
DEMANDE DE RENSEIGNEMENTS DE L'ASSOCIATION QUÉBÉCOISE DES CONSOMMATEURS INDUSTRIELS D'ÉLECTRICITÉ (AQCIE) ET DU CONSEIL DE L'INDUSTRIE FORESTIÈRE DU QUÉBEC (CIFQ) DANS LE CADRE DE LA DEMANDE DE MODIFICATION DE LA POLITIQUE D'AJOUTS AU RÉSEAU DE TRANSPORT (DEMANDE FORMULÉE PAR M. ROBERT D. KNECHT)

1. Reference HQT-2, Document 1, Table 1:
 - a. Please confirm that, under HQT's proposed contribution policy, the maximum allowance is set such that the first year tariff revenues from the new load are sufficient to recover the first year utility revenue requirement for the maximum allowance. If you cannot confirm, please explain your response.
 - b. Please confirm that, under HQT's proposed contribution policy, the tariff revenues from the new load will exceed the revenue requirement associated with the maximum allowance. If you cannot confirm, please explain your response.
 - c. In Ms. Chang's experience, is it reasonable to establish a customer contribution policy in which revenues from the new load exceed the revenue requirement for the maximum allowance level for most of the life of the assets?
2. Reference HQT-1, Document 1, Section 3.1.2.2
 - a. Please explain why it is appropriate to be conservative in specifying the period over which native load revenues will be received, such that a 20-year revenue period is applied to assets which will last for 40 years.
 - b. Please identify any alternatives that native load has to service from HQT.
3. Reference HQT-3, Document 1, Section 3.1(c):
 - a. Please indicate whether the referenced 1.6 percent is O&M expense as a percentage of gross plant or net plant.
 - b. Please provide a 10-year history of HQT O&M costs, peak kW system demands, total gross plant and total net plant.

4. Reference HQT-3, Document 1, Section 4:
 - a. Please specify the maximum allowance that HQT will make for point-to-point service under the following examples, and explain your response:
 - i. 100 MW new point-to-point load with 100 MW new generation integration;
 - ii. 100 MW new point-to-point load with 150 MW new generation integration;
 - iii. 100 MW new load served from existing generating facilities;
 - iv. 100 MW new generation integration displacing generation from existing or closed facilities and no net new load.
5. Reference HQT-2, Document 1, page 15, lines 6 to 7:
 - a. Please explain why a maximum allowance is applied to the full capacity of a generating resource being added, when the generating resource can only increase HQT's revenue if there is an incremental load.
6. Reference HQT-2, Document 1, Table 6, Scenario 1:
 - a. Is it correct that Scenario 1 envisions a 100 MW generation addition associated with a 400 MW load addition? Please explain any negative response.
 - b. Is it correct that Scenario 1 envisions a total investment cost of \$200 million and a customer contribution of \$40.2 million (before O&M markup)? Please explain any negative response.
 - c. Please explain why Scenario 1 requires any contribution at all, if total cost is \$200 million and the maximum allowance is \$239.1 million?
 - d. Under Scenario 1, would the unused credit of \$80.1 million (\$139.1 million credit less the \$59.8 applied to resource integration) be available to offset other native load projects?
7. Reference HQT-2, Document 1, Table 6, Scenario 3:
 - a. Is it correct that Scenario 3 envisions a 100 MW generation addition associated with a 400 MW load addition? Please explain any negative response.

- b. Is it correct that Scenario 3 envisions a total investment cost of \$400 million and a \$160.9 customer contribution (before O&M markup)? Please explain any negative response.
 - c. Can Scenario 3 be reasonably summarized as a project with a cost of \$400 million, a maximum credit of \$239.1 million, and a contribution equal to the difference? Please explain any negative response.
- 8. Reference HQT-2, Document 1, Table 1 and Table 8:
 - a. Is it HQT's proposal that the levelized rolled-in cost value can be used to set the minimum revenue that must be earned from a new point-to-point load? Please explain any negative response.
 - b. Based on the methodology presented in this chart, is it correct that a 100 MW investment with a cost of \$59.8 million (\$598 per kW) would have a levelized annual cost of \$6.036 million, or \$60.36 per kW? Please explain any negative response.
 - c. Please explain why a charge of \$60.36 per kW is sufficient to justify an investment of \$598 per kW using the approach in Table 8, when a charge of \$74.65 per kW is necessary to justify an investment of \$598 per kW in Table 1.
- 9. Reference HQT-2, Document 1, Table A1:
 - a. Please explain why the existing methodology applies a maximum allowance credit to the resource related project which does not generate any revenue for HQT. Does the existing method double count credits when applied to both the new resource and the new load?
 - b. Can the proposed approach be reasonably summarized as having a cost of \$240 million, a net addition of revenue-generating load of 300 MW, a maximum allowance amount of \$179.4 million, and a contribution requirement (before O&M markup) equal to the \$60.6 million difference? Please explain any negative response.
- 10. Reference HQT-1, Document 1, Section 3.1.2.1, and HQT-1, Document 1, Section 3.9.1:
 - a. In evaluating the Distributor's contribution, please explain how load growth over a 20 year period is reflected in the calculation. For example, if the incremental load served by the project is 10 MW in the first year and grows

