Multi-PageTMNL Hydro's 2003 General Rate Application

| | Jer 15, 2005 | | age | NL Hydro 8 2005 General Kate Application |
|-----|---|----------|-------|---|
| | | Page 1 | | Page 2 |
| 1 | LIST OF UNDERTAKINGS | | | 17 a.m.) |
| | Undertaking Pg. | | | IRMAN: |
| 32. | Undertaking Pg. | 76 | 3 Ç | . Thank you and good morning. Beautiful morning |
| | | | 4 | out there. Good morning, Ms. Newman. Any |
| | | | 5 | preliminary matters before we get started? |
| | | | | NEWMAN: |
| | | | 7 Ç | Yes. Good morning, Chair and Commissioners. |
| | | | 8 | There are some items that I believe Ms. Greene |
| | | | 9 | wants to speak to on behalf of Hydro. Before |
| | | 1 | 0 | we get to that, I did want to mention that the |
| | | 1 | 1 | Clerk has now circulated a list of Letters of |
| | | 1 | 2 | Comment received to date, as well as the |
| | | 1 | 3 | request for oral presentations that were |
| | | 1 | 4 | submitted up to October 9th, pursuant to the |
| | | 1 | 5 | Board's notice. |
| | | 1 | 6 CHA | IRMAN: |
| | | 1 | 7 Ç | . Thank you. Good morning, Ms. Greene. |
| | | 1 | 8 GRE | ENE, Q.C.: |
| | | 1 | 9 Ç | . Good morning, Mr. Chair and Commissioners. I |
| | | 2 | 20 | would like this morning to respond to five |
| | | 2 | 21 | undertakings. There are five outstanding and |
| | | 2 | 22 | we're in a position to respond to all of those |
| | | 2 | 23 | this morning. I will speak to the first one |
| | | 2 | 24 | and then I plan to ask Mr. Roberts to the |
| | | 2 | 25 | other four that arose from yesterday, and in |
| | | Page 3 | | Page 4 |
| 1 | that way, he will be able to respond to t | he | 1 | look at page two of NP-88, you will see that |
| 2 | questions, and if necessary, Mr. Kelly of | can | 2 | we have outlined there a number of the |
| 3 | then follow up with him in his cross | - | 3 | productivity measures back to 1998. There are |
| 4 | examination, as we did last time during | the | 4 | seven on that screen, seven of the 12 |
| 5 | 2001 General Rate proceeding. | | 5 | recommended by Grant Thornton. They are: the |
| 6 | The first matter then that I would like | | 6 | first one, the controllable unit cost; the |
| 7 | to speak to is with respect to the undertak | king | 7 | second one, the hydraulic conversion factor; |
| 8 | that was given on Friday, October 10th. | It | 8 | the third one, the thermal conversion factor. |
| 9 | was given to Mr. Kennedy and it related | to the | 9 | If we move down to the next category, it is |
| 10 | key performance indicators and whether | Hydro 1 | 0 | the fourth one, the weighted capability |
| 11 | would be in a position to provide historia | cal 1 | 1 | factor. The next one, the weighted DAFOR, and |
| 12 | data to the year 2000, with respect to the | key 1 | 2 | then you will see SAIDI and SAIFI, and we do |
| 13 | performance indicators that were recomm | mended 1 | 3 | it there at the transmission level and the |
| 14 | by Grant Thornton. And I'd like first, if | we 1 | 4 | distribution level. |
| 15 | could, to look at page 11 of the Gran | t 1 | 5 | So we have provided the information for |
| 16 | Thornton report on regulatory perform | | 6 | seven of the key performance indicators |
| 17 | measures. Page 11, Mr. O'Reilly. And | it's 1 | 7 | recommended by Grant Thornton. There are five |
| 18 | just down in the summary. For conveni | ence, 1 | 8 | remaining, and if you go back, Mr. O'Reilly, |
| 19 | I'm referring to this where the 12 perform | nance 1 | 9 | please, to page 11 of the Grant Thornton |
| 20 | measures were outlined by Grant Thornto | on. 2 | 20 | report. The first one that is recommended |
| 21 | Of the 12 measures that are recommended | nded 2 | 21 | that was not on NP-88 is SARI. The next one |
| 22 | there, Hydro has already provided th | ne 2 | 22 | is the customer satisfaction index, and then |
| 23 | historical data for seven of the 12 and | I 2 | 23 | if you go to the next column, Mr. O'Reilly, it |
| - | | 1 | | , |
| 24 | would like to refer now to NP-88, and if w | | 24 | is the last three, the generation OM&A per |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | Page 5 | | Page 6 |
|-------------------------------|--|--------------------------------|---|
| 1 GR | EENE, Q.C.: | 1 | was an undertaking given to Mr. Kennedy, and |
| 2 | of transmission line, and distribution OM&A | 2 | you'll find that the discussion starts |
| 3 | per customer per kilometre of distribution | 3 | beginning at page 59 of the transcript. |
| 4 | line. So with respect to those five key | 4 | The next thing that I would like to speak |
| 5 | performance indicators, Hydro will be in a | 5 | to the panel about before I get to the |
| 6 | position to submit the historical data to the | 6 | undertakings for Mr. Roberts is with respect |
| 7 | year 2000, and we hope to have it by the end | 7 | to the status of the discussions on the Rate |
| 8 | of this week, and if not, then certainly by | 8 | Stabilization Plan. The parties have been |
| 9 | early next week. | 9 | discussing the Rate Stabilization Plan in some |
| 10 | The only caveat that I would advise the | 10 | detail since the mediation process, and I'm |
| 11 | Board is with respect to the generation OM&A | 11 | happy to report that the parties have reached |
| 12 | per megawatt hour. In our view, it is more | 12 | agreement on the principles for the Rate |
| 13 | appropriate to provide that based on megawatt. | 13 | Stabilization Plan, and over the last week to |
| 14 | The generation operating cost per megawatt as | 14 | ten days or possibly longer, we have now been |
| 15 | opposed to megawatt hour versus in light of | 15 | working with the parties with respect to the |
| 16 | the volatility of our load, and we can pursue | 16 | details of how those principles would actually |
| 17 | that when Mr. Brushett from Grant Thornton is | 17 | work. So we are in the process of having |
| 18 | on the stand, or we can also pursue it with | 18 | further discussions among the parties with |
| 19 | Mr. Haynes, when Mr. Haynes from Hydro is on | 19 | respect to the Rate Stabilization Plan. |
| 20 | the stand. But we will be in a position to | 20 | In light of those ongoing discussions, |
| 21 | provide the Board with the remaining five key | 21 | the parties have agreed not to cross-examine |
| 22 | performance indicators and the historical data | 22 | Hydro witnesses in any detail with respect to |
| 23 | for them within the next few days. | 23 | the Rate Stabilization Plan. Mr. Roberts is |
| 24 | So that was the first undertaking that | 24 | the first witness for Hydro who probably would |
| 25 | was outstanding and it was from Friday, and it | 25 | have been cross-examined with respect to the |
| | Page 7 | | Page 8 |
| 1 | Plan. So the parties have agreed not to | 1 | of the day certainly can be made. It's good |
| 2 | cross-examine Mr. Roberts at this time, and we | 2 | to see that progress is being made in the area |
| 3 | have agreed that if necessary, we will recall | 3 | and we certainly look forward to, hopefully a |
| 4 | Mr. Roberts with respect to the Rate | 4 | positive result. |
| 5 | Stabilization Plan. | 5 0 | GREENE, Q.C.: |
| 6 | At this stage, I personally am cautiously | 6 | Q. Thank you, Mr. Chair. All the parties have |
| 7 | optimistic that the parties will reach further | 7 | been diligently working on this, while we've |
| 8 | agreement with respect to the Rate | 8 | been in the hearing room, through our staff |
| 9 | Stabilization Plan, so that we will be able to | 9 | people and through experts. They have been |
| 10 | present to the Board, for its review and | 10 | continuing the discussions. So we all hope |
| 11 | consideration, the consensus of the parties. | 11 | that they will produce a positive result. |
| 12 | But it is too early at this stage to say. And | 12 | The next thing that I wanted to move to |
| 13 | with respect to when it will be available, | 13 | then are the four undertakings arising from |
| 14 | again I am not in a position to make a | 14 | yesterday. And with respect to that, I would |
| 15 | commitment with respect to time, but obviously | 15 | like to ask Mr. Roberts the questions with |
| 16 | before the hearing process is over, we will | 16 | respect to the four undertakings so that the |
| 17 | advise the panel with respect to an agreement | 17 | witness will provide the information, and I |
| 18 | | | 1 |
| | that has been reached or we will advise the | 18 | have - |
| 19 | that has been reached or we will advise the | | have - CHAIRMAN: |
| | that has been reached or we will advise the panel that we have not been able to reach | | CHAIRMAN: |
| 19 20 | that has been reached or we will advise the | 19 C | |
| 19 20 21 CH | that has been reached or we will advise the panel that we have not been able to reach agreement. IAIRMAN: | 19 C 20 21 | CHAIRMAN: Q. Good morning, Mr. Roberts. |
| 19 20 21 CH | that has been reached or we will advise the panel that we have not been able to reach agreement. | 19 C 20 21 | CHAIRMAN: Q. Good morning, Mr. Roberts. A. Good morning. |
| 19 20 21 CH 22 | that has been reached or we will advise the panel that we have not been able to reach agreement. IAIRMAN: Q. We are cautiously hopeful. We'd like to, I | 19 C 20 21 22 C | CHAIRMAN: Q. Good morning, Mr. Roberts. A. Good morning. GREENE, Q.C.: |
| 19 20 21 CH 22 23 | that has been reached or we will advise the panel that we have not been able to reach agreement.IAIRMAN:Q. We are cautiously hopeful. We'd like to, I guess, commend the parties to continue | 19 C 20 21 22 C 23 | CHAIRMAN: Q. Good morning, Mr. Roberts. A. Good morning. GREENE, Q.C.: Q. The first undertaking arises from yesterday |

