

**Réponses du Transporteur
à la demande de renseignements numéro 2
de l'Association hôtellerie Québec et de
l'Association des restaurateurs du Québec
(« AHQ-ARQ »)**

1 DEMANDE DE RENSEIGNEMENTS N° 2 DE L'AHQ-ARQ À HQTD

2 **MÉTHODE DE DÉTERMINATION DES REVENUS REQUIS**

3 **1. Référence :**

- 4 (i) C-HQT-HQD-0057, HQTD-2, document 1, page 21;
5 (ii) C-HQT-HQD-0057, HQTD-2, document 1, page 21;
6 (iii) C-HQT-HQD-0057, HQTD-2, document 1, page 25;
7 (iv) C-HQT-HQD-0057, HQTD-2, document 1, page 30;
8 (v) C-HQT-HQD-0095, HQTD-2, document 1.3, page 3;
9 (vi) C-HQT-HQD-0095, HQTD-2, document 1.3, page 8, Figure 2.

10 **Préambule :**

- 11 (i) « Based on the goals of Article 48.1 and HQT's unique characteristics, Concentric recommends a "building block" MRI approach, which is a comprehensive "bottom-up" approach that sets a future revenue path based on a detailed forecast and review of capital and operating expenses. This approach recognizes the non-parametric nature of HQT's CAPEX and OPEX that does not readily accommodate an I-X program as well as the obligation for HQT to maintain the long-term reliability of the system. » (Nous soulignons)
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- 19 (ii) « Because building block is a "bottom-up" approach based on HQT's own forecasts of operating and maintenance-related expenses, capital costs and revenue requirements, it is less of a blunt instrument than the "top-down" I-X approach, which sets a cap only in relation to inflation and a productivity offset. » (Nous soulignons)
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- 24 (iii) « Concentric is recommending a "building block" approach for HQT for reasons that are described in Section 4. With the building block, it will be incumbent on HQT to reflect efficiency in its business plan. This does not require a productivity study. If we had recommended an I-X approach, it would have been challenging to develop a valid and sufficiently large sample size for either a benchmarking or TFP approach as such a group of comparators does not exist for HQT. » (Nous soulignons)
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- 31 (iv) « HQT's circumstances warrant a building block approach to achieve the requirements of the Article 48.1 due to its capital-intensive profile and the fact that its CAPEX are comprised of large, longer-term projects that can result in wide variations from year-to-year in PP&E that is added in rate base, and also specific circumstances (aging network) that warrant OPEX increases unrelated to inflation (e.g., Asset Management Model). » (Nous soulignons)
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- 37 (v) « Section B presents a Hybrid approach for HQT, with explanatory details, including the advantages of the Hybrid proposal over HQT's current
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1 *regulatory model and in relation to the initial Building Block proposal.* » (Nous
2 soulignons)

3 (vi) L'expert Concentric Energy Advisors recommande maintenant une approche
4 hybride pour la détermination des revenus requis.

5 **Demandes pour l'expert Concentric Energy Advisors (« CEA ») :**

6 **1.1** Veuillez indiquer lesquelles des raisons soulignées aux préambule (i) et (iv) et qui,
7 selon l'expert, militaient en faveur d'une approche de type « *building block* » ont
8 changé depuis l'émission de la pièce C-HQT-HQD-0057, le 10 février 2016.

9 **R1.1**

10 **Réponse de Concentric :**

11 **None of the reasons articulated in the preamble paragraphs have changed**
12 **since the submission of Concentric's report of February 10, 2016. The**
13 **rationale for the change in approach is outlined in Concentric's revised**
14 **report¹:**

15 "This revised MRI approach considers comments expressed by
16 stakeholders regarding the reliance on the "Building Block" approach
17 with a three-year up-front forecast and their general preference for a
18 mechanism that incorporates elements of an I-X approach. Stakeholders
19 expressed concern over forecast variances for the 3-year term. One
20 stakeholder expressed the view that this proposal had the effect of HQT
21 filing three annual rate cases at the same time, placing a burden on
22 stakeholders to review the forecast. However, while stakeholders
23 expressed a preference for a formula that incorporates an X-factor,
24 rather than reflecting efficiency gains within the forecast, there was
25 disagreement as to whether the X-factor should be determined by
26 conducting either a benchmarking or productivity study, or whether it
27 should be determined by relying primarily on judgment that is informed
28 by HQT facts and circumstances.

29 It is important to note that this revised proposal continues to meet the
30 Article 48.1 requirements:

- 31 1) continuous improvement of performance and service quality;
32 2) cost reduction that is beneficial to both consumers and the
33 distributor or carrier;
34 3) streamlining of the process by which the Régie fixes or
35 modifies the rates the electric power carrier and electric power
36 distributor charge consumers or a class of consumers."

