

RÉGIE DE L'ÉNERGIE

DEMANDE DU TRANSPORTEUR DE MODIFICATION
DES TARIFS ET CONDITIONS DES SERVICES DE
TRANSPORT POUR LES ANNÉES 2021 ET 2022

DOSSIER : R-4167-2021

RÉGISSEURS : Me NICOLAS ROY, président
Me LISE DUQUETTE
M. JOCELIN DUMAS

AUDIENCE DU 14 DÉCEMBRE 2021
PAR VISIOCONFÉRENCE

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Me SYLVAIN LANOIX
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Me ANDRÉ TURMEL
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Me ÉRIC McDEVITT DAVID
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1 L'AN DEUX MILLE VINGT ET UN (2021), ce quatorzième
2 (14e) jour du mois de décembre :

3

4 PRÉLIMINAIRES

5

6 LE GREFFIER :

7 Protocole d'ouverture. Audience du quatorze (14)
8 décembre deux mille vingt et un (2021) par
9 visioconférence. Dossier R-4167-2021 : Demande du
10 Transporteur de modification des Tarifs et
11 conditions des services de transport pour les
12 années 2021 et 2022. Poursuite de l'audience.

13 LE PRÉSIDENT :

14 Bonjour à tous. Bienvenue pour cette nouvelle
15 journée d'audience. Quelques points préliminaires.
16 Je rappelle que nous souhaitons que les
17 intervenants qui souhaitent être du huis clos
18 demain nous fassent part des personnes qui désirent
19 être du huis clos, comme ce fut le cas pour le huis
20 clos précédent, nous avons demandé d'avoir les
21 courriels d'ici midi. Alors, je vous invite à le
22 faire à monsieur Specte notre greffier.

23 Nous avons reçu... Maître Fréchette, vous
24 avez déposé différentes réponses, des engagements.
25 Je ne sais pas si vous voulez faire le point. Et

1 quant à l'engagement numéro 1 qui a été répondu il
2 y a déjà deux jours qui concerne le panel 1, nous
3 verrons selon l'évolution de la journée. Comme,
4 Maître Cadrin, nous avait signifié, je crois, que
5 c'était assez court comme contre-interrogatoire sur
6 cet engagement. Je ne sais pas s'il est en ligne.
7 S'il peut confirmer. Nous ne vous entendons pas.

8 Me STEVE CADRIN :

9 Oui, je m'excuse, je n'ai pas mon veston pour vous
10 parler. Vous m'avez pris de court. Alors, oui, ça
11 va être court, environ une dizaine de minutes tout
12 au plus.

13 LE PRÉSIDENT :

14 Tout au plus. Donc, on va tenter de voir si ça se
15 glisse correctement au cours de la journée,
16 probablement en fin de journée, dépendant de
17 l'évolution des témoignages.

18 Me STEVE CADRIN :

19 D'accord. Je vous suis et je vous attends.

20 LE PRÉSIDENT :

21 Parfait. Quant aux autres engagements qui ont été
22 répondus, il faudrait que les parties nous disent
23 si, qui étaient concernées, celles qui avaient
24 demandé les engagements, si ça nécessite de revenir
25 en contre-interrogatoire sur ces engagements-là ou

1 si les réponses sont satisfaisantes et que ça ferme
2 cet aspect-là. Maître Fréchette, je ne sais pas si
3 vous avez quelque chose à ajouter avant que l'on
4 débute?

5 Me YVES FRÉCHETTE :

6 Oui. Bonjour à tous. Rapidement quelques sujets.
7 Alors, la requête pour un tarif provisoire sera
8 déposée aujourd'hui. Vous la verrez donc arriver en
9 cours de route. Cet aspect-là sera couvert.
10 Maintenant, vous m'aviez suggéré de convenir avec
11 l'équipe de traduction d'un engagement de
12 confidentialité. Ça a été fait hier également en
13 fin de journée. Alors, cet aspect-là également est
14 couvert. Les engagements de 1 à 6 ont été déposés.
15 Alors c'est ceci.

16 Maintenant, en ce qui concerne la reprise
17 d'un interrogatoire par les intervenants, je vous
18 mentionne que les panels, là, je comprends que vous
19 ne les avez pas libérés, vous, Monsieur le
20 Président, mais à partir du moment où leurs
21 prestations se terminaient ici, ils reprennent, si
22 je peux me permettre, leur vie quotidienne. Alors,
23 ces gens-là ne sont pas dans l'antichambre ici à
24 attendre. Alors, si jamais c'était le cas, là, tout
25 d'abord, un, il faut que... je dirais qu'il faut

1 que ce soit vraiment substantiel. J'appellerais mes
2 collègues à être... Il faut que ce soit des
3 éléments très, très substantiels, surtout quand on
4 va chercher des allocations maximales de deux mille
5 huit (2008), deux mille neuf (2009), il faut que ce
6 soit des affaires assez substantielles, merci, pour
7 que je puisse vous retracer des gens comme ça.

8 Deuxièmement, un autre élément aussi, c'est
9 que, pour la reprise de l'AHQ-ARQ, là, ça, c'est
10 prévu. Monsieur Vézina, lui, va être libéré en
11 principe je crois ce matin. Il faudrait savoir si
12 c'est des questions pour monsieur Verret. Parce que
13 ce panel-là était composé de trois personnes :
14 monsieur Verret, madame Paquette et monsieur
15 Vézina.

16 LE PRÉSIDENT :

17 Je ne sais pas si maître Cadrin peut répondre.

18 Me STEVE CADRIN :

19 Bon, bien, je n'ai toujours pas pris mon veston. Je
20 m'excuse. Je suis désolé. Je pense qu'il serait
21 pertinent que les questions puissent être répondues
22 dans la mesure où elles pourront l'être d'ailleurs
23 par monsieur Verret et monsieur Vézina. Je pense
24 que madame Paquette, qui était sur le premier
25 panel, ce n'était pas dans sa sphère de choses

1 qu'elle devait préparer. Alors, je pense que ces
2 deux témoins-là auraient la chance possiblement de
3 fournir les réponses. Ils seraient utiles du moins
4 pour tenter la réponse.

5 Comme je l'ai mentionné hier, je ne vais
6 pas l'embarquer dans une série d'engagements, mais
7 il est bien possible, là, que... comme la question
8 a donné lieu à un engagement, que les « follow
9 up », là, ou la suite de ces questions-là donnent
10 lieu encore à des engagements. Je vais essayer
11 d'éviter ça, mais... Je comprends que les témoins,
12 c'est ceux qu'on nous a offerts, là, on va
13 travailler avec ça d'abord, puis on verra après ça
14 s'il y a un problème.

15 Alors, je pense que les deux, au moins,
16 auront plus de chance que juste un, c'est ça en
17 résumé la réponse.

18 LE PRÉSIDENT :

19 Merci. Donc, je crois qu'on peut libérer madame
20 Paquette, à ce moment-là, s'il n'y a pas de
21 nécessité de sa part d'être présente sur le panel.
22 Alors, Maître Fréchette...

23 Me YVES FRÉCHETTE :

24 C'est noté.

25

1 LE PRÉSIDENT :

2 ... si vous voulez lui communiquer, ce qui devrait
3 être une bonne nouvelle. Maître Turmel?

4 Me ANDRÉ TURMEL :

5 Seulement pour vous souligner qu'on a pris
6 connaissance des réponses aux engagements 5 et 6,
7 et on n'a pas de question additionnelle. Donc, pour
8 nous, c'est complet.

9 LE PRÉSIDENT :

10 Merci d'être revenu rapidement. Alors, il nous
11 manquera l'AQCIE.

12 Me DOMINIQUE NEUMAN :

13 Monsieur le Président, Dominique Neuman pour le
14 RTIEÉ.

15 LE PRÉSIDENT :

16 Oui?

17 Me DOMINIQUE NEUMAN :

18 C'est simplement pour savoir à quel moment le
19 témoin, monsieur Ros, pourrait répondre, à la fois
20 à l'engagement qui lui a été posé, de vérifier la
21 donnée quant à PGEÉ dont on avait parlé hier, et
22 également l'engagement que j'ai transmis par écrit
23 hier après-midi à la demande de la Régie.

24 Et aussi, l'engagement AHQ-ARQ, je pense
25 qu'il n'a pas encore été répondu. Si c'est possible

1 de savoir si ça va être déposé aujourd'hui, ou
2 peut-être demain matin, puisque notre présentation
3 à nous a lieu demain... en principe, demain après-
4 midi.

5 LE PRÉSIDENT :

6 Quant à... projet d'engagement, maître Fréchette
7 n'a pas eu l'occasion de nous donner son opinion
8 sur ça. Nous, on attendait les notes
9 sténographiques à la journée d'hier pour pouvoir en
10 prendre connaissance, elles ne sont pas disponibles
11 encore. Donc, nous réservons notre décision sur la
12 pertinence de cet engagement-là. Alors, Maître
13 Fréchette, est-ce que vous avez des commentaires à
14 exprimer?

15 Me YVES FRÉCHETTE :

16 Non, à cet égard-là, je dois vous dire que je suis
17 au même point que vous, Monsieur le Président. Dans
18 le sens que c'est arrivé par message de maître
19 Neuman en toute fin de journée hier, vers dix-sept
20 heures trente (17 h 30). Je n'ai pas eu la chance
21 d'échanger avec monsieur Ros, là, à cet égard-là,
22 ni avec l'équipe. Alors, si vous me permettez, je
23 vais faire ça dans le cours de la matinée, là,
24 puis... Mais j'ai les mêmes réserves que vous
25 également, là, à cet égard-là. Maintenant, je...

1 Me DOMINIQUE NEUMAN :

2 Excusez-moi. Le courriel, il a été envoyé... a été
3 déposé à la Régie à seize heures trente (16 h 30),
4 et l'avis de la Régie à tous les participants a été
5 envoyé à seize heures trente (16 h 30).

6 Ce que j'ai fait à dix-sept heures trente
7 (17 h 30), c'est que j'ai envoyé un courriel de
8 courtoisie à maître Fréchette pour lui rappeler le
9 dépôt que j'ai fait à seize heures trente
10 (16 h 30). Donc, c'était avant seize heures trente
11 (16 h 30) que ça a été déposé.

12 Et maître Fréchette vient de dire qu'il a
13 les mêmes réserves que vous. Or, je n'ai pas
14 entendu de réserves de la part de la Régie quant au
15 texte de l'engagement qui a été envoyé hier.

16 Et par ailleurs, maître Fréchette ne s'est
17 pas... n'a pas exprimé de réserves, parce qu'il n'y
18 en a pas eu, sur à la fois sur l'engagement pris
19 pour l'AHQ-ARQ sur une compagnie du Maine et de
20 l'Ohio, donc cet engagement a bel et bien été pris
21 par le témoin, monsieur Ros. Et aussi pour vérifier
22 la donnée quant à PGEÉ, où l'engagement a bel et
23 bien été pris par monsieur Ros, hier.

24 Me YVES FRÉCHETTE :

25 Alors, je remercie de ses précisions mon collègue

1 maître Neuman, mais je peux vous dire que je ne
2 suis pas toujours assis près de mon ordinateur pour
3 voir si maître Neuman va déposer quelque chose,
4 alors ce n'est pas arrivé. Je le remercie
5 énormément de m'avoir transmis un courriel à dix-
6 sept heures trente (17 h 30), ça m'a permis de voir
7 la chose arriver, là. Alors, là-dessus... Alors, si
8 vous permettez...

9 Puis, les engagements qui ont été pris
10 antérieurement, c'était à l'égard des données qui
11 nous concernaient, qui avaient été déposées. Alors,
12 ces réponses-là, on les offrira au moment
13 approprié. Mais, pour le RTIEÉ, vous permettrez,
14 là, mais on aura le débat en temps opportun. On
15 aura le débat en temps opportun, là, puis on pourra
16 vous donner notre opinion finale à l'égard des
17 demandes qui sont faites à cet égard-là.

18 Alors, je pense que ça clôt pas mal les...
19 si je peux dire, les...

20 LE PRÉSIDENT :

21 Les préliminaires.

22 Me YVES FRÉCHETTE :

23 Oui, c'est ça, les échanges... les échanges du
24 départ. Alors, peut-être, je pense que vous en êtes
25 avec...

1 LE PRÉSIDENT :

2 Oui. Alors, nous en sommes...

3 Me YVES FRÉCHETTE :

4 ... les questions de la Régie.

5 LE PRÉSIDENT :

6 ... à reprendre le contre-interrogatoire. Maître
7 Legault, au nom de la Régie.

8 Me LOUIS LEGAULT :

9 Merci, Monsieur le Président. D'abord, bonjour,
10 Monsieur le Président, Monsieur et Madame les
11 Régisseurs. Bonjour aux confrères et bonjour aux
12 participants.

13 Mes questions vont essentiellement
14 s'adresser au docteur Ros. Alors, quelques
15 questions seulement. Ça ne devrait pas être très
16 long.

17

18

19 L'AN DEUX MILLE VINGT ET UN (2021), ce quatorzième
20 (14e) jour du mois décembre, ONT COMPARU :

21

22 AGUSTIN J. ROS,

23 MARCO VÉZINA

24 STÉPHANE VERRET

25 Sous la même affirmation solennelle

1 been mentioned and namely that Hydro-Québec is
2 clearly a monopoly in Québec that operates and in
3 almost a noncompetitive market and my understanding
4 of the US industry in transmission is that US
5 transmitters do operate in a competitive market.

6 A power purchaser in Idaho that wants to
7 buy power from another state can deal with many
8 transmitters to obtain that power. So there is a
9 competition between transmitters that is not really
10 present in Québec. There are a few small
11 transmitters but essentially there's one big
12 transmitter which is Hydro-Québec. That I don't
13 think I've read anywhere that that was taken into
14 account.

15 The fact that in the United States
16 companies historically and generally benefit from
17 higher rates of return, US regulators usually give
18 them higher rates of return than what is done here
19 in Canada. So we're dealing with companies that
20 don't have the same type of rate of returns.

21 And again the fact, the standalone
22 comparison. You know a lot of the companies in the
23 sample some of them are minis with very limited
24 transmission capabilities compared to let's say
25 Texas transmitters which would really be comparable

1 to Hydro-Québec. At least in kilometres and miles
2 of lines.

3 So all of these factors... And my question
4 to be more precise is how is all of this taken into
5 account in considering the weight of all of these
6 companies in the sample, is it a "You're in, you're
7 out" or is there, to use a sailing analogy, is
8 there a handicap that is applied to the company to
9 give it a different weight in the sample?

10 R. Sure can hear me?

11 Q. **[3]** Yes.

12 R. Thanks. Okay. So let me separate that into two
13 items. The first is distinguishing between the
14 productivity study and the second is the cost
15 benchmarking study.

16 So for the productivity study we... I argue
17 that these differences are not as important as
18 compared to in the post benchmarking study and why
19 is that? It's the case in the productivity study
20 we're interested in the productivity growth rate.
21 Not the level.

22 So the question is whether a large company
23 that has lot of transmission line has a higher
24 (inaudible) in the transmission lines than for
25 example smaller companies that have a smaller

1 (inaudible) cause they have a more or less...

2 (TRANSMISSION PROBLEMS)

3 Me YVES FRÉCHETTE :

4 I'm sorry to interrupt you Mister Ros, but am I the
5 only one who's having problems to hear you?

6 THE COURT REPORTER :

7 NO, no.

8 Me YVES FRÉCHETTE :

9 Your sound is varying a lot and we lack your full
10 sentences. Je ne sais pas si c'est la même chose
11 pour vous, Monsieur le Président?

12 LE PRÉSIDENT :

13 Je constate comme mes collègues que c'est un peu
14 hachuré mais c'est compréhensible.

15 LE STÉNOGRAPHE :

16 Pour le sténographe, excusez-moi, pour le
17 sténographe ce n'est pas toujours compréhensible,
18 je manque des petits bouts.

19 Me YVES FRÉCHETTE :

20 So is it possible for you to close the sound and
21 reopen it again. Sorry for the interruption, Mister
22 Commissioner.

23 DR. AGUSTIN J. ROS :

24 Can you hear me now?

25

1 Me YVES FRÉCHETTE :

2 It seems to be better.

3 DR. AGUSTIN J. ROS :

4 Does this seem to be a little bit better?

5 Me YVES FRÉCHETTE :

6 Yes, it's a bit better.

7 DR. AGUSTIN J. ROS :

8 R. Okay. It's these microphones that I'm suppose to
9 mute or not mute that's causing the problem but if
10 you can hear me now I'll continue this way. Okay?

11 So let me begin. So I distinguished between
12 the productivity study and the cost benchmarking
13 study and at a very high level the differences in
14 companies is less of a concern in the productivity
15 study because we're interested in the growth rate.

16 So large companies have a lot of
17 transmission lines that has a lot of output. What
18 is the growth rate with respect to that output or
19 those inputs compared to a smaller company?

20 And when you're dealing with productivity
21 growth as opposed to a level this issue while
22 important it's not a fatal flaw at all of any of
23 this.

24 Second we do weight based on size. So our
25 productivity results takes into account the size of

1 each company. So our largest company is Pacific Gas
2 and Electric and that has a higher weight than our
3 smallest company in our sample.

4 And I think I provided a response to a
5 Régie question that when you take into account this
6 weighted average approach, I think it was the top
7 fifteen (15) companies' account for more than fifty
8 percent (50%) of the weight.

9 So we are taking into account the
10 differences in the companies somewhat in the
11 productivity growth study but because it is a
12 productivity growth study it's not as big of an
13 issue in my opinion.

14 When you come to the cost benchmarking
15 study I agree one hundred percent that the
16 differences between HQT and the US companies are
17 very important and if you don't take it into
18 account, it could be more... It is more problematic
19 in the cost benchmarking study and I think that's
20 kind of the main difference of opinion between our
21 report and the PEG report and I guess to you know
22 what is the methodology that I use to take that
23 into account.

24 And without going into all the specific of
25 it the fixed-effects methodology does control for

1 those factors that I mentioned in my report and
2 that you just mentioned as well that could affect
3 HQT's costs and that have not much to do with HQT's
4 ability to control those costs.

5 The last comment I wanted also to make I
6 don't agree entirely that US transmission is
7 competitive. Transmission is a natural monopoly in
8 the United States. It's regulated as a natural
9 monopoly in the United States and there are not
10 many instances of overlapping transmission lines.

11 There are different ways to get energy from
12 point "A" to point "B" but in many cases there's
13 very few instances of, you know, transmission lines
14 competing with each other on the same line on the
15 same of path.

16 I'm sorry, I'm not hearing the question
17 now.

18 Me LOUIS LEGAULT :

19 Q. **[4]** Sorry, my mic was out, so do you... I have the
20 same problems as you have. How do you take into
21 account or what comment would you make regarding
22 the scale economies in the PMF study?

23 R. There are some scale economies, it's consistent
24 with the transmission is a natural monopoly, it's
25 not a competitive market and we do observe

1 economies of scale that's, you know, that's common.

2 Q. **[5]** Okay. I rarely do this, but I know that Doctor
3 Lowry is on the line. So, Doctor Lowry you'll have
4 advance notice that the question I have just asked
5 to Doctor Ros will also be ask to you as regards
6 your comments on the... on your own sample of the
7 fifty-one (51) companies.

8 My next question, Doctor Ros, is – and I
9 would ask the clerk to go to Exhibit P-0094, first
10 at page 6 and then page 34 – and that, Doctor Ros,
11 is your additional report.

12 R. Okay.

13 Q. **[6]** Now, I don't think it has to be shown, but it,
14 you know, just so that you now I'm at page 6 and
15 I'm... I'm going to read a citation here.

16 R. Okay.

17 Q. **[7]** We utilize a fixed-effects ("FE")
18 model for our econometric cost
19 benchmarking analysis and for
20 predicting HQT's costs. A FE estimator
21 is very well suited to the econometric
22 problem at hand because it controls
23 for HQT's unique factors when
24 benchmarking HQT's costs. Statistical
25 tests performed on our data confirm

1 that a FE model is required and that
2 pooled OLS would result in unreliable
3 cost benchmarking.

4 And the next phrase is, I put more weight on :

5 A literature review supports the
6 general use of panel data models –
7 like FE and Random Effects ("RE") – in
8 empirical cost benchmarking analysis.

9 And further on, on page 34, you write:

10 In this section, we provide a review
11 of the academic literature on panel
12 data models and econometric
13 benchmarking of firm inefficiencies.
14 In a subsequent section, we respond to
15 PEG's critiques on the use of fixed-
16 effects for econometric cost
17 benchmarking.

18 And:

19 In the Appendix, we provide a table
20 with a list of some academic articles
21 on the use of panel data models in
22 econometric benchmarking and measuring
23 firm inefficiencies.

24 My question to you is: can you indicate if this
25 literature review that Brattle consulted, and it

1 include... includes useful and reliable cost
2 benchmarking studies that used fixed-effects
3 parameters to set a stretch factor in a revenue or
4 price-cap plan of North American electricity
5 transmission or distribution utilities?

6 If not, to the best of your knowledge, can
7 you explain the reason why fix parameters are not
8 used in the studies used for setting stretch factor
9 in a revenue or price-cap plan?

10 R. Can you hear me okay?

11 Q. **[8]** Yes.

12 R. Yes. In general, the use of cost benchmarking to
13 set stretch factors is not developed in the
14 academic literature. This academic literature which
15 began in 1981 was before price-cap regulation break
16 the new cap regulation began, and it was focused on
17 looking at the efficiencies between different firms
18 in a specific industry and had many different
19 purposes. Some of the literature looked at the
20 impact of foreign direct investment on whether
21 that... whether those firms were efficient than
22 others. So, this literature doesn't deal with
23 stretch factors just because it's very limited and
24 the stretch factor literature is not, you know,
25 very well developed in the academic literature.

1 But where it is important it's just in the
2 concept of, you know, measuring differences between
3 firms and saying what is an inefficiency, how would
4 one go about measuring inefficiency, and also, you
5 know, whether some important factors are taken to
6 count when you do that.

7 Hello? Hello, can you hear me?

8 Me YVES FRÉCHETTE :

9 I think we lost the Régie, if I'm not... I think we
10 lost everybody at the Régie, I think they collapse.
11 Let's wait for a few second, maybe they will join
12 back. So, a pause here. You can, of course, close
13 your mics in the meantime, and let's... let's wait
14 everybody to see if the Régie can... can hop back
15 on the reunion.

16 INTERRUPTION

17 Me LOUIS LEGAULT :

18 Q. **[9]** Doctor Ros, can you hear me?

19 R. I can hear you.

20 Q. **[10]** Okay.

21 R. Are your hearing me?

22 Me YVES FRÉCHETTE :

23 There's a echo... there's...

24 Me LOUIS LEGAULT :

25 Q. **[11]** Yes, I can hear you and you can hear me, so

1 that... that's what's important. So, can you answer
2 the question or you...

3 R. Yes. I just want to make sure... Can you hear me?

4 Q. **[12]** Yes.

5 R. Okay. So, the same question?

6 Q. **[13]** Yes. We were talking about the literature
7 review and you had started answering when we were
8 cut off.

9 R. Okay. And let me know if it sounds choppy again
10 because I'm hearing myself when I speak and that
11 might be a problem, so please stop me if it's
12 choppy.

13 Q. **[14]** Well, we're hearing you pretty good.

14 R. Okay. Yes. So, I said that the literature doesn't
15 (sound break) stretch factor and a point I made is
16 that that factor in literature is limited in the
17 academic literature. Much of this literature was
18 looking how to determine on FERC...

19 THE COURT REPORTER:

20 Sorry, Mister Ros.

21 Me YVES FRÉCHETTE :

22 I'm sorry, Mister Ros, but for me I'm missing fifty
23 percent (50%) and I assume that it's the same for
24 many people. I think it...

25

1 LE PRÉSIDENT :

2 We have the same problem.

3 R. Alright. I'm going to turn off this... this thing.

4 Do you hear me better now?

5 Me YVES FRÉCHETTE :

6 You can maybe sing something?

7 R. Okay. Can you hear me better now?

8 Q. **[15]** Yes.

9 R. Okay. Okay. Alright. So, the problem is when I have
10 it like this, I can't hear, so I'll speak and then
11 I'll stop and turn it back on.

12 So, the academic literature I sight to does
13 not have stretch factor as a topic in a price-cap
14 regulatory plan. It's more focused on how to
15 determine if one firm is more efficient than a
16 sample of other firms, it goes back to, I think,
17 the first article I have is nineteen eight-one
18 (1981). It was looking at things like the impact of
19 foreign direct investment and whether firms that
20 receive foreign direct investment are more
21 efficient than domestic firms, it's... there is an
22 article by Green that does look at electricity
23 companies in Switzerland, rail distribution
24 companies in Switzerland, and the focus there is
25 again on this topic of how to measure

1 inefficiencies or efficiencies in an econometric
2 benchmarking study and how to take that into
3 account. And those models do use fixed-effects,
4 random effects, and there is a discussion about how
5 much of that should count as efficiency, how much
6 of that should count as inefficiency, and the
7 literature has evolved in ways to become much more
8 sophisticated.

9 I didn't indicate all the literature, it
10 was kind of just a sample of literature, but, you
11 know, that's kind of, you know, my take on that
12 review.

13 Q. [16] Fine thanks. Going back to the...

14 Me YVES FRÉCHETTE :

15 Wait if you can, if you don't mind always give him
16 a few seconds Mister Legault. Just to make sure
17 that mister Ros "switched" and he can hear you
18 because he has to close his mic.

19 Me LOUIS LEGAULT :

20 Yes.

21 Me YVES FRÉCHETTE :

22 Thank you very much.

23 R. I can hear you.

24 Me LOUIS LEGAULT :

25 Q. [17] It's like dealing with a CB radio for the

1 older folks out there. Listen going back to the
2 scale of economies, just to clarify to understand
3 better.

4 You know if you're dealing with a sample of
5 fifty (50), seventy-six (76) companies and you know
6 there's so many big companies compared to smaller
7 companies how do you take that into account when
8 looking at the output of these companies you know
9 bigger companies versus smaller companies and how
10 is that taken into account?

11 R. Let me just go back. Can you hear me better now?

12 Q. **[18]** Yes.

13 R. Okay. Yes. So certainly the case that if I were to
14 measure economies of scale of each of the seventy-
15 four (74) companies they will be different.

16 So all the companies all have different
17 economies of scale and our weighing as I mentioned
18 our weighing of the final output is based upon
19 size.

20 So we do give you know more weight to the
21 larger companies that have, you know, if they have
22 higher economies of scale that would be reflected
23 in the overall result.

24 Q. **[19]** Good. Thanks. A final question and looking
25 here into the future in a possible, and I'm not

1 stating anything, of a second generation PBR can
2 you indicate, you know, in your opinion can you
3 indicate if the results of the growth productivity
4 growth of the American industries since you know
5 for the period of ninety-five to two thousand and
6 nineteen (1995 - 2019) would be better suited for a
7 PBR that would include O&M and capital expenses?

8 In other words is a PBR, a complete PBR
9 that deals with O&M and capital expenses would
10 facilitate the application of these results of the
11 TFP study in the indexation formula of the PBR. The
12 transmitters' PBR of TransÉnergie?

13 R. Okay. But can you hear me?

14 Q. **[20]** Yes. Thank you.

15 R. Yes. So this is a policy issue in terms of what the
16 Régie wants to emphasize in terms of the level of
17 incentive effect for the MRI plan as opposed to a
18 different level of incentive effects.

19 Certainly if you were to also regulate the
20 capital in addition to the O&M under an MRI plan,
21 it improves the incentive effects of the plan
22 compared to what you have right now which is
23 regulating only the O&M under the MRI plan.

24 So that's a policy decision I think in
25 terms of how much in the MRI camp they want to go.

1 Right now the plan is somewhere in between cost of
2 service and a full blown MRI.

3 And so I think it would depend upon, you
4 know, the evaluation of the plan over the last few
5 years and, you know, what the policy view is of the
6 Régie going forward.

7 Q. **[21]** And with the result you come up with... Can
8 you hear me?

9 R. I can hear you. Yes.

10 Q. **[22]** Okay. And the results you come up with in your
11 report regarding the US company sample would these
12 results be better suited in setting a PBR that
13 would deal with O&M and capital?

14 R. No. There's nothing specific about the results that
15 say it is a result therefore it should apply to all
16 of the cost as opposed to just O&M or just opposed
17 to capital. I don't view the results of the study
18 in that way.

19 I mean I view it as this is the North
20 American transmission productivity during the time
21 period and that's what should be used for the MRI
22 in any direction the Régie wants to go in terms of
23 the MRI.

24 Q. **[23]** Thank you Doctor Ros. That will be all. Thank
25 you Mister Chairman.

1 LE PRÉSIDENT :

2 Thank you. Merci. Les question de la Formation.

3 Monsieur Dumas?

4 INTERROGÉS PAR LA FORMATION :

5 M. JOCELYN DUMAS :

6 Q. **[24]** Good morning. Just a few questions for Doctor
7 Ros. In your report I don't think it's necessary to
8 show it on the screen. I will just read a few
9 sentences.

10 In section 5 of your report it's about
11 simple selection, criteria and construction of TFP
12 database. So you're right. As discussed in Section
13 3, the X-Factor in a PBR plan represents the
14 industry TFP. So the X-Factor is exogenous and it
15 should be established based on the industry.

16 But the first part of the sentence is "As
17 discussed in Section 3." So when we go in Section
18 3, there's a part "A". It's a primer on a PBR
19 regulation and there you say:

20 PBR commonly relies on benchmarking,
21 the allowable price increases for a
22 given utility to the performance of a
23 comparable group of utilities.

24 So here we're not talking about the industry. We're
25 talking about a peer group of utilities and again

1 you continue saying:

2 A typical PBR plan rewards a utility
3 that is highly predicted relative to
4 the comparison group.

5 So a comparison group to my understanding is not
6 necessarily the industry. It's a peer group of
7 companies.

8 So from my understanding there seems to be
9 a missing link between this general principle and
10 then the specific methodology in Chapter 5. So
11 maybe if you can comment on that?

12 R. Sure and in the discussion there the first one was
13 more of when we look at the productivity do we
14 focus just on transmission.

15 There is the possibility also in the Régie,
16 initial document about the possibility of other
17 industries serving as a proxy.

18 In the study I did in Alberta that price
19 cap plan was for both electricity, distribution and
20 for natural gas distribution and for the natural
21 gas distribution portion of that we used the
22 electricity distribution companies as a proxy.

23 And so I view comparable in this case as
24 focussing on the transmission industry per se and
25 not necessarily you know of that transmission

1 getting the ones that are most comparable to HQT.

2 There's a trade-off involved in one of the
3 responses to the Régie. I could say about the, you
4 know, the difficulties of finding a comparable
5 sample for HQT. HQT is larger than any of our other
6 samples.

7 And so just, you know, mechanically finding
8 which group are the most comparable is challenging.
9 And then finally the point that I mentioned earlier
10 about, you know, we're interested in productivity
11 growth and not the level, also impacts the fact of
12 using the entire seventy-four (74) companies as
13 being reasonable in my opinion.

14 Q. [25] Thank you. In page 8 of your presentation you
15 give the example of the Massachusetts' Department
16 of Public Utilities that adapted a negative X-
17 Factor.

18 If it's possible for you to provide us the
19 link to that decision. It's just that there's a
20 certain (inaudible), it's really not user-friendly.

21 So I don't want necessarily to take it as
22 an undertaking but if it's possible for you to send
23 us the link. It would be appreciated.

24 R. Yes. Absolutely. And it may be in my direct report
25 where we talk about the stretch factors but I

1 definitely will send you the link exactly.

2 Q. **[26]** Okay.

3 R. Thank you.

4 Q. **[27]** Thank you. Une dernière question pour monsieur
5 Verret et Vézina possiblement. Si c'est possible
6 pour vous de donner un exemple d'organisme de
7 réglementation canadien qui aurait, dans une
8 décision, intégré, là, un facteur X déterminé par
9 une étude multifacteur. Parce que dans... dans le
10 rapport de monsieur Ros à un certain endroit on
11 donne un exemple, là, de la Commission de
12 l'Ontario, qui a utilisé des... des études
13 multifacteurs, mais la Commission de l'Ontario n'a
14 pas retenu la recommandation. Alors peut-être qu'on
15 pourrait demander aussi au personnel de la Régie de
16 faire les recherches, mais je me dis, bon, peut-
17 être que dans le cours du montage de la preuve est-
18 ce que vous avez vu un exemple, là, de... d'un
19 contexte canadien où un organisme de réglementation
20 aurait accepté la recommandation, là, d'un
21 consultant externe? Si c'est possible de... si vous
22 avez un exemple, si vous n'en avez pas c'est pas...

