

1 (9:30 a.m.)

2 MR. NOSEWORTHY, CHAIRMAN: Good morning  
3 everybody. Before we begin I'll ask counsel if there are any  
4 preliminary matters, counsel, to be dealt with?

5 MR. KENNEDY: There are, Chair. Just the first such item  
6 is just a note. There was apparently an omission on the  
7 cover of the transcript for September the 24th. Mr. Hearn,  
8 who was present, wasn't noted as being present, so new  
9 covers have been distributed for the transcripts, and I think  
10 that's the only preliminary from the Chair but there are some  
11 from the parties and I believe Hydro has some preliminary  
12 matters.

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

14 MR. NOSEWORTHY, CHAIRMAN: Ms. Greene, good  
15 morning.

16 MS. GREENE, Q.C.: I have two very short preliminaries.  
17 The first is to advise the Board that Hydro has filed a  
18 response to the remaining outstanding IC that was referred  
19 to yesterday. Copies have been provided to the Board  
20 Secretary and to the parties to **IC-272(A) and (B)**.

21 The second preliminary points relates to a  
22 correction in the transcript and it is the transcript of  
23 September 25th at page 30, if Mr. O'Rielly could bring that  
24 up on the screen, and I didn't notice it the first time I read  
25 the transcript but in re-reading it again this week I noticed  
26 that an answer to a question from Mr. Hutchings had been  
27 attributed to the Chair of the panel, Mr. Noseworthy, and  
28 I thought the panel would like to reflect it was a response  
29 from Mr. Wells with respect to our treatment of industrial  
30 rates.

31 MR. NOSEWORTHY, CHAIRMAN: Heaven forbid,  
32 (inaudible). (*laughter*) Thank you very much.

33 MS. GREENE, Q.C.: It's on page 30 of the transcript of  
34 September 25th beginning at line 48 where it's indicated  
35 that Mr. Noseworthy, the Chairperson, was the respondent.  
36 That should be Mr. Wells. And that concludes the  
37 preliminary points that I have.

38 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.  
39 Any other preliminary matters? Okay. Having heard none,  
40 we'll continue with Mr. Kennedy's cross-examination of Mr.  
41 Reeves. Good morning, Mr. Kennedy, good morning, Mr.  
42 Reeves.

43 MR. REEVES: Good morning, Chair.

44 MR. KENNEDY: Thank you, Chair, Commissioners. Good  
45 morning, Mr. Reeves.

46 MR. REEVES: Good morning.

47 MR. KENNEDY: The first thing I wanted to do was just

48 sort of an explanatory point. As you know we've been  
49 referring to a document, Consent No. 3, which is the  
50 document filed by Newfoundland Power concerning its gas  
51 turbine relocation from Salt Pond to the Wesleyville  
52 Substation, and I wanted to, I just wanted to put on the  
53 record, if you will, that this document is not necessarily  
54 representative of Newfoundland Power's approach over its  
55 entire capital budget and that I'm only using it as an  
56 example of the documentation that was provided to support  
57 a particular project, so just in case you were concerned that  
58 I was trying to imply anything otherwise.

59 MR. REEVES: Yes, because as I indicated to you, I think,  
60 that I only have a very (inaudible) view of the document  
61 and in looking at it I see they made reference to some other  
62 projects like that that they may not have done cost benefit  
63 analysis on.

64 MR. KENNEDY: Sure, okay. I also wanted to, just as a  
65 preliminary point, just in closing off our discussions  
66 yesterday, to also bring in a last chapter on the story of the  
67 person with the new vehicle, and that was the day after  
68 they purchased their new vehicle they had a tonsillectomy  
69 so the new vehicle has been sitting in their driveway, brand  
70 spanking new for the last week and they've been unable to  
71 drive it, so.

72 MR. REEVES: That's one of the disadvantages of not  
73 being able to see in the future, I guess.

74 MR. KENNEDY: Absolutely. There's a lesson in there, I'm  
75 sure. I wonder if we could turn to the **Grant Thornton**  
76 **Report** of 2001, and **Schedule 4.1**, and, Mr. Reeves, I just  
77 had a few questions I wanted to ask about the system  
78 equipment maintenance cost for Hydro, and **Exhibit 4.1**  
79 shows what I presume to be the actuals for the period 1997  
80 through to the year 2000, and then I guess the budgeted for  
81 2001 and 2002, and just keeping those numbers in mind,  
82 \$3.8 million for '97, \$4.8 million for '98 and so on up to 2002,  
83 so we'll come back to this, but you'll note that there's a  
84 spike in the Transmission and Rural Operations system  
85 equipment costs for the year 2000, and I understand that  
86 that's attributable in part to some one of's that took place in  
87 that year and I believe Grant Thornton addresses that as  
88 well in their report, so if we could just turn to page 28 of the  
89 same report, Mr. O'Rielly. It's like trying to watch TV with  
90 someone else with the remote control in their hand. It's the  
91 second last paragraph, "The decrease noted in Exhibit 4.1  
92 for the TRO Division for 2001 and 2002 as compared to 2000  
93 is primarily due to certain non-reoccurring extra  
94 maintenance requirements in the central and Labrador  
95 regions of the province. The extra maintenance  
96 requirements in these regions included repairs to the gas  
97 turbine at the Stephenville plant for \$1.8 million and  
98 \$300,000 for overhauls at the Nain diesel plant." So adding  
99 those two up we've got sort of extraordinary system

1 equipment costs in the TRO Division of a total of \$2.1  
2 million for the year 2000. Okay. So can we just go back to  
3 **Exhibit 4.1**? So that figure in 2000, instead of 8.66, would  
4 become 6.666, or, sorry, say 6.6, would be 6.566, so 6.6  
5 million.

6 MR. REEVES: We're saying ... you're saying 8.7?

7 MR. KENNEDY: That's right. Would ...

8 MR. REEVES: 2.1 that we take off.

9 MR. KENNEDY: Right.

10 MR. REEVES: Which would give you 6.6.

11 MR. KENNEDY: 6.6.

12 MR. REEVES: That's correct.

13 MR. KENNEDY: Okay. Now, I also understand that there  
14 was a further adjustment, if you will, made in the coding of  
15 accounts ...

16 MR. REEVES: That's correct, yes.

17 MR. KENNEDY: ... which also had an impact on the  
18 numbers for these particular, this particular cost. Is that  
19 correct?

20 MR. REEVES: Yes, but not on the overall budget.

21 MR. KENNEDY: Right. So I wonder if we could turn to ...  
22 and that's noted at ... there's one note of that in the **Grant**  
23 **Thornton Report** at page 10. I wonder if we could turn now  
24 to page 16? There's further reference made to it. Oh, I'm  
25 sorry, we need to go to the 2000 report for this. Sorry, Mr.  
26 O'Rielly.

27 MR. REEVES: Page 16?

28 MR. KENNEDY: Of the 2000 report. If we could scroll  
29 down there.

30 MR. REEVES: It's in the second last paragraph?

31 MR. KENNEDY: Yeah, that's right. So there's reference  
32 there to again the \$1.8 million and \$300,000 projects and  
33 then the remaining portion are the increases attributable to  
34 cost, transfer to the maintenance, material object code from  
35 other accounts as a result of the account code restructuring  
36 that the Company implemented in April 2000. Now, there's  
37 a reference in the, I think it's on the next page, and if we  
38 could just scroll down a little bit. Trying to find the  
39 reference there now. I omitted to put it in. My ... there it is  
40 there. It's right in the, buried in the middle, if you will.  
41 That's my word, buried. In that second last paragraph  
42 you'll see, "Annual routine maintenance has risen  
43 significantly since 1998. Approximately 856 of this cost  
44 increase can be attributable to the account code  
45 restructuring mentioned earlier in the report whereby  
46 property costs are now charged to system equipment

47 maintenance." So is that the further ... am I getting the two  
48 mixed up or is that the further account code change to that  
49 line that we're looking at in **Exhibit 4.1**?

50 MR. REEVES: That would be my understanding, that's  
51 correct.

52 MR. KENNEDY: Which ones? I asked both ways.

53 MR. REEVES: That the, "Approximately 856 of this cost  
54 increase can be attributable to the account code  
55 restructuring mentioned earlier in the report whereby  
56 property costs are now charged to system equipment  
57 maintenance," so what was charged on a property is now  
58 being charged to system equipment maintenance.

59 MR. KENNEDY: Right, okay.

60 MR. REEVES: So I would assume that that's one of them  
61 but ...

62 MR. KENNEDY: Okay. Because we also are dealing with  
63 the maintenance costs at Holyrood.

64 MR. REEVES: This is all of the ... well ...

65 MR. KENNEDY: So this ...

66 MR. REEVES: ... in these reports, yes, but in the table at 4.1  
67 it's broken down by category.

68 MR. KENNEDY: Right. So in **Table 4.1** when we look at  
69 that system equipment maintenance cost for the TRO  
70 Division ...

71 MR. REEVES: That's correct.

72 MR. KENNEDY: ... would that include the Holyrood  
73 maintenance costs as well?

74 MR. REEVES: No, it would not.

75 MR. KENNEDY: It'd be a separate line item, right?

76 MR. REEVES: That's correct.

77 (9:45 a.m.)

78 MR. KENNEDY: Okay. So just going back up then ... just  
79 scroll a little bit there. Okay. So this is the section in the  
80 **Grant Thornton Report** that deals with the cost attributable  
81 to the maintenance of the Holyrood thermal plant. And,  
82 now, is this outside of your bailiwick, your jurisdiction?

83 MR. REEVES: That's correct, yes.

84 MR. KENNEDY: So you have no involvement in the  
85 annual routine maintenance of the Holyrood generation  
86 station then.

87 MR. REEVES: That's correct. The Holyrood or the  
88 hydraulic plants associated with Bay D'Espoir and the  
89 associated plants.

1 MR. KENNEDY: Okay.

2 MS. GREENE, Q.C.: It will be Mr. Henderson who will be  
3 speaking to the operation, operating expenses relating to  
4 the Holyrood thermal plant.

5 MR. KENNEDY: Okay. Can we just go back to **Exhibit 4.1**  
6 then again, please? So, Mr. Henderson, we know that the  
7 2000 number ...

8 MR. REEVES: Mr. Reeves.

9 MR. KENNEDY: I'm sorry, Mr. Reeves. (*laughter*) I  
10 looked down at my paper for a minute ...

11 MR. REEVES: I've made a few of those too.

12 MR. KENNEDY: Yeah. We'll get to him. We know that in,  
13 that the 2000 figure for the TRO section of the system  
14 equipment maintenance can be adjusted for those two  
15 extraordinary costs relating to Stephenville and Nain for a  
16 total of \$2.1 million. So you can see then that once that's  
17 normalized, if you will, for those extraordinary costs, that  
18 there's still an increase that we're seeing going from 1999 to  
19 the year 2000 and a general trend upwards. So what I was  
20 going to ask you was, is Hydro able to, because there was  
21 another accounting, code accounting change in this figure  
22 as well, wasn't there?

23 MR. REEVES: In the 2000?

24 MR. KENNEDY: Yes.

25 MR. REEVES: When you say as well, when you're  
26 comparing to what?

27 MR. KENNEDY: Well, I guess that's what I'm trying to  
28 determine. If we take that \$8.7 million ...

29 MR. REEVES: That's correct.

30 MR. KENNEDY: ... and we deduct the \$2.1 million for those  
31 extraordinary projects ...

32 MR. REEVES: That's correct.

33 MR. KENNEDY: ... is the 2000 then normalized so that it,  
34 from an accounting perspective, is capturing all the same  
35 costs as what's been included for that line in 1999?

36 MR. REEVES: I would say of the \$8.6 million you have the  
37 \$2.1 which is the, what I would call exceptionals. One of  
38 those I would call exceptional, which is the hardwoods gas  
39 turbine or the gas turbine. The other one is a diesel plant  
40 at Nain which would normally be in what I would call  
41 projects, but because of the delay in the Nain plant we had  
42 to do that one uncheduled so it wasn't in our budget. So  
43 if you subtract you're down to \$6.6. If you then take out  
44 the accounts that would have been somewhere else in the  
45 budget, our estimation of that is \$1.8 million.

46 MR. KENNEDY: So it's a further normalization of \$1.8  
47 million?

48 MR. REEVES: If you're trying to get down to the base  
49 budget, which I estimated to be between 3 to 3.2, which I  
50 gave the other day, yes. If you're trying to compare apples  
51 and apples from, say, '97 to 2002, that's what we're trying to  
52 do, and for 1999 you would take off the 1.8. So that brings  
53 us down to 4.8.

54 MS. GREENE, Q.C.: Mr. Reeves, you said for '99 but I think  
55 you meant for 2000.

56 MR. REEVES: For 2000, I'm sorry, yes. So that's down to  
57 4.8.

58 MR. KENNEDY: Okay. Now the \$1.8 million that you're  
59 doing now, that further normalization ...

60 MR. REEVES: That is the transfer of accounts from  
61 somewhere else in the budget to this one right here. Like  
62 transportation costs was one.

63 MR. KENNEDY: Okay. So do you ...

64 MR. REEVES: Buildings and grounds was another one.

65 MR. KENNEDY: Do you have a detail of that \$1.8 million?

66 MR. REEVES: I don't have it ... I don't have something that  
67 I know that I can show you in this right now, other than I  
68 think in the **Grant Thornton Report** that some went down  
69 as a result of moving accounts up, but I don't have a detail  
70 of the 1.8.

71 MR. KENNEDY: Because I guess ...

72 MR. REEVES: I know it was from transportation, buildings  
73 and grounds and there's a few other accounts as well like  
74 safety supplies as well.

75 MR. KENNEDY: Okay. I guess because if we put an extra  
76 \$1.8 million in this 2000 figure for Transmission and Rural  
77 Operations, then it should have in turn come off  
78 somewhere else.

79 MR. REEVES: And it did.

80 MR. KENNEDY: Okay.

81 MR. REEVES: Yes, yeah.

82 MR. KENNEDY: But did it ... it doesn't appear to come off  
83 anywhere in the system equipment maintenance, so it was  
84 taken right out of system equipment maintenance.

85 MR. REEVES: No, it's another category of expenses.

86 MR. KENNEDY: So it's not a juggle within there.

87 MR. REEVES: No, it's another category of expenses.

88 MR. KENNEDY: Okay.

89 MR. REEVES: And I'm just thinking now where best I can

1 take you to.

2 MR. KENNEDY: I'm wondering if for the sake of some time  
3 here whether you could provide the Board by way of an  
4 undertaking with a full reconciliation of the effects of the  
5 account code changes in the Transmission and Rural  
6 Operations so that we have it normalized for 1997, using  
7 that as your base?

8 MR. REEVES: So when you say normalized for 1997 ...

9 MR. KENNEDY: In other words, that the costs attributable  
10 for that account in the year 2000 would be treated the same  
11 as if it was the code of accounts that you were using in  
12 1997.

13 MR. REEVES: Okay. And then do the one for the year  
14 2000? I'm not sure I understand exactly what you mean  
15 now.

16 MR. KENNEDY: Okay. Let me try again. I'm just trying to  
17 get ... I'm using ... I need to pick a year to use as a base line.

18 MR. REEVES: Okay, yes.

19 MR. KENNEDY: So we had ...

20 MR. REEVES: And which you picked as '97.

21 MR. KENNEDY: Exactly.

22 MR. REEVES: Yes.

23 MR. KENNEDY: So I'm asking you to provide a full  
24 reconciliation of what the system equipment maintenance  
25 costs were for the TRO section in **Exhibit 4.1** as if your  
26 account, your code account remained consistent from 1997.

27 MR. REEVES: I'm just trying to understand exactly. So for  
28 1997 the maintenance material cost is \$3.7 million.

29 MR. KENNEDY: That's right.

30 MR. REEVES: So do you need that number broken out?

31 MR. KENNEDY: No.

32 MR. REEVES: No, okay. So that's the base.

33 MR. KENNEDY: Right.

34 MR. REEVES: So then going forward for '98 ...

35 MR. KENNEDY: Right.

36 MR. REEVES: ... '99 ...

37 MR. KENNEDY: Right.

38 MR. REEVES: ... you want to, for us to have a schedule  
39 which shows the differences, either in major unscheduled  
40 events or code of account changes.

41 MR. KENNEDY: Right.

42 MR. REEVES: Okay.

43 MR. KENNEDY: Okay?

44 MR. REEVES: Yeah.

45 MR. KENNEDY: Okay. Chair, Commissioners, in light of  
46 the fact that Mr. Reeves has deferred to Mr. Henderson  
47 concerning the Holyrood generating station, that  
48 concludes my questions of Mr. Reeves.

49 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.  
50 Kennedy. Thank you, Mr. Reeves. I guess we'll move now  
51 next on our agenda to redirect by Hydro, please. Ms.  
52 Greene.

53 MS. GREENE, Q.C.: Thank you.

54 MR. NOSEWORTHY, CHAIRMAN: Before we get started,  
55 do you have any idea of how long you might be with this  
56 particular item?

57 MS. GREENE, Q.C.: I'll be finished before the coffee break.

58 MR. NOSEWORTHY, CHAIRMAN: You'll be finished  
59 before the coffee break, okay. What I might do here, there  
60 are a number of items that would come up I think,  
61 undertakings in relation to redirect, and I might see where  
62 we end up with this and take an extended break this  
63 morning to give parties an opportunity to think about the  
64 information that's offered on redirect.

65 MS. BUTLER, Q.C.: That would be very helpful, Mr.  
66 Chairman, because the, in particular the TRO Division  
67 budget ...

68 MR. NOSEWORTHY, CHAIRMAN: Sure.

69 MS. BUTLER, Q.C.: ... which I've been waiting for, I think  
70 will cause some questions to arise. Thanks.

71 MR. NOSEWORTHY, CHAIRMAN: Why don't we see  
72 where we are later on and we'll either take an extended break  
73 and reconvene before lunch or go right on through and  
74 reconvene this afternoon. Okay. Okay, Ms. Greene.  
75 Thank you.

76 MS. GREENE, Q.C.: To put the first question in context, I  
77 wanted to refer to the transcript of October 1 on page  
78 seven, which is the cross-examination of Mr. Reeves by  
79 counsel for Newfoundland Power. On the previous page  
80 Ms. Butler referred to a report that had been done by a task  
81 group called The Inventory and Common Spares  
82 Committee, and I don't think it's necessary to go to page  
83 six, but on page seven, which the discussion carried over  
84 to page seven, Mr. Reeves, beginning on line 53 referenced  
85 initiatives in the Purchasing Department since '97, at line 62  
86 where Mr. Reeves said, "There are a number of initiatives  
87 that materials management people are doing." At line 70  
88 Mr. Reeves agreed to take it on himself to provide some  
89 further information on these initiatives.

1 MS. BUTLER, Q.C.: Maureen, I'd just point out that the  
2 screen gives different line numbers.

3 MS. GREENE, Q.C.: Again if I just refer to it I think in the  
4 transcript. I was just trying to put the answer in the context  
5 that we are responding to the undertaking of  
6 Newfoundland Power, and you'll see on your screen  
7 beginning at line 95 where Ms. Butler summarizes the  
8 undertaking, and if you look at '97, the undertaking is first  
9 in relation to providing information on the initiatives, and  
10 the second part of it is the financial success of the  
11 initiatives. So I'd like to move first to the initiatives that  
12 you were talking about, Mr. Reeves, that had been  
13 undertaken in the materials management area of the  
14 Company in the last four to five years with respect to  
15 tendering practices, purchase of materials and inventory  
16 control matters.

