

RÉGIE DE L'ÉNERGIE

ÉTABLISSEMENT D'UN MÉCANISME DE RÉGLEMENTATION  
INCITATIVE ASSURANT LA RÉALISATION DE GAINS  
D'EFFICIENCE PAR LE DISTRIBUTEUR D'ÉLECTRICITÉ  
ET LE TRANSPORTEUR D'ÉLECTRICITÉ

DOSSIER : R-3897-2014 Phase 1

RÉGISSEURS : Mme DIANE JEAN, présidente  
Me LISE DUQUETTE  
M. BERNARD HOULE

AUDIENCE DU 19 SEPTEMBRE 2016

VOLUME 4

CLAUDE MORIN  
Sténographe officiel

COMPARUTIONS

Me JEAN-FRANÇOIS OUIMETTE  
procureur de la Régie;

MISE EN CAUSE :

Me ÉRIC FRASER  
Me JEAN-OLIVIER TREMBLAY  
procureurs d'Hydro-Québec Distribution (HQD);

INTERVENANTS :

Me STEVE CADRIN  
procureur de Association hôtellerie Québec et  
Association des restaurateurs du Québec (AHQ-ARQ);

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

Me ANDRÉ TURMEL  
procureur de Fédération canadienne de l'entreprise  
indépendante (section Québec) (FCEI);

Me ÉRIC DAVID  
procureur de Option consommateurs (OC);

Me PRUNELLE THIBAUT-BÉDARD  
procureure de Regroupement national des conseils  
régionaux de l'environnement du Québec (RNCREQ);

Me DOMINIQUE NEUMAN  
procureur de Stratégies énergétiques et Association  
québécoise de lutte contre la pollution  
atmosphérique (SÉ-AQLPA);

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

Me CATHERINE ROUSSEAU  
procureur de Union des municipalités du Québec  
(UMQ).

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1 L'AN DEUX MILLE SEIZE (2016), ce dix-neuvième (19e)  
2 jour du mois de septembre :

3

4 PRÉLIMINAIRES

5

6 LA GREFFIÈRE :

7 Protocole d'ouverture. Audience du dix-neuf (19)  
8 septembre deux mille seize (2016), dossier R-3897-  
9 2014 Phase 1. Établissement d'un mécanisme de  
10 réglementation incitative assurant la réalisation  
11 de gains d'efficience par le distributeur  
12 d'électricité et le transporteur d'électricité.  
13 Les régisseurs désignés dans ce dossier sont madame  
14 Diane Jean, présidente de la formation, de même que  
15 maître Lise Duquette et monsieur Bernard Houle.  
16 Le procureur de la Régie est maître Jean-François  
17 Ouimette.

18 L'une des mises en cause est Hydro-Québec  
19 Distribution représentée par maître Éric Fraser et  
20 maître Jean-Olivier Tremblay.

21 Les intervenants qui participent à la  
22 présente audience sont :  
23 Association hôtellerie Québec et Association des  
24 restaurateurs du Québec, représentée par maître  
25 Steve Cadrin;

1 Association québécoise des consommateurs  
2 industriels d'électricité et Conseil de l'industrie  
3 forestière du Québec, représentée par maître Guy  
4 Sarault;  
5 Fédération canadienne de l'entreprise indépendante  
6 (section Québec), représentée par maître André  
7 Turmel;  
8 Option consommateurs, représentée par maître Éric  
9 David;  
10 Regroupement national des conseils régionaux de  
11 l'environnement du Québec, représenté par maître  
12 Prunelle Thibault-Bédard;  
13 Stratégies énergétiques et Association québécoise  
14 de lutte contre la pollution atmosphérique,  
15 représentée par maître Dominique Neuman;  
16 Union des consommateurs, représentée par maître  
17 Hélène Sicard;  
18 Union des municipalités du Québec, représentée par  
19 maître Catherine Rousseau.

20 Y a-t-il d'autres personnes dans la salle  
21 qui désirent présenter une demande ou faire des  
22 représentations au sujet de ce dossier? Je  
23 demanderais, par ailleurs, aux parties de bien  
24 s'identifier à chacune de leurs interventions pour  
25 les fins de l'enregistrement. Aussi auriez-vous

1 l'obligance de vous assurer que votre cellulaire  
2 est fermé durant la tenue de l'audience. Merci.

3 LA PRÉSIDENTE :

4 Merci, Madame la Greffière. Bonjour et bienvenue à  
5 tous à cette première journée de la Phase 1 de  
6 l'audience portant sur l'établissement d'un  
7 mécanisme de réglementation incitative pour le  
8 Distributeur. Tel qu'annoncé, la Régie traitera  
9 d'abord des moyens préliminaires et objections  
10 soulevées par le Distributeur et amorcera ensuite  
11 l'examen de la Phase 1 du MRI.

12 Dans sa lettre du dix-neuf (19) juillet, le  
13 Distributeur a indiqué qu'il n'entendait traiter  
14 comme objection que le point 3 identifié dans sa  
15 lettre du quatorze (14) mars.

16 L'AQCIE demande, dans sa lettre du treize  
17 (13) septembre, que son expert puisse être entendu  
18 dans le cadre du débat sur les objections  
19 préliminaires du Distributeur compte tenu qu'une  
20 partie de sa preuve est directement visée par les  
21 objections du Distributeur.

22 Le Distributeur répond le seize (16)  
23 septembre dans une lettre qu'il reporte à  
24 l'argumentation finale, ses représentations sur les  
25 objections identifiées aux points B et C de la

1 lettre de l'AQCIE-CIFQ.

2 Le Distributeur maintient toutefois son  
3 intention de plaider, à titre de moyens  
4 préliminaires, le point A de cette lettre, soit le  
5 dépôt de trois documents au soutien de la réponse à  
6 cette question. Ce dernier maintient également son  
7 opposition au témoignage de monsieur Lowry sur ce  
8 sujet.

9 Maître Sarault, est-ce que vous pouvez vous  
10 approcher, s'il vous plaît? Est-ce que vous tenez  
11 toujours à faire témoigner monsieur Lowry?

12 Me GUY SARAULT :

13 Alors, avant de vous répondre, Madame la  
14 Présidente, Monsieur et Dame les Régisseurs, je  
15 vous dis le bonjour. Et il me fait d'abord plaisir  
16 d'introduire une nouvelle personne du côté de  
17 l'AQCIE, en l'occurrence monsieur, maître Jocelyn  
18 Allard ici présent qui est le nouveau président de  
19 l'AQCIE qui est entré en fonction il y a une  
20 semaine et qui va prendre le relais de monsieur Luc  
21 Boulanger ici derrière moi, ici présent. Alors, ça  
22 va être la première audience au mérite à laquelle  
23 il va assister dans ses nouvelles fonctions de  
24 président.

25 Comme vous voyez, le docteur Lowry est ici,



1 il vient d'arriver. Cependant, suite à la lettre de  
2 maître Fraser du seize (16) septembre, la pièce  
3 HQD-0073, je constate qu'on a seulement une  
4 objection à trois documents qui est sur la table.  
5 Alors, il ne sera pas nécessaire de faire témoigner  
6 le docteur Lowry, à mon avis, au mérite à tout le  
7 moins en chef, puisqu'il s'est déjà prononcé par  
8 écrit sur cette objection-là, notamment dans le  
9 texte de la réponse à la demande de renseignements  
10 8A de la pièce 0045, C-AQCIE-0045 et aussi, dans  
11 une lettre qu'il avait adressée à la Régie, pièce  
12 C-AQCIE-0064 en date du dix-huit (18) mars deux  
13 mille seize (2016) dans laquelle il avait ajouté  
14 des propos de son propre chef.

15 Alors, moi, je serai prêt à argumenter sur  
16 la base de cette documentation qui est déjà au  
17 dossier, mais je pense que la parole devient...  
18 vient d'abord à l'objecteur. Merci.

19 (9 h 09)

20 LA PRÉSIDENTE :

21 Maître Fraser.

22 Me ÉRIC FRASER :

23 Bonjour Madame la Présidente, Madame et Monsieur  
24 les Régisseurs. Il me fait plaisir de débiter ce  
25 dossier-là, la phase des audiences, je vous

1       soumets, qu'on attend le plus. Alors, écoutez, je  
2       vais tout de suite y aller avec l'objection.

3               Évidemment, comme vous aurez constaté de  
4       notre correspondance du seize (16) septembre, entre  
5       autres, nous maintenons, dans le fond, les  
6       objections omnibus que nous avons faites, mais  
7       nous les plaiderons au final comme si vous les  
8       aviez prises sous réserve.

9               Et à titre de moyens préliminaires, après  
10       consultation de la dernière correspondance de mon  
11       confrère, effectivement, j'ai réduit à ce qui me  
12       semblait être le plus important, en fait, puis je  
13       vais vous l'expliquer dans la... Et vous  
14       comprendrez, selon la teneur de mon objection ici,  
15       ce qui est important ici c'est, évidemment, les  
16       règles de preuve que je vous soulignerai, mais au-  
17       delà des règles de preuve, il y a une question de,  
18       il y a littéralement une question de volume de  
19       documentation et d'incertitude que cela peut créer  
20       dans un dossier comme les dossiers réglementaires  
21       qui sont des dossiers qui sont complexes, qui  
22       comportent déjà beaucoup de documentation et  
23       lorsque l'on décide de nous abreuver à nouveau de  
24       documentation au soutien de certaines allégations,  
25       bien, il faut faire très attention, notamment,



1                   incentive regulation around the  
2                   world."

3       Évidemment, la question portait ici sur la  
4       connaissance de monsieur Lowry de certaines  
5       juridictions et combien, lui, avait étudié de  
6       juridictions lui permettant de faire cette  
7       affirmation. Donc, la réponse recherchée était, à  
8       la rigueur, un tableau avec les juridictions  
9       étudiées ou recherchées et, s'il le fallait, des  
10      précisions sur le type de recherche qui avait été  
11      fait.

12                   Or, au lieu de ça, on a une réponse  
13      générale et on a le dépôt de trois documents qui ne  
14      répondent pas à la question précise, qui  
15      constituent un volume impressionnant, voire abusif,  
16      dont le premier document, 0048, qui s'intitule  
17      « Mapping Power and Utilities Regulation in  
18      Europe »; le document 0049 qui s'intitule « Study  
19      on Tariff Designed for Distribution Systems »,  
20      lors, quand je vous parle de pertinence, nous ne  
21      sommes pas dans un dossier de tarification ici ou  
22      de design de tarif, qui comporte six cent cinquante  
23      (650) pages; et le troisième document  
24      « Recommendation of the Agency for a Cooperation of  
25      Energy Regulators on Incentives for Projects of

1 Common Interest ».

2 Je vous soumetts que monsieur Lowry n'est  
3 pas l'auteur d'aucun de ces documents, ce qui,  
4 évidemment, attaque la force probante ici. Donc, on  
5 va admettre des documents de nature académique sans  
6 les auteurs et qui ne répondent pas à la question  
7 qui était demandée et qui abordent une multitude de  
8 sujets.

9 D'ailleurs, il est assez intéressant de  
10 noter que dans la lettre que mon confrère citait à  
11 l'appui des documents déposés, qu'a déposés  
12 monsieur Lowry, qui, je crois, était AQCIE-CIFQ-  
13 0064, il reconnaît lui-même que :

14 Each of these documents include  
15 discussion of some items that are not  
16 relevant to the current proceeding,  
17 but this does not change the fact that  
18 they contain information that is  
19 relevant.

20 Mais encore faut-il qu'elles soient identifiées. Il  
21 n'y a aucune information précisément identifiée  
22 dans ces documents-là non plus. Donc, on nous a  
23 littéralement garroché sept cent cinquante (750)  
24 pages de documents académiques qui, de l'aveu même  
25 du témoin, ne sont pas pertinents pour une grande

1 partie, et s'ils le sont, la politesse aurait été  
2 d'identifier les passages précis qui l'étaient.

3 (9 h 14)

4 Ce qui m'amène au dernier élément.  
5 Évidemment, je vous cite la force probante, la  
6 pertinence. On a ici de documents qui ne sont pas  
7 pertinents à la question directement posée, force  
8 probante, ils sont déposés... le déposant n'est pas  
9 l'auteur de ces documents, et finalement, il y a  
10 l'incertitude créée. Puis, là, je vais citer de la  
11 doctrine. Donc, j'ai amené des copies. J'en ai une  
12 dizaine, mais il n'y a que maître Sarault qui va  
13 plaider sur cette objection, donc je n'ai pas les  
14 vingt-cinq (25) réglementaires.

15 Bien, je crois que oui, vous êtes le  
16 procureur qui représentez maître Lowry euh,  
17 monsieur Lowry. Oui, sans problème, donc ce sera  
18 HQT et nous en sommes à?

19 LA GREFFIÈRE :

20 0079.

21 Me ÉRIC FRASER :

22 79.

23

24 C-HQT-HQD-0079 : Practice and Procedure Before  
25 Administrative Tribunals

1 Je vous amène au paragraphe 17.1(f). Le document  
2 n'est pas paginé; par contre, il y a des « post-  
3 it » qui vous indiquent la page. Et je terminerai  
4 là-dessus, donc le paragraphe qui s'intitule  
5 évidemment « Dealing With the Irrelevant or  
6 Weightless Submission ». Et j'irais à la seconde  
7 page, la première page qui vous est identifiée, qui  
8 comporte trois éléments soulignés. Mais allons tout  
9 de suite à la page suivante où on identifie le  
10 troisième argument pour rejeter le dépôt de  
11 documentation qui est pertinente, qui n'est pas  
12 pertinente, et dont la force probante est  
13 discutable, qui s'ajoute aux éléments que je viens  
14 de vous plaider. Donc, le troisième, c'est  
15 évidemment l'incertitude que crée le dépôt de  
16 documents aussi vastes et l'atteinte, dans le fond,  
17 à l'équité procédurale pour la partie contre qui ce  
18 document est déposé, évidemment, parce que vous  
19 imaginez que si c'est déposé en preuve, il faudra  
20 couvrir les éléments que cela couvre.

21 Alors,

22 Thirdly,

23 et je cite :

24 when one allows irrelevant material  
25 into one's proceedings, an uncertainty

1 is created in the minds of other  
2 parties as to whether they should  
3 introduce evidence to counter the  
4 material which is being admitted.  
5 Furthermore, if the irrelevant remarks  
6 become intemperate or if they contain  
7 allegations against another party  
8 (however irrelevant to your  
9 proceedings) the other party may wish  
10 to respond, leading to further delays.  
11 Fourthly, allowing great amounts of  
12 irrelevant evidence in will clutter  
13 agency proceedings and make it  
14 difficult for the decision-maker and  
15 the other parties to focus on the  
16 matter at hand. It increases the  
17 likelihood of substantive error being  
18 made.

19 Alors, voilà, ça termine mes représentations. On a  
20 ici selon l'opinion du distributeur un dépôt qui  
21 est abusif de documents qui ne sont pas pertinents  
22 ou, à tout le moins, s'ils le sont, ils n'ont pas  
23 été identifiés correctement quant à leur  
24 pertinence. Je vous rappelle qu'il s'agit de plus  
25 de sept cents (700) pages. Dont la force probante



1 est douteuse puisque, évidemment, aucun des auteurs  
2 de ces documents ne sera ici pour témoigner à leur  
3 appui, et ensuite, qui créent beaucoup  
4 d'incertitude puisque s'ils sont admis en preuve,  
5 bien, il faudra couvrir ces documents-là et éviter  
6 qu'il y ait des dérapages dans leur utilisation. Ce  
7 qui engendre évidemment... et ce qui va à  
8 l'encontre, évidemment, du processus d'allégement  
9 ou de « streamlining » dans la mesure où on permet  
10 le dépôt et je crois qu'il y a lieu de les rejeter  
11 en bloc et d'éviter qu'une telle pratique devienne  
12 chose courante.

13 Alors, Madame la Présidente, ça termine mes  
14 représentations et je vous remercie.

15 LA PRÉSIDENTE :

16 Merci, Maître Fraser. Maître Sarault?

17 (9 h 19)

18 REPRÉSENTATIONS DE Me GUY SARAULT :

19 Alors merci, Madame la Présidente. Alors pour  
20 commencer, un point d'ordre, maître Fraser a  
21 suggéré que je serais le seul à plaider sur cette  
22 question-là ce matin, ça peut être un « ruling »  
23 qui pourrait être lourd de conséquences pour la  
24 suite des choses dans le présent dossier et je  
25 voudrais porter à son attention le calendrier de

1 l'audience, qui est devant moi et qui prévoit bien  
2 « MOYENS PRÉLIMINAIRES - HQD » comme premier item à  
3 l'agenda, et on voit « Argumentation du  
4 Distributeur » en premier, après ça, « PAUSE  
5 SANTÉ », on va s'en passer parce qu'on n'est pas  
6 rendus là; après ça, « Argumentation AQCIE-CIFQ ».

7 Et après ça, je vois « Autres  
8 intervenants », et, à mon avis, ce n'est pas un  
9 hasard, si on regarde le processus qui a été suivi  
10 pour la rétention des services du Pacific Economics  
11 Group et les décisions procédurales qui ont été  
12 rendues en cours de route à l'égard du docteur  
13 Lowry, je crois que bien que sa preuve est pilotée  
14 et présentée par l'AQCIE-CIFQ que c'est un expert  
15 unique qui peut agir pour l'ensemble des  
16 intervenants.

17 Et d'ailleurs, il y a certains  
18 intervenants, dont Option consommateurs, EBM,  
19 Énergie Brookfield Marketing, qui sont expressément  
20 endossé la preuve du docteur Lowry et, à notre  
21 avis, et conformément à la lettre et à l'esprit des  
22 décisions procédurales qui ont été rendues par la  
23 Régie dans le présent dossier à l'égard de la  
24 preuve du docteur Lowry, je pense que tous les  
25 intervenants devraient avoir le droit de poser des

1 questions et faire des représentations à l'égard de  
2 sa preuve, tout comme ils peuvent le faire à  
3 l'égard de la preuve de HQD, ce sont les deux  
4 seules preuves d'expert au dossier de part et  
5 d'autre qui représentent des points de vue qui  
6 sont, je ne dirai pas adverses mais certainement  
7 différents quant à la teneur des caractéristiques  
8 fondamentales du MRI.

9           Alors pour cette raison, je crois que les  
10 autres intervenants qui me succèdent, s'ils le  
11 désirent, devraient avoir le droit de faire des  
12 représentations sur cette objection qui, comme je  
13 le dis, d'un point de vue procédural peut porter à  
14 conséquence, là, quant à la façon de faire les  
15 choses dans le présent dossier.

16           L'objection est consignée par écrit dans  
17 une lettre du quatorze (14) mars deux mille seize  
18 (2016), pièce AQCIE-0062, que Hydro-Québec a fait  
19 parvenir à la Régie; et c'est à, effectivement à  
20 l'item 3 de cette lettre que l'on retrouve la  
21 formulation de l'objection. Et après avoir cité les  
22 documents et donné le nombre de pages de chacun,  
23 soit trente-neuf (39) pages pour la pièce 0048, six  
24 cent cinquante (650) pages pour la pièce 0049 et  
25 vingt-quatre (24) pages pour la pièce 0050, on fait

1 un total de sept cent treize (713) pages, pour en  
2 conclure que c'est abusif et que ça porte atteinte  
3 aux droits procéduraux du Distributeur.

4 Je pense que pour bien comprendre  
5 l'objection dans son contexte, il faut remonter au  
6 texte de la question d'Hydro-Québec et ce qui a été  
7 répondu in extenso par le docteur Lowry, et je vous  
8 rappelle ici le texte tel qu'on le retrouve à la  
9 question 8A) de la pièce AQCIE-0045, qui reproduit  
10 la question et la réponse.

11 Alors on commençait par donner, en  
12 préambule, un extrait du rapport d'expert de PEG,  
13 la pièce C-AQCIE-0025, où il dit, et je cite :

14 MRP's are the most common approach to  
15 incentive regulation around the world.

16 Donc ce qu'il vient nous dire en tant qu'expert,  
17 c'est que les « Multi-year Rate Plans » sont une  
18 pratique courante qui a cours à travers le monde,  
19 ce qui peut lui donner, forcément, par le poids de  
20 ce balisage, un certain poids par rapport à  
21 d'autres méthodes qui ne feraient pas l'objet d'un  
22 tel consensus à l'international.

23 Et la question d'Hydro-Québec vise  
24 justement ce rayonnement des « MRPs around the  
25 world », on dit, et je cite :

1 Please indicate the number of  
2 countries researched to determined  
3 "MRPs are the most common approach to  
4 incentive regulation around the  
5 world".

6 Donc on veut qu'il nous atteste, qu'il donne du  
7 poids, qu'il explique le balisage qu'il a fait au  
8 soutien de cette affirmation-là. Et la réponse du  
9 docteur Lowry, ce n'est pas simplement de déposer  
10 trois documents, il y a un texte qui vient avec ça,  
11 regardons-le ensemble :

12 Dr. Lowry's statement is based on his  
13 decades of experience in the incentive  
14 regulation field.

15 Donc de sa propre expérience.

16 This work has included projects in  
17 several countries and participation in  
18 international meetings and conferences  
19 on PBR.

20 C'est un expert en la matière, c'est normal qu'il  
21 fasse ça.

22 PEG has not systematically gathered  
23 reliable and up-to-date data on this  
24 topic. However, the surveys...

25 j'insiste sur le mot « surveys »,

1                   ... provided in Attachments HQTD-PEG  
2                   8A-1, 8A-2, and 8A-3...  
3           donc les trois documents qui nous intéressent,  
4                   ... [...] show that MRPs are numerous  
5                   in Europe.

6  
7           (9 h 25)

8                   Donc ce qu'il vous dit, ces trois  
9           documents-là, si vous prenez le temps de les lire,  
10          vont vous démontrer que des MRPs, ça existe en  
11          Europe, on les répertorie, on en a une énumération.

12                   PEG can confirm, furthermore, that  
13                   MRPs are used to regulate energy  
14                   utilities in Australia and New  
15                   Zealand. MRPs are also widely used in  
16                   Latin America, as illustrated by the  
17                   following quote.

18          Et il continue.

19                   Donc, ce qu'il faut retenir, c'est que pour  
20          l'Europe, le docteur Lowry, plutôt que de spéculer  
21          ou d'avancer une réponse gratuite, a été chercher  
22          des documents, des surveys de référence, qui nous  
23          donnent des publications officielles, et c'est  
24          normal pour un expert de non seulement donner sa  
25          propre opinion, formulée sur son expérience, son

1 éducation, et caetera, mais à travers ma carrière,  
2 j'ai toujours vu des rapports d'experts qui  
3 incluent non pas le texte de l'expert, non pas  
4 seulement le texte de l'expert, mais aussi qui  
5 annexent des publications, des sondages, des  
6 publications qui sont disponibles sur le web, ou  
7 soit au grand public, et qui sont de sources  
8 fiables, et évidemment on doit s'en remettre à  
9 l'expert, c'est son travail de colliger ce genre de  
10 documents de référence-là pour nous dire : « Voyez,  
11 ça, moi je l'ai colligé personnellement, et je vous  
12 dis que ce document nous donne la liste des  
13 endroits où on retrouve des MRPs à travers le  
14 monde. »

15 Au-delà de ce qui était déjà consigné dans  
16 la réponse elle-même du docteur Lowry, il a, le  
17 dix-huit (18) mars deux mille seize (2016), annexé  
18 à une lettre que j'avais transmise à la Régie, une  
19 lettre de son propre chef - c'est la pièce C-AQCIE-  
20 0064 - dans laquelle il a pu expliciter sa position  
21 à l'égard des objections formulées par Hydro-  
22 Québec, dont celle-ci.

23 Et sur celle-ci, je vous cite ce qu'on  
24 retrouve à l'item 5 de cette lettre du dix-huit  
25 (18) mars, et je cite :

1 HQT D also objects to certain documents  
2 we submitted in response to an HQT D  
3 data request. The statement in my  
4 report to the Regie that multiyear  
5 rate plans "are the most common  
6 approach to incentive regulation  
7 around the world" is based on my  
8 extensive experience in the MRI field  
9 over many years.

10 Ce qu'il avait déjà dit dans sa réponse.

11 It would not have been feasible or  
12 appropriate for us to provide an exact  
13 count of the "number of countries  
14 researched", and my statement does not  
15 require such an account. Therefore, we  
16 addressed the substance of HQT D's  
17 question by drawing on a variety of  
18 relevant sources.

19 Il est allé aux sources pour avoir quelque chose de  
20 crédible.

21 The three documents in question shed  
22 light on the frequency with which MRPs  
23 are used in Europe, since we can make  
24 confident statements about plans in  
25 North America, Australia, and New





1                   pg. 15 that summarizes the regulatory  
2                   frameworks (including the regulatory  
3                   periods) used in different countries.

4                   Et pour le troisième document, 8-A.1, il  
5                   dit, et je cite :

6                   ... provides additional details about  
7                   the use of MRPs in Europe to regulate  
8                   both power distribution and  
9                   transmission. The case studies in the  
10                  Appendix are presented in a clear and  
11                  succinct way, making them easy to  
12                  review and compare.

13                  Donc, quand maître Fraser dit qu'il n'a pas  
14                  identifié les documents puis qu'il ne nous a pas  
15                  aidés pour les comprendre, puis savoir en quoi ils  
16                  étaient pertinents au balisage des MRPs around the  
17                  world, on voit que cette lettre-là, bien au  
18                  contraire, donne de l'information permettant  
19                  d'identifier et de bien comprendre la pertinence et  
20                  le contenu de ces documents-là. Et il termine sa  
21                  lettre en disant :

22                  Each of these documents includes  
23                  discussion of some items that are not  
24                  relevant to the current proceeding,  
25                  but this does not change the fact that

1                                   they contain information that is  
2                                   directly relevant to the questions  
3                                   submitted by HQT.D.

4           (9 h 30)

5           Me GUY SARAULT :

6           C'est vrai que ça dépasse peut-être un peu, mais  
7           c'est un document de référence, c'est un document  
8           de source. Et dans l'information qu'il contient,  
9           qu'on peut identifier en suivant le guide de sa  
10          lettre du dix-huit (18) mars, on retrouve  
11          précisément le texte à la question. Or, que  
12          conclure de tout ceci?

13                                La réponse et les documents, son soutien,  
14          parce que la réponse, les textes tels que complétés  
15          par la lettre du dix-huit (18) mars, répondent  
16          adéquatement à une question formulée par HQT.D eux-  
17          mêmes. C'était leur propre question. C'est  
18          l'information qu'ils cherchaient. Les documents  
19          sont très bien identifiés dans le texte de la  
20          réponse elle-même telle que complétée, et j'insiste  
21          sur le « telle que complétée », par la lettre que  
22          le docteur Lowry a pris la peine d'adresser à la  
23          Régie le dix-huit (18) mars.

24                                Ce que ça démontre, je pense que, bien au  
25          contraire, plutôt que de miner la valeur probante

1 du témoignage ou de la preuve du docteur Lowry,  
2 c'est que, plutôt que de spéculer gratuitement sur  
3 une réponse, il a pris la peine de trouver, de  
4 colliger de la documentation de référence  
5 permettant d'identifier clairement les juridictions  
6 où il existe des MRP's. Et comme je l'ai déjà dit,  
7 c'est très commun pour un expert de colliger des  
8 documents de référence qui sont pertinents à son  
9 opinion.

10 Oui, un document qui est gros, j'en  
11 conviens, mais il a quand même identifié où  
12 regarder, quelle page puis où est-ce qu'on  
13 retrouvait l'information. Puis les deux autres,  
14 c'est seulement trente-neuf (39) et vingt-quatre  
15 (24) pages respectivement. Même si les documents  
16 contiennent peut-être davantage d'informations que  
17 le cadre de la question ou du débat, ils  
18 fournissent à tout le moins l'essentiel, soit la  
19 réponse à la question demandée qui était le  
20 balisage des endroits, le nombre de pays où on  
21 retrouve des MRP's.

