

1 *Grand Falls, Newfoundland*

2 *(9:40 a.m.)*

3 MR. NOSEWORTHY, CHAIRMAN: Hello everybody.
4 Perhaps we could get started. I'd like to welcome those of
5 you here from the Gander, or Gander, from Grand Falls-
6 Windsor area. It's certainly a pleasure to be here. It was a
7 beautiful day in driving here yesterday with the colours
8 and equally beautiful this morning by the look of it out
9 there, a beautiful autumn day in central Newfoundland.

10 My name is Bob Noseworthy and I'm Chair and
11 CEO of the Public Utilities Board, and for the purposes of
12 this particular hearing I'm also Chair of the panel which has
13 been delegated the responsibility to hear this particular
14 application. I'd like to introduce, if I could, my colleagues
15 who are joining me on the panel. To my far right is
16 Commissioner Don Powell. Don is a businessman from the
17 Stephenville area. To my immediate right is Commissioner
18 Fred Saunders. Fred is a former businessman and resides
19 in St. John's. He's now retired. To my immediate left is Ms.
20 Darlene Whalen who's Vice-Chair of the Public Utilities
21 Board. I'd also like to introduce to my, the table on the left,
22 Board counsel, Mr. Mark Kennedy, in the middle, Cheryl
23 Blundon who is the Board secretary, and Dwanda Newman
24 who is newly appointed in-house counsel to the Public
25 Utilities Board.

26 I'd also like to call upon the, Hydro, who is the
27 applicant, and the registered intervenors to introduce
28 themselves here this morning and indicate in what capacity
29 they are participating in the hearing. I'll begin with Hydro,
30 the applicant, please.

31 MR. YOUNG: Thank you, Chair. My name is Geoff Young.
32 I'm legal counsel with Newfoundland and Labrador Hydro.
33 To my left is Mr. Derek Osmond, the Chief Financial Officer
34 and Vice-President of Finance. To my right is Mr. Bill
35 Wells, Chief Executive Officer and President, and absent at
36 the present time, but I'm sure he'll be returning, is Mr. Sam
37 Banfield, Director of Customer Services.

38 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
39 Young. Newfoundland Power, please.

40 MR. HAYES: Good morning, Mr. Chair. My name is Gerard
41 Hayes, I'm legal counsel to Newfoundland Power, and on
42 my right is Mr. Kevin Fagan, Customer Service Specialist
43 with Newfoundland Power, and we are a registered
44 intervenor in this proceeding.

45 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
46 Hayes. Industrial customers, please.

47 MS. HENLEY ANDREWS, Q.C.: Thank you. My name is
48 Janet Henley Andrews. I am legal counsel for the island
49 industrial customers, which is Abitibi Consolidated in

50 Stephenville, Abitibi Consolidated in Grand Falls, North
51 Atlantic Refining and Corner Brook Pulp and Paper.

52 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
53 Ms. Henley Andrews. Consumer Advocate, please.

54 MR. BROWNE, Q.C.: Yes. My name is Dennis Browne.
55 I'm the government appointed Consumer Advocate to
56 represent domestic and other consumers of electricity.

57 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
58 Browne. Also registered intervenors would include Happy
59 Valley, the Town of Happy Valley-Goose Bay and the
60 Town of Labrador City. Neither of those parties are here
61 with us this morning.

62 The reason the panel is here in Grand Falls-
63 Windsor today is to listen to public input and comment on
64 the application of Newfoundland and Labrador Hydro for
65 a general rate review. Pursuant to *The Public Utilities Act*,
66 Hydro are seeking approval to increase rates to be charged
67 for the supply of electricity to its retail customer,
68 Newfoundland Power, and its rural customers. In addition,
69 the application is requesting approval of rates, as well as
70 terms and conditions of contracts governing the supply of
71 electricity to Hydro's industrial customers, and finally in
72 this application Hydro are also seeking approval of their
73 2002 capital budget.

74 Essentially this application affects every consumer
75 of electricity in the province, be they householders, small
76 business, industry, be they living in rural or urban
77 communities, and the application will impact the rates each
78 will pay for electricity in future. It is with this in mind that
79 the Board scheduled, in consultation with Hydro and
80 registered intervenors here this morning, to schedule a
81 series of public participation days in various locations
82 throughout the province. These public participation days
83 are designed to provide the opportunity for individual and
84 organizations, municipal councils, economic development
85 corporations, chambers of commerce, service clubs, etc.,
86 give these groups the opportunity to make their views
87 known directly to the panel on matters in the application
88 which affect them. These public participation days have,
89 earlier, last week, we would have visited St. Anthony,
90 Labrador West, Happy Valley-Goose Bay. Yesterday we
91 were in Stephenville, today we're in Grand Falls-Windsor
92 and we'll be holding a day in St. John's on Friday.

93 *(9:45 a.m.)*

94 For those of you here this morning who may not
95 be familiar with the role of the Public Utilities Board and the
96 process we employ in hearing an application, I think it may
97 prove useful to spend just a moment in explaining who we
98 are and indeed what we do. The Public Utilities Board is a
99 quasi-judicial independent agency which is established

1 under and derives its authority from provincial statutes and
2 legislation, primarily *The Public Utilities Act* and *The*
3 *Electrical Power Control Act*. The Board has an
4 obligation under this legislation to regulate electric utilities
5 operating in the province and this includes Newfoundland
6 and Labrador Hydro.

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

29 Having described who we are and why we're here
30 this morning, I would like to just spend another brief
31 moment explaining the process itself, what has occurred to
32 this point and what can be expected resulting from the
33 process over the next few weeks and months. The
34 application was submitted by Hydro on May the 31st of
35 this year, following which a notice of public hearing was
36 advertised throughout the province. A pre-hearing
37 conference was held on July the 5th and there were
38 subsequent motion days as well and these pre-hearing
39 days, if you would, were designed to set the rules and
40 procedures governing the conduct of the hearing which
41 includes identification of registered intervenors, setting
42 schedules and dates and times and other matters governing
43 the procedures of the hearing itself and these procedures
44 are outlined in Board orders which have been issued over
45 the last number of weeks.

46 In addition, this preliminary process also allowed
47 for questions to be asked by one party of another and
48 responses to be prepared and circulated among all the
49 parties. Also, pre-filed evidence of expert witnesses has
50 now been filed and distributed among the parties. To give
51 you some idea of the volume of the material pre-filed to
52 date, it comprises close to 50 rather large binders and the

53 bulk of this information, for those who are interested,
54 would be on the Board's web site and can be seen and
55 viewed there.

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

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

73 The public hearing is expected to conclude in
74 early December, following which a report will be prepared
75 by the Board, containing a series of orders on rates and
76 other related matters relevant to the application.

77 The part of the process we are engaged in here
78 today, as I indicated earlier, provides the opportunity
79 during these public participation days, for persons and
80 organizations throughout the province to provide public
81 input and comment on proposed rate increases and other
82 issues arising from the application. This can be done in
83 two ways, either by oral presentation, which will be heard
84 today, or by letter of comment, which can be filed today or
85 indeed at a later date. This can be done by simply
86 contacting Ms. Blundon, the Board secretary, and she can
87 provide information concerning addresses and deadlines
88 for submission of letters of comment.

89 All the oral and written material submitted by
90 individuals and organizations will form a part of the public
91 record and the information gathered here today, along with
92 letters of comment, will combine with the documentation
93 resulting from the formal proceedings and will form the total
94 body of evidence which will be considered by this panel in
95 registering its final decision. So what's said here today will
96 indeed be heard and carefully examined by the panel in
97 issuing its subsequent orders.

98 There are just a couple of preliminary matters
99 before we begin with the presentation. Hydro will be
100 making a short presentation and some opening remarks in
101 a moment, and these are designed basically to put a context
102 to the application itself. These proceedings are also being
103 recorded under the supervision of the Board secretary, Ms.

1 Blundon, and will be subsequently transcribed for the
2 public record. In addition, presenters will be sworn in to
3 make this a part of the body of evidence before the Board.
4 The Board's main goal is to get the facts on the record in a
5 way that is convenient to the parties but also in the public
6 interest. This may appear a little bit formal, but I'd ask you
7 to express your views in the way that you feel indeed most
8 comfortable.

9 We have two presenters this morning, Mayor
10 Walwin Blackmore, who is with the Town of Grand Falls-
11 Windsor, and Mr. Dave Barker, who is, I understand, from
12 Grand Falls, and who's a private citizen who is here this
13 morning on his own behalf. It's unlikely that we'll go
14 extending into a break unless there's other people who wish
15 to present, and certainly if there's other people in the room
16 who wish to comment, they can do so.

17 I will ask now the Board counsel, Mr. Kennedy, to
18 provide some comment on preliminary matters, please, Mr.
19 Kennedy.

