

1 *Stephenville, Newfoundland*

2 *(9:30 a.m.)*

3 MR. NOSEWORTHY, CHAIRMAN: Good morning,
4 perhaps we could get started. I'd like to welcome
5 everybody here this morning, particularly the presenters, I
6 guess, and observers, and certainly if there's any media
7 here from the Stephenville-Bay St. George area. This is the
8 beginning of the second week of public consultations
9 throughout the province. We would have visited St.
10 Anthony, Labrador West, and Goose Bay last week, and
11 certainly it's a pleasure to be here in the Stephenville-Bay
12 St. George area this morning.

13 My name is Bob Noseworthy and I'm Chairman
14 and CEO of the Public Utilities Board, and for the purposes
15 of this application I serve as Chair of the panel that's here
16 this morning. Before I begin, I'd perhaps like to introduce
17 the panel to you. To my far left is ... this was a long week
18 last week, and a short weekend. Commissioner Don Powell.
19 Don is a businessman from the Stephenville area, I'm sure
20 known to all of you in this room for sure. To my immediate
21 right is Commissioner Fred Saunders, who is retired and a
22 former businessman residing in St. John's, and to my left is
23 Darlene Whalen who is Vice-Chair of the PUB. I'd also like
24 to introduce Cheryl Blundon, who you would have just
25 seen vacate the premises. She is the Secretary to the
26 Board. Mark Kennedy who is there in the middle seat is
27 Board Counsel, and to the far right of the table is Dwanda
28 Newman, and Dwanda is a brand new inhouse counsel to
29 the Public Utilities Board, and is here to do a little bit of
30 shadowing of Mark this morning, with a view to certainly
31 Mark, in all due respect, taking over that seat in due course.

32 I would perhaps at this point in time as well, ask
33 the parties who are participating in this application, Hydro
34 and the registered intervenors to introduce themselves, and
35 indicate in what capacity they are participating in the
36 hearing, and I'll begin with Hydro please.

37 MR. YOUNG: Thank you, Chair. My name is Geoff Young,
38 and I'm a legal counsel with Newfoundland and Labrador
39 Hydro. To my far left is Mr. Sam Banfield. He's the
40 Director of Customer Services. To my immediate left is Mr.
41 Derek Osmond, Vice-President of Finance and Chief
42 Financial Officer, and to my right is Mr. Bill Wells, Chief
43 Executive Officer and President.

44 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.
45 Newfoundland Power?

46 MR. HAYES: Thank you, Chair. Good morning. My name
47 is Gerard Hayes, I'm legal counsel with Newfoundland
48 Power, and to my right is Mr. Kevin Fagan. Kevin is
49 Customer Service Specialist with Newfoundland Power and
50 we're appearing as a registered intervenor in this

51 proceeding.

52 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
53 Hayes. Industrial Customers, please?

54 MS. HENLEY ANDREWS, Q.C.: Good morning, Mr.
55 Chairman, my name is Janet Henley Andrews. I am counsel
56 for the Island Industrial Customers which are Abitibi in
57 Stephenville, Abitibi in Grand Falls, Corner Brook Pulp and
58 Paper, and North Atlantic Refining. We're intervening in
59 the hearing to deal with the proposed increase of nearly 20
60 percent for the Industrial Customers effective in 2002.

61 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
62 Henley Andrews. Consumer Advocate please?

63 MR. BROWNE, Q.C.: Thank you, Mr. Chairperson. My
64 name is Dennis Browne, and I'm the government appointed
65 Consumer Advocate to represent domestic and other
66 consumers of electricity.

67 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
68 Browne. The reason the panel is in Stephenville today is to
69 listen to public input and comment on the application of
70 Newfoundland and Labrador Hydro for a general rate
71 review. Pursuant to the *Public Utilities Act*, Hydro are
72 seeking approval to increase rates to be charged for the
73 supply of electricity to its retail customer, Newfoundland
74 Power, and its rural customers. In addition, the application
75 is requesting approval of rates as well as terms and
76 conditions of contracts governing the supply of electricity
77 to Hydro's industrial customers. Finally in this application,
78 Hydro are also seeking approval of their 2002 capital
79 budget.

80 Essentially this application affects every consumer
81 of electricity in the province, be they householders, small
82 business, industry, be they living in rural or urban
83 communities, and the application will impact the rates each
84 will pay for electricity in future. It is with this in mind that
85 the Board scheduled, in consultation with Hydro, and other
86 registered intervenors, a series of public participation days
87 in various locations throughout the province. These public
88 participation days are designed to provide the opportunity
89 for individuals and organizations, be they municipal
90 councils, economic development associations, chamber of
91 commerce, service clubs, etcetera, to make their views
92 known directly to the panel on matters contained in the
93 application which will affect them.

94 These public participation days, as I indicated
95 earlier, we visited St. Anthony, Labrador West, and Happy
96 Valley-Goose Bay last week, and we're beginning this week
97 with Stephenville, we're moving on to Grand Falls-Windsor
98 tomorrow, and then we'll be conducting a couple of days,
99 if necessary, in St. John's.

100 For those of you here this morning who may not

1 be familiar with the role of the Public Utilities Board, and
2 the process we employ in hearing a rate application, I think
3 it may prove beneficial just to spend a few moments
4 explaining who we are and indeed what we do. The Public
5 Utilities Board is a quasi-judicial independent agency
6 which is established under, and derives its authority from
7 provincial statutes and legislation, primarily the *Public*
8 *Utilities Act*, and the *Electrical Power Control Act*. The
9 Board has an obligation under this legislation to regulate
10 electric utilities operating in the province, and this includes
11 Newfoundland and Labrador Hydro.

12 The full Board of Commissioners has a
13 complement of three full-time commissioners and six part-
14 time commissioners as well as ten staff, and the four of us
15 on this panel have been appointed from this group of nine
16 commissioners to hear this particular application. In
17 accordance with our legislative responsibilities, this panel
18 has a duty to hear the evidence presented by the
19 Applicant, Hydro, and other interested parties, and at the
20 end of the process render a fair and equitable decision.
21 The statutes require the Board to make rate decisions that
22 are reasonable and just and not discriminatory. The
23 legislation requires the Utility be allowed to earn a just and
24 reasonable financial return. The legislation also dictates
25 that power be delivered to customers in the province at the
26 lowest possible cost while ensuring safe and reliable
27 service. In fulfilling its statutory responsibilities, the Board
28 must protect the interests of all parties, including
29 producers, retailers and consumers of electricity. In doing
30 this we must also be sensitive and strive to balance the
31 interest of each class of consumer, whether they be
32 households, businesses, industries, both small and large
33 users of electricity.

34 Having described who we are and why we're here
35 this morning, I would now like to just spend another brief
36 moment explaining the process itself, what has occurred to
37 this point and what can be expected resulting from the
38 process. The application was submitted by Hydro on May
39 the 31st of this year, following which a notice of public
40 hearing was advertised throughout the province. A
41 number of pre-hearing conference days were held
42 throughout the summer which were designed to establish
43 the rules and procedures governing the conduct of the
44 hearing and that included identification of registered
45 intervenors, setting of various times and schedules and
46 other procedural matters pertaining to the hearing, and
47 those are contained in Board Orders which have been
48 issued.

49 In addition, this preliminary process allowed for
50 questions to be asked by one party of another and
51 responses to be prepared and circulated among all the
52 parties. Also, pre-filed evidence of expert witnesses has

53 now been filed and distributed among the parties. To give
54 you some idea of the material, of the pre-filed material,
55 which has been filed to date, it comprises close to 50 rather
56 large binders and indeed is growing daily, and for those of
57 you who may be interested in the details, certainly in some
58 of the particulars, most of that information is on the Board's
59 website.

60 Following the preliminary work that went on
61 during the summer, the public hearing itself began on
62 September the 24th and during this phase each of the
63 parties have the opportunity to question Company
64 witnesses and their experts and in turn present the views of
65 their own experts, which will also be subject to cross-
66 examination by the other parties.

67 The process involves one of examining,
68 evaluating and questioning the large quantity of
69 information and testimony presented. The purpose is to
70 ensure that all necessary evidence required to reach a
71 determination on rates and other matters contained in the
72 application are placed before the panel. The process will
73 enable the panel to assess all the issues covered by the
74 application and render a fair and equitable decision that will
75 serve to balance in the best manner possible the interests
76 of all stakeholders.

77 The public hearing is expected to conclude in
78 early December, following which a report will be prepared
79 by the panel, containing a series of orders on rates and
80 other related matters contained in the application.

81 The part of the process we are engaged in here
82 today, as I indicated earlier, is to provide the opportunity
83 during these public participation days, for persons and
84 organizations throughout the province to provide public
85 input and comment on proposed rate increases and other
86 issues arising from the application. This can be done in
87 two ways, either by oral presentation, which will be heard
88 today, or by letter of comment, which can be filed today or
89 indeed at a later date. This can be done by simply
90 contacting the now absent Board secretary, Ms. Blundon,
91 but certainly she'll be here later on and you can get the
92 information from Ms. Blundon concerning the addresses
93 and deadlines for submission of letters of comment, if
94 anybody would wish to file one of those later on.

95 All the oral and written material submitted by
96 individuals and organizations will form a part of the public
97 record and the information gathered here today, along with
98 letters of comment, will combine with the documentation
99 resulting from the formal proceedings and will form the total
100 body of evidence which will be considered by this panel in
101 registering its final decision. So what you say here today
102 will be heard and carefully examined by the panel in issuing
103 its final orders.

1 Before we begin, there are a number of matters,
 2 housekeeping matters concerning today's proceedings,
 3 which I'd like to get to. These proceedings are, indeed,
 4 being recorded under the supervision of the Board
 5 secretary, Ms. Blundon, and will be subsequently
 6 transcribed for the public record. In addition, presenters
 7 will be sworn in to make this a part of the body of evidence
 8 before the Board, and the Board's main goal is to get the
 9 facts on the record in a way that is convenient to the
 10 parties and in the public interest, and while I realize this
 11 may appear a little formal, above all else, we are here to
 12 listen to your views and comments, and we want you to
 13 express them in a way that you feel most comfortable.

