

1 (9:30 a.m.)

2 MR. NOSEWORTHY, CHAIRMAN: Thank you and good  
3 morning. Any preliminary matters before we get started,  
4 counsel?

5 MR. KENNEDY: Not that I'm aware of, Chair, no  
6 preliminary matters. I should advise the panel that  
7 counsels did meet yesterday. There was some discussion  
8 concerning the scheduling and we determined that we  
9 never had enough information and the parties are gone  
10 back to acquire more information and then we're going to  
11 meet again on Friday, so I'll report to the panel again  
12 hopefully Friday about the status of that.

13 MR. NOSEWORTHY, CHAIRMAN: Thank you, counsel.  
14 Good morning, Mr. Budgell.

15 MR. BUDGELL: Good morning.

16 MR. NOSEWORTHY, CHAIRMAN: Good morning, Ms.  
17 Henley Andrews. I wonder could I ask you to continue  
18 with your cross-examination, please?

19 MS. HENLEY ANDREWS, Q.C.: Yes, Mr. Noseworthy.  
20 Mr. Budgell, some time ago, earlier in the week, you  
21 indicated with respect to some questions on your capital  
22 budget that part of the reason for looking at the JDE  
23 upgrade was that Hydro was expecting that the support for  
24 the current version of JDE would be finished in 2003?

25 MR. BUDGELL: Yes, I believe so.

26 MS. HENLEY ANDREWS, Q.C.: Do you have any written  
27 communication from JDE with respect to that?

28 MR. BUDGELL: I haven't seen the written communication.

29 MS. HENLEY ANDREWS, Q.C.: Are you aware that  
30 Abitibi also uses the JDE system?

31 MR. BUDGELL: I was aware of it through discussions, I  
32 believe, a number of years ago with the gentleman at your  
33 left, that Abitibi used the system, and my sister used to  
34 work with Abitibi in Grand Falls, advised me before she  
35 retired that there was an upheaval at their organization as  
36 well as ours.

37 MS. HENLEY ANDREWS, Q.C.: Associated with putting  
38 it in place?

39 MR. BUDGELL: Yes. Putting such a large financial system  
40 in any corporation, organization, entails a lot of upheaval  
41 and changes to people's work habits and what have you.

42 MS. HENLEY ANDREWS, Q.C.: I take it then it would  
43 surprise you to hear that Abitibi's understanding is that  
44 JDE will be supported until at least 2005, the current  
45 version?

46 MR. BUDGELL: Yeah. I'm only ... my statement was on my

47 best memory of communications with our IS & T Group.

48 MS. HENLEY ANDREWS, Q.C.: Could you check with  
49 your IS & T Group and see if they have any formal  
50 communication from JDE with respect to the support of that  
51 system?

52 MR. BUDGELL: I will.

53 MS. HENLEY ANDREWS, Q.C.: Thank you. Yesterday  
54 one of the things that we discussed was the assignment or  
55 the proposed reassignment of Doyle's Port aux Basques  
56 line from specifically assigned to Newfoundland Power to  
57 common.

58 MR. BUDGELL: Yes.

59 MS. HENLEY ANDREWS, Q.C.: Mr. O'Rielly, could we see  
60 **IC-181**? IC-181, Mr. Budgell, indicates the cost  
61 implications of that proposed reassignment, would you  
62 agree?

63 MR. BUDGELL: Yes.

64 MS. HENLEY ANDREWS, Q.C.: And that indicates that it  
65 would result in a \$94,000 increase in the costs to the  
66 island's four industrial customers?

67 MR. BUDGELL: Yes.

68 MS. HENLEY ANDREWS, Q.C.: And that \$94,000 increase  
69 would have to be added to the roughly \$1 million increase  
70 if the reassignment of the Great Northern Peninsula were  
71 also approved?

72 MR. BUDGELL: I don't recall the exact number but it would  
73 be additional to the GNP, yes.

74 MS. HENLEY ANDREWS, Q.C.: And if the transcript from  
75 yesterday indicated, that having looked at another exhibit,  
76 that that was roughly \$1 million for the industrial  
77 customers, you wouldn't disagree with that?

78 MR. BUDGELL: That's correct.

79 MS. HENLEY ANDREWS, Q.C.: I'd like to move to the  
80 issue of converters, and in your testimony the issue of  
81 converters is dealt with at page 21, correct?

82 MR. BUDGELL: Yes. There's a reference in the middle of  
83 that page.

84 MS. HENLEY ANDREWS, Q.C.: And the only thing that is  
85 said in your evidence with respect to the frequency  
86 converters is that they'd previously been assigned as  
87 common plant and Hydro is now proposing to specifically  
88 assign the converter at Corner Brook to Corner Brook Pulp  
89 and Paper and the converter at Grand Falls to Abitibi's  
90 Grand Falls division?

91 MR. BUDGELL: That's correct.

1 MS. HENLEY ANDREWS, Q.C.: I'd like to go to the  
2 evidence of Mr. Osler, **the supplementary evidence of Mr.**  
3 **Osler at page 22**, and, Mr. O'Rielly, if you'd just leave that  
4 there on the screen when you get there, I have a few  
5 questions before I start dealing with that document. You  
6 would agree that the converters are owned by Hydro?

7 MR. BUDGELL: Yes, they are.

8 MS. HENLEY ANDREWS, Q.C.: And they are maintained  
9 by Hydro.

10 MR. BUDGELL: Yes.

11 MS. HENLEY ANDREWS, Q.C.: And you'd also agree, I  
12 presume, that Hydro's energy is generally delivered at 60  
13 cycles?

14 MR. BUDGELL: Yes.

15 MS. HENLEY ANDREWS, Q.C.: And the Corner Brook  
16 Pulp and Paper Mill utilizes a considerable amount of its  
17 energy in its mill at 50 cycle?

18 MR. BUDGELL: Yes, and they use that converter to  
19 convert ... I'm getting feedback here. It's starting to affect  
20 my ear.

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

22 MR. BUDGELL: Maybe I'm too close to the mic, am I?

23 MS. HENLEY ANDREWS, Q.C.: No, it's better now.

24 MR. BUDGELL: And the Deer Lake Power 50 hertz  
25 generation is converted by the converter to, I'm sorry, Deer  
26 Lake has an excess of 50 cycle generation at their facilities  
27 and the converter is used to convert that (inaudible) 50  
28 cycle load and also to convert the excess to 60 cycle for  
29 use at the mill.

30 MS. HENLEY ANDREWS, Q.C.: Okay. Let's just go back  
31 a little in what you said. You said Corner Brook Pulp and  
32 Paper uses it, uses the converter to convert the 60 cycle  
33 energy from Hydro to 50 cycle, but that's really not correct,  
34 is it?

35 MR. BUDGELL: No.

36 MS. HENLEY ANDREWS, Q.C.: Hydro uses a converter to  
37 convert from 60 cycle to the 50 cycle that Corner Brook  
38 Pulp and Paper needs.

39 MR. BUDGELL: Most of the use, from what I understand  
40 right now, of the converter is for Deer Lake Power  
41 generation, which is, a portion of it is 50 cycle and the, at  
42 that location they have an excess of 50 cycle generation.  
43 In other words, it's more than the load that's at the paper  
44 mill, 50 cycle. So the 50 cycle generation is carried to  
45 Corner Brook over 50 cycle lines, fed to the converter, the  
46 excess is fed through the converter and converted to 60 for  
47 use at the mill. The 50 cycle portion of the load, of their  
48 generation that meets their existing load, obviously just  
49 feeds into their 50 cycle system.

50 MS. HENLEY ANDREWS, Q.C.: The converters have  
51 always been common, treated as common, is that correct?

52 MR. BUDGELL: Yes, as far as these rate referrals, they  
53 have been.

54 MS. HENLEY ANDREWS, Q.C.: Now, when you look at  
55 Mr. Osler's evidence, I just want to go through and, with  
56 respect to his factual assumptions, to check with you as to  
57 whether you agree with those factual assumptions since  
58 you've obviously been the person who's, you obviously  
59 are the person who's dealing with the issues on the  
60 reassignment of these units. These units were put in place  
61 at the time that Bay d'Espoir came on stream, isn't that  
62 correct?

63 MR. BUDGELL: Yes.

64 MS. HENLEY ANDREWS, Q.C.: As part of that.

65 MR. BUDGELL: Yes.

66 MS. HENLEY ANDREWS, Q.C.: And prior to Bay d'Espoir  
67 being developed, there was no island grid, correct?

68 MR. BUDGELL: That's correct.

69 MS. HENLEY ANDREWS, Q.C.: And when you look at  
70 the, or if you look at the study that was prepared by  
71 Shawinigan (phonetic), which is at **IC-219**, which I'm not  
72 going to refer to in detail, but if we were to look at that, the  
73 participation of the two paper mills in agreeing to utilize  
74 energy from Bay d'Espoir was part of making it economic,  
75 would you agree?

76 (9:45 a.m.)

77 MR. BUDGELL: Yes, at that particular time there were a  
78 number of separate systems on the island, two of which  
79 were owned and controlled by the two paper companies,  
80 and the situation at the time was such that the, a number of  
81 these systems were severely constrained in as far as the  
82 capacity and energy that were available to meet the load  
83 requirements of existing customers and there certainly was  
84 not any excess capacity and energy available to meet any  
85 so-called, I guess, industrialization of the province or the,  
86 to allow the province to grow further.

87 MS. HENLEY ANDREWS, Q.C.: And in the Shawinigan, or  
88 whatever they are, I can't, Shawmont or whatever report at  
89 **IC-219**, there is a discussion of planning for the output of  
90 the Bay d'Espoir development as to whether it should be 50  
91 cycle, 60 cycle or a combination of 50 cycle and 60 cycle,  
92 correct?

93 MR. BUDGELL: Yes, that's right.

1 MS. HENLEY ANDREWS, Q.C.: And the reason why the  
2 50 cycle discussion was taking place was because both the  
3 mill in Grand Falls at that time and the mill in Corner Brook  
4 produced their paper using 50 cycle power.

5 MR. BUDGELL: Yes. They were predominantly 50 cycle at  
6 that time. Grand Falls was anyway, but I think Corner  
7 Brook had both.

8 MS. HENLEY ANDREWS, Q.C.: And you would agree that  
9 from a historical perspective the decision to, by Hydro, to  
10 install the converters both at Corner Brook and at Grand  
11 Falls enabled the Bay d'Espoir project to be developed as  
12 a 50 cycle project, as a 60 cycle project, correct?

13 MR. BUDGELL: Yes. The converters were put in place to  
14 allow the development at Bay d'Espoir to proceed as a  
15 single frequency development, and allowed the Bay  
16 d'Espoir development to connect to the 250 hertz systems  
17 and provide a connection between those systems and  
18 provide additional power to those customers.

19 MS. HENLEY ANDREWS, Q.C.: So when you look at page  
20 22 of Mr. Osler's testimony at line 21 to 24, I take it you  
21 would agree that a primary component of this development  
22 was the frequency converters which were required to  
23 integrate 50 hertz generation and loads with 60 hertz  
24 generation and loads, and without the converters the grid  
25 would appear to have had to be developed at a higher cost  
26 to provide permanent 50 hertz and 60 hertz generation and  
27 transmission. You would agree with that?

28 MR. BUDGELL: Yes.

29 MS. HENLEY ANDREWS, Q.C.: You would also agree with  
30 Mr. Osler's summary of studies, which is contained at lines  
31 26 through 35 on that page and over to line 1 on the  
32 following page, which is, which cites the various studies  
33 and indicates that the frequency converters allowed  
34 interconnections of the various loads to make the Bay  
35 d'Espoir and island transmission network possible and to  
36 create the grid?

37 MR. BUDGELL: Can I take a second to read it, please?

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

39 MR. BUDGELL: Yes, at that particular time.

40 MS. HENLEY ANDREWS, Q.C.: And if you look then at  
41 the second bullet point at line, starting at line 35, it says,  
42 "Frequency converters would provide additional benefits  
43 to the overall grid, including frequency and voltage  
44 regulation."

45 MR. BUDGELL: Yes, at that time, and I think the reference  
46 at that particular time was to assist them where Bay d'Espoir  
47 was coming on stream with, I believe they were looking at,  
48 well, four units at that time, and the load requirement of the

49 Bay d'Espoir system and the load requirements of the  
50 Corner Brook system, I guess in particular, I don't know if  
51 it's true of Grand Falls, I doubt it, but the system sizes were  
52 more or less roughly the same.

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

54 MR. BUDGELL: So tying the systems together at that  
55 particular time provided the commentary there in regards to  
56 frequency of voltage regulation at that time, in the early  
57 '60s, but that has disappeared since as the system grew ...

58 MS. HENLEY ANDREWS, Q.C.: When you look at the  
59 reason for the installation of the converters in the first  
60 place though, the issue of frequency and voltage  
61 regulation was an incidental benefit, wouldn't you agree?

62 MR. BUDGELL: Yes, at that particular time it was.

63 MS. HENLEY ANDREWS, Q.C.: That the primary purpose  
64 was really to have enough customers to make the grid  
65 viable, to make Bay d'Espoir viable.

66 MR. BUDGELL: Well, I would re-state it a different way,  
67 was to enable the public entity, which was building Bay  
68 d'Espoir to deliver power to a number of customers in  
69 systems that were constrained at that time and the  
70 developers didn't have the wherewithal to meet those  
71 customers' load.

72 MS. HENLEY ANDREWS, Q.C.: And without those  
73 customers it wouldn't have been economic to develop Bay  
74 d'Espoir.

75 MR. BUDGELL: I don't know whether that, I can make that  
76 statement or not. I don't think that study talked to the  
77 economics of Bay d'Espoir on an overall basis.

78 MS. HENLEY ANDREWS, Q.C.: Now, your evidence is  
79 that the only customers who are now benefitting from these  
80 converters are Abitibi in Grand Falls and Corner Brook Pulp  
81 and Paper, correct?

82 MR. BUDGELL: Yes, and clearly there's no other, there are  
83 no other customer ... there was a customer in Corner Brook,  
84 I believe the North Star Cement, utilized 50 hertz power, but  
85 I'm not aware of any other customers that utilize 50 hertz  
86 other than those two customers in the province at this time.

87 MS. HENLEY ANDREWS, Q.C.: When Corner Brook Pulp  
88 and Paper has a problem with its own generation so that it's  
89 not available to meet its 50 hertz or 50 cycle needs, it  
90 purchases its additional energy from Hydro, correct?

91 MR. BUDGELL: Yes, it does.

92 MS. HENLEY ANDREWS, Q.C.: And in those  
93 circumstances the converter continues to be used to  
94 convert 60 cycle power to 50 cycle power?

95 MR. BUDGELL: I'm sorry, convert ...

- 1 MS. HENLEY ANDREWS, Q.C.: 60 cycle Hydro's power to  
2 50 cycle for use in the Corner Brook mill.
- 3 MR. BUDGELL: Are you talking in the instance of loss of  
4 current generation or are you talking about ...
- 5 MS. HENLEY ANDREWS, Q.C.: Loss ... when the ... when  
6 Corner Brook Pulp and Paper's own generation is down.
- 7 MR. BUDGELL: If they have insufficient 50 hertz  
8 generation the converter can be used to deliver 60 hertz to  
9 50 hertz power for use at the mill, yes, in that instance.
- 10 MS. HENLEY ANDREWS, Q.C.: And that does happen for  
11 maintenance purposes occasionally?
- 12 MR. BUDGELL: Yes, it may very well. I have no immediate  
13 evidence that that occurs or occurs frequently or not.  
14 They have, like I indicated earlier, excess 50 hertz right now  
15 generation in relation to the load, and I can't say whether  
16 that's sufficient to allow them to do maintenance and still  
17 meet the 50 hertz load, their 50 hertz generation.
- 18 MS. HENLEY ANDREWS, Q.C.: You would acknowledge,  
19 however, that the contracts that are currently proposed for  
20 both Corner Brook and Grand Falls contain a concept called  
21 generation outage demand?
- 22 MR. BUDGELL: Yes.
- 23 MS. HENLEY ANDREWS, Q.C.: And that generation  
24 outage demand is a provision allowing these two industrial  
25 customers to purchase additional load from Hydro when  
26 their generation is out?
- 27 MR. BUDGELL: That's correct.
- 28 MS. HENLEY ANDREWS, Q.C.: And therefore it is  
29 certainly something that the companies or the two  
30 customers have considered are important to have included  
31 in their contract.
- 32 MR. BUDGELL: Yes.
- 33 MS. HENLEY ANDREWS, Q.C.: Which would indicate that  
34 there is at least some reasonable probability that that is  
35 used.
- 36 MR. BUDGELL: Or will be used.
- 37 MS. HENLEY ANDREWS, Q.C.: Or will be used.
- 38 MR. BUDGELL: Yes.
- 39 MS. HENLEY ANDREWS, Q.C.: In addition, the generation  
40 at both Grand Falls and Corner Brook Pulp and Paper is  
41 available to the grid in times of emergency, agreed? If they  
42 were ...
- 43 MR. BUDGELL: If there is excess available, I would expect  
44 that that would be so.
- 45 MS. HENLEY ANDREWS, Q.C.: But in ...
- 46 MR. BUDGELL: Only if it's in excess of their own mill load.  
47 I don't know whether the entities would shut down the mills  
48 to provide it to the system or not. I'm assuming they would  
49 if the Board requested it. I don't know whether they would  
50 if Hydro requested it.
- 51 MS. HENLEY ANDREWS, Q.C.: Are you aware of the  
52 provisions of the current *Electrical Power Control Act*  
53 which allow the Province to basically second the  
54 generation from the industrial customers in the case of  
55 emergency?
- 56 MR. BUDGELL: Yeah. That's what I was just referring to.  
57 I may have used the Board as being the reference but there  
58 is a mention of an entity that can make that determination.
- 59 MS. HENLEY ANDREWS, Q.C.: And to the extent that that  
60 generation is 50 cycle, it would need to be converted to 60  
61 cycle in order to go into the grid, agreed?
- 62 MR. BUDGELL: Yes.
- 63 MS. HENLEY ANDREWS, Q.C.: And in those  
64 circumstances the converters, although they are used in the  
65 opposite direction from what was originally intended, those  
66 converters benefit the customers on the system, you would  
67 agree?
- 68 MR. BUDGELL: In that hypothetical case they would, yes.
- 69 MS. HENLEY ANDREWS, Q.C.: And in addition when  
70 there is excess demand available or excess capacity  
71 available, both from Corner Brook and from Grand Falls,  
72 that energy can go into the grid for the benefit of  
73 customers, isn't that correct, through the converters?
- 74 MR. BUDGELL: You said excess demand available.
- 75 MS. HENLEY ANDREWS, Q.C.: I'm sorry, excess capacity.  
76 I changed the word.
- 77 MR. BUDGELL: I'm not aware that there are excess  
78 capacity available at either ...
- 79 MS. HENLEY ANDREWS, Q.C.: From time to time.
- 80 MR. BUDGELL: If it occurs it's, from what I understand, is  
81 on an inadvertent basis. There was a time period back in  
82 the early 1980s when Bowater Power, when Bowaters at the  
83 mill I guess were in their period of shutting down the mill or  
84 closing down certain parts of the operations, there were  
85 excess, but since the early 1980s I don't think there has  
86 been any transfer or very little transfer. It's been minimal if  
87 any in the direction of the mill operations to, from  
88 Bowaters, let's say, to the utilities. And may I take this  
89 occasion too to correct ... I made a mistake the other day.  
90 I referred to the Abitibi as being a bank and I was incorrect  
91 in that statement. That was intended to be a purchase and  
92 I apologize for that mistake.

1 MS. HENLEY ANDREWS, Q.C.: I knew that it was not  
2 correct. Okay, that's fine, but it's good to have you ...

3 MR. BUDGELL: I was reminded immediately after that and  
4 I just remembered. I should, for the record, correct that.

5 MS. HENLEY ANDREWS, Q.C.: Now, if you look at Mr.  
6 Osler's evidence on page 23 at lines 29 to 31, do you agree  
7 that if we reviewed IC-41, Revision 2, that the specifically  
8 assigned cost to Abitibi in Grand Falls for the converter for  
9 2002 is \$107,521?

10 MR. BUDGELL: I don't know what the exact figures for the  
11 current specific costs of the converters are, but I know  
12 they're not high numbers.

13 MS. HENLEY ANDREWS, Q.C.: Do you consider \$100,000  
14 to be high?

15 *(10:00 a.m.)*

16 MR. BUDGELL: Well, my reference there was particularly  
17 to the fact that, and I ... you haven't asked the question to  
18 provide the opportunity for me to indicate this, but our  
19 issue, Hydro's issue is not only with, is with the current  
20 assignment of the converters but, and it's not so much as  
21 with the existing assignment costs, and I only make that  
22 reference to the fact that if the converters remain as  
23 common, we're talking about a 30-year old device, put in  
24 place in the mid-'60s, and Hydro's concern, and this is what  
25 we're trying to alert the other customers to, if it remains  
26 common and if these units were damaged, the replacement  
27 will be shared and it'll be a lot higher cost than these costs,  
28 and that's my reference to the 107. If the new converters  
29 had to be installed today, these numbers would be much  
30 higher, so I only make that statement in relevance ...

31 MS. HENLEY ANDREWS, Q.C.: However, there is no plan  
32 ...

33 MR. BUDGELL: And there's no benefit to the other  
34 customers because nobody else is using the 50 hertz or  
35 requires 50 hertz service.

36 MS. HENLEY ANDREWS, Q.C.: Other than the benefits  
37 that we've just discussed ...

38 MR. BUDGELL: Well, which benefits that were present  
39 with the current converters back in the 1960s but don't exist  
40 today, anywhere near to the level or the extent of which  
41 they existed in the '60s.

42 MS. HENLEY ANDREWS, Q.C.: Hydro is at this point not  
43 planning to replace those converters in 2002, correct?

44 MR. BUDGELL: Not in 2002.

45 MS. HENLEY ANDREWS, Q.C.: And we're dealing with ...

46 MR. BUDGELL: But Hydro has, and we talked yesterday  
47 about the fact that there needed to be some consistency or

48 the industrial customers didn't want any surprises, but the  
49 discussions, and I, remiss to mention yesterday as well,  
50 that Hydro has had and started discussions with the  
51 industrial customers, and I believe in particular in regards  
52 to Corner Brook Pulp and Paper on the frequency converter  
53 and its future back in 1989.

54 MS. HENLEY ANDREWS, Q.C.: The fact is though that  
55 the frequency converters have, for in excess of 30 years,  
56 been treated as common.

57 MR. BUDGELL: Insofar ... yes, up to ...

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

59 MR. BUDGELL: Up to this particular hearing, I agree with  
60 you, they have been.

61 MS. HENLEY ANDREWS, Q.C.: And in addition to that  
62 the converters, the issue for the Board with respect to the  
63 converters is the same issue as with respect to any other  
64 plant that Hydro is talking about in terms of assignment.  
65 The issue is whether there is a substantial benefit to one or  
66 more customers, correct?

67 MR. BUDGELL: I would agree with that.

68 MS. HENLEY ANDREWS, Q.C.: And you would agree that  
69 the threshold test for substantial benefit should be the  
70 same regardless of the asset. In other words, you don't  
71 change the definition of substantial depending on the  
72 asset.

73 MR. BUDGELL: I would agree with that, once one has  
74 established what the substantial is.

75 MS. HENLEY ANDREWS, Q.C.: So if a very small benefit  
76 to the, to more than one customer is considered to be  
77 adequate to assign the Great Northern Peninsula  
78 transmission and generation as common, then a very small  
79 benefit or a medium benefit or whatever the Board  
80 determines with respect to converters would also justify  
81 them being assigned as common. The issue is what is  
82 substantial benefit and to make sure that substantial is  
83 applied on the same criteria universally, would you agree?

84 MR. BUDGELL: I would agree with your characterization  
85 of, that the substantial has to be defined in the context of  
86 the device that you're talking about. Whether substantial  
87 is identified on the same exact criteria is another matter, but  
88 I would agree that the word "substantial" needs to be  
89 defined in any event.

90 MS. HENLEY ANDREWS, Q.C.: You'd also agree that the  
91 ...

92 MR. BUDGELL: But I wouldn't characterize the small  
93 benefit from the Great Northern Peninsula or for the benefit  
94 of the other systems as being necessarily small. Those  
95 were your words but I won't agree with the characterization

1 of small.

2 MS. HENLEY ANDREWS, Q.C.: And I don't think the  
3 benefit of the converters is small either, Mr. Budgell, but  
4 we're not going to have, we have to agree to disagree on  
5 that. That's a decision for the Board to make.

6 MR. BUDGELL: Yeah, but I think in the evidence in the RFI  
7 we've indicated, and the indications of Mr. Osler in the  
8 earlier page you showed me on frequency of regulation and  
9 for voltage support there is ample evidence and indication  
10 provided in the RFIs to the questions of the industrial  
11 customers that Hydro does not use these devices in the  
12 current sense to, for this purpose.