20 MR. KENNEDY: Yes, Chair, Commissioners, I'll read the
21 formal style of cause. "In the matter of *The Electrical*
22 *Power Control Act 1994* and *The Public Utilities Act*, and
23 in the matter of an application by Newfoundland and
24 Labrador Hydro for approvals of: (1) Under Section 70 of
25 the Act, changes in the rates to be charged for the supply
26 of power and energy to its retail customer, Newfoundland
27 Power, its rural customers and its industrial customers; (2)
28 under Section 71 of the Act, its rules and regulations
29 applicable to the supply of electricity to its rural customers;
30 (3) under Section 71 of the Act, the contract setting out the
31 terms and conditions applicable to the supply of electricity
32 to its industrial customers; and (4) under Section 41 of the
33 Act, its 2002 capital budget."

34 I can confirm, Chair and Commissioners, that the
35 appropriate notices of the public hearing and appropriate
36 notices for the public presentation days were publicized
37 and that this hearing is properly constituted.

38 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
39 Kennedy. I'll now call upon Hydro to make a short
40 presentation on the application itself.

41 MR. YOUNG: Thank you, Chair, and I hope the parties
42 present or most of them will excuse me if this sounds a little
43 bit repetitive. It's the seventh time I've given this in as
44 many working days, essentially the same presentation.

45 This is Hydro's first general rate proceeding since
46 1991/92. It's Hydro's first rate application before the Public
47 Utilities Board under *The Public Utilities Act*. That means
48 it's the first time that it's come before the Board whereby the
49 Board has the full jurisdiction to set Hydro's rates to
50 essentially all of its customers and in such context that it

51 can determine Hydro's capital budget.

52 In this connection I'd like to point out this is the
53 first time that the Board has jurisdiction to set Hydro's rates
54 to its four industrial customers on the island and to
55 approve the terms and conditions pertaining to the service
56 of these customers. This is not to say that Hydro's Public
57 Utility Board proceedings has never been of interest to
58 Hydro's industrial customers before, because Hydro has
59 been following the requirements of *The Electrical Power*
60 *Control Act* in the last number of years and the industrial
61 customers have intervened in the hearings. That made
62 sense because often matters of cost allocations would
63 come up and Hydro would follow the requirements of
64 generally-accepted public utility principles in dividing the
65 costs amongst the customer classes, so even though the
66 Board of Directors of Hydro previously set the rates, it was
67 done in accordance with the principles that are understood
68 and set down by the legislation and by the Board.

69 There are a number of issues before the Board in
70 this hearing which are generally applicable to everyone's
71 rates, and I'll just briefly list a few of them, the more
72 important ones. As I mentioned a moment ago, Hydro's
73 capital budget is before the Board and in this context it will
74 be Hydro's 2002 capital budget which will be approved by
75 the Board. There will be adjustments to preferential rates
76 and other rates in Hydro's isolated diesel communities
77 proposed, and the Board will be asked to consider an
78 appropriate financial and capital structure for the Company.

79 At the present time, Hydro is proposing a very
80 modest margin of profit, return on equity of three percent.
81 It should be understood that this is an interim measure
82 intended to avoid a larger rate increase at this time. In the
83 future Hydro will be proposing a return on equity that is
84 conducive over the longer term of retaining a sound
85 financial position in credit rating so that it can attract the
86 capital it needs as a public utility in the electrical business
87 to carry on and go forward in a reliable manner. In fact,
88 retaining a sound financial position is required by Hydro
89 for that purpose and it's also required by the legislation
90 which governs this Board and the other utility,
91 Newfoundland Power, in this province.

92 By way of explanation of one point which has
93 caused a little misunderstanding up to the present, I should
94 point out that one of the key components of Hydro's cost
95 structure, at least for the island part of the province, is the
96 price of Bunker C oil, the fuel burned at Holyrood, to
97 generate approximately 30 percent of Hydro's island
98 electricity. The price for Bunker C oil, and No. 2 (*sic*) fuel,
99 has been set in Hydro's cost structures and the last time
100 that occurred was in 1992. At the time oil was much
101 cheaper than it is at the present time. It was about \$12.50 a
102 barrel and that was the rate that the Board set for the

1 purposes of cost structures. Since that time we've seen the
2 price of that fuel approach \$40 a barrel. Now the average
3 price has stayed much higher than the \$12.50 per barrel and
4 certainly in recent years. This has meant that the Rate
5 Stabilization Plan, which smooths rates in between
6 hearings, has been triggered here, so there are in effect two
7 increases. One is the increase of 3.7 percent, which Hydro
8 is proposing from the changes in cost that occurs aside
9 from oil going forward to the present, and the other is an
10 automatic increase which we would have expected to have
11 occurred arising from the Rate Stabilization Plan, even had
12 Hydro not come before the Board for a hearing, of
13 approximately 3.4 percent, and that would be triggered
14 normally in July of the year, so that would be expected in
15 July 2002.

16 Thank you.

17 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
18 Mr. Young. We'll proceed directly to the presentations
19 now and I'd call upon Mayor Walwin Blackmore to step
20 forward, please, and to the witness table.

21 (10:00 a.m.)

22 MS. HENLEY ANDREWS, Q.C.: Mr. Chairman, before Mr.
23 Walwin (*sic*) starts, I'd just like to point out, because I
24 noticed you were looking towards the back of the room and
25 wondering whether there were other presenters. There are
26 three people here this morning from Abitibi Consolidated's
27 mill in Grand Falls, Gordon Oldford, the Mill Manager,
28 Wilmore Eddy, who's responsible for electricity, and Roger
29 Pike for Communications and Public Relations.

30 MR. NOSEWORTHY, CHAIRMAN: I'd like to welcome
31 you gentlemen here this morning. Good morning, Mayor
32 Blackmore.

33 MR. BLACKMORE: Good morning.

34 MR. NOSEWORTHY, CHAIRMAN: How are you?
35 Congratulations on your re-election. It's good to see you
36 again.

37 MR. BLACKMORE: Thank you very much, sir.

38 MR. NOSEWORTHY, CHAIRMAN: You have a gentleman
39 to your right. I wonder could you introduce ...

40 MR. BLACKMORE: This is Barry Griffin, our Director of
41 Finance. He's the man that keeps an eye on our finances
42 here in Grand Falls-Windsor and does a pretty good job.
43 We're going to keep him on for a while.

44 MR. NOSEWORTHY, CHAIRMAN: I'm going to ask you
45 to take the Bible in your right hand, please. Do you swear
46 on this Bible that the evidence to be given by you shall be
47 the truth, the whole truth and nothing but the truth, so help
48 you God?

49 MR. BLACKMORE: So help me God.

50 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
51 Mayor Blackmore. I wonder could you begin your
52 presentation, please?

53 MR. BLACKMORE: Yes. First of all, thanks for the
54 opportunity to, for us to make a presentation to the Public
55 Utilities Board, and before we go any further, welcome Sam
56 back home. Sam Banfield is a native of here. He's been
57 away for a long time and, but welcome home, Sam.

58 Our presentation is on behalf of, I suppose, the
59 general public of Grand Falls-Windsor, and we want to
60 approach it from three angles, number one, the domestic
61 effect and the industrial effect and just the general financial
62 effect all across Grand Falls-Windsor, I suppose all across
63 the province.

64 With all of the experts in the field of Hydro and
65 Newfoundland Power, our presentation is going to be
66 strictly opinion and observation as opposed to the facts
67 and figures. I'm sure the people from Newfoundland Hydro
68 can give tons of evidence why the increase should be
69 granted, and I think that Newfoundland Power will
70 probably give a lot of evidence for their situation as well
71 and so would Abitibi, but ours will not be as high a level as
72 those kinds of things. I'm sure that the, Newfoundland
73 Hydro is convinced that they need an increase, but the
74 point I'd like to make, speaking particularly from the
75 domestic point of view, is that here in central
76 Newfoundland, in Grand Falls-Windsor, a lot of people
77 have, their main source of heat is electric heat. When it
78 comes to just domestic light and cooking and so on and so
79 forth, there's a heavy, very heavy use on, of electricity.

80 We know also that when the rate is increased by
81 Newfoundland Hydro to Newfoundland Power, the charge
82 goes straight through to you and me when we pay our light
83 bill at the end of the month. When you consider generally
84 speaking that people nowadays in many cases are having
85 great difficulty just keeping things together because of the
86 general economic conditions here in the province, an
87 increase in electricity rates is going to be an increase in the
88 overall cost of living and right, nowadays many people are
89 having to juggle their few dollars that they have to try to
90 make ends meet, and I would think that under the present
91 economic situation, that an increase in electricity rates to
92 the general public is going to be a hardship and many
93 people are going to find it a hardship to the point where
94 they may have to make some very serious choices between
95 what do I do, and of course electricity and other utilities,
96 you either pay or you don't get it, and there's very little,
97 how should I put it, sympathy if you don't have your light
98 bill paid. So what we would see is that an increase to
99 Hydro passed on through Newfoundland Power, will be

1 passed on to the consumer and the consumer is the one
2 that's going to have to put up with the most dire
3 consequences.