22 Et, ça c'est important, aux fins de sa  
23 décision au mérite dans le présent dossier, la  
24 Régie n'est aucunement liée par ces documents  
25 qu'elle peut choisir d'ignorer en tout ou en partie

1 si elle les juge non pertinents. Sachant qu'ils ont  
2 été produits non pas dans le contexte de faire  
3 preuve d'une recommandation de PEG quant au type de  
4 MRP qu'on doit avoir ici, mais bien plutôt comme  
5 balisage de ce qui se fait ailleurs dans le monde.  
6 Ce qui était précisément la question demandée par  
7 Hydro-Québec.

8 Et je terminerais en disant que, eu égard à  
9 ces circonstances particulières, Hydro-Québec ne  
10 subit strictement aucun préjudice par la production  
11 de ces trois documents tels que complétés par les  
12 explications dans la réponse et la lettre du  
13 docteur Lowry. Ce qui conclut mes propos.

14 LA PRÉSIDENTE :

15 Merci, Maître Sarault. Avant de vous donner la  
16 réplique, Maître Fraser, j'aimerais demander aux  
17 participants s'ils ont des représentations à faire  
18 sur ce sujet. Maître Turmel? Maître Fraser alors.

19 Me ÉRIC FRASER :

20 Oui. Bien, je formule une objection à ce qu'il y  
21 ait des parties qui fassent des représentations  
22 ici. J'ai un problème d'équité procédurale.  
23 Monsieur Lowry a été retenu pour faire une preuve  
24 commune. Je comprends qu'il y a eu des travaux,  
25 mais il est représenté par un procureur. Ce n'est

1 pas vrai qu'à chaque fois que je vais faire une  
2 objection à quelque chose, à un propos de maître...  
3 de monsieur Lowry que je vais devoir répondre à un,  
4 cinq, six ou sept procureurs.

5 Les procureurs ont dû s'entendre. Ils ont  
6 désigné maître Sarault pour gérer les enjeux  
7 juridiques concernant le témoignage de monsieur  
8 Lowry. Il n'est absolument pas question que nous  
9 ayons à répondre à tous et chacun des intervenants  
10 qui auraient un tant soit peu quelque chose à  
11 ajouter. Les représentations sur les enjeux  
12 juridiques concernant la preuve de monsieur Lowry  
13 sont traités par maître Sarault à moins que le  
14 mandat lui a été retiré, qu'il soit traité par un  
15 autre, mais j'ai un gros problème avec ça. Je  
16 m'excuse, Madame la Présidente, là, mais ça me  
17 perturbe.

18 LA PRÉSIDENTE :

19 Maître Duquette a une question pour vous, Maître  
20 Fraser.

21 Me ÉRIC FRASER :

22 Oui.

23 Me LISE DUQUETTE :

24 Parce que je ne crois pas... La Régie dans sa  
25 décision a décidé, dans sa décision procédurale, de

1           retenir un seul expert pour l'ensemble des  
2           intervenants. Je ne vois pas où maître Sarault a  
3           été retenu comme le procureur pour l'ensemble des  
4           intervenants. Si vous pourriez me le rappeler,  
5           parce que, là, moi, ce que je comprends, c'est que  
6           si la preuve de PEG, par exemple, je vais prendre  
7           maître Turmel parce qu'il est au micro, avait un  
8           point de vue particulier à partir de la preuve de  
9           PEG, il serait un petit peu difficile pour maître  
10          Sarault peut-être de faire des représentations  
11          adéquates. Alors, juste me rafraîchir la mémoire.

12          Me ÉRIC FRASER :

13          Bien, écoutez, c'est maître Sarault qui le  
14          représente dans toutes les correspondances. Donc,  
15          clairement, il a un mandat apparent ici. Ensuite de  
16          ça, je peux comprendre que certains intervenants,  
17          compte tenu que c'est un expert commun, aient des  
18          positions qui soient divergentes puis veuillent  
19          faire des représentations. Je comprends que  
20          certains et j'espère que certains représentants des  
21          consommateurs vont contre-interroger monsieur Lowry  
22          sur certaines de ses positions, ça, ça va. Mais,  
23          sur les enjeux juridiques d'admissibilité, si j'ai  
24          d'autres procureurs qui viennent appuyer maître  
25          Sarault, j'ai un gros problème parce que ce n'est

1 pas vrai que je vais me mettre à plaider contre...  
2 je vais devoir répondre à quelqu'un qui représente  
3 la même personne sur les mêmes questions à  
4 plusieurs reprises. Il y a comme un enjeu d'équité  
5 ici. Je vous remercie.

6 (9 h 35)

7 Me LISE DUQUETTE :

8 Je vous remercie.

9 Me ANDRÉ TURMEL :

10 Avec votre permission, Madame la Présidente,  
11 bonjour. André Turmel pour la FCEI. Alors, je  
12 m'objecte à l'objection qui s'objecte à  
13 l'objection, mais simplement pour indiquer que,  
14 écoutez, peut-être parce que le dossier traîne en  
15 longueur depuis deux ans, mais je pense que maître  
16 Fraser a oublié que la Régie, comme vient de dire  
17 madame la Régisseure, avait souhaité avoir un  
18 mandat d'un expert.

19 Je rappelle que la FCEI avait proposé un  
20 expert, la Régie avait choisi un expert, mais ça  
21 s'arrêtait là. Toute la représentation sur les  
22 sujets des thèmes variés, d'ailleurs l'ensemble de  
23 la preuve, vous verrez, certains endossent  
24 entièrement la preuve de l'expert, d'autres le  
25 nuancent. Et de manière générale, avec HQT depuis



1 quinze (15) ans, sur des thématiques communes, ils  
2 font toujours face à dix (10), huit, six, quatre  
3 procureurs. Je ne vois pas pourquoi ce matin, on  
4 viendrait changer la règle. C'est une question qui  
5 concerne tout le monde, de un.

6 Et sur la question plus principale de...  
7 parce que, moi, j'avais des remarques à faire sur  
8 ce qu'il a dit à l'égard de l'objection pour  
9 exclure de la preuve. Moi, je m'inscris en faux sur  
10 comment l'exclure parce que quand on fait appel à  
11 un expert patenté, reconnu, on veut au minimum  
12 avoir son éclairage sur quels sont les courants  
13 mondiaux sur tel ou tel...

14 Me ÉRIC FRASER :

15 Là, il est en train de répondre, je viens de  
16 m'objecter. Il est en train de plaider. Je viens de  
17 m'objecter sur son droit.

18 Me ANDRÉ TURMEL :

19 Vous avez un exemple de ce que j'allais vous dire.

20 Me ÉRIC FRASER :

21 Bien... Bon. Écoutez...

22 Me ANDRÉ TURMEL :

23 J'arrête là pour le moment.

24 Me ÉRIC FRASER :

25 ... clairement il plaidait. Je viens de m'objecter

1 sur son droit de plaider.

2 Me ANDRÉ TURMEL :

3 J'arrête là pour le moment. Je veux revenir sur le  
4 fond, mais je vais attendre. Je me suis exprimé.

5 Merci.

6 Me ÉRIC FRASER :

7 C'est ça, on va attendre la décision du Tribunal.

8 Me DOMINIQUE NEUMAN :

9 Alors, nous avons des commentaires sur l'objection  
10 à l'objection. D'abord, maître Sarault n'est pas  
11 notre représentant ou notre procureur de quelque  
12 façon que ce soit dans ce dossier. Le témoin... le  
13 témoin expert, c'est le témoin expert de l'AQCIE-  
14 CIFQ, ce n'est pas notre témoin expert.

15 Certes, dans une décision procédurale, la  
16 Régie avait demandé, ce qui a été fait, que nous  
17 puissions avoir accès à cet expert. Il y a eu  
18 quelques séances où nous avons pu converser avec  
19 lui. Mais nous ne sommes pas le client de l'expert  
20 en question et celui-ci n'est pas notre expert.

21 Je souhaite faire des représentations sur  
22 l'objection qu'Hydro-Québec Distribution a logée à  
23 l'encontre de cette réponse de ces trois documents.  
24 Et les représentations que j'ai à faire le sont  
25 parce que ce qui a été plaidé par Hydro-Québec

1 affecte tout le monde dans cette salle. Il y a  
2 certaines choses qui ne se limitent... certains  
3 principes qu'Hydro-Québec semble vouloir défendre.  
4 Et je souhaite qu'il ne convainque pas la Régie  
5 d'appliquer ces principes parce que ça pourrait  
6 affecter, ça affecterait non seulement les trois  
7 documents spécifiques, mais ce seraient des  
8 principes qui seraient nuisibles à l'ensemble des  
9 participants au présent dossier.

10 LA PRÉSIDENTE :

11 Merci, Maître Neuman. Nous allons prendre quelques  
12 minutes. Alors, de retour dans cinq minutes.

13 SUSPENSION DE L'AUDIENCE

14 REPRISE DE L'AUDIENCE

15

16 LA PRÉSIDENTE :

17 Donc, Mesdames, Messieurs, alors pour la présente  
18 objection préliminaire, la Régie est intéressée à  
19 entendre les deux intervenants annoncés. Donc,  
20 j'inviterais maître Turmel.

21 REPRÉSENTATIONS PAR Me ANDRÉ TURMEL :

22 Merci, Madame la Présidente. Ce sera bref. Donc,  
23 André Turmel pour la Fédération canadienne de  
24 l'entreprise indépendante.

25 Donc, ce que je disais simplement, j'ai

1 entendu les arguments de mon confrère d'HQD, ceux  
2 du confrère des industriels. Ce que l'on recherche,  
3 ce que la Régie recherche quand elle retient un  
4 expert, puis tous les tribunaux s'entendent là-  
5 dessus, évidemment, c'est l'opinion de l'expert qui  
6 est un expert reconnu, hein, le mot le dit, dans  
7 une discipline sur laquelle on travaille. Et donc  
8 il serait, quant à moi, un peu inapproprié de se  
9 couper de l'opinion d'un expert sur les questions,  
10 les courants dominants ou minoritaires ou  
11 majoritaires d'une discipline.

12 Évidemment, quand l'expert fait cela, ça  
13 dépend, il peut le faire rapidement en deux lignes  
14 et, en conséquence, le contre-interrogatoire du  
15 procureur d'HQD sera plus court ou s'il le fait sur  
16 plusieurs pages et qu'il soumet des études...

17 (10 h 00)

18 Évidemment, on peut certainement dire que  
19 des études ont été faites par d'autres qui disent  
20 ceci et cela. Je pense que ça serait un peu contre-  
21 productif pour la Régie de se priver de ce que  
22 d'autres ont pu écrire sur la question mais c'est  
23 le travail du procureur d'HQD de tenter de  
24 démontrer que peut-être que ces études-là sont un  
25 courant minoritaire ou autre et il a certainement

1 une équipe assez nombreuse qui l'accompagne pour  
2 l'aider à, entre guillemets, détricoter le tout,  
3 le cas échéant.

4 Donc nous, on ne souhaite pas que la Régie  
5 soit privée de la connaissance et des études  
6 nombreuses, si elles existent puis, évidemment, si  
7 elles sont pertinentes. Autrement, on arriverait au  
8 résultat bizarre où, dans tous les cas, la Régie ne  
9 pourrait jamais faire état de ce qui se passe  
10 ailleurs que dans le territoire où l'expert exerce,  
11 donc Canada-États-Unis, on ne saurait pas ce qui se  
12 passe en Europe, à moins d'avoir fait venir un  
13 expert patenté européen.

14 En tout cas, moi je trouve que la  
15 proposition d'HQD nous amène à un peu une hérésie  
16 réglementaire et serait à l'encontre de  
17 l'allégement réglementaire qu'on souhaite. Je vous  
18 remercie.

19 LA PRÉSIDENTE :

20 Merci, Maître Turmel. J'inviterais Maître Neuman.

21 REPRÉSENTATIONS DE Me DOMINIQUE NEUMAN :

22 Bonjour Madame la Présidente, Madame, Monsieur les  
23 Régisseurs, Dominique Neuman pour Stratégies  
24 énergétiques et l'Association québécoise de lutte  
25 contre la pollution atmosphérique.



1 références-là mais s'oppose à ce que le document  
2 lui-même auquel l'expert réfère soit déposé. En  
3 réponse à ça, je soulignerais, Madame la  
4 Présidente, Madame, Monsieur les Régisseurs, que la  
5 Régie est un tribunal spécialisé.

6           Donc, d'une part, cela implique que le  
7 sujet dont il est question ici est un sujet plus  
8 spécialisé que ce que l'on retrouve devant un  
9 tribunal judiciaire; que la Régie elle-même, à la  
10 fois les régisseurs et le personnel de la Régie qui  
11 l'assiste à la fois pendant et à l'extérieur de  
12 l'audience, que ce personnel lui-même est  
13 spécialisé, lui-même a une connaissance  
14 probablement d'un beaucoup plus grand nombre  
15 d'études et d'ouvrages en matière de réglementation  
16 incitative que les quelques exemples qui sont  
17 donnés ici.

18           D'ailleurs, il y a un centre de  
19 documentation, je sais qu'il est devenu virtuel, je  
20 ne sais pas si les livres existent encore mais, en  
21 tout cas, je sais que la Régie acquiert ou se  
22 procure de nombreuses références que probablement  
23 les analystes et les régisseurs peuvent consulter.

24           Donc, dans ce contexte, je pense qu'il  
25 doit y avoir une certaine souplesse de la part de

1 la Régie en permettant le dépôt d'études et même si  
2 l'auteur n'est pas présent, je pense qu'il y a eu  
3 un très grand nombre d'études ou d'extraits  
4 d'articles ou d'ouvrages qui ont été déposés à la  
5 Régie depuis qu'elle existe sans que leurs auteurs  
6 soient présents, par exemple, monsieur Bonbright je  
7 pense qu'il n'est jamais venu personnellement  
8 témoigner à la Régie mais je pense que très souvent  
9 des extraits de son livre ont été déposés, la même  
10 chose pour un grand nombre d'autres.

11 Et par ailleurs, le fait de déposer le  
12 document lui-même ne nous semble pas  
13 substantiellement différent du fait de citer ce  
14 document, par exemple avec une note infrapaginale  
15 qui souvent contiendra - ce n'est pas le cas de la  
16 page 6 ici - contiendra un lien Internet qui  
17 permettrait aux lecteurs, aux lecteurs au pluriel,  
18 d'aller le consulter.

19 (10 h 7)

20 Donc, et par exemple, si l'expert de  
21 l'AQCIE s'était contenté de mettre des notes  
22 infrapaginales avec les trois références,  
23 probablement, et ça aurait été tout à fait valide,  
24 probablement des gens dans cette salle, et peut-  
25 être Hydro-Québec elle-même, seraient allés voir



1 ces références et l'auraient peut-être contre-  
2 interrogé en disant : « Ah! Ah! dans tel ouvrage,  
3 ils ne disent pas tout à fait ce que vous dites et  
4 veuillez expliquer. » Donc cela fait partie de ce  
5 qui nous semble être normal de déposer dans une  
6 cause, dans une cause qui fait appel à des  
7 connaissances spécialisées.

8 J'ajoute même que l'expert, les experts  
9 Yardley et Coyne d'Hydro-Québec Distribution eux-  
10 mêmes, dans leur rapport, et c'est à la page...  
11 c'est à la page 6 également, qui serait la page  
12 ADOBE 11 de leur rapport, qui porte la cote HQD-2,  
13 Document 1, j'ai B-0057, je ne suis pas tout à fait  
14 sûr que c'est la dernière version, en tout cas  
15 B-0057 de leur rapport, ils citent Elenchus qui  
16 cite de nombreuses expériences dans d'autres  
17 juridictions, notamment le Royaume-Uni,  
18 l'Australie, l'Ontario, et je pense plusieurs  
19 autres.

20 Et ils citent eux-même une nouvelle  
21 décision récente de l'Ontario, ou une nouvelle, une  
22 pratique réglementaire en Ontario. Il n'y a pas de  
23 note infrapaginale, il y aurait peut-être, il n'y a  
24 pas de lien internet ou de description exacte du  
25 document en note infrapaginale, peut-être que les

1 experts Coyne et Yardley auraient dû en mettre,  
2 s'ils avaient déposé les documents d'origine et si  
3 vous êtes d'accord, on pourrait débiter avec la  
4 preuve du Distributeur, mais je commencerais avec  
5 quelques remarques d'ouverture.

6 (10 h 15)

7 Alors, je nous ramène à la Loi. Le MRI doit  
8 poursuivre trois objectifs selon l'article 48.1 de  
9 la Loi sur la Régie de l'énergie : l'amélioration  
10 continue de la performance et de la qualité du  
11 service; la réduction des coûts profitables à la  
12 fois aux consommateurs et selon le cas, au  
13 Distributeur ou au Transporteur; l'allégement du  
14 processus par lequel sont fixés ou modifiés les  
15 tarifs du Transporteur et les tarifs du  
16 Distributeur applicables à un consommateur ou à une  
17 catégorie de consommateur.

18 La Régie dans sa décision du trente (30)  
19 juin deux mille quinze (2015) a retenu trois enjeux  
20 pour l'examen de la Phase 1 que nous abordons  
21 aujourd'hui : le premier, l'interprétation de  
22 l'article 48.1 de la Loi; le deuxième, les  
23 caractéristiques ou objectifs opérationnels de MRI;  
24 et, troisièmement, le traitement des réseaux  
25 autonomes.

1                   Le sept (7) juillet deux mille quinze  
2                   (2015), après audience, la Régie a rendu sa  
3                   décision concernant l'interprétation de l'article  
4                   48.1 de la Loi.

5                   Je vous rappelle aussi que la Régie a  
6                   décidé le six (6) juillet dernier de scinder  
7                   l'examen du dossier, Distributeur et Transporteur,  
8                   et fixer les audiences pour l'examen du dossier du  
9                   Distributeur du vingt-quatre (24) au vingt-huit  
10                  (28) avril deux mille dix-sept (2017).

11                  Compte tenu qu'il s'agit du premier MRI  
12                  pour le Distributeur, je vous demande d'avoir tout  
13                  au long des travaux un esprit d'ouverture. Je  
14                  demande également votre collaboration afin de  
15                  traiter ce dossier de manière efficiente. Nous  
16                  commencerons, évidemment, en entendant la  
17                  représentation du Distributeur puis celle de  
18                  l'AQCIE-CIFQ et enfin celle des autres intervenants  
19                  dans l'ordre alphabétique.

20                  Quant aux questions d'intendance, je vous  
21                  ai fait parvenir le calendrier du déroulement de  
22                  l'audience. Les journées débutent à neuf heures  
23                  (9 h) et se termineront vers quinze heures trente  
24                  (15 h 30). Le calendrier a été préparé au mieux en  
25                  tenant compte de l'ensemble des informations

1 transmises par tous les participants. Nous  
2 demandons la collaboration de tous afin de  
3 respecter le calendrier et nous vous invitons à  
4 être flexible et à vous rendre disponible pour  
5 devancer, le cas échéant, la présentation de votre  
6 preuve et de vos argumentations.

7 Enfin, la Régie a pris connaissance de  
8 l'ensemble de la preuve au dossier et vous invite à  
9 faire des présentations ciblées et souligner les  
10 points importants pour lesquels vous souhaitez  
11 attirer notre attention. Alors je vous remercie. Et  
12 maintenant je céderai la parole à maître Fraser  
13 pour la preuve de HQD. Merci.

14 Me ÉRIC FRASER :

15 Merci, Madame la Présidente. Je ne sais pas si vous  
16 voulez prendre une pause de cinq minutes le temps  
17 que le panel s'installe ou si on fait ça en direct.  
18 En direct. Alors, pendant que les témoins sont  
19 encore à se mettre en place, Madame la Présidente,  
20 je vais peut-être tout de suite les identifier. Les  
21 C.V. ont été déposés vendredi. Les C.V. des deux  
22 experts avaient été déposés déjà préalablement au  
23 mois de février, je crois, ou même avant.

24 Si on commence à ma gauche, vous avez  
25 monsieur Jean Lapointe qui est le contrôleur

1 d'Hydro-Québec Distribution; vous avez ensuite de  
2 ça, monsieur Luc Dubé qui est chef Plans et cadre  
3 financier; vous avez monsieur Hébert, que vous  
4 connaissez tous, directeur des Affaires  
5 réglementaires et environnement. Lorsqu'elle en  
6 aura terminé avec la mise en place des outils  
7 informatiques, madame Françoise Mettelet, chargée  
8 d'équipe Stratégies réglementaires, se joindra au  
9 panel. Et ensuite de ça, les deux témoins qui ont  
10 des écouteurs, vous aurez deviné qu'il s'agit de  
11 nos experts de la firme Concentric. Donc, vous avez  
12 monsieur Robert Yardley... Monsieur James Coyne.  
13 Excusez-moi! Et ensuite, qui est accompagné par  
14 monsieur Robert Yardley.

15 Il y aura deux présentations ce matin. Une  
16 courte présentation par monsieur Hébert et ensuite  
17 de ça, une présentation un petit peu plus  
18 substantielle par nos experts de chez Concentric.  
19 Il y a eu une demande de reconnaissance  
20 d'expertise, de statut d'expert qui a été faite le  
21 trois (3) février. Il n'y a pas eu de contestation.  
22 Il n'y a pas eu de demande de voir-dire. Le statut  
23 qui était réclamé, c'est à ce que messieurs Coyne  
24 et Yardley soient qualifiés d'experts en  
25 réglementation incitative (Incentive Regulation).

1           Donc, à moins qu'il y ait des objections, je vous  
2           demanderais de les reconnaître, Madame la  
3           Présidente.

4           LA PRÉSIDENTE :

5           La Régie reconnaît l'expertise des personnes  
6           présentées.

7           (10 h 21)

8           Me ÉRIC FRASER :

9           Je vous remercie, Madame la Présidente. Alors, le  
10          panel est maintenant en place. Je vais demander à  
11          madame la greffière de bien vouloir procéder à  
12          l'assermentation des témoins.

13

14          PREUVE DE HQD

15

16          L'AN DEUX MILLE SEIZE (2016), ce dix-neuvième  
17          (19ième) jour du mois de septembre, ONT COMPARU :

18

19          JEAN LAPOINTE, contrôleur Hydro-Québec

20          Distribution, ayant une place d'affaires au 75,

21          René-Lévesque Ouest, Montréal, (Québec);

22

23          LUC DUBÉ, chef cadre financier réglementaire, ayant

24          une place d'affaires au 75, René-Lévesque Ouest,

25          13e étage, Montréal, (Québec);

1 FRANÇOIS G. HÉBERT, directeur des affaires  
2 réglementaires et environnement Hydro-Québec  
3 Distribution, ayant une place d'affaires au 75,  
4 René-Lévesque Ouest, 22e étage, Montréal, (Québec);

5  
6 FRANÇOISE METTELET, chargée d'équipe stratégie  
7 réglementaire, ayant une place d'affaires au 75,  
8 René-Lévesque Ouest, 22e étage, Montréal, (Québec);

9  
10 JAMES M. COYNE, Senior Vice President Concentric  
11 Energy Advisors, place of business located at 293  
12 Boston Post Road West, Marlborough, (MA);

13  
14 ROBERT C. YARDLEY Jr., Senior Vice President  
15 Concentric Energy Advisors, place of business  
16 located at 293 Boston Post Road West, suite 500,  
17 Marlborough, (MA);

18  
19 LESQUELS, après avoir fait une affirmation  
20 solennelle, déposent et disent :

21

22 INTERROGÉS PAR Me ÉRIC FRASER :

23 Q. [1] Merci, Madame la Greffière. Madame la  
24 Présidente, on va procéder à l'adoption de la  
25 preuve. Évidemment, je vais le dire une fois, mais

1 ce sera omnibus, on adopte la preuve pour la  
2 portion distribution. On ne peut pas faire de  
3 frontière tout à fait étanche à tout moment. Par  
4 contre, on comprendra que les témoins ici n'ont pas  
5 de témoignage à offrir sur le dossier qui aura  
6 cours, je crois, au mois de mars ou avril l'année  
7 prochaine.

8 Alors, je vais commencer par ma gauche  
9 complètement. Monsieur Lapointe, je vous réfère à  
10 la preuve, donc la famille des pièces HQT-D-3. Je  
11 vous réfère également aux réponses aux demandes de  
12 renseignements de la Régie et des intervenants. Et  
13 là, je vous réfère à la famille des documents HQT-D-  
14 4. Je comprends que vous avez pris connaissance de  
15 la preuve et des demandes de renseignements.

16 M. JEAN LAPOINTE :

17 R. Oui, en effet.

18 Q. [2] Avez-vous participé à la préparation des  
19 réponses à la deuxième demande de renseignements de  
20 la Régie?

21 R. Oui, j'ai participé aux réponses.

22 Q. [3] Vous adoptez le tout pour valoir à titre de  
23 votre témoignage écrit dans le présent dossier?

24 R. Oui.

25 Q. [4] Je vous remercie, Monsieur Lapointe. Monsieur



1 Dubé, même question : avez-vous participé à la  
2 préparation des documents? Évidemment, je fais  
3 référence à la famille des documents HQD-3, la  
4 preuve en chef, et la famille des documents HQD-4,  
5 les réponses du Distributeur?

6 M. LUC DUBÉ :

7 R. Oui.

8 Q. [5] Vous adoptez le tout pour valoir comme votre  
9 témoignage écrit en l'instance?

10 R. Oui.

11 Q. [6] Je vous remercie, Monsieur Dubé. Monsieur  
12 Hébert, même question. Donc, en ce qui concerne les  
13 éléments portant sur le Distributeur, la preuve en  
14 chef, les réponses aux demandes de renseignements,  
15 avez-vous participé à la préparation de ces  
16 documents?

17 R. Je l'ai fait.

18 Q. [7] Vous adoptez le tout pour valoir à titre de  
19 témoignage écrit en l'instance?

20 R. Oui.

21 Q. [8] Je vous remercie. Madame Mettelet, même  
22 question, mêmes documents : avez-vous participé à  
23 la préparation de ces documents?

24 Mme FRANÇOISE METTELET :

25 R. Oui.

1 Q. [9] Vous adoptez le tout pour valoir à titre de  
2 témoignage écrit dans le présent dossier?

3 R. Oui.

4 (10 h 25)

5 Q. [10] Je vous remercie. Mr. Coyne, I will have the  
6 same question for you but referring to your expert  
7 report that was filed in HQT-D-2 and as HQT-D-23 the  
8 revised version. I refer you also to the answers  
9 you provided in the information requests by the  
10 Régie and the interveners. Did you participate in  
11 the drafting of those documents?

12 Mr. JAMES M. COYNE:

13 A. Yes, I did.

14 Q. [11] Do you adopt them as your written testimony in  
15 the present file?

16 A. Yes, I do.

17 Q. [12] Thank you. Mr. Yardley, I have the same  
18 question for you. I refer to the expert report and  
19 the responses Concentric gave to information  
20 requests by the Régie and the interveners, did you  
21 participate in the drafting of those documents?

22 Mr. ROBERT C. YARDLEY:

23 A. Yes, I did.

24 Q. [13] Do you adopt them as your written testimony?

25 A. Yes, I do.

1 Q. [14] Thank you very much. Alors, Madame la  
2 Présidente, ça termine l'introduction et l'adoption  
3 de la preuve. Je vais céder la parole à monsieur  
4 Hébert qui fera une courte présentation pour le  
5 Distributeur. Je vous remercie.

6 M. FRANÇOIS G. HÉBERT :

7 Alors bon matin, Madame la Présidente, Madame la  
8 Régisseur Duquette, Monsieur le Régisseur Houle.  
9 D'abord, vous excuserez ma voix un petit peu rauque  
10 ce matin, j'ai une petite laryngite alors je m'en  
11 excuse à l'avance.

12 Comme le mentionnait maître Fraser, j'ai  
13 une très courte présentation à faire qui vient  
14 brosser un tableau de la proposition qui vous est  
15 faite ce matin dans le cadre de l'article 48.1.  
16 Vous voyez à l'écran le plan de présentation alors  
17 je vous invite à passer immédiatement à la planche  
18 3 qui est le contexte.

