

1 *Labrador City/Wabush, Newfoundland*

2 (2:21 p.m.)

3 MR. NOSEWORTHY, CHAIRMAN: Good afternoon  
4 everybody. I'd like to welcome you here this afternoon,  
5 those of you who are presenters, observers and any media  
6 that might be here from the Labrador City/Wabush area,  
7 whether you're representing your own interests or indeed  
8 you're here on behalf of others. My name is Bob  
9 Noseworthy and I'm Chair and CEO of the Public Utilities  
10 Board and I'll tell you a little bit more about the Board in a  
11 moment, but for purposes of this public hearing I'm serving  
12 as the Chair of this panel which has been delegated the  
13 responsibility to hear the application from Newfoundland  
14 and Labrador Hydro, and I guess I'd start out by saying  
15 that we apologize for all the confusion at the beginning and  
16 the late start, but we did arrive fairly late today. The plane  
17 was, I think, an hour late or so and we didn't really, we're  
18 not in a position to get prepared and up and running as  
19 quickly as we would have liked, so our apologies for that,  
20 and as well I think there are probably some around the table  
21 who are not attired perhaps in the way they would wish.  
22 Their suitcases and clothes are between, somewhere  
23 between St. Anthony and here and hopefully will arrive  
24 today, so there is a little bit of confusion but we're here and  
25 we're ready to begin and we thank you for your  
26 understanding.

27 My colleagues joining me on the panel, I would  
28 like to introduce them to begin with. On my immediate right  
29 ... can you hear me in the back, incidentally?

30 UNIDENTIFIED SPEAKER: Not very good.

31 MR. NOSEWORTHY, CHAIRMAN: Okay. I'll try and  
32 speak up. My colleague on the far right is Commissioner  
33 Don Powell. Don is a businessman from the Stephenville  
34 area. On my immediate right is Commissioner Fred  
35 Saunders. Fred is a former businessman and is retired and  
36 lives in St. John's. And on my left is Commissioner  
37 Whalen, who's a full-time commissioner with the Board of  
38 Public Utilities. I'd also like to introduce the staff. To my  
39 left is legal counsel for the Board, which is Mark Kennedy,  
40 and just entering the room is Cheryl Blundon, who is the  
41 Board secretary.

42 The reason for the panel being here in the  
43 Labrador City/Wabush area is to listen to public input and  
44 comment on the application of Newfoundland and Labrador  
45 Hydro for a general rate review. Pursuant to *The Public*  
46 *Utilities Act*, Hydro are seeking approval to increase rates  
47 to be charged for the supply of electricity to its retail  
48 customers, Newfoundland Power, and its rural customers.  
49 In addition, the application is requesting approval of rates  
50 as well as terms and conditions of the contracts governing  
51 the supply of electricity to Hydro's industrial customers,

52 and finally in this application Hydro are seeking approval  
53 of their 2002 capital budget.

54 Essentially this application affects every consumer  
55 of electricity in the province, be they householders, small  
56 business, industry, be they living in rural or urban  
57 communities, and the application will impact the rates each  
58 will pay for electricity in future. It is with this in mind that  
59 the Board scheduled, in consultation with Hydro and other  
60 registered intervenors, a series of public participation days  
61 in various locations throughout the province. These public  
62 participation days are designed to provide the opportunity  
63 for individuals and organizations, be they municipal  
64 councils, economic development associations, chamber of  
65 commerce or indeed service clubs, to make their views  
66 known directly to the panel on matters contained in the  
67 application which affects them.

68 These public participation days have been  
69 scheduled for St. Anthony. We held one there yesterday.  
70 We're here in Labrador City/Wabush area for the next  
71 couple of days and we're travelling on to Happy Valley-  
72 Goose Bay and we'll be in Stephenville, Grand Falls-  
73 Windsor and a couple of days in St. John's next week.

74 I have a few more comments but before I continue  
75 I would like at this time to ask the other parties who are  
76 either, Hydro is the applicant, or registered intervenors to  
77 this application, to please introduce themselves. I'll ask  
78 Hydro to begin, please.

79 MR. YOUNG: Thank you, Mr. Chair. My name is Geoff  
80 Young. I'm legal counsel for Newfoundland and Labrador  
81 Hydro. To my far left is Mr. Sam Banfield. He's the  
82 Director of Customer Services. To my immediate left is Mr.  
83 Bill Wells. He's the CEO, Chief Executive Officer, and  
84 President. And to my right is Mr. Paul Hamilton. He's the  
85 Regulatory Specialist with Hydro.

86 MR. NOSEWORTHY, CHAIRMAN: Thank you.  
87 Newfoundland Power, please.

88 MR. HAYES: Thank you, Mr. Chair. My name is Gerard  
89 Hayes. I'm counsel to Newfoundland Power, and to my  
90 right is Mr. Kevin Fagan. Kevin is the Customer Service  
91 Specialist with Newfoundland Power, and we're a registered  
92 intervenor in this proceeding.

93 MR. NOSEWORTHY, CHAIRMAN: Consumer Advocate,  
94 please.

95 MR. BROWNE, Q.C.: My name is Dennis Browne. I'm the  
96 Government-appointed Consumer Advocate to represent  
97 the domestic consumers and others in this application.

98 MS. MERCER: And I'm Jennifer Mercer from Miller and  
99 Hearn in Labrador City and we are a registered intervenor  
100 on behalf of the Town of Labrador City.

1 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.  
2 Other registered intervenors are the industrial customers  
3 who comprise North Atlantic Refinery and three paper mills  
4 in the province, and as well Happy Valley-Goose Bay are a  
5 registered intervenor to this application as well.

6 (2:30 p.m.)

7 For those of you here this afternoon who may not  
8 be familiar with the role of the Public Utilities Board and the  
9 process we employ in hearing a rate application, I think it  
10 may prove beneficial to spend a brief moment explaining  
11 who we are and what we do.

12 The Public Utilities Board is a quasi-judicial  
13 independent agency which is established under and  
14 derives its authority from provincial statutes and  
15 legislation. Primarily, *The Public Utilities Act* and *The*  
16 *Electrical Power Control Act*. The Board has an  
17 obligation under this legislation to regulate electric utilities  
18 operating in the province, and this includes Newfoundland  
19 and Labrador Hydro. The full Board of Commissioners as  
20 a complement of three full-time commissioners and six part-  
21 time commissioners and includes ten staff as well, and the  
22 four of us on this panel have been appointed from the  
23 group of nine commissioners to hear this particular  
24 application.

25 In accordance with our legislative responsibilities,  
26 the panel has a duty to hear the evidence presented by the  
27 applicant, Hydro, and other interested parties, and at the  
28 end of the process render a fair and equitable decision.  
29 The statutes require the Board to make rate decisions that  
30 are reasonable and just and not discriminatory. The  
31 legislation requires that the Utility be allowed to earn a just  
32 and reasonable financial return. The legislation also  
33 dictates that the power be delivered to customers in the  
34 province at the lowest possible cost while ensuring safe  
35 and reliable service.

36 In fulfilling its statutory responsibilities, the Board  
37 must protect the interests of all parties, including  
38 producers, retailers and consumers of electricity. In doing  
39 this we must also be sensitive and strive to balance the  
40 interests of each class of consumer, whether they be  
41 households, businesses, industries, both small and large  
42 users of electricity.

43 Having described who we are and why we are here  
44 this afternoon, I would like to spend another brief moment  
45 explaining the process itself, what has occurred to this  
46 point and what can be expected resulting from this process.  
47 The application was submitted by Hydro on May the 31st  
48 of this year, following which a notice of public hearing was  
49 advertised throughout the province. A pre-hearing  
50 conference was held on July the 5th at which time  
51 registered intervenors were identified and various

52 schedules and dates and other procedural matters were set.  
53 Following the pre-hearing conference, two motion days  
54 were held on July the 18th and 19th and motions were  
55 presented by the parties and at that time the rules and  
56 procedures were fine-tuned, rules and procedures which  
57 would be governing the conduct of this hearing, and these  
58 procedures have now been outlined in appropriate Board  
59 orders, which are again public information.

60 In addition, this preliminary process allowed for  
61 questions to be asked by one party of another and  
62 responses to be prepared and circulated among all parties.  
63 Also, pre-filed evidence of any expert witnesses engaged  
64 by a party is filed, has now been filed and distributed to all  
65 parties. To give you some idea of the volume of material  
66 pre-filed to date, it comprises close to 50 rather substantial  
67 and large binders and that seems to be growing by the day.

68 Following the preliminary work that went on  
69 during the summer, the public hearing itself began on  
70 September the 24th and during this phase each of the  
71 parties have the opportunity to question Company  
72 witnesses and their experts and in turn present the views of  
73 their own experts, which will also be subject to cross-  
74 examination by the other parties. The process involves one  
75 of examining, evaluating and questioning the large quantity  
76 of information and testimony presented. The purpose is to  
77 ensure that all of the necessary evidence required to reach  
78 a determination on rates and other matters contained in the  
79 application are placed before the panel. The process will  
80 enable the panel to assess all the issues covered by the  
81 application and render a fair and equitable decision that will  
82 serve to balance in the best manner possible the interests  
83 of all stakeholders.

84 The public hearing is expected to conclude in  
85 early December, following which a report will be prepared  
86 by the panel containing a series of orders on rates and  
87 other related matters relevant to the application.

88 The part of the process we are engaged in here  
89 today, as I indicated earlier, is to provide the opportunity  
90 during these public participation days for persons and  
91 organizations throughout the province to provide public  
92 input and comment on proposed rate increases and other  
93 issues arising from the application.

94 This can be done in two ways, either by oral  
95 presentation, which will be heard today, or indeed if one  
96 wishes, by letter of comment, which can be either filed  
97 today or at a later date. This can be done by simply  
98 contacting the Board secretary, Ms. Blundon, and she can  
99 provide all the information concerning addresses and  
100 deadlines for submission of letters of content (*sic*). All of  
101 this oral and written material submitted by individuals and  
102 organizations will form a part of the public record. The

1 information gathered here today, along with letters of  
2 comment, will combine with the documentation resulting  
3 from the formal proceedings and will form the total body of  
4 evidence which will be considered by the panel in  
5 rendering its final decision. So what you say here today  
6 will be heard and indeed carefully examined by the panel in  
7 issuing its orders.

