

1 (9:30 a.m.)

2 MR. NOSEWORTHY, CHAIRMAN: Thank you and good
3 morning. A nasty morning out there. I guess there are
4 people in this room who look at rain differently than others.
5 Are there any preliminary matters, counsel, this morning
6 before we begin?

7 MR. KENNEDY: Chair, two matters. First I just wanted to
8 advise the panel that filed with each of the parties is a copy
9 of all the oral presentations made during the public
10 participation days, and I believe copies have been
11 distributed to the counsels and that's all been forwarded to,
12 by the Secretary of the Board. And the second preliminary
13 matter is I understand that Hydro has something that they
14 wish to bring to the panel's attention.

15 MR. NOSEWORTHY, CHAIRMAN: Ms. Greene.

16 MS. GREENE, Q.C.: Thank you. As you know, I normally
17 do the undertakings at two o'clock in the afternoon. There
18 was one given yesterday. In discussions with Ms. Henley
19 Andrews, we have agreed to provide it this morning before
20 she finishes her cross-examination, and the one
21 undertaking was with respect to providing the table or the
22 schedule that was filed during the 1992 hearing showing
23 the LOLE at that time. So I have a copy of Table 1, which
24 was Table 1 in the evidence of Hubert Budgell that was
25 filed in 1991 and reviewed during the 1992 rate hearing, to
26 circulate at this time. And that concludes the preliminary
27 point that I had.

28 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
29 Greene.

30 MS. HENLEY ANDREWS, Q.C.: That should be marked,
31 Mr. Chairman.

32 MR. NOSEWORTHY, CHAIRMAN: Counsel ...

33 MR. KENNEDY: I believe it's U-Hydro No. 16, if I recall
34 correctly, the subject of the ... this is in response to an
35 undertaking.

36 MS. GREENE, Q.C.: This is in response to an undertaking.

37 MR. KENNEDY: 15, U-Hydro No. 15 then. Thank you.

38 **U-HYDRO NO. 15 ENTERED**

39 MR. NOSEWORTHY, CHAIRMAN: Thank you, counsel.
40 Thank you, Ms. Greene. Good morning, Mr. Budgell.

41 MR. BUDGELL: Good morning.

42 MR. NOSEWORTHY, CHAIRMAN: We'll just wait for that
43 to be distributed and we'll begin. Thank you, Secretary.
44 Good morning, Ms. Henley Andrews. I wonder could I ask
45 you to continue with your cross-examination, please?

46 MS. HENLEY ANDREWS, Q.C.: Yes, Mr. Chairman. Good

47 morning, Mr. Budgell.

48 MR. BUDGELL: Good morning.

49 MS. HENLEY ANDREWS, Q.C.: Before we get into the
50 issue of assignment of plant, yesterday when we were
51 talking about Newfoundland Power's load and load factor,
52 you indicated that you had ... I asked you for data back to
53 '96 and you indicated that you had data back to '86.

54 MR. BUDGELL: Yes.

55 MS. HENLEY ANDREWS, Q.C.: Could you tell me what
56 Newfoundland Power's load factor would have been in the
57 years from 1986 to 1995?

58 MR. BUDGELL: Just a second. Starting with 1986, 0.478;
59 1987, 0.475; 1988, 0.470; 1989, 0.437; 1990, 0.475; 1991, 0.471;
60 1992, 0.514; 1993, 0.481; 1994, 0.513; 1995, 0.471.

61 MS. HENLEY ANDREWS, Q.C.: Thank you. I'd like you to
62 go to **page 16 of your testimony**, and in particular lines 22
63 to 24. Would you read out the definition of "Common
64 Plant"?

65 MR. BUDGELL: "Common plant is defined as plant that is
66 of substantial benefit to two or more firm customers. Costs
67 for common plant are assigned to all customers of the
68 system."

69 MS. HENLEY ANDREWS, Q.C.: Would you agree with me
70 that that definition of common plant has not changed over
71 the years?

72 MR. BUDGELL: I believe that's true.

73 MS. HENLEY ANDREWS, Q.C.: And that that definition of
74 common plant in fact comes from (unintelligible)?

75 MR. BUDGELL: It may. I'm not aware that it does, but I've
76 seen it used before in all previous hearings.

77 MS. HENLEY ANDREWS, Q.C.: Now, starting at line 26
78 and going over to line 16 on page 17, you outline in your
79 evidence the facilities which have been assigned as
80 common plant, is that correct?

81 MR. BUDGELL: Can I have the line numbers again, please?

82 MS. HENLEY ANDREWS, Q.C.: Starting at line 26 on page
83 16 and going through in fact to line 12 on page 17.

84 MR. BUDGELL: That's correct.

85 MS. HENLEY ANDREWS, Q.C.: And is it fair to say that
86 the facilities basically, or that particular part of your
87 testimony, outlines the principles that have been adopted
88 by Hydro or which Hydro would like to adopt in its
89 interpretation of the definition of common plant?

90 MR. BUDGELL: That's correct.

91 MS. HENLEY ANDREWS, Q.C.: And would you agree that

1 those have changed over the years?
2 MR. BUDGELL: Yes.
3 MS. HENLEY ANDREWS, Q.C.: In particular I'd like you ...
4 we asked a couple of questions with respect to some of
5 your assignment, as I'm sure you're aware, and in **IC-126**,
6 if you could take, if we could take a look at that, we asked
7 what was Hydro's rationale for the recommendation on
8 assignment on the Great Northern Peninsula, and the
9 answer was that the plant on the Great Northern Peninsula
10 has been assigned as per the Board's recommendations on
11 page 33 of the report dated July 29th, 1996.
12 MR. BUDGELL: That's correct.
13 MS. HENLEY ANDREWS, Q.C.: I'd like you to take a look
14 at the Board's report ...
15 MR. BUDGELL: Just one second. Can I have that
16 reference again? This is IC-1 ...
17 MS. HENLEY ANDREWS, Q.C.: **IC-126**. It's on the screen
18 in front of you actually, Mr. Budgell.
19 MR. BUDGELL: Okay, okay.
20 MS. HENLEY ANDREWS, Q.C.: So if we could go to the
21 Board's July 29th, 1996, report, which is at **CA-2**, and it's
22 not available on the screen. Oh, it is, okay. And I'd like
23 you to look at page 32 at the bottom under "Cost of
24 Service," and would you read out that paragraph and the
25 following one?
26 MR. BUDGELL: "A number of cost of service" ... starting
27 at this line?
28 MS. HENLEY ANDREWS, Q.C.: Yes.
29 MR. BUDGELL: "A number of cost of service issues
30 required adjudication by the Board. Two of these relate to
31 the interconnection of the Great Northern Peninsula.
32 During the hearing, industrial customers argued that
33 generation assets, their generation assets of the Great
34 Northern Peninsula should be specifically assigned to the
35 rural island interconnected class rather than assigned as a
36 common benefit. Hydro had assigned generation costs as
37 common but had specifically assigned both transmission
38 and sub-transmission costs to the rural interconnected
39 system."
40 MS. HENLEY ANDREWS, Q.C.: Yes. Continue on with the
41 next paragraph.
42 MR. BUDGELL: "The Board recommends that both
43 generation assets and the 138 KV transmission line on the
44 Great Northern Peninsula be assigned on a provisional
45 basis as being of common benefit to all interconnected
46 customers and that sub-transmission costs for those, for
47 lines whose voltage is below 138 KV be specifically
48 assigned. The Board further recommends re-examination of
49 these cost assignment decisions and the rules for cost
50 assignment at a future hearing."
51 MS. HENLEY ANDREWS, Q.C.: So if we can go back to
52 **IC-126**, you would agree that this recommendation on page
53 33 of the 1996 report indicates that that assignment is on a
54 provisional basis.
55 MR. BUDGELL: That's correct.
56 MS. HENLEY ANDREWS, Q.C.: And that the Board
57 recommends re-examining the cost assignment issue.
58 MR. BUDGELL: That's the direction I took from that.
59 MS. HENLEY ANDREWS, Q.C.: And also the rules for
60 cost assignment.
61 MR. BUDGELL: That's correct.
62 MS. HENLEY ANDREWS, Q.C.: And would you agree
63 with me that the rules for cost assignment are the rules
64 which we see on, starting at the bottom of page 16 of your
65 evidence that we talked about a few moments ago and
66 going over to page 17?
67 MR. BUDGELL: Yes.
68 MS. HENLEY ANDREWS, Q.C.: So the ... just so that we're
69 perfectly clear, the definition of common plant is at lines 22
70 to 24, but the rules start at, on page 16, but the rules start
71 at line 26 on page 16 and run over to line 12 on page 17.
72 MR. BUDGELL: That's correct.
73 MS. HENLEY ANDREWS, Q.C.: And the rules have been
74 devised by Hydro.
75 MR. BUDGELL: Yes. Some of this is consistent with past
76 practice. There are some changes.
77 MS. HENLEY ANDREWS, Q.C.: There are some changes.
78 Would you agree that historically Hydro's criteria have
79 changed on a number of occasions?
80 MR. BUDGELL: Yes. Hydro's criteria, the direction I
81 guess, both the criteria and the direction Hydro has
82 received from the Board has changed.
83 MS. HENLEY ANDREWS, Q.C.: Okay. You testified at the
84 1992 rate hearing, is it?
85 MR. BUDGELL: Yes, I did.
86 MS. HENLEY ANDREWS, Q.C.: And you testified at that
87 time in connection with cost assignment.
88 MR. BUDGELL: Yes, I did.
89 MS. HENLEY ANDREWS, Q.C.: I'd like to refer you to a
90 **section of your pre-filed evidence at the 1992 hearing**, and
91 I've got copies for distribution. You can see, Mr. Budgell,

1 that these pages shown as being pages 12, 13, 14 and 15,
2 and at the bottom of page 12 there's a typed reference to
3 "H.G. Budgell, revised January 1992."

4 (9:45 a.m.)

5 MR. BUDGELL: Yes.

6 MS. HENLEY ANDREWS, Q.C.: Are you prepared to
7 accept that these are, this is an extract from your testimony
8 at that time?

9 MR. BUDGELL: Yes.

10 MS. HENLEY ANDREWS, Q.C.: I'd like to have it marked.

11 MR. KENNEDY: Marked, yes. I guess with the consent of
12 counsels we would mark it a consent document, if it's from
13 a preceding document. Consent No. 6.

14 **EXHIBIT CONSENT NO. 6 ENTERED IN**

15 MS. HENLEY ANDREWS, Q.C.: I'd like to refer you to
16 page 13 and on page 13 would you agree that Items (a) and
17 (b) at lines three through eight are the rules that apply to
18 common generation and transmission in 1992?

19 MR. BUDGELL: Yes, as Hydro submitted it at that time.

20 MS. HENLEY ANDREWS, Q.C.: So again these would
21 have reflected Hydro's interpretation of the definition of
22 common plant at that time?

23 MR. BUDGELL: Yes.

24 MS. HENLEY ANDREWS, Q.C.: Item (a) is the same as
25 Item (a) in the current application, isn't that right?

26 MR. BUDGELL: That's correct.

27 MS. HENLEY ANDREWS, Q.C.: But Item (b) has changed
28 significantly, would you agree?

29 MR. BUDGELL: There has been a change, yes.

30 MS. HENLEY ANDREWS, Q.C.: So the first bit of (b),
31 which is all of Hydro's transmission and terminal facilities
32 66 KV and above, which are of substantial benefit to more
33 than one customer, that part has not changed very much.
34 I mean, the meaning of it hasn't changed, would you agree?

35 MR. BUDGELL: I would agree.

36 MS. HENLEY ANDREWS, Q.C.: But in the 199-, in 1992, in
37 addition it said, "or interconnect significant generation
38 facilities of Hydro or our customers to the system."

39 MR. BUDGELL: That's correct.

40 MS. HENLEY ANDREWS, Q.C.: And we don't see that in
41 the rules that are being put forward in this hearing, is that
42 right?

43 MR. BUDGELL: It's changed in Item (c) in the new ... page,

44 top of page 17.

45 MS. HENLEY ANDREWS, Q.C.: That's right. And the top
46 of page 70 (*sic*), there's a (c) that's added, 17, there's a (c)
47 that's added.

48 MR. BUDGELL: Yes.

49 MS. HENLEY ANDREWS, Q.C.: Which refers to all of
50 Hydro's transmission and terminal station plant whose sole
51 function is the interconnection of a generating facility with
52 the system and transmission and terminal plant in this
53 category have their costs classified on the same basis as
54 the generation that it interconnects.

55 MR. BUDGELL: Yes, and that part was added because that
56 was a direction from the Board, in the Board's order from
57 that hearing.

58 MS. HENLEY ANDREWS, Q.C.: And then in (d) it says,
59 "All of Hydro's transmission and terminal station plant that
60 connects a single customer and remote generation or
61 voltage support equipment that is of substantial benefit to
62 all customers on the grid." And then it says, "For the
63 purposes of this guideline, if under any normal operation
64 scenario the output of remote generation can be delivered
65 to the 230 KV grid, i.e., in excess of radio load, then the
66 remote generation is considered to be of substantial benefit
67 to all customers, and as such the transmission and terminal
68 plant connecting it to the grid would be assigned as
69 common." That is very different from the last line of (b)
70 which refers to, "or interconnects significant generation
71 facilities of Hydro or our customers to the system,"
72 wouldn't you agree?

73 MR. BUDGELL: It's a lot more words, but what it's
74 attempting to do is to expand on the statement that's in the,
75 where it indicates the item to interconnect significant
76 generation facilities of Hydro or our customers to the
77 system. There was a word "significant" there and it was
78 always problematic to Hydro and I'm sure to others, the
79 word "significant" being somewhat subjective on what that
80 meant, and given the Board's direction provided in the 1995
81 hearing, the changes, and also in the '93 hearing, the
82 changes that we made is to make it consistent with that
83 direction.

84 MS. HENLEY ANDREWS, Q.C.: When you say that the
85 direction, you're talking about the provisional ruling?

86 MR. BUDGELL: Yes, I am, which we support.

87 MS. HENLEY ANDREWS, Q.C.: However, if you look at
88 the definition of common plant, which is plant that is of
89 substantial benefit to two or more firm customers ...

90 MR. BUDGELL: Yes.

91 MS. HENLEY ANDREWS, Q.C.: ... you would agree that

1 the Board has to interpret assignment of plant in
2 accordance with that definition?

3 MR. BUDGELL: If the Board accepts that that's the
4 definition.

5 MS. HENLEY ANDREWS, Q.C.: And therefore the Board
6 has to be satisfied that the rules that Hydro proposes are a
7 correct interpretation of that definition?

8 MR. BUDGELL: Yes.

9 MS. HENLEY ANDREWS, Q.C.: Now, would you agree
10 that under the rules that existed in 1992 in (b), which refers
11 to interconnection of significant generation facilities ...

12 MR. BUDGELL: I should step back. What you're ... these
13 are rules that Hydro came into the hearing at that particular
14 time looking for approval of. These rules were changed
15 because of the Board order at that particular time, so I'm not
16 saying that this is the Board's ... what you're giving to me
17 for the '92 is what we submitted. It's not what was the final
18 decision of the Board.

19 MS. HENLEY ANDREWS, Q.C.: Well, I'll be going ...

20 MR. BUDGELL: As long as we're aware of that.

21 MS. HENLEY ANDREWS, Q.C.: Well, I will be going back
22 through all of those reports because I can assure that
23 there's nothing in those reports that says that all of Hydro's
24 transmission and terminal station plant that connect a
25 single customer and remote generation or voltage support
26 equipment, there's no reference to any of that, and the
27 purposes of a guideline. And I want to get into this. For
28 the purposes of a guideline, if under any normal operating
29 scenario ... so are you suggesting in that that under, that if
30 it is at all possible that generation from a radio, from
31 facilities on a radio line can reach the grid?

32 MR. BUDGELL: I'm trying to define the situation, try to put
33 a clarification on the words "significant" or "substantial,"
34 and that's the guideline that I'm offering to the Board for
35 that purpose. It's not the most extreme situation. It's what
36 we would, what we have indicated here is what we would
37 normally refer to as minimum load, but it's not the worst, it's
38 not the lowest load.

39 MS. HENLEY ANDREWS, Q.C.: However, what you mean
40 by it and what the words say could be quite different,
41 wouldn't you agree?

42 MR. BUDGELL: Well, I was kind of hoping that the words
43 conveyed the intention that we hope to convey, but if we
44 haven't ...

45 MS. HENLEY ANDREWS, Q.C.: Well, let's take as an
46 example the Roddickton min-hydro.

47 MR. BUDGELL: Yes.

48 MS. HENLEY ANDREWS, Q.C.: That has a very, very
49 small ... that has a small output, would you agree?

50 MR. BUDGELL: Yes, it does.

51 MS. HENLEY ANDREWS, Q.C.: And it is a significant
52 distance up a long radio line.

53 MR. BUDGELL: It is, yes.

54 MS. HENLEY ANDREWS, Q.C.: If there was no demand on
55 the rural system, the Hydro rural system on the Northern
56 Peninsula, it is possible that that could reach the grid,
57 correct?

58 MR. BUDGELL: Highly improbable.

59 MS. HENLEY ANDREWS, Q.C.: Exactly. When you refer
60 to any normal operating scenario ...

61 MR. BUDGELL: And I refer to it only to the extent your
62 example was using one plant, but it is referring to the group
63 of transmission, not single plant.

64 MS. HENLEY ANDREWS, Q.C.: No. I was just using that
65 as an example, but you're referring to the group on the
66 Northern Peninsula, that one of the things that we
67 identified with Mr. Reeves was that the demand, generally
68 speaking the demand on the Northern Peninsula exceeds
69 the generation on the Northern Peninsula.

70 MR. BUDGELL: Yes, it does at times.

71 MS. HENLEY ANDREWS, Q.C.: It does a lot of the time.

72 MR. BUDGELL: The majority of the time, you're correct.
73 But just to go back to your statement in regards to the
74 reference to Roddickton, Roddickton fits, the Roddickton
75 plant itself as an issue doesn't fit by itself in the (c).
76 Roddickton and all of the generation fits into the common
77 plant definition as part of (a), the plant per se.

78 MS. HENLEY ANDREWS, Q.C.: I realize that but I'm
79 talking about the, we're talking about the transmission lines
80 that connect that, the radio lines, correct?

81 MR. BUDGELL: I misread what ... when you introduced the
82 subject, you were just talking about the Roddickton plant.

83 MS. HENLEY ANDREWS, Q.C.: But in order to look at this
84 sentence which says, "That for the purposes of this
85 guideline, if under any normal operating scenario the
86 output of remote generation can be delivered," then we
87 have to look at whether the output of the remote
88 generation, whether it be Roddickton or any other plant or
89 combination of plants, correct?

90 MR. BUDGELL: That's correct. And on the Great Northern
91 Peninsula we have 15.1 megawatts.

92 MS. HENLEY ANDREWS, Q.C.: That's right.

1 MR. BUDGELL: Which is 45 percent of the coincident
2 feed, which 128 percent of the minimum load.

3 MS. HENLEY ANDREWS, Q.C.: Now, I want to go back to
4 your pre-filed testimony. I'd like to refer you to the **1992**
5 **decision of the Board**, and that hasn't been filed, so I do
6 have ...

7 MR. BUDGELL: There is a part of it on lines 4 to 19 of page
8 15 of my pre-filed evidence in regard to assignment.

9 MS. HENLEY ANDREWS, Q.C.: That's correct, but the
10 actual report itself has not been filed.

11 MR. BUDGELL: I'm sorry.

12 MS. HENLEY ANDREWS, Q.C.: Is that right?

13 MR. BUDGELL: That's correct.

14 MS. HENLEY ANDREWS, Q.C.: And in particular I wanted
15 to refer you to page 64, and I do have copies of that.

16 *(10:00 a.m.)*

17 MR. KENNEDY: Have that labelled, counsel ... unless
18 there's an objection I'd call it Consent No. 7.

19 **EXHIBIT CONSENT NO. 7 ENTERED**

20 MS. HENLEY ANDREWS, Q.C.: Mr. Budgell, could ... if we
21 look at page 64 of Consent 7, which is Consent 7, would
22 you read out the section under "Reclassification of
23 Specifically Assigned Transmission Plant to Common
24 Plant"?

25 MR. BUDGELL: "In this cost of service study, Hydro
26 reclassified its common plant transmission lines which had
27 previously been classified as plant serving PDD." PDD, by
28 the way, for those who don't know, is the old power
29 distribution district. "Dr. Serricas (phonetic) testified," and
30 this is a quote, "In the past, transmission lines serving only
31 rural PDD were regarded as serving a single rate class,
32 since PDD was regarded as a single customer. The
33 incorporation of PDD into the Hydro system results in each
34 rural rate being treated as a separate customer class, eg.
35 domestic and general service, 10 to 100 kilowatts. The
36 reclassification of plant formerly specified assigned to
37 common plant results in an increase in costs to NP in the
38 1992 cost of service study of \$1,056,000. NP argued that
39 the interrelationship of this common plant has not changed.
40 The only change since 1989 has been the name change
41 from the power distribution district, PDD, to Hydro rural.
42 As in the past, NP and the industrials derive no benefit
43 from this plant, just as other Hydro customers derive no
44 benefit from the lines serving only NP customers in the Port
45 aux Basques area."

46 MS. HENLEY ANDREWS, Q.C.: And what was the
47 conclusion?

48 MR. BUDGELL: "The Board is not convinced that Hydro's
49 proposal is fair and will not accept the proposed
50 classification at this time."

51 MS. HENLEY ANDREWS, Q.C.: So is it fair to say that in
52 1992 Hydro put forward the interpretation which we've just
53 discussed on, which is Consent 6, and its rules, and while
54 the Board accepted the rules at that time, the Board did not
55 accept that the transmission plant on the Great Northern
56 Peninsula as it existed at the time fell within Hydro's rules?

57 MR. BUDGELL: I agree, and the Board, and it's indicated
58 on page 15 of my pre-filed testimony, lines eight to nine,
59 which is Item 2, indicated in its order that, "Transmission
60 lines dedicated to the service of Hydro rural rate classes be
61 included in a sub-transmission function and the costs
62 attributed thereto be allocated exclusively to such classes."

63 MS. HENLEY ANDREWS, Q.C.: That's right. And in 1992,
64 the Board concluded that it wasn't convinced that Hydro's
65 proposal was fair with respect to the transmission plant on
66 the Great Northern Peninsula and it wouldn't accept the
67 proposed classification as common?

68 MR. BUDGELL: It wouldn't accept Hydro's proposal that
69 rate classes within the old power distribution district were
70 separate customers for the purposes of assignment of
71 plant.

72 MS. HENLEY ANDREWS, Q.C.: That's correct. That was
73 Hydro ... but as part of Hydro's proposal that they be
74 treated as separate customers, Hydro also proposed that
75 this plant would be treated as common, correct?

76 MR. BUDGELL: That would have been the fallout of
77 Hydro's assumption, yes.

78 MS. HENLEY ANDREWS, Q.C.: And the Board rejected
79 that.

80 MR. BUDGELL: Yes.

81 MS. HENLEY ANDREWS, Q.C.: The next hearing that
82 dealt with the issue was the 1993 cost of service
83 methodology hearing.

84 MR. BUDGELL: Yes.

85 MS. HENLEY ANDREWS, Q.C.: And again, the best I can
86 determine, that decision has not been filed as part of this
87 hearing, so I have an extract from the 1993 cost of service
88 methodology hearing that I'd like to refer you to. Can I
89 have that marked?

90 MR. KENNEDY: Again, without objection, Consent No. 8.

91 **EXHIBIT CONSENT NO. 8 ENTERED**

92 MS. HENLEY ANDREWS, Q.C.: Mr. Budgell, I'd like to
93 refer you specifically to page 11, and the second paragraph
94 under "Specific Assignment of Transmission Plant"

1 indicates that the Board in its 1978 report established the
2 principle that costs relating to plant and equipment
3 dedicated to the service of a single customer should be
4 specifically assigned to that customer while costs of plant
5 and equipment of substantial benefit to more than one
6 customer should be apportioned between all customers."
7 And it says, "Pursuant to this recommendation, costs
8 relating to all transmission lines serving the PDD
9 exclusively were directly assigned to the PDD." Correct?

10 MR. BUDGELL: Correct.

11 MS. HENLEY ANDREWS, Q.C.: And then the ... there's a
12 little bit of the history at the time and at the top of page 12
13 it refers to the fact that Hydro treated the transmission line
14 under its proposed cost of service methodology, so that's
15 the one that was being proposed in 1993, is that correct?
16 Hydro was treating the transmission lines serving the
17 former PDD as common plant?

18 MR. BUDGELL: Yes.

19 MS. HENLEY ANDREWS, Q.C.: And allocated the costs
20 between all customer classes?

21 MR. BUDGELL: Yes.

22 MS. HENLEY ANDREWS, Q.C.: And that, even though in
23 the previous year the Board had made a determination that
24 it didn't consider that that would be fair, it was nevertheless
25 Hydro's proposal in 1993?

26 MR. BUDGELL: I think that reference referred to that the
27 Hydro treated transmission lines serving the former, as
28 common plant and allocated the costs between all common
29 classes.

30 MS. HENLEY ANDREWS, Q.C.: It says, "Under its
31 proposed cost of service methodology," and it's referring
32 to ...

33 MR. BUDGELL: Yes. I have to read the bottom of page 11.

34 MS. HENLEY ANDREWS, Q.C.: Yes.

35 MR. BUDGELL: It's referring back to the ... this is going
36 back to the '92 submission.

37 MS. HENLEY ANDREWS, Q.C.: Okay. And there's then a
38 discussion that Newfoundland Power and the Industrial
39 Customers' witnesses took the position that nothing had
40 changed but semantics, that in fact the lines in question
41 still served Hydro's rural customers and there was no need
42 to treat them as common. Do you recall that that was the
43 position of both Newfoundland Power and the Industrial
44 Customers at that time?