17 MR. REEVES: Yes, and as this area was not, I guess, my  
18 direct responsibility, I felt a little uncomfortable addressing  
19 it at the time I was asked, however, there has been three  
20 initiatives with respect to the procurement of materials and  
21 services that Hydro has been involved in for the last  
22 number of years. The first one is strategic alliances with  
23 original equipment manufacturers, which I may refer to as  
24 OEMs. If I throw OEMs at you, that's what it means,  
25 original equipment manufacturers. We've got a number of  
26 these and they're basically two categories. For the  
27 Holyrood plant we have alliances with two of the major  
28 suppliers of equipment out there. The first one, which is  
29 GE Canada, which provides a lot of the electrical equipment  
30 out there. The initiative was put in place in January of  
31 1996. It's a four-year agreement and the value of the  
32 contract is approximately \$5 million. With Olstrom Power,  
33 which is the turbines and whatnot out there, again an  
34 initiative was put in place in December of '96, it's a four-year  
35 term, for a value of \$3.6 million. The services and, that are  
36 provided under this alliance, deals with the technical  
37 support, labour, supervision, materials and training.  
38 Another category would deal with in TRO, and this deals  
39 with our diesel units and the maintenance of them. We  
40 entered into an agreement Toromont, which is a supplier of  
41 a great number of our diesel units, in July of '99. It's a five-  
42 year agreement and the value is \$2 million approximately.  
43 This agreement covers a little different scope, not as  
44 extensive. It gives us technical support, training to our  
45 staff, and also parts. They store a lot of our parts rather  
46 than us having to store them, and they're readily available  
47 to us. So the first category, as I say, is strategic alliances  
48 with our original equipment manufacturers.

49 (10:00 a.m.)

50 MS. GREENE, Q.C.: And I believe you gave the dates of  
51 the contracts for Olstrom and you said it was a four-year  
52 contract that was signed late in '96. Has it been renewed?

53 MR. REEVES: Yes, that has been renewed, yes.

54 MS. GREENE, Q.C.: Moving on to the second category  
55 you'd like to speak about.

56 MR. REEVES: Yes. The second one is the long-term  
57 blanket orders for parts. These are typically three-year  
58 agreements. We started the process of evaluating, getting  
59 into the arrangements late in 1998. The first contract was  
60 awarded in February of 1999. We currently have 19 of  
61 these in place greater than \$100,000 in value, and there are  
62 others less than \$100,000. Examples of these would be pole  
63 line hardware, we initiated in July of 1999, a value of \$4.4  
64 million, electrical items and conductor, entered into an  
65 agreement in December of '99 for \$2.7 million, safety-related  
66 items in March of 2000, \$1.2 million, general hardware in  
67 February of 2000, \$1 million, and tires in March of 2000 for  
68 another \$1 million. These are for supply contracts where  
69 we store the inventory in our facilities. There is another  
70 type of agreement that we got whereby ... no, sorry, these  
71 are for ones that are stored with the suppliers and we  
72 would put in orders and we get a very fast delivery on  
73 those items. The second one is where we've entered into  
74 agreements with suppliers to make their equipment  
75 available to us on consignment, and this would be related  
76 to distribution poles. In July of '99 we entered into an  
77 agreement, valued about \$2.8 million, and another one is for  
78 wood poles of June '99 for a value of 2.2, and those last two  
79 we would not pay for the equipment and material that we  
80 use ... we would not pay for it until we actually use it. On  
81 these, I guess ... there also has been a change in the way  
82 that we do the evaluation on those materials orders.  
83 Typically it was done straightly on the tender values,  
84 primarily on price, but we've changed our evaluation now  
85 to take into other considerations. We have typically in  
86 Hydro been doing for our equipment maintenance,  
87 traditionally we've been doing this on a life cycle  
88 maintenance cost, however, we were not traditionally doing  
89 it for material supply, so now what we do, we evaluate  
90 other matters where we are considering awarding these  
91 contracts. It's done on price, delivery, how quickly the  
92 supplies can be made available to us, the quality of the  
93 material and the technical support that we are given as well.  
94 The third category that I would like to ...

95 MS. GREENE, Q.C.: Before you move on to the third  
96 category ...

97 MR. REEVES: Oh, okay.

98 MS. GREENE, Q.C.: ... to ensure that parties understand  
99 the difference between the first and the second, is it fair to  
100 say in the first one that you've referred to as strategic  
101 alliance, is that there is a labour component or a provision  
102 of a professional service, technical support, a labour  
103 content?

1 MR. REEVES: In the first one, yes.

2 MS. GREENE, Q.C.: And in the second category it's  
3 essentially a supply of the items that Hydro buys in bulk?

4 MR. REEVES: That's correct, yes. The third one is for  
5 long-term orders or blanket orders for services, and this  
6 would be like janitorial services, snow clearing, security  
7 and the like. The change that we made here is that initially  
8 we would go out for a one to two-year contract for those  
9 and now we have changed that to be a longer period of  
10 time, say three to five years. So that's the three categories  
11 where changes have been made in the procurement of  
12 services for Hydro.

13 MS. GREENE, Q.C.: And what are the types of services  
14 that will be in the third category?

15 MR. REEVES: Types of services, janitorial supplies, snow  
16 clearing, security, whatnot.

17 MS. GREENE, Q.C.: So Hydro's increased the length of  
18 time that it tenders for these.

19 MR. REEVES: That's correct, yes.

20 MS. GREENE, Q.C.: Turning to the benefits, what are the  
21 benefits if any that Hydro has realized from the  
22 implementation of these initiatives over the past four to  
23 five-year time frame?

24 MR. REEVES: We feel there's a number of benefits that  
25 we've achieved. There's a reduction in the administrative  
26 costs associated with the tendering process. We feel that  
27 there's improvements in our relationships and our pricing  
28 with our suppliers. We're able to get better deliveries. And  
29 while those two that I just mentioned may not be easily  
30 quantifiable, however, there has been a direct savings in  
31 the number of staff in the purchasing section. Since 1992  
32 there's been a decrease of 10 positions and since 1997, five  
33 of those happened since 1977 (*sic*), so it's a decrease of  
34 ten, five of which happened since 1997.

35 MS. GREENE, Q.C.: And ten over the ten-year period.

36 MR. REEVES: That's correct, yes, yeah.

37 MS. GREENE, Q.C.: And five in the last four-year period.  
38 You mentioned that there's a reduction in administration  
39 costs. Can you explain how that arises?

40 MR. REEVES: In the administration areas of course there's  
41 a lot of activity regarding the tender preparations, the  
42 administrative part of the clerical work, there's the  
43 tendering, going to the papers, there's evaluations, record  
44 keeping. Under these new set-ups that we've got, we  
45 anticipate that there would be a lot less of that and that's  
46 one reason we're able to cut the staff.

47 MS. GREENE, Q.C.: Less because there's a reduction in the

48 number of contracts by going to blanket orders and  
49 strategic alliances as well as an increase in the length of  
50 time between tenders, is that correct?

51 MR. REEVES: That's correct, yes.

52 MS. GREENE, Q.C.: What about on the material handling  
53 side?

54 MR. REEVES: The material handling side, some of these, as  
55 I said, that we would be, the agreement would be where the  
56 supplier would have the material in their warehouse and  
57 readily accessible to us, and that is a change from what we  
58 used to do a number of years ago. We would keep a lot of  
59 material in our inventory and, but now with this new  
60 arrangement, with the fast delivery times, this has made an  
61 improvement to the actual material handling. We also  
62 would get materials shipped directly to the site as well.

63 MS. GREENE, Q.C.: Moving then to the second area for  
64 redirect, and that is with respect to scraps sales, and here  
65 I would like to refer to page eight of the transcript of  
66 October 1. On this page you will see a discussion of the  
67 disposal of valuable scrap metals and wires, and I'll take  
68 you to, which was line 91 in the hard copy. I think you  
69 have to scroll down, Mr. O'Rielly. There, 93 on the screen.  
70 Ms. Butler summarizes the undertaking, line 94, records it  
71 as an undertaking for you to provide a status and that, the  
72 status of that, and that the disposal of valuable scrap  
73 metals and wires. Can you provide that update now,  
74 please?

75 MR. REEVES: Yes. Originally we would collect our  
76 material, which is scrap, and we would package it in such a  
77 way that all the material would be auctioned off, and that  
78 would mean that we'd have some more valuable, some less  
79 valuable stuff together into a package for auctioning.  
80 Under our new process what we do, we still collect together  
81 all the information and we segregate out the most valuable  
82 stuff such as wire and the like, and this more valuable scrap  
83 we would then contact a number of dealers and ask them to  
84 bid on that particular part of it and they would do that and  
85 we would then go with the most favourable or the highest  
86 price that we would get for that. This is done several times  
87 during the year, depending on how much scrap that we  
88 would have come available.

89 MS. GREENE, Q.C.: The price that Hydro receives for the  
90 scrap, how does it compare to the price Newfoundland  
91 Power receives for the scrap?

92 MR. REEVES: As I understand it, that the dealers that we  
93 have been traditionally dealing with and the one that has  
94 normally been providing us probably the highest price is  
95 the same dealer that Newfoundland Power has a long-term  
96 contract with, and again my understanding is that the way  
97 that these people bid on the scrap is tied to a commodities

1 market price which is evaluated each Thursday, and this is  
2 based on, like, for copper and aluminum, for the appropriate  
3 indices throughout the appropriate exchanges. I guess we  
4 feel that by doing this we are able to get the more current  
5 prices. Could be plus or minus, but we will get the most  
6 current prices. We still collect the material where  
7 Newfoundland Power, I think the arrangement they have is  
8 that their dealer goes out around to the location and does  
9 the collecting, so we still have a little different arrangement  
10 and therefore it is a little different percentage of what we  
11 would get in comparison to what Newfoundland Power  
12 gets because the services are a little different, but the prices  
13 for the material should be comparable, I would say.

14 MS. GREENE, Q.C.: Yes, because the price in the  
15 Newfoundland Power contract varies depending on this  
16 index that you referred to, is that correct?

17 MR. REEVES: That's right, yes, yes.

18 MS. GREENE, Q.C.: The next area for redirect arises from a  
19 request for a breakdown of the TRO operating budget for  
20 2001 and 2002, and there are a number of pages with respect  
21 to this. I'd like to turn to page nine first. Line 70 on the  
22 screen, Ms. Butler asked for an exhibit breaking down the  
23 \$34 million operating budget for TRO for 2001. If you turn  
24 the page, it becomes a bit clearer what she wanted. After  
25 referring to the corporate budgets she indicates she wants  
26 it broken down in a certain format similar to the corporate  
27 budgets that have been filed by Hydro and that, again I  
28 won't take you through all of the corporate budgets, but  
29 you'll see that on lines ... this is page ten. It's line 20 in the  
30 hard copy and it's lines 25 to 26 there. And again below  
31 that in lines 26 to 29 in my hard copy you'll see, 28 to 31 she  
32 clarifies that further and wants the categories of system  
33 equipment maintenance and materials maintenance, you'll  
34 see they're used interchangeably, and salaries broken down  
35 by subcategories. So we have an exhibit to distribute  
36 which breaks down the TRO budget in the manner that we  
37 understood the request to be from Newfoundland Power,  
38 and I have copies to distribute.

39 MR. NOSEWORTHY, CHAIRMAN: Need to label this,  
40 counsel, this exhibit?

41 MR. KENNEDY: Yes, Chair. Is this being put in through  
42 the witness?

43 MS. GREENE, Q.C.: Oh, yes, it is, and he will speak to it  
44 now.

45 MR. KENNEDY: Yes. So I think I think I already asked  
46 this. Mr. Reeves' first initial is?

47 MR. REEVES: D, DWR.

48 MS. GREENE, Q.C.: We'll call it DWR or previous ...

49 MR. KENNEDY: DWR-2.

**EXHIBIT DWR-2 ENTERED**

50  
51 MS. GREENE, Q.C.: Now that everybody has this  
52 document, Mr. Reeves, I'd like you to take us through first.  
53 Can you explain the headings that are there? The first  
54 heading is "Approved 2001 Budget." What is that column  
55 intended to reflect?

56 MR. REEVES: That column is the approved 2001 capital  
57 budget which was approved by Hydro's Board of Directors  
58 last October.

59 MS. GREENE, Q.C.: You say capital, I think you mean  
60 operating.

61 MR. REEVES: Operating, I'm sorry, yes, operating, yes.

62 MS. GREENE, Q.C.: So that is the budget for 2001 as  
63 approved by Hydro's Board of Directors in October of 2000,  
64 is that correct?

65 MR. REEVES: That's correct, yes.

66 MS. GREENE, Q.C.: Okay. The next column, please, what  
67 is that intended to reflect?

68 MR. REEVES: This is the column which reflects the  
69 operating budget which was filed with this Board May 31st  
70 of this year.

71 MS. GREENE, Q.C.: The third column which is headed  
72 "Increase/Decrease," what is that intended to reflect?

73 MR. REEVES: That would be the difference between the  
74 original budget of October to the budget as filed, in the first  
75 two columns.

76 MS. GREENE, Q.C.: Now the next column is "2002 as  
77 Filed." What is that column reflecting?

78 MR. REEVES: That again is what's filed to this Board back  
79 in May 31st this year, 2001.

80 MS. GREENE, Q.C.: For the year 2000.

81 MR. REEVES: 2001.

82 MS. GREENE, Q.C.: And it is what is reflective for the year  
83 2002.

84 MR. REEVES: 2, that's correct, yes.

85 MS. GREENE, Q.C.: And the last column, which is headed  
86 "Increase/Decrease"?

87 MR. REEVES: The last column would be the differences  
88 between the 2001 budget as filed, which is column two, to  
89 the 2002 as filed, which is in column four, so it would be the  
90 difference in those two numbers.

91 MS. GREENE, Q.C.: And I don't intend to go through this  
92 line by line, but I think it would be helpful if we took a  
93 couple as an example to ensure people understood the,

1 what the exhibit shows. The first one, "Permanent  
2 Salaries," under, that's under the heading, "Salaries and  
3 Fringe Benefits," the first column, \$19,484,000, that is the  
4 permanent salaries that were included in your budget when  
5 it was approved by the Board of Directors in October 2000  
6 to 2001, is that correct?

7 MR. REEVES: That's correct, yes.

8 MS. GREENE, Q.C.: The second column where the  
9 permanent salaries is indicated to decrease by \$50,000 to  
10 \$19,434,000, that is the amount included in the overall  
11 Hydro budget in the 2001 filing, which we did May 31st, for  
12 permanent salaries for your division, is that correct?

13 MR. REEVES: That's correct, yes.

14 MS. GREENE, Q.C.: There is a decrease in that category.  
15 Can you explain the decrease?

16 MR. REEVES: The decrease is that we currently have two  
17 vacant positions, one which is vacant in its own right and  
18 the other one is that a person is on maternity leave and so  
19 our permanent dollar figure has been reduced by \$50,000 to  
20 accommodate that.

21 MS. GREENE, Q.C.: There is a subscript, I'm not sure if it's  
22 a subscript or ... it's not a footnote but ... the one that's  
23 there after the 50 in brackets. If you turn the page, that's  
24 the explanation of that variance. Is that correct?

25 MR. REEVES: That's correct, yes.

26 MS. GREENE, Q.C.: And have there been explanations  
27 provided for each variance indicated on the page?

28 MR. REEVES: Yes, there have.

29 *(10:15 a.m.)*

30 MS. GREENE, Q.C.: Moving across then to 2002, we see an  
31 increase in permanent salaries of \$169,000.

32 MR. REEVES: Again that's on subscript six, which is on  
33 the second page, and this is primarily associated with the  
34 reclassification of the, one of the initiatives that we've  
35 talked about over the last couple of days dealing with the  
36 diesel system representative, and where they have taken on  
37 more responsibility they have been reclassified to a higher  
38 classification in the union, so that's primarily what that is  
39 plus a couple of other minor adjustments in  
40 reclassifications as well.

41 MS. GREENE, Q.C.: Coming back then to the column  
42 marked "Increase/Decrease," the third column, which  
43 explains the changes from October 2001, October 2000  
44 budget for 2001, or what was approved in October for 2001  
45 and what was filed in May, I'd like now to turn to an  
46 explanation of what are the significant changes. The first  
47 one I'd like you to explain is the increase of \$131,000 as

48 indicated there under "Maintenance Material Regular."

49 MR. REEVES: Yes, and that's Note 3, which is \$131,000.  
50 Again this is associated with two items, again a  
51 reclassification of moving money from one, moving budget  
52 from one account to another to better reflect the way that  
53 the system operates, and this would, associated with  
54 Crown leases that would have been in our Properties  
55 Department but now we transfer it out to the regions where  
56 they manage it, and there's some other reductions  
57 associated with the ongoing maintenance in central which  
58 is \$23,000.

59 MS. GREENE, Q.C.: So the increase as shown up there in  
60 Maintenance Materials that you just explained related to a  
61 Crown lease, does that explain the majority of the decrease  
62 down in the column below, Property Rentals, where you  
63 will see a decrease of \$162,000?

64 MR. REEVES: That's correct, yes.

65 MS. GREENE, Q.C.: So that was just a switching of the ...

66 MR. REEVES: That was ...

67 MS. GREENE, Q.C.: ... pot between two categories of  
68 account.

69 MR. REEVES: Two categories of account to better reflect  
70 the way that the responsibility, where the money lies.

71 MS. GREENE, Q.C.: Okay. Moving now to the next one,  
72 which is under "Miscellaneous," we see a significant  
73 increase of \$315,000 from October to May. Could you  
74 explain that one, please?

75 MR. REEVES: Yes. This relates to the prior order of the  
76 Board in regard to the, what is referred to as the Wabush  
77 Surplus. The surplus is an expense to Hydro which ends  
78 up in my particular budget because the way it's done and  
79 that particular item in regard to explaining the Wabush  
80 Surplus, I think Mr. Osmond would be the better person to  
81 give an explanation on that particular one.

82 MS. GREENE, Q.C.: But the reason for the increase is that  
83 Hydro had not recorded it as an expense in previous years,  
84 is that correct?

85 MR. REEVES: That's right, yes.

86 MS. GREENE, Q.C.: And it ends up in your budget  
87 because you're responsible for operations in Wabush, is  
88 that correct?

89 MR. REEVES: That's correct, yes.

90 MS. GREENE, Q.C.: Now the decreases that are there on  
91 the page, I think we've already outlined the reason for the  
92 decrease in property rentals, resulting from really just a  
93 switching of a cost between categories. Can we move up  
94 to the other one, the decrease in capitalized expense?



1 That's shown there for, in line two.

2 MR. REEVES: That's correct. This one is, what we do is  
3 that in the preparing of the budget we do an estimate of  
4 what we would be doing on our capitalized expense for  
5 salaries and most often that needs to be changed and this  
6 is just a more current reflection of what we anticipate the  
7 involvement in the capital program is. It's gone from a  
8 credit of \$2.7 million to a credit of \$2.8 million.

9 MS. GREENE, Q.C.: Okay. Moving now then to 2002 and  
10 moving to the last column which explains the increases or  
11 decreases for the 2002 year from the 2001 year as filed in  
12 May, I think we've already explained the permanent salary  
13 increase. The next significant increase there is in overtime.  
14 I wonder if you could explain that one, please.

15 MR. REEVES: That one is associated with I guess our TRO  
16 staff involved in projects, primarily operating.

17 MS. GREENE, Q.C.: And these would be such things as  
18 environmental projects, I believe.

19 MR. REEVES: That would be environmental projects, yes.  
20 That's correct, yes.

21 MS. GREENE, Q.C.: And some engineering support.

22 MR. REEVES: And engineering support as well, yeah.

23 MS. GREENE, Q.C.: The next increase there is under  
24 "Maintenance Materials Regular," an increase of \$83,000.  
25 Could you explain that one, please?

26 MR. REEVES: This one is associated with extra software.  
27 There's a number of software tools that we utilize in the,  
28 providing services to both the energy control centre, doing  
29 some of our engineering work, and this would be  
30 associated with the fees associated with that. One would  
31 be the service that we provide on tracking lightning as it  
32 comes through our system, which is a tool which is used  
33 by our ECC, and there's also some to do with technical  
34 reviews by some of our staff as well.

35 MS. GREENE, Q.C.: Now the next one is a significant  
36 increase, significant in terms of its comparison to the other  
37 amounts on the page. It's an increase of \$473,000 in  
38 projects. Could you explain what that is, please?

39 MR. REEVES: Yes. This is the one that varies from year to  
40 year dependent on the overhauls that we do on our units  
41 or the projects that we take on throughout, which vary from  
42 year to year. The increase here is basically associated with  
43 pole testing I think which I've already referred to and also  
44 the reconditioning of oil, and both of those would account  
45 for about \$450,000 of that. There are other ups and downs  
46 but there would be quite a number of variations.