4 The industrial use, here in Grand Falls-Windsor
5 the cornerstone of our economy is the Abitibi Price mill,
6 and as you know that over the last few months and into the
7 next few months there have to be a number of inventory
8 adjustments when the mill will be closed down to control
9 the production of newsprint, and that is brought about
10 because of the very, sort of the downturn in the use, in the
11 purchase of newsprint, and of course when you consider
12 here in Grand Falls-Windsor the effect of that on the
13 general public, not only those working at the mill but those
14 who are indirectly involved, as well as all of the smaller
15 communities where people find their employment, working
16 in the woods operations, all of that in itself is going to be
17 complicated by a further increase in rates that the mill
18 would have to pay for the use of their electricity. So you
19 get a sort of a double effect in that particular case. It's an
20 effect on Abitibi, which is an effect on their employees,
21 which is an effect on the general public here in central
22 Newfoundland, and at the present time this isn't a good
23 time in our estimation to go after the industrial users for a
24 rate increase because that rate increase is going to further
25 complicate their situation and hopefully in the next few
26 months that the situation in the paper industry will improve
27 where, to the point where there won't be any down time,
28 but down time alone is enough of a concern, but to have a
29 further increase on their cost could very well mean more,
30 have more attempts by Abitibi to try to control their cost.
31 So I'd like for the Public Utilities Board to take that into
32 account and I would suspect you had the same kind of
33 comments from other industrial users as well.

34 Also when it comes to industrial use, I'm thinking
35 about looking at economic development in the town as well
36 as in the province, because Grand Falls-Windsor is not
37 necessarily that much different from other municipalities.
38 Right now municipalities and governments are doing
39 everything in their power to grow economic development,
40 and one of the ways that is done is by governments giving
41 incentives, incentives so as businesses can set up. There
42 is the EDGE Program, as you know, where governments,
43 federal, provincial and municipal, are giving tax breaks,
44 they're giving other kinds of breaks to industries so as they
45 can set up new industries or expand industries in a
46 particular area.

47 When you have groups giving incentives to set
48 up business and then you, on the other hand, you see
49 electricity charges going up, you have to consider what's
50 happening. How are governments or how are communities
51 going to be expected to grow and expand if they give
52 incentives while on the other hand their electricity bill goes

53 up? Where will it end? It could be very, very, sort of a
54 counterbalancing of the economic development efforts by
55 municipalities.

56 I know from our situation right here, is that the
57 electricity costs at almost every kind of industry is one of
58 the major costs of operation. Yes, when you look at an
59 operation such as materials and equipment and wages, well
60 of course electricity costs are a major, major cost as well.
61 If those costs go up, does that mean that governments,
62 federal, provincial and municipal, are now going to be
63 expected to give more incentives, because if you try to give
64 somebody encouragement on one hand and then there is
65 a discouragement from another source, it means that you
66 could very well end up having a battle which ends up with
67 nobody winning, and I think that that's another reason why
68 the Public Utilities Board should look very seriously at not
69 granting this increase, because right now, even though the
70 reports say that the Newfoundland economy is growing, it
71 isn't growing to the point where there's lots of new jobs
72 being created. It's a case where in some areas there are, in
73 some areas there aren't, and but in areas where they are
74 being created, it's going to be much more difficult if we
75 have to look at the idea of increased electricity costs as
76 well.

77 The third area I want to just mention is control of
78 costs. I would like to know what Newfoundland Hydro has
79 been doing to control their costs. It was mentioned about
80 the price of Bunker C going up by, was it 30 percent, I think
81 the figure was mentioned. What other ... there must be
82 other ways by which Newfoundland Hydro can control the
83 cost. One of the things that we as governments do, and of
84 course municipal governments have always been balancing
85 their books, but that's becoming more and more difficult, as
86 our Treasurer knows, that it's a day-by-day battle to keep
87 a control of costs. As Newfoundland Hydro convinced the
88 Public Utilities or is that going to be later on in the process,
89 if it hasn't already been done, evidence, some kind of
90 evidence to show that their costs are being controlled as
91 opposed to asking for an increase.

92 The gentleman mentioned there hasn't been a
93 request since 1991. I don't think the economic situation in
94 Newfoundland has really improved all that much since
95 1991. There are still parts of the province that are
96 struggling and probably falling back. There are some parts
97 of the province fortunately that are staying the course or
98 may be improving a little, but generally speaking I feel that
99 the, rather than an increase in rates, that probably the
100 prudent thing for Newfoundland Hydro to do would be to
101 look at further control of costs or further cost cutting so as
102 to spare the domestic customers and the industrial
103 customers of an increase that I don't think either sector can
104 absorb now without creating some hardship, either for the

1 domestic consumer or the industrial consumer, and on
2 behalf of the Town of Grand Falls-Windsor, we would
3 request that the application for an increase from
4 Newfoundland Hydro be denied.

5 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
6 Mayor Blackmore. Mr. Griffin, are there any comments ...

7 MR. GRIFFIN: (inaudible)

8 MR. NOSEWORTHY, CHAIRMAN: ... that you ... thank
9 you, sir. I ask for questions now from Hydro, please.

10 MR. YOUNG: We have no questions. Thank you, Mayor.

11 MR. BLACKMORE: Thank you.

12 MR. NOSEWORTHY, CHAIRMAN: Newfoundland
13 Power?

14 MR. HAYES: No questions, Mr. Chair. Thank you, Mayor
15 Blackmore.

16 MR. BLACKMORE: Thank you.

17 MR. NOSEWORTHY, CHAIRMAN: Industrial customers?

18 MS. HENLEY ANDREWS, Q.C.: I have a couple of
19 questions, Mayor Blackmore. The mill has been
20 experiencing some down time this fall, isn't that right?

21 MR. BLACKMORE: Yes.

22 MS. HENLEY ANDREWS, Q.C.: What is the effect on the
23 town when there's down time?

24 MR. BLACKMORE: In addition to the mill workers that,
25 whose income is affected, it just means that when you
26 consider the total payroll of Abitibi and as like you and I
27 and most of us, when we get our pay cheque today, we're
28 probably busted tomorrow ...

29 MS. HENLEY ANDREWS, Q.C.: Uh hum.

30 MR. BLACKMORE: ... by the time we pay our bills and so
31 on and so forth. Now when you imagine that level of
32 financial input into the economy, and I think not only that,
33 it always gives a sense of, a little sense of insecurity.
34 When your major industry is having difficulties, well it's
35 almost, you can almost liken it, I suppose, to a toothache.
36 It's going to go away, but now it may not go away as
37 quickly as you want but it's some kind of nagging kind of
38 feeling that what about the security of all of this, and of
39 course Abitibi, like all paper companies, in particular Abitibi
40 here, their operation here depends on them selling their
41 newsprint to customers, and if for whatever reason the
42 prices are up, the prices are affected, that comes right down
43 the line to, even though Barry and I aren't involved with
44 Abitibi, we are involved as citizens and we know that
45 there's this general kind of sort of feeling of insecurity from
46 the point of view if all is not well.

47 (10:15 a.m.)

48 If everything is working well and there's no down
49 time, there'd be reason to be happy and to celebrate, but
50 when this sort of thing happens, it puts a little bit of a
51 nagging kind of feeling that, you know, all is not well and
52 all isn't well.

53 MS. HENLEY ANDREWS, Q.C.: How much does Abitibi
54 pay in taxes to the Town each year?

55 MR. BLACKMORE: Well, we're in the process now of ...
56 they give us a grant in lieu of taxes and that agreement runs
57 out this year, and we will be approaching Abitibi to talk
58 about this and if they ... as their costs increase, so does
59 their, I suppose their reluctance to make any increases to us
60 when it comes to grants in lieu, so I don't think ...

61 MR. GRIFFIN: The grant is tied to the price of paper.

62 MR. BLACKMORE: And of course the grants are tied to
63 the price of paper as well, so all of that taken into account,
64 that we feel that the amount of money that, I don't think
65 which is necessary to publicly say what they contribute,
66 but it's a sizeable contribution to the economy of this town.

67 MS. HENLEY ANDREWS, Q.C.: And is it a sizeable
68 contribution to the expenses of the town?

69 MR. BLACKMORE: Well our general operations, not
70 including debt payments that the Government makes, is
71 about \$8 million, about \$8 million, so it's a percentage of
72 that \$8 million. It's an amount of money that we would
73 have great, great difficulty raising by other means if that
74 particular amount of money wasn't being contributed to our
75 economy.

76 MS. HENLEY ANDREWS, Q.C.: Are you aware that the
77 proposed increase for the industrial customers for 2002 is
78 about 18 percent?

79 MR. BLACKMORE: By reading the information here and,
80 again, when you look at the percentages and the amounts,
81 for instance, Abitibi Consolidated, Grand Falls-Windsor,
82 \$107,549, is that the increase or is that the total amount?

