

1 (9:40 a.m.)

2 MR. NOSEWORTHY, CHAIRMAN: Thank you, and good
3 Friday morning everybody. Before we get started I would
4 like to ask counsel, Mr. Kennedy, if there are any
5 preliminary matters.

6 MR. KENNEDY: Chair, I don't think there are any
7 preliminary matters per se except there was the revision to
8 the transcript of September the 25th, was filed, page 30.
9 As now indicated it was Mr. Wells attributed to the
10 comments that were contained on that page. As well, I
11 think there has been some discussions of counsel
12 concerning the schedule for today and with the view to
13 seeing where we are schedule-wise with Mr. Reeves and
14 with the possibility that the next witness may be held over
15 until Tuesday morning for direct and then the
16 commencement of the cross-examinations instead of
17 straddling the weekend. (*laughter*)

18 MR. NOSEWORTHY, CHAIRMAN: That will be fine.

19 MS. GREENE, Q.C.: I have one very minor point and it
20 arises from a transcript correction again and it was the
21 transcript of yesterday, October 4th, on page 20 of the hard
22 copy. It is a similar thing as to the one as Mr. Kennedy just
23 mentioned. On page 20 in line 62, Mr. Reeves is attributed
24 with a question when in fact it was Commissioner Powell so
25 if the transcript could be corrected for that.

26 MR. NOSEWORTHY, CHAIRMAN: We will make that
27 correction, yeah. Any other items?

28 MR. BROWNE, Q.C.: Mr. Chairman, just one. Could we
29 have an update on what communities have intervened in
30 reference to the hearing or have given any kind of notice
31 that they intend to make representation, particularly in the
32 communities in Grand Falls and Stephenville. I think it is
33 Grand Falls that we had no one from the last time we
34 looked.

35 MR. NOSEWORTHY, CHAIRMAN: Mr. Browne, I wonder
36 could we get that information and we will do it after the
37 break. Would that be satisfactory to you to give an update
38 on that?

39 MR. BROWNE, Q.C.: Sure, that will be fine. I should
40 mention that I had discussions with the Town Treasurer in
41 Grand Falls earlier this morning and I think they are
42 reviewing the situation there. I think they are wondering
43 themselves who gave notice of intervention within the
44 Town.

45 MR. NOSEWORTHY, CHAIRMAN: Sure. I ask that simply
46 because I am not certain that Ms. Thistle would have that
47 information and we would have to get it from Ms. Blundon
48 so if we could do that at the break we will have a report
49 after that.

50 MR. BROWNE, Q.C.: Thank you.

51 MR. NOSEWORTHY, CHAIRMAN: I guess we will
52 proceed now. I understand that Mr. Powell has some
53 additional questions, Mr. Reeves, so I will ask
54 Commissioner Powell to continue on with his questions
55 please this morning.

56 COMMISSIONER POWELL: Thank you Mr. Chairman.
57 Just a few other items. I just want to finish off on the
58 RCM's we were talking about yesterday. You mentioned
59 that you hadn't had any discussions with Newfoundland
60 Light and Power prior to or during the study of the pilots
61 on the program. Did you have any discussions or did you
62 invite any comments from any of your industrial customers
63 about the program, the process?

64 MR. REEVES: Not our customers per se. What we did we
65 sort of canvassed the other utilities in Canada to see what
66 they were doing but we did not talk directly to our
67 customers about that.

68 COMMISSIONER POWELL: Okay. How did you come
69 upon this process, the RCM?

70 MR. REEVES: As I explained yesterday, we undertook to
71 do a review of our maintenance program back in, I think it
72 was '97 around that time, and what we did, a couple of our
73 staff, in-house staff, looked at the different programs that
74 would be available by doing searches of documentation
75 and talking to people and from that they determined and
76 suggested that an alteration to our program in the form of
77 an RCM program would be advantageous to Hydro. So, it
78 was from an internal review that we did and the actual
79 documentation of their review is actually filed as a
80 response to one of our answers.

81 COMMISSIONER POWELL: Yeah. You don't really have
82 a policy to interact with your industrial customers who are
83 a pretty large industrial units who have some, while they
84 are different, but that are similar in terms of managing fairly
85 large unique assets in terms of maintenance and
86 replacement and that sort of stuff, to see the type of
87 programs that they have and see if there is any marrying or
88 any learning curve that can be avoided?

89 MR. REEVES: Well, in actual fact we do meet with our
90 industrial customers on a fairly regular basis, quarterly
91 basis actually with some, and with others probably not as
92 frequent and personally I was involved in some of the
93 discussions that went on in meetings where they gave us
94 sort of an overview of some of the work that they are doing
95 as well. So, we do have some input from some of our
96 customers.

97 COMMISSIONER POWELL: Okay. I just want to talk a
98 little bit about the process of management. In your
99 division, TRO, there is approximately 500 employees so

1 would it be fair to say that you generally have somewhere
2 between 25 and 30 managers that would look after both
3 people and assets or ... at least?

4 MR. REEVES: Well, at TRO there is 380 staff currently.
5 The bulk of those would be in the operations side of it.
6 Now the number that we would have in the one you called
7 asset managers, we would, in asset management alone, just
8 with asset managers, we're probably would be talking about
9 probably around 10 people, something like that. Just the
10 asset management part.

11 COMMISSIONER POWELL: Yeah. So as you work up
12 through the system their numbers don't make that much
13 difference, I guess, with the questions that I would like to
14 ask. But do you have any, does the TRO Department have
15 any management training programs that cover everything
16 from the, not only just the assets but also the human
17 resources?

18 MR. REEVES: Yes. We conduct a very, I guess, extensive
19 management training program ... like if a person becomes a
20 supervisor, they go through a document management
21 program and then have to do the different stages to that,
22 that they are trained in handling people and all the other
23 aspects of the jobs that they would be asked to conduct.
24 We also conduct technical training for both our engineers
25 and our field staff. We would also conduct training
26 regarding planning and the like. So, there is a fairly
27 regimented, I guess ...

28 COMMISSIONER POWELL: Standard in-house program
29 ...

30 MR. REEVES: ... standard in-house program which we
31 would base it on, you know, what other people would do as
32 well.

33 COMMISSIONER POWELL: Mr. Wells indicated in his
34 testimony that the average age of Hydro was in the late
35 40s, the number 47 I know like, he said it or I saw it
36 somewhere, which includes senior management and there
37 is going to be in the not-to-distant future a significant
38 turnover as people are getting into the back-end of their
39 careers. Is there from a TRO perspective, is there a
40 managerial sort of flow through process that a person, if I
41 am down there in the middle of the pile looking and sizing
42 this up, saying there is going some vacancies and I would
43 like to be Vice-President in charge of rural transmission or
44 I would like to be CEO, then I could take these various
45 programs and feel that when the picking comes they may
46 choose me?

47 MR. REEVES: Are you saying internal programs?

48 COMMISSIONER POWELL: Yeah, so if I am in the middle
49 of the pack looking and seeing down the road, saying, okay
50 I am full of pee (phonetic) and whatever and I think that I

51 can make that, there's programs within the organization that
52 I could take, to think it would be unnatural for them to at
53 least look at me?

54 MR. REEVES: We have a program in-house where we
55 attempt to support our employees in regard to training
56 courses which are orientated towards the job that they are
57 doing and also, we also offer courses in-house which
58 broadens an individual's knowledge as well. So, we are
59 very interested in advancing our staff in-house as best we
60 can.

61 COMMISSIONER POWELL: Do you have any ... can I
62 possibly take any external courses so that I don't get tunnel
63 vision?

64 MR. REEVES: There are external courses that we will assist
65 with but it has to be related to the job that they are
66 currently in. Like, we won't take an engineer and train him
67 to be an accountant.

68 COMMISSIONER POWELL: That's a real mistake.
69 (*laughter*) If you said a lawyer, I could understand but ...

70 MR. REEVES: But what we will try to do is take that
71 engineer and if that person wants to broaden their
72 knowledge a bit we will try to support it where we can if its
73 related to their current job, yes.

74 COMMISSIONER POWELL: So it is as much for the
75 employee to take the initiative to go find a course that he or
76 she may think will be in their best long-term interest and in
77 Hydro's best interest and come back and try to sell it to
78 management.

79 MR. REEVES: That's only one side of it. That's under what
80 we call "self development" but there are courses that we do
81 which we feel is more than just "self development", is to
82 keep our employees current with technology as well,
83 because technology, especially for the engineering side
84 and the asset manager side, technology is always moving
85 so we would offer courses and we do that through when
86 we purchase equipment and we would offer training
87 courses to our employees so that they are aware of that.
88 We also install new technology as best we can. I think I
89 made reference yesterday to how we now track lightning
90 storms that come across the island, we would have given
91 a training course on that particular thing as well. So, we are
92 always looking for new technology and in that new
93 technology we would train our employees so that they
94 could take full advantage of it.

95 COMMISSIONER POWELL: One of the real challenges, of
96 course, is to keep pushing the envelope. Sometimes you
97 got to get outside the house to see the new technology so
98 by taking sometimes a course that is a little off the wall,
99 when you are looking from the inside out it may not be any
100 relationship, but get the right person with the right

1 perspective. Anyway... Senior management, are there any
2 specific training courses for the senior management or the
3 persons, like somebody working themselves up through the
4 system?

5 MR. REEVES: Senior management ... and you are talking
6 about like myself...

7 COMMISSIONER POWELL: Yourself and your immediate
8 two or three superiors.

9 MR. REEVES: I would be participating in, again, specific
10 training courses associated with what I am involved in and
11 periodically I attend conferences or the like, to interact with
12 people that I am involved with. I also am involved in a user
13 group, say with the CEA. It's called the... regarding
14 transmission, so periodically we meet, I think it is quarterly
15 and I get an opportunity to interact with my counterparts
16 from across Canada. That's how I think that I can keep
17 current and where the industry is going.

18 *(9:45 a.m.)*

19 COMMISSIONER POWELL: You don't ... there's no policy
20 or initiatives taken to send senior management to say an
21 institution like the Harvard School of Business who would
22 talk about concepts that wouldn't have anything specific to
23 utilities other than running large organizations with a large
24 number of employees and style.

25 MR. REEVES: We haven't done it lately in regard to senior
26 management but what we do at say the next level below
27 senior management or the level below that, there is the
28 Management School in Memorial that we select a number
29 of people each year, probably two or three, and we would
30 send these people to the Management School which is a
31 two-week course and that is in the hope that these people
32 will become our more senior people in the future.

33 COMMISSIONER POWELL: Okay. Does the TRO
34 Division have something, my words would be a suggestion
35 box, but I am down in the pits looking up and I don't think
36 the bosses are doing it right, that some way I can
37 communicate that around my superior to somebody up the
38 scale to get the attention ...

39 MR. REEVES: We did have, I think, a number of years ago
40 something similar to that but we found that there was very
41 little activity coming forward. What we have is with our
42 staff, the first line supervisor would have meetings like
43 safety meetings and the like, and during these meetings
44 they would have an open discussion where people can
45 bring forward what they want. I would like to feel that all of
46 our supervisors have an open door policy that no matter if
47 it is the immediate supervisor or above that, that if there are
48 problems that need to be addressed then they will be
49 addressed.

50 COMMISSIONER POWELL: Does the TRO Division
51 and/or Hydro have a policy regarding employee exchanges
52 with other utilities?

53 MR. REEVES: We haven't participated a lot in employee
54 exchanges. No, we have not done that.

55 COMMISSIONER POWELL: That would be with utilities
56 within the Province, within Canada or anywhere? If I am an
57 engineer working and I like maybe to go to Northwest
58 Territories; they have a large territory with different ... and
59 maybe spend a year to get a different perspective ... you
60 don't ...

61 MR. REEVES: No, we haven't really participated in those.
62 No, not to my knowledge.

63 COMMISSIONER POWELL: So if an employee wanted to,
64 he or she would have to work their way through the system
65 to make the suggestion, there's nothing in-house. Do you
66 have any policies related to exchanges with any of your
67 industrial customers?

68 MR. REEVES: No, we don't have that. No.

69 COMMISSIONER POWELL: So, you don't have anything
70 either within the industry or the private sector?

71 MR. REEVES: No, no.

72 COMMISSIONER POWELL: Do you have anything with
73 any educational institution in terms of sabbaticals? The
74 universities usually have a system whereby every so many
75 years they tell their Professor of Engineering to go out in
76 the private sector and find out what it's all about to make
77 sure they don't get dated.

78 MR. REEVES: We don't really participate, with the one
79 exception, like in Hydro we maintain, I guess the, what I
80 would call, the common jobs that are done. We don't have
81 what I would call a specialist but we do have one and it is
82 actually related to the transmission lines in design and
83 whatnot. And that particular person interacts a lot with
84 Memorial and just recently he has been involved in the, I
85 think it is an Associate Professorship or something with
86 Memorial so we support him in doing that to be able to, I
87 guess, interact and get the latest knowledge from the
88 university so we don't have a lot of opportunity because
89 most of our specialty requirements that we would have we
90 would contract out, except for that particular one and that's
91 what I am calling real specialty services that we would
92 require.

93 COMMISSIONER POWELL: Let's just switch a bit now.
94 This is my last area and I would like to ... when we did a
95 little tour around the Province yesterday I missed my notes
96 I had. You said that TRO, your rural and your isolated
97 diesel systems that once the plant is set up it is turned over
98 to your department and you are sort of the chief cook and

1 bottle washer in terms of you operate the plant, deliver the
2 transmission lines to the homes and read the meters and do
3 everything but send out the bills and collect the money.
4 All the inter-reaction (phonetic) that's to those systems in
5 the community, that's your responsibility?

6 MR. REEVES: Yes, the one thing that you said there that
7 we don't look after in some areas around the Province is
8 meter reading. We do it in the isolated areas but the meter
9 readings would come under finance. But all the rest of
10 what you just mentioned is correct, yes. It's generated and
11 then we transmit it and distribute it.

12 COMMISSIONER POWELL: Let's just take ... just pick one
13 at random here. It is not the largest site and not the
14 smallest, but Mary's Harbour upon the Labrador. I have
15 been there so I can visualize the community. Your
16 department is responsible for the complete operation of the
17 system so would there always be a Hydro employee in that
18 community?

19 MR. REEVES: Yeah, just before I answer that question
20 though, like what I just responded to is basically on the
21 interconnected system ... somebody generates our power,
22 they design it and build it and then they generate it and it
23 is passed over lines but when you come to the isolated
24 communities like Mary's Harbour, our responsibility is to
25 design, build and operate. So there is a little difference.
26 And yes, in Mary's Harbour we would have an employee
27 there all the time and that employee is called a Diesel
28 System Representative, the new classification that we have.
29 Before that we had Diesel Plant Operators.

30 COMMISSIONER POWELL: So basically, in a place like
31 Mary's Harbour you can't blame anybody because you
32 fellows designed it and built it and everything. Okay.

33 MR. REEVES: That's exactly right, we have full
34 responsibility.

35 COMMISSIONER POWELL: So the buck stops right with
36 you. Okay. That's good. In a place like Mary's Harbour,
37 do you have a community advisory committee? Do you
38 have any inter-reaction (phonetic) with the community at
39 large other than sending the bill and collecting it sort of
40 thing? Do you have any ... Is the community inter-reacted
41 (phonetic) once the plant is up, forgetting about the design
42 and billings, deciding this is the size of the plant but just
43 from an operational point of view?

44 MR. REEVES: From an operational perspective obviously
45 everybody in Mary's Harbour knows who our employees
46 are. Our employees know the Mayor; they know all the
47 councillors; and I would suspect there is a good liaison
48 there and if there is a fish plant or something there, they
49 know the staff. But in addition to that, our supervisory
50 people would also be making constant contacts to the

51 communities and also to the fish plants or whatever other
52 industry might be there. Especially if we have an outage
53 there and there is a problem, then our people would contact
54 these people, you know, to advise them as to what the
55 status is.

56 COMMISSIONER POWELL: Do the community as a whole
57 have any understanding of the costs of the services versus
58 the recovery?

59 MR. REEVES: I would venture to say that some do and
60 some don't. I know that I participated with Mr. Wells one
61 time on a visit to Labrador and we did visit a couple of the
62 communities at the time and we met with some development
63 associations and we went through in a lot of detail
64 indicating that the system that is operating in their
65 community is not fully supported by the revenue that we
66 get from that community and that it is assisted from the
67 other rate payers in Newfoundland.

68 COMMISSIONER POWELL: There is no ongoing
69 discussion in terms of how to maximize the yield in terms of
70 the demand for the energy versus the most efficient way to
71 use it.

72 MR. REEVES: Well, I guess our thought is that the rate
73 structure that is in existence in the communities where once
74 you go above, what we call the "life line", gets very
75 expensive to operate an electric service to your house. In
76 most cases if a person wants to use electric heat, they are
77 really going to pay for it and really that's the signal that we
78 want to send to the customers that we have in the isolated
79 systems that we only want you to be using "life line"
80 services for electricity and to heat your house you should
81 be using furnace oil and the like.

82 COMMISSIONER POWELL: But there is no sitting down
83 with the community and explaining other than sending a bill
84 and jolting them in that way in terms of if you have a piece
85 of equipment, here's the optimum level that this should be
86 operating on and here's the savings if we do it this way
87 versus that way. I always think that when I am driving a
88 vehicle like tell me if I am on the highway I can maintain a
89 speed at 55 kilometers, that's where I am getting the best
90 bang for my buck and when I go over it I am paying the
91 price. So I can maintain that the whole way across the
92 island I will save some fuel instead of doing 65 kilometers
93 to get to Clarenville and slowing down to get to Gander and
94 speeding up. My average may be 55 but I got
95 (unintelligible) and I paid for it so I mean there is no such
96 thing within the community saying there is an alternative.

97 MR. REEVES: I guess my best answer to that and others
98 can speak much better to this because they have been
99 involved in the rural areas a lot longer than I have, is that
100 the best signal that we would like to send to our customers
101 in addition to the fact that they are on an isolated system

1 is it should be in the pricing arrangements that's in place to
2 send the right signals.

3 COMMISSIONER POWELL: So, is it more they got the
4 problems not we got the problem?

5 MR. REEVES: Well, it's not that they got the problems, it's
6 that if they for those isolated systems which are heavily
7 cross subsidized as Mr. Wells says I think, on the isolated
8 system the revenue return that we get is about 20% of the
9 cost. What we want to ensure is that our customers
10 understand, as best they can, that they shouldn't be
11 putting extra things on it because it would just drive up
12 overall, all of our costs and from my perspective where I
13 think I can do the best with the staff that works for me is
14 that in operating our systems there are certain limitations
15 that we can't control like the cost of diesel fuel. We need
16 diesel fuel to operate but we are attempting to operate our
17 isolated diesel systems at the least cost possible while
18 maintaining a reasonable reliability. We do not want to
19 discriminate against our customers in those isolated areas
20 because they happen to be on an isolated system but we
21 do want to maintain a reasonable reliability of service there.
22 If we lose generation in the middle of the winter because a
23 unit is out and then we either lose our second unit, we are
24 into restricting power, we do not want to be that way. So
25 what we want to do is to maintain the units so that we will
26 be providing reliable costs, reliable service at the most
27 reasonable or lowest cost that we can. So, I think the
28 customers, through the pricing arrangements like we had a
29 hearing in L'Anse-au-Loup when we switched from all
30 diesel to buying secondary energy, this Board had a
31 hearing in L'Anse-au-Loup. I think all of those people up
32 there understand that it is very costly to operate a diesel
33 system and I think if you go through, and a lot of our
34 customers they would also have an understanding that it
35 is very costly to operate our system and the way their
36 pricing arrangement is in place is to be able to send that
37 signal to the customer.

38 COMMISSIONER POWELL: So there is no ongoing
39 continual educational program with people saying that until
40 someone comes up with a better mouse trap, this is the one
41 we are using. So, it's more of a top driven as opposed to
42 community driven initiative.

43 MR. REEVES: And others coming behind me can speak
44 much more adeptly at the price signals and customer
45 services that we send to our, you know, to our customers.

46 COMMISSIONER POWELL: Thank you Mr. Reeves.
47 That's all, Mr. Chairman.

48 MR. NOSEWORTHY, CHAIRMAN: Thank you
49 Commissioner Powell. Thank you Mr. Reeves. I'll ask
50 Commissioner Saunders to continue with his questioning
51 please.

52 COMMISSIONER SAUNDERS: Thank you Mr. Chair.
53 Good morning Mr. Reeves.

54 MR. REEVES: Good morning.

55 COMMISSIONER SAUNDERS: Before I get into a couple
56 of questions that I had here, without giving away the
57 weight I may be placing on your evidence, it was
58 interesting nevertheless to find out why my VCR was
59 blinking and thanks to you and Mr. Browne in the
60 interchange you had. The other thing, of course, that was
61 of interest was your discussion with Mr. Kennedy on the
62 status of my 13 year old Honda. Just to carry on on one of
63 the topics that Mr. Powell explored with you, how often do
64 you get out to visit your customers?

65 MR. REEVES: You are talking which customers now? You
66 are talking ...

67 COMMISSIONER SAUNDERS: Any of your customers.

68 MR. REEVES: I meet with Newfoundland Power on a
69 monthly basis. I meet with the Oil Refinery on the quarterly
70 basis, either by phone or in person. Some of the other
71 industrial customers I don't meet with them very regularly.
72 I have met with some of them, however, there is other staff
73 that meets more regularly with the industrial customers. I
74 guess that would be the extent ... I also try to get around
75 the system on a regular basis.

76 COMMISSIONER SAUNDERS: How about the people that
77 work for you? Like your managers and directors, how often
78 do they get out to visit your customers, that is your
79 industrial customers, Newfoundland Power, your general
80 service customers, residential customers? How often do
81 they get out?

82 MR. REEVES: I guess the people that would probably visit
83 most our customers as required would be the, probably the
84 managers and the asset managers and they would ... I don't
85 know that there is a schedule set up whereby they visit all
86 of the major customers but what they would do is to, if
87 there particular concerns with the service that we are
88 providing at any point in time, then they would make
89 contact with these.

90 *(10:00 a.m.)*

91 COMMISSIONER SAUNDERS: Some large companies that
92 I am familiar with have bonus plans for their executives and
93 managers. Is there such a plan in place with Hydro? For
94 instance, are you yourself under any kind of a bonus plan
95 whereby you can improve your annual salary and annual
96 benefits?

97 MR. REEVES: In actual fact, upon until last year I would
98 have had to say no. Our board of directors are currently
99 exploring that and this particular year is the first year that
100 they have got a test program underway on a limited number

1 of employees within the company. So they are exploring
2 that.

3 COMMISSIONER SAUNDERS: And that will be applicable
4 to executives, managers, directors and certain other levels
5 of ...

6 MR. REEVES: Well, that's one of the things they are
7 considering as to what level they will actually bring it down
8 to. Currently, it's primarily for the executive and the senior
9 directors in the company. The people that are reporting to
10 the Vice-Presidents.

11 COMMISSIONER SAUNDERS: Do you know if it includes
12 such areas as customer visits for example?

13 MR. REEVES: Currently that's not one of the measurements
14 that we have in place.

15 COMMISSIONER SAUNDERS: Do you know what the
16 measurements are that are in place?

17 MR. REEVES: Performance measurements, meeting
18 budgets, completions of capital programs and the like.

19 COMMISSIONER SAUNDERS: I see. When you say
20 meeting budgets, what do you mean by that?

21 MR. REEVES: Meeting budgets is within a certain
22 tolerance plus or minus.

23 COMMISSIONER SAUNDERS: You say that's a test
24 program presently, and how is that test being carried out?

25 MR. REEVES: Well this year we have a program in place
26 whereby there is a minimum dollar that will be paid out at
27 the end of the year depending on the performance. As I
28 understand it, there will be a report going back to our board
29 of directors to see how successful this particular test
30 program has been and from that, again as I understand it,
31 there will be recommendations made as to the continuation
32 or possibly the expansion of the program.

33 COMMISSIONER SAUNDERS: Is the program one that
34 you put together yourselves or is it one that you have
35 sought outside expertise on with respect to putting it in
36 place or organizing it?

37 MR. REEVES: My understanding is that in the
38 development of that our human relations people worked
39 through consultants who are in this line of business and
40 brought forward recommendations to our board.

41 COMMISSIONER SAUNDERS: Do you know if any
42 models that are in existence with other utility companies
43 were used?

44 MR. REEVES: My understanding is that it was.

45 COMMISSIONER SAUNDERS: And are those utility
46 companies present in the room or is it something from

47 outside of the Province?

48 MR. REEVES: That detail I am not sure about. I would ...
49 I, I can't really venture to say because I didn't do the, I
50 wasn't part of the evaluations per se.

51 COMMISSIONER SAUNDERS: Okay. There is a plan in
52 place which applies to not only executives but to managers
53 and directors or it will in time?

54 MR. REEVES: Well it ... this current year it applies to the
55 executive, the five of us, and it applies to the directors,
56 most of the directors that are reporting to Vice-Presidents.

57 COMMISSIONER SAUNDERS: Your areas of
58 responsibility are transmission, rural systems and vehicles,
59 I think you defined it as.