45 MR. BUDGELL: Yes.

46 MS. HENLEY ANDREWS, Q.C.: Now, Hydro, you see at
47 the bottom of page 12, submitted "That each Hydro rural

48 class is separate and distinct, that the concept of a single
49 rural class has no basis in fact, and contrary, that
50 arguments to the contrary rely on historical circumstances
51 and there's no precedent for long-term reflection of pre-
52 existing conditions and costing methodology and that
53 Hydro had correctly followed or interpreted the Board's
54 1978 recommendation in treating the lines as common." So
55 that was Hydro's position.

56 MR. BUDGELL: Yes.

57 MS. HENLEY ANDREWS, Q.C.: I'd like to refer you to the
58 bottom of page 13, the last paragraph, and I'd ask you to
59 read it out.

60 MR. BUDGELL: Starting with, "Direct assignment?"

61 MS. HENLEY ANDREWS, Q.C.: Yes.

62 MR. BUDGELL: "Direct assignment of costs entails
63 diverting the assigned costs from the normal steps cost of
64 service analysis and charging them directly to the
65 responsible class, see exhibit opposite page five of this
66 report. If the cost responsibility is shared by more than
67 one class and the normal means of spreading such costs
68 have been bypassed, extemporaneous measures will be
69 necessary to distribute the assigned costs between the
70 responsible classes. For this reason direct assignment
71 should be used only in the case of plant dedicated in the
72 use of a single class. In the Board's opinion, the criterion
73 established in 1978 remains appropriate. With several
74 classes of rural customer, Hydro's decision to avoid direct
75 assignment was proper."

76 MS. HENLEY ANDREWS, Q.C.: And then read at the top
77 of page 14.

78 MR. BUDGELL: "However, the Board is not persuaded
79 that the conversion of rural customers from one class to
80 several would result in changing the costs allocated to NP
81 and IC. The 1973 (unintelligible) cost allocation manual,
82 page six to seven, indicates that this sort of problem is
83 often encountered. Frequently the analyst is required to
84 divide costs within a function to recognize non-utilization
85 of certain facilities within the function by one or more
86 customer groups. The manual states that under such
87 circumstances sub-functions are used to ensure that costs
88 are borne by the classes responsible."

89 MS. HENLEY ANDREWS, Q.C.: So the costs are to be
90 borne by the classes responsible for the costs?

91 MR. BUDGELL: Yes.

92 MS. HENLEY ANDREWS, Q.C.: And is that your
93 understanding of cost assignment?

94 MR. BUDGELL: Yes.

95 MS. HENLEY ANDREWS, Q.C.: And the Board indicated

1 at page 14 of its 1993 cost of service methodology hearing
2 that it wasn't persuaded that the conversion of the rural
3 customers from one class to several should result in
4 changing the costs allocated to NP and IC.

5 MR. BUDGELL: That's correct.

6 MS. HENLEY ANDREWS, Q.C.: In the last paragraph
7 before recommendation number three, there is a reference
8 to, "The principle that costs should be allocated to classes
9 only so that facilities used by such classes would justify a
10 second sub-transmission function for common lines used
11 by NP and IC but not by Hydro rural, provided the costs
12 relating thereto were significant." Could you indicate to me
13 what you understand by sub-transmission function?

14 MR. BUDGELL: In the normal electrical sense it would be
15 transmission that is of a lower voltage between distribution
16 and high voltage transmission, but I think in this definition
17 it's a definition that was devised through the (unintelligible)
18 cost allocation manual as a means, I guess, of setting up a
19 new group of plant costs into a group for allocation
20 purposes.

21 MS. HENLEY ANDREWS, Q.C.: So that in effect you could
22 end up with, instead of common and specifically assigned,
23 you could end up with costs that were allocated to two out
24 of three customers, for example, and be common to two
25 customers but not common to the three. Is that how you
26 would understand it?

27 MR. BUDGELL: Yes.

28 MS. HENLEY ANDREWS, Q.C.: And that that's really,
29 when they talk about lines used by NP and IC but not by
30 Hydro rural within the common plant definition, you could
31 have any number of combinations for sub-transmission
32 functions, would you agree? I mean, you could have a line
33 that was used just by the industrial customers and
34 Newfoundland Power.

35 MR. BUDGELL: Oh, yeah. Oh, yeah.

36 MS. HENLEY ANDREWS, Q.C.: You could have a line
37 used just by Newfoundland Power and the rural, and in
38 theory you could have a line that was just used by the
39 industrial customers and the rural.

40 MR. BUDGELL: Yes.

41 MS. HENLEY ANDREWS, Q.C.: And as long as, according
42 to the Board's decision, the costs relating to that were
43 significant, then they should be separated out so that the
44 customer not utilizing those facilities wasn't bearing any of
45 the cost, would you agree?

46 MR. BUDGELL: Yes. They have the two percent criterion
47 added.

48 (10:15 a.m.)

49 MS. HENLEY ANDREWS, Q.C.: So in the 1993 cost of
50 service methodology hearing, you see the
51 recommendations of the Board at the bottom of page 14
52 and recommendation three was that the Howley/Cat Arm
53 transmission line be treated as common, but then that is
54 joining significant transmission, correct?

55 MR. BUDGELL: Yes.

56 MS. HENLEY ANDREWS, Q.C.: And recommendation four
57 was, "That the transmission lines dedicated to the service
58 of Hydro rural rate classes be included in" ...

59 MR. BUDGELL: I'm sorry, going back to Howley
60 transmission line, that was station service ...

61 MS. HENLEY ANDREWS, Q.C.: Station service, yeah.

62 MR. BUDGELL: ... at that time. It wasn't the actual line out
63 of Cat Arm.

64 MS. HENLEY ANDREWS, Q.C.: Okay. And is it still
65 station service?

66 MR. BUDGELL: Yes, and also connects generation from
67 the small hydro plant there.

68 MS. HENLEY ANDREWS, Q.C.: And that recommendation
69 four, "That transmission lines dedicated to the service of
70 Hydro rural rate classes be included in the sub-
71 transmission function and the costs attributed exclusively
72 to those classes and that the same type of methodology in
73 recommendation five be applied in the case of transmission
74 serving both NP and IC, as long as the costs total at least
75 two percent of the total transmission costs." Correct?

76 MR. BUDGELL: That's correct.

77 MS. HENLEY ANDREWS, Q.C.: And are there, at the
78 present time are there any such circumstances?

79 MR. BUDGELL: I believe I asked ... that question is in my
80 evidence and I indicate there are none.

81 MS. HENLEY ANDREWS, Q.C.: That's right, that there's
82 not. So in this, again in this particular cost of service
83 methodology hearing, Hydro was proposing that the PDD
84 former, or the Hydro rural be treated as several classes?

85 MR. BUDGELL: Not in this hearing.

86 MS. HENLEY ANDREWS, Q.C.: But it was proposing that
87 the ...

88 MR. BUDGELL: When I say this hearing, I mean now.

89 MS. HENLEY ANDREWS, Q.C.: Yes.

90 MR. BUDGELL: Not ... back then ...

91 MS. HENLEY ANDREWS, Q.C.: In the 1993 ...

92 MR. BUDGELL: ... that was the proposal.

1 MS. HENLEY ANDREWS, Q.C.: Yes.

2 MR. BUDGELL: Right now our reasons are different but
3 they're not that reason.

4 MS. HENLEY ANDREWS, Q.C.: But the effect that you're
5 proposing is the same?

6 MR. BUDGELL: Not exactly but ... if I might add, that from
7 recommendation four, Hydro, or at least my interpretation
8 on recommendation four and the 1996, the Board's
9 recommendation in 1996, which is up for review obviously
10 at this hearing, to me was a clarification of recommendation
11 four.

12 MS. HENLEY ANDREWS, Q.C.: Now, Hydro dealt with the
13 issue again in 1995, would you agree, in the 1995 rural rate
14 hearing?

15 MR. BUDGELL: Yes, we did. Well we didn't deal with the
16 issue. We ...

17 MS. HENLEY ANDREWS, Q.C.: Proposed that the lines be
18 treated as common.

19 MR. BUDGELL: We made no proposals in 1995. I thought
20 we, Hydro was not a, was a participant in that hearing but
21 that was a, I believe a Government-directed hearing.

22 MS. HENLEY ANDREWS, Q.C.: That's correct, it was a
23 Government-directed hearing, but let's take a look at the
24 1995 decision, which is at CA-2. 1995, I want you to take a
25 look at ...

26 MS. GREENE, Q.C.: I'm just pointing out this '96 report is
27 on the screen.

28 MS. HENLEY ANDREWS, Q.C.: Yeah, but this is the 1995.
29 There were two of them in CA-2, the 1995 and the 1996.
30 Okay. The 1995 is the one now that I want to refer you to
31 and it is on the screen, and in that particular hearing I'd like
32 to refer you to page 34, and that is the start of the Board's
33 discussion on the Great Northern Peninsula
34 interconnection issues, page 34 of mine is. That is ... okay,
35 the page numbering is different with the screen, which
36 sometimes happens. You just need to go a little back, I
37 think, Mr. O'Rielly. Yeah, okay, here we are, 32. Under the
38 issue of the Great Northern Peninsula interconnection, by
39 that time would you agree that one of the issues that was
40 being discussed was the treatment of the plant in the St.
41 Anthony/Roddickton area once interconnection took
42 place? You can see there's a discussion on the second
43 sentence in that first paragraph, "Upon interconnection the
44 St. Anthony/Roddickton system will become a relatively
45 high cost component of Newfoundland and Labrador
46 Hydro's rural interconnected system."

47 MR. BUDGELL: Yes.

48 MS. HENLEY ANDREWS, Q.C.: And I'd like to refer you

49 then, go a little further down to the next page, a little further
50 again, please, Mr. ... okay. That paragraph that begins,
51 "Newfoundland and Labrador Hydro in its evidence." And
52 you'll see that in this particular hearing, Newfoundland and
53 Labrador Hydro, it says, "Provided a great amount of detail
54 regarding the interconnection of the St.
55 Anthony/Roddickton system. The distinguishing features
56 of the interconnection are the length of the 138 KV
57 transmission line, the size of the isolated group being
58 transferred to the interconnected rural classes and the
59 generating units that come with the interconnection."
60 Correct?

61 MR. BUDGELL: Yes.

62 MS. HENLEY ANDREWS, Q.C.: And then there's a
63 discussion of the various evaluation reports and there's
64 also a comment by Mr. Brockman that the Roddickton, I
65 think, wood chip plant, was the most expensive peaking
66 plant in North America, and then the last sentence in that
67 paragraph, the second last sentence, "The impact of the
68 interconnection on the isolated rural deficit and the island
69 interconnected rural deficit is quite pronounced. No other
70 interconnected island rural area received such prolonged
71 debate during the hearing." And then the Board goes on
72 to outline the issues that were raised. One of the issues
73 was the prudence of the St. Anthony/Roddickton
74 interconnection and the second was cost assignment,
75 whether the cost of both generation and transmission
76 assets should be common or specifically assigned, and the
77 third was cost classification of assigned cost is demand
78 and energy. Correct? That's what it says?

79 MR. BUDGELL: That's what it says.

80 MS. HENLEY ANDREWS, Q.C.: There is then a discussion
81 of the prudence issue, and I'll get back to that, and starting
82 at page 38 there's a discussion of cost assignment and cost
83 classification issues. It's not 38. Yeah, there it is, 36, okay.
84 And you'll see that in the second paragraph under that
85 heading, "Cost Assignment and Cost Classification
86 Issues," there's a discussion, "the first step in preparing the
87 cost of service," and again you see that the methodology
88 report in 1993 is quoted, correct, "That costs relating to
89 plant and equipment dedicated to the service of a single
90 customer should be specifically assigned to that customer
91 while cost of plant and equipment of substantial benefit to
92 more than one customer should be apportioned between all
93 customers." Correct?

94 MR. BUDGELL: That's correct.

95 MS. HENLEY ANDREWS, Q.C.: And in fact what you'll
96 find is that ...

97 MR. BUDGELL: This is a discussion that the Board is
98 indicating of the parties' views on the matters.

1 MS. HENLEY ANDREWS, Q.C.: That's ...

2 MR. BUDGELL: Not necessarily the Board's view.

3 MS. HENLEY ANDREWS, Q.C.: That quote is actually
4 from its own methodology report. That's ... it talks about ...
5 if you look back to the beginning of that section on cost
6 assignment, I think it is in fact the Board, the objective of
7 an embedded cost of service methodology and then they
8 outline the first step. But the ... when you get to page 39,
9 the Board outlines the, says, "The 1993 methodology
10 report made 26 recommendations and five of these
11 recommendations relate to the Great Northern Peninsula
12 interconnection." So the first was, "That the cost of
13 transmission dedicated to serve one customer should be
14 specifically assigned and costs of substantial benefit to
15 more than one customer should be apportioned among all
16 customers." Right?

17 MR. BUDGELL: That's correct.

18 MS. HENLEY ANDREWS, Q.C.: And then the
19 transmission lines dedicated to the service ... these are the
20 recommendations that we just talked about and read from
21 in the 1993 report. Would you agree?

22 MR. BUDGELL: Yes, and it indicates they should be
23 included in a sub-transmission function and the Board
24 does not indicate at that particular time what line should go
25 into that sub-transmission function which had been a
26 question from Hydro's perspective, which I think the Board
27 then clarified in its 1996 report which was produced, which
28 was the final version of this particular hearing's report.

29 MS. HENLEY ANDREWS, Q.C.: Now, would you agree
30 that there is a difference, a significant difference, although
31 semantically it doesn't look that different, between
32 assignment of cost for a cost of service methodology and
33 classification of costs? They're two entirely different
34 things, correct?

35 MR. BUDGELL: Yes.

36 MS. HENLEY ANDREWS, Q.C.: And assignment of cost
37 is determining which classes of customers ought to bear
38 the costs.

39 MR. BUDGELL: That's correct.

40 MS. HENLEY ANDREWS, Q.C.: Whereas classification of
41 costs deals with whether a particular plant, whether it's
42 generating, transmission or distribution, should be
43 assigned to demand, to energy or some combination of the
44 two. Isn't that correct?

45 MR. BUDGELL: Yes, or specifically assigned as a charge.
46 Yes, I agree.

47 MS. HENLEY ANDREWS, Q.C.: That's right. So the two
48 rules in terms of assignment as between customers really
49 dealt with the two that are under that heading called
50 "Assignment of Cost"?

51 MR. BUDGELL: Yes.

52 MS. HENLEY ANDREWS, Q.C.: And the three
53 recommendations relating to the Great Northern Peninsula
54 below that under "Classification of Costs," they deal with
55 whether the costs should be classified to demand or to
56 energy, is that right?

57 MR. BUDGELL: That's correct.

58 MS. HENLEY ANDREWS, Q.C.: And under "Classification
59 Costs," it says, "That transmission lines and substations of
60 the island interconnected system used solely or dominantly
61 for the purpose of connecting remotely-located generation
62 to the main transmission line be classified in the same
63 manner as the generation stations they serve."

64 MR. BUDGELL: Yes, and that's referring to situations such
65 as the Upper Salmon Plant tied to the system or the Cat
66 Arm Plant tied to the system or the Hines Lake Plant tied to
67 the system.

68 MS. HENLEY ANDREWS, Q.C.: That's right. And those
69 plants are assigned 100 percent demand, isn't that right?

70 MR. BUDGELL: Yeah. They're assigned the same as a
71 generation plant.

72 MS. HENLEY ANDREWS, Q.C.: Okay. And that the lines
73 then would be assigned to either demand or energy in the
74 same way that the plants are.

75 MR. BUDGELL: That's correct.

76 MS. HENLEY ANDREWS, Q.C.: Now, on page 40, well, the
77 paragraph immediately before the next heading, which is
78 called ... okay, right there. It begins, "The St.
79 Anthony/Roddickton." You can see in the second
80 sentence of that paragraph that in this hearing, the hearing
81 that I'm referring to, being the 1995 hearing, Hydro was
82 proposing to treat the generation assets on the Great
83 Northern Peninsula as common and the transmission plant
84 as specifically assigned."

85 MR. BUDGELL: Yes.

86 MS. HENLEY ANDREWS, Q.C.: And lines of a lesser
87 voltage running from the 138 KV line were also to be
88 treated as specifically assigned.

89 MR. BUDGELL: Yes.

90 MS. HENLEY ANDREWS, Q.C.: And you can see then
91 that the next section, the Board goes through the whole
92 discussion of everybody's positions with respect to
93 assignment, and I'd like you to read, starting at the bottom
94 of page 42 in the hard copy, which I think you're just going
95 to have to keep reading along there, Mr. O'Rielly, and I'll tell

1 you when to stop. Keep going, keep going. Okay. The
2 paragraph that starts, "The basis for assigning." Could
3 you read out the Board's determination as reflected in that
4 paragraph?

5 MR. BUDGELL: "The basis for assigning the generation
6 plant and transmission assets in the Great Northern
7 Peninsula interconnection is whether, such as assets,
8 whether the assets are serving more than one customer. If
9 the answer is that they serve only the rural classes on the
10 Great Northern Peninsula, then they should be specifically
11 assigned. This is the opinion of Mr. Brockman and the
12 industrial customers. However, if the assets jointly serve
13 the common grid, then they are considered to be common
14 and thereby generation plant is properly assigned by
15 Newfoundland and Labrador Hydro as common in the 1997
16 cost of service. The 138 KV transmission line, however, is
17 treated inconsistently. The single line diagram shown in
18 Demand for Particular **NP-41** clearly indicates the 138 KV
19 line linking the major load centre in St. Anthony,
20 Roddickton, is treated as specifically assigned to the sub-
21 transmission function. This" ... I'm sorry, I've lost my place
22 here now.

23 MS. HENLEY ANDREWS, Q.C.: "This line."

24 MR. BUDGELL: "This line is also linking approximately 20
25 megawatts of generation. If Newfoundland and Labrador
26 Hydro proposes the generation is common, then logically
27 the 138 KV transmission line is a benefit to all grid
28 customers on the island." Read on?

29 MS. HENLEY ANDREWS, Q.C.: No. Go down to the ...
30 skip the next paragraph and go to the one that starts, "The
31 Board is not convinced."

32 MR. BUDGELL: "The Board is not convinced sufficient
33 evidence has been provided to conclude whether or not the
34 assignment of generation assets and transmission lines
35 should be common. Newfoundland and Labrador Hydro
36 (unintelligible) that if the assignment rules are applied
37 differently, the results may not be consistent with the
38 treatment afforded to similar circumstances elsewhere on
39 the interconnected rural system. However, the Board is
40 struck by the inconsistency in the proposed treatment
41 whereby Newfoundland and Labrador Hydro treats
42 generation assets as common but the related transmission
43 line is treated as specifically assigned."

44 (10:30 a.m.)

45 MS. HENLEY ANDREWS, Q.C.: So what the Board says
46 with respect to the 1995 hearing is that it's not convinced
47 that there's been sufficient evidence to conclude whether
48 or not they should be common.

49 MR. BUDGELL: I think the Board is struck with the
50 inconsistency ... the problem that's occurred at that time is

51 that the Board made a ruling or a recommendation in 1992,
52 which we referred to a little earlier, that the transmission
53 lines dedicated to service of Hydro rural rate classes be
54 included in a sub-transmission function. It didn't define
55 what sub-transmission function was or how it was set up
56 anyway and went on to say, "And the costs attributed
57 thereto be allocated exclusively to such customers, to such
58 classes." And the problem is, is that the treatment in the
59 past always has been, is that generation on the system,
60 which is obviously of benefit to everybody on the system,
61 has always been treated as common, and if you treat that as
62 common, the Board is pointing out now it has a dilemma
63 because if Hydro followed, okay, and an interpretation, and
64 obviously Hydro at that time took an interpretation for the
65 purpose ... because you have to remember, at that particular
66 time Hydro had not interconnected the St.
67 Anthony/Roddickton system.

68 MS. HENLEY ANDREWS, Q.C.: That's right.

69 MR. BUDGELL: This was in ... this was a Hydro rural
70 hearing in 1995, the hearing, the system wasn't completed
71 till 1997, so there was discussion ... I didn't appear as a
72 witness at that board (*sic*) so I'm reading this from my
73 interpretation of what's said here. The Board is now struck
74 with an inconsistency. It's got common generation at the
75 end of lines that connect it to the system that may not be
76 deemed common. It has to be one or the other.

77 MS. HENLEY ANDREWS, Q.C.: But if you look at ...

78 MR. BUDGELL: And if I may go on, in the follow-up
79 report, which is the revised report of this, because this '95
80 report had been replaced, in my view, by the '96 report on
81 the same hearing. It still refers to the same hearing. The
82 Board at that time makes the very specific recommendation
83 of what constitutes sub-transmission, and that is the basis
84 of which Hydro has come forward to this particular hearing
85 in support of.

86 MS. HENLEY ANDREWS, Q.C.: Now if you go back to the
87 paragraph that you just read from, the beginning sentence
88 says, "The Board is not convinced sufficient evidence has
89 been provided to conclude whether or not the assignment
90 of generation assets and transmission lines should be
91 common," correct? That's what it says?

92 MR. BUDGELL: That's what it says.

93 MS. HENLEY ANDREWS, Q.C.: Okay. So it doesn't think
94 it has enough evidence but it's got to do something in the
95 interim.

96 MR. BUDGELL: That's right, and the Board ...

97 MS. HENLEY ANDREWS, Q.C.: And so it makes a
98 provisional ruling?

99 MR. BUDGELL: Yes, and the discussion here is

1 surrounding a project that had not been completed or
2 finalized.

3 MS. HENLEY ANDREWS, Q.C.: And if you look at page
4 45, which ... keep going, Mr. O'Rielly. Yeah, just after that
5 section.

6 MR. BUDGELL: Can you just stop there a second?

7 MS. HENLEY ANDREWS, Q.C.: Yes.

8 MR. BUDGELL: Can you go back up a little bit, Mr.
9 O'Rielly, if you don't mind, Ms. Henley ... I just want ... the
10 paragraph that I read, "The Board proposes provisional
11 acceptance of the cost assignment for generation will be
12 treated, which will benefit customers generally. The Board
13 proposes that for lines located on the Great Northern
14 Peninsula, of voltages less than 138 KV transmission lines,
15 transmission costs be assigned through a sub-transmission
16 function to interconnected rural customers. However, the
17 Board believes that the assignment of 138 KV transmission
18 line should be the same as the associated generation
19 assets. On this basis, the Board proposes," and this is
20 similar when it comes to '96, "on a provisional basis," and
21 I guess that's what we're going through now, "that the line
22 be treated as common." And then it goes on. "The
23 generation plant and transmission lines be assigned as
24 common to the interconnected system as follows." And
25 the Board went through the trouble, they didn't say, which
26 I thought was quite helpful at this particular case, they
27 listed the actual plant and they went down through
28 common plant, the transmission ... this is not the
29 generation, St. Anthony to St. Anthony airport ...

30 MS. HENLEY ANDREWS, Q.C.: No, I realize that.

31 MR. BUDGELL: ... the Roddickton generation to the St.
32 Anthony airport, the St. Anthony airport to Plum Point and
33 the Plum Point to Deer Lake, and they listed all the lines.
34 Now they did go, at the bottom, and say, "They do not
35 have sufficient information on the assignment of assets on
36 the Great Northern Peninsula. It is for this reason that the
37 proposed assignments of a provisional nature" ... so I
38 guess it's a matter of what information the Board needs at
39 this hearing to get that sufficient information to either stay
40 with that particular assignment or change it. I'm sorry, I've
41 digressed a little bit from your ...

42 MS. HENLEY ANDREWS, Q.C.: That's alright. And if you
43 look at ... the issue of prudence of the Great Northern
44 Peninsula was also discussed, correct? We saw that
45 heading.

46 MR. BUDGELL: Yes. I believe the industrial customers
47 raised that issue.

48 MS. HENLEY ANDREWS, Q.C.: And I'd like to refer you to
49 what is **page 179 in the Board's report**. It's under

"Recommendations."

51 MR. BUDGELL: Is this the 1995 report?

52 MS. HENLEY ANDREWS, Q.C.: 1995 report. It's
53 recommendation number nine, and, Mr. Budgell, when you
54 look at recommendation number nine and you look at it and
55 compare it to the recommendation in the 1996 report that
56 we've already looked at, the recommendation in the 1996
57 report, if you recall, was that "The Board recommends both
58 generation assets and the 138 KV line on the Great
59 Northern Peninsula be assigned on a provisional basis as
60 common benefit."

61 MR. BUDGELL: Yes.

62 MS. HENLEY ANDREWS, Q.C.: Which is exactly the same
63 as what the Board says in the first sentence of the 1996
64 recommendation number nine.

65 MR. BUDGELL: Yes.

66 MS. HENLEY ANDREWS, Q.C.: And in 1996 the Board
67 said, "The Board further recommends re-examination of
68 these cost assignment decisions and the rules for cost
69 assignment at a future hearing."

70 MR. BUDGELL: Yes.

71 MS. HENLEY ANDREWS, Q.C.: And that's almost exactly
72 what the Board says in 1995.

73 MR. BUDGELL: Agreed.

74 MS. HENLEY ANDREWS, Q.C.: Okay. And with respect
75 to the prudence of the decision by Newfoundland Hydro to
76 interconnect, if you look at page one ... just give me a
77 second. I'm trying to get the right one on the screen. If
78 you look at recommendation 11 in the 1995 hearing, what
79 does the Board say with respect to the prudence of costs
80 associated with the St. Anthony/Roddickton
81 interconnection?

