# Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

November 12, 2003	Multi-Page ML Hydro's 2003 General Rate Application
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1	1 (9:19 a.m.)
2 LIST OF UNDERTAKINGS	2 CHAIRMAN:
3 1. Undertaking Pg. 21	3 Q. Thank you. Good morning. It's been a long
4 2. Undertaking Pg. 47	4 time between drinks. Hiatus, I guess, that
5 3. Undertaking Pg. 61	5 nobody expected nor wanted, but those things
6 4. Undertaking Pg. 68	6 happen. In any event, welcome back. Good
7 5. Undertaking	7 morning, Ms. Newman. Is there anything before
8 6. Undertaking	8 we start?
9 7. Undertaking Pg. 177	9 MS. NEWMAN:
10         8.         Undertaking	10 Q. Chair, I don't have any matters, but I
	10 Q. Chair, 1 don't have any matters, but 1 11 understand that counsel for Newfoundland and
	12 Labrador Hydro does want to address some small
	13 procedure issues, filing issues before we get
	14 started with our witness today.
	15 CHAIRMAN:
	16 Q. Okay. Just before we get started, I
	17 understand in discussion with Ms. Newman that
	18 indeed it's the fondest hope that we actually
	19 deal with Mr. Roberts and Mr. Haynes'
	20 testimony on the revised Application this
	21 morning, soor the revisions to the
	22 Application. So I guess it's my understanding
	23 is that we'll take the longer day option time
	24 wise and so that there will be a break, a 15
P	age 3 Page 4
1 minute break at 10:45, lunch from 12:15 to	1 CHAIRMAN:
2 1:30 and we'll see what happens later on in	2 Q. Okay. Good morning, Ms. Greene. When you're
3 the afternoon, but a break at 3:15 or 3:00,	3 ready, please?
4 I'm sorry, according to this new schedule that	4 GREENE. Q.C.:
5 I'm looking at here. So we'll proceed on that	5 Q. Good morning, Mr. Chair, Commissioners. I
6 basis in terms of today's time table and we'll	6 just wanted to take a minute to point out what
7 see where we are later on this afternoon.	7 has been filed by Hydro since we last met.
8 MS. NEWMAN:	8 The first matter is the revised revenue
9 Q. Excuse me, Chair. The break had been	
	9 requirement which was filed by Hydro on
10 originally scheduled or proposed at 10:30, so	<ul><li>9 requirement which was filed by Hydro on</li><li>10 October 31, 2003. As has been recommended by</li></ul>
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1 0	GREENE, Q.C.:	1	1 last sat. And of course, today we will be
2	this updating for recent information. The	2	2 dealing through Mr. Roberts with the revised
3	Industrial Customers have requested to	3	3 revenue requirement. That completes my
4	reexamine Mr. Haynes with respect to the	4	4 preliminary comments. Thank you, Mr. Chair.
5	revision and Hydro has agreed to that. We	5	5 CHAIRMAN:
6	have also filed revised evidence from Mr.	6	6 Q. Thank you, Ms. Greene. Once again, welcome
7	Banfield and from Mr. Greneman who are yet to	7	
8	appear as witnesses and they will speak to the	8	
9	revised evidence when they appear in the	9	
10	normal course in the schedule. As well, we	10	0 GREENE. Q.C.:
11	filed on November 7th the responses to	11	
12	information requests that we had received in	12	-
13	the revised filing. So on November 7th we	13	
14	responded to 21 information requests received	14	
15	from Newfoundland Power and seven, I believe	15	
16	it was, that we had received from the Board.	16	
17	On November 7th Hydro also updated what had	17	
18	been undertaking No. 3 which were the key	18	
19	performance indicators. So on November 7th,	10	
20	Hydro filed a response to what is now	20	
20	undertaking No. 17 given to Board counsel to	20	
	update the key performance indicators to		
22	reflect the most recent revision for the	22	
23	financial forecast for 2004. So that is the	23	5 1
24		24	
25	documentation that Hydro has filed since we	25	
	Page 7		Page 8
1	the end of August and more recent forecasts	1	
2	for items such as load, No. 6 fuel prices,	2	
3	interest rates and foreign exchange rates.	3	8 8 5
4	Q. I wonder, Mr. O'Reilly, if you could bring up	4	ý 6
5	the second revision to Schedule 2 of Mr.	5	5 And there we see for 2004 a reduction of \$3.6
6	Roberts' evidence, please? Now, this revised		
7		6	, 6
	Schedule 2 sets out the revised revenue	7	7 change shown for 2004. Could you explain that
8	requirement proposed by Hydro for 2004. Could	7 8	<ul><li>change shown for 2004. Could you explain that</li><li>decrease in interest expense, please?</li></ul>
9	requirement proposed by Hydro for 2004. Could you please explain how it was prepared?	7 8 9	<ul> <li>change shown for 2004. Could you explain that</li> <li>decrease in interest expense, please?</li> <li>A. Yes. The decrease in interest expense is</li> </ul>
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9 10 11 12 13	<ul><li>requirement proposed by Hydro for 2004. Could you please explain how it was prepared?</li><li>A. Yes. Schedule 2 was prepared taking into account actuals to the end of August, 2003 and most recent forecasts and estimates for the remainder of the year. Explanations have also</li></ul>	7 8 9 10 11 12 13	<ul> <li>change shown for 2004. Could you explain that</li> <li>decrease in interest expense, please?</li> <li>A. Yes. The decrease in interest expense is</li> <li>primarily due to a decline in the short-term</li> <li>interest rates from an average of five percent</li> <li>to 2.78 percent.</li> <li>Q. Then looking at No. 6 fuel, which is up in</li> </ul>
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Pa	ige 9	Page 10
1 MR. ROBERTS:	1	are partially offset by the decrease in
2 but a more favourable exchange rate of 75	2	professional services due to a decline in
3 cents as compared to 66 cents used in the	3	software acquisition and maintenance expenses
4 previous filing has reduced this impact.	4	category relative to the non-renewal of the
5 Q. Now then, next significant decrease there is	5	Microsoft Enterprise agreement.
6 in diesel fuel on line 10, 577,000. Could you	6	Q. The last increase that I wanted you to explain
7 explain why there is a decrease in fuel	7	was the increase in power of purchase expenses
8 expense forecast for 2004?	8	which is shown on line 13.
9 A. The decrease in diesel fuel expense is	9	A. Yes. This increase is due to higher costs for
10 primarily due to a projected decrease in	10	synchronous condenser maintenance and control
diesel fuel prices from 43.3 cents a litre to	11	upgrades at the Wabush Terminal Station.
12 40.3 cents per litre.	12	Q. What impact does this reduction that we see
13 Q. Those were the significant decreases. I	13	here in the 2004 revenue requirement have on
14 wanted to look now at some of the increases	14	the base rates that Hydro has requested in its
15 that have arisen since Hydro's last filing.	15	application?
16 The first is the increase in other costs that	16	A. As set out in Mr. Banfield's revised evidence,
17 is shown on line 26 of an increase of	17	the base rate increase requested for
18 \$577,000. Could you please explain this	18	Newfoundland Power is now 12 percent instead
19 increase?	19	of 13.7 percent as reflected in the August
20 A. This increase is primarily due to the loss on	20	revision. While for the Industrial Customers
21 disposal of capital assets which arises from	21	the base rate increase now is 12.2 percent
22 the projected discontinuation of service in	22	instead of 13.5 percent as shown in the August
23 Davis Inlet and the increase in equipment	23	filing.
24 rentals due to an increase in charges from	24	Q. We just looked at Schedule 2 to your evidence.
25 Aliant for Hydro's mobile radio system. These	25	You have filed a number of other schedules as
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1 well with your Supplementary Evidence. Coul	d 1	Fitzgerald has a few as well. You've stated
2 you please explain what the other schedules	2	previously to the Board that Hydro has no new
3 were and why they were updated?	3	borrowing plans. Is that still the case
4 A. The appropriate schedules attached to my	4	following your refiling the evidence?
5 original evidence had been amended to reflect	5	A. Yes, it is.
6 the October 31st revision. The list of	6	Q. And when is the next year you anticipate you
7 schedules as attached shows the various items	7	will have to borrow?
8 that have been revised.	8	A. It will be maybe in 2005 or 2006, but nothing
9 Q. And all of these schedules have been revised	9	is planned in three or four.
10 just to reflect the more recent information	10	Q. It's my understanding that the parties are
11 shown in the revised revenue requirement. Is	11	close to agreement on various aspects of the
12 that correct?	12	Rate Stabilization Plan. And if that
13 A. Yes, it is. And we've shown the August filing	13	agreement falls through, are you prepared to
14 as well as the current filing on each	14	return to speak to the Rate Stabilization
15 schedule.	15	Plan?
16 Q. Thank you, Mr. Roberts. That completes my	16	A. It will be either myself or Mr. Banfield will
17 direct examination.	17	have to address the Rate Stabilization Plan.
18 CHAIRMAN:	18	Q. I read in your evidence that purchases from
19 Q. Thank you, Ms. Greene. Good morning, Mr	. 19	NUGS came on earlier than you anticipated. Is
20 Browne. When you're ready.	20	that correct?
21 (9:30 a.m.)	21	A. Yes, that's my understanding.
22 BROWNE, Q.C.:	22	Q. Is that a cheaper form of power than what you
23 Q. Good morning Chairman and members of th	ne 23	would produce at Holyrood?
24 Board. I have a few questions for you, Mr.	24	A. I don't believe it is. I think there was an
25 Roberts, on your new evidence, and Mr.	25	earlier RFI that outlined the cost that would

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	Page 13		Page 14
11	MR. ROBERTS:	1	A. I believe it's Fortis and Abitibi.
2	be paid relative to the purchases of the power	2	Q. And Fortis and Abitibi, that's Abitibi the -
3	from the new NUGS.	3	A. Abitibi Consolidated.
4	Q. So as part of the additionalany additional	4	Q. Abitibi Consolidated in the Grand Falls
5	expense in your evidence, can you point us to	5	operation, is that it?
6	a line where you are agreeing that that is a	6	A. I believe that is the case.
7	more expensive form of power and that now that	7	Q. And what about the other NUGS producer in
8	you are purchasing it earlier than	8	Corner Brook, is thathas that been factored
9	anticipated, where in your evidence is that	9	into your evidence of this, sir?
10	highlighted?	10	A. Yes. Any changes in the availability of
11	A. The only thing that's shown here in the	11	energy from those would also be reflected in
12	evidence that's very specific would be the	12	that number as well.
13	increase in power purchases that would be	13	Q. The fact that you're coming before the Board
14	shown on line 13 where there arethe energy	14	seeking a rate of return as the same as if you
15	is being bought earlier than what had been	15	were in a private enterprise, do you see that
16	originally anticipated.	16	
17	Q. Who are the beneficiaries of this power	17	more expensive source than you could produce
18	contract, if in fact, you could produce	18	it yourself?
19	electricity cheaper at Holyrood than you are	19	A. Could you just repeat that one more time for
20	buying it from NUGS, who are the beneficiaries	20	me, please?
21	of that contract?	21	Q. I'll try it. The fact that you are coming
22	A. The NUGS contract that's causing the increase	22	before the Board seeking the same rate of
23	here that power came on earlier is the	23	return as a company in private enterprise, do
24	Exploits River Partnership.	24	you see that as consistent with purchasing
25	Q. And who are they?	25	power from NUGS when you could be producing it
	Page 15		Page 16
1	cheaper yourselves?	1	Q. Well, yeah, I don't know if that would be the
2	A. The cost for the new power purchases are	2	
3	directed by government and are directed	3	would be the best one, maybe you want to defer
4	through Order in Council to be included in	4	to him rather than, say, hear my questions and
5	rates. That's the only comment that I could	5	they say that's better for Mr. Haynes.
6	add on this particular item. Directions -	6	GREENE. Q.C.:
7	Q. But could you see a reasonable observer out	7	Q. We had planned for Mr. Roberts to speak to all
8	there assessing this situation stating that	8	
9	here you are looking for a rate of return the	9	recalled at the request of the Industrial
10	same as what you would get in private business	10	
11	but yet you're making a decision which private	11	forecast. So if the questions relating to No.
12	business probably would not make?	12	
13	A. I guess the return that Hydro is requesting is	13	in the test year, Mr. Roberts certainly can
14	based on the risks that the enterprise is	14	answer those questions and has been prepared
15	subjected to. I also believe that direction	15	to answer those questions.
16	could also be provided through the Board for a		BROWNE, Q.C.:
17	private entity to be including certain costs	17	Q. Okay. Thank you, Ms. Greene. I think she may
18	in rates and recovered in it as well.	18	have cut you off at the pass now, Mr. Roberts.
19	Q. In reference to the fuel and the fuel amounts	19	If we can go to NP-289, please? And on page 3
20	and the changes in them as in your schedules,	20	
21	are you the best to speak to those or is that	21	various forecasts. And for 2003 we see the
22	the bailiwick of Mr. Haynes or Mr. Banfield?	22	fuel litres for Black Tickle at 458,052 and
23	A. I may be able to answer some, so you could	23	it's increasing in 2004 to 499,688. What is
24	try, and if I find out that I can't, I can	24	the reason for that forecasted increase, do
25	defer you to Mr. Haynes.	25	you know?
-			

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	Page 17		Page 18
1 1 1	IR. ROBERTS:	1	same thing. So, why is it increasing in the
2	A. No, I don't.	2	isolated systems there in Labrador, is there
3	Q. In reference to Davis Inlet and Natuashish the	3	any particular reason that Hydro has
4	fuel for 2003 is 423,422 but it's going up to	4	discovered?
5	1,435,294 in 2004. When exactly is Hydro	5	A. I'm not aware of it. Maybe even Mr. Haynes
6	taking over Natuashish?	6	when he talks with the load forecast maybe
7	A. The proposed date which is also being used for	7	will be able to shed some more light relative
8	the purpose of this update is July the 1st,	8	to the change.
9	2004.	9	Q. Yet we see in L'Anse au Loup we have 312,771
10	Q. So that would only reflect half the year?	10	and it's dropping to 155,342. Do you know the
11	A. That's correct.	11	reason for that?
12	Q. In Makkovik we see the fuel consumption rising	12	A. No, I don't.
13	from 934,807 to 1,023,636. Is there any	12	Q. Prior to going to Labrador, can Hydro
14	particular reason for that in Makkovik?	14	undertake to tell us what's going on in
15	A. I'm not aware of the detailed reasons behind	15	reference to these communities and why we see
16	the changes in the litres. I would assume	16	fuel, is it a consumption increase or it's an
17	that it would be tied in with the change in	17	expansion in the system so we have the facts?
18	the load forecast for Labrador.		GREENE. Q.C.:
19	Q. And in Nain it's going from 1,862,664 to	10	Q. Mr. Haynes speaks to the load forecast, which
20	1,960,857. Is there any reason for the	20	is what these questions are centred on and he
21	expansion in Nain?	20	can speak to them and he's a witness today.
22	A. The only thing that I'm aware of is that load	22	The answer is not an expansion, but increased
23	on the Labrador coast in these isolated	22	load in the communities, but Mr. Haynes is a
24	communities has been increasing.	23	witness who can speak to it.
25	Q. And in Postville and in Rigolet we see the		BROWNE, Q.C.:
	Qu'i ind in 1 obtiline and in Tugoret ive see the		Site in E, Qiein
	Dece 10		<b>D</b> aga 20
1	Page 19	1	Page 20
1	Q. So Mr. Haynes will -	1	A. I think the position of Hydro is that, yes,
2 6	Q. So Mr. Haynes will - REENE. Q.C.:	2	A. I think the position of Hydro is that, yes, electric heat is contributing to an expansion
2 C 3	Q. So Mr. Haynes will - GREENE. Q.C.: Q. Mr. Haynes is responsible for the load	2 3	A. I think the position of Hydro is that, yes, electric heat is contributing to an expansion of the system.
2 C 3 4	<ul> <li>Q. So Mr. Haynes will -</li> <li>BREENE. Q.C.:</li> <li>Q. Mr. Haynes is responsible for the load forecast in the isolated communities as well</li> </ul>	2 3 4	<ul><li>A. I think the position of Hydro is that, yes, electric heat is contributing to an expansion of the system.</li><li>Q. If your spokesperson is being accurate with</li></ul>
2 C 3 4 5	<ul> <li>Q. So Mr. Haynes will -</li> <li>BREENE. Q.C.:</li> <li>Q. Mr. Haynes is responsible for the load forecast in the isolated communities as well as on the interconnected so he can speak today</li> </ul>	2 3 4 5	<ul><li>A. I think the position of Hydro is that, yes, electric heat is contributing to an expansion of the system.</li><li>Q. If your spokesperson is being accurate with the information that she's providing, what</li></ul>
2 C 3 4 5 6	<ul> <li>Q. So Mr. Haynes will -</li> <li>BREENE. Q.C.:</li> <li>Q. Mr. Haynes is responsible for the load forecast in the isolated communities as well as on the interconnected so he can speak today to -</li> </ul>	2 3 4 5 6	<ul><li>A. I think the position of Hydro is that, yes, electric heat is contributing to an expansion of the system.</li><li>Q. If your spokesperson is being accurate with the information that she's providing, what steps is Hydro taking to curb the expansion of</li></ul>
2 C 3 4 5 6 7 E	<ul> <li>Q. So Mr. Haynes will -</li> <li>REENE. Q.C.:</li> <li>Q. Mr. Haynes is responsible for the load forecast in the isolated communities as well as on the interconnected so he can speak today to -</li> <li>ROWNE, Q.C.:</li> </ul>	2 3 4 5 6 7	<ul><li>A. I think the position of Hydro is that, yes, electric heat is contributing to an expansion of the system.</li><li>Q. If your spokesperson is being accurate with the information that she's providing, what steps is Hydro taking to curb the expansion of baseboard electric radiation on the island</li></ul>
2 C 3 4 5 6 7 E 8	<ul> <li>Q. So Mr. Haynes will -</li> <li>BREENE. Q.C.:</li> <li>Q. Mr. Haynes is responsible for the load forecast in the isolated communities as well as on the interconnected so he can speak today to -</li> <li>ROWNE, Q.C.:</li> <li>Q. So he'll be prepared to speak to those when he</li> </ul>	2 3 4 5 6 7 8	<ul><li>A. I think the position of Hydro is that, yes, electric heat is contributing to an expansion of the system.</li><li>Q. If your spokesperson is being accurate with the information that she's providing, what steps is Hydro taking to curb the expansion of baseboard electric radiation on the island portion of the province?</li></ul>
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## Discoveries Unlimited Inc., Ph: (709)437-5028

November 12, 2003

# Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

November 12, 2003	Multi-Page NL Hydro's 2003 General Rate Application
Pa	age 21 Page 22
1 BROWNE, Q.C.:	1 Q. Why would Hydro be involved in a road safety
2 who are out there making comments such as the	that 2 program as opposed to being on telling people
3 made by your spokesperson?	3 about something like baseboard electric
4 A. Yes, we do.	4 radiation, something within your mandate?
5 Q. Can you undertake to file the transcript that	5 A. The sponsorship of the road report was
6 was made in reference to the comments that	1 5 6
7 were made, I think, on VOCM some a week or t	ten 7 done as a decision to increase the awareness
8 days ago? (Undertaking) I'm sure it can be	8 of Newfoundland and Labrador Hydro within the
9 located.	9 province as a whole and it also provided a
10 A. Yes, we can obtain it.	10 safety message to all employees not
11 Q. I notice in reference to that you claim a	11 necessarily specifically directed towards
12 HYDROWISE Program, but I notice as well, in	n 12 electricity, but an overall general safety
13 driving back and forth to work periodically, I	13 notice to employees and to the general public
14 hear a road report that is sponsored by Hydro	14 as well.
15 in the public media. Is Hydro paying for	15 Q. In terms of you're saying it's a non-regulated
16 that?	16 expense, what is the cost of that non-
17 A. Yes, but it's an non-regulated cost.	17 regulated expense?
18 Q. It's a non-regulated cost? How does that sit	18 A. For that particular item?
19 with a Company that's not private, it's non-	19 Q. Yes.
20 regulated, who's paying for that?	A. I think it's approximately \$20,000 a year.
21 A. It's basically falling out as part of the	21 Q. Your fuel inventory is based on a 13th month
22 shareholder's cost.	22 average. Why is that?
23 Q. So the government of the province is paying	g 23 A. The practice in calculating rate base is to
24 for it?	use a 13th month average. That's the standard
25 A. Indirectly.	25 format that's used for determining rate base.
Pa	age 23 Page 24
1 Q. Just consistent with that?	1 CHAIRMAN:
2 A. So that's consistent with the methodology for	r Q. Good morning, Mr. Fitzgerald.
3 determining rate base.	3 (9:48 a.m.)
4 Q. You indicate in, I think it's Schedule 8, a	4 MR. FITZGERALD:
5 projected increase in accounts receivable. I	5 Q. Good morning, Mr. Chairman. Just one
6 don't know if you want to refer to that for a	6 question, really, Mr. Roberts, and this
7 moment? I'm not sure if it's Schedule 8 or	7 relates to your Schedule 2, the revised
8 not. Maybe you can point to where it is, your	r 8 October 31. And you referred to this this
9 accounts receivable?	9 morning as well in your direct. I'm looking
10 A. It's Schedule 8.	10 at line 33, the interest.
11 Q. Pardon?	
12 A. Schedule 8.	11 A. Yes.
	<ul><li>A. Yes.</li><li>Q. And you've indicated here that the decrease in</li></ul>
13 Q. Schedule 8. Whyokay, Schedule 8. Why an	12 Q. And you've indicated here that the decrease in
<ul> <li>Q. Schedule 8. Whyokay, Schedule 8. Why an</li> <li>the accounts receivable increasing between</li> </ul>	12Q. And you've indicated here that the decrease in132004 of \$3.5 million is, this relates to the
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14 the accounts receivable increasing between	12Q. And you've indicated here that the decrease in132004 of \$3.5 million is, this relates to the14decrease in short-term interest rates?
<ul><li>the accounts receivable increasing between</li><li>2003 and 2004?</li></ul>	12Q. And you've indicated here that the decrease in132004 of \$3.5 million is, this relates to the14decrease in short-term interest rates?15A. Yes.16Q. Is that correct?
<ul> <li>the accounts receivable increasing between</li> <li>2003 and 2004?</li> <li>A. Well, 2003 wouldn't reflect any increase,</li> </ul>	12Q. And you've indicated here that the decrease in132004 of \$3.5 million is, this relates to the14decrease in short-term interest rates?15A. Yes.16Q. Is that correct?
<ul> <li>the accounts receivable increasing between</li> <li>2003 and 2004?</li> <li>A. Well, 2003 wouldn't reflect any increase,</li> <li>whereas 2004 would reflect whatever the</li> </ul>	<ul> <li>12 Q. And you've indicated here that the decrease in</li> <li>13 2004 of \$3.5 million is, this relates to the</li> <li>14 decrease in short-term interest rates?</li> <li>15 A. Yes.</li> <li>16 Q. Is that correct?</li> <li>17 A. That's correct.</li> </ul>
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INOV	ember 12, 2003 Multi	-Pa	age NL Hydro's 2003 General Rate Application
	Page 25		Page 26
1 N	IR. FITZGERALD:	1	8
2	level of short-term debt or is this a level of	2	considerably less than, say, 20 basis points
3	short-term interest that other utilities could	3	above those 91 day treasury bill rates.
4	expect as well?	4	Q. That's my question, Mr. Chairman.
5	A. The short-term interest rate that's there was	5	CHAIRMAN:
6	based on the 91 day treasury bills and it was	6	Q. Thank you, Mr. Fitzgerald. Thank you, Mr.
7	based on estimates that had been provided from	7	Browne. Good morning, Mr. Kelly.
8	five of our managers, being CIBC, Wood Gundy,	8	KELLY, Q.C.:
9	National Bank, Bank of Montreal, RBC Dominion	9	Q. Good morning, Chair.
10	Securities and Scotia Capital. They provided	10	CHAIRMAN:
11	forecasts of short-term interest rates for	11	Q. When you're ready.
12	quarter one, two, three and four of 2004 for	12	KELLY, Q.C.:
13	91 day treasury bills, and we pay	13	Q. Good morning, Mr. Roberts.
14	approximately pointas an example, the	14	A. Good morning.
15	average rate is 2.58 percent. We pay 20 basis	15	Q. Mr. Roberts, I'd like to start with some high
16	points higher than the 91 day treasury bill	16	level questions before we get down into the
17	rates.	17	detail of some of these numbers. And I'd like
18	Q. And that's because of your specific situation?	18	to start by getting you to explain a little
19	A. So it would be the base rate, plus a tack on	19	further the process that you go through to do
20	for Hydro to pay above that particular rate.	20	this refiled revision. And let me kind of
21	We wouldn't get the government rate.	21	start at this this way, we know that some
22	Q. And Hydro, as specific to Hydro or what other	22	variables, key variables changed and that you
23	utilities -	23	incorporated those into your revised forecast.
24	A. Other utilities, depending on their rating,	24	For example, if we go to NP-290, the exchange
25	could get 20 basis points. I would suggest a	25	rate that you used is 74.6 cents?
	Page 27		Page 28
1	A. Yes, that's correct.	1	A. The decision to do the update was taken and
2	Q. And that is an exchange rate roughly as of,	2	the point in time was selected as being up to
3	for most of the estimates, the first week in	3	8
4	September of 2003?	4	can see, interest rates were updated, fuel
5	A. Yes.	5	· · ·
6	Q. Okay. And then in terms of U.S. fuel prices,	6	1
7	you had the PIRA forecast for the end of	7	
8	September, I think the 26th we saw that in	8	
9	your report?	9	
10	A. Yes, the PIRA forecast was used for September.	10	1 8
11	Q. Right, okay, for the end of September. And	11	
12	we'll come back and talk a little more about	12	5
13	interest costs and how that impacts later on.	13	
14	Now, those are some of the key variables.	14	
15	What I'd like to understand is you had the	15	
16	actuals to the end of August for your other	16	1 5
17	operating costs. What sort of process review	17	5 6 1
18	did you go through to determine what	18	
19	variations would now take place between the information that you had when you filed in May	19	
20	information that you had when you filed in May and now the refiling that you're doing in	20	
21		21	
22 23	October for the other types of items such as salaries and equipment, maintenance and	22 23	-
23 24	insurance, etcetera? What sort of process did	23 24	
24 25	you go through for those?	24	
20	you go unough for mose.	125	ouch and took at satarres as a total unitess

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	ember 12, 2003 Multi	-Page	e NL Hydro's 2003 General Rate Application
	Page 29		Page 30
1 N	AR. ROBERTS:	1	adjusted following receipt of direction from
2	they were specific programs that changed or	2	the Board." Other than any changes
3	required additional modification.	3	specifically directed by the Board, are you
4	Q. So for example you didn't rebuild it from the	4	suggesting that there will be any further
5	ground up, for example, for salaries. What	5	changes in the data used to set rates?
6	about for systems equipment maintenance?	6	A. No, not at this point.
7	A. Not for 2004. System equipment maintenance	7	Q. Okay. So the data we have now is the data
8	was just reviewed to see if the plans were	8	that will be used subject to any final
9	still, in fact, valid for 2004.	9	direction from the Board?
10	Q. So you didn't necessarily go back and rebuild	10	A. Yes, unless there's further direction from the
11	all these items from the ground up -	11	Board -
12	A. Not -	12	Q. Okay.
13	Q what you looked for, significant changes?		A this should represent how 2004 would -
14	A. What you looked for was significant changes in	14	Q. I just wanted to be sure we're on the same
15	plan or work loads that would impact on 2004.	15	understanding on that page. Okay. Next I
16	Q. Okay. Well, we'll explore that a little more	16	want to go to some high level questions with
17	in terms of some of the particular items later	17	respect to 2003, and you recall in my
18	on. Now can I take you next to page one of	18	examination-in-chief or my cross-examination
19	your evidence, to line 16 to 17, because I	19	with you the last time, we went through the
20	just want to be sure we understand what you're	20	process of how you did your budgets, and so as
21	saying here. You have a comment that says "it	21	I will summarize it for you, in the fall of
22	should be noted that the 2004 data in Schedule	22	the year, you would have prepared a budget
23	2 will not be the final data used to set the	23	which would have been locked away. Ordinarily
24	actual base rates for 2004 at the conclusion	24	there'd be two review processes, but the May
25	of the hearing. This data will need to be	25	one did not take place, as you explained to us
		25	one did not take place, as you explained to us
	Page 31	25	Page 32
1	Page 31 the last time, and we look then at the	1	Page 32 1.565. So as of August, Hydro's 2003 position
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$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\end{array} $	Page 31 the last time, and we look then at the performance in the March and June quarterly reports and, if I just take you, let's go to the first one, which was the March report, I think it's WW-1. Tab 2, page three, I believe it is. And we saw that, in fact, yourthere we goyour net operating income, your actuals as of March were 12,636 compared to 8, 322 which had been forecast, correct? So that was an improvement in the first quarter of 4. 3 million dollars. Okay. And we take you then to the June one, to the same table, Mr. O'Reilly. And in June it was 12.277 versus 5.445, so we had a net improvement of 6. 832 million. So we had an improvement of 6. 8 approximately at that point in time. Now can I take you to PUB-187? And the discussion that we had in the cross- examination the last time was, well, how were you going to end up with a 7.8 million loss?	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\end{array} $	Page 32 1.565. So as of August, Hydro's 2003 position had improved over forecast by 7.44 million? Do you agree with that? A. Yes, that's what the numbers reflect. Q. Okay. Now the first column that we've got there, if we could just scroll back up to the top a little bit, Mr. O'Reilly, is the May filing based upon the original budget. That was the question that the Board's people asked. When you filed in May, were all of your numbers taken from that original locked away filing or were there any revisions that had been done to that before you did your May filing? A. What you see here in the original budget in the May filing would have been what we locked down in basically about February of 2003. Q. Okay. And that - A. Which is really the process that started late that fall and the updates that came through.
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Page 31 the last time, and we look then at the performance in the March and June quarterly reports and, if I just take you, let's go to the first one, which was the March report, I think it's ww-1. Tab 2, page three, I believe it is. And we saw that, in fact, yourthere we goyour net operating income, your actuals as of March were 12,636 compared to 8, 322 which had been forecast, correct? So that was an improvement in the first quarter of 4. 3 million dollars. Okay. And we take you then to the June one, to the same table, Mr. O'Reilly. And in June it was 12.277 versus 5.445, so we had a net improvement of 6. 832 million. So we had an improvement of 6. 8 approximately at that point in time. Now can I take you to PUB-187? And the discussion that we had in the cross- examination the last time was, well, how were you going to end up with a 7.8 million loss? If we go to Schedule, page two of two, and if	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\end{array} $	Page 32 1.565. So as of August, Hydro's 2003 position had improved over forecast by 7.44 million? Do you agree with that? A. Yes, that's what the numbers reflect. Q. Okay. Now the first column that we've got there, if we could just scroll back up to the top a little bit, Mr. O'Reilly, is the May filing based upon the original budget. That was the question that the Board's people asked. When you filed in May, were all of your numbers taken from that original locked away filing or were there any revisions that had been done to that before you did your May filing? A. What you see here in the original budget in the May filing would have been what we locked down in basically about February of 2003. Q. Okay. And that - A. Which is really the process that started late that fall and the updates that came through. Q. So were there any updates in January/February?
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Page 31 the last time, and we look then at the performance in the March and June quarterly reports and, if I just take you, let's go to the first one, which was the March report, I think it's WW-1. Tab 2, page three, I believe it is. And we saw that, in fact, yourthere we goyour net operating income, your actuals as of March were 12,636 compared to 8, 322 which had been forecast, correct? So that was an improvement in the first quarter of 4. 3 million dollars. Okay. And we take you then to the June one, to the same table, Mr. O'Reilly. And in June it was 12.277 versus 5.445, so we had a net improvement of 6. 832 million. So we had an improvement of 6. 8 approximately at that point in time. Now can I take you to PUB-187? And the discussion that we had in the cross- examination the last time was, well, how were you going to end up with a 7.8 million loss? If we go to Schedule, page two of two, and if we go down to the bottom, as of the end of	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\end{array} $	Page 32 1.565. So as of August, Hydro's 2003 position had improved over forecast by 7.44 million? Do you agree with that? A. Yes, that's what the numbers reflect. Q. Okay. Now the first column that we've got there, if we could just scroll back up to the top a little bit, Mr. O'Reilly, is the May filing based upon the original budget. That was the question that the Board's people asked. When you filed in May, were all of your numbers taken from that original locked away filing or were there any revisions that had been done to that before you did your May filing? A. What you see here in the original budget in the May filing would have been what we locked down in basically about February of 2003. Q. Okay. And that - A. Which is really the process that started late that fall and the updates that came through. Q. So were there any updates in January/February? A. Not to those numbers unless it would have been
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	Page 31 the last time, and we look then at the performance in the March and June quarterly reports and, if I just take you, let's go to the first one, which was the March report, I think it's WW-1. Tab 2, page three, I believe it is. And we saw that, in fact, yourthere we goyour net operating income, your actuals as of March were 12,636 compared to 8, 322 which had been forecast, correct? So that was an improvement in the first quarter of 4. 3 million dollars. Okay. And we take you then to the June one, to the same table, Mr. O'Reilly. And in June it was 12.277 versus 5.445, so we had a net improvement of 6. 832 million. So we had an improvement of 6. 8 approximately at that point in time. Now can I take you to PUB-187? And the discussion that we had in the cross- examination the last time was, well, how were you going to end up with a 7.8 million loss? If we go to Schedule, page two of two, and if we go down to the bottom, as of the end of August, the margin or return on equity is, in	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\\23\end{array} $	<ul> <li>Page 32</li> <li>1.565. So as of August, Hydro's 2003 position had improved over forecast by 7.44 million? Do you agree with that?</li> <li>A. Yes, that's what the numbers reflect.</li> <li>Q. Okay. Now the first column that we've got there, if we could just scroll back up to the top a little bit, Mr. O'Reilly, is the May filing based upon the original budget. That was the question that the Board's people asked. When you filed in May, were all of your numbers taken from that original locked away filing or were there any revisions that had been done to that before you did your May filing?</li> <li>A. What you see here in the original budget in the May filing would have been what we locked down in basically about February of 2003.</li> <li>Q. Okay. And that -</li> <li>A. Which is really the process that started late that fall and the updates that came through.</li> <li>Q. So were there any updates in January/February?</li> <li>A. Not to those numbers unless it would have been in the area of like fuel or something like</li> </ul>
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Page 31 the last time, and we look then at the performance in the March and June quarterly reports and, if I just take you, let's go to the first one, which was the March report, I think it's WW-1. Tab 2, page three, I believe it is. And we saw that, in fact, yourthere we goyour net operating income, your actuals as of March were 12,636 compared to 8, 322 which had been forecast, correct? So that was an improvement in the first quarter of 4. 3 million dollars. Okay. And we take you then to the June one, to the same table, Mr. O'Reilly. And in June it was 12.277 versus 5.445, so we had a net improvement of 6. 832 million. So we had an improvement of 6. 8 approximately at that point in time. Now can I take you to PUB-187? And the discussion that we had in the cross- examination the last time was, well, how were you going to end up with a 7.8 million loss? If we go to Schedule, page two of two, and if we go down to the bottom, as of the end of	$ \begin{array}{c} 1\\2\\3\\4\\5\\6\\7\\8\\9\\10\\11\\12\\13\\14\\15\\16\\17\\18\\19\\20\\21\\22\\23\\24\end{array} $	Page 32 1.565. So as of August, Hydro's 2003 position had improved over forecast by 7.44 million? Do you agree with that? A. Yes, that's what the numbers reflect. Q. Okay. Now the first column that we've got there, if we could just scroll back up to the top a little bit, Mr. O'Reilly, is the May filing based upon the original budget. That was the question that the Board's people asked. When you filed in May, were all of your numbers taken from that original locked away filing or were there any revisions that had been done to that before you did your May filing? A. What you see here in the original budget in the May filing would have been what we locked down in basically about February of 2003. Q. Okay. And that - A. Which is really the process that started late that fall and the updates that came through. Q. So were there any updates in January/February? A. Not to those numbers unless it would have been