37 **1.2** Veuillez expliquer qu'une approche I-X serait maintenant appropriée et même
38 préférable pour le MRI du Transporteur selon la référence (vi) malgré l'affirmation de
39 l'expert au préambule (i) selon laquelle « *This approach recognizes the non-*
40 *parametric nature of HQT's CAPEX and OPEX that does not readily accommodate*
41 *an I-X program* ».

¹ Concentric Report , HQT-D-2, Document 1.3, September 30, 2016, p. 1.

1 **R1.2**

2 **Réponse de Concentric :**

3 **The nature of HQT’s CAPEX and OPEX does not satisfactorily accommodate**
4 **an I-X program for all these costs. The proposed program for HQT, which is a**
5 **hybrid approach, is better suited to its specific circumstances than an I-X for**
6 **all cost categories. As explained by Concentric in its revised report²:**

7 “The hybrid approach continues to rely on the Régie’s approval for both
8 major capital projects and aggregated capital spending for smaller
9 projects which are the major driver of costs to customers. This
10 approach recognizes that most MRI programs include some form of
11 recognition for capital investments that do not track well with a pure I-X
12 formulation. Infrastructure systems age at varying rates, and there is no
13 reason to expect that investments and cost recovery for a system as
14 large and complex as HQT’s would correspond with a smooth I-X trend.
15 This challenge is dealt with by policymakers in one of several ways in an
16 MRI context. Capital related expenditures may be recovered under a
17 cost of service standard, as proposed here for HQT both with respect to
18 the return on capital and the return of capital (i.e., amortization). This
19 approach reflects the fact that HQT’s capital expenditures can vary
20 significantly from year to year, with corresponding fluctuations for both
21 return and amortization.”

22 **This adaptation of the I-X model is a better fit for HQT’s circumstances and is**
23 **responsive to concerns expressed by stakeholders.**

24 **1.3** Veuillez indiquer si l’avantage de l’approche « *building block* » exprimée par l’expert
25 au préambule (ii) est toujours valide, avec explications.

26 **R1.3**

27 **Réponse de Concentric :**

28 **The benefits of the building block approach for HQT outlined in the preamble**
29 **remain valid. The hybrid approach proposed in Concentric’s revised report**
30 **retains some of the benefits of the building block, as outlined below in**
31 **response to 1.4.**

32 **1.4** Veuillez fournir un tableau des avantages et des désavantages, du point de vue du
33 Transporteur, de l’approche hybride mentionnée à la référence (v) par rapport à
34 l’approche « *building block* » initialement recommandée par l’expert à la référence
35 (iii).

36 **R1.4**

37 **Réponse de Concentric :**

38 **See table R1.4.**

² Concentric Report, HQT-2, Document 1.3, September 30, 2016, p. 7.

**Table R1.4
Advantages and Disadvantages of Building Block and Hybrid MRI Approaches**

Approach	Building Block	Hybrid
Advantages	<ul style="list-style-type: none"> • Accommodates fluctuating levels of CAPEX and large discrete projects • Creates efficiency incentives • Incorporates stakeholder input on CAPEX and OPEX plans • Avoids dependence on controversial productivity estimates 	<ul style="list-style-type: none"> • Accommodates fluctuating levels of CAPEX and large discrete projects • Creates efficiency incentives • Incorporates stakeholder input on CAPEX project approvals and OPEX in Year 1. • I-X approach to OPEX is familiar to the Régie and stakeholders • Familiar cost-of-service model for other elements
Disadvantages	<ul style="list-style-type: none"> • Reliance on cost forecasts • Not yet applied to a North American transmission company 	<ul style="list-style-type: none"> • Difficulty of selecting a valid comparison group for estimating appropriate productivity target • Dependence on controversial productivity estimates, but limited to OPEX • Not yet applied to a North American transmission company

1 **1.5** Veuillez fournir un tableau des avantages et des désavantages, du point de vue des
 2 clients du Transporteur, de l'approche hybride mentionnée à la référence (v) par
 3 rapport à l'approche « *building block* » initialement recommandée par l'expert à la
 4 référence (iii).
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6 **R1.5**

7 **Réponse de Concentric :**

8 **The response to question 1.4 addresses both HQT's and customer's**
 9 **perspectives.**

1 **1.6** Veuillez indiquer, avec explications, laquelle des deux approches mentionnées aux
2 demandes 1.4 et 1.5 est la plus avantageuse pour le Transporteur.

