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<p>1 December 12, 2003</p> <p>2 (9:02 a.m.)</p> <p>3 CHAIRMAN:</p> <p>4 Q. Good morning everybody and welcome. Good</p> <p>5 morning, Ms. Newman. Are there any matters</p> <p>6 before we begin?</p> <p>7 MS. NEWMAN:</p> <p>8 Q. Yes, Chair, I advised yesterday that I would</p> <p>9 speak to the final submissions and my proposal</p> <p>10 is that the parties file their final written</p> <p>11 submissions on the 12th of January and the</p> <p>12 final oral submissions would proceed on the</p> <p>13 16th of January beginning at 9 a.m. The</p> <p>14 parties have agreed to try to limit their time</p> <p>15 to no more than an hour with half an hour</p> <p>16 rebuttal for Newfoundland and Labrador Hydro.</p> <p>17 Also, Chair, I believe the counsel for</p> <p>18 Newfoundland Power has a couple of</p> <p>19 undertakings they wish to speak to.</p> <p>20 CHAIRMAN:</p> <p>21 Q. Good morning, Mr. Kelly.</p> <p>22 KELLY, Q.C.:</p> <p>23 Q. Morning, Chair. Just to put them on the</p> <p>24 record, there were two undertakings given in</p> <p>25 Mr. Perry and Mr. Henderson's evidence; the</p>	<p>1 first to, Mr. Hutchings, and those have been</p> <p>2 distributed, have they clerk? So if that can</p> <p>3 be assigned the appropriate number. And the</p> <p>4 second was to Mr. Kennedy and that's again</p> <p>5 being distributed to be assigned a number.</p> <p>6 MR. SEVIOUR:</p> <p>7 Q. We don't have it yet.</p> <p>8 KELLY, Q.C.:</p> <p>9 Q. No, okay -</p> <p>10 MS. NEWMAN:</p> <p>11 Q. I guess they have been numbered as NP 1 and 2.</p> <p>12 KELLY, Q.C.:</p> <p>13 Q. NP 1 and 2.</p> <p>14 MS. NEWMAN:</p> <p>15 Q. Undertaking--was it NP 1 and 2? It's UNP 1</p> <p>16 and 2.</p> <p>17 KELLY, Q.C.:</p> <p>18 Q. I don't believe either counsel actually have</p> <p>19 the copies.</p> <p>20 GREENE, Q.C.:</p> <p>21 Q. We don't have parties -</p> <p>22 CHAIRMAN:</p> <p>23 Q. This is the last day.</p> <p>24 KELLY, Q.C.:</p> <p>25 Q. Thank you, Chair.</p>
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<p>1 CHAIRMAN:</p> <p>2 Q. Thank you. Good morning, Mr. Hutchings. When</p> <p>3 I can see you now I'll--if you could -</p> <p>4 HUTCHINGS, Q.C.:</p> <p>5 Q. Mr. Seviour will be -</p> <p>6 CHAIRMAN:</p> <p>7 Q. Oh, sorry, apologize. Good morning, Mr.</p> <p>8 Seviour.</p> <p>9 MR. SEVIOUR:</p> <p>10 Q. Good morning, Chair, Commissioners.</p> <p>11 CHAIRMAN:</p> <p>12 Q. You can present your witnesses, please.</p> <p>13 MR. SEVIOUR:</p> <p>14 Q. The witnesses for this morning appearing on</p> <p>15 behalf of Abitibi Consolidated Company of</p> <p>16 Canada are Jean Francois Guillot and Mel Dean,</p> <p>17 Mr. Chair. I wonder if they might be sworn.</p> <p>18 CHAIRMAN:</p> <p>19 Q. Good morning, Mr. Dean, Mr. Guillot.</p> <p>20 MR. MEL DEAN (SWORN)</p> <p>21 MR. JEAN FRANCOIS GUILLOT (SWORN)</p> <p>22 CHAIRMAN:</p> <p>23 Q. Thank you and welcome once again and just</p> <p>24 before we begin, I'd like to acknowledge Ms.</p> <p>25 Henley Andrews in the back. Ms. Henley</p>	<p>1 Andrews, welcome here this morning.</p> <p>2 HENLEY ANDREWS, Q.C.:</p> <p>3 Q. Thank you.</p> <p>4 CHAIRMAN:</p> <p>5 Q. When you're ready, Mr. Seviour, please.</p> <p>6 MS. SEVIOUR:</p> <p>7 Q. Mr. Guillot, could you state your full name</p> <p>8 and title for the record, please.</p> <p>9 MR. GUILLOT:</p> <p>10 A. I'm Jean Francois Guillot, I'm the General</p> <p>11 Manager in Stephenville division.</p> <p>12 Q. And that's for Abitibi Consolidated Company of</p> <p>13 Canada?</p> <p>14 MR. GUILLOT:</p> <p>15 A. Yes, sir.</p> <p>16 Q. And can you indicate your responsibilities as</p> <p>17 Mill Manager for Stephenville?</p> <p>18 MR. GUILLOT:</p> <p>19 A. As Mill Manager, I'm in charge of the division</p> <p>20 so I'm looking over all the aspect of the</p> <p>21 business in Stephenville.</p> <p>22 Q. And Mr. Dean, could you similarly state your</p> <p>23 full name and position with Abitibi</p> <p>24 Consolidated Company of Canada.</p>