82 MR. BUDGELL: "The Board recommends that the
83 prudence of costs associated with the St.
84 Anthony/Roddickton interconnection be reviewed at the
85 next Hydro rate referral following the interconnection for
86 the purposes of determining recoverable costs. The Board
87 found it extremely difficult to assess the arguments with
88 respect to the island interconnected system due to the lack
89 of information on the cost of service of that system."

90 MS. HENLEY ANDREWS, Q.C.: So with respect to the
91 prudence recommendation, this is Hydro's next rate referral,
92 correct, since 1995?

93 MR. BUDGELL: Yes.

94 MS. HENLEY ANDREWS, Q.C.: And the interconnection
95 has now taken place?

- 1 MR. BUDGELL: Yes, it has.
- 2 MS. HENLEY ANDREWS, Q.C.: So we should be in a
3 position at this hearing to determine the prudence of it and
4 have the Board determine what costs of the interconnection
5 should be recoverable from customers, perhaps all of the
6 costs, but, if not, which costs?
- 7 MR. BUDGELL: Yes. I was wondering what did that
8 particular recommendation say in 1996?
- 9 MS. HENLEY ANDREWS, Q.C.: It wasn't dealt with in
10 1996.
- 11 MR. BUDGELL: That was a report on the same hearing.
- 12 MS. HENLEY ANDREWS, Q.C.: The 1996 report was a
13 revised report at the request of Government, if you look at
14 the beginning of the 1996 report. Would you agree that
15 during this entire timeframe the Board's investigations with
16 respect to Hydro were recommendations to Government?
- 17 MR. BUDGELL: Yes. This is all recommendations to
18 Government.
- 19 MS. HENLEY ANDREWS, Q.C.: Yes. Whereas at this
20 point the Board actually, in this hearing, the Board actually
21 makes the decision because the legislation has been
22 changed?
- 23 MR. BUDGELL: Yes. That was the unusual part of that
24 hearing, was that the Board was dealing with matters that
25 were outside of the, I would think, matters that one would
26 expect to be discussed at the hearing because it was
27 dealing with matters that already hadn't taken place. It was
28 out ... it was try, or parties at that particular hearing were
29 asking the Board to deal with a matter in a hearing where
30 Hydro was not, number one, making their proposal to the
31 Board to set rates or, number two, making proposal to the
32 Board at all to even do cost assignment.
- 33 (10:45 a.m.)
- 34 MS. HENLEY ANDREWS, Q.C.: Are you aware that, for
35 example, at the 1992 rate hearing, that although the Board
36 would conduct a hearing with respect to rates, the issue
37 was if Government ultimately had the decision to accept the
38 recommendation of the Board and that in fact the Board
39 didn't make findings on the rates at that time?
- 40 MR. BUDGELL: I can't answer that question.
- 41 MS. HENLEY ANDREWS, Q.C.: You're not aware of that,
42 okay.
- 43 MR. BUDGELL: I was only making the point that my
44 reading of the July 29th, 1996, Board's report did not make
45 any reference to the issue of prudence of the transmission
46 line, and I only draw from that particular conclusion that it
47 made a conclusion after that that was not an issue that it
48 wished to deal with in that particular report or at that time.
- 49 MS. HENLEY ANDREWS, Q.C.: If you look at the **first**
50 **page of the 1996 report**, the first paragraph indicates that,
51 "The report has been written to provide Government with
52 options within the framework of traditional policy with
53 respect to rates, and recognizing that Government has
54 established policies with respect to the funding of the rural
55 deficit through *The Electrical Power Control Act*."
- 56 MR. BUDGELL: And it goes on to say that, "This is in
57 response to the reference which established that particular
58 hearing."
- 59 MS. HENLEY ANDREWS, Q.C.: However, it ... when we
60 look at the ... I mean, obviously the Board in 1996 provided
61 a report to Government which was in the format that
62 Government wanted, but notwithstanding that you would
63 have to agree that the Board's recommendation in 1995 was
64 that the prudence of costs associated with St.
65 Anthony/Roddickton interconnection be deferred to the
66 next rate hearing.
- 67 MR. BUDGELL: That was in the '95 report, yes.
- 68 MS. HENLEY ANDREWS, Q.C.: This would be a good
69 place to break, Mr. Chairman.
- 70 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.
71 We'll take a 15-minute break until five after, please.
- 72 (break)
- 73 (11:05)
- 74 MR. NOSEWORTHY, CHAIRMAN: Thank you. Just
75 before we get started I understand there's something
76 missing from a consent, a sheet or a page missing from a
77 consent form?
- 78 MR. KENNEDY: Yes. In **Consent No. 8**, I believe it was,
79 there was a missing page No. 11, which I think the Board
80 secretary has distributed to all the counsels.
- 81 MS. HENLEY ANDREWS, Q.C.: Mr. Chairman, there's
82 always a risk when I'm doing my own photocopying and
83 stapling, and some of the exhibits had page 11 and some of
84 them didn't.
- 85 MR. NOSEWORTHY, CHAIRMAN: In any event,
86 everybody has page 11 now, I understand? Okay. We'll
87 move on now. Mr. Henley Andrews, if you could continue,
88 please?
- 89 MS. HENLEY ANDREWS, Q.C.: So, Mr. Budgell, you
90 would agree with me that the Board indicated in both its
91 1995 and 1996 reports that one of the things that needed to
92 be done was to examine, not only the cost assignment
93 decisions on the Great Northern Peninsula, but also the
94 rules for cost assignment?

1 MR. BUDGELL: Yes.

2 MS. HENLEY ANDREWS, Q.C.: And in your evidence on
3 page 16 and 17, as we discussed a little earlier, we've
4 established that the rules that are proposed in this hearing
5 are significantly expanded compared to the rules that were
6 in place in 1982?

7 MR. BUDGELL: Yes. In regards to the issue of ...

8 MS. HENLEY ANDREWS, Q.C.: 1992, I'm sorry.

9 MR. BUDGELL: Yes. Particularly with regards to the issue
10 of situations where we have radial systems serving
11 customers and their generation involved.

12 MS. HENLEY ANDREWS, Q.C.: Who, within Hydro, was
13 responsible for developing these rules?

14 MR. BUDGELL: The system planning department.

15 MS. HENLEY ANDREWS, Q.C.: That would be your
16 department?

17 MR. BUDGELL: Yes, it would.

18 MS. HENLEY ANDREWS, Q.C.: And could you tell me
19 how the rules that you are currently proposing were
20 developed?

21 MR. BUDGELL: We reviewed the language, I guess, of the
22 past hearings in regards to assignment. We reviewed,
23 particularly with regards for this hearing, the '93
24 recommendations and the recommendations coming forth
25 from the '95 hearing, and one of the most contentious issue
26 that we thought that ... and I'll be honest, this is a difficult
27 issue for that Board at that particular time, it's a difficult
28 issue for Hydro and it's a difficult issue, I know, for
29 customers, and this is a very subjective process. I wish
30 this was black and white. It's not black and white. The
31 whole issue of assignment on the system has many shades
32 of grey. I can set up rules and what's fair in one part of the
33 system is not fair in another part of the system, but, what
34 we try to do ... and when I read the Board's '95 ... or '96
35 report which to me clarified a bit of what the Board said in
36 regards to some transmission function, but it also, I
37 thought, permitted ... when we had discussions internally
38 with my transmission group, we thought it provided an
39 opportunity or we wondered, actually, whether it was an
40 opportunity where we can put some definition to words like
41 substantial or significant. These words mean different
42 things to different people, and we thought for the interest
43 of fairness across the system, because I think it's pointed
44 out here in the evidence is that what we decide to do on the
45 Great Northern Peninsula does not just affect the Great
46 Northern Peninsula. That decision, whatever it is, and it's
47 up to the Board to decide, that decision, in my view ...
48 because Hydro is going to recover its costs from
49 somebody, I would hope, accepting your comment on

50 prudence, of course, but I would hope that we proportion
51 costs out to customers in a very fair manner to all of our
52 customers. I mean, I'd like to use the decision that the
53 Board has to go across the system so the GNP decision
54 affected Port aux Basques. We said, in our view, if we were
55 going to do the allocation on GNP the way we've done it
56 here then Port aux Basques deserved to be changed, Port
57 aux Basques before it was specifically assigned to
58 Newfoundland Power. It has significant generation, as
59 well, generation a little higher in proportion than even GNP.
60 This also ... you have to look at the Burin Peninsula. Burin
61 has always been common, it has significant generation, so
62 this is the kind of point that I just wanted to leave with
63 people, is that even though we're focusing and we're
64 discussing on one particular area of the system don't ... I
65 think we can't be blinded that it affects everything, and that
66 was the limit that we were caught with in trying to review
67 the past Board's decision and to come up with these
68 recommendations and guidelines. We are offering this up
69 as a means to the Board to solve, I guess, what's been a
70 contentious issue, and I'm sure the other parties would
71 have other views on that that they would offer to the
72 Board.

73 (11:15)

74 MS. HENLEY ANDREWS, Q.C.: You would agree that any
75 change in the rules have cost consequences for customers?

76 MR. BUDGELL: Oh, very much so.

77 MS. HENLEY ANDREWS, Q.C.: And, in fact, if you look at
78 **IC-134**, page 2 of 2, forgetting about the deficit, which is
79 not really a cost of service issue, if you look at the impact
80 of having the plant, the generation plant and transmission
81 on the northern peninsula assigned, specifically assigned
82 versus common, it's over \$9 million that we're talking about.
83 Would you agree?

84 MR. BUDGELL: That's what that RFI indicates.

85 MS. HENLEY ANDREWS, Q.C.: And it indicates that if it's
86 treated as common \$9,099,000 of cost gets assigned to the
87 Industrial Customers and Newfoundland Power that would
88 otherwise be assigned to the Hydro rural?

89 MR. BUDGELL: Yes.

90 MS. HENLEY ANDREWS, Q.C.: And then when you do
91 what you have just indicated, which is that you take a rule
92 that has been put in place for one area and you try and
93 apply it to other areas in the province for consistency you
94 end up transferring even more costs, correct?

95 MR. BUDGELL: No. You could end up transferring more
96 costs. In this particular case there was a change in Port aux
97 Basques, if that's what your reference is to, yes.

98 MS. HENLEY ANDREWS, Q.C.: That's right, and that

1 change in Port aux Basques assigns additional costs to the
2 industrial customers?

3 MR. BUDGELL: Yes.

4 MS. HENLEY ANDREWS, Q.C.: And, in fact, it assigns
5 additional cost to Hydro's rural customers?

6 MR. BUDGELL: Yes.

7 MS. HENLEY ANDREWS, Q.C.: So, would you agree that
8 it is important that the rules be right?

9 MR. BUDGELL: Yes, the rules should be fair.

10 MS. HENLEY ANDREWS, Q.C.: Okay, and the rules
11 should reasonably reflect the definition of common plant
12 which has been accepted by the Board since 1978, which is
13 that it is plant that is of substantial benefit to more than
14 one customer?

15 MR. BUDGELL: Yes.

16 MS. HENLEY ANDREWS, Q.C.: Now, I was asking you
17 about the development of the rules that you have
18 proposed, or the guidelines you call them, but in effect,
19 they're being applied like rules, so ...

20 MR. BUDGELL: Yeah. Well, I have to actually say that for
21 the previous hearings there was no submitted guidelines of
22 this sort. We thought that this, again, would be of
23 assistance to the parties in trying to focus our attention on
24 these issues.

25 MS. HENLEY ANDREWS, Q.C.: Okay, but the Board, in
26 both its 1995 report and its 1996 report, as you and I have
27 already discussed this morning, indicated that it felt it
28 needed to examine ... it needed more information with
29 respect to both the assignment of the GNP transmission
30 and generation costs, but also with respect to Hydro's
31 rules?

32 MR. BUDGELL: I read the Board did not have sufficient
33 information in regards to the cost of service for the St.
34 Anthony/Roddickton system and the interconnection to
35 make that decision. I don't know if it was the entire GNP as
36 you ...

37 MS. HENLEY ANDREWS, Q.C.: Okay. It didn't have ... it
38 wasn't the entire GNP. I sometimes refer to GNP as the
39 whole peninsula and sometimes by section and I'll try and
40 be more precise, but the bottom line is that the Board
41 indicated, in both 1995 and 1996 that it wanted ... that it
42 recommended that at a future hearing the issue of both the
43 cost assignment and the principles that Hydro was using
44 be examined?

45 MR. BUDGELL: Yes.

46 MS. HENLEY ANDREWS, Q.C.: Let's go back to the
47 principles which I'm calling the rules.

48 MR. BUDGELL: Okay.

49 MS. HENLEY ANDREWS, Q.C.: And that is you've
50 indicated to me that you went back and you examined
51 previous Board decisions. Were you directly involved in
52 that process?

53 MR. BUDGELL: Yes.

54 MS. HENLEY ANDREWS, Q.C.: And who else worked
55 with you in that process?

56 MR. BUDGELL: My two individuals from the transmission
57 planning section.

58 MS. HENLEY ANDREWS, Q.C.: Anybody else?

59 MR. BUDGELL: We had, in previous ... in some, not in the
60 most current discussions, but in previous discussions
61 before we would have had somebody from the customer
62 services department as well present in some of the
63 meetings.

64 MS. HENLEY ANDREWS, Q.C.: Okay, and what else did
65 you do in terms of the development of the rules?

66 MR. BUDGELL: We just discussed the rules themselves.

67 MS. HENLEY ANDREWS, Q.C.: Did you have any
68 discussions with or have any consultants' reports on what
69 appropriate principles would be?

70 MR. BUDGELL: No.

71 MS. HENLEY ANDREWS, Q.C.: Did you check with other
72 utilities in Canada to find out what principles they applied
73 on their systems?

74 MR. BUDGELL: No.

75 MS. HENLEY ANDREWS, Q.C.: You would agree that
76 under the definition ... let me just go back a second. Once
77 you had developed your proposed principles or your
78 proposed rules, did they have to be submitted for review
79 within Hydro?

80 MR. BUDGELL: We passed them by the parties, I guess,
81 with Hydro that are associated with this hearing and the
82 preparations for this hearing.

83 MS. HENLEY ANDREWS, Q.C.: You mean Hydro's legal
84 counsel and ...

85 MR. BUDGELL: Yes.

86 MS. HENLEY ANDREWS, Q.C.: Okay, but it's fair to say
87 that these principles reflect Hydro's interpretation of
88 common plant, looking at previous Board decisions rather
89 than looking at what's common in the industry?

90 MR. BUDGELL: These, to me, reflect what I interpreted the
91 Board's message was coming from the '96 and '93 report as
92 being a means, I guess, a reasonable means of satisfying or

1 trying to come out of the dilemma of what the allocation or
2 the proper allocation of the Great Northern Peninsula assets
3 should be.

4 MS. HENLEY ANDREWS, Q.C.: Even though the Board
5 had indicated, at that time, that it didn't have enough
6 information to make the decision?

7 MR. BUDGELL: Even though it didn't. This was our
8 intention to try to provide it with that information so that it
9 could make that decision, because the Board now has cost
10 of service. At that particular time the assets were not
11 complete, the system wasn't built. 1995 was the ... 1994, I
12 guess, Hydro committed to start with the construction of
13 that line, so nobody knew at that time the final design and
14 what the system was going to look like, nor would Hydro
15 have a cost of service study available to address the issues
16 of cost of service for the GNP added onto the system at
17 that particular, because it wasn't ... it was an isolated
18 system.

19 MS. HENLEY ANDREWS, Q.C.: And that's really why the
20 Board couldn't deal with the prudence of the decision at
21 that time, isn't it, because until you knew what the actual
22 costs of the project were going to be you couldn't really
23 determine whether it was too much or not?

24 MR. BUDGELL: No, I disagree. Prudence is based on, not
25 in hindsight, prudence is based on whether the analysts sat
26 down and made a prudent decision.

27 MS. HENLEY ANDREWS, Q.C.: The Board ...

28 MR. BUDGELL: Based on the information that was
29 available.

30 MS. HENLEY ANDREWS, Q.C.: But the Board's indication
31 was that it basically didn't have the ability to decide on the
32 prudence of it until after ...

33 MR. BUDGELL: I don't know the access ... I don't know the
34 aspects of prudence which the Board was concerned
35 about. Whether the Board was talking about a prudence of
36 its methodology or ... because it talked about demand and
37 energy splits, it talked about how the transmission and
38 generation plants were going to be allocated to the
39 customers, so it just needed more information.

40 MS. HENLEY ANDREWS, Q.C.: I think we're going to have
41 to go back a little to the 1995 report which is in **CA-2**, and
42 page, it's on page 37 in the hard copy under a heading
43 that's conclusion with respect to prudence of the Great
44 Northern Peninsula. You need to go back. Okay, keep
45 going forward. Go back a little bit, back a little bit more.
46 Yeah, there it is. Okay. Because you've just indicated that
47 you thought that the Board was dealing with the issues of
48 cost allocation and assignment on the prudence issue, but
49 this paragraph, under conclusion, with respect to prudence

50 says that "The Board concludes that the prudence of the
51 decision regarding the interconnection of the St.
52 Anthony/Roddickton isolated system to the interconnected
53 island grid is not one upon which the Board can rule in this
54 hearing. Once again, the Board has heard general
55 arguments only. The project is currently underway and the
56 actual costs are not before the Board to review for the
57 purposes of arriving at a specific rate. The Board agrees
58 with Newfoundland Power and Industrial Customers that
59 the island rural interconnected should not earn interest
60 margin on unprofitable, as in deficit generating systems,
61 particularly given a revenue to cost ratio of 65 percent
62 forecast for 1997." So you can see from that paragraph that
63 one of the concerns raised by the Board was that the
64 project is currently underway and the actual costs are not
65 before the Board to review for the purpose of arriving at a
66 specific rate?

67 MR. BUDGELL: I agree, for arriving at a specific rate it was
68 not known, nor was Hydro applying and nor was it the
69 intention of the '95 hearing to set rates.

70 MS. HENLEY ANDREWS, Q.C.: Do you remember the
71 Roddickton wood chip plant?

72 MR. BUDGELL: Yes, I do.

73 MS. HENLEY ANDREWS, Q.C.: And not all of the costs of
74 the Roddickton wood chip plant were allowed to be
75 recovered in the rates, isn't that right?

76 MR. BUDGELL: I believe all the costs of the Roddickton
77 wood chip plant were in rates.

78 MS. HENLEY ANDREWS, Q.C.: Okay. I'll go back and ...
79 I don't have that one with me. But there was a lot of
80 discussion on the prudence of Roddickton wood chip?

81 MR. BUDGELL: The Roddickton wood chip plant was
82 assigned to Hydro rural isolated.

83 MS. HENLEY ANDREWS, Q.C.: When you look at the
84 definition of common plant, and I'd like you in particular to
85 go back to page 16 of your evidence. It's defined as plant
86 that is of substantial benefit to two or more firm customers?

87 MR. BUDGELL: Yes. I should add, we added the word
88 "firm." I don't think that was there before. That was an
89 addition. I should note that for the purposes of the Board.
90 We thought that there wasn't much point in allocating fixed
91 assets on a system to a secondary customer or a customer
92 that's here today and possibly gone tomorrow. It should
93 be allocated to firm customers.

94 (11:30)

95 MS. HENLEY ANDREWS, Q.C.: Okay. Because that was
96 one of my questions for you, which is what is a firm
97 customer?

- 1 MR. BUDGELL: It's a customer that is receiving firm
2 service from Hydro and not ... the exception I would draw
3 here is like the Department of National Defence in Goose
4 Bay.
- 5 MS. HENLEY ANDREWS, Q.C.: Yes.
- 6 MR. BUDGELL: That's not a firm customer of Hydro's.
- 7 MS. HENLEY ANDREWS, Q.C.: Why is it not a firm
8 customer?
- 9 MR. BUDGELL: Because we sell secondary energy to that
10 particular customer and we have the right to not sell that
11 energy to the customer, to the contract.
- 12 MS. HENLEY ANDREWS, Q.C.: Okay, so you ...
- 13 MR. BUDGELL: And that means if we allocate cost there,
14 essentially what we're doing is not recovering our cost if
15 we make a decision that we can't sell, for whatever reason,
16 to that particular customer.
- 17 MS. HENLEY ANDREWS, Q.C.: Do you have any non-firm
18 customers on the island interconnected system?
- 19 MR. BUDGELL: We don't have non-firm customers but we
20 have firm customers that receive non-firm service.
- 21 MS. HENLEY ANDREWS, Q.C.: Okay, so for the purpose
22 of the island interconnected system the term "firm
23 customers" really doesn't matter at the present time, would
24 you agree?
- 25 MR. BUDGELL: Yes.
- 26 MS. HENLEY ANDREWS, Q.C.: However, from a purist's
27 point of view you have added the word "firm" to the
28 definition that the Board has previously accepted with
29 respect to common plant?
- 30 MR. BUDGELL: Yes.
- 31 MS. HENLEY ANDREWS, Q.C.: Have you made any other
32 changes to that definition?
- 33 MR. BUDGELL: I don't recall whether it's different, but I
34 didn't concentrate on whether the ... if you look at different
35 hearings this gets stated different ways. I may have got it
36 stated different ways, but I think this is the gist, that it was
37 the substantial benefit of two or more customers is the
38 important part of that clause.
- 39 MS. HENLEY ANDREWS, Q.C.: Okay. I'm just looking for
40 the reference. Okay, so the type of plant that we're talking
41 about in common plant is generation plant, correct?
- 42 MR. BUDGELL: Yes, definitely.
- 43 MS. HENLEY ANDREWS, Q.C.: Transmission plant?
- 44 MR. BUDGELL: Some transmission.
- 45 MS. HENLEY ANDREWS, Q.C.: No, we're talking about
46 plants ...
- 47 MR. BUDGELL: Yeah, it is transmission, yes.
- 48 MS. HENLEY ANDREWS, Q.C.: In terms of plant we're
49 talking about generation plant?
- 50 MR. BUDGELL: Transmission plant, I agree.
- 51 MS. HENLEY ANDREWS, Q.C.: Transmission and
52 distribution?
- 53 MR. BUDGELL: Yes, and terminal stations associated with
54 transmission.
- 55 MS. HENLEY ANDREWS, Q.C.: Okay, so when we're
56 talking about common plant, based upon the definition, we
57 have to determine whether that, for example, generation
58 plant is of substantial benefit to two or more customers?
- 59 MR. BUDGELL: Can I step back for a second? I think you
60 mentioned distribution and I don't think distribution gets
61 mentioned in terms of ...
- 62 MS. HENLEY ANDREWS, Q.C.: It actually is in the
63 discussions elsewhere of the rules but it's not in yours.
- 64 MR. BUDGELL: Okay. No, I ...
- 65 MS. HENLEY ANDREWS, Q.C.: So I'm going to ignore it.
- 66 MR. BUDGELL: Okay.
- 67 MS. HENLEY ANDREWS, Q.C.: But technically?
- 68 MR. BUDGELL: Technically. The distribution is usually
69 down into the gut of the system and it's usually assigned.
70 You ...
- 71 MS. HENLEY ANDREWS, Q.C.: It's usually specifically
72 assigned?
- 73 MR. BUDGELL: Yeah. In our case you'd be down into
74 Hydro rural and it's assigned to customer classes and
75 Newfoundland Power would be a very similar case.
- 76 MS. HENLEY ANDREWS, Q.C.: So for the purpose of this
77 hearing we're really focusing on generation plant and
78 transmission and related plant, correct?
- 79 MR. BUDGELL: Agreed.
- 80 MS. HENLEY ANDREWS, Q.C.: So if we were talking
81 about generation plant and whether or not it should be
82 assigned as common or specifically assigned to a particular
83 class of customers the thing for the Board to determine is
84 whether that plant is of substantial benefit to two or more
85 customers?
- 86 MR. BUDGELL: Yes.
- 87 MS. HENLEY ANDREWS, Q.C.: Okay, and that involves
88 an interpretation of what is meant by substantial benefit?