3 **R1.6**

4 **Réponse de Concentric :**

5 **Both approaches are a departure from the current regulatory framework of**
6 **annual rate cases, and therefore create greater risk for HQT. The preference**
7 **between approaches ultimately depends on how the programs are**
8 **implemented. With reasonable parameters (e.g., selection of the X and I**
9 **factors), the hybrid approach for a first-generation MRI is the most appropriate**
10 **approach for HQT. Under this proposal, HQT will be incented to manage**
11 **operating costs under its direct control within the I-X cap, while retaining the**
12 **ability to recover costs for capital investments required to maintain its system.**
13 **This is a reasonable balance of risk and incentives for a transmission system,**
14 **while recognizing the goals of Article 48.1.**

15 **1.7** Veuillez indiquer, avec explications, laquelle des deux approches mentionnées aux
16 demandes 1.4 et 1.5 est la plus avantageuse pour les clients du Transporteur.

17 **R1.7**

18 **Réponse de Concentric :**

19 **Assuming the intervenors concerns expressed in response to the initial**
20 **building block proposal are representative of customer views, a hybrid**
21 **approach for a first-generation MRI is more advantageous for customers. This**
22 **approach incents HQT to effectively manage operating costs under its control,**
23 **while retaining the customer ability to scrutinize HQT's proposed revenue**
24 **requirement. For capital investments, projects whose cost is equal to or**
25 **higher than the threshold of 25 M\$ are individually reviewed in the course of**
26 **the year, while the others are authorized annually through a comprehensive**
27 **capital budget request. In contrast, a building block approach requires a multi-**
28 **year forecast of costs that serves as the basis of a revenue cap. This**
29 **appeared to be a drawback from an intervenor standpoint, which is resolved**
30 **with the proposed hybrid approach.**

31 **AMORTISSEMENTS, TAXES ET FRAIS CORPORATIFS**

32 **2. Références :**

- 33 (i) C-HQT-HQD-0057, HQT D-2, document 1, page 13;
34 (ii) C-HQT-HQD-0095, HQT D-2, document 1.3, page 6;
35 (iii) C-HQT-HQD-0023, HQT D-2, document 1, page 19, figure 11;
36 (iv) C-HQT-HQD-0023, HQT D-2, document 1, page 10, figure 4;
37 (v) C-HQT-HQD-0049, HQT D-4, document 3, page 15, lignes 10 à 18.

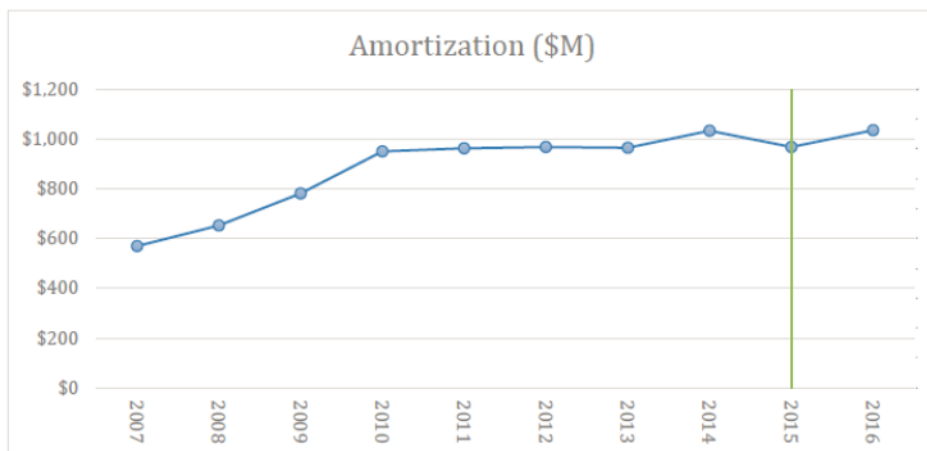
1 **Préambule :**

2 (i) « Under the proposed plan, the “I” and “X” factors would have to be set
 3 according to the process adopted by the Régie. An expanded definition of
 4 operating costs under management’s control would be included under the
 5 formula, and include amortization, taxes and corporate expenses, even
 6 though not directly controllable by HQD. » (Nous soulignons)

7 (ii) « The recovery of capital expenses (amortization) and the return on capital
 8 (debt and equity) are based on the forecasted cost of service. Capital projects
 9 will be approved as they are under current filing procedures for large and
 10 small projects. The impact of HQT’s capital expenditures would be reflected
 11 in rates by adjusting corporate fees, amortization, taxes and the return on rate
 12 base to correspond to changes in Rate Base each year as the non-parametric
 13 nature of HQT’s CAPEX does not readily accommodate an I-X program. »
 14 (Nous soulignons)

15 (iii) La figure 11 montre que les charges d’amortissement du Transporteur sont
 16 particulièrement stables depuis 2010.