8 Before we begin, there are a number of matters  
9 concerning today's proceedings which I would like to  
10 review. Hydro will be making a few opening remarks which  
11 are indeed designed to just set the context for today's  
12 hearing and will give those in the room some appreciation  
13 of the application itself. I would comment though that the  
14 application in its entirety and much of the filed evidence to  
15 date is on the web site, the Board's web site, and can be  
16 seen there.

17 These proceedings are being recorded under the  
18 supervision of the Board secretary, Ms. Blundon, and will  
19 subsequently be transcribed for the public record. In  
20 addition, presenters will be sworn in to make this a part of  
21 the body of evidence before the Board. The Board's main  
22 goal is to get the facts on the record in a way that is  
23 convenient to the parties and in the public interest, and  
24 while I realize this process may appear a little formal, above  
25 all else we are here to listen to your views and comments  
26 and we want you to express them in a way that you feel  
27 indeed most comfortable.

28 We do have three presenters here this afternoon,  
29 Jim Farrell who is the Mayor of Wabush, Graham Letto, the  
30 Mayor of Labrador City, and George Kean who is the  
31 President of the Steelworkers Union.

32 In terms of the ... we are running late. I'd like to  
33 proceed with the presentations themselves. We'll just play  
34 it by ear in terms of a break a little later on if indeed we feel  
35 one is necessary. I will ask now before we start with  
36 Hydro's opening comments, I'll ask the Board counsel to  
37 report on preliminary matters, please.

38 MR. KENNEDY: Thank you, Chair and Commissioners. I'll  
39 initiate the proceeding by reading formally the style of  
40 cause of the application. "In the matter of *The Electrical*  
41 *Power Control Act 1994* and *The Public Utilities Act*, and  
42 in the matter of an application by Newfoundland and  
43 Labrador Hydro for approvals of: (1) Under Section 70 of  
44 the Act, changes in the rates to be charged for the supply  
45 of power and energy to its retail customer, Newfoundland  
46 Power, its rural customers and its industrial customers; (2)  
47 under Section 71 of the Act, its rules and regulations  
48 applicable to the supply of electricity to its rural customers;  
49 (3) under Section 71 of the Act, the contract setting out the  
50 terms and conditions applicable to the supply of electricity  
51 to its industrial customers; and (4) under Section 41 of the

52 Act, its 2002 capital budget."

53 I can confirm, Chair and Commissioners, as well  
54 that the appropriate notices and public, public notices of  
55 the hearing and of the public presentations have been  
56 issued and the hearing is properly constituted.

57 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.  
58 Kennedy. I'll ask Mr. Young, who represents Hydro, to  
59 provide his opening remarks and comments, please, Mr.  
60 Young.

61 MR. YOUNG: Thank you, Mr. Chair. We won't be long in  
62 this opening remarks, knowing the hour at this time, and  
63 we'll try to keep our comments to the ones which are more  
64 relevant to this region of Labrador. This is the first full  
65 general rate proceeding Hydro is undertaking before the  
66 Public Utilities Board under *The Public Utilities Act*.  
67 Hydro last appeared under a general rate proceeding under  
68 *The Electrical Power Control Act* back in 1991. There was  
69 an order that was issued in '92, so it's been some time  
70 before we've had a rate change.

71 There are a number of issues before the Board. I'll  
72 briefly touch on some of them but many of them don't  
73 apply to the rate changes that are proposed for Labrador,  
74 interconnected Labrador system, but I think just for  
75 completion of the record so that people can get some sense  
76 of the range of issues, I'll briefly touch upon them.

77 First and foremost for people in this region, the  
78 rationalization of rate classes in Labrador is an issue. There  
79 are other issues for other groups in other areas of the  
80 province. For example, there will be adjustments to  
81 preferential rate classes in the isolated system. Hydro is  
82 also applying, as it does every year in the autumn, for  
83 approval of its capital budget for the coming year, so it's  
84 applying at this time for approval of its 2002 capital budget.  
85 And also Hydro is asking the Board to set appropriate  
86 long-term financial targets in this hearing, or consider them.

87 There are other very important issues for people  
88 on the island interconnected system, which I'll just touch  
89 upon, but won't get into in any length at all, and they relate  
90 largely to the price of Hydro's oil production from its  
91 Holyrood generating station which is a thermal plant and  
92 burns Bunker C oil and that is an important factor to be  
93 dealt with in, for the island interconnected area, but it  
94 doesn't affect people in the Labrador interconnected  
95 system whatsoever.

96 The issue here is, that I would presume would be  
97 most important for the citizens, would be the changes in the  
98 rate classes in Wabush and Labrador City. Hydro in this  
99 hearing is filing what it understands to be the Board's  
100 expectations under its requirements under the legislation  
101 for setting rates under principles of fairness, equity and

1 non-discrimination, and under some direction and guidance  
 2 it received from the Board in the methodology hearing back  
 3 in '92, '93, for that reason Hydro is coming before this Board  
 4 at this time suggesting that the rates, and there are 24  
 5 different rates in the Labrador interconnected system at this  
 6 point, which is a very large number of rates and rate classes  
 7 for an area such as this or for any interconnected area,  
 8 Hydro is proposing that we collapse those into six different  
 9 rate classes and that can't be done all at once, so we're  
 10 proposing that they be phased in over a period of time. At  
 11 Hydro's next rate referral, it will be making, or rate  
 12 application, will be making further proposals as to how that  
 13 may be done. At this point though we would just point out  
 14 some of the principles that we've used in our proposal to  
 15 ensure that there aren't too many immediate changes,  
 16 because immediate changes in rate structures can cause  
 17 uncertainty and a lack of understanding amongst customer  
 18 classes.

19         So the first point I would like to make is that one  
 20 of the first rules we use is that to, no rate class in these  
 21 changes will receive an increase of more than 20 percent,  
 22 no domestic or small general service customer should  
 23 receive an increase of more than \$20 per month, larger  
 24 general service customers should receive increases of no  
 25 more than 20 percent unless the circumstances are unique,  
 26 and street and area lighting rates should move towards  
 27 specific costs of providing the service. The points I just  
 28 raised are in the pre-filed evidence.

29         One other point I would make here is that these  
 30 changes in rate classes in interconnected Labrador are  
 31 intended to be, in Hydro, revenue neutral. There won't be  
 32 a difference in revenue Hydro receives from the system  
 33 based upon these changes. It's a restructuring amongst the  
 34 customer classes and not an overall change in the intended  
 35 revenue. And while we're on that point, I'll close off by  
 36 saying that it might be important to note that Hydro's  
 37 requested return on equity in this application is very  
 38 modest and it's intended to be an interim step and we're  
 39 asking only for a three percent return on equity. We have  
 40 filed evidence, however, suggesting that an appropriate  
 41 return on equity for a company such as ours, in light of all  
 42 the circumstances, would be in the range of around 11  
 43 percent and there's going to be no doubt considerable  
 44 discussion and debate about those issues in the coming  
 45 weeks in St. John's.

46         Those are essentially Hydro's opening comments.  
 47 Thank you.  
 48 (2:45 p.m.)

49 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.  
 50 Young. We'll proceed directly on with the presentations at  
 51 this point and I'll ask Mayor Jim Farrell if he could come to

52 the witness table, please. Good afternoon, Mayor Farrell.

53 MR. FARRELL: Good afternoon.

54 MR. NOSEWORTHY, CHAIRMAN: I wonder could you  
 55 take the Bible in your right hand, please? Do you swear on  
 56 this Bible that the evidence to be given by you shall be the  
 57 truth, the whole truth and nothing but the truth, so help  
 58 you God?

59 MR. FARRELL: I do.

60 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.  
 61 I'll just ask you, Mayor Farrell, to proceed on with your  
 62 presentation, please.

63 MR. FARRELL: Good afternoon. My name is Jim Farrell,  
 64 Mayor of Wabush. I'd like to welcome everyone here  
 65 today and thank you for coming, if you'll bear with me for  
 66 a few minutes while I make my presentation.

67         In 1995, Newfoundland and Labrador Hydro  
 68 acquired from Wabush Mines the distribution assets  
 69 associated with serving the Town of Wabush. The  
 70 acquisition was for a nominal consideration and the Public  
 71 Utilities Board subsequently approved the rates, rules and  
 72 regulations that would apply. The rates set by the Public  
 73 Utilities Board were effective January 1st, 1989. While the  
 74 Wabush distribution system was acquired by Hydro for the  
 75 consideration of \$1, Wabush Mines has contributed the  
 76 sum of approximately \$3 million to pay the entire cost of  
 77 upgrading of the system, thus Hydro acquired at no cost a  
 78 fully-upgraded system requiring no capital expenditures.

79         From the years 1989 to the present, applying the  
 80 rate structure approved by the Board, Hydro has collected  
 81 from the citizens of Wabush a surplus over and above cost  
 82 and Hydro's rate of return totalling \$2,900,000. In the past  
 83 three years the surplus has been in excess of \$300,000 in  
 84 each year. This means that the citizens of Wabush have  
 85 been overpaying for their electrical services each year since  
 86 rates were set by the Public Utilities Board in January 1989.

87         Newfoundland and Labrador Hydro acknowledges  
 88 that the citizens of Wabush have overpaid for electrical  
 89 services in the past and that a rebate of \$2,900,000 is due to  
 90 them, however, Hydro now argues that electrical  
 91 distribution rates in the Town of Wabush should be  
 92 increased in the future. The citizens of Wabush see no  
 93 justification for any such increase.

