RÉGIE DE L'ÉNERGIE

DEMANDE DU TRANSPORTEUR RELATIVE À LA
POLITIQUE D'AJOUTS AU RÉSEAU DE TRANSPORT

DOSSIER : R-3888-2014

RÉGISSEURS : Me LISE DUQUETTE, présidente
M. LAURENT PILOTTO
Mme LOUISE PELLETIER

AUDIENCE DU 9 FÉVRIER 2015

VOLUME 7

ROSA FANIZZI
Sténographe officielle

COMPARUTIONS

Me LOUIS LEGAULT
procureur de la Régie;

DEMANDERESSE :

Me ÉRIC DUNBERRY
Me MARIE-CHRISTINE HIVON
procureurs de Hydro-Québec Transport (HQT);

INTERVENANTS :

Me STÉPHANIE LUSSIER
procureure de Association coopérative d'économie familiale de l'Outaouais (ACEFO);

Me PIERRE PELLETIER
procureur de Association québécoise des consommateurs industriels d'électricité et Conseil de l'industrie forestière du Québec (AQCIE-CIFQ);

Me PAULE HAMELIN
procureure de Énergie Brookfield Marketing S.E.C. (EBM);

Me STEVE CADRIN
procureur de Fédération canadienne de l'entreprise indépendante (section Québec) (FCEI);

Me ANDRÉ TURMEL
Me ÉMILIE BUNDOCK
procureurs de Newfoundland and Labrador Hydro (NLH);

Me HÉLÈNE SICARD
procureure de Union des consommateurs (UC).

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LISTE DES ENGAGEMENTS

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E-6 (NLH) : Indicate if English copies of HQT's responses to the Régie's IRs No. 2, 3 and 4 were received, or not, by witness prior to the filing of his report (asked for by HQT) 124

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L'AN DEUX MILLE QUINZE, ce neuvième (9e) jour du mois de février :

PRÉLIMINAIRES

LA GREFFIÈRE :
Protocole d'ouverture. Audience du neuf (9) février deux mille quinze (2015). Dossier R-3888-2014 - Audience concernant la demande du Transporteur relative à la politique d’ajouts au réseau de transport. Poursuite de l’audience.

LA PRÉSIDENTE :
Bonjour, Maître Pelletier.

Me PIERRE PELLETIER :
Bonjour. Pierre Pelletier pour l’AQCIE-CIFQ. Alors, j’ai fait déjà déposer au SDÉ le document, mais j’ai apporté une trentaine de copies au cas où ça serait un grand succès littéraire de la réponse à l’engagement numéro 4 qui avait été souscrit par monsieur Knecht. Je les remets à madame la greffière qui pourra en disposer.

LA PRÉSIDENTE :
Merci beaucoup, Maître Pelletier. À moins qu’il y ait des moyens préliminaires.

Me ÉRIC DUNBERRY :
Madame la Présidente, bon matin; Madame le Régisseur Pelletier, Monsieur le Régisseur Pilotto, bon matin. Simplement pour confirmer qu'il a été déposé sur le site la réponse au troisième engagement du Transporteur, ce qui, sauf erreur, complète la liste des engagements qui avaient été souscrits. Alors notre dossier est complet de ce côté-là, Madame la Présidente.

LA PRÉSIDENTE :
Je vous remercie beaucoup, Maître Dunberry. Maître Sicard, nous en sommes à votre preuve.

PREUVE UC

Me HÉLÈNE SICARD :
Alors bonjour. Hélène Sicard pour l'Union des consommateurs. Bon matin aux membres du banc et à tout le monde dans la salle. Nous avons madame Viviane de Tilly qui est installée, qui est prête à vous faire sa présentation PowerPoint. Si vous voulez assermenter madame.

L'an deux mille quinze (2015), ce neuvième (9e) jour du mois de février, A COMPARU :

VIVIANE DE TILLY, analyste à Union des consommateurs, ayant une place d'affaires au 6226, rue Saint-Hubert, Montréal (Québec);

LAQUELLE, après avoir fait une affirmation solennelle, dépose et dit :

INTERROGÉE PAR Me HÉLÈNE SICARD :

Q. [1] Bonjour, Madame de Tilly.

R. Bonjour.

Q. [2] Nous avons déposé en preuve...

Mme LOUISE PELLETIER :

Je m'excuse tout de suite, parce qu'on pressent la difficulté de vous entendre, Madame de Tilly. Alors soit approcher le micro, soit parler un peu plus fort. Je vous remercie. Je m'excuse, Maître Sicard.

Me HÉLÈNE SICARD :

Moi aussi.

Q. [3] Nous avons déposé en preuve un mémoire, qui est la pièce C-UC-8. Est-ce que vous adoptez ce document? D'abord, l'avez-vous préparé sous votre contrôle et votre surveillance?

R. Oui.

Q. [4] Et est-ce que vous l'adoptez comme la preuve de Union des consommateurs?

R. Oui.

Q. [5] Avez-vous des corrections à y apporter? Et je vais vous poser... Avant de nous donner des corrections. Vous avez également... Avez-vous également préparé la pièce C-UC-10 qui est la réponse à la demande de renseignements de la Régie?

R. Oui.

Q. [6] Vous adoptez ce document comme votre preuve?

R. Oui.

Q. [7] Allez-vous avoir des corrections à y apporter?

R. Oui, quelques corrections sur la preuve.

Q. [8] À celle-ci aussi. Et nous avons déposé le curriculum vitae de madame de Tilly, qui est C-UC-12. Ça représente bien votre curriculum vitae?

R. Oui.

Q. [9] Alors, pouvez-vous indiquer à tout le monde les corrections que vous désirez apporter?

R. Oui. À la page 6 du mémoire d'UC, au troisième paragraphe après la réponse en citation, à la cinquième ligne, il faudrait biffer les mots « le maintien du réseau et ».

Q. [10] Alors, si je lis, ce serait « aléas des projets réalisés chaque année pour la croissance des besoins »?

R. Oui. Oui.

Q. [11] Ensuite?

R. À la page 11...

Q. [12] Je pense que, Madame Pelletier, vous ne trouvez pas la référence?

Mme LOUISE PELLETIER :

En effet, j'ai un langage corporel assez clair.

Me HÉLÈNE SICARD :

À la page 6, pour vous aider, là, vous avez une citation. Tout de suite après la citation, un paragraphe qui commence avec « force est de constater ».

Mme LOUISE PELLETIER :

Voilà!

Me HÉLÈNE SICARD :

À l'avant-dernière ligne.

Mme VIVIANE DE TILLY :

R. À la page 11, tout juste au-dessus du titre 1.4, il faudrait biffer les mots « illogique et ». Alors, la phrase devient : « Selon UC, la proposition actuelle du Transporteur est à cet égard injuste et devrait être rejetée ».

(9 h 10)

Me HÉLÈNE SICARD :

Ça va, Madame Pelletier? O.K. Non, non, je ne vous regardais pas, je regardais la note.

Mme VIVIANE DE TILLY :

R. À la page 14. Là, ça va être plus simple. Au dernier paragraphe de la page 14 à la troisième ligne, il faut biffer les mots « et de maintien du réseau ».

À la page 17, dans les recommandations, juste au-dessus, juste au-dessus du point 2.2 « UC recommande à la Régie l'utilisation d'un horizon de 40 ans pour le calcul de l'allocation maximale des projets » de croissance. Il faut ajouter « de croissance ». Et c'est tout.

Me HÉLÈNE SICARD :

Q. [13] Alors c'est tout pour...

R. Les corrections.

Q. [14] ... la pièce C-UC-08. Maintenant, la pièce C-UC-10.

R. Il n'y a pas de corrections.

Q. [15] Dans la réponse?

R. Non.

Q. [16] Merci. Alors, nous avons une présentation que je vais coter immédiatement pour ne pas l'oublier, que madame de Tilly va vous faire. Il y a quelques copies qui ont été distribuées. Il semblerait qu'il y a plus de gens dans la salle que ce à quoi on s'attendait. On sera peut-être à court de copies.

Mais la Régie, le Transporteur ont eu leur copie.
Madame de Tilly, avez-vous préparé sous votre contrôle cette pièce, la présentation?
R. Oui.
Q. [17] Est-ce que vous adoptez cette présentation comme la preuve de UC?
R. Oui.
Q. [18] Je vous inviterais à procéder à votre présentation.
LA PRÉSIDENTE :
Alors le numéro de la cote c'est?
LA GREFFIÈRE :
C-UC-15.

C-UC-0015 : Présentation PowerPoint

Mme VIVIANE DE TILLY :
R. Alors, je commence par vous parler de la mission d'Union des consommateurs, qui est de représenter et défendre les intérêts des consommateurs en prenant en compte de façon particulière les intérêts des ménages à faible revenu et à revenu modeste. Et j'ajouterai qui assument une part importante de la facture de transport de la charge locale.

En introduction, je dirais aussi que, tout comme les témoins de l'AQCIE-CIFQ, on peut déplorer que le Distributeur ne soit pas partie prenante dans ce dossier. Il serait juste que le Distributeur défende avec des moyens proportionnels à ceux du Transporteur ses intérêts ou enfin les intérêts de la charge locale en tant que consommateurs. La proposition du Transporteur, je la perçois comme une proposition émanant d'une Hydro-Québec intégrée qui vise essentiellement à favoriser une Hydro-Québec intégrée.

La politique d'ajouts au Québec, oui, ça fait quinze (15) ans que le dossier est en cours. Ses premiers balbutiements datent de la cause R-3401-1998. À l'époque, le Transporteur avait suggéré ou avait proposé que toutes les modifications ou additions aux installations de transport réalisées pour répondre aux besoins de la charge locale soient automatiquement intégrées au coût de service de transport. C'était une approche de holding.

Le Transporteur indiquait également que les installations visées regroupent également les équipements de raccordement des producteurs privés qui seront sélectionnés dans le cadre de la

procédure d'appel d'offres du Distributeur.

Pourquoi on revient souvent sur la politique d'ajouts? Je crois que c'est parce que les tarifs de transport sont très élevés selon la Régie qui, je crois, s'inquiète des tarifs que paient les clients du point à point. Ça découle directement de la définition du réseau qui a été adoptée par le Transporteur et la Régie qui prend en compte les actifs nécessaires pour brancher les centrales au réseau intégré.

Avec l'objectif de contraintes ou empêcher de croître les tarifs de transport, la Régie a décidé d'appliquer le concept de neutralité tarifaire aux projets de croissance des besoins de la charge locale, ce qui a fait du Québec une société distincte en ce sens. Et d'un point de vue dont la charge locale se passerait bien.

Dans cette cause générique sur la politique d'ajouts, la Régie se préoccupe de la double allocation qui pourrait être octroyée à la charge locale. Évidemment, c'est une problématique qui est créée par l'application exceptionnelle de la neutralité tarifaire aux projets de croissance des besoins de la charge locale. Et je rappelle encore que le Transporteur a proposé d'intégrer, comme

partout ailleurs dans sa base de tarification, tous les projets de croissance des besoins de la charge locale.

(9 h 17)

Est-ce qu'il est envisageable de faire marche arrière? Vous comprendrez que je représente les consommateurs résidentiels puis peut-être que je me débats un petit peu avec l'énergie du désespoir pour faire baisser la facture des clients.

Enfin, est-ce qu'il est possible de régler la problématique de la double allocation en revenant sur les décisions antérieures concernant la neutralité tarifaire associée au projet de croissance des besoins de la charge locale? Dans un monde parfait, c'est à dire dans un monde où il y aurait une symétrie des informations et des forces égales en présence, la proposition du Transporteur sur le traitement de la double allocation n'est pas mauvaise, n'est pas théoriquement mauvaise. Ce qui l'est et pourrait l'être c'est, ce qui pourrait être mauvais c'est son application, particulièrement lorsque seront en cause des projets où de multiples objectifs seront poursuivis et que ce sera toujours Hydro-Québec intégrée qui

viendra présenter et défendre ses dossiers.

Dans le dossier Chamouchouane-Bout-de-l'Île, bon, c'est un mauvais exemple parce qu'il n'y avait pas nécessairement de volet associé à la croissance des besoins de la charge locale mais, dans ce dossier, les forces en présence étaient inégales, j'ai en tête l'expression « déficit démographique ». C'est peut-être maladroit mais les forces étaient inégales et cette situation pourrait se reproduire lorsqu'il s'agira d'allouer des portions de coûts de projet entre la charge locale et les clients du service point à point.

Dans le dossier, justement, Chamouchouane-Bout-de-l'Île, il y a un intervenant qui disait, je ne sais pas si c'est de la... Enfin, il y a un intervenant qui disait que le Transporteur se présentait avec une étude d'avant-projet qui avait coûté comme treize millions de dollars (13 M$) puis il disait « Comment, nous, on peut, on peut apporter une expertise différente avec... », il y avait un déséquilibre de ressources entre le Transporteur et les intervenants « ... et comment est-ce qu'on peut contredire le Transporteur lorsqu'il dit que ce projet-là va servir à régler un problème de congestion ou un problème

d'entonnoir? ». Alors, il y a un déséquilibre de force qui était constaté.

On parle, je dis est-ce que c'est envisageable de faire marche arrière? Et je dis le contexte a aussi beaucoup changé depuis les quinze (15) dernières années. Il a changé, entre autres, dernièrement et ce n'est pas lié à la politique d'ajouts, c'est lié au contexte, le contexte qui entoure la politique d'ajouts, mais le Producteur voit la rentabilité de ses exportations diminuer. Il y a aussi que depuis deux mille huit (2008), le Transporteur réalise des trop-perçus de façon récurrente.

Et d'ailleurs, ces trop-perçus-là avaient été associés par l'analyste d'UC dans la cause tarifaire, la dernière cause tarifaire du Transporteur, avaient été justement associés à une asymétrie dans l'information disponible pour les intervenants. Qu'est-ce qui change? Oui, le réseau est vieillissant, il y a beaucoup d'investissements qui devront être faits mais il y a aussi le fameux décret du gouvernement, le décret qui a été émis à la fin de deux mille quatorze (2014) qui demande à la Régie - à la Régie dans son ensemble, je suppose - qui demande à la Régie de tenir compte de ses

préoccupations quant à l'impact de la hausse des tarifs d'électricité sur les ménages à faible revenu.

(9 h 22)

Alors tout ça, c'est un contexte peut-être qui pourrait amener la Régie à, peut-être pas reculer complètement mais tenir en compte de l'impact de la politique d'ajouts sur la facture qui est refilée aux clients de la charge locale. La proposition du Transporteur en ce qui concerne les projets ressources de la charge locale, c'est de procéder à une intégration annuelle, qui revient en fait à demander un remboursement des allocations projets ressources à partir du solde de l'agrégation des allocations projets de croissance des besoins.

Je vois ça, en fait, comme s'il y a eu une allocation mais il y a un élastique dessus, puis ça peut, on peut finalement la faire disparaître. Pourtant, l'allocation, mais j'aurais dû le mettre entre guillemets, là, l'allocation pour les projets ressources est pourtant fondamentale dans les ordonnances de la FERC, via la politique du « Higher-Of ».

Donc lorsqu'on se compare, on est unique

mais il y a aussi une situation unique pour la charge locale, sans qui le réseau de transport n'existerait pas, il sera toujours là pour ramasser la facture.

J'ajouterais aussi que dans le dossier 3837... 3738... le Transporteur avait proposé d'intégrer tous les projets ressources, les projets éoliens, et la Régie avait décidé, dans la décision 2011-039, que le Transporteur n'avait pas démontré clairement, dans sa preuve, que cette intégration aurait un impact mineur sur les tarifs, minime. Le Transporteur aurait pu revenir avec une preuve étoffée démontrant cette absence d'impact, ou cet impact minime sur les tarifs de transport. Mais il ne l'a pas fait.

Il y a plusieurs projets d'intégration d'énergie renouvelable qui ne se seraient pas produits s'il n'y avait pas eu les décrets gouvernementaux. Si le Distributeur était allé en appel d'offres, il aurait choisi sûrement des projets moins coûteux.

Dans la preuve d'UC, on fait référence à l'ordonnance 1000 de la FERC et au volet « public policy », et on propose, enfin, on propose qu'une allocation maximale spécifique pour les projets de

type « public policy » puisse être développée.

Je comprends que je rame à contre-sens de la Régie, qui a posé de nombreuses questions sur la puissance à utiliser dans le calcul de l'allocation maximale des projets éoliens, avec en filigrane une diminution de l'allocation et donc une contribution plus élevée de la part du Distributeur. Ce qui rendrait encore plus coûteuse de l'énergie produite par les parcs éoliens, qui ont été imposés à la charge locale par décret gouvernemental.

Compte tenu du décret du gouvernement, le décret 841-2014 sur ses préoccupations à l'égard des tarifs pour les ménages à faible revenu, est-ce que c'est souhaitable que cette énergie coûte encore plus cher?

Le Transporteur propose une façon de codifier la répartition des coûts pour les projets qui couvrent plusieurs, pour les projets qui répondent à des besoins de plusieurs clients, il propose que seuls les utilisateurs actuels contribuent pour les ajouts « croissance des besoins ». Selon UC, il y a un risque d'opportunisme, il pourrait y avoir, enfin, la relation utilisateur-payeur, ou bénéficiaire-payeur, ou demandeur n'est pas très claire.

Encore là, dans le projet Chamouchouane-Bout-de-l'Île, il y a, je crois, une marge de manoeuvre qui se dégage et on ne sait pas qui va en bénéficier mais un jour, quelqu'un va en bénéficier, et peut-être sans avoir payé pour ce projet-là. C'est pourquoi UC recommande une application prospective des contributions avec remboursement aux utilisateurs actuels, un peu comme le Distributeur le fait dans le cas des prolongements de réseau.

(9 h 28)

En ce qui concerne l'horizon pour évaluer l'allocation maximale de la charge locale, quand on parle de croissance des besoins, il y a deux éléments dont il faut tenir compte. Le premier, c'est la pérennité de la charge locale. Et le deuxième élément, c’est la durée de vie des équipements. On indique dans le rapport annuel d’Hydro-Québec que l’amortissement des postes et lignes de transport se fait sur trente (30) à soixante-dix (70) ans. La charge locale ne signe pas de convention. Après vingt (20) ans, elle aura remboursé l’investissement intégré à sa base de tarification.

Ensuite, elle n’a pas l’opportunité

d'utiliser, comme le Transporteur le propose pour les ajouts des clients point à point, les nouvelles ventes pour profiter à nouveau de l'allocation maximale en la transférant vers de nouveaux investissements. J'ai en tête l'expression « double dipping », c'est un peu ce qui est proposé pour le Producteur, mais pour le Distributeur, ça n'existe pas. Ça pourrait être compensé en augmentant, en étendant période considérée pour calculer l'allocation maximale.

À titre anecdotique, le Distributeur utilisait jusqu'en deux mille... jusqu'en mil neuf cent quatre-vingt-quinze (1995), utilisait une période d'analyse de quatre-vingt-dix-neuf (99) ans pour calculer la contribution des promoteurs non résidentiels à des prolongements de réseau. Puis, il indiquait... il indiquait en deux mille quatre (2004) que passer de quatre-vingt-dix-neuf (99) ans à trente (30) ans n'avait pas beaucoup d'impact sur les coûts, sur les allocations. Alors, la recommandation d'UC, c'est d'utiliser un horizon de quarante (40) ans pour calculer l'allocation maximale pour les projets de croissance des besoins de la charge locale.

En ce qui concerne les coûts d'entretien et

d'exploitation, le Transporteur utilise des coûts de quinze pour cent (15 %) de l'investissement en considérant une période de quarante (40) ans. Ce qui... sur une base annuelle, c'est un point six pour cent (1,6 %) de la valeur de l'investissement. UC soumet qu'une réflexion s'impose quant aux coûts pour un nouvel actif. Encore là, j'ai l'impression de ramer à contre-sens, parce que je sens que les préoccupations de la Régie, ce serait d'augmenter le pourcentage associé à d'entretien et d'exploitation.

Dans une réponse à la DDR... dans la réponse à la DDR de la Régie, UC, on a proposé trois scénarios de ce que pourraient être les coûts de... les coûts associés à l'entretien et l'exploitation. On recommande celui qui minimise ces coûts-là, puisque c'est associé à un équipement neuf. Mais je suis un peu confortée dans ma réponse. Si je fais référence au témoignage du Transporteur concernant les frais d'exploitation... ça doit être dans les notes... oui, c'est dans le notes sténo du cinq (5) février, à la page 68. C'est monsieur Verret qui disait qu'il était en relation commerciale avec les clients au niveau du raccordement des centrales. Enfin, il parlait du

raccordement des centrales, peut-être éoliennes. Et il disait que lorsqu'on fait le remboursement d'un parc, d'un poste, pour un producteur privé, c'est un remboursement avec frais d'exploitation et d'entretien qui est de quinze pour cent (15 %). Et il dit... il conclut :

> Je suis certain que j'en aurais entendu parler s'il n'était pas bon, s'il n'était pas suffisant.

Bien, je peux rajouter que c'est peut-être que le quinze pour cent (15 %) est trop généreux. C'est pour ça qu'il n'en entend pas parler. Alors, la recommandation d'UC, c'est d'utiliser neuf pour cent (9 %) de l'investissement au lieu de quinze pour cent (15 %).

(9 h 32)

Finalement, en ce qui concerne le report annuel ou pluriannuel des surplus aux contributions exigées, on soumet que le report pluriannuel assure une stabilité tarifaire. C'est une réponse à la demande de la Régie de proposer plus de souplesse dans l'application de l'allocation maximale. Donc, UC recommande d'approuver la proposition du Transporteur - hey, c'est du Transporteur, ce n'est pas du Distributeur - d'appliquer une gestion

pluriannuelle des surplus ou contributions exigées. Et ça met fin à ma présentation.

Q. [19] Merci, Madame de Tilly. Si vous prenez votre dernière page, j'aurais une question pour vous. Vous vous êtes exclamée, là; alors je comprends qu'il y a une modification...

R. Oui. Oui.

Q. [20] ... au dernier paragraphe. Alors c'est Transporteur. Maintenant, cette présentation, et en partie vos recommandations que nous retrouvons à cette page, on doit comprendre que c'est pour la charge locale?

R. Oui.

Q. [21] Correct?

R. Oui. C'est pour la charge locale. Oui.

Q. [22] Je vous remercie. Alors le témoin est disponible pour contre-interrogatoire.

LE PRÉSIDENT :

Je vous remercie beaucoup, Maître Sicard. Alors je vais faire les appels dans l'ordre. Monsieur qui avait réservé des temps pour les questions. Alors Maître Pelletier, avez-vous des questions? Pas de question? Maître Hamelin, avez-vous des questions?

CONTRE-INTERROGÉE PAR Me PAULE HAMELIN :

Bonjour Madame la Présidente. Paule Hamelin, pour Énergie Brookfield Marketing. Madame la Régisseure, monsieur le Régisseur, bonjour. Alors bonjour Madame. Alors peut-être juste quelques questions de clarification et de compréhension de ma part. Vous avez fait, dans le cadre de votre rapport, référence aux principes de neutralité tarifaire. Vous en avez reparlé ce matin. On s'entend que, vous comprenez que c'est ce principe-là qui s'applique au Québec, et que, comme vous l'avez mentionné, il s'applique depuis la décision - vous avez fait référence au premier dossier - mais depuis la décision D-2002-95, c'est ce principe-là qui s'applique au Québec, et que, oui, peut-être parler plus fort dans le micro.

R. Oui. O.K. Il était fermé. Oui.

Q. [23] Et qu'il a été maintenu par la Régie et réitéré dans plusieurs décisions de la Régie.

R. Tout à fait. Tout à fait. Comme j'ai dit dans ma présentation, c'est la décision de la Régie et je m'interroge : est-ce qu'on peut faire marche arrière? Et...

Q. [24] Dans la décision D-2002-95, est-ce que c'est, à votre connaissance, que la Régie a décidé qu'il

fallait imposer le même montant maximum, d'allocation maximale, tant au niveau de la charge locale qu'à l'égard du point à point?

R. J'imagine que oui. Oui.

Q. [25] Je peux peut-être vous faire référence au passage. C'est aux pages 298 et 299. Je vais le lire, parce que je n'ai pas remis des copies, parce qu'on en avait déjà transmis la semaine passée. Je l'avais indiqué à ma consoeur. Mais je peux vous... Oui, je l'ai indiqué ce matin, mais je peux lui donner ma copie, là. Puis est-ce que madame... Oui, je vais lui donner mon autre. Alors à la fin de la page 298, début de la page 299, c'était le paragraphe qui commençait par :

> Toutefois, la Régie est d'avis qu'il faut imposer le même montant maximum que dans le cas d'ajout pour le service de point à point et de réseau intégré. Cette position vise à traiter tous les clients de transport de la même façon.

C'était la référence à laquelle je voulais...

R. Oui.

Q. [26] Ça va?

R. Oui.

Q. [27] Alors on s'entend que dans cette décision-là...

R. Tout à fait.

Q. [28] D'accord. Merci. Vous avez parlé aussi, je pense, de la décision D-2111-39, et j'aimerais vous faire référence au paragraphe 429 de cette décision. Je ne sais pas si vous en avez une copie avec vous?

R. Non.

(9 h 37)

Q. [29] Je vais vous donner. Je vais vous les reprendre après, par exemple, parce que c'est mes copies.

Alors au paragraphe 429 on pouvait lire :

> Par ailleurs, la Régie est d'avis que les dispositions tarifaires énoncées dans la politique d'ajouts du Transporteur et les autres dispositions des Tarifs et conditions, approuvés dans la décision D-2002-95, font partie d'un ensemble cohérent. Dans l'éventualité où il serait justifié d'adapter cette politique à un contexte particulier, la Régie est d'avis que cette adaptation ne devrait

pas se limiter à modifier une de ces composantes sans évaluer l'impact de cette modification sur la cohérence de l'ensemble des dispositions tarifaires en vigueur. La preuve soumise par le Transporteur, à cet égard, n'est pas convaincante.

La proposition que UC fait à l'égard de l'allocation maximale sur quarante (40) ans, si j'ai bien compris, vise les projets du Distributeur uniquement?

R. En fait, ça vise, oui, premièrement, mais elle pourrait être transposée aussi chez les clients de point à point en autant que, soit qu'il y ait une convention signée sur ce même horizon ou qu'on est assurés que les équipements de production peuvent durer quarante (40) ans.

Q. [30] Puis vous êtes au fait qu'il y a présentement des conventions de service de transport de cinq ans, de dix (10) ans, et caetera?

R. Oui.

Q. [31] Qui ne sont pas nécessairement d'une durée de quarante (40) ans?

R. Oui.

Q. [32] Et la modification que vous avez proposée de

l'allocation maximale à quarante (40) ans, je voulais juste être bien sûre de comprendre votre, ce qu'il y avait dans votre mémoire, est-ce que c'était une modification de calculs qui était proposée pour l'avenir?

R. Qui est proposée pour l'avenir, qui aurait... Tout à fait et ça ne s'applique pas sur les projets ressources, on s'entend, ça ne s'applique pas sur les projets ressources du Distributeur mais sur les projets de croissance de la charge locale. On a fait une estimation de ce qu'auraient été... des conséquences de cette application de façon, bien en fait, si on l'avait utilisée en deux mille six (2006), on a fait un calcul mais je crois que ça devrait être utilisé plutôt pour l'avenir, oui.

Q. [33] O.K. C'était juste pour comprendre. Donc, vos calculs, quand on regardait...

R. Oui.

Q. [34] ... pour les années deux mille six (2006)...

R. Oui.

Q. [35] ... et suivantes, c'était pour voir l'impact mais votre...

R. C'était illustratif, oui.

Q. [36] D'accord, merci. Et le fait d'augmenter, le changement que vous proposez, vous êtes d'accord

avec moi qu'il aurait pour effet d'augmenter l'allocation maximale : on passerait de cinq cent quatre-vingt-dix-huit (598) à, à peu près, à sept cent soixante et onze dollars (771 $)?