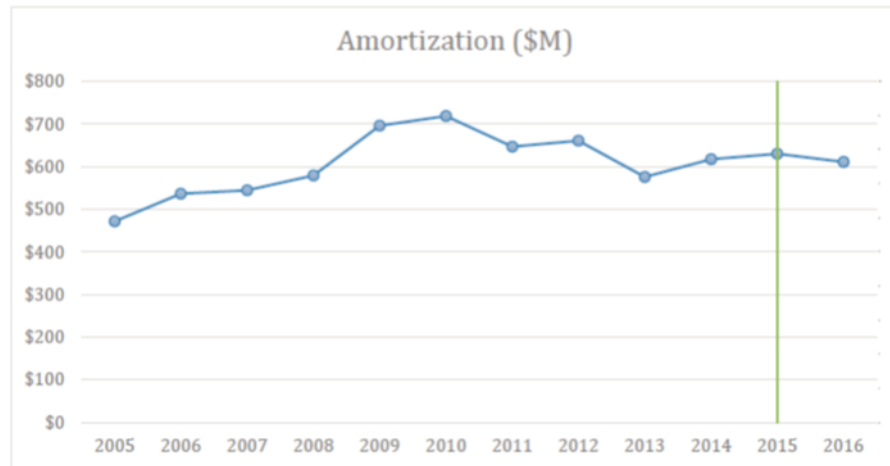
Figure 11: HQT Amortization 2007-2016



Data Source²⁵

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 18 (iv) La figure 4 montre que les charges d’amortissement du Distributeur sont
 19 relativement stables depuis 2010 mais que leur variabilité est plus grande
 20 que celle du Transporteur à la référence (iii).

Figure 4: HQD Amortization 2005-2016



Data Source¹⁸

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(v) « 10.3 Please confirm that, due to the large size of HQT's system, capex volatility doesn't necessarily translate into volatile amortization expenses, return on rate base, capital cost, or total cost.

R10.3

Concentric has not suggested that capital spending is volatile or that such volatility would translate into volatile amortization expenses, return on rate base, capital cost or total cost. Concentric's point is that fluctuations in levels of capital expenditures can lead to patterns of cost recovery that are incompatible with "I-X" revenue trajectories. » (Nous soulignons)

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Demandes pour CEA

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2.1 Veuillez expliquer que, selon la référence (ii), la « *non-parametric nature of HQT's CAPEX does not readily accommodate an I-X program* » alors que la nature non paramétrique des dépenses d'investissements du Distributeur permet une approche I-X, selon la référence (i). Veuillez indiquer avec chiffres à l'appui les différences entre la problématique du Transporteur et celle du Distributeur en cette matière.

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R2.1

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Réponse de Concentric :

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There are two important differences between HQT and HQD in terms of capital investment costs. First, capital related costs represent 78% of HQT's revenue requirements³. The comparable ratio for HQD is 12%⁴. Therefore the potential for deviations between actual and MRI capped costs for capital related investment has a disproportionately greater impact on HQT's risk profile than that of HQD. The second distinction is the nature of capital projects. HQD's capital spending follows a more predictable pattern, involving smaller projects.

³ Concentric Report, HQT-D-2, Document 1.3, September 30, 2016, p. 4.

⁴ Concentric Report, HQT-D-2, Document 1. February 10, 2016, p. 9.

1 HQT’s capital spending involves larger projects, creating greater potential for
2 deviations between a smoothed I-X revenue cap and actual capital cost
3 recovery requirements. HQT’s CAPEX are “lumpy”, and comprised of large
4 projects that are built over many years. They are often dictated by system
5 requirements beyond management’s direct control, such as the integration of
6 new generation. HQT’s CAPEX are driven by a combination of: replacement of
7 its aging infrastructure, growth in customer demand or integration of new
8 generation resources, improvements in service quality, or external
9 requirements (e.g., NERC or governmental regulations). Total CAPEX and
10 related property, plant and equipment (PP&E) placed in service vary
11 considerably from year-to-year, depending on the mix of projects.

12 **2.2** Étant donné que la variabilité des dépenses d’amortissement du Transporteur est
13 moins grande que celle du Distributeur depuis 2010 (références (iii) et (iv)), et que
14 l’expert considère que les dépenses d’amortissement du Transporteur ne sont pas
15 volatiles (référence (v)), veuillez justifier que l’expert recommande d’inclure les
16 dépenses d’amortissement dans la formule I-X dans le cas du Distributeur, à la
17 référence (i), mais qu’il recommande le contraire dans le cas du Transporteur, à la
18 référence (ii).