94         Hydro wishes us to be included in what is referred  
 95 to as the Labrador interconnected system and argues that  
 96 over time there should be uniform rates for similar customer  
 97 classes within the system. This system links the area of  
 98 Happy Valley-Goose Bay with Labrador City/Wabush. In  
 99 our view, there is no commonality between Happy Valley-  
 100 Goose Bay and Labrador West and this reality should be

1 reflected in different rates for Labrador West by Labrador  
2 West being treated as a different system.

3 The area of Happy Valley-Goose Bay has a  
4 different history, different economy and a different cost  
5 base from that of Labrador West. Happy Valley-Goose Bay  
6 is served by a separate transmission line from Churchill  
7 Falls. Its economy includes the airport, military base and  
8 Government services.

9 Labrador West, on the other hand, has been  
10 traditionally serviced by a transmission line from Churchill  
11 Falls that was erected approximately 40 years ago. The  
12 Towns of Labrador City and Wabush are mining towns  
13 involved in the extraction of iron ore, by the way, an  
14 industry that is presently experiencing a serious downturn.  
15 It would make sense to link Labrador City and Wabush  
16 since the towns are adjacent to the area and have a similar  
17 economy, history and cost base.

18 On the other hand, to link the areas of Labrador  
19 West with Happy Valley-Goose Bay, given the differences  
20 noted above, is in effect to place two areas in unhealthy  
21 opposition to each other. Over time, with rate increases, we  
22 see that we will be expected to contribute to the cost of  
23 servicing Happy Valley-Goose Bay.

24 Since our area is completely distinct from that of  
25 Happy Valley-Goose Bay, it would seem both rational and  
26 normal to set rates based on our cost base, whether that is  
27 within the Labrador interconnected system or as a separate  
28 system. In the present age of computers, such calculations  
29 should not be difficult.

30 As a matter of social policy, the deficit of  
31 approximately \$26 million annually is included in costs to  
32 be recovered from customers of Newfoundland Power on  
33 the island portion of the province and Labrador  
34 interconnected system customers. The people of Wabush  
35 have always been (unintelligible) contributors to the social  
36 cost of the province. We feel that this subsidy is more in  
37 the nature of a tax and should not be included in the rate  
38 base. The province can more appropriately and more  
39 efficiently deal with such costs by Government legislation  
40 directly.

41 Our legal advice is that the province has the  
42 constitutional authority to enact an energy tax on all  
43 hydroelectricity produced in the province and collect it  
44 from customers, including domestic customers and be  
45 applicable to energy exported from the province. This  
46 means that the output from Churchill Falls would be  
47 included in such a rate base.

48 The province could apply an energy tax of one mill  
49 per kilowatt hour to be collected from customers as  
50 gasoline taxes collected from customers, the collection

51 being done by the suppliers. Applying such tax to all  
52 electrical output in the province, including that exported  
53 from Churchill Falls, the province would recover annually  
54 an amount considerably in excess of the annual rural  
55 deficit.

56 We are instructed by our legal advisors that this  
57 approach is highly, is legally enforceable. We therefore  
58 feel that it is incumbent on this Board to consider this  
59 alternative and instruct Government accordingly rather than  
60 applying the rural deficit to the rate base. To ignore this  
61 legal opinion and apply all of these costs to domestic  
62 ratepayers is in effect to discriminate against residents of  
63 this province.

64 So to summarize, the citizens of Wabush pay rates  
65 set by this Board more than ten years ago. Today's rates  
66 reflect a substantial amount over and above the cost of  
67 service, including Hydro's expected rate of return, and that  
68 return is being realized on an annual basis. It defies logic  
69 to talk of a rate increase in such circumstances. It is  
70 fundamentally wrong to link this area with that of Happy  
71 Valley-Goose Bay by way of common rates. It is our view  
72 that over time a common rate structure should be evolved  
73 for citizens of Labrador West separate from that of Happy  
74 Valley-Goose Bay because of the different economies,  
75 different histories and different costs. In addition, we feel  
76 that the rural deficit should not be allocated to ratepayers  
77 but should be collected directly by a Government tax, all of  
78 which is respectfully submitted. Thank you.

79 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,  
80 Mayor Farrell. I would, if you're prepared to answer any  
81 questions, I would like to ask if there are any. Is that  
82 satisfactory?

83 MR. FARRELL: If I can, I will.

84 MR. NOSEWORTHY, CHAIRMAN: Hydro?

85 MR. YOUNG: We have no questions, thanks.

86 MR. NOSEWORTHY, CHAIRMAN: Thank you.  
87 Newfoundland Power, please?

88 MR. HAYES: No thank you. Thank you, Mayor Farrell, for  
89 your presentation.

90 MR. NOSEWORTHY, CHAIRMAN: Consumer Advocate?

91 MR. BROWNE, Q.C.: Yes, Mayor Farrell, I have some  
92 questions. In the Town of Wabush, are most of the  
93 residents of the Town, do most of them heat their homes  
94 with electricity or other forms of fuel?

95 MR. FARRELL: I'd say right now it's probably 60/40 in  
96 favour of electricity.

97 MR. BROWNE, Q.C.: And the 40 is oil?

1 MR. FARRELL: Oil, yes.

2 MR. BROWNE, Q.C.: And what about public buildings, the  
3 Town Council office?

4 MR. FARRELL: Mostly electricity, yes.

5 MR. BROWNE, Q.C.: And the basic rate that you're  
6 charged by Newfoundland Hydro, do you know offhand  
7 what that is?

8 MR. FARRELL: Yes. It's 20 mills, or two cents per kilowatt  
9 hour.

10 MR. BROWNE, Q.C.: Have you any idea what it is on the  
11 island portion of the province?

12 MR. FARRELL: Yeah. About 90 percent on some portions  
13 of the island, or 90 mills, I should say.

14 MR. BROWNE, Q.C.: And your basic rate on top of the  
15 two cents, is that, when you say it's two cents a kilowatt  
16 hour, does that include the basic rate, the \$2 and some odd  
17 cents you pay in a basic charge?

18 MR. FARRELL: No.

19 MR. BROWNE, Q.C.: So that's over ...

20 MR. FARRELL: I'm pretty sure. I'm not sure. Jennifer, do  
21 you know?

22 MS. MERCER: I don't (inaudible).

23 MR. BROWNE, Q.C.: No. I had most of this but my  
24 briefcase is on the flight, (*laughter*) so I'm trying to get it  
25 out of you. I had some bills sent to me. Do you have any  
26 idea what the rates are in the coastal area of Labrador?

27 MR. FARRELL: No, I'm not familiar with it, no. I think in  
28 Goose Bay it's probably 40 mills or four cents per kilowatt  
29 hour.

30 MR. BROWNE, Q.C.: But in the diesel areas around coastal  
31 Labrador, are you familiar at all with what the rate would be  
32 there?

33 MR. FARRELL: No, I'm not. I'm sure it's probably higher  
34 than here but I'm not familiar with it.

35 MR. BROWNE, Q.C.: So if I were to tell you that Hydro  
36 recovers approximately 22 percent of its costs in these  
37 diesel communities, from Nain to Mary's Harbour, you  
38 wouldn't know if that's correct or ...

39 MR. FARRELL: I would not, no.

40 MR. BROWNE, Q.C.: The proposed increase by Hydro for  
41 your area, you're paying about two cents per kilowatt hour,  
42 is it going up that much more dramatically, do you know?

43 MR. FARRELL: I don't know. I understand that it could be  
44 as much as 17 percent but that's just a figure I heard some  
45 time ago. I'm not sure if that's correct.

46 MR. BROWNE, Q.C.: I don't think that's ... maybe Hydro  
47 can be of assistance here. What exactly is proposed?  
48 Maybe ... given the fact I don't have my briefcase and you  
49 people have yours.

50 MR. YOUNG: Yeah, we're looking here. It's in a paper in ...  
51 overall there is no increase proposed but you're an  
52 individual, you may see a particular increase but ... I've got  
53 some information here on that, if you'll just bear with us for  
54 a moment.

55 MR. BROWNE, Q.C.: You mentioned in terms of social  
56 obligation. Does the Town view in any way any kind of  
57 social obligation, because you're here in Labrador, of  
58 assisting in any way, shape or form the diesel communities,  
59 from Nain to Mary's Harbour, where they are not  
60 interconnected, they're all on diesel, and we all know the  
61 cost of fuel? Do you see any social obligation there?

62 MR. FARRELL: No. I think we're a pretty reasonable  
63 population when it comes to our net contribution to the  
64 island portion of the province all over. I mean, we've  
65 always been a big contributor. Electricity rates have been  
66 one of the things that has been an incentive for people to  
67 come here and live here, and it's not always easy anymore  
68 to get workers to come here, you know. The cost ... the  
69 wages for a mechanic to come to Wabush Mines or IOC  
70 today is, you can probably get the same in an area that has  
71 all the things that, you know, that people take for granted  
72 everywhere else and we don't have, so I think low  
73 electricity rates are an incentive for people to settle here  
74 and I think that we do contribute our share and I don't  
75 really think it should be based on increasing electricity  
76 rates for us.

77 MR. BROWNE, Q.C.: We're very conscious, of course,  
78 you're into a northern climate. You're paying two cents a  
79 kilowatt hour and on the island a lot of people are paying  
80 six to seven cents a kilowatt hour. In mid winter do you  
81 have ... are you all electric yourself?

82 MR. FARRELL: Yes.

83 MR. BROWNE, Q.C.: Okay. What would your bill be, if I  
84 can just, like in the middle of winter, your electric bill?

85 MR. FARRELL: Oh, probably \$120 a month.

86 MR. BROWNE, Q.C.: \$120 a month. That would be ...  
87 would that be the maximum during the winter months is  
88 what you'd be paying?

89 MR. FARRELL: Yeah. I would think so, yeah.

90 MR. BROWNE, Q.C.: Have we got any news here?

91 UNIDENTIFIED SPEAKER: I have the updated sheets. I  
92 don't have all the sheets. (inaudible)

1 MR. WELLS: (inaudible)

2 MR. YOUNG: There's no general increase being sought  
3 and I'm trying to get some useful information to pass on  
4 here. I guess it depends, there may be some adjustments  
5 amongst the rate classes but (inaudible) an overall rate  
6 increase, so depending on who you are and what point and  
7 what your significant, you know, load is and your demand  
8 and your energy, there could be some slight differences,  
9 and it could be a decrease or an increase, but the four rules  
10 (phonetic) that I read out earlier are the guidelines that  
11 we're using to keep any increases or decreases between the  
12 certain levels.

