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25 undertaking on page 1 of the transcript of 25 6 is a reference to page 143 but it's really	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	of the 2003 depreciation. So if you look there on page 48, you'll see there in lines 9 to 11 the reference to the undertaking. And you have to go back to the previous page to see what the specific undertaking was. And this is the first document that you have before you. The heading is "Reconciliation of Depreciation Expense of January to August, 2003." And this actually is U-Hydro No. 24. The next undertaking that is listed as No. 3 on the transcript, page 1 of November 12th is a reference to one at page 61 of the transcript. And it was an undertaking to Mr. Kelly to advise as to whether there had been an analysis completed of the impact on the rural deficit of Hydro assuming responsibility for operations in Natushish. That undertaking was responded to on the same day. And if you look at pages 125 to 126 of the transcript, you will see, of November 12th, you will see the response to that undertaking.	3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	it dealt with the issue of FTE's. And it's our position that if you look at pages 69 to 70 of the transcript, the actual question was-answer to the question was provided in cross-examination so that it really was not an undertaking. It was answered shortly after that. So it's our position that that answer was provided on pages 69 to 70 of the transcript of November 12th. The number fifth undertaking that's listed on page 1 of the transcript of November 12th refers to one on page 106 but actually shows up on page 107. So if you scroll down, you'll see on lines 19 to 21 on page 107 the undertaking. And it relates to the decommissioning costs at Davis Inlet and the loss on disposal with respect to the Davis Inlet plant and as to whether there had been any discussions with the Federal Government relating to those two items. The answer to that undertaking was provided that same day on page 122 of the transcript.
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Nove	mber 19, 2003 M	Iulti-Page	"NL Hydro's 2003 General Rate Application
	Paş	ge 5	Page 6
1 GR	REENE, Q.C:	1	So in October in that second table we have
2	found on page 144 at line 23 where youthat's	2	included the actual price paid for fuel in
3	the beginning of the request for the	3	October versus the forecast that had been used
4	undertaking, and it relates to the	4	in the October 31 filing. And we also have
5	reconciliation of the accumulated	5	included the impact of rain on the actual
6	depreciation. And that one is not ready. We	6	volume of fuel used so that the price in
7	hope to have it filed tomorrow.	7	October was higher than had been used in the
8	The seventh undertaking is a referenced	8	previous forecast. Consumption at Holyrood is
9	one at page 177 but it's really found on page	9	down which will have a positive impact on the
10	179. And it relates to an undertaking to Mr.	10	Rate Stabilization Plan of about \$13 million
11	Hutchings to illustrate the impact of the	11	for 2003. But there is a higher weighted
12	impact on the changes in fuel purchases and	12	average price at year end inventory as a
13	the opening fuel inventory balance for 2004	13	result of the higher actual price in October
14	arising from the amount of rain that we had in	14	than what we had used in the forecast for
15	October. And this was circulated and is the	15	October when we filed for October 31. So the
16	second document that you have before you. The	16	actual price in October was higher than the
17	heading you will see is called "Holyrood No. 6	17	forecast price. If you turn to the second
18	Fuel Costs 2003, October 31 filing". What we	18	page, we did the same thing for 2004.
19	did in response to this, which is U-Hydro No.	19 (9:1	5 a.m.)
20	29, the top table reproduces what had been in	20	The top table shows what the October 31st
21	the October 31st filing. The bottom table	21	filing was for fuel purchases for No. 6 fuel
22	reproduces for 2003 the most recent update	22	used in the 2004 test year. And the bottom
23	which includes first the actual price paid in	23	table has updated it for the rain that we had
24	October. And if you look down the months, you	u 24	in October and to reflect actual fuel
25	will see in the table we used Afor actual.	25	purchases. So you will see that while the
	Pa	ge 7	Page 8
1	weighted average purchase price for 2004 has	1	have before you which begins "A percent of
2	decreased by one cent from 28.95 that was used	1 2	generation reserve capacity", which is the
3	in the October 31 filing which is shown in the	3	response to U-Hydro No. 30 which was the last
1			

top table down to 28.94, so we have a higher beginning inventory price in volume resulting in what would be higher production costs of 6 about 553 million for 2004. So the rain that

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21 22 we had in October was positive in the sense that it reduced the balance in the Rate Stabilization Plan in a significant way. We

do have a higher fuel cost for 2004.

The last undertaking that's referred to as No. 8 on page 1 of the transcript of November 12th refers to an undertaking on page 198 which is found on page 200 of the transcript, not page 198, at lines 9 to 11.

And this was an undertaking given to Mr. 17 Hutchings and it related to the change in the 18 19

reserve between the 2002 final cost of service, what was used for that and what is for 2004. The actual reserve percentage in

2002 have been 18 and a half percent. And Mr. Hutchings asked us to provide what were the

23 contributing factors to the reduction of that 24 25

to 16 percent. So the third document that you

one listed in the transcript as an undertaking 4

5 for November 12th is a response to that

undertaking. 6

7 CHAIRMAN:

O. You can continue.

9 GREENE. Q.C.:

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Q. There was one additional item from November 12th which was not listed as an undertaking in the transcript, but there was one that related to Mr. Roberts' evidence where he said that he would take under advisement the issue of his Schedule 8 and the issue of accrued interest, which I believe that that also can be considered to be an undertaking. And we will be filing response to that tomorrow.

Now, moving to Friday, November 14th. There was only one undertaking given--no, I'm sorry, there was actually two on November 14th. This is Mr. Greneman. And the first one was not listed as a transcript (sic.) in the transcript, but Mr. Hutchings had asked Mr. Greneman to provide a reconciliation of

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Page 9	Page 10
1 GREENE, Q.C.:	also is a response to the other undertaking
the load that is shown on Schedule 11 of Mr.	given to Mr. Kennedy on November 17th at page
3 Haynes' evidence to the load that is used in	3 18 there in lines 9 to 12 where Mr. Kennedy
4 Mr. Greneman's Cost of Service. And you'll	4 asked Mr. Greneman to confirm what the energy
5 recall Mr. Hutchings asked us about that the	5 rate would be if there was only one block
6 next day saying it wasn't an undertaking but	6 above the demand rate. So the last document
7 we said we would provide it. So the fourth	7 responds to both of those undertakings, U-
8 document you have is that reconciliation as	8 Hydro No. 32 and No. 33 are answered in that
9 requested by Mr. Hutchings and it's the	9 last document you have before you.
heading would be "Newfoundland and Labrador	So than you, very much, Mr. Chair. That
Hydro, 2004 Forecast Cost of Service, Island	completes all of the undertakings. At this
12 Interconnected, Coincident Peak at	point in time there are two outstanding which
Generation". So that is the response to U-	we hope to have filed by tomorrow. Thank you.
14 Hydro No. 31.	14 CHAIRMAN:
The next undertaking is one again on	15 Q. Thank you, Ms. Greene, for that fairly
November 17th at page 17 of the transcript	complete report. Thank you. Good morning,
which was an undertaking to Mr. Kennedy from	Mr. Kennedy. Would you care to introduce your
Mr. Greneman. I'm sorry, it actually is the	witnesses, please?
transcript of Monday, November 17th, sorry.	19 MR. KENNEDY:
So there was only one on the 14th and there's	20 Q. Yes, Chair. This is Nigel Chymko, spelt with a
21 two on the 17th. And this was the undertaking	21 "C", and Gail Tabone who work with EES
to provide the breakdown of the demand charge	22 Consulting Limited in their Calgary and
into the generation and transmission related	23 Seattle offices respectively.
costs. And the last document you have before	24 CHAIRMAN:
you is a response to that undertaking and it	25 Q. I'd like to welcome you to the proceedings. I
Page 11	Page 12
Page 11 wonder, Ms. Tabone, if you could take the	Page 12 1 MR. KENNEDY:
1 wonder, Ms. Tabone, if you could take the	1 MR. KENNEDY:
wonder, Ms. Tabone, if you could take the Bible in your right hand, please?	MR. KENNEDY: Q. Right. And I take it you're probably still
wonder, Ms. Tabone, if you could take the Bible in your right hand, please? MS. GAIL TABONE (SWORN)	1 MR. KENNEDY: 2 Q. Right. And I take it you're probably still 3 getting used to some of the idiosyncrasies of
wonder, Ms. Tabone, if you could take the Bible in your right hand, please? MS. GAIL TABONE (SWORN) CHAIRMAN:	1 MR. KENNEDY: 2 Q. Right. And I take it you're probably still 3 getting used to some of the idiosyncrasies of 4 the jurisdiction of Newfoundland as we all
 wonder, Ms. Tabone, if you could take the Bible in your right hand, please? MS. GAIL TABONE (SWORN) CHAIRMAN: Q. Thank you. Mr. Chymko. 	1 MR. KENNEDY: 2 Q. Right. And I take it you're probably still 3 getting used to some of the idiosyncrasies of 4 the jurisdiction of Newfoundland as we all 5 are. Could you tell me, though, first, who
wonder, Ms. Tabone, if you could take the Bible in your right hand, please? MS. GAIL TABONE (SWORN) CHAIRMAN: Q. Thank you. Mr. Chymko. MR. NIGEL CHYMKO (SWORN)	1 MR. KENNEDY: 2 Q. Right. And I take it you're probably still 3 getting used to some of the idiosyncrasies of 4 the jurisdiction of Newfoundland as we all 5 are. Could you tell me, though, first, who 6 EES Consulting is and the areas of expertise
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	Page 13		Page 14
1 M	IS. TABONE:	1	Hydro rate cases back many, many years before
2	example.	2	everything was broken up and spun off. We
3	In terms of our clients, we work	3	also worked for North West Territories Power
4	primarily for what we would call public	4	Corporation in the past.
5	utilities. By that I mean municipal	5	On the U.S. side we work primarily on the
6	utilities, public utility districts,	6	Pacific Northwest. A lot of our clients are
7	cooperatives. We also work for some investor	7	customers of Bonneville Power, which is a
8	owned utilities and some industrial customers,	8	large marketing, federal marketing agency that
9	but primarily in the public sector.	9	runs primarily hydro and transmission
10	In terms of geographical base, we tend to	10	facilities. We also work in Alaska,
11	work more on the west coast, just because of	11	California and Texas quite a bit.
12	our location. We do quite a bit of work in	12	And again, as Mr. Kennedy mentioned,
13	British Columbia and Alberta, obviously,	13	we're very new to this jurisdiction, we're
14	because of our Calgary office. So we've	14	learning the technical details as we go, but I
15	worked for both the B.C.U.C. West Kootenay	15	think we also bring a fresh perspective and we
16	Power in British Columbia, Centra Gas in	16	have a lot of experience that is maybe
17	British Columbia as well as some of the	17	relevant to looking at how things are here.
18	industrial customers from time to time. So	18	MR. KENNEDY:
19	we're very familiar with things going on in	19	Q. Thank you. Mr. Chymko, EES filed a report
20	B.C. which has a lot of similarities to this	20	with the Board of Commissioners of Public
21	jurisdiction. Alberta, Nigel could speak to	21	Utilities dated September the 19th, 2003 and
22	in more detail, but we've done a lot of work	22	filed with the Board, I believe, on September
23	over many, many years in Alberta. Ontario we	23	the 22nd, 2003. This isthe report was
24	work for, again, a lot of the municipal	24	authored by yourself and Ms. Chymko?
25	utilities. We've been involved in Ontario	25	MR. CHYMKO:
	Page 15		Page 16
1	A. It was authored by myself and Ms. Tabone.	1	19th as revised with your November the 18th
2 M	IR. KENNEDY:	2	revisions?
3	Q. Sorry. And Ms. Tabone, yes.	3	MR. CHYMKO:
4 M	IR. CHYMKO:	4	A. Yes.
5	A. Yeah, it was a joint effort.	5	MR. KENNEDY:
6 M	IR. KENNEDY:	6	Q. Okay. Mr. Chymko, there was a Board order
7	Q. Yes. And have you made any revisions or	7	issued as a result of motions taken by some of
8	updates to that report dated September the	8	the parties concerning some of the areas that
9	19th since its filing with the Board?	9	you dealt with in your report and also there
10 M	IR. CHYMKO:	10	was a mediation conducted subsequent to the
11	A. Yes, we have. It was my understanding there	11	report. Has this had any impact on the issues
12	was two pages that were to be filed with the	12	to which you're prepared to speak to here
13	Board and it was page 30 and 31 which	13	today?
14	addresses the issue of the impact on	14	MR. CHYMKO:
15	transmission of the generation credit. The	15	A. Yes, it has. As a result initially our
16	reason it was updated, first of all, was to	16	evidence contained nine recommendations. That
17	account for the October 31st, Hydro's re-	17	has now been reduced to three. And those
140	filing, and as we were going through it we	18	three are the GNP, Doyles-Port aux Basques and
18		19	Burin Peninsula assignments, and we're saying
18	noted a correction also needed to be made to		
1	the table. At the end of the day though the	20	they should use a consistent assignment
19	the table. At the end of the day though the changes have no impact on our recommendation	21	methodology for the generation and
19 20 21 22	the table. At the end of the day though the changes have no impact on our recommendation as outlined in our evidence.	21 22	methodology for the generation and transmission facilities. The second area is
19 20 21 22 23 M	the table. At the end of the day though the changes have no impact on our recommendation as outlined in our evidence. IR. KENNEDY:	21 22 23	methodology for the generation and transmission facilities. The second area is the Labrador Interconnected System should
19 20 21 22 23 M 24	the table. At the end of the day though the changes have no impact on our recommendation as outlined in our evidence. MR. KENNEDY: Q. And so do you as representative of EES	21 22 23 24	methodology for the generation and transmission facilities. The second area is the Labrador Interconnected System should remain an interconnected system in the Cost of
19 20 21 22 23 M	the table. At the end of the day though the changes have no impact on our recommendation as outlined in our evidence. IR. KENNEDY:	21 22 23	methodology for the generation and transmission facilities. The second area is the Labrador Interconnected System should

Nove	ember 19, 2003 Multi	i-Pa	age [™] NL Hydro's 2003 General Rate Application
	Page 17		Page 18
$ _{1 \text{ M}}$	S. TABONE:	1	A. Or recommendation is to treat all of these
2	Newfoundland Power wholesale rate should	2	facilities consistently, which we don't think
3	include a demand charge with ratcheted billing	3	is being done by the proposal that's been put
4	determinant.	4	forward. We believe the GNP transmission
5 M	R. KENNEDY:	5	assets should be assigned common to go along
6	Q. And as you're sitting as a panel, could you	6	with the generation assets. In Burin that is
7	tell us which of the two of you is responsible	7	already the case and in Doyles-Port aux
8	for which of those three issues?	8	Basques it's a little bit different issue. On
9 M	R. CHYMKO:	9	one sense we believe it should go along with
10	A. Ms. Tabone will lead the discussion on the	10	the generation facilities and should be
11	GNP, etcetera, assignments and the Labrador	11	treated common. On the other hand,
12	Interconnected and I'll lead the discussion on	12	Newfoundland Power is receiving a credit on
13	the Newfoundland Power wholesale rate.	13	the cost allocation for transmission and as
14 M	R. KENNEDY:	14	such they're paying none of or they're paying
15	Q. Thank you. Ms. Tabone, starting then with the	15	a reduced amount of common share for the
16	issues that you have primary responsibility	16	transmission on the Newfoundland Hydro system,
17	for, the assignment issue and the Labrador	17	so to that extent we could probably see that
18	issue, could you first just provide an	18	remaining specifically assigned facility if
19	encapsulation, if you will, or brief statement	19	they continue to get the credit for
20	of what the recommendation is that was the	20	transmission, if they don't, it probably
21	recommendation made by EES concerning the	21	should be assigned common and then they don't
22	assignment of the GNP, Burin and Port aux	22	receive a credit.
23	Basques plant?	23	There's been a lot of discussion on
24 (9	:30 a.m.)	24	technical issues on these facilities and our
25 M	S. TABONE:	25	focus hasn't been on the technical side, our
	Page 19		Page 20
1	focus is on the policy side. There was some	1	making have implications for the issues
2	reference the other day about postage stamp	2	surrounding the Labrador rates and the
3	rates. And based on our experience and our	3	interconnectedness of the system?
4	theoretical beliefs about transmission in	4	MS. TABONE:
5	particular, it's very common for all	5	A. Again, I see that as very similar in terms of
6	transmission facilities to be rolled in,	6	an overall policy direction and how much you
7	treated on aeverything is common, everything	7	postage stamp or average systems out, whether
8	is spread out between all the customers on the	8	it's transmission or distribution or
9	system and there's one postage stamp rate for	9	generation, and how much you directly assign
10	transmission. In this case it would be	10	are specifically assigned facilities. There's
11	similar to having a common assignment for all	11	a line somewhere where you have to have a
12	transmission. In that way you're not singling	12	break between what's commonly assigned, what's
13	out one particular utility, where their	13	directly assigned. For example, distribution
14	location is, whether they're using 100 miles	14	facilities across all of the Isolated Rural
15	or 100 kilometres of transmission versus one	15	Systems on the island are all averaged
16	kilometre of transmission. Everybody is	16	together, even though you know each
17	treated the same no matter what the location.	17	distribution system has a separate cost and
18	And so in that sense we have looked at it both	18	
19	from being consistent with generation, given	19	
20	that you need transmission to move generation	20	
21	across the system as well as looking at it as	21	own generation, they all have their own
22	a postage stamp issue and treating all	22	1 2
100	facilities the same	100	avamaga thaga tagathan Ag it is than an

24

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average those together. As it is, there are

five different zones, if you will, or five

five different Cost of Service Studies done,

Q. Does this policy recommendation that you're

facilities the same.

23

24 MR. KENNEDY:

		TM NL Hydro's 2003 General Rate Application
	age 21	Page 22
1 MS. TABONE:	1	suggesting that perhaps a ratcheting system
2 different rate structures and that's probably	2	could be used in place of weather
and Canad		normalization.
4 For example, in British Columbia, very big	4	The second part was also suggesting that
5 geographical area, lots of differentfive	5	perhaps a peak demand waiver may be needed,
6 cities and towns and rural versus urban and	6	depending on how the points of delivery of
7 everything there is postage stamped,	7	Newfoundland Power were metered at the
8 everything is averaged together. So we think	8	interchange with Newfoundland Hydro. So an
9 a trend towards more of the postage stamp ide	ea 9	example, if we were using non-coincident, we
and more common facilities is appropriate in	10	would suggest that perhaps a peak demand
11 this case.	11	waiver may be needed. If we're now leaning
12 MR. KENNEDY:	12	towards perhaps the coincident peak, perhaps
13 Q. Mr. Chymko, could you tell us or provide just	13	the peak demand waiver is not needed.
a concise statement of what the EES	14	The second part of our modifications to
recommendation is concerning the wholesal	e 15	the sample rate we suggest that Newfoundland
rate issue?	16	Power generation credit should be, first of
17 MR. CHYMKO:	17	all, separated into generation and
18 A. Yes. In our evidence we had suggested that w	ve 18	transmission. The generation portion we
could support the sample rate as presented by	19	believe should still receive a credit, but not
20 Stone and Webster or Hydro with two	20	the transmission. And we also suggest that
21 modifications. And we suggested in what we	e 21	rather than have a credit through a megawatt
call the framework that we would need to	22	netting system, that there should be an
incorporate a demand ratchet formula instead	. 23	independent separate transparent tariff
of using a weather normalization. So again,	24	similar to what the non-utility generators see
we would use one demand block but we're		as well.
Pa	ige 23	Page 24
1 MR. KENNEDY:	1	at the end of the day, I believe, would be
2 Q. Now, you have participated personally in the	2	tweaking or building upon what is put in place
hearing room this week. I understand as well	3	initially. One thing that reading the
4 you've had an opportunity to review the	4	transcripts and being present the last few
5 transcripts of the testimony of Mr. Bowman at	nd 5	days I think the evidence to date certainly
6 Mr. Osler on behalf of the Industrial	6	has not caused us to change our
7 Customers and as well on the first day of Mr.	7	recommendation. In fact, we believe the
8 Greneman's testimony on Friday just past, is	8	demand energy rate, wholesale rate should be,
9 that right?	9	in fact, implemented in 2004.
10 MR. CHYMKO:		. KENNEDY:
	10 1/110	·· ·- · · ·- ·

11 A. Yes.

12 MR. KENNEDY:

13 Q. And one of the key issues, I guess, that's arisen concerning the wholesale rate issue is 14 whether a Marginal Cost Study would be 15

required in order to set a wholesale demand 16

17 rate. Could you provide your view on that

18 sub-issue?

19 MR. CHYMKO:

20 A. Yeah, I definitely believe that there's no need to wait to complete a Marginal Cost Study 21 22 before we get started. There's enough

evidence available, I believe, to make an 23

24 informed decision in designing a conservative initial wholesale rate and the marginal cost 25

13 you'd likely to have ten proposals returned to 14 you. Hydro, as you indicated, has recommended a sample rate, EES has proposed a variation on 15 that sample rate that you've just detailed. 16 17 Assuming the Board wishes to implement a 18 wholesale rate, is there any advice that you 19 can give to the Board on how it could ensure its implementation? 20

Q. Mr. Chymko, there's been reference to the fact that if you had ten consultants look at this,

21 MR. CHYMKO:

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22

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A. I certainly agree that you would get ten opinions. I think the other thing that a number of parties would also discuss is the issue around the Integrated Resource Plan, as

Page 25	Page 26
1 MR. CHYMKO:	1 MR. YOUNG:
to whether that is needed before the Marginal	2 Q. Thank you, Chair. Good morning, Ms. Tabone,
Cost Study as well. So again, that's another	3 Mr. Chymko.
4 component that I believe needs to be	4 MS. TABONE:
5 considered before we finalize the complete	5 A. Good morning.
6 Marginal Study. As far as assisting, I guess	6 MR. YOUNG:
7 we believe that the sample demand rate that	7 Q. Well, in your direct you've, I think it's fair
8 was set at \$7 is too high for the demand	8 to say, narrowed down the area of our cross-
9 component and we would be a bit more	9 examination somewhat, which is always helpful.
conservative in setting or establishing the	But there are a few areas that, and one, I
initial single demand component, based on the	guess, which I didn't really anticipate which
information that we've heard today. I don't	has been given rise to. I don't need to ask
think we can afford to study this thing to	13 you any questions about whether you support
death, though, and at the end of the debate	the demand energy rate structure, that's
whether we do it today or whether we do it two	15 fairly clear. And I think there's, as I
years from now, I think we still will be	16 mentioned yesterday, perhaps growing consensus
debating what is the correct number once we	on that. But I wonder if I could discuss
get the Marginal Cost Study.	briefly with you when you're choosing amongst
19 MR. KENNEDY:	these various thingsand Mr. Kennedy just
20 Q. Thank you, Ms. Tabone, Mr. Chymko. Chair,	20 mentioned about the ten consultants giving ten
that's all the questions on direct. They're	21 outcomes, there's a fair bit of discussion in
22 available for cross-examination.	the last few days about Bonbright's
23 CHAIRMAN:	23 principles. And I think perhaps you'd agree
24 Q. Thank you, Mr. Kennedy. Mr. Young, good	24 with me that, I just wanted to get your view
25 morning.	25 on this, that some of these principals
23 morning.	25 on this, that some of these principals
D 27	D 20
Page 27	Page 28
1 overlap, some of these are, to some degree, in	in, and perhaps Mr. O'Reilly, you can go to
overlap, some of these are, to some degree, in conflict with each other. Do you agree with	in, and perhaps Mr. O'Reilly, you can go to page 25 of the pre-filed testimony? And this
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Page 29	
	Page 30
1 MR. CHYMKO:	1 We're just saying for billing purposes we
2 formula driven. But again, it's setting up	2 would suggest that weather normalization is
3 that model, what is the agreement, what are	3 not critical.
4 the assumptions that I believe professional	4 MR. YOUNG:
5 judgment is required.	5 Q. There's some further discussion on that page,
6 MR. YOUNG:	6 I don't think we need to get to all the
7 Q. So if I understand that, then weather	7 particular reference. But if I can paraphrase
8 normalization per se is not something you	8 you generally, I think you're saying the
9 would have knee jerk reaction against in	9 weather iswill be what it will be and Hydro
relation to the wholesale rate, it's just that	has to bill for it and that's your sense of
11 you think thatI supposed you'd like to have	preferring to deal with the actual demands as
a look at the model that was used. Is that	they come out, as opposed to a normalized
your evidence?	demand, is that it?
14 MR. CHYMKO:	14 MR. CHYMKO:
15 A. I guess what we're saying for the wholesale	15 A. No, I think when you're generally building
rate itself we believe perhaps a ratchet	(phonetic) for it, you would be using
system might accomplish, we believe would	normalized weather.
accomplish the price signals that are required	18 MR. YOUNG:
more than normalizing the weather. Where we	19 Q. Okay. I don't know to what extent you've had
believe the normalize weather would still be	discussions with people here in either Hydro
required would be in your system planning and	or Newfoundland Power or other observers.
going forward in system planning, what's the	But, I've heard it said around the business
generation, what's the transmission, what is	that our weather and the demands that are
the customer load expected in the future year	created by it can be subject to needle peaks
in regard to revenue requirement, etcetera.	of very short duration. Does that change at
Page 31	Page 32
all the observations you would make about	which are in the demand related costs for
2 ratcheting versus a normalization process?	2 generation and transmission, those are driven
3 MR. CHYMKO:	by a needle peak so we don't see a problem
3 MR. CHYMKO: 4 A. From a planning point of view?	4 with a needle peak as a billing determinant
4 A. From a planning point of view? 5 MR. YOUNG:	
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	Page 33		Page 34
1	MR. CHYMKO:	1	MR. YOUNG:
2	time if I was to put a sample rate before the	2	Q. I see. I have a question just a little higher
3	Board, I would compromise, I guess, a bit to	3	on that page, Mr. O'Reilly, if I might, lines
4	leave weather normalization in place. So	4	13 to 15, it's just something I'm not sure I
5	again, longer term at the end of the day, we	5	understand, I'll just read the sentence. I
6	believe, that weather normalization should be	6	think it is at line 13. Yes, it says "First
7	taken out of the rate. But to get things	7	of all, Hydro can only supply" and this in
8	going, to get things moving, until we find out	8	relation to this whole area and some of the
9	where is all the gives and takes within the	9	concerns some of the parties may raise. But
10	revenue requirement, whether it's over in the	10	I'm not sure I understand this statement. It
11	financial side and how that might be dealt	11	says, "First of all Hydro can only supply a
12	with, that we could live with a sample rate	12	finite amount of energy past the design
13	today that leaves in weather normalization.	13	capacity of the system for a finite length of
14	MR. YOUNG:	14	time." When I read that, it just occurs to
15	Q. Just on that point on page 26 if I might, Mr.	15	me, if I can paraphrase you correctly and
16	O'Reilly, we've got a line in your evidence	16	please straighten me out if I'm reading this
17	which, just down the page, it's at line 30,	17	with the wrong interpretation, but as I read
18	thereabouts, 30, 32. It says "Over the long	18	that, it seems to mean just that, you know,
19	term, ES Consultants preferred payment would	19	eventually Hydro will run out of energy and
20	be a ratchet billing demand." Is that the	20	therefore there is some limit as to the amount
21	point you're making that weather normalization	21	of money Hydro can make. Is that all that's
22	for the interim is fine, but you think this	22	saying? That seems to be a fairly obvious
23	should be explored further down the road?	23	leap to the -
24	MR. CHYMKO:	24	MR. CHYMKO:
25	A. That's right.	25	A. I guess what we were driving out there that if
	Page 35		Page 36
1	you got into one of these needle peaks, as an	1	point?
2	example and you hadn't planned for it, the	2	MR. CHYMKO:
3	needle was actually above your planning	3	A. I think at the end of the day if there is a
4	criteria, I think you would run your units	4	peak that's way beyond what you planned for
5	harder. You might, you know, take a bit of a	5	and what you built, I'm saying you can get
6	risk on letting a bit more water go through.	6	part way there by stretching your system, but
7	You might do a voltage control to again try	7	there might be the odd occasion where the
8	and stretch your system, but, from a planning	8	demand appears that's significantly higher.
9	point of view and then coming back to your	9	But we would see that as a very, very
10	operations and maintenance you can only do	10	exceptional case.
11	that for a period of time. You don't normally	11	MR. YOUNG:
12	run to it but for a short period of time,	12	Q. Just a few more questions. Just a moment ago
13	whether it's an hour, a couple of hours or	13	in your last couple of answers in direct
14	three hours, I'm not sure. Again, your needle	14	testimony questions you made a comment about
15	peaks because we haven't seen a detailed	15	the sample demand rate, perhaps the \$7.00
16	hourly data, this system can be stretched.	16	
17	But it can't be kept running at that above	17	
18	what it was designed for, for a long period of	18	
19	time.	19	MR. CHYMKO:
20	MR. YOUNG:	20	A. Yes, it is.
21	Q. So that there is logistics which essentially	1	MR. YOUNG:
22	provide some outside barrier, is that your	22	Q. What are you basing that on and before you
23	point, the logistics of running the system	23	
24	provide some absolute barrier to the amount of	24	
25	reach we can go into this demand, is that your	25	\$84 a year we've been discussing over the last

