# Réponses du Transporteur à la demande de renseignements numéro 1 de Newfoundland and Labrador Hydro (« NLH »)

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

**FILE R-3888-2014**

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## Partie 1 – Questions de NLH

**Preamble to Questions 1-2**

Questions related to system usage.

- Q1 - The document titled "Tarification des services de transport", HQT-12, Document 1 within Demande R-3903-2014, Table 2 indicates that a demand of 37,818 MW is associated with the local load. Was the 37,818 MW of demand served solely through part IV of the HQT tariff?

**Partie 1**

**R1**

**Le Transporteur constate que le préambule de cette question fait référence à un dossier distinct et que la valeur indiquée ne fait pas partie du présent dossier. Cette question ne vise pas un élément de la politique d'ajouts, La demande dépasse donc le cadre du présent dossier.**

- Q2 - Is all transmission service provided and charged for by HQT done so under the HQT OATT?

**Partie 1**

**R2**

**Voir la réponse à la question 1.**

**Les services de transport offerts par le Transporteur dans le cadre de ses *Tarifs et conditions* sont facturés à tous ses clients en conformité avec ceux-ci.**

**Preamble to Questions 3 - 5**

Section 49(11) of the Act Respecting the Régie states that the Régie shall:

> "maintain, subject to any government order to the contrary, uniform rates throughout the territory served by the electric power transmission system."

In accordance with this legislation:

- Q3 - Does HQT believe that the phrase "uniform rates throughout the territory" makes it impossible to charge rates which can differ based on the physical location of the customer's load or generation resource? Please comment.

**Partie 1**

**R3**

**La demande dépasse le cadre du présent dossier qui porte sur la politique du Transporteur relative aux ajouts au réseau de transport et non sur la tarification des services de transport. De plus, le Transporteur constate que le préambule de cette question fait référence à la *Loi sur la Régie de l'énergie* (la « *Loi* »). Cette question recherche l'interprétation de la portée de l'article 49 de la *Loi*. Il s'agit d'une question d'ordre juridique qui ne peut constituer une demande de renseignements.**

**Voir également la réponse à la question 6.**

- Q4 - Does HQT believe that the phrase "uniform rates throughout the territory" makes it impossible to charge rates which differ between transmission customer classes ( i.e. Point to Point customers vs Native Load)? Please comment.

**Partie 1**

**R4**

**Voir la réponse à la question 3.**

- Q5 - Does HQT believe that the phrase "uniform rates throughout the territory" makes it impossible to charge rates which differ between new and existing customers within a particular transmission customer class (i.e. existing Point to Point customers vs new Point to Point Customers)? Please comment.

**Partie 1**

**R5**

**Voir la réponse à la question 3.**

**Preamble to Questions 6 - 9**

In R-3401-98, HQT-10, Document 1, (pages 6 and 7) HQ stated that:

> "Hydro-Québec propose une tarification des services de transport basée sur les coûts moyens. L'approche du coût moyen permet de récupérer auprès de l'ensemble des clients les coûts de transport nécessaires pour répondre à leur utilisation du réseau. Cette approche est également en continuité avec la pratique tarifaire en usage au Québec et partout ailleurs, dans le domaine du transport et de la distribution, tout comme le principe de l'uniformité territoriale des tarifs. Hydro-Québec propose d'utiliser un tarif timbre-poste applicable sur tout son réseau de transport. Étant établi à partir d'un seul coût de service pour l'ensemble des activités de transport, ce tarif reflète le fait que le réseau est intégré et qu'il sert à rendre tous les services de transport, y compris le service de point à point. En maintenant un tarif de type timbre-poste applicable de façon uniforme sur l'ensemble du réseau de

> transport d'Hydro-Québec, tous les clients du transporteur conservent leur droit à un même tarif et ce, indépendamment de leur situation géographique, du parcours utilisé pour se rendre d'un point à un autre ou de la distance parcourue par l'électricité transitée. En outre, la tarification proposée offre l'avantage de la simplicité dans sa compréhension et sa mise en œuvre, et est conforme à ce que l'on retrouve partout ailleurs dans les secteurs électrique et gazier. Les tarifs applicables aux services complémentaires s'appliquent également de façon uniforme sur l'ensemble du réseau, peu importe la situation géographique du client qui les utilise ou du producteur qui les fournit. La proposition d'Hydro-Québec est également conforme à la Loi sur la Régie de l'énergie qui stipule à l'article 11, alinéa 11 que la Régie doit, lorsqu'elle fixe ou modifie un tarif de transport d'électricité, « maintenir, sous réserve d'un décret du gouvernement à l'effet contraire, l'uniformité territoriale de la tarification sur l'ensemble du réseau de transport d'électricité ». Pour Hydro-Québec, les tarifs uniformes qu'elle propose respectent le principe d'uniformité territoriale tel que spécifié dans la loi."

In FERC Order 110 FERC 61,373 the commission stated its pricing policy when it said:

> "Under higher of" pricing, when a transmission owner would be required to add transmission assets in order to respond to a request for new or expanded transmission service, the Commission allows the transmission owner to charge transmission customers the higher of either the rolled-in embedded cost for the system as expanded (i.e., a rolled-in rate, which includes expansion costs) or the incremental expansion cost (i.e., a rate based on only expansion costs), but not the sum of the two."

In HQT-2 Document 1, page 31, line 11 Ms. Chang stated HQT's pricing intentions when stating:

> "HQT's proposed Network Upgrade Policy is consistent with the principles associated with FERC's "higher of" transmission pricing policy."

- Q6 - Is HQT seeking permission to charge a rate that is NOT based on the average of the embedded costs of all the transmission system assets? Please comment.

**<u>Partie 1</u>**

**R6**

> **La présente demande du Transporteur concerne la politique d'ajouts au réseau de transport, comme il l'indique aux documents déposés. Elle traite des sujets identifiés par la Régie dans la décision procédurale D-2014-117. La modification et la fixation des tarifs de transport par la Régie ne fait partie de ces sujets. D'ailleurs, dans le cadre de cette demande, le Transporteur n'a pas déposé de proposition de modification des tarifs de transport.**

- Q7 - Please explain how HQT's Network upgrade policy is consistent with FERC's "higher of" policy, in particular explain how the embedded cost and incremental methodology alternatives are both incorporated into HQT's policy

**Partie 1**

**R7**

**HQT's application of the maximum allowance is consistent with FERC's "higher of" policy. As with the FERC's "higher of" policy, the requesting customer either pays a) the embedded system rate if the cost of the upgrade is at or below the embedded cost or b) the incremental cost of the upgrade if the cost of the upgrade is above the embedded cost. The maximum allowance relates to the "embedded cost." Therefore, if the cost of the upgrade is less than or equal to the maximum allowance, the customer does not make any contribution but covers the cost of the upgrade by paying HQT's transmission tariff. Similarly, if the cost of the upgrade is greater than the maximum allowance, the customer makes a contribution for the amount above the maximum allowance and pays HQT's transmission tariff to cover the cost of the rolled-in portion of the upgrade costs.**

- Q8 - If an upgrade cost is higher than the maximum allowance, which methodology is being used? Incremental expansion cost or other, if other, please explain?

**Partie 1**

**R8**

**If an upgrade cost is greater than the maximum allowance, the transmission customer who induced network upgrades is required to pay a contribution for the portion of the cost of the upgrade that is greater than the maximum allowance. This is consistent with the concept of "incremental" approach because that particular transmission customer would pay a rate that includes the amount rolled-in and the amount above the rolled-in portion.**

- Q9 - Is it possible under HQT's network upgrade policy that certain transmission customers could be charged a rolled-in rate which includes both expansion and embedded costs while other transmission customers are charged a rolled-in rate based on only embedded costs?

**Partie 1**

**R9**

**Transmission customers would not be charged transmission tariff that includes both the embedded cost and the network upgrade cost above the maximum allowance. The transmission tariff is set by all transmission costs that are rolled in with embedded costs. If a certain transmission customer requests service that requires a network upgrade, the network upgrade cost is compared to the maximum allowance to determine how much of the network upgrade costs would be allowed to be rolled-in and how much would need to be paid with a contribution from the transmission customer who induced the upgrade.**

**Preamble to Question 10 - 13**

Section IV of the document referenced by Ms. Chang in footnote 3 of HQT-2, Document 1, (page 4), Policy Statement, FERC Docket No. RM93-19-000, October 26, 1994, states the following:

> "As the industry considers possible pricing reform, the following three attributes of any transmission pricing method should be specified to provide a common framework for analysis:
>
> Attribute 1 - The method for measuring cost for purposes of rate design: embedded cost, incremental cost, the Commission's current "or" policy, long-run marginal cost, or short-run marginal cost;
>
> Attribute 2 - The method for treating power flows: contract path or flow-based approach;
>
> Attribute 3 - The method for grouping transmission facilities: corporate postage stamp versus more disaggregated approaches, such as zones, or line-by-line methods."

- Q10 - Which method from attribute 1 is HQT using to measure costs for purposes of rate design?

**Partie 1**

**R10**

**Please see the response to question 9. HQT's approach is consistent with FERC's "or" policy (which is synonymous with FERC's "higher of" policy).**

- Q11 - Which method from attribute 2 is HQT using to treat power flow?