13 MS. HENLEY ANDREWS, Q.C.: But without these  
14 converters there would have been no grid, agreed?

15 MR. BUDGELL: I won't ... there would have been a grid,  
16 yes. There would have been a grid. The question is, is  
17 whether the 50 hertz part of the Corner Brook and Abitibi  
18 operations would have been included in that, but there  
19 would have been a grid.

20 MS. HENLEY ANDREWS, Q.C.: I'll come back to that  
21 issue.

22 MR. BUDGELL: I think the conversation was what form the  
23 grid would have been.

24 MS. HENLEY ANDREWS, Q.C.: Okay. Well the grid in the  
25 form that we know it today ...

26 MR. BUDGELL: Yeah. Your question to me is hypothetical  
27 in a sense. You said there wouldn't have been a grid. I  
28 have to agree to that ... I can't agree that there would not  
29 have been a grid. There would have been a grid. We're  
30 just talking about the form which the grid takes. It's not a  
31 yes or no question on the grid.

32 MS. HENLEY ANDREWS, Q.C.: And it's also possible that  
33 had, looking at the engineering study at **IC-219**, that what  
34 would have happened is that Bay d'Espoir would have  
35 been developed in such a way that it would generate 50  
36 cycle power and 60 cycle power.

37 MR. BUDGELL: Yes, and that would be dependent upon  
38 the requirements of those operations requiring the 50 and  
39 60 cycle power. Even back then the requirements were  
40 those particular entities. And you have to remember too  
41 that the Deer Lake Power at that time, which was the entity,  
42 was a utility.

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

44 MR. BUDGELL: Which is an entity that, it's still there but  
45 it's not a utility anymore, it's out of that operations, and  
46 was serving customers more or less the same as  
47 Newfoundland Hydro or Light and Power do now.

48 MS. HENLEY ANDREWS, Q.C.: The Town of Corner  
49 Brook was also served by 50 cycle power at that time.

50 MR. BUDGELL: Yes, there was, and I believe it's Sarco  
51 (phonetic) in Buchans, and I believe the Town of Howley  
52 as well, and there might have been other parts there was a  
53 considerable, or not a considerable ... there was a portion  
54 of Deer Lake's load that was 50 cycle, which was converted,  
55 and similarly was true in central Newfoundland.

56 MS. HENLEY ANDREWS, Q.C.: Let's assume for the  
57 moment that the Bay d'Espoir development, instead of  
58 having been developed as a 60 cycle project with  
59 converters at Grand Falls and Corner Brook, had been  
60 developed in accordance with one of the other options,  
61 which was to generate partially 50 cycle, some 50 cycle and  
62 some 60 cycle energy.

63 MR. BUDGELL: Yes.

64 MS. HENLEY ANDREWS, Q.C.: As the use of 50 cycle  
65 energy on the province, in the province declined, there  
66 would then have been a need for Hydro to either convert  
67 that 50 cycle power at Bay d'Espoir to 60, correct?

68 MR. BUDGELL: That's correct.

69 MS. HENLEY ANDREWS, Q.C.: Or to upgrade its facilities  
70 so that it would generate only 60 cycle power.

71 MR. BUDGELL: Yes.

72 MS. HENLEY ANDREWS, Q.C.: Could we look at **NLH-**  
73 **16**? This is an information request generated by Hydro to  
74 the industrial customers. Is that right?

75 MR. BUDGELL: Yes.

76 MS. HENLEY ANDREWS, Q.C.: And the first question is,  
77 "What is Grand Falls' plan with respect to 50 hertz  
78 operation and conversion to 60 hertz of the Abitibi  
79 Consolidated mill in the next five years and why?" And  
80 let's look at the answer. Would you read the answer out,  
81 please?

82 MR. BUDGELL: This is the "A"?

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

84 MR. BUDGELL: "ATI Grand Falls plan to decommission  
85 the Grand Falls frequency converter in the spring 2002 as  
86 part of the conversion to 60 hertz of the Bishop's Falls  
87 generation. All mill 50 hertz loads will be converted to 60  
88 hertz by that time. Engineering is currently ongoing. This  
89 will bring the mill and generation facilities to a common  
90 standard of 60 hertz. We will also decommission some  
91 aging 50 hertz unit substations."

92 MS. HENLEY ANDREWS, Q.C.: 2002 is the test year that  
93 this Board is dealing with for the setting of rates, and  
94 would you agree that based upon this answer that if Grand

- 1 Falls' project proceeds as planned in 2002 it will no longer  
2 need the converter?
- 3 MR. BUDGELL: I would agree that if this project plans as,  
4 or proceeds as planned, it will no longer, as the answer  
5 indicates.
- 6 MS. HENLEY ANDREWS, Q.C.: And, therefore, if the  
7 converter is specifically assigned from common to Abitibi  
8 in Grand Falls, then it will end up bearing the specifically  
9 assigned costs for all of 2002?
- 10 MR. BUDGELL: Yes, but I'm not aware that ... it says it  
11 plans to decommission. Whether it has that go ahead from  
12 its corporate office, I'm assuming that this is still the plan.
- 13 MS. HENLEY ANDREWS, Q.C.: When you look at that,  
14 then if that project goes ahead, we're talking about a very  
15 short period of time with respect to the reassignment of an  
16 asset that has been treated as common for over 30 years?
- 17 MR. BUDGELL: Yes.
- 18 MS. HENLEY ANDREWS, Q.C.: Now let's look at question  
19 "B." It says, "What is Corner Brook Pulp and Paper's plan  
20 with respect to 50 hertz operation and conversion to 60  
21 hertz of their mill in Corner Brook and why?" Same  
22 question but with respect to Corner Brook. And with  
23 respect to Corner Brook the situation is quite different, you  
24 would agree?
- 25 MR. BUDGELL: Yes.
- 26 MS. HENLEY ANDREWS, Q.C.: And that is that Corner  
27 Brook Pulp and Paper, according to its answer, has an 18  
28 megawatt 50 hertz load?
- 29 MR. BUDGELL: Yes.
- 30 MS. HENLEY ANDREWS, Q.C.: And that's associated  
31 with its production equipment, the one and four paper  
32 machines.
- 33 MR. BUDGELL: Yes.
- 34 MS. HENLEY ANDREWS, Q.C.: And Corner Brook Pulp  
35 and Paper has indicated that the cost to implement  
36 conversion of its equipment to 60 hertz is over \$20 million.
- 37 MR. BUDGELL: The answer indicates that, yes.
- 38 MS. HENLEY ANDREWS, Q.C.: Okay. And it would  
39 neither be cost-effective nor contribute to improved  
40 product quality as far as Corner Brook is concerned. That's  
41 what they've said.
- 42 MR. BUDGELL: Yes.
- 43 MS. HENLEY ANDREWS, Q.C.: But the most important  
44 part is that Corner Brook Pulp and Paper has indicated that  
45 it plans to continue utilizing energy at 50 hertz.
- 46 MR. BUDGELL: Yes.
- 47 MS. HENLEY ANDREWS, Q.C.: So the 50 cycle Corner  
48 Brook Pulp and Paper will continue to need the 50 cycle  
49 power.
- 50 MR. BUDGELL: Yes.
- 51 MS. HENLEY ANDREWS, Q.C.: And hence it will continue  
52 to, there will continue to be a need for the converter.
- 53 MR. BUDGELL: Yes, and only they would need it.
- 54 MS. HENLEY ANDREWS, Q.C.: Well ...
- 55 MR. BUDGELL: At that location.
- 56 MS. HENLEY ANDREWS, Q.C.: Except to the extent that  
57 they provide some ability for standby use for the grid in  
58 emergencies.
- 59 MR. BUDGELL: I don't see that in this answer and I don't  
60 ...
- 61 MS. HENLEY ANDREWS, Q.C.: No, but I ...
- 62 MR. BUDGELL: And I don't know if that's in evidence, that  
63 ...
- 64 MS. HENLEY ANDREWS, Q.C.: Well, I've asked you the  
65 question.
- 66 MR. BUDGELL: You gave me a hypothetical case, if the  
67 plant was shut down whether they'd provide ... I indicated  
68 I don't know whether they would provide that generation  
69 to Hydro.
- 70 MS. HENLEY ANDREWS, Q.C.: And I asked you about  
71 *The Electrical Power Control Act*.
- 72 MR. BUDGELL: Oh, yes. Under that, if they were ...  
73 obviously under that circumstance.
- 74 MS. HENLEY ANDREWS, Q.C.: But without the converter  
75 they would be unable to put their 50 cycle power into the  
76 grid.
- 77 MR. BUDGELL: No. They'd only be able to use it to meet  
78 their 50 cycle load.
- 79 MS. HENLEY ANDREWS, Q.C.: I'd like to talk about the  
80 wind demonstration project and go to **IC-127**. We've had  
81 some discussion or there's already been some discussion  
82 of the wind demonstration project. I understand that the  
83 portion of the cost of that that is proposed to be included  
84 in the 2002 budget is with respect to a feasibility study.
- 85 MR. BUDGELL: Yes. Actually it's listed as perform  
86 (phonetic) feasibility study. That's the title. It's not a  
87 project yet.
- 88 MS. HENLEY ANDREWS, Q.C.: The wind demonstration  
89 project is basically an experimental project for

1 Newfoundland, would you agree?

2 (10:15 a.m.)

3 MR. BUDGELL: It would be the first, if it went ahead, the  
4 first utility size, and when I say utility size, large-size  
5 development of wind within the province. To that extent I  
6 would agree.

7 MS. HENLEY ANDREWS, Q.C.: And how many of those  
8 type of projects are in existence in Canada?

9 MR. BUDGELL: I don't have the number but there are  
10 others.

11 MS. HENLEY ANDREWS, Q.C.: The feasibility study,  
12 would you agree that that is something that is looking at  
13 whether it's worth even trying a demonstration project?

14 MR. BUDGELL: Yes, of course.

15 MS. HENLEY ANDREWS, Q.C.: Why would Hydro feel  
16 that the ratepayers should pay the costs now for a  
17 feasibility study on experimental technology for which they  
18 receive no benefit?

19 MR. BUDGELL: This particular proposal was, or the  
20 submission put forward for \$200,000 was a nominal amount  
21 to cover the proposal. The actual component to doing the  
22 study, if this project goes ahead, ratepayers will pay no  
23 feasibility costs now for the study. It will only be paid in  
24 the rates. If it doesn't go ahead, Hydro will pay half the  
25 cost of doing the project, and I don't think it's \$200,000, but  
26 just for your interest I thought I'd point that out, but  
27 feasibility studies are done by Hydro whether it's on a small  
28 hydro plant, on a thermal plant or on any alternative in  
29 advance of doing a project, and Hydro has to bring these  
30 costs forward as a capital project to the Board because they  
31 cost more than \$50,000.

32 MS. HENLEY ANDREWS, Q.C.: And I guess the question  
33 that I have, and I don't know whether you can answer that  
34 question or not, is the cost of the feasibility study, the  
35 feasibility study itself doesn't generate any benefit for the  
36 customers unless a project goes ahead afterwards, wouldn't  
37 you agree?

38 MR. BUDGELL: No.

39 MS. HENLEY ANDREWS, Q.C.: And why don't you  
40 agree?

41 MR. BUDGELL: Because you have to do a study to find  
42 the knowledge about a particular alternative generation,  
43 and there's benefit in finding out and gaining the  
44 knowledge of whether this generation fits your system or  
45 has economic advantages for your system, and the  
46 knowledge after you complete the study, whether it's good,  
47 i.e., good in the sense that you can proceed with a project  
48 and it looks good, or if the study determined that this

49 project has no benefit to the system, both of those results  
50 are beneficial to my regard to the knowledge the planner  
51 has in going forward. To say what, to agree with what your  
52 statement, your question is asking me, to say that a  
53 customer should only pay for studies that give an answer  
54 that ends up doing the project essentially, so the  
55 Corporation has no way of studying projects because it's  
56 always going to take a risk that the study is going to say,  
57 after you get the study done and you do your economic  
58 analysis following that and it says, well, this study has no  
59 merit or it can't, I can't proceed with it, then it's put on a  
60 shelf and we eat the cost. I don't think utilities anywhere  
61 operate on that basis.

62 MS. HENLEY ANDREWS, Q.C.: And you don't know for  
63 sure about that, would you?

64 MR. BUDGELL: No, I wouldn't know for sure but, I mean,  
65 a business entity has to have the ability to study issues  
66 and address those issues and find out what the answers  
67 are.

68 MS. HENLEY ANDREWS, Q.C.: And the question is, who  
69 should bear the cost of that and when they should bear  
70 that cost.

71 MR. BUDGELL: Well, yes, the question is whether the  
72 Board feels that it's right that the Utility should be  
73 proceeding forward and studying alternate energy for the  
74 benefit of consumers with respect, because the technology  
75 is applied elsewhere in the world, in North America and in  
76 Canada, and should Hydro be looking at that as an  
77 alternative for the Newfoundland system, does the Board  
78 feel that the customers can benefit from the knowledge  
79 obtained through such a study. That's the question that I  
80 would like the Board to address in approving this particular  
81 project. It's not a question of after the hindsight when you  
82 do the study whether what the answer is, then you make a  
83 determination whether it's beneficial or not. I would rather  
84 that the decision made on this is a study that benefits the  
85 consumer, this knowledge, whatever it says, because we  
86 will have or we have from time to time other entities  
87 approaching us wanting, right, to look at this type of stuff  
88 and how can we address it? We need this knowledge and  
89 you can't get this knowledge unless you go and do a  
90 study.

91 MS. HENLEY ANDREWS, Q.C.: So the issue then for the  
92 Board is to determine whether Hydro has provided  
93 sufficient information to justify to make a decision that it is  
94 worthwhile to even go as far as a feasibility study. You  
95 would agree ...

96 MR. BUDGELL: No.

97 MS. HENLEY ANDREWS, Q.C.: ... that's the Board's  
98 decision?



- 1 MR. BUDGELL: No. I would rather the way I put it earlier.
- 2 MS. HENLEY ANDREWS, Q.C.: And what's the  
3 difference?
- 4 MR. BUDGELL: The difference is, the difference is on the  
5 record, but the ... what I'm saying is that the Board should  
6 address itself to the question that Hydro is putting forth a  
7 feasibility study on an alternate energy source in the  
8 context of the island interconnected system. Does the  
9 Board feel that it's worthwhile for Hydro to gain that  
10 knowledge for the benefit of the customers on the systems,  
11 whatever the result of that knowledge is? That's what I'm  
12 saying the Board should address in regards to this  
13 particular proposal.
- 14 MS. HENLEY ANDREWS, Q.C.: The Board has to be  
15 satisfied, wouldn't you agree, as the regulator, that it has  
16 sufficient information available to it to decide that the, that  
17 even the cost of the feasibility study is worthwhile?
- 18 MR. BUDGELL: Well, your inference is there assuming, I'm  
19 assuming that the Board has more knowledge than the  
20 study has and it knows the answer now and it can say yes  
21 or no to the going ahead with the study. The Board  
22 doesn't know this. We're trying to give information to the  
23 overall system on this particular matter. The Board  
24 obviously can't look at this and say we think the answer to  
25 this is yes or no, and on that basis I should approve this  
26 project. Hydro has provided the information here clearly in  
27 the nature of the project that it is a feasibility study. We all  
28 know what that is, and the project will not proceed to the  
29 next stage, which is to go to a project, without their  
30 approval.
- 31 MS. HENLEY ANDREWS, Q.C.: Well, I won't belabour the  
32 point because obviously we're not going to agree. Let's go  
33 on to the issue of transformer losses.
- 34 MR. BUDGELL: Yes.
- 35 MS. HENLEY ANDREWS, Q.C.: It is my understanding  
36 that Hydro's customers are metered on the low side of  
37 transformers, would you agree?
- 38 MR. BUDGELL: Yes. It's cheaper to provide metering on  
39 low side, low voltages rather than high voltages.
- 40 MS. HENLEY ANDREWS, Q.C.: And it is also my  
41 understanding that that means that when the meters are  
42 read, the readings reflect the energy after losses. In other  
43 words, the losses have been, are not accounted for in those  
44 meter readings.
- 45 MR. BUDGELL: Which losses are you referring to?
- 46 MS. HENLEY ANDREWS, Q.C.: Transmission losses.
- 47 MR. BUDGELL: Yes.
- 48 MS. HENLEY ANDREWS, Q.C.: And transformer losses,  
49 I'm sorry.
- 50 MR. BUDGELL: Yeah, yes, I agree.
- 51 MS. HENLEY ANDREWS, Q.C.: I sometimes have the  
52 same problem with transformer and transmission as I do  
53 with Baie Verte and Burin, so you have to bear with me. It  
54 was also my understanding that depending on the  
55 customer, and also in some circumstances depending on  
56 where an interconnection, if you like, occurs between  
57 Hydro's system and the customer, that customers can  
58 receive, the transmission to those customers is sometimes  
59 a 230 kV line, sometimes a 138 kV line and sometimes a 66  
60 kV line. Would you agree?
- 61 MR. BUDGELL: Yes.
- 62 MS. HENLEY ANDREWS, Q.C.: And that in fact in the  
63 case of the industrial customers, Abitibi in Stephenville is  
64 served by a 230 kV line.
- 65 MR. BUDGELL: Yes.
- 66 MS. HENLEY ANDREWS, Q.C.: Abitibi in Grand Falls is  
67 served by a 230 kV line.
- 68 MR. BUDGELL: Yes.
- 69 MS. HENLEY ANDREWS, Q.C.: North Atlantic Refining is  
70 served by a 230 kV line.
- 71 MR. BUDGELL: Yes.
- 72 MS. HENLEY ANDREWS, Q.C.: And Corner Brook Pulp  
73 and Paper is served by a 66 kV line?
- 74 MR. BUDGELL: Well, there's 230 kV to the Massey Drive  
75 Terminal Station and is transformed to 66 over Deer Lake  
76 Power's line down to the mill.
- 77 MS. HENLEY ANDREWS, Q.C.: And in fact, as I  
78 understand it, because the 230 kV line that serves the  
79 Massey Drive, that goes into the Massey Drive Terminal  
80 Station serves two customers, which is Newfoundland  
81 Power and Corner Brook Pulp and Paper, the transformers  
82 there are treated as common?
- 83 MR. BUDGELL: No. Corner Brook and Deer Lake we treat  
84 as one customer. It's the fact that it's the mill and  
85 Newfoundland Power. That's the two customers.
- 86 MS. HENLEY ANDREWS, Q.C.: Yes.
- 87 MR. BUDGELL: Yeah. You referred to Deer Lake and  
88 Corner Brook Pulp and Paper, I believe.
- 89 MS. HENLEY ANDREWS, Q.C.: I meant Deer Lake and  
90 Newfoundland Power.
- 91 MR. BUDGELL: Yes.
- 92 MS. HENLEY ANDREWS, Q.C.: I thought that's what I

1 said. Okay.

2 MR. BUDGELL: You may ... I didn't hear it that way.

3 MS. HENLEY ANDREWS, Q.C.: That's okay.

4 MR. BUDGELL: I thought it was, you mentioned the two  
5 mill entities.

6 MS. HENLEY ANDREWS, Q.C.: Now, so when you talk  
7 about Massey Drive, there are two classes of customer who  
8 receive power from that station, that terminal station?

9 MR. BUDGELL: I agree.

10 MS. HENLEY ANDREWS, Q.C.: And one is Newfoundland  
11 Power for the purpose of serving its customers in that area.

12 MR. BUDGELL: Yes.

13 MS. HENLEY ANDREWS, Q.C.: And the other is Corner  
14 Brook Pulp and Paper.

15 MR. BUDGELL: Yes.

16 MS. HENLEY ANDREWS, Q.C.: And because the  
17 transformers at that location serve those two classes of  
18 customers, those transformers are treated as common?

19 MR. BUDGELL: Yes.

20 MS. HENLEY ANDREWS, Q.C.: And the losses on, up to  
21 that point, is also treated as a common cost?

22 MR. BUDGELL: I believe so, yes.

23 MS. HENLEY ANDREWS, Q.C.: And that means that at  
24 that particular location neither Newfoundland Power nor  
25 Corner Brook Pulp and Paper has to absorb the loss, the  
26 transformer losses from 230 kV to 66 kV?

27 MR. BUDGELL: They pick up their proportionate share of  
28 the overall system losses based on their load.

29 MS. HENLEY ANDREWS, Q.C.: Which they share with all  
30 the other customers.

31 MR. BUDGELL: Yes.

32 MS. HENLEY ANDREWS, Q.C.: And so the other  
33 customers are also paying a share of those losses.

34 MR. BUDGELL: Yes.

35 MS. HENLEY ANDREWS, Q.C.: With the existing system  
36 as it exists today, at Stephenville the losses from 230 down  
37 to its utilization level are also absorbed by the system,  
38 correct, treated as common?

39 MR. BUDGELL: At Stephenville?

40 MS. HENLEY ANDREWS, Q.C.: At the present time.

41 MR. BUDGELL: Yes, up till this hearing.

42 MS. HENLEY ANDREWS, Q.C.: Up till this hearing.

43 MR. BUDGELL: Yes.

44 MS. HENLEY ANDREWS, Q.C.: And the same is true for  
45 all of the other customers, other industrial customers. For  
46 example, NARL does not pay its transformation losses?

47 MR. BUDGELL: I'm not aware of whether they do or they  
48 don't. I'm not sure in regards to ... I'm not ...

49 MS. HENLEY ANDREWS, Q.C.: If you go from 230 ...

50 MR. BUDGELL: Yeah. I don't know who ... if you go to a  
51 particular customer, particular transformer, I'm not, I don't  
52 have the information available here who is paying for what  
53 in regards to losses. That's a rates issue.

54 MS. HENLEY ANDREWS, Q.C.: Are you able to deal with  
55 the issue of transformer losses?

56 MR. BUDGELL: Only in a general sense.

57 MS. HENLEY ANDREWS, Q.C.: Because it's my  
58 understanding that you're the person to deal with the  
59 contractual issues for the industrial customers.

60 MR. BUDGELL: I can assist with that, yes.

61 MS. HENLEY ANDREWS, Q.C.: Okay. Well, if there's ...

62 MR. BUDGELL: I just ... if you ask me a particular question  
63 about whether in the current billing to a particular customer  
64 whether transformer losses are in that billing, I don't have  
65 that information immediately available to say a "yea" or  
66 "nay" to that question, that's all. I'd have to seek that  
67 information.

68 (10:30 a.m.)

69 MS. HENLEY ANDREWS, Q.C.: And can you outline what  
70 Hydro's current proposal is with respect to transformer  
71 losses?

72 MR. BUDGELL: Only to the extent of my involvement with  
73 it, that I understand that for specifically assigned  
74 equipment where the metering is on the low side, Hydro  
75 wishes to increase the kilowatt hour sales to that customer  
76 by the amount of the losses going through those  
77 transformers, and again, that's the level that I understand  
78 the situation.

79 MS. HENLEY ANDREWS, Q.C.: The issue ...

80 MR. BUDGELL: Which in my view, just step back a  
81 second, which I understand is, it's an omission on our part.  
82 It's not a matter we're changing things. It should have been  
83 done perhaps previous to now. That's my understanding.

84 MS. HENLEY ANDREWS, Q.C.: Are you familiar with how  
85 other utilities treat transformer losses?

86 MR. BUDGELL: Not in a detailed sense, no.

87 MS. HENLEY ANDREWS, Q.C.: The ...

1 MR. BUDGELL: The issue about losses is an issue about  
2 where the billing is done and where the delivery point is  
3 done and sometimes it's where who owns the transformer,  
4 who doesn't own the transformer. There's an area of  
5 complications there. I'm sure all of the utilities have  
6 different ways of dealing with that.

7 MS. HENLEY ANDREWS, Q.C.: But the question  
8 ultimately is fairness, you would agree?

9 MR. BUDGELL: Of course it is. It should be fairness, yes.

10 MS. HENLEY ANDREWS, Q.C.: And therefore the Board  
11 would have to look at whether the current treatment of  
12 transformer losses is fair, you would agree?

13 MR. BUDGELL: Yes.

14 MS. HENLEY ANDREWS, Q.C.: And they would also have  
15 to look at ...

16 MR. BUDGELL: No. I think the Board has looked at  
17 fairness current ... I would assume. You mean as proposed  
18 right now, this Board ...

19 MS. HENLEY ANDREWS, Q.C.: No, no. I mean ... well, the  
20 thing is, we don't know whether the Board has ever  
21 specifically addressed its mind to the issue of these  
22 transformer losses, and, but they do have to look at  
23 whether ... if they're going to look at changing ...