19 **R2.2**

20 **Réponse de Concentric :**

21 HQT’s amortization is a function of rate base which doesn’t follow an I-X
22 trajectory. As described in response to Question 2.1, above, the capital
23 investment related cost for HQT represents a much larger share of total
24 revenue requirements, and this is also true for amortization—which represents
25 5.1% of HQD’s total revenue requirement and 34,0% of HQT’s total revenue
26 requirement⁵. Therefore deviations between actual and capped amortization
27 costs under an I-X would have a significantly greater impact on HQT

28 **2.3** Veuillez justifier que l’expert recommande d’inclure les taxes et les frais corporatifs
29 dans la formule I-X dans le cas du Distributeur à la référence (i) mais qu’il
30 recommande le contraire dans le cas du Transporteur, à la référence (ii).

31 **R2.3**

32 **Réponse de Concentric :**

33 Even though not under management’s direct control, these are relatively small
34 expense categories in the case of HQD (1.0% of revenue requirement,
35 combined⁶). In the case of HQT, these expense categories represent a greater
36 share of the revenue requirement (4.2%, combined⁷), and HQT is unable to
37 directly control these costs, creating a mis-alignment between the incentive
38 and ability to control these material cost categories.

39 See, in addition, responses to Questions Régie 2.2 in HQT-8, Document 1 and
40 RNCREQ 8.1 in HQT-8, Document 7.

⁵ HQD : Concentric Report, HQT-8, Document 1, (revised September 30, 2016, p. 8. HQT : response to Question Régie 1.1 in HQT-8, Document 1 – Année de base 2016)

⁶ Concentric Report, HQT-8, Document 1, February 10, 2016, p. 8.

⁷ Concentric Report, HQT-8, Document 1.3, September 30, 2016, p. 4.

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MODÈLE DES GESTION DES ACTIFS

2 **3. Références :**

- 3 (i) C-HQT-HQD-0095, HQTD-2, document 1.3, page 4;
- 4 (ii) Asset Health Indices - A utility industry necessity, Deloitte for Canadian
5 Electrical Association, page 6:
- 6 <http://www.electricity.ca/media/Analytics/AssetHealthIndex2014.pdf> :

7 **Préambule :**

- 8 (i) « As noted above, HQT has recently introduced a new MGA designed to
9 more fully utilize transmission assets for their useful life. This model is still
10 being refined but is causing HQT to spend more on maintenance in an effort
11 to maximize the reliable use of existing transmission facilities over their entire
12 service life, thus creating upward pressure on OPEX. It is Concentric's
13 understanding that the MGA allows HQT to evaluate the probability and
14 impact of potential equipment failures, and create optimized levels of asset
15 maintenance expenditures and the lowest long-term cost for customers. »
16 (Nous soulignons; notes de bas de page omises)
- 17 (ii) « **Can maintenance activities be optimized to reduce overall**
18 **expenditures?** If asset failures can be predicted before they happen, and
19 work schedules can be given a month or two in advance, overtime should be
20 reduced, emergency repairs are minimized, and costs will be reduced. Many
21 examples can be provided where expenditures have been reduced by up to
22 20% or more through installing rigorous asset management processes. »
23 (Nous soulignons)

24 **Demandes pour CEA :**

25 **3.1** Veuillez démontrer, avec références à l'appui, l'expertise de l'expert en matière de
26 gestion des actifs (« *asset management* »).

27 **R3.1**

28 **Réponse de Concentric :**

29 **Mr. Yardley and Mr. Coyne have not presented themselves as asset**
30 **management experts in this proceeding. Their comments and understanding**
31 **in this regard reflect discussions with HQT, and also HQT's filings with the**
32 **Régie footnoted in Concentric's report⁸.**

33 **3.2** Veuillez fournir les références des documents consultés par l'expert pour établir sa
34 compréhension du MGA du Transporteur, telle que mentionnée à la référence (i).

⁸ Concentric's report, HQTD-2, Document 1.3, September 30, 2016, p. 4, footnote 6.

1 **R3.2**

2 Réponse de Concentric :

3 Concentric relied primarily on discussions with HQT regarding the objective
4 and the structure of the MGA. The MGA is also discussed at some length in
5 CEA's September 30, 2016 evidence, and in HQT-3, Document 1 of
6 R-3823-2012, R-3903-2014, R-3934-2015 and R-3981-2016 (and HQT-3,
7 Document 1.1) files.

8 **3.3** Veuillez démontrer que le MGA, selon l'affirmation de l'expert à la référence (i),
9 entraîne des niveaux optimisés (au sens mathématique du terme) de dépenses en
10 gestion des actifs et assure un coût minimal à long terme pour les clients.