14 We have indeed, four presenters this morning.
 15 Gerry Murphy, who is the Vice-President with the Bay St.
 16 George Chamber of Commerce. Mel Moores, who is with
 17 the Communications, Energy, and Paper Workers Union,
 18 Local 1093. Mayor C. Stein, newly re-elected Mayor of the
 19 Town of Stephenville, and Tom Hutchings, who is the
 20 Executive Director of the Long-Range Regional Economic
 21 Development Board.

22 I would anticipate that we'll quite likely get
 23 through the presenters this morning. We will try and
 24 probably take a break around 11:00 or 11:15 for ten minutes,
 25 and we will proceed as necessary after that. I would ask
 26 Mr. Kennedy to review preliminary matters now following
 27 which Hydro will be making a short presentation and
 28 having a few comments to really set the scene and put the
 29 application in context for those of you here this morning.
 30 Mr. Kennedy please?

31 MR. KENNEDY: Thank you, Chair. Commissioners. I'll call
 32 the formal style, in the matter of the *Electrical Power*
 33 *Control Act*, 1994, and the *Public Utilities Act*, and in the
 34 matter of an application by Newfoundland and Labrador
 35 Hydro for approvals of (1), under Section 70 of the Act,
 36 changes in the rates to be charged for the supply of power
 37 and energy to its retail customer, Newfoundland Power, its
 38 rural customers, and its industrial customers. (2) under
 39 Section 71 of the Act, its rules and regulations applicable
 40 to the supply of electricity to its rural customers. (3) under
 41 Section 71 of the Act, the contract setting out the terms and
 42 conditions applicable to the supply of electricity to its
 43 industrial customers. And (4), under Section 41 of the Act,
 44 its 2002 capital budget. I can confirm Chair and
 45 Commissioners, that the appropriate notices of the public
 46 hearing, and as well these public presentation days were
 47 publicized and that this hearing is properly constituted.

48 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
 49 Kennedy. I'll now call upon Hydro to have some brief
 50 opening remarks please?

51 MR. YOUNG: Thank you, Chair. This is Hydro's first

52 general rate proceeding since 1991/92, and when I say that
 53 I mean one in which its rates and almost of its issues that
 54 would normally come before a regulator are considered.
 55 There have been several other proceedings since then but
 56 they've been on more discrete issues such as cost of
 57 service methodology and on, there was a rural rates inquiry
 58 also, and there have been a few other ones which are more
 59 particular, the particular issues which have arisen.

60 This is also Hydro's first rate application before
 61 the Public Utilities Board under the Public Utilities Act,
 62 which is to say one whereby the Board has full jurisdiction
 63 to consider Hydro's rates to essentially all of its customers.
 64 There are a few exceptions in Labrador, and to determine
 65 Hydro's capital budget.

66 In this connection, this is the first time the Board
 67 has had jurisdiction to set Hydro's rates to its four island
 68 industrial customers and to approve the terms and
 69 conditions pertaining to their service. Now this is not to
 70 say that Hydro's public utility proceedings have never
 71 been of interest to Hydro's island industrial customers.
 72 Hydro has been following, ever since the inception of the
 73 Electrical Power Control Act, the requirements of that Act
 74 in setting prices for all of its customers in a manner which
 75 is just and equitable, and vis-a-vis its other customers, and
 76 those prices have been determined in accordance with
 77 generally accepted public utility principles, even though
 78 they haven't been set by the Board itself, and set by Hydro.
 79 This means that the rates charged by Hydro to the island
 80 industrial customers, while not set by the Board, were
 81 affected indirectly by the decisions this Board made and
 82 the allocations it made in its cost of service that Hydro had
 83 filed for, other customers that appeared (inaudible) before
 84 the Board.

85 There are a number of issues before the Board in
 86 this hearing which affect everyone's rates, and I'll briefly
 87 list them. Hydro's 2002 capital budget will be approved by
 88 the Board. Adjustments to preferential rates which are paid
 89 by some customers in Hydro's isolated diesel system
 90 generation, those communities where Hydro provides its
 91 generation by diesel fired generation. The consideration
 92 by the Board of an appropriate financial and capital
 93 structure for Hydro.

94 At present Hydro is proposing a very modest
 95 margin of profit, and a return on equity of only three
 96 percent. It should be understood that this is an interim
 97 measure intended to avoid a larger rate increase at this time.
 98 In the future, Hydro will be proposing a return on equity
 99 that is conducive over a longer term of retaining for Hydro
 100 a sound financial position and a sound credit rating so that
 101 it can attract the capital needed to carry on the business of
 102 an electric utility. This requirement that Hydro have a
 103 sound financial position is found in the governing

1 legislation, the Electrical Power Control Act, and also under
2 the *Public Utilities Act*.

3 I would also note that one of the key components
4 of Hydro's cost structures on the island part of the
5 province at least is the price of Bunker C, or No. 6 fuel
6 burned at Hydro's Holyrood generating station to generate
7 electricity. The price of this fuel in Hydro's cost structure
8 was last set by the Board in 1992. At that time oil was
9 much cheaper and the base rate for oil in Hydro's cost
10 structure is \$12.50 per barrel. Now since then we've seen
11 oil of that sort approach the \$40.00 per barrel range, and the
12 average price of this type of oil has stayed much higher
13 than \$12.50 in recent years certainly. This does have an
14 impact on Hydro's rates because of the Rate Stabilization
15 Plan that Hydro uses to smooth rate changes over time, so
16 there are essentially two components to Hydro's rate
17 application from the point of view of increases that are
18 being requested. One is the 3.7 percent increase that is
19 requested as part of Hydro's cost going forward. The other
20 though is an automatic increase of 3.4 percent expected for
21 July of 2002 flowing from the operation of the Rate
22 Stabilization Plan, the RSP. That change would have
23 occurred in any event had Hydro not applied. Thank you.

24 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
25 Young. I'll now move directly into the presentations
26 please, and I'll call upon Mr. Gerry Murphy to take the
27 witness table please? Good morning, Mr. Murphy.

28 MR. MURPHY: Good morning.

29 MR. NOSEWORTHY, CHAIRMAN: You can be seated.
30 You're with the Bay St. George, you're Vice-President of the
31 Chamber of Commerce?

32 MR. MURPHY: Yes, yes, I am.

33 MR. NOSEWORTHY, CHAIRMAN: Welcome sir.

34 MR. MURPHY: Thank you.

35 MR. NOSEWORTHY, CHAIRMAN: I wonder could you
36 take the Bible in your right hand please? Do you swear on
37 this Bible that the evidence to be given by you shall be the
38 truth, the whole truth, and nothing but the truth, so help
39 you God?

40 MR. MURPHY: I do so swear.

41 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
42 Mr. Murphy, could I ask you to begin your presentation
43 please?

44 MR. MURPHY: Thank you. Good morning. It would be
45 very difficult to sit here and lie. Mr. Powell has been wisely
46 chosen to sit on your Board, and he and I have had a long
47 association as business acquaintances and he is very
48 familiar with the situation in Bay St. George, and of course

49 the whole west coast. Thank you, Mr. Chairman and
50 Commissioners for the opportunity to share our concerns
51 regarding the proposed increase in power rates, and we
52 especially appreciate the Board having the hearing in
53 various locations throughout Newfoundland and Labrador.
54 This allows the Board to hear from a greater number of
55 individuals and businesses affected by the increase.

56 My name is Gerry Murphy and I am Vice-President
57 of the Bay St. George Chamber of Commerce. The Chamber
58 has 123 members composed of small businesses, large
59 businesses, as well as individuals and organizations
60 concerned with the economic and social situation in the
61 Bay St. George area. The Chamber office is located in
62 Stephenville, but the area served by the Chamber stretches
63 from Cape St. George on the Port au Port Peninsula, to
64 Heatherton in Bay St. George South.

65 The Chamber of Commerce has read several press
66 releases regarding Hydro's application and hearings. The
67 September 4th, 2001 invitation for public participation lists
68 21 items that Hydro are requesting in their application.
69 Most of these items in the application are of such a
70 technical nature that it is impossible for any ordinary citizen
71 to understand. The Chamber of Commerce has no intention
72 of delving into these highly technical subjects. The topic
73 that the Chamber of Commerce wishes to concentrate on is
74 in the social/economic impact that the proposed increases
75 will have on Bay St. George, and the Bay St. George area.
76 The basic information regarding the proposed increase
77 comes from Hydro's press release of May 31, 2001.

78 This information shows that the proposed
79 increase would result in Newfoundland Power's customers
80 paying an additional 7.1 percent on their light bills, and the
81 large industrial customers would be charged an additional
82 17.8 percent for their power. The Chamber views a 7
83 percent increase to be way too much for many small
84 businesses and an 18 percent increase to be totally
85 unreasonable.

86 The proposed power increase leads to four
87 separate and distinct situations for the Chamber of
88 Commerce members. For some of our members, electricity
89 does not represent a large percentage of their operating
90 costs, so the 7.1 percent increase, while not welcomed,
91 does not directly threaten the viability of the business. We
92 have other businesses such as restaurants and bakeries
93 which use a lot of power and the 7.1 increase is significant
94 and a cause for concern. We have one member, the Abitibi
95 Consolidated Paper Mill, who comes under the large
96 industry category and are facing a staggering 17.8 percent
97 increase.

98 On opening day of the hearing in St. John's, the
99 Telegram reported that Hydro was planning to increase

1 industrial rates by 35 percent by January 1st, 2004. The
2 Chamber thought that this must be an error and proceeded
3 to check with the paper mill. Unfortunately the mill
4 confirmed that the Telegram article was correct, and indeed
5 they are facing a 35 percent increase over the next three
6 years, if these exorbitant increases are approved.

7 The fourth situation that arises with our members
8 is the direct consequence of the rate increase. Any change
9 in the down time taken by our one large industry or in fact
10 the viability of our paper mill affects every other member in
11 the Chamber of Commerce. I will address the situation with
12 Abitibi Consolidated and the impact on Bay St. George
13 business in more detail in a moment.

14 First, I would like to give the Board a thumbnail
15 sketch of the Bay St. George area. Throughout the area we
16 have a number of small businesses, some are more
17 fortunate than others, but on the whole they can be
18 characterized as struggling in a global economy that is
19 sluggish. We have the usual amount of government
20 money coming into the area, whether through the hospital
21 system, the education system, and other government
22 agencies or through Unemployment Insurance and Social
23 Assistance. In addition we have one large industry, a
24 paper mill.