83 MS. HENLEY ANDREWS, Q.C.: The increase is about 18
84 percent.

85 MR. BLACKMORE: 18 percent. Well, when you think
86 about 18 percent on anybody's bill, it's a sizeable increase,
87 and there are times, I think, when people look at large
88 corporations as having lots of flexibility, but I don't think
89 that they have lots of flexibility. Now of course
90 Newfoundland Hydro are in the same situation. They don't
91 have a lot of flexibility so if the percentage increase is 18
92 percent, that's a lot of, that's quite an increase when you
93 think about all of the other costs.

94 MR. GRIFFIN: (inaudible).

1 MR. BLACKMORE: Yeah, yeah. And of course too, you
2 know, as you know, Abitibi provides a lot of electricity into
3 the system for their own use as well as excess that goes
4 into the power grid. So 18 percent, yes, is quite an increase
5 and what we are concerned about is what effect that would
6 have on the operations of Abitibi here in Grand Falls-
7 Windsor.

8 MS. HENLEY ANDREWS, Q.C.: Thank you.

9 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
10 Ms. Henley Andrews. I call upon the Consumer Advocate
11 now. Any questions, please?

12 MR. BROWNE, Q.C.: Thank you, Mr. Chairman. Mayor
13 Blackmore, the Town itself, can you give us some idea what
14 the electricity bill for the Town would be? Might have to
15 defer to the Treasurer there.

16 MR. GRIFFIN: \$750,000.

17 MR. BLACKMORE: About three-quarters of a million.

18 MR. BROWNE, Q.C.: So \$750,000.

19 MR. BLACKMORE: 50,000 ... yes.

20 MR. BROWNE, Q.C.: Annually.

21 MR. BLACKMORE: Annually.

22 MR. BROWNE, Q.C.: And does the Town prepare its
23 budget in the calendar year now or are you in a different
24 year?

25 MR. BLACKMORE: On the calendar year, yes.

26 MR. BROWNE, Q.C.: Are many of these preparations in
27 place already for the current, for the next calendar year?

28 MR. BLACKMORE: Right now staff, they are looking at
29 this year's performance, looking at the increase in costs and
30 putting some figures together, and over the next month
31 we'll be getting into very detailed discussions on the
32 budget for 2002.

33 MR. BROWNE, Q.C.: The \$750,000 that you do spend, can
34 you proportion that for us somewhat into street lighting
35 versus stadiums and facilities? Can you give us some
36 idea?

37 MR. GRIFFIN: Basically street lighting is the lion's share.
38 That would represent ...

39 MR. NOSEWORTHY, CHAIRMAN: Excuse me. I probably
40 have to swear you in unless you ...

41 MR. GRIFFIN: Okay.

42 MR. NOSEWORTHY, CHAIRMAN: That's probably the
43 quickest thing to do, and you can comment. Do you swear
44 on this Bible that the evidence to be given by you is the
45 truth, the whole truth and nothing but the truth, so help
46 you God, Mr. Griffin?

47 MR. GRIFFIN: I do.

48 MR. NOSEWORTHY, CHAIRMAN: Thank you, sir, very
49 much.

50 MR. BROWNE, Q.C.: You're free to go now.

51 MR. NOSEWORTHY, CHAIRMAN: Now you're in
52 position to comment ... now you're in a position to comment
53 freely.

54 MR. GRIFFIN: Now you've opened it up. *(laughter)* No.
55 Street lighting is the lion's share of it with the, and you
56 have a various number of facilities around, stadiums. We
57 operate two stadiums plus the Town Hall plus we have
58 Public Works Depot, plus we have various smaller services
59 for (inaudible) pump stations, street lighting, or not street
60 lighting, crosswalk signs, as well as traffic lights, so it's
61 quite lengthy when you look at our full extent of services
62 purchased from Newfoundland Power. Having said that,
63 the question of the 18 percent, should that increase be
64 granted as per Hydro's request, what would the, how would
65 that translate into an increased cost from a Newfoundland
66 Power consumer? Is there any ...

67 MS. HENLEY ANDREWS, Q.C.: The 18 percent is just for
68 the industrial customers so it would be just Abitibi. It's
69 lower for the ...

70 MR. GRIFFIN: What's the range should, again should that
71 increase be granted? What would be the impact on the
72 non-industrial customers?

73 MR. YOUNG: We discussed it a bit earlier, and I know this
74 can be difficult to follow the context sometimes for these,
75 but the increase being proposed by Hydro is 3.7 percent.
76 Now I say that. That's not the increase to Newfoundland
77 Power. That's the end consumer expectation.

78 MR. BROWNE, Q.C.: The end consumer will pay what?

79 MR. YOUNG: 3.7, and then on top of that, and as I said
80 earlier ...

81 MR. BROWNE, Q.C.: Keep coming.

82 MR. YOUNG: ... in July the Rate Stabilization Plan, which
83 is in place now, there is an expected increase to occur of 3.4
84 percent, and that would have occurred in any event.

85 MR. BROWNE, Q.C.: So the overall increase you could
86 plan for in your budgetary process, if the application is
87 successful, will be around seven percent.

88 MR. YOUNG: Seven percent, yeah.

89 MR. GRIFFIN: Which was the answer to my question.

90 MR. YOUNG: That was ... the other ... this banter is getting
91 a little bit strange in the proceeding, I realize, but the other,

1 the RSP, the 3.4 percent increase, doesn't get triggered until
2 July 1st, so for budgeting purposes that's only in there for
3 part of the year.

4 MR. BLACKMORE: But still it's a figure that we would
5 have to take into account when we do because we're
6 looking at another 3.7 percent for the latter half of 2002, and
7 of course again from municipal budgets, if we're talking
8 about three-quarters of a million, when it comes down to
9 the final figures, if we have to look, if the electricity costs
10 are going to be an additional \$30,000 or \$40,000, whatever
11 the case might be, that's 30 or \$40,000 that we are going to
12 have to pass on to the consumer as well, and that will have
13 to be passed on in the form of tax increases, and of course
14 we fortunately are, have a fairly healthy town but not
15 healthy to the point where we can absorb unlimited
16 increases in costs, so when we mention domestic costs, not
17 only are we talking about domestic costs of the light and
18 power, electricity consumers, but also from the point of
19 view of the people consuming the use of street lights and
20 all those kinds of things. So it really comes down to a point
21 where it's a matter of how can this increase be absorbed
22 without causing some pain, and I don't think it's going, can
23 be absorbed without causing some pain along the line for
24 consumers.

25 MR. BROWNE, Q.C.: What has the Town done, if
26 anything, to attempt to bring down its electricity costs?
27 Have you applied any conservation measures or adopted
28 any conservation programs?

29 MR. BLACKMORE: We've looked at various services
30 around town whereby we could probably consolidate
31 services that would reduce the overall demand. We've
32 been looking at having some sort of a methodical survey of
33 street lighting and of course we'll probably be looking to
34 Light and Power to give us some advice, some assistance
35 with that from the point of view of ideas. We've looked at
36 parts of town where, for instance, as an example, we had a
37 depot, the old Grand Falls Depot on Scott Avenue, we
38 moved from that site to another site and for a while there
39 are a number of lights there that we removed. We are
40 continually trying to justify the electricity consumption by
41 economizing where possible. We've been looking at, for
42 instance, the connection between the YMCA and the
43 Windsor Stadium, how we can best operate that to end up
44 reducing some of the costs of electricity, and I don't know
45 if, Barry, if you have any, mention any figures or any
46 percentages on what has been saved over those ...

47 MR. GRIFFIN: No, because it's an ongoing battle. Of
48 course every month you want to minimize your costs of
49 providing services that don't directly translate into
50 increased level of service so it's something that's just like
51 every, just like all the parties around this table. Obviously
52 you want to watch your costs and manage them as

53 effectively as possible, so that's something that doesn't
54 stop from one month to the next.

55 MR. BLACKMORE: Uh hum.

56 MR. BROWNE, Q.C.: Have you been approached by
57 Newfoundland Power, who is your provider, for, to provide
58 any kind of assistance in adopting conservation methods?

59 MR. GRIFFIN: Usually when we look at something we will
60 contact them and ask, for example, on a combination of
61 services or different proposals that we're looking at, we will,
62 I guess, source them out and then we will ask their input as
63 to how, you know, to quantify, the impact would be, and it
64 would, would it justify the capital cost of investing in a new
65 service or a new transformer or a new combination that
66 would, or a new piece of conserving, energy-conserving
67 equipment, would, you know, in terms of the number
68 crunch as to what we'd actually save and would that justify
69 the capital cost. We would ask their assistance in those
70 matters.