23 M. STÉPHANE VERRET :

24 R. Je vais le prendre en engagement, Monsieur Dumas.

25 Q. **[28]** D'accord.

1 R. Ce serait l'engagement 9, je crois, ou 10, Monsieur
2 Specte?

3 LE GREFFIER :

4 10.

5 LE PRÉSIDENT :

6 Engagement 10. Est-ce que vous pouvez formuler un
7 peu l'engagement, fournir...

8 M. JOCELIN DUMAS :

9 Fournir un exemple d'intégration du facteur X dans
10 une décision d'un organisme de réglementation
11 canadien.

12 Me YVES FRÉCHETTE :

13 Si vous permettez, Monsieur Dumas, est-ce qu'on
14 parle de transport, là?

15 M. JOCELIN DUMAS :

16 Transport ou distribution, peu importe.

17

18 E-10 (HQT) : Fournir un exemple d'intégration du
19 facteur X dans une décision d'un
20 organisme de réglementation canadien
21 (demandé par la Régie)

22

23 Dr. AUGUSTIN J. ROS:

24 R. I think one of the answers to that is the Alberta
25 Public Utilities Commission, if I'm understanding

1 the question correctly and I may have missed the
2 beginning of it because of the translation, but the
3 Alberta Utilities Commission did accept an X-Factor
4 based on... on U.S. companies TFP study.

5 Q. **[29]** Okay. Fine. Thank you.

6 R. You're welcome.

7 LE PRÉSIDENT :

8 Ce sont vos questions, monsieur... Maître Duquette?

9 Me LISE DUQUETTE :

10 Q. **[30]** Maybe just one question following the... the
11 comment you just made. You're talking about the
12 Albert decision in twenty-twelve (2012) or twenty-
13 fourteen (2014) that would – comment on dit ça une
14 fourchette – sorry... that chose the X-Factor based
15 on – c'est fou, je ne trouve plus le mot pour dire
16 fourchette – on a spectrum of an X-Factor from
17 different studies, and they chose something between
18 +0.75 and something else. Is that the decision
19 you're talking about?

20 R. Well, I'm talking about the twenty twenty (2020)
21 decision...

22 Q. **[31]** Okay.

23 R. ... which was based on the total factor
24 productivity study that I did at the time I was at
25 a consultant company called NERA Economic

1 Consulting, and we put together a total factor
2 productivity study very similar to what we did in
3 this case using the same FERC U.S. data, I believe
4 we have close to seventy (70) companies as well.
5 The focus there was for the Alberta electricity
6 distribution companies and also natural gas
7 companies, and we had an X-TFP that was used for
8 the X-Factor in that proceeding.

9 Q. **[32]** Would you be able to... to provide a link to
10 that decision as well?

11 R. Absolutely, yes.

12 Q. **[33]** Thank you.

13 Me STÉPHANE VERRET :

14 Est-ce que je dois comprendre, monsieur Dumas, que
15 ça répond à votre question ou si on maintient
16 l'engagement?

17 M. JOCELIN DUMAS :

18 Non, écoutez, s'il y a... Effectivement, si on
19 envoie la référence, là, pour la décision de
20 l'Alberta ça va.

21 M. STÉPHANE VERRET :

22 Merci.

23 Me LISE DUQUETTE :

24 This is all my questions. So, thank you very much.

25

1 Dr. AUGUSTIN J. ROS:

2 R. Thank you.

3 Le PRÉSIDENT :

4 Maître Fréchette. Est-ce que vous pouvez venir à
5 l'écran?

6 Me YVES FRÉCHETTE :

7 Oui, j'y suis.

8 LE PRÉSIDENT :

9 Oui, merci. Alors, ça complète les questions de la
10 formation, il demeure, là, les engagements. Ce que
11 je vous proposerais, c'est comme on est à dix
12 heures moins dix (9 h 50), est-ce qu'on pourrait
13 faire la... la question du panel 1 vu que vous
14 êtes, deux des témoins sont là, et maître Cadrin je
15 prends sa promesse et son mot que ce n'est pas plus
16 que dix minutes, et ça nous permettrait de... ça
17 prend un petit peu de temps de la journée, mais ça
18 enlèverait cette question-là du champ.

19 Me YVES FRÉCHETTE :

20 Il n'y a pas de souci, Monsieur le Président. Maybe
21 Mister Ros, his presence is no longer necessary for
22 this part.

23 LE PRÉSIDENT :

24 Vous voulez dire pour l'engagement. Est-ce que vous
25 entendez faire une contre-preuve ou pas?

1 Me YVES FRÉCHETTE :

2 Je prends toujours un pas de recul, là, Monsieur le
3 Président, là, avant de... Puis, la contre-preuve,
4 bien, ça va aller après avoir entendu mes... mes
5 collègues, là, ça fait que je ne peux pas... Ce
6 n'est pas des choses qu'on manipule avec...

7 LE PRÉSIDENT :

8 Non non non, mais...

9 Me YVES FRÉCHETTE :

10 ... je manipule toujours ça avec beaucoup de soins.
11 Alors, donc je ne peux pas me prononcer à ce
12 moment-ci sur cet aspect-là, mais...

13 LE PRÉSIDENT :

14 Ça va.

15 Me YVES FRÉCHETTE :

16 If it would be feasible for you, if there is some
17 questions from AHQ-ARQ regarding some aspects that
18 are different that what Mister Ros has testified
19 on, so maybe he could... he could be leaving us and
20 thanking him for his presence, and we could go on
21 with Mister Verret and Mister Vézina that are there
22 just to finish this... this panel and the related
23 questions regarding number 1 undertaking.

24 LE PRÉSIDENT :

25 Et puis si jamais il y avait un besoin de

1 l'entendre un peu plus il peut être recontacté?

2 Me YVES FRÉCHETTE :

3 I assume, Mr. Ros that you won't be leaving for
4 another country in the next few days, so if... if
5 we need to... if Mister Chairman needs to... needs
6 another question or needs to reach you, I assume
7 it's possible, is that alright?

8 Dr. AUGUSTIN J. ROS:

9 R. Is it a question for me?

10 Q. **[34]** Yes yes.

11 R. Yes, absolutely.

12 Me YVES FRÉCHETTE :

13 So, thank you, Mister Chairman, but usually if
14 you... if you permit me a small comment on this.
15 When our panel is finish, if you... and it's over
16 and everybody's going back to their normal life, if
17 there is some questions that come to you and you
18 need some more precision or whatever, feel free to
19 use the written... the written questions that I
20 will forward to any... to the expert and then we
21 might be able to fix this question and you'll have
22 the effect of the response, so...

23 LE PRÉSIDENT :

24 Okay. So, I hear you. So, we could go to panel 1?

25 Maître Cadrin, are you there? Êtes-vous là, Maître

1 Cadrin? Excusez! Je compte sur vous pour dix
2 minutes.

3 Me STEVE CADRIN :

4 Oui. Bonjour. Oui, je suis là. Ça fait un peu comme
5 si on parlait avec des esprits. Je suis là et je
6 suis présent. Et je pense que vous m'entendez à
7 vous voir sourire.

8 LE PRÉSIDENT :

9 Très bien.

10

11 PREUVE DE HQT - PANEL 1

12

13 L'AN DEUX MILLE VINGT ET UN (2021), ce quatorzième
14 (14e) jour du mois de décembre, ONT COMPARU :

15

16 MARCO VÉZINA,

17 STÉPHANE VERRET,

18

19 LESQUELS témoignent sous la même affirmation
20 solennelle, déposent et disent :

21

22 CONTRE-INTERROGÉS PAR Me STEVE CADRIN :

23 Steve Cadrin pour l'AHQ-ARQ. Nous avons des
24 questions en lien avec l'engagement numéro 1 qui
25 est la pièce B-0112. On peut l'afficher à l'écran,

1 question d'avoir la réponse devant nous quand nous
2 allons en discuter. Si Monsieur le Greffier veut
3 bien s'y rendre s'il vous plaît.

4 Q. **[35]** Et je comprends, les témoins, vous avez ça pas
5 loin de vous déjà, Monsieur Verret et Monsieur
6 Vézina, bien le bonjour en même temps.

7 M. STÉPHANE VERRET :

8 R. Bonjour, Maître Cadrin.

9 Q. **[36]** D'accord. Alors, on peut peut-être descendre à
10 la portion réponse de la chose, si vous me
11 permettez. Mettons de côté la question, mais allons
12 directement à la réponse elle-même. Alors nous
13 sommes au... Et je lis la réponse pour que tous
14 nous ayons en tête ce dont nous parlons.

15 Au dossier R-4058-2018, à la pièce
16 B-0086, HQT-13, Document 1.3, en
17 réponse à la question 8.2, le
18 Transporteur a expliqué que la base de
19 données utilisée pour l'extraction des
20 données est dynamique.

21 On dit ensuite :

22 Ainsi...

23 Et, là, la question avait pour but de déterminer
24 pourquoi on avait des IFD qui changeaient pour
25 l'année deux mille vingt (2020), qui étaient passés

1 de mille sept cent treize (1713) à mille sept cent
2 trente-huit (1738). Là, je fais un aparté ou une
3 parenthèse pour se rappeler la question.

4 Ainsi, entre le moment de l'extraction
5 de la référence B-0006...

6 donc lors du dépôt du dossier,

7 ... et celui de l'extraction
8 ultérieure de la référence B-0057, des
9 travaux ont été faits sur des
10 équipements ayant défailli durant
11 l'année 2020 entraînant la hausse du
12 nombre d'IFD de 1713...

13 à l'origine,

14 ... à 1738.

15 La réponse à B-0057. Le paragraphe suivant :

16 Le Transporteur mentionne que la
17 valeur des IFD utilisée aux fins du
18 calcul présenté au tableau 3 de la
19 pièce B-0006 est de 1713,

20 évidemment c'était ça la question,

21 ... soit celle extraite au moment de
22 préparer la demande tarifaire.

23 C'est celle-là qu'on a utilisée, dans le fond, pour
24 l'exercice. C'est ce qu'on nous explique. Donc,
25 dans le dossier tarifaire dès le départ. La

1 question est la suivante, la question suivante, je
2 devrais dire plutôt à cette réponse que vous venez
3 de fournir : nous comprenons que les travaux dont
4 il est question ont été faits donc en deux mille
5 vingt et un (2021), parce qu'on parle de travaux de
6 réparation sur des équipements ayant défaillis
7 durant l'année deux mille vingt (2020), est-ce que
8 c'est exact?

9 R. Maître Cadrin, pouvez-vous répéter la question?

10 Q. **[37]** Oui. En regardant la référence en haut, on
11 voit bien que vous nous dites, il y a des travaux
12 qui ont été faits sur des équipements ayant
13 défaillis dans l'année deux mille vingt (2020). Je
14 m'excuse, je vais paraphraser, ça va faciliter
15 peut-être la question. Je vous ai remis dans le
16 contexte. Alors, lors du dépôt du dossier, on est
17 en deux mille vingt et un (2021), vous nous
18 fournissez une information à mille sept cent treize
19 (1713) IFD. On s'entend sur ce point. Plus tard,
20 vous dites, bon, le chiffre a augmenté à mille sept
21 cent trente-huit (1738). Et vous me dites, parce
22 que c'est une base de données dynamique, mais la
23 raison pour laquelle ça a augmenté, c'est qu'il y a
24 des réparations qui ont été effectuées, des
25 équipements ayant défaillis en deux mille vingt

1 (2020). Alors, je comprends donc que ce sont des
2 réparations qui ont été nécessairement faites en
3 deux mille vingt et un (2021) pour des défaillances
4 qui datent de deux mille vingt (2020). Est-ce que
5 c'est exact de dire que ce sont les réparations en
6 deux mille vingt et un (2021)? Ça, c'est ma
7 première question. Des travaux.

8 R. Je ne pourrais pas vous répondre. Il faudrait que
9 je vérifie avec les gens qui ont préparé
10 l'information.

11 Q. **[38]** D'accord. Je vais vous poser la deuxième
12 question. On va voir si on peut avancer peut-être
13 quand même avec vous sur cette question-là. Peut-
14 être conceptuellement, je n'arrive pas à saisir,
15 pour moi, l'IFD, c'est un équipement qui est en
16 défaillance. Donc, vous avez un tableau, je
17 présume, à la fin de l'année qui vous donne mille
18 sept cent treize (1713) défaillances pour l'année
19 deux mille vingt (2020). On est rendu dans l'année
20 deux mille vingt et un (2021), c'est facile de
21 déterminer s'il y a un équipement qui est en
22 défaillance, parce que l'année deux mille vingt
23 (2020) est terminée, donc on peut avoir un chiffre
24 deux mille vingt (2020) qui est précis avec des
25 équipements défaillants. Ou est-ce que vous me

1 dîtes, encore là, ce n'est pas sûr, on ne sait
2 toujours pas tout ce qui a pu défaillir en deux
3 mille vingt (2020)? Je parle à votre niveau à vous
4 où vous devez gérer ça. Expliquez-moi un peu
5 comment ça fonctionne? Je ne suis pas sûr de
6 comprendre.

7 R. Écoutez, Maître Cadrin, je ne gère pas les
8 opérations donc, je vais devoir valider auprès des
9 gens qui compilent ces informations-là pour être
10 capable de vous répondre correctement.

11 Q. **[39]** D'accord. Donc, je repose la question peut-
12 être de façon plus cartésienne. Comment le
13 Transporteur, lorsqu'il fait des travaux sur un
14 équipement en deux mille vingt et un (2021), ce que
15 je présume qui s'est passé dans ce cas-ci, fait-il
16 pour savoir que cet équipement avait défailli ou
17 faisait partie des défaillances de deux mille vingt
18 (2020)? Ce qui fait donc changer le chiffre des IFD
19 deux mille vingt (2020). C'est ça la question, dans
20 le fond, qu'on se pose. Alors, vous dites que vous
21 n'êtes pas le bon témoin pour répondre, si j'ai
22 bien compris votre commentaire?

23

24 E-10 (HQT) : Indiquer comment le Transporteur,
25 lorsqu'il fait des travaux sur un

1 équipement en 2021, fait-il pour
2 savoir que cet équipement avait
3 défailli ou faisait partie des
4 défaillances de 2020 (demandé par AHQ-
5 ARQ)

6
7 R. Bien, les questions réfèrent tout ce qui touche au
8 niveau des opérations, de quelle façon sont
9 comptabilisés les bris d'équipements en réseau, de
10 quelle façon les ordres de travail sont générés, à
11 quel moment, combien... de quelle façon ils sont
12 comptabilisés. Donc, il y a des gens qui...

13 PAR LE STÉNOGRAPHE :

14 Monsieur Verret, votre son est hachuré.

15 Me YVES FRÉCHETTE :

16 Je pense que c'est d'apporter votre micro vers la
17 bouche, c'est peut-être quand le micro frappe votre
18 vêtement. Moi, hier c'était mon problème.

19 M. STÉPHANE VERRET :

20 R. Est-ce que c'est mieux comme ça?

21 Me STEVE CADRIN :

22 Q. **[40]** Allons-y doucement peut-être!

23 R. Oui. Donc, ce que je mentionnais, ce sont les gens
24 qui suivent les opérations, les gens qui font le
25 suivi des bris d'équipements sur le réseau, savoir

1 à quel moment les ordres de travail sont inscrits
2 dans les systèmes, à quel moment les interventions
3 vont intervenir sur le réseau. Alors, tout ça
4 influence la façon dont c'est comptabilisé, les
5 bris sont comptabilisés. Alors, vraiment, pour vous
6 donner une réponse fiable, je dois vérifier avec
7 les gens qui réalisent ces opérations.

8 Q. **[41]** Mais la question des IFD, là, pour qu'on se
9 comprenne bien, là, la question des IFD, c'est un
10 élément, c'est un indicateur de performance, on
11 valide avec vous cet indicateur de performance-là.
12 Ma compréhension, c'est que vous êtes la personne
13 responsable de cette discussion-là sur les
14 indicateurs de performance. L'intrant qui vous est
15 donné, ce sont des défaillances d'équipement comme
16 l'IFD l'indique. Et j'essaie de comprendre comment
17 un IFD peut changer une fois que l'année est fermée
18 et comment, vous, vous pouvez gérer ça à votre
19 niveau comme indicateur de performance de voir des
20 différences entre le chiffre qu'on vous a donné une
21 fois l'année fermée et un chiffre qui change dans
22 le temps, qui augmente ou qui baisse, beaucoup ou
23 pas beaucoup, alors que c'est un indicateur de
24 performance que vous devez suivre, vous, Monsieur
25 Verret. Expliquez-moi comment ça fonctionne pour

1 vous? Quelles questions pouvez-vous poser? Quelle
2 information avez-vous? Comment on peut avoir le bon
3 chiffre finalement pour l'année deux mille vingt
4 (2020)?

5 R. Votre question présuppose que je suis chacun de ces
6 indicateurs-là qui sont produits dans les pièces.
7 Comprenez que la production d'un document, comme le
8 dossier tarifaire, requiert la contribution d'un
9 nombre très élevé de personnes. Je ne peux pas
10 maîtriser de façon dont chacun des indicateurs sont
11 calculés. Si vous prenez la page 6 du document
12 HQT-2, Document 1, il y a cinquante (50) types
13 d'indicateurs qui sont produits. Alors penser que
14 je peux vous répondre spécifiquement sur comment
15 calculer, comment comptabiliser les éléments
16 derrière chacun de ces indicateurs-là, non, je ne
17 peux pas faire ça. Puis c'est peut-être un des
18 enjeux qu'on a lorsque la portion orale de
19 l'audience est ouverte à tous les sujets possibles
20 du dossier tarifaire. Mais ça fait que c'est très
21 difficile d'avoir des gens qui peuvent répondre sur
22 chacun des éléments du dossier. On a préparé des
23 témoins. On a préparé des panels pour être en
24 mesure d'aborder les enjeux principaux. On n'a pas
25 de témoins pour répondre sur chacun des éléments.

1 Ça a toujours été le cas. C'est le cas encore cette
2 année

3 Q. [42] Donc, la supervision du tableau 1 que vous
4 avez demandé d'aller regarder, là, qui est HQT-2,
5 Document 1, le document B-0006 déposé au soutien de
6 votre demande, vous dites, bon, évidemment, vous
7 êtes à un autre niveau, je le comprends, au niveau
8 de supervision et non pas nécessairement au niveau
9 de la création du tableau en tant que tel, puis
10 tous les intrants derrière et tous les calculs, ça,
11 je vous entends, puis je comprends bien la
12 distinction.

13 Mais je comprends que c'est un sujet qui
14 est à l'ordre du jour, mais qui n'est peut-être pas
15 principal pour vous. Il y a des questions qui ont
16 été posées sur celui-là. Mais spécifiquement si on
17 parle de la question des IFD, qu'on veut comprendre
18 comment l'IFD est calculée et avoir les
19 informations là-dessus, qui fait... à qui je
20 devrais m'adresser là-dessus, je poserais la
21 question comme personne chez vous? Qui aurait pu
22 être sur le panel pour nous aider si tant est qu'on
23 peut avoir quelqu'un?

24 R. Écoutez, ce n'est pas la première année qu'on
25 ferait... Maître Fréchette veut parler.

1 Me YVES FRÉCHETTE :

2 Écoutez, je ne veux pas faire un débat, Maître
3 Cadrin, tout ça, mais, nous, on s'oriente à chaque
4 année, on ne fait pas du ligne par ligne ici,
5 Monsieur le Président, je vais m'adresser à vous,
6 c'est toujours un complément avec maître Cadrin,
7 puis je ne veux pas m'objecter puis je ne veux pas
8 faire... je ne veux pas qu'on en vienne à des
9 échanges impromptus, là.

10 Mais on ne procède pas avec du ligne par
11 ligne. Quand vous avez des questions aussi précises
12 que celle-là, si vous nous faites des demandes de
13 renseignements en amont, tout ça, vous savez, ça va
14 nous faire plaisir de présenter nos réponses puis
15 de vous orienter puis vous donner des réponses plus
16 complètes. Quand on arrive avec des éléments très,
17 très précis de la nature de ceux que vous abordez
18 ce matin, c'est très difficile, parce qu'on prépare
19 les panels, on prépare les gens en fonction des
20 sujets qui nous sont présentés par la Régie,
21 Monsieur le Président.

22 Et, malheureusement, cette année, il n'y
23 avait pas personne, là, qui... Ce sujet-là n'était
24 pas identifié de façon précise avec des
25 problématiques particulières. Alors, vous voyez,

1 dans la préparation de nos panels, on n'a pas
2 examiné tout ça. L'alternative, c'est soit de nous
3 présenter soit un écrit au bon moment par les
4 demandes de renseignements écrites. C'est la voie
5 la plus privilégiée pour pouvoir faire une
6 investigation de ce niveau-là. Quand on se présente
7 à vous comme entreprise, comme Transporteur, que ce
8 soit moi, que ce soit monsieur Verret ou autre, on
9 porte tous les sujets, mais on n'a pas toujours
10 réponse de façon précise parce qu'on doit faire
11 appel à nos équipes. Alors dans ces circonstances-
12 là, je ne sais pas, Maître Cadrin, où vous en êtes,
13 je ne veux pas m'objecter, là, mais on ne pourra
14 pas aller beaucoup plus approfondi sur des sujets
15 d'une nature aussi pointue, là.

16 Me STEVE CADRIN :

17 Alors donc, ma réponse à ça... bien en fait la
18 question que je posais à la fin, là, c'était...
19 puis c'est celle sur laquelle vous ne vous objectez
20 pas, mais vous faites le commentaire que vous
21 faites, je l'apprécie, là. Je comprends très bien
22 qu'on ne peut pas amener toute la compagnie sur
23 chacun des panels au cas où qu'il y ait une
24 question sur une ligne qui a été traitée dans cet
25 aspect-là. Il y a des documents qui sont sous

1 si... si vous nous invitez aujourd'hui à faire une
2 demande de renseignements écrite sur le sujet, on
3 va en écrire une, on va vous l'envoyer, vous
4 pourrez l'acheminer à la bonne personne, mais ma
5 question était simplement de savoir qui aurait dû
6 être là ou qui pourrait être là plutôt pour
7 répondre à cette question-là.

8 Me YVES FRÉCHETTE :

9 Écoutez, Monsieur le Président, alors
10 malheureusement je vais faire une objection
11 précise. Ces questions-là n'ont aucune pertinence
12 pour les fins de la détermination du tarif de
13 l'année deux mille vingt et un (2021) deux mille
14 vingt-deux (2022). On vous a offert les... on vous
15 a offert un dossier complet. Je comprends qu'on n'a
16 jamais présenté des dossiers, on ne sera jamais en
17 mesure de faire des présentations de preuve ligne
18 par ligne. Cette question-là de savoir qui a fait
19 quoi, qui fait quoi, qui produit quoi, monsieur
20 Verret vous a exprimé les limites de son
21 témoignage, les limites de la détermination.

22 Les IFD ne sont pas un sujet que vous avez
23 retenu, Monsieur le Président, pour les fins de
24 cette audience. Je vous soumets que l'engagement a
25 été pris, l'engagement a été répondu, ça devrait

1 clore la situation malheureusement avec les... dans
2 la mesure où le sujet n'était pas préidentifié, que
3 ce n'était pas un sujet d'audience, c'est pas
4 pertinent pour la détermination des tarifs vingt et
5 un-vingt-deux (2021-2022), dans ces circonstances-
6 là je vous demanderais, Monsieur le Président, de
7 rejeter cette question-là.

8 LE PRÉSIDENT :

9 Maître Cadrin?

10 Me STEVE CADRIN :

11 Alors je me doutais bien qu'on irait vers une
12 objection même si les commentaires se voulaient un
13 commentaire au départ, là, alors là on nous dit que
14 c'est pas pertinent ce que je demande dans le fond.
15 C'est pas intéressant de savoir qu'est-ce qui se
16 passe avec les IFD, comment ils peuvent évoluer ou
17 la qualité de la valeur de ce que c'est un IFD.
18 Alors l'IFD, dans le fond, c'est un indicateur qui
19 sert et qui va servir notamment dans le mécanisme
20 de traitement des écarts de rendement et qui va
21 nous permettre de déterminer effectivement comment
22 on va attribuer ces sommes-là.

23 Alors je comprends mal la discussion, je
24 comprends très bien le concept de ligne par ligne,
25 puis je ne suis pas en train de reprocher ici à qui

1 que ce soit de ne pas avoir le bon témoin en ce
2 moment sur le panel. Je posais la question : qui
3 l'a fait? Pour qu'on ait le bon témoin. Et à la
4 rigueur qu'on comprenne un peu comment ça
5 fonctionne.

6 Mais on se comprend, là, c'est un chiffre
7 qui sert à déterminer les tarifs, là, il n'y a pas
8 de... Et à l'ultime, là, c'est exactement ça qui va
9 arriver, alors c'est pas... c'est faux de dire ça,
10 ce que mon confrère vient de dire là. Puis le fait
11 de dire que la preuve est complète alors
12 qu'effectivement, bien oui, effectivement, on pose
13 des questions en audience parce que cette preuve-
14 là, elle a changé en cours de route dans ce cas-ci
15 spécifiquement. C'est ça qu'il est important de
16 mentionner.

17 Elle a changé et personne ne nous a fourni
18 l'explication ou a senti le besoin d'expliquer
19 pourquoi un IFD d'une année qui est complètement
20 fermée, deux mille vingt (2020) - lorsqu'on dépose
21 la preuve, là, elle est fermée cette année-là, elle
22 est derrière nous - ça peut changer par la suite.
23 Simplement, là, c'est comme si on vous disait :
24 écoutez, on n'avait pas vu qu'on avait quatre autos
25 au garage à réparer de plus, là, on les avait pas

1 vues. On savait pas. Mais ça fait déjà quelques
2 mois que l'année est terminée, puis on ne les a pas
3 vues l'année passée, qu'elles étaient là puis oups,
4 tout d'un coup elles s'ajoutent maintenant cette
5 année parce qu'on les répare cette année ces autos-
6 là. On réalise, dans le fond, que c'est des autos
7 de deux mille vingt (2020). Alors des autos qui
8 étaient brisées en deux mille vingt (2020).

9 Je prends cet exemple-là simplement pour
10 vulgariser la chose, là. Ça nous interpelle
11 beaucoup sur la méthodologie, puis ça a un impact
12 directement sur le mécanisme de traitement des
13 écarts de rendement et donc sur les tarifs. Alors
14 de dire que c'est un sujet qui n'est pas pertinent
15 au dossier, bien dans le fond, avec beaucoup de
16 respect, là, il y a des sujets qui sont moins
17 pertinents que celui-là qui sont traités, là. Mais
18 celui-ci, il est vraiment directement au coeur des
19 tarifs. Et ça nous interpelle beaucoup, cet
20 indicateur-là.

21 Puis d'ailleurs, on en a fait tout un
22 cheval de Bataille dans les dernières années,
23 d'avoir un indicateur fiable sur lequel on peut
24 compter et sur lequel on peut retrouver le réel
25 impact des défaillances des différents équipements,

1 d'où la création de l'IFD en question.

2 Me YVES FRÉCHETTE :

3 Donc, vous me permettez de répliquer, Monsieur le
4 Président. Alors, dans la mesure où je dis des
5 faussetés, comme mon collègue dit, lui, il tombe
6 dans l'hyperbole.

7 Et je vous dirais la chose suivante, pour
8 compléter, en réplique, l'IFD a été débattu, décidé
9 dans les dossiers précédents. Et la Régie a
10 clairement reconnu les IFD en sachant que la base
11 de données était dynamique. Or, dans ces
12 circonstances-là, il n'y a rien de spécial, là-
13 dedans, il n'y a rien de particulier, c'était déjà
14 décidé, c'était déjà connu par la Régie.

15 Alors, l'objection devrait être accueillie,
16 Monsieur le Président. Je vous remercie, ça
17 complète ma réplique.

18 LE PRÉSIDENT :

19 Je vous reviens. Maître Cadrin, Maître Fréchette,
20 on considère que c'est tard dans le processus, et
21 que si ça a un impact sur le MTER, peut-être le
22 souligner, mais dans les plaidoiries.

23 Et si, l'année prochaine... Ah, oui, il
24 faut que le Transporteur nous confirme c'est quoi
25 le chiffre, peut-être, entre les deux et lequel est

1 approprié. Vous pouvez le faire dans votre
2 plaidoirie, j'imagine, ou plus tard, dans vos
3 plaidoiries.

4 Et l'année prochaine, dans votre lettre, si
5 vous participez à la prochaine tarifaire, Maître
6 Cadrin, bien, de préciser dans votre lettre de
7 planification que vous souhaitez que ça soit
8 discuté, qu'un témoin soit présent à cet effet-là,
9 spécifique, pour répondre aux question. Je pense
10 que ça serait peut-être la meilleure solution. Ça
11 vous convient?

12 Me STEVE CADRIN :

13 Oui, tout à fait, je le ferai, Monsieur le
14 Président, sans problème. Je prends la correction
15 pour l'année prochaine, si vous nous permettez
16 d'être là, l'année prochaine. Quant à la...

17 LE PRÉSIDENT :

18 Ça sera une formation qui sera désignée à cette
19 fin, là.

20 Me STEVE CADRIN :

21 Vous, collectivement la Régie, et pas vous,
22 spécifiquement, personnellement, bien sûr. Alors,
23 donc, en temps et lieux et en temps opportun, on en
24 reparlera.

25 Bien, simplement, je pense que la réponse,

1 là, vous avez mentionné quels chiffres étaient
2 utilisés, là. Je pense que, ça, c'est déjà dans
3 l'engagement. Ce qu'on dit, c'est qu'on a utilisé
4 le chiffre de mil sept cent treize (1713), mais je
5 peux laisser mon collègue compléter, en plaidoirie,
6 s'il le veut, là-dessus, là. Mais je voudrais juste
7 ne pas être surpris, en plaidoirie, d'apprendre que
8 c'est un autre chiffre, là.

9 Quant à moi, puis les témoins pourront
10 corriger dès maintenant, le chiffre qui a été
11 utilisé pour les fins du MTER actuel et pour les
12 fins du dossier devant vous, c'est mil sept cent
13 treize (1 713).

14 Q. **[43]** Est-ce que je me trompe, Monsieur Verret?

15 M. STÉPHANE VERRET :

16 R. Remettre à l'écran, s'il vous plaît, la réponse à
17 l'engagement?

18 Q. **[44]** Oui, oui, absolument. C'est vrai, c'est une
19 bonne idée. On pourra le regarder, là, ça apparaît
20 là. Alors, Monsieur le Greffier, c'est dans la
21 pièce... Oui, bon... vous l'avez, B-0112, voilà.

22 R. Alors, dernier paragraphe.

23 Le Transporteur mentionne que la
24 valeur des CFD utilisés aux fins du
25 calcul présenté au tableau 3 de la

1 pièce B-0006 est de mil sept cent
2 treize (1713), soit celle extraite au
3 moment de préparer la demande
4 tarifaire.

5 Q. **[45]** Et je comprends que, peut-être pour confirmer,
6 là, pour être certain qu'on ne se trompe pas, que
7 cette valeur-là ne change pas, à ce stade-ci? Vous
8 ne faites pas de correction, maintenant,
9 aujourd'hui, ou du moins en lien avec la réponse
10 que vous avez fournie, on concède la valeur de mil
11 sept cent treize (1713), originale, c'est exact?

12 R. C'est ma compréhension.

13 Q. **[46]** Merci.

14 Me STEVE CADRIN :

15 Ça complète mes questions, évidemment, sur
16 l'engagement numéro 1, compte tenu de la décision
17 de la Régie.

18 LE PRÉSIDENT :

19 Merci. Alors, je crois que ça complète ce panel-là.
20 On peut aller à la prochaine étape. Il faut
21 préparer, nous... Bien, on peut passer, on peut
22 aller à l'autre, à l'AQCIE. On va prendre une
23 pause, je pense, pour la transition. Et on serait
24 de retour à dix heures trente (10 h 30), est-ce que
25 ça... Ah, Maître Fréchette?

