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FINAL DECISION

QUEBEC

RÉGIE DE L'ÉNERGIE

D-2010-084

R-3715-2009

June 30, 2010

PRESENT:

Michel Hardy
Commissioner

Hydro-Québec
Defendant

Final Decision

Application to obtain authorization for the acquisition and construction of immovables or assets for transmission purposes. Electric power carrier's project to add and modify transmission equipment required for the use of the HQT-MASS and HQT-NE interconnections.

Intervenors:

- Brookfield Energy Marketing Inc. (BEMI)
- Newfoundland and Labrador Hydro (NLH)
- Quebec environmental group Regroupement national des Conseils régionaux de l'environnement du Québec (RNCREQ)

1. APPLICATION

[1] December 14, 2009, Hydro-Québec, in its electric power transmission activities (HQT), submitted an application to the Régie under sections 31(5) and 73 of the *Act respecting the Régie de l'énergie*¹ and sections 1, 2 and 3 of the *Regulation respecting the conditions and cases where authorization is required from the Régie de l'énergie*² (the Regulation) to obtain the authorization needed to acquire and construct immovables or assets for transmission purposes – HQT's Project to add and modify transmission equipment required for the use of the HQT-MASS and HET-NE interconnections (the Project).

[2] January 8, 2010, the Régie posted a notice on its internet website in which it indicated its intention to hear this application. It invited persons interested in participating in its study to submit a request for intervenor status.

[3] January 22, 2010, the Régie received requests for interventions from BEMI and RNCREQ and on February 5, 2010, NLH submitted a late request for intervention. Following the comments of HQT and the replies from the intervenors, the Régie issued decision D-2010-24 in which it granted intervenor status to the three interested parties and agreed to the confidential treatment of appendices 2, 3 and 4 of HQT's Exhibit B-1, HQT-1, document 1.

[4] March 18, 2010, the Régie received a request to postpone the hearing of the project by NLH. NLH, asked that the examination of this file be postponed until the decisions regarding its own complaints³ against HQT were rendered.

¹ R.S.Q., c. R-6.01.

² (2001) 133 G.O. II, 6165 (no. 36, 5/09/01).

³ P-110-1565, P-110-1597 and P-110-1678.

[5] That same day, the Régie as well as RNCREQ and BEMI submitted their requests for information to HQT.

[6] March 25, 2010, HQT submitted its comments regarding NLH's request for postponement and requested that the Régie authorize them to withhold their responses to the requests for information (a request which the Régie permitted).

[7] April 6, 2010, following the reply from NLH, the Régie delivered its decision D-2010-036 in which it refused to postpone this file and established a new timetable.

[8] April 15, 2010, NLH submitted its request for information to HQT and HQT submitted its responses to the April 21, 2010 requests for information made by the Régie and the interveners.

[9] April 28, 2010, BEMI petitioned the Régie to order HQT to complete its responses to its request for information, to consent to a second round of requests for information and to extend the timeframe for filing the interveners' comments. This request was supported by RNCREQ on May 3, 2010.

[10] May 10, 2010, the Régie delivered decision D-2010-051 in which it rejected BEMI's request to order HQT to respond to or complete the responses provided in BEMI's request for information and to proceed with a second round of requests for information, but it allowed the request to extend the timeframe for filing comments which it set for May 17, 2010, followed by a response from HQT no later than May 31, 2010.

[11] May 17, 2010, NLH and RNCREQ submitted their observations. BEMI emphasized that it examined decision D-2010-051 and was considering its rights and recourses in terms of this decision.

BEMI mentioned that it was not able to provide observations on that date but it submitted certain comments on the examination framework of the request for investment.

[12] May 31, 2010, HQT replied to the observations and comments. Judgment on that matter was reserved.

[13] June 11, 2010, NLH filed a Federal Energy Regulatory Commission (FERC) decision⁴ (the Portland decision) dated June 4, 2010. HQT objected to this submission on June 16, 2010.

[14] June 17, 2020, NLH responded to HQT's objection.

2. REGULATORY FRAMEWORK

[15] Under section 73 of the Act, HQT must obtain authorization from the Régie, subject to the conditions and in the cases determined by regulation by the Régie, to acquire and construct immovables or assets for transmission purposes, as well as to extend or modify its transmission system.