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<p>1 MR. DEAN:</p> <p>2 A. My name is Melvin Dean and I am Continuous</p> <p>3 Improvement Manager at Abitibi Consolidated,</p> <p>4 Stephenville division.</p> <p>5 MR. SEVIOUR:</p> <p>6 Q. And could you describe briefly for the Board</p> <p>7 your responsibilities as Continuous</p> <p>8 Improvement Manager, please.</p> <p>9 MR. DEAN:</p> <p>10 A. As CI or Continuous Improvement Manger, my</p> <p>11 role is to lead and encourage all the</p> <p>12 employees on the various aspects of continuous</p> <p>13 improvement. And that includes the quality of</p> <p>14 our end product, the production levels and</p> <p>15 cost reduction. The functions that I work in</p> <p>16 is all areas of the operation, the maintenance</p> <p>17 and the administration and one other aspect of</p> <p>18 my job which I've carried for a number of</p> <p>19 years is regarding power, cost of power. I</p> <p>20 guess you would classify that as being a</p> <p>21 watchdog of electrical rates.</p> <p>22 Q. Thank you, Mr. Dean. Pre-filed evidence dated</p> <p>23 September 2, 2003 has been filed in your names</p> <p>24 in this hearing. Do you both adopt this</p> <p>25 evidence?</p>	<p>1 MR. DEAN:</p> <p>2 A. Yes, I do.</p> <p>3 MR. GUILLOT:</p> <p>4 A. Yes, I do.</p> <p>5 Q. Thank you. And, Mr. Dean, Mr. Guillot, have</p> <p>6 there been changes to your pre-filed evidence</p> <p>7 since it's been prepared?</p> <p>8 MR. DEAN:</p> <p>9 A. Yes, there's been a few changes. There's a</p> <p>10 couple of minor corrections and then it's been</p> <p>11 updated, they are the change in Cost of</p> <p>12 Service, and also the RSP.</p> <p>13 Q. And, in particular, have you prepared a</p> <p>14 revised page 6 to your pre-filed evidence?</p> <p>15 MR. DEAN:</p> <p>16 A. Yes, I have.</p> <p>17 Q. And, generally, does that provide--page 6,</p> <p>18 reflect the changes you just referred to?</p> <p>19 MR. DEAN:</p> <p>20 A. Yes, it does.</p> <p>21 Q. And, do you both adopt the revised page 6 as</p> <p>22 an amendment to your September 2, 2003 pre-</p> <p>23 filed evidence?</p> <p>24 MR. DEAN:</p> <p>25 A. I do.</p>
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<p>1 Q. Mr. Chair, that revised page 6 has been</p> <p>2 circulated and the clerk has, I think been</p> <p>3 provided with copies for the Board. I would</p> <p>4 ask that be marked perhaps as ACCC No. 1.</p> <p>5 MS. NEWMAN:</p> <p>6 Q. Chair, we don't normally mark the revised</p> <p>7 evidence. We can if counsel would prefer to</p> <p>8 do that. Normally, we just slip it in as a</p> <p>9 revised.</p> <p>10 MR. SEVIOUR:</p> <p>11 Q. I think that that's perfectly acceptable, Mr.</p> <p>12 Chair. And, Mr. Dean, in addition to the</p> <p>13 revised page 6 of the pre-filed evidence</p> <p>14 that's now being incorporated, are there other</p> <p>15 minor changes to your evidence?</p> <p>16 MR. DEAN:</p> <p>17 A. Yes, there is some.</p> <p>18 Q. And -</p> <p>19 MR. DEAN:</p> <p>20 A. The first is on page 3, line 2. That says</p> <p>21 "2001", that should actually read 2002. The</p> <p>22 next is on page 4, line 20, there is a small</p> <p>23 error in the tonnage there and that should</p> <p>24 read 186,651 tons, that's one eighty-six</p> <p>25 thousand, six hundred and fifty-one.</p>	<p>1 Q. Generally, what's the reason for that change?</p> <p>2 MR. DEAN:</p> <p>3 A. That was just a calculation error.</p> <p>4 Q. Thank you.</p> <p>5 MR. DEAN:</p> <p>6 A. Quite a small change, actually.</p> <p>7 Q. And after that change, Mr. Dean, perhaps I</p> <p>8 think there's a matter on page 8 you wish to</p> <p>9 refer to.</p> <p>10 MR. DEAN:</p> <p>11 A. Page 6 or page 8?</p> <p>12 Q. Page 8, I think, first. We've inserted the</p> <p>13 new page 6.</p> <p>14 MR. DEAN:</p> <p>15 A. Yes, line 3 where it says the forecast load</p> <p>16 factor, that should now be changed to 89</p> <p>17 percent. That's again a small change. And</p> <p>18 the last line should read "This assumes that</p> <p>19 the Stephenville Mill will only be shut down</p> <p>20 for ten days for market conditions in 2004".</p> <p>21 Q. And that's compared to the earlier assumption</p> <p>22 that the mill would not be shut down in 2004.</p> <p>23 MR. DEAN:</p> <p>24 A. That is correct.</p> <p>25 Q. And finally on page 9 I believe there was one</p>