47 MS. GREENE, Q.C.: Turning now to the decreases that are  
48 forecast for 2002, the biggest decrease there is the Wabush,

49 under "Miscellaneous" and relating to the Wabush  
50 Surplus. Could you explain that, please?

51 MR. REEVES: Yes. My understanding of that one is that  
52 in the 2002 filing, as this issue will be resolved at this  
53 hearing, there is no reason to put in an expense associated  
54 with that for 2002.

55 MS. GREENE, Q.C.: So the assumption is that there won't  
56 be an issue of a Wabush surplus in the year 2002 as a  
57 result of the Board decision?

58 MR. REEVES: That's correct, yes.

59 MS. GREENE, Q.C.: Then the next most significant  
60 decrease is in transportation, which is the last line there  
61 under the categories of "Expenses." Could you explain that  
62 one, please?

63 MR. REEVES: This is a lower budget with regard to  
64 helicopter usage associated with the initiative of the DSR.  
65 We anticipate having less helicopter trips to deal with  
66 emergencies in our isolated plants.

67 MS. GREENE, Q.C.: And that's because the new positions  
68 of DSRs as you refer to them, diesel system  
69 representatives, will do the maintenance that previously  
70 people travelled in for.

71 MR. REEVES: They will do limited maintenance in regard  
72 to the line and also to the distribution lines as well as to the  
73 plant itself.

74 MS. GREENE, Q.C.: The other decreases are explained in  
75 the attached notes and I won't bother to take Mr. Reeves  
76 through them. The explanation is provided and they're all  
77 less than \$52,000 each. Turning now to the next area for  
78 redirect, and here I would like to refer to, it's page ten of the  
79 hard copy of the transcript, and line 91. Actually I think  
80 you need to go to the next page on this one. The  
81 undertaking there is shown on page two where Ms. Butler  
82 summarizes it, record an undertaking, how many of the 150  
83 business units are within TRO. And how many business  
84 units are within your responsibility?

85 MR. REEVES: There are 64 in TRO Division. Most of  
86 those would be in the operations section.

87 MS. GREENE, Q.C.: The next question that I have for you,  
88 Mr. Reeves, concerns your current forecast for system  
89 equipment maintenance for 2001, and here I'd like to refer to  
90 page 14 of the transcript. It was line 70 in the hard copy, 76  
91 on the screen, where the, Ms. Butler asked for an  
92 undertaking, and if you read the above lines it relates to the  
93 current forecast of the 2001 system equipment maintenance  
94 budget in TRO which was shown in the **Grant Thornton**  
95 **Report** to be \$5.967 million.

96 MR. REEVES: That's correct, yes.

1 MS. GREENE, Q.C.: What is the current forecast?

2 MR. REEVES: The current forecast, the 5.966 thousand  
3 (*sic*), is a combination on the spreadsheet that we just went  
4 through of 4.893 which is regular and 1.073 which is  
5 projects.

6 MS. GREENE, Q.C.: Just to make sure everyone  
7 understands you, Mr. Reeves, you are looking at the  
8 column in, first you're looking at **DWR-2**, which we just  
9 went through, and we are looking at the second column  
10 under ...

11 MR. REEVES: That's correct.

12 MS. GREENE, Q.C.: ... "Maintenance Materials."

13 MR. REEVES: Which is a 2001 as filed with this Board in  
14 May, and at this point in time we visualize that our budget  
15 is essentially the same. I think it's up around \$5,000, but  
16 that could vary up or down as the year goes through.

17 MS. GREENE, Q.C.: Which is not significant in that size  
18 budget. So when was that forecast reviewed?

19 MR. REEVES: That was just recently done within the last  
20 number of weeks.

21 MS. GREENE, Q.C.: When you say last number of weeks,  
22 can you be a bit more ... would ...

23 MR. REEVES: My recollection, it was done at the end of  
24 August. Sorry, that was the end of September, I think it  
25 was, sorry. Yeah.

26 MS. GREENE, Q.C.: So let's be clear. This forecast ...

27 MR. REEVES: It was the end of ...

28 MS. GREENE, Q.C.: ... just provided was in September.

29 MR. REEVES: That's right. It was the end of September,  
30 that's correct, yes.

31 (10:30 a.m.)

32 MS. GREENE, Q.C.: The next question relates to the price  
33 for diesel fuel, and I'd like to refer to page 22 of the  
34 transcript. It was at line 35 in the hard copy. And you see  
35 the discussion previous to it concerning current price of  
36 fuel, and I wasn't sure if this was an undertaking or not, but  
37 Ms. Butler said at page 39, "I'd be happy for you to check,"  
38 and we did record it as, that we would get back on the  
39 current price of fuel.

40 MR. REEVES: This is for diesel fuel and the latest price  
41 that I have is for September the 27th, 2001, and it's based  
42 on the Montreal rack price, which is 33.8. The way our  
43 contract is awarded is that we pay a variation from the  
44 Montreal rack price by site or by method of storage and  
45 that will vary between 5 and 20 cents per litre extra, so what  
46 that means is that in some locations where it's readily

47 accessible for deliveries, this probably would be our lower  
48 price, but in some other locations where it's more difficult  
49 to get to, farther up in Labrador, or where a supplier would  
50 store some fuel for us, we would pay a higher differential,  
51 and these are in our contract and, but it's based on the  
52 Montreal rack price of 33.8 cents on September the 27th.

53 MS. GREENE, Q.C.: I think you indicated in your evidence  
54 that you receive a report on a weekly basis of the price of  
55 diesel fuel.

56 MR. REEVES: That's correct, yes. It's received on a weekly  
57 basis and I review it.

58 MS. GREENE, Q.C.: And so it is tracked within Hydro?

59 MR. REEVES: Oh, yes, it is tracked in Hydro.

60 MS. GREENE, Q.C.: The next question or area of inquiry for  
61 redirect relates to the arrangement in the Bottom Brook  
62 terminal station and the ability of NP line 400 L to serve  
63 customers in the Burgeo area, and this discussion you will  
64 find on pages 32 and 33 of the transcript, and it was a  
65 lengthy discussion so I'm not going to read all of it. I will  
66 reference the undertaking that was provided, and that is  
67 found on page 33, and if you ... it's line 41 and the lines  
68 seem to be a bit later or lower down on ... it's line 36 on the  
69 screen. Mr. Reeves begins ... and then line 37, I draw your  
70 attention to where he says he'd have to look at the  
71 arrangement and then over further Ms. Butler in line 48 ...  
72 would probably be around 50, is it?

73 MS. BUTLER, Q.C.: It's 44.

74 MS. GREENE, Q.C.: 44, is it? Sorry. There is a different  
75 pagination between the hard copy and the transcript that  
76 I use. Yes, thanks. Thank you, Ms. Andrews. "(inaudible)"  
77 which is grand. Well I'll accept an undertaking on it, if you  
78 could." And the undertaking related to the actual physical  
79 arrangement in the Bottom Brook terminal station to see if  
80 the arrangement in that terminal station were such that line  
81 NP 400 L, which is a transmission line owned by  
82 Newfoundland Power, could be used to supply customers  
83 in the Burgeo area. Have you had the opportunity to check  
84 the physical arrangement in the, or the diagram of the  
85 physical arrangement in the Bottom Brook terminal station?

86 MR. REEVES: Yes, I have, and I think the question that  
87 was asked at bus one I think was taken out of service. Bus  
88 one I think refers to the 230 kV bus at Bottom Brook. If that  
89 bus was taken out of service, from reviewing the drawings,  
90 on the provision that there is generation available in the  
91 Stephenville area, the energy can be passed over  
92 Newfoundland Power line 400 L through the 138 kV bus in  
93 Bottom Brook and then down our line to, 250 to Grandy  
94 Brook, so, yes, from looking at the single line diagram it is  
95 a possibility. In regard to whether that has happened, how  
96 many times it has happened, that would be a question that

1 would be probably better suited for Mr. Henderson to  
2 address, as that would be a day-to-day operational thing.

3 MS. GREENE, Q.C.: The last item arising from the transcript  
4 on October 1 relates to off-road vehicles, and I think we'll  
5 find that over on page 45 of the transcript. Ms. Butler had  
6 taken you through some questions with respect to what we  
7 refer to as on-road vehicles, which we had provided in  
8 response to information request, and asked if it included  
9 off-road vehicles, and you indicated that it hadn't and I  
10 believe the undertaking that was recorded was for Hydro to  
11 provide a list of its complete vehicles. Have you prepared  
12 a list of the off-road vehicles for 2001 that Hydro has?

13 MR. REEVES: Yes, we have.

14 MS. GREENE, Q.C.: And we've already provided a list of  
15 the on-road vehicles that Hydro has, is that correct?

16 MR. REEVES: Yes, and if my memory serves me right, that  
17 was done in **NP-23** RFI.

18 MS. GREENE, Q.C.: I have copies of a list of off-road  
19 vehicles to distribute at this time. Actually there's two lists.  
20 I should point out there's one called "Category 7000  
21 Equipment," which is what we refer to normally as off-road  
22 vehicles. There's go-tracks, muskegs, quads, snowmobiles,  
23 and there's also another list we will provide called  
24 "Category 8000 Trailers." We wouldn't normally consider  
25 these off-road vehicles because there are things you haul  
26 behind a vehicle, but Ms. Butler had asked for trailers as  
27 well to be included. I'm just waiting for everyone to have  
28 a copy before I continue with Mr. Reeves.

29 MR. KENNEDY: Can we number these, counsel? I guess  
30 the 8 1/2 by 11 "Category 7000 Equipment" we'd call DWR  
31 No. 3, and the 8 1/2 by 14 of the "Category 8000 Trailers  
32 and All Types," DWR No. 4.

33 **EXHIBITS DWR-3 AND DWR-4 ENTERED**

34 MS. GREENE, Q.C.: I think everyone has a copy now, Mr.  
35 Reeves. Could you look at the first one, which has now  
36 been marked **DWR-3**, which is called "Category 7000  
37 Equipment?" Could you first please indicate what type of  
38 equipment is listed on this schedule?

39 MR. REEVES: This would be for equipment which we  
40 would consider to be off-road vehicles. In Category 1  
41 would be the heavy ATVs, all-terrain vehicles, such as go-  
42 tracks, muskegs, Nodwells. This is the heavy equipment  
43 that our line workers would use, and for, in TRO for the  
44 maintenance of the lines and that. As well in here there's  
45 other equipment as well which other divisions would use.  
46 The light ATVs would be what's referred to I guess  
47 commonly as quads, which is a four-wheeled vehicle, six by  
48 six which is a six-wheel vehicles, and argos, and under this  
49 category, like for a six by six, some of these would be used

50 for travel over very sensitive environmental areas so it has  
51 less impact on the environment. The next category would  
52 be snowmobiles. I think most people would be familiar with  
53 that. That's basically the ones that you, would be a one or  
54 two-person vehicle. The next one would be construction  
55 equipment. We do have a small number of vehicles  
56 associated with construction. As you can see there's four  
57 in Bay D'Espoir. That would be like a grader, loader,  
58 backhoe and a dozer, for maintenance of roads that we  
59 provide to our dams and that, so that's an example of that.  
60 So what we've done, we've added across the column and  
61 down a column to get the totals.

62 MS. GREENE, Q.C.: And you've listed the communities in  
63 which these vehicles are located, is that correct?

64 MR. REEVES: That's correct. This listing is similar to the  
65 response that we gave in **NP-23**, to try and be as  
66 consistent as we can.

67 MS. GREENE, Q.C.: If you could turn to the second sheet,  
68 which has now been marked **DWR-4**, and the heading is  
69 "Category 8000 Trailers All Types." Would you please  
70 explain this schedule?

71 MR. REEVES: Yes. Again this is related similarly to the  
72 other schedules that we've looked at by communities. In  
73 the rows, in the columns would be snowmobiles, that  
74 would be the snowmobile trailers, that would be ...

75 MS. GREENE, Q.C.: So it's not a snowmobile. It's  
76 something that ...

77 MR. REEVES: No. It's a snowmobile trailer that you would  
78 carry the snowmobile on to get it from your depot to your  
79 place where you're going to leave the road to go and do  
80 either your inspection on dykes and dams or on  
81 transmission lines. The next one would be a utility trailer  
82 for just bringing around small bits of material from one  
83 location to another. The next one would be a pole trailer for  
84 bringing poles from one area to another. The next one  
85 would be a reel trailer. This would be for reels, for  
86 transporting reels of wire, either distribution or  
87 transmission. The next one would be a tilt bed. This would  
88 be, 18 to 20 tonne, this would be for carrying, in my  
89 opinion, would be for carrying larger pieces of equipment  
90 like a tractor or something like that. The next one is a boat  
91 trailer. We have a number of boats throughout our  
92 systems as we have water reservoirs. The next one would  
93 be a hot stick trailer. These are tools, hot stick tools is  
94 what we call them, but it's tools that our line workers use to  
95 work on energized equipment to keep them at a safe  
96 distance from the energized circuits, so we have trailers that  
97 we transport these tools on because of the sensitivity of  
98 the tools. The next one is a mobile generator which would  
99 be primarily I think used for a small generator going from  
100 sites to sites where power would be required. A

1 degassifier, my understanding of that one is that we have  
2 a piece of apparatus which is used to clean up the  
3 transformer oil and what we do is to pass it through this  
4 degassifier and it takes out the gases that are, that may  
5 build up in the transformer from time to time and which  
6 would shorten the life of the transformer. We have a  
7 mobile welder. I think that one is pretty obvious. That's if  
8 you want to bring a welder to a particular site that you're  
9 working on. It's towed behind a truck or something. We  
10 have, as you can see, a bunk house and a cook trailer. This  
11 is primarily to use by the people in Bay D'Espoir as we have  
12 a large network of highways, roads, going to our different  
13 locations in our reservoir system primarily to do with the  
14 Bay D'Espoir reservoir so that we can travel into areas like  
15 Victoria, Granite, Eebbeegunae and those areas, and Burnt  
16 Dam, and what they do is that when they travel the road,  
17 because these are not all seasons roads, we do not travel  
18 those in the wintertime, so in the spring they have to go up  
19 the roads and they have to stop along the way to get them  
20 passable so that the other maintenance can come behind  
21 them, so they use these bunk houses and cook house  
22 trailers to stay in while they're maintaining that road.

23 MS. GREENE, Q.C.: So these would be used in remote  
24 locations.

25 MR. REEVES: They would be used in remote locations.

26 MS. GREENE, Q.C.: Your employees would have to stay  
27 overnight.

28 MR. REEVES: That's right. Primarily in Central  
29 Newfoundland, that's right. And then we have two high  
30 bed and low bed trailers for transporting equipment around  
31 our, around the island.

32 MS. GREENE, Q.C.: And again these trailers are shown by  
33 community, is that correct?

34 MR. REEVES: They are shown by communities and they're  
35 totalled across the line and also down the line.

36 MS. GREENE, Q.C.: The last item arising from October 1st  
37 relates not to an undertaking or a question from  
38 Newfoundland Power but to your evidence that is found on  
39 page 42 relating to discounts provided by PHH for fuel  
40 prices and discounts relating to maintenance for the fleet.

41 MR. REEVES: Yes, and I think in my evidence I quoted that  
42 there was a savings. There's two services that they  
43 provided to us on the PHH. One was the purchase of fuel  
44 and the other was to cover us for parts and maintenance  
45 that we do on our vehicles, and we do that on a credit card,  
46 and these would be for purchases less than five percent,  
47 and from memory I said that we have savings of  
48 approximately five percent on both of those. In actual fact  
49 on the fuel it varies. We have five suppliers throughout  
50 the province because some of our communities, (inaudible)

51 happen is that some of the communities don't have multiple  
52 gas stations, so we have multiple suppliers, and on average  
53 it's probably three and a half percent. The highest one is  
54 five and I think the lowest one might be down to 1.4. Some  
55 are done on a cents per litre savings. On parts and  
56 materials it's generally ten percent instead of five as I had  
57 also reported. Again it's not common throughout. Tires,  
58 we would get a higher savings on, and transmission work  
59 we would also get a higher savings on, as we would with  
60 glass as well. So I didn't want to leave the impression that  
61 it was a straight across-the-board savings of five and five.

62 MS. GREENE, Q.C.: Moving on to October 2nd, and while  
63 I will refer to the transcript I don't think it's necessary to  
64 bring it up because the undertakings are much shorter and  
65 I think I can summarize them. The first related to a question  
66 from the Consumer Advocate and it's found on the  
67 transcript at page 37 and it related to the coordination  
68 between the two utilities relating to the shipment of PCBs  
69 for decontamination and/or destruction. The Consumer  
70 Advocate asked you to check on the status of whether any  
71 coordination between the two utilities had occurred on this  
72 topic. And what is the answer to that?

73 MR. REEVES: Yes, there has been a number of occasions  
74 when there has been coordination between the two utilities,  
75 I guess, dating back to 1998. The first one, I guess, Hydro  
76 offered Newfoundland Power the opportunity to take  
77 advantage of the small space that we had left on one of our  
78 trailers that we were shipping a load on, and at that time, it  
79 wasn't advantageous for them to do it. Since then,  
80 Newfoundland Power has offered us on three occasions a  
81 similar offering; two of those were similar to the one that we  
82 made to Newfoundland Power. There wasn't a lot of space  
83 available so we did not take advantage of those, but as we  
84 speak, independent of the hearing, we are coordinating and  
85 Newfoundland Power phoned us, I guess, a short while  
86 ago, and we are going to be disposing of 51 of our drums,  
87 which is either, either lightly contaminated or PCB oil, and  
88 some soil which was contaminated at one of our sites, so  
89 it's 51 drums, so we anticipate that there will be savings and  
90 that cost savings will be shared between the two utilities in  
91 that we're not going with a full load, because a lot of these  
92 are done, because of the sensitivity of the material, you  
93 can't put anything else on with them, so you either go,  
94 you're paying for the load, whether it's full or not, so we  
95 anticipate that, and this particular one that's happening  
96 right now will give savings to both utilities.

97 MS. GREENE, Q.C.: The next item arises from a question by  
98 the Consumer Advocate from yesterday, and he asked you  
99 to check on the status of whether there has been  
100 coordination with respect to technical training, between the  
101 ... coordination between the two utilities on technical  
102 training, I should say.

1 MR. REEVES: Yeah, from asking on that particular one,  
2 while there has been some coordination in the past, in the  
3 last couple of years there has been none really that has  
4 taken place.

5 MS. GREENE, Q.C.: The next, again, arises from a question  
6 the Consumer Advocate ... and it was to check on the  
7 status of the auctioning of material and specifically whether  
8 there had been joint auctions of materials that are available  
9 for disposal, joint auctions by the two utilities, I should  
10 have said.

11 MR. REEVES: Joint auctions by the two utilities, here  
12 again, I checked on this particular one, and since the review  
13 has taken place, there has been no joint auctions.

14 MS. GREENE, Q.C.: The next, again, on a question from the  
15 Consumer Advocate, related to the implementation of full-  
16 time equivalents and what we have been referring to as  
17 FTE's. Could you please advise the Board and the parties  
18 of the status of the implementation of FTE's at Hydro?

19 MR. REEVES: Yes, and here again I've checked, and  
20 currently Hydro is currently reporting on an FTE basis,  
21 that's what we're currently doing. However, the budgets  
22 that are presented to the Board here are not done that way.  
23 We are planning to, during our next budgeting process, to  
24 budget on an FTE basis, and of course the earliest  
25 opportunity for that for us will be 2003.

26 MS. GREENE, Q.C.: And just to ensure that people  
27 understand, when you say that we are actually doing FTE's  
28 now, you mean that on an actual basis, as we record and  
29 report on our complement, we are reporting those on an  
30 FTE basis, is that correct?

31 MR. REEVES: That's correct.

32 MS. GREENE, Q.C.: But that the budget in terms of the  
33 hourly wage budget has not been budgeted in that way,  
34 but it will be for 2003.

