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<p>1 (10:25 a.m.)</p> <p>2 November 24, 2003</p> <p>3 CHAIRMAN:</p> <p>4 Q. Perhaps we could get started. I think we were</p> <p>5 here at the last Hydro hearing and were able</p> <p>6 to accommodate the interest actually in this</p> <p>7 side of the room and there was room to spare,</p> <p>8 but clearly there's a lot more interest in</p> <p>9 this particular hearing which is good, which</p> <p>10 is great.</p> <p>11 I would like to take the opportunity to</p> <p>12 welcome everybody here this morning, both</p> <p>13 parties participating indeed on an ongoing</p> <p>14 basis in this hearing and in particular,</p> <p>15 persons and organizations who have taken the</p> <p>16 initiative to attend this portion of the</p> <p>17 hearing here in Stephenville. My name is Bob</p> <p>18 Noseworthy and I'm Chair and CEO of the Public</p> <p>19 Utilities Board and I'll explain a little bit</p> <p>20 about the Board further in a moment, but for</p> <p>21 purposes of this hearing I am serving as the</p> <p>22 Chair of the Panel which has been delegated</p> <p>23 the responsibility to make decisions on this</p> <p>24 rate application by Hydro. My colleagues</p> <p>25 joining me on the Panel are to my left, Ms.</p>	<p>1 Darlene Whalen. Darlene is Vice-Chair of the</p> <p>2 Board. And on my right is Commissioner Fred</p> <p>3 Saunders. Fred is a retired businessman that</p> <p>4 lives in St. John's. I'd also like to</p> <p>5 introduce the Board staff. On my far left is</p> <p>6 Cheryl Blundon who is Board Secretary. In the</p> <p>7 middle is Dwanda Newman who is the in-house</p> <p>8 counsel to the Board and on the far right is</p> <p>9 Mark Kennedy who has been retained by the</p> <p>10 Board for this particular hearing as Board</p> <p>11 hearing counsel. I would ask the counsels for</p> <p>12 the parties, beginning with Hydro to introduce</p> <p>13 yourself and anybody else that you would wish</p> <p>14 to introduce maybe sitting at the table with</p> <p>15 you. I'll start with Ms. Greene, please.</p> <p>16 GREENE, Q.C.:</p> <p>17 Q. Good morning, Mr. Chair, Commissioners, ladies</p> <p>18 and gentlemen. My name is Maureen Greene, I</p> <p>19 am counsel for Newfoundland and Labrador</p> <p>20 Hydro. Seated with me at the table is Mr.</p> <p>21 Williams Wells, the President and Chief</p> <p>22 Executive Officer of Hydro and seated in the</p> <p>23 audience we have Fred Martin who is Vice-</p> <p>24 President of Transmission and Rural</p> <p>25 Operations; Sam Banfield who is Director of</p>
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<p>1 Customer Service and Glen Mitchell who is the</p> <p>2 Manager of Rates and Financial Planning.</p> <p>3 Thank you.</p> <p>4 CHAIRMAN:</p> <p>5 Q. Thank you. Good morning, Mr. Browne.</p> <p>6 BROWNE, Q.C.:</p> <p>7 Q. Good morning. My name is Dennis Browne, I'm</p> <p>8 the Consumer Advocate appointed for this</p> <p>9 particular file and I represent the consumers</p> <p>10 of the province.</p> <p>11 CHAIRMAN:</p> <p>12 Q. Good morning, Mr. Kelly.</p> <p>13 KELLY, Q.C.:</p> <p>14 Q. Good morning, Chair, Commissioners. My name</p> <p>15 is Ian Kelly and I'm here on behalf of</p> <p>16 Newfoundland Power and with me is Mr. Kevin</p> <p>17 Fagan of Newfoundland Power.</p> <p>18 CHAIRMAN:</p> <p>19 Q. Good morning, Mr. Hutchings.</p> <p>20 HUTCHINGS, Q.C.:</p> <p>21 Q. Good morning, Mr. Chairman. My name is Joe</p> <p>22 Hutchings and I, with Colm Seviour of St.</p> <p>23 John's are counsel to the Industrial Customer</p> <p>24 group and that group consists of Abitibi</p> <p>25 Consolidated, a company of Canada, both in its</p>	<p>1 Stephenville and Grand Falls divisions; Corner</p> <p>2 Brook Pulp and Paper Limited of Corner Brook</p> <p>3 and North Atlantic Refining, as well as</p> <p>4 Voisey's Bay Nickel which is a potential</p> <p>5 Industrial Customer of Hydro as time goes on.</p> <p>6 As a resident of the west coast I take this</p> <p>7 opportunity to welcome the Board and everyone</p> <p>8 else to the west and best coast. And with me</p> <p>9 today seated to my right is Mel Dean who, is</p> <p>10 Continuous Improvement Manager of Abitibi</p> <p>11 Consolidated based in Stephenville. Also</p> <p>12 seated in the audience is Jean Francois</p> <p>13 Guillot, who is the manager of the mill at</p> <p>14 Stephenville. Additionally, in the group</p> <p>15 assembled is Mr. David McDonald who is Mill</p> <p>16 Maintenance and Services Manager for Corner</p> <p>17 Brook Pulp and Paper Limited; Brendan Mitchell</p> <p>18 who is the Procurement Manager for Corner</p> <p>19 Brook Pulp and Paper Limited; and Kevin</p> <p>20 Goulding who is the Manager of Deer Lake</p> <p>21 Power. Just for the benefit of those present,</p> <p>22 Mr. Chair, I might indicate that we have, of</p> <p>23 course, been participating day by day in all</p> <p>24 the hearings in St. John's on behalf of the</p> <p>25 clients that we represent including Abitibi</p>

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<p>1 HUTCHINGS, Q.C.:</p> <p>2 and Corner Brook Pulp and Paper who, while</p> <p>3 they're based on the west coast will not be</p> <p>4 making specific presentations during this</p> <p>5 period. We have, of course, as part of our</p> <p>6 general intervention, offered evidence on</p> <p>7 behalf of the group and there will be further</p> <p>8 evidence offered in St. John's during the</p> <p>9 course of the principal hearing from officials</p> <p>10 of Abitibi Consolidated. And we have followed</p> <p>11 as we've said day by day with all of the</p> <p>12 technical and expert evidence and will be</p> <p>13 making presentations and submitting written</p> <p>14 argument and oral argument to the Board on</p> <p>15 behalf of these companies and the rest of the</p> <p>16 Industrial Group at the appropriate times.</p> <p>17 And we're pleased to be able to participate in</p> <p>18 these public sessions here on the west coast</p> <p>19 so that you can hear from people who are, to</p> <p>20 some extent, behind some of these operations</p> <p>21 that you've grown to know something about</p> <p>22 during the course of the hearings in St.</p> <p>23 John's. Thank you, Mr. Chair.</p> <p>24 CHAIRMAN:</p> <p>25 Q. Thank you, Mr. Hutchings. I would add as well</p>	<p>1 that in addition to the Intervenor here this</p> <p>2 morning who will be participating, the Towns</p> <p>3 of Labrador City and Wabush are Intervenor to</p> <p>4 this proceeding and have participated at times</p> <p>5 throughout and, certainly, I'm sure we'll be</p> <p>6 hearing from them on Wednesday I believe when</p> <p>7 we're scheduled to go to Labrador City and</p> <p>8 Wabush. The purpose of this part of the</p> <p>9 hearing is to provide an opportunity for</p> <p>10 public input and comment on the general rate</p> <p>11 application of Hydro and I will in a moment</p> <p>12 ask Ms. Greene to speak to the application a</p> <p>13 little bit. Pursuant to the Public Utilities</p> <p>14 Act, Hydro are seeking approval to increase</p> <p>15 rates to be charged for the supply of</p> <p>16 electricity to its customers including its</p> <p>17 major retail customer, Newfoundland Power and</p> <p>18 its large Industrial Customers, both of whom</p> <p>19 along with the Consumer Advocate in Labrador</p> <p>20 City, Wabush, as we just indicated by way of</p> <p>21 introduction are Intervenor in this public</p> <p>22 hearing. Essentially, this application</p> <p>23 affects every user of electricity in the</p> <p>24 province, whether they are serviced by</p> <p>25 Newfoundland Hydro, Newfoundland and Labrador</p>
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<p>1 Hydro or Newfoundland Power. And the</p> <p>2 application will impact future rates. Each</p> <p>3 customer will pay for its electricity.</p> <p>4 Customers include householders, small</p> <p>5 businesses, industry, institutions,</p> <p>6 municipalities and others whether located in</p> <p>7 urban or rural communities throughout the</p> <p>8 province. It is with this in mind that the</p> <p>9 Board, in cooperation with the Applicant and</p> <p>10 Intervenor is providing this opportunity for</p> <p>11 individuals and representatives of</p> <p>12 organizations, municipal councils, economic</p> <p>13 development associations, Chamber of Commerce,</p> <p>14 service clubs and others to express their</p> <p>15 views on Hydro's rate proposals directly.</p> <p>16 These so-called public participation days have</p> <p>17 been scheduled this week in Stephenville,</p> <p>18 Corner Brook, Labrador West and Happy Valley-</p> <p>19 Goose Bay and we will be scheduling one later</p> <p>20 on in St. John's.</p> <p>21 For those of you in attendance who may</p> <p>22 not be familiar with the role of the Public</p> <p>23 Utilities Board and the process we follow in</p> <p>24 hearing a General Rate Application, with the</p> <p>25 indulgence of the counsels for the parties I</p>	<p>1 will take a brief moment to explain each.</p> <p>2 The Board is a quasi-judicial independent</p> <p>3 agency which derives its authority to conduct</p> <p>4 this hearing from provincial statutes and</p> <p>5 legislation, primarily the Public Utilities</p> <p>6 Act and the Electrical Power Control Act. The</p> <p>7 Board has an obligation under this legislation</p> <p>8 to regulate electric utilities operating in</p> <p>9 the province and this includes Hydro. The</p> <p>10 Board in total consists of nine Commissioners.</p> <p>11 The three of us appointed to this Panel have</p> <p>12 been charged with hearing this particular</p> <p>13 application by Hydro and in accordance with</p> <p>14 our legislative responsibilities, we have a</p> <p>15 duty to hear the evidence presented by the</p> <p>16 applicant, Hydro; the Intervenor and other</p> <p>17 interested parties. And at the end of the</p> <p>18 process, render a fair and equitable decision</p> <p>19 on electrical rates and other regulatory</p> <p>20 matters arising from the application. The</p> <p>21 statutes require the Board to make rate</p> <p>22 decisions that are fair and not</p> <p>23 discriminatory. The legislation requires that</p> <p>24 the utility be allowed to earn a just and</p> <p>25 reasonable financial return. Legislation also</p>

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<p>1 CHAIRMAN:</p> <p>2 dictates that power be delivered to customers</p> <p>3 at the lowest possible cost, while ensuring</p> <p>4 safe and reliable service. In fulfilling its</p> <p>5 responsibilities the Board must protect the</p> <p>6 interests of all parties, including producers,</p> <p>7 retailers and consumers of electricity. In</p> <p>8 doing this, it must also strive to balance the</p> <p>9 interest of each class of customer, whether</p> <p>10 households, businesses, industries,</p> <p>11 institutions or governments, whether small or</p> <p>12 large users of electricity.</p> <p>13 Having described a little bit about the</p> <p>14 role of the Board, I would like to spend</p> <p>15 another brief moment on the public hearing</p> <p>16 process itself. Hydro submitted the</p> <p>17 application on May 21st of this year, although</p> <p>18 it seems I'm sure, for some, perhaps longer</p> <p>19 than that, at which time a Notice of Public</p> <p>20 Hearing was advertised throughout the</p> <p>21 province. Following this, pre-hearing</p> <p>22 conferences were conducted by the Board for</p> <p>23 the purpose of establishing the Rules and</p> <p>24 procedures governing the hearing and also to</p> <p>25 decide on various motions filed by the</p>	<p>1 parties. Also in advance of the hearing,</p> <p>2 evidence was filed by Hydro on behalf of its</p> <p>3 company and expert witnesses who are slated to</p> <p>4 appear during the hearing and requests for</p> <p>5 information were exchanged and responded to</p> <p>6 between the participating parties. The public</p> <p>7 hearing itself began on October 6th and has</p> <p>8 been ongoing since that time while allowing</p> <p>9 scheduled days off for the Board and the</p> <p>10 parties to attend to other business. The</p> <p>11 public hearing process provides for Hydro</p> <p>12 through its counsel to present evidence</p> <p>13 supporting its application by calling various</p> <p>14 company and expert witnesses. Each of the</p> <p>15 parties intervening in the hearing through</p> <p>16 their respective counsel have the opportunity</p> <p>17 to question and examine Hydro witnesses and in</p> <p>18 turn present evidence offering opinions from</p> <p>19 their own experts who are also subject to</p> <p>20 cross-examination by the remaining parties.</p> <p>21 The process is somewhat similar to a court</p> <p>22 proceeding and follows the normal rules of</p> <p>23 natural justice in terms of fairness, openness</p> <p>24 and transparency.</p> <p>25 The purpose of this process is to ensure</p>
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<p>1 that all the necessary evidence required to</p> <p>2 reach a determination on rates and other</p> <p>3 matters contained in the application is</p> <p>4 presented to the Panel. This process enables</p> <p>5 the Panel to assess all the issues covered by</p> <p>6 the application and render a fair and</p> <p>7 equitable decision that will serve to balance,</p> <p>8 hopefully, in the best manner possible, the</p> <p>9 interests of all stakeholders. The public</p> <p>10 hearing is expected to substantially conclude</p> <p>11 within a couple of weeks and following final</p> <p>12 argument by the parties in consideration of</p> <p>13 the complete body of evidence by the Panel, a</p> <p>14 Board order will be issued containing a series</p> <p>15 of findings on the proposed rates and other</p> <p>16 matters submitted by Hydro in their</p> <p>17 application.</p> <p>18 As I indicated earlier, this part of the</p> <p>19 hearing is to provide persons and</p> <p>20 organizations such as those presenting here</p> <p>21 today, to have input and comment on the</p> <p>22 proposed rate increases and any other issues</p> <p>23 arising from the application that may impact</p> <p>24 them. This can be done in one of two ways;</p> <p>25 either by oral presentation which is being</p>	<p>1 heard here today in Stephenville, or by letter</p> <p>2 of comment which can be filed with the Board</p> <p>3 at any time prior to the close of the hearing.</p> <p>4 Letters of comment can be submitted by simply</p> <p>5 contacting the Board Secretary, Ms. Blundon</p> <p>6 who I just introduced, who will provide all</p> <p>7 the necessary information concerning addresses</p> <p>8 and answer any other questions you may have.</p> <p>9 All the oral and written material submitted by</p> <p>10 individuals and organizations will form a part</p> <p>11 of the official record for this hearing. The</p> <p>12 oral submissions presented today, along with</p> <p>13 any letters of comment, will combine with the</p> <p>14 documentation resulting from the formal</p> <p>15 proceedings and will contribute to the total</p> <p>16 body of evidence which will be considered by</p> <p>17 this Panel in rendering its decisions. So</p> <p>18 what you say here today constitutes an</p> <p>19 important part of the hearing process and will</p> <p>20 be carefully examined by the Panel in issuing</p> <p>21 its final order.</p> <p>22 Just before we begin, there are a couple</p> <p>23 of matters concerning today's proceedings</p> <p>24 which I would like to review with you. These</p> <p>25 proceedings are being recorded under the</p>