1 Me YVES FRÉCHETTE :

2 Oui, si vous permettez, Monsieur le Président. Je
3 constate que monsieur Lowry a déposé... et son
4 procureur ont déposé ce matin seulement une
5 présentation qui va être utilisée ce jour.

6 Alors, les règles à la Régie sont très
7 claires, et moi-même, dimanche en après-midi, j'ai
8 fait l'effort de transmettre à tous mes collègues,
9 à tous mes confrères, la présentation en amont,
10 comme il est de bon ton de le faire à la Régie. Et
11 je constate que ça n'a pas été le cas cette fois-ci
12 par le procureur de l'AQCIÉ-CIFQ et monsieur Lowry.

13 Alors, je vous dirais, dans ces
14 circonstances-là, quinze (15) minutes, ce n'est pas
15 suffisant, Monsieur le Président, pour nous
16 permettre de jeter un coup d'oeil comme il doit...
17 comme il se doit, parce que la règle du dépôt en
18 amont, soit toujours la veille de sa présentation,
19 c'est de permettre aux gens d'avoir la chance de
20 parcourir cette présentation-là et de pouvoir
21 échanger en amont de ce qui sera reçu.

22 Alors, on se plie de bonne grâce à cette
23 façon de divulguer la preuve, si on peut présenter
24 ça comme ça. Or, ça n'a pas été le cas cette fois-
25 ci. Alors, je ne fais pas de procès d'intention à

1 qui ce soit ici, mais ça nous prend du temps requis
2 pour pouvoir l'examiner.

3 Alors, je vous dirais que quinze (15)
4 minutes, ce n'est pas suffisant. Je pense que dans
5 ces circonstances-là, un minimum de trente (30)
6 minutes sera requis. Je ne sais même pas si la
7 présentation a dix (10) pages, deux pages ou
8 trente-cinq (35) pages. Malheureusement, ça a été
9 déposé en cours de route, je n'ai pas eu la chance
10 de l'examiner du tout.

11 Alors, écoutez, c'est les représentations
12 que j'ai à vous faire, c'est que quinze (15)
13 minutes, ce n'est pas suffisant dans les
14 circonstances. Comme c'est de bon aloi, je vais
15 pouvoir avoir la chance de l'examiner en amont
16 avant. Et comme ça a été offert à tous mes
17 collègues auxquels j'ai transmis la présentation.

18 LE PRÉSIDENT :

19 Alors, trente (30) minutes nous amèneraient à dix
20 heures quarante-cinq (10 h 45)?

21 Me YVES FRÉCHETTE :

22 C'est tout à fait ça.

23 LE PRÉSIDENT :

24 Moi, ça... nous... la Formation est d'accord, alors
25 on reviendrait à dix heures quarante-cinq (10 h 45)

1 pour...

2 Me YVES FRÉCHETTE :

3 Je vous remercie.

4 LE PRÉSIDENT :

5 ... l'AQCIÉ. Merci.

6 Me YVES FRÉCHETTE :

7 Merci.

8

9 SUSPENSION

10

11 LE PRÉSIDENT :

12 Eh bien, nous sommes de retour. Je vois maître

13 Fréchette et maître Lanoix. Je ne sais pas si,

14 Maître Fréchette, il y a... c'est quelque chose qui

15 découle du panel précédent ou...?

16 Me YVES FRÉCHETTE :

17 Oui, si vous permettez. Permettez-moi deux

18 instants, Maître Lanoix, ça ne sera pas long.

19 LE PRÉSIDENT :

20 On ne vous entend pas, Maître Fréchette.

21 Me YVES FRÉCHETTE :

22 Ah! Pardon, Monsieur le Président. Oui, si vous

23 permettez, il y a un aspect... Je m'excuse auprès

24 de maître Lanoix, deux instants.

25 C'est très délicat, c'est quelque chose que

1 je n'ai jamais fait en plus de vingt (20) ans de
2 présence ici, à la Régie. Je dois vous dire qu'on
3 s'est consulté, on en a parlé entre nous avant que
4 je vous fasse la remarque ce matin. Je ne sais pas
5 si c'est un impair ou si c'est une façon d'aborder
6 les choses, là, mais je peux vous dire qu'on a
7 été... Je cherche les bons mots, Monsieur le
8 Président.

9 On a été assez déçus, si je peux prendre le
10 terme, que le procureur en chef de la Régie annonce
11 à l'avance une question qu'il posera à l'expert de
12 la partie adverse. Quand on pose une question à
13 brûle pourpoint et qu'on informe, dans le cadre
14 d'une audience, un expert à venir, que cette même
15 question lui sera posée, l'iniquité de traitement
16 dans le délai de préparation pour faire face à un
17 contre-interrogatoire d'une personne aussi
18 fondamentale et centrale à la réglementation que le
19 procureur de la Régie, je peux vous dire qu'on a
20 été déçus collectivement ce matin, à cet égard-là.

21 Je ne sais pas, je m'en remets à vous,
22 Monsieur le Président, Madame le Régisseur,
23 Monsieur Dumas. On s'en remet à vous sur la façon
24 de traiter cette situation-là, parce qu'on n'a pas
25 de... on n'a pas de réponse à vous offrir. Mais, la

1 Régie, comme tribunal administratif et ça, j'en ai
2 été témoin toutes ces années, a toujours eu un soin
3 jaloux de traiter équitablement tous les
4 participants. Que ce soit la plus modeste
5 association, à l'utilité la plus structurée.

6 Alors, c'est le commentaire que j'avais à
7 vous faire, Monsieur le Président. On sait très
8 bien la question, on connaît très bien l'extrait,
9 je ne veux pas retourner sur ça. Je vous laisse le
10 soin de prendre ce commentaire-là et d'en faire
11 la... une gestion, qui sera celle attendue d'un
12 tribunal administratif. Sur ce, vous me
13 pardonnerez, Maître Lanoix, d'avoir pris quelque
14 temps, ça compléterait mes représentations à cet
15 égard.

16 Quant au document de maître Neuman, je n'ai
17 pas eu la chance de l'examiner encore. Parce que
18 malheureusement, le temps...

19 Me DOMINIQUE NEUMAN :

20 Excusez-moi, mon confrère, j'aimerais... j'aurais
21 un commentaire à faire sur le commentaire qu'a fait
22 Hydro-Québec, au sujet de la question qui a été
23 posée par le procureur de la Régie.

24 Me YVES FRÉCHETTE :

25 Je m'objecte à ça.

1 Me DOMINIQUE NEUMAN :

2 Quant à nous...

3 Me YVES FRÉCHETTE :

4 Je m'objecte à ça, Monsieur le Président.

5 Me DOMINIQUE NEUMAN :

6 Nous félicitons Hydro... la Régie d'avoir... le
7 procureur de la Régie d'avoir posé cette question.
8 Nous pensons que le but d'une audience est d'avoir
9 l'information, d'avoir l'information vraie. Ce
10 n'est pas un jeu de cache-cache. Si... Le fait
11 d'avertir d'avance un témoin qu'une question lui
12 sera posée arrive souvent.

13 Me YVES FRÉCHETTE :

14 Monsieur le Président, je n'en reviens pas que vous
15 permettez ça. Maître Neuman...

16 LE PRÉSIDENT :

17 Nous allons clore...

18 Me YVES FRÉCHETTE :

19 ... n'est nullement visé.

20 LE PRÉSIDENT :

21 ... cette discussion. Nous allons procéder à la
22 continuation de l'audience. Merci, Maître Neuman,
23 merci, Maître Fréchette.

24 Me YVES FRÉCHETTE :

25 Merci.

1 LE PRÉSIDENT :

2 Je pense que le temps est venu de passer au
3 prochain intervenant, c'est-à-dire l'AQCIE. Maître
4 Lanoix?

5 Me SYLVAIN LANOIX :

6 Oui. Merci, merci Monsieur le Président. Bonjour,
7 Monsieur le Président. Bonjour, Madame et Messieurs
8 les Régisseurs.

9 Alors, on peut peut-être... Mister Lowry
10 you can open your camera and your mike. You will be
11 the next witness to testify.

12 LE PRÉSIDENT :

13 Maître Lanoix on va procéder sur la reconnaissance
14 du statut d'expertise. Vous allez le demander?
15 Parfait.

16 Me SYLVAIN LANOIX :

17 Alors, pendant que monsieur Lowry... On fait
18 vérifier si monsieur Lowry a de la difficulté. Ça
19 ne sera pas très long. Ah parfait.

20 Alors, do you hear us correctly Doctor
21 Lowry? We don't hear you.

22 Dr. MARK NEWTON LOWRY :

23 Can you hear me?

24 Me SYLVAIN LANOIX :

25 Yes. I think the Régie has... Avant de procéder,

1 est-ce que vous désirez que je vous fasse la
2 demande de reconnaissance du statut d'expert avant
3 ou après l'assermentation du témoin, Monsieur le
4 Président?

5 LE PRÉSIDENT :

6 Comme vous le souhaitez.

7 Me SYLVAIN LANOIX :

8 Bon, on peut le faire. On peut peut-être
9 assermenter immédiatement en anglais Doctor Lowry
10 s'il vous plaît.

11

12 L'AN DEUX MILLE VINGT ET UN (2021), ce quatorzième
13 jour du mois de décembre, A COMPARU :

14

15 **MARK NEWTON LOWRY**, President of Civic Economics
16 Group, 44, E. Mifflin Street, Madison, Wisconsin,
17 (USA),

18

19 WHO, after having made a solemn affirmation doth
20 depose and saith as follows:

21

22 Me SYLVAIN LANOIX :

23 Good morning Doctor Lowry. I will first of all ask
24 in French the Régie to recognize you as an expert
25 in performance base regulation.

1 Alors, Monsieur le Président, considérant
2 notre demande de reconnaissance de statut d'expert
3 du premier (1er) novembre dernier, accompagnée du
4 CV du docteur Lowry, on considère que docteur Lowry
5 a déjà été reconnu par la Régie dans des audiences
6 antérieures traitant du MRI comme expert et
7 considérant également l'absence de contestation
8 suivant la production de notre demande de
9 reconnaissance, je demanderais à la Régie de
10 reconnaître docteur Mark Newton Lowry à titre
11 d'expert en mécanisme de réglementation incitative.

12 LE PRÉSIDENT :

13 Alors, la Formation reconnaît le docteur
14 Mark Newton Lowry du Pacific Economics Group
15 Research dans le présent dossier à titre d'expert
16 en mécanisme de réglementation incitative.

17 Me SYLVAIN LANOIX :

18 Merci, Monsieur le Président.

19 EXAMINATION BY Me SYLVAIN LANOIX :

20 Q. **[47]** So now Doctor Lowry we have produced in the
21 present file several documents coming from the
22 Pacific Economics Group Research. I will enumerate
23 them.

24 First of all Exhibit C-AQCIE-CIFQ-009 which
25 is your Direct Report dated the fifteenth (15th) of

1 February two thousand twenty (2020).

2 Exhibits C-AQCIE-CIFQ-0010 to C-AQCIE-CIFQ-
3 0031 which are your support documents related to
4 your Direct Report.

5 Exhibit C-AQCIE-CIFQ-0046 which is your
6 Resume.

7 Exhibits C-AQCIE-CIFQ-0050 and C-AQCIE-
8 CIFQ-0051 which are respectively the confidential
9 version of the PEG Commentary on HQT MRI evidence
10 dated the eight of November (8th) two thousand
11 twenty-one (2021).

12 Exhibit C-AQCIE-CIFQ-0055 which is your
13 support document related to the PEG Commentary on
14 HQT MRI evidence.

15 Exhibits C-AQCIE-CIFQ-0058 and C-AQCIE-
16 CIFQ-0059 which are respectively the PEG's answer
17 to the RTIÉE Request for Information and it's
18 support document.

19 Exhibits C-AQCIE-CIFQ-0061 to C-AQCIE-CIFQ-
20 0064 which are the PEG's Answer to the HQT's
21 Request for Information and their support
22 documents.

23 Exhibits C-AQCIE-CIFQ-0066 which is the
24 PEG's answers to the Régie's Request for
25 Information.

1 Exhibits C-AQCIE-CIFQ-0068 to C-AQCIE-CIFQ-
2 0078 which are the PEG's answer to the OC's Request
3 for Information and their support document.

4 And finally Exhibit C-AQCIE-CIFQ-0072 which
5 is your presentation in support of your testimony
6 that you will perform today.

7 Do you recognize being the author of these
8 documents and do you adopt them as your evidence in
9 the present case?

10 R. Yes. I do.

11 Q. **[48]** Thank you. We also have produced in support of
12 your PEG commentary on HQT MRI evidence two
13 documents you are referring to: Exhibit C-AQCIE-
14 CIFQ-0052 which is the Fenrick two thousand twenty-
15 one (2021) Report and Exhibit C-AQCIE-CIFQ-0053
16 which is the Decision EB-2018-0218 from the Ontario
17 Energy Board.

18 Do you recognize having provided those two
19 documents as evidence in the present case?

20 R. Yes I did.

21 Q. **[49]** Thank you very much. So before making your
22 presentation would you like briefly to expose to
23 experience with MRI issues?

24 R. Yes. There is a slide at the very back of my
25 presentation that summarizes my credentials but

1 I'll just briefly go through some highlights.

2 I've been active in this field since about
3 nineteen eighty-nine (1989) and was fortunate to be
4 involved in many of the earlier studies that tried
5 to develop index based regulation using the same
6 methods that had been popular in the telephone
7 industry.

8 And over the years I've done something like
9 fifty (50) productivity studies and then also was
10 very much involved in the use of statistical
11 benchmarking in electric or energy utility
12 regulation as well and I probably have done
13 something like forty to fifty (40 - 50) of those
14 studies.

15 I've done power transmission, productivity
16 research since the early part of the decade. My
17 first client was Hydro One Networks in Ontario.

18 On total I think I've done four power
19 transmission studies of productivity and about four
20 benchmarking studies as well.

21 Q. [50] Thank you for that. So I will let you now take
22 the virtual floor with your presentation.

23 R. Okay. Now this is going to be a great adventure to
24 see that I can get this right but I will do my
25 best.

1 Okay. Can everyone hear me? Yes?

2

3 Q. **[51]** Yes.

4 R. I'm going to get right into this because if... the
5 presentation will take, I'm sorry to say, just a
6 little over an hour. So I better get started.

7 We're here today because the Régie has
8 commissioned transmission productivity and
9 benchmarking studies to use in Hydro-Québec's
10 transmissions "formule d'indexation".

11 Brattle and PEG have both submitted studies
12 and they have markedly different results and along
13 the way some methodological issues have emerged.

14 So in this presentation I would like to
15 provide an overview of the issues and respond to
16 controversial comments that Brattle made in their
17 November twenty-ninth (29th) reply comments.

18 So, we're going to, first of all, talk a
19 little bit about basic principles for X-Factor
20 research, cost exclusions is a big issue in this
21 proceeding, the sample smaller issue but worth
22 talking about, the benchmark year, our first year
23 for the calculation of a capital quantity index,
24 then some benchmarking issues, and finally I'll
25 reprise my X-Factor and stretch factor

1 recommendations, and then briefly discuss
2 Hydro-Québec's proposal to suspend the MRI at the
3 conclusion of this plan.

4 So, with respect to basic principles of
5 X-factor research, Doctor Ros discuss some of the
6 really elementary and foundational concepts in
7 productivity measurement, so I won't go over those.
8 I want to instead just focus on a few areas where I
9 think a little more emphasis is needed. And one is
10 an area I actually want to think Mister... Doctor
11 Ros and I are in agreement, and that is this whole
12 matter of negative productivity. In economics
13 theory, cost is a function of input prices,
14 operating scale, inefficiency of the utility, and
15 also miscellaneous other business conditions.

16 And what a productivity index does is
17 basically to track the trend in costs that isn't
18 due to input prices or operating scale. And that
19 therefore means that they track not only the
20 changes in the efficiency of utilities, but also
21 the effects of these other business efficiency. And
22 that means that productivity growth can be negative
23 if external business conditions are sufficiently
24 challenging.

25 Things that could cause it to be

1 challenging in the United States is reaching out to
2 remote areas to gather wind power, for example.
3 Here in Eastern Canada it might be more of an
4 example of replacement of aging assets. And I know
5 that this is a disappointing thing for Canadian
6 Regulators, because when they first went down the
7 track of this index base regulation they thought
8 that there would be this nice little X-Factor that
9 would always be positive and they could claim as a
10 sort of an expansible benefit of this approach for
11 regulation. But sometimes in the case of
12 transmission it does seem that productivity growth
13 in the industry... industry wide has been negative
14 in recent years and it's probably only partly due
15 to bad performance.

16 Now, let's get then to some basic
17 principles of X-Factor research. You know, there
18 are lot of methods for measuring productivity that
19 can be correct in the right application. Now, in a
20 X-Factor study, based on my years of experience, I
21 like to use methods that are relevant to the design
22 of say a revenue cap index between "demandes
23 tarifaires". So, it has to be an approach, I aspire
24 to an approach that's relevant for adjusting the
25 revenue requirement between the "demandes

1 tarifaires”.

2 So, that add a number of implications for
3 the methodology. For one thing I would want to
4 exclude costs that won't be addressed by the
5 revenue cap index. In this particular case, for
6 example, exclude pension and benefit expenses
7 because they would be subject to “compte d'écart de
8 report.”

9 Another thing is that I think it's a good
10 thing for capital cost specifications to be
11 sensitive to capex surges because they would be
12 under cost of service calculations of the revenue
13 requirement.

14 Another thing that I'll try to do is to
15 make, if you're dealing with a large company like
16 Hydro-Québec you would use a size-weighted averages
17 of productivity trends when setting the X-Factor
18 because it's going to be a little more relevant to
19 their circumstances.

20 And another is the productivity challenges
21 facing sampled companies, it should ideally be
22 similar on balance to those that HQT will face in
23 the next five years, or the next ten (10) years, or
24 the next fifteen (15) years, that's something you
25 aspire to and it's one of the concerns in this

1 particular application that we... that we have a
2 hard time being sure about.

3 Now, there's an alternative paradigm that's
4 favoured by a lot of utility witnesses today and is
5 accepted in the state of Massachusetts, that a
6 study should measure some notion of the true
7 productivity trend of the industry. For example, in
8 Massachusetts it wouldn't matter that a lot of the
9 costs of rebuilding a gas system and approving its
10 safety are going to be track, we still would be
11 including all of the capital costs in the
12 productivity work, that would be an example of that
13 paradigm. And that's closer to what the Brattle
14 group has done in their research.

15 With this introduction then let's get to
16 the first of this sort of customization issues that
17 I have undertaken in my own research, and that is
18 that we excluded three categories of power
19 transmission CNE from both the productivity and the
20 benchmarking work.

21 And these are, first of all there's a bunch
22 of small accounts called 561.1-.8 that used to be
23 called dispatching, so sometimes I'll call that
24 dispatch with related expenses, they aren't all
25 about dispatching anymore. Then there will be these

1 transmission of electricity by others, the charge
2 for the use of someone else's transmission system.
3 And finally FERC account 566 miscellaneous
4 transmission expenses.

5 Now, why do I think that they should be
6 excluded? My rationale is that reported costs in
7 these categories are sensitive to changes in the
8 structure of American markets for power
9 transmission services, and that these have little
10 relevance to HQT's X-Factor or S-Factor.

11 So, let's talk a little bit about this
12 structural change in the U.S. power industry. U.S.
13 electric utilities increasingly obtain power from
14 resources that are not on their own transmission
15 system, and they then also sell power off system as
16 well and may incur charges to do so.

17 Now, in my opinion this is not a matter of
18 a make or buy phenomenon, because the transmission
19 service territories are fixed, it's not a question
20 of hiring somebody to deliver a power to you,
21 rounded it and building your own transmission and
22 you can not build, generally can not build a
23 transmission line outside of your service
24 territory.

25 Now, secondly, many U.S. utilities have

1 joined independent system operators or regional
2 transmission organizations, I'm going go lumped
3 them all together as ISO. And one thing that
4 happens as a consequence is that utilities charge
5 ISO for the use of their system. The utilities also
6 take their transmission service from the ISO, and
7 so when the ISO levy charges to the utilities these
8 include first of all the costs of the ISO which had
9 been growing a lot. Secondly, charges for the use
10 of the systems of other utilities that the ISO
11 controls, and thirdly these charges even include
12 the costs of, a portion of the costs, of the
13 utilities own transmission operations. So, we have
14 to be very careful as to where these costs are
15 reported in the data.

16 Now, do these exclusions matter? Well,
17 Brattle has made a very big point that they matter
18 a lot and you'll see in that second column of
19 numbers that about 55.9% of the C... of the total
20 CNE in the PEG sample were of these excluded
21 categories, for Brattle it's even more, it's a
22 little more like 63%. And, you know, Brattle have
23 you believe that this is like what are we left with
24 if we take out these three large cost categories.
25 But you can see from this table that the biggest

1 portion of this by far is the transmission by
2 others expenses, and these expenses just clearly
3 need to go out of the study, because including them
4 in a transmission cost benchmarking study would be
5 akin to including purchase power in a generation
6 benchmarking study. I mean, you could benchmark a
7 company's power supply operations but if you're
8 benchmarking their own generation you would not
9 include the cost of purchase power and the same
10 goes with this transmission by others.

11 And I will note here, and it has been
12 mentioned in the proceeding already, the Hydro One
13 witness Clearspring excludes these transmission by
14 other expenses as well. And this is the witness for
15 Hydro One, a very analogous utility of the next
16 province. But my opinion is obvious that
17 transmission by others must go and there's an
18 analogous trend to the other two categories where I
19 also have concerns, and these concerns stem from
20 the fact that utility seem to have shifted ISO
21 costs from one category to another
22 idiosyncratically.

23 For example, they could move a big chunk of
24 cost from transmission by others expenses, which we
25 know have to go out, to miscellaneous transmission

1 expenses or dispatch-related expenses.

2 Another problem is that FERC in the middle
3 of the sample period issued a directive that they
4 wanted certain ISO costs to be reported as
5 dispatch-related expenses, but this didn't start
6 until the year two thousand six (2006). Suddenly,
7 big chunks of cost start appearing in these
8 dispatch-related categories. And so, you know, this
9 is also a great concern to me.

10 And if you go back and look at the growth
11 rates of these excluded categories are much more
12 rapid and implausibly rapid than the growth of
13 other transmission CNE expenses. I mean you
14 wouldn't expect them to grow extraordinarily rapid
15 and they do grow extraordinarily rapid... rapidly.

16 Now, another question is to do with the
17 peak load variable to ratchet or not ratchet the
18 variable. This was mentioned briefly in the testimony
19 of Doctor Ros. You know, our view of this matter is
20 that transmission systems are designed to serve
21 unusually high load, I mean, you know, loads
22 fluctuate, particularly in Canada, in Eastern
23 Canada, they'll fluctuate with the weather. And so,
24 you know, you build a system with a severe winter
25 weather in mind, not the average winter weather.

1 Now, of course the actual loads that are
2 reported on FERC Form 1 are rarely unusually high,
3 so in my opinion ratcheted peak load is a good
4 proxy for unusually high load, whereas what Doctor
5 Ros says: "well, we want the accurate physical
6 measure." Well, again, the point is that what the
7 systems are built for is an unusually high load and
8 not for just enable to serve next years best guest
9 of the load, peak load.

10 Now, the benchmark year, and this is kind
11 of a complicated issue and I'm not going to go
12 through this slide in gory details. When you
13 calculate a capital quantity, you start in a
14 benchmark year by converting gross or net plant
15 value to a capital quantity. Now, Brattle has this
16 one hoss shay approach to capital costs, so they're
17 going to use the gross plant value as the... in
18 this calculation. And you can see from the math
19 that gross plant value is the sum over many years,
20 let's say N years, of the product of the quantity
21 of the plant additions and the price of the
22 additions, which might be measured by something
23 like a construction cost index.

24 So, if you assume, as we believe is
25 reasonable, equal quantity of additions each year

1 for the past ten (10) years it just works out, I'm
2 going through the math, but it's easy enough for
3 anyone to discover that the initial capital
4 quantity is best approximate as the ratio of the
5 gross plant value to an arithmetic average.

6 Now, Brattle instead uses an alternative
7 approach that puts much more weight on the more
8 recent years of the sample period, and we think
9 that that is not reasonable for an one hoss shay
10 study. It would be reasonable for a geometric decay
11 study like we do, but not for the one hoss shay.
12 And this does matter to the results.

13 Brattle's use of this alternative approach
14 is going to slow their productivity growth, the
15 multifactor productivity growth by something like
16 10 or 20 basis points.

17 Okay. Now, let's next turn to the sample.
18 Brattle has a larger sample than PEG does, and it
19 probably has to do with the history that they were
20 starting from scratch, they had never done a
21 transmission productivity study or benchmarking
22 study. So, anything... anything, you know, they
23 have an open mind with regard to every company in
24 the sample, whereas we have, we started with the
25 samples that we used in Ontario when we were

1 working for the Ontario Energy Board and countering
2 the testimony of Hydro One witness currently
3 Clearspring Energy Advisors.

4 So, that sample is smaller than the one
5 that... that Brattle has developed, and frankly,
6 expending that sample was not a research priority
7 in this proceeding, I mean, we're always subject to
8 some cost pressures, we don't want to have
9 unreasonable charge for our services, and we have
10 generally found over the years that adding five,
11 ten, fifteen (15) companies in a sample is not
12 really going to make that much difference to the
13 results, and frankly, regulators also don't seem to
14 care about this.

15 I mentioned recently the Regulatory
16 Commission of Massachusetts. Well, we came into a
17 recent proceeding there with a much larger sample
18 than the utility witness did and the regulator did
19 not seem to think that mattered.

20 Now, there has been a singling out of
21 Pacific Gas and Electric due to the fact that it is
22 a larger company and I will admit that it would be
23 nice to have all the larger companies, but although
24 I don't think it matters that much in either of the
25 productivity or the benchmarking work to have large

1 companies. I mean, you know, large companies matter
2 because they might experience scale economies
3 differently, and scale economies is only one of
4 many components of productivity growth. So, we
5 would've like to have that in, but it was already
6 out of the Hydro One sample, and when we thought
7 further about this particular company, it turns out
8 that they had a very severe problem with wild fires
9 that you probably read about and seen on T.V. in
10 the very end of the sample period, and we often
11 time exclude companies from our research if they
12 have a very abnormal values in the first or last
13 year of a productivity study.

14 So, we don't feel that badly about leaving
15 Pacific Gas and Electric out of sample. And I would
16 note that it's somewhat amusing to me that when
17 you're working against a utility witness, I mean,
18 they always seem to have an idea that makes the
19 results a little better for utilities. And so, now,
20 we live in a age of wild fires and hurricanes, more
21 frequently than the past, sure enough we have
22 utility witnesses saying that as a matter of good
23 practice we should always include these companies
24 affected by these catastrophes in the sample,
25 because who knows it may be constant in the future.

1 Now, let's turn next to the matter of a
2 capital cost specification. PEG and Brattle use
3 different specifications: geometric decay and one
4 hoss hay, and this not as charged an issue as the
5 others because it doesn't really cut in for or
6 against the utility in the same way, but it still
7 worth talking about a little bit.

8 So, Brattle, like other utility witnesses
9 today, rationalized his one hoss shay on the
10 grounds that the service flow from transmission
11 capital is kind of constant until its retirement,
12 sort of like the flow that you might imagine is
13 coming from a light bulb.

14 However, you know, inherently the service
15 flow from even a transmission asset does decline
16 over time, I mean, either one Hydro-Québec has
17 frequently mentioned, for example, the fact that as
18 their transmission assets age that they have to
19 have, incur higher CNE. Well, that is really
20 happening because of some sort of deterioration in
21 the facilities that is really a decline of the
22 quantity.

23 Now, the second point here is a little
24 harder to grasp, but when you do treat of these
25 capital quantity additions in a productivity study,

1 you assign this one hoss shay or this geometric
2 decay specification to the totality of plant
3 additions in that year. And those plant additions
4 have varied service lives, so some of them are
5 going to conk out after ten years, some after
6 twenty (20) years, some after thirty (30), some
7 forty (40). So, that alone also would indicate some
8 decline in the service flow.

9 Now, does that mean that geometric decay
10 does a great job of modelling that decline in
11 service flow from a (sound interruption) of assets?
12 I'm not claiming that because the use of geometric
13 decay has varied reasons, but I will say that if
14 you really wanted to do that right and that's what
15 you really cared about, you would use something
16 called hyperbolic decay, something I would like to
17 turn my hand at developing someday, I think it can
18 model, it's sort of the in between of a service
19 flow from one hoss shay and geometric decay. And
20 you might be interested to know that this approach
21 is widely use by government agencies such as the
22 Government of the United States when they do the
23 productivity major sectors of the economy. I
24 believe however that they... I think it's the case
25 of the Canadian Commission use this geometric decay

1 of the Canadian... Statistics Canada uses geometric
2 decay, but in the United States and in many other
3 countries they use this hyperbolic decay.

4 So, why then would you use geometric decay?
5 Well, for a thing I'll just say that by far the
6 majority of X-Factor studies over the years have
7 used the geometric decay, and it is in fact
8 routinely used in the studies commissioned by the
9 Ontario Energy Board. It's also used by Hydro One
10 witness Clearspring.

11 It has a number of advantages that in
12 totality explain its use, one is that it's very
13 mathematically simple and easy to understand. The
14 capital quantity does decline as I just said, as
15 service flows in the real world do even from
16 transmission assets. It approximates the impact of
17 depreciation on cost in utility accounting.

18 In the Brattle approach that they used is
19 very insensitive to something like a surge in
20 capex. If you calculate the productivity of an
21 individual company that had just made a massive
22 investment, you will not find that its productivity
23 growth improves, but after it installs that because
24 of the assumption of a constant service flow.

25 And finally, in a benchmarking study, I

1 like to recognize that providing good service with
2 lower cost older plant is an accomplishment,
3 actually that's something that Hydro-Québec
4 believes and they're trying to do this asset
5 management thing using more O&M expenses to get
6 more life out of their plant. That's a great idea,
7 but my benchmarking... my capital cost
8 specifications will pick that up but the Brattle
9 approach will not.

10 Now, it could be that the Régie nonetheless
11 is kind of interested in that one hoss shay
12 approach. Most regulators have not embraced it, the
13 Massachusetts commission was one that has but let's
14 suppose that you were interested in doing things
15 with the one hoss shay approach. Okay. So, Brattle
16 does have these one hoss shay calculations and
17 we're not challenging their accuracy with the
18 exception of that benchmark year adjustment.

19 So, let's suppose then that we use the
20 Brattle approach but we take out all... we take out
21 these CNE categories that shouldn't be in there, we
22 correct the benchmark year adjustment and we use a
23 ratcheted peak demand instead of the unratcheted
24 demand. And you can see as you go step by step to
25 the bottom of this page that Brattle's multifactor

1 productivity goes from -1% per year to +0.09% a
2 year. So, that would be a correct one hoss shay
3 approach in our opinion.

4 You'll note by the way that the CNE goes
5 from -3% to -1% over the period. So, if there is
6 any productivity growth it's actually the result of
7 the capital side, see that 0.34% positive of
8 productivity result. But that's with a methodology
9 that ignores the "slammy" that you get when you
10 have a capex surge.

11 Now, let's turn next then to the issues of
12 statistical benchmarking, I think it's caused a lot
13 of consternation in this proceeding that the
14 results for Brattle and for PEG are so different.
15 For example, for the total cost of service, Brattle
16 finds that the companies cost is very close to the
17 benchmark, so -4% and that's like 0 from the
18 standpoint of an econometrician. And whereas PEG
19 has the disconcerting result that the companies
20 cost is 67% in excess of the model's prediction,
21 so, that's a huge discrepancy.

22 Now, before... before we get too upset
23 though, do bar in mind that the suggested stretch
24 factors of the two parties are not that different,
25 I mean Brattle would go as high as a 0.3 stretch

1 factor and we would go to 0.60, so that's only 30
2 basis points difference. We would add a little
3 something, for a matter I'll discuss in a bit.

4 But really the implications for stretch
5 factor are not enormous despite enormous difference
6 in the... the results. And that partly has to do
7 with the fact that we're using this conservative
8 Ontario schedule for translating benchmarking
9 results into a stretch factor. I mean they were one
10 of the first to do this and so they thought they
11 would do it very cautiously in the first... the
12 first time they did it and they have an allocation
13 to really re-visit that issue ever since, that's
14 why I call it a conservative approach.