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P	age 37	Page 38
1 MR. YOUNG:	1	to zero, conceptually.
few days, that really comes from the embedde	ed 2 MR.	. СНҮМКО:
3 Cost of Service Study, correct?	3 A	A. Right. First of all, we would cap the lower
4 MR. CHYMKO:	4	number at at least the transmission component
5 A. That's correct.	5	of that bundled number. So as we saw this
6 MR. YOUNG:	6	morning, I think, or we've been talking around
7 Q. Do you have any disagreement with the way	that 7	this morning, I think that was filed at \$1.82.
8 number comes out of that study?	8	So that would sort of be the minimum that we
9 MR. CHYMKO:	9	would go. And I think we would look at a
10 A. As far as the calculation of the number?	10	couple of items. One is what's the
11 MR. YOUNG:	11	interruptible credit of \$28.00 being that
12 Q. Yes.	12	converts to, say \$2.33 a kilowatt per month,
13 MR. CHYMKO:	13	and then to that, we would suggest that you
14 Q. No, we don't.	14	could look at adding the transmission.
15 MR. YOUNG:	15 MR.	. YOUNG:
Q. So it's the underpinnings within the study of	16 C	Q. Okay, just on that point, the interruptible
17 this -	17	credit I would suggest to you and I can assume
18 MR. CHYMKO:	18	you may be using that as a discussion point
19 A. To be used for rate design purposes.	19	here as opposed to a firm number, but I'm just
20 MR. YOUNG:	20	wondering if you had a sense of the basis of
21 Q. So I'm just wondering, if you were going to	21	that being a negotiated number that may or may
suggest a lower number, what basis would ye	ou 22	not have much to do with the actual costs
use and what sort of number would you be		embedded or otherwise?
suggesting? Just give me just a general idea		. СНҮМКО:
because a lower number could be anything do	own 25 A	A. We have to accept that number and, again, it
p	age 39	Page 40
1 might be low, it might be high.	-	. СНҮМКО:
2 MR. YOUNG:		A. I guess we're attempting to put what we'll
3 Q. So in the absence of a better number you're	3	call a framework with an example. As to how
4 using that for discussion?	4	we might be able to calculate it, we thought
5 MR. CHYMKO:	5	that was one bookend in regard to using the
6 A. We're using that number. There certainly is a		interruptible base and, again, I agree, we
7 number that's being used for other customer		didn't go down as to the history and the
8 and we're suggesting that maybe we could le		reasons where it came from, but there is a
9 off of that number to get to an average rate	9	credit being given out there. We felt that if
of just over \$4.00.	10	we added the transmission component out of the
11 MR. YOUNG:	11	embedded cost of that, we would come out with
12 Q. Is that to use a marginal price concept, to	12	a rounded rate of say \$4.25 per kilowatt per
use a number such as interruptible number?		month. And whether you round that to \$4 or up
mean, if you think about where a number lik		to \$4.50, we're saying let's get started,
that comes from. We're looking perhaps at		let's start with the conservative numbers so
being willingI'm just thinking about how	16	that we don't make it too high to start with
that number was derived in its origin. At the	17	that all of a sudden we get it up there for
time we were looking forward and considering		two years or three years, whatever, and then
what our costs might be to provide that much	-	we have to bring it down. We would rather
capacity and then discounting from it. So I'm		start with something a little smaller, a
just wondering, is this a marginal price	21	little lower, until we do see the completion
22 concept you're bringing in at this point	22	of the integrated resource plan that we
23 overtly or is that just something you're	23	believe needs to be done, again, both on the
thinking about as a different way of doing	24	demand side and on the supply side. And then
25 this?	25	incorporate that into a marginal cost study,
		<u>.</u>

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1 MR. CHYMKO:	1 MR.	YOUNG:
and then from there, hopefully, we would have	2 Q	Right.
3 the structure in place that we would just be	3 MR.	СНҮМКО:
4 tweaking after that.	4 A	. And we're suggesting at this point in time to
5 Usingto follow-up on your question,	5	be conservative to get, I guess, the move off
6 using \$4.25 as a monthly demand, just the one	6	of high centre type thing, we're suggesting
7 block, monthly demand with a 90 percent and an	7	let's incorporate weather normalization and
8 85 percent ratchet attached to it, the energy	8	get started.
9 that would fall out of that based on your	9 MR.	YOUNG:
October 31st re-filing with the data that we	10 Q	Now one thing arises from that approach it
have available is about 4.34 cents.	11	occurs to me is you're moving away from the
12 MR. YOUNG:	12	embedded approach to designing rates and doing
13 Q. That's sort of a residual number.	13	this costing study, essentially. You're going
14 MR. CHYMKO:	14	through a marginal basis and that doesn't
15 A. That's a residual.	15	strike me as being terribly different than the
16 MR. YOUNG:	16	approach you took in your original pre-filed
17 Q. In a single rate.	17	a number of items I think we'vethe Board has
18 MR. CHYMKO:	18	agreed we won't be going into. Not terribly
19 A. Yes.	19	far removed and I'll ask you to comment on
20 MR. YOUNG:	20	this but it doesn't sound to me it's terribly
21 Q. I think you were giving me one number, so it's	21	far removed from your credit method, is that
on a two lock rate (phonetic).	22	correct, in concept?
23 MR. CHYMKO:	23 MR.	CHYMKO:
24 A. One demand rate with a ratchet, one energy	24 A	. I think breaking the two components, the
25 rate.	25	transmission credit is embedded -
Page 43		Page 44
1 MR. YOUNG:	1 MR.	YOUNG:
2 Q. Right.	2 Q	. If I could just stop you there for a second.
3 MR. CHYMKO:	3	If you say you haven't seen enough evidence,
4 A. And then it's the debate around how much of	4	is that just another way of saying you don't
5 using the generation credit is embedded versus	5	accept the embedded cost numbers that follow
6 marginal.	6	the Cost of Service in order to come up with
7 MR. YOUNG:	7	the \$7.00?
8 Q. Okay.	8 MR.	СНҮМКО:
9 MR. CHYMKO:	9 A	. No, I believe the evidence that I'm talking
10 A. I guess another way we looked at it, that,	10	about is what we've heard earlier is what are
again, just trying to be conservative and put	11	going to be the impacts of an integrated
something as a starting point on the table,	12	resource plan on a marginal cost and what I'm
was to take the \$84.00 or take the \$7.00 which	13	saying the evidence is, we don't have a
came out of the embedded cost for generation	14	marginal in front of us.
and transmission and average that with the	15 MR.	YOUNG:
\$28.00. And, again, in total we come back	16 Q	Right. So you'd prefer tofor it to be
with a rate somewhere in the range of \$4.60 or	17	conservative, to go towards a marginal
somewhere in that range. So, I guess all	18	approach as opposed to staying with the
we're trying to do is focus in regard to we	19	embedded approach, because the embedded
believe it's more than zero. At this time we	20	approach I think, if you agree with me, that's
don't believe there's enough evidence on the	21	what gives you the \$7.00 figure, is that
table that it should go right to \$7.00, so we	22	correct?
tried to look at perhaps a couple of sample		СНҮМКО:
rates and they seem to come in the range of	24 A	. And we believe that the \$7.00 might be
25 \$4.00 to \$4.50.		appropriate at the end of the day, we just

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	Page 45		Page 46
	1 MR. CHYMKO:	1	but it looks to me like that's where this
	don't know that. But to be conservative and I	2	Board was headed and that's what this Board
	3 guess to allow customers to start working with	3	has indicated to the parties we'd be focused
	4 price signals, we have to ensure that we don't	4	on.
	5 ratchet it up to say \$7.00 and then two years	5	(10:00 a.m.)
	from now we're bringing it back down to \$4.00	6	MR. CHYMKO:
	7 or \$5.00. Our preference is to slowly build	7	A. And, again, we're saying, yes, the embedded
	8 it up if it needs to be built up. And I think	8	Cost of Service shows a generation component
	9 there's two things we're trying to do here,	9	of about \$5.00. We're suggesting that might
1	is, you know, balance the equity issue between	10	be a little high to get started.
1	Newfoundland Power and Newfoundland Hydro's	11	MR. YOUNG:
1	2 DISCO, the remaining customers and making sure	12	Q. Okay, those are all my questions, thank you.
1	3 that there's a price signal starting to be	13	CHAIRMAN:
1	4 given and passed onto customers. So we're	14	Q. Thank you, Mr. Young. Good morning, Mr.
1	5 taking the approach from the point of view we	15	Browne.
1	6 believe something needs to get started in	16	BROWNE, Q.C.:
1	7 2004.	17	Q. Mr. Chairman, good morning. Have you had the
1	8 MR. YOUNG:	18	opportunity to review Mr. Brockman's
1	9 Q. And the evidence, I think you would agree with	19	supplementary evidence?
2	me that's been presented by Hydro as to the	20	MR. CHYMKO:
1	derivation of the generation component that	21	A. Yes.
2	2 goes into the demand charge, is the embedded	22	BROWNE, Q.C.:
1	basis which is and I don't know to what degree	23	Q. Mr. O'Reilly, can we go to that evidence on
2	4 you've considered what the Board ordered	24	page 3, lines 17 to 20. There, Mr. Brockman
2	before this hearing actually commenced, said,	25	recommends that the marginal cost study and
F	Page 47		Page 48
	the retail rate design study be a joint effort	1	line.
1	of Hydro and Newfoundland Power and he bases		BROWNE, Q.C.:
1	this recommendation on the fact that	3	Q. But it is recognized that both Hydro and Power
1	4 Newfoundland Power's marginal cost will also	4	
1	5 impact retail rates and that it's the retail	5	that one may not wish to share with the other,
1	6 rates to Newfoundland Power's customers that	6	
1	should be evaluated. Can you see any reason		MR. CHYMKO:
1	8 why a generation and transmission utility such	8	A. Yes. And that's my concern around the joint
1	9 as Hydro, would need to involve its retail	9	effort. There needs to be joint cooperation
1	distribution company such as Power in any such	10	and joint effort to a degree, but I don't
1	joint study, within your experience?	11	think you could expect the two of them to sit
- 1	2 MR. CHYMKO:	12	down across the table and get into sharing
1	3 A. I think there needs to be a joint effort.	13	confidential plans or strategies as to where
1	4 It's just what we mean by joint effort. I	14	their utilities are going.
1	think at the end of the day I would suggest		BROWNE, Q.C.:
1	the utility that has the main responsibility,	16	Q. So you don't envisage it as a joint study such
1	save for, the generation and transmission,	17	as is in that recommendation?
1	should drive the bus. Somebody has to lead		MR. CHYMKO:
1	9 and then it's a matter of how do we ensure	19	A. Again, depending on the true meaning of joint,
1	that any information that's required can be	20	I think there has to be somebody taking the
1	shared through some process. And it might not	21	lead and there may need to be some
- 1	2 be able to be shared between the two parties	22	interrelationship handled by a third party
- 1	if there's some confidentiality involved. So	23	depending on confidentiality.
1	there may need to be some type of third party		BROWNE, Q.C.:
1	assisting to ensure that we get to the bottom	25	Q. What value would a retail distribution company
	-	1	1 7

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1 BROWNE, Q.C.:	inappropriate emphasis on demand charges in
2 bring to the table with regard to a marginal	the sample rate design contributes to
3 cost study, in this particular instance, if	3 inefficiency in the sample rate energy
4 Hydro is conducting a marginal cost study?	4 charges." Now, you were here yesterday for
5 MR. CHYMKO:	5 Mr. Brockman's testimony, weren't you?
6 A. Again, I think before you can get into the	6 MR. CHYMKO:
7 marginal cost study I believe you have to	7 A. Yes.
8 start at the integrated resource plan stage.	8 BROWNE, Q.C.:
9 And there's two components to that. One is	9 Q. And as I understood from Mr. Brockman's
10 handling the supply issues and again, the	testimony yesterday, he feels there is an
other portion of that is somebody to take the	inefficient marginal cost information to
lead on the customer side, on the demand side.	design an inefficient wholesale power rate, is
So, again, depending on the information that's	that how you understood it, there was
gathered through that process and how it's	insufficient information to design a demand
incorporated into the marginal study, again, I	wholesaleto design a wholesale rate.
believe both components will be needed.	16 MR. CHYMKO:
17 BROWNE, Q.C.:	17 A. That's what I heard, that's correct.
18 Q. Can we go to Mr. Brockman's pre-filed evidence	ce 18 BROWNE, Q.C.:
on page 1. And on lines 19 to 20 he states	19 Q. But yet he tells us in his evidence that
there that "Newfoundland Power's current rate	Newfoundland Power's current rate designs
21 designs reasonably reflect the Island	reasonably reflect the Island Interconnected
Interconnected system cost of demand and	system cost of demand and energy. Well, if
energy." And then says "The sample rate will	there's insufficient information, how can
not change Newfoundland Power's rate designs	s." 24 Newfoundland Power's current rate designs, at
But above that on lines 11 and 12 he says, "An	25 the current rate they are, reasonably reflect
Page	Page 52
the cost of demand and energy? Have you got	1 proposed by Hydro in Exhibit RDG-2 a typical
2 any comments on that? Don't they seem	2 rate form for sales of electricity to a
3 contradictory?	3 wholesale customer such as Newfoundland Power?
4 MR. CHYMKO:	4 MR. CHYMKO:
5 A. I haven't studied Newfoundland Power's rates	5 A. I would say what I've seen is more a single
6 so I have to accept his statement that -	6 demand rate with some ratcheting and generally
7 BROWNE, Q.C.:	7 one energy block. So I would say no, it's not
8 Q. But in the one instance he's telling us that	8 as consistent with some of the rate structures
9 there is insufficient marginal cost	9 that I've seen.
information to design an efficient wholesale	10 BROWNE, Q.C.:
power rate, but yet he's telling us in the	11 Q. Can you cite similar utilities that are
other instance that Newfoundland Power's	subject to an energy only rate?
current rate designs reasonably reflect cost	13 MR. CHYMKO:
of demand and energy. Do you see an apparent	
15 contradiction there?	15 discussed.
16 MR. CHYMKO:	16 MS. TABONE:
17 A. As I say, I haven't studied Newfoundland	17 A. And I've thought about that a little bit and
18 Power's rates to understand are they	in terms of a wholesale tariff, I don't think
reflecting the embedded cost of study,	we've seen any that are energy only rates.
20 embedded Cost of Service or are they	However, we have seen some wholesale contracts
21 reflecting some marginal cost, I haven't	that are energy only rates. And those
22 studied that.	contracts are generally, in one case we helped
23 BROWNE, Q.C.:	23 a client negotiate a contract where it was
Q. Just taking you on another level, a reference	flat block of energy for a flat energy price. So they got in this case I think it was 50.
to this issue, is the demand energy rate	So they got, in this case I think it was 50

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	Page 53		Page 54
1	MS TABONE:	1	3
2		2	be applicable in this jurisdiction for the
3	,	3	reasons you just cited.
4	•	4	MS. TABONE:
5	23	5	A. That's right.
1	gotten proposals from various utilities or	6	BROWNE, Q.C.:
7		7	Q. As you know, Newfoundland has a substantial
8	that are what they consider a melded energy	8	, , , , , , , , , , , , , , , , , , ,
9		9	, , , , , , , , , , , , , , , , , , ,
10		10	* *
11	1	11	, , , , , , , , , , , , , , , , , , ,
12	1 1	12	demand energy rate?
13		13	MS. TABONE:
14		14	
15	hour as long as you stick to this exact load	15	
16	1	16	1
17	1 1	17	· · · · · · · · · · · · · · · · · · ·
18	3	18	
19		19	1
20	*	20	·
21	· ·	21	
22	*	22	· · · · · · · · · · · · · · · · · · ·
23	e	23	1 1
24	rate for a load that can vary quite a bit.	24	, , , , ,
25	5 BROWNE, Q.C.:	25	wholesale tariff that has a demand rate that
_			
	Page 55		Page 56
1		1	
1 2	differs by every month and has both an on peak		
1	differs by every month and has both an on peak and off peak energy rate that differs by every		Q. Fairness. MR. CHYMKO:
2	differs by every month and has both an on peak and off peak energy rate that differs by every month. So they're very sophisticated in	2	Q. Fairness. MR. CHYMKO: A. Fairness, yes. And the second would be in
3	differs by every month and has both an on peak and off peak energy rate that differs by every month. So they're very sophisticated in sending the price signals to their wholesale	2 3	Q. Fairness. MR. CHYMKO: A. Fairness, yes. And the second would be in regard to a price signal. And, again, trying
3	differs by every month and has both an on peak and off peak energy rate that differs by every month. So they're very sophisticated in sending the price signals to their wholesale customers. We've worked for some other	2 3 4 5	Q. Fairness. MR. CHYMKO: A. Fairness, yes. And the second would be in regard to a price signal. And, again, trying
3 4 5	differs by every month and has both an on peak and off peak energy rate that differs by every month. So they're very sophisticated in sending the price signals to their wholesale customers. We've worked for some other utilities in Montana that buy from other	2 3 4 5	Q. Fairness. MR. CHYMKO: A. Fairness, yes. And the second would be in regard to a price signal. And, again, trying to get a price signal to the customer. BROWNE, Q.C.:
3 4 5	differs by every month and has both an on peak and off peak energy rate that differs by every month. So they're very sophisticated in sending the price signals to their wholesale customers. We've worked for some other utilities in Montana that buy from other sources that might have some hydro, not	2 3 4 5 6	 Q. Fairness. MR. CHYMKO: A. Fairness, yes. And the second would be in regard to a price signal. And, again, trying to get a price signal to the customer. BROWNE, Q.C.: Q. Why is it important to give the customer a
3 4 5 6 7	differs by every month and has both an on peak and off peak energy rate that differs by every month. So they're very sophisticated in sending the price signals to their wholesale customers. We've worked for some other utilities in Montana that buy from other sources that might have some hydro, not predominantly hydro. We've seen it quite a	2 3 4 5 6 7 8	Q. Fairness. MR. CHYMKO: A. Fairness, yes. And the second would be in regard to a price signal. And, again, trying to get a price signal to the customer. BROWNE, Q.C.: Q. Why is it important to give the customer a
33 44 55 66 77 88 99	differs by every month and has both an on peak and off peak energy rate that differs by every month. So they're very sophisticated in sending the price signals to their wholesale customers. We've worked for some other utilities in Montana that buy from other sources that might have some hydro, not predominantly hydro. We've seen it quite a	2 3 4 5 6 7 8	 Q. Fairness. MR. CHYMKO: A. Fairness, yes. And the second would be in regard to a price signal. And, again, trying to get a price signal to the customer. BROWNE, Q.C.: Q. Why is it important to give the customer a price signal? MR. CHYMKO: A. I think at the end of the day there's two
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22 33 4 55 66 77 88 91 10	differs by every month and has both an on peak and off peak energy rate that differs by every month. So they're very sophisticated in sending the price signals to their wholesale customers. We've worked for some other utilities in Montana that buy from other sources that might have some hydro, not predominantly hydro. We've seen it quite a bit in our work. BROWNE, Q.C.: Q. So in British Columbia, in Aquila's instance if Fortis were to carry through and acquire	2 3 4 5 6 7 8 9 10	 Q. Fairness. MR. CHYMKO: A. Fairness, yes. And the second would be in regard to a price signal. And, again, trying to get a price signal to the customer. BROWNE, Q.C.: Q. Why is it important to give the customer a price signal? MR. CHYMKO: A. I think at the end of the day there's two parts to the system. One is supply and planning for supply and the second is what's
22 33 42 55 66 77 88 99 10 111 122	differs by every month and has both an on peak and off peak energy rate that differs by every month. So they're very sophisticated in sending the price signals to their wholesale customers. We've worked for some other utilities in Montana that buy from other sources that might have some hydro, not predominantly hydro. We've seen it quite a bit in our work. BROWNE, Q.C.: Q. So in British Columbia, in Aquila's instance if Fortis were to carry through and acquire that company, that company has a demand energy	2 3 4 5 6 7 8 9 10 11	 Q. Fairness. MR. CHYMKO: A. Fairness, yes. And the second would be in regard to a price signal. And, again, trying to get a price signal to the customer. BROWNE, Q.C.: Q. Why is it important to give the customer a price signal? MR. CHYMKO: A. I think at the end of the day there's two parts to the system. One is supply and planning for supply and the second is what's the customer going to take at the end of the
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22 33 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 20 20 20 20 20 20 20 20 20 20 20 20	differs by every month and has both an on peak and off peak energy rate that differs by every month. So they're very sophisticated in sending the price signals to their wholesale customers. We've worked for some other utilities in Montana that buy from other sources that might have some hydro, not predominantly hydro. We've seen it quite a bit in our work. BROWNE, Q.C.: Q. So in British Columbia, in Aquila's instance if Fortis were to carry through and acquire that company, that company has a demand energy rate. MS. TABONE: A. Yes, it does. BROWNE, Q.C.: Q. In your view, why should a demand component be included in a wholesale rate? What would the reason for it be?	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	 Q. Fairness. MR. CHYMKO: A. Fairness, yes. And the second would be in regard to a price signal. And, again, trying to get a price signal to the customer. BROWNE, Q.C.: Q. Why is it important to give the customer a price signal? MR. CHYMKO: A. I think at the end of the day there's two parts to the system. One is supply and planning for supply and the second is what's the customer going to take at the end of the day. And if you want to move towards better resource management, conservation, energy management, the customer has to be receiving a signal that matches the supply side. BROWNE, Q.C.: Q. Hydro has other customers, Newfoundland Power is not its only customer. The fact that there
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A. Yes, that's what I believe to be the equity

