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

FILE R-3888-2014

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

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.
- 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.

- 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.

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.
- 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
- 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?
- 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?

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?
- Q11 - Which method from attribute 2 is HQT using to treat power flow?
- Q12 - Which method from attribute 3 is HQT using for grouping transmission facilities?
- Q13 - Using FERC terminology - is the 'higher of' transmission pricing policy the same as the 'or' transmission pricing policy referred to above? Please comment.

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

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.

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

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

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.
- 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.
- 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.
- 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.

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 the 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"?

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

- 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.

- 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.
- 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.
- Q33 - Does HQT's Network upgrade policy apply to native load growth, native load, both or neither? Please comment.
- 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.
- 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 be subject to the Upgrade Policy, would it be considered an asset maintenance project, neither or both? Please comment.
- 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.
- 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?

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?
- Q39 - Is the project that's described in Q38 covered by the network upgrade policy? Please comment.
- 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?
- Q41 - Is the project that's described in Q40 covered by the network upgrade policy? Please comment.

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. 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. 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 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.” (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.
- 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”?

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?

Preamble to Question 45

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), 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. 888.”

- 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.

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.

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 HQT 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.

- 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.

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.
- 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.

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.
- 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.

- 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.
- 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.

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. 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.)

- 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.

- 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.
- Q57 - Please comment on the role depreciation plays in determining whether or not a capital project is classed as a revenue generator.
- 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.
- Q59 - Can HQT provide examples of interconnection or upgrade policies from other OATTs which allocate costs based on capital project categories? Please comment.

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?

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, 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. 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.
- 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.