay for the embedded cost of the intertie facilities in Ontario?**

28. Contexte: Document Coalition 5 – Rapport d'expertise de Zak El-Ramly “Rate Design Analysis”, page 36, 5.4.10 :

If the Act is interpreted as strictly requiring uniform wholesale transmission rates throughout the system the TransÉnergie rate proposal, as submitted violates the Act in two ways.

Questions:

- 28.1 Do you have any evidence that suggests that the use of 1CP and 12CP for short-term point-to-point rates creates non-uniform wholesale transmission rates by location? (refer to page 39, line 20-21).**
- 28.2 Would discounting long-term point-to-point transmission service to 3rd party generators violate this requirement?**

29. Contexte: Document Coalition 5 – Rapport d'expertise de Zak El-Ramly “Rate Design Analysis”, page 37, 5.4.13 :

(...)

Export/Wheeling-across/intertie component chargeable to those who use these facilities for transit – many jurisdictions have similar intertie facility charges that are not part of the network and are only chargeable to those who use it (for example – BC/Alberta Tie, Hydro One, BPA/California DC and AC ties). The intertie component could viably be included in the network component as the interties provide essential system support services.

Question :

- 29.1 Are you suggesting that third party generators would pay for their load ratio shares of network costs as described in the TransÉnergie tariff?**

30. Contexte: Document Coalition 5 – Rapport d'expertise de Zak El-Ramly “Rate Design Analysis”, page 43, 5.6.2 :

(...) Given that the additional use of the system, and the corresponding additional revenue, reduces the allocation to the Network Integration Rate, discounting would have a favorable impact on third party users of the system, Hydro-Québec, and ultimately, through Hydro-Québec's reduced cost burden, all retail customers.

Question :

- 30.1 Do you have any evidence of the net impact on each party as a result of long-term discounting?**

31. Contexte: Document Coalition 5 – Rapport d'expertise de Zak El-Ramly “Rate Design Analysis”, page 44, 5.6.5 :

(...) Discounting should not be based on market condition/prices, rather discounting should be based on the potential for system utilization. (...) Discounting should be based on the degree to which the system is utilized, which itself may be a function of market prices.

Question :

- 31.1 Please reconcile these two sentences. Do you have any evidence that lower short-term prices would have resulted in higher revenues or better transmission utilization for TransÉnergie?**

QUESTIONS ADRESSÉES PAR DR ROGER A. MORIN:**32. Contexte: Document Coalition 2 - Rapport d'expertise de messieurs Booth et Berkowitz :****Questions :**

- 32.1 Please provide a list of all the non-telephone rate cases in which you have testified on rate of return matters in the last five years. Provide the name of the jurisdiction, the year, the company for which you provided a recommended return on equity, your return on equity recommendation, your common equity ratio recommendation, the return on equity authorized, and the common equity ratio authorized in that case. Please also provide the prevailing yield on long-term Canada bonds at the time of preparing these testimonies.**
- 32.2 Please provide a list of college-level finance or economics courses you have taught in the last two years or are currently teaching and a list of textbooks/readings used in these courses.**

- 32.3 On Page 2 line 22, what time period do Drs. Booth and Berkowitz have in mind when referring to capital structure decisions as “long-lived”?
- 32.4 Please supply the most current edition of the document referred to on Page 3 line 6.
- 32.5 On what basis do Drs. Booth and Berkowitz conclude that ROE formula adjustments have worked quite well in practice on Page 3 line 8? To the best of Drs. Booth and Berkowitz’s knowledge, are they aware of any Canadian regulatory body in the process of reexamining the adequacy of such ROE formula adjustments?
- 32.6 a) Please provide the work papers, supporting documentation, relevant literature and empirical studies which support the contention that the use of deferral accounts and equity ratios to adjust for differences in business risk is more common in Canada than the U.S. on page 12 lines 18-21.
- b) Please provide copies of the qualitative discussions by the bond rating agencies in comparing companies referred to on Page 12 line 20.
- 32.7 Please provide in electronic form the computational details and relevant spreadsheets for the correlation coefficients presented on page 15 line 16 and line 18.
- 32.8 With respect to the statement on Page 18 line 2 of their testimony, are Drs. Booth and Berkowitz aware that Hydro-Québec is a non-taxable entity?
- 32.9 a) On Page 20 lines 13-14, Drs. Booth and Berkowitz state that they would expect TAU to have the greatest debt ratio simply because its large size is a factor in financial market access. Is the converse also true, that is, do small firms have the lowest debt ratios?