- 1 MR. BUDGELL: Of course.
- 2 MS. HENLEY ANDREWS, Q.C.: And would you agree that
3 if you have five customers, and this is a theoretical case, if
4 you had five, Hydro had five classes of customers and only
5 three were receiving a substantial benefit, then a
6 subfunction could be created in order to ensure that the
7 ones who were receiving the benefit received the cost?
- 8 MR. BUDGELL: On a hypothetical basis anything is
9 possible.
- 10 MS. HENLEY ANDREWS, Q.C.: And that's similar to the
11 sub-transmission function that the Board suggested with
12 respect to lines that serve the industrial customers and
13 Newfoundland Power only? Correct?
- 14 MR. BUDGELL: Yes.
- 15 MS. HENLEY ANDREWS, Q.C.: What is your
16 interpretation of substantial benefit or is it fair to say that
17 your interpretation is reflected in the rules?
- 18 MR. BUDGELL: In regards to the items where it gets
19 referred to in regards to generation, I'm referring specifically
20 to generation here, we offer the guideline that's listed in D
21 as being our view.
- 22 MS. HENLEY ANDREWS, Q.C.: Okay, so Hydro's view is
23 that all of Hydro's production facilities are of substantial
24 benefit to two or more customers?
- 25 MR. BUDGELL: Of course, yes. I can't visualize the
26 situation on an interconnected system where generation,
27 generation, just generation itself, would not be of benefit,
28 especially since we're modelling or planning the system on
29 the availability of all that generation being available for the
30 benefit of all customers, whether that would not be the
31 case. I think ...
- 32 MS. HENLEY ANDREWS, Q.C.: No matter how remote that
33 generation is from the main grid?
- 34 MR. BUDGELL: No matter how remote.
- 35 MS. HENLEY ANDREWS, Q.C.: So that's Hydro's
36 position?
- 37 MR. BUDGELL: That's our position.
- 38 MS. HENLEY ANDREWS, Q.C.: And in the 1992 definition
39 that was ... Hydro took the same position, correct? Based
40 upon your evidence which is in **Consent 6**, which is ...
- 41 MR. BUDGELL: Yes. Page 13-A.
- 42 MS. HENLEY ANDREWS, Q.C.: And that position would
43 be that all of Hydro's production facilities would be
44 considered to be of substantial benefit?
- 45 MR. BUDGELL: Yes.
- 46 MS. HENLEY ANDREWS, Q.C.: In 1982, with respect to
47 transmission and terminal facilities Hydro's interpretation
48 was that if transmission and terminal facilities 66 KV and
49 above ...
- 50 MR. BUDGELL: I'm sorry, did you say `82?
- 51 MS. HENLEY ANDREWS, Q.C.: `92. I keep doing that.
- 52 MR. BUDGELL: I'm sorry.
- 53 MS. HENLEY ANDREWS, Q.C.: `92.
- 54 MR. BUDGELL: You had me confused there for a minute.
- 55 MS. HENLEY ANDREWS, Q.C.: Sorry about that, and
56 correct me every time I do it. For some ...
- 57 MR. BUDGELL: I was just wondering whether I'm gone
58 back thinking about `82. I was wondering what ...
- 59 MS. HENLEY ANDREWS, Q.C.: No. 1992. When we look
60 at your evidence in 1992 Hydro's position with respect to
61 transmission and terminal facilities at that time was that
62 transmission and terminal facilities 66 KV and above of
63 substantial to more than one customer should be common,
64 correct?
- 65 MR. BUDGELL: Yes.
- 66 MS. HENLEY ANDREWS, Q.C.: And also that
67 transmission and terminal facilities 66 KV and above which
68 interconnect significant generation facilities of Hydro or
69 customers to the system should also be treated as
70 common?
- 71 MR. BUDGELL: Yes.
- 72 MS. HENLEY ANDREWS, Q.C.: And when you look at, or
73 when the Board looks at Hydro's rules at that time, again,
74 the issue would be whether the rule reflected a reasonable
75 interpretation of the definition of common plant, correct?
- 76 MR. BUDGELL: That's right.
- 77 MS. HENLEY ANDREWS, Q.C.: When you look at your
78 current rules, A and B are almost word for word the same as
79 portions of what you are proposing now, correct?
- 80 MR. BUDGELL: That's right.
- 81 MS. HENLEY ANDREWS, Q.C.: The difference really
82 comes when you look at what you're proposing now in
83 your subparagraphs C and D, correct?
- 84 MR. BUDGELL: C is different from what was before, but C
85 is the recommendation of the Board, directly.
- 86 MS. HENLEY ANDREWS, Q.C.: Okay.
- 87 MR. BUDGELL: From the `93 hearing, the generic hearing.
- 88 MS. HENLEY ANDREWS, Q.C.: Well, I'm not going to ...
89 we'll have to ...

- 1 MR. BUDGELL: It is different, I agree.
- 2 MS. HENLEY ANDREWS, Q.C.: We'll have to agree to
3 disagree on that.
- 4 MR. BUDGELL: No, no.
- 5 MS. HENLEY ANDREWS, Q.C.: I think it's Hydro's
6 interpretation of what the Board said, but let's just deal with
7 how it is different from what was in place in 1992, and that
8 is that in 1992 transmission and terminal facilities 66 KV and
9 above, which interconnect significant generation facilities
10 of Hydro or its customers to the system, were to be treated
11 as common, correct?
- 12 MR. BUDGELL: Yes.
- 13 MS. HENLEY ANDREWS, Q.C.: When you look at C in
14 your current proposal there's no reference to 66 KV and
15 above, correct?
- 16 MR. BUDGELL: No.
- 17 MS. HENLEY ANDREWS, Q.C.: That's not correct?
- 18 MR. BUDGELL: There's no reference.
- 19 MS. HENLEY ANDREWS, Q.C.: Okay, and in addition the
20 word "significant" qualifying generation facilities has been
21 deleted? In 1992 you referred to interconnecting significant
22 generation facilities?
- 23 MR. BUDGELL: Yes.
- 24 MS. HENLEY ANDREWS, Q.C.: But in C there is no
25 reference to significant generating facilities?
- 26 MR. BUDGELL: No, there isn't.
- 27 MS. HENLEY ANDREWS, Q.C.: So would you agree with
28 me that with the elimination of the 66 KV restriction and the
29 deletion of the word "significant", the proposal in C of your
30 evidence is much broader than the rule that existed in 1992?
- 31 MR. BUDGELL: I don't interpret it that way because, let me
32 just go back. C is not referring ... C is referring to the ...
33 remember we talked about the Cat Arm's, the Hines Lake
34 and the Upper Salmon's? That's what C is dealing with.
- 35 MS. HENLEY ANDREWS, Q.C.: Okay, so that's dealing
36 with demand and energy?
- 37 MR. BUDGELL: Yeah, that's dealing with transmission,
38 that's dealing with transmission and terminals plant whose
39 sole function ... it's got nothing to do with the GNP now,
40 right.
- 41 MS. HENLEY ANDREWS, Q.C.: Okay.
- 42 MR. BUDGELL: Here. Whose sole function is the
43 interconnecting of a generating facility, so that's the Upper
44 Salmon line. There's no customers as such at the end of it,
45 Hines Lake's line or the Cat Arm line. It's ... this is the
- 46 Board ... I don't know if the word ... I shouldn't say it's the
47 exact words, but this is the Board's added recommendation
48 from the '93 hearing. I don't have a copy here. I don't
49 know if you ...
- 50 MS. HENLEY ANDREWS, Q.C.: Yes, I do.
- 51 MR. BUDGELL: ... provided it in one of the ones you
52 handed out here.
- 53 MS. HENLEY ANDREWS, Q.C.: Yeah, I did, and we
54 referred to it this morning.
- 55 MR. BUDGELL: Yeah.
- 56 MS. HENLEY ANDREWS, Q.C.: I mean, they made a
57 specific recommendation with respect to Cat Arm.
- 58 MR. BUDGELL: Yes, but this one is a specific
59 recommendation in regards to generation plant, this one
60 was there.
- 61 MS. HENLEY ANDREWS, Q.C.: Okay, but you agree with
62 me that ... because we talked a little earlier about the
63 difference between classification of costs and assignment
64 of costs?
- 65 MR. BUDGELL: That's right.
- 66 MS. HENLEY ANDREWS, Q.C.: But C is dealing with
67 assignment, isn't it?
- 68 MR. BUDGELL: And classification. Because you got to
69 read the last part.
- 70 MS. HENLEY ANDREWS, Q.C.: And classification, but it's
71 also dealing with assignment?
- 72 MR. BUDGELL: Agreed, yes, it's dealing with both.
- 73 MS. HENLEY ANDREWS, Q.C.: Okay.
- 74 MR. BUDGELL: But that's the reason it's written that way.
75 That was to cover off the Board's order in 1993 that this
76 was an addition that the Board put into our assignment
77 categories because the Board, I guess, maybe thought our
78 B was a little too broad and not specific enough to cover
79 off this particular aspect.
- 80 MS. HENLEY ANDREWS, Q.C.: You would agree with me
81 that the Board's ... if we go back to the 1993 extract which
82 I provided this morning, which I think is **Consent 8**.
- 83 MR. BUDGELL: If I may?
- 84 MS. HENLEY ANDREWS, Q.C.: Yes.
- 85 MR. BUDGELL: Maybe to clarify. Page 15 of my evidence,
86 lines 16 to 19.
- 87 MS. HENLEY ANDREWS, Q.C.: Yes.
- 88 MR. BUDGELL: Which I based ... this is the Board's
89 recommendations related to assignment of plant for the '92

1 ... I'm sorry, in '93, I said '93. It was in the '93 hearing, but
2 it was a '92 hearing in the '93 report, and you mentioned
3 Cat Arm and that's correct, that's No. 1, but this specific
4 reference that we're referring to in C is No. 4.

5 MS. HENLEY ANDREWS, Q.C.: Yes.

6 MR. BUDGELL: "That transmission lines and substation
7 in the island interconnected system used solely or
8 dominantly for the purpose of connecting remote located
9 generation to the main transmission system be classified in
10 the same manner as the generation stations they serve."
11 Now, there may be a few words changed there, but the
12 intent of that C is clause 4 from the 1993 recommendations.

13 (11:45)

14 MS. HENLEY ANDREWS, Q.C.: But when you ... you
15 would agree with me, which was my question, that there is
16 no reference in that rule or in that principle, regardless of
17 who created it, to significant generation facilities, correct?

18 MR. BUDGELL: That's correct. The Board did not use that
19 language in its recommendation.

20 MS. HENLEY ANDREWS, Q.C.: Or to facilities 66 KV and
21 above?

22 MR. BUDGELL: Agreed, the Board did not use that
23 particular classification, as well, or that wording.

24 MS. HENLEY ANDREWS, Q.C.: And as a result, the
25 wording in C is broader than the wording in D in 1992? It
26 is not limited to ... this principle, as it's now expressed,
27 would treat as common ...

28 MR. BUDGELL: I thought it was very specific, actually.

29 MS. HENLEY ANDREWS, Q.C.: Well, just let me finish my
30 question. That with the exception that at the beginning of
31 C it refers to plant whose sole function is the
32 interconnection of a generating facility with the system,
33 that plant, under the definition in C, does not have to have
34 significant generation under this new definition, correct?

35 MR. BUDGELL: That's correct.

36 MS. HENLEY ANDREWS, Q.C.: And nor does the plant's
37 transmission and terminal facilities have to be 66 KV and
38 above?

39 MR. BUDGELL: Agreed.

40 MS. HENLEY ANDREWS, Q.C.: Okay. Now, when we go
41 on to D ... and so, one of the things that the Board is going
42 to have to determine in looking at the principles, whether
43 they're the principles that they suggested or that the
44 previous Board suggested or principles that Hydro is
45 suggesting, is whether those principles as expressed match
46 the definition of common plant, do you agree?

47 MR. BUDGELL: Yes.

48 MS. HENLEY ANDREWS, Q.C.: Now, when we move on
49 to D, this is pretty well entirely new, would you agree?

50 MR. BUDGELL: Yes.

51 MS. HENLEY ANDREWS, Q.C.: And it says that all of
52 Hydro's transmission and terminal station plant ... and
53 again, there's no limitation to 66 KV and above, agreed?

54 MR. BUDGELL: No limitation, agreed.

55 MS. HENLEY ANDREWS, Q.C.: That connects remote
56 generation or voltage support equipment that is of
57 substantial benefit to all customers on the grid, so when
58 you read the first sentence there is a reference to
59 substantial benefit, correct?

60 MR. BUDGELL: There is.

61 MS. HENLEY ANDREWS, Q.C.: And, but no definition in
62 that first sentence as to what substantial benefit is, correct?

63 MR. BUDGELL: No, and that's why it follows on.

64 MS. HENLEY ANDREWS, Q.C.: Okay.

65 MR. BUDGELL: The remainder of that definition tries to
66 put a level on the word "substantial".

67 MS. HENLEY ANDREWS, Q.C.: So Hydro proposes a
68 definition for substantial benefit?

69 MR. BUDGELL: That's right.

70 MS. HENLEY ANDREWS, Q.C.: In that context?

71 MR. BUDGELL: Yes.

72 MS. HENLEY ANDREWS, Q.C.: And when you look at the
73 reference to remote generation it does not refer to
74 significant remote generation, correct?

75 MR. BUDGELL: No, it doesn't.

76 MS. HENLEY ANDREWS, Q.C.: And for the first time we
77 have a reference to voltage support equipment, correct?

78 MR. BUDGELL: Yes.

79 MS. HENLEY ANDREWS, Q.C.: And is the voltage
80 support equipment that we're talking about in this the
81 capacitor bank at western Avalon, the capacitor bank at
82 Long Harbour?

83 MR. BUDGELL: Long Harbour or at Hardwood's, Oxen
84 Pond or any ... anywhere there is a capacitor bank
85 supporting the transmission system used for that purpose,
86 the main grid.

87 MS. HENLEY ANDREWS, Q.C.: But you are proposing at
88 this hearing a reassignment of the line or the assignment of
89 the line at Albright and Wilson to common, correct?

- 1 MR. BUDGELL: That's correct.
- 2 MS. HENLEY ANDREWS, Q.C.: And the only thing, really
3 on that line is the capacitor bank?
- 4 MR. BUDGELL: No. There is a small general service
5 customer.
- 6 MS. HENLEY ANDREWS, Q.C.: Yeah.
- 7 MR. BUDGELL: But it's, again, we get back to this issue of
8 significance. The capacitor bank is the largest function
9 right now.
- 10 MS. HENLEY ANDREWS, Q.C.: But that's not really true
11 with respect to the Hardwood's line that you just referred
12 to?
- 13 MR. BUDGELL: Well, Hardwood's would have gas turbine
14 but it also has significant capacitors to support ...
- 15 MS. HENLEY ANDREWS, Q.C.: But really, the only real
16 asset, or the only asset on the Albright and Wilson line is
17 the capacitor bank?
- 18 MR. BUDGELL: Yes.
- 19 MS. HENLEY ANDREWS, Q.C.: So, in D there is no
20 reference to significant remote generation, and for the first
21 time we see a reference to voltage support equipment?
- 22 MR. BUDGELL: Yeah, but D does refer to significant. The
23 word "significant" is not there, I would agree with you, but
24 D does set out what's significant in regards to remote
25 generation.
- 26 MS. HENLEY ANDREWS, Q.C.: Okay, tell me what you
27 mean by remote generation?
- 28 MR. BUDGELL: Generation on a radial away from the grid,
29 remote from the grid.
- 30 MS. HENLEY ANDREWS, Q.C.: Okay, and how far away
31 do you have to be from the grid to be remote?
- 32 MR. BUDGELL: I can't come up with a definition of what
33 that ... I assume, like, when you run out of land mass on the
34 island in serving customers it would ... but remote could be
35 anywhere that's remote from the main grid itself.
- 36 MS. HENLEY ANDREWS, Q.C.: Well, give me an example
37 of what you ... or tell me what you consider the main grid to
38 be?
- 39 MR. BUDGELL: The most of the 230 KV system and the
40 138 KV system of the island.
- 41 MS. HENLEY ANDREWS, Q.C.: Okay, so the 230 and 138?
- 42 MR. BUDGELL: Yes.
- 43 MS. HENLEY ANDREWS, Q.C.: All of it or most of it?
- 44 MR. BUDGELL: I would say pretty well all off it except for
45 those portions. There are some of the grid that are
46 specifically assigned 138 to a particular customer, but for
47 the most part that's what it is. But the remote generation
48 here we're referring to is the GNP generation, it's the Port
49 aux Basques generation that's at the end of the radial and
50 it's also the Burin Peninsula generation.
- 51 MS. HENLEY ANDREWS, Q.C.: So this definition is really
52 designed to deal with specific assets, isn't it?
- 53 MR. BUDGELL: Yes, it is. It's those systems, because we
54 have a situation where there is generation on the system.
55 It's used for the benefit of all customers on the system, but
56 it's the transmission system that connected to the system
57 may or may not be common.
- 58 MS. HENLEY ANDREWS, Q.C.: And Hydro's view is that
59 it should be common?
- 60 MR. BUDGELL: It should be common if it meets this
61 guideline.
- 62 MS. HENLEY ANDREWS, Q.C.: And so the guideline is
63 written to include that in the definition of common plant?
- 64 MR. BUDGELL: The guideline was devised to set a
65 situation whereby one can look at a ... if I put on five
66 megawatts of generation on the system because there is a
67 shortage or an outage, if I put it on in the Burin Peninsula,
68 or I put it on in Port aux Basques, or on the GNP, it benefits
69 the overall system in meeting load requirements. Or if
70 there's generation needed in one part of the system for
71 voltage support and we're full out in that area we could put
72 on generation in another area to free up generation in
73 another part of the system so that it can be used elsewhere.
74 That's a benefit to all customers, and what this is indicating
75 here is that, well, we were caught with the dilemma of there
76 were many ways to go in setting up this criteria. We could
77 say it's on a percentage basis, so to say, well, what is
78 substantial, is it substantial in which regard, it's more than
79 ten megawatts, is it substantial on a percentage basis, is it
80 substantial in relation to the load that's in the systems, so
81 all of these different thoughts entered into the decision,
82 and we thought, from a fairness perspective, this criteria, in
83 other words, the generation not only does it ... because all
84 generation supports the system, but this generation also at
85 times can even, under light load conditions, can make it to
86 the 230 KV system, and we thought that that was an
87 appropriate means of defining the word "substantial" for
88 the benefit of this criteria. Now, there was some generation
89 on the system that didn't meet that criteria.
- 90 MS. HENLEY ANDREWS, Q.C.: So basically Hydro's
91 position is that the line to Port aux Basques, the Burin
92 Peninsula radial line and the Great Northern Peninsula
93 radial lines ought to be common?
- 94 MR. BUDGELL: Yes. Under this guideline.

1 MS. HENLEY ANDREWS, Q.C.: But which came first, I
2 mean, the chicken or the egg? I mean, was the guideline
3 developed ...

4 MR. BUDGELL: Burin ... go back to before the hearing.
5 Burin was common by virtue of the generation. It has been
6 since the beginning.

7 MS. HENLEY ANDREWS, Q.C.: Yes.

8 MR. BUDGELL: And is that significant.

9 MS. HENLEY ANDREWS, Q.C.: But Burin served two
10 classes of customers for a long time, correct?

11 MR. BUDGELL: Not for Hydro, not from Hydro.

12 MS. HENLEY ANDREWS, Q.C.: Well, there are Hydro rural
13 customers on the Burin Peninsula.

14 MR. BUDGELL: There are only through the
15 interconnection, when the interconnection was done.

16 MS. HENLEY ANDREWS, Q.C.: Okay.

17 MR. BUDGELL: But back at the time these lines were built
18 we were only serving Newfoundland Power.

19 MS. HENLEY ANDREWS, Q.C.: Yes, okay.

20 MR. BUDGELL: It's only like in the late 1990s that we
21 actually connected the two isolated systems in to Burin,
22 but they were common. The Port aux Basques system
23 wasn't, it was specifically assigned. The only generation
24 on the Port aux Basques system at that particular time was
25 the portable gas turbine and Newfoundland Power had
26 some diesel generation. Subsequent changes to the Port
27 aux Basques system with the addition of Rose Blanche
28 added another six significant generation relative to that
29 system, so ...

30 MS. HENLEY ANDREWS, Q.C.: Six megawatts?

31 MR. BUDGELL: Six megawatts, thereabouts, it was in that
32 range.

33 MS. HENLEY ANDREWS, Q.C.: Let's go back to the
34 definition here, and that is that I want to understand, the
35 process that went into developing the principle, and I think
36 that I understand from you that you looked at the decision,
37 the provisional decision of the Board in 1995 and 1996 with
38 respect to the GNP transmission. Is that correct?

39 MR. BUDGELL: Yes, we would have looked at that.

40 MS. HENLEY ANDREWS, Q.C.: And then you attempted
41 to rephrase what the Board proposed on a provisional
42 basis at that time into a rule of general application?

43 MR. BUDGELL: We tried to come up with guidelines, not
44 for general application. We were caught ... the problem was
45 if ...

46 MS. HENLEY ANDREWS, Q.C.: The Board didn't deal with
47 ...

48 MR. BUDGELL: The Board didn't deal with any allocations
49 elsewhere or the impact of that particular change, so the
50 issue was is that if that were so, if that was the proper way
51 to treat the GNP, okay, then how do I define or put a
52 defining quantity on that situation, right, and it says that
53 meets an asset test, and then I need to apply it. I want to
54 be consistent to the overall system, so if we applied the
55 Board's and we were just sitting here today just talking
56 about GNP and we left everything else the same, the Port
57 aux Basques system would have been specifically assigned
58 and the Burin system is common, as it is right now, and
59 we'd be waiting for the decision on the ... some decision
60 after this discussion on the GNP, and we thought that ...
61 and it's always been a dilemma for us. We never, ever, ever
62 knew what was meant by significant generation, in our
63 view. We had a view of what it meant, but we didn't know
64 what was in the minds of the Board or in the minds of the
65 customers, so ...

66 MS. HENLEY ANDREWS, Q.C.: And that's a large part of
67 the problem, isn't it?

68 MR. BUDGELL: Oh, yes, it is. It is the problem, actually,
69 because this is not a ... I look at this as not an issue in
70 regards to the generation. This is an issue in regards to the
71 transmission that connects the generation to the system.
72 This is what this boils down to, and in some cases, right, it
73 should be common, and maybe in other cases it shouldn't,
74 but somebody has to draw a line in the sand and say ...
75 because as an analyst or as an engineer looking at the
76 system, I have to or I would like to say that I apply some
77 kind of a rule consistently to be fair to all customers.

78 MS. HENLEY ANDREWS, Q.C.: Okay.

79 MR. BUDGELL: And I need to know what that rule is, and
80 so, what we did is that we thought that from our point of
81 view that if we can have generation on the system and that
82 generation is significant enough that it can have power
83 flow back into the 230 KV system, there is a means which
84 by we can use to define the word "significant," okay. Now,
85 taking that, we look then at the GNP and say does that,
86 does that radial meet that criterion, and our test or looking
87 at the 2002 load at the time indicated to us that it was the
88 generation, the 15.1 megawatts was roughly 130 percent,
89 was a bit more than that, minimal load conditions, so, okay,
90 it met, and then we went to each one of the radials and did
91 a similar test. If that's not the ... in the Board's opinion, if
92 that's not a proper test then we're open for ... I mean, this is
93 a decision the Board has to make, whether this is a proper
94 test and an appropriate one or there's another one. The
95 only significance to me is that it be fair and I get an
96 opportunity to apply it to the overall system.

1 (12:00)

2 MS. HENLEY ANDREWS, Q.C.: And in order to do that we
3 might have to look at issues beyond voltage support
4 equipment. Wouldn't you agree?

5 MR. BUDGELL: What issues are you referring to?

6 MS. HENLEY ANDREWS, Q.C.: Well, there could also be
7 other assets that provide benefit to the system which may
8 or may not provide substantial benefit. Wouldn't you
9 agree?

10 MR. BUDGELL: Yes, oh, yes, there are. Again, when you
11 use that word "substantial" you're in a conundrum again,
12 right, what's not and what is.

13 MS. HENLEY ANDREWS, Q.C.: Okay. For example, if you
14 take Abitibi in Stephenville it's providing Interruptible B,
15 correct?

16 MR. BUDGELL: It is, yes.

17 MS. HENLEY ANDREWS, Q.C.: Which is providing a
18 means of eliminating the need for new generation of 46
19 megawatts, correct, to meet peak?

20 MR. BUDGELL: It's assisting the meeting peak, yes.

21 MS. HENLEY ANDREWS, Q.C.: But, the line into the
22 Abitibi mill in Stephenville is ... probably a bad example.
23 Let's take Grand Falls, I'll go to Grand Falls. Grand Falls, a
24 portion of that line is treated as specifically assigned,
25 correct, a portion of the line?

26 MR. BUDGELL: The line, I believe, in our application is
27 treated as specifically assigned.

28 MS. HENLEY ANDREWS, Q.C.: Specifically assigned?

29 MR. BUDGELL: Yes.

30 MS. HENLEY ANDREWS, Q.C.: But, Grand Falls provides
31 generation to the grid on occasion, isn't that right?

32 MR. BUDGELL: There are times, yes, it provides
33 secondary power to the grid, yes.

34 MS. HENLEY ANDREWS, Q.C.: Okay, and if the Board
35 found that either Corner Brook Pulp and Paper's or Abitibi's
36 generation to the grid provided a substantial benefit,
37 whatever that means, then those lines really should be
38 assigned as common, wouldn't you agree?

39 MR. BUDGELL: If it was a substantial benefit I would
40 agree, yes.

41 MS. HENLEY ANDREWS, Q.C.: Okay, and that could be
42 interpreted, both the Hydro generation at Corner Brook
43 Pulp and Paper and the Hydro generation in Grand Falls,
44 under your definition, could be interpreted as remote
45 generation, correct?

46 MR. BUDGELL: It could be interpreted, but I'll go back to
47 your statement. Having agreed that if there was provision
48 of energy and it was substantial then I would agree, but I'm
49 not aware that either of these parties provide any
50 substantial support or generation to the grid. As a matter
51 of fact, I think in the case of Abitibi in Grand Falls it's
52 incidental, it's very small. I'm not sure there was an RFI on
53 that matter.

54 MS. HENLEY ANDREWS, Q.C.: If you look at the second
55 part of D, for the purposes of this guideline, if under any
56 normal operating scenario the output of remote generation
57 can be delivered to the 230 KV grid, ie, in excess of radial
58 load, then the remote generation is to be considered ... is
59 considered to be of substantial benefit to all customers
60 and, as such, the transmission and terminal plant
61 connecting it to the grid would be assigned as common.
62 You would agree with me that there are times when under
63 a normal operating scenario Corner Brook Pulp and Paper
64 might be able to deliver generation to the 230 KV line,
65 agreed?

66 MR. BUDGELL: When you say a normal, if the mill is
67 running it would be very doubtful. The mill would have to
68 be down. Because in normal circumstances the Corner
69 Brook operations require, well, it's in evidence, 56 or 60,
70 whichever the number is, megawatts of additional
71 generation from Hydro.

72 MS. HENLEY ANDREWS, Q.C.: Uh hum.

73 MR. BUDGELL: Which is over and above their own
74 generation capability, but if they were providing it to Hydro
75 I'm not aware in the recent past, going back to the Kruger
76 operations, whether there was a situation where there was
77 what I would call significant energy supplies to Hydro from
78 the Corner Brook operations, nor am I aware that there was
79 significant generation provided from Abitibi. Now, Abitibi
80 ...