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<p>1 CHAIRMAN:</p> <p>2 supervision of the Board Secretary, Ms.</p> <p>3 Blundon and will be subsequently transcribed</p> <p>4 for public record. In addition, presenters</p> <p>5 will be sworn in or affirmed, your choice, to</p> <p>6 make this an official part of the body of</p> <p>7 evidence before the Board. The Board's main</p> <p>8 goal is to get the facts on the record in a</p> <p>9 way that is convenient to presenters. While I</p> <p>10 realize this may appear a little formal,</p> <p>11 certainly, we are here to listen to your views</p> <p>12 and comments and we want to express them in a</p> <p>13 way you feel most comfortable. We do have a</p> <p>14 number of persons and organizations who have</p> <p>15 indicated their intention to make oral</p> <p>16 presentations and I think in total we have</p> <p>17 seven. First of all, we have Mr. Mike Tobin</p> <p>18 who is representing the Town of Stephenville,</p> <p>19 as well as the Stephenville Economic</p> <p>20 Development Committee. We have Mr. Cator Best</p> <p>21 who is the Deputy Mayor of the Town of</p> <p>22 Kippens. We have Paul Gallant who is</p> <p>23 representing the Bay St. George Chamber of</p> <p>24 Commerce. We have John MacPherson who is</p> <p>25 representing the Long Range Regional Economic</p>	<p>1 Development Board. We have Mr. Jim Hickman</p> <p>2 who is representing Local Union 1093,</p> <p>3 Communications, Energy and Paper Workers Union</p> <p>4 of Canada, Corner Brook Pulp and Paper</p> <p>5 Limited. And we have Russell Tulk who is</p> <p>6 President of the Santa Maria Club. I'd just</p> <p>7 like to welcome you all and certainly thank</p> <p>8 you for your offer to present here this</p> <p>9 morning. All documents indeed filed</p> <p>10 throughout the hearing including the daily</p> <p>11 transcripts are available and will be</p> <p>12 available on the Board's website. This will</p> <p>13 include a transcript of today's proceedings</p> <p>14 and anyone wishing a hard copy may simply make</p> <p>15 the request to Ms. Blundon and we will forward</p> <p>16 one to you as quickly as possible. With a</p> <p>17 view to the timing and schedule this morning,</p> <p>18 given that we are delayed somewhat, we'll</p> <p>19 consider a break, depending on what-how we</p> <p>20 progress with the presentations and the</p> <p>21 questions here this morning and we'll sort of</p> <p>22 play that by air, if that's satisfactory.</p> <p>23 The normal practice is indeed for parties</p> <p>24 and the Board to have the opportunity to ask</p> <p>25 questions following the presentation and we've</p>
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<p>1 inquired of all the presenters and I think</p> <p>2 they're prepared to take questions after their</p> <p>3 presentation. I won't probably go around to</p> <p>4 each party, certainly if they're people who</p> <p>5 would--parties who wish to make--ask</p> <p>6 questions, if they'd so indicate after the</p> <p>7 presentation, that would be fine. Ms. Newman,</p> <p>8 are there any other items before we commence</p> <p>9 that I've possibly forgotten?</p> <p>10 MS. NEWMAN:</p> <p>11 Q. No item other than I did want to mention that</p> <p>12 when you come up present, please make sure you</p> <p>13 don't go through the centre here, just go</p> <p>14 around, back the tables and around that pillar</p> <p>15 to get to your seat, otherwise you might trip</p> <p>16 up in all the wires.</p> <p>17 CHAIRMAN:</p> <p>18 Q. I understand as well, these are not amplifying</p> <p>19 mics and so, if you'd speak into the</p> <p>20 microphone quite clearly and explicitly, that</p> <p>21 would be very much appreciated. I'll now call</p> <p>22 upon Ms. Greene, counsel for Hydro to make a</p> <p>23 brief presentation on the application itself.</p> <p>24 GREENE, Q.C.:</p> <p>25 Q. Good morning once again, Mr. Chair,</p>	<p>1 Commissioners, ladies and gentleman. I do</p> <p>2 have just a few brief comments to put our</p> <p>3 application into context and to give some</p> <p>4 background information. As you already</p> <p>5 mentioned, Mr. Chair, Hydro filed its General</p> <p>6 Rate Application on May 21st of this year</p> <p>7 requesting approval for increases in the rates</p> <p>8 charged to our three main customer groups,</p> <p>9 Newfoundland Power, Industrial Customers and</p> <p>10 Rural Customers.</p> <p>11 Hydro filed a revised application on</p> <p>12 August 12th to reflect direction that had been</p> <p>13 received from the government with respect to</p> <p>14 the rates to be charged to Rural Customers and</p> <p>15 to take into account the June decision of the</p> <p>16 Board with respect to the rates charged by</p> <p>17 Newfoundland Power to its customers.</p> <p>18 Hydro filed a second revision to its</p> <p>19 application on October 31st to update the data</p> <p>20 that had been used in the May filing to</p> <p>21 reflect a more current basis than in the</p> <p>22 original application. This is Hydro's first</p> <p>23 application since rates were approved by the</p> <p>24 Board in--that came into effect in September</p> <p>25 of 1, 2002. Hydro's last rate hearing</p>

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<p>1 GREENE, Q.C.:</p> <p>2 commenced in 2001 and following a lengthy</p> <p>3 hearing the Board issued its decision and our</p> <p>4 new rates, or the current rates came into</p> <p>5 effect on September 1, 2002, just over a year</p> <p>6 ago.</p> <p>7 In the current application that is before</p> <p>8 the Board today, Hydro is proposing to</p> <p>9 increase the rates charged to Newfoundland</p> <p>10 Power as of January 1, 2004 by 12 percent,</p> <p>11 which will result in an increase of six and a</p> <p>12 half percent to Newfoundland Power's end</p> <p>13 customers. For island Industrial Customers,</p> <p>14 the rate increase required as a result of the</p> <p>15 October 31st revision is 12.2 percent. For</p> <p>16 Rural Customers, Hydro is proposing the</p> <p>17 continuation of the general policies approved</p> <p>18 by the Board in 2002. Thus for island</p> <p>19 interconnected customers and customers served</p> <p>20 on the L'Anse au Loup system, Hydro is</p> <p>21 proposing that the existing policy continue,</p> <p>22 that these customers pay the same rates as</p> <p>23 charged by Newfoundland Power to its</p> <p>24 customers. The rates for these customers will</p> <p>25 therefore increase by approximately six and a</p>	<p>1 half percent, based on our most recent</p> <p>2 revision.</p> <p>3 With respect to the isolated Rural</p> <p>4 Customers, Hydro is also proposing a</p> <p>5 continuation of the current policy, that these</p> <p>6 customers pay the same rates as Newfoundland</p> <p>7 Power's customers, for a first block of</p> <p>8 energy, that we call the life line block.</p> <p>9 The current life line block is 700</p> <p>10 kilowatt hours per month and in the mediation</p> <p>11 process agreement was reached to increase this</p> <p>12 block to reflect a seasonal basis. For</p> <p>13 consumption above the life line block, Hydro</p> <p>14 is proposing a continuation of the existing</p> <p>15 policy, that rates for consumption above this</p> <p>16 block be increased by the average percentage</p> <p>17 increase granted to Newfoundland Power.</p> <p>18 (10:45 a.m.)</p> <p>19 Hydro recognizes that the increases</p> <p>20 proposed in its application are significant.</p> <p>21 They are due to an increase in the revenue</p> <p>22 requirement of approximately 50 and a half</p> <p>23 million dollars, from that approved by the</p> <p>24 Board in 2002.</p> <p>25 It is important that we look at the</p>
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<p>1 components of the increase. First,</p> <p>2 approximately 18 and a half million dollars</p> <p>3 results from the two new power purchase</p> <p>4 contracts with Exploits River Hydro</p> <p>5 partnership in Corner Brook Pulp and Paper</p> <p>6 Limited. The second component of the increase</p> <p>7 is approximately 11 million dollars for the</p> <p>8 additional financing charges associated with</p> <p>9 the development of Granite Canal. These three</p> <p>10 new sources of supply which were added by</p> <p>11 Hydro to meet the forecast load of its</p> <p>12 customers for the island interconnected</p> <p>13 system, thus total over 29 million dollars of</p> <p>14 the approximately 50 million dollar increase</p> <p>15 since our last rate case.</p> <p>16 The third component of the increase is</p> <p>17 fuel costs which are forecast for 2004. The</p> <p>18 Holyrood thermal generating plant supplies</p> <p>19 approximately 38 percent of Hydro's average</p> <p>20 energy capability and 29 percent of its</p> <p>21 capacity. The increase in Holyrood's number</p> <p>22 six fuel costs forecast for 2004 over 2002, is</p> <p>23 approximately 3.1 million dollars. The higher</p> <p>24 costs for number six fuel experienced since</p> <p>25 the last rate case also impact the amount</p>	<p>1 being recovered through the Rate Stabilization</p> <p>2 Plan and I will deal with the automatic</p> <p>3 adjustments in a moment. But I would like to</p> <p>4 point out that the current balance owing to</p> <p>5 Hydro from customers, which is forecast as of</p> <p>6 the end of this year for electricity that has</p> <p>7 already been consumed is 167 million dollars.</p> <p>8 So that the balance in both RSPs forecast to</p> <p>9 be outstanding as of the end of this year is</p> <p>10 167 million dollars.</p> <p>11 Coming back to the reasons for the</p> <p>12 increase, the fourth component of the increase</p> <p>13 is depreciation of financing charges.</p> <p>14 Increases in depreciation and financing costs,</p> <p>15 excluding those related to Granite Canal,</p> <p>16 amount to 12 million dollars of the 50 million</p> <p>17 dollar increase. This does include Hydro's</p> <p>18 request to achieve a Rate of Return on equity,</p> <p>19 which is considered by Hydro to be essential</p> <p>20 to its long term financial integrity.</p> <p>21 The fifth and last component of the</p> <p>22 increase, which is the remaining balance,</p> <p>23 arises from increases in Hydro's costs, that</p> <p>24 we refer to as our controllable costs or our</p> <p>25 operating costs, including such items as</p>

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<p>1 GREENE, Q.C.:</p> <p>2 salary and fringe benefits, maintenance,</p> <p>3 insurance, professional services, etcetera.</p> <p>4 Having explained the reasons for the</p> <p>5 increase, I would like to briefly now turn to</p> <p>6 the main issues that arise before the Board in</p> <p>7 determining the rates that Hydro may charge</p> <p>8 its customers. The first broad category of</p> <p>9 issues that I would like to refer to relates</p> <p>10 to the revenue requirement. The revenue</p> <p>11 requirement is and has been to date, one of</p> <p>12 the primary focuses for the hearing. I have</p> <p>13 just reviewed the reasons for the increase in</p> <p>14 the revenue requirement over that approved in</p> <p>15 2002.</p> <p>16 I would also like to point out that Hydro</p> <p>17 has submitted detailed evidence supporting</p> <p>18 each of the categories of cost. To date we</p> <p>19 have had evidence with respect to those</p> <p>20 categories of costs and detailed examination,</p> <p>21 both from direct evidence, cross-examination</p> <p>22 and requests for information.</p> <p>23 It is Hydro's submission that the costs</p> <p>24 proposed by Hydro are in the context of all</p> <p>25 relevant circumstances, the lowest possible</p>	<p>1 that Hydro could propose consistent with</p> <p>2 reliable service for its customers.</p> <p>3 The second broad category of issues that</p> <p>4 I would like to refer to is Hydro's financial</p> <p>5 integrity. Under the Public Utilities Act,</p> <p>6 and the Electrical Power Control Act, Hydro is</p> <p>7 entitled to earn a just and reasonable return.</p> <p>8 In this application Hydro has proposed a</p> <p>9 return on equity of 9.75 percent. The</p> <p>10 appropriate return for Hydro, the appropriate</p> <p>11 capital structure for Hydro, Hydro's rate base</p> <p>12 and the return to be earned on that rate base</p> <p>13 are all issues that, again, are--have been</p> <p>14 discussed in the hearing and will be again</p> <p>15 with our expert witnesses coming next week.</p> <p>16 So these questions all relate to Hydro's</p> <p>17 financial structure and they all impact the</p> <p>18 rates charged to our customers.</p> <p>19 The last major category of issues that</p> <p>20 I'd like to refer to are the principles used</p> <p>21 in the design of the specific rates to be</p> <p>22 charged to customers. This involves the</p> <p>23 principles used in Hydro's Cost of Service</p> <p>24 study that is used in the design of the</p> <p>25 specific rates that flow from the Cost of</p>
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<p>1 Service study.</p> <p>2 One of the issues under this category is</p> <p>3 the Rate Stabilization Plan, which I have</p> <p>4 already referred to. The Rate Stabilization</p> <p>5 Plan is intended among other things, to lessen</p> <p>6 the impact on customers of volatility and the</p> <p>7 price and quantity of number six fuel oil used</p> <p>8 at Holyrood. The costs related to number six</p> <p>9 fuel have been considerably higher than the 26</p> <p>10 dollars per barrel used in setting the current</p> <p>11 rates that became effective September 1 last</p> <p>12 year.</p> <p>13 As well, we have had less rain. Lower</p> <p>14 inflows into Hydro's reservoirs and increased</p> <p>15 load or demand from customers has affected the</p> <p>16 amount of number six fuel used. This has</p> <p>17 resulted in a larger balance in the RSP that</p> <p>18 commenced on September 1, 2002 than had been</p> <p>19 anticipated at the last hearing. The balance</p> <p>20 in this new plan, under the existing Board</p> <p>21 order is to be recovered over a two year</p> <p>22 period and it will have a significant impact</p> <p>23 on the customers when the RSP adjustment is</p> <p>24 made.</p> <p>25 I'm pleased to note this morning that</p>	<p>1 during the course of the hearing, the parties</p> <p>2 have reached agreement on a number of changes</p> <p>3 to the Rate Stabilization Plan. Subject to</p> <p>4 Board approval, one of the things that has</p> <p>5 been agreed with a number of the parties has</p> <p>6 been to extend the recovery period for the</p> <p>7 current RSP balance to four years, from two</p> <p>8 years. This will have a significant positive</p> <p>9 impact on the total adjustments that customers</p> <p>10 will pay. For Newfoundland Power customers</p> <p>11 the RSP adjustment as of July 1, 2004 will, if</p> <p>12 the Board approves this proposal, be 3. 1</p> <p>13 percent instead of the previously forecast six</p> <p>14 percent.</p> <p>15 For Industrial Customers, it also has a</p> <p>16 significant positive impact in that the</p> <p>17 increase, including the base rate and RSP</p> <p>18 adjustments will be 22 and a half, or 22. 6</p> <p>19 percent instead of the previously forecast</p> <p>20 32.9 percent.</p> <p>21 So in conclusion, Hydro recognizes that</p> <p>22 the proposed increases are significant for its</p> <p>23 customers. It has, to the extent possible,</p> <p>24 taken action to ensure that the proposed</p> <p>25 revenue requirement is the least cost possible</p>

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<p>1 GREENE, Q.C.:</p> <p>2 through which agreement to extend the recovery</p> <p>3 period for the current RSP balance, Hydro has</p> <p>4 taken also customers' concerns into account.</p> <p>5 Finally, I would say that it's our</p> <p>6 position that the rates proposed will result</p> <p>7 in rates to customers for the lowest possible</p> <p>8 cost that consist with reliable service</p> <p>9 possible in the current circumstances. Thank</p> <p>10 you, Mr. Chair.</p> <p>11 CHAIRMAN:</p> <p>12 Q. Thank you very much, Ms. Greene. We'll</p> <p>13 proceed on now into the presentations and I'll</p> <p>14 call upon Mr. Mike Tobin first to take the</p> <p>15 witness stand.</p> <p>16 MS. NEWMAN:</p> <p>17 Q. Chair, I understand that Mr. Tobin has a</p> <p>18 written copy of his presentation which the</p> <p>19 clerk is now circulating.</p> <p>20 CHAIRMAN:</p> <p>21 Q. Thank you very much, Mr. Tobin.</p> <p>22 MS. NEWMAN:</p> <p>23 Q. We would identify that as MJT No. 1, for the</p> <p>24 record.</p> <p>25 MJT NO. 1 ENTERED</p>	<p>1 CHAIRMAN:</p> <p>2 Q. Thank you, Ms. Newman. Good morning, Mr.</p> <p>3 Tobin, sir, and welcome.</p> <p>4 MR. MICHAEL TOBIN (SWORN)</p> <p>5 CHAIRMAN:</p> <p>6 Q. Take your time to get ready and when you're,</p> <p>7 when you are in a position to make your</p> <p>8 presentation, just go right ahead.</p> <p>9 MR. TOBIN:</p> <p>10 A. Good morning, ladies and gentlemen. My name</p> <p>11 is Michael J. Tobin. And I guess I speak to</p> <p>12 you today in a dual role, that is Town</p> <p>13 counsellor in Stephenville and as Chair of the</p> <p>14 Economic Development Committee for the Town of</p> <p>15 Stephenville. It thinks it said</p> <p>16 "corporation", but it's an economic</p> <p>17 development committee under the auspices of</p> <p>18 the Town of Stephenville.</p> <p>19 I'm very pleased to see such a large</p> <p>20 audience here this morning. I guess it's</p> <p>21 indicative of the serious issue that we have</p> <p>22 in front of us right now. This is a work day</p> <p>23 and as I say, it's certainly a large crowd to</p> <p>24 be here this morning.</p> <p>25 It is a pleasure for me to welcome you,</p>
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<p>1 the sitting members of the Public Utilities</p> <p>2 Board and the support staff and legal</p> <p>3 counsels, representatives from Newfoundland</p> <p>4 Power, Hydro officials and observers. I am</p> <p>5 pleased that you included Stephenville on your</p> <p>6 itinerary for the PUB hearings, as I believe</p> <p>7 that any decisions and recommendations that</p> <p>8 you may make will have a tremendous impact on</p> <p>9 the Town of Stephenville, the Bay St. George</p> <p>10 area and Port au Port area, and indeed the</p> <p>11 southwest part of the island portion of the</p> <p>12 Province of Newfoundland and Labrador.</p> <p>13 Over the last few months, there has been</p> <p>14 a lot of debate and discussion in this area on</p> <p>15 the proposed increase in Hydro rates. And I</p> <p>16 would suggest fear and trepidation has been</p> <p>17 expressed by many. Of course, what I am</p> <p>18 referring to is the proposed increase in the</p> <p>19 cost of electricity on January 1, 2004.</p> <p>20 I am of the opinion that you hold in your</p> <p>21 hands, the Board, a major change in the way of</p> <p>22 life, but of course, our provincial</p> <p>23 government, I assume, will have the final say,</p> <p>24 of the future growth of Stephenville and</p> <p>25 environs.</p>	<p>1 There are two major thrusts to my</p> <p>2 presentation this morning. I will deal with</p> <p>3 the lower priority first and I say that with</p> <p>4 tongue in cheek, as you will see shortly. If</p> <p>5 you speak with any of our citizens and</p> <p>6 commercial business owners, I don't think they</p> <p>7 would agree that this is a low priority, this</p> <p>8 first issue that I'm going to address. And I</p> <p>9 make these comments for emphasis.</p> <p>10 What I am referring to is the proposed 15</p> <p>11 percent increase rate to the commercial</p> <p>12 business and households. A 15 percent</p> <p>13 increase for the average resident with</p> <p>14 electric heat, means an extra \$240 a years, or</p> <p>15 \$20 per month. For the resident without</p> <p>16 electric heat, it means \$127 per year or about</p> <p>17 \$10.50 per month. For the hotels,</p> <p>18 restaurants, bakeries, convenience stores, gas</p> <p>19 stations, and a myriad of other businesses, it</p> <p>20 will provide great hardship. And at the risk</p> <p>21 of sounding melodramatic or fear mongering,</p> <p>22 some of these businesses will not survive with</p> <p>23 such an increase. I should also have</p> <p>24 mentioned service clubs, but I believe we have</p> <p>25 a representative speaking later on this</p>

