

1 (9:30 a.m.)

2 MR. NOSEWORTHY, CHAIRMAN: Thank you and good
3 morning. Counsel, are there any preliminary items before
4 we get started?

5 MR. KENNEDY: Yes, Chair, I believe ...

6 MR. NOSEWORTHY, CHAIRMAN: I recognize that Ms.
7 Greene probably has some undertakings this morning in
8 relation to Mr. Browne's cross yesterday.

9 MR. KENNEDY: That's correct, Chair.

10 MR. NOSEWORTHY, CHAIRMAN: Ms. Greene.

11 MS. GREENE, Q.C.: Good morning.

12 MR. NOSEWORTHY, CHAIRMAN: Good morning.

13 MS. GREENE, Q.C.: There were four undertakings
14 requested by counsel for the Consumer Advocate or the
15 Consumer Advocate yesterday that he asked us to file
16 overnight, and I'd like to review those four now. The first
17 is an undertaking which is found in the **transcript on page**
18 **34, lines 13 to 16**, and was an undertaking to file the
19 correspondence between Newfoundland Hydro and
20 Newfoundland Power on the discussions on the VHF
21 Mobile Radio System. The first document in this regard is
22 found in **NP-180**, which was filed, and it is available on the
23 screen. It is a letter dated ... it's the second letter, the letter
24 dated March 7th, 2001. This letter was primarily about the
25 digital microwave system but there is a reference to the
26 VHF Radio System, which is found there in the third
27 paragraph. That is the first piece of the written
28 correspondence. There were no other written
29 correspondence with respect to the VHF Radio System
30 between the two utilities, however, there were a number of
31 meetings over the winter and spring of 2001 and Mr.
32 Budgell is in a position to report on them this morning.

33 The second undertaking is found in the **transcript**
34 **on page 36, line 13 to 20**, and this is the second in the
35 sense that we were asked to file it overnight. And the
36 Consumer Advocate asked us to provide a copy of the
37 consultant's report on the incremental costs associated
38 with serving Newfoundland Power on the VHF Radio
39 System, and I have a copy of that report to file at this time.
40 This is a draft report that was never finalized, as we had not
41 heard back from Newfoundland Power, so you will see it is
42 entitled "Draft" and wasn't finalized, but I do have copies
43 to distribute at this time.

44 MR. KENNEDY: That'll be U-Hydro No. 19.

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

46 MS. GREENE, Q.C.: The third undertaking is found in the
47 **transcript of yesterday at page 37 at lines 38 to 40** where
48 we were asked to provide a map showing the sites of the

49 repeater locations of Newfoundland Power. As well there
50 had been a request to file the map for the repeater locations
51 of Newfoundland Hydro. As we pointed out yesterday, the
52 sites for Newfoundland Hydro were contained in Figure A-
53 2 to the Telecommunications Plan that was filed in **NP-180**,
54 but I have additional copies of that map to distribute at this
55 time, but it is the same map that's found in Figure A-2 in the
56 Telecommunications Plan of **NP-180**. So the first
57 document I'm distributing is the map of Newfoundland
58 Power's repeater sites. The first map being the
59 Newfoundland Power sites, I guess, is **U-Hydro 20**.

60 MR. KENNEDY: That's correct. Should add it as a new
61 exhibit, Chair, in light of the writing on it.

62 **U-HYDRO NO. 20 ENTERED**

63 MR. NOSEWORTHY, CHAIRMAN: Thank you.

64 MS. GREENE, Q.C.: So we also have a copy of the map just
65 for convenience. That's also found in Figure A-20. It's of
66 the Hydro sites. I'd like to distribute that at this time. I
67 don't know if it needs to be marked because it's already in
68 the record.

69 MR. KENNEDY: That would not need to be marked again,
70 Chair.

71 MR. NOSEWORTHY, CHAIRMAN: Thank you.

72 MS. GREENE, Q.C.: The last undertaking with respect to
73 the VHF Radio, and again we were asked to provide it
74 overnight, is found in the **transcript of yesterday at page**
75 **37, starting at line 86 and going over to page 38 at line 11**
76 **to 12**, and is to report on the status of the discussions with
77 Newfoundland Power on the VHF Radio Mobile System,
78 and again Mr. Budgell is in a position to report on that this
79 morning. I would point out that I spoke with the Consumer
80 Advocate last night and provided him with copies of the
81 documentation that's just now being circulated.

82 MR. NOSEWORTHY, CHAIRMAN: Thank you.

83 MS. GREENE, Q.C.: The last preliminary point that I would
84 like to raise this morning is with respect to the evidence of
85 Dr. Vilbert. Dr. Vilbert is the next witness who is scheduled
86 to start on Tuesday. Last Friday, counsel for the Industrial
87 Customers had indicated that there will be revised evidence
88 filed by Dr. Vilbert, and I wonder if he's in a position to
89 indicate if that is still correct and when we might expect to
90 receive the evidence in light of the fact that Dr. Vilbert is
91 starting as the next witness.

92 MR. NOSEWORTHY, CHAIRMAN: Mr. Hutchings,
93 please?

94 MR. HUTCHINGS: Yes. Thank you, Mr. Chair. I had
95 intended to raise this with the Board at this point, in any
96 event. I received last night in electronic form the revised

1 evidence of Dr. Vilbert and we're arranging to have it
2 printed and hopefully it should be available by lunchtime,
3 certainly by the end of the day in any event.

4 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
5 Hutchings. Anything further, Ms. Greene?

6 MS. GREENE, Q.C.: No, that's it. Thank you very much,
7 Mr. Chair.

8 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.
9 Good morning, Mr. Budgell.

10 MR. HUTCHINGS: Excuse me ...

11 MR. BUDGELL: Good morning.

12 MR. HUTCHINGS: ... Mr. Chair.

13 MR. NOSEWORTHY, CHAIRMAN: Good morning, Mr.
14 Browne. Oh, I'm sorry.

15 MR. HUTCHINGS: Just before we go on, on the copy of U-
16 **Hydro 19** that I have there's reference to six attachments.
17 I only have one, which is Attachment 6, sheet one of two.

18 MS. GREENE, Q.C.: And I would point out, and Mr.
19 Budgell, when he comes to this, this was a draft report. It
20 was never finalized. The attachments would be like lists of
21 the sites, and because the report wasn't finalized they were
22 never completed to a file as an attachment.

23 MR. HUTCHINGS: Okay, that ...

24 MS. GREENE, Q.C.: So what you have is the ...

25 MR. HUTCHINGS: That clarifies it.

26 MS. GREENE, Q.C.: What you have circulated is the
27 complete draft report.

28 MR. NOSEWORTHY, CHAIRMAN: What's available, the
29 draft ...

30 MR. HUTCHINGS: Thank you, Mr. Chair.

31 MR. NOSEWORTHY, CHAIRMAN: Thank you. Good
32 morning, Mr. Browne. I wonder could I ask you to
33 continue with your cross, please?

34 MR. BROWNE, Q.C.: Thank you, Chairperson, and I
35 acknowledge that Ms. Greene faxed information into our
36 office last night after contacting us and we thank her for
37 those courtesies. Good morning, Mr. Budgell. Can you go
38 to **CA-17**, please? CA-17, you provided there a chart at our
39 request for a typical annual electricity consumption for
40 Hydro rural households. Yesterday I asked you a question
41 concerning electricity and you mentioned that electric heat,
42 I asked you was electric heat driving the system, and what
43 was your response to that?

44 MR. BUDGELL: I think your question was in regards to,
45 was it Newfoundland Power or was the overall system ...

46 MR. BROWNE, Q.C.: I think you brought up
47 Newfoundland Power.

48 MR. BUDGELL: Yes, but the electric heat has a large part
49 to play in demand on the system.

50 MR. BROWNE, Q.C.: Sure. And there in that table, the
51 typical annual electricity consumption for Hydro rural
52 households, how was this information compiled?

53 MR. BUDGELL: I understand this is a composite of all
54 Hydro rural ... it was information compiled from a ... there's
55 a note there, information from a 2001 survey of households
56 located within Hydro's service territory.

57 MR. BROWNE, Q.C.: Okay. So it's on the island and in
58 Labrador as well.

59 MR. BUDGELL: Yes. All of Hydro rural.

60 MR. BROWNE, Q.C.: Okay. And the second column you
61 have with electric hot water but no electric heating, the
62 annual electricity consumption, 10,548. That's in kilowatts
63 per year.

64 MR. BUDGELL: Kilowatt hours per year, yes.

65 MR. BROWNE, Q.C.: Okay. But if you have electric heat,
66 it would be 32,882. Now, obviously that depends on the
67 household. Were you doing a household of four people or
68 two people or how many?

69 MR. BUDGELL: This, I think, refers to a composite
70 average, so I don't think it refers to any particular size of
71 household.

72 MR. BROWNE, Q.C.: Okay. So it's real figures.

73 MR. BUDGELL: Yes.

74 MR. BROWNE, Q.C.: Okay. In terms of electric heat and
75 electric heat on the island, were you at the hearing on
76 October 26th when we heard from the Conservation Corps
77 and Barbara Mullally-Pauly from the Energuide Program,
78 Department of Energy?

79 MR. BUDGELL: Yes, I was.

80 MR. BROWNE, Q.C.: And Ms. Barbara Mullally-Pauly
81 made reference to the inefficiency in having electric heat
82 provided by burning oil. I think she made the comment,
83 wouldn't it better if people burned their own oil in their own
84 homes.

85 MR. BUDGELL: Yes, I remember that comment.

86 MR. BROWNE, Q.C.: Can you comment on that? Is that an
87 accurate reflection of efficiency the way you would know
88 it?

89 MR. BUDGELL: Yes, in relation to us burning our oil,
90 producing electricity versus, if it's going to use for heat,

1 versus a homeowner burning it at his house and directly
2 producing heat.

3 MR. BROWNE, Q.C.: Sorry, can you speak up a little?

4 MR. BUDGELL: I'm sorry. I'm trying to speak into the
5 microphone. I understand it's for the benefit ... some
6 people have difficulty ... producing electricity from a
7 thermal unit such as Holyrood for uses such as electric
8 heat is less efficient than producing heat via furnaces at a
9 person's home with a furnace, a modern furnace.

10 (9:45 a.m.)

11 MR. BROWNE, Q.C.: We go to this scenario now. If
12 everyone in the province, the Government issued an edict
13 and everyone in the province was told to convert to oil
14 from electric heat as a source of heat for their homes, say if
15 they did that, what would that do to your requirements at
16 Holyrood? Just take that extremity for a moment and ...

17 MR. BUDGELL: I wouldn't be able to offer numbers that
18 you can bank on but it would have a major effect on
19 system's demand and as well energy.

20 MR. BROWNE, Q.C.: Could it very well put an end to
21 Holyrood?

22 MR. BUDGELL: I don't know whether it's to that degree
23 but it would be a, it would lessen the requirement for
24 Holyrood.

25 MR. BROWNE, Q.C.: And I guess a corollary of that would
26 be if people continue to put electric heat in their homes,
27 we're going to end up burning more at Holyrood. Is that
28 fair comment?

29 MR. BUDGELL: Yes, yes, on the short-run basis, assuming
30 you don't add any other plant.

31 MR. BROWNE, Q.C.: And in the foreseeable future can
32 you see where Holyrood would be taken out of operation,
33 for instance?

34 MR. BUDGELL: Well, there will be a day, I would expect,
35 that Holyrood would reach its end of its useful life and
36 have to be replaced by some other means.

37 MR. BROWNE, Q.C.: But by an alternate source of energy
38 other than hydraulics.

39 MR. BUDGELL: Yes. I wouldn't be able to identify it but it
40 would be an alternate source. It could be another source if
41 a Labrador in-feed, for instance, ever materialized. It could
42 be non-thermal.

43 MR. BROWNE, Q.C.: Given the fact then that electric heat
44 is causing some expense in terms of Holyrood and
45 additional fuel requirements at Holyrood, have you
46 approached Newfoundland Power, who are in the urbanized
47 areas of this province for the most part, to point out that

48 problem?

49 MR. BUDGELL: Well, I think Newfoundland Power are
50 aware of the economics of producing electricity as well as
51 I am. I don't have to point it out to them.

52 MR. BROWNE, Q.C.: Should there be a program
53 undertaken, from a conservation perspective, dealing with
54 builders to tell builders that it is, the pitfalls of putting
55 electric heat into new construction?

56 MR. BUDGELL: I think builders should be aware of the
57 cost, but I think what builders take into effect or into
58 account, irrespective, unless there is a builder ... unless
59 there is a customer requirement that the customer asks for
60 one source of energy versus another in a house, builders,
61 I think, tend to build in the system what is the lowest
62 capital cost source of heating for a house.

63 MR. BROWNE, Q.C.: Which is baseboard radiation.

64 MR. BUDGELL: Yes, which is ...

65 MR. BROWNE, Q.C.: They ...

66 MR. BUDGELL: I think that's the tendency.

67 MR. BROWNE, Q.C.: They won't dump a furnace into a
68 house anymore.

69 MR. BUDGELL: I don't think they'll put it in unless a
70 customer specifically asks for that.

71 MR. BROWNE, Q.C.: Have you approached the province
72 in terms of this as a potential problem of supply?

73 MR. BUDGELL: There was some discussions with the
74 province, both Newfoundland Power and ourselves, back
75 in the early 1990s in regards to resource planning and the
76 initiatives both on supply and demand side that could be
77 undertaken within the province.

78 MR. BROWNE, Q.C.: Would it help you now if there was
79 a halt put to putting electric heat into homes, further
80 expansion of effectively putting oil into Holyrood? Would
81 that help the situation now that you find yourselves in?

82 MR. BUDGELL: The load growth is rather modest but if
83 electric heat is not put into homes there would be less
84 growth and (inaudible) less fuel burned and somewhere
85 over the time period there may be less capacity built to
86 meet it.

87 MR. BROWNE, Q.C.: What demand side management
88 initiatives is Newfoundland Hydro into now on the island?

89 MR. BUDGELL: Our initiatives are mostly associated with
90 the ... I believe they're listed in one of the RFIs, if I might go
91 to it. I'm sorry, I mentioned it was in an RFI. It wasn't. The
92 ...

93 MR. BROWNE, Q.C.: I think in the CA-106 you'll find

1 some demand side management initiatives.

2 MR. BUDGELL: Yeah. I ...

3 MR. BROWNE, Q.C.: Let me take ...

4 MR. BUDGELL: I'll try to speak from memory.

5 MR. BROWNE, Q.C.: Okay.

6 MR. BUDGELL: I can't get to the exact ... most of the ...
7 there are two aspects, but you mentioned the island, but
8 there are two aspects to our demand side management
9 program. In the case of the island system we're essentially,
10 where administratively possible, following the programs
11 that Newfoundland Power offer their customers, and
12 besides that we have bill information going out to
13 customers and, as the Conservation Corps indicated on
14 Friday, we participate with them in providing information to
15 those customers that express some difficulty in
16 understanding their bill and why their electric use is so
17 high.

18 MR. BROWNE, Q.C.: I think you gave, what was it, \$18,000
19 to the Conservation Corps. I think that was the figure
20 mentioned previously for ...

21 MR. BUDGELL: Yeah. I heard that number ...

22 MR. BROWNE, Q.C.: ... work that they undertook.

23 MR. BUDGELL: Yes.

24 MR. BROWNE, Q.C.: So it's mainly in brochures and billing
25 information that you have your initiative right now?

26 MR. BUDGELL: Yes. There's Ener-Can information made
27 available to customers upon request and at our sites.

28 MR. BROWNE, Q.C.: And you heard Ms. Barbara
29 Mullally-Pauly, her views on brochures.

30 MR. BUDGELL: Yes, I think I share those views too in a
31 way because we all get bill stuffers. We all know what we
32 do with them.

33 MR. BROWNE, Q.C.: So they have no real value, you're
34 saying?

35 MR. BUDGELL: Well, I think they have value, value to a
36 customer ...

37 MR. BROWNE, Q.C.: That's not what she said. She said
38 they may have minimal value, I think she ...

39 MR. BUDGELL: Yeah. They have some value to
40 customers. It depends on the circumstance, if that's the
41 issue that a customer is interested in.

42 MR. BROWNE, Q.C.: Now, I refer you to **CA-106**. You
43 might need your hard copies for this. These are various
44 reports on demand side management and an initiative you
45 took in Labrador in the diesel communities in the 1990s.

46 Why did you choose Labrador to undertake demand side
47 management initiatives in Labrador? Why did you choose
48 Labrador?

49 MR. BUDGELL: I think it was because it was, I believe at
50 that time it was some of the higher cost systems.

51 MR. BROWNE, Q.C.: And in the diesel communities.

52 MR. BUDGELL: Yes, certainly.

53 MR. BROWNE, Q.C.: Although I do notice an anomaly
54 there. You took a demand side management initiative in
55 Labrador City. Why Labrador City?

56 MR. BUDGELL: Yeah. At that particular time we were in
57 the process of just taking over the community and there
58 were some upgrading going on within the city and our
59 analysis was to see if we could determine if there was any
60 benefits in applying some DSM initiatives in that
61 environment, see if we could defer some of those
62 initiatives.

63 MR. BROWNE, Q.C.: In Labrador City, supply is there and
64 electricity is relatively cheap.

65 MR. BUDGELL: Yes, and that's part of the problem in that
66 environment in getting people to save electricity. It's very
67 difficult.

68 MR. BROWNE, Q.C.: Because it is so cheap there.

69 MR. BUDGELL: Because it is so cheap, yes.

70 MR. BROWNE, Q.C.: You find that that's a problem?

71 MR. BUDGELL: Well, any time the customer makes a
72 decision based on what he perceives to be his relative cost,
73 between his alternatives, and it's difficult to pursue
74 conservation in an environment of very low cost.

75 MR. BROWNE, Q.C.: Now you chose Labrador to do
76 demand side management studies. Why didn't you do
77 similar studies on the island?

78 MR. BUDGELL: I think it was just a cost consideration,
79 that these were pilots, and it was a pilot study and the
80 intention of course, depending on the results of the pilots,
81 we would expand that to other areas if it was positive.

82 MR. BROWNE, Q.C.: Can you refer a moment to the
83 **August 1994 progress report on demand side management**
84 **during 1993?** It's found in **CA-106**.

85 MR. BUDGELL: I have a March and I have a December.
86 For some reason I'm ... just stand by.

87 MR. BROWNE, Q.C.: Your counsel might assist you.
88 (10:00 a.m.)

89 MS. GREENE, Q.C.: Actually I don't have copies of those
90 reports here either.

1 MR. BUDGELL: I'll try to ... I have copies here. I'll try to
2 look for it there if I ... I might be just skimming over it.

3 MR. BROWNE, Q.C.: Okay. We'll give you a few moments.
4 Thank you.

5 MS. HENLEY ANDREWS, Q.C.: Which year are you
6 talking about?

7 MR. BROWNE, Q.C.: It's progress report on demand side
8 management during 1993.

9 MR. BUDGELL: Oh, it's a progress ... I'm sorry. I'm looking
10 ...

11 MR. BROWNE, Q.C.: Sorry, Newfoundland and Labrador
12 Hydro, August 1994.

13 MR. BUDGELL: I was looking for an August '94 report on
14 the study, I'm sorry. I'll go to August.

15 COMMISSIONER POWELL: Is that Tab No. 10? They're
16 all under tabs. Is that Tab 10 you're talking about?

17 MR. BROWNE, Q.C.: We're after re-tabbing ours,
18 Commissioner Powell, so I can't be of assistance.

19 COMMISSIONER POWELL: I got one here, Tab 10.

20 MR. BROWNE, Q.C.: You might be right.

21 MR. BUDGELL: Okay, I found mine but ...

22 MR. BROWNE, Q.C.: The progress report on demand side
23 management during 1993, paragraph one has the
24 introduction. Just can you read that into the record?

25 MR. BUDGELL: "This progress report on demand side
26 management for 1993 has been prepared in response to the
27 April 13th, 1992, report issued by the Board of
28 Commissioners of Public Utilities, the Board, where the
29 Board directed that Newfoundland and Labrador Hydro,
30 NLH, prepare annually a joint report with NP on the
31 progress of DSM for the year then ended."

32 MR. BROWNE, Q.C.: Okay. Is that order of the Board still
33 current?

34 MR. BUDGELL: I would assume it is.

35 MR. BROWNE, Q.C.: Are you continuing to prepare jointly
36 a report with Newfoundland Power?

37 MR. BUDGELL: I think ... I believe ... it's my understanding
38 there are separate reports produced on DSM activities.

39 MR. BROWNE, Q.C.: That's not what the order says
40 though, is it?

41 MR. BUDGELL: No, and I believe that's been reported as
42 such from the beginning. Now, I don't know whether there
43 was any discussion at that time with the Board in that
44 regard but that's the way the utilities have reported.

45 MR. BROWNE, Q.C.: The report itself gives various, has
46 various attachments, and the attachments there, about five
47 or six pages into the report ... I think it's unnumbered. It
48 says "Attachments." Page five, I guess, it would be. It
49 provides eight items there including the following page,
50 "How to reduce your energy cost, the energy efficiency
51 guide for business, industry, government and institutions."
52 Can you just take us through that, the first one there, "How
53 to reduce your energy costs, second edition,
54 Newfoundland and Labrador Hydro"? Is this something
55 you produced?

56 MR. BUDGELL: I think our name is ... I don't know whether
57 this is a program in literature that is taken from a generic
58 program ...

59 MR. BROWNE, Q.C.: It might be something you've
60 adopted.

61 MR. BUDGELL: Yes.

62 MR. BROWNE, Q.C.: And to whom did these go, "How to
63 reduce your energy costs," the second edition? Is that
64 going out to someone in particular?

65 MR. BUDGELL: I would assume based on the direction on
66 the page, it's an efficiency guide for businesses, industry,
67 government and institutions.

68 MR. BROWNE, Q.C.: Okay. And just to continue on, you
69 have energy wise. You deal something with hot water in
70 the spring of 1993, then you do something on home
71 lighting, switch on, savings, then something called "The
72 Energy Wise Newsletter Continues, Comfort at Your
73 Fingertips" and so on. And if you just follow through with
74 me there, you have a diagram there, "Be Energy Wise," a
75 few diagrams there on that. Then you have "Wrap up for
76 Savings, Customer Brochure," Wrap up for Savings. Are
77 you familiar with that plan, the Wrap up for Savings?

78 MR. BUDGELL: I believe this is a plan that we were
79 following, one of Newfoundland Power's plans.

80 MR. BROWNE, Q.C.: Are you still involved in that plan,
81 the Wrap up for Savings Plan?

82 MR. BUDGELL: I believe we still have it on the books but
83 there's very little activities or requests for it.

84 MR. BROWNE, Q.C.: What do you mean you still have it
85 on the books? Is it ...

86 MR. BUDGELL: It's a program that if we have requests for,
87 I believe that Hydro will support, but I don't think there's
88 any requests by the customers for it.

89 MR. BROWNE, Q.C.: How would people know you have
90 the program?

91 MR. BUDGELL: I don't know if it's gone out in any of the

1 recent newsletters or not.

2 MR. BROWNE, Q.C.: And you're in charge of demand side
3 management?

4 MR. BUDGELL: Yes. I have since 1999.

5 MR. BROWNE, Q.C.: You don't know if it's in the
6 newsletters or not? You don't know what you're doing
7 here?

8 MR. BUDGELL: Just a second now. The responsibility ...
9 there's two areas of demand side management within
10 Hydro. The responsibility for analysis is with my
11 department, the responsibility for delivery of programs is
12 with the Customer Services Department.

13 MR. BROWNE, Q.C.: Do you ever get together on that?

14 MR. BUDGELL: Yes, we do.

15 MR. BROWNE, Q.C.: So does the brochure go out or
16 doesn't it?

17 MR. BUDGELL: I'm not aware, I've already indicated,
18 whether it has gone out recently.

19 MR. BROWNE, Q.C.: Then you have the Charlottetown
20 Pilot Project. Can you tell us a little about that, page 15?
21 Do you recall why you chose Charlottetown? Was that
22 one of your decisions or how did you ...

23 MR. BUDGELL: No.

24 MR. BROWNE, Q.C.: ... get the advice to do
25 Charlottetown?

26 MR. BUDGELL: Again, I indicated that I assumed
27 responsibility for the DSM in '99. This is a program back in
28 '93, so forgive me if I don't know all the details, but I
29 assume Charlottetown was a good program, a
30 representative program amongst the systems in Labrador
31 for carrying on this program. I'm just reading to see which
32 one this was, whether it was the ... yes, this was the first
33 program. So it had a proper mix of customers. It was well
34 representative of the rural systems in Labrador, the type of
35 customer make-up, I would suspect.

36 MR. BROWNE, Q.C.: And on page 21 there's a review of
37 the cost-effectiveness which led to some observations.
38 Can you refer to those for a moment, please? And item one
39 there, can you read that into the record?

40 MR. BUDGELL: The provision of conservation is more
41 cost-effective than the provision of energy, i.e., DSM costs
42 less than fuel, and therefore it costs less than all further
43 marginal cost configurations. In other words, diesel DSM
44 ambiguously passes the TRC and utility tests."

45 MR. BROWNE, Q.C.: Do you accept that premise, that the
46 provision of conservation is more cost-effective than the
47 provision of energy?

48 MR. BUDGELL: In the case of this analysis, conservation
49 was less than the fuel cost of producing energy in those
50 communities. Yes, I accept that.

51 MR. BROWNE, Q.C.: You had some innovative programs
52 there which sort of caught my eye. If you go one, two,
53 three, the third brochure there, the "Energy Wise Water
54 Heater Program, The Customer Brochure," and you have ...
55 it's a \$500 coupon there attached. I guess that would catch
56 anyone's attention with that. It says, "Store away this
57 coupon until needed." Have you got that one?

58 MR. BUDGELL: I believe that was back in the ...

59 MR. BROWNE, Q.C.: Just two pages up from page 22 there
60 at the end of Charlottetown.

61 MR. BUDGELL: Yes, I have it, on the bottom left-hand ...

62 MR. BROWNE, Q.C.: Yeah.

63 MR. BUDGELL: ... part of the page there.

64 MR. BROWNE, Q.C.: Can you tell us a little bit about that?

65 MR. BUDGELL: Yes. At that particular time this was an
66 attempt, a system-wide isolated attempt to see if we could,
67 we were attempting an initiative to see if we can have
68 substitution of electric water heating in the rural areas, the
69 rural isolated areas.

70 MR. BROWNE, Q.C.: Substitute electric water heat for?

71 MR. BUDGELL: Oil.

72 MR. BROWNE, Q.C.: For oil.

73 MR. BUDGELL: Oil or any other source, I guess. Could
74 have been propane, but oil would have been the main ...

75 MR. BROWNE, Q.C.: And you have an analysis done
76 there, and I think it's self-evident, people can read it. Given
77 the time constraints, I won't ask you to do that now. But
78 how did the program work out?

79 MR. BUDGELL: It didn't work out very well. It was ... the
80 problem that we had was, well, were two issues, two things
81 happened to affect the program. Most of the activity that
82 did occur relative to this program occurred on the St.
83 Anthony/Roddickton system at that particular time, and
84 which happened to be one of our, relative to the other
85 isolated systems because it was large, the lower cost
86 system, and of course St. Anthony/Roddickton eventually,
87 just shortly after 1993 and 1994, we knew we were going to
88 interconnect the community. In the rest of the isolated
89 systems a difficulty arose because we couldn't gain enough
90 interest in the oil industry to go out and market their
91 products.

92 MR. BROWNE, Q.C.: I imagine oil would be very expensive

1 in a lot of these places, wouldn't it, in rural Labrador?

2 MR. BUDGELL: I would expect that it would be more
3 expensive than here, for instance.

4 MR. BROWNE, Q.C.: I think we had evidence during the
5 hearings up there, a lot of people were into wood.

6 MR. BUDGELL: Yeah.

7 MR. BROWNE, Q.C.: It was the exception when we heard
8 anyone (unintelligible) to oil.

9 MR. BUDGELL: Yeah. It wasn't ... the issue was not so
10 much the oil is expensive, but the point here in regards to
11 the oil industry itself wouldn't go into those areas and ... it
12 wasn't worth their while, I suspect, to go into those areas
13 and market this product. We were trying to get them
14 interested as well, as an ally, to make this, their oil product
15 available in that market.

16 MR. BROWNE, Q.C.: Did you do a comparable survey or
17 comparable program on the island with the exception of the
18 Great Northern Peninsula? Did you try anywhere else
19 within your areas?

