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<p>1 (9:38 a.m.)</p> <p>2 CHAIRMAN:</p> <p>3 Q. Good morning. Perhaps we could begin. I</p> <p>4 think conversation, if you will -</p> <p>5 AUDIENCE:</p> <p>6 Q. Could you speak up?</p> <p>7 CHAIRMAN:</p> <p>8 Q. The conversation, if you will, will have to be</p> <p>9 kept to a minimum. We do not have amplifying</p> <p>10 mikes here. I will certainly try and project</p> <p>11 my voice as best I can. Can you hear me down</p> <p>12 in the back?</p> <p>13 AUDIENCE:</p> <p>14 Q. No.</p> <p>15 CHAIRMAN:</p> <p>16 Q. Is there a mike up here?</p> <p>17 AUDIENCE:</p> <p>18 Q. Why don't you stand up, b'y?</p> <p>19 MS. NEWMAN:</p> <p>20 Q. Chair, the mike might interfere with the</p> <p>21 recording equipment. That's the problem.</p> <p>22 CHAIRMAN:</p> <p>23 Q. Well, if they can't hear, they can't hear.</p> <p>24 Now can you hear me?</p> <p>25 AUDIENCE:</p>	<p>1 Q. Yes.</p> <p>2 CHAIRMAN:</p> <p>3 Q. Sorry for the confusion. I'll try and -</p> <p>4 AUDIENCE:</p> <p>5 Q. Move closer to the mike.</p> <p>6 CHAIRMAN:</p> <p>7 Q. Pardon?</p> <p>8 AUDIENCE:</p> <p>9 Q. Closer to the mike.</p> <p>10 CHAIRMAN:</p> <p>11 Q. Closer to the mike. I figured distance would</p> <p>12 be better. Okay. Good morning, my apologies.</p> <p>13 There are about ten times as many people here</p> <p>14 this morning and it shows the level of</p> <p>15 interest, I think, here in this area certainly</p> <p>16 in relation to this application and we've been</p> <p>17 able previously to accommodate people, I think</p> <p>18 in a room which is quarter this size and</p> <p>19 consequently, we haven't required the</p> <p>20 amplifying equipment, but nevertheless,</p> <p>21 hopefully you can hear me in the back and</p> <p>22 we'll do the best we can throughout the</p> <p>23 proceeding here this morning, so that</p> <p>24 everybody will be able to hear as best we can.</p> <p>25 We'd probably have to invite the witnesses up</p>
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<p>1 here later on, but in any event, we'll address</p> <p>2 as we proceed.</p> <p>3 Good morning. I'd like to take the</p> <p>4 opportunity to welcome everybody here, both</p> <p>5 parties participating certainly on an ongoing</p> <p>6 basis in this public hearing, and in</p> <p>7 particular, persons and organizations who have</p> <p>8 taken the initiative to attend this portion of</p> <p>9 the hearing here in Labrador West.</p> <p>10 My name is Bob Noseworthy and I'm chair</p> <p>11 and CEO of the Public Utilities Board and I'll</p> <p>12 explain a little about the role of the Board</p> <p>13 in just a moment, but for purposes of this</p> <p>14 hearing, I'm serving as the Chair of the panel</p> <p>15 which has been delegated the responsibility to</p> <p>16 make decisions on this rate application by</p> <p>17 Hydro. My colleagues joining me on the panel</p> <p>18 are, to my immediate left in front, Ms.</p> <p>19 Darlene Whalen, who's Vice-Chair of the Public</p> <p>20 Utilities Board, and on my right here is</p> <p>21 Commissioner Fred Saunders, who is a retired</p> <p>22 businessman and now resides in St. John's. On</p> <p>23 the table to my far right here, sitting to the</p> <p>24 left, is Ms. Cheryl Blundon. You would have</p> <p>25 heard her previously. She's the Board</p>	<p>1 Secretary. To her left is Dwanda Newman,</p> <p>2 who's our in-house legal counsel, and to her</p> <p>3 left is Mr. Mark Kennedy, who has been</p> <p>4 retained as Board hearing counsel for the</p> <p>5 purposes of this hearing. At this point in</p> <p>6 time, I'll call upon the legal counsel for the</p> <p>7 parties to introduce themselves and those who</p> <p>8 are accompanying them and with them for the</p> <p>9 session here this morning. Ms. Greene.</p> <p>10 GREENE, Q.C.:</p> <p>11 Q. Good morning, Mr. Chair, Commissioners, ladies</p> <p>12 and gentlemen. My name is Maureen Greene. I</p> <p>13 am counsel for Newfoundland Hydro.</p> <p>14 AUDIENCE:</p> <p>15 Q. Can't hear you.</p> <p>16 GREENE, Q.C.:</p> <p>17 Q. And with me is William Wells, the President</p> <p>18 and Chief Executive Officer.</p> <p>19 HEARN, Q.C.:</p> <p>20 Q. Mr. Chairman, Edward Hearn. I'm counsel for</p> <p>21 the Towns of Labrador City and Wabush.</p> <p>22 CHAIRMAN:</p> <p>23 Q. If you could, could I ask you just to rise,</p> <p>24 Ms. Greene, and just for purposes now of the</p> <p>25 introduction please.</p>

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<p>1 GREENE, Q.C.:</p> <p>2 Q. My name is Maureen Greene. I am counsel for</p> <p>3 Newfoundland Hydro, and with me is William</p> <p>4 Wells, the President and Chief Executive</p> <p>5 Officer of Newfoundland Hydro.</p> <p>6 HEARN, Q.C.:</p> <p>7 Q. Edward Hearn for the Towns of Labrador City</p> <p>8 and Wabush. Good morning, everybody.</p> <p>9 BROWNE, Q.C.:</p> <p>10 Q. Dennis Browne, the Province's consumer</p> <p>11 advocate.</p> <p>12 MR. HAYES:</p> <p>13 Q. Counsel for Newfoundland Power, and I have</p> <p>14 with me Pat Ryan, who's our Director of</p> <p>15 Regulatory Compliance. Good morning.</p> <p>16 CHAIRMAN:</p> <p>17 Q. Thank you. I would like, in addition to the</p> <p>18 intervenors here this morning, to indicate</p> <p>19 that the Industrial Customers are also</p> <p>20 intervening in this application as well. They</p> <p>21 aren't in attendance this morning. And the</p> <p>22 Industrial Customers comprise and represent</p> <p>23 Abitibi Consolidated Company of Canada, Grand</p> <p>24 Falls and Stephenville divisions, Corner Brook</p> <p>25 Pulp and Paper Company Limited, North Atlantic</p>	<p>1 Refining Limited, and Voisey's Bay Nickel</p> <p>2 Limited.</p> <p>3 The purpose of this part of the hearing</p> <p>4 is essentially twofold here today in Labrador</p> <p>5 West. One is to provide an opportunity for</p> <p>6 public input and comment on the General Rate</p> <p>7 Application of Hydro, and the second part of</p> <p>8 the hearing that will be conducted here today</p> <p>9 is a portion of the evidentiary proceedings</p> <p>10 associated with the hearing, to allow evidence</p> <p>11 to be specifically presented on the Labrador</p> <p>12 Interconnected System and how it will affect</p> <p>13 Labrador West. Part of these evidentiary</p> <p>14 proceedings were conducted regarding the cost</p> <p>15 of service last week, when Mr. Hearn had the</p> <p>16 opportunity to cross-examine Hydro's cost of</p> <p>17 service expert, Mr. Greneman, and present his</p> <p>18 own expert, Mr. Drazen, and the remaining</p> <p>19 evidentiary portion of the hearing will be</p> <p>20 conducted here this morning with Mr. Sam</p> <p>21 Banfield, who's Director of Customer Relations</p> <p>22 with Hydro, and he will be presenting evidence</p> <p>23 on behalf of Hydro. I'll ask Ms. Greene</p> <p>24 momentarily to speak to the Application a</p> <p>25 little bit later.</p>
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<p>1 I would like to provide a little bit of</p> <p>2 background, at this point in time, about the</p> <p>3 role of the Board and the Application itself.</p> <p>4 Pursuant to The Public Utilities Act, Hydro</p> <p>5 are seeking approval to increase rates to be</p> <p>6 charged for the supply of electricity to its</p> <p>7 customers, including its major retail</p> <p>8 customer, Newfoundland Power, and its large</p> <p>9 Industrial Customers, both of whom, along with</p> <p>10 the Consumer Advocate and Labrador City/Wabush</p> <p>11 are intervenors in this public hearing.</p> <p>12 Essentially, this application affects</p> <p>13 every user of electricity in the Province,</p> <p>14 whether they are serviced by Hydro or</p> <p>15 Newfoundland Power, and the application will</p> <p>16 impact future rates each customer will pay for</p> <p>17 its electricity. Customers include</p> <p>18 householders, small businesses, industry,</p> <p>19 institutions, municipalities and others,</p> <p>20 whether located in urban or rural communities</p> <p>21 throughout the Province. It is with this mind</p> <p>22 that the Board, in cooperation with the</p> <p>23 applicant and intervenors is providing this</p> <p>24 opportunity for individuals and</p> <p>25 representatives of organizations, be that</p>	<p>1 municipal councils, economic development</p> <p>2 associations, chambers of commerce, service</p> <p>3 clubs, to express their views directly to the</p> <p>4 Panel. These so-called public participation</p> <p>5 days have been scheduled this week for</p> <p>6 Stephenville, Corner Brook, Labrador West and</p> <p>7 Happy Valley-Goose Bay, and later in St.</p> <p>8 John's. We've already been to Stephenville</p> <p>9 and Corner Brook earlier in the week.</p> <p>10 For those of you in attendance who may</p> <p>11 not be familiar with the role of the Public</p> <p>12 Utilities Board and the process we follow in</p> <p>13 hearing a General Rate Application, with the</p> <p>14 indulgence again of counsel for the parties, I</p> <p>15 will take just a brief moment to explain each.</p> <p>16 The Board is a quasi-judicial,</p> <p>17 independent agency which derives its authority</p> <p>18 to conduct this hearing from Provincial</p> <p>19 statutes and legislation, primarily The Public</p> <p>20 Utilities Act and The Electrical Power Control</p> <p>21 Act. The Board has an obligation under this</p> <p>22 legislation to regulate electric utilities</p> <p>23 operating in the Province and this includes</p> <p>24 Hydro. The Board in total consists of nine</p> <p>25 commissioners and the three of us appointed to</p>

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<p>1 CHAIRMAN:</p> <p>2 this panel have been charged with hearing this</p> <p>3 particular application by Hydro and in</p> <p>4 accordance with our legislative</p> <p>5 responsibilities, we have a duty to hear the</p> <p>6 evidence presented by the applicant and the</p> <p>7 intervenors and other interested parties, and</p> <p>8 at the end of the process, render a fair and</p> <p>9 equitable decision on electrical rates and</p> <p>10 other regulatory matters arising from the</p> <p>11 application.</p> <p>12 The statutes require the Board to make</p> <p>13 rate decisions that are fair and not</p> <p>14 discriminatory and the legislation requires</p> <p>15 that the utility be allowed to earn a just and</p> <p>16 reasonable financial return. The legislation</p> <p>17 also dictates that power be delivered to</p> <p>18 customers at the lowest possible cost, while</p> <p>19 ensuring safe and reliable service. In</p> <p>20 fulfilling its responsibilities, the Board</p> <p>21 must protect the interests of all parties,</p> <p>22 including producers, retailers and consumers</p> <p>23 of electricity. In doing this, it must also</p> <p>24 strive to balance the interests of each class</p> <p>25 of consumer, whether they be households,</p>	<p>1 businesses, industries, institutions or</p> <p>2 governments, whether small or large users of</p> <p>3 electricity.</p> <p>4 Having described a little about the role</p> <p>5 of the Board, I would like to spend another</p> <p>6 brief moment on the public hearing process</p> <p>7 itself.</p> <p>8 Hydro submitted the application on May</p> <p>9 the 21st, at which time a notice of public</p> <p>10 hearing was advertised throughout the</p> <p>11 province. Following this, pre-hearing</p> <p>12 conferences were conducted by the Board for</p> <p>13 the purpose of establishing the rules and</p> <p>14 procedures governing the hearing and also to</p> <p>15 decide on various motions filed by the</p> <p>16 parties. Also in advance of the hearing,</p> <p>17 evidence was filed by Hydro on behalf of its</p> <p>18 company and expert witnesses who were slated</p> <p>19 to appear during the hearing and requests for</p> <p>20 information were exchanged and responded to</p> <p>21 between the participating parties. The public</p> <p>22 hearing itself began on October the 6th and</p> <p>23 has been ongoing since that time, while</p> <p>24 allowed scheduled dates off for the Board and</p> <p>25 parties to attend to other business.</p>
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<p>1 The public hearing process provides for</p> <p>2 Hydro, through its counsel, to present</p> <p>3 evidence supporting its application by calling</p> <p>4 various company and expert witnesses. Each of</p> <p>5 the parties intervening in the hearing,</p> <p>6 through their respective counsel, have the</p> <p>7 opportunity to question and examine Hydro</p> <p>8 witnesses and in turn present other opinions</p> <p>9 from their own experts, which is also the</p> <p>10 subject of cross-examination by the remaining</p> <p>11 parties and you'll witness some of that here</p> <p>12 this morning, in terms of the evidentiary</p> <p>13 portion of the hearing that I referred to</p> <p>14 earlier.</p> <p>15 The process itself is somewhat similar to</p> <p>16 a Court proceeding and follows the normal</p> <p>17 rules of natural justice, in terms of</p> <p>18 fairness, openness and transparency. These</p> <p>19 decisions and the orders that arise from them</p> <p>20 are not simply recommendations to government,</p> <p>21 as would have been the situation prior to</p> <p>22 Hydro becoming a fully regulated utility in</p> <p>23 1996, but by virtue of the legislation that</p> <p>24 changed at that time, an order of the Board</p> <p>25 affecting Hydro, and for that matter,</p>	<p>1 Newfoundland Power, is only appealable to the</p> <p>2 Courts.</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 way 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</p> <p>18 be issued containing a series of findings on</p> <p>19 the proposed rates and other matters submitted</p> <p>20 by Newfoundland and Labrador Hydro in their</p> <p>21 application.</p> <p>22 As I indicated earlier, this part of the</p> <p>23 hearing is to provide persons and</p> <p>24 organizations, such as those presenting here</p> <p>25 today, to have an input and comment--to</p>

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<p>1 CHAIRMAN:</p> <p>2 provide input, excuse me, and comment on the</p> <p>3 proposed rate increases and any other issues</p> <p>4 arising from the application that may impact</p> <p>5 them. This can be done in one of two ways,</p> <p>6 either by oral presentation, which is being</p> <p>7 heard here today, or by letter of comment</p> <p>8 which can be filed with the Board at any time</p> <p>9 prior to the close of the hearing. Letters of</p> <p>10 comment can be submitted by simply contacting</p> <p>11 the Board Secretary, Ms. Blundon, who will</p> <p>12 provide all the necessary information</p> <p>13 concerning addresses and answer any questions</p> <p>14 that you may have.</p> <p>15 All the oral and written materials</p> <p>16 submitted by the individuals and organizations</p> <p>17 will form a part of the official record for</p> <p>18 this hearing. The oral submissions presented</p> <p>19 today, along with any letters of comment, will</p> <p>20 combine with the documentation resulting from</p> <p>21 the formal proceedings and will contribute to</p> <p>22 the total body of evidence which will be</p> <p>23 considered by this Panel in rendering its</p> <p>24 decisions. So what you say here today</p> <p>25 certainly constitutes an important part of the</p>	<p>1 hearing process and will be carefully examined</p> <p>2 by the Panel in issuing its final order.</p> <p>3 Before we begin, there are just a couple</p> <p>4 of matters concerning today's proceedings,</p> <p>5 which I would like to review. The proceedings</p> <p>6 indeed are being recorded under the</p> <p>7 supervision of the Board Secretary, Ms.</p> <p>8 Blundon, and will be substantially transcribed</p> <p>9 for the public record. In addition,</p> <p>10 presenters will be sworn in and/or affirmed to</p> <p>11 make this an official part of the body of</p> <p>12 evidence before the Board. The Board's main</p> <p>13 goal is to get the facts on the record in a</p> <p>14 way that is convenient to the presenters and</p> <p>15 while I realize this may appear a little</p> <p>16 formal, we are here to listen to your views</p> <p>17 and comments and we want you to express them</p> <p>18 in the way you feel most comfortable. We do,</p> <p>19 I think, have about seven presentations or so</p> <p>20 here today. We will be proceeding with the</p> <p>21 first presentation initially from the Iron Ore</p> <p>22 Company of Canada, and following that, we will</p> <p>23 be having the remaining evidentiary part of</p> <p>24 the proceeding, and following that, we</p> <p>25 continue on with our public hearing or with</p>
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<p>1 our public presentations, I should say.</p> <p>2 All documents filed throughout this</p> <p>3 hearing, including the daily transcripts, are</p> <p>4 available indeed on the Board's website and</p> <p>5 this will include a transcript of today's</p> <p>6 proceedings and anybody wishing a copy may</p> <p>7 request those through Ms. Blundon, the Board</p> <p>8 Secretary, and we will certainly do our best</p> <p>9 to get them to you as quickly as possible.</p> <p>10 With regard to the timing of this</p> <p>11 morning, I'd like to see where we are with the</p> <p>12 evidence throughout the morning and we</p> <p>13 certainly will be taking a break later on, but</p> <p>14 I'd just like to play that by air for now.</p> <p>15 Ms. Newman, are there any other matters before</p> <p>16 we begin? If you could stand up, please.</p> <p>17 MS. NEWMAN:</p> <p>18 Q. Just a couple of preliminary matters. Please</p> <p>19 don't come in through here when you're coming</p> <p>20 up. Make sure you avoid the middle section.</p> <p>21 There's a lot of wires and stuff there, so I</p> <p>22 think we're going to have everybody go up</p> <p>23 there eventually and make your way around that</p> <p>24 way. Also, I guess I should speak to the</p> <p>25 complaint?</p>	<p>1 CHAIRMAN:</p> <p>2 Q. Sure.</p> <p>3 MS. NEWMAN:</p> <p>4 Q. On July 23rd, 2003--can everybody hear me back</p> <p>5 there? Doing all right, okay. On July 23rd,</p> <p>6 2003, the Board received a complaint from the</p> <p>7 Towns of Labrador City and Wabush, and I'll</p> <p>8 just read you the complaint now, for your</p> <p>9 information.</p> <p>10 "The Town of Labrador City and the Town</p> <p>11 of Wabush hereby make a complaint that Hydro's</p> <p>12 proposed rates for Labrador West are</p> <p>13 discriminatory and requests that the Public</p> <p>14 Utilities Board conduct a hearing into the</p> <p>15 appropriate rate calculation methodology for</p> <p>16 the Labrador Interconnected System."</p> <p>17 Upon receiving that complaint, the Board</p> <p>18 published notice of the complaint in papers</p> <p>19 throughout the Province, starting on September</p> <p>20 20th. It was scheduled to be heard in</p> <p>21 Labrador City on November 30th--on November</p> <p>22 3rd rather, and on October 29th, I believe,</p> <p>23 yes, October 29th, we received a request from</p> <p>24 the Towns, from both Towns, for a postponement</p> <p>25 of the proceedings from November 3rd. Upon</p>

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<p>1 MS. NEWMAN:</p> <p>2 receipt of the request, all the parties agreed</p> <p>3 that the proceedings could be postponed to a</p> <p>4 later date and that to do that, and to allow</p> <p>5 the experts to testify, that the experts would</p> <p>6 testify in St. John's and that Sam Banfield</p> <p>7 would testify in Labrador City. So here we</p> <p>8 are today, later scheduled to begin and the</p> <p>9 experts' testimony was heard on November 20th</p> <p>10 in St. John's. That's it.</p> <p>11 CHAIRMAN:</p> <p>12 Q. Thank you. I'll call upon Ms. Greene now, if</p> <p>13 you don't mind, to make a--yes, sure, please.</p> <p>14 (10:03 a.m.)</p> <p>15 GREENE, Q.C.:</p> <p>16 Q. Good morning, Mr. Chair, Commissioners, ladies</p> <p>17 and gentlemen. I have a brief opening</p> <p>18 statement that the Board has traditionally</p> <p>19 asked the applicant to make at the beginning</p> <p>20 of the hearing in St. John's, as well as at</p> <p>21 each public session. The comments that I have</p> <p>22 this morning deal only with the issues for the</p> <p>23 Labrador Interconnected System.</p> <p>24 As the Chair has already mentioned, Hydro</p> <p>25 filed its application in May of this year</p>	<p>1 seeking increases in the rates that it charges</p> <p>2 all of its customers. As I'm sure that the</p> <p>3 primary interest here this morning is the</p> <p>4 Labrador Interconnected System, I will deal</p> <p>5 only with that System at this time.</p> <p>6 I thought first before we actually dealt</p> <p>7 with the proposals for the Labrador</p> <p>8 Interconnected System, I would give a very</p> <p>9 brief outline of the historical context that</p> <p>10 led us here today.</p> <p>11 Hydro currently has responsibility for</p> <p>12 the Happy Valley-Goose Bay area and the</p> <p>13 Labrador West area. We assumed responsibility</p> <p>14 for these areas at different times and I would</p> <p>15 like to review that with you briefly now,</p> <p>16 because I think it helps put the current</p> <p>17 application in context.</p> <p>18 Hydro first became responsible for</p> <p>19 distribution in the Labrador East area in</p> <p>20 December 1976--the power distribution district</p> <p>21 for which Hydro assumed all responsibilities</p> <p>22 in 1989 took over the responsibility of</p> <p>23 distribution in the Goose Bay area that has</p> <p>24 previously been supplied by the Federal</p> <p>25 Department of Public Works. The issue of the</p>
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<p>1 rates charged in the Happy Valley-Goose Bay</p> <p>2 area was one of the items considered by the</p> <p>3 Public Utilities Board in its hearing on the</p> <p>4 rates charged by what was then PDD and the</p> <p>5 hearing was held in the fall of 1978 and went</p> <p>6 into 1979. The Board, in its 1979 report,</p> <p>7 made a number of recommendations which are</p> <p>8 still relevant today and which affect the</p> <p>9 issues that are before the Board today.</p> <p>10 In its 1979 report, the Board recommended</p> <p>11 that there be three separate areas for rate</p> <p>12 setting purposes. The Isolated Diesel Systems</p> <p>13 would be one system and that would include</p> <p>14 those in Labrador and those on the island.</p> <p>15 The second area would be the Island</p> <p>16 Interconnected System, and the third area,</p> <p>17 even back in 1979, the Board recommended that</p> <p>18 there be a Labrador Interconnected System.</p> <p>19 While Hydro, at that time, only had</p> <p>20 responsibility in the Happy Valley-Goose Bay</p> <p>21 area, the Board said in its report it could</p> <p>22 not overlook the fact that Happy Valley-Goose</p> <p>23 Bay was interconnected to Labrador West, and</p> <p>24 even at that time, there was an understanding</p> <p>25 that the mining companies would be</p>	<p>1 discontinuing the distribution of electricity</p> <p>2 in the towns in Labrador West. So in 1979,</p> <p>3 the Board recommended that the Labrador</p> <p>4 Interconnected area should be considered as</p> <p>5 its own distinct region for cost of service</p> <p>6 purposes and for rates.</p> <p>7 At that time, the Board recommended the</p> <p>8 specific rates to be charged in Happy Valley-</p> <p>9 Goose Bay and stated that the rates should be</p> <p>10 those charged by Newfoundland Power on the</p> <p>11 Island Interconnected System, including the</p> <p>12 application of the then fuel adjustment</p> <p>13 charge. So this was in 1979.</p> <p>14 In 1981, the rates in the Happy Valley-</p> <p>15 Goose Bay area, as a result of a Board Order,</p> <p>16 were set to be the same as charged by</p> <p>17 Newfoundland Power to its customers on the</p> <p>18 Island Interconnected System, but this time</p> <p>19 the fuel adjustment charge was dropped. The</p> <p>20 rates in the Happy Valley-Goose Bay area were</p> <p>21 frozen from this Order of the Board in 1981</p> <p>22 until 2002 when new rates were set for all of</p> <p>23 Hydro's customers. So that was the Happy</p> <p>24 Valley-Goose Bay area.</p> <p>25 Hydro next assumed responsibility for the</p>

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<p>1 GREENE, Q.C.:</p> <p>2 Town of Wabush in 1985. Wabush Mines had been</p> <p>3 providing service to the residents and</p> <p>4 businesses in the Town of Wabush under the</p> <p>5 terms in an agreement between Wabush Mines and</p> <p>6 the Public Utilities Board dated December</p> <p>7 1965. This agreement exempted Wabush Mines as</p> <p>8 a public utility under The Public Utilities</p> <p>9 Act, however a number of sections, including</p> <p>10 the obligation to provide a safe service, did</p> <p>11 apply. Apparently service in the town</p> <p>12 deteriorated and the Town of Wabush made a</p> <p>13 complaint to the Public Utilities Board in the</p> <p>14 1980s which led to an independent study by the</p> <p>15 Public Utilities Board. At that time, in</p> <p>16 early 1985, the Board wrote to Wabush Mines</p> <p>17 and ordered it to upgrade the system to a safe</p> <p>18 and reliable system. Discussions then</p> <p>19 followed between the Government of</p> <p>20 Newfoundland and Labrador, Wabush Mines, and</p> <p>21 Hydro, and it was agreed that Hydro would take</p> <p>22 over responsibility for the electrical</p> <p>23 distribution system in the town and Hydro</p> <p>24 would upgrade it to the required distribution</p> <p>25 standards, with Wabush Mines making a</p>	<p>1 significant contribution in aid of</p> <p>2 construction of \$3 million.</p> <p>3 So in 1985, the Public Utilities Board</p> <p>4 approved Wabush Mines discontinuing service in</p> <p>5 the Town, and approved Hydro assuming</p> <p>6 responsibility. The rates charged to</p> <p>7 customers at that time remained as they were</p> <p>8 until the end of 1985, and then we had two</p> <p>9 hearings in Wabush with respect to the rates</p> <p>10 to be charged. The rates were increased in</p> <p>11 1986 and again, new rates were set in 1987 and</p> <p>12 1988, and I was at the public hearing with</p> <p>13 respect to the rates in Wabush back in the</p> <p>14 80s. So new rates were set and they were not</p> <p>15 changed until 2002.</p> <p>16 Looking now at Labrador City, Hydro</p> <p>17 assumed responsibility for the distribution</p> <p>18 system in Labrador City in 1992. Again, there</p> <p>19 were discussions between Hydro and the Iron</p> <p>20 Ore Company of Canada, as the mining company</p> <p>21 wished to remove itself from the distribution</p> <p>22 of electricity in the Town. IOC, like Wabush</p> <p>23 Mines, had an agreement with the Public</p> <p>24 Utilities Board which had exempted it as a</p> <p>25 public utility under The Public Utilities Act.</p>
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<p>1 Again, it was agreed that there would be</p> <p>2 upgrading to the distribution system in</p> <p>3 Labrador City and the Iron Ore Company of</p> <p>4 Canada made contributions to the upgrading of</p> <p>5 that system.</p> <p>6 At the time of Hydro assuming</p> <p>7 responsibility for the distribution system,</p> <p>8 the Board approved Hydro charging the same</p> <p>9 rates as had been charged by IOC at the time</p> <p>10 of the takeover, and the rates remained the</p> <p>11 same until 2002.</p> <p>12 The issue of the cost of service</p> <p>13 methodology which Hydro uses to set rates for</p> <p>14 all customers was reviewed by the Board</p> <p>15 beginning in 1992. One of the issues</p> <p>16 considered in the hearing was the appropriate</p> <p>17 methodology to be used for the Labrador</p> <p>18 Interconnected System, and that is for the</p> <p>19 Happy Valley-Goose Bay area and for Labrador</p> <p>20 West.</p> <p>21 In February 1993, the Board, following a</p> <p>22 hearing at which there were experts on the</p> <p>23 cost of service, issued its report and</p> <p>24 recommended that there be one cost of service</p> <p>25 study for the Labrador Interconnected System.</p>	<p>1 The Towns of Labrador City and Wabush were</p> <p>2 represented during this hearing, as they were</p> <p>3 during the rate hearings held back in the 80s</p> <p>4 on the rates to be set here in this area.</p> <p>5 The issue of the rates charged by Hydro</p> <p>6 to all of its customers, its direct customers,</p> <p>7 was again considered by the Public Utilities</p> <p>8 Board in a hearing which began in 1995 and in</p> <p>9 its 1996 report, the Board made a number of</p> <p>10 recommendations with respect to Hydro's rural</p> <p>11 customers and with respect to Labrador, the</p> <p>12 Board again recommended that there be a</p> <p>13 separate cost of service study for the</p> <p>14 Labrador Interconnected System, including</p> <p>15 Labrador West and the Happy Valley-Goose Bay</p> <p>16 area.</p> <p>17 The issue was raised again during our</p> <p>18 last general rate application, which was</p> <p>19 commenced in 2001 and in which the Order of</p> <p>20 the Board was issued in 2002. In its</p> <p>21 decision, the Board again found that the</p> <p>22 Labrador Interconnected System should be</p> <p>23 treated as one system for the purposes of</p> <p>24 setting rates for the customers that we serve</p> <p>25 in these areas, and they directed that Hydro</p>

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<p>1 GREENE, Q.C.:</p> <p>2 file a five-year plan for the commencement of</p> <p>3 the phase in of the uniform Labrador</p> <p>4 Interconnected rates.</p> <p>5 We can see from that brief outline of the</p> <p>6 history that the issue of the appropriate</p> <p>7 rates for Labrador East and Labrador West has</p> <p>8 had a very long history. It began in 1979,</p> <p>9 with the first report of the Public Utilities</p> <p>10 Board. It was addressed again in 1993, 1996</p> <p>11 and 2002.</p> <p>12 Following the filing of our General Rate</p> <p>13 Application in May of this year, the</p> <p>14 Lieutenant Governor-in-Council directed the</p> <p>15 Board to consider once again whether it was</p> <p>16 appropriate to consider Labrador East and</p> <p>17 Labrador West as one area for the purpose of</p> <p>18 setting rates, or whether it should be</p> <p>19 considered as two distinct areas, and that is</p> <p>20 one of the issues before the Board in this</p> <p>21 hearing and I'm sure it's one of the issues we</p> <p>22 will be talking about today.</p> <p>23 I'd like now to turn very briefly to what</p> <p>24 Hydro's proposals are at this time. As I</p> <p>25 mentioned in the last Order of the Board that</p>	<p>1 was in 2002, the Board directed Hydro to</p> <p>2 commence the phase in of uniform rates over a</p> <p>3 five-year period, and Hydro did file that</p> <p>4 proposal with its May application. Evidence</p> <p>5 was filed by Hydro and this morning you will</p> <p>6 hear from Mr. Sam Banfield, as Director of</p> <p>7 Customer Services, outlining what the specific</p> <p>8 proposed changes are for each of the rate</p> <p>9 classes.</p> <p>10 After we filed our General Rate</p> <p>11 Application in May, it had also been agreed</p> <p>12 that we would update the data used in that</p> <p>13 application. I'm sure you will appreciate</p> <p>14 that these processes are lengthy. They're</p> <p>15 also complicated. At the time we filed, we</p> <p>16 had used data that was from the end of 2002</p> <p>17 and early 2003, with forecasts for such things</p> <p>18 as foreign exchange rates, interest rates and</p> <p>19 No. 6 fuel prices that were current at that</p> <p>20 time. So as part of the normal process in</p> <p>21 these rate applications, Hydro filed an update</p> <p>22 to reflect more current information, including</p> <p>23 more current forecasts of such things as</p> <p>24 interest rates and foreign exchange rates.</p> <p>25 On October 31st of this year, Hydro filed</p>
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<p>1 a revised application to reflect this more</p> <p>2 recent data, which is part of the normal</p> <p>3 process. This revision affected the rates</p> <p>4 charged by Hydro to all of its customers on</p> <p>5 the Island Interconnected System and the rates</p> <p>6 here in Labrador. The October 31st revision</p> <p>7 contained two changes from the previous filing</p> <p>8 which did impact the rates that we are</p> <p>9 proposing for the Labrador Interconnected</p> <p>10 System. The two changes being a reduction in</p> <p>11 the revenue credit that gets applied as a</p> <p>12 result of secondary sales to Five-Wing Goose</p> <p>13 Bay, and an increase in cost associated with</p> <p>14 the terminal station here in Wabush, over and</p> <p>15 above what we had included in the previous</p> <p>16 filing. The revised evidence of Mr. Banfield</p> <p>17 explains the changes in the filing and</p> <p>18 explains how it impacts the rates proposed.</p> <p>19 I'd like now to briefly outline what the</p> <p>20 proposed rates are. We are proposing, as I</p> <p>21 mentioned, a five-year phase in of uniform</p> <p>22 rates. This involves the fact it would be</p> <p>23 automatic rate adjustments on January 1 of</p> <p>24 each year until 2008. With regard first to</p> <p>25 2004, Hydro is proposing, as a result of the</p>	<p>1 current rates in effect in Happy Valley-Goose</p> <p>2 Bay area, that there would be no increase in</p> <p>3 the rates charged to domestic customers there.</p> <p>4 In the Labrador West area for 2004,</p> <p>5 approximately 86 percent of the domestic</p> <p>6 customers in Labrador West would see increases</p> <p>7 of between 25 and 29 percent, and we will</p> <p>8 explain the reasons for the proposed rates</p> <p>9 through Mr. Banfield's evidence.</p> <p>10 In the general service class, which are</p> <p>11 the small businesses, general service 2.1, in</p> <p>12 the Happy Valley-Goose Bay area 27 percent of</p> <p>13 those customers will see increases of between</p> <p>14 21 and 28 percent, and 30 percent of the</p> <p>15 customers will see increases of between 28 and</p> <p>16 34 percent. That's in the Happy Valley-Goose</p> <p>17 Bay area. In Labrador West, the general</p> <p>18 service customers will have various increases,</p> <p>19 depending on the rate class that they are in</p> <p>20 and the actual percentage increases for each</p> <p>21 of those classes are explained in Mr.</p> <p>22 Banfield's evidence.</p> <p>23 Hydro had originally proposed the rate</p> <p>24 increases for any customer group be limited to</p> <p>25 20 percent. However, with the reduction in</p>