60 MR. REEVES: That's ... yes, that's correct.

61 COMMISSIONER SAUNDERS: During the nineties
62 particularly, but I guess it started in the eighties, there was
63 a lot of downsizing that took place with companies all over
64 the globe and a lot of companies that I am familiar with that
65 operate here in Newfoundland and Atlantic Canada
66 particularly, went through a downsizing, a streamlining if
67 you like, costs were cut, improvements were made,
68 efficiencies were gleaned, I guess, in the process. Has
69 Hydro gone through that kind of an experience in the past
70 ten years?

71 MR. REEVES: Yes, as a matter of fact we have been
72 downsizing throughout the past ten years and ...

73 COMMISSIONER SAUNDERS: What has been the result
74 of your downsizing?

75 MR. REEVES: One of our exhibits if I remember correctly,
76 was given that we have actually downsized by 150
77 positions over this past ten year period.

78 COMMISSIONER SAUNDERS: That's permanent
79 positions?

80 MR. REEVES: That's permanent positions, yes.

81 COMMISSIONER SAUNDERS: And was that a ... over
82 how long a period was that achieved? If I recall, it was ten
83 years, was it?

84 MR. REEVES: That was the ten year program.

85 COMMISSIONER SAUNDERS: That includes the present?

86 MR. REEVES: Yes. Yeah.

87 COMMISSIONER SAUNDERS: What else took place in
88 that downsizing or that exercise besides just the
89 downsizing of the size of the staff?

90 MR. REEVES: Well, areas that I was directly involved with,
91 we eliminated departments, consolidated others, we are

1 changing the way we actually currently have done
2 business and one of the examples is the diesel system
3 representatives where we are multi-tasking and we train our
4 employees to be able to do that. We have looked at our
5 training programs, not our training programs, our
6 maintenance programs, we have reviewed our line worker
7 coverage that we have had and then it's not complete yet.
8 As I indicated previously, is that as you know we are
9 always looking for ways to do our business better and as
10 we implement something then we see that we have an
11 opportunity to do something else. In addition to that, each
12 time that a person retires, leaves Hydro, we look at ways to
13 be able to do that job that was being done by that
14 individual differently again as a result of consolidation or
15 the like. Unfortunately, in some cases if you got a line
16 worker that retires and you need to, to do the job then you
17 need to re-hire that position exactly as it was. But there are
18 some position that once they become vacant you get an
19 opportunity to be able to have a look at them a bit
20 differently. So in my opinion, we are always looking at
21 ways that we can improve the way that we do our business.
22 However, over the last ten years there have been one or
23 two, I guess, events which have been bigger than others
24 which have been more significant and, I guess, if you
25 remember earlier this year in February there was a fair bit of
26 media coverage in response to the way that we did our line
27 worker review. So some of our changes get highlighted,
28 others don't.

29 COMMISSIONER SAUNDERS: All of these changes, of
30 course, are done to impact or improve the bottom line in
31 most companies that I am familiar with. What
32 improvements can you point your finger at have been
33 achieved as a result of these activities that your company
34 has undertaken?

35 MR. REEVES: To improve the bottom line?

36 COMMISSIONER SAUNDERS: Yes. Over that period of
37 time. I guess we are talking about the last ten years. What
38 improvements have you seen and if you are not familiar
39 with the whole picture, maybe you could talk about your
40 own situation.

41 MR. REEVES: No, I'm just thinking now as to the diesel
42 system representative is a really good example. There are
43 savings there that we will be able to achieve. In the long-
44 term I think the implementation of RCM will be a savings
45 for us ...

46 COMMISSIONER SAUNDERS: Yeah, I realize that and
47 what I am getting at is the dollars.

48 MR. REEVES: Some of these are not easily quantifiable and
49 because to say that you made this change and this dollars
50 as the result of it, there are so many variables in the
51 equation that it is very difficult to do that. It's not like an

52 assembly line where a person does a job, a repetitive job,
53 our jobs are not that way so therefore it, in most instances,
54 is not easily quantifiable other than to say that you know
55 that by reducing staff that you have a long-term savings
56 from that.

57 COMMISSIONER SAUNDERS: Yes. Was there any
58 measurement system put in place to measure the benefits of
59 carrying out these improvements we talked about a few
60 minutes ago? In other words, were you a part of any
61 meetings that took place on a regular basis that would
62 review where you were and what impact it was having on
63 the bottom line or what impact it was having on your
64 costs? How did you measure these activities dollar-wise?

65 MR. REEVES: Dollar-wise. Other than the, I guess, when
66 we were making downsizing then obviously there is a
67 dollars savings right there ...

68 COMMISSIONER SAUNDERS: With people.

69 MR. REEVES: With people.

70 COMMISSIONER SAUNDERS: Uh hum.

71 MR. REEVES: But in regard to some of the other things like
72 the ... and I keep going back to DSR, we have made
73 adjustments in our budgets to reflect the lower use of
74 helicopter, the lower use of travel for our employees to
75 actually travel into those locations. Line workers, we have
76 less of them. RCM, there is an evaluation done which was
77 ... and we proceeded on an analysis where we see that there
78 is between a one and a two year payback of that. So as we
79 go forward on that particular one, we anticipate that we will
80 be able to take money out of our maintenance budgets to
81 be able to, as a result of the RCM program. So that's where
82 I think that the savings will be made in future budgets
83 when we will be talking about how much we can take out or
84 reduce our budgets by as a result of RCM.

85 COMMISSIONER SAUNDERS: In carrying out these
86 programs companies would often, and they still do, put a
87 name on the program and then go and try and sell it to the
88 employees because you have to sell it to the employees in
89 order for it to work. As you know, if the employees aren't
90 sold on a program, the chances of it working are very slim.
91 Was there such a name or such a program adopted by
92 Hydro and was there an effort made to sell it to your
93 thousand or whatever employees?

94 MR. REEVES: In the past, I am not sure that we ... we may
95 have used certain terminologies which I can't remember off
96 the top of my head, but really what that comes down to in
97 the end is most likely a very negative response from the,
98 from the, from the employees. What we find is that we, to
99 get the thoughts and the actions of our employees going
100 into a certain direction, you have to work on the overall
101 philosophy of what your company stands for rather than

1 going with what people refer to as "the flavour of the
2 month". So what we have embarked upon, I guess, last
3 year is that we have embarked upon a process whereby
4 management and senior directors have met on a regular
5 basis. We have reviewed our mandate, our mission,
6 etcetera, and now we have started on the next line of that
7 and it was done, I guess earlier this spring where Mr. Wells
8 went out to all of our regions and went through the work
9 that he has ... that the management team and the senior
10 directors have done and we are ... the message that we are
11 sending to our employees is that Hydro wants to be a
12 quality service provider in the Province providing
13 electricity to its customers in the most innovative and
14 economic ways that we can do that and that's the message
15 that we want to get out to our employees, that every job
16 that they do is an important job and it needs to be done in
17 the most cost effective and efficient way with environment
18 in consideration. So that's the message we want to get out
19 there. We found that going with programs ends up to be,
20 after you do a number of them, becomes to be a very
21 negative response to our employees and we are now
22 staying away from that.

23 COMMISSIONER SAUNDERS: I am sure that some of
24 your customers have gone through similar programs. I
25 know some of them did. Are you familiar with any of the
26 programs that were adopted by your customers during the
27 period we are talking about here to, let's say, get more
28 meaner and leaner?

29 MR. REEVES: Can you give me an example and then I
30 might be ...

31 COMMISSIONER SAUNDERS: Well Newfoundland Power
32 ...

33 MR. REEVES: Okay.

34 COMMISSIONER SAUNDERS: ... have gone through a
35 program such as we are talking about I know. I think
36 Abitibi has.

37 MR. REEVES: Uh hum.

38 COMMISSIONER SAUNDERS: Are you familiar with any
39 of the ...

40 MR. REEVES: Not, not, not directly.

41 COMMISSIONER SAUNDERS: No.

42 MR. REEVES: The only one that I can probably relate to is
43 that we had an operational review done by this Board there
44 a couple of years ago, done by Quetta, and one of the areas
45 that they concentrated on was our staffing levels because
46 from memory I recall that Nova Scotia Power had a program
47 in place where they went through a fairly extensive
48 downsizing and I think the, the Board in Nova Scotia as a
49 result of some major outages, one of the things that they

50 were focusing on is that they may have gone too far and
51 they weren't able to provide a reliable service to their
52 customers. So that sort of stuck in my mind that the
53 company has to be a right size to be able to provide a
54 reliable service to its customer.

55 COMMISSIONER SAUNDERS: Okay, just one other
56 question, I guess, then to conclude my questions on this
57 area. Would you say that today Hydro is lean and mean as
58 a result of what you have tried to do over the past ten
59 years in the way we just described it?

60 MR. REEVES: I would say that we are lean and mean.

61 COMMISSIONER SAUNDERS: Uh hum.

62 MR. REEVES: Whether we are the leanest and meanest we
63 can be, I think as time goes on we will, we will endeavour,
64 we will always endeavour to be the leanest and meanest we
65 can. I think it's always, and I think every company should
66 be looking at ways that they can do their business in a
67 leanest and meanest way that they can do it. I think we are
68 lean and mean.

69 COMMISSIONER SAUNDERS: Okay, vehicles. You
70 talked about a company earlier on, I think you called them
71 PHH, is that right, or was it PTH?

72 MR. REEVES: PHH.

73 COMMISSIONER SAUNDERS: PHH.

74 MR. REEVES: Yes.

75 COMMISSIONER SAUNDERS: What do they do for you?
76 They are contracted to do some vehicle maintenance, I
77 think you said.

78 MR. REEVES: No, what they provide is basically a fleet...I
79 think the fleet ... let me see, how can I get the right title.
80 Fleet maintenance services but they don't do the services
81 themselves. What they do is that they provide us with a
82 service which is basically a, what's called a blue card
83 service, blue card service, and we have a blue card in each
84 one of our vehicles and they are able to get, as I explained
85 earlier, able to get discounts from our suppliers both for
86 fuel and for maintenance. So that, I guess, every
87 transaction that we do on that blue card goes through their
88 computerized system and as a result of that they are able to
89 track the maintenance by vehicle, by category, by major
90 repairs in a number of ways into their database. So then we
91 are able to interact with that data base and that staff to see
92 where improvements can be made in the way that the
93 vehicles are being maintained.

94 COMMISSIONER SAUNDERS: Who is responsible in
95 your organization for that, in your department?

96 MR. REEVES: There is a person in Bishop Falls who is the
97 Asset Manager for Transportation and he is the person,

1 him and his small staff, would maintain the liaison with that
2 company and the database. Now the financial part of it, the
3 actual paying of the bills, that would be done by the
4 Finance Department but ...

5 COMMISSIONER SAUNDERS: I am not concerned about
6 that part of it. What does PHH stand for?

7 MR. REEVES: Now you got me there. I am sorry I don't
8 know that.

9 COMMISSIONER SAUNDERS: I don't know either.

10 MR. REEVES: No, but back in, I think it was probably '97
11 when we wanted to take advantage of this service we went
12 out and solicited proposals or bids from several companies
13 and this particular company was the one that gave us the
14 best options for what we wanted at the time.

15 COMMISSIONER SAUNDERS: Okay. So they, they, they
16 carry out this blue card monitoring system which you just
17 described and it feeds back certain information to your
18 department too. Have you seen this information yourself?

19 MR. REEVES: I don't personally see it, no.

20 COMMISSIONER SAUNDERS: No. Do you get any
21 reports on it?

22 MR. REEVES: The reports that I see are at the divisional
23 level and one of the accounts would be for transportation.

24 COMMISSIONER SAUNDERS: Okay. So somebody is
25 monitoring the costs of each of your operation unit's
26 vehicles.

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

28 COMMISSIONER SAUNDERS: And you have about 500
29 of them on and off road, somewhere around 500, give or
30 take.

31 MR. REEVES: I'll take that number. Yes.

32 COMMISSIONER SAUNDERS: Just talking first of all
33 about the on-road vehicles, and I know they, they come in
34 various sizes and descriptions. But they all burn fuel, for
35 example, either diesel fuel or gasoline and if you have two
36 vehicles that are the same specifications they should be
37 under certain conditions, or under similar conditions,
38 burning the same kind or the same amount of fuel. Now is
39 the system such that it picks up any variances that may be
40 occurring?

41 MR. REEVES: The system that we have in place right now
42 does not do it on a cost per kilometer or cost per hour
43 basis. We are currently exploring that to see how our
44 system can be improved to facilitate that and then, as you
45 indicated, the comparison of vehicle to vehicle to vehicle
46 can be done now, but the system that we now currently
47 have is that, say if there was an exhaust system that was

48 replaced on a number of vehicles, we can do a comparison
49 for like jobs on different vehicles but what we are working
50 on what you just indicated is a good performance
51 measurement of our fleet.

52 COMMISSIONER SAUNDERS: Yes, just to get some idea
53 of the size of the vehicles that we are talking about here, for
54 example, how much ... what's the dollar value of the fuel
55 that you burn in those 500 and some odd on and off-road
56 vehicles? You don't know offhand.

57 MR. REEVES: I don't have that number on the top of my
58 head, I am sorry.

59 COMMISSIONER SAUNDERS: Is it a sizeable number?

60 MR. REEVES: I would ... I don't have that number on the
61 top of my head so I wouldn't... I would suspect that it is,
62 yes.

63 COMMISSIONER SAUNDERS: Okay. How about the
64 maintenance bill for maintaining these vehicles? What kind
65 of a number is that?

66 MR. REEVES: Just a second now. From where I would go
67 is if you look at the **DWR-2** which was passed out
68 yesterday, transportation is on this and it is \$1.8 million.
69 Now that wouldn't be all inclusive because the materials
70 would be up in materials maintenance as well as we talked
71 about yesterday as well. So I would, I am not exactly sure
72 what the fuel bill would be for our total fleet. That's ... I
73 don't normally review that number.

74 COMMISSIONER SAUNDERS: So your fuel is handled by
75 PHH in terms of the discounts that you achieve?

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

77 COMMISSIONER SAUNDERS: And they take your total
78 requirement and go to suppliers and say give us a price.

79 MR. REEVES: Well, they, they ... I think they have already
80 done that. They are into the fleet management business
81 and they probably got it for a lot of their customers so, and
82 as I indicated to you yesterday, we have different, they
83 have different arrangements with those private suppliers
84 that we use.

85 COMMISSIONER SAUNDERS: I wonder if you can
86 provide sometime say, I don't mean today, but sometime
87 next week maybe, you can undertake to provide a number
88 representing the cost of fuel that Hydro pays for in any
89 year for these 500 or so vehicles, split into on and off-road,
90 as well as a copy or a detail, I guess, of the arrangement
91 you have with PHH ...

92 MR. REEVES: Uh hum.

93 COMMISSIONER SAUNDERS: ... to, you know, to
94 indicate what it is they are doing and for what fee and what

1 kind of, and what kind of discounts they are getting for
2 you. I think we are talking about a sizeable number of
3 dollars here and my experience with fleet operations, a fleet
4 of 250 or so on-road vehicles would represent a significant
5 number of dollars in terms of maintenance and fuel ...

6 MR. REEVES: Uh hum.

7 COMMISSIONER SAUNDERS: ... and would attract
8 certain discounts with respect to the fuel side of it
9 particularly, but also on the maintenance side. So, if you
10 can provide that kind of information in some kind of a one
11 page addendum.

12 MR. REEVES: I had some of the discounts, like on fuel and
13 maintenance ...

14 COMMISSIONER SAUNDERS: You have some of it there,
15 you don't have all of it.

16 MR. REEVES: What I don't have is the actual size of the
17 dollars that is spent on maintenance or, but I do have a
18 copy of my understanding of the arrangements with the
19 supplier, with PHH. If you would like that or we can
20 provide that separately whichever ...

21 COMMISSIONER SAUNDERS: The other thing is would
22 you be able to provide, if it's not already provided, because
23 I don't really take credit for reading every sheet of paper
24 that's behind me here, but I read most of them, and that
25 would be an example of the report that comes for PHH on
26 a monthly basis as you said.

27 MR. REEVES: Okay, yeah.

28 COMMISSIONER SAUNDERS: If you could file an
29 example of that report, and an example of the report that
30 you get particularly. I don't know if you get the same
31 report that goes to your man in Bishop's Falls.

32 MR. REEVES: No, I do not. What I get is a monthly report
33 for TRO division, one category is transportation.

34 COMMISSIONER SAUNDERS: Yes.

35 MR. REEVES: Another one is maintenance but that would
36 be all inclusive of everything ...

37 COMMISSIONER SAUNDERS: Would you file both
38 reports? The one you get and the one your man in Bishop
39 Falls get who is supervising this part of your operation.

40 MR. REEVES: Okay.

41 COMMISSIONER SAUNDERS: Will you file that?

42 MR. REEVES: Uh hum.

43 COMMISSIONER SAUNDERS: Okay. I think Mr. Browne
44 asked you some questions relating to leasing versus
45 purchasing. I think that came about when he was asking
46 you questions about these committees, and I thought you

47 said at the time that you really haven't done much
48 exploration of the leasing option. Did you indicate that
49 leasing ...

50 MR. REEVES: That's a fair comment. We have not
51 explored in a lot of detail other than, as I explained, our
52 Asset Manager over the last number of years since he has
53 been in the job, he is part of a users' group from across
54 Canada for again vehicles, transportations and what he has
55 gleaned from that interaction is that not a lot of similar
56 utilities as ourselves actually lease out their vehicles for the
57 number of reasons I gave the other day but next year to
58 endeavour to ensure that that is the right decision then we
59 are going to attempt to during our purchase next to put the
60 option in our tender bids for the possible leasing.

61 COMMISSIONER SAUNDERS: Do you have a policy on
62 personal use of vehicles, employee personal use? Is there
63 a policy?

64 MR. REEVES: Yes, yeah.

65 COMMISSIONER SAUNDERS: Would you include that
66 policy as well with the information that you are going to
67 supply?

68 MR. REEVES: Uh hum.

69 COMMISSIONER SAUNDERS: And is there a policy on
70 what I'll call useful life? How do you determine, for
71 example, when a vehicle is ready to be traded in or gotten
72 rid of, replaced, whatever term you use?

73 MR. REEVES: Again, on page ... **NP-23** revised, we issued
74 a replacement criteria for vehicles for categories 1000 to
75 4000 and again this was done from discussions that our
76 people have had with other utilities and from experience
77 that we have had ourselves and as you can see in the table
78 for category 1000 which is for cars and mini-vans, the
79 average is from 5-7, or greater than 150,000 kilometers.
80 Maintenance costs and conditions are also considered. So,
81 for category 2000 pick-ups is 5-7; light trucks is 6-8; and
82 4000 which is mediums and heavy trucks, this will be our
83 line trucks and that, 7-9 years or greater than 200,000
84 kilometers.

85 COMMISSIONER SAUNDERS: You don't have any
86 Hondas. I notice they are 13 years old. *(laughter)*

87 MR. REEVES: That's correct. Hopefully no clunkers.
88 *(10:30 a.m.)*

89 COMMISSIONER SAUNDERS: Right. Okay, we will leave
90 that item for now Mr. Reeves. Business Units. I think you
91 said that you have 64 in TRO of the 150 in the company.

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

93 COMMISSIONER SAUNDERS: And you described I think

1 what how these business units operate. Just a couple of
2 questions to complete my notes on it. These business
3 units are really not what I'll call cost centers, are they, in the
4 true sense?

5 MR. REEVES: Some of them ...

6 COMMISSIONER SAUNDERS: Some of them would be ...

7 MR. REEVES: Most of them would be cost centres, yes.

8 COMMISSIONER SAUNDERS: Would they? Okay. Most
9 of them would be.

10 MR. REEVES: Yes.

11 COMMISSIONER SAUNDERS: Which of them wouldn't
12 be? You described three different categories. There is
13 asset, labour and service, I think.

14 MR. REEVES: I guess, I would say probably all of them are
15 cost centres.

16 COMMISSIONER SAUNDERS: Okay.

17 MR. REEVES: Yeah.

18 COMMISSIONER SAUNDERS: And are they monitored in
19 that respect? With respect to cost?

20 MR. REEVES: They would be monitored at that level, yes.
21 Like the manager level in the regions, they would get their
22 reports by business unit.

23 COMMISSIONER SAUNDERS: They would.

24 MR. REEVES: Yes. What I would see would be a
25 consolidation ...

26 COMMISSIONER SAUNDERS: You'd see a consolidation
27 ...

28 MR. REEVES: A consolidation by account code.

29 COMMISSIONER SAUNDERS: Is there anyone in your
30 department that would see a breakdown or just see the
31 individual reports on the 64 units on any kind of a regular
32 basis?

33 MR. REEVES: Yes, the manager, that's how they would, in
34 my opinion, would be reviewing their budgets.

35 COMMISSIONER SAUNDERS: How would a business
36 unit that was sick show up in your report? In other words,
37 it wasn't ...

38 MR. REEVES: In my opinion, a business unit that was sick
39 would be at a higher expense than budget.

40 COMMISSIONER SAUNDERS: And who would pick that
41 up?

42 MR. REEVES: That would be first of all picked up by the
43 Asset Manager or the Labour Manager and then eventually
44 if it kept getting sicker it would be picked up by the
45 Manager and then eventually it would percolate up
46 through.

47 COMMISSIONER SAUNDERS: So the system is in place
48 to recognize these features as they occur or their unit is
49 operating efficiently.

50 MR. REEVES: The business unit, that's correct and what
51 they have on the reports are their annual budget; their
52 year-to-date; their budget for that particular month; their
53 expenses for that particular month, etcetera.

54 COMMISSIONER SAUNDERS: I think you said that this
55 system came in place in '97.

56 MR. REEVES: The actual JDE system was put in place in
57 1999.

58 COMMISSIONER SAUNDERS: Okay, fine. And it is tied
59 into your JDE system.

60 MR. REEVES: Well that is the JDE system.

61 COMMISSIONER SAUNDERS: That is the JDE system.

62 MR. REEVES: Yeah. The way we have the JDE system set
63 up is on a business unit concept.

64 COMMISSIONER SAUNDERS: Right. Besides managers
65 and directors and Vice-Presidents like yourself, do the
66 employees that make up these units know how their units
67 are performing? Are they told? Are they, is there any kind
68 of, for instance, competition in place to promote more
69 efficiency?

70 MR. REEVES: No, other than what I explained a couple of
71 minutes ago, I am not sure that each, say, section head
72 would go over with their employees each and every month
73 their performance in regard to finance.

74 COMMISSIONER SAUNDERS: Do you think it would be
75 a good idea for them to do that?

76 MR. REEVES: I suspect that when the business units start
77 to get sick I would visualize that the supervisor or the
78 business unit manager would be conveying that to their
79 staff to let them know there is a potential problem and that
80 they will be working towards a solution.

81 COMMISSIONER SAUNDERS: I am talking about
82 prevention and not cure.

83 MR. REEVES: Okay, yes.

84 COMMISSIONER SAUNDERS: In other words, wouldn't
85 it be a good idea, I guess my question is, to do that on a
86 regular basis to keep employees informed as to how their
87 unit is performing.

88 MR. REEVES: I am just thinking now how you would
89 actually do that because in a lot of cases the workers

1 themselves are involved in a job-by-job basis and whether
2 it would be meaningful on a monthly basis to go through
3 the whole concept, you know, I'd have to think about that
4 for awhile to see. Generally, I think they would know where
5 their, through their supervisors, where the costing is going
6 or if there are big jobs on the go that is causing that
7 particular section budgetary problems. But the
8 mechanisms for doing that might be a little difficult.

9 COMMISSIONER SAUNDERS: You seem not to be sure if
10 it is a good idea.

11 MR. REEVES: Well I'd have to think about it to see how
12 you would actually implement something that would be
13 meaningful both to the asset managers and also the
14 employees so they would have a true understanding you
15 know and it would be meaningful to them. I'd have to think
16 about that.

17 COMMISSIONER SAUNDERS: You are the Vice-President
18 of TRO and in order for you to carry out your job you have
19 to be supplied with certain, what I call, management
20 information on a regular basis, daily, monthly, weekly,
21 whatever. How else are you going to know how your
22 particular division is performing and don't you think the
23 same benefit if you like should be extended to each of your
24 employees to let them know how (a) the company is doing,
25 mainly Newfoundland Hydro; and (b) how their unit no. 22
26 is doing, indeed if you have numbers on them? How are
27 they going to be motivated if you like to do better if they
28 don't know how they are doing then?

29 MR. REEVES: I think and why, not that I am hesitating, is
30 that the question that I understood you to say is on the
31 business unit in its totality and while that is good
32 information for all of our employees to know what their
33 particular business unit is doing, I agree with that. But
34 what can they do about that to change it is, I guess, where
35 I am having some difficulty. I think it would be more
36 meaningful if our staff, as we get further along with the
37 business unit concept and we are able to measure out the
38 performance of our individual jobs, say if we had to go in
39 and overhaul a breaker. It costs us X number of dollars
40 now and then we do it, our objective would be to do the
41 same job for a lower value. That's the kind of information
42 I think would be more meaningful to the individual
43 employees as we conduct our business and go forward.
44 What we need to give to them is something that they can
45 influence. The overall business unit concept, the way that
46 they influence it, is not from a management perspective but
47 it is on an individual job-by-job basis and that's the type of
48 information that I would be most interested in being able to
49 feed back to our employees who are actually doing the
50 work.