19 Alors, vous le savez - et vous l'avez  
20 rappelé, Madame la Présidente - nous sommes  
21 aujourd'hui en phase 1 d'un dossier qui en comporte  
22 3. La Régie a nommément identifié les sujets qui  
23 doivent faire l'objet de cette première phase 1  
24 alors, rappelons-les : le type de MRI qui  
25 gouvernera Hydro-Québec Distribution, les

1 caractéristiques de ce MRI qui répondent aux  
2 particularités propres au Distributeur,  
3 l'identification des indicateurs de performance  
4 ainsi que la forme de prise en compte de ces  
5 indicateurs-là lors du partage des réductions de  
6 coûts et, enfin, la question du traitement, cette  
7 fois-ci sous un angle plus générique, la question  
8 donc du traitement des réseaux autonomes dans le  
9 cadre du MRI proposé par le Distributeur.

10 Alors, simplement un mot sur les  
11 indicateurs de performance. Vous vous souviendrez,  
12 Madame la Présidente, que dans la preuve à laquelle  
13 on a référé plus tôt ce matin, la preuve du  
14 Distributeur, il est mentionné que le Distributeur  
15 souhaitait choisir et identifier plus  
16 particulièrement les indicateurs de performance qui  
17 pourront être liés éventuellement à un mécanisme de  
18 traitement des écarts de rendement en phase 3  
19 seulement.

20 Il y a une raison légitime qui sous-tend  
21 cette demande-là du Distributeur, c'est que vous  
22 savez que dans le cadre du dossier tarifaire deux  
23 mille seize-deux mille dix-sept (2016-2017) du  
24 Distributeur, nous avons soumis de nouveaux  
25 indicateurs de performance à l'attention de la

1 Régie. Et dans sa décision D-2016-033 qui a fait  
2 suite aux audiences du dossier tarifaire de l'année  
3 dernière, la Régie a demandé une série de suivis  
4 sur ces indicateurs-là. Et c'est ce que nous avons  
5 déposé en preuve cette année dans le cadre de notre  
6 demande tarifaire deux mille dix-sept-deux mille  
7 dix-huit (2017-2018).

8 Alors, de l'avis du Distributeur,  
9 évidemment de choisir parmi le bouquet, si vous  
10 voulez, d'indicateurs qui est incomplet, nous  
11 estimons que ce serait prématuré de le faire.  
12 Alors, une fois la décision de la Régie rendue dans  
13 le présent dossier tarifaire, celui dont les  
14 audiences publiques se tiendront en décembre, et  
15 suite à la décision de la Régie en mai deux mille  
16 dix-sept (2017), nous serons en mesure d'identifier  
17 correctement l'ensemble des indicateurs qui  
18 pourraient être soumis en phase 3 et liés au MTER  
19 et, dès lors, il sera possible pour nous de définir  
20 une cible pour chacun de ces indicateurs-là,  
21 d'attribuer une pondération à chacun de ces  
22 indicateurs-là également, de calculer, et j'y  
23 reviendrai tout à l'heure, l'indice composite de  
24 performance globale de l'ensemble des indicateurs  
25 et, enfin, de proposer un partage selon les

1 résultats obtenus.

2 (10 h 30)

3 Alors, c'est une demande que nous faisons à  
4 la Régie. Je ne crois pas que ça cause aucun  
5 préjudice que de discuter de ces indicateurs-là en  
6 Phase 3 où, on le sait, tout le détail du MRI sera  
7 discuté.

8 Quant au fondement, et je suis à la planche  
9 4, quant au fondement de la proposition du  
10 Distributeur, bien c'est un fondement qui est  
11 plutôt simple et qui repose sur les grands constats  
12 qui ont été tirés d'Elenchus Report and Associate.  
13 Alors, deux grandes propositions ou deux grands  
14 fondements à la proposition du Distributeur.

15 Premièrement, c'est un MRI que nous  
16 proposons qui est adapté, pense-t-on, aux  
17 particularités et au contexte d'affaires et  
18 j'ajouterais même au contexte réglementaire et au  
19 contexte juridique qui est propre au Distributeur.

20 Et nous recherchions, dans le cadre de  
21 l'élaboration de cette proposition-là, une certaine  
22 simplicité. Et ça rejoint, dans un certain sens,  
23 les prescriptions de l'article 49.1 quand on parle  
24 d'allégement réglementaire.

25 Quant aux caractéristiques, et

1           essentiellement, c'est le débat d'aujourd'hui, les  
2           caractéristiques de la proposition du Distributeur,  
3           bien, elles ont été élaborées par les experts  
4           retenus par le Distributeur Concentric Energy  
5           Advisors et ils y reviendront dans leur  
6           présentation dans quelques minutes.

7           Ce qui est important de souligner, Madame  
8           la Présidente, c'est que le Distributeur n'a pas  
9           voulu réinventer la réglementation incitative, mais  
10          raffiner les éléments de réglementation incitative  
11          qui sont déjà présents dans le cadre actuel. On a  
12          un cadre réglementaire qui est performant chez  
13          Hydro-Québec Distribution, on a un cadre  
14          réglementaire qui est stable, et nous souhaitons,  
15          par notre proposition, maintenir ces deux acquis-  
16          là.

17          Par ailleurs, et on le verra dans quelques  
18          minutes, on a apporté des modifications importantes  
19          au cadre réglementaire actuel pour répondre  
20          essentiellement à la demande de la Régie suite au  
21          dossier R-3842 et de façon à rencontrer les  
22          objectifs visés par l'article 48.1 de la Loi sur la  
23          Régie de l'énergie.

24          Alors, quel est le modèle proposé et quels  
25          sont les changements auxquels je réfèrais il y a

1 quelques minutes? Le modèle proposé, bien il y a un  
2 acronyme, on le reconnaît sous la formule I-X, mais  
3 évidemment la formule est beaucoup plus complexe  
4 ici et je vous épargne les détails puisqu'on y  
5 reviendra au cours des audiences cette semaine et  
6 la semaine prochaine.

7 Mais, ce qu'il est important de porter à  
8 votre attention, Madame la Présidente, c'est que la  
9 formule qui sera dorénavant couverte par la  
10 proposition du Distributeur couvrira soixante pour  
11 cent (60 %) des coûts de distribution et service à  
12 la clientèle, alors qu'auparavant, la formule que  
13 l'on connaît, en fait, aujourd'hui, cette formule  
14 ne couvre que trente-cinq pour cent (35 %) des  
15 coûts de distribution et service à la clientèle.

16 Alors, c'est un changement qui est  
17 significatif. On ne couvre plus non pas un milliard  
18 de dollars (1 G\$) comme la formule présentement en  
19 vigueur, mais bien un milliard sept cent vingt-cinq  
20 millions (1,725 G\$) dorénavant. Et ça, ce sont des  
21 coûts qui sont sous le contrôle du Distributeur et  
22 c'est un changement qui, à notre avis, est  
23 significatif quand on le compare à la formule  
24 actuelle.

25 Qui plus est, cette assiette de coûts-là



1 sera fixée, par le biais de la formule, pour une  
2 période de trois ans. Et là voilà un autre  
3 changement qui est significatif pour le  
4 Distributeur.

5 Vous savez que depuis le début de la  
6 réglementation des activités par la Régie, le  
7 Distributeur se présente une fois l'an pour réviser  
8 l'ensemble de son coût de service et de son revenu  
9 requis. Alors, que de passer d'une année à trois  
10 ans, évidemment les contrôleurs... mes collègues du  
11 bureau du contrôleur pourront en témoigner, c'est  
12 un changement significatif pour le Distributeur de  
13 par sa taille, ça induit un risque important et...  
14 bien, voilà les deux changements donc qui sont très  
15 significatifs.

16 On voit énuméré au tableau les  
17 caractéristiques du MRI, je n'ai pas l'intention de  
18 les repasser une par une puisque ça fera l'objet,  
19 je le mentionnais il y a quelques secondes, l'objet  
20 de la présentation plus spécifique de nos experts  
21 Concentric.

22 (10 h 36)

23 Un mot, Madame la Présidente, sur  
24 l'efficience. Vous vous rappellerez qu'au fil des  
25 dernières années, le Distributeur a beaucoup

1 insisté sur l'efficience qui a été effectué à  
2 l'interne dans ses activités les dernières années  
3 et plus particulièrement depuis deux mille huit  
4 (2008).

5           Alors, j'ai quelques mots à vous rappeler.  
6 Et l'efficience qui a été générée est  
7 particulièrement importante. Il faut en prendre  
8 note dans le cadre du présent dossier. Parce que  
9 vous aurez à déterminer éventuellement un facteur  
10 de productivité. Et il importe pour le Distributeur  
11 que la Régie ait à l'esprit les importants efforts  
12 qui ont été consacrés à l'efficience au fil des  
13 ans. De l'efficience, on en a fait beaucoup. On va  
14 continuer à en faire. Et on en a fait bien avant la  
15 mise en vigueur de l'article 48.1.

16           Et je vous rappelle simplement quelques  
17 chiffres qui sont frappants. En deux mille seize  
18 (2016), le Distributeur aura généré près de quatre  
19 cents millions (400 M\$) d'efficience dans ses  
20 activités courantes. C'est une réduction de trois  
21 point trois pour cent (3,3 %) en moyenne  
22 annuellement de ses charges d'exploitation. C'est  
23 important de le noter. Cela a conduit à une  
24 réduction de vingt-trois pour cent (23 %) de son  
25 effectif. C'est près du quart de l'effectif.

1           Toujours des données deux mille seize (2016).

2                       Et si on se transpose en deux mille dix-  
3           sept (2017) dans les données que nous avons  
4           déposées au dossier tarifaire, cette efficience-là  
5           est portée à quatre cent trente-deux virgule cinq  
6           millions (432,5 M\$). Donc, trente-deux millions et  
7           demi (32,5 M\$) de plus anticipé dans le dossier  
8           tarifaire deux mille dix-sept-deux mille dix-huit  
9           (2017-2018). Et non plus moins vingt-trois pour  
10          cent (23 %) d'effectif, mais on passera à moins  
11          vingt-sept pour cent (27 %) d'effectif.

12                      Alors, vous constaterez que le régime est  
13          soutenu, que l'efficience est soutenue, que le  
14          rythme a été soutenu au fil des dernières années.  
15          Mais évidemment ce sera tout un défi que de  
16          poursuivre ce rythme-là dans les prochaines années.  
17          Mais tout est perfectible. Alors, évidemment, le  
18          Distributeur va poursuivre ses efforts  
19          d'efficience. Et il faut rappeler, puis c'est un  
20          élément très important, que ces gains d'efficience  
21          là au fil des ans ont été intégrés dans les tarifs  
22          et remis à la clientèle du Distributeur. Alors,  
23          c'est fort important de le mentionner.

24                      Et je conclurais ma présentation, Madame la  
25          Présidente, en vous mentionnant que la proposition

1 du Distributeur rencontre les objectifs de  
2 l'article 48.1, qui sont au nombre de trois. Le  
3 premier objectif : amélioration de la performance.  
4 Alors, nous sommes convaincus que la proposition du  
5 Transporteur... du Distributeur, pardon, permettra  
6 de maintenir, voire d'améliorer la performance tout  
7 en s'assurant, et ça c'est toujours le défi, de  
8 maintenir même, d'augmenter ou d'accroître le  
9 niveau de la qualité de service. Par ailleurs, on  
10 le mentionnait tout à l'heure, il y a des éléments  
11 additionnels importants qui sont couverts par la  
12 proposition du Distributeur.

13 Quant à la réduction des coûts profitables  
14 aux consommateurs et au Distributeur, vous avez vu  
15 qu'il y a eu des réductions importantes depuis deux  
16 mille huit (2008), nous entendons continuer à y  
17 travailler ardemment. Et cette réduction-là des  
18 dépenses, eh bien, elle sera remise aux clients à  
19 même les mécanismes que l'on connaît. Il y a  
20 évidemment le MTER qui est en place en deux mille  
21 dix-sept (2017) qui permettra également un partage  
22 de certains écarts si écarts se dégageaient.

23 Enfin, et j'insiste sur ce dernier point-  
24 là, l'allégement réglementaire. Alors, on pense, le  
25 Distributeur est d'avis que sa proposition de

1 facture simple permettra d'alléger la  
2 réglementation. Nous avons vu que nous proposons un  
3 terme de trois ans. Alors, au cours de ces trois  
4 années, il n'y aurait plus qu'un seul examen  
5 approfondi des prévisions de l'ensemble des  
6 éléments qui sont inclus dans la formule. Ce qui  
7 est un changement important. Alors qu'aujourd'hui,  
8 vous le savez, la plupart des débats dans les  
9 dossiers tarifaires portent sur ces éléments-là.  
10 (10 h 42)

11 Alors, une fois, un seul examen de ces  
12 données-là pour trois ans, et couplé d'un processus  
13 de consultations pour le dossier annuel, parce  
14 qu'on sait qu'on reviendra vous voir une fois par  
15 année, limité à des données qui sont nécessaires à  
16 l'actualisation des tarifs. Alors, on pense que ça  
17 permettra de rencontrer l'allégement réglementaire.  
18 Ensuite, le facteur de productivité, qui est  
19 important pour le Distributeur, bien, on a suggéré  
20 qu'il soit déterminé, et c'est suite à la  
21 suggestion de nos experts Concentric, sur la base  
22 du jugement éclairé de la Régie.

23 On a constaté, et mes collègues de  
24 Concentric pourront élaborer plus avant sur cette  
25 question-là, que dans d'autres juridictions,

1 plusieurs études étaient déposées par plusieurs des  
2 intervenants, des études coûteuses, complexes, et  
3 au final, c'est la Régie qui, quand même, fixe, de  
4 par son jugement éclairé, le facteur de  
5 productivité. Alors, c'est ce que nous vous  
6 recommandons.

7 Et ensuite, et je conclus là-dessus, les  
8 résultats du MRI seraient déposés à la Régie dans  
9 le cadre des rapports annuels, qui sont déjà  
10 déposés à la Régie actuellement, sur une base  
11 administrative.

12 Alors je vous remercie de votre attention,  
13 Madame la Présidente, et je cède la parole...

14 Me ÉRIC FRASER :

15 Juste un petit instant...

16 Me FRANÇOIS G. HÉBERT :

17 R. Oui, pardon.

18 Me ÉRIC FRASER :

19 ... un petit instant, Maître Hébert. Je vous  
20 remercie pour votre présentation. Madame la  
21 Présidente, avant, on a distribué la présentation  
22 de monsieur Hébert pendant sa présentation,  
23 question de garder un petit peu le suspense, pour  
24 nos experts, par contre, on va la distribuer avant,  
25 question que tout le monde puisse suivre

1 adéquatément parce qu'il y a un petit, c'est un  
2 petit peu plus dense... les deux présentations  
3 étant déposées sous HQT-D-0080, la deuxième  
4 présentation de Concentric, 0081, HQT-D-0081.

5

6 C-HQT-HQD-0080 : Présentation de Me François G.  
7 Hébert

8

9 C-HQT-HQD-0081 : Présentation de Concentric Energy  
10 Advisors sur les caractéristiques  
11 du MRI du distributeur  
12 d'électricité

13

14 Avec votre permission, Madame la Présidente, on  
15 pourrait commencer la présentation.

16 Q. [15] Monsieur Coyne, je vous cède la parole pour la  
17 présentation. Merci.

18 Mr. JAMES M. COYNE :

19 A. Good morning. Madam President, Commissioners. Along  
20 with my colleague, Bob Yardley, we will be  
21 summarizing our recommended approach to a  
22 performance-based ratemaking approach, ratemaking  
23 mechanism for HQD, and we hope that these fourteen  
24 topics that we have included in this morning's  
25 discussion will help you understand the basis for

1 our recommended approach. And also, we have added a  
2 discussion that addresses stakeholder concerns and  
3 many of the questions from the Régie as well that  
4 we have tried to summarize in terms of how they are  
5 addressed in this proposal, and we ultimately hope  
6 that this assists you and the stakeholders in  
7 evaluating this important proposal.

8 Let me begin by describing our mandate, if  
9 I can. In April of twenty fifteen (2015), we were  
10 retained by Hydro-Québec to assist both HQD and HQT  
11 with developing performance-based regulatory  
12 proposals.

13 Our work involved three primary elements.  
14 The first was to assess HQD's specific  
15 characteristics and circumstances that could have a  
16 bearing on the selection of an appropriate MRI  
17 model. The second was to evaluate alternative MRI  
18 models in light of HQD specific characteristics and  
19 circumstances. And thirdly, define, together with  
20 HQD, a model, we're calling the "HQD Proposal",  
21 that achieves the Article 48.1 objectives,  
22 consistent with HQD specific characteristics and  
23 circumstances.

24 We performed these various same tasks for  
25 HQT, but we will direct our comments to HQD, which



1 is the focus of this proceeding.

2           There are different types of performance-  
3 based ratemaking mechanisms, which we call "MRI"  
4 here, that have been applied in the utility  
5 industry, and several were cited in the Elenchus  
6 report commissioned by the Régie. Two of the more  
7 common approaches are firstly the Index-Based  
8 Revenue or Price Cap, which is familiar here, where  
9 revenues or prices are increased year over year  
10 based on an inflation index minus an estimate of  
11 efficiency gains, this is the so-called "I-X"  
12 model.

13           The I-X approach was adopted in the UK with  
14 privatization of its gas and electric utilities in  
15 nineteen eighty-six (1986) and nineteen eighty-nine  
16 (1989) respectively, and it became more common in  
17 the nineteen nineties (1990s) as this model was  
18 adopted in North America and elsewhere.

19           The second option, the building-block  
20 approach, here revenues and prices were adjusted  
21 each year based on a multi-year projection of costs  
22 that reflect an estimate of efficiency gains within  
23 that projection. The building-block model has been  
24 adopted in the U.K., Australia, and most recently,  
25 in Ontario, with its custom IR Plan.

1           The third option, the hybrid model, here  
2 revenues and prices were adjusted each year based  
3 on a combination of approaches, and I think it's  
4 important to note that most MRI programs are some  
5 combination of cost-to-service and incentive  
6 approaches, so I'd say that most, if not all,  
7 really are a hybrid approach, even though they may  
8 rely more heavily on one of the foundational  
9 approaches, an index-based approach or a building-  
10 block model.

11           There are certain attributes typically  
12 associated with each of these models. First-year  
13 revenue requirements are established by a re-basing  
14 that reflects cost of service, provisions that  
15 address exogenous costs that are clearly beyond  
16 management's control are treated outside the basic  
17 model, and pre-defined off-ramps are established  
18 typically around ROE, or percentage of ROE serve as  
19 off-ramps, and also the inclusion of performance  
20 indicators, or SQIs, to ensure that the utility  
21 continues to deliver on reliability and service  
22 quality in addition to meeting the overall cost  
23 objectives associated with an MRI model.

24           Let me turn to the rationale for the hybrid  
25 MRI model we're proposing here for HQD. This hybrid

1 model is a variation of option 3 that we believe  
2 reflects the specific revenue and cost drivers and  
3 circumstances of HQD very well. Namely, seventy-six  
4 percent (76%) of HQD's two thousand sixteen (2016)  
5 revenue requirements is otherwise regulated by the  
6 Régie in the form of electricity purchases, which  
7 is the green portion of that upper pie chart, and  
8 transmission costs, which is the red portion. So,  
9 seventy-six percent (76%) of these are regulated by  
10 the Régie today with specific programs that do so,  
11 and they're also arguably beyond management's  
12 direct control, and that's an important feature, as  
13 we know, in the design of HQD's MRI.

14 Of the remaining twenty-four percent (24%)  
15 that are called distribution and client service  
16 costs, sixty percent (60%) would be subject to an  
17 "I minus X" approach, as compared to thirty-five  
18 percent (35%) currently. So that's a significant  
19 increase. And the basis of that increase, if you  
20 look down below to the lower pie chart, is the  
21 inclusion of amortization, which represents twenty-  
22 two percent (22%) of those costs; corporate  
23 expenses, which represent one percent (1%); and  
24 taxes, which represent three percent (3%). So this  
25 is a significant expansion of what's included today

1 under what's called the envelope in the existing  
2 parametric formula.

3 Capital is otherwise treated as a so-called  
4 Y factor, and I'll discuss this in greater detail  
5 in a moment. And this is because HQD's capex are  
6 driven primarily by growth in the number of  
7 customer accounts. This was forty-six percent (46%)  
8 of twenty sixteen (2016) projected capex. And also  
9 asset maintenance expenditures, which accounted for  
10 forty-two percent (42%). And neither of those costs  
11 are reliably tracked by I minus X.

12 It's also important to note that capital  
13 projects are authorized pursuant... by the Régie  
14 pursuant to statute in an existing review process.  
15 One of the advantages of this approach is that it's  
16 a logical expansion of the existing parametric  
17 formula, and it's familiar to both the Régie and  
18 stakeholders.

19 Under the I minus X formula, the inflation  
20 factor is typically a composite indicator  
21 reflecting both general inflation and changes in  
22 the cost of labour. HQD's I-factor proposal is a  
23 composite of HQD's labour inflation index and a  
24 Canadian CPI indicator. Composite I-factors are a  
25 common approach throughout Canada, including

1 Ontario, Alberta and British Columbia, and also in  
2 the US. An internal labour index provides greater  
3 confidence in its ability to accurately reflect  
4 HQD's operating circumstances. It also recognizes  
5 the government's unique role here in Quebec of  
6 providing guidance for negotiating labour  
7 contracts, and also the fact that HQ corporate  
8 negotiates these contracts and not the division  
9 separately.

10 (10 h 53)

11 It is worthy to note, to keep this in  
12 perspective, that under this proposal, while forty-  
13 two percent (42%) of operating expenses are  
14 currently payroll, but because of the expansion of  
15 the coverage under the proposed MRI, that number  
16 would be reduced to twenty-four percent (24%). So  
17 the weight on labour would be reduced from forty-  
18 two percent (42%), in essence, to twenty-four  
19 percent (24%). By the time you're done including  
20 amortization corporate expenses and taxes, the  
21 labour component goes down substantially.

22 Let me now turn to the X-factor. As we have  
23 indicated in our report, based on our experience,  
24 regulatory agency judgment is the primary factor in  
25 establishing the X-factor, which may be informed by

1 productivity studies, benchmarking studies, recent  
2 X-factors derived in other jurisdictions, or with  
3 company-specific evidence. And this is what we  
4 refer to as informed judgment.

5 To the extent that productivity or  
6 benchmarking studies are considered, it's  
7 imperative to recognize their many controversies,  
8 namely determining the specific methodology, i.e. a  
9 total factor productivity model which takes into  
10 account the utilities' entire costs, or partial  
11 factor productivity model that might take, for  
12 example, into account only M costs. And also the  
13 specific algorithms to estimate X, which vary from  
14 expert to expert.

15 Secondly, identifying a valid comparison  
16 group, including distribution utilities from the  
17 United States to achieve a desirable sample size.  
18 Because it's generally well understood that data is  
19 not sufficiently available for cross-section of  
20 Canadian utilities to conduct these types of  
21 studies.

22 Determining the appropriate study period is  
23 very important. Most recent studies show that there  
24 are declining trends in productivity, and this is  
25 across all experts. So determining the length of

1 time to include in the study, and to base  
2 productivity on is a very important issue.

3 Assessing the comparability of input data  
4 that reflects varying regulatory and accounting  
5 policies among jurisdictions. I will tell you that  
6 putting together a database for one of these models  
7 is no easy task. And the analyst, inevitably, has  
8 to make many choices about how to deal with data  
9 that's not comparable from one company to the  
10 other, and to fill in missing data that sometimes  
11 is unavailable from one of your target companies.

12 And lastly, the need to specify numerous  
13 assumptions that are typically not well understood  
14 by stakeholders and regulatory staff, which makes  
15 such analysis difficult for all both.

16 So, the reliance on informed judgment is  
17 particularly necessary to both address these  
18 shortcomings of the TFP studies, and also it's  
19 important to reflect prior HQD efficiency gains and  
20 other relevant HQD-specific circumstances that  
21 determine the company's ability to achieve  
22 efficiency gains over the term of the forward-  
23 looking MRI plan. All those factors, in our minds,  
24 should factor into the Régie's informed judgment as  
25 it would with any other regulator choosing such a

1 program.

2 Establishing an X-factor that's overly  
3 aggressive could adversely impact customer service,  
4 or an overly conservative target will dampen  
5 efficiency incentives. We believe that the  
6 regulator is in the best position to get this  
7 right.

8 To underscore the issue of the challenges  
9 of estimating productivity factors, here we're  
10 showing a range of... here we're showing the  
11 results from three different Canadian jurisdictions  
12 where this matter was considered. And what you get  
13 is a range of method samples and time periods  
14 studied yielding varying analytical results  
15 requiring, as we've indicated, ultimately  
16 regulatory judgment in setting productivity  
17 factors.

18 Down below you can see the results that  
19 were presented in Alberta. This is the evidence  
20 from six experts. And here, on the chart, what I'm  
21 showing is the X-factors that were derived from the  
22 studies conducted by these experts, and you can see  
23 the range there was from minus two percent (-2%),  
24 and minus two percent (-2%) would indicate that  
25 costs should rise at the rate of inflation plus two



1 percent (2%), to put that in perspective. All the  
2 way up to the top end of one point three two  
3 percent (1.32%). In that case, the recommendation  
4 would be inflation minus one point three two  
5 percent (1.32%). So, you can imagine the difference  
6 that would make in terms of the price path, or the  
7 revenue path for the utility, depending upon the  
8 decision of the regulator based on this evidence.  
9 In that case, after evaluating the results from the  
10 six experts, the Alberta utility decided on an X-  
11 factor of point nine six percent (.96%).

12 Moving up to Ontario, the... and this is  
13 establishing the fourth generation performance-  
14 based ratemaking mechanism for the Ontario electric  
15 distributors. There, the range was somewhat  
16 narrower. The range was... And that, this is  
17 because it was primarily based on the expertise of  
18 PEG who was retained by the board. But even there,  
19 PEG's results ranged from minus point three three  
20 (-.33) to a positive one point nine (1.9).

21 (10 h 59)

22 The Board ultimately decided on a zero  
23 percent (0 %) X factor, but it did include some  
24 stretch factors depending upon the specific utility  
25 that is footnoted below. But here, I'm focusing

1 primarily on the X because that's really  
2 analytical. Pieces of this become complex,  
3 stretches largely derive through judgment  
4 exclusively by the regulator. That was a two  
5 thousand fourteen (2014) decision.

6 Moving up to the most recent decision we  
7 have in BC, there the BC Commission heard evidence  
8 from two experts. The range was from zero percent  
9 (0%) to point nine six percent (0.96%), and the  
10 commission ultimately decided on X factors of point  
11 nine-0 (0.90) and point nine three (0.93) for the  
12 electric and gas utility prospectively.

13 Just to add an additional perspective to  
14 these data, most recently, the Brattle Group  
15 presented updated evidence in Alberta using the  
16 same methodology as that used by the AUC in its two  
17 thousand twelve (2012) decision. And it found...  
18 this is Brattle using the same methodology that the  
19 AUC had used, but extending the data and adding  
20 five more years of data, I believe it was, the TFP  
21 growth had declined to minus one point two five  
22 percent (-1.25%) over the past five years. So, what  
23 we're seeing in the context of this issue in  
24 Alberta is that new evidence and updated evidence  
25 will be presented, and there will be a new argument

1 about where that updated X factor stands.

2 I think that Elenchus summed it up very  
3 correctly when they observed on page 41 of their  
4 report, citing this AUC process. And I would just  
5 quote from the Elenchus report, again on page 41:

6 The determination of the X factor and  
7 the calculation of the TFP involved a  
8 highly technical and controversial  
9 debate in which consensus was not  
10 reached and for which there is no  
11 apparent right or wrong answer.

12 So, I think this is another way of saying that,  
13 ultimately, even with this body of evidence, it  
14 will be the regulator's judgment that will be  
15 required to determine the appropriate level of  
16 productivity.