24 MR. BUDGELL: Yeah. It hasn't been an issue in the past.  
25 Let's put it that way.

26 MS. HENLEY ANDREWS, Q.C.: But Hydro is proposing a  
27 change to the treatment of transformer losses, correct?

28 MR. BUDGELL: Yes.

29 MS. HENLEY ANDREWS, Q.C.: So one of the things that  
30 the Board is going to have to determine is whether Hydro's  
31 proposed new treatment of the transformer losses is fair.

32 MR. BUDGELL: Yes, and I remember now back in, I believe  
33 it was '92 or '93, either at the rate referral or the generic  
34 hearing that just followed, that there was an issue in  
35 regards to the Board providing some direction in regards to  
36 reassignment of losses with, in the case of specific  
37 assignment of assets. It might not have been transformers.  
38 In that case I think it might have been transmission. I  
39 remember something about Port aux Basques, the Port aux  
40 Basques system, and losses and how it should be treated,  
41 so there had been some consideration in the past by the  
42 Board on this particular issue, past boards, I should say.

43 MS. HENLEY ANDREWS, Q.C.: And in addition to that  
44 though, in addition to the Board having to look at whether  
45 Hydro's proposed new treatment of the transformer losses  
46 is fair, if the Board determines that it's not fair, then it will  
47 have to address its mind to what is fair.

48 MR. BUDGELL: Of course so, yes, I agree.

49 MS. HENLEY ANDREWS, Q.C.: And that may or may not  
50 be the current situation.

51 MR. BUDGELL: Certainly.

52 MS. HENLEY ANDREWS, Q.C.: And the current situation  
53 is that everybody is metered on the low side of the  
54 transformers and in the new proposal they will continue to  
55 be metered on the low side of the transformers, correct?

56 MR. BUDGELL: That's right.

57 MS. HENLEY ANDREWS, Q.C.: But in the case of  
58 customers who are served by a transformer that is either  
59 specifically assigned or owned by them, they will have to  
60 pick up all of the transformer losses.

61 MR. BUDGELL: Yes.

62 MS. HENLEY ANDREWS, Q.C.: But in the case of  
63 customers who are served by a transformer which is either  
64 treated, is treated as common or shared with another  
65 customer, they will not have to bear all of those transformer  
66 losses.

67 MR. BUDGELL: Yes. They will bear their proportionate  
68 share of common assets and losses on the system.

69 MS. HENLEY ANDREWS, Q.C.: Is there a benefit to Hydro  
70 of delivering energy at 230 kV versus delivering at 138?

71 MR. BUDGELL: It depends.

72 MS. HENLEY ANDREWS, Q.C.: Explain.

73 MR. BUDGELL: It depends on the load we're delivering  
74 and it depends on the distance over which that load is  
75 being delivered.

76 MS. HENLEY ANDREWS, Q.C.: When Hydro delivers at  
77 230 kV versus 138 kV, there is a level of transformation that  
78 does not need to take place, you would agree, that in order  
79 to get from the 230 to the 138 there are additional, there is  
80 transformers involved?

81 MR. BUDGELL: Oh, yes, of course. To change voltages  
82 anywhere on the system, transformers have to be involved.

83 MS. HENLEY ANDREWS, Q.C.: And similarly to get from  
84 230 to 66, transformers are involved.

85 MR. BUDGELL: Yes.

86 MS. HENLEY ANDREWS, Q.C.: And if those transformers  
87 are common, are treated as common, then the customer who  
88 is served by the lower voltage line, i.e. either the 138 kV or  
89 the 66 kV line, has also benefitted from sharing the  
90 transformer losses with all the other customers on the  
91 system, agreed?

92 MR. BUDGELL: If he's been delivered power over common

1 network.

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

3 MR. BUDGELL: Yes.

4 MS. HENLEY ANDREWS, Q.C.: And if the transformers  
5 are, that go from the 230 to the 138 or the 230 to the 66 are  
6 part of the common system, agreed?

7 MR. BUDGELL: Yes.

8 MS. HENLEY ANDREWS, Q.C.: But the customer who  
9 receives at 230 kV does not impose those costs on the  
10 system, correct?

11 MR. BUDGELL: Does not impose which costs?

12 MS. HENLEY ANDREWS, Q.C.: The costs of going to the  
13 138 or to the 66.

14 MR. BUDGELL: If there were a customer around that can  
15 utilize 230 kV voltages directly in its process, then that  
16 would be true, i.e., no transformation.

17 MS. HENLEY ANDREWS, Q.C.: But under your current  
18 proposal, if you take Abitibi Stephenville as an example, all  
19 of the losses in going from the 230 kV at which it is  
20 delivered to the terminal station, delivered to its  
21 transformers, all of the losses in going from the 230 kV to  
22 the 13 roughly ...

23 MR. BUDGELL: Whatever they ... I believe they have two  
24 utilization voltage ...

25 MS. HENLEY ANDREWS, Q.C.: They have two  
26 utilizations, I think a 13.8 and 6.9.

27 MR. BUDGELL: Yes.

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

29 MR. BUDGELL: All of those losses are borne by them.

30 MS. HENLEY ANDREWS, Q.C.: All of those ... under the  
31 current proposal, all of those losses will be borne by them.

32 MR. BUDGELL: Yeah, and ideally Hydro would be ... I  
33 mean, technically it would be preferable for Hydro if the  
34 delivery point was a 230 kV to go out and hang equipment  
35 off the transmission line at 230 kV, measure the system at  
36 that location, and hand Abitibi a bill at that location, but  
37 that's too costly, way too costly, because equipment is  
38 expensive, so what Hydro has done is put this billing  
39 behind the transformers. The losses got lost ... as we go  
40 through the bill or the metering, it can't now hand the bill to  
41 Abitibi to reflect those losses, so it adds it back on, and  
42 what we're doing here is we are providing the delivery  
43 exactly to the point where the delivery is being asked for,  
44 the 230 kV. That's the net effect of what we're doing.

45 MS. HENLEY ANDREWS, Q.C.: Yeah, and I understand

46 the net effect of what you're doing, but my interest is in the  
47 absorption of the losses. And just bear with me and follow  
48 through with my questions and I think we will get through  
49 this a lot faster. I mean, I understand that you have things  
50 that you want to explain but ...

51 MR. BUDGELL: I have a definite interest in getting  
52 through this faster.

53 MS. HENLEY ANDREWS, Q.C.: Okay. *(laughter)*

54 MR. BUDGELL: I apologize if I'm prolonging it.

55 MS. HENLEY ANDREWS, Q.C.: Well, I don't think you are  
56 particularly, but the thing is that Abitibi in Stephenville,  
57 Hydro delivers energy to the transformers at 230 kV.

58 MR. BUDGELL: Yes.

59 MS. HENLEY ANDREWS, Q.C.: And the utilization  
60 voltages are 13.8 kV and 6.9 kV.

61 MR. BUDGELL: I believe so, yes.

62 MS. HENLEY ANDREWS, Q.C.: And so the energy that is  
63 received at those transformers has to go from the 230 to the  
64 13.8 and the 6.9.

65 MR. BUDGELL: Yes.

66 MS. HENLEY ANDREWS, Q.C.: And in that process there  
67 are losses.

68 MR. BUDGELL: Yes.

69 MS. HENLEY ANDREWS, Q.C.: And under the current  
70 arrangement, the one that exists today in 2001, those losses  
71 are paid for by all of the customers of Hydro.

72 MR. BUDGELL: Through an omission of Hydro, yes.

73 MS. HENLEY ANDREWS, Q.C.: Yes. Under the current  
74 proposal, the one that's before the Board for 2002, Abitibi  
75 would be expected to bear all of the losses associated with  
76 going from 230 kV to 13.8 and 6.9.

77 MR. BUDGELL: Yes.

78 MS. HENLEY ANDREWS, Q.C.: Now, Newfoundland  
79 Power receives its energy and so does Corner Brook Pulp  
80 and Paper at 66 kV, correct? They are served by ... the line  
81 that serves them is a 66 kV line.

82 MR. BUDGELL: Hydro provides the transformation,  
83 provides 230 kV to 66 kV transmission at the Massey Drive  
84 Terminal Station to service those customers.

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

86 MR. BUDGELL: They're Hydro-owned transformers.

87 MS. HENLEY ANDREWS, Q.C.: And as a result under the  
88 ... let's just go back a second. Under the current situation  
89 ...

1 MR. BUDGELL: The current rules of assignment.

2 MS. HENLEY ANDREWS, Q.C.: Current rules. Those  
3 costs in going from 230 kV to 66 kV are paid by all of the  
4 customers, they're common.

5 MR. BUDGELL: Yes, yes, because the asset is common  
6 under the rules of assignment and therefore the losses track  
7 that same methodology.

8 MS. HENLEY ANDREWS, Q.C.: But under the current  
9 situation, the losses associated with going from 66 kV  
10 down to their utilization voltages of either 13.8 or 6.9,  
11 they're borne by those customers.

12 MR. BUDGELL: It's their equipment. We're not ...

13 MS. HENLEY ANDREWS, Q.C.: It's ... okay.

14 MR. BUDGELL: That's down in their system.  
15 *(10:45 a.m.)*

16 MS. HENLEY ANDREWS, Q.C.: So at the present time,  
17 Hydro's position is that at the present time there is an  
18 unfairness, you would agree?

19 MR. BUDGELL: At the present time. When you refer to  
20 the present time ...

21 MS. HENLEY ANDREWS, Q.C.: Right now.

22 MR. BUDGELL: Right now there, yes. Right now there's  
23 inequity in the current billing process associated with  
24 losses, and what we're trying to do is correct that process  
25 through this particular hearing in the way we're allocating  
26 losses.

27 MS. HENLEY ANDREWS, Q.C.: Okay. Now, as I  
28 understand it, Hydro's position in terms of the unfairness  
29 is that all of the customers on the grid at the present time  
30 are sharing in the losses for Abitibi at Stephenville from 230  
31 down to their utilization voltages ...

32 MR. BUDGELL: I understand that's the case.

33 MS. HENLEY ANDREWS, Q.C.: ... of 13.8.

34 MR. BUDGELL: Yes, I understand that's the case.

35 MS. HENLEY ANDREWS, Q.C.: Whereas when you get to  
36 Massey Drive, the customer, all of the customers of the  
37 grid are only sharing in the losses for Newfoundland Power  
38 and Corner Brook Pulp and Paper down to 66 kV.

39 MR. BUDGELL: Yes, because that's the, where Hydro's  
40 grid ends. There's no allocation of losses, no allocation of  
41 equipment below the 230, 66, at Massey Drive, at that  
42 location.

43 MS. HENLEY ANDREWS, Q.C.: And those customers, as  
44 we discussed, Newfoundland Power and Corner Brook Pulp  
45 and Paper, they're absorbing their loss, all the losses below  
46 66 kV.

47 MR. BUDGELL: Yeah, and it's in their meter. They've  
48 already been metered for it. They ... when we ... we've  
49 metered on the high side of those transformers that step  
50 those, the 66 to a lower voltage. We've already counted  
51 that in, so there is no need of going down to the lower side.  
52 It's in their system how they ...

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

54 MR. BUDGELL: ... what they use ...

55 MS. HENLEY ANDREWS, Q.C.: No, no.

56 MR. BUDGELL: It's up to themselves.

57 MS. HENLEY ANDREWS, Q.C.: We are agreed.

58 MR. BUDGELL: Yeah.

59 MS. HENLEY ANDREWS, Q.C.: Under the new proposal,  
60 the ...

61 MR. BUDGELL: I didn't know we were agreeing because  
62 we keep coming back and back ... I don't know what we're  
63 ...

64 MS. HENLEY ANDREWS, Q.C.: Well I wasn't sure what  
65 we were agreeing to either, and I think now I know that on  
66 that we agree.

67 MR. BUDGELL: Oh, okay.

68 MS. HENLEY ANDREWS, Q.C.: Under the new proposal,  
69 the current proposal for 2002, Abitibi in Stephenville, as an  
70 example, will pay all of the losses in going from 230 kV to  
71 13.8 or 6.9, correct?

72 MR. BUDGELL: That's correct, associated with the  
73 specifically assigned assets at that location.

74 MS. HENLEY ANDREWS, Q.C.: But under the current  
75 proposal ...

76 MR. BUDGELL: I'm sorry, I said specifically assigned ...  
77 wrong. Associated with customer owned assets at that  
78 location.

79 MS. HENLEY ANDREWS, Q.C.: But under the current  
80 proposal, the one for 2002, Newfoundland Power and  
81 Corner Brook Pulp and Paper will still only, their situation  
82 won't change.

83 MR. BUDGELL: Yes, because the situation hasn't changed  
84 in regards to assignment.

85 MS. HENLEY ANDREWS, Q.C.: So in effect the reverse  
86 has occurred, would you agree, which is now, under the  
87 new proposal, Newfoundland Power and Corner Brook Pulp  
88 and Paper are benefitting from the system paying for, or the  
89 customers of the whole system paying for the losses from  
90 230 to 66, which is a benefit that Abitibi in Stephenville will

1 no longer have.

2 MR. BUDGELL: Yeah. We're correcting a mistake we made  
3 in the past.

4 MS. HENLEY ANDREWS, Q.C.: And the issue is whether  
5 the correction is just as unfair as the existing situation.

6 MR. BUDGELL: Well, if you change the ... the concept of  
7 customers on the common system sharing costs, I think  
8 you have to agree with that. The issue here is on  
9 specifically assign ... who bears the cost of losses on  
10 specifically assigned or owned equipment where metering  
11 is on the low side and losses have occurred before the  
12 metering, and that's what the issue comes down to, and  
13 what we're trying to do is correct that.

14 MS. HENLEY ANDREWS, Q.C.: And can we go to **NLH-9**?  
15 You'll see that the fourth question says, "Please provide  
16 the New Brunswick, Nova Scotia, Hydro-Quebec and  
17 Manitoba Hydro rate schedule for different voltage levels  
18 and associated transformer loss adjustments. Are there  
19 differences for customer owned versus utility owned  
20 transformers?" And if we could go to the answer to that,  
21 which I think is (d). For Hydro-Quebec, according to  
22 Newfoundland Hydro's answer ... sorry, it's our answer. It's  
23 yours to us, okay. The Hydro-Quebec web site indicates  
24 that there's a discount for, to customers who have a  
25 delivery voltage of 230 kV.

26 MR. BUDGELL: Yes.

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

28 MR. BUDGELL: 230, okay.

29 MS. HENLEY ANDREWS, Q.C.: You see that?

30 MR. BUDGELL: Yeah.

31 MS. HENLEY ANDREWS, Q.C.: The third last line?

32 MR. BUDGELL: Yeah.

33 MS. HENLEY ANDREWS, Q.C.: And in New Brunswick  
34 there is an indication that there is an increase when people  
35 receive at 4 kV or 25 kV, there's sort of an add-on to the  
36 rates.

37 MR. BUDGELL: Yes, and my impression of these  
38 discounts and the add-on is that Hydro-Quebec has  
39 developed the "L" rate on a certain assumption and then  
40 there's add-ons, subtraction, plus or minus, based on the  
41 customer's utilization and the cost of transformers, because  
42 obviously it's the ... the different transformer classes are  
43 going to cost a different amount of money. If they're  
44 buying a whole bunch of little transformers, they can get it  
45 at one cost. If they're buying large, and their system, 735  
46 to 230 let's say, or 230 to something else, these transformers  
47 have different costs so they're, they've set up an "L" rate

48 which is at a certain delivery level which is on the system,  
49 and what they're saying is that you'll be charged plus or  
50 minus from that, depending on your utilization voltage.  
51 Now, I'm thinking part of this cost is just not losses. It  
52 could be the transformer cost and variances in the service  
53 to those customers. That's my perspective, but again that's  
54 my assumptions, but if the information is not here, but  
55 that's what I understand.

56 MS. HENLEY ANDREWS, Q.C.: And that's because there  
57 are most costs imposed on the system when you convert  
58 to below the 230 kV.

59 MR. BUDGELL: Again, dependent on the load.

60 MS. HENLEY ANDREWS, Q.C.: Okay, thank you. It's a  
61 good time to break and I am finished transformer losses.

62 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.  
63 We'll reconvene at 11:10.

64 *(break)*

65 *(11:15)*

66 MR. NOSEWORTHY, CHAIRMAN: Thank you. Ms.  
67 Henley Andrews, when you're ready, please?

68 MS. HENLEY ANDREWS, Q.C.: Mr. Chairman, I'm nearly  
69 finished, but I suppose given where I've come from that  
70 might not be a lot of consolation. I'd like to talk about  
71 system load factor. And would you agree that one of the  
72 important objectives of this hearing is for the purpose of  
73 allocating costs between the customers is the  
74 establishment of the systems real load factor?

75 MR. BUDGELL: Are you speaking from the context of the  
76 overall system?

77 MS. HENLEY ANDREWS, Q.C.: The overall, Hydro's  
78 overall system?

79 MR. BUDGELL: Yeah. Well, I would expect Hydro's  
80 overall system load factor, for the purpose of this hearing,  
81 is established in the load forecast provided.

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

83 MR. BUDGELL: For rate setting purposes, that is.

84 MS. HENLEY ANDREWS, Q.C.: Okay. Now, I'd like you to  
85 take a look at your Schedule 5-A, which is your second  
86 supplemental testimony. In order to calculate the load  
87 factor for Corner Brook Pulp and Paper how would you go  
88 about it?

89 MR. BUDGELL: I would take the energy of the customer in  
90 the year, divide it by the number of hours in the year, which  
91 would give me the average demand, and I would divide that  
92 number by the peak indicated for that customer.

93 MS. HENLEY ANDREWS, Q.C.: Okay, so in the case of

- 1 Corner Brook Pulp and Paper, as an example, from a  
2 mathematical perspective, and based upon the revised  
3 forecast for 2002, which is the second column in the  
4 megawatts table and the second column in the gigawatts  
5 hours table for 2002, you would agree?
- 6 MR. BUDGELL: Yes.
- 7 MS. HENLEY ANDREWS, Q.C.: And that mathematical  
8 calculation we would take the 548.2 megawatt hours?
- 9 MR. BUDGELL: Gigawatt hours.
- 10 MS. HENLEY ANDREWS, Q.C.: Gigawatt hours, I'm sorry.  
11 Convert them to megawatt hours?
- 12 MR. BUDGELL: Average megawatts.
- 13 MS. HENLEY ANDREWS, Q.C.: Yeah. No, wait now, so  
14 that we have ... my understanding is that 548.2 gigawatt  
15 hours is 548,200 megawatt hours.
- 16 MR. BUDGELL: I'm sorry. Yes, you're right.
- 17 MS. HENLEY ANDREWS, Q.C.: And that would be the  
18 numerator of the fraction, the top of your fraction?
- 19 MR. BUDGELL: Well ...
- 20 MS. HENLEY ANDREWS, Q.C.: Okay. Alright.
- 21 MR. BUDGELL: The fraction in which you're going to  
22 divide 8760 into?
- 23 MS. HENLEY ANDREWS, Q.C.: Yes.
- 24 MR. BUDGELL: Yes.
- 25 MS. HENLEY ANDREWS, Q.C.: And that 8760 is the  
26 number of hours in the year?
- 27 MR. BUDGELL: Yes.
- 28 MS. HENLEY ANDREWS, Q.C.: And then you would  
29 divide that answer by the revised peak of 67 megawatts?
- 30 MR. BUDGELL: Yes.
- 31 MS. HENLEY ANDREWS, Q.C.: And for Corner Brook  
32 Pulp and Paper that would be a forecast load factor of 93.4  
33 percent?
- 34 MR. BUDGELL: I haven't got the calculation here but I  
35 would expect that it would be a high load factor.
- 36 MS. HENLEY ANDREWS, Q.C.: And if we were to do the  
37 same calculation for Newfoundland Power, mathematically  
38 we would take the same components and do the same  
39 math?
- 40 MR. BUDGELL: Yes.
- 41 MS. HENLEY ANDREWS, Q.C.: And to do the system  
42 load factor we'd have to look at the line on the bottom of  
43 that table which is Hydro's requirement?
- 44 MR. BUDGELL: Yes.
- 45 MS. HENLEY ANDREWS, Q.C.: And if we were to do that,  
46 based upon the revised schedule, we would take the 6625.6  
47 gigawatt hours in megawatt hours and convert it by the  
48 8760 hours in a year, right?
- 49 MR. BUDGELL: Yes.
- 50 MS. HENLEY ANDREWS, Q.C.: And then divide it further,  
51 again, by the 1317.9 megawatts shown in the second ... at  
52 the bottom of the megawatts for 2002 forecast?
- 53 MR. BUDGELL: Yes.
- 54 MS. HENLEY ANDREWS, Q.C.: And do you know what  
55 the answer to that would be in terms of system load factor?
- 56 MR. BUDGELL: I haven't got that with me right now.
- 57 MS. HENLEY ANDREWS, Q.C.: Okay. Would you ... do  
58 you have a calculator there?
- 59 MR. BUDGELL: On the stand?
- 60 MS. HENLEY ANDREWS, Q.C.: Yeah.
- 61 MR. BUDGELL: Never. It's a golden rule.
- 62 MR. NOSEWORTHY, CHAIRMAN: You're a wiser man  
63 than I thought.
- 64 MR. BUDGELL: I really don't even know if I can add  
65 accurately sitting here.
- 66 MS. HENLEY ANDREWS, Q.C.: Believe me, I understand.  
67 It's not easy to work with a calculator sitting here either.  
68 Would you ...
- 69 MR. BUDGELL: I wouldn't be surprised if it was  
70 somewhere between 55 and 60 percent, and that's off the  
71 top of my head.
- 72 MS. HENLEY ANDREWS, Q.C.: Okay. I'm going to ask  
73 you to undertake to verify that the answer to that is 57.39  
74 percent, and if you don't agree to tell me what you think the  
75 answer is?
- 76 MR. BUDGELL: I can undertake to do that, yes.
- 77 MS. HENLEY ANDREWS, Q.C.: Would you agree that  
78 under the 1993 cost of service methodology decision of the  
79 Board the classification of hydraulic plant is done by  
80 system load factor?
- 81 MR. BUDGELL: I don't know those details. That's in the  
82 cost of service.
- 83 MS. HENLEY ANDREWS, Q.C.: Okay, so the person who  
84 would be best to answer that question would be?
- 85 MR. BUDGELL: Mr. Brickhill, I assume.
- 86 MS. HENLEY ANDREWS, Q.C.: Mr. Brickhill.

1 MR. BUDGELL: I will indicate that to be careful, because  
2 I'm not sure in the cost of service whether load factors are  
3 exactly the same as we're calculating here.

4 MS. HENLEY ANDREWS, Q.C.: And do you know why  
5 that might be?

6 MR. BUDGELL: Just that I know in some cases it wouldn't  
7 be because, for instance, I'm only referring to it in the  
8 reference that we did a little earlier on, we did a calculation  
9 of Newfoundland Power but there are adjustments, if you  
10 remember, we discussed the other day in regards to ...

11 MS. HENLEY ANDREWS, Q.C.: Being the generation  
12 credit?

13 MR. BUDGELL: ... credits and stuff like that end up the  
14 load factor is different. I'm just alerting you to that fact, the  
15 details of which I'm not reporting on here.

16 MS. HENLEY ANDREWS, Q.C.: But, I think you would  
17 agree, or I hope you would agree that if, for the purpose of  
18 establishing system load factor, you remove from  
19 Newfoundland Power's load the generation credit, the  
20 impact of that would be to distort the actual system load  
21 factor?

22 MR. BUDGELL: I'm not sure to distort. You'd end up with  
23 a different calculation, the answer would be different than  
24 the sales load factor.

25 MS. HENLEY ANDREWS, Q.C.: The generation credit is  
26 compensation to Newfoundland Power for the fact that it  
27 has standby units available to meet peak, correct?

28 MR. BUDGELL: Yes, and it's been a long standing premise  
29 and orders by this Board that Hydro give Newfoundland  
30 Power credit for those resources.

31 MS. HENLEY ANDREWS, Q.C.: And again, as we've  
32 talked about so often in the last couple of days, there may  
33 very well be an issue as to whether the method by which  
34 that is done is fair? That could be an issue, you would  
35 agree?

36 MR. BUDGELL: It could be an issue. I don't remember it ...

37 MS. HENLEY ANDREWS, Q.C.: No, but I mean, it could  
38 be?

39 MR. BUDGELL: ... you and I discussing it as an issue.

40 MS. HENLEY ANDREWS, Q.C.: But, you would also agree  
41 that ... I think you would have to agree that if you take out  
42 of the system load calculation for the purpose of dealing  
43 with the classification of hydraulic costs a portion of the  
44 load which Newfoundland Power actually uses, it will shift  
45 costs to the other customers, both Hydro rural and the  
46 industrial customers?