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<p>1 MR. TOBIN:</p> <p>2 morning from the Knights of Columbus and I'm</p> <p>3 sure he'll represent the other service clubs</p> <p>4 in the area.</p> <p>5 The senior citizen, on a fixed income,</p> <p>6 will have a difficult time and endure</p> <p>7 hardships with such a 15 percent increase in</p> <p>8 rates. Ladies and gentlemen, this is not</p> <p>9 acceptable. There has to be another way. Let</p> <p>10 me now turn to the issue of top priority, as I</p> <p>11 referenced earlier, and that is the impact</p> <p>12 that the proposed increase will have on the</p> <p>13 main industry in this town and the region,</p> <p>14 from Cape St. George and mainland, at the</p> <p>15 extremities of the Port au Port Peninsula to</p> <p>16 the Highlands and Lock Leven in Bay St. George</p> <p>17 south and the more than 30 communities in</p> <p>18 between.</p> <p>19 We have many great employers in our area,</p> <p>20 in Stephenville and Bay St. George area. Just</p> <p>21 to name a few; the College of the North</p> <p>22 Atlantic, the Sir Thomas Roddick Hospital, the</p> <p>23 Cormack Trail School Board, the Stephenville</p> <p>24 Airport Corporation, the West Coast</p> <p>25 Correctional Centre, the many government</p>	<p>1 offices and of course, the private enterprise</p> <p>2 and services and many more. But make no</p> <p>3 mistake, we are a one industry town. The</p> <p>4 Abitibi Consolidated mill serves as the</p> <p>5 underpinning of our economy. You pull out</p> <p>6 that pin and we shall have the economic domino</p> <p>7 principle in reality.</p> <p>8 The mill and the wood lands directly</p> <p>9 associated with the mill employs approximately</p> <p>10 400 people, with high wages, I might add.</p> <p>11 Using the standard employment multiplier of</p> <p>12 three, that means there are an additional</p> <p>13 1,200 jobs in the Bay St. George area due to</p> <p>14 the presence of the mill.</p> <p>15 This is a total of 1,500 to 1,600 jobs.</p> <p>16 In addition, the mill contributes five million</p> <p>17 dollars to the local economy, in addition to</p> <p>18 the payroll and 49 million dollars throughout</p> <p>19 the Province of Newfoundland and Labrador,</p> <p>20 significant I might add.</p> <p>21 Ladies and gentlemen, a month ago an</p> <p>22 election was held in this province, and I am</p> <p>23 sure you have heard--you heard a version of</p> <p>24 these figures and the doomsday scenario if</p> <p>25 this proposed increase goes through, from the</p>
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<p>1 various platforms and the various candidates</p> <p>2 of the political parties. I am confident that</p> <p>3 our two elected members from the Bay St.</p> <p>4 George/Port au Port area are aware of the</p> <p>5 importance of the mill, as well as Premier</p> <p>6 Williams and his government.</p> <p>7 Newfoundland Hydro has proposed a 37</p> <p>8 percent increase for the rate of power to the</p> <p>9 Abitibi Consolidated Mill here in</p> <p>10 Stephenville, 37 percent. You don't hear of</p> <p>11 37 percent increases in almost--in nothing,</p> <p>12 really. I suppose, if you're receiving a wage</p> <p>13 you would like to hear it and see it. That</p> <p>14 will add 7.5 million dollars to the total cost</p> <p>15 of operations of this mill and will add \$40 to</p> <p>16 the cost of producing a ton of newsprint and</p> <p>17 will make Stephenville one of the highest cost</p> <p>18 paper mills in Canada. May I add here, that</p> <p>19 Abitibi Consolidated is not a social agency</p> <p>20 and again, at the risk of sounding overly</p> <p>21 dramatic, if the company cannot make a</p> <p>22 reasonable profit, well I'll ask everyone to</p> <p>23 fill in the blank.</p> <p>24 I wish to say that the company has been a</p> <p>25 good corporate citizen and as Abitibi goes, so</p>	<p>1 does many communities in Western Newfoundland.</p> <p>2 We know that there are three paper mills in</p> <p>3 the province. The mills at Grand Falls-</p> <p>4 Windsor and Corner Brook produce a portion of</p> <p>5 their own power. So it is obvious that an</p> <p>6 increase in power rates of 37 percent or any</p> <p>7 increase for that matter, puts the</p> <p>8 Stephenville mill in peril</p> <p>9 Does anyone remember 1966 here in</p> <p>10 Stephenville, the closure of the United States</p> <p>11 Air Force base I'm referring to, or 1977 when</p> <p>12 Labrador Linerboard closed? If you don't</p> <p>13 remember it, you can review it, the history is</p> <p>14 there and I'm telling you it wasn't a pretty</p> <p>15 picture. I am sure that no one wants to</p> <p>16 relive the aftermath of a scenario similar to</p> <p>17 the two mentioned situations.</p> <p>18 Many people are convinced that if these</p> <p>19 outrageous and exorbitant increases are</p> <p>20 permitted, then we are set up, we, the Town of</p> <p>21 Stephenville and the area, we are set up for a</p> <p>22 serious fall, catastrophic for our town and</p> <p>23 area.</p> <p>24 To compound Abitibi's challenge at this</p> <p>25 time, is the shortage of fibre. Even if the</p>

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<p>1 MR. TOBIN:</p> <p>2 company can procure offshore wood, it is more</p> <p>3 expensive, adding to production costs.</p> <p>4 I think we all know what the cod</p> <p>5 moratorium did to many communities in</p> <p>6 Newfoundland and Labrador in the early 1990s.</p> <p>7 I'm not suggesting that it's 40,000 people</p> <p>8 affected here, but a number. So I implore the</p> <p>9 PUB to take into consideration the serious</p> <p>10 negative impact and the dire consequences that</p> <p>11 an increase in Hydro rates would have on</p> <p>12 Stephenville and the Bay St. George area.</p> <p>13 Does Premier Williams and his government</p> <p>14 need another version of 1992 on his hands at</p> <p>15 this time? I would think not. So I hope</p> <p>16 there is a will and a commitment to resolve</p> <p>17 this serious problem and challenge at this</p> <p>18 time.</p> <p>19 Back in April of 2003, the mill here in</p> <p>20 Stephenville took 23 days of down time, due to</p> <p>21 a lack of fibre. And I believe everyone in</p> <p>22 this room would agree that that had a</p> <p>23 detrimental effect on our economy, the 23 days</p> <p>24 of down time.</p> <p>25 With regard to the proposed increase in</p>	<p>1 rates, let's be careful here, you know the</p> <p>2 surgery could be successful, but the patient</p> <p>3 may die. The Town of Stephenville is a</p> <p>4 service centre for the whole of the Bay St.</p> <p>5 George area. We are a progressive town and I</p> <p>6 don't think that it's any coincidence that the</p> <p>7 greatest progress has been made in the last 20</p> <p>8 years, parallel with the Abitibi Consolidated</p> <p>9 opening their mill here.</p> <p>10 The viability of our mill is threatened</p> <p>11 with these proposed Hydro increase rates and</p> <p>12 the negative impacts are daunting and</p> <p>13 frightening to the whole of the Bay St.</p> <p>14 George/Port au Port area.</p> <p>15 In conclusion, we urge you, the</p> <p>16 Commissioners, to consider very carefully, any</p> <p>17 decisions, conclusions or recommendations or</p> <p>18 determinations that you make, one cannot</p> <p>19 unring a bell. Of course, as a crown</p> <p>20 corporation, our government will have the</p> <p>21 ultimate and final say, I presume, and I</p> <p>22 certainly not am--I am not political this</p> <p>23 morning, certainly not partisan political. So</p> <p>24 I'm confident they will make the correct one</p> <p>25 when the time arrives. The socio-economic</p>
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<p>1 impact of an increase of this magnitude will</p> <p>2 have serious, serious negative impacts on</p> <p>3 Stephenville, the area. The mill cannot</p> <p>4 continue to be a viable with such an increase.</p> <p>5 I thank all of you for coming here,</p> <p>6 coming to Stephenville this morning. And as I</p> <p>7 usually say when I'm speaking on behalf of</p> <p>8 council, I hope you'll have the chance to do</p> <p>9 some shopping, I hope you'll do your Christmas</p> <p>10 shopping before you leave, and hope you'll max</p> <p>11 out your credit cards before you leave. So</p> <p>12 thank you very much.</p> <p>13 CHAIRMAN:</p> <p>14 Q. Thank you very much, Mr. Tobin. We'll move</p> <p>15 now to questions.</p> <p>16 GREENE, Q.C.:</p> <p>17 Q. Good morning, Mr. Tobin, I did have a couple</p> <p>18 of questions for you. It's just to ensure</p> <p>19 that the record is correct. The first is, you</p> <p>20 mentioned there's a 15 percent increase</p> <p>21 proposed for end users, for people with</p> <p>22 electric heat and for small businesses,</p> <p>23 etcetera. I wonder where you got the 15</p> <p>24 percent, percentage increase from?</p> <p>25 A. Well, I can't divulge my sources now, but I</p>	<p>1 was lead to believe that these are reliable</p> <p>2 and certainly if you have other--Ms. Greene,</p> <p>3 if you have other figures to correct them, I</p> <p>4 would be very pleased to hear them.</p> <p>5 Q. As I mentioned in the opening statement,</p> <p>6 Newfoundland Hydro is proposing a 12 percent</p> <p>7 increase to Newfoundland Power, which</p> <p>8 translates into a six and half percent</p> <p>9 increase to the end user, like the person who</p> <p>10 has electric heat. So you have nothing to</p> <p>11 contradict that or to vary that. You accept</p> <p>12 Hydro's number of six and a half percent</p> <p>13 increase to end users, do you?</p> <p>14 A. So, six and a half, versus 15 percent that I</p> <p>15 quoted?</p> <p>16 Q. Yes. The next point also dealt with the</p> <p>17 percentage increase for the mill. You</p> <p>18 mentioned 37 percent in your statement. In my</p> <p>19 opening statement, I mentioned that the base</p> <p>20 rate increase Hydro is proposing is 12.2</p> <p>21 percent as of the October 31st revision.</p> <p>22 Would you accept that as the base rate</p> <p>23 increase?</p> <p>24 A. Well, Ms. Greene, I would say to you these are</p> <p>25 the figures that I have. So maybe again, you</p>

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<p>1 MR. TOBIN:</p> <p>2 can correct me. Will it not cost Abitibi</p> <p>3 Consolidated \$40 extra per ton to produce a</p> <p>4 ton of paper or the 7.5 million dollars in the</p> <p>5 bottom line? I mean, I'm here to listen as</p> <p>6 well.</p> <p>7 GREENE, Q.C.:</p> <p>8 Q. And I think there may be some misunderstanding</p> <p>9 on the numbers and as I said, my only point is</p> <p>10 to make the record--ensure it's correct. We</p> <p>11 take no issue at all with respect to your</p> <p>12 fact, that your position and what the</p> <p>13 increases may have on the area. The other,</p> <p>14 the base rate increase is 12.2 percent. We</p> <p>15 also talked this morning about the Rate</p> <p>16 Stabilization Plan adjustment. And this is</p> <p>17 new news as a result of the agreement reached</p> <p>18 with the parties. If it's acceptable to the</p> <p>19 Board, the increase for the mills, after the</p> <p>20 RSP adjustment next year will be about 22</p> <p>21 percent. So this, as I said, you may not have</p> <p>22 been aware of this. This is as a result of</p> <p>23 agreement reached with the parties on the</p> <p>24 recovery of that 167 million dollars I talked</p> <p>25 about. So you would be prepared to accept</p>	<p>1 that would be the overall adjustment, would</p> <p>2 you?</p> <p>3 A. Well I would accept your figures, but I</p> <p>4 wouldn't accept a 22 percent increase for the</p> <p>5 -</p> <p>6 Q. No, and--no, no, and that's what--I just</p> <p>7 wanted to get an agreement on the numbers</p> <p>8 before the Board.</p> <p>9 A. Yes.</p> <p>10 Q. Okay, those are all the questions that I have,</p> <p>11 thank you.</p> <p>12 CHAIRMAN:</p> <p>13 Q. Thank you, Ms. Greene, for those</p> <p>14 clarifications. I guess this is an</p> <p>15 opportunity as well, Mr. Tobin, to correct any</p> <p>16 misunderstandings or apprehensions there might</p> <p>17 be -</p> <p>18 A. I'm amenable -</p> <p>19 Q. - associated with the figures and I thank Ms.</p> <p>20 Greene for that. Other questions, Mr. Browne?</p> <p>21 BROWNE, Q.C.:</p> <p>22 Q. Mr. Tobin, you're here and you're speaking</p> <p>23 for--on behalf of the mill. The mill has its</p> <p>24 own counsel, but I represent all the consumers</p> <p>25 of the province and that Rate Stabilization</p>
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<p>1 Plan that they're talking about involves oil</p> <p>2 that has been burned at Holyrood over the past</p> <p>3 number of years where the Board booked in a</p> <p>4 price of a barrel of oil at \$26 a barrel, but</p> <p>5 unfortunately, we never saw \$26 a barrel</p> <p>6 because the market conditions changed and it</p> <p>7 rose dramatically and I think it averaged</p> <p>8 between 30 and 31 dollars a barrel in the</p> <p>9 intervening times. And as a result of that,</p> <p>10 that increase has never been booked into</p> <p>11 consumers' bills, nor has it been booked into</p> <p>12 the Industrial Customers' bills. Hydro has a</p> <p>13 loan effectively, of that money, the hundred--</p> <p>14 which totals 167 million dollars.</p> <p>15 The Industrial Customers owe, I think</p> <p>16 it's approximately 50 million. The consumers</p> <p>17 of the province owe the rest for electricity</p> <p>18 that's already been burned. What are your</p> <p>19 views on how that money should be paid?</p> <p>20 A. Well, Mr. Browne, first of all, I'm not here</p> <p>21 speaking on behalf of the mill and I'm sure</p> <p>22 the mill management people can very well do</p> <p>23 that for themselves. But as a town counsellor</p> <p>24 here in Stephenville, the mill is very, very</p> <p>25 important to the viability of this town. So I</p>	<p>1 think I would be remiss if I didn't put forth</p> <p>2 these arguments on behalf of the mill, I</p> <p>3 guess. And I also did, did so on behalf of</p> <p>4 the, the people living in the town as well. I</p> <p>5 certainly don't--I certainly am not up on all</p> <p>6 of the complexities, Rate Stabilization Plans</p> <p>7 and all of the other things. That is not</p> <p>8 where I'm coming from this morning. I know</p> <p>9 the problem, I know the problem, but I don't</p> <p>10 have the answers and I'm sure there are better</p> <p>11 minds than mine, can come up with an answer.</p> <p>12 Governments and Boards and utilities and so on</p> <p>13 can be very creative in solving problems, so I</p> <p>14 guess that's what I'm saying, be creative. I</p> <p>15 didn't hear anyone mention cost efficiencies</p> <p>16 this morning, I don't believe, in earlier</p> <p>17 statements. So, you know, rather that just up</p> <p>18 the price of something, maybe there is another</p> <p>19 way to do it. I don't have the answers, if I</p> <p>20 did I would have bottled this a long time ago</p> <p>21 and sent it off to someone. I don't mean to</p> <p>22 be abrupt now, Mr. Browne, but that's -</p> <p>23 Q. No, I understand. Of course, that's a dilemma</p> <p>24 for the consumers of the province because</p> <p>25 they've already burned the electricity, but</p>

