

1 (9:30 a.m.)

2 MR. NOSEWORTHY, CHAIRMAN: Thank you and good
3 morning. Just a couple of things before we begin this
4 morning. I did circulate a copy of, well actually circulated
5 two letters. One is given ... I was addressing ... I'll address
6 both rather than ask counsel to address the other. One is
7 simply a request from a David A. Hood on behalf of Serca
8 (phonetic) Facilities Management to make an oral
9 presentation in Goose Bay and I trust the corporate, Board
10 secretary will look after that. The second letter is a letter
11 which I became aware of yesterday from Wally Anderson,
12 the MHA for Torngat Mountains District, to the Nain
13 Town Council, suggesting that the Public Utilities Board is
14 willing to pay for travel and accommodation for
15 representatives from the district to attend the hearing in
16 Goose Bay. Indeed that is not the case. We have been in
17 contact with ... the Board secretary has been in contact
18 with Mr. Anderson to correct that and certainly it's never
19 our intention, and indeed we aren't in a position to provide
20 expenses up front for that type of travel. Mr. Anderson
21 has been made aware of that and really acknowledged the
22 fact that the letter was in error and he was aware of the fact
23 that the Board cannot pay for such items. I would ask
24 either Hydro or the Consumer Advocate if there's any
25 additional information they could shed on this at all at this
26 point in time.

27 MR. BROWNE, Q.C.: I have some information. I've spoken
28 again with Mr. Curtis Richard or Richards at the Town of
29 St. Anthony. He's the Town Clerk. He tells me in St.
30 Anthony the Town itself will be making a presentation to
31 the Board. He's also circulated a letter to businesses, to the
32 fish plant and made it aware, made the time of the hearing
33 aware to citizens generally, but he tells me as of this
34 morning the only ones for certain who will be presenting
35 will be the Town itself. I'm continuing on that. We haven't
36 heard back from Roddickton yet and Trevor Taylor is still
37 working on it as well. I expect that you'll be hearing from
38 him during the hearing, so I'll continue to work on that and
39 see if we can firm it up at least before the close of business
40 tomorrow, given the proximity of the time.

41 MR. NOSEWORTHY, CHAIRMAN: Yes, please.

42 MR. BROWNE, Q.C.: I've also spoken to Wally
43 Anderson's assistant, Pat Ford, and I've spoken to the
44 Town Clerk in Nain and indeed clarified, after I had a
45 conversation with my colleague, Maureen Greene, that
46 Hydro will pay for travel directly but will want to be
47 invoiced for hotel and meals and I advised them that they
48 would use the Government per diem rate for meals, so ...
49 and that seems acceptable, at least to the person in Nain I
50 was speaking with. In the meantime this Board is
51 continuing to determine who will be attending the hearings
52 in Goose Bay along the coast and Yvonne Jones tells me

53 she'll get back to me later today. That's where we are with
54 that.

55 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
56 Browne. Ms. Greene, do you have any comments?

57 MS. GREENE, Q.C.: With respect to the administrative
58 arrangements, as the Consumer Advocate has pointed out,
59 we have been working with him to try to arrange the
60 logistics for the travel and we have agreed that it probably
61 would be best if, for the individual that, if they made their
62 own arrangements but through a travel agent of Hydro so
63 that we will pay for the ticket so that the individual
64 wouldn't have to be out of pocket for that particular
65 expense for the air travel. The difficult part is we don't
66 know who's attending or what communities they're
67 attending from and the time is late in terms of availability of
68 flights for next Wednesday, so I had asked the Consumer
69 Advocate as soon as we have some determination of that
70 it would be helpful to get moving with that as quickly as
71 possible, but, yes, to facilitate the process we've agreed to
72 do that for the air transportation and hopefully that will
73 facilitate the travel of the representatives coming into
74 Goose Bay.

75 MR. NOSEWORTHY, CHAIRMAN: Thank you very much
76 for that information.

77 MR. BROWNE, Q.C.: There's just one other point I should
78 mention. There seemed to be confusion, at least in Nain, as
79 to exactly what Hydro was looking for by way of an
80 increase for Nain, and I don't know if Hydro put an insert in
81 the bills at some point advising exactly what the increase
82 would be for the coastal communities, and maybe Ms.
83 Greene can speak to that or someone.

84 MS. GREENE, Q.C.: Actually Mr. Wells spoke to that as
85 well in response to questions from Commissioner Saunders,
86 and I spoke to it as well later in response to a question from
87 Board counsel. Hydro did not send direct mail-outs to the
88 rural customers with respect to the impact on the rural
89 customers of this application. There were media releases
90 and media briefings at the time and it was in the paper that
91 the percentage ... what Hydro is proposing is that the same
92 increase would be ... the same policy continue which means
93 that for isolated communities the same percentage increase
94 would be applied to the lifeline block as is applied to
95 Newfoundland Power's customers, so that has been
96 communicated through the media, not through a direct mail-
97 out. And as we also mentioned, if you recall, that there had
98 been meetings with certain towns where there was a
99 significant policy change such as the Labrador
100 interconnected system customers and also with the
101 Industrial Customers. So I guess the short answer to Mr.
102 Browne, is, no, we did not do a direct mail-out. We did do
103 press releases and met with the editorial board of Robinson

1 Blackmore for the isolated areas to ensure they understood
2 the application.

3 MR. BROWNE, Q.C.: There seems to be a lack of
4 awareness there. I don't know if that can be remedied in the
5 short by Hydro perhaps faxing to the town clerks along the
6 coastal area exactly what the increase they are seeking for
7 each community so the councils know they ... I was
8 surprised yesterday when the Town Clerk for Nain, Vicky
9 Williams, could not indicate to me exactly what the increase
10 was and knew little of it, so there's a problem there.

11 MR. NOSEWORTHY, CHAIRMAN: Any further comment,
12 Ms. Greene?

13 MS. GREENE, Q.C.: The Board has also had notices in the
14 paper. There's been media attention. Yes, we can certainly
15 undertake to ...

16 MR. NOSEWORTHY, CHAIRMAN: We have ... yes. And
17 certainly I can only ... we've heard the Consumer
18 Advocate's comments and I guess as far as the Board is
19 concerned, (inaudible) to sort that out. With a view to the
20 arrangements, it goes without saying, I guess, Mr. Browne,
21 that we'd like to certainly facilitate, as you would, as I'm
22 sure, as quickly as possible what the arrangements might
23 be and who would be presenting oral presentations before
24 the Board in St. Anthony. The matter in Labrador, at least
25 from the Public Utilities Board, I think it's been clarified with
26 Mr. Anderson and I'm pleased to hear that there has been
27 a facilitation made and hopefully that can come together to
28 ensure that people, persons and organizations from the
29 north coast of Labrador have the ability to appear before
30 the Board in Goose Bay. So thank you very much.

31 Moving along, are there any other preliminary
32 matters, counsel?

33 MR. KENNEDY: Chair, I believe that the parties, the topic
34 of discussion, if you will, that was raised late yesterday is,
35 as far as I'm aware, the only matter that needs to be
36 addressed before we return to the cross-examination.

37 MR. NOSEWORTHY, CHAIRMAN: Okay. When we did
38 leave yesterday, I guess, Ms. Greene indicated by way of
39 notice that she had put forward an objection to the
40 Consumer Advocate indicating that there would be two
41 individuals questioning Mr. Henderson. I think it's
42 probably appropriate to deal with that at this point in time
43 as opposed to completing at least Mr. Browne's cross-
44 examination and then doing it then. I'd like to address it
45 now if that's okay with everybody, so I'll entertain in the
46 first instance comments from Ms. Greene on the matter and
47 then I'll move to Newfoundland Power, the Consumer
48 Advocate and counsel and back to Mr. Browne.

49 (9:45 a.m.)

50 MS. GREENE, Q.C.: Thank you, Mr. Chair. Hydro does
51 have concerns with respect to the proposed process for
52 cross-examination of witnesses. In fact I was surprised at
53 the end of the day yesterday with Mr. Browne's statement
54 that he and then Mr. Fitzgerald plan to cross-examine Mr.
55 Henderson, and I'd like to tell you why I was surprised.

56 First it is the normal practice before courts and
57 tribunals for one lawyer for a party to a proceeding to
58 cross-examine a witness. That's the normal, well-
59 understood, consistent practice for courts and
60 administrative tribunals. That has been the practice at
61 Hydro's hearings before the Public Utilities Board and
62 those in which we have participated for others, such as the
63 recent hearing on Newfoundland Power's application for
64 approval of the purchase of poles from Aliant. So I was
65 surprised because it's not the normal accepted practice
66 before courts or other tribunals, nor is it our practice before
67 the Board. I was also surprised because Mr. Browne had
68 not previously indicated his intention to proceed in the
69 proposed manner.

70 I recognize that the Board can set its own rules of
71 procedure and I recognize that the Board has allowed this
72 method of cross-examination previously at a Newfoundland
73 Power general rate hearing, but I don't believe at that time
74 there was a consideration or debate as to the
75 appropriateness of the process and how it should be
76 undertaken.

77 Hydro has serious concerns about the proposed
78 process and I believe it's fundamental to how the process
79 should be carried out before the Board. I want to tell you
80 why I'm concerned and to give you an understanding of
81 how I think it will affect the process.

82 There's four types of concerns that I have, and I
83 have these concerns because I believe there is a potential
84 for abuse of the process and to unnecessarily delay the
85 hearing. The first concern that I have is on the limit on the
86 number of lawyers for one party who may cross-examine a
87 witness. Mr. Browne is proposing that two lawyers for one
88 party, the Consumer Advocate, be allowed to cross-
89 examine a witness. If two is okay, what about three? The
90 Industrial Customers have had three lawyers here for most
91 of the hearing. If they decide to divide up topics for a
92 witness, will they be allowed to cross-examine using three
93 lawyers for the one witness? And why stop at three? If
94 Newfoundland Power decides to do it for a witness, Ms.
95 Butler could bring associates from her firm and we could
96 have four or more lawyers cross-examining the one witness
97 for the same party. So the question is, if it's going to be
98 entertained, is there a limit on the number, and there is the
99 potential for there to be more than two lawyers cross-
100 examining for the party at this hearing. So my first concern
101 is where do you draw the line?

1 Right now we have, up to the present time, four
2 parties cross-examining, so that's four lawyers cross-
3 examining a witness. If you accede to this type of request,
4 we're up to seven lawyers per witness, two for each party
5 other than the Board. I think that by increasing the number
6 of lawyers who may cross-examine a witness there is a
7 potential to add time to the hearing. I suggest it is
8 inherently unfair to the witness and is not helpful to the
9 process before the Board, which is to reduce the evidence
10 before the Board on all matters. So my first concern
11 concerns the number, where do we draw the line, two,
12 three, four, five? The second concern, and if you do permit
13 it, we are increasing the potential for seven lawyers instead
14 of four to cross-examine the witness, at least seven.

15 The third concern is how will it be done? Will we
16 have a tag-team approach, as I call it? First we'll have Mr.
17 Browne, then we'll have Mr. Fitzgerald, then back to Mr.
18 Browne, back to Mr. Fitzgerald and so on. I call this the
19 bad cop/good cop routine, which again is very unfair to the
20 witness. It's very disconcerting to the witness if that is
21 going to be allowed to happen and I really don't think it's
22 helpful to the process and would not be done before
23 another administrative board or tribunal in that manner. It's
24 quite daunting to the witness as it is to sit there and to be
25 cross-examined by a lawyer for each of the parties, let alone
26 the concept of it being done in that manner. So again I
27 think that creates, if that is allowed, it creates the element of
28 unfairness to the witness and it is not helpful to the
29 process.

30 The fourth concern that I have is the potential for
31 duplication. Can the same topics be covered by both
32 lawyers participating in cross-examination, getting two
33 kicks, so to speak, at the same topic using two different
34 lawyers for the same party? Again that is duplication,
35 waste of time and unfair to the witness and to the process.
36 So I do have four basic concerns with respect to the
37 process that I think need to be addressed by the Board.

38 I understand Mr. Browne's dilemma, I really do.
39 We have all been in that position. How do you plan and
40 carry out as counsel in a complex hearing where there are
41 many witnesses and many issues even when you have the
42 support of another lawyer and consultant, as Mr. Browne
43 does, to assist him in preparation for the hearing? A
44 normal way would be to assign a witness to a lawyer, that
45 Mr. Browne would do so many and Mr. Fitzgerald would do
46 so many, but not to divide up topics per witness.

47 In summary then, I recognize that the Board has
48 the right to set the rules of procedure and to allow more
49 than one lawyer per party to cross-examine a witness, but
50 if you do that for this hearing, I want the rules to be
51 understood by the parties. I want the concerns that I have
52 outlined addressed because I think it is fair to the process,

53 it's fair to all of the parties to know what the rules of the
54 game are in advance, and I believe by the Board setting the
55 limits or the conditions around which this type of cross-
56 examination will be permitted will be helpful to all of the
57 parties, not only for this hearing but for the future. So my
58 concern is not personally with respect to Mr. Browne; it is
59 with respect to this process and how it is to be done and
60 how it is to be helpful to the Board and to all of the parties.

61 So in summary, again I recognize the Board has a
62 right to permit this type of cross-examination, that in certain
63 circumstances that it might be appropriate, and the
64 conditions that I suggest to the Board that the Board
65 should consider in allowing the type of cross-examination
66 are the following. First I believe the Board should adopt
67 the rule that the normal practice will be cross-examination
68 by one lawyer per party. That is the normal rule. The
69 exception is to permit two lawyers to cross-examine for a
70 party, one witness. I believe, secondly, that the party who
71 wishes to do it should advise the Board and parties in
72 advance.

73 So the first rule is, exception not the rule if it is to
74 be done. The second condition would be advance notice.
75 The third condition is to limit the number of the lawyers
76 who are permitted to do this to two per party.

77 The fourth condition would be that it would be
78 done in a way that one lawyer will conduct his cross,
79 followed by the second, that we will not have what I'm
80 calling the tag-team approach, is a simple way to describe
81 it, and the fourth (*sic*) condition would be that there cannot
82 be duplication by both of them, that both lawyers cannot
83 cover the same topic in their cross.

84 So to summarize Hydro's position is that if the
85 Board is to permit this type of cross-examination, and I do
86 acknowledge that in certain exceptional circumstances that
87 it might be appropriate, that the Board set out the
88 conditions around which this will be permitted so that all of
89 the parties to the hearing may understand the process and
90 to ensure that the process is as fair to all of the parties as
91 possible and that it is conducive to ensuring that the
92 appropriate evidence is before the Board. Thank you.

93 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
94 Greene. Just one point of clarification. When you
95 mentioned no tag-team approach, are you advocating that
96 indeed one lawyer per witness and then another lawyer for
97 the next witness?

98 MS. GREENE, Q.C.: No. What I meant was if you permit
99 two lawyers, for example, to do the cross-examination, and
100 I'll use the example, what we're talking, the real example,
101 what we're talking about, that Mr. Browne would go first,
102 then Mr. Fitzgerald, so that you wouldn't allow them to go
103 back and forth between each as they do their cross.

1 MR. NOSEWORTHY, CHAIRMAN: Okay. Real tag team.
2 MS. GREENE, Q.C.: Yeah.
3 MR. NOSEWORTHY, CHAIRMAN: Thank you.
4 MR. BROWNE, Q.C.: We can't slap hands. *(laughter)*
5 MR. NOSEWORTHY, CHAIRMAN: Newfoundland Power,
6 please.
7 MR. ALTEEN: I'll take care of this, Mr. Chairman, for
8 Newfoundland Power. *(laughter)*
9 MR. HUTCHINGS: Sounds rather final.
10 MR. ALTEEN: Ms. Greene's request for the rules is
11 reasonable enough. We support it. The rules she's
12 requesting are fair and I think the Board in considering her
13 request should be mindful of two things that we might be
14 able to add. One is, in the past, two witnesses *(sic)*
15 examining a single company witness has been allowed by
16 the Board and it has been allowed in cases involving
17 Newfoundland Power and it has been involved in cases
18 with the Consumer Advocate. We have not objected to it
19 because typically it has fallen more or less within the rules
20 that Ms. Greene has suggested, and that occurred in 1996
21 with respect to a number of executive witnesses of
22 Newfoundland Power. I don't expect any more detail is
23 necessary in terms of your past practice, but I think what
24 should guide the Board in adopting the rules and enforcing
25 the rules and implementing the rules is some sense of
26 respect and fairness for company witnesses, and Ms.
27 Greene's rules bespeak that, we support them, and beyond
28 that there's nothing useful for us to add.
29 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
30 Alteen. Mr. Hutchings?
31 MR. HUTCHINGS: Thank you, Mr. Chair. Certainly Ms.
32 Greene is correct in that the normal practice in courts and
33 tribunals is for a single counsel to cross-examine witnesses,
34 however, it is not unknown that more than one counsel
35 would cross-examine a particular witness in almost any
36 situation where you're dealing with a particularly complex
37 matter and there are a large number of issues. I think it is
38 not inappropriate to permit that in this sort of hearing,
39 given the complexity of issues that we have and the huge
40 number of issues, and certainly the witnesses obviously
41 are dealing with a great number of topics and it is
42 oftentimes therefore convenient for more than one counsel
43 to be involved in the cross-examination of a given witness.
44 It is obviously, however, the Board's hearing and
45 the Board is in control of its procedure. We have to bear in
46 mind that any rule of procedure can be abused and there
47 can be abuse of process and delay and duplication and
48 unnecessary questioning even when one counsel is cross-
49 examining a witness, and that is for the Board to control

50 and to intervene and take control when necessary to
51 prevent that from happening and to ensure that the matter
52 progresses in an orderly way.

53 I would see no difficulty at all with any party
54 announcing at the beginning of its cross-examination that
55 it intends to split its examination between, cross-
56 examination between two counsel. Normally, I think, you
57 would indicate what topics each counsel would be dealing
58 with, although that would not, to my mind, necessarily be
59 a rule. I don't think that we're likely to get into any
60 situation which would involve more than two people per
61 party. I can foresee situations in certain hearings where
62 you might not want to be bound by that rule, but I don't
63 think it's going to be an issue here.

64 Ms. Greene's comments about the so-called tag-
65 team approach I think are well taken. It is certainly not
66 necessary that questions be interspersed between counsel
67 as cross-examination proceeds. One counsel can finish the
68 topics that they're dealing with and then the other counsel
69 can begin and conclude the witness, and obviously there
70 should be left no room for duplication in the sense of two
71 kicks at the cat as one might say.

72 So in terms of where we are, obviously we, I think,
73 have the same interest as everyone else in seeing the
74 hearing progress in the most expeditious possible fashion.
75 I don't think that, as a matter of principle, having two
76 counsel participate in the cross-examination for a given
77 party necessarily creates a problem but it does need some
78 controls and we can, I think, leave it in the hands of the
79 Board to make sure that the process is not abused by
80 allowing that practice to be used. Those would be our
81 comments, Mr. Chair.

82 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
83 Mr. Hutchings. Board counsel, do you have any
84 comments?

85 MR. KENNEDY: I believe the ...

86 MR. NOSEWORTHY, CHAIRMAN: My apologies, Mr.
87 Browne.

88 MR. KENNEDY: ... Consumer Advocate, Chair, should ...

89 MR. BROWNE, Q.C.: Mr. Chairperson and members of the
90 Board, this is the fifth time I've appeared before this Board
91 in a major hearing and Mr. Alteen is quite correct in stating
92 in 1996 counsel, I think it worked for both sides, he was
93 here with Mr. Hayes at the time, shared witnesses on
94 occasion. I can never recall a time when there was
95 duplication. The purpose of it is to expedite the hearing,
96 not to enlarge it. One counsel takes a particular topic and
97 the other counsel has taken distinct topics from that, so
98 instead of abusing the process it assists the process, and
99 obviously we are not attempting to, as one party, to take

1 two lawyers and examine the one witness in a duplicated
2 effort.

3 There's always peculiar things happen at this
4 Board. I saw for the first time, I think in 1997, two
5 witnesses taking the stand at the same time, which is sort
6 of an interesting process in itself, so I guess if two
7 witnesses take the stand at the same time, we probably
8 shouldn't be alarmed if two counsel want to examine the
9 one witness.

10 COMMISSIONER SAUNDERS: To even up the tag team.

11 MR. BROWNE, Q.C.: Yes, even it up. So ...

12 MS. GREENE, Q.C.: I'll agree to that. When we put on two
13 witnesses together, I'll let two lawyers ... *(laughter)*

14 MR. BROWNE, Q.C.: We're all here, I guess, to assist the
15 process. I concur with the comments of other counsel. In
16 particular I associate myself with the comments of Mr.
17 Hutchings. From the checks I did overnight, it's my
18 understanding that it is not a norm in the Trial Division for
19 one, for two lawyers to examine one witness, but in
20 argument it is very much in vogue for two lawyers to
21 address the court from the one party on different topics, as
22 it is in the Court of Appeal. Two lawyers can address the
23 Court of Appeal, representing the one party, on distinct
24 issues. So there are tag teams in place, at least in argument,
25 in the Trial Division and in the Court of Appeal.

26 It also gives me no comfort, as I'm sure it doesn't
27 to counsel to the Board, who was counsel to me in three
28 previous hearings, and now he's going to, I guess, assume,
29 comment on these matters. We are approaching a conflict
30 here and I'll wait and see the way he handles that, so.

31 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
32 Browne. Counsel?

33 MR. KENNEDY: Thank you, Chair. Chair, clearly it's
34 recognized that, and Commissioners, clearly it's been
35 recognized that allowing two counsel to cross-examine the
36 same witness has been used on previous occasions before
37 the Board, and I'm a personal example of that, having
38 participated in that process, so it would be highly
39 hypocritical of me to now indicate that that's not an
40 appropriate process and I would imagine that this is the
41 reference that the Consumer Advocate just made, and I
42 believe Hydro has canvassed very well the issues involved
43 in determining where to place limits on the right of more
44 than one counsel to conduct a cross-examination of a
45 witness.

46 In regards to limiting the number of lawyers, that's
47 a classic floodgate argument, if you will, and I would
48 caution the Board about making decisions in the
49 hypothetical now about limiting the number of counsel.