35 MR. REEVES: That's correct, yes.

36 MS. GREENE, Q.C.: The next question, this again from the  
37 Consumer Advocate, related to whether there has been a  
38 sharing by both utilities of space for computer tapes, and  
39 you agreed to check into that. What is the status of that?

40 MR. REEVES: Yes, the information that I have is that the  
41 space that was being made available on, available by  
42 Newfoundland Power was reviewed by our staff but for the  
43 type of storage that is required for material like this, like  
44 tapes and that, it was not suitable and would have required  
45 some capital or some upgrading type thing, so it also did  
46 not have 24 hour access which we required, so the space  
47 that was offered was not taken advantage of by  
48 Newfoundland Hydro.

49 MS. GREENE, Q.C.: And that's because the space wasn't  
50 suitable?

51 MR. REEVES: That's correct.

52 MS. GREENE, Q.C.: The next question relates to a question  
53 by Board counsel, and Mr. Kennedy asked you to advise  
54 the Board with respect to Hydro's plans for the future of  
55 the Harbour Deep diesel plant. Could you please advise  
56 the Board of that?

57 MR. REEVES: Yes, just a quick review, I guess, of the  
58 Harbour Deep diesel unit situation, both over the last  
59 couple of years and what we plan to have there long term,  
60 and as the Board counsel indicated, we replaced a unit  
61 there as part of the 2000 budget, which was unit number  
62 248, which was budgeted as a 250 kilowatt unit. When we  
63 did the evaluation prior to initiating that work, we actually  
64 found that a better sized unit to put in there was a 210  
65 kilowatt unit, and the new unit is 2058, if you're marking it  
66 down. The unit that's being transferred from MacCallum is  
67 a 250 kilowatt unit and it will replace two units, unit 280,  
68 which is a 136 kilowatt unit, and unit 255 which again is a  
69 136 kilowatt unit. And in the 2002 budget, as we discussed  
70 yesterday, we will be replacing unit 284, which is a 136  
71 kilowatt unit, and as we plan to initiate that project, we will  
72 again be reviewing the things that we talked about  
73 yesterday, as well as the size of the unit to ensure that it is  
74 the best fit for that community for the load patterns that we  
75 now know, which we didn't know last year, so we will end  
76 up with three units there which will be a 210 kilowatt, a 250  
77 kilowatt, and a 136 kilowatt as we see it now, but that will  
78 be reviewed as we go forward.

79 MS. GREENE, Q.C.: That concludes my redirect questions  
80 for Mr. Reeves. There are two other outstanding matters  
81 arising from, well one is from an undertaking, and if you  
82 look at the list of the undertakings of October 1, we had  
83 recorded ... *(hearing interrupted by noise from*  
84 *construction)* ... I hope they weren't taking offence to what  
85 I was saying. On the list of undertakings for October 1, we  
86 have now addressed them all with the exception of the one  
87 that was referred to as being on pages 12-13 of the October  
88 1 transcript and it related to reconciling the discrepancy in  
89 the overall corporate budget for system equipment  
90 maintenance of the \$17.5 million as filed on May 31st, with  
91 the \$16.6 million as contained in the 2001 budget ...  
92 *(hearing interrupted by noise from construction)*.

93 MR. NOSEWORTHY, CHAIRMAN: Sorry about that. I  
94 don't know what you've got to do to get through to these  
95 people. We've approached them five or six times, and  
96 maybe it's different contractors, but anyway, bear with us,  
97 we apologize.

98 MS. GREENE, Q.C.: I think I'll start again.

1 MR. NOSEWORTHY, CHAIRMAN: Sure, hopefully they  
2 won't.

3 MS. GREENE, Q.C.: That's right. There is one undertaking  
4 we haven't addressed arising from October 1, and it is the  
5 undertaking found on pages 12 and 13 of the transcript  
6 where Newfoundland Power, Ms. Butler, asked that there  
7 be a reconciliation provided of the system equipment  
8 maintenance budget of \$16.6 million as contained in the  
9 2001 budget as approved in October of 2000 by the Hydro  
10 board with the amount of \$17.5 million as contained in the  
11 May 31st filing. So that would be a reconciliation on a  
12 corporate level. What I have to distribute is a schedule  
13 showing that reconciliation. The difference is \$929,000. Of  
14 the \$929,000, TRO is responsible for \$131,000 and if you  
15 look back to Mr. Reeves' exhibit, **DWR-2**, which was a  
16 breakdown of his net operating expenses, you will see that  
17 increase of \$131,000 under maintenance materials which he  
18 has already explained, so I think it would be helpful if I now  
19 distributed a copy of this schedule which is a reconciliation  
20 of the \$929,000 between the October and May numbers for  
21 the system equipment maintenance, overall corporate  
22 category, and I guess this would be ... Mr. Reeves will not  
23 be speaking to this but Newfoundland Power had asked  
24 that we provide it. As I said, he's explained his component  
25 of that overall increase, and Mr. Henderson can explain the  
26 increases with respect to Holyrood that are shown on the  
27 schedule and Mr. Osmond with respect to roof repairs at  
28 Hydro Place. I guess this should be marked as well.

29 MR. KENNEDY: So this is the response to an undertaking,  
30 so I think we were numbering this just in order so it would  
31 be U-Hydro No. 2.

32 **EXHIBIT U-HYDRO NO. 2 ENTERED**

33 MS. GREENE, Q.C.: The last one, because I said there were  
34 two, and this did not appear on the list of undertakings of  
35 October 1 as we filed it, but in discussion with Ms. Butler,  
36 she indicated, although it had not been clear from the  
37 transcript that they would also like a reconciliation of the  
38 increase in the overall operating and maintenance expenses  
39 between October and May, and that will be filed later and  
40 spoken to by Mr. Osmond. I just don't have it available  
41 this morning. And as I said, it was not actually listed as an  
42 undertaking but I understood later that she had intended to  
43 have made it one. So that concludes my redirect for Mr.  
44 Reeves, and my comments at this time.

45 MR. NOSEWORTHY, CHAIRMAN: Thank you, Ms.  
46 Greene.

47 MS. BUTLER, Q.C.: I wonder, Mr. Chairman, if I might just  
48 make one point. Looking at the list of undertakings  
49 provided by counsel for Hydro as opposed to the  
50 undertakings that are at the front of the transcript for  
51 October 1st, maybe I missed something but I think there

52 was one at page 33, a request addressed to Maureen  
53 Greene as to in whose budget the Bay d'Espoir street grant  
54 could be found.

55 MS. GREENE, Q.C.: But I already answered that.

56 MS. BUTLER, Q.C.: I'm sorry.

57 MS. GREENE, Q.C.: I said it was Mr. Osmond.

58 MS. BUTLER, Q.C.: Mr. Osmond.

59 MS. GREENE, Q.C.: I indicated at that time that that  
60 undertaking had been met.

61 MS. BUTLER, Q.C.: I was temporarily missing from action.  
62 Thank you, Mr. Chairman.

63 MR. NOSEWORTHY, CHAIRMAN: Okay, thank you.

64 MS. GREENE, Q.C.: So just to be clear, it is our  
65 understanding that all of the undertakings from October 1  
66 have been complied with except the one relating to the  
67 reconciliation on the operating and maintenance expense  
68 category which will be filed, if not later today, by tomorrow.

69 MR. NOSEWORTHY, CHAIRMAN: Thank you. It is now  
70 five to 11:00. We'd be normally be breaking for 15 minutes,  
71 plus I think it's only reasonable to give an hour or so in  
72 relation to these undertakings for parties to consider in  
73 terms of questions on matters arising which would bring us  
74 up to, what, quarter after 11:00, quarter after 12:00. I don't  
75 see any purpose or utility in returning for 15 minutes or a  
76 half an hour, so we'll break now until 2:00.

77 MS. BUTLER, Q.C.: That will be fine, thank you, Mr. Chair.

78 *(break)*

79 *(2:00 p.m.)*

80 MR. NOSEWORTHY, CHAIRMAN: Good afternoon, I  
81 guess everybody has had a little bit longer respite today  
82 and has had a chance to consider the undertakings  
83 provided by Hydro this morning. Before we get started  
84 with the Board questions are there any items, Counsel?

85 MR. KENNEDY: Yes, I think there's one preliminary matter  
86 from Hydro, Chair.

87 MS. GREENE, Q.C.: Yes, Mr. Chairman, it's the normal one  
88 that we will be doing at the beginning of each afternoon, is  
89 to comment on the undertakings from the previous day.

90 MR. NOSEWORTHY, CHAIRMAN: That's right.

91 MS. GREENE, Q.C.: So we have a copy of the undertakings  
92 from yesterday arising from the transcript and I've  
93 circulated that to counsel and I have copies now to  
94 distribute to the Board.

95 MR. NOSEWORTHY, CHAIRMAN: Thank you.

1 MS. GREENE, Q.C.: There are only two arising from  
2 yesterday and both of those, we believe, have been  
3 addressed in the redirect evidence of Mr. Reeves this  
4 morning. Thank you.

5 MR. NOSEWORTHY, CHAIRMAN: Thank you. I guess  
6 we'll proceed if there are no other matters, directly to the  
7 Board questions, which are next, and ...

8 MR. KENNEDY: It would be, I believe the procedure is the,  
9 on the ...

10 MR. NOSEWORTHY, CHAIRMAN: You can help me, yes.

11 MR. KENNEDY: I made a note to file here, but I believe it  
12 was Newfoundland Power would proceed next on the ...

13 MS. BUTLER, Q.C.: On the (inaudible).

14 MR. NOSEWORTHY, CHAIRMAN: On the redirect?

15 MS. GREENE, Q.C.: With respect to the new information  
16 that was provided this morning in response to  
17 undertakings I believe we had indicated that the parties, we  
18 would not object to the parties to have the opportunity to  
19 question only on the new evidence that was filed this  
20 morning, so I had assumed Newfoundland Power would  
21 now go first in terms of cross-examination on that particular  
22 evidence.

23 MR. NOSEWORTHY, CHAIRMAN: My apologies, Ms.  
24 Butler, you can proceed please?

25 MS. BUTLER, Q.C.: That's fine, Mr. Chairman. I'll be very  
26 brief too. Mr. Reeves, if I might, you mentioned first about  
27 the initiatives.

28 MR. REEVES: Initiatives?

29 MS. BUTLER, Q.C.: Yes, that was the first item you  
30 addressed this morning about the initiatives.

31 MR. REEVES: That's right, yes.

32 MS. BUTLER, Q.C.: Yes, and my question for you on that  
33 is whether the initiatives which you addressed this morning  
34 have allowed you to reduce your inventory and, therefore,  
35 your inventory carrying costs?

36 MR. REEVES: My belief, well that again is not an area that  
37 is directly in my responsibility, however, I'm not able to say  
38 if it has or it has not at this point in time.

39 MS. BUTLER, Q.C.: Can you tell me if a future witness  
40 might be able to address that particular issue, and if so,  
41 who that might be?

42 MS. GREENE, Q.C.: I think, again, to be helpful here, I  
43 would point out that in **NP-145**, the response to **NP-145**,  
44 there is a summary supplies inventory and with respect to  
45 the inventory, values are shown there for the period '92 to  
46 2000, and there is a decrease in the inventory level from  
47 \$21.7 million to \$20.2 million, so it is in response to the  
48 answer to **NP-145**.

49 MS. BUTLER, Q.C.: That's certainly helpful in relation to  
50 the inventory levels. Is there a future witness, Mr. Reeves,  
51 who will be able to address the inventory carrying costs  
52 associated with the reduction in the inventories? Would  
53 that be Mr. Osmond or Mr. Roberts?

54 MR. REEVES: Yes, we would defer that to one of those two  
55 witnesses.

56 MS. BUTLER, Q.C.: Alright, on the exhibit which you  
57 entered and which is now labelled **DWR-2**, I believe, which  
58 was the TRO division net operating expenses broken down.

59 MR. REEVES: That's correct, yes.

60 MS. BUTLER, Q.C.: I note on the ... perhaps first I'll just  
61 get you to confirm that when you deal with the approved  
62 2001 budget, that's the first column, these are the figures  
63 that we saw appearing, I believe, in **NP-24**. This was the  
64 October 2000 report to your board of directors.

65 MR. REEVES: That's correct, yes.

66 MS. BUTLER, Q.C.: Okay, and in the third column, or the  
67 second column there, 2001 as filed, which was May 2001,  
68 was Schedule 1 from Mr. Roberts' evidence, I believe.

69 MR. REEVES: Yes, that's correct.

70 MS. BUTLER, Q.C.: Right, while we're looking at that  
71 document then, under the expense group, salaries and  
72 fringe benefits, the entry for capitalized expenses, are you  
73 able to address for me, Mr. Reeves, how capitalized  
74 expenses, these figures are derived?

75 MR. REEVES: These figures are derived, as I understand it,  
76 which primarily involves the engineering department and  
77 the environmental department for work that they would do  
78 associated with our capital work that we carry out each  
79 year, and what we attempt to do is to estimate what we  
80 would visualize spending for our permanent staff onto our  
81 capitalized program, and I think as I explained while I was  
82 here on the stand, if we would hire on a temporary person  
83 who would be working on more than one project, then that  
84 would also flow through this budget, so therefore, the  
85 amount of operating dollars that would be ... or sorry,  
86 operating staff, of their time that would be spent on capital,  
87 would flow through this capitalized expense.

88 MS. BUTLER, Q.C.: And this is a financial area as opposed  
89 to an engineering area.

90 MR. REEVES: Yes.

91 MS. BUTLER, Q.C.: And is this Mr. Osmond's bailiwick?

92 MR. REEVES: Well, Mr. Osmond would look out to  
93 maintain the records associated with this. The actual

1 amount that would get charged to these accounts would be  
2 completed on the time sheets which is done by my staff,  
3 and then it would be input into the system and then  
4 obviously, Mr. Osmond and his staff would look at doing  
5 those transfers and that.

6 MS. BUTLER, Q.C.: Uh hum, on the same exhibit now, Mr.  
7 Reeves, **DWR-2**, and the column marked increase or  
8 decrease, specifically the entry showing the \$131,000  
9 increase in basically the systems equipment maintenance  
10 area.

11 MR. REEVES: That's correct. That would be the middle  
12 column you're referring to?

13 MS. BUTLER, Q.C.: Yes.

14 MR. REEVES: Okay, yes.

15 MS. BUTLER, Q.C.: As I understand it now, this \$131,000  
16 increase, the systems equipment maintenance portion of  
17 your budget, which is TRO, represents a small portion of  
18 the \$929,000 discrepancy I was trying to follow along?

19 MR. REEVES: That's correct, yes.

20 MS. BUTLER, Q.C.: And the balance of \$727,000,  
21 somebody else will speak to, but I think it was shown on  
22 your last exhibit, if I might just turn to that. It's **U-Hydro 2**.  
23 It's the materials maintenance exhibit, the very last piece of  
24 paper that was put in through you this morning.

25 MR. REEVES: What did you say the number is?

26 MS. BUTLER, Q.C.: **Undertaking Hydro 2**.

27 MR. REEVES: Is this the one right here? No. Okay. So  
28 this would be **Undertaking Hydro No. 2**, that's correct. I've  
29 got it in front of me now.

30 MS. BUTLER, Q.C.: Alright, so the figure shown there  
31 right at the bottom of the page, the \$929,000, was the figure  
32 that I had put to you in the early cross-examination of  
33 Monday of this week as being the discrepancy between the  
34 total net operating costs on the budget shown October  
35 2000 versus May 2001, and of this you have now explained  
36 that \$131,000 of it relates to system equipment maintenance  
37 in your budget?

38 MR. REEVES: That's correct, yes.

39 MS. BUTLER, Q.C.: And the balance of \$688,000 and  
40 \$125,000 and the \$15,000, (inaudible) from Muskrat Falls,  
41 will fall to be explained to us by some other witness?

42 MR. REEVES: That's correct, yes.

43 (2:15 p.m.)

44 MS. BUTLER, Q.C.: Okay, on the issue of diesel, if we  
45 might just turn to that then very quickly, and this was the  
46 subject of an earlier exhibit which I think I might want to  
47 have a look at, if Mr. O'Rielly is present to put up **NP-219**.  
48 Mr. Reeves, while we're waiting for that, I understood you  
49 to say this morning that the diesel rack rate, is that the ...  
50 MR. REEVES: Montreal rack rate.

51 MS. BUTLER, Q.C.: Okay, the Montreal rack rate for diesel  
52 was ...

53 MR. REEVES: That's right, that's our reference point.

54 MS. BUTLER, Q.C.: Right.

55 MR. REEVES: For purchase.

56 MS. BUTLER, Q.C.: The last time you checked was 33.8.

57 MR. REEVES: ... 3.8 cents.

58 MS. BUTLER, Q.C.: Okay.

59 MR. REEVES: And that's per litre, that's correct, yes.

60 MS. BUTLER, Q.C.: Okay, in the case that is filed in  
61 relation to this response to information request, we have  
62 average fuel cost per litre for '92 to 2000, am I comparing an  
63 apple with an apple? Are these the rack rates?

64 MR. REEVES: That would be my understanding, that these  
65 here would be the rack rates, as well, yes, which is our  
66 reference point.

67 MS. BUTLER, Q.C.: That being the case then, has the rack  
68 rate declined since 2000, because the rack rate shown there  
69 is 42 cents?

70 MR. REEVES: It's currently at 33.8, so it's declined.

71 MS. BUTLER, Q.C.: And was that your understanding  
72 generally that the diesel rack rate had declined?

73 MR. REEVES: The fuel price for diesel has gone down this  
74 year.

75 MS. BUTLER, Q.C.: Now the application carries a cost of  
76 \$6.3 million for diesel in the test year. Sorry, you think so?

77 MR. REEVES: Well, I'll have to look that up, but I'll take  
78 your word for that, yes.

79 MS. BUTLER, Q.C.: Okay, can I suggest that the new  
80 Montreal rack rate for diesel will therefore see a decrease in  
81 the forecast cost for diesel fuel for the test year?

82 MR. REEVES: Well right now the rack rate is at 33.8.

83 MS. BUTLER, Q.C.: Uh hum.

84 MR. REEVES: We don't know what it's going to be next  
85 year this time. It was our best guess at the time, and if the  
86 forecast was done today, we may have a different forecast,  
87 but it's our best guess at this point in time.

88 MS. BUTLER, Q.C.: Okay, so currently ... sorry.



1 MR. REEVES: If the rack rate was down next year our costs  
2 would be less, yes.

3 MS. BUTLER, Q.C.: Yeah.

4 MR. REEVES: However, it's hard to forecast that.

5 MS. BUTLER, Q.C.: But you're not adjusting your forecast  
6 is what I'm hearing.

7 MR. REEVES: No, that's correct, yes.

8 MS. BUTLER, Q.C.: You're going to leave your forecast at  
9 42 cents.

10 MR. REEVES: That's correct.

11 MS. BUTLER, Q.C.: Alright, lastly, I believe, on the issue  
12 of vehicles if I might?

13 MR. REEVES: Uh hum.

14 MS. BUTLER, Q.C.: And this was also an exhibit that you  
15 provided us with this morning, and **DWR-3**. I don't think  
16 I need to look at **DWR-4**. I had actually recorded my  
17 undertaking a little differently than the way it was provided,  
18 only in the sense that I thought maybe we might get a list  
19 of all vehicles, but the way that this is done is satisfactory  
20 in the sense that we have now been provided with a list of  
21 ATV's and trailers, provided, of course, that this list in  
22 combination with the list of other vehicles is now all the  
23 vehicles.

24 MR. REEVES: That's my understanding.

25 MS. BUTLER, Q.C.: Okay.

26 MR. REEVES: Yes.

27 MS. BUTLER, Q.C.: Can I just ask then about the increase  
28 in vehicles that are now shown as category 7000 equipment  
29 on **DWR-3**, because in your application as filed we saw  
30 that you were only intending to increase the number of  
31 vehicles in cars and trucks by three between 2000 and 2001.  
32 I can show you that exhibit if you like, it's **NP-23**.