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1 1	MR. ROBERTS:	1	A. No.
2	A from an operating expense, it would be	2	Q from your December numbers.
3	locked down.	3	A. As I said, the December numbers that were
4	Q. Sorry. Could we generally take it that the	4	locked away would have been starting with
5	budget that you used in the May filing was the	5	depreciation going all the way down through to
6	one that was locked away then at the end of	6	line 33 in total other costs.
7	the year?	7	Q. All the same?
8	A. It was what was finally agreed upon in	8	A. All would be the same. The only thing that
9	February of 2003. The only items that would	9	would change after that would be your interest
10	have changed from there until the time that we	10	and your revenue as you're designing your
11	fell out would have been the iterations	11	rates and running it through the process.
12	reflecting margin and interest and revenue	12	Q. Right, but interest shows up on line 34.
13	requirement.	13	That's what I'm trying to understand. Are
14	Q. Okay. Well then since there's a possibility	14	there any changes that got incorporated from
15	there may be some changes, could you provide	15	December to May, in what we would have seen,
16	the budget numbers for January to December in	16	or can we take your original Schedule 2 as
17	the original format? You've done it here for	17	that was the locked away set of numbers?
18	January to August, but could you provide that		(10:00 a.m.)
19	in a table and undertake to file that, from	19	A. My Schedule 2 that was locked away in May is
20	the original one?	20	the final numbers for the initial filing.
21	A. Well, the numbers you already have, which are	20	Q. Yes, and is that the same as what you locked
22	in the original filing.	22	away in December?
23	Q. That's what I'm saying, but I'm trying to	23	A. With the exception of interest and margin,
24	understand whether anything in them has	24	because you had to iterate to determine the
25	changed at all in your original May filing -	24	revenue rate.
23		-	
	Page 35 Q. Okay.		Page 36
$\begin{vmatrix} 1 \\ 2 \end{vmatrix}$	A. But all your other costs would have been	$\begin{vmatrix} 1\\2 \end{vmatrix}$	during that period? A. Yes.
$\begin{vmatrix} 2 \\ 2 \end{vmatrix}$	•		Q. Yet withso with halfwith eight months of
3	locked away at that point in time. Q. Now on the January to August column that	3	the year over, we're stillwe have the
4			•
5	you've got here, if you come down to your	5	expenses down, but you're still projecting 18 million for the end of the year, which means
6	column for total other costs in your original	6	you'd have to double your expenditure in the
7 8	budget - A. Yes.	7   8	last four months?
	Q which is essentially your net operating		A. Yes, but as has been, I guess, mentioned maybe
9 10	expense line, you show 89,352,000. Now that's	9 10	by myself and both Mr. Haynes is that in the
11 12	an error, can we agree? A. Yes, it is.	11 12	case of system equipment maintenance, the bulk of that variance would be a timing difference
12	Q. Okay. So we should scratch that out.	12	in getting the bills in and getting them
13	A. It should be sixty nine seventy-five.	13	recorded from our various suppliers who are a
15	Q. 60,975,000?	14	bit tardy in providing the bills for the work
15	A. Yes.	15	that's being done.
17	Q. Okay. So if we then compare that to the	17	Q. If they're tardy now though, will they be
18	57,696,000 in the next column over, your net	17	tardylike why do we assume that they will be
18	operating expenses from January to August are	18	untardy in the last quarter any more?
20	actually down 3.279 million?	20	A. Because at year end, we're trying to complete
20	A. Yes.	20	audited financial statements and the onus is
21	Q. Okay. And in fact, if we look at some of	21	on us to ensure that if these costs are in and
22	them, for example, we look at system equipment	22	the work has been completed that we make an
	maintenance, just by way of example here,	23	accrual, even if we don't have a particular
17/	mannenance, instructive way of example here.	1 / 4	
24 25	they're down from 11.5 million to 9.4 million	25	invoice from a supplier.

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1	KELLY, Q.C.:	1	August. You still have your fall which is
2	Q. Because we see that same sort of issue arising	2	your September and your October and your
3	in transportation. You've gotyou're down	3	November periods, plus it's also heading in
4	300 odd thousand dollars, but at the end of	4	towards the winter period where the continued
5	the year, you're still projecting 1,766,000,	5	use of equipment is still required, as well as
6		6	aircraft.
7	half of the year. Is there any particular	7	Q. We see the same thing down in professional
8		8	services. We've got 2.2 million in eight
9		9	months. Yet you're proposing to spend almost
10	•	10	another two million in the last four months.
11	-	11	Can you help us with that one?
12	-	12	A. Well part of the difference to the end of
13		13	August is related to Holyrood once again, in
14		14	getting the overhauls completed at Holyrood
15		15	and in the timing which the bills are
15		16	receipted and the way that the items are
17		17	forecasted.
18		18	Q. And is that all of it?
10		18	A. The biggest part of the increase would bethe
20		20	savings up to the end of August would be
21		21	related to Holyrood. If you're looking at why
22		22	we're going to incur additional costs between
23		23	August and December, well, just this hearing
24		24	alone is going to be one of the additional
25	A. Well, the summer period here is only to	25	costs that will be done between now and the
	Page 39		Page 40
1	end of December, an accrual to record those	1	approximately 3 million which reflects extra
2		2	earnings to Hydro during that period. Do you
3		3	agree with that, simply the math?
4	look at where are the main changes in that	4	A. If your math is done right.
5	e ,	5	Q. And that's consistent with what we looked at
6	if you look at depreciation at the top, which	6	with the first quarterly report and the second
7	is line 3, we have a \$409,000 reduction in	7	quarterly report that Hydro had had increased
8	depreciation is how I make the numbers.	8	earnings, and we still see three million in
9	A. Yes.	9	extra earnings being carried. Can you explain
10	Q. If you come down to lines 12 and 14 together,	10	why that's the case? Essentially extra sales?
11	which is fuel and purchase power, because I	11	A. Certainly extra sales would account for some
12	looked at both of these together, the total is	12	of the increase, plus you got an increase in
13	down by 476,000 for both items collectively?	13	your efficiency in that period as well.
14	A. I'll accept your math.	14	Q. Okay. Now you remember as we wentbefore I
15	Q. Okay. And then if you come down to other	15	leave that one, the extra efficiency you're
16		16	talking about is the fuel conversion factor?
17	is the line we looked at a few minutes ago,	17	A. That's correct.
18	-	18	Q. Correct, okay. And we'll come back and talk
19		19	about that a little bit more when we come to
1.1	then interest is down by 295,000 at time 54,		
20		20	specifically look at fuel. Now remember in
	to make up total reductions of 4,459,000.		specifically look at fuel. Now remember in cross-examination, I talked to you about the
20	to make up total reductions of 4,459,000. Will you accept that math?	20	- · ·
20 21	to make up total reductions of 4,459,000. Will you accept that math? A. Yes.	20 21	cross-examination, I talked to you about the
20 21 22	to make up total reductions of 4,459,000. Will you accept that math? A. Yes. Q. Okay. Now that still leaves then, out of the	20 21 22	cross-examination, I talked to you about the capitalized expense variations over the years,

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P	age 41	Page 42
1 KELLY, Q.C.:	1 0	Q. Well, we'll argue the history of it in final
2 Perhaps we could just quickly put that up, Mr	r. 2	argument. And if we go to put your Schedule 2
3 O'Reilly, the Schedule 2 from August. And	d 3	for your second revision on the screen in your
4 down at line 29, we had looked at the fact	4	re-filed, and go to that line, by the end of
5 that the capitalized expenses as tested were	5	the year, you're projecting it will have gone
6 5.722 and had, by the end of the final	6	to 7.913?
7 reporting, were 8.116 and you remember th	ie 7 A	A. That's correct.
8 discussion that we had about the fact that	8 0	Q. So from the May filing of 64-0-5, up 1.15
9 that's a consistent pattern over a number of	9	million, agreed?
10 previous years, and I take you then with that	10 4	A. Yes.
in mind back to P.U. 187, and if we look at	11 (	Q. Okay. Now I want to look at some of the
12 the experience in the capitalized expense from	n 12	individual numbers next, and I'd like to start
13 forecast tofirst of all to January, it's	13	with the depreciation numbers, Mr. Roberts,
14 projected to go from 4.288 up to 5. or has	14	and we saw as we went through PUB-187 that
15 gone to 5.387?	15	depreciation is down by \$409,000 in the eight
16 A. Yes, that's correct.	16	month period. Could you just explain why that
17 Q. So your capitalized expenses havethe amou	nt 17	would be the case?
18 that you're taking there as the credit has	18 A	A. Generally it would be a function of timing
19 increased as consistent with the past	19	when assets are placed in service.
20 experience?	20 0	Q. And you've had some reduction in your capital
A. Well, it has increased in 2003 based on the	21	programs and some delays, as you've explained
22 year to date there of January to August, and	22	in your Note 1 in getting things into service
that is consistent with what had materialized	23	so that what we would expect is to see a
in 2002, but I wouldn't go back to say that	24	reduction in the depreciation expense, agreed?
25 it's historically kind of the same way.	25 A	A. For which period?
Р	age 43	Page 44
1 Q. Well, first of all, for the January to August	1	with that one?
2 period.	2 4	A. Well, it would be a function of when all the
3 A. Well, January to August there is reflecting a	3	assets are coming in service and whether or
4 reduction of \$400,000.	4	not things had changed from when they were
5 Q. Okay. Now if we go to your Schedule 2 fo	r 5	contemplated.
6 your refile, you're projecting it to have	6 (	Q. What do you see as the changes that will lead
7 increased by the end of the year by \$281,000	, 7	to that?
8 but you point out in your note 1, if we put	8 4	A. For instance, if you had a particular project
9 that up, that there was an error, there was an	9	that was scheduled to come in service in say
10 omission of \$600,000?	10	October and it came in in September, all the
11 A. Yes.	11	small items would impact on what the final
12 Q. And that accounts for it. So that if we put	12	depreciation would end up being.
13 if we go back to the Schedule again, Schedul		Q. Can you give us some examples of what you
14 2, if we take that \$600,000 and we have a net	. 14	anticipate is going to be the driver for any
15 increase of 281, the difference in what I'd	15	of that?
16 call real depreciation, you know, the hard	16 A	A. No, I can't. I can just say that of the
assets for the year is 319,000. Would you	17	35,000 records combined with the capital
18 agree with that?	18	projects that are there for 2003, the timing
19 A. Well, I'll accept your math. You're taking	19	on those, you also have the impact of the
20 the 600 against the 281 saying there's the	20	initial starting point that was used for the
21 real change.	21	October filing versus what was in August. The
22 Q. Right. And what I'm trying to understand is	22	combination of all of those things would
23 well, if it is down 409 to August, why will it	23	impact as to what depreciation would end up
be only down 319 by the end of the year? The		being.
doesn't seem logical to us. Can you help us	25 (	Q. Can we just put the PUB-187 back for a second?

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November 12, 2003	iuiti-Page	e NL Hydro's 2003 General Rate Application
Pag	e 45	Page 46
1 KELLY, Q.C.:	1	around about the end of September 2002 was
2 If the 600,000 is missing, is it missing then	2	added to that, and then the proposal, the
3 out of the original numbers, the 21857?	3	capital budget proposals for 2003 were added
4 A. Yes.	4	to that to arrive at what your fixed assets
5 Q. Right.	5	numbers would be. When you hit your actuals
6 A. That's what we said, the 600,000 was not	6	of course, that's using your actual balances
7 there.	7	and not a projected balances that you had
8 Q. Exactly. So if I were to take even just two-	8	used, so the combination of all of those
9 thirds of the 600,000 for that original budget	9	factors would contribute to changes in
10 number you've got there of twenty-one eight, I	10	depreciation.
11 would have to add that on and I'd have 22.2	11	Q. But you've told me that out of thein the
12 million, but you're stillyour actuals are	12	21,857 that doesn't have the 600,000 that you
13 21.4, which is 800,000 in the difference in	13	left out and even just taking two-thirds of
14 that eight-month period? Can you help us	14	it, I'd have a number which is 22.2, but I
15 understand that one then?	15	come in at 21.4. So your depreciation from
16 A. Just let me go back and try to enlighten you	16	forecast is down by 800,000, yet at the end of
17 as to the very first column, as to what was	17	the year, as we just saw, that number is
18 used there. In the May filing that you see	18	projected to be only 319, which means you've
19 there, which was the original budget, the	19	got to lose \$500,000, half a million, during
20 actual fixed assets that were used for	20	that process somehow. Can you help us with
21 completing this exercise, because of the	21	that?
22 complexity in dealing with it, were actual	22	A. Well, as I just tried to explain, the only
fixed asset balances as of December 31st,	23	answers that I can provide to you are the base
24 2001, and then the most recent forecast of	24	in which the assets were actually created, and
capital activity for 2002, which I believe was	25	as I mentioned, for the original filing, in
Pag	e 47	Page 48
1 effect, that really picked up actuals at the	1	for your May filing. We now have worked
2 end of 2001 in a forecast position for 2002,	2	through to the January-August actuals. There
3 combined with the proposed capital budget for	3	must be a mathematical reconciliation that can
4 2003. There were certainly changes in what	4	be provided to explain why the changes have
5 the actual fixed assets were for 2002. So	5	occurred.
6 that would certainly impact it, as well as any	6	A. Yes, but it would have to be at a very high
7 other changes that would have been proposed	7	level, by types of assets, I believe, if
8 for 2003 in delays of projects or in proposed	8	that's possible to do.
9 in-service dates.	9	Q. We'll ask you to see if you can undertake to
10 Q. Is it possible to provide any kind of written	10	do that, because we'd like to understand that
11 reconciliation of that item, because we're	11	item. (Undertaking) Can I take you to a
12 talking rather substantial amount of money?	12	related question which deals with this whole
13 Is that possible to provide, Mr. Roberts?	13	depreciation issue? And perhaps the best way
14 (10:20 a.m.)	14	to start at it is to take you to NP-306, and
15 A. I'm not sure if we're going to be able to	15	we asked, in NP-306, whether you had made any
16 provide the detail to the extent that would	16	of the changes with relation to these capital
answer it. I think, you know, what I'm trying	17	items and how the depreciation impacts and you
to explain to you is that it's a timing factor	18	indicated, no, from Grant Thornton's
19 of the actual numbers that were used, for	19	recommendations or report, and you said no,
20 instance. We actually had higher write offs	20	and if I take you down towards the end of
in 2002 than what was originally anticipated,	21	that, it talks aboutlet me back up. It
so a combination of all of those items would	1	
so a combination of all of those items would	22	says, at line 13, "as well, Hydro does not
22 so a combination of an of mose items would 23 impact on what that depreciation number is	22 23	says, at line 13, "as well, Hydro does not believe in allowance for potential under
		•

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	vember 12, 2003 Multi	-1 (	age NL Hydro's 2005 General Rate Application
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1	KELLY, Q.C.:	1	.39 percent to the total capital assets to
2	its capital budget is improving and the impact	2	determine what's an anticipated retirement,
3	of any under spending that may occur is more	3	then what should also be looked at is what is
4	than offset by the positive impact of Hydro's	4	the actual losses as a percentage, and when we
5	approach to forecasting asset retirements as	5	did that analysis and looked at it for a
6	quantified in response to NP-232 NLH." So if	6	period of time, the actual loss on disposal as
7	we could just put up NP-232 for the	7	a percentage of assets is coming out as 26.5
8	adjustments that we talked about or Mr.	8	percent. So if we're going to start applying
9	Brushett talked about, at line 16 you had an	9	percentages to the same base, then we should
10	offsetting entry for increase in loss on	10	start applying things that are similar, and
11	disposal. Now can you just help us understand	11	what this is doing is saying that if you were
12	why those twowhy there would be an increase	12	to apply the average of the loss as a
13	in loss on disposals simply because of	13	percentage of capital assets, then it would be
14	changing the depreciation expense?	14	26 percent. In our calculations of what we've
15	A. Well, maybe I can just add some information on	15	done, we've based it on the best known
16	this. What Mr. Brushett did is he looked at	16	information that we had, based on the capital
17	capital disposals, the actual original cost of	17	budget proposals that have been completed by
18	the assets that were retired, and he derived a	18	the people who are undertaking the work and
19	five-year average related to total assets,	19	their identification of the work that's going
20	which ended up being .39 percent. One of the	20	to result in assets being retired, and it's
21	items there is that that's not what's in rate	21	based on that premise that we go ahead and
22	base and that's not what's being recorded	22	make the adjustments for a particular loss on
23	because it's net book value, not original	23	disposal of assets.
24	cost. It's the net that's being earned on.	24	Q. But don't you take, in any event, a loss on
25	If we were to follow that logic of applying	25	disposal when it occurs? For example, in your
	Page 51		Page 52
1	evidence here now, you are proposing a loss on	1	to turn toChair, shall I proceed? I'll be
$\begin{vmatrix} 1\\2 \end{vmatrix}$	disposal for Petites in 2003 and a loss for	$\begin{vmatrix} 1\\2 \end{vmatrix}$	about probably five or ten minutes through
3	Davis Inlet in 2004.	3	this area and I'm happy to continue on through
4	A. Yes.	4	this area.
5	Q. So those things get subtracted out anyway,		CHAIRMAN <sup>.</sup>
6	don't they?	6	Q. Sure, we can do that. We started a little bit
7	A. Well, those things get added to revenue	7	late, so five or ten minutes is fine and we'll
8	requirement and we recover the cost.	8	take our fifteen minute break.
9	Q. Yes, but that's what I'm saying. So there's	-	KELLY, Q.C.:
10	alreadythat item gets dealt with when it	10	Q. Sure, that will be great. The next area we
$\begin{vmatrix} 10\\ 11 \end{vmatrix}$	occurs, according to the existing methodology,	11	want to touch on, Mr. Roberts, is the fuel
$11 \\ 12$	but why does it increase simply because you	11	issue. And we had discussed in cross-
12			examination the change in the exchange rate
13	got - A. Well, if you're going to start to applying	13 14	and we had had the discussion that that should
1			
15 16	percentages and saying .39 percent of our assets are really what's ended up being	15 16	impact the fuel cost by some nine million dollars or so. And, in fact, at one stage in
1	• • • •		-
17	retired, then we should start looking at	17	the response, you said, well, it might be aight million. But when we actually get to
18	applying a similar percentage to what has been our loss, and it's that loss then, if you're	18	eight million. But when we actually get to
19	-	19	the bottom line on our Schedule 2, that change
20	going to increase the amount of capital	20	is down to two hundred and twenty four thousand dollars in the net result at line 5.
21	retirements, then the amount of the loss	21	
22	should be correspondingly going with it as well.	22	And that, as I understand your evidence and the PIRA forecast is because the price in U.S.
23		23	the PIRA forecast is because the price in U.S.
24	Q. Okay. We'll explore that one a little bit	24	dollars has gone up significantly. Is that
25	more with Mr. Brushett. The next area I want	25	essentially correct?

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		Page 53	Page 54
1 1	MR. ROBERTS:	1	and you had 275,000 barrels in each of the
2	A. Yes, you got a change in the exchange rate,	2	four months. But in the bottom one, you've
3	but you also have a change in the price per	3	taken out the October item which would have
4	barrel as well.	4	had a price of \$27.50 and added that 275,000
5	Q. Right, and you gave those numbers to Ms.	5	barrels to December at a price of \$28.10. Can
6	Greene in your direct examination this	6	you help us with that one? Why would you make
7	morning. Could you just give us those again?	7	that move, why would you forecast that move
8	GREENE, Q.C.:	8	which, in the bottom line, that difference in
9	Q. There's also footnote 17 on page 5 of 8 of	9	60 on 275,000 barrels is \$165,000.00. There's
10	Schedule 2.	10	a couple of RFIs we can take you to, if you
11 1	KELLY, Q.C.:	11	want.
12	Q. Sure, okay. The price has gone from 19.23 to	12	A. Yes, I think there was an RFI, but just, if I
13	21.58 U.S. a barrel. Now, there are two areas	13	may, just to explain the basic premise as to
14	that I wanted to explore with you on this fuel	14	what has happened here. For 2004, this would
15	issue though. Number one relates to your	15	take into account what your actual history is
16	Schedule 2, page 8 of 8. And if we look at	16	in 2003, which would reflect your actuals up
17	the top table first, in the original filing,	17	to the end of August and then your best
18	PIRA only provided a price per barrel for the	18	forecast for the remaining of the year, both
19	whole of the year, the same price forecast.	19	on price, as well as anticipated hydrology and
20	A. That's correct.	20	load. They would form the base feeding in
21	Q. And when you get down to the October filing,	21	through and forming the fuel run for 2004;
22	you've got a price for the, by month, correct?	22	whereas the initial 2004 had 2003 as being a
23	A. Yes.	23	complete forecast year, representing no
24	Q. And in the top one you had purchases forecast	24	actuals. So, it wouldn't be uncommon to see a
25	for September, October, November and Decem	ber 25	shipment of fuel shift from one month to
	*	Page 55	Page 56
1	another throughout the fuel run that's bein	e l	required and what the carrying cost and
2	prepared.		whether or not the capability is actually in
	(10:30 a.m.)	3	the tanks to be able to store the product.
4	Q. But by December you've got the same am		Q. Has Hydro looked at any of those items?
5	but what you've done is you've moved it d		A. In the past, they certainly have.
6	the list into a higher price bracket,	6	Q. Have you done it for this particular change,
7	according to the forecast. And what I'm		is my question?
8	struggling with is this is nowwhat you're		A. I thought a particular RFI had been answered
9	talking about is a move and it's the only		relative to that.
10	change, there's no changes in the spring wh		Q. You can go to PUB-189 which poses the question
11	is much closer in time, on what basis can y		and it says CA-182 and if you go to CA-182, it
12	know now or forecast now that next Octo		gives you the short answer that it bases it
12	which is a year away, that 275,000 barrel		on, you knowbut my question is this is a
14	won't be needed until December? That se		year away, how do you do that a year away?
15	like an odd change, if I may suggest.	15	A. Well, as I said, it's based on the actual fuel
16	A. Well, I can only -	15	run and what falls out of the fuel run as to
17	Q. The only item that changes.	10	when the shipments are ordered. And the
18	A. I can only say it's a function of, you know		difference between the original four and the
19	completion of the fuel run and the backgrou		old four, is that you now have actuals being
20	as to how the fuel run was prepared.	20	impacted into 2003 and as to how things shift
20	Q. Well, since you now have a price, as a CF		out through plus, you'll have a change in load
21	would it not make more sense to buy that		and a change in hydrology. So, it's not an
22	275,000 in October and save \$165,000.00?		uncommon occurrence to find a fuel shift move
23	A. Well, it's not just a simple matter of buying		from one month to another, it's a function of
24	a price; it's the function of when it's	g 24 25	the planning for the shipments.
	a price, it is the function of when it s	23	the planning for the simplification.