50 The issue, specific issue before the Board is whether the
51 Consumer Advocate is entitled to cross-examine the
52 witness and then his counsel to then complete a cross-
53 examination of the same witness, and I think that that's the
54 issue that's before the Board and that's the decision that
55 the Board needs to make, and it's not that they could, that
56 it would be inappropriate, entirely inappropriate for the
57 panel to make comment about limiting it to only two, but I
58 would just caution that doing so you may find that you've
59 unnecessarily restricted yourselves. And then
60 notwithstanding the fact as well that the panel has allowed
61 more than one counsel to cross-examine a single witness,
62 I would also add that the Board is not bound by that
63 previous practice. It is from that respect a clean slate and
64 the Board is free to do what it wants to do for this particular
65 hearing in that regard.

66 As also alluded to by the Consumer Advocate, it
67 is practice before the Board to have two witnesses provide
68 evidence simultaneously, if you will. That was employed
69 by Newfoundland Power in its most recent hearing before
70 the Board on its capital budget for 2002, so it's a clear
71 example that the procedure is used in this administration,
72 administrative tribunal, and I would imagine most ... it
73 departs from the strict confines of what are allowed in a
74 judicial process before the Supreme Court or the Provincial
75 Court.

76 I think it should be also kept in mind that many, as
77 has been alluded to I believe by Mr. Hutchings, many of
78 these witnesses are providing highly technical evidence
79 across a number of disciplines and that it may make sense
80 for counsels to split the areas of expertise up among
81 themselves so that they can do a more effective job on the
82 cross-examination of the witness, and I think that that's
83 something that could be kept in mind.

84 Clearly the overriding consideration, I would
85 suggest, is one of fairness and what's fair to the witness, to
86 the Applicant, and whether what's being requested of the
87 Board could create prejudice to the Applicant's position by
88 being unfair to the witness, and I think, I would suggest
89 that that's the overriding principle regarding going forward
90 on this basis. That's my only comments. Thank you, Chair.

91 MR. NOSEWORTHY, CHAIRMAN: Thank you, counsel.
92 It's going to be necessary for us to ... I apologize.

93 MS. GREENE, Q.C.: Normally I would have a right of reply
94 as the Applicant.

95 MR. NOSEWORTHY, CHAIRMAN: Okay, uh hum.

96 MS. GREENE, Q.C.: And I only have two brief points in
97 reply. The first is with respect to the Consumer Advocate's
98 point that this is a common legal argument. I think ... I
99 recognize that, yes, it is, and there's quite a difference

1 between legal argument before a court or a tribunal and
2 cross-examination of a witness. I don't think that that
3 should be used as a precedent in this type of thing.

4 The second is with respect to panels of witnesses.
5 Again that's not unusual for other administrative boards or
6 tribunals (inaudible) the National Energy Board for the last
7 15 years, but again, because there's a panel of witnesses,
8 there has not been the practice of allowing cross-
9 examination by more than one lawyer per party. So those
10 are the only comments I wanted to make in reply.

11 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.
12 It'll be necessary for us to take a little bit of time on this.
13 Hopefully it will be a very brief, short period, so we'll break
14 now but I'm hopeful that in 10 or 15 minutes we should be
15 back.

16 (break)

17 (10:30 a.m.)

18 MR. NOSEWORTHY, CHAIRMAN: The panel has
19 considered the matter before us and I guess made a
20 decision, hopefully within a reasonable period of time. We
21 were driven by, I guess, a number of considerations here.
22 Certainly one of them is a fairness to the witness and that,
23 we didn't ... the witnesses on average have been sitting
24 here, hopefully this will be speeded up and the average can
25 be reduced, but the witnesses on average have been sitting
26 before us a week at a time and certainly has been subject to
27 a fairly intensive line of cross-examination, and certainly we
28 want to try and be fair to the witness in this process and
29 indeed fair to the process. I think we do have complex
30 matters before us, there's no question about that, and we
31 would want to ensure that all the evidence and all the
32 considerations would be put before us, and indeed if that's
33 a matter of trying to specialize, if you will, a little bit from
34 the point of view of cross-examination and questioning, I
35 think that's only fair. Certainly the past practice of the
36 Board has allowed for two or more lawyers to question
37 witnesses, and I think, I understand in any event, although
38 I haven't been here, that that has worked reasonably well.
39 It has proceeded in a focused way and has facilitated the
40 process in general. So we are prepared to allow for a rule
41 which would indeed, or would indeed provide for more than
42 one lawyer to cross-examine a party. We would also feel
43 though that there should be some conditions associated
44 with that. Certainly we feel that the party should have
45 advance notice prior to cross-examination, and I would
46 note that while Mr. Browne did refer, I believe it was the
47 first day of the hearing, that Mr. Fitzgerald would be
48 working with him and would be working closely with Dr.
49 Kaliman (phonetic) and be dealing with evidence pertaining
50 to Dr. Kaliman, there was no indication at that time that Mr.
51 Fitzgerald would be engaged or involved in cross-

52 examining other parties, and certainly we would feel that
53 that would be appropriate to have everybody advised of
54 that, and in particular the witness prior to the cross-
55 examination.

56 We also feel there should indeed be no tag-team
57 approach or slapping of hands or whatever you want to call
58 it here. We feel that while allowing two lawyers to cross-
59 examine, that indeed would complete one cross-examination
60 and then begin the other, and there would be no back and
61 forth or toing or froing in relation to the cross-examination
62 or questions presented to the witness. And I think again
63 to be fair to the witness here, we will be vigilant, the panel
64 will, in relation to the line of questioning and we would like
65 to see no duplication, quite frankly, between the lawyers in
66 their cross-examination, and we will be vigilant in that
67 matter. I understand that hasn't been a problem in the past
68 either and certainly we look forward to it not being a
69 problem here.

70 That's it, so if there are no other particular items
71 we will proceed with Mr. Browne's cross-examination of Mr.
72 Henderson.

73 MR. BROWNE, Q.C.: Thank you, Mr. Chairman, and good
74 morning, Mr. Henderson.

75 MR. HENDERSON: Good morning.

76 MR. BROWNE, Q.C.: Your counsel, Ms. Greene, took me
77 to task yesterday. She didn't like my tone when I was
78 examining you, but that's just my style. I can't apologize for
79 it. Were you aware of the Steering Committee in place
80 between Hydro and Power that was formed March 5th,
81 1997, for the purpose of coordinating efforts in reducing
82 expenditures between Hydro and Power?

83 MR. HENDERSON: Yes, I am.

84 MR. BROWNE, Q.C.: You were aware of it?

85 MR. HENDERSON: I was aware of it.

86 MR. BROWNE, Q.C.: Were you aware of the formation of
87 it?

88 MR. HENDERSON: I was aware there were
89 communications to the employees of the existence of that.

90 MR. BROWNE, Q.C.: Were you a participant in the
91 process?

92 MR. HENDERSON: I was a participant outside. I wasn't
93 involved in any of the committees. There was one person
94 in my staff who was involved with one of the committees,
95 so I was aware of what that person was doing.

96 MR. BROWNE, Q.C.: So one person on your staff.

97 MR. HENDERSON: One person on my staff was looking
98 after, was involved with one of the committees, which was

1 a committee involving switching coordination.

2 MR. BROWNE, Q.C.: And did he report back to you on
3 that?

4 MR. HENDERSON: He reported back to the Steering
5 Committee on that but I was aware of the issues. He
6 briefed me somewhat on the issues that were being
7 involved, and when we ... in that committee there were
8 some issues with respect to our switching training program
9 which I was brought in on and somewhat involved with.

10 MR. BROWNE, Q.C.: Were you consulted by Mr. Reeves
11 concerning any recommendations that the committee may
12 be making?

13 MR. HENDERSON: No, I wasn't. The only one that I was
14 involved with was the switching committee.

15 MR. BROWNE, Q.C.: You weren't consulted on fuel
16 purchases or anything of that nature?

17 MR. HENDERSON: No, I wasn't.

18 MR. BROWNE, Q.C.: The **transcript of October 9, 2000**,
19 (*sic*) page 37, you can refer to that for a moment. I'm just
20 looking for some clarification here, and there was a
21 question put to you by our colleague, Ms. Butler, in
22 reference to the Bottom Brook substation and some
23 problems that were experienced, an outage in Burgeo and
24 La Poile at the time. Do you have that there?

25 MR. HENDERSON: Yes.

26 MR. BROWNE, Q.C.: What exactly was the problem there?

27 MR. HENDERSON: There wasn't a problem per se. We
28 were performing maintenance. This would have been Mr.
29 Reeves' staff, would have been doing maintenance on what
30 we call Bus 1, which is a 230 kV bus, at Bottom Brook, and
31 in order to do maintenance on that bus you had to de-
32 energize it, and when you de-energize it you would be
33 separating the Burgeo and Port aux Basques area from the
34 grid by just de-energizing that, but the Newfoundland
35 Power 400 L line comes up from Stephenville, so it basically
36 provides another path to get the power into the Bottom
37 Brook station in which you can have Bus 1 de-energized to
38 do maintenance and get the power back into the Bottom
39 Brook station through another means, and that's using
40 Newfoundland Power's line, and when we did that, the
41 power was brought up through that line and used to
42 supply the Port aux Basques area but it was not used to
43 supply the Burgeo and La Poile area because the
44 transmission line ... there's a lot of 138 kV transmission line
45 there and the transmission lines, which are lightly loaded,
46 act as, like a capacitor, and I don't want to get too technical.
47 Basically the voltage level on the line will get extremely
48 high. If you have a lightly loaded line, the voltage can get
49 quite high, beyond a level that would be acceptable to

50 supply a customer. So as we couldn't have both the line
51 going to Burgeo and Port aux Basques energized using
52 Newfoundland Power's line, 400 L, we chose at that time to
53 go ahead and do some maintenance on our line between
54 Bottom Brook and Burgeo.

55 MR. BROWNE, Q.C.: Now if you're going to use
56 Newfoundland Power's line, are they notified? How ...
57 what's the protocol in place for that?

58 MR. HENDERSON: Oh, yes, they are certainly notified and
59 there is a coordinated effort made to getting ... you know,
60 when we decide to do that line or do the bus, we would
61 have contacted Newfoundland Power to make sure that
62 their line was available and that we could use it so we do
63 not have an outage to the Port aux Basques area, and we
64 would coordinate with them to get that line closed in
65 because it's normally not closed, to bring the power into
66 Port aux Basques, so they were aware of that issue. They
67 would not necessarily know what we are doing in the
68 Bottom Brook station because that is in our station. They
69 would have known that we were using 400 L to get the
70 power into Bottom Brook, but what they didn't know was
71 that we did not use it to supply Burgeo, because it's our ...
72 that's our equipment and we would choose whether we
73 close that and pick up Burgeo or not, and at that time it was
74 not, we weren't technically able to do that.

75 MR. BROWNE, Q.C.: And what kind of notification do you
76 give Newfoundland Power if you're going to use their line
77 and how long does this process take?

78 MR. HENDERSON: For this type of an outage there would
79 be a week's ... our maintenance people would give us in the
80 Control Centre a week's notice that they would like to be
81 able to take that bus out of service to do maintenance. We
82 would then at that point contact Newfoundland Power of
83 the plan to do that in a week's time and they would then
84 check with their people to see what maintenance they're
85 doing to see if there's any coordination that could be done
86 so that, you know, you get as much done when you got the
87 equipment out of service. Everybody would get as much
88 work as they can get done. We coordinate it so that the
89 customers are out of service for the least amount of time.
90 That takes a bit of going back and forth. That's why we
91 take a week's notice. For those maintenance activities that
92 don't require coordination, there would be a shorter notice
93 required by our staff, maybe three days, that type of thing.

94 MR. BROWNE, Q.C.: Now if you own that line that's now
95 the property of Newfoundland Power, would that expedite
96 matters? Would you have to go through that process?

97 MR. HENDERSON: I don't know that ... there would be a
98 little bit of time saving that there is ... there has to be that
99 back and forth phone calls. There are, as I'm sure
100 everybody is aware, there's times you call the other person,

1 they're not there and you have to wait for a response.
2 There's those types of things. But generally that doesn't
3 take that much time but you have to allow for it in case
4 there is problems, in case Newfoundland Power were
5 planning to do work on that line. You have to give a bit of
6 time. Now we, like you say, we own the line, we would
7 know that there was maintenance going on so we wouldn't
8 require to make that same type of contact, so there would
9 be some marginal time savings in the set-up of the planning
10 of the outage, but the actual execution of the outage, there
11 would be no difference because that is very well
12 coordinated and flows quite well. We have a very good
13 relationship with Newfoundland Power's Control Centre
14 and we talk regularly and make sure that any outages that
15 affect either one of our customer groups, that we minimize
16 that time and coordinate as best we can.

17 MR. BROWNE, Q.C.: So they have a control centre and
18 you have a control centre.

19 MR. HENDERSON: That's right.

20 MR. BROWNE, Q.C.: And your control centres both
21 coordinate any activity there.

22 MR. HENDERSON: That's right.

23 MR. BROWNE, Q.C.: What duplication is there, the fact
24 that two of you have two control centres dealing with
25 transmission lines?

26 MR. HENDERSON: There's very little duplication.
27 Newfoundland Power, I think, has been mentioned
28 previously as primarily into distribution and their control
29 centre controls ... a large part of what their control centre
30 would be controlling would be the lines, distribution lines
31 in and around the St. John's area as well as in all of their
32 regions, but they have only control of the distribution
33 system and some of their transmission, while for us, our
34 control centre is focused much more on the high voltage
35 transmission and the generation. So there is a very distinct
36 difference there between the two roles in that they deal
37 with a lot of distribution, they also would deal with a lot of
38 customer calls because they have a lot of customers, while
39 we wouldn't have that same type of emphasis in our control
40 centre because we would deal with Newfoundland Power,
41 who then deals with the ultimate customer.

42 MR. BROWNE, Q.C.: But you're in transmission and
43 they're in transmission, is that correct?

44 MR. HENDERSON: There is some ... we're into a lot more
45 transmission than they are. We have a large 230 kV
46 transmission network which they don't have. They have
47 some 138 kV transmission between Sunnyside and Grand
48 Falls, and they have some 138 kV transmission on the
49 Avalon Peninsula, and that would be their ... and they do
50 have a small bit on the Bonavista Peninsula and the Burin

51 Peninsula but it's very small relative to ours.

52 MR. BROWNE, Q.C.: And they're in some generation and
53 you're in generation as well.

54 MR. HENDERSON: That's right, but their generation again
55 is a much different scale than ours. It doesn't require the
56 same amount of attention because it doesn't have the same
57 impact on customers as our generation. We have much
58 larger ... their largest unit may be ten megawatts or
59 something like that while our smallest one that we operate
60 from our control centre is eight megawatts, so there's a big
61 difference in scale in the amount of generation.

62 MR. BROWNE, Q.C.: Would there be any efficiencies in
63 the system if some joint committee was set up to ensure
64 one company dealt with generation and transmission and
65 the other company dealt strictly with distribution, stringing
66 the wires from home to home, if you will?

67 MR. HENDERSON: I can't say how much efficiency.
68 That's obviously one of the topics that was covered by Mr.
69 Reeves, which I wasn't involved with that. On the
70 generation side, I can make the comment that our
71 generation is so dissimilar that there would be very little
72 duplication on the generation because they have a lot of
73 small hydro units. They do have the gas turbine down, or
74 a couple of gas turbines on the Burin Peninsula, one of
75 which will be moved next year, that would be similar to
76 ours, and I think there is some coordination effort between
77 Mr. Reeves' department and Newfoundland Power on
78 specialized equipment and that sort of thing to assist on
79 that side of things, but on the hydro generation side,
80 there's so much difference that I don't think there would be
81 much there as far as economies to be gained.

82 MR. BROWNE, Q.C.: But yet you would acknowledge that
83 even marginally, consumers in the area that were affected
84 by this particular outage, in Burgeo and La Poile, would
85 have been better served or more efficiently served if that
86 line was your line, that 400?

87 MR. HENDERSON: I don't think that the customers would
88 have seen any difference. There is a bit of going back and
89 forth between the two control centres. There is maybe
90 efficiency in use of time that you might make a marginal
91 gain, but the customers, I have, you know, no problem
92 saying that the customers were not impacted in any way by
93 the fact that there was two utilities.

94 MR. BROWNE, Q.C.: In the **transcript of October 10**,
95 yesterday's transcript, and page 12, we see a question again
96 from our colleague, Ms. Butler to you on line 17. Ms.
97 Butler asked you a question and you respond on line 21.
98 "I understand that there were multiple people from
99 Newfoundland Power calling all across Canada to all these
100 utilities, calling the people we contacted, we understand

1 they contacted other people. There was a lot of phone
2 calls. We also understand there was a contact of
3 somebody from Boston connecting with these people as
4 well." Now, how do you understand that, that there were
5 multiple people from Newfoundland Power calling all across
6 Canada?

7 MR. HENDERSON: When we called ... when we were
8 aware that we were providing a list of people that we had
9 contacted, we called some of them back to ask them if there
10 was any problems with the information that they had given
11 us and whether Newfoundland Power or anybody had been
12 calling them, because we had put their names, published
13 their names. We wanted to sort of contact them and let
14 them know that this was happening, and they did say that
15 there had been calls, and this was relayed to me, that there
16 had been a number of people calling in the, some of these
17 utilities. I don't know how many people, but I was given
18 the impression that there was more than one person at
19 Newfoundland Power contacting different people. They
20 may have been trying to find out about the rates issue. We
21 were talking to the hydraulic people. Newfoundland Power
22 were probably calling the rates people to find out what's
23 been going on in the rate practice. So one of the people
24 that we said that there had been these calls, and they also
25 mentioned a Boston firm had been contacting them on the
26 same, on a similar topic. Now we don't know if that Boston
27 company has anything to do with this proceeding. We just
28 know that they told ... it was coincidental at this time that
29 there was a Boston consulting firm calling, asking
30 questions on the same topic.

31 *(10:45 a.m.)*

32 MR. BROWNE, Q.C.: There seems to be quite a duplication
33 of effort there. I mean, the consumers are paying for it all,
34 aren't they?

35 MR. HENDERSON: That's ... they are in the fact that
36 they're paying the salaries of the people that made the calls.

37 MR. BROWNE, Q.C.: I was wondering was there any
38 thought given, if there was a problem with the figures that
39 you were presenting from Newfoundland Power's
40 perspective, and indeed from your evidence yesterday
41 there very well may be some problems with these figures,
42 if the two of you couldn't have gotten together, the process
43 wouldn't have been better served if the two of you had
44 gotten together to discuss the issue so you could speak
45 and advise the regulator here with some authority as to the
46 nature of the problem or how it could be resolved? Had
47 you thought of that ...

48 MR. HENDERSON: Well, we ...

49 MR. BROWNE, Q.C.: ... undertaking that particular
50 process?

51 MR. HENDERSON: We certainly hadn't because we hadn't
52 anticipated that this would be a problem at all. We had
53 provided the information in the same manner we had
54 always done in the past and we were, personally certainly
55 I was quite surprised at the extent that this became an
56 issue, so we wouldn't have anticipated talking to
57 Newfoundland Power about it because we didn't, weren't
58 aware that there was an issue there. The first we knew of
59 the issue was when we saw it appear in Mr. Brockman's
60 evidence.

61 MR. BROWNE, Q.C.: Did your company ever discuss the
62 issue of climate change with a climatologist? Did you ever
63 seek expert advice? There's a theory being advanced that
64 there was a climate change here in the province that affects
65 hydraulic flow. Did you take the trouble to try to retain a
66 climatologist so you could advise the Board as to, with
67 some exactitude in reference to that particular issue?

68 MR. HENDERSON: What we did, we didn't retain a
69 climatologist, we did try to find the person in Environment
70 Canada who may be knowledgeable on that subject matter,
71 and I believe we have a response to one of the NP
72 questions that indicated that. I'll see if I can reference it for
73 you.

74 MR. BROWNE, Q.C.: Did you discuss the matter with a
75 climatologist yourself? Are you the person we should be
76 speaking to?

77 MR. HENDERSON: No. It's one of the people, one of my
78 staff made that call, because I was involved with this
79 process here. I didn't make the calls myself. I had one of
80 the people working for me make the call, and ... let's see if I
81 can get that for you. It's **NP-309**.

82 MR. BROWNE, Q.C.: So someone went to the Environment
83 Canada web site, is that your response there?

84 MR. HENDERSON: And at line 14 there, "When contacted
85 by staff in Mr. Henderson's Department, Environment
86 Canada indicated that there is no current research that
87 would provide meaningful indication regarding the impact
88 of climate change upon hydrology conditions on the Island
89 of Newfoundland. As a matter of interest, the atlantic
90 region summer precipitation for 2001 was the third driest on
91 record, falling between the years 1957 and 1960, in the 54
92 year seasonal ranking."

93 MR. BROWNE, Q.C.: So you had someone on your staff
94 check with Environment Canada and that was their
95 response.

96 MR. HENDERSON: Yes.

97 MR. BROWNE, Q.C.: Mr. Henderson, do you agree with
98 this statement, "Conserving electricity is more cost-
99 effective than producing electricity"?

1 MR. HENDERSON: I couldn't say that, no, because it
2 depends on how much you have to pay, I guess, to
3 conserve, in the sense that if you're, in order to conserve
4 you have to re-insulate your home and that sort of thing.
5 Whether there is a direct benefit coming back on that, on
6 your generation side, I can't clearly say, but generally, my
7 own feeling is, is that you should try not to make excessive
8 use of a limited resource, so you should, in a general sense,
9 be conserving it.

10 MR. BROWNE, Q.C.: Can you go to, and we're going to
11 have to use our hard copies for this. There are a series of
12 reports. Can you go to **CA-106** for a moment? You'll see
13 there various reports dealing with conservation measures
14 in Labrador. Now I know that you're not, your jurisdiction
15 is not Labrador, but I'm not asking you for purposes of
16 Labrador as such. If you go to **CA-106** there are a number
17 of reports there. The way they were presented is in no
18 particular chronology, but we're looking for December 1994.

19 MR. HENDERSON: Is that the Charlottetown DSM Pilot
20 Project?

21 MR. BROWNE, Q.C.: Yeah, the Charlottetown DSM Pilot
22 Project. Are you familiar with that project at all?

23 MR. HENDERSON: Not at all, I'm afraid.

24 MR. BROWNE, Q.C.: You don't know who did the project?

25 MR. HENDERSON: I'd only be guessing as to who did it.

26 MR. BROWNE, Q.C.: Because in the cover in December
27 1994 it says, "Economic Analysis Department, Corporate
28 Planning Division, Newfoundland and Labrador Hydro."