71 MR. BLACKMORE: Also, three or four years ago we had
72 this particular group that came to do an audit of all of our
73 buildings, because all of our buildings are heated by
74 electricity, and as for, from the point of conservation, like,
75 for instance, you know, the energy loss through windows,
76 doors, inappropriate amounts of insulation and so on and
77 so forth. We've done that and that has helped us decrease
78 the amount of electricity that we've been using. And as
79 Barry mentioned, we are continually looking at means of
80 doing that and we find that Newfoundland Power has been
81 very cooperative with us in, and of course what appears to
82 be strange sometimes, they help us to use less of their
83 electricity, so they're a rather strange group. *(laughter)*

84 MR. HAYES: We do what we can.

85 MR. BROWNE, Q.C.: The audit of your buildings, did you
86 bring someone in, a company, a contractor, to complete
87 those?

88 MR. BLACKMORE: Yes, yeah. There was a group, I think
89 it was Rose Technology. They came and they did a
90 complete audit of all of our Town Hall, the Works Depot,
91 the various arenas and so on and they came up with certain
92 suggestions that were implemented, and as a result of that
93 there was a decrease in the amount of electricity used
94 simply because of inefficient buildings. Now those
95 buildings are much more efficient from the heat retention
96 and lighting and so on, so that has caused a reduction in
97 the amount, but again we are continually trying to find
98 ways of being more economical when it comes to use of
99 electricity, say, look at street lights, the type of street
100 lights. There is ... and Light and Power, I suppose, know
101 this, there's the halogen and then there's the ...

102 MR. HAYES: Mercury vapour.

1 MR. BLACKMORE: Mercury vapour. We, looking at the
2 types of lights that would be more efficient and use less
3 electricity, and again we've been on that, at that program as
4 well.

5 MR. BROWNE, Q.C.: Now this company, where do they
6 originate?

7 MR. GRIFFIN: They were a firm out of Ontario that did
8 quite a bit of work in, well, I know in the maritimes, in
9 Atlantic Canada, but also in Newfoundland for the
10 Provincial Government and various municipalities and
11 hospital boards, so I guess we became aware of them at
12 one of our conventions and requested them to come in and
13 do a review, and as a result of that we implemented a
14 number of the recommendations with the aim that, again,
15 the capital cost up front would be offset by the long-term
16 energy savings.

17 MR. BROWNE, Q.C.: And how long ago was this?

18 MR. GRIFFIN: Approximately five, six years ago.

19 MR. BROWNE, Q.C.: Have you done any follow-up since
20 that time?

21 MR. GRIFFIN: Well, we're constantly monitoring it. We
22 haven't realized a savings because we're still in the process
23 of paying back the capital cost portion, however, that's
24 scheduled, I think, to be fully paid out in, for 2003, and at
25 that point in time, then we will actually start realizing a net
26 budget savings for the future.

27 MR. BROWNE, Q.C.: Now the residents, the citizens whom
28 you serve, you mentioned in your evidence that most of
29 these use an electric form of heat. Is that accurate? Do you
30 have a survey, some ...

31 *(10:30 a.m.)*

32 MR. BLACKMORE: We haven't done a survey from the
33 point of view of exact figures, but we know from our
34 building plans that electric heat is very, very common, but
35 I also notice that, again from general comment from
36 individuals, that there seems to be more people nowadays
37 putting in supplement heating, like say wood stoves, and
38 of course that brings some other problems as well, that
39 usually with wood stoves comes chimney fires which is a
40 cause for concern, and of course, and again that's an
41 additional concern, plus we had a meeting with the
42 Provincial Environment Minister just last week and one of
43 the comments that was made there was about the health
44 effects of wood smoke, and right now with an increase in
45 electricity rates, it's very likely there's going to be an
46 increase in the use of supplementary heat like wood stoves.
47 Then again, that creates all those other problems as well.
48 But as for the figures, I don't have the figures at what
49 percentage of the houses in Grand Falls-Windsor are

50 heated mainly by electricity. Some now are into electric
51 furnaces, which is the ... well again like the new Early
52 Childhood Education Centre at the Y, that's heated by an
53 electric furnace, well of course depending, that's strictly
54 using electricity, so it might be a different kind of heat but
55 you're still using electricity primarily.

56 MR. BROWNE, Q.C.: Mayor Blackmore, what do you use
57 yourself in your own home?

58 MR. BLACKMORE: Electric heat. I had a wood stove for
59 a while and the missus got mad with me because I was
60 tracking in snow and sawdust and stuff and smoke, so to
61 keep peace in the camp I got rid of the stove, *(laughter)* so
62 I'm strictly electric heat.

63 MR. BROWNE, Q.C.: Your community, I believe, received
64 some kind of national acclaim some years ago. Can you tell
65 us a little about that?

66 MR. BLACKMORE: That was in 1992, I think. Chatelaine
67 Magazine did a survey of a number of municipalities across
68 Canada and they picked ten of the best places in Canada to
69 live and Grand Falls-Windsor was selected as one of those,
70 and they selected it based on, just on security, based it on
71 the environment, based it on general standards of living
72 and I would suspect, you already referred to the beauty of
73 this time of year, and I think that Grand Falls-Windsor
74 looks good all year around and we've had comments from
75 people along those lines, so I think that it was a justifiable
76 selection for us and we have, I think, improved since 1992,
77 so when we are considered to be one of the ten best places
78 to live in Canada, household costs, all those things were
79 taken into consideration.

80 MR. BROWNE, Q.C.: Following that acclaim did you
81 undertake any advertising, suggesting that Grand Falls-
82 Windsor would be a good place for people ...

83 MR. BLACKMORE: Yes.

84 MR. BROWNE, Q.C.: ... to retire to?

85 MR. BLACKMORE: In our economic development
86 activities we always refer to that particular award that we
87 received and we emphasize that not only from the point of
88 view of a good place to live, but also a good place to do
89 business. I think that not long ago we were selected as one
90 of the places with the best, the lowest cost to do business,
91 and having to do with rental costs and those kinds of
92 things.

93 MR. GRIFFIN: And there was a Price Waterhouse study or
94 ...

95 MR. BLACKMORE: Yes, yes. One of the ...

96 MR. GRIFFIN: KPMG ...

97 MR. BLACKMORE: KPMG was the name of the company

1 that did this and this was a cross-Canada survey, and
2 taking into account the cost of rental, cost, operational
3 costs, etc., we were considered to be one of the best places
4 in Canada to set up or expand businesses, and of course
5 thinking about the present situation, any, an increase in
6 electricity would naturally affect that standard.

7 MR. BROWNE, Q.C.: Do you have ... what's your
8 proportion of senior citizens who reside here? Do you
9 have any idea on that?

10 MR. BLACKMORE: According to the figures in a booklet
11 that we produce annually called *Things you would, All the*
12 *things you'd like to know about Grand Falls-Windsor*,
13 depending on where you start, if a senior is 65 plus or 60
14 plus or 55 plus, well I think if you look at 60 plus, we're in
15 the vicinity of 20 percent that would be classed as seniors.
16 A lot of those seniors are very, very active seniors and
17 some are not, but which is pretty close, I think, to the
18 provincial average, maybe not very much difference, about
19 20 percent of 60 plus.

20 MR. GRIFFIN: We're anxiously awaiting the results of the
21 new census obviously to assess what, basically where our
22 community is right now in relation to that census and get
23 a more accurate picture of exactly what you're asking.

24 MR. BROWNE, Q.C.: Are you familiar with the work of the
25 Conservation Corps?

26 MR. BLACKMORE: Yes.

27 MR. BROWNE, Q.C.: Have they had any impact here in
28 Grand Falls-Windsor? Can you tell us about that?

29 MR. BLACKMORE: Yeah. For the last two or three years
30 they have been involved here. They've been involved this
31 past summer in doing household evaluations and I believe
32 in leading by example so I asked them to come to my place,
33 and they came and of course they had some suggestions
34 having to do with more insulation in houses and different
35 types of exhaust fans in kitchens and bathrooms and
36 energy saving shower nozzles and all those kinds of things
37 and lowering the temperature on your hot water heater so
38 as to conserve again, conserve electricity, and they ... I'm
39 not too sure how many of those that they've done, but they
40 were very busy here this summer doing those kinds of
41 household evaluations, and we have supported them in
42 various ways, through publicity, through making reference
43 to them in various Town publications. We have a *Town*
44 *Crier* which goes out twice a year and that's just a
45 newsletter and we mention those things in newsletters. We
46 have various other publications that refer to those kinds of
47 things, about all kinds of conservation and ways to protect
48 the environment and to control the hazards and, but we do
49 support those groups and they are quite active.

50 MR. BROWNE, Q.C.: And did they ... was it any cost to

51 you when they went to your home?

52 MR. BLACKMORE: No. I think there might have been
53 some sort of a small cost but it wasn't of any great burden.
54 I can't even recall now what the cost was, if there was one.

55 MR. BROWNE, Q.C.: Were you successful in bringing
56 down your energy usage as a result of their visit?

57 MR. BLACKMORE: Yes, yeah, because once introduced
58 some of those methods are ... all those little things at the
59 surface don't look to be a lot, add up to be a lot when you
60 look at it for a full year, and it's amazing that more of this
61 isn't done and that more households don't take part in
62 those kinds of things because when you talk about, again,
63 an all-electric home, hot water heaters and everything else,
64 a small percentage of saving is, over the years, is a saving,
65 plus a small percentage of increase is equally noticeable.