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<p>1 BROWNE, Q.C.:</p> <p>2 yet there's money owing. So that's, that's</p> <p>3 one cause of concern. And of course, not</p> <p>4 everyone heats their homes with electricity.</p> <p>5 But everyone owns Hydro. Hydro is a public</p> <p>6 corporation and therefore, I guess, the</p> <p>7 dilemma is, should those who have electricity</p> <p>8 in their homes be subsidized by all Hydro</p> <p>9 shareholders, by the people of the province.</p> <p>10 And of course, people who heat their homes</p> <p>11 with oil, could very well object to that. And</p> <p>12 I'm trying to ask a question, but explain</p> <p>13 something here at the same time. So there is</p> <p>14 a problem with oil at Holyrood because 30 to</p> <p>15 40 percent of our electricity comes from</p> <p>16 Bunker C oil burned at Holyrood. And it will</p> <p>17 be a continuous problem.</p> <p>18 Now you mention in your statement</p> <p>19 concerning efficiencies, and efficiencies in</p> <p>20 the system. If it can be shown to you, that</p> <p>21 by merging Newfoundland Power and Newfoundland</p> <p>22 Hydro, a more efficient company could be</p> <p>23 formed, would you, as a consumer, be</p> <p>24 supportive of that?</p> <p>25 A. I think I would look at it very seriously, Mr.</p>	<p>1 Browne. I'm not sure I could categorically</p> <p>2 say right now, again, I--you know, I don't</p> <p>3 have enough background information on that.</p> <p>4 My point here this morning is, if these</p> <p>5 increases go through, then we have a serious</p> <p>6 socio-economic situation in the Bay St. George</p> <p>7 area. And to me, that's the bottom line.</p> <p>8 Q. Newfoundland Power--or Newfoundland Hydro, in</p> <p>9 this particular case, is looking for a Rate of</p> <p>10 Return of 9.75 percent on their assets. And I</p> <p>11 guess it could be compared, if you have money</p> <p>12 in the bank and you get 9.75 percent on it,</p> <p>13 and of course, you can't, what you get in the</p> <p>14 bank right now, I guess, would be two, or</p> <p>15 three, or four percent. Right now, Hydro is</p> <p>16 getting three percent Rate of Return, they're</p> <p>17 trying to up that to nine percent. As a</p> <p>18 public corporation, do you believe Hydro</p> <p>19 should be getting a Rate of Return comparable</p> <p>20 to a Rate of Return that private industry</p> <p>21 gets? Do you have any views on that?</p> <p>22 A. Well I have a view that sure, you should get a</p> <p>23 reasonable Rate of Return and I guess some of</p> <p>24 the figures I have here have been refuted.</p> <p>25 That's good, I mean, I don't know maybe I</p>
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<p>1 won't say that anyone is doing this, but</p> <p>2 sometimes we put out a high number and then,</p> <p>3 you know, fall back to a smaller number. I'm</p> <p>4 not suggesting one is doing that, but no, I</p> <p>5 mean, everyone would agree with that, I think.</p> <p>6 Q. But if they could still make a dollar at three</p> <p>7 percent Rate of Return or a four percent Rate</p> <p>8 of Return, would you be in favour of giving</p> <p>9 them the three or four percent Rate of Return</p> <p>10 instead of going to the 9.75 percent?</p> <p>11 A. The lower the rate, the better.</p> <p>12 Q. One of the problems that we have here on the</p> <p>13 island is a lack of consciousness concerning</p> <p>14 conservation and just recently there's</p> <p>15 evidence before this Board that the Granite</p> <p>16 Canal was brought on stream and after that the</p> <p>17 only other hydrology we have coming in the</p> <p>18 next number of years by way of a major</p> <p>19 hydrology is Island Pond. I think it will</p> <p>20 give us--what will it give us 30 or 35</p> <p>21 megawatts?</p> <p>22 MR. WELLS:</p> <p>23 Q. 38.</p> <p>24 BROWNE, Q.C.:</p> <p>25 Q. Pardon?</p>	<p>1 MR. WELLS:</p> <p>2 Q. 38.</p> <p>3 BROWNE, Q.C.:</p> <p>4 Q. 38 megawatts. And of course I think you need</p> <p>5 one megawatt to supply 1,000 households. I</p> <p>6 think that's the way it goes. But some</p> <p>7 analysts say that one of the major problems is</p> <p>8 the expansion in electric space heating.</p> <p>9 People are putting too much electric space</p> <p>10 heating into their homes. And you heard just</p> <p>11 a minute ago that 30 to 40 percent of our</p> <p>12 electricity comes from oil burned at Holyrood.</p> <p>13 So we're burning oil to give people</p> <p>14 electricity for their home. Wouldn't you</p> <p>15 think it would be eminently more sensible if</p> <p>16 people put in their own oil furnace and</p> <p>17 brought down the cost of Holyrood and that</p> <p>18 would help Stephenville out and the population</p> <p>19 generally. Do you have any comments on that?</p> <p>20 A. Yes, I would say Mr. Browne I certainly would</p> <p>21 join any committee or be in the forefront to</p> <p>22 be able to help someone to be able to reduce</p> <p>23 their cost if that means overall it's going to</p> <p>24 be for the betterment of the company and</p> <p>25 people, sure.</p>

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<p>1 BROWNE, Q.C.:</p> <p>2 Q. A lot of these issues are, I guess coming from</p> <p>3 you, are news to you here.</p> <p>4 A. Absolutely.</p> <p>5 Q. And do you think, therefore, that the Public</p> <p>6 Utilities Board should take a more activist</p> <p>7 role in promoting conservation and ensuring</p> <p>8 greater efficiency is brought to the dual</p> <p>9 systems of both Newfoundland Power and</p> <p>10 Newfoundland Hydro for the benefit of</p> <p>11 consumers of the province and to reduce cost</p> <p>12 generally?</p> <p>13 A. Well this time I categorical, absolutely, I</p> <p>14 think you should have a public awareness,</p> <p>15 public relations forum, public relations</p> <p>16 campaign, if you like, to put this forward to</p> <p>17 the general public. I haven't seen or heard</p> <p>18 much of that to be honest with you, Mr.</p> <p>19 Browne.</p> <p>20 Q. Thank you, Mr. Tobin.</p> <p>21 CHAIRMAN:</p> <p>22 Q. Thank you, Mr. Browne. Other questions?</p> <p>23 KELLY, Q.C.:</p> <p>24 Q. I've no questions, Chair, thank you, Mr.</p> <p>25 Tobin.</p>	<p>1 CHAIRMAN:</p> <p>2 Q. Just one point of clarification I guess in</p> <p>3 respect of the application. Mr. Browne's</p> <p>4 question with regard to restructuring the</p> <p>5 electrical industry in the province, it is not</p> <p>6 the subject of this application nor a matter</p> <p>7 which is before the Board for specific</p> <p>8 consideration. That certainly is a public</p> <p>9 policy issue and it's not a subject that we're</p> <p>10 deliberating on so I don't want to hold out</p> <p>11 any apprehensions of that flowing from this</p> <p>12 order. Thank you, Mr. Tobin.</p> <p>13 A. Thank you very much for listening.</p> <p>14 MR. CATOR BEST (SWORN)</p> <p>15 Q. Thank you, Mr. Best. Could you indicate who</p> <p>16 you represent and you can begin your</p> <p>17 presentation when you're ready, please.</p> <p>18 MR. BEST:</p> <p>19 A. Thank you, Mr. Chairman and good morning to</p> <p>20 all. I'd like to thank Mr. Chairman and the</p> <p>21 Commissioners for coming to Stephenville and</p> <p>22 giving us an opportunity to share our concerns</p> <p>23 in person regarding the proposed increase in</p> <p>24 power rates. My name is Cator Best and I am</p> <p>25 the Deputy Mayor for the Town of Kippens.</p>
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<p>1 I've been a volunteer on council for almost 20</p> <p>2 years, covering the different offices of</p> <p>3 councillor, Mayor and Deputy Mayor. I'm here</p> <p>4 as a representative of our council in making</p> <p>5 this presentation.</p> <p>6 The Town of Kippens has a population of</p> <p>7 1,800 with 697 households; an annual budget of</p> <p>8 one million. Our town is a 24-member</p> <p>9 volunteer fire brigade, 50 percent of whom are</p> <p>10 highly trained individuals who are employed by</p> <p>11 Abitibi Consolidated who provide our residents</p> <p>12 with a very professional level of fire</p> <p>13 protection. Our town is strictly residential</p> <p>14 based and as a result of our revenues are</p> <p>15 derived from residential taxes. Our tax</p> <p>16 collection percentage rate is always in the</p> <p>17 high 90s and it's something that our council</p> <p>18 is very proud of. Our community is a growing</p> <p>19 one made up of a mixture of long-time</p> <p>20 residents being seniors and retirees living on</p> <p>21 fixed incomes, and younger families whose</p> <p>22 fathers and mothers are employed in the</p> <p>23 Stephenville and surrounding areas. The two</p> <p>24 biggest employers for our citizens are the Sir</p> <p>25 Thomas Roddick Hospital and Abitibi</p>	<p>1 Consolidated. Due to our close proximity to</p> <p>2 the mill, a lot of the employees live in our</p> <p>3 town and contribute greatly in the form of</p> <p>4 taxes, volunteer work, etcetera. Abitibi in</p> <p>5 Stephenville is a great asset to our town and</p> <p>6 we hope they will be around for a long time.</p> <p>7 The Town of Kippens feels the increase in</p> <p>8 rates will have a negative impact on our town</p> <p>9 and let's look at some of these impacts.</p> <p>10 A 15 percent increase for the average</p> <p>11 resident with electric heat means an extra</p> <p>12 \$240 per year and without electric heat, an</p> <p>13 extra \$127 per year. Such an increase would</p> <p>14 be particularly troublesome to people on fixed</p> <p>15 incomes like our senior citizens and people on</p> <p>16 disability pensions and so on. The increase</p> <p>17 in power rates will greatly impact Abitibi</p> <p>18 Consolidated in Stephenville by making it one</p> <p>19 of the highest cost mills in Canada. This</p> <p>20 increase sharply affects the liability of the</p> <p>21 paper mill. The mill contributes five million</p> <p>22 to the local economy in addition to the</p> <p>23 payroll and 49 million throughout the</p> <p>24 province. Abitibi Consolidated, in addition</p> <p>25 to contributing to the local economy also in</p>

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<p>1 MR. BEST:</p> <p>2 1996 committed 75 thousand dollars per year to</p> <p>3 be spent on medical equipment for Sir Thomas</p> <p>4 Roddick Hospital foundation. This commitment</p> <p>5 was for a term of five years for a total of</p> <p>6 \$375,000 with the communities having to match</p> <p>7 the contribution each year. The challenge was</p> <p>8 successful and our hospital benefitted greatly</p> <p>9 from this commitment. Abitibi has been an</p> <p>10 excellent corporate citizen and the</p> <p>11 possibility of the mill not to be viable would</p> <p>12 have a catastrophic impact on our town, as</p> <p>13 well as the surrounding area.</p> <p>14 I understand the reasons for increase;</p> <p>15 escalating fuel costs, a new generation coming</p> <p>16 online. I've also been told that Hydro</p> <p>17 profits will be tripled by this increase.</p> <p>18 Hydro has informed the media we have the</p> <p>19 lowest rates in Atlantic Canada. This is a</p> <p>20 true statement but misleading. What they fail</p> <p>21 to say is that five years ago our rates were</p> <p>22 close to the lowest in Canada whereas with the</p> <p>23 increase our rates will now move close to the</p> <p>24 highest. It is my opinion we should be</p> <p>25 targeting to be among the lowest in Canada and</p>	<p>1 not the highest. In closing, I am confident,</p> <p>2 you the Commissioners will consider very</p> <p>3 carefully what has been presented. If the</p> <p>4 proposed rates are approved it will have a</p> <p>5 devastating effect on the whole Bay St. George</p> <p>6 region. Once again, I thank you for holding</p> <p>7 your hearing in Stephenville and allowing us</p> <p>8 the opportunity to make a presentation. Thank</p> <p>9 you.</p> <p>10 CHAIRMAN:</p> <p>11 Q. Thank you, Mr. Best. Questions?</p> <p>12 GREENE, Q.C.:</p> <p>13 Q. No, Mr. Chair.</p> <p>14 CHAIRMAN:</p> <p>15 Q. Mr. Browne?</p> <p>16 BROWNE, Q.C.:</p> <p>17 Q. Yes, Mr. Best. In terms of your council and</p> <p>18 your council offices, what kind of heat do you</p> <p>19 use in your council offices there?</p> <p>20 A. Electric heat.</p> <p>21 Q. Electric heat. Are you aware of the climate</p> <p>22 control plan for Canada, the so-called Kyoto</p> <p>23 Accord that the federal government is now</p> <p>24 offering money as federal grants to allow</p> <p>25 people to insulate their homes and you can get</p>
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<p>1 several thousand dollars and individuals can</p> <p>2 get it. Are you aware of that?</p> <p>3 A. I'm aware of it but I don't know the outs of</p> <p>4 it.</p> <p>5 Q. Has your council taken any measures to inform</p> <p>6 your residents that this program is now</p> <p>7 available and that people can get money for</p> <p>8 insulating their homes and therefore bringing</p> <p>9 down the cost of electricity ultimately to</p> <p>10 consumers?</p> <p>11 A. No, we haven't.</p> <p>12 Q. Would it be something that your council would</p> <p>13 be interested in doing if you -</p> <p>14 A. Sure.</p> <p>15 Q. - if you got the information from, and I think</p> <p>16 your federal member can give you the</p> <p>17 information and where the program is</p> <p>18 available. Are you aware in other</p> <p>19 jurisdictions other than Newfoundland and</p> <p>20 Labrador there are what they call time of day</p> <p>21 rates where people can get, by bringing down</p> <p>22 cost to the system, for instance, if you were</p> <p>23 to use your washer and dryer after peak hours</p> <p>24 you would get less cost to you for that</p> <p>25 kilowatt that you're burning. Are you aware</p>	<p>1 that something like that would be--is</p> <p>2 available in other jurisdictions but it's not</p> <p>3 available here?</p> <p>4 A. It seems that I read it somewhere but I'm not</p> <p>5 really up on it, no.</p> <p>6 Q. Do you think people would use that if they</p> <p>7 could--if they had the opportunity to bring</p> <p>8 down their own electricity usage and their own</p> <p>9 costs--well their own cost ultimately, by</p> <p>10 using electricity in off and non-peak hours,</p> <p>11 do you think the residents of Kippens would be</p> <p>12 interested in a program such as that?</p> <p>13 A. I'm sure most people would, I know I would.</p> <p>14 Q. Do you have electricity in your own home?</p> <p>15 A. No, oil.</p> <p>16 Q. You have oil.</p> <p>17 A. Yes.</p> <p>18 Q. In terms of the money that the mill owes here</p> <p>19 for the Rate Stabilization Plan for oil that</p> <p>20 has been burned at Holyrood over the past</p> <p>21 couple of years, do you think that's the</p> <p>22 obligation of the mill to pay that or who</p> <p>23 should be paying it?</p> <p>24 A. I can't answer that.</p> <p>25 Q. But it is a difficult one isn't it?</p>

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<p>1 MR. BEST:</p> <p>2 A. Yes.</p> <p>3 BROWNE, Q.C.:</p> <p>4 Q. And just as the same thing for the consumers</p> <p>5 of the province because the consumers weren't</p> <p>6 aware probably that this money was indeed</p> <p>7 going to be owing some day and now the day of</p> <p>8 reckoning is here. Do you think that's a fair</p> <p>9 system or should people be notified as they go</p> <p>10 that there's more of a bill coming down the</p> <p>11 road for electricity they're consuming today?</p> <p>12 A. People should be kept informed for sure.</p> <p>13 Q. Do you find that people--because this is news</p> <p>14 to you, obviously people haven't been informed</p> <p>15 as they should.</p> <p>16 A. That's right.</p> <p>17 Q. Thank you very much, sir.</p> <p>18 CHAIRMAN:</p> <p>19 Q. Thank you, Mr. Browne. Thank you very much,</p> <p>20 Mr. Best for your presentation, thank you,</p> <p>21 sir.</p> <p>22 A. Thank you.</p> <p>23 Q. Call upon Mr. Gallant, Paul Gallant. Good</p> <p>24 morning, Mr. Gallant, welcome. Good to see</p> <p>25 you again.</p>	<p>1 MR. GALLANT:</p> <p>2 A. Good morning, Mr. Chairman, it's a pleasure to</p> <p>3 be here.</p> <p>4 Q. Mr. Gallant and I served on the Board of the</p> <p>5 Housing Corporation eons ago it appears right</p> <p>6 now, but good to see you again.</p> <p>7 A. Pleasure to be here.</p> <p>8 (11:30 a.m.)</p> <p>9 MR. PAUL GALLANT (SWORN)</p> <p>10 Q. Begin your presentation when you're ready.</p> <p>11 MR. GALLANT:</p> <p>12 A. Mr. Chairman, invited guests, people in the</p> <p>13 audience, concerned consumers obviously,</p> <p>14 Chamber of Commerce members throughout the Bay</p> <p>15 St. George Region. It's a privilege to be</p> <p>16 here today to have this opportunity to present</p> <p>17 the views of the people of Bay St. George and</p> <p>18 the Chambers of Commerce members of the Bay</p> <p>19 St. George area. I'll go through some notes I</p> <p>20 have here. Some of these figures, some of</p> <p>21 these comments have been said previously and I</p> <p>22 guess some of them probably said again after I</p> <p>23 get off the witness stand here.</p> <p>24 Just some background on the Chamber of</p> <p>25 Commerce, the Stephenville Bay St. George</p>
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<p>1 Chamber of Commerce represents members from</p> <p>2 the tip of the Port au Port peninsula to Cape</p> <p>3 St. George all the way to the Highlands. We</p> <p>4 have a diverse membership. We have roughly</p> <p>5 120 members. They represent people in all</p> <p>6 industries, all sectors of economy. We have</p> <p>7 miners, we have people in the mining industry,</p> <p>8 we have people--large corporation like Abitibi</p> <p>9 Price, we have small mom and pop convenience</p> <p>10 stores, we have people in the restaurant</p> <p>11 business, the hotel business throughout. So</p> <p>12 it's a broad spectrum of people throughout the</p> <p>13 province or throughout the area.</p> <p>14 The Chamber, one of my predecessors had</p> <p>15 the privilege of being here, I guess the date</p> <p>16 was October 23/01 to make a presentation and</p> <p>17 reading through the briefing notes it kind of</p> <p>18 bothers me that we're here saying a lot of the</p> <p>19 same things, we have the same concerns and</p> <p>20 such a short amount of time after. It may be</p> <p>21 something that the Board should look at. Now</p> <p>22 how often this process is going to be</p> <p>23 continued, you know, should it be yearly or</p> <p>24 should it be, you know, a longer kind of a</p> <p>25 time frame in between it all. I think that</p>	<p>1 ruling came into effect on September of 2003</p> <p>2 or 2002 and then on May of 2003 Hydro is back</p> <p>3 at the table looking for another rate increase</p> <p>4 and we're all back at the same kind of</p> <p>5 opportunity again. I think the amount last</p> <p>6 time represented approximately a 15 percent</p> <p>7 increase to the mill at that time, and now</p> <p>8 we're here talking today of a figure that, you</p> <p>9 know, overall will be roughly 37 percent. So</p> <p>10 you know, that is some major numbers over the</p> <p>11 course of the last five years.</p> <p>12 Members of the Chamber have some very</p> <p>13 serious concerns with the consequence of this</p> <p>14 rate increase, if it's allowed to go ahead.</p> <p>15 We have concerns in three levels. We are</p> <p>16 concerned about the effect this will have on</p> <p>17 just the average senior, retired person and</p> <p>18 other people on fixed income throughout the</p> <p>19 Province. We have concerns from our own</p> <p>20 memberships on what effect it will have on</p> <p>21 small business and medium size business</p> <p>22 throughout the region. And we obviously have</p> <p>23 a very serious concern, the effect it will</p> <p>24 have on the Abitibi mill operation here in</p> <p>25 Stephenville. Abitibi is one of our members</p>