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<p>1 MR. SEVIOUR: 2 matter you wish to bring to the attention of 3 the Board. 4 MR. DEAN: 5 A. Yes, on page 9 on lines 5, 6 and 7, the 6 numbers have changed again to reflect the 7 changes in the Cost of Service and RSP. So 8 that should read, "However, from 2001 until 9 2004, the power rates will increase 47 percent 10 for the Stephenville Mill with a staggering 29 11 percent increase being the forecast for 2004. 12 This would result in an increase of \$31 per 13 tonne for each tonne of newsprint 14 manufactured." 15 Q. Thank you, Mr. Dean, for those revisions. I 16 direct my next question to Mr. Guillot. At 17 page 4 of the pre-filed evidence, Mr. Guillot, 18 there's discussion respecting the over supply 19 of newsprint to the market that was referenced 20 in September 2 evidence. Have these 21 circumstances changed since that time? 22 MR. GUILLOT: 23 A. No, they didn't change. When you're talking 24 overall about the industry run rate, we're 25 talking about 92 percent, around. So that</p>	<p>1 means that we're going to be--the industry is 2 going to produce at 92 percent of the time 3 only. So 8 percent of the time this capacity 4 is going to be idle or shut down for a 5 temporary time. 6 Q. Thank you. And since your pre-filed evidence 7 of September was filed, has Abitibi 8 experienced any mill closures? 9 MR. GUILLOT: 10 A. Yes, we announce at the beginning of this week 11 that on December 14th, two mills are going to 12 be down in our corporation. We're saying that 13 the mill is going to be idle in Port Alfred, 14 that's in Quebec. It's near the Saguenay 15 River. You often, you don't see it on the 16 map. And the other mill is in Lufkin in 17 Texas. We're talking about rule of thumb, 18 1,000 tonnes per day mill, each of them. 19 Q. Sorry, each mill is at what capacity? 20 MR. GUILLOT: 21 A. 1,000 tonnes per day. 22 Q. What was the reason for those closures? 23 MR. GUILLOT: 24 A. Well the reason was cost. The situation of 25 the company is we cannot afford having mills</p>
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<p>1 losing money, I'm sorry, but that's the fact. 2 So we're talking about saving 125 million 3 dollars next year, having those two mills 4 down. 5 Q. Can you give the Board, in concluding on this, 6 a brief comparative sense of the Port Alfred 7 mill cost profile compared to Stephenville? 8 A. When you look at the Port Alfred cost profile 9 it's around the same ballpark. The only 10 difference between Port Alfred and 11 Stephenville is Port Alfred is the set up of 12 the mill that made their cost structure 13 different than ours. And in Lufkin, the 14 difference of the cost structure is really the 15 gas price. So in the States the gas price 16 went at a point that business was not viable. 17 Q. Can I take you then to page 6 of your 18 testimony as amended this morning and I'm 19 looking at lines 17 to 18 of the testimony 20 which state, "This proposed increase in power 21 costs of 5.7 million dollars a year will make 22 Stephenville the highest cost ACCC mill in 23 Canada." And, again, my question is has that 24 changed since the filing of your September 2 25 evidence?</p>	<p>1 MR. GUILLOT: 2 A. No, that didn't change, it even came worse. 3 Because without the two mills down now, yes, 4 we are the highest cost mill in Canada for the 5 corporation. 6 Q. And, in fact, are you the highest cost mill 7 compared to other countries and jurisdictions 8 as well? 9 MR. GUILLOT: 10 A. Yes, yes, we are. 11 Q. And is it right to conclude that Stephenville 12 is the highest cost mill in the Abitibi 13 system? 14 MR. GUILLOT: 15 A. Yes, it is, that's right. 16 Q. And that's world wide, is that correct? 17 MR. GUILLOT: 18 A. Yes, except that you have to understand that 19 when you're talking about world wide, it's 20 because of the currency. As we speak now, 21 yes, but if the dollar goes at .60, that won't 22 be true. But as we speak now, yes, we are. 23 Q. Thank you for that clarification. What are 24 the implications, Mr. Guillot, of Abitibi 25 Stephenville being the highest cost Abitibi</p>