20 MR. BUDGELL: This program ...

21 MR. BROWNE, Q.C.: The \$500 program.

22 MR. BUDGELL: ... on the isolated ... this was available for
23 the isolated systems on the island as well.

24 MR. BROWNE, Q.C.: For the entire ...

25 MR. BUDGELL: Yes.

26 MR. BROWNE, Q.C.: For your entire jurisdiction.

27 MR. BUDGELL: Yes. The only activity was in St.
28 Anthony/Roddickton area, and that was mostly because
29 the oil companies had facilities and support and structures
30 there they offered.

31 MR. BROWNE, Q.C.: And you worked cooperatively with
32 the oil companies to attempt to get people to convert to oil.

33 MR. BUDGELL: Yes, that's my understanding at that time
34 that happened.

35 MR. BROWNE, Q.C.: Where we're dependent on oil vis-a-
36 vis Holyrood, have you attempted to launch a similar
37 program with the oil companies on the island portion of the
38 province in the urbanized areas in order to bring down the
39 dependency of fuel burned in Holyrood?

40 MR. BUDGELL: No, there's been no program initiated in
41 that light.

42 MR. BROWNE, Q.C.: You've had no discussions with them
43 there.

44 MR. BUDGELL: No.

45 MR. BROWNE, Q.C.: Currently do you have any programs
46 in place in Labrador for, dealing with conservation? Do
47 you have any ongoing projects there?

48 MR. BUDGELL: There is, I believe, two communities
49 where, Norman's Bay ... what we've been doing this year ...
50 I believe there's three. There's two communities in
51 Labrador, I believe. It's William's Harbour and Norman's
52 Bay and Francois on the island. I don't remember ... there's
53 two done, there's one yet to do, which are high cost
54 systems, and what we're attempting to do there is similar to
55 what we did in Charlottetown in the report we just read,
56 some aspects of that program, to try to ... because they're
57 high cost systems so therefore, as we just read that
58 statement, we're going into those systems and putting in
59 the more efficient electric lighting with thermostat turn back
60 and what have you to try to save.

61 MR. BROWNE, Q.C.: Sure. Now places like Charlottetown,
62 I think we heard from officials there when we were in
63 Labrador, you brought in the program there and people
64 referred to it, but has there been any follow-ups done year
65 over year to determine if people are continuing to put
66 blankets on their hot water boilers and are continuing to
67 use fluorescent lights, etcetera?

68 MR. BUDGELL: I think in your response to your question,
69 **CA-106**, I believe there's two follow-up reports on
70 Charlottetown.

71 MR. BROWNE, Q.C.: From your own perspective though,
72 year over year, are you still going in there? Is that the
73 plan?

74 MR. BUDGELL: Well, I ...

75 MR. BROWNE, Q.C.: Or do you just hit and run or do you
76 continue? Is it a continuous process?

77 MR. BUDGELL: It is a continuous process.

78 MR. BROWNE, Q.C.: In reference to Labrador, on the back
79 of your bills, and reference I guess to other customers, on
80 the backing of your bill there you have a number of kilowatt
81 hours and you use a typical electricity use for a family
82 during the winter months. Can you refer to that? It's in
83 evidence. It was put in evidence October 26th, and I don't
84 have the ...

85 MS. GREENE, Q.C.: **It's CA-1.**

86 MR. BROWNE, Q.C.: CA-1, okay.

87 MR. BUDGELL: As an undertaking or ...

88 MS. GREENE, Q.C.: No.

89 MR. BROWNE, Q.C.: No. It was given out. And you have
90 there ... do you have it, Mr. ...

91 MR. BUDGELL: Yes, I do.

1 MR. BROWNE, Q.C.: Can you read out the third paragraph
2 there for us?

3 MR. BUDGELL: Third at the left?

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

5 MR. BUDGELL: "Electricity is used in the home for many
6 different purposes, lighting, heating, water, heating water,"
7 I'm sorry, "washing clothes, and running the refrigerator.
8 In most homes there are many electrical devices from
9 televisions to stoves to lamps. Here is how a typical family
10 of four in a home without electric heat uses electricity
11 during a winter month."

12 MR. BROWNE, Q.C.: Now without electric heat, and you're
13 using with, during a winter month. What's the significance
14 there? Would you not use your electric range as much
15 during the winter than the summer?

16 MR. BUDGELL: No. There would be some changes in
17 some of the use. Like water heating in a winter month
18 might be a little higher, lighting use might be a little higher
19 in a winter month, so there would be differences between
20 summer and winter on some of these activities.

21 MR. BROWNE, Q.C.: And you have a furnace there of 125.

22 MR. BUDGELL: Yeah. Clothes dryer, for instance, might
23 be a little different, I suppose, if people dry clothes
24 outdoors in summer, winter. I would expect that there
25 would be differences.

26 MR. BROWNE, Q.C.: Are you familiar with the life, so-
27 called lifeline kilowatt usage of 700?

28 MR. BUDGELL: Yes, I am, somewhat.

29 MR. BROWNE, Q.C.: How can you put on the back of your
30 bill that this is a typical kilowatt hour usage during the
31 winter months and yet suggest that the lifeline rate is 700
32 kilowatts?

33 MR. BUDGELL: Well, the lifeline rate had been set in the
34 past at 700 kilowatt hours to cover normal annual usage,
35 not monthly usage for a home without electric heat.

36 *(10:15 a.m.)*

37 MR. BROWNE, Q.C.: You have **CA-17**, if you go back to
38 that for a moment. And the typical annual electricity
39 consumption for Hydro rural households, kilowatts per
40 year, you have there with electric water but no electric heat,
41 you have down as 10,548, and we all know 12 700s is not
42 10,548, so ...

43 MR. BUDGELL: No, but that ... the number here, 10,548, is
44 not a number that reflects the usage of isolated systems.
45 We had indicated that's for all rural systems, so that
46 number reflects rural island interconnected and Labrador
47 interconnected average numbers.

48 MR. BROWNE, Q.C.: In that Labrador, we had evidence
49 which was fairly consistent of people testifying they
50 needed their lights and water heating, they needed an
51 electric range and a refrigerator, and that they needed a
52 deep freeze. Most of them said they needed a clothes
53 washer and a clothes dryer, particularly given the seasons
54 they're in. Most had a television, few had furnaces, but
55 some had water circulators that were needed. Given all
56 these usages, have you re-examined the 700 kilowatt lifeline
57 rate? Do you think that still applies?

58 MR. BUDGELL: Well, in reading, I regret that I didn't
59 attend the Labrador session, but I did read the ones that
60 you refer to ...

61 MR. BROWNE, Q.C.: Sure.

62 MR. BUDGELL: ... at Goose Bay, and certainly the
63 commentary was quite interesting. We've been aware that
64 the, particularly in the case of Labrador, that the customers
65 do dip into the second, what's so-called the second block
66 in the wintertime and that, I think, is the reason for their
67 sort of outcry that you heard at that particular hearing in
68 regards to the rates. A similar issue came up during the
69 1995 hearing. I believe the Board at the time, and I'm not
70 going to apply what rationale the Board decided, but the
71 Board decided that the 700 kilowatt hours should remain as
72 it didn't cover all electric heat use during the year but it
73 made a significant contribution towards the electric water
74 heating usage of the customers. Most of the increases
75 occurred in the lifeline, or, let's say above the lifeline, over
76 the years, it's materially because of electric hot water
77 heating in those communities. For instance, right now, I'll
78 use the year 2000 as an example, the average monthly
79 consumption on an isolated rural system in kilowatt hours
80 per month, and this average, not winter month, just
81 average, on the island it's 647 kilowatt hours. In the case of
82 Labrador it's 767. But that doesn't give you the full story
83 obviously because that's an average, and ...

84 MR. BROWNE, Q.C.: Given the fact that in Labrador, in the
85 winter months, and in the back of your bill you got down
86 during a winter month, I guess winter starts earlier in
87 Labrador and ends later, doesn't it?

88 MR. BUDGELL: Yes, it does.

89 MR. BROWNE, Q.C.: So is it a fair reflection of the reality
90 to say 700 kilowatts is a lifeline rate for Labrador for these
91 diesel communities?

92 MR. BUDGELL: I think the 700 kilowatt hours doesn't
93 represent any particular group. It's a mix. Like the lifeline
94 requirements for Labrador are very different than the lifeline
95 requirements for the island. I'll give you that.

96 MR. BROWNE, Q.C.: So is 700 adequate or not adequate?

1 MR. BUDGELL: Well that's something that the Board
2 should determine.

3 MR. BROWNE, Q.C.: But you see it as a problem.

4 MR. BUDGELL: I see it as a problem because the
5 customers are indicating it's a problem and I know that the
6 customers' bills do in the winter months, based on our
7 analysis, do go above the 700. The issue on the other side
8 of raising the lifeline block is the issue of subsidization. If
9 the lifeline block is increased, it would mean that the level
10 of subsidization to these customers by, I guess,
11 Newfoundland Power and the Labrador interconnected
12 system would have to increase, so it's a trade-off here
13 where that number goes, and it's not an easy decision.

14 MR. BROWNE, Q.C.: If in Labrador there's talk of
15 interconnection, of bringing the so-called line to the island,
16 I gather that line would take a Labrador route, if it ever
17 came into the island.

18 MR. BUDGELL: Yes.

19 MR. BROWNE, Q.C.: It wouldn't go through Quebec,
20 would it?

21 MR. BUDGELL: No.

22 MR. BROWNE, Q.C.: No. So if it went along the Labrador
23 route, that would open up possibilities, particularly for
24 southern Labrador. Is that ...

25 MR. BUDGELL: It may not.

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

27 MR. BUDGELL: Cost.

28 MR. BROWNE, Q.C.: Do you think you'd get away with
29 bringing a line into the island, going by southern Labrador
30 without interconnecting southern Labrador? Do you think
31 the politics would work in your favour there?

32 MR. BUDGELL: I don't know if I should answer that.
33 *(laughter)*

34 MR. BROWNE, Q.C.: There is a reality though, isn't there?

35 MR. BUDGELL: Yes, there always is.

36 MR. BROWNE, Q.C.: In reference to Voisey's Bay and CA-
37 47 makes mention of Voisey's Bay, a question we put to
38 you, if in the coming months there was an agreement to go
39 ahead with Voisey's Bay, to fast track Voisey's Bay and to
40 build a smelter at Argentia, how would Hydro deal with
41 that?

42 MR. BUDGELL: Well, we ... our means of dealing with it
43 would depend upon the level of capacity and energy that
44 that plant would require, but I would think our means of
45 dealing with it would be similar to what had occurred in
46 1997 when they approached us similarly.

47 MR. BROWNE, Q.C.: And what would that be?

48 MR. BUDGELL: Well, we had to move very quickly and
49 issue a request for proposals for generation to meet the
50 forecast demand at that time for the timeframe when we
51 needed additional capacity and energy.

52 MR. BROWNE, Q.C.: What are the possibilities there?
53 Would it mean burning more fuel at Holyrood, is that what
54 we're down to?

55 MR. BUDGELL: Certainly the resources on the island non-
56 thermal are limited at this particular time. I think the only
57 one that, the only significant source Hydro has in its
58 inventory is Island Pond, as far as a hydroelectric resource,
59 but it's small, so again it would depend on the requirements
60 of that customer. I'm sorry, am I speaking loud enough?
61 Can you hear me?

62 MR. BROWNE, Q.C.: No, you're not.

63 MR. BUDGELL: Oh.

64 MR. BROWNE, Q.C.: You might be giving out though.
65 You have been on the stand a long time, I acknowledge
66 that. *(laughter)* So what would the plan be here if you were
67 directed to deal with Voisey's Bay in a limited amount of
68 time?

69 MR. BUDGELL: In a limited amount of time we'd first, from
70 the customer, try to get a very good firm understanding of
71 what their annual requirements are, not only on an annual
72 basis but on a monthly basis, distribution. We'd certainly
73 have to get an indication of where the location of the
74 facility is, because the location might dictate costs other
75 than just generation, transmission ...

76 MR. BROWNE, Q.C.: Sure.

77 MR. BUDGELL: Those type of things. So we would move
78 then to engineering on a planning basis in two areas, on
79 our transmission system and our generation system, to
80 very quick analysis. In the case of generation we'd have to
81 move forward. Let's say in the current ... I believe the
82 technology being talked about recently is Hydro net and
83 my understanding of that, that those requirements are
84 under 50 megawatts, roughly in that size in requirements.
85 We'd have to look at how that would affect the load
86 forecast and the timing of a next resource, and then we'd
87 have to issue an RP to seek out what resources are
88 available on a competitive basis against Hydro's resources
89 to meet that load requirement and any other load
90 requirement in that timeframe, because usually if you have
91 an industry such as that starting up, there's spin-off
92 economic activity to drive the load, additional load as well,
93 so that would have to be incorporated into a load forecast
94 in very quick order. We'd have to vet the alternatives,
95 make a decision, bring it to the Board and get approval.

1 That's if the resource is going to be included in the, and the
2 costs are going to be included in the rates for everybody.

3 MR. BROWNE, Q.C.: Could Holyrood drive Voisey's Bay?

4 MR. BUDGELL: Holyrood, as far as in energy, what's
5 incremental, could, but you'd have to look at, remember
6 went to a table the other day in regards to the reserve. The
7 system ... we'd have to do an analysis of whether the
8 system has sufficient reserve with that additional capacity
9 and energy, so Holyrood, of itself, may not be able to drive
10 it depending on the capability of the system.

11 (10:30 a.m.)

12 MR. BROWNE, Q.C.: Okay. I want to go back to the VHF
13 discussions, a final area, to give you some hope there.

14 MR. BUDGELL: Thank you.

15 MR. BROWNE, Q.C.: And yesterday you told us there
16 were discussions with Newfoundland Power in reference to
17 the VHF repeater sites, and you've re-filed with the Board
18 two exhibits which were already present, **NP-180** and ...
19 know now where it fits. We have the minutes of the
20 meetings suggesting when you went to a new VHF system.
21 It would be a good time to, for you all to get on board the
22 same truck. Where are we with that, yourself and
23 Newfoundland Power?

24 MR. BUDGELL: Well, we met, or people from our
25 Telecontrol Department met with people from, personnel
26 from Newfoundland Power on February 21st of this year.
27 I'll try to speak up. Hydro's Telecontrol Department,
28 representatives, met with representatives of Newfoundland
29 Power's Telecontrol on February 21st of this year at
30 Newfoundland Power's Kenmount Road offices. The
31 Hydro people were accompanied by a consultant that
32 Hydro had hired to have a look at what requirements would
33 be required to have Newfoundland system, Newfoundland
34 Power's requirements added to what we were planning to
35 do for our system. At the meeting the representatives of
36 Hydro made a presentation to Newfoundland Power. This
37 presentation, from what I understand, is the same
38 presentation Newfoundland Hydro also made to Works
39 Services and Transportation in this regard, because it is
40 another party that Hydro wishes to get on board for the
41 new VHF and Hydro, I think I indicated yesterday, Hydro
42 has gotten indications from Works Services that they are
43 interested in proceeding with us, and at that particular
44 meeting the focus and the purpose of the meeting was to
45 get an indication from Newfoundland Power whether they
46 were interested in participating, and coming out of the
47 meeting it was decided to have the consultant come up
48 with an incremental cost to our cost of the system for
49 meeting Newfoundland Power's requirements, and I
50 understand subsequent to that meeting the consultant and

51 representatives of Hydro and Newfoundland Power met at
52 least on two occasions to iron out the intricacies and
53 locations of those additions, and this culminated in a
54 meeting with Newfoundland Power at Hydro's building on
55 May 25th of this year where Hydro provided
56 Newfoundland Power with the outcome, the cost of the
57 addition, which was roughly \$3 million, the incremental
58 costs to add additional infrastructure to our proposal to
59 cover off their sites as well, if they wished to proceed with
60 a replacement for their VHF system.

61 MR. BROWNE, Q.C.: Can you just restate that again. And
62 I don't know, I'm having difficulty hearing. Maybe the
63 microphone should be turned on so we can hear it.

64 MR. BUDGELL: I'm speaking towards you. I should maybe
65 speak ...

66 MR. BROWNE, Q.C.: Yeah, and I don't know how the
67 Board is making out.

68 MR. NOSEWORTHY, CHAIRMAN: Is there any volume
69 control on that ...

70 MR. KENNEDY: I think it's just the witness had slowly
71 shifted his way down to the end of the table and the
72 microphone was no longer in front of him. (laughter)

73 MR. BUDGELL: I'm still trying to get away from this rut I'm
74 in. (laughter)

75 MS. GREENE, Q.C.: The rut on the floor.

76 MR. BUDGELL: I won't answer that question either.
77 Should I ... do you want me to go back and start this or ...

78 MR. BROWNE, Q.C.: No. If you're going ... okay, tell us
79 about the May 25th meeting between yourselves and
80 Newfoundland Power. That's what I want to get to.

81 MR. BUDGELL: Yeah. The May 25th meeting, we met with
82 Newfoundland Power at Hydro's offices and they were
83 provided with the estimate of \$3 million as the incremental
84 costs for additional equipment were we to provide the
85 additional coverage that they would require for, on our new
86 VHF system.

87 MR. BROWNE, Q.C.: And?

88 MR. BUDGELL: And Newfoundland Power indicated that
89 they were in around that time in the process of developing
90 their capital budget for submission to this Board for
91 approval this summer and if they needed additional
92 information in regards to our proposal they'd get back to
93 us.

94 MR. BROWNE, Q.C.: Have you heard from them since?

95 MR. BUDGELL: I understand there is no further contact.

96 MR. BROWNE, Q.C.: So where are we with it? Are the two

1 of you getting together to produce real cost savings for
2 consumers or are we at loggerheads here?

3 MR. BUDGELL: I think the status I just indicated was the
4 final, the current status is the same. There's no contact
5 between the two.

6 MR. BROWNE, Q.C.: And where are you in reference to
7 the proposal to the Department of Works Services and
8 Transportation?

9 MR. BUDGELL: We've received a letter of understanding
10 from them in regards to their indicated participation in the
11 new system.

12 MR. BROWNE, Q.C.: Has that been tabled for the Board
13 and for ...

14 MR. BUDGELL: I don't believe it has.

15 MR. BROWNE, Q.C.: Pardon?

16 MR. BUDGELL: I don't believe it has.

17 MR. BROWNE, Q.C.: Can you undertake through your
18 counsel to table that, please?

19 MR. BUDGELL: Yes, I can.

20 MR. BROWNE, Q.C.: If you go to your letter in NP-187,
21 **NP-180**, I'm sorry, the (inaudible) plan, I'm sorry, final
22 report of June 17th, 1997, page 24, can you read out the last
23 paragraph of that for us, please?

24 MR. BUDGELL: I've got to dig a little bit here.

25 MR. BROWNE, Q.C.: Okay. It might be on the screen.

26 MR. BUDGELL: Oh, okay.

27 MR. BROWNE, Q.C.: Just above the numeral "4" by the
28 Newfoundland and Labrador Hydro, Newfoundland Power
29 ... just below paragraph four. That's it.

30 MR. BUDGELL: Oh. "The Newfoundland and Labrador
31 Hydro/Newfoundland Power VHF Mobile Radio System
32 Joint Use Committee feels that there may be a possibility of
33 a single joint use system for both utilities in the long-term
34 plans, i.e., five years. In discussions with Works Services
35 and Transportation, one of Government's largest VHF
36 mobile users, a province-wide mobile radio system is in
37 great demand. It is felt that this requirement may provide
38 the Company with a unique business opportunity or
39 partnership in that regard and it should be investigated."

40 MR. BROWNE, Q.C.: Now what do you mean by a unique
41 business opportunity?

42 MR. BUDGELL: Well, we were able to invest in a system
43 for the benefit of our customers and to receive revenues
44 that would lower the overall cost to our current utility
45 customers by that means.

46 MR. BROWNE, Q.C.: This system that you're proposing
47 now, the \$8 million, the \$8,600,000 you're proposing to
48 spend, in whose rate base would that go under the
49 proposal?

50 MR. BUDGELL: It would go in ... if it's just the proposal as
51 come forward, would go in Newfoundland and Labrador
52 Hydro's.

53 MR. BROWNE, Q.C.: So what encouragement would
54 Newfoundland Power have there to get on board if they're
55 retiring their VHF radio system and they're coming aboard
56 on yours?

57 MR. BUDGELL: I would assume that Newfoundland Power
58 would bear the cost of the incremental cost of their system
59 in their rate base or it could be in ours.

60 MR. BROWNE, Q.C.: And ...

61 MR. BUDGELL: The difficulty would be that we would not
62 be able to charge them rates as a common carrier.

63 MR. BROWNE, Q.C.: And is this the confusion that we see
64 between the two companies, the vying for in whose rate
65 base this new system is going to go, who's going to suffer
66 the consequences, who's going to get the benefit?

67 MR. BUDGELL: I don't know if that's the case.

68 MR. BROWNE, Q.C.: Has there been a discussion ...

69 MR. BUDGELL: Our ...

70 MR. BROWNE, Q.C.: ... in reference to rate base as far as
71 you're aware in reference to any discussions you had
72 between Newfoundland Power and Newfoundland Hydro?
73 Has rate base come up as a topic?

74 MR. BUDGELL: I'm not aware. Obviously it could have
75 occurred but I don't recall. Again, I was not present at
76 these conversations.

77 MR. BROWNE, Q.C.: So in the meantime, as far as you
78 know, it's business as usual. You have your application
79 before the Board for a VHF system at \$8,600,000 and
80 Newfoundland Power is out there with a VHF system as
81 well.

82 MR. BUDGELL: Yes. They have a system but they have
83 a system that's been in place for a considerable period of
84 time.

85 MR. BROWNE, Q.C.: In reference to the areas in which
86 their system covers, we had two maps of the province put
87 forward pursuant to undertakings this morning, one of
88 which was already in evidence. Can you refer to those,
89 please? Okay, one, Terry O'Rielly has on the screen. The
90 other, I don't believe, is ... it's not screenable, is it? It's No.
91 20. From your perspective there, where are the common
92 areas that both yourselves and Power have repeater

1 stations?

2 MR. BUDGELL: Well, out of the total of, I believe I
3 indicated yesterday there's 29 sites that Hydro own or
4 lease, and the 19 that, I think approximately, Newfoundland
5 Power has, there are only approximately, there are only
6 three sites in close proximity. I believe two of those are on
7 this, they're similar, they're in similar locations and one is
8 on two separate towers but in close proximity.

9 MR. BROWNE, Q.C.: Let's just look at that. If you go
10 down to the southwest coast of the island and
11 Newfoundland Power's VHF repeater sites, we'll see two
12 dark circles there, RPK-10 and FGH-2, is out towards Port
13 aux Basques there. And we go down in yours we see two
14 circles. They seem in proximity to me. Is there something
15 I'm missing here?

16 MR. BUDGELL: Well, I think it's the scale here, the
17 coverage area, where the location of the repeaters are and
18 the areas that they're covering.

19 MR. BROWNE, Q.C.: And you go up to PTR-6,
20 Stephenville, it seems pretty close to me where their locator
21 is and where yours is, and Corner Brook, you both have the
22 same locator. Is that fair comment, you both ...

23 MR. BUDGELL: Yes, I believe there's a star put next to the
24 locations that are close, between the two systems.

25 MR. BROWNE, Q.C.: And if you go ... you have one in
26 Bonne Bay and they have one in Deer Lake, it looks like. Is
27 that correct?

28 MR. BUDGELL: Yes. You might understand the difference
29 between the two ... you looked at Red Cliff's and near Grand
30 Falls and then Sandy Brook would be the one that we
31 would have. That's on two different sides of the river.
32 Those are ... that's what we're saying are in close proximity.

33 MR. BROWNE, Q.C.: And if you go to Baie Verte
34 Peninsula, I guess you have one in Brent's Cove and they
35 have one ... where would they have theirs, BVT, where's
36 that?

37 MR. BUDGELL: I don't know. BV might stand for Baie
38 Verte but I don't know what the letter stands for here.

39 MR. BROWNE, Q.C.: And if you go further on there along
40 the northeast coast ...

41 MR. BUDGELL: I should mention, Mr. Browne, some of the
42 sites you're referring to are not our sites. The circles here
43 are Aliant. The only sites that we have are three of these
44 sites that we have towers. We're using ... our equipment is
45 on Aliant for all the circles. There's a ... at the bottom of
46 this table that you see here at your left, you got a legend
47 and you can see leased repeater sites and Hydro-owned
48 sites. We are ... we're putting equipment on sites that

49 Aliant has for other purposes. So I wanted to correct,
50 when we say we have sites, we have repeaters on other,
51 another company's-owned site for the most part right now.

52 MR. BROWNE, Q.C.: From a consumer's perspective, I
53 don't think they could care less who owns the sites or
54 whether you lease them or what you do with them as long
55 as there was just one service there dealing with both
56 companies, so ...

57 MR. BUDGELL: I only make the remark in regards to that
58 it's not an option where Hydro went out and installed a
59 repeater in a tower right next to Aliant so we could put our
60 tower and our repeater on it.

61 MR. BROWNE, Q.C.: And you have down in yours,
62 "Leased repeater sites," in your legend there, so that refers
63 to leasing from Aliant?

64 MR. BUDGELL: Yes, yes, that's exactly what I'm referring
65 to.

66 MR. BROWNE, Q.C.: Okay. And does Newfoundland
67 Power lease from Aliant?

68 MR. BUDGELL: I'm unaware whether they do or don't.

69 MR. BROWNE, Q.C.: And if you go down further along
70 the northeast coast there, GNP-2, according to
71 Newfoundland Power, what would that be? That looks
72 pretty close to Carmanville there, that area, where you have
73 a site. You both seem to have one there close to Gambo.

74 MR. BUDGELL: Well, our Carmanville might be out around
75 the Fogo area ...

76 MR. BROWNE, Q.C.: You're both represented in central
77 Newfoundland. Then you come down to Clarenville, you
78 both seem pretty close there. And on the Baie Verte, on
79 the Burin Peninsula, couldn't one site do, serve the whole
80 Burin Peninsula? Can one of these radio ... I gather you
81 could broadcast right down there to the boot, could you, if
82 you needed to or receive if you were down there?

83 MR. BUDGELL: Well, my own recollection of travelling
84 down the Burin Peninsula and the topography, I'm not sure
85 whether one site could cover the peninsula. As a matter of
86 fact, I would think it'd be very doubtful. That's a pretty ...
87 I won't use the word "mountainous," but you climb a fairly
88 big hill when you go down the Burin Peninsula and come
89 down the other end.

90 MR. BROWNE, Q.C.: So, and if you're out of range, what
91 do you do then?

92 MR. BUDGELL: You have to ... if you're out of range of a
93 particular site you'd have to go to an area where you can
94 make contact, and that's why ...

95 MR. BROWNE, Q.C.: So even with the VHF system, you're

1 not implying that you'll have constant contact. On
2 occasion you're going to be out of range.

3 MR. BUDGELL: Yes, and I think what ...

4 MR. BROWNE, Q.C.: So you're something like cell phones.
5 On occasion you're going to be out of range, is that ...

6 MR. BUDGELL: Well, occasionally, but these sites, and I'm
7 sure in the case of both utilities the location of these sites
8 have been strategically located to best serve our
9 operations, where our people are working. Like, we'd have
10 ... the case of the VHF mobile radios, and one of the things
11 I think the Board should understand and everybody should
12 understand, is that this is a resource, a communication
13 resource that's been used by people in the field, and when
14 we say in the field we're not talking about on the Trans
15 Canada Highway. It could be people on the transmission
16 line somewhere between Bay d'Espoir and Sunnyside with
17 no direct or easy way ...

18 MR. BROWNE, Q.C.: Have you tested the use of cellular
19 phones along those arduous paths?

20 MR. BUDGELL: Cellular network is, only provides
21 coverage on the, what I'll call the well-beaten trail where the
22 populous are. It covers mostly on the Trans Canada
23 Highway and the most urban centres.

24 MR. BROWNE, Q.C.: So you will admit then that cellular
25 could do with, you could do with cellular probably in the
26 Avalon area?

27 MR. BUDGELL: I would have very big problems with
28 cellular in relation to our requirements for this purpose
29 because what would happen in the event that there is a
30 very major system event, is that, number one, there'd be a
31 question whether cellular would stay operating once the
32 power is lost. The second thing is usually these events are
33 accompanied by everybody wanting to get on the phone.
34 I'm just thinking of a, let's say, a major snow storm. And
35 when everybody gets on cellular phones, the amount of
36 channels that are available in each area for cell are limited,
37 and they're limited mostly by the average normal traffic that
38 Aliant expects in a particular area, and I wouldn't want our
39 field people, who are trying to get out, get work done in a
40 remote area, even if there was cellular coverage, be very
41 unlikely that they could get coverage, they would be able
42 to contact each other.