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<p>1 GREENE, Q.C.:</p> <p>2 the credit through the Five-Wing Goose Bay</p> <p>3 sales, this was not possible to achieve a</p> <p>4 five-year phase in for the uniform rate</p> <p>5 structure. So that is why some of the</p> <p>6 customer groups see increases in excess of 20</p> <p>7 percent.</p> <p>8 I would like to point out that the rates</p> <p>9 that I just very briefly outlined and that are</p> <p>10 in detail in Mr. Banfield's evidence are based</p> <p>11 on Hydro's October 31st revision, and they are</p> <p>12 based on the assumptions that were used by</p> <p>13 Hydro in filing that application. Obviously</p> <p>14 they may not be the final rates that are</p> <p>15 actually implemented because that depends on</p> <p>16 the Board Order and the disposition of the</p> <p>17 various issues that arise in this case.</p> <p>18 During any rate case, there are revisions as</p> <p>19 the case proceeds and the final rates aren't</p> <p>20 known until we receive the actual Board Order.</p> <p>21 So again, this is a lengthy process. We</p> <p>22 actually started preparing for this</p> <p>23 application well over a year ago, and it will</p> <p>24 be another period of time before we receive</p>	<p>1 the order. And in the course of that process,</p> <p>2 there are revisions, there are changes, and we</p> <p>3 did have a revision here in the October 31st</p> <p>4 filing. We had one in the August filing. And</p> <p>5 undoubtedly the rates that flow from this will</p> <p>6 depend on the actual decisions of the Board</p> <p>7 following the conclusion of the hearing.</p> <p>8 So that's a very brief outline of the</p> <p>9 issues affecting the Labrador Interconnected</p> <p>10 System. As I mentioned at the beginning, I</p> <p>11 didn't plan to go through the other rate</p> <p>12 classes, such as the Industrial Customers on</p> <p>13 the island or the Island Interconnected</p> <p>14 customers or the Isolated Rural Customers at</p> <p>15 this time because I don't think that is the</p> <p>16 interest of the audience that's here today.</p> <p>17 Through Mr. Banfield, we will be explaining</p> <p>18 what the increases are for the various</p> <p>19 customer classes, and at this time, I would</p> <p>20 like to thank you for your attention and</p> <p>21 hopefully you found some of the information</p> <p>22 useful to you in your review of some of the</p> <p>23 issues. Thank you.</p> <p>24 CHAIRMAN:</p> <p>25 Q. Thank you, Ms. Greene. I'm now going to call</p>
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<p>1 upon two presenters from the Iron Ore Company</p> <p>2 of Canada, if you'd come forward please.</p> <p>3 First of all -</p> <p>4 MR. PORTER:</p> <p>5 A. Excuse me, Mr. Chairman, representatives from</p> <p>6 the Iron Ore Company of Canada and Wabush</p> <p>7 Mines.</p> <p>8 CHAIRMAN:</p> <p>9 Q. And Wabush Mines, yes, apologize for that.</p> <p>10 Mr. Dave Porter, who is Vice-President of</p> <p>11 Human Resources with the Iron Ore Company of</p> <p>12 Canada.</p> <p>13 MR. DAVID PORTER (SWORN)</p> <p>14 CHAIRMAN:</p> <p>15 Q. Thank you. Next is Mr. John McGrath, who's</p> <p>16 Director of Human Resources with Wabush Mines.</p> <p>17 MR. JOHN MCGRATH (SWORN)</p> <p>18 CHAIRMAN:</p> <p>19 Q. Thank you very much. When you're ready,</p> <p>20 gentlemen, and get organized here. We're just</p> <p>21 going to move over here now.</p> <p>22 (10:22 a.m.)</p> <p>23 MR. PORTER:</p> <p>24 A. Actually, if you don't mind, I'm going to</p> <p>25 stand here. It'll give me a bit of a chance</p>	<p>1 to project -</p> <p>2 CHAIRMAN:</p> <p>3 Q. Okay.</p> <p>4 MR. PORTER:</p> <p>5 A. I think you'll be able to pick my voice up on</p> <p>6 the mike. Mr. Chair, Commissioners, first of</p> <p>7 all, I'd like, on behalf of the Iron Ore</p> <p>8 Company of Canada and Wabush Mines to thank</p> <p>9 you for the opportunity to present to you this</p> <p>10 morning. As was indicated in the</p> <p>11 introductions, my name is Dave Porter. I have</p> <p>12 responsibility for community matters at the</p> <p>13 Iron Ore Company of Canada and my colleague,</p> <p>14 John McGrath has interest in the same sort of</p> <p>15 matters on behalf of Wabush Mines.</p> <p>16 The matter before us today has actually</p> <p>17 been something that the two iron ore companies</p> <p>18 have been involved in for some time, along</p> <p>19 with the other members of the community, and</p> <p>20 one of the reasons for that is the</p> <p>21 significantness of this issue on our</p> <p>22 businesses. If I could, before we start</p> <p>23 through the agenda, leave with the short form</p> <p>24 take-away from our presentation this morning,</p> <p>25 it would be very simply three things, and I'd</p>

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<p>1 MR. PORTER:</p> <p>2 ask that you keep these in the back of your</p> <p>3 mind for your deliberations.</p> <p>4 The first take-away would be that the</p> <p>5 proposal for the residential rate increases in</p> <p>6 Labrador West would not a trivial matter to</p> <p>7 either the residents or the iron ore companies</p> <p>8 in Labrador West. These are, in fact, very</p> <p>9 significant issues to us.</p> <p>10 The second one would be that it is our</p> <p>11 view that the Iron Ore Company of Canada and</p> <p>12 Wabush Mines have already paid a significant</p> <p>13 sum of money for costs that are now being</p> <p>14 redistributed across Labrador and in fact, the</p> <p>15 net result of that will be for us to pay for</p> <p>16 those things twice.</p> <p>17 The third take-away would be is if there</p> <p>18 was ever in the history of the iron ore</p> <p>19 business not a time to pass costs on to IOC</p> <p>20 and Wabush Mines, it would be now, and I'd ask</p> <p>21 you to keep those three thoughts in the back</p> <p>22 of your mind.</p> <p>23 Bear with us. Our evidence is going to</p> <p>24 be with respect to our business, with respect</p> <p>25 to where we are in--not so much in the light</p>	<p>1 of electrical expertise.</p> <p>2 The impact of the Labrador Interconnect,</p> <p>3 as its been referred to in these hearings, on</p> <p>4 the mine is significant, and as we said would</p> <p>5 have the net effect of IOC and Wabush paying</p> <p>6 twice for infrastructure. Labrador West</p> <p>7 infrastructure was paid for by the mines when</p> <p>8 it was originally put in place, as you heard,</p> <p>9 back in the 60s, through an organization</p> <p>10 called Twinco, which exists to today and is</p> <p>11 involved in the transmission of high voltage</p> <p>12 electricity from Churchill Falls into Labrador</p> <p>13 West. Secondly, as you heard a couple of</p> <p>14 moments ago, both local distribution systems</p> <p>15 were built and established by the mining</p> <p>16 companies and turned over to Newfoundland</p> <p>17 Hydro for nominal fees, with investments being</p> <p>18 made after that turnover to upgrade those</p> <p>19 distribution systems to Hydro's standards.</p> <p>20 The second point there is that truly the</p> <p>21 two iron ore mining companies are the reasons</p> <p>22 for Labrador West and Labrador West are the</p> <p>23 reasons that the two mining companies are able</p> <p>24 to survive. We're inextricably linked and the</p> <p>25 cost of living in Labrador West is an</p>
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<p>1 important factor in being able to attract and</p> <p>2 to retain qualified, skilled people to make</p> <p>3 our businesses successful. In fact, from the</p> <p>4 very beginning, back in the 60s when IOC and</p> <p>5 Wabush owned these systems themselves,</p> <p>6 decisions were made to provide these services</p> <p>7 at costs that were obviously highly subsidized</p> <p>8 for the purposes of being able to attract and</p> <p>9 retain those people. That from the iron ore</p> <p>10 business is what it's all about.</p> <p>11 I'd like to cover four things. First of</p> <p>12 all, if you would bear with us, I'd like to</p> <p>13 overview a little bit about our businesses and</p> <p>14 our linkages with Labrador West and in</p> <p>15 particular, our contributions. Secondly, I'd</p> <p>16 like to talk a little bit about the electrical</p> <p>17 infrastructure history, which has already been</p> <p>18 talked about. Thirdly, I'd like to talk about</p> <p>19 the impact of the Interconnect rate on the</p> <p>20 mines and in particular, where we are in our</p> <p>21 business right now. And lastly, talk a little</p> <p>22 bit about IOC's energy consumption reduction</p> <p>23 initiative as part of something that we feel</p> <p>24 is very important as we go forward.</p> <p>25 First of all, a little bit of context for</p>	<p>1 those of you that haven't spent a lot of time</p> <p>2 here, Labrador City and Wabush, located in</p> <p>3 western Labrador. Iron in other metal mines</p> <p>4 in the world are generally not located close</p> <p>5 to major centres. It's a reality that we have</p> <p>6 to deal with, but it is a significant factor</p> <p>7 in terms of being able to attract and retain</p> <p>8 qualified people. Folks like to live in areas</p> <p>9 where they have better services and there</p> <p>10 therefore needs to be offsetting opportunities</p> <p>11 for people to come and live and continue to</p> <p>12 live in Labrador West. That's why the</p> <p>13 decisions were made starting way back in the</p> <p>14 very beginning of the development of the</p> <p>15 community and the organization here in</p> <p>16 Labrador West and continues through to today.</p> <p>17 That linkage of history is very important.</p> <p>18 It's said that golf is a game that</p> <p>19 involves putting a small hole in an even</p> <p>20 smaller hole with tools entirely designed</p> <p>21 incorrectly for the job. If you were to pick</p> <p>22 a place to mine iron ore, it would not be</p> <p>23 Labrador West, because the circumstances and</p> <p>24 the conditions are likely amongst the harshest</p> <p>25 in the earth and everyone else that we compete</p>

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<p>1 MR. PORTER:</p> <p>2 with around the face of the earth, all work in</p> <p>3 more advantageous circumstances than do IOC or</p> <p>4 Wabush, and in fact, the use of electricity is</p> <p>5 a key component to us being able to do that.</p> <p>6 The iron ore mines in Labrador West are</p> <p>7 involved in three different types of products.</p> <p>8 Essentially we sell only two, and there's a</p> <p>9 real good logical market reason for that. We</p> <p>10 mine ore. That ore gets upgraded to</p> <p>11 concentrate. What that upgrading process does</p> <p>12 is remove fundamentally impurities and</p> <p>13 increase the iron content and for both mining</p> <p>14 companies, we then turn that concentrate into</p> <p>15 something called an iron ore pellet. What</p> <p>16 sits there before you in the picture doesn't</p> <p>17 look very sophisticated, but in fact, those</p> <p>18 products are valued around the world by the</p> <p>19 steel industry and what makes both of our</p> <p>20 businesses successful is our ability to add</p> <p>21 that value and that value comes from the use</p> <p>22 of power and people's skills. We can do it</p> <p>23 better than anyone else in the world. We</p> <p>24 pride ourselves on that. Our customers credit</p> <p>25 us for that, and it's all part of a successful</p>	<p>1 formula.</p> <p>2 You're sitting here in kind of the middle</p> <p>3 right-hand side of that picture, Labrador</p> <p>4 City, a mining community incorporated in 1962,</p> <p>5 population of about 9,000 people. As I</p> <p>6 mentioned earlier, harsh climatic environment,</p> <p>7 something that everybody takes into</p> <p>8 consideration when they consider moving to</p> <p>9 Labrador West to work for the iron ore</p> <p>10 companies. In terms of hydroelectric</p> <p>11 distribution, you might notice a very neat</p> <p>12 compact footprint, an issue in terms of cost</p> <p>13 distribution.</p> <p>14 Wabush, same sort of look, different</p> <p>15 size, incorporated slightly later in 1967,</p> <p>16 population of about 2,300 people, also</p> <p>17 fundamentally residents for the purposes of</p> <p>18 working at the two iron ore mines.</p> <p>19 A little bit of background on what we do</p> <p>20 as a business and why it's so important that</p> <p>21 we do it best. On an annual production basis</p> <p>22 in mining ore, the left-hand side of that</p> <p>23 picture is IOC's largest (unintelligible) main</p> <p>24 pit. From that and one other mining area, we</p> <p>25 remove between 36 and 43 million tonnes of</p>
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<p>1 product a year. To put in context, that would</p> <p>2 build a small ski mountain every year. It's</p> <p>3 important for us to work in that volume to be</p> <p>4 competitive in the business we're in. The</p> <p>5 reserves are huge, about 1.4 billion tonnes.</p> <p>6 If you do the math, we have about 50 years of</p> <p>7 opportunity to continue to produce from</p> <p>8 Labrador West, and the resources are estimated</p> <p>9 to be about four billion tonnes. So we have</p> <p>10 quite an opportunity to continue to build on a</p> <p>11 history of success here. Wabush Mines</p> <p>12 production rate is slightly smaller, but many</p> <p>13 of the same fundamentals, at about 17 million</p> <p>14 tonnes.</p> <p>15 I mentioned the product types that we</p> <p>16 have. The first is concentrate. The iron in</p> <p>17 Labrador West is mined on average at about a</p> <p>18 38 percent iron content. The people that we</p> <p>19 compete with in the world actually mine it at</p> <p>20 closer to 60 percent iron content. It's very</p> <p>21 important for us to upgrade our product to</p> <p>22 that standard. The way that we do that is</p> <p>23 through something we call a concentrator,</p> <p>24 which is a massive structure that works</p> <p>25 separating silica and iron. This is the</p>	<p>1 Wabush concentrator at six million tonnes of</p> <p>2 capacity. Next, I'll show you the IOC</p> <p>3 concentrator, which is in the foreground of</p> <p>4 this picture, with about 17 million tonnes of</p> <p>5 capacity and plans an opportunity to increase</p> <p>6 it between 20 and 21 million tonnes. In the</p> <p>7 background is the IOC pellet plant, which is</p> <p>8 located here in Labrador West and its current</p> <p>9 capacity is 12.5 million tonnes. I guess what</p> <p>10 we wanted to do is give you a sense of the</p> <p>11 size, a sense of the investment, and a sense</p> <p>12 of the magnitude of the initiative we have on</p> <p>13 the go here in Labrador West.</p> <p>14 Once both companies have managed to make</p> <p>15 either concentrator or pellets at this point</p> <p>16 in time, we need to get the product to</p> <p>17 customers. That happens through a railway</p> <p>18 that's wholly owned by the Iron Ore Company of</p> <p>19 Canada called the Quebec North Shore and</p> <p>20 Labrador Railway, which operates 588</p> <p>21 kilometres of railway, including services from</p> <p>22 Sept-Iles to Schefferville and into Labrador</p> <p>23 West. It's a modest railway by international</p> <p>24 standards, but it does have 27 sidings, two</p> <p>25 tunnels, nine bridges and the most snowfall of</p>

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<p>1 MR. PORTER:</p> <p>2 any operating railway in the world.</p> <p>3 The end point for our product is Sept-</p> <p>4 Iles, Quebec, which takes about ten or twelve</p> <p>5 hours to get to, steaming down that line.</p> <p>6 Population of Sept-Iles is about 25,500 people</p> <p>7 and our claim to fame in Sept-Iles is it is a</p> <p>8 deep water port accessible year round. The</p> <p>9 iron ore business is an international business</p> <p>10 and our ability to ship year round is a key</p> <p>11 factor to us. It is also one of the three</p> <p>12 largest Canadian ports for tonnage handled and</p> <p>13 that is a factor of the two iron ore</p> <p>14 companies.</p> <p>15 In Wabush's case, the pellet plant is</p> <p>16 located in Sept-Iles, a model that is actually</p> <p>17 more common in the world iron ore business</p> <p>18 than IOC's. You can see the capacity in the</p> <p>19 match up of the Wabush concentrator of six</p> <p>20 million tonnes, same sort of configuration as</p> <p>21 IOC, same sort of investment.</p> <p>22 This is the IOC terminal. The secret to</p> <p>23 success is moving large volumes of material.</p> <p>24 You heard me reference a little earlier ski</p> <p>25 hills. You'll see the piles of stock. The</p>	<p>1 lighter coloured material is concentrate. The</p> <p>2 darker coloured material is pellets. This is</p> <p>3 how it gets handled onto oceangoing vessels</p> <p>4 and it's the essence of moving these large</p> <p>5 volumes that make our cost competitive and</p> <p>6 allow us to survive in the world marketplace.</p> <p>7 Just to put in a little bit of context, I</p> <p>8 mentioned that the iron ore mines depend on</p> <p>9 the communities and the communities depend on</p> <p>10 the iron ore mines. The impact to Labrador</p> <p>11 West of the two iron ore mines directly is to</p> <p>12 employ currently 1790 people. We invest 137</p> <p>13 million dollars locally in Labrador City and</p> <p>14 Wabush in salaries and wages. We purchase</p> <p>15 about 157 million dollars a year in the</p> <p>16 Province of Newfoundland and Labrador, and we</p> <p>17 pay municipally and to the province about 20</p> <p>18 million dollars in taxes. Over and above</p> <p>19 that, we contribute about two million dollars</p> <p>20 annually directly into community initiatives</p> <p>21 and community impacts, including education.</p> <p>22 When I mentioned earlier that the issue</p> <p>23 before the Board today is not insignificant to</p> <p>24 the iron ore mines, we'd like you to draw the</p> <p>25 point that we're not insignificant to the</p>
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<p>1 economy of the Province and our wellbeing is</p> <p>2 somewhat intertwined and interdependent.</p> <p>3 These are direct numbers. If you were an</p> <p>4 economist, you'd be looking at those numbers</p> <p>5 and using some sort of a theoretical</p> <p>6 multiplier factor to consider our impact on</p> <p>7 the Province's economy to be considerably more</p> <p>8 than that.</p> <p>9 We think that the history of</p> <p>10 infrastructure and payment in Labrador and</p> <p>11 Labrador West in particular actually goes back</p> <p>12 much further than the 70s that were mentioned</p> <p>13 earlier this morning, right back to 1963 when,</p> <p>14 in fact, in a joint venture between CF(L)Co,</p> <p>15 the Iron Ore Company of Canada, Wabush Mines,</p> <p>16 the Twin Falls Power Corporation was created.</p> <p>17 The first generating facility in Labrador was</p> <p>18 constructed and so too was the infrastructure</p> <p>19 to transmit that high voltage power to</p> <p>20 Labrador West. Shortly after the distribution</p> <p>21 systems for both communities were created, our</p> <p>22 point being at that point in time, this was</p> <p>23 hydro distribution in Labrador and it was</p> <p>24 principally financed by the two iron ore</p> <p>25 companies. That infrastructure that I</p>	<p>1 mentioned a moment ago is the infrastructure</p> <p>2 that gets used to deliver hydroelectricity in</p> <p>3 Labrador West today.</p> <p>4 In 1974, the waters diverted away from</p> <p>5 the Twin Falls dam in order to allow the</p> <p>6 capacity to be built for Churchill Falls and</p> <p>7 the source of power from Churchill Falls was</p> <p>8 put in place.</p> <p>9 As counsel for Hydro mentioned a minute</p> <p>10 ago, 1985 was the beginning point for the</p> <p>11 transition of the local distribution systems</p> <p>12 from the mining companies to Hydro. It began</p> <p>13 with Wabush Mines. Again, the movement of</p> <p>14 ownership of that distribution system was at a</p> <p>15 nominal fee of a dollar and Wabush provided</p> <p>16 Hydro with three million dollars thereafter to</p> <p>17 upgrade the system to those standards. You</p> <p>18 heard a little bit about the reasons why. IOC</p> <p>19 came a little bit later, again wanting to move</p> <p>20 back into our core business, and in</p> <p>21 particular, wanting not to invest time and</p> <p>22 effort and resources in managing local</p> <p>23 distribution. The same process occurred, the</p> <p>24 same outcome occurred. The upgrade that was</p> <p>25 available to the Newfoundland Hydro</p>

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<p>1 MR. PORTER:</p> <p>2 organization to use on the IOC portion of the</p> <p>3 system in Labrador West and Lab City was 2.5</p> <p>4 million, and in fact, that wasn't the full</p> <p>5 amount that was allocated at that point in</p> <p>6 time. So the system was brought up to pretty</p> <p>7 good status.</p> <p>8 Our information indicates that the</p> <p>9 distribution assets were turned over in good</p> <p>10 condition and since that time, approximately</p> <p>11 ten million dollars has been spent upgrading</p> <p>12 those assets. So if you think about it, in</p> <p>13 between 18 and 11 years, depending on which</p> <p>14 system, about ten million dollars as been</p> <p>15 spent on maintenance and upgrading on a system</p> <p>16 that is over 40 years old. I think that would</p> <p>17 stand a good indication of its status.</p> <p>18 When both mining companies transferred</p> <p>19 these assets, we did so with the expectation</p> <p>20 that rate increases in the future would be</p> <p>21 based on actual cost of services to the</p> <p>22 communities. We understand the business that</p> <p>23 Hydro is in. We understand the impact of</p> <p>24 costs and we fully expected that over time,</p> <p>25 the costs would be adjusted, based on the</p>	<p>1 realities. There was no expectation that that</p> <p>2 cost would be adjusted based on a broader</p> <p>3 declaration of the definition of a cost base.</p> <p>4 The hydro system was not the only thing</p> <p>5 that was constructed by the iron ore mines in</p> <p>6 the beginning. It included everything from</p> <p>7 the houses for our employees to all of the</p> <p>8 community infrastructure. Literally</p> <p>9 everything in both communities was built by</p> <p>10 the mining companies and over the last two and</p> <p>11 a half decades, in fact, that's evolved to</p> <p>12 being a self-managed vibrant community in both</p> <p>13 Lab City and Wabush. We did that for the sole</p> <p>14 purpose of being able to attract and retain</p> <p>15 good quality people. It's absolutely key to</p> <p>16 our survival and our ability to do so in the</p> <p>17 future.</p> <p>18 The availability of hydro at the rates</p> <p>19 and prices that it is, is one of a number of</p> <p>20 elements that we worked very hard at, being</p> <p>21 able to provide people who would come and live</p> <p>22 in Labrador West in the conditions and</p> <p>23 environments we have. As I mentioned, that's</p> <p>24 why also we paid for the installation of the</p> <p>25 infrastructure.</p>
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<p>1 If the Board finds the creation of a</p> <p>2 common Labrador rate, it in fact indirectly</p> <p>3 spreads what is currently a mining company</p> <p>4 finance subsidy across all of Labrador, and</p> <p>5 that will be at the detriment of the mining</p> <p>6 companies.</p> <p>7 We're not professionals in the</p> <p>8 interconnect system and actually, our art</p> <p>9 isn't that good either, but we wanted to tell</p> <p>10 you a little bit about our perspective on</p> <p>11 this. Our understanding of an interconnect</p> <p>12 system is that it has a series of consumers of</p> <p>13 hydroelectricity and generators of</p> <p>14 hydroelectricity in a format where at any</p> <p>15 given time the generators can't tell where</p> <p>16 their power is going necessarily, and the</p> <p>17 consumers can't tell where their power is</p> <p>18 coming from necessarily. The Labrador model</p> <p>19 is quite different. It's different on the</p> <p>20 right-hand side, and in fact, there is one</p> <p>21 fundamental generating point, a second I'll</p> <p>22 come back to in a moment, and the power goes</p> <p>23 off in two separate directions.</p> <p>24 As I pointed out earlier, everything to</p> <p>25 the left of the Churchill Falls light bulb</p>	<p>1 there was initially financed and put in place</p> <p>2 by the Iron Ore Company of Canada and Wabush</p> <p>3 Mines. Today, the power is wheeled for</p> <p>4 residential customers over that same high</p> <p>5 voltage infrastructure, which continues in</p> <p>6 large measure to be financed by those two</p> <p>7 organizations and distributed through the</p> <p>8 local distribution system.</p> <p>9 Unlike the interconnected system, our</p> <p>10 view is that we have truly two different</p> <p>11 systems here between Labrador West and</p> <p>12 Labrador East. We understand that there is a</p> <p>13 backup generator in Happy Valley-Goose Bay.</p> <p>14 Unfortunately, we have no impact or</p> <p>15 involvement in how that was put in place. Our</p> <p>16 information is that its generating capability</p> <p>17 is not sufficient to be an alternative to</p> <p>18 transmit power to Labrador West, and one of</p> <p>19 the proofs of that was when we considered the</p> <p>20 potential for a millennium disaster in 2000,</p> <p>21 all of the plans around alternative power</p> <p>22 sources in Labrador West were around</p> <p>23 generating power in Labrador West with diesel</p> <p>24 engines that Wabush Mines and IOC were going</p> <p>25 to bring in. That's an indication of how the</p>

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<p>1 MR. PORTER:</p> <p>2 dependency occurs and how the system is truly</p> <p>3 not interconnected.</p> <p>4 Make no mistake, the source of all wealth</p> <p>5 in Labrador West is the iron ore that comes</p> <p>6 out of the ground and the two mining companies</p> <p>7 that do that. As a result, ultimately and</p> <p>8 effectively, all costs eventually go back to</p> <p>9 that point. Any costs that currently come</p> <p>10 back into the community get transmitted back</p> <p>11 onto the iron ore producers as higher costs</p> <p>12 from local suppliers, employees demands to</p> <p>13 maintain living standards, and greater</p> <p>14 difficulty in being able to attract and retain</p> <p>15 top quality people. We simply cannot afford</p> <p>16 to bear that cost twice, and our view is that</p> <p>17 that's what this application would have the</p> <p>18 effect of doing.</p> <p>19 A little bit about our business. We</p> <p>20 plastered up a few headlines there, most of</p> <p>21 what anybody in the room would have previously</p> <p>22 seen. The iron ore business lives to survive</p> <p>23 and supply the steel industry in the world.</p> <p>24 Steel industry in the world has gone through</p> <p>25 huge adjustments in the last decade, and in</p>	<p>1 particular, North American steel industry more</p> <p>2 so in the last two to five years. You'll see</p> <p>3 mention there about Stelco, a major partner</p> <p>4 and player in Wabush Mines, talking about</p> <p>5 bankruptcy protection, talking about</p> <p>6 insolvency, a cornerstone of Canadian economy</p> <p>7 that never would have been considered to have</p> <p>8 been in that situation a few years ago. One</p> <p>9 of the original owners of IOC, Bethlehem</p> <p>10 Steel, in fact when Chapter 11 last year.</p> <p>11 There were two major US owners, Bethlehem and</p> <p>12 National Steel. Both of them have gone</p> <p>13 Chapter 11. Both of them have been</p> <p>14 restructured, and in one case, the Iron Ore</p> <p>15 Company of Canada sustained a considerable</p> <p>16 loss as a result of supplying product for</p> <p>17 which we were never paid.</p> <p>18 The challenge on the industry is huge.</p> <p>19 The pressure on price amazing, and you'll see</p> <p>20 that after its acquisition of IOC through the</p> <p>21 purchase of North in originally 1997, Rio had</p> <p>22 to take a writedown of 235 million dollars in</p> <p>23 IOC's value. That's because the marketplace</p> <p>24 views the world that we work in as being very</p> <p>25 tough.</p>
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<p>1 A little bit about price in our world,</p> <p>2 because we don't have the same forum to go to</p> <p>3 and we don't have the opportunity to justify a</p> <p>4 return on our investment. This is the price</p> <p>5 line for pellets that are made here in</p> <p>6 Labrador West by both companies to be</p> <p>7 delivered into Rotterdam which is a world</p> <p>8 benchmark price. This is a published price</p> <p>9 over the period 1977 to 2003. The average of</p> <p>10 that period is to see a real terms price</p> <p>11 reduction of two percent. That's the world</p> <p>12 and the business we have to survive in. There</p> <p>13 was a lot of conversation earlier this year</p> <p>14 about the iron ore business sustaining a 10.3</p> <p>15 percent price increase, something that we</p> <p>16 applauded and were very pleased to hear. What</p> <p>17 then happened, and counsel for Hydro made</p> <p>18 mention of this a couple of minutes ago, is</p> <p>19 the Canadian dollar started to appreciate. In</p> <p>20 fact, over the period of the year, swung</p> <p>21 almost 17 percent. The net effect is that the</p> <p>22 10.3 percent price increase that we were so</p> <p>23 enthusiastic about last February when we first</p> <p>24 heard about it has in fact turned to, in real</p> <p>25 terms, 4.1 percent price decrease again in</p>	<p>1 2003, likely the best year in our business in</p> <p>2 the last two decades.</p> <p>3 This is a busy chart which has a lot of</p> <p>4 information on it. I just wanted to give you</p> <p>5 an opportunity to get a bit of a perspective</p> <p>6 on the business we're in. Along the bottom of</p> <p>7 the chart are the volume tonnages of the</p> <p>8 various shipping companies that the two iron</p> <p>9 ore mining companies in Labrador West tend to</p> <p>10 compete with. The wider the bar, the broader</p> <p>11 the volume. The narrower the bar, the smaller</p> <p>12 the volume. You'll see a line going up almost</p> <p>13 through the middle of the chart, just slightly</p> <p>14 to the right, of a 100 million tonnes. Most</p> <p>15 of the players on the left-hand side of that</p> <p>16 are what are called Seaborne market players.</p> <p>17 They distribute their product into the</p> <p>18 Seaborne market, which means that they can</p> <p>19 move their product in large vessels, which</p> <p>20 means that the other players on that side of</p> <p>21 the chart can be directly competitive because</p> <p>22 they too can work in the Seaborne market. The</p> <p>23 producers to the right-hand side tend to be</p> <p>24 landlocked in North America and use the upper</p> <p>25 lakes where in fact the majority of the</p>

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<p>1 MR. PORTER:</p> <p>2 product made by the two iron ore companies is</p> <p>3 not competitive.</p> <p>4 The thing to recognize about this chart</p> <p>5 is the first almost 50 million tonnes in the</p> <p>6 left-hand side are the series of companies</p> <p>7 that are owned by the iron ore producer, CBRD</p> <p>8 in Brazil. That is the organization that sets</p> <p>9 iron ore prices in the world and you can see</p> <p>10 from the indices cost structure that we've</p> <p>11 indicated here, it comes from a public</p> <p>12 organization. This is not IOC or Wabush's</p> <p>13 take. This is published data from an</p> <p>14 organization called World Steel Dynamics. You</p> <p>15 can see the price level--cost level, I'm</p> <p>16 sorry, that those organizations are at.</p> <p>17 They're the people that set the world</p> <p>18 benchmark prices that we, in fact, have to</p> <p>19 take because we're not major players.</p> <p>20 IOC announced, about a year ago, an</p> <p>21 initiative to reduce our costs by about 120</p> <p>22 million dollars, and we just indicated in</p> <p>23 terms of our business what the effect would be</p> <p>24 there. This would allow us to move into a</p> <p>25 business environment where, in fact, we could</p>	<p>1 maintain a sustainable rate of return.</p> <p>2 Currently, IOC as a business is operating with</p> <p>3 about a three and a half to four percent rate</p> <p>4 of return, something that's even less than the</p> <p>5 more secure utility companies are seeking now.</p> <p>6 I'm going to turn the table over now to</p> <p>7 John McGrath on behalf of Wabush Mines and</p> <p>8 just let him give you a little bit of that</p> <p>9 colour and picture and then we'll come back to</p> <p>10 that one.</p> <p>11 MR. MCGRATH:</p> <p>12 A. Thank you, Dave. Mr. Chairman, Commissioners,</p> <p>13 ladies and gentlemen, when Dave talked about</p> <p>14 those on the left and the right-hand side of</p> <p>15 the line, we're on the right-hand side.</p> <p>16 Because of the similarity of the problem and</p> <p>17 the resulting impact that a rate increase</p> <p>18 would have on the respective companies in</p> <p>19 Labrador West, we decided to do a joint</p> <p>20 presentation, but I'd like to make a few</p> <p>21 comments that are specific to Wabush.</p> <p>22 Wabush is a small player in the global</p> <p>23 market, and for that matter, a small player in</p> <p>24 the North American market. We operate at</p> <p>25 about six million tonnes per year. Unlike our</p>
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<p>1 advantage that we had for many years, we used</p> <p>2 to supply to a captive market, namely our</p> <p>3 owners. That situation does not exist any</p> <p>4 more. A few years back, Finsider who was an</p> <p>5 Italian company, decided to pull out of our</p> <p>6 partnership. Three other American companies,</p> <p>7 LTV, ACME and Inland Steel went into</p> <p>8 bankruptcy and are no longer one of our</p> <p>9 partners. So that left us with a major</p> <p>10 challenge and that was to have to divert that</p> <p>11 equity to the open market. Now being a small</p> <p>12 player, obviously it becomes much more</p> <p>13 competitive, those of you who know that</p> <p>14 working with volume will attest to the fact</p> <p>15 that it does a lot for your cost structure at</p> <p>16 the end of the day.</p> <p>17 So I guess what I'm basically saying is</p> <p>18 that a rate increase, as Dave said, that would</p> <p>19 eventually end up in the lap of the companies,</p> <p>20 would have a real serious impact on Wabush.</p> <p>21 Dave alluded a little bit to Stelco.</p> <p>22 Stelco is one of our major owners and been a</p> <p>23 big supporter of Wabush for many, many years.</p> <p>24 In fact, you'll all know it was a blue chip</p> <p>25 company for many, many years. It's</p>	<p>1 encountering severe economic difficulties at</p> <p>2 this time, and it is a real concern for</p> <p>3 Wabush, and of course, the mandate that we get</p> <p>4 from them and from our other remaining owners</p> <p>5 is that we must reduce our costs, and adding</p> <p>6 to costs certainly won't help our situation.</p> <p>7 There's also a very common opinion on the</p> <p>8 market today that steel companies no longer</p> <p>9 want to have equity in mines, and we see that</p> <p>10 very clearly across the world. I think if you</p> <p>11 were to ask Stelco, Dofasco and other owners</p> <p>12 out there today whether they would prefer to</p> <p>13 own a mine or buy it on the open market where</p> <p>14 they can get some pretty competitive prices,</p> <p>15 they would agree that they would not want to</p> <p>16 be a mine.</p> <p>17 The plants are 40 years old. They need a</p> <p>18 lot of capital investment, and of course, when</p> <p>19 you go up to the owners for this capital</p> <p>20 investment, they're faced with should we</p> <p>21 continue to put more in there or should we get</p> <p>22 out of the business. As they get out of the</p> <p>23 business and as I've alluded to, four have</p> <p>24 already gone, then we have to go out and</p> <p>25 compete on the open market. So it becomes a</p>

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<p>1 MR. MCGRATH:</p> <p>2 very, very competitive situation and when</p> <p>3 you're a small player, it's not an easy</p> <p>4 situation.</p> <p>5 I thought I would just add those few</p> <p>6 comments about Wabush. All of which Dave has</p> <p>7 said is pertinent to both companies and so</p> <p>8 there was really, in the interest of time,</p> <p>9 there was no need for me to repeat them and</p> <p>10 certainly we've all had input into this</p> <p>11 presentation. We have the same message.</p> <p>12 MR. PORTER:</p> <p>13 A. Thanks, John. I got just a couple of summary</p> <p>14 comments. Thank you, bear with me. Just to</p> <p>15 put a bit of IOC colour on the current status,</p> <p>16 back in 1999, IOC and most of our major</p> <p>17 stakeholders embarked on a project to try and</p> <p>18 make ourselves a world class organization, the</p> <p>19 objective being to secure our future together.</p> <p>20 We agreed with our unions to reduce our</p> <p>21 workforce by 25 percent. We have partnered</p> <p>22 and done a lot of work with our suppliers and</p> <p>23 have reduced those costs significantly. We've</p> <p>24 worked with our communities who went through</p> <p>25 that downsizing to try and do it in a way that</p>	<p>1 sustained the communities, and with all of</p> <p>2 those best efforts, we're now struggling as an</p> <p>3 organization.</p> <p>4 In 2003, we're unable to hit our</p> <p>5 production targets. We're 12 percent below</p> <p>6 target on concentrate, six percent in</p> <p>7 production. The forecast is we'll finish the</p> <p>8 year up a million tonnes behind our budget, as</p> <p>9 we try to find ways to operate at lower cost</p> <p>10 models in order to be internationally</p> <p>11 competitive. Our order book is full. We have</p> <p>12 a tonne of opportunity. We need to get our</p> <p>13 costs in order in order to be able to grab</p> <p>14 those opportunities. Our cost per tonne this</p> <p>15 year are 20 percent higher than we'd--21</p> <p>16 percent higher than we'd originally planned</p> <p>17 and this is putting us under extreme pressure,</p> <p>18 both in terms of profitability and cash. We</p> <p>19 also have failed to meet our 2003 safety</p> <p>20 targets, in part because we have an</p> <p>21 organization in which everybody is trying so</p> <p>22 hard to hit maximum levels of production and</p> <p>23 hit the other business drivers.</p> <p>24 IOC has been cash negative in a large way</p> <p>25 for the last four years, driven in part by our</p>
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<p>1 business circumstances and in part by our</p> <p>2 continued commitment to invest funds in the</p> <p>3 business, even though we were neither</p> <p>4 profitable nor cash positive. As a result,</p> <p>5 we're an organization that's now carrying a</p> <p>6 large debt.</p> <p>7 We want to make sure that you don't away</p> <p>8 from this morning's comments only the dismal</p> <p>9 message. We believe that the fundamentals of</p> <p>10 the iron ore business in Labrador West are</p> <p>11 strong and are around for the long haul. We</p> <p>12 have at IOC abundant quality reserves. Our</p> <p>13 iron content is low, but the reserves are very</p> <p>14 clean and they give us the opportunity to make</p> <p>15 a pellet that is favourable in the world</p> <p>16 marketplace. One of our key contributors to</p> <p>17 the success of our business is our low</p> <p>18 electricity prices. We like to talk about the</p> <p>19 quality of our reserves, our electricity</p> <p>20 prices, our skilled workforce and our ability</p> <p>21 to ship year round from a deep water port as</p> <p>22 being the four things of good for us. We have</p> <p>23 a globally diverse sales portfolio, which</p> <p>24 allows us to deal with cycles in our industry</p> <p>25 and also be able to manage things like</p>	<p>1 currency moves and lastly, we have the ability</p> <p>2 to expand our business fairly quickly, if we</p> <p>3 can get our costs in order.</p> <p>4 We think there's a bright future, but we</p> <p>5 need help from all stakeholders in order to be</p> <p>6 able to do that. We need to be able to have</p> <p>7 our shareholders continue to invest in spite</p> <p>8 of the fact that there's been no dividends or</p> <p>9 return on their investment since 1999, and as</p> <p>10 if you were an investor in our organization,</p> <p>11 you would be running out of patience. We need</p> <p>12 our employees to continue to do more with less</p> <p>13 to maximize production while maintaining</p> <p>14 quality and safety standards, something that</p> <p>15 we work on every day in the workplace, but it</p> <p>16 is tough. We need our suppliers to continue</p> <p>17 to find a way to give us consumables and</p> <p>18 supplies at lower costs, and we need help from</p> <p>19 our communities and our governments to be</p> <p>20 flexible and to help us remove potential cost</p> <p>21 pressures. We believe Lab West has high</p> <p>22 quality assets and reserves that can only be</p> <p>23 exploited if we can all strive for company</p> <p>24 success, and part of that is controlling our</p> <p>25 costs.</p>

