

AQCIE/CIFQ

Demande de renseignements #3 à Hydro-Québec Distribution
R-3610-2006

Le 2 octobre 2006

QUESTIONS DE L'ASSOCIATION QUÉBÉCOISE DES CONSOMMATEURS INDUSTRIELS D'ÉLECTRICITÉ (AQCIE) ET DU CONSEIL DE L'INDUSTRIE FORESTIÈRE DU QUÉBEC (CIFQ) DANS LE CADRE DU DOSSIER DE LA DEMANDE DU DISTRIBUTEUR RELATIVE À L'ÉTABLISSEMENT DES TARIFS D'ÉLECTRICITÉ POUR L'ANNÉE 2007-2008

SET I

1. In MS Excel electronic format, please provide a database showing number of customers and MWh consumption for each rate class for each month for each of the past ten years.
2. For the 2006 and 2007 test years, please provide HQD's forecast for number of customers and MWh consumption for each rate class, and identify the reasons for any significant changes.
3. For each of the past ten years, please provide a table showing HQD's (or its predecessor) long-term (5 or 10-year) forecast for GWh load for each rate class from its strategic plan. To the extent it is available, please provide this information in MS Excel electronic format.
4. For each of the past ten years, please provide the annual energy consumption, the single coincident peak, and the 300-hour coincident peak, on both a weather normalized and non-normalized basis, for each rate class.
5. Reference HQD-1, Document 1, page 5. In the English translation, the referenced document indicates that an English version of HQD's 2006-2010 Strategic Plan is available on HQD's web site. As of September 27, 2006, it was not. Please provide an English version of the 2006-2010 Strategic Plan if it is available.
6. Reference HQD-1, Document 1, page 9: Please explain why \$7 million has been added to the revenue requirement associated with pension costs for the supply units. Please also indicate where these costs are functionalized, classified and allocated in the cost allocation study.
7. Reference HQD-1, Document 1, page 8, amortization of past service transmission costs:
 - a. Please provide a forecast of HQD's generation, transmission, distribution and customer service costs for the 2007 to 2011 time period, based on the assumption that the \$340 million will be amortized over a three-year period beginning in 2008.
8. Reference HQD-1, Document 1, page 17: Please indicate where and how the costs for the PGEÉ are classified and allocated in HQD's cost allocation study.
9. Reference HQD-4, Document 2, Tables 2 and 3:

- a. For each post-heritage volume variance reported in these tables, please provide the planned volume, the actual volume, and the price/cost applied to calculate the volume variance. Please provide the basis for the price/cost value.
- b. For each heritage volume variance reported in these tables, please provide the planned volume, the actual volume, and the price/cost value that is applied to calculate the volume variance. Please provide the basis for the price/cost value.
- c. For each price differential variance shown in these tables, please provide the planned price, the actual price, and the volume that is applied to calculate the price differential. Please provide the basis for the volume value.
- d. For each revenue differential shown in these tables, please provide the planned and actual price and volume figures used to derive the revenue differential, and provide the basis for each.

10. Reference HQD-4, Document 2, page 9:

- a. Regarding the 280 GWh of unused heritage pool energy, is HQD able to resell that energy on the competitive market and use the differential between market prices and heritage pool costs to offset other generation costs? If not, is it correct that this underutilization of the heritage pool results in additional profits for HQD's supply affiliate?

11. Reference HQD-11, Document 1, page 7: HQD expresses its frustration with the effects and complexities that arise from the difference between the patrimonial load shape defined in Decree 1277-2001 and HQD's actual load shape.

- a. To the extent HQD is aware, please provide the basis for the Decree 1277-2001 heritage pool load shape, and explain why it is so different from HQD's actual load shape.
- b. Please explain whether HQD has made any efforts to convince the government that Decree 1277-2001 should be modified to more accurately reflect HQD's actual load shape, and explain why or why not.

12. Reference HQD-11, Document 1, page 7. The English version of the paragraph describing a new calculation that HQD is using this year regarding Decree 1277-2001 is not entirely clear, potentially due to translation difficulties. Please provide an illustrative numerical example that depicts the change in calculation methodology referred to in this paragraph.

13. For the test year, please provide an hourly, time-stamped database of the following information, in MS Excel spreadsheet format:

- a. Load for each rate class;
- b. Patrimonial load for each rate class;
- c. Post-patrimonial load, segregated by post-patrimonial supplier;

d. Post-patrimonial hourly cost for each post-patrimonial supplier.

To the extent post-patrimonial loads and costs by supplier are deemed to be confidential, please provide the post patrimonial hourly loads and costs in as much detail as possible.

14. Please provide an electronic spreadsheet detailing how patrimonial loads are allocated to each rate class for each hour of the test year, based on Decree 1277-2001 and the forecast hourly loads.
15. Reference HQD-11, Document 1, pages 8 to 9. HQD refers to the demand-energy differentiation of generation cost causation.
 - a. Does HQD agree or disagree that in competitive markets, in addition to a demand-energy differentiation, there is a time-of-use differentiation in energy costs? Please explain your response.
 - b. Please explain if and how the time-of-use variation in energy costs is reflected in the allocation of energy costs in Scenarios 4 and 5 of Table 2.
16. Reference HQD-11, Document 1, Table 2: Please provide supporting workpapers for each of the values reported in this table, in MS Excel electronic format.
17. Reference HQD-11, Document 1, page 13, allocation of generation integration costs:
 - a. Please provide HQD's understanding of the reasons for the difference in the Régie's use of the 1-CP load factor method for allocating generation integration costs and the Régie's adoption of the 300-CP load factor method for allocating patrimonial generation costs. If you cannot confirm, please explain your response.
18. Reference HQD-11, Document 1, page 15:
 - a. Please explain how the \$81 million credit difference between the native load cost and the native load charge from the transporter is implicitly or explicitly functionalized, classified and allocated in HQD-11, Document 4, Table 9C.
 - b. Please provide the reasoning behind the methodology specified in part (a) of this interrogatory.
19. Reference HQD-11, Document 4, page 15, allocation of generation variance accounts:
 - a. Please explain why, under HQD's load factor methodology, the generation variances are not simply added to the pool of generation costs and allocated pursuant to the basic methodology?
20. Reference HQD-11, Document 4, page 19, Tables 5 and 6:
 - a. Please provide the detailed cost allocation results that justify the reported methodological impacts of cost allocation study changes.

