

**DEMANDE DE RENSEIGNEMENTS N° 1 D'OPTION CONSOMMATEURS (« OC »)
À HYDRO-QUÉBEC TRANSÉNERGIE (« HQT »)**

**DEMANDE DU TRANSPORTEUR AFIN DE MODIFIER SES TARIFS ET
CONDITIONS DE TRANSPORT D'ÉLECTRICITÉ
À COMPTER DU 1ER JANVIER 2008**

R-3640-2007

- 1) References:**
- i) HQT-3, Document 1, pages 14-15, Tables 1 and 2**
 - ii) HQT-10, Document 1, page 13**

Questions:

- a) Based on current load forecasts and projected investments & financial results for 2007 and 2008, please provide the projected 2007 and 2008 results for:
 - o The three performance indicators related to net O&M costs,
 - o The two performance indicators related to cost of capital assets, and
 - o The two performance indicators related to the cost of service.
- b) With respect to the response to part (a), please provide the values for 2007 and 2008 used to calculate the ratios (i.e., the equivalent of Table 2 for 2007 and 2008).
- c) Please provide a full explanation as to how the “capacity of the transmission network” (i.e., *capacité du réseau*) is determined.
- d) With regards to reference ii), please redo Table 1 to include the values as of December 31st, 2006.
- e) Please explain the basis for the reported 207,075 “Kilomètre de circuit 230 kV équivalent” set out in Table 2 of reference i) and reconcile it with the lengths of line reported in Table 1 of reference ii) and the response to part (d).

- 2) Reference: HQT-3, Document 1, page 21**

Questions:

- a) Does HQT's 2007 Corporate Performance Objective (Category C) regarding cost of operations per MW reflect the reduced spending levels approved by the Régie in D-2007-08? If yes, please explain how. If no, please explain why not.

- b) With respect to Category C, Corporate Objectives for 2007, please provide the projected 2007 results based on forecasts for 2007 included in the current Application. Please also provide the appropriate references as where in the current Application the relevant forecast values can be found.

3) Reference: HQT-4, Document 3, pages 7-8

Questions:

- a) Please explain why interest is calculated only from the 31st day following the publication of the Hydro-Québec Annual Report.
- b) Why isn't it appropriate to calculate interest from December 31st of the preceding year?
- c) Please indicate the current practices of HQT and HQD with respect to the calculation of interest on other variance accounts that currently exist.

**4) References: HQT-4, Document 3, page 10, Table 1
HQT-11, Document 2, page 5 (Revised July 27th)
HQT-13, Document 3, page 3**

Preamble:

The 2007 long-term point to point revenue forecast of \$34 M following D-2007-08 is consistent with the projected long term requirements of 479 MW and a rate of \$70.82/kW/annum. However, the update forecast of \$40 M does not reconcile with the new long term requirements forecast of 591 MW (i.e., 591 MW x \$70.82/kW = \$42 M).

Question:

- a) Please explain the discrepancy.

5) Reference: HQT-4, Document 3, page 11

Preamble:

HQT is currently forecasting a variance (excess) in short-term and long-term point to point revenues for 2007 of \$42 M (relative to that included in the 2007 Rate Application).

Question:

- a) Please confirm that none of this surplus has been used (refunded) to long term customers (i.e., native load and long-term point to point customers) as part of the current 2008 Transmission Rate Application. If this is not the case, please indicate where in the Application the surplus has been factored into the 2008 Rates.

**6) References: HQT-4, Document 4
 HQT-3, Document 1, page 9, lines 20-24**

Questions:

- a) For the purpose of part (a), consider HQT as a formal, independent “stand alone” Transmitter. How would the new articles 85.33 and 85.34 (and any other if applicable) of *Loi de la Régie de l'énergie* apply to HQT in this case? Please elaborate.
- b) Please list all sources of greenhouse gases emission from HQT's operations.
- c) For sources identified above (part c), provide greenhouse gases emissions for each source for 2007 and 2008.
- d) Please confirm that, at this moment, HQT cannot forecast any costs related to Quebec's Green Fund initiative (i.e., *Fonds vert*) for 2007 and 2008.
- e) HQT has not indicated whether or not the Green Fund variance account would be in the Rate Base. Please clarify (and provide supporting rationale). Also, if applicable, identify the appropriate references in the current Application.