13 MR. WELLS: No additional (inaudible)

14 UNIDENTIFIED SPEAKER: (inaudible)

15 MR. YOUNG: There's no net increases.

16 (3:00 p.m.)

17 MR. BROWNE, Q.C.: As I recall it, the Town of Labrador  
18 City right now, after all is said and done, they're paying 2.1  
19 cents a kilo, kilowatt hour, and after the adjustment they'll  
20 pay 2.2 cents a kilowatt. I'm not sure if that applies to  
21 Wabush. I think your ... maybe Hydro can be of assistance  
22 here. I can tell you this, Mayor, on behalf of the consumers  
23 of the province, we've hired an expert out of Virginia who  
24 does rate design and he did rate design, he does rate  
25 design issues determining electrical charges for the known  
26 world, China, Pakistan, India, places in the United States  
27 and places in Canada, and when he looked at the rate for  
28 here, the 2.1 cents, he thought I'd made a mistake when I  
29 sent him the figures. He said go and check that through  
30 again, because he said that's less than a cent US, and he  
31 said there's no place in the known world that has electricity  
32 charges that low. Are you aware of that fact?

33 MR. FARRELL: I'm probably aware of the fact that we have  
34 low rates, yes, but I'm also aware of the fact that we don't  
35 have the things here that most places on the island have,  
36 like paved roads and things like that, so I think, you know,  
37 that we don't have the things that everyone else takes for  
38 granted, you know, and I think if we have cheaper  
39 electricity rates, and obviously we're paying our own way,  
40 we have \$2.9 million in the kitty right now that's going to be  
41 handed back to the people of Wabush eventually, so I  
42 think we are paying our way and more besides if that  
43 surplus is there, so I don't ... I think it's going to be hard for  
44 people of Wabush and Labrador West overall to accept or  
45 to accept a rate increase when you can see that kind of a  
46 surplus built up already in Wabush alone.

47 MR. BROWNE, Q.C.: Okay. Someone is putting a  
48 (inaudible) in front of me now. Maybe Mr. Hamilton, who's  
49 a rate design person, can give you some advice here as to  
50 exactly what your rates are now, what's proposed.

51 MR. HAMILTON: In the case of Wabush, the existing  
52 domestic rate is a basic customer charge of \$2.42 cents, and  
53 that's proposed to rise to \$3.75. The energy charge is  
54 currently 1.318 cents, kilowatt hour, and that's to rise to  
55 1.35 cents per kilowatt hour. So that's the domestic rate  
56 change in here, so that's ...

57 MR. BROWNE, Q.C.: And what is it for Lab City, is that  
58 basically ...

59 MR. HAMILTON: Lab City is the same end rate but right  
60 now they have a slightly higher existing rate. They are ...  
61 they have a more complicated domestic basic rate. They  
62 have \$1.15 for the first 20 kilowatt hours, then they have  
63 first block, 21 to 60 kilowatt hours at 2.78 cents per kilowatt  
64 hour, 61 to 300 kilowatt hours at 1.270 cents per kilowatt  
65 hour, and all excess over 300 kilowatt hours, that's for  
66 electric heat (inaudible), would be what most of the  
67 consumption is, it's at 1.15 cents per kilowatt hour, and  
68 again that's moving to an energy charge of 1.35 cents per  
69 kilowatt hour, which is approximately almost 20 percent  
70 increase on the energy charge, .2, yeah, two tenths of a  
71 cent increase at 1.15, and right now there is no basic  
72 customer charge. There is just a minimum charge of \$1.15  
73 and we're proposing a basic customer charge of \$3.75.

74 MR. BROWNE, Q.C.: So both Wabush and Lab City would  
75 have \$3.75 according to what's proposed as your basic  
76 customer charge.

77 MR. HAMILTON: That's right.

78 MR. BROWNE, Q.C.: And their kilowatt per hour charge ...

79 MR. HAMILTON: 1.35 cents.

80 MR. BROWNE, Q.C.: 1.35 cents. And I think that's, if you  
81 decompose that, it might work out to be about 2.1 or 2.2  
82 cents a kilowatt, if you did the basic rate.

83 MR. HAMILTON: (inaudible) consumption level, yeah,  
84 would be two cents at very low consumption level, at a  
85 large ... I think two cents is a, if you take all the rates,  
86 general service and domestic, and you took the average  
87 rate for Lab City, Wabush area, it's around two cents.

88 MR. FARRELL: Two cents per kilowatt hour, like we said  
89 a few minutes ago.

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

91 MR. HAMILTON: Yes. The average, it included general  
92 service customer classes also.

93 MR. BROWNE, Q.C.: So the increase isn't a dramatic one  
94 in terms of the effect on either Wabush or Lab City, and I  
95 think your comments based on fairness. You have other  
96 expenses, particularly transportation costs of getting in and  
97 out of here, and you are, for the most part, isolated.

- 1 MR. FARRELL: That's right.
- 2 MR. BROWNE, Q.C.: Yes. We understand those. You  
3 made some comments concerning Happy Valley-Goose Bay  
4 and how you wish Happy Valley-Goose Bay to be deal with  
5 separately and not a part of the Labrador City or Wabush  
6 or the interconnected system. Is that correct?
- 7 MR. FARRELL: Yeah. We have a separate line coming in  
8 here from Churchill Falls. I think ... we're not in ... we have  
9 nothing in common with Goose Bay whatsoever in regards  
10 to things like electricity and everything. They have ... we're  
11 a one-industry town, as everybody realizes. Goose Bay  
12 has a different economy altogether than Labrador West. I  
13 mean, they have the military presence there, they have the  
14 airport there. That generates a lot of revenue. All the  
15 Government offices are there now and more going there all  
16 the time, so it's a different situation altogether than ... so I  
17 don't really think that we should be considered to be or  
18 should be a part of Goose Bay.
- 19 MR. BROWNE, Q.C.: And, Mayor, I guess you do your ...  
20 what's your fiscal year for the, for your council?
- 21 MR. FARRELL: Calendar year.
- 22 MR. BROWNE, Q.C.: The calendar year. So you're coming  
23 to the end of the calendar year ...
- 24 MR. FARRELL: That's right, yeah.
- 25 MR. BROWNE, Q.C.: ... now. Any proposed increase is, I  
26 believe, in two stages in any case, in January and July,  
27 albeit the increase here may not be significant, but I guess  
28 ...
- 29 MR. FARRELL: Well, if we based it on 17 percent increase,  
30 that was the figure we heard some time ago, that would  
31 mean an extra \$35,000 to the Town of Wabush alone, just  
32 in their electricity rates.
- 33 MR. BROWNE, Q.C.: Maybe Newfoundland Hydro can ...  
34 there seems to be some difficulty here. Is there a 17 percent  
35 increase, because the figures you just gave me I don't see  
36 17 percent.
- 37 MR. HAMILTON: No, there's an increase for Lab City.  
38 Lab City residents will get around 17 percent on domestic,  
39 but the, but Wabush is about one or two percent.
- 40 MR. FARRELL: For how long?
- 41 MR. HAMILTON: This time.
- 42 MR. FARRELL: This time. But how long will that be for?
- 43 MR. HAMILTON: Until the next hearing, which I guess,  
44 the next application we expect to make in 2003.
- 45 MR. BROWNE, Q.C.: For the next couple of years. These  
46 are my questions.
- 47 MS. MERCER: I have no questions, Mr. Chair.
- 48 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.  
49 Browne. Thank you, Ms. Mercer. Counsel, Mr. Kennedy,  
50 please?
- 51 MR. KENNEDY: I'm just curious, a question of Hydro  
52 actually. Just the documentation that was being referred  
53 to, is that filed documentation?
- 54 MR. HAMILTON: Yes, that's the schedule in my evidence  
55 that compares the existing and proposed rates.
- 56 MR. KENNEDY: And can you tell us which schedule that  
57 would be?
- 58 UNIDENTIFIED SPEAKER: Schedule 1.
- 59 MR. HAMILTON: Schedule 1.
- 60 MR. KENNEDY: And again, just so parties are aware,  
61 that's available on the web site as part of the application  
62 material filed by Hydro if people wanted to look to that for  
63 themselves.
- 64 UNIDENTIFIED SPEAKER: (inaudible)
- 65 MR. KENNEDY: I have no questions.
- 66 MR. YOUNG: If I can just make a comment, Mr. Chair, and  
67 just by way of explanation, some people in the room may be  
68 wondering what all the scrambling is about, when you ask  
69 a question like what's the rate going to be, is there going to  
70 be a rate increase, we're all looking at different rate classes  
71 for different groups within the Labrador West area and we  
72 all could have come up with different answers because the  
73 question as it was raised was rather general. This can be a  
74 difficult thing to do unless someone is making a specific  
75 reference, specific rate class, and sometimes to a specific  
76 scenario, you know, what's your demand, what's your  
77 energy, etc. So it's not that we ... and I hope it doesn't  
78 appear like we don't know what we're doing, but we're all  
79 answering (inaudible) different scenarios and different  
80 cases, and so the answers weren't as quickly to come up  
81 with as you might ...
- 82 MR. BROWNE, Q.C.: But the Mayor's comments that he  
83 was looking at a \$35,000 increase in terms of your, to the  
84 Council?
- 85 MR. FARRELL: Municipal operations, yes.
- 86 MR. BROWNE, Q.C.: Can someone on Hydro comment as  
87 to the accuracy of that?
- 88 MR. HAMILTON: That would mainly be because of the  
89 street lighting rate change. The old street lighting rates,  
90 there was no pole rentals and the fixture rates were very  
91 low, so I think most of the increases relate to street lighting.
- 92 MR. BROWNE, Q.C.: So you could be correct there, sir. I



1 was looking from a domestic consumer perspective, from a  
2 ...