81 MS. HENLEY ANDREWS, Q.C.: Well, there was during the
82 strike, wouldn't you agree?

83 MR. BUDGELL: Abitibi's situation ... well, the strike
84 situation, I don't recall whether that was ... that was banked,
85 I believe, for their benefit for a later time. That was my
86 understanding. I may be wrong, but I thought during the
87 strike situation ...

88 MS. HENLEY ANDREWS, Q.C.: Well, we could have a
89 long discussion on what gets banked and what doesn't, but
90 ...

91 MR. BUDGELL: I thought during the strike that Hydro ...
92 Abitibi approached Hydro and asked whether we would
93 permit them to store energy for their benefit at a later date
94 and we agreed, since we had some limited space in our
95 reservoirs at that time, to accept that energy that we would

1 do that. Although we did it reluctantly because we were in
2 a situation where spilling was imminent for us, but ...

3 MS. HENLEY ANDREWS, Q.C.: I was going to say, but
4 anything that causes spill doesn't get banked?

5 MR. BUDGELL: No, and it ended up that it spilled.

6 MS. HENLEY ANDREWS, Q.C.: Okay. Exactly.

7 MR. BUDGELL: That's right.

8 MS. HENLEY ANDREWS, Q.C.: So, the thing is that ...

9 MR. BUDGELL: So Abitibi ...

10 MS. HENLEY ANDREWS, Q.C.: ... it goes back to my point
11 though, which is that there are times when generation from
12 Grand Falls is delivered into the 230 KV grid, correct?

13 MR. BUDGELL: It's delivered into the grid for the sake that
14 we backed off generation for their benefit, only for their
15 benefit.

16 MS. HENLEY ANDREWS, Q.C.: But I'm looking at this
17 sentence in your principles, and the sentence says that for
18 the purpose of this guideline, under any normal operating
19 scenario the output of remote generation can be delivered
20 to the 230 KV grid, so depending on what we mean by "any
21 normal operating scenario" ...

22 MR. BUDGELL: Yes, we'd have to define that, and we
23 define that as light load conditions in case of the GNP or
24 the other systems. I don't know what the definition of light
25 load for the industrials are. The illustration, I think you
26 gave to me was that they were on strike and shut down. I'm
27 not ... I'm just saying ...

28 MS. HENLEY ANDREWS, Q.C.: The illustration that I gave
29 was that they have fed into the 230 KV system on
30 occasion. You suggested that they haven't, and I said that
31 they have.

32 MR. BUDGELL: The only ... yeah, they have.

33 MS. HENLEY ANDREWS, Q.C.: Now, and of course the
34 critical factor would be an interpretation of any normal
35 operating scenario, you agree?

36 MR. BUDGELL: I would agree with that, yes.

37 MS. HENLEY ANDREWS, Q.C.: So, if an industrial
38 customer, and we do, for example, have the Beaton project
39 which ... and also the Corner Brook Pulp and Paper energy
40 projects which are under development. Under your
41 proposal, if under a normal operating scenario the output
42 of remote generation can be delivered to the 230 KV grid, in
43 other words, is not fully consumed by the customer, then
44 the line that's currently specifically assigned should be
45 changed to common?

46 MR. BUDGELL: Yes, and the illustration you give is a

47 good illustration. When the Beaton unit and the Bishop
48 Falls upgrades are completed that could, in 2003 or after,
49 entail that there would be a change in our recommendation
50 in relation to the line to Grand Falls, but, I don't think that's
51 ...

52 MS. HENLEY ANDREWS, Q.C.: Unless the principles
53 change between now and then?

54 MR. BUDGELL: No, I was saying using the same principle.

55 MS. HENLEY ANDREWS, Q.C.: Yeah, that's right, using
56 this principle.

57 MR. BUDGELL: The principle right now is that the
58 illustration which you've given from those particular
59 customers, was that of benefit to two or more customers.
60 Because, again, you come back to the comment, when
61 Abitibi delivered the energy, in the illustration you gave, to
62 Hydro to store on its behalf, right, was it the intention of
63 that transaction to benefit Newfoundland Power or Hydro
64 rural? I don't think so. I think it was to benefit Abitibi at a
65 later date. Now, I know it got spilled and I ... right. It's a
66 terrible circumstance that that happened, but that was a
67 matter of the risk at that particular time, but it is not normal
68 practice for Abitibi or Corner Brook, for that matter, they
69 use their generation for the benefit of their operation, and
70 they don't normally make that available for the benefit of
71 the grid, in a normal circumstance.

72 MS. HENLEY ANDREWS, Q.C.: The definition contained
73 in D, the first sentence refers to transmission and terminal
74 station plant that connects the customer and remote
75 generation, low voltage support and it does refer to
76 substantial benefit, correct?

77 MR. BUDGELL: Yes, to all customers on the grid, yes.

78 MS. HENLEY ANDREWS, Q.C.: Okay, but it doesn't say to
79 one or more customers on the grid, it says to all customers
80 on the grid?

81 MR. BUDGELL: Agreed.

82 MS. HENLEY ANDREWS, Q.C.: But the definition of
83 common plant says two or more customers?

84 MR. BUDGELL: Yes.

85 MS. HENLEY ANDREWS, Q.C.: Correct?

86 MR. BUDGELL: But again, I refer to generation, and
87 normally we do as benefit to all customers.

88 MS. HENLEY ANDREWS, Q.C.: So then in the next
89 sentence Hydro is attempting to define, at least in part,
90 what is meant by "substantial benefit," would you agree?

91 MR. BUDGELL: Agree.

92 MS. HENLEY ANDREWS, Q.C.: And this is just a proposal

1 for the Board's consideration, agreed?

2 MR. BUDGELL: Agreed.

3 MS. HENLEY ANDREWS, Q.C.: But it is a proposal that is
4 utilized in your current rate referral?

5 MR. BUDGELL: Agreed.

6 MS. HENLEY ANDREWS, Q.C.: And if the Board doesn't
7 agree with that proposal then it would result in changes in
8 some of your proposed assignments?

9 MR. BUDGELL: Agreed. Depending on what the Board
10 recommends.

11 MS. HENLEY ANDREWS, Q.C.: Exactly. Now, the second
12 part of your ... the second sentence of paragraph D says
13 that if, under any normal operating scenario, the output of
14 remote generation can be delivered to the 230 KV line, then
15 the remote generation is considered to be of substantial
16 benefit to all customers, correct?

17 MR. BUDGELL: Correct.

18 MS. HENLEY ANDREWS, Q.C.: And that appears to be
19 regardless of how much generation can be delivered, is that
20 correct?

21 MR. BUDGELL: Agreed.

22 MS. HENLEY ANDREWS, Q.C.: And it is regardless of
23 how much remote generation there is on that radial line,
24 agreed?

25 MR. BUDGELL: No, I can't agree with that, because the
26 relationship of the size of the generation is important
27 relative to the radial.

28 MS. HENLEY ANDREWS, Q.C.: Okay.

29 MR. BUDGELL: Because it has to be an excess, so it's
30 setting a level, it's ...

31 MS. HENLEY ANDREWS, Q.C.: But it doesn't ... you used
32 the example in one of your answer to my previous
33 questions, and you referred to minimal load conditions?

34 MR. BUDGELL: Yes, and that's from a planning
35 understanding. We assume for minimal load flow
36 conditions that we do our planning on the basis of 35
37 percent of load. Load actually gets lower than that.

38 MS. HENLEY ANDREWS, Q.C.: Uh hum.

39 MR. BUDGELL: But that's for the purposes of doing
40 planning.

41 MS. HENLEY ANDREWS, Q.C.: So ...

42 MR. BUDGELL: It's a rule of thumb that transmission
43 planning uses.

44 (12:15)

45 MS. HENLEY ANDREWS, Q.C.: Is it correct to say that,
46 based upon the last sentence of paragraph D, Hydro is
47 proposing that if there is any possibility, however small,
48 that the output of remote generation can be delivered to the
49 grid no matter how frequently or infrequently, then the
50 transmission line connecting that remote generation should
51 be treated as common?

52 MR. BUDGELL: Yes, if it meets this test.

53 MS. HENLEY ANDREWS, Q.C.: Okay, so ...

54 MR. BUDGELL: The test of being in excess of radial load,
55 that it can be ... that the generation is in excess of that load.

56 MS. HENLEY ANDREWS, Q.C.: Do you agree with me that
57 remote generation can have the potential to provide a
58 benefit to the system without having the potential to
59 provide a substantial benefit to the system?

60 MR. BUDGELL: I don't know what that ...

61 MS. HENLEY ANDREWS, Q.C.: Okay.

62 MR. BUDGELL: I'm sorry, I don't know what that means,
63 what you just said.

64 MS. HENLEY ANDREWS, Q.C.: To me ...

65 MR. BUDGELL: A generation, I've already indicated,
66 generation, wherever it is, whether the transmission is
67 common or specifically assigned, if it's connected to the
68 grid it's of benefit to all customers.

69 MS. HENLEY ANDREWS, Q.C.: Let's ...

70 MR. BUDGELL: And that's irrespective ...

71 MS. HENLEY ANDREWS, Q.C.: It is ... okay, no ...

72 MR. BUDGELL: That's irrespective of size. That's my view,
73 that's my view.

74 MS. HENLEY ANDREWS, Q.C.: Yeah, but is of benefit?

75 MR. BUDGELL: Is of benefit, of substantial benefit. The
76 one megawatt in Roddickton is of the same benefit as one
77 megawatt in Hardwood's gas turbine, right. It's of the same
78 benefit, the plant serves the same purpose or similar
79 purposes. If I look at standby generation or look at active
80 run in generation I'm treating it exactly the same.

81 MS. HENLEY ANDREWS, Q.C.: And I recognize that
82 you're treating it exactly the same, I fully ... I think we've
83 clearly established that you're treating one megawatt of
84 generation as the same as 50 megawatts of generation.

85 MR. BUDGELL: No, I'm not treating one the same as 50.
86 I'm just saying one megawatt coming from the 50 megawatt
87 unit is very similar to one megawatt coming from a five
88 megawatt unit, that's the only point I'm trying to make.

89 MS. HENLEY ANDREWS, Q.C.: But with respect ...

1 MR. BUDGELL: It's one megawatt.

2 MS. HENLEY ANDREWS, Q.C.: Yeah, but with respect to
3 D, you're saying that if under any circumstances the one
4 megawatt generation from Roddickton can meet ... or the
5 five megawatts from Roddickton mini Hydro ...

6 MR. BUDGELL: No, I'm not saying that.

7 MS. HENLEY ANDREWS, Q.C.: Okay. Let me give you
8 another example. Let's take Snooks Arm and Venom's Bight
9 because they're very small amounts of generation.

10 MR. BUDGELL: That's right.

11 MS. HENLEY ANDREWS, Q.C.: And as far as I
12 understand your evidence this morning, if that generation,
13 which is combined, roughly one megawatt?

14 MR. BUDGELL: Yes.

15 MS. HENLEY ANDREWS, Q.C.: If that has the potential
16 under minimal load conditions to reach the grid, then it
17 should be treated the same way that the transmission line
18 that connects it to the grid, should be treated the same way
19 as a transmission line that connects a 15 megawatt plant
20 somewhere else that also has some small potential to reach
21 the grid?

22 MR. BUDGELL: I would seriously doubt that the one
23 megawatt ... and obviously it's not our position that the
24 Snooks and ... the plant can make the grid. It's just
25 impossible to do that, it's too small in relation to the load.
26 But all I'm saying is that if the generation that's on the
27 radial, and I'm not taking generation as one of, but the total
28 generation that's on the radial line. If that total generation
29 is in excess, and this is only, it's just a guideline, it's a test.

30 MS. HENLEY ANDREWS, Q.C.: It's a hypothetical.

31 MR. BUDGELL: It's a hypothetical case, agreed, right.
32 Hypothetical from the extent that I'm trying to define or put
33 some measuring yardstick on the word "substantial." That
34 if it's in excess of the load in that particular area under
35 normal conditions, and we didn't set the extreme, we just
36 said for planning purposes we normally assume 35 is a light
37 load condition, it's not the lightest load, then if it's in excess
38 of that, then we feel then it should be common.

39 MS. HENLEY ANDREWS, Q.C.: If it's in excess of it and if
40 it's on, wouldn't you agree?

41 MR. BUDGELL: No, it doesn't have to be on.

42 MS. HENLEY ANDREWS, Q.C.: Thank you. The word
43 "substantial."

44 MR. BUDGELL: Yes.

45 MS. HENLEY ANDREWS, Q.C.: Ignoring the ordinary
46 english understanding of the word "substantial", what

47 does that mean to you?

48 MR. BUDGELL: I can't answer that question.

49 MS. HENLEY ANDREWS, Q.C.: Why not?

50 MR. BUDGELL: How could I answer a question what a
51 word means without ignoring the english ...

52 MS. HENLEY ANDREWS, Q.C.: What does the word
53 "substantial" mean to you?

54 MR. BUDGELL: It's a subjective word. Substantial has to
55 have a reference. Substantial means it's ...

56 MS. HENLEY ANDREWS, Q.C.: Does it mean very small?

57 MR. BUDGELL: I can give you a synonym of significant.

58 MS. HENLEY ANDREWS, Q.C.: Okay.

59 MR. BUDGELL: It doesn't mean very small. It means large
60 in relation to something. It's substantial.

61 MS. HENLEY ANDREWS, Q.C.: Okay.

62 MR. BUDGELL: It's of substance.

63 MS. HENLEY ANDREWS, Q.C.: Okay, and the question
64 really turns on the interpretation of "substantial benefit"?

65 MR. BUDGELL: Agreed.

66 MS. HENLEY ANDREWS, Q.C.: And a very small benefit
67 would not, in your mind, be the same as a substantial
68 benefit?

69 MR. BUDGELL: Of course not.

70 MS. HENLEY ANDREWS, Q.C.: And you would agree
71 with me that on the Great Northern Peninsula there have
72 been very few occasions since interconnection when the
73 diesel generation has actually been operating?

74 MR. BUDGELL: Yes.

75 MS. HENLEY ANDREWS, Q.C.: In normal conditions?

76 MR. BUDGELL: Yes, very much, because it's in a standby
77 position, just like our gas turbines.

78 MS. HENLEY ANDREWS, Q.C.: Okay.

79 MR. BUDGELL: And they don't operate frequently. Only
80 when we have problems on the system.

81 MS. HENLEY ANDREWS, Q.C.: Okay. Would there be
82 any circumstances that you could think of where there
83 would be minimal load requirements on the Great Northern
84 Peninsula and maximum load requirements on the rest of
85 the system?

86 MR. BUDGELL: No. If you're thinking about in the time of
87 the year, the system ... the weather sensitive load moves up
88 and down consistently across the system.

1 MS. HENLEY ANDREWS, Q.C.: Okay. Now, the diesel
2 generation equipment on the Great Northern Peninsula, as
3 I understand it, is used for a number of purposes?

4 MR. BUDGELL: Yes.

5 MS. HENLEY ANDREWS, Q.C.: It's available to meet peak
6 load?

7 MR. BUDGELL: Yes.

8 MS. HENLEY ANDREWS, Q.C.: And it is used when there
9 are forced outages or maintenance work being done on the
10 Great Northern Peninsula?

11 MR. BUDGELL: Yes.

12 MS. HENLEY ANDREWS, Q.C.: And otherwise it doesn't
13 operate?

14 MR. BUDGELL: It can operate for energy if there was an
15 energy requirement.

16 MS. HENLEY ANDREWS, Q.C.: If there was an energy
17 requirement?

18 MR. BUDGELL: If there was an energy requirement. These
19 are all the same reasons why the Hardwood's gas turbines
20 or the diesel plant that's on the system operate, for all those
21 similar reasons. All the standby plant that we have on the
22 system that's available operate for that same reason, but
23 let's say if ...

24 MS. HENLEY ANDREWS, Q.C.: But it doesn't operate
25 under minimal load requirements, would you agree?

26 MR. BUDGELL: Yeah, it has to come in the economic
27 dispatch. Like, in other words, we'd have to have the
28 requirements, so if we had ... your reference to peaking is
29 apt, is that if we had a requirement where either our current
30 generation was insufficient to meet load requirements,
31 either because we don't have enough generation or one of
32 the generators were forced out of the service, then Mr.
33 Henderson's group would put it on. By the same token, if
34 we got into a situation where firm water conditions, as
35 contentious as that's been here at this hearing, existed, and
36 we don't know ... I mean, I know it's wet here today, and
37 nobody would say it's firm here, but Bay d'Espoir has been
38 very wet, but let's say a firm situation existed, then I could
39 envisage that Mr. Henderson would avail of all the thermal
40 resources that it has available to ensure that the system
41 gets through that, and he'd have to because that's what we
42 planned. We need ... we will need those units running.

43 MS. HENLEY ANDREWS, Q.C.: During peak demand?

44 MR. BUDGELL: No. For energy, too, under that
45 circumstance.

46 MS. HENLEY ANDREWS, Q.C.: But ...

47 MR. BUDGELL: Because he wouldn't know whether he'd
48 be able to make it through. He has to ensure that he
49 maintains his reservoir levels to get, let's say, to the next
50 freshet, to the spring run off or to whatever events, so
51 that's a judgment.

52 MS. HENLEY ANDREWS, Q.C.: But during ... you've told
53 me that during those types of circumstances you wouldn't
54 have minimum load requirements on the Great Northern
55 Peninsula?

56 MR. BUDGELL: Well, that could be any time during the
57 year. What I'm saying is for the firm circumstance that can
58 occur any time of the year. That wouldn't necessarily be on
59 a peak situation. The same thing as if ...

60 MS. HENLEY ANDREWS, Q.C.: But the diesel generation
61 plant, as we understand it, is generally only utilized to meet
62 peak?

63 MR. BUDGELL: To meet peak, but ... or if you found
64 yourself in a situation, whatever time of the year, and he
65 has forced outage where he hasn't got another unit
66 available. The beauty of the diesel is that he could put it
67 on pretty quickly. If he finds himself in the summer that he
68 has major hydraulic generation forced (inaudible), for
69 whatever reason, he can then turn to his gas turbines and
70 to his diesel generation to assist in meeting the peak at that
71 time. It would have to take an event of that sort to call for
72 it.

73 MS. HENLEY ANDREWS, Q.C.: But in that context of
74 paragraph D minimal load, the diesel is not usually on or
75 seldom on during minimal load conditions, would you
76 agree?

77 MR. BUDGELL: I would agree.

78 MS. HENLEY ANDREWS, Q.C.: This is a good time to
79 break.

80 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
81 Henley Andrews. Do you have any notion of when you
82 might conclude this afternoon?

83 MS. HENLEY ANDREWS, Q.C.: I have no notion.

84 MR. NOSEWORTHY, CHAIRMAN: Okay. Thank you.
85 We'll reconvene at 2:00.

86 (break)

87 (2:00 p.m.)

88 MR. NOSEWORTHY, CHAIRMAN: Thank you, and good
89 afternoon. Before I begin, are there any preliminary
90 matters, Counsel?

91 MR. KENNEDY: Yes, Chair. I believe Hydro's reporting on
92 its undertakings.

1 MR. NOSEWORTHY, CHAIRMAN: Ms. Greene?

2 MS. GREENE, Q.C.: Thank you, Mr. Chair. Yes, I do have
3 the list of undertakings that were provided yesterday to
4 distribute at this time. There were two undertakings that
5 were given yesterday. The first one that's found on the list
6 of undertakings was to provide the energy balance table as
7 pre-filed by Mr. Budgell for the 1992 hearing, and you will
8 recall that we distributed that this morning after agreement
9 with counsel for Industrial Customers, so that undertaking
10 has been met. The second undertaking was given to
11 counsel for Newfoundland Power yesterday which was to
12 provide any undepreciated costs associated with TL-250.
13 TL-250 serves the Burgeo area and I have at this time a
14 sheet to distribute to respond to that undertaking which
15 lists the undepreciated costs associated with TL-250 as well
16 as the terminal station, the Grandy Brook terminal station
17 associated with that line.

18 MR. KENNEDY: That would be U-Hydro No. 16, Chair.

19 **U-HYDRO NO. 16 ENTERED**

20 MR. NOSEWORTHY, CHAIRMAN: Thank you, Counsel.

21 MS. GREENE, Q.C.: I have another document to distribute
22 which relates to an undertaking that was given on October
23 12th, and it was at the request of Commissioner Whalen
24 relating to providing information on a 30 year rolling
25 hydraulic average versus the full historic record average,
26 and I have that to distribute at this time, which is a
27 response to, as I said, an undertaking given on October
28 12th. With respect ...

29 MR. NOSEWORTHY, CHAIRMAN: Excuse me, is that 17?

30 MR. KENNEDY: Yes, Chair. U-Hydro No. 17.

31 **U-HYDRO NO. 17 ENTERED**

32 MR. NOSEWORTHY, CHAIRMAN: Sorry, Ms. Greene,
33 yes.

34 MS. GREENE, Q.C.: I was just going to very briefly explain
35 U-Hydro 17. Page one does describe the methodology that
36 was used in the preparation of this document. Page 2 will
37 describe how the 2001 estimate was prepared which
38 includes actuals to the end of October, and estimates for
39 the remaining two months of the year, and that is explained
40 on page two. The actual information with respect to the 30
41 year average versus the full historic record average is
42 provided then on the attached page, and finally we have
43 graphs to reflect this in a graphical format, and as I say,
44 hopefully we endeavoured in providing this to explain so
45 that it would be self-explanatory and you would be able to
46 review the information in the graphs with the explanation
47 that has been provided. So based on our records that
48 would leave two undertakings outstanding. One is the
49 letter from the Department of Municipal Affairs with respect

50 to the relocation of Harbour Deep, and as I've indicated
51 previously, we hope to file that as late in the hearing as
52 possible so that it would be as most current as possible.
53 And the second item is from the undertaking given
54 yesterday to file the architectural portion of the IT
55 technology plan when it's finalized, and it still hasn't been.

56 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
57 Greene. We'll proceed with cross, Ms. Henley Andrews
58 please?

59 MS. HENLEY ANDREWS, Q.C.: Thank you Mr. Chairman.
60 Mr. Budgell, at page 18 of your evidence, you indicate what
61 you describe as a significant, a number of significant
62 changes and additions to the island interconnected system,
63 correct?

64 MR. BUDGELL: Yes.

65 MS. HENLEY ANDREWS, Q.C.: And then you indicate
66 how Hydro proposes to assign those changes?

67 MR. BUDGELL: Correct.

68 MS. HENLEY ANDREWS, Q.C.: And then on page 20, you
69 have proposed changes to the assignment of generation,
70 correct, and in fact, transmission ... plant assignment, Great
71 Northern Peninsula, and the Doyles, Port aux Basques.

72 MR. BUDGELL: Yes, if you're referring to the question on
73 line five, yes.

74 MS. HENLEY ANDREWS, Q.C.: And then you have
75 further down on page 20, dealt with changes in assignment
76 due to customer changes.

77 MR. BUDGELL: That's correct.

78 MS. HENLEY ANDREWS, Q.C.: And then page 21, as I
79 understand it, there are changes in assignment as a result
80 of Hydro's review of it's revised guidelines, correct?

81 MR. BUDGELL: That's correct.

82 MS. HENLEY ANDREWS, Q.C.: Now if we go back to page
83 18, there are two that I'm going to focus on but I'll come to
84 the St. Anthony/Roddickton one a little later. Under the, at
85 line 29 with respect to 1998, they indicate that the
86 interconnection of the Star Lake generating station at
87 Buchans terminal station is assigned common.

