

**PROCESS FOR APPROVAL OF
CAPITAL PROJECTS BY THE
RÉGIE DE L'ÉNERGIE**

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1 **1. Act respecting the Régie de l'énergie**

2 Hydro-Québec when carrying on electric power transmission activities (hereafter: “HQT” or
3 “Hydro-Québec TransÉnergie”) is subject to the authority of the Régie de l'énergie (the
4 “Régie”) by virtue of the powers conferred on it by the *Act respecting the Régie de l'énergie*,
5 R.S.Q. c. R-6.01 (the “Act”).

6 Under Section 73 of the Act, HQT must obtain the authorization of the Régie to acquire, build or
7 dispose of power transmission assets or to expand or modify the use of the transmission system:

8 73. The electric power carrier, the electric power distributor and natural
9 gas distributors must obtain the authorization of the Régie, subject to the
10 conditions and in the cases determined by regulation by the Régie, to

11 (1) acquire, construct or dispose of immovables or assets for
12 transmission or distribution purposes;

13 (2) extend, modify or change the use of their transmission or distribution
14 system;

15 (3) cease or suspend operations;

16 [...]

17 When examining an application for authorization, the Régie shall
18 consider such economic, social and environmental concerns as have been
19 identified by order by the Government and, in the case of an application
20 for the purposes of subparagraph 1 of the first paragraph, the Régie shall
21 consider, where applicable,

22 (1) the sales forecasts of the electric power distributor or natural gas
23 distributors and their obligation to distribute electric power or natural
24 gas; and

25 (2) the contractual commitments of the consumers served by the electric
26 power transmission service and, where applicable, their financial
27 contributions to the acquisition or construction of transmission assets,
28 and the economic feasibility of the project.

29 The Régie approves the capital projects if they are shown to be technically justified,
30 economically feasible and in the public interest. In the exercise of its power, the Régie takes a set
31 of factors into account and balances various interests, as indicated in Section 5 of the Act:

1 5. In the exercise of its functions, the Régie shall reconcile the public
2 interest, consumer protection and the fair treatment of the electric power
3 carrier and of distributors. It shall promote the satisfaction of energy
4 needs through sustainable development and with due regard for equity
5 both on the individual and collective planes.

6 When a customer's transmission service request necessitates additions to the HQT system, the
7 process of seeking Régie authorization is preceded by a System Impact Study and a Facilities
8 Study as required in the Hydro-Québec Open Access Transmission Tariff.

9 **2. Regulation respecting the conditions and cases where authorization is required from**
10 **the Régie de l'énergie**

11 The *Regulation respecting the conditions and cases where authorization is required from the*
12 *Régie de l'énergie*, c. R-6.01, r.2 (the "**Regulation**") sets out the conditions that HQT must meet
13 and the information it must provide when it submits capital projects for Régie approval. The
14 Regulation distinguishes between projects worth \$25 million or more, which are studied
15 individually, and those worth less than \$25 million, which are grouped together and studied and
16 authorized by investment category. Section 1 of the Regulation states as follows:

17 1. Authorization from the Régie de l'énergie is required:

18 (1) to acquire, construct or dispose of immovables or assets for energy
19 transmission or distribution purposes as well as to extend, modify or
20 change the use of the transmission or distribution system as part of a
21 project involving:

22 (a) the transmission of electric power worth \$25 million or more;

23 (...)

24 (2) to cease or suspend the operations of the carrier or distributor for
25 reasons other than public safety or normal system operation; and

26 (3) to restructure the carrier's or distributor's operations so that a part
27 thereof would be excluded from the application of the Act.

28 Authorization is also required for projects the cost of which is under the
29 limits set in subparagraph 1 of the first paragraph and which have not yet
30 been recognized as prudently acquired and useful for the operation of the
31 electric power transmission system or electric power or natural gas
32 distribution system under subparagraph 1 of the first paragraph of section
33 49 of the Act respecting the Régie de l'énergie (R.S.Q., c. R-6.01).

34 The second paragraph does not apply to projects for restoring service, or
35 to connections required of the carrier or distributor after the date an
36 application for authorization was filed.