51 COMMISSIONER SAUNDERS: If you keep this up, you

52 and I are going to be into a discussion on philosophy but
53 I think what I am trying to do is to explore what
54 opportunities there are for employees to have input into the
55 way the company operates.

56 MR. REEVES: Yes, and as I indicated a few minutes ago,
57 the exercise that we have started with management and our
58 senior directors and Mr. Wells visiting our areas, we are
59 very interested in having our employees very
60 knowledgeable in what we, in how we conduct our
61 business and we want them to have all the positive impact
62 that they can have on this company. And it is only after
63 they are fully knowledgeable of where Hydro is going;
64 what our mandate is; what our expenses are; and how they
65 can influence it; are we going to be the best company that
66 we can be.

67 COMMISSIONER SAUNDERS: Okay, that's what you
68 believe but what opportunity is there for the employee to
69 interact with you as a Vice-President?

70 MR. REEVES: Right now is that I visit our areas on an
71 ongoing basis and that's one way.

72 COMMISSIONER SAUNDERS: Assuming you don't visit,
73 what opportunity on a daily basis is there for them to do
74 so?

75 MR. REEVES: Well I have received calls when there are
76 problems on the go.

77 COMMISSIONER SAUNDERS: But is there a regular
78 avenue, a forum in which he can look forward each day,
79 each week, each month, whatever the frequency needs to
80 be to interact with you, the VP?

81 MR. REEVES: Well that is the exercise that we are currently
82 going through in a more formalized manner.

83 COMMISSIONER SAUNDERS: Now there is no such ...

84 MR. REEVES: We started last year, we have been out. Up
85 until now I have visited the areas in a not-so-formalized
86 manner but as we go forward we see that taking place and
87 it is going to be a more formalized manner and we will be
88 able to take the input from our employees but I thought
89 what we were just discussing about is on an ongoing
90 monthly basis is how the employee can influence how
91 Hydro operates and that's what I was addressing just a
92 couple of minutes ago.

93 COMMISSIONER SAUNDERS: On a monthly basis,
94 weekly basis, daily basis, whatever.

95 MR. REEVES: Whatever, exactly. Yes.

96 COMMISSIONER SAUNDERS: The two way flow of
97 information is ...

98 MR. REEVES: And it is very critical ...

1 COMMISSIONER SAUNDERS: Oh, I understand

2 MR. REEVES: And we want to empower our employees to
3 be able to do the best job for this company and that's what
4 we are about.

5 COMMISSIONER SAUNDERS: Okay. Are there any
6 incentive programs, and I use that term very broadly, in
7 place with respect to your employees' performance?

8 MR. REEVES: Currently, there is none other than I think I
9 mentioned one question earlier on is how do we recognize
10 good performance and we do it now on a case-by-case
11 basis but we don't have in regard to performance, we don't
12 have an incentive program in place.

13 COMMISSIONER SAUNDERS: Do you agree or do you
14 believe in having incentives for employees?

15 MR. REEVES: If it can be structured properly but I know
16 there are other companies who have tried incentive
17 programs for unionized employees and have not been all
18 that successful. How they are actually structured if you
19 can do it in such a manner that they are meaningful and
20 labour relations do not get in the way, I think that would be
21 very beneficial, yes, but most often labour relations can get
22 in the way of some of these very productive programs.

23 COMMISSIONER SAUNDERS: Just a couple of questions
24 on the capital budget, I am not going to get into trying to
25 work with the numbers, I think Mr. Kennedy brought you
26 through that and I think I have an understanding of it
27 which I think further discussion may blur so I will leave that
28 as it is. My question on the capital budget is the portion
29 that you're responsible for, Mr. Reeves, that's all I am going
30 to be referring to. Would you describe for me what, how
31 that process starts back in, I think you said it starts in May
32 in any year ...

33 MR. REEVES: That's the formalized process, yes. Well ...

34 COMMISSIONER SAUNDERS: Where does the input
35 come from to you for the numbers to be generated and
36 finalized?

37 MR. REEVES: The formalized program is explained in one
38 of our responses and again I won't refer to that but what
39 happens from one year to the next as our capital program
40 gets approved, from that point on to the next year our
41 people out in the field, our asset managers, our labour
42 managers and the like, are looking at ways or areas that we
43 need improvement and so they are making their notes and
44 sometimes either towards the latter part of the year or early
45 into the new year they are asked to submit or to bring
46 together these thoughts into capital proposals. These are
47 then reviewed by the local manager and he would then
48 consolidate a proposal from their particular region as to
49 what he would like to bring forward as the capital budget.

50 Then what happens, then in TRO the director would sit
51 down with the three managers and go through their
52 particular programs because there may be some overlaps
53 and what they do is to shape the budget they want to bring
54 forward. Then I would sit down with not only that director,
55 but with my other two directors, environment and the
56 engineering director, and we would go through it again.
57 And then eventually I would bring that program to the
58 management committee along with the other Vice-
59 Presidents and management goes through the full capital
60 program to see the impacts and to agree on what we want
61 to bring forward to the board of directors. Following the
62 board of directors, then it comes over to this Board for
63 approval.

64 COMMISSIONER SAUNDERS: Yeah. Okay. So that's the
65 process that takes place up to approval. Now then the
66 capital budget gets approved and goes into place in terms
67 of the projects being carried out. Is there a review that
68 takes place after the fact to assess how accurate you were
69 in your budgeting process?

70 MR. REEVES: You are talking about once the project is
71 complete?

72 COMMISSIONER SAUNDERS: Yes, because now you see
73 you are under an incentive program starting this year for
74 budget accuracy, I think, was one of the benchmarks ...

75 MR. REEVES: Uh hum

76 COMMISSIONER SAUNDERS: So isn't it in your best
77 interest now to make sure that the system is such that
78 accuracy is achieved and that you don't have these, well
79 there has been various numbers tossed about, but
80 anywhere from 15 to 20% variances in actual compared to
81 budgeted numbers.

82 MR. REEVES: The numbers I like to use is less than 5% but
83 again that is debateable. *(laughter)* As we talked about
84 here, no.

85 COMMISSIONER SAUNDERS: Your incentive system that
86 you're talking about right now that is being tested, one of
87 the benchmarks is budget accuracy I think you said.

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

89 COMMISSIONER SAUNDERS: Okay. Then now let me
90 ask the question in two parts. One is prior to this incentive
91 program was there a plan or a system in place whereby you
92 went back and reviewed budgets after the fact with the
93 people who put the numbers forward?

94 MR. REEVES: We got a system in place whereby if there
95 are large variances on a particular budget we will go back
96 and do a post mortem on that particular budget.

97 COMMISSIONER SAUNDERS: If there are large variances

1 ...

2 MR. REEVES: Large variances, yes

3 COMMISSIONER SAUNDERS: ... how large are you
4 talking about?

5 MR. REEVES: I would visualize the ones that we have
6 done probably are greater than 10% or something like that.

7 COMMISSIONER SAUNDERS: Okay.

8 MR. REEVES: Okay, but now whether we have done it on
9 every one or not ...

10 COMMISSIONER SAUNDERS: You consider that large,
11 do you?

12 MR. REEVES: Yeah. So but the other thing that we have
13 also done on not a lot of occasions but some occasions is
14 to go back because one of the things that our estimators,
15 the engineers that we have, they try to keep somewhat of
16 a, in a lot of cases, a personal database as to what are their
17 rules of thumb for doing up their estimates and they
18 periodically go back and look at those to see if they need
19 to be adjusted or whatnot. And because conditions can
20 change, the environment for construction, there can be not
21 a lot of jobs out there or there could be a lot of jobs and
22 that, of course, influences the prices that we receive. But
23 in regard to going back and doing the budget, actually
24 what was budgeted and doing a comparison, in some ways
25 it's a little difficult as well because one of the things that we
26 have are a fair number of what I would call multi-year
27 projects, as I explained before, and cash flow could really
28 throw that off. So, we haven't, I guess what I am saying is
29 that we haven't done a very intensive review other than to
30 look back at a higher level as to how we actually performed.

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

32 COMMISSIONER SAUNDERS: Okay. Now that you are
33 going to be measured and rewarded on the basis of
34 accuracy, what have you done to improve that particular
35 part of your responsibility?

36 MR. REEVES: There are at least four things that we have
37 done. As I said, we have been reviewing these over the
38 year but now what we plan to do and we are doing, is that
39 we are using a new software tool which our engineers and
40 our schedulers use to look at the job, the time frame,
41 consideration of the outages, the workforce that's required
42 not only in their section but when contracts are required to
43 be called, when there is an operational requirement for staff
44 or commissioning equipment and what not. So, this year
45 and I think we probably started last year on it, we have it
46 more finalized and fine tuned this year; we are using that
47 software tool as an overall tool for all of our budgets. We
48 are doing better coordination between our engineering
49 people and our field people so that when a job is being

50 constructed and is being readied for testing in the field that
51 the appropriate people are ready so that the job continues
52 without interruption. We also this year are doing several
53 very intensive reviews, the actuals versus the budget as to
54 where we are this year and they have been extremely
55 helpful. We have done those in the past but it has been in
56 the past as I explained before. It's been more on a project
57 by project basis and I guess the last thing that we have
58 done is that we have made changes to the way that we
59 actually budget and I think in response to some questions
60 yesterday there was a realization that there was some
61 money like those diesel units, there was some money in one
62 year and more money in another year. We are putting
63 money upfront now to enable us to do the engineering
64 because under the system that we have with this Board is
65 that unless we have money in our capital budget we can't
66 expend money on capital funds unless the money is there.
67 So, if we were going to replace a diesel and we had all the
68 money in one year we technically can't start on that job
69 until January 1st. So what we have done now is that we
70 have put a small amount of money required to do that job
71 in the previous year so that we can do the engineering
72 work, get the tenders ready, so that when the capital
73 budget gets approved by this Board then we can get off
74 the mark early in the year. So these are the main things that
75 we have done and, of course, our Director of Engineering
76 is constantly tracking this and ensuring that we are going
77 to bring our budget in on line as we have said.

78 COMMISSIONER SAUNDERS: Okay. Thank you Mr.
79 Reeves. A couple of other questions I think before the
80 break and I think that will clue it up for me. Mr. Browne
81 was asking you some questions about the committees that
82 were set up to explore opportunities for cost savings I
83 guess between your company and Newfoundland Power,
84 I made a note, I don't know if it is accurate. It surprised me
85 at the time and that was that in respect of your, I think you
86 had a committee called a Joint Meter Shop Committee ...

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

88 COMMISSIONER SAUNDERS: Did you make a statement
89 that Newfoundland Power only had a small number of
90 meters?

91 MR. REEVES: No.

92 COMMISSIONER SAUNDERS: No.

93 MR. REEVES: If I did that ...

94 COMMISSIONER SAUNDERS: No, I wouldn't have
95 thought that was accurate but anyway that's what I wrote.

96 MR. REEVES: Well, in retro..., what we were reading from
97 was a report and I think that was a comment that was in one
98 of the reports.

1 COMMISSIONER SAUNDERS: Okay.
2 MR. REEVES: And ...
3 COMMISSIONER SAUNDERS: And yes they had a small
4 number of meters...
5 MR. REEVES: ... in comparison to being able to maintain its
6 ... whatever the context was. Yeah. That was reading from
7 a report there was a comment made by ...
8 COMMISSIONER SAUNDERS: How was it these
9 committees got set up to start with? What was the
10 motivation?
11 MR. REEVES: Well, again we initiated back in, I think it
12 was '95 in Hydro where Hydro had a number of task groups
13 on the go to try to lower its costs. One of those task
14 groups the mandate was to, and this was only within Hydro
15 now, was to look at was there a benefit in possibly working
16 with Newfoundland Power for the possible, you know,
17 reduction of overall costs to the customer and that
18 committee came back to Hydro's management and said yes
19 there are possibilities and what Hydro did then is that it
20 approached Newfoundland Power to determine if it was
21 interested in participating in this activity with Hydro for the
22 lowering of costs and better service to our customers. And
23 also as I indicated that I think both Newfoundland Power
24 and ourselves at that point in time were working with our
25 unions as much as we can to try to again have their input
26 into our review process and we both included the business
27 unit manager for our respective units on this particular
28 steering committee.
29 COMMISSIONER SAUNDERS: What now is your
30 assessment of the success of the committee's work?
31 MR. REEVES: I think there is a number of successes in this
32 role. Some people, as we have talked about in a lot of detail,
33 highlighted the points where we couldn't reach a
34 unanimous consensus. There is a number of successes. I
35 think it gives an opportunity to again bring our engineering
36 standards back closer together. It is something that we
37 have to go back at every so often. I think we have did that.
38 I think the liaison between our employees and
39 Newfoundland Power's employees at the working level I
40 think was enhanced a fair bit and I think that enhancement
41 will continue on and again prove to have benefits. I think
42 it gave both of us a little better understanding. The people
43 who are on the committees an understanding of the other
44 utilities and what is available, when they should call, you
45 know in regard to like the PCB transportation outside the
46 Province, those types of things I think there is a number of
47 underlying successes that you wouldn't get by reading the
48 report that was achieved by doing this activity.
49 COMMISSIONER SAUNDERS: If you had to point your
50 fingers at the dollars that were saved, would it be a large

51 number?
52 MR. REEVES: Right now I would say that the dollars
53 savings would not be large but I think it's primarily from the
54 fact that the types of businesses that we both in are
55 essentially different. While we are both into the utility
56 industry, we are primarily a generator and transmitter of
57 power. We have some distribution. The distribution we
58 have with a couple of exceptions is not really comparable
59 to Newfoundland Power's. Our service areas are very
60 dispersed throughout the Province, very sparsely
61 populated. I know that Newfoundland Power has some of
62 those but not a lot of them. Newfoundland Power does
63 generate some generations but it's not as, no where
64 significant to what we do. Their generation, if one of their
65 plants is out of service, you know the system will just keep
66 on treading along in most cases. They have a little bit of
67 transmission but their primary focus is on distribution and
68 in most of the urban areas throughout the Province. So I
69 think the two utilities, while we both are in the service of
70 providing electricity, we are very different so there is not a
71 lot of areas where there are opportunities for a large amount
72 of savings.
73 COMMISSIONER SAUNDERS: There are meetings of a ...
74 is it a different committee now that meets between you and
75 Newfoundland Power?
76 MR. REEVES: Yes, there is a meeting that started up I
77 guess, this is 2001, early 2000 and this basically deals with
78 the performance of our two independent systems, two
79 integrated systems.
80 COMMISSIONER SAUNDERS: But the committees, fifteen
81 or so committees ...
82 MR. REEVES: Oh, they, they haven't, they really haven't
83 met for the last couple of years.
84 COMMISSIONER SAUNDERS: Right. Everyone had a
85 question or two on Harbour Deep, so I have to have one.
86 *(laughter)* We talk about a number of 50 odd that I don't
87 know if it is people or families. How many customers do
88 you have in Harbour Deep?
89 MR. REEVES: That's the number of customers. If that's the
90 number we are referring to, it would be customers. We talk
91 in customers not in population.
92 COMMISSIONER SAUNDERS: Yes, I thought so. So you
93 have 50 odd customers.
94 MR. REEVES: If that's the number that we gave, yes, that's
95 correct yes. Yes, yeah. There has been quite a number of
96 figures the last few days so...
97 COMMISSIONER SAUNDERS: So that would mean using
98 average numbers, there is something around 200 people in
99 Harbour Deep.

1 MR. REEVES: If you use the multiplier of 4, that's correct
2 yeah. So we send them 50 bills. *(laughter)*

3 COMMISSIONER SAUNDERS: Yes, that's the number.
4 Okay. Mr. Powell explored an area of training with and I
5 made some notes on your responses. When was the last
6 time you yourself took any kind of what I'll call training,
7 management training course or seminar? A training
8 program that was intended to make you a better manager.
9 There's all kinds of them out there. I am just wondering
10 when you took the last one.

11 MR. REEVES: You are talking about to enhance skills.

12 COMMISSIONER SAUNDERS: Yes.

13 MR. REEVES: Oh, a number of years ago I would say.

14 COMMISSIONER SAUNDERS: A number?

15 MR. REEVES: A number of years ago, yes.

16 COMMISSIONER SAUNDERS: How many years?

17 MR. REEVES: Oh. Now you are just talking about
18 management skills like I attended quite a number of courses
19 but ...

20 COMMISSIONER SAUNDERS: No, management skills.

21 MR. REEVES: I would say it is greater than five years.

22 COMMISSIONER SAUNDERS: Is it greater than ten?

23 MR. REEVES: I wouldn't say it is greater than ten but I
24 would say probably between five and ten years.

25 COMMISSIONER SAUNDERS: Okay. So is there any
26 program in place that let's say is aimed at keeping you as a
27 V.P. and other Vice-Presidents, member of your Executive
28 Committee say, and your senior managers, up to speed on
29 new management styles and techniques and ideas and
30 innovations and so on?

31 MR. REEVES: Probably the most intensive one that I have
32 attended in the last little while was during 1999, I guess,
33 when we were putting in our new JDE system. We had a
34 fairly intensive, I guess, program when we decided to go to
35 the business unit concept.

36 COMMISSIONER SAUNDERS: But that was specifically
37 ...

38 MR. REEVES: But during that process there was a number
39 of, like we had people come in from the oil industry here in
40 St. John's to go through the different options of how a
41 company can be run and I found that to be very helpful in
42 looking at a larger scale on how you can actually run a
43 company.

44 COMMISSIONER SAUNDERS: And so did you adopt any
45 of the suggestions?

46 MR. REEVES: Yes we did. We went with the business unit
47 concept but we didn't, there was one of the things also that
48 the oil industry is doing is a more team approach than a lot
49 of other industries. They have a team approach and the
50 exact details I cannot remember right now but we didn't
51 adopt that fully team approach but we did change
52 drastically the way that we actually did our businesses as
53 a result of that seminar.

54 COMMISSIONER SAUNDERS: I apologize for flicking
55 back and forth here but one last question and that's on the
56 budget. When you put the numbers together for this year's
57 budget which is contained in your application that we're
58 dealing with at this hearing, was the incentive system, the
59 test system in place when that was put together?

60 MR. REEVES: I think it was, yeah. Yes, it was. It was
61 around the same time actually, I think, that was actually put
62 in place. Now whether, what the days were, I don't know,
63 but it was not that much ...

64 COMMISSIONER SAUNDERS: Now I'm wondering if the
65 impact of the incentive system is going to be seen in this
66 year's budget. Thank you, Mr. Chair. Thank you, Mr.
67 Reeves.

68 MR. REEVES: Okay.

69 MR. NOSEWORTHY, CHAIRMAN: I assume,
70 Commissioner Saunders, you're concluded?

71 COMMISSIONER SAUNDERS: Yes, I am.

72 MR. NOSEWORTHY, CHAIRMAN: Okay. Thank you,
73 Commissioner Saunders. Thank you, Mr. Reeves. It is now
74 five to eleven. Commissioner Whalen I think has some
75 questions and I have a few as well, so we'll continue on
76 with that after the break. It shouldn't be too much longer,
77 I would anticipate probably 20 minutes to half an hour. So
78 we'll reconvene at 10 after. Thank you.

79 *(break)*

80 *(11:30 a.m.)*

81 MR. NOSEWORTHY, CHAIRMAN: Before we get started
82 I'll ask counsel to give us a status report, I guess, or
83 indicate ... I think there's been some documentation that
84 has been distributed concerning the interest in public
85 participation days.

86 MR. KENNEDY: That's correct, Chair. I believe all the
87 counsels received a copy of the list of parties who've
88 contacted the Board Secretary to indicate their intention of
89 presenting an oral presentation and I can confirm that there
90 is planned a meeting of counsels immediately after we break
91 today so that that will be one of the things that we can
92 discuss there at that point. There was also a filing of the
93 amended transcript for October the 4th as per, which has

1 also been given to counsels as per the comments of
2 counsel for Hydro this morning, and that's it.

3 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
4 Kennedy. I'll ask Commissioner Whalen now to begin her
5 questioning of Mr. Reeves, please.

6 COMMISSIONER WHALEN: Thank you, Mr. Chair. Good
7 morning, Mr. Reeves.

8 MR. REEVES: Good morning, Commissioner.

9 COMMISSIONER WHALEN: I think the last time we had
10 this pleasure would have been late November of last year
11 when we were doing the capital budget hearing, and I'll just
12 have a few questions and most of them carry forward from
13 some of the discussions we would have had at that time.
14 When I looked at last year's capital budget it was a budget
15 of something in the order of about \$55 million, if I remember
16 correctly, and the transmission and rural systems
17 component of that budget would have totalled somewhere
18 in the order of about \$33 1/2 million. Does that sound
19 about right?

20 MR. REEVES: That sounds about right.

21 COMMISSIONER WHALEN: Yeah. I didn't do the gross
22 addition. I just sort of looked at the numbers. I remember
23 at the time having some discussion with you about the fact
24 that that was a fairly ambitious budget and a fairly
25 ambitious capital program to be undertaking and also
26 taking into account that some of your staff was also
27 involved in Granite Canal and did get reassurances that
28 you had already examined that question and felt fairly
29 confident that you could complete that program. I note in
30 the filing that the capital expenditures overview is as of
31 April 30th and I'm wondering when would have been the
32 last time you would have had a review of the status of your
33 capital program in TRO.

34 MR. REEVES: Well we do a monthly one and I guess the
35 last time ... this rate hearing has upset some of that to some
36 degree so I've left a lot of that to, even though I
37 communicated to my Director, he has had a couple of
38 reviews that I have not been able to participate in, but
39 currently we are feeling very comfortable with this year's
40 capital budget. We anticipate the completion of all of our
41 jobs this year with the exception of one and that one we
42 brought forward to management and sought approval for,
43 bring it over into the next year. It's a line up on the
44 Northern Peninsula where we ran into a much higher
45 content of bog on our route and in order to do it this year,
46 in the fall, would have probably entailed a lot of
47 environmental damage and it was recommended by our
48 engineers that we actually delay that job until January,
49 February of next year when there's snow cover on the
50 ground and then we could go in and do it and have very, if,

51 you know, very little if no impact on the environment, and
52 that's what was accepted, so with that one exception we're
53 feeling really comfortable that this year we're going to
54 complete our budget.

55 COMMISSIONER WHALEN: So that project will show up
56 as a carryover on next ...

57 MR. REEVES: That's correct, yes. That's right, but it's not
58 shown in that documentation you have before you but in
59 our subsequent filing that one will be coming forward as a
60 carryover.

61 COMMISSIONER WHALEN: Well, in the subsequent
62 filing, I guess, it would in late this month. Will there also
63 be an update as of September 30th of the entire capital
64 budget? Okay, that's fine. I won't take this line of
65 questioning any further then because I'm going to get the
66 answers anyway. That's fine. I just had a question as well
67 because I remember at the time discussing your difference
68 in approach to the Nain diesel plant in terms of you were
69 going with a turn-key type of project as opposed to your
70 normal process, if I can call it that, of doing a lot of the in-
71 house work and engineering and then contracting out just
72 the construction. I wonder if you could give me some
73 indication of your experience on that project?

74 MR. REEVES: Well, yes, we did go out that way and we
75 have awarded the contract and the contractor is currently
76 in on site. It's probably fair to say that we've had to do
77 from an in-house perspective probably a bit more work than
78 we anticipated, but, and that project is one of the ones that
79 will go up towards the latter part of the year. It's a bigger
80 job, remote location in Newfoundland, so I guess our
81 overall experience is probably, when we sit down and do
82 the post-mortem on it, we will have a better feel for it, but
83 where we are right now is that, I guess the only comment I
84 could say to you is that we probably had to spend a bit
85 more time on it from an engineering perspective to ensure
86 the quality of the work that we're going to get is going to
87 be adequate, but other than that I guess it's fair to say that,
88 like any jobs, that we've had our ups and down on that
89 particular job, but it's something that we may explore again,
90 yes.

91 COMMISSIONER WHALEN: I'm trying to remember at the
92 time why you actually went with that kind of a process.

93 MR. REEVES: What we were trying to do is, again, in an
94 effort to cut down on our in-house engineering, it's one job
95 that can be contracted out in its entirety. You're not going
96 into an existing plant where there's a lot of operating
97 equipment, equipment in service, and for that type of work
98 we find that it's best to do them in-house working with the
99 drawings that we have but for the new installation it's
100 something that you contract out as a one job and basically
101 a turn-key situation, and we had planned to have some

1 involvement obviously in doing the specs up and how, the
2 performance of the contractors and the like, but I guess
3 what we found is that we've had to have a bit more
4 involvement than we originally had thought.

5 COMMISSIONER WHALEN: Well you're ...

6 MR. REEVES: But it was an easily packageable item.

7 COMMISSIONER WHALEN: Yeah. Well your experience,
8 I know you mentioned you're going to do a post-mortem,
9 but is your initial reaction that you may explore doing these
10 kinds of turn-key type of projects?

11 MR. REEVES: If we have an opportunity like that in the
12 future, it's something that we can look at, I guess.

13 COMMISSIONER WHALEN: Sure.

14 MR. REEVES: Yeah.

15 COMMISSIONER WHALEN: Does your division, you also
16 provide in-house engineering and construction services to
17 Hydro, is that what I understand?