25 BROWNE, Q.C.:

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	Page 57	Page 58
1 MR. CHYMKO:	1	or whatever, it's deferring the next
2 issue. If I can use the terminology that	2	generation cost which is the efficiency issue.
3 Hydro is really selling to two DISCOS, one	3 ((10:15 a.m.)
4 being the remaining customers other than the	4 1	BROWNE, Q.C.:
5 other DISCO, being Newfoundland Power.	5	Q. So the fact that whether or not Hydro forecast
6 BROWNE, Q.C.:	6	a need for additional capacity in the near
7 Q. In terms of the primary reason for including a	7	future, that is not really the issue?
8 demand component in the rate to reflect cost	8 1	MS. TABONE:
9 that power imposes on the system, is the	9	A. It's not the only issue, it is an issue to
primary reason to reflect cost rather than to	10	consider.
promote demand energy, demand management	or 11 I	BROWNE, Q.C.:
are both these reasons?	12	Q. Should a demand energy rate be introduced
13 MR. CHYMKO:	13	regardless of whether or not Hydro has
14 A. I would say it's for both reasons.	14	undertaken a marginal cost study?
15 MS. TABONE:	15 I	MR. CHYMKO:
16 A. What it really is, again, looking at embedded	16	A. Yes, again, we believe that in 2004 strides
17 cost, that's the equity issue and trying to	17	should be taken to put in place a
look at the fairness between customers, and	18	conservative, what we call a conservative
again, if you have a rate that is set now for	19	demand energy rate, until we can get through
one test year and then the shape changes	20	and we would recommend an integrated resource
between the two DISCOs so to speak, then	21	plan process and then a marginal study.
there's an equity problem. But then also it's	22 1	BROWNE, Q.C.:
not just, you know, demand side measurements	, 23	Q. So you see it in the steps first put in the
24 it's trying to defer costs in the future.	24	demand energy rate and what would your second
25 Whether you do that by demand side managem	ent 25	step be?
	Page 59	Page 60
1 MR. CHYMKO:	1	and react to some of the price signals. So
2 A. The first step would be put in an initial	2	even though if we put a rate out tomorrow,
demand energy rate. We would try and	be 3	people aren't going to react over night.
4 conservative. The second step would b	е 4 і	BROWNE, Q.C.:
5 looking at an integrated resource plan. An	nd 5	Q. When you say customers, do you mean the
6 the third step would then be following thro	ugh 6	ultimate end-user?
7 with a marginal study. And then the fourt	th 7 1	MR. CHYMKO:
8 step is then coming back and tweaking the	he 8	A. I'm assuming the end customer, that's right.
9 demand energy rate.	9 1	BROWNE, Q.C.:
10 BROWNE, Q.C.:	10	Q. Well, what options are available to
Q. And the demand energy rate, how often wo	ould it 11	Newfoundland Power to pass such a signal on to
have to be tweaked, in your view?	12	its customers?
13 MR. CHYMKO:	13 M	MR. CHYMKO:
14 A. Well, again, it's going to depend on how or	ften 14	A. There's two groups of customers, one being
the costs are changing and where we star	t. 15	their own DISCO customers, if I can use that
And that's the concern we have. If we star	rt 16	term. And, again when it comes to the small
at \$7.00, perhaps that might be high if Hyd	ro 17	residential, very tough to put in place a
1		demand energy because of the cost of metering
will not have a rate review for a period of		demand energy because of the cost of metering
will not have a rate review for a period of time. Perhaps there won't be an opportunity		and those types of things. When we come to
1	ity 19	
time. Perhaps there won't be an opportunit	ity 19	and those types of things. When we come to
time. Perhaps there won't be an opportunit to update and see where we are to ensure the	19 anat 20 21	and those types of things. When we come to the larger customer such as Hydro or Power,
time. Perhaps there won't be an opportunit to update and see where we are to ensure the the customers are getting the right signal.	ity 19 20 21 et a 22	and those types of things. When we come to the larger customer such as Hydro or Power, Newfoundland Power, we would suggest that they
time. Perhaps there won't be an opportunity to update and see where we are to ensure the the customers are getting the right signal. And we would hate to see the customer getting the right signal.	ity 19 20 21 et a 22	and those types of things. When we come to the larger customer such as Hydro or Power, Newfoundland Power, we would suggest that they have some opportunities toand we don't know
time. Perhaps there won't be an opportunity to update and see where we are to ensure the the customers are getting the right signal. And we would hate to see the customer gets signal and then we change it just when they	ity 19 nat 20 21 et a 22 y're 23 24	and those types of things. When we come to the larger customer such as Hydro or Power, Newfoundland Power, we would suggest that they have some opportunities toand we don't know how they might react to a demand energy rate

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	Page 61		Page 62
1	MR. CHYMKO:	1	demand related costs are incurred, you know,
2	form, not this form.	2	in theusually the winter months and the
3	MS. TABONE:	3	jurisdictions we work in. Sometimes it's
4	A. And I think you could do it both in rate	4	summer.
5	designyou could do rate design for the non-	5	BROWNE, Q.C.:
6	demand metered customers, like for those	6	Q. You mentioned Aquila before. Do they have
7	having a seasonal rate or something that would	7	seasonal rates, do you know?
8	be easier to implement, but you could also	8	MR. CHYMKO:
9	look at whether it was cost effective to spend	9	A. No, I don't know.
10	money on demand management programs where the	10	BROWNE, Q.C.:
11	utility may itself undertake to pay for	11	Q. Is it fair to saywe've been discussing this
12	facilities or measures that would reduce	12	demand energy issue here in this province.
13	customer loads. So it's not just the pricing	13	According to the evidence I think it began in
14		14	1989 and here we are 15 years later. In your
15	Newfoundland Power can do some of its own	15	opinion, is it fair to say that because this
16	activity if it's cost effective.	16	3 2 3
17	BROWNE, Q.C.:	17	rate, that electricity customers in this
18	Q. So, in jurisdictions within your experience	18	1
19	where they have a demand energy rate, are	19	for reducing their bills and indeed, the
20	seasonal rates common?	20	* *
21	MS. TABONE:	21	lost out on opportunities here.
22	A. Seasonal rates are very common. Both because	22	MR. CHYMKO:
23	of seasonal differences on energy only type	23	
24	crisis like cost of fuel, but also to reflect	24	1 1 1
25	the fact your peaking facilities or your	25	receiving the price signal in regard to making
	Page 63		Page 64
1	the best economic decisions. And again, we	1	say you took the demand energy rate on the
2		2	
3	instance, in regard to electric heat.	3	seasonal rate, it may change the pricing
4	MS. TABONE:	4	decision as to how much it cost to put in base
5	A. And, also, you know, in the work we've done on	5	load electric heat versus fuel oil heat, yes,
6		6	I'm not sure if people put in heat pumps out
7	we often see discussion of a lost opportunity	7	here, but you know, other sources may change
8	when there are new homes built, new businesses	8	the economics of that and may make a different
9	put in. Once you decide on a fuel choice or	9	decision.
10	T. I	10	BROWNE, Q.C.:
11	type of lighting in the commercial business,	11	Q. On page 3 of lines 22 to 28 of Mr. Banfield's
12	you've made the capital investment. You're	12	pre-filed evidence, can we go to that, Mr.
13	not going to go whip it out a year later.	13	O'Reilly, please. Okay, lines 22 to 28, he
14	It's always easier to make those changes when	14	states that "An energy and demand structure be
15	a new facility or a new home is being built.	15	implemented once a number of important issues
16	BROWNE, Q.C.:	16	are resolved, including the degree of risk to
17	Q. So, how would those choices tie in with the	17	be assumed by Hydro and appropriate weather
18	introduction into the jurisdiction of demand	18	normalization methodology, the treatment of
19	energy rate, can you expand upon that	19	Newfoundland Power generation and appropriate
20	somewhat? What is the connector here?	20	costing and building determinants." And can
21	MS. TABONE:	21	solutions, in your opinion, be found for all
22	A. Again, on some of the larger customers, they	22	of these issues in time for implementation of
23	already have a demand energy rate so maybe	23	a demand energy rate. Should we resolve these
24	they've got the right pricing though again we	24	issues and then introduce a demand energy rate
25	haven't studied that. For residential, let's	25	or in your view, can these issues that he

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1	BROWNE, Q.C.:	1	A. A demand energy rate could be implemented,
2		2	yes.
3	to introduce a demand energy rate by April 1	3	BROWNE, Q.C.:
4	or May 1 of 2004, can thea lot of these	4	Q. In reference to thea comparison of the
5		5	energy only rate and the sample rate, Mr.
6	MR. CHYMKO:	6	Brockman in his evidence givesusing what he
7	A. I believe that's the issues that we've got	7	calls principles of good rate design, makes
8	before the Board in regard to trying to do the	8	some conclusions about the benefits of the
9	balance between what might be the volatility	9	energy only rate, versus the sample rate or
10		10	the demand energy rate. Can we just go to
11	there's some volatility, how might that be	11	those, please? You'll find them on the
12	•	12	evidence of September 2, 2003 in the summary.
13		13	Okay, you have it there. Okay, I'm just going
14		14	to go down through some of these bullets
15	Board, is to be balancing some of these	15	because I'd like your opinions on them. And
16		16	Mr. Brockman says, "After reviewing the energy
17	introduction is I believe that we've got	17	only rate compared to the sample rate using
18	enough information that if we're conservative,	18	generally accepted principles of good rate
19		19	design, I make the following conclusions.
20		20	One, the energy only rate is superior to the
l	BROWNE, Q.C.:	21	sample rate in collecting revenue requirements
22	Q. So it's your view that in 2004, if this Board	22	for a fair return." Do you have any comments
23	is willing, that a demand energy rate could be	23	on that, is that your conclusion?
24			MR. CHYMKO:
25	MR. CHYMKO:	25	A. We believe that the design of a demand energy
	Page 67		Page 68
1	rate, with some protection, through ratchets,	1	of revenue and what's required, perhaps some
2		2	of that adjustment is handled. And we believe
3	normalization, I'm not sure, at the end of the	3	in a lot of jurisdictions, that is handled
4	day, that the energy rate would be better.	4	through the financial side or through the
5	BROWNE, Q.C.:	5	issue of Rate of Return.
6		6	BROWNE, Q.C.:
7		7	Q. So this volatility issue that's been raised by
8		8	Newfoundland Power as one of the reasons that
9	Newfoundland Power. Is that a factor that	9	they are having difficulty with the demand
10	should be considered or is that your opinion?	10	energy rate, that's not unique to this
11	MR. CHYMKO:	11	jurisdiction?
ı	A. No matter what rate that you have, you want to	12	MR CHYMKO:

A. No matter what rate that you have, you want to 12 13 attempt to recover your revenue requirement. 14 BROWNE, Q.C.:

Q. So all these jurisdictions out there with 15 demand energy rates, they are able to recover 16 17 their revenue. I guess a lot of those are publicly listed companies, are they? 18 19 MR. CHYMKO:

20 A. Yes, again you put your--you have--you set your revenue requirement and you establish a 21 22 set of rates around that and again, depending 23 on the volatility in your jurisdiction, those-24 -that type of volatility or what might fall 25 out of the difference between the collection

12 MR. CHYMKO: 13 A. No, it's not. 14 BROWNE, Q.C.: Q. And other jurisdictions and other companies 15 learn to cope with it and to deal with it, in 16 17 your opinion? 18 MR. CHYMKO: 19 A. They face similar issues. 20 BROWNE, O.C.: O. The next bullet he's -21 22 MR. CHYMKO: A. If I might add, I think a lot of utilities are 23 24 seeing, perhaps a bit more volatility. I 25 think that's the utility business and with

	The state of the s
Page 69	Page 70
1 MR. CHYMKO:	are at play there which are not particular to
2 pressures from regulators, people wanting to	2 this jurisdiction because we're on an island
do things differently, I think you're starting	3 and relatively sheltered from -
4 to see more volatility for utilities on a go-	4 MR. CHYMKO:
5 forward basis.	5 A. And you still got integrated, fully regulated
6 BROWNE, Q.C.:	6 utilities.
7 Q. And I guess if you look into certain areas of-	7 BROWNE, Q.C.:
8 -into the United States, there are competitive	8 Q. So anywhere, I guess the volatility would be
9 forces there that are really not at play here,	9 more there, than probably what is going to be
aren't there?	experienced here, in your view?
11 MR. CHYMKO:	11 MR. CHYMKO:
12 A. Well, in Alberta, as an example, our	12 A. But there are some regulated utilities that
generation market is wide open. We do not	are getting pushed, I would say to, because of
have any regulated generation at all.	market conditions, are facing more and more
Transmission and distribution is regulated and	15 volatility.
we've had to work through that process of now	16 BROWNE, Q.C.:
how to get some stability back for the	Q. The third bullet that Mr. Brockman cites is a
customer and trying to get the customer on	demand energy rate, fairly apportions cost
board that, yes, we better go back and sign	between Hydro's Industrial customers, but is
some contracts. We shouldn't be sitting and	20 not needed for Newfoundland Power since it is
taking a spot price all the time. But again,	the only customer in its class. Is that a
22 that's a change in market that's happening out	good reason for not implementing a demand
23 there.	energy rate or what are your views on that?
24 BROWNE, Q.C.:	24 MR. CHYMKO:
25 Q. So market force isdifferent market forces	25 A. We believe the demand energy rate is required
Page 71	Page 72
to ensure that there is equity or fairness	1 rate in promoting energy efficiency. And
to ensure that there is equity or fairness between the Newfoundland Power DISCO and	rate in promoting energy efficiency. And inappropriate emphasis and demand charges and
to ensure that there is equity or fairness between the Newfoundland Power DISCO and Newfoundland Hydro DISCO, the remaining	rate in promoting energy efficiency. And inappropriate emphasis and demand charges and the sample rate design contributes to
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1 MS. TABONE:		1	costs. You'll sometimes use marginal cost to
2 when you'	re using marginal cost, generally	2	maybe split out demand versus energy or time
3 marginal c	ost is higher than embedded cost on	3	of use rates between energy blocks, things
4 an overall	basis. And so, you have toif you	4	like that; but you can't drive, you know, the
5 design a n	narginal cost rate, there's some	5	entire rate on a marginal cost basis if you're
6 point at w	hich they have to be reduced to	6	working on embedded costs.
7 match emb	edded costs. So you can't have a	7	Of course, if you're a power marketer,
8 marginal c	ost signal on both energy and a	8	your price may be fully based on your margin
9 marginal c	ost signal on demand and still match	9	cost plus something because you're just going
10 embedded	costs without overcharging, you know,	10	to go in and buy some power, you're going to
11 at least in t	he case where marginal costs are	11	build a new resource, you're going to pass on
12 higher than	embedded costs.	12	that cost with some profit to the next guy.
13 So agair	, this idea of, you know, they	13	You're not going to roll in all of your
14 want energ	gy efficiency, you know, on the	14	cheaper resources.
15 energy side	e, is ignoring the marginal cost of	15 BR	ROWNE, Q.C.:
demands.		16	Q. And the next bullet he uses, it states, "The
17 BROWNE, Q.C.:		17	energy only rate allows Hydro and Newfoundland
18 Q. You menti	oned marginal costs and given the	18	Power to optimize the use of their hydraulic
19 competing	objectives, I guess and rate design,	19	and thermal generation resources. The
20 is it comm	on to reflect marginal demand costs	20	proposed sample rate would send and
21 in rate desi	gn?	21	inappropriate pricing signal that would
22 MS. TABONE:		22	encourage Newfoundland Power to modify its
23 A. I mean, ju	st as common as it is to reflect	23	hydraulic storage patterns to reduce cost.
24 marginal c	osts in energy rate design, usually	24	Newfoundland Power indicates that the storage
25 rates are de	esigned on the basis of embedded	25	modification would increase the likelihood of
	Page 75		Page 76
1 spillage an	d result in less than optimal use	1	the utilities, but that moved into basically
	on resources." Can you give us	2	one organization being responsible for
3 your opinio	• •	3	economic dispatch, and going forward with the
4 MR. CHYMKO:		4	utilization of facilities, there are
5 A. Again, tha	t perhaps is a possibility, but I	5	penalties, performance penalties to look after
	e've heard, we're operating under	6	that. So as you move -
	Act in the province of utilization	7 BF	ROWNE, Q.C.:
	resources. And perhaps what you	8	Q. When you refer to penalties, can you expand
	in the sample rate or in a rate	9	upon that?
	to control the generation credit so		R. CHYMKO:
_	not give a generation credit if	11	A. Basically if you're saying that you have to
· · · · · · · · · · · · · · · · · · ·	e is not available. So perhaps	12	produce a certain amount or a certain amount
	o be some type of notification	13	over a period of time, and you're not
	veen the utilities and if that	14	available there to do it when you're
1 -	is not available for these times,	15	requested, not only do you not get paid, but
1	get the full generation credit.	16	you get to be paying a penalty as well.
17 BROWNE, Q.C.:			ROWNE, Q.C.:
	t be common within your experience in	18	Q. What kind of penalty?
	ntrol that factor? Can you cite		R. CHYMKO:
	do in other jurisdictions, either of	20	A. A performance penalty.
21 you?	•	21 BF	ROWNE, Q.C.:
22 MR. CHYMKO:		22	Q. And that would be imposed by the regulator?
	-I know in Alberta that certainly we		R. CHYMKO:
	mic dispatch. Initially it was	24	A. Right now we sort of moved our regulated
	and there was coordination between	25	generation into commercial light contracts, so

Page 77 Page 78 Q. But the way they will react if the Board 1 MR. CHYMKO: implements a demand energy charge, that's it would be in a commercial contract, but I 2 within their bailiwick? would say it's very close to the old regulated 3 3 world for generation. 4 MR. CHYMKO: 4 5 BROWNE, Q.C.: A. That's exactly, different form. 5 Q. So this factor that's cited here is something 6 BROWNE, Q.C.: 7 that has been addressed in other Q. The bullet on the next page, the top of it, says, "There is no evidence to support jurisdictions, basically? 8 8 additional cost effected demand management on 9 MR. CHYMKO: 10 A. Yes. 10 Newfoundland Power's system. The available evidence indicates that demand management 11 BROWNE, Q.C.: 11 Q. The next bullet, "Newfoundland Power's current would have little effect on Hydro's future 12 12 rate design recently reflect the Island generation plans." Any comments on that? 13 13 Interconnected System of cost of demand and 14 14 MR. CHYMKO: energy and the sample rate will not change 15 15 A. I think this is the heart of the integrated Newfoundland Power's rate designs." Any 16 16 resource plan, going back, I guess we've heard in the proceedings that there has been some comments on that? 17 17 work done on the supply side with the Granite 18 MR. CHYMKO: 18 study in regard to maybe knowing where we A. Well, it reflects--I would just say that we're 19 not sure what Newfoundland Power might do and might be going with the supply cost, but 20 20 yes, their costs do reflect the demand and certainly we haven't heard that there's been 21 21 energy cost to Newfoundland Power because they anything that's been brought before this Board 22 22 in regard to Demand Side Management or the are clawing back or collecting the revenue 23 23 that needs to be collected. demand component, so I think it has to be 24 24 studied and at the end of the day, that might 25 BROWNE, Q.C.: 25 Page 79 Page 80 be true, but we haven't seen the evidence, so at Holyrood, which is effectively what the 1 1 it's just a rate is doing, but that's really not giving 2 2 3 BROWNE, Q.C.: 3 them any benefit of the existing Hydro system, Q. They say next that, "The sample rate will for example. So I think it really is two 4 encourage Newfoundland Power to spend up to 5 different things. It's short-term versus \$84.00 per kilowatt to reduce peak demand when long-term. 6 6 Hydro's provided evidence that \$28.20 per 7 7 BROWNE, Q.C.: kilowatt is too much to pay for peak demand Q. The next one they say, I guess this is a bit 8 9 reduction to Interruptible rates, any comment 9 repetitive, "The energy only rate creates a more stable revenue stream for both Hydro and 10 10 11 A. Well I guess that's where we're trying to 11 Newfoundland Power than the sample rate. The introduce maybe we don't go to the \$84.00 energy only rate, therefore, avoids the cost 12 12 initially, that maybe there's some common of dealing with additional revenue volatility. 13 13 ground in the \$4.00 range. So again, you've There are no benefits to customers of imposing 14 14 got your \$4.00 range versus the, you know, additional revenue volatility on Newfoundland 15 15 \$48.00 versus the \$28.00. I'm not sure what Power." You've addressed the issue of 16 16 volatility and other jurisdictions, in your 17 more I could add on that. 17 opinion, deal with that? 18 MS. TABONE: 18 19 A. Well I think the other issue is that the 19 MR. CHYMKO: Interruptible B rate is being discontinued A. That's correct, and again, depending on the 20 20 because it's not needed right now. The demand demand energy rate that's put in around 21 21 energy rate, everybody's talked about it, protection of, perhaps leaving in the weather 22 22 should be based on a long-run marginal cost normalization for a period of time, the 23 23 and if you base it on a short-run marginal ratcheting, perhaps it won't be any more 24 24

25

volatile than what the energy only rate is.

25

cost, you'd probably charge them only for fuel

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1	BROWNE, Q.C.:	1		years. But at the end of the day and I think
2	Q. And this volatility that they're referring to,	2		we go well into 2004 before some 2000 and 2001
3	I guess it would be volatility for their	3		costs are collected, but basically at the end
4	shareholder, but is the volatility they're	4		of the day, they're all collected from the
5	referring to down to the end-user, the	5		customer.
6	customer and how do customers cope within your	6	BRO	WNE, Q.C.:
7	experience, if there is such volatility?	7	Q	. And in terms of volatility in reference to the
8	MR. CHYMKO:	8		customer right into people's homes, and I
9	A. Well, again, I guess going through to the end-	9		guess this ties in with the next one that they
10	customer, we've got the RSP that adjusts and	10		say, "Both the sample rate and the energy only
11	flows through to customers and there is some	11		rate are understandable for a large customer
12	stability around the impact on customers. I'm	12		such as Newfoundland Power. However, the
13	not sure at times they might be getting the	13		energy only rate is more practical to
14	right price signal soon enough to be able to	14		administer because it is less complicated."
15	react or do something different, but there is	15		From the end-user perspective, what are your
16	some protection only from levelizing or a rate	16		comments on that in reference to other
17	stability point of view. In other	17		jurisdictions?
18	jurisdictions, I can use the example in	18	MR.	СНҮМКО:
19	Alberta, we opened up the market, things	19	A	. Well I think the end-user at the end of the
20	didn't go very well. Government put in a	20		day really doesn't see the wholesale rate.
21	price cap in an unregulated market and then we	21		What they're going to see at the end of the
22	ended up having a significant amount of	22		day will be the retail rates, and again, that
23		23		comes down to a lot of customers metering as
24	, &	24		in place and a lot of places today for demand
25	oops, you can't collect that for a couple of	25		energy. As you move up, the bigger customer's
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1	understanding, how they're taking power, are	1		that rate reviews and changes in conditions,
2	managing, so I'm not sure if there's much more	2		whether it's on the supply side or on the
3	of a price signal or a metering impact type of	3		demand side.
4	billing impact that would be going to	4	BRO	WNE, Q.C.:
5	customers or different customers. I think	5	Q	. Thank you, that concludes my cross-
6	what we're talking about here is what's the	6		examination.
7	price signal that's built into those terms.	7	CHA	IRMAN:
8	BROWNE, Q.C.:	8	Q	. Thank you, Mr. Browne, thank you Ms. Tabone,
9	Q. Okay, just in summary two questions, do you	9		Mr. Chymko. Good morning, Mr. Kelly.
10	recommend that this Board direct Hydro to	10	(10:4	45 a.m.)
11	implement a demand energy rate following this	11	KELI	LY, Q.C.:
12	particular hearing?	12	Q	. Good morning, Chair. Good morning panel.
13	MR. CHYMKO:	13		Since we're on the demand energy rate issue,
14		14		let's stay with that one for the time being.
15	•	15		We talk about the energy only rate and a
16	6 66	16		demand energy rate sometimes as if they're two
17	•	17		distinct things, but really what we're talking
18	BROWNE, Q.C.:	18		about here is where should there bewhat
19	-	19		level of demand charge should there be?
20	<i>E3</i>	20		Should it be zero at one end of the scale or
21	3	21		some other number along the scale, is that
22	•	22		essentially correct?
23				СНҮМКО:
1	MR. CHYMKO:	24		. That's right, we're breaking down, I guess the
25	A. Yes, I think that's mandatory going forward	25		product, you're receiving two products, one is