3 MR. FARRELL: Our rates ...

4 MR. BROWNE, Q.C.: ... household perspective, what your  
5 street lights would be.

6 MR. FARRELL: In 1987 we paid \$112,000 for electricity  
7 rates for the Town of Wabush. In 2001 we paid \$175,000,  
8 and if there's an increase, and we based it on 17 percent,  
9 wherever that figure came from, I think it was based on the  
10 last time that Hydro people gave a presentation to the  
11 Town of Wabush and we said if that happened in 2002, our  
12 total electricity bill for the Town of Wabush would go to  
13 \$205,000 a year.

14 MR. NOSEWORTHY, CHAIRMAN: Okay, thank you,  
15 Mayor Farrell. I'll just ask the Commissioners now if they  
16 would have any questions. Commissioner Powell, please.

17 COMMISSIONER POWELL: I don't have any questions.  
18 I'm just wondering, Mayor Farrell, you going to leave us a  
19 copy of your presentation notes?

20 MR. FARRELL: Most certainly, sure. Most certainly.

21 COMMISSIONER POWELL: Nice to be able to read it.  
22 Thank you very much for coming.

23 MR. FARRELL: Not a problem.

24 COMMISSIONER SAUNDERS: Mayor, you mentioned in  
25 your presentation or you made reference to the, what we'll  
26 call the Wabush surplus.

27 MR. FARRELL: Yeah.

28 COMMISSIONER SAUNDERS: How do you understand  
29 that to be dealt with in this application?

30 MR. FARRELL: Well, right now the Public Utilities Board  
31 or ... I think has proposed that Wabush residents would get  
32 this back in the form of a cheque sometime during the next  
33 year or something, to that effect, and it looks like probably  
34 \$1,000 per household that they would get back from this  
35 surplus.

36 COMMISSIONER SAUNDERS: Has there been any  
37 information flow to you as a customer or as Mayor from  
38 Hydro about this surplus?

39 MR. FARRELL: Yeah. We had some meetings with a  
40 gentleman here with the computer. I forget his name.  
41 *(laughter)*

42 COMMISSIONER SAUNDERS: Mr. Hamilton.

43 UNIDENTIFIED SPEAKER: Paul Hamilton.

44 MR. FARRELL: I think he gave a presentation to us one  
45 day and told us that we had this surplus and that we would

46 be getting a refund.

47 COMMISSIONER SAUNDERS: Yeah. That's one of the  
48 items, if you like, that's contained in Hydro's application  
49 that we're presently trying to gather evidence on and  
50 eventually do an order on and make the necessary  
51 adjustments in the rates that we believe are called for,  
52 however, I'm wondering what your opinion is, I suppose,  
53 because this surplus goes back a number of years, at least  
54 the origin of it does, and as you pointed out and I'll take  
55 you for your, I'll take you at, as being accurate on your  
56 numbers, that it's averaged out something like \$300,000 a  
57 year since 1992.

58 MR. FARRELL: That's right.

59 COMMISSIONER SAUNDERS: Some of the customers  
60 who contributed to that surplus are no longer here.

61 MR. FARRELL: That's right.

62 COMMISSIONER SAUNDERS: And some of the  
63 customers who are here didn't contribute very much if they  
64 came in the last six months.

65 MR. FARRELL: That's right.

66 COMMISSIONER SAUNDERS: Do you have any opinions  
67 on that?

68 MR. FARRELL: I assume that'll be a calculation that will  
69 have to be done by Hydro or whoever is responsible for  
70 doling out the money. I don't know otherwise. Do you,  
71 Jennifer?

72 MS. MERCER: No, I don't. I haven't looked at that issue.

73 COMMISSIONER SAUNDERS: You haven't been informed  
74 as to how that is being proposed by Hydro to be done?

75 MR. FARRELL: No. I just know from basic knowledge  
76 that, or I heard somewhere along the line that it would be  
77 based on a customer who paid the most money in over the  
78 past number of years would get the most money back, so  
79 I don't know how, other than that how they would ... maybe  
80 Hydro can answer that for us. I don't know.

81 COMMISSIONER SAUNDERS: How long have you lived  
82 here, Mayor?

83 MR. FARRELL: 39 years.

84 COMMISSIONER SAUNDERS: How long have you been  
85 Mayor?

86 MR. FARRELL: This is my second term.

87 COMMISSIONER SAUNDERS: So you ... so this is five,  
88 six years that you've been Mayor?

89 MR. FARRELL: Yeah. Well, four years as Mayor, yeah.

90 COMMISSIONER SAUNDERS: Okay. And so you've

1 always been fairly actively involved in the Town affairs and  
2 ...

3 MR. FARRELL: I have, yes.

4 COMMISSIONER SAUNDERS: Yes. When this surplus  
5 came about or started or when it commenced in 1992, what  
6 was your understanding then at the time as to how that  
7 was going to be dealt with and repaid to the customers?

8 MR. FARRELL: You're going back a long ways, sir. The  
9 first we heard of it was probably a year ago or less than a  
10 year ago that that surplus was there.

11 COMMISSIONER SAUNDERS: You didn't know anything  
12 about it till then?

13 MR. FARRELL: Did not know, no.

14 COMMISSIONER SAUNDERS: I see, okay. Thank you.

15 MR. FARRELL: Thank you.

16 MR. NOSEWORTHY, CHAIRMAN: Commissioner  
17 Whalen?

18 COMMISSIONER WHALEN: No, I have no questions.  
19 Thank you, Mayor Farrell.

20 MR. NOSEWORTHY, CHAIRMAN: I have no questions,  
21 Mayor Farrell. I would like, appreciate having a copy of  
22 your presentation.

23 MR. FARRELL: Sure.

24 MR. NOSEWORTHY, CHAIRMAN: (inaudible) transcript.  
25 And, sir, I thank you very much for coming.

26 MR. FARRELL: Okay. I'll have that available for you.

27 COMMISSIONER SAUNDERS: Thank you, Mayor Farrell.

28 MR. KENNEDY: Chair, if I may, that last question  
29 concerning the Wabush surplus, I believe some of the  
30 issue is dealt within a filing, **LC-10**, which again is part of  
31 the record and people would have access (inaudible).

32 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.  
33 Kennedy. Thank you once again, Mayor Farrell.

34 MR. FARRELL: Okay.

35 MR. NOSEWORTHY, CHAIRMAN: May I ask Mayor  
36 Graham Letto to come forward, please, to the witness table?  
37 Good morning, Mayor Letto. How are you?

38 MR. LETTO: Good afternoon.

39 MR. NOSEWORTHY, CHAIRMAN: Good afternoon. That  
40 too. Mayor Letto and I about a year ago travelled through  
41 Sweden together when I was Deputy Minister of Municipal  
42 Affairs and he was on the Mayor of, or he was on the  
43 Federation of Municipalities at the time. We didn't  
44 envisage at that point in time, I guess, that we'd be facing

45 each other like this, but anyway, welcome, sir.

46 MR. LETTO: Thank you.

47 MR. NOSEWORTHY, CHAIRMAN: Would you take the  
48 Bible in your right hand, please? Do you swear on the  
49 Bible that the evidence to be given by you shall be the  
50 truth, the whole truth and nothing but the truth, so help  
51 you God?

52 MR. LETTO: I do.

53 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mayor  
54 Letto, and welcome once again. I wonder could you  
55 proceed to your presentation, please?

56 MR. LETTO: Sure, thank you, Mr. Chair, and I'd like to  
57 welcome everybody to the Labrador West area, even  
58 though you didn't get your luggage. Interesting to see  
59 now with the new regulations, how do you travel without  
60 your luggage? You're not supposed to, so good luck.

61 (3:15 p.m.)

62 Anyway, Labrador City is supplied by  
63 Newfoundland and Labrador Hydro with electrical energy  
64 produced at Churchill Falls. The energy is transferred to  
65 Labrador City over a transmission line that was constructed  
66 approximately 40 years ago and is distributed throughout  
67 Labrador City on a system acquired by Newfoundland and  
68 Labrador Hydro in 1992 for the nominal sum of \$1. Present  
69 rates in Labrador City have been approved by the Public  
70 Utilities Board. There is every indication that the citizens  
71 of Labrador City are presently paying their full cost of  
72 service, including a reasonable rate of return to Labrador  
73 (sic) Hydro.

74 Present rates in Labrador City are on average  
75 approximately five times the cost of production of energy  
76 at Churchill Falls. Even when one adds in the cost of  
77 transmitting the electricity to Labrador West and  
78 distributing it locally, there should be sufficient revenue at  
79 present rates to pay for cost of service and provide a rate  
80 of return to Hydro, at least in accordance with the public  
81 utility principles.

82 If the present structure is to be altered, the  
83 Labrador West area should be treated as a separate area for  
84 rate purposes, either by a separate rate structure within the  
85 interconnected system or as a separate system. There is no  
86 compelling logic to link the Labrador City area with that of  
87 Happy Valley-Goose Bay. Moreover, given the rate  
88 experience in Wabush, and that it is acknowledged that we  
89 have in fact overpaid or they have in fact overpaid, we see  
90 no compelling reason for any increase in Labrador City.

91 Happy Valley-Goose Bay is supplied with  
92 electricity from Churchill Falls by a line separate and  
93 distinct from that serving Labrador West. The cost

1 associated with the line, together with the cost associated  
2 with the distribution of power in the Happy Valley-Goose  
3 Bay area, will also have no connection to Labrador West.  
4 In addition, the Happy Valley-Goose Bay area has a  
5 different economy based on airport, military facilities and  
6 Government services. In contrast, the Labrador West area  
7 relies solely on the silica business of iron ore mining. Thus  
8 there is no convergence of economies or economic interest  
9 between the two areas. The two areas have historically and  
10 continue to have different cost structures. Thus, there  
11 would be no reason in logic or law or policy to establish  
12 uniform rate structures over time between residents of  
13 Labrador West and those of Happy Valley-Goose Bay. The  
14 inevitable result is that such a system will, over time, foster  
15 an (inaudible) between the two areas by compelling one  
16 area to subsidize the other.