[16] The Regulation stipulates that HQT must obtain a specific and prior authorization from the Régie whenever the total cost of a project is equal or greater than \$25 million. The Regulation also stipulates what information must accompany such a request.⁵

3. ANALYSIS

3.1 **CONTEXT AND OBJECTIVE OF THE PROJECT**

[17] The Project will allow for the transmission of 2,400MW (plus transmission losses) of long-term, firm point-to-point transmission service required by the customer Hydro-Québec, in its electricity

⁴ *In re Portland General Electric Company*, Order Approving Stipulation and Consent Agreement, 131 FERC, Docket No. IN10-2-000.

⁵ Sections 1, 2 and 3 of the Regulation.

production activities (HQP). The Project will provide the service required on the HQT-MASS interconnection, which consists of the interconnection between the Châteauguay substation in Québec and the Massena substation in New York, connected by a 765kV AC line, as well as on the HQT-NE interconnection, which includes the multi-terminal DC link between the Radisson and Nicolet substations in Québec and the Sandy Pond substation in New England, connected by a 450kV DC line.

[18] More specifically, the Project relates to the transmission service resulting from reservation applications on the HQT-MASS (application no. 102) and HQT-NE (application no. 103) interconnections. These reservation applications were submitted via the transmission reservation and information system known as OASIS. HQT completed an impact study in May 2008. The transmission service is requested from 2009 to 2044, a period of 35 years.

[19] HQT, in compliance with the Open Access Transmission Tariff⁶ (OATT), must extend or improve its transmission system if long-term firm point-to-point transmission service applications - which have priority access on the system equal to that of the resources serving the native load as well as the resources of network customers supplying these loads – exceed the system’s capacity.

[20] According to HQT, it must ensure that all available resources may at all times be transmitted to satisfy the overall needs of its customers. If the Project is not completed, the transmission system cannot provide the long-term firm point-to-point transmission service requested without compromising or reducing the reliability of other services (such as native load transmission services, network integration transmission services and other firm transmission service customers).

⁶ Approved by the Régie de l’énergie in Decision D-2009-015, docket R-3669-2008, revised March 11, 2009.

[21] HQT indicated that the Project, with total costs of \$120.2 million, falls under the “growth of client needs” category of investments. The Project’s commissioning dates fall between 2011 and 2014.

[22] On March 31, 2009, HQT and HQT concluded two expedited service agreements for long-term firm point-to-point transmission for a term of 35 years for the delivery of 1200MW to New York via the HQT-MASS interconnection, and 1200MW to New England via the HQT-NE interconnection (the Agreements) to begin July 1, 2009.

[23] According to HQT, the Project submitted to the Régie is the least costly solution which permits it to assure the required transmission service at all times, while keeping in mind the stages of development of the transmission system.

3.2 PROJECT DESCRIPTION AND OTHER POSSIBLE SOLUTIONS

[24] The Project submitted to the Régie consists of the following work:

- The addition of inductive branches to the static compensators at the Chénier substation scheduled for 2011 and 2012;
- The addition of a static compensator at the Boût-de-l’île substation, the commissioning of which addition is scheduled for 2013;
- Increased current capacity of the series compensator at the Bergeronnes substation and modification of the protection of the series compensator banks south of the Arnaud substation, the commissioning of which is scheduled for 2014.

[25] The addition of inductive branches to the static compensators at the Chénier substation improves the system’s dynamic behavior and reduces the restrictions that apply by taking into account the service required by augmenting the reactive range as well as the reactive power available. The addition of a static compensator at the Boût-de-l’île substation allows, among other things, for compliance with the criteria relative to the sensitivity of the voltage to load increases or decreases. The increase of the rated current of

the series compensator at the Bergeronnes substation ensures that all available resources can be dispatched to supply native load as well as point-to-point customers.

OTHER POSSIBLE SOLUTIONS

[26] Two solutions were identified which satisfy the various criteria of the transmission system design:

- Solution 1 – add static compensators and make modifications to the series compensator banks;
- Solution 2: new series compensator banks.