29 MR. HENDERSON: There you go, that says who did it.
30 That would be under Mr. Budgell's responsibility.

31 MR. BROWNE, Q.C.: So Mr. Budgell would know about
32 this.

33 MR. HENDERSON: Yes.

34 MR. BROWNE, Q.C.: But just on the ... and I'm not going
35 to ask you in great detail about Labrador. We'll reserve
36 that to Mr. Budgell. But on page one in the **Executive**
37 **Summary**, the third paragraph, it says, "Conserving
38 electricity is more cost-effective than producing electricity,
39 however, revenue loss will condition such a conclusion."
40 And then it goes on to discuss diesel and diesel fuel. Now
41 you deal with diesel fuel as well, don't you, on the island?

42 MR. HENDERSON: I do. It's used, very limited amount on
43 the island, on the island interconnected system. On the
44 island isolated system of course there's, it's used
45 extensively, but I'm not familiar with the isolated systems.

46 MR. BROWNE, Q.C.: So you're not familiar with any of the
47 conservation programs that were put in place in Labrador

48 through your ...

49 MR. HENDERSON: On these isolated systems, no. I
50 wasn't involved with any of that. That would be Mr.
51 Budgell's department that would have done the studies to
52 determine what programs would be affected and so on.

53 MR. BROWNE, Q.C.: Have you done any studies in
54 reference to demand side management?

55 MR. HENDERSON: No, I haven't been involved with any
56 of that. That would be Mr. Budgell's area of responsibility
57 on DSM.

58 MR. BROWNE, Q.C.: But what is your responsibility in
59 terms of diesel fuel?

60 MR. HENDERSON: With diesel fuel we have some
61 standby plants in Hawke's Bay and St. Anthony and
62 Roddickton that use diesel fuel, and we may call upon
63 those for supplying power to the interconnected system
64 when we have shortages of generation because maybe it's
65 an exceptionally cold day and the load on the system is
66 quite high, so we may have to put them on for that. We
67 could also end up putting them on because we have other
68 generators that we're having difficulty with, can't get them
69 on, so we'll go to these which are there for standby
70 purposes, and the other reason for using them would be for
71 supplying local loads when you have a transmission
72 outage to an area where those diesel plants are. For
73 instance, in St. Anthony, if the transmission line going into
74 St. Anthony was out of service for some reason, then we
75 would use the diesel plants there to supply that load during
76 that period.

77 MR. BROWNE, Q.C.: And you're familiar with the cost of
78 diesel fuel.

79 MR. HENDERSON: Yes.

80 MR. BROWNE, Q.C.: And is there anything to be made by
81 a hydro company for using diesel fuel? Is diesel fuel
82 generally considered expensive?

83 MR. HENDERSON: Oh, yes, yes, it is.

84 MR. BROWNE, Q.C.: It's to be stayed away from, is that
85 fair comment?

86 MR. HENDERSON: Certainly we would ... that would be
87 one of the last types of generation that we would use to
88 meet load on the island interconnected system.

89 MR. BROWNE, Q.C.: And yet besides diesel fuel you are
90 also responsible for the Bunker C that's purchased.

91 MR. HENDERSON: That's correct.

92 MR. BROWNE, Q.C.: And would you concede that that is
93 an expensive process as well, acquiring Bunker C and
94 burning it in a thermal generator?

1 MR. HENDERSON: Yes, relative to hydro it certainly is a
2 lot more expensive or is cheaper than the diesel, in that
3 range of expenses. It's on the high side. It's one that we
4 would limit use of because of its expense.

5 MR. BROWNE, Q.C.: Well, given that fact and given the
6 high price we see for oil, how is it that you, who are
7 responsible for the fuel budget, is not familiar with demand
8 side management?

9 MR. HENDERSON: The way that we are structured ... I am
10 aware of the theories and that sort of thing of DSM to a
11 degree, but I'm not aware of any of the detailed plans that
12 we have, and right now, to my knowledge, we do not have
13 any DSM plans in place on the island interconnected
14 system, so there isn't anything there right now for me to be
15 familiar with for my position.

16 MR. BROWNE, Q.C.: Well if you could reduce fuel
17 consumption at the thermal generating plant in Holyrood,
18 wouldn't you be doing us all a favour?

19 MR. HENDERSON: Sure. The less you use, the lower the
20 cost.

21 MR. BROWNE, Q.C.: And I guess that was the theory that
22 Hydro had in place in reference to the diesel units in
23 Labrador when they launched this program to try to get
24 people to conserve there because they had, they were
25 using diesel fuel. Is that fair comment?

26 MR. HENDERSON: There's a number of factors, I would
27 think, that go into that process. That certainly is true but
28 there's also, you may want to limit it for, to limit the
29 expansion of the plants as well. If you have growing use,
30 then you end up having to expand your plant and you want
31 to try to limit the growth in use to limit the additional plant
32 as well.

33 MR. BROWNE, Q.C.: But yet you've been at no meetings
34 or attended no committee meetings at Hydro to discuss
35 demand side management on the island or the province
36 given the expense that we're all incurring at the thermal
37 generating station at Holyrood?

38 MR. HENDERSON: No, I haven't been involved with any
39 meetings, and Mr. Budgett would be able to tell you
40 whether there are any plans right now, but I'm not aware
41 that there is anything going on right now.

42 MR. BROWNE, Q.C.: I just find that extraordinary. You're
43 the point person on fuel out there at that thermal
44 generating station, spending a tremendous budget, and yet
45 you're, you haven't been at any meetings dealing with
46 demand side management or finding out ways to try to
47 reduce the acquisition of that fuel?

48 MR. HENDERSON: What we do is we look at ways of
49 improving the operation of the thermal plant to minimize the

50 amount of fuel that we do use in order to meet the energy
51 requirements. We try to operate our hydroelectric plants as
52 efficiently as possible to minimize the use of the oil, but as
53 far as the load side, I'm not involved with that. I'm involved
54 with the production side, so I haven't been involved with
55 anything going on in the load side.

56 MR. BROWNE, Q.C.: I guess that's fair comment, that's the
57 truth of it. And you're not familiar at all with the demand
58 side initiatives that were made into Labrador.

59 MR. HENDERSON: No. Like, I don't have any involvement
60 with the operation of those isolated diesel systems.

61 MR. BROWNE, Q.C.: And you're not familiar with the
62 program that was put in place. You're not aware that Hydro
63 had an extensive program in place, you're not familiar with
64 that.

65 MR. HENDERSON: I'm not familiar with any of the details.

66 MR. BROWNE, Q.C.: You have no knowledge of it?

67 MR. HENDERSON: To say I had no knowledge, I do know
68 that there have been consideration of DSM programs in the
69 diesel systems but I didn't know any of the details of them.

70 MR. BROWNE, Q.C.: Now, when you're all phoning
71 around to these utilities across Canada, Newfoundland
72 Power is on the phone and you guys were on the phone,
73 did you bother to check with any of them to see what
74 conservation measure they had in place, if they had any
75 programs in place across the country ...

76 MR. HENDERSON: We didn't make that ... that wasn't ...

77 MR. BROWNE, Q.C.: ... to conserve?

78 MR. HENDERSON: That wasn't the issue for our phone
79 calls. Whether we've made any polling of other utilities, I
80 don't know, but that wasn't the issue that I was dealing
81 with.

82 MR. BROWNE, Q.C.: Can you ... we'll just stay away from
83 that now because you can't speak to it at all, and we'll wait
84 for another witness in reference to that. I guess that
85 witness will tell me that it's your jurisdiction on the
86 interconnected, so he can't speak to that, and it's only his
87 jurisdiction up in Labrador.

88 MS. GREENE, Q.C.: I assure Mr. Browne that will not be
89 the case. Mr. Budgett is responsible for that area and he's
90 prepared to speak to it.

91 MR. BROWNE, Q.C.: Okay, thank you very much. This
92 was one case now where it might have been beneficial if
93 you had the two witnesses up there together, so either one
94 could answer. It might have been more efficient. In any
95 case, can you go to CA-171, please? And CA-171, if we
96 just go to the question, Mr. O'Rielly. Thank you. And it's

1 a report and it's not in electronic form and it refers to a
2 question we put. "In 1997, Newfoundland Hydro
3 participated in a joint study with Newfoundland Power into
4 the potential for mini hydro in island rural isolated
5 systems," and we asked for a copy of the study. Are you
6 familiar with that or did you have any input into that?

7 MR. HENDERSON: No. That would have been a system
8 planning function. Again that's Mr. Budgell's area.

9 MR. BROWNE, Q.C.: And did you read the report?

10 MR. HENDERSON: No, I'm afraid I haven't.

11 MR. BROWNE, Q.C.: Okay. Do you know who did the
12 report?

13 MR. HENDERSON: I'm going to look at the title page. It
14 says it was done by Newfoundland Power and
15 Newfoundland and Labrador Hydro. Who within those
16 two companies, I don't know.

17 MR. BROWNE, Q.C.: But you haven't even read it.

18 MR. HENDERSON: No.

19 MR. BROWNE, Q.C.: Okay. I have no further questions
20 for you now but my colleague, Mr. Fitzgerald, has an area
21 he wishes to explore. Thank you, Mr. Henderson.

22 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
23 Browne.

24 MR. BROWNE, Q.C.: Do you want to break for coffee or ...

25 MR. NOSEWORTHY, CHAIRMAN: I would, please, yeah.
26 *(laughter)* Thank you. We'll break until quarter after.
27 *(11:00 a.m)*
28 *(break)*
29 *(11:30 a.m.)*

30 MR. NOSEWORTHY, CHAIRMAN: Mr. Fitzgerald, could
31 I ask you to begin your cross-examination please, of Mr.
32 Henderson?

33 MR. FITZGERALD: Mr. Henderson, you'll be relieved to
34 know that I'm the good cop *(laughter)*.

35 MS. GREENE, Q.C.: Oh, I certainly didn't mean a direct
36 comparison.

37 MR. FITZGERALD: If I could, Mr. Henderson, I'd like to
38 turn to page 14 of your **pre-filed evidence**, and I want to
39 discuss briefly with you fuel management, cognizant of the
40 Board's ruling regarding duplication. I don't believe there
41 will be any. I'm looking here at line 10 of your evidence, I
42 just want to discuss ... you say Hydro currently has a
43 volume only contract for ten million barrels of No. 6 fuel
44 which began in 1997, and you indicate there how much you
45 had left at the end of 2000, and could you tell me when in
46 1997 this contract began? Do you know?

47 MR. HENDERSON: I don't know the exact date.

48 MR. FITZGERALD: Would it have been early in the year
49 or ...

50 MR. HENDERSON: I can't hazard to guess, really.

51 MR. FITZGERALD: Okay, so when we're looking at the
52 end of 2000 and we have 5.4 million barrels left, we don't
53 know exactly how much you have been consuming from
54 1997 to 2000. We can't work it out, I guess, because we
55 don't know which month the contract started.

56 MR. HENDERSON: That's right. We could go back and
57 get that number, you know, that record is available. I just
58 don't know the numbers off the top of my head as to when
59 the contract started, but I think in recent years we've
60 probably been burning somewhere around two million to
61 two and a half million per year.

62 MR. FITZGERALD: Which years would that have been?

63 MR. HENDERSON: In 1999 and 2000.

64 MR. FITZGERALD: Okay, just on that point, I take you to
65 Mr. Osmond's evidence, and I won't yet, I'll just put it to
66 you that he has indicated that the average consumption
67 has been about three million barrels per year, he has said
68 that. Do you recall that in his evidence?

69 MR. HENDERSON: Three million barrels is probably a
70 typical year.

71 MR. FITZGERALD: Typical.

72 MR. HENDERSON: The last few years have been wet.

73 MR. FITZGERALD: Uh hum.

74 MR. HENDERSON: And as a result we've used less oil at
75 Holyrood because of that. I think in the 2002 year it's
76 probably something like three and a half million barrels.

77 MR. FITZGERALD: Yeah, but you as the person in control
78 of this budget, should we prefer your version of the
79 average consumption being 2 million to 2.5 million barrels,
80 or Mr. Osmond's version?

81 MR. HENDERSON: What I was trying to explain is that
82 typically we would use around three million barrels a year.
83 The most recent years were less than that because of the
84 wet period, so I'd have to read Mr. Osmond's evidence to
85 get the context in what he was referring to that three
86 million, but I would expect that it was to do with typically
87 as opposed to the specifics of the recent years.

88 MR. FITZGERALD: Okay, looking then, again, at your
89 evidence, by the end of 2000 you had 5.4 million barrels left,
90 that tells us, I guess, that from the time the contract started,
91 as referred to in your evidence, to the end of 2000, you

- 1 burned 4.6 million barrels?
2 MR. HENDERSON: That's right.
3 MR. FITZGERALD: Right, so that includes 1998, '99, and
4 2000?
5 MR. HENDERSON: Right.
6 MR. FITZGERALD: So that's three years, 4.6 ...
7 MR. HENDERSON: Right, so that's showing that actually
8 I overstated the two million, it's even less than that.
9 MR. FITZGERALD: Okay, so what would it ... so ...
10 MR. HENDERSON: In recent years the ... let's see if I've
11 got that here. I'm trying to see if I have it in my evidence,
12 but I don't think I did, to give you the exact amount that
13 was used in recent years. I can come up with a rough
14 calculation maybe.
15 MR. FITZGERALD: Okay, actually there is an information
16 request, **IC-24 (revised)**. There's a schedule attached there.
17 Maybe this ... does that schedule help you any?
18 MR. HENDERSON: Yes, you see there that in 2000 ... yeah,
19 what we're showing here is that we've got, for '98 to 2000
20 we're in around five million barrels.
21 MR. FITZGERALD: Yeah.
22 MR. HENDERSON: So the contract starting in 1997, I
23 would say that that's probably when we went to tender,
24 and the actual starting of purchasing of that fuel probably
25 started in 1998.
26 MR. FITZGERALD: Uh hum, okay, so as we see in 1998
27 there's approximately 1.9 million barrels?
28 MR. HENDERSON: In 1998, it's two million.
29 MR. FITZGERALD: Yeah.
30 MR. HENDERSON: The fuel purchase, okay, I'm looking at
31 the fuel consumed. Yeah, the fuel purchased was 1.9, that's
32 right.
33 MR. FITZGERALD: Okay, and the fuel consumed in '99 is
34 1.5?
35 MR. HENDERSON: Right.
36 MR. FITZGERALD: And 2000, 1.5 ...
37 MR. HENDERSON: Right.
38 MR. FITZGERALD: 1.6, arguably.
39 MR. HENDERSON: Sure.
40 MR. FITZGERALD: So then we have this jump in the
41 forecast for ... well let me ask you this, the forecast here for
42 2001 of 3.2 million, do you have any current information
43 that would indicate that that forecast is going to be met?
44 MR. HENDERSON: I would say it would be probably
45 exceeded but at this point in time I would say we're very
46 close, at this point in the year, to the end of August or end
47 of September even, we're pretty close to being on that
48 number, but right now, looking out to the end of the year,
49 we're anticipating higher thermal production that we were
50 originally forecasting because it's been dry lately, and I
51 wouldn't be surprised at the end of the year that we would
52 be above 3.2 million.
53 MR. FITZGERALD: But you will be providing us
54 information, I guess, as this hearing goes on regarding
55 that?
56 MR. HENDERSON: As we ... we will be updating our, with
57 actual figures to the end of August in some information
58 that we will be filing later in October or early November,
59 and so that will have an update until the end of August. I
60 don't know when we would be providing the next update.
61 MR. FITZGERALD: Okay, just back to the contract that
62 you're currently ... or that you refer to in your evidence. I
63 would expect that this contract, at the rate of this
64 consumption, is going to be expiring relatively soon?
65 MR. HENDERSON: That's right, I would expect that we
66 would have to go out to renew that contract in 2002.
67 MR. FITZGERALD: Are you going to be involved in that
68 renewal at all?
69 MR. HENDERSON: I will be, I will be providing our
70 Purchasing Department with indications of our production
71 levels and our fuel requirement levels over the next few
72 years that would be applied, you know, when we go to
73 tender.
74 MR. FITZGERALD: Okay, that is the production side of
75 the effort.
76 MR. HENDERSON: Right.
77 MR. FITZGERALD: You wouldn't be on the negotiating
78 side of this new contract, would you?
79 MR. HENDERSON: The way we've done it in the past is
80 that we've gone, we write up the technical specification that
81 meets our requirements for Holyrood, and then we have
82 gone to tender on that seeking competitive bids ...
83 MR. FITZGERALD: Uh hum.
84 MR. HENDERSON: For supply into Holyrood. What we
85 have been doing is we have been going for ten million
86 barrel contracts, so that would get us through,
87 approximately three years, from one supplier.
88 MR. FITZGERALD: Okay.
89 MR. HENDERSON: So when you go through the public
90 tendering process then, and getting the bids in, we would

1 evaluate them and be looking for those that meet our
2 technical requirements and also looking for the best price.

3 MR. FITZGERALD: Okay, on that issue of best price, are
4 you involved in that?

5 MR. HENDERSON: Well the best price, the prices are bid
6 and then we would do, our Purchasing Department would
7 do an evaluation of the bids to come up with a
8 recommendation as to which one would give us the best
9 price ultimately to determine the contract.

10 MR. FITZGERALD: Do you expect that you will be
11 involved with Perra again on the new contract that's
12 anticipated?

13 MR. HENDERSON: Well, Perra is not tied to the contract
14 for the going out for purchasing of oil. Perra provides us
15 a forecast of fuel prices going out in the future.

16 MR. FITZGERALD: Okay, you'll be relying on their
17 forecasting?

18 MR. HENDERSON: Yes.

19 MR. FITZGERALD: Right, now if I could ask you to look
20 at **NP-17** briefly. Okay, that's what ... you have that on
21 your screen there, I believe?

22 MR. HENDERSON: Yes.

23 MR. FITZGERALD: Now you may have already answered
24 this but at least for my purposes, I'm looking at, there are
25 several columns here. It says pre-purchase ... and this is
26 the schedule referring to the Holyrood No. 6 Fuel Cost,
27 2002 Test Year ... as the pre-purchase inventory price,
28 dollars per barrel, and I'm looking at the top line that refers
29 to \$28.77. Then as you go right along that, there is
30 underneath the purchase column, there's a price \$28.32, and
31 then post-purchase, there's a figure of \$28.57. Could you
32 explain what these different figures mean?

33 MR. HENDERSON: What happens in our inventory there's
34 a blending of the prices. You have an inventory that has a
35 value prior to the purchase at \$28.77 per barrel, and that
36 would be applied to the total volume that's in the inventory
37 at that time, and so you have a total dollar value, and then
38 you add into it your purchase at a certain dollar value, so
39 you've got that additional dollar value that's gone into
40 inventory, plus you've got additional volume that's gone
41 into inventory, and then you end up with a new inventory
42 value by dividing the total value of the inventory prior to
43 purchase, total value after the purchase, divided by the
44 volume after the purchase, which is your purchase plus the
45 inventory prior to the purchase. That gives you a blended
46 or an average inventory price. So right here where the
47 purchase price is lower than the previous inventory price,
48 you've got moving down of the inventory price after the
49 purchase, because that inventory price is a blended or

50 average price in the tanks in the storage.

51 MR. FITZGERALD: Okay, so the far right-hand column is
52 lower because it reflects, even though you bought current
53 oil at \$28.77, it's been blended with the previous order?

54 MR. HENDERSON: No, the \$28.77 was what was in there
55 previously. We just bought current oil at \$28.32.

56 MR. FITZGERALD: Okay, right.

57 MR. HENDERSON: So that ...

58 MR. FITZGERALD: So that goes up.

59 MR. HENDERSON: That had a tendency to bring the value
60 down after the shipment to \$28.57, from \$28.77.

61 MR. FITZGERALD: Okay, looking at the same schedule,
62 and I guess this is ... if you look at the far right column
63 there, the cost, the forecast cost of No. 6 in 2002 ... the
64 bottom right.

65 MR. HENDERSON: Yes.

66 MR. FITZGERALD: You have a \$100,584,000.

67 MR. HENDERSON: Yes.

68 MR. FITZGERALD: And that's the forecast amount that
69 you're going to be required to purchase?

70 MR. HENDERSON: No, that's the cost of production.
71 That's taking the volume that was used in producing
72 electricity, applying it to the inventory price in the month
73 that the production occurred, to give you a cost of
74 production in that month. So that cost is the actual
75 production cost, not your purchase cost. Your purchase
76 cost is actually not shown in that table. Oh yes it is, I'm
77 sorry, it is. It's under the purchase heading ... sorry, Terry's
78 got the little hand there on top of it. The \$99,330,000, that's
79 the actual purchase cost for the year.

80 MR. FITZGERALD: Okay, alright, so the \$100 million
81 figure, that is really what, it's the amount of revenue you
82 would be required to purchase the oil that you need?

83 MR. HENDERSON: That's the cost of producing the
84 electricity at Holyrood for that year, \$100 million. That's the
85 cost. The inventory is ... you'll notice there that the
86 production on the bottom right-hand column, the second
87 one in from the right, you've got 3,537,000 barrels.

88 MR. FITZGERALD: Right.

89 MR. HENDERSON: And that's how much we will consume
90 in producing electricity. If you move over now to the, over
91 four more columns to the left, you can see it's three and a
92 half million there. That's how much we purchased, so the
93 difference here is one column is showing the purchases,
94 the other is showing the volume that was consumed in
95 producing electricity and there's a difference there because

1 what has happened during this year is that we've drawn
2 down our inventory. Our inventory at the end of the year
3 would be a little bit lower than it was at the beginning of
4 the year because we purchased less than what we
5 consumed.

6 MR. FITZGERALD: Okay, well then perhaps if I could ask
7 you to look briefly at Schedule 1, appended to **Mr.**
8 **Roberts' pre-filed testimony**. If we could enlarge that a bit
9 please? This is the revenue requirement for Hydro for the
10 test year. It has a list of expenses and it has No. 6 fuel,
11 2002 forecast, so that figure there of \$100,585,000, is that to
12 be reflective of a figure that I see in **NP-17** that we've just
13 been discussing?