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11	KELLY, Q.C.:	1	months to the end of '03, correct?
2	Q. Look at NP-295, in fact, this fall you bought	2	A. Yes, that's the way the fuel run has been
3	that two hundred and roughly seventy five	3	produced.
4	thousand barrels in equal monthly instalments,	4	Q. So that's how you got your 631. But if we
5	more or less? Do you know what's forecast to	5	actually go to NP-297 and we go to line 6 and
6	be purchased now in December of '03?	6	7 at the top, as of the end of October now,
7	A. The only thing that I would know is what's	7	because we've got two more months of data,
8	included here on the various schedule.	8	you're actually at 636 to the end of October
9	Whether or not there's been a change in that	9	with only two more months left to go. And may
10	at this point, I couldn't say.	10	I suggest to you that based upon historical
11	Q. Okay. Let me touch on the second of the two	11	practice, November and December would be
12	items I wanted to talk to you about in fuel	12	better months than, for example, your summer
13	and that is the fuel conversation factor.	13	months. Would you agree with that?
14	When we talked earlier about your '03 result,	14	A. They would certainly be more activity in
15	one of the points that you mentioned for your	15	Holyrood in the November/December period that
16	improved bottom line performance was the	16	you would expect over the summer, yes.
17	efficiency gains that you'd had in '03 with	17	Q. Right. So -
18	the fuel conversion factor. And the	18	A. Whether or not the efficiency will remain high
19	information, your note 2, we'll your note 2 to	19	now, has yet to bet determined and only time
20	your revised up on the list. Your revised	20	will tell.
21	numbers for '03 at line 13 are currently based	21	Q. Yes, but we are now at the end of October and
22	on 631 per barrel, kilowatt hours per barrel.	22	your '03 projections are based on 631.
23	And that's the conversion factor is based on	23	Whereas, to the end of October we're still
24	performance to the end of the August of 637	24	running at 636. So, if it turns out that the
25	and then with a forecast of 624 for four	25	fuel conversion factor comes in better than
	Page 59		Page 60
1	631 for the year, your '03 results will also	1	October filing?
$\begin{vmatrix} 1\\2 \end{vmatrix}$	be better for the year, won't they?	2	A. Yes.
3	A. Yes, if the efficiency is better, it will	$\begin{vmatrix} 2\\ 3 \end{vmatrix}$	Q. Now, can wein order to understand where that
4	impact our results for 2003.	4	\$5,000.00 comes from, can we look at NP-304, 2
5	Q. Okay. That's a good place to break then,	5	of 2, and we asked for the update of the
6	Chair.	6	response to 243, NP-243, and in the 2004
	CHAIRMAN:	7	forecast line, we have a breakout of what
8	Q. Thank you, Mr. Kelly. Thank you, Mr. Roberts.	8	makes up that total salaries and fringe
9	We'll now break for 15 minutes. I realize	9	benefits line. And can I suggest to you that
10	that's sort of half the period of our normal	10	the changes in the overtime line, the
10	break, but I'd like us to adhere to as best we	10	\$5,000.00, and just to help you, Mr. O'Reilly
11	can to maintain the schedule. Thank you.	11	can we put 243 on the screen? NP-243, sorry.
12	(BREAK - 10:37 A.M.)	12	And you'll see that the, by comparing the two,
13	(RESUME - $10.57$ a.m.)	13	that the only change is in the overtime line
	CHAIRMAN:	14	which has gone up by \$5,000.00? Am I
15 (	Q. Are you ready Mr. Roberts? When you're ready,	15	essentially correct?
17	Mr. Kelly.	17	A. That's correct.
	KELLY, Q.C.:	17	Q. And none of the other numbers have changed.
19	Q. Thank you, Mr. Chair. Mr. Roberts, I'd like	10	Why did youcan you just explain that, first
20	to turn next to look at the salaries and	20	of all, and how you determined that there'd be
20	fringe benefits line, which is line 15 on	20	a \$5,000.00 change in overtime?
22	Schedule 2, your Revised Schedule 2. And if	22	A. The \$5,000.00 change in overtime is related to
23	we look at line 15 and we go over to the 2004	23	taking over the community of Natuashish as of
24	column, that's projected to increase by	24	July 1, 2004. That's why the \$5,000. 00
	\$5,000.00 for 2004, between the August and	25	occurred.
25			

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1 KFT1 V, Q.C.       1       A. Federal government are paying for the costs         2       0. Just help me with that, there's \$5,000.00 for       1         4       A. That's an allowance or an amount that was       1         5       included in 2004 to cover some potential       2         6       overtime for the operators at the plant at       3       1 Hydro will take over the operating         7       Naturabish.       2       costs.       and the Federal government will provide a         7       Naturabish.       8       Q. Will that contribution towards some of the operating cost?         9       getting borne by the Federal government?       9       operating cost?         14       Q. Has Hydro then done an analysis as to what the costs is.       10       Q. Now come back to the salaries. So we've got         15       of that must some analysis has been done, but 1       11       the cost is.       11         16       deficit from taking over Naturabish?       16       Q. Now, come back to the salaries.       5         17       A. Fins urs some analysis has been done, but 1       18       charge for 2004. Now, can 1 take you-can you esplain first of all why nothing else has         18       just can't remember it right now, as to what the cost is.       20       Q. I hought 1 understood from the previous		vember 12, 2003 Mult	1- <b>г</b> а	ge <sup>m</sup> NL Hydro's 2003 General Rate Application
2       Q. Just help me with that, there's \$5,000.00 for       2       right now, but if's proposed that on July 1st,         3       taking over Natuashish?       3       Hydro will take over the operation of the         5       included in 2004 to cover some potential       5       and the Federal government will provide a         6       overtime for the operations at the plant at       6       commity of Natuashish and operate the plant,         7       Natuashish.       7       constribution towards some of the operating cost?         10       A. They are up to July 1st, 2004; after that,       10       C. No, it will not.         11       they are up to July 1st, 2004; after that,       10       C. No, it will not.         12       sharing by the Federal government,       12       an analysis of the impact on the rural deficit         13       optentially.       13       of that has taken place, and if so, would you         14       O tast hydro then done an analysis as to what the       15       costs will be, in terms of the impact on rural         15       deficit from taking over Natuashish?       16       Q. Now, can take you-can you         18       just can't remember if right now, as to what       18       costs will be, in the releval government         12       sessions that in fact the Federal government       20		Page 61		Page 62
3       taking over Natuashish?       3       Hydro will take over the operation of the         4       A. That's an allowance or an amount at was       5       community of Natuashish and operate the plant,         6       overtime for the operators at the plant at       6       community of Natuashish and operate the plant,         7       Natuashish.       7       and the Federal government,       7         9       getting borne by the Federal government,       9       operating by the Federal government,       10       A. I'n sy grow up to July Jst. 2004; after that,         11       they are part of the cost for Hydro, with some       11       Q. Can 1 ask you to undertake to find out whether         12       sharing by the Federal government,       13       of that has taken place, and if so, would you         14       Q. Has Hydro then done an analysis as to what the       15       A. I'm sure some analysis has beed none, but 1         15       A. I'm sure some analysis has beed none, but 1       16       offici from taking over Natuashish?         16       deficit from taking over Natuashish?       16       A. I'm sure some analysis as to what the         17       sessions that in fact the Federal government       18       change for 2004. Now, can 1 take youcan you         18       case, that there is-is been no       20       A. I'm sure some a	1 H	KELLY, Q.C.:	1	A. Federal government are paying for the costs
4       A. Tha's an allowance or an amount that was included in 2004 to cover some potential       community of Natusshish and portate the plant, and the Federal government will provide a contribution towards some of the operating of the operating is and the Federal government?         7       Natuashish.       7       costs.       0. Will the outribution towards some of the operating ost?         9       getting borne by the Federal government?       9       operating cost?       0. No. It maks you to undertake to find out whether         10       A. They are up to July 1st, 2004; after that, to potentially.       10       A. No, it will not.       0. Can 1 asky out to undertake to find out whether         12       sharing by the Federal government, 20       operating cost?       No. it will not.       0. Can 1 asky out to undertake to find out whether         13       potentially.       10       A. No, it will not.       0. Can 1 asky out to undertake to find out whether         14       Q. Has Hydro then done an analysis as to what the       12       of that has taken place, and if so, would you         15       is gets in fremember it right now, as to what       14       charged?       0. Natuashish and I take it that that's not the         20       Q. I thought I understood from the previous       15       charged?       14       charged for 2004. Now, can 1 take youour you         21       case, that there is-is there some impact on<	2	Q. Just help me with that, there's \$5,000.00 for	2	right now, but it's proposed that on July 1st,
5       included in 2004 to cover some potential       5       and the Federal government will provide a         6       overtime for the operators at the plant at       6       contribution towards some of the operating         7       Natuashish.       9       But I thought 1 all the Natuashish costs were       8       9. Will that contribution cover all of the         9       operating cost?       0       A. No, it will not.       0         11       they are part of the cost for Hydro, with some       11       0. Can 1 ask you to undertake to find out whether         12       sessions will be, in terms of the impact on rural       16       deficit from taking over Natuashish?       11       0. Can 1 ask you to undertake to find out whether         13       potentially.       A. I'm sure some analysis as to what the       13       of that has taken place, and if so, would you         14       Q. Has Hydro then done an analysis as to what       15       0. Now, come back to the salaries.       So we've got         15       just can't remember it right now, as to what       15       change for 2004. Now, can 1 take youcan you         16       Q. I dowight L understood from the previous       21       A. Because at this point, there's been no         21       sessions that in fact the Federal government       21       A. Because at this point, there's been no </td <td>3</td> <td>taking over Natuashish?</td> <td>3</td> <td>Hydro will take over the operation of the</td>	3	taking over Natuashish?	3	Hydro will take over the operation of the
6       overtime for the operators at the plant at       6       contribution towards some of the operating costs.         7       Natuashish.       0. But I thought all the Natuashish costs were       0. Will that contribution cover all of the operating cost?         9       0. But I thought all the Natuashish costs were       0. Will that contribution towards some of the operating cost?         10       A. They are up to July 181, 2004; after that,       11       Q. Can I ask you to undertake to find out whether         11       they are part of the cost for Hydro, with some       11       Q. Can I ask you to undertake to find out whether         12       sharing by the Federal government;       11       Q. Can I ask you to undertake to find out whether         13       potentially.       11       Q. Can I ask you to undertake to find out whether         14       potentially.       11       Q. Can I ask you to undertake to find out whether         15       costs will be, in terms of the impact on the rural deficit       of that has taken place, and if so, would you         15       costs will be, in terms of the impact on the rural deficit       o. Watashish         16       deficit from taking over Natuashish?       11       S.5000.00 extra overtime for-time share         17       S. A Texts       changes for 2004. Now, can I take you-can you       explain first of all why nothing else has	4	A. That's an allowance or an amount that was	4	community of Natuashish and operate the plant,
7       Natuashish.       7       costs.         8       Q. But I thought all the Natuashish costs were getting borne by the Federal government;       8       Q. Will that contribution cover all of the operating cost?         10       A. They are up to July 1st, 2004; after that,       11       10       A. They are up to July 1st, 2004; after that,         11       they are part of the cost for Hydro, with some sharing by the Federal government,       10       C Can I ask you to undertake to find out whether         13       potentially.       11       11       an analysis of the impact on the rural deficit of that has taken place, and if so, would you         16       deficit from taking over Natuashish?       11       15       A. Yes.         17       S. Yool.000 extra overtime forin the salaries.       change for 2004. Now, can the salaries.         18       just can't remember it right now, as to what       18       changed?         21       sessions that in fact the Federal government;       20       A. Because at this point, there's been no         22       natushish and I take it that that's not the       22       2004.         23       section povide the number of fulltime       2       0.0 kay. Now, can we go at this was the—you were         24       case, that there's a note on the bottom that       5       fact, just recently there were additional	5	included in 2004 to cover some potential	5	and the Federal government will provide a
7       Natuashish.       7       costs.         8       Q. But I thought all the Natuashish costs were getting borne by the Federal government?       8       Q. Will that contribution cover all of the operating cost?         10       A. They are up to July 1st, 2004; after that, they are part of the cost for Hydro, with some potentially.       10       A. No. it will not.         11       they are part of the cost for Hydro, with some potentially.       10       Q. Can I ask you to undertake to find out whether         12       an analysis of the impact on the rural deficit from taking over Natuashish?       16       A. Fw set were some analysis as to what the         15       costs will be, in terms of the impact on rural       16       Q. Now, come back to the salaries.         16       deficit from taking over Natuashish?       16       Q. Now, come back to the salaries.         18       just can't remember it right now, as to what       18       change for 2004. Now, can I take you-can you explain first of all why nothing else has         21       sessions that in fact the Federal government,       20       A. Because at this point, there's been no         22       wata going to be bearing the costs of       2004.       2004.         23       set ural deficit over that?       2004.       2004.         24       case, that there's isis there some impact on the totom that       4	6	overtime for the operators at the plant at	6	contribution towards some of the operating
9       getting borne by the Federal government?       9       operating cost?         10       A. They are up to fue cost for Hydro, with some       10       C. Can Lask you to undertake to find out whether         12       sharing by the Federal government,       11       0. Clas Hydro the none an analysis as to what the         13       potentially.       11       12       an analysis of the impact on the rural deficit         14       O. Hay Hydro then done an analysis as to what the       12       of that has taken place, and if so, would you         15       costs will be, in terms of the impact on rural       13       A. Yes.       Q. Now, come back to the salaries.         16       deficit from taking over Natuashish?       16       Q. Now, come back to the salaries.       So we've got         17       S5.000.00 extra overtime forin the salaries       changed?       1       A. Because at this point, there's been no         18       gust can't remember it right now, as to what       18       changed?       2       2004.         21       A Because at this point, there's been no       material change in what's been proposed for       2       2004.         22       was going to be bearing the costs of       22       2004.       2       0. Okay. Now, can we go at this was theyou were         23       asked to prov	7		7	costs.
10       A. They are up to July 1st, 2004; after that,       10       A. No, it will not.         11       they are part of the cost for Hydro, with some they are part of the cost for Hydro, with some the costs will be, in terms of the impact on rural       10       A. No, it will not.         13       potentially.       11       0. Can 1 ask you to undertake to find out whether         14       0. Has Hydro then done an analysis as to what the costs will be, in terms of the impact on rural       11       11         16       defici from taking over Natuashish?       11       13       A. Yes.         17       A. I'm sure some analysis has been done, but I       13       Sto0.000 extra overtime forin the salaries         18       just can't remember it right now, as to what       18       change for 2004. Now, can I take youcan you explain first of all why nothing else has         20       0. I thought I understood from the previous       20       change for 2004. Now, can we go at this by having first a alook at NP-35 and this was theyou were         21       Natuashis had I take it rat that?       22       2004.         22       case, that there isis there some impact on tar?       23       2004.         23       secals of the imployees by division, and if we saroll up the screen a little bit, Mr.       3       3         34       orRelly, there's a note on the bottom that	8	Q. But I thought all the Natuashish costs were	8	Q. Will that contribution cover all of the
11       they are part of the cost for Hydro, with some sharing by the Federal government, potentially.       11       Q. Can I ask you to undertake to find out whether an analysis of the impact on the rural deficit         12       sharing by the Federal government, other it right now, as to what the deficit from taking over Natuashish?       13       of that has taken place, and if so, would you provide it? (Undertaking)         13       of that has taken place, and if so, would you provide it? (Undertaking)       14       Now, come back to the salaries. So we've got s5,000.00 extra overtime forin the salaries         14       A. I'm sure some analysis has been done, but I       15       Now, come back to the salaries. So we've got s5,000.00 extra overtime forin the salaries         15       because at this point, there's been no       20       Changed?         14       porticid cid cid all why nothing else has       20         15       sasked to provide the number of fullime       20         16       equivalent employees by division, and if we       3         17       scroll up the screen a little bit. Mr.       3         18       August, you had 791 permanent disting reduction. So as of       7         19       evidence the last time. And if you go up the       4       63         16       ordig up the screen to the bottom that       5       haad line 5 on page 32. "Will that         17	9	getting borne by the Federal government?	9	operating cost?
11       they are part of the cost for Hydro, with some sharing by the Federal government, potentially.       11       Q. Can I ask you to undertake to find out whether an analysis of the impact on the rural deficit         12       sharing by the Federal government, other it right now, as to what the deficit from taking over Natuashish?       13       of that has taken place, and if so, would you provide it? (Undertaking)         13       of that has taken place, and if so, would you provide it? (Undertaking)       14       Now, come back to the salaries. So we've got so, Now, can take youcan you provide it? (Undertaking)         14       0. I hought I understood from the previous sessions that in fact the Federal government was going to be bearing the costs of all why nothing else has       20       0. I hought I understood from the previous sessions that in fact the Federal government was going to be bearing the costs of 22       A. Because at this point, there's been no material change in what's been proposed for 23         21       sestions that in fact the Federal government 24       0. Okay. Now, can we go at this by having first a slock at NP-35 and this was the-you were         22       equivalent employees by division, and if we sorcen a little bit. Mr.       2       alook at NP-35 and this was the-you were         2       equivalent employees by division and if we is is first breaks, as you've clarified in your       3       basically in the first week of September, and this was in the ottom fand this reference, if I take you over to page 31 and it ber, we've got the same information and this is Ms. Greene actually the same infor	10	A. They are up to July 1st, 2004; after that,	10	A. No, it will not.
12       sharing by the Federal government,       12       an analysis of the impact on the rural deficit         13       potentially.       13       of that has taken place, and if so, would you         14       provide it? (Undertaking)       14       provide it? (Undertaking)         15       costs will be, in terms of the impact on rural       15       A. Yes.         16       deficit from taking over Natuashish?       16       Q. Now, come back to the salaries. So we've got         18       just can't remember it right now, as to what       18       change for 2004. Now, can I take youcan you         17       sessions that in fact the Federal government       17       \$5.000.00 extra overtime forin the salaries         12       was going to be bearing the costs of       20       changed?       A. Because at this point, there's been no         12       was going to be bearing the costs of       22       alook at NP-35 and this was theyou were         15       asked to provide the number of fulltime       2       Q. Okay. Now, can we go at this by having first         2       alook at NP-35 and this was theyou were       16       fact, just recently there were doftitional         2       equivalent employees by division, and if we       2       fact, just recently there were further         7       reflect shte reduction in per	11		11	Q. Can I ask you to undertake to find out whether
13       optentially.       13       of that has taken place, and if so, would you         14       Q. Has Hydro then done an analysis as to what the       provide it? (Undertaking)         15       A. Yes.       Q. Now, come back to the salaries. So we've got         16       deficit from taking over Natuashish?       16       Q. Now, come back to the salaries. So we've got         17       A. I'm sure some analysis has been done, but I       15       A. Yes.         19       the cost is.       Q. I thought I understood from the previous       20         20       Q. I thought I understood from the previous       20       A. Because at this point, there's been no         21       was going to be bearing the costs of       22       2004.         23       Natuashish and I take it that that's not the       23       2004.         24       case, that there isis there some impact on       24       Q. Okay. Now, can veg oa this by having first a look at NP-35 and this was theyou were         25       scroll up the screen a little bit, Mr.       3       basically in the first week of September, and this this reflects the reduction in permanent       4       fact, just recently there were donethat those the same information and this         4       this treflects ther eduction in permanent       5       handling procedures in the Stotonm         7 <td< td=""><td>12</td><td></td><td>12</td><td></td></td<>	12		12	
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15       costs will be, in terms of the impact on rural       15       A. Yes.         16       deficit from taking over Natuashish?       16       O. Now, come back to the salaries. So we've got         17       A. I'm sure some analysis has been done, but I       17       S5,000.00 extra overtime forin the salaries         19       the cost is.       19       change for 2004. Now, can I take youcan you         19       the cost is.       19       explain first of all why nothing else has         20       O. I thought I understood from the previous       20       changed?         21       was going to be bearing the costs of       22         22       was going to be bearing the costs of       22         23       Natuashish and I take it that that's not the       23         24       case, that there isis there some impact on       24       Q. Okay. Now, can we go at this by having first         2       asked to provide the number of fulltime       1       fact, just recently there were additional         2       equivalent employees by division, and if we       2       basically in the first week of September, and         4       O'Reilly, there's a note on the bottom that       5       handling procedures in the St. Anthony, Wabush         5       nequival, you had 791 permanent and 131 FTEs,       9	1			· ·
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18       just can't remember it right now, as to what the cost is.       18       change for 2004. Now, can I take you-can you explain first of all why nothing else has changed?         20       Q. I thought I understood from the previous assessions that in fact the Federal government was going to be bearing the costs of case, that there isis there some impact on 22       A. Because at this point, there's been no material change in what's been proposed for 2004.         21       A. Because at this point, there's been no material change in what's been proposed for 2004.         22       Natuashish and I take it that that's not the case, that there isis there some impact on 	I	-		-
19       the cost is.       19       explain first of all why nothing else has         20       Q. I thought 1 understood from the previous       20       changed?         21       sessions that in fact the Federal government       21       A. Because at this point, there's been no         23       Natuashish and I take it that that's not the       23       2004.       2004.         23       Natuashish and I take it that that's not the       23       2004.       2004.         24       case, that there isis there some impact on       24       Q. Okay. Now, can we go at this by having first a look at NP-35 and this was theyou were         Page 63         25       means asked to provide the number of fulltime       2       changes that were done that were effective         26       asked to provide the number of fulltime       1       fact, just recently there were additional         2       changes that were done that were effective       3       basically in the first week of September, and         4       this reflects the reduction in permanent       6       read offices. So there were further         7       reflect future staffing reduction. So as of       7       reference, if I take you over to page 31 and         10       could just scroll up the screen to the bottom       10       it begins, the question begins at th	1	•		
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3scroll up the screen a little bit, Mr.3basically in the first week of September, and4O'Reilly, there's a note on the bottom that4that was in the area of closing out the cash5this reflects the reduction in permanent5handling procedures in the St. Anthony, Wabush6complement to August of '03, but does not6area offices. So there were further7reflect future staffing reduction. So as of7reductions in temporary staff located at those8August, you had 791 permanent and 131 FTEs,8two areas as well." And to give you the final9okay? Can we turn next to 10, NP-10, if we9reference, if I take you over to page 31 and10could just scroll up the screen to the bottom10it begins, the question begins at the bottom11there, we've got the same information and this11of 31 and I'm asking you how this would be12is FTE basis, as you've clarified in your12updated and at line 5 on page 32, "Will that13evidence the last time. And if you go up the13forecast for '04 also include the reductions14screen a little bit more, Mr. O'Reilly, those14forecast for '03 is being updated based on15projections for '03, 04 are currently the same15eliminated in early September in your response16table, as of the end of October, you've got18actuals to the end of August and forecast for19the same numbers, 791 and 131?19the balance of the year and then whatever20A. That's corre				• •
4O'Reilly, there's a note on the bottom that4that was in the area of closing out the cash5this reflects the reduction in permanent5handling procedures in the St. Anthony, Wabush6complement to August of '03, but does not6area offices. So there were further7reflect future staffing reduction. So as of7reductions in temporary staff located at those8August, you had 791 permanent and 131 FTEs,8two areas as well." And to give you the final9okay? Can we turn next to 10, NP-10, if we9reference, if I take you over to page 31 and10could just scroll up the screen to the bottom10it begins, the question begins at the bottom11there, we've got the same information and this11of 31 and I'm asking you how this would be12is FTE basis, as you've clarified in your12updated and at line 5 on page 32, "Will that13evidence the last time. And if you go up the13forecast for '04 also include the reductions14screen a little bit more, Mr. O'Reilly, those14from the positions that you indicated were15projections for '03, 04 are currently the same15eliminated in early September in your response16table, as of the end of October, you've got18actuals to the end of August and forecast for19the same numbers, 791 and 131?19the balance of the year and then whatever20A. That's correct.20the ada dily states into adjustments for '04 will also21Q. Now, let me take you				0
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	24		24	A. They're covered in 2004 by what's included in
25 and the universal at time 2, $100$ , as a matter of $125$ the vacancy allowance of two and a fiant	25	and the answer at line 2, "Yes, as a matter of	25	the vacancy allowance of two and a half

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1 N	AR. ROBERTS:	1	additional changes made in September.
2	million dollars.	2	A. From a staffing perspective, but the actual
3	Q. But they are in fact gone as of the end of	3	impact of reporting the complement, they are
4	October, aren't they?	4	reflected in the information that was filed
5	A. Yes, the positions have been deleted,	5	earlier and they're reflected in the number as
6	basically they were taken off the schedule	6	of August. We knew a couple of months in
7	actually in August.	7	advance as to what positions were going to be
8	Q. Can we go back to NP-301 for a second, if they	8	deleted. The actual physical closing of the
9	were eliminated in September, then either the	9	various offices and the elimination and
10	791 or the 131 number should be lower since	10	transfer of the work was actually done in
11	they're FTE positions, aren't they? Should	11	September, but the positions themselves were
11	that not be the case?		actually taken from the complement back in
12	A. They're reflected in the 791.	12	
1	•	13	August.
14	Q. How could it be reflected in the 791?	14	Q. I find that hard to square with the evidence
15	A. Because they were actually adjusted back in	15	that we had earlier in cross, that the
16	NP-10 at the end of August. The positions	16	\$600,000.00, for example, reflected 10 FTEs
17	actually disappeared the 1st of September, but	17	that were eliminated and then you talked about
18	from a complement perspective, they were taken	18	these as additional positions, so are you
19	out as of August.	19	telling me that they were not additional?
20	Q. But on page 12 that we looked at, you said	20	What are you telling us on this score?
21	there were additional changes that were done,	21	A. I'm not sure I understand your question. All
22	after we had all of this discussion of the	22	I'm saying to you is that back in NP-10, the
23	ones that were eliminated, your suggestion	23	complement that was shown was 791, reflected
24	not your suggestion, your evidence was after	24	the elimination of some positions in August
25	we talked about all thosethere were	25	from closing of the operations in September.
	Page 67		Page 68
1	Q. Let me ask you this question, out offirst of	1	A. Not on a temporary side. For 2003, that may
2	all, are the number of permanent and temporary	2	be an actual number of temporaries on hand at
3	FTEs still 791 and 131?	3	October, not necessarily on a FTE basis.
4	A. Well, the 791, the permanent complement, is	4	Q. Okay, well no, the 131 you told us the last
5	still, as of the end of October at 791. There	5	time was an FTE basis, in fact, that's what
6	were still some vacancies that exist that are	6	NP-35 says and Ms. Greene, in re-direct the
7	presently under review and discussion as to	7	last time, had you point out that you couldn't
8	whether or not they will or will not be	8	compare the 194 and the 131 because one is on
9	replaced.	9	a FTE basis and the other is not, do you
10	Q. Let me ask you this question, how many	10	remember that discussion? So the 131 -
11	vacancies are currently existing?	11	A. You may be right, I'm just trying to recollect
12	A. As of October, the end of October, there are	12	between all the NPs and the ICs. I know up to
12	presently 29 positions vacant of which 10 of	12	the end of 2002, it's definitely only the
14	those are backfilled.	13	number of permanents. 2003, what may have
14	Q. Ten are backfilled, in other words, somebody	14	been showing initially may have been FTEs.
15	else has moved into them, but there arethen	15	Q. Well if you go back to NP-35, it specifically
1	that position is vacant?		
17	•	17	says that the 131 is an FTE basis, number of
18	A. No, there somebody has been temporarily hired into some of these permanent positions while	18	fulltime equivalent employees, line one? In
19	into some of these permanent positions while	19	fact, that was your explanation as to why we
20	they are being assessed.	20	couldn't compare -
21	Q. Okay, so 29 are vacant, 10 are backfilled and	21	A. That's correct, it is FTES.
22	out of the temporary FTEs, what is the	22	Q. So how many FTEs temporary now do you have
23	complement of FTEs, temporary?	23	then? Can you tell us that?
24 25	<ul><li>A. I don't have that information.</li><li>Q. Can you provide that information?</li></ul>	24 25	A. No, I don't have that information. Q. Can you undertake to provide that?

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1 (Undertaking)	1 same throughout 2000from August to the end
2 GREENE, Q.C.:	2 of 2003?
3 Q. I'm not sure what the question is, the answer-	3 A. The 131 is an annual number of FTEs and at
4 -the 131 is the 2003 forecast of FTEs for the	4 this point, that's still the number.
5 full year, which is remaining the same as we	5 GREENE, Q.C.:
6 filed in the most recent RFI in response to	6 Q. And maybe, for the FTEs, we could have out 00
7 Newfoundland Power's question. Is the	7 in the summer for two months or 500 for three
8 question how many do we have on at this point	8 months, so it varies. So the FTE that's 131
9 in time? Because we have already answered the	9 is the fulltime equivalent of the various
10 question of the 2003 forecast FTEs and	10 people we have on during the year. So the
11 temporaries for the year.	11 forecast of FTEs is the same for 2003 as we
12 KELLY, Q.C.:	12 had said earlier. That doesn't mean that we
13 Q. What I'm trying to get a handle on, Mr.	13 may have on today 131 exactly, because when
14 Roberts, and let's explain the point to you,	14 you do temporaries on a fulltime equivalency
15 is you've got 131 FTE positions and what I'm	basis, there's not one FTE per temporary for
16 trying to understand is how many of those have	16 12 months. I don't know if that's helpful,
17 you actually got there, versus how many are	17 but that's how FTEs work.
18 vacant out of this theoretical 131 number?	18 KELLY, Q.C.:
19 A. But there's no such thing as a vacancy with a	19 Q. So I take it from that, Mr. Roberts, that the
20 FTE, it's number of hours for a bunch of	20 FTE temporary complement has not changed and
21 temporary people divided by what the standard	21 is not projected to change for 2003?
is and whatever the number falls out to be,	22 A. That's correct.
that's it. So there's no such thing as a	23 Q. Okay, all right. Now, let's have a look at
24 vacancy for a temporary.	24 Schedule 2 of your re-file and for '03, you're
25 Q. So your evidence is that number will be the	showing an increase in salaries and fringe
Page 71	Page 72
1 benefits of a million and eighty-four	1 dollars and obviously we're not achieving the
2 thousand?	2 vacancy reduction based on the salary numbers.
3 A. Yes.	3 Q. And why? Do you have any explanation?
4 Q. And if you look at NP-304, and we look at	4 A. Part of the explanation is that you just don't
5 this is the current information, you looked at	5 have the flexibility with positions becoming
6 two items there to try to see what was the	6 vacant and being able to hold them vacant for
7 change in the, what I'd call the operating or	7 a period of time.
8 the basis salaries, you've got 48,712 in the	8 Q. Has Hydro, faced with that issue, done any
9 salaries' line and a reduction shown at the	9 analysis to look at restructuring initiatives?
10 bottom now, a vacancy allowance of 220,000 for	10 A. As mentioned before, Hydro is currently
11 a net of 48,492? Okay? And if we do the	11 reviewing various processes and the results of
12 correspondinglook at the corresponding	12 those will be reflected, once the analysis is
13 numbers previously from NP-243, look at those	13 done and it's been determined that there can
14 two numbers, we had 48,877, but a million	14 be changes in the way that the processes are
15 dollar factor at the end, for 47,877. So the	15 operated.
16 difference, looking at it on a net basis	16 (11:16 a.m.)
17 because obviously it seems to me we've got to	17 Q. Well, if we look at overtime, we do that same
18 adjust for the vacancy allowance, the	18 analysis we just looked at in overtime, we see
19 difference is an increase of \$615,000 in base	19 that overtime has gone up from two million
20 salaries in 2003. Can you explain why that is	20 nine sixty nine to three million eight sixty
21 the case?	21 three, for an increase in overtime of
A. The big difference is we're not achieving the	22 \$894,000.00?
23 vacancy reduction.	23 A. Yes.
<ul><li>Q. Just explain how much you expected and -</li><li>A. We had anticipated to get, achieve a million</li></ul>	<ul><li>Q. And would you explain why that's the case?</li><li>A. Of the increase in overtime, approximately</li></ul>

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1 1	AR. ROBERTS:	1	expenditures are off; or the problem is not so
2	\$550,000 is related to capital projects.	2	much that you haven't achieved the
3	Q. Now, if 550,000 relates to capital projects,	3	productivity, but you've had those people
4	the total change in capitalized expenditures	4	doing capital projects, otherwise would you
5	that we looked at earlier is from 6.4 million	5	have needed them? Can I get you to address
6	to 7.9 million, which is a 1.5 million change	6	that issue?
7	in capitalized expenditures, but only half a	7	A. Some of the involvement in capital is ensuring
8	million of that relates to extra overtime?	8	that the projects are completed and on time
9	A. Yes.	9	and you may also find the situation where how
10	Q. So do we not have the situation here again	10	a project was going to be completed, via
11	where Hydro is capitalizing a greater	11	contracted out versus being done in house, may
12	proportion of its base salaries by a million	12	also impact it as well.
13	dollars?	13	Q. So at the end of the day we have an increase
14	A. You have more employees within the	14	of a million dollars in the Schedule 2 item,
15	organization, have spent significantly more	15	but that is effectively being offset by having
16	time on capital than what was originally	16	that amount capitalized, is that not the case?
17	anticipated.	17	Because you got about a million capitalized in
18	Q. Right. So a million dollars worth?	18	base salaries and another half a million in
18	A. Approximately a million dollars.	18	overtime.
	Q. Yeah, after I take out the overtime,		
20	approximately a million dollars. So can I	20	A. It's offsetting the increase in salaries, but the increase in salaries, excluding the
21		21	-
22	suggest to you that there are a couple of ways	22	overtime, as I mention is that it's getting
23	to look at it, either you haven't properly	23	harder and harder to achieve vacancy
24	estimated it to start out with; in other	24	reductions. It's a function of the work that
25	words, that's why your capitalized	25	the employees are working on that's
	Page 75	5	Page 76
1	contributing to the increase in the	1	and that's why there has been a reduction of
2	capitalized expense. So some of our fulltime	2	\$260,000.00 based on the approved capital
3	people are allocating and spending more time	3	budget.
4	on the various capital projects than what was	4	Q. But if you really believe that you're going to
5	originally anticipated.	5	need 2.7 million dollars less of workers and
6	Q. Now would that continue then in 2004?	6	even factoring out that some of that is
7	A. Oh, I don't believe that it will.	7	overtime, as we just saw, a million dollars,
8	Q. Okay, but then if it doesn't continue in 2004	8	just in the period we looked at for '03 is
9	and we go to your capitalized expense line,	9	actual base salaries, then why would you keep
10	and in fact, you've actually provided for a	10	those employees on?
11	further reduction in capitalized expense in	11	A. Well, it's the deployment of the work at the
12	2004, you've taken another \$200,000.00 out of	12	time when 2003 was done, versus 2004. Staff
13	there and you've reduced it now toyou had a	13	that were normally involved in the operation
14	credit for '03 of 7.9 million and it's going	14	sides of things in 2003, as an example in the
15	down to 5.2 million, so do you not have 2. 7	15	case of Granite, have spent a considerable
16	million dollars worth of time and employees	16	amount of time trying to get this project on
17	that are no longer needed if they were working	17	schedule and on stream as anticipated. In
18	on capital projects?	18	doing that, often times there are decisions
19	A. You just can't make a broad-brush statement,	19	made that certain operating projects can be
20	you've got to look at the components of what	20	delayed or deferred until a future date.
21	makes up the capitalized expense. The	21	Q. But you're not suggesting that your operating
22	capitalized expense in 2003 reflects	22	costs are actually going to rise in 2004 for
23	significant increases relative to overtime,	23	that reason, are you?
24	which was not anticipated in 2004. 2004 is	24	A. No, but all I'm saying is that your operating
25	based on the approved capital budget for 2004,	25	costs, you won't have a fairly large
1			