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<p>1 MR. PORTER:</p> <p>2 Just a little bit about an energy</p> <p>3 conservation effort that we've got going at</p> <p>4 IOC. The gentleman operating the Powerpoint</p> <p>5 presentation at the table over there is</p> <p>6 imminently qualified to do that, as he's our</p> <p>7 new manager of energy appointed earlier this</p> <p>8 year. He reports directly to our vice</p> <p>9 president of engineering and product delivery</p> <p>10 and has led a major initiative at our</p> <p>11 organization to minimize the impact of energy</p> <p>12 on our value. We've gone through an exercise</p> <p>13 of identifying high value opportunities for</p> <p>14 energy conservation. We've set and</p> <p>15 prioritized those action and we've now</p> <p>16 developed a business case for achieving those</p> <p>17 targets and we're working through operations</p> <p>18 and engineering process.</p> <p>19 We have specific areas for electricity</p> <p>20 reduction and consumption, for reducing peak</p> <p>21 power loads and for smoothing our annual</p> <p>22 demand profile. This didn't come without a</p> <p>23 cost, which is somewhat of the nature of the</p> <p>24 business we're in. We did an extensive audit</p> <p>25 at the cost of about \$150,000 earlier this</p>	<p>1 year and committed thousands of hours of staff</p> <p>2 time. We held workshops with 48 senior</p> <p>3 representatives from across the organization</p> <p>4 in the plant areas and generated 137 ideas</p> <p>5 from four sessions, which were all engineered</p> <p>6 to the plus or minus 30 percent capability.</p> <p>7 The energy conservation ideas are originally</p> <p>8 estimated to be able to save us about 19</p> <p>9 megawatts, and we are scheduling to implement</p> <p>10 those ideas over about a five-year plan. We</p> <p>11 also have additional conservation ideas that</p> <p>12 we're generating and working on every day.</p> <p>13 In summary, I guess I'd like to say that</p> <p>14 we believe that the iron ore mines in Labrador</p> <p>15 West have already paid for infrastructure and</p> <p>16 distribution and should not be asked to do so</p> <p>17 again. We believe that the creation of a</p> <p>18 common rate for Labrador spreads what is an</p> <p>19 indirect subsidy designed by the Iron Ore</p> <p>20 Company and Wabush Mines for the purposes of</p> <p>21 attracting and retaining quality people all</p> <p>22 across Labrador. Ultimately, any increase in</p> <p>23 residential costs that come back to Labrador</p> <p>24 West will be borne on the back of the iron ore</p> <p>25 mines in Labrador West and that is an</p>
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<p>1 environment where we are most vulnerable.</p> <p>2 Mr. Chair, in kind of concluding remarks,</p> <p>3 you mentioned at the onset that natural</p> <p>4 justice was something that was considered in</p> <p>5 the mandate of this Board. We'd suggest to</p> <p>6 you that our position is that because of the</p> <p>7 situations which we pointed out, to draw the</p> <p>8 conclusion that Labrador is one interconnected</p> <p>9 system and to set rates across that entire</p> <p>10 system defies natural justice. Because of our</p> <p>11 history and because of what's gone into the</p> <p>12 logic that our predecessors have found to be</p> <p>13 fundamentally sound for the last 50 years, to</p> <p>14 do also defies natural logic.</p> <p>15 We certainly would be happy to answer</p> <p>16 questions for the Board. Again, we're very</p> <p>17 pleased to be able to make this presentation</p> <p>18 today and we'd ask you to consider our</p> <p>19 comments very seriously. Thank you for</p> <p>20 indulging us with the presentation.</p> <p>21 CHAIRMAN:</p> <p>22 Q. Thank you very much, Mr. Porter and Mr.</p> <p>23 McGrath. Thank you for a very comprehensive</p> <p>24 presentation. Obviously, as you can see,</p> <p>25 supported by the group here this morning. We</p>	<p>1 do afford the opportunity for the parties to</p> <p>2 ask questions and if you'd indulge us, we'll</p> <p>3 proceed. I'm going to have to ask you to</p> <p>4 stand up, Ms. Greene.</p> <p>5 GREENE, Q.C.:</p> <p>6 Q. Very hard to cross-examine standing -</p> <p>7 CHAIRMAN:</p> <p>8 Q. Or indeed you can come up here.</p> <p>9 GREENE, Q.C.:</p> <p>10 Q. Or I can go back there. It might be easier.</p> <p>11 CHAIRMAN:</p> <p>12 Q. I think we have a system which we'll take a</p> <p>13 break shortly and we'll set that up for the</p> <p>14 evidentiary portion. Apologize, but that's as</p> <p>15 best we can do.</p> <p>16 GREENE, Q.C.:</p> <p>17 Q. Thank you very much, Mr. Porter and Mr.</p> <p>18 McGrath, for your presentation. I just have a</p> <p>19 few questions to ensure the record is</p> <p>20 complete. You mentioned about the investments</p> <p>21 the mining companies have made in the</p> <p>22 distribution system. Are you aware that those</p> <p>23 contributions have been fully reflected in</p> <p>24 what we call the cost of service study and</p> <p>25 that there was no extra cost or payment twice</p>

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1 GREENE, Q.C.:
 2 for those contributions, included in the rates
 3 proposed?
 4 MR. PORTER:
 5 A. Yes, I am aware of that.
 6 Q. So there isn't a double charging of that
 7 amount again. It has been reflected really
 8 and the full value has been given to the
 9 proposed rates. The next is with respect to a
 10 few questions about the situation before Hydro
 11 assumed responsibility.
 12 AUDIENCE:
 13 Q. Speak up.
 14 GREENE, Q.C.:
 15 Q. Okay. I want to explore with you what the
 16 situation was before Hydro assumed
 17 responsibility for the takeover of the
 18 distribution systems in each of the Towns.
 19 First, Mr. McGrath, where did Wabush Mines get
 20 the power that it used to distribute in the
 21 Town?
 22 MR. MCGRATH:
 23 A. Obviously it came from Churchill Falls, from
 24 Twinco.
 25 Q. So the power, that is power that Twinco Falls

1 supplies to Wabush Mines. Is that correct?
 2 MR. MCGRATH:
 3 A. That's correct.
 4 Q. And Wabush Mines did not buy or does not buy
 5 any power directly from Hydro? Is that
 6 correct?
 7 MR. MCGRATH:
 8 A. That's correct, by virtue of its investment in
 9 the initial Twinco power station.
 10 Q. And in fact, that's reflected in the price of
 11 power that Wabush Mines pays? Is that
 12 correct, that it's a much lower rate than, for
 13 example, what Hydro Quebec pays to CF(L)Co for
 14 its power from Churchill Falls?
 15 MR. MCGRATH:
 16 A. Yes, it's a fact.
 17 Q. And what happened to the power that Wabush
 18 Mines was using to distribute in the town when
 19 Hydro took over the system?
 20 MR. MCGRATH:
 21 A. What do you mean by that question? What
 22 happened to it?
 23 Q. Yes. Is it correct that Wabush Mines was
 24 taking a portion of the power it was buying
 25 from Twinco to distribute in the town and that

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1 after the takeover, Wabush Mines had access to
 2 that cheap power for use in its mining
 3 operations?
 4 MR. MCGRATH:
 5 A. Yes. Wabush Mines initially, at the beginning
 6 of time, by virtue again, as I said, of their
 7 arrangement with Twinco had the block of
 8 power. Of course, when they built the town,
 9 somebody had to supply power and they took a
 10 portion of it and applied it to the town, no
 11 question.
 12 Q. And that one of the benefits flowing to the
 13 mining companies was access to this block of
 14 low power for its mining operations on the
 15 takeover? Is that correct?
 16 MR. MCGRATH:
 17 A. Well, they got the power back that they
 18 initially assigned to the town, right.
 19 Q. And Mr. Porter, for you, I guess the situation
 20 was the same, that the Iron Ore Company of
 21 Canada was taking power that it was acquiring
 22 from Twin Falls to distribute in the Town of
 23 Labrador City prior to the takeover?
 24 MR. PORTER:
 25 A. Yes, that's correct, and as I've already

1 indicated in our presentation, that's a
 2 strategic advantage to our organization.
 3 Q. And one of the benefits that flowed to the
 4 Iron Ore Company of Canada on the takeover was
 5 access to this block of low-priced power for
 6 use in its mining operations?
 7 MR. PORTER:
 8 A. Yes. Particularly to be able to use that
 9 power to increase output at that time.
 10 Q. You mentioned that there was some intention
 11 that increases in the future would be based on
 12 the actual services in each area. Have I got
 13 your comments correctly there?
 14 MR. PORTER:
 15 A. I think intention would likely be better
 16 replaced with the word "expectation."
 17 Q. And is there any reference to anything like
 18 that in the agreement between Hydro and IOC or
 19 the agreement between Hydro and Wabush Mines
 20 with respect to any discussion of electricity
 21 rates in the future in the towns?
 22 MR. PORTER:
 23 A. Not to my knowledge.
 24 Q. Okay. Is there anything in correspondence
 25 between Hydro and the mining companies at the

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<p>1 GREENE, Q.C.: 2 time of the takeover relating to any future 3 anticipated changes in the rates in the area? 4 MR. PORTER: 5 A. Not to my knowledge. 6 Q. So what is the basis for your statement? 7 MR. PORTER: 8 A. The basis - 9 Q. It's not in the agreement. It's not in the 10 correspondence. I was actually at the 11 negotiating table and I was part of the 12 negotiations. 13 MR. PORTER: 14 A. The basis of the statement was the expectation 15 that came from the previous number of years of 16 that relationship and the fact that the system 17 is in fact, in our view, not an interconnected 18 system and there's a logic cost model applied 19 to the western part of that system. 20 Q. So if that was an understanding or an 21 intention or an expectation of the mining 22 companies, either in 1985 with Wabush Mines or 23 1992 with IOC, it was not communicated to 24 Hydro or in any form of typed correspondence 25 or agreements? Is that correct? Does your -</p>	<p>1 MR. PORTER: 2 A. Not to my knowledge. 3 Q. Thank you. That concludes all the questions 4 that I have. 5 CHAIRMAN: 6 Q. Thank you, Ms. Greene. Mr. Browne, do you 7 have any questions? 8 BROWNE, Q.C.: 9 Q. Yes, I have some questions. Mr. Porter, when 10 IOC entered into an agreement with Hydro in 11 1992, has that agreement been subsequently 12 renegotiated with Hydro since 1992? 13 MR. PORTER: 14 A. There's more than one agreement between Hydro 15 and IOC. You're referring specifically to the 16 transition of the residential? 17 Q. Yes. 18 MR. PORTER: 19 A. To my knowledge, no. 20 Q. But there are other agreements between IOC and 21 Hydro since the transfer of the residential? 22 MR. PORTER: 23 A. Yes, and those agreements relate to the power 24 that's consumed by IOC for its industrial 25 facility.</p>
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<p>1 Q. And when was the most recent agreement 2 negotiated between IOC and Hydro in reference 3 to the plant? 4 MR. PORTER: 5 A. My understanding is it's discussed, I guess 6 negotiation would be the appropriate word, 7 annually and there's actually discussion going 8 on now. 9 Q. And is there any possibility that IOC can seek 10 some protection in that agreement for its 11 employees when they're negotiating with Hydro, 12 in reference to electricity rates for the 13 residential employees? 14 MR. PORTER: 15 A. I'm sorry, I don't--I can't answer that 16 question because I'm not sure what we could or 17 couldn't do. I guess my comment would be that 18 we have not previously. 19 Q. Now in your collective agreements with your 20 unions, there's a cost of living clause in 21 that agreement that directly affects 22 electricity rates. Is that not true? 23 MR. PORTER: 24 A. I think you might be confusing two things. 25 There is a cost of living clause in the</p>	<p>1 agreement which generates a cost of living 2 payment, and there is also a clause in the IOC 3 agreement with respect to subsidizing Hydro 4 price increases residentially. They're 5 separate. 6 Q. Okay. Fine, thank you for explaining that to 7 me. Can you tell me about the second part of 8 it then? How does that work? How are 9 employees subsidized in reference to potential 10 increases in electricity which Hydro might 11 impose, by IOC and how does the subsidy work? 12 MR. PORTER: 13 A. The quasi agreement was put in place back when 14 IOC owned the distribution system and in fact 15 was a vendor of the power to the residential 16 customers in Labrador City. When the local 17 distribution system became Hydro's, at the 18 next negotiation, there was an agreement that 19 price increases over and above what that Hydro 20 rate was at the time of the transition to 21 Hydro would be subsidized to the effect of the 22 increase. That first happened in the fall of 23 2002 and our employees brought to us their 24 Hydro bills with an explanation of the rate 25 increase and we subsequently reimbursed our</p>

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<p>1 MR. PORTER:</p> <p>2 employees that sum of money as per our</p> <p>3 collective agreement commitment.</p> <p>4 Q. Can you put a global dollar figure on the</p> <p>5 amount that's been paid in reference to that</p> <p>6 particular clause to your employees generally?</p> <p>7 MR. PORTER:</p> <p>8 A. I'm sorry, I can't specifically. I'd be happy</p> <p>9 to provide that information later.</p> <p>10 Q. Can you ballpark it?</p> <p>11 MR. PORTER:</p> <p>12 A. The claim process actually started in the</p> <p>13 spring and I'm not sure what it was. No, I</p> <p>14 couldn't.</p> <p>15 Q. Now does Wabush Mines, Mr. McGrath, have a</p> <p>16 similar clause in their collective agreement?</p> <p>17 MR. MCGRATH:</p> <p>18 A. Yes, Wabush Mines does have a similar</p> <p>19 agreement. It was put in in the first</p> <p>20 agreement following the takeover by Hydro of</p> <p>21 the system in Wabush. I think it was done in</p> <p>22 '86.</p> <p>23 Q. And do you have any idea of how much that has</p> <p>24 cost the company since its implementation?</p> <p>25 MR. MCGRATH:</p>	<p>1 A. I think, and I could be wrong here, but I'm</p> <p>2 pretty certain that it's around a thousand</p> <p>3 bucks a year per employee, \$60 a month. I'm</p> <p>4 sorry, \$60 a month, \$720 a year.</p> <p>5 Q. And how many employees do you have? Can you</p> <p>6 give us a--can you ballpark it?</p> <p>7 MR. MCGRATH:</p> <p>8 A. 450.</p> <p>9 Q. My math is not very good this morning, but how</p> <p>10 much would that be?</p> <p>11 MR. MCGRATH:</p> <p>12 A. I don't have a calculator but probably \$30,000</p> <p>13 a year. I don't know.</p> <p>14 Q. It costs you about \$30,000 a year?</p> <p>15 MR. MCGRATH:</p> <p>16 A. Well, multiply 450 by 720 bucks and you got</p> <p>17 it. 30-35,000.</p> <p>18 Q. Now, where are your collective agreements? At</p> <p>19 what stage are your collective agreements in</p> <p>20 now? Mr. Porter first, are you midway in your</p> <p>21 collective agreement or at the end of your</p> <p>22 collective agreement?</p> <p>23 MR. PORTER:</p> <p>24 A. Current collective agreements expire on</p> <p>25 February 29th, 2004.</p>
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<p>1 Q. And Mr. McGrath?</p> <p>2 MR. MCGRATH:</p> <p>3 A. It's the same expiry date.</p> <p>4 Q. February 29th, 2004.</p> <p>5 MR. MCGRATH:</p> <p>6 A. Correct.</p> <p>7 Q. And I guess when you get into collective</p> <p>8 bargaining, everything is on the table, isn't</p> <p>9 it?</p> <p>10 MR. PORTER:</p> <p>11 A. Always has been.</p> <p>12 Q. In reference to your conservation plan to</p> <p>13 bring down your usage by 19 megawatts, that's</p> <p>14 the company's plan, is it, Mr. Porter, for IOC</p> <p>15 itself?</p> <p>16 MR. PORTER:</p> <p>17 A. Correct.</p> <p>18 Q. Are you aware of the climate control plan for</p> <p>19 Canada under the so-called Kyoto agreements?</p> <p>20 MR. PORTER:</p> <p>21 A. Yes, we are.</p> <p>22 Q. Are you getting any funding to reduce your</p> <p>23 energy usage through those agreements?</p> <p>24 MR. PORTER:</p> <p>25 A. Matt, can you help me? Not at this point in</p>	<p>1 time?</p> <p>2 MR. SIMPSON:</p> <p>3 A. The only subsidy that we receive is a little</p> <p>4 bit for the energy audit. Otherwise, we don't</p> <p>5 receive any funding from government.</p> <p>6 Q. Okay. So you had an energy audit. You had an</p> <p>7 assessor go in to assess where you could bring</p> <p>8 down your usage?</p> <p>9 MR. SIMPSON:</p> <p>10 A. That's correct.</p> <p>11 Q. Okay. So then if the assessor comes back at</p> <p>12 the end of it and you've brought it down by 19</p> <p>13 megawatts, the Government of Canada will pay</p> <p>14 the -</p> <p>15 MR. SIMPSON:</p> <p>16 A. No, the subsidy was only to pay for that</p> <p>17 person to come in.</p> <p>18 CHAIRMAN:</p> <p>19 Q. Excuse me.</p> <p>20 MS. NEWMAN:</p> <p>21 Q. Excuse me, you haven't been sworn and you're</p> <p>22 not identified for purposes of the record.</p> <p>23 MR. SIMPSON:</p> <p>24 A. I'm sorry.</p>

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<p>1 MS. NEWMAN: 2 Q. So if you're going to provide - 3 MR. PORTER: 4 A. I'm sorry. Matt has more - 5 BROWNE, Q.C.: 6 Q. There's information coming from all sides 7 here. Okay. 8 MS. NEWMAN: 9 Q. And sure, that's fine, if we swear him and 10 then we can identify him for the record, if we 11 want to do that. 12 CHAIRMAN: 13 Q. Would you care to have him sworn in, Mr. 14 Browne? 15 BROWNE, Q.C.: 16 Q. Sure, if he has information, let's get it. 17 CHAIRMAN: 18 Q. Could you identify yourself please and your 19 capacity? 20 MR. SIMPSON: 21 A. My name is Matt Simpson. I work with the Iron 22 Ore Company of Canada. 23 CHAIRMAN: 24 Q. Thank you, Matt. 25 MR. MATT SIMPSON (SWORN)</p>	<p>1 BROWNE, Q.C.: 2 Q. Okay. Now, Mr. Porter, you wish to defer to 3 your source, that will be good. In reference 4 to the Kyoto plan for Canada and the financing 5 that the Government of Canada provides for 6 bringing down energy usage, IOC is taking 7 advantage of that program? Is that it? 8 MR. SIMPSON: 9 A. That is correct. 10 Q. Okay. And how much money are you getting from 11 the Government of Canada in reference to that 12 program? 13 MR. SIMPSON: 14 A. To date, the Government of Canada has 15 subsidized half of our energy audit costs. So 16 as you saw that energy audit was around 17 150,000, 50,000 of which was IOC internal 18 costs, and the portion the government 19 subsidized was only our external consultant, 20 which was roughly 100,000 of that. So we 21 received roughly \$50,000 from the Government 22 of Canada to help reduce our energy costs. 23 Q. And does the assessor come back at the end of 24 the process to see if you've carried out work 25 that was planned?</p>
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<p>1 MR. SIMPSON: 2 A. No, the whole purpose of the assessment was 3 really to benchmark our energy consumption, 4 flag areas of opportunity, and then to also 5 help facilitate workshops with our employees 6 to try and identify cost reduction 7 opportunities. After that, it's really up to 8 IOC to implement all these ideas, and we have 9 a very large structure in place already, 10 through a separate initiative, cost reduction 11 initiative that the company is undergoing, to 12 ensure that these ideas have single-person 13 accountability and that the savings per idea 14 are actually tracked on an ongoing basis. 15 Q. Now, are you aware--I'll go back to Mr. Porter 16 and Mr. McGrath. Are you aware that each of 17 your employees can take advantage of that same 18 program that has been put in place by the 19 Government of Canada by getting an assessment 20 done in their homes to bring down their energy 21 usage? Are you aware that's available to 22 them? 23 MR. PORTER: 24 A. I was not specifically aware of that. 25 MR. MCGRATH:</p>	<p>1 A. No, I'm not aware of it. 2 Q. Fine, thank you very much. These are my 3 questions. Thank you. 4 CHAIRMAN: 5 Q. Thank you, Mr. Browne. Questions? 6 MR. HAYES: 7 Q. No questions, Mr. Chair. 8 CHAIRMAN: 9 Q. Mr. Hearn? 10 (11:15 a.m.) 11 HEARN, Q.C.: 12 Q. Mr. Porter, when Ms. Greene from Hydro was 13 asking you about whether IOC's capital 14 subsidies and maintenance contributions were 15 reflected in the cost of the system and that 16 therefore were you getting the full benefit of 17 those payments at the present time, I'd like 18 to revisit that for a moment and ask if you'd 19 still get the full benefit of those payments 20 if the Labrador West distribution system is 21 merged with that of Happy Valley-Goose Bay and 22 those costs are averaged throughout that 23 system? 24 MR. PORTER: 25 A. Absolutely not. That was the essence of our</p>

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<p>1 MR. PORTER: 2 presentation. 3 HEARN, Q.C.: 4 Q. I just didn't want that point to be left with 5 the impression that you would still retain the 6 full benefit of those subsidies. I realize, 7 Mr. McGrath, that it's always a troubling 8 moment when someone asks you to do math 9 without a calculator or a pen nearby, and you 10 estimated that some costs for your employees, 11 and I believe you used a figure of 12 approximately \$35,000, and may I suggest that 13 you may have mis-spoken and perhaps you need 14 to revisit that figure? 15 MR. MCGRATH: 16 A. Well, what I do know is \$60 a month, \$720 a 17 year. 18 Q. And over 450 employees, my rough arithmetic 19 would suggest that that, at present rates, 20 would amount to approximately \$324,000 not 21 35,000. Would that be correct? 22 MR. MCGRATH: 23 A. If you've done the math, I agree with you. 24 Q. Is a figure of \$324,000 a significant figure 25 for Wabush Mines, in terms of costs?</p>	<p>1 MR. MCGRATH: 2 A. Very significant. 3 Q. And how would Wabush Mines respond, and 4 indeed, how would IOC respond to having a cost 5 increase over five years of approximately 141 6 percent, based on present rates? 7 MR. MCGRATH: 8 A. I think some people would choke on it. It 9 would be a very serious impact. The issue is 10 reducing costs and not increasing them and 11 it's a struggle, it's a major struggle to 12 reduce and when you talk about 141 percent 13 increase in a specific component, that would 14 be a major problem for us. 15 Q. Mr. Porter, you were not asked to quantify the 16 contribution that the Iron Ore Company is 17 expected to make to present costs. Would you 18 have any idea of that quantification? 19 MR. PORTER: 20 A. I guess the best guess would be to multiply 21 the numbers that Mr. McGrath has just given 22 you by a little over three times, because 23 that's the size of the workforce differential. 24 Q. So yours would be more in the realm of 25 approximately a million dollars annually?</p>
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<p>1 MR. PORTER: 2 A. That would be a reasonable estimate. 3 Q. Is that a significant cost figure for the Iron 4 Ore Company of Canada? 5 MR. PORTER: 6 A. Let me answer the question this way. IOC's 7 business plan objective in the year 2003 was 8 to make four million dollars of net profit. 9 That's 25 percent of the net profit generated 10 off of operating a billion dollar enterprise. 11 That's the magnitude of its impact. 12 Q. So a one million dollar impact would be 13 considered a significant impact for the Iron 14 Ore Company of Canada? 15 MR. PORTER: 16 A. Absolutely. 17 Q. And that would be based on present rates only? 18 MR. PORTER: 19 A. Correct. 20 Q. How would the Iron Ore Company of Canada 21 respond to rate increases that would drive 22 rates to approximately two and a half times 23 present rates over five years? 24 MR. PORTER: 25 A. The business would have no choice but to find</p>	<p>1 ways to reduce those costs or pass them on to 2 our employees. 3 Q. Mr. Browne indicated that in negotiations 4 everything is on the table. Would that mean 5 that all cost figures would have to be 6 considered in terms of their impact on your 7 negotiations with your workforce? 8 MR. PORTER: 9 A. Yes. 10 Q. Those are my questions. Thank you. 11 CHAIRMAN: 12 Q. Thank you, Mr. Hearn. Any questions from the 13 Board? 14 COMMISSIONER SAUNDERS: 15 Q. No questions. 16 CHAIRMAN: 17 Q. Thank you very much for your presentation this 18 morning, Mr. Porter and Mr. McGrath and 19 indeed, Mr. Simpson, thank you very much. 20 We are going to proceed to the 21 evidentiary portion of the hearing now. It is 22 20 after 11, and we'll just take a short ten- 23 minute break. Through the courtesy of the 24 Iron Ore Company of Canada, we do have an 25 amplifying system, which I understand will</p>

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<p>1 CHAIRMAN:</p> <p>2 take about five minutes to set up. So we'll</p> <p>3 need to do that and then we'll proceed. Thank</p> <p>4 you for your patience and tolerance this</p> <p>5 morning.</p> <p>6 (11:21 a.m. - BREAK)</p> <p>7 (11:30 p.m. - RESUME)</p> <p>8 CHAIRMAN:</p> <p>9 Q. Thank you, and if we could begin, I'll call</p> <p>10 upon Ms. Greene, counsel for Hydro--just have</p> <p>11 your attention, please. I'll call upon Ms.</p> <p>12 Greene, counsel for Hydro, to present Hydro's</p> <p>13 witness. Ms. Greene, please.</p> <p>14 GREENE, Q.C.:</p> <p>15 Q. Thank you, Mr. Chair. Is Mr. Banfield sworn?</p> <p>16 CHAIRMAN:</p> <p>17 Q. No, he's not. If you'd just indicate his</p> <p>18 title, I guess, more than anything.</p> <p>19 GREENE, Q.C.:</p> <p>20 Q. Sorry about that. Our witness today is Mr.</p> <p>21 Samuel Banfield or Sam Banfield and he is</p> <p>22 Director of Customer Services for Newfoundland</p> <p>23 Hydro and has responsibility for the rate</p> <p>24 proposals with respect to this application.</p> <p>25 CHAIRMAN:</p>	<p>1 Q. Thank you, Ms. Greene. Good morning, Mr.</p> <p>2 Banfield.</p> <p>3 MR. SAMUEL BANFIELD (SWORN)</p> <p>4 CHAIRMAN:</p> <p>5 Q. Thank you, sir, you may be seated. When</p> <p>6 you're ready, Ms. Greene, you can begin your</p> <p>7 cross-examination-in-chief, please, or</p> <p>8 examination-in-chief, thank you.</p> <p>9 GREENE, Q.C.:</p> <p>10 Q. Thank you, Mr. Chair. Mr. Banfield, could you</p> <p>11 just state for the record what is your</p> <p>12 position with Newfoundland Hydro and how long</p> <p>13 have you been employed with Newfoundland</p> <p>14 Hydro?</p> <p>15 A. My current position with Newfoundland and</p> <p>16 Labrador Hydro is Director of Customer</p> <p>17 Services, and I have been employed with</p> <p>18 Newfoundland Hydro for approximately 28 years.</p> <p>19 Q. Pre-filed evidence was filed in your name</p> <p>20 dated October 31st, 2003, relating to the</p> <p>21 current rate proposals for the Labrador</p> <p>22 Interconnected System. Do you adopt this pre-</p> <p>23 filed evidence as your own for the purpose of</p> <p>24 your evidence here today?</p> <p>25 A. Yes, I do.</p>
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<p>1 Q. Thank you, Mr. Chair. That concludes our</p> <p>2 direct examination.</p> <p>3 CHAIRMAN:</p> <p>4 Q. Thank you very much, Ms. Greene. Good</p> <p>5 morning, Mr. Browne.</p> <p>6 BROWNE, Q.C.:</p> <p>7 Q. Good morning. Mr. Banfield, can you detail</p> <p>8 the increase that Hydro is proposing for the</p> <p>9 consumers of Labrador West?</p> <p>10 A. Yes. The current application that we have in</p> <p>11 front of the Board is seeking average rates on</p> <p>12 the Labrador Interconnected System of</p> <p>13 approximately 11 percent, but for the Labrador</p> <p>14 West customers, in order to achieve the</p> <p>15 uniform rate proposal as proposed, we are</p> <p>16 proposing a 28 percent increase on average in</p> <p>17 Labrador West.</p> <p>18 Q. Just can you give us that in a dollar amount?</p> <p>19 Can you show us what the proposal is from a</p> <p>20 dollar perspective? You have a four or five-</p> <p>21 year phase in period there. Can you explain</p> <p>22 exactly what the phase in is and how much it</p> <p>23 will cost people year over year under the</p> <p>24 proposal?</p> <p>25 A. Yes, I'll attempt to do that, Mr. Browne.</p>	<p>1 There being so many customers of different</p> <p>2 usage patterns, it's very difficult to</p> <p>3 categorize that in an individual way, but</p> <p>4 presented in the evidence filed, there are</p> <p>5 what we refer to as customer impact tables,</p> <p>6 and one of those such tables for the domestic</p> <p>7 customers in Labrador West shows that the</p> <p>8 change for about 86 or 87 percent of all the</p> <p>9 customers, domestic customers in Labrador</p> <p>10 West, the change in dollars, on an annual</p> <p>11 basis, range from anywhere from \$12.00</p> <p>12 annually to \$377.00 annually. The majority of</p> <p>13 those customers, and by majority I mean</p> <p>14 probably some 70 percent of those customers,</p> <p>15 will receive increases from \$12.00 annually to</p> <p>16 \$231.00 annually.</p> <p>17 Q. Just if we can take it year over year, you're</p> <p>18 still using general figures. Right now,</p> <p>19 Labrador City/Wabush, it's my understanding,</p> <p>20 pay a basic customer charge of \$3.75 and an</p> <p>21 energy charge of 1.35 cents per kilowatt hour.</p> <p>22 Can you bring it to us year over year how that</p> <p>23 will change under the proposal?</p> <p>24 A. I don't have those numbers, Mr. Browne, in</p> <p>25 terms of actual dollars for customers on a</p>

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<p>1 MR. BANFIELD:</p> <p>2 monthly bill, but in my evidence, there is a</p> <p>3 table which represents the percentage increase</p> <p>4 for the domestic customers, and I'm speaking</p> <p>5 more of domestic customers here. We have the</p> <p>6 numbers for the general service customers as</p> <p>7 well. And on page five of my pre-filed</p> <p>8 evidence, the table 4 and over on page six,</p> <p>9 tables 5 and 6, and maybe refer to table 5 in</p> <p>10 particular for Labrador West. The total rate</p> <p>11 increase from existing rates today to proposed</p> <p>12 rates once the uniform rates are put in place,</p> <p>13 the total impact for domestic customers will</p> <p>14 be 141 percent change in their rates.</p> <p>15 BROWNE, Q.C.:</p> <p>16 Q. So is it true that a basic customer charge of</p> <p>17 \$3.75 and a kilowatt charge of 1.35 cents will</p> <p>18 increase by 2008, in five years time, on a</p> <p>19 graduated basis, so that the basic customer</p> <p>20 charge at that time will be \$8.00 and a</p> <p>21 kilowatt charge of 3.25 cents?</p> <p>22 A. 3.27 cents, yes, \$8.00 basic charge and 3.27</p> <p>23 cents.</p> <p>24 Q. Okay. In putting these proposals out, have</p> <p>25 you given any consideration to the fact that</p>	<p>1 these residents here live in a northern</p> <p>2 climate and therefore that, in itself, would</p> <p>3 suggest some special consideration in</p> <p>4 reference to any proposal Hydro is making to</p> <p>5 increase rates here?</p> <p>6 A. That in and of itself is not a consideration,</p> <p>7 from the perspective of where people, I guess,</p> <p>8 physically live. The rates are set on the</p> <p>9 cost of providing that service to customers,</p> <p>10 whether it's a domestic customer or a general</p> <p>11 service customer, or for that fact an</p> <p>12 industrial customer. The rates proposed for</p> <p>13 the Interconnected System in Labrador are</p> <p>14 based on the 2004 revenue requirements. The</p> <p>15 fact that people use more or less is reflected</p> <p>16 in the rate structure itself.</p> <p>17 Q. When Mr. Porter and Mr. McGrath were giving</p> <p>18 evidence, I asked them concerning their</p> <p>19 collective agreements and the fact that they</p> <p>20 would be obligated, at least under the current</p> <p>21 collective agreements, to pick up these costs.</p> <p>22 Was Hydro aware when they put these proposals</p> <p>23 forward that these collective agreements were</p> <p>24 in place?</p> <p>25 A. Yes, we were aware of this fact, but that had</p>
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<p>1 no bearing on the current rate proposals.</p> <p>2 Whether those collective agreements were in</p> <p>3 place or not would have had no impact on the</p> <p>4 proposals that you see in front of you.</p> <p>5 Q. You heard the evidence of Mr. Porter and Mr.</p> <p>6 McGrath in reference to the bottom line and</p> <p>7 how much these increases could affect the</p> <p>8 bottom line. Have you any comments in</p> <p>9 reference to those?</p> <p>10 A. No, I have no comment.</p> <p>11 Q. In reference to the people of Labrador West, a</p> <p>12 number of people have chosen to retire to</p> <p>13 Labrador West and they don't work with IOC,</p> <p>14 nor do they work with Wabush Mines, and are</p> <p>15 you aware as to how the rate increase could</p> <p>16 affect their standard of living by 2008?</p> <p>17 A. There is no doubt that these rate increases</p> <p>18 are significant. We acknowledge that fact.</p> <p>19 However, within the mandate that's been given</p> <p>20 to myself to produce what I believe is a fair</p> <p>21 and reasonable portion of the cost, based on</p> <p>22 the principles that have been given to me, we</p> <p>23 believe that the five-year phase in program,</p> <p>24 these rates, they are what needs to be put in</p> <p>25 place in order to achieve the equity on the</p>	<p>1 Labrador Interconnected System.</p> <p>2 Q. Has Hydro put in any plan for conservation in</p> <p>3 this particular area to coincide with the</p> <p>4 money available to householders to take</p> <p>5 advantage of the conservation plan for Canada</p> <p>6 under the Kyoto protocol?</p> <p>7 A. We have not put in place any particular plan</p> <p>8 in Labrador, either on the Labrador system.</p> <p>9 We are working with the Federal Government and</p> <p>10 with Newfoundland Power as well on the island</p> <p>11 in terms of trying to determine how the</p> <p>12 Federal Government is going to proceed with</p> <p>13 their plan. They have a temporary energy</p> <p>14 audit company in place right now, but they are</p> <p>15 going out for another request for proposal</p> <p>16 within the next number of months to try and</p> <p>17 firm that up. At that time, we'll be in a</p> <p>18 better situation to see how we might be able</p> <p>19 to proceed to make sure customers are aware of</p> <p>20 that.</p> <p>21 Q. Are you aware who's delivering the plan for</p> <p>22 the consumers in the Province of Newfoundland</p> <p>23 and Labrador?</p> <p>24 A. Yes, I believe Enerplan is the name of the</p> <p>25 company right now and they're doing that on a</p>