43 *(10:45 a.m.)*

44 MR. BROWNE, Q.C.: Now there must be occasions when
45 your VHF site is down as well.

46 MR. BUDGELL: Yes, there is.

47 MR. BROWNE, Q.C.: What do you do then?

48 MR. BUDGELL: Well, we have to, if there is major work, it

49 would then at that particular location, until the sites come
50 back, we'd have to either defer work if this VHF is needed
51 for contact with the field personnel, or we'd have to find
52 some other means of carrying on communications, and if
53 it's not in a difficult weather condition time, maybe cell, if
54 the coverage is provided in that area, and we already
55 indicated that it may not, or we'd have to go to portable
56 satellite phones or some other means.

57 MR. BROWNE, Q.C.: And do you guys carry portable
58 satellite phones? Do you have that system as well?

59 MR. BUDGELL: I understand that there are some portables,
60 not for the, this area on the island, but there are some
61 locations where they could be used if people travel.

62 MR. BROWNE, Q.C.: You have some purchased or you
63 have some available to your people?

64 MR. BUDGELL: I don't know the details of what we have
65 but I have an indication that satellites might be used for
66 some occasions.

67 MR. BROWNE, Q.C.: So what communication systems do
68 you have? You have the VHF repeater site station. What
69 is the alternative? Do you have an alternative?

70 MR. BUDGELL: There's no alternative to the field when a
71 person is in his truck or out in a muskeg or on a ski-doo,
72 out on the transmission line. That's it. That's his only
73 means of communications, so if he or one of his fellow
74 workers get injured, we'd have no other means of getting
75 the message out and get communications, get material in or
76 get people in to get them out. In the case if he's not out in
77 the field and he's in a terminal station, he can avail of
78 communications through the powerline carrier system and,
79 or the microwave radio system.

80 MR. BROWNE, Q.C.: And from your perspective the offer
81 to Newfoundland Power is still open to come on board?

82 MR. BUDGELL: Oh, certainly.

83 MR. BROWNE, Q.C.: If you can ... we'll finish and go to the
84 **capital budget, the revised Schedule F**. I want to ask you
85 something on that. And if you go to page F-12. This is the
86 information systems and telecommunications budget. Is
87 this the area to which you're testifying?

88 MR. BUDGELL: Yes.

89 MR. BROWNE, Q.C.: And down there in the total there,
90 total information systems and telecommunications, PUB
91 approved budget of 2001, you got a PUB approved budget
92 of \$14,612,000, and then the next line over says
93 expenditures to August 31, \$5 million. Then expected
94 remaining expenditures to 2001, \$9,552,000. How is it that
95 you spent \$5 million to August 31 and the last four months
96 of the year you're going to spend \$9,552,000? Are they

1 going to have something left over there?

2 MR. BUDGELL: Well, I think I had a very similar question
3 earlier this week from one of the counsels, and what I
4 indicated then was the, if you notice, for instance, the
5 install microwave system between the Energy Control
6 Centre and Sunnyside, which is a large item in regards to
7 the east coast microwave system there, which is the largest
8 part of that remaining expected expenditure in 2001, these
9 are field programs and construction work that start up in
10 the summer and are largely completed between the summer
11 and fall, which is not too much different than most other
12 physical activities that happen out in the field.

13 MR. BROWNE, Q.C.: Would you undertake to give further
14 ... this was revised October 31, 2001.

15 MR. BUDGELL: This is ...

16 MR. BROWNE, Q.C.: So up to 2001, October 31, 2001, up
17 to Halloween, you still had \$9 million to spend in reference
18 to this budget, is that what ...

19 MR. BUDGELL: No. This is an update to August 31st.

20 MR. BROWNE, Q.C.: Will there be money left in that
21 budget at the end of the year, according to projections?

22 MR. BUDGELL: I think there's a table on variances from
23 approved, which is **F-1**.

24 MR. BROWNE, Q.C.: Okay. Maybe you can take us
25 through that.

26 MR. BUDGELL: Well, similar to what you just indicated,
27 this is for generation transmission in rural systems. I'll go
28 to the bottom line there, but the IS information shows up in
29 the general properties section there.

30 MR. BROWNE, Q.C.: So we're chasing the \$9 million now.
31 Where is that? At the end of the process where will that
32 be?

33 MR. BUDGELL: It's in the item under "General Properties,"
34 the fourth item down. General Properties includes the, for
35 the most part, the IS & T. There's some small funds as well
36 for administrative, which is vehicles and some small
37 administrative expenses that you would have saw back on
38 the earlier table you were looking at, but the lion's share of
39 that, you'll see here that the approved budget for the total
40 general properties was \$16 million of which \$6 million
41 roughly was spent to August 31st, and it's expected that
42 \$10 million would be spent to the end of the year, for total
43 expenditures of sixteen one hundred, and that particular
44 budget, based on this forecast, was expected to be over-
45 expended actually by \$23,000.

46 MR. BROWNE, Q.C.: So right down to the fine point of
47 \$23,000 from \$14,612,000, and it's going to be overspent by
48 \$23,000. Is that what you're telling us?

49 MR. BUDGELL: That's what the numbers on this page
50 show.

51 MR. BROWNE, Q.C.: What are we getting for the
52 infrastructure replacement under that heading in F-12,
53 Information Systems and Telecommunications Network
54 Services? Now you're coming to the Board looking for
55 another \$8,600,000. Where are we getting the \$8,600,000
56 that's not available to us now in the infrastructure, in the
57 Information Systems and Telecommunications Network
58 Services?

59 MR. BUDGELL: The \$8 million relate particularly to the
60 VHF mobile radio system. Are we still referring to that
61 eight?

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

63 MR. BUDGELL: That relates to our telecontrol area and
64 we're replacing a system right now that has manufacturer
65 discontinued equipment that we have ...

66 MR. BROWNE, Q.C.: But this whole \$14 million that you
67 got there, is there any communication systems in that entire
68 ...

69 MR. BUDGELL: Yeah. The microwave system between the
70 Energy Control Centre in Sunnyside would be characterized
71 as communications equipment as well of sorts.

72 MR. BROWNE, Q.C.: Can you ... can they communicate
73 with you and you communicate with them through that
74 system?

75 MR. BUDGELL: That's a communication system over the
76 transmission line, not over the transmission lines, I'm sorry.
77 That's a ...

78 MR. BROWNE, Q.C.: So how does that work? If someone
79 is out on a transmission line ...

80 MR. BUDGELL: No, that can't be used ...

81 MR. BROWNE, Q.C.: ... can they communicate through
82 that system?

83 MR. BUDGELL: That can't be used for that purpose.
84 That's only, can provide ... that system provides
85 communications ... it provides a number of things. Let me
86 just step back a bit. A microwave system provides, first it
87 provides teleprotection on the system. It provides voice
88 contact between the EMS Centre and terminal stations.

89 MR. BROWNE, Q.C.: It provides voice contact?

90 MR. BUDGELL: Voice contact. You can go into terminal
91 stations if somebody was working there and they could talk
92 directly to the EMS Centre, their switching orders or their,
93 there's work undergoing at the terminal stations, and it also
94 provides what we call SCADA, and I think if you remember
95 Mr. Henderson and possibly Mr. Reeves, one or the other,

1 explaining what that was, was a system control and data
2 acquisition, and this is the means, this is the eyes and ears,
3 I guess, of the Energy Management Control Centre.

4 MR. BROWNE, Q.C.: So at your various terminals you do
5 have voice contact with the terminals and with your ...

6 MR. BUDGELL: Yes.

7 MR. BROWNE, Q.C.: Well why do we need the VHF if you
8 have voice contact?

9 MR. BUDGELL: It's only at the terminals. It's not on the
10 lines out in the country. The problem is the people out on
11 the transmission lines can't get contact through the
12 transmission, the energized transmission lines.

13 MR. BROWNE, Q.C.: And is there ... how many of these
14 terminal stations are there within your system? Can you
15 ballpark it? Are we talking 5, 10, 100, 200?

16 MR. BUDGELL: No. It's under 50.

17 MR. BROWNE, Q.C.: Under 50. So there are 50 areas out
18 there though where, terminal stations where contact can be
19 made.

20 MR. BUDGELL: I don't know whether they can be ... most
21 of those right now would have voice contact through one
22 means or another with the Energy Control Centre.

23 MR. BROWNE, Q.C.: Can you provide us with a chart to
24 show us where that voice contact can be made throughout
25 your system?

26 MR. BUDGELL: I think ...

27 MS. GREENE, Q.C.: That's already filed.

28 MR. BROWNE, Q.C.: That's already there. Is it there on
29 the screen?

30 MS. GREENE, Q.C.: It's in a schedule to Mr. Henderson's
31 evidence.

32 MR. BROWNE, Q.C.: Schedule 4, is it, Schedule 4, Mr.
33 Henderson's?

34 MS. GREENE, Q.C.: (inaudible)

35 MR. BROWNE, Q.C.: Yeah, I think it is Schedule 4. I think
36 I did look at that at one point.

37 MS. GREENE, Q.C.: I can check. If you want to bring up
38 **Schedule 4**, Mr. O'Rielly, I think it's there.

39 MR. BROWNE, Q.C.: Is that it there?

40 MR. BUDGELL: Yes.

41 MR. BROWNE, Q.C.: So you have various terminals there.
42 Now if you look at ...

43 MR. BUDGELL: I said under 50. That's ... that looks like it's
44 maybe about 25.

45 MR. BROWNE, Q.C.: But if you look at where your VHF
46 repeaters are, in some cases they're in close proximity there,
47 aren't they?

48 MR. BUDGELL: Yes, but we're talking two different
49 technologies for two different purposes. They can't be ...
50 they can't serve the same purpose.

51 MR. BROWNE, Q.C.: If we're talking communications, can't
52 they ...

53 MR. BUDGELL: Yes.

54 MR. BROWNE, Q.C.: One is mobile, you take it and go
55 with it and go to the line, and the other you have to go to
56 where the phone is, so to speak.

57 MR. BUDGELL: Exactly. They're both stationary, yes.

58 MR. BROWNE, Q.C.: Yeah. But there are communications
59 out there within your system.

60 MR. BUDGELL: Yes.

61 MR. BROWNE, Q.C.: Okay. And would Newfoundland
62 Power have terminal stations as well out there anywhere?

63 MR. BUDGELL: Yes. They have terminal stations as well.

64 MR. BROWNE, Q.C.: Do they have similar voice contact?

65 MR. BUDGELL: I would assume so, yes.

66 MR. BROWNE, Q.C.: Okay. These are my questions.
67 Thank you very much, Mr. Budgell.

68 MR. BUDGELL: Thank you.

69 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
70 Browne. Thank you, Mr. Budgell. We'll ... it's close to
71 break now. We'll break for 15 minutes until quarter after
72 and we'll return with counsel's cross. Thank you.

73 (break)

74 (11:15 a.m.)

75 MR. NOSEWORTHY, CHAIRMAN: Thank you. Mr.
76 Kennedy, could I ask you to begin your cross, please?

77 MR. KENNEDY: Thank you, Chair.

78 MS. HENLEY ANDREWS, Q.C.: Mr. Chairman, perhaps if
79 we might, for 30 seconds, we have just circulated to
80 counsel the supplemental evidence of Michael Vilbert
81 (phonetic), and I have the copies to file.

82 MR. NOSEWORTHY, CHAIRMAN: Thank you. Do you
83 have any further observation or comment, Ms. Henley
84 Andrews?

85 MS. HENLEY ANDREWS, Q.C.: No, Mr. Chairman.

1 MR. NOSEWORTHY, CHAIRMAN: Okay, fine. Thank
2 you, very much. Mr. Kennedy, could I ask you to proceed,
3 please?

4 MR. KENNEDY: Thank you, Chair. Mr. Budgell, probably
5 the best way to start is to just continue on, if you will, on
6 some questions concerning the VHF system. And I think
7 it's been established that this is not normally your direct
8 responsibility, that it falls under the information department
9 of Hydro, but you're the person speaking on behalf of
10 Hydro concerning this budgetary item, and there's been
11 reference, a number of times, to the telecommunication plan
12 final report that was filed by Newfoundland and Labrador
13 Hydro to the Board dated June the 17th, 1997, and I just
14 wanted to see if I was gathering correctly. Is it Hydro's
15 intention to file a new telecommunication plan before the
16 end of the year?

17 MR. BUDGELL: I'm not aware that one is going to be
18 (inaudible).

19 MR. KENNEDY: So this plan which would have been filed,
20 as I understand it, in and around 1997, is still the plan that
21 Newfoundland and Labrador Hydro is operating under?

22 MR. BUDGELL: Yes, more or less. There are some
23 changes, obviously, to some of the components in the
24 plan, the timing and what have you.

25 MR. KENNEDY: And the most noteworthy of those is the
26 decision to proceed ahead with a full implementation of the
27 VHF system?

28 MR. BUDGELL: Yes. I believe there was an update
29 provided to the Board in one of the capital budgets
30 approval upon the ...

31 MR. KENNEDY: I believe it would have been 1999?

32 MR. BUDGELL: Yes, I believe you're right, yes, but I would
33 not be surprised if the tele control department would
34 prepare updates on the forthcoming activities on a similar
35 basis, as time goes on.

36 MR. KENNEDY: And I believe that updated report has
37 been subsequently reflected in some of the replies, by
38 Hydro, to information requests?

39 MR. BUDGELL: Yes, I believe it was in one of the requests,
40 you're correct, yes.

41 MR. KENNEDY: So could you just explain to me again
42 what the rationale is for the decision to proceed with the
43 construction of an entirely new VHF system as opposed to
44 the original plan that's filed in 1997 to just replace a portion
45 of it?

46 MR. BUDGELL: Yes. The plan that was put forward in
47 1997 has beginnings back in 1996, at which time the
48 intention was to just replace the switch, and since then

49 there's been ... or of course, since 1996, in that timeframe,
50 there's been significant changes on the industry and the ...
51 Hydro found itself in the situation, through the contact
52 with the supplier of the switch and the repeaters at the
53 various sites, that the equipment was not supported and it
54 was going to be difficult to get spare parts for it. As well,
55 if we replaced the switch and left the other older
56 architecture there, equipment, then there would have been
57 difficulty in melding together the new technology with the
58 older technology and then it would raise the issue of as the
59 newer technology. If you just replace the switch, if the
60 newer technology was sitting there and now the radios and
61 the repeaters or all of that equipment which was left there
62 needed to be replaced it would be difficult then to add on
63 or ever expand or do anything with the system, so you'd
64 end up with sort of a mix of technologies, and in the
65 technology industry, and especially this technology type
66 industry, the breadth of 10 or 15 years is a very long time
67 in the context of the life of electronic assets of this type.

68 MR. KENNEDY: Now, as I understood it from one of the
69 replies to an RFI, that the VHF system has, in fact, not been
70 supported by the manufacturer for quite sometime, is that
71 correct?

72 MR. BUDGELL: That's correct.

73 MR. KENNEDY: It, in fact, hasn't been supported by the
74 manufacturer for a period of, I think it was indicated of 10
75 years?

76 MR. BUDGELL: Yes.

77 MR. KENNEDY: So why is it that Hydro decided in 1998,
78 which is, I understand it, the first indication of going to a
79 full replacement of the VHF system, why was it decided at
80 that point that the fact that it wasn't manufacturer
81 supported was now driving the need to replace the system?

82 MR. BUDGELL: I guess it was a concern of the fact that
83 there was ... we had some spare parts for cards, let's say.
84 The whole switch couldn't be supported if the switch failed.
85 But there was some spare parts that Hydro had and had
86 gotten for the system over the years and it tried to get as
87 long a period of time as it could out of the current system
88 before it replaced, but it recognized that when ATI no
89 longer supported the switch and there was ... at least on the
90 ongoing places I believe they built four systems in the
91 world or somewhere and this ended up to be now the last
92 one, so there was no other equipment anywhere else that
93 we can call upon, that we can get a hold of to actually
94 repair the equipment if it broke down, and the realization
95 that we found ourselves without any VHF for a period of
96 time, that lead to the decision to go ahead with the
97 program.

98 MR. KENNEDY: Okay, so if Hydro has a VHF system

1 which it installed more than ten years ago, for the last ten
2 years it hasn't been supported by the manufacturer, and
3 then somewhere in and around 1998 Hydro determined that
4 because it wasn't being supported by the manufacturer any
5 more and it had to change out the switch that it needed to
6 replace the whole system, is that a fair ...

7 MR. BUDGELL: Yes, and through discussions with the
8 repeater controller, Motorola, which was the manufacturer
9 of the repeater equipment, once they made the decision
10 that their equipment as well wasn't going to be supported,
11 then that sort of cinched the decision.

12 MR. KENNEDY: And there's been some discussions with
13 Newfoundland Power concerning a joint implementation of
14 a new VHF system on the island, that's correct?

15 MR. BUDGELL: Yes.

16 MR. KENNEDY: But I think it was established, through
17 some questioning from the Consumer Advocate, that those
18 talks never actually brought to fruition an actual agreement
19 on the joint implementation of the VHF system?

20 MR. BUDGELL: That's correct.

21 MR. KENNEDY: And so Hydro is now proceeding on with
22 a VHF system on its own?

23 MR. BUDGELL: Well, we do have one other party, which
24 is the current party we have sharing our current equipment,
25 which is Work Services and Transportation, are on board
26 with us on the new system.

27 MR. KENNEDY: Now, Work Services and Transportation,
28 there was notation in, again, some of the replies to
29 information requests that they pay approximately \$18,000 a
30 month for the lease of the system. Was I gathering that
31 correctly?

32 MR. BUDGELL: Yeah, it's in that order. I think it's
33 somewhere between 10 and 20. Around \$10,000, I thought.
34 This is the current system.

35 MR. KENNEDY: The current system, and in the case of
36 Work Services and Transportation, can I first ask how the
37 rate at which Work Services pays for the use of the VHF
38 system was determined?

39 MR. BUDGELL: I don't have details of how that was done.
40 I assume it had something to do with their usage of the
41 system, how many radios and what portion of the system
42 they utilized.

43 MR. KENNEDY: But you don't have any details on
44 whether ... is it a market rate, do you know?

45 MR. BUDGELL: No, I don't have those details.

46 MR. KENNEDY: Or is it based on some assessment of the
47 capital cost of the project?

48 MR. BUDGELL: Oh, I'm sure it is based on the capital cost
49 and the use of the system, the use of those assets.

50 *(11:30 a.m.)*

51 MR. KENNEDY: So did Work Services and Transportation
52 participate in the ... or intend to participate in the actual
53 construction of this new VHF system?

54 MR. BUDGELL: No, that's no my understanding.

55 MR. KENNEDY: So the entire capital cost is to be borne by
56 Newfoundland and Labrador Hydro?

57 MR. BUDGELL: Yes.

58 MR. KENNEDY: And then the usage by Work Services is
59 to be charged out as an expense to Work Services?

60 MR. BUDGELL: Yes, and I understand that the estimates
61 that we've been playing with to date is something in the
62 range of about \$60,000 a month for the new system, and
63 that would be for the use of the current footprint, I'll refer
64 to it as, of the equipment we're putting in place. If there's
65 any additional increase to that footprint that is required the
66 discussions to date are along the lines that we would
67 require from them something along the lines of a CIAC
68 contribution in aid.

69 MR. KENNEDY: Now, you realize, of course, that if Work
70 Services participated in the actual capital cost of the project
71 as opposed to paying it as a portion of the expense of the
72 project that that would have an impact on the rate base of
73 Newfoundland and Labrador Hydro?

74 MR. BUDGELL: Yes, I understand that.

75 MR. KENNEDY: And that instead of the ratepayers paying
76 for both the capital cost of the project and then a rate of
77 return on their rate base they would, if Work Services
78 participated in the capital cost of the project, gain a benefit
79 in that manner by not having to pay a rate of return on that
80 portion of the capital cost that Work Services ...

81 MR. BUDGELL: I would expect that would be true, yes.

82 MR. KENNEDY: And so was there any exploration of
83 having Work Services and Transportation actually
84 participate in the capital cost of the VHF system?

85 MR. BUDGELL: I don't know whether that's the case or
86 not. I only understand that the participation was on the
87 basis of what occurs currently and that Hydro would credit
88 the rental fees that we would attain from the use by Work
89 Services against the cost of the project, and thereby saving
90 the customers that additional cost. It would show up as a
91 revenue for us that ratepayers wouldn't have to bear.

92 MR. KENNEDY: And I understand that that shows up as
93 an expense credit, I think is the reference that was in one of
94 the information replies?

1 MR. BUDGELL: Yes, I believe you're right, yes.

2 MR. KENNEDY: And so other than Work Services and
3 Transportation and Hydro is there anyone else that would
4 be using this new VHF system?

5 MR. BUDGELL: Not at this current time. I believe there's
6 evidence that's filed and also discussion that up to early
7 this year we were trying to get an arrangement going with
8 Aliant. Aliant were going to put the system together, and
9 that was ongoing in the last couple of the years. And the
10 intention was Aliant needed to make a business case, if
11 they were going to proceed with the VHF system they
12 needed to sign up as many parties as they could, and they
13 needed us, Newfoundland Power, the Coast Guard, the
14 RCMP, Work Services, all these parties. And of course, I
15 don't know how many people are aware, but the RCMP, I
16 believe, just replaced their system and went on their own,
17 as their own system, and so they couldn't anyway arrange
18 to get all these parties together interested in the system so
19 that sort of fell to pieces and they withdrew. We would
20 have had to pay a higher price than going alone if we
21 continued on that path.

22 MR. KENNEDY: I'm sorry, what was that last sentence?

23 MR. BUDGELL: We would have had to pay a higher price
24 for the system that we needed if we continued on by
25 ourselves with Aliant.

26 MR. KENNEDY: You'll have to explain that. You would
27 have paid higher price if you went alone than in
28 participating with Aliant, is that what you're saying?

29 MR. BUDGELL: Yes. If Aliant built the system and we
30 were their only user, we'd end up paying higher cost than
31 what we're currently proposing here.

32 MR. KENNEDY: But it wouldn't be in your rate base?

33 MR. BUDGELL: Agreed.

34 MR. KENNEDY: So you wouldn't earn a rate of return on
35 that portion of the capital cost in your rate base?

36 MR. BUDGELL: That's true.

37 MR. KENNEDY: And so has there been any comparison to
38 having, for instance, Aliant install a VHF and then you use
39 it and just get charged with the expense?

40 MR. BUDGELL: Aliant weren't interested in proceeding on
41 the basis of just our business.

42 MR. KENNEDY: And could you explain to me what the
43 alternatives were to the VHF system, what other
44 alternatives were explored by Hydro other than installing
45 an entire new VHF system?

46 MR. BUDGELL: There were alternatives within the system
47 itself in one of the questions, but I don't think that's the

48 context of your question. But the alternatives that are
49 available would be cell phone, and we talked a little bit
50 about that this morning, and on a technical basis we
51 couldn't use cell because cell doesn't have the coverage in
52 the areas where we require communications for a large part
53 of the operations, and also the issue about the availability
54 of circuits when you have problems.

55 MR. KENNEDY: Let's just talk about that for a second. Do
56 you have any evidence that you can offer about, first, the
57 footprint of the cell phone system, the existing cell phone
58 system in the province and its up time or its reliability in the
59 province?

60 MR. BUDGELL: I had a chart, I think you can get it off the
61 Aliant site, about their coverage areas, and it's mostly on
62 the main ... obviously it's in the area where people are living
63 and available, and if anybody has travelled across the
64 island in a car you'd know that there'd be quite a few
65 locations which we wouldn't be able to contact or call from.

66 MR. KENNEDY: And in those areas where you fall outside
67 this footprint of the cell phone system, wouldn't it be
68 possible for a Hydro employee then to use a satellite
69 phone?

70 MR. BUDGELL: A satellite phone would be even more
71 expensive. The phones are very expensive to buy and the
72 air time is very expensive.

73 MR. KENNEDY: Well, when was the last time that Hydro
74 examined the operating expense of a satellite phone system,
75 the utilizing a satellite phone system?

76 MR. BUDGELL: I wouldn't personally know.

77 MR. KENNEDY: And so you wouldn't be aware if, in fact,
78 the costs of using a satellite phone system have decreased
79 dramatically in the last year, 18 months?

80 MR. BUDGELL: No, I wouldn't.

81 MR. KENNEDY: And so ...

82 MR. BUDGELL: But I am aware that some of the companies
83 offering satellite phone service have experienced
84 significant financial difficulties in keeping in operation.

85 MR. KENNEDY: But you're also aware that some of them
86 haven't and that the satellite phone system is still a
87 maintained system in North America?

88 MR. BUDGELL: I believe there are services offered, but I
89 believe some of these what were services providers have
90 dropped off the map.

91 MR. KENNEDY: Yes, and you've established that, but
92 there's some others that have not dropped off the map and
93 so the satellite phone system is available in the island?

94 MR. BUDGELL: Yes, and I understand from our people

1 that the cost of providing the service, the air time that we
2 would require in the normal year, plus the phones for
3 satellite, would be in excess of what we're proposing.

4 MR. KENNEDY: But again, you don't have any knowledge
5 of when the last time Hydro checked on that?

6 MR. BUDGELL: Yes. I don't know the time that that would
7 be checked.

8 MR. KENNEDY: So at this point we don't know whether,
9 in fact, that is a competitive alternative to installing a new
10 VHF system?

11 MR. BUDGELL: I've been advised that it isn't, and that's
12 my ... that's all I know.

13 MR. KENNEDY: So as the witness for Hydro though
14 representing Hydro on the justification and therefore
15 seeking the Board approval on this capital project in a half
16 of 8.5 ... in excess of \$8.5 million you cannot tell us whether
17 under present circumstances at the point in time when
18 you're seeking approval for that project, whether there isn't
19 other competitive alternatives to the VHF system?

20 MR. BUDGELL: I don't think there's any competitive
21 alternatives. The satellite phone, there was a reference to
22 it in **NP-117** if you remember, the response in the last
23 paragraph. It read, "Hydro, working with the satellite
24 service provider, explored interfacing VHF mobile radio
25 equipment with portable satellite systems, however, the
26 systems could not be interfaced properly. Hydro has
27 purchased portable satellite phones to provide services in
28 remote areas. The functionality in per unit air time costs do
29 not make the satellite alternatives viable. Satellite services
30 have traditionally been used to fill very specific and limited
31 needs in the remote communications field." And this is a
32 response ...

33 MR. KENNEDY: That's exactly what we're talking about,
34 isn't it, very specific and limited needs in the remote
35 communication field?

36 MR. BUDGELL: Yeah, but I think we're thinking the remote
37 here is a little more remote than the Island of
38 Newfoundland.

39 MR. KENNEDY: So when it says the functionality in per
40 unit air time costs do not make the satellite alternative
41 viable, do we have any numbers that can support that from
42 recent data about the cost of maintaining a satellite system,
43 of accessing it and using it?

44 MR. BUDGELL: I wouldn't know. I'm acting on the basis
45 ... speaking on the basis is that this response was prepared
46 this summer, and I would expect that it wouldn't have been
47 said if it wasn't true.

48 MR. KENNEDY: But we don't know what the data is based

49 on? We don't know whether this is based on an old review
50 of that or a new review of that?

51 MR. BUDGELL: I only could go with what the words say.

52 MR. KENNEDY: And the original decision to proceed with
53 the full new VHF system was made back as early as 1998?

54 MR. BUDGELL: Yes.

55 MR. KENNEDY: And so would you be able to determine
56 for us and file, if you can, an economic analysis of the cost
57 competitiveness of maintaining a satellite phone system?

58 MR. BUDGELL: I think we should be able to do that.

59 MR. KENNEDY: Can I ask for an undertaking, counsel, if
60 we could have that. If it's readily available it would be
61 handy to have over lunch.

62 MR. BUDGELL: Can I just, just to clarify? When the
63 system ... because you're talking about the phones. Would
64 just Hydro, or Hydro and the Work Services and
65 Transportation ...

66 MR. KENNEDY: Just Hydro.

67 MR. BUDGELL: Just Hydro.

68 MR. KENNEDY: Well, if we're dealing with a cell phone
69 system and a satellite phone system then we don't have to
70 worry about Work Services and Transportation, I guess.

71 MR. BUDGELL: Okay. No, I was just wondering is it
72 comparative ...

73 MR. KENNEDY: And in regards to the use of the cell
74 phone system for those portions, this economic analysis
75 would need to take into account, would it not, that you
76 would use the cell phone system when you're able to use
77 a cell phone system and you would only have to switch
78 over to the satellite phone system when that's required to?

79 MR. BUDGELL: Yes, I would expect that would be the
80 case, but I don't think you'd be able to do the type of work
81 that we do with cell phone, and that's the issue of the
82 functionality that is referred to here.

83 MR. KENNEDY: And when you say the work that we do,
84 as in that the cell phone system, it doesn't have a wide
85 enough footprint?