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1 1	MR. ROBERTS:	1	plans.
2	capitalized expense down on line 28 associated	2	Q. Okay. Then, have you gone for a particular
3	with these permanent people that are now	3	quote in 2004?
4	working on operating projects in 2004, versus	4	A. I'm not sure about an actual quote, but I know
5	working on a capital project in 2003.	5	consultants, our benefits consultants are
6	Q. One of the other items that effects 2003, as	6	reviewing the issue of our drug plans and our
7	we look at your note, is that there is a	7	group insurance coverage. Whether or not an
8	\$400,000.00this is in your note 6, a	8	actual quote has been issued, I'm not sure.
9	reduction in group insurance of \$400,000.00?	9	Q. Because it would seem, on the face of it, that
10	A. Yes.	10	in the absence of an actual quote, that the
11	Q. Now if that occurred in 2003, should that not-	11	2003 numbers would give us the best indication
12	-that reduction also get carried through to	12	of what those costs would be, would they not?
13	2004?	13	A. No, you're mixing history of seven or eight
14	A. We believe that it won't. The forecast at	14	months worth of actuals into assuming and
15	2003 reflects actual expense to the end of	15	applying that this will continue on into 2004
16	August and based on preliminary discussions	16	and I don't think that's necessarily the case
17	with our benefits consultants, they are still	17	and a good assumption.
18	advising us that there will continue to be	18	Q. What I'm trying to understand is then on what
19	significant increases in drug costs, and at	19	evidence do you have that it is not a good
20	this point there has been no indication that	20	assumption?
21	it will result in a reduction.	21	A. Well, as I said, we just recently started
22	Q. Where did that reduction in \$400,000.00 in '03	22	discussions with our benefits consultants and
23	take place in the group insurance program,	23	the preliminary indications are that the drug
24	what components of it?	24	costs are going to continue to rise in 2004.
25	A. I believe it's relative to our drug and dental	25	And at this point, we didn't feel any
	Page	79	Page 80
1	reduction was warranted, if at all. As a	1	the operating life of the unit?
2	matter of fact, there could possibly be an	2	A. I don't believe that they are. As an example,
3	increase for all we know at this point. So,	3	the major overhaul to unit number one in
4	even though the evidence indicates a	4	Holyrood is a thing that's done that's based
5	\$400,000.00 reduction, you haven't factored	5	on the time use of the machines. It's not
6	any of that into '04?	6	uncommon to experience additional costs once a
7	A. We have no evidence to us at this point to	7	major overhaul is done versus a minor. And
8	warrant a reduction in 2004.	8	all it is doing is ensuring that will, at
9	Q. Can I ask you next some questions on System	9	least, reach the estimated service life that
10	Equipment Maintenance and if we look at Line	10	has been established for the particular unit.
11	16 on your Schedule 2 for '03, we're looking	11	Q. But Holyrood is already at a stage where, from
12	at an increase of 1.149 million.	12	its original inception, it has potentially
13	A. Yes.	13	reached it 30 year service life for some of
14	Q. And if we go to Note 7 there are several items	14	these ones, hasn't it? We went through this
15	in there that explain why that is up. And we	15	with Mr. Haynes and it's because these annual-
16	have an asbestos abatement, a major overhaul	16	-the repairs are being done that have extended
17	at Holyrood, some additional items there and	17	its lift. And the life of Holyrood has been
18	in TRO, you got Petit Forte decommissioning	18	extended for approximately another 20 years
19	and rehabilitation of burners at the Hardwood	19	with, I think it's about 17 years left to go
20	Gas Turbine. Can I suggest to you, Mr.	20	on the additions that are there. All this is
21	Roberts, that some of those come back to this	21	doing on the overhauls, these particular
22	issue of whether some of these items should be	22	units, is ensuring that you will that full 17
23	capitalized, in particular, overhaul repairs	23	years out of the particular unit.
24	at Holyrood and the gas burner items at	24	Q. Well, let me ask you this question, in 2004,
25	Hardwoods? And would not each of those extend	25	you're showing a \$21,000.00 increase. What
		1	

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	Page 81	Page 82	
1 KELLY, Q.C.:	1	Station, but these assets are owned by Twin	
2 makes up the \$21,000.00?	2	Falls Power Corporation. And the cost of the	
3 A. The 22,000.00 that you see there is in th	ie 3	synchronous condenser and the control upgrades	
4 Production Division and unfortunately I d	on't 4	are part of the third and fourth expansion	
5 know what it would be for.	5	that's paid for and used by IOC. We acquire	
6 Q. And can you tell us whether it is one item	or 6	right to use that capacity and we pay a	
7 the net result of multiple changes or is that		proportionate share of the cost associated	
8 better left to Mr. Haynes -	8	with any repairs that are done on that	
9 A. It would probably be better left to Mr.	9	facility.	
10 Haynes, but I have a feeling it may be ju		Q. But to the extent that you pay a cost that is	
11 one item that was missed.	11	capital driven, if it is, in fact, an upgrade,	
12 Q. Okay. Let me take you to NP-291 then and	l this 12	a betterment, why would it not get	
deals with a change in Labrador, but it'		capitalized?	
14 interesting because the Wabush Terminal		A. It's not an asset, we have no right to	
15 Note 2, you've got \$331,000.00 of ext		anything. It's not a desk, it's not a chair.	
16 maintenance costs that is being added.	16	We're only sharingadding a contribution, if	
17 A. Yes.	17	you want to call it to some repairs costs that	
18 Q. And the note says, "the Wabush Term		are owned by another third party.	
19 Station Use cost has increased due to		Q. Okay. Let's look at Transportation and take	
20 previously unbudgeted costs of 331,784 rd		you to PUB-187. Now, in Transportation, that	
21 to synchronous condenser maintenance		item is down in the period January to August	
22 control upgrade". Now, isn't an upgrade		by \$258,000.00, but when we go to your	
23 betterment?	23	Schedule 2, it will be down for the year by	
A. But these aren't our assets. We just paid f		only \$189,000.00. That means that you've got	
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	Page 83	Page 84	
1 figures that you'll have to spend, sorry, m	Page 83 lore 1	Page 84 that your emphasis is towards what is your end	
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# Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

	vember 12, 2005 Mult	i-Pag	e NL Hydro's 2005 General Kate Application
	Page 85		Page 86
1	MR. ROBERTS:	1	safe in saying, well, those costs will be
2	A. Well, I'm just saying, is that somebody looked	2	realized for 2003. We don't have the level of
3	at the area of transportation and looked at	3	experience and background in the case of 2004.
4	the aircraft cost, what we had incurred to	4	2004 is based on what's anticipated to be
5	date, what was our fuel cost incurred to date.	5	spent based on normal occurrences of utilizing
6	What we did, we anticipate that we're going to	6	helicopter time and vehicles.
7	incur for the remainder of the year and the	7	Q. But when you filed in May, you were looking
8	difference between that and what was in the	8	ahead some 18 months to 2004 and so you didn't
9	original forecast is the anticipated savings	9	have the 2003 experience. Now that you've got
10	reflected here. It's just a simple matter of	10	the 2003 experience and you've discovered in
11	assessing what's actually been incurred and	11	2003 that oh, I'm not going to need to spend
12	what you see for the balance of the year.	12	\$189,000.00 for my operations, for my ongoing
13	Q. The reason I'm asking why the change is	13	regular everyday maintenance operations, why
14	because when I go back to Schedule and I look	14	does that not impact on your assessment for
15	at 2004, there's no change in transportation	15	2004?
16	budgeted for 2004. So, you've now got a	16	A. Because we have no basis to determine that the
17	reduction of 189,000 in 2003, but none of that	17	reduction, as an example in aircraft costs
18	seems to be getting carried through to 2004.	18	that we experienced in the first part of 2003
19	Can you explain why that's the case?	19	will continue into 2004.
20	A. It's the way that you're looking at the	20	Q. So, the fact that you've hadthe fact that
21	forecast. In your 2003 update, you actually	21	you've determined in 2003 you don't need it in
22	have seven or eight months of actual history.	22	this years' operations doesn't impact on your
23	Q. Yes.	23	assessment for next year?
24	A. And if we had anticipated using aircraft and	24	A. Well, it's based on what you anticipate is
25	we didn't, then you'd normallyyou're fairly	25	going to happen in 2004 in your workload. In
	Page 87		Page 88
1	the case of 2003, you never had to use the	1	Q. Have you specifically looked at, in these type
2	aircraft as often as you had originally		
	anotati as often as you had offginally	2	of items, whether they are, in fact, timing or
3	planned.	2 3	of items, whether they are, in fact, timing or whether there are any further reductions?
3 4	planned. Q. Okay. Let's look atlet's go down through		of items, whether they are, in fact, timing or whether there are any further reductions? A. Individuals were asked when they were asked to
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4	<ul><li>planned.</li><li>Q. Okay. Let's look atlet's go down through some of the next items here. In Building Equipment, for '03, if we look at PUB-187,</li></ul>	3 4	<ul><li>of items, whether they are, in fact, timing or whether there are any further reductions?</li><li>A. Individuals were asked when they were asked to do their update, they were asked to look at what had actually happened up to the end of</li></ul>
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11	KELLY, Q.C.:	1	cost and benefits of that?
2	Q. Does that get carried through to 2004? In	2	A. I'm not aware of it having been completed at
3	other words, if you're saving \$114,000 in disk	3	this point.
4	storage space, that's something you would	4	Q. If no analysis has been done, on what basis
5	expect to be a continuous improvement?	5	has Hydro determined that that's an
6	A. The offsite storage in 2003 is a one-time	6	appropriate way to proceed?
7	item. For 2004, we had anticipated still	7	A. I guess it's a judgment call as to whether or
8	having storage space available, but available	8	not you want to incur the additional offsite
9	locally rather than outside the province.	9	storage space on a rental basis or utilize a
10	Q. Can you just explain how that's intended to	10	piece of equipment that we presently have now.
11	work then?	11	Q. Okay. In 2004, you're showing \$120, 000
12	A. This is for disaster recovery, and what we	12	increase on equipment rentals, and note 22
13	presently have is an arrangement with a	13	says that that is increased"the increase in
14	company in the United States that can store	14	equipment rentals is due to an increase in
15	information for us and of course, we're	15	charges from Aliant for the mobile radio
16	heading to the point that additional storage	16	system."
17	space is going to be required. We have	17	A. Yes.
18	decided for 2003 not to acquire that space and	18	Q. Is thatis the entire increase related to
19	the intent had been, in 2004, with the upgrade	10	Aliant?
	of the main frame computer that we would		A. Yes, it's related to rental fees associated
20	utilize one of the AS-400s for our own	20	
21		21	with the VHF repeater tower power and
22	purposes and provide the offsite storage space	22	accommodation site at third party sites.
23	that way rather than through an outside	23	Q. Okay. Now the next two that I wanted to look
24	source.	24	at are travel expense and miscellaneous
25	Q. And has an analysis been done to determine the	25	expense, and there seems to be a bit of back
	Page 91		Page 92
1	and forth here in the transfer of the	1	'04?
2	allocation, and maybe the best way we can go	2	A. That is in effect now in 2003, but the data
3	at this is to have you explain how that works,	3	that was done in the initial filing was not
4	how that worked in 2003 and how it has changed	4	done on that basis. It's only in the
5	in 2004, and what are the numbers that we're	5	reforecast now for October that some
6	talking about.	6	allocation has been done between training to
7	A. To go back, in the preparation of the initial	7	travel and the same thing has been done in
8	budget back in 2002 for 2003 and 2004, it was	8	2004. There's an amount of \$300,000 has been
9	based on the way that things had already been	9	moved from training costs up into travel costs
10	done. One of the business processes that were	10	to reflect the way that the new coding is
11	reviewed was the utilization of our purchasing	11	going through on an actual basis.
12	credit card, and by utilizing that card, we	12	Q. Well, let's look at '03 first, and on Schedule
13	have now streamlined the processing and	13	2, you show under "miscellaneous" a reduction
14	recording of information by having it	14	of \$301,000?
15	automated. So that, for instance, if an	15	A. Yes.
16	individual goes on a training course, their	16	Q. And the note at Note 11 is that "the decrease
17	airline and their hotel bill in the past would	17	in miscellaneous expenses is primarily due to
18	have been coded to training. Now with the	18	a reduction in training." Is that in actual
19	automation on the corporate purchasing card,	19	training or in travel?
20	the airline ticket, as an example, is hard	20	A. That's a reduction in the cost of training
21	coded now to be to travel and that has	21	because the travel costs are now reflected up
22	facilitated the coding.	22	into travel.
23	Q. Can I just stop you there? I don't want to	23	Q. How much of that is a reduction in training
23	cut off your answer, but is that in effect in	23	and how much is transferred to travel?
	2003 already or is that a change coming in	25	Because when I go to travel, travel has only
25	Loop uncaup of its that a change comming in	140	Decide then I go to daver, daver has only

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1 K	ELLY, Q.C.:	1	that travel, in this answer, is included in
2	changed byis up by \$30,000.	2	both aspects of the item, both in '03 and '04?
3	A. Yes.	3	A. Anticipated, yes, costs of travel would have
4	Q. There's no note or explanation but -	4	been reflected in three and four here in this
5	A. There's no physical way to tell other than the	5	answer.
6	fact that based on what had been there for the	6	Q. Okay. So in '04, 300,000 has gone toout of
7	original for training costs and what have been	7	the training budget into travel?
8	incurred to date that training was reduced by	8	A. Yes.
9	the \$300,000 and there was no corresponding	g 9	Q. And some amount which looks like approximately
10	increase at this point in the travel costs.	10	300,000, is gone out in '03 as well?
11	We're able to obtain savings within the travel	11	A. Both numbers have been reduced by
12	expense grouping.	12	approximately \$300,000.
1	11:45 a.m.)	13	Q. Okay. And if we go to NP-305, we have a
14	Q. Does it seem on the face of it that the bulk	14	training budget for '03 now of 632 and for '04
15	of it then is a reduction in training itself	15	of 712,000.
16	as opposed to travel, since there's not a	16	A. That's correct.
17	corresponding increase in '03 in the travel	17	Q. Now, but just go up to line 6. As of the end
18	expense?	18	of October, actual training expenditures are
19	A. Well, it may be a combination of both, and	19	only 379,000?
20	it's because of the way that the transactions	20	A. Yes.
21	are being recorded, you can't pinpoint one to	20	Q. So with only two months left to go, you're
22	the other now.	22	roughly 250,000 odd dollars away from full
23	Q. Well, if you go to NP-251, this was the	22	expenditure, with ten-twelfths of the year
24	original answer for the 2003 and 2004 training		gone.
25	budget. I take it from your answers to date	25	A. Yes.
25	·		
		ige 95	Page 96
1	Q. Will we not see further reductions then, since $\frac{1}{2}$		going to have a loss on disposal in Petites of
$\begin{vmatrix} 2 \\ 2 \end{vmatrix}$	we've alreadyin this 632, we've already	2	\$103,000?
3	taken out the 300,000?	3	A. Yes.
4	A. It's my understanding that a significant	4	Q. And if I go to Note 24, you have a loss of
5	portion of some of this training is not done	5	\$725,000 for loss on disposal at Davis Inlet
6	into the fall, so at this point, we have no	6	now that you've added in 2004, correct?
7	basis in which to say it will be less than the	7	A. That's what's driving the increase on the loss
8	600.	8	on disposal for 2004, yes.
9	Q. Well, if training is down according to the	9	Q. \$725,000?
10	note to your answer, why would not training		A. Yes.
11	also be down in '04?	11	Q. Are there also decommissioning costs on Davis
12	A. I guess it's the combination of the training	12	Inlet? Just as we've seen in Petites, there's
13	and travel costs within 2003 as to why you	13	both items.
14	have reduction in training based on our	14	A. There will be decommissioning costs for Davis
15	experience and the costs that are going	15	Inlet, but I don't believe they are reflected
16	through, and we were able to cover that by the		in the 2004 numbers.
17	amount of dollars that were continued in	17	Q. Can you tell us what the decommissioning costs
18	training.	18	will be and whether they're in 2004 or
19	Q. Let me move to a different subject. In Note	19	anticipated for a future year?
20	7, we have a look at your Note 7, you have	20	A. I don't know if they've been quantified yet,
21	some items related to Petites. You have a	21	and maybe I can explain a little bit there.
22	decommissioning cost in Petites in '03 of	22	When the initial application was filed, we
1			
23	\$120,000.	23	still didn't know, and we still don't, as to
	<ul><li>\$120,000.</li><li>A. Yes.</li><li>Q. And if I take you over to Note 12, you're</li></ul>	23 24 25	still didn't know, and we still don't, as to what circumstances and what the arrangements are going to be on an ongoing basis between

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	Page 97		Page 98
1 N	/R. ROBERTS:	1	A. If any.
2	the Federal Government and Hydro, relative to	2	Q for the decommissioning costswe know the
3	the operation of Sheshatshiu. Negotiations	3	loss on disposal, but how much is in for
4	are still ongoing and there are still issues	4	decommissioning costs for Davis Inlet, what
5	to be resolved relative to operating the	5	that number is, that's question one. And
6	diesel plant in the community of Natuashish	6	question two is, is it in 2004 or not and if
7	and as well as to what arrangements, if any,	7	not, what year will it be in? Okay. Now,
8	will be on cost sharing of costs. So at this	8	let's just carry on this discussion a little
9	point, I don't know if there's any included in	9	bit further. Can I take you to NP-45? Now,
10	2004 or not.	10	the question that was posed in NP-45 is,
11	Q. Well, let me take you to NP-46 and the	11	"provide details on the cost of the electrical
12	question is, what are the plans for	12	system", et cetera, I'll skip through it, "put
13	decommissioning the service to Davis Inlet and	13	in place to serve the customers of Shango Bay,
14	the answer at Line 11 is, "decommissioning to	14	et cetera. The electrical system at the new
15	be completed by the end of 2004".	15	community of Natuashish Shango Bay is being
16	A. Um-hm.	16	totally funded by the Federal Department of
17	Q. So, that would sound like somewhere in the	17	Indian and Northern Affairs on behalf of the
18	budget, there must be a number for	18	Mushua Innu of Davis Inlet and Hydro does not
19	decommissioning for 2004?	19	have the details on the cost." Now in the
20	A. I'm sorry, but I honestly don't know if	20	costs of Shango Bay and putting that system in
20	there's anything in there or not.	20	place, is there any money in there for the
	Q. No, and in fairness, it might be information	21	decommissioning of Davis Inlet and the
22	-		-
23	that you can obtain from, you know, Mr. Martin	23	disposal of the assets of Davis Inlet?
24	or someone else, but what we'd like to know is	24	A. I'm afraid I don't follow your question.
25	how much is in -	25	Q. Well, the answer here says that the Federal
	Page 99		Page 100
			-
1	Government is funding Shango Bay or	1	utility for the relocated community." And can
1 2	Government is funding Shango Bay or Natuashish.		-
		1	utility for the relocated community." And can
2	Natuashish.	1 2	utility for the relocated community." And can you tell us whether that is being done?
2 3	Natuashish. A. Yes, and Davis Inlet is Hydro's.	1 2 3	utility for the relocated community." And can you tell us whether that is being done? A. As I say, there's been no agreement reached
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# Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

	veniber 12, 2005	nu-ra	age NL Hydro's 2005 General Rate Application
	Page 1	01	Page 102
1 1	MR. ROBERTS:	1	assets utilizing our present methodology, and
2	operation of the Sheshatshiu facility.	2	that's a function. This year it may be
3	Proposed date is July 1st of 2004. Prior to	3	\$725,000 extra in there for Davis Inlet. Next
4	that, Hydro would be required to file for an	4	year it could be something else. That,
5	abandonment with the Board and go through that	5	unfortunately, is the way that this revenue
6	full process before that can be done. And	6	requirement is calculated, and the methodology
7	there is some discussion ongoing with the	7	and the way that Hydro records its fixed
8	Federal Government relative to contributing	8	assets and depreciates that.
9	towards both capital and operating and there	9	Q. Well, Mr. Martin was here and I can take you
10	is a reflection in the budget now of, I think,	10	to the reference, if you want, but Mr. Browne,
11	approximately \$100,000 for the Federal	11	the Consumer Advocate, asked him if in fact
12	Government contributing to some of the	12	Hydro was going to make money on the
13	operating costs associated with Natuashish.	13	relocation and Mr. Martin said "no, we weren't
14	Q. But the other part of this is this is a one-	14	going to do to make money but we were
15	time loss on disposal that if you are	15	essentially doing it at cost." Now it appears
16	proposing to put in a test year and that means	16	that there is at least a three-quarter of a
17	that cost would get carried through in rates	17	million dollar loss that is being asked to be
18	to all of the customers on a continuous basis,	18	passed on to Hydro's customers and possibly
19	until the next rate hearing. Given all the	19	some additional amount with commissioning. I
20	qualifications that you've just given as to	20	mean, that sounds inappropriate in the
21	the lack of what's happening with this, can I	21	circumstances.
22	suggest to you that that's not appropriate and	22	A. Well, I can't shed any more light than what's
23	have you comment on that?	23	already here. We filed this application based
24	A. Well, I guess my comment would be is that it	24	on the premise that we will be assuming
25	is normal to have losses on disposal of fixed	25	ownership of the operation of Natuashish in
	Page 1	03	Page 104
1	July. Going with that, there are certain	1	GREENE, Q.C.:
2	costs. Hydro has to clean up and dismantle	2	Q. Mr. Martin wasn't talking about the
3	the Davis Inlet site. We are acquiring assets	3	decommissioning or he was talking about what
4	that are fully contributed by the Federal	4	services Hydro was providing to the Federal
5	Government at a new community and discussion	s 5	Government at this time.
6	are ongoing relative to their contribution	6	KELLY, Q.C.:
7	towards future capital as well as operating.	7	Q. Yes, but nobody came forward to tell us that
8	(12:00 p.m.)	8	these decommissioning costs and this loss on
9	Q. But on the basis of this now, Hydro will be	9	disposal were there. Let's go to October
10	essentially doing that transfer not at a	10	
11	profit, as Mr. Browne asked, but in fact at a	11	It begins down at the bottom of the page,
12	loss? Is that not the net result of what is	12	· · ·
13	being proposed with this \$725,000 loss on	13	GREENE, Q.C.:
14	disposal?	14	-
15	A. The \$725,000 certainly represents an	15	
16	additional cost in 2004 relative to the	16	
17	disposal of the assets at Davis Inlet.	17	KELLY, Q.C.:
1	GREENE, Q.C.:	18	
19	Q. And I think if Mr. Kelly is going to pursue	19	
20	this, he should take Mr. Roberts to the	20	
21	reference in the transcript. I believe Mr.	21	
22	Martin was talking about the operating costs.	22	
1	KELLY, Q.C.:	23	· · · · · · · · · · · · · · · · · · ·
24	Q. Well, we can go there, if you like. It's	24	
	÷ •	25	
25	October 24th.	25	racinities. We are operating them for them.

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	Page 105		Page 106
1	KELLY, Q.C.:	1	A. Well, I wouldn't categorize it that way. If
2	So can you give us details of that? How	2	the community happens to decide that it's
3	exactly does that work? Are you making money	3	going to relocate, and Hydro has facilities in
4	on that, for instance? Answer: No, I'm sure	4	the communities that it's left, no different
5	we're not making money on it. We're doing it.	5	than in Petites or Harbour Deep, then we have
6	We provide operators and maintenance people as	6	an obligation to remove our facilities and
7	required. They provide all the fuel. We	7	clean up the site as best as we can. So,
8	provide some engineering services to them, et	8	there's another community that's being created
9	cetera. We assisted them with commissioning	9	for which the cost was borne by somebody else,
10	activities and all of those costs are	10	and now we are being asked to operate that on
11	recovered at cost."	11	behalf of the Federal Government for which
12	A. Yes, that is correct. We're running two	12	we'll enter into an agreement. In doing that
13	communities.	13	we're endeavouring to get the best possible
14	Q. Yes.	14	deal that we can and hopefully there will be
15	A. We still had Davis Inlet where we still had	15	some sharing both on future capital as well as
16	customers and we still had operators and we	16	sharing on the operating costs that are
17	still had a plant and the facilities. We were	17	associated with that new community.
18	also operating Natuashish for the Federal	18	Q. When do you expect those negotiations to be
19	Government, for which they were picking up,	19	concluded?
20	and still are, funding it 100 percent to us.	20	A. Negotiations are presently under way. I have
21	Q. Right, and the loss on disposal, is that not	21	no idea when they are anticipated to be
22	an incremental capital expenditure that is	22	concluded. From some of my involvement over
23	being forced on Hydro's customers should Hydro	23	the last seven or eight months things in
24	do this transfer as we looked at in NP-53 in	24	negotiations seem to be going at a fast pace
25	the report, isn't that what it is?	25	and then it slowed down and in the last short
	Page 107		Page 108
	Page 107 period of time it appears it has started to be	1	Page 108 And this is one that you have shown a 3.55
1 2	period of time it appears it has started to be	1 2	And this is one that you have shown a 3.55
2	period of time it appears it has started to be more active. As I say, this Application has	2	And this is one that you have shown a 3.55 million reduction, but is one that troubles us
2 3	period of time it appears it has started to be more active. As I say, this Application has been filed based on the premise that it would	2 3	And this is one that you have shown a 3.55 million reduction, but is one that troubles us because we are concerned that the number
2 3 4	period of time it appears it has started to be more active. As I say, this Application has been filed based on the premise that it would be a July 1st, 2004 takeover date. There are,	2 3 4	And this is one that you have shown a 3.55 million reduction, but is one that troubles us because we are concerned that the number should be higher, and I say that to you as we
2 3 4 5	period of time it appears it has started to be more active. As I say, this Application has been filed based on the premise that it would be a July 1st, 2004 takeover date. There are, besides the actual agreement between Hydro and	2 3 4 5	And this is one that you have shown a 3.55 million reduction, but is one that troubles us because we are concerned that the number should be higher, and I say that to you as we start. You may recall when we discussed this
2 3 4 5 6	period of time it appears it has started to be more active. As I say, this Application has been filed based on the premise that it would be a July 1st, 2004 takeover date. There are, besides the actual agreement between Hydro and the Feds relative to how the operation will be	2 3 4 5 6	And this is one that you have shown a 3.55 million reduction, but is one that troubles us because we are concerned that the number should be higher, and I say that to you as we start. You may recall when we discussed this in cross-examination to start off with we had
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2 3 4 5 6 7 8 9	period of time it appears it has started to be more active. As I say, this Application has been filed based on the premise that it would be a July 1st, 2004 takeover date. There are, besides the actual agreement between Hydro and the Feds relative to how the operation will be going and what costs will be shared, there are also other things that have to be done such as the applying for the abandonment order in the	2 3 4 5 6 7 8 9	And this is one that you have shown a 3.55 million reduction, but is one that troubles us because we are concerned that the number should be higher, and I say that to you as we start. You may recall when we discussed this in cross-examination to start off with we had looked at two information documents which I think were collectively marked 10 on short- term and long-term interest. And just to
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11	KELLY, Q.C.:	1	to PUB 191. And in PUB 191 there was a
2	bond was issued, etcetera, and you suggested	2	question from the Board which said, "Please
3	that the final number would be something in	3	explain the change in promissory notes as at
4	the 800 to 870 thousand dollar range. Do you	4	December 31st, 2003 and December 31st2004
5	recall that discussion now?	5	from the August to October filing?" And
6	A. Yes, because of the fact that the initial	6	before we get to the answer, the question is
7	issue was being sold at a premium.	7	in relation to Schedule 5 of your evidence.
8	Q. Exactly.	8	And so just to get us focused here, let's go
9	A. And you had an amortization of that premium	9	to Schedule 5. And you can just take us to
10	cost that was to be going against the change	10	the lines that we're talking about, it's ones
11	in the interest.	11	down under "promissory notes". And there's a
12	Q. And if Mr. O'Reilly puts up the other piece of	12	\$22 million increase?
13	Information 12, you had looked at this and	13	A. That's correct.
14	said, yes, this seems in the right order of	14	Q. Okay. Now, if we go back to PUB 191, the
15	magnitude for the short-term changes, 3.47?	15	explanation is increased fuel of 10 million,
16	A. But you will also recall at that point I also	16	lower proceeds from planned debt issue, 14
17	advised you that this was using the balances	17	million, other factors, which I take it is
18	that were in the initial application for the	18	just an adjustment entry, negative one, for a
19	short-term promissory notes outstanding and	19	change of 23? Correct?
20	that they would change once a revision was	20	A. Yes.
21	done, so the amount may be different at the	21	Q. Okay. Now, if we look at some of those and we
22	end.	22	start with fuel and we go to your Schedule 2,
23	Q. Right. And that's the issue I want to explore	23	page 7 of 8, and we look at the cost item, we
24	with you, Mr. Roberts, because that's where	24	go to the total at the end of Decemberor
25	we're troubled. And let's start this by going	25	sorry, the end of 03, we got 121.6 million and
-			<i>j</i> ,,,,
	Dage 111		Page 112
1	Page 111 we go down to a hundred and twenty-nine one	1	Page 112 positive and some of them are negative. And
1	we go down to a hundred and twenty-nine, one	1	positive and some of them are negative. And
2	we go down to a hundred and twenty-nine, one thirty-eight, the difference is 7.478, 47.5	2	positive and some of them are negative. And I'll take you to some of the big ones. You've
2 3	we go down to a hundred and twenty-nine, one thirty-eight, the difference is 7.478, 47.5 million as opposed to 10 million. So the	2 3	positive and some of them are negative. And I'll take you to some of the big ones. You've got a change in your net cash position because
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2 3 4 5 6 7 8 9 10 11	<ul> <li>we go down to a hundred and twenty-nine, one thirty-eight, the difference is 7.478, 47.5 million as opposed to 10 million. So the difference in the fuel that you're purchasing is 7.5 million as opposed to 10 million which you've got in the answer to PUB 191. Will you agree with that?</li> <li>A. Yes, that one there shows 7.4.</li> <li>Q. Right. And okay, so we got 7.4, 7.5 there. So, if we then go over to your Schedule 10 and we go down to the deferred charges,</li> </ul>	2 3 4 5 6 7 8 9 10 11	positive and some of them are negative. And I'll take you to some of the big ones. You've got a change in your net cash position because of your improved performance that we talked about earlier. If we go back to Schedule 10, we go to the line where it nets out under "other" after "operating activities", the change there is 7.1 to 9.5 million. So you've got actually a credit or aof 2.4 million there. Do you agree with that? In other words, that's cash you don't need because
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	<ul> <li>we go down to a hundred and twenty-nine, one thirty-eight, the difference is 7.478, 47.5 million as opposed to 10 million. So the difference in the fuel that you're purchasing is 7.5 million as opposed to 10 million which you've got in the answer to PUB 191. Will you agree with that?</li> <li>A. Yes, that one there shows 7.4.</li> <li>Q. Right. And okay, so we got 7.4, 7.5 there. So, if we then go over to your Schedule 10 and we go down to the deferred charges, reductions, additions, that would give us the changes from the planned debt issue. And we've got the August one, 7632 and now we've got in October a negative 2782, one is the premium versus the discount. So we put them together, we got 10.4 million? You agree with</li> </ul>	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	<ul> <li>positive and some of them are negative. And I'll take you to some of the big ones. You've got a change in your net cash position because of your improved performance that we talked about earlier. If we go back to Schedule 10, we go to the line where it nets out under "other" after "operating activities", the change there is 7.1 to 9.5 million. So you've got actually a credit or aof 2.4 million there. Do you agree with that? In other words, that's cash you don't need because you've got better performance, agreed?</li> <li>A. That's the net change, yes.</li> <li>Q. Yes. And if you go down to long-term debt retired, you've got another credit there of 1.2 million because you agree with</li> </ul>
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	<ul> <li>we go down to a hundred and twenty-nine, one thirty-eight, the difference is 7.478, 47.5 million as opposed to 10 million. So the difference in the fuel that you're purchasing is 7.5 million as opposed to 10 million which you've got in the answer to PUB 191. Will you agree with that?</li> <li>A. Yes, that one there shows 7.4.</li> <li>Q. Right. And okay, so we got 7.4, 7.5 there. So, if we then go over to your Schedule 10 and we go down to the deferred charges, reductions, additions, that would give us the changes from the planned debt issue. And we've got the August one, 7632 and now we've got in October a negative 2782, one is the premium versus the discount. So we put them together, we got 10.4 million? You agree with that?</li> <li>A. Yes, that's the net change between the two in deferred charges.</li> <li>Q. Right. So if I go back to PUB 191, the answer for increase fuel is 7.5 and the change in the</li> </ul>	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	<ul> <li>positive and some of them are negative. And I'll take you to some of the big ones. You've got a change in your net cash position because of your improved performance that we talked about earlier. If we go back to Schedule 10, we go to the line where it nets out under "other" after "operating activities", the change there is 7.1 to 9.5 million. So you've got actually a credit or aof 2.4 million there. Do you agree with that? In other words, that's cash you don't need because you've got better performance, agreed?</li> <li>A. That's the net change, yes.</li> <li>Q. Yes. And if you go down to long-term debt retired, you've got another credit there of 1.2 million because you now have less long-term debt outstanding. Do you agree with that?</li> <li>A. Yes.</li> <li>Q. Yes. Okay. And so the question is, when you do that math, you've still got about another \$9 million which affects the mathematics here.</li> </ul>
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	<ul> <li>we go down to a hundred and twenty-nine, one thirty-eight, the difference is 7.478, 47.5 million as opposed to 10 million. So the difference in the fuel that you're purchasing is 7.5 million as opposed to 10 million which you've got in the answer to PUB 191. Will you agree with that?</li> <li>A. Yes, that one there shows 7.4.</li> <li>Q. Right. And okay, so we got 7.4, 7.5 there. So, if we then go over to your Schedule 10 and we go down to the deferred charges, reductions, additions, that would give us the changes from the planned debt issue. And we've got the August one, 7632 and now we've got in October a negative 2782, one is the premium versus the discount. So we put them together, we got 10.4 million? You agree with that?</li> <li>A. Yes, that's the net change between the two in deferred charges.</li> <li>Q. Right. So if I go back to PUB 191, the answer for increase fuel is 7.5 and the change in the debt issue is 10.4 as opposed to 14. So there</li> </ul>	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	<ul> <li>positive and some of them are negative. And I'll take you to some of the big ones. You've got a change in your net cash position because of your improved performance that we talked about earlier. If we go back to Schedule 10, we go to the line where it nets out under "other" after "operating activities", the change there is 7.1 to 9.5 million. So you've got actually a credit or aof 2.4 million there. Do you agree with that? In other words, that's cash you don't need because you've got better performance, agreed?</li> <li>A. That's the net change, yes.</li> <li>Q. Yes. And if you go down to long-term debt retired, you've got another credit there of 1.2 million because you now have less long- term debt outstanding. Do you agree with that?</li> <li>A. Yes.</li> <li>Q. Yes. Okay. And so the question is, when you do that math, you've still got about another \$9 million which affects the mathematics here. And that is changes in working capital</li> </ul>
2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	<ul> <li>we go down to a hundred and twenty-nine, one thirty-eight, the difference is 7.478, 47.5 million as opposed to 10 million. So the difference in the fuel that you're purchasing is 7.5 million as opposed to 10 million which you've got in the answer to PUB 191. Will you agree with that?</li> <li>A. Yes, that one there shows 7.4.</li> <li>Q. Right. And okay, so we got 7.4, 7.5 there. So, if we then go over to your Schedule 10 and we go down to the deferred charges, reductions, additions, that would give us the changes from the planned debt issue. And we've got the August one, 7632 and now we've got in October a negative 2782, one is the premium versus the discount. So we put them together, we got 10.4 million? You agree with that?</li> <li>A. Yes, that's the net change between the two in deferred charges.</li> <li>Q. Right. So if I go back to PUB 191, the answer for increase fuel is 7.5 and the change in the</li> </ul>	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	<ul> <li>positive and some of them are negative. And I'll take you to some of the big ones. You've got a change in your net cash position because of your improved performance that we talked about earlier. If we go back to Schedule 10, we go to the line where it nets out under "other" after "operating activities", the change there is 7.1 to 9.5 million. So you've got actually a credit or aof 2.4 million there. Do you agree with that? In other words, that's cash you don't need because you've got better performance, agreed?</li> <li>A. That's the net change, yes.</li> <li>Q. Yes. And if you go down to long-term debt retired, you've got another credit there of 1.2 million because you now have less long-term debt outstanding. Do you agree with that?</li> <li>A. Yes.</li> <li>Q. Yes. Okay. And so the question is, when you do that math, you've still got about another \$9 million which affects the mathematics here.</li> </ul>

# Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

			Dese 114
	Page 113		Page 114
	KELLY, Q.C.:	1	
2	the screen, of approximately \$9 million in the		(12:15 p.m.)
3	change there. So one of the big factors that	3	8
4	drives this interest issue is the change in	4	
5	the working capital balances. Would you agree	5	
6	with me?	6	5 1 5
7	A. That's what's one of the factors that's	7	e
8	impacting the statement of cash flows, yes.	8	11 5
9	Q. Right. Now, just explain that briefly to the	9	<b>,</b> <i>e</i>
10	Board? Like, whywhat's working capital, why	10	04, it's 12.8 million. So you've gotyou're
11	do you need it and how does it affect your	11	purporting to carry lower payables, to have
12	short-term borrowing?	12	your bills paid faster, correct?
13	A. Well, that change in working capital balances	13	A. Well, that's what this is showing, that's all
14	would be the differences between the	14	based on the premise of how this particular
15	receivables and the payables and other items	15	balance sheet is prepared.
16	on the balance sheet.	16	Q. Okay. Well, and just explain that answer,
17	Q. Right.	17	
18	A. Some of which you can finance by utilizing	18	
19	other sources, some you finance by	19	* *
20	collections.	20	payable is the last balancing number of all
21	Q. Right. So if, in fact, your payables go down,	21	the knowns that are known throughout the
22	in other words, if you pay your bills, you got	22	
23	to borrow money to do it, correct?	23	-
24	A. Yes, if you're not carrying your out date	24	
25	(phonetic) and that would entail additional	25	
	Page 115		Page 116
1	your accounts receivable you know what they	1	
2	are, they're based on what your sales are for	$\begin{vmatrix} 1\\2 \end{vmatrix}$	
3	your last month and the same thing with your	$\begin{vmatrix} 2\\ 3 \end{vmatrix}$	
4	inventories, your prepaids, your Rate	4	
5	Stabilization Plan, all of these are knows, so	5	
6	to make your balance sheet balance, the	6	
	balancing number is your accounts payable and	0	
7		1 7	0
		7	Q. Yes.
8	they include liabilities.	8	Q. Yes. A. You have less short-term borrowings and you
9	they include liabilities. Q. Okay. And in fact, if you go over to NP-308,	8 9	<ul><li>Q. Yes.</li><li>A. You have less short-term borrowings and you have a greater cost.</li></ul>
9 10	<ul><li>they include liabilities.</li><li>Q. Okay. And in fact, if you go over to NP-308, we asked you that question. And the question</li></ul>	8 9 10	<ul><li>Q. Yes.</li><li>A. You have less short-term borrowings and you have a greater cost.</li><li>Q. Right. And so if it was based on the same</li></ul>
9 10 11	<ul><li>they include liabilities.</li><li>Q. Okay. And in fact, if you go over to NP-308, we asked you that question. And the question is, "Please explain the change in accounts</li></ul>	8 9 10 11	<ul><li>Q. Yes.</li><li>A. You have less short-term borrowings and you have a greater cost.</li><li>Q. Right. And so if it was based on the same number, if we try to get at what are the</li></ul>
9 10 11 12	<ul><li>they include liabilities.</li><li>Q. Okay. And in fact, if you go over to NP-308, we asked you that question. And the question is, "Please explain the change in accounts payable and accrued liabilities as at December</li></ul>	8 9 10 11 12	<ul><li>Q. Yes.</li><li>A. You have less short-term borrowings and you have a greater cost.</li><li>Q. Right. And so if it was based on the same number, if we try to get at what are the changes between the May filing and the October</li></ul>
9 10 11 12 13	<ul> <li>they include liabilities.</li> <li>Q. Okay. And in fact, if you go over to NP-308, we asked you that question. And the question is, "Please explain the change in accounts payable and accrued liabilities as at December 31st, 2003 and December 31st, 2004 from the</li> </ul>	8 9 10 11 12 13	<ul> <li>Q. Yes.</li> <li>A. You have less short-term borrowings and you have a greater cost.</li> <li>Q. Right. And so if it was based on the same number, if we try to get at what are the changes between the May filing and the October filing, between 10 and 12 million dollars of</li> </ul>
9 10 11 12 13 14	<ul> <li>they include liabilities.</li> <li>Q. Okay. And in fact, if you go over to NP-308, we asked you that question. And the question is, "Please explain the change in accounts payable and accrued liabilities as at December 31st, 2003 and December 31st, 2004 from the August to October filing?" In other words,</li> </ul>	8 9 10 11 12 13 14	<ul> <li>Q. Yes.</li> <li>A. You have less short-term borrowings and you have a greater cost.</li> <li>Q. Right. And so if it was based on the same number, if we try to get at what are the changes between the May filing and the October filing, between 10 and 12 million dollars of that change is driven simply by that</li> </ul>
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# Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

1101	vember 12, 2003 Multi	-Pa	age <sup>TM</sup> NL Hydro's 2003 General Rate Application
	Page 117		Page 118
11	KELLY, Q.C.:	1	of what your actual numbers have dictated and
2	can you?	2	what your interests run and your calculations
3	A. As you've said, the accounts payable is the	3	have determined. And this accounts payable
4	balancing number. If you go through all of	4	happened to have be fallout number that's
5	your knowns on your balance sheet and your	5	needed to balance it.
6	balance sheet has to balance, then the	6	Q. Okay. Well, we're going to explore that issue
7	difference happens to be accounts payable.	7	a little further with Mr. Brushett when we get
8	Q. Right. So if we -	8	him tolet me just take you to a couple of
9	A. So, you know, your promissory notes, your	9	other -
10	long-term debt are all calculated and ranand		CHAIRMAN:
11	determined based on an interest run and the	11	Q. Excuse me, Mr. Kelly, 12:15 is the schedule.
12	parameters that feed that. You know what most		KELLY, Q.C.:
12	of your other knowns are, and the other number	12	
13	that's still there is your accounts payable,		CHAIRMAN:
	and that's fairly normal and standard.		
15	•	15	-
16	Q. But if you carry your accounts payable at the		KELLY, Q.C.:
17	same rate as projected in May, you'll have	17	Q. In my enthusiasm I've run over.
18	approximately 10 to 12 million outstanding at		CHAIRMAN:
19	an interest rate, according to your documents,	19	Q. Do you have any idea of how much longer you
20	of 2.78 percent, so roughly 278,000 less will	20	e
21	be required in shortin interest, short-term		KELLY, Q.C.:
22	interest? That would essentially be the	22	
23	mathematics, wouldn't it?	23	areas to cover. I will be 15, 20 minutes
24	A. But that's math, but that's not in fact what	24	· 1
25	has actually happened. It's a function here	25	CHAIRMAN:
	Page 119		Page 120
1	Q. Mr. Hutchings, do you have any notion or Mr.	1	CHAIRMAN:
2	Seviour do you have any notion at this time?	2	Q. Thank you. I must say, I subscribe to the
3 1	MR. SEVIOUR:	3	other schedule more than this, but anyway,
4	Q. Mr. Chairman, Mr. Kelly has covered quite a	4	we'll push on. Mr. Kelly, when you're ready,
5	number of points that I wish to go through. I	5	please?
6	think that it would be in the range of a half	6	MS. NEWMAN:
7	hour toI'll have a chance to refine my	7	Q. Excuse me, Chair, I believe that counsel for
8	examination through the lunch break.	8	Newfoundland and Labrador Hydro would like to
90	CHAIRMAN:	9	address some filings that they have.
10			0 5
110	Q. Mr. Kennedy, do you have any idea?	10	CHAIRMAN:
	Q. Mr. Kennedy, do you have any idea? MR. KENNEDY:	10 11	
11 1	MR. KENNEDY:	11	Q. Oh, I'm sorry. Ms. Greene.
11 N 12	MR. KENNEDY: Q. I was crossing out as we go, Chair, so -	11 12	Q. Oh, I'm sorry. Ms. Greene. GREENE. Q.C.:
11 N 12 13 C	MR. KENNEDY: Q. I was crossing out as we go, Chair, so - CHAIRMAN:	11 12 13	Q. Oh, I'm sorry. Ms. Greene. GREENE. Q.C.: Q. Yes, Mr. Chair, there were a number of
11 N 12 13 C 14	<ul><li>MR. KENNEDY:</li><li>Q. I was crossing out as we go, Chair, so -</li><li>CHAIRMAN:</li><li>Q. Okay. So there's a reasonable expectation</li></ul>	11 12 13 14	<ul><li>Q. Oh, I'm sorry. Ms. Greene.</li><li>GREENE. Q.C.:</li><li>Q. Yes, Mr. Chair, there were a number of undertakings this morning, and we're in a</li></ul>
11 N 12 13 C 14 15	<ul> <li>MR. KENNEDY:</li> <li>Q. I was crossing out as we go, Chair, so -</li> <li>CHAIRMAN:</li> <li>Q. Okay. So there's a reasonable expectation</li> <li>I'm just trying to get an expectation of Mr.</li> </ul>	11 12 13 14 15	<ul><li>Q. Oh, I'm sorry. Ms. Greene.</li><li>GREENE. Q.C.:</li><li>Q. Yes, Mr. Chair, there were a number of undertakings this morning, and we're in a position to respond to some of them now so</li></ul>
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	Page 121	Page 122
1 GREENE, Q.C.:	1	filing?
2 and then with Mr. Browne and with Dawn D	alley, 2	A. No, there are no decommissioning costs
3 who is Hydro's Manager of Communications	s, and 3	included in the 2004 revenue requirement.
4 it was on November 3rd. So copies of that	4	Q. Has an estimate been prepared of the
5 transcript have been distributed to the	5	decommissioning costs for the Davis Inlet
6 parties, and the clerk has copies as well for	6	plant?
7 the Commissioners. So that was the first	7	A. Yes. The estimated cost is approximately
8 undertaking that was given this morning. I	8	\$565,000. And at this point in the
9 guess that would be Undertaking No	9	negotiations the Federal Government have
10 MS. NEWMAN:	10	agreed to pay for all of those costs. It is
11 Q. Undertaking No. 23.	11	anticipated that the decommissioning will be
12 GREENE. Q.C.:	12	completed by the end of 2004.
13 Q. The next topic relates to Davis Inlet and	13	Q. So the reason there were no decommissioning
14 Natuashish and there were a couple of	14	costs in the revised 2004 revenue requirement
15 undertakings given to counsel for Newfound		is that the Federal Government had agreed to
16 Power with respect to that. And I propose to		pay those costs, is that correct?
ask Mr. Roberts the questions, because over		A. Yes, it is.
18 the break we have had the opportunity to	18	Q. The next question was with respect to the
19 review the current information with respect t		environmental remediation costs for Davis
20 it. So, Mr. Roberts, the first question that	20	Inlet. No amount was included in the 2004
21 you were asked to provide an answer to wa		revised revenue requirement to cover the
22 whether the decommissioning costs for the		environmental site cleanup, is that correct?
23 Davis Inlet plant has been included in the	23	A. Yes, it is.
revised 2004 revenue requirement. And we	ere 24	Q. And why was that the case?
decommissioning costs included in the revise		A. Well, the actual decommissioning of the plant
	Page 123	Page 124
1 won't be completed until the end of 200	e	requirement, is that correct?
2 then in early 2005 a phase 1 environme		A. Yes, it is.
3 site assessment will have to be complete		Q. Has the issue of recovery from the Federal
4 order to determine what's going to have		Government of the losses that Hydro expects to
5 required to be done.	5	incur on the disposal of the Davis Inlet plant
6 Q. Have there been any discussions with		been discussed with the Federal Government?
7 Federal Government with respect to the		A. Yes, it was. And the Federal Government have
8 associated with any environmental clean		advised Hydro that they are not prepared to
9 that may be required?	9	make any contribution towards the loss on
10 A. Yes. This issue was raised with the Fed	-	disposal of the old plant.
11 Government. However, they have decid		Q. And are you aware of the rational for their
12 will not make any contribution towards	•	position for that?
13 environmental cleanup of the site. The		A. The rational is that Hydro will be getting a
14 rational is that they consider this be a Hy		brand new plant with all the bells and
15 cost that would have to incur in any reg		whistles that go with it, and consequently,
16 and they were not going to contribute to		they weren't prepared to undertake sharing
17 any of the cost.	17	some of the costs on disposal of the old
18 Q. And as you've indicated already, an	ny 18	facility.
19 environmental cleanup costs will not	•	Q. The agreement with the Federal Government, I
20 incurred in the test year, is that correct?	20	believe you mentioned already today that that
21 A. That's correct.	21	has not been finalized. Is that correct?
22 Q. The next issue was with respect to the lo	ss on 22	A. Yes, it is.
the disposal of assets arising from the		Q. Are you in a position today to advise the
24 decommissioning of the Davis Inlet plan	t. And 24	Board as to whether the Federal Government
25 that has been included in the revenu	ie 25	will be making a contribution towards the

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1	GREENE, Q.C.:	1	it. However, it should have a positive impact
2	operating and capital costs in Natuashish?	2	on the rural deficit as we are receiving a
3	A. Discussions are presently under way with the	3	fully modernized plant at no cost, so
4	Federal Government and they are entertaining	4	automatically there's no depreciation and
5	the proposal that they will share some of the	5	interest being associated with that plant,
6	costs on the capital as well on operating, but	6	together with the new equipment which one
7	negotiations haven't reached the stage yet	7	would expect to be more efficient than the
8	where they are finalized.	8	existing equipment that's in the oil plant
9	Q. Does the Federal Government or did the Federal	9	today.
10	Government in the past contribute at all to	10	Q. Thank you, Mr. Roberts. That concludes our
11	any of the operating or capital costs for	11	responses to undertakings at this time. I
12	Davis Inlet?	12	believe there's only one outstanding and that
13	A. No, it did not.	13	relates to the reconciliation of the
14	Q. The last questioning in this area relates to	14	
15	the impact on the rural deficit. Has Hydro	15	Mr. Kelly. That will be filed later. Thank
16	undertaking an analysis of the impact on the	16	you.
17	rural deficit of its taking over operations in		CHAIRMAN:
18	Natuashish and abandoning its operations in	18	Q. Thank you, Ms. Greene. Good afternoon, Mr.
19	Davis Inlet?	19	Kelly.
20	A. No, to date Hydro has not. As I had mentioned		KELLY, Q.C.:
20	earlier, negotiations are still ongoing with	20	Q. Thank you, Chair.
	the Federal Government as to what the cost		CHAIRMAN:
22			
23	sharing arrangements will be relative to	23	Q. When you're ready, please?
24	capital and operating, and until such time as		KELLY, Q.C.:
25	that's done it would be difficult to determine	25	Q. Mr. Roberts, I'd like to follow-up with a
	Page 127		Page 128
1	couple of questions on the Davis Inlet	1	Q. Okay. But if you hadn't, if you hadn't closed
2	situation. As I understand from the answers	2	out Davis Inlet, then you wouldn't have this
3	that you've just given, the new plant that	3	loss on disposal, (unintelligible), in other
4	you're going to get at Natuashish is going to	4	
5	be fully funded and effectively donated to	5	A. Well, it comes hand in hand as eventually the
6	Hydro by the Federal Government, given to	6	community, if there's no people in the
7	Hydro?	7	community to serve, then we have an obligation
8	A. There will be no cost to Hydro. Now,	8	to discontinue and apply for abandonment of
9	legalities as to whether or not the ownership	9	the community.
10	will be transferred to us, I really don't	10	Q. Right. And that's because the move is taking
11	know. I'm not in that -	11	place to Natuashish?
12	Q. I didn't mean -	12	A. The move is taking place to Natuashish and I
13	A all I can say is that there is no cost for	13	think the majority of the residents of Davis
14	the actual capital cost of the plant and the	14	Inlet have already moved.
15	related distribution around the new community	15	Q. Keeping in mind the circumstances of that and
16	of Natuashish.	16	the fact that there is a move which is taking
17	Q. So you're not going to have depreciation and	17	place to a new community and keeping in mind
18	interest expense going forward related to	18	the fact that Hydro is going to be provided
19	Natuashish?	19	with new plant facilities in that new
20	A. Not on that new facility. Now, there may be	20	community, has Hydro looked at requesting an
21	depreciation and interest on future additions.	21	order to amortize that loss, that remaining
22	And as I have mentioned, at this point there	22	capital value over a period of time?
23	is discussions with the Federal Government to	23	A. You're referring to the \$725,000?
24	help cost share some of those future	24	Q. Exactly.
25	additions.	25	A. No, we have not.
		-	

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1 -	Page 129		Page 130
	ELLY, Q.C.:	1	amortized that they're matched in future
2	Q. Okay. And do you not think that that would be	2	
3	appropriate in the circumstances?	3	Q. Right. And the example here is a good one,
4	A. If the Board so desires to spread that	4	because we've talked about this capital issue
5	particular loss over a period of time, then	5	on a number of fronts throughout all of the
6	I'm sure it can be accommodated.	6	examination here. But here's an example of
7	Q. Okay. And let me take you back to NP-291 for	7	one which has a major impact on rate stability
8	a second. Because we had this discussion this	8	in Labrador, doesn't it?
9	morning over Wabush. And the point that you		(1:45 p.m.)
10	made in response was that, well, Hydro doesn't	10	A. It certainly impacts the rates in Labrador.
11	own the Wabush terminal station itself. But	11	But once again I'll go back is that the bulk
12	if you accept the premise that it is a	12	of these costs aren't necessarily extending a
13	improvement of a capital nature, there is	13	life of a particular asset, it's only ensuring
14	whether you accept it or not, there's nothing	14	that the actual estimated service life that's
15	to stop Hydro from asking the Board to	15	presently there is being and will be achieved.
16	amortize that expense, especially if it's of a	16	Q. It's interesting the language you use at line
17	capital nature over a period of years, is	17	10, or 10 to 12 is that it's a control
18	there?	18	upgrade, which sounds very much like
19	A. If the Board so decided to order these costs	19	betterment, does it not?
20	to be recovered over a period of years, then	20	A. Well, I don't know the inside workings of
21	that would provide the premise and the go	21	what's underneath the controlled upgrades. I
22	forward for Hydro to amortize it over future	22	can only suggest to you the synchronous
23	period. From the strictly pure accounting	23	condenser maintenance, the repairs that are
24	perspective, that would be the only basis upon	24	being done on that particular unit will ensure
25	which these costs could be deferred and	25	that they get the service life out of it for
	Page 131		Page 132
1	the period that's original set.	1	couple of ways, but let's just take the first
2	Q. Okay. Let's come back and look at a couple of	2	line under "sinking fund" and we have the 10.5
3	points from where we broke off. We were	3	percent bond, okay. So we have an opening
4	looking at interest. And the next issue that	4	balance in the sinking fund of approximately
5	I want to take you to, if you just bear with	5	\$50 million. A little hard to read on the
6	me for a second, is a question dealing with	6	screen, but I think that's the number. And
7	your sinking fund activities. And can I take	7	under "Estimated annual earnings", and this is
8	you for that to NP-300? And if we go to page	8	on the 2003 now, you're going to make \$4.491
9	3 of 5 the piece we need to focus on, Mr.	9	million, correct?
10	O'Reilly, is the block down at the bottom, if	10	A. Yes.
11	you can make that as legible as you can?	11	Q. For an estimated average earning rate of 8. 79
12	Under "Interest on sinking fund assets", first	12	percent. And if we look at the average
13	of all, a sinking fund is money that is put	13	balance on all of the funds in 2003, it's \$ 99
14			
	aside by Hydro pursuant to bond requirements	14	million, correct? With me so far?
15	aside by Hydro pursuant to bond requirements to retire that indebtedness at a future point	15	A. That's the estimated average balance, at the
15 16	aside by Hydro pursuant to bond requirements to retire that indebtedness at a future point in time, correct?	15 16	A. That's the estimated average balance, at the end of -
15 16 17	aside by Hydro pursuant to bond requirements to retire that indebtedness at a future point in time, correct? A. That's correct.	15 16 17	<ul><li>A. That's the estimated average balance, at the end of -</li><li>Q. The amount in the fund, okay. Now, let's just</li></ul>
15 16 17 18	<ul><li>aside by Hydro pursuant to bond requirements to retire that indebtedness at a future point in time, correct?</li><li>A. That's correct.</li><li>Q. And in the meantime Hydro earns interest on</li></ul>	15 16 17 18	<ul><li>A. That's the estimated average balance, at the end of -</li><li>Q. The amount in the fund, okay. Now, let's just go over to page 5 of 5, which is your</li></ul>
15 16 17 18 19	<ul><li>aside by Hydro pursuant to bond requirements to retire that indebtedness at a future point in time, correct?</li><li>A. That's correct.</li><li>Q. And in the meantime Hydro earns interest on that money?</li></ul>	15 16 17	<ul> <li>A. That's the estimated average balance, at the end of -</li> <li>Q. The amount in the fund, okay. Now, let's just go over to page 5 of 5, which is your projection for 2004. We go down the table,</li> </ul>
15 16 17 18 19 20	<ul><li>aside by Hydro pursuant to bond requirements to retire that indebtedness at a future point in time, correct?</li><li>A. That's correct.</li><li>Q. And in the meantime Hydro earns interest on that money?</li><li>A. Yes.</li></ul>	15 16 17 18	<ul> <li>A. That's the estimated average balance, at the end of -</li> <li>Q. The amount in the fund, okay. Now, let's just go over to page 5 of 5, which is your projection for 2004. We go down the table, we'll get the same part. Towards the bottom,</li> </ul>
15 16 17 18 19 20 21	<ul><li>aside by Hydro pursuant to bond requirements to retire that indebtedness at a future point in time, correct?</li><li>A. That's correct.</li><li>Q. And in the meantime Hydro earns interest on that money?</li><li>A. Yes.</li><li>Q. And that interest is used to, in effect,</li></ul>	15 16 17 18 19	<ul> <li>A. That's the estimated average balance, at the end of -</li> <li>Q. The amount in the fund, okay. Now, let's just go over to page 5 of 5, which is your projection for 2004. We go down the table, we'll get the same part. Towards the bottom, Mr. O'Reilly. Now, if you go across that top</li> </ul>
15 16 17 18 19 20 21 22	<ul> <li>aside by Hydro pursuant to bond requirements to retire that indebtedness at a future point in time, correct?</li> <li>A. That's correct.</li> <li>Q. And in the meantime Hydro earns interest on that money?</li> <li>A. Yes.</li> <li>Q. And that interest is used to, in effect, offset Hydro's other interest costs for the</li> </ul>	<ol> <li>15</li> <li>16</li> <li>17</li> <li>18</li> <li>19</li> <li>20</li> <li>21</li> <li>22</li> </ol>	<ul> <li>A. That's the estimated average balance, at the end of -</li> <li>Q. The amount in the fund, okay. Now, let's just go over to page 5 of 5, which is your projection for 2004. We go down the table, we'll get the same part. Towards the bottom, Mr. O'Reilly. Now, if you go across that top line first, the 10.50 line, the earnings that</li> </ul>
15 16 17 18 19 20 21 22 23	<ul> <li>aside by Hydro pursuant to bond requirements to retire that indebtedness at a future point in time, correct?</li> <li>A. That's correct.</li> <li>Q. And in the meantime Hydro earns interest on that money?</li> <li>A. Yes.</li> <li>Q. And that interest is used to, in effect, offset Hydro's other interest costs for the year, it's a deduction, reduction?</li> </ul>	15 16 17 18 19 20 21	<ul> <li>A. That's the estimated average balance, at the end of -</li> <li>Q. The amount in the fund, okay. Now, let's just go over to page 5 of 5, which is your projection for 2004. We go down the table, we'll get the same part. Towards the bottom, Mr. O'Reilly. Now, if you go across that top line first, the 10.50 line, the earnings that you're going to get in 2004 are projected to</li> </ul>
15 16 17 18 19 20 21 22	<ul> <li>aside by Hydro pursuant to bond requirements to retire that indebtedness at a future point in time, correct?</li> <li>A. That's correct.</li> <li>Q. And in the meantime Hydro earns interest on that money?</li> <li>A. Yes.</li> <li>Q. And that interest is used to, in effect, offset Hydro's other interest costs for the</li> </ul>	<ol> <li>15</li> <li>16</li> <li>17</li> <li>18</li> <li>19</li> <li>20</li> <li>21</li> <li>22</li> </ol>	<ul> <li>A. That's the estimated average balance, at the end of -</li> <li>Q. The amount in the fund, okay. Now, let's just go over to page 5 of 5, which is your projection for 2004. We go down the table, we'll get the same part. Towards the bottom, Mr. O'Reilly. Now, if you go across that top line first, the 10.50 line, the earnings that</li> </ul>