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<p>1 MR. BANFIELD:</p> <p>2 basis for the next number of months until the</p> <p>3 request for proposals is issued by the Federal</p> <p>4 Government and a new company is chosen.</p> <p>5 BROWNE, Q.C.:</p> <p>6 Q. In reference to consumers' meters, there are</p> <p>7 problems we hear about from time to time on</p> <p>8 the island concerning meters getting read and</p> <p>9 the accuracy of the meter reading. Have you</p> <p>10 heard of any problems here in Labrador</p> <p>11 City/Wabush, Labrador West, in reference to</p> <p>12 that particular subject?</p> <p>13 A. Certainly no more than what we would get from</p> <p>14 an average sampling, nothing out of the</p> <p>15 ordinary.</p> <p>16 Q. Have consumers here been allowed the</p> <p>17 opportunity to take advantage of the equal</p> <p>18 payment plan that is put forward by Hydro?</p> <p>19 A. Yes, they have.</p> <p>20 Q. And what has the result been in Labrador West?</p> <p>21 Do many consumers take advantage of the equal</p> <p>22 payment plan?</p> <p>23 A. I don't have the breakdown of those numbers,</p> <p>24 but we have put an RFI into evidence on the</p> <p>25 take-up rate. I can get that number for you.</p>	<p>1 I don't have it here in this binder. If you'd</p> <p>2 need me to get that, I can. I think it's in</p> <p>3 the order of probably three percent over the</p> <p>4 whole system.</p> <p>5 Q. Three percent?</p> <p>6 A. Yes.</p> <p>7 Q. And when did you first introduce this plan?</p> <p>8 A. I need to get some information, if you want me</p> <p>9 to answer that.</p> <p>10 Q. Okay, sure.</p> <p>11 A. Okay. I'm sorry, Mr. Browne, that information</p> <p>12 is not as handy as what I had thought it was.</p> <p>13 Q. Have you -</p> <p>14 OBSERVER:</p> <p>15 Q. Year and a half ago.</p> <p>16 BROWNE, Q.C.:</p> <p>17 Q. Have you advertised the equal payment plan</p> <p>18 considering the fact that you're only getting</p> <p>19 three percent take-up rate? Have you</p> <p>20 advertised it adequately, in your opinion?</p> <p>21 A. The actual number for the whole system for the</p> <p>22 equal payment plan is 4.2 percent of our</p> <p>23 residential customer base that we've taken up</p> <p>24 and we did do a fair bit of work in promoting</p> <p>25 that plan. We have a program now where we are</p>
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<p>1 reviewing that at present internally and will</p> <p>2 be doing some more work on that when we finish</p> <p>3 our customer survey, which is taking place</p> <p>4 this fall. We'll be able to get some better</p> <p>5 information on that and try and ascertain why</p> <p>6 more people are not taking advantage of it.</p> <p>7 But that number, by the way, is fairly</p> <p>8 consistent with what we've been able to</p> <p>9 discover from the industry at large. The</p> <p>10 take-up rate for these plans is not a big</p> <p>11 number.</p> <p>12 Q. We've heard evidence in this proceeding</p> <p>13 concerning so-called time-of-day rates, where</p> <p>14 people who choose to use their washer and</p> <p>15 dryers, which is a big consumer of electricity</p> <p>16 in their own right, in after hours, in non-</p> <p>17 peak hours, can in some jurisdictions get a</p> <p>18 reduced rate for using these electric--the</p> <p>19 greater electric consumers during the off-peak</p> <p>20 times, like in the nighttime when the system</p> <p>21 is not at a peak. What has Hydro done to put</p> <p>22 forward time-of-day rates for its customers</p> <p>23 here in Labrador?</p> <p>24 A. Time-of-day rates, marginal cost type rates or</p> <p>25 time-of-use rates they're sometimes called</p>	<p>1 have been looked at in the past, not</p> <p>2 necessarily particularly for Labrador or any</p> <p>3 other part of our system. To date, Hydro has</p> <p>4 not been able to introduce such rates. We</p> <p>5 have not had clear information that the cost</p> <p>6 advantage is there to shift load on the system</p> <p>7 and that's what time-of-use rates will</p> <p>8 basically do. We are, and there has been</p> <p>9 discussion within this rate application of the</p> <p>10 possibility of a marginal cost study and a</p> <p>11 rate design following from that. Should that</p> <p>12 be the case, then we would be definitely</p> <p>13 looking at whether or not time-of-use type</p> <p>14 rates are reasonable to promote in this</p> <p>15 environment.</p> <p>16 Q. Are you aware that the people of Nova Scotia</p> <p>17 have the opportunity for time-of-use rates,</p> <p>18 but the people of Newfoundland and Labrador do</p> <p>19 not?</p> <p>20 A. Yes, I am aware of that. As in other</p> <p>21 jurisdictions, there are time-of-use rates.</p> <p>22 Again, in some jurisdictions, the take-up rate</p> <p>23 on those rates is not very large, but the</p> <p>24 opportunity has been afforded to them. We</p> <p>25 don't have that at present, no.</p>

<p style="text-align: right;">Page 97</p> <p>1 BROWNE, Q.C.:</p> <p>2 Q. There has been evidence from some experts from</p> <p>3 time to time during these proceedings that</p> <p>4 baseboard electric radiation is probably one</p> <p>5 of the worse forms of space heating in that 30</p> <p>6 to 40 percent of it can be lost through</p> <p>7 exterior walls. What have you done to advise</p> <p>8 your customers of this and to advise them as</p> <p>9 to alternative forms of electric heat that</p> <p>10 they can put into their houses to same on</p> <p>11 energy usage?</p> <p>12 A. I'm not quite sure of your statement, Mr.</p> <p>13 Browne, but electric baseboard heating is no</p> <p>14 more or no less efficient in its own right</p> <p>15 than a plenum type heater, which is an</p> <p>16 electric heater with a fan on it or any other</p> <p>17 such heater. The fact of the loss of heat is</p> <p>18 totally due to lack of insulation or</p> <p>19 inadequate windows, barriers, et cetera. It's</p> <p>20 nothing to do with the baseboard fact of the</p> <p>21 heat itself.</p> <p>22 Q. Are you aware that if people looked at</p> <p>23 convection, which is a form of electric heat,</p> <p>24 that they can reduce their energy consumption</p> <p>25 and ultimately their bills by 30 percent,</p>	<p style="text-align: right;">Page 98</p> <p>1 according to some experts?</p> <p>2 A. I'm not aware of that number. I am aware and</p> <p>3 we have tried in the past some promotions</p> <p>4 dealing with electronic thermostats for people</p> <p>5 with electric heat or the convect air system,</p> <p>6 which is what I refer to as a plenum heater.</p> <p>7 What those things do is provide a better</p> <p>8 comfort level for people and customers who</p> <p>9 have a better comfort level have a tendency to</p> <p>10 keep their heat at a lower temperature because</p> <p>11 it's better regulated and thus, maybe I</p> <p>12 shouldn't say inadvertently, but through that</p> <p>13 process save energy.</p> <p>14 Q. In reference to the proposal Hydro has put</p> <p>15 forward for an integrated system in Labrador,</p> <p>16 why is it not possible, given the evidence</p> <p>17 you've seen here today, for Labrador West to</p> <p>18 have it's own particular system? Why does</p> <p>19 Labrador West have to be tied to Happy Valley-</p> <p>20 Goose Bay?</p> <p>21 A. There's practically or physically no problem</p> <p>22 from a costing perspective or a rate setting</p> <p>23 perspective to have two different systems.</p> <p>24 That I don't believe is the issue. The issue</p> <p>25 that's been in front of this Board -</p>
<p style="text-align: right;">Page 99</p> <p>1 CHAIRMAN:</p> <p>2 Q. Excuse me, but we'd be fair to the witness in</p> <p>3 the proceeding here, in terms of allowing him</p> <p>4 to answer the questions, please. I would ask</p> <p>5 for your indulgence in that regard. This is a</p> <p>6 formal proceeding and a formal hearing. Thank</p> <p>7 you very much.</p> <p>8 A. The issue in front of this Board, that's been</p> <p>9 in front of this Board for some time and has</p> <p>10 been heard by the expert witnesses that took</p> <p>11 place prior to this proceeding here in</p> <p>12 Labrador is the question of whether or not a</p> <p>13 uniform or average rates is more appropriate</p> <p>14 in jurisdiction than breaking out the cost for</p> <p>15 subsystems. The evidence that has been put</p> <p>16 forward to date and again at this hearing is</p> <p>17 that a postage stamp type system, as some</p> <p>18 people refer to it, or a uniform or an average</p> <p>19 unit costs is more appropriate than keeping</p> <p>20 systems separate. That's the issue, and Hydro</p> <p>21 has put forward its proposal based on an</p> <p>22 averaging of rates, as opposed to keeping the</p> <p>23 systems separate.</p> <p>24 BROWNE, Q.C.:</p> <p>25 Q. Is Hydro--you used the word "more</p>	<p style="text-align: right;">Page 100</p> <p>1 appropriate". Is Hydro acknowledging that it</p> <p>2 is also appropriate to have Labrador West have</p> <p>3 its own particular system?</p> <p>4 A. Should never use adjectives, I know. No, in</p> <p>5 our application that we've put forward, it is</p> <p>6 proper and appropriate to have a uniform</p> <p>7 system of rates in Labrador.</p> <p>8 Q. If the Board so ordered though, Hydro could</p> <p>9 put forward its own particular rate structure</p> <p>10 for Labrador West, in particular, that would</p> <p>11 not be tied to Happy Valley-Goose Bay? Is</p> <p>12 that not correct?</p> <p>13 A. If the Board so ordered, we would proceed with</p> <p>14 that, yes.</p> <p>15 Q. Thank you, Mr. Banfield, for your responses.</p> <p>16 CHAIRMAN:</p> <p>17 Q. Thank you, Mr. Browne and Mr. Banfield. Does</p> <p>18 Newfoundland Power have any cross-examination</p> <p>19 here?</p> <p>20 MR. HAYES:</p> <p>21 Q. No questions, Mr. Chair.</p> <p>22 CHAIRMAN:</p> <p>23 Q. Thank you. Mr. Hearn, when you're ready you</p> <p>24 may proceed please.</p>

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<p>1 HEARN, Q.C.:</p> <p>2 Q. Thank you, Mr. Banfield. I take it you have</p> <p>3 your re-filed evidence dated October 31st,</p> <p>4 2003 before you?</p> <p>5 A. Yes, I do.</p> <p>6 Q. Okay. I'll be referring to some of the tables</p> <p>7 and I didn't want to be referring to</p> <p>8 particular figures if they were not readily</p> <p>9 accessible to you. You've already explained,</p> <p>10 in response to some of the earlier questions,</p> <p>11 that the domestic rates are projected to</p> <p>12 increase over a five-year period with Hydro's</p> <p>13 rate proposal for Labrador West by a change of</p> <p>14 141 percent approximately. Is that correct?</p> <p>15 A. That's correct, over that period, yes.</p> <p>16 Q. And also if there were--if Hydro's proposed</p> <p>17 rates were to be implemented, if you look at</p> <p>18 Table 5, page six of your evidence, we see</p> <p>19 that there would be a revenue change on an</p> <p>20 annual basis with those rates implemented of</p> <p>21 4.13 million dollars, on an annual basis? Is</p> <p>22 that correct?</p> <p>23 A. Over where rates are today.</p> <p>24 Q. Yes. If your proposal for uniform rates were</p> <p>25 implemented, are we correct in looking at</p>	<p>1 Table 5 to say that Hydro would, on an annual</p> <p>2 basis with these uniform rates, be collecting</p> <p>3 an additional 4.135 million dollars annually</p> <p>4 from Labrador West, more than you're now</p> <p>5 collecting?</p> <p>6 A. Yes, more than we are now collecting. That's</p> <p>7 correct.</p> <p>8 Q. So the phase in of the additional increase</p> <p>9 means, on an aggregate basis, that there'll be</p> <p>10 over 4 million dollars additionally taken out</p> <p>11 of this area in electricity costs?</p> <p>12 A. That's correct, in order to be able to bring</p> <p>13 in the uniform rate system over the five-year</p> <p>14 period, that has to be done.</p> <p>15 Q. In assigning costs to the Labrador</p> <p>16 Interconnected System, as you call it, are you</p> <p>17 also assigning costs related to facilities</p> <p>18 located on the Island portion of the province?</p> <p>19 A. Yes, but only where those facilities provide</p> <p>20 services to the Labrador Interconnected</p> <p>21 System.</p> <p>22 Q. What are the facilities to which you refer and</p> <p>23 can you give us the magnitude of those costs?</p> <p>24 Because I don't see that you've outlined the</p> <p>25 quantitative effect in your evidence. You</p>
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<p>1 refer to them at the first page of your</p> <p>2 evidence, your direct evidence, but I don't</p> <p>3 have any quantification of those costs.</p> <p>4 A. The common costs are better, I think,</p> <p>5 articulated if you look at the request for</p> <p>6 information LC-35, where the question was</p> <p>7 asked "what overheads are common to the</p> <p>8 Labrador West area and Happy Valley-Goose Bay</p> <p>9 area?" A lot of the costs which are--I'm</p> <p>10 sorry, do you have that, Mr. Hearn?</p> <p>11 Q. I'm just in the process of getting it. You</p> <p>12 just carry on. I'm aware of what you're</p> <p>13 saying.</p> <p>14 A. Okay. A lot of those costs are the common</p> <p>15 costs to which I refer, which are spread over</p> <p>16 both systems, such as system planning</p> <p>17 services, engineering and drafting services,</p> <p>18 municipal taxes, Public Utility Board costs,</p> <p>19 those types of issues. They are characterized</p> <p>20 and quoted. You'll find them in a cost of</p> <p>21 service study under the revenue requirement</p> <p>22 schedule which Mr. Greneman would have been</p> <p>23 responsible for, called A&G expenses.</p> <p>24 Q. So there would be a certain portion of costs</p> <p>25 for facilities on the island and certain</p>	<p>1 administrative costs as well?</p> <p>2 A. That's correct.</p> <p>3 Q. Just to put in perspective so we understand</p> <p>4 the markups that eventually hit the ultimate</p> <p>5 consumer, what is Hydro's cost of energy on a</p> <p>6 per kilowatt hour basis to supply a consumer</p> <p>7 in Labrador West? What does Hydro pay for</p> <p>8 power generated at Churchill Falls at the</p> <p>9 present time?</p> <p>10 A. I am not sure of the actual mil rate. I think</p> <p>11 it's approximately 2.8 mils or 2.7 mils,</p> <p>12 somewhere in that order.</p> <p>13 Q. I'd suggest it might be in the range of 2.56</p> <p>14 mils.</p> <p>15 A. 2.56, I would agree with that.</p> <p>16 Q. And is that number then put into your cost of</p> <p>17 service or is there a different number used in</p> <p>18 calculating rates?</p> <p>19 A. That number would be used to calculate our</p> <p>20 power purchase costs.</p> <p>21 Q. Do you charge that number back directly or do</p> <p>22 you have add ons to it before it goes to the</p> <p>23 ultimate consumer?</p> <p>24 A. No, that number, from a power purchase</p> <p>25 perspective, is the pure number of what we</p>

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<p>1 MR. BANFIELD: 2 purchase power from CF(L)Co. 3 HEARN, Q.C.: 4 Q. And you charge that, without markup, to the 5 consumer? 6 A. That's correct. 7 Q. Is the price to Hydro for power at Churchill 8 Falls projected to increase or increase over 9 the next five, ten, fifteen year period? 10 A. Not that I'm aware of. It will only be in the 11 same context as whatever is charged to Hydro 12 Quebec. If that price in the power contract 13 goes down then--but my understanding is that 14 price is the same now, but changes, I think, 15 somewhere after the original 40-year contract 16 is up. 17 Q. You're suggesting that it doesn't change until 18 2016? 19 A. That's my understanding. Now I could be 20 wrong. There may be minor revisions that take 21 place from time to time, but my understanding 22 is that that is the fixed price. 23 Q. I would suggest to you that the price actually 24 declines further prior to 2016, and that's not 25 projected in your cost of service?</p>	<p>1 A. Not for 2004 because the 2004 cost of service 2 is only based on 2004. 3 Q. I'm not suggesting it necessarily changes in 4 2004. What I am suggesting that over time, 5 prior to the expiration of the original 6 contract between CF(L)Co and Hydro Quebec that 7 the price does decline. 8 A. Sir, I stand to be corrected, but if that 9 price does decline that would be reflected in 10 any future rate setting that we would do in 11 terms of power purchase costs. 12 Q. So you would agree that your cost of power at 13 the present time, from Churchill Falls, is 14 approximately a quarter of a cent Canadian or 15 2.56 mils? 16 A. As we have already agreed, yes, sir, I would 17 agree. 18 Q. And with uniform rates implemented in 2008, as 19 Hydro is proposing, how much do you intend to 20 charge the GS customer in the zero to ten 21 kilowatt category? You'll find that at Table 22 6 of page six of your evidence. Am I correct 23 in understanding that the power that you--I'm 24 sorry, I said--that's a chart for Happy 25 Valley-Goose Bay. There's a similar chart for</p>
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<p>1 - 2 A. You want Schedule 2, I believe, don't you? 3 Q. My point is the power that you're receiving 4 for quarter of a cent, at the end of the five- 5 year period, if your rate proposal were 6 accepted, I'd like to know how much you intend 7 to charge the domestic consumer on a per 8 kilowatt hour basis and how much you intend to 9 charge the general service consumer? They've 10 already been alluded to by the consumer 11 advocate when you were discussing the proposed 12 rates. 13 A. The general service customer, you take Class 14 2.2 for instance, and I'm looking at Schedule 15 3 now, Mr. Hearn, page one of two. 2.2 16 general service customer once uniform rates 17 are in place would pay 2.39 cents per kilowatt 18 hour as an energy rate. 19 Q. Just looking for that table. What page is 20 that? 21 A. Schedule 3, page one of two. It outlines the 22 current rates in 2003, the rates in our 23 original submission, and also the projected 24 rates for 2004 to 2008. 25 Q. Just a moment. I just have to locate that</p>	<p>1 schedule. 2 A. Sure. 3 Q. Yes, I have it. You're saying that the rate 4 would be how much? 5 A. For rate class 2.2, at the bottom of that 6 table, for Labrador West, in 2005 is when the 7 rate for Labrador West is based on the uniform 8 rate, would be 2.398 cents per kilowatt hour. 9 Q. So you would be charging for category 2.2, 10 what costs you a quarter of a cent, 2.4 cents 11 approximately to that particular category? 12 A. Well, that is the power purchase cost but to 13 that has to be added all of the other - 14 Q. Yes, I realize that you'll be adding your 15 other costs, but I'm just making--just so we 16 understand the number that it costs you to buy 17 the power and then the ultimate selling price. 18 A. Yes, comparing those two particular items. 19 Q. We'll come back to the other costs that are 20 associated as well. For rate class 2.1, in 21 2008 with uniform rates implemented as you 22 propose, what do you project charging the 23 customer in Labrador West for the power that 24 costs you a quarter of a cent? 25 A. When uniform rates are firmly established,</p>

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<p>1 MR. BANFIFELD:</p> <p>2 5.086 cents per kilowatt hour.</p> <p>3 HEARN, Q.C.:</p> <p>4 Q. So you'll be charging 5.1 cents to the</p> <p>5 domestic customer, the small businessman in</p> <p>6 Labrador West, for power that costs you a</p> <p>7 quarter of a cent?</p> <p>8 A. For power that costs us a quarter of a cent</p> <p>9 purchase power costs only, not including the</p> <p>10 cost of common assets which are allocated to</p> <p>11 that rate class, distribution upgrading costs,</p> <p>12 O&M costs, engineering costs. Once you add</p> <p>13 all those in, that's where you get the five</p> <p>14 cents.</p> <p>15 Q. So applying those additional costs and</p> <p>16 overheads, you get a quarter of a cent power</p> <p>17 up to 5.1 cent in 2008?</p> <p>18 A. With the additional costs, yes, which are</p> <p>19 partly overheads, partly direct costs of</p> <p>20 engineering, transmission line costs, et</p> <p>21 cetera.</p> <p>22 Q. Now you've mentioned that climate is not a</p> <p>23 consideration for you. Would you accept that</p> <p>24 the climate here is different from the climate</p> <p>25 in Happy Valley-Goose Bay?</p>	<p>1 A. By climate you mean the average use in</p> <p>2 kilowatt hours per customer, yes, they are</p> <p>3 different.</p> <p>4 Q. Do you have any difficulty accepting that it's</p> <p>5 colder here on an average than it is in Happy</p> <p>6 Valley-Goose Bay?</p> <p>7 A. That's correct.</p> <p>8 Q. There was some mention of benefit to the</p> <p>9 mining companies by virtue of the fact that</p> <p>10 they could reclaim all their Twin Falls power</p> <p>11 and use it in their industrial operations, as</p> <p>12 compared to having to use some of that power</p> <p>13 for servicing the customers and the consumers</p> <p>14 within the municipalities here, Wabush and</p> <p>15 Labrador City. Is there some benefit to Hydro</p> <p>16 for use of the water or by being able to use</p> <p>17 the water that would have flown through the</p> <p>18 Twin Falls plant in the Churchill Falls plant?</p> <p>19 Is that advantageous to Hydro?</p> <p>20 A. I'm sorry, I don't know how you mean</p> <p>21 advantageous to Hydro, Mr. Hearn.</p> <p>22 Q. Well, I'm suggesting to you that because of</p> <p>23 the greater height that's used and the other</p> <p>24 efficiencies in the Churchill Falls plant that</p> <p>25 you're able to use this water over something</p>
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<p>1 like three times the height and thereby get</p> <p>2 nine times the energy out of Churchill Falls</p> <p>3 that you would have gotten by using that same</p> <p>4 water at Twin Falls?</p> <p>5 A. Yes, your information is correct. That's part</p> <p>6 of the planning, developing the Churchill</p> <p>7 Falls plant was Twin Falls plant was to</p> <p>8 shutdown and the water diverted to be uses at</p> <p>9 Churchill Falls for the advantage of Churchill</p> <p>10 Falls Labrador Corporation and also for the</p> <p>11 mining companies.</p> <p>12 Q. And as part of that arrangement, would you be</p> <p>13 familiar with--and if I'm outside your ambit</p> <p>14 then by all means correct me, but I presume</p> <p>15 there's an arrangement whereby the Twin Falls</p> <p>16 Power Corporation would get replacement power</p> <p>17 from the Churchill Falls facility for power</p> <p>18 that it would otherwise have generated at</p> <p>19 Churchill Falls?</p> <p>20 A. That's my understanding and they pay a fee for</p> <p>21 that.</p> <p>22 Q. You've divided this area into some five rate</p> <p>23 classes, and you can see it in many of your</p> <p>24 tables. You have domestic and then you have</p> <p>25 four levels of general service. I wonder if</p>	<p>1 you can explain each of those rate classes,</p> <p>2 and you do have schedules that may assist you.</p> <p>3 I'd like to know what the class means, the</p> <p>4 number of customers and any other information</p> <p>5 you can give us about the profiles of those</p> <p>6 classes.</p> <p>7 A. Rate classes are, in general, characterized by</p> <p>8 the type of customer and in more so, the usage</p> <p>9 of power for customers. The domestic class</p> <p>10 are sometimes called the residential</p> <p>11 customers. That same word can be used. It's</p> <p>12 your average individual household, whether</p> <p>13 it's all electric or just what we would</p> <p>14 classify as a regular domestic customer, ie.</p> <p>15 not electric heat. General service categories</p> <p>16 are broken down into four different rate</p> <p>17 classes. The general service 2.1 class</p> <p>18 comprises customers whose peak demands are in</p> <p>19 the order of zero to ten kilowatts.</p> <p>20 Q. So would those customers be in Labrador West?</p> <p>21 A. In Labrador West, some of those customers</p> <p>22 would -</p> <p>23 Q. I think if you look at page three of six,</p> <p>24 Schedule 1, you refer to the number of</p> <p>25 customers in that class in 2001.</p>

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<p>1 MR. BANFIELD:</p> <p>2 A. Schedule 1, yes, there are 132 customers in</p> <p>3 that class. Some of those would be facilities</p> <p>4 owned by the Town of Wabush or the Town of</p> <p>5 Labrador City, companies such as the Bread</p> <p>6 Basket or Cabot Realty, people like that.</p> <p>7 HEARN, Q.C.:</p> <p>8 Q. So would it be some municipal facilities and</p> <p>9 mostly small business people?</p> <p>10 A. That's a fair characterization, yes.</p> <p>11 Q. General service 2.2?</p> <p>12 A. General service 2.2 are those customers that</p> <p>13 use demand of 10 to 100 kilowatts. They would</p> <p>14 be the larger customers.</p> <p>15 Q. What would be the number of customers in that</p> <p>16 class?</p> <p>17 A. In 2.2 Lab West, the number of customers are</p> <p>18 235 customers.</p> <p>19 Q. Can you tell us would they be small businesses</p> <p>20 as well?</p> <p>21 A. Well, they could verge on the area of small</p> <p>22 business, but they're probably a little more</p> <p>23 than your corner store or confectionary store.</p> <p>24 They're probably into some small--including</p> <p>25 the small manufacturing, I suppose, for that</p>	<p>1 matter, but probably just somewhat different</p> <p>2 than that. They could be a bigger department</p> <p>3 store or that type of thing. I'm hesitating</p> <p>4 giving you names because I'm not sure that I</p> <p>5 should be giving you -</p> <p>6 Q. Yes, and I appreciate that. I'm not looking</p> <p>7 for the exact identity, but I just want to</p> <p>8 make certain that -</p> <p>9 A. Sure.</p> <p>10 Q. - that we can define exactly the class that</p> <p>11 we're talking about. And how about general</p> <p>12 service 2.3, your next table, page five of</p> <p>13 six?</p> <p>14 A. 2.3 general service, there are 68 customers in</p> <p>15 Lab West 2.3, and again, they would be like</p> <p>16 the Labrador City Shopping Centre, for</p> <p>17 instance, a bigger facility such as that.</p> <p>18 Q. And how about general service 2.4?</p> <p>19 A. General service 2.4, there are really only two</p> <p>20 customers in that category and the hospital is</p> <p>21 one of those customers.</p> <p>22 Q. And can you explain the category, in terms of</p> <p>23 usage?</p> <p>24 A. I'm sorry, the category 2.4, sure, it's over</p> <p>25 1,000 kVA.</p>
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<p>1 Q. So in each of these categories, the general</p> <p>2 service categories, you're going from 2.1 to</p> <p>3 2.4, they're all escalating use categories?</p> <p>4 A. That's correct, based on demand. Demand is</p> <p>5 the characterizing factor in those classes.</p> <p>6 Q. Now who determined those divisions of general</p> <p>7 service? Is there a particular rule of thumb?</p> <p>8 How was that decision made?</p> <p>9 A. These are what I would characterize, I guess,</p> <p>10 as fairly universal or fairly standard</p> <p>11 categories of service that you would pretty</p> <p>12 well find in any utility. They may vary</p> <p>13 slightly, in terms of the range, but for</p> <p>14 general purposes, I would characterize them as</p> <p>15 being pretty standard.</p> <p>16 Q. Do all utilities use these dividing points of</p> <p>17 10 kilowatts, 100 kilowatts and 1,000</p> <p>18 kilowatts for subdividing general service</p> <p>19 customers?</p> <p>20 A. I can't say categorically that they would be</p> <p>21 the absolute numbers that they would use, but</p> <p>22 I would suggest that they would be somewhere</p> <p>23 in that range, yes. And I'm sure you looked</p> <p>24 hard enough or far enough, you'd find</p> <p>25 differences and distinctions within them, but</p>	<p>1 this is the--these are the categories and</p> <p>2 service classes that are generally accepted</p> <p>3 here in this jurisdiction in Newfoundland and</p> <p>4 Labrador.</p> <p>5 Q. Would you accept that while they may be used</p> <p>6 quite often that they're somewhat arbitrary in</p> <p>7 terms of the distinctions between the</p> <p>8 categories?</p> <p>9 A. I'm not sure I could accept that they're</p> <p>10 somewhat arbitrary because they do</p> <p>11 characterize the usage of customers and over</p> <p>12 time, I would be inclined to believe that</p> <p>13 there's been some coming together, I guess, of</p> <p>14 the experts. We've had experts look at these</p> <p>15 and give comments on them and they believe</p> <p>16 that these rate points are reasonable and</p> <p>17 pretty well standard.</p> <p>18 Q. You've already indicated to the Consumer</p> <p>19 Advocate that there isn't a practical problem</p> <p>20 for setting rates for two different areas in</p> <p>21 Labrador, Labrador East and Labrador West.</p> <p>22 That's not a terribly difficult exercise to</p> <p>23 do, is it?</p> <p>24 A. It can be done.</p> <p>25 Q. There was some mention, some of the witnesses</p>

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<p>1 HEARN, Q.C.:</p> <p>2 that were called last week in St. John's</p> <p>3 before the Board, in particular the Board</p> <p>4 experts from EES Consultants, suggesting that</p> <p>5 the decision to average rates is in fact an</p> <p>6 arbitrary policy decision. Would you agree</p> <p>7 with that?</p> <p>8 A. I'm not sure I'd classify it as arbitrary, but</p> <p>9 it's certainly a policy decision, yes.</p> <p>10 Q. You have refiled your evidence to reflect some</p> <p>11 changes from the first--from your earlier</p> <p>12 filing in relation to this proceeding, and at</p> <p>13 page two of your evidence you indicate a</p> <p>14 change in forecast 2004 costs. Do you have</p> <p>15 that nearby?</p> <p>16 A. Yes, I do.</p> <p>17 Q. You've indicated in your answer to the first</p> <p>18 question that Hydro's forecast 2004 costs</p> <p>19 related to the Wabush terminal station have</p> <p>20 changed from 106,235 as contained in Hydro's</p> <p>21 original filing, to 438,020. Is that correct?</p> <p>22 A. That's correct.</p> <p>23 Q. And is that higher number now reflected in the</p> <p>24 rates that you intend to charge?</p> <p>25 A. Yes, that number has been fully reflected in</p>	<p>1 this revised application.</p> <p>2 Q. And I think in response to LC No. 52, you</p> <p>3 broke down in detail the additional expenses</p> <p>4 in relation to the Wabush terminal substation?</p> <p>5 A. That's correct.</p> <p>6 Q. These would include synchronist condensers, 46</p> <p>7 kV pot head replacements, control replacements</p> <p>8 for the synchronist condensers, and that sort</p> <p>9 of thing. Would that be correct?</p> <p>10 A. Yes, that's correct.</p> <p>11 Q. These items, synchronist condensers, what</p> <p>12 would be the life of these assets?</p> <p>13 A. I don't have the actual depreciation numbers,</p> <p>14 but I suspect that they would be, in normal</p> <p>15 circumstances, would have been depreciated</p> <p>16 over 30 years, but I can't speak for the</p> <p>17 depreciation policies of Twin Falls. I really</p> <p>18 don't know.</p> <p>19 Q. These particular items, and certainly the</p> <p>20 synchronist condensers, have a life far in</p> <p>21 excess of one year, do they not?</p> <p>22 A. This is correct. The 89,000 that's referred</p> <p>23 to there is only for an inspection of those</p> <p>24 synchronist condensers. That would certainly</p> <p>25 be considered to be an expense item for one</p>
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<p>1 year.</p> <p>2 Q. Would you be inspecting these on an annual</p> <p>3 basis?</p> <p>4 A. I'm not sure of the inspection cycle, but I</p> <p>5 would assume that there would be some minor--</p> <p>6 normally on rotating equipment, they are</p> <p>7 usually categorized as minor inspections or</p> <p>8 major overhauls, minor overhauls, major</p> <p>9 overhauls, inspections. I cannot speak to</p> <p>10 whether or not that \$89,000 in particular</p> <p>11 would be spent each and every year, but in</p> <p>12 this particular case, it's identified here.</p> <p>13 Q. I would expect that if this were an annual</p> <p>14 normal expenditure that it would have been</p> <p>15 reflected in your earlier figures. Would that</p> <p>16 be fair to say?</p> <p>17 A. If that was an annual expenditure, it would be</p> <p>18 in our normal expenditures for the Wabush</p> <p>19 terminal station cost which Hydro bears. The</p> <p>20 very fact that it's showing up here, I would</p> <p>21 offer and I'm led to understand that this is</p> <p>22 an exceptional item, along with the \$30,000</p> <p>23 for the pot head replacements and the control</p> <p>24 that's necessary for those synchronist</p> <p>25 condensers. It's a one-time requirement</p>	<p>1 that's been forecasted to occur.</p> <p>2 Q. So given that it's a one-time requirement with</p> <p>3 things such as the replacements for the</p> <p>4 synchronist condensers having a longer life,</p> <p>5 certainly a much longer life than a year, I'm</p> <p>6 wondering why these items are expensed in one</p> <p>7 year rather than capitalized or amortized?</p> <p>8 A. Items only extending the normal life of the</p> <p>9 synchronist condensers, I would submit, would</p> <p>10 be spread over a longer period of time.</p> <p>11 Whereas these items are just incurred in order</p> <p>12 to maintain the existing life of those</p> <p>13 synchronist condensers. From that</p> <p>14 perspective, they would normally be expensed</p> <p>15 in one year.</p> <p>16 Q. But given that they're one-shot payments, that</p> <p>17 they're not likely to have to be replaced for</p> <p>18 a further period of time, would it not be</p> <p>19 reasonable to take these numbers and average</p> <p>20 them out over the life of the asset, rather</p> <p>21 than expensing them in a given year?</p> <p>22 A. No, I couldn't agree with that, not for these</p> <p>23 dollar values. These are clearly, from my</p> <p>24 perspective, expense items to be incurred in</p> <p>25 one year.</p>

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<p>1 HEARN, Q.C.:</p> <p>2 Q. So you don't think that these could be treated</p> <p>3 as capital items and amortized?</p> <p>4 A. That's not what's being proposed, no.</p> <p>5 Q. I realize it's not what's being proposed, but</p> <p>6 I'm suggesting that an alternate treatment</p> <p>7 where they're amortized would not necessarily</p> <p>8 be inappropriate either.</p> <p>9 A. Should somebody choose to do that, that's</p> <p>10 obviously somebody else looking at this might</p> <p>11 propose that, Mr. Hearn, but for this</p> <p>12 particular application, we propose that it</p> <p>13 would be treated as a single expense item.</p> <p>14 Q. And if you spread that over a period of time,</p> <p>15 it would reduce the revenue that Hydro would</p> <p>16 require in 2004?</p> <p>17 A. Yes, as would any other cost that we would</p> <p>18 spread over time.</p> <p>19 Q. Certainly. So if you'd capitalize and average</p> <p>20 it, then you wouldn't need all of that money</p> <p>21 to be recovered in 2004 in your rate base?</p> <p>22 A. Yes, that's correct.</p> <p>23 Q. The revenue credit that comes from sales to</p> <p>24 Five-Wing Goose Bay is scheduled to be phased</p> <p>25 out--the contribution from that is scheduled</p>	<p>1 to be phased out of rates applied to the</p> <p>2 Labrador Interconnected customers, is it not?</p> <p>3 A. Yes, according to the Board Order P.U. 7, we</p> <p>4 have to factor that phase out of the secondary</p> <p>5 credit from subsidizing or from being applied</p> <p>6 to rates in Labrador to the rural deficit over</p> <p>7 a five-year period.</p> <p>8 Q. And you show that at pages seven and page</p> <p>9 eight of your evidence?</p> <p>10 A. That's correct. And you'll see in 2004, we've</p> <p>11 used the entire credit and applied it to</p> <p>12 keeping rates as low as we possibly could with</p> <p>13 the dollars that we had to deal with in 2004.</p> <p>14 Q. But by 2008, how much of that secondary credit</p> <p>15 would be applied to rates within this proposed</p> <p>16 Labrador Interconnected System?</p> <p>17 A. As shown in the table, there would be zero</p> <p>18 applied. It would all be going to the rural</p> <p>19 deficit.</p> <p>20 Q. Are there costs for standby generation</p> <p>21 capacity in Happy Valley-Goose Bay?</p> <p>22 A. Yes.</p> <p>23 Q. The gas turbine and associated diesel</p> <p>24 facilities?</p> <p>25 A. There are facilities in Goose Bay, a gas</p>
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<p>1 turbine and diesels, yes.</p> <p>2 Q. Is the cost of maintaining those facilities</p> <p>3 included in the cost base for the Labrador</p> <p>4 Interconnected customers?</p> <p>5 A. As a defined common cost, yes, they are.</p> <p>6 Q. And those facilities, do they have a purpose</p> <p>7 in guaranteeing backup supply to CFB Goose</p> <p>8 Bay?</p> <p>9 A. No, their prime purpose is to provide backup</p> <p>10 supply to the load in Happy Valley--the firm</p> <p>11 load in Happy Valley-Goose Bay, and as well,</p> <p>12 the gas turbine can operate as a synchronist</p> <p>13 condenser which will allow an increased power</p> <p>14 flow over the 138 kV system to Happy Valley.</p> <p>15 Q. Are you suggesting that this standby</p> <p>16 generation provides no backup security for the</p> <p>17 needs for CFB Goose Bay?</p> <p>18 A. Only their firm requirements. They're also a</p> <p>19 general service customer of ours, as well as</p> <p>20 providing the secondary energy. So the gas</p> <p>21 turbine and diesel can only be used to firm up</p> <p>22 or backup their firm load, as a general</p> <p>23 service customer, and not their secondary.</p> <p>24 Q. But it can be used to firm up their load?</p> <p>25 A. Their firm load, yes.</p>	<p>1 Q. Yes. So they continue to receive the benefit</p> <p>2 from having these backup facilities there?</p> <p>3 (12:20 p.m.)</p> <p>4 A. Yes, and I'm sorry, I'm not trying to be</p> <p>5 argumentative, but -</p> <p>6 Q. No.</p> <p>7 A. - I want to be very clear that those</p> <p>8 facilities are there to back up firm load.</p> <p>9 CFB Goose Bay are a general service customer</p> <p>10 of Hydro's, as is any--the same as probably a</p> <p>11 lot of other general service customers. So we</p> <p>12 would use that generation to back up that part</p> <p>13 of their load, but it has nothing to do with</p> <p>14 anything to do with the secondary credit.</p> <p>15 Q. I understand your qualification and I don't</p> <p>16 take you, Mr. Banfield, as being argumentative</p> <p>17 at all and I thank you for any clarifications.</p> <p>18 My point is that certainly with respect to</p> <p>19 their firm load, there's a benefit in having</p> <p>20 the standby capacity, but for the Labrador</p> <p>21 Interconnected System, so called, will no</p> <p>22 longer receive any revenue from the secondary</p> <p>23 revenue credit from CFB Goose Bay as of 2008</p> <p>24 if your proposal is accepted and as per the</p> <p>25 present Board Order?</p>

