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<p>1 (9:40 a.m.)</p> <p>2 CHAIRMAN:</p> <p>3 Q. Good morning. I apologize for the delay this</p> <p>4 morning. Can you hear me down in the back, by</p> <p>5 the way? These microphones apparently aren't</p> <p>6 amplifying microphones and so I will try and</p> <p>7 speak up. I will ask counsel to do the same</p> <p>8 and certainly any presenters if you could try</p> <p>9 and project your voice in the best way</p> <p>10 possible, in any event, I'm sure it would be</p> <p>11 appreciated by all, especially those down in</p> <p>12 the back. Once again, good morning. I'd like</p> <p>13 to take this opportunity to welcome everybody,</p> <p>14 both, indeed, parties who have been</p> <p>15 participating ongoing in this public hearing,</p> <p>16 and in particular persons and organizations</p> <p>17 who have taken the initiative to attend this</p> <p>18 portion of the hearing here in Corner Brook.</p> <p>19 My name is Bob Noseworthy and I'm Chair and</p> <p>20 CEO of the Public Utilities Board. And I'll</p> <p>21 have a little bit more to say about that in a</p> <p>22 little while. And for purposes of this</p> <p>23 hearing I am serving as the Chair of the Panel</p> <p>24 which has been delegated the responsibility to</p>	<p>1 make decisions on this rate application by</p> <p>2 Hydro. And my colleague joining me on the</p> <p>3 Panel this morning to my left is Ms. Darlene</p> <p>4 Whalen, who is Vice-Chair of the Board. And</p> <p>5 unfortunately, the other Commissioner, Fred</p> <p>6 Saunders, who is the third element of, third</p> <p>7 person on the Panel is unwell this morning and</p> <p>8 he's not able to join us. Hopefully that's</p> <p>9 just a temporary thing and he'll be able to</p> <p>10 join us at the earliest opportunity, hopefully</p> <p>11 tomorrow. I'd also like to introduce to you</p> <p>12 Board staff. On my right and then my far</p> <p>13 left, I guess, is Board secretary, Cheryl</p> <p>14 Blundon and Ms. Dwanda Newman, who's in-house</p> <p>15 legal counsel to the Board. I would ask the</p> <p>16 legal counsel for the parties if they could</p> <p>17 introduce themselves and others who are</p> <p>18 joining them here in this part of the hearing.</p> <p>19 And I'll begin with Hydro. Good morning, Ms.</p> <p>20 Greene.</p> <p>21 GREENE, Q.C.:</p> <p>22 Q. Good morning, Mr. Chair, Commissioner, ladies</p> <p>23 and gentlemen. My name is Maureen Greene, I</p> <p>24 am counsel for Hydro for this application.</p> <p>25 And seated with me is William Wells, the</p>
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<p>1 President and Chief Executive Officer of</p> <p>2 Hydro.</p> <p>3 CHAIRMAN:</p> <p>4 Q. Thank you. Good morning, Mr. Browne.</p> <p>5 BROWNE, Q.C.:</p> <p>6 Q. Good morning. My name is Dennis Browne, I</p> <p>7 represent the Consumers of the province.</p> <p>8 CHAIRMAN:</p> <p>9 Q. Good morning, Mr. Kelly.</p> <p>10 KELLY, Q.C.:</p> <p>11 Q. Good morning, Chair. My name is Ian Kelly, I</p> <p>12 represent Newfoundland Power. And with me at</p> <p>13 the table is Mr. Kevin Fagan.</p> <p>14 CHAIRMAN:</p> <p>15 Q. Good morning, Mr. Hutchings.</p> <p>16 HUTCHINGS, Q.C.:</p> <p>17 Q. Good morning, Mr. Chair. My name is Joe</p> <p>18 Hutchings, and I represent the Industrial</p> <p>19 Customers of Newfoundland and Labrador Hydro</p> <p>20 which include Corner Brook Pulp and Paper</p> <p>21 Limited, Abitibi Consolidated Company of</p> <p>22 Canada, both in its Stephenville and Grand</p> <p>23 Falls operations, North Atlantic Refining of</p> <p>24 Come By Chance and the Voisey's Bay Nickel</p> <p>25 Company, which is a potential Industrial</p>	<p>1 Customer of Hydro. With me seated to my</p> <p>2 immediate right is David McDonald, who is the</p> <p>3 manager of maintenance services of Corner</p> <p>4 Brook Pulp and Paper Limited here in Corner</p> <p>5 Brook. The mill manager, Mr. Robert Snyder</p> <p>6 and some other senior officials would be here</p> <p>7 this morning but for the fact that they are in</p> <p>8 budget meetings in Montreal at their head</p> <p>9 office. But I would not be the least bit</p> <p>10 surprised to find that they are discussing</p> <p>11 electricity rates as well as we are. Also</p> <p>12 present in the room as representing Corner</p> <p>13 Brook Pulp and Paper is Mr. George Vandesen,</p> <p>14 the forest management superintendent. We also</p> <p>15 have together Kevin Goulding, the manager of</p> <p>16 Deer Lake Power, together with Mr. Mel Dean,</p> <p>17 the continuous improvement manager from</p> <p>18 Abitibi at Stephenville.</p> <p>19 Just for clarity, Mr. Chair, as I pointed</p> <p>20 out yesterday in Stephenville, this Industrial</p> <p>21 Customer group, including Corner Brook Pulp</p> <p>22 and Paper and Abitibi have been present</p> <p>23 throughout all the hearing in St. John's and</p> <p>24 evidence has been offered from expert</p> <p>25 witnesses on behalf of the group and evidence</p>

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<p>1 HUTCHINGS, Q.C.:</p> <p>2 will be offered from members of the group</p> <p>3 later in the proceedings in St. John's. So,</p> <p>4 those formal presentations and the technical</p> <p>5 evidence on behalf of this group, which has</p> <p>6 been present at all of the hearing will be</p> <p>7 dealt with in St. John's. And for that</p> <p>8 reason, there will be no formal presentation</p> <p>9 from either Corner Brook Pulp and Paper or</p> <p>10 Abitibi or any of the individual Industrial</p> <p>11 Customers at this time and during these</p> <p>12 proceedings. But we are most anxious to hear</p> <p>13 and participate in the public presentations on</p> <p>14 behalf of individuals and groups and customers</p> <p>15 who will be appearing before the Board this</p> <p>16 morning. Thank you, sir.</p> <p>17 CHAIRMAN:</p> <p>18 Q. Thank you, Mr. Hutchings. And welcome to all.</p> <p>19 I would make note of the fact, as well, that</p> <p>20 in addition to the Intervenor who were just</p> <p>21 introduced, the Towns of Labrador City and</p> <p>22 Wabush are registered Intervenor to this</p> <p>23 hearing and aren't here this morning but have</p> <p>24 participated and we will be going to Labrador</p> <p>25 City-Wabush this evening and for a day of, or</p>	<p>1 a partial day of evidentiary hearing and a</p> <p>2 partial day of public hearing up there</p> <p>3 tomorrow.</p> <p>4 The purpose of this part of the hearing</p> <p>5 is to provide an opportunity for public input</p> <p>6 and comment on the General Rate Application of</p> <p>7 Hydro. And I'll ask Ms. Greene to briefly</p> <p>8 speak to the Application in a little while.</p> <p>9 Pursuant to the Public Utilities Act, Hydro</p> <p>10 are seeking approval to increase rates to be</p> <p>11 charged for the supply of electricity to its</p> <p>12 customers, including its major retail</p> <p>13 customer, Newfoundland Power, and its large</p> <p>14 Industrial Customers, both of whom, along with</p> <p>15 the Consumer Advocate, and as I indicated,</p> <p>16 Labrador City-Wabush, are Intervenor in this</p> <p>17 public hearing.</p> <p>18 Essentially, this Application affects</p> <p>19 every user of electricity in the province,</p> <p>20 whether they are serviced by Newfoundland and</p> <p>21 Labrador Hydro or Newfoundland Power. The</p> <p>22 Application will impact future rates each</p> <p>23 customer will pay for its electricity.</p> <p>24 Customers include householders, small</p> <p>25 businesses, industry, institutions,</p>
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<p>1 municipalities and others, whether located in</p> <p>2 urban or rural communities throughout the</p> <p>3 province.</p> <p>4 It is with this in mind that the Board,</p> <p>5 in cooperation with the Applicant and</p> <p>6 Intervenor is providing this opportunity for</p> <p>7 individuals and representatives of</p> <p>8 organizations, be they municipal councils,</p> <p>9 economic development associations, chamber of</p> <p>10 commerce, service clubs, and I noticed they're</p> <p>11 all represented on the list that I have here</p> <p>12 today for participation. And this allows you</p> <p>13 to express your views indeed directly to the</p> <p>14 Board on Hydro's rate proposals. These so-</p> <p>15 called public participation days have been</p> <p>16 scheduled this week for Stephenville, we were</p> <p>17 there yesterday, today in Corner Brook,</p> <p>18 Labrador West and Happy Valley-Goose Bay for</p> <p>19 the remainder of the week. And we're</p> <p>20 scheduling one later 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 counsel for the parties, and I</p>	<p>1 say that because you'll hear this four times</p> <p>2 this week, so I do ask for your indulgence,</p> <p>3 I'll take a brief moment to explain the role</p> <p>4 of the Board.</p> <p>5 The Board is a quasi judicial independent</p> <p>6 agency which derives its authority to conduct</p> <p>7 this hearing from provincial statutes and</p> <p>8 legislation, primarily the Public Utilities</p> <p>9 Act and the Electrical Power Control Act. The</p> <p>10 Board has an obligation under this legislation</p> <p>11 to regulate electric utilities operating in</p> <p>12 the province and this includes Hydro. The</p> <p>13 Board consists of nine commissioners and the</p> <p>14 three of us, including Mr. Saunders, who are</p> <p>15 appointed to this Panel have been charged with</p> <p>16 hearing this particular Application by Hydro</p> <p>17 and in accordance with our legislative</p> <p>18 responsibilities we have a duty to hear the</p> <p>19 evidence presented by the Applicant Hydro, the</p> <p>20 Intervenor, and other interested parties and</p> <p>21 at the end of the process render a fair and</p> <p>22 equitable decision on electrical rates and</p> <p>23 other regulatory matters arising from the</p> <p>24 Application. The statutes require the Board</p> <p>25 to make rate decisions that are fair and not</p>

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<p>1 CHAIRMAN:</p> <p>2 discriminatory. The legislation requires that</p> <p>3 the utility be allowed to earn a just and</p> <p>4 reasonable financial return. The legislation</p> <p>5 also dictates that power be delivered to</p> <p>6 customers at the lowest possible cost while</p> <p>7 ensuring safe and reliable service. In</p> <p>8 fulfilling its responsibilities the Board must</p> <p>9 protect the interests of all parties,</p> <p>10 including producers, retailers and consumers</p> <p>11 of electricity. In doing this, it must also</p> <p>12 try and strive to balance the interests of</p> <p>13 each class of customer, whether households,</p> <p>14 businesses, industries, institutions or</p> <p>15 governments, whether small or large users of</p> <p>16 electricity.</p> <p>17 Having described a little about the role</p> <p>18 of the Board, I'd like to spend just another</p> <p>19 brief moment on the public hearing process</p> <p>20 itself.</p> <p>21 Hydro submitted the Application on May</p> <p>22 the 21st at which time a notice of public</p> <p>23 hearing was advertised throughout the</p> <p>24 province. Following this, pre-hearing</p> <p>25 conferences were conducted by the Board for</p>	<p>1 the purpose of establishing the rules and</p> <p>2 procedures governing the hearing and also to</p> <p>3 decide on various motions filed by the</p> <p>4 parties. Also in advance of the hearing</p> <p>5 evidence was filed by Hydro on behalf of its</p> <p>6 Company and expert witnesses who were slated</p> <p>7 to appear during the hearing and requests for</p> <p>8 information were exchanged and responded to</p> <p>9 between the participating parties.</p> <p>10 The public hearing itself began on</p> <p>11 October the 6th and has been ongoing since</p> <p>12 that time while allowing some scheduled days</p> <p>13 off for the Board and the parties to attend to</p> <p>14 other business. The public hearing process</p> <p>15 provides for Hydro, through its counsel, to</p> <p>16 present evidence supporting its Application by</p> <p>17 calling various Company and expert witnesses.</p> <p>18 Each of the intervening parties in the</p> <p>19 hearing, through their respective counsel,</p> <p>20 have the opportunity to question and examine</p> <p>21 Hydro's witnesses and in turn present evidence</p> <p>22 offering opinions from their own experts who</p> <p>23 are also subject to cross-examination by the</p> <p>24 remaining parties. The process is somewhat</p> <p>25 similar to a court proceeding and follows the</p>
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<p>1 normal rules of natural justice in terms of</p> <p>2 fairness, openness and transparency.</p> <p>3 The purpose of this process is to ensure</p> <p>4 that all the necessary evidence required to</p> <p>5 reach a determination on rates and other</p> <p>6 matters contained in the Application is</p> <p>7 presented to the Panel. This process enables</p> <p>8 the Panel to assess all the issues covered by</p> <p>9 the Application and render a fair and</p> <p>10 equitable decision that will serve to balance,</p> <p>11 hopefully in the best manner possible, the</p> <p>12 interests of all stakeholders.</p> <p>13 The public hearing is expected to</p> <p>14 substantially conclude within a couple of</p> <p>15 weeks, and following final argument by the</p> <p>16 parties and consideration of the complete body</p> <p>17 of evidence by the Panel a Board order will be</p> <p>18 issued containing a series of findings on the</p> <p>19 proposed rates and other matters submitted by</p> <p>20 Hydro in their Application. These decisions</p> <p>21 and order are not simply recommendations to</p> <p>22 government as would have been the situation</p> <p>23 prior to Hydro becoming a fully regulated</p> <p>24 utility in 1996, but by virtue of this</p> <p>25 legislative change, an order of the Board</p>	<p>1 affecting Hydro and for that matter,</p> <p>2 Newfoundland Power, is only appealable to the</p> <p>3 courts.</p> <p>4 As I indicated earlier, this part of the</p> <p>5 hearing is to provide for persons and</p> <p>6 organizations such as those presenting here</p> <p>7 today to have input and comment on the</p> <p>8 proposed rate increases and any other issues</p> <p>9 arising from the Application that may impact</p> <p>10 them. This can be done in one of two ways,</p> <p>11 either by oral presentation, which is being</p> <p>12 heard here today in Corner Brook or by way of</p> <p>13 letter of comment which can be filed with the</p> <p>14 Board at any time prior to the close of the</p> <p>15 hearing. Letters of comment can be submitted</p> <p>16 by simply contacting the Board secretary, Ms.</p> <p>17 Blundon, who will provide all the necessary</p> <p>18 information concerning addresses and answer</p> <p>19 any questions that you may have in this</p> <p>20 regard.</p> <p>21 All the oral and written material</p> <p>22 submitted by individuals and organizations</p> <p>23 will form a part of the official record for</p> <p>24 this hearing and the oral submissions</p> <p>25 presented today along with any letters of</p>

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<p>1 CHAIRMAN:</p> <p>2 comment will combine with the documentation</p> <p>3 resulting from the formal proceedings and will</p> <p>4 contribute to the total body of evidence which</p> <p>5 will be considered by this Panel in rendering</p> <p>6 its decisions. So what you say here today</p> <p>7 constitutes an important part of the hearing</p> <p>8 process and will be carefully examined by the</p> <p>9 Panel in issuing its final order.</p> <p>10 Just before we begin with the</p> <p>11 presentations, there are a couple of</p> <p>12 housekeeping matters, more than anything,</p> <p>13 related to today's proceedings which I'd like</p> <p>14 to review.</p> <p>15 These proceedings are being recorded</p> <p>16 under the supervision of the Board secretary,</p> <p>17 Ms. Blundon, and will be subsequently</p> <p>18 transcribed for the public record. In</p> <p>19 addition, presenters will be sworn in or</p> <p>20 affirmed, your choice, to make this an</p> <p>21 official part of the body of evidence before</p> <p>22 the Board. The Board's main goal is to get</p> <p>23 the facts on the record in a way that is</p> <p>24 convenient to the presenters. And while I</p> <p>25 realize this may appear certainly a little bit</p>	<p>1 formal, we are here to listen to your views</p> <p>2 and comments and we want you to express them</p> <p>3 in a way that you feel most comfortable.</p> <p>4 We do have, I think, in total, I counted</p> <p>5 up 14 presentations today, which certainly</p> <p>6 demonstrates a good interest in this</p> <p>7 particular Application here in Corner Brook.</p> <p>8 I think since I've been with the Board in</p> <p>9 three years going through these this is</p> <p>10 probably the largest number of presentations</p> <p>11 that we've heard in a day. So certainly, it</p> <p>12 points to a good deal of interest here, and we</p> <p>13 thank you for that.</p> <p>14 All documents filed throughout the</p> <p>15 hearing, including daily transcripts, are</p> <p>16 available on the Board's web site and this</p> <p>17 will include a transcript of today's</p> <p>18 proceedings. And anyone wishing a hard copy</p> <p>19 may simply make your request known to Ms.</p> <p>20 Blundon and we will forward one to you as</p> <p>21 quickly as possible.</p> <p>22 We do have a large number of</p> <p>23 presentations, as I said, and with a view to</p> <p>24 timing, it's now 10:00. I think we'll proceed</p> <p>25 to 11 or thereabouts. We may take just a ten</p>
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<p>1 minute break at that point in time and we'll</p> <p>2 come back and we'll proceed to lunch and see</p> <p>3 where we are perhaps around 12:30 or so, if</p> <p>4 that's satisfactory to everybody.</p> <p>5 The normal practice is for the parties to</p> <p>6 be permitted to ask questions at the end of</p> <p>7 the presentations and I believe Ms. Blundon</p> <p>8 would have canvassed you on that issue and</p> <p>9 hopefully you will be prepared to answer</p> <p>10 questions. They are sometimes challenging,</p> <p>11 sometimes not. Anyway, thank you, very much.</p> <p>12 And I'll ask Ms. Greene now to make a</p> <p>13 short presentation on the Application itself.</p> <p>14 Good morning again, Ms. Greene.</p> <p>15 (9:57 a.m.)</p> <p>16 GREENE, Q.C.:</p> <p>17 Q. Good morning again, Mr. Chair, Commissioner</p> <p>18 Whalen, ladies and gentlemen.</p> <p>19 Hydro has filed its General Rate</p> <p>20 Application in May of this year, as you have</p> <p>21 already mentioned, requesting approval for</p> <p>22 increases in the rates charged to our three</p> <p>23 main customer groups, Newfoundland Power,</p> <p>24 Industrial Customers and our direct Rural</p> <p>25 Customers. We filed a revised Application on</p>	<p>1 August 12th to reflect direction received from</p> <p>2 the Government with respect to the rates to be</p> <p>3 charged to Rural Customers and to take into</p> <p>4 account the June decision of the Board with</p> <p>5 respect to the rates charged by Newfoundland</p> <p>6 Power to its customers.</p> <p>7 This process is a very lengthy one as</p> <p>8 well as a complicated process. When Hydro</p> <p>9 filed its application in May of this year, it</p> <p>10 was based on financial data that was from</p> <p>11 early 2003. There are a number of significant</p> <p>12 variables that can impact the rates in a</p> <p>13 significant way such as the price of No. 6</p> <p>14 fuel, interest rates and the load forecast are</p> <p>15 just but a few of those variables. So it was</p> <p>16 agreed during the process that Hydro would</p> <p>17 file another revised Application to reflect</p> <p>18 more current financial data. This Application</p> <p>19 or revision to the Application was filed on</p> <p>20 October 31st and it does update the financial</p> <p>21 data to more current basis and it does take</p> <p>22 into account more recent forecasts of those</p> <p>23 significant variables that impact the rates.</p> <p>24 So Hydro's proposals for rate increases that</p> <p>25 are currently before the Board have changed</p>