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<p>1 MR. SEVIOUR: 2 mill? 3 MR. GUILLOT: 4 A. Let me just talk about for five minutes about 5 how we're set up is when you're looking at a 6 company that have multiple assets, they always 7 look at the business by assets, so if one 8 asset is more sustainable or present a better 9 business case, that asset is going to fall. 10 We have facilities to attract investment or to 11 get capital money. And the fact that because 12 Stephenville is the last one, for us it's 13 basically going to be impossible to attract 14 money. 15 Q. Thank you. I'm going to ask you some 16 questions now about page 6 as revised and, in 17 particular, the change that's noted in line 1 18 to the demand forecast for 2004 which has 19 increased and can you outline the basis for 20 that? 21 MR. DEAN: 22 A. On line 1 and 2 the energy went down slightly. 23 That is to reflect the tonnage, there is a 24 slight change in that. The demand, we've 25 reviewed that internally and we believe that</p>	<p>1 the 71.5 megawatts rather than 71 better 2 reflects where we'll be operating next year. 3 (9:16 a.m.) 4 Q. And on lines 2 and 3 there's a revised 5 reference to the cost increases for power next 6 year, revision to 25.6 million dollars in 2004 7 which you reflect to be an increase of 29 8 percent. And I would ask that you outline to 9 the Board, the basis of your calculation or 10 understanding of that 29 percent increase. 11 MR. DEAN: 12 A. Okay. The 29 percent, there's really three 13 components that make up the 29 percent. The 14 first is a change in the basic rates or the 15 base rates, the demand, the energy that is 16 specifically allocated. And that, I'll--it 17 varies slightly from mill to mill and plant to 18 plant depending on things, but basically I'll 19 go with the 12.2 percent that Mr. Banfield put 20 forward in his last evidence, it's very close. 21 That's the first point. The second one is the 22 Rate Stabilization Plan which adds 23 approximately another ten percent and the 24 number that Hydro uses there is 22.6 percent. 25 To get from 22.6 to 29 is a third component</p>
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<p>1 and the third component is a loss of the 2 Interruptible B rebate which is between six 3 and seven percent. 4 Q. Thank you. The next section deals with the 5 increase for the manufacturing costs and it's 6 reflected to be an impact of \$31 per tonne of 7 increased cost respecting each tonne of 8 newsprint and I wonder can you give the Board 9 a sense of the context of that kind of 10 increase in cost. Is that a relatively large 11 or small cost increase? 12 MR. GUILLOT: 13 A. There's two point in that increase. If you 14 look at the value of the increase, \$30 for us 15 in the manufacturing costs, give you a rough 16 idea represent about 80 jobs, okay. We're 17 talking \$30 a tonne. If we want to keep our 18 manufacturing costs the same because you look 19 at Stephenville, it's a mill that efficiency 20 is at 91 percent, it's what we call a one line 21 mill. We cannot go and move some assets or 22 organize some assets and the fact that we're 23 going to be more efficient is already done. 24 So the only place that we can talk about this, 25 we can talk about price buying from suppliers,</p>	<p>1 we can play on that one or we can play on man 2 hour, okay, that's the only thing. But even 3 playing about manning (phonetic) is something 4 that we feel it's tight. So, just give you an 5 idea of the 80 jobs for us, it's impossible. 