25 *(10:00 a.m.)*

26 The paper mill directly employs 300 people. In
27 addition, 100 of the Abitibi Consolidated woodlands
28 employees are associated with the Stephenville mill. These
29 employees and their families reside throughout the whole
30 area covered by the Bay St. George Chamber of Commerce.
31 The largest concentration is around Stephenville where the
32 mill is directly a source of income for one out of every ten
33 families. The payroll for the mill employees is around \$20
34 million a year. Economic indicators suggest that for every
35 person employed in a large industry, another three to five
36 people are employed in support businesses within the
37 community. This means that in addition to the 400
38 employees directly employed by Abitibi for their
39 Stephenville mill, another 1,200 to 2,000 people are
40 employed in support services. This indicates the
41 importance that the paper mill has on the economics of the
42 whole Bay St. George area.

43 Due to the direct impact on Abitibi and the
44 indirect impact on other businesses in the region, the
45 Chamber is always concerned when anything threatens the
46 financial stability of the paper mill. Abitibi has told the
47 Chamber that 20 percent of their manufacturing cost is
48 power, so with an 18 percent increase in 2002, plus a further
49 increase in 2004, this essential business is looking at a 7
50 percent increase in their manufacturing costs due to power
51 alone.

52 The Chamber of Commerce is also aware that
53 Abitibi is facing increasing difficulties with fibre supply,
54 and in fact, are bringing wood chips in from Quebec. We
55 also hear that this has increased Abitibi's manufacturing
56 costs. We recognize the fibre supply may be outside the
57 Board's jurisdiction. We raise the issue only to highlight to
58 the Board the concern we have that an increase in power
59 rates will aggravate the situation for our major industry.

60 The mill has pointed out to the Town and to the
61 Chamber that within Abitibi Consolidated, it is the high
62 cost mills that take the bulk of the inventory down time
63 when market conditions are bad. With the mill being such
64 a large employer in the region, the mere mention of down
65 time affects the other businesses. From my personal
66 experience and in my real life I'm the manager of a radio
67 station and about 70 percent of my time is spent selling
68 advertising, I know that local businesses cut back on
69 advertising the minute Abitibi announces that the mill will
70 be taking down time. In my experience, I have also noted
71 for every week of down time that the mill takes, it takes
72 small businesses two to three weeks to get back to normal.
73 Furthermore, the mill tells us that within Abitibi the high
74 cost mills attract the least capital investment. Capital
75 investment brings contractors, technical people, and sales
76 personnel to the region. They stay in our hotels, eat in our
77 restaurants, spend some of their money in our shops and
78 many of our local businesses provide some of the materials
79 and services involved in capital construction.

80 The Chamber of Commerce's point is that by
81 keeping the manufacturing costs low at the mill, we can
82 help keep the other businesses in the community healthy.
83 In addition, the mill plays an important role in the
84 infrastructure for our area. For example, the Stephenville
85 airport like many across Canada is fighting for survival. If
86 the mill wasn't here, would the airport be here?

87 In closing, we urge you, the Commissioners, to
88 consider very carefully before you make a decision on
89 power rates. Your decision has the potential to be
90 catastrophic to the Bay St. George area. We saw our air
91 force base close in the sixties, we saw the Labrador
92 Linerboard Mill close in the seventies, and we never want
93 to see our region in that kind of a situation again. On
94 behalf of the Bay St. George Chamber of Commerce, I thank
95 you for allowing us this input to your decision making
96 process. Thank you.

97 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
98 Murphy, for your presentation. It has been standard
99 practice for us to have questions from Hydro and the
100 registered intervenors and ourselves if necessary. Is that
101 satisfactory to you?

102 MR. MURPHY: That's fine.

1 MR. NOSEWORTHY, CHAIRMAN: Thank you. I'll begin
2 with Hydro, please?

3 MR. YOUNG: We have no questions, thank you very
4 much.

5 MR. MURPHY: Thank you.

6 MR. NOSEWORTHY, CHAIRMAN: Newfoundland
7 Power?

8 MR. HAYES: We have no questions, Mr. Chair. Thank
9 you, Mr. Murphy.

10 MR. MURPHY: Thank you.

11 MR. NOSEWORTHY, CHAIRMAN: Industrial Customers
12 please?

13 MS. HENLEY ANDREWS, Q.C.: I have no questions.

14 MR. MURPHY: Thank you.

15 MR. NOSEWORTHY, CHAIRMAN: The Consumer
16 Advocate, Mr. Browne?

17 MR. BROWNE, Q.C.: Mr. Murphy, the businesses you
18 represent, do they heat their premises for the most part
19 through fuel or electricity? Have you done a survey?

20 MR. MURPHY: No, but I am thinking about the question,
21 I would say it's about 50/50.

22 MR. BROWNE, Q.C.: Would that be true of the homes here
23 in this area?

24 MR. MURPHY: Yes, yeah, although maybe ... yeah, that
25 would be as close as I could come, an educated guess
26 anyway. Maybe a little more on the electricity side.

27 MR. BROWNE, Q.C.: Now you get your electricity through
28 Newfoundland Power. Has that power company
29 undertaken any conservation program, activated any
30 conservation program to attempt to get people to conserve
31 their energy use to the best of your knowledge?

32 MR. MURPHY: Not in the, not in the last few years. There
33 was a campaign some time back ... equally there was a
34 campaign to entice residents to switch from oil to electricity
35 to heat their homes, but you know, there was a campaign
36 some years ago, but I certainly haven't heard anything of
37 any kind of a campaign like that in the last three years, four
38 years anyway.

39 MR. BROWNE, Q.C.: When was the campaign to urge
40 people to switch from oil to electricity?

41 MR. MURPHY: Well it was sort of an industry thing that
42 was generated, I guess, by the oil companies primarily, and
43 then I think there was a reply. I'm not sure it was a switch,
44 but it was ... you know, the benefits ... but no, it wouldn't be
45 a switch, it would be the benefits of electric, you know,

46 heating your home with electricity type thing.

47 MR. BROWNE, Q.C.: Businesses here though are
48 equipped to sell insulation materials, I gather?

49 MR. MURPHY: Oh yes, absolutely.

50 MR. BROWNE, Q.C.: These are my questions, thank you.

51 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
52 Browne. Commissioner Powell?

53 COMMISSIONER POWELL: I have no questions.

54 COMMISSIONER SAUNDERS: Just one question, Mr.
55 Murphy, what's the population of the area you described?
56 Would you have any idea, Cape St. George to Heatherton,
57 that's the area that your membership comes from.

58 MR. MURPHY: Round numbers, 25,000.

59 COMMISSIONER SAUNDERS: 25,000, yeah, okay, thank
60 you, Mr. Chairman.

61 MR. NOSEWORTHY, CHAIRMAN: Thank you,
62 Commissioner Saunders. Commissioner Whalen?

63 COMMISSIONER WHALEN: I have no questions. Thank
64 you, Mr. Murphy.

65 MR. MURPHY: Thank you.

66 MR. NOSEWORTHY, CHAIRMAN: Thank you, I just have
67 one, I guess, primarily. You mentioned 123 members, Mr.
68 Murphy?

69 MR. MURPHY: Yes.

70 MR. NOSEWORTHY, CHAIRMAN: You had mentioned a
71 couple of categories there earlier, one where indeed the
72 increase in electric rates would not threaten the viability of
73 the business, and you mentioned others which would be
74 adversely affected by the increase. Do you have any idea
75 of the sort of, of your 123 members, how that might break
76 down at all?

77 MR. MURPHY: No, it would probably be somewhere in the
78 order of about ten percent of our ... you know, we have a
79 four bakeries here. We have numerous restaurants. They
80 would be the high users. The bakeries, especially. I have
81 some background in the bakery business and I know what
82 it does, and you know, it's devastating because, you know,
83 they can't go out and increase the price of their bread or
84 their products significantly in a short period of time, and so
85 that wouldn't be, you know, that would be a deterrent for
86 those people, I mean they're going to have to eat the
87 increase and seven percent is a lot. I mean ...

88 MR. NOSEWORTHY, CHAIRMAN: So there would be a
89 number in any event that would ...

90 MR. MURPHY: Oh yes, there would be, because they

1 would very much in the, you know, and gearing towards
2 the tourist industry we're encouraging people to get into
3 the restaurant business and so on and high energy costs
4 are definitely a deterrent.

5 MR. NOSEWORTHY, CHAIRMAN: Would most of those
6 members be directly related to the, and provide service to
7 the mill in one way or another, directly or indirectly
8 generally?

9 MR. MURPHY: No, no, it would be fair to say that, you
10 know, i don't know, probably 25 percent or something, 30
11 percent, might directly provide service to the mill.

12 MR. NOSEWORTHY, CHAIRMAN: I'm trying to get an
13 understanding of the profile of your ...

14 MR. MURPHY: Yeah, you know, it's a consumer based
15 area, you know, the bulk of the area is the retail trade, and
16 you know, not directly supplying services to the mill, but
17 you take a business, you know, like Arlam (*phonetic*)
18 Company, or Riff's, or you know, their customers are mill
19 based customers, they're mill employees or families of mill
20 employees or, you know, people that indirectly work
21 because the mill is in the town. We just had a presentation
22 at the Chamber of Commerce a week ago from Brian
23 Downey and the other Mayors of Bay St. George, the
24 Mayor of St. George's was here, and he was one of the
25 presenters, but Brian Downey represents the Town of
26 Stephenville Crossing, and he basically said the Town of
27 Stephenville Crossing's only employer is Stephenville's mill,
28 and that the community would have a very difficult time
29 existing without the jobs that they have at the mill and
30 equally so, if we could have another mill in Stephenville,
31 Stephenville Crossing would go back to the boom days,
32 and that would give you an indication of just, you know,
33 how much in Bay St. George other communities rely on it as
34 well as Stephenville, so all of these dollars then are all sort
35 of filtered into Stephenville. The surrounding communities
36 do not have businesses. It's not a great consumer based
37 area, so Stephenville is the hub and all the money is spent
38 here, so a significant amount of salary dollars and the spin
39 off dollars come directly into Stephenville.