14 MR. HENDERSON: Yes, that would be the number that's
15 on the furthest right hand column of **NP-17**, on the bottom.

16 MR. FITZGERALD: Yeah, so that's the \$100 million we're
17 talking about?

18 MR. HENDERSON: Right, that's the production costs as
19 opposed to the purchase cost.

20 MR. FITZGERALD: Okay, and I understand now that from
21 your testimony yesterday, of course, that this figure would
22 change, this \$100 million figure would change with the
23 anticipated reduction in the price of oil forecast.

24 MR. HENDERSON: Yes, it would change. Right now we're
25 seeing the price somewhere around \$27.00 a barrel in 2002
26 and previously we were forecasting around \$28.00 a barrel,
27 so there will be some savings in that.

28 MR. FITZGERALD: Okay, do you have, can you give us
29 any idea in dollar amounts what that would be?

30 MR. HENDERSON: Not right off the top ... but it would be
31 the ratio of 27 over 28, multiplied by that number.

32 MR. FITZGERALD: Okay, well I won't do the math here
33 right now, I'm (inaudible) my math.

34 MR. HENDERSON: There will be a reduction in the
35 magnitude ... and again, because of the inventory and the
36 blending and the month you purchase it and all that sort of
37 thing, it won't be the direct purchase price ratio but it will
38 tend towards that.

39 MR. FITZGERALD: Okay, now again for my clarification.
40 I don't want to jump around here too much but if I could
41 ask you to look at **NP-62**, we don't need that screen
42 anymore. This is a detailed calculation of the fuel
43 inventory for the end of the year 2002, and at line 8 there is
44 a figure there of No 6 fuel, in the case \$13,257,589.

45 MR. HENDERSON: Right.

46 MR. FITZGERALD: Now when I compare that to **NP-17**,
47 referring to the forecast inventory at the end of the test

48 year, it appears to be ... fuel inventory is indicated there at
49 \$14 million.

50 MR. HENDERSON: No, no, that \$14 million is the
51 production cost for December. It's not the inventory. The
52 inventory volume is not shown in that table, so you
53 wouldn't be able to take it off of that table, but to get it you
54 would have to take the inventory price at December, which
55 is \$28.38 ... 16, which is ... there you go ... do you see where
56 Terry is pointing?

57 MR. FITZGERALD: Uh hum.

58 MR. HENDERSON: It's the third column from the right, the
59 bottom number. That's \$28.38. That would be the
60 inventory price at the end of the year. That would be
61 multiplied by the volume in the inventory at the end of the
62 year to give your inventory value, and that's what is in that
63 RFI ... I forget which number you were just referring to.

64 MR. FITZGERALD: **NP-62**.

65 MR. HENDERSON: **NP-62**.

66 MR. FITZGERALD: That explains that difference. And
67 again, so I understand some aspects of your fuel
68 management, if I could ask Mr. O'Rielly to bring us now to
69 **NP-144**, page 10 of 10. If I could scroll right down to the
70 bottom of that screen ... okay, unfortunately we don't have
71 the top legend, but this is, this table is to reflect the total
72 Bunker C, or the total fuel inventory really for Hydro for the
73 end of 2000.

74 MR. HENDERSON: Right.

75 MR. FITZGERALD: And it's indicating there at the end of
76 2000, am I reading this right, that figure there of 468 odd
77 thousand, that's the number of barrels you had left?

78 MR. HENDERSON: That's the number of barrels in the
79 inventory at Holyrood at the end of 2000.

80 *(11:45 a.m.)*

81 MR. FITZGERALD: Okay, alright, if we could just go back
82 to page nine of this same document, scrolling down, we
83 have ...

84 MR. HENDERSON: 708,909 at the end of '99.

85 MR. FITZGERALD: I'm going to guess that you're going
86 to tell me that's some kind of Y2K stockpiling, are you?

87 MR. HENDERSON: That's exactly right.

88 MR. FITZGERALD: Yeah, okay, so your maximum capacity
89 for storage, I understood yesterday, is about 840,000?

90 MR. HENDERSON: That's right.

91 MR. FITZGERALD: And so you were practically, the tank
92 was full then with this ...

1 MR. HENDERSON: That was the highest we could
2 practically get it. We get shipments of 250,000 barrels, so
3 you can't, we couldn't fit 250,000 in, so that's as far as we
4 could get it for going over the Y2K.

5 MR. FITZGERALD: Okay, was that your decision to
6 purchase that oil?

7 MR. HENDERSON: That was a corporate decision that we
8 would build our inventories for the end of 1999 in case
9 there were any problems related to Y2K in getting
10 deliveries, to make sure that we had the highest inventory
11 in our tanks to get us through a period of time if there was
12 computer-related problems, or delivery-related problems
13 because of the Y2K problem.

14 MR. FITZGERALD: Okay, did I understand yesterday in
15 your evidence that you indicated that the price of the No.
16 6 is really not your concern? Not that it's not Hydro's
17 concern, but it's not your department's concern?

18 MR. HENDERSON: I'm kept appraised of the price. I know
19 what the price is. We will have discussions and there
20 would be a number of people within Hydro that will get
21 together to discuss maybe opportunities to take advantage
22 of low prices when they are, when they present themselves,
23 so that we can take advantage and lower the cost, and I am
24 involved with those discussions, but it's not a ... it's not my
25 decision per se. That would be something that would
26 involve more people to make a decision because there is
27 some level of speculation if you're going to be doing that.
28 You're assuming that the price you're going to get ... it
29 takes about four weeks to get a shipment in. When you
30 say you want it, it's going to be four weeks later before you
31 get it, because the ships sail from the Caribbean primarily
32 to come up to supply us, so there is a time for the supplier
33 to get a ship lined up and get the oil from the refineries and
34 get it in to us, so you have to be careful what you do there
35 because the price today will not set that price. The price
36 that will be set on this is when you actually receive the fuel,
37 and therefore, you know, that's the type of decision that I
38 wouldn't be making. That would be a decision made by
39 involving higher levels of management.

40 MR. FITZGERALD: Okay, so at the end of December 1999,
41 you were sitting with 708,000 barrels of oil.

42 MR. HENDERSON: That's right.

43 MR. FITZGERALD: And the price had been determined by
44 then, had it, the price of what you had there?

45 MR. HENDERSON: That price was determined in
46 December when we received that shipment.

47 MR. FITZGERALD: When it landed, right, so a decision
48 was made prior to December to buy that amount of oil.

49 MR. HENDERSON: Yes.

50 MR. FITZGERALD: And do you know if those who were
51 making the decision in your operation were consulting with
52 other utility companies across Canada regarding this, this
53 decision?

54 MR. HENDERSON: I wasn't involved or aware of what
55 discussions may have happened, so I couldn't say whether
56 there were or weren't.

57 MR. FITZGERALD: So if I could use the word
58 "stockpiling", would you agree that that's what was ... it's
59 not a trick question, I'm just trying to struggle for a word
60 here for what you were doing.

61 MR. HENDERSON: Right, what we were doing was we
62 were trying to get our inventories as high as we could by
63 the end of, before the end of the December 1999.

64 MR. FITZGERALD: And you don't know if other utilities
65 across Canada, or in North America, were doing the same
66 thing?

67 MR. HENDERSON: I expect that there was a lot of that
68 going on, but I don't know, I have no knowledge of what
69 the other utilities were doing.

70 MR. FITZGERALD: And do you know if, if you suspect
71 what you've just said, do you recall any, any pricing impact
72 of the stockpiling that was occurring?

73 MR. HENDERSON: I don't recall off-hand, but I expect that
74 there was a bit of ... there normally is at that time of the year
75 a bit of a rising in price anyway because there is a lot of
76 purchases going on late in the year in preparation of the
77 winter season, the heating season, because a lot of people
78 use No. 6 fuel for heating purposes in their manufacturing
79 processes or electricity generation, so there is a general
80 tendency at the end of the year, in every year, for the price
81 to be rising.

82 MR. FITZGERALD: Okay, as it turned out, there was no
83 need to stockpile.

84 MR. HENDERSON: In hindsight.

85 MR. FITZGERALD: Correct, in hindsight there was no
86 reason to stockpile. Are you aware, or can you tell us
87 whether the price of the Bunker C was cheaper in February
88 and January of 2000 than it was, say in October and
89 November of 1999?

90 MR. HENDERSON: I'd have to ... I can't tell off the top of
91 my head what the prices were at that time. I'd have to look.

92 MR. FITZGERALD: Would you ... you're not prepared to
93 venture a guess?

94 MR. HENDERSON: Not at this moment, no.

95 MR. FITZGERALD: I mean a guess from the point of view,
96 you were talking about cyclical changes in ...

1 MR. HENDERSON: The price tends to stay up through the
2 winter period and late winter my recollection is there is a
3 little bit of a decreasing demand, if you like, for the fuel, and
4 then there is, there is a tendency too for the price to go up
5 a little, I think, for the summer because of the demand for
6 other petroleum products for, like the driving season,
7 everybody is going, moving their cars or whatever. There's
8 those kinds of dynamics that go on in the petroleum market
9 that causes these things ... like the price of No. 6 isn't
10 strictly based on the demand for No. 6, it's also based on
11 what's happening with crude prices, and there's a whole lot
12 of dynamics going in there that I'm not really familiar with
13 but I know, generally speaking, there is a, somewhat of a
14 levelling through the winter, a little bit of the drop in the
15 spring, and a rise early summer, and then there's a little bit
16 of a drop going into the early fall, and then it's a steady rise
17 then back up, but those variances, there is that general
18 trend there but it isn't always there because of the problems
19 with what's happening ... I'd say the geopolitical things that
20 go on that drive crude oil prices around, and then they
21 impact on the No. 6 fuel prices and so on.

22 MR. FITZGERALD: So we don't know then if the price of
23 oil was cheaper in January and February 2000 than it had
24 been in November and December of 1999?

25 MR. HENDERSON: I don't like to say we don't know. I
26 don't know off the top of my head, but it can be found.

27 MR. FITZGERALD: Okay, I want to ask you to now look
28 at the transcript from your evidence on October 9th, 2001,
29 at page 30. Now I'm looking at the hard copy. I don't know
30 if it translates into the same ...

31 MR. HENDERSON: On your previous question, my
32 **Schedule 7** shows the fuel prices that we incurred in 2000,
33 and you can see that our purchases in January of 2000 were
34 \$33.00 a barrel, and in February \$30.00 a barrel. I think
35 that's what you were asking ...

36 MR. FITZGERALD: I'm sorry, which schedule?

37 MR. HENDERSON: **Schedule 7 of my pre-filed.**

38 MR. FITZGERALD: Okay, so we don't know, we still don't
39 know 1999, do we?

40 MR. HENDERSON: No, I thought you were looking for
41 after the shipments in ... I thought you were looking for
42 winter 2000.

43 MR. FITZGERALD: Well I was looking for a comparison as
44 to the price prior to Y2K.

45 MR. HENDERSON: Oh ...

46 MR. FITZGERALD: And post.

47 MR. HENDERSON: Yeah, I don't have that. I don't think
48 it's there in any of the evidence.

49 MR. FITZGERALD: So turning then to your transcript, and
50 I guess we're starting at line 25 there, and Ms. Butler put
51 the question to you, or the idea, I guess. She said, "And
52 the impact of using that hydraulic forecast in the test year
53 instead of Hydro's hydraulic forecast in the test year, that's
54 the current forecast of 4,285, is 192 gigawatt hours, or
55 \$6.336 million in reduced revenue requirements in the test
56 year", and your response was "That's right". And I take it
57 to mean that that \$6 million approximate figure is directly
58 related to a reduction in the amount of oil that's burned in
59 Holyrood. Is that too oversimplified?

60 MR. HENDERSON: That's correct.

61 MR. FITZGERALD: That's correct, alright. I'm interested
62 in your remark that follows that. Certainly down around
63 line 44, you say that, "The customers will pay what the real
64 hydraulic production is, and what we're doing here by
65 debating these two numbers is we're playing what I like to
66 call a shell game, which is we're trying to decide whether
67 we're going to put it into the cost of service, or is it going
68 to go into the Rate Stabilization Plan, because whatever it
69 is, it's going to be, it's going to end up ... either the
70 hydraulic production will be exactly as it turns out to be,
71 and then there will be an adjustment in the RSP". Now do
72 I take that to mean that the price of the fuel doesn't matter
73 because the customers are only going to pay for what's
74 burned?

75 MR. HENDERSON: The price matters in that the customer
76 pays for the cost of supplying electricity which comes from
77 the cost of operating Holyrood, and the costs are
78 determined based on both the volume of fuel used, and the
79 price of the fuel, so there's two components. And the
80 volume is largely dictated by our hydraulic production.
81 The price, of course, is dictated by market prices at the
82 time. So when we put into the plan a price of \$20.00, then
83 the variances from that \$20.00 will go into the plan, in
84 whatever the real price is. Plus when we put in an average
85 hydraulic production, any variances from that hydraulic
86 production will result in a variance in fuel consumed in
87 Holyrood, and thereby another adjustment in the plan in
88 the volume that would be applied at the \$20.00 per barrel
89 price that's in the plan.

90 MR. FITZGERALD: In the test year you have, it's forecast
91 that you will be purchasing through your department, 3.5
92 million barrels of oil.

93 MR. HENDERSON: Yes.

94 MR. FITZGERALD: And that appears to be higher than the
95 amount that you've purchased in previous years?

96 MR. HENDERSON: In most recent years.

97 MR. FITZGERALD: Right, and that is, of course, because
98 of the low hydraulic forecast that's been pointed out in the

1 Grant Thornton report, etcetera.

2 MR. HENDERSON: I don't like the term low forecast. It's
3 the historic, long-term historical average hydraulic
4 production. I wouldn't classify it as low. I know that in
5 Grant Thornton it was, that was used, that term was used,
6 but it's low relative to recent years, but I wouldn't say it's a
7 low forecast.

8 MR. FITZGERALD: I understand that, so if the Board was
9 to ask you how much oil you're going to buy in the test
10 year, you have stated 3.5 million barrels.

11 MR. HENDERSON: That's based on the assumption of that
12 the actual year will be an average water year.

13 MR. FITZGERALD: Yeah, and I take it to mean by your
14 remark to Ms. Butler's query, was that so what if I buy 3.5
15 million barrel. The consumer is only going to pay for it if I
16 burn it. Is that a fair statement?

17 MR. HENDERSON: What my statement was is that the
18 Rate Stabilization Plan, as it's currently used, takes the
19 variances between what the actual hydraulic production is
20 and the forecast hydraulic production, and takes that into
21 account so that in the end the customer will pay the actual
22 cost.

23 MR. FITZGERALD: What if we have a situation though
24 like the Y2K when perhaps you buy too much oil at a
25 higher than world market price.

26 MR. HENDERSON: Well we've always bought at the world
27 market price with a discount because of the way we go with
28 our contracts there is some discount from the world market
29 price at the time so we're always paying the world market
30 price. We don't pay more than that.

31 MR. FITZGERALD: So is it possible that you can get stuck
32 with ... well let's say that at the end of the test year you've
33 estimated that you'll have about 500,000 barrels of oil, and
34 the following month the price of oil drops and you're
35 hanging on to this oil, you have, you have bought 500 (*sic*)
36 barrels of oil. I'm assuming that each, of the \$3.5 million
37 that you have projected, that that's broken down into a
38 monthly amount that you intend to purchase.

39 MR. HENDERSON: That's the forecast. What we will
40 actually purchase will depend on how our thermal
41 production is actually going to occur based on our actual
42 hydraulic conditions that we incur.

43 MR. FITZGERALD: Okay, so let's say for, that in January
44 of 2002 you're predicted to buy 500,000 barrels of oil and
45 you have no fear that that's an over-purchase?

46 MR. HENDERSON: What we ... that is the estimate right
47 now based on the average hydraulic conditions. Whatever
48 turns out to be the condition in January, we will adjust that

49 purchase amount so we'll buy only what we need. We
50 won't over buy. If it turns out that we don't need to use
51 Holyrood as much this coming winter as we have
52 forecasted, then we won't buy 500,000 barrels, we'll buy
53 something less.

54 MR. FITZGERALD: Okay, I guess my question comes
55 down to then, are we confident then that whenever Hydro
56 is burning a barrel of oil, that that barrel, the cost of that
57 barrel is reflecting the current price of that barrel of oil on
58 the world market?

59 (*12:00 noon*)

60 MR. HENDERSON: When we burn it it's based on the cost
61 in our tanks.

62 MR. FITZGERALD: Which you already bought.

63 MR. HENDERSON: Which we already bought a week
64 before or a month before. It's a blended price that's, I guess
65 ... no, it's over a period of time that that price for the
66 inventory was determined and it's based on our inventory
67 cost, but it will not reflect what the current market price is
68 at the time. It will reflect on the inventory costs which is
69 reflective of the market prices when we made the purchases.

70 MR. FITZGERALD: If I could now, Mr. Henderson, I'd like
71 to turn to your **supplementary evidence**, to page 1, the
72 bottom, line 27. Now here I believe you had been examined
73 by other counsel here regarding the contact to the other
74 utilities, significant hydroelectric utilities to confirm their
75 practices. You contacted Manitoba Hydro, Ontario Power
76 Generation, Hydro Quebec, and B.C. Hydro, and several
77 other large Canadian hydroelectric generators. Of those
78 that you contacted, are these regulated hydroelectric
79 organizations?

80 MR. HENDERSON: As far ... I'm not sure of the details of
81 all of them. I know like in Ontario there is a process in
82 which they're being deregulated, so Ontario right now is in
83 a transition state, so I don't really know. Hydro Quebec, as
84 far as I know, is still regulated, and B.C. Hydro is, and
85 Manitoba Hydro is, but Ontario is going through a
86 transition.

87 MR. FITZGERALD: Okay, I understand that the statement
88 that you made was offered, and correct me if I'm wrong, to
89 counter, if you will, Mr. Brockman's supplementary
90 evidence, where we have this ongoing debate with Hydro's
91 preference for the 50 year reliable historical average, versus
92 the 30 year running average.

93 MR. HENDERSON: That's right.

94 MR. FITZGERALD: That's right. Did it occur to you to ask
95 any of these regulated utilities whether the regulator had
96 made a ruling on preferring one method over the other?

1 MR. HENDERSON: No, we were more, we didn't ask that
2 specific question. What we asked is do you do an average,
3 and what do you average for, and that answer was that
4 they used it for a number of purposes which included rate
5 setting purposes.

6 MR. FITZGERALD: Okay, do you know whether other
7 regulators have actually dealt with this issue?

8 MR. HENDERSON: No, I haven't ... I have no idea. I
9 haven't ... you know, I'd have to study the rulings of
10 regulators and I haven't done that. All we did was we tried
11 to find out, and I think that's been made clear, that we were
12 trying to find out if other utilities were shortening their
13 record to reflect climate change or more recent records, and
14 that's where our focus was on that.

15 MR. FITZGERALD: Do you agree that it would be helpful
16 to this Board to have the benefit of the reasoning of other
17 regulators if, in fact, they have decided on this issue
18 previously?

19 MR. HENDERSON: I guess the Board will have to use
20 whatever evidence that they are presented. What I'm
21 presenting is what Hydro feels is the correct way to do the
22 average, or determine the forecast for the test year, and I
23 guess that's, that's our evidence, is that we would
24 recommend the way we've done it.

25 MR. FITZGERALD: Oh, surely, but if you were aware that
26 this issue had already been dealt with, don't you, would
27 you believe that you would have a duty to bring that to the
28 intention of the Board?

29 MS. GREENE, Q.C.: Yes, and I guess that would be done
30 as a matter of argument, and that's how we usually refer to
31 other regulatory precedents, and so far we haven't found
32 any.

33 MR. FITZGERALD: So you haven't asked the question,
34 you don't know.

35 MR. HENDERSON: Right.

36 MR. FITZGERALD: Okay.

37 MS. GREENE, Q.C.: And what I wanted to point out, it may
38 not be Mr. Henderson asking the question as to what the
39 regulatory precedent is.

40 MR. NOSEWORTHY, CHAIRMAN: We don't know in any
41 event.

42 MS. GREENE, Q.C.: No, but I can assure ...

43 MR. FITZGERALD: I have no response to that, I don't
44 think.

45 MS. GREENE, Q.C.: I can assure you that if there is one out
46 there we will find it, and that's what lawyers normally do
47 when they look for precedents and rulings from other

48 jurisdictions.

49 MR. FITZGERALD: Okay, Mr. Henderson, those are my
50 questions.

51 MR. HENDERSON: Thank you.

52 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
53 Mr. Fitzgerald ... Mr. Henderson. It's five after. I'll ask
54 counsel for the Board to begin cross-examination please?

55 MR. KENNEDY: Thank you, Chair. Mr. Henderson, I
56 guess before we break for lunch, I'd just like to get an
57 understanding, if you will, of the communications system.
58 As I understand it, you're responsible for the operational
59 aspect of the communications system used by Hydro in the
60 generation and transmission of electricity?

61 MR. HENDERSON: I will be responding to the questions
62 regarding that, but in my position within the Hydro
63 organization, I don't want to leave the impression that I'm
64 responsible for it. There is a director for that department
65 that's responsible for it but I am presenting the evidence
66 and answering questions for that for Hydro.

67 MR. KENNEDY: You volunteered to. Perhaps it might be
68 helpful to turn to your **pre-filed evidence** at page 8, and I
69 just wanted to, like I said, get an understanding of how this
70 all fits together. You had, I believe, one of your charts in
71 your presentation may have provided ... it might be helpful
72 if you take that out as well.

73 MR. HENDERSON: It's number ten of the presentation,
74 slide number ten.

75 MR. KENNEDY: Okay, so you start with the Energy
76 Control Centre located in St. John's, correct, so that's the
77 mother ship?

78 MR. HENDERSON: Sure.

79 MR. KENNEDY: Okay, and as you described in your pre-
80 filed evidence, the backbone, if you will, of the mother ship
81 is the energy management system, is that right?