17 Let me now turn to another important  
18 element of the MRI programme and that is exclusions  
19 which are called... oftenly called Y factors and X  
20 factors. Y factor exclusions are typically for  
21 known expense categories, but deemed beyond  
22 management's direct control; for example:  
23 electricity purchases, transmission costs, in the  
24 case of the Distributor, the return on rate base,  
25 I'll discuss in more detail in a moment, and

1 variance of deferral accounts already recognized by  
2 the regulatory agency, i.e. weather normalization  
3 counts, et caetera.

4 Z factor exclusions are for unknown  
5 expenses arising due to unforeseen circumstances  
6 and beyond management's direct control. So, for  
7 example, an extreme weather event, a significant  
8 equipment failure, a change in law or tax code, or  
9 Government decrees; regulatory agencies and things  
10 of that nature.

11 The proposal for HQD retains exclusions for  
12 costs currently treated as cost pass-throughs under  
13 the existing parametric formula. So, these cost  
14 categories had been previously considered by the  
15 Régie and also approved by the Régie. And this  
16 proposal would keep them as exclusions from this  
17 formula.

18 There was considerable attention paid to  
19 the treatment of electricity supply and  
20 transmission cost in both the proposal and in the  
21 IRRS received on the proposal. The HQD proposal  
22 maintains the existing policy of passing supply and  
23 transmission costs through the HDQ customers. This  
24 practice is common across the utility industry and  
25 reflects the fact that these costs were flow-

1 through items approved by the Régie today. In this  
2 approach was also consistent with PEG's  
3 recommendation where PEG indicated in its report,  
4 "Power supply and transmission costs paid by HQD to  
5 other service providers should be Y factor."

6 With respect to supply costs specifically,  
7 the existing regulatory and statutory regimes  
8 provide a legal rationale to HQD's contracting  
9 decisions and also the dispatch of supply  
10 resources. HQD now files a ten- (10-) year supply  
11 plan every three years, which is reviewed and  
12 approved by the Régie with annual updates. HQD's  
13 execution of the approved supply plan and recovery  
14 of supply costs is addressed in ROE cases today,  
15 and it would be addressed in the annual compliance  
16 filings as proposed here.

17 The dispatch of heritage pool supplies is  
18 mandated by law. And all of HQD's supply strategies  
19 are approved by the Régie. With respect to  
20 transmission costs, HQD has very limited ability to  
21 influence transmission costs, and virtually no  
22 impact within the term of the MRI. Transmission  
23 costs are addressed, however, in HQT's MRI, which  
24 will be subject to a next proceeding.

25 The Régie reviews and approves HQD's

1 conservation to then management programs, which  
2 have the potential to influence supply and  
3 transmission costs over the short term and the long  
4 term. So, that review process remains in place. Let  
5 me turn to the treatment of capital cost which also  
6 received a significant amount of attention.

7 (11 h 05)

8 The HQD proposal excludes rate base and  
9 return on rate base from the formula. We believe  
10 rate base is more properly addressed through a  
11 review of capital projects to ensure that desired  
12 investments continue to be made and this review  
13 process is already in place today. Fair and  
14 accurate treatment of return on rate base benefits  
15 both customers and the shareholder.

16 The cost of debt and the cost of equity are  
17 certainly beyond the control of management. The ROE  
18 is set by the Régie and its factors in bond yields  
19 and other capital market inputs that are clearly  
20 more complex than a simple I-X formula could  
21 project. The cost of debt is determined through  
22 corporate HQ financing and not through HQD's  
23 decision.

24 So, without control, incentives tied to  
25 these costs create risk for both customers and HQD

1 without the expectation of productivity gains. And  
2 furthermore, the I factor would not accurately  
3 present these changes and these costs. Underscoring  
4 this point, had an MRI been in place over the past  
5 ten (10) years for HQD tracking capital cost to an  
6 I-X formula, customers would have lost the  
7 substantial benefit of the declining interest costs  
8 which were declining over the past decade while I-X  
9 would have been increasing.

10 So, I take there's clear evidence that  
11 these two can deviate and we believe it's fair to  
12 both customers and the company to have them tracked  
13 with actual costs. And also, there's considerable  
14 precedent in Canada for the pass-through of the  
15 return on rate base. We've seen this here in Quebec  
16 with Gaz Métro and Gazifère, in British Columbia  
17 with the FBC and FEI programmes and also in Ontario  
18 with the current five-year plan for Enbridge.

19 So that addresses the return on capital.  
20 The capital of capital is through the amortization  
21 expense. Amortization is the direct result of  
22 capital projects but nonetheless appears to be  
23 manageable under the formula for HQD so it's  
24 included in the I-X coverage. So while the return  
25 on rate base is treated as cost to service and

1 beyond it's direct control, the division has  
2 accepted the challenge of including amortization  
3 under the revenue cap. And it's almost as large as  
4 the return on rate base.

5 So, I'd like to now turn to Bob Yardley to  
6 explain some additional details of the proposal and  
7 also to address some of the concerns expressed by  
8 stakeholders.

9 Mr. ROBERT C. YARDLEY:

10 Thank you Jim and good morning Madam President,  
11 Commissioners, Staff and Stakeholders. So, Jim has  
12 just explained the calculation of revenue  
13 requirements under an MRI.

14 I will discuss several other aspects of the  
15 proposal, including at least one rate design issue,  
16 service quality in its relationship to the ESM, the  
17 autonomous networks, how to treat them within an  
18 MRI and the annual reporting process. I'll conclude  
19 by summarizing, noting some of the concerns  
20 expressed by stakeholders and also how the MRI  
21 complies with article 48.1 as François discussed as  
22 well.

23 So, starting with the rate design issue and  
24 this is whether to apply the I-X formula to a  
25 portion of the revenue. So, the I-X formula is



1 applied to this portion of revenue subject to the  
2 formula. So, it's operating expenses, corporate  
3 expenses, taxes and amortization under the HQD  
4 proposal.

5 And then, we need to transition, we'll add  
6 in other costs that are not subject to the formula,  
7 mostly tracked items, and transition to determine,  
8 we'll need to determine a revenue for each customer  
9 class because the ultimate objective, of course, is  
10 to set rates. So, we need a revenue by customer  
11 class as a starting point.

12 And what we proposed, what HQD is proposing  
13 is that we apply a revenue cap approach to each of  
14 the customer classes and what PEG and Dr. Lowry  
15 have proposed is that there be a revenue cap  
16 applied to the small customer classes and a price  
17 cap to the industrial classes. But keep in mind  
18 that the end result is we need to come up with  
19 prices, that's what this is all about.

20 So, for the revenue cap approach, it's  
21 reasonably straightforward, nothing is  
22 straightforward as we'll learn over the next two  
23 weeks and certainly in phase 3, but it's reasonably  
24 straightforward. We would determine the I-X piece  
25 of revenue, determine the other revenue elements

1 and allocate them to the classes as is commonly  
2 done today. So, this is an existing methodology and  
3 that methodology would need to be applied each and  
4 every year, it would be applied in the base year and  
5 the same methodology would need to be applied in  
6 the subsequent years once we have this total  
7 revenue requirement. So, that's relatively  
8 straightforward, and I won't represent, you know,  
9 the PEG proposal in its entirety, but I was, I will  
10 comment just on this notion of having a Revenue Cap  
11 for two classes and a price cap for the other  
12 class, for the industrial class.

13 (11 h 10)

14 So there is a question as sort of how the  
15 I-X mechanics would work with the price cap, and  
16 I'm not really going to address our concern about  
17 that for this particular point, but it is, it would  
18 be true if we're going to give marketing  
19 flexibility to HQD to charge some customers less  
20 than the price cap, that is the point of a price  
21 cap, then it would leave a shortfall of fixed cost  
22 recovery. And one way that the price cap has worked  
23 is that, that shortfall would be recovered from  
24 other industrial customers, customers just within  
25 that class.

1                   So presumably, as long as, at the end of  
2                   the day, the average pricing increase for the class  
3                   was equal to I-X, HQD would have, you know,  
4                   complied with the I-X formula. So that creates an  
5                   awkward situation where you're increasing prices to  
6                   other customers within the same class; would that  
7                   come back to the Régie, so would other stakeholders  
8                   have a chance to comment, I'm not really sure how  
9                   that would work.

10                   But as a former regulator, I would be, I  
11                   want to know what price everybody is paying every  
12                   year, and I want it to be based on some tariff, so  
13                   I'm concerned not so much with the customers with  
14                   flexibility but with the remaining industrial  
15                   customers that may be paying the remaining price,  
16                   so the price that falls out of that mechanism. So  
17                   that's one option, not a great option.

18                   A second option is to shift some of those  
19                   fixed costs to other customer classes, and you can  
20                   imagine that would create some controversy, and I  
21                   believe that certain stakeholders have commented on  
22                   that, that option in their briefs, have expressed  
23                   concern about it.

24                   And the third option is to shift some of  
25                   those, shift a portion of the under-recovered fixed

1 costs to the shareholder, and so here would be  
2 creating, by design, a mechanism which would place  
3 HQD in the position of under-recovering its fixed  
4 costs, and that would be by design right off the  
5 bat. So that seems like an odd, an odd regulatory  
6 result as well.

7 I'm going to turn now to... I'm driving,  
8 I'm talking, I'm drinking water at the same time,  
9 so, no, I can handle this, I've got it, once I've  
10 figured out which way to turn the button, which  
11 took a little while.

12 So "Service Quality Indicators", and this  
13 relates really to the first objective of Article  
14 48.1, the ongoing improvement in performance and  
15 service quality. And HQD currently collects a lot  
16 of data on service quality metrics, in what I would  
17 call a "score-card approach"; and when I use the  
18 term "score card", what I mean is that everybody  
19 gets a chance to see the results on some periodic  
20 basis, typically a year, and, but there are no  
21 financial penalties associated with it.

22 And what we're talking about with the MRI  
23 is transitioning from a score-card approach, which  
24 is useful to the regulator and other stakeholders,  
25 to something that has some formulated financial

1 implications. So that's really what we're talking  
2 about.

3 And we're also talking about service  
4 quality metrics, so that would be customer  
5 satisfaction, reliability, metrics related to  
6 client service, how fast the phones are answered,  
7 how fast people respond to a call for support, and  
8 safety, you know, a critical often undervalued,  
9 sometimes under appreciated aspect of delivering  
10 electricity service in urban and other areas.

11 And, so those are the metrics we're talking  
12 about. Now HQD does compile and report some  
13 financial indicators as well, sort of benchmarking  
14 data, you know, what's our average cost per  
15 customer for this portion of our business, and so  
16 forth. So those are valuable indicators to the  
17 Board and to other stakeholders, and to management  
18 of HQD because they may indicate an area that, you  
19 know, requires more focus.

20 But they are not, they would not be  
21 typically included in an MRI as a metric as part of  
22 a service quality plan, because the umbrella  
23 incentives we're providing on operating expenses  
24 and other expenses is we were really trying to  
25 drive cost improvements. We want to provide that

1 broad signal so that HQD as a company can decide  
2 how best to go about attacking efficiencies and not  
3 be distracted potentially by someone benchmark  
4 indicator, so it's just an indicator. So that's  
5 important. Now, as HQD transitions from the set of  
6 metrics, you know, from the scorecard approach to  
7 the, if I could borrow a term, bouquet of service  
8 quality metrics, which has, I think, a different  
9 meaning in English than it might in French, the...  
10 it's important to have some criteria, and these are  
11 shown on the slides. So you want, at least to start  
12 with, since this is a first phase, a limited number  
13 of metrics. They should be, you know, under the  
14 control, or reasonable control, certainly very  
15 strong influence of HQD, and that's really the key  
16 attribute; if we leave this room with nothing else,  
17 you know, that's a key driver of the entire MRI  
18 approach focussing really on the things that are  
19 within the control of HQD, whether they are service  
20 or costs.

21 And then they should be really important,  
22 we want to pick the metrics that are important and  
23 essential to HQD's core mission. So customer  
24 satisfaction, quality of service, reliability,  
25 absolutely, and security and safety. And they

1 should be easy to measure, because at the end of  
2 Phase 3, or as part of Phase 3, we'll get into this  
3 discussion about what the metric category should  
4 be. And then we will launch into a discussion about  
5 how to define each one, so there will be quite a  
6 bit of attention given to specific definitions.

7 But ultimately, at the end of the day, we  
8 need data that is consistent with those  
9 definitions, and that requires frequent changes in  
10 processes, new systems, changes in systems, and  
11 that can be quite cumbersome as well. So, we may  
12 hear from time to time, well, we could do it that  
13 way, but please understand that's going to have a  
14 significant impact on our ability to generate the  
15 data. So there will be some back and forth, I  
16 think, among the stakeholders in terms of how to  
17 strike the right balance between the definition and  
18 the ability, the cost that might be... we don't  
19 want to create a lot of cost to gather data if  
20 there's a slightly alternative and just as  
21 satisfactory definition that is more efficient to  
22 gather. So we don't want to layer additional costs  
23 on customers unnecessarily.

24 And then, at the end of the day, as  
25 directed by the Régie, the ESM will be linked to

1 service quality performance, and the Gazifère  
2 provides a very helpful direction in terms of how  
3 that might be done. But the specific metrics in ESM  
4 will be determined in Phase 3.

5 Let me turn now to autonomous networks, and  
6 you know, the autonomous networks present many  
7 challenges. We focus a lot on the supply, but also  
8 from an operational standpoint, operating remote  
9 networks is quite challenging under normal  
10 circumstances, and of course things happen that HQD  
11 will need to respond to, either, you know, a small  
12 event or a larger event, you know, then they become  
13 much more challenging given their remoteness.

14 They do represent a relatively small  
15 portion of customers, and sales, and revenues, but  
16 the reason we're discussing this topic is because  
17 there's a meaningful cost shift to other customers,  
18 customers of the integrated network, so that's  
19 really why it's important to focus on MRI for the  
20 autonomous networks.

21 That cost shift results from the fact that  
22 all customers pay essentially the same rate, and I  
23 want to acknowledge the comments of the UC which  
24 noted that there is a rate design element which  
25 creates somewhat different rates for high usage



1 north of the fifty-third (53rd) parallel, so I  
2 wanted to acknowledge that.

3 So, the MRI mechanism, we want to encourage  
4 efficiencies, to reduce that cost shift, and we  
5 looked at two (2) options, a targeted option, where  
6 we would essentially design a mechanism just for  
7 the autonomous networks, and that would require  
8 data to be gathered, it would require an estimate  
9 of I, it would require an estimate of X, it would  
10 be sort of a parallel MRI that just focusses on  
11 these customers. And then we considered rolling the  
12 autonomous networks, treating them within the  
13 integrated networks.

14 And at the end of the day, as we looked at  
15 it, the complexity of designing a specific MRI for  
16 the autonomous networks might outweigh the  
17 potential benefits. That wouldn't be the conclusion  
18 if rolling them into the HQD incentive mechanism  
19 didn't provide some incentives, so rolling them in  
20 as a first start, we'll address that. And that's  
21 also consistent with regulatory streaming.

22 I'll turn now to this sort of annual  
23 process, and certainly a lot of discussion about  
24 this. And one of the focusses has been on  
25 streamlining...

1 (11 h 20)

2 But I think it would be a mistake if we  
3 focussed only on streamlining. This isn't about  
4 making it easy to have a hearing at the end of the  
5 day and calculate new numbers. It's really, just as  
6 important is to make sure that the approach doesn't  
7 do anything to diminish incentives. We've just  
8 designed a mechanism with the purpose of providing  
9 HQD with the incentives. We don't want to then,  
10 when we get to the process of the annual reporting,  
11 add on elements of that process that not only may  
12 be cumbersome, forget cumbersome, but actually  
13 diminish their incentives. Because they're not sure  
14 if some of the efficiencies that they've pursued  
15 will be retained. You know, that would be kind of  
16 the basic concern that I would have.

17 So, you know, some type of investigation  
18 which determines whether it was due to efficiency  
19 or something else, or really diving into past  
20 results, why were sales what they were, really,  
21 some detailed investigation kind of undermines the  
22 basic philosophy of the MRI. The MRI is designed  
23 to, you know, take your best... make your best  
24 attempt at revenues, but then decouple revenues  
25 from costs. So, going into some investigation could

1 potentially really contradict the purpose of an  
2 MRI.

3           So we've proposed a compliance approach. We  
4 used, that's a term that's common in the United  
5 States, it may be less common here, but the notion  
6 is, and I want to focus on the objective as opposed  
7 to the details. The notion is that everybody knows  
8 what's gonna be filed, what it's gonna look like,  
9 what data it's gonna be based on, what the format  
10 is, if there were any assumptions, how they were  
11 derived, based... many things, in this case, would  
12 be based on how they've been historically derived.  
13 So everybody would know, it would be predefined,  
14 and the stakeholders, the Régie, board staff, could  
15 have a discussion about how to achieve that  
16 objective. You know, how to make it something that  
17 doesn't generate a lot of questions when it's  
18 received.

19           So that would put us in the position of  
20 verifying that HQD has complied - that's why the  
21 compliance filing term is used - that they've  
22 complied with the directions that the board has  
23 provided them. But most importantly, again, would  
24 be maintaining the focus on efficiency. So that's  
25 really the ultimate test. We don't want to lose

1 sight of that.

2 So the next slide just goes, identifies  
3 some of the stakeholder concerns, certainly not all  
4 of the stakeholder concerns, but some of the most  
5 important ones. And the first one is that there was  
6 a concern expressed that HQD should have a greater  
7 incentive to operate efficiently. And Jim has  
8 really described how the costs subject to the I - X  
9 are increasing from, I think, one billion (1 B)  
10 roughly to one point seven billion (1.7 B). So  
11 there is a significant expansion in the number of  
12 costs that would be subject to the MRI.

13 The second was the HQD, and we have  
14 proposed three years for the MRI, a few  
15 stakeholders supported a longer term. I think four  
16 years was the most common. I don't recall if there  
17 was one that was beyond four years. So three years,  
18 four years. And when we look at this, we're  
19 starting... we know where we're starting from.  
20 We're starting from a point where HQD, by practice,  
21 files an annual rate case, so we're going from an  
22 annual rate case to a three-year process. So, from  
23 the perspective of HQD's management faced with that  
24 opportunity, that will provide them with  
25 significant incentive to pursue efficiencies that

1 they may not have had under the annual approach,  
2 but it will also provide them sufficient time to  
3 not only identify specific opportunities, but to  
4 implement them, and for the results to start to  
5 appear. So three years is a very significant length  
6 of time, and it's not so long that it creates  
7 unnecessary risk for either customers or the  
8 shareholder. You know, four years would be an  
9 incremental level of risk relative to three years.  
10 So it's not quite jumping off a cliff, but it is a  
11 significant change. And it's a little bit different  
12 than the experience in the United States, where  
13 utilities frequently stay out for more than one  
14 year, and they determine... the utility has the  
15 right to determine when they will file a rate case,  
16 so under those circumstances, utilities have had a  
17 mentality, in many cases, of staying out as long as  
18 possible. So, "even without an MRI", they will have  
19 been organized to deliver, identifying deliver  
20 efficiencies to achieve that goal, and maintain  
21 their earnings between rate cases.

22 (11 h 25)

23 The third criticism is that the HQD  
24 proposal does not provide a sufficient incentive to  
25 control capital cost. And I won't repeat what Jim

1 said, who described it. You know, capital costs are  
2 subject to a thorough review process. And  
3 personally, I think the review of capital... that  
4 process allows, is time well spent by the  
5 regulator, particularly as the focus of capital.  
6 It's very important to understand where that  
7 capital is being allocated. That's one of the  
8 opportunities that the regulator and other  
9 stakeholders can comment as well is: is this where  
10 we want the capital to be allocated? I'll just use  
11 replacing an aging infrastructure, as an example,  
12 you know, that's sort of a judgment call. You can't  
13 replace it all at once. You don't want it to take  
14 too long. You don't want it to affect reliability.  
15 So, this examination of capital is really a  
16 significant opportunity to review HQD's proposals.

17 And the fourth concern was that the HQD  
18 proposal does not provide an incentive to control  
19 supply costs. And again, Jim addressed the three-  
20 year supply plans, the annual reviews of supply  
21 management and the cost to provide... you know, and  
22 the costs in each filing, when recovery is being  
23 addressed. They all provide... together, when you  
24 look at those three elements together, they provide  
25 appropriate oversight.

1                   Now, the next two items on the list.  
2                   Really, you know, sort of take us off into new  
3                   areas. And, you know, from a regular... I'm just  
4                   going to address this not from a legal perspective  
5                   because I'm not an attorney, but more from a  
6                   regulatory perspective, which is: how much... how  
7                   do you decide, like, how much to tackle within this  
8                   case? Because in a way, you can look at this case  
9                   and say, "Wow! We could do this. We could do that."  
10                  And we've seen some proposals that... you know, I  
11                  won't call them extreme, but we've seen some  
12                  proposals that would really have a dramatic impact  
13                  on how HQD functions and operates, not many of  
14                  them. And so, you know, here's really where it's:  
15                  are we going to focus on efficiencies, doing the  
16                  things that HQD, you know, currently does, but  
17                  doing them better and more efficiently? That's  
18                  clearly within the purview. That's what we should  
19                  be addressing. But then, it's possible to get off  
20                  some new topics mentioned on this slide, decoupling  
21                  time varying rates, which are quite complex. And  
22                  so, we would be applying a new regulatory model,  
23                  MRI, but then attaching onto it other fairly...  
24                  other items that are complex in their own and would  
25                  require substantial discussions. So, it's just a

1 concern of trying to do too much at one time.

2 And the final point on this slide is  
3 industrial customers subject to a price cap, and I  
4 think we've addressed that earlier.

5 So, this final slide just reviews how the  
6 HQD proposal addresses the article 48.1 goals and  
7 other goals that we set for ourselves; ongoing  
8 performance and service quality. Again, this is the  
9 specific metrics and their relation... the  
10 financial impacts, you know, the targets, the way  
11 those financial formulas would work. All of that  
12 would be determined in phase 3. Cost reductions  
13 that are beneficial to both customers and the  
14 Distributor; customers get what I call an "ex-ante"  
15 savings, before the fact savings, through the X  
16 factor. They also get a share of the savings after  
17 the fact to their earnings-sharing mechanism.

18 And when we get to this discussion of their  
19 earnings sharing mechanism in phase 3, we just want  
20 to a careful again not to set the parameters, so  
21 they undo some of the incentives that we're looking  
22 for. And it certainly is possible to do that. So,  
23 we'll discuss that, I'm sure, in phase 3.

24 And then, streamlining of the regulatory  
25 process through the compliance filing, treatment of



1 autonomous networks, but again, let's not forget  
2 efficiencies as we approach that particular  
3 objective.

4 (11 h 30)

5 The second broad objective after 48.1 that  
6 we looked at was reflecting HQD's characteristics  
7 and circumstances. And we will absolutely dive into  
8 this issue when we get to setting the specific  
9 parameters in phase 3. Once we have the general  
10 characteristics, now we're going to be talking  
11 about parameters. And, at this point, setting the X  
12 factor, for example, we will be talking about HQD  
13 efficiency opportunities specifically so we will be  
14 addressing specific circumstances at that point.

15 And as we do so, this will drive that  
16 discussion about whether things are within HQD's  
17 control, have a great degree of influence or  
18 whether they're really beyond their meaningful  
19 control. And I think some of the proposed metrics,  
20 as we look at each of the proposed metrics, we'll  
21 have to ask this question. This can be fairly  
22 controversial. Some of the proposed metrics really  
23 may not be sufficiently within HQD's control, but  
24 we don't need to discuss that at this point in the  
25 hearing.

1                   And, finally, as a first-generation MRI, it  
2                   should be relatively simple in its design and  
3                   implementation and Elenchus acknowledges as well  
4                   that it's appropriate to start simple and improve  
5                   over time. And with that, I apologize for taking so  
6                   much time, but I appreciate all of your attention.

7                   THE PRESIDENT:

8                   Thank you.

9                   Me ÉRIC FRASER:

10                  Thank you Mr. Yardley, thank you Mr. Coyne. Madame  
11                  la Présidente, la preuve en chef ou les  
12                  présentations sont terminées. Les témoins sont  
13                  disponibles pour être contre-interrogés.

14                  LA PRÉSIDENTE :

15                  Merci. Il est onze heures trente (11 h 30), je  
16                  proposerais qu'on prenne la pause lunch maintenant  
17                  et qu'on recommence avec les contre-interrogatoires  
18                  à treize heures précises (13 h 00). Merci.

19                  SUSPENSION DE L'AUDIENCE

20                  REPRISE DE L'AUDIENCE

21

22                  (13 h 03)

23                  LA PRÉSIDENTE :

24                  Bonjour. Alors, je vous avais annoncé que... notre  
25                  décision sur l'objection préliminaire. Alors,

1 Maître Fraser, la Régie a bien considéré vos  
2 arguments et ceux des procureur de l'AQCIE-CIFQ et  
3 de la FCEI et de SÉ-AQLPA. La Régie, pour les  
4 motifs énoncés par ces derniers, à l'effet que les  
5 pièces C-AQCIE-CIFQ-0048, 0049 et 0050 ont été  
6 déposées comme documents de référence en soutien à  
7 la réponse de monsieur Lowry rejette votre  
8 objection à la preuve déposée par PEG.

9 Alors, nous passerons maintenant au contre-  
10 interrogatoire avec maître Sarault.

11 CONTRE-INTERROGÉ PAR Me GUY SARAULT :

12 Q. [16] Merci, Madame la Présidente. Bonjour à tous.  
13 Bonjour aux membres du panel. Good afternoon Ladies  
14 and Gentlemen. Lady and Gentlemen; there's only  
15 one. As you all know, we are in phase 1 of the  
16 analysis of Hydro-Québec Distribution's MRI  
17 proposal, pertaining to adopt its characteristics  
18 and operational parameters. And I was re-reading,  
19 and I'm now going to the expert evidence of your  
20 experts, Concentric Advisors, exhibit HQT-D-0057,  
21 which is the amended version, dated February tenth  
22 (10th), two thousand sixteen (2016). And I'm not  
23 going very far, I'm actually at page 1,  
24 approximately in the middle of the page. 1, 2...  
25 fourth paragraph, if you will. Alright? And you

1 say, and I quote:

2 Many jurisdictions pursue  
3 Performance-Based Regulation ("PBR")  
4 in stages in order to proceed in a  
5 measured way and reflect the  
6 experiences gained in successive  
7 programs.

8 And there is a quote number 3, referring us,

9 For example,

10 to the system in Ontario where they are  
11 implementing its "Fourth Generation  
12 Incentive Regulation" for its electric  
13 distributors.

14 Obviously, the stages you're talking about in  
15 Ontario are not the same as those followed in this  
16 case, which could be divided into phase 1, phase 2  
17 and phase 3. We're rather talking about changes  
18 made to the MRI of the power distributors in  
19 Ontario as part of a rebasing or renewal process  
20 since the first PBR was adopted. Correct?

21 Mr. JAMES M. COYNE:

22 A. Yes, that's correct. And to expand on that, the  
23 comment is based on the observation that regulators  
24 have entered into the domain of PBR ratemaking.  
25 Inevitably, of all those programmes over time, as

1 they and stakeholders in the company as regulating  
2 learn over time, it's typical for new programmes  
3 and new programme features to be offered over time.

4 Q. [17] So, it's like a trial and error evolution sort  
5 of process.

6 A. I think you could almost say that all ratemaking  
7 has elements of that too. And each time, these  
8 programmes in our experience do come up for  
9 renewal, changes are made inevitably.

10 Q. [18] Well, obviously, knowing that PBR's currently  
11 exists in Ontario, which is our next door  
12 neighbour, as you know, and also in other provinces  
13 in Canada and many jurisdictions in the United  
14 States, would it be wise, in your opinion, for the  
15 Régie to rely on the accumulated experience in  
16 those jurisdictions in order to have a start in  
17 Québec, which reaps the benefits of the experience  
18 in neighbouring jurisdictions? That we won't  
19 reinvent the wheel. If we know that a given  
20 parameter or a given condition is not optimal, then  
21 we can take advantage of that neighbouring  
22 experience.