47 MR. BUDGELL: Yes. I think the intent that the Board, in

48 the past, asked Hydro to include in its rate calculations a  
49 credit from Newfoundland Power was intended exactly for  
50 that purpose, to transfer costs for Newfoundland Power's  
51 resources being available to other customers on the  
52 system.

53 MS. HENLEY ANDREWS, Q.C.: But, I know we did  
54 discuss, sometime in the last couple of days, that in the end  
55 there ends up being two forms or two types of  
56 compensation to Newfoundland Power based upon the  
57 way that it's done. In the first case Newfoundland Power  
58 receives an actual credit on its bills in the amount of the  
59 generation credit, correct?

60 MR. BUDGELL: I'm not aware that that happens.

61 MS. HENLEY ANDREWS, Q.C.: Well, it's demand ... for  
62 billing purposes it's billed less, its demand is reduced, it's  
63 actually billed less, don't you think? I thought you told me  
64 that the other day.

65 MR. BUDGELL: I don't recall. Newfoundland Power only  
66 gets billed on the basis of energy.

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

68 MR. BUDGELL: So it's only the energy times the rate that  
69 was set for Newfoundland Power.

70 MS. HENLEY ANDREWS, Q.C.: But its rate contains ...

71 MR. BUDGELL: Was determined on the basis of ...

72 MS. HENLEY ANDREWS, Q.C.: Of both demand and  
73 energy?

74 MR. BUDGELL: Yes, agreed, I agree with that, yes.

75 MS. HENLEY ANDREWS, Q.C.: And the generation credit  
76 is contained in the demand that forms the component of  
77 that bill?

78 MR. BUDGELL: That's right.

79 MS. HENLEY ANDREWS, Q.C.: And in addition, the  
80 system load factor ends up being adjusted because the  
81 credited amount is taken into account there?

82 MR. BUDGELL: I don't know if the system load factor. The  
83 load factor for Newfoundland Power in the allocation gets  
84 adjusted for the credit.

85 MS. HENLEY ANDREWS, Q.C.: Yes, but because system  
86 load factor is utilized for the purpose of allocating the  
87 hydraulic costs ...

88 MR. BUDGELL: Again, you're in an area now that ...

89 MS. HENLEY ANDREWS, Q.C.: Okay, and maybe I'll leave  
90 that for Mr. Brickhill.

91 MR. BUDGELL: Yeah, it would be preferable.



- 1 MS. HENLEY ANDREWS, Q.C.: I want to deal for a few  
2 minutes with the issue of the prudence of the Great  
3 Northern Peninsula interconnection. And is it correct that  
4 Hydro has been using an assumption that as long as a  
5 project has a positive net present value over 15 years it is  
6 ... that that's an acceptable measure?
- 7 MR. BUDGELL: Hydro will ... the system planning will  
8 bring forth to management projects for approval having a  
9 net present value preference at the end of ... a positive net  
10 value preference at the end of 15 years for interconnection  
11 projects. We'll bring them forth to management for  
12 approval.
- 13 MS. HENLEY ANDREWS, Q.C.: And that in some  
14 circumstances Hydro will also recommend approval of  
15 interconnection projects that have a slightly longer than 15  
16 year period for a positive net present value, would you  
17 agree?
- 18 MR. BUDGELL: There's not one that comes to mind but  
19 there could be circumstances that that would occur. The 15  
20 years is only an arbitrary chosen hurdle to cover off the  
21 risk that future events may change the economic  
22 parameters that we included in the study.
- 23 MS. HENLEY ANDREWS, Q.C.: And who has chosen that  
24 15 year criteria?
- 25 MR. BUDGELL: Management committee of Hydro.
- 26 MS. HENLEY ANDREWS, Q.C.: And has that 15 year  
27 criteria ever been approved by the Board since 1997,  
28 because your capital projects ...
- 29 MR. BUDGELL: I don't think so, but the Board has  
30 approved projects based on that premise. Again, I'd have  
31 to infer whatever that means.
- 32 MS. HENLEY ANDREWS, Q.C.: In your evidence there's  
33 a reference to the Quetta Study?
- 34 MR. BUDGELL: Yes.
- 35 MS. HENLEY ANDREWS, Q.C.: The Quetta Study was  
36 explicitly intended to review the quality of electric power  
37 service in the Province of Newfoundland and Labrador,  
38 correct?
- 39 MR. BUDGELL: If that's what the terms of reference in that  
40 study indicates, but I thought it was a technical operational  
41 review of Hydro and how Hydro carries on its operations.  
42 I think there was a similar review of Light and Power.
- 43 MS. HENLEY ANDREWS, Q.C.: Okay. Let's go ... I'm not  
44 sure that we're actually disagreeing, but we're using  
45 different language.
- 46 MR. BUDGELL: Yes.
- 47 MS. HENLEY ANDREWS, Q.C.: So let's go to **NP-30**, and  
48 page 1 of the Quetta Report.
- 49 MR. O'RIELLY: That's not available electronically.
- 50 MS. HENLEY ANDREWS, Q.C.: No, so we'll have to use  
51 the hard copy, and all we need to do is to go to page 1, and  
52 that's the small "i" page 1.
- 53 MR. BUDGELL: I have that.
- 54 MS. HENLEY ANDREWS, Q.C.: Uh hum, and you see in  
55 the summary it says that Quetta Inc. and Associates were  
56 engaged by the Board of Commissioners of Public Utilities  
57 of Newfoundland and Labrador to provide the Board with  
58 a review of the quality of electric power service in the  
59 Province of Newfoundland and Labrador?
- 60 MR. BUDGELL: Yes. Served by Newfoundland and  
61 Labrador Hydro.
- 62 MS. HENLEY ANDREWS, Q.C.: Exactly.
- 63 MR. BUDGELL: Yes, that's in the ... you mentioned the  
64 summary. The introduction, I take it?
- 65 MS. HENLEY ANDREWS, Q.C.: Yeah, it's in the summary  
66 introduction on the page that's sort of a small "i"?
- 67 MR. BUDGELL: Yes.
- 68 MS. HENLEY ANDREWS, Q.C.: And it's actually also  
69 contained on page 1 of the ... which I want you to go to  
70 under the introduction, page 1 of the actual report.
- 71 MR. BUDGELL: That's the page that I was looking at.
- 72 MS. HENLEY ANDREWS, Q.C.: Okay, and you'll see it  
73 from the second paragraph of that, that it says the study is  
74 to include a review of the planning, operational,  
75 maintenance and safety practices of Hydro from the  
76 standpoint of efficiency, reliability and safety of the power  
77 system?
- 78 MR. BUDGELL: That's correct.
- 79 MS. HENLEY ANDREWS, Q.C.: So there is no indication  
80 here that Quetta was evaluating Hydro's economic  
81 evaluations of projects. It was simply the integrity of the  
82 system and the way the system is operated, the electrical  
83 system, would you agree?
- 84 MR. BUDGELL: I'm not sure. Could you repeat that  
85 question again?
- 86 MS. HENLEY ANDREWS, Q.C.: Okay. Would you agree  
87 with me that Quetta was not asked to review Hydro's  
88 economic and financial planning?
- 89 (11:30)
- 90 MR. BUDGELL: Well, I'm aware that they asked for all our  
91 reports completed and studies completed in that regard.

1 MS. HENLEY ANDREWS, Q.C.: But this report does not  
2 deal with an evaluation of economic and financial  
3 planning?

4 MR. BUDGELL: It talks about it in the planning section  
5 and planning methodology.

6 MS. HENLEY ANDREWS, Q.C.: But it does not comment  
7 on the economics of individual projects that Hydro has  
8 undertaken?

9 MR. BUDGELL: It provided commentary in regards to the  
10 quality of the reports that were done in that regard.

11 MS. HENLEY ANDREWS, Q.C.: But now whether the  
12 decision was economic or not economic, the decision to  
13 proceed?

14 MR. BUDGELL: No.

15 MS. HENLEY ANDREWS, Q.C.: Would you agree that  
16 Hydro has assumed that, for its base case, that once you  
17 interconnect ... now, this is when you're doing your  
18 interconnection studies. That Hydro assumes, for your  
19 base case, that once you interconnect a previously isolated  
20 area that area can be supplied 100 percent of the time with  
21 Holyrood generation and that no increased system  
22 expansion pressure will occur?

23 MR. BUDGELL: The management's direction provided to  
24 the system planning department in doing the studies is that  
25 the 15 year (inaudible) line would use that assumption.

26 MS. HENLEY ANDREWS, Q.C.: Okay, so that is actually  
27 a direction from management?

28 MR. BUDGELL: Yes, it is.

29 MS. HENLEY ANDREWS, Q.C.: But in fact, your own  
30 Great Northern Peninsula studies indicate that the true  
31 incremental costs of new load are higher than the Holyrood  
32 generation cost?

33 MR. BUDGELL: Yes. In the context of that particular  
34 analysis we added in the study a sensitivity case reflecting  
35 other marginal costs.

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

37 MR. BUDGELL: Based on an isolated island alternative.

38 MS. HENLEY ANDREWS, Q.C.: And when you are  
39 looking at the incremental costs of a new load you're calling  
40 that a system incremental energy rate in your studies,  
41 correct?

42 MR. BUDGELL: Yes.

43 MS. HENLEY ANDREWS, Q.C.: Okay. Can we go to **IC-**  
44 **203**? And, in particular, to **203(5)**. Okay. I'm actually  
45 looking for the document in the Great Northern Peninsula  
46 interconnection study.

47 MR. BUDGELL: I think that's **203(6)**. Which one are you  
48 looking for?

49 MS. HENLEY ANDREWS, Q.C.: The one that's attached in  
50 my binder, and shows at the top as **IC-203(5)**.

51 MR. BUDGELL: Is it the thick study or is it the, what I refer  
52 to ...

53 MS. HENLEY ANDREWS, Q.C.: It's October 18th, 1993.

54 MR. BUDGELL: The '93 study.

55 MR. O'RIELLY: That would not be available electronically.

56 MS. HENLEY ANDREWS, Q.C.: No, I knew that.

57 MR. BUDGELL: I have it as attachment **203(5)**, similar to  
58 yourself.

59 MS. HENLEY ANDREWS, Q.C.: Okay, and would you go  
60 to page 25? And just take a minute to look at the paragraph  
61 which is, the number of it is 3.2.4, which is sensitivity to  
62 interconnection energy costs, and just tell me whether this  
63 paragraph, which runs over to the top of page 26, confirms  
64 that system incremental energy costs for the Great Northern  
65 Peninsula are actually higher than the Holyrood, additional  
66 Holyrood thermal generation costs? And perhaps it'll make  
67 your life easier if you take a look at Table 8 at the bottom of  
68 page 26.

69 MR. BUDGELL: Yes, I'm looking at that. They are higher.

70 MS. HENLEY ANDREWS, Q.C.: So the reason that you  
71 use the Holyrood thermal costs, which is the additional  
72 generation of thermal energy as your basis for your  
73 interconnection studies is because that's the direction from  
74 the management committee?

75 MR. BUDGELL: Yes, that's correct.

76 MS. HENLEY ANDREWS, Q.C.: But that does not reflect  
77 the actual costs, the real incremental costs of  
78 interconnection?

79 MR. BUDGELL: It could in some instances, but in  
80 expanding the system ... in doing these studies in the past  
81 we've used a combination of either average system costs,  
82 system incremental costs for Holyrood, or costs in a  
83 Labrador in-feed case, and a cost in an isolated case, so the  
84 management direction was based on what was believed to  
85 be an onerous situation in this particular case, because it  
86 was a large interconnection we looked at the system  
87 incremental costs.

88 MS. HENLEY ANDREWS, Q.C.: And if you look at the  
89 bottom of page 25 your study indicates that, given the size  
90 of the St. Anthony/Roddickton system load, it was felt  
91 necessary to investigate whether or not additional system  
92 costs would be incurred with the interconnect, ie, for  
93 capital and operating above and beyond thermal generation

1 at Holyrood, right?

2 MR. BUDGELL: Yes.

3 MS. HENLEY ANDREWS, Q.C.: And you used successive  
4 computer runs? In other words, you feed the appropriate  
5 information on the St. Anthony/Roddickton system load  
6 over the forecast period into a computer model?

7 MR. BUDGELL: Yes. We looked at the differential  
8 between two cases for the interconnected system, one with  
9 and one without.

10 MS. HENLEY ANDREWS, Q.C.: Okay, and that computer  
11 model generated a result which is shown in the table, Table  
12 8 at the bottom of page 26, which indicates that the  
13 expected system incremental costs associated with the  
14 proposed GNP interconnection of St. Anthony/Roddickton  
15 area is higher or is expected to be higher than just  
16 Holyrood incremental generation?

17 MR. BUDGELL: Yes.

18 *(11:45)*

19 MS. HENLEY ANDREWS, Q.C.: And again, if you look at  
20 Table 8 at the bottom of page 26, using the computer  
21 generated expected expenses, the payback period would be  
22 greater than 24 years?

23 MR. BUDGELL: Yes.

24 MS. HENLEY ANDREWS, Q.C.: Would you agree that  
25 since interconnection the GNP transmission line has had  
26 significant problems with salt, ice and other types of things  
27 above and beyond what was expected?

28 MR. BUDGELL: I think there was expected, in any event,  
29 there'd be problems on the GNP, given the distance and  
30 that lead to the fact of why generation was left in the area.  
31 If I might just step back, because I don't want the Board to  
32 be left with the wrong impression here. You're reading from  
33 a study, and I just quoted an analysis from a study that did  
34 not lead to the conclusion to go ahead with the St.  
35 Anthony/Roddickton diesel.

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

37 MR. BUDGELL: There was a subsequent study that  
38 reflected the updates in the costs and the fact that we got  
39 money from the federal government initiative that lead to  
40 the approval of the project.

41 MS. HENLEY ANDREWS, Q.C.: And that's also contained  
42 ...

43 MR. BUDGELL: **203(6)**, I believe.

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

45 MR. BUDGELL: And additional information in my  
46 supplemental evidence.

47 MS. HENLEY ANDREWS, Q.C.: But, the system ... in that  
48 study you also assumed, for the purpose of analysis, the  
49 same assumptions that you've been directed before, which  
50 is an assumption that the only increased costs would be  
51 Holyrood thermal generation?

52 MR. BUDGELL: I think we looked at both.

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

54 MR. BUDGELL: We looked at Holyrood, and as well as the  
55 system incremental.

56 MS. HENLEY ANDREWS, Q.C.: But while the payback  
57 period, using the new assumptions, is lower than 24 years,  
58 it is still in excess of 15, would you agree?

59 MR. BUDGELL: I'm just trying to find the table so I can  
60 check it.

61 MS. HENLEY ANDREWS, Q.C.: Okay. Because my  
62 recollection is that that is the case.

63 MR. BUDGELL: It's attachment 5 to my supplemental  
64 evidence, and it's indicating there that the ... at that  
65 particular time, with the changes in the cost and what have  
66 you, the no federal funding case we had a payback period  
67 of 15 years, and with the system incremental energy rate  
68 and with the \$5 million federal funding the payback was 18  
69 years.

70 MS. HENLEY ANDREWS, Q.C.: That's correct, and 18  
71 years is in excess of your 15 year guideline?

72 MR. BUDGELL: Yes, but, it's still economic. It'll be  
73 economic if it crossed over anywhere within the study  
74 period. We're not talking here about economics, we're  
75 talking here only in regards to management wanting  
76 projects brought forth for their view, rather than us putting  
77 them on the shelf. They wanted to look only at projects  
78 that had ... that passed that hurdle. That's not an indication  
79 of economics, and I don't want you to leave the impression  
80 with the Board that it is. It isn't.

81 MS. HENLEY ANDREWS, Q.C.: You note ... could you go  
82 to page 9 of your supplemental testimony? Do you have  
83 that?

84 MR. BUDGELL: Yes.

85 MS. HENLEY ANDREWS, Q.C.: You note, at page 9, that  
86 Hydro's 1994 analysis of the GNP interconnection assumes  
87 that for the year 1996 there'd be \$141,570 per year in line  
88 maintenance costs after interconnection?

89 MR. BUDGELL: Here at the top of the page?

90 MS. HENLEY ANDREWS, Q.C.: Yeah. When you get on  
91 the screen the pages are always ...

92 MR. BUDGELL: Oh, I was reading from my ...

- 1 MS. HENLEY ANDREWS, Q.C.: Okay, yes, but the ...
- 2 MR. O'RIELLY: Is this one in supplemental evidence?
- 3 MS. HENLEY ANDREWS, Q.C.: Supplemental evidence.
- 4 MR. O'RIELLY: The second supplement?
- 5 MS. HENLEY ANDREWS, Q.C.: The first supplement.
- 6 Yeah, the first supplement.
- 7 MR. O'RIELLY: Page 9?
- 8 MS. HENLEY ANDREWS, Q.C.: Page 9. There it is.
- 9 Correct?
- 10 MR. BUDGELL: Yes.
- 11 MS. HENLEY ANDREWS, Q.C.: The evidence, as I
- 12 understand the evidence that has been filed, the costs for
- 13 line maintenance have been a fair bit in excess of that
- 14 amount?
- 15 MR. BUDGELL: I haven't seen any numbers for that
- 16 expense ... to that effect.
- 17 MS. HENLEY ANDREWS, Q.C.: Okay, and have there
- 18 been problems with the transmission line in the Great
- 19 Northern Peninsula above and beyond what Hydro had
- 20 expected, maintenance problems?
- 21 MR. BUDGELL: I can't speak to the operating.
- 22 MS. HENLEY ANDREWS, Q.C.: Okay, and also at the top
- 23 of page 9 of your supplemental testimony you indicate that
- 24 the total operating and maintenance cost for standby
- 25 plants under the interconnected alternative is forecast to be
- 26 \$667,900?
- 27 MR. BUDGELL: Yes.
- 28 MS. HENLEY ANDREWS, Q.C.: And in the same 1994
- 29 study the operating and maintenance costs for the
- 30 Roddickton wood chip plant alone in 1996 were expected to
- 31 be \$1.27 million?
- 32 MR. BUDGELL: Yes, and I think that reflects the difference
- 33 between an operating and a standby plant.
- 34 MS. HENLEY ANDREWS, Q.C.: And that was regarded as
- 35 being part of your fixed costs?
- 36 MR. BUDGELL: Standby plant costs?
- 37 MS. HENLEY ANDREWS, Q.C.: Yes.
- 38 MR. BUDGELL: This might be fixed, fixed ... a portion of it
- 39 might be fixed vis-a-vis salaries, a portion might be just
- 40 maintenance variable costs.
- 41 MS. HENLEY ANDREWS, Q.C.: Okay. If I wanted to ask
- 42 some questions on 1-CP versus 2-CP, I presume the right
- 43 person to address that to would be Mr. Brickhill?
- 44 MR. BUDGELL: If it's in regard to the analysis in support
- 45 of the 2-CP I may be able to be of assistance. If it's in
- 46 regards to the application within the rate structure and in
- 47 the cost of service Mr. Brickhill is the proper person.
- 48 MS. HENLEY ANDREWS, Q.C.: Okay. Well, I have two
- 49 questions which I think need to be put to you, and that is,
- 50 can you confirm whether Abitibi, Grand Falls demand,
- 51 which is shown as 26 megawatts ... that Abitibi, Grand Falls
- 52 demand for the purpose is 26 megawatts including four
- 53 megawatts of compensation energy?
- 54 MR. BUDGELL: Mr. Brickhill would be best to answer that
- 55 question. When I refer to the ... I'm referring to the one, the
- 56 2-CP study, the analysis. I can talk to the analysis that was
- 57 completed leading up to the recommendation of 2-CP.
- 58 MS. HENLEY ANDREWS, Q.C.: Okay. Well, let's ...
- 59 MR. BUDGELL: Not the ... you're referring to the number
- 60 that's used in the cost of service, I believe, in regards to
- 61 Abitibi. That's what I'm drawing from the question you're
- 62 asking me.
- 63 MS. HENLEY ANDREWS, Q.C.: Well, let's go to your
- 64 Schedule 5-A.
- 65 MR. BUDGELL: Yes.
- 66 MS. HENLEY ANDREWS, Q.C.: In the 2002 forecast under
- 67 the demand column 2 for Abitibi and Grand Falls, it shows
- 68 a demand of 26 megawatts?
- 69 MR. BUDGELL: Yes, it does.
- 70 MS. HENLEY ANDREWS, Q.C.: Does that include or
- 71 exclude the four megawatts of compensation demand, or do
- 72 you know?
- 73 MR. BUDGELL: I'll check.
- 74 MS. HENLEY ANDREWS, Q.C.: Okay.
- 75 MR. BUDGELL: Give me a second. This is under the
- 76 revised forecast, right?
- 77 MS. HENLEY ANDREWS, Q.C.: Yes.
- 78 MR. BUDGELL: It does.
- 79 MS. HENLEY ANDREWS, Q.C.: Okay, and that four
- 80 megawatts of compensation demand, do you know if that
- 81 is taken out in the calculation of 1-CP and 2-CP?
- 82 MR. BUDGELL: I wouldn't know that.
- 83 MS. HENLEY ANDREWS, Q.C.: That would be Mr.
- 84 Brickhill?
- 85 MR. BUDGELL: That would be Mr. Brickhill, yes.
- 86 MS. HENLEY ANDREWS, Q.C.: And similarly, do you
- 87 know if the 1.8 megawatts generated from Buchans is in the

1 calculation for 1-CP and 2-CP?  
2 MR. BUDGELL: In the cost of service?  
3 MS. HENLEY ANDREWS, Q.C.: Yes.  
4 MR. BUDGELL: I wouldn't know.  
5 MS. HENLEY ANDREWS, Q.C.: Okay, so again that  
6 should be Mr. Brickhill?  
7 MR. BUDGELL: Yes. The megawatts for Buchans, this is  
8 the demand met by ... the forecast indicates the demand ...  
9 I'm a little confused in your question here. Just so I can  
10 clarify it for the purposes of who got to follow-up. The  
11 demand you see here would not include Buchans, what  
12 Buchans meets. I wouldn't expect that it would. This  
13 would be just Hydro's requirements.  
14 MS. HENLEY ANDREWS, Q.C.: Okay.  
15 MR. BUDGELL: So Buchans is an Abitibi resource.  
16 MS. HENLEY ANDREWS, Q.C.: Uh hum.  
17 MR. BUDGELL: That would have been netted off prior to  
18 this forecast.  
19 MS. HENLEY ANDREWS, Q.C.: Well, the reason ... could  
20 you ... I don't know how Ms. Greene will feel about this,  
21 and I can wait for Mr. Brickhill, but I was wondering if  
22 Hydro could provide an answer to the question as to  
23 whether Abitibi's 1.8 megawatts generated from Buchans is  
24 in the calculation for 1-CP and 2-CP? Because we think it  
25 is and we want to know whether it is or it isn't, and if you  
26 can't answer the question I would like to have an answer.  
27 (12:00)  
28 MS. GREENE, Q.C.: We'll undertake to provide that  
29 answer.  
30 MS. HENLEY ANDREWS, Q.C.: Thank you. With respect  
31 to wheeling charges and the calculation of transmission  
32 losses that goes into the wheeling charges, Abitibi has an  
33 arrangement with Hydro whereby if it has surplus  
34 generation from its Grand Falls mill which it can't utilize in  
35 Grand Falls it pays Hydro for the right to ... I mean, it's  
36 theoretical, to put that into the grid and effectively move it  
37 across the transmission line to its mill at Stephenville,  
38 correct?  
39 MR. BUDGELL: Yes.  
40 MS. HENLEY ANDREWS, Q.C.: And it pays Hydro a rate  
41 for the right to do this, correct?  
42 MR. BUDGELL: Yes.  
43 MS. HENLEY ANDREWS, Q.C.: And one of the things  
44 that is taken into account in setting that rate is  
45 transmission losses, correct?  
46 MR. BUDGELL: I don't know if the losses were taken in ...  
47 you mean the losses just on the energy moved?  
48 MS. HENLEY ANDREWS, Q.C.: Yes.  
49 MR. BUDGELL: Yeah. I don't know whether it's built into  
50 the rate or it's an adjustment on the sent and received.  
51 MS. HENLEY ANDREWS, Q.C.: Okay.  
52 MR. BUDGELL: I thought it was on the sent and received,  
53 not on the rate.  
54 MS. HENLEY ANDREWS, Q.C.: Alright. I didn't explain  
55 myself sufficiently clearly. Yes, when the energy leaves  
56 Grand Falls there are losses on the transmission?  
57 MR. BUDGELL: Yes.  
58 MS. HENLEY ANDREWS, Q.C.: As it theoretically goes  
59 over the line, and I refer to theoretically because we don't  
60 know if any of that actual energy ever reaches Stephenville.  
61 We know that the amount of energy reaches Stephenville  
62 but all we know is that there's an amount fed into the grid  
63 at Grand Falls that is deemed to be delivered to  
64 Stephenville less the transmission losses, correct?  
65 MR. BUDGELL: Yes.  
66 MS. HENLEY ANDREWS, Q.C.: And all of the  
67 transmission involved between Abitibi's mill in Grand Falls  
68 and Abitibi's mill in Stephenville is 230 KV transmission,  
69 agreed?  
70 MR. BUDGELL: Well, there are other routes, and I refer  
71 particularly to the Stoney Brook, from Grand Falls Stoney  
72 Brook, through Springdale, through Deer Lake. There is a  
73 138, but for the most part, there are two 230 KV lines and  
74 one 138 KV circuit between the two.  
75 MS. HENLEY ANDREWS, Q.C.: But, and in whatever route  
76 that that energy would take to get from Grand Falls to  
77 Stephenville, it does not involve any of the radial lines, you  
78 would agree?  
79 MR. BUDGELL: No. Yes, I would agree that it doesn't  
80 involve radial lines.  
81 MS. HENLEY ANDREWS, Q.C.: Okay, so, and when we're  
82 talking about the radial lines we're talking about those lines  
83 we've been talking about like the Great Northern Peninsula,  
84 Burin, Baie Verte and Port aux Basques, among others?  
85 MR. BUDGELL: Yes.  
86 MS. HENLEY ANDREWS, Q.C.: However, Hydro, in  
87 calculating losses, subtracts from the amount of energy  
88 delivered at Grand Falls, delivered by Grand Falls as it goes  
89 over the system, the losses associated with not only the  
90 transmission lines between Grand Falls and Stephenville,  
91 but also the radial lines, correct?