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<p>1 MR. BANFIELD:</p> <p>2 A. Those facts as you state them are correct, but</p> <p>3 I don't see any linkage between the secondary</p> <p>4 credit and the firm requirements of CFB Goose</p> <p>5 Bay.</p> <p>6 HEARN, Q.C.:</p> <p>7 Q. Presently in 2003, what is happening to that</p> <p>8 secondary revenue credit?</p> <p>9 A. It was applied to the rates which are</p> <p>10 established for the Labrador Interconnected</p> <p>11 System that we're paying today.</p> <p>12 Q. And is that applied to both rates in Labrador</p> <p>13 West and Labrador East?</p> <p>14 A. That's correct.</p> <p>15 Q. I wonder if we could go to Table 2, page four,</p> <p>16 and just look at, for a moment, the proposed</p> <p>17 rates for 2004. What is the projected</p> <p>18 percentage increase that Hydro is proposing</p> <p>19 for rates for Labrador West for the calendar</p> <p>20 year of 2004?</p> <p>21 A. As a first step in bringing in the uniform</p> <p>22 rate structure, we're proposing that the rates</p> <p>23 in Labrador West be increased by 28 percent.</p> <p>24 Q. And for the calendar year 2004, what is the</p> <p>25 proposed change in rates affecting street and</p>	<p>1 area lighting?</p> <p>2 A. On an individual basis, the street and area</p> <p>3 lighting rate change is 48.9 percent.</p> <p>4 Q. And that's not an increase, is it?</p> <p>5 A. No, but the reason for that is the revenue at</p> <p>6 existing rates which accounts for that large</p> <p>7 percentage. In Hydro's last application, we</p> <p>8 had proposed a rate category for the street</p> <p>9 lights in Labrador City in particular, and</p> <p>10 through an error on our own part, we had</p> <p>11 proposed an availability clause within that</p> <p>12 rate which did not apply to Labrador City. We</p> <p>13 subsequently changed and refunded monies back</p> <p>14 to Labrador City, charged them a lower rate</p> <p>15 than they would have otherwise received and</p> <p>16 thus, in this particular application, we are</p> <p>17 now proposing to go to the proper rate, and</p> <p>18 that's why you are seeing such a big increase</p> <p>19 in that particular rate class.</p> <p>20 Q. Moving to Table 3 of page five of your</p> <p>21 evidence, you show the proposed rates for</p> <p>22 Happy Valley-Goose Bay based on the calendar</p> <p>23 year 2004, and during that period of time,</p> <p>24 when you project that rates in Labrador West</p> <p>25 for Labrador West consumers would increase by</p>
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<p>1 28 percent, what is the proposed change for</p> <p>2 domestic consumers in Happy Valley-Goose Bay</p> <p>3 for the calendar year 2004?</p> <p>4 A. To bring in the uniform rates in Labrador, the</p> <p>5 domestic rate change for Happy Valley-Goose</p> <p>6 Bay would be zero percent.</p> <p>7 Q. If you look at Table 4 of your evidence, and a</p> <p>8 comparison of revenue of existing and proposed</p> <p>9 rates, based on the full year of 2008--no, I'm</p> <p>10 sorry, I'm going to move on to Table 5 for the</p> <p>11 comparison of revenue and existing and</p> <p>12 proposed rates for Labrador West based on the</p> <p>13 full year 2008. What is the proposed change</p> <p>14 from existing rates to proposed rates in the</p> <p>15 domestic class for Labrador West consumers</p> <p>16 over that five-year period, the total change</p> <p>17 showing in your last column for domestic?</p> <p>18 A. Total change required in domestic rates in</p> <p>19 Labrador West, in order to bring in the</p> <p>20 uniform rate structure, is 141.1 percent.</p> <p>21 Q. And during that same five-year period, as you</p> <p>22 show on Table 6, what is the projected change</p> <p>23 in domestic rates for Happy Valley-Goose Bay?</p> <p>24 A. Projected rate change for Happy Valley-Goose</p> <p>25 Bay is 1.9 percent.</p>	<p>1 Q. Overall, that -</p> <p>2 CHAIRMAN:</p> <p>3 Q. Excuse me, Mr. Hearn. I would, as I tried to</p> <p>4 indicate earlier this morning, these are</p> <p>5 formal proceedings, and I want to try to be</p> <p>6 fair to the witness here, and I understand the</p> <p>7 concerns and emotions in this room with the</p> <p>8 rate increases. We are indeed here to hear</p> <p>9 you this morning. We are here to present the</p> <p>10 evidence before you and we thought it was</p> <p>11 appropriate to do this actually before getting</p> <p>12 into the public presentations as such, just so</p> <p>13 we could outline the evidence. I realize some</p> <p>14 of it is fairly abstract because it is a lot</p> <p>15 of statistics, but we feel that at least in</p> <p>16 terms of the percentages and the overall</p> <p>17 impact, you would want an appreciation for</p> <p>18 that. So we are here to listen, and I would</p> <p>19 ask for your cooperation as we proceed. Thank</p> <p>20 you very much.</p> <p>21 HEARN, Q.C.:</p> <p>22 Q. Thank you, Mr. Chairman, and I'd ask everybody</p> <p>23 here as well to show the appropriate level of</p> <p>24 decorum, both to the proceedings and to the</p> <p>25 Board and also to Mr. Banfield as well, who's</p>

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<p>1 HEARN, Q.C.:</p> <p>2 getting his evidence in a very professional</p> <p>3 manner.</p> <p>4 If we compare existing and proposed rates</p> <p>5 when we're having a substantial increase in</p> <p>6 Labrador West, what is the projected</p> <p>7 cumulative affect on rates in Labrador East?</p> <p>8 I believe it's the last number on Table 6.</p> <p>9 Over that full five-year period, what's the</p> <p>10 cumulative impact of the proposed changes on</p> <p>11 rates in Labrador East.</p> <p>12 A. The cumulative effect on rates in Labrador</p> <p>13 East in order to have a uniform rate structure</p> <p>14 at the end of the period 2008, there has to be</p> <p>15 a decrease of 8.4 percent in Labrador East</p> <p>16 rates in order to achieve that.</p> <p>17 Q. And over that same period, over that same</p> <p>18 five-year period, if you look at Table 5,</p> <p>19 what's the cumulative Labrador West total?</p> <p>20 A. The cumulative Labrador West total is 92.2</p> <p>21 percent.</p> <p>22 Q. So rates are projected, on a cumulative basis,</p> <p>23 to go up 92.2 percent here and more for some</p> <p>24 particular classes and on a cumulative basis</p> <p>25 to decline in Labrador East by a measure of</p>	<p>1 8.4 percent? Would that be correct?</p> <p>2 A. Those are the facts. In order to be able to</p> <p>3 have a uniform rate structure in Labrador,</p> <p>4 then these are the numbers which have to be</p> <p>5 put into effect in order to achieve that</p> <p>6 uniformity.</p> <p>7 Q. I wonder if you could go through some of the</p> <p>8 schedules that you have in your evidence. I</p> <p>9 was asking you about the classes and you were</p> <p>10 referring to them earlier. I wonder if you</p> <p>11 might just explain the Schedule 1, page 2 of</p> <p>12 6, the impact of proposed rates on annual</p> <p>13 electricity costs for 2004 for Labrador West</p> <p>14 on the domestic class, and I wonder if you</p> <p>15 might take us through that table and explain</p> <p>16 it to us, please?</p> <p>17 A. Sure, I can do that. As would be consistent</p> <p>18 with all of these tables, whether it's showing</p> <p>19 an increase in the Happy Valley-Goose Bay</p> <p>20 general service 2.1 rate or, as you've pointed</p> <p>21 me to, page 2 of 6, Schedule 1 for the</p> <p>22 Labrador West domestic rate increase, in order</p> <p>23 to try and give a picture, I guess, of the</p> <p>24 impact on customers, we put the information</p> <p>25 into this particular type of table, and I must</p>
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<p>1 admit, can be confusing and it's not meant to</p> <p>2 be that way, although it's probably perceived</p> <p>3 to be such. Across the top of the table,</p> <p>4 you'll see percentages in various blocks, 21</p> <p>5 to 25 percent, 25 to 29 and so on, and down</p> <p>6 the left-hand column, you'll see changes in</p> <p>7 annual costs and broken out of the categories</p> <p>8 of between 12 and 85 dollars per year, 85 to</p> <p>9 158, up to and then 304 to 377. So in the</p> <p>10 left-hand side, we have a range of dollars</p> <p>11 which would affect customers and across the</p> <p>12 top are percentage increases. The numbers</p> <p>13 which are then found in the body of the table</p> <p>14 refer to the percentage of customers that meet</p> <p>15 that matrix.</p> <p>16 So for instance, if you look at the 25 to</p> <p>17 29 percent change in annual costs and were to</p> <p>18 look down that column, you would see that 8.54</p> <p>19 percent of the customers, domestic customers</p> <p>20 in Labrador West, will have their rates in an</p> <p>21 annual basis change from \$12.00 to \$85.00</p> <p>22 annually. That's the increase that they will</p> <p>23 see. 22.2 percent of the domestic customers</p> <p>24 will see increases of 85 to 158, \$158.00, and</p> <p>25 so on down that table. Then the numbers at</p>	<p>1 the bottom, you will see 86.55 percent of the</p> <p>2 customers will have their rates increase</p> <p>3 between 25 to 29 percent, which is consistent</p> <p>4 with the average class increases which we</p> <p>5 talked about earlier of 28 percent for the</p> <p>6 domestic customers. And right at the very</p> <p>7 bottom, you'll see some footnotes where we</p> <p>8 talk about the average number of customers as</p> <p>9 being 4,245 domestic customers in the Labrador</p> <p>10 West area.</p> <p>11 Q. That table, as I understand it, shows the</p> <p>12 projected changes imposing the proposed rates</p> <p>13 for the electricity costs for Labrador West</p> <p>14 for 2004 only?</p> <p>15 A. Yes, it does.</p> <p>16 Q. You, in response to a question by my learned</p> <p>17 friend, the Consumer Advocate, referred to</p> <p>18 some of these numbers in terms of the</p> <p>19 difference in costs. Do I understand that</p> <p>20 there'll be annual increases each year from</p> <p>21 2004 to 2008?</p> <p>22 A. That's correct.</p> <p>23 Q. If you applied those proposed rates are</p> <p>24 accepted by the Board?</p> <p>25 A. Yes, and other pages, Schedule 2, there's a</p>

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<p>1 MR. BANFIELD:</p> <p>2 Schedule 2 attached to my evidence which gives</p> <p>3 the customer impacts for each year for 2006,</p> <p>4 2007 and 2008. 2005 actually, '06, '07 and</p> <p>5 '08.</p> <p>6 HEARN, Q.C.:</p> <p>7 Q. I wonder if we might just refer to page 3 of 6</p> <p>8 in Schedule 1, and if you can explain the</p> <p>9 impact of the proposed rates on annual</p> <p>10 electricity costs for Labrador West consumers</p> <p>11 in the general service category for 2004?</p> <p>12 A. For general service 2.1 category, as we had</p> <p>13 discussed earlier, these are the smaller</p> <p>14 general service customers with low demand</p> <p>15 usage. 26 percent of the customers in that</p> <p>16 class will receive increases from zero to</p> <p>17 seven percent, increasing their annual cost,</p> <p>18 or in dollar value, from zero to \$88.00 a year</p> <p>19 annually, and if you look right across to the</p> <p>20 far column, you'll see that 60.53 percent of</p> <p>21 the customers will receive changes in their</p> <p>22 annual cost in dollars of zero to \$88.00 a</p> <p>23 year. So in that class, 60 percent of the</p> <p>24 customers will receive--will see changes of</p> <p>25 zero to \$88.00 a year. And in going down the</p>	<p>1 table again are various percentages. 27</p> <p>2 percent of the customers in that general</p> <p>3 service class will see changes in their cost</p> <p>4 of 88 to 176 dollars per year.</p> <p>5 Q. And on a cumulative basis, I believe you</p> <p>6 showed in an earlier table, that this</p> <p>7 particular category of customers would show a</p> <p>8 percentage change of 28 percent?</p> <p>9 A. That's correct.</p> <p>10 Q. Page 4 of 6, Schedule 1, general service</p> <p>11 category 2.2, impact of proposed rates on</p> <p>12 annual electricity costs for 2004. I wonder</p> <p>13 if you might explain that particular chart and</p> <p>14 the effect of the proposed rates on this</p> <p>15 category of customers?</p> <p>16 A. Page 4 of 6, Schedule 1?</p> <p>17 Q. Yes.</p> <p>18 A. Yes, again, probably the significant numbers</p> <p>19 here are that 52.91 percent of the customers</p> <p>20 in that class, of which we had already</p> <p>21 discussed this morning are 235 customers, will</p> <p>22 receive changes in their annual bills from \$29</p> <p>23 annually to \$524 annually and 29 percent of</p> <p>24 those customers will receive changes in their</p> <p>25 cost of \$524 annually to \$1,019 annually.</p>
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<p>1 Q. And are there some customers in that class</p> <p>2 that will see dollar change in annual cost</p> <p>3 that's over \$1,000 and perhaps up to some</p> <p>4 \$2500 in 2004?</p> <p>5 A. Yes, that's correct. There are a couple of</p> <p>6 customers in that class that will see--97</p> <p>7 percent of the customers in that class will</p> <p>8 see changes in their annual cost of between</p> <p>9 2,000 roughly and \$2500 annually.</p> <p>10 Q. And are there some other customers that will</p> <p>11 see an increase from 1,000 to approximately</p> <p>12 2,000 in that class, based on projected rates</p> <p>13 for 2004?</p> <p>14 A. The two other categories are changes in annual</p> <p>15 cost from \$1,019 to \$1,514 or 11 percent of</p> <p>16 the customers will see that range of increase,</p> <p>17 and roughly 5.8 percent of the customers will</p> <p>18 see increases of approximately \$1,514 to</p> <p>19 \$2,009 annually.</p> <p>20 Q. Moving to page 5 of 6, general service</p> <p>21 category 2.3, I wonder if you might take us</p> <p>22 through that table and show the impact of the</p> <p>23 proposed rates on annual electricity costs for</p> <p>24 this class for 2004 and the projected dollar</p> <p>25 change in annual costs?</p>	<p>1 A. Yes. 80 percent or a large majority of the</p> <p>2 customers in this class, of which there are</p> <p>3 68, will see changes in their bills annually</p> <p>4 of \$897 to \$7,028. There are 13 percent which</p> <p>5 will see changes in their bills from \$7,000</p> <p>6 roughly to \$13,000.</p> <p>7 Q. When you say, Mr. Banfield, from 7,000 to</p> <p>8 13,000, you're meaning that they will increase</p> <p>9 by a figure of at least 7,000 up to</p> <p>10 approximately 13,000?</p> <p>11 A. Yes, you're right, and I'm sorry, I didn't--if</p> <p>12 I did not say that, that they're incremental</p> <p>13 over their bill, yes, they are.</p> <p>14 Q. Yes. I'm not suggesting you're misleading, I</p> <p>15 just want to make certain that the answers are</p> <p>16 clear.</p> <p>17 A. Sure.</p> <p>18 Q. Just continue on with the explanation of that</p> <p>19 table, if you wouldn't mind, please?</p> <p>20 A. And then the next category, for both the next</p> <p>21 categories, there are about one and a half</p> <p>22 percent of the customers in those two</p> <p>23 categories that will receive increases in</p> <p>24 their annual bills of approximately \$19,000 to</p> <p>25 31,500.</p>

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<p>1 HEARN, Q.C.:</p> <p>2 Q. That's additional costs over and above the</p> <p>3 present base rate?</p> <p>4 A. That's correct.</p> <p>5 Q. I wonder if you might move to page 6 of 6 in</p> <p>6 that same schedule, general service 2.4 where</p> <p>7 you indicate there are two customers.</p> <p>8 A. There are two customers in that class and they</p> <p>9 will see dollar changes of approximately</p> <p>10 \$14,600 to \$21,000 annually in their bill.</p> <p>11 Q. And there was some mention that one of those</p> <p>12 customers was the hospital?</p> <p>13 A. Yes, that's correct.</p> <p>14 Q. Is there any reason that we can ask who the</p> <p>15 customer is or is it something that shouldn't</p> <p>16 be -</p> <p>17 A. It's QNS&L</p> <p>18 Q. If you move to Schedule 2, showing the impact</p> <p>19 of proposed rates on annual electricity costs</p> <p>20 for 2005, I wonder if you might show the</p> <p>21 projected change for Labrador West consumers,</p> <p>22 domestic consumers, the projected change to</p> <p>23 the proposed rates for 2005, and take us</p> <p>24 through that table please?</p> <p>25 A. There are some 20 pages to this Schedule. The</p>	<p>1 first one, I think, if you're referring only</p> <p>2 to the Labrador West domestics?</p> <p>3 Q. Yes.</p> <p>4 A. Page 5 of 20 for 2005.</p> <p>5 Q. Yes.</p> <p>6 A. Approximately 22 percent of the customer base</p> <p>7 will receive increases of \$7.00 to \$69.00</p> <p>8 annually. Approximately 22.8 percent will</p> <p>9 receive increases from \$69 to \$131 annually,</p> <p>10 and the single biggest percentage increase in</p> <p>11 that table, 44.6 percent roughly of the</p> <p>12 customer base will receive increases from \$131</p> <p>13 to \$193 annually. 10 percent will receive</p> <p>14 increases from \$193 to \$255 annually and less</p> <p>15 than a half a percent, which I presume comes</p> <p>16 out to probably one or two customers, receive</p> <p>17 increases between \$255 to \$316 annually.</p> <p>18 Q. I wonder if you move to 2006, Schedule 2, page</p> <p>19 14 of 20, what's projected for domestic</p> <p>20 customers in Labrador West, a change in annual</p> <p>21 dollar costs for the year 2006, if you could</p> <p>22 take us through that table please?</p> <p>23 A. For 2006, excuse me, the percentages are</p> <p>24 literally almost identical in terms of the</p> <p>25 number of customers that each of the changes</p>
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<p>1 in annual dollars and the annual dollars</p> <p>2 categories themselves are almost the same as</p> <p>3 previously in the years. But there are</p> <p>4 roughly about 22 percent in the first category</p> <p>5 will receive changes of \$8.00 to \$73. 00</p> <p>6 annually. 22 percent will receive changes of</p> <p>7 \$73 to \$138 annually. 44 percent will receive</p> <p>8 changes of \$138 to \$203 annually, and 10</p> <p>9 percent will receive changes of \$203 to \$ 268</p> <p>10 annually, and again the less than one half</p> <p>11 percent of that customer class will receive</p> <p>12 increases of \$268 to \$332 annually.</p> <p>13 Q. If you move to, I think it's the second last</p> <p>14 page of your evidence, Schedule 3, we see the</p> <p>15 schedule showing the projected rates,</p> <p>16 including the basic charge and the kilowatt</p> <p>17 hour charge for each of the rates in Happy</p> <p>18 Valley-Goose Bay and also Labrador West,</p> <p>19 projected over the next five years. Would</p> <p>20 that be accurate?</p> <p>21 A. Referring to Schedule 3, page 1 of 2?</p> <p>22 Q. Yes.</p> <p>23 A. Yes, that's correct. That lays out the</p> <p>24 comparison of the rates existing in 2003, our</p> <p>25 original application or the application that</p>	<p>1 was filed on August the 12th, and the revised</p> <p>2 application for 2004 to 2008. Those are the</p> <p>3 rates for both Labrador East and Labrador</p> <p>4 West.</p> <p>5 Q. Now I know you've explained to us that</p> <p>6 there'll be a cumulative change in rates if</p> <p>7 the proposed rates are implemented between</p> <p>8 2004 and 2008. Is Hydro proposing a rate</p> <p>9 increase in each year for the next five years?</p> <p>10 A. We are proposing an automatic rate adjustment</p> <p>11 each year to change the rates to reflect</p> <p>12 what's in this particular exhibit right here,</p> <p>13 yes.</p> <p>14 Q. Not quibbling or being argumentative, Mr.</p> <p>15 Banfield, but by adjustments you mean increase</p> <p>16 for Labrador West for each year?</p> <p>17 A. Yes, it is an increase for each year, yes.</p> <p>18 Q. And is there an increase in the basic kilowatt</p> <p>19 hour charge for the energy and also the basic</p> <p>20 charge per month?</p> <p>21 A. Yes, there is a change to the basic charge, as</p> <p>22 well as the energy charge and you can see by</p> <p>23 the numbers for 2004, it goes from \$4.85 basic</p> <p>24 charge to \$8.00, to be consistent with the</p> <p>25 \$8.00 charged to the domestic customers in</p>

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<p>1 MR. BANFIELD: 2 Happy Valley. 3 HEARN, Q.C.: 4 Q. And a kilowatt hour charge for that same class 5 of customers, what's the change from present 6 rates to the 2008 rates projected for Labrador 7 West? 8 A. Current rates for energy are 1.35 cents per 9 kilowatt hour going to 3.274 cents in 2008. 10 Q. And for the next rate class, the general 11 service, would that be fair to characterize it 12 as small business class? 13 A. Yes, 2.1 is generally referred to as small 14 business class, yes. 15 Q. And what are their present energy rates for 16 Labrador West on a kilowatt hour basis? 17 A. Current 2003 rates are 2.2 cents a kilowatt 18 hour. 19 Q. And what is projected to be the rate for that 20 class of customer in 2008? 21 A. 5.086 cents per kilowatt hour. 22 Q. And is that customer also projected to face an 23 increased energy charge in each of the 24 calendar years from 2004 to 2008? 25 A. That is the proposal, yes.</p>	<p>1 Q. The basic charge per month for that category 2 of customers is presently shown as 9.10. How 3 is that projected to change between now and 4 2008? 5 A. There'll be an increase of \$1.00 to \$10.10 in 6 2008. 7 Q. And during the years in the interim, how will 8 that basic charge be changed? 9 A. As you can see, for the years to 2006, the 10 basic charge does not change and then 11 increases to \$9.55 in 2007 to the \$10.10 in 12 2008. 13 Q. During the period of time when the projected 14 and proposed rates for Labrador West for 15 domestic customers are proposed to be 16 increased by 141 percent, what do you project 17 the rate of inflation to be? 18 (12:45 p.m.) 19 A. I'm sorry, I don't have that number in front 20 of me, Mr. Hearn. 21 Q. Would it be fair to say that the inflation 22 numbers at the present time are not projected 23 to be terribly high during that same period of 24 time or is that an unfair question to you? 25 A. Well, I think that if I was to say that I</p>
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<p>1 didn't have any thoughts on that, that would 2 be inappropriate as well. I'm sure that the 3 rates are not insignificant, but they 4 certainly would not be as high as the rate 5 changes that we're requesting under this 6 application and nor should they be compared to 7 that, from the perspective, at least from my 8 perspective, Mr. Hearn, that the reason for 9 the big increases in the rate proposal for 10 Labrador West is the requirement, based on 11 what's been given to me to come forward with a 12 uniform rate structure in the five-year 13 period. 14 Q. The proposed rates for Labrador West for 2004 15 reflect a suggested increase of approximately 16 28 percent. Is that correct? 17 A. I'm sorry, can you repeat that again? 18 Q. For 2004, the proposed rate increase for 19 Labrador West consumers would be approximately 20 28 percent? 21 A. On average, yes, that's correct. 22 Q. What's the projected rate of inflation for 23 2004? 24 A. I'm sorry, I don't have that number in front 25 of me.</p>	<p>1 Q. Do you have any idea of the magnitude of the 2 number? 3 A. Suggest probably it might be in the order of 4 two and a half percent, two percent, three 5 percent, somewhere in there. 6 Q. So when inflation is projected at two and a 7 half to three percent or so, and I realize 8 this is somewhat guestimate, but that's the 9 guestimate at the present time, and our rates 10 here are projected to be increased by 28 11 percent? 12 A. Yes, those are the numbers, but again, I think 13 that, from my perspective, that's an unfair 14 comparison. The rate increases required in 15 Labrador City require that we propose to put 16 forward to meet the uniform rate structure are 17 not of an inflationary nature. They're 18 necessary in order to be able to achieve a 19 particular policy within a five-year period. 20 Q. Over the next five-year period, are you 21 projecting building any new generation 22 capacity in Labrador West? 23 A. None that I'm aware of. 24 Q. Are you projected in making any other 25 additions to distribution facilities, other</p>

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1 HEARN, Q.C.:
 2 than normal maintenance?
 3 A. Other than what's been included in the
 4 application, and I can't remember now. There
 5 was an RFI, I believe, asked on that, but I
 6 must admit that I can't remember whether there
 7 were any new capital proposed or not.
 8 Q. Are there any major projects, capital
 9 projects, projected for this area that you're
 10 aware of?
 11 A. Not in the Labrador West area, no.
 12 Q. Those are my questions, Mr. Chairman. Thank
 13 you very much, Mr. Banfield, for your
 14 patience.
 15 A. Thank you.
 16 (12:50 p.m.)
 17 CHAIRMAN:
 18 Q. Thank you, Mr. Hearn. Thank you, Mr.
 19 Banfield. It is 10 to 1. I'd like to, if at
 20 all possible, to--yes. I realize that. I'd
 21 like to, if at all possible, conclude the
 22 evidentiary portion of the hearing before
 23 lunch. We do have some questions from the
 24 Board hearing counsel. I'd just like to
 25 inquire as to how long that might take, Mr.

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1 of services prepared for the Rural Isolated,
 2 but the costs are combined together for one
 3 rate structure.
 4 Q. Right. So in the Rural Isolated zone, that
 5 would include places such as Hopedale, Black
 6 Tickle, Paradise River, Charlottetown? Is
 7 that correct?
 8 A. That's correct, in the Labrador system, yes.
 9 Q. And those communities, they obtain their power
 10 from remote diesel generation? Is that
 11 correct?
 12 A. That's correct.
 13 Q. They're not connected to any system? Is that
 14 correct?
 15 A. In the bigger picture, no, that's correct.
 16 Q. I understand as well, we've seen some evidence
 17 that the cost to produce electricity for these
 18 customers in these remote rural communities
 19 varies fairly significantly from remote
 20 community to remote community? Is that
 21 correct?
 22 A. Yes, it can.
 23 Q. Would I be correct in saying that, for
 24 instance, Paradise River, the cost of
 25 producing--the marginal cost of producing

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1 Kennedy?
 2 MR. KENNEDY:
 3 Q. I won't be long at all, Chair.
 4 CHAIRMAN:
 5 Q. Won't be long. Re-direct?
 6 GREENE, Q.C.:
 7 Q. Won't be long at all either.
 8 CHAIRMAN:
 9 Q. Won't be long. So with your indulgence, I'd
 10 like to push on. Hopefully it won't be much
 11 more than perhaps ten minutes or so. Thank
 12 you.
 13 MR. KENNEDY:
 14 Q. Thank you, Chair. Mr. Banfield, I just wanted
 15 to ask a couple of questions concerning some
 16 of the other cost of service regions that
 17 Hydro operates, sometimes referred to as the
 18 five zones. Would you have had involvement in
 19 the rate structure for those other zones that
 20 Hydro operates as well?
 21 A. I certainly had involvement, yes.
 22 Q. Okay. And as I understand it, one of those
 23 zones is referred to as the Rural Isolated.
 24 Is that correct?
 25 A. That's correct. There are actually two cost

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1 electricity, for instance, in Paradise River,
 2 the cost to produce every extra kilowatt hour
 3 of electric use is in the order of 25.7 cents
 4 per kilowatt hour? Does that sound familiar?
 5 A. I believe the RFI CA-8 has that listed, if
 6 that's what you're referring to.
 7 Q. That's where I took the information from.
 8 A. Okay. Well then, I'll agree to that.
 9 Q. Okay. Hopedale, for instance, on that same
 10 chart shows that the cost to produce--marginal
 11 cost to produce electricity in Hopedale is
 12 15.7 cents a kilowatt hour?
 13 A. I would take that.
 14 Q. And Black Tickle, for instance, and
 15 Charlottetown are both at roughly 13 cents a
 16 kilowatt hour?
 17 A. That sounds reasonable.
 18 Q. Now does Hydro set electricity rates for
 19 Paradise River and then set separate
 20 electricity rates for Black Tickle and
 21 separate electricity rates for Hopedale?
 22 A. No. As I just mentioned earlier, we perform a
 23 cost of service for each system, both the
 24 Labrador Isolated System and the Island
 25 Isolated System. We combine the cost and come

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<p>1 MR. BANFIELD:</p> <p>2 up with one rate structure for all customers</p> <p>3 on those systems. Even though they're</p> <p>4 individually fed by different distribution and</p> <p>5 diesel, they all pay the same rate.</p> <p>6 MR. KENNEDY:</p> <p>7 Q. So for instance even Ramea, which is in the</p> <p>8 island obviously and is also an isolated</p> <p>9 community and operates on diesel, that the</p> <p>10 electricity rates that the customers in Ramea</p> <p>11 see are the same electricity rates that a</p> <p>12 customer in your Labrador section of your</p> <p>13 Rural Isolated would see?</p> <p>14 A. That's correct.</p> <p>15 Q. Okay. Just turning to the Island itself then,</p> <p>16 Mr. Banfield, the interconnected portion of</p> <p>17 the island, customers that are in St. John's,</p> <p>18 do they pay the same electricity rates as</p> <p>19 people in Trepassey or Burin or Corner Brook?</p> <p>20 A. Yes, they do.</p> <p>21 Q. And would the cost to produce or the cost to</p> <p>22 provide electricity to those four places, St.</p> <p>23 John's, Trepassey, Burin and Corner Brook, all</p> <p>24 be the same?</p> <p>25 A. Not having performed the actual cost of</p>	<p>1 service study, I probably couldn't state</p> <p>2 categorically, but if you--it's generally been</p> <p>3 accepted, and I would have to say from my own</p> <p>4 experience that if I was to do that that the</p> <p>5 true cost of service to supply customers in</p> <p>6 those individual areas would certainly be</p> <p>7 different.</p> <p>8 Q. And so there's averaging that takes place</p> <p>9 within the Island of the province?</p> <p>10 A. Absolutely.</p> <p>11 Q. Okay. That's all the questions I have, Chair.</p> <p>12 Thank you.</p> <p>13 CHAIRMAN:</p> <p>14 Q. Thank you, Mr. Kennedy. I guess the process</p> <p>15 itself calls for the opportunity for Hydro to</p> <p>16 redirect some questions at the witness after</p> <p>17 cross-examination by the intervening parties</p> <p>18 and the Board hearing counsel, so I understand</p> <p>19 that'll be short, Ms. Greene. Thank you.</p> <p>20 GREENE, Q.C.:</p> <p>21 Q. Yes, thank you, Mr. Chair. I only have one</p> <p>22 short area. Mr. Banfield, Mr. Hearn asked you</p> <p>23 about the cost associated with the Wabush</p> <p>24 terminal station. Does Hydro own any of the</p> <p>25 assets in the Wabush terminal station?</p>
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<p>1 A. We pay for 67 megawatts.</p> <p>2 Q. Do we actually own the assets?</p> <p>3 A. No, we do not own the asset, no.</p> <p>4 Q. This is related to the issue of whether you</p> <p>5 were capitalizing expense.</p> <p>6 A. Yes, this is the monies we paid for the right</p> <p>7 to use a portion of that station is an expense</p> <p>8 item that we expense out each year.</p> <p>9 Q. So, who does Hydro actually pay the money to</p> <p>10 for the use of the Wabush terminal facilities</p> <p>11 that it does use associated with the third and</p> <p>12 fourth expansion?</p> <p>13 A. We pay monies to IOCC, the Iron Ore Company of</p> <p>14 Canada.</p> <p>15 Q. So, it's the Iron Ore Company of Canada that</p> <p>16 Hydro will pay these costs that we have</p> <p>17 included in the cost of services associated</p> <p>18 with the use of the use of the Wabush terminal</p> <p>19 third and fourth expansion, that's correct, is</p> <p>20 it?</p> <p>21 A. Yes.</p> <p>22 Q. Thank you, Mr. Banfield.</p> <p>23 CHAIRMAN:</p> <p>24 Q. Thank you, Ms. Greene. Thank you very much,</p> <p>25 Mr. Banfield. It's 1:00 now. We have six</p>	<p>1 presentations scheduled for this afternoon,</p> <p>2 six remaining presentations, plus, I guess</p> <p>3 it's seven now. So, what we'll do is we'll</p> <p>4 take the opportunity to break for lunch for an</p> <p>5 hour until 2:00 and then we'll return and</p> <p>6 we'll hear the presentations at that point in</p> <p>7 time. Thank you very much.</p> <p>8 (BREAK FOR LUNCH - 1:00 P.M.)</p> <p>9 (RECONVENE - 2:00 P.M.)</p> <p>10 CHAIRMAN:</p> <p>11 Q. Thank you. Could we, hopefully, get started,</p> <p>12 if I can have your attention, please? First</p> <p>13 of all, let me apologize, once again, for this</p> <p>14 morning. Hopefully, this afternoon, we're a</p> <p>15 little bit better organized in terms of the</p> <p>16 technical problems and things will proceed</p> <p>17 certainly more smoothly than this morning. As</p> <p>18 I explained, we are here this afternoon to</p> <p>19 receive presentations from the community, from</p> <p>20 municipalities. I notice we have on th list,</p> <p>21 we certainly have the representatives of the</p> <p>22 union here, we have Chamber of Commerce and we</p> <p>23 have some private citizens. So, there appears</p> <p>24 to be certainly a good mix. And I'm sure</p> <p>25 we'll hear all the perspectives on this issue</p>