15 So, it doesn't matter that much for the
16 stretch factor, but there are some interesting
17 methodological issues that arise, I mean people are
18 very curious about why these results are so
19 different and so I am going to serve up a
20 discussion of this matter.

21 Now, both Brattle and PEG are using an
22 econometric approach to benchmark, and this is an
23 approach that's used by many regulators in rate
24 making nowadays, for example, use routinely in
25 Ontario, every power distributor is benchmarked

1 econometrically every year in Ontario. It's also
2 used a lot in Britain and Australia just to use
3 examples from the English speaking world and there
4 are other countries as well that use it. But it
5 seems to be the favourite approach in the English
6 speaking world.

7 Now, so what is the basics of econometric
8 benchmarking? Well, let's start by assuming that
9 the cost of a utility is a function of several
10 business condition variables. And to keep this
11 argument simple I'm just going to use two such
12 variables, the length of their lines and the peak
13 load. And so, and you have to have a particular
14 functional form, so let's use a nice simple linear
15 form in this case. Okay.

16 So, the impact of lines and peak on cost
17 depend on these so-called parameters β_L and
18 β_P . And we're going to estimate those
19 parameters using historical data on utility
20 operations. So, you get those parameters in hand,
21 we're going to call those B_0 , B_L , B_P , and you step
22 those in to the same linear model and now you're
23 ready to check out from the model some sort of a
24 cost of benchmarking and note that my formulation
25 there allows for additional variables as well.

1 Okay. So, that's... that's the flavour of an
2 econometric study.

3 Alright. So, how do you estimate those
4 model parameters? Brattle and PEG both used a so
5 called panel of data which means multiple
6 observations for each company. And these parameters
7 can be estimated by various estimation procedures,
8 sometimes the economic persons call that
9 "estimators". So, what... what estimator to use,
10 that was an issue here, and even using panel data
11 the most popular estimator for benchmarking is
12 probably ordinary least squares, if you already
13 took an econometric's class in college that's what
14 you would probably use as an undergraduate, and
15 since you're using data with multiple observations
16 for each company it's what they'll call pooled OLS,
17 it's what Brattle calls it, pooled OLS.

18 Now, OLS is relatively simple, it's
19 familiar to a wide audience, it's what Hydro One
20 witness Clearspring uses in its research and it's a
21 very staunch defender of this approach.

22 So, we thought just to avoid controversy
23 that we would use pooled OLS as well in this
24 proceeding. We were trying to take this issue off
25 the table, off controversy, and another estimator

1 we tried had much worst results for Hydro-One or
2 Hydro-Québec I might add.

3 Now, Brattle uses a different approach that
4 they rationalize with concern about something
5 called excluded relevant variables. An example of
6 an excluded relevant variable is that Brattle's
7 cost models don't have a forestation variable, ours
8 do, but theirs don't, so, that would be an example
9 of an excluded relevant variable.

10 Now, perfectly fine issue to raise, but we
11 do find that Brattle's discussions of the problem
12 is confusing because the problem of excluded
13 relevant variables has several aspects, I'm going
14 to call the two biggest ones a and b. Aspect a is
15 that the estimates of those slope parameters, or
16 what Brattle would call slope parameters, the b_l
17 and the b_p , are biased if excluded relevant
18 variables are correlated with included variables.
19 So, this is a problem well recognized in
20 econometrics and you can test for the degree of the
21 problem using something called a Hausman test and
22 Brattle does mention and they do Hausman test in
23 their study.

24 Now, the second problem is that the
25 econometric benchmark includes, could include, the

1 net cost impact of excluded relevant variables.
2 Now, usually you don't know whether those excluded
3 relevant variables that could be in the benchmark
4 are helping a company or hurting a company. But in
5 any ways it's important to note that this problem
6 is not addressed by the Hausman test, like if the
7 Hausman test shows that there's a problem with this
8 omitted variable bias, it does not preordain a
9 particular way of using the results in
10 benchmarking.

11 Alright. So, when Brattle estimates,
12 addresses issue a, they do so by estimating model
13 parameters using what they call and is widely known
14 as a fixed-effects estimator, and I'll try to make
15 that simpler for you, I'm going to say that it's
16 tantamount to adding a company-specific "dummy
17 variables" for all but one of the companies of the
18 sample. So, the model you saw before is now changed
19 by that last second to last term B_h , for company h ,
20 times the dummy, and what that means dummy is that
21 it equals 1 for that company, and it equals 0
22 otherwise.

23 Alright. So, when you estimate that B_h as
24 part of your regression it is what is sometimes
25 called a unique constant term and this term

1 captures the net impact on cost of excluded
2 relevant variables, that's true and Brattle
3 emphasises that in their discussions again and
4 again, but what they don't emphasises is that same
5 term also includes the average inefficiency of the
6 firm during the sample period.

7 Now, we'll come back to talk about that
8 second point in a minute, but let me just go on to
9 say that. So, these slope parameters that they get
10 with this method are going to be free of this
11 problem of omitted variable bias that was detected
12 by the Hausman test. But it does come at a price
13 because variation in data between the companies,
14 like the huge difference between Southern
15 California Edison, for example, and a tiny company
16 in New England, that variation is ignored in the
17 parameter estimation and... and that matters
18 because this is the biggest source of the variation
19 in the sample, and according to econometric theory
20 if you take out that variation the parameter
21 estimates are going to be less precise.

22 And as a consequence of this you will find
23 when you look at the Brattle models that most of
24 the parameter estimates in the model that they used
25 to benchmark Hydro-Québec are not even

1 statistically significant whereas ours are highly
2 significant because we use all the variation in the
3 sample to estimate. Okay.

4 So, that's one concern we have, but then
5 there's the other and that is that. So, let's
6 suppose you have a fixed-effects model, you can use
7 that model in several different ways. First of all,
8 you could... you could create a cost benchmark
9 that doesn't include that... that average, the bHQT
10 term. The second approach, which is the approach
11 that Brattle uses is to had add the bHQT term to
12 the benchmark. And then the third approach would
13 just be to look at bHQT as the... as an indicator
14 of the efficiency of the company, that the higher
15 it is, the more inefficient the company is.

16 So, as I said, Brattle is going to use
17 number 2 on the grounds that this bHQT reflects the
18 average net impact of these excluded relevant
19 variables, but it's also reflecting the average
20 inefficiency of Hydro-Québec during the sample
21 period.

22 So, now that means that Brattle's
23 benchmarking results reflect how HQT's current
24 inefficiency differs from its average inefficiency
25 during the period, that's really what they're

1 measuring, insofar as they're measuring efficiency
2 at all, that's what they're measuring.

3 And so, this is going to explain why
4 Brattle's benchmarking results seem so reasonable,
5 they're reasonable because naturally they're not
6 going to stray very far from 0. Now, it also is
7 going to explain why Brattle's benchmarking results
8 are so robust when you change the data and the
9 model specification. Let me give you an example of
10 that, so remember we talked about how you might
11 well want to include a bunch of CNE data from the
12 start, you remember it was 55.5% of all the costs
13 in the... of all the transmission expenses in the
14 PEG sample, more like 60% plus in the Brattle
15 sample. Okay.

16 So, wouldn't you think that if you took
17 half the cost out of all the companies in the
18 benchmarking sample that that would affect the
19 benchmarking score? Well, if you use the pooled
20 OLS, it certainly does. By the time you've removed
21 both Tx by other expenses and miscellaneous
22 transmission expenses, you go from a score of 45.5
23 over to 93% over. However, when you use the
24 fixed-effects you only get this modest change from
25 -41 to -33%.

1 Now, also when fixed-effects results are
2 used to benchmark HQT using the first approach,
3 remember that doesn't include that... that bHQT
4 term, you also get a huge difference in the score,
5 these are both fixed-effects benchmarking results.
6 It's just that one is using approach, you know, the
7 first approach mentioned instead of the second
8 approach mentioned. And so, look what happens at
9 the total class score, for example, of HQT goes
10 from -2% roughly to 234 positive. So, the radically
11 different benchmarking results that Brattle obtains
12 are chiefly due to the way they use fixed-effects
13 parameter estimates to fashion benchmarks.
14 Correcting for omitted variable bias does not
15 forestall bad benchmarking results for HQT, and
16 that's why you have to go through this lengthy
17 exposition, but the idea is to disentangle these
18 two issues to see that fixed-effects does not
19 necessarily imply that the company is a good cost
20 performer.

21 Now, here's another little way of dealing
22 with this and that is that we calculated this
23 unique constant term, this bH term for each of the
24 utilities in Brattle sample, and you find... if you
25 go on the left hand side, you see that there's one

1 big outlier and that's Ohio Valley Electric, and
2 another... another party questioned the company
3 about that, it seems that they're some problems
4 with the data for that utility, which is actually a
5 power producer with a very small transmission
6 system. But the headline is here, is over on the
7 right hand side, that the unique constant term for
8 Hydro-Québec is like the highest by far in the
9 entire sample. So, as I've said in other... other
10 people would use this as the benchmark, that they
11 would say that the Hydro-Québec is by far the worst
12 cost performer in the entire sample. So, this whole
13 amount is being added to the benchmarks when
14 Brattle goes about the business of benchmarking
15 HQT.

16 Now, Brattle talks about a review of the
17 literature and claims that it supports the use of
18 fixed-effects. So, we went through the literature
19 and would acknowledge that they did consider any
20 and each of these articles fixed-effects
21 estimators. The important point though is that they
22 do not support Brattle's use of approach 2. In fact
23 most of the articles in that group basically
24 considering a use of fixed-effects that's more in
25 the spirit of approach 3 that is to say this

1 approach, which would make Brattle look like the
2 worst, what would make HQT look like the worst
3 company in the sample.

4 Another benchmarking issue is that there
5 are two sources of peak load data reported on FERC
6 Form 1, it's monthly peak load, which has been
7 calculated for years and years, and a transmission
8 peak load that they only started reporting about...
9 about two thousand four (2004), I believe.

10 So, we believe that... we kind of
11 understand why you would use the monthly peak load
12 in a... a productivity study because you need...
13 you need something that goes back to the mid
14 nineteen nineties. But, if you're going to do
15 benchmarking, you should use the transmission peak
16 load which is more analogous to the... the way that
17 Hydro One... Hydro-Québec reports its peak load
18 data.

19 Other issues we'll go in at length too, you
20 know, Brattle's model is not as sophisticated as
21 PEG's, there are a lot fewer relevant variables
22 like we have a forestation variable and this
23 measure of the effect of weather conditions on the
24 capital... cost of the capital for the top
25 transmission power supply. We also have a, we add

1 quadratic and interaction terms to the model, in an
2 attempt to capture the cost consequences of having
3 an unusually large operation. Brattle doesn't do
4 that, because with their fixed-effects those
5 variables would not come in significant at all, it
6 might... so, it might even come in with implausible
7 signs.

8 Also, labour and capital price index used
9 in benchmarking were improperly levelized by
10 Brattle and this... this is the one thing that I
11 would say as, you know, kind of shouty about their
12 work, otherwise I wouldn't say that, but, you know,
13 there's really no excuse for not having a... having
14 levels of capital prices and labour prices in the
15 United States that differ between New York City
16 and, you know, some utility in the Midwest, for
17 example.

18 So, getting them to our X-Factor
19 recommendation, I want to start by saying that
20 really this is a hard... this has been a hard
21 study, because we want to have... we want to know,
22 we want to feel confident that productivity growth
23 challenges facing sample of US, it says
24 distributors, I noticed that's incorrect, it should
25 be transmitters, are similar on balance to those

1 that HQT will face in the near future, and we
2 really don't know if that's the case.

3 Certainly the challenges that they are
4 facing in the U.S. are different than those faced
5 by Hydro-Québec who often time is talking about
6 replacing aging assets, but that's not apparently
7 the big driver of negative productivity growth in
8 the United States.

9 So, you have to be hoping that somehow even
10 if these utilities have negative productivity
11 growth for different reasons, that somehow it's
12 applicable to Hydro-Québec in the next four years.

13 Now, another question is: would the Régie
14 be interested in a pure measure of productivity
15 like the Brattle... Brattle essentially has, when
16 it's corrected, or would they like to have a more
17 rate making or relevant approach like PEG has done.

18 Another issue too is... is will... would
19 Hydro-Québec, be eligible for supplemental capital
20 revenue? Because the more to the positive the
21 X-Factor is, the more likely it is that the day is
22 going to come that they're going to come to the
23 Régie and say: "We can't possibly plump this surge
24 in replacement capex that we have scheduled for the
25 next years." Let's say they're replacing James Bay,

1 aggressively replacing the lines to James Bay, "we
2 can possibly live with that, and so we have to ask
3 for this extra supplemental capital revenue."

4 This is a problem encountered all the time
5 in Ontario Energy Board regulation, they're always
6 claiming that they need extra money, and yet the
7 Ontario Energy Board is consistently having this
8 X-Factor more like 0. It's no wonder that they
9 can't make due when the board will not go with
10 negative X-Factor, it's a matter of principle.

11 Alright. So, recommendations for the
12 X-factor, this is the part leading to the basic
13 productivity chart to get to the stretch factor
14 next. If X applies only to CNE revenue, our
15 empirical research in this proceeding would point
16 to an X-Factor of -0.68, which would be the CNE
17 productivity trend for the full sample period.

18 Now, the Régie might also want to consider
19 some other numbers, for one thing if you like the
20 fact that Brattle has the larger sample, if you
21 upgrade their research to throw out this categories
22 you get to a -1%, so, that's another number that
23 you might want to think about.

24 The second thing would be to take an
25 Ontario Energy Board approach and say that we're

1 never going to sanction a negative X-Factor, so the
2 X-Factor is 0.

3 Now, there is then the current X-Factor of
4 the company which is 0.57% and at least for this
5 last year, I mean that's something that could be...
6 could be considered as a continuation. And if you
7 want to go with that, you would have to be in the
8 belief that the... that we've gone out and
9 commissioned these productivity studies, but they
10 just don't seem relevant for Hydro One,
11 Hydro-Québec, for the next few years. So, we think
12 that setting that aside of the number 0.25 is
13 reasonable. And actually one thing that could
14 support a number like that is that the CNE
15 productivity trend of Australian power
16 transmitters, something we talked about the last
17 time we had a presentation about this and it
18 probably go back a bit. That's actually 0.80
19 positive for the most recent roughly fifteen (15)
20 years. A wide range of numbers to choose from but
21 we acknowledge that our own research in this
22 proceeding suggest this number of -0.68, but
23 there's a lot of uncertainty about how appropriate
24 that really is for Hydro-Québec.

25 Now, let's suppose that the X-Factor

1 applies to capital as well as CNE revenue,
2 something that might be in a subsequent plan. Well,
3 our search again in this proceeding suggests the
4 X-Factor would be -0.62% which is our multifactor
5 productivity trend for the full sample period.

6 But the Régie might also want to consider a
7 couple of other numbers and one is that 0% X-Factor
8 typically chosen by the Ontario Energy Board, or an
9 X-Factor of 0.19 which is the upgraded... upgraded
10 Brattle multifactor productivity trend for the full
11 sample period, that's what the (sound
12 interruption). If you happen to believe that one
13 hoss shay is going to produce a better notion of a
14 pure productivity, then there's your number.

15 Now, then the stretch factor. This is as a
16 matter of principle should reflect the expected
17 difference between the productivity growth of HQT
18 and the industry. And the difference is going to be
19 larger to the extent that HQT is inefficient and
20 also the greater is the incentive power of the MRI
21 compared to that of the regulatory systems of
22 productivity sample utilities.

23 So, let's leave aside the first of those
24 for a moment. Next slide and let's talk about the
25 second point. Well, we know that the incentive to

1 contain CNE is fairly strong under the company's
2 MRI, after all there's a multiyear rate plan, a
3 revenue cap index, there's even unfortunately in
4 the current regulatory system a perverse incentive
5 to raise capex in order to lower CNE.

6 And we also know that US utilities operate
7 under formula rate plans and return on equity
8 premiums that weaken their cost containment, and
9 even the Brattle witness was... was willing to
10 acknowledge this.

11 Now, how about the first of those issues.
12 We are prepared to acknowledge and did so in
13 commentary answering questions of the Régie, for
14 example, that the benchmarking evidence does
15 suggest that excluded relevant variables are
16 serious concern when you're benchmarking HQT. I
17 mean, I wasn't happy to see that HQT score was -60
18 or that's... you know, that's a very extreme type
19 of an observation and it would much be healthier if
20 it was let say -35, -25, but whatever it was but,
21 you know, that's a number that I also am
22 uncomfortable.

23 However, and now this is important to note
24 that Brattle's solution to the problem is simply
25 not acceptable, it's simply not a way things are

1 done in benchmarking. This was, Doctor Ros' first
2 study, I mean, maybe... maybe he didn't fully think
3 through the implications of using (inaudible)
4 estimate the way he did, but I feel that it's...
5 it's... his results really can not carry very much
6 weight except as an illustration that something
7 about excluded relevant variables could matter
8 here.

9 So, what is then the best available
10 evidence? I feel that it's suggest the base stretch
11 factor of 0.60 the maximum in the Ontario scheme,
12 because that is the number that would prevail even
13 if the score for Hydro-Québec was positive 30%,
14 even if it was positive 20% or thereabout it would
15 still be eligible for a 0.60 stretch factor in
16 Ontario.

17 Now, then I would also say to that should
18 be added a 0.10% adder for the unusually weak cost
19 containment incentives in the US, if the X-Factor
20 is based on the long-run industry trend, and I say
21 that because the longer you go back in time the
22 less the effect of these formula rates, the less
23 the effect of those ROE premiums that were offered
24 under the terms of the Energy Policy Act in two
25 thousand five (2005). So, it gets watered-down

1 hence we're only suggesting here a 0.10% adder.

2 Okay. Last... last... Yes.

3 Me SYLVAIN LANOIX :

4 Q. **[52]** Mister. Lowry, I think maître Fréchette has
5 a... an intervention to do at this point, so
6 just... I just may interrupt your... your testimony
7 at this point. Thanks.

8 R. You want me to stop?

9 Q. **[53]** Yes. Just for some issues that will be between
10 maître Fréchette, the Régie and myself.

11 R. Okay. I will stop.

12 LE PRÉSIDENT :

13 Oui, Maître Fréchette.

14 Me YVES FRÉCHETTE :

15 Oui. Si vous me permettez. Merci, Monsieur le
16 Président. D'abord, je tiens... oui, j'ai une
17 objection sur la recevabilité à vous offrir, sur la
18 recevabilité de la page 33 pour le compte de
19 TransÉnergie, à l'égard du témoignage qui est à
20 venir de monsieur Lowry qu'on peut voir... dont on
21 peut voir le contenu à la page 33, le contenu
22 anticipé, bien sûr.

23 Tout d'abord, je tiens à vous mentionner
24 que j'avais avisé interrompre monsieur Lowry, ce
25 n'était pas... c'est pas quelque chose qu'on aime

1 faire. Je n'aime pas que les procureurs le fassent
2 à l'égard des témoins que je pourrais présenter et
3 je conçois très bien que c'est pas agréable que je
4 le fasse non plus.

5 Donc, je peux vous dire que j'avais avisé
6 maître Lanoix à l'avance et... qu'il a eu le côté,
7 est-ce que je peux dire le côté « sport », entre
8 guillemets, d'interrompre monsieur Lowry, ce que
9 j'aurais fait, mais... En tout cas, je voulais
10 simplement remercier maître Lanoix de sa diligence
11 et puis vous aviser que je n'ai pas fait ça, là, en
12 catimini pour vous faire des effluves, Monsieur le
13 Président.

14 En ce qui concerne la recevabilité, si vous
15 me permettez, du témoignage anticipé de monsieur
16 Lowry, il se prononce, sur cette page-là, et le
17 témoignage... et c'est le moment malheureusement
18 pour moi de faire l'objection à ce moment-ci.

19 On a sur cette page-là l'essence du
20 témoignage qu'il anticipe rendre à la Régie
21 concernant les propos tenus par monsieur Verret à
22 l'origine de son témoignage dans le panel 1 suite à
23 la question que vous avez posée pour la poursuite
24 du MRI de seconde génération. Alors, monsieur Lowry
25 se prononce sur ce sujet-là et j'ai une objection

1 sur la recevabilité de cette... de cette ligne de
2 témoignage-là qui provient de l'expert, monsieur
3 Lowry, que je vais vous décliner maintenant.

4 Tout d'abord, je me permets de vous... de
5 revenir sur la lettre du six (6) décembre deux
6 mille vingt et un (2021) qui a été transmise au
7 Transporteur à l'égard de laquelle vous souhaitiez
8 que nous nous exprimions à l'égard des aspects
9 suivants.

10 Vous allez retrouver donc dans cet... et
11 c'est la question que j'ai posée à monsieur Verret,
12 ça concernait, cette demande-là, la planification
13 des travaux de la Régie, l'horizon de travail qui y
14 serait associé, et vous invitiez le Transporteur à
15 préciser si l'intention, si l'intention du
16 Transporteur, était que le MRI de deuxième
17 génération soit applicable dès l'année deux mille
18 vingt-trois (2023).

19 Donc, ce sont des questions de nature
20 procédurale. Et monsieur Verret a offert la réponse
21 de TransÉnergie à cet égard-là qui ne concernait
22 pas l'étude de productivité multifactorielle ni TFP
23 ni que PFP, ni non plus le facteur S. Ce sont... il
24 s'était exprimé à l'égard d'aspects procéduraux
25 pour la conduire du dossier.

1 Donc, l'objection est quant à la
2 recevabilité du témoignage de monsieur Lowry à ce
3 sujet. Il s'agit d'une question de la Régie à
4 TransÉnergie. Ce n'est pas un sujet d'expertise
5 ni... mais plutôt un sujet d'aspect procédural pour
6 la poursuite du dossier.

7 Je rappelle à tous que l'année deux mille
8 vingt-deux (2022) ferme... et concerne la fin ou la
9 terminaison du MRI de première génération, donc la
10 quatrième année, deux mille vingt-deux (2022) étant
11 la dernière.

12 Ce que monsieur Verret a mentionné, c'est
13 que l'année deux mille vingt-trois (2023) serait
14 une année en coût de service. Il a énoncé des
15 difficultés qui étaient celles de TransÉnergie et
16 la vision anticipée de la poursuite des choses.

17 Il n'était pas... Alors, les propos qu'on
18 voit sur l'acétate de monsieur Lowry concernant les
19 choix, le délai, des délais sur la mise en place de
20 la détermination du X où on a procédé avec la
21 méthode Kahn la première fois. Quand on parle d'une
22 clause de sortie, la clause de sortie ne sera pas
23 applicable pour deux mille vingt-trois (2023)
24 puisque'on est en coût de service.

25 Alors, tous ces aspects-là, ce ne sont pas

1 des aspects qui sont sujets de son expertise dans
2 le cadre de la question qui a été posée à la Régie.
3 C'est un sujet qui n'était pas... qui n'était pas
4 annoncé à l'égard des experts. C'est pas... il
5 ouvre un débat sur un aspect procédural. Et le
6 mandat de monsieur Lowry, tel qu'on le voit
7 notamment à la décision D-2021-121 (sic), au
8 paragraphe 87, monsieur Lowry, son mandat, s'était
9 de s'exprimer à l'égard de la Régie sur le facteur
10 X, le facteur S proposé et le compte d'écarts.

11 Il n'a pas été retenu, il n'était pas son
12 mandat de s'exprimer sur les aspects procéduraux
13 qui sont liés au déroulement du dossier. Ce n'est
14 pas un sujet d'expertise.

15 Je peux vous faire rapidement peut-être la
16 lecture du paragraphe de la décision de la Régie à
17 cet effet-là. Alors, le paragraphe 87 où on parlait
18 du compte d'écarts. Alors :

19 La Régie juge pertinentes les
20 interventions sur ce sujet. Elle
21 permet à PEG d'analyser cet enjeu dans
22 le respect du...

23 balisage

24 [...] estimé à cette fin et précise
25 que PEG ne pourra couvrir les autres

1 éléments controversés de la
2 proposition non identifiés dans les
3 demandes d'intervention.

4 Alors, encore une fois, c'est l'esprit même du
5 témoignage attendu par les experts qui doivent
6 s'exprimer à l'égard des rapports qu'ils ont émis.
7 Ils ne peuvent pas s'exprimer, à tort et à travers,
8 sur des aspects, surtout dans ce cas-ci, des
9 aspects procéduraux pour la poursuite du dossier.

10 Alors, avec égard, le Transporteur forme
11 une objection à l'égard de la recevabilité de la
12 page 33 ainsi que de tout témoignage à cet égard-
13 là, en écho aux propos... en écho aux demandes de
14 la Régie à l'égard du panel 1 pour le Transporteur.

15 Alors, voilà!

16 LE PRÉSIDENT :

17 Maître Lanoix.

18 Me SYLVAIN LANOIX :

19 Oui. Alors, si on revient sur l'objet de... l'objet
20 de l'intervention de docteur Lowry dans le présent
21 dossier, son expertise a été requise parce que la
22 Régie cherchait à avoir des études
23 multifactorielles relativement à la détermination
24 d'un facteur X pour les charges nettes
25 d'exploitation. Et également, la possibilité d'un

1 facteur X pour inclure les coûts en capital, le
2 tout pour la troisième année du... la dernière
3 année, la quatrième année du MRI et également dans
4 la perspective d'une nouvelle génération de MRI.
5 Tel était le contexte, le cadre dans lequel on
6 demandait l'opinion de monsieur... de docteur
7 Lowry.

8 Il va sans dire que l'annonce qui a été
9 faite en début d'audition de la part du
10 Transporteur à l'effet qu'il ne déposerait pas de
11 dossier tarifaire en deux mille vingt-trois
12 (2023)... en deux mille vingt-deux (2022) pour
13 l'année deux mille vingt-trois (2023), basé sur un
14 MRI de nouvelle génération est arrivé comme un
15 dénouement ou un développement important, qui a
16 surpris, je pense, tout le monde et qui a
17 clairement un impact sur les questions qui sont
18 adressées, là, par les experts ici, à savoir : on
19 travaille sur un Facteur X qui couvre... qui couvre
20 les charges en capital pour possiblement également
21 élargir à l'ensemble des coûts incluant... en fait
22 les charges nettes et incluant possiblement
23 l'élargir au capital pour un Facteur X total,
24 autant pour la quatrième année que pour la nouvelle
25 génération.

1 Alors il va de soi que l'expert a la
2 possibilité ici de donner son opinion sur l'impact
3 qu'a ce genre de décision-là sur la pérennité d'une
4 démarche MRI, eu égard à la détermination des
5 Facteurs X et S dans un contexte où son mandat
6 visait justement à fournir des facteurs, là, pour
7 autant la quatrième année que la nouvelle
8 génération.

9 Alors je pense qu'on a ici, en notre
10 présence, un expert extrêmement compétent. Je pense
11 que c'est à l'avantage de tous, le public, la
12 Régie, les participants, les intervenants et même
13 le Transporteur, de pouvoir avoir ces lumières-
14 là... ces lumières sur ce développement-là, qui est
15 survenu et peut-être qu'on aurait même ignoré si la
16 Régie n'avait pas posé la question, tout le monde
17 était sur un scénario de discuter de Facteurs X et
18 S dans une perspective non pas seulement d'une
19 quatrième année, mais également d'une nouvelle
20 génération de MRI. Alors pour toutes ces raisons,
21 je vous soumets que l'approche de mon collègue est
22 trop restrictive sur la pertinence et la portée...
23 l'ampleur des questions qui peuvent être abordées
24 dans son témoignage et je vous invite à rejeter son
25 objection.

1 LE PRÉSIDENT :

2 Je vois maître Turmel.

3 Me ANDRÉ TURMEL :

4 Oui, Monsieur le Président, vous vous rappellerez
5 que l'expert monsieur Lowry est aussi l'expert de
6 la FCEI et des autres intervenants. Alors à ce
7 titre, on se croit donc intéressés à ce débat
8 vraiment soulevé par maître... maître Fréchette,
9 avec... d'un grand étonnement.

10 Écoutez, quand il qualifie cet ajout par
11 monsieur Verret de « procédural » et c'est...
12 honnêtement, je ne comprends pas ce qu'il dit,
13 quant à moi c'est... c'est à l'intérieur même du
14 coeur du MRI. Rappelons que le docteur Lowry a
15 participé à la... à la formation et à
16 l'établissement de ce MRI actuel.

17 Alors nous aussi nous avons été très...
18 presque abasourdis d'entendre monsieur Verret
19 d'entrée de jeu en réponse à votre question. C'est
20 pour ça que nous l'avons interrogé également, pour
21 bien comprendre ce qu'il nous disait. Il nous
22 disait vouloir faire une analyse post... post-MRI
23 ou avant... bref, faire une analyse importante
24 avant d'aller plus loin. Et tout ça, c'est un
25 peu... c'est un peu, c'était nouveau, c'était,

1 comme l'a dit mon collègue maître Lanoix, un peu...
2 bien de la matière nouvelle et je pense que ça
3 s'inscrit tout à fait dans la logique, dans la
4 continuité du débat que l'on a ensemble. C'est
5 certainement pas que procédural.

6 HQT ce matin apparaît hautement
7 procédurier, autant quant à sa remarque ce matin
8 sur le questionnement du procureur de la Régie, ce
9 qu'on fait souvent, ce n'est pas... ce n'était pas
10 inhabituel. Alors j'arrête ici, mais je m'oppose
11 férocement moi aussi aux commentaires de maître
12 Fréchette sur cette preuve qui est tout à fait
13 admissible et acceptable.

14 LE PRÉSIDENT :

15 Merci.

16 Me YVES FRÉCHETTE :

17 Oui, si vous me permettez une courte réplique,
18 Monsieur le Président.

19 LE PRÉSIDENT :

20 Oui, courte, oui.

21 Me YVES FRÉCHETTE :

22 Très brève. Alors tout d'abord, je n'avais pas de
23 difficulté à ce que maître Turmel intervienne
24 évidemment, là, pour les raisons qu'il a émises.
25 J'étais un petit peu douteux sur ses propos à

1 l'égard des propos... à l'égard de l'aspect de la
2 question... de l'aspect précédent que j'ai couvert
3 avec vous. Ça, sur ça, c'est médium.

4 Mais en ce qui concerne maintenant l'objet
5 de l'intervention de mon collègue, maître Lanoix
6 vous mentionnait que l'intervention, l'expertise
7 était sollicitée dans une perspective de la mise en
8 place d'une nouvelle génération de MRI. Je vous
9 mentionnerais précisément que... Bien tout d'abord,
10 je suis en désaccord... on est en désaccord avec
11 cet aspect-là.

12 L'expertise recherchée, l'objet même du
13 dossier actuel c'est de déterminer le Facteur X
14 pour l'année deux mille vingt-deux (2022), auquel
15 s'associe, par la force des choses, un Facteur S.
16 Il n'y a aucune nouveauté d'envisager que la
17 deuxième... que l'année deux mille vingt-deux
18 (2022) soit la fin du MRI, il n'y a rien de nouveau
19 là-dedans. Que l'année deux mille vingt-trois
20 (2023) soit en coût de service, il n'y a absolument
21 rien de nouveau là-dedans.

22 Que l'article 48.1 de la Loi sur la Régie,
23 qui obligeait la Régie à mettre en place un
24 mécanisme de réglementation incitative à l'égard du
25 Transporteur ait été abrogé, il n'y a absolument

1 rien de nouveau là-dedans. Encore une fois, c'est
2 un aspect procédural.

3 Ce que monsieur Verret a mentionné c'est
4 qu'un post-mortem devrait être fait par
5 l'entreprise puis il y a des représentations qui
6 vous seraient faites par la suite. Et je vous
7 réfère également sur... sur les propos quant à
8 l'apport de... des experts dans le dossier, vous
9 pourrez également vous référer à la décision D-
10 2028-028, au paragraphe 94.

11 Alors encore une fois, pour tous ces
12 motifs, je vous... je vous sou mets humblement qu'il
13 y a une objection du Transporteur quant à la
14 recevabilité des témoignages... du témoignage de
15 monsieur Lowry, qui est anticipé et tel qu'il est
16 relaté à la page 33 de la présentation déposée ce
17 matin. Alors voilà, ça complète de notre côté.