**Partie 1**

**R11**

**HQT provides service to customers according to its OATT. Point-to-point service is based on reservations, thus consistent with the contract path basis.**

- Q12 - Which method from attribute 3 is HQT using for grouping transmission facilities?

**Partie 1**

**R12**

**HQT has one long-term transmission tariff for all transmission customers, thus is the same as having a "corporate postage stamp rate" for all of HQT's system.**

- Q13 - Using FERC terminology - is the „higher of" transmission pricing policy the same as the „or" transmission pricing policy referred to above? Please comment.

**Partie 1**

**R13**

**The "higher of" pricing refers to a transmission provider charging the higher of the embedded system rate with the cost of the network upgrade included or the incremental rate, but not both.**

**Preamble to Questions 14 to 16**

The four questions below are related to Maximum allowance:

- Q14 - Ignoring the discounting adjustment, O&M fees, and taxation, is the value of the Maximum Allowance derived from the embedded costs of all system assets? If not which assets are not included?

**Partie 1**

**R14**

**Comme indiqué à la pièce HQT-3, Document 1, l'allocation maximale correspond à la valeur actualisée du tarif annuel sur une période de 20 ans, déduction faite des coûts d'exploitation et d'entretien et des taxes applicables. Le tarif reflète tous les actifs du réseau de transport inclus dans la base de tarification lorsque la Régie rend sa décision.**

- Q15 - Ignoring the discounting adjustment, O&M fees, and taxation, is the rate of the Maximum Allowance equivalent to the average cost rate? Please comment.

**Partie 1**

**R15**

**Le Transporteur note que l'intervenant utilise « rate » dans sa question et comprend que l'intervenant réfère au tarif de transport. Le Transporteur croit utile de souligner que l'allocation maximale n'est pas un tarif.**

**Le calcul de l'allocation maximale est expliqué à la pièce HQT-3, Document 1.**

- Q16 - If the answer to 15 is yes, is HQT proposing to charge this rate AND an additional fee? Please comment.

**Partie 1**

**R16**

**Voir la réponse à la question 15.**

**Preamble to Question17**

The FERC OATT pro forma defines the phrase Direct Assignment Facilities as:

> "Facilities or portions of facilities that are constructed by the Transmission Provider for the sole use/benefit of a particular Transmission Customer requesting service under the Tariff. Direct Assignment Facilities shall be specified in the Service Agreement that governs service to the Transmission Customer and shall be subject to Commission approval."

The HQT OATT does not contain a definition for Direct Assignment Facilities.

FERC Order 96 FERC 61,132 states:

> "The Commission has long held that the integrated grid is a cohesive network whose expansion benefits all users of the grid, and rejected the direct assignment of integrated grid facilities even if those facilities would not have been installed but for a particular request for service."

- Q17 - Under HQ's proposed network upgrade policy, is it possible that the costs which are used to calculate the 'contribution' are costs related to integrated grid facilities? Please comment.

**Partie 1**

**R17**

**The contribution represents the portion of the cost of the network upgrade that is greater than the maximum allowance. The cost is determined for the network upgrade triggered by a customer.**

**Preamble to Questions 18 - 19**

In HQT-2 Document 1, page 3, line 24 to Page 4 line 2, Ms. Chang states:

> "Transmission providers typically recover the costs of network upgrades that result from customer's transmission service requests through charges that are either: (a) "rolled-in" with existing transmission costs that all customers pay over time; or (b) assigned to and paid for by the requesting transmission customer..... in the form of direct "contributions" or incremental rates". (We underlined.)

- Q18 - Is Ms. Chang saying that the phrases "direct contributions" and "incremental rates" are mutually exclusive, mean the same, neither or both? Please comment.

**Partie 1**

**R18**

**In the context of the quoted statement, Ms. Chang refers to "direct contribution" or "incremental rates" as two potential ways of recovering costs from customers that trigger a network upgrade, when rolled-in with embedded costs would increase the transmission rate.**

**In case of HQT, if an upgrade cost is greater than the maximum allowance, the transmission customer who induced network upgrades is required to pay a contribution for the portion of the cost of the upgrade that is greater than the maximum allowance. The cost of the upgrade up to the maximum allowance is rolled into the transmission provider's rate base and recovered through transmission rates.**

- Q19 - Is the 'contribution' a lump sum payment or a yearly rate? Please comment.

**Partie 1**

**R19**

**The contribution is a payment. It is not an annual transmission rate and is not included in the annual transmission rate.**

**Preamble to Questions 20 - 24**

In HQT-2 Document 1, page 3 line 24 and going to Page 4 line 2, Ms. Chang states:

> "..... through charges that are ..... assigned to and paid for by the requesting transmission customer..... in the form of direct 'contributions' or incremental rates".

HQT-2, Document 1, footnote 3, page 4 in Ms. Chang s testimony references FERC policy statement Docket No. RM93-19-00, October 26, 1994, which states:

> "The first principle is that pricing should conform to traditional cost of service methodologies which incorporate the embedded cost of facilities."

- Q20- With respect to the assets for which a customer makes a 'contribution', do all of the costs associated with the assets used to calculate the contribution receive traditional cost of service treatment when calculating the cost of service for a customer? Please comment.

**Partie 1**

**R20**

**Please see the response to question 17.**

- Q21 – For assets funded using customer contributions, is the capital value of those assets included in the HQT rate base?

**Partie 1**

**R21**

**Only the portion up to the maximum allowance is rolled in to HQT rate base.**

- Q22– For customer contributions, how are those funds accounted for in HQT's future cost of service rate making and regulatory accounts?

**Partie 1**

**R22**

**The customer contribution (including of O&M costs) is not part of HQT's rate base. The costs associated with maintaining the assets will be a part of HQT's revenue requirement.**

- Q23 In the aggregate, will the rates charged to transmission customers ensure that HQT will meet, but not exceed, its revenue requirement which is derived on a cost of service basis? Please comment.

**Partie 1**

**R23**

**HQT's transmission tariff is set to fully recover, but not exceed HQT's revenue requirement.**

- Q24 Please elaborate on the outcome of the annual "follow up" on commitments process, is the objective of "meeting but not exceeding its revenue requirement" aided through the yearly „follow up of the Contribution? Please comment.

**Partie 1**

**R24**

**As stated in section VI of Ms. Judy Chang's testimony, the annual follow-up "refers to the demonstration that the point-to-point customers have made or are making transmission service contract commitments that are sufficient to allow HQT to recover the rolled-in portion of the network upgrade costs, including O&M costs and applicable taxes" (HQT-2, Document 1, p. 27, lines 4-7). This is a follow-up of the commitments, hence not a follow-up of the contribution..**

**Preamble to Questions 25 - 28**

HQT-2, Document 1, footnote 3, page 4, refer to FERC policy statement Docket No. RM93-19-00, October 26, 1994, which states:

"1. Transmission Pricing Must Meet the Traditional Revenue Requirement

For conforming proposals, transmission prices must be based on the costs of the transmission service provided. The process of determining transmission prices involves three distinct steps. First, a utility must determine its total company revenue requirement, the capital component of which traditionally has been measured by embedded (depreciated original) cost. Second, a utility must allocate among individual customers or classes of customers that portion of the total revenue requirement that is attributable to providing transmission services, in a manner which appropriately reflects the costs of providing transmission service to such customers or classes of customers. Finally, the utility must design rates to recover those allocated costs from each customer class." (We underlined.)

- Q25 - Does HQT consider its pricing proposal to be "conforming" or "non-conforming" as the terms are used in the FERC policy document referenced? Please comment.

**Partie 1**

**R25**

**La question porte sur l'application et l'interprétation d'un texte de la FERC à la proposition du Transporteur. Sous réserve de toute interprétation juridique, qui ne relève pas du cadre d'une demande de renseignements, le Transporteur est assujetti à la juridiction de la Régie uniquement, non à celle de la FERC. Dans sa décision D-2012-010, la Régie a d'ailleurs confirmé ce qui suit quant à l'exercice de sa juridiction :**

> « *[74] La Régie considère qu'en vertu des pouvoirs prévus aux articles 31, 48 et 49 de la Loi, elle a pleine juridiction pour fixer des tarifs et des conditions qui soient justes et raisonnables. La Régie peut, à cette fin, prendre en considération des propositions et modifications qui découlent des ordonnances de la FERC pour tenir compte de l'évolution des textes réglementaires et des pratiques d'affaires en Amérique du Nord. Toutefois, avant de les incorporer dans les Tarifs et conditions, la Régie doit, notamment, s'assurer qu'elles soient pertinentes et applicables au contexte québécois, dans l'objectif d'adopter un texte qui offre aux clients du service de transport un accès ouvert et non discriminatoire au réseau du Transporteur*. »

**La question n'est pas pertinente au présent débat. Le texte des *Tarifs et conditions* et les politiques qui y sont inscrites sont le résultat du processus réglementaire menant à leur approbation par la Régie.**

- Q26– With respect to the second step mentioned in the quote above when HQT calculates its total company revenue requirements does it measure and record asset costs based on the customer classifications identified in parts II to IV of the HQT OATT? Please comment.