18 MR. REEVES: To Transmission and Rural Operations, not
19 ...

20 COMMISSIONER WHALEN: Not in general.

21 MR. REEVES: No.

22 COMMISSIONER WHALEN: Okay.

23 MR. REEVES: We do on a very small scale and I think the
24 one example I used was the, there's one item in our capital
25 budget for the tie-in of the Eebbeegunae which is part of
26 our main hydroelectric system, and we would do the
27 engineering costing and construction associated with that
28 particular job, but generally Generation would look after
29 their projects and we would look after ours. There's a little
30 bit of overlay but not a lot.

31 COMMISSIONER WHALEN: Okay. I'm reluctant to ask
32 this question but I have some questions on Harbour Deep
33 as well. I wondered if I could get away without doing it but
34 I don't think I can. In terms of the two projects that are
35 planned for Harbour Deep, the diesel unit purchase and
36 installation and also the diesel plant refurbishment, does
37 one of those projects have to happen before the other?
38 Like does the installation of the diesel unit depend on
39 having a diesel plant ...

40 MR. REEVES: One of the things that we looked at I guess
41 a couple of years ago when we were reviewing our capital
42 budgets for preparation for presenting to management,
43 there was a number of jobs that we saw that we could run
44 concurrently, and if you're going into a community like
45 Harbour Deep and there's a unit that needs to be replaced
46 and there's also an upgrade to require along with other
47 things, what we try to do is package a lot of these things

48 together, and that makes a lot of sense from a point of view
49 of having to get contractors to go in there to do this work.
50 Instead of, you know, setting up the contract and
51 demobilizing and whatnot, we're trying to economize and
52 save those costs as well. Those two jobs could be done
53 separately but I think in this particular case what we tried
54 to do is do both of them together so we can get the
55 economies of the, from a contractor's perspective. Does
56 that answer your question or ...

57 COMMISSIONER WHALEN: Yeah, that answers my
58 question. I don't know if it gives me another question or
59 answers my next question. I guess given the uncertainty
60 at Harbour Deep, the only other question I would have
61 perhaps is what will happen if you don't do either one of
62 those projects next year or can one of those projects
63 happen and give you a better comfort in terms of the
64 reliability or ...

65 MR. REEVES: From the replacement of the diesel, we feel
66 that that needs to go ahead for a reliability perspective for
67 things that we talked about to date. The one regarding the
68 upgrading the plant, there's a number of deficiencies there
69 which relate to safety and other things, and we also feel
70 that they need to be properly addressed as well.

71 COMMISSIONER WHALEN: Can those assets, either the
72 refurbished plant or the unit be used in other locations?

73 MR. REEVES: Well, what we have in the budget as we said
74 is what I would call a typical installation whereby you go in
75 and install a building and put your diesel units inside.
76 Because of the most recent, I guess, and we probably
77 would have did this anyway, but because of the most
78 recent information that we've been getting from the general
79 public and the radio and the media and whatnot and our
80 people in the area, is that there is probably a move afoot
81 that there may be a possibility that the community will go,
82 so we would, with that information, and of course that
83 information has been out there a number of times where a
84 referendum has taken place, but with the most recent one
85 and knowing that there's only one person that really needs
86 to consent to this before the whole community will be
87 relocated, in my opinion what we will be doing now is
88 leaning more towards installing equipment that can be used
89 somewhere else, and that makes reference to what we
90 referred to as the containerized units before.

91 COMMISSIONER WHALEN: When will you do that
92 review?

93 MR. REEVES: Well, right now in the capital budget for
94 2001 we have monies in this year to start the engineering
95 work so that next year we can complete the job on time, so
96 starting around, when we get most of our, this year's work
97 done, then we're going to start on next year's work, so this
98 is when we would really get into and having those

1 discussions as exactly what we should be doing in Harbour
2 Deep, and that would include people like ourselves,
3 operational people, our engineering people and our
4 planning people as well.

5 COMMISSIONER WHALEN: Would it be your intent to
6 bring a revised project scope back to the Board? Is that ...

7 MR. REEVES: What we've done in the past, and the one
8 that comes to my mind is Mud Lake in Labrador, and I'm
9 not sure if you were on the Board at that point in time or
10 not, but we required the plant to be upgraded in Mud Lake
11 and we indicated to the Board that that's what was in the
12 budget but we were looking at other alternatives, and in the
13 end what we did is that we put a cable across the Churchill
14 River to service that community. We put one cable across
15 and we put one stand-by unit over there and that was the
16 cheaper option to go with. What we did, we operated
17 within the same scope of what was I guess given to us as
18 approval and we achieved savings on that particular job or,
19 like, the same costs as what was there. It was a little
20 different scope but it achieved the same purpose. So, like,
21 on Harbour Deep we would, at least my feeling is, that we
22 would feel that we have the, if it's approved, that we would
23 have the approval to go ahead with that upgrade and that
24 and we would carry about and do that business in the most
25 economical, looking towards the future as well.

26 COMMISSIONER WHALEN: So it would be your position
27 that if the Board gives you approval for those projects that
28 are a total of \$850,000 that you essentially have approval
29 for \$850,000 of work in Harbour Deep?

30 MR. REEVES: Up to that, yes. Now, we also, the way that
31 the budget works, some go over, some go under, so we
32 operate, as we've been talking about during this hearing,
33 and going forward within the total approved capital budget
34 for Hydro.

35 COMMISSIONER WHALEN: Assuming that you go
36 ahead with \$850,000 or so of work and the relocation issue
37 is not resolved but it does get resolved in two years down
38 the road, who pays the cost of the \$850,000? How do those
39 costs then get recovered or ...

40 MR. REEVES: Well, what we would do, just say for
41 instance we put containerized units in there, what we would
42 do then is take those containerized units from that
43 community and they're reasonably transportable and we
44 would then work them into our capital program for the
45 replacement of a unit somewhere else that has become
46 aging, so it's not like that we would have to dispose of
47 them and have a lot of value. We would use that to replace
48 another unit somewhere.

49 COMMISSIONER WHALEN: But the labour costs and
50 those costs are ...

51 MR. REEVES: Well, the labour costs, that's exactly right,
52 yeah. They would be there and they would have to be
53 absorbed.

54 COMMISSIONER WHALEN: Okay. I just have one other
55 question and it's really a clarification question. When you
56 were responding to, I think, questions from Ms. Butler, or
57 it may have been Ms. Henley Andrews, about the
58 Springdale area, you used the term, and it differentiates the
59 Hydro's crews from Newfoundland Power's crews, that
60 your crews were self-sufficient.

61 MR. REEVES: Yes.

62 COMMISSIONER WHALEN: Could you just
63 conceptualize that for me in a ...

64 MR. REEVES: What I was trying to say was that the crew,
65 our crews in Baie Verte, except for the major, really major
66 jobs, and I think I used an example if there was a major
67 snow storm that went through there that we would have,
68 that the crews in there would not be able to repair it all in a
69 reasonable period of time, we would then bring out, bring
70 people from our other regions into that region to assist, but
71 barring that, the employees that are in there are able to do
72 all of the work as required for the preventive maintenance
73 programs, our minor upgrades and the like, and contract
74 out a lot of our, you know, significant upgrades, and I was
75 making the comparison to, my understanding of what
76 Newfoundland has in there is that they have one employee
77 in Baie Verte, one employee in Springdale, and they by
78 themselves can do a very limited amount of work by
79 themselves. If there are jobs that require two line workers,
80 then they'll travel back and forth from one community to
81 the other. However, for anything of a, you know, of any
82 size at all, they would have to bring in their crews from
83 Corner Brook or Grand Falls, so the frequency that we
84 would bring in people would be very, very infrequent and
85 depend on the size of what, but I understand that they
86 would bring in their people to support on a more frequent
87 basis, and I don't know what that would be but on a more
88 frequent basis.

89 COMMISSIONER WHALEN: Okay. That was just a
90 clarification for my purpose, that's all. That's all the
91 questions I have, Mr. Chair. Thank you, Mr. Reeves.

92 MR. NOSEWORTHY, CHAIRMAN: Thank you,
93 Commissioner Whalen. Thank you, Mr. Reeves. I have
94 just probably a few questions and you'll probably have to
95 bear with me. I think I have four pages of questions here
96 and I think most of them have been asked over the past few
97 hours and answered, so it may take me a little bit longer to
98 sort of ferret out, if you will, the relevant questions here so
99 there won't be, or there'll be as little duplication as possible.
100 You and I started out in engineering a number of years ago,
101 Mr. Reeves, and I think we both would have done

1 Electricity 101 at the time and certainly listening to you
2 over the past week or so, you have progressed well beyond
3 that, I haven't unfortunately, so I do have a few questions
4 for you.

5 MR. REEVES: Don't make them too hard.

6 MR. NOSEWORTHY, CHAIRMAN: You did refer to the
7 number of staff you have under you as 380 this morning, is
8 that correct?

9 MR. REEVES: That's correct. That's the complement that
10 we show.

11 MR. NOSEWORTHY, CHAIRMAN: Just, I heard but I
12 think it was Mr. Saunders who commented on 25 to 30
13 managers, supervisors. How many managers, supervisors
14 would you have? Is that ...

15 MR. REEVES: I don't have that breakdown right in front of
16 me right now, but I think we were talking about at the time
17 probably the people that would be controlling the assets I
18 think at the time and I was thinking that the number was
19 probably closer to probably 10 for the actual assets.

20 MR. NOSEWORTHY, CHAIRMAN: Okay.

21 MR. REEVES: The actual supervisory staff I guess is what
22 you're asking about.

23 MR. NOSEWORTHY, CHAIRMAN: Do you have any
24 notion at all? If you don't off the top, that's fine.

25 MR. REEVES: No, I don't have it off the top of my head
26 and I could make a stab at it but I'd rather not do that if
27 you're comfortable with that.

28 MR. NOSEWORTHY, CHAIRMAN: No, okay, sure. The
29 percentage roughly of the corporate budget operating and
30 capital that you would control?

31 MR. REEVES: Well, my budget is around \$30 million from
32 an operating perspective. I think the corporate one is
33 around 80 or something.

34 MR. NOSEWORTHY, CHAIRMAN: Okay. It's 40 percent
35 or so.

36 MR. REEVES: The operating budget I would visualize
37 around, sorry, the capital budget runs around 25 or so and
38 I think our capital budget is 48, what you see here.

39 MR. NOSEWORTHY, CHAIRMAN: Significant portion,
40 yeah.

41 MR. REEVES: Yes. Now, why that is significant is that
42 over the last number of years we've been doing major
43 upgrades here on the Avalon, so once that's completed it
44 may drop back a bit.

45 MR. NOSEWORTHY, CHAIRMAN: Sure.

46 MR. REEVES: Marginally.

47 MR. NOSEWORTHY, CHAIRMAN: First just a few
48 questions that I have really relates to the capital budget,
49 and if I could ask Mr. O'Reilly just to bring up **B-3**, I
50 suppose, on the capital budget, please. So if I'm
51 understanding, and this may not be technically correct in
52 an accountant's determination, but is this, the way this is
53 prepared, virtually a cash flow budget and that the
54 expenditure is shown and the year and the time it is spent?

55 MR. REEVES: That's the intent of our budget, is the year
56 that it's ...

57 MR. NOSEWORTHY, CHAIRMAN: It may not ...

58 MR. REEVES: That we estimate it's going to be spent.

59 MR. NOSEWORTHY, CHAIRMAN: Yeah.

60 MR. REEVES: Yeah.

61 MR. NOSEWORTHY, CHAIRMAN: I realize there may be
62 some carryover in the front end of that and the rear end of
63 that which might, as I say, not be technically correct from
64 an accounting perspective.

65 MR. REEVES: That's right, that's right.

66 MR. NOSEWORTHY, CHAIRMAN: So essentially all
67 these projects that are listed under transmission, the money
68 will be spent in 2002. That's correct, right?

69 MR. REEVES: That's our plan, yes.

70 MR. NOSEWORTHY, CHAIRMAN: Okay. Could I have
71 **B-4**, please, Mr. O'Reilly? Now just, if I may, in the
72 situation here, all projects are over \$50,000 by category, so
73 there's no breakdown of under \$50,000 and that's at the
74 direction of the Board, correct?

75 MR. REEVES: In this particular attachment, yes.

76 MR. NOSEWORTHY, CHAIRMAN: Yes. But just look at,
77 I think it's maybe William's Harbour.

78 MR. REEVES: Yes.

79 *(11:45 a.m.)*

80 MR. NOSEWORTHY, CHAIRMAN: Let me go to
81 McCallum, I'm sorry. Going to jump up above to McCallum
82 there. There was \$11,000 expended in 2001 and 297 to be
83 expended in 2002. The fact that you would have \$11,000 as
84 the up-front expenditure, you would still deal with that
85 project in its totality and bring it to the Board, that's
86 correct, would you?

87 MR. REEVES: Well, all projects are brought forward but on
88 this **Schedule B** only the ones that are above \$50,000 are
89 listed. I think if you went back to ...

90 MR. NOSEWORTHY, CHAIRMAN: In terms of a total

1 cost, what I'm saying is ...

2 MR. REEVES: Total cost, yes.

3 MR. NOSEWORTHY, CHAIRMAN: Yeah.

4 MR. REEVES: That's right. But as I understand ...

5 MR. NOSEWORTHY, CHAIRMAN: So even if it's less
6 than \$50,000 in the first year, you bring that, if the total cost
7 exceeds \$50,000, you bring it forward.

8 MR. REEVES: Well ...

9 MR. NOSEWORTHY, CHAIRMAN: So it's captured in ...

10 MR. REEVES: Well, in **Schedule A** all the budgets are
11 listed, all the ones, even the ones that are less than \$50,000.

12 MR. NOSEWORTHY, CHAIRMAN: Okay.

13 MR. REEVES: But in **Schedule B** we only list the ones that
14 are in A that are above \$50,000.

15 MR. NOSEWORTHY, CHAIRMAN: Okay. Now, in
16 situations, and I think Ms. Whalen referred to Harbour
17 Deep, and I'm not going to get into specific questions on
18 Harbour Deep, I'll relieve you of that, in a situation where
19 indeed, and I think Mr. Kennedy talked about this
20 yesterday, where, after you submit the budget you decide
21 to go another way, if you will, and that indeed may result in
22 cost savings or indeed it may result in additional costs,
23 from what I understand you to say to Commissioner
24 Whalen is if indeed the alternative is in, generally in line
25 with the dollar value of what has already been approved,
26 you proceed with that.

27 MR. REEVES: Yes, that's right, yes.

28 MR. NOSEWORTHY, CHAIRMAN: At what point would
29 you see coming back to the Board in relation to a project
30 and on what criteria would you base that decision?

31 MR. REEVES: My understanding is that we report to the
32 Board on a quarterly basis and during that report we give
33 an update on our capital plan that we have submitted and
34 had approved by the Board and we would explain any
35 exceptions to that report and again I think it's based on a
36 \$50,000 value where we would give explanations. Included
37 in our budget we also have a contingency fund and this
38 would be for unscheduled work that we had not planned on
39 but come up from time to time. If we are to exceed the
40 contingency fund, similar to what we did last year because
41 of the customer requirement, there was items that arose
42 which were not in the capital plan, we were not able to
43 handle in the contingency fund, so we would make then
44 special application to this Board for approval for that, and
45 the ones I'm referring to last year are primarily to do with
46 Charlottetown, if the Board may remember those. So really
47 I think the Board sees our capital plan as approved, on a

48 quarterly basis, we would report any exceptions to that
49 capital budget of a significant nature. Any unplanned work
50 that we did not anticipate that we approved to go forward
51 with, and that would be like if we had a premature failure of
52 a diesel unit that was not in our plan, we would take that
53 out of the contingency fund. If the contingency fund is
54 not large enough and there was a further requirement, then
55 that would come back to this Board.

56 MR. NOSEWORTHY, CHAIRMAN: So is that only in
57 respect of an unforeseen project or is it in respect of a
58 distinct alternative to a project that's in there?

59 MR. REEVES: My feeling is that if something were to
60 change on one of the projects that you approved, that
61 would be most likely reported in the quarterly report. Now
62 whether we used ... say, take the Harbour Deep, for
63 instance. If we go next year and we go with containerized
64 units wherein our budget that we have a plant and that
65 we're able to do within budget, that would not normally, I
66 feel, be reported to the Board, but because the budget that
67 was approved is to deal with the situation in Harbour Deep
68 which is a diesel unit and a necessary upgrade, and what
69 we did in the engineering evaluation that we did prior to
70 commencing that work, we did an evaluation to be the most
71 cost-effective, and in those cases we would probably most
72 likely not report unless it was within the parameters of the
73 variances on the capital budgets which is plus or minus
74 \$50,000.

75 MR. NOSEWORTHY, CHAIRMAN: So from what I
76 understand you to be saying, if indeed it's a distinctive
77 project or an emergency project that goes beyond the limits
78 that have been provided for or indeed, you mentioned 10 or
79 15 percent there, that you would essentially come back to
80 the Board for approval of that specific project.

81 MR. REEVES: No. On the items that are in the budget we
82 would not specifically come back, on the ones that are in
83 the budget. We would report to the Board the variances as
84 we incur those. We would not normally come back for
85 approval for the ones out of the contingency fund. We
86 would spend those, but again we would report that to the
87 Board in our quarterly reports. The ones that we would
88 come back specifically to the Board for are ones that are in
89 addition to those, that are not part of the original budget,
90 are not part of the projects that are raised in contingency,
91 but are, cannot be handled in any one of those and they are
92 outside of the budget that we have approved.

93 MR. NOSEWORTHY, CHAIRMAN: Okay, thank you. I
94 think in, and again I have references here but I don't think
95 I'll go to those, I think you've conceded that any certainly
96 increase in capital costs would be reflected in increased
97 capitalized costs and indeed any higher than projected,
98 higher than projected expenditure in relation, or lower,

1 excuse me, lower expenditure in capital costs in any given
2 year would not necessarily be reflected in the, would not
3 necessarily be reflected in the rate base simply because the
4 rate base at a higher expenditure capital cost would be
5 based on the test year. Is that fair to say?

6 MR. REEVES: That's right. As I understand it, again ...

7 MR. NOSEWORTHY, CHAIRMAN: I think you've
8 conceded that generally speaking ...

9 MR. REEVES: As I understand it ...

10 MR. NOSEWORTHY, CHAIRMAN: ... that point on a
11 couple of occasions.

12 MR. REEVES: Unless your capital, very significant in your
13 test year ... in the test year if you underspend ...

14 MR. NOSEWORTHY, CHAIRMAN: Right.

15 MR. REEVES: ... or overspend in your test year, then it can
16 be, I guess, different information that was considered in
17 setting the rates.

18 MR. NOSEWORTHY, CHAIRMAN: Sure. So just on
19 **DWR-2** that was distributed yesterday, Mr. Reeves ...

20 MR. REEVES: Yes.

21 MR. NOSEWORTHY, CHAIRMAN: ... the capitalized
22 expenses that are there, and in these instances would be
23 reflected as lower, the actual capitalized expenses that
24 would appear in the rate base and what the rates would be
25 based on would be the original that would be contained or
26 the budget in the test year. That's correct, is it?

27 MR. REEVES: My understanding is that what would be
28 considered in the rate base would be the 2002 on this sheet
29 as filed, which is a credit of \$2.861 million. That's what it
30 would be considered in the test year.

31 MR. NOSEWORTHY, CHAIRMAN: Okay. So in 2002, 3,
32 if it was lower than that, that wouldn't get reflected.

33 MR. REEVES: Would not be reflected in the rates unless
34 we came back lower or higher, yeah.

35 MR. NOSEWORTHY, CHAIRMAN: Exactly, right. Now,
36 are these ... I believe you said yesterday these are salaries
37 only, is that correct?

38 MR. REEVES: That's in the capitalized expenses, salaries
39 only, yes.

40 MR. NOSEWORTHY, CHAIRMAN: Okay.

41 MR. REEVES: Yeah. This is ...

42 MR. NOSEWORTHY, CHAIRMAN: So how does the other
43 expenditures in relation to materials and other things get
44 picked up?

45 MR. REEVES: Well, we have a ... this is the operating
46 budget. We have another system in our financial records
47 for capitalized expenses.

48 MR. NOSEWORTHY, CHAIRMAN: Right.

49 MR. REEVES: And we would raise a capital work order and
50 all costs associated with that particular activity, materials,
51 contract, capitalized expense, are tracked on that particular
52 system.

53 MR. NOSEWORTHY, CHAIRMAN: Okay. So this is done
54 on a separate track from this here.

55 MR. REEVES: It's an integrated system but this one here is
56 the operating expense, the other one is the capital
57 expenses.

58 MR. NOSEWORTHY, CHAIRMAN: Okay. I had some
59 questions in relation to process on the capital budget as a
60 follow-up to Ms. Butler's questions, I guess, back on
61 October the 1st, and I think you've covered some of those
62 in responding to Mr. Saunders' questions this morning.
63 The ... because I think you've explained the process this
64 morning whereby it is a sort of a ... it starts at the asset
65 managers, they put it together, they bring it forward to the
66 Director, the Director would bring it forward to you and
67 you would review the capital budget. How ... that goes
68 forward then to the management group and then forward to
69 the Board of Directors.

70 MR. REEVES: That's right.

71 MR. NOSEWORTHY, CHAIRMAN: Is there any
72 prioritization (*sic*) of that budget that takes place by you, the
73 managers and the management group? It would seem to me
74 that there would be perhaps a variety of capital projects
75 that would come from another, from a variety of sources.
76 You would only be one of them or your area would only be
77 one of them. And does a prioritization or ranking occur after
78 you have ... in other words, do you go in and make your
79 arguments and somebody else will go in and make their
80 arguments in respect of their capital budget?

81 MR. REEVES: Yes, and as the Board counsel discussed
82 with me, there are categories that we selected. There's
83 some that we feel we have no option on, that they would be
84 safety issues, imminent service requirements as we went
85 through yesterday, however, and what management looks
86 at then is that we try to, I think the term is to finance our
87 capital program from our, I'm not sure of the term now, but
88 from the cash that's generated on an annual basis. If we're
89 not able to do that and things are still required, well then
90 we know that eventually we will have to come back for a
91 rate hearing to cover those costs, but in the first instance
92 we do try to maintain a certain level of capital expenditures
93 and if the budget that is being brought forward is higher
94 than that, then we would, as best we can, prioritize the list

1 that is brought forward according to the, to discussions
2 that we had previously in regard to the criteria that's in the
3 capital budget.

4 MR. NOSEWORTHY, CHAIRMAN: Basically, from what
5 you're saying, you get your capital budget approved pretty
6 well every year unaltered, is that correct?

7 MR. REEVES: I wouldn't say that, no, no. I wouldn't say
8 that. I would say that every year there's changes made to
9 my budget to some degree and others as well, but what I
10 intend to bring into management is what I think is the bare
11 necessity to do to maintain the reliable service of the
12 company, so I would like to think that what I bring in
13 should not be altered very much because if it is altered very
14 much then my staff and myself, we haven't done it down to
15 the bare bones.

16 MR. NOSEWORTHY, CHAIRMAN: Okay. In terms of
17 throughout the year your monitoring and review of the
18 capital budget, how do substantial variances get picked up
19 and how do they get dealt with by you?

20 MR. REEVES: We have a, what we call a BC and F Report,
21 budget, cost and forecast, and that's done on every project,
22 and every month we review those, myself and the, primarily
23 my two directors, operation and engineering. Most of the
24 projects covered by the BC and F Report would be the
25 responsibility of the Director of Engineering. We review
26 those and he would bring forward any changes, significant
27 changes that are in the budget, and we would have a
28 debate as to how best to address those, and if there are
29 corrective actions in one particular area or the other
30 required, so we would do that on a monthly basis, and this
31 BC and F Report would give us budget, it would give us
32 the, all the information necessary to go right into the
33 project itself, contracts, material supplies and the like.

34 MR. NOSEWORTHY, CHAIRMAN: You would address on
35 a monthly basis any particular variances that you would be
36 unhappy with.

37 MR. REEVES: That's right.

38 MR. NOSEWORTHY, CHAIRMAN: Okay. Who's
39 ultimately responsible for the capital budget? Does that
40 depend on the particular projects, like you would be
41 responsible in your area for any ...

42 MR. REEVES: Like for TRO I am ultimately responsible in
43 Hydro for the TRO budget.

44 MR. NOSEWORTHY, CHAIRMAN: Okay. And others,
45 Mr. Henderson in Planning and ...

46 MR. REEVES: Ultimately in Generation it would be the
47 Vice-President of Production, which is Mr. Jim Haynes, and
48 that's primarily the people that would have responsibility
49 for the majority of our capital program.

50 MR. NOSEWORTHY, CHAIRMAN: I guess something
51 yesterday that you had commented on, primarily in respect
52 to, I think, Mr. Kennedy's questioning, we have a capital
53 budget that's before us, and I think as Mr. Kennedy
54 commented, there's very few areas where there's cost
55 benefit studies that have been presented, indeed I think
56 there's references there to in most instances they would not
57 be required, and I think that you had outlined a list of
58 criteria against which these projects are measured, safety
59 and other ... there's a variety of criteria there. But I think
60 you conclude that in the capital budget itself, in the
61 presentation, there's no justification on a project-by-project
62 basis in relation to each one of those criteria.

