BEFORE THE

RÉGIE DE L'ÉNERGIE

IN THE MATTER OF:

HYDRO QUÉBEC

**ALLOCATION DU COÛT DE FOURNITURE
DE L'ÉLECTRICITÉ PATRIMONIALE
PAR CATÉGORIE DE CONSOMMATEURS
POUR LES ANNÉES 2001 ET 2002**

REQUÉTE R-3477-2001

Information Requests prepared by:

Industrial Economics, Incorporated
2067 Massachusetts Avenue
Cambridge, Massachusetts

On Behalf of:

L'association québécoise des consommateurs industriels d'électricité (AQCIE)

L'association des industries forestiéres du Québec (AIFQ)

26 June 2002

Information Requests to:

Action Réseau Consommateur et Fédération des Associations Coopératives d'Économie Familiale du Québec (ARC-FACEF)

1. Reference: Rapport d'expertise de M. Pierre Lasserre

   Context: Curriculum vitae de Pierre Lasserre

   Information Requests:

   a. Please describe the relevant experience and qualifications of M. Lasserre on the subject of cost allocation for regulated electric utilities such as Hydro Québec, and specifically, as to cost allocation methods recognized in the industry.

   b. Please provide a table that identifies all regulatory proceedings in which M. Lasserre has provided expert evidence on the topic of allocation of electric generating costs, listing the jurisdiction, the regulator, the electric utility involved, the client on whose behalf the testimony was filed, a reference number for the proceedings, the date of the testimony, and the subject of the testimony.

   c. Please provide a table that identifies all regulatory proceedings in which M. Lasserre has provided expert evidence on the topic of allocation of electric utility costs other than generation, listing the jurisdiction, the regulator, the electric utility involved, the client on whose behalf the evidence was filed, a reference number for the proceedings, the date of the testimony, and the subject of the testimony.

   d. Please identify all reports prepared by M. Lasserre that address the issue of allocation of electric utility generating costs, listing the title of the report, the date of the report, the client for whom the report was prepared, and a brief synopsis of the subject of the report and its conclusions.

2. Reference: Observations Écrites du Regroupment ARC-FACEF and Rapport d'expertise de M. Pierre Lasserre

   Context: ARC-FACEF and its expert have provided only limited workpapers supporting their conclusions, and those workpapers that were provided do not contain the formulae used to make the calculations.

   Information Requests:

   a. In both electronic and hardcopy format, please provide all workpapers used to derive the tables and graphs presented in the referenced documents. Please provide the electronic tables and graphs in "live" format, such that the formulae may be examined and links between the files are retained.

3. Reference: Rapport d'expertise de M. Pierre Lasserre, page 3

Context: M. Lasserre identifies a value of 6.79 cents per kWh used for establishing the value of access to power at 2.79 cents per kWh.

Information Requests:

a. Please provide the basis for the 14 cents per kWh in the referenced section of the report.

b. Please provide the complete basis for the assertion that 6.79 cents per kWh represents an approximate cost of replacement power for Hydro Québec.

c. Please provide the market data relied upon for evaluating the price of power in the United States for comparability to the 6.79 figure.

4. Reference: Rapport d'expertise de M. Pierre Lasserre, page 7-11

Context: M. Lasserre proposes that a scarcity factor be incorporated into the methodology used to allocate costs amongst the rate classes.

Information Requests:

a. Please identify all jurisdictions in which a scarcity factor such as that proposed by M. Lasserre is used for allocating electric generating costs among rate classes.

b. Please explain why M. Lasserre proposes that the "scarcity factor" apply to all loads within a particular class, and not only to incremental loads.

c. If residential load were increasing at a rate faster than that of the industrial class over the past five years, would M. Lasserre recommend that the scarcity factor be adopted? Please explain your response.

5. Reference: Rapport d'expertise de M. Pierre Lasserre, page 3-4

Context: M. Lasserre indicates that HQ’s allocation formula may reward disincentives

Information Requests:

a. Is it M. Lasserre's conclusion that industrial customers in Québec who have access to average costs power at 2.79 cents per kWh are guilty of the unfair trading practice of dumping?

i. If your answer is affirmative, please explain fully, identify all industrial customers who are guilty, and cite supporting authorities for your conclusion.

ii. If your answer is negative, please explain exactly what you mean by "dumping."