**Partie 1**

**R26**

**HQT only calculates one long-term transmission tariff for all customers.**

- Q27– With respect to the second step mentioned in the quote above for those transmission system improvements which benefit all system users and are required to ensure the system's durability and reliability, are these costs allocated to all system users based on a load ratio share of system use at time of peak? Please comment.

**Partie 1**

**R27**

**As mentioned in Section 7.2 of the Transmission Provider's Additional Evidence filed on September 12, 2014, there are 4 capital expenditure categories "customer demand growth," "asset maintenance," "maintenance and improvement of service quality" and "compliance with requirements." Of these 4 categories, only the expenditures related to the "customer demand growth" required to meet new customer needs are subject to the Transmission Provider's Network Upgrade Policy. The remaining capital expenditure categories are not subject to the Network Upgrade Policy. The cost of these capital expenditures under these three categories are included in the Transmission Provider's revenue requirement and used to calculate the system-wide transmission tariff that all customers pay.**

- Q28 - With respect to the third step which requires the rate design to recover the costs allocated to each customer class (Native, Point-to-Point, Network) does each customer class contain a capital project classification account which is unique to that customer class? Please comment.

**Partie 1**

**R28**

**HQT does not use separate categories for capital expenditures by customer class.**

**Preamble to Questions 29 -37**

HQT-1, document 1, section 2, titled "Framework of the Application", page 8/43 states:

> "The Transmission Provider notes that the Upgrades Policy relates to upgrades required to meet its customers needs, i.e. upgrades that involve projects in the "customer demand growth" category. Work done for purposes of network improvement, to ensure the network s durability and reliability, or to comply with requirements are not covered by t he Upgrades Policy. This distinction derives from the approach adopted by the Régie in Decision D-2002-95 and has been applied since: (We underlined.)

Improvements to the transmission system include additions required in order to ensure the system's durability and reliability. Such improvements serve to maintain proper operation of the system and ensure safe, reliable flow for the benefit of all system users. The Régie accepts the Transmission Provider's proposal because it is equitable that all customers should contribute to paying for these upgrades. The cost of these facilities may be rolled into the rate base if they are found in a rate case to be a useful and prudent acquisition."

The FERC pro forma OATT defines Network Upgrades as:

> "1.27 Network Upgrades: Modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider's overall Transmission System for the general benefit of all users of such Transmission System."

The HQT OATT defines Network Upgrades as:

> "1.4 Network Upgrades: Modifications or additions to transmission-related facilities that are integrated with the Transmission Provider s overall Transmission System, carried out either to meet demand from Transmission Customers under Part II or Part III, or at the request of the Distributor under Part IV herein."

- Q29 - One difference between the two Network Upgrade definitions is that the pro forma OATT definition speaks to the fact that Network Upgrades 'support' the Transmission Provider's overall system for the benefit of all users while the HQT OATT does not include this concept of „support' for all customers.

> (a) Does HQT make this distinction in its definition because as stated in HQT-1, document 1, section 2 HQT "Work done for purposes of network improvement, to ensure the network's durability and reliability, or to comply with requirements are not covered by the Upgrades Policy"?

**<u>Partie 1</u>**

**R29a**

**Voir réponse à la question 25.**

**Par ailleurs, la catégorie d'investissement citée par l'intervenant n'est pas couverte par la politique d'ajout au réseau de transport.**

**Suite à la décision D-2014-199, le Transporteur apporte les précisions et les compléments suivants.**

**La définition des « Ajouts au réseau » décrite à l'article 1.4 des *Tarifs et conditions* vise les ajouts au réseau découlant de la Partie II Service de transport de point à point, de la Partie III Service de transport en réseau intégré et de la Partie IV Service de transport pour l'alimentation de la charge locale. Ces ajouts sont réalisés par le Transporteur pour répondre à la demande des clients du service de transport en vertu des parties précitées des *Tarifs et conditions*.**

**Cette définition n'inclut pas les ajouts au réseau associés aux catégories d'investissement « Maintien des actifs », « Maintien et amélioration de la qualité du service » et « Respect des exigences ».**

(b) Please explain the reason for the difference in the definitions.

**Partie 1**

**R29b**

**Voir réponse à la question 25.**

**Suite à la décision D-2014-199, le Transporteur apporte les précisions et les compléments suivants.**

**L'article 1.4 des *Tarifs et conditions* du Transporteur vise les ajouts au réseau réalisés pour répondre à la demande des clients du service de transport en vertu de la Partie II, de la Partie III et de la Partie IV. Cet article est cohérent avec le cadre applicable au Québec.**

**Selon la compréhension du Transporteur, l'article 1.27 du *pro forma* de la FERC, quant à lui, définit tous les ajouts au réseau sans égard à la façon dont ils seront traités.**

**La différence découle du fait que le cadre réglementaire relatif au traitement des ajouts au réseau a évolué de manière distincte au Québec depuis la décision D-2002-95.**

- Q30 - In reference to the quote from D-2002-095 contained in HQT-1, document 1, section 2, as noted above, is HQT's position that the Régie does not recognize improvements which serve to maintain proper operation of the system and ensure safe, reliable flow for the benefit of all system users as being assets covered by the upgrade policy? Please comment.

**Partie 1**

**R30**

**La référence à la décision D-2002-95 vise simplement à appuyer l'énoncé selon lequel les travaux réalisés pour le maintien et l'amélioration de la qualité du service, ou qui visent à assurer le maintien des actifs, tout comme ceux requis pour se conformer aux exigences, le tout dans le but d'assurer la bonne performance et la fiabilité du réseau, ne sont pas couverts par les dispositions de la politique d'ajouts au réseau de transport. La Régie indique qu'il « est équitable que tous les clients contribuent au paiement de ces ajouts. »**

- Q31 - With respect to system modifications that result from an eligible customers request for transmission service and which serve to maintain proper operation of the system and ensure safe, reliable flow for the benefit of all system users, is there a definition within the HQT OATT that can be used to identify those types of assets? Please comment.

**Partie 1**

**R31**

**Les modalités relatives aux ajouts au réseau de transport qui découlent d'une demande de service de transport d'un client sont incluses dans les *Tarifs et conditions*.**

**Les ajouts visant la pérennité et la fiabilité du réseau et qui ne découlent pas d'une demande de service de transport d'un client ne sont pas sujets aux dispositions de la politique d'ajouts, comme indiqué en réponse à la question 29a.**

**Par ailleurs, si un ajout au réseau vise à répondre à la fois à une demande d'un client et vise à la pérennité et la fiabilité du réseau, le Transport appliquera la méthode présentée à la pièce HQT-3, Document 1.**[1]

- Q32 - With respect to the last sentence contained in the quote from D-2002-095 in the preamble, "The cost of these facilities may be rolled into the rate base if they are found in a rate case to be a useful and prudent acquisition." - are there any costs which are NOT rolled into the rate base? Please comment.

**Partie 1**

**R32**

**La Régie établit la juste valeur des actifs qu'elle estime prudemment acquis et utiles pour le réseau de transport et approuve la base de tarification incluant ces actifs.**

- Q33 - Does HQT's Network upgrade policy apply to native load growth, native load, both or neither? Please comment.

**Partie 1**

**R33**

**Tel qu'il est indiqué à la section A de l'appendice J des *Tarifs et conditions*, la politique d'ajouts du Transporteur s'applique à tout ajout au réseau de transport requis pour satisfaire les besoins du service de transport en vertu des Parties II, III et IV des *Tarifs et conditions*.**

- Q34 - In the event native load decreases in one geographic area of Quebec while in another geographic area native load increases by an equal or lesser amount, would the cost of any new equipment required to serve the additional load in the second geographic area be subject to the Upgrade Policy, would it be considered an asset maintenance project, neither or both? Please comment.

**Partie 1**

**R34**

**Le coût des ajouts au réseau requis pour transporter une croissance de la charge dans une région donnée est assujetti à la politique d'ajouts au réseau, même s'il y a simultanément une décroissance de la charge dans une autre région.**

- Q35 - In the event native load decreased in Quebec while a customer requested Point-to-Point transmission service for an equal or lesser amount, would the cost of any new equipment required to serve the Point-to-Point transmission customer

[1] Pièce HQT-3, Document 1, section 7.2.

be subject to the Upgrade Policy, would it be considered an asset maintenance project, neither or both? Please comment.

**Partie 1**

**R35**

**Chaque demande de service de transport de point à point à long terme est étudiée en fonction de l'état actuel de l'ensemble du réseau de transport et de son évolution prévue sur la période visée par la demande de service, selon la prévision de croissance de la charge locale et l'ordonnancement des demandes de service de transport de point à point. De cette façon, l'étude d'impact tient compte de toute variation de la charge locale sur l'horizon de la demande de service de transport de point à point. L'étude d'impact tient compte également des investissements en pérennité. Les ajouts requis pour répondre à un besoin de croissance ne remplacent pas les investissements en pérennité.**

- Q36 - Does HQT's modification to the definition of Network Upgrade, relative to the FERC proforma definition, remove from the scope of the HQT OATT some transmission facilities which would otherwise be within the scope of the HQT OATT network upgrades policy if HQ had maintained the FERC pro forma definition of Network Upgrades? Please comment.