63 MR. REEVES: In regard to a cost benefit analysis. Like ...

64 MR. NOSEWORTHY, CHAIRMAN: Or a general
65 qualitative review. I didn't see it in any event.

66 MR. REEVES: I guess how to respond to your question is
67 that if we have an asset in service, and I think the example
68 that we used was to deal with the replacement of insulators
69 on our transmission lines. On page A-5 I think there was a
70 ... I think that's the page that we went to. Whether you
71 need to do a cost benefit analysis to determine if you need
72 insulators on the line in our opinion is not an exercise that
73 you need to go through, but what you need to go through
74 is that once you decided that that needed to be replaced,
75 and that's what we bring forward to the Board for, is the
76 requirement to replace those for a reason, then what we
77 would do is when we raise, when we did the original
78 evaluation as well as when we raise the work order, we
79 would do an engineering review on the best way to replace
80 those insulators using the most appropriate and
81 technological acceptable solution to our problem. That
82 we're not viewing as a feasibility review or a cost benefit
83 analysis.

84 MR. NOSEWORTHY, CHAIRMAN: No.

85 MR. REEVES: Okay? We ...

86 MR. NOSEWORTHY, CHAIRMAN: I guess I'm not coming
87 at it from the point of view of cost benefit necessarily. I
88 mean, there may very well be that a cost benefit is not
89 required in respect to some of these projects.

90 MR. REEVES: Yes.

91 MR. NOSEWORTHY, CHAIRMAN: But certainly in terms
92 of justification I would think, based on what you were
93 saying, that they would be ranked, or not necessarily
94 ranked but considered in relation to the criteria that you've
95 outlined ...

96 MR. REEVES: Uh hum.

97 MR. NOSEWORTHY, CHAIRMAN: ... to protect human
98 life ...

1 MR. REEVES: I think it's on **B-6** actually.

2 MR. NOSEWORTHY, CHAIRMAN: ... to meet customer
3 load demand, etcetera, etcetera.

4 MR. REEVES: It's on **B-6**.

5 MR. NOSEWORTHY, CHAIRMAN: **B-6**? Yeah.

6 MR. REEVES: **B-6**, yeah, yeah.

7 MR. NOSEWORTHY, CHAIRMAN: Yeah. So certainly
8 these projects haven't necessarily been weighted in this
9 presentation on that basis.

10 MR. REEVES: What you're finding in our projects here,
11 there are some which would fit into the first five categories,
12 which is the protect human life, protect customer load
13 demand, prevent imminent interruption to customer service
14 and so on. You will find some in here but I think that most
15 of ours that you would find in here are to deal with the last
16 one.

17 MR. NOSEWORTHY, CHAIRMAN: Yeah. I think it's fair
18 to say it's not, you know, from my perspective in any event,
19 it's not necessarily descriptive into the projects that are
20 here, and I believe, and I don't want to belabour this, but I
21 believe in reference to Mr. Kennedy's comments, you had
22 concluded that it's based on your experience and intuition,
23 some of this here, and I guess, you know, I would ask as a
24 regulator who's responsible for considering the capital
25 budget and considering what might be justified and what
26 might not be, because other than that if we're here for a
27 rubber stamp, I don't think that's what we're here for.

28 MR. REEVES: No.

29 MR. NOSEWORTHY, CHAIRMAN: But ultimately I don't
30 have your experience and intuition ...

31 MR. REEVES: No, okay.

32 MR. NOSEWORTHY, CHAIRMAN: ... in this area, as you
33 can appreciate.

34 MR. REEVES: Yes.

35 *(12:00 p.m.)*

36 MR. NOSEWORTHY, CHAIRMAN: And I suppose from
37 the point of view of coming at it from a regulator point of
38 view, without a cost benefit, which may not be relevant,
39 without necessarily a project description which at least ties
40 the project to these criteria, it's very difficult, as you can
41 appreciate, for us to really evaluate in a sound manner, you
42 know, the projects that are contained in the budget or at
43 least get a good sound perspective on the overall budget.
44 Would you agree with that?

45 MR. REEVES: I guess in reference to using intuitive
46 information that we have available to us, I think that was

47 during a discussion that we might have had with the
48 replacement of the diesel units, and I was trying to explain
49 how some of it is intuitive, some of it is a result of talking to
50 utilities who are in similar businesses, and I guess we're
51 talking about doing a cost benefit analysis. Now we may
52 be all hung up on what we actually mean by a cost benefit
53 analysis. I guess from my perspective, to do a cost benefit
54 analysis on whether the unit has to be replaced or not, from
55 our opinion, was not necessary, but now whether we're
56 giving the Board completely adequate information, even
57 though a cost benefit analysis is not being required,
58 whether we're giving you enough information that you feel
59 comfortable in the requirement for what we're doing, that's
60 another question. What we have been doing over the last
61 couple of years, because of the RFIs that have been asked
62 and also the questions that we have been asked here on
63 the stand during our capital budget we have been including
64 more information to the Board both in Section B and also in
65 the request for information, and I guess we're trying to get
66 to the level of information that the Board requires to make
67 its decision on our capital budget, and we're not opposed
68 to giving the Board information but what we don't want to
69 do is to flood you with information either because I think
70 that would be on the other side of, to err on the other side
71 as well. So what we're trying to determine, at least in my
72 section, is to give the Board the appropriate amount of
73 information that they require to feel comfortable in
74 approving these budgets, and whether it's a cost benefit
75 analysis or whether it's the results of an engineering review
76 or something, if the Board is feeling uncomfortable with
77 what we're providing, well then it might be more appropriate
78 for the Board to give us an indication where they might
79 need some extra information.

80 MR. NOSEWORTHY, CHAIRMAN: Fair enough.

81 MR. REEVES: Okay?

82 MR. NOSEWORTHY, CHAIRMAN: Yeah, that's fine. Just
83 on the operating budget briefly, is there any distinctions,
84 I suppose, between the process that you've described, and
85 I think you've expanded on that process, as I say, in
86 respect of Ms. Butler's questions and as well Commissioner
87 Saunders' questions, would the operating budget in terms
88 of process be very much the same?

89 MR. REEVES: It would be very much the same, just a little
90 different time frame actually. We attempt to do our capital
91 budget first so that the capitalized expense can be input
92 into our operating budgets, but that's basically the only
93 difference. The process will be virtually the same.

94 MR. NOSEWORTHY, CHAIRMAN: Okay. Back again, it's
95 I think back on October the 1st I have listed here, you talk
96 about the assignment of overheads, and I think Mr.
97 Osmond, you referred to, assigned overheads. Would that

1 be in respect of overall administration, management, your
2 head office and that sort of thing? Is that what you were
3 referring to there?

4 MR. REEVES: Overheads, that's what it would mean. Like
5 in our ... if you're referring, like, capital budgets, there's a
6 line item in our capital budgets which would be for
7 overheads and that's what it would cover is all of the
8 administrative, the building (phonetic) charges and
9 whatnot.

10 MR. NOSEWORTHY, CHAIRMAN: So these are general
11 overheads.

12 MR. REEVES: Yes.

13 MR. NOSEWORTHY, CHAIRMAN: You wouldn't be
14 accountable, held accountable for those in any way, shape
15 or form.

16 MR. REEVES: But they still have to be included in the
17 budget and then we put a number in there and that varies,
18 then it has ...

19 MR. NOSEWORTHY, CHAIRMAN: So it doesn't ...
20 regional office overhead and all that would be directly
21 inserted in your budget ...

22 MR. REEVES: That's right, yeah.

23 MR. NOSEWORTHY, CHAIRMAN: ... and you would be
24 accountable for that.

25 MR. REEVES: That's right, yeah.

26 MR. NOSEWORTHY, CHAIRMAN: Okay.

27 MR. REEVES: We are accountable for the building
28 (phonetic) ground maintenance associated with the
29 regions.

30 MR. NOSEWORTHY, CHAIRMAN: Okay. Just bear with
31 me for a moment here. Could I ask Mr. O'Reilly just to, I
32 think it's the **October the 1st transcript**, page 40, please?
33 The line here is 32. Yeah, I think it's here at line 29. And
34 you make the comment that what you see here basically is
35 for budgeting purposes where you probably look at once
36 a year or twice a year and it's done a year in advance, it's
37 not a good monitoring tool, and you're talking about
38 budgeting here, as I read it in any event, in regard to being
39 able to control your budget as you're going through the
40 year and what you want and what we have on a monthly
41 basis are the adjusted budget figures to accommodate the
42 changes that we've made and that's where we control our
43 budgets. And I think you made the comment too in respect
44 of the capital budget and you almost seem to be, some
45 degree, divorcing the budget, which I would assume is the
46 best projection at the time when the budget is made and the
47 actual expenditure, and certainly in terms of control it
48 would seem to me that your budget is made, you revise
49 your budget and then you work towards ensuring that your
50 operating or capital indeed is either on budget or below
51 budget. You seem to comment here, you're almost, as I say,
52 divorcing the two ... could you comment on that, just ...

53 MR. REEVES: Can we just move the screen up a little?

54 MR. NOSEWORTHY, CHAIRMAN: Yeah.

55 MR. REEVES: Because I think we talk about here vacancy
56 reductions.

57 MR. NOSEWORTHY, CHAIRMAN: Right. Which is a part
58 of the operating budget.

59 MR. REEVES: That's exactly right, but the way that the
60 vacancy reductions are actually budgeted, they're all
61 budgeted in Mr. Osmond's and then they're transferred
62 over to me after they're approved and that. Now I'm just
63 trying to get a flavour for the question here.

64 MR. NOSEWORTHY, CHAIRMAN: I guess this is what
65 I'm getting at, probably just to try and clarify. You
66 commented on the process is much the same. You indicate
67 right at the top, I have it line 17, but ... see, what happens
68 is that once the, when I see the budget for the first time,
69 which is the annual budget, but you have sat down with
70 Mr. Osmond and discussed your staffing requirements and
71 discussed what you need in terms of staffing and he ...

72 MR. REEVES: Yeah. I ...

73 MR. NOSEWORTHY, CHAIRMAN: ... makes some
74 adjustments on that basis. I'm trying to get at what level of
75 control you have over your own staff.

76 MR. REEVES: What I mean here is that in January is the
77 first year (*sic*) that I see an operating report as an operating
78 report, and that's what I measure our performance through
79 going through the year.

80 MR. NOSEWORTHY, CHAIRMAN: Okay.

81 MR. REEVES: What I've seen before that are consolidated
82 or is my own budget, but I call these our financial
83 measurements for me going through the year, and the first
84 one I see obviously is the January report, and in the
85 January report, without reading through all this, in my
86 salaries' accounts there would be no vacancy reduction in
87 the first instance. As we ... would all be in Ms. Osmond's,
88 the vacancy reduction. So as we ... and I have to achieve
89 a certain vacancy reduction in my budget and because my
90 staff ...

91 MR. NOSEWORTHY, CHAIRMAN: Is that a matter of
92 discussion or again prioritization of transmission versus
93 planning versus somewhere else in the organization?

94 MR. REEVES: As we talked about before, Hydro in its
95 operating budget, because we have a number of vacancies

1 throughout the year and they're vacant for a period of time
2 and for other reasons as well, there's always that you don't
3 spend your permanent complement dollars, so what Hydro
4 does, it budgets a, just a blanket item there which is
5 vacancy reduction, and that's put in Mr. Osmond's budget,
6 because we don't always know where these vacancies are
7 going to occur, but the way that we split up that million
8 dollars is that it's done on the complement per division.

9 MR. NOSEWORTHY, CHAIRMAN: Just across the board,
10 is it?

11 MR. REEVES: Just across the board in the first instance.
12 That's what our achieving the goal is, but there are some
13 divisions which have very little turnover, okay. They may
14 not be able to achieve it, other divisions may have more
15 turnover and they are able to achieve a higher savings, but
16 our goal at the first part of the year, like for my ...

17 *(12:15 p.m.)*

18 MR. NOSEWORTHY, CHAIRMAN: Excuse me, how does
19 that get dealt with, the relative reductions from one area to
20 another in that, as you say, some one area might be able to
21 achieve more, another area might? Who decides and how
22 does that get dealt with?

23 MR. REEVES: The way that it's divvied up in the first part
24 of the year is that, like, for instance, I know that I have 45
25 percent of the staff, so of the \$1 million I have to save
26 \$450,000. If I don't do it on salaries, that means I got to go
27 somewhere else, either in hourly wages or somewhere else.
28 That's the way I got to do it. So, but going through the
29 year, and what I was trying to comment on here, is that
30 these adjustments are made throughout the year as we
31 achieve our vacancy reduction, so we're actually
32 transferring dollars from or savings from Mr. Osmond's
33 budget down to mine, okay.

34 MR. NOSEWORTHY, CHAIRMAN: Throughout the year.

35 MR. REEVES: Throughout the year. That's what we ...
36 that's how we do it. So, but that doesn't mean to say that
37 I'm not reviewing my budget every month, not only for
38 vacancy reductions but for everything else. So if I leave
39 the impression in this note that I only look at my budget
40 every so often throughout the year, that's not true.

41 MR. NOSEWORTHY, CHAIRMAN: So the ... in **DWR-2**
42 then, again referring to that, the budget figure that's
43 approved for 2001, if indeed there were savings that you
44 would have to achieve there as the Vice-President TRO,
45 that those savings would be reflected in that and the same
46 relative savings would be reflected in the actual figures
47 filed?

48 MR. REEVES: Yeah. Without going back over all the
49 details for that, because ...

50 MR. NOSEWORTHY, CHAIRMAN: No, I don't want to do
51 that.

52 MR. REEVES: Ms. Butler and myself had a long discussion
53 on the \$19 million and not included in that number, like
54 that's the number for the permanent complement prior to
55 the elimination of positions earlier this year. It also does
56 not include the vacancy reduction. Those two numbers are
57 included in Mr. Osmond's budget, so my actual budget for
58 this year for permanent salaries is lower than that, but what
59 ... and I know that when we review it, okay, and as we go
60 through the year we made the change in complement. Then
61 my budget is reflected and that savings that was shown up
62 in Mr. Osmond's budget is transferred to mine, so it lowers
63 my permanent complement number.

64 MR. NOSEWORTHY, CHAIRMAN: Sure. And I guess
65 you know that, Mr. Reeves. I have no doubt about that,
66 but all I'm trying to establish is that we're looking at
67 relatively speaking comparative figures here.

68 MR. REEVES: That's right, and that number that, right
69 there, is not the number for my permanent complement right
70 now, okay, as we explained with Ms. Butler. That number
71 has to be adjusted for the complement changes that was
72 made earlier this year, the 31 positions. It also has to be
73 adjusted for the vacancy reduction that I am responsible
74 for achieving this year, but the overall salary budget for
75 Hydro, if you were to look at it at a consolidated level,
76 would be right ...

77 MR. NOSEWORTHY, CHAIRMAN: Okay.

78 MR. REEVES: ... for the test year.

79 MR. NOSEWORTHY, CHAIRMAN: Right, but the TRO
80 figures would be ...

81 MR. REEVES: Mine are up ...

82 MR. NOSEWORTHY, CHAIRMAN: ... need adjustment.

83 MR. REEVES: Mine are up by a certain amount, Mr.
84 Osmond's are down by a certain amount.

85 MR. NOSEWORTHY, CHAIRMAN: Okay, thank you. I'll
86 just try and ... just on the business units, you commented
87 this morning that the manager, the asset managers use that
88 as a, certainly a cost control tool and they would certainly
89 be very concerned about that on a monthly basis. Does
90 that, those series of business units, and they would be,
91 their performance, and they would be held accountable to
92 some degree although there's no specific incentive program
93 in place at this point in time, but does that come together as
94 well, those business units in a centralized fashion and you
95 would be responsible for a business unit per se or is that,
96 in a formalized sense now within the system, or are these
97 business units simply at that asset level and down in the
98 organization?

1 MR. REEVES: Okay. Well I guess the business unit I'm
2 responsible for would be TRO, but that's not the level that
3 we manage at in TRO obviously. The business unit level
4 would be ... the level at which the business units are
5 scrutinized would be at the manager level. Once you start
6 consolidating them, you're consolidating two like business
7 units like two asset business units, one in central, one in
8 northern, so I would see it at the consolidated level and
9 then it's not really at the business unit level, it's at the
10 expense code level like salaries, material supply, as you see
11 in this table that we just looked at.

12 MR. NOSEWORTHY, CHAIRMAN: Okay. Could you just
13 comment briefly for me, how do issues get dealt with at the
14 corporate level besides budgets, if you have a major ...
15 what sort of process do you have, weekly management
16 meetings, monthly, do you have an agenda? How do you
17 ... if you have a major issue to be dealt with at a
18 management, at an executive level within the organization,
19 how does that get dealt with?

20 MR. REEVES: We have a monthly formal management
21 meeting that takes place and at that if there are any items
22 that I need to have approved, then I would bring forward to
23 the Management Committee for consideration.

24 MR. NOSEWORTHY, CHAIRMAN: Okay. Diesel costs,
25 and I don't think this question has been asked, but did you,
26 do you actually call tenders for supply of diesel fuel? I
27 guess you would.

28 MR. REEVES: Yes, we do, and we've been doing that for
29 quite a number of years and the, currently we went out, I
30 think it was one or two years ago, for a five-year contract
31 and went publicly to tender for it and what we have in place
32 right now is a five-year contract.

33 MR. NOSEWORTHY, CHAIRMAN: So we talked about
34 the Montreal rack rate yesterday, as I recall, and you had
35 indicated, or maybe it was Ms. Greene indicated that indeed
36 there may be adjustment for the cost of service model later
37 on, depending on how the current rate at the time or the
38 projected or forecasted rate might actually compare. I
39 presume you would buy that when, during the summer,
40 store it during the winter obviously in coastal Labrador, for
41 example?

42 MR. REEVES: A lot of ours, and I don't know if this is a
43 good time to do it, but yesterday when I gave the response,
44 I think it was to Ms. Butler, for **NP-209**, was it ...

45 MR. NOSEWORTHY, CHAIRMAN: Right.

46 MR. REEVES: ... and I indicated that the ... **219**, sorry ...
47 that these prices here are reflective of the monthly all rack
48 price. They are in fact not the Montreal rack price. On top
49 of that we put down the average price that we have for our
50 purchases and for what I gave yesterday was the 33.8

51 cents, which is the Montreal rack price. On top of that you
52 should add 8.9 cents, which is the average purchase price,
53 the price of all of our diesels across our system, so the
54 number that should be compared to this table is 42.7.

55 MR. NOSEWORTHY, CHAIRMAN: Versus I think it was
56 42 or something like that you had in your ...

57 MR. REEVES: Well, what's in the ...

58 MR. NOSEWORTHY, CHAIRMAN: 42 for ...

59 MR. REEVES: ... 2001 budget is 44, as you can see, so we
60 are down marginally.

61 MR. NOSEWORTHY, CHAIRMAN: So it is marginally, not
62 ...

63 MR. REEVES: Not as I indicated yesterday.

64 MR. NOSEWORTHY, CHAIRMAN: Not as you had
65 indicated.

66 MR. REEVES: I apologize for that.

67 MR. NOSEWORTHY, CHAIRMAN: Okay. But how do
68 you ... you would purchase that, just so I can understand
69 it, you would purchase that in the summer then ...

70 MR. REEVES: Yes. Now to go back to your question ...

71 MR. NOSEWORTHY, CHAIRMAN: ... at the rates that are
72 relevant then and then you store it over the winter months
73 in coastal Labrador, for example?

74 MR. REEVES: That's right, yes. In most of our locations,
75 that is exactly what we would do. It's based on the
76 Montreal rack price. Towards the latter part of the shipping
77 season, in particular in Labrador, we would put enough
78 storage or put enough fuel in storage to get us over the
79 winter months and a little bit of leeway in the spring. In the
80 spring we would then go in with the tankers and fill up
81 again, you know, but the main fill-up is done in the fall of
82 the year. Here on the island for some of our isolated diesel
83 plants, primarily on the southern coast, we don't
84 necessarily have to have the same arrangement for that.
85 There's not as much ice down that way. We may have a
86 little different fill-up sequence down there but in Labrador
87 you're exactly right. The main fill-up would be in the fall of
88 the year.

89 MR. NOSEWORTHY, CHAIRMAN: I'll soon be completed.
90 You had referred on page six of your direct testimony, and
91 I think it was with regard to the ... if I could just, Mr.
92 O'Reilly, please ... there's a reference there, yeah, it's on line
93 9 and 10. You refer to the fact that ... there is a more
94 generalized reference there. You refer to the fact that in
95 terms of locating your employees, and perhaps this would
96 extend to the regionalization to some degree that took
97 place, you indicate that this is, these are strategically

1 located throughout the island, and in doing this
2 reorganization, indeed strategic would employ a fairly
3 sophisticated approach, I guess, in relation to planning,
4 establishing criteria, deciding ultimately on where you
5 place regional offices and your workforce. Is that
6 something that you would have gone through? Is that
7 what you mean when you talk about strategically located?

8 MR. REEVES: Yeah. For this particular one here, was
9 referring to line workers.

10 MR. NOSEWORTHY, CHAIRMAN: Yeah.

11 MR. REEVES: And what happened on this one right here
12 is that the three labour business unit managers got
13 together and I guess they discussed between themselves
14 and also got a feel from other utilities what would be like a
15 certain index that they could use for number of line workers
16 per kilometer, number of line workers for customers and the
17 like, and that's some of the things that they took into
18 consideration in determining where we should locate our
19 employees, how long it would take for a certain employee
20 to get to a customer in the event of an outage. Those
21 things were taken ...

22 MR. NOSEWORTHY, CHAIRMAN: So you would have
23 actually gone through an evaluation and a study and
24 there's presumably a report somewhere that would make
25 some recommendations on that basis?

26 MR. REEVES: Those three individuals went through that
27 and made recommendations as to how we should do that,
28 yes. Now whether it's in a hard bound copy report, I'm not
29 sure, but it was definitely done in presentations to myself
30 and others.

31 MR. NOSEWORTHY, CHAIRMAN: Okay. You referred to
32 the, I would call business planning process that you're, you
33 had indicated that the organization is going through right
34 now, strategic planning, business planning or what have
35 you in terms of considering the mandate, looking at other
36 parts of the organization in terms of opportunities,
37 challenges that the organization face, etcetera. There's a
38 methodology I'm sure that is in place for that regardless of
39 virtually who's doing it. What is it that you're hoping to
40 achieve with that?

41 MR. REEVES: The overall objective of our corporation in
42 regard to that is to be able to provide the most reliable
43 power to our customers at the least cost, and we plan to do
44 that through the full empowerment of all of our employees,
45 and that's probably in the shortest way that I can say it. To
46 go in much greater detail than that would probably take a
47 fairly longer explanation.

48 MR. NOSEWORTHY, CHAIRMAN: Just in terms of ... I
49 was asking Mr. Wells, I guess, a couple of questions along
50 these lines. In terms of some of the challenges, if you will,

51 that are identified in, and I don't think Mr. Wells at the time,
52 or I didn't hear it in any event, talked about this process,
53 because I probably would have tried to get a little more
54 information from him, but some of the challenges that are
55 there in the application in terms of rate equity, the Rate
56 Stabilization Program, those types of things, you know,
57 part of the business planning process is looking at sort of
58 the opportunities and threats in the organization, if you
59 will, looking at the strengths and weaknesses and
60 rationalizing some of those challenges, developing and
61 addressing those in some way in terms of recommendations
62 and translating into outcomes, etcetera, etcetera. Is that
63 something which is part of this plan as well? Are you
64 aware of that?

65 MR. REEVES: That's where we started. That was part of
66 the initial plan, between the Management Committee and
67 our senior directors, and we went through that process
68 before we went out to inform our employees basically the
69 outcome of that, so that was exactly the process that we
70 went through.

71 MR. NOSEWORTHY, CHAIRMAN: So some of the things
72 that I referred to earlier is, and I think we all acknowledge
73 that needed to be addressed and would be addressed in
74 your 2003 application, as I say, in terms of rate equity and
75 in terms of refinements, if indeed the Rate Stabilization Plan
76 is to remain in, by way of principle and framework the way
77 it is now, are those types of things, will they be addressed
78 in the, in this business plan?

79 MR. REEVES: Well, there's a number of elements that are
80 in the plan to be addressed and others can probably speak
81 to that a lot better than I can, but ...

82 MR. NOSEWORTHY, CHAIRMAN: That's fair enough.

83 MR. REEVES: Yeah.

84 MR. NOSEWORTHY, CHAIRMAN: Okay, that's fine.

85 MR. REEVES: But what we're looking at, and I think Mr.
86 Wells may have mentioned it in his testimony about this
87 process, and, but I probably should have used that example
88 as, I think it was to your previous, the other commissioners,
89 in the training process, while it wasn't a formalized course
90 that I attended at, I don't know, the university or
91 something, but that in itself was a good exercise that was
92 facilitated by outside people, which is again very helpful in
93 training.