11 **R3.3**

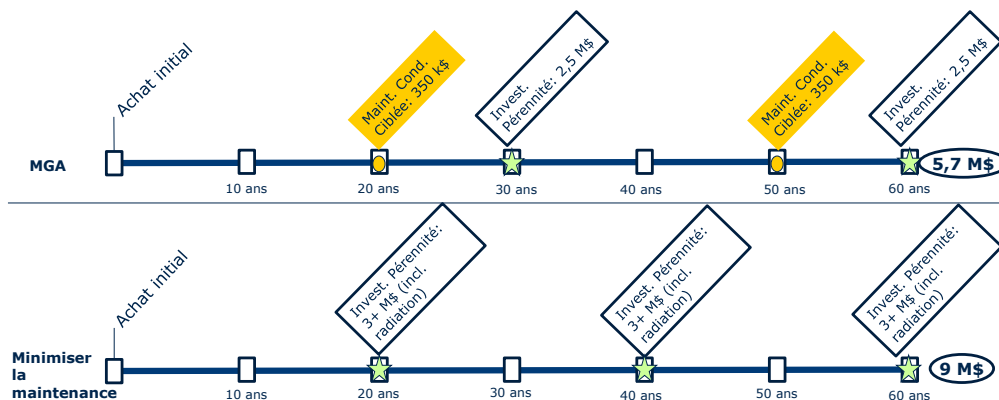
12 Réponse de Concentric :

13 The expert is relying on the sources cited in response to Question 3.2 and has
14 not audited the optimization inputs, algorithms or results related to HQT's use
15 of MGA.

16 Réponse du Transporteur :

17 L'essence même du MGA est de minimiser les coûts globaux par le choix du
18 meilleur geste entre le remplacement aux investissements et la maintenance. À
19 cet effet, le Transporteur rappelle l'illustration ci-dessous qui a fait l'objet
20 d'une présentation à la Régie dans le cadre de la demande tarifaire 2017⁹.

21 **Figure R.3.3**
22 **Illustration de la rentabilité du meilleur geste pour un disjoncteur**



23 **3.4** Selon l'expérience de l'expert en matière de gestion des actifs, veuillez commenter
24 la conclusion de la référence (ii) suite à une consultation faite auprès d'entreprises
25 de distribution et de transport canadiennes.
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⁹ Pièce HQT-15, Document 2.1 (dossier R-3981-2016).

1 **R3.4**

2 **Réponse de Concentric :**

3 **Concentric has not compared the asset management process of HQT with**
4 **other Canadian distribution or transmission companies. The purpose of the**
5 **MGA is to establish the optimal application of capital and maintenance based**
6 **on asset condition and impact to meet asset management objectives during a**
7 **particular period.**

8 **Réponse du Transporteur :**

9 **La conclusion relative à un potentiel de baisse des coûts de maintenance suite**
10 **à la mise en place d'un modèle de gestion des actifs est tout à fait logique et**
11 **dans le sens de ce qui est en place chez le Transporteur. Le potentiel de**
12 **réduction des dépenses varie d'une organisation à l'autre, selon l'état et l'âge**
13 **du parc, des pratiques déjà en place et selon la nature de l'organisation**
14 **(transporteurs vs. distributeurs d'électricité). Le Transporteur réitère que c'est**
15 **d'ailleurs parce que son MGA, qui tient déjà compte du Asset Health Index**
16 **(« AHI »), anticipe une hausse des défaillances d'équipement qu'il a**
17 **recommandé une mise à niveau de sa maintenance pour éviter le surcoût**
18 **qu'occasionnerait une hausse des interventions non planifiées (correctif).**

19 **3.5** Veuillez indiquer comment le MRI recommandé par l'expert pour le Transporteur

20 peut tenir compte du fait que le MGA pourrait entraîner des réductions de dépenses de
21 maintenance tel qu'il a été observé dans l'étude de la référence (ii).

22 **R3.5**

23 **Réponse de Concentric :**

24 **The expert has not reviewed Reference Study (ii). Nonetheless, the MGA could**
25 **result in maintenance expenses being reduced or increased for an asset or**
26 **collection of assets over a particular period, based on asset health and**
27 **expected reliability.**

28 **Réponse du Transporteur :**

29 **Voir la réponse à la question 3.4.**

30 **INDICATEURS DE PERFORMANCE**

31 **4. Références :**

32 (i) C-HQT-HQD-0108, HQT-D-3, document 1.2, page 10;

33 (ii) A-0108, Notes sténographiques du 21 septembre 2016, pages 42 à 45.