**Partie 1**

**R36**

**Voir réponse à la question 25.**

- Q37 - Given the differences between HQT's definition of Network Upgrades, and that of FERC can HQT provide some guidance on the implications of the difference in the HQT and FERC's terms, such that the Regie can fully understand these implications in assessing HQT's network upgrade policy?

**Partie 1**

**R37**

**Voir réponse à la question 25.**

**Preamble to Questions 38 - 41**

In HQT -3, document 1, section 7.2, Page 14/21 the author states:

> "The Transmission Provider recalls that only projects which meet new customer needs, ie "customer demand growth" projects, are covered by the transmission network upgrade policy."

- Q38 - In the event a new resource is planning to be integrated to the HQT system and it is planned to export its production under an existing Point-to-Point transmission service contract (with a POR at the HQT point) whose MW reservation is unchanged does that transmission service arrangement provide new

revenue if system peak also remains unchanged? If so how?

**Partie 1**

**R38**

**Voir la réponse à la question 4.3 de la demande de renseignements numéro 1 de la Régie à la pièce HQT-4, Document 1.**

**Suite à la décision D-2014-199, le Transporteur apporte les précisions et les compléments suivants.**

**Selon sa compréhension, le Transporteur présume que le cas hypothétique présenté dans la question, en ce qui a trait au raccordement de centrale, réfère à l'article 12A.2 i) des *Tarifs et conditions*. Pour plus de détails quant à l'application de cet article, voir la réponse à la question 16.1 de la demande de renseignements numéro 1 de la Régie à la pièce HQT-4, Document 1.**

**Pour un raccordement de centrale selon l'article 12A.2 i), celui-ci prévoit qu'au moins une convention de service doit avoir été signée pour le service de transport ferme à long terme par le client du service de transport de point à point. Le texte des *Tarifs et conditions* ne prévoit pas la signature d'une nouvelle convention de service de transport. Selon la proposition du Transporteur, pour un ajout au réseau à la demande d'un client, ce dernier doit couvrir les coûts de l'ajout par voie de revenus de transport et, le cas échéant, de contributions.**

- Q39 - Is the project that's described in Q38 covered by the network upgrade policy? Please comment.

**Partie 1**

**R39**

**La politique d'ajouts s'applique à tous les ajouts découlant des demandes de clients du service de transport, que ce soit pour un raccordement de centrale ou pour un service de transport de point à point.**

- Q40 - In the event a new resource is planning to be integrated to the HQT system and it is planned to serve native load and system peak declines does the associated transmission service arrangement provide new revenue? If so how?

**Partie 1**

**R40**

**Le Transporteur tient à rappeler la nature particulière du service de transport de la charge locale[2] notamment le fait que la charge locale est constituée d'une multitude de charges alimentées par une multitude de ressources sans association particulière entre les unes et les autres. Pour le Transporteur, la charge locale, représentée par le Distributeur, constitue un tout.**

[2] Pièce HQT-1, Document 1, Section 3.1.2.

**De plus, dans l'agrégation des projets de charges et de ressources proposée par le Transporteur, aucun MW n'est attribué aux projets de raccordement de ressources.**

- Q41 - Is the project that's described in Q40 covered by the network upgrade policy? Please comment.

**Partie 1**

**R41**

**Le Transporteur rappelle que la politique d'ajouts couvre les raccordements de centrales et les ajouts requis pour répondre aux demandes des clients du service de transport de point à point et du service de transport servant à alimenter la charge locale.**

**Preamble to questions 42 - 43**

In FERC Order 2003-b at p. 56 the commission stated:

> "In response to these petitioners, we first reaffirm that an important objective of our interconnection pricing policy continues to be the protection of existing Transmission Customers, including the Transmission Provider's native load, from adverse rate implications associated with Interconnection Facilities and Network Upgrades required to interconnect a new Generating Facility. Despite the unsupported hypothetical generalizations of some petitioners, we have not been presented with any evidence that native load and other Transmission Customers cannot be held harmless under our existing pricing policy. <u>If a Transmission Provider (or an existing Transmission Customer) believes that, for an actual interconnection, it faces circumstances where native load and other customers are not held harmless, it should make that demonstration in an actual transmission rate filing.</u> The Transmission Provider must explain the facts of the case and the assumptions on which its calculation is based and provide evidentiary support. While we cannot envision any circumstances where our existing pricing policy will not fully protect native load and other Transmission Customers, we are willing to consider alternative pricing proposals under the facts of a specific case. We emphasize that <u>the Transmission Provider bears the full burden of showing that any such proposal is just and reasonable and not unduly discriminatory or preferential, and is appropriate under the circumstances</u>." (We underlined.)

Similarly within HQT-3, doc 1, page 13/21, at quote [55] the Régie stated:

> "The Régie directs the Transmission Provider to submit additional evidence specifying the cases in which the proposed solution would not

> apply, and explaining possible alternatives to the Transmission Provider s proposed methodology for cost-sharing among the various transmission service customers."

- Q42 - Please comment if and how the opinions and requirements within FERC Order 2003 and related rulings, have been considered and reflected in HQT's proposal. Please comment.

**Partie 1**

**R42**

**Voir réponse à la question 25.**

- Q43 - In reference to HQT-3, document 1, pg 13 of 21 "..the Transmission Provider wanted to leave the door open in case an exceptional situation should arise" - can HQT please elaborate on what would constitute an "exceptional situation"?

**Partie 1**

**R43**

**Comme mentionné à la pièce HQT-3, Document 1, « le Transporteur n'identifie pas de cas où la méthode proposée ne s'appliquerait pas. »**[3]

**Preamble to Question 44**

In FERC Order 2003 at p. 842 the commission stated:

> "A non-public utility that has a "safe harbor" Tariff may add to its Tariff an interconnection agreement and interconnection procedures that substantially conform or are superior to the Final Rule LGIP and Final Rule LGIA if it wishes to continue to qualify for safe harbor treatment."

- Q44 - Does section 12a of the HQT OATT with the proposed network upgrades policy, contain interconnection procedures that substantially conform or are superior to the FERC Order 2003 - Final Rule LGIP and Final Rule LGIA? If not, where is this procedure located within the HQ OATT?

**Partie 1**

**R44**

**Voir réponse à la question 25.**

**Preamble to Question 45**

[3] Pièce HQT-3, Document 1, page 18.

In FERC Order 2003-a the commission at p.756 stated:

> "In Order No. 2003, the Commission states that, on compliance, if a non-RTO or non-ISO (or other non-independent) Transmission Provider offers a variation from the LGIP and LGIA and the variation is necessary to meet established reliability requirements (i.e., approved by the Applicable Reliability Council), <u>then it may seek to justify its variation using the regional difference rationale. If the variation is for any other reason, the non-RTO or ISO Transmission Provider must justify the variation using the "consistent with or superior to" rationale that the Commission applies to variations from the OATT in Order No. 8</u>88."

- Q45 - There are no references or discussion of FERC Order 2003 in HQT's or Ms. Chang's testimony, are there any reasons related to system reliability which would make the industry conventions established by FERC's "  or' pricing policy" and those conventions born from Order 2003, and related rulings, not suitable for HQT? Please comment.

**<u>Partie 1</u>**

**R45**

**Voir réponse à la question 25.**

**The purpose of Ms. Chang's testimony was to provide the underlying principles behind FERC's transmission pricing policy and compare those principles to HQT's Network Upgrade policy.**

**Preamble to Question 46**

In HQT-2, document 1, Table 1, Ms. Chang provides a forecast of the "Maximum Allowance".

- Q46 - Please provide a reference which identifies the specific system modifications, upgrades or reinforcements which are included in the calculation and the reason for the upgrades i.e. native load growth, point to point service request, system maintenance etc.

**<u>Partie 1</u>**

**R46**

**The maximum allowance is calculated as indicated in Ms. Chang's testimony (HQT-2, Document 1, pages 9-11). The preamble refers to a forecast of the maximum allowance. The maximum allowance presented in Table 1 is not a forecast provided by Ms. Chang, since the Régie already approved it and its inputs. It is therefore applicable for 2014 in HQT's OATT.**

**Preamble to Questions 47 - 48**

On page 9/21 of HQT-3 Document 1, HQT states:

> "An allowance is granted to a Point-to-Point transmission customer only if the network upgrade required to meet the customers demand generates revenue for the Transmission Provider."

- Q47 - In the event HQP adds a generation resource to the HQT system and through the application of OATT 13.7 incorporates production from the facility to an existing export TSA, is this a case where no new revenue is generated for the Transmission Provider? Please comment.

**Partie 1**

**R47**

**Le Transporteur précise d'abord que la politique d'ajouts s'applique à tous les clients. La proposition du Transporteur consiste à s'assurer que sur une base annuelle, les revenus de l'ensemble des conventions puissent couvrir l'ensemble des engagements d'un client.**

**Voir également la réponse à la question 4.3 de la demande de renseignements numéro 1 de la Régie à la pièce HQT-4, Document 1.**

- Q48 - In the case noted in Q47 , are the network upgrades associated with the interconnection paid for through existing transmission service agreements or an upfront contribution? Please explain how the upgrades are paid for.