[27] The analysis of these solutions was conducted based on the following assumptions:

- The necessary resources - hydro, wind, or thermal – are available;
- Hydro and wind projects of the first call for offers of Hydro-Québec, in its electricity distribution activities (HQD), which projects are to be commissioned between 2011 and 2020, were also taken into account;
- HQT's analyses for the completion of the impact study were carried out based on the basic system for 2009, including the addition of the equipment needed to develop the transmission system for the integration of projects slated for 2009-2020;
- The additions to and modification of the transmission equipment will be starting in 2012, as no equipment can be commissioned before that date;
- Another date targeted for the analysis of solutions is 2014, because the year 2014 marks the integration of a number of production projects whose applications were filed prior to the application for the transmission service contemplated by the Project.

[28] In this exercise, HQT identified solution 1 as the most advantageous. It then optimized this solution by coordinating its completion, on the one hand, with ongoing and planned projects and, on the other hand, by taking into account the voltage sensitivity criterion adopted after the impact study was completed.

[29] The following table summarizes the economic comparisons between the three solutions.

Table I**Economic Comparison of Solutions (current 2009, in thousands of dollars)**

Costs	Solution 2	Solution 1	Optimized Solution 1
Investments	145,681	136,546	92,467
Residual Values	(1,940)	(1,812)	(1,843)
Electricity Losses	0	2,868	9,587
Taxes	8,854	8,311	5,607
Total Discounted Costs	152,595	145,913	105,818

[30] The optimised version of Solution I was retained by HQT. According to HQT, this solution respects the principles of integrated planning, which takes into account a range of aspects that allow HQT to plan combined solutions optimally and to honour its commitments to its customer efficiently, and this pursuant to the transmission system operation and design criteria, all the while ensuring the system's reliability in keeping with the standards in effect.

3.3 JUSTIFICATION OF THE PROJECT

[31] HQT justifies the Project by highlighting that its objectives consist in offering the required transmission service. HQT is of the opinion that the Project is the best solution that will allow the principal transmission system to dispose of the equipment needed to reach these objectives.

[32] In addition, HQT feels that the Project is feasible, from both a technical and scheduling point of view. The facilities studies completed to date confirm the feasibility of the Project and pinpoint the Project's inherent constraints.

[33] HQT recalls that it has an obligation under the OATT to maintain a transmission service that meets the needs of its customers while respecting the design criteria of its transmission system and mission.

[34] Finally, HQT mentions that the chosen solution has the lowest cost of all of the solutions considered.

3.4 COSTS ASSOCIATED WITH THE PROJECT

[35] The total cost of the works associated with the Project, summarized in the table below, is \$120.2 million. No telecommunication assets are associated therewith.

Table 2
Cost of the pre-project and project work
(in millions of dollars, current)

	Substations and Automatic Controls			Substation Total
	Chénier Substation – inductive branches	Bout-de-l'Île Substation – static compensator	Bergeronnes Substation – new series compensators	
Pre- project costs				
Pre-project analysis	87.3	658.6	122.3	868.2
Other direct costs	1.6	8.1	1.6	11.3
Financing fees	2.3	20.9	18.1	41.3
Subtotal	91.2	687.6	142.0	920.8
Project costs				
Internal engineering	149.4	1,629.2	207.6	1,986.2
External engineering	51.1	662.1		713.2
Client	589.4	3,328.0	707.4	4,624.8
Supplies	204.0	3,580.5	7,848.0	11,632.5
Construction	76.1	9,867.7	1,440.9	11,384.7
Turnkey	10,044.9	47,793.4		57,838.3
Internal management	406.4	4,106.2	1,115.5	5,628.1
External management	124.2	1,266.2		1,390.4
Contingency	2,739.0	8,023.1	2,039.1	12,801.2

Other costs	319.4	2,351.0	447.3	3,117.7
Financing fees	1,035.5	6,362.0	723.5	8,121.0
Subtotal	15,739.4	88,969.4	14,529.3	119,238.1
TOTAL	15,830.6	89,657.0	14,671.3	120,158.9

* parameter estimation

Source: Exhibit B-1, HQT-1, document 1, page 23.

[36] HQT emphasizes that the total cost of the Project must not exceed, by more than 15%, the amount authorized by its Board of Directors, in which case it must obtain a new authorization therefrom. If need be, HQT agrees to inform the Régie in due time.

3.5 IMPACT ON RATES

[37] The projected commissioning dates are December 2011, May 2012, December 2013, and September 2014.