R. Oui.

Q. [37] D'accord. Et que ça serait toute la base de la clientèle qui aurait à assumer cette augmentation?

R. Tout à fait. Tout à fait. En fait, pour la charge locale, ce que ça signifie, c'est qu'au lieu d'avoir un actif par exemple de cent dollars (100 $) dans sa base de tarification, mettons, cet actif-là serait chez le Transporteur puis, à ce moment-là, la charge locale en assumerait peut-être quatre-vingt-dix (90), quatre-vingt-huit pour cent (88 %), c'est... On s'entend, il n'y a pas de, il n'y a rien de magique. Il y a un investissement qui est fait pour la charge locale puis il va falloir que ce soit payé, ça ne disparaît pas, mais ça a un impact sur les tarifs du Distributeur et sur la facture de transport.

Q. [38] D'accord.

R. C'est des vases communicants.

Q. [39] Est-ce que je comprends que dans votre mémoire vous n'avez pas nécessairement évalué l'impact du changement que vous proposez pour notamment les

clients de point à point?

R. Non, du tout. C'est du point de vue du Distributeur de la charge locale.

Q. [40] D'accord. Au niveau de la question de la double allocation, oui? D'accord. Au niveau de la question de la double allocation, vous avez fait référence dans votre mémoire à la décision D-2009-71, vous en avez pris un passage - ça se retrouve à la page 5 de votre mémoire - et notamment le passage où la Régie fait référence en particulier aux projets de raccordement de centrale d'une part, et ceux d'intégration de la charge d'interconnexion d'autre part. Elle indique dans ce passage-là que généralement c'est traité dans des projets distincts et qu'en conséquence, il en résulte une application en double de l'allocation maximale pour une même production transitée sur le réseau. Dans le passage suivant, elle suggère différentes options pour remédier à cette situation-là. Est-ce que j'ai compris de votre mémoire que vous considérez qu'il n'y a pas de problématique de double allocation? Que ça n'a pas été démontré?

R. Non, je n'ai pas dit que ça n'a pas été démontré.

Q. [41] O.K.

R. Du tout, non.

Q. [42] Vous êtes consciente que cette problématique-là existe?

R. Tout à fait

Q. [43] O.K.

R. Oui.

(9 h 43)

Q. [44] Et qu'elle a été réitérée notamment dans une autre décision de la Régie, la D-2011-039, que cette même problématique-là avait été réitérée?

R. Oui. Oui, et comme j'ai dit, la proposition du Transporteur, elle n'est pas mauvaise, et c'est ce que j'ai dit dans notre présentation. Cependant, c'est son application, lorsque ça va être, concrètement, lorsqu'il y aura des projets qui impliquent de nombreux bénéficiaires, ce que je crains, c'est que, à un moment donné, les coûts, les coûts soient transférés vers la charge locale, soient associés à la charge locale, et c'est surtout ça que je crains, oui.

Me PAULE HAMELIN :

D'accord. Ça complète mes questions, je vous remercie. Merci, madame.

LA PRÉSIDENTE :

Merci, Maître Hamelin. Je ne vois pas maître Cadrin, j'imagine qu'il n'aura pas de questions.

Maître Turmel, avez-vous des questions... pas de questions pour LNH... NLH, excusez. Alors, Maître Dunberry, ça va être à vous.

Me ÉRIC DUNBERRY :

LA PRÉSIDENTE :

Maître Hivon?

CONTRE-INTERROGÉE PAR Me MARIE-CHRISTINE HIVON :

Bonjour, Madame la Présidente. Madame la Régisseure Pelletier, Monsieur le Régisseur Pilotto, bon matin. Bonjour, Madame de Tilly.

Mme VIVIANE DE TILLY :

R. Bonjour.

Q. [45] Marie-Christine Hivon, de Norton Rose, pour le Transporteur. Alors, Madame de Tilly, nous avons évidemment pris connaissance du mémoire d'UC et nous comprenons, d'abord confirmez-moi notre compréhension à l'effet que UC, d'un point de vue conceptuel, n'est pas en accord avec l'application du principe du « Higher-Of » à la charge locale.

R. N'est pas d'accord, en fait, on aurait bien aimé que ce concept ne soit pas appliqué à la charge locale, comme partout ailleurs en Amérique.

Q. [46] Donc, effectivement, vous considérez que cette pratique ne trouve pas d'écho ailleurs en Amérique

du Nord?

R. Bien, je crois que c'est le Transporteur qui a déjà indiqué cette phrase dans un document à la Régie.

Q. [47] Dans un autre dossier, possiblement?

R. Oui, oui, oui.

Q. [48] On va y arriver. Et on a vu, avec les questions et vos réponses de la procureure d'EBM, que vous êtes consciente, par ailleurs, que la Régie a déjà tranché sur cette question, notamment dans la décision D-2002-095, et on a revu les passages, que je souhaitais revoir avec vous ce matin, à l'effet que la Régie a pris la décision, depuis deux mille deux (2002), d'assujettir la charge locale au calcul d'une allocation maximale pour des fins de traitement équitable des différentes catégories de clients, est-ce que c'est la compréhension que vous en avez?

R. Tout à fait, tout à fait, mais comme je l'ai mentionné, le contexte a beaucoup changé depuis deux mille deux (2002), il y a beaucoup de choses qui se sont produites et j'en ai longuement parlé. Alors, des principes peuvent être adoptés à un moment donné dans un contexte et on peut raisonnablement les changer avec le temps. Je crois que c'est possible, surtout si ça permet de régler

des problèmes, par exemple que celui de la double allocation.

Q. [49] Le contexte a peut-être changé depuis deux mille deux (2002), Madame de Tilly, mais si on se reporte en deux mille onze (2011), dans le cadre du dossier qui a mené à la décision D-2011-039, que nous avons vue tout à l'heure...

R. Oui.

Q. [50] ... vous êtes également au courant, évidemment, que la Régie a rejeté une proposition du Transporteur qui prévoyait de soustraire la charge locale à l'application de l'allocation maximale?

R. Oui, mais la Régie l'a refusé entre autres parce que le Transporteur n'avait pas fait de démonstration de l'impact de cette intégration à sa base de tarification. Il aurait pu, le Transporteur, la faire, cette démonstration-là, la faire dans le dossier générique actuel. Et deux mille onze (2011), ça fait peut-être juste quatre ans mais, comme je le disais, le contexte a beaucoup changé pour Hydro-Québec intégrée, j'ai parlé de la rentabilité des exportations, qui est comme en chute libre, et les propositions qui sont, la proposition qui est sur la table est une

proposition d'Hydro-Québec intégrée.

Alors le, et j'ai parlé aussi du décret du gouvernement, qui a demandé à la Régie de tenir compte de l'impact de la hausse des tarifs sur les ménages à faible revenu. Alors ce n'était pas là en deux mille onze (2011), ce n'était pas là en deux mille deux (2002), le contexte évolue et on change des lois, on change. Alors, pourquoi est-ce qu'on ne pourrait pas revenir en arrière dans ce dossier-ci?

(9 h 49)

Q. [51] Madame de Tilly, une simple confirmation : vous êtes au courant également que dans ce dossier-là, qui a mené à la décision D-2011-039, UC, à titre de porte-parole du groupe de la charge locale, s'opposait à la proposition du Transporteur.

R. Tout à fait. C'est peut-être... UC était... en fait, c'était un regroupement de la charge locale. Je n'étais pas là à l'époque. Et les regroupements d'intervenants lorsqu'il y a des groupes environnementaux puis des clients résidentiels, je ne suis pas convaincue comment les intérêts des clients résidentiels sont pris en compte par les groupes environnementaux. On est souvent dans... on

a souvent une pensée diamétralement opposée. Et voilà, c'était... je crois que l'AQCIE s'était retirée du regroupement d'ailleurs par dissidence et peut-être que... bon, je n'étais pas là à l'époque.

Q. [52] Alors, vous ne... mais vous êtes au courant que UC était porte-parole de ce groupe?

R. Tout à fait.

Q. [53] O.K. Je vous réfère à la page 3... en fait, attendez... page 5 de votre présentation PowerPoint qui est sur la troisième feuille, si on veut, qui porte le titre « Projets ressources charge locale ».

R. Oui, je vais aller voir.

Q. [54] Au deuxième tête de flèche, vous mentionnez :

> L'allocation pour les projets ressources est pourtant fondamentale dans les ordonnances de la FERC.

Êtes-vous au courant, Madame de Tilly, que la FERC n'applique pas le principe du « higher of » à la charge locale?

R. Pour les projets ressources. Je parle des projets ressources. Le titre de... c'est les projets ressources.

Q. [55] C'est qu'il n'y a pas d'allocation maximale ou

l'équivalent de l'allocation maximale...

R. Non. Non, non.

Q. [56] ... pour la charge locale.

R. Tout à fait. C'est... d'ailleurs, j'ai... pour les projets ressources? Associés à la charge locale? Ma compréhension, c'est qu'il y en a une. Si je me trompe, c'est... si je me trompe, bien, je me trompe. Mais dans ma compréhension, c'est que pour les projets ressources, la règle du « higher of » est appliquée, particulièrement, je crois, dans le cas des projets d'énergie renouvelable. Mais... voilà.

Q. [57] C'est votre compréhension des ordonnances de la FERC.

R. Oui. Oui. Oui.

Q. [58] Je vous invite maintenant à prendre votre rapport...

R. Oui.

Q. [59] ... votre mémoire. Et vous avez fait tout à l'heure une correction à la page 6 concernant une mention à l'effet que...

R. Oui.

Q. [60] ... votre réflexion portait également sur les ajouts pour le maintien du réseau et ça a été corrigé.

R. Oui.

Q. [61] On comprend que vous êtes d'accord que la politique d'ajouts ne s'applique qu'aux projets de croissance?

R. Tout à fait. Tout à fait. Oui, ça a été corrigé.

Q. [62] En ce qui concerne les projets de politique gouvernementale, je comprends de votre preuve que vous souhaitez que la Régie inclue à la politique d'ajouts du Transporteur un régime qui serait particulier dans les cas de projets de ressources associés à une demande gouvernementale. Et vous avez peut-être... étiez-vous peut-être présente lors du témoignage des représentants du Transporteur qui vous ont expliqué que, de leur point de vue, en ce qui concerne le charge locale, ils n'ont qu'un seul client, le Distributeur, et qu'ils répondent aux demandes et aux besoins qui lui sont exprimés par le Distributeur, peu importe leur origine, que ce soit d'une origine... d'une demande ou d'un projet gouvernemental ou autres. Vous êtes consciente de cette réalité-là?

R. Actuellement, c'est comme ça. Nous, ce qu'on propose, c'est que ça change.

Q. [63] Et vous proposez que la Régie s'inspire de l'ordonnance de la FERC 1000, qui a évoqué... eu

une notion de « public policy projects » ou de projets de politique gouvernementale.

R. Oui, en fait, s'inspirer... c'est clair que le contexte du Québec et le contexte américain n'est pas le même. Les raisons qui amènent la FERC à publier l'ordonnance 1000 sont vraiment différentes, sont... ne s'appliquent pas au Québec. Cependant, il y a une préoccupation. Il y a une préoccupation pour la FERC de voir les projets d'énergie renouvelable ne pas se réaliser parce qu'ils coûtent trop cher.

Dans le fond, elle a raison parce qu'on voit au Québec à quel point ça a coûté cher aller chercher... transporter l'énergie produite en Gaspésie jusqu'au Québec. Ça a coûté un milliard (1 G), je crois, de construire la ligne de transport. Alors, elle a tout à fait raison de s'inquiéter. Et ce qu'on dit, si la FERC a eu cette réflexion, bien, pourquoi on n'aurait pas la même réflexion ici? Et c'est la proposition qu'on fait, de s'interroger sur la possibilité de bonifier l'analyse des projets d'énergie renouvelable.

(9 h 55)

Q. [64] Vous êtes, vous avez entendu également le témoignage de madame Chang, lors du témoignage du

panel d'Hydro-Québec, concernant le caractère non applicable de l'ordonnance 1000. Est-ce que vous êtes d'accord que cette ordonnance-là ne porte pas sur les mêmes...

R. Tout à fait.

Q. [65] ... réalités que celle qui nous préoccupe dans le présent dossier?

R. Tout à fait. Et ça ne s'applique pas. C'est plutôt la réflexion qui peut s'appliquer. La réflexion.

Q. [66] Est-ce que vous êtes au courant de l'existence d'une ordonnance de la FERC concernant une réflexion similaire en ce qui concerne des projets gouvernementaux à l'intérieur d'un même réseau d'un seul transporteur?

R. Non. Du tout.

Q. [67] J'aimerais passer maintenant à la question des coûts d'entretien et d'exploitation. Je comprends, de votre mémoire, que vous contestez l'utilisation d'un taux de quinze pour cent (15 %) pour les coûts d'exploitation et d'entretien, et vous le considérez trop élevé.

R. Oui.

Q. [68] Et je vous réfère à la page 18 de votre mémoire. En haut de la page, vous constatez ou vous êtes d'accord avec l'idée que :

1 [...] les coûts d'entretien et
2 exploitation observés sur des actifs
3 vieillissants ne peuvent être comparés
4 aux coûts à venir pour un nouvel
5 actif. En effet, le réseau
6 vieillissant du Transporteur exige des
7 travaux de maintenance importants et
8 récurrents.
9 Donc...
10 R. Oui.
11 Q. [69] Oui. C'est ça. Et j'aimerais maintenant vous
12 référer à votre réponse à une Demande de
13 renseignement de la Régie, la pièce C-UC-0010, en
14 réponse à la question 1.1, où la Régie vous
15 demandait justement de concilier la recommandation
16 d'utiliser un référentiel du coût d'entretien et
17 d'exploitation inférieur à quinze pour cent (15 %),
18 avec la citation qu'on vient de voir sur les actifs
19 vieillissants. Et je vais essayer de bien
20 comprendre la réponse que vous...
21 R. Oui.
22 Q. [70] ... avez fournie à cette question-là. Vous
23 arrivez à un calcul qui mène à un taux
24 d'utilisation... pardon, vous proposez d'utiliser
25 un taux de huit virgule six pour cent (8,6 %),

selon un calcul que vous avez effectué ici, à la réponse 1.1. Je comprends qu'aujourd'hui, vous mentionnez neuf pour cent (9 %)...

R. Oui. Arrondi.

Q. [71] ... mais ça vient de la même...

R. Oui.

Q. [72] C'est basé sur le calcul de votre Demande de renseignement numéro 1, votre réponse. Et donc, vous proposez d'utiliser un taux de, pour les fins de la Demande de renseignement, huit virgule six pour cent (8,6 %), sur une période de quarante (40) ans.

R. Oui.

Q. [73] Et vous utilisez, vous vous fondez sur un extrait de la pièce B-0011 de la preuve du Transporteur, à l'effet que le taux réel en deux mille douze (2012) pour l'ensemble du parc d'actifs du Transporteur, était de dix-neuf pour cent (19 %).

R. Oui.

Q. [74] Et pouvez-vous nous confirmer que vous avez compris, de la proposition du Transporteur de quinze pour cent (15 %), qu'il tient compte du fait que le dix-neuf pour cent (19 %) représente un parc d'actifs d'âges variés?

R. Oui. Ce que le dix-neuf pour cent (19 %), je crois que le témoin du Transporteur nous a dit que c'était associé à un parc d'actifs qui avait en moyenne vingt-quatre (24) ans.

Q. [75] Exactement.

R. Et... Eh voilà! Un nouvel actif, aujourd'hui, aurait zéro an, puis coûterait vraisemblablement moins cher à entretenir les premières années, sûrement, qu'un parc vieillissant, un parc de vingt-quatre (24) ans.

Q. [76] D'accord. Et je comprends que l'exercice que vous avez fait pour en arriver à votre huit virgule six pour cent (8,6 %), c'est que vous êtes partie de ce coût d'entretien de l'année deux mille douze (2012), soit neuf virgule onze dollars du kilowatt (9,11 $/kW) qu'on voit toujours ici à la page 2 de 4 de la réponse, ou équivalent à un virgule six pour cent (1,6 %), sur une base annuelle de l'investissement. Et vous êtes partie de ce un virgule six pour cent (1,6 %).

R. Oui. Mais comme je dis aussi dans ma réponse, c'est que j'avais posé la question au Transporteur de nous fournir les coûts d'entretien d'un nouvel actif. Le Transporteur nous a référés à une réponse, enfin, qui ne répondait pas, là, qui ne

répondait vraiment pas à la question. Et compte tenu de l'absence d'information, j'ai, comme la Régie a... parce que dans le mémoire, dans le mémoire d'UC, on ne se prononce pas sur un taux, on ne se prononce pas sur un coût d'entretien. Tout ce qu'on dit, c'est, bien, un nouvel équipement coûte moins cher, coûte moins cher à entretenir qu'un vieux. Ça, je crois que ça, ça peut tenir la route, là, c'est assez logique.

(10 h 01)

Et comme on n'a pas eu d'information du Transporteur sur les coûts d'entretien d'un nouvel équipement, bien, je me suis débrouillée avec les informations que j'avais. Qu'est-ce que j'avais? J'avais un point six pour cent (1,6 %). C'était ça que j'avais. Alors j'ai fait des simulations. Enfin, quand la réponse est arrivée, le dix-neuf (19) décembre, à la veille, je pense, en même temps où le bureau fermait, je me suis dit comment je peux réussir à répondre à cette question-là avec un chiffre? J'avais un point six pour cent (1,6 %).

Et mes premières journées des vacances de Noël, mes premières nuits, je les ai passées avec un chiffrier Excel. Et donc, je devais répondre à une question avec un chiffre. Et c'est l'exercice

que j'ai fait.

Q. [77] Et ce que vous avez fait, à la page 3 de 4, si on regarde le tableau que vous proposez...

R. Oui.

Q. [78] ... il y a quatre colonnes. La première colonne, évidemment, représente les quarante (40) années...

R. Oui.

Q. [79] ... sur lesquelles vous appliquez le...

R. Le calcul.

Q. [80] ... le calcul.

R. Oui.

Q. [81] Et ensuite, il y a trois colonnes, A, B et C.

R. Oui.

Q. [82] Et vous vous êtes intéressée particulièrement aux résultats de la colonne A, que vous considérez plus vraisemblables, selon la dernière ligne, là, de...

R. Oui.

Q. [83] ... votre réponse, à cette page-là.

R. Oui.

Q. [84] Et lorsqu'on regarde cette colonne A, on constate que vous avez pris le un virgule six pour cent (1,6 %), qui est le coût annuel moyen du coût en dollars...

R. Oui.

Q. [85] ... qu'on a vu tout à l'heure. Et vous l'avez augmenté petit à petit...

R. Oui.

Q. [86] ... pour que de l'année 1 à l'année 40, on arrive, on atteigne le un virgule six pour cent (1,6 %) uniquement la quarantième année.

(10 h 02)

R. Tout à fait.

Q. [87] Donc, selon vous, ce taux de un virgule six pour cent (1,6 %), puis je comprends que c'était une donnée que vous aviez, vous considérez que l'actif atteindra cet âge moyen au bout de quarante (40) ans seulement?

R. C'est l'hypothèse que j'ai utilisée.

Q. [88] Pour quelle raison vous avez utilisé cette hypothèse ou vous l'avez considérée plus vraisemblable que les autres?

R. Je dirais parce que le résultat est assez intéressant pour la charge locale.

Q. [89] D'accord. Si on regarde à titre simplement indicatif la colonne C où le taux moyen est atteint... de un virgule six pour cent (1,6 %) est atteint au bout de vingt (20) ans...

R. Hum, hum.

Q. [90] ... et vous l'avez maintenu constant jusqu'à quarante (40) ans, on arrive à une valeur actualisée de quatorze virgule cinq pour cent (14,5 %). Ce résultat-là ne vous...

R. Était moins intéressant pour la charge locale.

Q. [91] Était moins intéressant. Alors, vous devancez un petit peu mes questions en fait. Si je comprends bien ce que vous nous dites, au fond, le huit virgule six pour cent (8,6 %) n'a pas en soi une valeur parce qu'il est le résultat de votre calcul? Vous êtes aussi à l'aise aujourd'hui avec neuf pour cent (9 %), vous seriez à l'aise avec huit virgule cinq pour cent (8,5 %). Au fond, c'est le résultat qui compte d'abord que la méthode pour y arriver?

R. Dans ce cas-ci, oui, tout à fait. Mais ça me semble logique. Ce n'est pas dénué complètement de logique ces calculs-là qu'il y ait une progression linéaire des coûts d'entretien, que ça coûte toujours un petit peu plus cher.

Le Transporteur a parlé de l'âge moyen de son parc. Mais c'est sûr que cet âge moyen là, il n'est pas pondéré par la valeur des actifs. Les lignes qui viennent de Manic ou, je ne sais pas, sont plus vieilles que... ont plus que vingt-quatre (24) ans d'âge. Alors s'il y avait quelque part un

chiffre, encore là, sur le coût d'entretien en fonction de l'âge des actifs, on aurait peut-être... on se rendrait peut-être compte que les actifs les plus jeunes coûtent peu et que les actifs les plus vieux coûtent beaucoup plus cher à entretenir. On n'a pas cette information-là. Mais l'âge moyen de vingt-quatre (24) ans, c'est ça, il n'est pas pondéré par la valeur de l'actif.

Q. [92] Mais vous n'en avez pas tenu compte évidemment dans votre calcul de cet âge moyen de vingt-quatre (24) ans?

R. Mais qui n'aurait pas... Un âge moyen, qu'il y ait, je ne sais pas, moi, un équipement qui... L'âge moyen ne dit rien sur la valeur des actifs. L'âge moyen n'est pas pondéré par l'âge des actifs. Je ne sais pas si vous me comprenez de ce que je...

Q. [93] Bien, en fait, ce que je comprends du calcul que vous avez fourni pour arriver à la valeur de huit virgule six pour cent (8,6 %), on a compris que c'était davantage le résultat qui était important pour vous plus que la méthode de calcul. Et à ce niveau-là, j'aimerais vous amener à la page 20 de votre rapport.

R. Mais je dirais aussi que j'aurais... si j'avais voulu, si j'avais voulu avoir un coût d'entretien

d'exploitation plus bas, il y aurait eu d'autres scénarios. Lorsque je fais le scénario A, c'est le premier qui me vient à l'esprit. Il arrive à huit (8 %). Mais j'aurais pu en faire un D avec un coût beaucoup plus bas. Et lorsque j'ai conçu les scénarios B et C, c'était à la limite pour valider, pour dire, oui, mais honnêtement qu'est-ce qui se passerait si j'avais d'autres hypothèses. Mais si j'avais voulu avoir moins que huit, moins que huit point six (8,6 %), moins que neuf (9 %), j'aurais pu en imaginer aussi. J'aurais pu mettre beaucoup de zéros au début, dire que, pendant les cinq premières années, ça coûte rien; j'aurais pu... Mais non, je ne les ai pas faits. Mais j'aurais pu arriver à quelque chose d'inférieur à huit point six (8,6 %).

Q. [94] Je comprends que vous auriez pu arriver au résultat que vous souhaitiez arriver, et le huit point six (8,6 %) vous apparaissait...

R. Oui.

Q. [95] ... acceptable?

R. Oui.

Q. [96] Je vous invite à prendre la page 20 de votre mémoire, simplement pour confirmer notre compréhension, les deux derniers paragraphes, vous

mentionnez :

> Si la Régie décidait d'approuver la politique d'ajouts au réseau proposée par le Transporteur qui pénalise durement la charge locale, UC lui recommande à tout le moins, l'utilisation d'un horizon de 40 ans et d'un coût d'entretien et exploitation inférieur à 15 % dans le calcul de l'allocation maximale des projets de la charge locale.
>
> Selon UC, cette façon de faire aurait à tout le moins le mérite d'atténuer l'impact de la politique d'ajouts proposé pour les projets ressources de la charge locale compte tenu du traitement exceptionnellement défavorable qui lui est réservé, lorsque comparé à ce qui est réservé ailleurs en Amérique du Nord pour les charges locales.

Alors, est-ce que nous avons raison de comprendre, Madame de Tilly, que le huit virgule six (8,6 %) ou le neuf pour cent (9 %) que vous proposez est au

fond une mesure de mitigation des dommages, je dirais ça comme ça, pour la charge locale plus que, encore une fois, le résultat d'un calcul crédible que la Régie, sur lequel la Régie devrait se fonder?

(10 h 08)

R. Comme je le répète, j'aurais aimé avoir plus d'informations pour faire une évaluation plus précise. Et... Est-ce que vous pouvez répéter votre question?

Q. [97] Que lorsqu'on lit la page 20 de votre mémoire, ce que vous demandez à la Régie, c'est un chiffre, un taux qui va permettre de mitiger l'impact du reste de la proposition plutôt qu'un taux qui découle d'un calcul que la Régie devrait retenir pour l'établissement des frais d'exploitation et d'entretien?

R. Non. Non. Il y a quand même une conviction profonde à l'origine qui est que le quinze pour cent (15 %) n'est pas nécessairement associé à un actif, à un nouvel actif. Il y a une conviction profonde a priori, que le quinze pour cent (15 %) est trop élevé. Et, ça, ici dans le mémoire, j'étais incapable de fournir un autre chiffre. C'est clair. Mais le quinze pour cent (15 %)... Et c'est une

conviction profonde. Maintenant, tant mieux si ça atténue, si ça atténue l'impact de l'application de la neutralité tarifaire pour la charge locale, tant mieux. Mais ce n'est pas l'objectif a priori.

Q. [98] Je vais terminer sur cette question, Madame la Présidente. Je n'ai pas d'autres questions.

LA PRÉSIDENTE :

Je vous remercie beaucoup, Maître Hivon. Maître Legault, avez-vous des questions?

INTERROGÉE PAR Me LOUIS LEGAULT :

Peut-être une question, Madame la Présidente.

Q. [99] Bonjour, Madame de Tilly.

R. Bonjour.

Q. [100] Écoutez, je vous ramènerais à votre mémoire à la page 10 de votre mémoire. L'avant-dernier paragraphe, on peut y lire :

> UC se demande quel moyen existe et existera pour s'assurer que la « l'ordonnancement chronologique des besoins » n'est pas et ne sera pas instrumentalisée par les principaux clients du Transporteur, le Distributeur et le Producteur, pour faire supporter à l'un ou l'autre une part plus importante des

investissements.

Qu'est-ce que vous entendez par « instrumentalisée » dans ce contexte-là?

R. En fait, c'est utiliser... Bien, en fait, ça revient à ce que je disais dans ma présentation, que ce sera toujours une Hydro-Québec intégrée qui va venir présenter les projets d'investissement. Et on a peu de moyens de savoir si l'attribution ou l'allocation des coûts entre le Producteur, on va dire le Producteur, et la charge locale sera juste. C'est ce que ça veut dire.

Q. [101] Merci. Pas d'autres questions.

LA PRÉSIDENTE :

Merci, Maître Legault. Monsieur Pilotto.

INTERROGÉE PAR LA FORMATION

M. LAURENT PILOTTO :

Merci, Madame la Présidente.

Q. [102] Bonjour, Madame de Tilly. J'ai une petite question à la page 9 de votre présentation de ce matin, et je pense que c'est à cet endroit-là que vous avez évoqué que c'était anecdotique.

R. Oui.

Q. [103] J'aimerais ça que vous m'en disiez plus sur le truc de quatre-vingt-dix-neuf (99) ans. Vous faites référence à... les résultats de ce produit

en quatre-vingt-quinze (95), donc avant que la Régie de l'énergie existe.