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<p>1 CHAIRMAN:</p> <p>2 which is indeed why we're here. I'll just run</p> <p>3 down through it for you. We have, in total,</p> <p>4 seven presenters this afternoon. We have</p> <p>5 Mayor Graham Letto with the Town of Labrador</p> <p>6 City; we have Mayor Jim Farrell with the Town</p> <p>7 of Wabush; we have George Kean who is the</p> <p>8 President of the United Steelworkers Local</p> <p>9 5795 of IOC; we have Hyron Economic</p> <p>10 Development Corporation, Jody Kelly as manager</p> <p>11 and I understand accompanying Mr. Kelly will</p> <p>12 be Elmo Bingle, who is the President of the</p> <p>13 Labrador West Chamber of Commerce; we have Mr.</p> <p>14 Tom Kent who is Vice-President of the Union,</p> <p>15 the United Steelworkers of America, Local</p> <p>16 6285, Wabush Mines; Ern Condon who is here as</p> <p>17 a private citizen; and Ms. Shirley Squires is</p> <p>18 here as a private citizen as well.</p> <p>19 Before we do start, let me just ask for</p> <p>20 your co-operation, again, if I could, this</p> <p>21 evening. I certainly appreciated it this</p> <p>22 morning. This is, I know, a very sensitive</p> <p>23 issue in this area. I know there are strongly</p> <p>24 held concerns and emotions in this room; I</p> <p>25 certainly recognize that and I'm sure we'll</p>	<p>1 hear from those through the presenters this</p> <p>2 afternoon. So, I would, indeed, ask for your</p> <p>3 co-operation to allow the proceeding to go</p> <p>4 forward. Thank you.</p> <p>5 I will call upon Mayor Graham Letto now.</p> <p>6 I guess, for reasons, again, of acoustics,</p> <p>7 we're going to have to call upon the witnesses</p> <p>8 to, I assume--go afternoon, Mayor Letto.</p> <p>9 MAYOR LETTO:</p> <p>10 Q. Good afternoon.</p> <p>11 CHAIRMAN:</p> <p>12 Q. If you could take the Bible in your right</p> <p>13 hand.</p> <p>14 MAYOR GRAHAM LETTO (SWORN)</p> <p>15 CHAIRMAN:</p> <p>16 Q. Thank you, sir, you may begin when you're</p> <p>17 ready.</p> <p>18 A. Good afternoon, ladies and gentlemen.</p> <p>19 Certainly on behalf of the Town of Labrador</p> <p>20 City and indeed, all the residents of Labrador</p> <p>21 West, I would like to extend a sincere welcome</p> <p>22 to the PUB, counsel and staff and also to</p> <p>23 representatives of other interested parties</p> <p>24 including Newfoundland and Labrador Hydro,</p> <p>25 Consumer Advocate and Newfoundland Power. The</p>
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<p>1 Town acknowledges, with thanks, the presence</p> <p>2 and support of our MHA, Randy Collins, the</p> <p>3 Iron Ore Company of Canada, Wabush Mines,</p> <p>4 United Steelworkers of America, the Chamber of</p> <p>5 Commerce and the Hydro Regional Economic</p> <p>6 Development Board. And most importantly, I am</p> <p>7 so pleased this morning to see the large</p> <p>8 turnout from our community. It is a working</p> <p>9 day, today is Wednesday, and for people on</p> <p>10 their day off and those people who have</p> <p>11 retired and chose to make Labrador City and</p> <p>12 Wabush their home, I appreciate your coming</p> <p>13 out today in support of this very important</p> <p>14 issue. And I hope it's recognized by the</p> <p>15 Board and by other people here, the importance</p> <p>16 that this issue is to you, to us and to</p> <p>17 Labrador City and Wabush.</p> <p>18 The Town of Labrador City has initiated a</p> <p>19 complaint to the PUB that the proposed policy</p> <p>20 of equalizing rates between Labrador West and</p> <p>21 Happy Valley-Goose Bay is unfair to the</p> <p>22 electrical consumers in Labrador West and</p> <p>23 would amount to charging discriminatory rates</p> <p>24 to consumers in Labrador West. I would like</p> <p>25 to give you a historical background and some</p>	<p>1 of it has been provided already this morning.</p> <p>2 The electrical distribution system that</p> <p>3 services consumers in Labrador City was</p> <p>4 designed, planned constructed and built by the</p> <p>5 Iron Ore Company of Canada at its cost. In</p> <p>6 its conception, design and operation by IOC,</p> <p>7 there was no connection by or relationship to</p> <p>8 the electrical system that served Happy</p> <p>9 Valley-Goose Bay. This system was run by the</p> <p>10 Iron Ore Company of Canada as a stand-alone</p> <p>11 system providing high quality electrical</p> <p>12 service to Labrador City consumers for</p> <p>13 approximately 30 years. In the early 1990s,</p> <p>14 the Iron Ore Company of Canada transferred its</p> <p>15 electrical system to Newfoundland and Labrador</p> <p>16 Hydro for a nominal sum of \$1.00 with IOC--and</p> <p>17 also contributed substantially to the cost of</p> <p>18 upgrading the system and these costs have been</p> <p>19 provided to you this morning. The effect was</p> <p>20 the Newfoundland and Labrador Hydro was given</p> <p>21 a fully maintained state of the art electrical</p> <p>22 distribution system, a cadillac system, in</p> <p>23 fact, at no cost. Newfoundland and Labrador</p> <p>24 Hydro took control of the Labrador City</p> <p>25 distribution system and merged this system</p>

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<p>1 MAYOR LETTO:</p> <p>2 with the electrical system serving the Town of</p> <p>3 Wabush which had been given to Hydro in the</p> <p>4 mid 1980s, again, at no cost to Hydro and with</p> <p>5 Wabush mines paying the cost of upgrading.</p> <p>6 Thus, Hydro not only received, at no</p> <p>7 cost, both individual systems that served the</p> <p>8 electrical consumers in Labrador West, but</p> <p>9 also received millions of dollars to upgrade</p> <p>10 these systems. The result of such upgrading</p> <p>11 is that ongoing cost of maintenance and power</p> <p>12 distribution in Labrador West are relatively</p> <p>13 lower than for systems that have not been so</p> <p>14 well maintained and upgraded. In contrast,</p> <p>15 the electrical system serving Happy Valley-</p> <p>16 Goose Bay was built and operated by</p> <p>17 Newfoundland and Labrador Hydro. They have</p> <p>18 received no such capital contributions to</p> <p>19 upgrade the system. The system was designed</p> <p>20 and has always been operated completely</p> <p>21 separate from that of Labrador West with no</p> <p>22 interaction or synergies. The only thing that</p> <p>23 the Labrador East system has in common with</p> <p>24 the present system in Labrador West is that</p> <p>25 each receives its power that is generated at</p>	<p>1 Churchill Falls. Labrador East has higher</p> <p>2 generation cost that Labrador West since it</p> <p>3 has to bear the cost of standby generation</p> <p>4 capacity which is back up diesel and gas</p> <p>5 turbine facilities. These standby facilities</p> <p>6 are solely related to backup generation</p> <p>7 capacity for Labrador East and have no</p> <p>8 relevance whatsoever for Labrador West.</p> <p>9 There are also different cost</p> <p>10 characteristics associated with the</p> <p>11 transmission of power from Churchill Falls to</p> <p>12 Labrador East and to Labrador West. The</p> <p>13 electrical energy from Churchill Falls is</p> <p>14 wheeled to Labrador West by Twin Falls Power</p> <p>15 Corporation and received at the Wabush</p> <p>16 substation by Hydro with no transmission costs</p> <p>17 to Hydro. Happy Valley-Goose Bay receives</p> <p>18 power from Churchill Falls via a dedicated 230</p> <p>19 kV transmission line with Hydro being</p> <p>20 responsible for the cost of building,</p> <p>21 operating and maintaining the transmission</p> <p>22 line. Given the different characteristics of</p> <p>23 the systems of Labrador West and that in Happy</p> <p>24 Valley-Goose Bay, and also given that the</p> <p>25 contributions to cost made by the mining</p>
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<p>1 companies in this area, the cost of</p> <p>2 distributing electrical power to consumers in</p> <p>3 Labrador West is lower than that required to</p> <p>4 distribute power to consumers in Happy Valley-</p> <p>5 Goose Bay. By merging the two systems and</p> <p>6 posing a system of uniform rates on a so</p> <p>7 called, Labrador Interconnected grid or a</p> <p>8 system, Hydro has adopted an arbitrary policy</p> <p>9 requiring consumers in Labrador West to do</p> <p>10 nothing more than to subsidize those in Happy</p> <p>11 Valley-Goose Bay. This arbitrary policy is</p> <p>12 contrary to principle and amounts to</p> <p>13 discrimination against consumers in Labrador</p> <p>14 West.</p> <p>15 Hydro--and you've been all here this</p> <p>16 morning and I haven't heard anything and I'm</p> <p>17 sure you haven't either--have presented no</p> <p>18 concrete evidence to show why the two separate</p> <p>19 systems in Labrador West and Happy Valley-</p> <p>20 Goose Bay should be merged, other than that</p> <p>21 it's a policy adopted Newfoundland and</p> <p>22 Labrador Hydro. Rather, there appears to be a</p> <p>23 policy decision as part of Newfoundland and</p> <p>24 Labrador Hydro without any historical logic or</p> <p>25 evidence to support it. When the Labrador</p>	<p>1 West electrical systems were given to Hydro at</p> <p>2 virtually no cost, it was reasonable to expect</p> <p>3 that future rates for Labrador West will be</p> <p>4 based on a cost of service in this area. A</p> <p>5 policy that ties consumers in Labrador West to</p> <p>6 a different system some 500 kilometres away</p> <p>7 results in Labrador West consumers again, and</p> <p>8 I have to emphasize, subsidizing consumers in</p> <p>9 Happy Valley-Goose Bay. And it's clearly,</p> <p>10 arbitrarily on the part of Hydro and amounts</p> <p>11 to discrimination against electrical consumers</p> <p>12 which are you and me in Labrador West.</p> <p>13 You've also heard this morning, the</p> <p>14 effects on the mining companies. Presently</p> <p>15 the mining companies in Labrador West are the</p> <p>16 sole reason for these communities existence</p> <p>17 and are facing a challenge for their very</p> <p>18 survival. It's not an overstatement to say</p> <p>19 that Labrador West community is fighting for</p> <p>20 its continued existence. We must convince the</p> <p>21 owners of IOC and Wabush mines to continue to</p> <p>22 support their mining operations in Labrador</p> <p>23 West while we wait for prices and markets to</p> <p>24 improve. Electrical rate increases in</p> <p>25 Labrador West inevitably impact on cost to the</p>

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<p>1 MAYOR LETTO:</p> <p>2 mining companies to a large degree and again,</p> <p>3 you've all heard the from the evidence. The</p> <p>4 costs of doing business are increased. By</p> <p>5 compelling Labrador West's electrical</p> <p>6 consumers to subsidize those in Happy Valley-</p> <p>7 Goose Bay, we are, indeed, increasing costs to</p> <p>8 the mining companies at a time when they</p> <p>9 cannot afford any additional burdens. At the</p> <p>10 same time, we are, in effect, making the</p> <p>11 mining companies pay twice since they have</p> <p>12 already paid for the electrical system in</p> <p>13 Labrador West.</p> <p>14 I'd like to address the rural deficit.</p> <p>15 Labrador City has always paid its share of</p> <p>16 social costs to this province. Residents in</p> <p>17 Labrador City do not object, in principle, to</p> <p>18 the subsidization of rural electricity rates</p> <p>19 as was referred to this morning, those rates</p> <p>20 in Hopedale, Makkovik, Black Tickle and other</p> <p>21 places on the Labrador coast where diesel</p> <p>22 generation is used. Such a subsidy is, in</p> <p>23 effect, a social tax. As a tax, it ought to</p> <p>24 be collected through the legislature, rather</p> <p>25 than imposed on certain electrical consumers</p>	<p>1 including Newfoundland Power customers and</p> <p>2 some customers in Labrador. By utilizing the</p> <p>3 authority conferred by Section 92(a) of the</p> <p>4 Canadian Constitution, the province could</p> <p>5 impose a tax on all electrical production of</p> <p>6 this province including that exported. Such a</p> <p>7 tax would more appropriately spread the burden</p> <p>8 of rural rate subsidy and reduce the impact on</p> <p>9 Labrador domestic consumers, as well as</p> <p>10 Newfoundland Power customers on the Island.</p> <p>11 Indeed, a modest tax in the range of one mil</p> <p>12 per kilowatt hour calculated on all electrical</p> <p>13 production in the province, whether exported</p> <p>14 or not, would realize sufficient monies to</p> <p>15 fund the rural deficit. This is a better and</p> <p>16 fairer approach than placing the entire burden</p> <p>17 of rural electricity rates on Newfoundland</p> <p>18 Power customers and some Labrador customers.</p> <p>19 This Board's duty and responsibility is to</p> <p>20 recommend such a tax to the province.</p> <p>21 That is the extent of my official</p> <p>22 presentation, but there's a couple of other</p> <p>23 things I want to mention. And I think, and</p> <p>24 again, I have to thank the people for coming</p> <p>25 out. You see by the attendance here today,</p>
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<p>1 many of those people are retirees who've</p> <p>2 chosen Labrador City and Wabush as their place</p> <p>3 to live. They chose it not because we have a</p> <p>4 great transportation system which is, indeed,</p> <p>5 substandard, not because we have a great</p> <p>6 health care system, which is declining. One</p> <p>7 of the main reasons these people chose to stay</p> <p>8 here and why people continue to choose to stay</p> <p>9 here is because of the electrical rates. That</p> <p>10 is the only thing other than being a great</p> <p>11 community to live in, that is the only</p> <p>12 tangible benefit there is to stay here. And</p> <p>13 now, Newfoundland and Labrador Hydro is trying</p> <p>14 to take that away from us. We don't think</p> <p>15 it's fair and the only reason, as I've stated</p> <p>16 earlier, that they're doing this and they have</p> <p>17 proven, they have given no evidence otherwise,</p> <p>18 is to subsidize the rates in Happy Valley-</p> <p>19 Goose Bay at a time when they've just shown</p> <p>20 their commitment to Wabush and Labrador City</p> <p>21 by closing the office. There is no cost, they</p> <p>22 have no cost in Labrador West because they get</p> <p>23 the power at a very low rate. They've closed</p> <p>24 the office there. Where do we have to go now</p> <p>25 to get contact with Hydro? Happy Valley-Goose</p>	<p>1 Bay. That's their commitment to Labrador</p> <p>2 West. We're being used as a source of income</p> <p>3 to subsidize other areas of this province.</p> <p>4 And what they're doing by doing that, you're</p> <p>5 pitting one area of Labrador against another.</p> <p>6 You're pitting Labrador West against Labrador</p> <p>7 East. We don't want that, but unfortunately,</p> <p>8 if this goes ahead, it will happen.</p> <p>9 I thank you for your time to the Board</p> <p>10 and please, I beg of you, to consider the</p> <p>11 evidence that's being put forward here today.</p> <p>12 And, you know, there is no logical evidence</p> <p>13 and there is logical reason to impose such an</p> <p>14 increase on us when other parts of Labrador</p> <p>15 are, indeed, seeing a decrease. Thank you</p> <p>16 very much.</p> <p>17 (APPLAUSE)</p> <p>18 CHAIRMAN:</p> <p>19 Q. Thank you very much, Mayor Letto. We'll move</p> <p>20 to questions now. Mr. Hearn, please?</p> <p>21 HEARN, Q.C.:</p> <p>22 Q. Mr. Mayor, I don't have any further questions.</p> <p>23 I think you've covered all the points that I</p> <p>24 intended to have you bring out. There may be</p> <p>25 some questions from some of the other counsel.</p>

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<p>1 GREENE, Q.C.:</p> <p>2 Q. No questions.</p> <p>3 BROWNE, Q.C.:</p> <p>4 Q. Okay, I'll ask a few questions. Yes, Mayor</p> <p>5 Letto, can you give us some information</p> <p>6 concerning the demographics of the community?</p> <p>7 In terms of the form of heating people have</p> <p>8 here. Are there many people who heat their</p> <p>9 homes with oil or are the vast majority</p> <p>10 heating their homes with electricity?</p> <p>11 A. I don't know what the figures are, but</p> <p>12 certainly, I think I would be right in saying</p> <p>13 that the majority of the people in Labrador</p> <p>14 West use electricity to heat their homes</p> <p>15 because of the benefit that we enjoy, because</p> <p>16 of electricity rates. I mean, to compare the</p> <p>17 cost between electricity and oil, there's no</p> <p>18 doubt that most people are using electricity.</p> <p>19 Q. Do many people supplement their electricity</p> <p>20 heat with wood stoves and the like? Is that</p> <p>21 common practice -</p> <p>22 A. That is a common practice, yes.</p> <p>23 Q. And can you tell me, concerning the loss of</p> <p>24 supply, is the supply of electricity constant</p> <p>25 here or are you subject to interruptions from</p>	<p>1 time to time? Can you pass any comment on</p> <p>2 that?</p> <p>3 A. I think I would have to say that, in all</p> <p>4 fairness, that the supply of electricity is</p> <p>5 fairly constant.</p> <p>6 Q. And in terms of the fact that you are a</p> <p>7 northern community and according to the</p> <p>8 evidence presented this morning, probably it's</p> <p>9 a lot colder here than it is in Happy Valley-</p> <p>10 Goose Bay and therefore, you rely more on your</p> <p>11 electricity perhaps than most. Is that a fair</p> <p>12 comment?</p> <p>13 A. I think so, yes.</p> <p>14 Q. And do most people require to plug in their</p> <p>15 cars at night? Is that a requirement of</p> <p>16 living here in this particular area?</p> <p>17 A. If you want to go somewhere the next morning,</p> <p>18 you have no choice.</p> <p>19 Q. So, that's part, an essential part of your</p> <p>20 existence, to have a source of electricity to</p> <p>21 plug in your car?</p> <p>22 A. Well, it's either to plug in the car or heat a</p> <p>23 second building which would be a garage, yes.</p> <p>24 Q. And in terms of this particular application, I</p> <p>25 gather that your objection is being tied to</p>
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<p>1 the Happy Valley-Goose Bay rate, but if the</p> <p>2 Board were to decide to give you, to allow you</p> <p>3 to exist on a stand-alone basis and Hydro had</p> <p>4 legitimate costs pursuant to this particular</p> <p>5 area, it's not your objection to a rate</p> <p>6 increase pursuant to those costs, is it?</p> <p>7 A. Well, we believe that if that were done, we</p> <p>8 wouldn't be here today because the cost to</p> <p>9 Newfoundland and Labrador Hydro to deliver</p> <p>10 power to Labrador West is minimal. And we're</p> <p>11 indeed paying our way now and as was proven</p> <p>12 two years ago in Wabush when they received a</p> <p>13 refund of \$3,000,000.00 because they had</p> <p>14 overpaid on the present rates. So, I</p> <p>15 mean, there's no reason to believe and</p> <p>16 Newfoundland and Labrador Hydro certainly</p> <p>17 hasn't shown to me, any reason to increase the</p> <p>18 cost of electricity in Labrador West based on</p> <p>19 the cost of delivery to Labrador West.</p> <p>20 Q. So, on a stand-alone basis, you don't believe</p> <p>21 there would be any requirement for an increase</p> <p>22 in any case?</p> <p>23 A. That's right.</p> <p>24 Q. Okay, thank you very much, Mayor Letto.</p> <p>25 A. You're welcome.</p>	<p>1 CHAIRMAN:</p> <p>2 Q. Who else has -</p> <p>3 MR. HAYES:</p> <p>4 Q. No questions here, thank you.</p> <p>5 MR. KENNEDY:</p> <p>6 Q. Mayor Letto, are there areas where the towns</p> <p>7 of Labrador City and Wabush co-ordinate</p> <p>8 activities with the towns of Goose Bay? For</p> <p>9 instance, in government services for things</p> <p>10 such as fire protection for your residential</p> <p>11 and commercial people living in the towns or</p> <p>12 health care services or permits, those sorts</p> <p>13 of things, is there any co-ordination between</p> <p>14 your town and any of the towns in Labrador</p> <p>15 East or is it always kept as a completely</p> <p>16 separate thing?</p> <p>17 A. There was a time when that was the case, but</p> <p>18 that's a horse of another colour because</p> <p>19 that's another area we're trying to fight.</p> <p>20 We're losing everything to Labrador East</p> <p>21 including, as an example, Newfoundland and</p> <p>22 Labrador Hydro office was closed there and</p> <p>23 they still maintained the one in Happy Valley-</p> <p>24 Goose Bay. The centre of our health care, our</p> <p>25 school boards, it's all being based out of</p>

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<p>1 MAYOR LETTO:</p> <p>2 Happy Valley-Goose Bay. For us--and these are</p> <p>3 other things--we don't agree with that either.</p> <p>4 So, I'm not sure what the intent of your</p> <p>5 question is, but we see no connection between</p> <p>6 us and Labrador East when it comes to</p> <p>7 electrical rates.</p> <p>8 MR. KENNEDY:</p> <p>9 Q. Yes. And I think you've made that abundantly</p> <p>10 clear. I'm just trying to see what other</p> <p>11 areas of your living in your community do you</p> <p>12 share some government like services or</p> <p>13 activities with Labrador East. Your capital</p> <p>14 improvement programs, for instance, for your</p> <p>15 roads or your sewers, do you share--</p> <p>16 (laughter)--do you share any engineering</p> <p>17 expertise between your town and the Town of</p> <p>18 Goose Bay, for instance, on how you go about</p> <p>19 that?</p> <p>20 A. No.</p> <p>21 Q. No, okay. That's all the questions I have.</p> <p>22 Thank you, Chair. Thank you, Mayor Letto.</p> <p>23 CHAIRMAN:</p> <p>24 Q. Thank you. Any Board questions? Thank you,</p> <p>25 Mayor Letto, very much for your presentation,</p>	<p>1 thank you, sir.</p> <p>2 I now call upon Mayor Jim Farrell,</p> <p>3 please, with the Town of Wabush.</p> <p>4 (2:25 p.m.)</p> <p>5 MAYOR JIM FARRELL (SWORN)</p> <p>6 MS. NEWMAN:</p> <p>7 Q. Chair, before we begin -</p> <p>8 CHAIRMAN:</p> <p>9 Q. You're going to have to stand up.</p> <p>10 MS. NEWMAN:</p> <p>11 Q. Yes. Chair, before we begin, Jim Farrell, as</p> <p>12 Mayor of Wabush has kindly provided a written</p> <p>13 copy of his presentation. So, we'll label</p> <p>14 that JF No. 1 before we begin. Thank you.</p> <p>15 CHAIRMAN:</p> <p>16 Q. Thank you. Mr. Farrell?</p> <p>17 A. Good afternoon, ladies and gentlemen. If I</p> <p>18 sound repetitive, I guess I will, although</p> <p>19 Graham and I didn't sit by each other and do</p> <p>20 our report, but there's so many things that</p> <p>21 are so true to both towns here that the</p> <p>22 reports will probably seem the same. We have</p> <p>23 great concerns and Graham expressed them well.</p> <p>24 I also have to thank the number of people that</p> <p>25 showed up here today. It certainly shows the</p>
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<p>1 concern that everybody has for this area.</p> <p>2 People that are retired and want to live here,</p> <p>3 seeing the rates go up by 250 percent or two</p> <p>4 and a half times what they're paying now in</p> <p>5 five years time will certainly probably make</p> <p>6 them think about staying here or leaving here.</p> <p>7 So, for that reason, I want to thank them for</p> <p>8 coming out today, for the interest they've</p> <p>9 shown and hopefully, the Board will come back</p> <p>10 eventually and give them some good hope.</p> <p>11 On behalf of the Town of Wabush and the</p> <p>12 residents of Labrador West, I would like to</p> <p>13 extend a sincere welcome to the Public</p> <p>14 Utilities Board, counsel and staff and also to</p> <p>15 representatives other interested parties</p> <p>16 including Newfoundland and Labrador Hydro, the</p> <p>17 Consumer Advocate and Newfoundland Power. The</p> <p>18 Town acknowledges with thanks the presence and</p> <p>19 great support of our MHA, Randy Collins. The</p> <p>20 Town is especially appreciative in the</p> <p>21 attendance and support of Wabush Mines, the</p> <p>22 Iron Ore Company of Canada, the United</p> <p>23 Steelworkers of America, the Hyron Regional</p> <p>24 Economic Development Board and the Chamber of</p> <p>25 Commerce. The Town of Wabush has initiated a</p>	<p>1 complaint to the Public Utilities Board that</p> <p>2 the proposed policy of equalizing rates</p> <p>3 between Labrador West and Happy Valley-Goose</p> <p>4 Bay is unfair to the electrical consumers in</p> <p>5 Labrador West and would amount to charging</p> <p>6 discriminatory rates to consumers in Labrador</p> <p>7 West. The electrical system that services</p> <p>8 Wabush's electrical consumers was built by</p> <p>9 Wabush Mines at its cost. The system was</p> <p>10 operated well by Wabush Mines until</p> <p>11 approximately 1985. Wabush Mines gave the</p> <p>12 system to Newfoundland and Labrador Hydro for</p> <p>13 the nominal sum of \$1.00. In addition, Wabush</p> <p>14 Mines contributed approximately \$3,000,000.00</p> <p>15 to upgrade the system. The Newfoundland and</p> <p>16 Labrador Hydro has been give a modern, state</p> <p>17 of the art, completely upgraded electrical</p> <p>18 system at no cost whatsoever to Newfoundland</p> <p>19 and Labrador Hydro, no cost at all.</p> <p>20 The Wabush system had not historical</p> <p>21 connection to the system developed by</p> <p>22 Newfoundland and Labrador Hydro to serve</p> <p>23 electrical consumers in the Happy Valley-Goose</p> <p>24 Bay area. The systems in Labrador East and</p> <p>25 Labrador West were completely separate and</p>

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<p>1 MR. FARRELL:</p> <p>2 distinct, nor did the Labrador East electrical</p> <p>3 system receive capital infusions to upgrade as</p> <p>4 occurred in both Labrador City and Wabush.</p> <p>5 The Wabush system as well as the IOC system</p> <p>6 serving Labrador City received their</p> <p>7 electrical energy at the Wabush substation.</p> <p>8 The energy is now wheeled to Labrador West by</p> <p>9 Twinco over its 230 kV transmission line at no</p> <p>10 cost at all to Newfoundland and Labrador</p> <p>11 Hydro. The Labrador East electrical system</p> <p>12 serving Happy Valley-Goose Bay and surrounding</p> <p>13 areas receives its power via a 130 kV</p> <p>14 transmission line from Churchill Falls. The</p> <p>15 kV line is dedicated solely to the Labrador</p> <p>16 East area. Its capital and maintenance costs</p> <p>17 are incurred by Hydro solely to serve</p> <p>18 customers in Labrador East. The only common</p> <p>19 feature between the system in Labrador East</p> <p>20 and that in Labrador West is that each</p> <p>21 receives power that is generated by CF(L)Co at</p> <p>22 Churchill Falls, that's the only difference.</p> <p>23 However, generation costs are higher in</p> <p>24 Labrador East than in Labrador West because</p> <p>25 Labrador East has the cost of maintaining 38</p>	<p>1 megawatts of standby generation capacity</p> <p>2 consisting of gas turbine and diesel</p> <p>3 generators. Standby capacity for that relates</p> <p>4 to Labrador East only, nothing to do with</p> <p>5 Labrador West, bear that in mind. It offends</p> <p>6 common sense and reality to refer to the</p> <p>7 systems in Labrador East and Labrador West as</p> <p>8 a single Labrador interconnected system. The</p> <p>9 reality is that electrical energy in Labrador</p> <p>10 West ought to be cheaper than power in</p> <p>11 Labrador East because of the modern upgraded</p> <p>12 system in Labrador West, low acquisition cost</p> <p>13 for the systems and no transmission costs.</p> <p>14 Any decision to treat the Labrador West system</p> <p>15 and the Labrador East system as a single</p> <p>16 interconnected system is a completely</p> <p>17 fictitious exercise. The result of a policy</p> <p>18 imposing uniform rates throughout the so-</p> <p>19 called interconnected system is that consumers</p> <p>20 in Labrador West would be discriminated</p> <p>21 against by being required to subsidize those</p> <p>22 in Labrador East, discriminated against. The</p> <p>23 result amounts to undue rate discrimination</p> <p>24 against the consumers in Labrador West.</p> <p>25 Wabush Mines may be facing the most</p>
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<p>1 difficult market conditions that it has ever</p> <p>2 experienced. Prices and markets are fiercely</p> <p>3 competitive, while at the same time, the</p> <p>4 Canadian currency has appreciated some 20</p> <p>5 percent in the past year. In this market</p> <p>6 environment, Wabush Mines is struggling to</p> <p>7 survive. If Wabush Mines does not exist, then</p> <p>8 the Town of Wabush has not reason to exist.</p> <p>9 Increases in electricity rates add to the cost</p> <p>10 of doing business in Labrador West for Wabush</p> <p>11 Mines as well as for the Iron Ore Company of</p> <p>12 Canada.</p> <p>13 In effect, such rate increases require</p> <p>14 these companies to pay again for costs that</p> <p>15 they may have already paid for before.</p> <p>16 We, in Wabush, fear that such a</p> <p>17 discriminatory policy may underline the</p> <p>18 commitment of Wabush Mines to continue</p> <p>19 business in Labrador.</p> <p>20 We'll go to the collection of the rural</p> <p>21 deficit now. Wabush has always paid its share</p> <p>22 of social costs in the Province. Residents in</p> <p>23 Wabush do not object, in principle, to the</p> <p>24 subsidization of rural electricity rates.</p> <p>25 Such a subsidy is, in effect, a social tax.</p>	<p>1 As as tax, it ought to be collected through</p> <p>2 the legislature rather than impose on certain</p> <p>3 electrical consumers including Newfoundland</p> <p>4 Power customers and some customers in</p> <p>5 Labrador. By utilizing the authority</p> <p>6 conferred by Section 92(a) of the Canadian</p> <p>7 Constitution, the Province could impose a tax</p> <p>8 on all electrical production in the Province</p> <p>9 including that which is exported from</p> <p>10 Churchill Falls, such a tax would be more</p> <p>11 appropriately spread, the burden of rural rate</p> <p>12 subsidy and reduce the impact on Labrador</p> <p>13 domestic consumers as well as Newfoundland</p> <p>14 Power customers on the Island. Indeed, a</p> <p>15 modest tax in the range of one mil per</p> <p>16 kilowatt hour calculated on an all electrical</p> <p>17 production in the Province, whether exported</p> <p>18 or not, would realize sufficient monies to</p> <p>19 fund the rural deficit, just one mil per</p> <p>20 kilowatt hour. This is a better and fairer</p> <p>21 approach than placing the entire burden of</p> <p>22 rural electricity rates on Newfoundland Power</p> <p>23 customers and some Labrador customers. The</p> <p>24 Board's duty and responsibility is to</p> <p>25 recommend such a tax to the Province.</p>

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<p>1 MR. FARRELL:</p> <p>2 Consumers in Labrador West pay electricity</p> <p>3 rates based on the cost to service Labrador</p> <p>4 West, together with contribution to the rural</p> <p>5 deficit. Labrador West should not be required</p> <p>6 to subsidize Happy Valley-Goose Bay consumers.</p> <p>7 Hydro should not be placing Labrador West</p> <p>8 citizens in a position where Labrador West</p> <p>9 consumers are forced into a direct conflict</p> <p>10 with those in Happy Valley-Goose Bay.</p> <p>11 I thank you for the opportunity to make</p> <p>12 this submission and look forward to a decision</p> <p>13 that does not allow discriminatory rates to be</p> <p>14 charged to consumers in Labrador West.</p> <p>15 I'll have to say, what this does is pit</p> <p>16 us against Labrador East and we have no</p> <p>17 problem with consumers in Labrador East,</p> <p>18 that's not the problem. The problem is that</p> <p>19 looking five years down the road when</p> <p>20 consumers in Labrador West will be subject to</p> <p>21 141 percent increase and consumers in Labrador</p> <p>22 East, zero rate increase. That's what makes</p> <p>23 it hard for all of us to fathom. So, as</p> <p>24 Graham said before, we're losing so many</p> <p>25 services to Labrador East, that it's not even</p>	<p>1 funny, you know. The health care system is</p> <p>2 centralized in Labrador East; Hydro, as Graham</p> <p>3 said before, have moved their office to Goose</p> <p>4 Bay now and I heard a while ago that they</p> <p>5 hired someone on a part-time basis over there,</p> <p>6 practically to look after work that's being</p> <p>7 generated by the workers over here and sent to</p> <p>8 Goose Bay to be continued. So, that's a thing</p> <p>9 that, you know, makes people in Labrador West</p> <p>10 wonder what they're doing. People here live</p> <p>11 in a climate that is much harsher and colder</p> <p>12 than in Labrador East and it seems like we're</p> <p>13 always getting the other end of the stick, so</p> <p>14 to speak. So, I respectfully submit to the</p> <p>15 Board that they look favourably on all the</p> <p>16 comments that we've made here today and I'd</p> <p>17 like to thank you for your presence. Thank</p> <p>18 you very much.</p> <p>19 (APPLAUSE)</p> <p>20 CHAIRMAN:</p> <p>21 Q. Thank you, Mayor Farrell, very much.</p> <p>22 Questions, Mr. Hearn?</p> <p>23 HEARN, Q.C.:</p> <p>24 Q. Mayor Farrell, it's my understanding and I ask</p> <p>25 you to correct me if I'm wrong, that the</p>
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<p>1 citizens in Wabush and Labrador City do not</p> <p>2 object to paying the cost to service the local</p> <p>3 area, would that be correct?</p> <p>4 A. That's correct, Mr. Hearn, yes.</p> <p>5 Q. And that, in principle, is it also correct to</p> <p>6 say that the consumers here don't object to</p> <p>7 paying a reasonable share towards social costs</p> <p>8 such as the rural deficit?</p> <p>9 A. We've never objected to that; we expect that</p> <p>10 actually.</p> <p>11 Q. Those are my questions. Some other counsel</p> <p>12 may have some other questions. Thank you, Mr.</p> <p>13 Mayor.</p> <p>14 GREENE, Q.C.:</p> <p>15 Q. No questions, Mr. Chair.</p> <p>16 MR. HAYES:</p> <p>17 Q. No questions, Mr. Chair.</p> <p>18 BROWNE, Q.C.:</p> <p>19 Q. Just one question, Mayor Farrell. Street</p> <p>20 lighting, what does street lighting cost your</p> <p>21 council? Do you have any idea?</p> <p>22 A. About nineteen thousand per year roughly.</p> <p>23 Q. Nineteen thousand?</p> <p>24 A. Yeah.</p> <p>25 Q. Okay, thank you, Mayor Farrell.</p>	<p>1 A. Thank you.</p> <p>2 CHAIRMAN:</p> <p>3 Q. No questions? Thanks very much, Mayor</p> <p>4 Farrell. I call upon Mr. George Kean now, Mr.</p> <p>5 Kean, please?</p> <p>6 (2:36 p.m.)</p> <p>7 CHAIRMAN:</p> <p>8 Q. Good afternoon, Mr. Kean.</p> <p>9 MR. GEORGE KEAN (SWORN)</p> <p>10 MS. NEWMAN:</p> <p>11 Q. Chair, before we begin, Mr. Kean has kindly</p> <p>12 provided a copy of his presentation and we'll</p> <p>13 call that GK No. 1.</p> <p>14 CHAIRMAN:</p> <p>15 Q. Thank you, Ms. Newman.</p> <p>16 A. Mr. Chair, members of the Board, ladies and</p> <p>17 gentlemen. First of all, I'd like to ask the</p> <p>18 Board members to probably relax for a few</p> <p>19 minutes. My presentation isn't going to be</p> <p>20 about the cost of service and these type of</p> <p>21 things. I want you to understand what's going</p> <p>22 to be happening here in Labrador West if you</p> <p>23 make the decision in Hydro's favour. And as a</p> <p>24 member, a person who's been on National Boards</p> <p>25 myself, Provincial Boards, I know the</p>