1 MR. BUDGELL: Yes. We apply the average system losses  
2 ... average system transmission losses, I'm sorry.

3 MS. HENLEY ANDREWS, Q.C.: Those are all my  
4 questions. Thank you, Mr. Budgell.

5 MR. BUDGELL: Thank you.

6 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.  
7 Henley Andrews. Thank you, very much, Mr. Budgell. I'll  
8 as the Consumer Advocate, Mr. Browne, if he has any, as  
9 Mr. Hutchings refers to them, short snappers, or would you  
10 prefer to leave it until 2:00, Mr. Browne?

11 MR. BROWNE, Q.C.: Just one area I'll just finish up in  
12 reference to the industrial. Can you go to **CA-26**, please,  
13 Mr. Budgell? IN **CA-26** the question is posed, "Why has  
14 the price to industry trailed the price of electricity to NP,  
15 about 89 percent for industry and 105 percent for NP and  
16 130 percent for CPI?", and asked you to provide a chart.  
17 Can you read that answer into the record, please?

18 MR. BUDGELL: "The main reason for the lower price to  
19 industry in comparison to Newfoundland Power is the three  
20 separate rate reductions industrial customers have  
21 experienced in the base rates since 1991. Hydro's Board of  
22 Directors approved rate decreases for industrial customers  
23 in each of 1993 and 1994 totalling approximately eight  
24 percent. In 1999 the PUB approved an 11 percent reduction  
25 effective January the 1st, 2000, when the rural deficit was  
26 eliminated from industrial rates. These rate decreases have  
27 been partially offset by increases in the RSP over the  
28 period."

29 MR. BROWNE, Q.C.: Okay, so since 1993, if we look at the  
30 total we see, is it a 19 percent decrease for industrials over  
31 that period, is that what the evidence is?

32 MR. BUDGELL: Yes, that's what I read here.

33 MR. BROWNE, Q.C.: And if you look at the chart that  
34 accompanies it, **CA-26** page 2 of 2, the chart dealing with  
35 industrial rates and doing a comparison with NP, is that  
36 chart an accurate reflection of what you just read?

37 MR. BUDGELL: I understand it to be.

38 MR. BROWNE, Q.C.: Now, in reference to industrials you  
39 mentioned the RSP, the Rate Stabilization Plan. Was there  
40 any monies owing in the plan proportionately by the  
41 owners of the Hope Brook Gold Mine when the Hope  
42 Brook Gold Mine closed?

43 MR. BUDGELL: I don't think ... I'm not an expert on the  
44 RSP, but I don't think there were monies owed in the plan  
45 by a particular industrial customer. If there was monies  
46 owing it would have been by the industrial group. I don't  
47 know ...

48 MR. BROWNE, Q.C.: But proportionately, according to the

49 usage, there would be a certain amount owing, wouldn't it?

50 MR. BUDGELL: There could be. I don't know whether ...  
51 I wouldn't know whether there is. It's not my area to track  
52 those ...

53 MR. BROWNE, Q.C.: Okay. Maybe through your counsel  
54 there could be an undertaking to give us that information  
55 to see when Hope Brook Gold Mine closed if there was an  
56 amount owing in the Rate Stabilization Plan by the owners  
57 of the Hope Brook Gold Mine. If there were an amount  
58 owing who would it be absorbed by, Mr. Budgell?

59 MR. BUDGELL: It would be absorbed by the remaining  
60 industrial customers.

61 MR. BROWNE, Q.C.: Mr. Budgell, I'm going to stop right  
62 there. That's a large area I want to get into, Mr. Chairman,  
63 I think that might be realistic. Thank you.

64 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.  
65 Browne. We'll reconvene at 2:00.

66 *(break)*

67 *(2:00 p.m.)*

68 MR. NOSEWORTHY, CHAIRMAN: Thank you, good  
69 afternoon. Are there any preliminary items, Counsel, before  
70 we begin?

71 MR. KENNEDY: Chair, other than Hydro's regular update  
72 on the undertakings, I don't believe so.

73 MS. GREENE, Q.C.: Thank you, first with respect to  
74 yesterday there were no undertakings given yesterday, but  
75 I do have one document that I would like to file. It is a  
76 response to an undertaking given to counsel for  
77 Newfoundland Power on November 5th, and at that time we  
78 were asked to provide documentation with respect to the  
79 cost effectiveness of providing the emission monitoring in  
80 the stacks at Holyrood, and I have a document to distribute  
81 at this time which is a response to that undertaking.

82 MR. KENNEDY: That's U-Hydro, No. 18.

83 **U-HYDRO NO. 18 ENTERED**

84 MS. GREENE, Q.C.: And that concludes my preliminary  
85 points. Thank you.

86 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.  
87 Greene. I ask you to begin, Mr. Browne.

88 MR. BROWNE, Q.C.: Thank you, Chairperson. Mr.  
89 Budgell indicates you're a professional engineer. What  
90 type engineer are you?

91 MR. BUDGELL: Electrical.

92 MR. BROWNE, Q.C.: And your evidence indicates that  
93 you're responsible for new generation, transmission and

1 distribution facilities, is that accurate?

2 MR. BUDGELL: Yes, the planning of those facilities.

3 MR. BROWNE, Q.C.: Pursuant to your responsibility in  
4 these areas are you also responsible for a so-called demand  
5 side management initiatives.

6 MR. BUDGELL: Yes, that comes under the economic  
7 analysis group that commenced reporting to me in 1999.

8 MR. BROWNE, Q.C.: How would you describe Hydro, is  
9 it primarily into the generation business and the  
10 transmission business or the distribution business.

11 MR. BUDGELL: Our primary business is generation and  
12 transmission.

13 MR. BROWNE, Q.C.: And Newfoundland Power, what  
14 would their primary business be?

15 MR. BUDGELL: Their primary business is distribution.

16 MR. BROWNE, Q.C.: Can you refer to the transcript of  
17 November 5, 2001, page 11, line 69. November 5th, yes,  
18 page 11, line 69.

19 MR. O'RIELLY: I don't have November 5th.

20 MR. BROWNE, Q.C.: You don't have November 5?

21 MR. O'RIELLY: I don't think so ... (inaudible).

22 MR. BROWNE, Q.C.: We'll go to a hard copy, or maybe it  
23 might not be necessary, I'll just read it. Our colleague, Ms.  
24 Butler, asked you was there a cost benefit analysis done in  
25 relation to the 138 kV line to service Burgeo, and Mr.  
26 Budgell replied, I believe there was analysis done at that  
27 particular time. I remember specifically doing an analysis  
28 associated with an option of a small hydro plant near  
29 Burgeo versus a transmission line. What was the small  
30 hydro plant near Burgeo on which you did an analysis?

31 MR. BUDGELL: I was referring to some analysis that was  
32 undertaken when I first came to system planning in the  
33 early 1980's and the plant's name, I believe, was Dry Pond  
34 Brook. It was on that brook. There is no plant actually, or  
35 was never built coming out of that.

36 MR. BROWNE, Q.C.: That was a hydro, hydrolysis  
37 proposal that your were looking at?

38 MR. BUDGELL: No, we were just, there was, we were  
39 looking at the feasibility of building a hydro plant versus  
40 an isolated diesel, continued isolated diesel operation at  
41 that time for Burgeo or an interconnection with the grid.  
42 There was three options.

43 MR. BROWNE, Q.C.: Did Hydro ever give consideration to  
44 the development of hydroelectric on the Rose Blanche  
45 Brook?

46 MR. BUDGELL: Yes, only to the extent that it showed up  
47 its potential, I believe, in the one of the feasibility, or pre-  
48 feasibility analysis that Hydro had completed on the Island  
49 for small hydro, but we didn't give any consideration, it  
50 wasn't one of the better ones in our view, at that time, for  
51 proceeding further with.

52 MR. BROWNE, Q.C.: And can you go to **CA-165**? Why  
53 did you say that Rose Blanche Brook wasn't one of the  
54 better ones?

55 MR. BUDGELL: Well, there was, I remember the study at  
56 the time indicated a number of projects, or 10, 20 or 25  
57 projects as having potential for further development and I  
58 believe we took a couple of those to the next stage, where  
59 we went and did, like it was a desktop preliminary  
60 engineering study at that time and we went to pre-  
61 feasibility analysis with three or four of the projects, and  
62 that wasn't one of the ones, so I suspect it wasn't in the  
63 ones that were at the top of the list.

64 MR. BROWNE, Q.C.: And why did you release your water  
65 rights to Rose Blanche to Newfoundland Power in 1991?  
66 Can you expand upon that.

67 MR. BUDGELL: Well around about that time Hydro and  
68 the government of the day were interested in providing  
69 opportunity for a small scale hydro industry of sorts to  
70 potentially or possibly develop on the Island. There was  
71 quite a bit of an interest by some parties, private interests,  
72 and I'm not particularly referring here to Newfoundland  
73 Power, but other parties that were normally not part of the  
74 electric industry at that time in hydro development, and the  
75 general view, I believe, at that particular time was that  
76 Hydro wasn't essentially building small hydro projects per  
77 se and, and Hydro, Government and Hydro at that  
78 particular time put a process in place whereby Hydro would  
79 release projects for development, a franchise right, because  
80 at that particular time Hydro's, you might remember, some  
81 people may remember, we had a franchise right for the  
82 development, but that didn't mean we had the right, it was  
83 just the first right of refusal for development on the Island  
84 and Hydro indicated at the time it was willing to release  
85 those rights for projects that were under, I believe, it was 10  
86 megawatts at that time, to private developers provided the  
87 energy was sold to a utility and that was followed up by an  
88 RFP in 1992, I believe, for small hydro projects and  
89 concurrent about the same time, the government changed  
90 the, I believe it was the PUB Act to permit small hydro  
91 projects to be developed and to be sold to the public  
92 utilities without having to go to the Public Utilities Board.  
93 That's sort of the history that I remember from that time.

94 MR. BROWNE, Q.C.: And from your perspective the Rose  
95 Blanche Brook wasn't feasible, is that what you're telling  
96 the Board?

1 MR. BUDGELL: No, I'm not saying it wasn't feasible. I'm  
2 just saying that we didn't have any plans in proceeding  
3 with that particular development at that time.

4 MR. BROWNE, Q.C.: You didn't see it as feasible?

5 MR. BUDGELL: It wasn't a question of feasibility, the  
6 project could have been very well, we didn't wish to  
7 proceed with it. When you say feasible, you mean from a  
8 technical perspective?

9 MR. BROWNE, Q.C.: Yes.

10 MR. BUDGELL: Yeah, the project certainly, any project is  
11 feasible, it's whether the economics on the project is  
12 sufficient that we would have proceeded. It wasn't what I  
13 would say the project that floated to the top amongst the  
14 group that we had looked at and studied.

15 MR. BROWNE, Q.C.: And it wasn't economic from your  
16 perspective to proceed with it. Is that what you're telling  
17 the Board?

18 MR. BUDGELL: It was, it was, it ranked lower in the list of  
19 projects than other projects that we took to the next stage.

20 MR. BROWNE, Q.C.: For instance?

21 MR. BUDGELL: There was a project just, I remember one  
22 in particular, I don't remember the name of the actual river,  
23 there was one just adjoining to it, I believe it was called  
24 Northwest Brook and I believe that's the watershed just  
25 east of the Dry Pond Brook development, was looked at.  
26 There was another project on the Great Northern Peninsula  
27 on the Portland Creek, that area that we looked at. I believe  
28 it was four projects we took to the next stage and what had  
29 happened was that our further analysis and preliminary  
30 studies, the capital cost of the project as we studied it  
31 more, I might use the term, were going in the wrong  
32 direction ... they were increasing multiples which meant that  
33 either the concept of our development was leading us to  
34 conclude that the projects, the better projects were not  
35 economic at that particular time from our view, with the  
36 development costs that we would have incurred on a small  
37 project. You have to envisage that Hydro coming into  
38 building a project, a very small project brings with itself  
39 certain add on costs to the Corporation itself in developing  
40 the project that may not occur if it were a small private  
41 developer.

42 MR. BROWNE, Q.C.: Did you read Newfoundland Power's  
43 feasibility study in reference to the project, dated December  
44 19, 1997, Rose Blanche Brook Development Feasibility  
45 Review Update?

46 MR. BUDGELL: If that's the one that was submitted with  
47 the Public Utilities Board approval of that project, I very  
48 likely saw it.

49 MR. BROWNE, Q.C.: Yeah, I just want to make reference to  
50 that and we have some excerpts from that report. Do you  
51 want to tag that counsel?

52 MR. KENNEDY: It's not part of an original, already filed  
53 document, Mr. Browne, no?

54 MR. BROWNE, Q.C.: Not to my knowledge.

55 MR. KENNEDY: I'll just wait for the Board secretary to get  
56 the next number. It's CA No. 2?

57 MS. HENLEY ANDREWS: The previous document too  
58 that was filed by Ms. Greene, was that marked? The  
59 Holyrood continuous emission monitoring one.

60 MR. ANDREWS: Yes, U-Hydro No. 18 and that's the  
61 document the Consumer Advocate just passed out, its to  
62 be labelled CA No. 2.

63 **EXHIBIT CA-2 ENTERED**

64 MR. BROWNE, Q.C.: We have an executive summary here  
65 in front of you describing the project prepared by  
66 Newfoundland Power and the last sentence in the first  
67 paragraph reads, from the ratepayers perspective the  
68 project is one of the most economical, small scale  
69 hydroelectric generation options currently available for  
70 development on the Island. If Newfoundland Power saw it  
71 that way, how was it you missed it?

72 MR. BUDGELL: Well, I only can say is that Newfoundland  
73 Power has, either had internal knowledge about the project  
74 prior to selecting it or through the feasibility study found  
75 out that the project was more attractive than the preliminary  
76 studies indicated.

77 MR. BROWNE, Q.C.: But you told me previously  
78 Newfoundland Power is primarily in the business of  
79 distribution.

80 MR. BUDGELL: Yes, and that's their primary business, but  
81 they do have small scale hydro projects and experience.

82 MR. BROWNE, Q.C.: And you told me primarily your  
83 business is generation and transmission.

84 MR. BUDGELL: And that's true.

85 MR. BROWNE, Q.C.: And as a generator you couldn't see  
86 the pluses around this project, the way Newfoundland  
87 Power could?

88 MR. BUDGELL: Well, we looked at the projects. It was  
89 amongst many projects that we were looking at that  
90 particular time and we, through the analysis and again it  
91 was analysis carried out on our behalf by a consultant,  
92 where the analysis prioritized projects on the basis of their  
93 relative cost against each other. This project in those  
94 analysis did not float to the top, or wasn't in the ones, the  
95 better projects.



1 (2:15 p.m.)

2 MR. BROWNE, Q.C.: Were you aware, as Newfoundland  
3 Power says in that document, the third paragraph, the  
4 project will displace 38,000 barrels of oil annually?

5 MR. BUDGELL: I guess that indicates to me that the  
6 assumption made here is that on the margin we're always  
7 burning some Holyrood oil so it's just an assumption that  
8 if this project came on, Hydro and the, the requirements for  
9 us were less that that would end up to be a savings in oil to  
10 Newfoundland Hydro. That's not 38,000 barrels of their oil.  
11 That's all I'm saying.

12 MR. BROWNE, Q.C.: That's 38,000 barrels of your oil?

13 MR. BUDGELL: Yes.

14 MR. BROWNE, Q.C.: So they used that as part of a  
15 justification for the project, is that fair comment?

16 MR. BUDGELL: Yes, it is fair comment.

17 MR. BROWNE, Q.C.: And now the power that's generated  
18 there, are they in fact selling that to you?

19 MR. BUDGELL: No.

20 MR. BROWNE, Q.C.: They're not?

21 MR. BUDGELL: No.

22 MR. BROWNE, Q.C.: Have you lost the sale of any power  
23 to Newfoundland Power as a result of that project?

24 MR. BUDGELL: Yes, that would have displaced sales from  
25 Newfoundland Hydro to Newfoundland Power.

26 MR. BROWNE, Q.C.: So if you had to do the project  
27 yourself, is it fair comment that you would have had the  
28 sales and you would have displaced 38,000 barrels  
29 annually?

30 MR. BUDGELL: Yes, but the same effect occurred in this  
31 instance as well. The only difference is, the only difference  
32 here is who developed it or to whose credit the project or  
33 capability was in. Like in other words, it wasn't part of our  
34 production, it's part of their production in a given year.

35 MR. BROWNE, Q.C.: When did you decide not to go with  
36 Rose Blanche as a project, around what year was that? Can  
37 you tell us that?

38 MR. BUDGELL: I can't remember the exact year, but I know  
39 most of the waivers, and what we provided at that time was  
40 waivers to individuals, most of that activity had finished  
41 before the RFP started, so I'm thinking that it had to be 1992  
42 or earlier.

43 MR. BROWNE, Q.C.: When did you decide to go into the  
44 wood chip business in Roddickton?

45 MR. BUDGELL: That was in the 1980's.

46 MR. BROWNE, Q.C.: Can you ball park it a little bit better  
47 than that?

48 MR. BUDGELL: I think the project may have come in  
49 service in 1987, around that timeframe.

50 MR. BROWNE, Q.C.: And what was the nature of that  
51 project?

52 MR. BUDGELL: That project was a project that was built  
53 with some federal and provincial funding and the rationale  
54 for the project was to displace generation capacity and  
55 energy on the isolated system and we were creating, at that  
56 time ... I'll just step back a second, before that project was  
57 completed there were three separate systems up on the  
58 Great Northern Peninsula that were combined together to  
59 make one and those were the St. Anthony system, the  
60 Main Brook system, and the Roddickton system. We had  
61 three separate plants and these operated autonomously  
62 from each other, and what that project did, it consisted of  
63 the wood chip plant and a transmission line connecting  
64 those three systems together and enabled us to shut down  
65 the Main Brook plant and we operated the system from that  
66 time after until the system was interconnected based on a  
67 wood chip operation thermal production at Roddickton and  
68 diesel in St. Anthony, met the load requirements of that  
69 diesel system, isolated system.

70 MR. BROWNE, Q.C.: And what was the cost of the,  
71 building the wood chip facility in Roddickton?

72 MR. BUDGELL: It was, I remember it was it was  
73 approximately \$25,000,000.

74 MR. BROWNE, Q.C.: And where is that facility today?

75 MR. BUDGELL: It's still at Roddickton but its been  
76 mothballed and is in the decommissioning process by  
77 Hydro.

78 MR. BROWNE, Q.C.: It was a failure?

79 MR. BUDGELL: No, I wouldn't agree with that.

80 MR. BROWNE, Q.C.: Maybe you can tell us why it's not  
81 there operating today then.

82 MR. BUDGELL: It, once we interconnected the, as an  
83 isolated plant, its fuel costs was cheaper than oil, but once  
84 we interconnected to the system its only role was as a  
85 stand-by plant on the system, and as a stand-by plant it  
86 just couldn't perform, or fill, we thought first at least we had  
87 analyzed it from the perspective of whether it can fill that  
88 capacity, but we realized that we couldn't get that plant  
89 started in, until about two days, and by the time two days  
90 would pass, most of the events that you would require that  
91 plant to be up and running for would have been already  
92 passed and solved. Plus we'd have to keep staff, or  
93 adequate staff there to enable us to run that, so we thought

1 it was a better decision, subsequent to the interconnection,  
2 to discontinue operations so we applied to the Board, I  
3 believe, in the fall of 1999, and in 2000 we had permission to  
4 discontinue.

5 MR. BROWNE, Q.C.: So how long was it operating?

6 MR. BUDGELL: It operated from, I'm using a date, I  
7 remember it was around from the late '80's until the  
8 interconnection in, of the system or shortly thereafter, in  
9 1997, around that timeframe.

10 MR. BROWNE, Q.C.: So the late eighties, so what are we  
11 talking about six years or seven years?

12 MR. BUDGELL: It's about ten years it operated. I'm just  
13 trying to think of the, I said '87 it came in service, if that's  
14 right its '87 to '97 roughly that, but I don't know whether '87  
15 is the proper date.

16 MR. BROWNE, Q.C.: And was it efficient?

17 MR. BUDGELL: The fuel, from a viable cost perspective it  
18 was cheaper than diesel. It wouldn't be as efficient as a  
19 large thermal plant, vis-a-vis, the Holyrood or that type of  
20 plant.

21 MR. BROWNE, Q.C.: So what are you telling the Board  
22 now, you spent \$25,000,000 between 1987 to 1997, and I  
23 grant you those numbers, for a wood chip facility in  
24 Roddickton and it's no longer in operation.

25 MR. BUDGELL: That's right and no costs are in the cost of  
26 service for customers since 1999.

27 MR. BROWNE, Q.C.: And at the same time, Newfoundland  
28 Power, in 1991 you relinquish your rights to what  
29 Newfoundland Power describes in their feasibility study as  
30 one of the most economical small scale hydroelectric  
31 generation operations currently available for development  
32 on the Island, in Rose Blanche.

33 MR. BUDGELL: I'm sorry, I didn't catch that. What was  
34 the question?

35 MR. BROWNE, Q.C.: You abandoned that in 1991, that  
36 possibility of developing Rose Blanche.

37 MR. BUDGELL: Yes, I've already indicated that we did.  
38 We decided to waive the rights to that and a number of  
39 other sites.

40 MR. BROWNE, Q.C.: Can you see from a ratepayers'  
41 perspective why that might be troubling, to spend  
42 \$25,000,000 in a failed operation and didn't take on what  
43 looks to be a viable operation, according to Newfoundland  
44 Power?

45 MR. BUDGELL: I think there are two, you're talking about  
46 two different timeframes, number one.

47 MR. BROWNE, Q.C.: Yes, within a few year of each other,  
48 isn't it.

49 MR. BUDGELL: Well, no, the Rose Blanche project came  
50 in service, I believe around 1998, ten years after the  
51 Roddickton, more than that after the Roddickton plant was  
52 built, but the shutdown of the Roddickton unit was about  
53 the same time as the, or this project was starting up.  
54 They're only, from a time perspective, the only thing that  
55 they have in common is one is shutting down and the other  
56 is starting up. The decision framework are ten years apart,  
57 or longer.

58 MR. BROWNE, Q.C.: Is it fair to suggest to the Board that  
59 a project that had a ten year life, 1987 to 1997, the wood  
60 chip plant at Roddickton at the cost of \$25,000,000, is a  
61 prudent expenditure?

62 MR. BUDGELL: Yes, I believe it was a prudent expenditure  
63 at that particular time based on the information that it was  
64 committed on. You have to remember, you may not  
65 remember, you'd have to realize that the project when it was  
66 committed was on an isolated system, in anticipation that  
67 this system would stay isolated. If it was known that the  
68 project was not going to stay isolated, then I would say in  
69 hindsight that that project would never have been built.

70 MR. BROWNE, Q.C.: It's all interconnected now though,  
71 up there is it?

72 MR. BUDGELL: Yes, certainly.

73 MR. BROWNE, Q.C.: It's all part of the interconnected  
74 system.

75 MR. BUDGELL: Yes, it is. There's no isolated part now.

76 MR. BROWNE, Q.C.: And how much did it cost to  
77 interconnect the system on the Great Northern Peninsula?

78 MR. BUDGELL: Roughly around \$25,000,000, which was  
79 the net number of the infrastructure grant from the  
80 government. It think it was \$26,000,000, \$32 million and \$26  
81 million, I believe are the numbers, in that area. \$32 million,  
82 for total with the \$5,000,000 off. It's in one of these ...