Page 85 1 MR. CHYMKO: 2 on the demand side and one is on the energy, 3 and yes, there will be a range, depending on 4 what rate we are. 5 KELLY, Q.C.: 5 KELLY, Q.C.: 4 CLLY, Q.C.: 9 A.YCS. 10 KELLY, Q.C.: 9 A.YCS. 10 KELLY, Q.C.: 9 A.YCS. 10 KELLY, Q.C.: 10 NM. CHYMKO: 12 Compromise rate, you took the embedded cost of 3 transmission and added to that the now 14 discontinued Interruptible B rate, is that 15 ms. 4 Mm. CHYMKO: 15 A. That was one of the options that we looked at a law before us and 2 again the Interruptible, and we came to a 21 number similar to that. So we sort of looked 2 at 1 it from two ways. We don't want to be 24 only way to do it, but we felt comfortable 2 taking the transmission component from the 2 Marginal Cost Study is not something that 3 should be done. 5 MR. CHYMKO: 10 A. I guess it will balance the need-first of all, we Il look at the demand side and then we will be 3 able to determine pricing signals that bring 14 forward most efficient use of resources. 15 KEILY, Q.C.: 16 Q. So if we're going to have the most efficient use of resources, if we want our rates to establish efficiency, then we really need to do that Marginal Cost Study, would you agree with that? 2 Mm. CHYMKO: 2 A. We'll, I guess it's how far you go with it and how far you have to tweak it at the end of the 24 day. We believe that there needs to be at least a resource plan done to balance that, 25 least a resource plan done to balance that, 25 least a resource plan done to balance that, 25 least a resource plan done to balance that, 25 least a resource plan done to balance that, 25 least a resource plan done to balance that, 25 least a resource plan done to balance that, 25 least a resource plan done to balance that, 25 least a resource plan done to a line we'll be a cast blish efficiency, then we really need to do that Marginal Cost Study, would you agree with that? 21 least a resource plan done to balance that, 25 least a resource plan done to balance that, 25 least a resource plan done to balance that, 25 least	November 19, 2003 Mult	i-Page "NL Hydro's 2003 General Rate Application
2 on the demand side and one is on the energy, 3 and yes, there will be a range, depending on 4 what rate we are. 5 KEILLY, Q.C: 8 MR, CHYMKO: 9 A, Yes. 10 KEILY, Q.C: 11 Q, Now, as I understand what you did in your 12 compromise rate, you took the embedded cost of 13 transmission and added to that the now 15 discontinued Interruptible B rate, is that 16 sessentially correct? 17 A. That was one of the options that we looked at. 18 We also looked at just taking the total amount 19 in the sample rate that was put befrore us and 20 again the Interruptible, and we came to a 21 number similar to that. So we sort of looked 22 at it from two ways. We don't want to be 23 locked in and say that, you know, this is the 24 only way to do it, but we felt comfortable 25 taking the transmission component from the 26 and way to do it, but we felt comfortable 27 taking the transmission component from the 28 MR, CHYMKO: 29 A, Yes. 10 KELLY, Q.C: 11 A, That was one of the options that we looked at. 12 Interruptible value at zero, they haven't 13 agreed to extend it? 14 MR, CHYMKO: 15 A, That's true, 16 KELLY, Q.C: 17 Q, Did you factor that into your thinking? 18 MR, CHYMKO: 21 A (HYMKO: 22 A) We also looked at an embedded cost for the 23 transmission and you looked at this 24 bydro? 25 MR, CHYMKO: 26 A, We would agree with that. 27 KELLY, Q.C: 28 Q, Could you explain why? In summary answer. 29 MR, CHYMKO: 29 A Yes. 21 KELLY, Q.C: 20 A (We live we felt comfortable 21 correctly, you don't—you're not saying that a 22 were well agree with that. 23 KELLY, Q.C: 34 and then from there into the marginal, is that 25 we live the debate over what are the right 36 numbers that are coming out of that. 37 KELLY, Q.C: 38 MR, CHYMKO: 39 A Yes. 30 KELLY, Q.C: 40 Did you factor that into your thinking? 41 MR, CHYMKO: 42 A gain we considered that and again, we're 43 which is now, this is the 44 that into your thinking? 45 A That's true. 46 KELLY, Q.C: 47 Q, Did you factor that into your thinking? 48 MR, CHYMKO: 49 A Yes. 40 A gain or considered tha	Page 85	Page 86
3 and yes, there will be a range, depending on what rate we are. 4 what rate we are. 5 KELLY, QC: 6 Q. So what we're talking about is a discontinuum as to possible options? 8 MR_CHYMKO: 9 A. Yes. 10 KELLY, QC: 11 Q. Now, as I understand what you did in your considerable transmission and added to that the now discontinued Interruptible B rate, is that essentially correct? 13 transmission and added to that the now discontinued Interruptible B rate, is that essentially correct? 14 discontinued Interruptible B rate, is that essentially correct? 15 MR_CHYMKO: 16 MR_CHYMKO: 17 A. That was one of the options that we looked at. 18 We also looked at just taking the total amount in the sample rate that was put before us and again the Interruptible, and we came to a gain the Interruptible, and we came to a 21 number similar to that. So we sort of looked 22 at it from two ways. We don't want to be 23 locked in and say that, you know, this is the 24 only way to do it, but we felt comfortable taking the transmission component from the 25 may be a saying is that it should be done. 5 MR_CHYMKO: 1 Correctly, you don't-you're not saying that a 2 Marginal Cost Study is not something that 3 should be done? In fact, what I hear you 4 saying is that if should be done. 5 MR_CHYMKO: 1 A I guess it will balance the need—first of all all, we'll look at the need for supply, we'll a look at the demand side and then we will be 3 able to determine pricing signals that bring 14 forward most efficient use of resources. 15 KELLY, Q.C.: 2 A Well, I guess it was not our rates to 6 of the many fail at the through of the many fail at the fail and then we will be 3 able to determine pricing signals that bring 14 forward most efficient use of resources. 15 KELLY, Q.C.: 2 A Well, I guess it was not our age to the fail of the f	1 MR. CHYMKO:	1 embedded and then adding that.
4 transmission and you looked at this 5 KELLY Q.C: 6 Q. So what we're talking about is a discontinuum 7 as to possible options? 8 MK. CHYMKO: 9 A. Yes. 10 KELLY, Q.C: 11 Q. Now, as I understand what you did in your 12 compromise rate, you took the embedded cost of 13 transmission and added to that the now 14 discontinued Interruptible and the now 15 discontinued Interruptible B rate, is that 15 essentially correct? 16 MR. CHYMKO: 17 A. That was one of the options that we looked at. 18 We also looked at just taking the total amount 19 in the sample rate that was put before us and 20 again the Interruptible, and we came to a 21 number similar to that. So we sort of looked 22 at it from two ways. We don't want to be 23 looked in and say that, you know, this is the 24 only way to do it, but we felt comfortable 25 taking the transmission component from the 26 taking the transmission component from the 27 Marginal Cost Study is not something that 28 Marginal Cost Study is not something that 29 Sort CHYMKO: 10 A. I guess it will balance the need—first of 11 all, we'll look at the demand side and then we will be 13 able to determine pricing signals that bring 14 forward most efficient use of resources. 15 KELLY, Q.C: 16 KELLY, Q.C: 17 Q. Okay, now, that's kind of where I wanted to go next. You seemed—if I understand you 25 cold answer the question by addressing long- 16 Q. So if we're going to have the most efficient 17 use of resources, if we want our rates to 18 KELLY, Q.C: 20 Q. Okay in the transmission and you looked in marginal costs tell us and may to low it is being discontinued by 19 A. Yes. 10 A. Well I guess it we'll have the debate over what are the right 10 Q. So if we're going to have the most efficient 17 use of resources, if we want our rates to 18 KELLY, Q.C: 20 Q. Okay in the transmission and you looked in marginal costs tell us and may to low in the most efficient 21 use of resources, if we want our rates to 22 use of resources, if we want our rates to 23 looked in and say that, you're in the right of	2 on the demand side and one is on the energy,	2 KELLY, Q.C.:
5 KELLY, Q.C.	and yes, there will be a range, depending on	3 Q. So you looked at an embedded cost for the
6 So what we're talking about is a discontinuum 7 as to possible options? 8 MR. CHYMKO: 9 A. Yes. 11 Q. Now, as I understand what you did in your 12 compromise rate, you took the embedded cost of 13 transmission and added to that the now 14 discontinued Interruptible B rate, is that 15 csesntially correct? 16 MR. CHYMKO: 17 A. That was one of the options that we looked at. 18 We also looked at just taking the total amount 19 in the sample rate that was put before us and 20 again the Interruptible, and we came to a 21 number similar to that. So we sort of looked 22 at it from two ways. We don't want to be 23 looked in and say that, you know, this is the 24 only way to do it, but we felt comfortable 25 looked in and say that, you know, this is the 24 only way to do it, but we felt comfortable 25 looked in and say that, you know, this is the 24 only way to do it, but we felt comfortable 25 looked in and say that, you know, this is the 26 looked in and say that, you know, this is the 27 correctly, you don't—you're not saying that a 2 Marginal Cost Study is not something that a 3 should be done? In fact, what I bear you 4 saying is that it should be done. 15 MR. CHYMKO: 6 A. We would agree with that. 7 KELLY, Q.C.: 9 Q. Okay, now, that's kind of where I wanted to go next. You seemed—if I understand you were the right numbers that are coming out of that. 5 KELLY, Q.C.: 9 Q. What do marginal costs tell us and maybe you could answer the question by addressing long-term costs? 15 KELLY, Q.C.: 9 Q. So if we're going to have the most efficient use of resources. 16 KELLY, Q.C.: 17 Q. Did you factor that into your thinking? 18 A. Again we considered that and again, we're thinking of where we might get to with a 21 Marginal Cost Study is not something that a 22 Marginal Cost Study and looking on a longer-term basis. Short-term basis is and then from there into the marginal, is that very quick, is it very detailed, and again, we're 19 Q. Okay, now, that's kind of where I wanted to go ne	4 what rate we are.	4 transmission and you looked at this
7 A. That was one of the options that we looked at. 18 We also looked at just taking the total amount on the marginal to that. So we sort of looked at at if from two ways. We don't want to be a blocked in and say that, you know, this is the only way to do it, but we felt comfortable taking the transmission component from the saying its that it should be done? In fact, what I hear you a saying its that it should be done? In fact, what I hear you a saying its that it should be done. 19 MR. CHYMKO: 17 A. That was one of the options that we looked at. 18 We also looked at just taking the total amount on again the Interruptible, and we came to a 21 number similar to that. So we sort of looked 22 at it from two ways. We don't want to be 23 locked in and say that, you know, this is the only way to do it, but we felt comfortable 24 taking the transmission component from the 25 taken the transmission component from the 26 taking the transmission component from the 27 locked in and say that, you know, this is the 28 may be force us and 38 should be done? In fact, what I hear you 4 saying is that it should be done. 2 locked in and say that, you know, this is the 38 looked in and say that, you know, this is the 49 look at the demand side and then we will be 40 looked at the demand side and then we will be 40 look at the demand side and then we will be 40 look at the demand side and then we will be 40 look at the demand side and then we will be 40 look at the demand side and then we will be 40 look at the demand side and then we will be 40 look at the demand side and then we will be 40 look at the demand side and then we will be 40 look at the demand side and then we will be 40 look at the demand side and then we will be 40 look at the demand side and then we will be 40 looked at the demand side and then we will be 40 looked at the demand side and then we will be 40 looked at the demand side and then we will be 40 looked at the demand side and then we will be 40 looked at the demand side and then we will be 40 looked at th	5 KELLY, Q.C.:	5 Interruptible rate which is now, I take it
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1 KELLY, Q.C.:	1 MR. CHYMKO:
2 talking about energy, aren't we, correct?	2 A. We haven't done a detailed review of the
3 MR. CHYMKO:	3 rates.
4 A. Right, today we're talking of variable costs,	4 KELLY, Q.C.:
5 yes, okay.	5 Q. Now, your compromised number that you came up
6 KELLY, Q.C.:	6 with was \$4.25 a kilowatt for demand and
7 Q. And in the long run we're going to look at the	7 \$4.34, if I followed you correctly then for
8 long-run incremental costs of adding demand or	8 the cost of energy, correct?
9 energy?	9 MR. CHYMKO:
10 MR. CHYMKO:	10 A. That's true.
11 A. We would look at both of them.	11 KELLY, Q.C.:
12 KELLY, Q.C.:	12 Q. And on the demand side, I work that out to
Q. You would need to look at both of them. And	13 \$51.00 a year?
that would enable you then to set rates which,	14 MR. CHYMKO:
15 I take it you would want then translated	15 A. Sounds reasonable.
through to the end-use consumer?	16 KELLY, Q.C.:
17 Appropriately reflected to the end-use	17 Q. And if I understood your process correctly,
18 consumer?	that would be an amount that you would apply
19 MR. CHYMKO:	off of the annual peak, ordinarily, subject to
20 A. That's true.	20 how you ratchet down for a moment and leave
21 KELLY, Q.C.:	21 that aside, but off the peak for the year?
22 Q. Right. And I take it from your answers, that	22 MR. CHYMKO:
you haven't looked at NP's rate design to see	23 A. It would be a monthly calculation.
24 if there's anything that can be improved in	24 KELLY, Q.C.:
25 terms of efficiency in those?	25 Q. Right.
Page 91	Page 92
1 MR. CHYMKO:	1 essentially correct?
2 A. Based on the kilowatts of billing demand for	2 MR. CHYMKO:
3 that month.	3 A. I'm not sure it's to get rid of -
4 KELLY, Q.C.:	4 KELLY, Q.C.:
5 Q. Right, but in terms of where it wouldwe	5 Q. To take it off peak.
6 could look at this quickly at page 26, I think	6 MR. CHYMKO:
7 in your evidence and if you go down to lines	7 A. Which gets into demand side management, that's
8 33, the demand for the month and the highest,	8 right.
9 of course, would be in the winter, but at line	9 KELLY, Q.C.:
34 you have 90 percent of the previous highest	Q. So it would be worth our while to spend \$51.00
monthly billing demand for the past year,	to take it off peak, which, for example, works
12 correct?	out, if you could move a hundred megawatts, it
13 MR. CHYMKO:	would be 5.1 million dollars, a large sum of
14 A. Yes.	14 money.
15 KELLY, Q.C.:	15 MR. CHYMKO:
Q. So in essence, subject to the 90 percent	16 A. Right.
principle, we're working off the highest peak	17 KELLY, Q.C.:
18 for the year, correct?	Q. And you then say, well that's where we get
19 MR. CHYMKO:	into demand side management. Now, moving
20 A. Yes.	somethingmoving the demand purely off peak
21 KELLY, Q.C.:	is a pure demand issue, isn't it? In other
22 Q. Okay, now on that basis, that would be	words, we're not talking about an energy
worthwhile then for Newfoundland Power to	saving, just moving a peakto reduce the
spend up to \$51.00 a kilowatt if we could	peak, do you follow me?
somehow get rid of peak demand, is that	

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	Page 93 Page 94
1 MR. CHYMKO:	1 megawatts of water heaters throughout the
2 A. It depends if you've got a customer or	2 Province and I could put a switch on each one
3 customers that are shifting from a peak per	of them so we could turn it off at peak, and
4 to another peak period and they have to w	
5 their houses up or they have to run addition	nal 5 the peak period, I could turn off 75
6 production, at the end of the day, the energ	y megawatts, follow me? So those people would
7 might be the same.	7 still need to do the same amount of washing,
8 KELLY, Q.C.:	take the same amount of clothes, so I'm going
9 Q. It might be the same, all right. So what yo	
would like to know is what's the real value	5 857
that peak demandwhen we talk about er	
conservation, there's also a factor here of	
saving energy, isn't it, in other words, we	
have to look atdemand side management	
at demand, but there's also a question of	
16 energy conservation which is another issu	
isn't it?	to achieve that objective, correct? That
18 MR. CHYMKO:	18 would be the math.
19 A. Yeah, we would callwithin demand s	
20 management there's conversation and the	
21 basically energy management.	21 KELLY, Q.C.:
22 KELLY, Q.C.;	Q. Right, now, let me give you a second example,
Q. Okay, let me give you two theoretical exar	
24 and let me get you to comment on these, le 25 assume in example one that I have a 15	
assume in example one that I have a 15	
a conceinculation that would cave that wou	Page 95 Page 96 Page 96
super insulation that would savethat would make them 50 percent more energy efficient	_ · · · · · · · · · · · · · · · · · · ·
3 I would take something off of peak there, b	
4 I wouldn't save 75 megawatts because the	
5 still be on in the same old time sequence, b	
6 I would somehow save a little bit on peak,	
7 more importantly, I would save on energy	
8 wouldn't I? Would you agree with that fir	*
9 of all?	9 should spend money, on your proposal, you
10 MR. CHYMKO:	would give, theoretically, an incentive to
11 A. Under that scenario, yes.	spend up to \$51.00 per kilowatt to achieve the
12 KELLY, Q.C.:	first objective when maybe the second
13 Q. Right, which of those two programs are be	tter? 13 objective is better, but we don't really know,
14 MR. CHYMKO:	14 do we?
15 A. I guess it comes back to, from the longer to	erm 15 MR. CHYMKO:
resource point of view and resource planni	
what is going to be available at what cost t	
18 supply.	calling an integrated resource plan, so that
19 KELLY, Q.C.:	when we get to 2009 or 2010, if you back that
Q. Can I suggest to you that right now, we do	
have the information for you to be able to	
tell me which of those two would be better	
23 all? 24 MS. TABONE:	23 KELLY, Q.C.:
174 MS TARONE:	Q. So if Hydro already has system expansion plans

that can be looked at, your integrated

A. Well we do know that you're running out of

_	<u> </u>	_	Tr.
	Page 97		Page 98
1	KELLY, Q.C.:	1	MS. TABONE:
2	resource management, and we can do a Marginal	2	A. Well I think this goes back to the fact that
3	Cost Study and that process can be done	3	sometimes your marginal cost is more than your
4	relatively quickly, if we assume that for the	4	embedded cost.
5	moment, then we could get to the righta	5	KELLY, Q.C.:
6	better answer than simply your compromise,	6	Q. Well we know that the total cost in Hydro's
7		7	
8	MR. CHYMKO:	8	the actual embedded cost translated through
9	A. Well I guess what I mentioned earlier, we	9	would be somewhat above that, but at \$5.13
10		10	
11	supply side because my understanding is that	11	economic's point of view, it's not reasonable,
12		12	not efficient, not the usual practice to sell
13		13	below short-run marginal cost?
14			MS. TABONE:
15		15	A. I think it's also hard to consider an example
16		16	
1	KELLY, Q.C.:	17	contribution to the peak, so
18		l	KELLY, Q.C.:
1	•	19	Q. I understand that point, but would you also
19	• • •	l	<u> </u>
20		20	agree that you should not ordinarily sell
21	Holyrood the short-run marginal cost of	21	below short-run marginal cost of production?
22		l	MS. TABONE:
23	· · · · · · · · · · · · · · · · · · ·	23	A. Yeah, I think over the short run, I think I
24	•	24	would agree with that.
25	of producing that energy, in your view?	25	(11:00 a.m.)
	Page 99		Page 100
1	KELLY, Q.C.:	1	CHAIRMAN:
1 2	KELLY, Q.C.: Q. Over the short run you would agree with that.	1 2	CHAIRMAN: Q. Mr. Hearn, do you have any notion of how long
ı	KELLY, Q.C.: Q. Over the short run you would agree with that. Could you tell me on your proposal if you set	2 3	CHAIRMAN: Q. Mr. Hearn, do you have any notion of how long you might be?
2	KELLY, Q.C.: Q. Over the short run you would agree with that. Could you tell me on your proposal if you set the energy block at \$5.13, what would be your	2 3	CHAIRMAN: Q. Mr. Hearn, do you have any notion of how long you might be? HEARN, Q.C.:
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	Page 101		Page 102		
1	KELLY, Q.C.:	1	KELLY, Q.C.:		
2	to the marginal cost at Holyrood as \$5.13	2	Q. Which is based of what, your curtailable rate?		
3	instead of 5.13 cents, so with that	3	MR. CHYMKO:		
4	correction, which I assume you got, and my	4	A. No, the transmission component is out of the		
5	apologies for the error, did you have a chance	5	Embedded Cost of Study.		
6	over the break to look at the undertaking	6	KELLY, Q.C.:		
7	question?	7	Q. Oh, I see, \$1.82 plus a dollar?		
8	MR. CHYMKO:	8	MR. CHYMKO:		
9	A. Yes, we have. The monthly value per kilowatt	9	A. \$2.30 plus a dollar, and again, that's because		
10	ends up being just about a dollar.	10	we believe the transmission is based on		
11	KELLY, Q.C.:	11	embedded postage stamp.		
12	Q. About a dollar.	12	KELLY, Q.C.:		
13	MR. CHYMKO:	13	Q. And that's an embedded rate again?		
14	A. About a dollar and if I could just go on and	14	MR. CHYMKO:		
15	say in regard to the examples, we believe that	15	A. It is.		
16	the minimum again that you would get to in	16	KELLY, Q.C.:		
17	your water heater example, you wouldn't go all	17	Q. Right, now the reason I had you go through		
18	the way down because we believe that a minimum	18			
19	•	19	that when we're looking at the concept of a		
20	-	20	-		
21	believe that the transmission should continue	21	potential variation in terms of where one		
22	to be priced on an embedded postage stamp	22	•		
23		23	energy rate. And we've now canvassed		
24		24	everything from zero to a dollar to seven		
25		25	dollars, have we not?		
	Page 103		Page 104		
1	MR. CHYMKO:	1	systems.		
2	A. We've been there and I guess that was part of		MR. CHYMKO:		
3	my comments about ten consultants and ten	3	A. Again, we're putting a sample on the record,		
4	opinions.	4			
5	KELLY, Q.C.:	5	<u> </u>		
6		6			
7		7			
8		8			
9		9	structure and with the limited data that we		
10		10			
11	•	11	sample rate.		
12	· · · · · · · · · · · · · · · · · · ·	1	KELLY, Q.C.:		
1	MR. CHYMKO:	13	Q. Okay, so you haven't looked at the precise		
14		14			
15		15	all, I take it, in terms of its revenue?		
16		1	MR. CHYMKO:		
17		17	A. Well, I guess using the seven dollar example,		
18	-	18	-		
19	-	19	-		
20	-	20			

22

24

25

23 KELLY, Q.C.:

percent. So I haven't done a comparison over

to what the sample rate that was provided.

Q. Okay, have you looked at volatility in terms

of Newfoundland Power at all?