6. Reference: Rapport d'expertise de M. Pierre Lasserre, page 5

Context: M. Lasserre indicates that the static nature of HQ's allocation formula results in unit cost anomalies with respect to changes in user consumption

Information Requests:

a. Please provide a quantitative example that demonstrates how, under HQ's formula, an increase in consumption reduces the unit cost for a particular user category if the group's load factor is higher than the distributor's average load factor.

b. Please confirm that, under HQ's methodology, an increase in mix by the industrial class, with all other factors constant, results in a rate *increase* for all rate classes including the industrial class. If you cannot confirm, please explain your response.

7. Reference: Rapport d'expertise de M. Pierre Lasserre, pages 9-12

Context: In deriving a scarcity factor, M. Lasserre derives a growth rate for user consumption patterns over the long term

Information Requests:

a. For the "TXdeCROISSANCE" factor, please indicate whether M. Lasserre proposes to use actual or weather-normalized consumption levels. To the extent that M. Lasserre has not normalized for weather variation, please explain your reasoning fully.

b. Is M. Lasserre proposing different energy and demand classification factors (PE_{patr} and PP_{patr}) than those used by HQ, as suggested at page 9? If so, please define the factors proposed by M. Lasserre and provide the basis for those factors.

8. Reference: Observations Écrite du Regroupement ARC-FACEF, page 19

Context: ARC-FACEF modifies the HQ allocation formula to reflect a hypothetical demand/energy split of 80 percent (energy) and 20 percent (demand).

Information Requests:

a. Please provide the basis for this hypothetical split.

9. Reference: Observations Écrite du Regroupement ARC-FACEF, Section II,3,b

Context: ARC-FACEF cites a study conducted by M. Co Pham to suggest that consumption patterns are essentially unchanged from winter to summer, across workdays and weekends.

Information Requests:

a. Please provide a copy of the referenced report of M. Co Pham.

10. Reference: Observations Écrite du Regroupement ARC-FACEF, Section III

Context: ARC-FACEF indicates that an increase in industrial load of 2 TWh will result in an increase in industrial class load factor.

Information Requests:

a. Please explain why an increase in industrial load will improve the industrial class load factor.

b. Please identify the specific types of industrial load growth envisioned in this section, that will result in an increased system load factor.

c. Please provide the basis for the load growth anticipated in Tableau 2.

d. Is it ARC-FACEF's contention that the 2 TWh of load growth shown in Tableau 2 can be added to industrial energy consumption with zero increase to industrial class coincident peak demand, when coincident peak demand is measured on a 300 hour basis? Please explain your response.

11. Reference: Observations Écrite du Regroupement ARC-FACEF, Section IV

Context: ARC-FACEF recommends the adoption of energy-demand classification split of 80%/20%.

Information Requests:

a. Please identify all evidence in these proceedings that justifies this classification approach.

b. Please identify all other Canadian electric utilities who use a split that is 80% energy or greater.

c. Please provide an exhaustive list of ARC-FACEF's reasons for recommending an 80%/20% split.

12. Reference: Observations Écrite du Regroupement ARC-FACEF

Context: ARC-FACEF is concerned about rate classes hoarding the 165 TWh in the heritage pool

Information Requests:

a. Please explain fully ARC-FACEF's understanding of the customer or customer class entitlement to the 165 TWh when that limit is exceeded.

b. Please explain fully ARC-FACEF's understanding of how energy in excess of the 165 TWh will be priced. Please include in your explanation a discussion of whether such pricing will be at M. Lasserre's 6.79 cents per kWh value.

Information Requests to

Stratégies Énergétiques et le Groupe STOP (SÉ-GS)

1. Reference: Rapport d'expertise de Jacques Fontaine, Piéce-SÉ GS-2, Document 1

   Context: Curriculum vitae de Jacques Fontaine

   Information Requests:

   a. Please describe the relevant experience and qualifications of M. Fontaine on the subject of cost allocation for regulated electric utilities such as Hydro Québec, and specifically, as to cost allocation methods recognized in the industry.

   b. Please provide a table that identifies all regulatory proceedings in which M. Fontaine has provided expert evidence on the topic of allocation of electric generating costs, including the jurisdiction, the regulator, the electric utility involved, the client on whose behalf the testimony was filed, the number for the proceedings, the date of the testimony, and the subject of the testimony.

   c. Please provide a table that identifies all regulatory proceedings in which M. Fontaine has provided expert evidence on the topic of allocation of electric utility costs other than generation, including the jurisdiction, the regulator, the electric utility involved, the client on whose behalf the evidence was filed, the number for the proceedings, the date of the testimony, and the subject of the testimony.

   d. Please identify all reports prepared by M. Fontaine that address the issue of allocation of electric utility generating costs, including the date of the report, the client for whom the report was prepared, and a brief synopsis of the subject of the report and its conclusions.