18 LE PRÉSIDENT :

19 Merci, un instant s'il vous plaît. Maître
20 Fréchette, Maître Lanoix. Alors la formation
21 retient l'objection de maître Fréchette. Cette page
22 de la présentation du docteur Lowry n'est pas
23 pertinente à son expertise dans la présente cause.
24 Alors il faut oublier cette page-là. Ça va?
25 Me SYLVAIN LANOIX

1 Bien, alors je...

2

3 LE PRÉSIDENT :

4 Maître Lanoix, je ne vous entends pas.

5 Me SYLVAIN LANOIX :

6 Oui, alors je vais demander : Doctor Lowry, can you
7 open back your camera. So, Doctor Lowry, I guess
8 you probably got the translation of the short
9 debate we had between lawyers. The Regie did...
10 pronounce after the objection of maître Fréchette
11 that you cannot testify about the page 33 on the
12 bases of relevancy. So if you have some conclusion
13 to add to your presentation, it was your last page,
14 before your cross-examination and probably before
15 the recess of lunch if you want and if the Regie
16 allow it of course.

17 LE PRÉSIDENT :

18 Go ahead.

19 DR. MARK NEWTON LOWRY :

20 R. No I have no further comments.

21 Me SYLVAIN LANOIX :

22 Thank you very much. Alors c'est le témoignage de
23 monsieur Lowry.

24 LE PRÉSIDENT :

25 Merci. Alors, avez-vous des questions pour votre

1 propre témoin, Monsieur Lanoix?

2

3 Me SYLVAIN LANOIX :

4 Non, merci.

5 LE PRÉSIDENT :

6 C'est ce que j'avais compris. Alors, on pourrait
7 peut-être prendre la pause repas, de retour à une
8 heure quinze, treize heures quinze (13 h 15).

9 Me SYLVAIN LANOIX :

10 C'est très bien, merci.

11

12 SUSPENSION DE L'AUDIENCE

13

14 (13 h 17)

15 LE PRÉSIDENT :

16 Nous sommes de retour. Maître Lanoix, avant de
17 débiter le contre-interrogatoire, j'aimerais
18 simplement demander à maître Fréchette et à maître
19 Neuman, nous n'avons pas reçu de courriel de votre
20 part pour les personnes qui assisteraient au huis
21 clos demain. Alors, je ne sais pas si vous êtes en
22 mesure de fournir ces informations-là. C'est pour
23 le protocole d'ouverture demain.

24 Me YVES FRÉCHETTE :

25 Je l'ai reçue. Bonjour, Monsieur le Président. Oui,

1 je l'ai reçue. J'ai reçu la liste sur l'heure...
2 juste avant l'heure du repas. Alors, je m'en occupe
3 immédiatement de la transmettre donc à monsieur
4 Specte.

5 LE PRÉSIDENT :

6 Oui, s'il vous plaît.

7 Me YVES FRÉCHETTE :

8 Je vous ferai ça tout de suite dès la reprise.

9 LE PRÉSIDENT :

10 Maître Neuman?

11 Me DOMINIQUE NEUMAN :

12 Oui. Bonjour, Monsieur le Président. Excusez-moi!
13 Ma veste est juste à côté. Je n'ai pas eu le temps
14 de sauter pour aller la chercher. Alors, nous ne
15 participerons pas au huis clos demandé par Option
16 consommateurs.

17 LE PRÉSIDENT :

18 Parfait.

19 Me DOMINIQUE NEUMAN :

20 Est-ce que vous voulez que je vous le confirme dans
21 un courriel?

22 LE PRÉSIDENT :

23 Non, non, non, ça va. Ça va être aux
24 transcriptions.

25 Me DOMINIQUE NEUMAN :

1 d'afficher à l'écran.

2 LE GREFFIER :

3 Oui, c'est bien la B-0113, c'est ça.

4 Me STEVE CADRIN :

5 Oui, B-0113, je m'excuse.

6 LE GREFFIER :

7 Il n'y a pas de souci.

8 Me STEVE CADRIN:

9 Q. **[56]** So if you can go, Doctor Lowry, while we are
10 getting the exhibit on screen, can you go to page
11 6, please? Okay? So, page 6, please.

12 Me STEVE CADRIN :

13 So, it's the next page, Monsieur le Greffier. Thank
14 you so much.

15 Q. **[57]** So, if we look at this, well it was provided
16 by Brattle Group, but it shows in a one slide a
17 fashion of what's been done as far as studies go by
18 PEG, for instance, so by you I understand. There's
19 two... we see the studies are on the left hand
20 side, PEG (2021) and PEG (2019). So, those studies
21 were made by you, Doctor Lowry, if I'm not
22 mistaken, is that right?

23 R. Yes.

24 Q. **[58]** Okay. So, in one instance you took, and we go
25 all the way to the bottom of the screen, so at the

1 bottom of the Table 1, which is PEG (2019), and we
2 see that the O&M (CNE) PFP, the amount that's
3 written in this table is -0.53%...

4 R. Yes.

5 Q. **[59]** As we can see on the screen. If we move up to
6 PEG (2021) where the... the difference is between
7 the line we just saw and the other line is three
8 years more of taken into consideration three more
9 years, I'm sorry, than the first study in 2019. So,
10 in 2021 your score... the score for O&M, CNE, PFP
11 is -0.68%. So, because we added three years the
12 result has changed. If you can summarize in your
13 own words or maybe, what are the main changes or
14 the main... the main relevant factors that were
15 involved into this change in the O&M, CNE and PFP
16 result that we got from... for adding those three
17 years, or from adding these.

18 R. Okay. Well, each time that we do this study, we
19 will, one thing you've noted, add some more years
20 of data, and another would be to spend some time
21 reconsidering the sample. I don't recollect exactly
22 what the sample is for twenty nineteen (2019), the
23 two thousand nineteen (2019) OEB study compared to
24 the current, but I think there was a change of two
25 or three companies and... So, and remember, I said

1 that we don't put a lot... didn't put a lot of
2 emphasis on changing the sample trying to expend
3 the sample, so it's a similar but not probably
4 identical sample.

5 So, really from my point of view, a very
6 small change actually results in the O&M... the CNE
7 or O&M productivity over this period, they just go
8 from the -0.53 to the -0.68. To me it's a very...
9 it's not a meaningful difference, really. I mean,
10 these numbers do bounce around a little bit and
11 this is very much in the normal range. As well, I
12 mean, there's no... it's hard to say there's no,
13 from a consumer standpoint, but there's no evidence
14 of any great alleviation of this negative trend in
15 CNE productivity. So, as you see it did tend to
16 pull it down, so...

17 Q. [60] Okay. Thank you for your answer. If we can
18 now move on to your presentation of this morning.
19 We're going to page 7. Sorry, I don't recall the
20 exhibit number. C-AQCIE-CIFQ...

21 Me SYLVAIN LANOIX :

22 0072.

23 Me STEVE CADRIN :

24 0072. Thank you, Maître Lanoix. I appreciate that.

25 Q. [61] So, we can move to page 7 when we get the

1 chance to do so.

2 R. I'm ready.

3 Q. **[62]** And we're talking about the buying of
4 transportation from another utility, in that slide
5 that was the general discussion. If I go all the
6 way... all the way down to the end of the bullets.
7 After the bullets, we have the arrows, and the
8 arrows we're talking about "Other transport
9 utilities". We were saying one transporter and one
10 utility that does transport buys from another
11 utility that has transport... transport in itself.
12 So, I was wondering how do you... how do you count
13 without double counting these costs that are
14 incurred by utility A buying from utility B?
15 Because both of them will have their costs, one
16 buying from the other, but at the end, you know, as
17 far as we're talking about it, it seems to me
18 where... like we're double counting or maybe you
19 can expend a little bit on this or...

20 R. Well, I guess I hadn't follow that, that there
21 could be double counting with these transmission by
22 other expenses. We removed those expenses, so the
23 issue is this another reason to remove them, that
24 there could be some... some double counting
25 involved. I haven't thought of it, so I... I don't

1 want to... It's tempting to say yes, you're
2 absolutely right, but I just haven't follow that.
3 But we run into this in the past when we were
4 trying to do benchmarking or try to do research
5 using the... the different... using vertically
6 integrated electrical utilities. Remember I said
7 this morning I've been doing this work since the
8 late 1980's, well in the early 1990's there were...
9 we would, when we first started doing these
10 studies, they were for vertically integrated
11 electric utilities. And yes, we have this problem
12 with double counting that we had to come up with
13 some solution for. So, I'm not sure if it's a
14 problem here, but it could be.

15 Q. **[63]** I understand, you don't take into
16 consideration those costs, those expenses, you put
17 them out?

18 R. Yes.

19 Q. **[64]** And this why I was asking the question,
20 because...

21 R. Yes.

22 Q. **[65]** ... it was not done by the other expert in
23 this file, Doctor Ros, so we discussed about that
24 prior to your testimony today, and this is why I
25 was asking you what's your thoughts were on this,

1 because...

2 R. Yes.

3 Q. **[66]** ... it seems to me that the same expense is
4 treated twice, once for utility A and once for
5 utility B. So, it's one cost, but it's on both
6 sides of the line if you like, so...

7 R. M'hm.

8 Q. **[67]** ... this is why I wanted to have your
9 impressions on that and see what was discussed
10 before with Doctor Ross about that, what do you
11 think about that to? You said maybe I'm absolutely
12 right, so I like that when you say that, but that
13 can't, you know, this is not just the answer, I
14 need this is why... why would it a be a problem or
15 why would it not be a problem? Or additional
16 problem?

17 R. Well, it would be... it would be a problem if
18 there... if there was double counting involved.
19 Now, do you remember one caveat to your theory is
20 that not every company in the sample, not every
21 company in the business is in the sample. But yes,
22 it's... it's intriguing... it's an intriguing
23 theory. Sorry, I can't help you more at the moment,
24 I'll think about it a little bit more in the course
25 or the afternoon.

1 Q. [68] Thank you very much. Don't we all. Thank you,
2 it's all the questions we have.

3 LE PRÉSIDENT :

4 Merci. Maître Turmel, FCEI.

5 Me ANDRÉ TURMEL :

6 Oui, je n'aurai pas de question, Monsieur le
7 Président.

8 LE PRÉSIDENT :

9 Merci, Maître Turmel. Option Consommateurs, Maître
10 David.

11 Me ÉRIC McDEVITT DAVID :

12 Je vais juste aller mettre mon veston. Désolé.

13 LE PRÉSIDENT :

14 Est-ce que vous avez toujours un quinze (15)
15 minutes ou c'est...

16 Me ÉRIC McDEVITT DAVID :

17 J'aurai peut-être un peu plus que quinze (15)
18 minutes. Je vais... j'ai éliminé des questions pour
19 vous rassurer, Monsieur le Président, mais j'aime
20 mieux être réaliste dans le temps, je pense que
21 maximum une demi-heure, puis je vais essayer de la
22 faire en moins qu'une demi-heure.

23 LE PRÉSIDENT :

24 Merci.

25

1 Me ÉRIC McDEVITT DAVID :

2 Monsieur le Greffier, si vous pouvez préparer deux
3 pièces, il y aurait la C-AQCIE-0068 et 70.

4 CROSS-EXAMINED BY Me ÉRIC McDEVITT DAVID:

5 Q. **[69]** Good morning, Dr. Lowry.

6 R. Good morning. Nice to see you again.

7 Q. **[70]** Yes. Good to see you again. So, I have a few
8 questions about your report and also your
9 presentation this morning. So, I wanted to start if
10 possible with your...

11 Monsieur le Greffier, si vous pouvez mettre
12 le C-AQCIE-0068 à l'écran, et c'est la page 2.

13 Sorry. So, I'm referring to your answers to
14 OC IRs and you prepared the answers and the
15 documents in your answers were filed... You can
16 just look on the screen, it's probably going to be
17 faster that way.

18 R. Okay.

19 Q. **[71]** So, I simply want to refer to your table OC-1
20 where you list power transmission projects of PEG
21 personnel. So, my first question is: can you
22 confirm how many power transmission productivity
23 studies you have authored in Canada and in the
24 United States?

25 R. I think... it depends how you count them, because

1 there were these two phases of this Hydro One
2 proceeding. I think three in Canada and I don't
3 think there was one in the United States.

4 Q. [72] And there was not one in the US?

5 R. No. I don't think so.

6 Q. [73] Okay. So, three... three in Canada. Do you
7 need a glass of water, are you throat dry?

8 R. I have it nearby, thank you.

9 Q. [74] Okay. Alright. So, my next question is: can
10 you confirm that PEG used fifty-one (51) US
11 companies in its productivity analysis sample?

12 R. That sounds right.

13 Q. [75] Okay. How did PEG determined which out of many
14 US companies to include in the samples, in the
15 sample? What were the criteria for the choice?

16 R. Well, we... we agree with Brattle that generally
17 speaking we'd like to have as many with good data
18 as possible. The data requirements are a little
19 different for the productivity than they are for
20 the benchmarking, and so sometimes you could have
21 different samples for the two.

22 But generally speaking, we want good
23 quality data and there is a special concern in the
24 transmission data because of these changes in the
25 structure of the US power and transmission services

1 markets of which I've... I've mentioned in my
2 presentation that causes us to be particularly
3 concerned about some of the companies that might be
4 excluded.

5 Now, all that being said when we... we
6 started out doing this of the recent medley of
7 these studies, we were originally responding to a
8 study by Hydro One, and Hydro One had thrown out a
9 lot of... of companies and we kind of went along
10 with that, didn't question that too much, I mean
11 they did have stated reasons for all of their
12 exclusions. And so we kind of started with that,
13 and then we looked for further problems, I mean
14 lots of the time a consultant will forget about a
15 merger or there could be... And as I mentioned, we
16 are particularly sensitive to this issue about the
17 CNE data, so that caused us to reduce our sample a
18 little further.

19 So, when this project started, you know, we
20 were... we knew we didn't have unlimited budget and
21 we didn't think it would matter that much to add
22 another ten (10) or fifteen (15) companies to the
23 sample, so we kind of just started with the sample
24 from Ontario, and mind that's, you know, there's
25 no... there's no bias in that "contre" HQT, there

1 was nothing about that sample that was particularly
2 intended to come up with any particular result. It
3 just started with the Hydro One's sample where they
4 had their reasons for exclusions and then we made a
5 few more exclusions.

6 Q. [76] Okay. Thank you.

7 Monsieur le greffier, vous pouvez enlever
8 la pièce pour l'instant.

9 So, we'd like to understand better how PEG
10 determined which costs from the FERC accounts to
11 include or exclude in order to be comparable to the
12 cost profile of Hydro-Québec Transport? And if you
13 could list the main exclusions. So, how did you
14 determined these costs and if you could tell us
15 what the main exclusions were.

16 R. Yes. Well, of course we're starting from, we might
17 say the universe or all the potential transmission
18 costs, and then so as I said it in the presentation
19 this morning, we want to have similar costs in the
20 study to those that are... that the revenue cap
21 index addresses. So, if you have costs that are
22 addressed in Québec by "compte d'écart de report",
23 then you would... you can itemise those and take
24 them out and you can do the same for Hydro-Québec,
25 you would do so. So, we did take out pension and

1 the benefit expenses.

2 Now then, the other major removals were to
3 take out these three problematic CNE categories
4 that were discussed at some length this morning.
5 So, those would be the main adjustments. And all
6 with the view of coming up with a productivity
7 trend that would be useful in setting an X-Factor
8 for HQT.

9 Q. [77] Okay. Thank you. So, it seems obvious that
10 there is a disagreement between PEG and Brattle
11 regarding which costs to include or exclude. I'd
12 like to focus on two points of disagreement. The
13 first is transmission by others. If I understand,
14 does PEG include these or not in its... in its...

15 R. No. We exclude those as does the witness for Hydro
16 One Networks.

17 Q. [78] Okay. And what about administrative and
18 general costs? Do you include them or exclude them?

19 R. We include those whereas Brattle excludes them, and
20 I will say about that that the Brattle... I mean,
21 usually that doesn't matter that much to the
22 results to include them or exclude them.

23 However, they... Something about one hoss
24 shay has made or at least the way that Brattle does
25 it, it means that it has a big effect on

1 transmission productivity to include them. So, they
2 had an extra incentive to think of a reason to
3 exclude such costs.

4 Q. **[79]** Okay. Now, leaving aside the issue of which
5 expert is correct, what it would be... what is the
6 directional effect of these costs on the
7 productivity growth decline of the sampled fifty-
8 one (51) US utilities?

9 R. I don't recollect whether we ever did that run and
10 I don't think it, but I'm... if it was done it
11 would not matter very much to the results, that...
12 that I can say with confidence. I'm not sure which
13 direction it would've... would've gone.

14 Q. **[80]** And this is with respect to both transmission
15 by others and administrative and general costs?

16 R. No no no. I thought you were talking just about
17 administrative and general. Certainly, the
18 exclusion of the transmission by others costs does
19 result in a... a fairly substantial increase in
20 measured CNE productivity and anytime you have that
21 it's going to be a much more muted effect on
22 transmission multifactor productivity, because the
23 business is so capital intensive.

24 Q. **[81]** Now, I have a few questions regarding input
25 assumptions and methodology. I asked pretty much

1 the same questions to Doctor Ros. So, first with
2 respect to the productivity study, in your report,
3 and it's section 5.4 – but you don't need to put it
4 on the screen there, I'm just referring to it –
5 there are many input assumptions in both... in both
6 reports, both yours and Doctor Ros. I want to focus
7 on two that Brattle and PEG disagree on.

8 So, the first one is treatment of capital,
9 can you elaborate on the difference between one
10 hoss shay and geometric decay, and why you prefer
11 geometric decay?

12 R. Well, I discussed that at some length in my
13 presentation today, so I could wrap the listeners
14 to that. Let me just get that...

15 Q. **[82]** Yes, I don't want to make you repeat. I mean,
16 if you have... we can...

17 R. And I'm... I'm not going to repeat it, but I... So,
18 go ahead and ask your question again.

19 Q. **[83]** Okay. I simply wanted to know why in a
20 nutshell you prefer geometric decay? But you did go
21 over that in your presentation I believe.

22 R. It's a... it's a long laundry list of reasons and I
23 will add to the record that, you know, if I was to
24 do things differently I wouldn't consider one hoss
25 shay, I might try to develop a hyperbolic decay if

1 the goal was to come up with the best estimate of
2 the service flow of capital coming from a power
3 transmission operation.

4 But another way you could go is in the
5 direction of what we sometimes call a cost of
6 service approach to measuring capital costs, and
7 that's the approach that was implicit in those Kahn
8 method studies that were done earlier in this... in
9 the earlier proceedings that... on which this MRI
10 is based. But there's an attempt to better mimic
11 the way that capital cost is measured in cost of
12 service regulation. If I did it that way, the
13 capital productivity would probably be a little
14 less sensitive to the recent surge in the capital
15 expenditures of these US utilities, which as I said
16 before a lot of it has to do with reaching out
17 to... to get these from our renewable resources.

18 Q. [84] Okay. Thank you. And second input or
19 assumption I wanted to ask you a question about was
20 capital benchmarking year. Can you explain to us
21 the significance of this assumption and how PEG
22 approached it?

23 R. Well, the reason that matters and I didn't discuss
24 this morning, so this would be a good chance is
25 that let's say the bigger the initial capital

1 stock, then the more rapid productivity growth will
2 be from that point on, it's where if it's smaller
3 than initial capital stock than the opposite effect
4 on the productivity growth.

5 So, it does matter how it's done. It
6 particularly matters for measuring Hydro-Québec
7 because they have a more recent benchmark year.
8 Again, benchmark year being the first year of a
9 capital quantity index.

10 And by the way, why does a capital quantity
11 index matter? Well, the capital quantity index
12 times the price of capital is the cost of capital.
13 So, in a capital intensive business that matters a
14 great deal to cap... to multifactor productivity,
15 it also matters to the benchmarking results.

16 Q. [85] Okay. And...

17 R. It matters which approach you use and the thing is
18 that the way, you now, there's been this recent
19 sort of fad amongst utility witnesses in using the
20 one hoss shay, and some of them are just using it
21 for the first time, that's not true of Doctor Ros,
22 but when they do they often don't think of... since
23 they're not really experts, they haven't done a lot
24 of one hoss shay studies, they don't give a lot of
25 thought to how to do that initial benchmark year

1 adjustment. And so, we've add quarrel with utility
2 witnesses in a number of proceedings, and usually
3 what they say is that "oh, you know, this is not a
4 settled matter that we can do it one way versus
5 other", it's not in the literature, it's never been
6 discussed in the literature.

7 Well, I wonder if it's not discussed in the
8 literature is that one hoss shay is rarely used in
9 research, so it's a pretty minor issue excepting
10 its become suddenly more important in these
11 proceedings because utility witnesses have been
12 using the one hoss shay more.

13 Q. **[86]** And if geometric decay is used for capital
14 instead of one hoss shay, how would the US sample
15 productivity trend be affected directionally?

16 R. It actually... it actually slows productivity
17 growth, that's... if you look at it, if you compare
18 Brattle's... First of all if you're looking,
19 Brattle did a sensitivity analysis, they did...
20 they were pretty good about doing sensitivity
21 analysis in their... in their initial evidence. And
22 so, they did one where they used geometric decay
23 instead of one hoss shay, and it actually resulted
24 in more negative productivity growth, more...
25 particularly more, obviously more negative capital

1 productivity growth, and that multifactor
2 productivity growth part was more negative.

3 So, in my using geometric decay is contrary
4 interest to my client, because... but it's more
5 accurate in terms of... of capturing what's going
6 on in transmission industry right now where a lot
7 of capital expenditures are causing rapid cost
8 growth.

9 Q. [87] Okay. And if a more recent capital benchmark
10 year is used such as Brattle's how would the US
11 sample productivity trend be affected
12 directionally?

13 R. That's a good question. Now, you're asking a
14 different question that is which benchmark year to
15 use. You know... you know, because the benchmark
16 year, remember how we started by saying that this
17 is the first year of the capital quantity index,
18 and to be honest with you, each of these methods is
19 the seed of the plant, it's a crude approximation
20 of the capital quantity for the first year. And so,
21 the further back in the past you do it the better.

22 And so, we have data on this that goes all
23 the way back to nineteen sixty-four (1964), and so
24 we use that earlier benchmark year, whereas Brattle
25 is, you know, hasn't done any of these studies and

1 logically what they do is they go out and buy the
2 data. They go out and buy the data from a reputable
3 vendor, but those vendors they don't run that data
4 back many years, because all they really care about
5 the earlier years doesn't have much market value
6 for them. So, they're going start around nineteen
7 eighty-eight (1988) whereas we use nineteen sixty-
8 four (1964), and... So, amusingly it used to be
9 that the Hydro One witness would make fun of us for
10 bothering to go back to sixty-four (64), because he
11 say that it really wouldn't make that much
12 difference to the results, so why... why do it that
13 way.

14 Well, in the most recent testimony of the
15 Hydro One witness, he decided to take the benchmark
16 year all the way back to nineteen forty-eight
17 (1948). So, Hydro One's capital quantity index
18 starts in nineteen forty-eight (1948) and Brattle
19 is like way, way later in time, we're sort of in
20 the middle now.

21 But I think I haven't quite answered your
22 question. I don't know what the directional effect
23 is, because we didn't bother, say, recalculating
24 our numbers with a two thousand... with that more
25 recent benchmark year. Okay. It probably is not a

1 large effect.

2 Q. **[88]** Okay. I'd like to move on now to the issue of
3 the benchmarking study. My first question is a bit
4 general is: are economic... econometric - I have
5 trouble with that word - benchmarking studies
6 common in recent incentive regulation?

7 R. Well, that's kind of a complicated question. One of
8 the great irony is, of statistical benchmarking, is
9 that the best data in the world to do it are from
10 the United States. And yet it's rarely done in the
11 United States because this is way too complicated
12 for American regulators to get their hands on it,
13 keep it simple and stupid is sort of the American
14 model, you know.

15 Q. **[89]** Only the Canadian is rational enough to go
16 into this territory.

17 R. Well, I will say Canadians are curious, you know. I
18 like to say that Québec are curious, admirably
19 curious. No. Canadians in general have done it, and
20 the fact that all over English speaking world, now
21 Québec, Western Europe, it's very common to do
22 statistical benchmarking, often with some pretty
23 bad data. But at least it is wide spread except in
24 the United States.

25 Q. **[90]** That's a fact. So, how many of such

1 benchmarking studies has PEG produced?

2 R. Between forty (40) and fifty (50), I personally
3 have done between forty (40) and fifty (50).

4 Q. **[91]** Okay. And can we think of a benchmarking study
5 as producing a relative cost efficiency score that
6 positions Hydro-Québec transport costs to the US
7 sample?

8 R. Yes.

9 Q. **[92]** That's a good way to look at it? Okay. Now, as
10 discussed this morning, can you confirm... I think
11 it's obvious that there is disagreement between
12 Brattle and PEG on a number of methodology matters
13 related to the benchmarking studies, and can you
14 please give us what are the primary points of
15 disagreement?

16 R. Well, I think there are... Okay. I had a phone that
17 was ringing here, I couldn't... alright. So, I
18 would say there's four main areas of disagreement,
19 two of them are econometric issues. And one of the
20 econometric issues is the choice of the procedure
21 for estimating the parameters of the econometric
22 model, remember those beta terms in the
23 presentation. Sometimes they kind of will call the
24 estimation procedure and estimator, so we have
25 different estimators. In the other issue then once

1 you have those parameters estimated, how do you use
2 them to come up with a benchmark? So, there's two
3 tests of separate issue, which I feel that Brattle
4 had trying of obscured the difference between those
5 two issues in their various comments. Alright.

6 So, there's those issues and then of course
7 the CNE exclusions. There is the peak load, the
8 choice of a peak load variable. They use a variable
9 that makes Hydro-Québec look a little better but
10 it's not really appropriate for transmission
11 benchmarking.

12 I would say those are the biggest issues.

13 Q. **[93]** Okay. Monsieur le Greffier, si c'est possible
14 the remettre la pièce C-AQCIE-0068 à l'écran à la
15 page 8.

16 I'm just referring you to the same document
17 I referred at the beginning, so it's your answers
18 to the Option Consommateurs Irs and you see that
19 there is a table there at the beginning at the top
20 of the page. Can you confirm that this table
21 summarizes the Brattle and PEG total cost benchmark
22 scores.

23 R. Yes, I believe it does.

24 Q. **[94]** Okay, can you once again explain in simple
25 terms what the X-score indicates regarding the

1 score of Hydro-Québec Transport relative to the US
2 sample?

3 R. Well, in these comparisons a plus is bad because it
4 means your cost is higher than the benchmark.
5 Whereas a negative is good, it means your cost is
6 lower than the benchmark. And so, you know, the
7 results of our study for the most recent years of
8 the sample period that usually matter for stretch
9 factors is really bad for Hydro-Québec, 67% over
10 cost. I mean that's a very high number, we're not
11 accustomed to seeing such unfavourable benchmarking
12 scores. Brattle scores has much... You could look
13 at that, see a -6 there and just interpret it as
14 being close to 0, very similar to the cost of the
15 benchmark. But, as I go on to explain in my
16 presentation, there's a good reason for that and
17 that's because they've already forgiven the company
18 for their average level of inefficiency during the
19 sample period.

20 Q. [95] Okay. Thank you. And leaving aside which
21 expert is correct, can you explain why the two
22 experts scores are so different and what this means
23 for the Hydro-Québec S-Factor?

24 R. Well, let's start with the second question. As you
25 can see, the difference in the S-Factor is not

1 enormous, because we're using this very
2 conservative schedule from Ontario for translating
3 a benchmarking score into an S-Factor, a stretch
4 factor. I mean, after all to think that the company
5 is literally 67% higher than the norm and that was
6 all inefficiency that all, the only (inaudible)
7 would be that their revenue growth would be slowed
8 by six tenths of a percent a year, it's almost a
9 hand slap for... if this was really true. So, the
10 difference between the stretch factors is not huge.

11 And the other part of the question was...
12 Can you remind me?

13 Q. **[96]** Can you explain why the two expert scores
14 are...

15 R. Yes.

16 Q. **[97]** ... so different?

17 R. The main reason for it is not the use of
18 fixed-effects, that's funny, that's the interesting
19 thing. It's the way that Brattle uses their
20 fixed-effects estimators to fashion a cost
21 benchmarking, that's the controversial thing and it
22 has a huge effect on the score.

23 If you basically use the fixed-effects
24 model the way we use the OLS model, you would have
25 a much worst score for Hydro-Québec than we come up

1 with. And how could it... I mean, their scores
2 would be like over two hundred percent (200%) above
3 the norm, and how could that possibly be? Well, one
4 answer is that they never tried very hard to come
5 up with a good cost model either because they
6 didn't have the time or the experience, but also
7 because they thought that they had this
8 benchmarking approach where it wasn't really
9 necessary to go out and develop something like a
10 forestation variable to throw in their model. They
11 thought that all that was going be picked up in
12 their... in their... the way that they uses the
13 parameter estimates to make to their benchmark.

14 Q. [98] Okay. Thank you.

15 Me ÉRIC McDEVITT DAVID :

16 Monsieur le Président, il me reste cinq questions,
17 pour vous rassurer.

18 LE PRÉSIDENT :

19 Merci.

20 Me ÉRIC McDEVITT DAVID :

21 Monsieur le greffier, si c'est possible de mettre
22 la pièce C-AQCIE-0070 à l'écran?

23 LE GREFFIER :

24 Est-ce que c'est bien celle-ci?

25

1 Me ÉRIC McDEVITT DAVID :

2 Oui.

3 Q. **[99]** So, I wanted to refer you to this exhibit
4 which is an attachment, attachment PEG-OC-7, so I
5 think it was an attachment to your answers to the
6 IRs that were filed by Option Consommateurs,
7 Summary of Base Productivity Trends Stretch Factor
8 and S-Factor Decisions in North American PBR
9 Proceedings. So, this table obviously includes X
10 and F-factors decisions in other jurisdictions. My
11 first question: can you confirm that these are for
12 power distributors and not for transmitters?

13 R. Well, not exactly because the left hand column says
14 what the business is and they're not all power
15 distributors, some of them are bundled power
16 service and some are oil pipelines, gas
17 distributors. I believe it is the case that there
18 isn't a power transmitter on this list.

19 Q. **[100]** Okay. So, there are no power transmitters on
20 this list?

21 R. I believe not.

22 Q. **[101]** And it continues on the second page by the
23 way.

24 R. Yes.

25 Q. **[102]** Okay. And what about Hydro... Hydro One Sault

1 Ste. Marie, the Sault Ste. Marie decision, the OEB,
2 it's on this list I believe, the OEB approved an
3 S-Factor that was 0.3% I believe?

4 R. Yes.

5 Q. [103] Okay. And is that a transmitter or a
6 distributor?

7 R. That is a small transmitter, I think it may have...
8 may have been absorbed by the main company, but I
9 think it was the transmission... I think it was
10 former transmission system of Great Lakes Power
11 maybe, but around the Sault Ste. Marie area.

12 Q. [104] I'm not sure that... Yes.

13 R. That was first power transmission PBR proceeding in
14 our MRI proceeding in Ontario with just for that
15 little company, and then they went on to the main
16 company.

17 Q. [105] Okay. My final topic has to do with your
18 overall recommendations that are contained in your
19 report. So, can you please confirm that PEG
20 recommends for two thousand twenty-two (2022),
21 based on the full sample period, an X-Factor of
22 -0.68% and an S-Factor of +0.6%? And this is on
23 page 95 of your report if you need to refer to it.

24 R. Well, are you referring to the CNE or are you
25 referring to a potential multifactor?

1 Q. [106] Well, let's start with the CNE.

2 R. Okay. So, as I explained on page 29 of my
3 presentation today, my research, we were to base
4 this solely, the X-Factor for CNE, solely on the
5 basis of my research, my research seems to suggest
6 -0.68%. But I, you know, it would be... I allow
7 that, and I said so many times that the relevance
8 of US experience to Hydro-Québec in the next few
9 years is hard to get your arms around, because
10 there's been so many changes in the US and it's not
11 clear how many of them are relevant to Québec.

12 So, I, you know, acknowledge in this
13 presentation that there are some other numbers that
14 the commission might want to look at, everything
15 from the -1% productivity trend that Brattle comes
16 up with, if its number are corrected to the 0% that
17 the Ontario Energy Board uses, the current 0.57%
18 X-Factor could continue for one year and I also
19 mentioned in today's presentation how there's a new
20 estimate out of Australia of CNE productivity trend
21 of 0.8% positive. So, there's other numbers that
22 the Régie may wish to consider, but the one that
23 would be based on my research would be this -0.68.