- b. For each rate class, please show the revenues, allocated costs and revenue-cost ratios used to derive the methodological impacts on each rate class.
 - c. Please explain why, if the methodological effects in Table 5 reduce costs allocated to the residential class, the target revenue cost ratio is also reduced as shown in Table 6.
 - d. Please provide a version of Table 6 under the assumption that the change in allocation of the generation deferral account is deemed to be a price/cost/volume change.
21. Reference the “methodological change” associated with the change in allocation of the generation deferral account:
- a. Please confirm that the changed treatment of generation deferral costs is likely to have very different impacts from year to year, depending on whether costs are over- or under-recovered.
 - b. Under HQD’s year-to-year approach, what is the permanent impact on the large power class’ target revenue-cost ratio associated with this methodological change? Please provide supporting calculations.
22. Please provide a version of the 2007 cost allocation study using, to the extent possible, the cost allocation methodology employed in the approved 2005 cost allocation methodology. Please identify all specific reasons why the 2005 methodology cannot be directly applied to the 2007 cost allocation study.
23. Reference HQD-12, Document 1, page 14:
- a. To the extent they are available, please provide HQD’s estimates of the short-run and long-run price elasticities of demand for each rate class or group of classes, and identify the basis for those estimates.
 - b. To the extent any are available, please provide HQD’s estimates of the cross-price elasticity of demand in the large industrial sector with prices of electricity in other jurisdictions.
 - c. Please provide copies of any Ramsey Price analyses prepared by HQD, as suggested by the quote from the Phillips text.

SET II

24. In its presentation to the Technical Committee, HQD indicated that the hourly cost method that it proposes as an alternative to the Load Factor Method was consistent with the “Probability of Dispatch” generation cost allocation method described in the NARUC manual.
- a. Has HQD modified its hourly methodology in any way since the presentation to the Technical Committee? If so, please describe the changes in detail.

- b. Does HQD continue to believe that its proposal is consistent with the Probability of Dispatch method? Please explain.
- c. Is HQD aware of any other standard allocation methodologies for generation costs with which its proposed hourly allocation method is consistent? If so, please identify these methodologies.

25. Reference: allocation of generation integration (transmission) costs

- a. Please confirm that all customer load is served through transmission network facilities and that no load is served directly from generation integration equipment. If you cannot confirm, please provide the energy and demand levels of customers served directly from the generation integration equipment for each rate class.
- b. Please provide a transmission system map (or maps) segregating the generation integration facilities from the network facilities.

26. Reference: Table 9A of the cost allocation study

- a. Please provide the loss factor for each rate class and show how it was derived.
- b. Please provide the energy consumption and peak demands for each rate class used to derive this allocation, with at least three significant digits.
- c. Please provide a ten-year history of the forecast load factor for each rate class, showing both energy consumption and peak demands.
- d. Please provide a ten-year history of the loss factor for each rate class.

27. Reference HQD-12, Document 1, page 45, Table 19. For each sub-category of Rate L, please provide the 2007 test year forecast for:

- a. Energy consumption;
- b. 300 CP demand;
- c. 1 CP demand;
- d. Non-coincident peak demand for medium voltage distribution service;
- e. Contribution to allocation factor FR12;
- f. Revenues.

28. Reference HQD-12, Document 4

- a. Please explain why HQD proposes a 3.6 percent increase for the energy component of the Rate L tariff, but proposes to increase the transformation losses credit by 2.9 percent.

29. Reference HQD-9, Document 1, page 5, Table 2:

- a. Please segregate the Rate L costs shown in this table into the “commercial,” “industrial,” “institutional,” and “municipal network” customer categories.
- b. Please confirm that the programs targeted at commercial and institutional customers comprise at least 35 percent of the costs, while those customers represent only some 4 percent of Rate L revenues (HQD-12, Document 1, Table 19). If you cannot confirm, please explain your response.
- c. Please explain how the proposed tariff for Rate L design reflects the costs of this program.

30. Reference HQD-11, Document 1, page 7. HQD refers to the unusual class load shapes resulting from the “one-time impact for 2007 of new facilities coming on stream,” and effects caused by the order-in-council load shape.

- a. Will the impact of facilities coming on stream be a one-time impact, or will additional post-patrimonial supply sources continue to come on stream in the next few years? Please explain your response.
- b. When does HQD anticipate that post-patrimonial load profiles for all rate classes will not exhibit unusual shapes? Please explain your response, and provide any supporting analysis.

31. Reference HQD-11, Document 1, page 16, pass-through account for supply:

- a. To the extent it is not otherwise provided, please provide all workpapers, in MS Excel electronic format, showing how the pass-through balances are allocated to each rate class.