R. En fait ce que je comprends... Oui, en fait, c'était une... c'était dans le cadre de la cause tarifaire du Distributeur. Je crois que c'était la première. Non, je crois que c'était pour modifier les conditions de service. Mais en fait c'est que le Distributeur, jusqu'en quatre-vingt-quinze (95), utilisait dans ses calculs un horizon de quatre-vingt-dix-neuf (99) ans pour calculer la provision estimée pour les fins d'exploitation et d'entretien lors d'un prolongement ou d'une modification de réseau. Ce calcul-là servait à déterminer la contribution des promoteurs. C'est comme ça que je le vois. Et le Distributeur a utilisé un horizon de quatre-vingt-dix-neuf (99) ans. Lors de la cause tarifaire, lors de la cause 3535, ils ont ramené cet horizon-là à trente (30) ans en disant que ça n'avait à peu près pas d'effet sur les montants calculés.

Q. [104] J'étais à la Régie à l'époque.

R. Oui.

Q. [105] Je ne suis pas sûr que 3535, c'est un dossier tarifaire.

R. Non, c'est ça, je vais vous le dire. C'était... Je

l'ai ici.

Q. [106] C'est ça. Parce que le premier dossier tarifaire, c'était 3492, je m'en souviens.

R. Je vais vous le dire tout de suite. Je suis perdue un petit peu dans mes papiers.

Q. [107] Mais votre procureur a probablement raison, c'était le dossier, le premier dossier des conditions de service.

R. C'était la demande relative à la modification de certaines conditions de service d'Hydro-Québec liées à l'alimentation en électricité et des frais afférents.

Q. [108] Merci.

R. Donc, on utilisait un horizon de quatre-vingt-dix-neuf (99) ans en quatre-vingt-quinze (95). C'est assez pérenne comme existence de la charge.

Q. [109] Merci. Je n'ai pas d'autres questions.

LA PRÉSIDENTE :

Je vous remercie. La formation n'aura pas d'autres questions. Maître Sicard, avez-vous un réinterrogatoire?

Me HÉLÈNE SICARD :

Non, Madame la Présidente. Alors vous pouvez libérer le témoin. Et je vous remercie de votre écoute.

LA PRÉSIDENTE :

Je vous remercie. Alors, Madame de Tilly, vous êtes libérée.

Mme VIVIANE DE TILLY :

R. Merci.

LA PRÉSIDENTE :

Sur ce, on va prendre une pause. On va la prendre jusqu'à dix heures trente (10 h 30). Au retour, on va commencer avec la preuve de NLH. Merci.

SUSPENSION DE L'AUDIENCE

REPRISE DE L'AUDIENCE

(10 h 38)

PREUVE NLH

LA PRÉSIDENTE :

Bonjour, Maître Turmel.

Me ANDRÉ TURMEL :

Bonjour, Madame la Présidente. Bonjour, Monsieur Pilotto, bonjour, Madame Pelletier. Alors, André Turmel, pour NLH, cabinet Fasken Martineau. Alors je demanderais à monsieur Seabron Adamson de prendre place; alors, madame, si on veut procéder à son assermentation, s'il vous plaît?

L'an deux mille quinze (2015), ce neuvième (9e) jour du mois de février, A COMPARU :

SEABRON ADAMSON, Vice President, Charles River Associates, 200 Clarendon Street, Boston, Massachusetts 02116, U.S.A.;

LEQUEL, après avoir fait une affirmation solennelle, dépose et dit :

INTERROGÉ PAR Me ANDRÉ TURMEL :

Merci, Madame la greffière.

Q. [110] So good morning again, Mr. Adamson, welcome back in snowy Montreal.

A. Well, I left even snowier Boston, so I'm lucky I got out.

Q. [111] True. So, Mr. Adamson, this morning, we are going to, just before you do your formal presentation, we have to adopt formally some of the documents that were electronically filed in this proceeding. So, first of all, you may take your written report; in fact, there are three documents I want you to recognize this morning and to adopt, that would be your written testimony, dated December fifth (5th), two thousand fourteen (2014),

1 that is Exhibit NLH-0018, have you got that?
2 A. Yes.
3 Q. [112] Okay. Also, you also provided, through the
4 course of that proceeding, responses to Information
5 Request No. 1 provided by the Régie, and I
6 understand that bears the number Exhibit NLH-0021,
7 you have got that?
8 A. Yes.
9 Q. [113] Okay.
10 A. This doesn't have the exhibit number but it is that
11 document.
12 Q. [114] Yes. And finally, this morning, we are just
13 going to, I have been given, by madame la
14 greffière, a number for the paper copy of the
15 PowerPoint presentation, bearing the number C-NLH-
16 0031, you have got that?
17 A. Yes.
18
19 C-NLH-0031 : Présentation PowerPoint du témoin
20 Seabron Adamson
21
22 Q. [115] Okay. So with respect to those three
23 documents, first of all, did you personally
24 prepare, first, your direct testimony, your direct
25 written testimony, Mr. Adamson?

1 A. Yes, I did.
2 Q. [116] Would that be the same for the responses to
3 Information Request No. 1 by the Régie?
4 A. Yes.
5 Q. [117] And also, I suspect, for the PowerPoint
6 presentation?
7 A. Yes.
8 Q. [118] Okay. Does the content of this direct
9 testimony accurately reflect your professional
10 opinion with respect to the matters and issues they
11 address?
12 A. Generally, yes, yes.
13 Q. [119] Okay. And would we have the same answer for
14 the responses you provided to the Régie?
15 A. Yes.
16 Q. [120] And the same for the PowerPoint presentation,
17 of course?
18 A. Yes.
19 Q. [121] Okay. And do you accept this, first, this
20 direct written testimony to be part of your
21 testimony and evidence for the purposes of these
22 proceedings?
23 A. Yes.
24 Q. [122] Okay. Would it be the same for the responses
25 you provided to the Régie, in writing?

1 A. Yes.
2 Q. [123] And finally, the PowerPoint presentation?
3 A. Yes.
4 Q. [124] Okay. So you adopt those documents we said...
5 sorry?
6 A. Yes.
7 Q. [125] Okay, sorry.
8 A. Sorry, I'm trying to adjust the chair.
9 Q. [126] Okay. So I understand you also, I should have
10 mentioned that, within, as part of your written
11 testimony in Appendix SA-2, you have provided your
12 Curriculum Vitae?
13 A. Yes.
14 Q. [127] Okay. And does that, of course, it is
15 included with the document, but any major change to
16 that C.V.?
17 A. No.
18 Q. [128] No, okay. Would you have any corrections or
19 comments on the written testimony that you would
20 want to address the Régie before you start?
21 A. I have a correction.
22 Q. [129] Okay.
23 A. Which is sort of typographical in nature but, on
24 page 29, in line 13, which is the, three up from
25 the bottom of the page here, scanning, it says,

... reviewing the HQD upgrade policy...

that, of course, should say, "HQT".

Q. [130] Yes, okay.

A. It doesn't actually make sense as is. Wrong bit of the acronym.

Me ANDRÉ TURMEL :

Okay, thank you very much, sir. So now, Madame la Présidente, maintenant, je reviens à vous, donc le vingt-deux (22) décembre, nous avons déposé au dossier la demande formelle de reconnaissance du statut d'expert pour monsieur Adamson, avec les éléments requis par le Règlement de procédure, et dans cette lettre-là, nous demandions que monsieur Adamson soit reconnu comme, et je cite, « Transmission... », expert dans le domaine suivant : « Transmission pricing, investment and regulation. » (Fin de la citation.)

Évidemment, on n'a noté aucune opposition formelle à la reconnaissance de monsieur Adamson comme expert à ce titre alors je vous demanderais de le reconnaître, si c'est possible.

Me ÉRIC DUNBERRY :

Madame la Présidente, tel qu'indiqué dans notre courrier de janvier, et reconfirmé lors de la

rencontre d'ordre procédural en début janvier, nous n'avons pas d'objection à la qualification d'expert de monsieur Adamson, sous réserve des représentations que nous ferons en plaidoirie concernant la force probante de ces représentations.

(10 h 44)

LA PRÉSIDENTE :

Alors là-dessus, la Régie reconnaît l'expertise de monsieur Adamson.

Me ANDRÉ TURMEL :

Je vous remercie, Madame la Présidente.

LA PRÉSIDENTE :

Merci.

INTERROGÉ PAR Me ANDRÉ TURMEL :

Alors, sans plus tarder...

Q. [131] I'm turning now to you, Mr. Adamson. I would ask you to do your presentation. Go slowly, because people may want, may need the translation, and you have the floor.

MR. SEABRON ADAMSON:

A. Okay. Thank you very much. Thank you to the Régie for the opportunity to present this morning, and to the people here. Before I start, I'll just say I am an economics consultant with CRA, mainly focussing

1 on the power sector, some of the gas sector, and
2 probably... maybe a little unusual for people, I
3 split my time between doing more kind of regulatory
4 work, and doing kind of commercial advisory work.
5 I've also worked in the investment management
6 business in the past.
7 I'm based in Boston, but my office is very
8 close to Harvard Square, and my home is very close
9 to Harvard Square, near the Brattle Group, kind of
10 halfway between the Brattle Group and the office of
11 Mr. Knecht, so I'm still part of the Cambridge
12 Union of Experts, I guess, in this proceeding, who
13 have all come from within about a one kilometre
14 radius to Montreal.
15 So I'd like to begin by discussing... One
16 of the three... One of the things I'm really gonna
17 focus on, here, in this presentation, as this
18 proceeding has evolved and we've learned more...
19 I've learned more, hopefully all of us have learned
20 more. One of the things I'm gonna talk about, with
21 respect to the issues raised by the Régie, by HQT
22 and others.
23 First off, on the cost allocation of
24 network upgrades between users, a subject we've
25 already heard some about, and I think we'll

1 probably be hearing more about, I'd like to talk
2 about that based, kind of in theory and a bit in
3 practice. Second, on the term assumptions for the
4 maximum allowance, and what sort of terms of
5 revenue recognition should be incorporated into the
6 maximum allowance for point-to-point customers, and
7 what should drive that. And finally the issue
8 which, again, we've heard a lot about last week,
9 around the transitional arrangements and eventual
10 final arrangements for the follow-up of commitments
11 for point-to-point customers. A subject that I
12 will, like Mr. Knecht, I'll be the first to say I
13 now understand a lot more now, after hearing the
14 HQT panel, Mr. Verret and Mr. Clermont, than I did
15 at the start of last week. So, hopefully, things
16 are becoming clearer, and we now have a basis for
17 analysing the HQT proposals in more detail.
18 So, I started my written testimony really
19 focussing on what are the objectives for network
20 upgrade policies, and I, you know, will touch on
21 these briefly, because I don’t think most of them
22 are very controversial. I've started from an
23 economic basis for my kind of analysis of these
24 proposals. I'm clearly not here to opine on past
25 Régie decisions. So I need a kind of economic base

1 for starting. And what makes sense to me is to say,
2 okay, what are the kind of economic principles
3 that, to me, these types of policies should
4 represent.
5 First off, economic efficiency. We need to
6 get the right things built, with the right prices
7 shown to customers for building them, for
8 transmission. Second, non-discrimination. Non-
9 discrimination, obviously, has kind of a legal
10 aspect, but has an economic aspect as well, which
11 has well been recognized in the past, in the
12 history of utility regulation, particularly where
13 you have vertically-integrated utility companies
14 with competitors needing to access a critical
15 component, which is the transmission access,
16 controlled by a vertically-integrated company. So
17 non-discrimination, obviously, is an important
18 economic variable, as well as kind of a general
19 policy objective.
20 No undue cost shifting. The cost of things,
21 of services charged, need to somewhat reflect...
22 The prices charged need to somewhat reflect the
23 costs. This is akin to some of the statements that
24 have been made earlier this week, but it's just
25 important to recognize that non-discrimination, in

1 my mind, doesn't mean that everybody pays exactly
2 the same price for everything in all contexts. What
3 it means is, is that there is a principle of non-
4 discrimination that says that where there are
5 differences in the prices charged, that that
6 reflects the specific circumstances such as the
7 specific costs. I mean, it does make sense that a
8 gallon of gasoline costs more in the wilds of
9 Alaska than it does in Houston, Texas. Because the
10 cost of getting it there is different. Even though
11 Alaska produces a lot of oil. So, that it's not
12 discriminatory to have different prices for things
13 if it reflects the underlying circumstances.
14 And finally, transparency. Obviously,
15 transmission systems are complicated, and
16 regulators in many places have noted that a
17 critical feature of making regulatory regimes for
18 transmission investment, for transmission pricing,
19 for transmission cost allocation, is ensuring
20 enough transparency so that people can look at the
21 decisions that have been made, the proposals, the
22 investment proposals that have been put on the
23 table and say, "Yes, I understand how those costs
24 were developed, and yes, I understand how they
25 apply to me." All pretty straightforward stuff, so

1 I shall not take any more time on that.
2 (10 h 50)
3 So we've obviously heard a lot about the
4 FERC ''Higher-Of'' principle, and I don't want to
5 beat that to death, and... But it's right, the FERC
6 ''Higher-Of'' principle is kind of a critical
7 thing, and this really goes back to fairly early on
8 in this process in the United States well into the
9 nineties (90s) and it was being talked about even
10 before that and it makes me feel kind of old but I
11 remember reading all this stuff when it was
12 actually still being talked about in the nineties
13 (90s) of how we were going to unbundle transmission
14 access because, historically, we had in the United
15 States vertically integrated utilities and we
16 wanted to have, or we were now going to be allowed
17 to have non-utility users of transmission systems
18 and we had to unbundle rates and access. And that,
19 obviously, creates questions of cost allocation and
20 creates issues of potential discrimination.
21 The ''Higher-Of'' policy, in effect, is a
22 cost allocation policy which has been described
23 elsewhere but it is one cost allocation policy but
24 it’s not been the final one, it’s not been the only
25 one. And I think it’s important that we kind of

1 follow along how thinking broad terms about cost
2 allocation has developed in the US and elsewhere
3 with respect to some of the issues here. Clearly,
4 we later had, in the US, we had Order 888 and 889,
5 we had the pro forma tariff, we have the kind of
6 reflection of, in Québec here with HQT, of the pro
7 forma tariff as adapted. In Order 890 we had some
8 changes to the pro forma tariff, FERC had
9 identified some problems with the existing one,
10 problems with other practices and said "Now, we
11 need to act to end undue discrimination or avoid
12 potential undue discrimination through changing
13 these things."
14 And, finally, Order 1000 which I had
15 mentioned in my testimony, which others have
16 mentioned here, was kind of the next one of the
17 kind of big landmark orders in two thousand eleven
18 (2011) establishing new principles on transmission
19 investment, cost allocation and some other issues
20 for a class of transmission projects which has been
21 pretty far-reaching, which is still really being
22 kind of worked through, worked out, but which has
23 been quite transformative.
24 I mention in my testimony, obviously, every
25 time there is a big FERC decision, there’s also a

1 big FERC, a big battle in the courts about whether
2 it will be upheld and FERC was upheld pretty
3 strongly, it seems like, this past summer on Order
4 1000 and companies are implementing it as we speak.
5 So what economic lessons can we learn from
6 FERC Order 1000? Because it's really about lessons.
7 Obviously, Order 1000 doesn't apply here - this is
8 not jurisdictional to FERC - and Order 1000 does
9 include a bunch of things which are relevant, which
10 are not relevant here so it's not a cut and paste
11 job by any means, but my understanding that the
12 spirit of the current proceeding was to kind of
13 develop the principles which we're going to
14 developed later into the details on transmission
15 upgrade policy.
16 So what can we learn? Just a big picture.
17 Well, first off, if you believe the FERC's comments
18 that Order 890 rules and the pro forma were
19 insufficient to achieve its goals of non-
20 discrimination efficiency in open access.
21 Second off, transmission grids are
22 integrated systems - I mean, we kind of all knew
23 this but it has, it does have economic
24 consequences. They're big integrated machines and
25 additions in one part are important for many

1 different users of the system. They can also affect
2 what happens in neighbouring systems so it is
3 important to think about these as integrated
4 networks which raises specific economic problems.
5 Third off, FERC identified some cost
6 allocation mechanisms such as a pure requester pay
7 type methodology as being economically inefficient,
8 the US courts had also identified those and those
9 should not be applied to all transmission projects.
10 They can be applied in some, they can be applied to
11 some and there’s different categories of things but
12 they can’t be applied to everything.
13 And, finally, sound economics and US
14 regulatory precedent requires transmission costs
15 for these relevant big projects to be allocated
16 quote roughly commensurate with benefits. One of
17 the kind of stimulations of FERC’s thinking and one
18 of the thing kind of pushing it along has been a
19 series of decisions by the US courts saying "Now,
20 you just can’t allocate things willy-nilly, things
21 have to be allocated roughly commensurate with
22 costs. It doesn’t have to be precise but you do
23 have to make a try." Sorry roughly commensurate
24 with benefits, it doesn’t have to be perfect, but
25 you do have to make... you do have to try.

1 (10 h 56)

2 In response to a comment we heard, and I'm
3 not sure quite what day it was last week, Monday or
4 Tuesday of last week, that Order 1000 is really
5 kind of hindered transmission investment in the US,
6 I personally don't think that's true. Order 1000
7 passed in two thousand eleven (2011), this is a
8 chart from the Edison Electric Institute, it's a
9 group of investors in utilities in the United
10 States showing levels of actual and projected
11 transmission investment. As you can see, it has
12 actually been rising quite rapidly as Order 1000
13 has been implemented. My personal observation is,
14 certainly, my firm and I suspect other firms like
15 it, have been... have seen a lot of calls from
16 clients saying, "Help us evaluate new transmission
17 projects, that are applicable under Order 1000 and
18 applicable recently." So, there's clearly a lot of
19 activity in the market. I don't want to make more
20 of it than that but clearly there's a lot of... in
21 my mind, there's a lot of transmission investment
22 going on in the aftermath of Order 1000.

23 But let's step back to the concepts because
24 this is really a discussion about concepts at this
25 stage. And let's think about transmission costs and

1 their allocation. Cost allocation is a topic that
2 economists like to talk about. And then I talk
3 about how to do it in various ways, economic cost
4 allocation versus other pure accounting type
5 approaches. But when is cost allocation important?
6 When does it matter for what we're talking about
7 here? Well, cost allocation when everything is
8 completely separable is pretty simple. You're doing
9 something over there and it has no interaction with
10 what you're doing over here, is pretty easy to
11 allocate costs across categories. In that case, I'd
12 say, there's no economies of scope. There's nothing
13 gained by doing these things together. Cost
14 allocation is pretty simple when everything... when
15 costs are linear with the level of output, when
16 there's no economies of scale. Because then,
17 combining two things doesn't make anything any
18 cheaper. If everything is linear, the world is
19 easy. Cost allocation is pretty simple when all
20 investments can be non-discrete, can be continuous;
21 that when I can build exactly a transmission line
22 or a transmission facility to exactly the quantity
23 needed by a specific customer. It's a little less
24 easy when things are lumpy, to get back to that
25 word.

1 Now, one of the things we know, the
2 economics of integrated transmission systems
3 typically show all three of these effects. The
4 generally show pretty strong economies of scale,
5 definitely show economies of scope, and that it
6 matters that two things are being done together,
7 that I may be able to get to a cheaper solution
8 because they share some facilities, they share some
9 equipment. And it certainly matters that things are
10 lumpy. So, we're not in a linear world with what
11 are called separable costs in which everything is
12 simple. So, therefore, we need to think about cost
13 allocation pretty carefully because it affects
14 things we care about, like getting prices right,
15 getting investment signals right. If you don't get
16 those things right, given the presence of the
17 economies of scale and scope, then your investment
18 patterns may be affected or customers may not be
19 charged the appropriate prices.
20 So, let's go a little more specific around
21 cost allocations questions that we've discussed
22 here. It's my understanding, based on the HQT
23 additional evidence, I think it was mainly in that
24 part, that they have four categories for capital
25 expenditure projects. This was described briefly in

1 the HQT additional evidence and I don’t have a page
2 reference for you there but it’s in there, that the
3 network upgrades covered under the network
4 upgrades’ policy being discussed in this particular
5 thing are limited to the customer demand growth
6 category. I note that there are these four
7 categories customer demand growth, asset
8 maintenance, service quality, compliance with
9 requirements. My understanding of what we are
10 talking about here in this specific... with these
11 specific puzzles, has to do with the grey box on
12 the left, to do with customer demand growth and
13 then, the question is... I added “user 1” and “user
14 2” with the dotted lines, to show that that's what
15 we would potentially be allocating.
16 (11 h 02)
17 But there are these three (3) categories.
18 However, I'd also note that, just in general matter
19 of transmission economics, it's kind of hard to
20 completely separate all these different, to
21 completely separate out categories, and that there
22 could be some interactions which are important.
23 I've not studied those here. There's a brief
24 description of the four (4) categories, and how
25 that works, in the HQT evidence but, you know, for

1 the purposes of what we're, I understand we're
2 talking about, we're in the left hand box. But if
3 we move into a more detailed set of rules later, we
4 may need to think about the separation of project
5 cost into those four boxes. That's kind of common.
6 So, all of a sudden, it just became much
7 louder. So what problems do I see from not having a
8 cost allocation mechanism that reflects benefits in
9 some way, just in general, still at a conceptual
10 basis? Well, given that we have economies of scope,
11 we know that we have multiple potential
12 beneficiaries from potential network upgrades, from
13 transmission investments. We also know that if all
14 of those are allocated to a single party, that we
15 can have a free rider problem. And this has been
16 well identified in the past. And when we have a
17 free rider problem, we have the potential for very
18 inefficient investment. If A and B both benefit,
19 let's say, equally, and if A gets allocated all the
20 costs or a predominance of the costs, and B doesn't
21 have to contribute, it may, it is likely that A is
22 not going to be willing to go ahead. Classic
23 economic stuff. The sharing of costs based on
24 benefits helps eliminate this problem. You can
25 define cost allocation mechanisms based on benefits

1 that get around the free rider problem that are
2 difficult to get around, without including
3 benefits.
4 Therefore, one of my conclusions was that,
5 at least for some transmission projects, you need
6 to be thinking about how to allocate these costs on
7 the basis of benefits, and not just a pure
8 mechanical rule such as the first requester pays.
9 However, I would note that in all of these cases of
10 benefit-cost based, benefit based transmission cost
11 allocation - sorry, that's a bit of a mouthful,
12 that... I feel sorry for the translator trying to
13 get that across - you need a principle that if a
14 user doesn't benefit from an upgrade, it doesn't
15 get allocated in the cost. In my testimony, I kind
16 of referred to that as a kind of a customer
17 protection principle. So if I'm a native load
18 customer, for example, and I don't benefit from any
19 of these transmission upgrades, from whatever the
20 generators are doing or someone else is doing, I
21 shouldn't get allocated in any of the costs,
22 because I'm not getting in in the benefits. And
23 that's an important principle that needs to be kept
24 in mind.
25 So requester pays, kind of pure

1 chronological waiting list, different phrases for
2 it in other places. These systems have been around
3 for a long time, a long, long time. So why have
4 people said they're not necessarily, they may be
5 appropriate in some cases, but they may not be
6 appropriate in all cases? Why have people said why
7 don't we just rely on this? It's a mechanism we
8 know. Well, the answer is because that, too, has
9 free rider problems. And as the free rider problem
10 of if you allocate costs primarily to the first
11 person to act, it gives the incentive for that
12 person not to act first, in what I call the waiting
13 game, sort of a bit of a game of chicken in
14 reverse.
15 (11 h 07)
16 And HQT's IR responses to the Régie kind of
17 illustrate this effect rather nicely. And you had a
18 question where you had scenarios where the joint
19 technical solution to the problem cost three
20 hundred million dollars ($300 M). I don't have the
21 exact numbers in front of me, but I think it even
22 showed, in fact, that there was an economy of
23 scope, and that if you did them independently, they
24 actually costed more. And the cost allocation
25 depends on who goes first, in the response to these

1 examples. If customer 1 goes first, he pays two
2 hundred (200), and customer 2 pays one hundred
3 (100). If customer 2 goes first, they pay equal.
4 Well, this is a very nice illustration, I couldn't
5 really have thought of a better example, so that is
6 one reason I used the response to the Régie's
7 example in its preamble, of a type of waiting game
8 problem.
9 Customer 2 doesn't want to go first if that
10 would force him to pay fifteen million dollars
11 ($15 M) more for the same thing. And remember that
12 in these "requester pays" type, time-stamp type
13 systems, the time differences may be rather
14 immaterial, it's not, "Oh! this is years later", it
15 could be a relatively short period after. And all I
16 know is that, if Madam Chang goes first, she pays a
17 lot more, I am happy to wait for her to, I am happy
18 to wait out a bit.
19 It is a sort of a fundamental problem with
20 that form of cost allocation. And that is why --
21 and this has been, you know, recognized at FERC --
22 that is why this kind of system of "requester pays"
23 is one of the reasons that they have these
24 problems.
25 A benefits-based allocation, where you

1 actually evaluate who is going to pay based on the
2 benefits, and you do it simultaneously, helps
3 eliminate this problem clearly. So some of it is
4 having the benefits basting, and some of it is
5 having a simultaneous evaluation of projects which
6 are related in the same general planning cycle, and
7 not trying to wait for someone else to act first,
8 given that I know it is not changing the total
9 social costs of doing things, it is just changing
10 the private allocation between the parties.
11 So I would like to move on to the second
12 topic, which is around calculation of maximum
13 allowance. We have heard a lot about maximum
14 allowance as well last week, much of it quite
15 instructive, but I would like to just raise one
16 specific issue which leads to my specific
17 recommendation here. I don't propose a wholesale
18 change to the maximum allowance methodology, but I
19 do think there are some, probably some tweaks that
20 are needed.
21 Obviously, as we have heard, HQT's current
22 policy limits the depreciation assumption to twenty
23 (20) years, even for longer lived assets like new
24 transmission assets, the calculation recognizes
25 transmission revenues for a new point-to-point

1 service for only up to twenty (20) years, even if a
2 customer will sign a long-term contract, which
3 actually limits the risk exposure, because now, you
4 have a contract guaranteeing a revenue stream, say
5 for thirty (30) years, say for forty (40) years,
6 if, the customer will pay fixing the revenue
7 stream.
8 This policy as is has kind of a couple of
9 relatively obvious implications, it doesn't reflect
10 all the contractually obligated payments, so I have
11 costs, I have kind of a marginal cost, but I am not
12 capturing all of the marginal revenues because I am
13 limited to twenty (20) years. It is as if the bank
14 said, "Well, I'm going to set your payments for
15 your mortgage on your house, I know you've got a
16 thirty (30)-year mortgage, but I limit it to twenty
17 (20) years, so I'm going to set your mortgage based
18 on the last, on the first twenty (20) years, and
19 anything you pay in the last ten (10) years, well,
20 that just goes in my pocket."
21 That would not be very reflective of costs.
22 Clearly, not recognizing all these revenues in the
23 kind of net present value calculation doesn't
24 reflect all the revenues, marginal revenues that
25 are created, I think it kind of discriminates

1 against those who would sign a longer term
2 contract, who are then contractually bound to pay,
3 therefore raises their customer contributions for
4 long-term service.
5 And at the bottom of this slide, I just re-
6 display two of the numbers from Madam Chang's
7 evidence -- five ninety-eight ($5.98), the number
8 we have all seen many times over the last week, and
9 a forty (40) year number, reflecting her forecast
10 of the, her analysis of the, what the maximum
11 allowance would be with a forty (40)-year revenue
12 recognition of seven seventy-two ($7.72).
13 (11 h 12)
14 Now we heard a lot about conservatism. That
15 it's right to be conservative. And, I mean, sounds
16 good. Conservatism sounds like a good thing. But
17 conservatism, I would argue, has its limits. There
18 has got to be a balance, 'cause we'd always be more
19 conservative. We could say, well, if we're gonna be
20 ultimately conservative, new customers don't get
21 any maximum allowance. They just pay everything. In
22 fact, we could be more conservative than that and
23 say they have to pay everything, and we have to pay
24 on top. So there is clearly limits.
25 And I would argue that the principle of