40 MR. NOSEWORTHY, CHAIRMAN: That's all the
41 questions I have, thank you very much, Mr. Murphy.

42 MR. MURPHY: Thank you.

43 MR. NOSEWORTHY, CHAIRMAN: I'd call upon Mr. Mel
44 Moores. That's fine, thank you, Mr. Murphy. Could you
45 take the witness stand please? Good morning, Mr. Moores.

46 MR. MOORES: Good morning sir.

47 MR. NOSEWORTHY, CHAIRMAN: You're with the
48 Communications, Energy, and Paper Workers Union, Local
49 1093?

50 MR. MOORES: Yes, I am.

51 MR. NOSEWORTHY, CHAIRMAN: And what position do
52 you hold, sir, with that ...

53 MR. MOORES: I'm the recording secretary.

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

59 MR. MOORES: I do.

60 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
61 Moores, could I ask you to begin your presentation
62 please? I believe you visited us in, one day, did you not,
63 in St. John's?

64 MR. MOORES: Yes, I did, Mr. Chairman. I wanted to get
65 a feel for what the thing was all about and that's why we
66 were there. Mr. Chairman and Members of the Board, my
67 name is Mel Moores and I appear before you today as the
68 representative of the 260 unionized men and women who
69 work at Abitibi Consolidated in Stephenville. When we
70 first heard of the rate increase application filed by
71 Newfoundland Hydro, my first reaction was let the
72 company deal with it. However, it wasn't long before it
73 became very evident to all of us that everyone in the
74 Stephenville area has a stake in this. As a result, Local
75 1093 of the CEP would like to add our voice to those
76 opposed to the application.

77 Mr. Chairman, when the mill here in Stephenville
78 opened in 1981, everyone was aware that it was opening
79 with two serious shortcomings. First, we did not have a
80 guaranteed wood supply as did the mills in Corner Brook
81 and Grand Falls, and secondly we do not generate any
82 power as do Corner Brook and Grand Falls. Abitibi and the
83 employees were only able to make this mill a success by
84 running a bare bones operation as far as the number of
85 employees is concerned, and by obtaining expensive
86 offshore wood. This expensive wood supply has already
87 in the last year or so added approximately \$10.00 per ton to
88 the cost of manufacturing paper here in Stephenville.

89 Mr. Chairman, even with these efficiencies, it is
90 still very difficult to make a profit. In fact, until 1999, it was
91 not much more than a breakeven operation. The
92 application by Newfoundland Hydro that is before you
93 now seeks a 17.8 percent increase to industrial users. This,
94 in fact, translates to a 19 percent increase to Abitibi in 2002.
95 Also, if Hydro's return on equity plan is followed through
96 to 2004, there would be an increase of 35 percent in power
97 costs for the Stephenville mill. This would be disastrous.
98 In fact, it could lead to the closure of this mill.

1 The proposed 19 percent increase for 2002 will add
 2 \$3.4 million to the power costs for this mill. The impact of
 3 this increase must be considered by the Board. I am not
 4 naive enough to believe that Abitibi is prepared to pay this
 5 added cost without trying to offset it in other ways. Sure,
 6 they'll try to cut costs on materials and supplies and so on,
 7 but they can't do anything about their other major problem,
 8 and that is the cost of wood. Therefore, they are likely to
 9 take the traditional easy road and cut jobs wherever they
 10 can. \$3.4 million equates for 45 to 50 of the best paying
 11 jobs in this town, and if Hydro's plan for 2004 is followed,
 12 it will mean an increase of \$6.2 million which equates to
 13 around 90 jobs.

14 That is not to say, Mr. Chairman that I expect that
 15 Abitibi will lay off 90 people. I'm not entirely sure that they
 16 can do that because, as I said earlier, we are a bare bones
 17 operation in terms of the number of employees, but the
 18 impact of what would happen can be clearly seen. It is a
 19 fact as well, Mr. Chairman, that if this proposed increase
 20 goes through, it will add approximately \$30 per ton to the
 21 manufacturing costs at Stephenville. This increased cost
 22 per ton will move Stephenville from the middle of the pack
 23 to the highest cost per ton mill in Abitibi's Canadian group,
 24 and that's very important, Mr. Chairman.

25 We are now in a market down turn that may last
 26 for quite some time. Traditionally any production down
 27 time is taken by the high cost mills. Therefore, it is
 28 reasonable to assume that if this increase is approved then
 29 the Stephenville mill could experience as much as six, eight,
 30 ten, twelve weeks down time a year. This could take as
 31 much as \$4 - 5 million annually out of the local economy
 32 and it's hard to sit here and be second and not repeat some
 33 of the stuff that was said before you, but I call it the
 34 snowball effect, and Mr. Murphy alluded to it as well, it is
 35 historic in the paper industry that the best producers get
 36 the line share of capital investment. Without capital
 37 investment mills gets outdated and run down and can
 38 never ever get back on a competitive level. Again, this is
 39 a clear recipe for closure.

40 Mr. Chairman, hydroelectric power is the result of
 41 a natural resource, water, and as such should be used to
 42 promote, stimulate and sustain job creating industries. It
 43 should not be used as a cash cow for governments, except
 44 of course when there is a surplus such as in Labrador.
 45 That would be an ideal cash cow for government to work
 46 with. When the rural subsidy was removed some time ago,
 47 it appeared that Hydro was on the right track in promoting
 48 industry. Now they have chosen to come back with an
 49 application of 17.8 percent, and it seems that the idea of
 50 promoting industry is not out the window.

51 Abitibi Consolidated is the largest industrial
 52 operation west of Corner Brook, and as such impacts

53 directly or indirectly on the whole region. It makes no
 54 sense, Mr. Chairman, to approve a rate increase to Hydro
 55 that jeopardizes the success of a viable industry,
 56 particularly at a time when our government is trying to
 57 develop new industries such as Voisey's Bay and Lower
 58 Churchill. The mill here in Stephenville puts \$20 million a
 59 year into the pockets of the people who work there, as well
 60 as another \$10 million of spinoffs into the community.

61 The employees at Abitibi paid \$6.3 million in taxes
 62 in the year 2000. It is therefore imperative that the mill
 63 continue as a healthy viable operation and the only way
 64 that that can happen is if you say no to the application by
 65 Hydro. Mr. Chairman, Members of the Board, thank you
 66 for the opportunity to pass on to you the feelings and the
 67 position of the members of Local 1093 of the
 68 Communications, Energy and Paper Workers Union.

69 MR. NOSEWORTHY, CHAIRMAN: Thank you Mr.
 70 Moores.

71 MR. MOORES: Thank you.

72 MR. NOSEWORTHY, CHAIRMAN: Can we go to
 73 questions please? Hydro?

74 MR. YOUNG: We have no questions, Mr. Moores, thank
 75 you.

76 MR. NOSEWORTHY, CHAIRMAN: Thank you.
 77 Newfoundland Power?

78 MR. HAYES: No questions, Mr. Chair, thank you Mr.
 79 Moores for your presentation.

80 MR. NOSEWORTHY, CHAIRMAN: Industrial Customers?

81 MS. HENLEY ANDREWS, Q.C.: Mr. Moores, how long
 82 have you worked with Abitibi?

83 MR. MOORES: 20 years.

84 MS. HENLEY ANDREWS, Q.C.: So were you hired at the
 85 time that the mill first opened?

86 MR. MOORES: Yes.

87 MS. HENLEY ANDREWS, Q.C.: And are you from the
 88 Stephenville area?

89 MR. MOORES: Well for quite a while, but I was in Grand
 90 Falls, my original home.

91 MS. HENLEY ANDREWS, Q.C.: Okay, those are all my
 92 questions.

93 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.
 94 Henley Andrews. The Consumer Advocate please?

95 MR. BROWNE, Q.C.: Mr. Moores, within your membership
 96 do you have any knowledge as to the form of heat energy
 97 people purchase? Are they into oil or electricity?

1 MR. MOORES: Purely a guess, Mr. Browne. I have no firm
2 information on that, but I would suggest to you that the
3 majority of people would be using electric heat.

4 MR. BROWNE, Q.C.: Is it a practice within your
5 membership for people to use wood stoves as a
6 supplementary source of heat?

7 MR. MOORES: A very small amount.

8 MR. BROWNE, Q.C.: Have you ever partaken in a
9 conservation program to conserve your electricity use in
10 your own home?

11 MR. MOORES: Me personally?

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

13 MR. MOORES: No, I haven't. I probably should but I
14 haven't.

15 MR. BROWNE, Q.C.: Has Newfoundland Power advocated
16 conservation for consumers here in this area?

17 MR. MOORES: I have seen over time a long with my,
18 poked in the same envelope as my power bill, information
19 on conservation from Newfoundland Light and Power at
20 various times.

21 MR. BROWNE, Q.C.: So there's an insert in a bill?

22 MR. MOORES: Primarily that's the way I recall it, yeah.

23 MR. BROWNE, Q.C.: Have you heard them advertise on
24 the radio or television or in the newspapers urging
25 conservation?

26 MR. MOORES: I guess in a very minor small way, but I
27 don't remember any major offensive, major approach by
28 Newfoundland Light and Power to bring that about, no.

29 MR. BROWNE, Q.C.: These are my questions, thank you,
30 Mr. Moores.

31 MR. MOORES: Thank you.

32 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
33 Browne. Commissioner Powell?

34 COMMISSIONER POWELL: I just have one question, Mel,
35 you may or may not know. What does Abitibi get now for
36 a ton of paper?

37 MR. MOORES: It varies, I guess, and I'm no expert on the
38 price, but anywhere from \$600 to \$900 a ton, but depending
39 on quality and weight and so on, but I'm really not ... and it
40 could be as low as ... the market is down right now. It goes,
41 the price goes down as well and people just flat refuse to
42 pay, and it turns up that there may be some paper out there
43 being sold at \$400 or \$450 a ton, I'm not sure of the actual
44 ...

45 COMMISSIONER POWELL: In your presentation you
46 mention a \$30 a ton increase so you don't really have any
47 idea what the \$30 in terms of a percentage increase they
48 would have to pass on to the customers ... it can be
49 anywhere from ten percent of ...