24 Q. [107] Okay. And then on the next page you... you
25 have your recommendations if capital is included.

1 R. Yes. Capitals included is a similar trend if it's
2 just based on my research, but again there are some
3 other numbers that the Régie might want to
4 consider, and one is the 0% that the Ontario Energy
5 Board uses or the 0.19% that you would get if you
6 cleaned up the Brattle numbers.

7 Now, I... and I do more though that when it
8 comes to multifactor productivity that has to
9 finance capital that the more positive the number
10 the more that the utility is going to come back to
11 use once in a while and say: "Well, we need more...
12 we need more money for capital in the short-term
13 because we have this big project to do and this
14 isn't going to pay for it." So, this is the problem
15 that the Ontario Energy Board comes up with,
16 they'll put a lower bound on the X-Factor at 0, but
17 then they're always agreeing to a considerable
18 amount of additional money for capital cost for
19 some of the utilities, it tends to be the larger
20 ones. A lot of the smaller utilities make do with
21 the X-Factor that comes out of the productivity
22 research. Bigger utilities are always claiming they
23 need extra money for capital.

24 Q. [108] Okay. And a final question: are you able to
25 confirm that based on PEG's recommendation that we

1 just saw with an inflation factor at 2.2%, the MRI
2 revenue cap index would result in an increase in
3 the twenty twenty-two (2022) HQT OM&A revenue
4 requirement of 2.3% over twenty twenty-one (2021)
5 without including the growth factor nor the impact
6 of capital on a revenue requirement?

7 R. Well, the only thing I was wondering if you left
8 out was that extra adder to the stretch factor,
9 because before in your question you said "Isn't it
10 true that the stretch factor is 0.6?" But at 0.6
11 plus 0.1 to account for the fact that in the sample
12 a lot of utilities were operating in the later part
13 of the sample period under incentives that are...
14 were weakened by both formula rates and by the
15 return on equity premiums that have been offered to
16 US transmission companies under the terms of the
17 Energy Policy Act of two thousand five (2005).

18 Q. [109] Okay. Thank you, Doctor Lowry for your
19 testimony, those were my questions.

20 LE PRÉSIDENT :

21 Merci, Maître David. Ce serait maintenant le RTIÉÉ,
22 Maître Neuman.

23 Me DOMINIQUE NEUMAN :

24 Oui. Bonjour, Monsieur le Président. Nous n'avons
25 pas de questions. Ce sera très bref. Nous n'avons

1 pas de questions. Toutes les questions que nous
2 avons dans notre liste ont déjà été posées par
3 différentes personnes. Je vous remercie bien.

4 LE PRÉSIDENT :

5 Merci. Ce qui nous amène aux questions de la Régie.
6 Excusez-moi! HQT, effectivement. Vous ne m'en
7 voudrez pas trop, Maître Fréchette?

8 Me YVES FRÉCHETTE :

9 Ah, bien, pas du tout. Pas du tout. Au contraire,
10 il n'y a pas de souci. Me permettez-vous puisqu'il
11 est quatorze heures (14 h) une petite pause, le
12 temps de placer devant moi la documentation que je
13 vais utiliser pendant le contre-interrogatoire, et
14 puis une petite pause technique personnelle. Je
15 vous demanderais quatorze heures quinze (14 h 15),
16 si c'était possible. J'en aurai... Je vous avais
17 annoncé une quinzaine de minutes, là. Mais je vais
18 faire comme maître Lanoix, je vais les additionner
19 ensemble et puis je vais envisager plutôt une
20 trentaine de minutes pour les questions au docteur
21 Lowry.

22 LE PRÉSIDENT :

23 Parfait. Alors de retour à quatorze heures quinze
24 (14 h 15)?

25

1 Me YVES FRÉCHETTE :

2 Si vous permettez.

3 LE PRÉSIDENT :

4 Parfait.

5 Me YVES FRÉCHETTE :

6 Je vous remercie.

7 SUSPENSION DE L'AUDIENCE

8

9 REPRISE DE L'AUDIENCE

10

11 LE PRÉSIDENT :

12 Maître Fréchette, êtes-vous disponible pour votre
13 contre-interrogatoire, ou si...

14 Me YVES FRÉCHETTE :

15 Tout à fait.

16 LE PRÉSIDENT :

17 Parfait. Alors, à vous.

18 CROSS-EXAMINED BY Me YVES FRÉCHETTE :

19 Merci, Monsieur le Président.

20 Q. **[110]** Alors, good morning, Mister Lowry. My name is

21 Yves Fréchette, I'm the lawyer for the utility

22 Hydro-Québec here. You'll excuse me for my poor

23 English, but maybe... and I will try not to make

24 you suffer too much on it, but it discover it was

25 so difficult, I thought that I could go on in

1 French, but having to translate all your great work
2 and Doctor Ros work into French, and then after was
3 working in English, it was a great burden on me,
4 so...

5 Mr. Lowry? Is he there? I can't see him. I
6 don't know if...

7 R. Désolé.

8 Q. [111] I don't... Okay. There you are. So, hello
9 again, Mister Lowry. So, first question, you
10 were... you just have finish responding to
11 questions from my confrère, maître David, about
12 the... and it was on your presentation this
13 morning, page 32, about the added 0.1%, the 0,1
14 adder to weak incentives in the US if the X is
15 based on the long-run in industry trend, that's
16 what's written in your presentation of this morning
17 at page 32.

18 Can you... can you give me the how this 0.1
19 adder was... was built, how you calculate this,
20 where this come from?

21 R. Yes. I believe I discussed that in an answer to one
22 of the questions (inaudible). Can you hear me okay?

23 Q. Yes.

24 R. Are you hearing me? Okay.

25

1 Me LOUIS LEGAULT :

2 Doctor Lowry, I think you forgot to put your...
3 your headset.

4 R. Okay.

5 Q. **[112]** That will be better. Thank you.

6 R. Okay. So, we used for that purpose, but it's a
7 twisted process because first of all we try to
8 ascertain how many of the companies in the sample
9 are on formula rate plans at the FERC. And then we
10 use our incentive power model that we developed in
11 work over the years for many clients and that was
12 published in a recent article, I should say white
13 paper for Lawrence Berkeley National Laboratory. We
14 use the... our estimates of the number of companies
15 operating under formula rates to calculate the
16 decline in efficiency that would result from not
17 having the same type of regulatory system as HQT.
18 And so, on that basis, we would come up with the
19 1%, and it's... and it's not a very large amount
20 because if we're going to roll the sample back to
21 nineteen ninety-five (1995), then the impact of
22 these formula rates is going to be diminished
23 because that was something that was more of the
24 recent years.

25 Now, I believe it's the case that that

1 analysis in even our take into consideration is ROE
2 premiums that are also okay, that are offered by
3 the FERC under the terms of the Energy Policy Act
4 of two thousand five (2005), because it was harder
5 for us to plug those into the incentive power
6 model.

7 Well, I can tell you that those types of
8 incentives can make a difference, and a good
9 example is in the state of Maine near to the border
10 with Québec, where Central Maine Power is own by a
11 big sprawling Spanish utility company, and they had
12 the opportunity to make a lot of, you know, earn an
13 ROE premium from building new transmission lines in
14 Maine, and they neglected their transmission
15 distribution capex over the same period in pursuit
16 of these ROE premium. And there was a decline in
17 service quality that has been so well publicized
18 that Iberdrola recently lost a deal to acquire
19 utility in New Mexico because of their worries
20 about the service quality of Iberdrola.

21 Me YVES FRÉCHETTE :

22 Q. **[113]** I open my mic, I'm sorry, Mister Lowry. About
23 this question that you... and I don't think this
24 0.1 adder... I didn't saw it in your initial
25 report, during your rebuttal. Can you please

1 provide the calculation for the help of Régie and
2 for us that you... the calculation that you did and
3 the...

4 R. Yes. And that'll have to be taken as a record
5 request I assume.

6 Q. **[114]** Yes. Well, if you can take it as an
7 undertaking with Mister Lanoix, your lawyer, he
8 will... I can... Do you need for me to rephrase it
9 or you understand that you will, please, for this
10 suggestion on the page 32 of your presentation of
11 this morning. Is it okay?

12 R. Of course.

13 Me YVES FRÉCHETTE :

14 Ça va, Maître Lanoix?

15 Me SYLVAIN LANOIX :

16 Oui.

17

18 E-1 (AQCIE): Provide the calculation behind the 0.1
19 adder (asked by HQT)

20

21 Me YVES FRÉCHETTE :

22 Q. **[115]** Now, regarding this... this adder again, can
23 you tell me if ROE premiums for two thousand and
24 five (2005) and so on were use in your previous
25 Ontario participation there with... along with

1 Mister Fenrick who you refer often?

2 R. I don't recall.

3 Q. **[116]** If I suggest you that you didn't... you
4 didn't add it to your presentation, that was not
5 part of your report in Ontario, is that a
6 possibility?

7 R. I... Even if it wasn't explicitly discussed, it's
8 possible that it was part of my consideration, but
9 as I say, I don't recall what I did there.

10 Q. **[117]** Okay. Thank you. Staying on your
11 presentation, I would like you to go to page 29, if
12 you... But I'm sure you... you, of course, you know
13 by heart your presentation, so it's for... it's
14 more for and foremost for me to be helping myself
15 to be able to be understandable for you, Mister
16 Lowry. When I look at your recommendation that are
17 on this page 29, let's say for your X of a -0.68
18 and you mentioned that the Régie might also
19 consider -1 upgraded CNE to 0.8 CNE productivity
20 trend in Australia, etc. So, I have some difficulty
21 understanding all you base data in perspective,
22 because if I'm not mistaken, we've gone through
23 phase 2, the previous file after the Kahn method
24 that was in which file you've... you've
25 participate, so after the use of the Kahn method

1 the Régie went up in saying that they need a
2 benchmarking, they need an objective for
3 perspective on these issues, etc., etc. And they
4 asked for a TFP and PFP, so, you are already...
5 already know about it.

6 So, after all these work, all this previous
7 file we go on into... you filed your report and a
8 rebuttal, which are... you put on a lot of work and
9 lot of effort to come up with something that is
10 very, how can I say, sophisticated, if I can so.
11 Look, I'm just a lawyer here.

12 But after that, you're coming up here at
13 page 29 saying that: "Well, the Régie, whatever
14 myself or Mister Ros would've done here in this
15 file for the last two years, you can choose
16 whatever you wish to between -1 and 0.8." Which is
17 an... there is a difference from 180 points, base
18 point, between those two. Can I say "point" in this
19 spectrum?

20 So, how we... where are we today regarding
21 your own recommendation and the fact that you say
22 to the Régie: "Well, whatever you want you can take
23 it." If I can say so.

24 R. Well, I...

25 Q. [118] So, please...

1 R. Now, as you say, a lot of effort went into this
2 research and also that efforts of the Brattle
3 Group. And if you are only considering those
4 studies, then the number of the Brattle Group has
5 corrected his -1 and -0.68, so to the extent that
6 you think that you wanted to know what a study like
7 this would produce and we're... And I'm saying it's
8 a number in those ranges. Now, I've also said
9 repeatedly though that it's hard to know, it's
10 particularly hard to know in the case of
11 transmission whether these numbers from the U.S.
12 are really applicable to Hydro-Québec. And so, it's
13 fair question whether any other numbers could be
14 considered, I'm just... I'm just trying to be
15 helpful to the Régie in that regard that there are
16 some other numbers out there that you could also
17 consider and... but I'm not, you know, in a way
18 taking a position in my own research that probably
19 my, you know, my client is not that enthusiastic
20 about -0.68. In the Hydro One proceeding that you
21 describe, I believe I advocated a modestly negative
22 X-Factor in that proceeding.

23 So, I'm, you know, I'm doing the best to
24 come up with... with my numbers, but I can see why
25 the Régie might be interested in some other data

1 points to consider.

2 Q. **[119]** Yes. We could agree on that at the end of all
3 of this, it will under Régie discretion, that's for
4 sure, to decide which will be the good factor to
5 apply, that's fair to say, but in the end it's the
6 Régie to decide and there's a large spectrum, it's
7 fair. Is that right? You can... After all.. after
8 all this work...

9 R. Well, the work was intended to come up with those
10 three numbers, that doesn't just say that other
11 numbers couldn't be consider. I mean, look at the
12 Ontario Energy Board, they've been presented a
13 number of occasions with negative productivity
14 results and they decide they're not going to go
15 there.

16 Q. **[120]** Well, it's a policy issue they decided, but
17 the result of an expertise like yours and Mister
18 Ros, well, it's numbers. But anyway, I'll switch to
19 another question, I think you fully respond on
20 this.

21 I will go to sensitivity analysis and if
22 you - I'm sure you... if you wish to have it in
23 front of you you can, I don't... I don't have any
24 problem, it might be helpful for you - if you have
25 the Brattle Group first... first report in front of

1 you or near you, at page fifty... at page 54, if
2 you have it.

3 R. I do.

4 LE PRÉSIDENT :

5 Avez-vous le numéro de la pièce?

6 Me YVES FRÉCHETTE :

7 Oh, je vais... je vais peut-être me fier à une
8 collègue ou à un collègue pour me donner le... B-
9 0012. Bien, merci.

10 LE PRÉSIDENT :

11 B-0012, c'est ça?

12 Me YVES FRÉCHETTE :

13 Oui. Il y a toujours une main secourable pour...

14 LE PRÉSIDENT :

15 Monsieur Specte, est-ce que vous pouvez l'afficher
16 pour le bénéfice de tous?

17 Me YVES FRÉCHETTE :

18 Q. **[121]** Well, I don't think it will be necessary.

19 LE PRÉSIDENT :

20 B-0012, quelle page déjà?

21 Me YVES FRÉCHETTE :

22 Oui, c'est la page 54, Monsieur le Président.

23 LE PRÉSIDENT :

24 Page 54, monsieur.

25

1 Me YVES FRÉCHETTE :

2 Q. **[122]** It's page 54, it's regarding the Table 12
3 Annual Growth of TFP for US Sample. We look at
4 this, Mister Lowry, this table, and when I look at
5 the base case for TFP for... from the Brattle Group
6 for the period of year of nineteen ninety-five to
7 two thousand nineteen (1995-2019), the... the base
8 case is of -1.04, you see it like me I assume?

9 R. Yes.

10 Q. **[123]** Yes. And is... and they come up, Brattle come
11 up with this -1.4 using the one hoss shay approach
12 to capital, is that right?

13 R. Yes.

14 Q. **[124]** Yes. And when I'm looking at the... the
15 second column is Geometric Decay Capital, which
16 is... and for the same period, am I wrong to say
17 that the result is 1... -1.82, is that right?

18 R. Yes.

19 Q. **[125]** So, you... is it fair to say that in using
20 one hoss shay regarding capital to come up with
21 this base case TFP rather than geometric decay, In
22 fact, Brattle did not favour their client interest?

23 R. That is true, but if you go back and... Well, let's
24 just give credit where credit's due, it is true
25 that they would've have had a more favourable trend

1 using geometric decay. However, perhaps you don't
2 realize the degree to which utility witnesses are
3 somewhat constraint these days by the fact that
4 it's become very popular for utility witnesses to
5 use one hoss shay, and I explained in the report
6 why that's true.

7 And that is that back in the proceeding
8 that Doctor Ros was involved with in Alberta, there
9 was an... NERA used a productivity trend over a
10 very long sample period.

11 LE PRÉSIDENT :

12 Je crois que ce n'est pas la bonne page qui est
13 affichée, Monsieur Specte, ce serait la page 63 du
14 PDF, c'est ça?

15 Me YVES FRÉCHETTE :

16 Q. **[126]** Well, I'm sorry, Mister Lowry, you'll...

17 LE PRÉSIDENT :

18 Is it the right page?

19 R. Yes, that's right.

20 Me YVES FRÉCHETTE :

21 Q. **[127]** Yes, that's right. It's Table 12.

22 LE PRÉSIDENT :

23 Sorry for that.

24 Me YVES FRÉCHETTE :

25 Q. **[128]** It's Table 12. So, you... you're okay, Mister

1 Lowry? You can go on.

2 R. Yes. So, I was explaining that in this proceeding
3 that Doctor Ros worked for NERA, they used a very
4 long sample period. Remember he said earlier in his
5 testimony that he believes in using long sample
6 periods. But the utility witnesses in that
7 proceeding saw an opportunity to advocate for just
8 using the more recent years of the sample period,
9 doing something that Doctor Ros and Dr. Malcolm did
10 not agree to, but that's what they did. But when
11 they did that, they didn't adjust some of the...
12 they didn't adjust some of the calculations to
13 properly measure the trend over the more recent
14 fifteen (15) years. So, they got this negative
15 productivity trend for distribution, power
16 distribution, and ever since they came up with that
17 result: every utility witness has had to use one
18 hoss shay.

19 And we... we criticized the mistake that
20 they made in those proceedings in Massachusetts
21 among others that we made reference to. So, and
22 Brattle by the way, was one of the companies
23 that... who did that gamble of embracing the latter
24 part of the sample period using one hoss shay. So,
25 I would say there's a little bit of a... maybe

1 Doctor Ros is conflicted on this, but I could be
2 wrong.

3 Q. **[129]** I just... I'm just not sure if I heard you
4 correctly and my English is not that good, Mister
5 Lowry. But my question was: since Brattle
6 recommendation used one hoss shay, whatever the
7 controversy about using it or not, since Brattle
8 recommendation was to use one hoss shay rather than
9 geometric decay, this fact did not favour their
10 client interest. Can you...

11 R. Yes. I already said that that is duly noted.

12 Q. **[130]** Okay. Thank you. Now, I want you... On the
13 same table, if you don't mind, if we look at the...
14 the base case also regarding TFP again, when we
15 look at the recommendation for the period of the
16 base case TFP for nineteen ninety-five to two
17 thousand nineteen (1995-2019), the base case is
18 -1.04. First of all, just to... and you'll... I'm
19 sure you recognize that and you remember that,
20 remember the decision of the Régie that was saying
21 that for the period that need to be... to be
22 address for the... the analysis there needed to be
23 at least fifteen (15) years of data to be consider,
24 you remember that, Mister Lowry?

25 R. I do. Yes.

1 Q. **[131]** So, the Brattle... the Brattle annual growth
2 for, in this table, Table 12, for their base case
3 TFP, it runs from the year nineteen ninety-five to
4 two thousand nineteen (1995-2019), which come up
5 with a -1.4. But if we look at the same column for
6 base case TFP, if we use the period, let's say, for
7 two thousand ten and two thousand nineteen
8 (2010-2019), they come up with a number which is
9 minus nine point... -1.97. You see that, Mister
10 Lowry?

11 R. Yes.

12 Q. **[132]** So, when we look... My question would be: is
13 it fair to say that since Brattle recommend a TFP
14 result using the entire period they choose, which
15 is ninety-five and two thousand nineteen
16 (1995-2019), is it fair to say that they did not
17 favour their client interest in this situation?

18 R. It's certainly been noted that they didn't choose
19 the sample period that favoured the client in this
20 situation and that is why maître Sylvain asked
21 Doctor Ros about this very issue, that did he
22 believe in a longer sample period to which he said
23 yes. And we just note though that if you go to the
24 prior page, page 53, and look at the trend for the
25 O... what they call O&M productivity, and otherwise

1 known as CNE productivity, that a longer sample
2 period produces the most negative productivity
3 trend.

4 Q. **[133]** Sorry, I missed the button and I quit the
5 T.V. for a minute. Yes, we can... we can't argue
6 about that, on a table 11 results, these are the
7 results that you just discussed in your response,
8 but is it fair to say that, because each and
9 everywhere in your report, and even in this morning
10 in your testimony, Mister Lowry, is it fair to say
11 that you... you come with this often time saying
12 that Brattle approach was... was most of the time
13 in favour of the client, but with this TFP in Table
14 12 that we've looked together, is it fair to say
15 that it's not... it's not always the case. You can
16 not... it's unfair to say that they favoured the
17 client on all of these aspects or their study. Can
18 you agree with me on that?

19 R. Yes. I certainly agree that you have come up with
20 two counter examples, yes.

21 Q. **[134]** Thank you.

22 R. And not... and not insignificant ones.

23 Q. **[135]** Thank you. Now, we will... we will go to
24 these three accounts that, the famous three
25 accounts, that everybody talk about, and I want...

1 My first question would relate to the presentation
2 you had this morning, which is on page 5 and 6, if
3 I'm not mistaken, give me... give me one second,
4 please. It's on page 5. On pages 5 and 6. On page
5 5, and I'm sure you know all of this by heart,
6 Mister Lowry, but just for me to help myself. In an
7 X-factor study, you're saying on... on the second
8 line: "In an X-Factor study, methods should be
9 relevant to the design of a revenue cap index
10 between demandes tarifaires." Despite that's French
11 I have difficulty to read, and the first bullet is:
12 "Exclude costs that won't be addressed by the
13 revenue cap index."

14 And if I go to other page, you... you list
15 the three accounts that you excluded. Regarding
16 these three aspects, do you know that... do you
17 know if these three aspects, which is... which are
18 dispatching, transmission of electricity by others
19 and miscellaneous transmission expenses, do you
20 know that these three aspects are within the
21 formula that is apply to HQT for the first MRI?

22 R. I am certain that the first and the third of them
23 are covered by the revenue cap index, I'm not sure
24 about the second, but I think It's not covered, but
25 it's a small category.

- 1 Q. [136] Well, if let's... if you take me for, you're
2 not oblige, but if I tell you that all these three
3 aspects are covered within the formula that the
4 Régie put in place for... for HQT for their first
5 MRI, how can... how can you reconcile with the...
6 with the first bullet that we just saw on page 5,
7 that it's... it's better to exclude costs that
8 won't be addressed by revenue cap index since...
9 since these three, at least two, if I follow you,
10 but you can... but if you rely on what I'm saying
11 to you, is that all the three aspects are covered
12 within the formula of HQT. So, how can you
13 reconcile the first bullet that you see on page 5,
14 and the fact that these three aspects, no... these
15 three FERC accounts are within the HQT formula?
- 16 R. Okay. I will reconcile it for you. On page 5 I'm
17 saying that in an X-Factor study, I espouse the
18 principle that a study should be relevant to the
19 design of revenue cap index for... for use in rate,
20 in rate making. And so, I give some examples of
21 that, and one of the examples is to exclude costs
22 that won't be addressed by the revenue cap index.
23 And I give an example there of exclusion of pension
24 and benefit costs because I believe those are
25 specific to a "compte d'écart de report" in Québec.

1 That isn't the rational however for the cost
2 exclusions that are discussed in 6, because that's
3 more a matter of the fact that there are surges in
4 those costs in the United States which are
5 unrepresentative of the conditions that
6 Hydro-Québec is facing, and due in part just to
7 idiosyncratic reporting of data that is occur...
8 has occurred in the United States because these
9 accounting for these costs was not very carefully
10 supervised by the FERC for a while.

11 Q. [137] Thank you.

12 R. So, it's a different... I mean, it's... this falls
13 under the general principle of making it relevant,
14 but not by dint of the first bullet.

15 Q. [138] Thank you, Mister Lowry. I will go staying on
16 these issues of these three accounts, of course
17 you... you excluded them from your, these two
18 accounts from... you excluded them from your...
19 from your TFP study. And what percent of the total
20 O&M expenses do the expenses in these accounts
21 represent?

22 R. That is addressed on page 8 of my presentation,
23 where I showed that for... for my data set these
24 three accounts count for about fifty-six (56%), and
25 in the Brattle study they are count for even more.

1 Q. **[139]** But we... we discussed earlier the... the way
2 that you.. you testified regarding that Brattle
3 might have favor his client, but in getting and
4 excluding these three amounts, is this... since you
5 are... we are talking about roughly fifty-six (56%)
6 of total transmission O&M expenses, so excluding
7 these three accounts, isn't it materially favoring
8 the interest of your client, Mister Lowry?

9 R. Yes.

10 Q. **[140]** So...

11 R. If it's... if the one action is... the one action
12 which is contrary to what even the Hydro One
13 witness did helps Hydro-Québec than needless to say
14 it's reversal is going to help my client.

15 Q. **[141]** Correct me if I'm wrong, you're referring a
16 lot to Mr. Fenrick in the... in the Ontario case,
17 and the Ontario file that you work along with, and
18 if I don't... if... I counted them but I think that
19 there is a your report around forty (40) references
20 to Mister Fenrick work. But do you remember if
21 Mister Fenrick also removed all these three
22 accounts from his TFP study before the Ontario
23 Energy Board?

24 R. Yes. I remember that he didn't remove all three, he
25 removed only the transmission by others, the other

1 two, he left them.

2 Q. **[142]** Okay. So, at the time did you have the
3 same... the same comments about this Mister Fenrick
4 report regarding... regarding the fact that he
5 might make really favor his... his client?

6 R. I can't remember what I might have said. I mean, he
7 has his own bag of tricks that... that he uses to
8 favor his client. The usual we we're talking before
9 about the length of the sample period being an
10 admirable thing... being an admirable thing about
11 Doctor Ros's work, well, he's one of these ones
12 that thinks they should use like a fifteen (15)
13 years sample period that as we've already noticed
14 in our conversation, will produce some more
15 negative trend.

16 Q. **[143]** If I encounter Mr. Fenrick I will... I will
17 discuss with him the bag of tricks. He might find
18 it funny. Let's turn back to page 54 and Table 12
19 that we've... we've seen earlier in the Brattle
20 direct report, and...

21 LE PRÉSIDENT :

22 Est-ce que vous voulez que ce soit affiché?

23 Me YVES FRÉCHETTE :

24 Ah, ce n'est pas nécessaire.

25 Q. **[144]** I think Mister Lowry has it and my question,

1 as you can see, always tend to have some kind of an
2 exchange with you, Mister Lowry, I don't want to,
3 it's not necessary to.

4 So, and there is this sensitivity that
5 Brattle did in their... in their initial report. On
6 page 12 of your replying evidence you remember
7 surely, Mister Lowry, that this time you
8 complemented PEG... you complimented Brattle about
9 their sensitivity analysis, etc., and I think, I
10 don't quote you, but I'm quite sure it's fair to
11 say that you said that Brattle could be credited
12 for presenting result of several sensitivity
13 analysis in their report, etc. So, is it fair to
14 say that you, on this part you complimented
15 Brattle, is that right?

16 R. I did indeed and I would repeat the compliment. I
17 will... I will also be gracious to myself, however,
18 in saying that remember there was a... sorry, a
19 preliminary hearing in this proceeding to... to
20 decide all the rules for the proceeding, and one
21 the things that I emphasized was the importance of
22 sensitivity analysis by the parties. So, hopefully
23 that's also... I get a little credit for pushing
24 things in this direction.

25 Q. [145] Thank you for that comment, I'll take it with

1 the bag of tricks. But, Mister Lowry, now when I
2 look at... maybe I'm mistaken, I'm just a lawyer,
3 but when I look at your first report, I can't see
4 in your direct first report any sensibility or
5 sensitivity table or work, is that... is that
6 right?

7 R. I think that's fair to say that there are fewer
8 sensitivity exercises than Brattle, but I mean, I
9 was really surprised that they had (sound fading)
10 geometric decay, for example. There are a few, I
11 mean, for us, but we provide, the longer sample
12 period and the short sample period. That's...
13 that's one of the most important issues and that's
14 one of the things that we had our problem with in
15 these Ontario proceedings. As I've said is that,
16 you know, consultants that won't even... won't even
17 report results that to an earlier start date that
18 would lower... that would raise the productivity
19 trend. I think there... there's some others
20 examples of sensitivity analysis in my report. I'll
21 have to think about what they are, but I can see
22 that Brattle did a better job on this and that's
23 why I wanted to say something nice about that.

24 Q. **[146]** Well, maybe I'm wrong, but if I quote
25 decision 2020-2028, at paragraph 92 from the Régie

1 in a file which you participate, which were what
2 are the criteria's and how to use it for their
3 reports. It was written very clearly in comment...
4 not in comment, but in majuscules.

5 LE PRÉSIDENT :

6 Capital letters.

7 Me YVES FRÉCHETTE :

8 Capital letters.

9 Q. **[147]** It was written in capital letters that expert
10 have to... to present their work using input,
11 output, calculation and using all calculation that
12 can significantly vary the results. So, it was... I
13 must admit that it was puzzling for me that looking
14 into your first report without any sensitivity or
15 maybe for the duration period as you suggest, that
16 you just mentioned, but in the rebuttal you used
17 the Brattle spreadsheet, if I could say so, Excel,
18 a model that they produced, so I can't understand
19 why in your first report you didn't do that.

20 R. Well, some these, to be honest, we wouldn't have
21 even (sound cut)

22 THE COURT REPORTER:

23 Excuse me, Mr. Lowry?

24 R. ... the one...

25

1 THE COURT REPORTER:

2 Excuse me. If you want to put your microphone a
3 little bit upward, because when you turn your head
4 we miss... Okay. Thank you.

5 R. Some of these sensitivity analysis that they did
6 (sound interference) Well, that doesn't... that
7 doesn't make much difference with geometric decay,
8 that's more of a circumstance (sound interference)
9 one hoss shay, it's notorious for being sensitive
10 to the average... It's a very little difference, I
11 mean, because the trends in (sound interference)
12 variables are not that (sound interference) no
13 exercises that don't really reveal much sensitivity
14 (sound interference)

15 THE COURT REPORTER:

16 I'm sorry, Mister Lowry, the sound...

17 R. We just didn't have the resources to, let's say, a
18 one hoss shay calculation on top of the geometric
19 decay. Try to remember that, you know, we're
20 working... we're working even at some risk for the
21 recovery of our costs and, of course, naturally the
22 Régie doesn't want our study to be overly
23 expensive. I mean, we try to... we try to kick the
24 cost down.

25

1 Me YVES FRÉCHETTE :

2 Q. **[148]** But on that... has it ever happen to you and
3 the Régie that didn't recognize all the costs that
4 you presented before for payment?

5 R. I've been lucky, and I think they did commit more
6 to the... the budget for this proceeding, for this
7 exercise, but in the past I was taking something of
8 a risk. May I say one other thing in my defence
9 about this and that is... and I think that Doctor
10 Ros acknowledge this, that when you did ask me to
11 do some extra sensitivity analysis in the
12 information request that we happily exceeded to,
13 that we didn't kind of give some double talk about
14 how it's, you know, unreasonable to... to have to
15 do these exercises, we pretty much did what you've
16 asked us to do.

17 Q. **[149]** Thank you, Mister Lowry.

18 Me YVES FRÉCHETTE :

19 For you, Mr. Commissioner, I have to other lines of
20 questions and after that I will be done.

21 Q. **[150]** Mister Lowry, I want to... to look now at the
22 samples that you mentioned your report and the
23 difference with Brattle. If I look at your
24 responses to IR, which is response 1.3.8, you
25 remember surely you presented as an attachment,

1 Table 1.3, provided all the companies, all the
2 samples, so the fifty-one (51) companies you used
3 in your report and the companies that Brattle used.
4 So, is it fair to say that your selection was very
5 much influenced by Hydro One's expert, Mister
6 Fenrick? Is that right?

7 R. Yes.

8 Q. **[151]** Yes. If... Now, if... if I'm... I want to...
9 to go... You'll correct me if I'm wrong, but there
10 is some benefit of having more companies than less
11 in a sample, because it could give you some more
12 information, etc., etc. So, you agree with me on
13 that?

14 R. Yes.

15 Q. **[152]** And I think you said this morning also, so
16 the better... the more the better. But you... you
17 also said, and you'll correct me if I'm wrong, the
18 more the better, but if possible that you don't
19 have to do additional data correction or any
20 analysis involved, etc., etc. So, is it fair to say
21 that... that you should... it would be difficult to
22 have a large sample, but if you have a lot of work
23 behind it to do to verify the sample it could be
24 counter productive, is that right? Can I... can I
25 assume that, can you assume that?

1 R. Yes. Yes. I mean, this the sort of benefit cost
2 calculation that goes on in your head about... is
3 it a good place to put efforts?