88 MR. BUDGELL: Yes.

89 MS. HENLEY ANDREWS, Q.C.: The transmission is not
90 mentioned there, correct?

91 MR. BUDGELL: That's correct.

92 MS. HENLEY ANDREWS, Q.C.: And the transmission is,
93 in fact, specifically assigned to Star Lake?

94 MR. BUDGELL: It's owned by Star Lake.

- 1 MS. HENLEY ANDREWS, Q.C.: Exactly, I'm sorry, it's
2 owned by Star Lake, and it's shown on the line diagram
3 which is attached as Schedule 13 to your evidence.
- 4 MR. BUDGELL: That's correct.
- 5 MS. HENLEY ANDREWS, Q.C.: As owned by others.
- 6 MR. BUDGELL: Yes.
- 7 MS. HENLEY ANDREWS, Q.C.: It's just above the section
8 with the Upper Salmon, correct?
- 9 MR. BUDGELL: That's correct.
- 10 MS. HENLEY ANDREWS, Q.C.: So precisely what is it that
11 we're talking about in terms of the interconnection of the
12 Star Lake generating station at Buchans terminal station?
- 13 MR. BUDGELL: It's the equipment for the termination of
14 that line.
- 15 MS. HENLEY ANDREWS, Q.C.: Okay, the equipment
16 which connects that line to the terminal station?
- 17 MR. BUDGELL: Yes, to the bus.
- 18 MS. HENLEY ANDREWS, Q.C.: On the top of page 19,
19 there is a reference to the interconnection of the Rattle
20 Brook generating station?
- 21 MR. BUDGELL: That's correct.
- 22 MS. HENLEY ANDREWS, Q.C.: And where is Rattle
23 Brook?
- 24 MR. BUDGELL: That's on the Cat Arm, you'll see it just
25 above Deer Lake Power at the left of the diagram about
26 three inches in. It's next to Cat Arm. You'll see Cat Arm,
27 127 megawatts, and to the right of it you'll see Coney Arm
28 (*phonetic*), and just below that you'll see Rattle Brook, four
29 megawatts.
- 30 MS. HENLEY ANDREWS, Q.C.: Yeah.
- 31 MR. BUDGELL: It's connected into 253, TL-253.
- 32 MS. HENLEY ANDREWS, Q.C.: I find it very hard to read
33 the line diagrams. No, I've got it, I've got it.
- 34 MR. BUDGELL: I can appreciate that because if you
35 remember from past hearings we used to have this big fold-
36 out chart, and this was an attempt to try and make it
37 simpler. I have a lot of difficulty internally to try to get
38 people even to go with that.
- 39 MS. GREENE, Q.C.: I thought the bigger chart was easier
40 on the eyes.
- 41 MR. BUDGELL: Some of us are getting older and it's
42 difficult to see. (*laughter*) I'm referring, of course, to
43 myself.
- 44 MS. HENLEY ANDREWS, Q.C.: Well, I can't say that I
45 found the bigger chart any easier. Now, particularly when
46 the Burin Peninsula is shown as being north of Long
47 Harbour.
- 48 MR. BUDGELL: It's difficult to push it on a page, I agree.
49 This is trying to be as geographical as you can do it.
- 50 MS. HENLEY ANDREWS, Q.C.: Okay, now with respect to
51 the principles that the provisional principles that the Board
52 currently has in place that we talked about this morning,
53 one of them, as you will recall, deals with subtransmission.
- 54 MR. BUDGELL: Yes.
- 55 MS. HENLEY ANDREWS, Q.C.: And the specific reference
56 says that you would assign a cost to a subtransmission
57 function if the costs exceeded two percent of the
58 transmission costs.
- 59 MR. BUDGELL: Yes.
- 60 MS. HENLEY ANDREWS, Q.C.: Do you have any idea
61 where that two percent came from, like what the origin is of
62 the choice of two percent?
- 63 MR. BUDGELL: No, it was in the Board's order.
- 64 MS. HENLEY ANDREWS, Q.C.: And what transmission
65 cost do you think it refers to? Is it the original cost of the
66 line in question compared to the current net book value of
67 all transmission and terminal costs?
- 68 MR. BUDGELL: I interpreted as is written on the bottom of
69 page 17, as being the original cost.
- 70 MS. HENLEY ANDREWS, Q.C.: Okay, original cost of at
71 least two percent of the total transmission and terminal
72 station costs?
- 73 MR. BUDGELL: Yes.
- 74 MS. HENLEY ANDREWS, Q.C.: But at the beginning of
75 that definition, are you also referring to the original cost of
76 the transmission and terminal plant which serves the two
77 customers?
- 78 MR. BUDGELL: I think to ... it's my best understanding
79 here now, just on that issue, that both of them, I would
80 expect, would be on the same basis.
- 81 MS. HENLEY ANDREWS, Q.C.: Of their original cost.
- 82 MR. BUDGELL: Yes.
- 83 MS. HENLEY ANDREWS, Q.C.: Now when you talk about
84 specifically assigned plant, also on that page, which is
85 page 17, to what ... are you referring to plant that was
86 originally installed to benefit only one customer, or plant
87 which is currently in use for the benefit of only one
88 customer?
- 89 MR. BUDGELL: The latter.

1 MS. HENLEY ANDREWS, Q.C.: Okay, so you don't
2 consider that the original purpose bears, or the original
3 cause of the cost is relevant?

4 MR. BUDGELL: No, I think it's relevant. I think you should
5 certainly ... it's an issue that one has to keep in mind, but
6 the direction here refers to plant that's currently, I guess,
7 the plant or whatever plant is currently being assigned, and
8 looking at it from the perspective to who it benefits under
9 the rules that we've set up here on the, or the guidelines
10 that we've set up on the assignment, but I'm interpreting at
11 face value as being at this hearing, at this time.

12 MS. HENLEY ANDREWS, Q.C.: Okay, so you're saying
13 what it's being used for right now.

14 MR. BUDGELL: Yes.

15 MS. HENLEY ANDREWS, Q.C.: Would you agree that one
16 of the single most important issues for customers of
17 Hydro's is predictability with respect to rates?

18 MR. BUDGELL: I would agree, yes.

19 MS. HENLEY ANDREWS, Q.C.: And also predictability
20 with respect to costs?

21 MR. BUDGELL: Yes.

22 MS. HENLEY ANDREWS, Q.C.: And you've also agreed
23 with me this morning that some of the changes of
24 assignment have the potential for very large changes in the
25 costs to be borne by one customer versus another?

26 MR. BUDGELL: Yes.

27 MS. HENLEY ANDREWS, Q.C.: So what in your view
28 would have to occur in order for an assignment to change?
29 Would there have to be a significant event to cause a
30 change in assignment?

31 *(2:15 p.m.)*

32 MR. BUDGELL: In some cases it could be, and it also
33 could be a progressive thing too.

34 MS. HENLEY ANDREWS, Q.C.: A progressive thing?

35 MR. BUDGELL: Yes, something that changes over time.

36 MS. HENLEY ANDREWS, Q.C.: And ...

37 MR. BUDGELL: What I'm saying here, it could be
38 immediate vis-a-vis the Burin line ... ah, Burin ... the Burgeo
39 line, we lost a customer, it disappeared from the system.
40 Then it's difficult to charge cost to a customer that's no
41 longer there, if it was specifically assigned to that
42 customer, or if there was another customer left there. That
43 can change the assignment, and by the same token, I'm
44 assuming that these things can happen progressively, but
45 like I said earlier this morning, these are, these are not black
46 and white, they're grey. There's a lot of grey areas in that

47 area.

48 MS. HENLEY ANDREWS, Q.C.: Well let's take that Hope
49 Brook line as an example. None of Hydro's customers had
50 anything to do with the closure of the Hope Brook gold
51 mine, won't you agree?

52 MR. BUDGELL: Yes, of course.

53 MS. HENLEY ANDREWS, Q.C.: And that line was built to
54 serve Hope Brook Gold.

55 MR. BUDGELL: Hope Brook Gold and Burgeo.

56 MS. HENLEY ANDREWS, Q.C.: But the section of the line
57 that runs the 30 kilometres or whatever, that runs into the
58 Hope Brook gold mine, that was built to serve Hope Brook
59 Gold.

60 MR. BUDGELL: Oh yes, of course, yes, TL-255.

61 MS. HENLEY ANDREWS, Q.C.: Yes, and I'm not sure if
62 you'll agree with me, but it's always been my interpretation
63 that that line would never have been built just to serve
64 Burgeo alone, would never have been economic.

65 MR. BUDGELL: Well, the 255 is a spur.

66 MS. HENLEY ANDREWS, Q.C.: Yes, but 250 would never
67 have been built to serve Burgeo alone.

68 MR. BUDGELL: It's, I don't know whether it would have.
69 Burgeo was a significant load as well, at a significant cost.
70 It was one of the larger diesel systems.

71 MS. HENLEY ANDREWS, Q.C.: However, it's a 120
72 kilometer line, it's a very long line to one community.

73 MR. BUDGELL: And likely it wouldn't have been a 138 kV
74 line, it might have been something different, but I don't
75 know, you're going back ... it's a hypothetical case. It's
76 built right now.

77 MS. HENLEY ANDREWS, Q.C.: Now we, you know, the
78 reality is that the line is there but who should bear the risk
79 of the loss of Hope Brook Gold? Should it be Hydro or its
80 customers?

81 MR. BUDGELL: If it was Hydro I think it would be ... are
82 you saying, if it was Hydro bearing the risk wouldn't it ... if
83 Hydro accepts customers coming onto the system and the
84 rest of the customers except customers coming onto the
85 system and them sharing in the benefits of the system, then
86 by the same token, wouldn't or couldn't ... and again, the
87 (inaudible) matters, but wouldn't the reverse, if customers
88 benefit by virtue of a customer coming on, wouldn't they
89 also expect that they would, expect that they would assume
90 part of the cost and responsibilities when that customer
91 leaves as well?

92 MS. HENLEY ANDREWS, Q.C.: How does, how does ... in

1 the context of the TL-250 and 255, how does NP benefit
2 from that coming on?

3 MR. BUDGELL: On?

4 MS. HENLEY ANDREWS, Q.C.: Yeah, Hope Brook Gold
5 coming on?

6 MR. BUDGELL: It was ... Hope Brook Gold ... no, they
7 didn't benefit from that perspective. What I'm saying is
8 that when both of them were there, the two customers were
9 served from the line.

10 MS. HENLEY ANDREWS, Q.C.: Yeah.

11 MR. BUDGELL: Under our guidelines of common, it was
12 assigned as a common asset.

13 MS. HENLEY ANDREWS, Q.C.: That's right.

14 MR. BUDGELL: And all the customers agree that if it's
15 more than one we're going to share the costs, okay.

16 MS. HENLEY ANDREWS, Q.C.: But right now ...

17 MR. BUDGELL: There's only one.

18 MS. HENLEY ANDREWS, Q.C.: There's only one.

19 MR. BUDGELL: And we're saying Newfoundland Power,
20 well other than through the rural, the subsidy, but
21 industrial customers, you don't have to bear that cost
22 anymore. We're going to assign that to Hydro rural
23 because they're the only one that is receiving service.

24 MS. HENLEY ANDREWS, Q.C.: But Hydro rural ... Burgeo,
25 the town of Burgeo is a very small part of Hydro rural,
26 wouldn't you agree, in total?

27 MR. BUDGELL: Well, it's one part, it's several megawatts
28 of whatever the total system is. It's a small part, yes.

29 MS. HENLEY ANDREWS, Q.C.: But in effect you have a
30 line that was built to serve two customers, the Hope Brook
31 Gold, and the Hydro rural.

32 MR. BUDGELL: Yes.

33 MS. HENLEY ANDREWS, Q.C.: And Hope Brook Gold
34 closes ...

35 MR. BUDGELL: Yes.

36 MS. HENLEY ANDREWS, Q.C.: And even though it is, I
37 would submit, unlikely that that line would have been built
38 except for Hope Brook Gold going in there, Hydro feels that
39 the ratepayers, being in this case Hydro rural, rather than
40 the shareholder should be bearing the risk?

41 MR. BUDGELL: That's correct because the line, the part of
42 the line built for Hope Brook Gold was contributed by
43 government.

44 MS. HENLEY ANDREWS, Q.C.: Part of the cost.

45 MR. BUDGELL: Yes, not all of the cost.

46 MS. HENLEY ANDREWS, Q.C.: But nevertheless ...

47 MR. BUDGELL: The portion of the cost that Hydro could
48 not justify on Burgeo's behalf alone was borne by
49 government.

50 MS. HENLEY ANDREWS, Q.C.: We don't have any, none
51 of that's in your pre-filed evidence though, is it?

52 MR. BUDGELL: No, but I think it was indicated by Ms.
53 Greene the other day that the TL-250 was fully contributed.
54 Also a part of 250 ... 255, I'm sorry, was fully contributed
55 and there was a portion of the cost as well of 250.

56 MS. HENLEY ANDREWS, Q.C.: Yeah, but the net book
57 value, if you look at the undertaking, the answer to the
58 undertaking that was filed today, the net book value as of
59 December 31st, 2002, of TL-250, is \$3,540,000.

60 MR. BUDGELL: Yeah.

61 MS. HENLEY ANDREWS, Q.C.: But the ...

62 MR. BUDGELL: Which is not a very high cost in relation
63 to if you were trying to run a diesel plant down in Burgeo.

64 MS. HENLEY ANDREWS, Q.C.: Okay.

65 MR. BUDGELL: Which would cost in the millions a year.

66 MS. HENLEY ANDREWS, Q.C.: But putting that issue to
67 one side for the moment, Hydro's submission is that the
68 risk of losing a major customer on one of these radial lines
69 is the risk of the ratepayers on that line.

70 MR. BUDGELL: I'm not sure if that's what we're saying.

71 MS. HENLEY ANDREWS, Q.C.: Well, what you're saying
72 ... you build a line to serve two classes of customers.

73 MR. BUDGELL: Yes.

74 MS. HENLEY ANDREWS, Q.C.: The line is considered to
75 be common.

76 MR. BUDGELL: That's right.

77 MS. HENLEY ANDREWS, Q.C.: And if one of the
78 customers disappears ...

79 MR. BUDGELL: The other customer then ...

80 MS. HENLEY ANDREWS, Q.C.: Has to pick up all the cost.

81 MR. BUDGELL: That's correct.

82 MS. HENLEY ANDREWS, Q.C.: And the shareholder picks
83 up none of that risk?

84 MR. BUDGELL: The shareholder being Hydro?

85 MS. HENLEY ANDREWS, Q.C.: The shareholder being the
86 shareholders of Hydro, which is the government.

- 1 MR. BUDGELL: Well, yes, you and I.
- 2 MS. HENLEY ANDREWS, Q.C.: Now you also talked
3 about, in addition to sort of instantaneous reasons for
4 change, and you talked about things changing gradually.
- 5 MR. BUDGELL: That's right.
- 6 MS. HENLEY ANDREWS, Q.C.: For a customer
7 participating, let's use the Burgeo line as an example again,
8 for ... if that TL-250 had been the subject of a capital
9 hearing before the Board, which at the time that it was done
10 it wouldn't have been, but if, in fact, Hydro was proposing
11 a line like that to serve two classes of customers, and let's
12 use Burgeo as an example, proposing it today instead of
13 when it did, the customers participating in that capital
14 hearing would anticipate that they would pick up only a
15 certain percentage of that cost, correct?
- 16 MR. BUDGELL: Which customers are you referring to?
- 17 MS. HENLEY ANDREWS, Q.C.: If Hydro rural and Hope
18 Brook Gold were participating in a hearing dealing with
19 whether the line ought to be constructed, they would each
20 be concerned in that hearing, just as each of the Industrial
21 Customers is here, and Newfoundland Power, and the
22 Consumer Advocate, on how much of the cost they were
23 going to be asked to bear, correct?
- 24 MR. BUDGELL: Yes.
- 25 MS. HENLEY ANDREWS, Q.C.: And whether they
26 supported the line or not is likely going to be dependent on
27 how much it was going to cost them, correct?
- 28 MR. BUDGELL: Well, I would assume that if they were the
29 customers served they would have supported it or it
30 wouldn't be in the position of going to the Board to look for
31 approval.
- 32 MS. HENLEY ANDREWS, Q.C.: Okay, and I ...
- 33 MR. BUDGELL: I would think now the other parties to the
34 hearing who may be not so directly involved might have
35 other opinions.
- 36 MS. HENLEY ANDREWS, Q.C.: Okay.
- 37 MR. BUDGELL: But the ...
- 38 MS. HENLEY ANDREWS, Q.C.: And the predictability that
39 would come out of the hearing is that, from a customer
40 perspective, once the Board had made its determination as
41 to what costs were appropriate to be picked up by each of
42 those customers, they would believe that they had a certain
43 degree of certainty with respect to their exposure, wouldn't
44 you agree?
- 45 MR. BUDGELL: In regards to that asset, yes.
- 46 MS. HENLEY ANDREWS, Q.C.: On a go forward basis.
- 47 MR. BUDGELL: Yeah, but they would, as they come on to
48 the system, if these were new customers, they would be put
49 into the appropriate customer class like all other entrants to
50 the system.
- 51 MS. HENLEY ANDREWS, Q.C.: Uh hum.
- 52 MR. BUDGELL: And they would automatically inherent,
53 (inaudible) the cost, the embedded cost of service to all the
54 other customers, a proportionate share of that, and as well,
55 they would ...
- 56 MS. HENLEY ANDREWS, Q.C.: But in terms of the
57 particular ... I'm just talking now about the particular line ...
- 58 MR. BUDGELL: Yes, but that's just a particular line, but
59 what I'm trying to say is that this is multi-faceted, so when
60 a new customer comes on a system, and the case, this was
61 Hope Brook, and in this case it was a previously isolated
62 customer, they come on to the system, if they were two
63 customers, A and B, and let's say they weren't even Hydro
64 rural and even an industrial ... two different industrials on
65 the line, they would inherit a portion of the share of the 230
66 kV network and the generation right back to Bay d'Espoir.
67 They'd start assisting with the payments of that asset, and
68 as well, they would pay for part of their share of this new
69 asset, but that's all the part of an integrated system and
70 how customers should be treated in those particular
71 systems.
- 72 MS. HENLEY ANDREWS, Q.C.: And if you were talking
73 about, and I presume the converters would be ... both
74 Grand Falls and Corner Brook would be examples of what
75 Hydro would consider to be an evolutionary type of
76 change in use.
- 77 MR. BUDGELL: Yes, essentially they have been.
- 78 MS. HENLEY ANDREWS, Q.C.: Well they haven't been,
79 they've always been common, correct?
- 80 MR. BUDGELL: They've been common up to this hearing,
81 yes.
- 82 MS. HENLEY ANDREWS, Q.C.: Since the 1960's when Bay
83 d'Espoir came on.
- 84 MR. BUDGELL: Well, I can't speak to the 1960's.
- 85 MS. HENLEY ANDREWS, Q.C.: Okay, so how can there be
86 predictability in costs ...
- 87 MR. BUDGELL: Well, the Industrial Customers, the two
88 customers affected by this change, entered into contracts
89 that were ending in 1997, so to a degree, without the
90 change in the Act that changed the ... or had the contracts
91 continue, these customers were facing the possibility of
92 sitting down and renegotiating a whole new contract with
93 Hydro.

1 MS. HENLEY ANDREWS, Q.C.: But their contracts with
2 Hydro, which is what we are largely talking about today ...

3 MR. BUDGELL: Yes.

4 MS. HENLEY ANDREWS, Q.C.: Nevertheless has to be, in
5 terms of how much they have to pay ...

6 MR. BUDGELL: But their expectations were for 30 years, or
7 whatever is the period of time that contract existed, it said
8 here's the service and the rate is set by the Public Utilities
9 Board for that service, the industrial rate.

10 MS. HENLEY ANDREWS, Q.C.: Well, the industrial rate ...

11 MR. BUDGELL: And they lived with that predictability or
12 unpredictability.

13 MS. HENLEY ANDREWS, Q.C.: But the industrial rate has
14 never previously been set by the Public Utilities Board,
15 wouldn't you agree? This is the very first hearing where
16 the industrial rate ...

17 MR. BUDGELL: I would agree, I would agree, but Hydro's
18 rates itself had some relationship back to the fallout of the
19 cost to the industrial class.

20 MS. HENLEY ANDREWS, Q.C.: But the issue is not the
21 contract, the issue is whether in accordance with generally
22 accepted public utility practices, they would expect a
23 particular asset to be specifically assigned or common,
24 correct?

25 MR. BUDGELL: Well, if that's their expectation, it is their
26 expectation. I can't speak to what their expectations are.

27 *(2:30 p.m.)*

28 MS. HENLEY ANDREWS, Q.C.: On page 17, in your
29 reference to voltage support equipment, at line 6.

30 MR. BUDGELL: Yes.

31 MS. HENLEY ANDREWS, Q.C.: Would you agree that
32 voltage support equipment basically operates to help
33 customers in the particular area, particular geographic area?

34 MR. BUDGELL: For the most part I would agree, yes.

35 MS. HENLEY ANDREWS, Q.C.: So that the capacitors at
36 Long Harbour really provide voltage support to the eastern
37 part of the province?

38 MR. BUDGELL: That's correct.

39 MS. HENLEY ANDREWS, Q.C.: And the voltage support
40 equipment on the Great Northern Peninsula would provide
41 voltage support just to the Great Northern Peninsula?

42 MR. BUDGELL: That's correct.

43 MS. HENLEY ANDREWS, Q.C.: I want to go to the Burin
44 Peninsula, and ask you first of all a few questions about the
45 generation on the Burin Peninsula. Now it's my
46 understanding that there are two types of generation, well
47 there are two owners of generation on the Burin Peninsula,
48 isn't that right?

49 MR. BUDGELL: That's correct.

50 MS. HENLEY ANDREWS, Q.C.: And Hydro's only
51 generation on the Burin Peninsula is at Paradise River?

52 MR. BUDGELL: That's correct.

53 MS. HENLEY ANDREWS, Q.C.: And that that is a run of
54 river generation?

55 MR. BUDGELL: Yes, in a way, yes.

56 MS. HENLEY ANDREWS, Q.C.: Okay.

57 MR. BUDGELL: Limited storage.

58 MS. HENLEY ANDREWS, Q.C.: Okay, and it has a net
59 capacity of 8 megawatts?

60 MR. BUDGELL: That's correct.

61 MS. HENLEY ANDREWS, Q.C.: And an annual firm
62 energy showing on Schedule 9 of 27 gigawatt hours?

63 MR. BUDGELL: That's correct.

64 MS. HENLEY ANDREWS, Q.C.: And if you look at your
65 Schedule 5(a), which is your revised Schedule 5(a), or your
66 revised Schedule 5, I'm sorry, in your second supplemental
67 evidence, that indicates that the Hydro island peak
68 requirement for 2002, based on the revised forecast from
69 Newfoundland Power is expected to be 1,317.9 megawatts?

70 MR. BUDGELL: Did I hear you say hydro from
71 Newfoundland Power ... or ... the total ...

72 MS. HENLEY ANDREWS, Q.C.: The revised forecast for
73 2002 shown on Schedule 5 ...

74 MR. BUDGELL: Yes, for hydro, the total hydro.

75 MS. HENLEY ANDREWS, Q.C.: For total hydro.

76 MR. BUDGELL: Yes, 1,317.9.

77 MS. HENLEY ANDREWS, Q.C.: Of which Paradise River
78 has the potential to contribute 8 megawatts?

79 MR. BUDGELL: That's correct.

80 MS. HENLEY ANDREWS, Q.C.: And the, on Schedule
81 5(a), the Hydro island energy requirement is 6,625.6
82 gigawatt hours?

83 MR. BUDGELL: That's correct.

84 MS. HENLEY ANDREWS, Q.C.: Of which the Paradise
85 River plant has the potential of providing 27 gigawatt
86 hours?

- 1 MR. BUDGELL: Was that the firm ...
- 2 MS. HENLEY ANDREWS, Q.C.: Firm.
- 3 MR. BUDGELL: I heard you say firm, no, it would be the
4 average. I think it's closer to 31, it should be in that order.
- 5 MS. HENLEY ANDREWS, Q.C.: Look at your Schedule ...
6 I got it from your Schedule 9.
- 7 MR. BUDGELL: Yeah, the firm would be in the firm water
8 year, but in an average water year, it would be a little
9 higher.
- 10 MS. HENLEY ANDREWS, Q.C.: I agree with that, but I
11 asked, the question was related to firm energy of 27.
- 12 MR. BUDGELL: Okay, but what I'm saying, on a
13 production basis, Mr. Henderson would have used the
14 average.
- 15 MS. HENLEY ANDREWS, Q.C.: But you plan your system
16 for firm, correct?
- 17 MR. BUDGELL: Firm only for regard of adding plant, but
18 not for production costing purposes, or actual operations.
- 19 MS. HENLEY ANDREWS, Q.C.: Mr. Reeves indicated in
20 his testimony that the generation from Paradise River is not
21 sufficient to serve the Burin Peninsula which has a load of
22 61.6 megawatts per year, do you recall that?
- 23 MR. BUDGELL: I don't recall that reference. The average,
24 by the way, for Paradise River is 39 gigawatt hours.
- 25 MS. HENLEY ANDREWS, Q.C.: Yeah, no, I know the
26 average is 39. Well let's go to Mr. Reeves' testimony on
27 October 2nd, at page 10, and there was a question with
28 respect to serving the Burin ... I can tell you that
29 somewhere on page 10 in here it indicates that normally,
30 that basically the generation from Paradise River is not
31 sufficient to meet the load or energy requirements of the
32 Burin Peninsula.
- 33 MR. BUDGELL: I would agree with that.
- 34 MS. HENLEY ANDREWS, Q.C.: Okay.
- 35 COMMISSIONER SAUNDERS: It's line 75.
- 36 MS. HENLEY ANDREWS, Q.C.: Sorry, line 75, and I asked
37 and got an undertaking to indicate several things on the
38 Burin Peninsula, one of them was the number of customers
39 served by Hydro rural, which the answer I think that I got
40 back was 149, and the other thing that I asked which is
41 reflected later in the transcript in terms of the answer was
42 what the total load was, and if I correctly wrote down the
43 answer at the time, and the load is 61.6 megawatts, the 8
44 megawatt for demand would not nearly satisfy the load on
45 the Burin Peninsula, would you agree?
- 46 MR. BUDGELL: I would agree, but that's not the only
47 generation, of course, on the Burin Peninsula.
- 48 MS. HENLEY ANDREWS, Q.C.: No, I'll get to that. Who
49 was the Paradise ... what customers was the Paradise River
50 plant built to serve?
- 51 MR. BUDGELL: All the customers.
- 52 MS. HENLEY ANDREWS, Q.C.: Do you consider the line
53 connecting the Paradise River plant to be a radial line?
- 54 MR. BUDGELL: Yes.
- 55 MS. HENLEY ANDREWS, Q.C.: And what part of the line
56 on the Burin Peninsula do you consider to be the radial
57 line? You might want to take a look at the ...
- 58 MR. BUDGELL: Single line.
- 59 MS. HENLEY ANDREWS, Q.C.: Yeah.
- 60 MR. BUDGELL: There's essentially three, there's the two
61 lines feeding Newfoundland Power, TL-219 and 212, to
62 Lynn Lake and down to Salt Pond, and the part that we're
63 talking about is the small portion connecting Paradise River
64 to Newfoundland Power's, I believe it's their Monkstown
65 terminal station, which you see there, it's not called ... the
66 light, the uncoloured part.
- 67 MS. HENLEY ANDREWS, Q.C.: I just want to go to a map,
68 a regular map that Mr. Reeves utilized, rather than the line
69 diagram, because I find it a whole lot easier to follow. Just
70 one second. If we go to **DWR-1**, page 8, you can see on
71 that map showing the Burin Peninsula, there is a little
72 symbol, that yellow circle that kind of looks like the sun.
- 73 MR. BUDGELL: Yes.
- 74 MS. HENLEY ANDREWS, Q.C.: And it's my
75 understanding that that reflects the Paradise River
76 generation, is that correct?
- 77 MR. BUDGELL: That's correct.
- 78 MS. HENLEY ANDREWS, Q.C.: And do I understand from
79 you that the Paradise River generation connects to
80 Newfoundland Power or it connects to one of Hydro's
81 lines?
- 82 MR. BUDGELL: It connects through Newfoundland
83 Power's Monkstown terminal station, and then back into
84 our lines going down the peninsula.
- 85 MS. HENLEY ANDREWS, Q.C.: So when you refer to this
86 as being on a radial line ...
- 87 MR. BUDGELL: That's a radial off a radial, pretty well.
- 88 MS. HENLEY ANDREWS, Q.C.: Yeah, okay, so the
89 Newfoundland Power portion of it, it's the radial off the
90 radial?
- 91 MR. BUDGELL: The Paradise River portion of it is

1 essentially ... the Paradise River line is connected to the
2 Paradise River plant, and it actually, it also, that line, by the
3 way, also serves the Monkstown rural community.