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<p>1 GREENE, Q.C.:</p> <p>2 from what was included in the May filing.</p> <p>3 What I will talk about this morning are</p> <p>4 the proposals from Hydro that are currently</p> <p>5 before the Board and they have been changed by</p> <p>6 the most recent filings, the most recent one</p> <p>7 being October 31st.</p> <p>8 Hydro's last General Rate Application was</p> <p>9 in 2001. And the Board issued its decision in</p> <p>10 June of 2002 which established the principals</p> <p>11 for the current rates as well as the current</p> <p>12 rates themselves which became effective</p> <p>13 September 1. During the last hearing Hydro</p> <p>14 did advise the Board and the public that it</p> <p>15 would be filing again in 2003 as a result of</p> <p>16 new sources of supply, the costs of which are</p> <p>17 not included in the current rates. So we had</p> <p>18 advised the public and the Board during the</p> <p>19 last rate case that we would be here again in</p> <p>20 2003 seeking new rates as of January 1, 2004.</p> <p>21 In the current Application Hydro is</p> <p>22 proposing to increase the base rate charged to</p> <p>23 Newfoundland Power as of January 1, 2004 by 12</p> <p>24 percent. This will result in an increase of</p> <p>25 6.5 percent to Newfoundland Power's customers.</p>	<p>1 For the Industrial Customers the base rate</p> <p>2 increase required as a result of our most</p> <p>3 recent revision on October 31st is 12.2</p> <p>4 percent. For our third customer group, the</p> <p>5 Rural Customers, Hydro is proposing the</p> <p>6 continuation of the current policies which</p> <p>7 were last approved by the Board in 2002.</p> <p>8 Thus, for Island Interconnected Customers and</p> <p>9 the customers served in the L'Anse au Loup</p> <p>10 system, Hydro is proposing that the existing</p> <p>11 policy that these customers pay the same rates</p> <p>12 as charged by Newfoundland Power to its</p> <p>13 customers, that that policy will continue.</p> <p>14 The rates for these customers will therefore</p> <p>15 increase by approximately six and a half</p> <p>16 percent, the same percentage increase as</p> <p>17 forecast for Newfoundland Power's customers.</p> <p>18 With respect the Isolated Rural Customers,</p> <p>19 Hydro is proposing the continuation of the</p> <p>20 existing policy that these customers pay the</p> <p>21 same rates as Newfoundland Power's customers</p> <p>22 for a first block of energy, which is commonly</p> <p>23 referred to as the lifeline block. The</p> <p>24 current lifeline block is 700 kilowatt hours</p> <p>25 per month, and during the mediation process</p>
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<p>1 agreement was reached among the parties to</p> <p>2 increase this level to a seasonal level which</p> <p>3 will vary three times during the year with a</p> <p>4 higher rate for consumption above the lifeline</p> <p>5 block.</p> <p>6 Hydro recognizes that the increases that</p> <p>7 it is requesting in this Application are</p> <p>8 significant. They are due to an increase in</p> <p>9 cost of approximately \$5.5 million from that</p> <p>10 approved by the Board in 2002.</p> <p>11 I'd like now to look at the components of</p> <p>12 the increases in costs which are driving this</p> <p>13 rate Application.</p> <p>14 The first, as I mentioned, is that Hydro</p> <p>15 has new sources of supply required to meet the</p> <p>16 load of its customers. First, approximately</p> <p>17 18 and a half million dollars results from two</p> <p>18 new power purchase contracts with Exploits</p> <p>19 River, Hydro partnership and Corner Brook Pulp</p> <p>20 and Paper Limited. The second component of</p> <p>21 the increase is approximately \$11 million for</p> <p>22 the additional financing charges associated</p> <p>23 with the development of Granite Canal, which</p> <p>24 is a hydroelectric project developed by Hydro</p> <p>25 which came into service in this summer. These</p>	<p>1 three new sources of supply, that is, Granite</p> <p>2 Canal and the two now power purchase contracts</p> <p>3 were required to meet the load and demands of</p> <p>4 our customers. They total over \$29 million</p> <p>5 increase in costs which Hydro is not now</p> <p>6 recovering in the rates it charges its</p> <p>7 customers. And that's \$29 million of the \$ 50</p> <p>8 million increase Hydro is seeking at this</p> <p>9 time.</p> <p>10 The third component of the increase in</p> <p>11 revenue requirement or in costs is fuel costs</p> <p>12 and that relates to fuel burnt at the Holyrood</p> <p>13 thermal generating plant. The Holyrood</p> <p>14 thermal generating plant located on the Avalon</p> <p>15 Peninsula supplies approximately 38 percent of</p> <p>16 Hydro's average energy capability and 29</p> <p>17 percent of its capacity. The increase in</p> <p>18 Hydro's No. 6 fuel costs that are forecast for</p> <p>19 2004 even after the new projects that have</p> <p>20 come in service there is an overall increase</p> <p>21 in fuel costs of approximately \$3.1 million.</p> <p>22 The higher costs for No. 6 fuel that have</p> <p>23 been experienced since the hearing also impact</p> <p>24 the balance in the Rate Stabilization Plan and</p> <p>25 the automatic adjustments that flow from that,</p>

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<p>1 GREENE, Q.C.:</p> <p>2 and I'll talk about that in a moment.</p> <p>3 The fourth component of the base rate</p> <p>4 increase is depreciation and financing</p> <p>5 charges. Increases in depreciation and</p> <p>6 financing costs excluding those relating to</p> <p>7 Granite Canal amount to another \$12 million</p> <p>8 new costs for Hydro. This does include</p> <p>9 Hydro's request to achieve a Rate of Return on</p> <p>10 equity which is considered by Hydro and its</p> <p>11 advisors to be essential to the long-term</p> <p>12 financial integrity of Hydro.</p> <p>13 The last component of the increase in</p> <p>14 cost from 2002, the remaining balance of</p> <p>15 approximately \$6 million arises from increase</p> <p>16 in other costs that we call our operating</p> <p>17 costs and they include such things as</p> <p>18 maintenance for all of our plants and</p> <p>19 facilities, insurance, professional services</p> <p>20 and salaries.</p> <p>21 Having looked at the reason for the</p> <p>22 increases in costs, I would now like to very</p> <p>23 briefly outline the main issues that are</p> <p>24 before the Board.</p> <p>25 The first main issue and category of</p>	<p>1 issues that I would like to refer to relates</p> <p>2 to what we call our revenue requirement or the</p> <p>3 costs. Hydro's revenue requirement has been</p> <p>4 one of the primary focuses to date in the</p> <p>5 hearings that started in early October. I</p> <p>6 have just reviewed the main reasons for the</p> <p>7 increases in the revenue requirement over that</p> <p>8 approved by the Board in 2002. Hydro has</p> <p>9 submitted detailed evidence supporting each of</p> <p>10 the categories of costs, and these costs have</p> <p>11 been examined and cross-examined by the</p> <p>12 various Intervenor. It is Hydro's submission</p> <p>13 that the costs proposed are in the context of</p> <p>14 all relevant circumstances the lowest possible</p> <p>15 that Hydro could propose consistent with</p> <p>16 reliable service for its customers.</p> <p>17 The second broad category of issues that</p> <p>18 I would like to refer to now is Hydro's</p> <p>19 financial integrity. Under the Public</p> <p>20 Utilities Act and the Electric Power Control</p> <p>21 Act Hydro is entitled to earn a just and</p> <p>22 reasonable return. In this current</p> <p>23 Application Hydro is seeking a return on</p> <p>24 equity of 9.75 percent. This return is one of</p> <p>25 the issues in this hearing, as is the</p>
Page 23	Page 24
<p>1 appropriate capital structure for Hydro, the</p> <p>2 determination of Hydro's rate base, and the</p> <p>3 appropriate return to be earned on that rate</p> <p>4 base. And expert witnesses will be speaking</p> <p>5 to those issues next week. So these questions</p> <p>6 are all before the Board and they will have a</p> <p>7 significant impact on the rates that will flow</p> <p>8 when we receive the decision of the Board.</p> <p>9 The last major category of issues that</p> <p>10 will be dealt with by the Board in the course</p> <p>11 of its decision relates to the principals to</p> <p>12 be used in the design of the specific rates to</p> <p>13 be charged to customers by Hydro. This</p> <p>14 involves the principles used in Hydro's Cost</p> <p>15 of Service Study and the design of the</p> <p>16 specific rates that flow from this Cost of</p> <p>17 Service Study.</p> <p>18 One of the issues we include in this</p> <p>19 category are the issues arising with respect</p> <p>20 to the Rate Stabilization Plan which was</p> <p>21 introduced in 1985 following approval by the</p> <p>22 Public Utilities Board, and it was intended</p> <p>23 and it continues to be intended to lessen the</p> <p>24 impact on customers of volatility in the price</p> <p>25 and quantity of No. 6 fuel oil used at</p>	<p>1 Holyrood. It is like a time payment plan.</p> <p>2 The balance in the Rate Stabilization Plans</p> <p>3 that are forecast for the end of this year,</p> <p>4 2003, is \$167 million owing to Hydro by</p> <p>5 customers for electricity that customers have</p> <p>6 already used. The costs that are related to</p> <p>7 the consumption of No. 6 fuel oil has a</p> <p>8 significant impact on rates that customers</p> <p>9 pay. The costs that Hydro has incurred since</p> <p>10 the last Board decision have for No. 6 fuel</p> <p>11 oil have been considerably higher than the \$26</p> <p>12 per barrel that was used in setting the</p> <p>13 current rates. As well, we have had less</p> <p>14 water. It has been a dry period and lower</p> <p>15 inflows into our reservoirs as well as</p> <p>16 increased customer load have affected and</p> <p>17 increased the amount of No. 6 fuel oil used</p> <p>18 and that was used in the forecast in last</p> <p>19 setting rates. So we have a larger balance in</p> <p>20 the Rate Stabilization Plan than had been</p> <p>21 anticipated in the last hearing. The balance</p> <p>22 in this plan under the existing Board order is</p> <p>23 to be recovered over a two-year period. This</p> <p>24 would have a significant impact on what</p> <p>25 customers pay as well as the base rate</p>

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1 GREENE, Q.C.:
 2 increase that Hydro is seeking.
 3 During the course of this hearing Hydro
 4 and the parties have reached agreement on
 5 certain proposed amendments to the Rate
 6 Stabilization Plan and these are now before
 7 the Board for their approval. One of the
 8 things that Hydro has agreed and it is now
 9 Hydro's current proposal that in order to
 10 lessen the impact on customers, Hydro has
 11 agreed and proposed to the Board to extend the
 12 recovery period for the current RSP balance to
 13 four years from two years. This will have a
 14 significant impact on the total which includes
 15 the base rate increase and the RSP adjustments
 16 that customers will pay. For Newfoundland
 17 Power customers the RSP adjustment forecast
 18 now for July 1, 2004 will be 3.1 percent
 19 instead of the previously forecast 6 percent
 20 and the 6 percent came with the two-year
 21 recovery period. The total 2004 base rate in
 22 RSP adjustments for Newfoundland Power's
 23 customers and for our Rural Interconnected
 24 Customers will be 9.9 percent and that's the
 25 total impact on the end user, including the

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1 CHAIRMAN:
 2 Q. Thank you, very much, Ms. Greene. Before we
 3 get started with the presentations, Ms.
 4 Newman, are there any matters, preliminary
 5 matters?
 6 MS. NEWMAN:
 7 Q. I just want to mention a couple of logistical
 8 things, I guess. First of all, people who are
 9 presenting shouldn't walk up through the
 10 middle because there's a series of wires here,
 11 so if you could walk around the tables and
 12 approach from the back of the table, that's
 13 the safest approach.
 14 And secondly, as the Chair mentioned,
 15 these microphones don't amplify. Can you
 16 please make every effort to speak up so that
 17 counsel and the rest of the people in the room
 18 can hear you?
 19 And lastly, I wanted to mention, as the
 20 Chair did, that we have a tight day today, so
 21 if you could do your utmost to stick within
 22 your scheduled time so as to allow the next
 23 presenter to be relatively on schedule as we
 24 now are a few minutes behind from the start.
 25 Those are all my comments.

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1 base rate increase and the RSP adjustment.
 2 For Industrial Customers the increase,
 3 including the base rate adjustment requested
 4 by Hydro in this Application and the recovery
 5 of the RSP balance that exists for electricity
 6 already used will be 22.6 percent instead of
 7 the 32.9 percent that's shown in the October
 8 31st revision. So you can see that Hydro's
 9 proposal to extend the recovery period will
 10 reduce the amount that customers will pay in
 11 2004 when the RSP adjustment is taken into
 12 account.

13 In conclusion, Hydro recognizes that the
 14 proposed increases are significant for its
 15 customers. It has, to the extent possible,
 16 taken action to ensure that the proposed
 17 revenue requirement is the least cost possible
 18 and it had, through its agreement with respect
 19 to the recovery of the existing RSP balances
 20 taking customers' concerns into account.

21 We believe that the rates that we have
 22 proposed will result in rates to customers
 23 that are the lowest possible cost that is
 24 consistent with reliable service in the
 25 current circumstances. Thank you, Mr. Chair.

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1 CHAIRMAN:
 2 Q. Thank you, Ms. Newman. We'll begin with the
 3 presentations. As I said, there are 14. I'll
 4 just go through the first five or so and I'll
 5 go through the others as we continue through.
 6 The first presenter this morning is the mayor
 7 of the City of Corner Brook, Priscilla
 8 Boutcher; the second is Mr. Terry Locke, who's
 9 the chairperson of the Humber Joint Council;
 10 third is Perry Bingle, who's the chairperson
 11 of the Humber Economic Development Board;
 12 fourth is Mr. Mark Baldwin, who's the
 13 chairperson of the Greater Corner Brook Board
 14 of Trade; fifth I have here Mr. Keith Cormier.
 15 Is Mr. Cormier here? I have a question mark?
 16 MR. JEFF BURT:
 17 Q. He's not here yet, Mr. Chairman.
 18 CHAIRMAN:
 19 Q. Not here yet, okay.
 20 MR. JEFF BURT:
 21 Q. He will be here by that time.
 22 CHAIRMAN:
 23 Q. Okay. Hopefully. So that's the first five,
 24 in any event. So we'll begin. Good morning,
 25 Mayor Boutcher, how are you? You presented

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<p>1 CHAIRMAN: 2 the last time we were here and we look forward 3 to your presentation again. 4 (10:14 a.m.) 5 MAYOR PRISCILLA BOUTCHER (SWORN) 6 CHAIRMAN: 7 Q. Thank you. You may begin when you're ready. 8 MS. NEWMAN: 9 Q. Actually, before you begin, Mayor Boutcher, if 10 I could just mention that we have a copy of 11 your written presentation here that the clerk 12 has circulated to the parties and if we could 13 identify that as PB No. 1? Thank you. 14 EXHIBIT ENTERED AND MARKED PB NO. 1. 15 MS. BOUTCHER: 16 A. Mr. Chairman, members of the Board, and I'd 17 like to acknowledge the CEO, Mr. Kennedy, of 18 the City of Corner Brook, ladies and 19 gentlemen. I would like first to thank the 20 Board for convening meetings here in the City 21 of Corner Brook in response to the large 22 number of objections received from people in 23 this region. I am sure you will be hearing 24 from a lot of other interest groups expressing 25 concerns about the proposed rate increase by</p>	<p>1 Newfoundland and Labrador Hydro. 2 I am here today on behalf of the City of 3 Corner Brook and the residents of the--and the 4 residents to express concerns on the impact 5 these rates increase will have on the City. I 6 will not be providing a lot of statistical 7 information, as I am sure you have been or 8 will be provided with this information. I 9 will be speaking in general terms. I have 10 three major areas of concern. 11 Number one, the impact this will have on 12 the residents and the businesses in the city. 13 Number two, the impact on the City of Corner 14 Brook and its budget. And number three, the 15 impact on the Corner Brook Pulp and Paper 16 Mill. I understand the original rate increase 17 before the Board would have resulted in 18 increase to the customer of approximately 19 thirteen five point percent. I also 20 understand this now had been revised and the 21 increase now being requested would result in 22 an increase of 9.8 percent. 23 Impact on residents: The typical 24 residential consumer with electrical hot water 25 and electrical heat will have their yearly</p>
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<p>1 costs increase by approximately \$220 per year 2 if the increase is 9.8 percent, and \$300 per 3 year if the increase is thirteen and five 4 point percent. Residents have no other option 5 but to absorb any increase in costs. Many 6 residents are not in a financial position to 7 take increases of this magnitude, particular 8 those living on fixed incomes who are in a low 9 income bracket. I can only imagine the impact 10 this will have on our hospitals, schools, 11 etcetera, who are already running deficits. 12 City of Corner Brook: Currently 13 Newfoundland Power charges approximately 14 \$780,000 annually for services provided to the 15 City of Corner Brook. The bulk of this, 16 approximately \$500,000, is paid for street 17 lighting. I also understand in the past the 18 flow through of the rate increases from 19 Newfoundland and Labrador Hydro are applied 20 across the board on all rates, including 21 street light rates. If this is the case, a 22 13.5 percent increase will equate to an 23 increase of approximately \$105,000 annually 24 and a 9.8 percent increase will equate to 25 \$76,000 annually. When any increase in the</p>	<p>1 costs of power charged by Newfoundland and 2 Labrador Hydro is being passed on the consumer 3 by a general rate increase, I would urge the 4 Board to give a special consideration to rates 5 charged for street lighting. Only 6 approximately 25 percent of the rate charged 7 is for the power consumed. The other 75 8 percent is for capital costs, maintenance, 9 etcetera. Therefore, the rate increase should 10 only apply to the 25 percent portion relative 11 to the power usage. The City has only two 12 options, to either transfer this increase on 13 to the taxpayer or to absorb the cost 14 resulting in a decrease in the level of 15 services provided. Any transfer would further 16 compound the increase I previously referred to 17 for the residents of Corner Brook. 18 Impact on the Corner Brook Pulp and Paper 19 Mill: Where the mill is a direct purchaser of 20 power and purchases one third of its power 21 requirements from Newfoundland and Labrador 22 Hydro I understand the increase will be 28. 5 23 percent, creating a financial impact of 24 approximately \$5 million per annum. The mill 25 does not have the option to transfer this</p>

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<p>1 MAYOR BOUTCHER:</p> <p>2 increase on to the consumer as paper prices</p> <p>3 are set by the international marketplace and</p> <p>4 any increases directed affected the mill's</p> <p>5 bottom line. We are concerned the impact this</p> <p>6 increase may have on the viability of the</p> <p>7 mill. It could result in reduction</p> <p>8 production, reduced production, translating</p> <p>9 into reduced jobs which could certainly have a</p> <p>10 great financial impact on this region.</p> <p>11 We have just elected a new premier and</p> <p>12 government with a mandate to stimulate</p> <p>13 economic growth, to provided added revenue for</p> <p>14 increased public services. An increase of</p> <p>15 this magnitude by Newfoundland and Labrador</p> <p>16 Hydro will certainly discourage development</p> <p>17 and put us in a less competitive position for</p> <p>18 growth. Instead of encouraging new growth, we</p> <p>19 may be putting existing business in jeopardy.</p> <p>20 I understand that a significant portion</p> <p>21 of this increase is in place to address an</p> <p>22 unfunded liability to the Rate Stabilization</p> <p>23 Plan. Trying to recover these costs at this</p> <p>24 time puts an added burden on exporters like</p> <p>25 Corner Brook Pulp and Paper who are selling in</p>	<p>1 US dollars, especially considering the current</p> <p>2 strength of the Canadian dollar. The purpose</p> <p>3 of the Rate Stabilization Plan was to add</p> <p>4 stability, not to cause instability.</p> <p>5 In conclusion, I would urge the Board to</p> <p>6 give grave consideration to the concerns that</p> <p>7 the City of Corner Brook and other groups are</p> <p>8 expressing here today and to find a solution</p> <p>9 to this problem and significantly reduce the</p> <p>10 impact upon the residents of this province.</p> <p>11 Thank you, very much.</p> <p>12 CHAIRMAN:</p> <p>13 Q. Thank you, Mayor Boutcher. Questions? Ms.</p> <p>14 Greene?</p> <p>15 GREENE, Q.C.:</p> <p>16 Q. No questions, Mr. Chair.</p> <p>17 CHAIRMAN:</p> <p>18 Q. Mr. Browne?</p> <p>19 BROWNE, Q.C.:</p> <p>20 Q. Yes. Mayor Boutcher, I'd like to ask if you</p> <p>21 believe that the utilities are doing enough to</p> <p>22 encourage conservation for people to conserve</p> <p>23 electricity, if the message is getting out</p> <p>24 there, in your opinion?</p> <p>25 A. Is the message getting out there?</p>
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<p>1 Q. Yes.</p> <p>2 A. Well, I guess we can always do a better job</p> <p>3 of, you know, educating and I guess it's</p> <p>4 through more education and PR we can still</p> <p>5 always improve.</p> <p>6 Q. Thank you, Mayor.</p> <p>7 KELLY, Q.C.:</p> <p>8 Q. I have no questions. Thank you, Ms. Boutcher.</p> <p>9 HUTCHINGS, Q.C.:</p> <p>10 Q. I have no questions. Thank you, Mr. Chair.</p> <p>11 CHAIRMAN:</p> <p>12 Q. Okay. Thank you, very much, Mayor Boutcher.</p> <p>13 Next would be Mr. Terry Locke, please? Mr.</p> <p>14 Locke.</p> <p>15 MS. NEWMAN:</p> <p>16 Q. Mr. Chair, the clerk has just circulated a</p> <p>17 copy of the presentation of Mr. Locke. Can we</p> <p>18 label that, please, TL No. 1?</p> <p>19 EXHIBIT ENTERED AND MARKED TL NO. 1.</p> <p>20 CHAIRMAN:</p> <p>21 Q. Thank you. Good morning, Mr. Locke, and</p> <p>22 welcome.</p> <p>23 MR. LOCKE:</p> <p>24 Q. Good morning.</p> <p>25 (10:21 a.m.)</p>	<p>1 MR. TERRY LOCKE (SWORN)</p> <p>2 CHAIRMAN:</p> <p>3 Q. You may begin when you're ready, Mr. Locke.</p> <p>4 MR. LOCKE:</p> <p>5 A. Good morning, Mr. Chair, Board members, ladies</p> <p>6 and gentlemen.</p> <p>7 The Great Humber Joint Council is</p> <p>8 comprised of mayors, deputy mayors, councils--</p> <p>9 councillors representing some 21 communities.</p> <p>10 Our region takes in the communities of both</p> <p>11 the north and south shore of the Bay of</p> <p>12 Islands, the Humber Valley and the White Bay</p> <p>13 region. We have also recently added the</p> <p>14 communities of Glenburnie, Birchy Head and</p> <p>15 Shoal Brook come on side as they see the</p> <p>16 importance of being united when it comes to</p> <p>17 regional issues. The mandate of the Great</p> <p>18 Humber Joint Council is to promote, protect</p> <p>19 this region and to provide a safe and</p> <p>20 sustainable communities for the people we</p> <p>21 represent.</p> <p>22 Any increase in expenses are hard felt by</p> <p>23 the cities, the towns and communities of this</p> <p>24 province. Due to an out migration of many of</p> <p>25 our young people and individuals having to go</p>