1 conservatism needs to be balanced against the
2 actual recognition of marginal revenues and
3 marginal costs. You're selling a product, you're...
4 Just in pure conceptual terms, you're selling a
5 product which requires marginal costs, requires an
6 investment at the margin. And you therefore need to
7 ensure that the marginal revenues are there to
8 support it. If... And, you know, this is... The
9 little coloured bars are clearly just an
10 illustration of the relatively obvious, that if I'm
11 willing to contribu... if I'm willing to guarantee
12 revenues over a longer period, which gives to the
13 seven seventy-two (7.72), but my contribution is at
14 two 0 two (2.02), calculated from the twenty (20)
15 years, then I can actually pay more than the
16 incremental costs of my upgrade. And, you know,
17 there is ''Higher-Of'', but this seems a bit
18 higher, higher than the ''Higher-Of'' policy. Which
19 isn't very efficient.
20 And I would question, how is this related
21 to the transmission providers' costs and revenues?
22 You have a marginal cost, you have a marginal
23 revenue. And while you may want to have some level
24 of conservatism, you also have other areas of
25 conservatism built into the maximum allowance

1 calculation. For example, the difference between
2 the first year and the levelization that was
3 discussed by Mr. Knecht. That's a conservative...
4 That's a conservative aspect which I'm not
5 personally arguing which.
6 So you already have some elements of
7 conservatism. The key for the transmission
8 provider, for any kind of regulated utility, is am
9 I gonna cover my costs? And the answer is yes. I
10 have signed a contract that says I'll cover my
11 costs. If you have specific worries about defaults
12 on contracts, you can have credit provisions. Lots
13 of long-term contracts have credit provisions. You
14 can have credit obligations. You can say, well, you
15 know, we're not going to recognize revenues from
16 people who have no balance sheet whatsoever. Or
17 have no assets whatsoever. Then, there is a really
18 big credit risk for the transmission provider.
19 But if you're worried about the credit risk
20 aspect, have a policy that specifically addresses
21 the credit risks, which I think will end up being
22 much less costly to new transmission customers than
23 just saying, "Well, anything you do in the future,
24 past twenty (20) years, we're just going... we're
25 just not going to recognize." That, to me, seems

1 pretty unfair.
2 So, finally, let's get on to the third
3 issue, and I'll be the first to admit that I have
4 learned a lot about this issue last week. I think
5 all of us did, or many of us did. And I've tried to
6 lay out here my current understanding of the kind
7 of three different regimes that we're talking about
8 here. I think there was some confusion in some of
9 the initial questions about were we talking about
10 the transitional, or the permanent proposal, and
11 the terminology all got rather complicated. So, in
12 the simplest sense, I'll try to lay out my
13 understanding of what we're now talking about as a
14 basis for analysing this economically.
15 (11 h 18)
16 So, looking... thinking back, and I'm not
17 gonna flip to it, but thinking back to the famous
18 appendix 2 of the HQT evidence showing the
19 treatment of follow-ups, we had revenues from
20 point-to-point services, we had the exclusions for
21 the Toulnustouc commitments. One of my objectives
22 in this is to be able to go home and say
23 Toulnustouc correctly - I have been corrected by
24 Mr. Turmel about nineteen (19) times - one of my
25 objectives is to go home and say Toulnustouc

1 correctly. So we subtract those off and then we saw
2 the mechanism, an illustration of the mechanism of
3 the transitional mechanism proposed by HQT.
4 So, my own current understanding of this
5 process - and like I said, I learned a lot last
6 week, I'm glad I was here - we had an existing
7 mechanism, what we will call the 12A.2 i) test, we
8 have a transitional proposal and we have a
9 permanent proposal so A, B and C. If you look at
10 the 12A.2 i) test as written in the OATT by my
11 understanding, it's a one-off test: you pass it
12 once, you check it once and you're done and which
13 the present value of payments under quote the
14 applicable service agreements at least equals costs
15 incurred by the transmission provider to ensure
16 connection of the generating station.
17 So, done at the time, when the connection
18 agreement is executed, does the present value of
19 payments under the applicable service agreements at
20 least equal the costs, in this case I think it's
21 the rolled in costs, of connection to the
22 generating station? That's the 12A.2 i) test.
23 There's also 12A.2 ii) which we won't really talk
24 about, it's in appendix 2 as well.
25 Then, moving on, there's and HQT

1 transitional proposal, it's an annual test
2 comparing transmission service agreement revenues,
3 all of them, all of the relevant ones because,
4 again, we still have exclusions for the Toulnustouc
5 and some other things which HQT explained the other
6 day but we recognise the revenues for all
7 transmission service agreements regardless of the
8 number of megawatts or the relationship between the
9 transmission service agreements and these new
10 generation projections, as I understand it, against
11 the levelized costs with surpluses being used to
12 offset future commitments. I think Mr. Clermont
13 gave the analogy of paying down the mortgage,
14 offsetting a future obligation of the point-to-
15 point customer, in this case HQP.
16 And then finally, moving into the new third
17 round, a permanent proposal for annual final
18 treatment of follow-ups in which, as I understand
19 it, new agreements will explicitly tie annual
20 revenues from customers' point-to-point service
21 agreements to annual levelized costs and that will
22 be made explicitly on an annual basis for new
23 agreements but that's outside of this transition.
24 But let's talk about the 12A.2 i) test at
25 the moment. Again, as I said, done once, once and

1 done type test. It’s a test for revenue
2 sufficiency, it must have at least revenue to meet
3 the present value test but no value of the
4 generator to change the test. It says "at least
5 equals" than, say, "What happens if it’s more?" And
6 aggregate revenues, I understand it from all
7 applicable TSA revenue can be included regardless
8 of whether this has anything to do with the
9 specific generator interconnection and the little
10 red and blue charts - I’m kind of trying to add a
11 little colour into this presentation - so that if
12 the present value of payments under the service
13 agreements is greater, well, under the "at least
14 equals" tests, that doesn’t go to the generator.
15 (11 h 23)
16 So let’s now move to the transitional
17 arrangement. As we heard the other day from the HQT
18 panel, HQP as the sole major generator, benefits
19 from the 12A.2 i) section, it seems pretty simple.
20 Going back to my kind of bigger principle economic
21 question, there are marginal costs for
22 interconnections but the problem with a test like
23 this is it doesn’t tie marginal costs to marginal
24 revenues very well. In fact, if we look at the
25 appendix 2, and I will flip to that now - except,

1 I've got to get to it - back to the famous appendix
2 2, I mean, I have transmission service agreements
3 that seem to have long predated these generation
4 interconnection commitments in section 2.2, but
5 those still contribute to the revenue that I
6 recognize as meeting my present value test. So, it
7 doesn't really guarantee any marginal revenue. It
8 seems a bit of a strange economic test. It also
9 seems a little strange in the context that it's
10 sort of dissociated from revenues associated with a
11 specific generator. And this is what I think kind
12 of goes to this kind of pooling of all revenues and
13 cost problems. Typically, when you have generation
14 interconnection agreements, for example, in the US
15 FERC world, with which I'm familiar, where there
16 are specifics tests and they're done in a quite
17 different way, so you have to be very careful about
18 making precise analogies, but the transmission
19 revenue is specifically linked to transmission
20 contracts associated with that generation. And that
21 helps guarantee that there's actually marginal
22 revenue from a project rather than just capturing
23 any revenue against the marginal costs. Because if
24 you think about it, not having marginal revenue,
25 well, it gets kind of weird, because just

1 conceptually, say, I had a generator and it was
2 going to cost me... it was going to cost me fifty
3 million dollars ($50 M) to hook up, and I said,
4 "Well, you know, that's kind of expensive." I don't
5 really want to pay fifty million dollars ($50 M)
6 and I don't have enough point-to-point revenue to
7 support that. I can almost buy out somebody else's
8 contract and say, "I'll take over your point-to-
9 point contract. I'll pick up the power here and
10 deliver it here for you just like you're doing now,
11 just so that the revenue will be recognized as
12 mine." It's just a substitution effect. There's no
13 additional revenue for the transmission provider
14 against these costs. And that's kind of a strange
15 thing that I think we need to think about a little
16 more.
17 Now, what's the next feature of the HQT
18 transitional proposal, with respect to these, of
19 course it's back to the famous complimentary
20 repayments. And first comment is... is that this
21 all seems a little abstruse but it seems to be
22 quite a lot of money for being abstruse. If you sum
23 up the complimentary repayments under... on
24 appendix 2 in section 2.2, you get a number of
25 about over eight hundred million dollars ($800 M).

1 That seems like a lot of money to me. And I'd be
2 really interested to know from a regulatory
3 perspective about where that comes from and where
4 does that go, and who does that belong to. So,
5 while the issues have been maybe characterized as
6 being a bit administrative, the dollar volumes seem
7 pretty real.
8 So, absent the complimentary repayments,
9 well, what would have happened to these revenues?
10 Well, I have a lot of point-to-point revenues and
11 what happens to point-to-point revenues? Point-to-
12 point revenues and, let's say, you know, these are
13 point-to-point revenues so these are fair amounts
14 for point-to-point service. The value of point-to-
15 point revenues is mainly that it pays for the
16 transmission system, pays for the very large
17 existing sunk cost of the transmission system,
18 which are huge, have taken years and years of
19 investment. They may even have been paid for by the
20 native load. And when I have point-to-point
21 service, that's kind of what I'm paying for. I'm
22 paying to use the transmission grid that's been
23 built. But here, I... after my subtraction of
24 what's called an assumed annual payment, these kind
25 of levelized costs, I'm getting to offset that

1 against other interconnection costs. So, it does
2 not appear that those surpluses are going to meet
3 the total revenue requirement, and hence, can’t be
4 used to lower costs for native load and tariff
5 customers. So, they’re not contributing like normal
6 point-to-point tariff revenues due for the cost of
7 the system.
8 (11 h 29)
9 I see a couple of problems with this. First
10 of, this seems pretty discriminatory against other
11 transmission users. I know it's not NLH's exact
12 issue, but to say it anyway, it seems pretty unfair
13 to the native load customers who have footed the
14 bill for most of this thing. And I wonder it
15 doesn't create some also potential kind of
16 problems. If I have an incentive to tie up long
17 term point-to-point service, yet really not kind of
18 pay the full rate, because I'm using it to offset
19 other things, may give me an incentive to actually
20 sign out for too much long term point-to-point
21 service, which could actually be kind of harmful to
22 the market. I'd be worried, as a regulator, of
23 questions of kind of market foreclosure, of the
24 incentive to just tie up transmission capacity,
25 potentially, around exports, and implicitly not be

1 paying the full point-to-point rate for it.
2 We heard a lot of discussion to and fro,
3 and I suspect we'll hear more this afternoon, about
4 incentives for signing long-term point to point
5 agreements. And there are various incentives built
6 into various aspects of this. There are incentives
7 built into the maximum allowance calculation even
8 now, because if you sign a short point-to-point
9 agreement, you get a lower maximum allowance,
10 although it suddenly ends at twenty (20) years. But
11 I would argue, economically, I mean, just similarly
12 thinking commercially, if you're a generator or an
13 importer or something; your primary incentive for
14 signing point-to-point, long term point-to-point
15 contract services is to ensure that transmission's
16 available.
17 And that, usually, is your main kind of
18 commercial objective; it's I need to transmit power
19 to meet my obligations, from A to B, and I want to
20 ensure that that transmission service will be
21 available to me, so that I can meet my obligation,
22 because that's how I make money. So I think there's
23 other incentives there, too, and we need not to get
24 ourselves too tied up in knots around incentives,
25 around this 12A.2 i) mechanism.

1 So finally, I'd like to kind of, in with
2 some form of recommendations of things that should
3 be, in my opinion, looked at, particularly in the
4 second phase of the kind of current proceeding. And
5 I'll start with the kind of cost allocation
6 questions, because I think those are obviously
7 important.
8 I think a starting point for any mechanism
9 is an open transmission planning process that
10 identifies projects that are, that help meet the
11 efficient expansion plan for the system. One aspect
12 of Order 1000, it says: yes, we already had an
13 Order 890 process, but we actually need to go more
14 than that. We need to say: you, mister Transmission
15 provider, need to identify an efficient
16 transmission plan, and if you're the region, you
17 need to identify that together with other people in
18 your region, because of all the interactions we
19 discussed. And that transmission plan needs to have
20 inputs from other users. It's not developed in
21 isolation. It has to be developed understanding the
22 load growth of native load, changes in other
23 point-to-point service, and what people think
24 additional point-to-point service will be required;
25 all those things need to go in, to identify this

1 expansion plan.
2 (11 h 34)
3 And for projects that are accepted in that
4 plan, and that's not all the transmission that will
5 necessarily be proposed or get built, that's only
6 some, we need a cost allocation mechanism that
7 allocates that on the basis of benefits. So there
8 still are transmission service requests, that's
9 true, and those costs are allocated to the
10 requester. But for projects that end up in the
11 efficient plan, what they call the regional
12 transmission plan in ''Order 1000 speak'', those
13 are the ones that are subject to cost allocation.
14 That cost allocation is benefits-based; however, we
15 don't allocate costs to people who don't get a
16 benefit, it has to be done on a transparent basis,
17 it's kind of got to be know what that basis is
18 before, so that everyone can see, so that everyone
19 can comment, and it has to be transparent.
20 And for those projects, that are the big
21 projects, it can't be pure "requester pays" -- FERC
22 turned that down. That is not allowed to be the
23 sole mechanism. You can have that for some, but it
24 can't be for everything. And I think that is a
25 good, I think that is actually a good principle,

1 because of the free-rider type problems I mentioned
2 earlier.
3 What goes into that regional transmission
4 plan, who gets to propose projects. When you
5 actually look at the kind of filings, actually, you
6 have a broad scope of participation of who can
7 propose projects into the transmission plan for
8 cost allocation. That can be just transmission
9 providers, but it can also be others. It can be
10 point-to-point customers, if you are a point-to-
11 point customer, you still have to make a
12 transmission service request, because there, you
13 are actually looking for a specific identification
14 of a point of injection, and a point of withdrawal,
15 and starting the whole process about having the
16 contracts and all that kind of stuff, but if the
17 project is accepted as a regional transmission
18 project, it can be eligible for cost allocation.
19 Cost allocation, a project can be within a
20 single transmission provider's zone. Usually, when
21 you look at the tariffs, they don't say regional
22 transmission projects are going to be everything,
23 including very tiny little modifications to a sub-
24 station somewhere, they usually have kind of a
25 limit on what is going to be included. So we are

1 talking about major projects, that can be within
2 the zone.
3 Another recommendation is, make sure that
4 the information-sharing policies are efficient and
5 transparent enough so that people evaluating
6 transmission service requests and these kind of
7 efficient pool of regional projects can know what
8 is in there.
9 The... moving on to the kind of maximum
10 allowance, I would actually propose a really small,
11 a relatively small modification, which I don't
12 think has any big rate impacts. I haven't yet come
13 up with a scenario in which it can have a big rate
14 impact, but where maximum allowance for point-to-
15 point service, which is backed by a firm contract,
16 can extend longer than twenty (20) years.
17 (11 h 39)
18 You may want to have some eventual cap on
19 it, say forty (40) years, but it can extend, for
20 all point-to-point users, beyond twenty (20) years
21 if there is a firm contract backing it. That
22 allows, as I said earlier, the transmission
23 provider to have a, ample ability to cover its
24 costs and that it can have various credit
25 mechanisms you have an ample ability to cover its

1 costs and that it can have various credit
2 mechanisms if it's worried about non-payment, as it
3 can for all contracts.
4 Finally, moving on to the transitional
5 mechanism, like I said, I mean, this, to me, is a
6 very clumsy form of transition if that's what
7 you're trying to do between one system and another.
8 It doesn't seem to actually reflect a meaningful
9 economic principle. It just seems to transfer,
10 potentially transfer a very large amount of value
11 away from other users, point-to-point users and
12 native load users.
13 I think that certainly is worth additional
14 analysis in the second phase of this proceeding.
15 When I read 12A.2 i), to me, this seems like a one
16 off test, it's been passed. If you want to have
17 annual true ups, I'm against these things based on
18 the desire of the Régie, I think there's lots of
19 different ways that I can do that that don't
20 necessarily involve this complimentary repayment
21 mechanism.
22 And finally, with respect to all of the,
23 with respect to the follow up policy on these
24 point-to-point contracts, I think, as a fundamental
25 mechanism, the idea of pulling all revenues and

1 pulling all costs against the point-to-point
2 contracts, it doesn't necessarily really provide a
3 meaningful economic test. It doesn't guarantee
4 marginal revenues against marginal costs, it just,
5 it's kind of blending everything, in a way,
6 together which doesn't provide much of a price
7 signal for anything in my perspective.
8 So I would reject that and say if you're
9 going to have a mechanism such as that, it should
10 follow a mechanism in which the marginal revenues
11 associated with paying down transmission upgrades
12 for a specific project need to be tied to that
13 project. That ends my presentation. I haven't
14 really been following the clock but I hope I didn't
15 overrun my time.
16 Me ANDRÉ TURMEL:
17 Q. [132] Thank you Mr. Adamson. So, Madame la
18 Présidente, monsieur Adamson est maintenant prêt à
19 être contre-interrogé.
20 LA PRÉSIDENTE :
21 Je vous remercie beaucoup, Maître Turmel. Maître
22 Pelletier, vous n'avez pas de questions? Maître
23 Hamelin, avez-vous des questions?
24 CONTRE-INTERROGÉ PAR Me PAULE HAMELIN :
25 Q. [133] Paule Hamelin pour Énergie Brookfield

1 Marketing. Hi, Mr. Adamson. I just want to go back
2 to your recommendations on page 16, we are still
3 there, and especially the question of the maximum
4 allowance. You indicate that "permit maximum
5 allowance based on full terms of transmission
6 service agreement not limited to twenty (20)
7 years". Do you agree with me that terms of
8 transmission service agreement may vary?
9 A. Yes.
10 Q. [134] Okay. Are you suggesting that by varying
11 maximum allowance, well sorry, I'll rephrase that.
12 Are you suggesting that the Régie could decide to
13 vary the maximum allowance depending on the terms
14 of the transmission service?
15 A. Well, you're actually varying the contribution,
16 you're not varying the maximum allowance rate but
17 you're varying the contribution calculation based
18 on the recognition of maximum allowance over
19 different periods.
20 Q. [135] But the maximum allowance would vary as well?
21 A. Well, the maximum allowance does vary as
22 illustrated in madame Chang's testimony showing
23 different levels for different periods.
24 Q. [136] So there would be a variation in the maximum
25 allowance, correct?

1 A. Yes, there could be. And you have variation in
2 maximum allowance now for the ones that are short
3 term. If you go for five years, you don't get a
4 maximum allowance that recognises twenty (20)
5 years. It's my understanding so it's just extending
6 that symmetrically.
7 Q. [137] Is it to your knowledge that the Régie in
8 previous decisions has determined that the maximum
9 allowance should be equal for all customers?
10 A. I think that's a reading of... What I've read would
11 suggest that it is - and I don't have the exact
12 text in front of me, of course - my understanding
13 was they said it would be, I think, capped at the
14 same level. I can't remember the exact text but I
15 could dig it out.
16 Q. [138] I don't want to paraphrase you incorrectly
17 but, at the end of your presentation, if I
18 understand correctly, you indicated that you do not
19 initially know if there would be a big rate impact
20 of this change. Did I understand you correctly?
21 (11 h 44)
22 A. Well, I haven't done... Obviously, there's many,
23 many different scenarios but I was just working...
24 I just kind of worked through numbers in my head.
25 Remember this is limited, right. You're only

1 talking about changing the maximum allowance on a
2 very relatively potentially small number of
3 megawatts for new point-to-point contracts that
4 extend more than twenty (20) years. So, this is...
5 point-to-point is already one subset, and now I
6 have a smaller subset of those. So, first off,
7 we're talking about a relatively small subset of
8 total megawatts on the system, probably a very
9 small percentage of megawatts on the system. And if
10 you think a bit how that kind of carries through,
11 in my mind, it's quite hard to come up with a
12 scenario where that has a very particularly large
13 impact on the transmission tariff rate unless,
14 somehow or another, huge percentages of the total
15 load were to be covered by new point-to-point long-
16 term service contracts. But assuming that that's
17 not true, I'd think the rate impact would actually
18 be quite small.
19 Q. [139] But I understand that in your report, you
20 have not done this calculation, correct?
21 A. No, I have not presented that calculation. We could
22 run through the numbers if you want to.
23 Q. [140] That answers my question. Thank you. Je vous
24 remercie.
25

LA PRÉSIDENTE :

Merci, Maître Hamelin. Maître Cadrin n'est pas là. Et puis, Maître Sicard, avez-vous des questions? Pas de questions. Alors, ça nous amène... ça va être maître Dunberry, cette fois-ci.

Me ÉRIC DUNBERRY :

C'est à mon tour, Madame la Présidente. Il est midi moins quart (11 h 45). Peut-être que si vous êtes...

LA PRÉSIDENTE :

On peut prendre la pause maintenant. On reviendrait à treize heures (13 h). Ceci dit, Maître Dunberry, nous discutions à la pause de la possibilité de débuter demain matin, ainsi que mercredi à huit heures trente (8 h 30). Je veux juste que vous y songiez parce que le calendrier ne prévoit pas pour l'instant de contre-preuve. Et si vous deviez en faire une, il faudrait prévoir un peu de temps. Alors, juste y penser...

Me ÉRIC DUNBERRY :

Oui, tout à fait.

LA PRÉSIDENTE :

... puis peut-être me revenir là-dessus après la pause du lunch?

Me ÉRIC DUNBERRY :

Oui, tout à fait.

LA PRÉSIDENTE :

Alors, on va revenir à treize heures (13 h 00).

Me ÉRIC DUNBERRY :

Merci.

SUSPENSION DE L'AUDIENCE

REPRISE DE L'AUDIENCE

(13 h 00)

LA PRÉSIDENTE :

Alors bonjour.

Me ÉRIC DUNBERRY :

Rebonjour. Alors, Madame la Présidente, en réponse à votre question, à l'heure actuelle, nous n'anticipons pas de contre-preuve. Évidemment, nous allons entendre monsieur Adamson...

LA PRÉSIDENTE :

O.K.

Me ÉRIC DUNBERRY :

... et nous aurons également d'autres intervenants demain mais, sur la base des présentations à ce jour, en date de ce midi...

LA PRÉSIDENTE :

Oui.

Me ÉRIC DUNBERRY :

... nous n'anticipons pas de contre-preuve.

LA PRÉSIDENTE :

Merci beaucoup.

Me ÉRIC DUNBERRY :

Nous avons également distribué quelques documents qui vont servir aux fins du contre-interrogatoire, Madame la Présidente, alors, nous en avons des copies suffisantes pour tous. Vous allez retrouver dans ces documents, comme je dis, à l'occasion il est bien d'entendre, mais il est préférable à l'occasion de lire. Alors, vous avez copies des ordonnances 890, 1000 et certains autres documents qui pourront être utiles. Alors, avec votre... Oui?

Me ANDRÉ TURMEL :

Si vous permettez? Je ne veux pas interrompre mon collègue, alors je le fais dès le départ, donc je ne l'interromprai pas, si vous permettez, donc, je constate qu'il veut vouloir travailler avec des documents, soit, on va voir la pertinence de ses documents. Mais comme il nous dit si souvent, ce que je comprends, c'est qu'il dépose des extraits de décisions et ce type de décisions-là, souvent, sont constituées de nombreuses pages et j'aimerais juste savoir, avant qu'il le dépose formellement,

si ce qu'il va travailler avec, ce qu'il entend travailler, ce sont des extraits et, le cas échéant, j'aimerais plutôt qu'il dépose la totalité parce que comment le témoin peut travailler avec des extraits s'il n'a pas tout le contexte.

Alors, je vois, je note qu'on nous donne ici, pour l'ordonnance 1000, il y a quelque cinquante (50), quarante (40) premières pages et ensuite, on saute à trois cent cinquante-huit (358), quatre cent neuf (409), alors ça me semble... Je pense que simplement pour avoir un portrait plus complet, peut-être qu'il le fera en fin d'après-midi, je lui demanderai qu'il la dépose au complet l'ordonnance 1000. Un, ça pourrait être utile, on l'aura au dossier, plutôt que des extraits qui seront peut-être pertinents pour lui, mais il y a peut-être d'autres portions qui sont pertinentes.

Alors donc, à ce moment-ci, c'est plus... Je ne sais pas comment il va l'utiliser mais, de manière générale, des décisions de mille (1000) pages, de huit cents (800) pages, quand on dépose quarante-trois (43) pages, c'est difficile d'apprécier le contexte.

LA PRÉSIDENTE :

Je comprends ça, Maître Turmel. Un, on va voir à l'usage.

Me ANDRÉ TURMEL :

Oui.

LA PRÉSIDENTE :

Deuxièmement, par contre, dans l'aide à l'interrogatoire, tout ce qu'on a fait jusqu'à maintenant ça a été de déposer des extraits, on a rarement déposé l'entièreté des décisions de la Régie, que ce soit D-2002-95 ou autre, alors je pense qu'on va voir à l'usage comment maître Dunberry va les utiliser.

Me ANDRÉ TURMEL :

Tout à fait et je ne voulais pas... Évidemment, parce que, donc les décisions de la Régie c'est une chose, bien sûr, une décision de la FERC, c'est autre chose, alors... Mais je prends vos commentaires puis on verra à l'usage, effectivement.

Me ÉRIC DUNBERRY :

Et la seule chose que je dirais, Madame la Présidente, au-delà de votre invitation à voir, c'est que c'est de la jurisprudence et ça peut être soulevé et invoqué en plaidoirie sans que ça ait

été déposé non plus alors ce sont des décisions de la FERC comme des tribunaux américains ou canadiens peuvent être cités.

CONTRE-INTERROGÉ PAR Me ÉRIC DUNBERRY :

Q. [141] Alors, avec votre permission, Madame la Présidente, nous allons débuter le contre-interrogatoire. Mr. Adamson, I will be conducting the cross-examination in English, you may need your earsets to...

A. Right.

Q. [142] You may need your earsets because I will be reading perhaps certain parts of the evidence in French, but mostly we will be conducting your examination in English. And for that purpose, I will invite you to take a copy obviously of your report, your PowerPoint presentation, a copy of your CV, which is appended to your report, as well as the documents that you've been provided with this morning and we will be referring to them this afternoon.

Now, I would like to start with a couple of fairly preliminary questions dealing simply with your experience and your CV. When I read your CV, I was left with the impression that this assignment, on behalf of NLH, is a first mandate involving a

1 review of HQT's upgrade policy, is that correct?
2 A. Yes.
3 (13 h 08)
4 Q. [143]... and it's also a first mandate involving a
5 review of HQT OATT. Correct?
6 A. Yes.
7 Q. [144] And it's also a first mandate on behalf of an
8 active point-to-point customer of HQT. Correct?
9 A. I'm not sure I know all the active point-to-point
10 customers of HQT. From...
11 Q. [145] Have you ever...
12 A. ... from the ones I've seen here, yes.
13 Q. [146] And it would be again a first mandate
14 involving conclusions and recommendations
15 concerning HQT's transmission planning process and
16 cost allocation methodology. Correct?
17 A. Yes.
18 Q. [147] Now, have you ever testified in the US or in
19 Canada in manner relating to the Québec regulatory
20 environment?
21 A. No.
22 Q. [148] And have you ever testified in Canada or the
23 United States in a manner involving the Québec
24 wholesale or retail electricity markets?
25 A. No.