83 MR. BROWNE, Q.C.: So after spending \$25,000,000 on the  
84 wood chip plant in Roddickton, you spent another  
85 \$25,000,000 to interconnect up there.

86 MR. BUDGELL: Yes.

87 MR. BROWNE, Q.C.: Is that, why wouldn't you spend the  
88 \$25,000,000 in the first instance to interconnect and forego  
89 the wood chip plant in Roddickton?

90 MR. BUDGELL: We couldn't. It was a lot more cost at that  
91 time. The interconnection was a lot more cost, the GNP  
92 network in the 1980's was not as far up the Peninsula.  
93 What's happened on the Peninsula, the interconnection of

1 St. Anthony/Roddickton occurred because of the capital  
2 cost as the interconnection moved up the Peninsula. Over  
3 time the Peninsula, the interconnection in St.  
4 Anthony/Roddickton would have gotten somewhat  
5 cheaper because we were moving the system up, like at one  
6 time, the first time we moved up the Peninsula the line only  
7 went to Hawkes Bay and then it was extended further to  
8 Flowers Cove area and then they reinforced those sections.

9 MR. BROWNE, Q.C.: So you're extending it incrementally?

10 MR. BUDGELL: Exactly, and so that was occurring over  
11 time. So over time the, eventually the interconnection  
12 costs got to a stage where we were able to justify doing the  
13 project. The conversation which I had this morning with  
14 Ms. Henley Andrews was in reference to a study, at that  
15 particular time it was getting very marginal ... if you read  
16 that particular study, in 1993 and without the infrastructure  
17 money from the government, Hydro at that time were not  
18 willing to move ahead with that particular project. It was  
19 still economic, it looked economic ...

20 MR. BROWNE, Q.C.: The \$5,000,000 you got from the  
21 infrastructure project?

22 MR. BUDGELL: Yes, that's right. That, we took advantage  
23 of that opportunity. We thought that that was worth doing  
24 at that time. We didn't think that that opportunity would  
25 come by our way too often.

26 MR. BROWNE, Q.C.: And the increments that you put on  
27 the system, the total value of those, was that \$25,000,000  
28 worth of increments you put there?

29 MR. BUDGELL: Which increments, you mean before this?  
30

31 MR. BROWNE, Q.C.: Yeah, the ...

32 MR. BUDGELL: Oh, I don't know.

33 MR. BROWNE, Q.C.: The Roddickton money we're talking  
34 about is \$25,000,000 here.

35 MR. BUDGELL: The Roddickton money was in that order,  
36 yes.

37 MR. BROWNE, Q.C.: So if you had \$50,000,000, say you  
38 had \$25 million and then the Roddickton \$25 million, would  
39 it have cost in 1987, \$50,000,000 to interconnect the  
40 Northern Peninsula?

41 MR. BUDGELL: I remember a study, and I don't know  
42 which timeframe the analysis was, but I remember a cost  
43 estimate done at some stage, and it might have been in  
44 1984, of a number in the vicinity of \$60,000,000 at that time  
45 to interconnect, the St. Anthony/Roddickton system or the  
46 full GNP.

47 MR. BROWNE, Q.C.: And isn't that in fact what it cost

48 you, the \$25,000,000 plus another \$35,000,000 according to  
49 you now, to do the incremental work?

50 MR. BUDGELL: Not to interconnect it. It, I don't know  
51 what if you add up to is the, well, the \$25,000,00 and  
52 whatever costs were incurred since then on the incremental  
53 part. The St. Anthony/Roddickton portion was \$25 million,  
54 I don't know what the prior parts were.

55 MR. BROWNE, Q.C.: Are there cost analyses available to  
56 show what the increments you did on the Northern  
57 Peninsula, how you were moving toward interconnection  
58 in a comparative timeframe to when you were developing  
59 Roddickton?

60 MR. BUDGELL: There was a study done on the, what do  
61 you mean ... moving on the transmission system?

62 MR. BROWNE, Q.C.: Yes, what did it cost you, you know,  
63 for the various increments to move to the point where you  
64 spent the \$25,000,000 to interconnect up there?

65 MR. BUDGELL: There's, there should be analysis available  
66 on that.

67 MR. BROWNE, Q.C.: Can you show us the cost, can you  
68 show us the cost breakdown?

69 MR. BUDGELL: I, I don't have those numbers with me.

70 MR. BROWNE, Q.C.: I don't expect you do. Can you  
71 undertake to get your counsel to show us.

72 MR. BUDGELL: I can try to get those numbers, yes.

73 MR. BROWNE, Q.C.: If they are available. Can you move  
74 to CA-171 please?

75 MR. BUDGELL: Can you, just to clarify, from what  
76 timeframe Mr. Browne do you want, like what, from what  
77 timeframe?

78 MR. BROWNE, Q.C.: Well you told us now just in your  
79 evidence that you couldn't interconnect the \$25,000,000  
80 worth of interconnection I'll refer to it as, that ended in  
81 1996, you'd have to spend up to, you told us, \$60,000,000  
82 if you did it from a starting point in 1987.

83 MR. BUDGELL: Somewhere back in the '80's, yes.

84 MR. BROWNE, Q.C.: Yeah, I'm wondering where that  
85 \$35,000,000 rests, piece by piece.

86 MR. BUDGELL: Okay. I think I have an understanding of  
87 what you're looking for.

88 MR. BROWNE, Q.C.: And at the same time, Roddickton is  
89 now mothballed is my understanding, is that correct?

90 MR. BUDGELL: That's correct.

91 MR. BROWNE, Q.C.: If it had any value, would it be  
92 mothballed?

- 1 MR. BUDGELL: Well, it's being sold off.
- 2 MR. BROWNE, Q.C.: But not as ...
- 3 MR. BUDGELL: Not as a plant.
- 4 MR. BROWNE, Q.C.: Not as a plant, so doesn't that say  
5 something?
- 6 MR. BUDGELL: Well it just says from value of the system  
7 to run it. Yes, it says something.
- 8 (2:30 p.m.)
- 9 MR. BROWNE, Q.C.: Okay, move to **CA-171** please? That  
10 refers to a joint study with Newfoundland Power and  
11 Newfoundland Hydro on the potential for mini hydro in  
12 rural isolated systems. You might need a hard copy for  
13 that. I'm not certain if it's there or not, Terry. Are you  
14 familiar with this joint utility study, Mr. Budgell?
- 15 MR. BUDGELL: Yes.
- 16 MR. BROWNE, Q.C.: And how did you gain that  
17 familiarity?
- 18 MR. BUDGELL: It was done during the timeframe when I  
19 was Director of System Planning, in my current position.
- 20 MR. BROWNE, Q.C.: And how did the study come about?
- 21 MR. BUDGELL: Well from what I remember it was a Board  
22 request of Newfoundland Power and Hydro at a  
23 Newfoundland Power hearing.
- 24 MR. BROWNE, Q.C.: I believe it was a 1996 hearing, was  
25 it not?
- 26 MR. BUDGELL: I believe you're right.
- 27 MR. BROWNE, Q.C.: And around that time, if memory  
28 serves me correctly, the Board heard from Mr. Gordon  
29 Rodgers, do you know that name?
- 30 MR. BUDGELL: I think I remember the gentleman.
- 31 MR. BROWNE, Q.C.: He was a proponent of small  
32 developments on various small brooks, amongst other  
33 things.
- 34 MR. BUDGELL: Yes, I had, I believe I've had several  
35 telephone conversations with the gentleman.
- 36 MR. BROWNE, Q.C.: Did you ever see his presentation?  
37 I think he gave a presentation to the Board in 1996.
- 38 MR. BUDGELL: I don't recall it right now.
- 39 MR. BROWNE, Q.C.: And this study came about as a  
40 Board recommendation based upon, I think, Mr. Rodgers'  
41 information before the Board and information by the  
42 Newfoundland and Labrador Federation of Municipalities.  
43 How was the study conducted?
- 44 MR. BUDGELL: There was, there was discussion, I think,  
45 between ourselves and Newfoundland Power and there  
46 was one individual from my department, one of my  
47 department's generation area, and an individual from  
48 Newfoundland Power that coordinated the analysis and  
49 studies using support of other people from both  
50 organizations.
- 51 MR. BROWNE, Q.C.: And how was it conducted? Did you  
52 meet on a regular basis?
- 53 MR. BUDGELL: Yes, those individuals ...
- 54 MR. BROWNE, Q.C.: What format did you use?
- 55 MR. BUDGELL: These individuals that did the study met  
56 fairly regularly and apportioned out the respective aspects  
57 of the work because quite a bit of the analysis here called  
58 upon quite a bit of information from Hydro on its isolated  
59 systems and so obviously we had to pull together this  
60 information ...
- 61 MR. BROWNE, Q.C.: So you did it internally between the  
62 two utilities, between Newfoundland Power and  
63 Newfoundland Hydro?
- 64 MR. BUDGELL: Yes.
- 65 MR. BROWNE, Q.C.: Did you seek any outside advice in  
66 reference to it? Did you seek the input of the  
67 Newfoundland and Labrador Federation of Municipalities,  
68 for instance?
- 69 MR. BUDGELL: I don't remember if, they may have been  
70 present to some of the meetings in regards to this. I don't  
71 remember whether there was ...
- 72 MR. BROWNE, Q.C.: Did you meet with Mr. Rodgers?
- 73 MR. BUDGELL: I don't remember that name, but I thought  
74 there was an executive somebody, it was a lady with the  
75 Federation of Municipalities at the time and their name  
76 escapes me, that had some interest in this project.
- 77 MR. ALTEEN: Dr. Patricia Hemstead, maybe.
- 78 MR. BUDGELL: Hah, there you go.
- 79 MR. BROWNE, Q.C.: And she wasn't an engineer was she,  
80 Ms. Hemstead?
- 81 MR. BUDGELL: No, I don't know what her background  
82 was but I know she was with the development part of the  
83 Federation.
- 84 MR. BROWNE, Q.C.: And the profiles for studies, I think,  
85 are listed on page 9. The customer profiles for study areas.  
86 Can you move to that?
- 87 MR. BUDGELL: Yes.
- 88 MR. BROWNE, Q.C.: And Table 2.2, that lists off all the

1 customers, the potential customers with which your  
2 dealing, Petits, Lapoile, Grey River, Francois, MacCallum,  
3 Recontre East and Harbour Deep. Are these all the areas  
4 that were studied?

5 MR. BUDGELL: I believe so.

6 MR. BROWNE, Q.C.: And all these areas, in whose  
7 jurisdiction are they, are they in Newfoundland Power's or  
8 Newfoundland Hydro's?

9 MR. BUDGELL: They're all in Newfoundland Hydro's.

10 MR. BROWNE, Q.C.: What did Newfoundland Power have  
11 to bring to the table?

12 MR. BUDGELL: Newfoundland Power were the one, it was  
13 their hearing and they were the ones that were directed to  
14 do this. It was my preference if it was Hydro directed to do  
15 it, but the Board, in its wisdom at the day, given that  
16 hearing and the Federation's interest, I'm assuming asked  
17 both utilities.

18 MR. BROWNE, Q.C.: Now if the Newfoundland and  
19 Labrador Federation had asked that, did you study any  
20 possibilities up in Labrador at the time?

21 MR. BUDGELL: Not at this, not at that particular time.

22 MR. BROWNE, Q.C.: Why was that?

23 MR. BUDGELL: Because the, the direction given at that  
24 particular time was in respect of the Island rural isolated  
25 systems. There was a specific direction from what I recall.

26 MR. BROWNE, Q.C.: And what was the outcome of this  
27 particular study?

28 MR. BUDGELL: There were no sites that looked economic.

29 MR. BROWNE, Q.C.: There's no sites looked economic to  
30 Hydro or to Newfoundland Power, is that what your telling  
31 us?

32 MR. BUDGELL: Yes.

33 MR. BROWNE, Q.C.: But from an outsider's perspective is  
34 it possible that a site might have looked economic to a third  
35 party, is that possible?

36 MR. BUDGELL: That is, could be possible and it could be  
37 possible at any time.

38 MR. BROWNE, Q.C.: Because we just saw the example of  
39 Rose Blanche, didn't we? It didn't look any great shakes to  
40 you, but Newfoundland Power said....

41 MR. BUDGELL: That is always...

42 MR. BROWNE, Q.C.: As we quoted previously.

43 MR. BUDGELL: That's always the issue associated when  
44 you do these type of studies, that you won't on a small

45 scale hydro project, you will not, you will not get a, the  
46 ultimate appreciation of what the costs are until you  
47 actually get into the field and complete, what we call, a full  
48 fledged final feasibility study. It's not until that stage you  
49 really finalize the cost of the project.

50 MR. BROWNE, Q.C.: And I gather this is how your study  
51 was referred to as a "desktop study", I believe that's the ...

52 MR. BUDGELL: I think that's accurate, yes.

53 MR. BROWNE, Q.C.: And a desktop study means you  
54 don't leave your office, this is all done out of your offices,  
55 is that it?

56 MR. BUDGELL: It's done from mapping, your right.

57 MR. BROWNE, Q.C.: So you never went to Petits, or  
58 Lapoile, or Grey River, or Francois, or MacCallum, or any of  
59 these places ...

60 MR. BUDGELL: No.

61 MR. BROWNE, Q.C.: ... to take a look?

62 MR. BUDGELL: This is the preliminary level that you  
63 would do these types of studies.

64 MR. BROWNE, Q.C.: Is there an inherent danger in  
65 yourself and Power doing these particular studies, do you  
66 have any vested interest in seeing that perhaps a third  
67 party might want to get into the business?

68 MR. BUDGELL: Well we ...

69 MR. BROWNE, Q.C.: You might want to keep your elbows  
70 out there a bit.

71 MR. BUDGELL: We've, no not really, because we've since  
72 1987 had, especially in the rural areas, had a policy whereby  
73 we would pay our avoided cost for diesel, I think the figure  
74 was 90 percent of our avoided diesel cost, in any of the  
75 diesel systems for alternate energy projects, and our  
76 history to date in regards to that is one project.

77 MR. BROWNE, Q.C.: But isn't it true that two communities  
78 passed the first phase of this study?

79 MR. BUDGELL: Yes, this study had different, I'll call it  
80 different levels of sieves of doing the analysis.

81 MR. BROWNE, Q.C.: And what two communities passes  
82 the first phase?

83 MR. BUDGELL: Grey River and Francois.

84 MR. BROWNE, Q.C.: And even after they passed the first  
85 phase, did you bother, or your engineers, to go to Grey  
86 River and Francois and get a first hand look?

87 MR. BUDGELL: I don't know myself whether anybody  
88 visited those particular sites or did not.

1 MR. BROWNE, Q.C.: There's no indication of it in the  
2 study, is there?

3 MR. BUDGELL: No. I don't recall whether reading that in  
4 the study as well.

5 MR. BROWNE, Q.C.: So after the secondary screening  
6 these two communities were screened out as well?

7 MR. BUDGELL: Yes.

8 MR. BROWNE, Q.C.: And your conclusions and  
9 recommendations on page 28, page 28 you make, just  
10 before the numeral one there, can you read that out to us,  
11 the several factors.

12 MR. BUDGELL: Starting with the first paragraph?

13 MR. BROWNE, Q.C.: Yeah, there are several factors.

14 MR. BUDGELL: You want me to start there. There are  
15 several factors that can improve the prospects for mini  
16 hydro developments including an increase in fuel cost.  
17 This study was carried out using fuel forecast for the next  
18 30 years. Significant increase in fuel price escalation would  
19 enhance the value of fuel savings, thereby improving the  
20 competitiveness of mini hydro vis-a-vis diesel operations.

21 MR. BROWNE, Q.C.: Now it says that these are factors can  
22 improve the prospects, an increase in fuel cost. Have you  
23 looked at that since? Have you looked at any these  
24 projects since, given the price of fuel?

25 MR. BUDGELL: No, we haven't.

26 MR. BROWNE, Q.C.: Why would that be?

27 MR. BUDGELL: Because, I don't think it would materially  
28 change the results of this particular study, unless fuel went  
29 astronomically high. I don't think fuel prices today are that  
30 dramatically different to change the ...

31 MR. BROWNE, Q.C.: Was there any consideration of  
32 giving over these projects to the municipalities, because it  
33 was the Federation of Municipalities that asked you to  
34 undertake the study, of giving it over to the municipalities  
35 and see if they could come up with a proponent who  
36 wishes, who wished to develop it?

37 MR. BUDGELL: This report, and the analysis, and the  
38 studies on the sites, the public owns it. Newfoundland and  
39 Labrador Hydro, or, nor Newfoundland Power has any  
40 rights to these particular sites. Anybody in the public can  
41 pick this up, develop that particular site, approach us and  
42 we'd negotiate a rate.

43 MR. BROWNE, Q.C.: Did you send the study to any of  
44 those communities to, the communities listed?

45 MR. BUDGELL: I'm not aware that it was, but I'm assuming  
46 it was provided to the Board and I would think that since  
47 there was Federation involvement that they would have a  
48 copy of the report as well.

49 MR. BROWNE, Q.C.: So let me get it right now. We had a  
50 hearing in 1996, the Newfoundland and Labrador  
51 Federation of Municipalities made a presentation through  
52 Mr. Gordon Rodgers at that hearing ... you can't give any  
53 evidence that Mr. Rodgers was consulted in reference to  
54 the study that was undertaken?

55 MR. BUDGELL: I, I don't recall personally.

56 MR. BROWNE, Q.C.: You don't know if he was or if he  
57 wasn't. Can you, do you have minutes or do you have  
58 anything like that to check to see if he was?

59 MR. BUDGELL: I don't know if there was anything in  
60 minutes. I doubt very much.

61 MR. BROWNE, Q.C.: And Newfoundland Power's hearing  
62 and they were a party, even though none of these areas  
63 were into Newfoundland Power's jurisdiction, it's all your  
64 jurisdiction ...

65 MR. BUDGELL: That's correct.

66 MR. BROWNE, Q.C.: Does Hydro have a, a bias against  
67 developing smaller, smaller rivers, smaller brooks such as  
68 these? Is there an inherent bias among you engineers up  
69 there?

70 MR. BUDGELL: No, but there is obviously ...

71 MR. BROWNE, Q.C.: Do you like, do you like the big, do  
72 you like the big things Granite Lake and the Lower  
73 Churchill and Muskrat Falls, and Gull Island. That's your  
74 preference, isn't it?

75 MR. BUDGELL: No, I don't think so. There is an issue in  
76 regards, when you get to small projects there's economies  
77 of scale and the level of engineering that you can put to  
78 these particular projects is limited before the projects  
79 become uneconomic. You can over engineer the project  
80 essentially, and there might be a tendency on our part to do  
81 that. I don't know, but, but we tend to ... when we build a  
82 project, we build a project with a long term view in mind  
83 that the project is going to be around, and it's going to be  
84 stable and that we're not going to have any problems for a  
85 long time. If the private developer built a project it might  
86 cut a few corners here and there that we mightn't do. There  
87 might be a few handrails to protect employees in a few  
88 locations that we might put up that a private guy wouldn't  
89 do. I don't know, there may be, our people who work at a  
90 site would like to have bathrooms on the site, I don't know,  
91 private may not want to that have for people. There's a  
92 whole bunch of issues that could end up when we do  
93 projects they cost a little bit more, but we do have  
94 experience with small scale hydro project of this type.

1 (2:45 p.m.)

2 MR. BROWNE, Q.C.: When was the last small scale project  
3 that Hydro developed in this Province?

4 MR. BUDGELL: Well, when I say small scale in the scale  
5 here would be the Roddickton project. I'm leaving Paradise  
6 River out of that. Paradise River ...

7 MR. BROWNE, Q.C.: The wood chip?

8 MR. BUDGELL: No, hydro project. No, the Roddickton  
9 small hydro project.

10 MR. BROWNE, Q.C.: Okay. What year was that?

11 MR. BUDGELL: That was built in the '78 to '80 period.

12 MR. BROWNE, Q.C.: 1978 to '80? So you've had no  
13 experience with small scale projects since that time?

14 MR. BUDGELL: Other than Paradise River.

15 MR. BROWNE, Q.C.: What year was that?

16 MR. BUDGELL: Paradise River would've been built about  
17 the 1990 time period.

18 MR. BROWNE, Q.C.: So you'd have one experience with a  
19 small scale since 1978?

20 MR. BUDGELL: Yes.

21 MR. BROWNE, Q.C.: And thus my question is there any  
22 kind a bias that you have there against these smaller  
23 projects as opposed to the larger one?

24 MR. BUDGELL: No, no as it stands...

25 MR. BROWNE, Q.C.: Is there an institutional bias there?

26 MR. BUDGELL: No, I don't think so. I don't think so.

27 MR. BROWNE, Q.C.: Has it been a possibility. I saw you  
28 smiling a few times when I asked.

29 MR. BUDGELL: That might be just my, might be dinner  
30 (*laughter*). It also might be the spot I'm sitting in  
31 (*laughter*).

32 MR. BROWNE, Q.C.: Would it be prudent now given the  
33 changes in fuel costs that we've seen and given the fact  
34 that you have an application before this Board which says  
35 that in December 2002 the Rate Stabilization Plan is to  
36 move, according to your estimates, to \$100 million.  
37 Wouldn't it be prudent to go back and examine these  
38 projects again or have someone independent look at these  
39 projects to see if there's any value in developing these?

40 MR. BUDGELL: I would seriously doubt it because even  
41 the level of study that was done here, I thought give more  
42 benefit of doubt to the small hydro projects than I thought  
43 the projects merited, and the reason I say that is that for the  
44 most part, now these are Island ones, Island projects, and

45 for the most part some of these communities are, I'll use the  
46 word stagnant in a sense, there's not a lot of growth on the  
47 Island in some of these communities, and the problem that  
48 you have with a small hydro project, you have to build it as  
49 cheap as possible, with very limited storage. You can't take  
50 the diesel plant out of there because the hydro project  
51 doesn't provide firm energy, or firm capacity to you, so  
52 you're essentially caught with the operation and  
53 maintenance cost of two facilities if they're built and the  
54 hydro project, if you don't maximize the use of the energy  
55 and the time it's available, in other words if it's spilled, it's  
56 gone forever, and again that's part of the projection here  
57 and the level of detail that these studies went into. I don't  
58 think they went into the final level of detail. If these  
59 studies were done, and I believe there were still some costs  
60 and some issues in regards to O & M costs associated with  
61 the projects that weren't incorporated in these studies. So,  
62 these studies were aimed at trying to get a quick fix on what  
63 the relative economics of these projects are, and this is not  
64 too different than analysis that has been carried out before,  
65 because this is not the first time this was done. The first  
66 small scale hydro study of this sort was done in 1978 and  
67 there was another one done in 1987 and here's one done  
68 again in 1997. So we've been around the horn three times  
69 on this now and there's still, one project got, no I'm sorry,  
70 I'll come back, two projects got built. The Roddickton  
71 project got built and the only reason it got built was  
72 because it had significant federal funding. As a matter of  
73 fact, I think the federal government provided pretty well  
74 most of the funding for the project.

75 MR. BROWNE, Q.C.: When you say the Roddickton  
76 project now, is that the wood chip one?

77 MR. BUDGELL: The Roddickton mini hydro project.

78 MR. BROWNE, Q.C.: There's been a few things up in  
79 Roddickton, so you should be careful.

80 MR. BUDGELL: Yeah, some people in the office refer to the  
81 R word, but I will try to be careful. The Roddickton mini  
82 hydro project. The other project that came out of previous  
83 studies was the White Rock Falls project, which was a  
84 project in Mary's Harbour, a developer completed it, again  
85 with significant federal money and had the advantage of  
86 funds that were invested for a water supply, because most  
87 of the development costs on the river, or the stream on that  
88 location, was done on behest of a water supply for the  
89 community, so they piggybacked the small hydro onto that  
90 development and that project is not what I would call to be  
91 very economic as well.

92 MR. BROWNE, Q.C.: When you examine the Rose Blanche  
93 project, and determined whether that should be viable, was  
94 that done by way of a desktop study as well?

95 MR. BUDGELL: The reference that I was referring to would

1 have been a, I'm pretty sure would have been a desktop  
2 study. It would have been based on mapping. This was  
3 the one done by a consultant for us on our behalf.

4 MR. BROWNE, Q.C.: It's not a matter of someone going  
5 into the field and taking a first hand look.

6 MR. BUDGELL: No, the field work normally, there's three  
7 levels in an engineering feasibility study associated with  
8 hydro projects, there's three levels of studies. There is a,  
9 there's a preliminary or desktop study we refer to, there's a  
10 pre-feasibility study and then there's a feasibility study.  
11 Small scale hydro's really can't stand the cost of three of  
12 that, not that engineers now mind you make a lot of money,  
13 but a it's just a, just an added expense on this little small  
14 project.