33 MR. REEVES: That's right, yes.

34 MS. BUTLER, Q.C.: Pages 10, 11, and 12. Okay, right at the  
35 bottom, okay, this is the year 2000, so you'll see total  
36 vehicles, 282, and then if you go to page 11, for 2001,  
37 excuse me, 285, and for 2002 I think you'll see the same  
38 number.

39 MR. REEVES: That's correct.

40 MS. BUTLER, Q.C.: So there was only an intention to  
41 increase your vehicles in these categories by three from  
42 2000 to 2001 and to keep them at the same level for 2002.  
43 We also saw in your capital budget application, a proposal  
44 to purchase the new all-enclosed track vehicle which we  
45 spoke about for Cat Arm, so now I just want to cover off

46 this last category and ask you whether there is any  
47 intention to increase the number of heavy ATV's which  
48 may not be simply the one that we caught in the capital  
49 budget or light ATV's, or snowmobiles, the 83 light ATV's,  
50 the 116 snowmobiles in the test year. Is there a plan to  
51 purchase any of these?

52 MR. REEVES: There's a plan to replace some of these, but  
53 in regard to whether we would increase the number of  
54 these, my understanding is that there would not be. The  
55 only exception to that, if there was a vehicle used for  
56 capital equipment or something, but I wouldn't call that as  
57 our regular ongoing fleet. The capital fleet would go ... it's  
58 not a capital fleet, but the requirements for that ... but our  
59 intention, or my understanding of our intention is not to,  
60 not to increase the size of our off-road vehicles.

61 MS. BUTLER, Q.C.: Yes, okay, so the fleet size itself won't  
62 be increased as we saw ...

63 MR. REEVES: Except for the qualifier I just gave you that  
64 if there was an extra one for our capital fleet which was a  
65 short-term requirement, but not the normal fleet.

66 MS. BUTLER, Q.C.: Excuse me, and the expense associated  
67 with simply replacing existing all terrain vehicles would be  
68 shown where?

69 MR. REEVES: Normally looking at **Exhibit 3** ...

70 MS. BUTLER, Q.C.: Yes.

71 MR. REEVES: The heavy ATV go-tracks and muskogs,  
72 they would come forward as an individual item in the  
73 capital budget as we've done in the past, and there's one in  
74 here now that we've talked about, as you're aware. The  
75 light ATV's, snow machines, would normally be included as  
76 tools and equipment, that's my understanding, and the  
77 construction equipment, which again would be, we don't  
78 have a lot of it, but those would come forward as separate  
79 items as well, so there's none of those in the capital budget.

80 MS. BUTLER, Q.C.: In the capital budget, you mean, yeah.

81 MR. REEVES: In the capital budget, yes. All replacements  
82 would come forward in the capital budget.

83 MS. BUTLER, Q.C.: Mr. Chairman, those are my questions  
84 for Mr. Reeves, and thank you very much, Mr. Reeves.

85 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,  
86 Ms. Butler. We'll move along to the Industrial Customers  
87 now please? Ms. Henley Andrews?

88 MS. HENLEY ANDREWS, Q.C.: Mr. Chairman, I don't have  
89 any questions.

90 MR. NOSEWORTHY, CHAIRMAN: Okay, thank you. Mr.  
91 Browne?

92 MR. BROWNE, Q.C.: We don't have any questions.

1 MR. NOSEWORTHY, CHAIRMAN: Thank you. Board  
2 counsel?

3 MR. KENNEDY: Just a few short matters, Chair. Mr.  
4 Reeves, just in response to the filing of the diesel, or your  
5 statement about the new price for diesel. Did I gather  
6 correctly then that Hydro does not intend to update its  
7 forecast for diesel fuel?

8 MR. REEVES: That's correct, yes, it's as filed.

9 MS. GREENE, Q.C.: I think, as we've indicated, we will be  
10 filing the end of October which includes updates. If there  
11 is any change it will be reflected at that point in time. We  
12 were responding to the question, what is the current price.  
13 (inaudible) it is a separate issue as to whether the current  
14 price is the most reasonable forecast to use in the 2002 test  
15 year, but when we file the revised cost of service, all types  
16 of things will be identified, if we plan to change, and Mr.  
17 Reeves was indicating only the current price at this point  
18 in time, not the fact that we intended to change at that  
19 point in time.

20 MR. KENNEDY: Okay, but are you saying that you, it's  
21 still an issue of you may or may not update the forecasting  
22 for diesel fuel in the new cost of service, or that that's ...  
23 that will be ...

24 MS. GREENE, Q.C.: That will be looked at between now  
25 and then and a decision made at that point in time, based  
26 on all the information we have available as to what is the  
27 most reasonable forecast for the test year.

28 MR. KENNEDY: Okay, in light of that then can we just turn  
29 to **NP-220**, please? I'd just like you to confirm then if you  
30 will that in reply to this question that a 10 percent change  
31 in the diesel fuel cost for Hydro for its test year will result  
32 in a \$632,000 variance in the revenue requirement for  
33 Hydro.

34 MR. REEVES: That's my understanding.

35 MR. KENNEDY: Okay, Mr. Reeves, in **DWR-2**, that's the  
36 net operating expenses for the TRO division.

37 MR. REEVES: Yes.

38 MR. KENNEDY: There's a line item in materials  
39 maintenance, maintenance materials, and then projects.

40 MR. REEVES: Yes.

41 MR. KENNEDY: Okay, and you'll see that for 2001 it's \$1.73  
42 million, and 2002 it's \$1.546 million for an increase of  
43 \$473,000 ... footnoted as number 11, and then if you look at  
44 footnote number 11, it says major projects expenditures  
45 required for 2002 is approximately \$.5 million more than  
46 required for 2001 ... example, wood pole testing and  
47 reconditioning of transformers. My understanding is that  
48 this item under projects for \$1.073 million for 2001, that this

49 account is used to track the costs associated with projects  
50 that are one of's (*phonetic*), that they are projects for this  
51 given year but that they wouldn't be multi-year projects  
52 and so that they'd have a life and death, if you will, in a  
53 given year, and that's what that's being budgeted for in  
54 2001.

55 MR. REEVES: Well you said two things, one of's, and you  
56 said multiple years. These are operating projects which are  
57 different than capital projects. These are projects that are  
58 required, like a diesel overhaul which is not a capital  
59 investment. We have to go in there periodically and do a  
60 complete overhaul, and replace parts and what not, so that  
61 would be what we would call an operating project, okay.  
62 Now in a year that it's happening, it's a one of for that year  
63 obviously, but every year we would have overhauls in our  
64 budgets for diesel machines, but it would be all different  
65 machines, obviously. So if we overhaul a diesel machine  
66 this year, that may not be required until four or five years  
67 from now, so between now and that four or five years, you  
68 won't see any expenses associated with that diesel unit, but  
69 next year, the year after, and the year after that, you will see  
70 diesel overhauls in there associated with other diesels in  
71 our system.

72 MR. KENNEDY: Okay, I guess the point is though that  
73 we're not really talking about moving from 2001 to 2002,  
74 that your \$473,000 more in 2002, but that the monies net of  
75 that increase of \$473,000 in 2002 is the same \$1,073,000 that  
76 was being spent in 2001.

77 MR. REEVES: That's the additional money in addition to  
78 the \$1,073,000 that was spent in 2001 for the projects, the  
79 operating projects we did that year.

80 MR. KENNEDY: But they would be different projects than  
81 in 2002.

82 MR. REEVES: They would be most likely different projects.

83 MR. KENNEDY: So there was \$1,073,000 worth of project  
84 work completed in 2001. There's another \$1,546,000 being  
85 budgeted in 2002 for an entirely new set of projects.

86 MR. REEVES: Most likely that is the case, yes.

87 MR. KENNEDY: And could you explain then why such a  
88 variance in the project cost from year to year, I mean that's  
89 a 50 percent increase in your project costs from 2001 to  
90 2002. It would seem to have a high degree of variability.

91 MR. REEVES: Well the two examples that are, that I used  
92 here was wood pole testing. In this particular year ... last  
93 year we did wood pole testing, this year we didn't do it,  
94 next year we plan on doing some more, so that is one  
95 reason that's up. The other one is that the reconditioning  
96 of transformers, throughout this past year, we have  
97 determined that some of our larger transformers need to be

1 all reconditioned, so that's an expense that we didn't know  
2 before. The other thing that could cause it to vary, say this  
3 year, if one of our units, say 100 kilowatt unit requires  
4 overhaul, it may be X number of dollars to overhaul that  
5 unit. If we overhaul a unit next year which is a 500 kilowatt  
6 unit, then the expense of that would be much greater than  
7 the unit that we overhauled this year, so there's a fair  
8 number of variabilities in there in the work that we do and  
9 the size of the equipment that we maintain that causes this  
10 to vary.

11 MR. KENNEDY: Okay, and that's sort of dealing with it in  
12 a sort of hypothetical fashion, but looking at just 2002  
13 specifically, because that's our test year, isn't it?

14 MR. REEVES: Yes.

15 MR. KENNEDY: And this is an operating expense.

16 MR. REEVES: That's right.

17 MR. KENNEDY: So this, in effect, increases the revenue  
18 requirement for Hydro for 2002 by \$473,000 above what it  
19 was for 2001, and net of whatever tax implications that there  
20 are, if there are any, but it does increase the revenue  
21 requirement for 2002, so ... and I thought that when we had  
22 agreed that the objective in 2002 was to try to keep the  
23 expenses as low as possible, and in keeping with that then,  
24 recognizing that these projects are, are subject to  
25 discretionary considerations about whether you proceed  
26 with them or not, what considerations has Hydro taken to  
27 ensure that this project amount is as low as possible?

28 MR. REEVES: Well you use the word discretionary, I  
29 wouldn't call any of these projects discretionary. It's  
30 timing, and for instance, if we don't go ahead with the wood  
31 pole testing, we have conducted, as I said a minute ago,  
32 wood pole testing in the past and as a result of doing that  
33 we have found out that some of our poles had to be  
34 changed out as soon as we completed the testing. In  
35 regard to the transformer aisles, we have again found out  
36 something that we needed to correct. There is nothing to  
37 say that the following year, some other item might come up  
38 on our system. Our equipment is all of the age that it  
39 requires to be maintained and our, what I call our operating  
40 projects can go up and down from year to year.

41 MR. KENNEDY: Is it possible to get this same data for the  
42 period 1997 through to 2001, so that we can have a longer  
43 trend than just one year?

44 MR. REEVES: One thing I should say is that up until  
45 probably 1999, prior to that we were carrying it into one,  
46 say, lump in our budget for '97 and '98 where the, what I  
47 would call the ongoing maintenance and the project  
48 maintenance was in the one area. In 1999 we started  
49 budgeting that way, or started planning that way, and I  
50 think 2000 is the first year that we have available in that

51 format.

52 MR. KENNEDY: And you would not be able to go back  
53 and normalize that now and be able to ...

54 MR. REEVES: From my understanding it would be a fairly  
55 large task to do that.

56 MR. KENNEDY: It's a fairly large number.

57 MR. REEVES: It is a fairly large number, yes.

58 MR. KENNEDY: So you're saying you can provide it for  
59 the year 2000 and you can't provide it for the year 1999?

60 MR. REEVES: Just let me check something here now.

61 MR. KENNEDY: Okay.

62 MR. REEVES: I think we probably would be able to provide  
63 some details and that's one of the schedules I think that we  
64 were planning on providing anyway to you already, the  
65 one that I think you were talking to counsel about.

66 MR. KENNEDY: Well we have had discussions with  
67 counsel but we haven't worked out exactly what it is, and  
68 I think in light of the detailed breakdown of **DWR-2** that  
69 we'd just like the similar breakdown for, certainly for the  
70 year 2000, and if we can back pedal it further than that,  
71 then, and normalize it to take into account the accounting  
72 changes, then back again to 1998 at least.

73 MS. GREENE, Q.C.: I think it would be helpful, I had hoped  
74 to have the discussion with Mr. Kennedy prior to the  
75 break. He just threw in 1998 that time. I don't know if he  
76 meant to ask for 1998. One of the problems is that TRO  
77 started reporting this way in, I thought it was 1999. The  
78 other divisions do not record and break out their projects,  
79 what are special projects, because each year we have a  
80 number of ongoing projects that are in that category,  
81 especially in TRO, so we don't do it that way in production  
82 or in finance, and TRO started doing it this way only in  
83 1999, I believe.

84 MR. REEVES: That's my recollection as well, yes.

85 MS. GREENE, Q.C.: So why we may be able to do it for  
86 1999 for TRO, it would not be possible to do it for the other  
87 divisions, and during the coffee break I will have further  
88 discussions with Board counsel because what we were  
89 trying to do is be able to respond to his question this  
90 morning, to provide an exhibit normalizing, and I hoped to  
91 explain that to him and I will have those discussions over  
92 the coffee break.

93 MR. KENNEDY: Perhaps we can resolve it then, Chair.  
94 That's all the questions I have for Mr. Reeves.

95 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,  
96 Mr. Kennedy. Moving now to Board questions where I  
97 inadvertently tried to get to before. I'll ask Mr. Powell to

1 begin questioning.

2 (2:30 p.m.)

3 COMMISSIONER POWELL: Thank you, Mr. Chairman.  
4 Mr. Reeves, **Consent No. 4** was passed out, I think, this  
5 morning after yesterday. It shows the diesel charts as of  
6 November 2000, and one of the problems you have when  
7 you give a report like this to an accountant is that they  
8 have a tendency to add things up, so I was just looking at  
9 the report there when we were going through it, and I was  
10 adding up the unit (inaudible) in the second column, each  
11 place, but for no other reason, just curiosity, but when I  
12 was going through and looking at the evidence that you  
13 had pre-filed, something popped up when I had these  
14 totals. On Schedule 3, you gave a schedule and it showed  
15 the, it's called the generation capacity of the isolated rural  
16 systems, and four of the units on that schedule didn't agree  
17 with the four on this schedule, assuming my math is right,  
18 and when things don't add up to an accountant, that's bad  
19 news. Whether they're meaningful or not, I don't know.

20 MR. REEVES: Well, we can't have that happening.

21 COMMISSIONER POWELL: No, in Francois you have  
22 three units there and you total them up on your consent  
23 form and it comes to 586, but on your Schedule 3 you say  
24 611, assuming I'm comparing apples to apples here now.

25 MR. REEVES: Well, it's not the same timeframe obviously.

26 COMMISSIONER POWELL: Well one is December 2000  
27 and the other one is November 2000, so I didn't think there  
28 was much going on in the month of December which would  
29 change that.

30 MR. REEVES: Well, I'd have to go back and ... you say  
31 Francois, what was your total?

32 COMMISSIONER POWELL: 586.

33 MR. REEVES: 586, 611.

34 COMMISSIONER POWELL: Grey River was okay, but  
35 then what threw me on the Harbour Deep, your total on  
36 your consent form is 658, but on the other form it's 613, so  
37 it's lower, so it wasn't four lower or four higher, it was ...  
38 and then in Petits and Roncontre East, they're both ... just  
39 curiosity, I have ...

40 MR. REEVES: I can't reconcile that right here now.

41 COMMISSIONER POWELL: I don't know if it's important  
42 or not, but either you have 44 percent wrong or 56 percent  
43 wrong, I'm not sure which one is right and which one is  
44 wrong.

45 MR. REEVES: But like I know Harbour Deep in 2000 we did  
46 change out a unit so that if you remember we had a  
47 discussion this morning so the ...

48 COMMISSIONER POWELL: Yes, I realize this.

49 MR. REEVES: And the unit was a bit larger than the one,  
50 sorry, the one we installed was a bit smaller than was there,  
51 so I would say that's probably what would account for it.

52 COMMISSIONER POWELL: Okay, but then the other  
53 three ... and one is November and one is December.

54 MR. REEVES: But you have to realize that a lot of our units  
55 that we were replacing were, you know, maybe put in  
56 service during the last month of the year as well.

57 COMMISSIONER POWELL: Okay, it would be nice to find  
58 out. What I'd like to get my mind around a little bit and Mr.  
59 Wells in his testimony, he referred to Hydro's cost of  
60 service having like three pillars, and he referred to interest  
61 cost, fuel, and operations. Interest, I can visualize how it's  
62 calculated. Fuel, much the same, I can relate to that ... not  
63 necessarily agree with maybe with his calculation, but I can  
64 ... but operations, I can relate to it in the sense that I know  
65 it involves human resources and equipment and things like  
66 that, but what I'd like to do is try to, since you are  
67 transmission and rural operation is to sort of try to visualize  
68 where in the system you fit in so when we get Mr. Budgell  
69 and Mr. Henderson testifying and they talk about their  
70 responsibility, I can sort of relate visually to what these  
71 numbers mean in terms of the total requested 300 and some  
72 odd million dollars, so I thought that ... look at Schedule 1  
73 which you supplied, which is a very nice schedule and I've  
74 been referring to it fairly often to track some of the  
75 discussions going on, but what I'd like to do is to, and this  
76 may be very boring for everybody else here but myself, is  
77 to try to take a little bit of a mental trip around the province  
78 and see if we can identify where, if I happen to show up  
79 some day, where you and your crew would be working, and  
80 how you fit into the picture. So what I'd like to do is start  
81 off down around the Bay d'Espoir area, since that's the  
82 major hydroelectric facility in the island portion of the  
83 province, and with a significant number, if not the largest  
84 amount of hydroelectricity is produced, and sort of pick up  
85 where you fit in as opposed to the generation and the  
86 distribution component of Hydro. I've never been to Bay  
87 d'Espoir so I'm just assuming that there is a large body of  
88 water, there's a dam, and some turbines that produce the  
89 energy. Where do you come in in terms of the site of Bay  
90 d'Espoir? Where would you pick up costs from Hydro's  
91 perspective in your department?

92 MR. REEVES: Well you are right, there is ... actually in Bay  
93 d'Espoir there are two powerhouses, and there is a large  
94 reservoir of water which starts there and goes back to  
95 Victoria Lake. Behind those two powerhouses, there's a  
96 switch yard (*phonetic*), and a switch yard is ... well before  
97 you get to the switch yard there's transformers just outside  
98 the powerhouse, and that transforms the voltage which is

1 generated on the generation equipment inside the plant,  
2 and it puts, it raises the voltage up for transmission, and it  
3 raises it up to 230,000 volts, 230,000 volts, 230 kV as we call  
4 it, so those transformers belong to me, okay?

5 COMMISSIONER POWELL: So that's where you start.

6 MR. REEVES: They belong to me.

7 COMMISSIONER POWELL: Okay.

8 MR. REEVES: So the actual wires that connect on to the  
9 transformer is part of the plant on the load side, okay.

10 COMMISSIONER POWELL: Okay.

11 MR. REEVES: So everything beyond that, which is the  
12 transformation, the wires that go to the terminal station  
13 where all the switching is done, and the energy is  
14 distributed to the different lines, two coming east, two  
15 coming west, and one going to the Upper Salmon plant,  
16 that would be all equipment that my staff would maintain.

17 COMMISSIONER POWELL: Okay, so you're right into the  
18 yard.

19 MR. REEVES: We go right into the back of the  
20 powerhouse.

21 COMMISSIONER POWELL: Okay, let's take a trip south.  
22 There is a line down there, TL-220.

23 MR. REEVES: That's right.

24 COMMISSIONER POWELL: And that's a 69, that's yours?

25 MR. REEVES: That's all TRO's.

26 COMMISSIONER POWELL: So you're responsible for  
27 that?

28 MR. REEVES: That's correct.

29 COMMISSIONER POWELL: And that goes down to  
30 English Harbour and Barachois.

31 MR. REEVES: Barachois.

32 COMMISSIONER POWELL: And are these what were  
33 referred to in your evidence, low voltage stations down  
34 there?

35 MR. REEVES: That one there is a 69 kV, so that would, I  
36 would consider 69 kV and above high voltage.

37 COMMISSIONER POWELL: Okay.

38 MR. REEVES: 25 kV, below that is not shown in this  
39 drawing.

40 COMMISSIONER POWELL: What happens down in  
41 English Harbour West now, are you responsible, taking  
42 that and hooking it up to residences and things?