82 MR. HENDERSON: That's right.

83 MR. KENNEDY: And I take it, that's just a complex piece
84 of code, a software application?

85 MR. HENDERSON: It's a computer system.

86 MR. KENNEDY: Okay, and then you have what's referred
87 to in this as RTU's.

88 MR. HENDERSON: The remote terminal units.

89 MR. KENNEDY: Terminal units.

90 MR. HENDERSON: That's right.

91 MR. KENNEDY: Okay, and the remote terminal units are
92 located where exactly?

1 MR. HENDERSON: They're located in each site that we
2 have remote control of, so there's a number of them around
3 the system. For instance, looking at the map there, you can
4 see there's, there'd be one in Bay d'Espoir, for instance.
5 Actually Bay d'Espoir probably has a couple of RTU's for
6 control of that, and each one of these red dots that are
7 shown on this map, I would suggest to you, have an RTU
8 in them, but there's more than those that are shown there as
9 well.

10 MR. KENNEDY: Okay, so they would be located in your,
11 certainly your principal generating sites, like Bay d'Espoir
12 and Cat Arm, and Hines Lake and so on?

13 MR. HENDERSON: Yes.

14 MR. KENNEDY: Okay, and they would be located, would
15 they be located in any of the remote diesel generating
16 stations?

17 MR. HENDERSON: No.

18 MR. KENNEDY: Okay, so is the Energy Control Centre tied
19 into the remote generating stations, the remote diesel?

20 MR. HENDERSON: No, not the isolated diesel systems.

21 MR. KENNEDY: Okay, so do you know how many RTU's
22 are hooked in with the, with the ECC?

23 MR. HENDERSON: In my evidence it says there are
24 remotely controlled 41 sites, so the RTU count would be
25 very close to that.

26 MR. KENNEDY: Okay.

27 MR. HENDERSON: Some sites have more than one RTU.

28 MR. KENNEDY: Now the automatic generation control
29 system that's also housed in the energy management
30 system ...

31 MR. HENDERSON: Yes.

32 MR. KENNEDY: Or sorry, in the Energy Control Centre, is
33 that a different system entirely from the EMS?

34 MR. HENDERSON: No, the automatic generation control
35 is a program, a software program that runs on the EMS
36 system.

37 MR. KENNEDY: So it's a separate module that operates
38 with the EMS?

39 MR. HENDERSON: Yes.

40 MR. KENNEDY: Integrated in with it.

41 MR. HENDERSON: Yes.

42 MR. KENNEDY: Okay, and then, in turn, that's all housed
43 by the ECC?

44 MR. HENDERSON: Yes.

45 MR. KENNEDY: Okay, and you then go on to talk about
46 the, the communications systems that are maintained by
47 Hydro, and you say that there are SCADA, teleprotection,
48 and operational voice?

49 MR. HENDERSON: That's right.

50 MR. KENNEDY: Okay, am I pronouncing that right, by the
51 way?

52 MR. HENDERSON: I say SCADA.

53 MR. KENNEDY: SCADA, tomato and tomato. So could
54 you just explain to us what the SCADA is first?

55 MR. HENDERSON: SCADA stands for Supervisory
56 Control and Data Acquisition, and it involves with the
57 receiving of data or information from remote sites,
58 collecting it up and bringing it to the mother ship, as you
59 call it, to the Control Centre. It also allows for the remote
60 control so the SCADA system allows for signals to be sent
61 from the Control Centre out to the remote sites to operate
62 breakers or control different pieces of equipment, and the
63 other aspect of it is there's data that comes back from the
64 remote sites that we give ... provide alarms to the operator
65 in the Control Centre, so that's part of the SCADA system.
66 Those alarms that come back which may say that there's a
67 piece of equipment that's in some difficulty, if you like, at
68 one of the remote sites.

69 MR. KENNEDY: So is SCADA again a computer program
70 or are we now talking about hardware?

71 MR. HENDERSON: SCADA is sort of a process or it is a
72 collection of all of these different components.

73 MR. KENNEDY: Okay.

74 MR. HENDERSON: So it's the RTU's, the communications,
75 the Energy Control Centre computer, the EMS, that would
76 all be considered part of the SCADA system.

77 MR. KENNEDY: So SCADA on top, and then SCADA has
78 part of it, the Energy Control Centre, and then you have the
79 ...

80 MR. HENDERSON: Well, the Energy Control Centre, we
81 call that ... that's the building and the people that are in
82 there use this SCADA system. The SCADA system
83 includes the EMS computer and the remote terminal units.

84 MR. KENNEDY: Okay, I'm trying to get a ... because I'm
85 going to sort of get a firm understanding of how all this
86 hooks together, because it involves a fair amount of
87 money, as you know, so just so I understand it here, so
88 when you say SCADA, is that just the reference to an
89 overall system, or is it a reference to a particular computer
90 application or hardware or a combination of ...

91 MR. HENDERSON: It's the overall system.

1 MR. KENNEDY: Okay, so just to perhaps put it in a silly ...
2 if I went out to go buy a SCADA, I'm buying an entire
3 system, both software and hardware?
4 MR. HENDERSON: Yes.
5 MR. KENNEDY: And as I understand from your pre-filed
6 ... the SCADA provides the mechanism for the RTU's to
7 actually talk to your Energy Control Centre, to your EMS
8 software?
9 MR. HENDERSON: Yes.
10 MR. KENNEDY: Okay, and in turn, for your automatic
11 generation control module to talk back to the RTU?
12 MR. HENDERSON: Right.
13 MR. KENNEDY: Okay, now you also refer to teleprotection
14 and operational voice, so teleprotection a separate thing
15 from SCADA then?
16 MR. HENDERSON: Teleprotection is a separate item, yes.
17 MR. KENNEDY: And so what does the teleprotection do?
18 MR. HENDERSON: Teleprotection is used primarily on
19 transmission lines for providing communications from one
20 end of the transmission line to the other, so that if there is
21 trouble or a problem on that line, the two ends of the line,
22 the equipment on both ends of the line can talk to each
23 other and identify that the problem is on the line, and then
24 take appropriate action to open the breakers and so on to
25 protect the line from damage. So you require ... the
26 telecommunications give you very very fast
27 communications between the two ends of the line.
28 MR. KENNEDY: Okay, so there's some trip, or some event
29 that takes place on a transmission line and there's these
30 teleprotection units sitting on the transmission line on
31 either end?
32 MR. HENDERSON: That's right.
33 MR. KENNEDY: And would they only be on either end or
34 would they be dispersed over the transmission line?
35 MR. HENDERSON: No, they're only at the terminals.
36 MR. KENNEDY: Okay.
37 MR. HENDERSON: And the teleprotection system, the
38 communications system, goes between those terminal
39 stations, but there is no ... the teleprotection equipment
40 itself is at the terminals.
41 MR. KENNEDY: Okay, so the units talk to each other and
42 they determine that the event was something that's solved
43 by throwing a breaker.
44 MR. HENDERSON: Right.
45 MR. KENNEDY: Okay, so how, how does the

46 teleprotection unit talk to the breaker then?
47 MR. HENDERSON: It's wired from ... the teleprotection is
48 a control system in itself that would then provide signals to
49 a relay, if you like, that then would go and trip a breaker.
50 MR. KENNEDY: Okay, so ...
51 MR. HENDERSON: But it's a complex sort of control
52 system with a lot of wiring and relays and so on involved
53 with it.
54 MR. KENNEDY: Okay, so does the teleprotection unit talk
55 to the, the ECC?
56 MR. HENDERSON: Not in that sense, no.
57 MR. KENNEDY: So this is a stand-alone system that
58 doesn't involve direct intervention by any of the staff in
59 your Energy Control Centre.
60 MR. HENDERSON: No, the teleprotection is all designed
61 to operate automatically and very very quickly, like within
62 milliseconds.
63 MR. KENNEDY: Okay, and what's the principal means
64 through which the signals are sent back and forth on the
65 transmission line? Is it over the transmission line itself,
66 used to carry it over the line?
67 MR. HENDERSON: There's different modes, if you like, for
68 use of the teleprotection. There's the microwave system,
69 and there is power line carrier equipment, and I believe
70 there is, in some places we have fiberoptic.
71 MR. KENNEDY: Okay, so you're using three different
72 types of systems to operate the teleprotection system?
73 MR. HENDERSON: Different communication means.
74 MR. KENNEDY: Okay, is it a case of this mix of
75 technologies to operate the teleprotection system, just a
76 product of history, or is one certain type of technology
77 more appropriate to use in certain areas than in others?
78 MR. HENDERSON: Well, there'd be a lot of analysis done
79 to determine which is the most appropriate. It depends on
80 the system that you're looking at, which is most appropriate
81 for that particular system.
82 *(12:15 p.m.)*
83 MR. KENNEDY: Okay, so putting the question another
84 way, if you were to build this entire system today would
85 you still be selecting different technologies to use to
86 operate the teleprotection system, or would you just go
87 with with one of these which is the best of the three?
88 MR. HENDERSON: No, I would say you would have a
89 mixture.
90 MR. KENNEDY: Okay, so can you describe to me when

1 you would use one versus the other, just in layman's
2 terms?

3 MR. HENDERSON: It's most probably defined by cost. It
4 depends on how far apart your terminals are, and whether
5 you're talking about a new line or an old line would make
6 some difference as to whether, which way you go, so it
7 comes down to cost and the distance that you have
8 between your terminal ends. This would impact on the
9 method that you would choose.

10 MR. KENNEDY: So, in the case of ...

11 MR. HENDERSON: I guess the other thing too would be
12 the reliability of that method is also critical. You know, you
13 have to have a very reliable communications method, and
14 if you had an area where the reliability problem is not quite
15 required to the same degree, like if you have ... certain areas
16 are much more critical to the system and it would require
17 maybe a little higher reliability than others, so you may
18 choose ... these different systems may have different levels
19 of reliability as well.

20 MR. KENNEDY: Okay, so for instance, the main feed
21 coming out of Bay d'Espoir is a particularly critical
22 component of your transmission system.

23 MR. HENDERSON: Absolutely.

24 MR. KENNEDY: And so you would want the Cadillac of
25 teleprotection for that line?

26 MR. HENDERSON: You would want to have the absolute
27 best, most reliable teleprotection circuit there.

28 MR. KENNEDY: So out of these three, out of the
29 microwave, power line carrier equipment, and fiberoptic,
30 what's the Cadillac?

31 MR. HENDERSON: Well, I think, and I'm not real close to
32 this, but I would say that your fiberoptic and microwave are
33 probably very closely the same. The power line carrier is
34 not as reliable because it is using the wires of the line, and
35 if you had the line actually damaged and on the ground,
36 then the teleprotection signal may not go through.
37 Certainly if the wire broke on your line your signals won't
38 go through, so the power line carrier would be less reliable
39 than the other two.

40 MR. KENNEDY: I guess that's not going to be solved by
41 throwing a breaker then either if your power line is down.

42 MR. HENDERSON: Well you've got to throw your
43 breakers to keep the line from being damaged.

44 MR. KENNEDY: Right, okay, so the fiberoptic and the
45 microwave you are saying are comparable in functionality,
46 and that the power line carrier system is not as good as
47 those other two?

48 MR. HENDERSON: That's right.

49 MR. KENNEDY: Okay, the operational voice, could you
50 just describe for me what ... I take it operational voice is just
51 a voice transmission.

52 MR. HENDERSON: That's right.

53 MR. KENNEDY: Okay, and could you tell me what systems
54 Hydro has in place for voice transmission?

55 MR. HENDERSON: We would use all the same ones that
56 are used for the teleprotection, plus we have VHF, VHF
57 radio.

58 MR. KENNEDY: Uh hum, and ...

59 MR. HENDERSON: And there's also the public service
60 telephone system.

61 MR. KENNEDY: Okay, so you would use, you would use
62 the microwave, fiberoptic, and power line carrier equipment
63 also to carry voice at times?

64 MR. HENDERSON: Yes.

65 MR. KENNEDY: And then you'd have VHF to carry voice?

66 MR. HENDERSON: Yes.

67 MR. KENNEDY: And public phones.

68 MR. HENDERSON: Yes.

69 MR. KENNEDY: What about the UHF?

70 MR. HENDERSON: UHF, there is some limited use of UHF
71 in, I believe it's at Upper Salmon and Hines Lake.

72 MR. KENNEDY: Could you tell me what the difference is
73 between VHF and UHF from a functional perspective, why
74 you would select one versus the other?

75 MR. HENDERSON: It's not an area that I'm really up on,
76 but it's to do with distances. You have very high
77 frequency and ultra high frequency. I think that's what the
78 V and the U stand for.

79 MR. KENNEDY: And the voice, could you tell me who
80 that's used by?

81 MR. HENDERSON: The voice is used by our employees
82 who are going about their work at all of our stations,
83 terminal stations along our transmission lines throughout
84 our whole system.

85 MR. KENNEDY: So if I'm an employee of Hydro and there
86 is some event on one of your transmission lines, I am
87 dispatched out to go have a look because the SCADA
88 system says it can't be solved remotely, if you will.

89 MR. HENDERSON: That's right.

90 MR. KENNEDY: And I'm off in the boon docks now,

1 nowhere near any civilization. What do I use to
2 communicate with my coworkers who are remote from me
3 working on the same transmission line?

4 MR. HENDERSON: You'd be using the VHF radio.

5 MR. KENNEDY: And what if I wanted to speak to
6 someone back at, for instance, St. John's, in the Energy
7 Control Centre?

8 MR. HENDERSON: VHF radio.

9 MR. KENNEDY: So when would I use the microwave
10 system?

11 MR. HENDERSON: When you're in a terminal station.

12 MR. KENNEDY: And is that the same for the fiberoptic
13 then?

14 MR. HENDERSON: I'm not sure that we're using fiberoptic
15 anywhere for voice, but ...

16 MR. KENNEDY: Okay, I thought you said you used it for
17 voice.

18 MR. HENDERSON: Yeah, I may have, and I'm trying to
19 think now ... we have a limited amount of fiberoptic, and it
20 may be, but I'm not really sure about that.

21 MR. KENNEDY: Okay, and the power line carrier
22 equipment, the same thing, I would use that if I was at a
23 terminal?

24 MR. HENDERSON: Yes.

25 MR. KENNEDY: Okay, so when I'm in the field, not at a
26 terminal, my option ... I only have one option and that's the
27 VHF, is it?

28 MR. HENDERSON: That's right.

29 MR. KENNEDY: And the UHF if it's available?

30 MR. HENDERSON: Well, you could, in some places, be
31 able to use a cell phone.

32 MR. KENNEDY: Right, yeah, when I described no
33 civilization, I meant that the regular communication system
34 wouldn't work, so the UHF though, would I use that at
35 times for voice as well in the conditions as I described,
36 where you're in a remote area?

37 MR. HENDERSON: I'm not sure of the detail of the UHF in
38 the Upper Salmon and at Hines Lake, whether we're using
39 that for voice or what it's used for actually. I know it's
40 there, but I'm not sure of all its uses.

41 MR. KENNEDY: Okay, Chair, that's all the questions I
42 think I have on this area, so it might be an appropriate time
43 to break for lunch.

44 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.

45 MS. BUTLER, Q.C.: Excuse me, Chair, I wonder if I might ...
46 I'm sorry, Ms. Greene, you go ahead.

47 MS. GREENE, Q.C.: It may be the same question. I was
48 wondering for planning purposes if Mr. Kennedy could
49 indicate how long he plans to be.

50 MR. KENNEDY: I don't think I'd be more than an hour.

51 MS. GREENE, Q.C.: I have a faint hope here, or I hope that
52 we may have Mr. Henderson finished by the end of the
53 week tomorrow.

54 MS. BUTLER, Q.C.: Mr. Chairman, my question was related
55 ...

56 MR. NOSEWORTHY, CHAIRMAN: I had more than a faint
57 hope of that (*laughter*).

58 MS. BUTLER, Q.C.: I was just wondering for my own
59 planning purposes if I might be required to start Mr.
60 Budgell this afternoon, but of course that's dependant on
61 how long the panel is going to be with their questions for
62 Mr. Budgell.

63 MS. GREENE, Q.C.: You meant Mr. Henderson, questions
64 for Mr. ...

65 MS. BUTLER, Q.C.: No, I meant am I going to have start
66 Mr. Budgell this afternoon.

67 MS. GREENE, Q.C.: Oh, you said questions, how long
68 would the panel be with Mr. Budgell.

69 MS. BUTLER, Q.C.: With Mr. Henderson.

70 MR. NOSEWORTHY, CHAIRMAN: Yes, well, I guess if
71 Mr. Kennedy is looking at an hour redirect, I would think
72 among us, I don't know, I haven't discussed it yet, but we'll
73 likely, we will likely be close to the end of the afternoon
74 with Mr. Henderson.

75 MS. GREENE, Q.C.: Excuse me, Mr. Chair, I will have
76 redirect following Board counsel.

77 MR. NOSEWORTHY, CHAIRMAN: Yes, yes, I understand
78 that.

79 MS. GREENE, Q.C.: So it's an hour and then ...

80 MR. NOSEWORTHY, CHAIRMAN: Yes, an hour and
81 some and I think we'll be at least until the afternoon, so you
82 can count on Mr. Budgell possibly tomorrow, certainly not
83 this afternoon, okay?

84 (*break*)

85 (*2:00*)

86 MR. NOSEWORTHY, CHAIRMAN: Thank you, good
87 afternoon. Before we get started, counsel, are there any
88 preliminary matters?

1 MR. KENNEDY: Not that I'm aware of, chair.

2 MR. NOSEWORTHY, CHAIRMAN: No undertakings, Ms.
3 Greene?

4 MS. GREENE, Q.C.: Yes, actually, there are. But what I
5 thought I would do is when I start my redirect with Mr.
6 Henderson later this afternoon I'd do them at that time and
7 we will be responding to them at that time, as well.

8 MR. NOSEWORTHY, CHAIRMAN: Sure. Thank you.
9 Could we proceed, counsel, now, with your cross-
10 examination, please?

11 MR. KENNEDY: Thank you, Chair, commissioners. Mr.
12 Henderson, just a couple of last questions concerning the
13 telecommunications of Hydro. And I guess, just turning to
14 page 10 of your presentation that you made back at the
15 beginning of your testimony. Just before we look at that
16 map, in particular, would you, Mr. Henderson, have had
17 involvement in the determination by Hydro of what
18 systems to install in your total telecommunication network?

19 MR. HENDERSON: No, I didn't have any direct
20 involvement with that. That's our tele-control department
21 would have determined that. Now, a lot of this
22 infrastructure was built long before I started at Hydro, as
23 well, so ...

24 MR. KENNEDY: So the tele-control department, what does
25 that fall under in the hierarchy of your organization?

26 MR. HENDERSON: The director of information systems
27 and telecommunications had responsibility for the tele-
28 control department and he reports to the vice-president of
29 production, who I also report to.

30 MR. KENNEDY: Okay. So, it's a parallel to the vice-
31 president of production?

32 MR. HENDERSON: That's right.

33 MR. KENNEDY: Okay. So did I gather you correctly, then,
34 as head of operations for generation and transmission the
35 actual use of these systems, that would fall in your
36 department?

37 MR. HENDERSON: We're one of a number of users of the
38 telecommunications. You know, the people in Mr. Reeves'
39 department, the transmission, the people who maintain the
40 systems use it extensively, as well.

41 MR. KENNEDY: Okay. Alright. But you, yourself, or your
42 department, if you will, never had direct involvement in the
43 selection of what communication system to put in where?

44 MR. HENDERSON: No. We just required, you know, a
45 reliable system to ensure the reliable operation of the power
46 system.

47 MR. KENNEDY: Okay. Well, if that's the case, that's all the

48 questions I have on telecommunications. Thank you. I
49 have a couple of days of questions on hydrology. Mr.
50 Henderson, actually, I do have one or two. And despite
51 the number of questions, or perhaps because of them, I'm
52 in somewhat of a state of confusion about the actual
53 process employed by you and your department in the
54 determination of the different mixes between hydraulic and
55 thermal. But I'd like to try to keep it at a 30,000 foot view, if
56 you could. And what I'll attempt to do is describe to you
57 what my understanding is and then you can step in when
58 I go horribly wrong. And as I understand it, one of the first
59 things that's done is the load forecast for the particular
60 year, for 2002?

61 MR. HENDERSON: That's right.

62 MR. KENNEDY: Okay. And then there's an attempt made
63 to plan your system of generation so that you'll meet that
64 load?

65 MR. HENDERSON: Exactly.

66 MR. KENNEDY: Okay. And principally, that involves, or
67 chiefly, that involves a balance between your hydrologic ...
68 hydraulic electrical generation verses your thermal
69 generation?

70 MR. HENDERSON: That's right.

71 MR. KENNEDY: And the chief objective there is to try to
72 generate as much energy hydrologically as opposed to
73 thermally?

74 MR. HENDERSON: That's right. That's our day-to-day
75 operating philosophy. When it comes to the forecast we
76 assume the average number for the budget forecast.

77 MR. KENNEDY: Okay. So, turning to your hydraulic
78 generation, you look to what capability you have in
79 producing electricity from that source?

80 MR. HENDERSON: That's right.

81 MR. KENNEDY: And in doing so, you use an average of
82 the total capability, based on as long a period as you have
83 for the data field?

84 MR. HENDERSON: That's right.

85 MR. KENNEDY: And then, after you generate that number
86 of what you feel is the total capability to be generated by
87 all your hydraulic capacity you then ... it's just a simple
88 subtraction to determine how much you're going to have to
89 generate thermally?

90 MR. HENDERSON: On an annual basis it's that simple.

91 MR. KENNEDY: Okay.

92 MR. HENDERSON: The part of the complication is
93 choosing a forecast of how that spreads out over each

1 month of the year.

2 MR. KENNEDY: Sure. No, I can appreciate that. And
3 that's a question I have now in a minute. But, now, the
4 wrinkle which throws me off is some evidence that you've
5 provided regarding using the ... a three-year period of the
6 worst possible scenario for the inflows into your reservoirs
7 in determining what your capability is. Is that an accurate
8 statement?

9 MR. HENDERSON: No, that's not used to determine our
10 capability, that three-year. What that is used for is
11 determining the storage levels that we have to try to
12 maintain in our reservoir in case we hit that dry years that
13 three-year dry sequence. So I think what might be helpful
14 for this is if you went to my Schedule 3 of my evidence.
15 And in Schedule 3 you can see there's a green line there,
16 which is our minimum energy storage target. That level is
17 determined by the three-year dry cycle.