15 MR. BROWNE, Q.C.: We won't get into that yet, we might  
16 be coming there (*laughter*).

17 MS. GREENE, Q.C.: I thought you were going to say  
18 compared to lawyers.

19 MR. BUDGELL: No, heaven forbid.

20 MR. BROWNE, Q.C.: Do you want to take a break for a few  
21 moments and Mr. Chairman, I'll move into a new area.

22 MR. NOSEWORTHY, CHAIRMAN: Sure, we'll be back in  
23 15 minutes. Thanks.

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

26 MR. NOSEWORTHY, CHAIRMAN: Thank you, can I ask  
27 you to continue, Mr. Browne, please?

28 MR. BROWNE, Q.C.: Thank you, Chairperson. Mr.  
29 Budgell, are you familiar with the coordination steering  
30 committee meetings convened between Newfoundland  
31 Power and Newfoundland Hydro?

32 MR. BUDGELL: No.

33 MR. BROWNE, Q.C.: You have nothing to do with those?

34 MR. BUDGELL: I wasn't involved at all.

35 MR. BROWNE, Q.C.: Did you have occasion to read any  
36 of the minutes in reference to them?

37 MR. BUDGELL: Only the ones that I sat in the back of the  
38 room that you read the other day.

39 MR. BROWNE, Q.C.: So you haven't even looked at them?

40 MR. BUDGELL: I have just glanced at some of them, but  
41 not, I haven't read through the volumes.

42 MR. BROWNE, Q.C.: Ms. Gillian Butler, when she was  
43 examining you the other day, examined you in reference to  
44 the VHF mobile radio system at some length, as the

45 transcript will verify, and there is a revised budget that was  
46 entered in the capital projects, over \$50,000, **B-66** I think it's  
47 referred to now, and it refers to the replacement of the VHF  
48 mobile radio system for \$3 million, and \$5,600,000. Are you  
49 familiar with that?

50 MR. BUDGELL: Yes.

51 MR. BROWNE, Q.C.: Okay, and it therefore comes as a  
52 surprise to you maybe that there was a working group,  
53 number ten ...

54 MR. BUDGELL: Oh, I'm aware there was a group. I'm just  
55 saying I was not involved.

56 MR. BROWNE, Q.C.: You weren't involved but you were  
57 aware there was a group.

58 MR. BUDGELL: I was aware that there was a working  
59 group on it.

60 MR. BROWNE, Q.C.: Well, did you read their report?

61 MR. BUDGELL: No, I haven't but I spoke to the director of  
62 that section.

63 MR. BROWNE, Q.C.: Okay, you spoke to someone and  
64 you didn't read the report. Maybe we should go to working  
65 group number ten. I think you're going to need your hard  
66 copy for this, **CA-201**. Have you located that, Mr.  
67 Budgell?

68 MR. BUDGELL: I have the RFI. I don't ... is there a page  
69 number I should refer to?

70 MR. BROWNE, Q.C.: Page 30, working group number ten.  
71 Now let me get this straight again. You're responsible for  
72 the VHF mobile radio system?

73 MR. BUDGELL: I'm responsible for responding to the  
74 question in this hearing for the generation and IS & T  
75 groups.

76 MR. BROWNE, Q.C.: And that's part of that, the VHF radio  
77 system.

78 MR. BUDGELL: Yes.

79 MR. BROWNE, Q.C.: And you didn't know there was a  
80 working group dealing with that particular system, is that  
81 what you're telling the Board?

82 MR. BUDGELL: The system planning department does not  
83 have responsibility for the VHF system.

84 MR. BROWNE, Q.C.: Now, who's got responsibility for  
85 that?

86 MR. BUDGELL: That's the information systems and  
87 telecontrol section.

88 MR. BROWNE, Q.C.: And who would that be?



1 MR. BUDGELL: Eric Downton.

2 MR. BROWNE, Q.C.: Is he going to testify?

3 MR. BUDGELL: No, I'm testifying on his behalf.

4 MR. BROWNE, Q.C.: Okay, so you're testifying on behalf  
5 of the VHF mobile radio system in that case, I guess that's  
6 correct?

7 MR. BUDGELL: Yes.

8 MR. BROWNE, Q.C.: Okay, working group number ten, on  
9 page 30 of this joint committee between Newfoundland  
10 Power and Newfoundland Hydro ... just before we begin, a  
11 VHF mobile radio system, what does VHF stand for, can  
12 you put that on the record?

13 MR. BUDGELL: Very high frequency.

14 MR. BROWNE, Q.C.: And does Newfoundland Power  
15 have a VHF mobile radio system as well?

16 MR. BUDGELL: Yes, they do.

17 MR. BROWNE, Q.C.: And the scope, can you read that  
18 into the record?

19 MR. BUDGELL: Review the needs and practices with  
20 respect to the coordination activities relating to the  
21 operation and extension of the VHF mobile radio system for  
22 both utilities with a view to enhance customer service and  
23 reduce operating costs.

24 MR. BROWNE, Q.C.: And if you look at the assignment to  
25 establish a Task Force, two, numeral two, the letter (a),  
26 what does that say?

27 MR. BUDGELL: Investigate possible VHF mobile radio  
28 system engineering alternatives for a system to service  
29 both utilities.

30 MR. BROWNE, Q.C.: And (b)?

31 MR. BUDGELL: Cost of various alternatives.

32 MR. BROWNE, Q.C.: And (c)?

33 MR. BUDGELL: Do an analysis of cost savings  
34 throughout a jointly owned or shared VHF mobile radio  
35 system.

36 MR. BROWNE, Q.C.: And the summary, can you put the  
37 summary into the record?

38 MR. BUDGELL: After reviewing the technical aspects of  
39 the two VHF mobile radio systems, the VHF working group  
40 confirmed that both utility system control centre operators  
41 could talk with employees of the other utilities designated  
42 to do switching for them. The only alternative for a single  
43 VHF mobile system that is capable of serving the  
44 requirements of both utilities would be a new infrastructure.  
45 Also, because of the technical differences between the two

46 systems, there was limited opportunity to pursue the cost  
47 savings.

48 MR. BROWNE, Q.C.: And the working group's  
49 recommendation, 10.47, what did the group recommend?

50 MR. BUDGELL: Prior to one utility preparing to replace the  
51 VHF mobile radio system, the other utility will be contacted.  
52 It will then be determined if the operational requirements of  
53 both utilities can be met with a single system, and if the  
54 operating costs for such a system are acceptable to both.

55 MR. BROWNE, Q.C.: Now, did you do that?

56 MR. BUDGELL: Yes.

57 MR. BROWNE, Q.C.: Who did you contact?

58 MR. BUDGELL: I understand the people from our  
59 telecontrol group contacted the people from the telecontrol  
60 group of Newfoundland Power.

61 MR. BROWNE, Q.C.: Now there's people and people, and  
62 you understand, can we get a little bit more specific? Was  
63 there written correspondence in reference to this?

64 MR. BUDGELL: I don't know. I know that the only  
65 indications that I believe, that have been provided to me,  
66 was that in February of this year Newfoundland Hydro met  
67 with Newfoundland Power and provided them with an  
68 alternative, or had discussions with them on a new system,  
69 and provided an alternative to them where they can avail of  
70 the opportunity of our system.

71 MR. BROWNE, Q.C.: Did you take part in those  
72 discussions?

73 MR. BUDGELL: No, I did not.

74 MR. BROWNE, Q.C.: And yet you're responsible for this  
75 budget?

76 MR. BUDGELL: I'm responsible for, at this hearing,  
77 responding to questions of the parties, and if I can't  
78 answer, to get the response for the parties.

79 MR. BROWNE, Q.C.: So this budgetary item, this \$8 million  
80 over the two year period, \$8,600,000, this is within your  
81 jurisdiction or is it not?

82 MR. BUDGELL: It's not in my jurisdiction.

83 MR. BROWNE, Q.C.: But you're just doing a favour for  
84 someone else, is that it?

85 MR. BUDGELL: No, I'm not so much doing a favour, I'm  
86 reporting on behalf ... somebody, I guess, one of the  
87 individuals of Hydro had to stand to the budget in regards  
88 to this hearing.

89 MR. BROWNE, Q.C.: Now this is a very significant item,  
90 \$8,600,000, Mr. Budgell, would you admit to that?

- 1 MR. BUDGELL: Yes, it is.
- 2 MR. BROWNE, Q.C.: And we have a working group  
3 recommendation that one utility was going to contact the  
4 other utility to see if a single system was acceptable to  
5 both, but you're saying it's your understanding that there  
6 were meetings.
- 7 MR. BUDGELL: That was done.
- 8 MR. BROWNE, Q.C.: Is there correspondence, an  
9 exchange of correspondence in reference to these  
10 meetings?
- 11 MR. BUDGELL: I don't know whether there was actual  
12 written correspondence or not, I'd have to check that.
- 13 MR. BROWNE, Q.C.: Can you undertake through your  
14 counsel to provide all exchanges of correspondence  
15 between Newfoundland Power and Newfoundland Hydro  
16 in reference to this particular item?
- 17 MR. BUDGELL: I can.
- 18 MR. BROWNE, Q.C.: Can we get it before you leave the  
19 stand?
- 20 MR. BUDGELL: I hope so.
- 21 MR. BROWNE, Q.C.: I want you to refer for a moment to  
22 **CA-190**, the meetings in reference to this particular item,  
23 and once again, I think we're going to need hard copies  
24 here, and I wish to go to meeting number 25 of the joint  
25 coordinating steering committee meetings, **CA-190**, held on  
26 Thursday, December 3, 1998. Newfoundland Power's J.J.  
27 Murphy room.
- 28 MR. BUDGELL: Can I have that meeting number again  
29 please?
- 30 MR. BROWNE, Q.C.: Meeting number 25, Thursday,  
31 December 3, 1998, from 8:30 a.m. to 12:00 noon, in  
32 Newfoundland Power's J.J. Murphy room.
- 33 MR. BUDGELL: I have that.
- 34 MR. BROWNE, Q.C.: And under item two, overview of  
35 progress, the first item says, "John vented his frustration  
36 regarding the lack of progress by all parties in this  
37 endeavour. To significantly reduce costs requires tough  
38 decisions by all". That's not what I was going to ask you,  
39 I just couldn't resist reading that again. What I'm going to  
40 ask you is the bullet, the second bullet there, beginning  
41 with, "John cited examples". Can you read that out for us  
42 please?
- 43 MR. BUDGELL: John cited examples where cooperation  
44 agreed to did not seem to exist and a significant  
45 philosophical difference between the organization. An  
46 example was in the telecommunications area where despite  
47 the agreement, NP learned of Hydro's plans to build a major  
48 VHF radio network through an NLH filing with the PUB.  
49 Philosophically NP views the telecommunications  
50 companies as the experts in their field, while Hydro seems  
51 to take the position that they can do the job better than the  
52 telecommunications companies.
- 53 MR. BROWNE, Q.C.: Have you ever seen that before?
- 54 MR. BUDGELL: I believe I heard you have Mr. Reeves  
55 read that out.
- 56 MR. BROWNE, Q.C.: So you are familiar with it.
- 57 MR. BUDGELL: Yes.
- 58 MR. BROWNE, Q.C.: Did you go and check on it and see  
59 what the reference was?
- 60 MR. BUDGELL: The reference is John Evans' views.
- 61 MR. BROWNE, Q.C.: You're here before the Board looking  
62 for \$8,600,000 for a VHF radio system when the Vice-  
63 President of Newfoundland Power states through these  
64 minutes, Newfoundland Power views the communications  
65 companies as the experts in their field, while Hydro seems  
66 to take the position they can do the job better than the  
67 telecommunications companies. Do you have any  
68 comment on that?
- 69 MR. BUDGELL: I think that's John Evans personal view in  
70 the minutes, and he's welcome to his view. I don't think it's  
71 Hydro's view.
- 72 MR. BROWNE, Q.C.: I refer you to item one, it says the  
73 minutes were accepted as distributed.
- 74 MR. BUDGELL: I'm assuming that's the minutes of the  
75 previous meeting.
- 76 MR. BROWNE, Q.C.: And you don't think these minutes  
77 were accepted?
- 78 MR. BUDGELL: I don't know but I would personally have  
79 trouble with that statement.
- 80 MR. BROWNE, Q.C.: Go to meeting number 26 for a  
81 moment, Mr. Budgell.
- 82 MR. BUDGELL: Yes.
- 83 MR. BROWNE, Q.C.: Meeting number 26 was held 1:30  
84 p.m. on January 26th, 1999, at Hydro Place in St. John's, and  
85 the attendees were Mr. Evans, Mr. O'Rielly, Mr. Reeves and  
86 Mr. Clarke. Item one, meeting number 25, what does it  
87 state?
- 88 MR. BUDGELL: The minutes were accepted as distributed.
- 89 MR. BROWNE, Q.C.: And under the first bullet there in  
90 item two, there's an arrow, VHF coordination, can you read  
91 that into the record for us?
- 92 MR. BUDGELL: I'm sorry, give me the reference again

1 please?

2 MR. BROWNE, Q.C.: VHF coordination.

3 MR. BUDGELL: VHF coordination, Hydro does plan to  
4 replace its VHF radio, however, not until 2003/2004. Hydro  
5 presented a communication budget to the Public Utilities  
6 Board as part of its 1999 capital plan. The work associated  
7 with 1999 relates only to the powerline carriers which is  
8 used for protection on the transmission line. Dave pointed  
9 out that Newfoundland Tel is still evaluating the possibility  
10 of across the island VHF link which could be used by a  
11 number of subscribers. Hydro will be exploring this as one  
12 of its options prior to the year 2003, along with talking to  
13 Newfoundland Power about the possibility of coordination.

14 MR. BROWNE, Q.C.: Is that in fact still true? Does Hydro  
15 plan to replace your VHF radio in 2003/2004?

16 MR. BUDGELL: It's 2002/2003 currently.

17 MR. BROWNE, Q.C.: And why did you move it down a  
18 year?

19 MR. BUDGELL: This is in reference to the, this is in  
20 reference to, I guess, the statement, the 1997  
21 communications plan which was filed with the Board, I  
22 don't remember it having the VHF in that timeframe  
23 personally, but I can't speak for what Dave Reeves was  
24 indicating to Newfoundland Power at that particular time,  
25 but I have to accept that it was looking at options for doing  
26 the VHF radio system prior to the year 2003, and that's what  
27 was on the go ... Hydro was having active discussions with  
28 Aliant in the hopes that Aliant would build a system and  
29 would sign up parties on the island to use that particular  
30 system, and Hydro wouldn't have to build one by itself,  
31 and one of those parties, or several of, or two of those  
32 parties would be Newfoundland Power and Newfoundland  
33 and Labrador Hydro.

34 MR. BROWNE, Q.C.: And the other two were the RCMP  
35 and the Royal Newfoundland Constabulary, is that true?

36 MR. BUDGELL: Yes, the Coast Guard, and I believe there  
37 was ...

38 MR. BROWNE, Q.C.: And the Coast Guard.

39 MR. BUDGELL: The Coast Guard and Works Services and  
40 Transportation, which is one of the groups that share our  
41 current system.

42 MR. BROWNE, Q.C.: So Works Services and  
43 Transportation shares your system?

44 MR. BUDGELL: Yes, we share costs with them on our  
45 system, they pay us to use our system.

46 MR. BROWNE, Q.C.: So of the \$8 million, the \$8,600,000,  
47 you're seeking from the Board, are they making a  
48 contribution towards that?  
49 (2:30 p.m.)

50 MR. BUDGELL: Yes, they will be sharing in the cost. We  
51 have an intent from them that they will, or are interested in  
52 going in on that system with us.

53 MR. BROWNE, Q.C.: Going in on it, are they going in on  
54 at five percent, 10 percent, 50 percent?

55 MR. BUDGELL: I think their use on the system, based on  
56 the current system, is in the range of 40 to 50 percent.

57 MR. BROWNE, Q.C.: So they're going to give you \$4  
58 million?

59 MR. BUDGELL: I don't know that the arrangements have  
60 progressed to the extent where the, whether there will be a  
61 capital infusion into the project or whether we will complete  
62 the project and then they would pay us on a month-by-  
63 month basis.

64 MR. BROWNE, Q.C.: So isn't this something the Board  
65 should know before the Board is asked to approve that  
66 budget, that there is someone out there who might be  
67 going to give you some money? Is that reasonable?

68 MR. BUDGELL: Yes.

69 MR. BROWNE, Q.C.: And is this the first time the Board  
70 has been informed of that or is it just news to me?

71 MR. BUDGELL: I don't know whether that's in one of the  
72 RFI's or not. I can't recall.

73 MR. BROWNE, Q.C.: Now what about Newfoundland  
74 Power, we've got the Department of Transportation on side,  
75 they want to use it, but what about Newfoundland Power?

76 MR. BUDGELL: Well, just stepping back for a second, with  
77 Aliant, Aliant was trying to sign everybody up for a  
78 system, and it couldn't get enough users and that particular  
79 proposal sort of fell apart. They couldn't proceed, so  
80 Hydro had discussions with CRTC in regards to how we  
81 could proceed with Newfoundland Power as being part of  
82 our system and Works Services, and got an indication that  
83 we could proceed and not be a common carrier ... Works  
84 Services and Transportation were part of the proposal, but  
85 we would have to have Newfoundland Power as a capital  
86 ... would have to share in the capital if they were to have a  
87 part of the system, and I understand that our people met  
88 with Newfoundland Power in February of this year, had a  
89 consultant present to Newfoundland Power the additional  
90 cost associated with including their coverage area in our  
91 proposal for the VHF system, and Newfoundland Power  
92 indicated at that time again, in the communications that I  
93 had with the people in the telecontrol department, that they  
94 would consider it, the costs looked expensive to their view,  
95 but they would get back to us on that.

- 1 MR. BROWNE, Q.C.: And?
- 2 MR. BUDGELL: Well, we haven't heard what they ...
- 3 MR. BROWNE, Q.C.: So you're telling us that  
4 Newfoundland Power isn't cooperating at this point, is that  
5 what you're telling us?
- 6 MR. BUDGELL: Well, Newfoundland Power haven't given  
7 us any indication that they want to proceed. I'm assuming  
8 from their opposition, or the appearance of opposition to  
9 the proposal in this hearing that they're not interested in  
10 proceeding with us in this proposal.
- 11 MR. BROWNE, Q.C.: Was there a consultant's report you  
12 just mentioned?
- 13 MR. BUDGELL: The consultant did the costs. We have  
14 different service territories, so the cost that you see is only  
15 to service our areas, so in order to cover off Newfoundland  
16 Power's areas, we would have to have additional repeaters  
17 and what have you.
- 18 MR. BROWNE, Q.C.: Can you file that through your  
19 counsel, get an undertaking to file that consultant  
20 information with the Board?
- 21 MR. BUDGELL: I would assume so, yes, it shouldn't be a  
22 problem.
- 23 MR. BROWNE, Q.C.: Your own VHF system, it indicates in  
24 **B-66**, the revised October 31, 2001, capital budget, and  
25 under the nature of the project, it says that site controllers  
26 and radio repeaters are located at each of 29 sites across  
27 the island and approximately 350 mobile and portable  
28 radios. Now these radio repeater sites, are these yours, or  
29 are they part of the network?
- 30 MR. BUDGELL: Part of which network?
- 31 MR. BROWNE, Q.C.: Are they a part of the network, the  
32 VHF network which you're buying into
- 33 MR. BUDGELL: Yes, these are part of our, this is part of  
34 our network. I don't know if all these repeaters are located  
35 on our structures though. Some of them may be, I would  
36 suspect, located on Aliant structures.
- 37 MR. BROWNE, Q.C.: So you've got 29 sites across the  
38 island.
- 39 MR. BUDGELL: Yes.
- 40 MR. BROWNE, Q.C.: Now how many sites does  
41 Newfoundland Power have across the island? Do you  
42 know that?
- 43 MR. BUDGELL: I had a number, if you'll bear with me, I  
44 might be able to find it.
- 45 MR. BROWNE, Q.C.: Sure.
- 46 MR. BUDGELL: Nineteen.
- 47 MR. BROWNE, Q.C.: They have 19, and where are their  
48 sites in proximity to your sites?
- 49 MR. BUDGELL: I wouldn't know the location of their sites,  
50 but I would assume their sites are located to their areas of  
51 business, and the majority of which, I would expect to be  
52 on the Avalon Peninsula.
- 53 MR. BROWNE, Q.C.: You think their sites are all on the  
54 Avalon Peninsula?
- 55 MR. BUDGELL: No, I would say a good many of them are  
56 on the Avalon and in the major load centres where they do  
57 service.
- 58 MR. BROWNE, Q.C.: And would you have sites on the  
59 Avalon Peninsula?
- 60 MR. BUDGELL: There's a map in the communications plan  
61 in '97 that was filed that locates our sites.
- 62 MR. BROWNE, Q.C.: Can you repeat that answer please?
- 63 MR. BUDGELL: There's a map of the locations of our sites  
64 in the communications plan that was filed with the Board  
65 and I believe it got filed again in one of the demand for  
66 particulars at this hearing. If I could refer to that?
- 67 MR. BROWNE, Q.C.: Sure, please.
- 68 MR. BUDGELL: It was filed as part of ... not on this  
69 particular item, but **NP-180**, which was associated with the  
70 microwave proposal.
- 71 MR. BROWNE, Q.C.: Do you have that in ... Terry, do you  
72 have that?
- 73 MR. O'RIELLY: The map is not available.
- 74 MR. BROWNE, Q.C.: Pardon?
- 75 MR. O'RIELLY: The map is not available.
- 76 MR. BROWNE, Q.C.: Okay, so we're going to need a hard  
77 copy of that, **NP-180**.
- 78 MR. BUDGELL: It's figure A-2.
- 79 MR. BROWNE, Q.C.: Is it the same as Mr. Henderson's  
80 Schedule 4 in his evidence?
- 81 MR. BUDGELL: You may be right, yes.
- 82 MR. BROWNE, Q.C.: Is that the same as that? That's what  
83 I have.
- 84 MR. BUDGELL: Yes, it could be the same schedule. His  
85 would be in colour.
- 86 MR. BROWNE, Q.C.: Yes.
- 87 MR. BUDGELL: But the good thing, I think, to draw from  
88 the ... you'll get the sites and locations there. The one I'm

- 1 looking at ... no, that's the microwave.
- 2 MR. BROWNE, Q.C.: Yes, okay. That's from Henderson's  
3 Schedule 4?
- 4 MR. BUDGELL: No, this is not the ...
- 5 MR. BROWNE, Q.C.: On the screen.
- 6 MR. BUDGELL: Yeah, this is not the right one. Is there  
7 another ... no, I think he just has the microwave system, not  
8 the VHF.
- 9 MR. BROWNE, Q.C.: So the microwave is in A-4, is it?
- 10 MR. BUDGELL: Yes.
- 11 MR. BROWNE, Q.C.: Figure A-4, on the Avalon Peninsula,  
12 there you see it. Have you done an overlapping document  
13 which shows Newfoundland Power, where they're located  
14 and Hydro, where you're located?
- 15 MR. BUDGELL: I believe there is, in Dave Reeves'  
16 presentation, there's a general breakdown of the island, but  
17 I mean it's not perfectly exact but it gives an indication.
- 18 MR. BROWNE, Q.C.: Is that in the Schedule 4 again?
- 19 MR. BUDGELL: I don't know what the schedule number  
20 would be.
- 21 MR. BROWNE, Q.C.: I think it was the previous one, Terry.
- 22 MR. BUDGELL: There we go. Go back.
- 23 MR. BROWNE, Q.C.: Okay, does this show the sites?
- 24 MR. BUDGELL: No, no, just the service territory you were  
25 interested in.
- 26 MR. BROWNE, Q.C.: That's the service area?
- 27 MR. BUDGELL: Yes.
- 28 MR. BROWNE, Q.C.: Do you have at Hydro specific, a  
29 specific plan of Newfoundland Power's VHF sites? Do you  
30 have that here?
- 31 MR. BUDGELL: I don't have that here, no.
- 32 MR. BROWNE, Q.C.: But does Hydro have it up there?
- 33 MR. BUDGELL: They could, I don't know. Newfoundland  
34 Power, I'm sure, has it, but ...
- 35 MR. BROWNE, Q.C.: I would think that they would have  
36 it, but would Hydro have it as well?
- 37 MR. BUDGELL: I don't know the answer to that question.
- 38 MR. BROWNE, Q.C.: Can you find that out overnight,  
39 undertake to find that out and if you have it as part of your,  
40 in your documents, can you file that in the morning please?
- 41 MR. BUDGELL: Yes.
- 42 MR. BROWNE, Q.C.: And can we have filed specifics of  
43 your sites, if you don't have them there already?
- 44 MR. BUDGELL: Our sites are on Figure A-2.
- 45 MR. BROWNE, Q.C.: Figure A-2, okay.
- 46 MR. BUDGELL: Figure A-2 of the '97 study. The circles,  
47 you can see here that the circles are leased sites, but those  
48 would be where our repeaters are located on Aliant's sites,  
49 and the square blocks are the Hydro owned sites.
- 50 MR. BROWNE, Q.C.: Now which of these would not be  
51 serviced by Newfoundland Power?
- 52 MR. BUDGELL: Newfoundland Power has their own sites.
- 53 MR. BROWNE, Q.C.: Yeah, I realize that, but I see that you  
54 have some sites in Newfoundland Power's distribution area  
55 as well.
- 56 MR. BUDGELL: Yes, because of our 230 kV network, where  
57 our network goes, that's where we have to have coverage,  
58 it's where our crews are working.
- 59 MR. BROWNE, Q.C.: But you can share a VHF mobile  
60 radio system with the Department of Transportation, but  
61 you can't share one, yourself and Newfoundland Power  
62 can't get together to share one?
- 63 MR. BUDGELL: Yes, we can share one, but you have to ...  
64 Newfoundland Power has their own right now.
- 65 MR. BROWNE, Q.C.: I realize that.
- 66 MR. BUDGELL: And they've had their own for a long  
67 period of time, so we would be interested in having  
68 Newfoundland Power come on board with us on our new  
69 one.
- 70 MR. BROWNE, Q.C.: So you're committed to that?
- 71 MR. BUDGELL: Yes.
- 72 MR. BROWNE, Q.C.: You see some cost savings in that,  
73 if Newfoundland Power came in with you in reference to  
74 that?
- 75 MR. BUDGELL: Of course, if Newfoundland Power at some  
76 future stage was going to invest in a new network, now if  
77 the VHF ... our two systems are not compatible, we can't  
78 talk to each other.
- 79 MR. BROWNE, Q.C.: It's my understanding from the  
80 minutes that we met (*sic*), that when you were replacing  
81 yours, that was the time that things could happen.
- 82 MR. BUDGELL: Yes, and I think you will see some  
83 reference to their desire to have discussions on the VHF  
84 system in the correspondence which was filed as part of  
85 this NP-180, in the letters from Mr. Bragg to Mr. Downton.
- 86 MR. BROWNE, Q.C.: But you're not yet at the stage, at

1 least you haven't heard back from Newfoundland Power,  
2 where they're going to say, they're going to share with you  
3 on this expensive item?