50 MR. MOORES: I understand that question now I think, Mr.
51 Powell.

52 *(10:15 a.m.)*

53 COMMISSIONER POWELL: I'm trying to put the \$30 in
54 context.

55 MR. MOORES: Yeah, that, I suppose they would try to
56 pass it all on, but having said that, the customer will only
57 pay what the market, the world market price is, and they're
58 not very much concerned about Abitibi in Stephenville
59 having to sustain the 30 percent increase. The world price
60 is basically what determines it, and does that address the
61 ...

62 COMMISSIONER POWELL: Yeah, no, you had mentioned
63 there was a \$30 a ton increase.

64 MR. MOORES: In the cost of manufacturing, yes.

65 COMMISSIONER POWELL: Yes, that's right.

66 MR. MOORES: Yeah, yeah.

67 COMMISSIONER POWELL: And I'm just trying to get
68 some context in terms of what that was in terms of a ton on
69 the customer trying to sell it, so ...

70 MR. MOORES: Well, I can only ball park here obviously.
71 I mean if you say \$500 is the market price, then \$30, then
72 you're aware, you're the accountant.

73 COMMISSIONER POWELL: That's why I was asking you
74 the question I was trying to ...

75 MR. MOORES: Yeah.

76 COMMISSIONER POWELL: Okay, thank you.

77 MR. NOSEWORTHY, CHAIRMAN: Thank you,
78 Commissioner. Commissioner Saunders please?

79 COMMISSIONER SAUNDERS: No, no questions, Mr.
80 Chair, thank you.

81 MR. NOSEWORTHY, CHAIRMAN: Commissioner
82 Whalen?

83 COMMISSIONER WHALEN: Just one question. Does
84 Abitibi currently purchase all of its electricity from Hydro
85 directly?

86 MR. MOORES: Yes.

87 COMMISSIONER WHALEN: As far as you're aware. I
88 notice you indicated in your beginning of your
89 presentation, the two constraints were the wood supply, no

1 guaranteed wood supply and the fact that you don't
2 generate any of your own electricity. Are you aware of any
3 efforts by Abitibi to seek out its own generation source for
4 electricity as Grand Falls, as the Grand Falls plant has
5 done?

6 MR. MOORES: I can't, certainly won't speak for Abitibi,
7 but in my hearing and my experience over the past 20 years,
8 Abitibi in Stephenville has looked at a number of proposals
9 to try to bring this about, and none of which have proved
10 practical at this point in time.

11 COMMISSIONER WHALEN: The practicality aspect, is it
12 financial or is it technical, or are you aware?

13 MR. MOORES: As much technical as financial, yes.

14 COMMISSIONER WHALEN: Okay, thank you. That's all
15 my questions. Thank you, Mr. Moores.

16 MR. NOSEWORTHY, CHAIRMAN: Thank you,
17 Commissioner Whalen. Just a couple of short questions.
18 One relates to Commissioner Powell. Did I hear you right
19 to say that \$30 per ton in manufacturing would basically
20 move the, I guess, the manufactured price in any event,
21 from the middle of the pack to the high end in terms of
22 Canadian paper producers?

23 MR. MOORES: Yes, yes.

24 MR. NOSEWORTHY, CHAIRMAN: Is that correct?

25 MR. MOORES: I'm not sure how many, I think they're
26 probably 18 mills in the Abitibi group in Canada at the
27 moment, and I stand to be corrected, but say there are 18.
28 Then our manufacturing costs is just around the middle of
29 the pack if you take a graph that way, and that \$30 per ton,
30 plus the \$10 that I alluded to earlier, with the recent cost of
31 wood, wood chips and so on, will move Abitibi from the
32 middle of that pack to the extreme high end in terms of
33 costs per ton, and what we know for certain, by just simply
34 looking at that graph, then the number I'm relating it to,
35 down time throughout the industry, all the down time is
36 concentrated on the high end cost per ton mills.

37 MR. NOSEWORTHY, CHAIRMAN: Just two points, your
38 point of reference then is the Abitibi group of companies.

39 MR. MOORES: Yes.

40 MR. NOSEWORTHY, CHAIRMAN: I see.

41 MR. MOORES: Yes.

42 MR. NOSEWORTHY, CHAIRMAN: And secondly that,
43 that move from the middle to the high end of the pack that
44 you referred to would be electricity plus the cost of wood
45 chips basically, an increase cost of wood chips, is that
46 correct?

47 MR. MOORES: Yes, because actually since Abitibi has

48 been forced to, because of lack of product on the island,
49 they have been forced to bring in wood chips from Quebec,
50 then there is a bark recovery value that we no longer get,
51 and that is where the added cost of \$10 per ton comes into
52 it. We don't get the bark, when we buy chips we don't get
53 bark, and of course, bark is used to help fuel the place
54 down here.

55 MR. NOSEWORTHY, CHAIRMAN: One other question,
56 Mr. Moores, do you have many retirees within your union
57 that you keep regular contact with, or how does that
58 relationship work, I guess?

59 MR. MOORES: Well the relationship is there between our
60 local union and our retirees, certainly. However, keep in
61 mind that the mill just opened, is just 20 years old here, and
62 as a result the number of retirees within our group would be
63 minimal at the moment, say 25 to 50, and that's about it, you
64 know.

65 MR. NOSEWORTHY, CHAIRMAN: I was wondering if
66 you were getting any feedback in terms of the impact these
67 rates would have on them but it's a relatively small group.

68 MR. MOORES: I can't say that directly but I'll be able to
69 tell you in May coming when I retire.

70 MR. NOSEWORTHY, CHAIRMAN: Thank you, that's all
71 the questions I have. Thank you, Mr. Moores, very much.

72 MR. MOORES: Thank you for your time.

73 *(10:30 a.m.)*

74 MR. NOSEWORTHY, CHAIRMAN: Can I call Mayor Cec
75 Stein, please, to the witness table? My apologies to Mr.
76 Kennedy, Counsel, on two separate occasions I have
77 passed him over in the line of questions and Mr. Kennedy,
78 my apologies, although I understand that on neither
79 occasion did you have any questions.

80 MR. KENNEDY: No, I'm not slighted in the slightest.

81 MR. NOSEWORTHY, CHAIRMAN: But I will certainly not
82 do that again. Welcome, Mayor Stein.

83 MR. STEIN: Thank you.

84 MR. NOSEWORTHY, CHAIRMAN: Welcome, Mayor
85 Stein.

86 MR. STEIN: Thank you. I guess you want me to swear.

87 MR. NOSEWORTHY, CHAIRMAN: I do, sir. Do you
88 swear on this Bible that the evidence to be given by you
89 shall be the truth, the whole truth, and nothing but the
90 truth, so help you God?

91 MR. STEIN: I do.

92 MR. NOSEWORTHY, CHAIRMAN: Thank you sir.
93 Congratulations on your re-election.

1 MR. STEIN: Thank you. Not everybody was happy but I
2 was (*laughter*).

3 MR. NOSEWORTHY, CHAIRMAN: Well sir, can I ask you
4 to begin your presentation please?

5 MR. STEIN: The majority was happy, that's the main thing.
6 A few housekeeping items, the first reason it's so cold here
7 this morning is because the hotel can't afford to pay the
8 electric cost as it today (*laughter*). The second item, some
9 of the things I have to say will already have been said by
10 the previous speakers, but like an old joke, if you heard
11 before, don't stop me.

12 It's a pleasure for me to welcome you, the sitting
13 members of the Public Utilities Board, to the town of
14 Stephenville. I guess this is the only time I ever welcome
15 anybody to our town with mixed emotions. Naturally, I am
16 pleased that you included Stephenville in your hearings,
17 and as in individuals, I am pleased that you are able to
18 come and spend the time in one of the most progressive
19 towns in Newfoundland and Labrador.

20 However, my heart is saddened today for the
21 reasons you are sitting. I firmly believe that you hold in
22 your hands the way of life as we know it today and the
23 possibility of the future growth of Stephenville. Make no
24 doubt about it, if you grant Newfoundland Hydro the rate
25 increases that they are asking for, Abitibi Consolidated
26 Incorporated will not be the good corporate citizen as we
27 know them today, and not only Stephenville, but all
28 Newfoundland will be the loser.

29 Art Reid, a former Minister of Municipal and
30 Provincial Affairs, once stated that Stephenville is the best
31 financed and ran town in all of Newfoundland, and I wish
32 Newfoundland 100 more of them. Well, the Minister didn't
33 make that statement because he wanted to keep the mayor
34 of the day happy. There is a lot of credit due to our staff
35 and our employees, and the efficient way in which they go
36 about their work. But a lot of it has to do with our tax base,
37 and especially the money we receive directly from Abitibi
38 Consolidated for our grant in lieu of taxes of approximately
39 \$700,000 a year, and of course, the 292 employees who are
40 the highest paid in Stephenville, their homes they own, and
41 the money they spend in the community add to our
42 revenue.

43 And when I talk about Stephenville, it actually
44 encompasses the whole Bay St. George region because
45 Abitibi's employees live all over the region. The
46 woodlands division, many of them are employees who live
47 in Central and Western Newfoundland, outside of Bay St.
48 George, so as Abitibi Consolidated goes, so does many
49 communities in Newfoundland.

50 And as you are well aware, the Stephenville mill is

51 the largest industrial user of power on the island. There are
52 three paper mills on the island of Newfoundland but this
53 increase demand by Newfoundland Hydro does not affect
54 the other two mills in Grand Falls and Corner Brook,
55 because they generate their own hydro power.

56 The question is why was Newfoundland Hydro
57 created in the first place. I thought it was to sustain, retain,
58 and promote economic development, and I'm not here this
59 morning to argue about the debt equity ratio of
60 Newfoundland Hydro, or any of those other ratios that
61 money lenders use. I will leave that to the experts and
62 looking around, I think we have enough of them here. I am
63 just here to state to you as a Commission, that there is
64 something morally wrong. A few years ago when Clyde
65 Wells was Premier, he was going to sell Newfoundland
66 Hydro for \$100 million and take a walk, and now the same
67 Liberal government with a different premier is saying that
68 they are going to reduce our personal income tax and then
69 turn around and say to Hydro, the money that they left in
70 our pockets, Hydro can now take out of our other pocket
71 and give the government \$70 million back. Yes, I believe
72 that is morally wrong.