43 MR. REEVES: That's correct, that's TRO's responsibility.

44 COMMISSIONER POWELL: Right.

45 MR. REEVES: We maintain the lines, we maintain the  
46 terminal stations, we maintain the equipment in all of the  
47 terminal stations, then we ... again, it's transformed down to  
48 a voltage that can be used in the house. We would then  
49 look after all of the poles, the distribution systems, right  
50 into the house, to the service entrance to the house, that's  
51 correct.

52 COMMISSIONER POWELL: So you put the meter on the  
53 house and everything, just the same as Newfoundland  
54 Light and Power does it for me.

55 MR. REEVES: Exactly right.

56 COMMISSIONER POWELL: Okay, so what happens down  
57 there is similar to what Newfoundland Power does with the  
58 majority there. Okay, so we've got the line, that TL-231 and  
59 TL-204, that goes all the way up to Stoney Brook, so you're  
60 responsible for all those towers, poles, wires, and  
61 everything else.

62 MR. REEVES: That's correct.

63 COMMISSIONER POWELL: Okay, if anything happens,  
64 you respond to it.

65 MR. REEVES: If anything happens, Mr. Henderson's staff  
66 will give me a call, or my staff a call.

67 COMMISSIONER POWELL: So you're responsible for  
68 providing the vehicle, they basically process anything  
69 that's going through those wires, right?

70 MR. REEVES: They would look after the actual dispatching  
71 of the power.

72 COMMISSIONER POWELL: That's right.

73 MR. REEVES: And they do the coordination, as I indicated  
74 before, between the generation equipment and the lines  
75 that the electricity is conveyed over.

76 COMMISSIONER POWELL: So we're up in Stoney Brook,  
77 which is Central Newfoundland, so those lines, do you  
78 follow that right into that station there? Are you  
79 responsible for that station?

80 MR. REEVES: And the station itself, yes.

81 COMMISSIONER POWELL: Okay, so everything that  
82 goes on there and all the switching that the power goes ...

83 MR. REEVES: Yes.

84 COMMISSIONER POWELL: So let's take, we'll come west,  
85 and we go to Buchans, and there's two lines going to  
86 Buchans. Are you responsible for all those towers and ...

87 MR. REEVES: That's right.

88 COMMISSIONER POWELL: Okay, so at Buchans, that's

1 one of the places where Newfoundland Light and Power  
2 would pick up their power to provide to their customers in  
3 around the Buchans area, okay.

4 MR. REEVES: That's right, and we would ... my area would  
5 maintain the substation and the lines feeding that and also  
6 the breakers that would feed into Newfoundland Power's  
7 breakers. I maintain it and Mr. Henderson's staff operates  
8 it.

9 COMMISSIONER POWELL: Yes, and so Newfoundland  
10 Light and Power puts a line in, grabs it, and they're  
11 responsible from then on.

12 MR. REEVES: Yeah, well Mr. Henderson's staff would  
13 energize the Newfoundland Power line. On their end of the  
14 line they would look after their own distribution inside their  
15 own system.

16 COMMISSIONER POWELL: Okay.

17 MR. REEVES: Because they would have terminal stations  
18 or switch yards or substations inside of their system as  
19 well.

20 COMMISSIONER POWELL: They would have a station  
21 inside your station?

22 MR. REEVES: Like here around St. John's they would have  
23 several stations. One that comes to mind, I think Stamps  
24 Lane is one.

25 COMMISSIONER POWELL: Okay.

26 MR. REEVES: So they would, we would not be involved in  
27 that one there, but our two primary stations here in St.  
28 John's, I know I'm in a different area of the province, but we  
29 have two stations here in St. John's. One is in Oxen Pond,  
30 and one is ...

31 COMMISSIONER POWELL: Okay, but going back to  
32 Buchans now ...

33 MR. REEVES: Yes.

34 COMMISSIONER POWELL: ... you have a station there.  
35 They actually run a line into it and get their power off it.

36 MR. REEVES: Yes.

37 COMMISSIONER POWELL: Okay, so Newfoundland  
38 Light and Power has no responsibility. They have a line  
39 and they take their ... you energize, I guess is the word you  
40 use, their lines and away it goes.

41 MR. REEVES: That's right.

42 COMMISSIONER POWELL: Okay, so we come all the way  
43 across then and we'll take the rural route because I'm going  
44 to Bottom Brook, to get into places I'm more familiar with,  
45 so down in Bottom Brook, that's another one of those  
46 stations that ties in with Newfoundland Light and Power?

47 MR. REEVES: Well they have a line that feeds out of that  
48 station as well. That's the one we talked about earlier this  
49 morning, which is 400L, that's one of them.

50 COMMISSIONER POWELL: Yes.

51 MR. REEVES: And the rest of our, in there would be our  
52 equipment primarily, and we would have a line going to  
53 Burgeo and a line going to Port aux Basques, and one  
54 going to Stephenville.

55 COMMISSIONER POWELL: Right, and the line that goes  
56 down to, all the way down to Port aux Basques, down near  
57 Long Lake (*phonetic*), there's a line that's ... is that the  
58 Rose Blanche hydro project down there, what's called Long  
59 Lake?

60 MR. REEVES: I'm not that familiar with Newfoundland  
61 Power's system in that area, but I would visualize that that  
62 would probably be where it feeds into, somewhere down  
63 there.

64 (*2:45 p.m.*)

65 COMMISSIONER POWELL: So that little blue line, is that  
66 where they ...

67 MR. REEVES: The little blue line which is TL-215 is our  
68 line, which is a 66 kV line, and we would go right into Grand  
69 Bay, which is a terminal station and you can see it there,  
70 and after that the lines are dotted, so that would be  
71 Newfoundland Power lines.

72 COMMISSIONER POWELL: Okay, so you only go as far  
73 as Grand Bay, because there's a station right along the  
74 highway there and that's your station, I take it.

75 MR. REEVES: Which one?

76 COMMISSIONER POWELL: On the Trans Canada  
77 Highway there is a substation right along side the highway.

78 MR. REEVES: Which we call Doyles, is that the one you're  
79 talking about?

80 COMMISSIONER POWELL: No, Grand Bay.

81 MR. REEVES: Grand Bay, I think would be Newfoundland  
82 Power's station.

83 COMMISSIONER POWELL: Okay, Grand Bay to Port aux  
84 Basques is like Mount Pearl to St. John's, you can't tell  
85 where one begins and the other one ends. Okay, so we  
86 come back up to Bottom Brook, and you feed into, we've  
87 still got the high voltage line going in to Stephenville. That  
88 station down in Port Harmon (*phonetic*).

89 MR. REEVES: That's right, that's where we have our gas  
90 turbine site.

91 COMMISSIONER POWELL: Okay, the gas turbine site  
92 now, you're responsible for that?

1 MR. REEVES: I'm responsible for the three gas turbines  
2 that we own, that's correct, yes.

3 COMMISSIONER POWELL: Even though that's more of a  
4 generation thing, but you ...

5 MR. REEVES: It is a generation thing but so that we  
6 wouldn't, I guess, incur extra costs of having the ... because  
7 our hydraulic people are located primarily in Bay d'Espoir,  
8 and our thermal people are primarily located in Holyrood,  
9 and these other gas turbines, I guess, are so situated to, in  
10 different locations throughout the province. Rather than  
11 have their people travel all over the province, we maintain  
12 those.

13 COMMISSIONER POWELL: Okay.

14 MR. REEVES: But as I indicated before, some of the  
15 engineering work associated with those would be provided  
16 by the engineering staff of generation.

17 COMMISSIONER POWELL: So this line that ... you  
18 actually feed the power right in to Abitibi?

19 MR. REEVES: That's correct, yes. My staff would maintain  
20 that, yes.

21 COMMISSIONER POWELL: Yeah, so you put it in as a  
22 high voltage and it's a red line as opposed to a blue line.

23 MR. REEVES: Yeah, well that would be right up to Abitibi  
24 which we would provide ... the line would be ours, yes.

25 COMMISSIONER POWELL: And then they're responsible  
26 for ...

27 MR. REEVES: Once it gets inside of the mill, then  
28 obviously they would be responsible for distributing it  
29 throughout their property.

30 COMMISSIONER POWELL: Okay, there's no converters  
31 or anything like that in Abitibi.

32 MR. REEVES: No converters at that particular mill, that's  
33 correct, yes.

34 COMMISSIONER POWELL: But would their power  
35 requirements be such a high voltage as that or do you  
36 break it down, or they're responsible?

37 MR. REEVES: We would transform it down at that site.

38 COMMISSIONER POWELL: Transformers on the site there  
39 would be your responsibility, not theirs, or (inaudible).

40 MR. REEVES: Now that's something ... if I remember  
41 correctly is that that's one of the ones that the actual, the  
42 mill owns and maintains, I think, which is that transformer  
43 because we can have different arrangements with our  
44 customers in regard to the transformation equipment.

45 COMMISSIONER POWELL: Okay, so to get the power to  
46 the mill in terms of from the transmission point of view,  
47 there's no more cost to getting that to Abitibi in  
48 Stephenville as to getting to Newfoundland Light and  
49 Power in Stephenville.

50 MR. REEVES: In regard to the other transmission lines.

51 COMMISSIONER POWELL: Yeah.

52 MR. REEVES: That's right, yes.

53 COMMISSIONER POWELL: From your cost point of view,  
54 okay, I'm not talking about the ... okay.

55 MR. REEVES: Except for that short distance of line that  
56 goes from our gas turbine over to their plant.

57 COMMISSIONER POWELL: Newfoundland Light and  
58 Power comes into your yard, gets energized and they take  
59 it off.

60 MR. REEVES: That's right, yes.

61 COMMISSIONER POWELL: And sell it to me down in  
62 Kippens, okay, so go back to Bottom Brook, and they have  
63 a line that goes into Massey Drive, which basically serves  
64 the Corner Brook, Bay of Islands area, I take it.

65 MR. REEVES: That's correct, yes.

66 COMMISSIONER POWELL: Would the (inaudible) line  
67 from there, from Massey Drive that impact with Krueger?

68 MR. REEVES: Impact on ... what do you mean, the ...

69 COMMISSIONER POWELL: Can Krueger get anything  
70 from the Massey Drive substation, or would that all impact  
71 when you go back up to Deer Lake and ...

72 MR. REEVES: My understanding is that there's a feed from  
73 the Massey Drive terminal station down into the mill, yes.

74 COMMISSIONER POWELL: So we go back up to, we're up  
75 around Deer Lake, which that's the (inaudible). I'm not sure  
76 what their official name is now, but the old Bowater Power  
77 Company. I noticed, there's a little line that comes down  
78 the Humber Valley there and there's 745 kV which is about  
79 three times what Hydro uses to go across the province.  
80 What's the difference? Obviously it's ...

81 MR. REEVES: Actually they're blue in colour, okay, and ...

82 COMMISSIONER POWELL: Uh hum, besides that.

83 MR. REEVES: No, no, but they're blue in colour so they're  
84 69 kV, not 735.

85 COMMISSIONER POWELL: Well, no, but the ... okay, I'm  
86 partially colour blind here.

87 MR. REEVES: That's why I was referring to the colour, is  
88 that the 745 red dotted line is actually up in Labrador.

89 COMMISSIONER POWELL: Okay.

1 MR. REEVES: Okay.

2 COMMISSIONER POWELL: That's my colour blindness  
3 getting me there. Okay.

4 MR. REEVES: So these are lines that are owned by what I  
5 would call Deer Lake Power and convey energy from their  
6 powerhouse in Deer Lake down to the mill.

7 COMMISSIONER POWELL: And there's a number of  
8 loops there, that's what got me confused, I guess, like  
9 there's the one that goes down on the southern side of the  
10 Humber Arm, and then there's the ... it looks like there's  
11 three loops out there with the ...

12 MR. REEVES: The one on the Southern Shore looks like it  
13 to be a Newfoundland Power line, which is a dotted line,  
14 and the one above it would be the ones that are owned by  
15 Deer Lake Power.

16 COMMISSIONER POWELL: Do ...

17 MR. REEVES: And they feed into, as you can see, the  
18 frequency converter there, heh?

19 COMMISSIONER POWELL: Yeah, so the frequency  
20 converter, that's one of the issues under contention that  
21 you're responsible ...

22 MR. REEVES: I do the maintenance of the frequency  
23 converter, yes.

24 COMMISSIONER POWELL: Yes.

25 MR. REEVES: Which is actually located on the property of  
26 the mill.

27 COMMISSIONER POWELL: Yes, you don't do any work  
28 with them on their lines. Do they have their own line crew  
29 that looks after their lines?

30 MR. REEVES: That's my understanding, yes.

31 COMMISSIONER POWELL: Okay, you don't inter-react  
32 (sic) with them or anything on that in terms of ...

33 MR. REEVES: Other than I know that in the past we have  
34 interacted something for testing and that, but we don't  
35 interact a lot with them, no.

36 COMMISSIONER POWELL: Do you ever ask them to do  
37 a study whether it would be cheaper for you to look after  
38 them and them not having their line crews?

39 MR. REEVES: I'm not aware of that, but I'm not ... I'm not  
40 aware of it.

41 COMMISSIONER POWELL: Okay, good. To your  
42 knowledge there hasn't been any inter-reaction (sic). Okay,  
43 we're to Deer Lake. Then we have the line that goes all the  
44 way up to St. Anthony, which is a 138 kV, so you're  
45 responsible for all the line getting all the ... right on up to

46 St. Anthony.

47 MR. REEVES: That's correct.

48 COMMISSIONER POWELL: All the poles and all the  
49 substations, you look after all that, and also, and those are  
50 all your customers north of (inaudible), more or less.

51 MR. REEVES: That's right.

52 COMMISSIONER POWELL: So you install all those meters  
53 and ... okay. Let's come back to Massey Drive, and we  
54 work our way back to, via Buchans back to Stoney Brook,  
55 and then we would interact with the other industrial  
56 customers, Abitibi in Grand Falls. Now Grand Falls have  
57 their own Hydro, have their own hydroelectrical production  
58 there in the Bishops Falls area?

59 MR. REEVES: Yes, that's correct, Bishops Falls, and also  
60 in Grand Falls as I understand.

61 COMMISSIONER POWELL: Okay, and they have their  
62 own line crew and they look after their own lines and that  
63 so you ... to your knowledge you've had no discussion  
64 with them whether it would be a savings to both of you if  
65 you looked after the lines for them and that sort of...

66 MR. REEVES: I haven't participated in any discussions like  
67 that.

68 COMMISSIONER POWELL: You don't have any ... okay,  
69 so you've had no discussions on cooperation or sharing of  
70 the equipment and that sort of thing as it relates to  
71 transmission.

72 MR. REEVES: Not that I'm aware of. I'm not saying it didn't  
73 happen, but I'm not aware of that.

74 COMMISSIONER POWELL: But you're Vice-President of  
75 the thing. I would think you would ...

76 MR. REEVES: But only for the last, since 1995, but whether  
77 something took place before that ...

78 COMMISSIONER POWELL: Okay, so the other main lines  
79 are from Bay d'Espoir and goes over to, gets all the way  
80 over to Sunnyside and Oxen Pond and Holyrood. All you  
81 have there is the normal maintenance of the towers and the  
82 lines and that, and ...

83 MR. REEVES: And the terminal stations.

84 COMMISSIONER POWELL: And the terminal stations, but  
85 you don't go into Holyrood and look after, you have ...

86 MR. REEVES: Very similar to Bay d'Espoir, where we would  
87 be responsible for the transformers in the back of the plant.

88 COMMISSIONER POWELL: Okay, so that's looked upon  
89 as a generation site.

90 MR. REEVES: Yes, but there's, our transformers and the



- 1 switch yard, if you've been to Holyrood, it's a really large  
2 switch yard there, that we would also maintain in  
3 transmission and rural operations, so we do have a fair bit  
4 of assets there.
- 5 COMMISSIONER POWELL: Okay, in Labrador, you have  
6 responsibility for the line that goes from Churchill Falls to  
7 Goose Bay?
- 8 MR. REEVES: That's correct, yes.
- 9 COMMISSIONER POWELL: Okay, and the line between  
10 Twin Falls and Lab City, that's owned by somebody else?
- 11 MR. REEVES: That's owned by Twin Falls Power  
12 Corporation, and the purple lines are owned by Churchill  
13 Falls Labrador Corporation.
- 14 COMMISSIONER POWELL: So to your knowledge, there's  
15 no discussions or studies done whether it would be any  
16 benefit for anybody else to have one team up there looking  
17 after transmission?
- 18 MR. REEVES: Well in actual fact, the staff from Churchill  
19 Falls maintains our 138 kV line.
- 20 COMMISSIONER POWELL: Okay, so there is some  
21 cooperation there.
- 22 MR. REEVES: For Hydro, and we have, we have an  
23 agreement with them, yes.
- 24 COMMISSIONER POWELL: Okay, and the Lab City/Twin  
25 Falls ...
- 26 MR. REEVES: All that's looked after by the Churchill Falls  
27 staff.
- 28 COMMISSIONER POWELL: Okay, they look after it, so  
29 there is one ... okay.
- 30 MR. REEVES: Twin Falls is a subsidiary of Churchill Falls.
- 31 COMMISSIONER POWELL: Okay, so there is ... the  
32 Schedule 15, which is your handout, it shows all the  
33 isolated diesel plants.
- 34 MR. REEVES: Schedule 2.
- 35 COMMISSIONER POWELL: No, Schedule 15, the one with  
36 the nice drawings and all the ...
- 37 MR. REEVES: The drawing, you mean?
- 38 COMMISSIONER POWELL: Yes.
- 39 MR. REEVES: Alright.
- 40 COMMISSIONER POWELL: And by the way, the numbers  
41 on Schedule 15 agree with the other schedule (*laughter*).
- 42 MR. REEVES: Thank you.
- 43 COMMISSIONER POWELL: So one of them is right and  
44 I'm not sure which. So all those isolated diesel plants, they  
45 come under TRO?
- 46 MR. REEVES: I'm just ... sorry, yes, all 25 of them.
- 47 COMMISSIONER POWELL: So right there you're  
48 responsible for the generation to the extent that the plant  
49 generates the power.
- 50 MR. REEVES: The generation and the distribution. As  
51 you'll remember, one of the slides, the diesel plant is  
52 normally very close to the community.
- 53 COMMISSIONER POWELL: And I'm just trying to get the  
54 mindset.
- 55 MR. REEVES: Okay.
- 56 COMMISSIONER POWELL: So I won't, when Mr.  
57 Henderson and Budgell get here, I'll be able to ... I can  
58 forget about the rural parts of the province. Okay, let's see  
59 what questions ... but that's very good. Now I have a little  
60 bit of understanding where your costs come in and the next  
61 time my power goes down I know exactly who to call  
62 certainly.
- 63 MR. REEVES: Mr. Henderson (*laughter*).
- 64 COMMISSIONER POWELL: Yes, absolutely. One of the  
65 questions, and I don't know if this is for you to answer or  
66 one of Mr. Budgell or Mr. Henderson, is that you're  
67 stringing these lines, they come over a long distance, and  
68 they're a different voltage, and I presume that's ... is the  
69 higher the voltage the less energy you lose?
- 70 MR. REEVES: That's the basic concept, the less resistance  
71 is in the wires and the less losses you have, yes.
- 72 COMMISSIONER POWELL: Okay, Churchill Falls, they're  
73 doing 745. I thought it was Deer Lake. Is that because  
74 they're going over a longer distance and ...
- 75 MR. REEVES: A longer distance and, of course, obviously  
76 larger amounts of power as well.
- 77 COMMISSIONER POWELL: Okay.
- 78 MR. REEVES: Yeah, because the voltage that you use is  
79 dependent on both of that. It's the distance that you have  
80 to travel as well as the amount of power that you have to  
81 transmit.
- 82 COMMISSIONER POWELL: And going from 230 to 745 is  
83 proportionally increased in cost as well, so it's ...
- 84 MR. REEVES: I would say probably more than portional  
85 (*phonetic*).
- 86 COMMISSIONER POWELL: Okay, so it doesn't ...
- 87 MR. REEVES: It's not exponentially but somewhere in  
88 between.