1 Q. [149] Now, perhaps I concluded wrongly from your
2 CV, but again I was left with the impression that
3 this is your first appearance before this Board.
4 Correct?
5 A. It is my first appearance before this Board. Sorry,
6 I wasn't quite sure if I had missed the "not" in
7 your question.
8 Q. [150] Okay.
9 A. But it is my first appearance before the Régie.
10 Q. [151] And say for appearances before the Ontario
11 Energy Board, I believe that it is as well your
12 first appearance before a Canadian Regulatory
13 Tribunal on electricity related matters. Correct?
14 A. Before a...
15 Q. [152] Before a Regulatory Tribunal.
16 A. Before a Regulatory Tribunal, I've appeared in
17 front of Arbitration Tribunals in Canada.
18 Q. [153] In the context of an arbitration in Ontario
19 for litigation issues.
20 A. In the context of an arbitration in Canada for
21 litigation issue and in the context of a claim
22 under the North American Free Trade Agreement.
23 Q. [154] Now, when did you appear before the Ontario
24 Energy Board, Mr. Adamson, do you recall?
25 A. Obviously not the dates. I'm...

1 Q. [155] Let's say two thousand four (2004), could
2 that be possible? In a distribution matter?
3 A. Two thousand four (2004)...
4 Q. [156] You don't recall?
5 A. I think it would have been before that.
6 Q. [157] So, this is your second appearance in Canada
7 as an expert witness. Correct? Before a Regulatory
8 Tribunal.
9 A. Well, there was actually two Ontario Energy Board
10 cases.
11 Q. [158] So, this is your third appearance.
12 A. Yes, that would make it a third before a Regulatory
13 Tribunal.
14 Q. [159] And one arbitration case on competition
15 related issues. Correct?
16 A. Arbitration case on a contract issue in Ontario and
17 an arbitration case associated with a claim under
18 the North American Free Trade Agreement to do with
19 the Ontario wind power sector.
20 Q. [160] Now, you're seeking qualifications as an
21 expert in transmission pricing, investment, and
22 regulation. Correct?
23 A. I'm not seeking...
24 Me ANDRÉ TURMEL:
25 I don't want to interrupt. He's been already...

1 Excusez-moi.
2 Me ÉRIC DUNBERRY:
3 You're right.
4 Me ANDRÉ TURMEL :
5 La question qui a été posée, c'est comme si on
6 était en voir-dire, donc, je comprends qu'on va
7 corriger la question.
8 Me ÉRIC DUNBERRY:
9 Q. [161] So, your qualification as a transmission
10 pricing, investment and regulation refers to
11 transmission pricing. Would you agree with me that
12 there is a distinction between transmission pricing
13 and transmission planning?
14 A. Yes, I would agree. There are transmission...
15 transmission pricing is obviously affected by
16 transmission planning and vice-versa, but they're
17 not exactly the same.
18 Q. [162] And have you ever been recognized in Canada
19 or the United States as an expert on transmission
20 planning?
21 A. Well, transmission planning comes up in basically
22 all sorts of... almost every transmission related
23 case. I don't know, there's a single case that was
24 specifically about transmission planning.
25 Q. [163] You don't recall?

1 A. Like I said, I don’t know that there was... Almost
2 all transmission related cases involve transmission
3 planning some way or another.
4 Q. [164] Now, Mr. Adamson, you’re all alone on this
5 panel this afternoon, we all know that there is no
6 company witness appearing alongside you on this
7 panel. May I assume that you provided a copy of
8 your report to your client prior to its filing?
9 A. Yes. But...
10 Q. [165] But...
11 A. ... yes, I am... I am alone, only with my black
12 backpack as a companion.
13 Q. [166] And, to your knowledge, may I assume as well
14 that your client is in agreement with the
15 conclusions and recommendations contained in your
16 report?
17 A. To my knowledge, but that’s...
18 Q. [167] Do you have any reason to believe that your
19 client may not be in agreement with any parts or
20 your report or certain conclusions or
21 recommendations?
22 A. Not that I know of.
23 Q. [168] May I assume that the views and conclusions
24 expressed in your report are shared by your client,
25 NLH?

A. No. I mean, I developed... I did my own analysis and developed my views and I didn't necessarily... I don't necessarily know what all of their views are to check them off against my views. They... I was given a mandate to review what I reviewed and I wrote my opinion down. So, I won't say that I have done any kind of cross-checking on a detailed basis about what have all of NLH's views are on everything.

Q. [169] Let me rephrase the question - do you have any reasons to believe that your clients do not share the views contained in your report?

A. I don't know on every small detail. They might not have argued with me.

Q. [170] Were you expressed any disagreements with respect to the content of your report?

(13 h 15)

Me ANDRÉ TURMEL :

Écoutez, là-dessus, si je reviens avec les objections que mon confrère faisait à l'égard des questions de maître Sicard, qu'elle posait à l'égard du témoin de HQ, madame Chang, là, sur les discussions et interrelations, aux échanges qui avaient pu survenir entre HQT et le témoin dit expert de HQT, il me semble que vous avez été assez

claire sur le fait qu'on n'irait pas là-dedans, on n'irait pas dans les questions, là, de, de... d'échanges avec le client, les avocats, toute cette question-là. Il me semble que c'est assez clair, la réponse a été faite. Je ne vois pas, là, où est-ce qu'on veut encore aller sur cette question-là.

Me ÉRIC DUNBERRY :

Madame la Présidente, la partie NLH a fait le choix de ne présenter aucun témoin, et de présenter un expert dont le rapport n'est pas endossé par son client. Sauf si nous pouvons démontrer qu'il n'y a aucune raison de croire que NLH est en désaccord avec le contenu de ce rapport. C'est parce que, essentiellement, monsieur Adamson n'est pas un intervenant. L'intervenant est NLH, et lorsque je serai appelé à plaider, ça serait utile de savoir quelle est la position de NLH sur certains éléments, parce que je passe en premier.

Me ANDRÉ TURMEL :

O.K. Il...

Me ÉRIC DUNBERRY :

Alors, j'aimerais simplement savoir s'il y a des raisons de croire que son rapport n'est pas endossé par son client, c'était la question.

Me ANDRÉ TURMEL :

O.K.

LA PRÉSIDENTE :

En fait...

Me ANDRÉ TURMEL :

Il est d'usage... Pardon.

LA PRÉSIDENTE :

Maître Dunberry, vous la posez à la mauvaise personne. Une fois qu'il vous a répondu qu'il ne sait pas si NLH est en agrément ou pas avec son rapport, je pense que vous avez votre réponse à ce moment-là et, effectivement, pour les mêmes motifs que vous avez donnés à l'encontre du témoin de... des questions de maître Sicard, les relations qu'il pourrait y avoir, là, je pense qu'on n'ira pas là. La seule chose que moi je vous dirai, puis on... chaque... C'est que si NLH choisit de mettre monsieur Adamson dans la boîte des témoins, ça doit être... il doit y avoir des motifs à cet égard-là.

Alors je pense que vous avez eu votre réponse, à moins que vous vouliez poser d'autres questions, je...

Me ÉRIC DUNBERRY:

Q. [171] Mr. Adamson, I'd like you to take now your report on page 3.

1 A. I'm sorry. Could you... Could you start...
2 Q. [172] Yes. Please take a copy of your report on
3 page 3, and from lines 9 to 15. And you indicate
4 the following, that in preparing this document you
5 have relied upon the descriptions of the proposals
6 provided by HQT in its submissions to the Régie,
7 and there is a footnote 1, and you are referring,
8 in the footnote, to two documents: HQT-1, Document
9 1, and HQT-3, Document 1. And then you continue, on
10 line 10:
11 I have also reviewed and comment here
12 on the testimony of Judy Chang of the
13 Brattle Group which discusses the HQT
14 proposals. Finally, I have reviewed
15 the HQT responses to various
16 information requests posed by NLH, the
17 Régie and other interveners as well as
18 other public documents available from
19 Québec and other jurisdictions. A full
20 list of references is provided in
21 Exhibit SA-1.
22 I assume that the document you have reviewed, HQT
23 Document 1, HQT-1 Document 1, was a translation,
24 Mr. Adamson? May I get that confirmation?
25 A. Yes. I had... I reviewed the translated version.

1 Q. [173] Now, may I also assume that you have not
2 reviewed the revised HQT Document 1 that was filed
3 on October tenth (10th), two thousand fourteen
4 (2014), there was a revision to the evidence filed
5 by Hydro-Québec. May I assume that it was not
6 reviewed?
7 A. October tenth (10th).
8 Q. [174] That is a month and a half prior to the
9 filing of your report.
10 A. I can't remember that one, but there may have been
11 a translated version provided. I don’t remember
12 that one.
13 Q. [175] But it's not on your full list of documents,
14 in schedule SA-1. You will confirm that?
15 A. Yes, but if it had the same title, I might not have
16 included it. But...
17 Q. [176] Okay. So you may, but you don't recall.
18 A. I don't... I don't recall that.
19 Q. [177] Now, do you recall receiving responses from
20 HQT to other interveners, from other interveners?
21 If you look at your full list of documents on page
22 30, you refer to document HQT-4, Document 1, and
23 HQT-4, Document 6, which are responses provided by
24 TransÉnergie to NLH and to the Board, but there is
25 no reference to responses provided by HQT to other

interveners' information requests, and those would be HQT-4, Documents 2, 3, 4, 5 and 7. May I conclude that you were not provided with translations of these responses by Hydro-Québec to these other interveners?

Me ANDRÉ TURMEL :

Peut-être que je peux intervenir juste ici. Pour ne pas que ça... I don't want the question to be misleading. Peut-être que ça serait bien de donner les dates des traductions, parce qu'il y a des traductions qui ont été faites, bien sûr, certaines avant le mois de décembre, et d'autres après le mois... Qui ont été déposées, évidemment, qui datent de l'automne, et qui ont été déposées sur le tard. J'en ai pour preuve les traductions faites par, je pense que c'est le traducteur de l'AQCIE, ou le traducteur embauché par l'AQCIE, et certaines traductions faites par NLH.

Alors peut-être, pour aider, si on peut au moins donner les dates, là, des traductions qu'a fait référence maître Dunberry, ça pourrait nous aider, parce qu'en donnant une série de pièces comme ça, sans contexte quant à la date, c'est plus compliqué.

(13 h 21)

1 Me ÉRIC DUNBERRY :
2 Q. [178] Mr. Adamson, were you provided, prior to the
3 filing of your report, with translations of these
4 responses to IRs, the exhibits numbers were just
5 given, prior to December the fifth (5th), two
6 thousand fourteen (2014)?
7 A. I would have to go back and check, I know that a
8 whole bunch of them were forwarded to me in French,
9 and then later, we would get translations of
10 various documents, but I haven't, I can't say that
11 I can match against No. 5 or something...
12 Q. [179] You can't... you don't recall?
13 A. Yes, I can't say that I can match the exact
14 numbers, they all came, all the English versions
15 came usually later, so I wouldn't be able to match
16 them up.
17 Q. [180] Do you recall receiving, prior to the filing
18 of your report, copies of this Board's decisions
19 dealing with HQT's upgrade policy in two thousand
20 nine (2009), two thousand and eleven (2011) and two
21 thousand two (2002) (sic), decisions of the Board,
22 do you recall receiving those prior to the filing
23 of your report on December the fifth (5th)? They
24 are not listed on your full list of exhibits...
25 A. No, I don't remember those.

1 Q. [181] So I take this that no, you did not receive
2 those?
3 A. Not that I remember, no.
4 Q. [182] Were you provided with copies of decisions
5 dismissing complaints filed by your client NLH by
6 this Board in relation to various applications and
7 interpretations of HQT's OATT relating to wheeling-
8 through requests?
9 A. I don't remember that one, no.
10 Q. [183] Okay. I would ask you to, by way of
11 undertaking, confirm whether you did or not receive
12 copies of documents HQT-4, Documents 2, 3, 4, 5,
13 and 7...
14 A. I'm sorry, Mr. Dunberry, can you just...
15 Q. [184] Yes, confirming whether you have received,
16 prior to preparing your report, copies of documents
17 HQT-4, Documents 2, 3, 4, 5 and 7, as well as a
18 copy of HQT's Revised Transmission Provider's
19 Policy of October tenth (10th), two thousand
20 fourteen (2014), and I am referring to translations
21 of that evidence, prior to the filing of your
22 report.
23 A. Sorry, can you give me the twenty fourteen (2014)
24 date again?
25 Q. [185] Yes, it is October ten (10), two thousand

1 fourteen (2014), and that would be HQT-1, Document
2 1, revised.
3 A. HQT-1, revised... translations... thank you. Sorry.
4 Q. [186] Now since the filing of your report, Mr.
5 Adamson, were you provided with...
6 Me ANDRÉ TURMEL :
7 Excusez, je ne veux pas vous interrompre, donc
8 c'est un engagement, peut-être l'engagement, je ne
9 sais pas on est rendus à combien, là... numéro 5,
10 qu'on l'ait comme il faut, là.
11
12 E-5 (NLH) : Indicate if English copies of HQT-4,
13 Documents 2, 3, 4, 5 and 7, and also
14 of HQT-1, Document 1, revised were
15 received, or not, by witness prior to
16 the filing of his report (asked for by
17 HQT)
18
19 Me ÉRIC DUNBERRY :
20 Q. [187] Mr. Adamson, following the filing of your
21 report, did you receive translations of HQT's
22 response to this Board's questions, IRs No. 2, 3,
23 4... and 4?
24 A. I received translations of HQT's responses to
25 various IRs from the Régie; again, I am not sure of

which ones or the numbers, we might have to... we might have to look at those, I can't remember which number, which set of responses is in which number.

Me ÉRIC DUNBERRY :

Alright, so by way of undertaking, I would again ask you to confirm whether you have received copies, translated copies of HQT's responses to the Régie's second, third and fourth Information Requests. Thank you.

E-6 (NLH) : Indicate if English copies of HQT's responses to the Régie's IRs No. 2, 3 and 4 were received, or not, by witness prior to the filing of his report (asked for by HQT)

Q. [188] Now these were all preliminary questions, I would like now to turn perhaps to a second issue, dealing with the nature of this hearing. Prior to filing your report, Mr. Adamson, were you informed that this Board had identified a list of very specific issues that it intended to address in the context of this Phase 1 of this hearing?

A. As I remember, there was a list somewhere, yes.

Q. [189] Were you provided with a copy of the Board's

1 procedural decision identifying the issues that it
2 wanted to be addressed?
3 A. Yes, I believe I was.
4 Q. [190] Did you review it?
5 A. Yes, I think so. That was some time ago.
6 Q. [191] So what is the, what is your understanding of
7 the scope of this hearing?
8 A. Well, I don't have that list in front of me, but it
9 was to, in aggregate, to review the HQT upgrade
10 policy and the proposals made for changing it -- in
11 simplified terms.
12 Q. [192] Speaking of the upgrade policy, you
13 understand that it only applies to load growth
14 projects, correct?
15 A. Yes.
16 Q. [193] And you understand that this, that the
17 application of this policy is always triggered by a
18 customer request, correct?
19 A. Yes, of the current policy, yes.
20 Q. [194] It could be a point-to-point customer, it
21 could be the distribution, HQD, Distributer, on
22 behalf of the native load, correct?
23 A. That is my understanding, yes.
24 (13 h 26)
25 Q. [195] And you understand that the cost to be

1 allocated in accordance with HQT's policies are
2 costs associated with an upgrade triggered by one
3 of these customers. Correct?
4 A. That's my understanding of the current policy, yes.
5 Q. [196] And you're also informed that the Board has
6 recognized three other categories of investments,
7 not covered by this policy. Correct?
8 A. Yes. I think there's... I think we're referring to
9 the same thing; those are the ones that were in my
10 little box... boxes, chart, up here, earlier.
11 Q. [197] And you understand that for these other types
12 of categories, investments are rolled in the rate
13 base of the transmission provider, HQT in this
14 case. Correct?
15 A. That's what I understand, yes.
16 Q. [198] Okay. Now, did you review in detail or in any
17 detail the regularly treatment of these other three
18 categories of investments, or was your mandate
19 specific to these load growth projects?
20 A. Well, I obviously focused on the load growth
21 projects, because that's what the proposal you
22 before covered, and you said it didn't. I believe
23 that HQT, what I call the HQT additional evidence
24 document, actually provided, and provided a bit
25 more fulsome discussion of the other categories,

1 but that really wasn't the focus.
2 Q. [199] It was not the focus.
3 A. That was not the main focus, no.
4 Q. [200] Now, in your report, do we find any analysis
5 of the regular treatment of these other categories?
6 A. I think it may mention them, but it doesn't, it
7 doesn't really go into them, because there was not,
8 that wasn't really the main focus, as I said.
9 Q. [201] May I assume that, as an expert today, you
10 would not be in a position to provide an informed
11 opinion on the regularly treatment of these other
12 categories, in other words, that not having focused
13 on these other categories, you would not, as an
14 expert, offer an opinion to this Board, without
15 having conducted an analysis of these other
16 categories in advance of your evidence? Correct?
17 A. Like I said, I've not provided, I have not done an
18 in depth analysis. There was a very brief
19 description provided of that process on... That
20 wasn't the focus of what I took as HQT's objective
21 in filing its own proposals.
22 Q. [202] So not having conducted this type of
23 analysis, as a professional and a witness, you
24 would not be comfortable offering opinions on the
25 regularly treatment of these other categories, not

1 having performed an analysis of those?
2 A. Only in... Maybe in the very broadest of terms. You
3 could make some conclusion about are there
4 relationships between categories in general; in
5 general, just understanding the economics of
6 transmission systems, but I have not reviewed in
7 detail the rules for the categorization across the
8 four categories, for example.
9 Q. [203] Page 30 of your report, there is a quote
10 there, that I'd like to explore with you, Mr.
11 Adamson, it's lines 3 to 8, and then you indicate
12 the following. It starts at...
13 A. Hold on one second please.
14 Q. [204] Yes. Sorry. Sorry. Page 30.
15 A. Yes. Yes. Okay. I'm getting there.
16 Q. [205] It starts on line 3.
17 My primary criticism...
18 And I quote you here :
19 My primary criticism of the HQT policies -
20 even with the modifications - is that they
21 continue to rely upon the old FERC
22 structure with respect to transmission
23 upgrades and cost allocation, even where
24 these have been shown to be economically
25 inefficient and prone to discrimination.

1 Ms. Chang places great emphasis on the
2 consistency of the HQT policies with FERC
3 policies, but she compares them only to a
4 previous generation of FERC policy. U.S.
5 policy has moved on.
6 I understand that your reference to an old FERC
7 structure is a reference to the structure put in
8 place by Order 888. Correct?
9 A. Well, it wasn't only in Order 888, I think it would
10 be a totality, it wasn't entirely Order 888. There
11 was lots of different orders that led to what I
12 would... I think we can both agree it's the
13 structure of that type of tariff.
14 Q. [206] At the centre of which was Order 888, in
15 terms of origin.
16 A. Yes. I think Order 888 was probably the central
17 component, but there is a lot, there were lots of
18 other things.
19 Q. [207] Now, you implied reference here to, I assume,
20 a new structure. And that new structure would have
21 been created, if I read this, as a result of the
22 issuance of Order 1000. Again, there might be some
23 accessory structures or there might be some other
24 decisions out there; I don't want to be too
25 limitative in my comment, but we understand that

there is the old structure referring to 888 and other accessories, and now, there's this new structure that you want the Board to consider, and that new structure would be associated with the issuance of Order 1000. Correct?

(13 h 32)

A. Well, first off, it would be related some concepts of Order 1000. It's not necessarily directly the text of Order 1000, which could be jurisdictional here. I think there's some other, I think there's some other aspects, though, of development of FERC policies that even predate Order which can be illustrative of these principles, there’s also, so not entirely only Order 1000.

Q. [208] Not entirely one under Order 1000 but that, you suggest, this decision is a landmark decision, that’s the word you use in your report.

A. It is, I believe, a landmark decision.

Q. [209] And in your report, you only refer to FERC Order 1000 when you refer to this new structure. You don’t refer to other orders of FERC, correct? Your report is essentially focussed on this 1000 Order, correct?

A. Order 1000 and, I mean, you know, but broadly how it’s been implemented, yes.

1 Q. [210] Now, this old structure is to be dismissed
2 according to you because it was, let me find your
3 words, it led to "economic inefficiencies and... "
4 let me just use your exact words, they have shown
5 to be, these other structures, this old structure
6 has shown to be "economically inefficient and prone
7 to discrimination". That is your main critique of
8 that older structure, correct?
9 A. Yes, that’s probably the primary critique, yes.
10 Q. [211] And these critiques were, and these findings
11 by FERC were made after a review of certain
12 situations and deficiencies observed in the US,
13 correct?
14 A. No, I don’t think that’s correct. I think they were
15 observations of certain circumstances in the US but
16 they were also observations of the commission
17 around basic conceptual problems which were not
18 specific to any absolute pattern of fact in any
19 particular location but were recognisable economic
20 failures and structure.
21 Q. [212] Is FERC in the business of regulating
22 problems outside the United States, Mr. Adamson?
23 A. Not that I know of.
24 Q. [213] So probably a FERC decision was to deal with
25 certain issues, deficiencies or problems in the

1 United States, correct?
2 A. Well, obviously, FERC is a US regulator so it
3 focusses on the US - I think that's sort of plain
4 for everyone. My observation was that it was not,
5 the issuance of Order 1000 was triggered not just
6 by very specific facts related to specific US
7 locations but to do with conceptual failures that
8 the commission had identified, that the US courts
9 had identified, that led to FERC's determination
10 that it needed to go down a new path. So it wasn't
11 only about a specific set of facts, it was about a
12 specific, a broader set of conceptual problems.
13 Now, clearly, FERC's interest as a US
14 regulator whose, where the staff and the
15 commissioner are paid by the US federal government,
16 is to focus on the US.
17 Q. [214] Now... Agreed. We'll come back to the order
18 and we'll go and dig down..
19 A. Uh, huh.
20 Q. [215] ... into the decision, don't worry about
21 that. I'd like now to refer you to page 11 where
22 you make comments concerning Ms. Chang's report,
23 it's on page 11, lines 3 to 10. Now, this is what
24 you say about Ms. Chang,
25 Ms. Chang, in her testimony, examines

1 whether HQT's proposed Network Upgrade
2 is consistent with traditional FERC
3 higher of transmission policy. She
4 concludes that it is consistent. FERC
5 policy on transmission upgrades and
6 cost allocation however has not been
7 static, and has moved on considerably
8 from the Order 888 and 890-era
9 policies described by Ms. Chang.
10 Recent major FERC Orders and U.S.
11 Court decisions have greatly shaped
12 the economic and regulatory debate on
13 these issues in the United States, but
14 the HQT Transmission Provider Policy
15 and the Chang Testimony are silent on
16 these more recent developments.
17 So, I read this and I understand that you are
18 criticising Ms. Chang's report or approach for
19 being silent on FERC Order 1000. Let me ask you a
20 few preliminary questions. Did you find any
21 reference in Mr. Knecht's report with respect to
22 FERC Order 1000? Did you read his report?
23 A. Yes, I did. Yes, I did.
24 Q. [216] So...
25 A. I...

1 Q. [217] ... did you find any reference to FERC order
2 in Mr. Knecht's report?
3 A. No, but he didn't really talk about cost allocation
4 very much.
5 Q. [218] Oh well, you should share that with him. You
6 don't think he's talking about cost allocation?
7 A. Well, it wasn't the kind of cost allocation
8 question. The issues I'm raising here didn't seem
9 to be a primary focus for him to the same way.
10 Q. [219] Now, thank you for that comment, we'll share
11 it. Now...
12 A. You're welcome.
13 Q. [220] ... Ms. Chang is being criticised because she
14 compared HQT's proposed upgrade policy to the
15 FERC's higher-of policy. Would you agree with me,
16 Mr. Adamson, that transmission owners in the United
17 States are still using and complying with the
18 higher of policy for point-to-point service
19 request?
20 (13 h 58)
21 A. Yes. As I mentioned in my presentation, we have a
22 point-to-point service request. You still have a
23 transmission service request process and that is
24 subject to the machinery of those... of treatment
25 of point-to-point. My commentary in colour here is

1 not that that is gone, it's just that it's not the
2 only thing anymore. It's not the only game in town.
3 And it seemed to me slightly unusual that there
4 wasn't a discussion about whole other areas shaping
5 transmission investment policy, which are really
6 important, including for point-to-point customers,
7 and that it was silent on that.
8 Q. [221] Well, Mr. Knecht was silent on it, Ms. Chang
9 was silent on it, until in presentation she
10 explained why. Could it be that both experts were
11 silent on it because it's irrelevant to this
12 hearing?
13 A. Well, Mr. Knecht said also that he wasn't very
14 familiar with FERC process, if I remember. So,
15 maybe he's not really aware of it. I noticed that
16 the witness, Madam Tilly, I believe her name was
17 earlier, from the Union... the Consumers' Union,
18 did speak about it. So, you know, the fact that Mr.
19 Knecht didn't speak about it may mean that he just
20 didn't know much about it.
21 Q. [222] Well, we'll see what FERC's chairman thinks
22 about this, Mr. Adamson. Could you please take a
23 copy of the acting chairman of FERC, Ms. Cheryl
24 LaFleur. You know Ms. LaFleur?
25 A. I may have met her at a conference or something

1 but...
2 Q. [223] You know she's the chairman of FERC.
3 A. I do know she's chairman of FERC.
4 Q. [224] Okay, let's see what she thinks because it's
5 quite a coincidence. She has an opinion exactly on
6 that very specific point. So, there's a document
7 there, Mr. Adamson, dated June the fourth (4th),
8 two thousand fourteen (2014). That is quite recent
9 for FERC.
10 A. Hmm, hmm.
11 Q. [225] And, Madame la Présidente, vous en avez reçu
12 une copie. C'est un document qui est une lettre.
13 So, by way of context, Mr. Adamson, that is a
14 letter that was drafted by the acting chairman
15 then, Madam Cheryl LaFleur, of FERC to... a
16 committee on the energy and natural resources in
17 Washington. And she was asked questions and she was
18 actually questioned on that very specific point,
19 which is quite amazing. It's question 22. And she
20 provided the following answer...
21 A. Hold on a second. Can I...
22 Q. [226] Yes.
23 A. ... can I just...
24 Q. [227] It's on page 12...
25 A. Page 12.

Q. [228] ... question 22.

LA PRÉSIDENTE :

Je m'excuse; juste pendant que monsieur Adamson prend connaissance du document, est-ce qu'on pourrait le coter?

Me ÉRIC DUNBERRY :

Oui, tout à fait, Madame la Présidente. Alors, ce sera un document intitulé, en fait, que je décrirai comme une lettre de madame Cheryl LaFleur, C-H-E-R-Y-L, LaFleur, L-A-F-L-E-U-R, adressée au comité on « Energy and Natural Resources » en date du quatre (4) juin deux mille quatorze (2014), à laquelle est jointe une série de questions et réponses. And, Mr. Adamson, I would refer you again to page 12.

LA PRÉSIDENTE :

Juste...

Me ÉRIC DUNBERRY :

Ah, la cote!

LA GREFFIÈRE :

Maître Dunberry...

Me ÉRIC DUNBERRY :

... B-0060.

B-0060 : Lettre de madame Cheryl LaFleur au comité on « Energy and Natural

Resources » en date 4 juin 2014

LA PRÉSIDENTE :

Merci.

