

**DEMANDE DE RENSEIGNEMENTS N° 1 D'OPTION CONSOMMATEURS (OC) À  
L'AQCIE-CIFQ**

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

**R-3897-2014 – PHASE 1**

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**MRI FOR HQD**

- 1. References:**
- i) C-HQT-HQD-0023, p. 10.**
  - ii) C-AQCIE-CIFQ-0025, p. 102.**
  - iii) C-AQCIE-CIFQ-0025, p. 104.**

**Preamble :**

(i) *“HQD’s OPEX represent 10.5% of revenue requirement for 2016. The majority of OPEX or “Envelope Expenses” has been subject to the parametric formula and considered to be meaningfully within management’s general control. Operating Expenses excluded from the Envelope are called “Specifically Tracked Items”, and represent around 22% of Operating Expenses.”*

(ii) *“Reasonable candidates for Y factoring include the following:*

- Severe storm expenses*
- Changes in utility accounting standards*
- Expiration of the amortization of deferral accounts.*
- CDM expenses”*

(iii) *“For both companies, some hard to foresee costs warrant consideration for Z factor treatment. Eligibility for Z factor treatment should be limited. Materially thresholds should be high, and pertain to each incident so that the utility is not incentivized to compile numerous small incidents.”*

**Request :**

- 1.1 Please discuss the treatment of “Specifically Tracked Items” as part of Pacific Economics Group (PEG)’s HQD MRI proposal.
- 1.2 Please provide a complete list of items that should be included as Y factors for HQD’s MRI.
- 1.3 Please provide a complete list of items that should be included as Z factors for HQD’s MRI.

**2. References:**        i)    C-AQCIE-CIFQ-0025, p. 96.

**Preamble:**

*(i)    “If decoupling is instituted, several issues in the design of the revenue decoupling mechanism will require resolution. One is whether decoupling should apply to industrial customers. If the answer is “yes”, an important further issue is whether baskets should be implemented that insulate residential and commercial customers and industrial customers from the revenue impact of fluctuations in each other's revenue.”*

**Request :**

- 2.1 Please discuss and provide relevant example of the treatment of fluctuations in revenues for baskets of customers.
- 2.2 Please provide a list of utilities where such baskets are used.

**MRI FOR HQT**

**3. References:**        i)    C-AQCIE-CIFQ-0025, p. 100.

**Preamble:**

*(i)    “As for HQT, the Company’s revenue requirement history does not provide pronounced evidence of a “stairstep” cost trajectory that might be better addressed by a hybrid ARM. The HQT system may be too large and diverse for particular capex projects to have a large impact. This is an argument favoring an index-based escalator. We believe that an index based ARM should be “Plan A” for HQT given its advantages.”*

**Request:**

- 3.1 Please provide a list of references for other North American transmission companies with MRIs.
- 3.2 Please provide a list of integrated utilities that have MRIs for both transmission and distribution activities.
- 3.3 Do you know of any transmission companies with some type of multi-year cost of service similar to what Concentric is proposing for HQT. If so, for each company, please indicate the comparable Building Block parameters (e.g. OPEX, CAPEX, indexing, etc...).

**4. References:           i)       C-AQCIE-CIFQ-0025, p. 102.**

**Preamble:**

*(i)       “HQT, in contrast, might need the option of requesting tracker treatment for some projects if an index-based ARM is developed. This proposed treatment would be similar to the Ontario Energy Board’s Incremental Capital Module.”*

**Request:**

- 4.1 Please how capital volatility may be addressed in a Transmission MRI and provide relevant examples.
- 4.2 More specifically, please elaborate on the form and operation of potential capital tracker(s) for a first-generation HQT MRI.

**5. References:           i)       C-AQCIE-CIFQ-0025, p. 102.**  
**ii)       C-AQCIE-CIFQ-0025, p. 104.**

**Preamble:**

- (i)       “Reasonable candidates for Y factoring include the following:*
- Severe storm expenses*
  - Changes in utility accounting standards*

- *Expiration of the amortization of deferral accounts."*

*(ii) "For both companies, some hard to foresee costs warrant consideration for Z factor treatment. Eligibility for Z factor treatment should be limited. Materially thresholds should be high, and pertain to each incident so that the utility is not incentivized to compile numerous small incidents."*

**Request:**

- 5.1 Please provide a full list of items that should be included as Y factors for HQT's MRI.
- 5.2 Please provide a full list of items that should be included as Z factors for HQT's MRI.

**6. References:        i)        C-AQCIE-CIFQ-0025, p. 59-60.**

**Preamble:**

*(i) "These metrics and incentive programs may have financial incentives, "reputational incentives", or no incentives. For example, there are no financial incentives tied to the primary safety and connections metrics, while energy not supplied, the customer/stakeholder satisfaction survey, and sulfur hexafluoride leakage performance are all tied to financial incentives."*

**Request:**

- 6.1 Please provide examples of transmission performance incentive mechanisms (PIMs).
- 6.2 Discuss PIMs applicability to HQT.
- 6.3 Please provide key performance metrics that could be considered in a HQT PIM scorecard.