1 COMMISSIONER POWELL: So a 230 line, volt line, that  
2 would be the accepted standard for transmitting power in  
3 the province like Newfoundland given the length and the  
4 shortness, the distance?

5 MR. REEVES: Given the amount of power that we have to  
6 transmit around the province and the distances that we  
7 have to travel, that would, it's the voltage that was  
8 selected, yes.

9 COMMISSIONER POWELL: Okay, that's not a ... so are  
10 these substations in a distance to maintain the voltage or  
11 anything? How do you do when you're ...

12 MR. REEVES: No, there are actually switching stations so  
13 that you can tap off, I'll use the word "tap off" some power.

14 COMMISSIONER POWELL: So it has nothing to do with  
15 maintain voltage or anything like that.

16 MR. REEVES: No.

17 COMMISSIONER POWELL: Okay, the ... it didn't show  
18 here ... there was some discussions earlier about Fogo and  
19 New World Island, and some mention that they have an  
20 underground line.

21 MR. REEVES: We have an under sea cable, yes, we have  
22 actually a couple of those throughout the province.

23 COMMISSIONER POWELL: The basic question then  
24 along the coast where we have all these isolated diesel, I  
25 mean is there any benefit to putting an under sea line to tie  
26 them into some sort of a hydro project, I mean that's ...

27 MR. REEVES: No, as a matter of fact, I think we have  
28 looked at say putting a cable out to Ramea but it's not cost  
29 effective.

30 COMMISSIONER POWELL: Why, is it that much more  
31 expensive to string that?

32 MR. REEVES: Underwater cable installations are, can be  
33 very expensive, yes.

34 COMMISSIONER POWELL: And Fogo is profitable (sic),  
35 or economical because of the shortness of the distance?

36 MR. REEVES: That would be my guess. I wasn't involved  
37 or had knowledge of the feasibility work when it was done,  
38 but that would be, there would have been a cost looked at  
39 for different alternatives and it became the preferred option.

40 COMMISSIONER POWELL: Okay, so the Harbour Deep  
41 story, somebody mentioned why didn't you just string a  
42 line down and hook it up at Cat Arm and it sort of begs the  
43 question whether you run a cable up and you pick it up and  
44 use it somewhere else in five years.

45 MR. REEVES: Off the top of my head, if you got an option  
46 between going underwater and overhead you would  
47 definitely go overhead.

48 COMMISSIONER POWELL: Is it, okay.

49 MR. REEVES: Yes.

50 COMMISSIONER POWELL: So you haven't been able to  
51 do it by satellite then. The Russians ... Business units, we  
52 have 64 of them according to your testimony this morning.

53 MR. REEVES: That's correct.

54 COMMISSIONER POWELL: What is a business unit in the  
55 context of your, of your sphere of responsibility?

56 MR. REEVES: A business unit in my concept is that there  
57 can be several types of business units. One can be a  
58 business labour unit, a business unit. In that you have  
59 most of your labour for doing your work. Another type of  
60 business unit would be an asset business unit, and that is  
61 where we put similar assets like transmission lines,  
62 distribution lines, isolated diesel plants into a business unit  
63 as well, and so what we try to do, and that's primarily the  
64 two that you have. The other one that you would probably  
65 have is a service business unit, like an engineering type  
66 business unit. So basically assets, labour, and services,  
67 the way that you would spread it out and we've done that  
68 for cost control and for monitoring.

69 COMMISSIONER POWELL: So what would dictate the  
70 formation of a unit?

71 MR. REEVES: What would dictate ... like for assets, we  
72 have ... like in Bishops Falls we would have two asset  
73 business units, at least two, three. Now that I think about  
74 it, there's one for transportation to keep all of the  
75 transportation equipment together. There would be  
76 another one for transmission and distribution which again  
77 is a similar, it's wires, and then we would have another one  
78 which is terminal stations and generation, which is the  
79 terminal stations is what we just talked about. Generation  
80 would be gas turbines which are usually associated with  
81 terminal stations. So we would have a business unit  
82 manager looking after the transmission and distribution  
83 assets. We would have a manager looking after the assets  
84 associated with our terminal stations and generation, and  
85 then we would have a third business unit that would look  
86 after the labour. The business unit managers for assets,  
87 they are primarily concerned with the performance of those  
88 assets on our system. They would monitor our reliabilities,  
89 they would do analysis as required to ensure that the  
90 performance is there. When they would like to have work  
91 done, they would go to the labour business unit and the  
92 labour business unit would get the work done. So while  
93 the asset business unit manager is primarily responsible for  
94 one part of our asset base, like the transmission and  
95 distribution, the labour business unit, they will get requests  
96 from all of the business unit asset managers in that area

1 and what their job is is to, is to plan the work to be the most  
2 cost effective way to carry it out, so that if there's a job to  
3 be done at one of our terminal stations, they would do all  
4 of the work there associated with the two assets, like if it's  
5 transmission or terminals or whatever, so they would go in  
6 and plan to do it all at the one time, do the outages and do  
7 all the work the one time.

8 COMMISSIONER POWELL: You have there divisions  
9 though.

10 MR. REEVES: I have, yes, that's right.

11 COMMISSIONER POWELL: So with the ... your asset  
12 management group, would there be one of them in each  
13 region or would there be a group that may transcend all  
14 three in certain circumstances?

15 MR. REEVES: We have three regions, Central, Northern,  
16 and Labrador, and in all three we would have asset  
17 managers but obviously the asset manager that's required  
18 in Northern and Labrador is not as, would not be the same  
19 requirement as in Bishops Falls because the equipment  
20 base is not there. Also, there would be one labour manager  
21 in each area. Again, in Central what we try to do, because  
22 it's a larger asset base, we provide more technical services  
23 there which also supports the other two regions as well.

24 COMMISSIONER POWELL: Who set the standards,  
25 performance required from each unit?

26 MR. REEVES: Each .. when you say each unit, each?

27 COMMISSIONER POWELL: Business unit, you've got the  
28 business unit doing various things. You've got 64 of them.  
29 They must have some standards you have to meet.

30 MR. REEVES: Well the standards that would have to be  
31 met by the asset ones would be performance of our  
32 equipment, reliability and that. The standards that would  
33 be set for the labour would be the amount of work that we  
34 would be able to achieve from the staff that we have, so  
35 that would be the measurements that we would use to  
36 monitor these people.

37 COMMISSIONER POWELL: Mr. Chairman, it's five after  
38 three. I've still got another ten or fifteen minutes.

39 MR. NOSEWORTHY, CHAIRMAN: Okay.

40 COMMISSIONER POWELL: Do you want to take a break?

41 MR. NOSEWORTHY, CHAIRMAN: Thank you,  
42 Commissioner Powell. Thank you, Mr. Reeves, we'll break  
43 until twenty after. Thank you.

44 (break)

45 (3:30 p.m.)

46 MR. NOSEWORTHY, CHAIRMAN: I'll ask Commissioner

47 Reeves (sic) to continue his questioning. Are you ready,  
48 Mr. Reeves? Commissioner Powell, I guess. I'm sorry.

49 COMMISSIONER POWELL: Figured I lost my job there for  
50 a minute.

51 MR. NOSEWORTHY, CHAIRMAN: Thought you might  
52 have a crack, Mr. Reeves.

53 COMMISSIONER POWELL: Okay, Mr. Reeves. We were  
54 talking about the business units and you were giving me an  
55 overview of how they fitted in. Are the business units  
56 given sort of a minimum productivity standard, a  
57 measurement or something? I mean, you set up these  
58 units, which is nice, and they're given some tasks. But are  
59 there any standards, any sort of minimum ... they obviously  
60 operate on some sort of financial budget?

61 MR. REEVES: They do, yes.

62 COMMISSIONER POWELL: Okay. But are there any other  
63 standards or things that go with that?

64 MR. REEVES: Well, I guess there's two things that they're  
65 really measured on. One is, as you said, financial and the  
66 other one is performance, either of the assets or the  
67 workforce. And I guess we set up our business units in  
68 1999 and it's, I guess, now that we are getting to the point  
69 where we have a little bit of history and we can start to  
70 monitor where we have been and now we can probably set  
71 goals for ourselves. But in regard to the two parts of that,  
72 one which is finance, is that obviously each business unit  
73 leader would have a budget that they have to manage and  
74 one of their, obviously, targets would be to bring their  
75 budget in with ... to bring their cost in within their budget.  
76 And in doing that, especially the labour manager, what he  
77 would do is that he would package the work that he is  
78 given from the asset managers. And as a matter of fact, the  
79 way it's working now is that the asset manager would be,  
80 say, parcelling out a piece of work for the labour manager  
81 and the labour manager would give to the asset manager a  
82 dollar value for which he could do that work. When he  
83 does that work a measurement for him to be able to  
84 complete that amount of work in that amount of budget that  
85 he's been given. As he goes forward and gets more history  
86 built up into his database one of his targets, as would be  
87 ours, would be to lower the cost for each parcel to work at,  
88 obviously, as we go forward in the future. So that would  
89 be a target from a financial aspect.

90 For the reliability aspect of the equipment, we  
91 maintain records which we've talked about in this hearing  
92 in regard to the SAIDI's and SAIFI's, and we ... first of all,  
93 each manager would look at the performance of the  
94 equipment that they have in their own region to see if  
95 there's any particular piece of equipment that would be  
96 abnormally high. We would then do a comparison between

1 regions. And also, as I mentioned, we input our  
2 information into the national database through the  
3 Canadian Electrical Association, we would also use ... be  
4 able to compare our indices to what the Canadian average  
5 is. So these are some of the measurements that we would  
6 use from a reliability perspective.

7 COMMISSIONER POWELL: Do you measure individual  
8 employee productivity, stuff like that?

9 MR. REEVES: At this point in time, my understanding is  
10 that we don't. But the labour business unit, this is one of  
11 the things that ... and under the set-up that we have right  
12 now, that has been moved forward. It's something that may  
13 give us an opportunity that at least from a work packaging  
14 point of view we will be able to do it, but we don't currently  
15 on an individual basis. It's not really an assembly line that  
16 we are running. Each job is different, and the complexity of  
17 the job in comparison to other jobs makes it difficult to  
18 determine the actual productivity of an individual.

19 COMMISSIONER POWELL: So all these reports on  
20 performance and that, they're available to the immediate  
21 supervisor of each group?

22 MR. REEVES: There would be reports from our J.D.  
23 Edwards system in regard to financial performance, in  
24 regard to the budget, also by the work orders issued for  
25 each particular job. Also, it's not the J.D. Edwards system  
26 but it's another database, we have other databases that  
27 maintain our reliability indices from a system point of view  
28 and also down to the field level.

29 COMMISSIONER POWELL: Are there any internal  
30 competition, incentives or rewards for increased  
31 productivity or performances or any incentives or  
32 benchmarks?

33 MR. REEVES: Not directly, but what we do do is that when  
34 something significant happens that we would like to  
35 recognize some of our employees we would do a special  
36 thing for that group of employees in regard to performance  
37 and that.

38 COMMISSIONER POWELL: So there's nothing built in if  
39 somebody does some ... a project under budget, there's any  
40 financial incentives or ...

41 MR. REEVES: Not currently, no.

42 COMMISSIONER POWELL: Okay.

43 MR. REEVES: No. We do have those for safety programs,  
44 but not from a financial aspect.

45 COMMISSIONER POWELL: Do you have any internal  
46 audit process within Hydro for to review these,  
47 independently reviewing these business units to see if  
48 they're functioning they way they're intended to be or do

49 they ... or are the units ...

50 MR. REEVES: We have an internal audit department,  
51 obviously. Whether they've actually done audits on the  
52 business unit process since we've initiated, I'm not sure if  
53 we have or not, to be honest with you.

54 COMMISSIONER POWELL: Who's that, Mr. Osmond or  
55 Mr. Roberts would talk about that?

56 MR. REEVES: Possibly, yes. Yeah, I would suspect that  
57 one of them could address that.

58 COMMISSIONER POWELL: So are you reasonably happy  
59 with this setting up these units, as far as collecting data  
60 and managing the human resources and the assets,  
61 physical assets of the ...

62 MR. REEVES: I personally feel very comfortable with this,  
63 yes. I feel that it's only within the last year we started in  
64 '99, that we're starting to see the benefits of the business  
65 unit set-up that we have.

66 COMMISSIONER POWELL: I noticed, I forget what you  
67 call them, but the new system you put in place with some  
68 of the isolated systems, the operator, you call them DR  
69 something or other?

70 MR. REEVES: DSR.

71 COMMISSIONER POWELL: Yes.

72 MR. REEVES: Distal (*sic*) System Representative. Diesel  
73 System Representative.

74 COMMISSIONER POWELL: Yes. I noticed there was  
75 some sniffing and movement and some costs as you're  
76 anticipating. Would each one of them be a separate unit or  
77 would they come under ...

78 MR. REEVES: Each diesel plant, as I understand it, would  
79 have a ... we would be able to track the costs associated  
80 with each diesel plant, yes.

81 COMMISSIONER POWELL: Okay. But that wouldn't  
82 necessarily be a business unit onto itself that it could be  
83 part of?

84 MR. REEVES: No. I think that the business unit would be  
85 the assets under the business unit set-up. But we could go  
86 down lower than that because below the business units  
87 level there are other levels as well. We've raised work  
88 orders on a particular piece of equipment which gets  
89 tracked back to the assets in that particular business unit.

90 COMMISSIONER POWELL: Okay. Your transmission  
91 system you have across the province, it's been there quite  
92 a few years. But just looking at it, your experience, if you  
93 were doing it over again is there anything that you would  
94 do differently, you know, I mean, what have you learned?  
95 Lots of things we've done in life that we're stuck with and

1 we say if I was doing this again this is what I would do.

2 MR. REEVES: Unfortunately, the designers of our system,  
3 I think, in a lot of cases, did the best that they had to work  
4 with in regard to our transmission line, because there's a  
5 number of things that you need to consider. And probably  
6 I can just ... in looking at the map that we were looking at  
7 earlier on, from Bay d'Espoir to Sunnyside there are two  
8 transmission lines.

9 COMMISSIONER POWELL: Yes.

10 MR. REEVES: These currently run in a single corridor.  
11 Personally, I would like to see some diversity in regard to  
12 the routes of our transmission lines. However, to do that  
13 would cost more money, obviously. On the Avalon  
14 Peninsula here, in particular, coming across the isthmus we  
15 didn't have a lot of, and we still don't have a lot of options  
16 for where we can put overhead wires. So, however, on the  
17 west coast you'll notice that from Buchans to Bottom Brook  
18 there is some diversity right there when they built that  
19 second line. So I think looking at it, and not having been  
20 involved in it, I think that the designers of our system did  
21 as good a job as they could, utilizing the ... keeping the  
22 cost down as much as they could.

23 COMMISSIONER POWELL: Is there ... what's it cost to  
24 stick up one of those towers, roughly?

25 MR. REEVES: You're talking about a 230KD tower?

26 COMMISSIONER POWELL: Yeah. I'm not going to quote  
27 you.

28 MR. REEVES: No. I hesitate to make a guess, because I  
29 did know there a couple of years ago when I was ...

30 COMMISSIONER POWELL: Are we talking tens of  
31 thousands of dollars?

32 MR. REEVES: Oh, I was thinking closer to \$100,000 or  
33 more, because some of those towers are, as I indicated, 100  
34 feet high, they're made of steel. And that would just be the  
35 tower itself. The foundations go in the ground probably 10  
36 or 12 feet. I would venture to say that it's between 50 and  
37 100,000 easily.

38 COMMISSIONER POWELL: So it's not like a Leggo set  
39 you ...

40 MR. REEVES: If you're not going to hold me to it.

41 COMMISSIONER POWELL: No, no. I was just ... there's  
42 a lot more pressing problems in the province than  
43 relocating some Hydro lines. Getting back to the business  
44 units. When you do these productivity reports and things  
45 do yourself or somebody else collect all these and look at  
46 these sort of on a semiannual, annual basis and see how  
47 they're performing?

48 MR. REEVES: Right now the ... and you're calling  
49 productivity. If you're on the reliability of the system these  
50 are looked at on a monthly basis starting right at the asset  
51 manager, including the manager, myself and others, as well.  
52 On the budgets what we normally would look at, the asset  
53 manager, the labour manager would look at it at the  
54 contract level where myself, I would look at it at the  
55 regional level and then the divisional level. So, these are  
56 looked at, again, on a monthly basis.

57 COMMISSIONER POWELL: Now, these are some notes I  
58 have when I was first going through reading your  
59 evidence. Some of these are sort of picky, but accountants  
60 tend to be picky so you'll have to forgive me, but things  
61 just jumped off the page at me and I had to ask. On page 2  
62 on the ... this is your pre-filed evidence. In the first couple  
63 of lines you referred to the interconnect system and you  
64 had 53 high voltage terminal stations, which is okay, but  
65 then you went on to talk about the Labrador interconnect  
66 system and you said they owned 269 kilometres of 138 kV  
67 transmission line and the associated terminal stations. So  
68 ...

69 MR. REEVES: Why I used that word?

70 COMMISSIONER POWELL: Yeah.

71 MR. REEVES: Well, in actual fact, there's two terminal  
72 stations on that particular line. There's a tap-off, which is  
73 really not a terminal station, so I could have put in two, but  
74 I didn't.

75 COMMISSIONER POWELL: Okay. Strange things bother  
76 accountants. That bothered me, why didn't he say two,  
77 because I went to the map and started looking. Because  
78 from there on you kept referring to ... high voltage station,  
79 down on page 221 you refer to 25 low voltage substation.  
80 What's the ... for a lay person, what's the difference?

81 MR. REEVES: A terminal station and a substation, is that  
82 what you're referring to?

83 COMMISSIONER POWELL: Yeah. You got 25 low voltage  
84 substations and you've got 53 high voltage terminal  
85 stations.

86 MR. REEVES: Well, the high voltage ones, what I would  
87 recall as a high voltage would be voltages 230 kV, 138, 69  
88 kV. The low voltage I would refer to as 25 kV and below.

89 COMMISSIONER POWELL: So, the low voltage, would  
90 that be something that Newfoundland Light and Power  
91 would have more of?

92 MR. REEVES: Newfoundland Power would have, I would  
93 suspect, 138 kV terminal stations and then they would have  
94 them right down to 25 and probably lower than that, as  
95 well.

1 COMMISSIONER POWELL: You mentioned, when we  
2 we were going through this tour here, that these were all high  
3 voltage on this map?

4 MR. REEVES: That is primarily high voltage, yeah, that we  
5 show.

6 COMMISSIONER POWELL: Yeah. Where would you  
7 have a low voltage station, substation?

8 MR. REEVES: Where would we have one?

9 COMMISSIONER POWELL: Yeah.

10 MR. REEVES: Up on the Great Northern Peninsula.

11 COMMISSIONER POWELL: Okay.

12 MR. REEVES: And this would be where we would tap off  
13 a terminal station. And if you want an example, if you were,  
14 say, to go do Daniel's Harbour, there's a terminal station  
15 there.

16 COMMISSIONER POWELL: Okay.

17 MR. REEVES: You would tap off that and you may go  
18 down and pick up another low voltage station somewhere  
19 else closer to the distribution system where you switch  
20 down from 69 kV down to 25 kV, and then you would  
21 distribute the voltage around the community. So, the low  
22 voltage distribution terminal station or substation would be  
23 the one that goes from 69 down to 25. It would involve  
24 some transformation, as well. And that's voltage  
25 transformation I'm talking about.

26 COMMISSIONER POWELL: Page 3, line 2021, you're  
27 talking about the L'Anse-au-Loop and the Hydro Quebec.  
28 And you say when you purchase power, you say the two  
29 purchases are covered by a separate agreement which are  
30 based on a "share the savings" principal (485) than the  
31 more expensive diesel generation. What's the "share the  
32 savings" principal?