4 MS. HENLEY ANDREWS, Q.C.: Yes.

5 MR. BUDGELL: Which is a Hydro rural customer. That
6 line connects into Newfoundland Power's system, and it's
7 not shown here on this map, and then goes into TL-212,
8 which is the line that you see on Mr. Reeves' map, which is
9 the most eastern line.

10 MS. HENLEY ANDREWS, Q.C.: Okay, and ...

11 MR. BUDGELL: Which is a line that terminates at Lynn
12 Lake terminal station.

13 MS. HENLEY ANDREWS, Q.C.: And where on this map is
14 Lynn Lake terminal station?

15 MR. BUDGELL: That would be, just bring the hand down
16 ... yeah, there, just above that.

17 MS. HENLEY ANDREWS, Q.C.: Okay.

18 MR. BUDGELL: No, Lynn Lake would be up farther ...
19 sorry, yeah, right ...

20 MS. HENLEY ANDREWS, Q.C.: It is south of ...

21 MR. BUDGELL: It's down in the bottom.

22 MS. HENLEY ANDREWS, Q.C.: It's south of Paradise
23 River.

24 MR. BUDGELL: Yes.

25 MS. HENLEY ANDREWS, Q.C.: So the generation from
26 Paradise River goes south on the Burin Peninsula?

27 MR. BUDGELL: No, it feeds into the system.

28 MS. HENLEY ANDREWS, Q.C.: Okay.

29 MR. BUDGELL: I mean generation does not go any
30 particular direction on a system.

31 MS. HENLEY ANDREWS, Q.C.: I agree with you.

32 MR. BUDGELL: Generation just feeds into the system and
33 creates a potential.

34 MS. HENLEY ANDREWS, Q.C.: So do you consider the
35 lines on, the two transmission lines on the Burin Peninsula
36 to be radial lines?

37 MR. BUDGELL: Yes, well there is a loop but it is a radially
38 fed system by two lines.

39 MS. HENLEY ANDREWS, Q.C.: Okay, so when we're
40 talking about the grid in the context of the Burin Peninsula,
41 we're talking about where these two radial lines meet the
42 generation, the transmission that goes across the island?

43 MR. BUDGELL: Yes, out of Sunnyside.

44 MS. HENLEY ANDREWS, Q.C.: Okay, Sunnyside.

45 MR. BUDGELL: I would refer to it as both lines are fed
46 radially from Sunnyside.

47 MS. HENLEY ANDREWS, Q.C.: Okay, and Hydro has only
48 159 customers, as I understand it, on the, who are located
49 on the eastern side of the Burin Peninsula?

50 MR. BUDGELL: There's another community just below
51 that, Petit Forte.

52 MS. HENLEY ANDREWS, Q.C.: Yes, but my
53 understanding is on the Burin Peninsula, Hydro has only
54 149 rural customers.

55 MR. BUDGELL: I thought you quoted that as being
56 Monkstown.

57 MS. HENLEY ANDREWS, Q.C.: No, no, it was 159
58 customers was my understanding in the answer to what the
59 undertaking from Mr. Reeves, and ...

60 MR. BUDGELL: But was it for both communities?

61 MS. HENLEY ANDREWS, Q.C.: It was supposed to be for
62 the whole of the Burin Peninsula.

63 MR. BUDGELL: Well, if it was, it was, then okay.

64 MS. HENLEY ANDREWS, Q.C.: Okay.

65 MR. BUDGELL: I'll have to accept that number.

66 MS. HENLEY ANDREWS, Q.C.: And my understanding
67 was that they have a very low load.

68 MR. BUDGELL: Yes, typically the ...

69 MS. HENLEY ANDREWS, Q.C.: Under one megawatt.

70 MR. BUDGELL: I would think they would be small.

71 MS. HENLEY ANDREWS, Q.C.: And you would agree that
72 whether Paradise River is of substantial benefit to, whether
73 the generation at Paradise River is of substantial benefit to
74 two or more classes of customers would depend on the
75 Board's interpretation of substantial benefit.

76 (2:45 p.m.)

77 MR. BUDGELL: I would not accept the premise that we're
78 allocating generation by the each. The criteria and
79 guideline that I'm putting forward is that I would treat the
80 Burin Peninsula as having 49.44 megawatts of generation
81 feeding 60 megawatts on peak of customer load. In other
82 words, I'm not treating them by the each. I'm saying the
83 generation on the radial, the total ...

84 MS. HENLEY ANDREWS, Q.C.: Yeah, I understand what
85 your position is, but ultimately it's for the Board to decide.

86 MR. BUDGELL: I agree, and you're divide and conquer but
87 it's, to me it's a group of generation that's important here.

1 MS. HENLEY ANDREWS, Q.C.: And to me, I don't even
2 mind dealing with it as a group. I'm looking at each one
3 individually, and ...

4 MR. BUDGELL: Well, I've already indicated that the
5 generation, all of Hydro's generation is of benefit to all
6 customers, all customers.

7 MS. HENLEY ANDREWS, Q.C.: Okay, no, I understand
8 your position, and you clearly understand mine.

9 MR. BUDGELL: Yes.

10 MS. HENLEY ANDREWS, Q.C.: The, is Monkstown a
11 connection point for Newfoundland Power, a delivery point
12 for Newfoundland Power?

13 MR. BUDGELL: I believe it is, but I'm not sure.

14 MS. HENLEY ANDREWS, Q.C.: Okay.

15 MR. BUDGELL: It's connected to the, it's ... I don't know if
16 there's normally an open breaker there at that location, but
17 it's shown, it's their substation and it's shown connected to
18 TL-212, so I have to assume that it is a source of delivery.

19 MS. HENLEY ANDREWS, Q.C.: Now there is other
20 generation on the Baie Verte Peninsula that is not owned
21 by Hydro, is that right?

22 MR. BUDGELL: On the Baie Verte?

23 MS. HENLEY ANDREWS, Q.C.: I'm sorry, the Burin
24 Peninsula that is not owned by Hydro?

25 MR. BUDGELL: Yes, there is.

26 MS. HENLEY ANDREWS, Q.C.: And can you tell me what
27 other generation there is?

28 MR. BUDGELL: Newfoundland Power has additional
29 generation on the Burin ...

30 MS. HENLEY ANDREWS, Q.C.: Okay, and what, exactly
31 what to they have and where is it located?

32 MR. BUDGELL: Currently they have at Salt Pond, a gas
33 turbine.

34 MS. HENLEY ANDREWS, Q.C.: And that's proposed, isn't
35 it, to be moved to the Bonavista Peninsula?

36 MR. BUDGELL: Yes, it is. That's their current, I guess, this
37 year's 2002 capital budget was to move that, yes, but that
38 was 14.7 megawatts.

39 MS. HENLEY ANDREWS, Q.C.: Yeah.

40 MR. BUDGELL: I'm only speaking from the current
41 circumstances.

42 MS. HENLEY ANDREWS, Q.C.: Yes.

43 MR. BUDGELL: Green Hill is a gas turbine, it's 25
44 megawatts.

45 MS. HENLEY ANDREWS, Q.C.: And is that a mobile gas
46 turbine?

47 MR. BUDGELL: No, it isn't.

48 MS. HENLEY ANDREWS, Q.C.: Okay.

49 MR. BUDGELL: Lawn is a hydro plant, and it's about, well,
50 we have it at 630 kilowatts.

51 MS. HENLEY ANDREWS, Q.C.: 630 kilowatts.

52 MR. BUDGELL: Kilowatts, yes.

53 MS. HENLEY ANDREWS, Q.C.: Okay.

54 MR. BUDGELL: Or 0.63 megawatts. West Brook is 760
55 kilowatts, and Fall Pond (*phonetic*), is another hydro plant
56 which is 350 kilowatts.

57 MS. HENLEY ANDREWS, Q.C.: Which is .35 megawatts?

58 MR. BUDGELL: .35 megawatts, for a total of, including
59 Paradise River, of 49.44 megawatts.

60 MS. HENLEY ANDREWS, Q.C.: Of which 14.7 megawatts
61 is proposed to be moved off the Burin Peninsula?

62 MR. BUDGELL: Yes.

63 MS. HENLEY ANDREWS, Q.C.: And after that occurs then
64 by your calculation there will be 34.74 megawatts in total on
65 the Burin Peninsula?

66 MR. BUDGELL: Yes.

67 MS. HENLEY ANDREWS, Q.C.: And as we have
68 discussed, if the total load on the Burin Peninsula is 61.6
69 megawatts, then that generation on the Burin Peninsula is
70 not sufficient to meet the Burin Peninsula load, would you
71 agree?

72 MR. BUDGELL: Not the total peak, no.

73 MS. HENLEY ANDREWS, Q.C.: Okay, now this morning
74 in connection with the Great Northern Peninsula, one of the
75 things that you specifically mentioned was minimal load
76 conditions.

77 MR. BUDGELL: Yes.

78 MS. HENLEY ANDREWS, Q.C.: And do you know what
79 the minimal load conditions are on the Burin Peninsula?

80 MR. BUDGELL: Yeah, I'm carrying a little bit different
81 numbers than you quoted earlier on. I'm ... the numbers I'll
82 be quoting are based on, and this was prepared at the
83 original filing of the hearing, and I'm using Newfoundland
84 Power's forecast of, of 2000, August of 2000, and I have a
85 coincident peak for the Burin of, it's closer to 60 megawatts,
86 59.85, so if I apply my 35 percent for light load, I end up
87 with 20.95, and the relevant numbers that I have for the

1 Burin is that the generation as a percent of load is 83
2 percent of the coincident peak, and 236 percent of the light
3 load situation, which is, and that, of course is with the Salt
4 Pond unit remaining at Salt Pond.

5 MS. HENLEY ANDREWS, Q.C.: And if you take that unit
6 out, what would it be?

7 MR. BUDGELL: The numbers would be in the order of ... I
8 have to indicate to you the numbers without that I have
9 here has a little bit of different forecast and now the
10 without case, I'm using Newfoundland Power's latest
11 forecast, which is dated 2001, May 25th, but the number,
12 the megawatt number is not really that different. It's 58.52
13 on a coincident basis versus 59.85. There's a one megawatt
14 difference, but the percentages end up to be 59 percent of
15 the coincident peak and 170 percent of the light load.

16 MS. HENLEY ANDREWS, Q.C.: Okay, I was going to
17 move on to Baie Verte, so I don't know if we want to take a
18 break now?

19 MR. BUDGELL: Baie Verte? There's no ... I'm just saying
20 we didn't ... anyway, I'll wait for it (*laughter*). I won't take
21 the Chair's job.

22 MR. NOSEWORTHY, CHAIRMAN: We'll take a break until
23 ten after please.

24 *(break)*
25 *(3:15 p.m.)*

26 MR. NOSEWORTHY, CHAIRMAN: I'd ask you to
27 proceed, Ms. Henley Andrews, please.

28 MS. HENLEY ANDREWS: Thank you, Mr. Chairman. Mr.
29 Budgell, I've now had an opportunity to change ... my
30 questions had all been using radial load (inaudible) peak as
31 a percentage of generation and you were working it from
32 the opposite way and I think now we'll be able to move a
33 little faster because I'm going to work, the answers are the
34 same, but we were doing it differently and I think it'll go a
35 little faster, so let's go back, just let's go back a minute to
36 the Burin Peninsula, and I think I understand from you that
37 depending on which forecast you use for the ...

38 MR. BUDGELL: I had both on the (inaudible), just my
39 mistake I was reading. I had one of the tables done up on
40 the basis of the as-filed, and I had the other tables done up
41 as on the basis of Newfoundland Power's latest forecast.
42 Then in the case of Salt Pond, I had, it was done only one
43 forecast and I read from a mix, so I could give you on the
44 consistent forecast. The other ones don't change very
45 much.

46 MS. HENLEY ANDREWS: Okay, okay. Let's just take the
47 coincident peak. If you take Salt Pond out, what is the
48 coincident, the coincident peak as I understand it is what?

49 MR. BUDGELL: 58.52 megawatts.

50 MS. HENLEY ANDREWS: And you indicated that at
51 coincident peak the generation on the Burin Peninsula can
52 provide 59 percent of the demand required for that
53 coincident peak.

54 MR. BUDGELL: That's correct.

55 MS. HENLEY ANDREWS: So the other 41 percent comes
56 from other generation on the Island?

57 MR. BUDGELL: Yes. No, it doesn't run on peak. Actually
58 these units, some of these units, are actually stand-by. The
59 ...

60 MS. HENLEY ANDREWS: Yeah, but what we're talking
61 about is the capability. I know they don't normally, but the
62 capability of the generation on the Burin Pensinsula.
63 Although most of it is stand-by ... and the lights are
64 flickering ... is, if it were on ...

65 MR. BUDGELL: If, if the generation with the Salt Pond gas
66 turbine moved to Wesleyville, and if generation were on
67 the 2002 peak, the Burin can meet, the Burin generation can
68 meet 59 percent of the coincident peak and can meet 170
69 percent of light load.

70 MS. HENLEY ANDREWS: And my understanding from
71 you, and please correct me if I am wrong, is that as a
72 general principle, light load or the minimal load is 35 percent
73 of coincident peak?

74 MR. BUDGELL: Yes.

75 MS. HENLEY ANDREWS: So that if we take ...

76 MR. BUDGELL: Well, I, I have the number here, its 20.48,
77 is the number I have, I'm looking at.

78 MS. HENLEY ANDREWS: So if we wanted to find out how
79 many megawatts would be available on the Burin Peninsula
80 during minimal load requirements on the Burin Peninsula
81 from the potential generating capacity with Salt Pond
82 moved, we would take the 37 megawatts of capacity,
83 correct?

84 MR. BUDGELL: 34.

85 MS. HENLEY ANDREWS: 34.

86 MR. BUDGELL: 34.74

87 MS. HENLEY ANDREWS: 34.7, sorry, megawatts of
88 capacity ...

89 MR. BUDGELL: Yes.

90 MS. HENLEY ANDREWS: And we would subtract from
91 that the 20.3?

92 MR. BUDGELL: 20.48 is the light load, the 35 percent
93 number.

1 MS. HENLEY ANDREWS: Okay, 20.48 megawatts, and we
2 would have roughly 14, a little over 14 megawatts surplus?

3 MR. BUDGELL: In a sense, yes.

4 MS. HENLEY ANDREWS: And if all of the plants on the
5 Burin Peninsula were operating, but the plants on the Burin
6 Peninsula, the gas turbine on the Burin Peninsula,
7 everything, let me do it this way, everything on the Burin
8 Peninsula other than the hydraulic is, are stand-by aren't
9 they?

10 MR. BUDGELL: Yes, they're emergency and stand-by units
11 and the peaking capacity for the overall system.

12 MS. HENLEY ANDREWS: But when they're being used for
13 peaking capacity they wouldn't meet the load on the Burin
14 Peninsula, generally speaking, because you've indicated
15 to me before that you didn't, you would, at the same time
16 that you were having peaking problems in the Island you
17 would, the same circumstances would be existing on the
18 Burin Peninsula.

19 MR. BUDGELL: Yeah, if we had peaking problems on the
20 Island, Mr. Henderson would be running up our peaking
21 capacity, our gas turbines, and if they were not sufficient,
22 he would be making contact with Newfoundland Power and
23 asking them to run up their peaking capacity as well.

24 MS. HENLEY ANDREWS: But you wouldn't expect to
25 have minimal load requirements on the Burin Peninsula at
26 the time you were needing peaking capacity?

27 MR. BUDGELL: It's not likely, it's not highly likely, let's put
28 it that way.

29 MS. HENLEY ANDREWS: Now if we move on to Baie
30 Verte, on the Baie Verte Peninsula there is some generating
31 plant.

32 MR. BUDGELL: Yes, there's two plants, Snooks Arm and
33 Venom's Bight. (*phonetic*) Bight.

34 MS. HENLEY ANDREWS: And again, if we look at the
35 map that's in front of you on the screen, where are Snooks
36 Arm and Venom's Bight?

37 MR. BUDGELL: They're located deep into hydro rural
38 system in the Round Harbour area which is just a little bit
39 to the, on the coast, Terry, just right on the coast, back, no
40 the other side, yeah right there, right there in the middle.

41 MS. HENLEY ANDREWS: And that's in Hydro's rural
42 system?

43 MR. BUDGELL: Yes.

44 MS. HENLEY ANDREWS: Hydro rural interconnected?

45 MR. BUDGELL: Hydro rural interconnected.

46 MS. HENLEY ANDREWS: And whose line do they hook
47 in, do they, for want of a better term, hook into, a
48 Newfoundland Power line or a Hydro line?

49 MR. BUDGELL: They're, they're down in deep into our
50 distribution system.

51 MS. HENLEY ANDREWS: Okay, and were they built at a
52 time when they would have served an isolated system or
53 would they have served the interconnected system from
54 the time that they were built?

55 MR. BUDGELL: I think they were actually built by a mining
56 operation out in that area back in the, I don't remember the
57 timeframe, but I think it was back in the fifties.

58 MS. HENLEY ANDREWS: Okay. And was that area
59 interconnected at that time?

60 MR. BUDGELL: I believe it was isolated.

61 MS. HENLEY ANDREWS: It was isolated?

62 MR. BUDGELL: Yes.

63 MS. HENLEY ANDREWS: And as we discussed this
64 morning there is a very, very small output from the
65 combination of those units, would you agree?

66 MR. BUDGELL: Yes, it's less than a megawatt. It's 0.88
67 megawatts.

68 MS. HENLEY ANDREWS: It's certainly not sufficient to
69 satisfy the needs of the Baie Verte Peninsula, even under
70 minimal load conditions.

71 MR. BUDGELL: No, it's 6 percent of coincident peak and
72 17 of light.

73 MS. HENLEY ANDREWS: Okay. Is there any other
74 generation on the Baie Verte Peninsula?

75 MR. BUDGELL: I'm not aware of any.

76 MS. HENLEY ANDREWS: And would you consider the
77 line that goes to the Baie Verte Peninsula to be a radial line,
78 the transmission line?

79 MR. BUDGELL: Yes.

80 MS. HENLEY ANDREWS: And that transmission line
81 serves two classes of customers?

82 MR. BUDGELL: Yes, it, the line down the Burin, down the
83 Baie Verte Peninsula is actually owned by Newfoundland
84 Power and it serves Newfoundland Power and Hydro.

85 MS. HENLEY ANDREWS: Okay, because there's energy
86 wheeled over the Newfoundland Power line to the Hydro
87 rural customers?

88 MR. BUDGELL: Yes, it was previously a Deer Lake Power
89 asset that was passed on to Newfoundland Power when
90 Deer Lake Power got out of the business.

- 1 MS. HENLEY ANDREWS: Okay. If you, from your system
2 planning perspective, do you get into the issue of whether
3 Hydro rural customers can reasonably be served by
4 Newfoundland Power rather than Hydro?
- 5 MR. BUDGELL: I don't get into those exercises.
- 6 MS. HENLEY ANDREWS: And who within Hydro would
7 be responsible for those types of issues?
- 8 MR. BUDGELL: I'm sorry, I have to step back. If there's a
9 new customer comes on the service, comes on the system
10 seeking service, I will meet with Newfoundland Power. If
11 they're contacting us and Newfoundland Power and the
12 option is available to be served by either of us in our
13 service area, I'd meet with Newfoundland Power or my
14 people and the usual, the decision or the guideline that I
15 use to make those decisions are whichever route, or which
16 by ever means the customer can be served at the least cost,
17 is the party that connects that customer up.
- 18 MS. HENLEY ANDREWS: Now, it's my understanding that
19 over the years, as Hydro has interconnected some isolated
20 communities to the interconnected system, that there
21 certainly have been occasions where service to those
22 communities has been transferred to Newfoundland Power
23 from Hydro, is that right?
- 24 MR. BUDGELL: Yes, I believe that's the case. Yes.
- 25 MS. HENLEY ANDREWS: And would the evaluation of
26 those options be done by system planning?
- 27 MR. BUDGELL: I'm assuming if we're, if that was the case
28 we would be asked. I'm not, I haven't personally
29 participated in any of those discussions internally.
- 30 MS. HENLEY ANDREWS: Okay, and do you know if there
31 have been any discussions at all connecting, concerning
32 the potential transfer or the cost implications of transferring
33 Hydro rural customers on the Baie Verte Peninsula to
34 Newfoundland Power?
- 35 MR. BUDGELL: I'm not aware of any.
- 36 MS. HENLEY ANDREWS: Now, I just want to ask you
37 some questions about the generation on the Great Northern
38 Peninsula. I think we've already established that there is,
39 the only generation on the Great Northern Peninsula is
40 owned by Hydro, is that right?
- 41 MR. BUDGELL: That's correct.
- 42 MS. HENLEY ANDREWS: And all of that generation, as I
43 understand it, whether it's Hawkes Bay, Roddickton mini
44 hydro, Roddickton diesel, St. Anthony diesel, all of that
45 was originally constructed to serve isolated rural systems?
- 46 MR. BUDGELL: Yes.
- 47 MS. HENLEY ANDREWS: And it is also my
48 understanding that the ... it is basically used at the present
49 time for the purpose of ...
- 50 MR. BUDGELL: I should change. The Hawkes Bay diesel
51 was added to the system after the interconnection was
52 done, as a matter of fact it was the same time. So Hawkes
53 Bay when it was isolated was served from a diesel plant, I
54 believe, in Port Saunders, but when the connection was
55 made the Hawkes Bay units, I remember it as working as
56 student up there when we were moved in. That just came
57 to my mind. I won't say how long ago that was, but it's, the
58 two units were moved in after the line was hooked up. But
59 it was done for the purposes of the, that system. The line
60 going up the GNP.
- 61 MS. HENLEY ANDREWS: Okay, and actually that was
62 going to be my next question, which is that what would be
63 the purpose of installing diesel units at Hawkes Bay after
64 an interconnection had taken place?
- 65 MR. BUDGELL: For voltage support at the end of the long
66 line and for emergency generation in the event that the line
67 was interrupted.
- 68 MS. HENLEY ANDREWS: And is it correct that on a, on
69 a radial line or lines, in the case of the Great Northern
70 Peninsula, the length that they are, there is a necessity for
71 some amount of voltage support along the line?
- 72 MR. BUDGELL: Yes.
- 73 MS. HENLEY ANDREWS: And what would happen if you
74 didn't have voltage support on the line?
- 75 MR. BUDGELL: In the case of, well voltage support in two
76 forms. I'm saying voltage support to boost voltage and
77 also voltage support to bring voltage down in light load
78 conditions, but if we didn't have voltage support we would
79 not be able to maintain adequate voltage to the customers
80 on that line.
- 81 MS. HENLEY ANDREWS: To the Hydro rural customers?
- 82 MR. BUDGELL: To the Hydro rural customers, you're
83 correct.
- 84 MS. HENLEY ANDREWS: And similarly in terms of
85 emergency generation if there is a problem with the
86 transmission line, the diesel generating units at Hawkes
87 Bay can provide service to at least some of the customers
88 on the Great Northern Peninsula?
- 89 MR. BUDGELL: Yes, that's right.
- 90 MS. HENLEY ANDREWS: And the same ... when you look
91 at the Roddickton diesel and the St. Anthony diesel, they
92 were all installed for the purpose of the St.
93 Anthony/Roddickton isolated system, correct?
- 94 MR. BUDGELL: Yes.