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<p>1 MR. LOCKE: 2 away for employment, many towns are faced with 3 decreasing tax bases. Unfortunately, these 4 smaller tax bases do not mean less expenses to 5 the town budget. The trash still needs to be 6 picked up, roads require repairs and snow 7 clearing. And for the importance of this 8 hearing, the street lights still have to be 9 lit, the water and sewer facilities have to 10 run, our town halls, fire department and 11 recreational facilities that have to have the 12 power running. 13 The proposed increase of 13.5 percent to 14 the hydro will be detrimental to the upcoming 15 budgets of all the municipalities, even more 16 so for the small more rural communities. We 17 have all heard of communities having to turn 18 off street lights basically trying to make do 19 with the resources that they have. Many 20 smaller communities are still dependent on the 21 revenue generated by the fishery. A 13.5 22 percent increase in the commercial rate for 23 hydro may well be the final act that 24 determines the future of the fish processing 25 plant in some of our communities.</p>	<p>1 Besides a direct effect on the large 2 municipal level we also have to consider the 3 effect on the economy of the region. Here on 4 the west coast the major corporate employers, 5 Corner Brook Pulp and Paper and Abitibi 6 Consolidated will be hit extremely hard by 7 these increases. Increases of 28.5 percent in 8 a corporate setting will usually come down to 9 cutbacks of some form or another. With Corner 10 Brook Pulp and Paper and Abitibi being such 11 large players in the economic stability of 12 this region any cutbacks will cause a ripple 13 effect that will travel through the entire 14 region, logging road construction, wood 15 harvesters, trucking and then down the line to 16 the non paper related occupations. Corner 17 Brook Pulp and Paper employs approximately 18 1100 individuals in this region. We cannot 19 afford to have job losses of any sort. These 20 increases may cause job losses for this 21 region. 22 The--in closing we just ask that the 23 Board of Commissioners reject this 24 Newfoundland and Labrador Hydro 2003 General 25 Rate Application.</p>
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<p>1 CHAIRMAN: 2 Q. Thank you, very much, Mr. Locke. Questions? 3 GREENE, Q.C.: 4 Q. No questions from me, Mr. Chair. 5 CHAIRMAN: 6 Q. Mr. Browne? 7 BROWNE, Q.C.: 8 Q. Yes. Mr. Locke, if it could be shown that 9 savings could be made ultimately for the 10 consumers of the province by amalgamating 11 Newfoundland Power and Newfoundland and 12 Labrador Hydro, would the group that you 13 represent have any opinion on that? 14 A. Any amalgamation of any sort, if it proves to 15 be of benefit to the region and will decrease 16 the rates or the cost to the municipalities 17 and individuals in the region, I'd say, yes, 18 we would seriously look at it and hopefully 19 be, work out for all of us. 20 Q. Have you heard of or have your--the people you 21 represent heard of the climate control plan 22 for Canada and money that would be available 23 through that program for people to insulate 24 their homes and to bring down their energy 25 usages?</p>	<p>1 A. I believe I have, yes. Whether it's promoted 2 enough that all individuals can take advantage 3 of this, I don't think it has. Unfortunately, 4 the lower income people, regardless of what 5 type of program may be offered, there's still 6 usually a cost involved. 7 Q. Well, in this particular program an assessor 8 will come into your home, determine what your-- 9 how you can reduce your energy requirements, 10 you do the work that is suggested and he comes 11 back to make certain it is done and therefore 12 your energy requirements will be lowered and a 13 cheque will be issued to you from the 14 Government of Canada through this program. So 15 it is--the only initial cost is to get the 16 assessor into your home. Would your members 17 be interested in promoting that in your 18 community? 19 A. I definitely believe it would, actually. 20 Again, anything that we can either get down to 21 the savings for our residents and the people 22 we represent is something that we would 23 definitely promote for the region. 24 Q. The information can be gathered on that, by 25 the way, by contacting your member of</p>

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<p>1 BROWNE, Q.C.:</p> <p>2 parliament. They will know the route that you</p> <p>3 can take in order to access that fund. And</p> <p>4 also, your town councils, the town halls can</p> <p>5 also take advantage of that. It's not only</p> <p>6 household consumers. Okay. Thank you.</p> <p>7 A. Thank you, very much.</p> <p>8 CHAIRMAN:</p> <p>9 Q. Mr. Locke, what--do you have any idea what</p> <p>10 percentage of a municipal budget would be</p> <p>11 represented by electricity?</p> <p>12 A. Offhand? Offhand, I can only speak for my own</p> <p>13 town, the Town of Massey Drive, a small</p> <p>14 community just outside the City of Corner</p> <p>15 Brook. In the last ten months alone our</p> <p>16 electrical costs has been a little over</p> <p>17 \$23,000.</p> <p>18 Q. So what would that represent as a percentage</p> <p>19 of your total budget?</p> <p>20 A. Percentage wise, I'd say we're looking at a</p> <p>21 good probably five, ten percent of our budget</p> <p>22 in a lot of cases. Unfortunately, with our</p> <p>23 smaller communities it's a--it adds up to a</p> <p>24 rather large sum. And again, in some of the</p> <p>25 smaller communities there are situations maybe</p>	<p>1 be even a little worse again, again, due to</p> <p>2 this decreasing tax base that they're facing.</p> <p>3 Q. I guess it would depend on sewage treatment</p> <p>4 plants and -</p> <p>5 A. Definitely. Not all communities have sewage</p> <p>6 treatment -</p> <p>7 Q. - street lighting and -</p> <p>8 A. - and not all have water and sewage</p> <p>9 facilities.</p> <p>10 Q. I guess recreation facilities, as well, would</p> <p>11 drive the percentage one way or another.</p> <p>12 A. Definitely, definitely.</p> <p>13 Q. Okay. Thank you, very much, Mr. Locke.</p> <p>14 A. Okay. Thank you.</p> <p>15 Q. Mr. Bingle, please? Good morning, Mr. Bingle.</p> <p>16 MR. BINGLE:</p> <p>17 A. Good morning.</p> <p>18 CHAIRMAN:</p> <p>19 Q. How are you this morning?</p> <p>20 MR. BINGLE:</p> <p>21 A. Great. And yourself?</p> <p>22 CHAIRMAN:</p> <p>23 Q. Good, thanks.</p> <p>24 (10:28 a.m.)</p> <p>25 MR. PERRY BINGLE (SWORN)</p>
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<p>1 CHAIRMAN:</p> <p>2 Q. Thank you, sir. Welcome. If you could</p> <p>3 indicate whom you represent and continue?</p> <p>4 MR. BINGLE:</p> <p>5 A. My name is Perry Bingle and I'm the executive</p> <p>6 director of the Humber Economic Development</p> <p>7 Board.</p> <p>8 Q. Thank you.</p> <p>9 A. Good morning, Mr. Chair, Commissioner Whalen,</p> <p>10 Board members, counsels, ladies and gentlemen.</p> <p>11 The Humber Economic Development Board,</p> <p>12 HEDB Incorporated, is a not for profit</p> <p>13 organization. We are one of the provinces 20</p> <p>14 regional economic development boards and we</p> <p>15 operate in the western region otherwise known</p> <p>16 as Zone 8. HEDB Incorporated is governed by a</p> <p>17 17 member volunteer board from throughout the</p> <p>18 region representing many sectors. The Humber</p> <p>19 Economic Development Board works with over 20</p> <p>20 municipalities in the region that range from</p> <p>21 both sides of the Bay of Islands, Corner</p> <p>22 Brook, up through the Humber Valley, extending</p> <p>23 out to White Bay South. These communities,</p> <p>24 most considered rural, have a combined</p> <p>25 population of over 40,000. The region has a</p>	<p>1 very diversified economy, ranging from</p> <p>2 tourism, retail, education, health facilities</p> <p>3 and manufacturing. Many of these industries</p> <p>4 are made up of very small businesses who</p> <p>5 employ, collectively, thousands of citizens in</p> <p>6 the zone. Zone 8 is fortunate in that it has</p> <p>7 some major employers, including the Western</p> <p>8 Memorial Hospital, post secondary facilities,</p> <p>9 Deer Lake airport, fishery related plant and</p> <p>10 many others. One of the largest employers,</p> <p>11 Corner Brook Pulp and Paper, through the mill,</p> <p>12 powerhouse and woodland operations directly</p> <p>13 employ 1000 people throughout all of the zone.</p> <p>14 That amount of workers relates to even</p> <p>15 thousands more of indirect positions.</p> <p>16 When a small business, school, hospital</p> <p>17 or paper mill has a small change in their</p> <p>18 expenses, it ultimately affects the customers</p> <p>19 and employees. Prices go up, purchases go</p> <p>20 down and staff are laid off.</p> <p>21 With the proposed rate increases ranging</p> <p>22 from 9.9 percent to 28 percent, businesses</p> <p>23 will not be affected in a small way. The</p> <p>24 prices will dramatically increase, purchases</p> <p>25 may stop, businesses may close and huge</p>

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<p>1 MR. BINGLE:</p> <p>2 numbers of people may be laid off. Then the</p> <p>3 trickle down effect will take place. Stores</p> <p>4 will close, malls will empty, services like</p> <p>5 restaurants will sit idle and rural corner</p> <p>6 stores will not survive. The quality of life</p> <p>7 in this region may diminish. Then throw on</p> <p>8 top of that an increase in residential</p> <p>9 properties and you are only compounding the</p> <p>10 problem. We will all be hit with that.</p> <p>11 People just cannot afford an increase in</p> <p>12 their expenses. People just do not have</p> <p>13 disposable income to say, I think I'll pay a</p> <p>14 little extra on my hydro bill this month</p> <p>15 because they need some extra money. People</p> <p>16 want, no, I'll say people need decreases in</p> <p>17 rates, businesses need decreases in rates, and</p> <p>18 so does industry.</p> <p>19 I mentioned previously that many</p> <p>20 different types of businesses in the region,</p> <p>21 each one is very key to the survival of that</p> <p>22 community, whether it's a sawmill in Cormack,</p> <p>23 a shrimp plant in Jackson's Arm, an outfitting</p> <p>24 operation near Howley, the Deer Lake Regional</p> <p>25 Airport, Corner Brook Pulp and Paper and all</p>	<p>1 of its operation or a fish plant in the Bay of</p> <p>2 Islands, they cannot handle the increased</p> <p>3 hydro rates that are proposed. Neither can</p> <p>4 the 12,450 households in our zone.</p> <p>5 This area has some of the greatest winter</p> <p>6 tourism opportunities in the province.</p> <p>7 Through ski facilities, snowmobile trails and</p> <p>8 guides and many other recreational venues,</p> <p>9 Zone 8 can become the province's winter</p> <p>10 destination. And of course, it's during this</p> <p>11 season that more electricity is used at these</p> <p>12 facilities. The bottom line is that it just</p> <p>13 cannot be bottomed out any more. The</p> <p>14 potential for growth will be slowed.</p> <p>15 Over the last couple of months I've had</p> <p>16 the opportunity and continue to do so to meet</p> <p>17 with many community and volunteer groups in</p> <p>18 their buildings and town run community</p> <p>19 centres. These groups will be another that</p> <p>20 will be adversely affected. To a volunteer</p> <p>21 group with a very limited funding, much of it</p> <p>22 through fund raising, they cannot stand the</p> <p>23 rate increases. I've done some informal, very</p> <p>24 informal surveys and checked with a couple of</p> <p>25 different organizations, including some from</p>
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<p>1 social and economic development. One local</p> <p>2 church told me that this rate will affect them</p> <p>3 at \$4000 a year; a rural development</p> <p>4 association expressed the concern of an extra</p> <p>5 \$1000 a year; households between 100 to 400</p> <p>6 dollars; and of course, Corner Brook Pulp and</p> <p>7 Paper at \$5 million. The people of our</p> <p>8 province do not deserve a hydro increased</p> <p>9 forced upon them.</p> <p>10 To quote a colleague of mine, it is said</p> <p>11 that the brightest and best have left this</p> <p>12 province. I would argue that the brightest</p> <p>13 and best must have stayed here to survive and</p> <p>14 help this province grow and prosper. If we</p> <p>15 want to keep the brightest and best here, we</p> <p>16 have to stop putting up roadblocks. Please do</p> <p>17 not allow the hydro rates to be increased.</p> <p>18 Actually, it would be a great opportunity to</p> <p>19 recommend a decrease or a cap on hydro rates</p> <p>20 and give us all a break. Thank you.</p> <p>21 CHAIRMAN:</p> <p>22 Q. Thank you, Mr. Bingle. Questions? No?</p> <p>23 GREENE, Q.C.:</p> <p>24 Q. I have a question.</p> <p>25 CHAIRMAN:</p>	<p>1 Q. Oh, sorry, Ms. Greene. Yes.</p> <p>2 GREENE, Q.C.:</p> <p>3 Q. If the Board find that the costs are</p> <p>4 reasonable and required to serve customers,</p> <p>5 how would you propose that Hydro recover the</p> <p>6 costs if not from its customers?</p> <p>7 A. Maybe it's--I'm certainly not an expert in</p> <p>8 financial affairs. And I guess my point is</p> <p>9 that it's the individual customers and all of</p> <p>10 us who will suffer. Maybe there's some way</p> <p>11 that other costs can be cut within the</p> <p>12 organization. Maybe there's some ways that as</p> <p>13 the Commissioner has mentioned, maybe there's</p> <p>14 a merger that can take place, maybe it's</p> <p>15 through public education and other ways to</p> <p>16 decrease the usage of the hydro.</p> <p>17 Q. But would you see Hydro in a loss position</p> <p>18 continuing? Are you aware that Hydro is</p> <p>19 losing money this year in 2003 from its</p> <p>20 regulated business?</p> <p>21 A. No, I wasn't aware of that fact.</p> <p>22 Q. Would you see Hydro continuing to incur losses</p> <p>23 to keep--to avoid increases?</p> <p>24 A. I guess Hydro is certainly, it's a business</p> <p>25 and any business cannot sustain a loss, as</p>

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<p>1 MR. BINGLE:</p> <p>2 I've indicated in my presentation. However,</p> <p>3 it's something that I--such an organization</p> <p>4 shouldn't be making a huge profit either. I</p> <p>5 can't go back over, I don't know what the</p> <p>6 profits of Hydro have been over the years, but</p> <p>7 it just, it's something that it seems to be</p> <p>8 that that needs to be a break even</p> <p>9 organization.</p> <p>10 Q. Those are all the questions that I have.</p> <p>11 CHAIRMAN:</p> <p>12 Q. Thank you, Ms. Greene. Any others?</p> <p>13 BROWNE, Q.C.:</p> <p>14 Q. Yes, Mr. Bingle. Do you represent some</p> <p>15 businesses as part of your mandate?</p> <p>16 A. I guess we work with business organizations as</p> <p>17 opposed to individual businesses, but I guess</p> <p>18 overall, yes, we represent -</p> <p>19 Q. And do a lot of these businesses struggle to</p> <p>20 make a profit?</p> <p>21 A. Most definitely. In part of my past</p> <p>22 employment I was working directly with many</p> <p>23 small businesses and profit rates are--margins</p> <p>24 are just not there and many of the small</p> <p>25 businesses in this region specifically are</p>	<p>1 kind of just making it. They're making enough</p> <p>2 to make a living for themselves and to keep</p> <p>3 some people employed, and there's just not</p> <p>4 huge profit there.</p> <p>5 Q. And do any of your businesses that you're</p> <p>6 acquainted with have a guaranteed Rate of</p> <p>7 Return?</p> <p>8 A. Most definitely not.</p> <p>9 Q. Are you aware that what Newfoundland Hydro is</p> <p>10 looking for, the 9.75 percent will give them a</p> <p>11 guaranteed Rate of Return, they can earn up to</p> <p>12 that, the Board allows them that opportunity</p> <p>13 that they're guaranteed that?</p> <p>14 A. No. And I guess my point on that is, I mean,</p> <p>15 9.9 percent is a, I mean, it's a big increase.</p> <p>16 I think all of us, those that are in the room</p> <p>17 that are at work or have worked, at best</p> <p>18 anybody can expect to have a small marginal</p> <p>19 increase in salary every year, one percent,</p> <p>20 two percent, three percent. Certainly nothing</p> <p>21 like a nine percent increase. I mean, if any</p> <p>22 increases were going to be looked at, I think</p> <p>23 they should be marginal to what the average</p> <p>24 public are receiving in increases as well.</p> <p>25 Q. Has any business you know gets a nine or ten</p>
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<p>1 percent Rate of Return on its investment?</p> <p>2 A. No, no. It's not--I mean, unless you're in</p> <p>3 for the long haul with investments it</p> <p>4 fluctuates and I would think at most it's</p> <p>5 much, much smaller than that Rate of Return.</p> <p>6 Q. Do you see Hydro, Newfoundland Hydro because</p> <p>7 it's owned by the Crown and ultimately the</p> <p>8 taxpayers of the province as being a company</p> <p>9 that should provide a service as opposed to</p> <p>10 getting a guaranteed profit?</p> <p>11 A. I agree, it should be providing a service and</p> <p>12 not making a profit, you break even.</p> <p>13 Q. But it should be at a break even level?</p> <p>14 A. A break even, yes.</p> <p>15 Q. Okay. These are my questions. Thank you,</p> <p>16 sir.</p> <p>17 A. Thank you.</p> <p>18 CHAIRMAN:</p> <p>19 Q. Thank you, Mr. Browne. Thank you, very much,</p> <p>20 Mr. Bingle. Mr. Mark Baldwin, please? Good</p> <p>21 morning, Mr. Baldwin.</p> <p>22 MR. BALDWIN:</p> <p>23 A. Good morning.</p> <p>24 CHAIRMAN:</p> <p>25 Q. Good to see you again. I think you were here</p>	<p>1 for the previous public hearing here in Corner</p> <p>2 Brook of Newfoundland Power, I believe.</p> <p>3 Welcome, sir.</p> <p>4 (10:38 a.m.)</p> <p>5 MR. MARK BALDWIN (SWORN)</p> <p>6 CHAIRMAN:</p> <p>7 Q. You may begin when you're ready.</p> <p>8 MR. BALDWIN:</p> <p>9 A. Well, first I'd like to thank everybody for</p> <p>10 being here today and thanking the Board for</p> <p>11 coming out to Corner Brook for these hearings.</p> <p>12 I represent the Greater Corner Brook</p> <p>13 Board of Trade. We have a little over 235</p> <p>14 members in this area. And when these hearings</p> <p>15 came--or when this rate increase came about,</p> <p>16 you know, it was great concern for the members</p> <p>17 in this area. And the businesses in this area</p> <p>18 said, you know, I'm not sure if we can handle</p> <p>19 another increase. So I spoke with some of the</p> <p>20 members and I asked their concerns and I said</p> <p>21 I would bring them forward today. And we've</p> <p>22 had some interesting discussions about it.</p> <p>23 And basically from what we can see the Board</p> <p>24 has a decision to make whether they approve</p> <p>25 the Application or they turn the Application</p>