4 Q. **[153]** So, there is... there are benefits of adding
5 more data points than less that's for sure. But
6 when I look at... at your table and the difference
7 between, there's twenty-three (23) companies that
8 were left out if I compare Brattle's sample and
9 yours, and when I look at table 1.3 you can... you
10 can look at it if you wish, it's on page 2 of 24 of
11 your... of your responses to... to IRs from HQ.
12 But...

13 R. Unfortunately, I don't have that in front of me,
14 so...

15 Q. **[154]** I will... I will...

16 LE PRÉSIDENT :

17 Est-ce que vous avez le numéro de la pièce pour les
18 transcriptions, s'il vous plaît?

19 Me YVES FRÉCHETTE :

20 Oui, c'est... c'est une pièce AQCIE-CIFQ-PEG.

21 Est-ce que je peux vous demander, Maître Lanoix,
22 votre secours immédiat pour cette...

23 Me SYLVAIN LANOIX :

24 Oui, en effet. Alors, c'est point 0061.

25

1 Me YVES FRÉCHETTE :

2 Q. **[155]** It's your. 0061, Mr. Lowry, it's a table that
3 was... that you elaborated in response that... You
4 know, there is some... You remember surely the
5 table. It's at... it's Table 1.3, page 2 of 24, if
6 I'm not mistaken. Yes. That's it, you remember
7 that. Do you want to maybe emphasize with respect,
8 because you can emphasize again because I will go
9 in... on the second... If I'm looking at the Table
10 1.3, Mister Lowry, on the left column, there's a
11 company that name is Black Hills Power. So, this
12 company was not in your sample. My question was for
13 the financial or cost aspect of this company were
14 available, because you didn't... you didn't use it,
15 so why didn't you use the numbers of this company
16 were not available or were not applicable to your
17 report?

18 R. Well, I don't have the answer to that off the top
19 of my head for that particular company.

20 Q. **[156]** Well...

21 R. Go ahead.

22 Q. **[157]** Just... just continue, if you don't know you
23 don't know it.

24 R. But I'll try to remember that. Mr. Fenrick, not a
25 doctor excluded a lot of companies for various

1 reasons, and then we excluded a few more. This may
2 very well have been of the ones that he excluded. I
3 can tell you though a lot of the recently excluded
4 companies was due to bad substation data. I think
5 that was in our explanation to you for this.

6 Q. **[158]** Yes. I don't...

7 R. Was it specifically the problems with Black Hills,
8 I don't have that in front of me.

9 Q. **[159]** It's not... it's not an Ontario proceeding
10 here and Mister Fenrick is not on the stand, so I'm
11 looking at the work you've done and do you know why
12 if Black Hills Power, how can I say, I'm looking
13 for my English word because it's the end of the
14 day, but do you know these data were available, it
15 would be they were... it was... without any
16 additional data correction or analysis, so why not
17 including that Black Hills Power into your sample
18 if... if it was not complicated and it was... you
19 could use the data that was readily available
20 for... for anybody like Brattle did? And I can go
21 on, you know, with the same question regarding
22 Cleveland Electric Illuminating Company, Dayton
23 Power and Light Company, Dominion Energy South
24 Carolina, Entergy Arkansas, and then if I go on the
25 other page, Nevada Power Company, Otter Trail

1 Corporation. So, let's assume that all these
2 companies the data were available and readily
3 accessible, outside of the risk residing on Mister
4 Fenrick work, previous work, what didn't you
5 consider in your own work all these... these
6 companies since the more sample it is the more
7 quality of your work is.

8 R. Again, just because the data have been reported on
9 FERC Form 1 it does not mean that the data were...
10 didn't have some problem. Yes, it's nice, that's
11 why we have great benchmarking potential in North
12 Americas, that we have this great data from the
13 FERC, but not all of it is without problems. I
14 mentioned in response to interrogatories that some
15 of the included companies had some merger problems,
16 and then others had problems that caused Doctor...
17 Mister Fenrick to delete them from his sample, and
18 I just got on saying that. An example of a common
19 problem was substation data, the data on
20 substations is important to explaining transmission
21 costs, but it's problematic.

22 Brattle included a number of companies in
23 its sample that had problem at a substation data,
24 it's one of the... one of the flaw. It wasn't quite
25 high enough for me to emphasize in the presentation

1 this morning, but there's a lot of problems with
2 the substation data in the Brattle model.

3 So, just because the data are available,
4 doesn't mean that they are suitable for use. Now is
5 this to say that there might have been a few
6 companies that were off this list that we could've
7 added with the extra effort, possibly, but it
8 wasn't a priority, you know, trying to keep an eye
9 on the budget, this was a sample that had never
10 been questioned in two Ontario proceedings and now
11 Mister Fenrick has done it again filed a third time
12 using considerably smaller data set than Brattle
13 did, so we just didn't think that this was... it
14 was a priority. .

15 Q. [160] On my side, if you don't mind, Mister Lowry,
16 I mind more about your... your own opinion on these
17 issues. So, if I take... did you investigate about
18 the list of companies that I will give you if the
19 data were available? So, Black Hills Power,
20 Cleveland Electric Illuminating Company, Dayton
21 Power and Light Company, Dominion Energy South
22 Carolina, Entergy Arkansas, Nevada Power Company,
23 Otter Trail Corporation, did you investigate those
24 companies whether the data were available and
25 whether additional data correction analysis would

1 be involve? And the question is to you, not to
2 Mister Fenrick.

3 R. Okay. So, you know, these... we were asked by
4 Brattle in response... in question 1.3.1 to provide
5 details of the companies that were excluded and we
6 gave a full list of these... of the reasons for
7 their exclusion, and so a number of these are
8 explained. As I think of it, Black Hills Power has
9 been out of our work, specifically has been out of
10 our work for a long time because of problems with
11 their reported transmission line models, for
12 example. And some of these companies have merger
13 problems, some of them have substation data
14 problems, and some of them were excluded by Hydro
15 One for various reasons that... that we didn't go
16 back and re-examine. So, I mean, there lots of
17 explanation, I mean, Dominion Energy South
18 Caroline, good example, that's not even... that's
19 actually just a reliable company and we explained
20 in response 1.3.1 that that just used to have a
21 different name called South Carolina Electric and
22 Gas. So, that shouldn't even be on this list,
23 because it was explained in response to 1.3.1. .

24 Q. [161] It's okay. I understand and I asked you a
25 question about companies that you did exclude here

1 and there because of wild fire and stuff like that,
2 but I understand your answer is that you didn't make
3 more inquiry to see if there was an additional data
4 that were available for the companies that I've
5 just listed to you, is that a fair statement? You
6 relied on the Fenrick sample, you reduced... you
7 reduced it by two companies?

8 R. A subset... a subset of all these are companies
9 that Fenrick excluded usually because of
10 substations pumps, we didn't go back and double
11 check again in this proceeding.

12 They're quite a few other companies on this
13 list when we queue-up for very specific reasons
14 based on our whole investigation, that they should
15 be excluded, like I just mention about watches
16 towers, we talked about various problems with
17 Pacific Gas and Electric, we're talking about the
18 ones that have merger problems, like Greenland
19 Power and so on.

20 Q. **[162]** Thank you, Mister Lowry. I'll move to my last
21 topic of questions, Mister Lowry, now. Not too bad
22 for my English?

23 R. You're doing well, better than my French.

24 Q. **[163]** Well you say that but I didn't have the
25 chance to read your poetry. Regarding now cost

1 benchmarking and CNE, if I go to your report, and
2 I'm sure you know it by heart, on page 94, you have
3 a lot of dots there that, you can take the time to
4 look at it, it's on page 94 of your direct evidence
5 that was file before, it's on CNE, it's on the
6 topic of course of Econometric Benchmarking
7 Results. When you're ready you wave me Mister
8 Lowry.

9 R. Okay.

10 Q. **[164]** Correct me if I'm wrong but when I look at
11 your results of your work, your analysis results
12 and findings at HQT actual CNE cost are hundred
13 twenty-one percent (121%) above the cost that your
14 model predicted. Is that a fair statement?

15 R. Yes.

16 Q. **[165]** And for me since I'm just a small town lawyer
17 wanting to understand conceptually, let's assume
18 that the model predicted cost For HQT was one buck,
19 and being one hundred and twenty-one percent (121%)
20 above the buck made it that it actually cost two
21 dollars and twenty-one cents (\$2,21), is it a fair
22 statement?

23 R. Yes.

24 Q. **[166]** So with this one hundred twenty-one percent
25 (121%) finding it means that HQT is a very poor

1 cost performer according to your model, you're
2 correct again saying that I'm sure and it implies
3 that HQT has the potential to reduce costs
4 significantly if it operated more efficiently, is
5 that correct?

6 R. That's the implication of the results. And yet all
7 that I proposed is a modest 0.6 stretch factor plus
8 a small adder for formula rate.

9 Q. **[167]** Yes. That's for sure. But from my example of
10 a buck versus two dollars and twenty-one cents
11 (\$2,21) what is the approximate percentage
12 reduction that would HQT need to go from being a
13 one hundred twenty-one percent (121%) above the
14 model predicted cost to just equal the model
15 predicted cost?

16 R. I'm not sure.

17 Q. **[168]** Well, I might suggest you at least fifty
18 percent (50%)?

19 R. Yes.

20 Q. **[169]** At least fifty percent (50%)?

21 R. Yes.

22 Q. **[170]** It's a fair statement. Can we agree that if I
23 take my two dollars and twenty-one cents (\$2,21)
24 reducing the cost of this, fifty percent (50%) is,
25 would be a very substantial step, is that right,

1 are you okay with this, with this statement that it
2 would be very substantial to reduce by fifty
3 percent (50%)?

4 R. It would be, yes. I would like to direct the Panel
5 attention however to the prior page, page 92 which
6 is a table entitle HQT Recent Cost and Business
7 Conditions Compare to 2019....

8 THE COURT REPORTER:

9 Sorry, Mis Lowry, when you turn your head to the
10 right, I didn't heard what you said.

11 Me YVES FRÉCHETTE:

12 The Stenographer has difficulty to hear you when
13 you move your head.

14 THE COURT REPORTER:

15 To the right mainly.

16 Dr. MARK NEWTON LOWRY:

17 R. I'll try again. I want to direct the Panel's
18 attention to the table on page 92, which is entitle
19 How HQT Recent Costs and Business Conditions
20 Compare to 2019 Sample Norms.

21 LE PRÉSIDENT:

22 And the number of the...

23 Me YVES FRÉCHETTE:

24 It's just the previous page, Mister President.

25

1 LE PRÉSIDENT:

2 Okay, it's not on the screen.

3 Me SYLVAIN LANOIX:

4 Is it preferable to have it on the screen for the
5 Panel?

6 R. Yes.

7 LE PRÉSIDENT :

8 So, Mister Specte, the exhibit number is B
9 something?

10 Me YVES FRÉCHETTE:

11 No, it's AQCIE.

12 LE PRÉSIDENT:

13 AQCIE, it'S a C.

14 Me SYLVAIN LANOIX :

15 AQCIE 0009.

16 Me YVES FRÉCHETTE :

17 Merci, Maître Lanoix.

18 LE PRÉSIDENT:

19 And it's page 92, page of the report or page of the
20 PDF?

21 Me YVES FRÉCHETTE:

22 No, it's the page of the report' Mister Chairman.

23 Is that right Mister Lowry, you were referring to
24 Table 7?

25 R. That's the table right there. Yes.

1 LE PRÉSIDENT:

2 Is it the right table?

3 R. Yes, it is.

4 LE PRÉSIDENT:

5 Then we're all set. Okay, go ahead.

6 R. Before we go on, Maître Fréchette, I would just
7 like to direct the Panel attention to the second to
8 the right most column, if you could scroll up just
9 a bit to see the title of the column, just scroll
10 up, okay so it says HQT/Average over the 2019
11 Sample Mean. Okay. So we have this for various
12 things and the one that is kind of the closer to
13 being a benchmark would be the one for Real Unit
14 Cost, that's the cost per, you know, some
15 considerations of lines miles and peak demand but
16 in real dollars and adjusting for the currency.

17 Now you have to scroll down a little bit to
18 get to that number, okay, there it is. So you see
19 the one for CNE, it shows that Hydro-Québec real
20 CNE is twice the norm. Now okay in the model you
21 have to come to grip with this and if you want that
22 it would .72 so it's in a ballpark of a pretty bad
23 number, but this is just the numbers that we were
24 having to grapple with.

25 I don't like seeing, you know, numbers like

1 1.00 for a benchmarking score but this is the kind
2 of cost data that was going into the analysis. It
3 really was on the order of twice, so I'm sorry, you
4 can go on with your questions, but I just wanted to
5 bring that to the Panel attention, because I
6 thought it was germane to what you were talking
7 about.

8 Me YVES FRÉCHETTE:

9 Q. [171] There is really no problem, Mister Lowry. I'm
10 just asking questions and you give the response,
11 so there's really no apologies to do.

12 But just for me to understand and to be
13 able to finish this last line of questions for you,
14 after that you will be "débarrasser", you'll be
15 done with me.

16 So, if I go back to just what we discussed
17 that difference of hundred and twenty-one percent
18 (121%) from the model predicted cost. And if I go
19 to the OEB guidelines for the fourth generation IR
20 because as we've just discuss, you know, with this
21 one twenty-one percent (121%), therefore we would
22 have to cut costs at around fifty percent (50%), at
23 least fifty percent (50%), we've just discuss the
24 issue.

25 If I look at the OEB fourth generation

1 incentive regulation stretch factor, you can go -
2 maybe you know it by heart, I don't know - but I
3 refer for my own purposes at page 26 of the Brattle
4 initial report that was file, which is Table 4, if
5 you have it on hand, it goes from the first group
6 with the actual cost that are twenty-five percent
7 (25%) over the predicted cost stretch factor of
8 zero and of course the fifth one which is actual
9 cost that are twenty-five percent (25%) or more
10 above the predicted cost would be .6, the stretch
11 factor, you have it in mind, Mister Lowry, I'm
12 sure.

13 R. Yes.

14 Q. **[172]** My question will be this one. With this one
15 hundred twenty-one percent (121%) difference that
16 we've just discuss, where would you put Hydro-
17 Québec on that chart, it would be I assume at the
18 last line, which is the V line with the stretch
19 factor of .6, is that right?

20 R. Yes.

21 Q. **[173]** And since we've discuss the reduction that we
22 would have to do in CNE in order to bring HQT more
23 efficient, so we've discuss around fifty percent
24 (50%) cut of CNE, but if we cut this around fifty
25 percent (50%) of the CNE would it be fair to say

1 that it would become that this utility who began
2 with a one hundred twenty-on percent (121%)
3 difference will be around into, in the third group
4 which is the actual cost within plus or minus ten
5 percent (10%) of predicted cost which would come up
6 with a stretch factor of .3 is that right?

7 R. Yes, I believe that right. Yes.

8 Q. **[174]** Yes. So according to the OEB guidelines how
9 far below the model predicted cost does HQT actual
10 CNE cost have to be in order to have a stretch
11 factor let's say of zero, for example?

12 R. I forget the exact number but it would be much
13 closer to the benchmark of course.

14 Q. **[175]** Can I suggest that at least it would be
15 twenty-five (25) below the predicted cost?

16 R. I think that's subject to check.

17 Q. **[176]** Okay, well will probably show you a graph but
18 let's say if we produce forty percent (40%), let's
19 say that we use... whatever, but anyway. According
20 to the OEB guidelines below I think the answer
21 would be at least twenty-five percent (25%) but...

22 Just to finish let's say that I'm not too
23 much in the potatoes, comment on dit ça un champ de
24 patates, potatoes farm or something like that, in a
25 bag of chips something like that Mister Lowry.

1 We started with this one twenty-one (121)
2 and we know together that we have to correct for
3 fifty percent (50%) which is substantial and with
4 this correction we are not, you know, sure... even
5 with this cut we are not the top of the sample even
6 though there would be a big cut in costs for the
7 fifty percent (50%) that we've discuss, so we would
8 be surely not at the first stage of this guideline,
9 we wouldn't be at the second stage, we would be
10 around the third stage, so that's a fair statement,
11 is that right? With the cut?

12 R. Yes, I mean yes, the benchmarking does yield that
13 out and so does the Brattle number unless they do
14 this certain trick with their projection above the
15 costs, they get even more strain results. So do I
16 believe that the company's costs are literally,
17 their CNE is literally twice what it should be? You
18 know I would be surprise that that's true. But, you
19 know, those are the numbers. You know the Régie
20 wanted HQT and other consultants to come up with
21 numbers using these kinds of method that they use
22 in Ontario and the numbers are, just happen to be
23 really bad for Hydro-Québec. And what, you know,
24 what the Régie should conclude on this basis, I
25 don't know but that isn't to say that they should

1 literally believe that their costs are double what
2 they should be. All the consultants came up with
3 this very bad...

4 Q. [177] Yes, well I didn't ask you if twenty (20)
5 years of Régie regulation end up with a poor... I
6 didn't ask you that, Mister Lowry, I just want to
7 come back to conceptual that we've just discuss
8 with this difference of one hundred twenty-one
9 percent (121%), let's say that we tackle the issue
10 and bring the CNE down by fifty percent (50%) we
11 would score in the third row of the OEB guideline
12 for a stretch factor of .3, is that fine?

13 R. It sounds about right. So let's say that HQT want
14 to be, to go on and work again and to go a little
15 further in excellency, is it fair to say that it
16 would have to cut CNE more in order to reach the
17 first stage to have a stretch factor of zero, is
18 that fair?

19 R. Yes.

20 Q. [178] So it's fair to say that. It would mean
21 another effort more than fifty percent (50%) cut in
22 their CNE in order to reach a stretch factor of
23 zero, is that right?

24 R. I'm not sure that I agree with that exact number
25 but obviously, you know, the number of, you know,

1 one point two one (1.21) implies a very high cost,
2 there's no question about that.

3 Q. [179] Okay. I'm sure I'm quite done, let me check,
4 give me just a second but I think I'm done. Thank
5 you, Mister Lowry, and thank you Mister
6 Commissioner for your patience. It's always better
7 to check. A last one.

8 R. There's something else in your bag of tricks.

9 Q. [180] Well no, poor me, I don't have a bid degree
10 like yours, Mister Lowry, I'm just doing my best
11 here.

12 My question is, because you, of course we
13 approach this issue... it's just arising to me
14 that, if we could suggest that "charges nettes
15 d'exploitation" the CNE of HQT could be reduce by
16 fifty percent (50%), you understand I am a utility
17 lawyer and I've been working here for a long time,
18 so it's difficult for me to understand that you
19 could come up with this, but coming up with these
20 numbers that you've just said, is it a possibility
21 that HQT may not be a poor performer but maybe
22 rather there is a problem with your model, is that
23 something that is possible?

24 R. I think I said in response to one of the
25 information request by the Régie, that yes, I'm

1 uncomfortable with how extreme these numbers are.
2 And I, it is certainly possible that further
3 refinements of such studies would come up with a
4 number that's less surprising. And remember that
5 with Brattle model it has even more extreme results
6 unless you do this one thing.

7 So you know, I do think that the work that
8 Doctor Ros did by using fixed-effects does, you
9 know, help us to think that part of the reason for
10 this very extreme, these very extreme numbers is
11 there's something we're not picking up here. But
12 base solely on the evidence that we have, you still
13 have to think that the proper stretch factor for
14 HQT would be .6, I mean even if there was a
15 substantial, as yourself pointed out, you have to
16 make quite a substantial reduction in that cost.
17 Because according to this study before you would
18 even get out of the .6 score, and so even if it was
19 roughly cut in half you would still be looking at a
20 .6 score.

21 I would also point out that, and I said
22 this afternoon, that the, you know, there's a
23 problem with some things excluded from these
24 studies. The way to deal with it is not what
25 Brattle did. There is a way possibly to deal with

1 it, that I haven't mention but I will now and that
2 is in Australia when they do benchmarking like
3 this, and they do use CNE benchmarking because they
4 don't want to break the data (inaudible) they want
5 to focus on the CNE.

6 So there the statistical benchmarking is
7 only one stage in the process of determinating any
8 disallowance and another would be to, if there are
9 things that the model is not picking up, it isn't
10 in the model at all, then there would be an
11 adjustment to the results to reflect this, you know
12 one, two, three, four things that the study did not
13 pick up.

14 So, I mean that's something for the Régie
15 to consider as well, particularly when you're
16 dealing with a company like HQT that is unusual and
17 maybe there is more need to be open to adjustment
18 to these scores to take account of some additional
19 factors. This type of benchmarking, I think, would
20 be a lot more successful for Hydro-Québec
21 Distribution than it is for transmission. I mean
22 obviously we're having, both parties are having
23 trouble grappling with these seemingly very large
24 cost that HQT has.

25 Q. [181] Thank you, Mister Lowry. That will conclude

1 my questions. I, again, thank you for your
2 responses and thank you Mister Commissioner and
3 Madame Duquette et monsieur le président Dumas pour
4 cette période de temps que vous m'avez gentiment
5 considérée pour l'interrogatoire de monsieur Lowry.
6 Merci, Maître Lanoix, également pour vos références
7 toujours à point.

8 LE PRÉSIDENT :

9 Je vais vérifier avec monsieur Morin, le
10 sténographe, sa disponibilité en cette fin d'après-
11 midi.

12 LE STÉNOGRAPHE :

13 Pour nous ça ne change rien, Monsieur le Président.

14 LE PRÉSIDENT :

15 On peut continuer sans que ça...

16 Me LOUIS LEGAULT :

17 Monsieur le Président c'est ce que moi j'étais pour
18 vous proposer, je n'en ai pas pour longtemps, j'ai
19 quatre questions et je m'inquiète demain matin si
20 on continue alors qu'on veut mettre en place ce
21 qu'il faut pour le...

22 LE PRÉSIDENT :

23 Le huis clos.

24 Me LOUIS LEGAULT :

25 Exactement. Alors on va être mal pris dans la

1 technique, alors il vaut mieux commencer du bon
2 pied demain matin et que le témoignage de monsieur
3 Lowry soit terminé.

4 LE PRÉSIDENT :

5 Alors on y va pour les questions de la Régie.

6 Me LOUIS LEGAULT :

7 Merci, Monsieur le Président.

8 LE PRÉSIDENT :

9 Maître Legault.

10 EXAMINED BY Me LOUIS LEGAULT :

11 Q. **[182]** Good afternoon, Doctor Lowry. I'm Louis
12 Legault with the Régie. We've seen each other
13 before. My first question to you is a question that
14 I put to Doctor Ros this morning and it goes to the
15 sample. Now you've already answered a few questions
16 by maître Fréchette and by maître David on how you
17 chose the companies that are part of your sample.
18 My question is more about how you took into account
19 the differences of these American companies when
20 comparing the sample to Hydro-Québec TransÉnergie.

21 So essentially and you'll remember this
22 morning my question was to the effect that Doctor
23 Ros candidly admitted that Hydro-Québec was a
24 special type of company and did not really have a
25 comparable company in the States. I think you agree

1 with that, you even said earlier that you're still
2 questioning yourself on the value of the American
3 sample when dealing with a company like Hydro-
4 Québec.

5 But this being said, Doctor Ros talk about
6 the fact that Hydro-Québec was a crown corporation,
7 that it had many, many, many miles of lines and
8 these were things that he took into account when
9 stating that Hydro-Québec was a different type of
10 company. And I've added to that that American
11 transmitters are often working in a relatively
12 competitive market from state to state and power
13 purchasers can have their power travel through one
14 state and if it's block there travel through
15 another state at least to access the power. I
16 talked about the fact that generally in the States
17 the rate of return that is allowed by regulators is
18 higher then the ones that are usually allowed in
19 Canada. And finally I talked about the stand alone
20 approach, stating that some of the companies were
21 municipalities with very, very little transmission
22 capability.

23 So these were factors when looking at the
24 sample and I'm putting the same question to you as
25 I did to Doctor Ros.

1 How did you take into account these
2 differences in the weight of the sample companies
3 to obtain the results you obtained?

4 Essentially, you know ,how did you
5 discriminate or another word would arbitrate and
6 this morning I used the example, the sailing
7 example of did you use a handicap to you know to
8 rate these companies or they were in or out. It's
9 as simple as that. How did you proceed?

10 R. Okay. Now let me say first of all, just a second,
11 that we tried our best to come up with a model that
12 would be appropriate for Hydro-Québec and if you
13 look in my testimony, there's a lengthy section
14 where I talk about special operating conditions of
15 Hydro-Québec and we tried as best we could to come
16 up with various variables that would capture their
17 special cost challenges.

18 So for example, it's a very large
19 transmission offer and I think (inaudible) and
20 Clark (inaudible) has some...

21 THE COURT REPORTER:

22 Mister Lowry...

23 R. And so you'd like to have a model...

24 THE COURT REPORTER:

25 Mr. Lowry? The sound is cutting.

1 R. ... that is specially designed to consider any cost
2 challenges of being extraordinarily large and
3 that's why our model has these so called
4 second order (sound cut) in addition to having the
5 mons... (sound cut). Well let's say both are...
6 Both Brattle and PEG had miles of... (sound cut) We
7 also have miles of transmission lines.

8 THE COURT REPORTER:

9 Mr. Lowry?

10 R. Your action turned between two... (Sound cut).

11 THE COURT REPORTER:

12 Mr. Lowry please?

13 R. (Sound Cut).

14 THE COURT REPORTER:

15 Mister Lowry!

16 R. It was possible for us to do this because we were
17 using all of the variation in the sample. The
18 between variation between the variables as well...

19 THE COURT REPORTER:

20 Mister Lowry please.

21 R. We were in and out of a much more sophisticated
22 Output specification. Now then if you go down the
23 list of variables...

24 Me SYLVAIN LANOIX :

25 Mister Lowry? I don't think he's hearing us because

1 he's got the headphones on.

2 PROBLÈME DE TRANSMISSION

3 R. Do you guys hear me?

4 Me LOUIS LEGAULT:

5 Mister Lowry, we don't hear you when you turn your
6 head. Because I don't think you're using the...

7 R. Do you hear us because we don't hear you.

8 DISCUSSION POUR ESSAYER DE RÉGLER LES PROBLÈMES DE
9 SON

10 LE PRÉSIDENT:

11 The stenographer also is very important and mister
12 Morin I don't know if you can come on the screen
13 just to tell mister Lowry the problems you have to
14 pick him up.

15 THE COURT REPORTER:

16 It's what maître Legault just said. When you turn
17 your head to the right we don't understand. So it's
18 maybe the problem with microphone that you use.

19 DR. MARK NEWTON LOWRY :

20 Okay.

21 THE COURT REPORTER:

22 Okay?

23 DR. MARK NEWTON LOWRY :

24 Okay. I will do my best to...

25

1 Me SYLVAIN LANOIX:

2 He's a very important person that listens to you
3 so.

4 THE COURT REPORTER:

5 So we missed something. So anyway.

6 R. Okay. So I talked about how we have this customized
7 output specification that supposed to be able to
8 say something about the special cost challenges of
9 Hydro One's unusual system.

10 There's the substation capacity per number
11 of substation variables. Well that gutta be good
12 for Hydro-Québec because they elevate to a very
13 high voltage and that means that their transmission
14 substations are going to have to do a lot of step
15 down.

16 Number of substations per miles of
17 transmission lines. That again should help Hydro-
18 Québec because they have a whole lot of these
19 posts... You know serving this enormous service
20 territory. They have a whole lot of these posts.

21 Now there's a variable here that Brattle
22 doesn't have in their study called "Construction
23 Standards In Depths" and this is something actually
24 that mister Fenrick developed in these Ontario
25 proceedings but it expressly deals with special

1 weather challenges in Eastern Canada that can cause
2 higher costs to build tower poles and towers.

3 So and then there's some other variables of
4 course too but I think that, you know, we really
5 did try to have a...

6 We were not trying to make anyone look bad
7 when we wouldn't have put in a variable like the
8 constructions' standards and that's because that
9 indicates that there are special challenges to
10 operating in Québec.

11 Another thing I would like to bring to the
12 attention of Mister Legault is that you know in an
13 econometric model you want to have some variation
14 in the values of the variables in the sample in
15 order to come up with precise estimates of the
16 model parameters.

17 So you would like... It would be nice if
18 Hydro-Québec was not too different from the average
19 utility in the sample but at the same time it's
20 great to have a bunch of different kinds of
21 utilities that kind of help to estimate the values
22 of all these parameters.

23 So you know I mean clearly they are some
24 things that are different about Hydro-Québec, how
25 we probably didn't capture all of them as much as

1 we would like to and as I've said I think we can do
2 a better job benchmarking Hydro-Québec
3 Distribution.

4 But that being said I mean it's not like
5 this was a fools' errand. I mean there are... I
6 mean you know this is a fairly sophisticated model
7 of the same kind that's used the benchmark Hydro
8 One.

9 Now Hydro One isn't that different from
10 Hydro-Québec and yet the Ontario Energy Board has
11 had it benchmarked three times already.

12 Q. [183] Okay. My next series of questions will refer
13 to Exhibit B-0094 which is Brattle's additional
14 report. Essentially replying to your report and
15 monsieur Specie if you want to bring to the screen.
16 Please. Thank you.

17 First I'll direct you to page 22 where
18 Brattle states:

19 Second, PEG seems to concede that
20 whatever problems it believes exists
21 with accounts 561.1 -561.8, and
22 accounting 566, the problem does not
23 affect all companies.

24 Thus, a reasonable alternative that
25 PEG could have done instead of

1 excluding these legitimate
2 transmission O&M expenses from it's
3 productivity study would have been to
4 do the same as in the benchmarking
5 study and remove some companies from
6 its sample to determine whether
7 excluding the expenses from all
8 companies was reasonable.

9 And a bit further at page 23:

10 We asked PEG to re-run the TFP model
11 but under the same cost information
12 used for its benchmarking, it found
13 TFP growth of minus one point zero one
14 percent (-1.01%) and MFP O&M growth of
15 minus two dot twenty-two percent
16 (-2.22%).

17 Now my question to you is can you indicate if the
18 exclusion of some companies from the sample which
19 reported uncommonly large dispatching or
20 miscellaneous transmission expenses and the
21 inclusion of these expenses in the productivity
22 study would produce more precise information and no
23 bias.

24 R. Well in this particular case I was surprised that
25 Brattle showed this evidence because what it shows

1 is that just from removing those six companies that
2 the productivity growth goes from negative three
3 point three eight to negative three point one zero
4 (-3.38 - -3.10).

5 That's a considerable difference and you
6 know when you look at our step-by-step analysis,
7 the removal of all the data for miscellaneous
8 transmission expenses, no one ever said it had an
9 enormous effect. It just had a material effect such
10 that it was worth doing.

11 So I'm surprised that they used this
12 example which... I will concede that we might have
13 done it the other way but I don't think the result
14 would have been that much affected by it.

15 Q. **[184]** So do you agree that it would produce more
16 precision and no or less bias to go that route?

17 R. No I'm not going to agree to that because I'm not
18 sure that there weren't smaller companies. See you
19 have to remember, Mister Legault, that we didn't
20 have the choice of removing miscellaneous
21 transmission expenses from the benchmarking study
22 because you couldn't remove them from the data for
23 Hydro One.

24 So if we were going to make an adjustment.
25 What to do? Well I just thought "Let's remove the

1 six worst companies because then we can... "...

2 You know we don't want to take out too many
3 and we want to be able to do the benchmarking. So
4 let's just focus on the six worst.

5 We didn't necessarily have to do that when
6 doing the productivity trends because we didn't
7 have the same issue about comparability to Hydro-
8 Québec.

9 Q. [185] Okay. Again in its commentaries to your RFP
10 Study, Brattle states, and at the same exhibit, at
11 page 36 now, where Brattle states:

12 PEG's economic rate methodology
13 ignores and fails to control for each
14 transmission companies' unique
15 unobservable features.

16 A little further on:

17 Specifically PEG's economic
18 econometric methodology fails to
19 control for these unobservable factors
20 because the pooled OLD model includes
21 all those unobservable effects in the
22 error of the regression.

23 Again, a little further on:

24 If the unobservable effects are
25 important in determining costs and

1 there is significant unobserved
2 heterogeneity among the firms, then
3 use of pooled OLD will be unreliable
4 for cost-benchmarking purposes. Using
5 OLD not only will distort the
6 residuals (error terms) that are the
7 measure of relative efficiency but
8 also provide bias and inconsistent
9 parameters.

