

1 **Q: Re: Brattle Group Report, pages 17-18.**

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Citation:

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5. Hydro-Québec (vertically integrated)

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Preamble:

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Brattle references Hydro-Québec Distribution’s *Conditions of Service*, but not Hydro-Québec Transmission’s (TransÉnergie’s) Open Access Transmission Tariff, which includes an explicit network addition policy (Attachment J to the Tariff).

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a) Please confirm that, while Hydro-Québec is a vertically integrated utility, it operates under a functional separation regime whereby HQ Distribution (“HQD”) and HQ Transmission (HQT, or TransÉnergie) are regulated separately by the Régie de l’énergie, whereas HQ Production remains unregulated.

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b) Please confirm that HQ TransÉnergie’s OATT includes an explicit network upgrade policy, set out in Attachment J thereto.

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c) Please explain the relationship between HQD’s upgrade policy described in the citation, and HQT’s upgrade policy as set out in the OATT.

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A.

a) Brattle confirms that Hydro-Québec operates under a functional separation regime, and that HQD and HQT are regulated by the Régie de l’énergie. The

- 1 Régie de l'énergie does not regulate HQ Production. However, HQ Production
2 is subject to provincial government oversight as a crown corporation.
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- 4 b) The HQ TransÉnergie OATT includes a network upgrade policy in
5 Attachment J.
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- 7 c) As noted in the Brattle Report, benchmarking requires identifying similar
8 contexts for comparison, and we included the cited policy from Hydro-Québec
9 as a comparable context. While Brattle did not include the HQ TransÉnergie
10 OATT in its review of documents, and thus, has not performed a full analysis
11 of the OATT upgrade policy that would capture all elements of information
12 contained in our Figure 4 of the Brattle Report. A preliminary review of HQT's
13 upgrade policy, however, indicates that there are some similarities to our
14 proposed recommendation. Specifically, the HQT OATT requires that the costs
15 of network upgrades beyond a maximum amount are to be paid for by the
16 applicant. The application can originate from different types of customers:
17 integrating generation, new load or new interconnections with a neighboring
18 system. The maximum amount is the present value over twenty years of the
19 point-to-point rate for an annual delivery, augmented by 19% to account for the
20 present value over twenty years of operation and maintenance costs for Network
21 upgrades completed, as well as for the amount of applicable capital tax and
22 public utility tax. For integrating new generation stations, the customer shall
23 provide a financial security to cover the expected costs to be carried out by the
24 Transmission Provider and the Distributor. The financial security to be returned
25 to the generation station owner when the generation station is commissioned.
26 With respect to new load, we did not find similar language with respect to the
27 financial security. See Attachment J of Hydro-Québec Open Access
28 Transmission Tariff.