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<p>1 MR. BALDWIN: 2 down. 3 So we looked at both sides and, well, if 4 the Application gets approved, there's a lot 5 of businesses here going to be affected. I 6 mean, their power rates are going to go up. 7 That's more money off their bottom line, a 8 bottom line that's right now very small. And 9 a lot of the people have said, well, if I 10 could get 9.75 return on the bottom line, I'd 11 be thoroughly happy because currently they're 12 not. And if currently they're not receiving 13 that kind of Rate of Return, what's going to 14 happen when their expenses go up. And we 15 talked, well, we can just increase revenue by 16 increasing our prices, but that became a 17 little bit of a joke because that's just 18 unrealistic. You just can't automatically 19 just say, well, I'm just going to increase my 20 prices to everybody. So the effect of having 21 a less of a bottom line or a negative bottom 22 line in a lot of cases, because right now 23 there's a lot of companies, a lot of members 24 are saying that, you know, our bottom line is 25 just, you know, we're thinking about is it</p>	<p>1 worth being in business, are we making enough 2 of a return to say that it's worth being in 3 business. And currently it's a borderline 4 issue for a lot of small business and big 5 business. Why do we get in the business? We 6 get into business, you know, to get a return 7 on our investment. 8 And it's right now it's being weighed out 9 whether Newfoundland and Labrador Hydro should 10 have a 9.75 percent Rate of Return versus what 11 I understand was a three percent Rate of 12 Return. And our members feel that for a Crown 13 corporation that's too high of a return to 14 expect for a Crown corporation. And as I 15 mentioned, their comments were, if we could 16 get 9.75, we'd be ecstatic. Currently they're 17 not. So if they're not getting it now and 18 their expenses go up, that's only going to 19 mean a negative impact for the business. 20 Now, what kind of a negative impact for 21 the business? Well, to maintain--if they 22 wanted to maintain their current 23 profitability, something has got to give. We 24 are living in what's called a new business 25 reality. We have to do more, better, faster</p>
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<p>1 with less. And that applies to all 2 businesses, and that's what we're living. So 3 how do we work around that? Well, we have to 4 become more efficient. And right now I know 5 with the businesses that I deal with with the 6 members and with my own personal business, my 7 clients, it's a very tough challenge to do 8 that, but they're doing it and they're doing 9 it without raising their prices because they 10 know if they raise their prices, they're 11 pricing themselves out of their market and 12 then there's still no bottom line. So we have 13 to be very competitive. So raising the prices 14 just is not an option for most businesses out 15 there. 16 And as was mentioned with companies like 17 Corner Brook Pulp and Paper and Abitibi 18 Consolidated, their prices are set; they 19 cannot increase their prices any more for 20 their paper; they have to absorb all costs. 21 And most businesses are in the same boat. Our 22 prices may not be set, but we do have to 23 absorb all the additional costs. In absorbing 24 the costs, we've got to--a business person has 25 to make a decision, do I keep that extra staff</p>	<p>1 member here, do I close up that particular 2 location, and they're all negative. You know, 3 we don't want to lay off people, we don't want 4 to close locations. We want to keep our 5 businesses up and running. 6 An additional expense, it makes us 7 question whether we should do that or not, 8 whether we should even be in business, because 9 we work--I know personally I work very hard in 10 my business and I want to see a return. And 11 if I got to pay out more money, I look at it. 12 And I said to my wife last night, sometimes we 13 have to wonder, is it worth it. Well, if I 14 decide to close and someone else decides to 15 close, well, the community is actually on a 16 downward slope and not an increase. 17 So, the group felt that it was going to 18 be a very negative impact on their businesses 19 to see another increase in their expense 20 column, in particular with Newfoundland and 21 Labrador Hydro or Newfoundland and Labrador 22 Power. 23 Of course, we looked at the other side, 24 as well. Say, well, if Newfoundland and 25 Labrador Hydro don't get the increase, it</p>

<p style="text-align: right;">Page 57</p> <p>1 MR. BALDWIN:</p> <p>2 means they have to do what we're all doing now</p> <p>3 is we have to live this new business reality</p> <p>4 and they have to go through a belt tightening</p> <p>5 exercise. And I don't see anything wrong with</p> <p>6 companies having to go through these exercises</p> <p>7 to make sure that we are more efficient and</p> <p>8 better at what we do.</p> <p>9 So the bottom line was our group felt</p> <p>10 that an increase was going to seriously affect</p> <p>11 our businesses and our community. And when</p> <p>12 you're looking at a corporation such as Corner</p> <p>13 Brook Pulp and Paper and Abitibi Consolidated</p> <p>14 these corporations employ many people, I mean,</p> <p>15 thousands of people in our area. If some of</p> <p>16 these people have to move, Newfoundland and</p> <p>17 Labrador Hydro and Newfoundland Power, they're</p> <p>18 going to lose customers and they're going to</p> <p>19 lose revenue.</p> <p>20 So is by increasing the rates to create a</p> <p>21 strong, better bottom line, is that their</p> <p>22 objective? In doing that we could lose</p> <p>23 customers which is going to ultimately reduce</p> <p>24 their revenue.</p> <p>25 So we see if they go through a belt</p>	<p style="text-align: right;">Page 58</p> <p>1 tightening exercise and dealing with the</p> <p>2 revenues that they currently receive, we would</p> <p>3 all be in a more positive situation. Thank</p> <p>4 you.</p> <p>5 CHAIRMAN:</p> <p>6 Q. Thank you, Mr. Baldwin. Questions? No?</p> <p>7 BROWNE, Q.C.:</p> <p>8 Q. Yes, I have some questions.</p> <p>9 CHAIRMAN:</p> <p>10 Q. Oh, I'm sorry.</p> <p>11 BROWNE, Q.C.:</p> <p>12 Q. Mr. Baldwin, what is your business?</p> <p>13 A. I have a franchise for Dale Carnage Training</p> <p>14 for Newfoundland and Labrador.</p> <p>15 Q. And in your business are you required to</p> <p>16 borrow from time to time, do you have a line</p> <p>17 of credit and things of that nature?</p> <p>18 A. Certainly. Most of us do.</p> <p>19 Q. Most of you do. And what interest rate do you</p> <p>20 normally pay on that line of credit or on your</p> <p>21 short-term borrowing?</p> <p>22 A. Oh, my gosh, that's a number now that I can't</p> <p>23 really quote you the number, but it's prime</p> <p>24 plus two is usually the rate.</p> <p>25 Q. Prime plus two.</p>
<p style="text-align: right;">Page 59</p> <p>1 A. Prime plus one or something like that.</p> <p>2 Q. Yeah. Are you aware--you mentioned the Rate</p> <p>3 of Return for Newfoundland Hydro, and they're</p> <p>4 seeking a 9.75 percent Rate of Return. As a</p> <p>5 Crown corporation do you believe Hydro should</p> <p>6 be seeking a Rate of Return commensurate with</p> <p>7 what a private utility would be receiving?</p> <p>8 A. I have some issues with that, yes. I don't</p> <p>9 think a Crown corporation should be receiving</p> <p>10 that type of Rate of Return as a publicly</p> <p>11 trading company or as a private business.</p> <p>12 They're owned by the taxpayers. And I</p> <p>13 understand they had a three percent Rate of</p> <p>14 Return. I'm not suggesting that, you know,</p> <p>15 they strive for a break even figure. Yes, I</p> <p>16 do believe that there should be a bottom line</p> <p>17 in any business. Whether the Crown</p> <p>18 corporation should be equal to other</p> <p>19 businesses, I have some questions about that.</p> <p>20 9.75, a lot of our members have said they'd</p> <p>21 love to have that kind of return. They tell</p> <p>22 me they're not getting that kind of return.</p> <p>23 So if they're not getting it, why should a</p> <p>24 Crown corporation get that kind of a return?</p> <p>25 Q. Are you aware that utilities now can be placed</p>	<p style="text-align: right;">Page 60</p> <p>1 on a formula so that once the formula is in</p> <p>2 effect there can be some adjustment at the end</p> <p>3 of the year to the formula, but other than</p> <p>4 that the formula is usually put in place for a</p> <p>5 three or four year period until the board</p> <p>6 again calls the utility before it. Are you</p> <p>7 aware of that?</p> <p>8 A. Just run that by me again?</p> <p>9 Q. There's a formula in place now, like</p> <p>10 Newfoundland Power is on a formula.</p> <p>11 A. Um-hm.</p> <p>12 Q. And the formula can be adjusted each year and</p> <p>13 at the end of each year based on Canada Bond</p> <p>14 rates or so on to determine what the Rate of</p> <p>15 Return should be for that particular year.</p> <p>16 Are you aware that's a system we have now in</p> <p>17 the province?</p> <p>18 A. Briefly familiar with it, but.</p> <p>19 Q. Are you--well, you're probably not aware of</p> <p>20 this then, that as part of that formula, part</p> <p>21 of the formula deals with short-term interest</p> <p>22 rates.</p> <p>23 A. Um-hm.</p> <p>24 Q. And what the utility, what the cost would be</p> <p>25 for the utility to borrow. And if, in your</p>

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<p>1 BROWNE, Q.C.: 2 opinion, the utility comes forward and says 3 that its short-term interest rates are 4 forecast to be 5.5 percent, but then in 5 reality we find out that the short-term 6 interest rates are 2.5 percent, the difference 7 between the 5.5 and the 2.5, should that money 8 go back to the consumers? 9 A. Certainly. 10 Q. In reference to this particular Application, 11 are you aware that part of the problem is with 12 hydrology that we only have so much hydrology 13 on the island, therefore oil has to be burned 14 at the Holyrood generating station to produce 15 30 to 40 percent of our electricity at any 16 given time? 17 A. Yes. 18 Q. And the oil that's brought in is bunker C 19 fuel, which is based on American currency? 20 A. Um-hm. 21 Q. And therefore, you have fluctuations in the 22 price per barrel. And the Board in this 23 particular instance has set the price of a 24 barrel of oil previously at \$26 a barrel. Of 25 course, we never saw that, and therefore</p>	<p>1 there's money owing between the time the Board 2 set the price of a barrel of oil at \$26 two 3 years ago to what is owing in the Rate 4 Stabilization Plan now and from previously 5 plans we owe \$167 million for electricity 6 already consumed. Do you think that's a good 7 business practice to see these amounts 8 escalating to where we are today? 9 A. So there's a hundred and--quote that number 10 again? 11 Q. \$167 million owed - 12 A. Not paid for? 13 Q. Not paid for. 14 A. That's difficult to take. We have to be able 15 to run the business so that--you know, it's 16 simple, something that my mom taught me a long 17 time ago, when your expenses exceed your 18 revenue, you got trouble. So we have to be 19 able to adjust it, but at what--how do we 20 adjust it? Well, we have to look inside to 21 adjust it, we have to go through that belt 22 tightening exercise, as I mentioned, to say, 23 you know, where can we save some money. 24 That's something that they need to do. 25 Q. In reference to the \$167 million, a number of</p>
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<p>1 people have come forward and said there can't 2 be a rate increase for A, B, C, D. But how-- 3 for A, B, C, D reasons. But how do you 4 suggest \$167 million be paid for? Hydro has 5 borrowed the money. 6 A. Um-hm. 7 Q. Essentially, and they're paying interest on 8 it. And now they're coming to the Board to 9 look for that to be paid. So you see part of 10 the big dilemma here is for past electricity 11 used we owe 167 million. 12 A. Not a good practice. You know, we should be 13 able to--I don't really get it, I'll confess. 14 The \$167,000 that - 15 Q. 167 million. 16 A. \$167 million that they have spent and now 17 they're looking for the consumers to pay for 18 it? 19 Q. Yes. And the consumers were never notified 20 that \$167 million--of the escalation, so 21 consumers didn't have the opportunity to 22 conserve, and now they're coming forward to 23 look for consumers to pay for that amount of 24 money. 25 A. If I'm running -</p>	<p>1 Q. Do you think that's a good system? 2 A. No, that's not a good system. If I'm running 3 a business and I am responsible to 4 shareholders and I go over an expenditure that 5 amount of money, I'd certainly question--I'd 6 certainly be questioned if I was running the 7 organization. I'd certainly--it would be very 8 difficult for me to go back to the consumer 9 and say, all right, you know what, we made a 10 big mistake and now we have to gouge you for 11 it. We should be able to look within. As I 12 just mentioned, that we have to go through 13 either conserving measures, as was brought up, 14 informing the public of a lot more 15 conservation efforts, to say you know what, 16 because we spent this, we're not going to 17 overcharge you, but we've going to ask you to 18 reduce the usage. If that was done, we could 19 accept it a little more. To say that we're 20 just going to be increased, the rate increased 21 just to accept and the rate increase is going 22 to pay for the mistakes of the past, no, 23 that's not a good thing. 24 Q. So you think that the Board has a 25 responsibility to ensure that the utility is</p>

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<p>1 BROWNE, Q.C.: 2 advising the consumers - 3 A. Absolutely. 4 Q. - of what is happening here? 5 A. Absolutely. 6 Q. Okay. These are my questions. Thank you, 7 sir. 8 A. Thank you for clarifying the question. 9 CHAIRMAN: 10 Q. Thank you, Mr. Baldwin. It's five to 11. I'm 11 going to hopefully proceed with one more 12 presenter and then we'll take a break. Is Mr. 13 Cormier here now? No? Okay. I guess the 14 next five that I have here, Mr. Burt, Jeff 15 Burt, who's with the Corner Brook Downtown 16 Business Association. Good morning, Mr. Burt. 17 How are you doing? 18 MR. BURT: 19 Q. How are you? 20 CHAIRMAN: 21 Q. Good, thank you. 22 (10:53 a.m.) 23 MR. JEFF BURT (SWORN) 24 CHAIRMAN: 25 Q. Thank you, sir. You can proceed when you're</p>	<p>1 ready. 2 MR. BURT: 3 A. I've got a brief statement which I'm going to 4 read. My name is Jeff Burt. I'm the 5 chairperson of the Corner Brook Downtown 6 Business Association. The statement that I'm 7 going to read is a reflection of the executive 8 of the board of our association. 9 And it's interesting that I was next door 10 last evening and I was talking to Dr. Axel 11 Meisen and he asked me what was going on and I 12 mentioned this hearing here today. And he was 13 kind of inquisitive as to what it was all 14 about. And I said, well, actually, it's quite 15 frustrating. And his comment to me was is it 16 frustrating because of the complexity of the 17 Hydro application. And my response back to 18 him was, actually, it's frustrating because of 19 the simplicity of how business views this 20 situation. And the three points I'm going to 21 outline will identify why we say it's very 22 simple. 23 Our concern is on three fronts. The 24 first one is the desire to increase profits 25 from approximately three percent to 9.75</p>
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<p>1 percent. Merriam Webster dictionary defines a 2 tax as a charge usually of money imposed by 3 authority on persons or property for public 4 purposes or a sum levied on members of an 5 organization to defray expenses, or point two 6 is a heavy demand. 7 The primary issue with this profit 8 increase is that the flow through of the 9 additional revenues will ultimately come from 10 the general public and be redistributed back 11 into the same general public in some form or 12 another. Just with Corner Brook Pulp and 13 Paper, for example, the exact amounts 14 extracted could be as much as \$5 million plus 15 the tax multiplier effect. Because any time 16 you extra dollars from anywhere and it's 17 suitable tax or in the form of something like 18 a tax there's a multiplier effect and the 19 multiplier factor typically could be as high 20 as 70 percent. So the \$5 million of the 21 Corner Brook Pulp and Paper could actually be 22 an impact in the Corner Brook area of as much 23 as eight and a half million dollars, and 24 that's quite an impact from this very small 25 area from an economic point of view. So when</p>	<p>1 you just take that from one employer and then 2 you add it to other employers in this local 3 area of, I guess, there's a difference between 4 what Corner Brook Pulp and Paper will be 5 levied versus other business, the multiplier 6 effect is very, very substantial from our 7 point of view. 8 Newfoundland and Labrador Hydro says as a 9 business they have a right to expect a 10 reasonable Rate of Return. And as a business 11 group, we would normally agree with this 12 point. But what business has the ability to 13 increase profits in today's world by saying 14 they want more and just increasing the cost to 15 the customers and not giving them any more 16 back for that? What business desires to 17 increase profits from the customers and then 18 dividend less of those same dollars back? 19 What we mean by that statement is ultimately 20 any dollars, additional revenues collected by 21 Hydro are going to go back into Hydro and then 22 dividend to the government and then 23 redistributed back to the population itself. 24 Typically when dollars go back through that 25 type of process there's inefficiencies,</p>

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<p>1 MR. BURT:</p> <p>2 there's dollars lost, so you're going to take</p> <p>3 dollars back from consumers and distribute</p> <p>4 less to them. So that's a definite negative</p> <p>5 impact from our point of view.</p> <p>6 There was questions in the last presenter</p> <p>7 that centred around the Rate Stabilization</p> <p>8 Plan. It's the second point is concerning</p> <p>9 that plan. It's our understanding that part</p> <p>10 of the rational behind this increase is to pay</p> <p>11 off the new 60 to 70 million dollars of this</p> <p>12 current program. They already have \$100</p> <p>13 million that they've set aside that they're</p> <p>14 trying to pay off over the last five years--</p> <p>15 over the next five years, they put a five-year</p> <p>16 term on this \$100 million. Apparently this</p> <p>17 deficit occurs through variations in costs</p> <p>18 from supplying electricity to the customers.</p> <p>19 Obviously it's the cost of crude and other</p> <p>20 inputs that allow them to generate electricity</p> <p>21 from other than the hydro, I guess, sources</p> <p>22 that they currently have from Labrador,</p> <p>23 etcetera. But the intent to pay off this new</p> <p>24 Rate Stabilization Plan is now subject to a</p> <p>25 two-year term. So from a business point of</p>	<p>1 view, in the real business world, when you</p> <p>2 have negative cost variations in your</p> <p>3 business, you have to deal with that debt, but</p> <p>4 you typically try to stretch that over a</p> <p>5 reasonable period of time. You don't take it</p> <p>6 and squeeze it into a two-year time frame.</p> <p>7 And also, you never have the luxury of just</p> <p>8 going back to your customers and asking for a</p> <p>9 price increase to cover off that additional</p> <p>10 revenue requirement. It's just not the real</p> <p>11 world business. So we're asking what business</p> <p>12 model exists where whenever you have cost</p> <p>13 challenges, you have the ability to put it</p> <p>14 totally on your customers over a narrow time</p> <p>15 frame?</p> <p>16 The third point, my understanding is for</p> <p>17 this increase is they're looking for new</p> <p>18 sources of power. And our association</p> <p>19 supports any expansion to increase power</p> <p>20 generation. Obviously that would then mean</p> <p>21 that there's an indication of additional</p> <p>22 business demand or businesses out there that</p> <p>23 require this electricity. However, we have</p> <p>24 concerns because of the thought process as to</p> <p>25 how Newfoundland and Labrador Hydro are</p>
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<p>1 justifying their profit increase and because</p> <p>2 of the time frames which they are choosing to</p> <p>3 put on its Rate Stabilization Plan. We would</p> <p>4 then question what are their costing models</p> <p>5 and what is their amortization periods for</p> <p>6 these new sources of power. Are they going to</p> <p>7 put a new source of power on stream and say,</p> <p>8 okay, we just acquired this X million dollar</p> <p>9 piece of power generation situation and then</p> <p>10 turn around and amortize it over a five-year</p> <p>11 period when the useful life for that</p> <p>12 particular power generation could be 20 years?</p> <p>13 Normal business would run it over 20 years,</p> <p>14 not five years. We don't know these models.</p> <p>15 So from a Corner Brook Pulp and Paper</p> <p>16 point of view, the paper business has to deal</p> <p>17 with global prices in a commodity market, they</p> <p>18 have currency issues, just as Hydro does, but</p> <p>19 Hydro actually is in a positive mode now</p> <p>20 because they're buying US dollar crude with a</p> <p>21 higher Canadian dollar, so that's actually an</p> <p>22 offset. But the paper business is going the</p> <p>23 other way. Their production is in Canadian</p> <p>24 dollars and they're actually turning around</p> <p>25 and selling in the US market. So, they're</p>	<p>1 into a market where the demand is derived</p> <p>2 globally on a cost basis, it's a commodity</p> <p>3 market, and so as a result they have to</p> <p>4 compete on a cost basis, because there's</p> <p>5 really no differentiation when it comes down</p> <p>6 to between one set of paper production versus</p> <p>7 another. So, when cost basis is a primary</p> <p>8 factor that allows a business to make or to</p> <p>9 lose, it's the biggest thing that you look at</p> <p>10 in your bottom line, where are your costs</p> <p>11 coming from. So any unnecessary cost increase</p> <p>12 based on questionable rational would affect</p> <p>13 thousands of businesses and households here in</p> <p>14 the Corner Brook area.</p> <p>15 As Newfoundlanders it seems we struggle</p> <p>16 to compete every day. Why we would allow, and</p> <p>17 this is for lack of a better term, a pseudo</p> <p>18 business that has such a potential for</p> <p>19 negative impact is a question that you as a</p> <p>20 Board will have to decide. Thank you.</p> <p>21 CHAIRMAN:</p> <p>22 Q. Thank you, Mr. Burt. Questions? No? Mr.</p> <p>23 Browne?</p> <p>24 BROWNE, Q.C.:</p> <p>25 Q. In terms of other forms of energy, you</p>