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<p>1 MR. GALLANT:</p> <p>2 of our Chamber, so we obviously, you know, are</p> <p>3 concerned about those people. We all heard</p> <p>4 the figure, 37 percent or 7.5 million dollar</p> <p>5 increase.</p> <p>6 Seniors and retired persons and others on</p> <p>7 fixed income, I think the figure being kicked</p> <p>8 around today will cost an average person who's</p> <p>9 heating a home with electric heat to have an</p> <p>10 increase in the bill of \$240. If they're</p> <p>11 using other forms of heating but still have</p> <p>12 electricity, it'll be 127 percent annual.</p> <p>13 That figure is something that obviously</p> <p>14 concerns a lot of seniors, a lot of people on</p> <p>15 fixed income. I mean, obviously their income</p> <p>16 isn't going up and their expenses is going up.</p> <p>17 So we have concerns on their behalf and</p> <p>18 obviously, from the Chamber's point of view,</p> <p>19 anything that affects the disposable incomes</p> <p>20 of our potential customers will affect our</p> <p>21 sales and our providing of services.</p> <p>22 Small and medium size business, of which</p> <p>23 I am one, small businesses' owners such as</p> <p>24 myself who operates a number of small</p> <p>25 businesses cannot afford to be continually</p>	<p>1 faced with double-digit increases on our</p> <p>2 utility bill. The proposed 15 percent net</p> <p>3 increase on our business will force us to</p> <p>4 either increase our prices for goods and</p> <p>5 services or be willing to accept a small</p> <p>6 return for our efforts. The tripling of</p> <p>7 profits requested by the Crown Corporation is</p> <p>8 something that we can only be dreamed of by</p> <p>9 our membership. The request to increase his</p> <p>10 rate of return from three percent to nearly</p> <p>11 ten percent is not even an option for the</p> <p>12 average business owner in this province.</p> <p>13 The Abitibi mill, the major employer of</p> <p>14 our area, Abitibi Consolidated, Stephenville</p> <p>15 division, will see their electricity bills</p> <p>16 increase by 37 percent, which translates into</p> <p>17 a 7.5 million dollar increase to an already</p> <p>18 burdening bill which was almost 20 million</p> <p>19 dollars this year alone. Electricity</p> <p>20 represents 20 percent of the manufacturing</p> <p>21 costs of the mill. It is well known</p> <p>22 throughout the province that the local mill is</p> <p>23 facing major challenges into securing a</p> <p>24 reasonable priced supply of wood fibre, which</p> <p>25 resulted in the mill having to take 21 days</p>
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<p>1 shutdown earlier this year, and they are</p> <p>2 facing uncertainty, as well, caused by the</p> <p>3 recent privatization of the Port Harmon</p> <p>4 facility. The Bay St. George area cannot</p> <p>5 stand by and let now a Crown Corporation</p> <p>6 jeopardize the viability of the major employer</p> <p>7 of our area.</p> <p>8 The closure of the mill would have a</p> <p>9 devastating effect on the municipality of</p> <p>10 Stephenville, which received directly \$850,000</p> <p>11 in grants and water fees from Abitibi. It</p> <p>12 will be too late to assist the residents of</p> <p>13 the area with economic development after we</p> <p>14 lose the major employer in our area.</p> <p>15 The mill in Stephenville has a very</p> <p>16 efficient and hard-working team of employees</p> <p>17 and management and they have succeeded in</p> <p>18 making this mill one of the most efficient</p> <p>19 mills anywhere in the world. The figure is</p> <p>20 over 90 percent efficient. That being the</p> <p>21 case, there is nowhere in their books where</p> <p>22 they can dip into the operation to find</p> <p>23 savings that they will need to cover the 37</p> <p>24 percent Hydro increase. That scares the</p> <p>25 members of our Chamber.</p>	<p>1 The mill in Stephenville employs 300</p> <p>2 people directly, as well as another 100</p> <p>3 related to the woodlands operation. These</p> <p>4 employees and their families reside throughout</p> <p>5 the whole Bay St. George region, but mostly in</p> <p>6 the Stephenville-Kippens area. The payroll</p> <p>7 for the mill is in excess of \$20 million a</p> <p>8 year. With the multiplier effect, this</p> <p>9 accounts for an additional employment of</p> <p>10 between 1200 and 2000 persons in the support</p> <p>11 industries, and that's people in our Chamber</p> <p>12 and our members.</p> <p>13 We have experienced downtime at the mill</p> <p>14 earlier this year and it was not a great</p> <p>15 experience to our members when the mill is not</p> <p>16 up and running. The local economy is very</p> <p>17 dependent on the operation of the Abitibi mill</p> <p>18 in Stephenville.</p> <p>19 In summary, Chamber members are affected</p> <p>20 in three ways: our own personal increases at</p> <p>21 our homes and our businesses; we are affected</p> <p>22 by our customers having to pay more and thus</p> <p>23 having less disposable income; and then again,</p> <p>24 we are affected when this increase affects the</p> <p>25 operations and long-term viability of Abitibi</p>

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<p>1 MR. GALLANT:</p> <p>2 Price which is the major employer and cog in</p> <p>3 our economic development.</p> <p>4 It is with interest I was reading through</p> <p>5 the mission statement of Newfoundland Hydro,</p> <p>6 which was in their 2002 annual report. The</p> <p>7 mission statement states "Newfoundland and</p> <p>8 Labrador Hydro is a Crown Corporation</p> <p>9 committed to providing cost-effective and</p> <p>10 reliable energy services to our customers for</p> <p>11 the benefit of all the people of the</p> <p>12 Province." I also note in the same article a</p> <p>13 message from the President in 2002's annual</p> <p>14 report, and I quote "as production levels rise</p> <p>15 over the past ten years, the Corporation's</p> <p>16 workforce has declined by 21 percent." In the</p> <p>17 same document is quoted "the Hydro group</p> <p>18 generated profits of 58 million in 2002. The</p> <p>19 total profits for the Government of</p> <p>20 Newfoundland and Labrador in dividends and</p> <p>21 guarantee fees was \$140.2 million. Total for</p> <p>22 the five years was 258 million." And also it</p> <p>23 says in the report, "Hydro will be filing</p> <p>24 another General Rate Application in 2003 to</p> <p>25 recover the cost of new sources of generation</p>	<p>1 coming on stream to meet the system</p> <p>2 requirements."</p> <p>3 At the same time, the mill here is not</p> <p>4 being given the opportunity to renew the</p> <p>5 Interruptible B contract, which is something</p> <p>6 that would have decreased the demand for some</p> <p>7 of this new hydro generation and that will</p> <p>8 cost the mill alone 1.3 million this year.</p> <p>9 We understand, through research, that</p> <p>10 some of this expensive power will not be</p> <p>11 required until sometime later into the future</p> <p>12 while the consumers are being charged for it</p> <p>13 now. Hydro's net debt is quoted in the</p> <p>14 document to have increased by 140 million from</p> <p>15 December 2001 to December 2002. We are very</p> <p>16 concerned that Newfoundland Hydro last year</p> <p>17 transferred 140.2 million to the Provincial</p> <p>18 Government, while at the same time they</p> <p>19 increased their borrowing by a similar amount</p> <p>20 of \$140 million. This, in reality, was</p> <p>21 Newfoundland Hydro borrowing money on behalf</p> <p>22 of the Provincial Government. We also note</p> <p>23 that since the 1990 budget, Provincial charges</p> <p>24 at one percent debt guarantee fee, which in</p> <p>25 last year's case translates to a fee of \$14</p>
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<p>1 million. We also discovered in research,</p> <p>2 since the same 1990 budget, the Provincial</p> <p>3 Government passed on the subsidy for rural</p> <p>4 rate payers from the taxpayers of the Province</p> <p>5 to the electrical rate payers. This subsidy</p> <p>6 for 2004 is expected to be \$41.1 million. The</p> <p>7 Chamber is not saying that this subsidy should</p> <p>8 not exist, but that it should not be hidden on</p> <p>9 the rate paid by all the rate payers as</p> <p>10 another form of hidden taxation. These three</p> <p>11 items alone add up to \$181.3 million of hidden</p> <p>12 taxation to the rate payers of the Province.</p> <p>13 It is time for the citizens of the</p> <p>14 Province to have a discussion on the role of</p> <p>15 Newfoundland Hydro. Is it acceptable for the</p> <p>16 Government to raid the banks of Newfoundland</p> <p>17 Hydro and then charge it back to every rate</p> <p>18 payer in the province through their</p> <p>19 electricity bill? Is this a form of back door</p> <p>20 taxation? Is it wise to jeopardize existing</p> <p>21 businesses in the province by over taxation,</p> <p>22 while at the same time we are trying to</p> <p>23 attract new businesses to the province by</p> <p>24 offering them all kinds of tax breaks and</p> <p>25 concessions? In the economic climate our</p>	<p>1 members find ourselves in today, we cannot</p> <p>2 absorb hidden taxation through our electric</p> <p>3 bills.</p> <p>4 Should the Provincial Government be using</p> <p>5 Newfoundland Hydro and electricity rates as a</p> <p>6 tool for economic development for the Province</p> <p>7 or as a tool for taxation? It is puzzling to</p> <p>8 the members of the Chamber that the Government</p> <p>9 has a fuel price commissioner to look at the</p> <p>10 cost of fuel to heat homes and regulate the</p> <p>11 marketplace and then allow a Crown Corporation</p> <p>12 to increase costs to heat homes by another</p> <p>13 means. Government had a policy of giving home</p> <p>14 heating rebates to consumers, while increases</p> <p>15 for electricity will be in the \$240 range if</p> <p>16 this increase is allowed to go ahead.</p> <p>17 The Bay St. George Chamber of Commerce</p> <p>18 have been very active on this issue. We have</p> <p>19 circulated a petition locally and provincially</p> <p>20 through the Chamber of Commerce and the Board</p> <p>21 of Trade. We have collected in excess of</p> <p>22 4,000 names on the petition. We had the</p> <p>23 opportunity to present it during the election</p> <p>24 campaign to the Premier, and I'm sure it's in</p> <p>25 Government's hands as we speak. But it shows</p>

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<p>1 MR. GALLANT:</p> <p>2 that this is more than an item for the Chamber</p> <p>3 members of Bay St. George. These petitions</p> <p>4 were in little Mom and Pop convenience stores</p> <p>5 and businesses throughout Newfoundland and</p> <p>6 Labrador and they were signed by numerous</p> <p>7 peoples in numerous communities. It shows</p> <p>8 that this is more than a regional issue in</p> <p>9 Stephenville. It's an issue throughout the</p> <p>10 Province.</p> <p>11 At the annual meeting of retired persons</p> <p>12 and seniors conference, which was held here in</p> <p>13 Stephenville during the summer, two of the 30</p> <p>14 resolutions introduced were regarding heating</p> <p>15 costs in the Province and the concern that</p> <p>16 seniors and retired people had on the effect</p> <p>17 of the increases.</p> <p>18 It is common knowledge that the INCO</p> <p>19 Group has joined the four industrial users in</p> <p>20 the Province opposed to this increase, as a</p> <p>21 result of their concern that they have--of the</p> <p>22 concern they have about the effects such a</p> <p>23 huge increase would have on the feasibility of</p> <p>24 their proposed Hydromat facility in Argentia.</p> <p>25 So when we think of the mission statement</p>	<p>1 of Newfoundland Hydro, which quotes "committed</p> <p>2 to providing cost-effective and reliable</p> <p>3 energy services to our customers for the</p> <p>4 benefits of all the people of the Province,"</p> <p>5 we have to wonder. Well, if the Newfoundland</p> <p>6 Hydro policies or the Government of the day's</p> <p>7 policies are not good for: the workers of the</p> <p>8 Corporation, seeing as there's 20 percent less</p> <p>9 of those; the average rate payers; the seniors</p> <p>10 retired people of the Province; the small</p> <p>11 business owners of the Province; the four</p> <p>12 major industrial users of the Province that</p> <p>13 employ 3,000 Newfoundlanders and have an</p> <p>14 annual payroll in excess of 1.5 million; and</p> <p>15 if they're scaring away potential new</p> <p>16 industrial development, then who is benefiting</p> <p>17 from the present electrical policy of</p> <p>18 Newfoundland Hydro?</p> <p>19 The Chamber realizes that the Board finds</p> <p>20 itself in a strange position of trying to</p> <p>21 treat these rate increases requested by</p> <p>22 Newfoundland Hydro in a pure businesslike</p> <p>23 manner, when you have to at least acknowledge</p> <p>24 that they are indirectly the direct result of</p> <p>25 Government policies that are at play. That is</p>
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<p>1 why the Chamber is advocating a look at the</p> <p>2 role of the Crown Corporation and how it</p> <p>3 operates in relation to the political</p> <p>4 environment it finds itself in.</p> <p>5 The Bay St. George Chamber of Commerce</p> <p>6 urges the Board to carefully look at the huge</p> <p>7 increase being proposed by the Crown</p> <p>8 Corporation, Newfoundland Hydro, and the</p> <p>9 effects to this region and all regions of the</p> <p>10 Province if this is allowed. It is not</p> <p>11 sensible to have a Crown Corporation allowed</p> <p>12 to see the overall rate charged to Abitibi in</p> <p>13 Stephenville increased by 7.5 million or 37</p> <p>14 percent. We realize that this is not a simple</p> <p>15 matter of one increase and that it is made up</p> <p>16 of a combination of things: of not renewing</p> <p>17 the contract called Interruptible B; an</p> <p>18 automatic increase related to the Rate</p> <p>19 Stabilization Plan; and the proposed rate</p> <p>20 increase that we are discussing today. But</p> <p>21 regardless if it is one item or 37 items that</p> <p>22 have a one percent increase, the results are</p> <p>23 the same. It is just not acceptable.</p> <p>24 This mill, which at one time was one of</p> <p>25 the shining lights of the Abitibi family, is</p>	<p>1 getting too close to the marginal category and</p> <p>2 that concerns us greatly. The workers and the</p> <p>3 management have worked to make this mill one</p> <p>4 of the most efficient operations in the</p> <p>5 industry and as thus, they will not be able to</p> <p>6 absorb this unrealistic increase at this time.</p> <p>7 It is also not acceptable to have</p> <p>8 consumers of electricity at all levels,</p> <p>9 private, small and medium business and large</p> <p>10 industrial users, being forced to continually</p> <p>11 plea our case for fair electricity rates at</p> <p>12 almost a yearly basis. There has to be some</p> <p>13 long-term stability in the rates for the good</p> <p>14 of all effected.</p> <p>15 Just an additional couple of points that</p> <p>16 I'd like to make from other Board members.</p> <p>17 The Board of Directors of Newfoundland Hydro</p> <p>18 should more equitably reflect the users of the</p> <p>19 utility. There certainly should be a</p> <p>20 representation at the Board table from the Bay</p> <p>21 St. George area, so that they realize that the</p> <p>22 impact their decisions have on the area. I am</p> <p>23 sure that if we had representation at the</p> <p>24 Hydro Board table, we would not be here today</p> <p>25 discussing the effects of an overall 37</p>