18 MR. KENNEDY: Okay. So, you state "As the load grows
19 higher reservoir levels are needed to ensure that Hydro can
20 meet the load. Even under a three-year period of dry
21 conditions this was experienced in the late 1950s and early
22 1960s."

23 MR. HENDERSON: That's right.

24 MR. KENNEDY: And that's what this green line
25 represents?

26 MR. HENDERSON: Right.

27 MR. KENNEDY: And it fluctuates month to month
28 because your load changes month to month, of course?

29 MR. HENDERSON: It's that, plus the ... what we're doing
30 is basically from the end of each month we're projecting
31 outward the dry period.

32 MR. KENNEDY: Okay. So, you're actually using
33 hydrological data on a month to month basis, as well?

34 MR. HENDERSON: Right.

35 MR. KENNEDY: And then load data on a month to month
36 basis?

37 MR. HENDERSON: Yes.

38 MR. KENNEDY: To calculate your total capability on a
39 month to month basis under those conditions?

40 MR. HENDERSON: Right. To ensure that we operate to
41 keep our water levels to that green line so that if, at that
42 point in time, we hit the dry period, we would have
43 sufficient water in the storage, on top of what comes in
44 over that three-year period to meet our levels.

45 MR. KENNEDY: Okay. And this green line represents, if
46 you will, the amount of water that you have to keep in your

47 reservoir?

48 MR. HENDERSON: That's right.

49 MR. KENNEDY: Alright. Just a curious question, in 2001
50 you dropped below that line?

51 MR. HENDERSON: Right.

52 MR. KENNEDY: As indicated by your graph?

53 MR. HENDERSON: Right.

54 MR. KENNEDY: So can you explain if that's the minimum
55 then we've dropped below the minimum, so now it's not a
56 minimum, so can you just explain that one?

57 MR. HENDERSON: When you drop below the minimum
58 you would be operating your thermal to a maximum to try
59 to get you back up. So you're producing less from your
60 hydro and more from your thermal to get it up, so that's
61 what normally would happen. Now, what was happening
62 in April of this year, you may recall that we had a lot of
63 snow, and we had done snow pack measurements and
64 knew that there was a lot of snow out there and we were
65 able to let the reservoir go lower, knowing that there was
66 snow to come that would bring us back up.

67 MR. KENNEDY: Okay. So, the minimum is a minimum, but
68 you still exercise some judgment, based on your known
69 conditions about whether you'll dip below that minimum?

70 MR. HENDERSON: That's right. And that particularly
71 holds true in the wintertime when there's snow on the
72 ground.

73 MR. KENNEDY: So, that's going out and buying the couch
74 because you know you're going to get paid on Friday? It's
75 a case of borrowing, if you will, from the reservoir knowing
76 that it's going to be paid back into the reservoir?

77 MR. HENDERSON: Yes.

78 MR. KENNEDY: Okay. And that's based purely on, in this
79 case, your snow pack data, it's not based on ... is it based,
80 also, on what you expect the inflows to be in addition to
81 that snow pack?

82 MR. HENDERSON: It's ... well, obviously there's a lot of
83 precipitation that falls in Newfoundland between April and
84 June.

85 MR. KENNEDY: Okay.

86 MR. HENDERSON: And so, there's a combination of two
87 things there, it's the snow pack, plus the precipitation that,
88 you know, we would normally expect to get during that time
89 period.

90 MR. KENNEDY: Now, first I'll ask you, is there a reason
91 why you use a three-year worse case scenario?

1 MR. HENDERSON: What we do is we actually, in
2 developing this, use all years, and that three year period
3 dictates what we say. We can have a repeat ... one of our
4 assumptions in developing our operations is we're
5 assuming that we could have a repeat of any sequence that
6 we've seen, historically. So, when you do your model runs
7 and that sort of thing with this, that sequence dictates
8 where your reservoir has to be.

9 MR. KENNEDY: Okay. So, that's out of the data set for the
10 full 50 years, if you will, they're the three worst years?

11 MR. HENDERSON: Right.

12 MR. KENNEDY: That's the worst period among the whole
13 50 year period?

14 MR. HENDERSON: Exactly.

15 MR. KENNEDY: Okay. In response to an earlier question
16 from one of the counsels you had indicated that the
17 capability, the generation capability of your plants, of your
18 hydraulic plants, is also impacted by new generation that
19 comes on stream?

20 MR. HENDERSON: That's right.

21 MR. KENNEDY: And that as that new generation comes
22 on stream that would allow you to take more from your
23 reservoir than if the new generation wasn't on stream?

24 MR. HENDERSON: That's right.

25 MR. KENNEDY: Alright. And you're aware that Granite
26 Canal is scheduled to come on stream in 2003?

27 MR. HENDERSON: Yes.

28 MR. KENNEDY: And I understand that the average
29 capability of Granite Canal is 224 gigawatt hours?

30 MR. HENDERSON: Yes.

31 MR. KENNEDY: Okay. So, can I ask you whether your
32 minimum to be used for 2002 was adjusted to take into
33 account that by 2003 you have this new generation coming
34 on stream?

35 MR. HENDERSON: Yes, it was.

36 MR. KENNEDY: So this minimum bar that we see there
37 now, that would be a different minimum bar for 2002?

38 MR. HENDERSON: Yes.

39 MR. KENNEDY: And it would be lower, or in this case it
40 would be higher but your reservoir would be lower?

41 MR. HENDERSON: I would expect so. Some of it will also
42 depend on what we see as load coming on, the additional
43 load growth coming on after Granite Canal is built, and that
44 load, on top of what generation we have, that will all come
45 into play to help determine these levels. So, it's ... you

46 know, what I said in ... if your load was staying the same,
47 certainly, as you add more generation you could run it
48 lower, but if your load is also growing you may not come
49 down as much.

50 MR. KENNEDY: Okay. But, the introduction of Granite
51 Canal in 2003 will mitigate some of the risk that would have
52 otherwise ... that Hydro would have otherwise experienced?

53 MR. HENDERSON: Yes.

54 MR. KENNEDY: Okay. The other two things, or the other
55 topic I wanted to talk about concerning hydrology was
56 your use of conversion factors, and there were a number of
57 different types of conversion factors and efficiency factors,
58 so I just wanted to make sure I understood or differentiated
59 between the two. And that's what I have is two different
60 ones. And one, as I understand it, is the actual conversion
61 factor for converting water to energy?

62 MR. HENDERSON: Yes.

63 MR. KENNEDY: And the other one is more of an efficiency
64 factor of converting barrels of oil or Number 6, in this case,
65 to energy?

66 MR. HENDERSON: Right. Well, they're both conversion
67 factors. One is for oil to energy, the other is water to
68 energy.

69 MR. KENNEDY: And they're both efficiency factors, in a
70 way?

71 MR. HENDERSON: And they're both efficiency factors, in
72 a way.

73 MR. KENNEDY: Okay. Just a curiosity, in one of the
74 tables Cat Arm has a conversion factor, an efficiency factor
75 of close to .9, whereas Bay d'Espoir is .46 or something?

76 MR. HENDERSON: Right.

77 MR. KENNEDY: Is there a reason why Cat Arm is so much
78 more efficient than any of your other hydraulic generation?

79 MR. HENDERSON: The conversion factor is a lot higher
80 because Cat Arm has a much higher head, so it takes less
81 water to produce a kilowatt hour of electricity than Bay
82 d'Espoir.

83 MR. KENNEDY: Okay.

84 MR. HENDERSON: It's a head difference.

85 MR. KENNEDY: I wonder if we can just turn to **NP-51**? So
86 I just wanted to be clear that in the case of the conversion
87 factor or efficiency factor for the Holyrood thermal
88 generating station that the period that you're using for
89 2002, the calculation and the efficiency factor for 2002 is
90 based on the efficiency factors for 1996 through to the year
91 2000, is that correct?

1 MR. HENDERSON: That's right.

2 MR. KENNEDY: Okay. So that's the five-year period, and
3 during that period it fluctuated anywhere from 577 to 629?

4 MR. HENDERSON: Right.

5 MR. KENNEDY: Okay. And one of the counsels already
6 brought you through a series of questions concerning the
7 fact that a change, small percentage change in the
8 conversion factor for the thermal generation at Holyrood,
9 will have an impact on the RSP and the net income?

10 MR. HENDERSON: Yes.

11 MR. KENNEDY: Okay. And so I just want to make sure I
12 understand that correctly, because this brings us back to
13 the differences between the split in hydraulic and thermal
14 verses the effects of the conversion factor on thermal. And
15 as I understand it, your testimony was that, well, if Hydro
16 is low in its estimate of how much ... or let me put it the
17 other way, because it'll be easier to work. If Hydro
18 overestimated the amount of hydraulic generation that it
19 was going to produce in a particular year so that, in turn, it
20 had to rely more on thermal than was anticipated.

21 MR. HENDERSON: Okay.

22 MR. KENNEDY: Okay?

23 MR. HENDERSON: Yes.

24 MR. KENNEDY: Did I have ...

25 MR. HENDERSON: You may have had it backwards.

26 MR. KENNEDY: I may have had it backwards.

27 MR. HENDERSON: You may have had it backwards. But
28 let's assume that the thermal generation is higher than we
29 would have anticipated.

30 MR. KENNEDY: That in that case, all else being the same,
31 the additional cost, if you will, because of the fact the
32 thermal has a higher marginal cost, will be picked up by the
33 RSP?

34 MR. HENDERSON: That's right.

35 MR. KENNEDY: Okay. And that the ratepayers will end
36 up paying for that, anyways, as the RSP gets collected
37 back year over year?

38 MR. HENDERSON: Yes.

39 MR. KENNEDY: Okay. Now, will you agree with me
40 though that that's not quite what the RSP was designed to
41 do, was it?

42 MR. HENDERSON: The RSP was designed to take into
43 account those hydraulic fluctuations. Because our
44 hydraulic production can vary considerably. I'll say plus or
45 minus 800 gigawatt hours around the average. So those

46 large swings in hydro production would have large swings
47 in the Holyrood fuel requirements and have, you know,
48 great variance in the cost of production on the system.

49 MR. KENNEDY: Okay.

50 MR. HENDERSON: So the RSP was meant to carry those
51 swings.

52 MR. KENNEDY: Can we just turn to **NP-45**? If we could
53 go to the next sheet and starting at 96, and again, one of
54 the counsels brought you through this, but I think they
55 may have been looking at different numbers. I wanted to
56 look at the actual production for thermal generation for the
57 period '96 through the year 2000.

58 MR. HENDERSON: Okay.

59 MR. KENNEDY: And I believe we may have this on
60 another chart, as well, which I'm going to flip to, but I just
61 wanted to make sure that I got it off of this chart first. And
62 starting from '96 the actuals in gigawatt hours were 1406,
63 then 1530, then 1262, then 919 and then the year 2000, 968?

64 MR. HENDERSON: Right.

65 MR. KENNEDY: Okay. And then in the year 2002 you
66 were forecasting thermal generation of 2162?

67 MR. HENDERSON: Right.

68 MR. KENNEDY: Okay. And I don't know if this is an over
69 simplistic way of dealing with it, but when I took an
70 average of the thermal generation for that five-year period
71 it worked out to 1217 gigawatt hours.

72 MR. HENDERSON: Okay.

73 MR. KENNEDY: So, your thermal generation in 2002 is
74 forecasted to be 78 percent higher than the average for that
75 five-year period from '96 to 2000?

76 MR. HENDERSON: I would accept that, yes.

77 MR. KENNEDY: Okay. I wonder if we could just go to **NP-**
78 **259**? Okay. This, too, is a chart that we have already
79 referred to, Mr. Henderson, and this is the month to month
80 breakdown for the year 2000. And what I did was I
81 attempted to try to find some correlation between your net
82 efficiency calculation and then the month, either by net
83 production or by fuel consumption. And I don't know if
84 you've ever done that, but I can tell you you get just a
85 shotgun graph. So there doesn't seem to be any direct
86 relationship, or even indirect relationship or inverse
87 relationship or any relationship whatsoever between net
88 efficiency and fuel consumption and net efficiency and net
89 production. And so, what I'm going to ask you is, what
90 does net efficiency depend upon?

91 (2:15)

1 MR. HENDERSON: It depends upon the level of output of
2 the generating units and the condition of the generating
3 units. If you're operating the generating units at low
4 outputs for extended periods of time then you get fouling
5 inside the units where you're not getting real good
6 combustion and that sort of thing, so you can get ... lose
7 efficiency because of that. When you're operating at low
8 loads the units just do not operate as efficiently. So the
9 higher the load you get on the unit the more efficient it will
10 be. So the conversion factor will be higher in months
11 where you've been able to sustain operation at a high
12 output on the units that are operating. And you can't tie it
13 directly to the net production because in one month that
14 production may have come from three units or may have
15 come from one. If it came from one you may have gotten a
16 better conversion factor than if it came from three.

17 MR. KENNEDY: Okay. So, is that demand component
18 supposed to be actual energy production that effects how
19 many of the units are running at a particular time?

20 MR. HENDERSON: The demand on the system has a major
21 impact on the number of units running. For instance,
22 during the wintertime, from December through to mid
23 March, we have to have three units on because the demand
24 is high during that time. And then, as you move through
25 the year you start having fewer units on. So there is that.
26 But there is also the aspect of the water levels. If you see
27 the water levels approaching or going below that minimum
28 then you may, even though your demand is not real high in
29 that month, you may put on three units, anyway, to get
30 more production out.

31 MR. KENNEDY: Okay. So, given that the projected or
32 forecasted amount of generation from your thermal source,
33 principally Holyrood or entirely Holyrood, for 2002 is
34 forecast at 78 percent above the five-year average for that
35 period that you're using, is it fair to suggest that that's
36 likely to ... there's likely to be an impact on the efficiency
37 rating of the Holyrood station by virtue of that fact?

38 MR. HENDERSON: If you do turn out to be running
39 exactly as the forecast says then your efficiency would be
40 higher. But what we're doing with the conversion factor
41 that we're projecting is we're trying to set out a conversion
42 factor that would apply under average conditions, which
43 means that you've got wet years and dry years, a mixture.
44 So, the conversion factor that we are putting forward is
45 meant to take care of all those swings up and down to come
46 up with a normalized conversion factor.

47 MR. KENNEDY: Okay. But if your conversion factor is
48 lower you have the forecasted conversion factor of 610?

49 MR. HENDERSON: Yes.

50 MR. KENNEDY: If that is lower than the actual conversion

51 factor experienced in 2002?

52 MR. HENDERSON: Yes.

53 MR. KENNEDY: That ... and then all else being the same.
54 That the amount of total energy produced from your
55 thermal unit is as forecasted?

56 MR. HENDERSON: Yes.

57 MR. KENNEDY: The savings, if you will, by virtue of the
58 fact that the units have operated at a higher rate of
59 efficiency would only go to Hydro's account, would it not?

60 MR. HENDERSON: The amount above would, in the same
61 way as if it was the opposite, it would go against Hydro's
62 account.

63 MR. KENNEDY: Sure.

64 MR. HENDERSON: Right. So that's a reason for coming
65 up with a good average numbers so that you can balance
66 it out, those pluses and minuses.

67 MR. KENNEDY: Okay. I'm wondering, I know you've used
68 this average. I think it's been suggested to you by Mr.
69 Hutchings on cross that well, they were the five wettest
70 years on record, though. So, I'm wondering, have there
71 been any adjustments made to take into account that the
72 previous five years were a particularly wet period?

73 MR. HENDERSON: All five years weren't the wettest on
74 record. They were very wet years in that period. You may
75 notice that in 1997, for instance, the Holyrood conversion
76 factor was quite good that year because we are able to get
77 better production in that year. So that was not a dry year,
78 but it was a year in which we were able to keep the unit
79 loads up at a higher level. And what ... I don't know how
80 much different than 1997 would be if we had the production
81 in the year, coming year would be, but again, having 1997
82 in that average did help to bring it up, okay.

83 MR. KENNEDY: Okay. But that didn't ... it didn't answer
84 my question, but I think it was because you didn't think
85 maybe the question was fair. And is it that you're taking
86 issue with the fact that you don't need to ... you feel you
87 don't need to make an adjustment for those five years?

88 MR. HENDERSON: It's difficult to make an adjustment
89 without having the experience to know exactly how well
90 you're going to do.

91 MR. KENNEDY: Okay. And you don't feel like you need
92 to make an adjustment by virtue of the fact that you're
93 forecasting thermal production to be 78 percent higher than
94 the average of that same period?

95 MR. HENDERSON: No. And the reason being, is is that
96 we're trying to use some kind of a normalized or average
97 conversion factor for Holyrood, and that's why we chose

1 610. Now, like I said, the average for that period was
2 actually 611 and a bit, and it was just a judgment call on our
3 behalf of going to 610, rounding it to the nearest whole,
4 you know, ten or five.

5 MR. KENNEDY: Would Hydro have used an estimate of
6 its efficiency factor in the preceding years or is this the first
7 time you're using it for the rate making purpose?

8 MR. HENDERSON: In the past we've used ... what I'm
9 aware of, anyway, is back, I think it was in 1989, we were
10 using 600 and had been using 600 for quite a number of
11 years. And in 1989 we were coming out of a period where
12 we had done better than 600. And at that time there was
13 some debate at the hearing and it was decided that we
14 should look at the most recent years and change our
15 conversion factor, and we did that and we ... the Board, at
16 that time, decided that 605 was appropriate.

17 MR. KENNEDY: Okay.

18 MR. HENDERSON: So this time around we thought we
19 should look at the most recent years and do the same thing.

20 MR. KENNEDY: I wonder if we could just turn to Schedule
21 4.2, the **Grant Thornton 2001** report? So, Mr. Henderson,
22 the lines that I'm interested in right now are the amounts
23 expended from 1997 through to 2001 for major overhauls of
24 the units at Holyrood. And, according to this Grant
25 Thornton schedule there was \$2.7 million spent in 1997 for
26 a major overhaul of unit No. 1. There was \$3.3 million spent
27 for a major overhaul of unit No. 2 in 1999, and there was a
28 \$3.1 million expenditure for major overhauls of unit No. 3 in
29 2001. So there's been three major overhauls, one in each of
30 the units at Holyrood for the period '97 to 2001?

31 MR. HENDERSON: Yes.

32 MR. KENNEDY: And is it fair to suggest that these major
33 overhauls, in addition to just the ongoing maintenance, if
34 it was maintained properly, should be expected to increase
35 the efficiencies of the generating units at Holyrood?

36 MR. HENDERSON: What the major overhauls should do
37 is at least maintain the efficiency. A lot of what's going on
38 in the major overhauls is refurbishing work on the boiler
39 and on the turbine to keep it at a state that, like, as close to
40 new, I guess, as you can, given the age of this plant. So
41 each overhaul does that. I would expect that each overhaul
42 will bring you back to the point you were right after the
43 previous overhaul.

44 MR. KENNEDY: Fair enough. Yeah, so you wouldn't ...
45 you wouldn't gain efficiencies over and above what the
46 unit may have been designed to produce in the first
47 instance, but you'll come close to that again?

48 MR. HENDERSON: Yes.

49 MR. KENNEDY: So that the efficiency of the unit No. 3
50 after the overhaul in 2001 should be higher than it was in
51 2000?

52 MR. HENDERSON: Now, that's assuming that there had
53 been deterioration, that that was corrected in 2000, that
54 would be fair, yes.

55 MR. KENNEDY: Okay. Well, I'm presuming that you just
56 don't do a major overhaul just for the heck of it, that you do
57 a major overhaul because it's sensible to do it and required
58 to be done?

59 MR. HENDERSON: Yes, absolutely.

60 MR. KENNEDY: Okay. And so, similarly, the major
61 overhaul on unit No. 2 in 1999 that there should be
62 efficiency gains in that unit for the year 2000 over and
63 above what was experienced in 1998?

64 MR. HENDERSON: In a similar manner. You know, it
65 depends on what the deterioration had been in the units
66 prior to, but you would expect that it would be better.

67 MR. KENNEDY: Okay. So, I guess, again, I'd ask you that
68 in light of these major overhauls of the three units and that
69 particularly indicates of unit No. 3, which you won't
70 actually experience fully until 2002, that would not those ...
71 would not that work also have an impact on the efficiency
72 of the Holyrood thermal station overall and likely to
73 generate an efficiency factor greater than the 610 that
74 you're using?

75 MR. HENDERSON: Well, that 610 is a blend of all the
76 units, and all of the units are in various states since the last
77 overhaul. And every year you've got that combination of
78 units that are all of various degrees of loss of efficiency, if
79 you want to look at it that way, since the last overhaul. So
80 you're ... there's always a mixture. Like, in 2002 you'll have
81 unit 3 that's in pretty good shape, but you've got unit 1
82 that's been a number of years since it had an overhaul, so,
83 it's working against you.

84 MR. KENNEDY: Okay.

85 MR. HENDERSON: So you've always got those things that
86 are balancing you out.

87 MR. KENNEDY: So just the question, then, is how often
88 do you do a major overhaul of the units, then?

89 MR. HENDERSON: Once every six years.

90 MR. KENNEDY: Okay. So, once every six years. So we've
91 had ... you'll be scheduled to do unit No. 1 in 2003?

92 MR. HENDERSON: That's right.

93 MR. KENNEDY: Okay. Just keeping **Exhibit 4.2** out for the
94 moment, Mr. Henderson, I'd just like to go to the routine
95 maintenance line. And I understand that when you look at

1 those numbers from 1997 through to the year 2002 on the
2 routine maintenance on Schedule 4.2 that I can't just
3 compare one number to the next, because there's been some
4 changes in codes of account and there's been some
5 unusual, if you will, or one off expenditures in a particular
6 year, and we'll come to that, that make it difficult to do that?

7 MR. HENDERSON: That's right. The other thing in
8 reviewing this schedule, to name it routine maintenance is
9 probably incorrect. It's more like balance of plant
10 maintenance. It's the maintenance that's not part of the
11 major and minor overhauls and so on.

12 MR. KENNEDY: So if it's not major or minor overhauls or
13 if it's not minor or minor with valves or major what ...

14 MR. HENDERSON: There's the common plant equipment
15 that isn't specific to a unit. Like, the tank farm, the building,
16 there's various auxiliaries that are at the plant that aren't
17 specific to a unit. And so what's shown here is the
18 maintenance that was specific to the unit while the rest is
19 maintenance that isn't specific to a unit.