**7) References: HQT-5, Document 1, page 3
 HQT-5, Document 2, page 3
 HQT-6, Document 6, pages 3 and 4
 HQT-8, Document 1, Table 2**

Questions:

- a) Does the proposed inclusion of Telecommunications assets and activities as part of the regulated Transmission business (as discussed in HQT-8, Document 1) alter the HQT's values for the allocation factors used to assign Corporate Charges to Hydro Québec's different business segments? If not please explain why, since the inclusion of Telecommunications will change the base salary, operating cost and net asset value for HQT.
- b) The Corporate Charges allocated to HQT are the same (i.e., \$34.4 M) whether or not Telecommunications assets & activities and related costs are excluded for the Transmission business. Please explain why this is the case, if the inclusion of Transmission assets and activities as part of the Transmission business alters the values of HQT's allocation factors.

c) With respect to HQT-6, Document 6, page 4, please provide a schedule setting out the HQT value and the total value across all of HQ for each of the two the Corporate Charges allocation factors assuming:

- Telecommunications is **excluded** from HQT assets;
- Telecommunications is **included** in HQT assets.

**8) References: HQT-5, Document 2, page 3
 HQT-6, Document 2, page 5, lines 20-23**

Questions:

- a) For purposes of addressing the Régie's Decision D-2007-08 (page 34) regarding allowable overall operating costs for 2007 (i.e., \$711.3 M), did HQT develop any internal 2007 spending targets for
- Gross Direct Costs (Charges brutes directes),
 - Shared Services Costs (Charges de services partagés),
 - Capitalized Costs (Coûts capitalisés),
 - Internal Revenues (Facturation interne)?

If yes, please indicate what they were. If not, why not?

- b) Please indicate the specific plans developed and actions taken by HQT to reduce its overall operating costs for 2007 in order to meet the Régie's reduction in authorized spending for 2007. If no plans and/or actions were undertaken, please explain why?
- c) With respect to any plans or actions identified in response to part (b), please indicate the target spending reductions associated with them and the actual spending reductions achieved for 2007.
- d) Please explain why the actual overall operating costs for 2007 forecast for 2007 (\$736 M) are forecast to be virtually the same as those originally projected in HQT's 2007 Rate Application (\$737 M per R-3605-2006, HQT-5, Document 1, page 3) despite the Régie's D-2007-08 Decision authorizing lower operating costs.

**9) References: HQT-6, Document 1, page 7, Graph 1
 R-3605-2006, HQT-13, Document 1, page 4, Response to Q.1.1**

Questions:

- a) The cost per MW values for 2001-2005 shown in Graph 1 differ from those reported last year in response to the above referenced information request from the Régie. Please reconcile the differences.

- b) Please provide the data underlying the calculation of the ratios set out in Graph 1 (i.e., cost and MW values for each year).

**10) References: HQT-6, Document 1, page 11, Table 3
R-3605-2006, HQT-5, Document 1, page 3**

Question:

- a) Please provide a schedule similar to Table 3, but using the total expenses authorized by the Régie for 2005 (see R-3605-2006, HQT-5, Document 1) as the starting point for calculating the increase.

11) Reference: HQT-6, Document 1, page 11, Table 3

Questions:

- a) Please describe the 2007 maintenance activities that accounted for the \$5 M increase and also explain why this higher level of spending continues in 2008.
- b) Please provide additional details regarding the factors and initiatives that contribute to the \$2.5 M reduction described as "Facteur de croissance du réseau et gains d'efficience".

**12) References: i) HQT-6, Document 1.1
ii) HQT-6, Document 1.2, pages 3-4 (RCGT memo, section 1.3)**

Questions:

- a) Considering the initiatives described in reference i), what is the expected dollar impact on 2007 costs?
- b) What is the expected dollar impact of each initiative in reference i) on cost for 2008? For each initiative with an expected impact, please indicate the cost component(s) affected as set out in HQT-5, Document 1 (page 4).
- c) The RCGT memo, reference ii), states that HQT should have a measurement system in place by the end of 2007 and that performance indicators will be set up. Please provide an update with regards to the measurement system and list any performance indicators that have been or could be adopted.

**13) References: HQT-6, Document 2, page 6
HQT-2, Document 1, Organization Chart for HQ**

Questions:

- a) Please provide a schedule that, for the years 2006 through 2008, breaks down HQT's Gross Direct Costs (i.e., *Charges brutes directes*) by organizational unit. For purposes of the response please provide the breakdown according to the 15 organizational units shown for HQT in the first chart of HQT-2, Document 1.
- b) For each of the 15 organizational units please indicate the reasons for any changes in costs between 2006 and 2008 of more than 5%.