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<p>1 MR. GALLANT:</p> <p>2 percent increase to Abitibi.</p> <p>3 I also think that Hydro should be made to</p> <p>4 clarify the statements regarding the cost of</p> <p>5 electricity to Newfoundland being as low as</p> <p>6 others in Atlantic Provinces. I think this is</p> <p>7 just a way of going around figures and facts.</p> <p>8 I mean, it's great to say that now we are</p> <p>9 lower than in Nova Scotia with this increase</p> <p>10 of 37 percent, but it's not fair to compare</p> <p>11 our hydroelectricity that's being generated</p> <p>12 majority by Hydro to fossil fuels being burned</p> <p>13 in Nova Scotia in order to support a fossil</p> <p>14 fuel industry. So we have to be compared to</p> <p>15 the same type of industry, which is more like</p> <p>16 Manitoba, and I think if you look at that,</p> <p>17 we're a far way from the top of that list.</p> <p>18 The issue of true revenues being put into</p> <p>19 the Provincial treasury by other taxes, such</p> <p>20 as taxes being paid on the fuel being burnt at</p> <p>21 Holyrood generated in the plant, is never</p> <p>22 discussed. There is all kinds of other things</p> <p>23 that's coming out of Hydro that goes back into</p> <p>24 the Provincial coffers that nobody talks</p> <p>25 about. We're talking about subsidizing people</p>	<p>1 with electric heat, but obviously everyone is</p> <p>2 being subsidized.</p> <p>3 So in conclusion, I would like to</p> <p>4 conclude by thanking the Board for the</p> <p>5 opportunity to make this presentation on</p> <p>6 behalf of our membership. I hope that the</p> <p>7 Board has a better understanding of our</p> <p>8 concerns regarding the consequence of this</p> <p>9 rate increase, if it is approved as presented.</p> <p>10 I also realize that the task before the Board</p> <p>11 is not an easy one or a straightforward</p> <p>12 business decision. There are external forces</p> <p>13 at play, such as government interference,</p> <p>14 large business and the average concerned rate</p> <p>15 payer. Thank you for your time and your</p> <p>16 consideration of our matters. Thank you.</p> <p>17 CHAIRMAN:</p> <p>18 Q. Thank you, Mr. Gallant. Questions, Ms.</p> <p>19 Greene?</p> <p>20 GREENE, Q.C.:</p> <p>21 Q. Yes, thank you, Mr. Chair. Mr. Gallant, do</p> <p>22 you know when Hydro's last rate application</p> <p>23 was, prior to 2001?</p> <p>24 A. No.</p> <p>25 Q. So if I told you it was over ten years ago, in</p>
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<p>1 1992, and that this was the second proposed</p> <p>2 increase in over 12 years, you would be</p> <p>3 surprised, would you?</p> <p>4 A. That would surprise me, but it wouldn't</p> <p>5 surprise me that we're back at the table again</p> <p>6 in another six months.</p> <p>7 Q. But it was over ten years from '92 to 2002,</p> <p>8 when rates had no increase as a result of</p> <p>9 Hydro's actions. The increases that you</p> <p>10 mentioned and the dollar amounts that you</p> <p>11 referred to for small business and end</p> <p>12 consumers, that was based on your numbers, I</p> <p>13 assumed you said in your statement of 15</p> <p>14 percent and 37 percent?</p> <p>15 A. Yes.</p> <p>16 Q. And you're aware from some of the discussion</p> <p>17 this morning that those numbers do not reflect</p> <p>18 the current application before the Board?</p> <p>19 A. Well, I reflect that some of the application</p> <p>20 have changed, but once again, it hasn't been</p> <p>21 approved, so I'm just using numbers in front</p> <p>22 of us, which is 37 percent and 15 percent.</p> <p>23 Q. Yes, but the numbers in the application are</p> <p>24 not those numbers, and they weren't from the</p> <p>25 May 31st filing.</p>	<p>1 A. No, but I think we got to allow for the rate</p> <p>2 stabilization plan that kicks in on July 1st</p> <p>3 in 2004.</p> <p>4 Q. Yes.</p> <p>5 A. That's included in that 15 percent, I think.</p> <p>6 Q. Yes, so we agree that the base rate and the</p> <p>7 RSP should be considered. I'm just</p> <p>8 questioning -</p> <p>9 A. Okay, and that would add up to 15 percent?</p> <p>10 Q. - whether your percentages were--I'm just -</p> <p>11 A. That do add up to 15 percent?</p> <p>12 Q. Well, I guess that's an issue that's before</p> <p>13 the Board in the record.</p> <p>14 A. Okay.</p> <p>15 Q. The next thing is on the guarantee fee that</p> <p>16 you mentioned, do you know the purpose of the</p> <p>17 guarantee fee?</p> <p>18 A. I'm assuming that it's just some way that the</p> <p>19 Provincial Government has to tax Crown</p> <p>20 Corporations in order to borrow money on their</p> <p>21 behalf.</p> <p>22 Q. Are you aware that there's evidence before the</p> <p>23 Board that that guarantee given by the</p> <p>24 Government of Newfoundland allows Hydro to</p> <p>25 borrow at lower rates and that the Board has</p>

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<p>1 GREENE, Q.C.: 2 found that that is of benefit to the rate 3 payers? 4 A. I wouldn't have that knowledge. 5 Q. With respect to the dividends, are you aware 6 that there are no dividends forecast to be 7 paid by Hydro to the Government this year from 8 its regulated business because Hydro is in a 9 loss situation this year? 10 A. No, I haven't, but I don't remember seeing 11 figures in the last application saying that 12 they were going to take 140 million last year. 13 Q. Actually, there were information in the last 14 application, if you look at the regulated side 15 of the business. Are you aware that the 16 numbers you have quoted includes the return to 17 the Province from sales from Churchill Falls 18 Labrador Corporation Limited to Hydro Quebec 19 that flow directly to the Province? 20 A. Just what's coming out of the books, talking 21 about dividends. 22 Q. And you are not aware that Hydro is losing 23 money this year in 2003 on its regulated 24 business, the sale of electricity to consumers 25 in the Province?</p>	<p>1 A. No, I wouldn't have that knowledge. 2 Q. Those are all the questions that I have. 3 CHAIRMAN: 4 Q. Thank you, Ms. Greene. Questions, Mr. Browne? 5 BROWNE, Q.C.: 6 Q. Just on that theme, you probably are not aware 7 but we asked Mr. Wells, when he gave evidence 8 before the Board, if the dividends that were 9 going to the Province were a driver for this 10 particular application, and he has stated that 11 they are not. Are you aware of that? 12 A. No, I am not. 13 Q. In terms of the--you mentioned the 14 metallurgical facility at Argentia, and if we 15 can just give you an example of the hydrology 16 dilemma we're falling into. There's evidence 17 before the Board that if that metallurgical 18 facility goes ahead at Argentia that that 19 will--the energy for that will require 20 everything that would come out of Island Pond, 21 which is 38 megawatts in the year 2008, plus 22 they will need another 10 megawatts 23 approximately for to put that facility at 24 Argentia. And of course, that creates the 25 dilemma, where is the hydrology coming for</p>
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<p>1 everyone else? Are you aware--you probably 2 were not aware of that. 3 A. No, I was not. 4 Q. This is evidence that's come before the Board. 5 Hydro is here seeking a rate of return of 9.75 6 percent and initially their application was 7 they wanted the same as Newfoundland Power had 8 gotten, and Newfoundland Power, according to 9 this Board, is able to achieve a rate of up to 10 10.25 percent, but Newfoundland Hydro is 11 seeking a maximum of 9.75 percent. Do you see 12 a difference between Newfoundland Power and 13 Newfoundland Hydro and the rates of return 14 these companies should get? 15 A. I think it should be a difference obviously 16 because in Newfoundland Hydro's case, it's not 17 a pure business environment they're into. I 18 mean, I'm sure if you left the officials of 19 Newfoundland Hydro alone and the Provincial 20 Government stayed away from the coffers and 21 allowed them to operate as a professionalised 22 business, I'm sure the people in the 23 Corporation that can do that, that I think 24 that we wouldn't be here today with these kind 25 of things. But when you got someone adhocly</p>	<p>1 taking dividends and then you got to try to 2 justify what's going on, that's not the same 3 business environment that Newfoundland Power 4 is to. You know, it's hard to--to me, it's 5 the doctoring of the books, I guess, 6 basically. It's a whole different instrument 7 altogether. Crown Corporation is not private 8 business, so I wouldn't expect them to make a 9 rate of return the same as private business. 10 Q. Would you expect them to make any rate of 11 return at all? 12 A. Well, they can have it one way or the other. 13 They can have a rate of return or they can 14 find a way to hide costs that the Province 15 don't want to pay for, but they can't have 16 both, and I think this is what we're having 17 here. They want a rate of return, plus they 18 also want to pick up some Provincial bills, 19 and then make interest on that. 20 Q. In terms of the rate of return they should 21 get, right now they're at three percent. If 22 they could make a small profit at three, four, 23 five percent, would you advocate that rather 24 than seeking the 9.75 percent which they are 25 asking the Board to grant them? Can you see</p>

<p style="text-align: right;">Page 77</p> <p>1 BROWNE, Q.C.: 2 them lowering their expectations in this 3 particular case, if that would help 4 Stephenville? 5 A. Definitely. Looking at the environment 6 they're into today and their track record, I 7 mean three percent rate of return is enough, 8 definitely enough. 9 Q. These are my questions. Thank you very much, 10 Mr. Gallant. 11 A. Thank you. 12 CHAIRMAN: 13 Q. Thank you, Mr. Browne. Other questions? 14 Commissioner Saunders? 15 (11:54 a.m.) 16 COMMISSIONER SAUNDERS: 17 Q. Yes. Mr. Gallant, just following up on the 18 question Mr. Browne was asking you, do you 19 understand the impact of the rural rate 20 subsidy on your rates, in terms of how much it 21 impacts on your--I assume you're a customer of 22 Newfoundland Power? 23 A. Yes, I am. 24 Q. Okay. Do you understand what the impact is on 25 your rates?</p>	<p style="text-align: right;">Page 78</p> <p>1 A. My understanding is that it costs me roughly 2 16 percent on my utility bill. 3 Q. Okay. 4 A. To subsidize rural Newfoundland. 5 Q. So you do understand it. As well as it's 6 costing everyone else who's a customer of 7 Newfoundland Power? 8 A. Yes. 9 Q. Yes. And you talked to Mr. Browne about the 10 dividends that Government took last year. 11 A. Yes. 12 Q. What do you understand to be the impact of 13 that on the rates? 14 A. I know the Corporation is trying to put the 15 spin on it that they took \$140 million out of 16 the revenue and gave it to the Provincial 17 Government and that they borrowed it at a 18 lower rate, and so for that effect, it would 19 be good business. My point of view, if I have 20 a business and I don't have the \$140 million 21 to take, I wouldn't be going to the Bank to 22 borrow it to give to someone else. It's just 23 not good business practice. 24 Q. Okay. Thank you. 25 COMMISSIONER WHALEN:</p>
<p style="text-align: right;">Page 79</p> <p>1 Q. I have no questions. Thank you, Mr. Gallant. 2 CHAIRMAN: 3 Q. Thank you, Mr. Gallant, very much. 4 A. Thank you very much for the privilege. 5 Q. We are over two hours now into this session. 6 We have three presenters left, so I would like 7 to take a short break of 10 to 15 minutes, 8 please, if we could confine it to that, I'd 9 appreciate it. Thank you. 10 (11:56 a.m. - BREAK) 11 (12:12 p.m. - RESUME) 12 CHAIRMAN: 13 Q. Thank you. Perhaps we could get started 14 again, so we won't encroach too late on 15 people's lunch hour. Good morning, Mr. 16 MacPherson. How are you this morning? 17 A. Good. 18 MS. NEWMAN: 19 Q. Excuse me, Chair. I think there's some 20 problems with people hearing, so I'm just 21 going to ask everybody in the room when they 22 speak, including the witness, when you speak, 23 please project your voice to the extent 24 possible. 25 CHAIRMAN:</p>	<p style="text-align: right;">Page 80</p> <p>1 Q. Okay, speak up. 2 MS. NEWMAN: 3 Q. It's a big room now and these mikes actually 4 don't amplify. 5 CHAIRMAN: 6 Q. These are for recording purposes only, so it's 7 necessary to speak up. 8 MS. NEWMAN: 9 Q. And further, I understand that Mr. MacPherson 10 has a written copy of this presentation, which 11 has been circulated to the parties and will be 12 called JM No. 1. 13 CHAIRMAN: 14 Q. Thank you. 15 MR. JOHN MACPHERSON (SWORN) 16 CHAIRMAN: 17 Q. Thank you, Mr. MacPherson. Welcome once 18 again, sir. When you're ready to begin, you 19 may. 20 MR. MACPHERSON: 21 A. Good afternoon. Thank you for the opportunity 22 to present this brief, which will be very 23 brief. Some of the numbers may be questioned. 24 Mr. Tobin had some question on his numbers. 25 Some of mine are the same. Mine came from a</p>

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<p>1 MR. MACPHERSON:</p> <p>2 public presentation that was held here back a</p> <p>3 couple of months ago, so I guess maybe there's</p> <p>4 our numbers, their numbers and the truth</p> <p>5 somewhere in the middle. I think that's</p> <p>6 usually how things go. But anyway.</p> <p>7 The Long Range Economic Development Board</p> <p>8 is the lead economic development agency in our</p> <p>9 region. We are made up of a 17-member Board</p> <p>10 of Directors who are elected by stakeholder</p> <p>11 groups in the zone. This provides for diverse</p> <p>12 representation and brings the views of the</p> <p>13 whole zone to the table on a monthly basis.</p> <p>14 Our zone is blessed with a wealth of natural</p> <p>15 resources and by Newfoundland standards, we</p> <p>16 have a diverse economy. We have the potential</p> <p>17 to grow both in traditional resource-based</p> <p>18 industries and sectors such as tourism and</p> <p>19 technology, which are virtually untapped.</p> <p>20 We are here today because we are</p> <p>21 concerned about the effect power rate</p> <p>22 increases will have on the economic</p> <p>23 development of our zone and therefore on the</p> <p>24 long-term sustainability of our community, and</p> <p>25 our community is Zone 9, approximately 25,000</p>	<p>1 people, 531 businesses, one of which is</p> <p>2 Abitibi. Our priority is the community and</p> <p>3 everything into it and everyone into it.</p> <p>4 Small business. In our area, as in the</p> <p>5 rest of Canada, small business is the backbone</p> <p>6 of the economy. Over 80 percent of new jobs</p> <p>7 are created in this sector. We work closely</p> <p>8 with these entrepreneurs and aware of the</p> <p>9 struggle they have to maintain present</p> <p>10 operations and to start new ones. Small</p> <p>11 business faces numerous challenges, not the</p> <p>12 least of which is the cost of electricity. We</p> <p>13 understand that the proposed rate increase</p> <p>14 from July 1st, 2003 to July 1st, 2004</p> <p>15 translates to an increase of 15.1 percent. At</p> <p>16 best, this will deter business growth and in</p> <p>17 some cases will jeopardize the viability of</p> <p>18 present operations. Rural Newfoundland is not</p> <p>19 in a position at this time to accept any</p> <p>20 change that would deter development.</p> <p>21 Heavy industry. We know that in some of</p> <p>22 the literature that most injuries in the</p> <p>23 province can expect a 30 percent increase in</p> <p>24 rates. The potential this has to stagnate</p> <p>25 growth in the province is frightening, to say</p>
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<p>1 the least, in particular for industry</p> <p>2 presently operating here. Of course, those</p> <p>3 considering coming to our province to operate</p> <p>4 will take a closer second look if this</p> <p>5 increase goes into effect.</p> <p>6 At a local level, we understand that the</p> <p>7 Abitibi Consolidated operation in Stephenville</p> <p>8 faces a rate increase of 37 percent. This,</p> <p>9 combined with other issues such as fibre,</p> <p>10 could jeopardize the future of this operation.</p> <p>11 In the case of fibre supply, if a way can be</p> <p>12 found to meet the demand in the short term,</p> <p>13 the issue will be resolved. However, power</p> <p>14 rate increases at this time could be the final</p> <p>15 nail in the coffin for this operation. This</p> <p>16 would have a devastating effect on our area.</p> <p>17 There is a role to be played here at the</p> <p>18 political level, because if we are to lose</p> <p>19 this operation, we may be mad with Abitibi for</p> <p>20 leaving, we may be mad with Hydro, we may even</p> <p>21 be mad with the Public Utilities Board.</p> <p>22 However, the only ones left to vent our</p> <p>23 frustration on will be at the political level</p> <p>24 on voting day.</p> <p>25 General rate payers. We hear that the</p>	<p>1 average cost to households will be</p> <p>2 approximately \$250 per year. So what's all</p> <p>3 the fuss about? If you are a low income</p> <p>4 earner trying to raise a family, this proposed</p> <p>5 increase takes a full week of your salary and</p> <p>6 people living on low incomes are already</p> <p>7 struggling to make ends meet. We feel it is</p> <p>8 incumbent on all of us to do what we can to</p> <p>9 make the lives of those in this situation</p> <p>10 better and not worse. Imagine having to</p> <p>11 choose between hydro and adequate food or</p> <p>12 clothing for your family. Many of us find</p> <p>13 this hard to believe, but there's a</p> <p>14 significant number of our friends and</p> <p>15 neighbours who deal with this on a daily</p> <p>16 basis. Another segment of our population who</p> <p>17 face extreme circumstance are seniors who are</p> <p>18 trying to maintain their own homes and have to</p> <p>19 choose between food, medication or heat.</p> <p>20 Hydro explains the reason or one of the</p> <p>21 reasons for the increase is higher fuel costs</p> <p>22 and new developments in 2003. This would</p> <p>23 indicate poor planning if they are looking for</p> <p>24 the money after the plans are in place or</p> <p>25 already have been completed. Also, there</p>