23 A. And by the neighbouring experience, do you mean  
24 Ontario, specifically?

25 Q. [19] I mean Ontario and I also mean other provinces

1 in Canada and also bearing in mind the nuances that  
2 have to be brought, obviously Hydro-Québec is not  
3 identical in its structure and in its business and  
4 regulatory environment to the power distributors in  
5 Ontario, we all agree to that but, at least as far  
6 as the main principles and main characteristics are  
7 concerned, you know, they could nevertheless remain  
8 a good source of comparison and inspiration; would  
9 you agree?

10 (13 h 08)

11 A. I think that's fair that the learning taking place  
12 in other jurisdictions is good foundational  
13 knowledge for the Régie to avail itself of, yes.

14 Q. [20] Okay.

15 A. And I think that, as you mentioned, the specific  
16 circumstances of Hydro-Québec, of course, have to  
17 be taken into consideration. Some of those lessons  
18 will be more relevant than others but...

19 Q. [21] Correct. And in their fourth generation of  
20 incentive regulation, that's quite a few years, I  
21 mean, what is the term of their MRI programme for  
22 the power distributors in Ontario?

23 A. The fourth generation term?

24 Q. [22] Yes.

25 A. As I recall, that is a five-year programme.

1 Q. [23] It's a five-year programme?

2 A. Yes.

3 Q. [24] And basically, is that a revenue cap or price  
4 cap?

5 A. It depends on the programme. There are three  
6 different alternatives and which one of those are  
7 you referring to specifically?

8 Q. [25] I'm referring...

9 A. There's the cost...

10 Q. [26] Is there one of those programmes for at least  
11 one of the subjected distributors? Would I be  
12 correct in suggesting that one or more than one are  
13 under a price cap?

14 A. That would be correct.

15 Q. [27] Thank you. Typically, based upon your  
16 experience elsewhere, what would be the most common  
17 term we would term in terms of duration? We would  
18 find for a PBR? And I use the words "PBR" and "MRI"  
19 interchangeably with your permission.

20 A. Well, it's an interesting question when you say  
21 "most common term" because these programmes, what  
22 they share most in common, is how different they  
23 are one from the other.

24 Q. [28] Uh, huh.

25 A. So, when we say "common terms"...

1 Q. [29] I'm talking about duration.

2 A. Yes, I understand.

3 Q. [30] So time is common to all of us.

4 A. Right and the range that we see is anywhere from  
5 two years to eight years. REO is at the outside at  
6 eight years with their current programme. But we  
7 have indicated, I believe, in our testimony that  
8 three to five years is the most common that we see.

9 Q. [31] Three to five years. And is it because this  
10 would be the first truly PBR or MRI programme for  
11 Hydro-Québec that you prefer three years to a  
12 longer term?

13 A. That's one of the factors. You mentioned the, I  
14 believe your language may have been if not  
15 "learning opportunity" you may have used the word  
16 "trial and error" something in between those is  
17 probably accurate.

18 Q. [32] Uh, huh.

19 A. But we would expect that in its first generation  
20 MRI that there would be a substantial amount of  
21 learning by the company...

22 Q. [33] Uh, huh.

23 A. ... who's now learning to operate under a new  
24 regulatory paradigm. And I think there would be  
25 learning in terms of the annual compliance filings,



1 in terms of what stakeholders want to see and what  
2 the Régie would like to see and I think the Régie,  
3 it's our belief that the Régie would want to see  
4 that the key public policy objectives of 48.1 were  
5 being met. And I would be surprised, based on our  
6 experience elsewhere, if the Régie, the company and  
7 stakeholders didn't have a desire to make some  
8 tweaks to this programme.

9 Q. [34] Uh, huh.

10 A. So we felt as though the balance there is to be  
11 long enough to give the company time to actualise  
12 this incentive rate proposal in its operations but  
13 not to be so long as finding itself in the position  
14 - stakeholders, the Régie or the company - where  
15 one element or the other wasn't working as well as  
16 they might have hoped.

17 It's also the case that we deliberately did  
18 not burden this programme with a lot of what we  
19 felt was undue complexity but it could be that over  
20 time, when the core programme is deemed as working  
21 well, that other layers of complexity might be  
22 deemed beneficial in subsequent programmes. And  
23 there, you don't have to wait five years. If you  
24 have a five-year programme, this gives you time to  
25 roll that over in three years. So, that was the

1 balance that we were trying to find with that  
2 recommendation.

3 Q. [35] But I'm looking, I'm holding in my hand page 6  
4 of the other PowerPoint presentation, HQT-D-0080,  
5 that's the company's PowerPoint which summarises  
6 the main characteristics of the proposed MRI and  
7 for duration, it confirms that it's three (3)  
8 years, but year one (1) is re-basing. That would be  
9 like a re-basing of the rates based upon a cost-of-  
10 service approach, right?

11 A. Yes.

12 Q. [36] Okay. And then, year two (2) and year three  
13 (3) would be under the formula, so for all intents  
14 and purposes, the actual implementation of the  
15 formula of the PBR itself would be two (2) years,  
16 not three (3) years, because the first year would  
17 be, you know, cost of service?

18 A. That's correct, and that's also the same way I was  
19 using the term in terms of duration of these other  
20 programs, so that they're consistent.

21 Q. [37] Okay. I'm now going to... I'm in your  
22 PowerPoint presentation, Exhibit HQT-D-0081, page  
23 2... page 3; sorry. You describe the three (3)  
24 basic models that are usually considered for PBR,  
25 first one being an index-based revenue or price

1 cap, and you say it concerns UK. And the third one,  
2 under "hybrid," says, "Revenues and prices are  
3 adjusted each year based on a combination of  
4 approaches." And you say it could be like a  
5 combination of cost of service, and a revenue cap,  
6 for example. But would it be possible to have  
7 another type of combination, like a combination of  
8 revenue cap together with a price cap.

9 A. Yes, that would be possible.

10 Q. [38] That's possible...

11 A. Yes.

12 Q. [39] ... conceptually?

13 A. Conceptually, yes.

14 Q. [40] And it's something that you've seen in your  
15 career?

16 A. I have to say no, typically they're either revenue  
17 or a price cap, so... I'm not aware of a hybrid in  
18 that sense.

19 Q. [41] Okay.

20 A. It could be that, as I've said, there are no two  
21 (2) of these programs that are alike, but I don't  
22 recall one off the top of my head that had that  
23 feature.

24 Q. [42] Okay. Now, I'm going, still in your PowerPoint  
25 presentation, at page 4, and you talk about the

1 revenues and cost-drivers for HQD, and on the left-  
2 hand side of the page, you explain that seventy-six  
3 percent (76%) of HQD's revenue requirement is  
4 otherwise regulated, and you talk about electricity  
5 purchases and transmission costs, and of the  
6 remaining distribution and client service costs,  
7 sixty percent (60%) would be subject to an I-X  
8 approach, as compared to thirty-five percent (35%)  
9 currently.

10 Now, the sixty percent (60%) is applied  
11 against the remaining twenty-four percent (24%),  
12 that's subject to the MRI, but if I apply the same  
13 proportion against the entire cost structure of  
14 HQD, that would be twenty-four percent (24%) times  
15 sixty percent (60%), then the cost, the total costs  
16 of Hydro Quebec's revenue requirements subjected to  
17 the MRI would be of the order of fourteen point  
18 four percent (14.4%), correct?

19 A. That's correct. We addressed that in response to  
20 the Régie's question 2.1, we ran through that math.

21 Q. [43] Okay.

22 A. And the reason for that is your math is correct,  
23 and...

24 Q. [44] I hope.

25 A. Pardon me?

1 Q. [45] It's basic arithmetic.

2 A. It is indeed. That the top two (2) pieces of the  
3 pie and that means electricity purchases and  
4 transmission costs are typically carved out of  
5 programs like this. So it's not anything out of the  
6 ordinary to carve those out as pass-throughs.

7 Q. [46] M'hm.

8 A. In fact, I believe your witness, Dr. Lowry,  
9 suggested in his report that it would be  
10 appropriate to treat both of those costs as Y  
11 factors.

12 Q. [47] Y factors, but that could be subject to  
13 incentives?

14 A. I don't recall that he said so on his report, so  
15 I'm not sure what is his thinking is beyond that...

16 Q. [48] We'll let him speak for himself when he  
17 testifies.

18 A. But I would say this, that a Y factor... well,  
19 anything that's in a Y factor is typically not  
20 subject to an incentive.

21 Q. [49] It is an exclusion factor, I understand that.

22 A. Right. So it wouldn't be subject to an incentive  
23 typically.

24 (13 h 18)

25 Q. [50] But on the subject of electricity purchases

1 and transmission, there is an interesting exchange  
2 between yourselves and PEG on whether or not, you  
3 know, something could be done about them, and I'm  
4 referring you to Exhibit HQT-D-0049, which are the  
5 company's answers to the information request  
6 submitted by my clients, AQCIE-CIFQ, okay? And  
7 there is a quote at question 7, page 11.

8 Mme FRANÇOISE METTELET :

9 R. Maître Sarault, pourriez-vous répéter la question,  
10 s'il vous plaît, le numéro de la question?

11 Q. [51] Le numéro de la question, c'est la question 7.

12 R. Merci.

13 Q. [52] Page 11, de la pièce HQT-D-0049. And they quote  
14 the, in the preamble of the question, the excerpt  
15 of your report, confirming that electricity  
16 purchases and transmission do aggregate to, well it  
17 was then seventy-seven percent (77%) of the entire  
18 cost structure, which is similar to the figure of  
19 seventy-six percent (76%) that we have in your  
20 PowerPoint presentation, that's immaterial. And  
21 then the question goes on, 7.1:

22 Please confirm that HQD can use rate  
23 designs, as well as conservation and  
24 demand management programs, to reduce  
25 its power purchase and fuel expenses

1 and use of the transmission system.  
2 Additionally, HQD has some control  
3 over the cost of power supplies that  
4 are supplemental to the heritage  
5 block.

6 And in your answer, you do confirm:

7 HQD could employ conservation and  
8 demand management programs and  
9 ratemaking tools in an effort to lower  
10 energy usage during certain hours of  
11 the year and/or to lower peak demand  
12 during certain hours of the year. To  
13 the extent that these tools reduce  
14 energy usage, it would result in lower  
15 supply costs, assuming that the  
16 reduction in supply comes from the  
17 marginal cost supply source. To the  
18 extent that these tools reduce peak  
19 demand, these reductions may be  
20 significant enough to impact the  
21 timing of need for new distribution  
22 and transmission facilities that would  
23 otherwise be required to meet demand  
24 growth.

25 So even though in your PowerPoint these cost

1 centres are presented as being beyond the control  
2 of HQD, this answer seems to confirm that they  
3 could have some element of control, then therefore  
4 room for incentives in those departments as well --  
5 would you agree?

6 Mr. ROBERT C. YARDLEY :

7 A. Yes, I'll take a shot at that. So it's probably  
8 useful to distinguish between, put the supply costs  
9 to one side and talk about distribution and then  
10 transmission costs. So with respect to distribution  
11 and transmission costs, these are long-lived  
12 assets, the responsibility of HQD and every utility  
13 is to make sure that there are adequate, the  
14 reliability is met. So they are planned far in  
15 advance and usually with some margin so that we're  
16 not cutting it so close that it would threaten  
17 reliability.

18 So it is true, and I think in this, and  
19 perhaps in another answer as well, we tried to  
20 distinguish between the short-term impact and a  
21 much longer-term impact. So, for example, a... if  
22 we're focussed on distribution costs, we could,  
23 we'd be focussed on the peak of the distribution  
24 network, and we could implement programs that would  
25 reduce the peak use of the distribution network.



1                   But the impact on costs would probably not  
2                   be seen for many years, so we would, by reducing  
3                   the time, it might be, an investment that might be  
4                   needed eight years, or seven years from now might  
5                   not be needed until eight years from now, the  
6                   impact is quite delayed based on the way those  
7                   facilities are planned and built...

8           Q. [53] Well...

9           A. ... and transmission would be the same as well,  
10           you wouldn't see short-term savings in the  
11           facilities costs.

12          Q. [54] Can I give you a tangible example involving  
13           Hydro-Québec, have you ever heard of the Bécancour  
14           gas-powered cogeneration plant?

15          A. So this is a supply resource.

16          Q. [55] Yes, it does produce electricity.

17          A. Okay...

18          Q. [56] That's what it was built for.

19          A. ... yes, I was just referring, in that example, to  
20           distribution and transmission.

21          Q. [57] Okay. You know that in its supply plan, many  
22           months ago the Distributor proposed to include this  
23           very expensive facility as a source of supply for  
24           the distribution. The Distributor. And do you know  
25           what happened to it in subsequent years? It was not

1 used.

2 (13 h 23)

3 A. Do I personally know? No. I don't.

4 Q. [58] You don't know? Aren't you aware of the  
5 specific characteristics of Hydro-Québec's  
6 distribution cost structure? It's history? This is  
7 an important chapter in the Distributor's history,  
8 Sir.

9 A. Okay. If you ask me a question, I'm sure I can...

10 Q. [59] Well, we're talking about incentives that may  
11 have a direct impact on costs to the Distributor if  
12 you plan to put a cogeneration plant in service,  
13 sign a long-term contract, do not use it, and pay  
14 the demand charge over a great number of years. Do  
15 we both agree that we're talking about significant  
16 losses of money?

17 A. In that case, if it was a supply resource, and  
18 conservation demand management obviated the need  
19 for it based on how it was dispatched, it would  
20 save customers money if it wasn't... if it didn't  
21 need to be dispatched. But that's a decision...

22 Q. [60] There was a demand charge.

23 A. Yes.

24 Q. [61] It was a take-or-pay contract with  
25 TransCanada. So regardless of whether the plant was

1 used or not...

2 A. Right.

3 Q. [62] ... to supply electricity to the Distributor,  
4 the Distributor had the obligation to pay the fixed  
5 costs of the plant. That's why we call it a demand  
6 charge.

7 A. Right. And it was...

8 Q. [63] And that... Well, what I'm getting at, in the  
9 framework of an MRI, which, according to your  
10 proposal, totally excludes supply costs, wouldn't  
11 you agree with me that there could be room for  
12 incentives and performance rewards in the planning  
13 of supplies to the benefit of the users?

14 A. Well, that's a great example of why the approach  
15 that's taken by Hydro-Québec makes sense. Because  
16 when that contract came before the Board, they  
17 would have done a resource planning analysis based  
18 on uncertainties in their view of the future. So at  
19 that point, that's the point at which the decision  
20 was made. That's the point at which the demand  
21 charges were agreed to, and when the obligation was  
22 created. It's not during the operation of that  
23 plant. And that's why having the three-year supply  
24 plans, and then the annual look at the plans, is a  
25 much better form of regulation for that particular

1           circumstance. Perhaps not for others, but for that  
2           circumstance, that's a much better approach that  
3           protects ratepayers than relying on an MRI to sort  
4           through and come to that conclusion.

5           Mr. JAMES M. COYNE:

6           A. I believe it's also worth noting that there will be  
7           annual updates to the supply plan, so both the  
8           Régie and stakeholders will have an opportunity to  
9           review the efficacy of those plans, and whether or  
10          not they deem them to be in the public interest. So  
11          that opportunity will be there.

12                        But what's implied in your question is  
13          whether or not there should be an incentivized  
14          structure...

15          Q. [64] Yes.

16          A. ... around those electricity purchases.

17          Q. [65] Yes.

18          A. I have... I haven't seen one yet in any MRI in  
19          North America that attempted to do so. And the  
20          reason for that is that energy markets, electricity  
21          markets, are moving their own ways to their own  
22          supply and demand elements that are beyond the  
23          Distributor's direct control. They're contracting  
24          for those resources, and the purchases of those  
25          resources do need to be reviewed by the regulator.

1 And our understanding is that's the very purpose of  
2 the supply plan review process.

3 So those, the regulatory overview is there,  
4 the stakeholder overview is there, but the only  
5 examples that I can think of where I've seen  
6 incentives that are tied to purchases are a few  
7 examples where it was done so for gas companies.  
8 And that was because there was a liquid wholesale  
9 of market index that could be used to measure their  
10 performance with capacity release and things of  
11 that nature.

12 Q. [66] Hum, hum.

13 A. But I've not seen one case where it was done for an  
14 electric distributor. If you think about the  
15 magnitude of the expense, Hydro-Québec  
16 Distribution's expense on supply is about four  
17 point six billion dollars (\$4.6 B) against an  
18 eleven point nine billion dollar (\$11.9 B) revenue  
19 requirement. So a small... a small incentive there,  
20 that went the wrong way, could totally obviate the  
21 rate of return on equity in a given year. So it'd  
22 be... it would certainly be a tremendous increase  
23 in risk, that would be unparalleled in comparison  
24 to any other MRI that we have seen implemented, let  
25 alone for a very low risk company such as Hydro-

1 Québec Distribution.

2 (13 h 28)

3 Q. [67] Another exclusion that we find at page 4 of  
4 your PowerPoint presentation is return on the rate  
5 base, seven hundred fifty-two million  
6 dollars (\$752 M). And this subject was addressed in  
7 question 8 of AQCIE's information request HQT-D-0049  
8 at page 12, answer 8.1. Are you there?

9 A. Yes.

10 Q. [68] And the question was:

11 Why does it make sense to address  
12 amortization and taxes using indexing,  
13 but not using indexing to address the  
14 return on the rate base?

15 Just before we look at your answer to this  
16 question, I will first suggest to you that, to a  
17 large extent, amortization and taxes can also be  
18 considered outside the direct control of the  
19 Distributor. Would that be a fair assessment?

20 A. Yes. I would believe, in the case of taxes, yes. In  
21 the case of amortization, considerably so. But the  
22 thing with taxes and with amortization is that they  
23 are somewhat predictable, even though they're out  
24 of the company's direct control. And when I say  
25 outside of the company's direct control, it assumes

1 that there's an ongoing approval process for  
2 capital project before the Régie, over which the  
3 company does not exercise its direct control.  
4 Ultimately, the Régie does. But they are more  
5 predictable than the return on equity, or the  
6 return... or the cost of debt, which, as we all  
7 know, can be quite volatile.

8 So, there's control, and then, there's also  
9 predictability that factor into that assessment.

10 Q. [69] Well, instead of excluding the entire rate  
11 base from the MRI, would it be possible to just  
12 exclude the adjustments beyond the control, but to  
13 keep the rate base itself within the purview of the  
14 MRI?

15 A. I'm not...

16 Q. [70] As is done elsewhere.

17 A. I'm not... Are you suggesting a K factor approach?

18 Q. [71] What do you mean by a K factor approach?

19 A. The K factor approach is just treating large and  
20 new projects with a specialized treatment.

21 Basically, they're getting revenue requirement at  
22 cost of service treatment, outside the formula...

23 Q. [72] No, this is not what I had in mind. When we  
24 speak of the cost of equity, we're talking about  
25 rate of return on equity and the cost of the return

1 on that. Right? Well, what you pay to your  
2 creditors. Correct?

3 A. Yes.

4 Q. [73] And you say that those are totally in  
5 predictable?

6 A. Well, they are less predictable than amortization  
7 and taxes, and outside... and beyond the company's  
8 control, yes. I mean, look at...

9 Q. [74] Where do you draw the line?

10 A. ... look at the case of Canadian... the long-bond  
11 yield has declined by over fifty percent (50%) over  
12 the past decade. And it's at two hundred twenty-  
13 five (225) year lows. And no one would have  
14 predicted that three or five years ago, let alone  
15 ten (10) years ago. And because the return on  
16 equity factors in, this Board, like many, use the  
17 Cap M Model in addition to the DCF model. They both  
18 factor in those bond yields.

19 So, for that reason, there's a lot of  
20 volatility in the return to equity and debt, that's  
21 not characteristic of amortization and taxes.

22 Q. [75] Where do you draw the line between level of  
23 control when you compare amortization and taxes on  
24 one side, to rate of return on equity and the cost  
25 of debt on the other? I see many similarities, but



1 nevertheless you decide to cut the line and exclude  
2 rate base from the PBR, but nevertheless keep  
3 amortization and taxes. Isn't that contradictory?

4 A. No, I don't think so. It comes back to... one could  
5 argue that you could take all of it out. You could  
6 just take return of and return on capital outside  
7 of the formula altogether, in which case you'd  
8 have... you'd basically have a partial factor of  
9 productivity or an O&M based model.

10 (13 h 34)

11 The decision to include amortization  
12 challenges the company more so than you would be  
13 challenged otherwise. As the amortisation occurs  
14 with projects over many years - some of these have  
15 thirty (30), forty (40), fifty (50) year lives -  
16 so, in the short-term, it's hard to exercise a lot  
17 of control over amortisation but, in the long run,  
18 through the decision process and the capital  
19 budgeting process that the company has available to  
20 it, with the projects that it brings before the  
21 Régie, it has some measure of control in terms of  
22 that path over time. And as I said, it can also  
23 predict that path years in advance, much more so  
24 than it could with the return on equity or the cost  
25 of debt. So, it's a matter of degree.

1 Q. [76] If I were to suggest to you that for other  
2 utilities in Canada return on the rate base can be  
3 included as an integral part of the PBR.

4 A. And is your question: is it included in some?

5 Q. [77] Yes.

6 A. Yes, it is included in some.

7 Q. [78] Okay. Can you give me examples?

8 A. It's...

9 Q. [79] Enbridge?

10 A. Enbridge has a hybrid model so not as you suggest,  
11 no. Enbridge as a hybrid model where it has a  
12 forecast of capital over a five-year period. So,  
13 it's a hybrid model of a building block for capital  
14 in essence and an I-X... Well, it really is a  
15 hybrid, it's a building block model period in that  
16 it has a forecasted revenue requirement over a  
17 five-year period. That is the essence of the  
18 Enbridge model. So no, not as you suggest is it  
19 included in rate base, it's the forecast in a  
20 building block way that it is but not in an I-X  
21 way.

22 Q. [80] So, the forecast of rate base is in the model?

23 A. Yes, it is included in the building block as it was  
24 in the proposal we initially submitted.

25 Q. [81] For HQD?

1 A. Yes, but it's not limited to I-X. It's an explicit  
2 forecast of capital projects and, in the case of  
3 Enbridge, there are also carve-outs for its three  
4 largest projects which are treated on a cost pass-  
5 through basis.

6 Q. [82] But the fact of the matter is, I mean, either  
7 you have a projection or you have an index. And  
8 what you're telling me in the case of Enbridge,  
9 it's in the projection that more or less replaces  
10 the index in the MRI structure.

11 A. It is and what our evidence showed in that  
12 proceeding is that an I-X formula would not have  
13 covered that projection. So, it's not one being  
14 equal to the other. They're very different in that  
15 case in terms of the allowed revenue requirement  
16 for the company.

17 Q. [83] Alright. I would now like to turn to page 5 of  
18 your PowerPoint presentation dealing with the  
19 inflation factor. You say here that HQD factor  
20 proposal is a composite of HQD labour inflation  
21 index and Canada CPI. Obviously, we all agree that  
22 this is inspired from the current opex adjustment  
23 formula that exists under cost of service.

24 A. Yes, it is.

25 Q. [84] Okay. And for PBRs that you've seen elsewhere

1 in Canada, have you seen inflation factors that do  
2 include such internal labour inflation index as  
3 part of their inflation index?

4 A. No, it's typically a provincial labour cost  
5 indicator.

6 Q. [85] Correct. So here, not only do we have a  
7 reference to the Canada CPI, even though we're in  
8 Quebec and we would have equivalent indicators in  
9 the province of Quebec, correct, yes?

10 A. Yes.

11 Q. [86] B, we have a labour inflation index which is  
12 not an objective standard, it is decided internally  
13 at Hydro-Québec, correct?

14 A. Well, no.

15 Q. [87] Well, it's from collective agreements.

16 A. Well, let me categorise it the way that I  
17 understand it, and this is my understanding that...  
18 And when you say "internal to Hydro-Québec" not to  
19 the division. So...

20 Q. [88] Oh, okay, I meant...

21 A. But my understanding is that there are two levels  
22 of involvement. One is that the government itself  
23 plays a role in providing guidance, surrounding  
24 negotiation of these important labour contracts  
25 which is not surprising to me because of the number

1 of employees associated with the company and its  
2 overall impact on both those employees and the  
3 economy of Quebec. So, the government has a hand in  
4 this.

5 Secondly, the Hydro-Québec corporate  
6 negotiates these contracts across their labour  
7 unions and then...

8 Q. [89] But they apply to the Distributor.

9 A. I'm sorry?

10 Q. [90] They apply to the Distributor.

11 A. Yes and to Production and to Transmission. So,  
12 what we're looking for, the most effective  
13 performance-based ratemaking plans are the ones  
14 that you empower the utility to seek  
15 efficiencies over areas that they have control.  
16 So, we felt as though, in this specific case,  
17 because the control is two (2) steps removed  
18 from the division, that this was an acceptable  
19 compromise in terms of that index.

20 Q. [91] You say it's two (2) steps removed from the  
21 division because it's negotiated by the parent --  
22 let's call it like that -- Hydro Quebec as a whole?

23 A. And...

24 Q. [92] It's not very far.

25 A. And the government's involvement itself.

1 Q. [93] Which is a shareholder?

2 A. Yes, but serving other masters other than just  
3 Hydro Quebec. That's a broader constituency,  
4 clearly, the government than just Hydro Quebec as a  
5 corporation.

6 Q. [94] And currently, as a matter of coincidental  
7 information, would I be correct in assuming that  
8 the labour inflation index is higher than CPI?

9 A. Over history? Oh...

10 Q. [95] Right now.

11 A. Generally speaking, yes. Yes.

12 Q. [96] So it does contribute to increase the ponder,  
13 pondéré, the ponderated mixed inflation applicable  
14 to the PBR?

15 A. And it's the reason why the separation of labour  
16 costs from the general cost of other inputs to the  
17 utility that most jurisdictions that are using MRI  
18 have gone to a composite index, they recognize that  
19 reality. And it's also the case, as I mentioned in  
20 our opening remarks, that the portion of the  
21 covered expenses under the formula that were forty-  
22 two percent (42%) labour are now going to twenty-  
23 four percent (24%) labour, so, the relative impact  
24 of the labour cost itself is diminished over...  
25 would be under the current parametric formula.

1 Q. [97] In terms of proportion?

2 A. In terms of proportion, and that also fed into this  
3 recommendation.

4 Q. [98] All right. Let's turn to page 6 of your  
5 PowerPoint, productivity X factor generated a lot  
6 of talk. And you're going for the informed  
7 judgement approach. I understand from your written  
8 evidence and also from your presentation of this  
9 morning that we're talking about an informed  
10 judgement by the regulator by the Régie, correct?

11 A. That's correct.

12 Q. [99] Okay. And the components going into that  
13 informed judgement are listed as productivity  
14 studies and/or bench-marking studies. By  
15 productivity studies, do you mean like surveys and  
16 information gathered both within Hydro Quebec and  
17 elsewhere in the industry providing data on  
18 productivity?

19 A. Well, I meant more than that, that productivity...  
20 when I refer to productivity, it's typically either  
21 a total or a partial productivity study.

22 Q. [100] M'hm.

23 A. The type of studies that PEG performs and submits  
24 before various regulators that we have as well. So  
25 that's a very formal type of analysis. They could

1 be done by analysts in this proceeding...

2 Q. [101] M'hm.

3 A. ... we have opened up the possibility to studies  
4 submitted in other jurisdictions might inform the  
5 Régie because of the time and expense and duration  
6 of resources required for them, and to the extent  
7 that those are North American studies, or US  
8 studies, rather than recreating that wheel, we felt  
9 as though the Régie may also wish to inform itself  
10 of the results of those studies when it made this  
11 informed judgement. So they could be...

