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

**FILE R-3888-2014**

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**IR Questions**

**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.”<sup>3</sup> 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.

**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 (HQP)) 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).

**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
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.

**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.

**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.
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.

**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.

**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).

**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
  - b. Maximum Allowance and
  - c. the Network Service Rate

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

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.
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.

**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.

**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.

**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.

**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”?

**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?