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<p>1 BROWNE, Q.C.:</p> <p>2 mentioned that in part of your presentation,</p> <p>3 are you aware that Hydro has a plan in place</p> <p>4 for a project in partnership with private</p> <p>5 enterprise for wind power generation on the</p> <p>6 Burin Peninsula?</p> <p>7 A. I just--other than what was in this morning's</p> <p>8 paper on wind generation, I have no knowledge</p> <p>9 of it.</p> <p>10 Q. Would you advocate that if it could assist in</p> <p>11 bringing down rates ultimately?</p> <p>12 A. Absolutely.</p> <p>13 Q. Would you advocate the merger of the two</p> <p>14 utilities if that could show efficiencies and</p> <p>15 bring down rates ultimately?</p> <p>16 A. Are you referring to Hydro and Newfoundland</p> <p>17 Power?</p> <p>18 Q. Yes.</p> <p>19 A. I have difficulties with that in that you're</p> <p>20 merging a Crown corporation versus a private</p> <p>21 corporation. You're talking about either</p> <p>22 Newfoundland Power acquires Hydro or Hydro</p> <p>23 acquires Newfoundland Power. The cost from a</p> <p>24 taxpayer point of view at this point in time,</p> <p>25 given our current deficit, would not allow</p>	<p>1 Hydro to acquire Newfoundland Power in the</p> <p>2 open market, from my point of view. So that's</p> <p>3 something that you may want to look at down</p> <p>4 the road, but right now as it sits, I don't</p> <p>5 see that occurring though.</p> <p>6 Q. If it could be shown that the cost in savings</p> <p>7 itself would allow for the acquisition, would</p> <p>8 that change your mind?</p> <p>9 A. The bottom line could be potentially proven in</p> <p>10 one respect or another. But then you've got</p> <p>11 to have the willingness of the shareholders of</p> <p>12 Fortis to allow that to happen. Whether</p> <p>13 that'll occur or not is an entirely different</p> <p>14 situation.</p> <p>15 Q. Do you think the merged company should be a</p> <p>16 public corporation or a private corporation?</p> <p>17 A. Private.</p> <p>18 Q. If it could be shown that a private</p> <p>19 corporation could more efficiently handle the</p> <p>20 interest of the province, would you be in</p> <p>21 favour of integrating the Crown into a private</p> <p>22 corporation?</p> <p>23 A. Absolutely.</p> <p>24 Q. Thank you. These are my questions.</p> <p>25 A. Okay.</p>
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<p>1 CHAIRMAN:</p> <p>2 Q. Thank you, Mr. Browne. Just for purposes, I</p> <p>3 guess, of the audience, again I would</p> <p>4 reiterate that the restructuring of the</p> <p>5 electrical industry between Newfoundland Power</p> <p>6 and Newfoundland Hydro certainly is not a</p> <p>7 subject for this hearing. I just want to</p> <p>8 clarify that for the purposes of the record.</p> <p>9 Thank you, very much, Mr. Burt. I appreciate</p> <p>10 it. It is five after 11. I'd like to take a</p> <p>11 short break of 10 to 15 minutes. The</p> <p>12 presenters when we return will be Mr. Brendan</p> <p>13 Mitchell, who's with Corner Brook Pulp and</p> <p>14 Paper; Mr. John Tibbitts. Is Mr. Tibbitts</p> <p>15 here?</p> <p>16 MS. BLACKWOOD:</p> <p>17 Q. Mr. Tibbitts is not available, so I'm here</p> <p>18 representing the -</p> <p>19 CHAIRMAN:</p> <p>20 Q. Okay.</p> <p>21 MR. BURT:</p> <p>22 Q. Mr. Cormier is here now.</p> <p>23 CHAIRMAN:</p> <p>24 Q. Okay. Mr. Cormier, then. Mr. Matt Organ,</p> <p>25 who's with Kinecor Inc.; and Mr. Greg Barnes,</p>	<p>1 who's with Clarke Transport. So those will be</p> <p>2 our presenters when we return. If you could</p> <p>3 try and confine it to ten minutes or so, I'd</p> <p>4 appreciate it. Thank you.</p> <p>5 (BREAK)</p> <p>6 (11:23 a.m.)</p> <p>7 CHAIRMAN:</p> <p>8 Q. Okay. Perhaps we can get started. I think</p> <p>9 Mr. Wells is out with the media and certainly</p> <p>10 we wish him back soon, but we're going to</p> <p>11 proceed now. Here he is. Perhaps we could</p> <p>12 get started. Before we begin I believe, Ms.</p> <p>13 Greene, you're going to have a few words or,</p> <p>14 I'm sorry, Mr. Browne?</p> <p>15 BROWNE, Q.C.:</p> <p>16 Q. No. I'm asking Hydro to clarify exactly what</p> <p>17 the total increase is in the rates, because</p> <p>18 people are coming forward with various</p> <p>19 figures, and I think it's incumbent upon Hydro</p> <p>20 to explain what the total increase will be</p> <p>21 based on all of the circumstances.</p> <p>22 MS. NEWMAN:</p> <p>23 Q. Chair, if I could suggest that Ms. Greene</p> <p>24 temporarily move her location to sit over</p> <p>25 there to explain this so that people in the</p>

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<p>1 MS. NEWMAN: 2 back can hear her and then she can move back 3 to her usual spot? 4 CHAIRMAN: 5 Q. Right. 6 GREENE, Q.C.: 7 Q. But I won't be sworn. 8 BROWNE, Q.C.: 9 Q. Maybe we can ask her some questions. 10 GREENE, Q.C.: 11 Q. I understand people are having trouble hearing 12 me, so I'm going to speak--sit here and turn 13 this way, so hopefully the Board can hear me 14 as well as the audience. If you can't hear me 15 in the back of the room, could you wave your 16 hand? All right, so you can hear. 17 Mr. Browne has asked us to clarify what 18 the increases are. And as I mentioned, this 19 is a very lengthy complicated process. When 20 we filed in May, it was based on data for the 21 end of 2002 and forecast at that time. We are 22 now here almost a year later and the Board had 23 asked us to file an update. So the numbers 24 have changed from what was in the original May 25 filing as a result of the revisions. There</p>	<p>1 were two revisions for different purposes. 2 What Hydro is now proposing and what is before 3 the Board with respect to what we call the 4 base rate increase, which is the increase in 5 our cost that we are trying to recover as well 6 as the other issues such as the Rate of 7 Return. The base rate increase for 8 Newfoundland Power is 12 percent and 9 Newfoundland Power flows this through their 10 costs and that will result in an increase at 11 the end consumer level of six and a half 12 percent. For Industrial Customers from which 13 Mr. Hutchings is representing here today, the 14 increase we are looking for in base rates is 15 12.2 percent. 16 In addition to that we have the RSP. And 17 I did need to spend a moment explaining the 18 RSP because I believe there was a wrong 19 impression left with respect to one of the 20 presenters and the questions arising from the 21 Consumer Advocate. The RSP was implemented in 22 1986 following a hearing before the Board. At 23 that time we had a fuel adjustment charge 24 where we immediately passed on to consumers 25 the increase in the price of No. 6 fuel oil</p>
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<p>1 that we had paid in the previous month. And I 2 don't know how many of you remember it, but I 3 remember it well because I was involved. We 4 actually had protests from some of our 5 customers with respect to the spikes in the 6 prices they were paying during the winter 7 months. So this was proposed as a way of 8 smoothing out over time the No. 6 fuel price 9 cost associated with Holyrood. And you heard 10 me say this morning that Holyrood is required 11 to supply base load for the province. So the 12 Rate Stabilization Plan was introduced to 13 smooth the impact for customers of increases 14 in the price of No. 6 fuel and the quantities 15 of No. 6 fuel primarily. There are a couple 16 of other minor things in there that I'm not 17 going to get into here this morning. 18 So the RSP at the last hearing it had 19 worked relatively well up until the last 20 hearing when at the time of the hearing there 21 was a balance of the old RSP of approximately 22 \$120 million. The Board at that time said 23 that that balance would be frozen and 24 recovered over five years, but the Board still 25 approved the continuation of a Rate</p>	<p>1 Stabilization Plan which started new on 2 September 1, 2002. Because the price of fuel 3 has been much higher than used in setting the 4 rates at that time, a balance has built up in 5 that plan which the Board knew about and it 6 has been part of the system which has been 7 deferred into an account that we will be 8 recovering over time and there are automatic 9 adjustments, January 1 each year for industry, 10 July 1 each year for the residential customer 11 to recover the difference between the actual 12 price we have paid for the fuel that we have 13 burnt and what is in base rates. The 14 additional amount we're forecasting for the 15 new plan is roughly \$73 million. 16 So we have right now, because we've had a 17 one-year reduction in the old plan, \$167 18 million owing from customers for this fuel 19 that we've already used as a mechanism--I can 20 remember this morning I called it time payment 21 plan, and that's what it is. The customers 22 have used the product and we have been 23 authorized to recover it over a period of 24 time. It is not that we didn't know the 25 amount, it is not that we made an error, it is</p>

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<p>1 GREENE, Q.C.:</p> <p>2 the way that the system was set up as part of</p> <p>3 the rate since 1986.</p> <p>4 So that is--I don't know if that's</p> <p>5 helpful or if you have any questions.</p> <p>6 BROWNE, Q.C.:</p> <p>7 Q. I got a question. What's the percentage of</p> <p>8 the 167 million? We got 6.5 percent that</p> <p>9 Newfoundland Power customers will pay, but</p> <p>10 when you put in the 167 million that's owing -</p> <p>11 GREENE, Q.C.:</p> <p>12 Q. Oh, yes -</p> <p>13 BROWNE, Q.C.:</p> <p>14 Q. - what goes on top of that?</p> <p>15 GREENE, Q.C.:</p> <p>16 Q. On the RSP to recover this over the four-year</p> <p>17 period we are proposing, because one of the</p> <p>18 other presenters had mentioned that, we are</p> <p>19 proposing a four-year recovery period for all</p> <p>20 of the RSP balance. That requires an</p> <p>21 automatic adjustment under the existing Board</p> <p>22 order which would not have required a hearing.</p> <p>23 For Newfoundland Power when you add on</p> <p>24 the base rate we're asking for of 12 and the</p> <p>25 RSP adjustment it would be 17.1 percent and at</p>	<p>1 the end consumer level they will be paying,</p> <p>2 including the RSP adjustment, 9.9 percent more</p> <p>3 in 2004 over 2003.</p> <p>4 For Industrial Customers, when you add on</p> <p>5 their RSP adjustment, because they owe 44.4</p> <p>6 million of the 167 million, their adjustment</p> <p>7 will be 22.6 percent. So that includes the</p> <p>8 base rate adjustment that we are asking for in</p> <p>9 this rate case, plus the automatic recovery of</p> <p>10 the RSP balance for the fuel that has already</p> <p>11 been burnt.</p> <p>12 So those are the increases including base</p> <p>13 rate and RSP in 2004. And -</p> <p>14 BROWNE, Q.C.:</p> <p>15 Q. So the total amount Newfoundland Power's</p> <p>16 customers will pay if the increase goes ahead</p> <p>17 will be 9.9 percent?</p> <p>18 GREENE, Q.C.:</p> <p>19 Q. Yes. Including everything.</p> <p>20 BROWNE, Q.C.:</p> <p>21 Q. And the total the Industrial Customers will</p> <p>22 pay all in?</p> <p>23 GREENE, Q.C.:</p> <p>24 Q. Is 22.6 percent.</p> <p>25 BROWNE, Q.C.:</p>
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<p>1 Q. Okay.</p> <p>2 GREENE, Q.C.:</p> <p>3 Q. That last thing that I wanted to mention</p> <p>4 seeing that I've got this opportunity is the</p> <p>5 issue of the amortization. And I'm not sure</p> <p>6 if the presenter is still here, I don't</p> <p>7 actually see him. No, we don't amortize plant</p> <p>8 over five years. It's the life of the asset.</p> <p>9 There's no amortization for the power purchase</p> <p>10 cost. The power purchase contract with Corner</p> <p>11 Brook Pulp and Paper is an expense. There is</p> <p>12 no amortization associated with it. But for</p> <p>13 Granite Canal we amortize it over the life of</p> <p>14 the plant and for hydro plants that's 60</p> <p>15 years.</p> <p>16 BROWNE, Q.C.:</p> <p>17 Q. Thank you.</p> <p>18 CHAIRMAN:</p> <p>19 Q. Thank you, Ms. Greene, for that clarification.</p> <p>20 Thank you. Explanation.</p> <p>21 MS. NEWMAN:</p> <p>22 Q. Chair, before we begin, the last presented,</p> <p>23 Jeff Burt, did provide the Board with a copy</p> <p>24 of a letter. And we don't have copies to</p> <p>25 circulate, but we'll do that after and I'll</p>	<p>1 just label it now JB No. 1.</p> <p>2 EXHIBIT ENTERED AND MARKED JB NO. 1.</p> <p>3 CHAIRMAN:</p> <p>4 Q. Thank you. If we could proceed directly in</p> <p>5 this order, if we could, Mr. Brendan Mitchell,</p> <p>6 Mr. Keith Cormier. Mr. Cormier is here now is</p> <p>7 that--okay. Mr. Cormier following Mr.</p> <p>8 Mitchell. I understand that Ms. Joy Blackwood</p> <p>9 is here representing Corner Brook Port</p> <p>10 Corporation instead of John Tibbitts will be</p> <p>11 our third presenter after the break. Mr.</p> <p>12 Organ then from Kinacor Inc., followed by Greg</p> <p>13 Barnes of Clarke Transport, please. Good</p> <p>14 morning, Mr. Mitchell. You get to sit through</p> <p>15 two of these sessions. I understand you were</p> <p>16 in--I spoke with you yesterday in</p> <p>17 Stephenville.</p> <p>18 MR. MITCHELL:</p> <p>19 A. Absolutely. I certainly enjoyed the</p> <p>20 Stephenville session. And a great crowd out</p> <p>21 there. A lot of passion, a lot of emotion</p> <p>22 expressed by people in Stephenville with some</p> <p>23 pretty grave concerns of what could happen to</p> <p>24 the Abitibi Consolidated operation. And we</p> <p>25 certainly emphasize with them. We're in a</p>

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<p>1 very similar situation.</p> <p>2 CHAIRMAN:</p> <p>3 Q. Anyway, welcome once again here today.</p> <p>4 (11:32 a.m.)</p> <p>5 MR. BRENDAN MITCHELL (SWORN)</p> <p>6 CHAIRMAN:</p> <p>7 Q. When you're ready, please?</p> <p>8 MR. MITCHELL:</p> <p>9 A. Well, good morning, everyone and welcome.</p> <p>10 It's nice to see a great turnout here. Thank</p> <p>11 you, very much, by the way, for the Board, for</p> <p>12 deciding to have this event in Corner Brook.</p> <p>13 It's important for everybody in Newfoundland</p> <p>14 and Labrador. It's very important also for</p> <p>15 people in Stephenville and Corner Brook</p> <p>16 particularly because of the possible short and</p> <p>17 long-term impacts this entire situation can</p> <p>18 have on us as a community, as a business and</p> <p>19 certainly for our residents.</p> <p>20 I'd like to also point out this morning</p> <p>21 before I do start talking that I'm very</p> <p>22 pleased to see the president of our joint mill</p> <p>23 unions, Gerald Parsons, here with all the</p> <p>24 union executives from the mill, and we all</p> <p>25 appreciate the importance of this as employees</p>	<p>1 at Corner Brook Pulp and Paper.</p> <p>2 Also I'd like to point out before we</p> <p>3 start that I am presenting as an employee at</p> <p>4 Corner Brook Pulp and Paper and as a resident.</p> <p>5 I'm not officially representing Corner Brook</p> <p>6 Pulp and Paper, its management or its owner.</p> <p>7 Newfoundland and Labrador Hydro's</p> <p>8 proposed rate increases have the potential for</p> <p>9 serious negative impacts on industry, our mill</p> <p>10 and its employees, businesses, communities and</p> <p>11 residents. Already today concerns have been</p> <p>12 expressed by several organizations. It's my</p> <p>13 understanding that the rate increase to be</p> <p>14 applied to Corner Brook now consists of 22.6</p> <p>15 percent. In fact, when I was in Stephenville</p> <p>16 yesterday, I was extremely confused because</p> <p>17 every presenter had a different set of</p> <p>18 percentages that they perceived to be</p> <p>19 applicable to their situation. So I'm really</p> <p>20 glad, Ms. Greene, you clarified for us this</p> <p>21 morning what the numbers are.</p> <p>22 In my original document I was showing</p> <p>23 34.2 percent for Corner Brook Pulp and Paper</p> <p>24 as an industry provider, user, now it's 22.6.</p> <p>25 And of course, on the residential side, we</p>
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<p>1 will be faced with a 9.9 percent increase as</p> <p>2 being proposed. I think whether it's 9.9</p> <p>3 percent, 20, 30, 30 plus, all these numbers</p> <p>4 have significance for us as residents, for us</p> <p>5 as industry and for the businesses and</p> <p>6 communities in which we're in.</p> <p>7 My principal concern as an employee at</p> <p>8 our mill is that the proposed rate increases</p> <p>9 will further erode an already weakening</p> <p>10 competitive position. Our mills short and</p> <p>11 long-term viability will likely be impacted,</p> <p>12 consequently, this will affect all employees</p> <p>13 and our communities. Just from an operational</p> <p>14 standpoint, we already have among the highest</p> <p>15 fibre costs within our industry in Canada.</p> <p>16 Yesterday in Stephenville we heard that</p> <p>17 Abitibi also shares the same unenviable</p> <p>18 distinction. Our mill also has among the</p> <p>19 highest transportation and distribution costs</p> <p>20 among our industry in Canada and likely within</p> <p>21 North America. The same predicament likely</p> <p>22 also applies to Abitibi Consolidated in</p> <p>23 Stephenville and in the Grand Falls and</p> <p>24 Botwood operation through its shipping port.</p> <p>25 Just for your information, just a reminder, we</p>	<p>1 really rely solely on marine transportation.</p> <p>2 To get paper, get newsprint to our customers</p> <p>3 we have a system of warehousing distributions</p> <p>4 and in-road transportation that is very</p> <p>5 expensive compared to the cost of our</p> <p>6 competitors. This is something that we have</p> <p>7 to face and live with continually; we are on</p> <p>8 an island and we have not much else choice.</p> <p>9 To further add to our problems, we</p> <p>10 continue to face unfavourable exchange rates</p> <p>11 that are creating additional hardship. And I</p> <p>12 do realize that exchange rates are not a</p> <p>13 problem created by this government, by</p> <p>14 Newfoundland and Labrador Hydro or anybody</p> <p>15 else in this area, but it's something we are</p> <p>16 facing right now. But the proposed Hydro rate</p> <p>17 increase will further add to our difficulties.</p> <p>18 It will serve to add several million dollars</p> <p>19 to our annual operating costs.</p> <p>20 I read the transcript of the October</p> <p>21 22nd, 2001 Public Utilities Board Hearing in</p> <p>22 Stephenville. To my surprise I read that at</p> <p>23 least one presenter felt that it was entirely,</p> <p>24 in terms of our newsprint industry, an Abitibi</p> <p>25 Consolidated Stephenville problem and that</p>

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<p>1 MR. MITCHELL:</p> <p>2 Corner Brook Pulp and Paper and the Grand</p> <p>3 Falls Abitibi operation created all of its own</p> <p>4 or generated all of its own electricity</p> <p>5 requirements. Such is not the case. Just</p> <p>6 last week in my office I had a visit from a</p> <p>7 local supplier, and to tell you how little</p> <p>8 people know about what we do generate locally</p> <p>9 and what the impact of this whole Public</p> <p>10 Utilities Board add on will be for us, we were</p> <p>11 talking about the Public Utilities Board</p> <p>12 hearings because he saw a bit in the paper</p> <p>13 about it, and I said I'm hoping to present</p> <p>14 when I go there. He said, well, why are you</p> <p>15 presenting, he said, don't the mill generate</p> <p>16 all its own power. Now, this person lives in</p> <p>17 Corner Brook and is a supplier to our mill.</p> <p>18 He really believed that Corner Brook Pulp and</p> <p>19 Paper generates all of it's power and we do</p> <p>20 not buy any power from Newfoundland Hydro.</p> <p>21 Anyway, we quickly explained to him that that</p> <p>22 wasn't the case.</p> <p>23 In fact, we buy about one third, roughly</p> <p>24 one third of our total power requirement.</p> <p>25 Thank God we have Deer Lake power. This</p>	<p>1 purchased power supports about one third of</p> <p>2 our production of approximately 1200 metric</p> <p>3 tonnes a day, roughly 400 metric tonnes a day</p> <p>4 for this one third power, an area the size of</p> <p>5 the production of the Abitibi Consolidated</p> <p>6 Stephenville mill.</p> <p>7 At yesterday's hearing in Stephenville</p> <p>8 one presenter mentioned that the Hydro costs</p> <p>9 at the Stephenville mill is approximately \$20</p> <p>10 million annually. Our own purchase power cost</p> <p>11 at Corner Brook meet or exceed this number.</p> <p>12 And again, I'm only quoting what a presenter</p> <p>13 said in terms of the actual costs at Abitibi.</p> <p>14 To further put purchased power at our mill in</p> <p>15 perspective, it has been suggested to me that</p> <p>16 our power requirements that we purchase are</p> <p>17 probably equivalent to all of the purchased</p> <p>18 power of all the households in Corner Brook,</p> <p>19 in the Corner Brook area. So our requirement</p> <p>20 is quite extensive. It's just a factor of the</p> <p>21 nature of the business we're in, the machinery</p> <p>22 and the equipment that we drive.</p> <p>23 Again, electricity represents a</p> <p>24 significant component of our mill's overall</p> <p>25 cost, a cost we have few opportunities to</p>
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<p>1 offset, if we want to maintain or expand</p> <p>2 current production levels and we want to</p> <p>3 maintain and expand current employment levels.</p> <p>4 Suppliers in many sectors have the</p> <p>5 ability to pass cost increases to their</p> <p>6 customers. Our mill has no ready ability to</p> <p>7 affect prices in world markets. Newsprint is</p> <p>8 a commodity, pricing is determined by supply</p> <p>9 and demand on a global basis. Our mill</p> <p>10 competes internally and globally. Our success</p> <p>11 depends not on our ability to affect prices,</p> <p>12 but on our ability to control our own costs.</p> <p>13 The proposed Hydro rate increase will be</p> <p>14 devastating to us in this regard.</p> <p>15 The continued success of our mill is</p> <p>16 crucial for its employees, the City of Corner</p> <p>17 Brook and surrounding area. Businesses, many</p> <p>18 of whom we heard from this morning, and</p> <p>19 residents in more than 40 communities in which</p> <p>20 our employees reside. The Corner Brook mill,</p> <p>21 it was already mentioned this morning, I</p> <p>22 believe, supports 1100 plus direct jobs in</p> <p>23 plant and woodlands operations, provides an</p> <p>24 annual payroll of \$63 million, purchases goods</p> <p>25 and service in this province alone in excess</p>	<p>1 of \$110 million annually, spends overall in</p> <p>2 excess of \$210 million annually in normal</p> <p>3 years. Since 1985 we've spent about \$ 600</p> <p>4 million, plus \$600 million in various</p> <p>5 modernization programs related to production</p> <p>6 and environmental areas to make our mill</p> <p>7 competitive. The mill provides more than 30</p> <p>8 million annually in various grants and taxes</p> <p>9 to municipal, provincial and federal</p> <p>10 governments.</p> <p>11 In the late 1990s I was involved with the</p> <p>12 Marine Advisory Board in Newfoundland and also</p> <p>13 I had the opportunity to make a presentation</p> <p>14 to the Standing Committee on Transportation.</p> <p>15 At that time I pulled together some facts and</p> <p>16 figures about our industry in Corner Brook and</p> <p>17 I also included some information I had</p> <p>18 received from Abitibi Consolidated about the</p> <p>19 impact in terms of employees and so forth of</p> <p>20 the three operations. At that time our</p> <p>21 combined payrolls were about 133 million,</p> <p>22 representing 3000 plus direct jobs in the</p> <p>23 three mills and likely supporting at that time</p> <p>24 an additional 8000 to 10,000 indirect jobs in</p> <p>25 various sectors in many communities. Also at</p>