[38] The impact on the required revenues following the commissioning of the Project takes into account the costs associated with amortization, financing, public service taxes, maintenance and operating fees, as well as the 2527 MW of transmission needs (2400 MW, plus transmission losses).

[39] The results are presented over a period of 20 years and a period of 40 years, in compliance with Régie decision D-2003-68. Nevertheless, the results for the 40-year period are more indicative of the impact on the required revenue, since they correspond with the estimated useful life of the Project's assets.

[40] A sensitivity analysis is also presented based on the assumption that there will be a 15% increase in the cost of the Project and of the prospective capital.

[41] For all of these periods, the Project does not increase the transmission tariff.

3.6 OTHER REQUIRED AUTHORIZATIONS

[42] HQT indicated in its application for authorization that a certificate of authorization would be required from the Minister of Sustainable Development, Environment and Parks (MDDEP) under the *Environment Quality Act*⁷ in order to carry out any works and that, in support of an application for a certificate of authorization filed before the MDDEP, a certificate attesting that the Project does not contravene any municipal by-law is required from the local municipality within the territory in which the Project is located under the *Regulation respecting the application of the Environment Quality Act*.⁸

[43] No federal authorization is required to complete the Project.

3.7 IMPACT ON THE RELIABILITY OF THE NETWORK AND ON THE QUALITY OF DELIVERY OF THE ELECTRICITY TRANSMISSION SERVICE

[44] According to HQT, the work that is being proposed in this Project is sufficient to respond to client demand in a secure and efficient manner by resolving a group of problems currently found on the transmission network that require a strategic and essential intervention. The Project submitted for authorization will not have a negative impact on the strength and reliability of the transmission network.

4. INTERVENERS' OBSERVATIONS AND HQT'S RESPONSES

4.1 EXAMINATION PROCESS

[45] BEMI notes that the scope of examination of this application for investment is very limited. The intervener feels that the examination process set out in section 73 of the Act does not seem to allow consideration of the whole of HQT's investment projects in an integrated manner, nor its transmission

⁷ R.S.Q., c. Q-2, s. 22.

⁸ R.S.Q., c. Q-2, c.1, 1.007, s. 8.

network planning process. BEMI is of the opinion that all applications for transmission service at the time that HQT requested the Régie's authorization should be taken into account.

[46] In response, HQT seemed surprised by the comments of the intervener, who is a regular participant in the Régie's activities. HQT added that its request was submitted in accordance with all the regulatory requirements and that the file does not contain any unusual elements that would distinguish it from any of the many other prior files of the same nature. HQT also recalls that the authorization is requested for a specific project and that the analysis of broader issues and elements is more appropriate during a rate request.

4.2 OBLIGATION UNDER SECTION 17.2 OF THE OATT

[47] According to NLH, a careful review of the agreements does not allow it to determine whether they comply with the obligatory content set out in section 17.2 of the OATT.

[48] In effect, paragraph iv of that section stipulates that:

“...The location of the generating facility(ies) supplying the capacity and energy and the location of the load ultimately served by the capacity and energy transmitted. The Transmission Provider will treat this information as confidential except to the extent that disclosure is required by the provisions herein, by regulatory or judicial order, for reliability purposes following Good Utility Practice or pursuant to RTG transmission information sharing agreements. The Transmission Provider shall treat this information in accordance with the *Transmission Provider Code of Conduct*.” [underlining by NLH]

[49] The intervener relied on the Regulation as well as the OATT to arrive at the conclusion that the Régie should “*reject the application of HQT in file R-3715-2009*” and order HQT to “*amend the accelerated service agreements for firm transmission entered into between HQT and HQP on March*

31, 2009 for the utilization of HQT-MASS and HQT-NE paths so that they comply with section 17.2 of the OATT⁹.

[50] In its reply, HQT contested the conclusions sought by NLH on the basis that they were based “*not on elements related to the technical/economic proof produced by HQT, as announced in its request for intervention, but rather on a very targeted element ...*” namely, a very specific information that, according to NLH, was missing in the Agreements filed regarding this case.

[51] For HQT “*these conclusions and arguments are inapplicable, have no legal basis and are proof of an incomprehension of the mechanisms set out in the HQT OATT*”.

[52] Although the case has been in deliberation since May 31, NLH filed FERC’s Portland decision on June 11, 2010.