94 MR. NOSEWORTHY, CHAIRMAN: Is there anybody who
95 would, I would better pose those questions to, Mr.
96 Reeves?

97 MR. REEVES: In regard to the Rate Stabilization Plan, it's,
98 that's a question that you could probably ask ...

99 MR. NOSEWORTHY, CHAIRMAN: No, within the

1 context, I guess, of your business planning ...

2 MS. GREENE, Q.C.: It would be Mr. Osmond.

3 MR. NOSEWORTHY, CHAIRMAN: Mr. Osmond, okay.
4 That's fine. Thank you and I have one more question. You
5 mentioned Eebbeegunae as a ...

6 MR. REEVES: Eebbeegunae.

7 MR. NOSEWORTHY, CHAIRMAN: ... as a Newfoundland
8 name. What does it mean? (*laughter*)

9 MR. REEVES: It's actually an Indian name, as I recall. It's
10 from our native history and it's in Central Newfoundland.
11 I'm not sure what it means.

12 MR. NOSEWORTHY, CHAIRMAN: I see, okay. Thank
13 you very much.

14 MS. HENLEY ANDREWS, Q.C.: Mr. Chairman, I know we
15 weren't planning to sit this afternoon but I have a number
16 of questions arising from the questions asked by the panel
17 and I would assume that other counsel may also have some
18 questions. In light of that, you know, will we finish Mr.
19 Reeves on Tuesday or will we finish him now or will we
20 finish him this afternoon?

21 MS. GREENE, Q.C.: Hydro's proposal would be to carry on
22 this afternoon with Mr. Reeves. I guess the issue, the
23 schedule for today had been on the assumption that we
24 would have been finished with Mr. Reeves before
25 lunchtime. Now that we're not, I would expect that we
26 would propose to carry on this afternoon.

27 MR. NOSEWORTHY, CHAIRMAN: I didn't necessarily
28 make the link, and perhaps it's my fault, that we were going
29 to have the entire afternoon off. I thought we had
30 indicated that we'd try and finish up as quickly as we
31 possibly can and if we were fortunate enough to conclude
32 by 12:30, which we haven't been, we would have had the
33 afternoon off, but I would propose that we reconvene at
34 two and we'll try and deal with the matters at hand as
35 quickly as possible and allow Mr. Reeves to have a good
36 weekend.

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

38 MR. REEVES: Thank you.

39 (*break*)

40 (*2:00 p.m.*)

41 MR. NOSEWORTHY, CHAIRMAN: Thank you. Good
42 afternoon, unfortunately (*laughter*). There it is, due
43 process is due process, I guess. I guess the, I've certainly
44 concluded my questions, I guess. Are there any
45 preliminary matters first of all, Counsel, please?

46 MR. KENNEDY: No, Chair, not that I'm aware of.

47 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
48 we'll move directly along to questions on matters arising
49 and I'll ask Newfoundland Power to begin please.

50 MS. BUTLER, Q.C.: Thank you, Mr. Chairman. Good
51 afternoon, Mr. Reeves, I only have two matters really, and
52 the first perhaps we can dispense with fairly quickly, and
53 that relates to the diesel. As a result of the correction that
54 you made to the evidence you gave yesterday in relation to
55 whether Exhibit **NP-219** reflected the rack rate or something
56 different, I'm wondering whether you can provide us with
57 the calculations that would go behind the diesel expense,
58 which is in the application, for \$6.7 million for 2001, and the
59 \$6.3 million for 2002, which you'll see reflected in Mr.
60 Roberts' Schedule 1. Would that be possible?

61 MR. REEVES: Yes, we can do that.

62 MS. BUTLER, Q.C.: And be able to reconcile this to the
63 average prices that we have here on the screen for 2001
64 which was 44 cents, and 2002 which was 43 cents.

65 MR. REEVES: Yes.

66 MS. BUTLER, Q.C.: That would be grand, thank you. The
67 other area I want to address is an area referred to as
68 reliability centred maintenance which was the subject of
69 some questions, first from Commissioner Powell. I gather
70 you call this RCM?

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

72 MS. BUTLER, Q.C.: And there was a report on this. I
73 wonder if we can see **NP-30**. Is the attachment
74 electronically stored, Mr. O'Rielly?

75 MR. O'RIELLY: No, it is not.

76 MS. BUTLER, Q.C.: Okay, we have to look at the hard
77 copy. Okay?

78 MR. REEVES: Not quite yet. **NP-30**.

79 MS. GREENE, Q.C.: **NP-30** is the Quetta Report.

80 MR. REEVES: Yes. Okay. I've got it now.

81 MS. BUTLER, Q.C.: Okay, thank you. The report that we
82 have in front of us is labelled, "A Technical Review of
83 Newfoundland and Labrador Hydro, a Final Report from
84 Quetta Inc. of Prince Edward Island and Halifax, March
85 17th, 1999".

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

87 MS. BUTLER, Q.C.: And are you fairly familiar with this
88 report?

89 MR. REEVES: I have read this report before, yes.

90 MS. BUTLER, Q.C.: Okay, thank you. I wonder if we can
91 look first to page 54, and the top paragraph there, which is

1 a continuation ... no, it's not, it's a new paragraph. It says
2 that, "RCM processes are being explored by Hydro in their
3 planning of maintenance with pilot projects at three
4 locations."

5 MR. REEVES: Yes.

6 MS. BUTLER, Q.C.: And you've already given a definition
7 yourself on RCM, so I don't think we need to look through
8 the definition. The pilot projects were, as I understand it,
9 Rigolet isolated diesel plant.

10 MR. REEVES: Yes.

11 MS. BUTLER, Q.C.: Come By Chance station and
12 transmission lines?

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

14 MS. BUTLER, Q.C.: And the L'anse au Loup distribution
15 system.

16 MR. REEVES: That's correct, yes, that's my recollection as
17 well.

18 MS. BUTLER, Q.C.: Okay, now on the next page of the
19 report, 55, the last paragraph, the authors indicate that
20 RCM is not an unqualified success story and calls for a
21 level of dedication that may be difficult to achieve, calls for
22 additional human resources over an extended period, and
23 that utilities entering on RCM must recognize these
24 requirements, so you'd be aware of that forewarning.

25 MR. REEVES: Yes.

26 MS. BUTLER, Q.C.: And the recommendation at the
27 bottom of that page was a recommendation to this Board to
28 ask Hydro to submit reports on each of the RCM pilot
29 projects, as well as justification for plans that expand the
30 RCM process at Hydro. Can I ask you first, has this Board
31 asked you to submit reports on each of the RCM pilot
32 projects?

33 MR. REEVES: We gave an overview, actually a
34 presentation to this Board during one of our regular
35 meetings, a presentation and a review of the pilots and the
36 results that we achieved, and answered any questions that
37 they would have regarding our RCM program.

38 MS. BUTLER, Q.C.: And approximately when was that?

39 MR. REEVES: Oh that was at least, more than a year ago,
40 I would say. Probably a bit longer than that actually.

41 MS. BUTLER, Q.C.: In relation to the second part of that
42 recommendation then, justification for plans that expand
43 the RCM process, first of all, does Hydro have plans to
44 expand the RCM process beyond the three pilot projects?

45 MR. REEVES: Yes, and we are currently implementing that.

46 MS. BUTLER, Q.C.: Okay, and was that also the subject

47 addressed in the presentation to the Board more than a year
48 ago?

49 MR. REEVES: Yes, it was. We told them then the results
50 of our pilots, if I remember correctly.

51 MS. BUTLER, Q.C.: Yes, but did you address in the
52 presentation any plans or justification for plans to go
53 forward?

54 MR. REEVES: Oh yes, yes.

55 MS. BUTLER, Q.C.: Do we have a copy of the
56 presentation?

57 MR. REEVES: It's not in this documentation that's been
58 filed.

59 MS. BUTLER, Q.C.: Would it be any difficulty getting it?

60 MR. REEVES: I don't think so, but I think it's still available.

61 MS. BUTLER, Q.C.: Perhaps I could just ask Ms. Greene
62 for an undertaking on that?

63 MS. GREENE, Q.C.: Yes, we'll certainly do that. I was just
64 thinking the Board would have a record as well. I'm sure if
65 it was a presentation that was given to the Board, the
66 Board may be able to provide it as well, and we can
67 certainly check our records for that presentation, and
68 there's also a ...

69 MR. NOSEWORTHY, CHAIRMAN: We will as well.

70 MS. GREENE, Q.C.: And there would be a transcript of that
71 meeting.

72 MR. NOSEWORTHY, CHAIRMAN: Whoever comes up
73 with it first, I guess.

74 MS. GREENE, Q.C.: There also would be a transcript of
75 that meeting that was recorded.

76 MS. BUTLER, Q.C.: Hydro's specific plans then to go
77 forward with the RCM program include plans to implement
78 it in your division?

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

80 MS. BUTLER, Q.C.: Okay, now the report we saw was
81 dated March of '99, and it's now 2001, so is there still a
82 study ongoing in terms of the feasibility of RCM or was a
83 final decision made to implement RCM throughout all
84 divisions of Hydro?

85 MR. REEVES: What was addressed at that point in time
86 was only in TRO.

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

88 MR. REEVES: And it was agreed at that time that we would
89 implement within TRO.

90 MS. BUTLER, Q.C.: Alright, and no other divisions have

1 had implementation of RCM?

2 MR. REEVES: I think on the generation side there has been
3 some work done at the Holyrood generating plant, but I
4 think that's the extent of it.

5 MS. BUTLER, Q.C.: Now we saw a moment ago that the
6 Quetta Report had said at page 55 that it would take, this
7 initiative would take a large amount of resources to
8 implement and required a certain level of commitment,
9 etcetera. Was there a cost benefit study done on the
10 implementation of RCM?

11 MR. REEVES: There was a review done and it was
12 determined from the projects that we completed, the three
13 pilots that was completed, and the anticipated savings that
14 we would be able to achieve in those three pilots. That for
15 the investment that we would have to put into it, that we
16 anticipated at one point a 2.1 year payback of that
17 investment.

18 MS. BUTLER, Q.C.: A \$1.2 million to a \$2.1 million?

19 MR. REEVES: No, a 1.2 to a 2.1 year payback period.

20 MS. BUTLER, Q.C.: Oh, I'm sorry, a year payback period.

21 MR. REEVES: Yes, for the investment that we would have
22 to put into it.

23 MS. BUTLER, Q.C.: Alright, in terms of the analysis or the
24 study that was done, whether it was a cost benefit study or
25 otherwise, is that a separate document distinct from the
26 presentation given to this Board, which I have an
27 undertaking to have?

28 MR. REEVES: The documentation associated with the
29 pilots is separate from what was given to the Board. It's
30 quite extensive, and if I remember correctly, some of it may
31 be covered by confidentiality agreements that we have with
32 the consultant that we had hired on at the time.

33 MS. BUTLER, Q.C.: Are you able to tell me where the costs
34 associated with the three pilot projects which have
35 obviously been implemented, were recorded ... in whose
36 budget would they appear?

37 MR. REEVES: The savings?

38 MS. BUTLER, Q.C.: No, the costs associated with ... yeah.

39 MR. REEVES: Oh, the costs, they would be in my budget.

40 MS. BUTLER, Q.C.: Under what area?

41 MR. REEVES: Primarily I think where you would see them
42 is in the hourly wages and what we've done is to take some
43 of our permanent staff and assign them these tasks and
44 backfill behind them.

45 MS. BUTLER, Q.C.: So do they charge their time out to the
46 RCM project?

47 MR. REEVES: To the implementation. We have a work
48 order.

49 MS. BUTLER, Q.C.: Yeah, so we would know how much.

50 MR. REEVES: Yes.

51 MS. BUTLER, Q.C.: And can we determine that figure?

52 MR. REEVES: I would visualize that we can, yes.

53 MS. BUTLER, Q.C.: Okay, if you could get that for me, I'd
54 appreciate it ... if Ms. Greene can undertake to do that.
55 There was consultants' fees associated with the RCM
56 project originally, and I think they were in the amount of
57 \$250,000. Do you recall that?

58 MR. REEVES: Is that filed somewhere or ...

59 MS. BUTLER, Q.C.: I think you'll find it in the **Grant
60 Thornton Report for 1998**.

61 MR. REEVES: Okay, yes, I ...

62 MS. BUTLER, Q.C.: Maybe we'll just take a peak at that,
63 page 18.

64 MR. REEVES: The number just doesn't come to the top of
65 my head.

66 MS. BUTLER, Q.C.: No, that's fine. Mr. O'Rielly, do we
67 have the '98 on the system?

68 MR. O'RIELLY: No, we do not.

69 MS. BUTLER, Q.C.: Oh, okay, if you have it there, I think
70 you'll find it on page 18 in the first bullet.

71 MR. REEVES: This is the professional services area.

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

73 MR. REEVES: The first bullet says, consulting work for the
74 reliability centre maintenance pilot projects in transmission
75 and rural operations, \$250,000.

76 MS. BUTLER, Q.C.: Okay, and again, would that have
77 appeared in your budget for '98?

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

79 MS. BUTLER, Q.C.: Okay, so we know that there was that
80 cost and we know that there was salaries charged out to the
81 projects which we'll see as a separate cost. What other
82 costs have been incurred associated with the RCM pilot
83 projects, or the implementation to date in TRO?

84 MR. REEVES: I can't think of other costs that would be
85 associated with that.

86 (2:15 p.m.)

87 MS. BUTLER, Q.C.: And in terms of the cost savings, can
88 you tell us what Hydro anticipated the future impact on
89 costs would be, or the future impact on savings would be?

- 1 MR. REEVES: Going forward, other than the payback
2 period, I guess, as we develop the program we will have a
3 better feel for it, but the analysis that we conducted, the
4 actual payback time that it would take to recover our
5 investment is what we looked at. The actual savings, I
6 don't have that right now available.
- 7 MS. BUTLER, Q.C.: Do you know who would know that?
8 Let me backtrack. Is it fair to assume, Mr. Reeves, that the
9 project would not have been implemented if it meant simply
10 to recover costs associated with it?
- 11 MR. REEVES: No, no, that's exactly right. Like going
12 forward I just don't have the number off the top of my head
13 right now as to going forward what we anticipate.
- 14 MS. BUTLER, Q.C.: Alright, but in terms of the savings,
15 can you tell me whether it's something that you can
16 produce for me, or whether you'd rather I defer it to another
17 witness?
- 18 MR. REEVES: No, no, I'm the one to answer that question,
19 and I would have to check right now to see what that
20 number would be, and if I understand your question.
- 21 MS. BUTLER, Q.C.: I'll accept your undertaking or Ms.
22 Greene's undertaking to do that.
- 23 MR. REEVES: Uh hum.
- 24 MS. BUTLER, Q.C.: Finally then, can I ask you whether the
25 costs associated with the implementation of RCM in your
26 division have been reflected in the test year financial
27 projection?
- 28 MR. REEVES: Some of the costs, well the costs for doing
29 the, as I explained, the templates and the strategies
30 (inaudible) buy equipment for the temporary help to hire
31 on, to enable our permanent staff, the work associated with
32 that in 2002 would be in our test year. It's not going to be
33 fully implemented, as I explained, until 2003.
- 34 MS. BUTLER, Q.C.: And we should see that when you
35 give me the figures for 2001 and 2002.
- 36 MR. REEVES: Uh hum.
- 37 MS. BUTLER, Q.C.: Mr. Chairman, thank you, those are my
38 questions for Mr. Reeves.
- 39 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
40 Ms. Butler. We'll move along now on questions on matters
41 arising to the Industrial Customers please, Ms. Henley
42 Andrews?
- 43 MS. HENLEY ANDREWS, Q.C.: Thank you, Mr. Chairman.
44 Mr. Reeves, on questioning by Commissioner Powell, one
45 of the questions that you were asked was whether
46 providing the 235 kV or the 230 kV transmission or level to
47 Abitibi in Stephenville adds any cost to the system. I think
48 that was basically the question that you were asked at the
49 time and you said that it didn't. There are a couple of
50 questions that I want to focus on transformation, and also
51 a little bit on transmission in the process. The line that
52 serves Abitibi in Stephenville, the 230 kV line that runs off
53 the main 230 kV line, if you look, if we go back and we look
54 at the map that we've been looking at a lot, I think it's your
55 slide number six. If you look at Stephenville, in fact, I think
56 it's Bottom Brook or something where the ... do you have
57 that ... if you just take a look at slide number six.
- 58 MR. REEVES: That's right, yes, I'm just looking for my ... I
59 like to refer to the other one which is more detailed, but
60 that's fine. I have it now.
- 61 MS. HENLEY ANDREWS, Q.C.: The other one you could
62 look at is your Schedule 1.
- 63 MR. REEVES: That's the one I just opened up to.
- 64 MS. HENLEY ANDREWS, Q.C.: Okay, well if you prefer
65 your Schedule 1, then I can work with that.
- 66 MR. REEVES: Okay, they're both the same, one is a little
67 more detailed, that's all.
- 68 MS. HENLEY ANDREWS, Q.C.: Okay, when you look at
69 your Schedule 1, and you look at Bottom Brook, you can
70 see that there is TL-209 that runs out towards Stephenville,
71 is that right?
- 72 MR. REEVES: That's correct, yes.
- 73 MS. HENLEY ANDREWS, Q.C.: And then there's another
74 section of Hydro's transmission line that goes down to
75 Abitibi.
- 76 MR. REEVES: That's correct.
- 77 MS. HENLEY ANDREWS, Q.C.: Hydro recovers the cost
78 of that line as a specifically allocated cost, isn't that right?
- 79 MR. REEVES: That's my understanding, because that line
80 only services the mill itself.
- 81 MS. HENLEY ANDREWS, Q.C.: Okay.
- 82 MR. REEVES: And in my testimony I thought that I had
83 highlighted that, but you said I didn't. I thought I did, but
84 ...
- 85 MS. HENLEY ANDREWS, Q.C.: No, I just want to clarify
86 a couple of things.
- 87 MR. REEVES: Okay.
- 88 MS. HENLEY ANDREWS, Q.C.: Now one of the things
89 that you also talked about with Commissioner Powell was
90 the issue of transmission losses.
- 91 MR. REEVES: Uh hum.
- 92 MS. HENLEY ANDREWS, Q.C.: And that I think you

- 1 indicated to him that as the energy runs over the lines there
2 are some losses, but the losses are less on the higher
3 voltage lines, is that right?
- 4 MR. REEVES: I don't know if they're less, but if you want
5 to transmit a higher amount of energy, what you try to do
6 is keep your losses lower, but you have losses on all of
7 your different transmission lines.
- 8 MS. HENLEY ANDREWS, Q.C.: Okay, but similarly, when
9 you provide service, people don't utilize electricity at 230
10 kV, do they?
- 11 MR. REEVES: None of our customers utilize it at 230 kV,
12 that's correct.
- 13 MS. HENLEY ANDREWS, Q.C.: No, and in fact, they don't
14 utilize it at 135, and they don't utilize it at 69, do they?
- 15 MR. REEVES: I would say that, well 69 is a voltage again
16 that we would provide to a customer and they may step it
17 down or whatever, but ...
- 18 MS. HENLEY ANDREWS, Q.C.: But if you look at ...
- 19 MR. REEVES: The actual equipment, there's not a lot of
20 equipment built for 69 kV.
- 21 MS. HENLEY ANDREWS, Q.C.: And that's my point.
- 22 MR. REEVES: Yes.
- 23 MS. HENLEY ANDREWS, Q.C.: There's not a lot of
24 equipment built for 69 kV.
- 25 MR. REEVES: No, you have to bring it down to a level that
26 equipment is being built for, and that's why we use
27 transformation, obviously.
- 28 MS. HENLEY ANDREWS, Q.C.: That's right, and in fact, if
29 you take your interconnected customers as an example,
30 your rural interconnected customers, that voltage has to be
31 stepped down more like to 6.9 or something for most of
32 their usage, isn't that right?
- 33 MR. REEVES: Well, most of our domestic customers, you
34 have to step it down to 120 volts, which comes out of the
35 wall.
- 36 MS. HENLEY ANDREWS, Q.C.: Okay.
- 37 MR. REEVES: 120 or 220.
- 38 MS. HENLEY ANDREWS, Q.C.: Okay, and when your
39 transform there are losses, isn't that right?
- 40 MR. REEVES: Yes, that's correct.
- 41 MS. HENLEY ANDREWS, Q.C.: Okay, now if you take a
42 230 kV line that's running in to Abitibi in Stephenville, and
43 you need, and you utilize it at ... they need to utilize it at 13.
- 44 MR. REEVES: The customer, you mean?
- 45 MS. HENLEY ANDREWS, Q.C.: Yes.
- 46 MR. REEVES: Yes.
- 47 MS. HENLEY ANDREWS, Q.C.: Then the, there's a loss
48 between 235 and 13, right, in the transformation process?
- 49 MR. REEVES: There's usually losses associated with
50 transformation, that's correct, yes.
- 51 MS. HENLEY ANDREWS, Q.C.: And the losses are greater
52 going from 235 to 13 than they would be in going from 69
53 to 13, wouldn't you agree?
- 54 MR. REEVES: Well, it depends on the amount of power
55 that you're passing over the equipment as to whether you
56 have losses or not. If you want to get a certain amount of
57 power through a transformer or to a customer, you can do
58 that through one transformer, or you can do it through
59 several transformers, and the actual losses themselves may
60 not be different, whether you use three transformers or one
61 transformer. It could vary, depending on the efficiency of
62 the transformers, but going from 230 to 13.8 you would
63 have losses in both cases.
- 64 MS. HENLEY ANDREWS, Q.C.: Okay, I'm not sure you
65 answered the question that I asked, so let me ...
- 66 MR. REEVES: Try again.
- 67 MS. HENLEY ANDREWS, Q.C.: Let's try again, and that is
68 that if I am transforming energy, if I need energy at 13 kV.
- 69 MR. REEVES: KV, yes.
- 70 MS. HENLEY ANDREWS, Q.C.: And my line that comes in
71 to serve me, as your customer, is a 230 kV line.
- 72 MR. REEVES: Yes.
- 73 MS. HENLEY ANDREWS, Q.C.: Then I have to transform
74 that energy from 230 to 13, correct?
- 75 MR. REEVES: In voltage, that's correct, yes.
- 76 MS. HENLEY ANDREWS, Q.C.: Yes, and it doesn't matter
77 whether I use three transformers, one transformer, or ten
78 transformers, I am going to have losses in taking that
79 energy from taking that energy from 230 to 13, correct?
- 80 MR. REEVES: The losses are associated with the current
81 primarily, not the voltage.
- 82 MS. HENLEY ANDREWS, Q.C.: Okay, well I'm still going
83 to have losses.
- 84 MR. REEVES: In both cases you would, yes.
- 85 MS. HENLEY ANDREWS, Q.C.: Yes.
- 86 MR. REEVES: But the losses that would be done in the
87 transformation will be highly dependent on the power that
88 you take which is a result of current. Current is what

1 causes your, primarily your losses.

2 MS. HENLEY ANDREWS, Q.C.: And if I have received, if
3 I am receiving that energy on a 69 kV line instead of a 230
4 kV line, I have less to transform, correct?

5 MR. REEVES: The power is what you're after. You're a 13.8
6 ... if we bring it to your site at 66 kV versus 230 kV, there
7 might be a small bit of difference because of the actual
8 transformation of the transformer, but what will determine
9 the losses is the amount of power that you take, which is a
10 result of the current that you take. Current causes the
11 losses, and whether that's through a 230 kV transformer, or
12 whether it's through a 66 kV transformer, that's what will
13 determine your losses. Like for instance, if your load is
14 very small one day and you have very few losses, if your
15 load is high the next day there would be a higher degree of
16 losses on that transformer.

17 MS. HENLEY ANDREWS, Q.C.: So are you suggesting to
18 me that if I have the same level of usage in both examples,
19 because the example is me ... the example is, if I've got a
20 plant or a mill, or a fish plant, or whatever, or a house, and
21 I got a 230 kV line coming in, and my load is the same in
22 both examples, then the losses are going to be the same
23 whether it's transformed by me from 230 to 13, or whether
24 it's transformed from 69, if the load is the same?

25 MR. REEVES: Well, if you're the only customer on that
26 transformer ...

27 MS. HENLEY ANDREWS, Q.C.: Yes.

28 MR. REEVES: Is that what you're saying?

29 MS. HENLEY ANDREWS, Q.C.: Yes.

30 MR. REEVES: In a lot of cases if you're a very low, lightly
31 loaded customer, we would not provide you through a
32 transformer.

33 MS. HENLEY ANDREWS, Q.C.: Take it ... forget about the
34 practicalities and take my example and work with it, which
35 is ... well take a high load customer, and assume I'm Abitibi
36 in Stephenville.

37 MR. REEVES: Yes.

38 MS. HENLEY ANDREWS, Q.C.: And I'm a high load factor
39 customer, usually fairly even throughout the year.

40 MR. REEVES: Yes.

41 MS. HENLEY ANDREWS, Q.C.: And a line that feeds my
42 mill is 230 kV, and I need 13. If that line, instead of being
43 230, was 69, would my losses be the same in transforming,
44 or different?