6 But people have to understand in our world is-- 7 -if I turn around and ask my customer to pay 8 another \$30 for my tonnage, the answer is 9 going to be sorry, sir, I'll go somewhere 10 else. So it's something that I'll have to 11 absorb. So as we're dealing now in the fact 12 that the company just looking at the mills 13 that are not viable in finding a solution as 14 we know that we can read in the paper, it's 15 not an option to showing numbers next year 16 that are not sustainable. 17 Q. Lines 4 to 6 or 4 to 5, 3 to 5, I guess, they 18 say that the total increase in rates in a 19 three year period from 2001 to 2004 is 47 20 percent or a total increase of 8.2 million 21 dollars or 44 dollars per tonne increase in 22 manufacturing costs, what is being referred to 23 here? 24 MR. DEAN: 25 A. This is taking the rates from 2001--the</p>

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<p>1 MR. DEAN:</p> <p>2 increases that we saw actually in 2002, 2003</p> <p>3 actuals, plus what's being forecast now for</p> <p>4 2004. If you look at the increase in three</p> <p>5 years, it's 47 percent or an 8.2 million</p> <p>6 dollar increase in our power bill, which</p> <p>7 relates to a \$44 per tonne increase in</p> <p>8 manufacturing cost.</p> <p>9 MR. SEVIOUR:</p> <p>10 Q. Thank you. At page 5 of your testimony, I</p> <p>11 don't think you need to turn it up, there is</p> <p>12 reference to the cost of electrical power</p> <p>13 being Abitibi's second highest manufacturing</p> <p>14 cost at a ratio of 20 percent of manufacturing</p> <p>15 cost. Does that remain the case?</p> <p>16 MR. DEAN:</p> <p>17 A. That remains the case for this year, it's</p> <p>18 approximately 20 percent. Should this</p> <p>19 increase go through as proposed, it would</p> <p>20 raise that number in the range of 24 or 25</p> <p>21 percent.</p> <p>22 Q. To conclude in this area, and my final</p> <p>23 question perhaps to Mr. Guillot, can you</p> <p>24 indicate the implications of Abitibi</p> <p>25 Stephenville being the highest cost mill in</p>	<p>1 the Stephenville system in respect of the down</p> <p>2 time issue?</p> <p>3 MR. GUILLOT:</p> <p>4 A. If you look at past history in the mill that</p> <p>5 we just idled in Port Alfred, what's happening</p> <p>6 in the cycle is when you're in our position in</p> <p>7 Stephenville, if there's an over supply</p> <p>8 market, the first thing we're going to have is</p> <p>9 down time. Now we're talking about days.</p> <p>10 We're probably talking over the year about</p> <p>11 months. Then having down time our financial</p> <p>12 situation is getting worse and then that drive</p> <p>13 to a conclusion like we had in Port Alfred.</p> <p>14 So it's really a down circle, is that a good</p> <p>15 word in English?</p> <p>16 Q. I think we have the point. Thank you, Mr.</p> <p>17 Chair, that concludes the direct evidence.</p> <p>18 CHAIRMAN:</p> <p>19 Q. Thank you, Mr. Seviour. Good morning, Ms.</p> <p>20 Greene, when you're ready, please.</p> <p>21 GREENE, Q.C.:</p> <p>22 Q. Good morning, Mr. Chair, Commissioners. I</p> <p>23 have no questions.</p> <p>24 CHAIRMAN:</p> <p>25 Q. Mr. Browne?</p>
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<p>1 BROWNE, Q.C.:</p> <p>2 Q. Good morning, gentlemen.</p> <p>3 MR. DEAN:</p> <p>4 A. Good morning.</p> <p>5 MR. GUILLOT:</p> <p>6 A. Good morning.</p> <p>7 Q. On page 7 of your evidence you list a number</p> <p>8 of items that you've undertaken to promote</p> <p>9 energy efficiency at the Stephenville mill and</p> <p>10 that you've made similar lists in previous</p> <p>11 appearances before this Board. As part of the</p> <p>12 climate control plan for Canada, are you</p> <p>13 attempting to access any funds in order to</p> <p>14 make your mill even more efficient from an</p> <p>15 energy perspective?</p> <p>16 MR. DEAN:</p> <p>17 A. No, we haven't to this point. In fact I have</p> <p>18 to say I wasn't aware of that plan until you</p> <p>19 mentioned it out at the hearing in</p> <p>20 Stephenville that day. That is something that</p> <p>21 we will look into.</p> <p>22 Q. In terms of the use of alternative sources of</p> <p>23 energy, what exactly is the mill doing in</p> <p>24 Stephenville?