[53] HQT is opposed to this submission on the grounds that the case has been in deliberation since May 31, the date that HQT submitted its reply to the interveners’ comments. HQT also reiterates, should the Régie not immediately reject the submission from NLH, each and every one of its representations made before the Régie in its May 31, 2010 reply letter contesting NLH’s position. According to HQT, the FERC decision submitted by NLH is of no relevance in the present case and in no way validates the argument put forth by the intervener.

[54] In response to HQT’s letter, NLH submits that the Régie should consider the *Portland* decision since it relates directly to one of the issues of this file – namely, compliance with the strict obligations set

⁹ OATT (Open Access Transmission Tariff).

out in section 17.2 (iv) of the OATT at the time of execution of the Agreements by HQT and HQP, specifically the identification of the origin of the electricity in an application for transmission service.

[55] NLH also submits that, when HQT mentions on page 4 of its May 31, 2010 reply that the Régie cannot order it to amend the agreements, particularly when they are in compliance with the OATT, it goes directly against the rule established by the Régie in its decision D-2006-143,¹⁰ according to which when a application for investment is submitted to the Régie, the Régie must not only ensure that it has received all the documents mentioned in the Regulation, but in addition it should be assured of the validity of these documents. According to the intervener, when the service agreements which serve as the basis of an application for investment are contrary to the OATT, the Régie can reject the application for investment or request HQT to submit new service agreements which are compliant with the OATT.

[56] NLH also cites a number of passages from decision D-2006-143 in support of its arguments:

“[TRANSLATION] In applying the Regulation, the first commissioner should have taken into account the required information, including the impact on the rates, the sensitivity of the rates to the cost of the projects, and the contractual undertakings of the transmission service consumers [...]

The first commissioner could, of course, if need be, declare the contractual undertakings of the producer unsatisfactory, suspend its decision and request the Transmission Provider to come back with different contractual undertakings

The first commissioner could also have refused the projects if he considered that the contractual undertakings submitted by the Transmission Provider did not comply with the conditions of the Regulation. In order to refuse the projects, it would have been necessary that the undertakings be so insufficient that they rendered the projects contrary to public interest¹¹” [underlining by LNH]

¹⁰ File R-3598-2006.

¹¹ Exhibit C-3-9, page 3.

[57] NLH adds that the submission of the *Portland* decision is necessary since this decision demonstrates that the service agreements are not in compliance with the OATT, thereby supporting NLH's conclusions.

[58] As for HQT's argument to the effect that the submission of this decision would be late, NLH responded that nothing prevents a decision being submitted during deliberations, even more so when the decision didn't exist at the start of deliberations, particularly since the submission of a new authority after the start of deliberations is not subject to conditions as strict as the submission of new proof. It also reiterates the importance of the *Portland* decision to the outcome of this file.

4.3 INVESTMENTS

[59] At the end of its observations, RNCREQ concluded that the Régie should ask HQT to calculate the contribution of HQP, taking into account the cost of the reconstruction of the interconnections mentioned in the impact study submitted by BEMI. RNCREQ also wants the Régie to ask HQT to disclose the additional capacity that these additions will allow to transfer to determine the maximum amount that HQT can assume.

[60] HQT considers that taking the costs of future reconstruction of the interconnections into account in the cost of the investment project currently under study is based on premises that do not comply with the regulatory framework for the authorization of investment projects under section 73 of the Act.

4.4 RATE IMPACT

[61] RNCREQ recommends that the Régie request a revision of the calculation of rate impact to take into account the effect of the Agreements on short term revenues, the forecasted transmission needs in

comparison to those of 2009 and a 40 year analysis period of including additional reconstruction costs to be incurred around the year 2035.

[62] In response, HQT noted that the intervener is departing from the existing approach for the estimation of rate impact by modifying the long-term transmission needs, by adding short-term revenues and by considering costs which could be part of an eventual investment in 25 years. HQT submits that the intervener is not able to prove in a convincing manner that the adjustments that it proposes are applicable to the Project before us and to long-term transmission service required by the client. For HQT, the integration of variables which are not in line with the Project cause the analysis of the rate impact to not reflect margin results in an appropriate manner.

