

**DEMANDE DE RENSEIGNEMENTS
D'HYDRO-QUÉBEC DISTRIBUTION
À PEG**

Questions d'Hydro-Québec Distribution

1. **Préambule :**
C-AQCIE-CIFQ-0024
Rapport d'expert, p. 63

“PEG believes that \$15 million thresholds are reasonable for a Company of HQD's size. These should apply on a per event basis to Z factors. The first \$15 million of variances between Y factored costs and the corresponding revenue requirements should be non-recoverable each year. The thresholds should be escalated annually by the revenue cap index.”

- a. **Veillez confirmer que le seuil proposé s'appliquant à la variance des coûts spécifiés dans ce paragraphe s'applique bien aux facteurs Y et non aux facteurs Z**
- b. **Le cas échéant, le Distributeur comprend que la mécanique proposée en ce qui a trait à la variance des facteurs Y ne consiste pas en un seuil permettant la création ou le maintien d'un élément de coûts à titre de facteur Y. Elle consiste plutôt en un seuil s'appliquant à la récupération de coûts de facteurs Y préalablement définis. Est-ce le cas? Si non, expliquer.**
 - **Si oui, ce seuil de 15 M\$ s'appliquerait-il pour chacun des facteurs Y ou pour ceux-ci considérés dans leur ensemble?**
 - **Toujours dans l'affirmative, ce seuil de récupération de coûts s'applique-t-il aux variances négatives et positives?**

Questions de Concentric

2. Préambule :

C-AQCIE-CIFQ-0024

Rapport d'expert, page 9, tableau 1

- a. Please provide Table 1 in spreadsheet form with formulas.**

3. Préambule :

C-AQCIE-CIFQ-0024

Rapport d'expert, page 14

"A sizable adjustment to the X factor is thus warranted in a U.S. formule d'indexation when the GDPPI is used as the inflation measure. [...]"

The input price differential is the difference between the input price trends of the economy and the industry. X will be larger (smaller) to the extent that the input price trend of the economy is more (less) rapid than that of the industry.¹⁸ In American MRI proceedings, regulators have typically ruled that the input price differential is small (e.g., twenty basis points) or zero."

- a. Please calculate the calibration impact on X based on the economy-wide productivity trend differential between the US and Canadian economies shown in Table 2 for 2001-2015.**

4. Préambule :

C-AQCIE-CIFQ-0024

Rapport d'expert, page 26, tableau 3

- a. PEG derived a "Kahn X Factor for HQD" in Table 3. Please provide the table in spreadsheet form with formulas.**
- b. Please indicate whether any North American regulator has used a "Kahn X Factor" in any recently adopted MRIs (past 10 years), with citations.**

5. Préambule :

C-AQCIE-CIFQ-0024

Rapport d'expert, page 33, tableau 4

"The following results in Table 4 are especially pertinent to the Régie's judgement process."

- a. Please provide Table 4 in spreadsheet form, including the calculations of the averages.**

6. **Préambule :**
C-AQCIE-CIFQ-0024
Rapport d'expert, pages 43-44

“Hydro One Networks filed evidence in 2017 in support of a custom MRI for its power distributor services. The company retained Steve Fenrick of Power Systems Engineering to prepare supportive productivity and benchmarking evidence. Mr. Fenrick had prepared a few previous energy distributor productivity studies. He updated PEG's Ontario power distributor productivity study to 2015, reporting a -0.90% annual PMF growth trend for the full sample period, and proposed a 0.45% stretch factor based on the result of his total cost benchmarking study. Hydro One proposed a base productivity trend of zero and a 0.45% stretch factor. PEG has been retained by Board Staff to review Mr. Fenrick's submission. However, the project has been delayed and no review has yet been undertaken.”

- a. **Please confirm that Mr. Fenrick was an employee of Pacific Economics Group from 2001-2009 as a Senior Economist.**
- b. **Please confirm that Mr. Fenrick lists 39 research projects on his resume, almost all relating to utility benchmarking and productivity studies.**

7. **Préambule :**
C-AQCIE-CIFQ-0024
Rapport d'expert, page 44

“Union Gas and Enbridge recently proposed a merger and an MRI for their consolidating Ontario gas utility operations. The so-called "Amalco" companies retained Dr. Makhholm of NERA to update his power distributor PMF study. He reports a 0.54% PMF trend for his full 1973-2016 sample period, but the negative PMF trend in recent years has continued. Notwithstanding his support for basing X factors on results for the full sample period when he was a commission witness, Makhholm recommends a 0% base productivity factor for the combined company and a 0% stretch factor. The Amalco made the same recommendations. Dr. Lowry has been retained by Board staff to respond to Makhholm's new study. The project is just beginning, however, and Makhholm's evidence has not yet been reviewed or challenged.”

- a. **Please confirm that Dr. Makhholm recommends an X factor of 0% because of the shift in the trend from positive X factors to negative X factors since 2009, and “any split in the data would produce a negative TFP growth figure”. If not, please explain.**

8. **Préambule :**
C-AQCIE-CIFQ-0024
Rapport d'expert, pages 48-49

"Table 6 shows trends in six macroeconomic price indexes that are sensible candidates for use in Québec. We also include the average weekly earnings of Canadian and Québec industrial workers."

- a. **Please provide Table 6 in spreadsheet form with formulas.**

9. **Préambule :**
C-AQCIE-CIFQ-0024
Rapport d'expert, page 52

"With regard to productivity studies (rather than commission decisions), Dr. Lowry's method for measuring the PMF trend of power distributors has been shown to be the most appropriate one for setting an X factor for HQD, for several reasons."

- a. **Please provide all citations from a regulator who has determined that Dr. Lowry's method for measuring the PMF trend of power distributors is the most appropriate.**

10. **Préambule :**
C-AQCIE-CIFQ-0024
Rapport d'expert, page 54

"Dr. Meitzen lacks the expertise to credibly argue that a one hoss shay approach is somehow relevant to power distribution but not to telecommunications."

- a. **Please provide the basis for this statement regarding Dr. Meitzen's credibility?**
b. **Please confirm that the Massachusetts DPU endorsed Dr. Meitzen's methodology, and fully accepted his recommended X factor without any changes?**