</p> <p>25 MR. DEAN:</p>	<p>1 A. The alternative sources that we looked at is</p> <p>2 primarily in the exchange of--instead of using</p> <p>3 bunker C, we use wood waste, refuse, waste</p> <p>4 oil. We have examined and continue to look at</p> <p>5 the possibility of using peat as a fuel, so</p> <p>6 it's been more in the exchange of bunker C.</p> <p>7 Q. And how far along are you in reference to</p> <p>8 these items such as using peat, is there a</p> <p>9 time frame?</p> <p>10 MR. DEAN:</p> <p>11 A. In order to use peat, it's going to require a</p> <p>12 capital investment. We are in the preliminary</p> <p>13 stages of looking at that now. In terms of</p> <p>14 the other ones, we have been using used oil as</p> <p>15 much as we can procure for the last several</p> <p>16 years now, at least three. Bark and other</p> <p>17 wood waste, we take what we can from the</p> <p>18 island. We have brought some in on a trial</p> <p>19 basis. Those ones are more active. But still</p> <p>20 our main source is bunker C for producing</p> <p>21 steam.</p> <p>22 Q. The mill has other problems which have been</p> <p>23 noted including a problem of procuring a wood</p> <p>24 supply. What's the current status of that?</p>

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<p>1 MR. GUILLOT:</p> <p>2 A. As we speak on the wood supply, there's no new</p> <p>3 issues. We've been able, for the last year</p> <p>4 buying some wood over the mainland, we're</p> <p>5 talking about Nova Scotia, New Brunswick. But</p> <p>6 you have to understand one thing too, how the</p> <p>7 dynamic of the business goes is Newfoundland</p> <p>8 as everybody knows, it's an island. So</p> <p>9 without having a wood supply, for example, in</p> <p>10 Stephenville, we have to go there and buy it</p> <p>11 from outside. So for us it's cost, it's</p> <p>12 bargaining, etcetera. So that's one advantage</p> <p>13 that's gone. And, like, for example, having a</p> <p>14 mill that--whose wood yard is in their back</p> <p>15 yard. And in Stephenville the customer,</p> <p>16 they're in Europe. So the thing is we have to</p> <p>17 ship the paper then. So for us it's</p> <p>18 another disadvantage. And as we speak, now</p> <p>19 we're talking about the wood, but that's why</p> <p>20 we're saying that the idle was a disadvantage</p> <p>21 too having the cost of it going up by 30</p> <p>22 something percent or 29 or something that--</p> <p>23 people have to understand that if reporting</p> <p>24 having a business, have a disadvantage of wood</p> <p>25 and customers and then in power, that's what</p>	<p>1 makes the business not sustainable. It's all</p> <p>2 around a dynamic.</p> <p>3 Q. So, do you have a consistent wood supply for</p> <p>4 the next year, for instance?</p> <p>5 MR. GUILLOT:</p> <p>6 A. We're saying up to May now.</p> <p>7 Q. And in terms of your market, you mention your</p> <p>8 markets are European?</p> <p>9 MR. GUILLOT:</p> <p>10 A. Yes, our markets are European.</p> <p>11 Q. And they're entirely European?</p> <p>12 MR. GUILLOT:</p> <p>13 A. We're shipping at around 80 percent in Europe</p> <p>14 and 20 percent in South America.</p> <p>15 Q. How has the change in the value of the</p> <p>16 Canadian dollar affected your amount?</p> <p>17 MR. GUILLOT:</p> <p>18 A. We're in a good situation in Stephenville</p> <p>19 because the Euro stays, remains stable around</p> <p>20 at one point six, and in South America the US</p> <p>21 dollar, the volume is lower so we see an</p> <p>22 impact in our business, but it's not so</p> <p>23 terrible. To explain to people why with our</p> <p>24 markets in North America, sure we have good</p> <p>25 installation in Stephenville, but because we</p>