86 MR. BUDGELL: No. It's just the way the different systems
87 work. If you can appreciate, if you got multiple crews in the
88 field doing work, one of the advantages of VHF is that you
89 can have all the parties share in on the conversation that's
90 on the go at one time. This is a function you can't do by
91 cell phone, it's very difficult to do, and by satellite, so in
92 other words, if there is two crews working in the field in a
93 remote location there's other people working in terminal
94 stations, everybody hears the conversation, they're in that

1 area. Everybody is aware if there's a problem develops, and
2 if it was a cell phone there'd be one person talking to one
3 other person and if he has to relay that message somebody
4 has to make another call to another person, so it's a very ...
5 you'd be in a very difficult situation. It's okay if there's two
6 people working, but it's not very good if you have multiple
7 crews or multiple people.

8 MR. KENNEDY: But you can have party calling a cell
9 phone?

10 MR. BUDGELL: Oh, yes, you can, I agree.

11 MR. KENNEDY: And you can have party calling on a
12 satellite phone?

13 MR. BUDGELL: Yes, and you can ...

14 MR. KENNEDY: And a cell phone can dial a satellite
15 phone and vice versa?

16 MR. BUDGELL: Yeah, but you can't ...

17 MR. KENNEDY: So you can have multiple people on the
18 one line speaking to each other?

19 MR. BUDGELL: Yeah, but I don't think you'll have a cell
20 phone operate in the middle of Bay d'Espoir to Stoney
21 Brook.

22 MR. KENNEDY: No, but if I'm ...

23 MR. BUDGELL: Or you won't have it working out in the
24 middle of ...

25 MR. KENNEDY: But Mr. Budgell, if I'm in Gander and I
26 want to speak to somebody who's in Stoney Brook, then I
27 have a cell phone and they have a satellite phone?

28 MR. BUDGELL: Okay, then, and if you're out there on the
29 whole day and you have your cell phone and your make
30 you call and you connect everybody in and now you have
31 the time for all of these people that that works for the cell
32 phones going for the full day.

33 MR. KENNEDY: Right, so ...

34 MR. BUDGELL: For the job to be done, and that's an
35 immense cost.

36 MR. KENNEDY: And so is an 8.6 ...

37 MR. BUDGELL: If you can hook it all up.

38 MR. KENNEDY: And so is an \$8.6 million expenditure for
39 a VHF system?

40 MR. BUDGELL: I would agree.

41 MR. KENNEDY: Right, so ...

42 MR. BUDGELL: Both are.

43 MR. KENNEDY: So there's the issue about where the
44 crossover point is from using existing technologies as
45 opposed to installing entirely new ones?

46 MR. BUDGELL: Yes, and we're going to file ... you've
47 already asked for the alternative cost.

48 MR. KENNEDY: Would you agree with me as well that by
49 Hydro proceeding with installing this VHF system that they
50 will for quite some time preclude using other technologies
51 that come along and improvements in those technologies
52 that are developed in the subsequent years?

53 MR. BUDGELL: What technologies would you have in
54 mind?

55 MR. KENNEDY: Well, if they ... well, that's just it, we don't
56 know what technologies will come along, do we?

57 MR. BUDGELL: Well, that's right, and we can't ... I can't
58 cover off the hypotheticals.

59 *(11:45 a.m.)*

60 MR. KENNEDY: And I think you indicated that, for
61 instance, in this case because you have to replace the
62 switch you now have to replace the entire VHF system
63 because the technology changed?

64 MR. BUDGELL: That's right, and we only can make a
65 decision based on the information we have available at this
66 time, with an understanding in talking to manufacturers on
67 where the technology is moving, and these people that
68 work in that particular field have a general idea of what is
69 coming forth, but we don't have the advantage of waiting
70 for a new technology if and whenever it arrives. We have
71 to make the decision to move at that particular time with the
72 best technology that's available at that time, and we're
73 stuck with it after that.

74 MR. KENNEDY: But if you were to rely on a third party
75 that was in the business of providing telecommunications?

76 MR. BUDGELL: Yeah, but in the case here Aliant made a
77 decision that they weren't going to get into the VHF on the
78 basis that they couldn't sign up everybody.

79 MR. KENNEDY: No, but that's into the VHF.

80 MR. BUDGELL: Yeah.

81 MR. KENNEDY: But I'm saying if you rely on third parties
82 to provide your telecommunication needs then the burden
83 of maintaining or keeping up with the technologies is on
84 that third party provider, not on Hydro then, correct?

85 MR. BUDGELL: Yes, I would agree with that.

86 MR. KENNEDY: And so Hydro would benefit from being
87 able to take advantage of improvements in technologies
88 made by the telecommunication carriers themselves?

89 MR. BUDGELL: Yeah. At the cost that it would cost to the

1 carrier.

2 MR. KENNEDY: And that the cost to that carrier is going
3 to be borne by all the customers of that carrier?

4 MR. BUDGELL: That's right, if there are other customers.

5 MR. KENNEDY: But in the case of Hydro you only have
6 one customer, yourself?

7 MR. BUDGELL: That's right.

8 MR. KENNEDY: And so whatever telecommunication
9 system you pick you're locked into that technology for the
10 duration of how long that technology will last?

11 MR. BUDGELL: Yes, and that's true of all the electric
12 utilities in Canada, including Newfoundland Power.
13 Everyone of the utilities has a VHF system for its operation,
14 and that says a lot.

15 MR. KENNEDY: Well, let's just talk about that for a
16 second. Newfoundland Power looks to all the other utilities
17 to see that they have and use VHF systems as part of the
18 rationale for why it should have a VHF system?

19 MR. BUDGELL: Well, that's part of ...no, but you need it,
20 it's critical to your operations. That's what the decision ...

21 MR. KENNEDY: Wait now, Mr. Budgell, that's not what I
22 asked you. I asked you why Hydro looks to the other
23 utilities in Canada to see what systems they're using as part
24 of its rationale for the systems that it should use?

25 MR. BUDGELL: We keep abreast of what other utilities,
26 our sister utilities are using, yes.

27 MR. KENNEDY: And you've put forth as one of the
28 rationales for why you're choosing to put a new VHF
29 system in as the fact that other utilities in Canada also use
30 a VHF system?

31 MR. BUDGELL: No. I just indicated to you that all of the
32 utilities in Canada have a VHF system, and we're not saying
33 that we have a VHF because they have a VHF system. I'm
34 saying that there's a reason that you should ask why do all
35 utilities have a VHF system, and it's because it's critical to
36 their operations. They can't operate without the system in
37 an environment that a utility operates, and that's the
38 message that I'm trying to leave.

39 MR. KENNEDY: Well, that's what you say. I guess the
40 problem is that there's no evidence of that. There's your
41 statement that the VHF system is critical, but then this is
42 not your department and you can't provide us with details
43 about an analysis of what other alternatives there might be,
44 so I guess I'm having some difficulty in just accepting your
45 bald statement that this is required without providing us
46 with details about the analysis behind it itself.

47 MS. GREENE, Q.C.: Now, you've asked for the analysis

48 and we've agreed to provide that, Mr. Kennedy.

49 MR. KENNEDY: Of the one alternative, that's correct,
50 Counsel, so it's not a case then that you're suggesting to
51 us that the VHF systems being used by other utilities is the
52 reason why Hydro needs a VHF system?

53 MR. BUDGELL: Of course not. I'm just indicating that
54 that's just evidence that there is ... how critical that the
55 requirements for a system is.

56 MR. KENNEDY: Now, in addition to the VHF system that
57 Hydro is proposing to implement, there's also
58 improvements being made to the power line carrier system,
59 correct?

60 MR. BUDGELL: Yes, there are.

61 MR. KENNEDY: And there's also improvements being
62 made, under this proposal, to your microwave system?

63 MR. BUDGELL: Yes, there are.

64 MR. KENNEDY: And there's also proposals being made to
65 improve your UHF system?

66 MR. BUDGELL: There are a couple of applications, I
67 believe, between a couple of our sites that are being
68 replaced, yes.

69 MR. KENNEDY: And I believe that you use a satellite link
70 now?

71 MR. BUDGELL: It's a backup, I believe, at this location at
72 this time.

73 MR. KENNEDY: You use a satellite link to communicate
74 with Labrador, I thought.

75 MR. BUDGELL: I'm sorry. It used to be a backup to ... it
76 used to be a primary when the system first moved out of
77 Bay d'Espoir, but right now the current application of
78 satellite is just from the Labrador system down to our EMS
79 centre.

80 MR. KENNEDY: That's the anic (phonetic) link that you
81 use?

82 MR. BUDGELL: Yes.

83 MR. KENNEDY: And you currently use a cell phone
84 system?

85 MR. BUDGELL: I'm sorry?

86 MR. KENNEDY: Hydro uses cell phones?

87 MR. BUDGELL: People have cell phones, yes.

88 MR. KENNEDY: Sure, and you use the internet itself?

89 MR. BUDGELL: Yes.

90 MR. KENNEDY: And you maintain your own fibre optic

1 system in portions?

2 MR. BUDGELL: I don't think we have a lot of fibre optics.
3 I think it's specific application between, short runs between
4 we have some sites. I refer to particularly, I believe, Cat
5 Arm. We might have some ... I believe we do have some
6 between the generating plant and control structures and we
7 have a similar system between Hynes Lake and its control
8 structures, so we're talking about within a distance of a
9 couple of miles of each other. We don't have any fibre
10 optic that spans any significant distance.

11 MR. KENNEDY: This was an area that I questioned, I
12 believe it was Mr. Henderson on, but to some people, I'd
13 suggest to you, that maintaining all these platforms, a
14 power line carrier platform, a microwave platform, a satellite
15 link, cell phones, use of the internet, fibre optic systems, a
16 VHF system and a UHF system is an awful lot of systems
17 to maintain, and I'm wondering can you tell us what
18 process Hydro had gone through recently to see what
19 rationalizations it can make in its telecommunications
20 platforms in order to reduce costs?

21 MR. BUDGELL: I think the '97 study and the updates are
22 evidence of the analysis.

23 MR. KENNEDY: So 1997 was the last time that Hydro
24 would have conducted a thorough review of its
25 telecommunications plan?

26 MR. BUDGELL: Yes. It found itself in a situation at that
27 time, after a short while after transferring our control centre
28 from Bay d'Espoir into St. John's and trying to operate a
29 system divorced, I guess, from the rest of the network
30 through lease networks, and the experience at the time ...
31 and that's the reference I was making to satellite. There
32 used to be a satellite link between ... in the beginning when
33 Bay d'Espoir first ... the system moved in, was over a
34 satellite system to St. John's and it has analog telephone
35 circuit backup to that from Aliant to our EMS centre, and
36 our experience has been less than favourable in that
37 particular situation, and we had an aging system in some
38 other parts of the province, difficulties which we just
39 mentioned in regards to the VHF, so the '97 analysis was
40 essentially our telecontrol group sitting down and
41 rationalizing the total system and bring forth to our
42 management and eventually to the Public Utilities Board, a
43 plan, and a lot of consideration went into that plan on
44 where Hydro felt our communication structure should go.
45 Now, you mentioned a few other items there earlier, which
46 was internet. These are a business process part of the
47 communications, and I'm sure you realize that. It's not in
48 the same sense or doing a similar function as VHF or
49 microwave or protection and that type of thing, but ...

50 MR. KENNEDY: Well, just two things. One, I just want to
51 establish then that the telecommunication strategy of

52 Hydro that it's still implementing as of today is based on
53 the telecommunication plan dated in June of 1997?

54 MR. BUDGELL: Yes, essentially that with some changes in
55 timing, and obviously some changes in cost.

56 MR. KENNEDY: I just wonder if we could look to **B-21**,
57 please, Mr. O'Rielly? Now, Mr. Budgell, are you prepared
58 to answer any questions concerning this particular budget
59 item?

60 MR. BUDGELL: I'll certainly try.

61 MR. KENNEDY: Okay. Could you first just give me the
62 rationale for this TV surveillance system at the Holyrood
63 plant site?

64 MR. BUDGELL: Yes. Essentially, the plant people at
65 Holyrood have significant concerns with incursions onto
66 the site by unauthorized people with various intent. In
67 some cases there's been property stolen, and that's one
68 issue, but the major issue is the fact that we have people
69 unaware of the site and the dangers at that particular
70 location accessing the Holyrood site in remote locations on
71 the site, and I refer here to the dock location and up around
72 the tank farm and spots where it's remote from the current
73 guardhouse. If you drove in to Holyrood now there's a
74 guardhouse right nearby the access, and most of the
75 personnel in Holyrood are in the plant. There's not very
76 much activity out in the surrounding area, even at the ...
77 most of the time during the day, certainly not in the
78 nighttime, and there's no fence around the whole site to
79 keep people totally out of that area. People can get into the
80 location, and the dock area to the tank farm, it contains fuel.
81 I mean, there's fuel being off loaded. There are ships that
82 are docked there off loading fuel, so there is very
83 significant danger to people, and we'd like to be able to
84 discover if there is somebody there and to ensure that we
85 can get them off the site before something happens.

86 MR. KENNEDY: And so was there a particular incident or
87 incidents that which drove Hydro, if you will, to wanting to
88 implement a closed circuit surveillance system in
89 Holyrood?

90 MR. BUDGELL: I don't know whether there was one
91 particular incidence, but I know that there was a number of
92 incidents, and there was investigation, RCMP were called
93 in to investigate and the closed circuit TV as an alternative
94 was indicated by them as a possible means of assisting
95 with the investigation and also in trying to prevent the
96 problem.

97 MR. KENNEDY: And do you know what alternatives there
98 were, that Hydro explored, to achieve the same objective
99 without installing a closed circuit TV system?

100 MR. BUDGELL: I'm not aware whether there were any other

1 alternatives looked at.

2 MR. KENNEDY: And so you wouldn't be aware, for
3 instance, whether Hydro explored the possibility of taking
4 advantage of new technologies that have developed in the
5 last couple of years that might achieve the same thing, for
6 instance, the use of a web cam?

7 MR. BUDGELL: I'm not aware.

8 MR. KENNEDY: And so you wouldn't be aware that
9 utilizing the internet and a web cam system, for instance,
10 might achieve the same objective at a substantially lower
11 cost than what's budgeted at \$152,000?

12 MR. BUDGELL: I'm not aware.

13 MR. KENNEDY: Can we just look at **B-72**? Mr. Budgell,
14 there was reference made as well in some of your testimony
15 to Hydro formulating a new IT strategy. I believe you
16 indicated that's being worked on presently?

17 MR. BUDGELL: Yes. There's an architectural plan. I
18 believe, we made an undertaking to file that with the Board
19 when it's complete.

20 MR. KENNEDY: And that that would be done sometime in
21 December, I think you indicated?

22 MR. BUDGELL: Yes, I believe that was the date.

23 MR. KENNEDY: And so does Hydro view its
24 telecommunications as being a completely separate entity
25 from its information technology?

26 *(12:00 noon)*

27 MR. BUDGELL: The department is one within Hydro. A
28 number of years ago, or at least in recent history, both
29 departments were brought together, our information
30 systems and our telecontrol department.

31 MR. KENNEDY: So for instance, the microwave systems
32 that Hydro has been installing and is continuing to install
33 in the province, you indicated, and I believe Mr. Henderson
34 has indicated the same thing, that the microwave system
35 provides teleprotection, voice transmission, contact
36 between the EMS and terminal stations and a data network
37 for your SCADA system, correct?

38 MR. BUDGELL: That's correct.

39 MR. KENNEDY: Okay, and so would you agree with me
40 that that is certainly IT related, information technology
41 related?

42 MR. BUDGELL: There is an element of that, yes, agreed.

43 MR. KENNEDY: And so wouldn't you normally look at
44 that as sort of a left and a right hand of the same issue that
45 your telecommunication systems and your information
46 technology are all part and parcel of the same thing?

47 MR. BUDGELL: Yes, and we have both groups and Hydro
48 under the same umbrella, same directive.

49 MR. KENNEDY: So isn't it possible then that your strategy
50 and the development of your strategy of your information
51 technology may impact on your telecommunication plan?

52 MR. BUDGELL: I don't know if I can say whether that's
53 true or not.

54 MR. KENNEDY: So in the case of the IVR system, for
55 instance, the interactive voice response, and I believe
56 there's been some information requests to you **B-15** and
57 **NP-119**. If I can summarize that an IVR system is a system
58 used by companies to provide telephone access to
59 customers to make certain inquiries, whether it might be
60 their billing or their account inquiries, different departments
61 and so on?

62 MR. BUDGELL: Yes, that's ...

63 MR. KENNEDY: It's an information system?

64 MR. BUDGELL: Yes.

65 MR. KENNEDY: And so has Hydro examined whether, for
66 instance, this interactive voice response system, how that
67 fits into your information technology strategy that's being
68 developed?

69 MR. BUDGELL: The strategy hadn't been finalized, as yet.

70 MR. KENNEDY: So but that ...

71 MR. BUDGELL: But this is a requirement for our customer
72 services department.

73 MR. KENNEDY: But would that be different, again, from
74 your information technology?

75 MR. BUDGELL: Well, I don't know. The only other
76 alternative to this particular system would be customer
77 service having people answer the phones and deal one on
78 one with customers in this area.

79 MR. KENNEDY: What about the alternative of using the
80 internet and establishing a web site that people can access
81 that same information on?

82 MR. BUDGELL: I don't know whether that's available in
83 this regard or whether that alternative was looked at, I don't
84 know.

85 MR. KENNEDY: So have you ever visited the
86 Newfoundland Power's web site?

87 MR. BUDGELL: No, I haven't. I've visited their web site in
88 not a recent history, but I understand that they make
89 available more information to customers, but I believe it's a
90 very recent implementation of that.

91 MR. KENNEDY: So I can, for instance, go on

- 1 Newfoundland Power web site and find out the status of
2 my bill?
- 3 MR. BUDGELL: Yes.
- 4 MR. KENNEDY: I can get a historical record of my
5 electrical expenditures for the preceding 12 month period?
- 6 MR. BUDGELL: Hmm.
- 7 MR. KENNEDY: And so as I understand it, from the
8 responses to this information request regarding **B-72** that
9 that's one of the purposes of the IVR?
- 10 MR. BUDGELL: Yes, and you should understand that
11 Newfoundland Power, besides the web site, has an IVR as
12 well, and I believe the IVR that Newfoundland Power had
13 was installed very recently in the late 1990s at a cost of
14 about a half million dollars, I believe.
- 15 MR. KENNEDY: And I guess the issue is though whether
16 this IVR system that Hydro's proposing to install should be
17 dovetailed in some manner with its information technology
18 system?
- 19 MR. BUDGELL: It could, but this was, the IVR system was
20 identified as a requirement of the customer services
21 department to free up resources within that department and
22 handle customer calls and provide a service.
- 23 MR. KENNEDY: But it raises the possibility, does it, that
24 if Hydro proceeds ahead with this IVR system that it could
25 box itself out from being able to take advantage of
26 technologies elsewhere in its information systems like in its
27 web site?
- 28 MR. BUDGELL: Yeah, but the difficulty is, you have to
29 remember, Mr. Kennedy, where our customers are located
30 on the system and what access they would have. If we put
31 a web based system in, I would submit to you that
32 everybody practically has a phone, most of our customers,
33 if you would agree, there may be some that don't, but a
34 good many of them do, but I would submit that not very
35 many of them, or not as many, I should say, would have
36 computers and maybe not have internet access.
- 37 MR. KENNEDY: Well, you wouldn't be aware then that
38 Newfoundland has the highest penetration of internet
39 access in the country?
- 40 MR. BUDGELL: Well, they could, but we have to provide
41 a system that gives the maximum benefit to the customers,
42 and we could have a high penetration. I don't know
43 whether that would be true for some of the communities on
44 the coast of Labrador and some of our customers.
- 45 MR. KENNEDY: So you have customers, for instance, in
46 Goose Bay?
- 47 MR. BUDGELL: Yes.
- 48 MR. KENNEDY: And so anecdotally you can access the
49 internet in Goose Bay?
- 50 MR. BUDGELL: Yes, and we have customers in Nain,
51 Charlottetown and all these other communities.
- 52 MR. KENNEDY: Okay.
- 53 MR. BUDGELL: Francois on the south coast.
- 54 MR. KENNEDY: Sure.
- 55 MR. BUDGELL: And I don't know whether internet access
56 ...
- 57 MR. KENNEDY: Is available or not?
- 58 MR. BUDGELL: Yes, and I don't know whether all the
59 customers have a computer with a modem sitting there
60 waiting for access to a Hydro system so they get
61 information on their bill.
- 62 MR. KENNEDY: So you don't know whether that should
63 or shouldn't be taken into account in determining what
64 ways or avenues you should be presenting information to
65 your customers?
- 66 MR. BUDGELL: No. Only that I would submit that there's
67 less of people with computers than there are with phones
68 on the island.
- 69 MR. KENNEDY: Would you consider Hydro as a
70 corporate organization and the flow of the documents
71 within Hydro to be dramatically different from that of other
72 organizations of a similar size?
- 73 MR. BUDGELL: Of course not, I don't think so.
- 74 MR. KENNEDY: So in the case of the document
75 management proposal under **B-60**, as I understand it, from
76 the replies you gave over the last couple of days, and in
77 turn, responses to information requests that this is a pilot
78 project, is that correct?
- 79 MR. BUDGELL: Yes, it is.
- 80 MR. KENNEDY: And it's to determine the suitability of an
81 electronic document management system for Hydro?
- 82 MR. BUDGELL: Yes. Or at least to try to come up with
83 what best fits our requirements for all our ... the
84 requirements that we do have.
- 85 MR. KENNEDY: And the J.D. Edwards system that you
86 use, that doesn't have a document management module
87 that you can buy?
- 88 MR. BUDGELL: No. It's strictly a financial model.
- 89 MR. KENNEDY: And so this would be a stand alone
90 system?
- 91 MR. BUDGELL: Yes.

1 MR. KENNEDY: And has Hydro conducted or accessed
2 any reports like Gardner reports in order to determine
3 suitability of electronic document management systems for
4 an organization such as its own?

5 MR. BUDGELL: I wouldn't be able to say whether ... I
6 would be very ... I would say whatever information that
7 personnel in that particular department in the IS area,
8 they're generally aware of what's on the go, but in regards
9 to this particular proposal, the intention is to try to find out
10 what would work for our organization and our make up
11 given the type of business that we're in, you know, from
12 the customer services, from the engineering aspects and
13 from the normal email and other activities that are on the
14 go.

15 MR. KENNEDY: Mr. Budgell, just in the last few minutes
16 before we break for lunch, I wanted to ask you some
17 questions about the process that's being employed here in
18 this application and the provision of information to the
19 Board. You were questioned previously about the lack of
20 information initially provided by Hydro regarding, for
21 instance, some of these capital budget items, and yet, I got
22 the sense that you were a bit frustrated with the fact that
23 while, yes, that might be a concern someone would have by
24 looking at, for instance, **B-60** there was nonetheless,
25 because of your capital budget process, a blizzard of paper
26 concerning each project and full justifications provided up
27 through the ranks in order for a particular project to make
28 it through your capital budget process?

29 MR. BUDGELL: Yes.

30 MR. KENNEDY: So in that regard, and you've been a long
31 term employee of Hydro and seem to have worked in a
32 number of different departments so you have a good
33 knowledge of the internal workings of Hydro, if you will,
34 what suggestion can you make about the provision of
35 information and the level of information that Hydro could
36 provide to help the panel members make decisions
37 regarding these capital budget items which is their
38 obligation to review and ultimately to approve or
39 disapprove pursuant to the *Public Utilities Act*?

40 MR. BUDGELL: Yeah, and I think I had some discussions
41 during the week with, I believe it was Ms. Henley Andrews,
42 in that regard, and I think the Board, if it desires and
43 requires of Hydro, and I guess that would hold similarly for
44 Newfoundland Power, additional information or can
45 provide further direction in regards to ... because the
46 difficulty that we have here is that I think there's a happy
47 medium somewhere and it's maybe not what we provided in
48 these documents. Now, Hydro did supply two documents,
49 but this is the standard, this is the direction of the Board in
50 this regard, and I believe it was the pattern that may be set
51 with Newfoundland Power over the years in regards to their

52 hearings on the capital program. But if the Board desired
53 additional information on the documentation, then Hydro
54 would be pleased to proceed to that and require it, and a
55 similar ... a situation happened a number of years ago where
56 Hydro and Newfoundland Power got together and supplied
57 what we called minimum filing requirements in regards to
58 certain items and provided a report to the Board in that
59 particular regard, which is an item that I believe we show up
60 in Section C, and we have an item in that where we're
61 looking at load requirements or items that are expansion to
62 the system, whether they be generation or transmission,
63 and there would be a more weightier application, and it's
64 difficult for the utility ... and I admit, there's more
65 information available, but the issue is that I don't think
66 we're talking about a situation where the Public Utilities
67 Board wants to sit down in the management committee
68 room when management of Hydro are reviewing the
69 budgets. I don't think that's what we're talking about, and
70 that's one extreme at the other end, right, and if there's
71 something missing or if the Board or the parties can
72 provide advice to the Board in regards to what additional
73 information that would be helpful. Because I still think
74 there would be a questioning period, a questioning period
75 both for RFIs at a capital budget and of course, both
76 utilities sit down with the Board to get their budget
77 approved and people are made available to expand or
78 expound on the items that are in the budget.

79 MR. KENNEDY: You described, I believe it was from
80 questioning from Ms. Henley, that ... of your capital budget
81 process, and I think there's been a couple of witnesses
82 speak to that already, and if I gathered you correctly, there
83 was a point in time where it came that there was actual
84 proposals made to the vice-president level of Hydro?

85 MR. BUDGELL: Yes.

86 MR. KENNEDY: For the departments?

87 MR. BUDGELL: Yes, there are.

88 MR. KENNEDY: And this would be ... would this, in this
89 package, if you will, I'm presuming there's some sort of hard
90 copy package provided to your vice-presidents regarding
91 the capital budgets. Would this include full justifications
92 for each of the projects?

93 MR. BUDGELL: There would be, I would expect that for
94 most of them there would be justifications at that time. If
95 they're not there I'm sure that they would be asked for.

96 MR. KENNEDY: And if I gather correctly, then it goes to
97 your management committee. Is that the final step?

98 MR. BUDGELL: Yes. The vice-president, there's a period
99 of time then after the vice-president review where the
100 proposals, any proposals that were changed or modified
101 would have to go back to the process and be changed, and

1 the successful ones or the ones that hadn't been cut out at
2 that particular stage would go together to a package to our
3 management committee.

4 MR. KENNEDY: And then the management committee,
5 what, once it approves it goes to the board of directors?

6 MR. BUDGELL: Yes.

7 MR. KENNEDY: And the information flow that goes to the
8 board of directors, are you aware of the nature of that?

9 MR. BUDGELL: And I should ... to the board of directors?

10 MR. KENNEDY: Yes.

11 MR. BUDGELL: I've seen the report, yes.

12 *(12:15 p.m.)*

13 MR. KENNEDY: And the information that flows to the
14 board of directors of Hydro on the capital budget, for
15 instance, does that have full justifications for each of the
16 projects?

17 MR. BUDGELL: No. The level of justification, it's like a
18 pyramid. The level of justification sort of decreases as it
19 comes up in the organization, that's the natural way it
20 happens.

21 MR. KENNEDY: So the greatest level of justification, if
22 you will, would be at the vice-president level?

23 MR. BUDGELL: I'll say at the originator.

24 MR. KENNEDY: Okay, at the originator. The package that
25 goes from your vice-president level to your management
26 committee, would that include full justifications on
27 individual projects?

28 MR. BUDGELL: I would say on all the major projects there
29 should be something in there, yes.

30 MR. KENNEDY: Would that be an appropriate level of
31 information to provide to the panel, to provide to the Board
32 in assisting it in making its decision, do you think, in your
33 personal opinion?

34 MR. BUDGELL: I don't think so. I think it would be too
35 detailed.

36 MR. KENNEDY: Too much information?

37 MR. BUDGELL: It could certainly be detailed in regards to
38 cost.

39 MR. KENNEDY: Can you pick for me ... is there a level that
40 you could pick, within that structure of your capital budget
41 process, that would provide what you would feel to be a
42 sufficient level of information that would enable the panel
43 to reach an independent assessment of the justification on
44 the capital budget projects?

45 MR. BUDGELL: I don't think the system ... I don't think it's
46 within the system. I would rather think that it would be ...
47 that at the end of the day we would meld what we do have
48 to a system that the Board feels that it requires.

49 MR. KENNEDY: So there's nothing that you could just use
50 holus bolus, it would be a newly created document that
51 you would still feel would need to be put together?