Q. Would a 90 percent floor on your proposal be

more volatility or less volatility for Hydro

than the 98 percent in Stone & Webster,

keeping in mind they're not the same two

21 KELLY, Q.C.:

22

23

24

25

	1-1 ag	· · · · · · · · · · · · · · · · · · ·
Page 105		Page 106
1 MR. CHYMKO:	1	likelihood, be more stable than just the
2 A. Again, we haven't gone through the detailed	2	energy.
3 calculation, we believe what we're putting	3 KF	ELLY, Q.C.:
4 forward as a sample or an example, and we	4	Q. My question is a little bit different,
5 believe that at the end of the day there needs	5	whatever ratchet mechanism you use, would it
6 to be a balance as to factors taken into	6	be fair to say that the lower the demand
7 account, is there increased volatility	7	charge is, the less volatility there is as
8 because, again, we have still incorporated	8	opposed to a high demand number, is that not
9 weather normalization and that needs to be	9	the case?
balanced with what happens on the financial	10 MI	R. CHYMKO:
11 side.	11	A. I guess depending on which way the volatility
12 KELLY, Q.C.:	12	is going. On a per unit basis, if it is
13 Q. Okay, at a high level, can I ask you this	13	demand that where the change is or the impact
14 question: if we take your mechanism for a	14	on the rate, yes, it will go up and down, but
second so that we got a common mechanism,	15	we haven't, I guess determined what's the
would it be true that the lower the demand	16	significant difference between the balance of
17 cost, the charge, the closer we are to zero,	17	the demand component and the energy component.
the less volatility would exist both for Hydro	18	So again, we're talking about shifting between
and Newfoundland Power and the higher up we go	19	rate structures, but if the volumes are the
in terms of a demand charge, the greater the	20	same, then the rate should be set properly,
21 volatility?	21	there would be no volatility.
22 MR. CHYMKO:		ELLY, Q.C.:
23 A. I guess at the end of the day without going	23	Q. Let me ask you this question, in terms of
24 through and running some scenarios, we believe	24	dealing with volatility issues that arise out
25 the demand with the ratchet would, in all	25	of a demand energy rate, do you have any
Page 107 1 particular views as to the type of mechanism	1	Page 108 Q. So you'd have to look at those issues as well.
particular views as to the type of mechanism that the Board should look at if a demand	2	Are you aware in this jurisdiction that
3 energy rate was implemented?	3	Newfoundland Power has a range with a cap in
4 MR. CHYMKO:	4	effect on the range of rate of return on rate
	4	effect off the range of fate of feturn off fate
I f A I guage rya'ra corung in the chart term until	_	base?
5 A. I guess we're saying in the short term, until	5 C M	base?
6 we get some experience, we believeleave the	6 M	IR. CHYMKO:
6 we get some experience, we believeleave the 7 weather normalization as a component so that	6 M	IR. CHYMKO: A. Yes.
we get some experience, we believeleave the weather normalization as a component so that when we're talking the billing demand, we	6 M 7 8 KI	IR. CHYMKO: A. Yes. ELLY, Q.C.:
we get some experience, we believeleave the weather normalization as a component so that when we're talking the billing demand, we would be using a normalized weather. And	6 M 7 8 KI 9	IR. CHYMKO: A. Yes. ELLY, Q.C.: Q. So you are aware of that?
we get some experience, we believeleave the weather normalization as a component so that when we're talking the billing demand, we would be using a normalized weather. And then, the remaining volatility, if any, would	6 M 7 8 KI 9 10 M	IR. CHYMKO: A. Yes. ELLY, Q.C.: Q. So you are aware of that? IR. CHYMKO:
we get some experience, we believeleave the weather normalization as a component so that when we're talking the billing demand, we would be using a normalized weather. And then, the remaining volatility, if any, would be addressed through other means; namely on	6 M 7 8 KI 9 10 M 11	IR. CHYMKO: A. Yes. ELLY, Q.C.: Q. So you are aware of that? IR. CHYMKO: A. Yes.
we get some experience, we believeleave the weather normalization as a component so that when we're talking the billing demand, we would be using a normalized weather. And then, the remaining volatility, if any, would be addressed through other means; namely on the financial side.	6 M 7 8 KI 9 10 M 11 12 KI	IR. CHYMKO: A. Yes. ELLY, Q.C.: Q. So you are aware of that? IR. CHYMKO: A. Yes. ELLY, Q.C.:
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	Winter 17, 2005 Winter	_	age AL Hyuro's 2003 General Rate Application
	Page 109		Page 110
1	KELLY, Q.C.:	1	the idea of the postage stamp and everything
2	that?	2	being rolled in together, the amount of
3	MR. CHYMKO:	3	generation there might matter on a technical
4	A. No, but just knowing the mechanisms around the	4	basis, but it wouldn't matter to me on the
5		5	policy recommendations that I have.
6		6	KELLY, Q.C.:
7	(11:45 a.m.)	7	
8	KELLY, Q.C.:	8	
9	Q. Now, can I shift gears for a second and just	9	MS. TABONE:
10		10	A. Right.
11	Can we go to JRH No. 3 at page 5? You talk	1	KELLY, Q.C.:
12		12	
13		13	
14		14	
15		15	•
16			6 MS. TABONE:
17		17	
18		18	-
19	_	1	KELLY, Q.C.:
20		20	
1	MS. TABONE:	21	•
22		22	•
23		23	
24			MS. TABONE:
25	-	25	
F			·
١,	Page 111	,	Page 112
$\begin{bmatrix} 1 \\ 2 \end{bmatrix}$		$\begin{vmatrix} 1 \\ 2 \end{vmatrix}$	· •
1		1	e impact at all. 8 KELLY, Q.C.:
$\begin{vmatrix} 3 \\ 4 \end{vmatrix}$	KELLY, Q.C.: Q. But what if those electrons never have to	4	
			5 MS. TABONE:
5		6	NIS. TADUNE:
	MS. TABONE: A. Well even if they don't leave the Northern		
7			A. Our concept again is a policy concept and so,
1 0	*	7	A. Our concept again is a policy concept and so, take all the transmission, it's all
8	Peninsula and they physically serve the	7 8	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain
9	Peninsula and they physically serve the customers that are there, that means those	7 8 9	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of
9 10	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the	7 8 9 10	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical
9 10 11	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the	7 8 9 10 11	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of
9 10 11 12	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the Island, and they're not given athe GNP	7 8 9 10 11 12	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of transmission because of their physical
9 10 11 12 13	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the Island, and they're not given athe GNP customers are not given a credit like	7 8 9 10 11 12 13	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of transmission because of their physical location and maybe because of their load
9 10 11 12 13 14	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the Island, and they're not given athe GNP customers are not given a credit like Newfoundland Power is for the reduced amount	7 8 9 10 11 12 13 14	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of transmission because of their physical location and maybe because of their load shape, you know, some people are causing
9 10 11 12 13 14 15	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the Island, and they're not given athe GNP customers are not given a credit like Newfoundland Power is for the reduced amount of load because they have some of their own	7 8 9 10 11 12 13 14 15	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of transmission because of their physical location and maybe because of their load shape, you know, some people are causing Holyrood to be used more because of their load
9 10 11 12 13 14 15 16	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the Island, and they're not given athe GNP customers are not given a credit like Newfoundland Power is for the reduced amount of load because they have some of their own generation.	7 8 9 10 11 12 13 14 15 16	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of transmission because of their physical location and maybe because of their load shape, you know, some people are causing Holyrood to be used more because of their load shape and so should they pay for transmission
9 10 11 12 13 14 15 16 17	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the Island, and they're not given athe GNP customers are not given a credit like Newfoundland Power is for the reduced amount of load because they have some of their own generation. KELLY, Q.C.:	7 8 9 10 11 12 13 14 15 16	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of transmission because of their physical location and maybe because of their load shape, you know, some people are causing Holyrood to be used more because of their load shape and so should they pay for transmission all the way from Holyrood to, all the way
9 10 11 12 13 14 15 16 17 18	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the Island, and they're not given athe GNP customers are not given a credit like Newfoundland Power is for the reduced amount of load because they have some of their own generation. KELLY, Q.C.: Q. Now, one could say, well the Great Northern	7 8 9 10 11 12 13 14 15 16 17 18	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of transmission because of their physical location and maybe because of their load shape, you know, some people are causing Holyrood to be used more because of their load shape and so should they pay for transmission all the way from Holyrood to, all the way across the Island, for example, instead of
9 10 11 12 13 14 15 16 17 18	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the Island, and they're not given athe GNP customers are not given a credit like Newfoundland Power is for the reduced amount of load because they have some of their own generation. KELLY, Q.C.: Q. Now, one could say, well the Great Northern Peninsula, which is virtually exclusively	7 8 9 10 11 12 13 14 15 16 17 18	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of transmission because of their physical location and maybe because of their load shape, you know, some people are causing Holyrood to be used more because of their load shape and so should they pay for transmission all the way from Holyrood to, all the way across the Island, for example, instead of those who have a load shape or a load size
9 10 11 12 13 14 15 16 17 18 19 20	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the Island, and they're not given athe GNP customers are not given a credit like Newfoundland Power is for the reduced amount of load because they have some of their own generation. KELLY, Q.C.: Q. Now, one could say, well the Great Northern Peninsula, which is virtually exclusively thermal, could be put somewhere else though,	7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of transmission because of their physical location and maybe because of their load shape, you know, some people are causing Holyrood to be used more because of their load shape and so should they pay for transmission all the way from Holyrood to, all the way across the Island, for example, instead of those who have a load shape or a load size that could just use the Hydro.
9 10 11 12 13 14 15 16 17 18 19 20 21	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the Island, and they're not given athe GNP customers are not given a credit like Newfoundland Power is for the reduced amount of load because they have some of their own generation. KELLY, Q.C.: Q. Now, one could say, well the Great Northern Peninsula, which is virtually exclusively thermal, could be put somewhere else though, could be put somewhere on the, you know, near	7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of transmission because of their physical location and maybe because of their load shape, you know, some people are causing Holyrood to be used more because of their load shape and so should they pay for transmission all the way from Holyrood to, all the way across the Island, for example, instead of those who have a load shape or a load size that could just use the Hydro. KELLY, Q.C.:
9 10 11 12 13 14 15 16 17 18 19 20 21 22	Peninsula and they physically serve the customers that are there, that means those same customers will rely less upon the generation and transmission on the rest of the Island, and they're not given athe GNP customers are not given a credit like Newfoundland Power is for the reduced amount of load because they have some of their own generation. KELLY, Q.C.: Q. Now, one could say, well the Great Northern Peninsula, which is virtually exclusively thermal, could be put somewhere else though, could be put somewhere on the, you know, near an industrial plant or whatever, does the fact	7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. Our concept again is a policy concept and so, take all the transmission, it's all interconnected, there are going to be certain customers that use a little bit of transmission just because of their physical location, other people that use a lot of transmission because of their physical location and maybe because of their load shape, you know, some people are causing Holyrood to be used more because of their load shape and so should they pay for transmission all the way from Holyrood to, all the way across the Island, for example, instead of those who have a load shape or a load size that could just use the Hydro. KELLY, Q.C.: Q. So do you view it as purely a policy issue in
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	but it was really only this morning in your	25	

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	Page 117		Page 118
1	MS. TABONE:	1	,
2	today's dollars than costs perhaps fifty years	2	
3	ago, so it's averaging in all of those	3	,
4	factors, the location, the age of the system,	4	, ,
5	you know, and all of those things, and	5	,
6	treating everybody the same and saying it's an	6	, , ,
7	integrated system and we're going to average	7	,
8	it out among everybody. And again, if you	8	\mathcal{E}
9	look at the Island Isolated System, it's a	9	
10	series of small systems that in most cases are	10	MR. SEVIOUR:
11	not interconnected. There is no postage stamp	11	•
12	in terms of the cost of service all rolled in	12	
13	together, as well as the rate setting.	13	
14	MR. SEVIOUR:	14	
15	Q. But what I understand the implications of your	15	1 1 2
16	postage stamp theory to be that all	16	here?
17	interconnected transmission should be assigned	17	MS. TABONE:
18	common?	18	A. I would say that they're equal drivers.
19	MS. TABONE:	19	MR. SEVIOUR:
20	A. Correct.	20	-
21	MR. SEVIOUR:	21	and can you confirm for me is that a radial
22	Q. And that's regardless of whether or not there	22	line, the transmission on the GNP?
23	is generation involved on a transmission line,	23	MS. TABONE:
24	is that correct?	24	A. It is a radial line.
25	MS. TABONE:	25	MR. SEVIOUR:
	Page 119		Page 120
1	Q. And what makes it radial please?	1	peninsula?
2	MS. TABONE:	2	2 MS. TABONE:
3	A. What makes it radial in that it's not looped	3	A. I would agree with that, but there are several
4	back around, you know, let's say you could	4	different communities served there and
5	have another line running down the other side	5	multiple customers. It may be one customer
6	of the peninsula, looping it back around to	6	class, it's not one customer.
7	the transmission facility.	7	MR. SEVIOUR:
8	MR. SEVIOUR:	8	Q. One customer class. But within that principle
9	Q. And can I take you to your report at page 18	9	we're dealing with, I think, as I understand
10	please, at lines 15 to 17, I wonder if you	10	the guidelines when they say "one customer"
11	could read that? That's your recitation of	11	the reference is one customer class, is that
12	the Board's principle on transmission	12	not correct?
13	assignment.	13	MS. TABONE:
14	MS. TABONE:	14	A. I guess I can't interpret what they're meaning
15	A. Right.	15	by that.
16	MR. SEVIOUR:	16	MR. SEVIOUR:
17	Q. Could you read that for the record please?	17	Q. No, okay. Well let me take you to Mr. Haynes'
18	MS. TABONE:	18	evidence and I'm going to just ask you to
19	A. "Transmission dedicated to serve one customer	19	react to Hydro's recommendation in this area
20	should be specifically assigned and costs of	20	which you take some issue, and at page 41 of
21	substantial benefit to more than one customers	21	Mr. Haynes' pre-filed, he's discussing the
22	should be apportioned among all customers."	22	assignment of transmission assets on the three
23	MR. SEVIOUR:	23	radial systems that are discussed in your
24	Q. And are you agreed that the GNP transmission	24	report, and I'm going to ask you to read lines
1		1	
25	serves only the Hydro Rural customers on that	25	6 through 25 and I'm going to stop you in a

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	Page 121		Page 122
1	MR. SEVIOUR:	1	\mathcal{E}
2	couple of places just to ask you your position	2	discussed in this report from an engineer and
3	on a couple of propositions here. Could you	3	
4	commence at line 6, please?	4	
5	MS. TABONE:	5	guidelines that would come into play by
6	A. Okay, "The appropriate assignment of the	6	<i>5</i>
7	transmission assets for these three areas was	7	designing rates.
8	also addressed. Hydro proposes that factors	8	MR. SEVIOUR:
9	such as historical assignment, primary purpose	9	
10	and quantity of generation be weighed in	10	
11	determining the ultimate assignment of the	11	,
12	transmission and terminal station assets		MS. TABONE:
13	connecting a single customer and generation to	13	
14	the grid."	14	1 1 / 2
1	MR. SEVIOUR:	15	MR. SEVIOUR:
16	Q. Let me stop you there, the factors that Hydro	16	71
17	relies on and proposes for determination in		MS. TABONE:
18	this area, historical assignment, primary	18	
19	purpose and quantity of generation, do you	19	
20	agree that those are appropriate factors to be	20	
21	weighed in determining the assignment?	21	
	MS. TABONE:	22	
23	A. I think they're certainly things that can be	23	•
24	considered. It's a factor of how much weight		MR. SEVIOUR:
25	you give to them and also how much weight you	25	Q. And you take issue with that proposition, I
	Page 123		Page 124
1	take it?	1	that may have been considered in the past, you
2	take it? MS. TABONE:	1 2	that may have been considered in the past, you know, in the past orders or past testimony
2 3	take it? MS. TABONE: A. I do and again, that's back to the postage	1 2 3	that may have been considered in the past, you know, in the past orders or past testimony that was submitted.
2 3 4	take it? MS. TABONE: A. I do and again, that's back to the postage stamp when you start talking about	1 2 3 4	that may have been considered in the past, you know, in the past orders or past testimony that was submitted. MR. SEVIOUR:
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2 3 4 5 6	take it? MS. TABONE: A. I do and again, that's back to the postage stamp when you start talking about specifically assigning things, where do you draw the line? Do you specifically assign	1 2 3 4 5 6	that may have been considered in the past, you know, in the past orders or past testimony that was submitted. MR. SEVIOUR: Q. No, I don't mean to play games, I haven't seen any reference or any of the other experts
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Page 125 Page 126 the function of that generation on the GNP as 1 MS. TABONE: of those customers, you're rolling them in 2 reserve for the system? with everybody else on the Island and making 3 MS. TABONE: 3 them part of the system, not keeping them 4 A. Yes, I do. isolated and not keeping them separate from 5 5 MR. SEVIOUR: everybody else. Q. Okay, continue at line 20, please? 6 7 MR. SEVIOUR: 7 MS. TABONE: 8 O. Yes, but the rationale that's related there. A. "While a benefit to all customers, these you don't disagree that the GNP transmission generation assets are not of sufficient 9 10 interconnection was done for the benefit of 10 magnitude in Hydro's opinion to justify those customers in those Isolated systems? assignment of the GNP transmission assets as 11 11 common, given the dominant use of the 12 MS. TABONE: 12 transmission system in serving a single A. Yes, I would agree that it was done for their 13 customer. As a result, Hydro recommends that benefit. It was not done for the sole purpose 14 14 the GNP transmission assets continue to be of interconnecting generation. 15 15 16 MR. SEVIOUR: 16 specifically assigned to Hydro overall as in Q. Continue at line 17, please? P.U. 7." 17 17 18 MS. TABONE: 18 MR. SEVIOUR: A. "Generation assets on the GNP which were O. I wanted to come back to the discussion about originally constructed to serve the Isolated the sufficient magnitude of the generation 20 20 system, as a result of the interconnection now assets that's found at lines 20 and 21. I 21 21 22 serve as reserve capacity to the Island 22 take it that you disagree with Hydro's Interconnected System." conclusion that these generation assets on the 23 23 GNP are not of sufficient magnitude to warrant 24 MR. SEVIOUR: 24 transmission to be classified as common? Q. And do you agree with that characterization of 25 Page 128 Page 127 A. I think it's not only generation, but the 1 MS. TABONE: 1 A. Again, my analysis and recommendation was not 2 facts in this case that is a major based on the size of the generation. 3 transmission line to interconnect many 3 communities, it's not something that was built 4 MR. SEVIOUR: 4 Q. And this comes back to the question I asked 5 to serve, for example, one Industrial 5 you a few moments ago, for example, if we had customer. 6 6 a scenario in which only the mini Hydro in 7 7 MR. SEVIOUR: Roddickton, which is a .4 megawatt hydro 8 Q. And this is so even though, and there's been 9 plant, tip of the Great Northern Peninsula was 9 evidence before this Board that the GNP interconnected by that transmission, how would generation is unable to serve the normal GNP 10 10 that impact your assessment of the 11 11 loads, that doesn't influence your opinion? classification of that transmission line? 12 MS. TABONE: 12 13 MS. TABONE: 13 A. No, it doesn't. I have a concern with the A. Again, not distinguishing based on the size of 14 14 customers on the GNP and the other customers it, so the fact that there's generation, I 15 that are rolled into the Island Isolated 15 paying for facilities that are designated to would want to make it consistent with 16 16 generation because the generation is of no serve them, when in fact there may be other 17 17 value if there's no transmission associated facilities on other parts of the Island that 18 18 19 with it. never get used to serve them. So it's a 19 20 MR. SEVIOUR: function of equity, you either have to 20 directly assign every single line in the 21 Q. So in principle, any generation whatsoever on 21 a radial transmission line will operate to system or you treat it all as common and I 22 22 engage your consistency principle and operate haven't done a detailed technical analysis of, 23 23

24

25

you know, if there are other transmission

facilities used that never serve the GNP, but

towards a common classification?

24

25 MS. TABONE:

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1	MS. TABONE:	1	Industrial customers.
2	I suspect there probably are some.	2	MR. SEVIOUR:
3	MR. SEVIOUR:	3	Q. But if I understand you correctly, the
4	Q. But isn't the standard or the criteria for the	4	substantial benefit inquiry which was utilized
5	assignment principle that to be common, there	5	by Hydro in this Application and previously
6	must be a substantial benefit to more than one	6	endorsed by the Board, was not really the
7	customer? Isn't there analysis which is	7	focus of your analysis?
8	directed to what constitutes a substantial	8	MS. TABONE:
9	benefit so as to warrant common assignment?	9	A. That's correct.
10	MS. TABONE:	10	MR. SEVIOUR:
11	A. Well again, that may be the past direction,	11	Q. And so the issue, for example, of the fact
12	I'm proposing something that differs a little	12	that since interconnection, the GNP assets
13	bit from that.	13	have been used a total of three times for
14	MR. SEVIOUR:	14	system support and 117 times for local
15	Q. So your policy approach with consistency and	15	support, that would not be of relevance to
16	postage stamp theory is different from what's	16	your inquiry or analysis?
17	been utilized by this Board in the past, is	17	MS. TABONE:
18		18	A. I don't think it would be a matter ofand
19	MS. TABONE:	19	again, I didn't rely on that specifically, but
20	A. Well it is in the sense that you're talking	20	the fact that there were three times that it
21	about the Island Rural as being one customer	21	was used for general purposes would mean
22	and the Industrial class being one customer	22	e
23	and Newfoundland Power being one customer.	23	than the amount of times it was used for local
24	There's certainly averaging among the Rural	24	benefit doesn't mean that much to me, and
25	customers and there's averaging among the	25	furthermore, the fact that it may be used to
	Page 131		Page 132
1	serve local loads frequently, it sounds like,	1	MS. TABONE:
2	means that they're not placing any load on the	2	A. "As an example of the issues that must be
3	other generation assets and they're paying	3	addressed, the material in IC-399 is
4	their full allocates share of those other	4	instructive. In particular, the response
5	generation and transmission assets.	5	indicates the Island Interconnected System,
6	MR. SEVIOUR:	6	LOLH and energy balance that would arise if
7	Q. And you've had the opportunity to review the	7	the GNP were not interconnected to the Island
8	report of Messrs. Osler and Bowman, I think,	8	Interconnected Grid. Comparing these results
9	the IC experts.	9	to Haynes' table 8, indicates that on a net
10	MS. TABONE:	10	basis the GNP radial transmission line,
11	A. Yes, I have.	11	including bulk loads and generation have an
12	MR. SEVIOUR:	12	adverse impact on the Island Interconnected
13	Q. And you're aware of their position on this?	13	systemas a net adverse impact on the Island
14	MS. TABONE:	14	Interconnected system, but for this radial
15	A. I'm aware that they have a different position,	15	line being interconnected, the Island LOL
16	yes.	16	rates would improve to 0.7 hours per year, in
17	MR. SEVIOUR:	17	the test year, from 1.1 hours per year in
18	Q. And I wanted to take you before leaving this	18	Haynes' table 8 and the energy balance
19	1 1 0	19	*
20	the InterGroup Report. And this is the text	20	1
21	that deals with IC-399 and the analysis with	21	the Island Interconnected Grid would be
22	the GNP generation removed from the Island	22	delayed to 2012 from the currently forecast
23	Integrated System and I'm going to ask you to	23	* 1
24	read starting at lines 35, bottom of page 32	24	
25	on to the top of page 33.	25	perspective that cost for GNP assets will be

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1 MS. TABONE:	1	the generation on the GNP should be directly
2 assigned to the IC cost of service, even	2	assigned to the customers on the GNP and all
3 though these costs only arise as a result of	a 3	the other customers in the Island Rural System
4 project that has a net adverse impact on the	ne 4	who are not on the GNP then you're basically
5 IC service quality."	5	saying that they have to pay for two
6 MR. SEVIOUR:	6	generation sources, they have to pay for their
7 Q. And do you take issue with this analysis a	and 7	own on the GNP one time and then they have a
8 the impact of IC-399 as it's related in this -	8	full allocation of the common generation
9 MS. TABONE:	9	assets that they use when they're not using
10 A. I have not done an independent analysis o	f the 10	the ones on the GNP. And clearly in the case
11 LOLH and what the impacts are or, you know	ow - 11	of Newfoundland Power they're getting a
12 MR. SEVIOUR:	12	credit, they're not paying twice for their own
13 Q. Accepting -	13	generation and the common generation.
14 MS. TABONE:	14 MR.	SEVIOUR:
15 A whether this is right or not, but accepting	g 15 Q	. In terms of the common assignment issue, are
both of them -	16	cost implications toof assignment potentials
17 MR. SEVIOUR:	17	important to you? Do you believe that it's
18 Q. Accepting that it is correct, does this impa	act 18	appropriate in the analysis to assess the
19 your analysis at all?	19	costs of potential assignments in specific and
20 MS. TABONE:	20	common assignment implications of particular
21 A. No, I don't think it does. Again, the postage	ge 21	pieces of plant?
stamp theory, the treatment of everything	on a 22 MS.	TABONE:
similar basis would kind of kick in as you	so 23 A	. When I do a Cost of Service Study, I try and
to speak. And similarly, again, if you we	re 24	get it as accurate and theoretically correct
to go further to the IC approach and say th	at 25	based on the particular circumstances for the
	Page 135	Page 136
1 entity. And if there are cost impacts or rai		cause the cost pay for it. And taken to the
2 impacts to certain customer classes, I		extreme you would have every single customer,
generally tend to deal with that as a rate	3	not just a customer class, every single
4 design issue because quite commonly rate	s are 4	customer would have a specific cost assigned
5 not set equal to 100 percent on Cost of	f 5	to them based on where they're located and
6 Service for every particular customer of	or 6	when they came on the system, they would each
7 customer class. And so if there are stabili	ty 7	have a different class. That would be the
8 issues or rate shock issues or rate impact	s 8	most equitable way to do it. But in reality,
9 costs are too high, I would fix that in the	9	you can't. You can't always do that from a
rate design and not in the Cost of Service		technical perspective because there are joint
side of it.	11	facilities and also from a policy perspective.
12 MR. SEVIOUR:	12	You have to draw the line. You can't have
Q. But in terms of cost assignments, isn't it	t 13	every single customer have a unique rate
true that assignments must be fair and		that's based on their cost along.
equitable, isn't that a fundamental princip		SEVIOUR:
16 MS. TABONE:	I	. But in assignment analysis and
17 A. I believe that is.	17	recommendations, development of
18 MR. SEVIOUR:	18	recommendations, would you agree with me that
19 Q. And there has to be some measure of judg	gment 19	it would be helpful to be aware of cost
as to cost benefits in that analysis, would	20	implications of particular assignments?
21 you agree?		TABONE:
22 MS. TABONE:	22 A	. I don't think I would agree in looking at what
23 A. Again, equitable from a Cost of Service	ce 23	facilities should be directly assigned. I
standpoint generally means that those w	vho 24	wouldn't look at the cost implications of
	110	.

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1 MR. SEVIOUR:	both for Newfoundland Power and Island
2 Q. Okay. And in this particular case I think	2 Industrial. I don't know if you've had
3 that, yes, you made no particular cost	3 opportunity to review this undertaking
4 analysis in relation to the cost implications	4 previously, Ms. Tabone?
5 for common assignment of the transmission	5 MS. TABONE:
6 lines that you recommend in your report?	6 A. Not that I recall.
7 MS. TABONE:	7 MR. SEVIOUR:
8 A. Yeah, at the time we submitted our testimony	8 Q. As I understand it, the tables reflect that
9 we didn't have enough information to do that	9 the current General Rate Application
or couldn't locate it readily enough to do	implications reflect that the customer cost
that. I have heard in the testimony, either	increase to Newfoundland Power is 580,000 and
reading through transcripts or when I was	to the Island Industrial is \$1,109,000 on
here, I can't recall, that the cost impact is	account of that common assignment of the GNP
14 1.5 million to the Industrial Customers out of	transmission. But you were weren't aware of
a total revenue requirement of about 50	that at the time that you developed your
16 million.	report, I understand?
17 MR. SEVIOUR:	17 MS. TABONE:
18 Q. And perhaps we can pull up U-Hydro No. 14, Mr.	18 A. Correct.
19 O'Reilly. And this was the undertaking filed	19 MR. SEVIOUR:
last Friday, for the benefit of the Board	20 Q. And you were similarly unaware of the cost
21 members. And I understand that this is an	implications of the generation assignment, the
22 update from that earlier figure to which you	GNP generation assignment to common?
refer, the 1.5 million. And these are the	23 MS. TABONE:
24 cost allocation implications of common	24 A. I believe that had been filed somewhere
assignment of the GNP transmission to common,	because that was a recommendation of Hydro
and the state of t	25 Security was a recommendation of Try are
Page 139	•
	•
Page 139	Page 140
Page 139 that theso I believe that was either filed	Page 140 1 Q. I want to take you to Exhibit JRH-3, page 24.
Page 139 that theso I believe that was either filed in the RFI or -	Page 140 1 Q. I want to take you to Exhibit JRH-3, page 24. 2 And we've had a bit of evidence on the Hydro
Page 139 1 that theso I believe that was either filed 2 in the RFI or - 3 MR. SEVIOUR:	Page 140 1 Q. I want to take you to Exhibit JRH-3, page 24. 2 And we've had a bit of evidence on the Hydro 3 Rural sub-transmission definition that
Page 139 1 that theso I believe that was either filed 2 in the RFI or - 3 MR. SEVIOUR: 4 Q. Perhaps you can pull up IC-233, Mr. O'Reilly,	Page 140 1 Q. I want to take you to Exhibit JRH-3, page 24. 2 And we've had a bit of evidence on the Hydro 3 Rural sub-transmission definition that 4 appears. And just to put this in context,
Page 139 1 that theso I believe that was either filed 2 in the RFI or - 3 MR. SEVIOUR: 4 Q. Perhaps you can pull up IC-233, Mr. O'Reilly, 5 and I'll put that to you. This indicates, as	Page 140 Q. I want to take you to Exhibit JRH-3, page 24. And we've had a bit of evidence on the Hydro Rural sub-transmission definition that appears. And just to put this in context, these are the guidelines that are utilized by
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	Page 141		Page 142
1	MR. SEVIOUR:	1	MS. TABONE:
2	guideline for plant assignment?	2	A. I think that would fall out from my theory,
3	MS. TABONE:	3	but at the same time to be consistent with the
4	A. It may be accepted. I would say it's not	4	treatment of Newfoundland Power, then I
5	common.	5	believe that that amount of generation and
6	MR. SEVIOUR:	6	transmission should be deducted from the
7	Q. And it conflicts with your view of the world?	7	allocation of common generation and
8	MS. TABONE:	8	transmission. They shouldn't pay for it
9	A. Yes, yes, it does.	9	twice, in other words.
10	MR. SEVIOUR:	10	MR. SEVIOUR:
11	Q. And my purpose in bringing it to this	11	Q. And just before leaving our discussion about
12	guideline is that Mr. Haynes, in his evidence,	12	these guideline principles, I'd like to take
13	stated that this was another basis for	13	you briefly to your report, page 19. And my
14	specifically assigning the GNP transmission to	14	interest really is in lines 15 and 16 of that
15	Hydro Rural customers. And I take it you	15	page where again you're talking about specific
16	would disagree with him on that?	16	assignment. And your proposition there after
17	MS. TABONE:	17	discussing some of the issues associated with
18	A. Yes, I would.	18	the radial line assignments it said, "Because
19	MR. SEVIOUR:	19	of this utilities that direct", direct, I
20	Q. Just on your consistency principle, Ms.	20	assume that's supposed to mean directly,
21	Tabone, if it does apply and the Board decides	21	"assign facilities must have irrefutable
22	to assign GNP transmission to Hydro Rural,	22	evidence of the independence of the facilities
23	would that in your opinion mean that the Board	23	directly assigned." And my interest here is
24	should also assign the GNP generation to Hydro	24	in the use of your language, "irrefutable
25	Rural?	25	evidence". And it's not language I see in any
	Page 143		Page 144
1	of the guidelines that is in the evidence	1	would not pay a share of all the other
2	elsewhere in this hearing or in the recitation	2	substations on the system.
3	from the Bonbright principles. And I just		MR. SEVIOUR:
4	wanted to give you a chance to react to that.	4	Q. And that's helpful, but my interest in this
l	MS. TABONE:	5	discussion is at the level of principle. And
6	A. Well, again, we do Cost of Service frequently	6	I'm putting to you that this standard or
7	and there are limited cases where we do	7	almost a rebuttable presumption that you've
8	directly assign facilities, and it's done only	8	got to have irrefutable evidence before
9	when there are very clear reasons for doing	9	there's an appropriate case for specific
10	it. For example, we've worked for an	10	assignment is not found in the discussion of
11	industrial customer that I know of that wanted	11	the other experts of the appropriate
12	added reliability on their plant and they paid	12	assignment guidelines?
13	for, I can't remember if it was up front or		MS. TABONE:
14	through their rate, but there is a second	14	A. Well, I think if you think of the terms of
15	feeder that serves that plant and they get	15	where there's benefit to more than one
16		16	customer, that brings up the question as to
17	just for them and that cost would be directly	17	whether, you know, whether it's a little bit
18	assigned in that case, and in that case they	18	of benefit or a lot of benefit, you can't
19	would pay a full allocation of all the other	19	break out on how much, you know, is for the
20	costs as well because they want something	20	benefit of one customer versus the other and
21	separate. In other cases you may have an	21	that's why you treat it as common, because
22	industrial customer that is served off of one	22	it's not irrefutable that only one customer
امما	and all a substation that a decision of least to	100	h