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<p>1 have to load the boat anyway, put the paper on</p> <p>2 the boat, so for us it's efficient to send it</p> <p>3 to Europe instead of shipping it to the</p> <p>4 States.</p> <p>5 Q. I note, Mr. Guillot, that you worked for the</p> <p>6 mill in Grand Falls as well for a period of</p> <p>7 time in production there.</p> <p>8 MR. GUILLOT:</p> <p>9 A. Yes, I did.</p> <p>10 Q. In terms of efficiency, how does the</p> <p>11 Stephenville mill compare with the Grand Falls</p> <p>12 mill, for instance?</p> <p>13 MR. GUILLOT:</p> <p>14 A. Can I use the word paradise?</p> <p>15 Q. Sure.</p> <p>16 MR. GUILLOT:</p> <p>17 A. It's different. Stephenville mill is a mill</p> <p>18 that--it's up to date as I say and the team</p> <p>19 that working in Stephenville--I'm not saying</p> <p>20 that Grand Falls don't do a good job, they do</p> <p>21 a good job, but they have different problems.</p> <p>22 So if you look at--you want to have motto</p> <p>23 (phonetic) of the mill, Stephenville is a</p> <p>24 fairly efficient motto (phonetic).</p> <p>25 Q. And in terms of the Grand Falls mill, that</p>	<p>1 being an older mill, is it the fact that they</p> <p>2 have their own power supply what keeps that</p> <p>3 mill going?</p> <p>4 MR. GUILLOT:</p> <p>5 A. Oh I cannot comment that when I think that</p> <p>6 what keeps the mill working is people put</p> <p>7 their effort and try to make that mill--like</p> <p>8 we do in Stephenville, try to make their mill</p> <p>9 work. So we're doing same thing, different</p> <p>10 topics.</p> <p>11 Q. Are you familiar with the company, I think</p> <p>12 it's called Central Newfoundland Energy, an</p> <p>13 amalgam of Abitibi and Fortis Energy which is</p> <p>14 producing power for the grid out of Bishop's</p> <p>15 Falls, are you familiar with that?</p> <p>16 MR. GUILLOT:</p> <p>17 A. No, I'm not, because what's happening is--as I</p> <p>18 said a few minutes ago is we work as divisions</p> <p>19 okay, I'm in charge of Stephenville. In my</p> <p>20 time in Grand Falls I was in production side</p> <p>21 only. But the power is one advantage that</p> <p>22 Grand Falls built over time so Stephenville</p> <p>23 never had the chance, never had the asset,</p> <p>24 never had the geographical advantage. So</p> <p>25 Stephenville we're not dealing with it, we're</p>

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1 MR. GUILLOT:
 2 just buying power.
 3 BROWNE, Q.C.:
 4 Q. In terms of the Interruptible B contract, when
 5 that contract was first negotiated, was that
 6 done with the approval of the Public Utilities
 7 Board, do you know?
 8 MR. DEAN:
 9 A. No, it wasn't. At that time, it started in
 10 1993, December 1, 1993 and the Industrial
 11 Customers were not regulated at that time.
 12 Q. And how is it that you're bringing the Board
 13 into this situation now, for what reasons
 14 would you be asking the Board to intervene in
 15 this Interruptible B contract?
 16 (9:30 a.m.)
 17 MR. DEAN:
 18 A. Well I guess two things have changed here; one
 19 is we are regulated now by the Board and our
 20 rate experts, Mr. Osler and Bowman have added
 21 a lot to this and given us a lot of guidance
 22 along the way here. And the experience of
 23 other jurisdictions and from what I understand
 24 from them is that the--very common in most of
 25 the other jurisdictions it's just a rate that

1 is available to Industrial Customers.
 2 Q. Do you see it as a conservation issue perhaps?
 3 There's been evidence before this Board that
 4 come 2008, the next project that Hydro has on
 5 its books is Island Pond which will give 36
 6 megawatts and after that, there's previous
 7 little, save the reliance on Holyrood or on
 8 smaller streams and rivers which have their
 9 own environmental concerns. Do you see the
 10 Interruptible B as promoting the cause of
 11 conservation in the short-term or in the long-
 12 term?
 13 MR. DEAN:
 14 A. Yes, I can go back to the start of the
 15 contract in '93. If we hadn't had that
 16 contract the alternative was the installation
 17 by Hydro of a 50 megawatt gas turbine. So, I
 18 think we can say yes, it is--helps
 19 conservation. It certainly helps the building
 20 of new assets for capacity.
 21 Q. Thank you very much.
 22 CHAIRMAN:
 23 Q. Thank you, Mr. Browne. Good morning once
 24 again, Mr. Kelly.