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Page 133         Page 134           1 KLLLY, QC:         1         just one bond with its sumual contribution, it           2 and similar increase in the average balance.         2         would be a function of what was available at           3 And just to give you the previous '03 number,         3         the earnings were 4.49 million, S0 that even           4 the earnings were 4.49 million, S0 that even         are based on average projections in the case           5 though you have more money in the fund the         5         of 2004. In the case of 2003 when this was           7 have been reduced. First of all, are you         7         happened up to the end of Augusts othat if           8 avare that that's the case?         8         rates were different in that first opening           9         A I can see where there is a reduction from         9         period, then that would cause why you're           10         Well, and here's is meroblem as we understand         1         0. But -           11         Quot invest it in a bond which would have a         14         by and sell within that particular fund in           12         in wet puzzled as to how Hydro manages its         19         sinking fund and why, for example, the         19         A Wee would actually buy some of our own bonds if           19         sinking fund and why, for example, the         10         wave thew Hydro manage		ember 12, 2003 Mun	1-1 a	ge NL Hydro's 2005 General Rate Application
2       and similar increase in the average balance.       2       'unuld be a function of what was available at the samings were 4.491 million. So that even 4       are based on average projections in the case 4         3       And just to give you the previous '03 number, 4       are based on average projections in the case 4         4       the earnings were 4.491 million. So that even 4       are based on average projections in the case 4         7       have been reduced. First of all, are you 7       happened up to the end of August so that if 7         8       aware that that's the case?       10       welf and here's the problem as we understand 1       10         10       Q. Well, and here's the problem as we understand 1       10       Well and here's the problem as we understand 1       11       12       A l can see where there is a reduction from 1       12       A but it's a function of managing a portfolio of 1         11       ordinarily you'd take that annual amount and 13       11       invest int a bond which woull have a 1       12       A but it's a function of managing a portfolio of 1         12       armings should be essentially locked in. So       17       as opposed to buying a bond and locking it in 1         13       ordinarity date consistent with the ultimate 1       16       O so you actively trade within your sinking fund and why for example.         14       is afind and why, for example.       20       <		Page 133		Page 134
3       And just to give you the previous <sup>1</sup> 03 number, the carnings were 4.491 million. So that even the carnings were 4.491 million. So that you what's on the two schedules.       3       the time together with the rates. And these of 2004. In the case of 2003 when this was being updated, it's reflecting what actually happened up to the end of Augusts ot hat if' a ware that hat's the case?         9       A. I can see where there is a reduction from what's on the two schedules.       10       period, then that would cause why you're getting a difference in the rates.         10       well, it is a bond which would have a maturity date consistent with the ultimate in retirement, so at every year the previous we're purzled as to how Hydro manages its in fact, have gone down even though the balance is up by six or seven million dollars carnings, just using that line as an example, in fact, have gone down even though the balance is up by six or seven million dollars carnings, iust using that line as an example, in fact, have gone down even though the balance is up by six or seven million dollars carnings, iust using that in eassand example, in fact, have gone down even though the balance is up by six or seven million dollars cort the bonds in so were million dollars cort the colarions. All that would be goals were is nother way of going at it, if you so of it and reinvest into another issue. cort the the sinking fund, is the six many on the example, is that the sat exit mater maturis, for so bas the exit mate	1 1	KELLY, Q.C.:	1	just one bond with its annual contribution, it
4         the carnings were 4.491 million. So that even         4         are based on average projections in the case           5         though you have more money in the fund the         6         are based on average projections in the case           7         have been reduced. First of all, are you         6         bing updated, it's reflecting what actually           9         A. I can see where there is a reduction from         9         period, then that would cause why you're           9         A. I can see where there is a reduction from         9         period, then that would cause why you're           10         Q.WCII, and here's the problem as we understand         10.         getting a difference in the rates.           12         i, when you're dealing with a sinking fund         10.         Bing updated, it's a function of managing a portolio of           12         i, when you're dealing with a sinking fund         10.         Bing updated, it's a function of managing a portolio of           12         i, when you're dealing with a sinking fund         10.         Bing update, it's a function of managing a portolio of           13         ordinarily you' take that annual anount and         11         12.         A But i's a function of managing a portolio of           14         you'd invest it in a bond which would have a         12.         A But i's a function of managing a portolio of <td< td=""><td>2</td><td>and similar increase in the average balance.</td><td>2</td><td>would be a function of what was available at</td></td<>	2	and similar increase in the average balance.	2	would be a function of what was available at
5       though you have more money in the fund the        5       of 2004. In the case of 2003 when this was          6       amount of earnings that you're going to make        5       of 2004. In the case of 2003 when this was          7       have been reduced. First of all, are you        7       happened up to the end of August so that if          8       aware that that's the case?       8       rates were different in tha first opening          10       Well, and here's the problem as we understand        10       getting a difference in the rates.          11       Q. Well, and here's the problem as we understand        11       Q. But -        A. But i's a function of managing a portfolio of          12       it, when you're dealings should be estentially locked in. So        10       But -        So ou actively lrade within your sinking fund          13       ordinard may, for example, the        10       Ne would also buy honds of, say, the Province of        11       A. We would also buy bonds of, say, the Province of          14       earnings, just using that ine as an example,        12       Ontario or othe locations. All that would be          15       of that bond? And we just use that as an        21       Ontario or othe locations. All that would        10         16<	3	And just to give you the previous '03 number,	3	the time together with the rates. And these
6         amount of earnings that you're going to make have been reduced. First of all, are you         6         being updated, it's reflecting what actually happened up to the end of August so that if           7         have been reduced. First of all, are you         7         happened up to the end of August so that if           8         aware that that's the case?         8         rates were different in that first opening           9         A. I can see where there is a reduction from what's on the two schedules.         9         period, then that would cause why you're           11         Q. Well, and here's the problem as we understand it, when you're dealing with a sinking fund         11         Q. But -           12         it, when you're dealing with a sinking fund         13         ordinarity you'd take that annual amount and           14         you'd invest it in a bond which would have a         14         Dy ou'd invest it in a bond which would have a           15         maturity date consistent with the ultimate         15         ordinarity           16         earnings, just using that line as an example,         16         Q. So you actively trade within your sinking fund           20         for that hond? And we just use that as an         20         A. We would also buy bonds of, say, the Province of           21         and the price is right, then we would dispose         2         A. They may be bought if	4	the earnings were 4.491 million. So that even	4	are based on average projections in the case
7       have been reduced. First of all, are you       7       happened up to the end of August so that if         8       aware that that's the case?       7       happened up to the end of August so that if         9       A. I can se where there is a reduction from       9       period. then that would cause why you're         10       Well, and here's the problem as we understand       10       9       period. then that would cause why you're         11       Q. Well, and here's the problem as we understand       11       Q. But -       A. I can so the well of angust so that if         13       ordinarily you're dealing with a sinking fund       13       ordinarily you're dealing with a sinking fund         14       you're dealing with a sinking fund       13       order to achieve a higher return.         16       retirement, so at every year the previous       16       Q. So you actively trade within yous sinking fund         16       earnings, just using that fine as an cample, the       19       A. We would actually buy some of our own bonds if         17       in fact, have gone down even though the       21       Ot that bond? And we just use that as an       23       operative or strain or order to actions. All that would be       20         21       in fact, have gone down even though the       21       Ot that an order isawe.       23       Ot they and sell wi	5	though you have more money in the fund the	5	of 2004. In the case of 2003 when this was
7       have been reduced. First of all, are you       7       happened up to the end of August so that if         8       aware that that's the case?       7       happened up to the end of August so that if         9       A. I can se where there is a reduction from       9       period. then that would cause why you're         10       Well, and here's the problem as we understand       10       9       period. then that would cause why you're         11       Q. Well, and here's the problem as we understand       11       Q. But -       A. I can so the well of angust so that if         13       ordinarily you're dealing with a sinking fund       13       ordinarily you're dealing with a sinking fund         14       you're dealing with a sinking fund       13       order to achieve a higher return.         16       retirement, so at every year the previous       16       Q. So you actively trade within yous sinking fund         16       earnings, just using that fine as an cample, the       19       A. We would actually buy some of our own bonds if         17       in fact, have gone down even though the       21       Ot that bond? And we just use that as an       23       operative or strain or order to actions. All that would be       20         21       in fact, have gone down even though the       21       Ot that an order isawe.       23       Ot they and sell wi	6	amount of earnings that you're going to make	6	being updated, it's reflecting what actually
9       A. I can see where there is a reduction from what's on the two schedules.       9       period, then that would cause why you're getting a difference in the rates.         10       Q. Well, and here's the problem as we understand       10       A. But i's a function of managing a portfolio of invest it in a bond which would have a         12       it, when you're dealing with a sinking fund       13       O. But -         13       ordinarily you'd take that annual amount and       13       a But i's a function of managing a portfolio of invest it in a bond which would have a         14       you'd invest it in a bond which would have a       14       buy and sell within that particular fund in         15       maturity date consistent with the ultimate       15       ordinaring fund and why, for example, the         16       exing fund and why, for example, the       18       to maturity?         18       we're puzzled as to how Hydro manages its       18       to maturity?         19       so kare see and bit in cass an example,       20       to that bond? And we just use that as an         21       in fact, have gone down even though the       21       contario or other loading in downs.         23       for that bond? And we just use that as an       23       government guaranteed bonds.         24       example, in 2004, which is what we have up       29       20	7	have been reduced. First of all, are you	7	happened up to the end of August so that if
9       A. I can see where there is a reduction from       9       period, then that would cause why you're getting a difference in the rates.         10       Q. Well, and here's the problem as we understand       11       0. But -         12       it, when you're dealing with a sinking fund       12       A. But i's a function of managing a portfolio of investments within that particular fund in         13       ordinarily you'd take that annual amount and       13       ordinarily you'd take that annual amount and         14       you'd invest it in a bond which would have a       14       buy and sell within that particular fund in         15       maturity date consistent with the ultimate       15       ordinarily you'd invest it ma bond which would have a         16       retirement, so at every yeart he previous       16       0. So you actively trade within your sinking fund         17       earnings, just using that line as an example,       18       18       to maturity?         18       we're puzzled as to how Hydro manages its       18       they were associated and available, and we         21       in fact, have gone down even though the       21       O. We would actually buy some of our own bonds if         23       for that bond? And we just use that as an       23       government guaranteed bonds.         24       example.       29       A. They may be b	8	aware that that's the case?	8	rates were different in that first opening
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25are established.25would be there.	1	-		-
	25	are established.	25	would be there.

# Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

1 KELLY QC:         1         Q. So if you tade the bonds, then your sinking fund?           2 Q. Yes. But you could have that money in a five-year bond or a ten-year bond or a 'en-year bond 'en-year bond 'en-year a 'en ear or a 'en-year a 'you 'en ear an ear the 'erait 'en 'erait 'erait'erai			The figure s 2005 General Rate Application
2       Q. Yes. But you could do that by havingif you       2       the amount of capital in your sinking fund?         3       in a five-year bond or a ten-year bond or a       A. Yes. And the other side is into a reduction         5       20-year bond. And what I'm trying to get a       G. Because that reducesthat increases the amount of capital in your sinking fund -         7       maturities relative to the period of time that       7       A. That's right.         8       you're going to need them, if you need them 20       8       Qraising it above what it would otherwise         9       years out?       A. No. Vour 'g just increasing the capital that       you have and the amount of camings that         12       say, looking, what do you need in the year       12       you have and the amount of camings that         13       that the maturity comes up and will this       13       you'l read at the trigger again and you keep         14       absolutely sure that you'l have the required       amount at the and.       Q. If you rade at the trigger again and you keep         15       do it. But I'm also saying to you is that if       18       entyret at the find as opposed to having an         18       arises and we have an opportunity to sell that       18       entyret at the find as opposed to having an         18       arises and we have an opportunity to sell that       18       entyr	Page 137		Page 138
3       a. Yes. And the other side is into a reduction         4       in a five-year bond or a ten-year bond or a       3       A. Yes. And the other side is into a reduction         5       20-year bond. And what I'm trying to get a       6       b. Madle on is, is there an analysis of the bond       6         6       maturities relative to the period of time that       8       Q. F-raising it above what it would otherwise         8       you're going to need them, if you need them 20       9       need to be at the expense of taking interest         9       years out?       9       need to be at the expense of taking interest       0         11       that are in the particular fund, and as you       11       A. No. You're just increasing the capital that       12         12       say, looking, what do you need in the year       13       not the maturity comes up and will this       13       13       you have and the amount of earnings that         14       provide you with sufficient funds in which to       14       absolutely sure that you'll have the required         15       that may be out close to when the maturity       17       that may be out close to when the maturity       18       entry that offsets your interest, then is that         18       arises and we have a poportanity to sell that       19       not the cut saylithy our you way and the anount of earnings that<		-	
4       in a five-year bond, and what I'm trying to get at       4       in interest -         5       20-year bond. And what I'm trying to get at       6       0. Because that reducesthat increases the         7       maturities relative to the period of time that       7       A. That's right.         8       you're going to need them, if you need them 20       8       0raising it above what it would otherwise         9       years out?       9       0raising it above what it would otherwise         9       years out?       1       A. No. You're just increasing the capital that         12       say, looking, what do you need in the year       12       you're going roneasing the capital that         13       that the maturity comes up and will this       13       you're going roneasing the capital that         13       that dhe maturity comes up and will this       13       you're dow this stifter end.         14       aboutely surt that you'l have the required       amount at the end.       0. If you role at the trigger again and you keep         17       that may be out close to when the maturity       17       that and ake again and leg in the sinking fund.       2       A. On the gain would go into the sinking fund.         21       Q. And where does that gain go?       21       anount at the end.       2       anount at the end.			× · ·
5       20-year bond. And what I'm trying to get a handle on is, is there an analysis of the bond maturities relative to the period of time that so you're going to need them, if you need them 20 years out?       9. Because that reduces—that increases the amount in the sinking fund -         8       you're going to need them, if you need them 20 years out?       9. That's right.         10       A. Well, I think what's looked at is the bonds       10. A. No. You're just increasing the capital that         11       say, looking, what do you need in the year       11         12       say, looking, what do you need in the year       11         13       that are in the particular fund, and as you       11         14       provide you with sufficient funds in which to       14         15       do ii. But I'm also saying to you is that if       15         16       we happen to have a particular bond in three       16         17       that may be out close to when the maturity       16         18       arises and we have an opportunity to sell that       18         19       and make a gain and then reinvest again, fund.       20         21       A. On the gain that you end up in the fund       ensures that you're going to have the correct         23       And the other side of the entry is to       23       0. On, yes. But it costs us -         24       A. On the gai			
6       handle on is, is there an analysis of the bond maturities relative to the period of time that you're going to need them, if you need them 20       6       armount in the sinking fund -         7       maturities relative to the period of time that you're going to need them, if you need them 20       7       A. That's right.         9       years out?       9       0       - raising it above what it would otherwise need to be at the expense of taking interest         10       A. Well, I think what's looked at is the bonds       10       No. You're just increasing the capital that         12       say, looking, what do you need in the year       12       you have and the amount of carnings that         13       that the maturity comes up and will this       13       13       that the maturity comes up and will this         14       provide you with sufficient funds in which to       14       absolutely sure that you'll have the required amount at the end.       10         15       do it. But I'm also saying to you is that if       15       15       and make a gain and hen reinvest again, then       19       not the retregoing to have the correct         16       Q. I'and where does that gain go?       21       ensures that you're going to have the correct       23       A of the other side of the entry is to       23       Q. oh yeas. But it costs us -         12       A Keery yearyou're going to add newe dowe			
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23and you go down to your accrued interest line,23is changed between the August to October			
			• • •
24 you'll see your accrued interest from the 24 filing?	and you go down to your accrued interest line,	23	is changed between the August to October
25August filing to the October filing is exactly25A. Yes.	24 you'll see your accrued interest from the	24	filing?

## Discoveries Unlimited Inc., Ph: (709)437-5028

November 12, 2003

# Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

	,	8	c 112 Hydro 5 2005 General Kate Application
	Page 141		Page 142
1	KELLY, Q.C.:	1	Q. Now, the next area I want to go to is a
2	Q. Yes. So since all the others are the same,	2	question that deals with this depreciation
3	the only one that's changed is this one. So	3	issue again, from a different angle, and this
4	on this bond you would have five and a half	4	goes to your Schedule 3, here we go,
5	months interest accrued as of the end of	5	accumulated depreciation, the third line down.
6	December, and that interest in your original	6	In your August filing for '03, now we'll just
7	filing was at 6.65 whereas it's now at 5.70.	7	give the round numbers here, we got 465
8	So those numbers ought to have changed by	8	million, but that's now reduced to 464
9	approximately \$500,000, should they not?	9	million, okay? So there's a million dollars
10	A. The only explanation that I could give right	10	less in accumulated depreciation?
11	now is that it may be the impact of the	11	A. Yes.
12	premium that was on the issue may be impacting	12	Q. But yet, when we looked at it this morning, we
13	it and that may be why the number hasn't	13	saw that it was going to be down by, the
14	changed.	14	depreciation in '03 is down by \$319,000.00.
15	Q. Do you need time to reflect on that further?	15	And so the question is, in '03 how come your
16	Because if you had the interest rate reduced,	16	depreciation for the year is down by 319, but
17	the interest which is what would be on that	17	your accumulated depreciation is down by a
18	line as accrued interest ought to be reduced	18	million?
19	by the difference between 6.65 and 6.70?	19	A. Because here you're also dealing and taking
20	A. As I say, unless the impact of the issue being	20	into account the impact of disposals as well,
21	sold out of premium is causing it to be the	21	so you would start off your opening balance,
22	same as the 5.7.	22	add in your depreciation, take out your
23	Q. Do you want to reflect on that one and you can	23	disposals and here's your new ending balance.
24	-	24	Whereas your depreciation expense that you saw
25	A. You'll have to leave it with us.	25	this morning on Schedule 2 and on some of the
-		-	
	$\mathbf{D}_{aga} 1/2$		$\mathbf{D}_{\text{D}}$ and $144$
	Page 143 other schedules that's on the actual		Page 144
1	other schedules, that's on the actual	1	A. For different reasons.
2	other schedules, that's on the actual depreciation to be calculated based on the	1 2	<ul><li>A. For different reasons.</li><li>Q. We can go to NP-302 to have a look at that.</li></ul>
2 3	other schedules, that's on the actual depreciation to be calculated based on the actual additions in service for the whole	1 2 3	<ul><li>A. For different reasons.</li><li>Q. We can go to NP-302 to have a look at that.</li><li>A. What you've got to recognize is that in the</li></ul>
2 3 4	other schedules, that's on the actual depreciation to be calculated based on the actual additions in service for the whole year.	1 2 3 4	<ul><li>A. For different reasons.</li><li>Q. We can go to NP-302 to have a look at that.</li><li>A. What you've got to recognize is that in the August filing of 2004, there were additions</li></ul>
2 3 4 5	other schedules, that's on the actual depreciation to be calculated based on the actual additions in service for the whole year. Q. And if I take you across to '04, your	1 2 3 4 5	<ul><li>A. For different reasons.</li><li>Q. We can go to NP-302 to have a look at that.</li><li>A. What you've got to recognize is that in the August filing of 2004, there were additions that were going to be recorded in 2004 that</li></ul>
2 3 4 5 6	other schedules, that's on the actual depreciation to be calculated based on the actual additions in service for the whole year. Q. And if I take you across to '04, your depreciation, accumulated depreciation there	1 2 3 4 5 6	<ul><li>A. For different reasons.</li><li>Q. We can go to NP-302 to have a look at that.</li><li>A. What you've got to recognize is that in the August filing of 2004, there were additions that were going to be recorded in 2004 that were reflected in our 2004 capital budget that</li></ul>
2 3 4 5 6 7	<ul><li>other schedules, that's on the actual depreciation to be calculated based on the actual additions in service for the whole year.</li><li>Q. And if I take you across to '04, your depreciation, accumulated depreciation there is down from 497 to 494, so you've got a 2.6</li></ul>	1 2 3 4 5 6 7	<ul> <li>A. For different reasons.</li> <li>Q. We can go to NP-302 to have a look at that.</li> <li>A. What you've got to recognize is that in the August filing of 2004, there were additions that were going to be recorded in 2004 that were reflected in our 2004 capital budget that were not approved. So they account for,</li> </ul>
2 3 4 5 6 7 8	<ul><li>other schedules, that's on the actual depreciation to be calculated based on the actual additions in service for the whole year.</li><li>Q. And if I take you across to '04, your depreciation, accumulated depreciation there is down from 497 to 494, so you've got a 2.6 million reduction in depreciation.</li></ul>	1 2 3 4 5 6 7 8	<ul> <li>A. For different reasons.</li> <li>Q. We can go to NP-302 to have a look at that.</li> <li>A. What you've got to recognize is that in the August filing of 2004, there were additions that were going to be recorded in 2004 that were reflected in our 2004 capital budget that were not approved. So they account for, approximately about four million dollars in</li> </ul>
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## Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

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	Page 145		Page 146
11	KELLY, Q.C.:	1	relates to the discussion you had with Mr.
2	item as to how these numbers get reconciled;	2	Kelly about promissory note and accounts
3	in other words, the depreciation in the year	3	payable and accrued liabilities. Do you
4	versus the accumulated depreciation for each	4	recall that discussion this morning?
5	of these years. (Undertaking).	5	A. Yes, I do.
6	A. Less the losses.	6	(2:05 p.m.)
7	Q. I would like to see how that works.	7	Q. And the issue of the balancing account. My
8	A. If you want to reconcile that accumulated	8	first question related to the promissory notes
9	depreciation, you know, we'll start with the	9	for next year, 2004, and my question is simply
10	opening and take you through the additions and	10	how is that figure achieved, what process is
11	deletions.	11	undertaken to get to that figure?
12	Q. Could you do that?	12	A. Maybe I can just back up a little bit for you,
13	A. Because there is in both. Yes, we should be	13	in the August 2003October 2003 update, that
14	able to do that for you.	14	started off with an actual promissory note
15	Q. Thank you. If you could put that on paper,	15	balance as of the end of August, the real
16	we'd appreciate it. And, Mr. Roberts, those	16	number. Then based on our forecast of
10	are my questions. Thank you very much.	10	operating and capital and expenses, together
18 (	CHAIRMAN: Q. Thank you, Mr. Kelly. Thank you, Mr. Roberts.	18 19	with revenue, you run forward to arrive at your balance at the end of 2003. Then the
20	We'll move now, good afternoon, Mr. Seviour.		-
	MR. SEVIOUR:	20	same process goes on into 2004, that is that you forecast your revenue and expenditures
		21	
22	Q. Thank you, Mr. Chairman. Hello, Mr. Roberts.	22	streams for cash-flow purposes and the end
23	I was going to take you first to Schedule 8, I	23	result at the end of December is the
24	think we looked at it a couple of times this	24	promissory note balance that you see here.
25	morning and early this afternoon. And this	25	Q. And I guess that's somehow how I expected your
	D 147		
	Page 147		Page 148
1	answer to come, and my confusion related to	1	of fixed assets.
1 2	answer to come, and my confusion related to the discussion about the accounts payable and	2	of fixed assets. Q. And what particular fixed assets are you
	answer to come, and my confusion related to the discussion about the accounts payable and accrued liabilities account being the		of fixed assets. Q. And what particular fixed assets are you referencing there?
2	answer to come, and my confusion related to the discussion about the accounts payable and accrued liabilities account being the balancing account, because intuitively, it	2	of fixed assets. Q. And what particular fixed assets are you referencing there? A. That would have taken into account the
2 3	answer to come, and my confusion related to the discussion about the accounts payable and accrued liabilities account being the balancing account, because intuitively, it would have seemed to me that the promissory	2 3	of fixed assets. Q. And what particular fixed assets are you referencing there? A. That would have taken into account the activity for 2003 once we update and moved
2 3 4	answer to come, and my confusion related to the discussion about the accounts payable and accrued liabilities account being the balancing account, because intuitively, it would have seemed to me that the promissory notes account would have been the appropriate	2 3 4	<ul><li>of fixed assets.</li><li>Q. And what particular fixed assets are you referencing there?</li><li>A. That would have taken into account the activity for 2003 once we update and moved away from (inaudible - power failure).</li></ul>
2 3 4 5 6 7	answer to come, and my confusion related to the discussion about the accounts payable and accrued liabilities account being the balancing account, because intuitively, it would have seemed to me that the promissory notes account would have been the appropriate account for balancing.	2 3 4 5	<ul><li>of fixed assets.</li><li>Q. And what particular fixed assets are you referencing there?</li><li>A. That would have taken into account the activity for 2003 once we update and moved away from (inaudible - power failure).</li><li>Q. Perhaps as a supplementary, I'm wondering if</li></ul>
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	ember 12, 2003 Mu	ni-i ag	e NL Hyuro s 2005 General Kate Application
	Page 14	9	Page 150
1 1	MR. SEVIOUR:	1	Q. My question really does relate to fuel
2	could turn up NP-298, NLH. And page 2,	2	management and the implications, if any, of
3	please. Mr. Roberts, this is an update of the	3	this change from the potential purchases of
4	system energy storage multi-coloured graph and	4	fuel by Hydro in the current or early 2004
5	I think, as I read it, it reflects that since	5	time frame. Do you know if the improvement in
6	the August filing things have improved, is	6	the hydrology situation, the reservoir storage
7	that how you read it in the sense that the	7	situation, is going to have an impact on fuel
8	2003 storage level, shown as the pink line, is	8	purchases by Hydro?
9	it?	9	A. I would anticipate that it will, but whether
10	A. Magenta.	10	or not it would change the total purchases for
11	Q. Magenta line, apologies.	11	the remainder of 2003 or just shift them, that
12	A. Mr. Haynes would be the better one to answer	12	would certainly happen, you may find that we
12	it, but what the pink line is representing is	12	had one or two shipments scheduledas a
13	that in October, there was a significant	13	matter of fact, I think it came up this
14	amount of water that we received into our	14	morning in a question with Mr. Kelly of why we
			only had one shipment in October, versus the
16	system. Q. Uh-hm. And the material considerations, I	16	initial filing that we filed in October had it
17	-	17	-
18	guess, is the green line is the minimum energy	18	shown as two. Because when the update was
19	storage target line, as I understand it, on	19	done, of course, we didn't have this water
20	the graph, and the pink line is the actual	20	that was available, so I'm not sure if it
21	system and energy storage line. Is that how	21	would delay a shipment now out to 2004, but it
22	you understand it as well.	22	would certainly impact what it would be and I
23	A. Yes, but once again, you're heading into Mr.	23	think Mr. Haynes would probably be maybe the
24	Haynes' territory who has the responsibility	24	better one that may be able to answer if it
25	for production and water management, so -	25	has done that.
	Page 15	51	Page 152
1	Q. Thank you. I wanted to take you to your note	1	sentence an extended commissioning period for
2	one in Schedule 2, you're at page 2 of 8, I	2	Granite Canal. Does that have any bearing on
3	think, and in note 1, there's a brief	3	the reference to delayed in-service dates in
4	reference in the last line to the delayed in-	4	your note 1?
5	service dates in 2002 and 2003, and I wondered	5	A. Well Granite Canal was still brought in
6	what that related to?	6	basically on service at the in-service date.
7	A. Well I'll just give you one example that comes	7	As with all these projects, you will find that
8	to mind is in the case of vehicles, which is a	8	the project is up and running, but there's
9	good example to use, we would have a budget	9	always decommissioning and clean up that goes
10	proposal in to replace so many vehicles in a	10	on after the project is up and running. And
11	run of a year. Often times when we go to	11	that's a fairly common occurrence in a project
12	place the order, because of the speciality of	12	such of this magnitude.
13	the line trucks and the amount of time that's	13	Q. Let me take you to note 6, please, which is on
14	involved, you may find that we're not able to	14	page 3, which refers to increased overtime of
15	acquire the truck when required or when we had	15	\$898,000.00 of which \$553,000.00 was related
16	originally anticipated, so the service date	16	to capital projects and fewer vacancies.
17	could be moved out a month or two months or	17	First of all, the capital projects, that we
18	hopefully not past the end of the year, but it	18	understand that the lion's share of
19	can happen that the projects may not get	19	\$553,000.00 overtime related to capital
20	completed and end up being a carry over and,	20	projects, this is attributable to Granite
21	of course, that's where the change on the in-	21	Canal?
22	service date arises.	22	A. Granite Canal would certainly be a substantial
	Q. That's helpful, I was trying in my mind to	23	portion of that.
23			
23 24	understand in part was this related to your	24	Q. I wanted also to ask you about the fewer
1	understand in part was this related to your note 13 on page 4, which describes in the last	24 25	Q. I wanted also to ask you about the fewer vacancies that you talked a bit about with Mr.

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	Page 153		Page 154
1 N	IR. SEVIOUR:	1	Q. Okay, that was my next question. I was trying
2	Kelly this morning, and I wanted to talk about	2	to relate this to, between the two different
3	in relation to your own department, Schedule	3	categories and I was trying to come to the
4	13, I think, has your budget or your net	4	discussion you may recall we had when you were
5	operating expenses, I'm sorry. In line 10 of	5	cross-examined the first time around and Mr.
6	the budget, we see an adjustment to the	6	Kelly and myself asked you questions about the
7	vacancy allowance for the finance and	7	\$600,000.00 figure that was going to be the
8	corporate services department of \$179,000.00.	8	savings achieved from the elimination of ten
9	Do I have that correctly?	9	Fulltime Equivalents this year, and I'm trying
10	A. \$179,000, yes.	10	to relate that \$143,000.00 figure in the
11	Q. And that reflects that of the original vacancy	11	salaries line, Line number 4, to the
12	adjustment that was budgeted of just over two	12	\$600,000.00 you told us about before. And the
13	hundred thousand dollars, \$22,000 is now	13	question is, is this part of the 600,000 or is
14	anticipated to be achieved for year 2003?	14	this an additional amount or can you tell us?
15	A. That's what anticipated may be achieved	15	A. I'm not sure of the 600,000 that you're
16	between the end of August and the end of	16	referring to.
17	December of 2003.	17	Q. Well, perhaps, I can give you the reference in
18	Q. Okay, but is that an annual figure, the 22,000?	18	fairness, I'll pull up the reference, it's
19	-	19	October 15, page 154 of the transcript. I
20	A. No, that would be the amount between August	20	think that if you look at the answer that
21	and now because the actual vacancy adjustment	21	appears at the top of page 154, that's the
22	or the actual vacancies between January and	22	\$600,000 figure that I'm referring to, and in
23	August are reflected up in Line 4 in your	23	your answer at line 10, you indicated "it
24	actual salary number now.	24	would be, yes, primarily through the
25 (	2:16 p.m.)	25	elimination of full-time equivalents" and I
		-	
	Page 155		Page 156
1	Page 155 think if you scroll down, please, Mr.	1	Page 156 Q. Yes, I think you've explained that, and just
	Page 155		Page 156
1	Page 155 think if you scroll down, please, Mr.	1	Page 156 Q. Yes, I think you've explained that, and just
1 2	Page 155 think if you scroll down, please, Mr. O'Reilly, to pageI think there is a	1 2	Page 156 Q. Yes, I think you've explained that, and just for the record, Mr. Roberts, at lines 19 to
1 2 3	Page 155 think if you scroll down, please, Mr. O'Reilly, to pageI think there is a reference to an aggregate of ten full-time	1 2 3	Page 156 Q. Yes, I think you've explained that, and just for the record, Mr. Roberts, at lines 19 to 25, at page 153, I think you do see the
1 2 3 4	Page 155 think if you scroll down, please, Mr. O'Reilly, to pageI think there is a reference to an aggregate of ten full-time equivalent positions that's in the record. I	1 2 3 4	Page 156 Q. Yes, I think you've explained that, and just for the record, Mr. Roberts, at lines 19 to 25, at page 153, I think you do see the reference to ten full-time equivalents in that
1 2 3 4 5	Page 155 think if you scroll down, please, Mr. O'Reilly, to pageI think there is a reference to an aggregate of ten full-time equivalent positions that's in the record. I don't see it precisely in that figure but I	1 2 3 4 5	Page 156 Q. Yes, I think you've explained that, and just for the record, Mr. Roberts, at lines 19 to 25, at page 153, I think you do see the reference to ten full-time equivalents in that discussion that I think you and I had. But
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## Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

November 12, 2005	Multi-Page	NL Hyuro's 2005 General Rate Application
	Page 157	Page 158
1 MR. ROBERTS:	1	inventory price for February was 43. 9198
2 part of that 2.5 million.	2	dollars, and if I look at the other tables,
3 Q. Just next going to take you to your Sche	dule 3	there is a concordance, if you perform the
4 2, page 7 of 8. Mr. Roberts, I understan	nd 4	same analysis. In other words, if you look
5 that these are updated 2003 projections		from January for the 2003 August filing to the
6 fuel costs and 2004 projections on page		opening pre purchase inventory price as
7 8?	7	against the post purchase inventory price for-
8 A. Yes.	8	-the post purchase for January and pre
9 Q. And they contain the updated price of fu	iel, 9	purchase for February, there's a concordance.
10 effective September of this year?	10	There's equivalents and you can follow it
11 A. Yes, that's correct.	11	through as the prices progress, and that's
12 Q. Okay. I had a confusion with respect to	the 12	true also of the 2004 tables, as I read them.
13 second table on page 7 of 8, and it began	with 13	So I was having some difficulty understanding
14 my inability to reconcile in the post purch	nase 14	why that wouldn't be the case for the 2003
15 inventory price dollars per barrel colum	in, 15	October 31 filing and I was hoping you could
16 that's the third from the right of the page	, 16	help me out with that.
17 in say the months of January with th	e 17 A	. Well, if I may, 2004 you should find it flows
18 beginning pre purchase inventory price, t	hat's 18	back and forth. The issue in 2003 is that the
19 the very second column, for February an	d the 19	initial filing had absolutely no actuals into
20 confusion here is if you look at it for the	20	it whatsoever. What you now have in the
bottom table, the October 31 filing table	for 21	October 31 filing is you now have what
22 2003, you see that for January it's an	22	actually happened from the actual purchases,
23 inventory price of \$42.00 and42.3588 d	ollars 23	and those ending inventory adjustment amounts
24 per barrel as a post purchase inventory pr	ice 24	get adjusted for such things as the BTU
25 for January, and the opening pre purch	ase 25	adjustments, water content, and it would also
	Page 159	Page 160
1 take into account the settlement for the fi	nal 1	would all affect your opening inventory
2 shipment price, which is normally not k	nown 2	valuation that you would have. They're only
3 until after the month end, but it would b	be 3	on a price basis.
4 adjusted in the opening figures that's bro	ught 4 Q	. So of all of these tables, the one that I've
5 forward.	5	focused on is the only one that has actual for
6 Q. So the first filing for '03 was -	6	costs figured into it?
7 A. The first filing that was -	7 A	. That's correct. All the rest are pure
8 Q purely projections?	8	forecast.
9 A there is August '03, was a complete for	ecast 9 Q	Okay. And I was struggling with the cost
10 basis. There were absolutely no actuals r	nixed 10	projections that you see in that table as
11 in with this, whereas what you have in	the 11	well, because I couldn't get the numbers to
12 October filing, you have actual results fr	om 12	work when I multiplied the inventory price
13January to August, and as I said, you get		times the volumes.
14 blending of the prices and you get BT		. I'm not sure I understand. Are you saying
15 adjustments. You get water content. Yo		like in September the shipment of 275,000
16 getting the average price that will not b		times 31.25 is not -
17 resolved until after the month end bein	-	. Well, you got the columns in costs in January,
adjusted into your opening inventories t		for example, on the production side, you've
19 comes forward.	. 19	got an inventory price of 42.3588 dollars a
20 Q. And I wasdo I understand then that ther		barrel. Volume of 518,710 barrels, and when I
a monthly adjustment that's done respec	-	compute those figures, I don't get the figure
22 the inventory?	22	that's there, the cost figure.
A. At the end of the month, you would also		. The 518,710 times the 42?
104 A testen in the local distribution of	.s 24 Q	. That's right. I get a figure of, for that
<ul><li>to factor in, as I said, the BTU adjustment</li><li>and any other final price adjustments. T</li></ul>		cost example I've given you, of 21,971,933.

## Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

November 12, 2003 Mi	<u>ilti-Pa</u>	age NL Hydro's 2003 General Rate Application
Page 1	61	Page 162
1 MR. SEVIOUR:	1	looked at the rate stabilization in the fuel
2 I've got my decimals in the wrong places. So	2	cost section, you would see we say here's the
3 I'm really just trying to get to an	3	consumption and a price and then we have a
4 understanding of where the cost figures come	4	shipment and you get a new price for your
5 from in that table, because I couldn't get	5	consumption. So it's the subtotal of all of
6 them half to work.	6	those on an actual basis is what's being used
7 A. So the 42.3588 times the 518,710 is not giving	7	here.
8 you the twenty-five five four?	8	Q. So you're saying really thatand the volume
9 Q. It doesn't give you that. It doesn't give my	9	is what it is, but the price that's used may
10 computer thator calculator, that figure.	10	be -
A. Well, as I said, the only thingwell, I can't	11	A. It may be different by the way that the
12 answer it for you. The only thing that you	12	shipments are received and what the new price
13 would have when you start dealing with	13	is as it's gone through. So somebody has
14 actuals, what you would have is you would	14	tried to simplify the process rather than have
15 start off with an opening inventory and matter	15	15 or 20 individual lines here because every
16 of fact, it's illustrated in the RSPs, if you	16	time you have a new shipment, you'd have a new
17 ever wanted to see it, but you would start off	17	calculation coming across.
18 with an opening inventory or the value and	18	Q. And your explanation is that the cost here
19 then if we had a shipment, you would add a	19	would be the actual -
20 shipment and take off your consumption. So	20	A. Should be the actual -
21 what you end up happening, in the case of the	21	Q based on the variable costs during a
22 actuals, you've got a mix of the things and	22	particular month.
23 somebody's tried to put in an average price	23	A based on here's the quantity that's consumed
here of what's happened. So I think the best	24	prior to receiving a shipment and here's the
25 illustration for me to say is that if you	25	new price after a shipment and here's the
Page 1 1 consumption then until the end of the month.		Page 164 accounting principles that you're employing in
<ol> <li>consumption then until the end of the month.</li> <li>So, somebody has added these numbers together</li> </ol>		relation to maintenance materials related to
	$\begin{vmatrix} 2\\ 3 \end{vmatrix}$	the decommissioning costs of plants.
<ul><li>3 to give you what you're seeing here.</li><li>4 Q. I have a couple of more questions, one related</li></ul>	4	A. Um-hm.
		Q. You refer in Schedule 5 to the revised, your
	5	second revision, which is actually, for the
	6	TRO division, this is a section from Mr.
	8	Martin, but in there there's a note and you've
		-
	9	been asked about it previously, about the note number four on theSchedule 5, second
<ul><li>energy requirements? Where was that arising?</li><li>A. I believe that information is flowing from Mr.</li></ul>	10	revision, October 31, FH Martin I have on
<ol> <li>A. I believe that information is flowing from Mr.</li> <li>Haynes' update on his load forecast and actual</li> </ol>	11	
	12	mine, Schedule 5, yes.
13 sales. 14 (2:30 p.m.)	13	GREENE, Q.C.: Q. Mr. Martin's Schedule 5.
		Q. MI. Martin's Schedule 5. MR. KENNEDY:
16 questions, Mr. Chairman. 17 CHAIRMAN:	16	Q. Yes, sorry, Mr. Martin's Schedule 5. And has been noted in previous questions, Mr. Roberts,
	17	there was an adjustment made in the amount
<ul> <li>Q. Thank you, Mr. Seviour. Thank you, Mr.</li> <li>Roberts. We'll move now, good afternoon, Mr.</li> </ul>	18	booked for maintenance materials showing a
	19	variance of an extra \$600,000.00 from the
20 Kennedy. 21 MR. KENNEDY:	20	August filing to the October filing, correct?
	21 7 22	August ming to the October ming, correct? A. Yes.
<ul> <li>Q. Good afternoon, Chair and Commissioners. They</li> <li>left me with one question to ask; it's not</li> </ul>		A. Les. Q. And then over on the next page at Item number
	23	4, the explanation is that this increase in
<ul> <li>even a very good one, but I'll ask it anyways.</li> <li>Mr. Roberts, I just had a question about your</li> </ul>	24 25	maintenance materials is primarily due to
25 MIL RODELIS, I JUST HAU & QUESHOIT ADOUT YOU	23	manuentance materials is primarily due to

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	in age 111 Hydro 5 2005 General Rate Application
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1 MR. KENNEDY:	1 but I guess the other point I'd just like to
2 unanticipated expenses related to the	2 make is that over time, it's, I guess, a
3 environmental mediation of Petit Forte, the	3 normal practice that you would have an element
4 decommissioning of Petites, or Petit Forte	4 of loss on disposal of fixed assets because
5 sorry, and the rehabilitation of burners at	5 you're turning over your fixed assets
6 the Hardwoods Gas turbine. So, I'm wondering,	6 continuously, some of them more regular than
7 in relation to Petit Forte and the Petites, is	7 others, if they're, sort of, like vehicles or
8 it normally the case the Hydro books that as a	8 small tools and equipment. Just on the method
9 maintenance expense and operating expense?	9 of depreciation and the amortization that
10 And if so, why wouldn't you treat that as in	10 Hydro uses dictates that that's the way we go,
11 relation to your capital cost as part of the	11 but to defer and amortize over a longer period
12 decommissioning?	12 of time would require approval of the Board in
13 A. Historically, we have been expensing these	13 which to do that. With that approval then, we
14 costs as incurred and have not decided to	14 still meet generally accepted accounting
request permission from the Board to defer and	15 principles and allow that to continue on, but
16 amortize.	16 yes, it can be done.
17 Q. Okay, that was the next question, obviously,	17 Q. And would that be moreif it was done, would
that in the case of something like the loss on	18 you agree that it would make sense to do that
19 disposal of your assets at Davis Inlet, for	in a case where there's an extra ordinary
20 instance, and that was any thought given by	20 disposal as opposed to just your normal
21 Hydro to amortizing that loss on disposal over	disposal, as you've described it.
a number of years instead of having it all	A. Well, we already have a policy that's been
show up in the test year.	approved by the Board that puts a limit of
A. Hydro didn't consider amortizing it over a	anything over half a million dollars, that we
25 period of time. It certainly could be done,	25 can come back to the Board with a request to
Page 167	7 Page 168
1 defer and amortize. And I guess the half	1 A. Yes, it would.
2 million dollar limit is, yes, just there	2 Q. Okay. Thank you, that's all the questions I
3 arbitrary and the Board accepted what was in	3 have, Chair. Thank you, Mr. Roberts.
4 the report at the time. And to date, we	4 CHAIRMAN:
5 haven't, on an individual instance, basically	5 Q. Thank you, Mr. Kennedy. Do you have any re-
6 exceeded the half a million dollars that would	6 direct, Ms. Greene? It looks like you're
7 warrant coming back to the Board and	7 undecided.
8 requesting permission to defer and amortize.	8 GREENE, Q.C.:
9 Q. Just one quick question in addition to those.	9 Q. I was just wondering if the back the room has
10 In your revised filings, I couldn't see any	10 gotten ready our reconciliation and
11 note concerning how your revised revenue	11 depreciation yet and if I thought they did, I
12 calculation may have affected your forecast	12 might ask for a break now and we would deal
13 energy sales. Has Hydro made any adjustments	13 with that, butno.
to its forecast energy sales for 2004 as a	14 KELLY, Q.C.:
15 result of the reduction in revenue	15 Q. Takes longer than that.
<ul><li>result of the reduction in revenue</li><li>requirement?</li></ul>	16 GREENE, Q.C.:
<ul><li>result of the reduction in revenue</li><li>requirement?</li><li>A. The best person to speak to on load forecast</li></ul>	<ul><li>16 GREENE, Q.C.:</li><li>17 Q. I did have one question, you mentioned the</li></ul>
<ul> <li>result of the reduction in revenue</li> <li>requirement?</li> <li>A. The best person to speak to on load forecast</li> <li>would be Mr. Haynes.</li> </ul>	<ul> <li>16 GREENE, Q.C.:</li> <li>17 Q. I did have one question, you mentioned the</li> <li>18 policy just then to Mr. Kennedy, if an amount</li> </ul>
<ul> <li>result of the reduction in revenue</li> <li>requirement?</li> <li>A. The best person to speak to on load forecast</li> <li>would be Mr. Haynes.</li> <li>Q. Okay.</li> </ul>	<ul> <li>16 GREENE, Q.C.:</li> <li>Q. I did have one question, you mentioned the</li> <li>policy just then to Mr. Kennedy, if an amount</li> <li>is over \$500,000.00. Now, that policy deals</li> </ul>
<ul> <li>result of the reduction in revenue</li> <li>requirement?</li> <li>A. The best person to speak to on load forecast</li> <li>would be Mr. Haynes.</li> <li>Q. Okay.</li> <li>A. Because the information would have been fed</li> </ul>	<ul> <li>16 GREENE, Q.C.:</li> <li>Q. I did have one question, you mentioned the</li> <li>policy just then to Mr. Kennedy, if an amount</li> <li>is over \$500,000.00. Now, that policy deals</li> <li>with extraordinary repairs, is that correct?</li> </ul>
<ul> <li>result of the reduction in revenue</li> <li>requirement?</li> <li>A. The best person to speak to on load forecast</li> <li>would be Mr. Haynes.</li> <li>Q. Okay.</li> <li>A. Because the information would have been fed</li> <li>through to him.</li> </ul>	<ul> <li>16 GREENE, Q.C.:</li> <li>Q. I did have one question, you mentioned the</li> <li>policy just then to Mr. Kennedy, if an amount</li> <li>is over \$500,000.00. Now, that policy deals</li> <li>with extraordinary repairs, is that correct?</li> <li>A. That's correct.</li> </ul>
<ul> <li>result of the reduction in revenue</li> <li>requirement?</li> <li>A. The best person to speak to on load forecast</li> <li>would be Mr. Haynes.</li> <li>Q. Okay.</li> <li>A. Because the information would have been fed</li> <li>through to him.</li> <li>Q. So, if there were, for instance, elasticity</li> </ul>	<ul> <li>16 GREENE, Q.C.:</li> <li>Q. I did have one question, you mentioned the</li> <li>policy just then to Mr. Kennedy, if an amount</li> <li>is over \$500,000.00. Now, that policy deals</li> <li>with extraordinary repairs, is that correct?</li> <li>A. That's correct.</li> <li>Q. It doesn't deal with the issue of losses on</li> </ul>
<ul> <li>result of the reduction in revenue</li> <li>requirement?</li> <li>A. The best person to speak to on load forecast</li> <li>would be Mr. Haynes.</li> <li>Q. Okay.</li> <li>A. Because the information would have been fed</li> <li>through to him.</li> <li>Q. So, if there were, for instance, elasticity</li> <li>effects as a result of the increases being</li> </ul>	<ul> <li>16 GREENE, Q.C.:</li> <li>Q. I did have one question, you mentioned the policy just then to Mr. Kennedy, if an amount is over \$500,000.00. Now, that policy deals with extraordinary repairs, is that correct?</li> <li>A. That's correct.</li> <li>Q. It doesn't deal with the issue of losses on disposals?</li> </ul>
<ul> <li>result of the reduction in revenue</li> <li>requirement?</li> <li>A. The best person to speak to on load forecast</li> <li>would be Mr. Haynes.</li> <li>Q. Okay.</li> <li>A. Because the information would have been fed</li> <li>through to him.</li> <li>Q. So, if there were, for instance, elasticity</li> </ul>	<ul> <li>16 GREENE, Q.C.:</li> <li>Q. I did have one question, you mentioned the</li> <li>policy just then to Mr. Kennedy, if an amount</li> <li>is over \$500,000.00. Now, that policy deals</li> <li>with extraordinary repairs, is that correct?</li> <li>A. That's correct.</li> <li>Q. It doesn't deal with the issue of losses on</li> </ul>

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1 GREENE, Q.C.:	1 Q	2. Yes, Chair and Commissioners, I wanted to
2 until we see, I guess we do have an	2	advise that there appeared to have been a
3 outstanding undertaking with respect to the	3	small technical difficulty in the last session
4 reconciliation and depreciation expenses.	4	with the transcription service. There was a
5 CHAIRMAN:	5	power surge and I think we lost a five second
6 Q. No questions, Commissioner Saunders.	6	or so portion of the transcript. It was under
7 COMMISSIONER SAUNDERS:	7	cross-examination by the Industrial Customers
8 Q. No questions, Mr. Chair.	8	in relation to Schedule 10 of the revised
9 CHAIRMAN:	9	evidence, and in particular the other category
10 Q. I don't have any questions. Thank you very	10	of 708,000 and how that changed up to
11 much, Mr. Roberts. It's twenty to three now,	11	1,378,000. It's a very brief section. It
12 we need to take ordinarily five minutes. What	12	doesn't appear as though there was a lot of
13 I'm proposing is we take our fifteen minute	13	substance of the conversation around that
14 break now and we'll come back, we'll proceed	14	time. It was a lot of document exchange and
15 on. If we need a little break later on in the	15	stuff. So hopefully it wasn't too much, but
16 cross-examination, we'll consider that five	16	can the parties please have a look out for
17 minute break later on. It will give us a	17	that and if they have any ability to fill in
18 chance to clear the table and that. So, we'll	18	the record, or feel that it might be
19 reconvene at five to three, if we can, please?	19	necessary, I guess we can work towards that.
20 (BREAK - 2:40 P.M. )	20 CHA	AIRMAN:
21 (RESUME - 3:00 p.m.)	21 Q	P. Five seconds would probably be three or four
22 CHAIRMAN:	22	lines. If it all hangs on that, I think we're
23 Q. Thank you. Ms. Newman, is there anything	23	probably all in trouble. Thank you, Ms.
24 before we begin?	24	Newman. Good afternoon, Mr. Haynes and
25 MS. NEWMAN:	25	welcome back, sir. I think you've been sworn
Page 17	'1	Page 172
1 in, so we can proceed right to direct when Ms.	1	earlier. It seems as though none of the
2 Greene is ready.	2	parties, other than the Industrial Customers,
3 (MR. JIM HAYNES, PREVIOUSLY SWORN)	3	have questions of the first instance for this
4 GREENE, Q.C.:	4	witness, so what I propose, and it seems
5 Q. Thank you, Mr. Chair. Mr. Haynes, with	5	people are fine with this, is if we proceed
6 Hydro's revised filing on October 31, 2003,	6	directly to the questions of the Industrial
7 there were a number of revised schedules to	7	Customers and then we can revert back to our
8 your evidence submitted. Is that correct?	8	usual order, rather than go through the
9 A. That's correct.	9	motions of circulating around to everybody.
10 Q. And I believe these were revised Schedule 6 to	10 CHA	AIRMAN:
11 13 inclusive, and there they are there on the	11 Q	2. Sounds fine with me, if there's agreement on
12 screen. Those revised schedules are within	12	that. Good afternoon, Mr. Hutchings.
13 your area of responsibility? Is that correct?	13 HUT	TCHINGS Q.C.:
14 A. That's correct.	14 Q	. Yes, thank you, Mr. Chair. We're following
15 Q. Do you adopt the revised schedules as your	15	the same order. It's just that nobody has any
16 evidence for the purpose of your testimony	16	questions until they get to me in this
17 today?	17	particular instance. Mr. Haynes, want to deal
18 A. I do.	18	quickly first of all with a couple of matters
19 Q. Thank you, Mr. Chair. Those are all the	19	that were deferred to you. If you could look
20 questions that I have in direct.	20	for a moment at the reply to NP-298, page 2 of
21 CHAIRMAN:	21	2. This is the notorious magenta curve.
22 Q. Thank you, Ms. Greene. We'll move now and	22 A	A. Yes.
23 good afternoon, Mr. Browne.	23 Q	o. Mr. Roberts was asked some questions about
24 MS. NEWMAN:	24	this and deferred them to you. I take it that
25 Q. Excuse me, Chair, I neglected to mention		Mr. Roberts was correct in indicating that the

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1 1	HUTCHINGS, Q.C.:	1	green minimum storage number at that time.
2	magenta curve does reflect an increase in	2	Q. Okay. And I take it that that green minimum
3	water inflows since the last information was	3	storage curve does reflect the fact that Cat
4	filed and that's what brings the magenta curve	4	Arm or Granite Canal rather is on the system
5	up above the green one at the present time?	5	now?
6	A. Yes, that's correct.	6	A. Yes, that should reflect all things known
7	Q. Okay. And has that circumstance been factored	7	today.
8	into the forecast for fuel purchases for the	8	Q. Okay. So is there an identifiable point on
9	end of 2003?	9	the curve where Granite Canal starts to affect
10	A. No. The forecast was done on the best	10	this curve?
11	available information at the time and	11	A. I don't think you would find an identifiable
12	basically it was done basically prior to the	12	point. It's just that we have a bit more
13	end of September when the rain started in Bay	13	capacity, but no significant change in storage
14	D'Espoir, but I would add that since that	14	per se, you know, there's a little bit more of
15	time, when the magenta curve was actually	15	a managed storage at Granite Lake, but it's
16	below the green curve, we had initiated the	16	not very big.
17	three machines at Holyrood and had them based	17	Q. No, I understand that, but when Granite Canal
18	at the full load, and since the rain came, we	18	comes into service, the amount of water that's
19	do try to operate just, you know, around the	19	there suddenly represents a significant -
20	green line if you will. And since that time,	20	A. Yes, and -
21	we've shut down one machine at Holyrood and we	21	Q significantly greater amount of energy, does
22	have also the other two machines are basically	22	it not?
23	at less than, you know, the maximum continuing	23	A and all that is represented in the green
24	rating of load. So we would anticipate that	24	curve, but I can't point you to a specific,
25	by year end, we will be down closer to the	25	you know, change in slope on that particular
	Page 175		Page 176
1	graph that would indicate that.	1	Q. Okay. If we look at NP-295, this purports to
2	Q. All right. So given that the additional	2	show purchases since August 3rd and there's
3	precipitation in the October period is not	3	one shown for November 4th.
4	reflected in the proposed or forecast fuel	4	A. Yes, November the 4th.
5	purchases for 2003, can we say whether or not	5	Q. Okay.
6	it will be still necessary to purchase the	6	A. I don't believe there are any more during
7	quantities of fuel that are reflected in the	7	November.
8	table on the bottom of page 7 of Mr. Roberts'	8	Q. Okay. So one of the two that was forecast for
9	Schedule 2? Schedule 2, page 7 of 8.	9	November is gone and there will probably
10	A. At the moment, we are forecasting, I believe	10	there'd be just one in December?
11	there are no deliveries in November and there	11	A. Likely two, but one is towards the end of the
12	are two deliveries forecast for December,	12	month.
13	December 11th and one at the very end of the	13	Q. Okay. Are we able to determine, on the basis
14	year. It may even be in the new year when it	14	of those revised plans, what the effect will
15	actually arrives. So there has been some	15	be on the weighted average price and the
16	change in that 2003 since then because of the	16	inventory value going into 2004?
17	water situation.	17	A. I don't know that impact offhand. That would
18	Q. Okay. I thought I had seen a reply that	18	have to be calculated by our operations
19	indicated that there was a purchase in	19	people.
20	November, but your suggestion now is that	20	Q. Okay.
21	there is nothing in November?	21	A. Operations department.
22	A. I should maybe retract. What I did check	22	Q. Is it possible for us to have that done?
23	there based on the discussion this morning was	23	A. Yes.
24	how many deliveries for December. I didn't	24	Q. Yes, okay.
25	specifically ask about November.		

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1 GREENE, Q.C.:	1	point in time where there's a cut off because
2 Q. I guess the question becomes at what po		fuel affects the interest as well, purchases
3 we stop revising. Will we revise again	for 3	and every other thing. It's quite a feat to
4 interest? This is a moving target. We v		run all of this through a cost of service. It
5 have interest rate changes as well, I gues	ss. 5	takes us approximately six weeks.
6 HUTCHINGS Q.C.:	6 C	CHAIRMAN:
7 Q. I understand it's a moving target, Mr. Cl	hair, 7	Q. I understand. I respect Mr. Hutchings point.
8 but you know, we're talking potentially		If we could on this, Ms. Greene, have to hear-
9 we're in fact dealing with two shipme		-I don't know ultimately if there are any
10 we're talking \$15 million cost here, and	-	principles that would apply to this. That
11 know, and we've seen the impact that th		would likely be a case by case basis and we'd
12 closing inventory has on the 2004 test y		have to decide on the merits of each
13 So I mean, this is not a small item that w		individual issue. That may be what it will
14 dealing with. So I think we should, to t		come down to, but if you could undertake to do
15 best of our ability, get the best available	e 15	this. I respect the Industrial Customers'
16 information.	16	need for the information, and so I'd ask if
17 GREENE, Q.C.:	17	you could undertake for that information
18 Q. And that applies to other issues as we		please.
19 whether it's interest rates or exchange ra		IUTCHINGS Q.C.:
20 There has to come a point in time where		Q. Thank you, Mr. Chair.
21 is a forecast filed and rates are based o		IS. NEWMAN:
that, and if you want to pick one to chan	-	Q. Could we clarify for the record, the clerk was
23 now, well, I guess Hydro will supply	the 23	out of the room, for what the undertaking is?
24 information as we have for all the oth	ner 24 G	GREENE, Q.C.:
25 information requests, but there has to be	some 25	Q. It's to update the impact of the changes in
	Page 179	Page 180
1 fuel purchases for the remaining two mo	onths of 1	guess, have a net over all of the 12, 12.5.
2 the year from what was filed on October	31, is 2	Q. Okay.
3 my understanding. (Undertaking)	3	A. The entry on transmission losses.
4 HUTCHINGS Q.C.:	4	Q. Yes. Okay. I was going to take you next to
5 Q. Yes, that's an accurate representation,	Mr. 5	your Schedule 11 in the event. First of all,
6 Chair. Okay. There are some othert	here 6	and this may be a matter that we need to deal
7 were some other items that we were go	ing to 7	with the cost of service people on. Looking
8 pursue on that, but I think those, once the	nat 8	at the Hydro Island Requirement, comparing the
9 information comes, they will likely clas	rify 9	August filing for 2004 with the October filing
10 the other questions that I had.	10	for 2004, we're showing a slight decrease in
11 The other point, Mr. Haynes, that w		the megawatts projected to be required. Is
12 deferred to you from Mr. Roberts relate		that correct?
13 the comment on page 2 of 8 of his Sched		A. Yes, that's correct.
14 which related to lower energy requireme		Q. Okay. In the cost of service study itself,
15 13 gigawatt hours, which were experience		there is a function which is served by the
16 that would presumably relate to the 2		coincident peak. Can you explain to us what
17 projections. Can we assign a cause to the	hose 17	the difference would be between the coincident
18 lower energy requirements?	18	peak for cost of service purposes and the
19 A. In 2003, the primary reason is that the		Hydro Island Requirement?
20 generation generated at the Holyrood th		A. The Hydro Island Requirement would bethat
21 plant was higher than anticipated in the	he 21	should be the coincident peak for the total
22 original filing, so there's less system		Island load, which would incorporate, you
23 losses, which is evident on my revis	ed 23	know, Newfoundland Power customers and the
24 Schedule 11, where there's actually a de		Industrial Customers and the Rural Customers
in the losses of 24 and other changes,	I 25	of Newfoundland Hydro. That would be the

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1 N	IR. HAYNES:	1	shown there is 1324.720, so the Coincident
2	maximum anticipated peak that Newfoundland and	2	Peak at Generation between August and October
3	Labradorthat the system would actually see.	3	for cost of service purposes is going up,
4 (	3:15 p.m.)	4	whereas the total Island Requirement, whether
5	Q. Right, okay. If we could bring up RDG-1,	5	or not you leave in the transmission losses,
6	Revision 2, at page 105 of 107. Yes, that's	6	seems to be going down.
7	it. Okay. May be able to make that a little	7	A. I do not know theI can't explain the
8	bit bigger? Good. You can see there, Mr.	8	difference between the cost of service numbers
9	Haynes, that the Coincident Peakand this is	9	and the load forecast numbers.
10	at generation, so I presume that leaves out	10	Q. Okay. So would that be something that we'd
11	the consideration of losses. The Coincident	11	better address with Mr. Greneman?
12	Peak at Generation is 1.324 or 1.325, I guess,	12	A. Greneman, yes.
13	if you round it, megawatts for Island	13	Q. Okay. That's fine. The revisions to your
14	Interconnected?	14	evidence, I don't think specifically address
15	A. Yes, that's what's there.	15	changes in the non firm demand forecast. Was
16	Q. Okay. I'm just wondering what the difference	16	there, in fact, a change reflecting the change
17	between that number and your 1334.2 for total	17	in requirements by the Industrial Customers on
18	sales and bulk deliveries would be?	18	non firm?
19	A. I don't know the specific difference.	19	A. There was aon the Industrial Customers,
20	Q. Okay.	20	there wasfor 2003, there was some changes.
21	A. It may be -	21	For 2004, there were no changes. That's on
22	Q. One reason for my question is thatand we	22	Schedule 10 actually, secondary, I refer to
23	don't need to bring it up now. If we looked	23	the second there.
24	at Revision No. 1, which was the August	24	Q. No, I'm not talking about purchases by Hydro.
25	filing, the Coincident Peak at Generation	25	I'm talking about sales of non firm power by
	Page 183		Page 184
1	Hydro.	1	change in the demand forecast of 3.3, in the
2	A. I'm sorry. I don't believe there were any	2	original forecast, there were two things that
3	changes, but I -	3	changed that impacted that. One was that the
4	Q. There seem to be an allowance for it in Mr.	4	original numbers were done on the 18 percent
5	Greneman's earlier cost of service study,	5	reserve factor, instead of a 16 percent which
6	which doesn't show up in the later cost of	6	should have been used, and as well, there was
7	service study, and I was wondering whether or	7	a slight error in math, if you will. The
8	not you actually had a change and there'd be	8	total effect, which was 3.3. If those errors
9	information from the customers to reflect	9	had beenif those things had not happened,
10	that.	10	the actual demand in the original filing,
11	A. I'm not aware of it, any change.	11	instead of being 1,084, I think would have
12	Q. Okay. Now if we go then to your Schedule 11	12	been 1,083, I believe. So part of it was an
13	and specifically with respect to the load	13	error that caused that.
14	forecast for Newfoundland Power and comparing	14	Q. Okay. So you believe that those two factors
15	the August filing to the October filing, as I	15	account for one megawatt?
16	understand this, Newfoundland Power is now	16	A. Yes, if those factors had been considered in
17	projected to have a lesser demand, by about	17	the original submission instead ofI'm sorry,
18	3.3 megawatts, but an increased energy	18	just give me one second. I got to find the
19	requirement in the range of 31 gigawatt hours.	19	number. If those factors had been picked up
20	Is that correct?	20	or had been corrected in the first time
21	A. That's correct.	21	through, it would have been 1,081 instead of
	Q. Okay. And how did you become aware of this?	22	1,084, and so with the revisions that were
22			
22 23	A. There werewell, I guess we had a revised	23	done now, that was picked up, so really I
22	A. There werewell, I guess we had a revised forecast from Newfoundland Power, but there were a couple of factors actually. In the	23 24 25	done now, that was picked up, so really I guess when you get down to a decimal place, there was approximately a .6 megawatt change

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	Pa	ge 185	Page 186
1 N	/R. HAYNES:	1	that we're talking about the same numbers
2	from the original filing to this filing in the	2	here.
3	demand, you know, once you consider tho	se 3	A. Well, let's stick to the schedule then,
4	corrections.	4	Schedule 10, because I may have not used a
5	Q. Okay. I want to try to make sure I'm getting	5	quarter of a day for a leap year or something
6	the correct numbers here. Is it 1-0-8-1.0	6	like that when I was doing my math, but 1084
7	that it should have been initially?	7	would have beenhad the error been corrected
8	A. It would have beenwell, the decimal place,	8	at that time, would have been 1081.
9	it would have been 1-0-8-1.2 is what I have,	9	Q. 1081.2 you say?
10	instead of 1-0-8-3.8 but most of these numbe	rs 10	A2, yes.
11	are rounded.	11	Q. All right. So aside from those errors then,
12	Q. Okay. So the number on your schedule for	r 12	the difference is .5 megawatts?
13	August, which is 1084.0 actually should be	13	A. Yes.
14	1083.8?	14	Q. Okay. And when Newfoundland Power provides
15	A. 1081.2	15	that information to you and it provided the
16	Q. No. Without making any change, okay?	16	initial forecast which showed 1084.0, did it
17	A. Oh, without making any changewell, other	er 17	provide any background material that would
18	than correcting the error?	18	allow you to check to see whether they'd used
19	Q. No, no.	19	the 18 percent or the 16 percent?
20	A. 1084 stands as being the original filing.	20	A. I didn't go down through the actual specific
21	Q. Okay. But the number you just used was 108	33.8 21	notes there. I believe that was actually
22	A. Okay.	22	picked up by our cost of service people who
23	Q. Okay, so I mean, if you put the decimal point	t 23	actually identified that error and then we
24	in there, I'm assuming it's accurate to the	24	notified Newfoundland Power and they made the
25	decimal point, but I just want to make sure	25	appropriate correction.
	Pa	ge 187	Page 188
1	Q. Okay. So that was done after the August	1	reserve?
2	filing?	2	A. I don't know if they actually show the
3	A. Yes, that's correct.	3	calculation on paper. I'm not sure.
4	Q. That was found after the August filing?	4	Q. Okay.
5	A. Yes.	5	A. I don't know.
6	Q. But before the August filing, what, if any,	6	Q. Could you tell from the initial filing that
7	analysis did Hydro do in order to determine	7	the reserve had been improperly calculated?
8	whether or not this was a figure that Hydro	8	A. It was not identified by our people when we
9	could put forward to this Board as being the	9	were reviewing the forecast. It was only
10	appropriate load forecast for Newfoundland	d 10	identified when it got down to the nuts and
11	Power?	11	bolts of the cost of service by the cost of
12	A. We accepted their forecast as being the	12	service people, who actually picked it up.
13	appropriate load forecast at the time.	13	Q. Okay. And is that equally the case with the
14	Q. Okay. So they just give you the numbers -	14	mathematical error that you mentioned?
15	A. There was nothing thatthere was no majo	r 15	A. Yes, I believe so.
16	change that would kind of jump off the page	e 16	Q. Okay. Do you know how the difference was
17	and say there's something wrong with this	17	split between the mathematical error and the
18	number. That was not apparent.	18	reserve issue?
19	Q. All right. So do they just give you the	19	A. I didn't calculate those numbers separately.
20	number or do they give you some manner	in 20	I believe in one case they took 16 percent of
21	which the number was derived?	21	their name plate rating andI'm sorry, 18
22	A. They give us a monthly schedule of the actua	ıl 22	percent, and multiplied it by that to get a
23	energy distribution through the year and the	23	number, whereas the standard would be to
24	monthly demands, I believe.	24	divide by 1.16, which is the reserve.
25	Q. Okay. And do they show a calculation of th	e 25	Q. Okay.
25			