**Partie 1**

**R48**

**Pour chaque ajout sujet aux dispositions de la politique d'ajouts, le Transporteur calcule le montant maximal qu'il peut assumer, en vertu de l'appendice J des *Tarifs et conditions*.**

**Les coûts du projet jusqu'au montant maximal doivent être couverts par des revenus provenant du client de transport de point à point à l'origine de cet ajout. Si les coûts du projet sont supérieurs au montant maximal, le client devra payer l'excédent par une contribution.**

**Voir également la réponse à la question 47.**

**Preamble to questions 49 - 50**

On page 10/21 of HQT-3 Document 1, HQT states:

> "In the first step the maximum cost borne by the transmission provider is calculated on the basis of the maximum capacity to be transmitted from the distributors generating sources."

- Q49 - In the event that system load does not increase and as a result the maximum

capacity to be transmitted from the distributors generating sources does not increase and HQD avails of a new on system generation resource to serve native load under existing native load transmission service, is this a case where no new revenue is generated for the Transmission Provider? Please comment.

**Partie 1**

**R49**

**Voir la réponse à la question 40.**

- Q50 - In the event that total system load does increase, whether it is the result of a new Point-to-Point reservation by another customer or the result of a native load increase, is it the case that transmission costs are allocated on a load ratio share, regardless of the actual cost of the system upgrades? Please comment.

**Partie 1**

**R50**

**Voir la réponse à la question 14.9 de la demande de renseignements numéro 1 de la Régie à la pièce HQT-4, Document 1.**

**Preamble to Question 51 - 54**

Page 15/21 of HQT-3 Document 1, under the heading „ a) cost allocation of integrated multiple-objective projects HQT discusses the manner by which costs are allocated for projects containing multiple objectives.

- Q51 - For the three applications of the differential cost allocation methodology presented, can the author examine the separation of costs under scenarios where there is zero demand growth? This would be the case if a new resource was integrated to the HQT system and its production was exporting under existing Point-to-Point contracts (HQT point). Please comment.

**Partie 1**

**R51**

**Le Transporteur rappelle que seuls les projets réalisés à la demande des clients, soit les projets de la catégorie « Croissance des besoins de la clientèle », sont visés par la politique d'ajouts. S'il n'y a pas de composante en croissance, les coûts sont attribués entre les catégories visées par les objectifs du projet.**

- Q52 - Is it the case that all the transmission facilities presently associated with "Asset Maintenance" and „Maintenance and improvement of service quality and all the facilities that will be associated with those classifications are all facilities whose costs are treated as embedded within the cost of service rate setting methodology? Please comment.

**Partie 1**

**R52**

**Le Transporteur rappelle que seuls les projets destinés à répondre aux demandes de clients, soit les projets en « Croissance des besoins de la clientèle », sont visés par la politique d'ajouts.**

**Les projets ayant des objectifs en « Maintien des actifs », en « Maintien et amélioration de la qualité du service » et en « Respect des exigences » sont traités comme l'a décidé la Régie dans sa décision D-2002-95 citée en réponse à la question 30.**

- Q53 - Please describe the criteria for the following categories and what types of upgrades would be included in each category: (1) asset maintenance, (2) customer demand growth, (3) maintenance and improvement of service quality.

**Partie 1**

**R53**

**Les investissements sont catégorisés en fonction de leurs objectifs. En ce qui a trait aux ajouts réalisés dans l'objectif de répondre à la « Croissance des besoins de la clientèle », le Transporteur rappelle que seuls ceux-ci sont visés par les dispositions de la politique d'ajouts.**

**Pour plus d'information, voir la pièce HQT-3, Document 1, page 19.**

- Q54 - If an upgrade for customer demand growth results in a significant deferral of an upgrade that would otherwise be required in the short to medium term to maintain or extend the service delivery from a facility, would this cost sharing be considered as "asset maintenance" or "maintenance and improvement of service quality"? Please explain.

**Partie 1**

**R54**

**Le Transporteur réfère à la section 7.2.a) de la pièce HQT-3, Document 1, pour comprendre comment sont attribués les coûts des projets intégrés à objectifs multiples aux catégories d'investissement.**

**Voir également réponse à la question 35.**

**Preamble to Questions 55 - 59**

On Page 15/21 of HQT-3 Document 1 HQT states:

> "This differential cost allocation methodology is used because it is impossible to objectively measure, for each of the project facilities or components that that contribute to achieving more than one objective, the portion of costs that relates to each of the projects objectives."

In opinion 69 FERC 61,168 the commission stated:

"The AEP Companies also argue that it is unrealistic to expect them to estimate the incremental costs attributable to a transmission customer over the entire term of a long-term contract. We recognize that it may be difficult to determine the costs that would not have been incurred but for the transmission customer and to estimate future impacts of a transmission request. <u>However, if a utility needs to expand its system and charges a transmission customer a rate higher than an average, embedded cost rate to recover the costs of the expansion to its transmission system, the utility must be able to identify and justify the estimated costs of the expansion." (We underlined.)</u>

- Q55 - Please explain HQT's comment from page 15/21 of HQT-3 Document 1 in the context of the above noted reference from FERC.

**<u>Partie 1</u>**

**R55**

**Voir la réponse à la question 25.**

**Par ailleurs, l'attribution des coûts de façon séquentielle, par différence, est une approche valable pour identifier et justifier les coûts d'ajouts au réseau dans les projets intégrés à objectifs multiples, alors que chacun des équipements ou composantes du projet contribue à satisfaire indistinctement plus d'un objectif.**

**Le Transporteur rappelle que c'est dans une perspective d'optimisation de ses interventions qu'il réalise des projets dont les principales composantes contribuent à satisfaire simultanément des objectifs multiples de façon intégrée.**

- Q56 - For all the three capital project categories - (1) asset maintenance, (2) customer demand growth, (3) maintenance and improvement of service quality, please illustrate the manner by which a project is determined to be a revenue generator, or not? Please comment.

**<u>Partie 1</u>**

**R56**

**Les investissements sont catégorisés en fonction de leurs objectifs. Dans la mesure où un investissement a pour objectif, en tout ou en partie, de répondre à la « Croissance des besoins de la clientèle », et est ainsi visé par les dispositions de la politique d'ajouts, le coût de cet investissement se voit attribué, en tout ou en partie, à cette catégorie. Dans la mesure où il s'agit d'un projet intégré à objectifs multiples, la méthode séquentielle de partage des coûts décrite par le Transporteur à la pièce HQT-3, Document 1, section 7.2.a) s'applique.**

- Q57 - Please comment on the role depreciation plays in determining whether or not a capital project is classed as a revenue generator.

**Partie 1**

**R57**

**Les investissements sont catégorisés en fonction de leur objectif. L'amortissement n'a pas d'effet sur la détermination de la classification d'un projet dans la catégorie « Croissance des besoins de la clientèle » ou dans toute autre catégorie.**

- Q58 - Does depreciation play a role in protecting existing transmission customers against rate increases that could result from the cost of new projects? Please comment.

**Partie 1**

**R58**

**Pour les projets réalisés à la demande de clients, c'est l'application de l'allocation maximale et, lorsque applicable, de la contribution qui en découle qui protège les clients existants d'impacts de ces projets sur le tarif.**

**De plus, l'amortissement de la base de tarification existante permet d'amoindrir l'impact sur les revenus requis des mises en services.**

- Q59 - Can HQT provide examples of interconnection or upgrade policies from other OATTs which allocate costs based on capital project categories? Please comment.

**Partie 1**

**R59**

**Le Transporteur n'est pas en mesure de fournir des exemples provenant de *Tarifs et conditions* en vigueur dans d'autres juridictions.**

**Preamble to Question 60**

HQT-3, Document 1 Page 15/21 states:

> "However, the Transmission Provider reiterates that exceptional cases remain possible, given the unique and complex nature of some projects. If necessary, an appropriate cost allocation methodology will be submitted to the Régie for review as part of the project authorization process."

- Q60 - Please provide an example of an exceptional case?

**Partie 1**

**R60**

**À l'heure actuelle, comme indiqué à la pièce HQT-3, Document 1, le Transporteur n'a pas identifié de cas où la méthode proposée ne s'appliquerait pas. Si un tel cas survenait, le Transporteur ferait une proposition à la Régie.**

**Preamble to Questions 61 - 62**

The HQT OATT defines a third Party sale as:

> "1.63 Third-Party Sale: Any sale in interstate, interprovincial or international commerce to a Power Purchaser that is not designated as supplying either Network Load under the Network Integration Transmission Service or the Distributor s Native Load."

Reference 3 of HQT-2, Document 1, pg 4, in reference to "Comparability" States that:

> "Second, when a utility uses its own transmission system to make off-system sales, it should ``pay" for transmission service at the same price that third-party customers pay for the same service, and credit the transmission revenues to its native load customers. This treatment restricts the transmission owner's ability to gain an unfair advantage in the bulk power market by selling itself transmission service at a discount that would be subsidized by native load and transmission-only customers."