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<p>1 MR. MITCHELL:</p> <p>2 that time Newfoundland produced approximately</p> <p>3 eight percent of Canada's newsprint.</p> <p>4 Today our province's newsprint industry</p> <p>5 continues to have great significance for us</p> <p>6 and within Canada. It's little wonder we're</p> <p>7 sincerely concerned about the future of our</p> <p>8 mill and impacts on our livelihoods and</p> <p>9 communities.</p> <p>10 Corner Brook Pulp and Paper Limited</p> <p>11 continues to be the most significant economic</p> <p>12 and social driver in this region. We need to</p> <p>13 keep it serving this important function.</p> <p>14 Without the mill in Corner Brook would</p> <p>15 Murphy's Square have happened and many new</p> <p>16 jobs it brought? Would Sobey's and Dominion</p> <p>17 have recently undergone major upgrade and</p> <p>18 expansion? Would the Coleman's Group have</p> <p>19 proceeded with its recent expansions locally?</p> <p>20 Would other local businesses be introduced?</p> <p>21 Would housing starts and sales be somewhat on</p> <p>22 the rise? From an educational perspective,</p> <p>23 would Sir Wilfred Grenfell College and other</p> <p>24 educational institutions like the College of</p> <p>25 the North Atlantic and Academy Canada have as</p>	<p>1 readily expanded its programs and facilities</p> <p>2 in this area? Would Corner Brook have been</p> <p>3 designated the forestry capital of Canada for</p> <p>4 the last two years? Would we have been able</p> <p>5 to as a community attract the many world class</p> <p>6 sporting events that we have been so proud of</p> <p>7 in the Corner Brook area in recent times?</p> <p>8 Without our mill we may have experienced the</p> <p>9 same degree of out migration as many other</p> <p>10 Newfoundland and Labrador communities.</p> <p>11 I'm not trying to say that the mill can</p> <p>12 take credit for all of this; I'm saying the</p> <p>13 mill, because it's been here, because of the</p> <p>14 stability both economically and socially it</p> <p>15 brings is extremely important to people in</p> <p>16 this area.</p> <p>17 I'm concerned about this important issue</p> <p>18 before us because if the mill fails, our</p> <p>19 community fails. If our mills fail an upside</p> <p>20 might be lots of tradesmen, very skilled</p> <p>21 workers, however, they probably will have to</p> <p>22 go outside of this province to find work.</p> <p>23 The Board has and will hear today from</p> <p>24 municipal leaders, business associations,</p> <p>25 concerned citizens, companies. They will all</p>
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<p>1 likely comment on the need to support existing</p> <p>2 businesses. The need to promote the growth</p> <p>3 and expansion of existing businesses, the need</p> <p>4 to attract new business investment into the</p> <p>5 Corner Brook area. Overall, the necessity of</p> <p>6 a stable and positive economic and community</p> <p>7 environment.</p> <p>8 Contrary to all these initiatives, the</p> <p>9 proposed Hydro rate increase doesn't appear to</p> <p>10 support local business initiatives or</p> <p>11 industry, doesn't appear to encourage business</p> <p>12 expansion, doesn't appear to foster attracting</p> <p>13 new business investment and doesn't appear to</p> <p>14 help maintain or promote a positive business</p> <p>15 economic and community environment.</p> <p>16 These are some of the real and important</p> <p>17 issues facing our government, a government</p> <p>18 that should be considering in this discussion</p> <p>19 these serious implications. And as principal</p> <p>20 shareholder in Newfoundland and Labrador Hydro</p> <p>21 hopefully it will conclude that what they</p> <p>22 propose will not, will not be in the best</p> <p>23 interest of provincial industry, business,</p> <p>24 communities, employees or residents.</p> <p>25 As an employee at the mill my position is</p>	<p>1 that of procurement manager. I deal with</p> <p>2 pricing issues with suppliers daily. If I had</p> <p>3 a supplier requesting a 9.8 percent increase,</p> <p>4 20, 30, in Stephenville some suggested 30</p> <p>5 plus, what do you think my first inclination</p> <p>6 would be? It would likely to be to look for a</p> <p>7 new source of supply.</p> <p>8 In the case before us Newfoundland and</p> <p>9 Labrador Hydro is the only supplier, a</p> <p>10 monopoly by most definitions. Concerned, yes,</p> <p>11 about their operations, but maybe not as</p> <p>12 concerned about competition. That's not the</p> <p>13 environment in which our mill and most other</p> <p>14 businesses compete.</p> <p>15 I'd like to make a few comments about the</p> <p>16 residential side. And I know this issue will</p> <p>17 come up as we go forward in their</p> <p>18 presentations today.</p> <p>19 Residents are also facing a significant</p> <p>20 cost increase. I wonder how many</p> <p>21 Newfoundlanders and Labradorians are fully</p> <p>22 aware of the rate increase and impacts. I</p> <p>23 know there had been some notices put in light</p> <p>24 bills or electricity bills throughout the</p> <p>25 province in recent times. For me personally,</p>

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<p>1 MR. MITCHELL:</p> <p>2 when I open my bill, I look at the bottom line</p> <p>3 and I haven't spent a lot of time paying</p> <p>4 attention to the notifications regarding these</p> <p>5 increases. The notifications came out, they</p> <p>6 were issued, I'm not sure if communicated or</p> <p>7 that communication was actually properly</p> <p>8 received by everyone who received those</p> <p>9 notices. What result will the rate increase</p> <p>10 have for old age pensioners and those on fixed</p> <p>11 incomes, those receiving social assistance?</p> <p>12 What impact on single parents, those working</p> <p>13 for minimum wage, those receiving unemployment</p> <p>14 insurance? What about students away from home</p> <p>15 maybe for the first time, having to go to</p> <p>16 institutions like university or like some</p> <p>17 local colleague, having to pay rent and</p> <p>18 electricity bills for two, four, seven years</p> <p>19 before their programs are finished?</p> <p>20 What's being proposed will negate some</p> <p>21 portion of any wage increase that employees</p> <p>22 can expect to get in the near future. My big</p> <p>23 concern is where will the increases stop.</p> <p>24 This past summer marked 78 years of</p> <p>25 operation for our Corner Brook mill. It's an</p>	<p>1 accomplishment for which me, a lot of other</p> <p>2 employees here and those working today in that</p> <p>3 mill are very proud of. The mill began its</p> <p>4 construction in 1923, one of the largest</p> <p>5 construction projects of its time. It began</p> <p>6 following an election campaign. We've heard</p> <p>7 lots of election campaigns recently. A</p> <p>8 promise by Sir Richard Squires, then Prime</p> <p>9 Minister of Newfoundland, who proclaimed we'll</p> <p>10 put the hum on the Humber. For the past 78</p> <p>11 years the hum on the Humber has been evident</p> <p>12 by all of us to see here and for a lot of</p> <p>13 other Newfoundlanders to hear about. For me</p> <p>14 and other mill employees in this room and</p> <p>15 elsewhere, we want to keep it there. Let's</p> <p>16 not find ourselves any time soon saying, I</p> <p>17 wonder what happened. Let's not have to hear</p> <p>18 I told you so. Instead, let's continue to</p> <p>19 show support for industry and communities and</p> <p>20 its residents.</p> <p>21 Chairman Noseworthy read the Board's</p> <p>22 mandate at the outset of our hearing. As</p> <p>23 Board members you are tasked with a very</p> <p>24 serious responsibility, and I know you accept</p> <p>25 it well. I encourage you to fill your</p>
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<p>1 mandate. I urge you though to say yes to each</p> <p>2 class of consumer, to say yes to considering</p> <p>3 and supporting industry, businesses,</p> <p>4 employees, communities, households and</p> <p>5 residents, to say yes by saying no to what</p> <p>6 Newfoundland and Labrador Hydro is proposing.</p> <p>7 Again, thank you. And on behalf of all</p> <p>8 employees I would like to say thank you for</p> <p>9 everyone who presented today in support of</p> <p>10 what we're trying to maintain in this area.</p> <p>11 Thank you, very much.</p> <p>12 CHAIRMAN:</p> <p>13 Q. Thank you. Questions?</p> <p>14 BROWNE, Q.C.:</p> <p>15 Q. Mr. Mitchell, according to Stats Canada,</p> <p>16 consumption of electricity is increasing per</p> <p>17 household in Newfoundland. You're here as a</p> <p>18 concerned citizen and you've listened in</p> <p>19 Stephenville and you're here this morning.</p> <p>20 How would you suggest citizens could be made</p> <p>21 more aware that the increase in consumption is</p> <p>22 causing part of the difficulties that we're</p> <p>23 trying to address here today?</p> <p>24 A. It's an important issue. Both government and</p> <p>25 Newfoundland and Labrador Hydro and</p>	<p>1 Newfoundland Power have a responsibility to</p> <p>2 ensure that people are aware. And I'm not</p> <p>3 just saying by putting a slip of paper in an</p> <p>4 envelope and hoping that everybody reads it.</p> <p>5 I'm saying we have to ensure that the</p> <p>6 communication of the need to be conscious of</p> <p>7 our usage has to be made clear. And I think</p> <p>8 that responsibility lies with Hydro, lies with</p> <p>9 government and others involved in providing</p> <p>10 the service.</p> <p>11 Q. Are you aware under the conservation plan for</p> <p>12 Canada each household is mandated to reduce</p> <p>13 its energy requirements, and money is</p> <p>14 available for that, is this the first you</p> <p>15 heard of this program?</p> <p>16 A. Actually not. I think you and I talked about</p> <p>17 the program yesterday and you mentioned that</p> <p>18 households can actually secure funding under a</p> <p>19 federal program to help insulate their homes.</p> <p>20 I have to give you an interesting aside. I</p> <p>21 remember growing up on the west side, my</p> <p>22 father would always say, get in here and close</p> <p>23 the door, we're not going to warm the west</p> <p>24 side. Well, you know, I'm not warming the</p> <p>25 west side any more with the door closed, but</p>

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<p>1 MR. MITCHELL:</p> <p>2 guess what, I bought a house built in 1937 and</p> <p>3 now I'm warming town site with the door</p> <p>4 closed. So it's tough. And I'm certainly</p> <p>5 going to take advantage of what you told me</p> <p>6 about that program and inquire into it. And</p> <p>7 by God, if there's some help I can get to</p> <p>8 better insulate my house and help conserve</p> <p>9 energy, whether it's heat generated through my</p> <p>10 furnace or through electricity, I'll do it.</p> <p>11 BROWNE, Q.C.:</p> <p>12 Q. Should the utilities be instructed by the</p> <p>13 Board to promote the objectives of the</p> <p>14 conservation plan for Canada?</p> <p>15 A. If that's a Board mandate, I think that would</p> <p>16 be appropriate. I'm not sure if it is, but if</p> <p>17 it is, I think that would be great. If the</p> <p>18 Board can suggest and mandate that a very</p> <p>19 proactive and detailed approach be taken to</p> <p>20 educate people, I think that would be a good</p> <p>21 idea.</p> <p>22 Q. Thank you, Mr. Mitchell.</p> <p>23 A. You're welcome.</p> <p>24 CHAIRMAN:</p> <p>25 Q. Thank you. Mr. Mitchell, you did notice or</p>	<p>1 make mention of a communication, I guess, that</p> <p>2 occurred and that indeed there's a brochure or</p> <p>3 flier. I mean, we are proceeding around the</p> <p>4 island now with a number of hearings in a</p> <p>5 number of locations. Do you have any other--</p> <p>6 you're in the procurement business, I'm sure</p> <p>7 you deal with salespeople every day in your</p> <p>8 life. Do you have any thoughts for somehow</p> <p>9 this might be, this message might get out a</p> <p>10 little clear and more succinctly?</p> <p>11 A. One suggestion would be to take advantage of</p> <p>12 the various organizations, the service groups</p> <p>13 around. I sat in Stephenville and people</p> <p>14 said, yeah, we'd be interested in that</p> <p>15 program, that educational program. I'm sure</p> <p>16 here the various organizations, we have the</p> <p>17 Great Humber Joint Council today with numerous</p> <p>18 members throughout. Charge those groups with</p> <p>19 the responsibility of helping spread the</p> <p>20 message about conservation in terms of</p> <p>21 electricity and other fuels. I think that</p> <p>22 would be a great approach. If there's</p> <p>23 anything we can do with our own employees at</p> <p>24 our mill, we have a large number of employees,</p> <p>25 if there's something that we could do by way</p>
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<p>1 of an educational program to help them</p> <p>2 conserve energy because, when I think about</p> <p>3 this, ladies and gentlemen, at the mill here,</p> <p>4 I mean, what's going on here today is very</p> <p>5 important for all of us. If we can make a</p> <p>6 contribution at home by conserving power to</p> <p>7 help save our own livelihoods, that would be a</p> <p>8 very positive thing to do. So there's another</p> <p>9 opportunity that we would certainly be glad to</p> <p>10 do it. And I'm not going to speak for</p> <p>11 Abitibi, but Mel is here and I would bet you</p> <p>12 Abitibi would also get involved in educating</p> <p>13 people about the importance of conserving</p> <p>14 energy in light of the very issue we're</p> <p>15 talking about today. Those are just some</p> <p>16 ideas on how to get this thing moving forward</p> <p>17 in a bigger way with more widespread coverage.</p> <p>18 Q. Thank you, very much and thank you for the</p> <p>19 initiative you've taken as a private</p> <p>20 individual in coming forward today, thank you,</p> <p>21 and yesterday.</p> <p>22 A. Thank you. You're very welcome.</p> <p>23 Q. Next will be Mr. Keith Cormier. Mr. Cormier,</p> <p>24 please? Good morning, Mr. Cormier.</p> <p>25 MR. CORMIER:</p>	<p>1 A. Good morning. How are you this morning?</p> <p>2 CHAIRMAN:</p> <p>3 Q. Good, thanks.</p> <p>4 (11:54 a.m.)</p> <p>5 MR. KEITH CORMIER (SWORN)</p> <p>6 CHAIRMAN:</p> <p>7 Q. When you're ready, you may proceed.</p> <p>8 MR. CORMIER:</p> <p>9 A. Well, I would first off like to welcome the</p> <p>10 Board and all the visitors to our beautify</p> <p>11 City of Corner Brook on the west coast of</p> <p>12 Newfoundland. I'm here again as a private</p> <p>13 citizen.</p> <p>14 I am a volunteer chair with the Corner</p> <p>15 Brook Economic Development Corporation. It is</p> <p>16 a volunteer board made up of business people,</p> <p>17 academics, some retired people, the mayor's ex</p> <p>18 officio and one city councillor. And we were</p> <p>19 formed many years ago by the City of Corner</p> <p>20 Brook to foster economic development in the</p> <p>21 greater Corner Brook area, more specifically,</p> <p>22 in Corner Brook in general.</p> <p>23 And I'm here not to pick at the numbers,</p> <p>24 per se, of the Annual Report or the</p> <p>25 Application per se, although I have had a look</p>

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<p>1 MR. CORMIER:</p> <p>2 at them. I'm here as the chair of economic</p> <p>3 development because we view hydro as almost</p> <p>4 like a necessary public service. It is a</p> <p>5 pillar when we go looking for economic</p> <p>6 development of any type for the City of Corner</p> <p>7 Brook. It is almost like a public service.</p> <p>8 It is not--it shouldn't, in our view, be a for</p> <p>9 profit organization. And although it's</p> <p>10 important in the delivery of hydro right</p> <p>11 across the province, I think it--we view it as</p> <p>12 a service to the citizens of this province.</p> <p>13 And I ask the question is it really fair</p> <p>14 to ask the citizens of the province to</p> <p>15 continually come up with more money to supply--</p> <p>16 how can I word it diplomatically, Chinese</p> <p>17 dollars to the provincial taxpayers. I looked</p> <p>18 at the report and I saw a deficit, including</p> <p>19 CF(L)Co somewheres around \$2 billion. Yet, in</p> <p>20 the last four or five years, Hydro has carved</p> <p>21 off about \$285 million as dividends back to</p> <p>22 the province. But the debt hasn't changed</p> <p>23 much. It hasn't gone down a significant amount</p> <p>24 of money in the last four or five years. So,</p> <p>25 is that really fostering economic development,</p>	<p>1 not only just for--not for Hydro, but for the</p> <p>2 business community in the Province of</p> <p>3 Newfoundland and Labrador.</p> <p>4 Statistics are a bit like lampposts. I'm</p> <p>5 a business person. And basically lampposts</p> <p>6 have two specific purposes in life to exist.</p> <p>7 One is to illuminate an area and the other one</p> <p>8 is to lean on them. And when looking at some</p> <p>9 of the numbers, I think Hydro may be leaning</p> <p>10 on the lamppost and not using it to illuminate</p> <p>11 an area to give us a more clearer picture.</p> <p>12 You know, on just one item--I'm sure the</p> <p>13 Consumer Advocate is more qualified and has</p> <p>14 spent a lot more time looking at detailed</p> <p>15 numbers within Hydro's Application and at</p> <p>16 their Annual Report. But I looked at part of</p> <p>17 their expenses in 2002 was a complete overhaul</p> <p>18 of their CF(L)Co's aircraft. I look at a</p> <p>19 province with \$690 million deficit, current</p> <p>20 deficit last year, I look at a Crown</p> <p>21 corporation that's \$2 billion in debt,</p> <p>22 including CF(L)Co and I'm asking myself as a</p> <p>23 citizen of the Province of Newfoundland and</p> <p>24 Labrador does this organization (a) need an</p> <p>25 airplane, and (b), does it need to overhaul</p>
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<p>1 it, and (c), I couldn't find anywhere in the</p> <p>2 Annual Report was the cost of overhauling that</p> <p>3 aircraft in 2002 amortized totally in 2002 or</p> <p>4 was it spread over a significant period of</p> <p>5 time or was it just part of the general</p> <p>6 expenses last year. It's--you know, I</p> <p>7 couldn't pick it out. And I almost thought it</p> <p>8 was the same sort of process that the</p> <p>9 Provincial Government used in the budgeting</p> <p>10 process. We have one process for the budget</p> <p>11 and real dollars when it came down to the</p> <p>12 crunch and reporting back to the citizens of</p> <p>13 the province. That's just a view.</p> <p>14 I'm not going to spend too much time</p> <p>15 speaking to the cause of Corner Brook Pulp and</p> <p>16 Paper. I thought Mr. Mitchell did an</p> <p>17 excellent job and they're more aptly qualified</p> <p>18 to speak to how it impacts their business.</p> <p>19 But I will say as economic development the</p> <p>20 Corner Brook Pulp and Paper is a very vital</p> <p>21 part of the ongoing industry and ongoing</p> <p>22 economic growth in the City of Corner Brook.</p> <p>23 And I simply looked at, you know, if you</p> <p>24 had one budget item, and Brendan spoke to</p> <p>25 someone coming in his office and saying the</p>	<p>1 price of this has gone up. And they buy a lot</p> <p>2 of stuff. But if I looked at my own personal</p> <p>3 situation, and someone said to me tomorrow,</p> <p>4 because I just bought a new house, by the way,</p> <p>5 next year your mortgage payment has gone up by</p> <p>6 28 percent, how would that impact me. How</p> <p>7 would that impact you, sir, if one particular</p> <p>8 major chunk of your operations in your own</p> <p>9 personal life arbitrarily was increased by a</p> <p>10 certain amount? How would that affect your</p> <p>11 ability to fund children's education? And in</p> <p>12 their case, how do they fund employee benefits</p> <p>13 costs, how do the fund capital expenditures in</p> <p>14 their own organization?</p> <p>15 Brendan spoke about way back in 1923 when</p> <p>16 they built the mill, and I didn't have this in</p> <p>17 my speech, but they brought it back to memory</p> <p>18 that my grandfather, Joe Cormier, worked as a</p> <p>19 foreman when they built the mill in 1923. And</p> <p>20 I remember the phrase in growing up, "put the</p> <p>21 hum in the Humber". And God forbid if we ever</p> <p>22 take the hum out of the Humber, because as</p> <p>23 much as we as an economic development</p> <p>24 corporation are trying to diversify the City</p> <p>25 of Corner Brook with educational</p>