17 It is our intention to call expert evidence to deal  
18 with all issues and to have our solicitor address them in  
19 greater detail subsequently in the hearings, which we  
20 understand will take place in St. John's in early December.

21 The citizens of Labrador City have during their  
22 history always been (unintelligible) contributors to the  
23 Newfoundland economy, and as such have always been  
24 (unintelligible) contributors to the social costs of the  
25 province. Such costs are normally within the purview of  
26 the province and should not be recovered from certain  
27 regulated ratepayers within the electrical distribution  
28 system.

29 The current rural rate subsidy on an annual basis  
30 amounts to approximately \$26 million and is more in the  
31 nature of a tax. Therefore, it is more appropriately and  
32 efficiently dealt with by the province by direct legislation  
33 rather than imposed on domestic ratepayers. Indeed, our  
34 legal advice is that the province has the legal competence  
35 and authority to impose an energy tax on all electrical  
36 energy produced in the province and have such tax  
37 collected from the recipients of such energy, whether or not  
38 the energy is consumed in the province or not. This means  
39 that an electrical energy tax could be a tax to our entire  
40 provincial production rate base, including the output of  
41 Churchill Falls. A one mill tax per kilowatt hour as  
42 suggested on an annual basis recovers substantially more  
43 than the entire rural subsidy.

44 This Board will be failing in its basic obligation if  
45 it fails to recognize this option and instruct Government to  
46 follow this course of action rather than placing the entire  
47 impact of the social tax of a rural subsidy on domestic  
48 ratepayers.

49 In conclusion, the ratepayers of Labrador City pay  
50 reasonable taxes, reasonable rates based on the cost of  
51 service. We are in a mining town based on the mining of

52 iron ore, and as such our economy is subject to silica  
53 downturns, one of which is being experienced at the  
54 present time. It flies in the face of sound policy or logic to  
55 link our area with that of Happy Valley-Goose Bay, which  
56 has a different economy, history and cost structure.

57 Finally, the rural rate subsidy should be recovered  
58 in the form of an energy tax on all electricity produced in  
59 the province rather than imposed solely on certain  
60 domestic ratepayers within the province, all of which of this  
61 is respectfully submitted. Thank you.

62 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,  
63 Mayor Letto. I'll ask Hydro if they have any questions.

64 MR. YOUNG: No questions, thank you.

65 MR. NOSEWORTHY, CHAIRMAN: Newfoundland  
66 Power?

67 MR. HAYES: No questions. Thank you, Mayor Letto.

68 MR. NOSEWORTHY, CHAIRMAN: Consumer Advocate,  
69 Mr. Browne, please?

70 MR. BROWNE, Q.C.: Yes. The same questions. You don't  
71 see yourself basically as linked into Happy Valley-Goose  
72 Bay at all. You don't want to be considered as part of the  
73 system with Happy Valley-Goose Bay. Is that correct?

74 MR. LETTO: That's correct.

75 MR. BROWNE, Q.C.: How do you see yourselves in terms  
76 of the communities that are diesel-generated?

77 MR. LETTO: Well, I guess I grew up on the coast of  
78 Labrador, I know exactly what they're paying. I'm well  
79 aware of it and I'm President of Combined Councils so I'm  
80 well aware. I've heard all the arguments for that. We feel  
81 that our rates should be based on a cost recovery basis for  
82 this area and we shouldn't be subsidizing other areas of the  
83 province. It should be strictly ... our rates should be  
84 strictly based on what it cost Newfoundland and Labrador  
85 Hydro to provide electrical service to this area, and we are,  
86 as a municipality and an area, certainly contributing greatly  
87 to the economy of the province. We know we are  
88 providing the provincial coffers with lots of tax dollars,  
89 whether it's income tax, sales tax or whatever, so we feel  
90 that we are paying our fair share and that our rates should  
91 be based on a cost recovery system, not on a subsidy  
92 system.

93 MR. BROWNE, Q.C.: You wouldn't see it as a Labrador  
94 issue, Labrador looking after Labrador in terms of diesel-  
95 generated and ... a lot of people are coughing there in the  
96 background now. You wouldn't see it as a Labrador issue?

97 MR. LETTO: Well, you know, Labrador has five distinct  
98 regions. It's been recognized by the province in its  
99 economic zones. If Labrador was considered one identical

1 region, then we would have one region. Just last week the  
2 gas regulator broke the province down into regions. He  
3 broke Labrador down into four or five regions. So if it's  
4 good for electrical rates, then we should be all one region  
5 for everything, whether it's in airfares, gas prices, you name  
6 it, the list goes on. Why should we have one region for  
7 electrical rates when everything else is separated?

8 MR. BROWNE, Q.C.: In terms of your Presidency of the  
9 Joint Councils, what is the problem people are incurring  
10 concerning diesel-generated ...

11 MR. LETTO: Well, certainly mainly the high cost and the  
12 reliability. They find it unreliable and a high cost, and  
13 nobody is arguing that it isn't a high cost. We're certainly  
14 not arguing that.

15 MR. BROWNE, Q.C.: So in terms of the fact that Hydro  
16 only recovers 22 percent of its costs there, how do you see  
17 that paid for? How does Hydro get its money to pay the  
18 other 78 percent of the costs for that?

19 MR. LETTO: Well, I think it would be (unintelligible)  
20 Hydro. We've already made one suggestion with the  
21 energy tax. We're living right next door to the greatest  
22 hydro development power in North America. If all was  
23 correct in this world, there would be no diesel power in  
24 Labrador. In fact we would all be provided by Churchill  
25 Falls, if it was done right, and we wouldn't be into this  
26 issue. I know we are but maybe we should be looking at,  
27 more at developing hydro power for the long-term for the  
28 coastal communities so we get rid of the diesel plants.

29 MR. BROWNE, Q.C.: Mayor, in terms of the Labrador City,  
30 we've heard some figures given by Mayor Farrell in terms  
31 of Wabush and the street lighting. Do you have any idea  
32 of what the proposal, how the proposal affects your street  
33 lighting in Lab City?

34 MR. LETTO: We know we're going to be paying more.  
35 The actual figures, maybe Newfoundland and Labrador  
36 Hydro has them, but I certainly don't have them with me  
37 here today, but we know that we are going to be  
38 experiencing an increase in the domestic rates as well in the  
39 range of 17 to 20 percent, so that's proposed rates by  
40 Newfoundland and Labrador Hydro, but it will be a cost  
41 burden to the Town, of course.

42 MR. BROWNE, Q.C.: Mayor Letto, Mayor Farrell  
43 mentioned Wabush, you had 60/40 in terms of the heating,  
44 oil versus electricity. What would it be in Lab City?  
45 Would it be around the same or do you have any idea?

46 MR. LETTO: I think, personally I think it's much higher  
47 than that. I think we're more in the 80/20 range, 85/15.

48 MR. BROWNE, Q.C.: For, you know ...

49 MR. LETTO: Electricity.

50 MR. BROWNE, Q.C.: For electricity?

51 MR. LETTO: Sure, yeah. The rest being oil.

52 MR. BROWNE, Q.C.: Was that always the case or did  
53 people convert here over the years? Have you been here  
54 a number of years?

55 MR. LETTO: I've been here 28 years.

56 MR. BROWNE, Q.C.: You've been here 28 years. First  
57 when you got here were people mostly into oil?

58 MR. LETTO: A lot of people were into oil and switched to  
59 electricity over the years, yes.

60 MR. BROWNE, Q.C.: And then switched to electricity over  
61 the years.

62 MR. LETTO: Uh hum, sure.

63 MR. BROWNE, Q.C.: And because it was cheaper energy,  
64 obviously.

65 MR. LETTO: Absolutely. Cleaner.

66 MR. BROWNE, Q.C.: Cheaper and cleaner.

67 MR. LETTO: Sure.

68 MR. BROWNE, Q.C.: So the oil companies have lost out in  
69 Labrador City.

70 MR. LETTO: I would say over the years, that's a fair  
71 statement, yeah.

72 MR. BROWNE, Q.C.: And in new construction, sir, any  
73 new home construction going on in Labrador City?

74 MR. LETTO: Very little, very little.

75 MR. BROWNE, Q.C.: And the little that does go on, are  
76 people putting electricity ...

77 MR. LETTO: Electricity, yes.

78 MR. BROWNE, Q.C.: ... in their homes? Do you have all  
79 electric yourself?

80 MR. LETTO: Yes, I do.

81 MR. BROWNE, Q.C.: Can you just ballpark it, what you're  
82 paying a month, if you don't mind me asking?

83 MR. LETTO: I pay, and I don't apologize for this, I pay as  
84 low as 30 in the summer and as high as probably 140 in the  
85 winter.

86 MR. BROWNE, Q.C.: 140 in the winter.

87 MR. LETTO: Yeah.

88 MR. BROWNE, Q.C.: Those are my questions. Thank you,  
89 Mayor.

90 MR. LETTO: Thank you.

1 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,  
2 Mr. Browne. Ms. Mercer, do you have any questions for  
3 ...

4 MS. MERCER: I don't have any questions, Mr. Chairman.  
5 I would like to just point out some of the numbers that  
6 we've (inaudible). I don't have the excuse of having lost my  
7 bags on the flight but I don't have the numbers in front of  
8 me. I think that'll be dealt with, if they haven't already been  
9 dealt with, in the expert information (inaudible). I'm not  
10 sure if it was by Mayor Farrell or Mayor Letto, and I have  
11 no questions for Mayor Letto.

12 MR. NOSEWORTHY, CHAIRMAN: Thank you. Counsel?

13 MR. KENNEDY: No questions, Mr. Chair.

14 MR. NOSEWORTHY, CHAIRMAN: Commissioner  
15 Saunders?

16 COMMISSIONER POWELL: No, I don't have any  
17 questions.

18 COMMISSIONER SAUNDERS: No questions, Mr. Chair.

19 MR. NOSEWORTHY, CHAIRMAN: Mayor Letto, I just  
20 have one. In terms of the reliability of service, is there  
21 issues surrounding that, reliability of the service?