73 If Newfoundland Hydro needs this increase to
74 stay afloat, after cutting to the bone, there could be some
75 argument for it, but this is only a hidden tax grab and
76 government is turning Newfoundland Hydro, as Mel
77 Moores just said, into a cash cow, and I believe you, the
78 Members of the Board, no matter what political persuasion
79 you may have, should not grant an increase at this time.

80 And as Gerry Murphy said, adversity is not new
81 to Stephenville. Back in the 1960's, the US Air Force Base
82 closed and the town became a ghost town. Later on it
83 became a boom town when Labrador Linerboard was
84 started, only to go flat when Labrador Linerboard closed.
85 And I believe if you grant Hydro's increase it will be our
86 third strike, and no matter who the umpire is, three strikes
87 and you're out.

88 I think we all know what the cod moratorium did to
89 many communities in Newfoundland. Well, Abitibi
90 Consolidated is Bay St. George's fish plant, and it's fishing
91 vessels, and the fibre supply and the electricity is its cod
92 fish. With government talking about a ten percent
93 reduction in TAC's which is, I guess, total allowable cuts
94 for wood, which I know is not of concern directly to the
95 PUB, but that coupled with the outrageous increase that
96 Newfoundland Hydro is looking for means that the cod fish
97 will be reduced to the point where it will not be viable to
98 operate our fish plant. Does the government really need
99 another Burgeo or Ramea on its hands today? And as Mel
100 said earlier too, the Stephenville mill is in the middle of the
101 pack for the cost per ton of newsprint to all ACI mills. If
102 you allow this increase, which I understand has been

1 calculated at \$30 a ton, you will drive them to the highest
2 Abitibi mill in Canada, and it will (inaudible) with newsprint,
3 there will be down time taken in the industry, and the down
4 time is taken, like in any smart corporate business, with the
5 mill which returns the less equity to its shareholders ... in
6 other words, the highest cost of operation.

7 Even if Abitibi does not completely close but just
8 have to take 15 to 20 weeks, or maybe six months a year
9 down time, everything suffers. They lose customers, no
10 capital works will be done, we don't get the ... we, the town,
11 don't get the same amount of grant in lieu of taxes,
12 employees won't be paying the same amount of HST on
13 their consumption of goods, and retail business will suffer,
14 and I don't have to convince any one of you anything
15 about what a reduction in multipliers if prime dollars leave
16 a community.

17 I am sure most of you know, if not all of you, that
18 have mutual funds today, look where they are. Many of
19 them are worth less than 50 percent of what they were a
20 year ago, and some of them are Fortune 500 companies.
21 None of them are showing profit, or very little, and they
22 have to find a way to survive. Well, Newfoundland Hydro,
23 even though they are a monopoly, they should be doing
24 the same thing as those companies have to do. No one
25 opposes a just and reasonable return, but it has to be in
26 line with the global economy as we see it today, and the
27 reality of what companies are facing, like cutting to the
28 bone and beyond, since in many cases it is impossible to
29 raise prices to the consumer. Newfoundland Hydro should
30 not be allowed to come to the PUB and say they want 17 or
31 18 percent and a couple of years later, down the road they
32 want to jack that up again to 35 percent increase over
33 today's rates. They have to learn to make do with what
34 they have, and our government, God bless them, is
35 demanding higher dividend for their shares must accept
36 less.

37 The same government has developed a
38 philosophy of trying to spread wealth by creating more
39 jobs outside of St. John's, which we all outside of St. John's
40 applaud, by the way. And it's no good to create 25 low to
41 medium salary jobs by transferring the library board
42 (*phonetic*) operations to Stephenville, and now reducing
43 or eliminating 292 high paying jobs by Hydro's excess
44 demands. These demands will make ACT's mill in
45 Stephenville noncompetitive, believe you me. So I'm asking
46 you, the Members of the Board, after you review the tons
47 of paper that Newfoundland Hydro and everyone else has
48 presented to you, and that's possibly the only good thing
49 come out of this Board, we will consume more paper ... I
50 want you to make your decision based on a little
51 compassion, a little compassion for the low income people
52 who have to dig deeper into their pockets for this increase,

53 and compassion for the people of Stephenville who have
54 made and will continue to make, as long as Abitibi is viable,
55 a great contribution to the economy of Newfoundland.

56 Tell Newfoundland Hydro to get out of their ivory
57 tower or their blue glass tower, whatever it may be in St.
58 John's, and operate like most companies in Canada and the
59 United States have to do today, lean and mean, and if you
60 do that, Newfoundland will be still a great place to live and
61 a raise a family and it will help to slow down or eliminate the
62 out migration. Actually, I believe the right course for the
63 Board is to accept all the arguments as presented and then
64 park your final decision until the global economy improves
65 to at least what it was 12 months ago. This is not imposing
66 any hardship on Newfoundland Hydro, but it will send a
67 clear message to the monopoly that they have to operate as
68 if they had competition in the marketplace.

69 Again, I thank you for holding this hearing in
70 Stephenville. Next year it will be the 50th anniversary of
71 the incorporation of our town, and I would like to be able to
72 welcome you all back for our celebrations with the
73 knowledge and the level of comfort that you have made the
74 right decision in allowing our fish plant to stay open and be
75 viable. I thank you for your time.

76 MR. NOSEWORTHY, CHAIRMAN: Thank you very much
77 for that presentation, Mayor Stein. Nobody has any
78 questions, thank you ... (*laughter*)

79 MR. NOSEWORTHY, CHAIRMAN: Hydro please?

80 MR. YOUNG: I don't have any questions, thank you
81 Mayor Stein.

82 MR. STEIN: Thank you very much.

83 MR. NOSEWORTHY, CHAIRMAN: Newfoundland
84 Power?

85 MR. HAYES: No questions, Mr. Chair, thank you, Mayor
86 Stein.

87 MS. HENLEY ANDREWS, Q.C.: No questions, thank you.

88 MR. NOSEWORTHY, CHAIRMAN: The Consumer
89 Advocate please?

90 (*10:45 a.m.*)

91 MR. BROWNE, Q.C.: Mayor Stein, the town of
92 Stephenville, your town offices, are they heated by
93 electricity or fuel?

94 MR. STEIN: Yes, we are heated by electricity and I might
95 say too, we are one of the few towns in Newfoundland
96 today, for the benefit of Newfoundland Light and
97 Newfoundland Hydro, that we are still adding street lights,
98 but I do have a program on my computer that if times get
99 any tougher we can cut half the street lights like that

- 1 (*witness snaps fingers*). So our local, so our electric bill
2 won't be any more.
- 3 MR. BROWNE, Q.C.: Mayor, what would your electric bill
4 be monthly, can you ball park it?
- 5 MR. STEIN: I can send you a copy. I don't have it off the
6 top of my head. I do know our light, just our street lights
7 alone are over \$100,000 a year.
- 8 MR. BROWNE, Q.C.: Do you heat your home by electric or
9 by oil?
- 10 MR. STEIN: I heat my home mostly with extra sweaters
11 these days.
- 12 MR. BROWNE, Q.C.: Yeah.
- 13 MR. STEIN: But I do have a couple of electric heaters but
14 it's mostly oil and a combination of both.
- 15 MR. BROWNE, Q.C.: So your oil is the main ...
- 16 MR. STEIN: It's the main, yes.
- 17 MR. BROWNE, Q.C.: Now if you heat your home with oil,
18 are you able to access a monthly payment plan through the
19 oil company?
- 20 MR. STEIN: Oh that's what it is, it's over twelve months, I
21 think.
- 22 MR. BROWNE, Q.C.: Over twelve months.
- 23 MR. STEIN: Averaged.
- 24 MR. BROWNE, Q.C.: So you can do that, but at the end of
25 the 12 month period it's all paid is it?
- 26 MR. STEIN: Yes.
- 27 MR. BROWNE, Q.C.: Are you familiar with the Rate
28 Stabilization Plan that the utility ...
- 29 MR. STEIN: I read about it but, b'y, being an engineer I'm
30 not smart enough to understand it, to tell you the truth.
- 31 MS. HENLEY ANDREWS, Q.C.: You're not alone.
- 32 MR. STEIN: No disrespect to our panel here. (inaudible).
33 I understand what you're talking about, they're trying to
34 level it over so many years, the cost of oil and balance it
35 out.
- 36 MR. BROWNE, Q.C.: You are aware that Holyrood propels
37 a lot of our electric requires on the island.
- 38 MR. STEIN: 30 percent, I think.
- 39 MR. BROWNE, Q.C.: And the Rate Stabilization Plan, are
40 you aware that in your electric bill the bill is based as if the
41 price of oil since 1992 is based on \$12.50 a barrel, are you
42 aware of that?
- 43 MR. STEIN: Only what I read in the paper.
- 44 MR. BROWNE, Q.C.: And are you aware that Hydro has
45 been borrowing since 1992 because the price of oil really
46 hasn't gone down and it's based on \$12.50.
- 47 MR. STEIN: They've been borrowing to pay for their ...
- 48 MR. BROWNE, Q.C.: Are you aware that it's approaching
49 \$50 million now, that debt?
- 50 MR. STEIN: No, I am not.
- 51 MR. BROWNE, Q.C.: Are you aware that under Hydro's
52 proposal, December 31, 2002, the borrowing will reach \$100
53 million, are you aware of that?
- 54 MR. STEIN: No, I am not.
- 55 MR. BROWNE, Q.C.: And are you aware that Hydro's
56 hoping after that time that the price of oil might drop. Are
57 you aware of that?
- 58 MR. STEIN: No, I'm not, no.
- 59 MR. BROWNE, Q.C.: Does any of that concern you?
- 60 MR. STEIN: It all concerns me, I guess we all have to live
61 in this world together and try to make a go of it, but the fact
62 is I think what concerns me is I thought two years ago they
63 made a \$50 million profit, and then they took a write off for
64 Roddickton and they were down about \$38 million or
65 something, so they're not like a company that's ready to go
66 into receivership, so they've got to, you know, work a little
67 longer until the economy gets better, and during good
68 times I think, you know ... just pick up any financial paper
69 today and there's nobody making it out there, so you can't
70 raise the price to consumers if you're in a free market, so I
71 think we all got to learn to live together a little better.
- 72 MR. BROWNE, Q.C.: But in your house you pay for your
73 oil bill as you go.
- 74 MR. STEIN: Basically, yeah.
- 75 MR. BROWNE, Q.C.: No further questions, Mayor Stein.
- 76 MR. STEIN: Thank you.
- 77 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
78 Browne. Board counsel please?
- 79 MR. KENNEDY: No questions, Chair.
- 80 MR. NOSEWORTHY, CHAIRMAN: Commissioner Powell.
- 81 COMMISSIONER POWELL: Just one question, Cec. You
82 were saying Hydro, lean and mean. Usually when a
83 company goes lean and mean it means fewer people doing
84 more jobs. If Hydro were to find some way to go leaner and
85 meaner, usually there's a lot of communities throughout the
86 province may find that the people they have working for
87 them are no longer employed by Hydro. As a municipal
88 leader, how do you respond to something like that?