- b) Please provide the work papers, supporting documentation, relevant literature and empirical studies that support your contention that large firms have higher debt ratios.
- 32.10 a) Please provide the work papers, supporting documentation, relevant literature and empirical studies which support your statement on Page 21 line 4 that financial ratios are almost meaningless for public sector electric companies.
- b) Are we to conclude from that statement that the financial ratios presented by Drs. Booth and Berkowitz are almost meaningless as well?
- c) Please provide the work papers, supporting documentation, relevant literature and empirical studies which support your statement on Page 21 line 7 that investors pay little if any attention to the capital structure ratios of the utility.
- d) Please provide the work papers, supporting documentation, relevant literature and empirical studies that support your statement on Page 21 line 13 that equity ratios will probably decrease in the future as the Canadian economy matures.
- 32.11 Please provide TransCanada's currently authorized return on equity, authorized capital structure, and beta estimate.
- 32.12 Please provide a copy of the document referred to on Page 24 line 17.
- 32.13 Please provide an updated version of the interest rate data presented on Drs. Booth and Berkowitz's Schedule 7.

- 32.14 a) Please provide the work papers, supporting documentation, relevant literature and empirical studies which support Drs. Booth and Berkowitz's statement on Page 26 line 26 that the shape of the yield curve has well known implications for where the economy is likely headed.
- b) To what well-known implications are Drs. Booth and Berkowitz referring to?
- c) According to such implications, what does the current shape of the yield curve suggest as to the future course of the Canadian economy?
- 32.15 Please provide a copy of the document referred to on Page 29 line 1.
- 32.16 To what expert witnesses are Drs. Booth and Berkowitz referring to on Page 32 line 1 of their testimony?
- 32.17 a) Please provide the 1999 and 2000 ROEs for the sample of firms referred to on Page 32 line 14 and Appendix C.
- b) Please provide the 1999 and 2000 ROEs for each of the regulated company shown on Schedule 15.
- 32.18 From their statement on Page 33 lines 22-23 and the graph presented in Schedule 17, are we to conclude that Drs. Booth and Berkowitz believe that lower risks should be accompanied with higher returns?
- 32.19 On page 33 lines 4-13, Drs. Booth and Berkowitz present the returns of regulated utility companies over the 1990-99 period along with the standard deviation of those returns. Please supply the corresponding returns and standard deviation for Hydro-Québec over the same period.

- 32.20 On what basis did Drs. Booth and Berkowitz select a cutoff point of 30% in creating the sample of companies described on Page 35 line 9?
- 32.21 On the basis of the tabular data presented on page 36 lines 19-22 of Drs. Booth and Berkowitz's testimony, are we to conclude that the risks of Gas/Electrics and Pipelines decreased very substantially in 1999? Is it Drs. Booth and Berkowitz's contention that energy utility stocks have become less risky than in the past?
- 32.22 On Page 39-40 and Appendix C, Drs. Booth and Berkowitz present their instrumental variables approach to estimating TransÉnergie's beta risk, and the statistical results are shown on Schedules C-2, C-3, and C-4.
- a) On Page 40 lines 9-10, Drs. Booth and Berkowitz refer to the inclusion of a dummy variable (D) for gas/electric utilities. Please provide the regression results shown on Schedules C-2, C-3, and C-4 with and without the gas/electric utility dummy variable. Also please provide the regression results for the dummy variable alone.
- b) Please provide the supporting calculations used to estimate Hydro-Québec's historical transmission assets referred to on Page 40 line 6.
- c) Please provide in electronic spreadsheet format the model and results presented in Schedules C-1 to C-4.
- 32.23 Please provide copies of the testimonies referred to on Page 40 line 23 where Drs. Booth and Berkowitz recommend a 35% equity ratio for distribution assets.
- 32.24 From Page 43 line 20, please provide support and substantiate Drs. Booth and Berkowitz's contention that that long-term Canada bonds have a higher beta risk than TransÉnergie. Does it follow that TransÉnergie's authorized return should be lower than the yield on long-term Canada bonds?