45 MR. REEVES: I haven't done those calculations for quite
46 a number of years, and Mr. Budgell's people would do that,
47 but my knowledge is that if you could pass it over, the

48 power that you want over one 66 kV transformer, then the
49 losses if you use a 230 kV transformer, there may not be a
50 lot of difference.

51 MS. HENLEY ANDREWS, Q.C.: But there could be a
52 difference?

53 MR. REEVES: Well, I'm not sure, and personally I would
54 have to ...

55 MS. HENLEY ANDREWS, Q.C.: Okay, so I should ask that
56 question to Mr. Budgell?

57 MR. REEVES: Personally, I would defer that question, even
58 if I were to ask it to Mr. Budgell.

59 MS. HENLEY ANDREWS, Q.C.: Oh, because I thought
60 you were transformers, based on yesterday.

61 MR. REEVES: I am transformers, but I don't do the
62 calculations associated with losses and that on the
63 transformers. Mr. Budgell and his group would do the
64 selection of transformer sizes for our customers.

65 MS. HENLEY ANDREWS, Q.C.: Now, do I understand
66 correctly that there are 64 business units in TRO?

67 MR. REEVES: That's correct.

68 MS. HENLEY ANDREWS, Q.C.: And there are 388
69 permanent employees?

70 MR. REEVES: 380 permanent employees.

71 MS. HENLEY ANDREWS, Q.C.: Which by my calculation
72 is roughly six people per business unit, on average?

73 MR. REEVES: That might be. It sounds about right.

74 MS. HENLEY ANDREWS, Q.C.: When I look at the chart
75 of, the organizational chart which was provided as **NP-5**,
76 and in particular in the current organizational chart dealing
77 with transmission and rural operations, pages E-1 to E-9,
78 let's start with E-1. Do you have that there?

79 MR. REEVES: Yes, I do.

80 MS. HENLEY ANDREWS, Q.C.: I don't see anything in
81 this organizational chart that deals with business units.

82 MR. REEVES: That's correct.

83 MS. HENLEY ANDREWS, Q.C.: So where do I find the
84 information as to who is in what business unit?

85 MR. REEVES: I personally would have to go back to our
86 accounting system to determine that. My people in the
87 field would be able to tell me, but that's where it is. They
88 know like ... and as I explained to you before, there are
89 asset business units and there are labour business units,
90 but there are ... and it's not structured around the way that
91 these charts are laid out. This is not done by business
92 unit. This is done by the organizational structure that's in

- 1 place.
2 (2:30 p.m.)
- 3 MS. HENLEY ANDREWS, Q.C.: Okay, now you said, I
4 think I understood you to say that each business unit has
5 a manager.
- 6 MR. REEVES: When I said each business unit has a
7 manager, I was saying that each asset business unit ... but
8 there may be some business units underneath that, so
9 when you've got a labour business unit, there would be a
10 labour business unit, that would be the total labour, say,
11 for Central. Underneath that there may be several other
12 business units that he has to maintain, or she has to
13 maintain. Like there might be one for transmission, there
14 might be one to do with electro-mechanical. There might be
15 another one to do with operators. There's a number of
16 other ones underneath him that would be under their
17 control.
- 18 MS. HENLEY ANDREWS, Q.C.: Okay, so what you're
19 telling me is that each business unit does not have a
20 separate manager.
- 21 MR. REEVES: That's correct, yes, not a manager per se,
22 that's correct, yes.
- 23 MS. HENLEY ANDREWS, Q.C.: So then if we're trying to
24 look at, to get back to one of the questions that one of the
25 commissioners asked, if we're trying to determine the
26 management structure and how many managers and
27 supervisors there are within TRO, then the place we would
28 look at would be E-1 through E-9?
- 29 MR. REEVES: That's correct, yes, yeah.
- 30 MS. HENLEY ANDREWS, Q.C.: But in terms of your
31 business units system, we might find that the manager of,
32 the asset manager for Northern is not only the asset
33 manager for the business unit for Northern, but he or she
34 might also be the manager of several other business units
35 for Northern?
- 36 MR. REEVES: Yes, that's correct, but they're all called
37 business units.
- 38 MS. HENLEY ANDREWS, Q.C.: Okay, so we're not, we
39 don't have to go through this chart, we're not going to find
40 managers of business units who are not in management, is
41 that what you're saying, who are not already identified in
42 here as managers?
- 43 MR. REEVES: That's right, that's right.
- 44 MS. HENLEY ANDREWS, Q.C.: Okay, how did the
45 business unit thing come about?
- 46 MR. REEVES: As I explained previously, back in 1999, we
47 were bringing in a new integrated suite of applications and
48 as part of that, during our seminar that we had on that, we
49 ... there was several opportunities that we would have to
50 run our business a little differently, and one of the options
51 that was presented to us is to go to the business unit set
52 up, which we accepted in 1999, and went forward with.
- 53 MS. HENLEY ANDREWS, Q.C.: There was no cost benefit
54 analysis done for that though, was there?
- 55 MR. REEVES: Well, it's just a different way that you could
56 run your business, whether you do it the way we
57 traditionally did it, which was the labour and the assets
58 being managed by, say, a supervisor, like a transmission
59 person would look after, be responsible for the assets, and
60 then he'd also be responsible for the staff to maintain those
61 assets. That's the way we used to do it, so we go and come
62 up with a business unit/asset model, we would have a
63 certain group looking after the assets, and then another
64 group looking after the labour, and they were always sort
65 of in discussion and challenging each other to ensure that
66 we were going and running our business in the proper
67 fashion, about the way we conduct our work, and the
68 methods that we use, and also it gave us the opportunities
69 to be able to have a very small group of people, like an
70 asset manager, to focus on their piece of equipment, and
71 the labour to focus on labour.
- 72 MS. HENLEY ANDREWS, Q.C.: I understand the rationale,
73 but the question was whether there was a cost benefit
74 analysis done, and I think the answer is no?
- 75 MR. REEVES: On that particular thing, my understanding
76 is there was not.
- 77 MS. HENLEY ANDREWS, Q.C.: Now one of the things
78 that you mentioned this morning in answer, I think, to
79 Commissioner Saunders' questions, was you indicated that
80 in the last year there is an incentive plan of some sort that
81 has been implemented for senior management, including
82 the Executive and the Directors, on a trial basis?
- 83 MR. REEVES: That's correct, yes.
- 84 MS. HENLEY ANDREWS, Q.C.: And is that in writing? Is
85 that a formal plan?
- 86 MR. REEVES: The plan was actually developed, I guess,
87 and recommended to our board, and whether that's ... when
88 you say in writing, I'm not sure what you mean. Is the ...
- 89 MS. HENLEY ANDREWS, Q.C.: Well, I mean is there, in
90 fact, a formal, this pilot project, is there documentation that
91 indicates what the criteria are for these bonuses, how
92 they'll be applied, what the amounts are, those types of
93 things?
- 94 MR. REEVES: Yes, there are, yes.
- 95 MS. HENLEY ANDREWS, Q.C.: Could you undertake to

1 provide a copy of that to me please? Ms. Greene, is that
2 alright?

3 MS. GREENE, Q.C.: Well, we can certainly provide
4 illustrative copies of these charts. They would contain
5 individual information about individual salaries, but I can
6 certainly undertake to provide illustrative charts without
7 salaries, and they'll show percentage, etcetera, and without
8 names of individuals on them, that's all.

9 MS. HENLEY ANDREWS, Q.C.: Thank you. That's not a
10 problem, thank you. Mr. Reeves, would you agree that as
11 Vice-President for Transmission and Rural Operations, it's
12 your job to keep within your budget?

13 MR. REEVES: Yes, I would.

14 MS. HENLEY ANDREWS, Q.C.: You indicated this
15 morning that a bonus is available to certain people,
16 including the five executives, if they meet their budget
17 within a certain plus or minus criteria, is that correct?

18 MR. REEVES: That's my understanding, yes, that's correct.

19 MS. HENLEY ANDREWS, Q.C.: So why would you get a
20 bonus for doing your job? Why would ... to me there is no
21 incentive at all involved in meeting your budget.

22 MR. REEVES: Well, when you say plus or minus, I guess
23 what I need to understand here is ... what the bonus on that
24 particular one would be if I improve what our budget is,
25 and that's what I mean.

26 MS. HENLEY ANDREWS, Q.C.: Okay, so ...

27 MR. REEVES: And in saying plus or minus, obviously if I
28 overspend my budget I'm not going to get a bonus for that,
29 so that was ...

30 MS. HENLEY ANDREWS, Q.C.: Okay, because certainly
31 the way you answered the question this morning ...

32 MR. REEVES: Yes, that's my, the way I phrased it and I
33 apologize for that.

34 MS. HENLEY ANDREWS, Q.C.: So there, so you have to
35 improve on your budget by a certain amount?

36 MR. REEVES: That's correct, yes, and the same way with
37 the capital, that's my mistake.

38 MS. HENLEY ANDREWS, Q.C.: And what protections are
39 put in place to make sure that you don't simply overstate
40 your budget in order to be sure that you can do better than
41 it?

42 MR. REEVES: The exhaustive reviews that take place by
43 our management primarily, and also exercises like this, I
44 would assume, that you could consider to be a very
45 extensive exercise as well.

46 MS. HENLEY ANDREWS, Q.C.: But this is the first time in
47 ten years so ...

48 MR. REEVES: But we are, but our rates are based on a, on
49 what it was ten years ago.

50 MS. HENLEY ANDREWS, Q.C.: Commissioner Saunders
51 also asked you this morning whether you considered
52 Hydro, or at least, I suppose, TRO, to be, I think his term
53 was "lean and mean", remember that?

54 MR. REEVES: I remember that conversation, yes.

55 MS. HENLEY ANDREWS, Q.C.: What do you ... when
56 you're asked to provide what I suppose is a subjective
57 quantification, how would you define "lean and mean"?

58 MR. REEVES: "Lean and mean" to me would be the most
59 reliable power that we can provide at the least cost.

60 MS. HENLEY ANDREWS, Q.C.: So you've testified over
61 the last number of days that in connection with the joint
62 committee work that was done between Newfoundland
63 Power and Newfoundland and Labrador Hydro, there were
64 some 18 or 19 different subcommittees, and many of them
65 said that with, that there were changes in economies that
66 could be achieved, but it was going to affect jobs in one
67 organization or the other, do you remember that?

68 MR. REEVES: There was some groups that came to a
69 conclusion that ...

70 MS. HENLEY ANDREWS, Q.C.: Those conclusions, yeah.

71 MR. REEVES: That there was a possibility that there might
72 be, but on those groups, because, I guess, in most cases
73 the information wasn't exchanged from one utility to
74 another at the task group level, and the analysis was not
75 completed.

76 MS. HENLEY ANDREWS, Q.C.: Yeah, but there were
77 opportunities there for savings but the reason why various
78 groups couldn't reach consensus on it, I think, you
79 indicated was primarily because of the nature of the
80 committees which contained union representation as well
81 as management and that people were loathe to make
82 recommendations that were going to result in personnel
83 reductions, isn't that right?

84 MR. REEVES: Two or three of them, that's the conclusion,
85 that they didn't conduct the analysis to determine in effect
86 if there was, but there was difficulty reaching a consensus,
87 that's correct.

88 MS. HENLEY ANDREWS, Q.C.: And although this study
89 period was from 1997 to 1999, Hydro hasn't made any
90 moves from a management perspective to implement any of
91 those committee recommendations, isn't that right?

92 MR. REEVES: We've implemented, well except for the
93 group that ...

1 MS. HENLEY ANDREWS, Q.C.: Personnel changes.

2 MR. REEVES: Personnel, well the personnel changes in
3 Hydro, like for instance, we ... talking to those groups, dealt
4 with transmission line workers, whether it was 138 or
5 whether it was distribution, and Hydro conducted a
6 separate review by itself of its line workers and as a result
7 of that we did do some staffing changes this past spring,
8 which was not done through that committee, obviously.

9 MS. HENLEY ANDREWS, Q.C.: Now when you were
10 looking at Nain and the capital budget for the replacement,
11 or the installation of storage, diesel storage capability,
12 would you agree with me that there was a certain amount of
13 cost, at least in terms of time involved in preparing the
14 capital budget that was submitted to the Board for approval
15 on that item?

16 MR. REEVES: There would be some time, that's correct,
17 yes.

18 MS. HENLEY ANDREWS, Q.C.: But after it was approved
19 by the Board, Hydro determined that, in fact, there was
20 capacity available to be leased in Nain, right?

21 MR. REEVES: That's an option that we explored and we
22 were successful in doing that. That ...

23 MS. HENLEY ANDREWS, Q.C.: But you explored it after
24 you had had your capital budget approved to construct
25 rather than before?

26 MR. REEVES: Well in most cases, we were not aware of
27 that being available at the time.

28 MS. HENLEY ANDREWS, Q.C.: And on Harbour Deep,
29 you're spending a million dollars on upgrading facilities in
30 a community where you have 54 customers, 53 of whom
31 have indicated that they would like to be relocated, and
32 according to your answers to questions, there were no
33 SAIFI or SAIDI examinations done prior to making those
34 decisions, is that right?

35 MR. REEVES: On that particular one, what we found, and
36 as I've tried to explain, is that the replacement of diesel
37 units is not driven by the SAIDI's and SAIFI's. We don't
38 wait until we've got problems, because if we wait until
39 we've got problems in those communities, in all eventuality,
40 it will probably cost us more.

41 MS. HENLEY ANDREWS, Q.C.: But you also told us that
42 in some diesel isolated communities you have generators
43 that have had five overhauls, and some that have had six,
44 and some that have had seven, and that Hydro has
45 adopted a criteria that now they shouldn't be any more than
46 five, if possible, but that there was no cost benefit analysis
47 done in connection with the establishment of those criteria,
48 isn't that right?

49 (3:15 p.m)

50 MR. REEVES: Not a cost benefit per se, but there was a
51 review done, there was a survey done from all the utilities,
52 and as I also stated, that we are still on the upper end of
53 replacement. Some utilities replace diesels after three
54 overhauls, and a lot less running hours, and that's in the
55 survey which is filed.

56 MS. HENLEY ANDREWS, Q.C.: But for Harbour Deep,
57 despite all the uncertainties on Harbour Deep, that's a
58 policy, the replacement out because there's more than,
59 because they're at five overhauls, or have completed five,
60 you're going ahead with that in any event?

61 MR. REEVES: Well in Harbour Deep, as I also said, is that
62 the review of the relocation of the people in Harbour Deep
63 has been done a number of times. Management has
64 reviewed it a number of times, but it's to the point now that
65 we need to have work done in that community and, and
66 when we drew up our budget earlier this year, we did not
67 know that there was going to be another referendum taking
68 place. It's only happened just recently. We will be looking
69 at that to have that equipment that we install to be as
70 mobile as it can be to replace in other locations.

71 MS. HENLEY ANDREWS, Q.C.: Mr. Reeves, as you
72 indicated a few minutes ago, or in the last half hour or so,
73 I mean we've all known ... I have no interest in Harbour
74 Deep, and yet I know that there have been referenda in
75 Harbour Deep a number of times over the last number of
76 years where an overwhelming majority of the community
77 has indicated that they would like to move, so that's not a
78 big surprise, is it?

79 MR. REEVES: No, but on the other hand, should we
80 discriminate against the people in Harbour Deep from
81 providing a reliable service in that community? Because
82 that's what you are, I think, suggesting that we do.

83 MS. HENLEY ANDREWS, Q.C.: No, I'm not actually. I'm
84 just suggesting that you cool your heels on the
85 replacement of the diesel as long as there's no great threat,
86 but having said that, you still, despite all of these things
87 we've just discussed, you still consider Hydro to be "lean
88 and mean".

89 MS. GREENE, Q.C.: I really was waiting to see where Ms.
90 Andrews was going, and I guess I really would like
91 clarification as to this process. I had understood it to be
92 for issues arising from the questioning by the
93 Commissioners. I know Ms. Andrews has asked a number
94 dealing with that, but I believe this particular line, she is
95 really going back over what is cross-examination, and
96 things that have been covered with Mr. Kennedy. I
97 hesitated to interrupt before. I'm not sure if she's finished
98 or not, but I would like to indicate that I have some

1 concerns with respect to the scope of Ms. Andrews'
2 questioning at this point in terms of the questions arising
3 from what the Commissioners had asked.

4 MS. HENLEY ANDREWS, Q.C.: And Mr. Chairman, I fully
5 expected that an objection would be made, but the question
6 as to whether Hydro was regarded or could be regarded as
7 "lean and mean" was not asked by any counsel throughout
8 the course of the process, except Mr. Saunders when he
9 asked the question, specifically asked the question as to
10 whether Mr. Reeves considered Hydro to be "lean and
11 mean".

12 MS. GREENE, Q.C.: I certainly agree with that, but we've
13 gone from "lean and mean" back into Harbour Deep which
14 has been covered a number of times, the very same line of
15 questioning was covered by Board counsel, Mr. Kennedy,
16 and while Hydro's attitude before this Board is to be as
17 helpful and as cooperative, and not to stifle any questions,
18 in terms of the process and where we're going with this, we
19 have to have some understanding as to what is really ... at
20 this point do the lawyers get to reopen every issue or is it
21 on questions arising, and I believe Ms. Andrews has gone
22 beyond that limit with respect to some, and this is one
23 example. I did not interrupt before, but I really do think on
24 this one she has gone over the line.

25 MR. KENNEDY: Chair, if I can help, I guess the converse
26 is shallow fat (*phonetic*), and what would it be ... shallow
27 fat and soft, but would counsel for the Industrial
28 Customers be able to confirm whether she has more
29 questions in this line, so that we can ...

30 MS. HENLEY ANDREWS, Q.C.: That's my last question,
31 Mr. Chairman.

32 MR. KENNEDY: So in light of that then perhaps we can
33 move on to the next witness and then deal with the issue of
34 whether questions are improperly arising from matters not
35 arising on the next round.

36 MS. GREENE, Q.C.: I think it would be helpful if the Board
37 or Board counsel gave some direction as well.

38 MR. KENNEDY: Well rather than doing that in the
39 hypothetical, Chair, yeah, I think it would be difficult to
40 deal with it in the hypothetical. I think all counsel are fully
41 aware what the intention of questions arising from the
42 Board is meant to be used for.

43 MS. GREENE, Q.C.: And I guess I'll have to interrupt more
44 quickly when I think the line is being pushed, instead of
45 trying to be helpful.

46 MR. NOSEWORTHY, CHAIRMAN: You know, I would
47 certainly agree, we can take that under consideration and
48 provide more direction if that's needed, but I'd rather not do
49 that now. Is that satisfactory?

50 MS. GREENE, Q.C.: Yes, thank you.

51 MR. BROWNE, Q.C.: Mr. Chair, procedurally there is an
52 objection, the other counsel have a right to speak to that
53 objection as well.

54 MR. NOSEWORTHY, CHAIRMAN: Okay.

55 MS. GREENE, Q.C.: And I've spoken to the objection ...
56 well I made the objection in terms of this particular line of
57 questioning. I guess the questioning is now finished. If
58 counsel for the Industrial Customers wishes to address it,
59 or the others, that's ... I'm prepared for that as well.

60 MR. KENNEDY: It wouldn't seem that the objection needs
61 to be spoken about considering the fact that there's no
62 more questions that Ms. Andrews has, so I think that it
63 would be perhaps a more efficient use of time to just move
64 on to the next party who has questions, if any, arising from
65 the Board's questions, which would be the Consumer
66 Advocate, rather than dealing with the issue in a vacuum.
67 We don't have an issue anymore because there's no more
68 questions anymore, so ...

69 MR. NOSEWORTHY, CHAIRMAN: That would be my
70 preference. I'd like to conclude, if we could, this afternoon,
71 with this proceedings, and if it's a matter of addressing that
72 issue following this we'll certainly do it.

73 MR. BROWNE, Q.C.: Mr. Chair, no, I'm just saying for
74 future reference, if there's an objection, I think every
75 counsel here has a right to speak to the objection, but
76 anyway Ms. Henley Andrews is complete, so I'll just
77 continue where she left off. Do you have a point person
78 you're dealing with at the Department of Municipal Affairs,
79 in reference to Harbour Deep and what may be going on
80 there, to your knowledge?

81 MR. REEVES: No, we don't.

82 MR. BROWNE, Q.C.: Would you not think it prudent in
83 the circumstances where your budget is to spend \$858,000,
84 to discuss that with someone who is knowledgeable and
85 perhaps advise the Board later as to where that is headed?

86 MR. REEVES: For the other referendums that took place,
87 probably I would venture to say that we probably would
88 have had conversations, but up until just recently, in the
89 recent discussions, and looking forward, that there is,
90 again, uncertainty, then I would speculate that we would
91 most likely talk to the government to see what they plan to
92 do.

93 MR. BROWNE, Q.C.: Can you, through your counsel,
94 undertake to report back to the Board sometime over the
95 course of this hearing as to what new information you may
96 have in reference to Harbour Deep?

97 MR. REEVES: Yes.

- 1 MR. BROWNE, Q.C.: Through the Department of
2 Municipal Affairs, and by the way, I fully agree with the
3 dilemma you're in because I understand under the Electrical
4 Power Control Act that these people have a right to their
5 power and that if they're going to be there they have a right
6 to service.
- 7 MR. REEVES: Yes.
- 8 MR. BROWNE, Q.C.: So I understand the dilemma. A
9 question arose in reference to incentives and bonuses, how
10 much bonus are we talking about? What's the money?
- 11 MR. REEVES: The actual dollars are very small and the
12 potential that I'm able to make, I guess, doesn't even come
13 to my mind, but it's not a very large percentage of my
14 annual salary.
- 15 MS. GREENE, Q.C.: If it would be helpful, the target is six
16 percent of salary.
- 17 MR. BROWNE, Q.C.: And is there something going to be
18 filed in reference to this?
- 19 MS. GREENE, Q.C.: We have given an undertaking to file
20 the criteria that's being used for the payouts for different
21 individuals, because the performance criteria is different
22 depending on the individual so what we will file will show
23 what the payouts would be and what the criteria is to
24 achieve the payouts, and we're roughly talking a target of
25 six percent, if the targets are met ... six percent of salary.
- 26 MR. BROWNE, Q.C.: Is one of the criteria customer
27 satisfaction?
- 28 MS. GREENE, Q.C.: The criteria changes ...
- 29 MR. BROWNE, Q.C.: If the witness can't answer it you can
30 defer it to another witness and say, look, I am not familiar
31 with this area.
- 32 MR. REEVES: I am very familiar with the process. This is
33 a pilot project, and I guess having been so immersed (*sic*)
34 in this, getting ready for this particular hearing that some of
35 these details that I would normally have in the back of my
36 mind would be closer at front, and there are (inaudible), and
37 I don't recall that customer service is one of those as a
38 measurement.
- 39 MR. BROWNE, Q.C.: The question was asked concerning
40 your private use of, your private use of vehicles. You had
41 stated there was a policy in place. Does that policy permit
42 any private use of company vehicles, like for hauling gravel
43 to someone's house on the weekend, as an example?
- 44 MR. REEVES: No, that policy would not cover that.
- 45 MR. BROWNE, Q.C.: It would speak to that and prevent
46 that?
- 47 MR. REEVES: Well, our employees are not permitted to use
48 vehicles for private use.
- 49 MR. BROWNE, Q.C.: And that's universal across your
50 system?
- 51 MR. REEVES: That's universal except for there are,
52 management have assigned vehicles for personal use, but
53 other than that there are no other vehicles that are used for
54 personally assigned purposes.
- 55 MR. BROWNE, Q.C.: In reference to vehicles, do you
56 receive a vehicle, or the use of vehicle by way of
57 compensation, or does any of the executives at Hydro
58 receive a vehicle or the use of one by way of
59 compensation?
- 60 MR. REEVES: I have a vehicle assigned to me for which I
61 can use for business as well as personal use. The vehicle
62 is purchased by Hydro. It's not done through an allowance
63 to me.
- 64 MR. BROWNE, Q.C.: So you can use that at any time?
- 65 MR. REEVES: That's correct.
- 66 MR. BROWNE, Q.C.: And what level of executive is
67 entitled to the vehicle?
- 68 MR. REEVES: Just the five people on the executive.
- 69 MR. BROWNE, Q.C.: Thank you, those are my questions.
- 70 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
71 Mr. Browne. I guess, Counsel for the Board, do you have
72 any questions on matters arising, Mr. Kennedy?
- 73 MR. KENNEDY: I have no questions arising, Chair.
- 74 MR. NOSEWORTHY, CHAIRMAN: Ms. Greene, may I ask
75 you on redirect issues, please?
- 76 MS. GREENE, Q.C.: Thank you, Mr. Chair. Yesterday, Mr.
77 Reeves, Commissioner Powell referred you to **Consent No.**
78 **4** which listed certain diesel units, and then to **Schedule 3**
79 in your evidence and pointed out that there appeared to be
80 discrepancies for four plants, Francois, Harbour Deep,
81 Petits, and Rencontre East. Have you had the opportunity
82 to review those two documents?
- 83 MR. REEVES: Yes, I have.
- 84 MS. GREENE, Q.C.: And is there an explanation for the
85 differences?
- 86 MR. REEVES: Both pieces of information are correct. In
87 November of last year we did do some replacement of
88 diesels which would account for the difference in numbers
89 in different sizes. That was the majority of it. There was
90 also, last year we conducted a review of our diesel assets
91 between the planning section and ourselves to ensure that
92 the numbers that everybody had on record were exactly the
93 same and there was a couple of small changes in a couple

1 of kilowatts here and there on a couple of them, but the
2 majority of these changes were a result of changes that
3 took place last year and were put in service during the
4 month of December.

