

**RÉPONSES D'OC AUX
QUESTIONS D'AUDIENCE DU TRANSPORTEUR A OPTION
CONSOMMATEURS (OC) DR ROGER HIGGIN
RELATIVES À LA DEMANDE DE MODIFICATION DES TARIFS ET
CONDITIONS DES SERVICES DE TRANSPORT POUR LES ANNÉES 2021 ET 2022**

ISSUE ADDRESSED BY OC: ARE THE RATES JUST AND REASONABLE?

- 1. Références :**
- (i) Présentation d'OC Pièce [C-OC-0060](#), p.7;
 - (ii) Présentation d'OC Pièce [C-OC-0062](#), p.6;
 - (iii) Réponse du Transporteur à l'engagement no 1 demandé par l'AQCIE-CIFQ – Volet 2, HQT-11, Document 4.1 Pièce [B-0248](#), p.3.

Préambule :

(i) ***Présentation d'OC***

« OC also suggests that there is clear evidence that as shown by AQCIE and FCEI, (AQCIE-C-101 Table 1) there have been material deviations in both the capital forecast amounts and the inservice (commissioning) dates for projects <\$65 million. »

« OC suggests the fundamental issue to be addressed is: are the rates just and reasonable?

• OC suggests materially excessive capital forecasts or incorrect In-service dates, do not result in just and reasonable rates. Ratepayers pay for assets that are not “used or useful”. »

(ii) ***Présentation d'OC incluant les notes d'allocation***

« There has been a historic problem with HQT capital forecasts. And this occurs for the portfolio of projects under \$65 million and sometimes for larger projects such as Micoua - Saguenay. »

(iii) ***Réponse du Transporteur à l'engagement no 1 demandé par l'AQCIE-CIFQ***

« Par ailleurs, dans le rapport annuel 2021 du Transporteur, selon la moyenne des 13 soldes mensuels réels comparée à celle autorisée selon la décision D-2022-063, l'écart s'est limité au montant de 50 M\$. »

Demandes :

- 1.1 Please indicate if you noticed in preamble (iii) that the difference recorded for 2021 is \$50 million?
- 1.2 Please indicate if you have made the correspondence between this difference of \$50 million and the Transmission Provider revenue requirement?

1.3 If not, here is the following calculation:

- a. Using the rate of return on rate base of 6.269%¹ for 2021, the amount is \$3 million in terms of revenue requirement.
- b. Based on revenue requirement approved by the Regie for 2021 of \$3 307.4 million², this represents 0.091% of the revenue requirement.

1.4 Please indicate if in your point of view, a difference \$50 million having an impact of \$3 million on revenue requirement does not allow to set just and reasonable rates?

Response

1.1

Yes. OC analyst Dr. Higgin noted slide 7 of B-0243 of the HQT presentation that indicated the 2021 capital in-service asset deviation was ~\$50 million, resulting in a 2021 revenue requirement impact of ~\$3 million.

However, the historic capital in-service revenue requirement deviation from 2014 -2020 shown in C-AQCIE-CIFQ-0109, Table 1, was a cumulative revenue requirement impact of \$150.5 million over 7 years, or an average impact on the revenue requirement of \$21.5 million annually.

1.2

Yes. The 2021 Weighted Average Cost of Capital (WACC) to calculate rate base is ~6.27 % and the impact on the revenue requirement of a \$50 million deviation regarding in-service assets is about ~\$3 million. This would be within a band of reasonableness for just and reasonable rates.

1.3 See response to 1.2.

1.4 No. The impact on the revenue requirement of a deviation of in-service assets of \$50 million for the portfolio of projects <\$65 million is a threshold/dead-band factor for the Régie to determine when considering a capital DVA.

OC supports an asymmetric capital DVA with a threshold, or dead-band consistent with just and reasonable rates and regulatory efficiency. An example is the approved materiality threshold of a \$15 million impact on the revenue requirement for the Z-factor for the HQT MRI.

¹ [D-2022-053](#), page 143.

² [D-2022-063](#), page 6.