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benefits or you know exactly who benefits, you

know, by what proportion. And so to that

extent I think having evidence that it's only

23

24

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specific substation that's designed just to

cost of that substation. In that case they

serve them and they're directly assigned that

MS_TABONE: 1				7
2 one customer, and in my mind that means one 3 customer, not one customer class, raises the 4 question, you know, the evidence, and if it's 5 irrefutable or not. 6 MR. SEVIOUR: 7 O. So the presumption is common in all cases 9 unless you've got an irrebuttable case to the 9 contrary? 10 MS. TABONE: 11 A. Correct. 12 MR. SEVIOUR: 13 Q. Okay. One of the other radial lines discussed 14 in your evidence was Doyles-Port aux Basques. 15 And I don't plan to spend much time on that. 16 Leaving aside the issue of the Newfoundland for Power generation credit twith which the IC's 18 take issue and I think that you say if the 10 Newfoundland Power generation credit remains 10 then that should be specifically assigned to 11 Newfoundland Power generation credit remains 120 then that should be specifically assigned to 12 Newfoundland Power generation credit remains 13 A. Yes, that would make it similar to the GNP transmission to Hydro Rural, then it should 14 specifically assign the Doyles-Port aux 15 MR. SEVIOUR: Page 147 1 make it similar to the GNP situation? 2 MS. TABONE: 2 MS. TABONE: 3 A. Yes, that would make it similar to GNP then. 4 MR. SEVIOUR: Page 147 1 make it similar to the GNP situation? 2 MS. TABONE: 3 A. Yes, that would make it similar to GNP then. 4 MR. SEVIOUR: Page 147 1 make it similar to the GNP situation? 2 MS. TABONE: 3 A. Yes, that would make it similar to GNP then. 4 MR. SEVIOUR: 1 make it similar to the GNP situation? 2 MS. TABONE: 3 A. Thank you. I wanted to finish this discussion to a sasignment in the area of the Burin of assignment in the area of the Burin of assignmen		Page 145		2
3 customer, not one customer class, raises the question, you know, the evidence, and if it's irrefutable or not. 5 irrefutable or not. 6 MR. SEVIOUR: 7 O. So the presumption is common in all cases unless you've got an irrebuttable case to the contrary? 10 MS. TABONE: 11 A. Correct. 12 Q. Okay. One of the other radial lines discussed in your evidence was Doyles-Port aux Basques. 13 (Okay. One of the other radial lines discussed in your evidence was Doyles-Port aux Basques. 14 in your evidence was Doyles-Port aux Basques. 15 Newfoundland Power peneration credit with which the C's take issue and I think that you say if the Newfoundland Power peneration credit with which the C's take issue and I think that you say if the Newfoundland Power peneration credit with which the C's take issue and I think that you say if the Newfoundland Power peneration credit with which the C's take issue and I think that you say if the Newfoundland Power peneration credit with which the C's take issue and I think that you say if the Newfoundland Power peneration credit with which the C's take issue and I think that you say if the Newfoundland Power peneration credit with which the C's take issue and I think that you say if the Newfoundland Power peneration credit with which the C's take issue and I think that you say if the Newfoundland Power peneration credit viting them plus some other customers, then it would be common. 15 MR. SEVIOUR: 1 make it similar to the GNP situation? 2 MS. TABONE: 1 A Yes, that would make it similar to GNP then. 2 MS. TABONE: 3 A Yes, that would make it similar to GNP then. 4 Tabous a specifically assign the Doyles-Port aux Basques transmission to Newfoundland Power peneration credit with which interconnect with the Newfoundland Power peneration credit with which with the C's take it was a peneration to Newfoundland Power peneration credit viting the Newfoundland Power peneration of the peneration of the Common. 15 MR. SEVIOUR: 2 MS. TABONE: 3 A Yes, that would make it similar to GNP then. 4 MR. SEVIOUR:	1			
4 In that scenario I would suggest to you that the issues pertaining to that radial line are substantially the same as those that apply to the GNP. Would you agree? 8 Unless you've got an irrebuttable case to the contrary? 10 MS. TABONE: 11 A. Correct. 12 MR. SEVIOUR: 13 Q. Okay. One of the other radial lines discussed in your evidence was Doyles-Port aux Basques. 14 In that scenario I would you agree? 8 MS. TABONE: 15 And I don't plan to spend much time on that. 16 Leaving aside the issue of the Newfoundland Power generation credit remains then that should be specifically assigned to Newfoundland Power generation credit remains then that should be specifically assigned to Newfoundland Power but otherwise it should be common assignment? 24 M. TABONE: 25 MS. TABONE: 26 A. That's correct. 27 MS. TABONE: 28 MS. SEVIOUR: 29 A. I have not looked at the technical side of those two side by side. Again, if it's really only benefitting Newfoundland pay for it. If it's benefitting them plus some other customers, then it would be common. 16 MR. SEVIOUR. 17 O. Yeah. Well, accept for the purposes of this discussion that it is serving only Newfoundland Power customers. 29 MS. TABONE: 20 MS. TABONE: 21 MS. TABONE: 22 MS. TABONE: 23 MS. TABONE: 24 A. That's correct. 25 MS. TABONE: 25 O. Wash. Well, accept for the purposes of this discussion that it is serving only Newfoundland Power customers. 26 MS. TABONE: 27 MS. TABONE: 28 MS. TABONE: 29 A. I have not looked at the technical side of those two side by side. Again, if it's really only benefitting Newfoundland Power power, perhaps it was a transmission line the christ health of the Kris should be common. 29 MS. TABONE: 20 Newfoundland Power customers. 20 MS. TABONE: 21 MS. TABONE: 22 MS. TABONE: 23 MS. TABONE: 24 MS. SEVIOUR: 25 O. Yash. Well, accept for the purposes of this discussion that it is serving only Newfoundland Power customers. 26 MS. TABONE: 27 MS. TABONE: 28 MS. TABONE: 29 MS. TABONE: 20 A of they're getting no credits. An	2	•	2	
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25 Q. It's our own little Italy, yes. I think we've 25 on the Burin is 99.5 percent Newfoundland	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	 Q. And would you agree that if the Board decided to make a specific assignment of the GNP transmission to Hydro Rural, then it should specifically assign the Doyles-Port aux Basques transmission to Newfoundland Power? MS. TABONE: A. Yes, I do agree that they should both be treated the same way. MR. SEVIOUR: Q. Thank you. I wanted to finish this discussion of assignment in the area of the Burin Peninsula. Maybe we could pull up JRH-3, page 6, the map, please, Mr. O'Reilly? Scroll down somewhat. Do you know where you are, Ms. Tabone, now that you've been here for a few days? MS. TABONE: A. It's the boot I keep referringhearing people talk about? 	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	contentious transmission line which runs down to interconnect with the Newfoundland Power transmission generating facilities at the boot of the peninsula. Is that consistent with your understanding? MS. TABONE: A. Yes, it is. MR. SEVIOUR: Q. And in this scenario which identifies the Hydro assets, it's clear that the two transmission lines are not, in fact, physically interconnected by Hydro assets, are they? MS. TABONE: A. I haven't studies that in particular. It doesn't appear to be. MR. SEVIOUR: Q. Doesn't appear to be. And I don't think there was any issue on the point. We've had
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Page 149	Page 150
1 MR. SEVIOUR:	1 MR. SEVIOUR:
2 Power and .5 percent Hydro Rural. Are you	2 Q. That is the evidence as I understand it from
3 aware of that?	3 Mr. Haynes on the point. And are you aware
4 MS. TABONE:	4 that the Burin generation, 34.7 megawatts
5 A. Generally, yes.	5 cannot service the Burin peak load of 58.7
6 MR. SEVIOUR:	6 megawatts?
7 Q. Yeah. And that there are no Industrial	7 MS. TABONE:
8 Customers on that peninsula?	8 A. That clearly wouldn't be sufficient to cover
9 MS. TABONE:	9 the entire load.
10 A. Correct.	10 MR. SEVIOUR:
11 MR. SEVIOUR:	11 Q. Pardon me?
12 Q. Are you aware of that?	12 MS. TABONE:
13 MS. TABONE:	13 A. If you're saying it's not sufficient in size
14 A. Correct.	to cover the load?
15 MR. SEVIOUR:	15 MR. SEVIOUR:
16 Q. Are you aware that the Hydro Rural customers,	16 Q. That's my understanding. I think that there's
the .5 percent of the load are physically	an IC on this, IC-339 which grounds the
serviced from transmission line 212?	figures I've just put to you. But are you
19 MS. TABONE:	aware of that or were you aware of that in
20 A. I'm not aware of that.	20 making your recommendations?
21 MR. SEVIOUR:	21 MS. TABONE:
22 Q. Well, can you accept that? I think that that	22 A. Again, the technical details of this were not
23 is -	a major consideration. I was looking at the
24 MS. TABONE:	policies, so I may not be well versed on all
25 A. I can accept that.	25 the technical details.
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1 MR. SEVIOUR:	stations costs. Are you aware of that as a
2 Q. But this is back to the issue you raised with	2 guideline for assignment of plant.
3 Mr. Kelly about electrons leaving the	3 MS. TABONE:
4 transmission lines?	4 A. In terms of this particular study, yes, I've
5 MS. TABONE:	seen the definition and I'm aware of it.
6 A. Um-hm.	6 MR. SEVIOUR:
7 MR. SEVIOUR:	7 Q. Okay.
8 Q. In other words, at peak load the generation	8 MS. TABONE:
9 which is assigned common on the Burin	9 A. It's not a common definition.
Peninsula is insufficient to service the local	10 (12:30 p.m.)
loads. Is that a fair conclusion?	11 MR. SEVIOUR:
12 MS. TABONE:	Q. And I'm not sure if you were here for the
13 A. I'll accept that.	evidence, but are you aware of Mr. Greneman's
14 MR. SEVIOUR:	evidence that he agreed that a similar
Q. Okay. Now, I wanted to take you, having gone	assignment principle could operate with
through the map, to page 24 of JRH-3. And	respect to Newfoundland Power, Hydro Rural?
this again is back into the guidelines	17 MS. TABONE:
18 utilized by Hydro in their assignment	18 A. I was here for that, I heard that discussion,
19 exercise. And what we have here is the NPIC	19 yes.
20 sub-transmission. It's defined as	20 MR. SEVIOUR:
21 transmission and termination station plant	21 Q. You heard that evidence?
which serves both Newfoundland Power and an	22 MS. TABONE:
Industrial Customer but not Hydro Rural and	23 A. Um-hm.
has an original cost of at least two percent	24 MR. SEVIOUR:
of the total transmission and terminal	25 Q. And do you agree with him on that point?

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1 MS. TABONE:	1 well as that everything is looked at on a
2 A. Again, if you go the direct assignment route,	2 postage stamp basis, so it's not a
3 there could be a precedent for splitting those	3 recommendation I would make.
4 two lines and assigning them differently.	4 MR. SEVIOUR:
5 MR. SEVIOUR:	5 Q. So back to the postage stamp, that would
6 Q. And that was the position of the IC experts,	6 really trump any of these other
7 as well. You may be aware of that. And I	7 recommendations that have come forward, in
8 think you were here also for Mr. Brockman, who	8 your view, is that correct?
9 testified yesterday, and I think briefly	9 MS. TABONE:
talked about the issue of the Burin Peninsula	10 A. Yes, it would.
and suggested that this might be an area where	11 MR. SEVIOUR:
it might be appropriate to make a compromise	12 Q. Final point on this area, I just want to
such that one transmission line was assigned	suggest to you thatif we can jump back to
to common and one was assigned specific. Do	page 6 of that exhibit, please, the map? And
15 you recollect that evidence?	this is a hypothetical I put to Mr. Haynes. I
16 MS. TABONE:	suggested to him and I'm suggesting to you,
17 A. Yes, I do.	Mr. Tabone, that if you take away transmission
18 MR. SEVIOUR:	line 212, then you're left with the
19 Q. And do you agree or disagree with his view as	transmission line 219 with the Newfoundland
20 expressed on that subject?	20 Power generation at the end of the boot of the
21 MS. TABONE:	21 peninsula. And I suggest that in that
22 A. Well, clearly from a technical standpoint you	22 hypothetical scenario you're left with a
could break out as many lines as you want and	23 situation which is very similar to the
24 assign them however you want. Again, it's our	Newfoundlandto the GNP situation, that is,
25 recommendation that there is consistency as	transmission at the end of a long radial line
Page 155	Page 156
which is insufficient to service local loads	this to you. It's the policy of government as
2 at peak. Sorry. Generation that's	2 expressed in 3(a)(4) that the rates to be
3 insufficient to service local loads at peak.	3 charged to supply power to the province should
	in a charged to supply power to the province should
4 Do you agree with that analogy?	be such that after December 31, 1999
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	Page 157		Page 158
1 1	MR. SEVIOUR:	1	generation itself, and we keep hearing a
2	Q. And I think I understand the transmission	2	number, I believe it's 124.8 megawatts or 125
3	point which comes forward from your report.	3	megawatts, we believe if that's the common
4	But as I tookI took the burden of what you	4	number being used, that should continue to be
5	were saying about the Newfoundland Power	5	credited to Newfoundland Power. However, we
6	generation credit and the way in which you	6	go on and say that perhaps instead of doing it
7	propose that it be administered to be	7	
8	essentially that it's wrong in principle to	8	
9	credit total capacity as opposed to actual	9	
10	output. Is that correct? And maybe I can	10	•
11	focus this by taking you to page 31 of your		MR. SEVIOUR:
12	report, which is my interest in this area.	12	
13	And at the bottom of the page we have in the	13	
14	discussion of Newfoundland Power generation	14	
15	credit and your particular recommendations,		MR. CHYMKO:
16	the bullet reads, "Crediting total capacity,	16	
17	not actual output, inappropriately dulls long-	17	-
1	term incentives." And perhaps you could just		
18		18	•
19	simply elaborate on that proposition, what the concern is?	19	
20		20	1
1	MR. CHYMKO:		MR. SEVIOUR:
22	A. Again, the gist of our point here was in	22	
23	regard to the transmission. And what we're	23	3 1
24	suggesting is the transmission needs to be	24	• • •
25	removed from the generation credit but the	25	says, "While the generation credit is
	Page 159		Page 160
1	necessary to ensure that Hydro does not over	1	MR. SEVIOUR:
1 2	necessary to ensure that Hydro does not over allocate generation costs," " over collect",	1 2	MR. SEVIOUR: Q. Okay. The final point I wanted to ask you
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2 3	necessary to ensure that Hydro does not over allocate generation costs," " over collect", I'm sorry, "generation costs". My confusion here really related to my understanding that Hydro will get its revenue requirement	2 3	MR. SEVIOUR: Q. Okay. The final point I wanted to ask you about was integrated resource planning. You talk briefly about this. And is that the type of a thing that you would recommend before a
2 3 4	necessary to ensure that Hydro does not over allocate generation costs," " over collect", I'm sorry, "generation costs". My confusion here really related to my understanding that	2 3 4	MR. SEVIOUR: Q. Okay. The final point I wanted to ask you about was integrated resource planning. You talk briefly about this. And is that the type of a thing that you would recommend before a
2 3 4 5	necessary to ensure that Hydro does not over allocate generation costs," " over collect", I'm sorry, "generation costs". My confusion here really related to my understanding that Hydro will get its revenue requirement	2 3 4 5	MR. SEVIOUR: Q. Okay. The final point I wanted to ask you about was integrated resource planning. You talk briefly about this. And is that the type of a thing that you would recommend before a substantial new plant was approved by a board
2 3 4 5 6	necessary to ensure that Hydro does not over allocate generation costs," " over collect", I'm sorry, "generation costs". My confusion here really related to my understanding that Hydro will get its revenue requirement regardless of whether or not Newfoundland	2 3 4 5 6 7	MR. SEVIOUR: Q. Okay. The final point I wanted to ask you about was integrated resource planning. You talk briefly about this. And is that the type of a thing that you would recommend before a substantial new plant was approved by a board
2 3 4 5 6 7 8	necessary to ensure that Hydro does not over allocate generation costs," " over collect", I'm sorry, "generation costs". My confusion here really related to my understanding that Hydro will get its revenue requirement regardless of whether or not Newfoundland Power receives the generation credit, is that	2 3 4 5 6 7	MR. SEVIOUR: Q. Okay. The final point I wanted to ask you about was integrated resource planning. You talk briefly about this. And is that the type of a thing that you would recommend before a substantial new plant was approved by a board such as this? MR. CHYMKO:
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1	MR. SEVIOUR:	1	Q. Thank you, Mr. Seviour. Good afternoon, Mr.
2	Q. And those issues and options would include	2	Hearn. When you're ready, please?
3	things such as the interruptible B option,	3	HEARN, Q.C.:
4	that kind of a thing?	4	Q. Good afternoon, Mr. Chair. Ms. Tabone, I
5	MR. CHYMKO:	5	believe in your report at pages 16 and 17 you
6	A. Yes.	6	discuss the Labrador, so-called Labrador
7	MR. SEVIOUR:	7	Interconnected System. Would that be correct?
8	Q. And typically would you want to have an	8	MS. TABONE:
9	integrated resource planning type of analysis	9	A. That's correct.
10	done before, in fact, you made a decision to	10	HEARN, Q.C.:
11	terminate an existing program, curtailable	11	Q. I wonder if we might just review that system
12	program such as the interruptible B?	12	and just look at it and all its components.
13	MR. CHYMKO:	13	Are you aware of the history of the
14	A. Yes. We believe it is important, in	14	development of the various aspects of that so-
15	particular, to ensure that the price signals	15	called Labrador Interconnected System?
16	aren'twere on the table, taken off the	16	MS. TABONE:
17	table, back on the table after a particular	17	A. I'm aware based on what I've read in various
18	study. So again, yes, we're saying that's why	18	testimony and the Application. I'm sure there
19	a resource plan should come very quickly	19	are a lot of details that I'm not aware of.
20	after, hopefully, we go forward with the 2004	20	HEARN, Q.C.:
21	demand energy rate.	21	Q. Let's start by discussing the distribution
22	MR. SEVIOUR:	22	component in Labrador West. Are you aware who
23	Q. Thank you, Panel, and thank you, Mr. Chair.	23	built the distribution facilities for the
24	Those are my questions.	24	electrical system that presently serves
25	CHAIRMAN:	25	Labrador West?
	Page 163		D 164
	1 age 103		Page 164
1	MS. TABONE:	1	I would also suggest that subsequent to Hydro
1 2	<u> </u>	1 2	•
	MS. TABONE:		I would also suggest that subsequent to Hydro
2	MS. TABONE: A. If I recall it, it was at least partially	2	I would also suggest that subsequent to Hydro taking ownership of the distribution
2 3 4	MS. TABONE: A. If I recall it, it was at least partially built or there were financial payments made by	2 3	I would also suggest that subsequent to Hydro taking ownership of the distribution facilities that Hydro has contributed towards
2 3 4	MS. TABONE: A. If I recall it, it was at least partially built or there were financial payments made by the local industrial firm?	2 3 4	I would also suggest that subsequent to Hydro taking ownership of the distribution facilities that Hydro has contributed towards some, but not all of the cost distribution facilities. Would that be fair to say, Ms.
2 3 4 5 6	MS. TABONE: A. If I recall it, it was at least partially built or there were financial payments made by the local industrial firm? HEARN, Q.C.:	2 3 4 5	I would also suggest that subsequent to Hydro taking ownership of the distribution facilities that Hydro has contributed towards some, but not all of the cost distribution facilities. Would that be fair to say, Ms. Greene, I haven't misstated myself, have I? You received a contribution from the mining
2 3 4 5 6	MS. TABONE: A. If I recall it, it was at least partially built or there were financial payments made by the local industrial firm? HEARN, Q.C.: Q. When you say -	2 3 4 5 6	I would also suggest that subsequent to Hydro taking ownership of the distribution facilities that Hydro has contributed towards some, but not all of the cost distribution facilities. Would that be fair to say, Ms. Greene, I haven't misstated myself, have I?
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Ms. Greene, as I knew you would ensure I do.