52 MR. BUDGELL: Yes.

53 MR. KENNEDY: And you mentioned as well that there's a
54 five year capital budget process that Hydro employs?

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

56 MR. KENNEDY: And would it be of assistance, do you
57 think, to the panel to have a full examination of that five
58 year capital budget plan that Hydro uses?

59 MR. BUDGELL: If it was of interest to them. I don't know,
60 the only part that ... the issue even at Hydro is that going
61 up through the organization the only part of the capital
62 budget that receives the increase, the most amount of
63 attention is the budget for the next year that they're going
64 to the Board. The other years are there for, mostly for
65 information purposes, and they may in a lot of cases reflect
66 incomplete analysis study and budget estimates. I don't
67 know for what benefit it would be to the Board. It would ...
68 you're down to a level that ... a high level, I think, some of
69 that information is provided in the financial plan that Hydro
70 already provides to the Board, and I think that's a very apt
71 document that the Board needs to see. I'm not sure there's
72 any value in getting down into the nitty gritty details of
73 every little budget item for a five year plan.

74 MR. KENNEDY: The other question I wanted to ask you
75 concerning the process. There's been some discussion
76 among counsels, at least, of the benefit, potential benefit in
77 having more than one Hydro witness testify at a given time,
78 and for instance, there's been a number of questions put to
79 you which you've done your best to answer or, in turn,
80 deferred outright to other individuals within the Hydro
81 organization, and principally, Mr. Henderson, for instance.
82 Your own personal opinion, if you will, on the benefits that
83 could be derived from yourself and Mr. Henderson
84 providing information jointly as a panel, would that assist
85 you in being able to explain the intricacies of Hydro's
86 operations to this panel?

87 MR. BUDGELL: I had to smile a little bit in regards to that.
88 I'd like to have about 100 people here behind me, to be
89 honest with you, right, and I'd feel very comfortable, a lot
90 more comfortable than I do right now. The difficulty is is
91 that, at least that I see, is that ... and I know you people
92 have experienced the same thing. This has taken me a year
93 out of my normal business activities. It's an immense task
94 to grasp the full breadth of what's going on here, so we

1 spend all of this time. I wouldn't think it would be
2 beneficial, let's say, to expand the role of having more
3 witnesses. Now, we might in the capital program ... I'm not
4 sure whether it would be more beneficial having people
5 directly speaking to capital under their particular area, but
6 I don't think we should have double up on the number of
7 people that participate in a rate hearing. It just takes too
8 much resources and of the ongoing activities to make them
9 available, and if Mr. Henderson and I, for instance, were
10 sitting here we are ... I'm speaking to planning and he's
11 speaking to production, and maybe the issue is more on the
12 interviewer getting a better appreciation of what the make
13 up of the organization of the company and what type of
14 questions are coming, because like ... I report for planning,
15 and I've indicated on the generation capital here, and Mr.
16 Henderson reported on the operations of the system and
17 the operating costs of the generation area. It's difficult for
18 us because the question sometimes might come on RSP or
19 there might be a question in regards to rates in the
20 organization, and an organization, we try to, as much as
21 possible, a number of individual (sic). I'm lucky in a sense
22 that if I'm a planner I get to talk to more individual
23 departments in Hydro than most, some of the other
24 individuals don't get to do that, and the same with Mr.
25 Henderson, Mr. Henderson, through his normal course of
26 the day, deals with most of the organization, and that's an
27 advantage to him and to ... so I don't know if we bring more
28 people available, but I think what you're talking about is
29 forming a panel for questioning, and it's been talked about
30 internally, and I would leave it to counsel for Hydro to
31 decide which way she thinks it's best for Hydro to put its
32 story forward to the Board, rather than my opinion, really.

33 MS. GREENE, Q.C.: And you would point out the Board
34 counsel hasn't raised that issue with me as counsel for
35 Hydro.

36 MR. KENNEDY: Mr. Budgell, there's one last comment.
37 You referred a couple of times to the fact that this is not ...
38 you don't consider this to be your normal business?

39 MR. BUDGELL: Not to the extent that ... I'm sorry, I didn't
40 mean it that way. If you were going to say capital planning
41 and that type thing, the reporting to the Board.

42 MR. KENNEDY: No, no, no. I was just going to ask or
43 suggest to you that you do recognize that you're a
44 regulated monopoly?

45 MR. BUDGELL: Yes.

46 MR. KENNEDY: And that in the absence of competition
47 there has to be some process employed to test the metal of
48 Hydro, if you would?

49 MR. BUDGELL: I would agree. I'm only speaking from a
50 personal, not from a Hydro corporate perspective. That

51 was not intended to be construed that way. I'm only
52 saying that my normal activities would be associated with
53 planning, and I agree that if we are a monopoly we should
54 be regulated, we should be appearing before the Board and
55 we should be justifying what we do, and the process is a
56 health process. I don't know the extent and the breadth of
57 the process is healthy, and I don't know ... I would hope
58 that future hearings don't have so many bookcases around
59 here, right, in the information, but I mean, the process is
60 good in that respect, but it takes a lot of effort and a lot of
61 time and there's a lot of resources in an organization that
62 goes into this particular process.

63 MR. KENNEDY: I appreciate that. That's a good place to
64 break, Chair.

65 MS. GREENE, Q.C.: I wonder if Board counsel could
66 indicate how much longer he would be?

67 MR. KENNEDY: I have one more area that I wanted to
68 cover. I don't suspect that it would take long. Certainly no
69 more than 45 minutes, at the most.

70 MS. GREENE, Q.C.: And the other request I have, then,
71 would it be possible to sit later today if it appears we will
72 not conclude by 4:00 to see if it would be possible to
73 conclude Mr. Budgell this week?

74 MR. NOSEWORTHY, CHAIRMAN: Yeah, I think we will
75 see how we do later on this afternoon. Certainly I'm
76 hopeful that we will be able to do that. I think we've had
77 some discussion among ... I don't know how long redirect
78 will take or how long questions arising, but we've had some
79 discussion and I think our questions are relatively few at
80 this point in time so I'm hopeful we might be able to
81 accomplish that.

82 MS. GREENE, Q.C.: It would be nice that he wouldn't be
83 broken.

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

86 MS. GREENE, Q.C.: I don't mean literally broken.

87 *(break)*

88 *(2:00 p.m.)*

89 MR. NOSEWORTHY, CHAIRMAN: Good afternoon.
90 Before we get started and continue with counsel's
91 questioning are there any preliminary matters?

92 MS. GREENE, Q.C.: No, Mr. Chair. I thought this
93 afternoon that I will do the undertakings as part of my
94 redirect.

95 MR. NOSEWORTHY, CHAIRMAN: Okay, that's fine.

96 MS. GREENE, Q.C.: And at that time we will conclude all of
97 the outstanding undertakings from Mr. Budgell.

- 1 MR. NOSEWORTHY, CHAIRMAN: Okay. I do have a
2 preliminary analysis here. Is that the information that
3 counsel was requesting?
- 4 MS. GREENE, Q.C.: Yes, it is, that is the economic analysis
5 comparing the satellite phone alternative with the VHF
6 radio, and because I've just given it to Mr. Kennedy I'm not
7 sure if he will use it for cross-examination at this time, and
8 if he doesn't I will deal with it at the time I do my redirect.
- 9 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
10 Greene. Mr. Kennedy, please?
- 11 MR. KENNEDY: Thank you, Chair. Mr. Budgell, just on
12 the document that your counsel just passed out, the
13 preliminary analysis of the comparison between the satellite
14 telephone system and the VHF mobile radio system. Could
15 you tell me what the source, first, is of the annual estimated
16 VHF usage of 60,000 minutes?
- 17 MR. BUDGELL: That's based on our usage of the VHF, the
18 estimated usage.
- 19 MR. KENNEDY: Yes, that's what it says, but does that
20 mean you track your VHF usage now so that you can
21 provide an estimate of the air time that it's been in use, for
22 instance, for the year 2000?
- 23 MR. BUDGELL: Yes.
- 24 MR. KENNEDY: So there's actual records kept, is there, of
25 the usage of air time on your VHF system?
- 26 MR. BUDGELL: I understand there is, yes.
- 27 MR. NOSEWORTHY, CHAIRMAN: Excuse me, Mr.
28 Kennedy.
- 29 MR. KENNEDY: Yes, Chair.
- 30 MR. NOSEWORTHY, CHAIRMAN: For purposes of
31 transcript could we identify this possibly or mark it now,
32 given that you're referring to it?
- 33 MR. KENNEDY: Yes. Actually, Chair, I apologize. That's
34 probably a good idea. We can call this one **U-Hydro No.**
35 **20.**
- 36 MS. GREENE, Q.C.: 21.
- 37 MR. KENNEDY: 21.
- 38 **U-HYDRO NO. 21 ENTERED**
- 39 MR. KENNEDY: 21.
- 40 MR. NOSEWORTHY, CHAIRMAN: Thank you.
- 41 MR. KENNEDY: Sorry, Chair, and so the ... just so I'm
42 clear, the 60,000 minutes is based on your actual records of
43 VHF usage from the year 2000?
- 44 MR. BUDGELL: I don't know from which year it is, okay, or
45 ... it's an average. Or, it's our estimate of the usage, based
46 on the records.
- 47 MR. KENNEDY: Okay.
- 48 MR. BUDGELL: Now I wanted to point out as well that
49 even though we provided this economic comparison, we
50 don't feel that the two systems are an apples and apples
51 comparison.
- 52 MR. KENNEDY: No, fair enough. I'm just looking at the
53 numbers first though. Am I gathering correctly then that
54 the satellite air time cost on a point to point is 150,000 but
55 the same amount of time on a group talk is 1,500,000?
- 56 MR. BUDGELL: Yes. Because there's more people
57 involved. The talk one on a point to point is on the
58 assumption of a one to one conversation.
- 59 MR. KENNEDY: Yes.
- 60 MR. BUDGELL: The group time is assuming a five, five
61 person crews.
- 62 MR. KENNEDY: Okay, and your records of estimated
63 usage per minute, would that include a breakdown of how
64 often it was a multiparty conversation versus a two person
65 conversation?
- 66 MR. BUDGELL: I don't think that detail was available.
- 67 MR. KENNEDY: So of the 60,000 minute estimate of your
68 ... or 600,000 minute estimated usage, if that's correct?
- 69 MR. BUDGELL: It's five persons, five crews, five persons,
70 200 days a year, two hours per day. It's an estimate. It
71 could be longer than two hours a day. We're just taking a
72 very conservative view, two hours.
- 73 MR. KENNEDY: But is it correct you're assuming in this
74 that all 600,000 minutes in your estimate is group talk time?
- 75 MR. BUDGELL: Yes.
- 76 MR. KENNEDY: And, but you wouldn't have the ability to
77 track how often it's group talk time versus how often it
78 would be just two people?
- 79 MR. BUDGELL: No. Group talk happens out separate, may
80 involve the repeaters, but it happens out separately in the
81 system between individuals in the field.
- 82 MR. KENNEDY: So there may be a portion of that 600,000
83 minute estimate, for instance, that's not actually group talk
84 time but just point to point, just person to person?
- 85 MR. BUDGELL: No. It'll be group talk. It's a very ... this is
86 additional time to a point to point from the basis that I
87 understand the estimate was prepared.
- 88 MR. KENNEDY: Okay, but if your system doesn't track the
89 two, how did the breakdown ... how was the breakdown

1 derived between 600,000 minutes ...

2 MR. BUDGELL: I indicated it's five crews, five people, 200
3 days per year, two hours per day.

4 MR. KENNEDY: So it was reverse engineered on that basis
5 then, is that the assumption?

6 MR. BUDGELL: No. If you take five times five phones, 200
7 days, two hours per day you will end up with that many
8 minutes.

9 MR. KENNEDY: Yes, so again, the first one, the 60,000
10 minutes, that's based on your actual records?

11 MR. BUDGELL: Yes.

12 MR. KENNEDY: The 600,000 minutes, that's ...

13 MR. BUDGELL: It's an estimate based on the number of
14 crews that are ... an estimate of the number of crews that are
15 normally out in the field working together within an area
16 that doesn't involve calls directly to other areas.

17 MR. KENNEDY: Right.

18 MR. BUDGELL: Amongst themselves.

19 MR. KENNEDY: And that's something that you don't
20 actually track?

21 MR. BUDGELL: No. Because that would be between the
22 two phones.

23 MR. KENNEDY: Okay.

24 MR. BUDGELL: I should mention too the 250 a minute is
25 assumed discount off the normal satellite. It's on note two.

26 MR. KENNEDY: Yeah, okay. We'll get to that. First of all,
27 could you give me what you would consider to be your
28 best estimate of the plus or minus, for instance, of that
29 600,000 minute figure?

30 MR. BUDGELL: I only have the estimate. That's the best
31 estimate.

32 MR. KENNEDY: So you wouldn't know whether that's give
33 or take ten percent or give or take 15 percent, for instance?

34 MR. BUDGELL: No, I would not.

35 MR. KENNEDY: And the air time cost of \$2.50 a minute,
36 could you just tell me what that's based on?

37 MR. BUDGELL: That's based on the current price that we
38 pay for our current usage with a discount.

39 MR. KENNEDY: And the discount of?

40 MR. BUDGELL: Current usage is costing us \$3.50 a minute.

41 MR. KENNEDY: Is that for your anic (phonetic) hook up
42 or is the actual use of satellite phones in your ...

43 MR. BUDGELL: I think it's satellite phones.

44 MR. KENNEDY: Okay. They're the ones you referred to
45 that you do have some satellite phones in your network
46 now?

47 MR. BUDGELL: Yes. In very remote areas where we need
48 to use them.

49 MR. KENNEDY: And the 250 discount, is that an estimate
50 of what you would obtain on a volume discount or ...

51 MR. BUDGELL: It's just an estimate, yes, that we get \$1
52 off.

53 MR. KENNEDY: And is that Hydro's own estimate or was
54 that provided to you by the supplier?

55 MR. BUDGELL: Hydro's own.

56 MR. KENNEDY: So has Hydro received recently a quote
57 for satellite air time on a phone system such as what's
58 being contemplated by this?

59 MR. BUDGELL: I'm not aware of whether we have or not.

60 MR. KENNEDY: And the estimated capital cost for your
61 satellite phone system of \$825,000, that's for the phones
62 themselves, I take it, is it?

63 MR. BUDGELL: Yes.

64 MR. KENNEDY: How many phones would that be, do you
65 know?

66 MR. BUDGELL: It's in the same number that we have VHF.
67 I think it's in the vicinity of 350 units.

68 MR. KENNEDY: What's that work out to per phone?

69 MR. BUDGELL: I don't have the number here in my notes.

70 MR. KENNEDY: So that's \$237.00 a phone?

71 MR. BUDGELL: Yeah, must be, if that's the calculation. I'll
72 trust your calculation, anyway.

73 MR. KENNEDY: And could you tell me where that
74 information came from, where that was sourced?

75 MR. BUDGELL: I think it's based on our people's
76 experience with purchasing these phones for our current
77 use.

78 MR. KENNEDY: And do you know how old that
79 information would be?

80 MR. BUDGELL: No, I don't.

81 MR. KENNEDY: So just leaving aside for a moment then
82 the functionality differences or the differences in
83 functionality between these two systems, between the
84 satellite and the VHF system. That Hydro's evidence is
85 that its calculated weighted annual cost for the satellite

1 \$1,875,157 and for the VHF is \$1,000,515, so a difference of
2 about \$360,000?

3 MR. BUDGELL: Yes, on the basis of this calculation that's
4 done. With a particular note ... I want to draw your
5 attention to note five.

6 MR. KENNEDY: Five assumes no participation by Work
7 Services Transportation in VHF system?

8 MR. BUDGELL: That's right, and so as we, before the
9 break indicated that I did not need to do the satellite
10 calculation, obviously, for the satellite system because it
11 wouldn't affect our cost, but in the case of a VHF, if Work
12 Services and Transportation are participating in the
13 payment of these costs on the VHF then that cost will be
14 lower than that, significantly lower, I might add.

15 MR. KENNEDY: Mr. Budgell, in the document that was
16 handed out earlier today **U-Hydro No. 19**, this is the draft
17 joint use cost estimate document. Do you know what the
18 date of this document is? It says revised 2001/05/02?

19 MR. BUDGELL: I think it's dated in early May because it
20 was prepared and presented for the meeting between Hydro
21 and Newfoundland Power in May. I can just check my
22 notes on the date of that meeting.

23 MR. KENNEDY: Okay.

24 MR. BUDGELL: It should be just prior to that. The date
25 that I gave for the meeting when the estimate of the \$3
26 million was given was May 25th, so I would assume that it
27 would have been somewhere just prior to that.

28 MR. KENNEDY: Prior to that, okay, and I noticed that it's
29 headed Custom Systems Electronics Limited, so was this a
30 consultant hired by Hydro to prepare this document?

31 MR. BUDGELL: Yes.

32 MR. KENNEDY: Are they still retained by Hydro?

33 MR. BUDGELL: I'm not aware of whether they are or not.

34 MR. KENNEDY: Is Hydro receiving any third party advice
35 from companies or individuals concerning its
36 telecommunications infrastructure?

37 MR. BUDGELL: Not at this time, I don't believe.

38 MR. KENNEDY: In the case of the existing VHF system
39 you currently share a portion of that with Work Services
40 and Transportation, correct?

41 MR. BUDGELL: That's correct.

42 MR. KENNEDY: And that's the figure we spoke to earlier
43 of \$15,000 a month?

44 MR. BUDGELL: Yes.

45 MR. KENNEDY: Does Newfoundland Power share any of

46 your VHF system now?

47 MR. BUDGELL: I don't believe they do.

48 MR. KENNEDY: So on the last sheet of the **U-Hydro No.**
49 **19**.

50 MR. BUDGELL: Yes.

51 MR. KENNEDY: So and it lists the sites, I take it, of the
52 VHF repeaters and its availability ... it's owner, the
53 availability and then the site users, so without actually
54 trying to do a cross reference there, this rather small print,
55 as far as you're aware, there's no site, VHF site owned by
56 Hydro which is currently being used by both Hydro, Work
57 Services Transportation and another party or parties?

58 MR. BUDGELL: I'm not aware. I believe there isn't any.

59 MR. KENNEDY: And are there sites owned by individuals,
60 associations or otherwise that are being used by
61 Newfoundland and Labrador Hydro?

62 MR. BUDGELL: We have our equipment on Aliant's
63 towers, which I indicated earlier.

64 MR. KENNEDY: And could you tell me, is the amount
65 charged to Work Services and Transportation for the use
66 of the Newfoundland and Labrador Hydro repeater sites
67 the same rate that Hydro pays to Aliant for the use of its
68 repeater sites?

69 MR. BUDGELL: I can't tell you whether that is true or not.

70 MR. KENNEDY: Could you tell me how ... or perhaps you
71 may want to leave that question for another person, but,
72 how the revenue received from Work Services and
73 Transportation for the use of the Newfoundland and
74 Labrador owned repeater sites is currently accounted for?

75 MR. BUDGELL: I believe that's in an RFI, but the best
76 person to deal with that would be Mr. Roberts.

77 MR. KENNEDY: Okay. There was an additional document
78 handed out by your counsel which was on a Government
79 of Newfoundland and Labrador Work Services and
80 Transportation letterhead, and for the purposes of cross-
81 examination we should label that, I guess, as **U-Hydro No.**
82 **22**.

83 **U-HYDRO NO. 22 ENTERED**

84 (2:15 p.m.)

85 MR. NOSEWORTHY, CHAIRMAN: Thank you.

86 MS. GREENE, Q.C.: Yes. That was filed in response to an
87 undertaking this morning given to the Consumer Advocate.

88 MR. KENNEDY: This letter, addressed to Mr. Downton of
89 Hydro is dated 01/02/27, so let me ...

90 MR. BUDGELL: I'm sorry, I don't have a copy here.

1 MR. KENNEDY: Oh, I'm sorry.

2 MR. BUDGELL: Unless I misplaced it.

3 MS. GREENE, Q.C.: I think you have.

4 MR. BUDGELL: My apologies.

5 MR. KENNEDY: This is a letter from a Mr. Keith White,
6 executive director of roads for Work Services
7 Transportation, and it states in the first paragraph, "This
8 letter shall be confirmation of the Department of Work
9 Services and Transportation's intention to participate in the
10 funding and usage of the proposed new Hydro mobile
11 radio system. At this preliminary stage, the degree of
12 participation and funding process remains to be decided."
13 Are you aware whether the Department of Work Services
14 and Transportation has made any ... has proceeded along
15 any further than the indication in this letter?

16 MR. BUDGELL: No. Only to the extent that they give an
17 indication that they didn't want to do it ... they'd prefer not
18 to do it through capital.

19 MR. KENNEDY: Wouldn't we all. Mr. Budgell, I'd like to
20 just turn to some of the load forecast information, if I could.
21 It's just one specific issue I wanted to address you with ...
22 address with you, sorry, and for the purposes of this
23 analysis I think we can stick with your original pre-filed
24 evidence. I know some of the load forecasts have been
25 updated as per your second revised, and I looked at those
26 and I don't think that they either don't impact it at all or
27 they impact it in such a marginal way that the point can be
28 made regardless, and the schedules in your originals
29 include all the information that we'll need to go through.
30 And the first thing I think I'd like to look at is Schedule 3,
31 and I'm going to ask you to accept some figures that I've
32 done regarding some of the numbers that are in these
33 schedules. And the first thing I've done is taken from
34 Schedule 3 and looked at just the ... which is the sales and
35 load actuals for 1992 to 2000 for the isolated systems of
36 Hydro, and I looked at Labrador initially, and what I did
37 was I excluded Mud Lake and I excluded L'Anse-au-Loup
38 on the basis that, as per the footnote, Mud Lake was
39 interconnected in 1998 and L'Anse-au-Loup was granted
40 interconnected island rates as of 1996, and I think there's
41 been some testimony that they were hooked onto one of
42 Hydro Quebec's distribution systems, so what I did was I
43 took the megawatt hours for the sales actuals for 1992 of
44 30,641 and I subtracted off the amount for Mud Lake of 171
45 and the amount for L'Anse-au-Loup of 8304 and I arrived at
46 a figure of 22,166. I did the same thing then for 2000 and I
47 arrived at a figure of 29,933.

48 MR. BUDGELL: 29?

49 MR. KENNEDY: Thousand, 933, and I just did a simple
50 subtraction and division then to arrive at the percentage

51 increase from 1992 to the year 2000.

52 MR. BUDGELL: Yes.

53 MR. KENNEDY: And the figure I arrived at was 35
54 percent?

55 MR. BUDGELL: Yes.

56 MR. KENNEDY: Which for that period works out to 4.38
57 percent per year?

58 MR. BUDGELL: Is that an average or compound?

59 MR. KENNEDY: That's an average, simple arithmetic
60 average.

61 MR. BUDGELL: 4. ... I'm sorry, I didn't ...

62 MR. KENNEDY: 4.4.

63 MR. BUDGELL: Okay.

64 MR. KENNEDY: For illustrative purposes. Now I did the
65 same thing again using other schedules in your pre-filed
66 testimony. First, for the island interconnected the total,
67 there was one schedule, which was Schedule 1, which
68 provided that, but then there is this Schedule 4 that
69 provides for, not just Hydro, but it includes the generation
70 of all the island interconnected, as well?

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

72 MR. KENNEDY: And I looked at the growth rates for the
73 corresponding periods, and if you look at the Schedule 1
74 figures you arrive to ... and I didn't do any adjustment on
75 that. It works out to, for the same period, 1992 to 2000, an
76 increase of 3.6 percent in total for that period, and so again,
77 a simple arithmetic average of .45 percent per year. The
78 Schedule 4, which is the total island interconnected,
79 including generation, gives you figures of 6.3 percent and
80 .8 percent a year for the average. Now the other one I
81 looked at was the island isolated, which is again, Schedule
82 3, and the island isolated I adjusted by taking out all the
83 ones that are footnoted, the first being La Poile, as it was
84 interconnected in '99. I took out Petit Forte because it was
85 interconnected in '93; Roddickton and St. Anthony
86 because, of course, that was interconnected as part of the
87 GNP project; South East Bite because it was interconnected
88 in '98; and Westport because it was interconnected in 1996,
89 and then I just netted out the numbers again, similar to
90 what I did for the Labrador isolated. And what I arrived at
91 was for the period 1992 to the year 2000 for those adjusted
92 figures for the island isolated there was a decrease in
93 electrical sales of 19.6 percent for that period, so a simple
94 arithmetic average decrease of 2.45 percent per year. And
95 I guess when I did those figures what struck me was the
96 fact that while the island interconnected customers, no
97 matter which one you use, whether you use, you know, the
98 one that excludes generation or the one that includes

1 generation have very modest year over year increases and
2 total increases for the period of eight years, but that the
3 amount of increase in sales to the Labrador isolated system
4 ...

5 MR. BUDGELL: Yes.

6 MR. KENNEDY: In particular, are dramatically higher?

7 MR. BUDGELL: Yes.

8 MR. KENNEDY: And I'm wondering if you could explain,
9 if there is an explanation, for why the Labrador isolated
10 have experienced such a dramatic increase in their electrical
11 usage as compared to the island interconnected customers?

12 MR. BUDGELL: Yeah. We've noticed the same thing,
13 actually, and I think it's a very good question. The
14 Labrador system, through the 1990s, wasn't expected ...
15 wasn't affected as much as the island system. Let me start
16 with the island first. Rural Newfoundland, in the sense of
17 the island, has been pretty stagnant. There's been very
18 little growth on the island, but the same phenomena hasn't
19 held for Labrador and the only difference has been the
20 fishery. The island fishery has been dependent on the ...
21 and been effected greatly by the cod moratorium, whereas
22 Labrador has benefitted from the shellfish processing over
23 that period of time, and that's a large part of what you're
24 seeing between the differences of those two systems in the
25 growth over that time period. Now there may be other
26 factors too in regards to population in regards to the island
27 system. In some of the communities you'll notice there the
28 load has essentially decreased or not grown very much,
29 and that reflects the population shift that's occurring on the
30 island, but that's not happening to the same degree or
31 extent in Labrador.

32 MR. KENNEDY: We heard ...

33 MR. BUDGELL: And ...

34 MR. KENNEDY: Yeah, go ahead.

35 MR. BUDGELL: And if I might just go on, and it points out
36 the importance of forecasting the systems ... not
37 forecasting, because these are actuals, these are actually
38 what happened. It's not so much as a forecast on these
39 sheets. There's a comparison of the forecast in '92, but you
40 can see the actuals on a page, and you were dealing with
41 the actuals between the two time periods, so we're not
42 talking about forecasts, but what I wanted to use as a point
43 was that it points out the importance of forecasting these
44 systems on an individual basis, not only Labrador and the
45 island but on an individual community basis, because you
46 have to understand what's going on in any of these
47 communities, whether it's a fish plant or not, what activity
48 is driving the load in each one of these communities, and,
49 of course, the island system is the economic climate.

50 MR. KENNEDY: We heard some testimony when we were
51 travelling in Labrador and on, I think it was a Thursday or
52 a Friday, both days, actually, when we were in Labrador, in
53 Goose Bay we heard testimony, first from the communities
54 of the north coast of Labrador and then the next day from
55 representatives of the communities of the south coast of
56 Labrador, and I noted at the time that particularly with the
57 south coast isolated communities, a number of them were
58 speaking about all the initiatives that they had of
59 developing businesses.

60 MR. BUDGELL: Yes. Because the road has just come into
61 that area.

62 MR. KENNEDY: It's helped out a lot.

63 MR. BUDGELL: It's had a big impetus on that area.

64 MR. KENNEDY: Clearly they don't feel as isolated as the
65 north coast communities still do.

66 MR. BUDGELL: I agree.

67 MR. KENNEDY: And in that regard there's been efforts to
68 establish fish plants in some of these communities.

69 MR. BUDGELL: Yes.

70 MR. KENNEDY: And there was evidence given through
71 testimony about attempts to establish saw mills in some of
72 these remote communities?

73 MR. BUDGELL: I saw the mention in the transcripts.

74 MR. KENNEDY: And I have to word this one carefully.
75 You'll accept, won't you, that government has at least some
76 involvement in providing guidance as to where some of
77 this development takes place? For instance, in order to
78 have a fish plant you have to have a licence?

79 MR. BUDGELL: A licence, of course, yes.

80 MR. KENNEDY: And clearly these isolated communities
81 are supported by diesel generated electricity?

82 MR. BUDGELL: Yes, pretty well with the exception, I think,
83 the only one that maybe would be an exception in the list
84 that you left in there might be Mary's Harbour because
85 they have that little small hydro plant.

86 MR. KENNEDY: Right, and in those cases where the
87 communities served by diesel generated electricity energy
88 it clearly establishes well that there's not a full recovery of
89 the cost for the provision of that energy?