1 MR. STEIN: Well, we already took our hit. As you know,
2 they moved all our people out and put them into Bishop
3 Falls. We didn't think, we opposed it that time because we
4 didn't seem to think that there was any jobs being lost or
5 removed from the system, they were just transferred from
6 Stephenville to Bishop Falls, the five employees. We didn't
7 think it was necessary but the (inaudible) communication
8 that they couldn't run the job just as well from here as they
9 could over in Bishop Falls. That is a corporate decision
10 and we live with it, and I guess it's going to happen if they
11 become lean and mean.

12 COMMISSIONER POWELL: That's it.

13 MR. NOSEWORTHY, CHAIRMAN: Thank you.

14 COMMISSIONER SAUNDERS: No questions, Mr. Chair.
15 Thank you, Mayor Stein.

16 COMMISSIONER WHALEN: No questions, thank you,
17 Mayor Stein.

18 MR. NOSEWORTHY, CHAIRMAN: I have just one
19 question, Mayor Stein. The \$700,000 that's provided in
20 grants in lieu of taxes, what sort of proportion of your
21 budget is that?

22 MR. STEIN: Our budget would be around \$5.2 million a
23 year. It's higher than that, as you know, but that's because
24 we carry the government loans on our ... you're all familiar
25 with that, on the grant, but our actual, what we call local
26 revenue is about \$5.2 million a year.

27 MR. NOSEWORTHY, CHAIRMAN: Well, Mayor Stein,
28 thank you very much for your presentation.

29 MR. STEIN: Thank you.

30 MR. NOSEWORTHY, CHAIRMAN: Could I call upon Tom
31 Hutchings please? Good morning, Mr. Hutchings,
32 welcome.

33 MR. HUTCHINGS: Good morning.

34 MR. NOSEWORTHY, CHAIRMAN: You're the Executive
35 Director of the Long Range Regional Economic
36 Development Board, is that correct?

37 MR. HUTCHINGS: Yes.

38 MR. NOSEWORTHY, CHAIRMAN: Would you place
39 your right hand on the Bible please? Do you swear on this
40 Bible that the evidence to be given by you shall be the
41 truth, the whole truth and nothing but the truth, so help
42 you God?

43 MR. HUTCHINGS: I do.

44 MR. NOSEWORTHY, CHAIRMAN: Thank you sir very
45 much, I'd ask you to proceed with your presentation
46 please?

47 MR. HUTCHINGS: Good morning everyone. First of all I'd
48 like to thank the Public Utilities Board for providing me and
49 our board with the opportunity to make a presentation
50 regarding Newfoundland and Labrador Hydro's rate
51 application. I am Tom Hutchings, I'm the Executive Director
52 of the Long Range Regional Economic Development Board.
53 The Economic Development Board is one of 20 regional
54 economic development boards in the province of
55 Newfoundland and Labrador. The Long Range RED Board
56 is, I guess, the lead economic development agency for
57 economic zone nine which is this region. Zone nine
58 comprises of the communities in the Stephenville-Bay St.
59 George-Port au Port area, and also includes the
60 communities in Bay St. George South, which is, I guess, the
61 Robinsons and Highlands area, and we also take in the
62 communities on the south coast, the Burgeo, Ramea, Grey
63 River, and Francois area. Zone nine consists of
64 approximately 47 communities with a population of
65 approximately 26,000 people. Three of the largest
66 communities in our zone are Stephenville, Burgeo and
67 Stephenville Crossing, and they account for almost 40
68 percent of the zone's population and I guess it's interesting
69 to point out that we have over 40 communities in our region
70 that have a population of less than 1,000 people in their
71 communities. So we are a region with a number of
72 communities, a lot of rural communities with very small
73 populations.

74 Our board is a non-profit community based
75 organization and we have a volunteer board of directors
76 representing municipalities, education, rural development
77 associations, youth, the business community and other
78 community economic development groups. We currently
79 have 17 members on our board of directors.

80 The major economic generators, I guess, in our
81 region include the pulp and paper industry, tourism, and
82 the service sector. Retail trade accounts for about 12
83 percent of the employment in zone nine, with the fishery
84 and the pulp and paper mill both accounting for about five
85 percent of our workforce.

86 The mandate of our board is to facilitate and
87 coordinate the regional economic development and social
88 development initiatives. The board operates with five core
89 functions. We would like to take a leadership role in the
90 development and implementation of a strategic plan for the
91 region. We try to coordinate business development
92 support. We provide support to communities and
93 organizations within our zone. We attempt to coordinate
94 social and economic initiatives relating to economic
95 development, and we also try to promote public
96 participation and community education.

97 The board developed a strategic plan for this
98 region back in 1997, and we have spent the last four years

1 working with a variety of community groups, government
2 agencies and private sector proponents to implement this
3 plan. The potential for, I guess, economic development in
4 this region, the outlook is somewhat positive. There is
5 potential obviously for oil and gas development in the
6 region, and our natural resource based industries, I guess
7 the growth is encouraging in this region in terms of the
8 forestry, the fishery, and other natural resource based
9 industries are very important sectors of the economy in this
10 region and contribute significantly to the local economy as
11 previous speakers have already pointed out.

12 However, our board and a number of other
13 community economic development organizations see
14 potential for aquaculture development, information
15 technology and also further growth in the tourism sector.
16 Our board's views on the proposed rate increase we feel
17 have a significant impact on the small business community
18 in our region, as Gerry Murphy already pointed out from
19 the Chamber of Commerce perspective, and I guess it's
20 interesting to note that this session today is being held as
21 we start Small Business Week which runs this week
22 annually in Canada. Two thirds of all businesses in
23 Newfoundland and Labrador would be considered small
24 businesses. That would be businesses with employees of
25 fewer than five employees. Since 1980, small businesses
26 have generated more than 80 percent of all new jobs in this
27 province, and 83 percent of new jobs in the province now
28 come from firms fewer than five employees. And firms with
29 fewer than five employees represent 78 percent of the total
30 firms in the province, and it would be safe to say the
31 majority of those smaller firms would make up the
32 membership of the Bay St. George Chamber of Commerce
33 and would be the majority of the agencies and
34 organizations that we work with as an economic
35 development group.

36 The entrepreneurs in our region and across the
37 province are attempting to expand into new areas. As I
38 mentioned, aquaculture and tourism, manufacturing, and
39 innovative and advanced technologies. There is also
40 growth in food service and various forms of specialized
41 business services. We have a number of new companies
42 in our region that have recently started where energy and
43 electrical costs are significant components of their
44 operation, even though they would be considered new
45 economy operations. You look at an aquaculture farm. It
46 needs to use energy to heat water for recirculation systems.
47 You also look at some of the food processing that we have
48 in our region, in Ramea in particular, with the kelp industry.
49 There is need for drawing and energy for producing those
50 new and innovative products, so I guess it's not just the
51 old economy that's consuming electricity, but it's also some
52 of the new economy businesses in the area as well.

53 The province's economy is dependent on the
54 growth and prosperity of small business. Small businesses
55 in Newfoundland and Labrador have to deal with a number
56 of issues to remain competitive and viable. Some of these
57 challenges include attracting investment capital, identifying
58 and penetrating new markets, competition, and the cost of
59 transportation. And also, from talking to the business
60 community in Newfoundland, just the perception of being
61 in Newfoundland and Labrador is difficult in terms of
62 dealing with outside investors and trying to do business in
63 the global marketplace. And for many businesses, energy
64 cost is a significant expense. In order to grow our local
65 economy and attract new investment, we need to reduce
66 the cost of doing business in the province. A rate increase
67 would make it more difficult for businesses to grow and
68 remain competitive. One of Newfoundland and Labrador's
69 greatest resources and key competitive advantage is our
70 hydroelectricity. In order to generate additional wealth and
71 employment in the province, we need to keep our hydro
72 costs down.

73 In terms of our rural customers, despite some of
74 the opportunities that are available in the area, there is still
75 a number of challenges facing a lot of our rural
76 communities. Zone nine, or this region, continues to
77 experience very high levels of unemployment. According
78 to Newfoundland Statistical Agency's labour market
79 survey, the latest statistics that I have available is that the
80 unemployment rate for this region is 30.1 percent, well
81 above the provincial average, and traditionally has been
82 one region that has the highest unemployment level in the
83 province. Out migration in our communities is still a
84 significant factor. The population of our zone from 1986 to
85 1996 has declined by 3.9 percent. We anticipate further
86 decline when the 2001 census data is released. There are
87 three rural isolated diesel sites in zone nine. They include
88 Ramea, Grey River and Francois. Since the collapse of the
89 ground fishery and subsequent moratorium in 1992, these
90 communities have struggled to identify economic
91 development opportunities for their communities. The rural
92 subsidy and preferential rates to rural customers need to
93 remain in place in order for these communities to survive.
94 The Long Range RED Board has been working closely with
95 these three communities and we hope to identify strategies
96 to capitalize in opportunities in tourism, fishery, and the
97 aquaculture sectors. There is still a need to diversify the
98 economy and create new employment opportunities in all
99 the communities in our zone, and our communities cannot
100 afford any cost in increase of living.