**14) References: HQT-6, Document 2, page 10
HQT-2, Document 1, Organization Chart for HQ**

Questions:

- a) Please provide a schedule that, for the years 2006 through 2008, breaks down HQT's workforce (i.e., FTEs) by organizational unit. For purposes of the response please provide the breakdown according to the 15 organizational units shown for HQT in the first chart of HQT-2, Document 1.
- b) For each of the 15 organizational units please indicate the reasons for the change in workforce levels between 2006 and 2008. In doing so, please distinguish between changes that were due to transfer of responsibilities and staff from one business unit to another versus increases in total staff levels.

**15) References: HQT-6, Document 2, page 11, Figure 1
HQT-6, Document 1, page 7, Graph 1**

Questions:

- a) Please provide the ETC and GW values used to create the ratios for each year.
- b) Are the MW values used to create Figure 1 in HQT-6, Document 2 the same as those used to create Graph 1 in HQT-6, Document 1? If not, please explain the difference and why different values were used.
- c) Please provide a schedule similar to Figure 1 that tracks the change in ETC equivalent per km of line (e.g., 230 kV circuit equivalent) from 2001 through 2008. Please also provide the annual ETC and Line Kilometers used each year to create the schedule.

**16) References: HQT-6, Document 2, pages 13-14
R-3605-2006, HQT-6, Document 2, Tables 6 and 7**

Questions:

- a) Please provide schedules, for the years 2006-2008, similar to the Tables 6 and 7 (HQT-6, Document 2) provided in R-3605-2006.
- b) With respect to the Performance Management Scheme (i.e., *Régime de gestion de la performance*), is the financial trigger that must be met for the Corporate Component to be paid based on net profit of HQT or Hydro-Québec overall?
- c) With respect to the Profit Sharing Scheme (i.e., *Régime d'intéressement*), for each of the years 2006 to 2008 please indicate the total payment that was due to the payment of the 1.5% bonus related to the attainment of the net profit targeted by Hydro-Québec.

**17) References: HQT-6, Document 2, page 16
R-3605-2006, HQT-6, Document 2, page 22**

Question:

- a) The current forecast of Other Direct Costs (i.e., *Autres charges directes*) for 2007 is 10% higher than the forecast provided in R-3605-2006 for the same year. Similarly, the actual value now reported for 2006 is 11% higher than the forecast provided in R-3605-2006. Please provide the reasons for these increases for 2006 and 2007 and, in particular, whether the increased spending is also required in subsequent years.

18) Reference: HQT-6, Document 2, page 18 (including Table 7)

Preamble:

On page 18, lines 6-17, HQT suggests that \$33 M is required in additional funding in order to meet maintenance activities with regards to reliability, quality of service and environmental protection. But that in order to limit increase of Gross Direct Costs (i.e., *Charges brutes directes*), additional spending is limited to \$15 M (as opposed to an additional \$28 M).

Questions:

- a) Please discuss how HQT determined that additional funding should be limited to \$15 M and that the allocation (i.e., Table 7) is appropriate to maintain reliability and quality of service to acceptable levels.
- b) Please, also indicate if that amount (\$15 M) is minimal.

19) Reference: HQT-6, Document 2, pages 21-22

Questions:

- a) Please indicate which assets or group of assets are included in Figure 2 as opposed to Figure 3.
- b) Please provide schedules that set out for each year (2002-2006) the actual values used to create Figures 2 and 3 for each maintenance category, along with the total hours for each year.
- c) Based on the current Application and forecast for 2007 and 2008, please provide schedules setting out the planned hours of maintenance by category for these years.
- d) Please provide a schedule that for the years 2006-2008 sets out the contribution each of the six categories of maintenance makes to each component of Gross Direct Costs (i.e., *Charges brutes directes*) for each year based on Figure 2.

20) Reference: HQT-6, Document 2, pages 23 and 24.

Questions:

- a) Please confirm that Figure 4 only reports customer outage hours due to equipment failure.
- b) Do Figures 4 and 5 also include customer-hours of outage and number of interruptions due to vegetation related issues (e.g., tree contact, etc.)? If yes, please separate the vegetation impacts. If not, please provide similar charts showing the annual impact of vegetation related events.

21) Reference: HQT-6, Document 2, page 25, lines 5-8

Question:

- a) Please provide the analysis referenced on page 25 that supports HQT's claim for a minimum of 254,000 hours of "maintenance systématique" is required annually.