10 And finally later in page 37:

11 In summary, the three tests described
12 in the section support the use of the
13 fixed effect approach for the
14 benchmarking exercise. Using PEG's own
15 data and based upon the result of the
16 three statistical tests, PEG's
17 econometric models yield unreliable
18 results for benchmarking HQT's costs.

19 Can you please comment on Brattle's findings
20 indicated in what I've just read to you on the
21 methodology that PEG used in its economic study?

22 R. Yes. Well let's start by saying that the approach
23 that we used which does include the net effect of
24 excluded relevant variables in the score is the
25 common approach to benchmarking everywhere.

1 I mean usually the modeler tries to control
2 for as many business conditions as possible and
3 then the benchmarking score is going to include the
4 net effect of excluded relevant variables. That's
5 how benchmarking is usually done.

6 As for the criticism about the omitted
7 variable bias I've already addressed that.

8 They're probably is some omitted variable
9 bias in our parameter estimates. Thousand tests
10 would show that but at the same time what's the
11 alternative?

12 Because if the alternative is to estimate
13 using a fixed effects estimator that ignores all
14 the between variation in the sample you're going to
15 get some very sketchy estimates of the parameters.

16 I mean just look at the parameters of
17 Brattle's models compared to us and many of them
18 are statistically significant.

19 I mean when they were coming up with
20 weights for the output index, they couldn't even
21 use their fixed effects model.

22 They had to do it... They had to base it on
23 an alternative random effects estimator because
24 otherwise the parameter estimates were not reliable
25 enough to come up with the weights.

1 So finally, with the... I mean Brattle will
2 have you believe that the only way out of this is
3 to include into the benchmark the average
4 efficiency of the utility and nobody does that.

5 As I explained repeatedly now, that is
6 just not done in benchmarking and it explain why
7 the results are so outwardly reasonable. I mean
8 yes, the results are close to zero because all
9 they're really measuring is the deviation of Hydro-
10 Québec current inefficiency from their long term
11 inefficiency.

12 Even if you cut the costs in the sample by
13 half it has only a very modest effect on the
14 benchmarking score. I mean that just doesn't make
15 sense.

16 So, you know, as I said they are in a
17 worldly pooled OLD which is the most widely used
18 method, which is the method use in Québec, in
19 Ontario by Hydro One, there will be the net effect
20 of excluding relevant variables in the score. But
21 that's just the way benchmarking is usually done
22 and the way they propose to do it differently is
23 not an accepted method in the benchmarking
24 community.

25 So a way out would be, if you ever want to

1 this again, first of all we all look for something
2 in the data that we miss, something about the way
3 the company report its costs, it's what I'm worried
4 about. But then beyond that when you get your base
5 benchmark score and then you could make some
6 adjustments for some special business conditions
7 that are clearly not in the model.

8 You know, I already explain it, a lot of
9 this special business conditions face in the
10 company are in the model. But if there's a few that
11 are different then you could make a special
12 adjustment for them as opposed to the extreme and
13 unacceptable approach that Brattle uses.

14 Q. [186] Okay. My last question and it's also a
15 question that I put to Doctor Ros this morning,
16 Doctor Lowry, and it deals with the results in
17 thinking of the possible second generation PBR. The
18 question was, you know, can you indicate if the
19 results regarding productivity growth of the
20 American industry, during the period ninety-five to
21 two thousand nineteen (1995-2019) would be better
22 adapted or better suited for a PBR that would
23 include CNE as well as capital? So in other words
24 would a PBR, a complete PBR if I can use that term,
25 with O&M and capital would facilitate the

1 application of the results of the TFP study in an
2 indexation formula for the transmitter Hydro-Québec
3 TransÉnergie's PBR?

4 R. I think that, you know, for one thing the
5 productivity trends of both the CNE and the
6 capital, we have this concern due to business
7 conditions facing the US utilities, really are they
8 as challenging for productivity growth as they are
9 for Hydro-Québec? I mean that's going to be true
10 for the CNE as well the capital.

11 I can easily see that the Régie in its
12 wisdom learn from this hearing to adjust the
13 X-Factor in a way that the company can live with
14 and that would permit the CNE part of it to go on.
15 Now as for the other part, we run into the problem
16 there that they have in Ontario with, actually,
17 both power distributors and with transmission, that
18 you know sometimes companies have these occasional
19 capex surges that are not going to be funded by an
20 index that's base on a long-run productivity trend,
21 even if it's a $-.68$, they're might be that wouldn't
22 be able to, in the short-term, if they're replacing
23 a line to James Bay or something, that's not going
24 to be enough money.

25 And then you get in into the realm of how

1 much supplemental capital revenue is to be
2 afforded. That, right there, is the frontier of
3 comprehensive regulation for power transmission and
4 distribution alike, it's really a good way of
5 trying to bring incentive to bear and at the same
6 time permitting the funding, you know, the
7 occasional funding surge.

8 And we're, you know, in its new round of
9 Hydro One transmission work that were just doing
10 now, we'll be thinking about it again. Ontario is
11 probably the place where they thought the most
12 about this, Alberta being another one.

13 And then remember that the Ontario Energy
14 Board has never decided to go to a fifth
15 generation, where they would just consider: what
16 have we learned from MRI and how can we do it
17 better than that. They keeping putting that off.
18 They put that off for something like five years and
19 there's still no plan for it.

20 So I think that's something that can be
21 consider for... the comprehensive approach can be
22 consider but it probably would have to involve some
23 ability of the company to get some occasional
24 supplemental capital revenue and then you have to
25 work through a way to make it all just and

1 reasonable and have some reasonable performance
2 incentives.

3 Q. [187] Thank you for this, Doctor Lowry, that's the
4 end for me, Mister Chair.

5 LE PRÉSIDENT :

6 Merci. Maintenant les membres de la formation
7 monsieur Dumas.

8 M. JOCELIN DUMAS :

9 Non, merci pas de questions.

10

11 LE PRÉSIDENT :

12 Maître Duquette?

13 Me LISE DUQUETTE :

14 Non.

15 LE PRÉSIDENT :

16 La formation n'a pas de questions. The Panel has no
17 questions for you Mister Lowry. Me Lanoix, d'autres
18 questions?

19 Me SYLVAIN LANOIX :

20 Non.

21 LE PRÉSIDENT :

22 So I understand that we can "libérer" Mister Lowry
23 and we thank you very much for your testimony.

24 Avant de quitter, Maître Fréchette, je
25 voulais juste vous souligner qu'on a reçu la

1 demande de tarif provisoire. Elle est rentrée. Donc
2 merci.

3 Me YVES FRÉCHETTE :

4 Vous devriez avoir la liste aussi... Si vous me
5 permettez. Vous devriez avoir aussi la liste pour
6 le huis clos.

7 LE PRÉSIDENT :

8 Oui. C'est ça. Je ne sais pas si monsieur...

9 L'avez-vous envoyé à monsieur Specte?

10 Me YVES FRÉCHETTE :

11 Oui, effectivement.

12 LE PRÉSIDENT :

13 Je vais juste vérifier avec monsieur Specte s'il
14 l'a bien reçue. Oui.

15 LE GREFFIER :

16 Tout à fait.

17 LE PRÉSIDENT :

18 Parfait. Il y avait un point qu'on pourrait peut-
19 être régler. C'est la demande de monsieur Neuman
20 qui... l'engagement additionnel qu'on a reporté.
21 Puis maître Neuman nous a envoyé un projet. On
22 voulait vérifier auprès de vous et de maître
23 Cadrin. L'engagement qui avait été traité avec
24 AHQ-ARQ, nous, on croit comprendre que la
25 discussion finale que vous avez eue avec maître

1 Cadrin qui a été reprise, c'était simplement de
2 valider certaines données. Ce n'est pas des
3 commentaires. C'était juste de valider les données.
4 C'est d'ailleurs ce que dit maître Neuman dans sa
5 lettre, qui est C-RTIEÉ-0028. Je pense que, si je
6 comprends bien votre lettre, Maître Neuman, c'est
7 ça. Je vais juste vérifier si c'est...

8 Me DOMINIQUE NEUMAN :

9 Effectivement.

10 LE PRÉSIDENT :

11 ... l'engagement d'AHQ-ARQ est bien celui que je
12 viens de vous... ou s'il y a des particularités que
13 nous avons manquées.

14 Me STEVE CADRIN :

15 Bonjour, Monsieur le Président. Je m'excuse. J'ai
16 un micro avec le bouton à côté à gérer aussi pour
17 éviter des... Donc, je ne me prononcerai pas sur
18 l'engagement que cherche maître Neuman ou la façon
19 dont il l'a rédigé...

20 LE PRÉSIDENT :

21 Le vôtre aussi.

22 Me STEVE CADRIN :

23 ... l'engagement... Oui, c'est ça. Il est allé sur
24 un autre chemin. Mais je comprends, un chemin
25 similaire au mien. Alors, ce que j'ai demandé, moi,

1 et la discussion est un petit peu plus large, là,
2 avec l'expert, le docteur Ros, nous avons regardé
3 certaines données qui nous apparaissaient un peu
4 plus, que je qualifierai, aberrantes ou
5 problématiques, et lui demander de valider si ces
6 données-là, d'abord, étaient les mêmes que dans son
7 Database, excusez-moi l'expression en anglais, on
8 avait déjà vérifié nous-même, et si elles ne
9 présentaient pas une problématique ou une
10 particularité. Alors, il se peut qu'il veuille
11 commenter.

12 Ce n'est pas un exercice simplement de
13 validation des chiffres et d'où ils viennent, là.
14 On le savait ça, nous. Et on a pris les chiffres
15 puis on les a regardés déjà ces chiffres-là, ce
16 sont les mêmes chiffres qui sont déclarés dans le
17 formulaire, là, si on peut dire, qui est déposé à
18 la FERC. La question est un petit peu plus large
19 que celle de maître Neuman ou différente du moins
20 de celle de maître Neuman, je vais le laisser
21 formuler autrement.

22 Alors je ne sais pas si monsieur ou le
23 docteur Ros, excusez-moi, veut commenter ou pas. Et
24 c'est devenu un engagement depuis, là, alors je ne
25 sais pas comment... qu'est-ce qui est nécessaire

1 comme vérification à ce stade-ci de son côté et
2 comment il veut articuler ça, je ne veux pas... je
3 ne veux pas le restreindre dans sa réponse.

4 LE PRÉSIDENT :

5 Je ne sais pas maître Fréchette parce que, moi, la
6 compréhension que... enfin ce qu'on en a c'est que
7 l'AHQ... l'engagement se lit :

8 Valider les données apparaissant à la
9 pièce B-0061, page 12 pour les
10 compagnies Central Main Power Company
11 et Ohio Valley Electric Corporation.

12 Me YVES FRÉCHETTE :

13 C'est notre compréhension, c'est une validation de
14 données.

15 LE PRÉSIDENT :

16 Alors c'est... c'est une validation de données.

17 Me STEVE CADRIN :

18 Bien c'est ça, c'est le commentaire... en fait, on
19 verra comment le docteur Ros répondra à la question
20 en temps et lieu, là, parce qu'au début on devait
21 avoir une réponse très rapidement, mais on veut
22 prendre le temps de vérifier les choses et c'est
23 correct comme ça. C'est sûr qu'on a déjà consulté
24 l'information dans le « database », là. On n'a pas
25 posé la question de savoir s'il a mal transcrit les

1 chiffres, là, c'est pas ça la question, là.

2 LE PRÉSIDENT :

3 Non, mais je ne prends que l'engagement tel que...

4 qu'il a été pris et tel que nous on le voit, là.

5 C'est ça l'engagement. J'imagine qu'Hydro-Québec va

6 y répondre en y mettant les commentaires qu'elle

7 juge appropriés, mais c'est ça, c'est pour voir...

8 maître Neuman va dans la même... prétend aller dans

9 la même direction, alors on voulait juste bien

10 valider c'était quoi l'engagement. Et ce que j'ai,

11 moi, c'est ça : c'est valider les données.

12 Me DOMINIQUE NEUMAN :

13 Oui, oui, Monsieur... Monsieur le Président...

14 LE PRÉSIDENT :

15 Un instant, Maître Neuman. Et, Maître Fréchette,

16 vous confirmez que c'est l'engagement que vous

17 lisez, vous, de votre côté?

18 Me YVES FRÉCHETTE :

19 Tout à fait, c'est : valider les données.

20 LE PRÉSIDENT :

21 Alors, Maître Neuman...

22 Me DOMINIQUE NEUMAN :

23 Oui.

24 LE PRÉSIDENT :

25 ... si on revient... et Maître Fréchette, si on

1 revient à votre... à votre demande que vous aviez
2 formulée et vous avez envoyé une lettre qui porte
3 la date du treize (13) décembre, la lettre qui est
4 cotée C-RITEÉ-0028, vous mentionnez vous-même que
5 vous souhaitez être aligné... vous vous alignez sur
6 AHQ-ARQ. Puis la question se pose : est-ce
7 qu'Hydro-Québec est en mesure de faire le même type
8 de validation de données sur la liste qui a été
9 mise de l'avant par... dans sa demande par maître
10 Neuman. Parce que c'est ça dont on parle.

11 Me DOMINIQUE NEUMAN :

12 Oui, effectivement, Monsieur le président, je
13 confirme que selon... je n'ai pas encore le texte
14 de la transcription d'hier, mais selon mon souvenir
15 c'était effectivement la validation qui était
16 demandée quant aux deux compagnies identifiées par
17 AHQ-ARQ.

18 Et comme... et je... comme on s'y attend un
19 peu, je pense qu'implicitement il se peut que le
20 témoin ne va pas simplement dire « oui » ou « non »
21 que c'est valide. Il va sûrement avoir un
22 commentaire à exprimer puisque tant AHQ-ARQ que
23 nous-même, nous nous interrogeons sur le caractère,
24 pour reprendre l'expression de maître Cadrin,
25 « aberrant » de certains... de certaines des... des

1 données utilisées. Donc, j'imagine que peut-être
2 que le témoin aura quelque chose à dire et il ne
3 dira pas simplement : oui, j'ai bien copié ou non,
4 j'ai mal copié le chiffre. Il va sûrement peut-être
5 dire autre chose et... et c'est le sens de ma
6 question et je pense que c'est... c'est l'attente,
7 peut-être pas le texte, mais c'est l'attente de
8 l'AHQ-ARQ également.

9 LE PRÉSIDENT :

10 Maître Fréchette, je ne sais pas si vous avez un
11 commentaire immédiat, là?

12 Me YVES FRÉCHETTE :

13 Écoutez, je ne peux pas m'exprimer pour le docteur
14 Ros, c'est des questions qui lui sont adressées.
15 Une chose est certaine, c'est que la validation des
16 données, ça c'est tout à fait légitime. Alors ça,
17 il n'y a aucune difficulté à revoir si ces données-
18 là sont les bonnes, s'il y a des erreurs, etc.,
19 etc., etc.

20 Par la suite, ce que les gens voudront
21 plaider à partir de ça ou les démonstrations qu'ils
22 voudront faire, ça, ça n'appartient pas au docteur
23 Ros, puis ça n'appartient pas à Hydro-Québec
24 TransÉnergie. Et puis c'est... c'est pas à monsieur
25 Ros ni à moi-même, en toute humilité, de

1 paraphraser mes collègues ou de trouver des
2 questions où il n'y en a pas ou d'essayer
3 d'improviser des questions qu'il pourrait poser.

4 Valider les données, Monsieur le Président,
5 sur l'échantillon, il n'y a aucune difficulté avec
6 ça. Alors je suis convaincu que le docteur Ros est
7 en train d'accomplir ça, c'était l'engagement 9
8 pour l'AHQ-ARQ, si je ne m'abuse. Alors de prendre
9 un engagement similaire. C'est juste que, Maître
10 Neuman, je n'ai pas la nomenclature des sociétés à
11 l'égard desquelles vous aviez identifié des
12 anomalies, selon vous. Avec maître Cadrin, et
13 l'AHQ-ARQ, c'était clair, on parlait de Central
14 Maine Power, on parlait de Ohio Valley Corporation,
15 donc deux sociétés bien identifiées.

16 Dans votre cas, malheureusement, je n'ai
17 pas cette précision-là, au niveau de la validation.
18 Donc, ça exigerait de reprendre le tableau en
19 entier, ce qui, je ne pense pas, serait productif.
20 Êtes-vous en mesure de nous identifier les sociétés
21 sur lesquelles vous sou... et que vous avez
22 alléguées...

23 Me DOMINIQUE NEUMAN :

24 Oui.

25

1 Me YVES FRÉCHETTE :

2 ... « aberrations », là? Êtes-vous capable de
3 m'identifier les sociétés sur lesquelles une
4 validation des données serait demandée?

5 Me DOMINIQUE NEUMAN :

6 Oui. Le tableau que nous avons déposé, si mon
7 confrère allait le consulter, ce n'est pas toutes
8 les soixante-quatorze (74) compagnies, ce sont dix-
9 neuf (19) compagnies pour lesquelles des données,
10 les données fournies par Brattle, sont aberrantes,
11 pour prendre l'expression de maître Cadrin.

12 LE PRÉSIDENT :

13 Donc, est-ce que c'est le tableau...

14 Me DOMINIQUE NEUMAN :

15 Ça se trouve déjà exprimé dans le texte de la
16 question, il y a la référence. On clique sur
17 l'hyperlien et on va voir le tableau qui se trouve
18 à la page 2, des extraits que nous avons...

19 LE PRÉSIDENT :

20 Maître Neuman, est-ce que c'est la pièce
21 C-RTIEÉ-0026?

22 Me DOMINIQUE NEUMAN :

23 Oui. Oui, à la page 2 de cette pièce.

24 LE PRÉSIDENT :

25 À la page 2. Ce sont les données. Parce que vous,

1 vous ajoutez des colonnes, puis vous ajoutez des
2 demandes de commentaires. Mais là, on parle bien de
3 la validation des données, c'est tout.

4 Me DOMINIQUE NEUMAN :

5 Il y a aux deux... aux deux premières colonnes
6 chiffrées, c'est...

7 LE PRÉSIDENT :

8 C'est ça.

9 Me DOMINIQUE NEUMAN :

10 ... les chiffres qui viennent de Brattle.

11 LE PRÉSIDENT :

12 Donc, c'est ça qui doit être validé.

13 Me DOMINIQUE NEUMAN :

14 C'est ça. Ensuite, il y a l'équation, qui est le
15 facteur d'utilisation, qui est la troisième
16 colonne, qui a été créée à partir des deux
17 premières colonnes.

18 LE PRÉSIDENT :

19 Donc, monsieur l'expert n'a pas à les valider, ce
20 ne sont pas ses données.

21 Me DOMINIQUE NEUMAN :

22 Il n'a pas à les valider, c'est le résultat. Et
23 peut-être que l'expert verra... sera motivé de
24 vérifier ses données, quand il voit que le facteur
25 d'utilisation qu'on a à un endroit, c'est un

1 virgule soixante-quatre (1,64) : c'est le premier
2 cas, celui de Central Maine Power. Et il y a
3 d'autres cas, c'est des facteurs d'utilisation de
4 plus que cent pour cent (100 %). Peut-être que...

5 LE PRÉSIDENT :

6 Et la dernière colonne?

7 Me DOMINIQUE NEUMAN :

8 ... l'expert aura à dire quelque chose là-dessus,
9 c'est un expert, après tout.

10 LE PRÉSIDENT :

11 Oui, mais la dernière colonne, ça, c'est vraiment
12 votre création et ça...

13 Me DOMINIQUE NEUMAN :

14 C'est notre création.

15 LE PRÉSIDENT :

16 Donc, ce n'est pas ça qui fait l'objet de
17 l'engagement. Ce serait la validation des deux
18 premières colonnes, dans la mesure où c'est les
19 données qui sont à valider.

20 Me DOMINIQUE NEUMAN :

21 Oui.

22 LE PRÉSIDENT :

23 Est-ce que ça vous convient, Maître Fréchette, est-
24 ce que c'est la lecture que vous faites aussi?

25

1 Me DOMINIQUE NEUMAN :

2 Moi, ce que je demande, c'est que tel qu'il
3 apparaît dans le texte de la question que j'ai
4 transmis hier après-midi, c'est à la fois de
5 valider et de commenter. Donc, item 1 : valider;
6 deuxièmement : est-ce que l'expert lui-même trouve
7 que c'est impossible, improbable ou anormal. Donc,
8 peut-être qu'il dira non...

9 LE PRÉSIDENT :

10 Mais vous avez longuement, hier, référé au fait que
11 vous étiez en ligne avec l'AHQ-ARQ.

12 Me DOMINIQUE NEUMAN :

13 Absolument.

14 LE PRÉSIDENT :

15 Et l'AHQ-ARQ, c'est la validation de données,
16 point, qu'on a présentement...

17 Me DOMINIQUE NEUMAN :

18 Oui, mais moi, je demande...

19 LE PRÉSIDENT :

20 C'est parce que c'est ça l'engagement, c'est ça qui
21 est l'engagement qui est dans les transcriptions à
22 venir, là...

23 Me DOMINIQUE NEUMAN :

24 Oui.

25

1 LE PRÉSIDENT :

2 ... c'est ça qu'on a tous compris.

3 Me DOMINIQUE NEUMAN :

4 Oui, mais...

5 LE PRÉSIDENT :

6 Alors, dans votre cas, vous demandez beaucoup plus,
7 et là, c'est une question de savoir si... qu'est-ce
8 qui... à quoi peut agréer ou non maître Fréchette
9 pour que ça devienne un engagement qui puisse être
10 répondu rapidement...

11 Me DOMINIQUE NEUMAN :

12 Oui.

13 LE PRÉSIDENT :

14 ... pour pouvoir être pertinent au dossier.

15 Me DOMINIQUE NEUMAN :

16 Oui. Ce que je vous soumetts respectueusement,
17 Monsieur le Président, c'est que si l'expert n'a
18 pas de commentaires, il dira qu'il n'a pas de
19 commentaires, c'est tout, mais peut-être qu'il en
20 a. Ou s'il dit qu'il n'a pas le temps de réfléchir
21 à ce sujet et d'avoir des commentaires, il dira
22 qu'il n'a pas le temps, c'est tout. Simplement pour
23 voir si l'expert... c'est un expert. Est-ce qu'il a
24 quelque chose à dire quant à ce que nous croyons,
25 et peut-être que lui, il ne croit pas que c'est

1 anormal, fait qu'il dira que ce n'est pas anormal,
2 ces chiffres-là.

3 Me YVES FRÉCHETTE :

4 Est-ce que vous avez complété, Maître Neuman?

5 LE PRÉSIDENT :

6 Maître Fréchette.

7 Me YVES FRÉCHETTE :

8 Oui, alors en ce qui concerne ces données, Monsieur
9 le Président, qui sont à valider, proviennent des
10 réponses qui ont été...

11 LE PRÉSIDENT :

12 Maître Fréchette, pouvez-vous venir plus dans
13 l'écran? On vous voit juste la moitié du visage.

14 Me YVES FRÉCHETTE :

15 Ah, excusez-moi, c'est...

16 LE PRÉSIDENT :

17 O.K. Là, c'est mieux. Merci. Je suis désolé, là,
18 parce qu'on...

19 Me YVES FRÉCHETTE :

20 Non, non, c'est bien, c'est pour utilisation...

21 LE PRÉSIDENT :

22 Vous étiez hors champ, là.

23 Me YVES FRÉCHETTE :

24 C'est pour utiliser les données documentaires, là.
25 Alors, il y avait l'avis... les données dont on

1 parle, là, qui sont objet de discussions depuis
2 quelques minutes, proviennent des réponses qui ont
3 été offertes et qui apparaissent à HQD-10, document
4 6.1, aux réponses... à la réponse 1.1.14.

5 De cette nomenclature-là, Monsieur le
6 Président, l'intervenant RTIEÉ a exprimé le souhait
7 d'une validation de données à l'égard des sociétés
8 suivantes : Central Maine Power Company, Cleveland
9 Electric Illuminating Company, Dayton Power and
10 Light Company, West Penn Power Company, Niagara
11 Mohawk Power Company, Public Service Electric and
12 Gas Company, Potomac Edison Company et Central
13 Hudson Gas & Electric Corporation regarding System
14 Peak.

15 Alors, il n'y a aucune difficulté, Monsieur
16 le Président à ce que monsieur Ros valide les
17 données de cet échantillon qui a été identifié par
18 RTIEÉ. Et je vais certainement demander à monsieur
19 Ros d'effectuer toute la diligence possible pour
20 répondre à la fois à l'engagement 9 de l'AHQ-ARQ et
21 à cette demande de validation de données de RTIEÉ.

22 Me DOMINIQUE NEUMAN :

23 Excusez-moi. Mon confrère est dans l'erreur puis je
24 n'ai pas nommé les compagnies. J'ai indiqué les
25 compagnies qui sont énumérées dans cet extrait du

1 tableau. Il y en a dix-neuf (19) et je ne pense pas
2 que mon confrère en a lu dix-neuf (19).

3 LE PRÉSIDENT :

4 Bien, il reste ceux qui sont en...

5 Me YVES FRÉCHETTE :

6 Ah!

7 LE PRÉSIDENT :

8 ... il en reste cinq, six après celles que vous
9 avez...

10 Me YVES FRÉCHETTE :

11 Ah! Bien, je peux les rajouter, là. Moi, j'avais
12 compris que c'était seulement que le haut, Monsieur
13 le Président, alors...

14 Me DOMINIQUE NEUMAN :

15 Oui. Il y a les extrêmement faibles et il y a les
16 extrêmement fort. Il y a les extrêmement faibles et
17 il y a les extrêmement forts.

18 LE PRÉSIDENT :

19 En fait, au tableau, il y en a dix-neuf (19)
20 semble-t-il. Alors, on l'a affiché, c'est...

21 Me YVES FRÉCHETTE :

22 Alors, c'est clair que...

23 LE PRÉSIDENT :

24 ... Alors, c'est clair qu'ils sont dans
25 l'échantillonnage. Je pense que...

1 Me DOMINIQUE NEUMAN :

2 Oui. Oui.

3 LE PRÉSIDENT :

4 ... la validation des données. L'autre portion,
5 c'est de dire, bien est-ce que ça... le reste de la
6 demande de monsieur... de maître Neuman a du sens?
7 Est-ce que le témoin peut simplement répondre « no
8 comment » ou « pas pertinent ». C'est... ou c'est
9 carrément pas pertinent de la poser.

10 Me YVES FRÉCHETTE :

11 Écoutez, on va faire de notre mieux pour satisfaire
12 la Régie et pour terminer cette... cette situation,
13 là, qui concerne l'engagement numéro 9.

14 LE PRÉSIDENT :

15 Et nous, je comprends, c'est vraiment la validation
16 qui est AHQ-ARQ. Alors, pour être en ligne avec
17 AHQ-ARQ, ce serait la ligne puis s'il y a d'autres
18 commentaires, comme vous dites, Maître Neuman, ils
19 pourront toujours être mis par l'expert.

20 Me DOMINIQUE NEUMAN :

21 Absolument. Absolument.

22 LE PRÉSIDENT :

23 Il n'y est pas tenu.

24 Me YVES FRÉCHETTE :

25 C'est bien.

1 Me DOMINIQUE NEUMAN :

2 Absolument.

3 Me YVES FRÉCHETTE :

4 Je vous remercie, Monsieur le Président, c'est
5 noté.

6 LE PRÉSIDENT :

7 C'est noté. Est-ce que... on a réglé cette chose.
8 Est-ce qu'il y avait d'autres éléments? Demain, on
9 commence par un huis clos. Donc, c'est pas... afin
10 de... parce que c'est long à préparer, donc on
11 commence par le huis clos. Maître David, alors ce
12 sera le huis clos sur la portion huis clos. Et ce
13 sera suivi par la suite public de votre... de votre
14 expert.

15 Me ÉRIC McDEVITT DAVID :

16 Bien, oui, docteur Higgin, c'est... Il n'est pas...
17 techniquement, il n'est pas un expert dans le
18 dossier, c'est un analyste.

19 LE PRÉSIDENT :

20 Non. Ah! Non. Excusez-moi. Votre analyste, excusez-
21 moi. Un propos que...

22 Me ÉRIC McDEVITT DAVID :

23 Il a déjà été qualifié d'expert, mais dans d'autres
24 sujets, dans d'autres dossiers.

25

1 LE PRÉSIDENT :

2 Un propos inexact. Merci de me corriger.

3 Me ÉRIC McDEVITT DAVID :

4 O.K.

5 Me DOMINIQUE NEUMAN :

6 Merci...

7 LE PRÉSIDENT :

8 Alors, ça vous convient pour demain matin? Vous
9 êtes...

10 Me ÉRIC McDEVITT DAVID :

11 Oui. On va être prêt à neuf heures (9 h 00) pour

12 le... On va commencer avec la partie huis clos.

13 Donc, ça va être monsieur Cormier qui va témoigner
14 d'abord. Puis ensuite, dès qu'il a terminé, on
15 retournera dans le forum public.

16 LE PRÉSIDENT :

17 Parfait. Maître Neuman?

18 Me DOMINIQUE NEUMAN :

19 Oui. Monsieur le Président, nous souhaiterions
20 simplement... les intervenants qui, comme nous, ne
21 participeront pas au huis clos, nous souhaiterions
22 simplement avoir une forme de communication peut-
23 être par courriel de la Régie nous disant que
24 maintenant, maintenant on peut y aller, que c'est
25 redevenu public ou...

1 LE PRÉSIDENT :
2 Je pense qu'on a vos coordonnées courriel. Monsieur
3 Specte...
4 Me DOMINIQUE NEUMAN :
5 Oui.
6 LE PRÉSIDENT :
7 ... avez-vous les coordonnées courriel de...
8 Me DOMINIQUE NEUMAN :
9 Oui.
10 LE PRÉSIDENT :
11 ... Maître Neuman? Je fais simplement vérifier pour
12 m'assurer que c'est correct.
13 Me DOMINIQUE NEUMAN :
14 Oui, oui. Oui.
15 LE PRÉSIDENT :
16 Pour qu'il n'y ait pas d'imbroglie demain.
17 Me DOMINIQUE NEUMAN :
18 Aussi, est-ce...
19 LE PRÉSIDENT :
20 Ça va? Ça va?
21 Me DOMINIQUE NEUMAN :
22 Oui. Oui.
23 LE PRÉSIDENT :
24 Il vous demande de renvoyer un mail, s'il vous
25 plaît. Comme ça...

1 Me DOMINIQUE NEUMAN :

2 D'accord. Pas de problème. Je vais l'envoyer au
3 greffe. Et également, est-ce que nous prenons pour
4 acquis que tous les intervenants qui restent vont
5 passer demain?

6 LE PRÉSIDENT :

7 C'est une question fort intéressante...

8 Me DOMINIQUE NEUMAN :

9 Oui.

10 LE PRÉSIDENT :

11 ... qu'il nous faudra évaluer au fur et à mesure du
12 progrès de la journée.

13 Me DOMINIQUE NEUMAN :

14 O.K. Oui.

15 LE PRÉSIDENT :

16 On fera le point à l'heure du midi sans doute.

17 Me DOMINIQUE NEUMAN :

18 D'accord. Parce que nous sommes en train de
19 finaliser notre présentation pour pouvoir la
20 transmettre d'avance à tout le monde, donc... Bien,
21 c'est ça, en tout cas. De toute façon, pour...
22 notre présentation est presque prête et
23 probablement nous n'aurons peut-être pas encore les
24 réponses de... bien, nous n'aurons pas les réponses
25 de monsieur Ros. Mais, en tout cas, on verra à

1 l'audience si on les obtient.

2 LE PRÉSIDENT :

3 D'ailleurs, Maître Fréchette, ça rappelle qu'on
4 peut espérer les réponses tant l'AHQ pour... en
5 cours de semaine pour que ce soit utile à la
6 préparation des plaidoiries?

7 Me YVES FRÉCHETTE :

8 On est toujours... je peux vous assurer qu'on fait
9 toujours diligence. Et puis on fait toujours du
10 mieux, Monsieur le Président. Il n'y a pas de souci
11 là-dessus. Puis effectivement, le message est bien
12 passé, c'est reçu.

13 LE PRÉSIDENT :

14 Merci. Alors, à moins qu'il y ait d'autres
15 commentaires d'autres intervenants, nous allons
16 clore cette journée d'audience et de retour demain
17 huis clos à neuf heures (9 h 00). Merci.

18 AJOURNEMENT

19

20

21 Riopel Gagnon Larose & Associés.