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<p>1 MR. KEAN:</p> <p>2 magnitude of the decision you're going to have</p> <p>3 to make. But I'm not sure if you, as Board</p> <p>4 members, realize the magnitude of your</p> <p>5 decision or what your decision could cause to</p> <p>6 this community of Labrador West. I know you</p> <p>7 have travelled across the Province in the last</p> <p>8 couple of days and here today, you're probably</p> <p>9 hearing more of the same, but it's important</p> <p>10 for you to really get a good understanding.</p> <p>11 Many of you are probably from St. John's and</p> <p>12 other parts of the Province and saying to</p> <p>13 yourself well, I pay six cents per kilowatt,</p> <p>14 what are these people complaining about? If I</p> <p>15 can pay it, they can pay it. But we're</p> <p>16 talking about everything being on equal keel.</p> <p>17 And if you live in Labrador West, things</p> <p>18 aren't on equal keel. If it was, we wouldn't</p> <p>19 be complaining.</p> <p>20 On behalf of 950 members of the United</p> <p>21 Steelworks Association of America, Local 5795,</p> <p>22 representing all of the employees at the Iron</p> <p>23 Ore Company of Canada and Orica Canada</p> <p>24 Institute, I want first, Mr. Noseworthy, to</p> <p>25 thank you and other members of the Board for</p>	<p>1 the opportunity to make the presentation and</p> <p>2 the proposed requests of Hydro for rate</p> <p>3 changes to its customers. I'm here, not only</p> <p>4 representing my members, but retirees and</p> <p>5 families of deceased members who are the</p> <p>6 majority of customers of the electric system</p> <p>7 in Labrador West.</p> <p>8 I guess I could be call a Consumer</p> <p>9 Advocate who is aware of the individuals that</p> <p>10 are residing in Labrador West and their</p> <p>11 ability to survive under such a rate increase</p> <p>12 that's projected to take place. My members</p> <p>13 have come to Labrador City over the years with</p> <p>14 the promise of subsidized housing, excellent</p> <p>15 medical and recreational facilities, vacation</p> <p>16 packages and jobs. The Iron Ore Company of</p> <p>17 Canada realized many years ago that in order</p> <p>18 to attract workers to the northern mining town</p> <p>19 which has a very harsh climate with six to</p> <p>20 eight months of temperatures around minus 20</p> <p>21 they had to offer good benefits. Even with</p> <p>22 good benefits, the Iron Ore Company had found</p> <p>23 many employees wouldn't stay. They couldn't</p> <p>24 adapt to the long winters and isolation.</p> <p>25 Close to 50,000 employees have gone through</p>
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<p>1 the gates of IOC since 1959 when our Union was</p> <p>2 chartered. For those of us that decided to</p> <p>3 make Labrador City our home, we find it a</p> <p>4 beautiful place to live and raise a family.</p> <p>5 Over the years, my membership has gone from a</p> <p>6 high of 2600 members in the late 1970s to less</p> <p>7 than 1000 members today when downsizing in</p> <p>8 order to compete in a global marketplace.</p> <p>9 Since 1999 over 350 of our members have</p> <p>10 left the workplace because IOC wanted to get</p> <p>11 rid of them in order to survive. We know of</p> <p>12 downgrades with Hydro employees when a few</p> <p>13 weren't recalled a few months ago and</p> <p>14 government involved in that and had input to</p> <p>15 it. More employees have left IOC since 1999</p> <p>16 than the entire workforce that's going to be</p> <p>17 in Voisey's Bay when Voisey's Bay is up and</p> <p>18 running, and yet we get very few support from</p> <p>19 this province. And people really don't</p> <p>20 realize what's happening here in Labrador</p> <p>21 West. Myself, I originally came from the</p> <p>22 Island of Newfoundland 30 years ago, my</p> <p>23 parents--I'm from Pound Cove, Bonavista Bay.</p> <p>24 I have sisters living in St. John's, Mount</p> <p>25 Pearl, so I know the cost of the living and</p>	<p>1 what's happening in other parts of the</p> <p>2 Province. But when a province don't realize</p> <p>3 the alienation that is happening to Labrador</p> <p>4 West, we're almost a forgotten part of the</p> <p>5 Province and it's sad, what's happening,</p> <p>6 because there is no need of it. Hydro wishes</p> <p>7 to increase rates totalling 141 percent over</p> <p>8 five years. Now, we consider such increases</p> <p>9 as oppressive and unjustified. If these</p> <p>10 increases are allowed to take place, it will</p> <p>11 have a very negative impact on the Iron Ore</p> <p>12 Company of Canada and the community of Lab</p> <p>13 City. A lot of people in the province, in St.</p> <p>14 John's, in government, think Labrador City is</p> <p>15 "fat cats", everybody is making a lot of</p> <p>16 money. But we take no back doors to, as</p> <p>17 steelworkers, in negotiating good wages and</p> <p>18 good benefits for our members. We're proud of</p> <p>19 it. But there's many people in Labrador West</p> <p>20 that is not a steelworker, not working for the</p> <p>21 Iron Ore Company of Canada. I get many calls</p> <p>22 from people, single parents in this community</p> <p>23 because they are living on the poverty line</p> <p>24 right now. I got a call just recently from a</p> <p>25 lady saying I have no stove to cook on, she</p>

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<p>1 MR. KEAN:</p> <p>2 had cancer and wondering if we could help her</p> <p>3 get a stove. Get a call from a lady on a</p> <p>4 Sunday, say, listen, I don't have no groceries</p> <p>5 to eat today. So, we have to go and try to</p> <p>6 get groceries. Or from a lady saying, calling</p> <p>7 me, saying, Mr. Kean, my husband never worked</p> <p>8 for IOC, not a member of the union, but I know</p> <p>9 you help people. I am in pain, I got to get</p> <p>10 drugs and don't have no money, could somebody</p> <p>11 help me? This is the situation happening in</p> <p>12 Labrador West that people don't realize that's</p> <p>13 happening on a day-to-day basis.</p> <p>14 Hydro was given the Labrador West</p> <p>15 distribution assets for the nominal sum of</p> <p>16 \$1.00 and the mining companies also</p> <p>17 contributed millions of dollars to upgrade the</p> <p>18 local systems to ensure the Labrador West</p> <p>19 rates would remain reasonable and would</p> <p>20 reflect local costs. With the Iron Ore</p> <p>21 Company of Canada experiencing difficult times</p> <p>22 in Labrador West, they cannot afford such</p> <p>23 increases. Over 300 members of my local have</p> <p>24 left since 1999 and we have additional 500</p> <p>25 members that can retire in the next five</p>	<p>1 years. Do you know of any unions around this</p> <p>2 province that would agree to give up 300 of</p> <p>3 their members voluntarily in order to make</p> <p>4 sure that their employer survived? Well,</p> <p>5 that's what we did and now Hydro is trying to</p> <p>6 cut that out from under us because Hydro do</p> <p>7 not care if Labrador City survives, if IOC</p> <p>8 survives or if Wabush Mines survives. They're</p> <p>9 just looking at the dollar figure and as was</p> <p>10 said by previous speakers, we don't mind</p> <p>11 paying our costs, we do that every day and</p> <p>12 we're willing to do that in the future. In</p> <p>13 the past between 60 to 70 percent of retirees</p> <p>14 in Labrador retiring, staying here, while</p> <p>15 others have decided to retire on the Island or</p> <p>16 in other parts of Canada. As the cost of</p> <p>17 electricity is one of the factors and Mayor</p> <p>18 Farrell and Mayor Letto and others have</p> <p>19 alluded to that, help influence their decision</p> <p>20 to stay. An increase in hydro, even a small</p> <p>21 increase, would have serious repercussions of</p> <p>22 the future for Labrador City. It would be</p> <p>23 another resettlement. People will be leaving</p> <p>24 Labrador City to go to some other part of the</p> <p>25 province, if they got to be paying 3 and</p>
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<p>1 \$400.00, then they're going to pay it for air</p> <p>2 conditioning or live in a better part of the</p> <p>3 province where they're closer to hospitals and</p> <p>4 everything else. The cost--you're saying if</p> <p>5 everything was on equal keel, well if I was</p> <p>6 living in St. John's today and wanted to go to</p> <p>7 Toronto, I could get on a flight with one</p> <p>8 day's notice and for \$300.00, I could be in</p> <p>9 Toronto. For me to go to Toronto today from</p> <p>10 Labrador City would cost me about \$1,500.00.</p> <p>11 If one of us died here today in this room, one</p> <p>12 of the Board members, in order to get back to</p> <p>13 St. John's, you have to travel to three other</p> <p>14 provinces in Canada to get back to St. John's,</p> <p>15 Newfoundland. You have to get on a plane</p> <p>16 here, go to Sept-Isle, Quebec City, Montreal,</p> <p>17 Halifax and then in St. John's. If you're</p> <p>18 lucky, you'd probably get there in two days,</p> <p>19 unless you were like the last resident that</p> <p>20 left here, they were left in Halifax Airport,</p> <p>21 but that's what we got to go through here in</p> <p>22 Labrador City trying to live. You know, the</p> <p>23 normal day-to-day things that many people take</p> <p>24 for granted you don't get that here in</p> <p>25 Labrador City. Even in Goose Bay, if you're</p>	<p>1 on the coast and got to go to Goose Bay for</p> <p>2 medical, for \$20.00 the airline--for \$20. 00</p> <p>3 you can go to Goose Bay for medical coverage.</p> <p>4 Anybody here in Labrador City got to go to</p> <p>5 Goose Bay and we just had people involved in a</p> <p>6 car accident on the Goose Bay Road, just</p> <p>7 driving to Goose Bay trying to get treatment,</p> <p>8 trying to get an examination, you know, the</p> <p>9 cost of having to go there. We get people</p> <p>10 calling us at our office saying, listen, my</p> <p>11 wife has to go for medical examination at the</p> <p>12 Health Science. I don't have the money to buy</p> <p>13 a ticket. There's nowhere in the government</p> <p>14 going to help you. So you're in St. John's,</p> <p>15 you can get a taxi or drive to the Health</p> <p>16 Science, you're there. If we want to put</p> <p>17 everybody on an even keel, that's no problem,</p> <p>18 but if you're residing here, you're not in</p> <p>19 that situation.</p> <p>20 The Iron Ore Company of Canada built and</p> <p>21 owned the hydro system and my members</p> <p>22 maintained the service in Labrador City until</p> <p>23 it was acquired by Newfoundland Hydro in 1992</p> <p>24 for \$1.00. Prior to that, if anything went</p> <p>25 wrong, the power went off, our members went to</p>

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<p>1 MR. KEAN:</p> <p>2 your house, we made the repairs and everything</p> <p>3 else, 5795 members. And when Hydro took over</p> <p>4 the system, it was in such good condition that</p> <p>5 not very much was done to have to keep the</p> <p>6 upkeep and the mining companies gave Hydro the</p> <p>7 money for improvement at that time.</p> <p>8 We feel we are paying more than enough on</p> <p>9 the present structure for Hydro to pay for</p> <p>10 upkeep and service on the system, and also</p> <p>11 make a substantial profit. The Hydro policy</p> <p>12 in the Town of Labrador West customers to</p> <p>13 subsidize those in Labrador East amounts to</p> <p>14 rate discrimination against the residents of</p> <p>15 Labrador West. And that's exactly what it is.</p> <p>16 I watched the hearings from Corner Brook last</p> <p>17 night, I mean, we're all supposed to be</p> <p>18 citizens of this province. I watched it on</p> <p>19 CBC and NTV, but you'll notice here today</p> <p>20 there's no cameras. CBC pulled out of here</p> <p>21 years ago. NTV is not here and VOCM, the</p> <p>22 voice of the common man, pulled out of here</p> <p>23 two years ago. So we're not even treated like</p> <p>24 members of our province and it's shameful</p> <p>25 what's happening. We do have a CBC and local</p>	<p>1 radio station and the Aurora here, but that's</p> <p>2 all. So that's why we're getting parties,</p> <p>3 like the New Labrador Parties and others in</p> <p>4 Labrador West are feeling alienated from the</p> <p>5 rest of the province and this is just throwing</p> <p>6 another bridge in it. We don't need it.</p> <p>7 Labrador West customers will be compelled</p> <p>8 to pay unjust rates far in excess of the cost</p> <p>9 required to secure Labrador West. This</p> <p>10 increase will also be far in excess of those</p> <p>11 required to provide Hydro with a reasonable</p> <p>12 rate of return and to make a proportionable</p> <p>13 contribution to the rural deficit. In</p> <p>14 retrospect, it would have been better for the</p> <p>15 Iron Ore Company of Canada to have kept the</p> <p>16 hydro system in Labrador West. They wouldn't</p> <p>17 be facing high increases which will possibly</p> <p>18 lead to the demise of their business, and we,</p> <p>19 as residents, wouldn't be looking at the</p> <p>20 possibility of our livelihood going down the</p> <p>21 wires. There's not too often recently that I</p> <p>22 have agreed with IOC and many of the things</p> <p>23 that they have said, but I agree with what</p> <p>24 they have said this morning and I agree that</p> <p>25 if this increase goes ahead, it will lead to</p>
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<p>1 serious repercussions for IOC and for the</p> <p>2 community here in Labrador West.</p> <p>3 The present issue of Hydro wanting large</p> <p>4 unrealistic increases for electricity is the</p> <p>5 reason our union fought the take over of the</p> <p>6 power utilities for the Iron Ore Company of</p> <p>7 Canada in 1992. We fought it at that time</p> <p>8 because we knew their only reason for wanting</p> <p>9 to do it, was to do what they're doing now or</p> <p>10 what they're trying to do. If Hydro is</p> <p>11 granted such outrageous increases, you may</p> <p>12 help Hydro put income into its bank</p> <p>13 originally, but in a really short while, it</p> <p>14 will have less revenue coming from Labrador</p> <p>15 West because there will be fewer residents</p> <p>16 here left to pay.</p> <p>17 Your decision could help destroy Labrador</p> <p>18 City and Labrador West as we know it, so</p> <p>19 please deny any increases. Thank you.</p> <p>20 (applause)</p> <p>21 CHAIRMAN:</p> <p>22 Q. Thank you very much, Mr. Kean. Mr. Hearn, do</p> <p>23 you have any questions?</p> <p>24 HEARN, Q.C.:</p> <p>25 Q. Mr. Kean, do you have any thoughts on the</p>	<p>1 effect of the proposed increases on the</p> <p>2 relations between this area and the people in</p> <p>3 Happy Valley-Goose Bay?</p> <p>4 MR. KEAN:</p> <p>5 A. Well, you know, that's something that we don't</p> <p>6 want to see happening, but it is already</p> <p>7 creating that--we think what's happening is</p> <p>8 just a political thing from a couple of years</p> <p>9 ago when politicians in Goose Bay tried to get</p> <p>10 it started originally, for political reasons,</p> <p>11 and Hydro bought into it and we think that</p> <p>12 this is just going to destroy the</p> <p>13 communications at a time when we should be</p> <p>14 working together. It's not only two different</p> <p>15 areas in Labrador, but as the Province of</p> <p>16 Newfoundland and Labrador, we should be trying</p> <p>17 to sustain industries, rather than closing</p> <p>18 them down. And I know that's not the intent,</p> <p>19 but that's going to be the result of Hydro</p> <p>20 increasing the rates as they've got proposed</p> <p>21 and if the Board agrees with it. And I appeal</p> <p>22 to the Board to look at this very seriously.</p> <p>23 This is not like a decision that you're going</p> <p>24 to make elsewhere in the province. Please</p> <p>25 take a very strong look at this.</p>

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1 HEARN, Q.C.:
 2 Q. Thank you, Mr. Kean, that's my only questions.
 3 GREENE, Q.C.:
 4 Q. I have no questions.
 5 BROWNE, Q.C.:
 6 Q. Yes, Mr. Kean, you mentioned 60 to 70 percent
 7 of your retirees are staying here. I'm
 8 curious as to whether or not those retirees
 9 have that benefit under the Collective
 10 Agreement whereby some of their electricity is
 11 paid through, by the Company. Do they carry
 12 that with them in the retirement?
 13 MR. KEAN:
 14 A. No, they don't, Mr. Browne, and we know that
 15 that's going to be very difficult for us to
 16 hold on this time, as IOC is still trying to
 17 reduce costs further and we know that that's
 18 going to be a burden that we don't want and we
 19 don't want it put on IOC either, so we'd like
 20 to see the rates frozen so we won't have to
 21 deal with that.
 22 Q. So that would be an added complication if the
 23 increase was approved.
 24 MR. KEAN:
 25 A. It definitely will be, sir.

1 Q. And all the retirees are not subject to any
 2 such subsidy and they're paying themselves out
 3 of their pension funds?
 4 MR. KEAN:
 5 A. And they're on a set income and we have a lot
 6 of retirees that have been retired here since
 7 late 80's, early 90's and they're living on
 8 probably less than \$1,000 a month, so there's
 9 no way that they would be able to afford to
 10 live here.
 11 Q. Thanks very much, Mr. Kean.
 12 CHAIRMAN:
 13 Q. Mr. Kean, just a quick question, I guess to
 14 follow up basically to Mr. Browne's question,
 15 you mention here that the 500 people who are
 16 eligible to retire -
 17 AUDIENCE:
 18 Q. Speak up.
 19 CHAIRMAN:
 20 Q. Okay, sorry, you indicate in your presentation
 21 that there are 500 people who are eligible to
 22 retire over the next 5 years. Do you have any
 23 idea of how many retirees now you would have
 24 in your membership, in total?
 25 MR. KEAN:

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1 A. Well, we had 300 people retire in the last
 2 four years, 60 percent of them have stayed
 3 here and there's probably another 500 from
 4 1985 onward and right here in Labrador City,
 5 you've got probably 200 homes that cannot be
 6 sold and with people planning on retiring,
 7 that would say, yes, I'm going to retire and
 8 stay in Labrador City, this decision will
 9 definitely say I'm not staying here. I'm
 10 going to go somewhere else. And it's going to
 11 leave us like a ghost town.
 12 Q. Several hundred people we're talking about?
 13 MR. KEAN:
 14 A. Well right now presently, like myself, I've
 15 got 27 years seniority with IOC, I'm one of--
 16 except for probably a hundred, I'm probably
 17 the junior employees and we can retire with 30
 18 years service. So almost, right now with 960
 19 employees, really 500 plus can retire, almost
 20 the entire workforce can retire within the
 21 next 5, 6 years, except for the hundred or so.
 22 We only had 18 employees hired since 1995 and
 23 then it was only 12 since 1990. So we've got
 24 25 employees hired since really 1989, so all
 25 the rest got 25, 30 years service.

1 Q. The demographics in post war baby boomers are
 2 not different here than anywhere else, by the
 3 sounds of it. Thank you very much for your
 4 presentation. I call upon Mr. Jody Kelly who
 5 is manager of Hyron Economic Development
 6 Corporation and Mr. Elmo Bingle, who is
 7 present of the Labrador West Chamber of
 8 Commerce.
 9 (2:56 p.m.)
 10 MR. JODY KELLY (SWORN)
 11 MR. ELMO BINGLE (SWORN)
 12 CHAIRMAN:
 13 Q. Thank you very much, gentlemen and you may
 14 proceed when you're ready.
 15 MR. KELLY:
 16 A. First of all, I guess on behalf of the Hyron
 17 Board and the Labrador West Chamber of
 18 Commerce, I'd like to welcome you to our area,
 19 to take this opportunity for us to express our
 20 objection to the proposed Hydro rate increase
 21 for Labrador West.
 22 I'd also like to take a moment to thank
 23 the municipalities, IOC, Wabush Mines, the
 24 United Steelworkers of America, 5795, 6285,
 25 our MHA and any other groups, organizations

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<p>1 MR. KELLY: 2 and individuals who will be presenting today 3 to ensure our objection is voiced. 4 MR. BINGLE: 5 A. Thank you, Jody. On behalf of the Chamber of 6 Commerce, the information that I'm about to 7 put forth and I hope you bear with me because 8 I do have the flu and if anybody wants it, 9 I'll give it to you, but - 10 AUDIENCE: 11 Q. Give it to Hydro (laughter). 12 MR. BINGLE: 13 A. I'll do that right after. Just want to deal 14 with some of the effects on local businesses 15 in Labrador West. The Labrador West Chamber 16 of Commerce is directly and I want to say this 17 emphatically that we're opposed to the 18 increase in Hydro rates and support all 19 stakeholders in their fight against the 20 proposed increases in the hydro rates for 21 Labrador West. 22 The proposed increases will have a 23 negative impact on Labrador West and the 24 Labrador West Chamber of Commerce see this as 25 an injustice to the businesses of this</p>	<p>1 community. We also see this as driving a 2 wedge between two municipalities: Labrador 3 West and Labrador East and that is something 4 that we really don't want to see from a 5 Chamber of Commerce perspective. We want to 6 see good relationships between both areas of 7 Labrador. 8 The increase will have an extraordinary 9 effect on small and medium size business in 10 this area. Just to give you an example, we 11 spoke to a business owner of a medium size 12 business and at this particular time, they're 13 paying on average of \$1,200 a month, which 14 equates to \$14,400 a year. If you look at the 15 proposed increase over the next five years, 16 given that it's 28.2 percent with an increase 17 then of 20 percent in the next four, this will 18 equate to somewhere around approximately 19 \$35,000. It's a big increase and we, the 20 people of Labrador West, will end up paying 21 for that not once, but twice. This increase 22 will affect all businesses in Labrador West. 23 Individuals that operate a business will be 24 hit twice with this increase. This will make 25 it difficult for these small businesses and</p>
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<p>1 medium size businesses to continue to operate. 2 These businesses will have to increase their 3 prices to sustain their existence, in turn, 4 causing the consumer to be hit twice as well. 5 The third time is a strike out. 6 This is also lowering the disposable 7 income of the residents of Labrador West. We, 8 the Chamber of Commerce, see this proposal as 9 unwarranted and unjustified. 10 MR. KELLY: 11 A. As alluded to earlier this morning by Mr. 12 Porter and Mr. McGrath on behalf of IOC and 13 Wabush Mines, there is going to be major 14 effects on the industry in this area. I'm not 15 going to speak any further on that. In terms 16 of the effects on community groups and 17 organizations and non-for-profit groups and 18 organizations that have their own buildings 19 within this area, the services they provide 20 are undoubtedly going to be affected with the 21 additional funds they will be paying out. 22 I'd just like to reiterate again what was 23 said a few times this morning and again this 24 afternoon. We are a single industry town. We 25 are working towards diversification and this</p>	<p>1 proposed rate increase isn't going to help 2 either. 3 In conclusion, I'd just like to touch on 4 a few points. Labrador West is not a part of 5 the Interconnected system. Our mining company 6 established our current system and the actual 7 cost of distribution should be taken into 8 account for rates being charged so that 9 they're not discriminatory. As you can see 10 today, it's evident that the communities of 11 Labrador West, the business industry, the 12 union and social and economic are unified in 13 one voice to object to the proposed rate 14 increase. Both mayors noted earlier this 15 afternoon a workable solution in lowering the 16 rural deficit utilizing Section 92(a) of the 17 Canadian Constitution. 18 Again, I'd just like to thank you for 19 this opportunity for us to present here today 20 and we look forward to your favourable 21 decision in the near future as I'm sure many 22 of the points brought forth today will be 23 taken into consideration. Thank you. 24 CHAIRMAN: 25 Q. Thank you very much, Mr. Bingle and Mr. Kelly.</p>

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<p>1 CHAIRMAN: 2 Mr. Hearn, do you have any questions? 3 HEARN, Q.C.: 4 Q. Mr. Bingle and Mr. Kelly, you've heard Mayor 5 Letto and Mayor Farrell indicate that in their 6 view residents and consumers in this area do 7 not object to paying the local cost to service 8 this area and contributing of a proportionate 9 share towards the rural deficit, is that your 10 perspective as well? 11 MR. BINGLE: 12 A. That is mine, Mr. Hearn. 13 MR. KELLY: 14 A. Yes. 15 Q. Is there any other comments, any areas in your 16 presentation that you think require special 17 emphasis or have you covered it to your 18 satisfaction? 19 MR. BINGLE: 20 A. I think we covered everything pretty well, and 21 again, from the Chamber of Commerce 22 perspective and from talking with business, 23 there's neither business in Labrador West that 24 does not, you know, feel, I guess, that they</p>	<p>1 would be opposed to paying their own way. 2 Every business would certainly pay their own 3 way based on what it cost to provide that 4 service. 5 Q. What's the present business environment here 6 for your members at the present time? Is it 7 a--are these robust economic times or are your 8 people facing difficult circumstances at 9 present? 10 MR. BINGLE: 11 A. A lot of the businesses in Labrador West right 12 now are facing difficult times and if you were 13 to go to a lot of the small businesses, they 14 are certainly facing those times right now. 15 Q. Those are my questions. Thank you. 16 GREENE, Q.C.: 17 Q. I have no questions. 18 BROWNE, Q.C.: 19 Q. You mentioned one of the businesses is paying 20 \$14,400 annually for electricity and that 21 would increase to \$35,000 under the proposed 22 increase, is that what you have stated? 23 MR. BINGLE: 24 A. Yes. 25 Q. What kind of business would that be? Would</p>
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<p>1 that be typical of most businesses or - 2 MR. BINGLE: 3 A. That would be, basically it would be typical 4 of most businesses because every business is 5 certainly going to be affected by this 6 increase, but this particular business was a 7 grocery store providing the essentials for the 8 people of Labrador West, which we see as not 9 only getting a 28 percent increase, but the 10 increase to that business will be passed on to 11 the consumers of Labrador City as well. 12 Q. And in reference to your businesses generally, 13 is your Chamber aware of any possibilities 14 under the Climate Control Plan for Canada to 15 decrease usage in a similar fashion as what 16 the IOC Company is doing, they're trying to-- 17 they have a target of 19 megawatts, obviously 18 you couldn't any anything near that, but--for 19 which they should be commended, but are 20 businesses generally aware that there may be 21 money available through this program to, so 22 they become more energy efficient and probably 23 reduce their overall costs? 24 MR. BINGLE: 25 A. I do believe that a lot of businesses are</p>	<p>1 familiar with that and a lot of businesses 2 have done things to basically try to control 3 their cost of heating. 4 Q. Thank you very much, sir. 5 MR. BINGLE: 6 A. Thank you. 7 HEARN, Q.C.: 8 Q. No questions here. 9 CHAIRMAN: 10 Q. How many members do you have in your Chambers 11 of Commerce? 12 MR. BINGLE: 13 A. Right now we have 80 members. 14 Q. I see, and what would be the profile of that 15 membership if there is any specific things you 16 can say about that, in terms of the number of 17 employees, size of the business itself? 18 MR. BINGLE: 19 A. I would suspect, well I guess if you were to 20 take into consideration of that, with IOC as a 21 member as well, so I guess with all of Lab 22 West with the businesses, you would probably 23 take in maybe about 5000 when you look at-- 24 well, no, I shouldn't say 5000, but when you 25 look at the actual employees, maybe around</p>

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1 MR. BINGLE:
 2 1500, maybe 2000.
 3 Q. Are these typical small businesses as such -
 4 MS. NEWMAN:
 5 Q. Excuse me, Chair, if you could move closer to
 6 the other microphone so we can get you on both
 7 systems. Sorry.
 8 CHAIRMAN:
 9 Q. These are typical small businesses, two, three
 10 employees?
 11 MR. BINGLE:
 12 A. A lot of the businesses are small businesses,
 13 other than the fact of IOC and some of the
 14 other smaller companies around, but IOC would
 15 be the biggest business that would be part of
 16 the Chamber of Commerce.
 17 Q. And you're with -
 18 MR. BINGLE:
 19 A. With the Regional Economic Development Board
 20 overall, yes.
 21 Q. So that's the zone boards, if you will?
 22 MR. BINGLE:
 23 A. Yes, it is, yes.
 24 Q. Thank you very much for your presentations. I
 25 call upon Mr. Tom Kent. Good afternoon, Mr.

1 Kent and welcome, sir. Begin when you're
 2 ready.
 3 (3:06 p.m.)
 4 MR. TOM KENT (SWORN)
 5 A. On behalf of the Steelworkers, Local 6285 of
 6 Wabush, and its 350 members, we would like to
 7 welcome the Board to Labrador West. I'm not
 8 going to present a brief today, but after
 9 reading the material that has been presented
 10 here today, we are here to give 100 percent
 11 backing to all those people, organizations and
 12 companies who are before you today to stop the
 13 rate increase in Labrador West. We also think
 14 that Newfoundland and Labrador Hydro should
 15 not be putting citizens of Labrador West in a
 16 position whereby they are forced into direct
 17 conflict with the citizens of Happy Valley-
 18 Goose Bay.
 19 It is not too often that you can bring
 20 two towns together; people, businesses,
 21 organizations and mining companies for
 22 everybody to have the same goal, that is to
 23 have no hydro increases for the area. We, at
 24 Local 6285, back all the presenters to achieve
 25 this goal. Thank you.

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1 CHAIRMAN:
 2 Q. Thank you very much, Mr. Kent. Any questions?
 3 Mr. Hearn.
 4 HEARN, Q.C.:
 5 Q. I know you've had a background being involved
 6 in relationships between here and the Happy
 7 Valley-Goose Bay area, certainly in the
 8 educational field. I wonder if you'd care to
 9 elaborate on what, requiring this area to
 10 subsidize rates in Goose Bay does to the
 11 social climate in Labrador?
 12 MR. KENT:
 13 A. Well, we've had to struggle for, in the
 14 education reform field, we've had to struggle
 15 for a number of years, but we're getting
 16 together now on it, but it seems like
 17 everything is being moved to Happy Valley-
 18 Goose Bay. Our central offices, our pay roll
 19 and everything in the education system, and
 20 seeing it, we've got eroded here in Labrador
 21 West over the last number of years in the
 22 education system, I figure.
 23 Q. That's the only question that I have, thank
 24 you for your time. Some other counsel may
 25 have a question.

1 GREENE, Q.C.:
 2 Q. No questions, Mr. Chair.
 3 MR. HAYES:
 4 Q. No questions.
 5 CHAIRMAN:
 6 Q. Thank you very much. Mr. Condon please. Good
 7 afternoon, Mr. Condon. When you're ready
 8 please.
 9 (3:09 p.m.)
 10 MR. ERN CONDON (SWORN)
 11 A. Thank you very much. Good afternoon ladies
 12 and gentlemen and Board members. I don't have
 13 any formal presentation. All I have is my
 14 notes from today. I walked in with an empty
 15 head and empty hand but I did have a pen, so
 16 I've made some notes and I'd just like to make
 17 some comments in a general sense and I'll try
 18 not to repeat what has been said, but some of
 19 it, I think, warrants repeating. And I guess
 20 in a sense from my own point of view, you know
 21 I have an element of concern with the process
 22 because I think you mentioned, Mr. Chair, that
 23 this was a semi-judicious process, I think I
 24 heard Mr. Porter say it was very serious, so
 25 we're all into this kind of thing. And what

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<p>1 MR. CONDON: 2 we've heard here today in many ways has a lot 3 of technical jargonise, if you want to call it 4 that, and I just want to preface it because I 5 did make a presentation the last time you were 6 here at the hotel at Wabush and I'm sure some 7 of you may well remember, and I tried as best 8 I can with a little more detail at that point, 9 which I won't go into today. But in many 10 ways, you get intimidated by the process, 11 right, we start off, we have, you know, you 12 either need a law degree or Ph.D. in 13 electronics or electric circuitry or whatever, 14 we get into hearing about synchronous 15 condensers and things like pot head replacers, 16 I mean, I thought we were going to legalize 17 marihuana before the day was over. So I think 18 judges should take an occasional act 19 themselves too, and I know you have to keep a 20 certain amount of decorum in here, but the 21 bottom line is everybody came to this room 22 today because they're concerned about this 23 region and this area. And many of us and many 24 who have presented already, have lived here, 25 they've chosen to be here to live out their</p>	<p>1 lives here and we see what we're about here 2 being marginalized and diminished and 3 threatened by decisions from an arbitrary 4 board that comes up from the Island who wants 5 now to implement, over the next five years, 6 and I forget what the exact phrase--I probably 7 have it noted here somewhere, but along the 8 lines of, if I can find it here, is it proper 9 and appropriate to have a unified Labrador 10 rate? So some group executive board sat 11 around and decided we want a uniform rate for 12 Labrador, and that decision is going to effect 13 this area in a significant way and you can 14 hear and see from today that it's playing one 15 region off against the other. And I, you 16 know, came to Labrador back in the early 70's 17 and back in the 60's, originally, and I value 18 and appreciate this region and I do not want 19 to be here and not be seen to be defending the 20 region and the people who have made it what it 21 is. And that's all part of what today is 22 about in many ways, and so, I think as Counsel 23 Greene remembered, you know, she was here, I 24 think was her phrase, "I was here back in the 25 80's". Well I was here too, I was on the</p>
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<p>1 council in Wabush in the mid 80's when this 2 kind of stuff was coming down and in many 3 ways, from a history point of view, that was 4 the first foot in the door. And there was a 5 game plan in place at that point. The second 6 foot in the door was 1992 when IOC got their 7 foot in, and then we got into the hearings, 8 the last round of hearings about the phase in 9 of the proposed Labrador grid and we've heard 10 all about that unified Labrador grid and we're 11 here today talking about that and the 12 implementation of it. Now, what we're trying 13 to tell you collectively in this room, is that 14 that kind of thing, I see it personally and I 15 didn't hear it today, but I think is part of 16 an overall strategy, phase--this is phase 2 of 17 phase 3, whatever you want to call it, phase 4 18 is the unified provincial grid and I said back 19 in the last go around that if you want to 20 bring in a unified grid, let's bring it down, 21 give everybody in Labrador the same rate we 22 have in Labrador West and that will unite us 23 all because it will say to the rest of 24 Labrador, great, you know, the region of 25 Labrador West, because of its history, because</p>	<p>1 of the economics and all that kind of stuff, 2 is creating a pressure to bring us all 3 together and to make things better for us, 4 instead of having them, you know, view us as 5 being the "fat cats" who are paying nothing. 6 I mean, we know we have no sympathy, even 7 from--I said this to Mr. Browne the last time, 8 he's representing 5000 people, 5300 and we're 9 only 30,000, so I mean, he has a vested 10 interest in that perspective as well. So from 11 that point of view, we have to get the point 12 across that the North has been subsidizing the 13 South in this province for the last 40, 50 14 years. This area has been the economic engine 15 that's been driving the province. They've 16 been getting billions and billions of dollars 17 out of Labrador West. They've been getting 18 billions and billions and if you read 19 Kalymon's book, he acknowledges and he was one 20 of the joy participants in the Lower 21 Churchill. He's talking about 20 or 30 22 billion dollars that's gone out of the 23 province into the province of Quebec as a 24 result of developments in Labrador and I mean, 25 we're only a year or so making the decision on</p>

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<p>1 MR. CONDON:</p> <p>2 Voisey's Bay and all that kind of stuff, so</p> <p>3 there's a lot of injustices occurred in this</p> <p>4 area and the last thing we need is arbitrary</p> <p>5 decisions made somewhere on the Island that</p> <p>6 are pitting us against one another and doing</p> <p>7 us a dis-service. So that's basically a</p> <p>8 comment I want to make and you can see I'm</p> <p>9 rambling. I always ramble. I read the</p> <p>10 minutes of the last one, but again, ramblers</p> <p>11 are allowed too. So I just want to make some</p> <p>12 points on that. And then the question is it</p> <p>13 appropriate to have that unified rate? Well,</p> <p>14 you know, we're talking about an interconnect,</p> <p>15 I mean, if you listen to our new premier, he</p> <p>16 was talking about his observation of a</p> <p>17 disconnect. There is a significant disconnect</p> <p>18 between Labrador and the Island, so let's not</p> <p>19 forget that this is contributing to that</p> <p>20 disconnect because it's saying to regions</p> <p>21 within Labrador, divide us and conquer us and</p> <p>22 keep us all fighting and arguing among</p> <p>23 ourselves and meanwhile, the Island walks off</p> <p>24 with our resources when we're not watching, so</p> <p>25 that North, South, East and West and you heard</p>	<p>1 it from other people, I'm must reiterating it</p> <p>2 because I just came through a few weeks of</p> <p>3 trying to champion this kind of thing, and I</p> <p>4 mean, we all remember joy, this is our land,</p> <p>5 this is our power, this is our province, you</p> <p>6 know, we all heard that. And we in Labrador,</p> <p>7 who live here, who've chosen to live here and</p> <p>8 have been here for hundreds of years, are</p> <p>9 seeing the resources heading out, heading away</p> <p>10 and we resent anything that pits us against</p> <p>11 one another and that creates dis-service to</p> <p>12 our region and we feel that this decision is a</p> <p>13 dis-service and it doesn't unify Labrador, it</p> <p>14 disunifies Labrador and it creates conflict</p> <p>15 and animosity between. What we need in</p> <p>16 Labrador is unity and cooperation and we need</p> <p>17 that between Labrador and the Island too</p> <p>18 because we need to realize we're all in it</p> <p>19 together and, you know, we have a prosperous</p> <p>20 area here and we have some positive benefits</p> <p>21 to it and what's the mentality? Let's knock</p> <p>22 them down, let's get them back to Labrador</p> <p>23 rate or let's make Labrador pay the Island</p> <p>24 rates, that's the mentality. It's almost as</p> <p>25 if we recent progress and prosperity. So all</p>
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<p>1 I'm saying to you if you want to bring the</p> <p>2 rates, get uniformed rates, bring all the</p> <p>3 rates up to the Labrador rate and not bring us</p> <p>4 down to everybody else.</p> <p>5 We had questions about is it 2.56 or is</p> <p>6 it 2.2 or 2.7 kilowatt hour, that kind of</p> <p>7 stuff. I just, a few questions and I just</p> <p>8 want to put them in the record book, what's</p> <p>9 the Hydro rate, what do they pay per kilowatt</p> <p>10 hour in comparison to the rest of us? What</p> <p>11 are they paying today? What about the recall</p> <p>12 power access, we haven't talked about recall</p> <p>13 power here today. I've been on councils here</p> <p>14 when we've been striving for secondary</p> <p>15 processing, striving to expand the economy and</p> <p>16 to create secondary and tertiary industry in</p> <p>17 this area. And what do we need to do that?</p> <p>18 We need power and what are we doing now?</p> <p>19 We're selling our--Hydro is selling recall</p> <p>20 power out to Quebec again, selling it at the</p> <p>21 boarder so that we put monies into the</p> <p>22 provincial coffers and that's doing this</p> <p>23 region a dis-service and it's really doing the</p> <p>24 province a dis-service, in my opinion, because</p> <p>25 we need secondary and tertiary processing in</p>	<p>1 our province. And I mean, we don't seem to</p> <p>2 have learned from the history over Churchill,</p> <p>3 we almost had the lower one gone away in</p> <p>4 December of last year. We have now, we're in</p> <p>5 a position where we're sending all kinds of</p> <p>6 stuff out to Thompson, Manitoba and Sudbury,</p> <p>7 Ontario, so we, as Newfoundland and</p> <p>8 Labradorians don't seem to be learning and at</p> <p>9 some point we have to wake up and smell the</p> <p>10 roses and that is that we have resources, we</p> <p>11 have power, we have minerals, we have</p> <p>12 everything else and it's about time we started</p> <p>13 looking at keeping the power and recalling it</p> <p>14 so we can bring the line over. I remember</p> <p>15 when we were on council here in Wabush, Lab</p> <p>16 City and we fought to get an extra pellet line</p> <p>17 here. The big argument right away was there</p> <p>18 was no more power. How come? Because we</p> <p>19 can't get a power line over from Churchill and</p> <p>20 now we're saying, okay, up the rates to the</p> <p>21 point where it is all academic anyway. So</p> <p>22 these are just a few of the general things</p> <p>23 that I want to throw out. So what will this</p> <p>24 policy--I like George's comments, what will</p> <p>25 this policy decision achieve for Labrador</p>