90 MR. BUDGELL: Yes.

91 MR. KENNEDY: And so there's some subsidization that's
92 taking place from within Hydro as has been revealed in the
93 evidence to date?

94 MR. BUDGELL: Yes.

1 MR. KENNEDY: So as far as you're aware as being the
2 head of system planning for Newfoundland and Labrador
3 Hydro, do you coordinate your efforts with the Provincial
4 Government about where certain projects and
5 developments in certain areas are going to take place in
6 some of these remote communities?

7 MR. BUDGELL: No. Only to the extent that if we have
8 knowledge through the community that there is a fish plant
9 going in, or, let's say if we are aware that there's a water
10 supply project going on in the past, we would take interest,
11 obviously, in finding out what the timeframe of this
12 occurring and monitor those communities closely.

13 (2:30 p.m.)

14 MR. KENNEDY: So I guess one of the points I'm driving at
15 is that is it possible that one of the things that's going on
16 in the isolated communities in Labrador in particular is that
17 they're meeting with some reasonable success in attracting
18 investment into the communities and the establishment of
19 new businesses and new operations, and that that's having
20 an impact on the energy sales that are being sold to those
21 isolated communities?

22 MR. BUDGELL: That could be.

23 MR. KENNEDY: And I guess from a system planning
24 perspective for Hydro is there anything that Hydro can do
25 to address that issue of providing subsidized energy to
26 communities that then subsequently have fairly robust
27 growth rates in the amount of energy that they use?

28 MR. BUDGELL: All I can say is we have a mandate to
29 deliver power and energy to the customers wherever they
30 are in the province, and we have to try to do that as best
31 we can in a non-discriminatory manner and that's what we
32 do.

33 MR. KENNEDY: In Schedule 7, and I think this is one that
34 may have been updated, so if you're updated evidence sort
35 of materially affects ...

36 MR. BUDGELL: No, no.

37 MR. KENNEDY: No, this one is not updated?

38 MR. BUDGELL: No.

39 MR. KENNEDY: Okay. Again, just taking the isolated
40 Labrador communities and this time Mud Lake is gone out
41 of the schedule entirely, and then subtracting just L'Anse-
42 au-Loup again because it's receiving the interconnected
43 rate, and looking at your forecast, then, for 2000 to 2001 the
44 actual sales in megawatt hours for 2000 are 29,933 once
45 L'Anse-au-Loup is subtracted from the total, and the total
46 forecast in megawatt hours for 2001 with L'Anse-au-Loup
47 deducted is 32,389 for an 8.2 percent increase, and then for
48 2002, doing the same thing, you get 32,325 megawatt hours.

49 MR. BUDGELL: This is for the 2002?

50 MR. KENNEDY: For the ... pardon?

51 MR. BUDGELL: I'm sorry, for which column?

52 MR. KENNEDY: The 2002 forecast for the Labrador
53 isolated.

54 MR. BUDGELL: Yes.

55 MR. KENNEDY: With L'Anse-au-Loup deducted.

56 MR. BUDGELL: Yes.

57 MR. KENNEDY: Is 32,325?

58 MR. BUDGELL: Yes.

59 MR. KENNEDY: So year over year from 2000 to 2001 you're
60 forecasting an 8.2 percent increase, and then for 2001 to
61 2002 you're forecasting a 0.2 percent decrease?

62 MR. BUDGELL: Yes.

63 MR. KENNEDY: I'm just wondering, can you tell me why
64 you're forecasting a decrease in electrical energy sales for
65 the Labrador isolated communities from 2001 to 2002 in
66 light of the fairly strong and robust growth rates for the
67 preceding eight year period?

68 MR. BUDGELL: Paradise River drops half. It appears that
69 St. Lewis drops marginally, as well as William's Harbour,
70 which is another small community, but generally, over the
71 near term we're showing that the Labrador systems are still
72 growing, and the key areas in those areas that were
73 indicated as growing were those communities that benefit
74 from crab and shrimp fisheries.

75 MR. KENNEDY: When you say Labrador you're still
76 referring to the Labrador isolated?

77 MR. BUDGELL: Yes, I am. This table is the isolated
78 systems.

79 MR. KENNEDY: Yes. Yeah, this one here. I just saw you
80 flipping a page.

81 MR. BUDGELL: Yeah. I'm flipping a page because I'm
82 looking at notes on a system basis.

83 MR. KENNEDY: Okay.

84 MR. BUDGELL: Right. I'm just trying to scan down
85 through here. There is a jump right away because of
86 normal weather in the first year and maybe this is reflecting.
87 I've got a note that normal weather heating degree days
88 were assumed for 2001 and beyond since 2000 was still
89 warmer than normal, so I think you're seeing a little bit of
90 that, because 2000 here was an actual, and I think that
91 explains, it may explain ... and you might ask why weather
92 normal is in Labrador if there's not going to be a lot of
93 electric heat, but there is a bit, a small bit that occurs in

1 some of the facilities, but it affects some requirements like
2 hot water, like the hot water. So I think you're seeing that
3 happening in the 2000, 2001 but you're not seeing it in the
4 2001 to 2002.

5 MR. KENNEDY: Okay, so the 2001 jump of the 8.2 percent
6 is, from what I'm gathering correctly, attributable to the fact
7 that you increased your projections on the basis that 2001
8 is going to be a more normal weather year?

9 MR. BUDGELL: Yes, and there's another effect that I'm
10 looking at here in the note is in 2002 we're also reflecting an
11 impact of the rate increase.

12 MR. KENNEDY: Okay, but that still doesn't explain why, if
13 in the preceding years from 1992 to the year 2000 there was
14 this overall jump of 35 percent for those same communities
15 ...

16 MR. BUDGELL: That was the economic conditions in
17 those individual communities.

18 MR. KENNEDY: And that's 4.4 percent, so what does ... on
19 what basis is Hydro then trimming back that growth rate,
20 throttling it back to, in effect, a negative growth rate for the
21 last year of 2001, 2002.

22 MR. BUDGELL: Well it can't continue on at those
23 particular rates unless there's some driving force.

24 MR. KENNEDY: Okay, but it continued on for eight years?

25 MR. BUDGELL: Yes, yes, it did, during a time period from
26 the fact that the number of fish plants that were opened up
27 and started up and running in the shellfish industry in
28 these communities in that period of time. What I'm trying
29 to say is that that has a limit.

30 MR. KENNEDY: Okay.

31 MR. BUDGELL: It surely can't, you know, happen again for
32 another additional community. There's a limit to all of this.

33 MR. KENNEDY: But is that just Hydro's perception of the
34 issue, or is this based on some economic data that Hydro
35 is privy to?

36 MR. BUDGELL: Well I'm just assuming that the fish plants
37 that are running right now operated on whatever total
38 allowable catch there are, and I don't hear projections in the
39 shellfish industry that that's going to be going or
40 skyrocketing in the future.

41 MR. KENNEDY: So it's not the case then in Hydro's and
42 your opinion, Mr. Budgell, that the rural rate subsidy is
43 sending improper pricing signals to some of these isolated
44 communities in Labrador in that it encourages the
45 consumption of energy beyond what should otherwise be
46 the case?

47 MR. BUDGELL: I think, for the most part, most of the

48 individuals, given the current rate structure, have tried to
49 keep their energy consumption as best they can within the
50 lifeline block rate, because to go beyond that there is a
51 fairly stiff economic penalty. I think that's indicative of the
52 comments of the individuals that you've heard. I think my
53 reading of the transcripts of the Goose Bay is that I think
54 we heard that from pretty well every one of the
55 communities in Labrador, perhaps with the exception ... I'm
56 not sure if anybody from L'Anse-au-Loup was there but it
57 wouldn't have affected them, but, it's just that fact.

58 MR. KENNEDY: That's all the questions I have, Chair.
59 Thank you, Mr. Budgell.

60 MR. BUDGELL: Thank you.

61 MR. NOSEWORTHY, CHAIRMAN: Thank you, very
62 much, Mr. Kennedy. Thank you, Mr. Budgell. Move along
63 to redirect, now, by Hydro. Ms. Greene, please?

64 MS. GREENE, Q.C.: Thank you, Mr. Chair. My first
65 question, Mr. Budgell, concerns transmission line 250.
66 There's been a lot of discussion about this transmission
67 line. This is the line that is located from Bottom Brook to
68 (inaudible) is that correct?

69 MR. BUDGELL: Yes.

70 MS. GREENE, Q.C.: When did that line go into service?

71 MR. BUDGELL: In 1987.

72 MS. GREENE, Q.C.: What was the cost of the line at that
73 time?

74 MR. BUDGELL: Approximately \$8.2 million.

75 MS. GREENE, Q.C.: And I think there was some indication
76 that there was a contribution made by the government
77 towards the cost of that particular line. Is that correct?

78 MR. BUDGELL: Yes, it was.

79 MS. GREENE, Q.C.: Do you know the amount of the
80 contribution towards the cost of the 8.2 that you just said?

81 MR. BUDGELL: Approximately \$4.3 million.

82 MS. GREENE, Q.C.: Okay. Do you know how that amount
83 was arrived at for government to contribute?

84 MR. BUDGELL: That contribution was determined as the
85 amount that was needed over and above that which the
86 Burgeo system alone could justify.

87 MS. GREENE, Q.C.: So that was in ... do I take ... my
88 understanding of that was that was the amount that would
89 have been required over and above what Hydro could
90 justify to serve its rural customers in Burgeo?

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

92 MS. GREENE, Q.C.: Who was served by the line at the time

- 1 of its construction?
- 2 MR. BUDGELL: Hydro rural Burgeo and the Hope Brook
3 Gold Mine.
- 4 MS. GREENE, Q.C.: And how was it assigned at that time?
- 5 MR. BUDGELL: Common.
- 6 MS. GREENE, Q.C.: Who is served by this transmission
7 line now?
- 8 MR. BUDGELL: Just Hydro rural.
- 9 MS. GREENE, Q.C.: And how does Hydro propose that
10 this line be assigned at this hearing?
- 11 MR. BUDGELL: As specifically assigned to Hydro rural.
- 12 MS. GREENE, Q.C.: And this is the line that there's an
13 undepreciated cost left for, is that correct?
- 14 MR. BUDGELL: Yes, it is.
- 15 MS. GREENE, Q.C.: Okay, and the amount of the
16 undepreciated cost is approximately \$4 million, I believe?
- 17 MR. BUDGELL: Yes, after contribution in aid, I believe.
- 18 MS. GREENE, Q.C.: The next question we'll have to go to
19 the transcript for, and it's the transcript of November 6th at
20 page 22, Mr. O'Rielly, and the reference is at the bottom of
21 that page, and it's a question by Ms. Henley Andrews with
22 respect to the non-firm rate charged to industrial customers,
23 and this is really to clarify the record. I'd like to refer to the
24 bottom of the page beginning at line 87, the question, and
25 the question was "Which, on the whole, is the less
26 attractive rate?" And if you go above you'll see we're
27 talking about the non-firm rate. Can you turn the page,
28 please, Mr. O'Rielly? And the indication at the top of the
29 page, and I won't read it all, is that the non-firm rate was
30 more expensive, and you couldn't remember at that time,
31 Mr. Budgell. Have you had the opportunity to check since
32 then?
- 33 MR. BUDGELL: Yes, I have.
- 34 MS. GREENE, Q.C.: And what is the non-firm rate for
35 industrial customers compared to the firm rate?
- 36 MR. BUDGELL: The non-firm rate is \$1.50 per kilowatt per
37 month compared to the firm of 701.
- 38 MS. GREENE, Q.C.: Okay, so in fact, it is not ...
- 39 MR. BUDGELL: It was actually a lower rate than the firm
40 rate, and the actual overall cost to the customer would
41 depend on his load factor.
- 42 MS. GREENE, Q.C.: The next reference is also to the
43 transcript of November 6th and is on page 24, and this
44 relates to lines 22 of 30, which is a question by Ms.
45 Andrews, referred you to IC-80.
- 46 MR. BUDGELL: Yes.
- 47 MS. GREENE, Q.C.: The last sentence in the question
48 beginning at line 28 was, "When you look at this table,"
49 and this was IC-80, "would you agree with me that the
50 actuals in, in all circumstances, lower than the forecast?"
51 And your answer was "That's correct." I'd like now to turn
52 to IC-80. Actually, Mr. Budgell, have you had the
53 opportunity to look at IC-80 again?
- 54 MR. BUDGELL: Yes, I have.
- 55 MS. GREENE, Q.C.: Can you go ... having reviewed it now
56 what would your answer be to the same question?
- 57 (2:45 p.m.)
- 58 MR. BUDGELL: I scanned down the page a little too
59 quickly. The years '83 and '84 in that table are actually
60 higher, and I'm referring to the 47,150 (*phonetic*) compared
61 to 4,604 and the 4,942 compared to the 4,914 in forecast.
- 62 MS. GREENE, Q.C.: Okay, so the actuals, a couple of years
63 actually were higher?
- 64 MR. BUDGELL: Yes, those two years, '83 and '84.
- 65 MS. GREENE, Q.C.: The next question, Mr. Budgell,
66 concerns the Roddickton wood chip plant. Is this plant in
67 service at this time?
- 68 MR. BUDGELL: No.
- 69 MS. GREENE, Q.C.: Are there any costs associated with
70 the wood chip plant in the 2002 cost of service?
- 71 MR. BUDGELL: No, there isn't.
- 72 MS. GREENE, Q.C.: Has the issue of the effectiveness and
73 the inclusion in rates of the cost associated with the wood
74 chip plant been considered by the Public Utilities Board
75 before?
- 76 MR. BUDGELL: Yes. I believe in 1990.
- 77 MS. GREENE, Q.C.: At this time I have copies of the extract
78 from that report to distribute because I don't believe that
79 report is available electronically, and for the purpose of the
80 record, Mr. Kennedy, this is an extract from the 1990 PUB
81 report. We need to mark it as Consent ...
- 82 MR. KENNEDY: Is this already filed on the record,
83 counsel?
- 84 MS. GREENE, Q.C.: No, it isn't.
- 85 MR. KENNEDY: No, okay, so **Consent No. 9**.
- 86 **EXHIBIT CONSENT NO. 9. ENTERED**
- 87 MS. GREENE, Q.C.: We have included the full extract from
88 that report so the parties can see it, but I would ask you to
89 turn, Mr. Budgell, to page 94 of this document, and I would

1 ask you to read the first full paragraph into the record,
2 please?

3 MR. BUDGELL: "The Roddickton plant was conceived,
4 planned for, constructed and put into operation outside of
5 any regulatory influence. Hydro had an obligation to serve
6 the customers of the area and did so to the best of their
7 ability. They undertook the project understanding the
8 conditions and situations as they existed in the early to mid
9 1980s. The Board will recommend that Hydro's proposal, as
10 to inclusion of cost and start up date, be accepted for
11 regulator purposes."

12 MS. GREENE, Q.C.: Thank you. At the 1992 hearing before
13 the Board was that recommendation changed?

14 MR. BUDGELL: No.

15 MS. GREENE, Q.C.: Turning now to the issue of the
16 assignment of plant. I think it would be helpful if you
17 briefly restated the principal Hydro is recommending be
18 adopted for when remote generation will be considered to
19 be common?

20 MR. BUDGELL: It's in my evidence, and I may not say it
21 exactly the same, but if under a normal operating condition
22 or scenario the output of remote generation can be
23 delivered to the 230 kV grid it is considered to be of
24 substantial benefit and assigned common.

25 MS. GREENE, Q.C.: There was a lot of discussion with
26 counsel for the Industrial Customers concerning the
27 frequency converters which are currently located, one at
28 Grand Falls and one in Corner Brook?

29 MR. BUDGELL: Yes.

30 MS. GREENE, Q.C.: Just to ensure that the record is
31 complete because ... how many customers are served by
32 the frequency converters at this time?

33 MR. BUDGELL: Just the mills at those locations.

34 MS. GREENE, Q.C.: In your discussion with Ms. Andrews
35 you mentioned North Star Cement. Are they now receiving
36 50 cycle power?

37 MR. BUDGELL: No. I understand they're shut down.

38 MS. GREENE, Q.C.: Ms. Andrews referred you to a
39 circumstance under the *Electrical Power Control Act* when
40 a 50 cycle power power might be made available to the grid.
41 Can you explain, in your view is that the same as the
42 availability of the remote generation under normal
43 operating conditions you have used for some other sites
44 such as the GNP?

45 MR. BUDGELL: In my view, it's not comparable. The event
46 mentioned under the Act has never occurred and is very
47 unlikely and certainly not, as I just indicated in the earlier

48 definition, a normal operating condition or scenario.
49 Therefore, it is not Hydro's opinion, to be of substantial
50 benefit to other customers, and I should further point out
51 that under the Act or the appropriate Act there is a
52 provision provided that in that event the entity gets paid
53 for the provision of that service.

54 MS. GREENE, Q.C.: In fact, before the event occurs there's
55 a declaration of emergency by the Lieutenant Governor in
56 Council, is that correct?

57 MR. BUDGELL: I understand that's right.

58 MS. GREENE, Q.C.: And as you've just indicated, there's
59 also provision for compensation to the party whose power
60 is diverted in the emergency, is that correct?

61 MR. BUDGELL: Yes.

62 MS. GREENE, Q.C.: The next question that I have really
63 relates to an undertaking that was given yesterday to
64 counsel for the Industrial Customers relating to the support
65 of the JDE System World Vision, and we were asked to
66 provide any communication we had received from that
67 company in that regard, and I have at this time a copy of
68 what is an e-mail that we received from that company to
69 distribute at this time, and I think the question was with
70 respect to the period of time that JDE will support the
71 current version of its product, and I refer you now to the
72 second last paragraph on this page, and I would ask you to
73 read into the record the first sentence in that second-last
74 paragraph?

75 MR. BUDGELL: "To ensure it helps customers protect their
76 IT investment J.D. Edwards will also provide the migration
77 path and tools to move from World software to One World
78 for as long as the company supports World software,
79 which currently has been extended to 2005."

80 MS. GREENE, Q.C.: So in fact, Ms. Henley Andrews was
81 correct, the support is 2005?

82 MR. BUDGELL: Yes, she was right.

83 MS. GREENE, Q.C.: Why is Hydro planning to spend
84 money before 2005 then?

85 MR. BUDGELL: Based on the 2005 date Hydro is planning
86 to begin the migration to One World over a two year period
87 commencing in 2003. This would require testing of the
88 technical platform and the One World software to begin in
89 2002 as we proposed, and it is Hydro's belief that it would
90 not be prudent to wait until the discontinuance of the
91 support to commence this process.

92 MS. GREENE, Q.C.: The next question arises from an
93 undertaking that was given ...

94 MR. NOSEWORTHY, CHAIRMAN: Excuse me. Can we ...

- 1 MS. GREENE, Q.C.: Oh, sorry.
- 2 MR. KENNEDY: We should label this. This is a reply to an
3 undertaking, Counsel?
- 4 MS. GREENE, Q.C.: Yes, it is.
- 5 MR. KENNEDY: **U-Hydro No. 23.**
- 6 **U-HYDRO NO. 23 ENTERED**
- 7 MS. GREENE, Q.C.: The next question also is a response
8 to an undertaking yesterday given to counsel for the
9 Industrial Customers. Ms. Henley Andrews asked you to
10 confirm her calculation of the system load factor. Have you
11 had the opportunity to now do that, Mr. Budgell?
- 12 MR. BUDGELL: Yes. The load factor as she calculated was
13 correct.
- 14 MS. GREENE, Q.C.: And was that system load factor 57.39
15 percent as shown on page 15 of the transcript at line 72 to
16 75?
- 17 MR. BUDGELL: Yes.
- 18 MS. GREENE, Q.C.: The next question, again, is a response
19 to an undertaking given to counsel for the Industrial
20 Customers yesterday. The undertaking is found on page
21 21 of yesterday's transcript and covers the lines 19 to 29.
22 It has to do with the calculation of Abitibi Price's load, and
23 that's Abitibi Price in Grand Falls, and Ms. Henley Andrews
24 asked you to confirm whether the Buchans load was
25 included in the calculation of Abitibi's load. Have you had
26 the opportunity to now do that?
- 27 MR. BUDGELL: The Buchans load or the Buchans
28 generation was not included in Hydro's forecast of its
29 supply to Abitibi, Grand Falls.
- 30 MS. GREENE, Q.C.: The next question that I have arises
31 from an undertaking that was given to the Consumer
32 Advocate, and it relates to the cost of the incremental
33 additions on the Great Northern Peninsula after 1984 and
34 prior to the interconnection of GNP. Have you had the
35 opportunity now to determine those costs, Mr. Budgell?
- 36 MR. BUDGELL: Yes, I have.
- 37 MS. GREENE, Q.C.: And what were the costs of those
38 incremental additions?
- 39 MR. BUDGELL: There were two expenditures. The first in
40 1989, and it was for TL-257, which is a line that goes
41 between Roddickton and the St. Anthony airport and
42 associated terminal stations at those locations, Roddickton
43 and the St. Anthony airport for a total of approximately \$7.9
44 million. This actually was part of the ... done at the same
45 time as the Roddickton wood chip plant project.
- 46 MR. HUTCHINGS: Is that 7.5 or 7.9?
- 47 MR. BUDGELL: 7.9. The second piece of work was done
48 in 1990, and it was for TL-251 which goes from Berry Hill to
49 Peter's Barn on the Great Northern Peninsula, and
50 associated costs associated with the Peter's Barn terminal
51 station, and this was completed for a cost of approximately
52 \$13.9 million. This particular extension or support of ... it
53 was an extension, this particular investment was to support
54 the current load on the ... or the load current on the Great
55 Northern Peninsula as it existed at that particular time and
56 did not include the St. Anthony/Roddickton system. The
57 total ...
- 58 COMMISSIONER POWELL: What's that number again?
- 59 MR. BUDGELL: 13.9 million.
- 60 COMMISSIONER POWELL: No, no, the line itself, the
61 number?
- 62 MR. BUDGELL: TL-251.
- 63 COMMISSIONER POWELL: 251, I'm sorry. Thank you.
64 I'm just trying to keep following on the map I got here. I
65 got TL-261.
- 66 MR. BUDGELL: Well TL-251. I'm trying to pick it up on the
67 map here. It's from Peter's Barn. The map is changed there.
68 It's from the Peter's Barn to Berry Hill. I think it's 259. I've
69 got the wrong number here.
- 70 COMMISSIONER POWELL: Yeah, 259 there's one, yeah.
71 Okay.
- 72 MR. BUDGELL: My note is ...
- 73 MS. GREENE, Q.C.: I can't make out your one or your nine.
- 74 MR. BUDGELL: I can't pick out my own writing.
- 75 COMMISSIONER POWELL: Okay. No, that's all right. I'm
76 just trying ...
- 77 MR. BUDGELL: Sorry.
- 78 COMMISSIONER POWELL: You're allowed one mistake.
- 79 MR. BUDGELL: The total of those two I've already
80 indicated, the total of those two projects were \$21.8 million.
- 81 MS. GREENE, Q.C.: And that was the total amount of the
82 incremental additions, is it, Mr. Budgell?
- 83 MR. BUDGELL: That's the total amount of the incremental
84 additions between 1984 and the in service of the
85 Roddickton, or in service of the Roddickton plant.
- 86 MS. GREENE, Q.C.: The next question that I have, Mr.
87 Budgell ...
- 88 MR. BUDGELL: I'm sorry, I said that wrong. Prior to the St.
89 Anthony/Roddickton interconnection.
- 90 MS. GREENE, Q.C.: Okay. The next question that I have,

1 Mr. Budgell, arises from an undertaking that was given to
2 the Consumer Advocate yesterday afternoon, and it relates
3 to how the system planning department charges services to
4 CF(L)Co., and there was some discussion of a percentage
5 of time being charged to CF(L)Co. and the Consumer
6 Advocate asked you to check for the percentage. Have
7 you had the opportunity to do that?

8 MR. BUDGELL: Yes. I've actually checked, and I'm
9 embarrassed to say that I was incorrect in my statement. I
10 was actually referring to a time period that's long past on
11 the percentage basis. Since the inclusion of ... or since the
12 completion of the J.D. Edwards system at Hydro we have
13 been completing time sheets, and to my recent memory we
14 have not spent any time working on activities associated
15 with CF(L)Co. I did make a reference to CF(L)Co., but I
16 meant it directed towards the Labrador system fed from
17 Churchill Falls east and west, and this is analysis
18 associated with the service to our customers in Labrador
19 East, which is Goose Bay, and Labrador West, which is
20 Labrador City and Wabush.

21 MS. GREENE, Q.C.: If you were to do services for CF(L)Co.
22 how would that service be charged back to CF(L)Co.?

23 MR. BUDGELL: We would have to have a work order set
24 up and time sheets to charge into a specific account for
25 that purpose.

26 MS. GREENE, Q.C.: Mr. Chair, I have just a few more
27 questions for Mr. Budgell, but I would like the opportunity
28 to break. It would give me the opportunity to consider
29 some of Mr. Kennedy's cross-examination this afternoon,
30 but I don't have very much more.

31 MR. NOSEWORTHY, CHAIRMAN: Sure. That'll be fine.
32 We'll break until quarter after.

33 *(break)*

34 *(3:15 p.m.)*

35 MR. NOSEWORTHY, CHAIRMAN: Ms. Greene, I'd ask
36 you to continue with your redirect please?

37 MS. GREENE, Q.C.: Yes, I only have one question. I
38 wonder, Mr. O'Rielly, if I could bring up yesterday's
39 transcript, the transcript of November 8th, and I'm sorry, I
40 left it out in the other room, I don't have a page number, so
41 I'll do it without the transcript. It related to the cost of the
42 wind feasibility study.

43 MR. BUDGELL: Yes.

44 MS. GREENE, Q.C.: And I think at that time you gave an
45 indication of the cost of the study and what would happen
46 at the conclusion of the study phase. Have you had the
47 opportunity to review that section of the transcript?

48 MR. BUDGELL: Yes.

49 MS. GREENE, Q.C.: And is there anything you would like
50 to add with respect to the cost of the feasibility study in
51 addition to what you said yesterday?

52 MR. BUDGELL: Yes, I reported, or my answer was in error.
53 If the project does not go ahead, the conditions of the
54 current contract is that it would cost Hydro one dollar, and
55 if it goes ahead, the cost would be included in the purchase
56 cost.

57 MS. GREENE, Q.C.: Thank you, Mr. Budgell, that
58 completes my redirect, and I just wanted to mention the list
59 of undertakings which has been distributed, and these are
60 the undertakings from yesterday, and it would be our
61 position that we have either filed documentation, or Mr.
62 Budgell has now through his redirect provided answers to
63 those undertakings. As well, there were two undertakings
64 from this morning, one was the, anything from Works,
65 Services, and Transportation in writing relating to their
66 participation in the VHF radio system, and we have filed
67 that letter. And the last was an undertaking respecting the
68 analysis for the satellite phone system, so I believe we've
69 answered the undertakings given today as well.

70 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
71 Greene. We would normally go to Board questions at this
72 point in time. I understand there has been a discussion
73 among counsel, and it's my understanding you don't want
74 to hear those at this stage, but we'll go directly to
75 questions arising as it relates to the documents that have
76 been filed, and we'll have Board questions, and then we'll
77 go back and have questions on matters arising at that
78 stage, so I'll move to Newfoundland Power now and Ms.
79 Butler on that count please?

80 MS. BUTLER, Q.C.: Thank you, Mr. Chairman. Mr.
81 Budgell, thank you very much for the U-Hydro 14. My
82 questions are restricted to the VHF radio system, and
83 perhaps we could each look at U-Hydro 14 as we go along.
84 It's been entered electronically, great. Mr. O'Rielly, is this
85 one available electronically, the one that was not labelled
86 today. Well, we should have one on the screen
87 electronically, and one in our hands, hard copy, so if we
88 keep U-Hydro 14 on the screen, and can I ask you to locate,
89 Mr. Budgell, the document that was entered this afternoon,
90 not labelled as an exhibit. I think it's already entered as a
91 hard copy in **NP-180**.

92 MS. HENLEY ANDREWS: It's a bit hard to hear.

93 MS. BUTLER, Q.C.: And I can't seem to get close enough
94 to the mic.

95 MR. BUDGELL: Is it Figure A-2 from the 1997 report?

96 MS. BUTLER, Q.C.: It is, yeah.

97 MR. BUDGELL: I have that.

1 MS. BUTLER, Q.C.: Okay, we'll just wait for everybody
2 else to get their copy of that. Mr. Budgell, while we're
3 waiting for everybody to locate their copy, I can just deal
4 with a couple of preliminary points, and this relates to the
5 meetings that you addressed today and yesterday, that led
6 up to the knowledge, Newfoundland Power's position on
7 the VHF radio, and Hydro's decision to proceed with it.
8 The minutes of the meeting ... I'm sorry, the letters which
9 sort of span the period of the meetings that you dealt with
10 today are apparent in that exhibit, **CA-180**. We can read
11 them for ourselves, but you were not present at either of
12 the meetings ...