22 MR. LETTO: Of the present service we receive?

23 MR. NOSEWORTHY, CHAIRMAN: Yeah.

24 MR. LETTO: For the most part I think it's fairly reliable. I  
25 mean, we do have our glitches and do have our outages  
26 but some of it is probably, mostly controlled by nature  
27 rather than by the system itself. I mean, we get a lightning  
28 strike or whatever and it's part of nature and there's not  
29 much we can do to avoid that. For the most part I think it's  
30 very reliable.

31 MR. NOSEWORTHY, CHAIRMAN: Thank you.  
32 Commissioner Whalen?

33 COMMISSIONER WHALEN: No, no questions. Thank  
34 you, Mayor Letto.

35 MR. LETTO: Thank you.

36 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,  
37 Mayor Letto. Mr. Kean, would you come up to the witness  
38 table, please? Welcome, Mr. Kean. You are the President  
39 of the Steelworkers Union, is that ...

40 MR. KEAN: Yes.

41 MR. NOSEWORTHY, CHAIRMAN: Is that correct? You  
42 have the Bible, I see. Do you swear on this Bible that the  
43 evidence to be given by you shall be the truth, the whole  
44 truth and nothing but the truth, so help you God?

45 MR. KEAN: I do, sir.

46 MR. NOSEWORTHY, CHAIRMAN: Thank you.

47 UNIDENTIFIED SPEAKER: Excuse me, on a point of order,  
48 we can't hear you back here.

49 MR. NOSEWORTHY, CHAIRMAN: Oh, okay.

50 UNIDENTIFIED SPEAKER: Thank you.

51 MR. NOSEWORTHY, CHAIRMAN: I'll speak up when I  
52 begin again. Can you hear the witness back there?

53 UNIDENTIFIED SPEAKER: So far they (inaudible).

54 MR. NOSEWORTHY, CHAIRMAN: Okay. Can you hear  
55 the questions?

56 UNIDENTIFIED SPEAKER: The questions are okay.

57 MR. NOSEWORTHY, CHAIRMAN: Okay, fine.

58 UNIDENTIFIED SPEAKER: (inaudible)

59 MR. NOSEWORTHY, CHAIRMAN: Okay. If you'll  
60 proceed, Mr. Kean, please.

61 (3:30 p.m.)

62 MR. KEAN: Mr. Chairman, your worships, ladies and  
63 gentlemen, first of all my name is George Kean. I'm  
64 President of United Steelworkers of America Local 5795. I  
65 also want to welcome you to Labrador West. It's  
66 unfortunate regards to your luggage but it's a type of  
67 service that we receive in Labrador West and I know ... Mr.  
68 Browne asked regards to subsidizing hydro in this province  
69 but I know if you looked at your stubs on your tickets,  
70 (unintelligible) regards to the rates in airfare.

71 On behalf of our 1,100 members of United  
72 Steelworkers of America Local 5795 I want, Mr. Chairman,  
73 to thank the Board for the opportunity to address you in  
74 this hearing on the proposed request by Hydro for rate  
75 changes to its customers. I'm here representing the  
76 membership who are the majority of consumers of electrical  
77 system in Labrador West. My members represent the  
78 majority of the employees of the Iron Ore Company of  
79 Canada who have come to Labrador City over the years by  
80 the promise of subsidized housing, good wages, excellent  
81 medical coverage, access to company aircraft, excellent  
82 education system and reasonable electricity rates and  
83 medical and recreational facilities.

84 The Iron Ore Company of Canada realized many  
85 years ago that in order to attract workers to the northern  
86 mining town, which has a very harsh climate with six to  
87 eight months a year of temperatures around minus 20  
88 degree Celsius, they had to offer good benefits. Even with  
89 good benefits the Iron Ore Company of Canada found that  
90 as many as 50 employees were quitting daily in the '70s  
91 because they could not adjust to the harsh winter climates,  
92 the working environment within the mine or the isolation

1 living in Labrador. Except for a road joining Labrador City  
2 with Baie Comeau and Goose Bay, which was built recently,  
3 for over 30 years the only means of travel from Labrador  
4 City was by train to Sept Iles or by air. Close to 50,000  
5 employees have gone through the gates of the Iron Ore  
6 Company of Canada over the years, but the majority didn't  
7 stay. For those of us that have decided to make Lab City  
8 our home, we find it a beautiful place to bring up a family,  
9 very little crime, excellent recreation and education  
10 facilities, and for the outdoors person and hunter, a  
11 wilderness at the doorstep.

12 Over the years our membership have gone from a  
13 high of 2,600 members in the late '70s to 1,026 after 1982  
14 recession. During the early '90s we increased our hourly  
15 workforce again to 1,600 members but today we're down to  
16 1,100 as a result of retirements and workforce reductions.

17 Most of us enjoy working for the Iron Ore  
18 Company of Canada and work hard to make it profitable.  
19 Even though we are making good wages, with the increases  
20 in the cost of living in north, maintaining a comfortable  
21 existence in Lab City is becoming more difficult daily.

22 With the long harsh winter climate, if we are  
23 paying the rates that are being paid on the island part of  
24 the province for electricity, would be, probably take an  
25 average earning for two weeks just to pay your monthly  
26 utility bill. Combined with that, additional cost of groceries  
27 and other services that would be indirectly affected by an  
28 increase in the utility rate, it would be impossible to  
29 survive.

30 United Steelworkers of America realizes the  
31 benefits of reasonable hydro rates to its members. That is  
32 why we negotiate control rates as we did in 1984 or any  
33 increase to our members, IOC will reimburse us as we did in  
34 our 1999 collective agreement. Such is not the same for  
35 retirees or other residents of Labrador City. I'd like the  
36 Board to know that we have close to between 70 and 100  
37 families of deceased members living in Lab City on very  
38 limited incomes and from to time we go and help many of  
39 these people and this past summer helped many paint their  
40 homes and helped them with groceries and everything else  
41 because even today living on an income, their husband  
42 probably died many years ago, and they are here in Lab  
43 City to stay, but their income hasn't increased.

44 With the iron ore industry experiencing difficult  
45 times in Labrador West, it cannot afford such increases,  
46 and Mayor Farrell and others have said regards to the  
47 mining industry, well today Wabush Mines in on a  
48 shutdown with layoff, QCM across the border just from us,  
49 five-month shutdown in this year, and just announced 120  
50 layoffs and we're quite fortunate to be still producing at  
51 this time but we don't know how long that's going to stay

52 because of the world situation, iron ore dumping from  
53 Russia and other countries into United States and Canada,  
54 and the effect of what happened on the 11th haven't really  
55 hit us yet in (inaudible).

56 (unintelligible) and staff employees have retired in  
57 the last two years. An additional 700 are eligible to retire in  
58 the next five years. Between 60 and 70 percent of retirees  
59 have been staying in Lab City while others have decided to  
60 retire back on the island or other parts of Canada. As the  
61 cost of electricity is the one of the factors to help influence  
62 their decision to stay, an increase in hydro rates would  
63 have serious repercussions on the future of Labrador City.

64 The Iron Ore Company of Canada built and owned  
65 the hydro system and the Steelworker members maintained  
66 the service in Lab City until it was acquired by  
67 Newfoundland and Labrador Hydro in 1992 for \$1. We feel  
68 we are paying more than enough under the present  
69 structure for Hydro to pay for upkeep and service on the  
70 system and also make a substantial profit. We realize that  
71 every organization has to make a profit and we're not  
72 against profit. We know that that has to be, but we also  
73 recognize that Hydro is making a profit and that it's  
74 reasonable.

75 This present issue of Hydro wanting large  
76 unrealistic increase for electricity is the reason our union  
77 fought the takeover of the power utilities from the Iron Ore  
78 Company of Canada in 1992. We knew this would happen.  
79 We wanted IOC, which was our employer, to keep hydro at  
80 that time because we knew that once Hydro had it in their  
81 hands, it would be a continuous wanting more and more  
82 increases and we've seen that effect today.

83 Other presenters before you can offer more legal  
84 and qualified arguments on the rate structure and reason  
85 why you should not grant any increases. I want to warn  
86 you that by granting Hydro's request, you might help  
87 Hydro put more income into its bank account but your  
88 decision could help destroy Lab City as we know it today.  
89 Thank you very much.

90 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,  
91 Mr. Kean. Hydro, have any questions?

92 MR. YOUNG: We have no questions. Thank you, Mr.  
93 Kean.

94 MR. NOSEWORTHY, CHAIRMAN: Newfoundland  
95 Power?

96 MR. HAYES: No questions for us, Mr. Chair. Thank you,  
97 Mr. Kean.

98 MR. NOSEWORTHY, CHAIRMAN: Mr. Browne?

99 MR. BROWNE, Q.C.: Yes, I have some questions. Mr.  
100 Kean, good afternoon. In terms of conservation, people

1 using proper conservation to a way of insulating their  
2 homes to bring down costs, is there any conservation  
3 program here in town or anything that the union advocates  
4 to try to assist people to bring down costs of heating?

5 MR. KEAN: Yes. Well, if you had an opportunity, I know  
6 you've been here many years, different capacity, played  
7 arbitrator between us and IOC, but if you'd notice since  
8 then, many people have changed siding on their homes,  
9 put new insulation on and changed windows, better  
10 barriers from the wind and these type of things to insulate  
11 their home, more insulation in the attic, so I think the  
12 majority of people in Labrador West have done that, yes.  
13 I know you asked a question earlier regards to oil versus  
14 electricity.

15 MR. BROWNE, Q.C.: What's your view on that?

16 MR. KEAN: Yeah. Well prior to 1999 we also negotiated  
17 with IOC that Hydro did (phonetic) the oil because IOC  
18 used to buy the oil and we used to get it and we used to  
19 also get reimbursement from IOC on that.