Also in, Reference 3 of HQT-2, Document 1, under the heading "Transmission Pricing Should Promote Fairness" FERC states that:

> " As a general matter, transmission pricing should be fair and equitable. This has two important implications. First, the EPA requires that, to the extent practicable, existing wholesale, retail and transmission customers should not pay for the costs incurred in providing wholesale transmission services ordered under section 211. Similarly, we do not believe that third-party transmission customers should subsidize existing customers....."

In HQT-2, Document 1, page 4, lines 5 - 7 Ms. Chang states that:

> "The network upgrade policies in the U.S. center on protecting existing transmission customers from excess costs induced by network upgrades associated with customers requesting transmission service...."

Similarly in HQT-2, Document 1, page 5, lines 1 - 10 Ms. Chang also states that:

> "However, since native load customers, prior to restructuring, had funded (and were going to continue to fund) the infrastructure that made the delivery of power to them possible, <u>FERC also wanted to ensure that existing transmission users would not be unduly harmed by costs imposed by customers requesting transmission service involving network upgrades that could increase the embedded costs of the system</u>. Thus, FERC s initial "higher of" policy was designed to ensure that existing (and growing)

native load was protected, while the wholesale market developed, allowing new customers to interconnect to the existing transmission network that was predominantly funded by existing native load. In a policy statement in the mid-1990s, FERC stated that one of the goals of its new pricing policy was "to hold native load customers harmless." (We underlined.)

- Q61 - In reference to these quotes from Ms. Chang please confirm Ms. Chang's position regarding which existing customers are being protected from excess costs, i.e. transmission service customers for native load? point-to-point transmission service customers for export sales, both, neither? Please comment.

**Partie 1**

**R61**

**In reference to the quote above, both existing native load and point-to-point transmission service customers should be protected from excess costs related to the upgrades triggered by the requesting customer.**

- Q62 - Would Ms. Chang agree that 'comparability" is an absolute requirement within FERC's transmission pricing policy document as referenced in footnote 3 of HQT-2, document 1. Please comment.

**Partie 1**

**R62**

**FERC's general principle is to ensure that transmission pricing policy should treat all transmission customers equitably.**

## Partie 2 – Questions de M. Seabron Adamson pour NLH

**Preamble to Questions 1:**

Testimony of Judy Chang, page 4:

*As a part of U.S. electricity industry restructuring in the 1990s, FERC outlined its transmission pricing policy. FERC indicated a desire to ensure that its "transmission pricing policies promote economic efficiency, fairly compensate utilities for providing transmission services, reflect a reasonable allocation of transmission costs among transmission users, and maintain the reliability of the grid."3 More specifically, FERC identified five principles for evaluating transmission pricing proposals. In a 1995 Order to clarify its 1994 transmission pricing policy, FERC stated the following:* [*Quotation omitted*]

1. Ms. Chang in her testimony quotes the principles stated by FERC in its 1995 policy statement and in Order 888 for transmission cost allocation. Has she considered more recent FERC Orders regarding transmission cost allocation principles by public utility transmission providers? Please comment.

**Partie 2**

**R1**

**Ms. Chang's testimony (HQT-2, Document 1) was intended to present the principles underlying FERC's transmission pricing policy for network upgrades and compare them to the principles supporting HQT's proposed network upgrade policy. Ms. Chang is generally aware of other FERC orders related to transmission network upgrade pricing. As listed on Appendix C "References" to Ms. Chang's testimony, Ms. Chang also relied upon FERC Order 890 dated February 16, 2007.**

**Preamble to Question 2:**

Testimony of Judy Chang, page 7*:*

*"HQT's embedded costs are recovered through a uniform transmission charge that is based on HQT's system cost, net of the amount paid through customers' direct contributions. To provide a reasonable assurance that customers triggering network upgrades do not impose excess costs on other customers of the system by raising the average system charge, HQT has put into place an approach that requires both the native load customer (Hydro-Québec Distribution (HQD)) and point-to-point customers (Hydro-Québec Production (HQP) or third-parties) to pay sufficient contributions to HQT for network upgrade costs that exceed average system costs"*

2. Please provide a detailed schedule of actual annual customer Contributions (for the last 5 years) associated with each category of transmission network upgrades (e.g., associated with point-to-point service, native load growth and generation interconnection).

**Partie 2**

**R2**

**Le Transporteur est d'avis qu'il n'est pas requis de produire les informations demandées pour saisir la portée de sa proposition et comprendre l'approche décrite en préambule.**

**Suite à la décision D-2014-199, le Transporteur apporte les précisions et les compléments suivants.**

**Les informations détaillées en ce qui a trait aux contributions annuelles des clients pour les cinq dernières années, soit les années 2009 à 2013, associées au service de transport pour l'alimentation de la charge locale dans le cadre des projets de croissance de charges et des projets de ressources, ainsi qu'au service de transport de point à point, sont présentées ci-après.**

**Service de transport pour l'alimentation de la charge locale**

**Tel qu'il est présenté dans la preuve du Transporteur, les contributions du Distributeur dans le cadre des projets de croissance de charges pour les années 2009 à 2013 sont les suivantes :**

- **Pour les années 2009 à 2012, comme indiqué aux pages 39 à 42 de la pièce HQT-1, Document 1 révisée en date du 31 octobre 2014, les montants des contributions sont nuls puisque le coût total des projets est inférieur à la somme des montants maximaux calculés pour ces projets.**
- **Pour l'année 2013, comme indiqué à la page 13 ainsi qu'à la page 43 de la pièce HQT-1, Document 1 révisée en date du 31 octobre 2014, le montant estimé de la contribution est de 8,6 M$[4] auquel on ajoute les coûts d'exploitation et d'entretien pour un total de 9,9 M$.**

**Tel qu'il est présenté dans la preuve du Transporteur, les contributions du Distributeur dans le cadre des projets de ressources concernant l'intégration de parcs éoliens[5] pour les années 2009 à 2013 sont les suivantes :**

- **Pour les années 2009 à 2012, comme indiqué aux pages 39 à 42 de la pièce HQT-1, Document 1 révisée en date du 31 octobre 2014, les montants des contributions sont nuls.**
- **Pour l'année 2013, comme indiqué à la page 43 de la pièce HQT-1, Document 1 révisée en date du 31 octobre 2014, le montant estimé de la contribution du Distributeur pour 1er A/O éolien est de 26,4 M$ auquel on ajoute les coûts d'exploitation et d'entretien pour un total de 30,4 M$.**

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4 Les montants de l'année 2013, présentés dans la preuve, constituent des estimations sur la base de la demande tarifaire 2013 et 2014 du Transporteur, dossier R-3823-2012, pièce HQT-12, Document 2.

5 Pour les autres projets de ressources pour la charge locale, les montants des contributions sont nuls.

**<u>Service de transport de point à point</u>**

- **Pour les années 2009 à 2012, aucune contribution n'a été requise des clients de service de transport de point à point.**
- **Pour l'année 2013, le montant de la contribution du Producteur est de 40,2 M$[6], incluant les coûts d'exploitation et entretien, pour le projet d'intégration des centrales de l'Eastmain-1-A et de la Sarcelle. Aucune contribution n'a été requise des autres clients de service de transport de point à point.**

**Preamble to Questions 3 and 4:**

Testimony of Judy Chang, page 14:

*"Under the proposed approach, when integrating generation resources for native load triggers network upgrades, HQT would, in a first step, determine HQD's Contribution as under the current policy, which is the "assumed" rolled-in amount. This allows equitable treatment to all generation resources. In a second step, HQT would compare the assumed rolled-in portion of the upgrade costs against "credits" associated with HQD's load growth-related upgrades. "Credits" are created when the rolled-in portion of an upgrade cost is less than the Maximum Allowance. This comparison determines whether HQD has accumulated sufficient credits to cover the "assumed" rolled-in portion of the generation resource-related upgrade costs. If there are not enough credits to cover the pooled network upgrade costs needed to serve load and associated generation resources, HQD will be required to make an additional Contribution that covers the remainder of the upgrade costs."*

3. Please provide a schedule of HQD "credits" would have been over the last 5 years and how these were calculated

**<u>Partie 2</u>**

**R3**

**Le Transporteur réfère aux tableaux de l'annexe 1 de la pièce HQT-1, Document 1 révisée.**

4. Are such "credits" available to point-to-point customers as well as HQD? if so, please describe applicability of credits for a point to point customer.

**<u>Partie 2</u>**

**R4**

**The proposed approach relating to "credits" applies only to the Distributor as described in the evidence of HQT.**

[6] Tableau 20 de la pièce HQT-7, Document 1, dossier R-3823-2012.

**Preamble to Question 5:**

HQT Evidence, "Transmission Provider Policy on Network Upgrades", page 11.

*"When a point-to-point customer requests transmission service for which transmission network upgrades are necessary, the amount of the allowance granted by the Transmission Provider is based on the term of the transmission service agreement executed by the customer. Customers are granted an allowance over a maximum period of 20 years, or based on the term of their service agreement, and they must pay, if applicable, a contribution if the cost of their network upgrades exceeds the allowance."*

5. Please provide a summary of point-to-point service requests made to HQT over the last 5 years and their quantity in MW and duration in years, plus the associated points of injection and withdrawal.