4.5 RATE NEUTRALITY

[63] RNCREQ recommends that the Régie ask HQT to take the steps required to inform HQP of the restrictions in providing transmission service during critical hours and the cost of additions that it will incur in order to lift these restrictions. HQP should confirm with HQT what its requirements are concerning the required services and accept to assume all applicable costs.

[64] If need be, the intervener recommends that the Régie require HQT to provide the additional revenues that the additions will allows them to obtain during the few hours where there are constraints for the supply of the services described in the Agreements, in compliance with decision D-2009-071 indicating that *“the addition will be neutral on the rates if new revenues, including, if applicable, a contribution from the client, are sufficient to cover the costs of integration”*.

[65] HQT refuted the intervener’s considerations relating to the analysis of rate neutrality and reiterates that the conditions for long-term firm transmission service are defined in the OATT and that the purpose

of the Project presented for authorization is to make the requested additions to offer the transmission service requested by its client.

[66] Finally, HQT is of the opinion that the general contents of RNCREQ's observations exceed the scope of participation established by the Régie when the Régie limited the subjects that this intervenor could cover.

5. RÉGIE'S OPINION

[67] The Project for which HQT requests authorization has to do with long-term firm, point-to-point transmission service of 2527MW (2400 plus transmission losses) required by HQT. The Project aims at providing the required service on the HQT-MASS interconnection, made up of the interconnection between the Châteauguay substation, in Québec and the Massena substation, in the State of New York, linked by a 765kV alternating current transmission line, as well as on the HQT-NE interconnection, which includes the multi-terminal direct current network between the Radisson substation and the Nicolet substation, in Québec as well as the Sandy Pond substation, in New England, linked by a 450kV direct current line.

[68] The three intervenors recognized by the Régie submitted their observations and comments, which, among others, question the Project itself, or its justification in the general content of HQT's regulated activities.

[69] In general, the Régie, in terms of this investment file submitted under section 73 of the Act, considers the information submitted in Exhibit HQT-1, document-1, schedule 1 sufficient and satisfactory.

[70] The Régie considers that the contractual undertakings associated with the Project guarantee HQTs income and ensure rate neutrality of the Project.

[71] The Régie also considers that the contractual undertakings contain all of the information required in the OATT, although they do not specify more than what is required by the OATT. To this effect, the Régie recalls that it cannot add to the terms of the OATT requirements or clarifications that are not set out therein at the time the application was submitted under section 73 of the Act, which would surpass the scope of its intervention. In fact, such modifications must be carried out in the context of a rate request and examined by a group of three commissioners.

[72] As for NLH's arguments relative to the fact that the agreements did not comply with the strict obligations set out in section 17.2(iv) of the OATT, *inter alia* regarding the identification of the origin of the electricity in an application for transmission service and that as such, the Régie should reject HQT's application and order it to sign new agreements, the Régie can only reject them.

[73] First of all, the Régie recalls that decision D-2006-143 quoted by NLH in its June 17, 2010 letter, was a request for revision of decisions D-2006-25 and D-2006-36 in which the Régie had approved the projects, but required that the Provider contract with the owner of the stations in question (the Producer), new purchase guarantees that would ensure rate neutrality of the projects. The Régie also requested that the Provider presents new contractual guarantees when requesting the inclusion of these investments in its base rates because the Régie was not convinced that the rate neutrality would be ensured by the agreements between the Provider and the Producer. The request for revision was rejected.

[74] Contrary to the contractual undertakings examined in decisions D-2006-25 and D-2006-36, the Régie is satisfied with those provided by HQT in this file. The Régie is of the opinion that these

undertakings satisfy the conditions of the Regulation in the scope of an investment file submitted under section 73 of the Act. In addition, the Régie believes that Exhibit HQT-1 document 1, schedule 1 (the Agreements) contains all of the elements required by section 17.2(iv) of the OATT.

[75] As for the late submission by NLH of the Portland decision rendered by the FERC, the Régie accepts the document, given the circumstances; this decision was rendered June 4, 2010, while the present file was taken into deliberation on May 31, 2010. The Régie judges that it does not serve as proof, rather a decision serving to support the position that the intervener expressed in its comments and observations filed on May 17, 2010. However, the Régie is of the opinion that this decision does not apply to this file for the following reasons.