12 Q. [102] That's right, it would be reference material?

13 A. More than... yeah, more than reference material; a  
14 critical piece of information in forming their  
15 judgement.

16 Q. [103] Okay. So this, when you say productivity  
17 studies and bench-marking studies, we're talking  
18 about fairly sophisticated compilations of  
19 information on productivity. And would that also  
20 typically cover stretch factor and the like?

21 A. No.

22 Q. [104] No? Just productivity?

23 A. Yes.

24 Q. [105] Okay.

25 A. Stretch factor is inherently judgmental, and that



1 is usually a judgement made after this analysis is  
2 considered which considers whether or not the  
3 target company needs to be incentivized more than  
4 the industry productivity would incentivize that  
5 company based on their perception of how efficient  
6 the company is, they might consider how it  
7 benchmarks against other utilities that are  
8 similarly situated. All that would inform whether  
9 or not they feel as though a stretch factor is  
10 needed. I like to consider them together because...

11 Q. [106] Okay.

12 A. ... judgement is required in order to determine the  
13 productivity factor to begin with, so they don't  
14 need to be considered separately.

15 (13 h 44)

16 Q. [107] Okay. And then you include X factors derived  
17 in other jurisdictions, so what's happening in  
18 Ontario, in Alberta, decisions such as those  
19 summarized on the following page of your PowerPoint  
20 presentation, and so on. So, the Régie would take  
21 that into account as well, correct?

22 Mr. JAMES M. COYNE :

23 A. They would be free to do so, and I think it's  
24 appropriate for the Régie to apply the weight it  
25 deems appropriate.

1 Q. [108] Okay. "Company-specific evidence", would that  
2 be like historical, kind of performance kind of  
3 data?

4 A. All productivity studies are historical, that's  
5 something that we always have to bear in mind.

6 Q. [109] Okay.

7 A. And that's one of the challenges within, but yes,  
8 it would be examining the company's history of  
9 productivity performance.

10 Q. [110] And would there be room for evidence by  
11 stakeholders, intervenors, having an opinion on  
12 this, in this well-informed judgement exercise by  
13 the Régie?

14 A. Oh! certainly, certainly, that was very much  
15 implied.

16 Q. [111] As you know, the process that we've agreed  
17 upon for purposes of this case in particular is  
18 possibly a three-phase process, the first of which  
19 we are now in, the second of which could be a  
20 productivity analysis, all depending on what the  
21 Régie will decide on the appropriateness of doing  
22 so at the end of this Phase 1 proceeding -- you  
23 understand that?

24 A. Yes.

25 Q. [112] So I look at all the factors going into the

1 informed judgement, would you agree with me, from  
2 the description we have here, that there is ample  
3 room for a Phase 2 hearing for the Régie to arrive  
4 at a sensible conclusion on this very technical and  
5 complex issue?

6 A. I, and perhaps I misunderstood what was included in  
7 the various phases, but my understanding was that  
8 at the end of Phase 1, the Régie would make a  
9 determination as to whether or not a productivity  
10 study for Phase 2 would be necessary, and if so  
11 what the parameters of that Phase 2 would look  
12 like.

13 Q. [113] Well...

14 A. So my understanding was that the question you just  
15 asked could be cited at the end of this phase, but  
16 I could be wrong about that. And did I understand  
17 your question correctly?

18 Q. [114] Well, what I'm suggesting to you, that's my  
19 understanding of the process that we are into, is  
20 that the decision as to whether or not we're going  
21 to have a Phase 2 has to be rendered at a specific  
22 moment, it has to be before, and the only before we  
23 have, unfortunately, is Phase 1.

24 A. Can I consult with our colleagues from the company  
25 for a moment... I think we have a common

1 understanding and, but let me articulate it. It is  
2 our expectation and the company's expectation that  
3 the Régie would decide, after Phase 1 as part of  
4 this decision, whether or not there would be a  
5 Phase 2, and if so, would there be a productivity  
6 study conducted. And that productivity study might  
7 be invited and commissioned by the Régie, and in  
8 which case that would be somewhat consistent with,  
9 it seems to me, how the Régie anticipated it might  
10 flow.

11 But it could be that if that were the case,  
12 the Régie would hear, conduct that study under its  
13 supervision, it may decide, at the end of that  
14 Phase 2, "Okay, we've done this work, we believe...  
15 or we've commissioned this work, we believe X  
16 should be this." And then that X would flow into  
17 Phase 3.

18 Q. [115] Correct.

19 A. Or -- or -- it could be that the Régie would  
20 commission such a study and leave the determination  
21 of X until Phase 3 when all the parameters are  
22 specifically set. So it's not, that part of this  
23 process is ambiguous to us in terms of exactly what  
24 the Régie had intended, but just to distinguish  
25 that from our proposal and what we mean by

1 "informed judgement", what we're suggesting is  
2 that, to save the time costs and expense of that  
3 Phase 2 as just described, the Régie could go right  
4 to Phase 3 and invite the parties, including the  
5 company and stakeholders, to retain experts,  
6 provide productivity studies if they find them  
7 helpful and for them to make recommendations as to  
8 what X is, and then based on that evidence, the  
9 Régie would be positioned to make its informed  
10 judgement.

11 So that's our proposal. And the reason for  
12 that proposal, which I think were probably  
13 elaborated on the responses but I would just like  
14 to take a moment to describe it because I think  
15 it's an important part of what gets decided in  
16 Phase 1, is that, in our experience, Alberta for  
17 example, I believe, took thirty (30) months from  
18 start to finish to have six experts, that provided  
19 a range of Ps that looked like, from minus two  
20 percent (- 2%) to positive one point three two  
21 (1.32%) I think was the range, I wouldn't  
22 anticipate that if a range of studies were invited  
23 or commissioned in Phase 2 that we would take that  
24 off the table. So, our sense was that time, expense  
25 and costs could be spared by going to phase 3, and

1 let the expertise of the stakeholders in the  
2 company submit it to the Régie, put the Board in a  
3 position to make that determination, then, without  
4 stopping and going through a long and expensive  
5 process of debating X, when at the end of the day,  
6 it will not be determinative, but it will be  
7 another piece of information.

8 Q. [116] Well I asked all those questions because I  
9 was looking at all of the ingredients going into  
10 the recipe of the informed approach outlined at  
11 page 6 of your PowerPoint presentation, and I was  
12 seeing more than ample room for a separate  
13 assessment in a hearing in a phase 2. And you seem  
14 to agree that it's plausible that it could take  
15 that form.

16 A. Yes...

17 Q. [117] And you nod yes. For the stenographer.

18 Mr. ROBERT C. YARDLEY:

19 A. He can nod yes and I'm gonna nod no, so we could do  
20 it in that order if you'd like, but...

21 Q. [118] It's your privilege to disagree amongst each  
22 other, but...

23 Mr. JAMES M. COYNE:

24 A. That may happen.

25

1 Mr. ROBERT C. YARDLEY:

2 A. I think as a practical matter, my understanding of  
3 phase 2 was it was to determine whether or not a  
4 productivity study would be conducted. It wasn't to  
5 determine if an X-factor should be determined in a  
6 phase 2. But more importantly, from a regulatory  
7 perspective, I think you really want, whether you  
8 do the productivity study or not, you know, that's  
9 fine in a phase 2, but more importantly, there are  
10 many moving parts to the MRI that we're going to  
11 develop. And they're all related. You know, when  
12 everybody cares, not about individual pieces, but  
13 I'm assuming everybody in this room cares about  
14 sort of how they fit together. And that they make  
15 sense, that they do what we want it to do.

16 So, when it comes to the X-factor, deciding  
17 the X-factor in a phase 2, and then all the other  
18 pieces in phase 3, I don't think makes sense. You  
19 really want to be deciding, you want to be looking  
20 at the X-factor and the earnings sharing mechanism,  
21 for example, at the same time, along with all the  
22 other points. But that's...

23 Q. [119] Look, Mr. Yardley, you know, this is not of  
24 my own making. I'm just explaining my understanding  
25 of the three-phase process...

- 1 A. Okay.
- 2 Q. [120] ... that's been issued for handling this  
3 case. And that's the assumption at the basis of my  
4 questions.
- 5 A. Okay. I'm sorry then. So my assumption on the phase  
6 2 is that it's to determine whether a productivity  
7 study needs to be performed.
- 8 Q. [121] Well, if there is a productivity study, we  
9 both agree that the outcome of that study would be  
10 an X-factor.
- 11 A. That's not true. In almost every case shown in the  
12 one exhibit, the productivity study is one of the  
13 inputs that the regulator considers in coming up  
14 with the X-factor. That's... There is never a  
15 case...
- 16 Q. [122] We both... What I meant is...
- 17 A. Okay.
- 18 Q. [123] I meant...
- 19 A. I'm sorry.
- 20 Q. [124] ... the productivity study along the lines of  
21 the informed judgment approach that you describe  
22 here.
- 23 A. Okay. Then we're speaking past each other.
- 24 Q. [125] Okay.
- 25 A. Because I'm referring to the technical study.



1 Q. [126] Okay.

2 A. So...

3 Q. [127] Perfect.

4 A. Okay.

5 Q. [128] Quickly, at question 20 of our information  
6 request to Hydro-Québec 0049, it's your questions  
7 and answers...

8 A. Hum, hum.

9 Q. [129] Those were data requests from AQCIE to HQD.  
10 We, at 20.1, question 20.2, 20.4, query the company  
11 about the existence of... Let's take 20.1, for  
12 example:

13 Do documents exist that provide  
14 detailed, annual, standardized  
15 financial and operating data for  
16 Hydro-Québec's transmission and  
17 distribution divisions?

18 20.2:

19 The 2001-2002 period saw a change in  
20 the organization of the company. Are  
21 consistent, itemized operating data  
22 available for earlier years? If not,  
23 please explain the main consistency  
24 problems.

25 And the answer that came was common to all of our

1 questions for data:

2 Le détail demandé excède le périmètre  
3 de la phase 1 du présent dossier fixé  
4 par la Régie dans la décision D-2015-  
5 103. Au paragraphe 11 de cette  
6 décision, la Régie précise qu'elle  
7 réserve sa décision sur la nécessité  
8 de réaliser une étude de productivité  
9 multifactorielle à la suite des  
10 conclusions de la phase 1.

11 So would I be correct in suggesting to you that the  
12 kind of data that we requested in these questions,  
13 according to Hydro-Québec, is not relevant for this  
14 phase 1, but if we follow the informed judgment  
15 approach described at page 6 of your PowerPoint,  
16 then that information would become relevant as  
17 company-specific evidence? It seems plausible to  
18 me, I suggest.

19 (13 h 56)

20 A. Yeah, maybe if I could rephrase your question so  
21 that I'm answering the one that I think I am. If  
22 the question is if stakeholders or the Régie were  
23 to require of the company to provide sufficient  
24 data to conduct the type of analysis suggested in  
25 either a TFP study or other productivity studies,

1 to the extent that that data were reasonably  
2 available, it would be our expectation that the  
3 company would comply and provide that data so such  
4 analysis could be done, and that could be done  
5 either in a Phase 2, if it existed, or it could be  
6 done in advance of Phase 3, but we would assume  
7 that all parties should have access to the same  
8 company data to perform that analysis.

9 Q. [130] And the hat of that evidence would be  
10 company-specific evidence?

11 A. Yes.

12 Q. [131] Thank you. At page 7 of your PowerPoint, you  
13 provide recent decisions in MRI proceedings on the  
14 X factor. There, again, if I come back to the  
15 preceding slide, this would be like the  
16 jurisprudence emanating from other regulatory  
17 boards on the issue of X factors, right?

18 A. I wouldn't go as far as jurisprudence...

19 Q. [132] Well, for lack of a better expression, X  
20 factors derived in other jurisdictions.

21 A. But what I was trying to illustrate there is to  
22 assist the Régie with understanding that experts...  
23 I think the Régie is familiar with getting...  
24 diverting expert opinions from expert witnesses,  
25 cost to capital, for example, might be raised as a

1 case in point, where two (2) experts can use the  
2 same models but yet come out with a different set  
3 of numbers. And that happens here, but I think that  
4 the difference is there that everybody... most  
5 members of the Board, and also stakeholders have a  
6 sense of what a DCF model is and what a Cap M  
7 model, and they understand that you can differ on  
8 what the risk-free rate is, or what the beta is.  
9 But these models, these TFP models, produce a  
10 widely-varying set of results based on both the  
11 models themselves, and the algorithms are  
12 different, and input assumptions could be vastly  
13 different, along with the sample companies. So, as  
14 a result of that, the models with erstwhile  
15 analysis done by these experts will produce very...  
16 a wide array of results, so the board will still be  
17 faced with the task of interpreting between them.

18 Q. [133] All agreed. I'm just pointing those rulings  
19 or decisions and information from other regulators  
20 in Canada as one component of the information  
21 leading to the informed judgement.

22 A. That's correct.

23 Q. [134] Thank you.

24 A. Yeah. And again, I might add the Régie can place  
25 whatever weight on those decisions...

1 Q. [135] Sure.

2 A. ... it may like, as always.

3 (14 h)

4 Q. [136] Like on any piece of evidence.

5 I'm now at page 11 of your PowerPoint  
6 presentation, "Advantages of a Revenue Cap over a  
7 Price Cap Model", we've very briefly touched upon  
8 this before, but you agree with me that the Price  
9 Cap is definitely an alternative that is also  
10 widely used in many jurisdictions as a PBR model?

11 Mr. JAMES M. COYNE :

12 A. We see Price Caps and Revenue Caps used, well,  
13 they're the two basic approaches to setting a  
14 capped revenue requirement, so you'll find both  
15 Price and Revenue Caps... Revenue Caps, well, Mr.  
16 Yardley is going to get into the distinguishing  
17 features between them, but in terms of the  
18 commonality of use, they're, I don't know how many  
19 are price versus revenue, but they're both common  
20 in that respect.

21 Q. [137] And you raise, in this specific context of  
22 HQD, you raise some concerns about the industrial,  
23 the Price Cap approach proposed by PEG for  
24 industrial users, and one of these concerns is the  
25 second last bullet at page 11 of your PowerPoint:

1 The Price Cap approach to industrial  
2 customers (under PEG's proposal) would  
3 either:

4 1. Shift the fixed cost recovery  
5 risk attributable to discounting  
6 to industrial customers to other  
7 customers within the industrial  
8 class or to customers in other  
9 customer classes...

10 (A) You assume, at the outset, that there would  
11 necessarily be built-in discounting practices,  
12 which is not necessarily obligatory, right?

13 Mr. ROBERT C. YARDLEY :

14 A. I didn't catch the last word...

15 Q. [138] Which is not necessarily the case for all  
16 Price Caps, I mean, they're all, I mean, that could  
17 be part, in their Terms and Conditions, they can be  
18 either generous or non-generous in the discounting  
19 department?

20 A. I think it would be appropriate to reserve  
21 judgement on the Price Cap until you see the  
22 formulas and understand where those fixed costs  
23 will end up, it's really hard to comment in the  
24 abstract, so I'm just raising a concern...

25 Q. [139] Okay.

- 1 A. ... at this point, sort of highlighting a concern,  
2 let's see what the formulas are, let's see how it's  
3 going to work, let's all look at it.
- 4 Q. [140] I was just suggesting that there would have  
5 to be discounting to begin with, for us to get  
6 there, to this concern here...
- 7 A. But the Price Cap...
- 8 Q. [141] ... materialization of the concern?
- 9 A. I assume that the point of the Price Cap is that  
10 not everyone, no one would be charged more than the  
11 Price Cap...
- 12 Q. [142] No, that's...
- 13 A. ... no one is getting the Price Cap...
- 14 Q. [143] ... that's why it's called the Price Cap.
- 15 A. ... but it would be the, HQD would have the  
16 marketing flexibility to charge less than the Price  
17 Cap, but then those costs could be recovered from  
18 other customers. Actually, I'll just correct  
19 myself, some customers could pay more than the  
20 Price Cap, it's really, I can't, it's not our  
21 proposal, it's unclear, I think many of the... from  
22 reading the briefs, others had questions as well,  
23 so that's about all I can say.
- 24 Q. [144] Would you agree that assuming, for purposes  
25 of our discussion, that industrial users are under

1 a Price Cap and that all other rate categories are  
2 under a Revenue Cap, the ability of HQD to recover  
3 fixed costs from the other categories would be  
4 limited to the Revenue Cap protection that's given  
5 to those other rate classes?

6 A. Yes, I would agree with that. I mean, that's, but  
7 still, people asked questions about that in their  
8 briefs, so it could be clearer, for sure, but it  
9 should not work that way.

10 Q. [145] Okay.

11 A. So that would leave HQD to absorb the fixed costs,  
12 I mean, somebody has to absorb it, the fixed costs  
13 aren't going away.

14 Q. [146] I would now like to go to page 14 of your  
15 PowerPoint, dealing with "Regulatory Process and  
16 Annual Reporting." We're all there?

17 (14 h)

18 Mr. JAMES M. COYNE:

19 A. I am.

20 Q. [147] Would it be fair to suggest that the single  
21 compliance filing that you suggest as part of the  
22 regulatory process would replace the rate filing  
23 each year? Is that the purpose?

24 A. It would be the filing that determines what the new  
25 rates would be.



1 Q. [148] That's right. So, it would replace the  
2 traditional rate filing.

3 A. That's correct.

4 Q. [149] Okay. And at page 34 of your expert report...  
5 it's not long, I mean, it's just a concept...

6 A. Uh-huh.

7 Q. [150] ... you suggest that this compliance filing  
8 from a regulatory standpoint would be handled  
9 through a written consultation. Is my understanding  
10 correct?

11 Mr. ROBERT C. YARDLEY:

12 A. Just for the record, I don't believe there's a page  
13 34. But I don't think it's important.

14 Q. [151] The second to the last page.

15 A. Okay. Page 29.

16 Q. [152] 28... sorry. I took the PDF.

17 A. Okay, that's fine.

18 Q. [153] I often do that.

19 A. These are frequently done through written  
20 consultations, if the recipe is easy to apply and  
21 everyone understands. If someone had an issue... I  
22 mean the Commission always has the discretion if  
23 they feel that there's an issue that requires  
24 exploration through more a conversational  
25 hearings, they always have that authority. But

1 they...

2 Q. [154] Well..

3 A. ... but you would strive for making it as  
4 straightforward as possible.

5 Q. [155] Well, I will suggest to you and to your  
6 lawyers, that if the compliance filing pertains to  
7 replace of rate filing, those filings are made  
8 pursuant to sections... to certain sections of the  
9 act that do require a public hearing.

10 A. Okay. I'm not going to render an opinion...

11 Q. [156] No, I'm just suggesting...

12 A. ... on that particular matter.

13 Q. [157] ... that and I'd say I address this comment  
14 not only to you, but also to your lawyers, and I'm  
15 referring to article 25, paragraph 1, in article 48  
16 of the act.

17 Me FRANÇOIS G. HÉBERT :

18 Mais la Régie... Maître Sarault, si vous me  
19 permettez, la Régie peut très bien tenir une  
20 audience publique par écrit.

21 Me GUY SARAULT :

22 Matière intéressante à argumentation,  
23 effectivement.

24 Me FRANÇOIS G. HÉBERT :

25 Tout à fait.

1 Me GUY SARAULT :

2 Ça a déjà été fait par le passé.

3 Me FRANÇOIS G. HÉBERT :

4 Et c'est en ligne avec l'article 48.1 où on  
5 souhaite alléger, évidemment, le processus visant à  
6 fixer les tarifs.

7 Me GUY SARAULT:

8 Q. [158] The point is well taken. Merci. Et pour le  
9 « annual reporting »... well, I mean, you're  
10 talking about the closing of the books. I mean, it  
11 has always been referred to interchangeably with  
12 annual report. And there again, there is there, you  
13 know, the article in the act, it's article 75, that  
14 does compel HQD to file an annual report for  
15 consideration by the Régie. So, it would not cease  
16 to exist. So, we would still have at least two  
17 filings a year, at least the compliance filing,  
18 plus the annual report. Would that be a correct  
19 assessment?

20 Me FRANÇOIS G. HÉBERT :

21 Oui, oui, c'est le cas.

22 Me GUY SARAULT :

23 Merci.

24 Me FRANÇOIS G. HÉBERT :

25 Tout en précisant que le rapport annuel est

1           actuellement revu de façon administrative par la  
2           Régie.

3           Me GUY SARAULT:

4           Q. [159] Finally, talking about service quality  
5           indicators, am I understanding correctly that you  
6           do associate service quality indicators to the  
7           earnings-sharing mechanism, ESM?

8           Mr. ROBERT C. YARDLEY:

9           A. That's our understanding is that HQD has been  
10          directed to...

11          Q. [160] Okay.

12          A. ... file an ESM, or earnings-sharing mechanism,  
13          that would be... have the service quality metrics  
14          integrated within them.

15          Q. [161] And am I correct in understanding that, from  
16          your perspective, the debate over the service  
17          quality indicators and the ESM would take place in  
18          phase 3?

19          A. That's my understanding.

20          Q. [162] Vous me faites signe que oui, Maître Hébert.

21          Me FRANÇOIS G. HÉBERT :

22          C'est exact.

23          Me GUY SARAULT :

24          Q. [163] Merci. Alors, ceci va compléter mes  
25          questions. Une heure et dix; j'ai un petit peu

1 excédé l'heure que j'avais annoncée, mais pas de  
2 trop.

3 LA PRÉSIDENTE :  
4 Merci, Maître Sarault.

5 Me GUY SARAULT :  
6 Merci.

7 LA PRÉSIDENTE :  
8 Nous allons prendre une pause, dix (10) minutes,  
9 pour se rafraîchir et accueillir a micro l'équipe  
10 de maître Cadrin.

11 SUSPENSION DE L'AUDIENCE

12 REPRISE DE L'AUDIENCE

13

14 (14 h 24)

15 LA PRÉSIDENTE :  
16 Alors, bonjour Maître Cadrin. La parole est à vous.

17 Me STEVE CADRIN :  
18 En vous remerciant, Madame la Présidente. Alors  
19 bonjour également à la Régie. J'en profite, ma  
20 première intervention de la journée, bonjour  
21 également à nos témoins. In French. The questions  
22 will be in English, so hello.

23 LA PRÉSIDENTE :  
24 Maître Cadrin...

25

1 Mr. JAMES M. COYNE :

2 R. Bonjour.

3 LA PRÉSIDENTE :

4 Je comprends que vous... on vise s'arrêter vers  
5 trois heures trente (3 h 30). Est-ce que vous  
6 pensez qu'on peut viser ça ensemble pour votre  
7 intervention, ou...

8 Me STEVE CADRIN :

9 Nous visons, et je serai... Vous pourrez mettre un  
10 incitatif à la fin, ou en tout cas, un indicateur  
11 de performance pour savoir si j'ai réussi, mais  
12 j'essaie. On s'y dirige. Alors Steve Cadrin...

13 LA PRÉSIDENTE :

14 J'apprécie.

15 Me STEVE CADRIN :

16 Alors Steve Cadrin pour l'AHQ-ARQ.

17 CONTRE-INTERROGÉS PAR Me STEVE CADRIN :

18 Q. [164] So the first... My questions will be to the  
19 expert witnesses, so we can switch now to the  
20 English version of my questioning, which will be  
21 most of it. I'm referring to a document which is  
22 HQD-69, which is answers to DDR number 2 of the  
23 Régie. And it's page 9, answer 4.1., I'll lead you  
24 to documents so you can understand the general  
25 scope of the answers you are giving, and I'll also

1 point you to the specific passage where I want you  
2 to go. So:

3 The goal of a PBR plan should be to  
4 unleash and incentivize...  
5 I'm sorry, I have problems with that word,  
6 ... the utility to manage the full  
7 spectrum of its controllable costs  
8 while providing appropriate levels of  
9 service quality for its customers.

10 Just a question of understanding the words and the  
11 meaning of the words, what do you mean by  
12 "unleash"?

13 Mr. JAMES M. COYNE:

14 A. Provide the utility with the ability to use its  
15 creativity and the powers that it has at its  
16 disposal to operate without constraint to deliver  
17 the most cost-effective solutions it can for its  
18 customers while retaining appropriate levels of  
19 service quality for his customers.

20 So, the premise there is that the... A  
21 criticism that's often made of cost of service is  
22 that the utility is not sufficiently incentivized  
23 under cost of service to exploit cost efficiencies.  
24 That may or may not be true, but the goal, and it  
25 probably is company-specific and time-specific as

1 well in terms of where that company is in its  
2 evolution, but if one is going to go through the  
3 challenges of implementing a PBR programme, as  
4 we're seeing here, these are not easy to implement.  
5 It should remove any constraints that the company  
6 would have to pursue these efficiencies.

7 Q. [165] So, in your opinion, is it preferable to  
8 unleash the controllable costs that we're talking  
9 about in a PBR plan as opposed to the Régie's,  
10 which is the current regime?

11 A. I think they both have a role. We know that the  
12 Régie, both Mr. Yardley and I have served in  
13 regulatory capacities in the past, and we both know  
14 that it's one thing to sit there, it's something  
15 else to decide how many... what the vegetation  
16 budget is going to be this year and how you're  
17 going to deploy it, and what capital projects  
18 you're going to implement. So the Régie can do  
19 certain things within its control, but at the same  
20 time, it wants to create incentives that are as  
21 strong as possible for the company to do the best  
22 job it can for its customers when the Régie is not  
23 looking over its shoulder, when it's sitting back  
24 in its towers or out in its trucks, to be making  
25 the right decisions.



1 Q. [166] Would you say that under the current regime,  
2 HQD has leashed or unleashed, taking your meaning  
3 of the word "unleash"?

4 A. Well, I think there has been an ongoing dialogue  
5 between the company and the regulator about  
6 expectations regarding efficiencies. It's been  
7 clear to me that from a standpoint of workforce  
8 reduction, which is probably the most obvious level  
9 of efficiency, that the company has shown a  
10 remarkable reduction in its workforce going back to  
11 the year two thousand eight (2008), and created  
12 some significant cost efficiencies. So, I think it  
13 certainly felt the ability to do so, and that was  
14 endorsed by the Régie. So I think it certainly felt  
15 empowered to do so, but it was doing so on a one-  
16 year to one-year basis, and I think the concept of  
17 a multiyear PBR is to allow the company to do more  
18 than short-term planning, but also to do some long-  
19 term planning within its control over those  
20 controllable costs. I think it has greater degrees  
21 of freedom under this programme than it does under  
22 a one-year cost of service programme.

23 (14 h 29)

24 Q. [167] As far as leashing goes, if I relate to  
25 the... would you agree with me, in fact, that in

1 regards to supply costs, for example, where the  
2 Régie examines and approves all costs, the utility  
3 is kind of leashed - to take your expression - or  
4 is it not leashed?

5 A. It's controlled by a process for the Régie, I think  
6 that it should still, even within a cost of service  
7 approach to an item such as supply cost, I believe  
8 that a good company should always be incentivized  
9 to seek the lowest cost it can on behalf of its  
10 customers. So, I don't think in that sense it's  
11 constrained from negotiating good contracts for its  
12 customers, the only difference is there's not a  
13 financial incentive to do so, but I think that  
14 companies should always be doing the right things  
15 for their customers, whether or not there's a  
16 financial incentive there or not.

17 Q. [168] We agree on that, but is there an incentive  
18 in the current regime as far as supply cost goes?

19 A. A direct financial incentive?

20 Q. [169] Yes.

21 A. No. The benefit accrues to its customers to the  
22 extent that it's more successful in negotiating  
23 advantageous supply contracts.

24 Q. [170] And reducing the supply cost, that's one  
25 word. If the supply cost goes up or it's too much

1 supplying, oversupplying in fact, is there an  
2 incentive not to oversupply?

3 A. Well, the incentive is we'll have to face the Régie  
4 the next year, I suppose you could say that, you  
5 could call it a negative incentive, where it's  
6 going to have to explain why its supply cost went  
7 up higher. It could have been because demand was  
8 different. But there was a contracting strategy in  
9 place, it will be up to the company to show that it  
10 executed that contracting strategy as was the  
11 shared understanding with the Régie and  
12 stakeholders that it would. If it did not execute  
13 that strategy according to the plans, than it  
14 should be held accountable.