34 **Préambule :**

35 (i) « Proposition, en phase 3, d'un nombre restreint d'indicateurs, parmi ceux
36 déjà retenus par la Régie selon les critères suivants : [...]. »

- 1 (ii) Le Distributeur fournit, en phase 1, une liste d'indicateurs de performance qui
2 pourraient être considérés dans son MRI.

3 **Demande :**

- 4 **4.1** Veuillez fournir, comme l'a fait le Distributeur à la référence (ii), la nature des
5 indicateurs de performance qui sont envisagés pour le MRI du Transporteur.

6 **R4.1**

7 **Réponse de Concentric :**

8 **As noted on page 13 of Concentric's September 30, 2016 Report:**

9 « Concentric proposes that the specific Service Quality Indicators (SQI)
10 plan be developed in a subsequent phase, including metric definitions
11 and targets. »

12 **As noted on page 27 of Concentric's February 10, 2016 Report :**

13 « Possible indicators with financial impact for HQT could include
14 performance areas such as security, reliability, and network availability,
15 which are critical dimensions of the division's basic mission. »

16 **See also response to Questions Régie 9.1 to 9.4 in HQTD-8, Document 1.**

17 **DETERMINATION DU FACTEUR DE PRODUCTIVITÉ « X »**

18 **5. Références :**

- 19 (i) C-HQT-HQD-0095, HQTD-2, document 1.3, page 9;
20 (ii) C-HQT-HQD-0095, HQTD-2, document 1.3, page 13;
21 (iii) C-HQT-HQD-0097, HQTD-3, document 1.1, page 9;
22 (iv) C-HQT-HQD-0108, HQTD-3, document 1.2, page 9;
23 (v) R-3903-2014, B-0008, HQT-3, document 1, page 18;
24 (vi) R-3903-2014, B-0008, A-0035, Décision D-2015-017, page 26, paragraphe
25 66.

26 **Préambule :**

- 27 (i) « For reasons described in Section 5 of Concentric's Initial Report (HQTD-2,
28 Document 1), the productivity or "X" factor should be established by the Régie
29 with judgment being a major, if not primary, determinant. This is particularly
30 appropriate for HQT as there appears to be an insufficient number of
31 "comparable" transmitters upon which to produce a statistically valid
32 productivity or benchmarking study. » (Nous soulignons)
- 33 (ii) « Concentric does not recommend that "X" be established for HQT through
34 the development of a productivity study because there are so few comparable
35 transmission companies. Rather, Concentric recommends reliance on
36 informed judgment which may include results from other utility productivity
37 studies and HQT's actual productivity trends to determine the prospects for
38 future efficiency gains. » (Nous soulignons)

- 1 (iii) « *En ce qui a trait au facteur de productivité (X), selon la recommandation de*
2 *leurs experts, le Transporteur propose l'approche du jugement pour fixer le*
3 *facteur de productivité en se basant sur ses gains d'efficacité historiques et*
4 *différents exercices de balisage.* » (Nous soulignons)
- 5 (iv) « *Absence de comparables pour la production d'une étude de productivité*
6 *multifactorielle ou de balisage pour le Transporteur. »*
- 7 (v) « *À ce titre, en plus des explications fournies à l'égard de ses efforts*
8 *d'efficacité accomplis et envisagés décrits dans les sections qui précèdent,*
9 *le Transporteur réitère que l'indicateur composite présenté à la section*
10 *suivante demeure de loin la mesure la plus appropriée et probante de*
11 *l'ensemble de ses efforts d'efficacité.*
12 *[...]*
13 *Les entreprises canadiennes de services publics d'électricité faisant*
14 *généralement face à l'obligation d'investir pour palier au vieillissement de leur*
15 *parc d'actifs, la comparaison entre elles est ainsi plus valable que celle qui*
16 *serait établie en ajoutant les investissements en croissance, ces derniers*
17 *pouvant varier considérablement d'une entreprise à l'autre. »*
- 18 (vi) « *[66] La Régie reconnaît l'utilité de l'indicateur composite en tant que*
19 *mesure de l'efficacité du Transporteur. Elle est également d'avis que les*
20 *indicateurs retenus à cette fin par le Transporteur sont adéquatement définis*
21 *et permettent de répondre à ce besoin. Elle reconnaît de plus la pertinence*
22 *de cet indice qui, dans un contexte de balisage, permet au Transporteur de*
23 *positionner les résultats de ses actions structurantes dans une perspective*
24 *historique par rapport à ses pairs. La Régie prend enfin note de la disposition*
25 *du Transporteur à rendre plus actuel cet indice par l'intégration de ses*
26 *propres résultats de l'année historique en termes de coûts et de fiabilité. »*
27 (Nous soulignons)

28 **Demandes**

29 **5.1** Veuillez identifier les quelques « *few comparable transmission companies* » dont il
30 est question à la référence (ii).