 25 KELLY, Q.C.:

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1 Q. Good morning, Chair, I have no questions for
 2 these witnesses.
 3 CHAIRMAN:
 4 Q. Good morning, Mr. Kennedy.
 5 MR. KENNEDY:
 6 Q. No questions, Chair.
 7 CHAIRMAN:
 8 Q. Redirect, Mr. Seviour?
 9 MR. SEVIOUR:
 10 Q. No redirect, Mr. Chair.
 11 COMMISSIONER SAUNDERS:
 12 Q. No questions.
 13 COMMISSIONER WHALEN:
 14 Q. I think I had some questions about
 15 conservation initiatives and alternate energy
 16 use but I think Mr. Browne has adequately
 17 canvassed those, thank you very much Mr. Dean
 18 and Mr. Guillot.
 19 MR. DEAN:
 20 A. Thank you.
 21 MR. GUILLOT:
 22 A. Thank you.
 23 CHAIRMAN:
 24 Q. I just had one short question. You mentioned
 25 the Port Alfred plant. You have a 20 percent

1 cost of production at Stephenville, is that
 2 generally typical of the cost associated with
 3 energy, associated with your plants in
 4 general? For example, Port Alfred, you
 5 mentioned the same type of cost structure
 6 overall. Would that be typical of the same
 7 breakdown between cost of wood, cost of energy
 8 at seven?
 9 MR. GUILLOT:
 10 A. The thing, Mr. Chairman, is it depends of what
 11 kind of pulp you're manufacturing. If you're
 12 taking a TNP mill that use energy to transform
 13 the wood into pulp, we're talking about say
 14 between 15 to 20 percent. So that's the point
 15 that we're making. With the next increase,
 16 we're going to be at 25 to 30 percent cost
 17 structure on the power. It's unusual for our
 18 business. The other thing too is what's
 19 happening in Port Alfred, the cost structure
 20 is because instead of having only one pulp
 21 mill, they have three kind of pulp, so they
 22 triple their cost of manufacturing pulp,
 23 that's things that we don't have. That's what
 24 I'm saying that if you look at the asset, you
 25 saying that what we call the straight line

<p style="text-align: right;">Page 29</p> <p>1 asset, one pulp, one machine, when finishing</p> <p>2 and it's all in line, so we don't have to</p> <p>3 basically carry people around or having three</p> <p>4 kind of pulp operator, that kind of stuff. So</p> <p>5 that's different between (unintelligible).</p> <p>6 Q. When you say it's the same cost structure, is</p> <p>7 that at today's electrical rates which you're</p> <p>8 paying?</p> <p>9 MR. GUILLOT:</p> <p>10 A. Yes, we are.</p> <p>11 Q. So the higher rates would contribute to your</p> <p>12 higher cost relative to the other plants</p> <p>13 you're saying.</p> <p>14 MR. GUILLOT:</p> <p>15 A. Yes.</p> <p>16 Q. Thank you very much Mr. Dean and Mr. Guillot,</p> <p>17 thank you for your testimony. I guess that</p> <p>18 brings to conclusion today's proceedings and</p> <p>19 certainly the evidentiary portion of these</p> <p>20 proceedings. We will be reconvening in mid</p> <p>21 January for final argument as we've agreed and</p> <p>22 I guess there's not much to say beyond I wish</p> <p>23 you and yours a very merry Christmas and we'll</p> <p>24 see you in mid January for final argument.</p> <p>25 Thank you once again.</p>	<p style="text-align: right;">Page 30</p> <p>1 Concluded at 9:35 a.m.</p>
<p style="text-align: right;">Page 31</p> <p>1 CERTIFICATE</p> <p>2 I, Judy Moss Lauzon, hereby certify that the</p> <p>3 foregoing is a true and correct transcript in the</p> <p>4 matter of Newfoundland and Labrador Hydro's 2003</p> <p>5 General Rate Application for approval of, among</p> <p>6 other things, its rates commencing January, 2004</p> <p>7 heard on the 12th day of December, A.D., 2003</p> <p>8 before the Board of Commissioners of Public</p> <p>9 Utilities, Prince Charles Building, St. John's,</p> <p>10 Newfoundland and Labrador and was transcribed by me</p> <p>11 to the best of my ability by means of a sound</p> <p>12 apparatus.</p> <p>13 Dated at St. John's, Newfoundland and Labrador</p> <p>14 this 12th day of December, A.D., 2003</p> <p>15 Judy Moss Lauzon</p>	