**Partie 2**

**R5**

**Toutes les demandes de service de point à point sont inscrites sur le système OASIS du Transporteur. La liste de la séquence d'impact est accessible dans la partie publique du système OASIS. Voir également la réponse à la question 16.2 de la demande de renseignements de la Régie.**

**Preamble to Questions 6 and 7:**

Testimony of Judy Chang, page 7:

*"To protect existing customers from bearing excess costs for network upgraded associated with a transmission service request, HQT estimates the maximum amount of transmission investment that can be rolled-in to its aggregate revenue requirement (which I will refer to as "Maximum Allowance"). If the cost of certain upgrades needed to fulfill a customer's transmission service request exceeds this maximum, the customer is required to make a direct contribution (which I will refer to as "Contribution") in excess of the Maximum Allowance to HQT to mitigate the impact of the upgrade on HQT's other customers. This treatment is applicable to upgrades associated with native load growth, generation integration, and point-to-point transmission service."*

6. Has HQT suffered any direct financial losses, or has its native load customers faced any increased costs, from transmission additions made to accommodate point-to-point service requests of less than 20 year duration while its OATT has been in force? Please comment.

**Partie 2**

**R6**

**Ms. Chang has not evaluated whether native load customers have faced any increased costs from transmission additions made to accommodate point-to-point service requests of less than 20 year duration. However, HQT uses the point-to-point transmission service length to determine the maximum allowance and to estimate the amount of cost that can be rolled-in to the transmission tariff. If the cost of the upgrade is greater than the maximum allowance, the customer is required to make a contribution.**

7. If HQT claims it has suffered any such financial losses, so, please provide a detailed schedule of these losses and how they have been calculated.

**Partie 2**

**R7**

**Le Transporteur estime que cette question ne s'inscrit pas dans le cadre de la présente demande, qui a été retenu par la Régie afin de traiter des sujets identifiés dans la décision procédurale D-2014-117. De plus, le Transporteur n'a pas évoqué de telles pertes financières dans sa preuve.**

**Preamble to Question 8:**

HQT Evidence, "Transmission Provider Policy on Network Upgrades", page 11.

*"Under the current regulatory framework, the Distributor's contribution is calculated on the basis of annual commissionings by applying the maximum allowance to forecasted 20-year growth in satellite substations and customers connected directly to the transmission system. Thus, the Transmission Provider updates the Distributor's contribution to native load projects on an annual basis. The Distributor's resource-integration and generating-station-connection projects ("resource projects") are rolled into the Transmission Provider's rate base up to the maximum allowance, based on the maximum capacity to be transmitted on the network.*

*In accordance with Section C of Attachment J to the Transmission Tariff, the Transmission Provider calculates the Distributor's contribution "taking into account for all investments associated with projects commissioned by the Transmission Provider during the year and all load growth that such projects are to serve over a twenty (20) year period." As a result, projects are aggregated on an annual basis. That aggregation is filed with the Régie in rate applications."*

8. Please provide a detailed calculation of the Distributor's contribution based on 20 year growth forecast as discussed in Section 3.1.2.1 for each of the last 5 years.

**Partie 2**

**R8**

**Le Transporteur réfère aux tableaux de l'annexe 1 de la pièce HQT-1, Document 1 révisée.**

**Preamble to Question 9:**

HQT Evidence, "Transmission Provider Policy on Network Upgrades", page 13.

*"The maximum allowance is established over a 20-year period, so the cost of upgrades made at a customer's request is recovered within a maximum of 20 years. This allowance is less than what it would be if it were based on the average useful life of transmission facilities, which is 40 years. The Transmission Provider is therefore guaranteed a contribution greater than what would be required if it were calculated over average useful life instead of a limited 20-year period, as is currently the case. In this regard, it should also be noted that native load, which grows gradually over the timeframe factored into the maximum allowance, in fact persists well beyond the 20-year period used to establish this allowance."*

9. What impact on transmission rates, maximum allowance and Distributor contributions would be forecast over the next three years if the Transmission Provider assumed the use of a life of 40 years for transmission facilities, as discussed in 3.1.2.2 (page 13).

**Partie 2**

**R9**

**La proposition du Transporteur est de maintenir la période d'établissement de l'allocation maximale sur 20 ans. Le Transporteur indique que son rôle n'est pas de procéder à des analyses ou des simulations au bénéfice des démonstrations que souhaite réaliser l'intervenant.**

**Preamble to Question 10:**

HQT Evidence, "Transmission Provider Policy on Network Upgrades", page 15.

*"Transmission Provider's Proposals*

- *Include all of the Distributor's projects in the annual aggregation of projects used to calculate the "annual aggregation (loads and resources)" contribution, i.e. add resource projects to the aggregation currently used for native load growth projects in order to limit the total capital costs borne by the Transmission Provider to the maximum allowance based on forecasted 20-year growth in satellite substations and customers connected directly to the transmission system.*
- *Carry forward positive balances from the annual aggregation of the Distributor's projects to cover its contribution in subsequent years, if applicable."*

10. Provide a table of carry forward balances for the last 5 years and provide a calculation demonstrating how these carry forward balances (if implemented at the time) would have affected:

a. HQD Contributions

**Partie 2**

**R10a**

**Voir les notes 1 des tableaux R7.3.1 et R7.3.2 de la réponse à la question 7.3 de la demande de renseignements numéro 1 de la Régie à la pièce HQT-4, Document 1.**

b. Maximum Allowance and

**Partie 2**

**R10b**

**Le Transporteur précise que montant maximal attribué aux projets de croissance aux postes satellites et aux projets de raccordement de clients du Distributeur directement au réseau de transport n'est pas affecté par le cumul des soldes positifs.**

**Par ailleurs, le Transporteur souligne que l'allocation maximale (en $/kW) approuvée par la Régie dans la section E de l'appendice J des *Tarifs et conditions* des dernières années ne sera pas modifiée, celles-ci ayant fait l'objet de décisions finales.**

c. the Network Service Rate

**Partie 2**

**R10c**

**Voir la réponse à la question 7.3 de la demande de renseignements numéro 1 de la Régie à la pièce HQT-4, Document 1.**

**Preamble to Questions 11-14:**

HQT Evidence, "Transmission Provider Policy on Network Upgrades", page 24:

*"The Transmission Provider proposes a new approach to following up on commitments for future projects. The proposed follow-up would be conducted on an annual basis, as desired by the Régie.*

*Under this proposal, the Transmission Provider will perform an annual follow-up to demonstrate that upgrade costs for each customer, as established for monitoring purposes for all projects subject to paragraph 12A.2(i) and sections A, B and D of Attachment J, are being recovered annually by total transmission revenues for that customer."*

11. Please provide a detailed description and an example of how HQT currently conducts transmission cost "follow-ups" for point-to-point or other transmission customers on a net present value basis using actual costs and revenues from an existing Point -to-Point or generation interconnection transmission customer.

**Partie 2**

**R11**

**À ce jour, le suivi des engagements de type Toulnustouc et selon l'article 12.A ii) est présenté sur une base annuelle à la Régie. Ces engagements sont présentés à l'annexe 2 de la pièce HQT-1, Document 1.**

**Jusqu'à présent, les projets déjà autorisés en vertu de l'article 12A.2 i) et de l'appendice J des *Tarifs et conditions* ne sont pas associés à des engagements annuels. Ces projets ont fait l'objet d'une démonstration de revenus au moment de la demande d'autorisation des projets à la Régie, en fonction de l'impact tarifaire et lorsque la Régie le demandait, sur la base de la valeur actualisée des revenus d'au moins une convention de service de transport à long terme.**

12. What total additional customer cost amounts have been collected by HQT in each of the previous 5 years under these "follow-ups"?

**Partie 2**

**R12**

**Cette question n'est pas claire en ce qui a trait aux termes « *total additional customer cost amounts* ».**

**Le Transporteur mentionne qu'il a perçu des revenus de transport permettant de couvrir les engagements. Il n'a pas encaissé d'autres montants résultant du suivi des engagements.**

**Suite à la décision D-2014-199, le Transporteur apporte les précisions et les compléments suivants.**

**Dans le cadre de la lettre du 7 novembre 2014 des procureurs de NLH, le Transporteur note que l'intervenant modifie sa question comme suit : « total amounts payed by customer under "follow-up" over each of the last five years ». Le Transporteur présente, ci-après, le total des montants qui a été payé par le client selon le suivi des engagements pour chacune des cinq dernières années.**

**Le Transporteur précise que les montants relatifs aux engagements et aux revenus provenant des conventions, pour les cinq dernières années, sont présentés à l'annexe 2 de la pièce HQT-1, Document 1 révisée en date du 31 octobre 2014.**

**À cet égard, les informations détaillées en ce qui a trait au total des montants qui a été payé par le client, soit le Producteur, selon le suivi des engagements pour les années 2009 à 2013, sont présentées ci-après.**

**Pour les années 2009 à 2013, le total des revenus en ce qui a trait aux engagements selon l'article 12A.2 ii) est indiqué à la pièce HQT-1, Document 1 révisée en date du 31 octobre 2014, page 45, à la section « Revenus pour les engagements selon l'article 12A.2 ii » sur la ligne « Revenus », soit des montants de 1,5 M$, 1,7 M$, 1,8 M$, 1,8 M$ et 1,5 M$ respectivement. Par ailleurs, le total des revenus en ce qui a trait aux engagements de type Toulnustouc et autres engagements est indiqué à la même pièce, page 45, à la section « Revenus pour les engagements de**

**type Toulnustouc et autres engagements », soit des montants de 197,4 M$, 309,4 M$, 304,9 M$, 289,5 M$ et 283,4 M$ respectivement. Ainsi, le total des revenus en ce qui a trait au suivi des engagements correspond à des montants de 198,9 M$, 311,1 M$, 306,7 M$, 291,3 M$ et 284,9 M$ respectivement, pour chacune de ces années.**

13. Please provide a detailed description and an example of how HQT proposes to conduct transmission cost "follow-ups" for point-to-point customers on an annual basis.