- 32.25 In reference to Page 49 line 3, please provide the stock price performance of AOL-Time Warner and Enron in the year 2000.
- 32.26 Please provide a copy of the article cited on Footnote 34 Page 53.
- 32.27 Please provide an electronic copy of the model and results presented in Appendix D.
- 32.28 Please provide the currently authorized ROEs and common equity ratios for each of the companies listed on Schedules 2, 3, and 15.
- 32.29 Please provide a graphical plot of long-term Canada bond yields and long-term U.S. Treasury bond yields over the last ten years.
- 32.30 Do Drs. Booth and Berkowitz's recommended return of 8.50% assume the maintenance of Hydro-Québec's existing capital structure or does it assume Drs. Booth and Berkowitz's recommended capital structure of 30% common equity? Please state your recommended ROE under both Hydro-Québec's existing capital structure and your recommended capital structure.
- 32.31 a) Are there any investor-owned or publicly-owned regulated utilities in 1) Canada, 2) in North America with an allowed rate of return on common equity that is equal to, or less than, what Drs. Booth and Berkowitz recommend in this proceeding? If so, provide a list of such utilities.
- b) Are there any investor-owned or publicly-owned regulated utilities in 1) Canada, 2) in North America with an allowed rate of return on common equity that is equal to, or greater than, what Drs. Booth and Berkowitz recommend in this proceeding? If so, provide a list of such utilities.

32.32 Please provide a summary of Drs. Booth and Berkowitz's rate of return on common equity conclusions and recommendations for TransÉnergie in the following format:

	Recommendation		
	low	high	
Equity Risk Premium			
Market Risk Premium (MRP)	x	x	x
Relative Risk Adjustment (RRA) to MRP for Risk of TransÉnergie	x	x	x
Equity Risk Premium for Utilities (MRP x RRA)			
Long-Canada Yield	x	x	x
Cushion, add-ons, etc.	x	x	x
Total	x	x	x
Overall Recommendation			X

32.33 In Appendix C you present your instrumental variables approach to estimating beta, and the statistical results are shown on Schedules C2, C3 and C4.

- a) Please provide the regression results shown on these schedules with and without the utility dummy variable. Also please provide the regression results for the dummy variable alone.
- b) In view of your critical discussion of beta estimates in Appendix B Pages 1-3, please provide the regression results shown on these schedules using Adjusted Beta as the dependent variable rather than Raw Beta. Use the standard definition of Adjusted Beta described on Page 2 of your Appendix B, whereby :

$$\text{Adjusted Beta} = 0.3333 + 0.6666 \times \text{Raw Beta}$$

- c) As you did for your Multi-Factor model in Schedule D1, please provide the correlation matrix for the independent variables defined on Schedule C1 both with and without the dummy variables for each of the three models used in Equations 1, 2, and 3.
- d) Please provide the corresponding results of Schedules C2 to C4 for the entire sample of 153 firms referred to on Page 3 line 5 of Appendix C.

32.34 Please provide the currently authorized ROEs and common equity ratios for each of the utilities listed on Schedule C3.

32.35 Please provide a copy of all the articles cited on Pages 1-2 of Appendix D, including the articles cited in footnotes 1 and 2.

32.36 Please provide a copy of the article cited on Page 3 footnote 3 of Appendix D.

32.37 Please provide a copy of the article cited on Page 1 footnote 1, Appendix E.

32.38 Please provide a copy of the CIA study cited at the bottom of Schedule E1.

32.39 Please provide a copy of the Scotia study cited at the foot of Schedule E4.

32.40 Please provide a copy of the article cited on Page 3 footnote 5, Appendix F.

32.41 Please provide a copy of the article cited on Page 4 footnote 6, Appendix F.

32.42 Please provide an electronic copy of the data described in footnote 1 of Appendix F used to derive the estimates described in lines 9-11 Page 1 and displayed on Schedule F1.