31 **R5.1**

32 **Réponse de Concentric :**

33 **Given that the determination of comparable companies is a central question of**
34 **a Total Factor Productivity (TFP) / Partial Factor Productivity (PFP) study (and**
35 **is to be decided in a potential Phase 2 of this proceeding), Concentric cannot**
36 **at this time list or identify comparators, but is unaware of any stand-alone**
37 **transmission companies of HQT's scale operating in North America.**

38 **5.2** Veuillez indiquer le nombre minimal de compagnies comparables qui serait
39 nécessaire pour que l'expert considère qu'il y a suffisamment de transporteurs
40 comparables, dans le contexte de la référence (i).

1 **R5.2**

2 Réponse de Concentric :

3 As outlined in the Attachment A to Question Régie 4.2 in HQTD-4,
4 Document 1.1, TFP and PFP study peer group sizes vary considerably. In the
5 examples provided in Concentric's table in Attachment B of the same
6 document, the peer groups ranged from 4 utilities to 95 utilities. There is no
7 absolute minimum, but larger sample groups offer the ability to sample, or
8 econometrically estimate, parameters associated with certain system
9 attributes (e.g., system size or load served). Samples smaller than 6 would
10 limit the ability to estimate such relationships.

11 **5.3** Veuillez fournir la liste des études de productivité que l'expert envisage à la
12 référence (ii).

13 **R5.3**

14 Réponse de Concentric :

15 Concentric has not determined an exhaustive list of productivity studies on
16 which to rely for the determination of HQT's X factor. Three sources of
17 information, may however, inform the Régie's judgment: (1) Studies cited by
18 Concentric in Attachment B to HQT-4, Document 1.1 are candidates for
19 consideration, including those submitted in the most recent Alberta, Ontario,
20 and BC examinations of industry productivity; (2) trends in HQT's productivity
21 over time for costs under the I-X framework in relation to inflation; and (3)
22 HQT's most recent benchmarking study that profile HQT across a number of
23 operating metrics¹⁰. Taken together, Concentric believes the Régie will have
24 sufficient information to make an informed decision regarding an appropriate
25 productivity factor.

26 **5.4** Veuillez fournir la liste des exercices de balisage que le Transporteur envisage à la
27 référence (iii).

28 **R5.4**

29 Voir la réponse à la question 5.2 de la demande de renseignements numéro 3
30 de la Régie à la pièce HQT-8, Document 1.

31 **5.5** Veuillez concilier les informations des références (i), (ii), (iii), (v) et (vi) sur la
32 présence d'études de productivité et de balisage et l'information de la référence (iv)
33 sur l'absence de telles études.

34 **R5.5**

35 Réponse de Concentric :

36 Concentric is advocating for the Régie's informed judgment when determining
37 HQT's productivity factor. As outlined in response to Question 5.3 above,
38 such judgement may be informed by a combination of productivity studies
39 submitted in other jurisdictions, an analysis of HQT's productivity over time,
40 and HQT's current benchmarking activities.

¹⁰ R-3981-2016 (HQT-3, Document 3).

1 **5.6** Veuillez concilier l'information des références (i), (ii) et (iv) sur l'insuffisance des
2 comparables et celle des références (v) et (vi) sur l'indicateur composite qui serait
3 approprié et probant pour comparer l'efficacité du Transporteur avec ses pairs
4 canadiens.

5 **R5.6**

6 **Réponse de Concentric :**

7 **See responses to Questions 5.1, 5.2 and 5.3, above.**

8 **Réponse du Transporteur :**

9 **L'indicateur composite est approprié pour comparer l'efficacité du**
10 **Transporteur à ses pairs. En effet, le volet coûts qui est présenté dans cet**
11 **indicateur est normalisé par la valeur des actifs, ce qui permet de ramener les**
12 **utilités sur une base comparable et relative. À l'ultime, cet indicateur permet**
13 **de démontrer à quel niveau de coûts les utilités maintiennent leur fiabilité.**

14 **Toutefois, en ce qui concerne le facteur de productivité, le Transporteur**
15 **souligne la complexité d'une telle étude, et surtout la comparabilité sur**
16 **certains aspects tels que la dispersion géographique de ses installations,**
17 **la configuration du réseau, le fait qu'un pourcentage élevé de la charge se**
18 **trouve dans le sud tandis qu'un pourcentage élevé de la production se trouve**
19 **dans le nord, etc.**