22) Reference: HQT-6, Document 2, page 26-28

Questions:

- a) HQT states that total area under Vegetation Management is about 164 000 ha (page 26) and that, in 2006, HQT should have manage 21 000 ha instead of 15 000 ha (page 27). Confirm that HQT aims for an 8 year Vegetation Management cycle. If not, indicate the cycle HQT aims for.

- b) Indicate whether or not reliability standards set by NERC have any impact with regards to Vegetation Management. Please elaborate.
- c) Please provide a schedule that for the years 2006-2008 sets out the contribution Vegetation Management makes to each component of Gross Direct Costs (i.e., *Charges brutes directes*) for each year as set out in HQT-5, Document 1 (page 4).
- d) What is the current Vegetation Management cycle for other large Transmitters (e.g., BCTC, Hydro One, etc.)?

**23) References: HQT-6, Document 3, page 5
R-3605-2006, HQT-6, Document 3, page 6**

Question:

- a) The current forecast of Shared Service Costs for Corporate Units (i.e., *Unités corporatives*) for 2007 is 23% higher than the forecast provided in R-3605-2006. Similarly, the actual value now reported for 2006 is 10% higher than the forecast provided in R-3605-2006. Please provide the reasons for these increases for 2006 and 2007 and, in particular, whether the increased costs will carry forward to 2008.

**24) References: HQT-6, Document 6, page 4
R-3605-2006, HQT-6, Document 6, page 4**

Questions:

- a) The current forecast for total HQ Corporate Affairs and Secretary General Costs for 2007 (\$81.3 M) is 7 % higher than the forecast provided in R-3605-2006. Please provide the reasons for this increase for 2007 and, in particular, whether the increased costs will carry forward to 2008.
- b) Actual total HQ Finance costs for 2006 are \$22.9 M – roughly \$ 8 M less than the amount forecast in R-3605-2006. However, the current forecast for Finance costs for 2007 is only \$2 M less than that forecast in R-3605-2006.
 - Please explain why the reduced spending experienced in 2006 is not carried forward to 2007.
 - Please provide the reasons for these increases for 2007 and, in particular, whether the increased costs will carry forward to 2008.

25) Reference: HQT-6, Document 7, pages 8-9 (section 2.2)

Question:

- a) Please provide an update with regards to negotiation with Alcan pertaining to transmission contract.

**26) References: HQT-7, Document 1, page 25
HQT-8, Document 3, page 5
HQT-8, Document 4, page 3**

Question:

- a) It appears that the inclusion of Telecommunication assets in HQT's rate base does not have any impact on the Working Capital or Inventory levels for HQT's rate base. Please confirm that this is the case. If yes, please explain why there is no impact. If no, please indicate what the impact is and where in the Application it is documented.

27) Reference: HQT-7, Document 4, pages 2-3

Question:

- a) For each page, does the inclusion of Telecommunications in HQT's rate base impact on any of the rows other than the three specifically labeled telecommunications? If yes, please indicate which rows are impacted and what the impact is.

28) Reference: HQT-11, Document 1, pages 18-20

Question:

- a) Please confirm that HQT does not bill any customers for Ancillary services (other than mandatory services) since they provide those services themselves.

29) Reference: HQT-11, Document 2, page 5, Table 1 and page 8 (lines 6-13)

Questions:

- a) Please discuss the variances between the 2007 Régie approved volumes for hourly, daily, weekly, monthly and annual point to point service and those currently projected, including:
 - To what extent is the reduction in forecast use of the hourly service by HQD simply the result of HQD using the daily, weekly or monthly point to point service instead?

- To what extent is the reduction in forecast use of the hourly service by “Others” simply the result of them using the daily, weekly, monthly or annual point to point service instead?

- b) Is HQD’s forecasted 2008 use of point to point service all related to the sale of surplus energy (as opposed to the purchase of energy)? If not, please indicate, for 2008, what portion of HQD’s use of point to point service is attributed to the sale of surplus energy as opposed to the delivery (to HQD) of energy purchases.

30) Reference: HQT-11, Document 2, page 8, Table 2

Question:

- a) Please provide a schedule similar to Table 2 for:
 - 2007 (as approved by the Régie in D-2007-08);
 - 2007 (based on current projection).

31) Reference: HQT-13, Document 1, page 7, Table 1

Question:

- a) Please redo Table 1 using the 2008 projected requirements for point to point service and the approved 2007 rates.