- 1 MS. HENLEY ANDREWS: And, they're now used to
2 provide voltage support and emergency service primarily?
- 3 MR. BUDGELL: Yes and the, I believe, the EMS Centre can
4 remotely start the St. Anthony Plant from here in St. John's.
- 5 MS. HENLEY ANDREWS: Okay, but ...
- 6 MR. BUDGELL: For system support.
- 7 MS. HENLEY ANDREWS: Do you need voltage support
8 at the end of that line on the Great Northern Peninsula?
- 9 MR. BUDGELL: You need, you need voltage support, yes.
10 You need, you need, you need to be able to maintain
11 adequate voltages, the correct range of voltages.
- 12 MS. HENLEY ANDREWS: So apart from Hawkes Bay,
13 which we've just discussed, even with, even if there ...
- 14 MR. BUDGELL: To generate, I should say, I may be
15 correct, the generation right now doesn't supply the same
16 extent of voltage support that it would were it not for the
17 fact that we have capacitor banks on the system.
- 18 MS. HENLEY ANDREWS: Okay, but it is nevertheless
19 providing voltage support?
- 20 MR. BUDGELL: Yes, when, when it goes on it can provide
21 voltage support.
- 22 MS. HENLEY ANDREWS: Okay, and it's used for
23 emergency generation?
- 24 MR. BUDGELL: It's used for emergency generation and for
25 system support.
- 26 MS. HENLEY ANDREWS: Now these diesel units, the
27 diesel unit at Hawkes Bay, roughly how far is it from the
28 Deer Lake interconnection?
- 29 MR. BUDGELL: I would say it is in the range of over 300
30 kilometers.
- 31 MS. HENLEY ANDREWS: And the diesel units in
32 Roddickton and St. Anthony are a considerable distance
33 further than that, from what we would call the main grid,
34 wouldn't you agree?
- 35 MR. BUDGELL: Did you, I thought it was St.
36 Anthony/Roddickton ... Roddickton I was talking about.
37 Was it Hawkes Bay you meant?
- 38 MS. HENLEY ANDREWS: Okay, I thought 300 kilometers
39 was a bit long but I wasn't going to argue with you.
- 40 MR. BUDGELL: Is that Hawkes Bay you referred to?
- 41 MS. HENLEY ANDREWS: Hawkes Bay.
- 42 MR. BUDGELL: Oh, Hawkes Bay is halfway up the
43 Peninsula, so that would be half that.
- 44 MS. HENLEY ANDREWS: Yeah, so it's 150 roughly.
- 45 MR. BUDGELL: I misundertood, I thought you were
46 referring to Roddickton.
- 47 MS. HENLEY ANDREWS: That was good, because,
48 anyway I was going with you. So 150 kilometers from Deer
49 Lake to ...
- 50 MR. BUDGELL: I don't know the exact distances but it's
51 Hawkes ...
- 52 MS. HENLEY ANDREWS: It's a considerable distance.
- 53 MR. BUDGELL: Just looking at the, at the lines here on Mr.
54 Reeves', it's about halfway up to Hawkes Bay and, and to
55 the St. Anthony/Roddickton area.
- 56 MS. HENLEY ANDREWS: And it's about 300 kilometers
57 you said to ...
- 58 MR. BUDGELL: St. Anthony/Roddickton.
- 59 MS. HENLEY ANDREWS: St. Anthony/Roddickton. If
60 Hydro were installing diesel generation for peaking
61 capacity from scratch it would not normally install it that far
62 from the main grid, would it?
- 63 MR. BUDGELL: It would depend. If we had a requirement
64 for voltage support ...
- 65 MS. HENLEY ANDREWS: Yeah, but I'm talking about for
66 peaking capacity?
- 67 MR. BUDGELL: But again, generation provides, if we're
68 installing generation and we have an option to install it, we
69 will try to install generation as close to the load centers to
70 provide voltage support and if it is diesel generation or
71 mobile generation, then you have the ability, it's not like a
72 hydro plant where you're stuck with one location where the
73 hydro potential is. A thermal plant can be relocated
74 practically anywhere. So once you made a decision that
75 there's capacity needed, then it would remiss to, as a
76 planner to sit down and say I going to put it in this
77 particular location and ignore that I can kill a couple birds
78 with one stone and, and solve a problem that may occur in
79 another location at that time.
- 80 MS. HENLEY ANDREWS: But you would normally install
81 that type of generation, whether it was a gas turbine which
82 is what you normally would be installing for peaking
83 capacity, close to the load center.
- 84 MR. BUDGELL: Yes.
- 85 MS. HENLEY ANDREWS: The, if you, can we look at **NP-**
86 **122**. NP-122 shows the capacity of the plants, the various
87 plants on the Great Northern Peninsula. Would you agree
88 with that?
- 89 MR. BUDGELL: It's actually the whole island, I believe. It's
90 ...

- 1 MS. HENLEY ANDREWS: Yeah, but it also does include
2 the plants on the Great Northern Peninsula.
- 3 MR. BUDGELL: Yeah, I would expect it does. It's just not
4 in front of me right now.
- 5 MS. HENLEY ANDREWS: And the Roddickton mini hydro
6 is .4 megawatts, on page 4 of 7?
- 7 MR. BUDGELL: Yes.
- 8 MS. HENLEY ANDREWS: And what's the total? Do you
9 know off the top of your head, on the Great Northern
10 Peninsula?
- 11 MR. BUDGELL: 15.1, I believe. Yes, 15.1 megawatts.
- 12 MS. HENLEY ANDREWS: What is the coincident peak,
13 what's the radial load at coincident peak on the Great
14 Northern Peninsula?
- 15 MR. BUDGELL: 33.63 megawatts.
- 16 MS. HENLEY ANDREWS: Is that based on the revised
17 forecast or ...
- 18 MR. BUDGELL: I'm, I'm giving you that on a consistent
19 basis with the other ones.
- 20 MS. HENLEY ANDREWS: Okay, and what ...
- 21 MR. BUDGELL: That, that forecast didn't change. That's
22 the hydro rural forecast. It was only the Newfoundland
23 Power forecast was two different forecasts.
- 24 MS. HENLEY ANDREWS: And the radial load in minimal
25 load conditions would be 35 percent of that?
- 26 MR. BUDGELL: Yes, the figure I have is 11.77 megawatts
27 and the percent of coincident peak is 45 percent, and the
28 percent of light load is 128 percent.
- 29 MS. HENLEY ANDREWS: And if you take the 15.1
30 megawatts of capacity on the Great Northern Peninsula,
31 including Hawkes Bay, and you subtract the 11.7
32 megawatts, the number of megawatts that would be
33 available at minimal load would be 3.4 megawatts?
- 34 MR. BUDGELL: Yes, I believe so.
- 35 MS. HENLEY ANDREWS: And that assumes that all of the
36 plant is operating on the Great Northern Peninsula.
- 37 MR. BUDGELL: Yes, of course.
- 38 MS. HENLEY ANDREWS: When we look at your Schedule
39 9, the Hawkes Bay and the St. Anthony diesel are not
40 shown as contributing anything to firm energy, is that
41 right?
- 42 MR. BUDGELL: No, we don't, we don't normally for
43 planning purposes assign any energy capability for when
44 we do our production costing to our thermal peaking plant.
- 45 You'll see the same thing is true of the combustion
46 turbines, the units at Hardwoods and Oxen Pond, that's the
47 combustion turbine just below Holyrood, 118 megawatts
48 and the same thing is true of Newfoundland Power's
49 combustion turbines, that would be 47.2 that you'll see
50 under them and is, in fact, the 7 megawatts as well that
51 Newfoundland Power have, so these plant serve the role as
52 peaking plant and stand-by plant, from a production
53 capability we don't forecast that there's going to be
54 problems which is the time these run.
- 55 MS. HENLEY ANDREWS: Okay. The primary function of
56 the Hawkes Bay diesel and the St. Anthony diesel though
57 since interconnection has been as a stand-by plant, would
58 you agree?
- 59 MR. BUDGELL: I believe that is correct. I don't know
60 whether Mr. Henderson would say, he's the one that makes
61 the call on when they run, but I believe that that's the case
62 the majority of times. I don't, I don't know whether he, the
63 units were run up for system purposes or not.
- 64 MS. HENLEY ANDREWS: And you agreed with me this
65 morning that you wouldn't have minimal, you couldn't
66 conceive, I think, you told me of a situation where you
67 would have minimal load requirements on the Great
68 Northern Peninsula and have maximum load requirements
69 on the rest of the system?
- 70 MR. BUDGELL: No, I think, yes, I agree that both of them
71 would move together.
- 72 MS. HENLEY ANDREWS: Okay, and when, and when the
73 Great Northern Peninsula is at its higher demand levels, it
74 doesn't have enough generation to serve all of the load on
75 the Great Northern Peninsula, correct?
- 76 MR. BUDGELL: The generation, yes, it doesn't.
- 77 MS. HENLEY ANDREWS: It's, yeah, thank you. I'd like
78 you to take a look at **IC-115** and it indicates that with
79 respect to the mobile diesel unit in Roddickton, they've
80 only been operated for testing and have produced a
81 negligible amount of energy since 2000, is that right?
82 That's what the answer says.
- 83 MR. BUDGELL: There was one mobile unit at the
84 Roddickton thermal site. The other mobile was, used to be
85 at the St. Anthony site. With the Roddickton hearing in
86 January 2000, Hydro was directed to move the St. Anthony
87 mobile down into, down to Roddickton, and that, that's
88 what's reflected there. The mobile diesels were connected
89 to the system in late 2000. I don't know why it's saying
90 both, but I know one of them was always connected to the
91 system.
- 92 MS. HENLEY ANDREWS: Okay. If you look at **IC-125**, we
93 ask the question that with respect to the interconnection in

1 1996, and that's the Roddickton/St. Anthony
2 interconnection, question one was which customer classes
3 benefitted from the interconnection and how did each
4 benefit, and if you look at the answer, it says there were
5 three customer classes that changed, these were the rate 1.2
6 domestic diesel, rate 1.23 churches, schools and community
7 halls, and rate 2.5 general service diesel, and that all of
8 these classes benefitted from the interconnection. All of
9 those are Hydro rural customers, isn't that right?

10 MR. BUDGELL: That's correct.

11 MS. HENLEY ANDREWS: And if we look at **IC-147**, we
12 asked the question when each became part of the
13 interconnected system and asked for a chart showing the
14 number of times each unit has been used in each year since
15 interconnection, the reason it was used on each occasion,
16 and the class of customers in need of emergency or
17 peaking capacity on each occasion and you can you go to
18 the answer, Mr. O'Reilly, to number two, and it shows the
19 table, so the number of times during 1992 through 2000
20 when each of the plants were operated, and you can then
21 see down below that the Hawkes Bay diesels have been
22 used to maintain acceptable voltages to Hydro rural
23 customers during scheduled or forced outages. Prior to the
24 construction of additional lines in 1990 on the Great
25 Northern Peninsula, Hawkes Bay diesels were used
26 regularly to maintain acceptable voltage to Hydro rural
27 customers and as well it was used to supply generation
28 requirements for the entire system on January 2nd of 1996,
29 when it helped to meet the peak load, but as we discussed
30 at that same time it would be meeting the peak load on that
31 portion of the Great Northern Peninsula too, that was
32 interconnected at that time, would you agree?

33 MR. BUDGELL: Yes. It was doing the same duty as all the
34 other generation on that ...

35 MS. HENLEY ANDREWS: Exactly, so from this answer it
36 appears that there have been only two occasions since
37 1992 when any of the generation on the Great Northern
38 Peninsula was used for peaking capacity, would you agree
39 that that's an interpretation of the answer?

40 MR. BUDGELL: Can I just scroll down to the bottom?

41 MS. HENLEY ANDREWS: Yes.

42 MR. BUDGELL: I believe it's correct as to what you're
43 saying. Yes.

44 MS. HENLEY ANDREWS: And if you'd move up a little
45 bit, Mr. O'Reilly, please. That's two out of a considerable
46 number, would you agree?

47 MR. BUDGELL: Yes.

48 MS. HENLEY ANDREWS: I would like to go back to Burin
49 and to deal with transmission. From a system planning

50 perspective, could Hydro's 149 rural customers on the
51 Burin Peninsula be served by Newfoundland Power?

52 MR. BUDGELL: Of course.

53 MS. HENLEY ANDREWS: They could?

54 MR. BUDGELL: Of course they could.

55 MS. HENLEY ANDREWS: And from, and today they
56 could be, based upon the configurations today?

57 MR. BUDGELL: Well, I mean it'd be, it'd be over Hydro's
58 assets, but I mean ...

59 MS. HENLEY ANDREWS: There are two transmission
60 lines, and I recognize that they're, they're sort of looped at
61 the bottom, or they're connected at the bottom so that it
62 does form a loop, is that correct?

63 MR. BUDGELL: Yes, if it's closed through Newfoundland
64 Power's system it would form a loop.

65 MS. HENLEY ANDREWS: So that there's a line, there's a
66 hydro line that goes down the eastern side of the Burin
67 Peninsula that connects to Newfoundland Power at the
68 bottom. Is that correct?

69 MR. BUDGELL: Yes.

70 MS. HENLEY ANDREWS: I'm looking again at the map
71 here that's in front of us so the blue line that goes down on
72 the right hand side is a Newfoundland and Labrador Hydro
73 transmission line.

74 MR. BUDGELL: Yeah. I'd like to correct my earlier
75 statement when I indicated that Newfoundland Power
76 could serve our customers, but only if it had our assets to
77 serve those customers.

78 MS. HENLEY ANDREWS: Yes. If there were...

79 MR. BUDGELL: So long as I was clear on that.

80 MS. HENLEY ANDREWS: Yeah, if there were some sort of
81 transfer arrangement put in place.

82 MR. BUDGELL: Yes, yes. They have no direct connection
83 to our customers, that's what I, I didn't want to leave that
84 impression.

85 MS. HENLEY ANDREWS: No. If we look at the, let's call
86 it the eastern most line on the Burin Peninsula, it runs from
87 Sunnyside down to Newfoundland Power at the bottom, is
88 that correct?

89 MR. BUDGELL: Yes.

90 MS. HENLEY ANDREWS: And that line serves the 149
91 Hydro rural customers who we just talked about.

92 MR. BUDGELL: Yes.

93 MS. HENLEY ANDREWS: And it serves Newfoundland

1 Power?

2 MR. BUDGELL: That's correct.

3 MS. HENLEY ANDREWS: So that transmission line serves
4 more than one class of customers?

5 MS. BUTLER, Q.C.: That's correct.

6 MS. HENLEY ANDREWS: And the western most line
7 serves only Newfoundland Power?

8 MR. BUDGELL: It serves Newfoundland Power normally,
9 but if there's an outage on the other line it would serve
10 both customers.

11 MS. HENLEY ANDREWS: Because the power could be, in
12 effect, wheeled through Newfoundland Power's lines to go
13 back up the Great Northern Peninsula to Hydro's 149
14 customers.

15 MR. BUDGELL: Yes, yes. We, the ...

16 MS. HENLEY ANDREWS: The Burin Peninsula.

17 MR. BUDGELL: Yeah, the system could be fed through
18 either one of those lines.

19 MS. HENLEY ANDREWS: Okay, but in fact the, the line,
20 the western most line connects to Newfoundland Power at
21 the end and does not serve any other class of customers
22 on its way down, correct?

23 MR. BUDGELL: On the diagram here, that's what it's
24 showing, yes, but if there was an outage on the other line,
25 you could feed Hydro and Newfoundland Power's
26 customers through that line as well.

27 MS. HENLEY ANDREWS: Yes. Now with respect to the
28 Doyles/Port aux Basques area ...

29 MR. BUDGELL: Yes.

30 MS. HENLEY ANDREWS: It's my understanding that
31 Hydro has no generation on that line, is that correct?

32 MR. BUDGELL: That's correct.

33 MS. HENLEY ANDREWS: So the only generation that
34 exists is Newfoundland Power generation?

35 MR. BUDGELL: That's correct.

36 MS. HENLEY ANDREWS: Which feeds into
37 Newfoundland Power's system, correct?

38 MR. BUDGELL: Yes.

39 MS. HENLEY ANDREWS: Can you tell me what
40 Newfoundland Power generation there is on the Doyles, at
41 the end of the Doyles/Port aux Basques line?

42 MR. BUDGELL: Yes, there's Rose Blanche at 6.1
43 megawatts; the Grand Bay gas turbine at 7.2; and the Port
44 aux Basques diesel at 2.5; for a total of 15.8 megawatts.

45 MS. HENLEY ANDREWS: And what is the radial load on
46 that line at coincident peak?

47 MR. BUDGELL: 24.8 megawatts.

48 MS. HENLEY ANDREWS: And at minimal load conditions
49 it would be 35 percent of that?

50 MR. BUDGELL: Yes, 8.68 is the number I'm using and with
51 percentages of coincident peak are 64 percent and 182
52 percent of light load.

53 MS. HENLEY ANDREWS: So in order to determine what
54 might be available if all the units were operating during a
55 minimal load condition, we would take the 15.8 megawatts
56 and subtract the 8.68?

57 MR. BUDGELL: Yes.

58 MS. HENLEY ANDREWS: Which is 7.12 megawatts.

59 MR. BUDGELL: I believe so.

60 MS. HENLEY ANDREWS: Or close?

61 MR. BUDGELL: Close, I'll accept your figure.

62 MS. HENLEY ANDREWS: The Grand Bay gas turbine, is
63 that a mobile unit?

64 MR. BUDGELL: Yes, it is.

65 MS. HENLEY ANDREWS: So like the unit in Salt Pond it
66 could be moved by Newfoundland Power if they chose to
67 move it to another location?

68 MR. BUDGELL: I assume so, yes.

69 MS. HENLEY ANDREWS: And what about the diesel unit,
70 is that a mobile unit?

71 MR. BUDGELL: I'm not aware whether those units are
72 mobile or fixed.

73 MS. HENLEY ANDREWS: Okay, the Grand Bay gas
74 turbine and the Port aux Basques diesel unit, are they
75 stand-by units?

76 MR. BUDGELL: Yes.

77 MS. HENLEY ANDREWS: So the same would apply for
78 those units as would apply for the other stand-by units
79 that we've talked about on the Great Northern Peninsula
80 and also on the Burin Peninsula, isn't that right, that
81 whether the, whether there would, in fact, be 7.12
82 megawatts of excess generation available would depend on
83 the units being on and on there being minimal load on the
84 Doyles/Port aux Basques system?

85 MR. BUDGELL: Could you repeat that again, I'm sorry, I
86 missed the thrust of the question.

- 1 MS. HENLEY ANDREWS: Okay, so I was trying to ask
2 three questions in one. I'll slow it down a bit.
- 3 MR. BUDGELL: Yeah.
- 4 MS. HENLEY ANDREWS, Q.C.: And that is that in order,
5 we said that there's the potential for 7.12 megawatts to be
6 available to the system if all of the units are operating ...
- 7 MR. BUDGELL: All of the megawatts are available to the
8 system.
- 9 MS. HENLEY ANDREWS: Yeah, but available beyond Port
10 aux Basques?
- 11 MR. BUDGELL: That's only a technicality of our guideline,
12 there's that many megawatts can make it to the 230 kV
13 system, but the fact that the unit is on, it's available to the
14 overall system.
- 15 MS. HENLEY ANDREWS: The, but you would also, in
16 order for there to be excess capacity beyond the needs of
17 the Port aux Basques, Newfoundland Power's Port aux
18 Basques area, there would also have to be minimal load
19 conditions in that Port aux Basques area, correct?
- 20 MR. BUDGELL: I'm not speaking of excess in terms of it is
21 excess to the load requirements to that area, it's excess
22 under the criteria that we proposed in our, in my guidelines.
- 23 MS. HENLEY ANDREWS: That's right, but I'm not asking
24 you the question in that context. I'm asking you the
25 question in context of whether, you know, in what types of
26 circumstances could, would Newfoundland Power have
27 excess available, capacity available, after it served its own
28 system from the units that it's got on it's system in the Port
29 aux Basques area and I think that the answer that you gave
30 me was that if you have minimal load conditions in that
31 area, and all of the generation in that area was on, the
32 excess of the generation over the load requirement would
33 be 7.12 megawatts.
- 34 MR. BUDGELL: I agree.
- 35 MS. HENLEY ANDREWS: But as we've discussed on a
36 number of occasions you wouldn't have minimal load
37 requirements in the Port aux Basques area at the same time
38 that you were needing peaking capacity in the rest of the
39 system.
- 40 MR. BUDGELL: Well, you could, but ...
- 41 MS. HENLEY ANDREWS: It's extremely unlikely.
- 42 MR. BUDGELL: It's unlikely only in the event that if there
43 is a generation outage in the low load period.
- 44 MS. HENLEY ANDREWS: And that would have to be a
45 generation outage that was in excess of your 18 percent
46 capacity that you've built into your system?
- 47 MR. BUDGELL: Pardon?
- 48 MS. HENLEY ANDREWS: You, you've built in an
49 emergency factor.
- 50 MR. BUDGELL: No, this makes up that capacity.
- 51 MS. HENLEY ANDREWS, Q.C.: Okay.
- 52 MR. BUDGELL: This is the units because they're in
53 (inaudible) loading, they're at the top of the heap in cost,
54 these are the last ones we'd put on.
- 55 MS. HENLEY ANDREWS: And they're the last ones that
56 you put on.
- 57 MR. BUDGELL: That's right.
- 58 MS. HENLEY ANDREWS, Q.C.: And these units are not
59 used for energy, the gas turbine and diesel unit?
- 60 MR. BUDGELL: They wouldn't be called upon for energy
61 unless there was a dire emergency or if we got into a
62 situation where there was an extremely dry period.
- 63 MS. HENLEY ANDREWS: I'm still here, Mr. Chairman. I
64 could keep going for another five minutes or so, or we
65 could break.
- 66 MR. NOSEWORTHY, CHAIRMAN: Okay, please proceed
67 for another five minutes.
- 68 MS. GREENE, Q.C.: Would Ms. Henley Andrews be
69 finished in five minutes, is that what I took from that?
- 70 MS. HENLEY ANDREWS: No.
- 71 MR. NOSEWORTHY, CHAIRMAN: Sure, go ahead for
72 another five minutes.
- 73 MS. HENLEY ANDREWS: I'd like you to look at your
74 evidence on page 21. You indicate there that the
75 discontinuance of service to the former industrial customer,
76 Albright & Wilson Americas, has resulted in the change of
77 assignment for the 230 kV transmission line from western
78 Avalon to Long Harbour and the Long Harbour terminal
79 station from specifically assigned to Albright & Wilson
80 Americas to common plant as the remaining equipment
81 which includes a 24 megavar capacitor bank provides
82 voltage support to the 230 kV system.
- 83 MR. BUDGELL: That's right.
- 84 MS. HENLEY ANDREWS: That 24 megavar capacitor bank
85 had previously also been specifically assigned to Albright
86 & Wilson, correct?
- 87 MR. BUDGELL: Yes.
- 88 MS. HENLEY ANDREWS: So when Albright & Wilson
89 were functioning they needed that capacitor bank?
- 90 MR. BUDGELL: Well, we needed it for load because the

1 load in that particular area, there were 150 megawatts. I
2 should back. I'm not sure whether the, I know the line was
3 specifically assigned to Albright & Wilson. I'm not sure
4 about that capacitor bank per se.

5 MS. HENLEY ANDREWS: But generally speaking when
6 we've talked about our cost assignment, I don't know
7 whether it was specifically assigned either to be perfectly
8 honest, I'm assuming that it was because in our cost
9 assignment if the line was serving two or more customers
10 it would have previously been treated as common.

11 MR. BUDGELL: Yeah, yeah. I think, I believe it was
12 assigned to Albright & Wilson, but I'm 100 percent sure on
13 the capacitor bank, but the line, I know was.

14 MS. HENLEY ANDREWS: Would you agree that if Hydro
15 were to build a 24 megavar capacitor bank or install a 24
16 megavar capacitor bank, and if there were no transmission
17 line from western Avalon to Long Harbour, it would not be
18 installed, you wouldn't build a transmission line and, in
19 order to put a capacitor bank at the end of it?

20 MR. BUDGELL: No, but we would incur approximately the
21 same cost as the net book value of the transmission line
22 which is already service.

23 MS. HENLEY ANDREWS: To move it?

24 MR. BUDGELL: To move it, yes.

25 MS. HENLEY ANDREWS: But not necessarily, have you
26 looked at a comparison of the cost of to install it new?

27 MR. BUDGELL: New. New would cost, I believe, more.

28 MS. HENLEY ANDREWS: Okay, but is that something
29 that you actually studied?

30 MR. BUDGELL: I know we did a cost of moving it, I don't
31 know if we did a cost of a new 24 megawatt, megavar
32 capacitor bank, I'm sorry, if I said ... we did look at just
33 moving it and installing it elsewhere.

34 MS. HENLEY ANDREWS: Okay. That's really very similar,
35 isn't it, to the situation with respect to the transmission line
36 to Burgeo and the former Hope Brook Gold, which is that
37 the customer the line and the capacitor bank was built to
38 serve is no longer there?

39 MR. BUDGELL: That's correct, and the generation that was
40 put in place to serve Albright & Wilson is still here and has
41 been used for the benefit of the existing customers.

42 MS. HENLEY ANDREWS: But it wasn't built to serve just
43 them, correct?

44 MR. BUDGELL: No, of course not, it was built to serve the
45 total load and that's what generation is built for, that ...

46 MS. HENLEY ANDREWS: And that was Bay d'Espoir?

47 MR. BUDGELL: That was Bay d'Espoir and that was
48 Holyrood and all the other facilities.

49 MS. HENLEY ANDREWS: But we're dealing with, we're
50 dealing ...

51 MR. BUDGELL: To meet the 150 megawatts. So what I am
52 saying is that ...

53 MS. HENLEY ANDREWS: Yeah, but the rest of the system
54 deals with those costs. I mean ...

55 MR. BUDGELL: Yes, but what I'm trying to say is that,
56 remember we talked about it earlier this morning that when
57 a customer leaves there is negatives and positives, right,
58 associated with that, but the transmission line is left there,
59 the capacitor bank is still left there. It would cost us just as
60 much as the transmission line to move it and install it in
61 another location. The customer that's served from that
62 location, and there is still customer, albeit a minor customer,
63 would incur \$150,000 to be served so there's new cost got
64 to come on the system. It's not on our system, it would be
65 for Newfoundland Power's system to service this customer
66 at Long Harbour, so there would \$500,000 or \$600,000 in
67 additional new costs coming on the interconnected system
68 to get rid of this.

69 MS. HENLEY ANDREWS: If that 24 megavar capacitor
70 bank was decommissioned, would Hydro need to install
71 additional voltage support?

72 MR. BUDGELL: Yes, because we just had to do a very
73 similar exercise in association with the Hardwoods in Oxen
74 Pond on the east coast, and this actually is a low point in
75 voltage on the system.

76 MS. HENLEY ANDREWS: And that capacitor bank serves,
77 provides voltage support to what part of the Province?

78 MR. BUDGELL: To the east coast.

79 MS. HENLEY ANDREWS: This is a good place to break.
80

81 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
82 Henley Andrews.

83 MS. HENLEY ANDREWS: I shouldn't be a whole lot
84 longer.

85 MR. NOSEWORTHY, CHAIRMAN: Okay. Thank you for
86 that information. We'll reconvene at 9:30 tomorrow
87 morning.

88 *(hearing adjourned to November 8, 2001)*