Me ANDRÉ TURMEL :

Je ne veux pas interrompre mon collègue. Je ne sais pas s'il avait terminé sa mise en contexte. Je pense qu'il s'apprêtait à lire la question mais on n'a aucune idée dans quel contexte d'un comité américain, de quoi que ce soit, qui... sur quoi on... quel est le témoignage, quel est... qui a témoigné là. Il me semble que son contexte était assez court. J'aimerais peut-être qu'il nous donne un petit peu de... parce que c'est bien de sortir un texte comme ça d'un chapeau, mais il faut au moins expliquer que c'est dans... à l'égard... de quoi on parle. Je note que c'est, si je comprends bien, c'est le... comment vous appelez ça? C'est le « Committee on Energy and Natural Resources ». Alors, peut-être expliquer ce qu'est ce comité et dans quel contexte il intervient. Est-ce qu'on est en train de légiférer? Ou on est en « policy making »? Il me semble que pour nous aider tous, sauf que de... aller rapidement à la question qu'il donne au témoin un petit contexte additionnel.

Me ÉRIC DUNBERRY :

Madame la Présidente, le procureur de NLH ne veut pas m'interrompre mais il s'est levé déjà cinq fois avant même que je n'aie posé une question. Ce document-là parle par lui-même. C'est une lettre communiquée par madame Cheryl LaFleur à un comité fédéral en matière d'énergie. C'est un document public au terme duquel il y a des auditions, pour lequel il peut y avoir des auditions avec des gens présents et ce sont des questions et réponses qui ont été données formellement dans le cadre de cette présentation par la présidente de FERC. Et il n'y a strictement aucune base juridique valable pour s'objecter à la déclaration formelle de FERC sur une question hautement pertinente qui est adoptée... qui est traitée spécifiquement par un témoin dans son rapport, c'est-à-dire l'application de la politique américaine du higher of. Alors, je pense que je peux utiliser ce document en contre-interrogatoire, Madame la Présidente.

LA PRÉSIDENTE :

Je ne pense pas qu'il y avait d'objection à la question. C'était que vous...

(13 h 45)

Me ANDRÉ TURMEL :

Bien, elle semblait peut-être... si vous permettez, c'est parce que, écoutez, il y a... c'est un document... Écoutez, on lance au témoin de manière imagée, bien sûr, un document de trente-deux (32) pages dans lequel il y a près de quarante (40) ou cinquante (50) questions. Je ne les ai pas comptées. Et je... écoutez, on va laisser la question aller et le témoin répondre, mais il faut dire que c'est un peu... Je ne sais pas si... J'ai vu les boîtes de mon confrère, là, arriver. Il y a sans doute bien des documents comme ça, pour peut-être tenter de faire lire les documents. Peut-être que, dans un premier temps, on peut prendre cinq minutes (5 min) puis il pourra lire le document. Au moins... Je dirais cinq minutes (5 min), hein? Je ne vous demande pas une heure (1 h) ni une demi-heure (1/2 h). Cinq minutes (5 min) pour prendre le silence un peu. Il va le lire, et là peut-être que le... Ça sera peut-être plus utile à la Régie d'avoir une réponse, plutôt que de lancer immédiatement, sans autre contexte.

Alors je demande... Ce n'est pas une objection, je demande simplement que le témoin puisse avoir un peu de temps, comme on le fait de

manière... de temps à autre, quand on donne un document volumineux.

Me ÉRIC DUNBERRY :

Alors...

Me ANDRÉ TURMEL :

Ce n'est pas une page qu'on donne au client, là. C'est un document de vingt-deux (22) pages.

Me ÉRIC DUNBERRY :

Tantôt, Madame la Présidente, on nous a blâmés d'avoir donné des extraits. On aurait dû déposer mille (1 000) pages de l'Ordonnance 1000. Là on nous blâme parce qu'on donne un document qui contient l'entièreté des commentaires. Si je peux me permettre, je vais poser la question et le témoin pourra prendre quelques minutes pour y répondre.

LA PRÉSIDENTE :

Alors, c'est ce que j'allais suggérer. Qu'on pose la question. Si monsieur Adamson a besoin de temps pour pouvoir lire, pour pouvoir répondre à la question, bien, à ce moment-là il prendra le temps. Il nous le dira, s'il a besoin du temps nécessaire pour lire le contexte qui est alentour de la question, ou voir la question précédente ou suivante. D’accord?

1 Me ÉRIC DUNBERRY :

2 Merci, Madame la Présidente.

3 Q. [229] So, Mr. Adamson, let me ask you the question.

4 And, to ask the question, I'd like to refer you to

5 question 22 of that document. It's on page 12, and

6 there is a question, there is an answer, and then I

7 will have a question for you. So the question is as

8 follows:

9 Do you agree that the basic principle

10 that the cost causer should pay for

11 transmission upgrades, that is that

12 when transmission upgrades are needed,

13 the entities that made them necessary

14 should pay?

15 Answer:

16 I agree with the cost causation

17 principle, as it has been established

18 by the Courts and applied by the

19 Commission, is a central tenet of fair

20 cost allocation. It is important to

21 know that needed transmission upgrades

22 may be identified in a number of ways.

23 For example, transmission upgrades may

24 be needed to reliability

25 interconnected individual new

1 generation resources, or to create a
2 capacity to satisfy individual
3 requests for transmission service. In
4 these situations, long-standing
5 commission policy allows a
6 transmission provider to charge the
7 customer a rate equal to the higher of
8 either 1) the incremental cost of the
9 required upgrade, or 2) the embedded
10 cost of the transmission provider.
11 This policy ensures that individual
12 interconnecting generators and
13 transmission service customers pay the
14 full cost of the upgrade they require
15 or cause, and that existing customers
16 do not subsidize any cost caused by
17 these new customers.
18 More recently, in Order number 890 and
19 1000, the Commission adopted cost
20 allocation requirements for
21 transmission facilities that are
22 identified in a regional transmission
23 planning process, as needed to meet
24 the reliability requirements, provide
25 economic benefits or address

1 transmission needs driven by public
2 policy enacted by federal, State or
3 local government authorities.
4 Notably, these types of transmission
5 facilities are not driven by a
6 specific service request. To address
7 these types of transmission
8 facilities, I supported adopting the
9 cost allocation principles in Order
10 1000 to guide the allocation of the
11 cost regionally-planned project, while
12 giving each region the flexibility to
13 design its own cost allocation
14 approach to meet its own need,
15 consistent with these principles.
16 The first question, which should not be too
17 problematic, is you will agree that FERC Order 1000
18 was released in July two thousand one (2001), and
19 that this Board's comment, made by the chairman of
20 FERC, was more made in June two thousand fourteen
21 (2014), which is three years after FERC Order was
22 released. Correct?
23 A. I think you meant it was released in twenty eleven
24 (2011).
25 Q. [230] I said twenty eleven (2011), no? Ah! Twenty

1 eleven (2011).
2 A. Twenty eleven (2011).
3 Q. [231] So, three years before the actual declaration
4 made by Mrs. Lafleur.
5 A. Yes. Twenty (20) years is three years before twenty
6 fourteen (2014).
7 Q. [232] Yes. And three years after that declaration,
8 three years after that Order 1000 was released, the
9 chairman of FERC appears before a commission, a
10 federal commission in Washington, and says that the
11 long-standing higher of policy is quite applicable
12 to upgrade requests triggered by a customer.
13 Correct?
14 A. Yes. Which is exactly what I presented earlier,
15 before lunch.
16 Q. [233] So, relying on FERC Order... Sorry. Relying
17 on FERC's higher of policy to design an upgrade
18 policy in two thousand fifteen (2015) is not
19 outdated. It is still an applicable and long-
20 standing policy decision by FERC which is quite
21 relevant in the eyes of FERC's chairman. Correct?
22 A. Well, I think, as I mentioned before, it's still
23 part of the picture. It's just not the entire
24 picture. I never said it wasn't part of the
25 picture. What I'm saying is it's about... it's part

1 of the picture. And you're saying I never want to
2 see anything over here. It's part of the picture,
3 but it's not the complete picture. I think it's as
4 simple as that.
5 (13 h 50)
6 Me ÉRIC DUNBERRY :
7 Q. [234] Thank you. I would like now to move, and this
8 document, Madame la Présidente, est coté B-0060; We
9 will come back to it later because I have another
10 question. Now, Mr. Adamson, I would like to refer
11 you to your report, back page 13. So just before we
12 move on, you agree with what madame Lafleur has
13 said here, what I read to you, you agree with that,
14 that is a fair statement of the status of the law
15 in the United States, correct?
16 A. Well, I think the law in FERC policy is a lot more
17 detailed than this, I mean, this is a summary for
18 what I take, this is an answer to a question of
19 what I take to be a response to the Senate Energy
20 and Natural Resources Committee on, for her
21 nomination to the FERC. So my understanding -- and
22 this is based on, you know, what one sees on TV and
23 reads in the New York Times -- when you are
24 nominated, you have to respond to questions put
25 forth by the Senate, because you have to be

1 approved by the Senate, and, you know, you respond
2 to questions.
3 She is providing, she obviously provides an
4 answer here, I mean, the actual policies and how
5 they are implemented obviously move in more detail
6 than this, and also include things like, at the
7 bottom of page 12, talking about the cost causation
8 principle, and she quotes the US Court of Appeals
9 for the Seventh Circuit had stated -- to the extent
10 that a utility benefits from the costs of a new
11 facilities, it may have, be said to have caused a
12 part of these costs to be incurred. So, obviously,
13 there is a big picture thing of here, she has
14 provided a summary answer to a Senate committee.
15 Q. [235] Now you said earlier that this is exactly
16 what you were saying, so just to wrap this up, did
17 you find any misrepresentations made by madame
18 Lafleur in the quote I read, do you disagree with
19 anything she said or wrote, do you disagree with
20 the accuracy of those statements made in what I
21 read to you?
22 A. No, no...
23 Q. [236] Thank you.
24 A. ... obviously, it's written by her staff very well.
25 Q. [237] Yes, we should share that with madame

1 Lafleur, she would be delighted to hear you say
2 that. Now...
3 A. I'll be happy to.
4 Q. [238] ... let's move back to your report. Let's
5 move back to your report, Mr. Adamson, page 13,
6 lines 12 to 15... maybe the wrong page, let me
7 verify... yes, we are in your comment on the
8 requester pay model, I believe, and you refer to
9 the following, and I quote you, page 13, lines 12
10 to 15,
11 As a corollary to the principle of
12 allocating costs to benefitting users,
13 FERC specifically excluded
14 transmission utilities from solely
15 requiring "participant funding" for
16 regional transmission facilities --
17 that is, the requirement that the
18 requester of transmission service
19 across a regional facility pay all of
20 the costs. This prohibited requirement
21 appears to be a key aspect of the HQT
22 Transmission Provider Policy.
23 And then, there is a footnote, no. 10, and
24 referring to FERC Order, at paragraph 725, correct?
25 A. Yes.

1 Q. [239] Now, you know that FERC revises its
2 decisions, or clarifies its decisions on occasion
3 by issuing, you know, subsequent orders like FERC
4 1000A, you are aware of that?
5 A. Yes, there is A, B, and C even.
6 Q. [240] Now, there is no reference here to 1000-A,
7 but I think I have provided you with a copy of
8 1000-A, and if not, we will; but if I did, you will
9 find a little document with a package that refers
10 to a new order that is quoted as 1000-A, that was
11 issued in May two thousand twelve (2012), and it's
12 an order that follows a rehearing and a
13 clarification. Now, if we go to Paragraph 728,
14 again I just want to clarify your position on this.
15 However, as Order 1000 may clear, and I'm at page
16 535, Mister Adamson.
17 (13 h 55)
18 A. Yes. I'm with you.
19 Q. [241] Okay. So:
20 However, as Order No. 1000 made clear,
21 we are not finding that participant
22 funding leads to improper results in
23 all cases. For example, a transmission
24 developer may propose a project to be
25 selected in the regional transmission

1 plan for purposes of regional cost
2 allocation but fail to satisfy the
3 transmission planning region's
4 criteria for a transmission project
5 selected in the regional transmission
6 plan for purposes of cost allocation.
7 Under such circumstances, the
8 developer could either withdraw its
9 transmission project or proceed to
10 "participant fund" the transmission
11 project on its own or jointly with
12 others.
13 And you can read the rest. But there's also 729.
14 You can read all of this if you want, but 729 just
15 completes the questions.
16 The Commission nowhere intended to
17 suggest that participant funding has
18 no place in the development of
19 transmission infrastructure. As noted
20 by Southern Companies, participant
21 funding can result in timely
22 construction of transmission
23 facilities in many circumstances.
24 Transmission developers who see
25 particular advantages in participant

1 funding remain free to use it on their
2 own or jointly with others. This
3 simply means that they would not be
4 pursuing regional or interregional
5 cost allocation.
6 So my understanding of this, Mr. Adamson, is the
7 following: that this so-called prohibition
8 against... Buy the way, participant funding,
9 essentially, is other words for requester pays. Is
10 that a fair...
11 A. Yes. I think they're broadly synonymous.
12 Q. [242] All right. So if we keep in our minds that
13 when you refer to participant funding, you're
14 referring to requester pay model, would you agree
15 that this prohibition against, because you're
16 referring in your report to a prohibition, that
17 this prohibition against requester pay, applies to
18 cost allocation methods for regional and
19 interregional projects? That was the intention of
20 FERC.
21 A. I think the... No, I think you're slightly
22 crossways. The way it was actually worded, and if
23 you turn back to page 13 of my report, says:
24 specifically excluded transmission
25 utilities from solely requiring

1 "participant funding" for regional
2 transmission facilities.
3 This says, I'm for all these exceptions in your
4 728. 729 says: can they do something else? Yes. For
5 example, I could decide this is pretty much,
6 totally to my benefit, and I just want a funding;
7 I'll pay. And they say go ahead. Go and do that.
8 Right? So it doesn't categorically exclude. What
9 Order 1000, though, did say was for the projects in
10 your regional transmission plan, the ones that are
11 in this efficience expansion plan, that meet these
12 criteria, participant funding can't be the only
13 method. It can be a secondary method, or it can be
14 an alternative method, but it can't be the only
15 method.
16 Q. [243] Okay. So you will agree that when - and I'm
17 back at 729 - when the Commission said, and I
18 quote:
19 The Commission nowhere intended to
20 suggest that participant funding
21 which is requester pay
22 has no place in the development of
23 transmission infrastructure
24 means, in fact, that, and I quote again:
25 The Commission nowhere intended to

1 suggest that participant funding has
2 no place in the development of
3 transmission infrastructure.
4 Do you agree that these words mean exactly what
5 they mean, and that FERC never intended to suggest
6 that requester pay model had no place in the
7 development of infrastructure. Correct?
8 A. Well, that's not... A, that's true. B, that's not
9 what my line in my report says.
10 Q. [244] Okay. Now, we're making progress here. Would
11 you agree as well that this prohibition that you
12 referred to in your report, does not apply to a
13 project that has not been selected in a regional
14 transmission plan?
15 A. Right. Because you have to be selected in the
16 efficient regional transmission plan to be cost
17 allocated. You could propose a project and say: I
18 want to build a line from A to B. I think that's a
19 great idea. And it goes, well, you know, it's not
20 proved to be part of the efficient plan, it's not
21 needed for the system, you know, it doesn't meet
22 the... or somehow, it doesn't meet the criteria; it
23 could be size criteria, I mean, it could be a small
24 project, for example. And you could say: I want a
25 line... there should be a line from A to B, and

1 it's not eligible for cost allocation, but I want
2 to do it anyway. And the response here, which also
3 is summarized in your 1000-A excerpt says: okay,
4 that's fine.
5 (14 h)
6 Q. [245] Alright, so you agree that the Board is not
7 saying anywhere that it is inappropriate, in and of
8 itself, to proceed with participant funding?
9 A. In some circumstances, no, that is what you are
10 left with. What it did say is, it can't be the sole
11 method for ones in the regional transmission plan.
12 Q. [246] So it is one of many methods with respect to
13 regional transmission planning, correct?
14 A. It is one of, it is one of the methods available.
15 It cannot be the only method available under Order
16 1000 for ones in the regional transmission plan.
17 There was lots of discussion on that, and that was
18 what was rejected.
19 Q. [247] So when you write, on line 15,
20 This prohibited requirement appears to
21 be a key aspect of the HQT
22 Transmission Provider Policy.
23 you are clearly not suggesting that FERC would have
24 prohibited HQT, had HQT been under FERC's
25 jurisdiction, to proceed with a requester pays

1 model for purposes of allocating costs between
2 itself and between its customers?
3 A. Back to the hypothetical, which is, if this was
4 under FERC jurisdiction, and we were talking about
5 the regional...
6 Q. [248] Not the regional, I am referring to cost
7 allocation between HQT and its customers -- and its
8 customers.
9 A. For ones not in the regional plan, so you are
10 talking about something not in the regional plan,
11 if I am understanding you correctly, okay?
12 Q. [249] That is the question.
13 A. Yes, you could have that for things that are not in
14 a regional plan. You can have requester pays for
15 that.
16 Q. [250] Thank you. I would now like to... ah!
17 something else disappeared... je l'ai dans les
18 mains... So coming back to what madame Lafleur
19 wrote, Mr. Adamson...
20 A. Okay, sorry, let me... let me...
21 Q. [251] Yes.
22 A. ... let me pick that back up, because I had put it
23 down... okay.
24 Q. [252] So madame Lafleur is writing the following,
25 and I read that part already,

1 More recently...
2 we read that together,
3 ... the Commission adopted...
4 she is referring to Orders 890 and 1000,
5 ... the Commission adopted cost
6 allocation requirements for
7 transmission facilities that are in a
8 regional transmission planning
9 process.
10 So this just confirms what you and I agreed, in
11 other words, that this FERC Order 1000 and the cost
12 allocations adopted under FERC 1000 Order is in
13 fact referring to projects, or facilities
14 identified in a regional transmission planning
15 process, and ultimately in a transmission regional
16 plan, correct?
17 A. Well, your question was really long. Can you... can
18 you restate that?
19 Q. [253] That the cost allocation requirements that
20 are referred to in FERC Order 1000 are actually
21 applicable to regional transmission planning
22 projects, or processes. That is what is written
23 here, first paragraph of that, first line of that
24 paragraph, correct?
25 A. The projects to be cost allocated are the projects

1 that are eligible for cost allocation, which are
2 part of the regional plan.
3 Q. [254] Thank you.
4 A. That is...
5 Q. [255] And then, madame Lafleur says,
6 These types...
7 and this is the fifth line,
8 These types of transmission facilities
9 are not driven by a specific service
10 request.
11 I assume you agree with that as well?
12 A. Yes, and I think that is what I stated before
13 lunch.
14 Q. [256] Thank you. Now, in your report, on page 20,
15 you wrote the following statement,
16 As I discussed in Section II.b...
17 this is line 19; page 20, line 19,
18 As I discussed in Section II.b of my
19 testimony above, a requester pays
20 approach, as used and advocated by
21 HQT, can lead to inefficient levels
22 and patterns of transmission
23 expansion, and the potential for
24 discriminatory treatment.
25 Now, as a first question, are you aware of any

1 decision of this Board, rendered over the last many
2 many years, to the effect that a requester pays
3 model, which has been in effect in this
4 jurisdiction for many many years, has lead to
5 inefficient levels or patterns of transmission
6 expansion?
7 A. No, I am not aware of a decision. Obviously, the
8 Régie has raised questions about cost allocation,
9 but I am not aware of a decision.
10 Q. [257] And are you aware of any decision to the
11 effect that a requester pays model in this
12 jurisdiction has lead to any discriminatory
13 treatment?
14 A. Am I aware of a decision -- is that, was that your
15 question?
16 Q. [258] Yes.
17 A. No, I am not aware of a decision.
18 (14 h 07)
19 Q. [259] And reading in your report, I take it that
20 you were not asked, as part of your analysis and
21 mandate, to examine on a factual basis the impact
22 of a requester pay model in the development and
23 expansion of HQT's transmission network over the
24 years. It was not an analysis that you were asked
25 to conduct?

1 A. No, I started with an economic analysis based on
2 the principles. I guess one could try to think
3 about how to do an empirical analysis like that, I
4 suspect it would take many, many months and many,
5 many hundreds of thousands of dollars, but I've
6 certainly not tried that.
7 Q. [260] Now, there is also a reference to free riding
8 on page 21 of your report, it's line 20, you refer
9 to this issue of free riding problem. Again, are
10 you aware of the existence of any decision of this
11 board to the effect that a requester pay model in
12 this jurisdiction has led to free riding by HQT's
13 point to point customers?
14 A. Again, it's a question of whether I, am I aware of
15 a decision?
16 Q. [261] Yes.
17 A. I am not aware of a decision.
18 Q. [262] Now did you, or was it part of your mandate
19 to investigate or to conduct an analysis to see
20 whether in fact clients of HQT were free riding on
21 HQT's network?
22 A. No. I'm not quite sure how I would do that, but no.
23 Q. [263] Do you know how many clients HQT has? Point-
24 to-point clients?
25 A. HQT has?

Q. [264] Yes.

A. Or did you say HQT or HQD...

Q. [265] T.

A. ... because I think HQT. Okay.

Q. [266] Yes. How many point-to-point clients HQT has in this jurisdiction?

A. I think we've seen a few here.

Q. [267] Do you know how many altogether?

A. I think it's a small number.

Q. [268] Okay. You've seen NLH in this room and you've seen Brookfield, I assume?

A. Yes.

(14 h 09)

Q. [269] Okay.

A. And I believe HQP is a point-to-point client... HQP is a point-to-point client?

Q. [270] Did you ask your client whether he was playing a free riding or a waiting game?

A. Did I ask...

Q. [271] Your client whether NLH was free riding the system? Is this a problem? Did you discuss that with NLH? Is NLH a free rider on the system?

Me ANDRÉ TURMEL :

Je vais m'objecter sur l'échange entre le client... On comprend que sur la description de ce qu'est un

1 « free rider » d'accord mais sur les échanges avec
2 le client, encore là, je reviens au principe du
3 départ, so I would object to that kind of question
4 about what was exchanged between the client NLH and
5 Mr. Adamson.
6 Me ÉRIC DUNBERRY:
7 Q. [272] So, as a matter of fact, I take it from your
8 answers that you do not know if, as a matter of
9 fact, there is a free riding problem in this
10 jurisdiction?
11 A. No, I provided a conceptual analysis of the
12 problem, I have not provided an empirical analysis
13 of the problem.
14 Q. [273] Could you take please take a copy of an
15 exhibit that has been filed. It's HQT-4, Document
16 1, it is an answer to an information request.
17 LA PRÉSIDENTE :
18 Juste pour mon bénéfice, ça serait B?
19 Me ÉRIC DUNBERRY :
20 Ça serait B... HQT-4, Document 1.
21 LA PRÉSIDENTE :
22 Juste me dire c'est quoi. C'est la DDR à qui?
23 Me ÉRIC DUNBERRY :
24 C'est une DDR 1.
25

LA PRÉSIDENTE :

1, merci.

Me ÉRIC DUNBERRY :

La première, Madame la Présidente. C'est la question 16.2 à la page 43 de 48.

A. I'm sorry, Mr. Dunberry. You said HQT-4, Document 1?

Q. [274] Page 43 of 48.

A. Okay. Hold on, hold on a second.

Me ANDRÉ TURMEL:

The page numbering may vary because you have an english translation so it's question-answer number... Comment? 16...

Me ÉRIC DUNBERRY:

16.2.

Me ANDRÉ TURMEL:

16.2.

LA PRÉSIDENTE :

B-0015.

Me ANDRÉ TURMEL:

Let us know when you are... Je vais juste aller donner un coup de main.

A. 16.2. Okay. I think that's here.

Me ÉRIC DUNBERRY:

Q. [275] Yes.

1 A. This is the one that's associated with, it says
2 "Table R16.2"?
3 Q. [276] Yes.
4 A. Okay. I think we're on.
5 Q. [277] This is a list of the point-to-point service
6 agreements, long term.
7 A. Uh, huh.
8 Q. [278] You see three clients: HQP, EBM and NLH,
9 correct?
10 A. Yes.
11 Q. [279] Do you know whether NLH and EBM have ever
12 triggered the construction of an upgrade?
13 A. I don't know.
14 Q. [280] So let me give you an hypothetical question.
15 Assuming that, you see NLH, NLH delivers at mass,
16 you see this, the last four contracts?
17 A. Yes.
18 Q. [281] And HQP as well delivers at mass, that's the
19 second line?
20 A. Yes.
21 Q. [282] And assuming that NLH did not, they trigger
22 under the requester pay model the construction of
23 an upgrade to actually deliver that power to mass
24 for export purposes, it would be logical to
25 conclude that NLH, under a requester pay model, is

free riding the system based on your definition?

Me ANDRÉ TURMEL :

Il me semble que c'est une série d'hypothèses sur hypothèses sur hypothèses.

Me ÉRIC DUNBERRY :

C'est un expert, Madame la Présidente.

Me ANDRÉ TURMEL :

Oui.

Me ÉRIC DUNBERRY :

C'est des interventions simplement pour couper le rythme du contre-interrogatoire. J'ai vu ça cent (100) fois mais il me semble, pas ici, mais j'ai vu ça.

Me ANDRÉ TURMEL :

O.K.

LA PRÉSIDENTE :

Vous l'avez peut-être déjà fait vous-même, on ne le sait pas mais... Ailleurs, bien sûr, mais c'est juste...

Me ANDRÉ TURMEL :

Mais ce que je veux dire c'est que, oui, bien sûr, c'est un expert mais quand même, on donne en trente (30) secondes trois variables de l'hypothèse. La réponse de la question qui est venue auparavant c'est : sait-il si NLH a déjà demandé du, comment

dire, aurait requis une expansion du réseau? Il a dit non. Alors, là, il le fait dans une hypothèse qu'il n'a jamais regardée. En tout cas, moi, ça...

LA PRÉSIDENTE :

Oui, mais votre client...

Me ANDRÉ TURMEL :

Je ne suis pas sûr que c'est utile.

LA PRÉSIDENTE :

Votre témoin, pas votre client, mais votre témoin il est capable de dire non s'il n'est pas au courant et puis il est capable de demander aussi du temps s'il en a besoin. Alors, il n'y a pas de problème à ce niveau-là.

(14 h 15)

Me ÉRIC DUNBERRY:

Q. [283] So my question was to you, Mr. Adamson, whether under your definition of free riding, NLH is free riding the system because it did not trigger any upgrade and is delivering power at mass at no cost, no cost for the upgrade, I refer to?

Mr. SEABRON ADAMSON :

A. But I'd say I think there is probably costs associated with the point-to-point...

Q. [284] So I just want to know if that is your definition of "free-riding", that, in the

1 circumstances right now, NLH is a free-rider
2 because it did not contribute to the costs of an
3 upgrade to ensure the ability to deliver at mass.
4 A. Well, let's be a little clearer, a free-rider
5 concept is a concept of market failure as a
6 concept. The... I take it from your question, you
7 say that HQP built upgrades to mass, and NLH was
8 not required to fund upgrades?
9 Q. [285] That's right.
10 A. Is that part of your hypothetical...
11 Q. [286] That's part...
12 A. ... I'm sorry, I missed that part of your
13 hypothetical...
14 Q. [287] ... yes, that was part of my assumptions.
15 A. I mean, a free-riding problem is kind of a
16 conceptual problem of market failure. I mean,
17 clearly, assuming your assertions are right, which
18 I am sure they are, it looks like one had to pay
19 for a very large transmission service request, the
20 other didn't, and didn't have to make upgrades,
21 which, I assume under your rules are fine, or you
22 wouldn't have allowed it at the time, under the
23 rules at the time. The question is, is whether
24 these rules are appropriate and give the right
25 economic signal. And here, I would argue in all

1 cases they don't.
2 Q. [288] So, under your definition of "free-riding",
3 that you are suggesting should be resolved and
4 cured as a problem, NLH, under that definition, is
5 currently free-riding the system?
6 A. I didn't make a definition of "free-riding" in the
7 context of a specific set of transmission upgrades,
8 but it looks like, I am gathering your hypothetical
9 is that the two thousand nine (2009), July one (1),
10 two thousand nine (2009) commencement by HQP
11 required a bunch of transmission upgrades, is that
12 correct, that's part...
13 Q. [289] You can continue...
14 A. ... that's part of your hypothetical?
15 Q. [290] Yes.
16 A. Well, I am just, I'm looking for...
17 Q. [291] Yes.
18 A. ... I'm looking for a yes from you to make sure I
19 am understanding properly. And that a twenty
20 fourteen (2014), April one (1), for a much smaller
21 amount by fifty megawatts (50MW), did not. So we
22 are setting the stage, okay?
23 Q. [292] Yes.
24 A. And that is your question?
25 Q. [293] Yes.