20 MR. KENNEDY: Okay. Could we just turn to **RH-3**? Okay.
21 In **RH-3**, Mr. Henderson, in the Holyrood for 2000 actuals
22 the total is \$6,519,752 and then there's a footnote 1, routine
23 and breakdown maintenance of \$4,043,000, plus non-
24 routine project requirements of \$2,477,000?

25 MR. HENDERSON: That's right.

26 MR. KENNEDY: Okay. Now, footnote No. 2 relates to 2001
27 and footnote No. 3 relates to 2002 as filed, and I just
28 wanted to look at the routine and breakdown maintenance
29 figures first. It's \$4,043,000 for 2000, \$4,400,000 for 2001 and
30 \$4,550,000 for 2002. So there's been a slightly more than
31 \$500,000 increase for the period 2000 to 2002, or a 12 and a
32 half percent increase in your routine and breakdown
33 maintenance cost for that period. And I'd suggest to you
34 that that's fairly high. And I'm wondering if you could
35 explain why the increase and what you're doing to control
36 those costs?

37 MR. HENDERSON: I guess there's a number of factors that
38 are going to work here. But first of all, in 2000, that was the
39 year that the account change was made, so there's a bit of
40 that going on between 2000 and 2001. The change was
41 actually made part way through 2000. 1999 was a full year
42 in the old way and 2000 was not a complete year, from my
43 understanding, in the new way, which 2001 and 2002 would
44 be full in the new coding. So there was a little bit of mixed
45 bag there in that. And then there is also the problem we
46 have with an aging plant which is causing to, over time,
47 incur additional maintenance, and then there's also
48 inflationary factors that are bringing those up?

49 MR. KENNEDY: So, inflationary factors, old plant?

50 MR. HENDERSON: Yeah, aging plant. The Holyrood plant
51 went in service in the early '70s, it's 30 years old. It is quite
52 old for a thermal plant. It does require quite a bit of
53 maintenance.

54 MR. KENNEDY: Okay. I thought that your RCM initiative
55 was an attempt to prioritize what maintenance needed to be
56 done, focusing on the critical maintenance, the
57 maintenance that was required to maintain your system?

58 MR. HENDERSON: For maintaining reliable service, yes.

59 MR. KENNEDY: Okay. And that there were expected cost
60 savings going to be derived from the introduction of the
61 RCM system?

62 MR. HENDERSON: What you're talking about, I think, is
63 the RCM system that's being used in TRO?

64 MR. KENNEDY: Yeah.

65 MR. HENDERSON: In transmission and rural operations.

66 MR. KENNEDY: Oh, okay. So not in generation?

67 (2:30)

68 MR. HENDERSON: In generation we have been applying
69 RCM at Holyrood, but we have not been doing it to the
70 degree that it's being done in TRO. And we have done
71 some systems with using RCM practices. The bulk of them
72 are still being done in the old, the previous method, like a
73 PM doing it at a timely, you know, on a time based system
74 where you ... based on the manufacturer recommending
75 every so many hours of operation or every ... over a certain
76 period of time you should do your maintenance. We're
77 following that practice, plus, what we've learned over the
78 years in maintaining and operating this plant. The RCM
79 aspect of it for Holyrood, we have not implemented or
80 haven't moved to the degree that has been done in the
81 transmission and rural operations.

82 MR. KENNEDY: So, is it the case that we can expect those
83 routine and maintenance costs to continue to increase
84 beyond 2002, then?

85 MR. HENDERSON: Because of the age of the plant there
86 is going to be a lot of pressure to continue to do a lot of ...
87 a high level of maintenance at the plant. But we will be, and
88 we have been watching those costs to see what we can do
89 to keep them down, but it's a challenge in a plant that's of
90 the age of Holyrood to maintain the reliability. This plant
91 is now being used more than it has been called upon to do
92 in the past, and because of that, it also requires additional
93 maintenance. If we end up with a more normal hydraulic
94 year we're going to have a lot of production out of
95 Holyrood verses what we've had in recent years, and that,
96 in itself, will bring about more maintenance. You've got a
97 lot of rotating equipment. The more it's in use the more

1 maintenance it requires.

2 MR. KENNEDY: And so, did I gather you correctly,
3 though, that you don't use RCM at Holyrood or you do use
4 RCM at Holyrood?

5 MR. HENDERSON: What you've said is right in that we are
6 using RCM in some systems. What we've done is done the
7 RCM analysis, which is looking at particular systems and
8 identifying the maintenance practices for those systems
9 and are following practices that will, you know, give us the
10 best reliability for the maintenance dollar. The other
11 systems, we've done some analysis but we haven't put the
12 maintenance practices in place. And we're basically going
13 at it slowly. We've done some analysis but we haven't put
14 it all into place. And ...

15 MR. KENNEDY: So I guess the concern is that while, you
16 know, clearly maintenance is something that you have to
17 do, it's more of an issue of timing, then, about when the
18 maintenance is done and whether, in this case, it needs to
19 be expended in the test year, for instance, or can it be
20 postponed for a year until 2003. So how do we know that
21 maintenance being done in a given year really has to be
22 done in that year?

23 MR. HENDERSON: We do a very extensive budgeting
24 process. The people in the plant, the engineers in the plant
25 review all the systems and identify the maintenance
26 requirements in consultation with the people who do the
27 maintenance on the plant, and they identify the areas where
28 it's critical. That goes through, and I think Mr. Reeves
29 went through the process, levels of review that we go
30 through, and certain things do get cut out of that and get
31 postponed to future years. And we try to just have what
32 we require ...

33 MR. KENNEDY: On what basis ...

34 MR. HENDERSON: ... to be done be done in any given
35 year. If it can be delayed, we will. Now, there is ... you
36 can't push everything off into the future or you're going to
37 end up with one year with either a lot of breakdowns or
38 you're going to have an extremely high maintenance bill
39 and you just won't be able to do it. So, there has to be a
40 balance. And there has been an attempt to levelize these
41 costs so that you try to keep them fairly constant over a
42 period of time. And that is with our 2001 and 2002 we are
43 trying to balance them out, and looking out, again, to 2003
44 and what projects that we have to do, we try to keep that as
45 level as possible.

46 MR. KENNEDY: I wonder if we could turn to the Grant
47 Thornton report again, only this ... at the 2001 report. Only
48 I'd just like to look at professional fees, page 33. I'm not
49 sure what significance the yellow has, but ...

50 MR. HENDERSON: Okay.

51 MR. KENNEDY: Now, this is, Mr. Henderson, a list of the
52 professional fees for Hydro overall, as I understand it?

53 MR. HENDERSON: Yes.

54 MR. KENNEDY: And it shows those professional fees, or
55 professional services. And then it's all labelled
56 professional services and then one of the lines is broken
57 out and called professional service, so there's actually two
58 professional services. It's a bit confusing when you start
59 talking about it, for that reason, but if you can follow me ...
60 but the first line is the one I'm interested in, which is the
61 professional services.

62 MR. HENDERSON: Yes.

63 MR. KENNEDY: Of the professional services table. And
64 we go from 1.5 million in '97, 2 million in '98, 2.3 in '99, 1.9
65 in 2000, 2.3 in 2001 and then it's a filed amount of 2.6 million
66 for 2002. And the total professional fees are climbing from
67 2.6 million in '97 to 4.3 million in 2002, which is a 65 percent
68 increase in total professional fees for that period. And the
69 professional services works out to the same, the 1.5 million
70 to the 2.6 million is a 65 percent increase, so it goes lock
71 step with the total. Now, **RH-1, RH-1** indicates that in the
72 2001 budget it was \$2,623,000 for professional services, and
73 in 2002 it's booked for \$2,657,000, and of those totals, of the
74 total professional fees ...

75 MR. HENDERSON: Uh hum.

76 MR. KENNEDY: ... it works out to your, the production
77 division amounts to 58 percent of the total professional
78 fees in 2001 and 61 percent of the total professional fees for
79 2002?

80 MR. HENDERSON: Right.

81 MR. KENNEDY: So, I guess what we have is a clear trend
82 of professional fees increasing for the period '97 to 2002 of
83 65 percent and your division is responsible for 61 percent
84 of the total professional fees?

85 MR. HENDERSON: Right.

86 MR. KENNEDY: So I guess the first question is, why is it
87 increasing?

88 MR. HENDERSON: It's increasing because we are making
89 more use of professional services. In particular, there is a
90 requirement for more professional services with respect to
91 our IS, our information systems department. I think it may
92 be part of the footnote there that we're using a new security
93 ...

94 MR. KENNEDY: Wait now. Footnote?

95 MR. HENDERSON: ... program.

96 MR. KENNEDY: Footnote where?

1 MR. HENDERSON: I'm sorry. On **RH No. 1**.

2 MR. KENNEDY: Yeah.

3 MR. HENDERSON: The footnote No. 7 indicates that the
4 increase there is due to the new security program being
5 implemented in the IS department. There is other ...

6 MR. KENNEDY: Okay. Just while we're on that, page 33 of
7 the **Grant Thornton report**, the second paragraph
8 underneath the table says, "Professional fees for 2002
9 continue to increase over 2001 forecast levels by \$284,000
10 or 12 percent. These additional costs relate to an equal
11 billing and other pay method study in the finance division
12 for \$250,000 and the installation of a True Secure IP security
13 program in the production division for \$115,000."

14 MR. HENDERSON: That's right.

15 MR. KENNEDY: So, can you just explain what this True
16 Secure IP security program does?

17 MR. HENDERSON: I can. It's basically a system for our IS
18 people to follow to ensure the integrity of our information
19 infrastructure, our lands and our PCs and our ... all the
20 computers and software that we use to ensure that they are
21 secure for various types of, I guess, security violations.
22 And the True Secure system is a structured system for
23 evaluating your IT infrastructure and giving you a means
24 of, I'll say policing the use of your IT infrastructure to make
25 sure that there are no risk of loss of your security of that,
26 you know, very valuable information. As you know, these
27 days businesses depend a lot more on IT or information
28 technologies, and therefore, this is a critical area for Hydro
29 to ensure that we do have a secure system.

30 MR. KENNEDY: It's a couple of questions arising from
31 that. But, as I understand it, the total professional fees that
32 we see in that table actually are professional services
33 rendered by Hydro's own employees, is that right, or is it
34 third party contractors?

35 MR. HENDERSON: This would be outside.

36 MR. KENNEDY: So these are all third party contractors?

37 MR. HENDERSON: Right. This would include the use of
38 professional engineers, professional IT people and so on.

39 MR. KENNEDY: Okay. And so, that's a particular
40 expenditure for \$115,000. But will you agree with me that
41 there's been a significant increase in the total professional
42 fees on a percentage basis over this period of time?

43 MR. HENDERSON: Yes.

44 MR. KENNEDY: And that 2002 is projected to be just
45 slightly below 2001 but a significant ... significantly higher
46 than the preceding period?

47 MR. HENDERSON: Yes.

48 MR. KENNEDY: And 2002 is the forecast year?

49 MR. HENDERSON: Yes.

50 MR. KENNEDY: And ... or test year, sorry. And as is
51 indicated, all efforts are being made to try to lower the cost
52 as much as possible in 2002 in order to try to minimize the
53 impact of any increase that does have to be passed on to
54 customers in 2002?

55 MR. HENDERSON: Lower than to the level that we require
56 in order to operate efficiently. You can't lower ... you could,
57 like we talked about, say do no maintenance in 2002 ...

58 MR. KENNEDY: Oh, absolutely. And I won't argue with
59 you on that, whatsoever. You could save a lot of money
60 by indiscriminately just chopping costs out of your system,
61 but that might be a very costly thing to do?

62 MR. HENDERSON: Exactly.

63 MR. KENNEDY: But, I guess, in relation to the
64 professional fees, that's third party contractors that Hydro
65 is retaining?

66 MR. HENDERSON: Yeah. These are like professional
67 services that we would use, like consultants that we would
68 refer to for special purposes that we wouldn't maintain that
69 type of expertise in-house.

70 MR. KENNEDY: And so, what ... given that this is
71 increased 65 percent in a five-year period, what can you tell
72 the panel about how that's rationalized and what efforts are
73 made in order to be able to contain that cost?

74 MR. HENDERSON: Well, some of these cost increases are
75 due to what we were doing at Holyrood with our partnering
76 agreements in order to get that plant more reliable and get
77 through our maintenance in a timely fashion. That is a fair
78 part of our professional services budget. Also, another
79 large part of our professional services budget is within the
80 IS and T department with the new ...

81 MR. KENNEDY: Okay. But we're just dealing with your
82 department and the fact that you make up 61 percent of the
83 total budget.

84 MR. HENDERSON: Right. The IS and T department is part
85 of the production division.

86 MR. KENNEDY: Okay.

87 MR. HENDERSON: So the ... I've just jotted down some
88 notes here. But we have, at Holyrood, I'm seeing a good
89 part, \$320,000 is part of our additional expertise and support
90 for the partnering agreements, okay. So that's a large part
91 of it. The other items that are in there that are significant is
92 our JD Edwards System that we now use for our corporate
93 finances, was a complete package of software that we're
94 using for all types of things, maintenance and financial

1 aspects of the Company. There's the support that we
2 require from JD Edwards in order to maintain that system
3 and keep it current. The other items, there is an item there
4 for this year which is an EMS study which we will be ...
5 we're looking at our EMS at the control centre and trying to
6 study it, determine how much longer we can keep it in
7 operation and when we should be planning to replace it. It
8 was put in service in 1989, 1990. So that's computer
9 technology that is 10 years old and there's maybe 15 years
10 expected life of that type of stuff. So there's these types of
11 things that we're doing to ensure the continued reliability
12 of the system.

13 MR. KENNEDY: Okay. But, again, I guess I suppose you
14 were present when I cross-examined Mr. Reeves on the
15 relationship between spending money and improving the
16 reliability of the electrical system?

17 MR. HENDERSON: Uh hum, yes.

18 MR. KENNEDY: And so, we could spend money endlessly
19 to endlessly improve the reliability of the system. And that
20 makes as much sense as indiscriminately cutting costs in
21 the system. You'd agree with me?

22 MR. HENDERSON: If you just ...

23 MR. KENNEDY: It's as nonsensical either way?

24 MR. HENDERSON: Right.

25 MR. KENNEDY: So, is there some cap on what the
26 professional service fees are going to be in a given year or
27 is it just whatever list of projects that are come up with then
28 get booked?

29 MR. HENDERSON: It's definitely capped. It's ...

30 MR. KENNEDY: And what's it capped at?

31 MR. HENDERSON: It's not capped at a fixed number, it's
32 capped at what we review and decide is necessary for the
33 continued reliable operation of all of our business.

34 MR. KENNEDY: And, in making that determination is that
35 a judgment made, a professional judgment made by
36 yourself or is there some sort of cost/benefit measurement
37 done to ... before you determine whether you go ahead and
38 spend the money?

39 MR. HENDERSON: The services are looked at on a one
40 case-by-case basis. The department or group within the
41 production division that has that responsibility had to
42 justify it to their supervisor and so on up the chain of
43 command, if you like to ...

44 MR. KENNEDY: Okay. So in the case ...

45 MR. HENDERSON: So each project is looked at and
46 assessed as to whether it is truly necessary, whether we are
47 truly necessary to purchase that service.

48 MR. KENNEDY: Okay. So in the ...

49 MR. HENDERSON: And if it's not necessary it won't be
50 done.

51 MR. KENNEDY: Well, in the case of the EMS example that
52 you just gave us, you said it's a ten-year system, might
53 play out to 15 years before you should really have to
54 replace it, perhaps. So, is that not an example of one that
55 could have easily been spent in 1999 or the year 2000 or
56 2001 just as well it was spent in 2002?

57 MR. HENDERSON: No. It's gotten to the point now, in
58 order to, like, to build that kind of a project, it's a multi-year
59 project. You have to start now to do that assessment. I
60 don't remember the dates, but I would say it was probably
61 close to five years from in the previous system from when
62 we first decided that we had to go with it to when it went in
63 service. And so, these types of things we review very
64 carefully and make sure that they are necessary before we
65 embark on them.

66 MR. KENNEDY: That's, perhaps, a good time to break,
67 Chair.

68 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
69 Kennedy, Mr. Henderson. We will reconvene at 3:15.

70 *(break)*

71 *(3:15 p.m)*

72 MR. NOSEWORTHY, CHAIRMAN: Ready to proceed, Mr.
73 Kennedy?

74 MR. KENNEDY: I'm finished my questions, thanks, Mr.
75 Chair.

76 MR. NOSEWORTHY, CHAIRMAN: Totally.

77 MR. KENNEDY: Totally.

78 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
79 thank you Mr. Henderson. We'll begin redirect now, Ms.
80 Greene.

81 MS. GREENE, Q.C.: Thank you Mr. Chair. The first thing
82 I'd like to do is to distribute the list of undertakings from
83 yesterday. I have copies to distribute, and I will refer to
84 these undertakings as I go through redirect as our intent is
85 to respond to all undertakings that were given yesterday at
86 this time.

87 Mr. Henderson, the first question I have for you
88 relates to the information on a survey that was provided in
89 response to **NP-304**. Yesterday we were talking about the
90 member organizations in the CEA Hydraulic Integrated
91 Resource Management Group. Could you please advise
92 the Board who are the members of that group.

93 MR. HENDERSON: The members of the group are those

1 that were surveyed in the listing that's there in NP-304, I
2 believe it is.

3 MS. GREENE, Q.C.: And I wonder if that could be brought
4 up please. So could you please ...

5 MR. HENDERSON: So those people, those companies
6 have representation ... Alcan Primary Metals, B.C. Hydro,
7 Sask Power, Manitoba Hydro, Ontario Power Generation,

8 MS. GREENE, Q.C.: Excuse me, could you go to the next
9 page, Mr. O'Rielly.

10 MR. HENDERSON: Hydro Quebec, which has two
11 representatives, or actually I'm not sure that Roger Lambert
12 (*phonetic*) is a member, but he was contacted, but Hydro
13 Quebec is represented, and Alcan Smelters and Chemicals
14 which is the eastern operation of Alcan, and there is one
15 other party that we did not, weren't able to get hold of, and
16 that was Great Lakes Power.

17 MS. GREENE, Q.C.: And what is the purpose of this
18 Canadian Electricity Association interest group?

19 MR. HENDERSON: They have a variety of interests with
20 respect to the management of hydraulic resources, and
21 they, they have a variety of interests from, I know that
22 there's environmental issues that relate to hydro plants,
23 there's the operation, they all have in common very large
24 hydroelectric facilities with large reservoirs, and so on, so
25 they have common interests and all the various things
26 related to the operation of those reservoir systems. They
27 get together and they try to come up with some common
28 research topics and things like that to develop.

29 MS. GREENE, Q.C.: So their common interest is the fact
30 that they have a significant proportion of hydro
31 production, is that correct?

32 MR. HENDERSON: They have a large amount of
33 hydroelectric generation in their systems.

34 MS. GREENE, Q.C.: Is Nova Scotia Power a member of this
35 group?

36 MR. HENDERSON: No, Nova Scotia Power and New
37 Brunswick Power are not.

38 MS. GREENE, Q.C.: What about Alberta Power?

39 MR. HENDERSON: Or Trans Alta.

40 MS. GREENE, Q.C.: Trans Alta, sorry.

41 MR. HENDERSON: No, Trans Alta are not.

42 MS. GREENE, Q.C.: In doing the survey, why did you
43 contact Alcan?

44 MR. HENDERSON: Because they're a member of the
45 group and also they have a very large hydroelectric
46 generating facility. Actually, I think they be larger than

47 Hydro, Newfoundland Hydro.

48 MS. GREENE, Q.C.: The next question I have relates to an
49 undertaking that is shown on the list of undertakings that
50 was just distributed. If you refer to yesterday's transcript
51 at page 10, Ms. Butler asks if we provide a breakdown of
52 hydro thermal generation of all the various utilities in
53 Canada and I have a copy of that schedule to distribute at
54 this time. I believe the schedule would need to be marked
55 as an exhibit.

56 MR. KENNEDY: I believe it's NP-6.

57 MS. GREENE, Q.C.: RH?

58 MR. KENNEDY: This is going to be put in through the
59 witness?

60 MS. GREENE, Q.C.: Yes.

61 MR. KENNEDY: Sorry RH-5, I think it is. Yes, RH-5.

62 **EXHIBIT RH-5 ENTERED**

63 MS. GREENE, Q.C.: Now that everybody has a copy, I'd
64 like to review this with Mr. Henderson. The first sheet, first
65 could you explain what the first sheet is? What the
66 heading is and what is set out on the page?

67 MR. HENDERSON: Yes, the first sheet that I have is
68 Canadian Utility Energy Production 2000, and what it
69 shows is the 2000 energy produced by these various
70 utilities in Canada and it's broken down into hydro, thermal
71 and nuclear.

72 MS. GREENE, Q.C.: And what is the source of the
73 information used which produced this schedule?

74 MR. HENDERSON: The sources, as note one indicates,
75 information sources 2000 annual report except as noted and
76 the exceptions are for New Brunswick Power, it's dated for
77 April 2000 to March 2001 and for Hydro Quebec, the source
78 is CEA member guide and also for B.C. Hydro it's dated for
79 the period April 2000 to March 2001. The same with
80 Manitoba Hydro and Winnipeg Hydro. Trans Alta thermal
81 includes other generation which I think is wind power in
82 their system and their, they do not indicate in their annual
83 report whether the generation is for Trans Alta as Alberta
84 operation alone, or for all of its subsidiaries and Trans Alta
85 does own generating plants outside of Alberta.

86 MS. GREENE, Q.C.: Okay, so if we could review those now,
87 one by the ... Newfoundland Hydro. Could you please go
88 through each utility and indicate what the schedule shows
89 for the split between hydro, thermal and nuclear for each
90 utility.

91 MR. HENDERSON: For Newfoundland and Labrador
92 Hydro we have 5,016 gigawatt hours, or 84% of the total is
93 hydroelectric. 966 gigawatt hours or 16% is thermal.

1 MS. GREENE, Q.C.: Perhaps you can just read the
2 percentages opposed to the gigawatt hours, moving next
3 to Nova Scotia Power.