1 **(a) Projects worth \$25 million or more:**

2 These projects are filed individually and studied individually by the Régie. All requests for
3 authorization of such projects by HQT must be accompanied by the following information:

- 4 (1) the project objectives;
- 5 (2) the project description;
- 6 (3) the justification of the project with regard to the objectives;
- 7 (4) the project costs;
- 8 (5) the project feasibility study;
- 9 (6) the list of authorizations required under other laws;
- 10 (7) the impact on the rates including a sensitivity analysis;
- 11 (8) the impact on the reliability of the electric power transmission
12 system and on the quality of the electric power transmission
13 service;
- 14 (9) any other solutions contemplated, which must include the
15 information referred to in the preceding paragraphs;
- 16 (10) according to the nature of the project, the list of the principal
17 technical standards applicable to the project;
- 18 (11) the contractual commitments of the consumers of the service and
19 their financial contributions, where applicable.¹

20 **(b) Projects worth less than \$25 million:**

21 In accordance with the Regulation, investments related to projects worth less than \$25 million
22 are presented by investment category (without project-by-project breakdown). The categories
23 used by HQT are as follows:

- 24 (1) Asset sustainment
- 25 (2) System quality improvements;

¹ Sections 2 and 3 of the Regulation.

1 (3) Compliance with standards and requirements;

2 (4) Growth of the needs of HQT's clientele.

3 All such requests for authorization must include the following information:

4 (1) the descriptive summary of the investments and their objectives;

5 (2) the costs based on the investment category;

6 (3) the justification of the investments with regard to the objectives;

7 (4) the impact on rates;

8 (5) the impact on the reliability of the electric power transmission
9 system and the quality of the electric power transmission service.²

10 **3. Filing Guidelines**

11 The Régie de l'énergie has also produced a document titled *Guide de dépôt pour Hydro-Québec*
12 *dans ses activités de transport d'électricité*³ (the "**Filing Guidelines**"). These guidelines apply to
13 all requests for authorization of capital projects.⁴

14 For a project worth \$25 million or more, the Régie, in its Filing Guidelines, requires that the
15 Transmission Provider describes alternatives considered to meet the objectives pursued and their
16 advantages and drawbacks. It must also compare technical and economic studies and analyses
17 that led to the choice of the project submitted for approval, along with single-line diagrams,
18 relevant power flow diagrams and results of such project.⁵

19 **4. Intervention**

20 Requests for approval of the Transmission Provider's capital projects are posted on the Web site
21 of the Régie. Under Section 5 of the *Rules respecting the procedure of the Régie de l'énergie*,
22 R.R.Q., c. R-6.01, r.4 ("**Rules respecting the procedure**"), any interested party may apply to the
23 Régie for status as an intervenor in hearings on the Transmission Provider's requests for

² See Section 5 of the Regulation.

³ See the Filing Guidelines, February 7, 2007.

⁴ For projects worth less than \$25 million, see Section 2.1 of the Filing Guidelines. For projects worth \$25 million or more, see Section 2.2.

⁵ See Section 2.2, paragraph 7 of the Filing Guidelines.

1 approval of capital projects. Any other interested party may also file written observations on any
2 issue pending before the Régie (article 10 of the Rules respecting the procedure).

3 The Régie regularly allows the intervention of interested parties in these hearings. When
4 considering an application to intervene, the Régie looks at the relevance of the interested party's
5 contribution to the study of the file, given its area of competency. The Régie may, at its
6 discretion, accept or reject an application to intervene.

7 Once authorized to intervene, the intervenor participates fully in the hearings. It receives copies
8 of the evidence filed by the Transmission Provider in support of its request. If the latter has
9 requested that documents and information be treated confidentially (Section 33 of the Rules
10 respecting the procedure), and the Régie has granted its request, intervenors and observers may
11 generally access such documents according to the provisions set forth by the Régie, including the
12 execution of a confidentiality agreement. An intervenor may submit written requests to the
13 Transmission Provider to obtain additional details on the evidence.

14 The intervenor thus obtains all the information relevant to the evaluation of the capital project,
15 including the power flow diagrams, information about the project's impact on rates and on the
16 quality of transmission service, information about alternative solutions that were considered but
17 rejected by the Transmission Provider, etc.

18 The Régie decides whether the evidence will be adduced in whole or in part by a writing or an
19 oral hearing. (article 11 of the Rules respecting the procedure). The intervenor may present
20 expert evidence and make any appropriate submissions and in the case of an oral hearing, call
21 witnesses to the stand.

22 The approval procedure provided for in Section 73 of the Act is a public procedure whereby
23 intervenors have the opportunity to fully debate whether the Transmission Provider's capital
24 projects should or should not be authorized.

Hydro-Québec TransÉnergie

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