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1 N	MR.HAYNES:	1	1 number. If it's a cold day with a lot of
2	A. But I didn't actually calculate how much was	2	2 wind, it increases dramatically or
3	attributable to the mathematical error and how	3	3 significantly, I should say.
4	much was attributable to theI didn't	4	4 Q. Okay.
5	calculate the individual numbers.	5	5 A. Because it's not athe actual peak is not "a
6	Q. Okay. It appears to be part of a case of	6	6 normalized peak." It is what it is.
7	Newfoundland Power, which they put forward in	7	7 Q. So this number that Newfoundland Power
8	connection with the resistance to the two-part	8	8 produces, which is admittedly a difficult
9	rate, that their peak demands are hard to	9	9 number to predict, you simply take and use,
10	predict and are unstable. Do you agree with	10	0 for the purpose of cost of service and for
11	that?	11	
12	A. I guess you don't really know until the month	12	
13	is over. You know, you expect that you're	13	<b>. .</b>
14	going to have a peak sometime in January	14	6
15	typically or even December, possibly, but I	15	C
16	mean, you may be prepared for a peak on	16	
17	January 5th. That may be it, and if it gets a	17	
18	colder day later onso there's nonobody	18	
19	knows exactly the day or the hour that the	19	
20	peak will occur.	20	<b>L</b>
21	Q. No, but more with respect to the amount of the	21	
22	peak. Is that a difficult value to predict?	22	
23	A. Well, yes, because you have to take into	23	
24	consideration the actual weather. If it's a	24	6
25	very, very cold day with no wind, that's one	25	5 peak. And I guess, you know, they have made
	Page 19	1	Page 192
1	some changes to that methodology in the last	1	
2	little while which we fully agree with and the	2	2 of the load factor?
3	actual load factor for Newfoundland Power's	3	3 A. That's pretty typical. And we have neverI
4	native peak is basically, I understand now, a	4	4 mean, most times the energy forecast is, we're
5	15-year average which is 49 1/2 percent and	5	5 quite happy with that and we think is a
6	there was some discussion on that last time	6	6 credible number. And on the application of
7	through. And so, Newfoundland and Labrador		7 the load factor, it's a matter of what load
8	Hydro reviewed that and we fully agreed with		8 factor do you apply. And we did have
9	using the 15, the long term load factor	9	,
10	because it looks after some of these, you	10	
11	know, some of the otherthe cold winters and	11	, <u> </u>
12	the mild winters, it's an average load factor	12	
13	and I guess at one point in time, they were	13	
14	using a shorter period and now it's a longer	14	
15	period which we fully endorse and agree with.	15	
16	Q. Okay. When did that change take place?	16	5 5 11
17	A. It occurred for this particular filing, they	17	, ,
18	went from, I think in the last, our last rate		8 (3:30 p.m.)
19	hearing, I think they were using, I believe a	19	
20	ten-year, you know, average. Now, they've	20	
21	gone to a 15-year average which we think is	21	
22	most appropriate and should reflect the best	22	•
23	available guess at the demand.	23	
24	Q. Okay. So, Newfoundland Power's method, as you understand it then, simply involves a	24 25	
25			

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1 1	AR. HAYNES:	1	A. It's basically whatever, the lights would go
2	penetration there is.	2	up as the daylight disappears and so on, as
3	Q. Yes. Would you agree that the electric space	3	the number of daylight hours et cetera change.
4	heating is a relatively low load factor load?	4	Q. So, if the growth in the residential load has
5	A. Yes, certainly in the summer time, it's a	5	been in space heating, then Newfoundland Power
6	very, very low and on the coldest day of the	6	is adding low load factor load, correct?
7	year, it would be a very significant component	7	A. In theory, but if you go back over the last 15
8	of load.	8	years, I mean, the load factor that
9	Q. Um-hm, okay. So, would you agree that the	9	Newfoundland Power had on their native peak, I
10	proportion of electric space heating in	10	mean, varies from a high of 52, 53 percent
11	Newfoundland Power's load will impact its load	11	down to 46 and the last few years, it's been
12	factor in a negative way?	12	51, 46, 52, 51, those sorts of numbers. So,
13	A. I'm not sure on the overall. You have to	13	it's not terrible, but it's -
14	consider all the general service customers and	14	Q. No, what I'm asking you now is in connection
15	everybody else, but on a residential housing	15	with this change in methodology to go to a
16	aspect, if you were to look at only the	16	longer period which presumably takes in
17	residential housing, obviously the load factor	17	earlier years wherein there would be less
18	between an all electric home versus a, where	18	space heating proportionally, isn't the
19	hot water and space heating is provided by	19	correct?
20	oil, the load factor would be different. I	20	A. Well, if we're only going back 15 years, we're
21	mean, I don't remember the term they use for a	21	not going back toso, I really don't know the
22	non-electric heat, non-electric hot water	22	specific numbers of housing starts that were
23	house, but I mean, their load factor would be	23	electric and so on. So, it'sI'm reluctant
24	fairly high.	24	to guess because that's all I would be doing.
25	Q. Yes.	25	Q. Why did Hydro agree with Newfoundland Power
	Page 195		Page 196
1	that the 15-year average was better than the	1	you'll never be spot on, you know, you're
2	10-year average?	2	ahead a few years, you're below a few years,
3	A. Because it covers off theit's the best	3	but on a 15-year basis and theon a 15-year
4	compromise or best proxy, if you will. I	4	average, it is our economist view that is a
5	mean, the actual load that we're going to see	5	good number.
6	in 2003 or 2004 is going to be dependent on	6	Q. If the nature of the system has changed within
7	the weather and it will never be right. It's	7	that 15-year period in terms of a significant
8	the best guess and based on our experience and	8	addition to low, of low load factor load,
9	the experience of our forecasting people, that	9	would you not agree with me that the shorter
10	the 15-year average looks pretty good. It's	10	period is, in fact, going to give you a better
11	the best compromise, best proxy.	11	picture of what the load factor is likely to
12	Q. Have you done statistical tests on that?	12	be?
12	A. I can't speak to that, I do not know if	13	A. If you go with a shorter view, the load factor
13	they've done statistical tests on that, but it	13	would increase.
15	does decrease from theit does decrease right	15	Q. If you go with the views that you have shown
16	now on their native load to 49 1/2 percent, is	16	on -
17	the load factor which we think is a reasonable	17	A. If you were to go with a five-year load
18	number to assume.	18	forecast for determining Newfoundland Power's
19	Q. And just explain to me how Hydro reached the	19	native peak, their actual load factor of their
20	conclusion that that is, in fact, a reasonable	20	native load, not what they buy from
20	forecast?	20	Newfoundland and Labrador Hydro, of their
22	A. When you do look at it, you look at the	21	native load which is the building block of a
22	history, you look at the numbers, you know, I	22	forecast, then their load factor would
23	wouldn't say you've gone down and done a	23	actually likely increase. In the last six
24	statistical analysis of where it is, but	24	year there were five which were actually over
145	sumption analysis of where it is, but	125	jear more were nive which were actually over

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	Page 197		Page 198
1 N	IR. HAYNES:	1	instance, in the winter of 2001/2002 they
2	50 percent and one was 52 percent. So, you	2	actually had 82 megawatts of generation
3	actually increased the load factor.	3	available during the peak, you know. And
4	Q. Okay, but I mean, we're not so much concerned	4	there were other times obviously in the
5	with their native load as their purchases from	5	periods running up to the peak or after that
6	Hydro, are we, because that's what you use for	6	actual peak where they would have had the same
7	your cost of service?	7	thing done. So, you know, so we are actually-
8	A. Yes, you're correct. Well, I'm sorry, we use	8	-in the Cost Of Service, we are, I guess,
9	a native load and then there are credits	9	proposing in the, that they be given a credit
10	supplied for the average energy which they	10	now for, I believe, it is 82 or 81.6 megawatts
11	will generate from their hydraulic resources.	11	that expect them to have available during the
12	There's no energy for the thermal resources.	12	peak and which they can do and have done.
13	And then on the capacity credit, there's a	13	Q. The effect of the change from 18 percent
14	change there over the last number of years, as	14	reserve to 16 percent, what effect does that
15	well. At one point in time they were given a	15	have upon the credit given to Newfoundland
16	capacity credit for the total main plate	16	Power for its generation?
17	rating of their generation. And for some	17	A. I think it will increase it slightly.
18	period of time prior to our last rate hearing,	17	Q. So -
19	we were using average, but that was	19	A. Because you've actually decreased the reserve
20	inappropriate. And what we do right now is we	20	by two percent. So, there would be a slight
20	take their hydraulic generation and we apply	20	increase. But they have met that number -
21	the reserve criteria which is now 16 percent.	21	Q. No, no, I understand that, but I'm just
22	And in factand they have done a very good	22	focusing on the change for the time being,
24	job of actually making that generation	24	okay. So, they're getting more credit for the
25	available during the peak period. For	25	generation now with the 16 percent reserve
			· · · ·
	Page 199		Page 200
1	than they were with the 18 percent reserve,	1	Page 200 does that, you know, what is the equivalent
1 2	than they were with the 18 percent reserve, correct?	2	Page 200 does that, you know, what is the equivalent reserve to make that happen.
	<ul><li>than they were with the 18 percent reserve, correct?</li><li>A. Yes.</li></ul>		Page 200 does that, you know, what is the equivalent reserve to make that happen. Q. Mr. Haynes, the major factor in the change
2	<ul><li>than they were with the 18 percent reserve, correct?</li><li>A. Yes.</li><li>Q. Now, they haven't changed their available</li></ul>	2	Page 200 does that, you know, what is the equivalent reserve to make that happen. Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite
2 3	<ul><li>than they were with the 18 percent reserve, correct?</li><li>A. Yes.</li><li>Q. Now, they haven't changed their available generation at all, have they?</li></ul>	2 3	Page 200 does that, you know, what is the equivalent reserve to make that happen. Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not?
2 3 4	<ul><li>than they were with the 18 percent reserve, correct?</li><li>A. Yes.</li><li>Q. Now, they haven't changed their available</li></ul>	2 3 4	Page 200 does that, you know, what is the equivalent reserve to make that happen. Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not? A. It was a factor, one of three specific
2 3 4 5	<ul><li>than they were with the 18 percent reserve, correct?</li><li>A. Yes.</li><li>Q. Now, they haven't changed their available generation at all, have they?</li></ul>	2 3 4 5	Page 200 does that, you know, what is the equivalent reserve to make that happen. Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not?
2 3 4 5 6	<ul><li>than they were with the 18 percent reserve, correct?</li><li>A. Yes.</li><li>Q. Now, they haven't changed their available generation at all, have they?</li><li>A. No, but the calculation of the reserve factor</li></ul>	2 3 4 5 6	Page 200 does that, you know, what is the equivalent reserve to make that happen. Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not? A. It was a factor, one of three specific
2 3 4 5 6 7	<ul><li>than they were with the 18 percent reserve, correct?</li><li>A. Yes.</li><li>Q. Now, they haven't changed their available generation at all, have they?</li><li>A. No, but the calculation of the reserve factor is a calculation done by Newfoundland Hydro.</li></ul>	2 3 4 5 6 7	Page 200 does that, you know, what is the equivalent reserve to make that happen. Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not? A. It was a factor, one of three specific factors. I can't tell the proportion of each
2 3 4 5 6 7 8	<ul><li>than they were with the 18 percent reserve, correct?</li><li>A. Yes.</li><li>Q. Now, they haven't changed their available generation at all, have they?</li><li>A. No, but the calculation of the reserve factor is a calculation done by Newfoundland Hydro.</li><li>Q. Yes.</li></ul>	2 3 4 5 6 7 8	Page 200 does that, you know, what is the equivalent reserve to make that happen. Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not? A. It was a factor, one of three specific factors. I can't tell the proportion of each factor. I don't know offhand.
2 3 4 5 6 7 8 9	<ul><li>than they were with the 18 percent reserve, correct?</li><li>A. Yes.</li><li>Q. Now, they haven't changed their available generation at all, have they?</li><li>A. No, but the calculation of the reserve factor is a calculation done by Newfoundland Hydro.</li><li>Q. Yes.</li><li>A. And there's a report filed on that.</li></ul>	2 3 4 5 6 7 8 9	Page 200 does that, you know, what is the equivalent reserve to make that happen. Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not? A. It was a factor, one of three specific factors. I can't tell the proportion of each factor. I don't know offhand. Q. Well, I'd like you to undertake to determine
2 3 4 5 6 7 8 9 10	<ul> <li>than they were with the 18 percent reserve, correct?</li> <li>A. Yes.</li> <li>Q. Now, they haven't changed their available generation at all, have they?</li> <li>A. No, but the calculation of the reserve factor is a calculation done by Newfoundland Hydro.</li> <li>Q. Yes.</li> <li>A. And there's a report filed on that.</li> <li>Q. Yes. Because Newfoundland Hydro now has more</li> </ul>	2 3 4 5 6 7 8 9 10	<ul> <li>Page 200</li> <li>does that, you know, what is the equivalent reserve to make that happen.</li> <li>Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not?</li> <li>A. It was a factor, one of three specific factors. I can't tell the proportion of each factor. I don't know offhand.</li> <li>Q. Well, I'd like you to undertake to determine those numbers for me and provide them to us.</li> </ul>
2 3 4 5 6 7 8 9 10 11	<ul> <li>than they were with the 18 percent reserve, correct?</li> <li>A. Yes.</li> <li>Q. Now, they haven't changed their available generation at all, have they?</li> <li>A. No, but the calculation of the reserve factor is a calculation done by Newfoundland Hydro.</li> <li>Q. Yes.</li> <li>A. And there's a report filed on that.</li> <li>Q. Yes. Because Newfoundland Hydro now has more generation of its own, Newfoundland Power is</li> </ul>	2 3 4 5 6 7 8 9 10 11	<ul> <li>Page 200</li> <li>does that, you know, what is the equivalent reserve to make that happen.</li> <li>Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not?</li> <li>A. It was a factor, one of three specific factors. I can't tell the proportion of each factor. I don't know offhand.</li> <li>Q. Well, I'd like you to undertake to determine those numbers for me and provide them to us. (Undertaking). I've provided to your counsel</li> </ul>
2 3 4 5 6 7 8 9 10 11 12	<ul> <li>than they were with the 18 percent reserve, correct?</li> <li>A. Yes.</li> <li>Q. Now, they haven't changed their available generation at all, have they?</li> <li>A. No, but the calculation of the reserve factor is a calculation done by Newfoundland Hydro.</li> <li>Q. Yes.</li> <li>A. And there's a report filed on that.</li> <li>Q. Yes. Because Newfoundland Hydro now has more generation of its own, Newfoundland Power is getting more money for its generation, that's</li> </ul>	2 3 4 5 6 7 8 9 10 11 12	<ul> <li>Page 200</li> <li>does that, you know, what is the equivalent reserve to make that happen.</li> <li>Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not?</li> <li>A. It was a factor, one of three specific factors. I can't tell the proportion of each factor. I don't know offhand.</li> <li>Q. Well, I'd like you to undertake to determine those numbers for me and provide them to us. (Undertaking). I've provided to your counsel on Monday, a short exhibit and I've provided</li> </ul>
2 3 4 5 6 7 8 9 10 11 12 13	<ul> <li>than they were with the 18 percent reserve, correct?</li> <li>A. Yes.</li> <li>Q. Now, they haven't changed their available generation at all, have they?</li> <li>A. No, but the calculation of the reserve factor is a calculation done by Newfoundland Hydro.</li> <li>Q. Yes.</li> <li>A. And there's a report filed on that.</li> <li>Q. Yes. Because Newfoundland Hydro now has more generation of its own, Newfoundland Power is getting more money for its generation, that's what is happening, correct?</li> </ul>	2 3 4 5 6 7 8 9 10 11 12 13 14	<ul> <li>Page 200</li> <li>does that, you know, what is the equivalent reserve to make that happen.</li> <li>Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not?</li> <li>A. It was a factor, one of three specific factors. I can't tell the proportion of each factor. I don't know offhand.</li> <li>Q. Well, I'd like you to undertake to determine those numbers for me and provide them to us. (Undertaking). I've provided to your counsel on Monday, a short exhibit and I've provided copies to the Clerk and perhaps we could ask</li> </ul>
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	<ul> <li>than they were with the 18 percent reserve, correct?</li> <li>A. Yes.</li> <li>Q. Now, they haven't changed their available generation at all, have they?</li> <li>A. No, but the calculation of the reserve factor is a calculation done by Newfoundland Hydro.</li> <li>Q. Yes.</li> <li>A. And there's a report filed on that.</li> <li>Q. Yes. Because Newfoundland Hydro now has more generation of its own, Newfoundland Power is getting more money for its generation, that's what is happening, correct?</li> <li>A. No, it's a mix of things. It is a combination ofa few factors actually change that reserve criteria. One is the available mix of generation, Granite Canal would contribute to that. You're right from that point of view. The reliability of the equipment, in other words, its forced outage rate would equate to that. As well as the load shape. So, the actual load shape during the year also</li> </ul>	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Page 200 does that, you know, what is the equivalent reserve to make that happen. Q. Mr. Haynes, the major factor in the change from 18 to 16 was the addition of Granite Canal, was it not? A. It was a factor, one of three specific factors. I can't tell the proportion of each factor. I don't know offhand. Q. Well, I'd like you to undertake to determine those numbers for me and provide them to us. (Undertaking). I've provided to your counsel on Monday, a short exhibit and I've provided copies to the Clerk and perhaps we could ask that those be distributed now. MS. NEWMAN: Q. So, we'll label this Information Item number 17. HUTCHINGS, Q.C.: Q. That's fine. Just before we get to the particulars of that, just make sure the loop is closed here, Mr. Haynes. In the Cost-of- Service study, the peak demand is the basis

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1 1	MR. HAYNES:	1	th	ese load factors in Line C?
2	A. You're probably better to ask Mr. Banfield and	2	A. Y	es.
3	Mr. Greneman when you actually get into the	3	Q. O	kay. And the five and ten-year averages in
4	mechanics of the cost of service and how that	4		plumns 11 and 12 are accurately calculated?
5	works.	5		believe the way that we would have normally
6	Q. But you're aware that peak demand is an input	6		one it, we would just average the actual load
7	into the cost of service.	7		ictor as opposed to averaging the megawatts,
8	A. Certainly it is, yes.	8		at only make a slight difference in the
9	Q. And it does determine how certain costs within	9		eantime.
10	the Cost of Service are divided, allocated	10		bkay. Now, the initial forecast for 2004 is
11	between customers.	11		nown in the second column on Line D as
12	A. Yes, certainly.	12		741.4?
12	Q. Yes, okay. So, if we look now at Information	12	А. Y	
	number 17 and you've had a chance to look at			
14	•	14		nd that is shown on your Schedule 11 as well. nd the revised amount is shown in the next
15	this, the information in lines A and B as	15		
16	noted, comes from the IC-272 and the 2002	16		olumn.
17	actuals are taken from your evidence. Have	17	A. Y	
18	you reviewed these amounts for accuracy? Do	18		What Hydro has done, for the purpose of your
19	you agree that the five-year averages for	19	-	resentation in Schedule 11, I take it, is
20	sales, maximum peak demand and load factor	20		mply to use the load factor that
21	are, as shown on this schedule?	21		ewfoundland Power has provided to you, is
22	A. They are the sales by Newfoundland Hydro to	22		hat correct?
23	Newfoundland Power and the peak at that time,	23		or our sales at that particular time, yes,
24	yes, for those years.	24		ut their basic building block for the load
25	Q. Okay. And using those numbers would produce	25	fc	precast is 49 1/2 percent for their native
	Page 203			Page 204
1	load. But for what they anticipate seeing	1	fa	actor?
2	from us, is 47.72 and 1080.7 which is after	2	A. T	he 49.5 percent is within their system, they
3	the capacity credit for their hydraulic	3	do	o provide their own, they have their own
4	generation.	4	ge	enerating capability and the energy number
5	Q. Yes, but the revised forecast 2004 column	5	W	hich is four hundred and some odd, I believe,
6	here, shows a load factor on purchases from	6	W	hich they net off as well, so I don't know if
7	Newfoundland Hydro of 50.28 percent, correct?	7	th	at's apples and apples, and it's a,
8	A. That's correct.	8	ba	asically the basic building block of the
9	Q. Okay, is it your evidence that this 50.28	9	na	ative load and then basically they credit
10	percent is the 15 year average of the load	10		emselves with their hydraulic average
11	factor on sales to Newfoundland Power from	11		eneration and the amount of generationthe
12	Newfoundland Hydro?	12	-	apacity they would have on during peak, which
13	A. It's based on 15 year average of the load	13		re've accepted there.
14	factor on their native peak and then you have	14		ut what this shows is in fact the marginal
15	to, then the capacity credit is treated	15		nergy that they are taking from Newfoundland
16	separately and added after theor subtracted,	16		lydro is assumed to be taken at 50.28 percent
17	if you will, after the fact, to get your	17		ad factor, is that correct?
18	1080.7.	18		hat's the math, yes.
19	Q. And the load factor on the native peak, you	19		nd why should the load factor on the marginal
20	said, was?	20		hergy be higher than the basic load factor on
20	A. 49.5 percent.	20		ie whole of the purchases or the whole of the
22	Q. 49.5 percent, okay. If in fact the overall	21		ative peak, as far as that goes?
22	load factor on the native peak for	22		m not sure.
23	Newfoundland Power is 49.5 percent, why should	23		ne would ordinarily expect it to be opposite,
24	the cost of service reflect a 50.28 load	24		ould one not, that the marginal energy should
25	the cost of service reflect a 30.20 foau	125	vv	ours one not, that the marginal chergy should

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1 I	HUTCHINGS, Q.C.:	1	Q. Okay. And if you agree that a longer term
2	probably be at a lower load factor?	2	average of the native peak, the load factor
3	A. I don't know if it's done on a marginal way,	3	related to the native peak is correct, why
4	basically there's a credit applied to their	4	would you not use a longer term average of the
5	average generation and there's a credit of the	5	sales from Hydro or the load factor associated
6	80 whatever megawatts for their capacity	6	with the sales from Hydro?
7	during peak, and the math is there. I didn't	7	A. The numbers that you have presented in, you
8	actually dig in and try to dissect which way	8	know, lines A and B of your information item
9	once you go up or down, depending on how it's	9	No. 17, are basically at similar points in
10	done, but from the point of view of the	10	time, they are actuallyand for purposes of
11	methodology, that was reviewed, I guess,	11	the megawatts, are actually at the point of
12	applying the reserve factor was approved by	12	the maximum system peak. At that particular
13	the Board the last time through and is	13	time, Newfoundland Power may not have had 82
14	consistent in that application. The changes	14	megawatts on, it may have had 82 megawatts on
15	have been that Newfoundland Power has used a	15	three hours before, so, you know, the peak
16	lower native load factor as a basic building	16	number is a snapshot in time when we actually
17	block for their load forecast. But now, Mr.	17	hit the system peak. And Newfoundland Power
18	Henderson may be able to explain more in the	18	will make their best endeavours to have that
19	details inside their forecast methodology.	19	generation available and in the last few
20	Q. Okay, but this is what you are putting forward	20	years, they've done a great job at that and
21	as part of Hydro's application -	21	we're quite confident they will do in the
22	A. Yes.	22	future.
23	Q. To input into the cost of service to allocate	23	Q. I'm not addressing the generation credits
24	costs.	24	specifically now, I'm addressing the load
25	A. Yes, we think this is appropriate.	25	factor.
	Page 207		Page 208
1	A. But it isthe generation that is on during	1	megawatts on for that whole period of time in
2	that particular time is a significant element	2	the 1993 to 2002 period, then a load factor
3	in your calculation of 49.53 percent load	3	would be different.
4	factor and 48.96 percent load factor.	4	Q. But, I mean, what you're introducing here is
5	Q. But these are the actual numbers that have	5	the issue of the load factor on Newfoundland
6	been experienced over the past 10 years, we've	6	Power's own generation, correct?
7	agreed on that?	7	A. Of their native load, yes.
8	A. Yes, well I agree with that, but what is not	8	Q. Yes, but what you're trying to use this number
9	in there is the actual generation that	9	for is a determination of a rate to be applied
10	Newfoundland Power had on. They may be 20	10	to sales, from Hydro to Newfoundland Power?
11	megawatts shy of having the 82 megawatts or 77	11	A. Yes, that's correct.
12	megawatts or whatever.	12	Q. And we do not agree that it's more appropriate
13	Q. Okay, so if, as you agree, I think, the	13	to use the load factor with respect to those
14	average 10 year load factor of purchases by	14	sales, rather than the overall load factor?
15	Newfoundland Power from Newfoundland Hydro is	15	A. No, I don't agree.
	48.96 percent, why do you feel that it is	16	Q. You don't agree, okay. We can agree to
16	40.90 percent, why do you leer that it is		
16 17	appropriate for 2004 to use a load factor on	17	differ. Would you agree with me that as
		17 18	things stand now, there's no impact on
17	appropriate for 2004 to use a load factor on		
17 18	appropriate for 2004 to use a load factor on those purchases of 50.28 percent?	18	things stand now, there's no impact on Newfoundland Power of its getting its maximum or its peak demand forecast wrong?
17 18 19	<ul><li>appropriate for 2004 to use a load factor on those purchases of 50.28 percent?</li><li>A. Because I think when you put in the generation</li></ul>	18 19	things stand now, there's no impact on Newfoundland Power of its getting its maximum
17 18 19 20	<ul><li>appropriate for 2004 to use a load factor on those purchases of 50.28 percent?</li><li>A. Because I think when you put in the generation credit of the 81.6, I believe, or 81.5 which</li></ul>	18 19 20	<ul><li>things stand now, there's no impact on Newfoundland Power of its getting its maximum or its peak demand forecast wrong?</li><li>A. No, there is no impact. They don't have a demand energy rate, so you're correct.</li></ul>
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## Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

Page 209Page 11 CHAIRMAN:1 CHAIRMAN:2 Q. Thank you, Mr. Hutchings. Good afternoon, Mr.2 Q. Does anybody have any problem, any issue with3 Browne, do you have any questions?3 that?4 BROWNE, Q.C.:5 Q. I think we're going to pass.5 Q. Well, I mean, if Board hearing counsel doesn't6 HUTCHINOS, Q.C.:6 have any questions at this point, that's fine.7 Q. I think we'd go to Mr. Kennedy first.8 Q. I have two small -9 Q. Pardon?9 HUTCHINOS, Q.C.:10 HUTCHINOS, Q.C.:10 Q. The issue then becomes whether or not -11 Q. I think in the ordinary course we'd go to Mr.11 CHAIRMAN:12 Kennedy next.12 Q. And I guess the issue then becomes the13 CHAIRMAN:12 Q. And I guess the issue then becomes the14 Q. Oh, okay.14 HUTCHINOS, Q.C.:15 HUTCHINOS, Q.C.:15 Q. Yes.16 Q. We're following the usual course, but these16 MR. KENNEDY:17 two gentlemen didn't have any questions the16 MR. KENNEDY:18 GHAIRMAN:19 Q. We have no questions at the moment, Chair.19 CHAIRMAN:21 Q. MAIX:21 u.21 Max two small points to touch on, Mr.22 MS. NEWMAN:22 KELLY, Q.C.:23 Q. No, I'd actually say it would be appropriate23 Q. I have two small points to touch on, Mr.24 for Board hearing counsel to go last, as is24 Chair. Mr. Haynes, the forecast provided by25 usually the course in these matters.25 the Industrial Customer's forecasts?26 discussion sometimes with, but basically I1 S&T group to put in a few dollars for some
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8 have been given in the past and how accurate 8 much -
9 they were and so on, and Newfoundland Power 9 A. I think there may be one or two items, but
10 have, you know, people on staff who do this on 10 it's not, I think maybe two, at the most three
11 a day-to-day basis; the Industrial Customers 11 small items.
12 may or may not. We sometimes have some of the 12 Q. In IS&T?
13 dialogue on the Abitibi Grand Falls Forecast, 13 A. In IS&T related to the capital budgets that we
14 but other than that, they're pretty well 14 had not gotten approval.
15 accepted. 15 Q. Fine, that's sufficient for my purposes.
16 Q. Pretty well accepted, okay. And the second 16 Thank you, Chair.
17 question that I had comes from a point that 17 CHAIRMAN:
18 Mr. Roberts left to you, and that is with 18 Q. Thank you, Mr. Kelly. Do you have any re-
19 respect to your Schedule 6 to systems 19 direct, Ms. Greene?
20 equipment maintenance. There's a small 20 GREENE, Q.C.:
amount, an additional \$31,000.00 in '04. Are 21 Q. I have one in re-direct and it relates to the
22 you able to explain what that relates to? 22 longer period of 15 years now being used to
23 A. Yes, when we were looking again in our budgets 23 determine the forecast for the demand and the
24 for 2004, just again, you know, for this 24 load factor. You didn't mention weather in
25 filing, there was a representation made by our 25 that, was there any impact of weather taken

## Multi-Page<sup>TM</sup>NL Hydro's 2003 General Rate Application

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1 GREENE, Q.C.:	1 Saunders?
2 into account and going with the longer period?	2 COMMISSIONER SAUNDERS:
3 A. Well the longer term load forecast and the	3 Q. Just one question I had, Mr. Haynes, nothing
4 average would actually incorporate those, you	4 to do with anything that you talked about up
5 know, high degree days, low degree days or	5 to now. Shango Bay or the new community -
6 whatever.	6 A. Natuashish.
7 Q. And isn't it correct that the previous five	7 Q. Yes, what is the method of heating in the
8 years that have been used originally, say in	8 buildings there, including the residences?
9 the forecast, have been unusually mild winters	<ul><li>9 A. All electric.</li></ul>
10 with respect to -	10 Q. All electric.
11 A. Yes, the late 90's were an unusually mild	11 A. As I understandI'm sorry, no, my mistake,
12 period, that's correct.	12 it's not all electric, no, it's basically oil
•	
13 Q. So it was Hydro's view that the use of a	
14 shorter five-year period was not	14 Q. All of it, there's no electric heating -
15 representative of what the peak would be on	15 A. I'm not sure about the arena that's under
16 average, is that correct?	16 construction or something like that, but the
17 A. That's correct.	17 houses are oil.
18 Q. And that's why Hydro was satisfied with the	18 Q. Okay, thank you. That's all, Mr. Chair.
19 use of the longer period, is that correct?	19 CHAIRMAN:
20 A. Yes.	20 Q. Thank you, are there any questions arising
21 Q. Thank you. Those are all the questions I	21 fromI have no questions. Thank you very
22 have.	22 much, Mr. Haynes. Tomorrow we'll begin at
23 CHAIRMAN:	23 9:00 and it's the Industrial Customer's
24 Q. Thank you, Ms. Greene. Moving to Board	24 experts and Mr. Osler and Mr. Bowman. Do you
25 questions, do you have any Mr. Commissioner	25 know who will be going first, Mr. Hutchings?
Page 215 1 HUTCHINGS, Q.C.:	Page 216 1 CERTIFICATE
2 Q. We intend to put them on as a panel, Mr.	2 I, Judy Moss Lauzon, hereby certify that the
<ul><li>2 Q. We intend to put them on as a panel, Mr.</li><li>3 Chair.</li></ul>	<ul> <li>I, Judy Moss Lauzon, hereby certify that the</li> <li>foregoing is a true and correct transcript in the</li> </ul>
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