2. Reference: Rapport d'expertise de Jacques Fontaine, Piéce-SÉ GS-2, Document 1, page 3

   Context: M. Fontaine indicates that the methodology employed by Hydro Québec (HQ) has impacts that are not only economic, but also social and environmental.

   Information Requests:

   a. Is it M. Fontaine's expert opinion that environmental costs should be reflected in an electric utility cost allocation study? To the extent your response is affirmative, please provide a specific definition of the environmental costs that should be included in the cost allocation study and explain why such costs should be considered.

   b. Is it M. Fontaine's expert opinion that social costs should be reflected in an electric utility cost allocation study? To the extent that your response is affirmative, please provide a specific definition of the social costs that should be included in the cost allocation study and explain why such costs should be included.

c. Is it M. Fontaine's expert opinion that social issues are better addressed in the cost allocation process, or in the rate design process? Please explain your response.

3. Reference: Rapport d'expertise de Jacques Fontaine, Piéce-SÉ GS-2, Document 1

Context: M. Fontaine has not provided any workpapers demonstrating his calculations.

Information Requests:

a. In both electronic and hardcopy format, please provide all workpapers used to derive the tables presented in M. Fontaine's evidence. Please provide the electronic tables in "live" format, such that the formulae may be examined and links between the files are retained.

4. Reference: Rapport d'expertise de Jacques Fontaine, Piéce-SÉ GS-2, Document 1, page 6, Footnote 4

Context: M. Fontaine cites HQ reliability policy of one day outage in 10 years.

Information Requests:

a. Please provide the basis for this criterion.

b. Is it the author's contention that HQ uses, as a planning criterion, an expectation that firm customers will be interrupted on average 2.4 hours every year due to insufficient generating capacity? Please explain your response.

c. Please indicate whether, in evaluating reliability, HQ includes interruptible load in determining whether generating capacity is sufficient to meet peak demands. Please explain your response.

5. Reference: Rapport d'expertise de Jacques Fontaine, Piéce-SÉ GS-2, Document 1, page 16

Context: M. Fontaine recommends that demand costs be allocated using a peak demand allocator based on 100 hours.

Information Requests:

a. Please identify all jurisdictions in which a peak demand allocator of 100 hours (or more) is used to allocate electric utility generation demand-related costs.

b. Is it M. Fontaine's contention that HQ plans capacity sufficient to meet the average of the top 100 hours of firm demand in the year? If not, please explain why a 100-hour allocator is appropriate?

6. Reference: Rapport d'expertise de Jacques Fontaine, Piéce-SÉ GS-2, Document 1, page 16

Context: M. Fontaine states that cost allocation is separate and distinct from rate design, but indicates that measures may be needed to minimize rate shocks.

Information Requests:

a. Please explain why rate shock is relevant for cost allocation?

b. Please explain why it would not be more appropriate to recognize social and rate shock implications in the rate design process, than to adopt a cost allocation methodology that is not consistent with cost causation.

7. Reference: Rapport d'expertise de Jacques Fontaine, Piéce-SÉ GS-2, Document 1

Context: M. Fontaine rejects a 1 CP cost allocation methodology, apparently on the grounds that it is not consistent with the expected use of combustion turbine peaking units.

Information Requests:

a. Please explain why the usage of combustion turbine units is relevant for allocating demand costs.

b. Is it M. Fontaine's contention that HQ constructs combustion turbine capacity that is sufficient to meet peak demand, or to meet the average demand of the top 100 hours per year? Please explain your response.

c. Please explain why, if HQ constructs transmission capacity that is sufficient to meet a single coincident peak and that a 1 CP method is relevant for transmission costs, it is not relevant for the demand-related portion of generating costs.

8. Reference: Rapport d'expertise de Jacques Fontaine, Piéce-SÉ GS-2, Document 1

Context: M. Fontaine does not provide a detailed explanation of how loss factors are calculated.

Information Requests:

a. Please explain how M. Fontaine calculated the loss factors shown in Tableau 7, page 21. Please show the algebraic formulae used by M. Fontaine to derive these values, and identify the workpapers (filed in response to AQCIE-CÉ/STOP-1) that perform these calculations.

b. Please explain how M. Fontaine used the loss factors shown in Tableau 7 to derive the results in Tableau 8.1, 8.2, 9.1, 9.2, 10.1, 10.2, 11.1 and 11.2. Please show the algebraic formulae used by M. Fontaine to derive these values, and identify the workpapers (filed in response to AQCIE-CÉ/STOP-1) that perform these calculations.