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<p>1 MR. CORMIER:</p> <p>2 infrastructure, looking for centre of</p> <p>3 excellence designation, research money, make</p> <p>4 no mistake about it, folks, that mill down</p> <p>5 there is a vital, vital component to the City</p> <p>6 of Corner Brook and the west coast of</p> <p>7 Newfoundland. And a major increase like this</p> <p>8 is going to have very, very big impact on</p> <p>9 their bottom line and their ability to stay</p> <p>10 viable in an industry that's getting more and</p> <p>11 more competitive around and around the world.</p> <p>12 So basically I want to acknowledge the</p> <p>13 fact that right now Hydro currently has the</p> <p>14 lowest industrial power cost in Atlantic</p> <p>15 Canada. I found that in the reading. I think</p> <p>16 as Newfoundlanders we've been hit a lot of</p> <p>17 times with the highest cost in a lot of</p> <p>18 things. And I think it's incumbent upon the</p> <p>19 Board to make sure that we stay the low cost</p> <p>20 provider of electricity in Atlantic Canada.</p> <p>21 And I just want to thank you for giving</p> <p>22 us the opportunity as the Economic Development</p> <p>23 Corporation to come and present our views. It</p> <p>24 is not scientific; it is a feeling how we feel</p> <p>25 the City of Corner Brook needs to grow and how</p>	<p>1 important the development of industry, the</p> <p>2 support of ongoing industry is important in</p> <p>3 that process. And I thank you, very much.</p> <p>4 CHAIRMAN:</p> <p>5 Q. Thank you, very much, Mr. Cormier.</p> <p>6 GREENE, Q.C.:</p> <p>7 Q. Yes, Mr. Cormier, I have one--a couple of</p> <p>8 questions to clarify for the record. You</p> <p>9 mentioned expenses associated with Churchill</p> <p>10 Falls, Labrador Corporation Limited. And I</p> <p>11 wanted to ask you, are you aware that what the</p> <p>12 Board is reviewing in this Application is what</p> <p>13 we call Hydro's regulated business which is</p> <p>14 the supply of electricity to consumers in the</p> <p>15 Province of Newfoundland?</p> <p>16 A. Yes, I am. Does CF(L)Co provide any hydro to</p> <p>17 Hydro to sell in the Province of Newfoundland?</p> <p>18 Q. Are you aware--the answer to the question is</p> <p>19 yes -</p> <p>20 A. Is yes, I'm aware.</p> <p>21 Q. And that the expense that Hydro pays is only</p> <p>22 for purchase power expense, and are you aware</p> <p>23 that that is tied to a power contract between</p> <p>24 CF(L)Co and Hydro Quebec?</p> <p>25 A. Yes.</p>
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<p>1 Q. Okay. So that the expenses related to</p> <p>2 Churchill Falls Labrador Corporation Limited,</p> <p>3 whether it is a salary cost for employees who</p> <p>4 operate the plant in Churchill Falls or</p> <p>5 whether it's for an aircraft are not included</p> <p>6 in any of the expenses before the Board and</p> <p>7 that's one part of Hydro's rates.</p> <p>8 A. Okay. So let's take CF(L)Co out of it and go</p> <p>9 back to the \$1.6 billion dollars worth of debt</p> <p>10 that really hasn't come down the last four or</p> <p>11 five years either.</p> <p>12 Q. No. That's the consolidated debt of Hydro.</p> <p>13 So I just wanted to make sure you're aware</p> <p>14 that -</p> <p>15 A. Okay. Yes, I am.</p> <p>16 Q. - the Churchill Falls operations are not part</p> <p>17 of this process or this hearing. That's all.</p> <p>18 I just wanted to clarify that for the record.</p> <p>19 CHAIRMAN:</p> <p>20 Q. Thank you, Ms. Greene. Mr. Browne, do you</p> <p>21 have any questions?</p> <p>22 BROWNE, Q.C.:</p> <p>23 Q. Yes. Mr. Cormier, you just stated you bought</p> <p>24 a new house?</p> <p>25 A. I bought an older house that I'm going to</p>	<p>1 renovate. But anyway, go ahead.</p> <p>2 Q. And you're going to renovate. Is that house--</p> <p>3 how is it heated, by electricity or -</p> <p>4 A. Electricity.</p> <p>5 Q. Electricity. Is it baseboard electric?</p> <p>6 A. Baseboard electric.</p> <p>7 Q. Are you aware if you have baseboard electric</p> <p>8 radiation in your home, that you could be</p> <p>9 losing up to 30 or 40 percent through the</p> <p>10 exterior walls?</p> <p>11 A. I'm probably losing a lot more than that</p> <p>12 because the house is over 40 years old.</p> <p>13 Q. And does it make sense to you that we have a</p> <p>14 system where we burn oil at Holyrood, okay, to</p> <p>15 produce electricity, so we got oil,</p> <p>16 electricity, so people can have electric heat</p> <p>17 in their homes? Wouldn't it make more sense</p> <p>18 if people put their own furnace in their homes</p> <p>19 and burn their own oil, wouldn't that be a</p> <p>20 more -</p> <p>21 A. I don't know the answer to that. Obviously</p> <p>22 one's preference to heat one's home is one's</p> <p>23 preference. I mean, if I had my preference,</p> <p>24 I'd love to, if I could afford it and amortize</p> <p>25 it, to have hot water radiation heat which is</p>

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<p>1 MR. CORMIER:</p> <p>2 --and now you can do it with electricity which</p> <p>3 apparently is almost as efficient as oil, if</p> <p>4 you use hot water radiation with in-floor</p> <p>5 radiation heat. So I don't know if it makes</p> <p>6 sense. We have to generate electricity in the</p> <p>7 Province of Newfoundland somehow. We don't</p> <p>8 have enough water flowing through enough</p> <p>9 gorges to generate enough electricity so we</p> <p>10 have to generate it somehow.</p> <p>11 BROWNE, Q.C.:</p> <p>12 Q. You mentioned in your evidence that here we</p> <p>13 have some of the lowest electricity rates in</p> <p>14 Atlantic Canada. But is that a true</p> <p>15 comparison where we have up to 60 to 70</p> <p>16 percent of our electricity is produced by</p> <p>17 hydrology whereas if you look to Nova Scotia,</p> <p>18 they use coal for the most part to provide</p> <p>19 electricity to the consumers there. If you</p> <p>20 look to New Brunswick, they have the Point</p> <p>21 LeClair -</p> <p>22 A. Nuclear station.</p> <p>23 Q. - nuclear station. We look to PEI, there's</p> <p>24 very little there by way of hydrology. So</p> <p>25 shouldn't we naturally be cheaper because we</p>	<p>1 have the hydrology?</p> <p>2 A. I would agree with that statement. I think</p> <p>3 given that we produce most of our electricity</p> <p>4 in that method, we should be cheaper. I don't</p> <p>5 know where this rate increase, if it was</p> <p>6 stamped and sealed and delivered today, where</p> <p>7 that would put us on the grid, but I don't</p> <p>8 think we'd be at the bottom any more.</p> <p>9 Q. Thank you, Mr. Cormier.</p> <p>10 A. Thank you.</p> <p>11 CHAIRMAN:</p> <p>12 Q. Thank you, very much, Mr. Cormier. Thank you,</p> <p>13 sir. I call upon Joy Blackwood now, please?</p> <p>14 Welcome, Ms. Blackwood.</p> <p>15 (12:07 p.m.)</p> <p>16 MS. JOY BLACKWOOD (SWORN)</p> <p>17 CHAIRMAN:</p> <p>18 Q. Could you just indicate, Ms. Blackwood, your</p> <p>19 position and whom you represent, please,</p> <p>20 before you begin?</p> <p>21 MS. BLACKWOOD:</p> <p>22 A. I'm here on behalf of the Corner Brook Port</p> <p>23 Corporation. I work there as a researcher and</p> <p>24 recording secretary. And I'm here for Mr.</p> <p>25 Tibbitts, who was unable to attend for medical</p>
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<p>1 reasons.</p> <p>2 Q. Okay.</p> <p>3 A. Two major points of concern by the</p> <p>4 corporation. One being the Corner Brook Port</p> <p>5 Corporation is currently in the process of</p> <p>6 deciding if the Port of Corner Brook can</p> <p>7 operate on a viable business basis if and when</p> <p>8 we take over ownership of the port's assets,</p> <p>9 hopefully sometime early in 2004. At the</p> <p>10 present time we are involved in conducting our</p> <p>11 essential due diligence work, including</p> <p>12 calculating the freight volume throughout and</p> <p>13 likely cost associated with port operations</p> <p>14 from 2004 onward for ten years.</p> <p>15 As we are sure you can appreciate, we are</p> <p>16 very anxious to be able to rely on the volume</p> <p>17 of newsprint shipped via ocean containers and</p> <p>18 by other ocean transportation means throughout</p> <p>19 the port--through the port of Corner Brook.</p> <p>20 We will obviously seek to amortize our</p> <p>21 investment in acquiring the port through</p> <p>22 freight tariffs of which newsprint is one</p> <p>23 important commodity.</p> <p>24 Essentially, the 22.6 percent proposed</p> <p>25 increase in hydro rates for industrial users</p>	<p>1 such as Corner Brook Pulp and Paper is said to</p> <p>2 place international sales of newsprint</p> <p>3 manufactured by this important local economic</p> <p>4 generator in jeopardy, especially when the</p> <p>5 current Canadian dollar is valued so highly</p> <p>6 against the American dollar.</p> <p>7 These two events, when combined, present</p> <p>8 a serious concern to us as far as onward high</p> <p>9 newsprint paper production and exports by</p> <p>10 ocean freight. We ask that the Panel give</p> <p>11 serious consideration to our concern on this</p> <p>12 front as you seek to rule on the proposed</p> <p>13 industrial rate increase application.</p> <p>14 So to is the proposed commercial rate of</p> <p>15 deep concern to us. If we are to acquire the</p> <p>16 assets of the Port of Corner Brook next year,</p> <p>17 one of the first matters we will have to</p> <p>18 address is the increased reefer container</p> <p>19 freight traffic originating in Corner Brook</p> <p>20 and St. Anthony and possibly from elsewhere as</p> <p>21 well. Since reefer containers must be removed</p> <p>22 from their trailers upon arrival at Corner</p> <p>23 Brook and plugged into an electrical system to</p> <p>24 be stored for up to several weeks, we have</p> <p>25 concern over the future cost of electrical</p>

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<p>1 MS. BLACKWOOD: 2 power for this and other port related 3 purposes. 4 The Port of Corner Brook under potential 5 new ownership in 2004 will be faced with stiff 6 competition from other ports in this traffic. 7 At some point it will be more competitive to 8 ship reefer units over the road to Halifax 9 rather than store them in Corner Brook 10 awaiting the next or future Oceanex container 11 ships. As new potential owners of the port, 12 we have serious concern that the increase will 13 add significantly to the cost of reefer 14 storage to the extent that we may indeed lose 15 much of all this business in 2004 and onward. 16 Corner Brook relies heavily on keeping 17 its port competitive in the face of keen 18 competition from several sources. Electrical 19 rates have both a direct and indirect impact 20 on this competitive position. The jobs are 21 well in excess of 100 people and are 22 predicated on this competitive position. 23 Future port developments, including the 24 proposed new roll/roll service, as well as 25 increased cruise ship business, all have a</p>	<p>1 bearing on the success of our port 2 stakeholders, such as the Corner Brook Pulp 3 and Paper, Oceanex, Barry Fisheries, Clarke 4 Transport and others and the jobs that go with 5 them. Let's consider very carefully the 6 nature and scope of the impact of the 7 increases of their magnitude being proposed to 8 the Board on these jobs. We are concerned and 9 we trust that you will be as well. Thank you. 10 Q. Thank you, very much, Ms. Blackwood. No? Mr. 11 Browne? 12 BROWNE, Q.C.: 13 Q. No, no questions. 14 CHAIRMAN: 15 Q. Okay. Thank you, very much for your 16 presentation. Thank you for lending some 17 gender equity into these presentations. Next 18 I'll call upon Mr. Matt Organ, please, who's 19 with Kinecor? Watch the cord there, Mr.-- 20 (12:11 p.m.) 21 MR. MATT ORGAN (SWORN) 22 CHAIRMAN: 23 Q. If you could indicate whom you're with and 24 your position, Mr. Organ, before you begin? 25 MR. ORGAN:</p>
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<p>1 A. Okay. Yeah, my name is Matt Organ. I'm 2 branch manager of Kinecor Corporation. I wish 3 to contest the proposed increase for Company 4 reasons and for personal reasons. 5 The major part of our business comes from 6 the pulp and paper industry both in--well, 7 it's all over Newfoundland, from Grand Falls, 8 Stephenville and Corner Brook. For instance, 9 if one machine should shut down in Corner 10 Brook Pulp as a result of these price 11 increases, no orders will be placed with us 12 for replacement of parts and it will cost a 13 big decrease in our sales. As Brendan pointed 14 out, it will affect a lot of other things in 15 the mill too. Also, most businesses do not 16 give very good sales increases--sales--raises, 17 I should say, to employees at this time. This 18 would hurt me personally and all our employees 19 should this proposed rate go through. To 20 conclude, any increases will affect most 21 business in Newfoundland and Labrador. Thank 22 you. 23 Q. Thank you, very much, Mr. Organ. Mr. Browne? 24 BROWNE, Q.C.: 25 Q. Do you think that Hydro--you heard here about</p>	<p>1 the cost of oil at Holyrood and the fact that 2 there's an amount owing. Do you believe that 3 the Hydro increase should be relegated to 4 that, to paying what's owed rather than them 5 getting a Rate of Return of 9.75 percent? 6 Like, that's an existing bill. You're a 7 businessman, there's a bill out there which 8 has to be paid. 9 A. It's hard to say, hard for me to comment on 10 that one, tell you the truth. I would rather 11 not. 12 Q. Okay. Thank you. 13 A. Okay. 14 Q. Yeah. 15 CHAIRMAN: 16 Q. Mr. Organ, what does Kinecor do, what type of 17 business are you involved in, sir? 18 A. We're into the industrial business. It's 19 mainly the bearings and power transmission 20 part of the mill. Really in the mills, both 21 mills. 22 Q. So do you actually do the machining and all 23 this stuff here? 24 A. No. Mostly we provide the bearings and 25 pulleys and sprockets and things like that for</p>

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<p>1 MR. ORGAN: 2 the mill. 3 Q. I see. 4 COMMISSIONER WHALEN: 5 Q. Is that a local business? 6 A. It's a local business. 7 Q. Locally owned? 8 A. Our head office is in Montreal. 9 Q. Oh, okay. 10 A. And we have 56 branches in Canada, yeah, and 11 it's - 12 CHAIRMAN: 13 Q. Is there just one branch here in the province? 14 A. Two branches in Newfoundland. It's in St. 15 John's and Corner Brook, yeah. 16 Q. Corner Brook and St. John's, very good. Thank 17 you, very much. I call upon Mr. Greg Barnes 18 now, with Clarke Transport, please? Good 19 morning. I think I've been saying good 20 morning. I think it's good afternoon now. 21 You lose track, I think, after awhile. 22 (12:16 p.m.) 23 MR. GREG BARNES (SWORN) 24 CHAIRMAN: 25 Q. Thank you. You can begin when you're ready,</p>	<p>1 sir. 2 MR. BARNES: 3 A. Good morning. My name is Greg Barnes. I'm 4 the area manager for Clarke Transport. I look 5 after central and the west coast of the 6 island. Into that there is, I guess, three 7 paper mills and many customers. 8 I'm here to speak on behalf of Clarke 9 Transport and I guess my biggest customer in 10 Corner Brook, being Corner Brook Pulp and 11 Paper and Abitibi in Stephenville on the 12 effects of a power increase, I guess, to the 13 mill, that would do to--you know, would mean 14 to my business. 15 The paper mill here has three machines 16 running at present and if the mill was to shut 17 one of the machines due to the power increase, 18 that would affect my business as in materials 19 we bring in, chemicals, fabrics, the rolls 20 that make the paper on, supply stock, piping, 21 everything would decrease. So I guess the 22 spin off from that would be less materials for 23 the trucking industry, as ourselves, and, you 24 know, my competitors in the trucking industry, 25 that we'd all have to reduce staff because of</p>
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<p>1 our deliveries, less freight. And the spin 2 off to even the customers, you know, like 3 other business in the community, the cuts. So 4 I guess what I'm trying to say is it would 5 trickle down to lay offs, less people working 6 and would come down to, you know, more people 7 unemployed or moving out of the province. 8 Increases in the industry is something 9 that we all live with. As Brendan said, 10 suppliers come in. If I went in to Brendan's 11 office next week and said, Brendan, here's a 12 22.6 percent increase, I'd be out of business. 13 You know, he wouldn't accept it. There's 14 other carriers he would use. But, increases 15 are inevitable. We all have to have 16 increases, you know. Every year we like to 17 see our salaries go up, we like the bottom 18 line to the company I manage, we like to see 19 it improve. So increases really when you're 20 looking at one and three percent, you know, 21 people can live with that. That's expected, I 22 think, in life today. But, you know, when you 23 look at 22.6 for Corner Brook Pulp or 9.8, 9.9 24 for myself in my home use, that's high, and I 25 really think it's too high.</p>	<p>1 And we feel that for myself as in the 2 community here, you know, the Board should 3 look at that. It should look at what effect 4 that will do to business. Will it, you know, 5 will it keep business running or will it put 6 business, small business out of business. And 7 I feel like there is a lot of business out 8 there now, as it was brought up earlier, that 9 the bottom line is not nine percent that 10 they're making profit, it's more in the line 11 of two and three percent. And you know, this 12 kind of increase could put them out of 13 business and just drive people out of 14 Newfoundland. And I guess that's about it. 15 Thank you. 16 Q. Thank you, very much, Mr. Barnes. Questions? 17 Mr. Browne, do you have any questions? 18 BROWNE, Q.C.: 19 Q. No questions. Thank you, sir. 20 CHAIRMAN: 21 Q. How many employees, Mr. Barnes, do you have in 22 Corner Brook? 23 A. In Corner Brook we have 12. 24 Q. Twelve, I see. 25 A. Employees. That's with the owner/operators we</p>

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<p>1 MR. BARNES: 2 have on our highways. On the island Clarke 3 Transport, we are up around 50 odd employees, 4 three branches. And like I said, I manager 5 where I have two, three paper mills in my area 6 right now. 7 CHAIRMAN: 8 Q. Is Clarke Transport a national firm? 9 A. Yes, we are. It's a division of Clarke Inc. 10 and we have terminals across Canada and U.S.. 11 Q. I see. Thank you, very much. 12 A. Thank you. 13 Q. It is 20 after. I have four more 14 presentations listed here. And with the 15 indulgence, I was looking at 12:30 for a lunch 16 break. I'd like to push on. I'm sure these 17 people who've attended here this morning and 18 have left other business and what have you and 19 if the parties, counsels are in agreement? 20 MS. NEWMAN: 21 Q. Chair, according to my records I have here, 22 there's three more presenters. 23 CHAIRMAN: 24 Q. There's three more presenters, okay. Better 25 again. Better -</p>	<p>1 MS. NEWMAN: 2 Q. Mr. Lidstone is not able to make it, so. 3 CHAIRMAN: 4 Q. Oh, I see, okay. Okay, so we have three. 5 That on my sheet here, I guess, Mr. Lacey 6 who's an employee with Corner Brook Pulp and 7 Paper, is that correct? Mr. Eugene Mercier, 8 who's an employee with Corner Brook Pulp and 9 Paper and Mr. Isreal Hann, who's a private 10 citizen. Okay. So with everybody's 11 agreement, if we could just push on, if that's 12 okay, we'll hopefully conclude with--and allow 13 everybody to have a lunch and then not have to 14 return here and attend to other business, I'm 15 sure. Okay, we'll move on with Mr. Lacey, 16 please? Mr. Lacey, welcome, sir, good 17 afternoon. 18 (12:21 p.m.) 19 MR. MICHAEL LACEY (SWORN) 20 CHAIRMAN: 21 Q. You can proceed when you're ready. 22 MR. LACEY: 23 A. I'm speaking today as a concerned citizen of 24 this province and a concerned worker in Corner 25 Brook. I was born and raised in Newfoundland</p>
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<p>1 and educated in Newfoundland at MUN and I 2 consider myself very fortunate to have found 3 stable employment in the province. 4 However, I am worried, I'm very worried 5 that the high increase requested by 6 Newfoundland Hydro will translate into job 7 losses and my family and I will become one of 8 the next round of families that head to Port 9 aux Basques and catch the ferry in search of 10 employment and a good standard of living. 11 The pulp and paper companies, they've 12 clearly stated that they cannot sustain the 13 level of increase that is being proposed. 14 They compete in the global marketplace. They 15 are struggling with a high Canadian dollar. I 16 do believe them when they say that this 17 increase will mean job losses and I do believe 18 that those job losses will mean the 19 devastation of a lot of west coast 20 communities. And I believe a lot of educated 21 young Newfoundlanders like myself and my 22 family will be forced to pack up and leave. 23 So, I just came in today to ask the Board 24 to look closely at what's being requested and 25 to try to save employment opportunities for</p>	<p>1 people like myself. Thank you. 2 Q. Thank you, very much. Questions? 3 BROWNE, Q.C.: 4 Q. Mr. Lacey, what kind of heating do you have in 5 your home? 6 A. I have electric baseboard heating. 7 Q. Electric baseboard heating. Would you take 8 advantage of the climate control plan for 9 Canada to make certain that your energy loss 10 in your own home is contributing toward the 11 saving that the Federal Government wants to 12 bring in to ensure conservation? 13 A. Yeah, you bet I would, and I would recommend 14 it for everyone. 15 Q. I don't know if you're aware, but under the-- 16 the way the electric system works here, it 17 works at a peak as if we're all going to have 18 our washers and dries on the entire island at 19 the same time of day, and you know, so it's 20 all built around that situation and that 21 circumstance. But if there could be a 22 circumstance where the load capacity was 23 reduced and better distributed throughout the 24 day as a cost saving ultimately for everyone 25 so that you could even get a reduced rate for</p>