[76] The FERC, in its decision, blames the transmission provider *Portland General Electric Company* (PGE) for not having complied with certain conditions set out in its OATT. Two main themes are identified:

- A) The transmission capacity reserved for the local load – *Reserving capacity for Native Load Without Adequate Designated Resources*;
- B) The coding of power transactions and their transmission reservations – *Accounts 103 and 303*.

[77] The FERC then raises, without examining them any further, several other anomalies in conjunction with the management of the utilization of the network, transmission reservations, and pertinent transmission issues (*Other issues*). These aspects, according to the PGE's OATT, must be realized in a public and transparent manner by using the OASIS system set up for such a purpose.

[78] The Régie, being of the opinion that these aspects, barely covered by the FERC in the *Portland* decision, are not relevant in this file, will focus more on themes A and B mentioned above.

A) Transmission capacity reserved for the local load

[79] In paragraph 7 of its decision, the FERC highlights that:

[...] “PGE violated section 28.2 and 29.2 of its OATT by setting aside transmission capacity that was not adequately supported by designated network resources.” [emphasis added]

[80] PGE would have thus withdrawn from the market its transmission capacities for the needs of its local load, without defining the designated resources associated with serving this load. The criticism is based on the inappropriate withdrawal of transmission capacity for the transmission provider’s own needs.

[81] In the present file, contrary to what was the case in the *Portland* decision, the transmission service is reserved and paid for by an entity other than HQT, namely Hydro-Québec in its production activities. In addition, this file is based on a point-to-point transmission service, not an integrated network transmission service.

[82] The Régie is therefore of the opinion that this theme from the FERC decision is not applicable to this case.

B) Coding of power transactions and their transmission reservations

[83] In paragraph 9 of its decision, the FERC concluded that

[...] PGE provided an undue preference to its wholesale merchant affiliate, PGEM, by allowing PGEM to schedule firm point-to-point transmission service using non-public scheduling numbers 103 and 303 instead of using an OASIS reservation for the first leg of certain transaction.” [emphasis added]

[84] PGE would have managed the utilization of its network by its merchant affiliate in a particular manner different from the conditions set out in its OATT. The case treated by the FERC in its *Portland*

decision addressed the question of management of the network in real time and the effective utilization of reserved transmission service.

[85] The investment file presently before the Régie deals with additions required to the transmission network based on a future utilization, in accordance with reserved firm, point-to-point transmission services posted on the HQT OASIS site and being subject to Service Agreements, as is prescribed in the OATT.

[86] The Régie is therefore of the opinion that this theme, which is the object of the FERC decision submitted by NLH, is not applicable to the current file.

[87] The Régie is therefore not considering the *Portland* decision in making its decision on the present file.

[88] In conclusion, the Régie considers that the demonstration of HQT relating to the need to proceed with the Project is sufficient. It notes that it is a Project that will not have a negative effect on the strength and reliability of the transmission network. It is of the opinion that the Project is necessary, is in the public interest, satisfies the conditions stipulated in the Regulation and that it is appropriate to authorize its implementation.

[89] The Régie recalls that the Regulation limits the analysis to the submitted Project and indicates to the applicant what information must be submitted in support of its application. Without deciding whether they are relevant or appropriate, consideration requiring a different interpretation of the OATT or questioning the methodology used for the calculation of the impact on rates, for example, surpass the scope set out by the Regulation and sections 31(5) and 73 of the Act.

[90] **CONSIDERING** the preceding:

The Régie de l'énergie

AUTHORIZES HQT to proceed with the Project of additions and modifications to the transmission equipment required for the utilization of interconnections HQT-MASS and HQT-NE.

REQUESTS that HQT present the following in its annual report (in accordance with section 75(5) of the Act:

- a table tracking the real costs of the Project, with the same format and level of detail as those in the tables found in Exhibit B-1, HQT-1, document 1, page 23;
- the monitoring of the schedule of the Project;
- if applicable, an explanation of the major discrepancies between real and projected costs, as well as the discrepancies in actual and planned scheduling.

Michel Hardy
Commissioner

Representatives:

- Hydro-Québec represented by M^c Yves Fréchette;
- Brookfield Energy Marketing Inc. (BEMI) represented by M^c Paule Hamelin;
- Newfoundland and Labrador Hydro (NLH) represented by M^c André Turmel;
- Regroupement national des Conseils régionaux de l'environnement du Québec (RNCREQ) represented by M^c Annie Gariépy.