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	Page 165		Page 166
1	MS. TABONE:	1	we have a common understanding on that. So we
2	A. And that would be my understanding. And	2	have a system that was originally built at
3	again, an important point there is that going	3	some considerable capital costs by private
4	forward that the utility will be paying for	4	interests and subsequently, in effect, given
5	new capital improvements that are needed.	5	to Hydro?
6	HEARN, Q.C.:	6	MS. TABONE:
7	Q. Yes, I understand that and I don't think	7	A. Correct.
8	there's any issue with that by the consumers	8	HEARN, Q.C.:
9	in Labrador West that they should pay for the	9	Q. And would you also agree that there was a
10	costs, for those ongoing costs. Just my point	10	
11	is to just to bring out the history of the	11	again received in the form of a subsidy from
12	distribution facilities in Labrador West	12	the local mining interests to Hydro?
13	themselves, that they werewould you agree,	13	MS. TABONE:
14	subject to any clarification of my learned	14	A. That would be correct.
15	friends, that they were not originally	15	HEARN, Q.C.:
16	constructed by Hydro nor paid for by Hydro?	16	- 1
17	MS. TABONE:	17	why the mining companies had passed over the
18	A. I would agree. And there are probably a lot	18	system at no cost to Hydro and contributed
19	more technical details that you want to walk	19	towards the upgrading?
20	me through, but I don't think that they have	20	MS. TABONE:
21	any impact on my overall recommendations.	21	A. I don't think I could begin to try and predict
22	HEARN, Q.C.:	22	what was in their minds when they did that.
23	Q. Well, I don't think I'll walk you through	23	HEARN, Q.C.:
24	anything contentious, but let's make certain	24	Q. Well, they intend to present before this Board
125	that was understand our basis foots and say if	25	and in fact there would be no bad acceptations
25	that we understand our basic facts and see if	25	and, in fact, they would have had negotiations
25		23	Page 168
1	Page 167	1	Page 168
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1	Page 167 with Hydro at the time that these things occurred. So is it a consideration that even	1	Page 168 in Canada that have developer contributions to
1 2 3	Page 167 with Hydro at the time that these things	1 2	Page 168 in Canada that have developer contributions to put in facilities that may not have been
1 2 3	Page 167 with Hydro at the time that these things occurred. So is it a consideration that even entered your mind?	1 2 3	Page 168 in Canada that have developer contributions to put in facilities that may not have been required by customers 50 years ago that are
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1 HEARN, Q.C.: 2 Chairman. And certainly I'm asking if these 3 are relevant considerations. As things have 4 evolved I'm sure that the Board will be 5 hearing the position of the mining companies. 6 They've indicated an intention to appear 7 before this Board in Labrador West. And I'm 8 sure if there's anyif I'm expressing any 9 things that are not factually supported, we'll 10 hear that and we'll have an opportunity to 11 clarify it. But I'm asking this witness if 12 this is a relevant consideration. 13 CHAIRMAN: 14 Q. I accept the fact there's no evidentiary base 15 for it. We usually rely on evidence in this 16 forum. I'll allow the question, Mr. Hearn, 1 MS. TABONE: 2 A. In looking at developing a postage stamp rate 3 and what systems should be averaged in 4 together and what systems should be averaged in 4 together and what systems should be averaged in 4 together and what systems should be averaged in 5 I wouldn't particularly consider that a 6 criteria to look at. 7 HEARN, Q.C.: 8 Q. Does the Labrador West distribution system 9 connect directly to any other facilities of 10 Newfoundland Hydro? 11 MS. TABONE: 12 A. I guessyeah. You know, back to Churchill 13 CHAIRMAN: 14 HEARN, Q.C.: 15 Q. Does it connect to Churchill Falls? 16 MS. TABONE:	e 170
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but I wouldn't follow up with too many more	
but I wouldn't follow-up with too many more 17 A. Well, indirectly through transmission.	
references in the absence of the evidence. 18 HEARN, Q.C.:	
And certainly, we will hear what we will hear 19 Q. Who owns that transmission?	
20 in Labrador, for sure. 20 MS. TABONE:	
21 HEARN, Q.C.: 21 A. I believe that's Hydro, but I'm notfrankly,	
22 Q. I understand fully, Mr. Chairman, and I'll be 22 I'm not sure of the technical circumstances.	
guided by that. Would you agree that that 23 But again, I don't think it would have an	
24 would be a relevant consideration if that 24 impact.	
25 were, in fact, the circumstances? 25 HEARN, Q.C.:	
Page 171 Page	e 172
1 Q. So you're not aware whether or not Hydro owns 1 Q. May I suggest to you that -	
2 the transmission line from Churchill Falls to 2 MS. TABONE:	
3 Labrador West? 3 A I'd be happy to hear about it. But I was	
4 MS. TABONE: 4 assuming that it was all Hydro ownership. I	
5 A. Again, that wasn't part of my examination on 5 understand Churchill Falls is, it's not	
6 this issue. It was not a significant factor 6 exactly Hydro; it's a power contract.	
7 as to who owns the facilities. It's a matter 7 HEARN, Q.C.:	
8 of whether the facilities that were owned by 8 Q. So were you aware of Twin Falls Power	
9 Hydro were averaged in together or treated 9 Corporation?	
separately. And whether it's a contract for 10 MS. TABONE:	
landa and the state of the stat	
transmission or a contract for generation or 11 A. Yes, I am.	
transmission or a contract for generation or 11 A. Yes, I am. ownership of that transmission and generation 12 HEARN, Q.C.:	
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2 A. I was not aware of that. And again, it's the power supply contract. I'm not sure it a matters who the owner is. I know that there's a power supply contract. I'm not sure it a matters who the owner is. I know that there's a power supply contract that goes to both the east and the west side. 7 A. It's not a major factor in this. I haven't solved at verged out between all the diseel to generation and all the specifics of that that's averaged out between the different in that's averaged out between the different in the saveraged out between the different in the specifics of that the saveraged out between the different in the saveraged out between the sa		Page 173		Page 174
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this as being any different than those and it's not a technical issue that was required to make my recommendations. 15 to make my recommendations. 16 to make my recommendations. 17 HEARN, Q.C.: 18 Q. Would it make any difference whether there were any costs associated with weaning (phonetic) from Churchill Falls to Labrador 20 (phonetic) from Churchill Falls to Labrador 21 West? 22 MS. TABONE: 23 A. You mean you're saying that there would be costs to Lab West and not costs to Happy 14 energy from Churchill Falls to Labrador would that make a difference to your analysis? 15 would that make a difference to your analysis? 16 MS. TABONE: 17 A. No, it wouldn't, and again, I would compare that to perhaps a community that is located right next to Holyrood perhaps that wouldn't need any transmission to get power to them. 21 But they're averaged out with everybody else on the system and everybody pays the same amount of generation.	1		1	
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17 HEARN, Q.C.: 18 Q. Would it make any difference whether there 19 were any costs associated with weaning 20 (phonetic) from Churchill Falls to Labrador 21 West? 22 MS. TABONE: 23 A. You mean you're saying that there would be 24 costs to Lab West and not costs to Happy 17 A. No, it wouldn't, and again, I would compare 18 that to perhaps a community that is located 19 right next to Holyrood perhaps that wouldn't 20 need any transmission to get power to them. 21 But they're averaged out with everybody else 22 on the system and everybody pays the same 23 amount of transmission, same amount of 24 generation.	1		1	· · · · · · · · · · · · · · · · · · ·
18 Q. Would it make any difference whether there 19 were any costs associated with weaning 20 (phonetic) from Churchill Falls to Labrador 21 West? 22 MS. TABONE: 23 A. You mean you're saying that there would be 24 costs to Lab West and not costs to Happy 18 that to perhaps a community that is located 19 right next to Holyrood perhaps that wouldn't 20 need any transmission to get power to them. 21 But they're averaged out with everybody else 22 on the system and everybody pays the same 23 amount of transmission, same amount of 24 generation.	1	•	1	
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21 West? 22 MS. TABONE: 23 A. You mean you're saying that there would be 24 costs to Lab West and not costs to Happy 21 But they're averaged out with everybody else 22 on the system and everybody pays the same 23 amount of transmission, same amount of 24 generation.	1	· · · · · · · · · · · · · · · · · · ·	1	· · · · · · ·
22 MS. TABONE: 23 A. You mean you're saying that there would be 24 costs to Lab West and not costs to Happy 25 On the system and everybody pays the same amount of transmission, same amount of generation.	1			· · · · · · · · · · · · · · · · · · ·
23 A. You mean you're saying that there would be 23 amount of transmission, same amount of 24 generation.	1		1	
24 costs to Lab West and not costs to Happy 24 generation.	1			· · · · · · · · · · · · · · · · · · ·
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November 19, 2005	Multi-Page NL Hydro's 2003 General Rate Application
Pa	Page 177 Page 178
1 HEARN, Q.C.:	we have multiple rates. Hydro are proposing
2 Q. I'd suggest to you that the facts in this case	2 five, are they not?
are that the energy does come from Church	ill 3 MS. TABONE:
4 Falls and it's wheeled to Labrador West	4 A. You have a series of five different cost of
5 through Twin Co. at no cost and that that's	services, which gives you perhaps five zones
6 common ground. But you weren't aware of	that 6 or five different systems, however you want to
7 in your analysis, were you?	7 refer to it. Within that -
8 MS. TABONE:	8 HEARN, Q.C.:
9 A. I probably read that at one point. Again, it	9 Q. So that's not -
wasn't a major factor. I recognize that there	10 MS. TABONE:
are significant cost differences between the	11 A there's quite a bit of averaging.
two communities or the two systems, just ε	S 12 HEARN, Q.C.:
there are going to be with any communities	Q. But that's not your postage stamp system that
whether it's GNP, whether it's, you know,	you're referring to in the other
otherthe Isolated Rural systems are all	jurisdictions?
going to have different costs. You could	16 MS. TABONE:
again, it's back to postage stamp versus	17 A. Well, there's a degree of how much is postage
direct assignment. How much of that do yo	ou 18 stamped. It depends on how big the utility is
do? You could directly assign every single	and if there's multiple utilities in a
customer on the system and I think -	20 particular province versus one.
21 HEARN, Q.C.:	21 HEARN, Q.C.:
22 Q. Or you could assign them individually or yo	ou 22 Q. So looking at the transmission from Churchill
could do some combination thereof, could y	70u 23 Falls to Labrador East, do you know who built,
not? We don't, in fact, in this province,	owns and maintains the transmission facilities
have a postage stamp system, do we? Beca	use 25 from Churchill Falls to Labrador East?
D	Dogg 190
I Fe	age 1/9 Page 180
1 MS. TABONE:	Page 180 O. And you would accept that there are no
1 MS. TABONE:	1 Q. And you would accept that there are no
MS. TABONE: A. Well, it appears to me from the map that that	1 Q. And you would accept that there are no t transmission costs associated with the
1 MS. TABONE: 2 A. Well, it appears to me from the map that tha	1 Q. And you would accept that there are no t transmission costs associated with the
 1 MS. TABONE: 2 A. Well, it appears to me from the map that tha 3 would be Hydro. 4 HEARN, Q.C.: 	1 Q. And you would accept that there are no 2 transmission costs associated with the 3 transmission of energy from Churchill Falls to 4 Labrador West?
 1 MS. TABONE: 2 A. Well, it appears to me from the map that that 3 would be Hydro. 	1 Q. And you would accept that there are no 2 transmission costs associated with the 3 transmission of energy from Churchill Falls to 4 Labrador West? 5 MS. TABONE:
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 1 MS. TABONE: 2 A. Well, it appears to me from the map that that 3 would be Hydro. 4 HEARN, Q.C.: 5 Q. Would you know anything of the costs 6 associated with those transmission facilities 7 MS. TABONE: 	1 Q. And you would accept that there are no 2 transmission costs associated with the 3 transmission of energy from Churchill Falls to 4 Labrador West? 5 MS. TABONE: 6 A. No cost to the utility. 7 HEARN, Q.C.:
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1 MS. TABONE:	1 evidence that the cost of service that even
2 that are averaged, there's a different cost	though the sales in Labrador West are greater
3 basis.	3 than those in Labrador East, the cost of
4 HEARN, Q.C.:	4 service is less than half, given the ratio of
5 Q. So you don't have any difficulty with that.	5 about three to one in respective costs in the
6 Would you know whether or not thehow the	6 two areas?
7 costs compare from Labrador East to Labrador	7 MS. TABONE:
8 West respectively?	8 A. Yes, I agree with his findings on the
9 MS. TABONE:	9 technical basis, yes.
10 A. That's in Mr. Drazen's evidence that I've	10 HEARN, Q.C.:
looked at. I don't have it off the top of my	11 Q. Would you acknowledge that there's standby
12 head. I could -	generation capacity in Labrador East that
13 (1:00 p.m.)	serves Labrador East only, some 38 megawatts?
14 HEARN, Q.C.:	14 MS. TABONE:
15 Q. Do you take any issue with Mr. Drazen's	15 A. Again, that was in Mr. Drazen's evidence and I
16 evidence on that?	don't take issue with that. I don't see it
17 MS. TABONE:	being that different from some of the issues
18 A. No, I don't. His evidence is technical in	that we were talking about the Island
nature. It's looking at the cost differences.	19 Interconnected system.
20 Mine is based on policy and whether those cost	20 HEARN, Q.C.:
21 differences, regardless of how significant	Q. So then you would agree that on distribution,
they are, whether they matter on a policy	transmission and generation, that there are
23 basis.	different cost basis for the two different
24 HEARN, Q.C.:	portions of what's referred to as the Labrador
25 Q. So you don't take any issue with Mr. Drazen's	Interconnected system? Would that be correct?
Page 183	Page 184
1 MS. TABONE:	1 HEARN, Q.C.:
2 A. That would be correct.	2 Q. But within this Labrador Interconnected
3 HEARN, Q.C.:	3 system, we have, in effect, a municipal area
4 Q. And in each case, the costs associated with	4 in Labrador East, a municipal area in Labrador
5 Labrador West are significantly lower than	5 West, that are some 500 kilometres apart. Can
6 those associated with Labrador East?	6 you present us with an example of any other
7 MS. TABONE:	7 system that consists of an equivalent, where
8 A. I would agree with that and I'm sure you could	8 one area is subsidizing the other, that's not
9 find lots of pairings of cities and towns on	9 a general postage stamp system?
the Island Interconnected or the Island Rural	10 MS. TABONE:
that would have similar comparisons to it.	11 A. Well, again, if I went to the Island Isolated
12 HEARN, Q.C.:	system, I have it bookedI don't think
13 Q. You say lots of pairings on the island or	
The Quality 10th of pullings on the island of	anybody tracks the costs or at least it hasn't
, , , , , , , , , , , , , , , , , , ,	
1	been presented in this hearing of every single
within the system?	been presented in this hearing of every single community that has its own diesel system and
14 within the system?15 MS. TABONE:16 A. Um-hm.	been presented in this hearing of every single community that has its own diesel system and it's own distribution system and compared them
14 within the system? 15 MS. TABONE: 16 A. Um-hm. 17 HEARN, Q.C.:	been presented in this hearing of every single community that has its own diesel system and it's own distribution system and compared them to each other to see if different communities
 14 within the system? 15 MS. TABONE: 16 A. Um-hm. 17 HEARN, Q.C.: 18 Q. Is there any other example that you can point 	been presented in this hearing of every single community that has its own diesel system and it's own distribution system and compared them to each other to see if different communities
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within the system? IS MS. TABONE: A. Um-hm. HEARN, Q.C.: Q. Is there any other example that you can point us to of a pairing of what's in effect two municipal areas where one is expected to subsidize the other?	been presented in this hearing of every single community that has its own diesel system and it's own distribution system and compared them to each other to see if different communities are subsidizing the other ones. HEARN, Q.C.: Q. Would you acknowledge that in Labrador, there have been different rates and in effect,
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within the system? 15 MS. TABONE: 16 A. Um-hm. 17 HEARN, Q.C.: 18 Q. Is there any other example that you can point 19 us to of a pairing of what's in effect two 20 municipal areas where one is expected to 21 subsidize the other? 22 MS. TABONE: 23 A. Well, it seems to me that there's quite a bit	been presented in this hearing of every single community that has its own diesel system and it's own distribution system and compared them to each other to see if different communities are subsidizing the other ones. HEARN, Q.C.: Q. Would you acknowledge that in Labrador, there have been different rates and in effect, different systems for some 40 years or more? MS. TABONE:
within the system? 15 MS. TABONE: 16 A. Um-hm. 17 HEARN, Q.C.: 18 Q. Is there any other example that you can point 19 us to of a pairing of what's in effect two 20 municipal areas where one is expected to 21 subsidize the other? 22 MS. TABONE: 23 A. Well, it seems to me that there's quite a bit	been presented in this hearing of every single community that has its own diesel system and it's own distribution system and compared them to each other to see if different communities are subsidizing the other ones. HEARN, Q.C.: Q. Would you acknowledge that in Labrador, there have been different rates and in effect, different systems for some 40 years or more? MS. TABONE:

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1 MS. TABONE:	1 interconnected system?
at one point, isolated and now they've been	2 MS. TABONE:
3 brought in to the Island Interconnected	3 A. Well, and the sale of the system obviously.
4 system.	4 They were run separately. There was
5 HEARN, Q.C.:	5 generation. I assume the generation that's
6 Q. What has happened to change the situation to	6 installed in Goose Bay Happy Valley area is
7 bring Labrador West into now an interconnected	7 there because they were using it to serve
8 system that would not have been before?	8 their own load at one point in the past. But
9 MS. TABONE:	9 again, I don't know the history in great
10 A. It seems to me that occurred when contracts	10 detail.
were signed for generation.	11 HEARN, Q.C.:
12 HEARN, Q.C.:	12 Q. So you don't know when it was built?
Q. Contracts for generation? To what are you	13 MS. TABONE:
referring?	14 A. Again -
15 MS. TABONE:	15 HEARN, Q.C.:
16 A. Contracts for power supply.	Q. If I was to suggest to you that that was built
17 HEARN, Q.C.:	prior to Hydro acquiring any interest in the
18 Q. I'm not aware of what contracts that you're	Labrador West distribution system, would that
19 referring to, but can you -	be a relevant factor?
20 MS. TABONE:	20 MS. TABONE:
21 A. With Churchill Falls.	21 A. Again, I think it's all those things together
22 HEARN, Q.C.:	and how it's operated now and looking at
23 Q. So you say that when there was a contract	whether it's different than any of the, I
signed for the supply of energy, that that	guess, postage stamping of different areas
25 made Labrador West and Labrador East a single	anywhere else on Hydro.
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1 HEARN, Q.C.:	1 larger service areas than Hydro, for example,
2 Q. So you're referring toyou're looking just	2 BC Hydro, Nova Scotia Hydro, Manitoba Hydro,
within our system for an example, are you? Do	3 Hydro Quebec, ATCO Electric, have a single
4 you have any other systems that you're	4 rate by customer class for the full
5 referring us to that provide us with a useful	5 interconnected system, even though the actual
6 analogy?	6 costs may vary by location?
7 MS. TABONE:	7 MS. TABONE:
8 A. Most of the systems we're familiar with have	8 A. Correct.
9 postage stamp rates across the entire service	9 HEARN, Q.C.:
area. I haveI do know of a few cases where	10 Q. In all of those systems that you're using in
there may be a single owner of a utility that	that example, all of those jurisdictions, is
spans multiple states and they have different	there a single universal rate throughout the
rates in each of those states, but for the	whole province or the whole system, for a
14 mostI guess that would be the most similar.	14 particular customer class?
15 HEARN, Q.C.:	15 MS. TABONE:
Q. So it can be different rates in different	16 A. What do you mean, for a particular customer
areas, even with the single owner then?	17 class? You mean would every Industrial in the
18 MS. TABONE: 19 A. Correct, and we have that here with five	entire province pay the same rate? Is that what you're saying?
different systems. I'm just suggesting that it remain five and not six.	20 HEARN, Q.C.:
21 it remain five and not six. 22 HEARN, Q.C.:	Q. I'm using your language, a single rate by customer class for the full interconnected
23 Q. So in your discussion, your analysis which	23 system.
24 took a couple of paragraphs on this issue,	24 MS. TABONE:
25 that you say numerous jurisdictions with	25 A. Right. So each customer class would have a
	25 11. 10510. So caesi custoffici ciass would have a

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1	MS. TABONE:	1		to have different rates?
2	rate and it would apply to -	2	MS. T	TABONE:
3	HEARN, Q.C.:	3	A	. I would say that's not the norm.
4	Q. To the entire system.	4	HEAI	RN, Q.C.:
5	MS. TABONE:	5	Q.	. Nor is it unique, is it? It would not be
6	A to the entire system, regardless of	6		unique?
7	location.	7	MS. T	TABONE:
8	HEARN, Q.C.:	8	A	. Not unique to have different rates, but it's
9	Q. So would theyou're not providing us with any	9		also quite common to have a single rate over
10	illustrations that are in any way analogous to	10		an entire province much larger than this one,
11	the Labrador system where you've had different	11		for example, British Columbia.
12	systems operated for some 40 years or so with	12	HEAI	RN, Q.C.:
13	different rates?	13	Q.	. It may be common, but it's not the policy in
14	MS. TABONE:	14		this province, is it?
15	A. No. There are cases where, again, Pacific	15	MS. T	TABONE:
16	Corp is an example where they acquiredthey	16	A	. No. But it has been the policy, from what
17	own Pacific Power and Light serving Oregon,	17		I've read, to move the Labrador system to a
18	California, Washington, Idaho. They acquired	18		common rate over a period of time.
19	Utah Power and Light with service in Utah and	19	HEAF	RN, Q.C.:
20		20	Q	. When you say the policy, how did you determine
21	maintained different rates, but they have been	21		that that was the policy?
22	moving towards averaging various costs that	22	MS. T	TABONE:
23	are shared between the different states.	23	A.	. The direction coming from the Commission, P.U.
24	HEARN, Q.C.:	24		7.
25	Q. So even with a single owner, it's not unusual	25	HEAF	RN, Q.C.:
	Page 191			Page 192
1	Q. And how did that directionwho sought that	1	MS.	TABONE:
2	direction from the Commission?	2	A	. I don't think you could find any system that's
3	MS. TABONE:	3		analogous from one to another. There are
4	A. Again, I wasn't involved in that hearing. I	4		always unique circumstances. That doesn't
5		5		mean that there's not a common basis for
6	I don't know how they got there.	6		things like postage stamp pricing, policy
7	HEARN, Q.C.:	7		direction that, you know, may be common
8	Q. So you haven't examined the underlying	8		between different jurisdictions.
9	1 3	9		RN, Q.C.:
10	MS. TABONE:	10	Q	. Would you agree that aligning rates with cost
11	A. No, and I think that waspart of our coming	11		of service is the most widely recognized
12	ε	12		measure of rates that are equitable and non-
13	on our experience in other jurisdictions,	13		discriminatory?
14				TABONE:
15	what's happened.	15		. We've had a lot of discussion in the past few
1	HEARN, Q.C.:	16		days about Bonbright's principles and there's
17	Q. But you're telling us that the experiences	17		equity, there's efficiency, the costs going
18	that you've cited from other jurisdictions or	18		forward may not differ that much between the
19	you're acknowledging, as I'm suggesting, that	19		two sides of Labrador. So maybe the marginal
20		20		cost for the two aren't different, and that
21	they? The jurisdictions you cited in your	21		should have an impact as well. You have to
22	report, BC Hydro, Nova Scotia, Manitoba Hydro,	22		balance equity, you know, ability to have
23	Hydro Quebec, and ATCO Electric, they're not	23		efficiency, rate stability and rate stability maybe has been a factor in the fact that these
24	analogous to the Labrador Interconnected system, are they?	24		rates are gradually being moved to a single
25	system, are mey!	25		raics are gradually being moved to a single

Page 193 Page 194 1 MS. TABONE: marginal cost study generally looks at the 1 average on the system and not the incremental rate and not being done all at once. So I 2 think some of those factors have been taken cost of serving one community versus another. 3 3 into account already. 4 HEARN, Q.C.: 4 Q. Would you agree that maintaining historical 5 HEARN, Q.C.: 5 Q. Have you examined whether the rates going relationships is also an important factor to 6 forward on a cost basis ought to different in be considered? 7 7 Labrador West and Labrador East? 8 8 MS. TABONE: 9 MS. TABONE: A. I think it is a factor for the Board to A. Sounds like that should be part of the 10 consider. I wouldn't say that it is something 10 marginal cost study everybody's been talking that needs to be done in a cost of service. 11 11 12 about. 12 It's probably something you'd look at more 13 HEARN, O.C.: from outside, maybe again by the gradualism 13 towards changing things. 14 Q. So that's a relevant factor, is it? 14 15 HEARN, O.C.: 15 MS. TABONE: A. It would be one factor to consider. Again -16 Q. Is the history of some 40 to 50 years of different rates between the two areas a factor 17 HEARN, Q.C.: 17 O. Be a relevant factor? that ought to be given some consideration and 18 weight? 19 MS. TABONE: 19 A. - when we're talking about a marginal cost 20 MS. TABONE: 20 study, nobody has really defined it well, 21 21 A. I would suggest it has been considered and whether it's an integrated resource plan or that's why there's a five-year phase in period 22 22 marginal cost study. Are you looking at the to get the rates consistent with one another 23 23 cost for a particular customer or the average and not done overnight. 24 on the system? And I would suggest that a 25 25 HEARN, Q.C.: Page 195 Page 196 Q. Would you regard the views of the mining Q. But would you agree that the reasons for such 1 1 companies with respect to their financial 2 2 contributions ought to be given some 3 contributions as being a relevant factor to be consideration? 3 considered? 4 MS. TABONE: 4 5 MS. TABONE: A. I think the fact that there were contributions should perhaps be considered to some extent. A. Again, it's not uncommon for customers or 6 6 I'm not sure the rationale for the 7 governments to provide grants for facilities, 7 for various reasons, whether it's economic contributions would make any impact. 8 8 9 development or other reasons, and that I'm 9 HEARN, Q.C.: assuming that that's been factored into in Q. Would you agree that it's a widely recognized 10 rate design principle that a utility should 11 terms of the book value on Hydro's system. It 11 would be a contribution would reduce the book recover costs from the customers that cause 12 12 13 value of the facilities, which is why you're 13 them to be incurred? getting a difference in the cost or one of the 14 14 MS. TABONE: A. That's very standard principle of cost of 15 reasons. 15 service. It's why you do it. Again, there's 16 HEARN, O.C.: 16 a lot of judgment and precedent and policy on 17 Q. Would be one of the reasons? 17 where you split that out, you know, what's 18 MS. TABONE: 18 A. Would be one of the reasons. directly assigned, whether you figure that 19 cost for every different customer or whether 20 HEARN, O.C.: 20 you postage stamp it and everybody gets, you 21 Q. You're not suggesting, I take it, that it 21 would be the sole reason? know, the same share of the same, you know, 22 22 pot. 23 MS. TABONE: 23 24 A. No. 24 HEARN, O.C.: 25 Q. So in some circumstances, equal rates may not 25 HEARN, Q.C.:

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١.	Page 197		- I
1	HEARN, Q.C.:	1	came on the system. It could be their
2	be equitable rates?	2	physical location, and it's generally a policy
	(1:15 p.m.)	3	decision as to whether you give them the exact
4	MS. TABONE:	4	same rates or whether you give them each a
5	A. There are circumstances where equal rates	5	separate rate. If it's two residential
6	would not be equitable. I mean, if the	6	customers, I don't very often see two
7	customer has a significantly different load	7	residential customers have two different
8	shape, for example, and if you've got demand	8	rates, even if you know exactly what it costs
9	and energy prices, if they had an equal energy	9	to serve them.
10	rate and they had different load shapes, that	10	HEARN, Q.C.:
11	probably wouldn't be equitable, which is why	11	Q. But in the Labrador system, we're not dealing
12	you'd split it up by demand and energy, for	12	with two adjacent residential customers, are
13	example.	13	we?
14	HEARN, Q.C.:	14	MS. TABONE:
15	Q. Suppose you had two customers, A and B, and A	15	A. No. It wouldn't matter if they were adjacent
16		16	
17	transmission costs, higher generation costs	17	It's a policy issue whether you treat them the
18	than customer B and those were the only two	18	· · · · · · · · · · · · · · · · · · ·
19	customers you were involved with, and you	19	to draw the line. Is it, you know, each
20	proposed charging them equal rates, would that	20	community is separate, each interconnected
21	be equitable?	21	system is separate, you know, or together or
1	MS. TABONE:	22	whether you have five costs of service or one
23	A. There would definitely be, you know, a cost	23	cost of service for the entire province.
1	basis differential between those two. It	l	That's a policy decision that the
24		24	
25	could be that it was the timing of when they	25	Commissioners have to make. I don't timik
	Page 199		Page 200
1	there are any factual characterizations that	1	the sense of cost equity, everybody pays
1 2	there are any factual characterizations that are going to make a difference in how that	1 2	the sense of cost equity, everybody pays exactly their cost, but whether two customers
1	there are any factual characterizations that are going to make a difference in how that policy decision is made, because you can find		the sense of cost equity, everybody pays
2	there are any factual characterizations that are going to make a difference in how that	2	the sense of cost equity, everybody pays exactly their cost, but whether two customers
2 3	there are any factual characterizations that are going to make a difference in how that policy decision is made, because you can find	2 3 4	the sense of cost equity, everybody pays exactly their cost, but whether two customers that happen to live in two separate areas pay
2 3 4 5	there are any factual characterizations that are going to make a difference in how that policy decision is made, because you can find factual cost differences between every single	2 3 4	the sense of cost equity, everybody pays exactly their cost, but whether two customers that happen to live in two separate areas pay the same cost or not.
2 3 4 5	there are any factual characterizations that are going to make a difference in how that policy decision is made, because you can find factual cost differences between every single customer on the system.	2 3 4 5	the sense of cost equity, everybody pays exactly their cost, but whether two customers that happen to live in two separate areas pay the same cost or not. HEARN, Q.C.:
2 3 4 5 6	there are any factual characterizations that are going to make a difference in how that policy decision is made, because you can find factual cost differences between every single customer on the system. HEARN, Q.C.:	2 3 4 5 6 7	the sense of cost equity, everybody pays exactly their cost, but whether two customers that happen to live in two separate areas pay the same cost or not. HEARN, Q.C.: Q. Price signals, what do you mean by price
2 3 4 5 6 7 8	there are any factual characterizations that are going to make a difference in how that policy decision is made, because you can find factual cost differences between every single customer on the system. HEARN, Q.C.: Q. Can a rate be considered equitable if it's	2 3 4 5 6 7	the sense of cost equity, everybody pays exactly their cost, but whether two customers that happen to live in two separate areas pay the same cost or not. HEARN, Q.C.: Q. Price signals, what do you mean by price signals?
2 3 4 5 6 7 8	there are any factual characterizations that are going to make a difference in how that policy decision is made, because you can find factual cost differences between every single customer on the system. HEARN, Q.C.: Q. Can a rate be considered equitable if it's consistent with the cost of service?	2 3 4 5 6 7 8	the sense of cost equity, everybody pays exactly their cost, but whether two customers that happen to live in two separate areas pay the same cost or not. HEARN, Q.C.: Q. Price signals, what do you mean by price signals? MS. TABONE:
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2 3 4 5 6 7 8 9 10 11 12 13 14	there are any factual characterizations that are going to make a difference in how that policy decision is made, because you can find factual cost differences between every single customer on the system. HEARN, Q.C.: Q. Can a rate be considered equitable if it's consistent with the cost of service? MS. TABONE: A. That's one way to judge equity. HEARN, Q.C.: Q. When you say it's a policy decision for this Board to make, how does the Board decide whether to have five or six different costs	2 3 4 5 6 7 8 9 10 11 12 13 14	the sense of cost equity, everybody pays exactly their cost, but whether two customers that happen to live in two separate areas pay the same cost or not. HEARN, Q.C.: Q. Price signals, what do you mean by price signals? MS. TABONE: A. Price signals are basically the rates, and maybe you haven't been here. Maybe you've read the transcript. There's been a lot of discussion about price signals, in terms of the demand and energy rate for Newfoundland Power, and it's trying to get people to make
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1 HEARN, Q.C.:	contract, so I don't think I can really speak
2 Labrador West, that you're aware of?	2 to that.
3 MS. TABONE:	3 HEARN, Q.C.:
4 A. I'm not aware of any future generation that	4 Q. So you haven't even looked at the costs and
5 would be built as a result of that. I mean,	5 the prices?
6 looking at the resource that they have access	6 MS. TABONE:
7 to on a contractual basis and the loads, I	7 A. Looked at the cost comparison in Drazen's, Mr.
8 can't imagine any situation where they may	8 Drazen's evidence. Again, that was after we
9 need to build generation.	9 submitted our evidence. Again, this isn't
10 HEARN, Q.C.:	our recommendations are not based on cost
Q. Is there any future generation required for	difference, whether it's marginal cost or
12 Labrador East?	embedded cost.
13 MS. TABONE:	13 HEARN, Q.C.:
14 A. Again, I haven't looked at the technical side	Q. You spoke to price signals and do you know
of that, and again, it's not just generation.	what the proposed rates would do for customer
It's transmission and probably in this case,	prices in Labrador West?
more importantly, distribution because it	17 MS. TABONE:
sounds like the generation and transmission is	18 A. Well, it looks to me like they're going up, I
19 already established.	don't know, 15 percent, in that order of
20 HEARN, Q.C.:	20 magnitude.
21 Q. What sort of price signal is being sent by	21 HEARN, Q.C.:
this policy to the customers in Labrador West?	22 Q. Try 28 percent in the first year only. Is
23 MS. TABONE:	23 that -
24 A. I haven't looked at the particular rates as	24 MS. TABONE:
opposed to the price of the power out of the	25 A. Right, but it's -
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1 HEARN, Q.C.:	1 MS. TABONE:
2 Q. What sort of consistency signal is that	2 A. I had recalled a number more in the 15 percent
3 sending?	range, but I think it was under 20 percent.
4 MS. TABONE:	4 HEARN, Q.C.:
5 A. Well, I think that's sending them a signal to	5 Q. Could it besome of my calculations make it
6 probably use less power.	6 16, 17, 18 percent depending on the particular
7 HEARN, Q.C.:	year, could that be accurate?
8 Q. Is there any evidence that you're aware of	8 MS. TABONE:
9 that energy has been wasted in Labrador West?	9 A. Again, I'll accept that.
10 MS. TABONE:	10 HEARN, Q.C.:
11 A. I haven't looked at that issue specifically.	11 Q. In the present economic circumstances with
Haven't looked at it for Goose Bay Happy	very moderate inflation, are those substantial
Valley or Lab West area.	percentage increases?
14 HEARN, Q.C.:	14 MS. TABONE:
15 Q. What sort of signal does such an increase send	15 A. Yes, they are, and I've seen a lot of
to economic development in that area?	jurisdictions where electric prices have gone
17 MS. TABONE:	up faster than inflation, and I believe there
18 A. Again, it might make it a little bit harder	are other customers on the Hydro system that
than it was before, but it may still be better	are facing rate increases that are quite a bit
than it is in a lot of other places.	20 higher than inflation.
21 HEARN, Q.C.:	21 HEARN, Q.C.:
22 Q. Are you aware that after the proposed almost	Q. Any other example of someone facing a 28.2
23 30 percent increase in the first year that	
_ ·	percent increase, that you can point us to?
24 Hydro proposes increases that approach 20	 percent increase, that you can point us to? MS. TABONE: A. Not that high. But again, those customers

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1 MS. TABONE:	1 HEARN, Q.C.:	
2 have been receiving a very low rate for a long	2 Q. So can you present us	
3 period of time and so if you look at the		ador West have not been
4 differential, they're probably worlds better	4 paying their cost of se	rvice?
5 off having the low rate for a long period of	5 MS. TABONE:	
6 time and a higher rate increase now than	6 A. If you were to look at	a cost ofif you were
7 somebody who had a higher rate earlier and a		ost of service approach
8 lower rate increase now.		ined, and apply that
9 HEARN, Q.C.:	9 historically, I think it	would show that they
10 Q. Is there any evidence that consumers in	had not been paying th	neir cost of service.
Labrador West have not been paying their cost	11 HEARN, Q.C.:	
of supply or cost of service?	Q. I believe you've alread	dy agreed that there's
13 MS. TABONE:	no policy of rate equa	lization on the Hydro
14 A. That's a function of whether you believe that	system?	
cost of service should be postage stamp or	15 MS. TABONE:	
separate for the two systems.	A. There are a lot of police	cies that get at that,
17 HEARN, Q.C.:	17 but -	
18 Q. Are you aware that, in a previous hearing,	18 HEARN, Q.C.:	
that Hydro rebated substantial monies to the	Q. But we agree, do we n	iot -
20 Town of Wabush based on an overpayment of	20 MS. TABONE:	
21 costs?	A but not of the whole	entire system, no.
22 MS. TABONE:	22 HEARN, Q.C.:	
23 A. I'm not aware of that and I don't know the	Q. Hydro proposes five s	-
specific circumstances. There could be a lot	not reflect cost diffe	rences among five
of reasons for that.	25 different subsystems?	
	<u> </u>	
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1 MS. TABONE:	past period of time, six	· ·
1 MS. TABONE: 2 A. That's correct.	past period of time, size 2 MS. TABONE:	x systems not five.
1 MS. TABONE: 2 A. That's correct. 3 HEARN, Q.C.:	past period of time, size 2 MS. TABONE: A. Perhaps if you take the	x systems not five. at approach, then things
 1 MS. TABONE: 2 A. That's correct. 3 HEARN, Q.C.: 4 Q. And what's thefrom a policy point of view, 	past period of time, size 2 MS. TABONE: A. Perhaps if you take the will never change and	x systems not five. at approach, then things
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 1 MS. TABONE: 2 A. That's correct. 3 HEARN, Q.C.: 4 Q. And what's thefrom a policy point of view, 5 what's the difference with doing five and 6 maintaining six that already exist? 7 MS. TABONE: 	past period of time, size 2 MS. TABONE: A. Perhaps if you take the will never change and HEARN, Q.C.: Q. Why should they charm municipal areas? We	at approach, then things not sure - age, between two different e're not talking about
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1 HEARN, Q.C.:	1 communities are served, as well as the
2 area has to subsidize the other area.	2 customers that may not be within a tight, you
3 MS. TABONE:	know, small geographical area, might be more
4 A. Well, I think that a similar decision has been	4 spread out, more rural, I think you'd probably
5 made throughout the other four systems or I	5 see big differences based on where they happen
6 guess, really the three systems, the Island	to be located, when the facilities were built,
7 Interconnected, the Island Isolated and the	7 things of that nature.
8 Labrador Isolated, and I think that this move	8 HEARN, Q.C.:
9 is to make Labrador Interconnected consistent	9 Q. How many different communities would be
with the other three systems and how things	involved in the Isolated system that you're
11 are done.	referring to?
12 HEARN, Q.C.:	12 MS. TABONE:
Q. How is it consistent? Can you point toand I	13 A. I don't have an exact number.
asked you this earlier, and I apologize for	14 HEARN, Q.C.:
repeating a question, but is there another	15 Q. Do you have an approximate number? It's more
area where you'll end up having essentially	than two, is it not?
two municipal areas, one subsidizing the	17 MS. TABONE:
18 other?	18 A. Sure, quite a bit more than two.
19 MS. TABONE:	19 HEARN, Q.C.:
20 A. I think if youI don't have the costs in	20 Q. Quite a bit more than two, and is there not
front of me to look at each particular	some common characteristic that links those
22 community on let's say the Island	particular systems, whether it's they're all
23 Interconnector I'm sorry, the Island	supplied by local diesel generators or some
Isolated system. I think if you were to break	such characteristic as that?
25 those costs out between however many	25 (1:30 p.m.)
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1 MS. TABONE:	1 Q. Thank you, Mr. Hearn. Thank you. Mr.
2 A. Sure. They're similar in their generation	2 Kennedy, do you have any -
3 source, not their particular source, but the	3 MR. KENNEDY:
4 type of source, and again, I see, in the case	4 Q. Just a couple of points.
of Labrador, again it's the exact same	5 CHAIRMAN:
6 generation source, whereas the Island Isolated	6 Q idea how long? You'd be relatively short?
7 would each have different diesel units.	7 MR. KENNEDY:
8 They'd be sized differently. They'd be built	
They are sized differently. They are built	8 Q. Take but a moment.
9 at different times. They may have different	8 Q. Take but a moment. 9 CHAIRMAN:
, , ,	
9 at different times. They may have different	9 CHAIRMAN:
at different times. They may have different efficiency levels, even though they may all be	9 CHAIRMAN: 10 Q. Okay, that's fine.
at different times. They may have different efficiency levels, even though they may all be diesel instead of some being diesel and some	9 CHAIRMAN:10 Q. Okay, that's fine.11 MR. KENNEDY:
at different times. They may have different efficiency levels, even though they may all be diesel instead of some being diesel and some being hydro, for example.	 9 CHAIRMAN: 10 Q. Okay, that's fine. 11 MR. KENNEDY: 12 Q. So I don't know if you wanted to just plow
9 at different times. They may have different 10 efficiency levels, even though they may all be 11 diesel instead of some being diesel and some 12 being hydro, for example. 13 HEARN, Q.C.:	 9 CHAIRMAN: 10 Q. Okay, that's fine. 11 MR. KENNEDY: 12 Q. So I don't know if you wanted to just plow 13 ahead, Chair.
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1 MR. KENNEDY:	1 front of you, I wonder if you could speak from
2 if you could justthat's not the one I'm	2 an intuitive level. We knowdo you know
3 looking for. I'm looking for the one that's	where St. John's is located on this map?
4 similar to the map that's right in front of	4 MS. TABONE:
5 you with the full grid.	5 A. Sure.
6 GREENE, Q.C.:	6 MR. KENNEDY:
7 Q. I think that's in a Schedule to Mr. Haynes'	7 Q. And you know, for instance, where Corner Brook
8 pre-filed.	8 is located, over on the west coast?
9 MR. KENNEDY:	9 MS. TABONE:
10 Q. Okay.	10 A. Yes.
11 KELLY, Q.C.:	11 MR. KENNEDY:
12 Q. Martin's, I think.	12 Q. All right. And they're both part of the
13 GREENE, Q.C.:	13 Island Interconnected system, correct?
14 Q. Martin, is it?	14 MS. TABONE:
15 MR. KENNEDY:	15 A. Correct.
16 Q. Mr. Martin's pre-filed, is it?	16 MR. KENNEDY:
17 KELLY, Q.C.:	17 Q. So a residential customer in St. John's would
18 Q. I think it's Martin.	pay the same electric rate as a residential
19 MR. KENNEDY:	19 customer in Corner Brook?
20 Q. Ms. Tabone, you got a geography lesson last	20 MS. TABONE:
21 night. You got another one here today.	21 A. Correct.
22 MS. TABONE:	22 MR. KENNEDY:
23 A. Yes.	23 Q. Would you expect that the cost to service a
24 MR. KENNEDY:	residential customer in St. John's would be
25 Q. Just without having the actual cost data in	25 different than the cost to service a
Page 21:	Page 216
1 residential customer in Corner Brook, just	1 A. Intuitively.
2 given the dynamics of the electrical system	2 MR. KENNEDY:
and their location on the map?	3 Q. Yes, but I pay the same rate.
4 MS. TABONE:	4 MS. TABONE:
5 A. Well, sure, and that's a function of where	5 A. You pay the same rate. You may pay a
6 they are located physically, compared to where	6 different bill because you use a different
7 the generation is and how much transmission	7 amount.
8 lines or how many miles of transmission line,	8 MR. KENNEDY:
9 kilometres of transmission line to get power	9 Q. And is that consistent with your policy of a
to them, perhaps the timing of when the	postage stamp system, where it makes sense to
distribution facilities were built in each	average, we do average?
location, as well as perhaps some physical,	12 MS. TABONE:
the density of the two areas would have an	13 A. That's right.
impact as well.	14 MR. KENNEDY:
15 MR. KENNEDY:	15 Q. I wonder if we could just look at CA-8, Mr.
Q. Sure, and for example, in the City of St.	O'Reilly? It's page three. This is just, I
John's, if I'm a residential customer living	guess, as a lead in and was a question
in an apartment building, and just by virtue	concerning the loss of load figures, and then
of it being less costly to service me than it	least cost peaking options and also asked for
would be if I was in a normal subdivision of	20 the marginal cost supply in the Rural Isolated
21 housing, my electric rates at a cost basis	21 systems. So I wonder if we could go to page
22 would be lower if I lived in a high rise, as	three, Mr. O'Reilly? That's just one I could
23 opposed to a subdivision intuitively,	just find quickly. Ms. Tabone, this shows the
24 possibly?	short-run marginal cost of supply for the
25 MS. TABONE:	25 Rural Isolated systems. So these are all the
	· · · · · · · · · · · · · · · · · · ·

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1 MR. KENNEDY:	customers so they're not hit by, you know,
2 systems on theexcept for the case of L'Anse	2 lumpy investments.
au Loup, which is towards the bottom, they're	3 MR. KENNEDY:
4 all on diesel systems, I believe.	4 Q. Yes, I understand, for instance, I think the
5 MS. TABONE:	5 evidence shows that the Town of Charlottetown
6 A. Right.	6 required some new plant, either recently or in
7 MR. KENNEDY:	7 the near future. That would, one would
8 Q. Can you see that the marginal cost varies	8 expect, be more expensive plant than embedded
9 quite considerably from location to location?	9 plant?
10 MS. TABONE:	10 MS. TABONE:
11 A. Right, from about 10 cents to 25 cents.	11 A. I'm sure it would be, yes.
12 MR. KENNEDY:	12 MR. KENNEDY:
Q. And would it be normal course to break then	
out and do each individual cost of service	cost or incremental cost would be shared among
area or would it be on a policy basis, make	all the members in the Rural Isolated group?
more sense to treat the Rural Isolated systems	16 MS. TABONE:
as one zone that all the costs are averaged	17 A. Right, just like it is on a interconnected
18 to?	system. It helps buffer that out and helps
19 MS. TABONE:	19 everybody.
20 A. Again, based on my postage stamp philosoph	
it would be more consistent to average them	21 Q. Sure, okay. Similarly, if there's a
all out. That provides benefits to everybody.	substantial piece of asset belonging to or
Right now, one of them is facing a higher cost	
than the next. When a big capital expenditure	Lab City that needs to be replaced because of
is required, that may help average it out over	premature failure or increased load that that
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cost will be shared among all the customers of	
2 Labrador that are on the interconnected	that that would require Board approval, that
3 portion?	3 it would require an application. Is that your
4 MS. TABONE:	4 understanding as well?
5 A. That would be correct.	5 MR. CHYMKO:
6 MR. KENNEDY:	6 A. That's my understanding, yes.
7 Q. It wouldn't be borne just by the residents of	7 MR. KENNEDY:
8 Lab City?	8 Q. Are there other approaches that Newfoundland
9 MS. TABONE:	9 Power could take or responses that it would
10 A. No, or by the particular customer in question	have available to it which would potentially
11 either.	be an adjustment to a demand wholesale rate
12 MR. KENNEDY:	that would not require an actual change in
Q. Mr. Chymko, there was a question that you	their rates and trigger off a hearing before
received while under cross by, I believe it	this Board?
was the Consumer Advocate, concerning wh	nat 15 MR. CHYMKO:
responses that Newfoundland Power would h	ave 16 A. It's my understanding that some of the demand
available to it if a demand wholesale rate was	side management alternatives of encouraging
introduced as a result of this hearing, and I	growth at a customer level where customers
think one of them that was discussed was	have better profiles, so again fuel choice
seasonal rates. Do you recall that?	20 might be a good example. So I believe that
21 MR. CHYMKO:	21 they could put in programs that would lead to
22 A. Yes, I do.	end customers picking a various fuel choice or
23 MR. KENNEDY:	at least examining it. I think that would be
24 Q. And now if Newfoundland Power was to try	to 24 part of a program that would not need to come
25 introduce seasonal rates at its, for instance,	back to the Board for a specific approval of a

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1 N	IR. CHYMKO:	1	at the end of the day, that's what I'm calling
2	rate. Perhaps interruptible contracts, again,	2	a DISCO is the distribution utility that
3	I don't know what leeway is available to the	3	remains after removing generation and
4	utility if they were to negotiate an	4	transmission.
5	agreement, whether that would have to come	5	MR. KENNEDY:
6	back to the Board for approval at the time of	6	Q. Okay. So we know Hydro has its own
7	the agreement or whether that would be dealt	7	residential customers?
8	with at a future hearing.	8	MR. CHYMKO:
9 N	IR. KENNEDY:	9	A. That's right, serving the end customer direct.
10	Q. And just one last question and this could be	10	MR. KENNEDY:
11	handled by either one of you. You referred to	11	Q. And so in effect, is it fair to say, that sort
12	the DISCOs, and other than dating ourselves by	12	of internally Hydro is selling power to itself
13	having images conjured up in our heads, you	13	from a wholesale level to a retail level?
14	referred to the fact that Newfoundlandyou	14	MR. CHYMKO:
15	have the Newfoundland Power DISCO, the	15	A. Right.
16	distributor company. You also referred to the	16	MR. KENNEDY:
17	NLH DISCO, and I just wanted to make sure that	17	Q. Right, and that's the NLH DISCO that you
18	we understood what it was that you meant there	18	referred to?
19	because you said there were two DISCOs. Could	19	MR. CHYMKO:
20	you just explain to the panel what you were	20	A. Yes.
21	describing?	21	MR. KENNEDY:
22 N	IR. CHYMKO:	22	Q. Okay. That's all the questions I have, Chair.
23	A. Sure. What I was attempting to do was	23	Thank you, Mr. Tabone.
24	unbundle basically Newfoundland Hydro into		MS. TABONE:
25	generation, transmission and distribution. So	25	A. These names are a problem today.
	Page 223		Page 224
1 N	IR. KENNEDY:	1	Commissioner Whalen?
2	Q. I got it backwards again, yes. Thank you,	2	COMMISSIONER WHALEN:
3	Gail and Nigel.	3	Q. No, I have no questions. Thank you.
4 0	HAIRMAN:		CHAIRMAN:
5	Q. Thank you, Mr. Kennedy. We'll move to Board	5	Q. I just have one short question, I guess, for
6	questions now. Commissioner Saunders?	6	Ms. Tabone. Mr. Hearn was questioning how
7 0	OMMISSIONER SAUNDERS:	7	does the Board decide on setting rates and you
8	Q. Yes, just one question, Mr. Chair. Ms.	8	mentioned considering costs. You mentioned
9	Tabone, the postage stamp rate, is it	9	looking at price signals, and you mentioned
10	something that's common only to the electrical	10	economic development.
11	utility industry? I'm thinking of, for	11	MS. TABONE:
12	instance, isn't it also common with telephone	12	A. Um-hm.
13	rates, cable television and the like or do you		CHAIRMAN:
14	have any experience in those industries?	14	Q. Which struck me. In your experience, how does
1	IS. TABONE:	15	a Board similar to this, in experiences
16	A. We have experience in the gas industry and the	16	elsewhere that you've had, take into account
17	water industry where postage stamp rates would	17	economic development in its decision making?
18	be in place. Outside of that, obviously the	18	What sort of criteria and standards have you
19	term comes from postage which is how it	19	seen applied in that situation?

Q. Yes. Okay. Thank you. That's all I have, 22

Saunders.

20 MS. TABONE:

21 A. I'm going to refer that question to Mr. Chymko because Alberta is an excellent case of that

23 back, I don't know, five, ten years ago. They

24 had a system in place that did that.

Commissioner

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25

started.

21 COMMISSIONER SAUNDERS:

you,

Mr. Chair.

24 CHAIRMAN:

Q. Thank

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	Page 225		Page 226	
1 1	MR. CHYMKO:	1	economic development where a special deal is	
2	A. I guess, at the time it was really being	2	being made for one class of customer. What	
3	driven where we were having rate disparities	3	there is are some terms and conditions around	
4	where we had say four independent distribution	4	how do we bring in economic development and I	
5	utilities at the end of the day, and the rates	5	guess, share the load over a period of time.	
6	in the south were becoming quitethere was	6 C	HAIRMAN:	
7	quite a gap between the north and the south.	7	Q. Thank you. Are there any questions or matters	
8	The north was growing. That's where the	8	arising from Board questions?	
9	resources were. And a system was put in place	9 H	UTCHINGS, Q.C.:	
10	of really going from the four independent	10	Q. No questions.	
11	distribution utilities to averaging generation	11 C	HAIRMAN:	
12	and transmission. So in the province at the	12	Q. Okay. Thank you very much, Ms. Tabone and Mr.	
13	time, a decision was made well, how far can we	13	Chymko. Added to my magenta is I thought	
14	go of combining some of the independent areas	14	DISCOs were things that went out about 15	
15	or independent cost of service and what we	15	years ago when I had some hair, but I've	
16	ended up with was averaging generation and	16	learned a new definition for that today.	
17	transmission. Within a utility one of the	17	Thank you very much. That brings an end to	
18	other issues to perhaps be dealt with is	18	proceeding today. I guess we scheduled Mr.	
19	whether they actually do it through the end	19	Drazen tomorrow. I understand Mr. Greneman	
20	rate or contribution policy and are there ways	20	will be back as well, Ms. Newman, is that	
21	that perhaps the utility can assist basically	21	correct?	
22	in doing some of the financing over a period	22 M	IS. NEWMAN:	
23	of time through a customer contribution to	23	Q. Yes, I believe that Hydro plans on putting Mr.	
24	assist economic development. But I don't see,	24	Greneman on the stand first thing in the	
25	and I want to clarify, I don't see a lot of	25	morning and making him available for cross-	
	Page 227		Page 228	
1	examination on the Labrador issue, and then to	1	CERTIFICATE	
2	be followed by Mr. Drazen.	2 I,	Judy Moss Lauzon, hereby certify that the foregoing is	
130	GREENE OC:	1 3 a	true and correct transcript in the matter of	

3 a true and correct transcript in the matter of

4 Newfoundland and Labrador Hydro's 2003 General Rate

5 Application for approval of, among other things, its

6 rates commencing January, 2004 heard on the 19th day of

7 November, A.D., 2003 before the Board of Commissioners of

8 Public Utilities, Prince Charles Building, St. John's,

9 Newfoundland and Labrador and was transcribed by me to

10 the best of my ability by means of a sound apparatus.

11 Dated at St. John's, Newfoundland and Labrador

12 this 19th day of November, A.D., 2003

13 Judy Moss Lauzon

3 GREENE, Q.C.:

5

7

8

Q. Yes, that's correct, Mr. Chair. Mr. Hearn had

requested that Mr. Greneman come back to the

stand on this one issue when he was present. 6

Hydro agreed to recall Mr. Greneman only for

the purpose of the policy to be used in

9 setting rates in Labrador on the Lab East and

Lab West. 10

11 CHAIRMAN:

Q. Thank you once again, and we'll see you at 12

13 9:00 tomorrow morning.

14 (UPON CONCLUSION AT 1:45 P.M.)