33 MR. REEVES: Yeah, and why I referred to it... like this is  
34 that the two of them are basically done differently. The  
35 L'Anse-au-Loop one, I think, as we already talked about, is  
36 that the contract was originally a 25 year contract, and in  
37 order to be able to take advantage of the secondary energy  
38 from the Lac Robinson plant in Blanc Sablon system we  
39 had to invest money to do that, as did Hydro Quebec. The  
40 first part of that contract was a lower cost for what we  
41 would pay for the secondary energy. That enabled us, in  
42 our savings, to be able to pay back the capital investment.  
43 Once our capital investment was paid back, as well as  
44 Hydro Quebec's capital investment was paid back, then  
45 what we did, we went to a 50/50 share the savings for the  
46 diesel plant. And there was a clause in the agreement of  
47 how that, again, would be benchmarked, if I can use that  
48 word. So that's the L'Anse-au-Loop contract.

49 The Mary's Harbour contract is a little different.  
50 There we purchase hydroelectric energy from a small mini  
51 hydro from a non-utility generator, and to make it as  
52 attractive as we could to the non-utility generator we did  
53 the share the savings a little differently, and the share the  
54 savings would be based on their production costs verses  
55 our avoided cost. And what we would do is pay up to 90  
56 percent of our avoided cost so that in the worst scenario  
57 we would still be able to achieve a ten percent savings. But  
58 if their production costs was down and our energy cost  
59 was up, then that would not ... we would get more savings,  
60 we would get. So, that was done, as I understand it, to give  
61 as much of an initiative as possible to a non-utility  
62 generator, so it's a little different an arrangement. In both  
63 cases Hydro are into an arrangement whereby we do share  
64 the savings. It's not the same ratios.

65 COMMISSIONER POWELL: Who defines these, I mean,  
66 do you send out a team from time-to-time to check?

67 MR. REEVES: I personally did not, but I was aware ... you  
68 know, we have people and our planning department,  
69 obviously, would be involved in these agreements  
70 involving setting them up.

71 COMMISSIONER POWELL: And they were responsible  
72 for monitoring that?

73 MR. REEVES: Well, not so much the ... once the planning  
74 department would be involved in setting up of the  
75 agreements, along with ourselves, but we would take the  
76 lead on the monitoring, with assistance from the planning  
77 department.

78 COMMISSIONER POWELL: Page 4, top of the page. Oh,  
79 yeah, you talked about the wood chip thermal production  
80 plant that was in Roddickton which has been pickled. That  
81 wasn't a dry chip plant, that was just using wood chips  
82 without drying them, burning them?

83 MR. REEVES: I don't believe there was any drying process  
84 prior to putting them into the burner, no. They were taking  
85 waste product, either from the local sawmills or direct  
86 chipping of green trees. That's my understanding.

87 COMMISSIONER POWELL: Do you know if Hydro did  
88 any analysis to find out whether putting in a dryer would  
89 make it more efficient, make it more cost effective?

90 MR. REEVES: I'm not aware of that, no.

91 COMMISSIONER POWELL: Okay. Has Hydro ... of  
92 course, this would be under generation, I guess, not your  
93 ... you don't know if Hydro has done any studies on using  
94 wood fibre? I mean, it's fairly common, I understand, in  
95 Sweden and for producing hydroelectric using fibre. That  
96 wouldn't be ... that would be under Mr. Budgell or Mr.  
97 Henderson?

1 MR. REEVES: That would be under Mr. Budgell, I think,  
2 would be the best one to ask that one to, our planning  
3 section.

4 (3:45)

5 COMMISSIONER POWELL: You referred to there on line  
6 8, the actual energy supply costs. Is that diesel you're  
7 talking about there?

8 MR. REEVES: That would be diesel, yes, and as well as our  
9 purchases, I would assume.

10 COMMISSIONER POWELL: Could we go down on  
11 paragraph ... in lines 20 to 27 they talked about the  
12 interconnect in the St. Anthony, Roddickton, and the  
13 reduction in the diesel generation and that. Was there any  
14 studies done in terms of the cost/benefit analysis in terms  
15 of what it cost Hydro to put the interconnect in as opposed  
16 to using the diesel?

17 MR. REEVES: As opposing to using the ... yes, there was,  
18 after continued use, yes. Mr. Budgell would be the best  
19 one to address that.

20 COMMISSIONER POWELL: Okay. Page 6. Yeah, line 14,  
21 you talk about the energy control centre operates the  
22 interconnect transmission system as will be explained by  
23 Mr. Henderson. The distribution systems throughout the  
24 province are operated by the respective regions. What do  
25 they mean by that, or should I wait for Mr. Henderson?

26 MR. REEVES: No. I can address that one. On the tour that  
27 we had of the system all of the terminal stations primarily  
28 on the interconnected systems are remotely controlled to  
29 the energy control centre which is here located in St.  
30 John's, and they can open and close breakers. But once  
31 you get down to the distribution part of it, there's not a lot  
32 that we have that are remotely controlled to the energy's  
33 centre, if any. There's a small bit of monitoring that ... but  
34 once you go on there you're basically dealing with  
35 switches out on a pole or disconnecting the ... in the pole,  
36 and those activities are carried out by the line workers out  
37 in the field, and that's what we mean by operating the  
38 distribution system. So if the lights go out and we get  
39 called into our 1-800 number, then that is relayed in to the  
40 people into the region. They will send the people out into  
41 the field to actually correct that outage. That's what I'm  
42 referring to here as operating the distribution system. Mr.  
43 Henderson and his staff does not have any or very little  
44 control of our distribution system.

45 COMMISSIONER POWELL: Is there somebody  
46 responsible for distribution? I mean, you're transmission ...

47 MR. REEVES: I'm responsible for distribution. The region  
48 manager would be responsible for distribution. And once  
49 a call comes in to St. John's, that would be conveyed out to

50 the region, we have a person on call or in the daytime it  
51 would go to the office. They would be responsible for  
52 getting that outage cleared up and the service restored.  
53 That's what I'm referring to as the operation. The region  
54 has the responsibility for, not only the maintenance, but  
55 the operating of the devices that return the customers to  
56 service, like the re-closures on the poles, the fuse  
57 disconnects up on the tops of poles. That's what I'm  
58 referring to as operational duties of the line worker. So  
59 adjacent to your house on the top of a pole is a  
60 transformer, somewhere there's a fuse on that. If that fuse  
61 blows, then a line worker got to go to the pole next to your  
62 house to replace that fuse. That's what I would call  
63 operation of the distribution system.

64 COMMISSIONER POWELL: Okay. But the normal ebb  
65 and flow of the power to the lines is all governed by the  
66 control centre?

67 MR. REEVES: The energy control centre, yes.

68 COMMISSIONER POWELL: Yes, okay. Page 7 where you  
69 did what you did have, and what you do have, or when you  
70 broke things from the regions from two, four, six, down to  
71 three and where you have the location of your  
72 headquarters. I just sort of looked at the map and looked  
73 at the activity, and I wondered why Bishop Falls?

74 MR. REEVES: As the regional headquarters?

75 COMMISSIONER POWELL: Yeah.

76 MR. REEVES: It's in the middle of the interconnected  
77 system for the transmission. We got lines east, west, we  
78 got a little bit of line into Cat Arm. It's the central of the  
79 whole region in regard to transmission down on the west  
80 coast.

81 COMMISSIONER POWELL: As far as activity going, Deer  
82 Lake would seem to be more ... you have more north ...

83 MR. REEVES: We have a region in northern, which  
84 primarily looks after the Great Northern Peninsula and the  
85 southern part of Labrador, and that's located ... the  
86 headquarters of that is in Port Saunders. Again, in the  
87 middle of the region.

88 COMMISSIONER POWELL: It doesn't show on this map.  
89 That's somewhere between Hawk's Bay and Daniel's  
90 Harbour, is it?

91 MR. REEVES: If you go to slide one of the presentation.  
92 You see the three regions?

93 COMMISSIONER POWELL: So I mean, that was  
94 obviously studied and cost out in terms of logistics,  
95 moving people and things.

96 MR. REEVES: Well, that's the way that Hydro basically  
97 grew back, I guess, 30, 40 years ago. We had six regions at

1 the time. Transportation around the island wasn't quite the  
2 same. Bishop Falls was our main depot and warehousing  
3 facilities for distributing materials around the island.  
4 Stephenville was a significant headquarters at the time, as  
5 was Whitbourne. We also had a headquarters in Port  
6 Saunders, another one in St. Anthony and we had one in  
7 Happy Valley and also we had another one in Labrador  
8 City. But in combining ... what we've done here is that  
9 we've combined into a headquarters all of the functions, the  
10 supervisory functions, if you would call it, the planning  
11 functions into the regional headquarters. And for that, we  
12 did a small bit of probably ... or modifications inside the  
13 building, but there was no new facility required for this.

14 COMMISSIONER POWELL: But you did do some sort of  
15 a study to justify the costs in terms of ... I mean, you just  
16 didn't pick that out because you'd been there for 30 years,  
17 you might as well stay there, sort of thing, when you set up  
18 these regions?

19 MR. REEVES: But, for instance, like take Bishop Falls, for  
20 instance, I don't think there was really a need to do a study.  
21 We've got a piece of property there now with buildings on  
22 it. It houses a garage for our mobile equipment, our booms  
23 and that. It's centrally located with most of our, or a lot of  
24 our heavy all-terrain vehicles. We're not sure where that's  
25 going to be required during the middle of the night or in the  
26 middle of the winter. So, it just intuitively made, I guess,  
27 the most sense to have it centrally located.

28 COMMISSIONER POWELL: So it was sort of an instinct,  
29 type of thing, as opposed to ...

30 MR. REEVES: Well, the way it was positioned in the first  
31 place, if you got to maintain a fair bit of geographic area it  
32 makes a lot of sense to have where you're going to service  
33 it from in the middle.

34 COMMISSIONER POWELL: You mentioned, when there  
35 was some discussion on doing budgets and labour costs  
36 that ... and I forget your exact words and I made sort of a  
37 note here but I'm not sure of the page, but something to the  
38 effect that when you did your budgeting for your labour  
39 sort of disguising the true labour cost because of ... well,  
40 it's my words and probably not yours, that didn't want to  
41 impede labour negotiations. I'm just wondering ...

42 MR. REEVES: Now, I know what you're referring to. Okay,  
43 I got you.

44 COMMISSIONER POWELL: Yeah.

45 MR. REEVES: This was a discussion we had now with you  
46 today?

47 COMMISSIONER POWELL: No, no, that's right, and it  
48 struck me when you were saying it, and I can appreciate ...  
49 I think ... my father once told me never criticize anybody

50 until you get a chance to stand in their shoes. So when  
51 somebody is making an argument I try mentally to fit inside  
52 your shoes. So if your feet were aching, you know why.  
53 But, my thought was is that one of the problems of being  
54 Crown owned, your shareholders being the government, in  
55 a sense, you have to submit the budget to them by October  
56 so it became a public document as opposed to if you were  
57 solely a private sector, in your opinion?

58 MR. REEVES: No, I don't think that had any bearing on it,  
59 whatsoever. We knew that the changes we were going to  
60 be making would be a public concern, as well as an internal  
61 concern. What we didn't want to do, because internally to  
62 Hydro these budgets that we develop are fairly accessible  
63 to a wide range of people, and what we didn't want to do  
64 was to indicate where some of the staffing changes would  
65 be made by region or by subregion. So what we did was to  
66 consolidate all of our thoughts at budget time in regard to  
67 these efficiencies and in regard to savings into one  
68 location, into the finance department. And therefore, I  
69 guess the people that were potentially being affected, to  
70 keep the rumours down, nobody could determine where we  
71 were going to make the changes. So, it was in that context,  
72 because our philosophy, if we are going to make efficiency  
73 staffing changes we would like the opportunity to sit with  
74 the employees affected first before they hear it through the  
75 grapevine. So that is a very high priority with us that we  
76 would do that. And we knew that we weren't going to be  
77 doing it at budget time, it would be early in this year, so to  
78 keep all that to one side so that when we actually get  
79 around to making the announcements that the people that  
80 were going to be affected were to be the first to know,  
81 that's one of the reasons that we did it.

82 COMMISSIONER POWELL: Discussions of the joint  
83 committee, the committees and task force you had set up in  
84 Newfoundland, Light and Power, is there any independent  
85 assessment done of any of the potentials of shared  
86 jurisdictions and operations that might have been able to  
87 be achieved but where there was conflict? Like some ...  
88 group 8, I think, is one of the ones I noted, distribution,  
89 there is some conflicts. Was there any thought given to  
90 getting an independent assessment done?

91 MR. REEVES: Not during that process it was not  
92 discussed, and I'm not sure that that was the right  
93 environment for the parties that were involved to do an  
94 independent assessment and report back to.

95 COMMISSIONER POWELL: Have you, yourself, given  
96 any thought to recommending to management, Mr. Wells  
97 or the management group that maybe this might be the way  
98 to go?

99 MR. REEVES: That's where I saw the exercise going next is  
100 that, as I indicated yesterday to counsel for Consumer



1 Advocate is that ... or the day before, actually. That the ...  
2 we were trying to finish this one exercise to see what would  
3 come out of that and then I had always anticipated that  
4 there would be recommendations coming out of that and  
5 the recommendations were never formulated.

6 COMMISSIONER POWELL: Reliability centre maintenance  
7 process, do you know what that's all about?

8 MR. REEVES: I know a little bit about it.

9 COMMISSIONER POWELL: Okay. Can you give us what  
10 your ...

11 MR. REEVES: I guess there's several ways to be able to  
12 maintain equipment, even in what I would call the  
13 traditional manner. You could conduct like traditional  
14 preventative maintenance programs, you can ... that's  
15 probably on the ... and that can vary, that can vary from a  
16 very intensive preventative maintenance program to just a  
17 minor maintenance program. And then you can go to the  
18 other extreme of probably a breakdown maintenance. And  
19 as we talked about the old car, as an example, you may run  
20 into failure and eventually that you'll just park it and you're  
21 done with it rather than trade your car in periodically so  
22 you have reliable transportation. So, traditionally Hydro  
23 has been maintaining its equipment using a preventative  
24 maintenance program. And what we use to base that on  
25 was primarily what we had received from the manufacturers.  
26 And if you can visualize that, manufacturers put out a  
27 preventative maintenance recommendation because they  
28 wanted, first of all, to get their equipment through the  
29 warranty period. What we normally did over a period of  
30 time, we would review our preventative maintenance  
31 program and determine two things, I guess, one, if the  
32 actual test was ... or the preventative maintenance check  
33 was actually required to be continued to do or if the  
34 frequency of that check could be changed, whether it could  
35 be lengthened or shortened, depending on the number of  
36 problems that we've had.

37 However, a couple of years ago we felt that it was  
38 very timely, we had brought in new business units and  
39 making other process changes in our section that we  
40 wanted to look at the way we conduct our maintenance. So  
41 we did a review, and coming out of that review it was  
42 determined that there are other things that can be done,  
43 other than just preventative maintenance. And one of the  
44 systems that came forward was the reliability centred  
45 maintenance, which is the RCM, the acronym that you  
46 used. This has been, I guess, developed quite a bit over  
47 the last little while. My understanding that it was  
48 developed primarily in the aviation industry. When they  
49 came out with the wide-bodied jets they found that if they  
50 were going to maintain the wide-bodied jets in the same  
51 fashion that they maintained the jets before that the jets

52 would probably never get off the ground because they  
53 were just testing them all the time. So what they had to do  
54 was to pick out the systems on the jet that were required to  
55 maintain to keep that plane safely in the air. So that's  
56 primarily where it came from. Other industries have now  
57 bought into this system, and one of those industries is the  
58 utility industry. And again, from my understanding, is that  
59 a number of other utilities, electric utilities across Canada  
60 actually are moving and have moved towards the RCM  
61 process.

62 The way that the RCM process is a little different  
63 is that I say it's different, but really, what the RCM process  
64 is is that it's a systematic approach to the way that you're  
65 doing your preventative maintenance programs or other  
66 programs right now. And the way that it works is that it  
67 looks at the equipment that you got, it reviews it and  
68 develops standard templates for similar types of equipment.  
69 And it looks at the ways that that piece of equipment can  
70 ... the modes that can cause it to fail. And then what you'll  
71 look at is ways that you can avoid that failure from  
72 happening. Some of the things that you will use is a  
73 traditional preventative maintenance approach. You could  
74 probably use condition based monitoring like in a diesel  
75 unit. You could put on a vibration detector. If you got a  
76 higher vibration than normal, then that indicates that  
77 there's something going on in the unit and you need to go  
78 in and check it out before it fails. You could use infrared  
79 testing. We've been using infrared testing for quite a  
80 number of years now as a tool. That's also available to  
81 you. There's also other tests that you could use. From that  
82 you then go in and take this piece of equipment that you  
83 developed a template for and you look at the system that  
84 it's in and you determine the importance of that piece of  
85 equipment in maintaining reliability to your overall systems.  
86 And from that you then determine, like, in some systems  
87 you may have a little bit of redundancies, more systems  
88 you may not. And depending on the condition of how that  
89 equipment is being used, you can then determine and  
90 develop your strategy for maintaining that piece of  
91 equipment. A good example that is probably a good one to  
92 use is if you have two, say, 25 kV lines identical in  
93 construction, basically. I shouldn't say identical in  
94 construction. But say they're 25 kV lines, one is running  
95 along your coastline whereas you get a lot of onshore  
96 winds, a lot of salt contaminations. You have another one  
97 that you have inland which is well shielded in the trees and  
98 all that. The strategy you actually do on those two  
99 different transmissions ... those two different distribution  
100 lines could be different, because what you're looking at is  
101 trying to maintain reliability. So, in a nutshell, that is  
102 basically what an RCM program is.

103 The implementation of an RCM program could  
104 cost the Company money for implementation or in actual

1 fact it could save you money. If you're into ... if you're a  
2 company that was heavily, really heavily into preventative  
3 maintenance you may be able to not do all that  
4 preventative maintenance and use some other mechanisms.  
5 However, if you were a company that was typically running  
6 your equipment to failure then it would probably cost you  
7 money to put in an RCM program.

8 COMMISSIONER POWELL: Does Hydro, have they  
9 implemented this type of approach?

10 MR. REEVES: Hydro studied this, as I indicated, a couple  
11 of years ago. We ran three pilots, one associated with  
12 diesel, another one with a terminal station, another one with  
13 a transmission line. We found, in fact, that by going to an  
14 RCM program it would save us money. And I think that  
15 number that we use is a payback of the investment that we  
16 need to do this in the range of 1.2 to 2.1 years or  
17 something. So we feel that we will be fully up and running  
18 with our new RCM program probably by the end of 2003.

19 COMMISSIONER POWELL: So some of the costs  
20 associated with this program is integrated within the cost  
21 of service study we're ...

22 MR. REEVES: Well, the cost of service, this is for 2002 so  
23 there would be very little, if any, associated then because  
24 we're still at the development stages of developing the  
25 templates.

26 COMMISSIONER POWELL: That's what I mean, some of  
27 the costs of studying it ...

28 MR. REEVES: Oh, some of the costs are in it, yes, but not  
29 the ...

30 *(4:00 p.m.)*

31 COMMISSIONER POWELL: Does Newfoundland Light  
32 and Power have a similar program?

33 MR. REEVES: I'm not sure what Newfoundland Power  
34 runs, to be honest with you.

35 COMMISSIONER POWELL: So you didn't discuss  
36 anything with them to see if they've already done it?

37 MR. REEVES: No, we didn't, to be honest with you.

38 COMMISSIONER POWELL: Okay. Mr. Chairman, it's  
39 witching time.

40 MR. NOSEWORTHY, CHAIRMAN: Have you completed  
41 your questioning, Commissioner Powell?

42 COMMISSIONER POWELL: I think so, but give me  
43 tonight and I'll think about it.

44 MR. NOSEWORTHY, CHAIRMAN: Okay. Ms. Greene,  
45 just to give you some notion, from our perspective, I guess,  
46 as best as I can come up with, we will likely be another hour

47 and a half in the morning.

48 MS. GREENE, Q.C.: That's very helpful, thank you.

49 MR. NOSEWORTHY, CHAIRMAN: Okay. Thank you,  
50 Commissioner Powell, thank you, Mr. Reeves. We'll  
51 reconvene at 9:30 in the morning.

52 *(hearing adjourned to October 5, 2001)*