101 With respect to our industrial customer, Abitibi
102 Consolidated, the mill in Stephenville employs 292 people,
103 and an additional 98 people in its woodland operations.
104 The importance of the Stephenville mill to the Bay St.
105 George area cannot be overstated, and as Mayor Stein and

1 Gerry Murphy have already mentioned, that the
2 Stephenville mill is critical to the survival and growth of
3 this community.

4 According to information provided to our board
5 by Abitibi Consolidated, the proposed rate increase would
6 increase Abitibi Consolidated power cost by \$3.2 million
7 per year. This represents an increase of approximately 18
8 percent. It is my understanding that the Stephenville mill
9 is one of Abitibi Consolidated's most efficient mills, and
10 has undertaken a number of measures to improve its
11 operating efficiency. Our board is concerned that any
12 increase in operating costs to the Stephenville mill could
13 result in down time, lay offs, or worse, I guess, increases
14 the possibility of mill closure. And for those of you that
15 live in the town of Stephenville, again, we can't
16 overestimate the impact that the mill has. The last time
17 there was down time at the mill, there was a noticeable
18 decline in retail sales in the community, the amount of
19 activity in the community, and I'm also involved with a
20 number of charitable organizations in town and we noticed
21 a significant decline in the amount of fundraising and our
22 ability to do fundraising in the community, and that was
23 just during a short down time at the Stephenville mill.

24 In terms of some final comments, our board is
25 opposed to any increase in rates for our retail, rural, or
26 industrial customers. Newfoundland and Labrador Hydro
27 needs to focus on improving its operating efficiencies. The
28 provincial government and Hydro need to make a
29 commitment to researching and developing cleaner sources
30 of energy. In the past several months, our board has been
31 approached by several individuals who are interested in
32 developing wind power projects in the region. However,
33 there does not appear to be any real commitment to
34 develop wind power or other alternative energies in the
35 province. There needs to be a commitment by everyone,
36 including consumers, to decrease our energy consumption.
37 Canada is one of the highest per capital consumers of
38 energy in the world. We need to begin an awareness and
39 education program aimed at decreasing our energy
40 consumption. One would argue that increasing the cost of
41 energy would decrease consumption. This normally only
42 has a short term effect. A long term strategy needs to be
43 developed to decrease our consumption while maintaining
44 our competitive advantage of low cost energy, and just to
45 give you one example, our board and the town of
46 Stephenville, along with a number of organizations
47 partnered with the Conservation Corps of Newfoundland
48 and Labrador, where there was a series of green teams
49 established around the island that did home visits and
50 showed customers how to decrease energy costs to make
51 their homes more efficient from either adding insulation,
52 improving heating and ventilation, and looking at things
53 such as recycling and composting, so those types of

54 initiatives along with a public awareness campaign would
55 help in terms of reducing our consumption cost, and again,
56 there doesn't seem to be any real commitment to energy
57 efficiency and decreasing our consumption of energy.

58 I guess in closing, the board would like to point
59 out that despite the province's economic growth over the
60 last five years, not all areas of our province have
61 benefitted. There have been some new and innovative
62 businesses established in the area and in some
63 communities. For example, Stephenville has seen some
64 growth in population since the last census period and some
65 growth in the business community. A rate increase,
66 however, would not help our businesses grow, and would
67 make it more difficult to attract the much needed investment
68 into our communities. The Long Range Regional Economic
69 Development Board requests that the Public Utilities Board
70 decline Newfoundland and Labrador Hydro's rate
71 application. Thank you.

72 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
73 Mr. Hutchings. Questions, Hydro?

74 MR. YOUNG: No questions, thank you, sir.

75 MR. NOSEWORTHY, CHAIRMAN: Newfoundland
76 Power?

77 MR. HAYES: No questions, Mr. Chair. Thank you, Mr.
78 Hutchings.

79 MR. NOSEWORTHY, CHAIRMAN: Industrial Customers?

80 MS. HENLEY ANDREWS, Q.C.: No questions, Mr.
81 Chairman.

82 MR. NOSEWORTHY, CHAIRMAN: Consumer Advocate,
83 Mr. Browne?

84 MR. BROWNE, Q.C.: Yes, Mr. Hutchings. I must say it's
85 refreshing to hear someone talk about conservation
86 because I think you're on to something there and of all the
87 presenters we've had on the island and Labrador so far, no
88 one has mentioned conservation. You mentioned that the
89 Long Range Regional Development Board had some
90 affiliation, I guess, that's with the Conservation Corps.

91 MR. HUTCHINGS: Yes.

92 MR. BROWNE, Q.C.: Can you expand upon that a little?

93 MR. HUTCHINGS: A number of years ago, I guess, when
94 the, the federal government in its partnership with the
95 Kyoto (*phonetic*) Agreement to reduce CO2 emissions,
96 they made available some funds for projects looking at
97 reducing energy consumption and output, and the
98 Conservation Corps of Newfoundland and Labrador
99 submitted an application to that fund and they established
100 a series of teams around the island. The number of
101 communities, I'm not sure, but there was at least one

1 community in each region of the province and there was
2 three or four individuals employed, I guess, through a
3 green team with the Conservation Corps that through some
4 public awareness and presentations, just trying to increase
5 people's awareness of a need to conserve energy.

6 MR. BROWNE, Q.C.: And I gather the Conservation Corps
7 would go to people's homes, would they?

8 MR. HUTCHINGS: They would do home visits and do an
9 assessment of a person's home and make recommendations
10 to them in terms of how they can make their homes more
11 energy efficient.

12 MR. BROWNE, Q.C.: Would there be a cost involved in
13 that?

14 MR. HUTCHINGS: I believe the Conservation Corps,
15 through the funding they received, were able to cover most
16 of the costs, but I think they had a nominal charge per
17 household, and the number escapes me. I think \$25 or \$100
18 per home visit, it was something around that range.

19 MR. BROWNE, Q.C.: So \$100 a home visit. In the 40
20 communities that you represent would, in an area of 31
21 percent unemployment, would everyone be able to afford
22 \$100 for a home visit?

23 MR. HUTCHINGS: No, no.

24 MR. BROWNE, Q.C.: So it was only available to some
25 people.

26 MR. HUTCHINGS: The primary, the Corps was mainly
27 located in Stephenville, I believe the majority of their home
28 visits were in Stephenville, where there are higher
29 disposable incomes and higher average incomes in
30 Stephenville.

31 MR. BROWNE, Q.C.: Are you aware that the Holyrood
32 thermal generating plant, that the cost for oil there each
33 year is \$100 million?

34 MR. HUTCHINGS: Somewhat familiar, not ...

35 MR. BROWNE, Q.C.: And if Hydro could bring down that
36 particular consumption, we may indeed see some stable
37 rates.

38 MR. HUTCHINGS: Yes.

39 MR. BROWNE, Q.C.: You mentioned about the wind
40 power projects. You have been approached through the
41 Development Board by an entrepreneur, is that your
42 evidence?

43 MR. HUTCHINGS: We had two groups, one was
44 interested in wind power on the south coast, in the Ramea
45 area, and another was interested in wind power on the Port
46 au Port Peninsula. Both of these groups, the credibility of
47 the organizations again, it's just entrepreneurs that have

48 approached our board. I believe they have talked to
49 Newfoundland Hydro already and put in requests to look
50 at some research, but again, wind power is something that
51 we've talked about in this province for quite some time and
52 I know there are a lot of technical variables around wind
53 power but it's something that probably should be
54 investigated.

55 MR. BROWNE, Q.C.: Is that ongoing through your board,
56 these people who have made proposals?

57 MR. HUTCHINGS: We have two proponents right now
58 that are actively doing some research and some business
59 planning.

60 MR. BROWNE, Q.C.: Thank you very much sir.

61 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
62 Browne. Mr. Kennedy?

63 MR. KENNEDY: No questions, Chair, thank you.

64 MR. NOSEWORTHY, CHAIRMAN: Commissioner Powell?

65 COMMISSIONER POWELL: No questions.

66 MR. NOSEWORTHY, CHAIRMAN: Commissioner
67 Saunders?

68 COMMISSIONER SAUNDERS: Just one, Mr. Chair. Mr.
69 Hutchings, your board is comprised of, I think you said 17
70 members?

71 MR. HUTCHINGS: Yes.

72 COMMISSIONER SAUNDERS: On the board of directors?

73 MR. HUTCHINGS: Yeah.

74 COMMISSIONER SAUNDERS: What's the difference in
75 the goals and aims of your board compared to that of the
76 Chamber of Commerce, for instance? Do you work closely
77 with them or ...

78 MR. HUTCHINGS: The Chamber of Commerce have two
79 representatives on our board of directors. We're co-located
80 with the Chamber at the W.E. Cormack Centre here in
81 Stephenville, and we pursue a lot of joint initiatives with
82 the Chamber and work quite closely with them.

83 COMMISSIONER SAUNDERS: I see, okay, thank you.

84 MR. NOSEWORTHY, CHAIRMAN: Thank you
85 Commissioner Whalen?

86 COMMISSIONER WHALEN: No questions, thank you,
87 Mr. Hutchings.

88 MR. NOSEWORTHY, CHAIRMAN: I have no questions,
89 Mr. Hutchings, other than to congratulate you. I am aware
90 of the fact that there are, indeed, 20 regional economic
91 development associations throughout the province and
92 you're the first one to appear before the Board, and to the

1 best of my knowledge, the only one. I think it is a missed
2 opportunity and I thank you for attending.

3 MR. HUTCHINGS: Thank you.

4 MR. NOSEWORTHY, CHAIRMAN: Thank you very much
5 for your presentation. That brings to a conclusion the
6 presentations today. I do want to thank everybody from
7 the Stephenville-Bay St. George area for the presentations.
8 Certainly they have been very beneficial to this panel in
9 presenting information on the impact of the application in
10 your area, and I thank you for that. I would observe that
11 there is still an opportunity to provide letters of comment
12 by any individuals or associations or groups in the area,
13 letters of comment on the application itself, and that
14 opportunity exists up until the conclusion of the hearing,
15 and indeed information can be gotten on that by contacting
16 the Board secretary, Ms. Cheryl Blundon. Once again, I
17 thank you very much for your presentations, and this
18 brings these proceedings to a conclusion. Thank you
19 again.

20 *(11:30 a.m.)*

21 *(hearing adjourned)*