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<p>1 MR. CONDON:</p> <p>2 West? You've been here and you heard him here</p> <p>3 today and I won't repeat it, but there's a</p> <p>4 malaise, there's a negativity, there's a fear.</p> <p>5 What is the projected revenue--let me ask you</p> <p>6 this question, what is the projected revenue</p> <p>7 for power generation from Labrador West? What</p> <p>8 are you going to bring into your coffers if</p> <p>9 IOC and Wabush Mines fold their tent and walk</p> <p>10 away? Think about that. I mean, I shudder</p> <p>11 the thought of it because everybody mentioned</p> <p>12 we're a one-industry town and we can't be a</p> <p>13 two or three industry town because we can't</p> <p>14 get the darn power. Why can't we get the</p> <p>15 power? Because somebody sold us out back in</p> <p>16 the 70's and they're selling off the excess</p> <p>17 power that we have. We wanted to get a</p> <p>18 smelter in here, we wanted to develop a</p> <p>19 smelter for Voisey's Bay. It should have been</p> <p>20 put here or put out in Cartwright or somewhere</p> <p>21 and why couldn't we do it? Because we don't</p> <p>22 have the power. So there's a lot of things</p> <p>23 wrong with what's happening. I'm getting down</p> <p>24 through my notes here, if you don't mind. And</p> <p>25 again, the point that was raised earlier, not</p>	<p>1 everyone works for the mine and even though</p> <p>2 the unions were able to get something built in</p> <p>3 there so if the rates were affected, they</p> <p>4 would be able to be compensated by the mine,</p> <p>5 but there's all kinds of people here living on</p> <p>6 minimum wage and on poverty line and not even</p> <p>7 working at all that are having affects, and</p> <p>8 these increases are going to be very</p> <p>9 detrimental to them and to everybody.</p> <p>10 You know, I think it was you, Mr.</p> <p>11 Chairman, talked about the rules of natural</p> <p>12 justice and fair and equitable decisions.</p> <p>13 Well I really question if we can get a fair</p> <p>14 and equitable decision unless the decision is</p> <p>15 to forget about this thing and acknowledge the</p> <p>16 fact that the North and this region in</p> <p>17 particular, Lab West and Churchill Falls and</p> <p>18 these areas, are contributing enough already</p> <p>19 and we need to be left alone to kind of manage</p> <p>20 to survive as best we can and the golden</p> <p>21 objective of Hydro should be get into wind</p> <p>22 power, get into doing some of the--tap the</p> <p>23 rivers in the coastal areas instead of just</p> <p>24 letting them have that, generating that power</p> <p>25 from diesel. There's lots of little rivers</p>
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<p>1 out there, I said this back when you were here</p> <p>2 the last time. I come from the southern</p> <p>3 shore, there's no great massive rivers up</p> <p>4 there, but there is power generation just from</p> <p>5 little small rivers. There's tonnes or rivers</p> <p>6 in Labrador, do it out in the coast, get out</p> <p>7 there and do it or get into, you know, talking</p> <p>8 about Kyoto, I mean, the Federal Government is</p> <p>9 encouraging it, get out there and put some of</p> <p>10 your monies into that. I venture to bet if</p> <p>11 half the time Hydro was trying to pursue</p> <p>12 privatization back a number of years ago, if</p> <p>13 that time and energy and money had been</p> <p>14 generated, put into forward thinking about</p> <p>15 alternate sources and wind generation, we</p> <p>16 might have a lot of improvements there today.</p> <p>17 And so when we're talking about the need here,</p> <p>18 the whole question about Hydro rates, Hydro</p> <p>19 Quebec rates for all the province, we're not</p> <p>20 going to get back to that, but we can try to</p> <p>21 work towards prosperity for all. The pellet</p> <p>22 line, I've already mentioned that we couldn't</p> <p>23 get it and, you know, you heard the mine talk</p> <p>24 about it, they had to save 120 million. Well</p> <p>25 they're after spending about 300 million</p>	<p>1 putting a dam pellet line down in Sept-Isle</p> <p>2 when we put six there back in the 60's and we</p> <p>3 did it with no problem, they spent 230 million</p> <p>4 now and this area up here is paying the price</p> <p>5 for it because the houses, the workers,</p> <p>6 everybody is gone, the value in housing and</p> <p>7 everything is gone, and so the inappropriate</p> <p>8 decisions are being made when governments are</p> <p>9 not committing themselves to that.</p> <p>10 I mentioned the aluminum smelter, the</p> <p>11 province dealt with that, I mean, so what do</p> <p>12 we do? We were almost giving away the Lower</p> <p>13 Churchill and Quebec was offering all kinds of</p> <p>14 deals to smelters, Alco or whatever the groups</p> <p>15 were, with monies that were being generated</p> <p>16 from our power and electricity. We have the</p> <p>17 power and we should be into things like high-</p> <p>18 tec and we need to be talking about progress</p> <p>19 and prosperity here today, but we're talking</p> <p>20 about doom and gloom and this decisioning is</p> <p>21 part of it. I mentioned the Kyoto protocols,</p> <p>22 and just to challenge yourselves in terms of</p> <p>23 mistakes, I mean last time around you guys</p> <p>24 were in, you were talking about we made a</p> <p>25 mistake, we overcharged the people of Wabush</p>

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<p>1 MR. CONDON:</p> <p>2 by two or three million dollars or whatever</p> <p>3 and we had to give it back to them. So, I</p> <p>4 mean, I'm telling you I think this is a</p> <p>5 mistake today, to be looking for a rate, a</p> <p>6 uniform and I'm sure it's Labrador rate today,</p> <p>7 it will be Island rate tomorrow. So mistakes</p> <p>8 can be made and we need to be looking more</p> <p>9 long term in the future.</p> <p>10 Just what is the value of your assets?</p> <p>11 You got all this stuff for a dollar, I mean,</p> <p>12 what is your--you know, you have your little</p> <p>13 sheets and information and stuff like that,</p> <p>14 what is the value of your assets in Labrador?</p> <p>15 Let's hear about that. What is the rate of</p> <p>16 return Hydro Quebec is getting in comparison</p> <p>17 to what Newfoundland and Labrador Hydro is</p> <p>18 getting? I think we heard IOC say today that</p> <p>19 they're getting three or four percent. So</p> <p>20 what is your rate? See what your rate is in</p> <p>21 comparison to what IOC or maybe Wabush Mines</p> <p>22 are getting and have a laugh and look at what</p> <p>23 the rate of return Hydro Quebec is getting.</p> <p>24 Anyway, I think that's probably all I</p> <p>25 need to say at this point, other than to say</p>	<p>1 that I really and truly call upon the Public</p> <p>2 Utilities Board to stop dividing and trying to</p> <p>3 conquer Labrador, to rescind the decision in</p> <p>4 the pursuit of uniform rate and let's just</p> <p>5 work on trying to make things better for this</p> <p>6 region. And let not the Island look at us and</p> <p>7 say we're "fat cats" and we got the cadillac</p> <p>8 systems and all that, let's cut their knees</p> <p>9 out from under them, let's make them pay</p> <p>10 Island rates. I think they should be looking</p> <p>11 at us as a region that has served this</p> <p>12 province well and deserves the break that</p> <p>13 we're getting and if we want to work on</p> <p>14 something to make a uniform rate, make it a</p> <p>15 Labrador West rate for all of Labrador, for</p> <p>16 starters, and then work on the Island. Thank</p> <p>17 you very much.</p> <p>18 CHAIRMAN:</p> <p>19 Q. Thank you very much. Mr. Hearn?</p> <p>20 HEARN, Q.C.:</p> <p>21 Q. One question, Mr. Condon. There's been some</p> <p>22 mention by a number of the other presenters</p> <p>23 about rate increases that are considered</p> <p>24 unreasonable here, having an effect on</p> <p>25 retirees staying in the area. Do you have any</p>
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<p>1 comment to make on that?</p> <p>2 MR. CONDON:</p> <p>3 A. Well, I mean, anybody who has lived here any</p> <p>4 length of time sees the number of people that</p> <p>5 are leaving. I mean, I could count dozens and</p> <p>6 dozens of close long-term friends that have</p> <p>7 left in the last little while. I've been</p> <p>8 retired now five years and I want to stay</p> <p>9 here, I'm happy to stay here, but as I look</p> <p>10 more and more and you see more and more people</p> <p>11 leaving and you see the malaise and the</p> <p>12 negativity and the conflict, I hear since that</p> <p>13 there's conflict within the work environment,</p> <p>14 everything is cut and save and pinch and</p> <p>15 squeeze and that kind of conflict and</p> <p>16 mentality exists and pervades all over and I</p> <p>17 think all of it is to the detriment of our</p> <p>18 community and our region. A few years ago on</p> <p>19 council we were talking about make Labrador</p> <p>20 West the retirement capital of Eastern Canada.</p> <p>21 We are lucky if we're going to have anybody</p> <p>22 here in five or ten years, but we'll have all</p> <p>23 their houses here because they certainly won't</p> <p>24 be sold at the rate things are around.</p> <p>25 Q. Thank you, Mr. Condon.</p>	<p>1 GREENE, Q.C.:</p> <p>2 Q. I have no questions, Mr. Chair.</p> <p>3 MR. HAYES:</p> <p>4 Q. No questions.</p> <p>5 BROWNE, Q.C.:</p> <p>6 Q. You mentioned houses and the previous speaker</p> <p>7 mentioned that there are 200 houses on the</p> <p>8 market now which can't be sold. When did that</p> <p>9 problem start to arise? Is that the last four</p> <p>10 or five years or prior to that?</p> <p>11 MR. CONDON:</p> <p>12 A. Well there's always been turn over here, as</p> <p>13 well, I think you heard George and I think I</p> <p>14 should be using Mr. Hearn and all that kind of</p> <p>15 stuff, but we're friends here and I hope the</p> <p>16 rest of you feel at home, but the bottom line</p> <p>17 on it is that there has been constant turn</p> <p>18 over here, but there's only turn over here</p> <p>19 when there's new employment and younger people</p> <p>20 coming in to take over, so five years ago when</p> <p>21 there's a five-year contract that said no,</p> <p>22 we're having no layoffs, but it also said</p> <p>23 everybody who gets retired is out the door and</p> <p>24 they're not going to be replaced and we've</p> <p>25 employed a future program that was going to be</p>

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<p>1 MR. CONDON:</p> <p>2 hiring 120, all this kind of stuff and they</p> <p>3 started with 120 and they want it down to 60</p> <p>4 and now there's only 20 of that 60 who</p> <p>5 graduated, gotten jobs, so there's not a</p> <p>6 renewal and reoccurrence there, so although</p> <p>7 there was a sense of enthusiasm and</p> <p>8 encouragement there, it has been negated and</p> <p>9 partly has been negated by things like this</p> <p>10 about pressure on companies that their "ace in</p> <p>11 the hole" I think one of the members mentioned</p> <p>12 this morning, that was one of their strengths,</p> <p>13 that they had a little bit of competitive edge</p> <p>14 on hydro and now what is it doing, you know,</p> <p>15 an Island--and I keep calling it Island and</p> <p>16 Labrador, excuse me for that, it's a malaise</p> <p>17 and a mentality that comes when you live in</p> <p>18 Labrador, but you will see this organization</p> <p>19 comes in now and basically the net effect of</p> <p>20 what you're doing is marginalizing the</p> <p>21 companies that we have here even more. And,</p> <p>22 you know, when this unit and again, I know</p> <p>23 when the government wants to talk about any of</p> <p>24 the big corporations came in, when North came</p> <p>25 over, when Rio Tinto came in, when all these</p>	<p>1 people come in, I mean, I've had the sad</p> <p>2 experience of talking to the president of IOC</p> <p>3 and asking him--North Limited, I mean, did</p> <p>4 they talk to the Provincial Government of</p> <p>5 Newfoundland? No, we didn't talk to them, but</p> <p>6 we did talk to the Provincial Government in</p> <p>7 Quebec. So I think Hydro Newfoundland and the</p> <p>8 Provincial Government should be working hand</p> <p>9 in hand and looking at the resource and the</p> <p>10 potential and the benefit we have and not to</p> <p>11 sell it at the boarder because they sold it at</p> <p>12 the boarder December of 2002, the Lower</p> <p>13 Churchill today would be sold unless some</p> <p>14 guys, a couple of guys retired or resigned in</p> <p>15 protest off the board out there, so these are</p> <p>16 all things that say to producers and</p> <p>17 developers and secondary processors and the</p> <p>18 companies that are even here, is this a good</p> <p>19 place and good area to do business? And if</p> <p>20 the answer to that is no, people don't want to</p> <p>21 come here and people don't want to stay around</p> <p>22 here.</p> <p>23 Q. Thank you, Mr. Condon.</p> <p>24 CHAIRMAN:</p> <p>25 Q. Thank you, Mr. Condon. The final presenter, I</p>
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<p>1 call upon Ms. Shirley Squires please. Good</p> <p>2 afternoon, Ms. Squire and welcome. Take your</p> <p>3 time, make sure you get comfortable and when</p> <p>4 you're ready please.</p> <p>5 MS. SHIRLEY SQUIRES (SWORN)</p> <p>6 (3:28 p.m.)</p> <p>7 MS. SQUIRES:</p> <p>8 A. Okay. Well good afternoon to the members of</p> <p>9 Newfoundland Hydro, the Public Utilities Board</p> <p>10 and fellow citizens of Labrador West. I</p> <p>11 hereby attest to the fact that I didn't confer</p> <p>12 with any of my fellow presenters, so, but then</p> <p>13 on the other hand, I think that repetition is</p> <p>14 good, it has value, it will attest to the</p> <p>15 voracity of what the presenters are all</p> <p>16 saying.</p> <p>17 I'm Shirley Squires and I've lived in</p> <p>18 Labrador West since 1966. Since then, I've</p> <p>19 been very active in community affairs, Church,</p> <p>20 Guiding, Status of Women, Seniors, et cetera.</p> <p>21 And what a difference in Labrador West since I</p> <p>22 arrived in 1966 and not for the better. For</p> <p>23 example, in 1967 Iron Ore Company of Canada</p> <p>24 sent every student from I think it was Grade 5</p> <p>25 up to Montreal to visit Expo '67. School</p>	<p>1 children didn't have to buy a pencil, an</p> <p>2 exercise book, mathematical instrument or any</p> <p>3 supplies in school, they were all provided by</p> <p>4 IOC.</p> <p>5 On learning of the intentions of the</p> <p>6 Newfoundland Hydro board to bring uniformity</p> <p>7 of rates to Labrador West and East, I've been</p> <p>8 watching to see when the Public Utilities</p> <p>9 Board hearing would take place and</p> <p>10 unfortunately I missed the announcements and</p> <p>11 I'm not as prepared as I would like to be;</p> <p>12 however, there are so many voices that do not</p> <p>13 seem to be heard here today that I took my</p> <p>14 lunch hour to try and put together something</p> <p>15 from the perspective of others.</p> <p>16 I understand that the topic of today is</p> <p>17 uniformity of electricity rates, Labrador West</p> <p>18 and East. And my thoughts go to who are the</p> <p>19 citizens here in Labrador West? What are</p> <p>20 their financial realities? What will uniform</p> <p>21 rates mean to them? What does Labrador West</p> <p>22 already contribute to the rest of the province</p> <p>23 through taxes of both companies and workers?</p> <p>24 What does it contribute to the rest of the</p> <p>25 province through drives such as the Janeway</p>

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<p>1 MS. SQUIRES:</p> <p>2 and collections to put equipment into the St.</p> <p>3 John's hospitals? We are paying heavily for</p> <p>4 many things, but remain solid socially mind</p> <p>5 citizens, not only locally but elsewhere.</p> <p>6 Now uniformity, why is it desirable?</p> <p>7 Where is the uniformity for Labrador West? If</p> <p>8 there's to be uniformity here, why limit it to</p> <p>9 hydro rates, why not have uniformity of costs,</p> <p>10 like airline and health, travel? You talk of</p> <p>11 mining companies and their workers, mining</p> <p>12 companies who will pick up some of the tab of</p> <p>13 the electricity charges for the workers, but</p> <p>14 what of those employed in service industries</p> <p>15 who get very low wages and often are</p> <p>16 deliberately given insufficient hours to</p> <p>17 qualify for benefits? What about single</p> <p>18 parents, the unemployed? We have food centres</p> <p>19 here to help provide food, every Sunday in</p> <p>20 Church we bring food for the poorer citizens.</p> <p>21 How about the senior citizens who have left</p> <p>22 dying communities in the province, the rest of</p> <p>23 the province and moved here to apartments to</p> <p>24 live near their families? What about retired</p> <p>25 people, workers and their widows who remain</p>	<p>1 here and those dependant on Social Services?</p> <p>2 Then we go to access to health services.</p> <p>3 Coastal residents have better access to health</p> <p>4 services. I think they have to pay--I'm not</p> <p>5 quite sure of this, \$45.00 to travel to St.</p> <p>6 Anthony's Grenfell Hospital for treatments</p> <p>7 unavailable to them in Labrador, but if we</p> <p>8 want to go out, we have to have at least</p> <p>9 \$1,500 return to fly to St. John's now, that</p> <p>10 is if it's short notice. How much does it</p> <p>11 cost a St. John's resident to go to the Health</p> <p>12 Sciences for tests? And then we also have the</p> <p>13 cost of accommodations when we're in St.</p> <p>14 John's, restaurants and taxis. Actually it's</p> <p>15 cheaper to travel from St. John's to Europe</p> <p>16 than it is for us to travel across our</p> <p>17 province. Where is the uniformity? Let's</p> <p>18 have uniform access to health services if</p> <p>19 you're going to go for uniformity. To be able</p> <p>20 to travel to other parts of our province to</p> <p>21 attend meetings, we can't jump in our car and</p> <p>22 spend a few hours on a decent road. I had to</p> <p>23 pay \$1,000, that was without motel bills, to</p> <p>24 go to Loon Bay to a Church meeting in October.</p> <p>25 Our sports-minded young people have minimal</p>
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<p>1 access to events due to costs and you're</p> <p>2 planning on taking another four million</p> <p>3 dollars or more out of this area for Hydro to</p> <p>4 help subsidize other parts of Labrador? Then</p> <p>5 we have our young people going to university.</p> <p>6 If you're in St. John's or Corner Brook, they</p> <p>7 can stay at home, they can get a bus pass.</p> <p>8 What happens to our students? Because of the</p> <p>9 reasonable rates for Hydro, many citizens</p> <p>10 replace failing oil fed systems with</p> <p>11 electrical systems. They even tore out all</p> <p>12 the duct work. Now what happens? As for</p> <p>13 plenum heaters, not much use with the duct</p> <p>14 work gone. Our road system is dangerous,</p> <p>15 damaging our vehicles, loss of life, where's</p> <p>16 the uniformity here? Our long winters, we</p> <p>17 have higher heating costs because of the</p> <p>18 length of the cold season and look at the cost</p> <p>19 of gas at the pumps, where's the uniformity</p> <p>20 there? There are problems, but do you expect</p> <p>21 us to alleviate Hydro's problems because they</p> <p>22 see our one advantage of living here and they</p> <p>23 want to milk it for all it's worth? Services</p> <p>24 for seniors, where's the uniformity? There's</p> <p>25 not a home here, if our senior citizens can't</p>	<p>1 live at home, they have to go into a hospital</p> <p>2 room and there aren't enough to go around.</p> <p>3 There are seniors right now waiting for a bed</p> <p>4 up in the hospital, not even a balcony to go</p> <p>5 out on a nice day.</p> <p>6 As I see it, this is only the beginning,</p> <p>7 an easy way out for Newfoundland Hydro. What</p> <p>8 a juicy plum ripe for the picking, but is this</p> <p>9 just a toe hold? What would happen after</p> <p>10 eight years? I suggest that Hydro take a step</p> <p>11 back and do their homework, find ways to help</p> <p>12 Labradorians who have to pay exorbitant rates,</p> <p>13 think outside the box, look at Marystown where</p> <p>14 there's wind power, so I've been told that's</p> <p>15 what they have there, and that's one thing we</p> <p>16 don't have a shortage of in Labrador,</p> <p>17 especially on the coast, is wind. And wind is</p> <p>18 not something new. My father in the 30's saw</p> <p>19 the benefit of this and installed wind power</p> <p>20 to help provide electricity to our home. What</p> <p>21 about small plants, I mean, we had Seal Cove,</p> <p>22 of course that's fairly large, we have Flat</p> <p>23 Bay Brook, you'd think that Hydro could have</p> <p>24 come up with a better way of looking after the</p> <p>25 needs of its customers than to have their</p>

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<p>1 MS. SQUIRES:</p> <p>2 other customers pick up the slack, not</p> <p>3 creating uniformity of other costs borne by</p> <p>4 Labrador West residents. And there's a domino</p> <p>5 effect. Labrador West citizens should not</p> <p>6 focus only on their residential costs. What</p> <p>7 about the domino effect of higher costs to</p> <p>8 businesses, hospitals, airports, mining</p> <p>9 companies, et cetera would have. You don't</p> <p>10 think that the residents won't be effected.</p> <p>11 Those costs will come down to them through</p> <p>12 higher costs and difficult wage contract</p> <p>13 settlements. Uniformity? What uniformity?</p> <p>14 Uniformity for whom? If you think I sound</p> <p>15 angry, I should more than sound angry, I am</p> <p>16 angry. Just don't try to solve Hydro's</p> <p>17 problems, your problems, Labrador problems, at</p> <p>18 the expense of the residents of Labrador West.</p> <p>19 Thank you, I've never had a standing ovation.</p> <p>20 CHAIRMAN:</p> <p>21 Q. Always the first time. Thank you, Mrs.</p> <p>22 Squires, very much. Mr. Hearn, do you have</p> <p>23 any questions?</p> <p>24 HEARN, Q.C.:</p> <p>25 Q. No questions.</p>	<p>1 GREENE, Q.C.:</p> <p>2 Q. No questions.</p> <p>3 MR. HAYES:</p> <p>4 Q. No questions.</p> <p>5 BROWNE, Q.C.:</p> <p>6 Q. No questions.</p> <p>7 CHAIRMAN:</p> <p>8 Q. There's another request we've had for a</p> <p>9 presentation and that's certainly fine. Mr.</p> <p>10 Ray Erger, Ken-tech Computers.</p> <p>11 (3:39 p.m.)</p> <p>12 MR. RAY ERGER (SWORN)</p> <p>13 A. First of all, I would like to thank everyone</p> <p>14 for turning out. We all know this is a very</p> <p>15 strong issue. I'm Ray Erger, I'm with Ken-</p> <p>16 tech Computers, a small business owner. I'm</p> <p>17 also a unionized employee of the Iron Ore</p> <p>18 Company of Canada, second vice-president of</p> <p>19 the Chamber, past director on tourism, member</p> <p>20 of Ground Search and Rescue and I was involved</p> <p>21 with the Labrador Party, so I've been around.</p> <p>22 First of all, with any increase in the</p> <p>23 hydro, we talked about the retention of</p> <p>24 employees for Iron Ore Company of Canada, well</p> <p>25 I also have to run a very skilled workforce.</p>
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<p>1 They're not subsidized for hydro and by</p> <p>2 increasing the hydro, you're going to put</p> <p>3 extreme hardship on trying to find employees</p> <p>4 that have to make a living. I am not a high</p> <p>5 payer. I'm a small business, I can't afford</p> <p>6 high wages, so it's very attractive to me to</p> <p>7 have low hydro rates to try and keep people in</p> <p>8 town.</p> <p>9 There's a lot of issues, a lot of the</p> <p>10 bigger companies, I don't work directly with</p> <p>11 the Iron Ore Company of Canada with my</p> <p>12 business, but I do support probably around 200</p> <p>13 support businesses. Increase of hydro rates</p> <p>14 to all of these businesses will effect the</p> <p>15 amount of disposable income that they also use</p> <p>16 which I depend on to run my business as well.</p> <p>17 You talk about infrastructure what's been</p> <p>18 in place, I haven't seen anything in the 38</p> <p>19 years I've been here in Labrador City, I have</p> <p>20 not seen any increase in any hydro activity</p> <p>21 and we've got camp grounds, cabin areas that</p> <p>22 have been requesting power, Duly Lake</p> <p>23 Provincial Park has been looking for power,</p> <p>24 told no. My own cottage down on Ashuanipi, we</p> <p>25 have requested to have power hook up. You</p>	<p>1 don't have any existence of any structure to</p> <p>2 go down there, you're not willing to put any</p> <p>3 in, yet you're asking me to pay more for</p> <p>4 services you're not even going to give or</p> <p>5 entertain on giving us. I can see spending</p> <p>6 extra money for a company that's growing,</p> <p>7 that's expanding, that's giving me some value</p> <p>8 for my product, but the only value I got for</p> <p>9 my product is the ability to have low rates to</p> <p>10 heat my home. I don't know how many of you on</p> <p>11 the Island have to turn your furnace on in the</p> <p>12 middle of July to get a bit of heat or you've</p> <p>13 got to plug your car in, in September, so it</p> <p>14 will start in the morning. These are</p> <p>15 essential to us up here. This is not</p> <p>16 something that we, you know, you don't take</p> <p>17 for granted. This is not a luxury for us,</p> <p>18 this is an essential service for us. We don't</p> <p>19 have the luxuries that you have on the Island</p> <p>20 of driving on paved roads, cheap airfare, we</p> <p>21 depend on what little that we do have and</p> <p>22 we're being slowly stripped of it all, from</p> <p>23 our airports, high landing fees, high rates to</p> <p>24 fly, terrible road conditions, driving out or</p> <p>25 trying to fly out over a road, if you can get</p>

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<p>1 MR. ERGER:</p> <p>2 on a plan or get in a car, risk your life to</p> <p>3 get medical services. This is just another</p> <p>4 claw at us that's not needed, it's only going</p> <p>5 to hurt business and by hurting business,</p> <p>6 you're hurting the consumer and driving people</p> <p>7 away. You'll turn us into a town like Ganyon.</p> <p>8 I don't know if any of you went up there for a</p> <p>9 look, you probably don't even know what it is.</p> <p>10 Well it's nothing now. Your four million</p> <p>11 dollar increase will turn out to be millions</p> <p>12 of dollars of loss. If the Iron Ore Company</p> <p>13 of Canada or Wabush Mines doesn't survive, we</p> <p>14 don't survive. The 200 support businesses</p> <p>15 that I work with, they don't survive. We all</p> <p>16 feed off of one main industry here. If</p> <p>17 they're not here and if they don't survive,</p> <p>18 none of us survive. You don't get no four</p> <p>19 million dollar increase, you get a loss. The</p> <p>20 Government of Newfoundland and Labrador gets a</p> <p>21 loss. There will be nothing here anymore.</p> <p>22 That's all I have to say on it for now.</p> <p>23 CHAIRMAN:</p> <p>24 Q. Thank you, Mr. Erger. Mr. Hearn?</p> <p>25 HEARN, Q.C.:</p>	<p>1 Q. No questions.</p> <p>2 GREENE, Q.C.:</p> <p>3 Q. No questions.</p> <p>4 MR. HAYES:</p> <p>5 Q. No questions.</p> <p>6 BROWNE, Q.C.:</p> <p>7 Q. I have a question for you. You mention that</p> <p>8 there is no source of supply for your cabin up</p> <p>9 in Ashuanipi, is that true of all the cabin</p> <p>10 owners up there, there's no source of supply</p> <p>11 up in that area?</p> <p>12 MR. ERGER:</p> <p>13 A. Some of our cottage areas, we call them cabins</p> <p>14 here, essentially they're a lot of cottages,</p> <p>15 they're done up very nice. None of our</p> <p>16 cottage areas really have any power source.</p> <p>17 Some of our cottage areas are bigger than some</p> <p>18 of the towns that you've connected or taken</p> <p>19 off the diesel generator grid on the Island.</p> <p>20 And some of our cabins, like Ashuanipi, for</p> <p>21 instance, has well over 100 cottages down</p> <p>22 there. You talk about alternative powers, 20</p> <p>23 years ago, I believe it was, we installed our</p> <p>24 first windmill down at our cabin. My father</p> <p>25 put it in, Ludwig Erger. We had a barrel</p>
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<p>1 windmill and we had two prop windmills. We</p> <p>2 had a low speed wind turbine and a high speed</p> <p>3 wind turbine, so wind power, does it work?</p> <p>4 Yes, wind power works. If you've got to solve</p> <p>5 your problems on the coast, my God, go out</p> <p>6 there, it will blow you off your feet over</p> <p>7 there.</p> <p>8 Q. You might be interested in knowing that down</p> <p>9 on the Burin Peninsula, Hydro is involved in a</p> <p>10 project now to put wind turbine power down in</p> <p>11 that area. That will be a first major project</p> <p>12 for the Island and I guess they should look to</p> <p>13 Labrador too, shouldn't they?</p> <p>14 MR. ERGER:</p> <p>15 A. Yes, they should look at it here too, in the</p> <p>16 coast. We've got an abundance of wind and</p> <p>17 we've got an abundance of sun in the winter</p> <p>18 time, although cold temperatures, we're a very</p> <p>19 viable area for solar power as well. Aliant</p> <p>20 can test to that, they run some of their</p> <p>21 towers on solar, as well as we installed a</p> <p>22 solar panel in our home cottage.</p> <p>23 Q. Thank you, sir.</p> <p>24 CHAIRMAN:</p> <p>25 Q. Thank you very much. Nothing further, I guess</p>	<p>1 that brings to a conclusion today's</p> <p>2 proceedings. I'd want to thank everybody for</p> <p>3 attending and a special thanks who indeed made</p> <p>4 presentations here today. I think as far as</p> <p>5 we're concerned, certainly the turn out here</p> <p>6 has been outstanding. There's no question</p> <p>7 about that, compared to other public</p> <p>8 participations that we've held elsewhere and I</p> <p>9 think as far as the message we got, it's</p> <p>10 consistent and unanimous, there's no question</p> <p>11 about that. I'd also like to acknowledge, I</p> <p>12 didn't do it earlier, of Mr. Randy Collins, I</p> <p>13 understand is here as well, who is the MHA for</p> <p>14 the area. Welcome Mr. Collins.</p> <p>15 MR. COLLINS:</p> <p>16 A. Thank you.</p> <p>17 CHAIRMAN:</p> <p>18 Q. Just a comment or two I guess on the process.</p> <p>19 I tried to address it a little here this</p> <p>20 morning. Certainly the mandate of the Board</p> <p>21 is really to hear the evidence that's</p> <p>22 presented to us in relation to the mandate</p> <p>23 that we have. Certainly this is a very</p> <p>24 complex, complicated issue in relation to the</p> <p>25 cost of the various systems in relation to an</p>

<p style="text-align: right;">Page 241</p> <p>1 CHAIRMAN:</p> <p>2 appropriate return on investment for Hydro and</p> <p>3 the mandate that we have, essentially, is to</p> <p>4 try and render a fair and equitable decision</p> <p>5 on the evidence that's placed before us.</p> <p>6 Essentially in many instances, that's very,</p> <p>7 very technical evidence and it's the reason</p> <p>8 why, to some degree, we're in St. John's for</p> <p>9 thirty days listening to some of that stuff,</p> <p>10 and certainly the interest of Labrador City,</p> <p>11 Wabush are ably represented by your counsel,</p> <p>12 Mr. Hearn on those matters. The intention</p> <p>13 here of these public participations is in</p> <p>14 addition to that evidence which we recognize</p> <p>15 is very complex and very technical, is to give</p> <p>16 the opportunity to those people who are</p> <p>17 affected by these rates in the area, to try</p> <p>18 and understand what impact it's going to have</p> <p>19 on you people and indeed, to make your</p> <p>20 presentations to us in relation to those</p> <p>21 impacts. And we recognize that this is not</p> <p>22 going to be scientific, we hear enough of</p> <p>23 that. We hear enough cost of service, we hear</p> <p>24 enough cost of capital arguments in regard to</p> <p>25 this particular application. The purpose of</p>	<p style="text-align: right;">Page 242</p> <p>1 this is to get the, essentially the feelings</p> <p>2 on the ground of what it's going to mean to</p> <p>3 people, what it's going to mean to your lives,</p> <p>4 what it's going to mean to your personal</p> <p>5 lives, your family lives, your work lives and</p> <p>6 certainly in relation to the companies here,</p> <p>7 this is a one-industry town essentially, what</p> <p>8 it means to them. And I think we got a good</p> <p>9 flavour of that this morning from the</p> <p>10 companies in the presentation that was made.</p> <p>11 I think we had a good cross section of</p> <p>12 presentations here today from the Chamber of</p> <p>13 Commerce, the Unions, from Ms. Squires and</p> <p>14 essentially I think we got a good sense of how</p> <p>15 you feel about this. Certainly this is not a</p> <p>16 political process, it's not. I heard many</p> <p>17 things today that would require political</p> <p>18 solutions. This is not a body to do this in</p> <p>19 any way, shape or form. Certainly on the</p> <p>20 basis of the evidence that we have, on the</p> <p>21 basis of costs, on the basis of what we've</p> <p>22 heard here today, we have a mandate to render</p> <p>23 a fair and equitable decision and that we will</p> <p>24 do. And I appreciate certainly your input</p> <p>25 here today and we will take that away and we</p>
<p style="text-align: right;">Page 243</p> <p>1 will certainly be considering that over the</p> <p>2 next, probably it will be six to eight weeks,</p> <p>3 quite likely, and we will be rendering a</p> <p>4 decision at that time. I thank you very much</p> <p>5 for your participation and indeed, the</p> <p>6 participating parties. Excuse me, just one</p> <p>7 moment please.</p> <p>8 MS. NEWMAN:</p> <p>9 Q. Before you leave, we just wanted to advise</p> <p>10 that we have received copies of presentations</p> <p>11 from this morning, the Iron Ore Company of</p> <p>12 Canada and Wabush Mines have given us two</p> <p>13 documents. The first document would be the</p> <p>14 written and that will be IOC WN No. 1 and the</p> <p>15 second is a copy of their Powerpoint</p> <p>16 presentation and that's IOC WN No. 2.</p> <p>17 CHAIRMAN:</p> <p>18 Q. Thank you very much once again.</p> <p>19 Upon concluding at 3:50 p.m.</p>	<p style="text-align: right;">Page 244</p> <p>1 CERTIFICATE</p> <p>2 I, Judy Moss, hereby certify that the foregoing is a true</p> <p>3 and correct transcript in the matter of Newfoundland and</p> <p>4 Labrador Hydro's 2003 General Rate Application for</p> <p>5 approval of, among other things, its rates commencing</p> <p>6 January, 2004, heard on the 26th day of November, A.D.,</p> <p>7 2003 at the Knights of Columbus Hall, Labrador West,</p> <p>8 Newfoundland and Labrador and was transcribed by me to</p> <p>9 the best of my ability by means of a sound apparatus.</p> <p>10 Dated at St. John's, Newfoundland and Labrador</p> <p>11 this 30th day of November, A.D., 2003</p> <p>12 Judy Moss</p>