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<p>1 MR. MACPHERSON:</p> <p>2 seems to be very little effort by Hydro to</p> <p>3 deal with fuel increases other than to look</p> <p>4 for money to pay the higher rates. Hydro</p> <p>5 points out that we have the lowest power rates</p> <p>6 in Atlantic Canada. Well, we have no problem</p> <p>7 with that and would like to be able to say</p> <p>8 that years from now. However, if this rate</p> <p>9 increase is approved, we will be closer to the</p> <p>10 highest in Canada. Let's work to be the</p> <p>11 lowest. This is one instance where we have no</p> <p>12 problem being at the bottom of the heap.</p> <p>13 In short, we do not approve of the rate</p> <p>14 increase. We have two monopolies in charge of</p> <p>15 our resource. It is necessary they make a</p> <p>16 profit for shareholders. We feel that the</p> <p>17 economy of this region and our province will</p> <p>18 be better served by eliminating both utilities</p> <p>19 and managing our resource. It is ours. Let's</p> <p>20 look after it, and put all revenue generated</p> <p>21 into the system. The very process we are</p> <p>22 participating in today points to the need for</p> <p>23 a change in the way we do business. We are</p> <p>24 participating in a process that costs in</p> <p>25 excess of \$5 million, in effect to protect us</p>	<p>1 from power utilities. Maybe we would be \$</p> <p>2 million to the good today if we simply</p> <p>3 eliminated these monopolies. Thank you.</p> <p>4 CHAIRMAN:</p> <p>5 Q. Thank you very much, Mr. MacPherson.</p> <p>6 Questions? Mr. Browne?</p> <p>7 BROWNE, Q.C.:</p> <p>8 Q. Yes, sir. You say you have a 17-member board.</p> <p>9 Are any of your members contractors, building</p> <p>10 contractors?</p> <p>11 A. Yes.</p> <p>12 Q. Do they build homes? Are some in the housing</p> <p>13 business?</p> <p>14 A. Some do, yes.</p> <p>15 Q. Are they putting electric heat, baseboard</p> <p>16 electric heat, into these homes that they're</p> <p>17 building?</p> <p>18 A. I wouldn't be able to say for sure, but 99</p> <p>19 percent chance that the answer would be yes.</p> <p>20 Q. Do you realize that that is part of the</p> <p>21 problem here, that contractors putting</p> <p>22 baseboard electric radiation and more of it</p> <p>23 into the system is causing more fuel to be</p> <p>24 burned at the Holyrood generating station?</p> <p>25 A. Yes.</p>
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<p>1 Q. And it's on account of the problem at the</p> <p>2 Holyrood generating station, where \$167</p> <p>3 million is owed for fuel, that is part of the</p> <p>4 driver for this rate application.</p> <p>5 A. Yes.</p> <p>6 Q. So you see it's a bit of circularity here, to</p> <p>7 a degree. I'm not saying that the builders in</p> <p>8 Stephenville are solely responsible, but</p> <p>9 certainly the contractors across the island</p> <p>10 have some responsibility here. Would you not</p> <p>11 agree with me on that, now that you know that</p> <p>12 problem?</p> <p>13 A. Certainly, but I guess it has--a lot of that,</p> <p>14 I know in my own case, it has to give credit</p> <p>15 to Hydro for making us all believe what a</p> <p>16 wonderful cheap, clean, efficient fuel source</p> <p>17 electricity is. I never realized until very</p> <p>18 lately, a few months ago, that the amount of</p> <p>19 heat that is wasted through baseboard</p> <p>20 radiation. I just didn't know. And that's</p> <p>21 what we refer to, I think there somewhere we</p> <p>22 say about just addressing our concerns by</p> <p>23 looking for increased dollars instead of</p> <p>24 addressing some of these issues.</p> <p>25 Q. So do you think that the Board should give</p>	<p>1 direction to these utilities to give people</p> <p>2 the facts in reference to what's going on</p> <p>3 here?</p> <p>4 A. If the Board has that authority, absolutely.</p> <p>5 Q. You mentioned in your presentation concerning</p> <p>6 the two monopolies in charge of our resource</p> <p>7 and it's necessary to make profit, and you're</p> <p>8 not in favour of having two monopolies?</p> <p>9 A. No.</p> <p>10 Q. What do you suggest should be done?</p> <p>11 A. Well, I guess ignorance is bliss sometimes,</p> <p>12 and I know it's not as simplistic as we</p> <p>13 outline in our brief, but on the outside</p> <p>14 looking in, it just makes economic sense, I</p> <p>15 think, to me that why would you have to. It</p> <p>16 boggles the mind, in my opinion. I see</p> <p>17 absolutely no reason for it. I think it</p> <p>18 should be one, and if there can't be cost</p> <p>19 savings through that process, of course it</p> <p>20 would never happen, but if there can't, it</p> <p>21 would seem to me to be something radically</p> <p>22 wrong.</p> <p>23 Q. And the Chairman rightly pointed out at the</p> <p>24 beginning, that is not something that is</p> <p>25 within the jurisdiction of this Board to do.</p>

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<p>1 MR. MACPHERSON: 2 A. No. 3 BROWNE, Q.C.: 4 Q. It would have to come from Government itself 5 in a policy direction, but you're one who 6 would advocate that policy? 7 A. Yes, I would. 8 Q. Okay. These are my questions. Thank you, Mr. 9 Chairman. 10 CHAIRMAN: 11 Q. Thank you, Mr. Browne. 12 COMMISSIONER SAUNDERS: 13 Q. Yes, I have a question. 14 CHAIRMAN: 15 Q. Sure. 16 COMMISSIONER SAUNDERS: 17 Q. Just following up on--I thought you were going 18 to go one step further, Mr. Browne. 19 BROWNE, Q.C.: 20 Q. I'm always very careful, Mr. Chairman. 21 COMMISSIONER SAUNDERS: 22 Q. In that last statement, Mr. MacPherson, you 23 said "we feel that the economy of this region 24 and our province would be better served by 25 eliminating both utilities and managing our</p>	<p>resource." 2 A. Yes. 3 Q. Can you expound on that? 4 A. Well, I don't know what kind of a beast that 5 would turn out to be, but it would be perhaps 6 one utility. I don't know. But it would be 7 certainly a small group of professional 8 people, business people, looking after our 9 affairs for us, not the present conglomeration 10 that we have. 11 Q. And you say that - 12 A. But if you give me the power, I'll set up 13 something. 14 Q. Okay. And you see that as a conglomeration, 15 as you put it? 16 A. The present system? 17 Q. Yes. 18 A. Yes. Yes. 19 Q. Why? 20 A. Well, just it seems--it just doesn't make 21 sense to me personally that we got these two 22 different groups, government using it to, as I 23 understand, take millions of dollars, put it 24 into their coffers and so on, and it's just 25 plain and simply a means of taxation that we</p>
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<p>1 don't realize, and I don't see the need for 2 it. 3 Q. Okay. Thank you, Mr. Chair. 4 CHAIRMAN: 5 Q. Thank you, Commissioner Saunders. Thank you, 6 Mr. MacPherson, very much for your 7 presentation. 8 A. Thank you. 9 Q. Call upon Mr. Hickman, please. Good 10 afternoon, Mr. Hickman. Welcome, sir. 11 MR. HICKMAN: 12 A. Good afternoon and welcome to the Chair and 13 Commissioners. 14 Q. Thank you very much. 15 (12:26 p.m.) 16 MR. JAMES HICKMAN (SWORN) 17 CHAIRMAN: 18 Q. Thank you. Once again welcome, and when 19 you're ready, you can begin please. 20 MR. HICKMAN: 21 A. First, I'd like to thank you for, the Chair 22 and the Commissioners, for coming to 23 Stephenville and giving us the opportunity to 24 put a case before you and the group here. I 25 guess everybody that has been up so far has</p>	<p>1 been talking about figures and monies and 2 profits and whatever else happens. I'm not 3 going to talk about that. I guess I'm going 4 to talk about something much worse, but 5 hopefully it puts a picture in mind that when 6 you go to make a decision that at least you 7 got a picture of from the workers point of 8 view. 9 CHAIRMAN: 10 Q. Maybe, sir, you could just indicate who you 11 represent, just for everybody, and the 12 purposes of the record? 13 A. My name is Jim Hickman and I am president of 14 Local 1093 at the Abitibi Consolidated mill 15 here in Stephenville. I took the oath this 16 morning to tell the truth. If I did lie under 17 oath this morning, it would probably sound 18 better than what the truth is going to sound. 19 Like I say, I want to thank you for 20 giving me the opportunity to share my concerns 21 for the proposed power hike for the residents 22 of Newfoundland and Labrador, and especially 23 for Abitibi. 24 When I was hired by Abitibi in 1981, I 25 was told we had a 20-year supply of wood and</p>

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1 MR. HICKMAN:

2 the cost of power was high at that time, but I
3 was young and I thought these issues would be
4 solved. Well, here we are 22 years later, I'm
5 not that young any more, and the same issues
6 are still before us today. We got: A. a high
7 cost of power; B. high cost of fibre; C. a
8 shortage of fibre; and so A, B, C, we have a
9 higher operating cost for the mill, more
10 downtime, loss of employment, loss of revenue
11 for the Town, Bay St. George area and the
12 government.

13 So let's look at a bit of history in the
14 Bay St. George area. All our members, even
15 our employees and so on that work at the mill,
16 they live in the surrounding areas. It was
17 pointed out by Mr. Tobin, of course, the areas
18 that we do cover. We have endured and lasted
19 through several closures. Number one, of
20 course, was the Ernest Harmon Air Force Base
21 closure. We've gone through the Labrador
22 Liner Board closure. We've gone through the
23 Labatt's Brewery closure, who was also a big
24 employer here when it was here. And now we're
25 at number four, and we're wondering if that's

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1 would support in any way they could, and we
2 have done that and we will keep on doing that.
3 When we went in with the mill manager, of
4 course, he had to mention--he did mention that
5 this mill, if it starts taking downtime and so
6 on, more downtime because of high costs and
7 what's going to happen to it, this mill will
8 probably, if it gets in the red, run for two
9 years. They might run for a couple of years
10 in the red. They'll take a loss. But that's
11 all they'll do. If they don't see anything
12 happening in the future that's going to
13 brighten up the prospects to have this mill
14 here, then they'll close it, and 400 people
15 will be out of work, and that's a fact.

16 Abitibi Consolidated CEO, John Waver,
17 once said they have enough wood for Abitibi on
18 the island to run two machines, and we have
19 three machines. So if the high cost of the
20 mill goes up and the higher costs causing it
21 to be the highest cost in Abitibi and in the
22 industry, then they'll have an easy decision
23 on what machine to shut. It won't be any
24 hardships for John Waver and Montreal to say
25 that with Stephenville being the highest cost

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1 going to be the closure of Abitibi
2 Consolidated because of a number of factors,
3 and one of the most being the increase of
4 power. Other factors would be the wood and so
5 on.

6 If the power hike is approved, the end
7 result for Abitibi is that Stephenville will
8 have one of the highest cost mills to run. We
9 will see more downtime, out migration. People
10 will not stay here and work just for two weeks
11 and three weeks at a time and have to go off
12 and wait for to get another pay cheque to come
13 back and work because the mill is down again.
14 They want to be working full time. You will
15 see closures of businesses in town, spin-off
16 businesses.

17 Remember when we went in to talk with Mr.
18 Wells, I believe, in St. John's. It was a
19 little while, I guess, the mill manager and
20 myself and Mel Dean. And when you're with--
21 usually unions, they're separated a little
22 from companies when they deal with people,
23 trying to get things for the mill and so on,
24 but this is such an important issue, the
25 company approached the union and asked if they

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1 mill, with them having no power, with them
2 having shortage of wood fibre, what decision
3 do we have to make. So it won't be a big
4 decision, and you'll have people out of work
5 here.

6 Let me go back just a little bit. I
7 don't want to finish too soon, because I'd
8 like to explain what I went through here on
9 the--like when we said the history, and if you
10 were raised or lived or been in the Bay St.
11 George area for a number of years, you know
12 what the history is when it comes to closures.
13 But what do we call disasters? I mean, what
14 do you call--like people say it would be
15 disaster for the mill to close and it was
16 talked about here this morning. A lot of
17 people got up and they said it would be bad
18 for the Bay St. George area. It would be a
19 disaster. But what are they talking about
20 when they say disaster? The mill is going to
21 close, yes, that's a disaster. People are
22 going to lose their jobs. People are going to
23 lose properties. People are going to lose
24 families because they're not going to be able
25 to stay together because the financial burdens

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1 MR. HICKMAN:

2 are going to cause them problems. So you're
3 going to have families split up. You're going
4 to have properties lost. And that there to me
5 is a disaster. That's a real disaster.
6 That's a disaster that comes at what price?
7 When people want to raise things or get monies
8 from somewhere, what price is enough to pay
9 for that? Is it enough price to pay to
10 shutdown industries?

11 We've had closures because--Harmon Air
12 Force Base closed because of the Vietnam War.
13 That was cost. The States couldn't keep all
14 these bases going, so they looked at certain
15 areas, what was important, what was
16 unimportant. So it happened that
17 Stephenville, Newfoundland, had a base that
18 they could be expendable. It was closed. 99-
19 year contract was gone down the drain, and
20 people suffered. They suffered through the
21 losses I just mentioned. They suffered
22 through certain things like alcoholism and so
23 on. I know I was here when that was going on.

24 The closure of Labrador Liner Board, I
25 guess related to costs and mismanagement, I

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1 And when we see that happening, we know that
2 there's going to be more downtime coming.
3 There's going to be more time where you're not
4 going to be getting a pay cheque and there's
5 going to be lots of times when you're
6 wondering what your future is. We have young
7 people in this town, I can't even imagine the
8 amount of dollars they got put into properties
9 and the day's cost, that they depend on this
10 mill and this area to have that paid for.

11 And eventually, like I said, the high
12 costs will put this mill in a position, and it
13 has already in the last couple of years, that
14 now Montreal is starting to look at us.
15 They're not looking at us any more as one of
16 the mills that's making the profits or doing
17 good for them. They're looking at us now as
18 one of the mills that's costing them or will
19 be costing them when this thing happens.

20 So I don't deal in figures or
21 percentages. I don't know much about how many
22 households has electric heat or has oil heat.
23 The job I was put into and took not many
24 wanted, but you're there, so I just handle it
25 and I deal with these things and I sit up here

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1 guess, a bit of it, on Government's part,
2 probably most of it. They just didn't know
3 how to run a Labrador Liner Board mill. They
4 didn't know anything about it. So it happened
5 to close up. And then the people were back at
6 it again. They lost everything. Some people
7 hung on. Other people just moved away. They
8 boarded up and they went.

9 Labatt's Brewery was the same things.
10 Costs. Labatt's decided that it was time to
11 put everything together probably in one basket
12 or somewhere and move it to St. John's and so
13 they said out in Stephenville, we can close
14 that area and we can move that. So then we
15 had people who again took the brunt of it,
16 took the losses, took the property losses and
17 everything else that goes with that. So it
18 doesn't paint a pretty good picture.

19 So now, this is where we're at. Now
20 we're at Abitibi Consolidated's turn. If
21 people ask me today how do you solve it, I
22 don't know how you solve it. All I know is
23 that we have a mill there that's taking high
24 costs, certain things, and they're being
25 driven up the chart above the other mills.

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1 and I try to tell people how it's going to
2 happen. I've been telling people how it's
3 going to happen for the last couple of years,
4 because I've been through the situations that
5 I've just told you.

6 I worked at the Liner Board mill. My
7 family worked at the Harmon Air Force Base and
8 they had to move out. They sold everything
9 that they had for next to nothing. I had
10 friends that was in the Labatt's Brewery.
11 Some of these things, there are cases that
12 happened there, you don't even want to bring
13 up. So these are the things that can happen.
14 That's the social aspect of what happens when
15 places close. So I hope that--I know some
16 people come to hear things and some people
17 come to hear they hope they don't hear what
18 they want to hear, but that's the way it is,
19 and after you get cut through all the profits
20 and cut through all the percentages and cut
21 through all the hikes, that's what you're
22 going to be left with at the end of the day.
23 You're going to be left with broken lives,
24 families and places left empty, boarded up and
25 streets with nobody on them any more because

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<p>1 MR. HICKMAN: 2 the industry isn't here any more. 3 So Mr. Chairman, I thank you for the 4 time. 5 CHAIRMAN: 6 Q. Thank you very much, Mr. Hickman. Questions? 7 GREENE, Q.C.: 8 Q. No. Thank you, Mr. Hickman. 9 CHAIRMAN: 10 Q. Mr. Browne? 11 BROWNE, Q.C.: 12 Q. Thank you, Mr. Hickman, and I agree with you 13 totally, Mr. Hickman, this is not a problem 14 that's going away. This is this time because- 15 -and that's why I've been pressing a theme to 16 show the problem we're having with electricity 17 on the island and the lack of awareness of 18 people of the scarcity of it. It is a 19 resource, and there are no or few conservation 20 values any more, and we're all at fault 21 because people put up more on their homes at 22 Halloween by way of lights than our parents 23 put up at Christmas time. People think it's 24 just endless and it's not, and you're feeling 25 the brunt of it here now.</p>	<p>1 But I want to ask you, has the mill ever 2 considered some of its own generation, such as 3 wind generation, which Hydro is looking at now 4 for down on the Burin Peninsula, by way of an 5 experiment? Are you aware if the mill has 6 tried to do that in order to alleviate the 7 problem? 8 A. I've heard of these things, also peat moss and 9 so on like that, recycling old paper and 10 stuff, trying to help the mill out, but as of 11 today, it's just something that's been on 12 paper. That's all I've known about it. 13 Q. Because Hydro is promoting a project down in 14 Burin for wind generation and if it works 15 there, there's a possibility, I guess, it 16 could work here, but I guess the problem is no 17 one quite knows when the wind is going to 18 blow, but in Newfoundland, we're certain of a 19 - 20 A. Well, we know the wind is going to blow. We 21 just don't know which direction it's going to 22 blow in. That's our problem. 23 Q. Thank you, Mr. Hickman, very much. 24 A. Thank you. 25 CHAIRMAN:</p>
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<p>1 Q. Thank you, Mr. Browne. Any other questions? 2 (12:39 p.m.) 3 COMMISSIONER SAUNDERS: 4 Q. Yes. Mr. Hickman, how long have you lived in 5 this area? 6 A. Well, I've been in this area--I was brought to 7 this area when I was six months old. So I've 8 been here off and on, but I've had to leave 9 here several times, like I say, with closures 10 in order to get work on the mainland and so on 11 like that. So I've gone away for a while. 12 About ten times, I guess, I've left the island 13 and come back and the last time I came back, 14 it was when--I was in Vancouver, matter of 15 fact, driving bus. I come home and the wife 16 had a paper on the table. I knew she had it 17 there for some reason. It was open to the 18 Liner Board mill being renovated by Abitibi 19 Consolidated or Abitibi Price at the time had 20 bought the mill. So she just looked at me and 21 wondered if it was a chance to take. I said 22 "well, let's take it and see what happens 23 after." But we did that and it worked out 24 well. 25 Q. So you've been here a number of years?</p>	<p>1 A. Yes. 2 Q. How do you understand the rural subsidy to 3 work? 4 A. If you explain it to me, I'd probably 5 understand it, but I mean, other than that, 6 I'm just--I wouldn't know. 7 Q. Well you mentioned it earlier in your 8 comments. Mr. Browne asked you some questions 9 about conservation. I'm wondering, you're 10 representing your union, Local - 11 A. 1093, yes. 12 Q. - 1093. Do you have any programs in place in 13 terms of conservation of electricity? 14 A. Not that I know of. I know that people are 15 conscious of conserving energy because every 16 time you hear about even in at the mill when 17 they're building a house today that they're 18 making the walls thicker and more insulation 19 and so on and so forth. I heard two people at 20 work talking about it and he's got it built 21 that well that--he said "well, how well do 22 you--how's your heat? What's the heat like?" 23 and he said "well, I lit three candles the 24 other day and it seemed that we had to take 25 our coats off. It was getting a little warm."</p>