4 MR. BUDGELL: Yeah, they haven't indicated to us, and we  
5 are assuming from that that they are not interested.

6 MR. BROWNE, Q.C.: And they asked you a lot of  
7 questions about yours, about eight pages of transcript  
8 there, and yet you haven't heard back from them?

9 MR. BUDGELL: That's the indication that I have from the  
10 people in the telecontrol department that were in ...

11 MR. BROWNE, Q.C.: Can you check that out overnight  
12 and see where it is, and maybe let us know in the morning?

13 MR. BUDGELL: Yes, yes.

14 MR. BROWNE, Q.C.: Where we are with that. I notice on  
15 your proposal, and we'll have to come back to some of this  
16 in the morning and see what you're going to file overnight  
17 because of the expense of this particular item. I notice that  
18 there's no cost benefit study done in reference to the  
19 proposal to spend \$8,600,000 worth of money, a formal cost  
20 benefit study was not required, and I think you made  
21 reference to what a cost benefit study does in your  
22 evidence yesterday when you were speaking to our  
23 colleague, Janet Henley Andrews. What does a cost  
24 benefit study do?

25 MR. BUDGELL: Well, it depends on the set up or the  
26 interpretation that one puts on it, but the analysis that has  
27 been completed in regard to this particular project, they  
28 indicated that a formal cost benefit study was not required,  
29 it was an indication that this is a system that met the  
30 guidelines of the earlier part of the capital budget proposal  
31 and didn't require one, but Hydro is going to have to  
32 replace this particular item, so the cost study would only  
33 centre, from our perspective, around which of the  
34 alternatives is the cheapest and from that perspective, if  
35 one assumes that that's a cost benefit study, there was a  
36 review of the actual costs, but the cost benefit study could  
37 only be done if there is an alternative of not to go ahead  
38 and an alternative to go ahead, and what we're saying in  
39 this particular case, in our view, there is no alternative not  
40 to go ahead. We'd have to stand to the risk of losing our  
41 total VHF system.

42 MR. BROWNE, Q.C.: But yet according to the minutes you  
43 said in January 26th, 1999, two years and some months ago,  
44 that you weren't planning to replace this until 2003/2004.

45 MR. BUDGELL: Before that. We weren't planning to  
46 replace it before that time period, agreed.

47 MR. BROWNE, Q.C.: Can you see where an item like this  
48 might be of obvious concern to consumers, where  
49 Newfoundland Power is out there spending money on it,

50 and you're spending money on it, and we see minutes  
51 where a Vice-President of Newfoundland Power makes  
52 reference to philosophical differences between the two of  
53 you in reference to it, and yet we see a budgetary item of  
54 \$8,600,000 before us. Can you see where that might be a  
55 source of concern, would you grant me that?

56 MR. BUDGELL: Yes, but I think again, I go back to the, I  
57 think the comments of the Newfoundland Power individual,  
58 it's his own personal assumptions on what he reads into  
59 the VHF ... not the VHF ... I think it was in regards to  
60 Hydro's plan in regards to its system, it's telecontrol  
61 system, that it was going to have to update.

62 MR. BROWNE, Q.C.: In any case, you've given us a lot of  
63 information in reference to it, including the involvement of  
64 the Department of Works Services and Transportation, and  
65 Newfoundland Power, you're still waiting for a reply from  
66 Newfoundland Power, so maybe we'll see what overnight  
67 brings, and we'll come back to this item tomorrow, and in  
68 the meantime I'll go on and ask you some further questions.  
69 Can you go to **CA-147** please? I'm sorry, I think that's the  
70 wrong number there. **CA-48**, can you go to **CA-48**?

71 MR. BUDGELL: Can I ask what it is in relation to? I keep  
72 these in different areas.

73 MR. BROWNE, Q.C.: Well, according to my notes, I just  
74 told myself to go to **CA-48**, so I'll have to wait and see  
75 myself. *(laughter)* Yes, this was a question that was  
76 provided by our expert, Mr. Bowman, and it poses the  
77 question, the alternatives may be brought forward under a  
78 general request for generation proposals (inaudible) to  
79 procure new generation, and it asks you to make specific  
80 references. Can you go through your response there?

81 MR. BUDGELL: Read it all, starting from the bottom of that  
82 page?

83 MR. BROWNE, Q.C.: Yes, I might, you can expand upon  
84 your response, I guess.

85 MR. BUDGELL: Do you want me to read it?

86 MR. BROWNE, Q.C.: Yes, you can start there, just put it  
87 into the record.

88 MR. BUDGELL: This is for items (a) and (b), the following  
89 is a description of Hydro's least cost resource planning  
90 process as it applies to the island interconnected system,  
91 under general methodology consideration. The planning  
92 process is an orderly development and comparison of all  
93 relevant system costs for all technically acceptable  
94 alternatives to determine which is least cost. These  
95 principles are applied to both transmission and generation  
96 planning. Least cost resource and transmission planning  
97 utilize current engineering and economic concepts and  
98 procedures, advanced computer software, and the expertise

1 and experience of utility system planners and consultants.  
2 Inputs to these planning processes include comprehensive  
3 data, definition for the existing systems load, and  
4 generating capability, planning criteria and future resource  
5 options.

6 MR. BROWNE, Q.C.: Okay, I think it refers to, it makes  
7 reference to the fact that you're entering into agreements  
8 there with Fortis Energy, Abitibi Consolidated, and Corner  
9 Brook Pulp and Paper, is that the area we're into here for  
10 new generation?

11 MR. BUDGELL: Yes.

12 *(3:45 p.m.)*

13 MR. BROWNE, Q.C.: Are you out actively working on that  
14 particular, those particular sites now, can you tell me that?

15 MR. BUDGELL: Which particular ones are you referring  
16 to?

17 MR. BROWNE, Q.C.: Say in Bishops Falls, and ...

18 MR. BUDGELL: No, we have no involvement with the  
19 construction of that site.

20 MR. BROWNE, Q.C.: And the other site, do you have any  
21 involvement with that?

22 MR. BUDGELL: What other site is that?

23 MR. BROWNE, Q.C.: In Corner Brook and Deer Lake?

24 MR. BUDGELL: No, no involvement.

25 MR. BROWNE, Q.C.: So you have no involvement in  
26 either?

27 MR. BUDGELL: We were only involved in the Granite  
28 Canal site.

29 MR. BROWNE, Q.C.: In Granite Canal. In reference to  
30 those other two sites from which you are purchasing  
31 energy, I guess, that's the limit of your involvement, you're  
32 purchasing energy?

33 MR. BUDGELL: Yes.

34 MR. BROWNE, Q.C.: And you're not sending engineers  
35 out there to take a look or ...

36 MR. BUDGELL: No.

37 MR. BROWNE, Q.C.: Nothing of that sort.

38 MR. BUDGELL: Our only involvement would be to review  
39 the, any information they provide to us.

40 MR. BROWNE, Q.C.: Okay, so you do have some  
41 involvement, you're reviewing information they provide to  
42 you?

43 MR. BUDGELL: Well, before the systems get connected  
44 onto the island grid, our engineers would have to have a  
45 look at the design of the development to ensure that we see  
46 no problem with those developments.

47 MR. BROWNE, Q.C.: And these two developments are  
48 outside the sphere of the regulator.

49 MR. BUDGELL: Yes.

50 MR. BROWNE, Q.C.: Now when these people go out and  
51 take a look at all of that, are they going to be using  
52 regulated funds, is that how you're paying them to do that?

53 MR. BUDGELL: They won't be going out, I don't think.

54 MR. BROWNE, Q.C.: They're dealing with non-regulated  
55 entities and they're doing checks and so on, have you  
56 informed your people to use time cards or something so the  
57 ratepayers aren't getting charged for it?

58 MR. BUDGELL: I'm not aware that that direction has been  
59 provided.

60 MR. BROWNE, Q.C.: Do any people in your department do  
61 any work ...

62 MR. BUDGELL: There will be very limited activity. It  
63 would essentially be critical drawings, i.e., protection  
64 control type drawings associated with the interconnection  
65 to the system.

66 MR. BROWNE, Q.C.: It's more system oriented.

67 MR. BUDGELL: Yes.

68 MR. BROWNE, Q.C.: Than dealing with the entities  
69 themselves.

70 MR. BUDGELL: Yes, it's a normal type of business that we  
71 would have ongoing with any entity that's putting  
72 equipment on the system. It wouldn't be anything that  
73 would take more than a day or two for the appropriate  
74 person to review. It's incidental.

75 MR. BROWNE, Q.C.: But if these people are out there  
76 reviewing and if they're assisting in any way, and it's out of  
77 the sphere of the regulation of this Board, and outside the  
78 sphere of regulated funds, do you have a system in place,  
79 or have you put any kind of system in place to ensure  
80 integrity there where the ratepayers are not paying for any  
81 of these services?

82 MR. BUDGELL: Yeah, our people would not be providing  
83 services for the construction of these sites, or construction  
84 management.

85 MR. BROWNE, Q.C.: Yeah, I think you told me that, but  
86 then you said some of them might be going out to take a  
87 look.

88 MR. BUDGELL: No, they'd only be looking at drawings  
89 that we requested be provided to us.

- 1 MR. BROWNE, Q.C.: And have you set up a standard  
2 within your department to ensure that the ratepayers'  
3 interests are protected in reference to these projects?
- 4 MR. BUDGELL: I'm not aware that there is anything set up  
5 as yet. I don't expect that there would be any involvement  
6 from our people until 2003 on these sites. It would be an  
7 activity that would only be undergone during the  
8 commissioning stages of these projects.
- 9 MR. BROWNE, Q.C.: But if they are involved, if they will  
10 be getting involved, are you putting any system in place to  
11 safeguard the ratepayers' interest there? Say tracking of  
12 hours, for instance?
- 13 MR. BUDGELL: I'm not aware that there's one being put in  
14 place. There is no activities in 2002 that I know of  
15 associated with these projects.
- 16 MR. BROWNE, Q.C.: Now, do you have any dealings with  
17 CF(L)Co. yourself?
- 18 MR. BUDGELL: Not a lot.
- 19 MR. BROWNE, Q.C.: Do you have some?
- 20 MR. BUDGELL: Yes, our department might do some  
21 analysis for CF(L)Co..
- 22 MR. BROWNE, Q.C.: What type of analysis do they do for  
23 CF(L)Co.?
- 24 MR. BUDGELL: Well if CF(L)Co. has a problem associated  
25 with any of their systems, they may ask us for assistance in  
26 evaluation.
- 27 MR. BROWNE, Q.C.: Do you charge them for that effort?
- 28 MR. BUDGELL: Yes, there is, our costs are split out to all  
29 Hydro's, all of our corporate entities.
- 30 MR. BROWNE, Q.C.: Is there a standard that is in place or  
31 is it just, like so much an hour for doing the work as an  
32 engineering hour used?
- 33 MR. BUDGELL: For our system planning department,  
34 because it's not a, because it wouldn't be on the basis of a  
35 particular project or a work order, there is a percentage of  
36 our annual costs each and every year allocated to  
37 CF(L)Co., as support, and I'm talking about the system  
38 planning department.
- 39 MR. BROWNE, Q.C.: What kind of percentage?
- 40 MR. BUDGELL: I don't recall ...
- 41 MR. BROWNE, Q.C.: Can you elaborate on that a little? Is  
42 it just a ball parking?
- 43 MR. BUDGELL: It's a number that was developed many  
44 years ago from what I understand based on prior activities.  
45 It's a percentage of our costs.
- 46 MR. BROWNE, Q.C.: Has it been updated in reference to  
47 wages, I'm sure ... you said it was developed quite a number  
48 of years ago.
- 49 MR. BUDGELL: It's a percentage.
- 50 MR. BROWNE, Q.C.: It's a percentage.
- 51 MR. BUDGELL: It's a percentage so it doesn't need to be  
52 updated on that basis.
- 53 MR. BROWNE, Q.C.: So that's the method that you're  
54 using to ensure ratepayers funds aren't subsidizing?
- 55 MR. BUDGELL: Yes.
- 56 MR. BROWNE, Q.C.: You do it on a percentage basis?
- 57 MR. BUDGELL: Yes.
- 58 MR. BROWNE, Q.C.: Do you have any idea as to how the  
59 percentage was developed?
- 60 MR. BUDGELL: I understand it was developed a number  
61 of years ago based on some activities.
- 62 MR. BROWNE, Q.C.: Is there a paper out there in ...
- 63 MR. BUDGELL: Or some review.
- 64 MR. BROWNE, Q.C.: Is there paper out there in reference  
65 to that?
- 66 MR. BUDGELL: I'm not aware of any. It's been in place as  
67 long as I remember.
- 68 MR. BROWNE, Q.C.: But somewhere it must be written  
69 what the percentage is or what the agreement is.
- 70 MR. BUDGELL: I'm sorry, what the percentage is ...
- 71 MR. BROWNE, Q.C.: There must be writing somewhere.
- 72 MR. BUDGELL: Yeah, I'm sure we can find out through the  
73 system what the percentage is of system planning's  
74 activities that are charged annually to CF(L)Co..
- 75 MR. BROWNE, Q.C.: Can you have your counsel  
76 undertake to provide to us any written paper that's out  
77 there in reference to the general procedure that's followed?
- 78 MS. GREENE, Q.C.: That's filed in **NP-11(b)**, the procedure  
79 for charging CF(L)Co.. If you're asking a more specific  
80 question, I wonder if you could identify it. That's already  
81 on the record.
- 82 MR. BROWNE, Q.C.: That's already filed, NP-11?
- 83 MS. GREENE, Q.C.: Yes.
- 84 MR. BROWNE, Q.C.: Okay.
- 85 MS. GREENE, Q.C.: Yeah, 11(b).
- 86 MR. BROWNE, Q.C.: I went from Grand Falls to CF(L)Co.  
87 just as a test, but if it's already there I'll take a look at it



1 overnight myself and I'll ask you some questions about it  
2 in the morning.

3 MS. GREENE, Q.C.: That's the procedure for charging  
4 CF(L)Co., which was one of the subject matters of  
5 discussion with Newfoundland Power's witness, Mr.  
6 Browne.

7 MR. BROWNE, Q.C.: Can you go to CA-52 please, and the  
8 question put there, Hydro is forecasting strong growth in  
9 demand for the next two years, yet demand growth has  
10 been relatively flat since Hydro's last filing, and what are  
11 the drivers behind this. Is this, your answer to this, is this  
12 still current? Can you read your answer into the record?

13 MR. BUDGELL: The significant drivers behind Hydro's  
14 interconnected island higher demand forecast in 2001 and  
15 2002 include increased sales to Newfoundland Power  
16 attributed to a return to normal weather assumption relative  
17 to recent years of below normal heating degree days,  
18 coupled with modest growth expectations. As well,  
19 increased sales to Corner Brook Pulp and Paper Limited are  
20 associated with an increase in power (inaudible) as  
21 anticipated by the customer, see NP-158.

22 MR. BROWNE, Q.C.: Is that still current? Do you still  
23 predict increased sales to Corner Brook Pulp and Paper?

24 MR. BUDGELL: I think still an increase but it's not as  
25 dramatic, and that's filed as part of my second supplemental  
26 evidence. I believe the demand was 67 and the new power  
27 ... the power in order, there is a paragraph in the  
28 supplemental indicating that they had advised us in this  
29 year's power in order, subsequent to us doing the  
30 supplemental evidence and the new forecast, that they  
31 wished the power in order to be 56 rather than the 67 that  
32 was in the forecast, so 56 is still an increase but it's not as  
33 high. It's five megawatts higher, not the 15 or so  
34 megawatts higher.

35 MR. BROWNE, Q.C.: So this forecasting is still on track?

36 MR. BUDGELL: Yes, and the, the other change in regard to  
37 this is in relation to the, this is in relation to the as-filed  
38 Newfoundland Power forecast, and I think the new forecast  
39 for Newfoundland Power is a little higher on an energy  
40 basis, sales basis.

41 MR. BROWNE, Q.C.: Newfoundland Power is looking for  
42 more from you?

43 MR. BUDGELL: I think this was discussed the other day  
44 too. It's in the supplemental evidence.

45 MR. BROWNE, Q.C.: Yes. Newfoundland Power's  
46 requirements from you, is that driven by demands for  
47 electric heat?

48 MR. BUDGELL: Yes, part of it.

49 MR. BROWNE, Q.C.: Is that the major part?

50 MR. BUDGELL: I think it's the, there's indications, I think,  
51 in past hearings that they derive perhaps half their revenue  
52 from that resource.

53 MR. BROWNE, Q.C.: And maybe that's ... it's 4:00, do you  
54 want to break there, Mr. Chairman?

55 MR. NOSEWORTHY, CHAIRMAN: Is it a convenient time  
56 for you or would you prefer to go on for another little  
57 while?

58 MR. BROWNE, Q.C.: I've got about another hour, I would  
59 say, but I want to see some of this stuff that's filed  
60 overnight.

61 MR. NOSEWORTHY, CHAIRMAN: Okay.

62 MR. BROWNE, Q.C.: Now we talked yesterday about  
63 going until 4:30. I don't know if that's ... I'm prepared to go  
64 till 4:30, but has that been raised with the Board yet?

65 MR. KENNEDY: No, it hasn't been raised with the panel  
66 yet.

67 MR. BROWNE, Q.C.: Okay, very good, well I'll leave that  
68 one alone. Thank you very much.

69 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.  
70 Browne, thank you, Mr. Budgell. We'll reconvene at 9:30  
71 tomorrow morning.

72 MS. BUTLER, Q.C.: Mr. Chairman, I wonder if I might just  
73 get some sense of tomorrow's agenda for perhaps the  
74 benefit of Mr. Roberts and I who might be on if things are  
75 going to complete with Mr. Budgell. What I had said  
76 yesterday in the meeting of counsel was that if, in fact, we  
77 got till lunchtime and Mr. Budgell was not, or was just  
78 complete, I don't know if there'd be any merit in my starting  
79 Mr. Roberts. If on the other hand, Mr. Budgell completes  
80 early in the morning, then perhaps I might take advantage  
81 of, you know, three quarters of the day, so perhaps  
82 between Mr. Browne and Mr. Kennedy now, we might have  
83 some sense of that. Otherwise, I might be working tonight  
84 with a staff member that may not be necessary.

85 MS. GREENE, Q.C.: And our concern is with respect to the  
86 schedule. We would not like to lose another half day if at  
87 all, if it can be avoided, so yes, it would be very helpful if  
88 Mr. Browne and Mr. Kennedy, and the panel too, I guess,  
89 could indicate how long they plan to be tomorrow so we  
90 can plan when Mr. Roberts will need to be ready to start at  
91 some stage tomorrow.

92 MR. NOSEWORTHY, CHAIRMAN: Mr. Browne, would  
93 you have any notion at all?

94 MR. BROWNE, Q.C.: The witness has undertaken to give  
95 some information in reference to the radio system, and the

1 areas that I want to deal with them tomorrow, in fairness to  
2 him, if he wants to look them over ... demand side  
3 management, I'll be dealing with that tomorrow, and one or  
4 two other areas, so I can't see being any longer than the  
5 break, but I don't know what we might stumble upon, so it  
6 could be, we may go longer than the break, the morning  
7 break.

8 MR. KENNEDY: And Chair, realistically, between the  
9 Consumer Advocate, myself, the panel, redirect, questions  
10 arising, it would be highly unlikely that we'll even be  
11 wasting an afternoon, but rather be fortunate to finish with  
12 Mr. Budgell by the end of tomorrow.

13 MR. NOSEWORTHY, CHAIRMAN: I'm taking from that,  
14 Counsel, that you're, you will be a little while as well.

15 MR. KENNEDY: That's correct.

16 MR. NOSEWORTHY, CHAIRMAN: I suspect.

17 MS. GREENE, Q.C.: Well, Mr. Roberts will be ready if that  
18 occasion should arise?

19 MR. NOSEWORTHY, CHAIRMAN: Well, I think if we  
20 were to get beyond into the afternoon, certainly if we were  
21 to get a full half a day it might be appropriate. It doesn't  
22 look that way at this point in time, so I think there's a  
23 distinct possibility from what I'm hearing in any event that  
24 we'll have a very small window of opportunity tomorrow  
25 afternoon if we were to bring Mr. Roberts forward, so I  
26 think we'll assume for planning purposes, and Ms. Butler's  
27 evening, that we will not be, we will not be seeing Mr.  
28 Roberts come on the stand tomorrow.

29 MS. BUTLER, Q.C.: That's fine, thank you, Mr. Chairman.  
30 I think it is of benefit to the witness honestly as well, you  
31 know, to know whether he's going to be on the stand  
32 tomorrow.

33 MR. NOSEWORTHY, CHAIRMAN: Yes, understood, yes  
34 ... okay?

35 MR. HUTCHINGS: Mr. Chairman, if I might, if we do have  
36 a little extra time tomorrow afternoon, I am foreseeing the  
37 possibility we may need to have Mr. Henderson back to  
38 address the document that was filed earlier on about the  
39 hydrology. We're having some difficulty in reconciling all  
40 the numbers we have, and I don't think it will take very  
41 long, but if we do happen to have an hour tomorrow  
42 afternoon, that might be a convenient time.

43 MR. NOSEWORTHY, CHAIRMAN: Do you have any  
44 comment, Ms. Greene, on that?

45 MS. GREENE, Q.C.: Will we have Mr. Henderson on and  
46 off in a short time that it would appear that we would have  
47 available, otherwise he's going to be split too with the cost  
48 of capital, so I guess the only thing I can say is that we'll

49 have to reassess as to where we are. I would not like to put  
50 Mr. Henderson on, any more than Ms. Butler would like to  
51 have Mr. Roberts on, if he can't be complete, and we are  
52 having a break next week because we go back to cost of  
53 capital, and this is the first I've heard that there was a  
54 request for any additional evidence from Mr. Henderson.

55 MS. HENLEY ANDREWS: We only got the document  
56 yesterday.

57 MS. GREENE, Q.C.: Yes, I understand, but this is the first  
58 time I've heard, and I'm not even sure what is the schedule  
59 for tomorrow for Mr. Henderson.

60 MR. NOSEWORTHY, CHAIRMAN: I think realistically the  
61 only thing we can do is wait to see what transpires  
62 tomorrow and see if we have the time to begin and  
63 complete that in a realistic fashion. Okay, thank you very  
64 much. We'll see you at 9:30 in the morning.

65 *(hearing adjourned to November 9, 2001)*