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<p>1 BROWNE, Q.C.:</p> <p>2 using your washer and drier in the nighttime,</p> <p>3 they're called time of day rates and other</p> <p>4 jurisdictions have them but we don't have them</p> <p>5 here, do you think that that would be</p> <p>6 beneficial to the system and that consumers</p> <p>7 would take advantage of that?</p> <p>8 A. Yeah, most definitely. I think a lot of the</p> <p>9 consumers, you know, are educated and they do</p> <p>10 know that there's ways to improve their</p> <p>11 electricity rates. Most people don't have the</p> <p>12 money to put up front, extra insulation or</p> <p>13 extra, I guess, means or buy new R-2000 homes,</p> <p>14 but if there's any way for a break in any</p> <p>15 increase or in the rates of electricity, I'm</p> <p>16 sure everybody would go for it if they were</p> <p>17 educated on it.</p> <p>18 Q. Thank you, sir.</p> <p>19 A. You're welcome.</p> <p>20 CHAIRMAN:</p> <p>21 Q. Thank you, Mr. Browne. What do you do with</p> <p>22 Corner Brook Pulp and Paper?</p> <p>23 A. I'm an engineer down there at the mill.</p> <p>24 Q. Engineer, I see. Thank you, very much, for</p> <p>25 the initiative taken. Thank you. Mr.</p>	<p>1 Mercier, please? Good afternoon.</p> <p>2 MR. MERCIER:</p> <p>3 A. Hi, how are you?</p> <p>4 (12:25 p.m.)</p> <p>5 MR. EUGENE MERCIER (SWORN)</p> <p>6 CHAIRMAN:</p> <p>7 Q. When you're ready, Mr. Mercier?</p> <p>8 MR. MERCIER:</p> <p>9 A. Thank you. Mr. Chair, commissioners and</p> <p>10 executives of Newfoundland, Labrador and</p> <p>11 Hydro. I'm an engineer at the mill. I'm here</p> <p>12 to express some concerns as an employee. I'm</p> <p>13 part of the management group, but I'd like to</p> <p>14 make it clear, I was not asked to come here.</p> <p>15 It's something that I feel compelled I should</p> <p>16 make a few points, because based on my</p> <p>17 experience in the industry, I've been in the</p> <p>18 industry, newsprint in particular for 28 years</p> <p>19 and 12 of which have been here in Corner</p> <p>20 Brook. And prior to that I worked in British</p> <p>21 Columbia and New Brunswick. And during that</p> <p>22 time I've seen my share of down sizing, I've</p> <p>23 seen my share of cutbacks and I've even been</p> <p>24 associated with a mill that was actually</p> <p>25 closed, and mainly due to a wood supply</p>
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<p>1 problem that they had. So before accepting a</p> <p>2 job at Corner Brook one of the things I asked</p> <p>3 was do you have a secure wood supply and</p> <p>4 electrical supply. And the answer at the</p> <p>5 time, of course, was positive. But since that</p> <p>6 time our mill has grown, and about a third of</p> <p>7 our electrical energy requirements come from</p> <p>8 the system. So, that has become, instead of a</p> <p>9 strength, that has now become a liability for</p> <p>10 us.</p> <p>11 In every mill I've worked for mills,</p> <p>12 paper mills strive, as most businesses do, to</p> <p>13 be a low cost producer. And one way for the</p> <p>14 paper industry is that with fixed costs like</p> <p>15 fixed number of head count on our payroll</p> <p>16 there's other fixed costs as well, like</p> <p>17 fabrics for paper machines, for example. The</p> <p>18 idea is that we grow the mill as much as we</p> <p>19 can so the ratio of fixed costs is diminished.</p> <p>20 And the trick for our industry is to be among</p> <p>21 the low cost producers so that if there's a</p> <p>22 downturn, we can survive, survive that. And I</p> <p>23 know there's a fair amount of talk about down</p> <p>24 sizing. That's a distinct possibility with</p> <p>25 the extra power costs because I believe that</p>	<p>1 that \$5 million that was quoted here, that's</p> <p>2 enough to make a difference between a modest</p> <p>3 profit, if we can squeeze that out, and a</p> <p>4 loss. So when a mill has a loss, like any</p> <p>5 other business, they have to explore all the</p> <p>6 avenues at their disposal to get that cost</p> <p>7 down and into line.</p> <p>8 I should say and it was pointed out by a</p> <p>9 few people that our markets are international,</p> <p>10 so we sell to England, for example, other</p> <p>11 countries in Europe, and we sell a lot of our</p> <p>12 product to the United States.</p> <p>13 And to give you an example of the</p> <p>14 competition, I was in London about a month ago</p> <p>15 visiting one of our major customers and there</p> <p>16 I saw paper from Russia, I saw paper from a</p> <p>17 very modern mill in England. And I pick those</p> <p>18 two out as examples because I always had the</p> <p>19 impression that if it came from Russia, the</p> <p>20 quality must be not all that good so we'd have</p> <p>21 an advantage there. But, I found that I was</p> <p>22 just kidding myself because the pressroom said</p> <p>23 that really in that particular pressroom now</p> <p>24 that's one of their best suppliers in terms of</p> <p>25 runability and quality and furthermore, they</p>

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1 MR. MERCIER:
 2 say it's cheaper than yours. So, and the
 3 other one from the mill from England uses 100
 4 percent recycled fibre, so they have quite a
 5 low electrical cost compared to our mill which
 6 is very energy intensive because of our
 7 thermal mechanical pulping process. So, the
 8 point being that each of our competitors have
 9 distinct advantages that we don't. We have to
 10 take advantage of the one they want.
 11 And basically in closing is that I'd just
 12 like to say that I believe that my experience
 13 in the industry I can smell a problem coming
 14 and I smell that problem now with the large
 15 rate increases. I smell a problem for the
 16 mill. I don't know exactly how it will play
 17 out. I generally don't cry wolf and I don't,
 18 but I fear that there will be fairly serious
 19 repercussions from these rate increases. At
 20 that point I would like to thank the
 21 Commission and the audience for hearing what I
 22 have to say. Thanks.
 23 Q. Thank you, Mr. Mercier. No? Yes, Mr. Browne.
 24 BROWNE, Q.C.:
 25 Q. Mr. Mercier, you said two third of your

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1 arrangement -
 2 A. No.
 3 Q. - I guess, so I won't ask you to speak to
 4 that. Okay. Thank you, very much, sir.
 5 A. Okay.
 6 CHAIRMAN:
 7 Q. Thank you, very much, Mr. Mercier. Thank you.
 8 I call upon Isreal Hann, please? Good
 9 morning, Mr. Hann. How are you this morning?
 10 MR. HANN:
 11 A. Good morning, sir.
 12 CHAIRMAN:
 13 Q. Or this afternoon I guess it is now.
 14 MR. HANN:
 15 A. I knew you were going to save the best for
 16 last and I sat back and just took it easy.
 17 (12:32 p.m.)
 18 MR. ISREAL HANN (SWORN)
 19 CHAIRMAN:
 20 Q. Thank you, very much. And welcome, sir. I
 21 understand you're here on your own behalf
 22 today. Is that correct?
 23 MR. HANN:
 24 A. Oh, not quite sir.
 25 Q. Okay.

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1 electricity comes from your own source. That
 2 is where, that's?
 3 A. Deer Lake Power.
 4 Q. Deer Lake Power. Do you have any capacity for
 5 producing your own electricity within the mill
 6 itself?
 7 A. Well, we produce--we have a coal generator,
 8 turbine which can produce up to 15 megawatts.
 9 We're typically running about 13.
 10 Q. And can you use that within the mill itself to
 11 provide the other one third of the power that
 12 you need?
 13 A. Well, it's part of the cooperative package
 14 with the grid to sell that power to them.
 15 Q. So through the--so you're selling power to the
 16 grid, the mill is?
 17 A. Um-hm.
 18 Q. But you can use some of the power yourself to
 19 bring up the--you could use that same power,
 20 can you, to bring up the other one third from
 21 the system?
 22 A. Theoretically, but we're locked into a long-
 23 term contract, so we can't just do that.
 24 Q. And are you selling that power to the grid--
 25 well, you don't know the commercial

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1 A. I want to thank you, Mr. Chairman, and the
 2 Board members and the ladies and gentlemen in
 3 the audience for the opportunity to get here.
 4 It's on a short notice and I didn't have time
 5 to prepare a written brief, but I'll try and
 6 do the best I can.
 7 I'm here today to represent the most
 8 vulnerable people in society today, and the
 9 most vulnerable people that we have now are
 10 people in fixed incomes, low wage earners,
 11 seasonal workers and people living in their
 12 homes trying to maintain and stay warm in
 13 their own houses, which our governments want
 14 us to try and do.
 15 And within the last five years--I have to
 16 take you back a little bit in history to bring
 17 you up to today. Within the last five years
 18 inflation has eroded what little buying power
 19 people in this category had. The cost of
 20 housing, food, taxes, heating, transportation
 21 and one of the big ones that happened in the
 22 past is insurance has eroded what little
 23 buying power people had in the past. And
 24 there's no escalator clause built into any of
 25 the programs that we have to keep even with

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<p>1 MR. HANN:</p> <p>2 the inflated rate. Inflation goes up and</p> <p>3 there is nothing we can do, we don't have any</p> <p>4 increase. And I'm speaking as "we" as a</p> <p>5 senior myself. The cost of everything that</p> <p>6 goes up affects everybody in this area,</p> <p>7 especially people on low income, one family</p> <p>8 parent trying to maintain a house and educate</p> <p>9 he children or his children. And that are the</p> <p>10 people that are most affected by any increase.</p> <p>11 And if Hydro gets its nine and a half</p> <p>12 percent which we thought this morning was six</p> <p>13 and a half, now it's nine and a half percent,</p> <p>14 where do we cut back to compensate for that?</p> <p>15 The only thing I can see right now is after</p> <p>16 knowing every household in this area, I've</p> <p>17 been to their door, and I know the conditions</p> <p>18 people live under. And we're going to take</p> <p>19 away 12 litres of milk on that nine and a half</p> <p>20 percent increase. You may shake your head and</p> <p>21 you may nod your head, but that's what it</p> <p>22 amounts to.</p> <p>23 People can't afford the increase. Where</p> <p>24 do they get the money to cover the increase?</p> <p>25 Their pensions don't go up, the government</p>	<p>1 don't come out and say I'm going to raise the</p> <p>2 minimum wage, no, none of those things</p> <p>3 happens. But you have to have heat in your</p> <p>4 home, you have to have lights in your home and</p> <p>5 you have to use certain things, washers and</p> <p>6 dryers and things like this. So you can't cut</p> <p>7 back on that. But you got to take food from</p> <p>8 the table. Municipalities still want their</p> <p>9 taxes, that has to be paid or somebody's going</p> <p>10 to put a lien on your home. So you cut back</p> <p>11 on food. And if you have medical conditions,</p> <p>12 you can't cut back on drugs. Drugs have</p> <p>13 skyrocketed within the last five years also.</p> <p>14 We have no control over those because they</p> <p>15 have a monopoly now in Canada that they can do</p> <p>16 what they like. If we had control, maybe</p> <p>17 there was some things we could do. So we have</p> <p>18 to cut back on food.</p> <p>19 What else do we cut back on? The milk is</p> <p>20 gone from the table. Now we have to watch the</p> <p>21 sales and go get tomato soup because that's</p> <p>22 about all we will afford. And by doing that,</p> <p>23 what do we do with the Wellness Program that</p> <p>24 was introduced by the government? They want</p> <p>25 us to live under the Wellness Program, which</p>
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<p>1 is eat within the Canada Food Guide. So</p> <p>2 you've taken that away. Now our children is</p> <p>3 going to rely more on school programs when</p> <p>4 they go to school hungry in the morning. They</p> <p>5 have to be fed. What way to do we feed them?</p> <p>6 We have to rely on the school programs. The</p> <p>7 parents, to keep the house going, they have to</p> <p>8 rely more on the food banks. And I know all</p> <p>9 about the food banks because I was involved</p> <p>10 with that also, and it's a bigger demand now</p> <p>11 on those food banks and those school programs</p> <p>12 than ever we had before.</p> <p>13 And people say, oh, how can you educate</p> <p>14 the public. Well, we can start by having a</p> <p>15 good education program. By not turning on</p> <p>16 Christmas lights at Halloween, not keeping</p> <p>17 them on all winter because it satisfies the</p> <p>18 provider for electricity. He's only too glad</p> <p>19 to see you have them on. Now, people will</p> <p>20 say, oh, they don't burn a lot of electricity.</p> <p>21 But if you got 10,000 houses burning Christmas</p> <p>22 tree lights from October up to January, and in</p> <p>23 this area we're told to keep them on until</p> <p>24 Carnival Week, that's up in February. So we</p> <p>25 have to start educating people too. So what</p>	<p>1 do we do now in order to conserve electricity?</p> <p>2 Do we start going to bed 9:00 or 8:00 and</p> <p>3 turning off the lights?</p> <p>4 We all know the problem, we all know we</p> <p>5 has to conserve and we all know the rate</p> <p>6 increases may be justified, but where are you</p> <p>7 going to get the rate increases from those</p> <p>8 type of people? Those are people that can</p> <p>9 barely feed themselves now. They can't</p> <p>10 educate their children and they're not mobile,</p> <p>11 they can't move away because if they were</p> <p>12 mobile and could move away, maybe they could</p> <p>13 go to Alberta. But those are the type of</p> <p>14 people don't have education, they don't have</p> <p>15 skilled trades, so they got to stay, they're</p> <p>16 forced to stay.</p> <p>17 God bless the people that can move, to</p> <p>18 get off this rock and not come back, more</p> <p>19 power to them far as I'm concerned. I</p> <p>20 wouldn't want to move myself because I've had</p> <p>21 a comfortable living here and I love this</p> <p>22 island. But for the people who can't maintain</p> <p>23 that standard of living, they got to go.</p> <p>24 Newfoundland people are not lazy by no</p> <p>25 means. I've been in the workforce 40 years</p>

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<p>1 MR. HANN:</p> <p>2 and I know Newfoundland people. And we were</p> <p>3 some of the best trades anywhere in North</p> <p>4 America, anywhere in the world, could qualify</p> <p>5 with any of them. But when you get down in</p> <p>6 that category that we close our schools and we</p> <p>7 close out everything else because we can't</p> <p>8 afford to operate them, we don't have trained</p> <p>9 people. And everybody's seeing now what's</p> <p>10 going to happen in the future. We're going to</p> <p>11 have a shortage of trades people. So where do</p> <p>12 we go? We import them. Who would want to</p> <p>13 come here under conditions that we're</p> <p>14 providing right now? We're not providing</p> <p>15 ideal conditions for people to move into this</p> <p>16 province. All we're doing is providing people</p> <p>17 to out migrate.</p> <p>18 And I don't know where the utility</p> <p>19 companies are going to get their money if they</p> <p>20 keep raising their rates. We just can't rely</p> <p>21 on industries because the industries won't</p> <p>22 even be here. So I can see if we keep on</p> <p>23 going the way we're going without producing</p> <p>24 vast amounts of power from the source that we</p> <p>25 have on the Labrador, we're in for hard times</p>	<p>1 on this island, very hard times. And I worked</p> <p>2 on the Labrador also, so you might say I've</p> <p>3 been here, there and everywhere.</p> <p>4 But sir, I thank you for the opportunity</p> <p>5 to get here and explain some of those things</p> <p>6 to you.</p> <p>7 But one time in this province we could</p> <p>8 rely on government too for some hand outs, but</p> <p>9 that day is finished also. We can't rely on</p> <p>10 governments any more because they have a</p> <p>11 large deficit also. We can't rely on minimum</p> <p>12 wage going up every other day. That can't be</p> <p>13 because if we do that, we'll put other people</p> <p>14 out of business. So we're in quite of bind</p> <p>15 when you look at the big picture.</p> <p>16 But when I look at the nine percent</p> <p>17 increase, nine and a half percent and I look</p> <p>18 at the people that are sick and people with</p> <p>19 osteoporosis and people who need milk and</p> <p>20 things and I look and see what they can do</p> <p>21 away with first. Food on the table is one of</p> <p>22 the first things to go, because they will cut</p> <p>23 back. And when you cut back on the basic</p> <p>24 needs of living, you are more vulnerable to</p> <p>25 get sick, you're more vulnerable for flus and</p>
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<p>1 then you put a higher cost on the Medicare</p> <p>2 program. It's an ongoing circle.</p> <p>3 Somebody has to have common sense enough</p> <p>4 to look at it and see that enough is enough in</p> <p>5 this province. We can't keep on going the way</p> <p>6 we're going, increase, increase. It's nice to</p> <p>7 say increase, it's beautiful. I wish somebody</p> <p>8 would increase my pension too to keep up with</p> <p>9 inflation. But that's not so. And you're all</p> <p>10 going to be in the same boat, every last one</p> <p>11 of you here today, you're all going to be in</p> <p>12 it, and then you'll know all about it when</p> <p>13 it's too late. Well, thank you, Mr. Chairman,</p> <p>14 for the opportunity.</p> <p>15 Q. Mr. Browne?</p> <p>16 BROWNE, Q.C.:</p> <p>17 Q. Yes. Mr. Hann, I'm very happy to hear you</p> <p>18 talk about conservation and the common sense</p> <p>19 approach that you advocate here. Who's</p> <p>20 advocating keeping lights on from October to</p> <p>21 February?</p> <p>22 A. February.</p> <p>23 Q. Who is -</p> <p>24 A. Oh, that's Winter Carnival Week. We have to</p> <p>25 keep that on for tourist may come in, see the</p>	<p>1 city all lit up.</p> <p>2 Q. And so it's the City Hall or the carnival</p> <p>3 committee?</p> <p>4 A. Yes, carnival committee, City Hall.</p> <p>5 Q. And what are they suggesting, that you just</p> <p>6 move from Christmas right into -</p> <p>7 A. Well, extend Christmas into February.</p> <p>8 Q. Into February and keep your lights up for the</p> <p>9 duration?</p> <p>10 A. Yes.</p> <p>11 Q. Okay. Thank you, very much, sir. No further</p> <p>12 questions.</p> <p>13 CHAIRMAN:</p> <p>14 Q. Thank you, very much, Mr. Hann.</p> <p>15 A. Thank you for the opportunity.</p> <p>16 Q. You retired yourself?</p> <p>17 A. Yes, sir.</p> <p>18 Q. What did you do?</p> <p>19 A. I worked in Corner Brook Pulp and Paper.</p> <p>20 Q. I see. Very good.</p> <p>21 A. And five years out in western Canada.</p> <p>22 Q. You still maintain your own house?</p> <p>23 A. Pardon?</p> <p>24 Q. You still maintain your own house?</p> <p>25 A. Yes, sir. Thank God.</p>

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1 CHAIRMAN:

2 Q. Thank you, sir, very much.

3 A. Thank you.

4 Q. That brings, I think, to a conclusion. Okay.

5 I notice Ms. Blundon down there shaking her

6 head in the affirmative. That brings, I

7 guess--concludes today's proceedings. And I'd

8 like to thank everybody who attended today and
9 a special thanks indeed to the presenters.10 Somebody said that they weren't making a
11 scientific presentation. This is not about

12 scientific presentations, it's not necessarily

13 about facts and figures, to be honest with

14 you; it's a matter of people be given the

15 opportunity to express in their own way how

16 this Application affects, I guess, their--in a

17 personal way, their family lives, their

18 personal lives, their business lives and other

19 parts of their everyday activities. And I

20 think as far as I can see we heard a good deal

21 of that this morning. And certainly, there's

22 been a lot of interest, there's a lot of

23 interest expressed here today. As I said at

24 the outset, 14 presentations would be the most

25 that I've seen in my involvement in this

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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 25th day of

7 November, A.D., 2003 at Corner Brook, 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

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1 process over the years. And I think that
 2 indicates the level of interest, certainly,
 3 that's here. So I would thank you all. We
 4 will be carefully considering and examining
 5 the information that we have along with
 6 everything else in our decisions in issuing
 7 our final order. And the opportunity still
 8 exists, as I indicated earlier, for letters of
 9 comment to be forwarded to the Board prior to
 10 the closing. And Ms. Blundon would only be
 11 happy to provide some information on that to
 12 anyone who would wish to do that. And I'd
 13 like to finally again thank everybody. It's
 14 probably beyond people's lunchtime now, but I
 15 appreciate certainly your attention. And I
 16 also like to thank the parties for your
 17 participation here today as well. Thank you.
 18 Upon conclusion at 12:44 p.m.