1 A. Or that is the basis of your hypothetical?
2 Q. [294] Yes.
3 A. If I am understanding it. And then, your question
4 is -- is NLH free-riding on the fact, on the
5 previous twelve hundred megawatt (1200MW)
6 transmission service request, or twelve sixty-seven
7 (1267) with losses in the second line -- that is
8 the last part of your question, as I understand it?
9 Q. [295] Yes.
10 A. Okay. Well, I mean, it is hard to know for sure,
11 because five years, almost five years later, lots
12 of things can happen in the transmission system
13 that may have allowed that additional fifty
14 megawatts (50MW) to happen, I mean, these are not
15 exactly directly close in time, right?
16 I mean, in broad brush, you do illustrate
17 though the classic problem of a free-rider problem,
18 in the big picture sense, which I think what is
19 really important here, which is, you have lumpy
20 investments in many cases, you allocate a lot of
21 those if the customer does not use the, if the
22 first point-to-point customer doesn't use
23 absolutely all of the capacity available, you have
24 extra capacity; and then, the second person doesn't
25 have to end up making as large of an investment.

1 I mean, I think it illustrates the big
2 picture concept of what I am talking about. I would
3 however caution that with four, five years in
4 between, all kinds of other things could have been
5 happening that I wouldn't know about from this
6 statement.
7 Q. [296] Thank you, Mr. Adamson. I would like now to
8 move to a different topic, and it is asking you to
9 take a copy of Order 1000 of FERC, and asking
10 perhaps a few preliminary questions on that. A
11 first question would be to confirm for us that
12 Order 1000 actually builds on the regional
13 transmission planning principles that were adopted
14 by FERC in Order 890, correct?
15 A. Generally, yes.
16 Q. [297] And Order 1000 was issued to remedy a number
17 of deficiencies in the existing requirements of
18 FERC Order 890, correct?
19 A. Oh! I am not sure it is only that, but that was
20 certainly one of the drivers.
21 Q. [298] And it was also issued to address a number of
22 challenges that US public utility transmission
23 providers were currently, were facing, and possibly
24 are still facing, back in two thousand eleven
25 (2011), and that was the purpose of that order,

1 correct?
2 (14 h 20)
3 A. Well, to say, there were specific facts in some
4 cases and there were identified economic conceptual
5 weaknesses which were a very big driver.
6 Q. [299] Now, some of these deficiencies and problems
7 that are still in existence today or... today, we
8 should say in two thousand eleven (2011) when FERC
9 issued its Order 1000 were not entirely or
10 sufficiently remedied by FERC Order 890, and those
11 included... and I think one them was an
12 insufficient level of investment in transmission
13 facilities. Correct?
14 A. That was discussed as a need in some locations.
15 Obviously, regions or areas, and even within
16 regions, some areas you have lots of transmission
17 and some areas, you may have less.
18 Q. [300] Would you agree that, actually, at the time
19 of the release of Order 890, this level of
20 investment was a critical problem that had to be
21 solved by FERC? That is one of his main drivers in
22 Order 890 was this insufficient level of investment
23 in the US, in transmission facilities.
24 A. I certainly think that was an issue; it wasn’t the
25 one issue driving Order 890, which also had non-

1 discrimination objectives, transparency objectives.
2 I mean, a lot of these orders have multiple
3 objectives. So...
4 Q. [301] Order...
5 A. ... I would just caution against over
6 simplification.
7 Q. [302] Okay. Another issue - and you're right, there
8 were many - another issue was congestion.
9 Congestion and constraints on the system was also
10 identified, I believe, as a significant issue to be
11 resolved by the Order 890.
12 A. Yes, that was an identified issue.
13 Q. [303] And one other issue identified was existing
14 problems of reliability and, I believe, if I
15 remember correctly, some were actually connected
16 back to the famous blackout of two thousand three
17 (2003), that paralysed the North East US for a
18 while. So, reliability was a third consideration
19 for FERC Order 890. Would you agree?
20 A. It was certainly an issue. I don't remember a
21 specific reference to the two thousand three (2003)
22 blackout. It may have been in there. I don't
23 remember the text and that level of detail.
24 Certainly, reliability, driving reliability is
25 usually an issue in... a quoted objective in many

1 FERC orders.

2 Q. [304] Would you take a copy of Order 890 for us, on
3 page 237? So, you have a copy. It's in your
4 package, Mr. Adamson. It's Order 890 and I'd like
5 to refer you to page 237, paragraph 421. And FERC
6 said the following on page 37... 237, and I read :

7 As the Commission stated in the NOPR,
8 the Nation has witnessed a decline in
9 transmission investment relative to
10 low growth in the ten years since
11 Order No. 888 was issued. Transmission
12 capacity per MW of peak demand has
13 declined in every NERC region.
14 Transmission constraints

15 which I translate by "congestion",

16 Transmission constraints plague most
17 regions of the country, as reflected
18 in the limited amounts of ATC posted
19 in many regions, increased frequency
20 of denied transmission requests,
21 increasingly common transmission
22 service interruptions or curtailments
23 and rising congestion costs in
24 organized markets.

25 The word "plague" is a strong word for anybody

1 who's been reading seventeenth (17th), eighteenth
2 (18th) century literature. Would you agree with me,
3 Mr. Adamson, that there were many factors in Order
4 890, but certainly, the insufficient level of
5 investment and the chronic congestion across all
6 NERC regions were certainly two of the very serious
7 and important considerations that FERC felt was at
8 the origin of 890?
9 A. Well, I think you've got to be a little careful
10 about completely interchanging the word
11 "constraints" and "congestion". You're...
12 Q. [305] Well no, FERC used "congestion".
13 A. FERC used congestion too but they used...
14 Q. [306] Yes, they used...
15 A. ... constraints before plague. I would suggest to
16 some of the FERC staffers who are probably having a
17 good... having a bit of a laugh on what must be a
18 pretty boring job writing this stuff...
19 Q. [307] I'm sure FERC staff are serious people and
20 seriously write stuff, as you say. Would you agree
21 that, again, aside from my personal translation of
22 "constrain" and "congestion", leaving that aside,
23 would you simply agree with what everybody I think
24 has recognized, and I can show you other
25 paragraphs, if you want, that insufficient level of

1 investments and congestion were very serious
2 factors impacting across all regions in the United
3 States. And that’s why FERC 890... decided to
4 release Order 890.
5 A. Well, I think that is one of... I think that is a
6 reason that they quote. This is in kind of... as
7 part of a bigger thing. If you go back to the start
8 of... If you turn to page 22 of your excerpt, it
9 talks about the need for reform for Order 888.
10 (14 h 26)
11 Q. [308] You're referring to transmission planning,
12 Mr. Adamson. Obviously, the topic here is
13 transmission planning.
14 A. Well, now, I thought you were talking about the
15 need for Order 890.
16 Q. [309] I was...
17 A. And Order 890...
18 Q. [310] Yes.
19 A. ... was driven by lots of needs which they kind
20 of... Section 3, need for reform of Order 888,
21 discusses opportunities for undue discrimination
22 continue to exist, lack of transparency undermines
23 confidence and open access, and includes, at c), if
24 you look at paragraph 52, includes, c) congestion
25 and inadequate infrastructure develop, impede

1 customer's use of the grid. So I'm just pointing
2 out that there is a couple of identified... FERC
3 identified reasons for Order 890.
4 Q. [311] Okay. And in terms of transmission planning,
5 would you agree that with respect to FERC's, the
6 content of FERC Order 890 and its remedies for
7 transmission planning related issues, investments
8 and congestions were two drivers for that order. On
9 the component dealing with transmission planning.
10 A. They were two of the drivers. I'm not... I don't
11 think they're the only drivers.
12 Q. [312] Okay. I now would like to spend a moment with
13 you on Order 1000 and what it does, really. And
14 that would be asking you to go back to Order 1000,
15 and take a copy of, on page... Actually, go to page
16 11, if I might ask you. Paragraph 6. Okay? So, FERC
17 says the following:
18 Turning to the specific discrete
19 reforms we adopt today, we first
20 require public utility transmission
21 providers to participate in a regional
22 transmission planning process that
23 evaluates transmission alternatives at
24 the regional level that may resolve
25 the transmission planning region's

1 need for more efficiency and cost
2 effectively than alternatives
3 identified by individual public
4 utility transmission providers in
5 their local transmission planning
6 process.
7 And then you may continue to read, but then, third
8 line from the bottom, they continue by saying...
9 Well, let me continue to read. Go back, please, to
10 the... There is a section here that is quite
11 relevant.
12 This requirement builds on the
13 transmission planning principles
14 adopted by the Commission in Order
15 890, and the regional transmission
16 planning process developed in response
17 in this final rule must satisfy those
18 principles. These processes may result
19 in the development of a regional
20 transmission plan.
21 Okay? And then if you go down, three lines from the
22 bottom:
23 We conclude that requiring each local
24 and regional transmission planning
25 process to provide this opportunity is

1 necessary to ensure that transmission
2 planning processes identify and
3 evaluate transmission needs driven by
4 relevant public policy requirements
5 and support more efficient and cost-
6 effective achievement of those
7 requirements.
8 Now, keep that in mind and go, please, to paragraph
9 9. And you can read paragraph 8, it deals with
10 right of first refusal under federal legislation,
11 which is not quite relevant to us, I would believe.
12 And then, in paragraph 9, FERC says the following:
13 Finally, we require public utility
14 transmission providers to have in
15 place a method, or a set of methods
16 for allocating the costs of new
17 transmission facilities selected in a
18 regional transmission plant for
19 purposes of cost allocation. We also
20 require public utility transmission
21 providers in each transmission
22 planning region to have, together with
23 the public utility transmission
24 providers and neighbouring
25 transmission planning regions, a

1 common method or set of methods for
2 allocating the cost of a new
3 interregional transmission facility
4 that is jointly evaluated by the two
5 or more transmission planning regions
6 in their interregional transmission
7 coordination procedure.
8 So, if we go back to paragraph 6, you will agree
9 with me that as a start, what FERC requires a
10 public utility transmission to do is to participate
11 in regional planning processes. Correct?
12 A. Yes, although they don't define what a region is
13 very much.
14 Q. [313] And that process, Mr. Adamson, must result in
15 the development of a regional transmission planning
16 plan. Correct?
17 A. Yes, under... If you're following what's in Order
18 1000 specific rules, yes.
19 Q. [314] Okay. And that plan and these methods are
20 driven by a number of public policy requirements
21 that you see at the bottom of page 11, with capital
22 P, P and R, and these are public policies that have
23 been adopted in the U.S. by FERC and applied by
24 FERC in this context.
25 (13 h 55)

1 A. Well, it's... Let's be a little... Let's be a
2 little clear, here. There are these public policy
3 requirements. But they're not the only driver of
4 this. It says as part of our reform, we also
5 require that the regional transmission planning
6 process, as well as the underlying local
7 transmission planning process of public utility
8 transmission providers, provide an opportunity to
9 consider transmission needs driven by public policy
10 requirements. So the public policy requirements
11 aren't the only driver; they were an added driver,
12 kind of specifically called out in this.
13 Q. [315] Okay.
14 A. But they're not the only driver.
15 Q. [316] Okay.
16 A. Just to be clear.
17 Q. [317] Okay. Now, this regional and interregional
18 planning process, and the cost allocation
19 methodologies that are introduced by FERC are or
20 must comply with these public policy requirements.
21 Correct?
22 A. They added those to the mix.
23 Q. [318] But they're there now.
24 A. So if understand your question, I think the answer
25 is: yes, they were added to the mix.

1 Q. [319] Okay. And these public policies are American
2 public policies, Mr. Adamson, obviously.
3 A. Yes. Well, actually, they were, they're relatively
4 broadly stated what they could be. I mean, they had
5 talked about integration of wind for example, but
6 I'm not sure that it absolutely restricted it,
7 integration of renewable energy.
8 Q. [320] But let's say they're intended to apply in
9 the United States.
10 A. Well, Order 1000 was intended to apply in the
11 United States. So...
12 Q. [321] I would agree with that.
13 A. ... I think that's so, you know, that's clear.
14 Q. [322] Now, FERC makes a distinction between local
15 and regional. Are you familiar with the distinction
16 to be made between local transmission planning and
17 regional transmission planning?
18 A. In the context of Order 1000?
19 Q. [323] In the context of what we just read; cost
20 allocation methodologies for regional and
21 interregional planning processes. We just read
22 paragraph 6 underlined; there are references to
23 regional planning processes, regional transmission
24 plans, and cost allocation methodologies for
25 regional and interregional planning processes.

1 A. And local...
2 Q. [324] And there's a lot of regional, and there's
3 references to local as well. Do you know what the
4 distinction is between regional and local, in terms
5 of planning processes?
6 A. In the context of Order 1000, yes.
7 Q. [325] Yes.
8 A. There's local and there's regional; then, there's
9 interregional.
10 Q. [326] All right. Now, what is your understanding of
11 the distinction between local and regional?
12 A. Well, regional ones come out of a regional process,
13 with inputs from regional stakeholders. Local ones
14 may be from a local process, and a lot of the OATTs
15 actually define what a local process is, and what a
16 regional process is, with inputs from local
17 stakeholders. So, there's kind of different tiers
18 of the wedding cake, kind of...
19 Q. [327] Okay.
20 A. ... building up.
21 Q. [328] Well, maybe I can assist with that cake, by
22 referring you to paragraph 68 of the order. As you
23 can imagine, FERC has an issue, not an issue, but a
24 definition for us, on page 55 or Order 1000. So
25 fourth (4th) line from the top, page 55:

1 By local transmission planning
2 process, we mean the transmission
3 planning process that a public utility
4 transmission provider performs for its
5 individual retail distribution service
6 territory or footprint, pursuant to
7 the requirement of order 890.
8 Can we agree with that definition for purposes of
9 our conversation this afternoon?
10 A. Yes. Yes, that's the definition for what we're
11 talking about here, in this document.
12 Q. [329] And you will agree that a sole transmission
13 utility cannot constitute a region in and of
14 itself? It's a local entity, at that point.
15 A. That's kind of a good question, which actually,
16 FERC tried to discourage single ones, because it
17 wanted regional cooperation. I'm not sure they ever
18 explicitly said that a local region and a region
19 region could not be coterminous. Some of the
20 original Order 1000 compliant OATTs were virtually
21 single transmission provider OATTs, which would, in
22 effect, made them kind of locals. So, the question
23 is, I mean, this kind of gets to a specific
24 legalistic question, which I don't think is
25 actually particularly interesting here, around

1 whether one transmission provider can be a region.
2 (14 h 32)
3 Q. [330] Okay. Well, FERC has the answer for us. Let's
4 refer to Order 1000-A again. As you say, these
5 staffers are quite good. So page 205, Mr. Adamson,
6 Order 1000-A, second line, paragraph 272, and I
7 quote:
8 We also affirm Order No. 1000's
9 determination that the Commission will
10 not prescribe the size or scope of a
11 transmission planning region in a
12 generic proceeding, except to provide
13 that a single public utility
14 transmission provider by itself may
15 not be a transmission planning region,
16 consistent with Order 890.
17 Again for purposes of our conversation, Mr.
18 Adamson, can we agree with that statement?
19 Me ÉRIC DUNBERRY :
20 Madame la Présidente, j'y allais peut-être
21 rapidement, on m'indique que vous n'aviez pas cette
22 référence devant vous lorsque je la lisais, c'est à
23 la page 205. Désolé.
24 Q. [331] Alors, Mr. Adamson, can you and I agree that
25 FERC wrote what it thought, and what it thinks is

1 that a single public utility transmission provider
2 by itself may not be a transmission planning
3 region?
4 A. Yes, they clearly were trying to discourage the,
5 some of the, particularly, I believe, some of the
6 large South-Eastern utilities who wanted to just go
7 ahead and say, "Well, we are by ourselves a
8 region." Most of them, well, first off, none of
9 them were almost truly absolutely single by
10 themselves, because most of them had, one way or
11 another, had some smaller transmission owning
12 utilities inside their service territories, or
13 affiliated with them, so they were never almost
14 completely independent, single, anyway.
15 FERC clearly was trying to, as part of its
16 regional concept, push them to look bigger outside
17 their borders. So they kind of indicated that they
18 were not going to approve, and this, I will just
19 file from my footprint to be a region, and then my
20 region is myself.
21 Q. [332] Okay. So let's continue with this, and
22 perhaps wrapping up with your statement on page 23,
23 on that issue. So there is a statement there, on
24 lines 18 to 22, and I quote what you are saying
25 there on page 23, Mr. Adamson...

1 A. I'm sorry, could you... 23, could you give me the
2 line?
3 Q. [333] Line 18.
4 A. Line 18. I'm sorry, I just didn't hear you.
5 Q. [334]
6 With respect to HQT's first issue --
7 that it is unaware of cost sharing
8 being common practice in other
9 jurisdictions -- it need look only
10 south of the border. In the U.S. such
11 cost allocation based on benefits...
12 you were referring here to the benefit-based cost
13 allocation, so,
14 ... it need look only south of the
15 border. In the U.S. such cost
16 allocation based on benefits is now
17 the law, and the thousands of pages of
18 transmission provider compliance
19 filings to Order 1000 (and the large
20 volumes of modified OATTs filed with
21 the FERC) provide documentation of the
22 evolving changes.
23 When you state that this benefit based cost
24 allocation is now the law, you are referring to the
25 regional and inter-regional cost allocation

1 methodologies referred to by FERC in its Order
2 1000, correct?
3 A. Yes, it refers to the cost allocation methodologies
4 identified in Order 1000, which are for regional
5 transmission identified transmission projects that
6 are thus eligible for cost allocation. But the
7 remark really kind of speaks to something I think a
8 little broader than what you are getting at, which
9 says you are not, which said it wasn't aware of,
10 the response to the IR, or sorry, the response in
11 the additional evidence that I read said that, HQT
12 was unaware of cost sharing among beneficiaries of
13 the transmission projects common practice in other
14 jurisdictions.
15 Well, conceptually, I think Order 1000
16 identified a practice, I don't think Order 1000 is
17 going to get kind of parachuted here and just
18 stamped on everything, that would be completely
19 illogical, and I wouldn't suggest that. But
20 conceptually, it did identify a cost allocation
21 approach, and I think that is one that I was
22 suggesting as a concept that Québec might examine.
23 (14 h 38)
24 Q. [335] Now, these cost allocation methodologies, so
25 we are clear, are cost allocation methodologies for

1 regional and interregional planning processes,
2 correct?
3 A. They are, the FERC process talks about regions
4 because that's, it's kind of a unit of measure.
5 Q. [336] Okay.
6 A. The projects which are subject to regional cost
7 allocation may in fact be within a single
8 transmission provider's service territory if
9 they've been through the filter of this process.
10 But they have to have been through the filter of
11 that process and that's what it calls them.
12 Q. [337] And therefore these cost allocation
13 methodologies apply only to new transmission
14 facilities selected in a regional plan, correct?
15 A. Yes, that's what they call the identification
16 process of projects that are eligible for cost
17 allocation.
18 Q. [338] And these cost allocation methodologies do
19 not apply to cost allocation between customers of a
20 single utility, correct?
21 A. No, I'm not sure I agree with that. Can you say
22 that again?
23 Q. [339] These regional and interregional cost
24 allocation methodologies do not apply to cost
25 allocation between customers of a single

1 transmission provider?
2 A. The cost allocation mechanism can apply, I'm not
3 sure I understand the construction of your question
4 particularly well but the cost, the regional cost
5 allocation mechanism - like a beneficiary pays
6 mechanism as a concept - can apply to a project
7 within a single transmission provider's footprint.
8 Q. [340] I'll ask the question again, Mr. Adamson.
9 FERC has released Order 1000 and required that
10 regional and interregional cost allocation
11 methodologies be applied to transmission facilities
12 selected in a plan, a regional transmission plan.
13 FERC has not, through Order 1000, required that
14 these regional and interregional cost allocation
15 methodologies be applied to cost allocation
16 between, let's say Hydro-Quebec TransÉnergie and
17 Brookfield, for a specific upgrade that is cost
18 allocation between customers of a single
19 transmission provider.
20 A. Not in all cases, no.
21 Q. [341] Does it apply at all?
22 A. Well, they can do because transmi...
23 Q. [342] To whom does it apply? Is it a requirement
24 under FERC that these cost allocation methodologies
25 be applied to allocate cost between customers of a

1 single utility as opposed to allocating cost
2 between multiple utilities across multiple regions?
3 A. Again, your question structure's a little
4 complicated. It's an option to apply within a
5 single region. The second part of your question,
6 you would have to restate, I'm sorry, I lost that
7 one.
8 Q. [343] Would you agree that these cost methodologies
9 do not apply to new facilities that are not the
10 object of a regional or interregional transmission
11 planning process?
12 A. They cannot get applied, well, they could be
13 applied, they have to be applied if they're part of
14 the regional plan so they've gone through this
15 filter, they're big enough, they meet the criteria
16 and they're deemed efficient, then they have to
17 apply. There can be other ones that don't apply
18 because of their nature or because of the fact that
19 they were not deemed efficient - I used the example
20 of the "I really want to build A to B although
21 everybody else thinks it's a bad idea." It
22 definitely would not apply there.
23 Q. [344] You refer to compliance filings in this
24 extract I read. We actually went through these
25 compliance filings ourselves and would you agree

1 that none of them actually discuss how upgrade cost
2 associated with a point-to-point service request is
3 to be allocated between customers of a single
4 utility?
5 A. Well, I mean, there... Well, I've got to be a
6 little careful there because some of these
7 compliance filings have the entire OATTs of some of
8 these companies so, and the OATTs have everything
9 in them one way or the other so I'm not quite sure
10 that's accurate. For specific transmission service
11 requests, the traditional transmission service
12 request process continues. What also is added is
13 the idea that if projects meet the criteria for
14 cost allocation, that they can be allocated.
15 Those two things are not, those two spheres
16 are not completely mutually exclusive. We're
17 talking about a single transmission system here,
18 right? So there's different mechanisms, I agree,
19 but we are talking about a set of investments in a
20 plan which may overlap with sets of investments
21 needed for transmission service requests because
22 it's an integrated transmission system.
23 (14 h 43)
24 Q. [345] Integrated with what?
25 A. Well, with itself. I mean, the various elements,

1 even within a single transmission provider's
2 transmission system, are tied together. Or else
3 it's not much of a transmission system.
4 Q. [346] Okay. I'd like to ask you whether you would
5 agree with the fact that this Board should design
6 an upgrade policy that is adapted to the Québec
7 legal and regulatory environment.
8 A. Obviously, the Board will decide what is
9 appropriate for Québec. I provided an economic
10 analysis that starts with kind of economic
11 principles, and I guess, as an economist, I'd like
12 to think that the Board might also want to start
13 with sound economic principles. Obviously, it will
14 temper all of its implementations and decisions
15 based on the local context, but it can start with
16 economics as well.
17 Q. [347] Were you informed that this Board ruled, in
18 two thousand twelve (2012), that investments in
19 Québec were... that the level of investment in
20 Québec was adequate, and there were no investment
21 problems in Québec? That was a decision that was
22 rendered in two thousand twelve (2012).
23 Me ANDRÉ TURMEL:
24 Maybe, would you refer to at least the file, or...
25 A. Yes. Can you... can you give even a reference?

1 Sorry.
2 Me ÉRIC DUNBERRY:
3 Q. [348] It's decision 2012-10, a decision that dealt
4 with Order 890. Were you aware that decision dealt
5 with Order 890, and whether it would be appropriate
6 for Québec to adopt a U.S.-style Attachment K? Were
7 you informed of that?
8 A. I know that there was a... I don’t know that
9 it's... I don’t know that I know what decision that
10 was in. I know there was a discussion around... I
11 know there was a decision around an Attachment K,
12 but I don’t know that... the decision numbers.
13 Q. [349] Did you read that decision?
14 A. I'm trying to remember which ones I actually
15 referred to.
16 Q. [350] Do you recall reading a decision that dealt
17 with the applicability of Order 890 in Québec,
18 Mr. Adamson?
19 A. I read one that referred to... We'll give... We'll
20 have a shortcut.
21 Q. [351] Actually, it's on your list.
22 A. Yes. Yes.
23 Q. [352] So I assume you read that. Did you?
24 A. Yes, that... that is the one I'm thinking about, I
25 think.

1 Q. [353] Okay. What was the Régie's conclusion in that
2 decision?
3 A. I don't have it in front of me, so I wouldn't want
4 to quote it from memory.
5 Q. [354] Do you recall whether the Board endorsed the
6 nine U.S.-style Attachment K principles that were
7 presented to it at the time? Do you recall?
8 A. Not that I remember.
9 Q. [355] I'll give you a copy of that decision right
10 now. I thought you had read that. So we'll...
11 Madame la Présidente? So you may want to use your
12 earset.
13 A. Yes. That's why I got it out.
14 Q. [356] I will be reviewing that decision with you,
15 just so we can get some clarifications. If you look
16 at the first page of that decision, Mr...
17 A. Sorry.
18 Q. [357] Yes.
19 A. My gizmo here... Sorry. It went from being at a
20 nice moderate tone before, to being extremely loud.
21 Q. [358] Yes. Okay. If you look at that first page,
22 it's a decision that was rendered not that long
23 ago. It was rendered a year, almost a year after
24 FERC Order 890... Sorry. 1000. So it's a decision
25 that... And the purpose of that hearing is well-

1 defined in the bottom of the first page, and I'll
2 read that in French:
3 Décision relative aux modifications du
4 texte des Tarifs et conditions en lien
5 avec les ordonnances 890, 890-A, B, C,
6 D de la FERC.
7 Do you see this, on the first page? And if you go
8 to page 54, paragraph 246 says the following, in
9 French:
10 Le Transporteur propose de ne pas
11 inclure un processus de planification
12 du réseau de transport sous la forme
13 d'un nouvel appendice K dans les
14 Tarifs et conditions, contrairement à
15 ce que prévoit la FERC dans son tarif
16 pro forma découlant de l'ordonnance
17 890.
18 (14 h 48)
19 Et au paragraphe 247 :
20 Le Transporteur explique que
21 l'ordonnance 890 impose aux
22 transporteurs, ainsi qu'aux
23 organisations de transport régionales
24 et aux gestionnaires indépendants de
25 réseaux, l'obligation de participer à

1 un processus de planification
2 coordonné et transparent,
3 satisfaisant, aux neuf principes
4 relatifs à ce processus. L'ordonnance
5 890 requiert également des
6 transporteurs qui décrivent ce
7 processus dans leur OATT sous la forme
8 d'un appendice K.
9 And at the bottom of paragraph 248, Mr. Adamson,
10 you see the nine principles of FERC, translated in
11 French but I won't read all this. You're very
12 familiar with these nine principles, I assume, Mr.
13 Adamson?
14 A. I'm generally familiar with them and I assume that
15 Judah Rose quoted them correctly.
16 Q. [359] You know that these nine principles are
17 fairly core to the Attachment K adopted by FERC.
18 Correct? Actually, it's the structure itself that
19 is based on these nine principles. Correct?
20 A. Yes, in general terms. Yes, I think that's...
21 Q. [360] Well, not in general terms; these are exactly
22 the nine principles that FERC has actually
23 enforced. Correct?
24 A. Those are the nine principles of Order 890...
25 Q. [361] Yes.