13 MS. GREENE, Q.C.: I'll just say it's **NP-180**, and not CA.

14 MS. BUTLER, Q.C.: **NP-180**, I'm sorry. You weren't
15 present at either of the meetings I understand?

16 MR. BUDGELL: That's correct.

17 MS. BUTLER, Q.C.: Okay, and you weren't a direct
18 participant on the letters either?

19 MR. BUDGELL: No, I was not.

20 MS. BUTLER, Q.C.: So you're speaking from second hand
21 information, I realize. Were you aware that the May
22 meeting was requested by Newfoundland Power so that
23 they could have information relevant to its capital budget?

24 MR. BUDGELL: It very well could be.

25 MS. BUTLER, Q.C.: Okay, and clearly by May of 2001, I
26 hope you will agree with me, Newfoundland Power knew
27 Hydro's position on the costs, approximately \$3 million,
28 was the incremental cost for Newfoundland Power.

29 MR. BUDGELL: Yes, in the early question, just to go back
30 a second, I think in the early meeting, the consultant was
31 sent away to produce the estimate of the incremental costs
32 for Newfoundland Power's benefit, and discussions
33 ensued, so I would think that the next meeting would have
34 been for Newfoundland Power's benefit.

35 MS. BUTLER, Q.C.: Right, okay, so by this point
36 Newfoundland Power knows, at least verbally, because my
37 information is they didn't actually get the schedule, but it
38 doesn't matter because they knew the figure.

39 MR. BUDGELL: Yes.

40 MS. BUTLER, Q.C.: Of \$3 million, and is it also fair to say
41 that Newfoundland Hydro recognized that Newfoundland
42 Power was not going to be proceeding because they
43 couldn't justify the \$3 million incremental cost?

44 MR. BUDGELL: I have no knowledge that that information
45 was passed on to our people.

46 MS. BUTLER, Q.C.: Okay, because you weren't a direct
47 participant?

48 MR. BUDGELL: I wasn't a direct participant.

49 MS. BUTLER, Q.C.: Okay, and in terms of other options,
50 we know there is an information request that deals with that
51 as well, but there were other options other than the
52 complete rebuild of a VHF system.

53 MR. BUDGELL: Discussed at these meetings?

54 MS. BUTLER, Q.C.: No, no, other options for Hydro.

55 MR. BUDGELL: Yes, there were other technical options.
56 I believe there's costs provided in one of the RFI's.

57 MS. BUTLER, Q.C.: Okay, I don't need to go and look at it,
58 but I will for the benefit of the others indicate that it is at
59 **NP-117**, I believe, you indicate that there were other
60 options.

61 MR. BUDGELL: Yes, I'd just go back to an earlier comment
62 you made. Did you indicate that Newfoundland Power was
63 aware of the capital cost of the total project because we had
64 filed prior to the May 24th meeting?

65 MS. BUTLER, Q.C.: No, I'm just suggesting to you that
66 Newfoundland Power did not have Schedule 6 to the
67 minutes of the meeting, but that they had been told
68 verbally it was in the vicinity of \$3 million.

69 MR. BUDGELL: Okay.

70 MS. BUTLER, Q.C.: Okay, so looking at these costs that
71 are on the screen now, that's **U-Hydro 14**, and remembering
72 that the original capital budget item for this that is in this
73 application, **B-66**, was \$8.6 million and it's now up to \$8.7
74 million?

75 MR. BUDGELL: Yes.

76 MS. BUTLER, Q.C.: Okay, which is now ...

77 MR. BUDGELL: It was \$8.3 million, the original, I believe
78 it's on ...

79 MS. BUTLER, Q.C.: Sorry, \$8.3 million, and it's now being
80 split between two years instead of one, in the proportions,
81 I believe, of \$3.1 and \$5.6 million, is it?

82 MR. BUDGELL: Yes, that's on the record, I believe.

83 MS. BUTLER, Q.C.: Alright, now you've kindly broken
84 down for us the \$8.7 million, and also broken down for us
85 below the equipment portion, the \$5.8 million, which is in
86 the first line of the table above, correct?

87 MR. BUDGELL: That's correct.

88 MS. BUTLER, Q.C.: Now, with that hard copy of the map,
89 I just want to have a basic understanding of the
90 components of this system. The switch, which is shown at
91 the bottom of your **U-Hydro 14**, the dual redundant switch
92 is actually located in Gander?

- 1 MR. BUDGELL: Yes.
- 2 MS. BUTLER, Q.C.: And that was originally budgeted
3 when we first saw this VHF proposal, to be replaced at a
4 cost of \$1.29 million.
- 5 MR. BUDGELL: If that's the number that's in the 1997
6 report.
- 7 MS. BUTLER, Q.C.: It is, yeah. So how has it now dropped
8 to 800?
- 9 MR. BUDGELL: I don't know if it was just the switch
10 component, or there were other components involved with
11 that. The 1997 estimate would have been the replacement
12 of the switch and whatever the technology was in 1997. I'm
13 assuming the estimate now reflects the current estimate for
14 the switch effective from 2001.
- 15 MS. BUTLER, Q.C.: Okay, now again, looking at the map,
16 which is buried in **NP-180**, when you look at the repeater
17 sites, which are the smaller circle-like items around the map,
18 as I understand it, at each of these sites there would be a
19 pole or an antenna with at least one repeater on them?
- 20 MR. BUDGELL: I understand that that's correct.
- 21 MS. BUTLER, Q.C.: And the idea is that that repeater
22 allows VHF radio contact with sort of a wider circle around
23 each of these repeater sites?
- 24 MR. BUDGELL: Yes, it expands the coverage area.
- 25 MS. BUTLER, Q.C.: Okay, now the equipment, the
26 components of the equipment that we talk about when
27 we're talking about the repeater stations then would be
28 what? The antenna or the pole and the repeater ... is there
29 anything else?
- 30 MR. BUDGELL: I'm not into the ... I have no knowledge on
31 the details of the actual construction.
- 32 MS. BUTLER, Q.C.: Can you tell me by looking at the
33 equipment breakdown which is on the screen, which of
34 these components relate to the stations?
- 35 MR. BUDGELL: The second item, it says site equipment,
36 repeater, antenna, etcetera.
- 37 MS. BUTLER, Q.C.: Now, that \$2.1 million is not broken
38 down, so I'm just wondering first of all, whether you know
39 the breakdown between the repeaters and the antennas?
- 40 MR. BUDGELL: No, I don't.
- 41 MS. BUTLER, Q.C.: Okay, and secondly, whether the
42 antennas themselves were obsolete.
- 43 MR. BUDGELL: I suspect the antennas are staying, but I'd
44 have to confirm that with the people from telecontrol.
- 45 MS. BUTLER, Q.C.: Because it does say site equipment,
46 repeater, antenna, etcetera, right?
- 47 MR. BUDGELL: Yes, but it does indicate as well there are
48 additional coverage, so that's my reason why I'm not sure,
49 down in item, three items down from that, and I don't know
50 whether there is some antenna and repeater equipment
51 associated with additional coverage.
- 52 MS. BUTLER, Q.C.: Okay, now beyond the individual
53 repeater station centres shown on the map, what
54 component, or what equipment allows then the discussion
55 by radio and telephone from the band around the repeater
56 station, to another repeater station? Is that what's called
57 the trunk system?
- 58 MR. BUDGELL: The trunk system is essentially the
59 channel system where you call in through the repeater, and
60 you can call on different calls, yes.
- 61 MS. BUTLER, Q.C.: Okay, and what component on the
62 screen relates to the trunk system?
- 63 MR. BUDGELL: I'm not that familiar with the technology to
64 answer that question.
- 65 MS. BUTLER, Q.C.: Okay, and are you familiar enough
66 with the issue to tell me whether any of the trunk system
67 was obsolete?
- 68 MR. BUDGELL: I am not familiar whether it was in that
69 detail.
- 70 MS. BUTLER, Q.C.: My last question on this area is
71 whether you can break down for me, using U-Hydro 14 on
72 the screen, the actual amount that Hydro now proposes to
73 spend in 2002, the test year?
- 74 MR. BUDGELL: Just the 2002 test year expenditures?
- 75 MS. BUTLER, Q.C.: Yeah, which of these numbers relates
76 to that, because they don't correlate at all, of course.
- 77 MR. BUDGELL: This is the total to the ... the breakdown is
78 only provided for the equipment contract. The test year
79 number, are you just asking for what portion of the 5,830 is
80 in year one, which is the test year?
- 81 MS. BUTLER, Q.C.: No, it really should be what portion of
82 the 872 ... I know what the number is, it's apparent from **B-**
83 **66**, right?
- 84 MR. BUDGELL: The number of, the portion of 8,721 that's
85 in the test year is in the filed evidence in the ...
- 86 MS. BUTLER, Q.C.: The capital budget.
- 87 MR. BUDGELL: In the capital budget.
- 88 MS. BUTLER, Q.C.: B-66.
- 89 MR. BUDGELL: Yes, the new one.
- 90 MS. BUTLER, Q.C.: Uh hum, but does that break down the

- 1 amount between equipment, radios, etcetera?
- 2 MR. BUDGELL: No, it didn't give detail to that extent.
- 3 MS. BUTLER, Q.C.: So what I'm asking is can somebody
4 tell us what exactly is being replaced, or proposed to be
5 replaced in the test year?
- 6 MR. BUDGELL: I don't have that information at hand.
- 7 MS. BUTLER, Q.C.: And finally, are you able to break
8 down that miscellaneous item there, Mr. Budgell, at the
9 bottom of the page, contract miscellaneous, design,
10 training, testing, etcetera, of \$1.5 million?
- 11 MR. BUDGELL: Into those categories of design, training,
12 testing, etcetera?
- 13 MS. BUTLER, Q.C.: Yeah.
- 14 MR. BUDGELL: No, I don't have that detail with me.
- 15 MS. BUTLER, Q.C.: Mr. Chairman, those are my questions
16 in relation to VHF radio. Thank you, Mr. Budgell.
- 17 MR. BUDGELL: Thank you.
- 18 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
19 Butler, can I ask Ms. Henley Andrews for her questions on
20 this item please, or these items.
- 21 *(3:30 p.m.)*
- 22 MS. HENLEY ANDREWS: Thank you, Mr. Chairman. Mr.
23 Budgell, I'd like to refer you first to **U-Hydro 18**, and do you
24 have that there? It's the Holyrood continuous emission
25 monitoring budget proposal.
- 26 MR. BUDGELL: It's on the screen.
- 27 MS. HENLEY ANDREWS: I think that's all you'll need. If
28 you look down to the fifth bullet point, it says efficiency
29 improvement results in fuel use reduction of approximately
30 7,500 barrels annually.
- 31 MR. BUDGELL: Yes.
- 32 MS. HENLEY ANDREWS: In the 2002 forecast year, is
33 there a reduction in the number of a barrels as a result of an
34 assumption that this capital project would go ahead?
- 35 MR. BUDGELL: No, there isn't. I don't think this project
36 will be completed until the end of the 2002 year.
- 37 MS. HENLEY ANDREWS: And so when would customers
38 expect to see a reduction in their costs as a result of the
39 efficiency improvement of 7,500 barrels annually?
- 40 MR. BUDGELL: I would expect that they would see that at
41 the next rate referral by Hydro.
- 42 MS. HENLEY ANDREWS: Which, as I understand it, is
43 currently planned for the 2004 test year?
- 44 MR. BUDGELL: The test year might be 2004, but I think the
45 hearing may be in 2003.
- 46 MS. HENLEY ANDREWS: But which ...
- 47 MR. BUDGELL: At the pace ... well anyway, I won't say it
48 ... *(laughter)* ... we might find ourselves starting it right
49 after this one, but Mr. Wells gave an indication when he
50 was on the stand in his evidence that 2004 we'd be coming
51 back to the Board.
- 52 MS. HENLEY ANDREWS: So that, the 7,500 barrel savings
53 or efficiency improvement referred to if this project was
54 approved for 2002, would not be reflected in customers'
55 rates in 2003 although there would be savings in that year,
56 would you agree?
- 57 MR. BUDGELL: Yes, if this materializes, these savings,
58 there would be savings in fuel usage, if the fuel usage is at
59 the average projected here, which is 3 million barrels.
- 60 MS. HENLEY ANDREWS: I'd like you to take a look at **U-**
61 **Hydro 21**, and that's the satellite telephone system versus
62 VHF mobile radio preliminary analysis.
- 63 MR. BUDGELL: Yes.
- 64 MS. HENLEY ANDREWS: And do you know when that
65 document was prepared?
- 66 MR. BUDGELL: That was prepared over lunch period.
- 67 MS. HENLEY ANDREWS: Today?
- 68 MR. BUDGELL: Based on the information, our information
69 received from the office, and from the individuals from that
70 department.
- 71 MS. HENLEY ANDREWS: Do you know what the
72 background assumptions are with respect to ... other than
73 the ones that ... are there any other background
74 assumptions other than the five items that are noted at the
75 bottom?
- 76 MR. BUDGELL: Is there one you have in mind?
- 77 MS. HENLEY ANDREWS: Well, let's just take a look for
78 the moment at group talk.
- 79 MR. BUDGELL: Yes.
- 80 MS. HENLEY ANDREWS: That's 600,000 minutes per year.
- 81 MR. BUDGELL: Yes.
- 82 MS. HENLEY ANDREWS: Over a period of 200 days, or
83 365 days?
- 84 MR. BUDGELL: That's the full year, but there's 200 days of
85 the year using the equipment. I had indicated that it was
86 five groups of five people for 200 days, two hours per day.
- 87 MS. HENLEY ANDREWS: Which is 643 minutes per day?

1 MR. BUDGELL: I haven't got a calculator here again today,
2 Ms. Henley Andrews.

3 MS. HENLEY ANDREWS: Do you know where that
4 assumption of two hours talk time originated?

5 MR. BUDGELL: That was the indication that our
6 telecontrol people provided as a conservative estimate for
7 that type of activity.

8 MS. HENLEY ANDREWS: So does that, what does that
9 assume with respect to the number of phones that are in
10 use?

11 MR. BUDGELL: It doesn't change the number of phones.
12 I had indicated to Board counsel that we have assumed for
13 the purposes of this calculation in each there were
14 approximately 350 phones available.

15 MS. HENLEY ANDREWS: Okay, let me phrase my
16 question differently.

17 MR. BUDGELL: 25 phones if you're talking the five
18 persons times five.

19 MS. HENLEY ANDREWS: So every one of those 25
20 people is assumed to be spending two hours a day on the
21 satellite phone?

22 MR. BUDGELL: Yes.

23 MS. HENLEY ANDREWS: And when were those estimates
24 done, the actual estimated satellite usage and the air time
25 costs and all of that?

26 MR. BUDGELL: That was based on the, on estimates that
27 the telecontrol people had for other estimates prepared in
28 the past.

29 MS. HENLEY ANDREWS: In what year?

30 MR. BUDGELL: I don't know which year, but the, some of
31 the costs are reflected, I indicated that the air time was an
32 estimate based on our current rate, which was \$3.50 an
33 hour, so we dropped it to \$2.50 for the purposes of this
34 estimate.

35 MS. HENLEY ANDREWS: You have no proposal from a
36 particular satellite telephone provider to indicate what the
37 rates would be?

38 MR. BUDGELL: I indicated very clearly this morning, and
39 if I haven't, that from our perspective, this is functionally
40 not an alternative that we feel will do the work.

41 MS. HENLEY ANDREWS: Okay, with respect to the issue
42 of non-firm rates, I asked, I had asked you yesterday about
43 the Industrial Customers non-firm rates being less attractive
44 than the firm rates, and you indicated this afternoon in
45 answer to Ms. Greene's question, that the demand rate for
46 the non-firm was more attractive than the demand rate for

47 the firm, but we would have to also look at the energy
48 components in order to look at total cost, you would agree?

49 MR. BUDGELL: Yes, and that's my indication in that
50 response, that the overall cost to the customer, its rate
51 would depend on the load factor which that demand is
52 used.

53 MS. HENLEY ANDREWS: Those are my questions, thank
54 you.

55 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
56 Henley Andrews. Mr. Browne please?

57 MR. BROWNE, Q.C.: Thank you, Chairperson. We have
58 no questions. I'd like to thank Mr. Budgell for his
59 forthrightness during the last few days in giving evidence.

60 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
61 Browne. Mr. Kennedy?

62 MR. KENNEDY: No questions, Mr. Chair.

63 MR. NOSEWORTHY, CHAIRMAN: Thank you, we'll
64 proceed now to Board questions. Commissioner Powell
65 please?

66 COMMISSIONER POWELL: Thank you, Chair. Thank
67 you, Mr. Budgell. I've enjoyed the last week. I'm sure I
68 may have enjoyed it a little bit more than you have
69 *(laughter)*.

70 MR. BUDGELL: I can assure you you did. *(laughter)*

71 COMMISSIONER POWELL: Well, as somebody
72 suggested earlier, whether it was significant or substantial,
73 and I think we've covered both issues very well. I don't
74 have too many questions. I'm just trying to get a feel of
75 where we are and probably where we're going. Let's go
76 back to the beginning. Newfoundland Light and Power
77 asked, started off, the counsel, the organizational chart and
78 where you fitted in on A-1 and showed you that you were
79 ... no, D-1, excuse me ... A-1, I'll see where ... yeah, you
80 came in under production. There was five directors who
81 reported to the Vice-President of Production, which when
82 I went to D-1 to get a little clarity and it gave an outline of
83 your department. A couple of things there that, I noticed
84 that on the D-1 we picked up CF(L)Co. and there's been
85 some discussions on that, and you sort of clarified that. I'm
86 sort of wondering how come they didn't make it onto A-1,
87 which is probably not your job, but also I noticed that there
88 was a couple of vacancies in directorships on the original
89 schedule, and going back to Mr. Henderson, he said that
90 the Director of Generation Operations no longer exists, so
91 does the Director of Production, is that still a position
92 within Hydro? That's a vacancy I noted on Schedule A-1.

93 MR. BUDGELL: That's the past Director of Production is
94 now Vice-President of Production.

1 COMMISSIONER POWELL: But has that position been
2 eliminated?

3 MR. BUDGELL: Yes, that's my understanding.

4 COMMISSIONER POWELL: So could I ask counsel for
5 Hydro, through you, a final update of this organizational
6 chart?

7 MS. GREENE, Q.C.: Certainly, as I think it's been indicated,
8 I think it must have been Mr. Henderson or Mr. Reeves,
9 two positions have been deleted from this chart. One was
10 the Director of Production, and the other is the Director of
11 Operations, and the two people who reported into the
12 Director of Operations, now report directly into the Vice-
13 President, and I will provide a ...

14 COMMISSIONER POWELL: Just so I can get a ...

15 MS. GREENE, Q.C.: Sure.

16 COMMISSIONER POWELL: So you all operate as sort of
17 a team approach in addition, as the thing works up through
18 your department, to you, to work it into the master plan,
19 these directors and yourself working with the Vice-
20 President of Production in terms of setting the policies and
21 things that happen.

22 MR. BUDGELL: Yes.

23 COMMISSIONER POWELL: Okay, there's another
24 gentleman we're going to have down the road coming in,
25 who has, who takes a lot of this information, Mr. Hamilton,
26 he's under customer services, and he sets the rates. How
27 do you fit in with him?

28 MR. BUDGELL: He's with the customer services
29 department who have the responsibility for completing the
30 cost of service.

31 COMMISSIONER POWELL: Uh hum.

32 MR. BUDGELL: And our input to that particular
33 department would be in regard to the load forecast.

34 COMMISSIONER POWELL: Okay.

35 MR. BUDGELL: So we prepare the load forecast and the
36 load forecast goes to ways initially. One goes, and I'll refer
37 here just to the load forecast for the island system, because
38 I think it's a little simpler to understand ... one route goes
39 through Mr. Henderson who does the hydro/thermal split,
40 who feeds costs then to the rates department for cost of
41 service, and the forecast also, because it indicates the loads
42 of individual customers, permits the rates department, Mr.
43 Hamilton's group, to prepare rates for individual customer
44 classes.

45 COMMISSIONER POWELL: Okay, in the ... you have
46 down in the section, you have two department planning
47 engineering, and then you have planning engineering

48 transmission. You mentioned through your discussions on
49 how they work with replacing existing technology and how
50 that works, but how do you keep yourselves up to date in
51 terms of the changes in the marketplace and just in Hydro,
52 the development, the new trends?

53 MR. BUDGELL: Well, what we do in the generation area,
54 and the transmission area, is the individuals from those
55 shops, we try to, on a regular basis, send them to courses
56 and seminars elsewhere and here, if they're available, on
57 what I would call the, whatever the current trend, or
58 whatever is new on the go. From the system planning
59 perspective, there is no courses called system planning per
60 se. There's individual courses on, like a transformer, or a
61 transformer calculations or something like that, but there's,
62 the technology is changing such that when there's, when
63 there's courses become available elsewhere, and seminars,
64 they're of general interest to a system planner, and the
65 system planner for the most part is interested in the full
66 system, we will send the individuals to those particular
67 courses to bring back the information. And as well, we get
68 the information through the consultants as well we deal
69 with from time to time.

70 COMMISSIONER POWELL: Do you, you visit other sites
71 and things, places both in North America and outside
72 North America?

73 MR. BUDGELL: I've had occasion to do that, yes, through
74 the Canadian Electrical Association mainly.

75 *(3:45 p.m.)*

76 COMMISSIONER POWELL: Within your department, is
77 there any sort of think tank mentality type situations? Do
78 you question what you're doing and why, and whether you
79 ...

80 MR. BUDGELL: The people in my department generally
81 work in groups.

82 COMMISSIONER POWELL: Uh hum.

83 MR. BUDGELL: And I refer here, like the transmission
84 group are a very close knit group. Each know what the
85 other is doing, they assist each other in those activities and
86 bring to the table different knowledge and different
87 backgrounds because they've worked on different jobs in
88 the past. Like everybody doesn't work on the same
89 problem at one time. It's usually assigned to a person and
90 the other persons help out.

91 COMMISSIONER POWELL: I'm more interested in the, is
92 there any questioning of why you do something this way,
93 other than we done it last week, we've got to do it this
94 week?

95 MR. BUDGELL: Oh yeah, well we're talking, in regards to
96 my particular shop, I have to say is a very astute group.

1 They're well-educated. I have ... of the engineers there in
2 the shop, I believe about better than half of them have their
3 MBA program, completed an MBA program as well as their
4 engineering degrees, so these people are a questioning lot
5 at the best of times.

6 COMMISSIONER POWELL: Yes.

7 MR. BUDGELL: They do question, they do change the
8 mode which we do our work, and I think there are changes
9 that have occurred.

10 COMMISSIONER POWELL: Is that expected of them? Is
11 it part of their job to be, to question why we do something
12 as opposed to this is the way we do it?

13 MR. BUDGELL: Oh yeah, yes, well, it should be part of
14 everybody's job. I think if you are a professional, you
15 should be questioning what work you do.

16 COMMISSIONER POWELL: On the November 6th
17 transcript, page 29, on line number 6 on the hard copy, this
18 is a response to a discussion or a question you had with
19 Ms. Henley Andrews on the, something was going on at
20 Corner Brook Pulp and Paper, it's a project going, and you
21 said the purpose of that planning study was to follow the
22 direction that government had provided for us to speak to
23 those customers. What do you mean by that, the direction
24 that the government had provided?

25 MR. BUDGELL: We had been given specific direction by
26 government to speak to ACI Grand Falls and to Corner
27 Brook in regards to the price that Hydro would pay for
28 power and energy from the projects that those two
29 companies could develop, namely the co-gen facility at
30 Corner Brook and the hydro facility, or the new hydro unit
31 and the upgrade at Bishop Falls at the Grand Falls facility.

32 COMMISSIONER POWELL: Why was government giving
33 you direction?

34 MR. BUDGELL: Government is Hydro's owner.

35 COMMISSIONER POWELL: Okay, have the planning
36 department reviewed these projects prior to that direction?

37 MR. BUDGELL: Yes, Hydro had seen both of these
38 projects, or at least similar versions of these projects
39 submitted under the 1997 RFP for the then projected VBN
40 load.

41 COMMISSIONER POWELL: You said RP, what ...

42 MR. BUDGELL: RFP, request for proposals.

43 COMMISSIONER POWELL: Okay.

44 MR. BUDGELL: In 1997 we had issued a request for
45 proposals to meet Voisey Bay requirements as they were
46 projected at that particular time, and both of these entities
47 had submitted proposals.

48 COMMISSIONER POWELL: Did Hydro think they were
49 viable?

50 MR. BUDGELL: Well, the projects were viable, yes.

51 COMMISSIONER POWELL: Were they cost effective?

52 MR. BUDGELL: Yes, these projects were some of the better
53 projects from the 1997 proposal.

54 COMMISSIONER POWELL: But then how come it didn't
55 become part of the planning strategy that the ... your
56 shareholder had to step in and ...

57 MR. BUDGELL: Well, the problem was that the time after
58 the RFP was, actually we had vetted the projects in the
59 1997 exercise. VBN's plans changed. The government, I
60 guess, and Voisey Bay Nickel did not reach agreement on
61 proceeding with the mine in Labrador, so things were in
62 limbo for a considerable period of time, and Hydro couldn't
63 proceed. It was on the basis of that load at that time that
64 these units were going to, or these projects were evaluated
65 for meeting that type of load.

66 COMMISSIONER POWELL: Would these projects on their
67 own, forgetting Voisey Bay, would have an impact on the
68 thermal plant in Holyrood? Would they replace the ...

69 MR. BUDGELL: Yes, those projects would displace
70 Holyrood production.

71 COMMISSIONER POWELL: And they would be cheaper
72 sources of electricity than Hydro (*sic*), than Holyrood,
73 excuse me?

74 MR. BUDGELL: Not just Holyrood, fuel by itself.

75 COMMISSIONER POWELL: Explain that please?

76 MR. BUDGELL: Well, you're investing here in a project
77 that's providing you capacity and energy and you're
78 comparing it against just the short run marginal cost at a
79 thermal plant, which is just fuel, so that's just the energy
80 portion of the project.

81 COMMISSIONER POWELL: So it wouldn't be viable to do
82 these in the sense of ... if all you're doing is saving using
83 the fuel in the thermal plant, because you have to include
84 the other costs which are fixed.

85 MR. BUDGELL: Yes, you'd have to make some
86 consideration on what capacity requirements the system
87 has.

88 COMMISSIONER POWELL: As a percentage, probably
89 what percentage of fuel savings there would have been in
90 terms of what ... in a normal year.

91 MR. BUDGELL: I think in the evidence ... page, or
92 **Schedule 11** to my evidence gives the energy, the average
93 energy for these projects, and those energy values would

1 be directly displaced off Holyrood, or the equivalent barrels
2 for that.

3 COMMISSIONER POWELL: Okay, I'll look at it, that's ...

4 MR. BUDGELL: That would be the average column there
5 on ... in the case of Corner Brook of course, water doesn't
6 affect the average, but they would be capable of ... the
7 production at the mill would affect the number as much as
8 anything, but in the case of the Beaton unit in Grand Falls
9 and the Bishop Falls upgrade, the water conditions would
10 affect that 137 number, so what I'm talking is the 137 and
11 the 100, so you've got 237 gigawatt hours of energy
12 displacement potential at Holyrood.

13 COMMISSIONER POWELL: Which is the 20 odd percent
14 from last year.

15 MR. BUDGELL: Yeah, Holyrood produces somewhere
16 (inaudible), but close to 2000 gigawatt hours per year, and
17 that's ...

18 COMMISSIONER POWELL: And that's in a normal year.

19 MR. BUDGELL: In a normal year.

20 COMMISSIONER POWELL: Yeah, okay, when you were
21 talking about the emission monitoring in the Holyrood,
22 talking about controlling it from the stack, and those
23 conditions that exist in Holyrood, would they be common
24 to your other places, like diesel operations in terms of
25 emission control?

26 MR. BUDGELL: No, it wouldn't be the same situation. At
27 Holyrood we're burning Bunker C.

28 COMMISSIONER POWELL: Uh hum.

29 MR. BUDGELL: Which has higher contents of sulphur and
30 chemicals for emissions than you would see in No. 2 fuel
31 for diesel.

32 COMMISSIONER POWELL: You mentioned, that's one of
33 the other questions I had on that. You mentioned in
34 discussions, something about it depends on the different
35 types of fuel.