5 MS. GREENE, Q.C.: So there's a reason why the number
6 did change from when it was prepared in November to
7 when it was filed in May?

8 MR. REEVES: That's correct, and there are actual changes
9 of equipment in the field, so both schedules were right.

10 MS. GREENE, Q.C.: The last thing that I have for Mr.
11 Reeves arises from a request of Board counsel with respect
12 to the 2000 TRO system equipment maintenance budget
13 and whether we could provide a schedule to show it
14 normalized and what the implications were of the coding,
15 the coding of accounts, the changes, so I have a schedule
16 now that I would like to file. It's not really arising from the
17 questions of the Commissioners, but it was a result of
18 yesterday and I thought it would be helpful if we did it
19 while Mr. Reeves was still here on the stand, and just to
20 take you through this ...

21 MR. KENNEDY: **DWR No. 5.**

22 **EXHIBIT DWR-5 ENTERED**

23 MS. GREENE, Q.C.: The first line that's indicated on the
24 schedule there, \$8.7 million, that's as shown as the system
25 equipment maintenance for TRO for 2000, is that correct?

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

27 MS. GREENE, Q.C.: Could you please explain the next
28 thing which is the code of account changes?

29 MR. REEVES: These are a code of account changes which
30 I was referring to in my testimony which approximates \$1.8
31 million. These are accounts that would have been below,
32 I guess, in other accounts throughout the budget and have
33 now been transferred into the system equipment
34 maintenance budget. Printing forms and supply, cleaning
35 and janitorial, and so on, and the number is \$1.8 million.

36 MS. GREENE, Q.C.: And in previous years these amounts
37 would have been in other cost categories, is that correct?

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

39 MS. GREENE, Q.C.: And the next is ... could you please
40 explain the next grouping which is gas turbine repairs, and
41 the Nain repairs.

42 MR. REEVES: Yes, in 2000, as we've talked about before,
43 there were two exceptional items there of a very significant
44 nature. One was the gas turbine repair, which is a, what I
45 would call a nonrecurring event. It happens very
46 infrequently, and then there was the Nain repair, and as I
47 explained that one, is that we had not planned to do an

48 overhaul in Nain that year, so it was an added higher
49 expense than we had budgeted, so those two amounts
50 come to \$2.1 million, and then if you subtract that from the
51 \$6.9 million, you would end up with the \$4.8 million.

52 MS. GREENE, Q.C.: Which would be the so-called
53 normalized system equipment maintenance budget for 2000
54 that could be compared to previous years on **Exhibit 4.1 in**
55 **the Grant Thornton report.**

56 MR. REEVES: That's correct.

57 MS. GREENE, Q.C.: Thank you very much, Mr. Reeves.
58 That concludes the questions I have for Mr. Reeves.

59 MS. BUTLER, Q.C.: I'm sorry, just for the record, this is to
60 normalize Exhibit 4.1 of the Grant Thornton report, 2000, or
61 2001?

62 MR. REEVES: This is the 2000, which is \$8.66 in the Grant
63 Thornton report.

64 MS. BUTLER, Q.C.: Yeah, thank you.

65 MS. GREENE, Q.C.: And it really arose from a request of
66 Board counsel to be able to compare the various years.
67 How could we take into count the code of account changes
68 that had occurred. I think it is the 2001 Grant Thornton
69 report.

70 MR. REEVES: Yes, the 2001 report but done ...

71 MS. GREENE, Q.C.: The 2000 costs but the exhibit is in the
72 2001 report.

73 MR. NOSEWORTHY, CHAIRMAN: Okay, that's it, Ms.
74 Greene, for redirect?

75 MS. GREENE, Q.C.: Yes, thank you.

76 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.
77 That concludes the work of this witness, I understand?

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

79 MR. NOSEWORTHY, CHAIRMAN: That's correct. Thank
80 you very much, Mr. Reeves, for your perseverance, and I'm
81 sure this Thanksgiving weekend you'll probably be looking
82 at in a much different light for other reasons other than
83 turkey, I'm sure (*laughter*). Thank you. There are, I would
84 like to conclude for this evening, and I understand counsel
85 is meeting after this, is that so the intent?

86 MR. KENNEDY: Yes.

87 MR. NOSEWORTHY, CHAIRMAN: I have before me now,
88 I guess, Ms. Greene, who has requested some clarification
89 in respect of questions on matters arising and what
90 direction we might be able to offer there. I understand that
91 Mr. Browne would like to speak to that as well, and
92 certainly I'm prepared on Tuesday morning to entertain any
93 discussion on that if one is necessary, but I will ask you,

1 counsel, if you can possibly have a discussion around that
2 matter at your meeting this afternoon.

3 MR. BROWNE, Q.C.: And Mr. Chair, now that the hearing
4 is in session, I am not certain that meetings of counsel
5 dealing with certain matters are entirely appropriate. There
6 are certain matters I want the Board itself to address, and
7 that stems from the fact that the last time we had a meeting
8 with counsel, we had agreement among counsel, but then
9 when the order of the Board came out it was contrary to
10 what that agreement was, so I operate on the "fool only
11 once" principle. I'd sooner have my say in front of the
12 Board in reference to these matters. While counsel is free,
13 I guess, to discuss any matter, there are three matters I
14 would like to discuss with the Board and these include the
15 role of the board in reference to questions that are being
16 asked, the role of Board counsel in reference to questions
17 that are asked, and I'd like to discuss among counsel and
18 have counsel address the Board on the length of the
19 hearing. I know of no tribunal which in the afternoon meets
20 from 2:00 to 4:00 with a 15 minute break. I think in this
21 province the courts meet from 2:00 to 5:00, and I know ...

22 MR. KENNEDY: Chair, if I can interrupt the Consumer
23 Advocate, I think the procedure that we've used to date is
24 to have formal motions put forward to the ...

25 MR. BROWNE, Q.C.: Excuse me, Mr. Kennedy ... excuse
26 me ...

27 MR. KENNEDY: ... to the panel, rather than dealing with
28 the matters in matters of discussion in points that are free
29 flowing, so I would suggest that if the Consumer Advocate
30 ...

31 MR. BROWNE, Q.C.: I don't think counsel to the Board
32 has any right to interrupt another counsel while they're
33 speaking.

34 MR. KENNEDY: And he should raise it by way of a formal
35 motion.

36 MR. BROWNE, Q.C.: I don't think counsel to the Board
37 has any right to interrupt another counsel while they're
38 speaking. I'm just stating that these are matters that I'm
39 giving advance notice to the Board now that have to be
40 addressed, and if counsel together want to meet to discuss
41 them, and anything else that is arising after the first two
42 weeks, that's fine, but I just pointed out to the Board that
43 if we're going to get this matter concluded, to meet from
44 2:00 to 4:00 in the afternoon with a 15 minute break, as
45 appealing as it is to all of us, I think at some point we're
46 going to feel the wrath of the consumers if this hearing
47 starts to approach the Christmas season. People need to
48 have an answer as to what's happening in reference to their
49 electric bills and to plan accordingly. Thank you.

50 MR. NOSEWORTHY, CHAIRMAN: Can I take from your

51 notice, Mr. Browne, that you will be filing one formally, is
52 that ... filing a motion?

53 MR. BROWNE, Q.C.: Well, maybe we will file a motion on
54 all three things, but now that we're into a hearing, I think
55 that the Board itself has jurisdiction, and probably the
56 motion process would have been good while the Board
57 wasn't hearing. Now that you're in a hearing and you have
58 jurisdiction, I think matters can be raised, as long as you
59 give notice to the other parties. I don't mean to bog you
60 down on Thanksgiving weekend on a procedural matter,
61 but I just want to tell you that there are problems ...

62 MR. NOSEWORTHY, CHAIRMAN: I'm certainly prepared
63 to take our fifteen minute break now and entertain
64 discussion on this, if you will, at 20 after. Is that
65 satisfactory?

66 MR. BROWNE, Q.C.: That's fine.

67 MR. NOSEWORTHY, CHAIRMAN: Okay, we'll commence
68 discussion on this at 20 after 3:00. Thank you.

69 *(break)*

70 *(3:30 p.m.)*

71 MR. NOSEWORTHY, CHAIRMAN: Thank you. We'll
72 move right to the matter at hand. Mr. Browne, I heard
73 before we broke, three particular items which you would
74 like to speak to, one being the schedule, secondly the role
75 of the Board, and three, the role of the Board counsel, so I
76 would ask you to address these. I'll give other counsel the
77 opportunity as well, and I'd like you to address what
78 specific relief you might be thinking about in respect of
79 each one of these.

80 MR. BROWNE, Q.C.: That's fair enough, Mr. Chair, and the
81 first one deals with the hours of the Board. As attractive as
82 the hours of 2:00 to 4:00 are to me, as I have a law practice
83 as well, and I don't mind getting back to my office, the
84 hearings that I've attended previously were at least from
85 2:00 to 4:30, and it would give us all another couple of
86 hours. I understand that we're already behind, according
87 to the schedule that was set, and I would just be anxious to
88 hear from other counsel on that. I know courts meet from
89 2:00 to 5:00, other tribunals, the tribunal I chaired for a
90 number of years met from 2:00 to 5:00, and I think there was
91 a history here of meeting from 2:00 to 4:30, or 2:00 to 4:45 on
92 some occasions. I don't know if there is a particular reason
93 for that, but maybe that needs to be discussed. Do you
94 want to do these one by one, has anyone got a reaction to
95 it?

96 MR. NOSEWORTHY, CHAIRMAN: I'd like you to address
97 the three of them and we'll go around and I'll ask the other
98 counsels to address it.

99 MR. BROWNE, Q.C.: So you want me to do the three?

1 MR. NOSEWORTHY, CHAIRMAN: Please.

2 MR. BROWNE, Q.C.: Okay, the second one deals with the
3 questions that are being put to witnesses by Board
4 members. Now I fully recognize Board members have a
5 right to question witnesses. However, I would caution that
6 other witnesses are following. You may be embarking upon
7 areas sometimes where we intend to go with a future
8 witness, and I just know from my own experience, if the
9 Board is taking upon itself to cross-examine witnesses this
10 early in the game, the answer you're seeking might become
11 apparent later on in the hearing, and I'm just suggesting it
12 might be time to examine that. If at the end of the hearing
13 there are areas which are of concern to the Board, the Board
14 should be all means raise them and say, look, these haven't
15 been addressed and throw them back at counsel, but I
16 guess I see our role, the role of counsel here, to develop
17 the body of evidence and that body of evidence is
18 unfolding witness after witness. I think panels, tribunals
19 normally have asked for areas of clarification if they are
20 uncertain as to what a witness has said, but at the end of all
21 of the evidence, when the entire body of evidence has been
22 formed for you, you take it and evaluate it. That's, I see
23 your role, the role of the tribunal ... if there's a question that
24 there's a contradiction in evidence, I think you're free to ask
25 that, but I would caution at this stage of engaging
26 witnesses for any length of time. You can show a
27 predisposition as to where you're headed, unnecessarily
28 so, cause some concern for counsel at that stage, and you
29 may be falling into that particular trap because if you show
30 a predisposition early on, on any particular issue, an
31 allegation of bias could arise, so I just want to ... I have a
32 caution there, and I know I can only think about my own
33 experience there, that when I chaired a panel, panel
34 members were very careful as to what was asked at the
35 early stage of the hearing and sought areas of clarification,
36 but at the end of the process, if they were bewildered by
37 something, I think they were free to ask counsel, and that's
38 my only comment there.

39 In reference to the role of counsel, this is the
40 perennial problem before the Board. I have worked with
41 four counsel here ... Mr. Hannrahan, and most recently Mr.
42 Earle, and the previous counsel in an insurance hearing,
43 and the desire of counsel, because they're all lawyers, to
44 get engaged in the process is probably overwhelming, but
45 the more a counsel gets engaged in the process, the less
46 helpful they will be to the panel because if a counsel has a
47 particular line of questioning, or a particular theme, and the
48 more they get into the fray, how can they assist the Board?
49 You can't be in one minute helping to create the body of
50 evidence, and in the other instance, advising the Board,
51 and the area of role of counsel is an evolving one. I've got
52 a really good article here and I think it might want to be
53 considered. It's worth reading over the weekend by

54 everyone here. The role of counsel here at this Board is
55 somewhat ambiguous because the Board itself has
56 appointed Mr. Wilson and Mr. Brushett, and certainly
57 counsel can assist these particular witnesses in providing
58 their evidence, but to engage in a line of examination that
59 is, that is overdone for lack of a better word, I think that
60 your counsel is entering the fray, and by entering the fray,
61 it's like digging a hole, if I can use this analogy, the more
62 you enter the fray, you're digging a hole, and eventually
63 you'll be down so deep the Board won't be able to see you
64 to seek your advice because if you're ... because if I were to
65 object to a question that counsel makes, how is he to
66 advise the Board? The objection concerns something that
67 he has, he has caused. So I just, once again, there's a note
68 of caution here. I don't think your counsel can enter the
69 fray. I think the case law is certain on this and he can
70 assist the Board on areas of clarification but once you get
71 into a cross-examination the way we've seen it here by your
72 counsel who may or may not be assisting you after in
73 writing the decision ... you can't have it both ways. You
74 can't be out in front creating the evidence, and then run
75 behind and assist the Board. That is not a fair process, so
76 I'll just have distributed an article there on the role of
77 counsel by an administrative law professor, and once
78 again, these three objections are then made to help the
79 process. I said at the beginning if we can help the process
80 in any way we will. I know in the 1998 hearing I gave the
81 article to Mr. Earle, and I said Mr. Earle can you read that
82 article please, because he was making objections even
83 other than for his own witness, and I had asked him to draw
84 back a little because it is a very difficult role and I don't ...
85 the counsel doesn't represent anyone. If you hadn't
86 appointed him, and it's nothing to do with my friend, Mr.
87 Kennedy, who is also my relative, by the way, and it has
88 nothing to do with him personally, but the counsel
89 represents no one. He doesn't represent any party, and
90 he's there to assist you, and the more he starts engaging as
91 if he were representing a party, he can't give you that
92 assistance. That's the whole point, so I'll just ask Ms.
93 Blundon if you can pass these along, and people might
94 want to take a look at them and react to them at an
95 appropriate time, so I don't think any of these things were
96 necessarily made by way of ... I'm not seeking any remedy
97 or motion, I'm seeking some caution, and other counsel may
98 want to speak to it. I know I've heard both Newfoundland
99 Hydro and Newfoundland Power complain about the role
100 of counsel on occasion, as we have, so I don't know ... Mr.
101 Alteen laughs ... I don't know what approach they're going
102 to take now, I but anyway ...

103 MR. NOSEWORTHY, CHAIRMAN: Is that it, Mr. Browne?

104 MR. BROWNE, Q.C.: That's it, thank you.

105 MR. NOSEWORTHY, CHAIRMAN: Thank you. I'll ask

1 Newfoundland Power to comment please?

2 MS. BUTLER, Q.C.: Mr. Chairman, obviously I have never
3 myself personally made any comments on behalf of
4 Newfoundland Power with respect to this procedure, so I
5 trust that what I'm about to tell the Board today in terms of
6 Newfoundland Power's position is consistent with its
7 previous positions. In order, as to the length of the hearing
8 and the hours of the hearing, Newfoundland Power's sense
9 is that this process has been well controlled, and that we
10 have not seen any evidence of any party unnecessarily
11 delaying the process or asking irrelevant questions. An
12 administrative tribunal is free to select whatever hours it
13 wishes for its hearing. Courts of law don't start till 10:00
14 and they sit from 2:30 to 5:00 but there is certainly a
15 substantial break in the afternoon and a substantial break
16 in the morning. We have no particular position to express
17 in terms of the changing of the hours.

18 As to the role of the Board itself, Board members
19 asking questions, this is an inquiry and the Board is free to
20 ask whatever questions it wishes. We've seen no departure
21 from what we expected, and I'll venture to say that I don't
22 know how it is that the Board can possibly read the minds
23 of counsel or future witnesses as Mr. Browne is
24 suggesting. I'm a little flummoxed by that.

25 In relation to the role of Board counsel, Mr.
26 Kennedy explained his role to us all on the record on
27 September 26th in the transcript at page 32, and
28 Newfoundland Power was satisfied with what he said and
29 we see no reason to question his role since that time.
30 Those are our positions.

31 MR. NOSEWORTHY, CHAIRMAN: Thank you very much,
32 Ms. Butler. Ms. Henley Andrews, can I ask you to
33 comment please?

34 MS. HENLEY ANDREWS, Q.C.: Mr. Chairman, with
35 respect to the issue on the length of the hearing, we, and
36 particular the length of the hearing day, we have no
37 objection to sitting to 4:30 or even 5:00 if that's what the
38 Board chooses to do. Obviously, the process has been
39 proceeding well, but quite slowly in terms of where we are
40 in the witnesses at this point in time.

41 With respect to the role of Board counsel, I
42 acknowledge what Mr. Browne has said, and I am also
43 aware that there are in any number of tribunals that I've
44 been involved with, there have been as many roles for
45 Board counsel as there have been tribunals. I think there
46 is, it's something we have to be cautious about, but I'll just
47 leave it at that, and otherwise I have no comment with
48 respect in terms of the role of the Board in questioning
49 witnesses.

50 MR. NOSEWORTHY, CHAIRMAN: Okay, thank you very

51 much. Ms. Greene, can I ask you to comment please?

52 MS. GREENE, Q.C.: As Ms. Henley Andrews just stated,
53 we are concerned with respect to the overall length of the
54 hearing. We are somewhat behind the anticipated schedule
55 and that is one of the things we had hoped to discuss with
56 counsel in a meeting generally to see if there were things
57 that we all could do to facilitate that process, so we are
58 concerned with the fact that we don't appear to be on
59 schedule at this point, having completed two weeks.
60 Having said that, it is a very general comment. Moving
61 then to the first one, the length of the hearing day. We are
62 satisfied with whatever hours the Board deems appropriate
63 for the hearing. It is within the jurisdiction of the Board to
64 set the hours. As the other parties have indicated, if the
65 Board wishes us to sit longer, that is certainly agreeable to
66 Newfoundland Hydro.

67 MR. BROWNE, Q.C.: Ms. Greene, can you speak up a little
68 please? I can't hear. Maybe the microphone could be of
69 assistance there.

70 MS. GREENE, Q.C.: With respect to the length of the
71 hearing day, I had said that this issue is within the
72 discretion of the Board. Hydro is prepared to sit longer
73 hours if that is the view of the Board and it is agreed by all
74 the parties that it would be helpful, and I had said as an
75 overall general comment, that at this point in time we are
76 behind schedule, having been two weeks into the hearing
77 and I think that would, all the parties would agree we are
78 somewhat behind from where we had hoped to be at this
79 point in time when we had done our initial scheduling of
80 the witnesses and the public participation days. So with
81 respect to the length of the hearing day, that is, it is a
82 matter for the Board. We are certainly agreeable to sitting
83 longer hours if that is the decision of the Board and all
84 parties are agreeable to it.

85 With respect to the second issue which is the
86 questioning by Commissioners, we believe again that the
87 Commissioners have every right to ask questions and it's
88 really for the individual discretion of the Commissioners
89 whether they feel those questions are necessary for a full
90 understanding of the issues and I make no further
91 comment.

92 With respect to the role of Board counsel, I agree
93 that Board counsel summarized the position of Board
94 counsel previously. I agreed with that summary. I have
95 not had any reason to make an objection so far to date with
96 respect to the conduct of Board counsel. If I have a
97 problem I will make an objection and I have not had any
98 reason to make such an objection to date.

99 MR. NOSEWORTHY, CHAIRMAN: Thank you. Board
100 counsel, do you have any comment?

1 MR. KENNEDY: Chair, on the issue of the schedule,
2 clearly it's the Board's jurisdiction, the panel's jurisdiction
3 to determine its own schedule, and in so doing also set all
4 its own procedures regarding the conduct of the hearing.
5 That's clearly within its exclusive jurisdiction to do so. As
6 I understood it, the selection of the hours was driven in
7 part by the mere fact of the expected length of the hearing
8 from an overall perspective, and the number of months, and
9 that the fatigue factor is certainly something that should
10 be, that the panel should be conscious of and that there is
11 ongoing Board matters that the Board of Public Utilities
12 also has to deal with while it's also dealing with this
13 application and in light of that needs to be able to deal with
14 its staff, so that's the only comment I have on that.

15 In regards to the questioning by the Board, clearly
16 again, it's within the jurisdiction of panel members to
17 question witnesses. The only thing I would add in addition
18 to the comments of counsel already is the fact that it's been
19 clearly recognized by our own Court of Appeal in the
20 stated case, that there is in addition to the Board's dealing
21 with specific applications like this one, also an obligation,
22 a mandate to conduct ongoing governance of the utility
23 that's being regulated, and that in order to have that
24 ongoing governance conducted properly, it requires a full
25 understanding of the utility's operations, perhaps beyond
26 what might specifically be raised in a particular application,
27 and that, this is as good a mechanism as any for the
28 individual commissioners to gain that knowledge. I have
29 no comments regarding the Board counsel, thank you.

30 MR. NOSEWORTHY, CHAIRMAN: Thank you very much.
31 What I will do is these are matters that certainly are
32 germane to my colleagues here sitting on this panel, and I'd
33 like the opportunity to have a discussion with them on
34 these items. My only comments are at this point in time,
35 but certainly the schedule, I think, was designed, if I recall,
36 on the agreement of all parties, to be frank with you, and it
37 was with the view to, I think initially there was discussion
38 at one time about sitting only four days during the week,
39 and I think it was viewed that that would only lengthen the
40 hearing unduly and it might be more appropriate to look at
41 sitting the five days with sort of a compressed day, and
42 quite frankly, I'm advised that that was the discussion that
43 took place and respecting the fact that Mr. Browne and
44 others, I'm sure, have work at their offices, the work of the
45 Public Utilities Board is not solely and wholly this hearing
46 either, so there has to be time allocated for that, but
47 nevertheless, it's the first time that I think that I have heard
48 any issues surrounding the schedule, and indeed, it was
49 something that was decided upon and agreed upon by all
50 of us. But nonetheless, it's a matter which has been raised
51 and as I said, we'll deliberate on this.

52 On the role of the Board and the role of the Board

53 counsel, there has been clearly some ... I think Mr.
54 Kennedy did articulate and outline his position quite
55 clearly and I thought that was understood. There has been
56 some considerable discussion among, again, my
57 colleagues, as to the role of this Board, and the questioning
58 that would occur, certainly on delivering on our mandate,
59 which is really at the end of the day to be able to sit down
60 and have the best information available to us in order to
61 deliberate on a decision, it's not something that has been
62 decided on, I can assure you, haphazardly. There has been
63 a number of discussions which have occurred ... the
64 delineation, quite frankly, between the Board, the Board
65 counsel, and the staff, for reasons that I think Mr. Browne
66 had alluded to earlier on in the pre-hearing conference.
67 These items have been seriously considered and heretofore
68 we had thought we had a, certainly a reasonable approach,
69 and we ... indeed, to some degree, without prejudging and
70 tipping my hand, I think we still do, but it's a matter, these
71 items which I will take under consideration and have a
72 discussion with the panel and it would be my intent to just
73 comment briefly on these on Tuesday morning. Certainly,
74 I am not interested from a procedural perspective, and that's
75 where I had indicated on day one to get, respecting the fact
76 that this, these items are going to crop up from time to time.
77 I don't want to unduly delay the hearing, and certainly in
78 recognition of the schedule we're talking about the first
79 week in December ... there has been some suggestion that
80 we're behind right now. I don't necessarily believe totally
81 in that. I think the first two weeks we may be trying to iron
82 some bugs out here. Hopefully throughout the process
83 we'll become more efficient and streamlined as we go
84 through and we'll make up that time, so I'm not convinced
85 that we won't meet the deadline. But nevertheless, I really
86 don't want these matters to interrupt. Admittedly they will
87 have to be addressed. This is why I was eager, I think, this
88 afternoon, this is on our time and not interrupting ... if we
89 weren't here we wouldn't be listening to witnesses, quite
90 frankly. I will address the matter just briefly on Tuesday
91 morning before we engage the next witness, Mr.
92 Henderson, and hopefully we can move on from there.
93 Okay.

94 MR. BROWNE, Q.C.: Mr. Chair, just on a point of order
95 there, other counsel referred to the September 26th, 2001,
96 where Board counsel defined his role inasmuch as he can
97 define his role in law, but he also defined is role in the July
98 18, 2001 transcript which I think is a correct role in version
99 of law, and I commend that to you when you're reviewing
100 the matter, as well as the article. I think that correctly
101 reflects what the role of counsel should be. Thank you.

102 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
103 Browne, we'll reconvene at 9:30 on Tuesday morning and
104 enjoy your Thanksgiving Day weekend. Thank you.

1 *(hearing adjourned to October 9, 2001)*