1 A. ... if that's what you're...
2 Q. [362] And in Order 1000, Mr. Adamson, these nine
3 principles are referred to. Correct? They're still
4 very valid principles in the United States.
5 Correct?
6 A. Yes.
7 Q. [363] Okay. Now, the Board heard a lot of
8 witnesses, including many American witnesses and
9 Canadian experts, and Canadian witnesses. And at
10 the end of all this... and NLH was an intervener,
11 and at the end of all this, the Board said the
12 following... Do you know what the Board said? Do
13 you know what was the result of that hearing?
14 A. Well, there is an Attachment K in the HQT OATT.
15 Q. [364] Yes.
16 A. And if I remember, the translated parts of this I
17 read said that they had to add some stuff. And...
18 they had to form a... an Attachment K.
19 Q. [365] Sorry, they had a?
20 A. They had to form an Attachment K.
21 Q. [366] Yes. Do you know if that Attachment K was at
22 all comparable to the U.S.-style nine
23 principles-based Attachment K?
24 A. Well, I've obviously read the Attachment K in the
25 current HQT OATT...

1 Q. [367] Yes.
2 A. ... which I would describe as a very light version.
3 Q. [368] Okay. Now, do you agree with me that, if you
4 read the translation, that the Board decided for
5 reasons we can review, that it was not necessary in
6 Québec to adopt a regional participation process
7 similar to what you have in the United States?
8 Me ANDRÉ TURMEL :
9 Would you quote... it depends. Ça, c'est général.
10 Peut-être faire un... puisqu'on est dans la
11 décision, peut-être y aller... parce que ça, c'est
12 une affirmation très large. Ça serait peut-être
13 facile...
14 Me ÉRIC DUNBERRY :
15 Q. [369] Mr. Adamson, I'm simply asking...
16 A. Can you... can you... are you referring me to a
17 specific...
18 Q. [370] We can go there if you want.
19 A. ... paragraph.
20 Q. [371] Paragraph 312. The Board said the following
21 thing;
22 Considérant les divers outils
23 réglementaires déjà en place
24 mentionnés ci-dessus, les
25 particularités du marché en gros du

1 Québec, caractérisés par un nombre
2 limité de participants, les
3 spécificités du réseau du Transporteur
4 ainsi que la capacité de ce dernier à
5 répondre aux demandes de service
6 conformes aux Tarifs et conditions, la
7 Régie conclut qu'il n'est pas requis
8 de prévoir et de codifier dans le
9 texte des Tarifs et conditions,
10 l'ensemble des éléments constituant le
11 processus de planification du
12 Transporteur et les divers principes y
13 afférent.
14 So, were you aware of the fact when you wrote your
15 report, Mr. Adamson, that less than three years
16 ago, the Board decided that it was not appropriate
17 for Québec to adopt the Order 890, U.S.-style
18 Attachment K?
19 A. Generally, yes.
20 Q. [372] Okay. So, you understand that this Board
21 decided that it was not necessary for Québec to
22 have a regional transmission participation process.
23 Correct? Principle 1 of FERC.
24 A. I won't refer to the numbers because I don't know
25 what number or order they came in; that's my

1 understanding.
2 Q. [373] Okay. And you are also aware of the fact that
3 the Board decided that it was not necessary to
4 Québec to adopt a U.S.-style cost allocation
5 methodology for new projects. This is principle
6 number 9. In French; we can go back to...
7 A. Hmm, hmm.
8 Q. [374] ... the first page. On page 54, if you look
9 at the ninth principle, it's called in French "La
10 répartition des coûts"
11 vise à élaborer une méthode de
12 répartition de coûts associée au
13 nouveau projet de transport afin de
14 favoriser la construction de nouvelles
15 infrastructures,
16 which is the ninth paragraph of FERC. So, I'm
17 asking you again, whether you were aware that this
18 Board felt that it was not necessary in Québec, for
19 all sorts of reasons, to adopt the U.S.-style
20 Attachment K cost allocation methodologies for new
21 projects.
22 A. Yes, but I also don't think that was the objective
23 in what I wrote in my testimony.
24 (14 h 55)
25 Q. [375] And were you aware that this Board did not,

in fact, adopt any of the other principles, except one, that is being discussed in our own Attachment K?

A. I didn't go back and match...

Q. [376] Okay.

A. ... the order against exactly what's in the Attachment K, but I'll take your representation of it.

Q. [377] Okay. Do you know what the Board recognized, in its current Attachment K? Yes or no?

A. I have looked at Attachment K, but I don't have it in front of me.

Q. [378] Okay. I will give you a copy of that. You don't recall whether it deals with coordination, with planning, with dispute resolution, you don't recall at all what it deals with?

A. No. I think I do, but I don't want to...

Q. [379] Okay. What does it deal with?

A. I think it dealt with kind of more of a kind of what I would call a kind of informational exchange type...

Q. [380] Let's go there.

A. ... process.

Me ÉRIC DUNBERRY :

Madame la Présidente, avec votre permission, nous

pourrions finir cette ligne de questions dans moins de quinze minutes (15 min), ce qui nous permettrait de couper.

LA PRÉSIDENTE :

Oui, oui, il n'y a pas de problème. Juste peut-être les coter.

Me ÉRIC DUNBERRY :

Oui.

LA PRÉSIDENTE :

Peut-être à la fin où là, mais parce qu'on commence à avoir beaucoup de pièces sans numéro.

Me ÉRIC DUNBERRY :

Alors, Madame la Présidente, nous ne coterons pas la décision D2012-010 à laquelle nous référons, si ça convient. L'attachement, l'Appendice K, non plus. Sauf erreur, nous l'avons tous dans nos Tarifs et conditions. J'ai par ailleurs référé aux ordonnances 1000, 1000-A et 890. Je pourrai les coter si je ne l'ai pas déjà fait.

LA PRÉSIDENTE :

Non. Et la seule qui a reçu une cote, c'est la lettre de madame LaFleur.

Me ÉRIC DUNBERRY :

Alors l'ordonnance 890 recevra la cote 0061 Madame la Greffière?

LA GREFFIÈRE :

Oui.

B-0061 : Extrait de l'Ordonnance 890

Me ÉRIC DUNBERRY :

L'ordonnance 1000 la cote 0062, B-0062.

B-0062 : Extrait de l'Ordonnance 1000

Me ÉRIC DUNBERRY :

Et l'ordonnance 1000-A, B-0063.

B-0063 : Extrait de l'Ordonnance 1000-A

Me ANDRÉ TURMEL :

Peut-être juste mentionner que ce sont des extraits et non pas l'ordonnance.

LA PRÉSIDENTE :

Merci.

Me ÉRIC DUNBERRY :

Oui. Tout à fait. Il s'agit d'extraits.

Q. [381] All right. So in your report, Mr. Adamson, on page 30, your first item in your recommendations, item 1, you're asking this Board to create:

1 a more open transparent planning
2 process that will use clear and
3 specific criteria to identify needed
4 new transmission projects (within
5 Québec and for projects connecting to
6 neighboring systems) and for
7 allocating the costs of these
8 projects.
9 That's your first recommendation. And then, we have
10 number 5:
11 Issuance of detailed...
12 On page 31.
13 Issuance of detailed information
14 release and exchange policies that
15 will allow transmission customers
16 et caetera, et caetera. I won't read all of this.
17 You're quite familiar with that. Now, you're now
18 aware, because you have it in front of you, that
19 this Board has, in two thousand two (2002), adopted
20 a new Information and discussion process on
21 transmission planning, that's the exact title, I
22 believe, that is designed and adapted to Québec.
23 Correct? Is that your understanding?
24 A. My understanding: this is the current Attachment K.
25

1 Me ANDRÉ TURMEL :
2 Vous avez dit deux mille deux (2002).
3 Me ÉRIC DUNBERRY :
4 Deux mille douze (2012). Deux mille douze (2012).
5 Q. [382] That is the current Attachment K, and it's
6 the Attachment K that was ordered following that
7 decision I showed you, D2012-010. Were you aware of
8 that fact, Mr. Adamson?
9 A. I think the link with it... two thousand ten
10 (2010), I think that's right, I won't... I think
11 this is the current Attachment K, and I know there
12 was an Order about it.
13 Q. [383] Okay.
14 A. But like I said, I'm, I won't swear that I have all
15 the decision numbers down memorized.
16 Q. [384] Okay. Now, on page 25 of your report, if you
17 go back to page 25 of your report, you wrote the
18 following, line 18:
19 I have not reviewed all of HQT's
20 publicly available transmission data
21 and I have not participated in
22 previous stakeholder meetings, and so
23 I cannot comment on the sufficiency of
24 these against Order 1000-type
25 requirements.

1 As a first question, I hear you say that it was not
2 part of your mandate to review the implementation
3 of this new Attachment K, that was adopted in two
4 thousand twelve (2012), for information and
5 discussion process on transmission planning.
6 Correct?
7 A. No.
8 Q. [385] Okay. So you've not conducted any analysis of
9 the situation prevailing in Quebec, with respect to
10 the implementation of this new Attachment K?
11 A. No. I have seen what's in Attachment K.
12 Q. [386] Okay. But you're not in a position to give us
13 an informed factual opinion on the implementation
14 of that new Attachment K, I assume?
15 A. No.
16 Q. [387] Okay. Now, when you turn the page, actually,
17 at the bottom of page 25, you continue by saying:
18 Given however that this proceeding is
19 still in a policy stage, and is not
20 yet at the stage of reviewing specific
21 OATT language, I believe that this
22 would be an appropriate time for the
23 Régie to require a strong commitment
24 by HQT for detailed transmission
25 information exchange and transparency.

1 Now, it was not part of your mandate to conduct
2 analysis of the implementation of that Attachment K
3 and in fact, you have no opinion on it, but yet,
4 you strongly recommend or you recommend that there
5 would be a requirement for a:
6 strong commitment by HQT for detailed
7 transmission information exchange and
8 transparency.
9 correct?
10 A. Yes. Just because I think economically, that is a
11 very good practice, in general.
12 Q. [388] Now, you understand, were you aware of your
13 client being very much involved in that proceeding
14 in two thousand twelve (2012), were you aware of
15 that fact?
16 A. I think I... they may have said they were a
17 participant in it, but I wasn't a participant in
18 it.
19 Q. [389] Do you know what their position was, could
20 you tell...
21 A. No, I haven't, I don't know...
22 Q. [390] Do you know if they were supporting or not
23 supporting an Attachment K style, U.S.-style?
24 A. I don't know specifically exactly what they were
25 supporting.

1 Q. [391] Now, did you notice that, aside from your
2 report, there is absolutely no evidence, coming
3 from any other participants, concerning the need
4 for an improved information and exchange process,
5 were you aware that this was not one of the issues
6 to be addressed in this hearing, that we are
7 dealing with...
8 A. Well...
9 Q. [392] ... you are aware we are dealing with
10 Schedule, or Attachment J, we are not actually
11 involved in the hearing with Attachment K, were you
12 aware of that, that Attachment K is not the object
13 of...
14 A. I know that Attachment K was not the object, but it
15 is about transmission addition policy, and
16 transmission addition policy, in my mind at least,
17 that process somewhat hinges on efficient flows of
18 information and transparency. That is why I
19 commented on it.
20 Q. [393] So are you asking the Board to actually
21 review itself and introduce, "create", I think that
22 is the word you used,
23 ... creating a more open transmission
24 planning process and issuing a new
25 detailed information release and

1 exchange policy...
2 This Board has adopted one policy three years ago,
3 you have not conducted any analysis with respect to
4 its implementation, but you are asking the Board to
5 review its previous decisions and come up with a
6 different policy on something which is actually not
7 the object of this hearing. Could you explain all
8 of that to us?
9 A. Well, you have, again, you have a very long multi-
10 part question. I will answer parts, and if I miss a
11 part, you can tell me. I think this process seems,
12 this Attachment K process seems pretty small.
13 Q. [394] Small for someone coming from the United
14 States, you find it small, you don't like it, so
15 you... what do you mean by "small", the Board felt
16 that...
17 A. Brief.
18 Q. [395] Brief. So you are asking the Board to review
19 itself, you are asking the Board to conclude that
20 this Attachment K is inappropriate, and therefore,
21 it must review itself, although you have not
22 conducted any analysis and adopted, on behalf of
23 NLH, something new and better, something improved?
24 A. I think, in general, that this seems a very brief
25 description that does not, to me, support the level

1 of efficiency required, the level of information
2 release and exchange required for efficient
3 planning of transmission projects by customers, and
4 understanding the cost calculated, the cost
5 allocation, this seems a very terse document, my
6 recommendation is for that to be looked at.
7 Q. [396] I understand that, but it is not the object
8 of this hearing, you are the only one who is
9 actually introducing evidence on this, let me ask
10 you the question -- do you know why the Board felt
11 that this Attachment K was appropriate, it referred
12 to a number of regulatory tools and
13 particularities, do you know why the Board felt
14 that this was appropriate, before critiquing that
15 decision of the Board, do you know why they made
16 that decision?
17 A. Only the translation of the document that we looked
18 at before.
19 Q. [397] Okay, they referred to regulatory tools,
20 alright?
21 A. Uh-huh.
22 Q. [398] You find it small, but the Board, when it
23 decided that it was appropriate, referred to the
24 existence of certain regulatory tools in Québec,
25 could you tell us what are these regulatory tools

1 that would not be sufficient in your mind to
2 justify that small document?
3 A. Sorry, can you give me a specific reference?
4 Q. [399] Yes, the one we read, page... paragraph 312.
5 You find this inappropriate, you find it small. The
6 Board said, "considering the regulatory tools",
7 could you tell me what are these regulatory tools,
8 to your knowledge?
9 Me ANDRÉ TURMEL :
10 O.K., je vais m'objecter à cette question. Depuis
11 le départ, la Régie a dit, et c'est à la demande
12 même du Transporteur, je vais le dire en anglais
13 pour que ça soit plus facile...
14 Me ÉRIC DUNBERRY :
15 Non, allons-y en français, Madame la Présidente,
16 parce que je pense que le témoin...
17 LA PRÉSIDENTE :
18 Bien, je pense qu'on va choisir la langue de son
19 choix, chacun va choisir la langue de son choix,
20 par exemple, là.
21 Me ANDRÉ TURMEL :
22 In this hearing, Madame la Présidente, Madam Chair
23 Person, HQT themselves, they decided to have a
24 Phase 1, Phase 2 approach, in which Phase 1, that
25 would be only policy discussions and no proposal on

1 text, on the text. So that is why I will object to
2 Mr. Counsel for HQT trying to have a discussion for
3 what should be the better text for Appendix K, or
4 Appendix J.
5 He may, for sure, discuss about what
6 happened in the decision following Order 890 in
7 Québec in twenty twelve (2012), he may discuss the
8 broad concept, but going into what could be or
9 should be the text, they themselves excluded this,
10 and you opined on that, that it should be in Phase
11 2. So that is why I think that, conceptually, no
12 problem, he could discuss whatever he wants, but
13 talking about the text itself, it is, I would
14 object because it is out of the bound of Phase 1.
15 LA PRÉSIDENTE :
16 Monsieur... Maître Turmel, je, à moins que je n'aie
17 pas très bien compris la question mais il me semble
18 que la question était "why"; "why", ce n'est pas
19 sur le texte, c'est pourquoi il suggérait une telle
20 recommandation. Alors, à ce moment-là, je pense que
21 le témoin peut répondre s'il le...
22 Me ANDRÉ TURMEL :
23 C'est parce que j'avais compris "which text should
24 be"...
25

1 LA PRÉSIDENTE :
2 O.K.
3 Me ANDRÉ TURMEL :
4 ... peut-être que c'est moi qui ai mal entendu.
5 O.K.
6 Me ÉRIC DUNBERRY :
7 Q. [400] So, Mr. Adamson, please, could you answer the
8 question?
9 A. I'm sorry, you are going to have to...
10 (15 h 08)
11 Q. [401] The question is why... the question is why
12 you, what is your understanding of the reasons why
13 the Board felt that a U.S.-style Attachment K was
14 not required or necessary, do you know why, and
15 there is a reference to regulatory tools, and I ask
16 as well whether you knew what these tools are.
17 A. Not in detail, no.
18 Q. [402] Do you know any of them?
19 A. Well, I assumed that the Board, in general, has
20 abilities to request information from regulated
21 entities, that might be a regulatory tool.
22 Regulatory tool is kind of a...
23 Q. [403] Now, the Board referred here to certain tools
24 that it felt militated against an Attachment K. I'm
25 not asking you to speculate on what you don't know;

1 I'm asking you what you know. Do you know what the
2 tools the Board felt relevant to dismiss an
3 Attachment K-style were?
4 A. No, I don't know what the tools...
5 Q. [404] Okay.
6 A. ... you're referring too.
7 Q. [405] Okay. It also refers to certain specificities
8 of Québec. Do you know what are the specificities
9 of Québec?
10 A. It'd be...
11 Q. [406] That the Board... yes, that the Board felt
12 were relevant to dismiss an Attachment K.
13 A. The limited number of participants, the specific
14 characteristics of the nature of the network. There
15 may be others. I can't remember exactly what was in
16 the text.
17 Q. [407] Do you think any of these specificities have
18 changed since two thousand twelve (2012)? Do you
19 think our market is different today than it was
20 three years ago in terms of these so called
21 specificities or particularities? Do you know or
22 you don't?
23 A. There may be... there may be many things that are
24 changed. I think the real question is... is whether
25 a... whether a new informational policy is... could

1 be viewed as valuable by the Board, whether are not
2 there had actually been a change.
3 Q. [408] Did you try to understand why the Board made
4 that decision before coming again today and asking
5 the Board to review itself? Did you take the time
6 to try to understand why the Board dismissed less
7 than three years ago the application of Order 890,
8 before coming in here?
9 A. I mean, I read this. I mean, my observation and my
10 recommendation was based on a... what to me is a
11 general statement for the need for clarity and
12 transparency around information which actually goes
13 beyond the specifics of very detailed requirements.
14 It’s a general principle. It’s not a very specific
15 one. So, it’s not an audit.
16 Q. [409] Now, in order to implement your
17 recommendation, you understand that would require
18 an amendment to Attachment K. Correct?
19 A. I think that’s a legal question. But I would say
20 that... I would say that Attachment K...
21 Q. [410] Do you know where we find these nine
22 principles in the United States? We have like nine
23 principles, information exchange is one. Do you
24 know where it’s found in the United States? Is it
25 in Attachment K? Or is it elsewhere?

1 A. The statement of the nine principles?
2 Q. [411] Yes. No, the state... the information...
3 A. You're talking about the Order 890 principles.
4 Q. [412] Yes.
5 A. Well, I think they started with Order 890.
6 Q. [413] Do you know where they're located in
7 Attachment K? Do you know... the information on
8 exchange principle, is one of the nine principles.
9 Correct?
10 A. Yes.
11 Q. [414] Okay. Do you find in the United States that
12 information in the Attachment K? The dealings with
13 the information and exchange process?
14 A. It could be Attachment K. Be careful, some of the
15 utilities don't only use the same labels for
16 everything. Attachment K, I think, is the shorthand
17 way of referring to some of those parts of the
18 OATTs but it's not all... all of the OATTs don't
19 use the same labels; Attachment K, Attachment L,
20 Attachment whatever for the same sections.
21 Q. [415] Now, coming back to my earlier question, you
22 now understand that this Board has rejected the
23 notion of a regional transmission planning process
24 for the reasons this Board has discussed in
25 paragraph 312 of that decision. You are aware of

that now?

A. I mean, I was aware of what was in this section before.

Q. [416] Okay. So, you're aware that this Board has dismissed, has rejected, the requirement of a regional planning transmission process. Yes or no?

A. Yes.

Me ANDRÉ TURMEL :

Je m'objecte... attendez une seconde...

Me ÉRIC DUNBERRY:

Q. [417] Yes? Okay.

Me ANDRÉ TURMEL :

Je vais m'objecter à cette question.

Me ÉRIC DUNBERRY :

Bien, il a déjà répondu.

A. Okay, no... it's a yes.

Me ANDRÉ TURMEL :

Mais... mais...

Me ÉRIC DUNBERRY :

Q. [418] It's a yes, alright.

Me ANDRÉ TURMEL :

Non, non, attendez un instant. Parce que là-dessus, notre ami, le procureur d'HQT fait son interprétation de ce que contient ou pas l'appendice K. Et si on lit les transcripts, c'est

comme... bien, parce que, à ma compréhension, l'appendice K, il y a des joueurs régionaux...

LA PRÉSIDENTE :

Hum, hum.

Me ANDRÉ TURMEL :

... qui y participent. Alors, la façon dont c'était amené, c'est... donc, il plaide finalement en posant la question. Alors, moi, je vous demanderais de faire attention avec ce type de question-là, où on va un peu plus loin que ce qui serait prévu dans la normalité des questions. Moi, quand j'entends maître Dunberry dire ce qu'il pense, sa lecture très étroite de l'appendice K, le témoin a dit qu'il n'a pas participé à ça. Je trouve que c'est un peu une pente dangereuse, alors... Bien sûr, il a répondu, mais je ne sais s'il a beaucoup de questions comme ça, mais si elles s'en viennent comme ça, on va s'objecter peut-être en temps utile. Il a été plus vite que moi sur la gâchette.

(15 h 21)

Me ÉRIC DUNBERRY:

Q. [419] Mr. Adamson, are you aware of any facts since February two thousand twelve (2012), that would justify this Board to change its prior ruling on Order 890, are you aware of any facts, in the last

1 three years, that would make the findings of the
2 Board, concerning Order 890, invalid, or to be
3 dismissed?
4 A. Well, even if they were facts, I think you'd
5 probably have to have a weighting of the facts. I
6 mean, that's... that's something...
7 Q. [420] But are you aware of any facts, or change in
8 circumstances? Because your report does not refer
9 to any change in circumstances that would require
10 the Board to reverse itself on regional
11 transmission planning process or Order 890 more
12 generally. So are you, yes or no, aware of any
13 change in circumstances that would justify this
14 Board to reverse itself on these issues?
15 A. The Board can obviously choose whatever it wants. I
16 made a recommendation that I thought would improve
17 transparency. They can decide to improve
18 transparency, which might mean changing their
19 previous decision, or they might not, which they
20 don't.
21 Q. [421] But are you aware of any facts, Mr. Adamson,
22 that would justify a reverse in position on these
23 planning issues, transmission planning issues?
24 A. Well, I'm not exactly sure, frankly, what those
25 facts would be. The question is, is whether, given

1 the desire to implement a network upgrade policy,
2 and to also review more broadly the principles,
3 whether the Board thinks that the level of
4 transparency is sufficient.
5 Q. [422] Now, we heard that Order 890 was related to
6 curing certain problems like congestion and
7 insufficient levels of investments. Are you aware
8 whether there are, in Québec, now, issues of
9 congestion and investment levels that need to be
10 cured?
11 A. First, I find your question... I'll get to your
12 question. But Order 890, as I pointed out, had
13 multiple drivers, one of which was discrimina...
14 improving non-discrimination. So there is multiple
15 drivers. There is not just congestion.
16 Q. [423] Mr. Adamson, do you know whether there is or
17 not a congestion problem in Québec, as a matter of
18 fact? Is this a problem that has been raised and
19 discussed before this Board? Do you know, yes or
20 no, whether there is a congestion problem in
21 Québec, in HQT's...
22 A. I do not know that there is a congestion problem in
23 Québec.
24 Q. [424] Okay. Do you know whether there is an
25 insufficient level of investment, in Quebec, to be

1 cured by your cost allocation benefit-based
2 methodology? Is there a problem to be cured, in
3 Québec, with respect to the level of investments?
4 Are you aware of the existence of a problem in
5 Québec?
6 A. I have identified an economic problem with the
7 mechanism you use. I don't know, I have not done a
8 comparison of where your transmission system is
9 against what it might be, or some sort of
10 comparable analysis.
11 Q. [425] So the short answer to my question is "no".
12 You do not know whether there is an insufficiency
13 investment level problem in Québec.
14 A. I do not know about the level of the sufficiency of
15 transmission investment, I think was your phrase?
16 Q. [426] Yes.
17 A. I have identified an economic weakness in the
18 method.
19 Q. [427] Now, if you... Et, Madame la Présidente,
20 c'est ma dernière question. If you go back to
21 paragraph 302 of that same decision, Mr. Adamson...
22 A. Okay. Hold on a second.
23 Q. [428] Paragraph 302, on page 65. The Board says:
24 Après examen de la preuve, la Régie
25 est d'avis que la problématique reliée

1 au manque d'investissements dans les
2 infrastructures des réseaux de
3 transport, telle qu'observée aux
4 États-Unis, ne trouve pas son
5 équivalent au Québec. Le Transporteur
6 a été en mesure de réaliser les
7 investissements nécessaires pour
8 répondre aux besoins en pérennité et
9 en croissance de la demande, tant pour
10 les clients du service de point à
11 point que pour l'alimentation de la
12 charge locale, dans la mesure où les
13 demandes s'avéraient conformes aux
14 exigences du texte des Tarifs et
15 conditions.
16 Do you have any reason to believe that this
17 statement is not accurate, and that there is no
18 investment problems in Quebec as of two thousand
19 twelve (2012)?
20 A. Wait, wait. Sorry. I'm... The translation cut out,
21 and then, all of a sudden, you're asking a
22 question. Can you start with the English question
23 again?
24 Q. [429] Yes. Do you have any reason to doubt the
25 Board's decision, or finding of fact, to the effect

that there is no investment-related problems in Québec, as I read?

A. As of twenty twelve (2012)?

Q. [430] Yes?

A. No.

Q. [431] And do you know whether there is a problem today?

A. No. Like I said, I identified an economic problem.

Q. [432] Okay.

A. And, which follows on from questions of the Régie itself asked.

Q. [433] Alors Madame la Présidente, nous terminerons ici et compléterons demain. Est-ce que nous nous revoyons à huit heures trente (8 h 30) ou à neuf heures (9 h 00)?

LA PRÉSIDENTE :

Bien, on est... On est exactement dans les temps, et comme il n'y a pas de contre-preuve annoncée, alors on commencera à neuf heures (9 h 00), sous réserve peut-être de mercredi, dépendamment comment demain va aller. Ma préoccupation, bien sûr, est que tout le monde puisse avoir la chance de faire leur plaidoirie orale selon l'horaire. Parce que j'ai juste une heure de jeu, hein, dans le calendrier, là, selon ce que les gens m'ont donné.

Me ÉRIC DUNBERRY :

Nous serons... Nous serons aussi efficaces que possible, Madame la Présidente. Promis.

LA PRÉSIDENTE :

Je vous remercie beaucoup. Alors, Maître Turmel?

Me ANDRÉ TURMEL :

Permettez. Je ne sais pas si monsieur... I don't think Mr. Adamson got... It is at nine (9:00) tomorrow morning?

THE PRESIDENT:

Q. [434] Nine (9:00) tomorrow morning.

A. Yes, yes. I heard. Sorry.

Me ANDRÉ TURMEL:

Q. [435] Yes. And we... You come here directly. Okay?

A. Yes.

Q. [436] Okay.

LA PRÉSIDENTE :

Alors je vous remercie, et puis on se voit demain à neuf heures (9 h 00).

Je, soussignée, ROSA FANIZZI, sténographe officielle, certifie sous mon serment d'office que les pages qui précèdent sont et contiennent la transcription fidèle et exacte des notes prises dans cette cause au moyen de la sténotypie.

Le tout, conformément à la loi.
Et j'ai signé,

ROSA FANIZZI, s.o.