36 MR. BUDGELL: Yeah, that was a specific reference that
37 every shipment of fuel is different.

38 COMMISSIONER POWELL: Even though it's called the
39 same, it's different ...

40 MR. BUDGELL: It's called Bunker C, but it will come in with
41 different ratios or different amounts of ... we go for fuel and
42 we look for 2.2 percent sulphur. You don't exactly get 2.2,
43 you get something a little different, and the fuel content,
44 the heat content of the fuel varies somewhat. You don't
45 always get exactly the same heat content of the fuel.

46 COMMISSIONER POWELL: Okay.

47 MR. BUDGELL: So there's variances in the make-up of the
48 actual fuel. It's still called Bunker C, and Bunker C covers
49 a range of type of fuel, but there's quite a bit of variances
50 still can occur.

51 COMMISSIONER POWELL: One of the other issues that
52 came up was the issue of hot water heating on the coast, in
53 the isolated systems.

54 MR. BUDGELL: Yes.

55 COMMISSIONER POWELL: And I recognize that if we get
56 everybody to switch to a hot water tank versus electric
57 tanks it would be a saving, but you mentioned that one of
58 the difficulties on the coast was getting the oil companies
59 to buy into the idea of doing it. Did Hydro do any cost
60 benefit analysis if they were to supply the fuel to drive the
61 hot water tanks?

62 MR. BUDGELL: It's not so much the question of the fuel,
63 it's providing the tanks and the installation and then
64 providing the support after, and one of the, some of the
65 problems on the coast is that some of the individuals that
66 have oil fired systems often find it difficult to find support,
67 you know, burner mechanics and people to maintain diesel
68 systems in these remote areas.

69 COMMISSIONER POWELL: But did Hydro look upon that
70 as a business opportunity to develop it on the coast?

71 MR. BUDGELL: No, we're strictly in the electrical service
72 business. We didn't ...

73 COMMISSIONER POWELL: But you've got a business
74 opportunity going into the telecommunication business, so
75 I'm just wondering if there's a business opportunity in the
76 oil business.

77 MR. BUDGELL: It's a small market, I'm sure there's very
78 good reasons why the oil companies don't wish to ...

79 COMMISSIONER POWELL: But Hydro didn't investigate
80 whether it was feasible, vis-a-vis the cost of operating a
81 diesel system, because there's obviously a saving, and you
82 wouldn't know whether, why it wouldn't be beneficial
83 maybe to the oil companies to ...

84 MR. BUDGELL: No, we didn't investigate.

85 COMMISSIONER POWELL: One other thing, and I hate to
86 bring this subject up, but back, it seemed like a long time
87 ago, there was some discussions on a place called Harbour
88 Deep.

89 MR. BUDGELL: Yes.

90 COMMISSIONER POWELL: And it seemed like the
91 problem was that everybody wanted to go except one
92 person. From a planning perspective, wouldn't it have been
93 simpler for Hydro to go down and build him a small

1 domestic system and say that's yours and we're leaving?
2 *(laughter)* Was there any thought given to that?

3 MR. BUDGELL: No, I'm sorry, we could not do that. I don't
4 think the whole community will leave until the one person,
5 at least I'm not aware that they are as yet ...

6 COMMISSIONER POWELL: But there was no planning
7 done. This is the type of think tank thinking that I thought
8 an organization would do.

9 MR. BUDGELL: Yeah, but I don't ... no, we wouldn't look
10 at that as an option.

11 COMMISSIONER POWELL: That's all my questions, Mr.
12 Chair.

13 MR. NOSEWORTHY, CHAIRMAN: Thank you,
14 Commissioner Powell. Commissioner Saunders please?

15 COMMISSIONER SAUNDERS: Thank you, Mr. Chair. Mr.
16 Budgell, just a couple of questions. I think it was Ms.
17 Henley Andrews who determined that there was something
18 in the order of 600,000 minutes which related to 1,600
19 minutes per day on your system. What do they talk about?
20 *(laughter)*
21 *(4:00 p.m.)*

22 MR. BUDGELL: This is, this is ... the calculations are being
23 done here on the basis of the radios being on and they're
24 doing their work back and forth while they're doing their
25 activities.

26 COMMISSIONER SAUNDERS: Yeah, I can imagine what
27 it is and why it is you have this, but for the purpose of the
28 record, would you tell us what it is these crews need to
29 communicate about?

30 MR. BUDGELL: They need to communicate to each other
31 in relation to what they are doing so the foreman, for
32 instance, to the other work crews that might be in different
33 towers are aware of what the other individuals are doing at
34 that particular time, and they also need to communicate
35 with the people on the ground who are bringing equipment
36 to them to send up the pole, or up the tower, as the case
37 may be because they have to, the guy up in the tower
38 doesn't have to climb down each time and bring equipment
39 up, so they have to be in constant communication when
40 they need stuff, and when they need assistance, or when
41 they're ready to do something, if they're lifting a conductor
42 up on four or five towers at the same time. There's a myriad
43 of activities, I'm sure, and I'm not totally familiar with all of
44 the work that goes on with line crews, but there's those
45 type of activities.

46 COMMISSIONER SAUNDERS: And in addition to the
47 communication that's necessary, and that's necessary for all
48 kinds of reasons including safety, I would presume.

49 MR. BUDGELL: Oh yes, very much so.

50 COMMISSIONER SAUNDERS: Now what other
51 communications activity is there on that system? You
52 mentioned, I think, with head office or with the regional
53 offices that there was a ...

54 MR. BUDGELL: Oh yeah, the people at the regional offices
55 can contact the people in the field because not all of the
56 crew may be in the field. They may have to call back and
57 get equipment or either equipment, and truck and
58 machinery out to the particular site, as well as supplies.

59 COMMISSIONER SAUNDERS: Okay, now still with that
60 system, and we brought in Aliant this morning, and I think
61 when Mr. Kennedy was asking you some questions before
62 lunch, you made the statement, correct me if I'm wrong, that
63 Aliant weren't interested in installing the system.

64 MR. BUDGELL: No, they weren't interested in proceeding.
65 They wanted to, the initial discussions were that Aliant,
66 and this is my understanding, Aliant wanted to proceed
67 with a system where they can get enough business to get
68 revenues for that system that met their threshold level.

69 COMMISSIONER SAUNDERS: Uh hum.

70 MR. BUDGELL: And when they couldn't garner that much
71 support their interest waned, and the cost to Hydro from
72 Aliant, given their required return was such that from us it
73 wasn't, it wasn't economic from our perspective to proceed
74 on that basis as a lone tenant.

75 COMMISSIONER SAUNDERS: And it wasn't for Aliant
76 either, I gather.

77 MR. BUDGELL: Yes, and they wanted to, I think there was
78 a rationalization, in their perspective, they kind of lost
79 interest in that because it wasn't, there wasn't a big
80 business opportunity anymore that had growth potential
81 because all these other entities were going out and getting
82 their own system.

83 COMMISSIONER SAUNDERS: Just give me a moment,
84 Mr. Budgell, and I'll see if there is anything. Oh yes, there
85 was one other question. There was quite a bit of
86 discussion early on in your testimony which must seem like
87 ages ago at this stage.

88 MR. BUDGELL: Very much so.

89 COMMISSIONER SAUNDERS: With respect to the Burin
90 Peninsula system on the one had and the GNP, or Great
91 Northern Peninsula on the other.

92 MR. BUDGELL: Yes.

93 COMMISSIONER SAUNDERS: And somewhere along the
94 way I got the impression that there is a difference in the
95 two systems in terms of the way you classify them.

1 MR. BUDGELL: No.

2 COMMISSIONER SAUNDERS: There isn't?

3 MR. BUDGELL: No, right now they're both classified in
4 this application as being common.

5 COMMISSIONER SAUNDERS: Yes.

6 MR. BUDGELL: Of benefit to ...

7 COMMISSIONER SAUNDERS: They're both common in
8 all respects?

9 MR. BUDGELL: Well, they're not identical in the sense
10 they have different amounts of load.

11 COMMISSIONER SAUNDERS: Oh yes, I realize that.

12 MR. BUDGELL: And they have different amounts of
13 generation.

14 COMMISSIONER SAUNDERS: Yes.

15 MR. BUDGELL: But some of that discussion I put into the
16 record what the amounts of generation and the load were,
17 and the percentages.

18 COMMISSIONER SAUNDERS: Yes.

19 MR. BUDGELL: In each case.

20 COMMISSIONER SAUNDERS: And they both met the
21 test, if you like.

22 MR. BUDGELL: Yes.

23 COMMISSIONER SAUNDERS: That you talked about and
24 which we don't need to go into now.

25 MR. BUDGELL: Yes.

26 COMMISSIONER SAUNDERS: Okay, that's all I have, Mr.
27 Chair, thank you. Thank you, Mr. Budgell.

28 MR. BUDGELL: Thank you.

29 MR. NOSEWORTHY, CHAIRMAN: Thank you,
30 Commissioner Saunders. Commissioner Whalen?

31 COMMISSIONER WHALEN: Yes, thank you. Good
32 afternoon, Mr. Budgell.

33 MR. BUDGELL: Good afternoon.

34 COMMISSIONER WHALEN: I just have a few questions.
35 I think most of my questions that I wrote in my book two
36 months ago when I was reviewing your stuff has long been
37 answered. Just bear with me. When you were having the
38 discussion with Ms. Henley Andrews about the
39 converters, I have some just clarification questions. I'm not
40 sure if I understood the relationship, I think the suggestion
41 was being made that, well I guess number one, who owns
42 those converters, they are Hydro's property?

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

44 COMMISSIONER WHALEN: Okay, in terms of the Grand
45 Falls and Corner Brook Pulp and Paper are (inaudible).

46 MR. BUDGELL: Yes, they're joining the two paper mills.

47 COMMISSIONER WHALEN: And the issue in that
48 discussion was the actual assignment of those converters
49 which now are being specifically assigned to each of those
50 plants?

51 MR. BUDGELL: That's correct.

52 COMMISSIONER WHALEN: Or those customers. And I
53 understand from, I think it's **NLH-16**, that Grand Falls is
54 actually going to be converting to a 60 cycle, so they won't
55 be needing ...

56 MR. BUDGELL: There was indications provided in that
57 response that that was their plan.

58 COMMISSIONER WHALEN: What will Hydro do with
59 that converter if those plans proceed in 2002? Will you
60 actually remove that from your system?

61 MR. BUDGELL: Well, we'll have to do something with it
62 out at that particular site. We'd like to use it to ... as a
63 matter of fact, we'd like for, actually for Corner Brook Pulp
64 and Paper to take it as a back-up to the existing one.

65 COMMISSIONER WHALEN: Take it, meaning you will
66 actually have to physically move it from ...

67 MR. BUDGELL: Oh yes.

68 COMMISSIONER WHALEN: Okay, if the converter was to
69 ... if the converter needed to be replaced at any given time,
70 Hydro would replace that, that's ... because it's your
71 responsibility, I assume, or if it was no longer needed ... I
72 mean you don't ... the converter is needed for the industrial
73 customers, right?

74 MR. BUDGELL: Yeah, they're needed ... the reason I'm kind
75 of being a little bit puzzled here was that under the past
76 contract I understood it's been our view that we were
77 responsible under that contract to maintain the existing
78 converter, those words were used in that contract, and I'm
79 not sure whether Hydro feels it's under obligation to
80 replace, but I'm sure it would replace the converter, but we
81 would prefer to do it at the cost of Corner Brook, or their
82 benefit, as it's specifically assigned as opposed to a
83 common charge.

84 COMMISSIONER WHALEN: Okay, and in terms of system
85 planning and Ms. Henley Andrews' discussion with you,
86 and I think Ms. Greene clarified it on redirect, the issue of
87 the load from the industrial customers being available to
88 the grid under some condition.

89 MR. BUDGELL: Yes.

1 COMMISSIONER WHALEN: And perhaps some pre-
2 existing condition that would have to be in place. Do you
3 actually account for any of that availability of industrial
4 customer load in your system planning?

5 MR. BUDGELL: You're going to have to repeat that
6 question. I got a little confused.

7 COMMISSIONER WHALEN: In terms of the potential
8 availability of load from those industrial customers in
9 relation to the converters now, do you plan or account for
10 any of that load in your system planning?

11 MR. BUDGELL: Yes, all the customers' load and their
12 generation, whether it be 50 or 60 cycle, is ...

13 COMMISSIONER WHALEN: Yes, I understand that way,
14 but what about the other way, in terms of the availability of
15 the power that they have coming back into the grid.

16 MR. BUDGELL: No, we don't reflect that.

17 COMMISSIONER WHALEN: You don't reflect any of that
18 in your planning?

19 MR. BUDGELL: No.

20 COMMISSIONER WHALEN: Okay, I just had one quick
21 question, I think, on demand side management. I don't
22 know if you can do this in 30 seconds or less, but I'm just
23 curious in terms of how you integrate demand side
24 management, and perhaps the results of demand side
25 management programs into your forecasting and your
26 system planning.

27 MR. BUDGELL: Yes, I guess one of the illustrations would
28 be the Interruptible B contract vis-a-vis Stephenville, and
29 are you speaking from this context? That's ... as an
30 example, we integrated into ... in that particular case it's still
31 part of firm load, but we reflected it in our planning as part
32 of the modelling, we use it as a resource in our modelling
33 methodology.

34 COMMISSIONER WHALEN: I guess I was thinking more
35 of the end user, perhaps this is something that is more for
36 Newfoundland Power's customers as opposed to Hydro,
37 but in terms of your customers, and the energy efficiency
38 initiatives that you talked about this morning, the hot water
39 rebates and those kinds of things, do you always anticipate
40 or plan for demand side management initiatives or potential
41 benefits from in your planning?

42 MR. BUDGELL: Yeah, we would target in the case of the
43 rural systems, systems which we wish to pursue to add
44 demand side management in, and we would go through
45 those systems and perform the installations. We've done
46 it for the rural systems directly, and then those savings
47 would be reflected in the forecasts for those systems on a
48 go-forward basis.

49 COMMISSIONER WHALEN: From a system planning
50 perspective, what would be the primary driving mechanism
51 for demand side management programs at the customer
52 level? Would it be deferral of new generation, would that
53 be the overall guiding ...

54 MR. BUDGELL: That would be a very key one, yes.

55 COMMISSIONER WHALEN: Okay.

56 MR. BUDGELL: That's the one that gives you the biggest
57 bang for your buck.

58 COMMISSIONER WHALEN: How do you, how do you, in
59 your planning economic or otherwise, account for, or can
60 you account for the potential for lost revenue through
61 sales? Like is that an issue in ...

62 MR. BUDGELL: Yes, it's a very big issue in the rural
63 systems. I think if you read the, some of the evidence of
64 the 1995 hearing, and some of the reports that we've filed in
65 the rural systems, revenue loss, because of the fact the
66 customers exceed, I guess, even residential customers,
67 because they're the majority of the customers, that they
68 exceed the lifeline block and are into the second block.
69 That means that there is a revenue loss implication. As
70 well this affects ... because if you go in and make a program
71 in a system, if you affect the general service block, then,
72 you know, they have very much higher rates. If you save
73 any energy from them you essentially end up with a
74 revenue loss, and the subsidy goes up, and that's a
75 concern, so demand side management in the rural areas has
76 got to be targeted specifically to certain customer classes,
77 and also to certain systems.

78 COMMISSIONER WHALEN: In terms of the lifeline block
79 itself, the 700 kilowatt hours per month, I think there was a
80 question about whether or not that was an adequate level
81 from the point of view of the lifeline block itself. But if the
82 lifeline block increases, I think you made a comment, I think
83 it was this morning, that the level of subsidy, or the amount
84 of the subsidy that's in the system then that has to be paid
85 by Newfoundland Power right now, and I guess the
86 Labrador Interconnected after, the total amount of the rural
87 deficit increases, right?

88 MR. BUDGELL: Yes, it's fair to say on the rural systems,
89 the majority of the subsidy is locked into the lifeline block.

90 COMMISSIONER WHALEN: So if we move from 700 to,
91 say, 1,000 kilowatt hours, the deficit actually will increase
92 because you're not recovering the cost.

93 MR. BUDGELL: Well, if you go to 1,000, what would
94 happen, you'd have to do an, you'd have to do an analysis
95 of ... there'd be lower revenue from one group of customers.
96 It depends on what happens to the customers' load after
97 that happens, but generally I would say that the subsidy

1 should increase somewhat. I can't characterize how much.
2 COMMISSIONER WHALEN: I think that was just a
3 comment that was made this morning, that it would
4 increase.
5 MR. BUDGELL: Yeah.
6 COMMISSIONER WHALEN: Would that necessarily then,
7 I guess, translate to an increase to the wholesale rate to
8 Newfoundland Power?
9 MR. BUDGELL: Obviously, if the subsidy goes up ... the
10 question is the materiality of the increase obviously.
11 COMMISSIONER WHALEN: That's all the questions I
12 have, thank you, Mr. Budgell. I hope you have a nice long
13 weekend.
14 MR. NOSEWORTHY, CHAIRMAN: Thank you,
15 Commissioner Whalen. Thank you, Mr. Budgell, you have
16 borne a heavy and long load this week, and I think
17 probably the actual has exceeded everybody's forecast to
18 be honest with you. I want to thank you for your evidence,
19 and indeed your patience, and I found the manner in which
20 you have responded to the questions should help us in our
21 deliberations tremendously, thank you very much.
22 MR. BUDGELL: I thank you.
23 MR. NOSEWORTHY, CHAIRMAN: I have only a couple
24 of questions, and really some of them have been answered
25 already. With regard to the issue of cost benefit, or as you
26 refer to it, cost effectiveness analysis. The whole issue of
27 safety and reliability as it relates to that, is that generally
28 taken into account in the first assessment in relation to the
29 criteria, or do you actually try and quantify that
30 subsequently in any cost effectiveness analysis?
31 MR. BUDGELL: I have great difficulty in some of the areas
32 trying to quantify the ... the costs are known, but the
33 benefit from the safety perspective, that is a very difficult
34 area to quantify, and I think that to test, some of the
35 problem, I guess, we're having in some of the discussions
36 here this week on those items would relate to items in that
37 sort of category, especially safety. Safety would be very
38 difficult.
39 MR. NOSEWORTHY, CHAIRMAN: Do you make an effort
40 in that regard at all?
41 MR. BUDGELL: I have not done those type of calculations
42 in regards to safety personally myself.
43 MR. NOSEWORTHY, CHAIRMAN: I see. The next item I
44 have relates to, just page 33 of the November the 6th
45 transcript, and again, Mr. Kennedy would have covered
46 some of this ground this morning in asking, I guess, in
47 relation to the information that's provided on the basis of
48 the capital budget, what would you subscribe to, or any

49 guidance that you could offer the Board in what additional
50 information could be provided, and again, I think Mr.
51 Kennedy was talking about the process here. I have just
52 one issue, I suppose, relating to the comment that you
53 made yesterday ... well yesterday, November the 6th, and
54 I think it's, it talks about the problem that you see in terms
55 of the cost estimates of some of these projects being
56 brought forward in the capital budget, thereby being made
57 public and that knowledge being conveyed, I guess, to
58 contractors who would then have that information, and I
59 think you expressed concern about how competitive the
60 process might be, and what sort of bidding you'd get on
61 that basis.
62 MR. BUDGELL: Yes, and I think the level of detail that we
63 provide on a gross level in the budget doesn't, for the most
64 part, provide that kind of information to contractors
65 because usually projects are broken up ... but still may
66 provide that information, but once you start to get down
67 into the minute detail, and the ... I'd have fear that the
68 message was out there to get a copy of the transcripts of a
69 utility's hearing to get the details of the capital budgets. I
70 fear where we sit when we go out and do a tender, when we
71 look at our own estimates, and when budget proposals
72 come in, if anybody had the knowledge of what we had in
73 our estimates, the engineers' estimates for a particular
74 project, I don't know whether he would underbid.
75 MR. NOSEWORTHY, CHAIRMAN: You don't see that as
76 a problem though in respect to the current information you
77 provide, do you?
78 MR. BUDGELL: No, not for most of them. It's just that
79 when you ... I only made the note in regards to the detailed
80 information which I believe Newfoundland Power were
81 asking in regards to some of the telecontrol information on
82 the VHF. That consideration crossed our mind at the time
83 in answering that question. It gets down, when you get
84 down to cost of radials and things at that level in the
85 capital budget, it brings up that question.
86 MR. NOSEWORTHY, CHAIRMAN: In the nature of your
87 business do you have few suppliers or many?
88 MR. BUDGELL: It depends on the particular job. A
89 transmission job, for instance, the contract would be split
90 up into different blocks. You'd have people cutting brush,
91 you'd have others erecting equipment. You'd have
92 suppliers supplying steel. In the normal course of events,
93 when you go out for tenders and you see Hydro's tenders
94 in the papers now and then, and if that detailed information
95 is available on that particular estimate, then that's a piece of
96 information that suppliers can act on.
97 MR. NOSEWORTHY, CHAIRMAN: You mentioned in
98 your comment too, that that's ... I think you described that
99 that's only one issue. Would you care to comment on any

1 others?

2 MR. BUDGELL: I don't remember that actual reference, that
3 there was other issues.

4 MR. NOSEWORTHY, CHAIRMAN: Yeah, on page 33, I
5 guess, I see it on line 41, and you had indicated, I think you
6 had just gone through a description in relation to the
7 concern that you had regarding the public tendering, and
8 you say that's only one issue which seems to imply there
9 are other areas that you would have concern about. I was
10 just wondering if you could just briefly ...

11 MR. BUDGELL: Yeah, I don't remember the actual context
12 in which I made that statement, I'm sorry.

13 MR. NOSEWORTHY, CHAIRMAN: Okay, that's fine. On
14 the ... and there may be somebody else better equipped to
15 respond to this ... on the Roddickton wood chip plant, and
16 Ms. Greene provided some information on this by way of
17 Consent No. 9, which talked about the acceptance by this
18 Board of the proposal for regulatory purposes, you talked
19 about a substantial federal/provincial contribution to that
20 project.

21 MR. BUDGELL: No, there wasn't what I would call a
22 substantial ... if I remember, it was only in the range of
23 under \$1 million. I think it was between \$600,000 or
24 \$700,000 in that range.

25 MR. NOSEWORTHY, CHAIRMAN: Oh, I misunderstood.

26 MS. GREENE, Q.C.: I think that reference was to the
27 interconnection of the line.

28 MR. BUDGELL: Yes, well there was three ... I remember
29 specific references to federal participation. The small hydro
30 project in Roddickton was done with a very high federal
31 contribution, if that's the reference you're referring to.

32 MR. NOSEWORTHY, CHAIRMAN: Right.

33 MR. BUDGELL: The Roddickton wood chip plant only had
34 about a \$700,000 federal contribution.

35 MR. NOSEWORTHY, CHAIRMAN: I guess my question
36 ... well how does that get dealt with from a cost point of
37 view, a substantial federal/provincial contribution. As I
38 say, maybe somebody else, Mr. Osmond or somebody
39 could ...

40 MR. BUDGELL: It would be netted right off the ...

41 MR. NOSEWORTHY, CHAIRMAN: Okay, so it doesn't go
42 into any cost of service.

43 MR. BUDGELL: It wouldn't go into rate base, it would be
44 netted right off.

45 MR. NOSEWORTHY, CHAIRMAN: Fine, okay, thank you.
46 Lifeline block, I had a question on that, but I think Ms. ...

47 on the Abitibi Interruptible contract, how often ... I heard
48 you describe that. How often is that accessed in the run of
49 a year?

50 MR. BUDGELL: It actually got accessed, and I believe
51 there's evidence on the record to both the energy and the
52 amount, and I don't remember the actual RFI.

53 MR. NOSEWORTHY, CHAIRMAN: Okay, that's good.

54 MR. BUDGELL: But most of the activity in the use of that
55 was in the early 1990's, and I think the latter 1990's have
56 been fairly warm. I think it attests to the fact that it has
57 been warm and we haven't had to rely on that, and also it
58 might attest to the fact that perhaps the generation at the
59 particular time, at the 1990's has also been a little more
60 reliable than it was at that time.

61 MR. NOSEWORTHY, CHAIRMAN: Okay, that's all I have,
62 Mr. Budgell, thank you very much. It is 25 after 4:00.
63 Could I just ... I would ...

64 MS. HENLEY ANDREWS: Mr. Chairman, I have two or
65 three questions arising out of Ms. Whalen's.

66 MR. NOSEWORTHY, CHAIRMAN: Okay, that's what I
67 was trying to get a handle on. Newfoundland Power,
68 Consumer Advocate, would you have ...

69 MR. BROWNE, Q.C.: We have no questions.

70 MR. NOSEWORTHY, CHAIRMAN: Counsel, would you
71 have ...

72 MR. KENNEDY: I have no questions arising, Chair.

73 MR. NOSEWORTHY, CHAIRMAN: Okay, well with your
74 indulgence I would just like to spend time, if we can, to try
75 and conclude and let Mr. Budgell have a decent weekend.
76 Okay, I will go to Newfoundland Power, if you have no ...

77 MS. BUTLER, Q.C.: We have no questions.

78 MR. NOSEWORTHY, CHAIRMAN: ... questions, Ms.
79 Henley Andrews please?

80 MS. HENLEY ANDREWS: Yes, Mr. Budgell, Ms. Whalen
81 asked you about Hydro's taking into account, or whether
82 Hydro took into account in systems planning, the
83 generation available at Abitibi in Grand Falls, and from
84 Corner Brook Pulp and Paper in Corner Brook, do you
85 remember that?

86 MR. BUDGELL: Yes, she did.

87 MS. HENLEY ANDREWS: I'd like you to take a look at
88 **Schedule 9** of your evidence, and in particular down
89 towards the bottom there's a reference to Corner Brook Pulp
90 and Paper Limited, Hydro net capacity of 120.9 megawatts,
91 and firm energy of 776, correct?

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

1 MS. HENLEY ANDREWS: And that is the total net
2 capacity and the total firm capacity of their hydroelectric
3 plant at the present time, isn't that right?

4 MR. BUDGELL: Yes, that includes their 50 cycle and 60
5 cycle generation.

6 MS. HENLEY ANDREWS: And similarly with respect to
7 Abitibi in Grand Falls, the 58.5 megawatt net capacity, and
8 the 443 gigawatt hours of firm capacity, that reflects all of
9 the existing capacity in Grand Falls?

10 MR. BUDGELL: Yes, that does.

11 MS. HENLEY ANDREWS: And those numbers are
12 included in the 1,831 megawatts at the bottom of Schedule
13 9, and the 8,275 gigawatt hours also at the bottom of
14 Schedule 9?

15 MR. BUDGELL: That's correct.

16 MS. HENLEY ANDREWS: And when you go to **Schedule**
17 **10**, both the 1,831 megawatts and the 8,275 gigawatt hours
18 are used in the calculation of LOLH?

19 MR. BUDGELL: That's correct.

20 MS. HENLEY ANDREWS: So the generation potential
21 from both Corner Brook and Grand Falls are taken into
22 account in system planning, correct?

23 MR. BUDGELL: They're taken into account in system
24 planning, yes.

25 MS. HENLEY ANDREWS: Thank you.

26 MR. NOSEWORTHY, CHAIRMAN: Is that it?

27 MS. HENLEY ANDREWS: That's it.

28 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
29 Henley Andrews. I'm understanding there are no
30 questions, Mr. Browne and Mr. Kennedy.

31 MR. BROWNE, Q.C.: No questions.

32 MR. KENNEDY: No questions, Chair.

33 MR. NOSEWORTHY, CHAIRMAN: Redirect, any redirect,
34 Ms. Greene?

35 MS. GREENE, Q.C.: It's not redirect, but it's as a result of a
36 question from Commissioner Powell. I think Mr. Budgell,
37 I'm showing my age here. There was one, it was just in
38 response to a question from Commissioner Powell, but it
39 was probably before Mr. Budgell's time with respect to
40 whether we actually did have one customer on Woody
41 Island where we did provide a Honda generator for back in
42 the mid-eighties, and we in Hydro remember that with
43 fondness because our CEO wanted to make the trip to
44 deliver it, so I couldn't resist advising we have done it
45 once.

46 COMMISSIONER POWELL: So a precedent has been set.

47 MS. GREENE, Q.C.: Yes, the CEO did the delivery himself.

48 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
49 Greene. That would conclude our questioning of this
50 witness. Thank you very much, again, Mr. Budgell. I
51 found your evidence quite useful, thank you, sir. Have a
52 good weekend. We will reconvene on Tuesday morning at
53 9:30 with Dr. Vilbert as the cost of capital expert for the
54 Industrial Customers, is that correct? Thank you very
55 much and have a pleasant weekend.

56 *(hearing adjourned to November 13, 2001)*