66 MR. BROWNE, Q.C.: Mayor Blackmore, your Treasurer
67 might be able to answer this. I'm wondering what sort of
68 notice you had of this application and of the fact that you
69 might be affected by an increase. Did Newfoundland
70 Hydro or, I guess it would be Newfoundland Power in your
71 case, did they give you notice in your bill, do you know
72 that?

73 MR. GRIFFIN: Not that we took note of. We took note of
74 the public application and I guess in early October we
75 notified Council that this was proceeding and that should
76 we want to make a presentation, of the relevant date.

77 MR. BROWNE, Q.C.: Thank you, Mayor Blackmore.
78 Thank you, Treasurer Griffin.

79 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
80 Browne. If we could just ... I think we're going to conclude
81 with the panel, give them an opportunity to ask questions
82 as well, in addition to Board counsel. I call upon Mr.
83 Kennedy.

84 MR. KENNEDY: No questions, Chair.

85 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.
86 Commissioner Powell, please.

87 COMMISSIONER POWELL: Just one question for Mayor
88 Blackmore. As a municipal politician you, I want to get
89 your view on the suggestion that Hydro should be prudent
90 in controlling their cost. One of the largest costs that they
91 can control in an organization like Hydro would be human
92 resource cost.

93 MR. BLACKMORE: Uh hum.

94 COMMISSIONER POWELL: And any time you start
95 controlling your human resource cost, it generally means
96 that there'll be fewer employees and layoffs.

97 MR. BLACKMORE: Uh hum.

1 COMMISSIONER POWELL: And when an organization
2 like Hydro starts looking at that, they tend to affect the
3 employment in smaller communities, and I think Hydro is a
4 fairly large employer in the central part of the province. So
5 how would you react to a reduction or significant reduction
6 in Hydro's staff in around the area?

7 MR. BLACKMORE: Right now, you know, most ... Hydro
8 has a major facility in Bishop's Falls. I'm not too sure what
9 the employment level is there but I know over the last few
10 years there have been some reductions. Some friends of
11 mine who worked there have no longer work at that
12 particular place. The way we look at employment in a
13 community the size of Grand Falls-Windsor, and probably
14 even more so to a smaller community, is that we as a town
15 try to keep things from reducing, so if, for instance, if some
16 people with Newfoundland Hydro are no longer working
17 with Newfoundland Hydro but then if they get employment
18 somewhere else in the system, usually there's not much of
19 a difference, but if a person who is working with
20 Newfoundland Hydro, working with some other company,
21 is no longer working with that company and has to leave
22 the municipality to go elsewhere for work, that is when you
23 notice it because there's a house for sale, there are fewer
24 children in school, there is less money going into the
25 economy, so it's one, it's sort of a situation where we would
26 not necessarily rejoice if people were laid off from work,
27 and if the only alternative for Newfoundland Hydro to
28 avoid this increase is to lay off people, the economic effect
29 on the municipality is going to be a detrimental effect,
30 whichever way you look at it, whether it's an increase in
31 costs or a decrease in employment, so it's a sort of a
32 balancing act that is going to be difficult to say. If you
33 wanted to, you know, pick your poison, more or less, you
34 know, that you're asking ... we don't want to take poison.
35 We want to avoid that if we can.

36 COMMISSIONER POWELL: Thank you.

37 MR. NOSEWORTHY, CHAIRMAN: Thank you,
38 Commissioner Powell. Commissioner Saunders, please.

39 COMMISSIONER SAUNDERS: Mayor Blackmore, did you
40 say that your Town budget was \$8 million?

41 MR. BLACKMORE: Yes.

42 COMMISSIONER SAUNDERS: Yes. And that
43 Conservation Corps evaluation, was that free to residents,
44 owners?

45 MR. BLACKMORE: The one I referred to earlier by Mr.
46 Browne, yes, that was available, and back a number of
47 years ago there was another major one that was promoted
48 through the Federal Government. I think it was called
49 something like *Domestic Retrofit*. I'm not too sure exactly
50 what it was, but that one was when booklets were sent out

51 and people were asked to fill out the questionnaire and
52 then there was a sort of a self-guided system to go through
53 to see how you could save energy, as when the energy
54 efficient homes we're talking about with no drafts and some
55 people had to end up putting in air exchangers because
56 their homes were too tight and all of those kinds of things,
57 and this program this last summer by the Conservation
58 Corps, again that, they were busy here all summer visiting,
59 but it was on request only, you know. They didn't come
60 knocking on your door. They wanted you, at the request,
61 so I think that they were quite busy, and I don't know
62 exactly how many homes they visited but I would suspect
63 that there were quite a lot.

64 (10:45 a.m.)

65 COMMISSIONER SAUNDERS: Just one other question.
66 You mentioned in talking about the grant in lieu of taxes
67 that you received from Abitibi that it was tied to the price
68 of paper. Would you like to explain how that works?

69 MR. GRIFFIN: We have a base amount and depending on
70 the price of paper there are some, I guess, not incentives,
71 but bonus provisions that we can ... in other words, if the
72 paper industry does well, we can receive an increase in our
73 operating grant, but ...

74 COMMISSIONER SAUNDERS: And if it doesn't you get
75 a decrease.

76 MR. GRIFFIN: We don't ... no, we don't, to get a decrease.
77 We do have a base amount that is set and that we budget
78 upon, but, like I said, should the industry experience an up-
79 turn, there's a possibility for us to collect a little bit more.

80 COMMISSIONER SAUNDERS: Well let me put it another
81 way. You may not receive a decrease but you won't receive
82 a bonus, is that ...

83 MR. GRIFFIN: That's true.

84 MR. BLACKMORE: Yes.

85 COMMISSIONER SAUNDERS: Yes, okay.

86 MR. BLACKMORE: And right now we're in the process
87 now of the present agreement expires at the end of this year
88 and now we're in the process of getting meetings with
89 Abitibi to get a new agreement for the next number of
90 years.

91 COMMISSIONER SAUNDERS: Are there any other
92 companies within your municipality that you deal with in
93 that way, and that is a grant in lieu of taxes?

94 MR. BLACKMORE: No, it's just that the Federal
95 Government through their system, but all other industries
96 pay a tax as opposed to grant in lieu of ...

97 MR. GRIFFIN: Well, the public utilities pay the two and a

1 half percent of local revenue as I guess it's categorically a
2 grant in lieu or taxation in lieu of ... we don't tax them
3 (unintelligible) ...

4 COMMISSIONER SAUNDERS: When you say the
5 Government, you're talking about Newfoundland Power?

6 MR. GRIFFIN: Newfoundland Telephone and ...

7 COMMISSIONER SAUNDERS: Newfoundland Telephone
8 and Hydro.

9 MR. GRIFFIN: Not Hydro.

10 COMMISSIONER SAUNDERS: No, not Hydro. They
11 don't serve the area.

12 MR. GRIFFIN: Various new, I guess the various
13 newcomers to the telephone business also pay that.

14 COMMISSIONER SAUNDERS: I see. These would be
15 long distance carriers.

16 MR. GRIFFIN: Yeah.

17 MR. BLACKMORE: Uh hum.

18 COMMISSIONER SAUNDERS: Yeah, okay.

19 MR. GRIFFIN: And the cable actually as well.

20 COMMISSIONER SAUNDERS: And cable. Thank you,
21 gentlemen.

22 MR. NOSEWORTHY, CHAIRMAN: Thank you,
23 Commissioner Saunders. Commissioner Whalen?

24 COMMISSIONER WHALEN: No, I have no questions.
25 Thank you for your presentation.

26 MR. NOSEWORTHY, CHAIRMAN: I just have a ... thank
27 you, Commissioner Whalen. I just have a couple of
28 questions, Mayor Blackmore. One of the issues I indicated
29 in my comments that the Public Utilities Board will be
30 concerned about in addition to the cost of electricity would
31 be its reliability and sort of the quality of service, and could
32 you comment on that perhaps in terms of your experience
33 in this area?

34 MR. BLACKMORE: Here in central Newfoundland we're
35 sort of fortunate in that I think there are two or three
36 directions that power can come. You know, sometimes
37 you're at the end of the line and there's some problem back
38 along the line, you're out of the picture, but because of the
39 way we're situated and the different sources of power like
40 Bay d'Espoir, etc., is that there are two or three sources of
41 feed for here, so we haven't had any great amount of power
42 outages. Sometimes during the year there are periodic
43 ones. Now that is not necessarily restricted to the winter,
44 with, or even this past summer on a couple of occasions,
45 but it was for very short periods of time. Generally
46 speaking we haven't been affected very much with power

47 outages. Things are usually pretty secure when it comes
48 to that point and I think that, again, talking about
49 Newfoundland Power, is that we are one of the, because
50 we're in the centre with Bay d'Espoir just down the road
51 and then with the, coming from east and west, I think we're
52 pretty well off, probably better off than some other parts of
53 the province, and of course over the last number of years
54 is that Light and Power has done a lot of improvements
55 here to the point where, I think, that our system, probably
56 all across the province, is better than, because a few years
57 ago when this major problem was up in Ontario and
58 Quebec, a fair number of crews left here, but we weren't
59 seriously affected by that. So I think that we're, the service
60 here is very reliable and there are glitches in it but generally
61 speaking it's not a major problem.