4 MR. HENDERSON: Nova Scotia Power, their hydro is 8%
5 versus their thermal which is 92%. New Brunswick Power
6 is 16% hydro, 60% thermal, and 24% nuclear. Hydro
7 Quebec is 97% hydro and we were unable to determine the
8 split to nuclear, but I would expect that the bulk of that
9 remainder is nuclear. The Ontario Power Generation, 25%
10 is hydro, 31% thermal, and 44% nuclear. Manitoba Hydro
11 and Winnipeg Hydro, they operate their systems together
12 with 97% hydro, and 3% thermal. Sask Power is 20% hydro
13 and 80% thermal. Trans Alta is 4% hydro and 96% thermal,
14 and B.C. Hydro is 91% hydro and 9% thermal. The other
15 thing I would notice the percentages are one thing, but the
16 other thing is the energy numbers and you can see that for
17 Nova Scotia Power their energy production is low
18 compared, relative to ours, so is New Brunswick Power and
19 Trans Alta. The others are either substantially greater than
20 ours or similar to ours in terms of magnitude of the hydro
21 generation.

22 MS. GREENE, Q.C.: Turning to the next page, the first page
23 addressed energy produced in the year 2000 by these
24 utilities, could you please tell us what the second page is?

25 MR. HENDERSON: The second page provides the same
26 utilities, but now under the name plate rating, or their
27 capability or megawatt capability or capacity. Those terms
28 are used interchangeably. So as the name plate rating
29 generating capacity is Canadian utilities in 1999 and the
30 source for this is Statistics Canada, Electric Power
31 Generating Stations 1999.

32 MS. GREENE, Q.C.: And is that the last year that that
33 Federal document has been published?

34 MR. HENDERSON: Yes, to our knowledge.

35 MS. GREENE, Q.C.: Could you please, again, review each
36 of the utilities by their capability and indicate the split
37 between hydro, thermal and nuclear for each of these
38 utilities.

39 MR. HENDERSON: Starting again with Newfoundland and
40 Labrador Hydro, 59% hydro, 41% thermal. Nova Scotia
41 Power, 18% hydro, 82% thermal. New Brunswick Power,
42 20% hydro, 64% thermal, and 16% nuclear. Hydro Quebec
43 is 93% hydro; 5% thermal and 2% nuclear. Ontario Power
44 Generation, 27% hydro, 38% thermal, and 35% nuclear.
45 Manitoba Hydro and Winnipeg Hydro, 96% hydro and 4%
46 thermal. Sask Power is 28% hydro and 72% thermal. Trans
47 Alta is 16% hydro and 84% thermal, and B.C. Hydro is 90%
48 hydro and 10% thermal, and Trans Alta numbers include
49 their thermal generation in Ontario, Saskatchewan and
50 Alberta.

51 MS. GREENE, Q.C.: Thank you, so that would be the
52 response to the first undertaking as listed from yesterday
53 which is where Hydro was asked to provide that split and
54 we have done it by energy produced as well, in the year
55 2000, as well as their capabilities. The next question.

56 MS. HENLEY ANDREWS: Excuse me Mr. Chairman, I
57 notice that there is no mention of the Yukon Energy or
58 Northwest Territories. I believe they are also Canadian
59 utility energy producers.

60 MR. HENDERSON: We didn't go ... this list is not meant to
61 exhaustive, it's meant to cover the larger utilities. There are
62 many utilities in Ontario as well that wouldn't be there on
63 that list.

64 MS. GREENE, Q.C.: And Saint John Power, what the intent
65 was ...

66 MR. HENDERSON: Newfoundland Power is not on it.
67 There are, there would be a number of utilities. This wasn't
68 meant to be an exhaustive list, just a list of the larger ones.

69 MS. GREENE, Q.C.: And it was meant to indicate those
70 that have hydro generation and the percentage and we
71 included Nova Scotia, New Brunswick and Alberta Power
72 so that had been the intent, the implication of the questions
73 from Newfoundland Power.

74 MS. HENLEY ANDREWS: Mr. Henderson, do the utilities
75 in the Yukon and Northwest Territories have significant
76 hydro energy capability?

77 MR. HENDERSON: Not that I'm aware of.

78 MS. HENLEY ANDREWS: The Yukon does, I believe so.

79 MR. HENDERSON: I don't know how significant it is.

80 MR. NOSEWORTHY, CHAIRMAN: Additional
81 information.

82 MS. GREENE, Q.C.: I don't know where we are right now.
83 I'm in the middle of redirect.

84 MS. HENLEY ANDREWS: Yes, but you're asking about
85 undertakings and the undertaking was to provide the mix of
86 hydro and thermal generation among the utilities and that
87 was the only reason I was asking the question. It wasn't to
88 interrupt your redirect.

89 MS. GREENE, Q.C.: I guess as we read the transcript it was
90 with respect to a specific utility that had been on the
91 survey as well as the others that were raised by
92 Newfoundland Power. If there's other information that is
93 being requested, I guess we could deal with that after.

94 MR. NOSEWORTHY, CHAIRMAN: Sure, that's fine.

95 MS. GREENE, Q.C.: The next question Mr. Henderson, I
96 believe, was raised in the cross examination of Mr.

1 Hutchings and the question was asked as to when the RSP
2 balance for September 30th of this year would be available
3 and to do you know the answer to that question?

4 MR. HENDERSON: It will be available the week of October
5 22nd.

6 MS. GREENE, Q.C.: The next line of questions also relate
7 to questions asked by Mr. Hutchings and to assist in
8 answering these questions we have prepared a schedule
9 that I'd like to distribute at this time. The first question that
10 was put as an undertaking related to the inventory of No.
11 6 fuel at Holyrood as of May 31, 2000. What was that
12 inventory, Mr. Henderson?

13 MR. HENDERSON: It's noted at the bottom of this
14 schedule, the inventory was 626,627 barrels on May 31st.
15

16 MS. GREENE, Q.C.: The next request was to provide the
17 Perra forecast of the price of NO. 6 fuel for the summer
18 period, 2000, and could you please explain how that is
19 shown on this schedule?

20 MR. HENDERSON: The Perra forecast is in US dollars per
21 barrel.

22 MS. GREENE, Q.C.: And that's in the top half of the
23 schedule, is it?

24 MR. HENDERSON: And that's in the top half of the
25 schedule, yes. The, and what we've provided is the
26 forecast out to September for each of the months, May,
27 June, July, August, so in the first column, this is the
28 forecast that would have been issued in, at the end of May
29 2000 indicated a forecast of June prices of \$23.55 ... for July
30 2000, \$25.05; August, \$25.90; and September \$24.05, and
31 then as you move across the table, I won't read all the
32 numbers, but you can see for June 30 there is a new
33 forecast which obviously didn't forecast June, but did
34 forecast July, August, September. You can move on across
35 the table and get those forecasts for each of those months
36 for the following months up to September 2000. Also on
37 the far hand, right hand side of that top part of the table is
38 the exchange rates. We did not have available to us a
39 forecast of exchange rates to provide at this time for those
40 periods. We didn't have a relevant, but we provide the
41 actual exchange rates.

42 MS. GREENE, Q.C.: The bottom half then of the schedule
43 could you please explain what that is?

44 MR. HENDERSON: The bottom half is the same numbers
45 expressed in Canadian dollars at the price that
46 Newfoundland and Labrador Hydro would be purchasing.

47 MS. GREENE, Q.C.: So just taking the actual exchange rate
48 and applying it to the Perra forecast price that was in
49 American dollars.

50 MR. HENDERSON: Yes.

51 MS. GREENE, Q.C.: We believe, or submit this response to
52 the undertaking that is shown as the third undertaking,
53 actually the second and third undertaking on the list of
54 undertakings for October 10, as requested by Counsel for
55 the Industrial Customers and actually the last three, the last
56 three undertakings were all shown on this schedule.

57 MR. NOSEWORTHY, CHAIRMAN: You should mark this
58 schedule.

59 MR. KENNEDY: That's RH No. 6, Chair.

60 **EXHIBIT RH-6 ENTERED**

61 MR. HUTCHINGS: Mr. Chair, just to let you know there'll
62 be a few questions arising out of that undertaking,
63 whenever it is convenient I'll put to the witness.

64 MR. NOSEWORTHY, CHAIRMAN: Sure, that's fine.

65 MS. GREENE, Q.C.: The last question that I have also
66 relates to Bunker C and arises from the cross examination of
67 Mr. Fitzgerald. You were asked questions with respect to
68 the cost of Bunker C fuel in the fall of 1999. Do you have
69 that information available now Mr. Henderson?

70 MR. HENDERSON: I do. Another point I'll mention while
71 we're at this is that the contract that we're now using came
72 into effect on February 11, 1998, was the first shipment
73 under the new contract, although the contract was actually
74 signed in the fall of '97. We did purchase fuel in the fall of
75 1999 and I've got those purchase prices. On September 21,
76 we purchased fuel at \$28.23 a barrel. This is Canadian
77 dollars. In November, on November 3, we purchased at
78 \$27.14; December 2, we purchased at \$28.37; December 21,
79 we purchased at \$27.53; and as a matter of interest, I guess,
80 is that on January 31, 2000, we purchased and the price at
81 that time was \$33.16.

82 MS. GREENE, Q.C.: That concludes the questions I have
83 for Mr. Henderson at this time, although I gather if there's
84 going to be cross examination on this evidence, I would
85 then have a right of redirect arising from that cross.

86 MR. NOSEWORTHY, CHAIRMAN: Can we deal with the
87 questions on matters arising. Would that be okay?

88 MR. HUTCHINGS: I have no problem with that.

89 MS. BUTLER, Q.C.: I'm just debating with my learned
90 friend, Mr. Chairman, whether in fact I have a question on
91 the **RH-5** which is in response to an undertaking that was
92 given to me. Can you just bear with me one moment?
93 That's fine, Mr. Chairman, we're satisfied with the document
94 that was supplied in response to the undertaking. Thank
95 you.

96 MR. NOSEWORTHY, CHAIRMAN: So we could entertain

1 matters or questions on these matters arising, is that
2 satisfactory?

3 MR. HUTCHINGS: That's fine with me, Mr. Chair.

4 MR. NOSEWORTHY, CHAIRMAN: Thank you. It's now
5 twenty to. I understand that my colleagues will likely be an
6 hour or actually probably more than an hour, it might be an
7 hour and a half to two hours in the morning so I think what
8 we'll do, rather than begin Board questions this afternoon,
9 we'll break and we'll reconvene in the morning at 9:30. Just
10 on the point Ms. Greene, do you have any motion or idea
11 at this point in time in respect of your next witness.

12 MS. GREENE, Q.C.: I know who it will be, Mr. Budgell.
13 *(laughter)*

14 MR. NOSEWORTHY, CHAIRMAN: No, I guess, I'm
15 wanting to try and you could probably think about it if you
16 don't have any response. I mean clearly there's a few
17 options here we could, we could finish with Mr. Henderson
18 and not begin. We have a two week hiatus here over the
19 next, beginning on Monday, I guess. We can deal with the
20 direct testimony and defer the cross, we can do that
21 tomorrow, or again that may not be appropriate given the
22 length of time in between or we could deal with the direct
23 testimony and proceed to the extent possible with the
24 cross. Again, I understand that's problematic.

25 MS. GREENE, Q.C.: I have two suggestions. One is that if
26 we have 20 minutes available now I think it would be
27 appropriate for the Industrial Customers and the Consumer
28 Advocate if they wish to cross on the information that was
29 provided in response to undertakings rather than leave it
30 till tomorrow till after questions arising.

31 MR. NOSEWORTHY, CHAIRMAN: Sure.

32 MS. GREENE, Q.C.: The other is with respect to tomorrow,
33 if we actually go till couple of hours till 11:30 or 12, I don't
34 think it would be prudent to start with the witness. We
35 have no additional information to file with Mr. Budgell as
36 direct evidence. He would simply be adopting his pre-filed
37 as well as his supplementary evidence and I think that
38 probably we should ask the opinion of counsel for
39 Newfoundland Power, but I don't know if counsel would
40 want to start a cross, knowing that they wouldn't be able to
41 complete. So it might be more prudent to not start Mr.
42 Budgell tomorrow for late in the morning or early in the
43 afternoon before we're ready.

44 MS. BUTLER, Q.C.: Mr. Chairman, to the extent that I can
45 be of any assistance at all, my cross examination of Mr.
46 Budgell would not be any less than it was of Mr.
47 Henderson which was a full day, so even if I started at
48 11:00 in the morning tomorrow, I would not finish Mr.
49 Budgell and I think the hiatus may turn into more like three
50 weeks because isn't the first week when we return cost of

capital witnesses?

52 MR. NOSEWORTHY, CHAIRMAN: Yes, that's correct.

53 MS. BUTLER, Q.C.: So in fact it would be almost a month
54 before we see him.

55 MR. NOSEWORTHY, CHAIRMAN: Yes you're right. My
56 mistake.

57 MS. BUTLER, Q.C.: Which would my make my cross
58 examination quite difficult, I think, unless I only touched
59 one area that was unrelated to everything else.

60 MR. NOSEWORTHY, CHAIRMAN: Understood.

61 MS. GREENE, Q.C.: And I agree with that, I think that it
62 wouldn't be prudent to start tomorrow. The only point that
63 I would want to make is, I have another faint hope, and that
64 is that the public participation days that are scheduled for
65 St. John's for Thursday and Friday, at this point in time we
66 only have one member of the public who will present. I
67 would like to think that if we had most of Thursday
68 available and Friday we might be able to start.

69 MR. NOSEWORTHY, CHAIRMAN: I certainly have no
70 objection to that. Can I now ask for the Industrial
71 Customers comments on this issue.

72 MR. HUTCHINGS: I would agree that it's probably not
73 appropriate to start Mr. Budgell tomorrow, unless Ms.
74 Butler at least has time to finish her cross and the gap is
75 just too long. We wouldn't have a problem with starting
76 Mr. Budgell on the 25th, 26th, if the time is available for
77 that.

78 MR. NOSEWORTHY, CHAIRMAN: Okay. Thank you.

79 MS. BUTLER, Q.C.: Mr. Chairman, however, if he does
80 testify on 25th and 26th, he will be broken by the cost of
81 capital witnesses.

82 MR. NOSEWORTHY, CHAIRMAN: He will, yes, for a two
83 week period, I think, actually is it.

84 MS. BUTLER, Q.C.: One week period.

85 MR. NOSEWORTHY, CHAIRMAN: One week, is it. Okay.
86 Which is not, if we do have the opportunity for two days
87 it might be a good idea to take advantage of that. Mr.
88 Browne would you have any comments on this?

89 MR. BROWNE, Q.C.: Just a reference to the 25th and 26th.
90 I'd be careful about giving up those dates. I understand
91 other people in the St. John's area are getting ready to
92 testify. Some are involved in other matters right now.

93 MR. NOSEWORTHY, CHAIRMAN: Certainly.
94 Understood. It would depend on that quite clearly.

95 MS. GREENE, Q.C.: That's why I said faint hope.

1 MR. NOSEWORTHY, CHAIRMAN: Do you have any
2 comments, Counsel, on this? Okay. Thank you. Good
3 idea, Ms. Greene. I missed that one, we'll start on the cross
4 examination, I guess, or not cross examination any
5 questions on the undertakings would likely be concluded
6 in 15 minutes so I will begin with Newfoundland Power.

7 MS. BUTLER, Q.C.: No, Mr. Chairman. I had just indicated
8 that I didn't have any questions arising.

9 MR. NOSEWORTHY, CHAIRMAN: Okay. Thank you.
10 Industrial Customers?

11 MR. HUTCHINGS: Thank you Mr. Chair. Mr Henderson
12 just referring to **RH-6** and this relates to the questions that
13 we were discussing which arose out of your **Schedule 7**
14 which showed purchase of No. 6 oil in October of 2000 at
15 \$40.04 a barrel. Would you agree with me that it might in
16 fact have been prudent at the end of July of 2000 when the
17 forecast price when forecast price was \$32.00 a barrel to do
18 a little early buying at that stage?

19 MR. HENDERSON: The price was \$32.

20 MR. HUTCHINGS: The forecast at the end of July of 2000
21 forecast to be in August \$32.02 or in September \$34.33.

22 MR. HENDERSON: Right. The difficulty was ... we didn't
23 do it but one of the things that would have stopped us
24 from doing this, our inventory at the end of May was
25 626,000. We did not consume anything over that period of
26 time and our shipments are 250,000 barrel minimums, so
27 there wasn't enough room to take a shipment.

28 MR. HUTCHINGS: You had no consumption at Holyrood
29 at all in June, July or August.

30 MR. HENDERSON: No. Not sufficient to be able to draw
31 down that.

32 MR. HUTCHINGS: One of the other items of information
33 that you gave in response to the request from the
34 Consumer Advocate puzzled me in that you said in
35 December of 1999 you had two purchases at two different
36 prices.

37 MR. HENDERSON: That's right.

38 MR. HUTCHINGS: One at \$28.37 and one at \$27.53. I
39 understood your evidence yesterday to be that you paid
40 the average price for the month in which the delivery was
41 made, so how do you get two different prices in one
42 month?

43 MR. HENDERSON: There's two ways. One was we
44 changed the contract to a monthly average price since that
45 time, and the other is that the exchange rate at the date of
46 payment would make a difference a well.

47 MR. HUTCHINGS: I had been left with the impression that
48 it had always been the price, the average price for the
49 month. When did that change, what was it previously?

50 MR. HENDERSON: What it was previously is we paid the
51 price on the day, of the day the shipment arrived and we
52 changed that sometime in 2000. I'm not sure of the date.

53 MR. HUTCHINGS: And had that been in place since the
54 beginning of your 1997 contract then that you were paying
55 the price on the day.

56 MR. HENDERSON: It had been up until the point that we
57 changed it.

58 MR. HUTCHINGS: In 2000?

59 MR. HENDERSON: In 2000.

60 MR. HUTCHINGS: So there was only one change during
61 the course of the contract, as to how the price was done.

62 MR. HENDERSON: Yes, that was it. Well, well there was
63 two changes. We had originally our supplier was Inlong
64 (*phonetic*) Liquids or something that was the name of the
65 company, and now it's Westport. Inlong (*phonetic*)
66 bowed out of the contract, if you like, and we then entered
67 into the contract with Westport Petroleum.

68 MR. HUTCHINGS: So that's the only other change. There
69 was no pricing changes.

70 MR. HENDERSON: No. No.

71 MR. HUTCHINGS: No. Okay. And if I understand your
72 evidence then the inventory you're showing at May 31,
73 2000 at Holyrood would be the same inventory as would be
74 in place at the end of August.

75 MR. HENDERSON: I believe that there was a small amount
76 of production at Holyrood at the end of August, maybe for
77 a day or two.

78 MR. HUTCHINGS: Have you done any studies of what it
79 would cost you to increase your storage capacity at
80 Holyrood?

81 MR. HENDERSON: I haven't been involved, no, with any.

82 MR. HUTCHINGS: So you've never addressed the
83 question as to whether or not there would be savings in
84 increasing your storage with a view to to be able to take
85 advantage of pricing of fuel?

86 MR. HENDERSON: I've never been involved with any. I
87 don't know if that had been looked at historically, but I've
88 never been involved.

89 MR. HUTCHINGS: Those are all the questions I have
90 arising from the undertakings.

91 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
92 Hutchings. Mr. Browne or Mr. Fitzgerald, sorry.

1 MR. FITZGERALD: Just a couple of questions Mr.
2 Henderson. First I'm going to **RH-5**. This is your schedule
3 of Canadian Utility Energy Production.

4 MR. HENDERSON: Yes.

5 MR. FITZGERALD: I see here that Nova Scotia Power
6 appears to be, is heavily reliant on thermal generation.

7 MR. HENDERSON: That's right.

8 MR. FITZGERALD: And they, in total, in fact, they
9 produce more electricity than Newfoundland.

10 MR. HENDERSON: That's right.

11 MR. FITZGERALD: And in your position as the person in
12 charge, if you will, for fuel purchasing, have you ever
13 liaised or had any information back and forth with the
14 person of similar rank, if I could use that word, at Nova
15 Scotia Power?

16 MR. HENDERSON: I haven't, with Nova Scotia Power you
17 should realize that they have a lot of coal-fired thermal.

18 MR. FITZGERALD: Okay. So you don't know of this
19 breakdown what the proportion would be Bunker C, if in
20 fact they do burn Bunker C.

21 MR. HENDERSON: I think they did at one point, and I
22 believe that they've done some conversions to natural gas,
23 because of the gas that's now available from Sable Island.

24 MR. FITZGERALD: Okay. And just last question here,
25 looking at your response to the undertaking, the last
26 document, I'm not sure what number was put on this now.

27 MR. HENDERSON: **RH-6**, I think.

28 MR. FITZGERALD: **RH-6**. Looking at the Holyrood
29 inventory at May 31, 2000, you had 626,000 barrels of oil.
30 Did that, is that a larger number than you would usually
31 have on hand ending December, isn't it?

32 MR. HENDERSON: Yes.

33 MR. FITZGERALD: And again, the explanation for this is
34 this unused, and I use the word again, stockpiling, from the
35 previous year.

36 MR. HENDERSON: No, this would be just as a result that
37 we ordered oil for May which we ordered in the first week
38 of April and we had to make a commitment in the first week
39 of April for our requirements and as it turned out to be wet
40 that year we ended up not requiring, having to use it but
41 we had to order it in anticipation to make sure we had it on
42 hand in case we did use it, and as it turned out that year
43 things changed, we had a much wetter April and May than
44 we had anticipated and therefore our thermal production
45 was low and our inventory ended up being high at the
46 point that we shut down for the summer.

47 MR. FITZGERALD: Okay, thanks Mr. Henderson. Those
48 are all my questions.

49 MR. NOSEWORTHY, CHAIRMAN: Thank you Mr.
50 Fitzgerald. Any redirect Ms. Greene?

51 MS. GREENE, Q.C.: No, Mr. Chair, thank you.

52 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.
53 We will now, there appears to be a consensus around
54 tomorrow certainly, so we'll conclude with Mr. Henderson
55 in the morning and we'll adjourn then to our public
56 participation days and I guess anything that might occur
57 on the 25th and 26th will be subject to what interest we
58 have in St. John's for any participation in those days. So
59 we'll conclude till 9:30 in the morning.

60 *(hearing adjourned to October 12, 2001)*