15 Q. [171] Okay. I will switch now to HQD again, it's  
16 document 45 and it's page 5.

17 M. FRANÇOIS G. HÉBERT :

18 Avez-vous la cote du Distributeur, Maître Cadrin?

19 Me STEVE CADRIN :

20 Le sténographe m'a demandé de ne pas la donner.

21 M. FRANÇOIS G. HÉBERT :

22 Pour nos fins.

23 Me STEVE CADRIN :

24 Non, mais ça va me faire plaisir.

25

1 M. FRANÇOIS G. HÉBERT :

2 Merci.

3 Me STEVE CADRIN :

4 HQT-4, Document 1. Page 5.

5 THE PRESIDENT:

6 Which page?

7 Me STEVE CADRIN :

8 Q. [172] 5. I'm switching to French and English so  
9 maybe... If I go to Chinese just tell me before I  
10 go to far. And the answer is 1.4, last paragraph of  
11 that answer.

12 A. 1.4.

13 Q. [173] Okay.

14 In summary, through its various  
15 interventions, HQD currently has a  
16 direct impact on supply needs and a  
17 limited ability to influence supply  
18 costs.

19 My question is: from this last response, can we  
20 understand that HQD has control of some of the  
21 supply costs, not discussing the magnitude of it at  
22 this point.

23 A. My understanding is that the way it acquires  
24 supply, that it must dispatch its non-heritage  
25 supplies first. So, once it executes those

1 contracts, those have to be dispatched first. So,  
2 it's not exercising any control. Once it has  
3 entered into those contracts, the Régie has an  
4 approval process associated with the company  
5 entering into those contracts, so that becomes  
6 locked-in supply. After that, it is taking heritage  
7 supply for the remaining balance, except for short-  
8 term contracts that it uses to balance load.

9 So, I think in the short run, the company's  
10 ability to influence supply costs has to do with  
11 its short-term purchases. But those short-term  
12 purchases are also executed under strategies  
13 approved by the Régie. So, some control over the  
14 short-term, but that's a very small amount of the  
15 total supply cost.

16 Q. [174] Do you have, let's say, a number of  
17 percentages or anything like that that would let us  
18 understand what is the magnitude of what they can  
19 control or with the limited ability?

20 (14 h 34)

21 A. I would ask the company what the magnitude is of  
22 the short-term purchases.

23 Me STEVE CADRIN :

24 Q. [175] But do you know, I'm asking you...

25 A. Relative magnitude, I have, I believe I have those

1 numbers with me, the total is four point six  
2 billion (\$4.6 G), and of that... I'm trying to  
3 remember what the total of the, what the non-  
4 heritage supply portion is, I have that close by.

5 Q. [176] I just wanted to know, when you were saying  
6 that, giving us that answer at the time and now,  
7 today, when I'm asking you the question, just to go  
8 a little bit further down, do you have a number in  
9 your head, or do you have a percentage in your head  
10 when you say that...

11 Mme FRANÇOISE METTELET :

12 R. Maître Cadrin, j'aurais la réponse.

13 Q. [177] Mais je préférerais que le témoin expert  
14 témoigne d'abord puis vous pourrez fournir la  
15 réponse, avec respect, là, par la suite.

16 Mr. JAMES M. COYNE :

17 A. Your question stands, I assume?

18 Q. [178] Yes, I'm sorry, I switched to French...

19 A. The total supply cost is eight... and I believe  
20 this is the two thousand sixteen (2016) numbers,  
21 five point eight billion dollars (\$5.8 G), of which  
22 four point two billion (\$4.2 G) is heritage, one  
23 point six billion (\$1.6 G) is not heritage. I have  
24 the non, the one point six billion (\$1.6 G) in  
25 front of me broken down to its various sub-

1 components, but I don't have it, i.e. wind -  
2 biomass - HQP and other, but I don't know what  
3 portions of those are short-term versus long-term  
4 contracts without digging that data out.

5 Q. [179] Et maintenant, pour HQ, effectivement, vous  
6 pouvez fournir la réponse, s'il vous plaît?

7 Mme FRANÇOISE METTELET :

8 R. Donc ce que je peux ajouter, moi, je l'ai en  
9 énergie, donc pour ce qui est de la portion  
10 d'énergie postpatrimoniale, ça représente neuf pour  
11 cent (9 %) de nos sources d'approvisionnements,  
12 soit dix-sept térawattheures (17 TWh), alors que  
13 les approvisionnements de très court terme ne  
14 représentent que point cinq pour cent (0,5 %), ou à  
15 peine un térawattheure (1 TWh).

16 Q. [180] I would now go back to the...

17 Me LISE DUQUETTE :

18 Maître Cadrin, je vais juste vous interrompre...

19 Me STEVE CADRIN :

20 Oh! excusez-moi.

21 Me LISE DUQUETTE :

22 ... juste une précision, quand vous voulez dire  
23 « très court terme », vous voulez dire moins de  
24 vingt-quatre (24) heures, moins de trois mois?

25 C'est juste parce que dans le plan, quand on parle

1 de court terme, on parle soit de trois mois et  
2 moins, soit dans le vingt-quatre (24) heures, ça  
3 fait que je voulais juste que vous précisiez, quand  
4 vous dites « très court terme », vous aviez quelque  
5 chose en tête?

6 Mme FRANÇOISE METTELET :

7 R. C'est le court terme, donc ce qu'on appelle comme,  
8 une fois... une fois... qui sont sous dispense, là,  
9 donc c'est vraiment le court terme.

10 Me LISE DUQUETTE :

11 Merci.

12 Me STEVE CADRIN :

13 Q. [181] So I'm going back to Document 69, so again  
14 C-HQT-HQD-0069, HQTD-4, Document 1.2. I'm going to  
15 pages 15 and 16, answer 5.3, and to locate the  
16 specific paragraph I'm referring to, it's the third  
17 paragraph from the end, which starts with :

18 Concentric is not aware of any North  
19 American jurisdiction where an MRI  
20 plan includes an incentive clause for  
21 purchased power for an electric  
22 distribution utility.

23 And I emphasize the word "distribution" in that  
24 part of the answer. So are you aware of any  
25 jurisdiction, not only in North America, where an



1 MRI plan includes an incentive for purchased power  
2 for any electric utility, not only distribution?

3 Mr. JAMES M. COYNE :

4 A. I am not, but nor have I studied to see if there is  
5 one.

6 Q. [182] Okay. As we know, HQ has a double role, one  
7 of supply procurement and dispatching, and one of  
8 distributing the electricity -- I'm not citing from  
9 your text, I'm just alluding to my question -- my  
10 question, are you aware of other distributors that  
11 have both of these roles, supply procurement and  
12 dispatching, one role, and the other role is  
13 distributing electricity?

14 A. Yes, so they have supply procurement and  
15 distribution, that's typical for a distribution  
16 company, that how most distribution companies are  
17 organized, in North America, at least.

18 Q. [183] So, if it's typical, in these cases that...  
19 which is the norm, in fact, are the supply costs  
20 incented, and are there performance indicators to  
21 verify that the supply costs are reasonable?

22 A. The answer to incented is no, as I've stated, I'm  
23 not aware of any utility that has an incentivized  
24 purchase power program under an MRI or otherwise,  
25 and again, that's because those costs are generally

1 deemed to be beyond the utility's reasonable  
2 control.

3 The second form of your question is are we  
4 aware of performance indicators...

5 Q. [184] Performance indicators, yes.

6 A. ... that relate to supply procurement? On the gas  
7 side, yes, but your question pertains to electric  
8 procurement. It's more typically the case, I would  
9 say, that... in the case of the state of New York,  
10 for example. There, there is an annual meeting  
11 between... much as there has been here, between the  
12 staff of the regulator and the company to discuss  
13 its contracting strategy for electric supplies. And  
14 that's the more typical model that we see that  
15 there is a process in place for procuring supply  
16 that the regulator or the regulatory staff and  
17 stakeholders wanted to have an opportunity to  
18 contribute to. I can't think of a specific example  
19 where there is a performance indicator tied to it.  
20 Perhaps Mr. Yardley can expand on that?

21 MR. ROBERT C. YARDLEY:

22 A. Yes, I can take a shot at that. So, in the States,  
23 we have two (2) types of markets. We have  
24 restructured markets where the companies have sold  
25 off their generation. They're still responsible for

1 acquiring supplies for customers, usually under RFP  
2 processes, one (1)- to three (3)-year terms, you  
3 know, managed by... overseen by the regulator. And  
4 then, in un-restructured markets, they own  
5 generation. But that... the demand doesn't match  
6 their generation perfectly, and almost all of them  
7 are part of a broader market. They have access to a  
8 market, so there's no real reason for an incentive,  
9 but they would be obligated any time there's an  
10 opportunity to acquire supply from the market that  
11 is less expensive than the supply that they could  
12 generate themselves, they are obligated to displace  
13 their own generation. So, that is all... that  
14 process is all overseen, you know, by the  
15 regulator, and everybody would pay attention to it.  
16 So, you know, that's the advantage of having a  
17 market to go to.

18 Q. [185] Now, Mr. Yardley, since I have you answering  
19 last, on your résumé, you're saying, on page 2, it  
20 indicates that you co-authored a report on the  
21 potential application of incentive rate-making to  
22 the regulated generation assets of Ontario Power  
23 Generation. Are there incentives in this report for  
24 the reduction of supply costs of OPG?

25 A. The question is did I co-author the report? Or are

1           there incentives? I think I just didn't understand  
2           your question.

3       Q. [186] You said in your résumé that you co-authored  
4           the report...

5       A. Yes, so the answer is yes to that question.

6       Q. [187] Yes, that's the answer. That would be the  
7           correct answer. The second thing I'm going to  
8           question you, are there incentives in this report  
9           that you co-authored for the reduction of supply  
10          costs of OPG?

11      A. In that case, the report focussed on the hydro  
12          electric plants that were owned by OPG, and the  
13          nuclear, separately. Hydro electric, there was an  
14          incentive mechanism that was already in place that  
15          would encourage them to go to the market when it  
16          made sense.

17                   In the case of OPG, the regulator was  
18                   really looking for a way to increase the  
19                   productivity of those nuclear plants, so  
20                   relative... and a lot of it was based on bench-  
21                   marking analysis. So, relative to its peers, and  
22                   this may have been more broadly true of Candu  
23                   nuclear units, their capacity factors were  
24                   relatively low, which has a significant impact on  
25                   the cost of supply that would be paid for by

1 customers. So, that was the purpose of the inquiry.

2 Q. [188] I'm now switching back -- I'm sorry -- to  
3 document 45, HQT-D-4, document 1.

4 A. Which page?

5 Q. [189] Sorry, page 5.

6 (14 h 45)

7 And answer 1.4... so, we're following up on a  
8 question... the same answer we've talked about  
9 prior. I will cite to you, the passage:

10 The Régie will continue to review the  
11 performance of the supply plan and  
12 approve HQD's supply management and  
13 the related supply costs on an annual  
14 basis. This annual review of supply  
15 costs is the best incentive to ensure  
16 that these costs are the lowest they  
17 can possibly be for customers.

18 Is it your opinion that the present solution offers  
19 a sufficient incentive to HQD to file and submit --  
20 so from the onstart -- optimized procurement plans  
21 and solutions, upstream of the scrutiny by the  
22 Régie? My question really goes to the file and  
23 submit part.

24 Mr. JAMES M. COYNE:

25 A. So, your question is: are they sufficiently

1           incented to submit an optimized plan?

2       Q. [190] Yes.

3       A. I don't know... well, yes, I think they're incented  
4           to submit an optimized plan, one that's going to  
5           provide them with sufficient supply resources to  
6           meet their projected needs for the year. So, I  
7           think good, solid, supply planning would require  
8           that the contracts available to them resource to  
9           meet expected demand and have a contingency to meet  
10          whatever weather conditions and whatever other  
11          economic conditions they may encounter and to  
12          acquire those supplies at the lowest possible  
13          price. I can't see any incentive for them to do  
14          otherwise. So, yes, I think there's incentedness  
15          and the incentive there is two-fold. You know, one  
16          is that these are people who take pride in what  
17          they do. They don't want to overpay for resources.  
18          And secondly, they will face the Régie and  
19          stakeholders when they come in for the annual  
20          supply plan review to be held accountable for how  
21          well they performed against the supply plan they  
22          had in place. And that's the typical standard that  
23          we see in the industry.

24       Q. [191] Are you familiar with the reliability  
25          criteria of most NPCC utilities, including HQ, that

1 accepts a loss of load expectation or LOLE of  
2 twenty-four (24) hours in ten (10) years caused by  
3 insufficient supply?

4 A. It was probably the first rule I learned when I was  
5 learning the electric utility industry decades ago.  
6 So, yes.

7 (14 h 48)

8 Me ÉRIC FRASER :

9 Je suis convaincu que les experts connaissent les  
10 réponses aux questions sur les critères de  
11 fiabilité, mais il me semble que c'est un sujet de  
12 plan, et je sais pas sur quelle voie veut s'engager  
13 mon confrère, mais on s'éloigne des  
14 caractéristiques du MRI si on pose des questions  
15 précises sur les critères de fiabilité au témoin.

16 Me STEVE CADRIN :

17 Ah, je ne poserai pas de questions précises sur le  
18 critère de fiabilité en lui-même. Simplement la  
19 question que j'aborde depuis le début, qui entoure  
20 la question des approvisionnements et des  
21 incentives - excusez-moi l'expression en anglais,  
22 j'ai de la difficulté à faire le switch d'un à  
23 l'autre à chaque fois. Alors je suis là, et j'y  
24 arrive.

25

1 LA PRÉSIDENTE :

2 Très bien.

3 Me STEVE CADRIN :

4 O.K. D'accord. Parce que je vous vois hocher de la  
5 tête, mais je ne suis pas certain si vous voulez me  
6 dire oui exactement à tout. C'est bon? O.K.

7 Q. [192] I will then continue with the questions, I'm  
8 sorry. The headsets, you can put them back down.  
9 Are you aware that the number of hours of losses of  
10 load caused by insufficient supply, and not other  
11 causes such as transmission or distribution lines,  
12 in the last forty (40) years, is in fact, I would  
13 suggest to you, zero for HQ?

14 A. I would accept that, subject to check with the  
15 company.

16 Q. [193] But my question is, do you know that when  
17 we're talking about supply costs, incentives and  
18 all that, oversupplying, do you know those numbers?

19 A. No.

20 Q. [194] Or that number?

21 A. No, I did not know the outage ratio for supply  
22 versus other causes over the last four years. Nor  
23 was it necessary for us to study it to reach this  
24 determination.

25



1 Me ÉRIC FRASER :

2 Et voilà. Et ça va de soi, puisqu'on n'est pas dans  
3 un dossier de plan d'approvisionnement ici.

4 Me STEVE CADRIN :

5 Bien, je ne veux certainement pas que mon confrère  
6 plaide la cause au fur et à mesure qu'on avance. Si  
7 le témoin a répondu à la question, je comprends  
8 qu'il aurait dû faire une objection avant qu'il  
9 réponde, pas après. Les commentaires, je ne vois  
10 vraiment pas le rapport à ce stade-ci, avec  
11 beaucoup de respect pour mon confrère, là. Les  
12 témoins experts ont fait des prononcés, ou des  
13 avancées, puis j'aimerais vérifier leur  
14 connaissance de la compagnie, la connaissance de ce  
15 qui se passe notamment en question  
16 d'approvisionnement. Je pense que c'est une  
17 question pertinente, en quarante (40) ans, qu'il  
18 n'y ait jamais eu d'interruption de service liée  
19 aux approvisionnements. Alors je comprends que mon  
20 confrère trouve que ce n'est pas un sujet qui est  
21 pertinent, je ne pense pas que vous ayez à décider  
22 de ça maintenant. J'apprécierais qu'il n'y ait pas  
23 de commentaires pour diriger soit les témoins, soit  
24 la discussion, en cours de route, si ce n'est pas  
25 des objections.

1 LA PRÉSIDENTE :

2 Continuez de cibler vos questions le mieux  
3 possible, s'il vous plaît.

4 Me STEVE CADRIN :

5 D'accord. Merci.

6 Q. [195] So, following my suggestion that there is no  
7 loss of load in the last forty (40) years, what  
8 would you say would be the reason behind that,  
9 apart oversupply?

10 Mr. JAMES M. COYNE:

11 A. Well, let me put it in context. From a utility  
12 standpoint, it would be a highly unusual  
13 circumstance for a loss of load to result from loss  
14 of supply. And the reason for that is twofold. One  
15 is utilities contract for supply for both long-term  
16 supply, and also have short-term reserves available  
17 to them, and they also have spinning reserves  
18 available to them for just that purpose. So they  
19 build a system of supply that's flexible enough to  
20 meet fluctuating loads. Outages are typically  
21 caused by either planned outages due to taking down  
22 a generation resource or a transmission resource,  
23 or unplanned outages due to a storm, or a lightning  
24 event, or an equipment failure. So one can plan for  
25 supply in a way that one can't plan for an

1 unforeseen equipment failure. That's the typical...

2 That's a typical cause for such outages.

3 And in addition to that, utilities also  
4 maintain flexibility with regards to shedding load.  
5 So if they have a very warm summer day, for  
6 example, or a very cold winter day, they'll retain  
7 the opportunity to shift loads so that they will  
8 not be short-supply resources. So there is much  
9 more flexibility for utility to maintain its supply  
10 than there is for it to maintain its infrastructure  
11 resources. So it would be unusual for a utility to  
12 have a forced outage due to lack of supply for  
13 those reasons. Mr. Yardley would like to comment on  
14 this.

15 Mr. ROBERT C. YARDLEY:

16 A. Yes. If I could just add to that. So my  
17 understanding of the question relates to  
18 contracting, how much supply the HQD is contracting  
19 for...

20 Q. [196] To meet the criteria we're talking about,  
21 which is...

22 A. Right.

23 Q. [197] ... twenty-four hours (24 hr) in ten (10)  
24 years, which has never happened, in fact, so now  
25 it's zero hour...

1 A. Right. So they could... They could achieve that by  
2 contracting for three times as much as they need. I  
3 think we'd all agree that it's not a good idea and  
4 too expensive for customers. Or they could meet  
5 that by contracting for point one percent (.1%)  
6 more than they needed. I mean that's... The point  
7 is that you'd want that decision to be made. It's a  
8 tradeoff between what customers will pay and the  
9 security of supply. So it's a public policy matter.  
10 You would want them to make that decision in an  
11 open and transparent way with stakeholders and the  
12 Régie having a chance to comment on that strategy.  
13 And some regulators might lean more toward "No, we  
14 want more question." If there is a market, you  
15 might be able to live with a smaller cushion, you  
16 know, vibrant market and so forth, so it's an  
17 important decision but it's not an argument for an  
18 MRI, it's an argument for the review of the plan,  
19 really, so that that decision is made  
20 appropriately.

21 (14 h 53)

22 Mr. JAMES M. COYNE:

23 A. One more point which pertains to your initial  
24 question to the one and ten-year outage standard.  
25 That standard also led to the establishment of

1 reserve margins by utilities and it's always deemed  
2 reasonable that a utility maintain at least a ten  
3 percent (10%) reserve margin in order to be able to  
4 respond to unforeseen circumstances.

5 So, the industry is really based on a  
6 margin of safety in terms of its overall design and  
7 implementation and that's true here and that's true  
8 certainly elsewhere in North America and the NERC  
9 Standards only serve to reinforce that. It's a  
10 system that's really based on reliability.

11 Q. [198] So basically, going back to the cases where  
12 we plan for our future supplies that we need, you  
13 would say that that's enough, the Régie reviews  
14 that and will take into account all those factors  
15 which is one is the criteria but we might go over  
16 that criteria or be more, I don't know the right  
17 word in English but you get what I mean? More what?  
18 More reliable, which is a word I hate because I  
19 don't pronounce it well so I'm sorry about that.

20 So, I go back to my question, so we bring a  
21 plan, HQ brings a plan to the Régie, will look at  
22 it. So, normally the plan would take into account  
23 everything that they can know and they'll provide a  
24 reserve, they'll provide also the criteria but are  
25 you aware that sometimes, and many times I would

1 say like in the last case, the Régie had to deny  
2 unnecessary procurements or supplies. So, you make  
3 your whole calculations as HQ, meaning those  
4 criteria but, sometimes, you come to the Régie and  
5 they bring you down, your supply demands or your  
6 supply that you want to have the regulators approve  
7 in advance.

8 So, are you aware that in some cases, I  
9 would say, that supply has been brought down, let's  
10 say, by five hundred megawatts (500 MW), for  
11 instance, in two thousand fourteen (2014).

12 A. We would say that's a system working just right.

13 Q. [199] Yes?

14 A. That the utility should come to the Régie and the  
15 Régie should exercise its discretion in terms of...  
16 I think it's an ideal public policy position to  
17 determine what it deems to be a reasonable safety  
18 margin. So, that does not surprise us and I would  
19 say that's a system working as it should.

20 Q. [200] So, from a regulator's standpoint, you would  
21 have to point out all those oversupplies by  
22 yourself or by the whole process. If you miss them,  
23 then they're in the case and your stuck with them.

24 A. No, I don't think so. If you miss them - to go to  
25 the thrust of your question - so, if you

1           oversupply, I guess it depends on what you  
2           oversupply. If you have contracted for more  
3           capacity than you needed for the year, then you  
4           would have the opportunity to turn that back to the  
5           market and get whatever price that would give and  
6           the difference between what you contracted for and  
7           what you paid for would be the cost of that  
8           marginal supply. And that's the very basis of  
9           utility supply planning is trying to find that  
10          happy balance between having enough, having too  
11          much and having too little.

12                        We know that outages are very expensive and  
13           any utility certainly wishes to avoid an outage - I  
14           wouldn't say at any cost but they recognise the  
15           high cost of outages - so prudent planning requires  
16           them to acquire sufficient resources and to acquire  
17           them in the most economic way possible but those  
18           are the standards that we would expect to see the  
19           Régie enforcing on the utility in the context of  
20           these annual supply plans.

21    Q. [201] So, the optimisation will come from the  
22           Régie, let's say in... The instance I'm saying  
23           right now where five hundred megawatts (500 MW) was  
24           cut off from the plan - let's say for example -  
25           then the plan was not optimised by HQ, it was

1 brought here, it was examined and then cut off by  
2 five hundred megawatts (500 MW). So my question, my  
3 first question was: file and submit or do we incent  
4 HQ to file and submit plans that are optimised that  
5 will not have to be cut off by the Régie itself?

6 Mr. ROBERT C. YARDLEY:

7 A. I can't imagine that HQD would want to be in that  
8 position very often. I mean, you know, there's  
9 always some back and forth, they're not, the Régie,  
10 I would not expect the Régie to accept every single  
11 element of every proposal made by any of the  
12 utilities they regulate.

13 So, that doesn't strike me as an unusual  
14 circumstance. That may have been HQD's perspective,  
15 based on its... and all these decisions are made  
16 before the fact, so they're made before the fact  
17 based on your view of what you think's going to  
18 happen in the future. So, HQD's perspective, and it  
19 would have been required to justify particular  
20 proposals it was making based on its view of the  
21 future, and others might come into that proceeding  
22 and say, you know, we have a different view of the  
23 future, we don't view this particular option as  
24 having these attributes. So, that's a normal...  
25 those decisions made for the fact do not prove that



1 HQD didn't make what it believed was an optimal  
2 decision, it made a proposal...

3 Q. [202] I understand that.

4 A. ... that it believed consistent with the... you  
5 know, its view of the future, and its understanding  
6 of its obligations was the right decision, but  
7 others can look at it and disagree, and one party  
8 in particular can make a different decision. Now,  
9 if the world turns out to be different, just to  
10 close this loop, if the world turns out to be  
11 different, you can't then, in hindsight, go back  
12 and say, well, the Régie made a bad decision. Just,  
13 you know, so that's... we need to distinguish  
14 between the decisions we make looking forward, and  
15 then, in the future, it happens, you go back and  
16 you might look. So it's two (2) completely  
17 different questions.

18 Q. [203] Thank you very much.

19 So, I'm staying in document 49, I think we  
20 were in that document right now; so it's page 3,  
21 answer 1.1, second paragraph. And talking to Mr.  
22 Coyne, has thirty-five (35) years of experience in  
23 energy policy planning and regulation, his work has  
24 covered nearly every aspect of the energy and  
25 utility industries, ranging from broad policy

1 matters to complex modelling, finance and  
2 operations.

3 So, Mr. Coyne... I'll let you go to the...  
4 we're talking about you, in fact. So my question  
5 will be about you.

6 MR. JAMES M. COYNE:

7 A. Oh, 1.1 in response to Régie?

8 Q. [204] I just read the paragraph where it says what  
9 you have done for the past thirty-five (35) years.

10 A. I'm with you. Okay.

11 Q. [205] Good. Mr. Coyne, can you elaborate on your  
12 experience on operations within the electricity  
13 industry?

14 A. Well, my role has been as a policy-maker and as a  
15 consultant, not as... I have not worked in the  
16 operations of a utility department. I've worked as  
17 a regulatory analyst, analyzing the supply and  
18 demand plans for utilities, and worked as a  
19 consultant to them, but I do not have operating  
20 experience for utility. I have experience working  
21 for an integrated oil company, but not for utility.

22 Q. [206] Okay. Have you been involved in the planning  
23 of supply resources?

24 A. Yes.

25 Q. [207] Have you been involved in the dispatching of

1 supply resources, in particular, in the short term?

2 We'll focus on that right now.

3 A. No.

4 Q. [208] So, still document 45, page 4, answer 1.4,  
5 third paragraph:

6 "With respect to the dispatch of  
7 those supplies, HQD is required, by  
8 law, to take the non-heritage  
9 supplies first, followed by the  
10 heritage pool supplies. HQD has  
11 limited ability to influence the  
12 supply dispatch..."

13 Me FRANÇOIS G. HÉBERT :

14 On n'a pas la référence...

15 Me STEVE CADRIN:

16 Je vous ai perdu? Je m'excuse, je suis désolé.

17 Me FRANÇOIS G. HÉBERT :

18 ... Maître Cadrin, oui.

19 Me STEVE CADRIN:

20 O.K., je m'excuse. Je suis désolé. Donc le document  
21 45, document 45, page 5, answer 1.4.

22 Q. [209] So, I'll start again.

23 "With respect to the dispatch of  
24 those supplies, HQD is required by  
25 law to take the non-heritage

1 supplies first, followed by the  
2 heritage pool supplies. HQD has  
3 limited ability to influence the  
4 supply dispatch, with the exception  
5 of short-term purchases that are  
6 made following strategies that are  
7 approved by the Régie."

8 So, were you told that the strategies mentioned in  
9 the above-mentioned quote were approved by the  
10 Régie, or do you have personally reviewed where and  
11 when this approval was granted?

12 A. Could you repeat the question?

13 Q. [210] Yes. Were you told that the strategies  
14 mentioned in the above-mentioned quote are approved  
15 by the Régie, or do you have personally reviewed  
16 where and when this approval was granted?

17 A. The former.

18 (15 h 06)

19 Q. [211] Okay. Former. Where did you observe that the  
20 approval was granted apart you got the answer from  
21 the people from HQ, you didn't review any documents  
22 at all as to those filings for supply, in  
23 strategies of short term?

24 Mr. JAMES M. COYNE :

25 A. We relied on the company in that regard, we did not

1 review the supply documents.

2 Q. [212] Ma question ira à Hydro-Québec, I can keep  
3 going on in English, I'm sorry, so it won't be...  
4 Question to Hydro-Québec -- do you have a reference  
5 to documents or where the strategies that are  
6 presented to the Régie, and the reference of those  
7 documents where the strategies were approved by the  
8 Régie? We're talking about short-term purchases  
9 that are made following strategies that are  
10 approved by the Régie, I get you back to the  
11 quote...