62 MR. NOSEWORTHY, CHAIRMAN: The other area, Mayor
63 Blackmore, you did mention, I think, your concern about
64 the controlling of costs of hydro and certainly there is, just
65 for your information, there is ample provision in this
66 process, which will likely go on 10 or 12 weeks, to consider
67 in detail things like the cost of service and the cost of
68 capital and certainly there are all kinds of financial reports
69 that will be scrutinized during this process as well, so
70 there's certainly ample provision in it for that type of
71 review. One of the comments that you did make, and it has
72 arisen as well on previous occasions during these public
73 participation days, is this whole notion of economic
74 development, the impact that these increased rates will
75 have on economic development, and I think you
76 commented on the fact that certainly there's been various
77 incentives, if you will, through Government and through
78 the municipality I know in terms of the EXCITE Project,
79 which is a recent, and the impact that these increased rates
80 will have on counterbalancing those efforts, and certainly
81 I think you would have heard in my opening remarks that
82 this Board, one of the considerations of the Board is to
83 provide Hydro with a fair and just return on their
84 investment, and I have a little bit of difficulty in
85 appreciating, and certainly we'll have a discussion about
86 this, I'm sure, in due course, but you reconcile that with the
87 whole notion of economic development and that has been
88 a, you know, a trigger in the area or a sustenance in an area.
89 Could you comment on that a little bit more perhaps, on
90 how you reconcile those couple of things in your own
91 mind?

92 MR. BLACKMORE: Right now all across the province, all
93 across the western world, the businesses, when they come
94 to set up, and particularly now we're talking about new
95 business, new industry, in order for them to go to a
96 particular area, that area must have a competitive edge, and
97 we feel that the competitive edge that we have here in
98 Newfoundland is a stable workforce, a good supply of
99 workers, an education system that can provide the level of

1 skills that are necessary, and also we look at the idea that
2 the way of life in Newfoundland, being less hectic and
3 being more, how should I put it, more in keeping with a
4 happy workforce, and in order to do that, in addition to
5 those edges in the competition, we also have to do some
6 other things. For instance, when the province and a
7 municipality gives tax breaks over a number of years, our
8 view on that is this, we don't get the full tax benefit of a
9 particular company right now. We won't for five, six, seven
10 or eight years, but what we see is that by giving those tax
11 incentives, that those businesses, those industries start
12 operation, they employ 10, 15, 20, 100, whatever the case
13 may be, new workers. That system, that money gets into
14 the system, the business becomes better established, and
15 then when it gets to the point where it's operating well, it's,
16 all of the bugs have been ironed out, and now they are in
17 a position, they are maturing. It's almost like a baby is
18 born, they need a lot of care, as they get older they become
19 less and less and eventually they become producers
20 themselves into the economy. That's the way we see those
21 industries. And that is the way that we operate. I think
22 that's the way the province is operating through the EDGE
23 Program, through Rural Development, and so many
24 changes now, Department of Industry, Trade and Rural
25 Development. That is the process that we see and we have
26 to more or less nurse those operations to the point where
27 they eventually become strong enough to pay their full
28 costs, and then when they start paying their full costs, then
29 the municipalities and the Provincial Government will see
30 the return in their tax collections. One of the things that we
31 emphasize is that, you know, the cost of doing business is
32 less here in Newfoundland, and the cost of doing business
33 also includes the cost of utilities, electricity particularly.

34 MR. NOSEWORTHY, CHAIRMAN: If you ... and on the
35 other side of the coin, I guess, is Hydro and its requirement
36 to receive a just again, and fair return on that, and to some
37 degree on their investment, given a satisfactory control and
38 cost, as I indicated, we would certainly have the
39 opportunity to review, but ultimately there is a bit of a
40 conflict with that in terms of the disincentive that might be
41 applied by that, by that increase in rates, whatever that
42 might be. So I hear you on the one hand saying that there's
43 almost an economic development ... whether it's an
44 incentive role here ...

45 MR. BLACKMORE: Yes.

46 MR. NOSEWORTHY, CHAIRMAN: ... it's certainly a
47 disincentive role ...

48 MR. BLACKMORE: Yes.

49 MR. NOSEWORTHY, CHAIRMAN: ... and that at times is
50 in, no doubt in conflict with the other incentives that are
51 put in place to encourage industry and what have you, but

52 I'm having some difficulty in, because this comment has
53 been made in a number of understanding and reconciling,
54 that those two competing ideas, I suppose to a degree.

55 MR. BLACKMORE: Yeah. When you talk about the
56 increasing costs being a disincentive, I suppose you'll
57 probably say there would be less of an incentive if one of
58 the costs increased. Right now we feel that by going to a
59 company in the US who would see, we could say to them,
60 oh, here are the electricity costs, here's the rental costs,
61 human resources, etc., etc., we want to make as good a case
62 as possible. With an increase in any of those costs we
63 have less of a competitive edge than we had before, so if
64 the increase is granted to Newfoundland Hydro, we will
65 have, how do you say, fewer eggs in our basket of
66 incentives than we had before.

67 MR. NOSEWORTHY, CHAIRMAN: Understood. Mayor
68 Blackmore, could you just comment, I know the EXCITE
69 Project has been, appears to be quite successful and
70 working well. Could you just comment in general on the
71 overall economics in the area and how things are
72 progressing employment-wise and new businesses and
73 what have you, just to give us a short flavour for that?

74 MR. BLACKMORE: Okay. The EXCITE Corporation is
75 already started out with this. This was with the Town of
76 Grand Falls-Windsor and the Exploits Valley Economic
77 Development Corporation forming a group and then with
78 support from the Chamber of Commerce, with support from
79 other agencies such as ACOA and Department of Industry,
80 Trade and Rural Development, with financial input from all
81 three parties, through ACOA, Provincial Government and
82 Municipal Government, we had a building built which was
83 opened officially on August the 10th of this year.
84 Construction started August the 16th last year, and before
85 the building was completed it was, before it was officially
86 opened it was filled within the vicinity of 400 people. Most
87 of those are working with a group called Help Desk Now
88 (phonetic), which is a customer service group servicing
89 mainly Track (phonetic) Phone, which is an American cell
90 phone dealer. Then also there's VPSI, a software
91 manufacturing group, which employs somewhere in the
92 vicinity of 50 to 60, but the majority of them are with Track
93 (phonetic) Phone. I haven't ... I did hear what the total
94 annual payroll is.

95 MR. GRIFFIN: The level of employment is over 400 people,
96 so you're talking ...

97 MR. BLACKMORE: Again now, I did hear the figure, how
98 many million it was into the local economy. Right now we
99 are in the fortunate or unfortunate position, whichever way
100 you want to look at it, that we have businesses from the
101 United States that are very actively looking at coming here,
102 but if they decided to come here tomorrow, we have to say,

1 now, where in the world can we put them. The plan
2 originally was that it would take two to three years to have
3 all of the building in use and all of the building is in use
4 right now. So we are in a process now to, looking for
5 funding from private industry, and we will be having
6 meetings very soon with some possible financiers, and we
7 are looking at the possibility of having another building or
8 two similar to that hopefully completely at the cost of some
9 of the private sector as opposed to any more public money.

10 (11:00 a.m.)

11 The College of the North Atlantic is very involved
12 with us. They have what is called a business
13 (unintelligible) facility, which is a nice word for an
14 incubator, where they have an area where people,
15 companies come in and sort of gear up and get things in
16 place for when they get on track, and right now things are
17 looking really positive and we are hoping that this will give
18 us another major industry here in central Newfoundland,
19 because the people who are working there are from all over
20 central Newfoundland, not just from Grand Falls-Windsor.
21 We're quite excited about it, pardon the pun, but EXCITE
22 means Exploits Centre for Information Technology
23 Excellence. That's the long version. And we're very excited
24 about it, as I just said, and we see great things happening
25 in the future.

26 MR. NOSEWORTHY, CHAIRMAN: So this is having a
27 very positive spin-off, I would assume, in the service
28 industry as well.

29 MR. BLACKMORE: Well, when you look at 350 to 400 new
30 jobs in a particular part of the province, jobs that weren't
31 there before, it means now of course, and I know of some
32 individuals, I know they're buying now, some are in
33 position of buying new cars, the second car. Housing in
34 Grand Falls-Windsor this summer, we're in the vicinity of
35 50, which is double what we usually have been having, and
36 the only other place in the province with more housing
37 construction is St. John's, as you probably expect because
38 of just the sheer size of the population of St. John's, and
39 we're quite encouraged by that and we want to make sure,
40 so in reality the more economic development we have, the
41 more electricity that Newfoundland Power provides, and
42 the more that they go to Newfoundland Hydro to get.
43 That's why I'm mentioning that. If we all get together on
44 economic development, we all win in the end.