to 200 MW by the end of the 20-year period, to what MW load value is the \$598 per kW maximum investment applied? Please explain your response and provide an illustrative quantitative example.

11. Reference HQT-1, Document 1, Section 3.1.2:
 - a. Under the proposed policy, please explain whether a maximum allowance amount would be applied to new generation assets that replace existing generation assets that are shut down.
12. Reference HQT-1, Document 1, Table 1 and Appendix 1:
 - a. Please explain why a customer contribution is required for capital investments which involve zero load growth in some of the years shown.
13. Reference HQT-1, Document 1, Section 3.1.2.2:
 - a. Please provide all supporting calculations for the \$521.6 million value in MS Excel electronic format with formulae intact.
 - b. Is HQT proposing that HQD make an additional \$521.6 million contribution? Please explain fully, including the details of when such a contribution would be required under HQT's proposal.
14. Reference HQT-1, Document 1, Section 3.3:
 - a. Please explain generally how the incremental cost for native load growth is calculated, and identify the specific types of system enhancements and reinforcements included in the incremental cost that is associated with the load growth.
15. Reference HQT-1, Document 1, Section 3.5:
 - a. Please provide an illustrative quantitative example showing how the Distributor's indemnity would be calculated and paid under HQT's proposal.
 - b. Is HQT proposing a similar indemnity from point-to-point customers in the event of default by a point-to-point customer? Please explain your response.

16. Reference HQT-1, Document 1, Section 3.6:
 - a. If, hypothetically, an existing large industrial customer were to request that HQT construct, own and operate a new sub-station, please explain how HQT would recover the costs for the investment.
17. Reference HQT-1, Document 1, Section 3.7:
 - a. Please explain how HQT determines the amount by which each project reduces the overall cost of a project.
 - b. Please provide a representative quantitative example of the cost sharing policy.
18. Reference HQT-1, Document 1, Section 3.8:
 - a. Please provide a representative quantitative calculation for deriving the revenue commitments in a Touloustouc-type arrangement. Please specify all supporting assumptions, and indicate whether the maximum investment amount is used in the calculation.
 - b. Please provide a representative quantitative calculation for deriving the revenue commitments in the paragraph 12A.2(i) method. Please specify all supporting assumptions, and indicate whether the maximum investment amount is used in the calculation.
 - c. Please provide a representative quantitative calculation for deriving the revenue commitments in the paragraph 12A.2(ii) method. Please specify all supporting assumptions, and indicate whether the maximum investment amount is used in the calculation.
 - d. For each of the examples presented in sections (a) through (c) of this interrogatory, please provide a quantitative demonstration of how the calculation would change under the proposed policy.
19. Reference HQT-1, Document 1, section 3.9.3:
 - a. Under the proposed contribution policy, will HQT make a contribution toward new generator switchyards that are not related to new load? Please explain your response.
 - b. Is HQT proposing to assume responsibility for refurbishing switchyards that are owned and operated by private generators and/or HQP? Please explain your response.

- c. If your response to part (b) is in any way affirmative, please explain why HQT has not proposed to require generators to uniformly assume cost responsibility for switchyard refurbishment.
- 20. Reference HQT-3, Document 1, Section 7.2(c):
 - a. In the case of separating costs between load growth and service quality, please explain why the cost for service quality is calculated as the residual value, rather than calculating the load growth component as the residual value.
 - b. Please provide a representative quantitative example showing how costs are attributed among the three factors, showing how standalone costs for each individual factor and incremental costs for each individual factor and each pair of factors is used in the calculation.
- 21. Reference HQT-3, Document 1, Section 7.3:
 - a. Please explain why it is not possible or reasonable to require future beneficiaries of current period investments, funded in part by current period customer contributions, to contribute to the cost of the upgrade when they obtain the benefit therefrom.
 - b. Will the proposed policy of requiring the party requesting an upgrade to bear the entire cost of the upgrade (above the maximum allowance) result in sub-optimal system expansions, in that some relatively low cost system expansions will not be undertaken because the capacity is not directly needed by the specific party requesting the service.

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