12 (15 h 05)

13 Me FRANÇOIS G. HÉBERT :

14 R. Alors, Maître Cadrin, d'abord, je pense qu'on parle  
15 de la procédure de dispense où la Régie peut, et je  
16 me répète, dispenser le Distributeur de recourir à  
17 un appel d'offres pour des contrats de court terme.  
18 On en parlait plus tôt, trois mois, ou en cas  
19 d'urgence, c'est l'article 74.1 de la Loi qui le  
20 prévoit. Et j'aimerais ajouter que, pour les  
21 transactions de court terme qui sont effectuées  
22 sous dispense, bien, font l'objet, vous le savez  
23 comme moi, d'un suivi administratif trimestriel.  
24 Suivi qui fait suite à la décision D-2007-044. Et  
25 un suivi est également fait dans le cadre des

1 rapports annuels. Et l'année dernière, on a même eu  
2 l'occasion d'en parler longuement dans le dossier  
3 tarifaire avec les intervenants. Alors, je pense  
4 que tout est fait de façon très transparente et  
5 revu et corrigé par la Régie, corrigé au besoin.

6 Me STEVE CADRIN :

7 Q. [213] Là, n'est pas ma question. Je comprends tous  
8 ces suivis-là, on a même eu le dossier où nous  
9 n'étions pas d'ailleurs sur cette question-là qui a  
10 occupé une partie du temps d'antenne. La question  
11 est de savoir si vous avez des stratégies. Parce  
12 qu'on réfère à des stratégies qui ont été  
13 approuvées par la Régie. Ce que vous me parlez,  
14 c'est des stratégies... Je veux juste finir ma  
15 question. Vous m'attendez. O.K. Parfait. Alors donc  
16 des stratégies, vous me dites, dans le fond qui  
17 sont vérifiées après coup dans le contexte de la  
18 procédure de dispense, mais moi, la question que je  
19 vous posais : En avez-vous des procédures avant  
20 coup, si je peux dire comme ça?

21 R. Écoutez, je ne suis pas un spécialiste  
22 d'approvisionnement, mais certainement que les gens  
23 qui acquièrent des quantités court terme ont des  
24 stratégies, soyez sans crainte.

25 Q. [214] En fait, on réfère... Maître Hébert, je

1 m'excuse, avez-vous terminé?

2 Mme FRANÇOISE METTELET :

3 R. Je vais peut-être juste, peut-être juste compléter.  
4 C'est sûr que quand on se présente une fois par  
5 trois ans et sur une base annuelle dans le cadre du  
6 plan, c'est l'ensemble de la stratégie  
7 d'approvisionnement du Distributeur qui est  
8 présenté après prise en compte de l'efficacité  
9 énergétique. Donc, l'ensemble de la stratégie est  
10 approuvé à l'intérieur du plan lorsque la Régie  
11 rend sa décision. Puis lorsqu'il y a des achats à  
12 faire sous dispense, ceux que le Distributeur fait  
13 et ce qui est convenu, c'est que lorsqu'on va  
14 acheter à la dernière minute, on sait. Et la Régie  
15 peut le vérifier après coup, effectivement. Mais  
16 elle le sait que l'on fait appel au moins à deux  
17 fournisseurs et on va chercher le plus bas prix de  
18 ces deux fournisseurs-là. Donc, elle peut par le  
19 suivi vérifier qu'on a bel et bien respecté la  
20 procédure qu'on a convenue avec la Régie, et le  
21 tout est emballé dans le plan d'approvisionnement.

22 Q. [215] Peut-être la question, je la continue peut-  
23 être pour vous : Comment fait-on pour savoir si vos  
24 acquisitions à court terme, finalement, se sont  
25 révélées des acquisitions, je dirais, optimales ou

1 prudentes à l'époque peut-être, mais optimales?  
2 Est-ce qu'il y a des critères qui rentrent en  
3 question dans votre stratégie ou est-ce qu'il y a  
4 des éléments qui sont discutés là-dessus? Parce que  
5 je réfère simplement encore au « quotes » qu'on a  
6 plus haut, là. On dit :

7 Short-term purchases that are made  
8 following strategies that are approved  
9 by the Régie.

10 Si vous me parlez simplement de ce qui est approuvé  
11 dans le cadre des plans d'approvisionnement, je  
12 vous entends. Si vous me dites qu'il y a d'autres  
13 choses auquel fait référence le « quote » qui n'est  
14 pas le vôtre, mais qui est celui de vos experts qui  
15 se sont fait expliquer cette situation-là, peut-  
16 être, dites-le-moi.

17 Me FRANÇOIS G. HÉBERT :

18 R. Bien, je vais simplement vous référer au débat que  
19 nous avons eu l'an dernier dans le cadre du dossier  
20 tarifaire où certaines transactions de court terme  
21 ont été questionnées par certains intervenants, et  
22 le Distributeur s'est expliqué. Et la Régie, de  
23 toute évidence, dans sa décision, a fait suite aux  
24 explications du Distributeur puisqu'aucune somme a  
25 été désallouée. Alors, elle a exercé sa pleine



1           juridiction sur ces transactions-là qui avaient été  
2           faites correctement.

3           (15 h 10)

4           Me STEVE CADRIN :

5           Q. [216] So let us assume that there is this strategy  
6           we're talking about in the quote, and it's reviewed  
7           by the Régie in the end, so we know about that  
8           process. And it is kind of optimal because it's  
9           reviewed by the Régie, presented to the Régie, and  
10          it's optimal because Hydro-Québec had defended this  
11          case in the Régie afterwards -- that's fine.

12                        Even though they are optimal, in your  
13           opinion, is there a guarantee that such strategies  
14           would be perfectly followed and applied by  
15           dispatchers on a daily basis?

16          Mr. JAMES M. COYNE :

17          A. Well, it's the responsibility of Management to  
18          ensure that they are followed on a daily basis,  
19          that's what management procedures, quality control  
20          and risk management policies are in place to  
21          ensure. People are human, in my experience, the  
22          practical answer is that people do make mistakes,  
23          they may not have the information they need in  
24          front of them when they make these decisions, or  
25          they may not have understood the rules.

- 1 Q. [217] Uh-huh.
- 2 A. I've seen examples of both. So it's up to  
3 Management to ensure that they maintain procedures  
4 and policies in place so that everybody knows what  
5 the rules of the game are and they do get followed.  
6 But I wouldn't expect a hundred percent (100%)  
7 compliance, I think that's probably more than we  
8 ever see, not in just any utility organization but  
9 in any organization.
- 10 Q. [218] So we agree on the simple fact that nobody is  
11 perfect, basically, and there is reason to believe  
12 that because Management, which is not, also not  
13 perfect, reviews the decisions over the people  
14 making the decisions, basically?
- 15 A. I think that's fair, yes, we come as close as we  
16 can with policies and procedures, but striving for  
17 perfection is different than getting there.
- 18 Q. [219] For striving towards perfection...
- 19 A. Is different than getting there.
- 20 Q. [220] Yes, I know, but striving for it, what is the  
21 incentive of HQD to apply such strategy perfectly  
22 day in, day out, and to not have the tendency to  
23 overspend on given days since the unnecessary costs  
24 would totally be transferred to the customers  
25 anyway?

- 1 A. Well, yes, I'd turn the question around another  
2 way, and I'd ask myself, asking the same question -  
3 - what incentive do they have to overspend and to  
4 overcharge their customers? That certainly doesn't,  
5 I don't see that as benefitting Management in any  
6 way so...
- 7 Q. [221] But they don't pay for anything, there's no  
8 cost.
- 9 A. It is a pass-through to customers...
- 10 Q. [222] Yes.
- 11 A. ... but if I am the manager that is executing, that  
12 is coming up with good solid strategies and I'm  
13 executing them well, then I would expect to have a  
14 good career with Hydro-Québec. If I'm the one who  
15 is blundering in executing the strategies and not  
16 performing well, I would expect not such a good  
17 career, and to put you...
- 18 Q. [223] But you would go towards oversupplying  
19 because you would say, "I don't want to go on TV  
20 and say we don't have enough supply", basically,  
21 what is the incentive, you know, to not overspend  
22 or oversupply, in that case, on a day-to-day basis,  
23 I'm just talking about incentives here...
- 24 A. A utility is, when you say "overspend", a utility  
25 is not supposed to run out of supply, a utility is

1           supposed to have a margin for error.

2           Q. [224] That's right.

3           A. Their networks, the reliability of these networks  
4           are essential to our economies. So they're not  
5           incentived to underspend, they are incentived to  
6           acquire sufficient supplies to satisfy customer  
7           demands and also have a margin for error, because  
8           one never really knows what demand conditions  
9           you're going to face. So it's incumbent upon the  
10          utility to have ample supply resources in place and  
11          a strategy for acquiring additional resources for  
12          unforeseen circumstances.

13                         That's what a robust supply plan is, and  
14           that's what a risk management policy is around such  
15           a plan, to ensure that it's executed appropriately.  
16           And this isn't a problem or an issue unique to  
17           Hydro-Québec Distribution, this discussion occurs  
18           every year, or every several years, with every  
19           utility on, every electric utility and every gas  
20           utility for that matter, as its regulator and  
21           stakeholders want to be assured that the most  
22           expensive thing that they acquire, either gas  
23           supplies or electricity kilowatthours to distribute  
24           to their customers, is acquired at a reasonable  
25           price.

1                   And the typical solution is not the one  
2                   you're suggesting, that would be, again, an unusual  
3                   solution, one that doesn't currently exist, at  
4                   least here in North America to my awareness. The  
5                   typical solution is for a robust process between  
6                   the regulator, the regulatory staff and  
7                   stakeholders, so that they're satisfied that the  
8                   plans in place are good plans, (A), and then (B),  
9                   that they're appropriately executed when the  
10                  utility comes back before the regulator with a  
11                  summary of those supply plans.

12                  And so if the concern exists, as suggested  
13                  in your questions, I would suggest that that is the  
14                  only practical solution. If you're looking for  
15                  incentives, the one incentive that I'm aware of is  
16                  if you go, for example, to Rio, where they're  
17                  taking carbon very seriously in the context of  
18                  carbon footprint in the UK, more so here than North  
19                  America currently, then carbon is an appropriate  
20                  indicator, because one could argue that the utility  
21                  can manage their carbon footprint by acquiring only  
22                  so much coal and then so much gas until it achieves  
23                  its carbon target. That's a legitimate indicator  
24                  because it's within the utility's control.

25                  If your question is to suggest that it

1 should be acquired at a certain price, and that  
2 there be an incentive associated with that price,  
3 A) it's out of the utility's direct control because  
4 pricing is a dynamic situation in electric markets  
5 in North America. And if you were to get it wrong,  
6 that incentive, because you're looking at five  
7 point eight billion dollars (\$5.8 B), so half the  
8 company's revenue requirement, if you were to give  
9 them an incentive that they over-achieve with, one  
10 could have a five hundred million (500 M), or a  
11 billion-dollar incentive that would come out of  
12 that, and I don't think the stakeholders of the  
13 Régie would feel very good about that. On the other  
14 hand, if the utility under-performed against that  
15 incentive and you had a similar loss, you would  
16 more than exceed the entire return on rate base, or  
17 the income for the company for the year. Rating  
18 agencies would find that totally unacceptable, and  
19 shareholders would. It would just be more risk than  
20 any existing distributor of electricity is being  
21 asked to take. It would be a fundamental change in  
22 the business model of utility, and a fundamental  
23 shifted risk.

24 Q. [225] So, switching from the incentive, where we  
25 don't agree, is there a way to verify after the

1 fact that the strategies are well applied on a  
2 daily basis, for example? Are you aware of a way  
3 to, after the fact, see if the strategies were  
4 applied correctly, there was no over-supply, or  
5 again, over-spending, to make sure that we don't  
6 have to, you know, go on TV and say we need you  
7 guys, you know, to turn down your lights and not  
8 use your washing machines, and all that?

9 A. Does your question pertain to the regulator's  
10 ability to look at it on a daily basis, or for the  
11 company?

12 Q. [226] Well, one that we can use here, so if it's  
13 possible for the utility, if it's presentable  
14 through us to the Régie, are you aware of a way to,  
15 after the fact, verify those strategies? At least,  
16 you know, get your grades after the end of the year  
17 when you're at school, you know. You try to perform  
18 every day, you try to be the best at the exams and  
19 study as much as you can, but then you get grades.  
20 Is there a way to get your grades on that?

21 A. Well, I think the practical way is to look at the  
22 supply plan that was filed with the Régie, in this  
23 case, and I understand that variances are submitted  
24 around acquired resources, and there's a projected  
25 price for those resources, and there's a quantity,

1 and then there is a filing at the end of the year  
2 for the next rate year that shows what was actually  
3 acquired and what that price was. And so, that's  
4 the roll-up that I think is the appropriate place  
5 to start, and then a conversation should occur  
6 around what those variances were, and what the  
7 causes were; was it caused by demand, or was it  
8 caused by a difference in executing the strategy  
9 that had been filed?

10 To look at it on a daily basis I think  
11 would be an impossible level of detail for the  
12 regulator, or the stakeholder, just because of the  
13 amount of detail, but I certainly think that the  
14 company should be monitoring its operations, not  
15 only on a daily basis, but on an hourly basis,  
16 because that's the nature of the industry, it's at  
17 least on an hourly basis.

18 Q. [227] Are you familiar with techniques used in the  
19 industry to verify the efficiency of dispatched  
20 supply resources after the fact? For example,  
21 techniques as post-analysis, or \*\*\*0.03.35.3 ang-  
22 casting?

23 A. I am not directly familiar with those techniques,  
24 no. I'm familiar with the risk-management policies  
25 used by companies to control its supply costs, and



1           there's a whole host of tools used in that regard.

2           These could be just those tools by a different

3           name.

4           Q. [228] Okay. Mr. Yardley?

5           MR. ROBERT C. YARDLEY:

6           A. Yes, I've been dying to jump in here.

7           Q. [229] Take the mic.

8           A. No, I mean, I haven't been in Hydro Quebec's  
9           dispatch centre, but I would imagine, if it's like  
10          most utilities, they have very prescriptive rules.  
11          They're not sitting there with a pad of paper, they  
12          have...

13          Q. [230] We're not saying they do.

14          A. Yeah.

15          Q. [231] We're talking about after the fact analysis.

16          A. After the fact, yeah, exactly...

17          Q. [232] Okay.

18          A. ... they should have very prescriptive rules, very  
19          little discretion, they should be implementing  
20          those rules, the data should be available that day,  
21          that evening, and management should have the  
22          ability to review and make sure that the rules were  
23          followed, and if they weren't followed, to follow  
24          up, find out why, and address the situation. I  
25          mean, that would be a fairly common, as I

1 understand it, approach to dispatch in either the  
2 gas or the electric industry.

3 Now, I'm also not familiar with Hydro  
4 Quebec's export contract, so I don't know if there  
5 was a supply emergency. This is a question for  
6 Hydro Quebec really. If the lights were literally  
7 about to go out in Quebec, or a portion of Quebec,  
8 I would imagine that, perhaps, that a penalty, they  
9 would be able to call upon their export contracts  
10 to meet that demand. That wouldn't be well-received  
11 where I live, but the notion that the lights are  
12 going to go out because of a dispatcher just seems  
13 implausible to me. I may be wrong.

14 (15 h 21)

15 Q. [233] I'm going to switch to another document,  
16 document 49, which is HQT-D-4, Document 3, it's page  
17 5, answer 1.1. This question goes to you, Mr.  
18 Yardley. Referring to that answer... Are you with  
19 me?

20 Mr. ROBERT C. YARDLEY:

21 A. I am.

22 Q. [234] Yes? Okay. The Ontario Energy Board... So,  
23 we're talking about your thirty-five (35) year  
24 experience so that's why I'm switching to you now.  
25 So, the Ontario Energy Board co-authored a report

1 on the potential application of incentive  
2 ratemaking to deregulated generation assets of  
3 Ontario Power Generation and there's a referral  
4 there...

5 A. A link, yes.

6 Q. [235] A link, thank you. I use that in French so  
7 why not in English? So, Mr. Yardley, can you tell  
8 us, who are the other co-authors of this report? Do  
9 you remember?

10 A. Who are the others?

11 Q. [236] Yes.

12 A. There was one other author, I was the primary  
13 author. There was one other consultant that  
14 assisted me, his name was Mitch Rothman, at the  
15 time he was a consultant with Power Advisory. I was  
16 a subcontractor to Power Advisory on this  
17 particular engagement.

18 Q. [237] If I read, I went to read this report. We  
19 don't have the report itself, I didn't want to  
20 deposit the whole report just to add this quote. If  
21 you're not familiar with the quote, we can do it at  
22 another time, maybe tomorrow morning first thing in  
23 the morning. I have a couple more questions and  
24 that would be the end of it, normally. But I'll  
25 read you the specific page, which is page 36 of

1 that link, as you said, as went to see.

2 The reliance on variance and deferral  
3 accounts can also impact incentives in  
4 a cost of service model. For example,  
5 many vertically integrated utilities  
6 recover the fuel, variable O&M, and  
7 purchased power costs attributable to  
8 electricity production through a  
9 separate variance account with  
10 balances that are passed through to  
11 customers. Absent a target and/or  
12 sharing mechanism the pass-through  
13 feature can reduce the incentive to  
14 minimise these costs although the  
15 threat of an after-the-fact  
16 performance review does act as a  
17 restraint at least with respect to  
18 imprudent behaviour.

19 Does that ring a bell as to what was said at the  
20 time?

21 A. Does that ring a bell?

22 Q. [238] Written at the time, yes.

23 A. Yes.

24 Q. [239] We've talked about it for quite some time.

25 A. I'm sure I can verify it by reading the report so

1 I'm not questioning that it's accurate, it's  
2 consistent with the conversation we've been having  
3 that it's generally a pass-through but there is a  
4 very serious potential for an after-the-fact review  
5 which would drop to the bottom line and be quite  
6 costly for the utility.

7 Q. [240] Would you say that this abstract that I just  
8 read you from that report would apply to HQ  
9 directly, there's no difference.

10 A. Yes, I mean, I'd like to look at the context. I  
11 mean...

12 Q. [241] Okay.

13 A. ... it's a bit difficult.

14 Q. [242] Fair enough.

15 A. Yes.

16 Q. [243] Well, maybe we can take, have an undertaking  
17 but you can have the possibility, maybe I ask the  
18 Régie that you may answer further tomorrow after  
19 taking into account the report.

20 A. Yes.

21 Q. [244] If you want to. I don't want to...

22 Me ÉRIC FRASER :

23 Il faudrait que vous me donniez l'ensemble des  
24 extraits que vous voulez...

25 (15 h 25)

- 1 Me STEVE CADRIN :
- 2 Q. [245] Page 36.
- 3 Me ÉRIC FRASER :
- 4 C'est le seul?
- 5 Me STEVE CADRIN :
- 6 Oui.
- 7 Me ÉRIC FRASER :
- 8 Il n'y en a pas d'autres?
- 9 Me STEVE CADRIN :
- 10 Non, il n'y en a pas d'autres.
- 11 Me ÉRIC FRASER :
- 12 Page 36 du rapport qui est cité.
- 13 Me STEVE CADRIN :
- 14 Q. [246] I have the page here if you want to...
- 15 A. I have it, I have the document on my computer.
- 16 Q. [247] So is it enough, I don't know if we want to
- 17 go back more than 36...
- 18 A. I will be, it will be fine with me to look at it
- 19 over the evening and, and for the purposes of
- 20 efficiency, provide an answer...
- 21 Me ÉRIC FRASER :
- 22 Il est déjà trois heures vingt-cinq (15 h 25),
- 23 Madame la Présidente...
- 24 LA PRÉSIDENTE :
- 25 Oui.

1 Me ÉRIC FRASER :

2 ... donc on va donner l'opportunité au témoin de  
3 réexaminer le document, c'est un peu, un petit peu  
4 à la dernière minute.

5 LA PRÉSIDENTE :

6 Oui, je suis d'accord pour reporter la réponse à  
7 cette question. Maître Cadrin, comment envisagez,  
8 combien de temps avez-vous encore besoin?

9 Me STEVE CADRIN :

10 Ça va prendre plus de temps à vous l'expliquer que  
11 de poser la question qui reste.

12 LA PRÉSIDENTE :

13 Il vous reste une question?

14 Me STEVE CADRIN :

15 Oui, une question et quart.

16 LA PRÉSIDENTE :

17 Alors on va prendre le risque, on vous écoute.

18 Me STEVE CADRIN :

19 Q. [248] Okay, I'm going to Document 46 now, which is  
20 HQT-D-4, Document 1.1, and it's Annex B... I'm  
21 sorry, there is an error, it's document 0045...  
22 0045 or 0046... 0046. We're getting late, that's  
23 why, so 0046 is the good document; HQT-D-4, Document  
24 1.1, Annex B, which looks like that -- sometimes  
25 it's easier that way... parce que je mentionnais

1 que c'était ce document-ci...

2 Me LISE DUQUETTE :

3 Quelle page?

4 Me STEVE CADRIN :

5 C'est Annexe B.

6 Q. [249] So we're looking at Table R4.2, it shows that  
7 as an expert in an Enbridge Rate Application in  
8 Ontario, Mr. Coyne, you proposed productivity and  
9 stretch factors by using an analysis that relied on  
10 TFP and PFP studies, is that correct?

11 Mr. JAMES M. COYNE :

12 A. Yes.

13 Q. [250] Who were you representing in this particular  
14 application?

15 A. Enbridge, the gas distributor.

16 Q. [251] I'm sorry?

17 A. The gas distributor, Enbridge, the company.

18 Q. [252] In your opinion, why was it appropriate to  
19 apply TFP and PFP in this particular case, the  
20 Enbridge application that you said, and that it  
21 wouldn't be appropriate to apply them in HQD's  
22 cases... case, I'm sorry?

23 A. I haven't said they wouldn't be appropriate here,  
24 all I have perhaps... I'll clarify the record if  
25 that's the case, I'm saying that I believe that



1 it's possible to proceed to a Phase 3 and that the  
2 company may, at his discretion, or stakeholders may  
3 wish to provide TFP or PFP studies, all we're  
4 saying is that that's one way, or that's one level  
5 of evidence that the Régie may wish to have before  
6 it, and the parties may wish to file.

7 There are other ways to proceed, and those  
8 other ways to proceed would be to utilize other  
9 evidence that's been submitted in other  
10 jurisdictions, and evidence of HQT's own  
11 performance. So they may all be appropriate here,  
12 we didn't reach a determination that they wouldn't  
13 be appropriate. In fact, that is something that we  
14 would most likely discuss with the division,  
15 pending the outcome of the Phase 1 decision,  
16 whether or not a TFP or PFP study would be  
17 beneficial to file, in Phase 3 or Phase 2 of  
18 course, depending upon the guidance. So they may  
19 very well be appropriate here.

20 Q. [253] Okay, is it correct to say that in this table  
21 that you provided, that we're looking at right now,  
22 that you provided, the majority of cases relied on  
23 TFP and/or PFP?

24 A. In direct submittals, is that your question?

25 Q. [254] Yes.

1 A. Yes, that was, the purpose of the table was to show  
2 where such evidence had been filed...

3 Q. [255] Okay.

4 A. ... and such studies had been conducted, yes.

5 Q. [256] So all of them, not a majority of them?

6 A. Yes, that was the very purpose of the table, yes.

7 Q. [257] Thank you.

8 A. Just as the data that, in part, I used to structure  
9 the exhibit in the opening statement that showed  
10 the range of productivity factors coming out of  
11 these studies.

12 Q. [258] I get you, okay. That will be my last  
13 question. We're talking about the answers to DDR  
14 number 2 to the Régie, so we're going back to  
15 document 69.

16 Mr. JAMES M. COYNE:

17 A. You said the Régie, first set or second set?

18 (15 h 30)

19 Q. [259] On me dit de parler en français parce que la  
20 question s'adresse à Hydro-Québec. I'm sorry, I'm  
21 going to switch to French - and I'm a lot faster.  
22 So, Mr. le Sténographe is ready.

23 Alors quand même, DDR numéro 2, Régie,  
24 document 69, page 19, réponse 7.1. Je vous fais  
25 lecture du passage pertinent de la réponse :

1                   Comme mentionné au dossier  
2                   R-3933-2015, le Distributeur constate  
3                   que l'écart moyen entre l'indice des  
4                   prix à la consommation du Québec et  
5                   celui du Canada (IPC) n'est ni stable  
6                   ni significatif et tantôt de signe  
7                   positif ou négatif selon les années.  
8                   Outre un écart peu significatif entre  
9                   les deux indices, la prévision  
10                  d'inflation canadienne est reconnue et  
11                  largement utilisée, tant par  
12                  l'ensemble des agents économiques que  
13                  par Hydro-Québec, où elle est la  
14                  référence pour les échanges  
15                  financiers, les calculs  
16                  d'actualisation des investissements et  
17                  pour divers contrats de fournitures.

18                Première question : Veuillez indiquer sur quelle  
19                base vous considérez qu'un écart de zéro virgule  
20                quinze pour cent (0,15 %) sur une moyenne de un  
21                virgule cinquante-cinq pour cent (1,55 %) n'est pas  
22                significatif? Selon moi représente dix pour cent  
23                (10 %). Je suis aussi bon que maître Sarault en  
24                arithmétique.

25

1 M. JEAN LAPOINTE :

2 R. Je pense qu'il faudrait continuer à lire la

3 réponse. Suite à cette réponse-là, on dit que :

4 Au cours des cinq dernières années,

5 entre 2011 et 2015.

6 Si on regarde autant au niveau du Canada que du

7 Québec, la moyenne a été de un point sept pour cent

8 (1,7 %). Donc exactement la même d'un côté à

9 l'autre. Donc, dépendant quelle période qu'on

10 prend, le résultat peut être un petit peu

11 différent. Mais si on regarde entre deux mille onze

12 (2011) et deux mille quinze (2015), c'est vraiment

13 le même résultat qui était obtenu dans les deux

14 méthodes.

15 Q. [260] C'est sûr quand c'est le même résultat, je ne

16 vous pose pas cette question-là. Ce n'est pas ça

17 qu'est le problème. C'est quand il y a des écarts.

18 Et il y en avait un que je vous mentionnais, là, du

19 point quinze pour cent (0,15 %). Puis vous

20 mentionnez qu'il y a des écarts parfois, mais ne

21 sont pas significatifs. Alors la question c'est :

22 Qu'est-ce qui est significatif pour vous comme

23 écart? Dans ce cas-là, c'est dix pour cent (10 %).

24 Ou est-ce qu'il y a un seuil? Oubliez le dix pour

25 cent (10 %). Est-ce qu'il y a un seuil que vous

1           considérez significatif?

2       R. On pense que dix pour cent (10 %) dans le fond,  
3           c'est un « range » raisonnable en termes de  
4           différence entre les deux taux d'inflation.

5       Q. [261] Donc, le résultat que la moyenne a donné.

6           O.K. Merci. Ça complète mes questions, Madame la  
7           Présidente, sous réserve peut-être des réponses qui  
8           pourraient être fournies par monsieur Yardley  
9           demain en complément sur la page 36. Je ne  
10          penserais pas d'avoir beaucoup de questions, mais  
11          je veux juste laisser l'opportunité à monsieur  
12          Yardley de s'exprimer complètement sur la question.

13       LA PRÉSIDENTE :

14          Bien sûr. Merci beaucoup, Maître Cadrin. Alors nous  
15          ajournons jusqu'à demain matin neuf heures (9 h).

16          Merci.

17

18       AJOURNEMENT DE L'AUDIENCE

19

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1           SERMENT D'OFFICE

2

3           Je, soussignée, CLAUDE MORIN, sténographe officiel,  
4           certifie sous mon serment d'office que les pages  
5           qui précèdent sont et contiennent la transcription  
6           fidèle et exacte des témoignages et plaidoiries en  
7           l'instance, le tout pris au moyen du sténomaque, et  
8           ce, conformément à la Loi.

9           Et j'ai signé,

10

11

12

13

14           CLAUDE MORIN

15