45 MR. NOSEWORTHY, CHAIRMAN: That's all I have,
46 Mayor Blackmore. Thank you very much, always a
47 pleasure. Thank you, Mr. Griffin.

48 MR. BLACKMORE: Thank you very much.

49 MR. NOSEWORTHY, CHAIRMAN: I now call upon Mr.
50 Barker, please, to take the witness table. Good morning,

51 Mr. Barker, and welcome, sir.

52 MR. BARKER: Good morning.

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

58 MR. BARKER: I do.

59 MR. NOSEWORTHY, CHAIRMAN: Thank you, sir, very
60 much. Could I ask you to begin your presentation, please?

61 MR. BARKER: Okay. Earlier this year Newfoundland and
62 Labrador Hydro presented to Government with an
63 application for a rate increase. The reason for this rate
64 increase was due to the increase of Bunker C fuel which is
65 burned at the hydro plant in Holyrood. Here in central
66 Newfoundland the consumers get their power from the Bay
67 D'Espoir power plant which generates its own power. As
68 a consumer I protest a Newfoundland and Labrador Hydro
69 rate increase for the central part of the province because we
70 don't have to use Bunker C. For years the people in the
71 central have been asking why fuel is more expensive here
72 than on the east coast. The answer we get, it is due to the
73 high price of transportation, so I say to the people on the
74 Avalon and the east coast, if you have to burn Bunker C to
75 generate your power, then you should pay for it. I don't
76 think the people in the rest of the province should have to
77 pay for it.

78 MR. NOSEWORTHY, CHAIRMAN: Is that the, your
79 presentation?

80 MR. BARKER: That's very simple, straight to the point.

81 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
82 Mr. Barker. Questions, Hydro, please?

83 MR. YOUNG: No questions, thank you. Thank you, Mr.
84 Barker.

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

87 MR. HAYES: No questions. Thank you, Mr. Barker.

88 MR. NOSEWORTHY, CHAIRMAN: Industrial Customers?

89 MS. HENLEY ANDREWS, Q.C.: No questions.

90 MR. NOSEWORTHY, CHAIRMAN: Consumer Advocate?

91 MR. BROWNE, Q.C.: No questions. Thank you, Mr.
92 Barker.

93 MR. NOSEWORTHY, CHAIRMAN: Mr. Kennedy?

94 MR. KENNEDY: No questions, Chair.

95 MR. NOSEWORTHY, CHAIRMAN: Commissioner Powell?

1 COMMISSIONER POWELL: Yeah, I have a question. You
2 say that the central should not have to pay Bunker C. How
3 do you propose ...

4 MR. BARKER: Well, like I said, like for years people ... the
5 price of fuel has always been higher here than on the east
6 coast.

7 COMMISSIONER POWELL: You're talking about the
8 gasoline in your car.

9 MR. BARKER: Yes.

10 COMMISSIONER POWELL: Okay.

11 MR. BARKER: And not only gas but furnace fuel and
12 everything, okay, and we were always told because of high
13 price of transportation. Like I said, we don't burn Bunker C
14 to generate our power at the hydro in the Bay d'Espoir from
15 what I'm been told. They don't use Bunker C down there.

16 COMMISSIONER POWELL: No.

17 MR. BARKER: So, I mean, why should ... like, I mean, if
18 you're going to give a rate increase, if there's only one part
19 of the province that uses Bunker C, why shouldn't, you
20 know, why shouldn't the increase be just out there? Why
21 should it be in here?

22 COMMISSIONER POWELL: But you're under the
23 assumption being that there's a line directly from ...

24 MR. BARKER: No, no, I'm ...

25 COMMISSIONER POWELL: ... Bay d'Espoir to here?

26 MR. BARKER: No, no, I'm not. No, I'm not on that
27 assumption. What I'm saying is that, you know, for the
28 consumer itself, if they know that on the east coast that
29 they got so many people out there that are using, say, the
30 power generated comes mostly from Holyrood, then let the
31 people out there pay for it.

32 COMMISSIONER POWELL: Mayor Blackmore just
33 mentioned that one of the advantages that Grand Falls has
34 in reliability in that they had power come from different
35 sources, so they weren't, if there's a problem at one place,
36 power wouldn't be cut off. What made you think that
37 maybe some of your power is not coming from Holyrood?

38 MR. BARKER: Mostly all of our power, sir, our power
39 comes from Bay d'Espoir power plant. That's where it
40 comes from.

41 COMMISSIONER POWELL: Are you familiar with the
42 provincial grid?

43 MR. BARKER: A fair bit. I know that's, all the power goes
44 on the grid, I know that. Even, like, well they just opened
45 (phonetic) Star Lake, that power is on the grid. Hines Lake
46 is on the grid.

47 COMMISSIONER POWELL: Just go back to my first
48 question. Proposing that we have a situation that if Bay
49 d'Espoir is down, that Holyrood would not ship any power
50 to central Newfoundland?

51 MR. BARKER: I would say the same thing we probably
52 would if Holyrood went down, that the power, it's all on the
53 grid, it would go there.

54 COMMISSIONER POWELL: I'm still trying to figure how
55 you propose to distinguish between, because the power
56 lines don't know whether it's made from water or ...

57 MR. BARKER: Oh, I know that, sir, I know that, but what
58 I am saying is that for the consumer who lives in that area,
59 if they got to use Bunker C, then let them, they should pay
60 for it. Let them pay for the rate increase.

61 COMMISSIONER POWELL: I have no problem with the
62 suggestion. I'm just trying to (inaudible) the application,
63 that's all. I live on the west coast, so.

64 MR. NOSEWORTHY, CHAIRMAN: Thank you,
65 Commissioner Powell. Commissioner Saunders?

66 COMMISSIONER SAUNDERS: I have no questions, Mr.
67 Chair.

68 MR. NOSEWORTHY, CHAIRMAN: Commissioner
69 Whalen?

70 COMMISSIONER WHALEN: No questions. Thank you,
71 Mr. Barker.

72 MR. NOSEWORTHY, CHAIRMAN: I have no questions,
73 Mr. Barker. Thank you very much for your presentation,
74 sir.

75 MR. BARKER: Thank you.

76 MR. NOSEWORTHY, CHAIRMAN: Indeed just in
77 conclusion I don't believe there are any other presenters
78 this morning. I'd like to thank the presenters who have
79 been here this morning for their input, and as I indicated,
80 your presentations will indeed be considered in our
81 rendering a decision on the application. I would also
82 comment that there is still opportunity for letters of
83 comment and Ms. Blundon can be contacted, the Corporate
84 Secretary, either today or certainly over the next few weeks
85 in St. John's to be, provide you with information on how, if
86 there are any other people that you're aware of in this area
87 who would like to submit a letter of content, comment I
88 should say, how they might be able to do that.

89 I would like to thank everybody who's been party
90 to these proceedings. I know the change in schedules and
91 what have you, we're concluding here today and leaving,
92 returning to St. John's, but the change in schedules we've
93 been under the last ten days or so and lost baggage and
94 everything else, I want to thank you for your patience and

1 tolerance and I, like Mr. Young, has made the same spiel I
2 think on seven different occasions, and while I'm sure it's
3 of interest to new parties, it must get a bit tedious after a
4 while for those listening to the same thing, so I thank you
5 for your tolerance in that regard.

6 There has been, as well before I conclude, some
7 inquiries as to what will happen for the remainder of the
8 week in respect of the hearing. As everybody is aware,
9 tomorrow has been set aside as a Board day in setting our
10 schedule sometime ago. We are having our monthly Board
11 of Directors meeting tomorrow. Friday has been set aside
12 in St. John's for a public participation day and a question
13 has arisen in respect of Thursday. We, as I think most
14 people are aware, we are beginning the cost of capital
15 portion of the hearing on Monday and in our view I think
16 the utility of calling a witness, the next witness, a Hydro
17 witness, for one day, knowing full well that that witness is
18 likely to be on the stand a minimum of three to five days, I
19 don't see much utility in that. There's a fair hiatus that
20 would be there between the beginning of the cross-
21 examination and the end of the cross-examination, quite
22 frankly, and I don't see that as being a reasonable thing at
23 this point in time, so we'll set aside Thursday as another
24 Board day and we'll begin the cost of capital hearing as
25 scheduled on Monday, that's, everybody is in general
26 agreement with that.

27 Yes, I would remind you that there is a public
28 participation day on Friday as scheduled, okay?

29 Thank you very much and that brings this
30 proceeding to an end. Thank you to those who are here
31 from the area. Thank you.

32 *(11:10 a.m.)*

33 *(hearing adjourned)*