20 MR. BROWNE, Q.C.: You get a subsidization when you ...

21 MR. KEAN: Yes.

22 MR. BROWNE, Q.C.: ... when you purchase your oil.

23 MR. KEAN: Yes, but in 1999 we cut that out because only,  
24 out of our total membership at that time of 1,400, there was  
25 only probably, I think, 30 or 40 using any consumption of  
26 oil. Most people still left their oil furnace in their homes,  
27 converted ... they had (unintelligible) in their heaters where  
28 they could switch from one system to the other in case of,  
29 I guess, electricity failure, but most of them use hydro at  
30 this time, electricity.

31 MR. BROWNE, Q.C.: So the 1,400 members you had in  
32 1999, when you renegotiated the agreement, only 30 or 40  
33 were using, were totally dependent on oil as a form of heat.

34 MR. KEAN: Yes, that's right.

35 MR. BROWNE, Q.C.: And that clause in the collective  
36 agreement is gone.

37 MR. KEAN: Yes.

38 MR. BROWNE, Q.C.: Is there any subsidization clause in  
39 the agreement in reference to electricity?

40 MR. KEAN: Yes.

41 MR. BROWNE, Q.C.: How does that work?

42 MR. KEAN: As I mentioned in my brief, we had negotiated  
43 there that any increase in hydro rates for the life of our  
44 collective agreement, for the members of 5795, IOC will  
45 reimburse our members.

46 MR. BROWNE, Q.C.: So if Hydro is getting an increase

47 right now, that's passed on to IOC effectively.

48 MR. KEAN: That's right, and as the union, sure, my  
49 members are protected, but that burden is gone on to IOC  
50 and we want to (unintelligible) IOC will keep in the  
51 community and any additional costs is only putting a  
52 burden on our employer and also for retirees in the  
53 community, and as I said in my presentation, we expect  
54 between 700 and 1,000 people in the next five to ten years  
55 to retire. We want the majority of them to stay in Lab City,  
56 and if hydro rates go up and they leave, then Lab City is  
57 just going to be probably a ghost town, because many of  
58 the jobs aren't going to be put in with the cost savings and  
59 everything else that employers are doing.

60 MR. BROWNE, Q.C.: The subsidization or reimbursement,  
61 I guess, that IOC gives individuals, does that pertain to the  
62 Town as well, the Town of Labrador City?

63 MR. KEAN: No, just 5795 members.

64 MR. BROWNE, Q.C.: Just your membership itself. And  
65 how exactly does it work? If Hydro were to get an increase,  
66 if it were ... well, from ... use your basic charge from  
67 (inaudible) and decompose it, I think it works out to from  
68 2.1 cents a kilo to 2.2 cents. So that tenth of a cent, that  
69 would be paid directly by IOC or what's the mechanism in  
70 place?

71 MR. KEAN: No. What would happen, I would have to pay  
72 it on my hydro bill and my understanding, according to the  
73 papers I've seen from Hydro's request, is that they're asking  
74 for a 17 percent increase in hydro rates, then that, I would  
75 have to pay that directly ... because we haven't had an  
76 increase since 1991 when Hydro took us over in '92, we  
77 haven't used it yet, but then I guess we would have to  
78 forward that additional increase to IOC and some sort of  
79 reimbursement.

80 MR. BROWNE, Q.C.: You mentioned in your evidence that  
81 production is down in Wabush but not in IOC.

82 MR. KEAN: Well, presently we're stockpiling. We're in a  
83 very difficult situation. We're hoping markets are going to  
84 turn around in the next couple of months. In Sept Iles right  
85 now we have everything stockpiled because we haven't  
86 been able to sell it to customers. At Lab City itself, almost  
87 everything is stockpiled and where Sheppardville, iron ore  
88 used to be stockpiled two years ago, we're now cleaning  
89 that area out and hopefully going to stockpile for the next  
90 couple of months hoping that the markets are going to pick  
91 up, and if not we're not sure what 2002 will hold for us,  
92 because you can only stockpile for so long and, right, and  
93 you're competing not only against QCM across the border,  
94 you're in a global economy and Brazil can take iron ore out  
95 of the ground better than we can after we finished our  
96 processing, so.

1 MR. BROWNE, Q.C.: But you have no notice of layoffs at  
2 this ...

3 MR. KEAN: Not at this time, no.

4 MR. BROWNE, Q.C.: In terms of individuals and their  
5 homes, you said people retain their furnaces and have an  
6 alternate fuel system in their homes. Is ...

7 MR. KEAN: Some individuals have, a lot of ...

8 MR. BROWNE, Q.C.: And what about wood, do a lot of  
9 people use wood stoves ...

10 MR. KEAN: Very few.

11 MR. BROWNE, Q.C.: ... in the basements or ...

12 MR. KEAN: No. Just for, I guess, recreation, your rec  
13 room sort of. I don't think anybody uses it for electricity  
14 for their ...

15 MR. BROWNE, Q.C.: Not for a source of heat ...

16 MR. KEAN: No.

17 MR. BROWNE, Q.C.: ... as such. Just for recreation.

18 MR. KEAN: That's right.

19 MR. BROWNE, Q.C.: Okay. Those are my questions.  
20 Thank you very much, Mr. Kean.

21 MR. KEAN: Thank you very much.

22 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.  
23 Browne. Ms. Mercer, do you have any ...

24 MS. MERCER: No, no questions.

25 MR. NOSEWORTHY, CHAIRMAN: Board counsel, Mr.  
26 Kennedy?

27 MR. KENNEDY: I don't have anything, Chair.

28 MR. NOSEWORTHY, CHAIRMAN: Commissioner Powell?

29 COMMISSIONER POWELL: Just a couple of items. My  
30 ignorance of the area ... your members, both Lab City and  
31 Wabush?

32 MR. KEAN: No. I'm just President of the members with the  
33 Iron Ore Company of Canada.

34 COMMISSIONER POWELL: Which is?

35 COMMISSIONER SAUNDERS: Lab City.

36 MR. KEAN: IOC.

37 COMMISSIONER POWELL: Lab City.

38 MR. KEAN: Yes.

39 COMMISSIONER POWELL: Okay. So you're ...

40 MR. KEAN: Wabush Mines got a different union, different  
41 local.

42 COMMISSIONER POWELL: Okay. So you don't have any  
43 ...

44 MR. KEAN: They're steelworkers but a different union and  
45 a different president responsible for them.

46 COMMISSIONER POWELL: Okay. Okay, no ...

47 COMMISSIONER SAUNDERS: No questions, Mr. Chair.

48 COMMISSIONER WHALEN: No questions, thank you.

49 MR. NOSEWORTHY, CHAIRMAN: I just have, it's the  
50 same question basically I asked Mayor Letto. In terms of  
51 the reliability issue and the quality of service, are your  
52 members generally satisfied with that aspect of it?

53 MR. KEAN: Well, for close onto 40 years our members did  
54 the servicing and the upkeep here and I must say I'm pretty  
55 happy with Hydro's work they have done here. They're  
56 good workers too, as our members are, and a good part of  
57 the community, and I got no complaints with regards to  
58 that.

59 *(3:45 p.m.)*

60 MR. NOSEWORTHY, CHAIRMAN: You commented on  
61 the fact that there's 700 to 1,000 eligible to retire over the  
62 next few years, and I think you indicated as well that the  
63 whole issue of reasonable electricity rates is a major  
64 consideration in their decision to stay here. Is that  
65 accurate?

66 MR. KEAN: That's correct. Well, (unintelligible) the  
67 weather outside today but normal years around November  
68 you can start ski-dooing, and most winters, May 24th  
69 weekend, the last time I go to my cabin across the lake and  
70 there's still four feet of ice on the lake, and so you have  
71 long winters, but for those of us that have stayed here, we  
72 enjoy it. We go out, hunt and fish. But the hydro rates, a  
73 lot of people look at, is pretty good. Some people got  
74 probably family members here working also. But hydro  
75 rates is a big reason when people decide am I going to  
76 leave here and retire in St. John's or some other part of the  
77 province or some other, you know, province in Canada.  
78 Hydro rates are one of these things that they consider and  
79 I want to see the majority of these people stay here in  
80 Labrador City, to keep it vibrant and everything else and  
81 it's the human factor of it, regards to, you know, if the rates  
82 go up, you know, I think it would have adverse effect on  
83 both communities.

84 MR. NOSEWORTHY, CHAIRMAN: Did I hear you say  
85 earlier that there are 100 families who have retired and stay  
86 in ...

87 MR. KEAN: There's hundreds.



1 MR. NOSEWORTHY, CHAIRMAN: ... Labrador West?

2 MR. KEAN: There's hundreds here retired now presently.  
3 About 60, 70 percent of the last 200 that left (phonetic) in  
4 the last two years have stayed here, right, decided to stay  
5 here.

6 MR. NOSEWORTHY, CHAIRMAN: I see, okay. Thank  
7 you very much, Mr. Kean, for taking the time out and  
8 coming. That brings us to a conclusion on the formal  
9 presentations today. I would like to indeed thank  
10 everybody for coming and in particular the presenters,  
11 Mayor Farrell, Mayor Letto and Mr. Kean. We do have a  
12 schedule for tomorrow. We're beginning at 9:30. We only  
13 have one presenter, I understand, at this point in time, and  
14 that's Mr. Randy Collins, who's the MHA for Labrador  
15 West, and certainly if there's any other presenters that you  
16 may be aware of who wish to come and make an oral  
17 presentation to us, we'd be perfectly prepared to entertain  
18 anybody else who wishes to make some formal comment on  
19 this application tomorrow morning.

20 Notwithstanding, as I indicated earlier as well, if  
21 you feel that after we leave you would like to provide us  
22 with some written comments, there's an opportunity to  
23 submit a letter of comment and you can touch base again  
24 with the, with Ms. Blundon and you can get the  
25 information on that and the addresses and e-mail addresses  
26 as well.

27 That's it. We will reconvene at 9:30 and once  
28 again thank you very much.

29 (3:46 p.m.)

30 (hearing adjourned)