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<p>1 MR. HICKMAN:</p> <p>2 So if they're doing it that well, then I mean,</p> <p>3 there's somebody doing it anyway.</p> <p>4 Q. Thank you, Mr. Chair.</p> <p>5 CHAIRMAN:</p> <p>6 Q. Thank you, Commissioner Saunders. How long</p> <p>7 have you been an employee, Mr. Hickman, of</p> <p>8 Abitibi?</p> <p>9 A. 22 years right now. I have a couple more</p> <p>10 years to go and I'll be retiring.</p> <p>11 Q. Obviously speak from the heart. Thank you</p> <p>12 very much for your presentation.</p> <p>13 A. Thank you for listening.</p> <p>14 Q. The final presentation will be Mr. Russell</p> <p>15 Tulk, who's president of the Santa Maria</p> <p>16 organization. Mr. Tulk. Good morning, sir.</p> <p>17 You'll be happy to know that you're between</p> <p>18 these people and lunch. Welcome, Mr. Tulk.</p> <p>19 MR. RUSSELL TULK (SWORN)</p> <p>20 CHAIRMAN:</p> <p>21 Q. Thank you, sir. Very welcome, and when you're</p> <p>22 ready to begin, you may.</p> <p>23 MR. TULK:</p> <p>24 A. Thank you very much. I'd like to welcome the</p> <p>25 Chair, the Commissioners, the Board members,</p>	<p>1 ladies and gentlemen. I hope you can hear me</p> <p>2 down in the back. Thank you.</p> <p>3 I'd like to welcome you to our Town of</p> <p>4 Stephenville. As you can tell, it's beautiful</p> <p>5 outside. Hopefully our thermostats won't be</p> <p>6 turned up as high as they should be today.</p> <p>7 But I'm here today on a serious matter and</p> <p>8 it's to talk about the hydro electricity rates</p> <p>9 going up.</p> <p>10 CHAIRMAN:</p> <p>11 Q. Excuse me, Mr. Tulk, before you begin, could</p> <p>12 you explain a little bit about the Santa Maria</p> <p>13 organization?</p> <p>14 A. Yes, okay.</p> <p>15 Q. Because I'm not--yes, please, if you don't</p> <p>16 mind.</p> <p>17 A. I'm sorry. Okay. I'm president of the Santa</p> <p>18 Maria Club in Stephenville, which is an arm of</p> <p>19 the Knights of Columbus, which is a service</p> <p>20 organization for the Bay St. George area. So</p> <p>21 basically, I'm representing this organization</p> <p>22 here today to present their plea and their</p> <p>23 cause that we don't want to pay high rates for</p> <p>24 our electricity.</p> <p>25 Last year, our rates went up a great</p>
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<p>1 deal. Of course, this year, we're expecting</p> <p>2 that our rates will go up in excess of \$1500</p> <p>3 with the new proposed rates. Now we can talk</p> <p>4 about rates and we can talk about percentage</p> <p>5 points. We talked about 12.5. We can talk</p> <p>6 about 15 percent, that's fine. Whatever way</p> <p>7 we want to cut the pie, we're still going to</p> <p>8 end up paying more money. That's the bottom</p> <p>9 line to it all.</p> <p>10 Our concern is that if those rates do</p> <p>11 stay high, that we may end up having negative</p> <p>12 impact on our organization. Number one, we</p> <p>13 may be forced to lay off employees that we</p> <p>14 have there. Number two, it's quite</p> <p>15 conceivable and quite possible that we may</p> <p>16 have to shut down the organization. Of</p> <p>17 course, you got to appreciate that things</p> <p>18 snowball. Not only does the Hydro electricity</p> <p>19 rates affect us, however, we can also talk</p> <p>20 about insurance. Every business' rate that</p> <p>21 goes up, the buck has to get passed on to the</p> <p>22 consumer. We are no different than anybody</p> <p>23 else. If we're going to serve a refreshment</p> <p>24 at our building, we're going to have to put</p> <p>25 that cost on to the people.</p>	<p>1 So we have a very, very big concern with</p> <p>2 this stuff going up because: number one,</p> <p>3 downstairs in our facility we have this</p> <p>4 particular space a lot of times is used by</p> <p>5 service organizations free of charge. If we</p> <p>6 have to heat this particular area with high</p> <p>7 heat costs, we're going to start having to</p> <p>8 pass this on to the people. We're not</p> <p>9 prepared to do that as of yet, because it's</p> <p>10 something that we're trying to control. It's</p> <p>11 something that we're trying to handle, but we</p> <p>12 need your help. We need this Board to bring</p> <p>13 this message back to Government that we are</p> <p>14 not prepared to pay those high rates. That's</p> <p>15 the message, I think, that all those people</p> <p>16 are here today, and I just might make one</p> <p>17 point while I'm on this.</p> <p>18 I'm a little bit surprised that you</p> <p>19 talked about earlier, or it was mentioned here</p> <p>20 earlier, about the large amount of people here</p> <p>21 today. Well, in my position, sitting here in</p> <p>22 this chair, I think they should be standing</p> <p>23 off the rafters and out by that door, to be</p> <p>24 here bringing their concerns forward and</p> <p>25 saying "we don't want to pay high rates." I</p>

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<p>1 MR. TULK:</p> <p>2 don't want to pay high rates. I'm a</p> <p>3 homeowner. I have electricity in my home. I'm</p> <p>4 not prepared to pay high rates. I don't know</p> <p>5 if anybody else in this room is prepared to</p> <p>6 pay high rates. I hate to pay high insurance</p> <p>7 rates. I'm sure everybody else here hates to</p> <p>8 pay high insurance rates. So what do we do?</p> <p>9 How do we get our point across to you people?</p> <p>10 How do we get our point across to Government?</p> <p>11 It's meetings like this that helps us vent our</p> <p>12 frustrations, get our points out, get our</p> <p>13 concerns out to the people who's going to</p> <p>14 listen. Hopefully today somebody will listen.</p> <p>15 Somebody will tweak their mind and say yes,</p> <p>16 maybe someone in this room made sense. Maybe</p> <p>17 someone did make sense here today and say</p> <p>18 "yes, we're not prepared to put up with this</p> <p>19 bullshit no more." Pardon me for saying that.</p> <p>20 I got a bunch of little cards here. I'm</p> <p>21 trying to run through them as quickly as I</p> <p>22 can, of course.</p> <p>23 Q. No, take your time.</p> <p>24 A. I'm one of those guys who's--like this</p> <p>25 gentlemen here that if I don't eat after a</p>	<p>1 certain period of time, I get all antsy. So I</p> <p>2 don't want to get too antsy here today.</p> <p>3 With a service organization, we have 550</p> <p>4 members in our organization, and in that</p> <p>5 particular group, of course, they're not all</p> <p>6 my age. Most of them are a lot older than me.</p> <p>7 As a matter of fact, I think right now that</p> <p>8 about 70 percent of our members are in the 60</p> <p>9 plus range, which tells you now we're getting</p> <p>10 into people on fixed incomes, and anybody</p> <p>11 who's on a fixed income got to look around and</p> <p>12 say to themselves, "if I have electricity</p> <p>13 heat, can I afford that extra \$200-240 a</p> <p>14 year?" Pick the number out of the air. I</p> <p>15 don't care what number you decide to pick out</p> <p>16 of the air today, ladies and gentlemen, but</p> <p>17 all I'm saying to you is that we know that</p> <p>18 there's going to be an increase. Those</p> <p>19 seniors are going to be hurt. They're not</p> <p>20 prepared for more increases. They're not</p> <p>21 prepared for higher property taxes. They're</p> <p>22 not prepared for higher insurance. Now let's</p> <p>23 add this on to them too. Yes, that's the way</p> <p>24 we're going to treat our seniors, aren't we?</p> <p>25 We're doing a wonderful job.</p>
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<p>1 Within the K of C organization and the</p> <p>2 Santa Maria Club, which we're under the same</p> <p>3 umbrella, as well as all service</p> <p>4 organizations, all those people are</p> <p>5 volunteers. They give up their time. They</p> <p>6 give up their energy to work and participate</p> <p>7 to bring the good causes out to the</p> <p>8 communities that they serve. For an example,</p> <p>9 in our organization, one little thing that we</p> <p>10 do is with the Sick Children's Foundation. We</p> <p>11 have a lot of people who serve and they go to</p> <p>12 those buildings and they give of their time</p> <p>13 freely. We may not have that space to offer</p> <p>14 those people to raise funds any more. We may</p> <p>15 not have the facilities because we can't</p> <p>16 afford to keep our doors open. That's another</p> <p>17 point, very very valuable point, those sick</p> <p>18 children that people are out there helping.</p> <p>19 Do we overlook that? What are we going to do?</p> <p>20 I don't know. I don't have the answers. I'm</p> <p>21 only just a representative here today who said</p> <p>22 "yes, I'll go down and bring this message</p> <p>23 forward." Might be all Greek. I may not even</p> <p>24 be making any sense, but at least someone's</p> <p>25 going to hear me.</p>	<p>1 I think that when we look at all the</p> <p>2 things that the people do within the</p> <p>3 community, all the service organizations, the</p> <p>4 work that they do, and all the big companies,</p> <p>5 all the money that they generate into the</p> <p>6 economy, somewhere along the way Government or</p> <p>7 the Board is going to look at us and try to</p> <p>8 help us out some shape, way or form. So I</p> <p>9 guess, Mr. Chairman, that's my message today,</p> <p>10 and I'd like to thank you and the people for</p> <p>11 listening to me.</p> <p>12 Don't make the questions too hard before</p> <p>13 lunch.</p> <p>14 CHAIRMAN:</p> <p>15 Q. Thank you very much, Mr. Tulk. Questions?</p> <p>16 GREENE, Q.C.:</p> <p>17 Q. I'll make it easy for you, Mr. Tulk. No</p> <p>18 questions.</p> <p>19 A. Thank you.</p> <p>20 CHAIRMAN:</p> <p>21 Q. Mr. Browne?</p> <p>22 BROWNE, Q.C.:</p> <p>23 Q. Mr. Tulk, what kind of heating do you have in</p> <p>24 your facility, in the Knights of Columbus</p> <p>25 hall?</p>

<p style="text-align: right;">Page 113</p> <p>1 MR. TULK:</p> <p>2 A. Electric heat, sir.</p> <p>3 BROWNE, Q.C.:</p> <p>4 Q. Is it baseboard electric radiation?</p> <p>5 A. Baseboard electric radiation.</p> <p>6 Q. I mentioned before the climate control plan</p> <p>7 for Canada.</p> <p>8 A. I listened very carefully to what you said,</p> <p>9 sir, yes, and I will be looking at it.</p> <p>10 Q. And the people, your members and the people</p> <p>11 you assist -</p> <p>12 A. Yes.</p> <p>13 Q. - the way it works roughly is an assessor will</p> <p>14 come to your home. He will assess what your</p> <p>15 needs are. You go and do the work that is</p> <p>16 advised and the assessor comes back and if the</p> <p>17 energy--if you've saved energy by doing the</p> <p>18 renovations, then you'll get compensated by</p> <p>19 the Government of Canada. That's roughly the</p> <p>20 way it works.</p> <p>21 A. Yes.</p> <p>22 Q. So there's lots of money there, out there for</p> <p>23 that and I encourage your members and the</p> <p>24 people of Stephenville to take full advantage</p> <p>25 of it.</p>	<p style="text-align: right;">Page 114</p> <p>1 A. I'm sure I'll bring that message forward and</p> <p>2 try to avail of it.</p> <p>3 Q. Contact your Member of Parliament.</p> <p>4 A. Thank you.</p> <p>5 Q. Thank you.</p> <p>6 CHAIRMAN:</p> <p>7 Q. Any other questions?</p> <p>8 COMMISSIONER SAUNDERS:</p> <p>9 Q. Yes. Mr. Tulk, do you understand what goes</p> <p>10 into making up the cost of your electricity</p> <p>11 rate?</p> <p>12 A. Not a whole pile, sir. I'll say this, that I</p> <p>13 know that, of course, the bill comes in and we</p> <p>14 have to pay the bill, number one. That's one</p> <p>15 factor. But we also have the power demand</p> <p>16 meter, so which means at the beginning of the</p> <p>17 year, in our case, if winter starts early, we</p> <p>18 pay early. I know that much. Because as our</p> <p>19 demand meter goes up and she peaks at that</p> <p>20 particular demand, if it starts early in the</p> <p>21 year, we're going to have to pay the highest</p> <p>22 rate.</p> <p>23 Q. You're speaking as a commercial customer?</p> <p>24 A. Yes, as a service organization, yes, we do</p> <p>25 have that, sir.</p>
<p style="text-align: right;">Page 115</p> <p>1 Q. Okay, thank you.</p> <p>2 CHAIRMAN:</p> <p>3 Q. Thank you, Commissioner Saunders. Thank you</p> <p>4 very much, Mr. Tulk.</p> <p>5 A. Thank you very much, ladies and gentlemen.</p> <p>6 Q. That brings a close to the proceedings for</p> <p>7 today here in Stephenville. I would like</p> <p>8 indeed to thank the presenters very much for</p> <p>9 your presentations, special thanks indeed.</p> <p>10 This is what this is about, to be frank with</p> <p>11 you, we've had about three or four weeks, I'm</p> <p>12 not sure which now, I get confused after a</p> <p>13 while, of hearings in St. John's and we, in</p> <p>14 there, listen to cost of service experts. We</p> <p>15 listen to cost of capital experts. We listen</p> <p>16 to a lot of facts and figures, which are very</p> <p>17 important to the application, which are very</p> <p>18 important to the process. But this is about</p> <p>19 really getting personal views and personal</p> <p>20 perspectives on how this application and</p> <p>21 indeed, the impacts of that will affect</p> <p>22 people's personal lives and their work lives,</p> <p>23 and I think we heard a good cross section, in</p> <p>24 my estimation, here this morning, service</p> <p>25 organization, gentleman from the union,</p>	<p style="text-align: right;">Page 116</p> <p>1 economic development board, certainly the</p> <p>2 municipalities as well, and I wish to thank</p> <p>3 everybody for their presentation and indeed</p> <p>4 thank everybody for their attendance. It was</p> <p>5 more than we had anticipated at the beginning,</p> <p>6 and hence the reason for the room expansion.</p> <p>7 I thank you for your patience for that as</p> <p>8 well.</p> <p>9 So this will be carefully considered and</p> <p>10 examining all the information and the whole</p> <p>11 body of evidence, indeed, which is substantial</p> <p>12 before us and will be considered carefully by</p> <p>13 this Panel, today's presentations and indeed,</p> <p>14 throughout the week, in issuing our final</p> <p>15 order, and I would reiterate that there is an</p> <p>16 opportunity for letters of comments still if</p> <p>17 anybody feels so compelled, after hearing this</p> <p>18 today, that they wish to submit their comments</p> <p>19 in writing to us, the opportunity exists for</p> <p>20 that, at the close of the hearing, and it's</p> <p>21 only necessary to see Ms. Blundon on further</p> <p>22 information on that.</p> <p>23 Once again, thank you to the presenters</p> <p>24 for your excellent contributions and my</p> <p>25 appreciation to the parties for your</p>

1 participation as well today. Thank you.
2 UPON CONCLUSION AT 12:54 P.M.

1 CERTIFICATE
2 I, Judy Moss Lauzon, hereby certify that the foregoing is
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 24th day of
7 November, A.D., 2003 at Stephenville, Newfoundland and
8 Labrador and was transcribed by me to the best of my
9 ability by means of a sound apparatus.
10 Dated at St. John's, Newfoundland and Labrador
11 this 30th day of November, A.D., 2003
12 Judy Moss Lauzon