**<u>Partie 2</u>**

**R13**

**Le Transporteur précise que l'annexe 2 de la pièce HQT-1, Document 1 révisée, présente en détail la proposition du Transporteur.**

**Suite à la décision D-2014-199, le Transporteur apporte les précisions et les compléments suivants.**

**Le Transporteur présente, ci-après, les informations détaillées, en ce qui a trait à la description du suivi des engagements sur une base annuelle pour un client de service de point à point ainsi qu'un exemple à cet égard.**

**La proposition du Transporteur, quant au suivi annuel des engagements futurs pour chacun de ses clients de point à point peut essentiellement être décrite comme suit :**

- **Établissement de la somme des revenus annuels de point à point du client, ce qui correspond à la somme des revenus provenant des conventions de service de transport de point à point du client en vigueur lors de l'année.**
- **Établissement de la somme des engagements annuels du client de point à point, ce qui correspond à la somme des annuités, calculées sur une période maximale de 20 ans pour chaque ajout au réseau visant le client.**
- **Détermination sur une base annuelle que la somme des revenus annuels de point à point du client permet de couvrir la somme des annuités découlant de tous les engagements de ce client.**

**Le tableau suivant présente, à titre indicatif, sur la base de la proposition du Transporteur, un exemple du suivi annuel des engagements pour un client de service de transport de point à point qui aurait des engagements pris dans le cadre de l'article 12A.2 i) ou en vertu de la Partie II des *Tarifs et conditions*.**

**Tableau R13.2**

**Exemple de suivi selon la proposition du Transporteur des engagements pour un client de service de transport de point à point**

| | Année prospective |
|---|---|
| **Revenus de point à point (M$)** | |
| Convention de service signée avant l'année prospective[1] | 80 |
| Convention de service signée à l'année prospective[1] | 20 |
| **Total des revenus** | **100** |
| **Engagements (M$)** | |
| Annuité du projet 1 | 60 |
| Annuité du projet 2 | 20 |
| Annuité du projet 3 | 10 |
| **Total des engagements** | **90** |
| **Surplus ou déficience[2]** | **10** |

[1] Les conventions de service sont en vigueur à l'année prospective.

[2] Lorsque les revenus sont supérieurs ou égaux aux engagements, il s'agit d'un surplus. Lorsque les revenus sont inférieurs aux engagements, il s'agit d'une déficience.

**Dans cet exemple, le client de service de transport de point à point a couvert ses engagements, compte tenu que le total des revenus de point à point est supérieur au total des engagements sous forme d'annuités.**

14. Under HQT's proposal, If under follow-up from a point-to-point customer a surplus is generated will these be refunded in a year if the point-to-point customer has no further obligations to HQT Please comment.

**<u>Partie 2</u>**

**R14**

**Ce n'est pas la proposition du Transporteur.**

**Preamble to Question 15:**

HQT additional evidence, page 13:

*"In Decision D-2014-117, the Régie stated:*

> *[54] The Régie notes that the Transmission Provider does not specify the cases in which the proposed methodology would not apply. The Régie also believes that it would be relevant and appropriate to know, in the context of this case, what alternative methods the Transmission Provider might propose for the purpose of sharing costs among the various transmission service customers.*

> *[55] The Régie directs the Transmission Provider to submit additional evidence specifying the cases in which the proposed solution would not apply, and explaining possible alternatives to the Transmission Provider's proposed methodology for cost-sharing among the various transmission service customers.*

*At this time, the Transmission Provider has not identified any cases in which the proposed methodology would not apply. Therefore, it has not defined alternative methodologies for cost-sharing among the various transmission service customers."*

15. Has in the last 10 years the Transmission Provider been required to make any cost allocation decisions between different categories of customers (such as native load versus point-to-point customers)? If so, describe how these cost allocation decisions have been made and provide the calculations in spreadsheet format.

**Partie 2**

**R15**

**Voir la réponse à la question 17.b de la demande de renseignements numéro 1 de l'AQCIE-CIFQ à la pièce HQT-4, Document 2.**

**Preamble to Question 16:**

HQT additional evidence, page 14:

*"Capital projects are classified according to their objectives.*

*The resulting classification is used to allocate project costs to the various capital expenditure categories. Capital projects that are needed to meet new customer demand belong to the revenue-generating group, while projects that ensure the durability of the system, the maintenance or improvement of service quality or compliance with requirements belong to the non-revenue-generating group. Based on these objectives, the Transmission Provider uses four capital expenditure categories recognized by the Régie, in the following order: "customer demand growth," "asset maintenance," "maintenance and improvement of service quality" and "compliance with requirements," as defined in the exhibit entitled "Description synthétique des investissements et de leurs objectifs" in docket R-3904-2014."*

16. Please provide a schedule of costs allocated between the four categories {customer demand growth, asset maintenance, maintenance and improvement of service quality, compliance with requirements} over the last five years and describe how these have been allocated in detail.

**Partie 2**

**R16**

**Le Transporteur présente le sommaire des mises en service, par catégories, pour la période 2009 à 2013 au tableau suivant.**

**Tableau Partie 2 – R16**
**Sommaire des mises en service par catégorie 2009 à 2013 (M$)**

| Catégorie des mises en service | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Maintien des actifs | 636 | 638 | 564 | 541 | 634 |
| Maintien et amélioration de la qualité du service | 60 | 76 | 221 | 81 | 248 |
| Respect des exigences | 25 | 51 | 17 | 47 | 58 |
| Croissance des besoins | 718 | 388 | 460 | 373 | 1 012 |
| **Total** | **1 440** | **1 153** | **1 262** | **1 042** | **1 951** |

**Pour la méthode d'attribution des coûts aux différentes catégories, le Transporteur réfère l'intervenant à la pièce HQT-3, Document 1, section 7.2.**

**Preamble to Question 17:**

HQT additional evidence, page 14:

*"However, to optimize each of its initiatives, the Transmission Provider carries out many large-scale projects whose main components simultaneously pursue multiple objectives in an integrated fashion ("integrated multiple-objective projects"). For example, entire facilities and sometimes entire sub-systems are sometimes fully replaced to achieve objectives of durability, growth and service quality improvement. The allocation of project costs to the various relevant categories is more complicated in those cases"*

17. Please detail the set of criteria used by HQT is establishing the "objectives" in integrated projects and how these are used to separate costs.

**Partie 2**

**R17**

**Les objectifs d'un projet sont déterminés en fonction des besoins identifiés et de la possibilité de les traiter au sein d'un même projet, compte tenu de leur concomitance. Ainsi, les besoins identifiés se traduisent par des objectifs.**

**Suivant ces objectifs, le Transporteur utilise quatre catégories d'investissement reconnues par la Régie, soit la catégorie « Croissance des besoins de la clientèle », la catégorie « Maintien des actifs », la catégorie « Maintien et amélioration de la qualité du service » et la catégorie « Respect des exigences ».**

**Pour une description de la catégorisation des projets d'investissements, voir la section 7.2 de la pièce HQT-3, Document 1.**

**Preamble to Question 18:**

HQT additional evidence, page 18

*The Transmission Provider is not aware that cost-sharing among the beneficiaries of a transmission system improvement project is a common practice in other jurisdictions.*

18. What other jurisdictions has HQT examined in making the statement that "The Transmission Provider is not aware that cost-sharing among the beneficiaries of a transmission system improvement project is a common practice in other jurisdictions"?

**Partie 2**

**R18**

**Ms. Chang is familiar with some of the cost allocation methodologies used in the U.S. for network upgrades. By its evidence, HQT is describing the fact that different approaches to cost sharing for transmission network upgrades are applied in different regions in the U.S. There is no one single cost-allocation method that applies to all regions in the U.S.**

**Preamble to Question 19:**

HQT additional evidence, page 18:

*"Some network upgrades provide direct or indirect benefits to existing or future users other than the requester that triggered the expenditure. It is however reasonable to think that those users would be inclined to challenge any attempt to make them pay a share of the cost of upgrades that are not required for their own transmission or generating station connection needs, on the grounds that they were not involved in the decision to make such network upgrades."*

19. Under what circumstances does HQT anticipate that that the requesters of transmission services triggering upgrades differ from the beneficiaries? Does it have examples of such differences?

**Partie 2**

**R19**

**Le Transporteur considère que le demandeur ayant déclenché un ajout au réseau en est toujours le bénéficiaire. Par ailleurs, le Transporteur précise que l'ensemble du réseau de transport sert à rendre l'ensemble des services de transport.**