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

October 15, 2003

Multi-PageTMNL Hydro's 2003 General Rate Application

| Octob | ber 15, 2003 M | ulti-Pag | e NL Hydro's 2003 General Rate Application |
|----------------|---|----------|---|
| | Pag | ge 9 | Page 10 |
| 1 GR | EENE, Q.C.: | 1 | to provide the costs incurred to date |
| 2 | transcript, and first, Mr. O'Reilly, if you | 2 | internally at Hydro for the process review. |
| 3 | could bring up Schedule 11 to Mr. Roberts' | 3 | Have you checked that, Mr. Roberts, and are |
| 4 | evidence, which is the schedule of Hydro's | 4 | you in a position to advise with respect to |
| 5 | outstanding debt. | 5 | that? |
| 6 | And the question that was posed to you by | 6 | A. Yes. As of the end of September, there's |
| 7 | Mr. Browne yesterday related to the Series V | 7 | approximately one million dollars of internal |
| 8 | and Series X bonds and he asked you whether | 8 | salary costs that have been accumulated |
| 9 | there was an option for early payment of those | 9 | relative to the business process initiatives |
| 10 | two series of bonds. Have you had the | 10 | that are being undertaken in 2003, and |
| 11 | opportunity to check that, Mr. Roberts? | 11 | approximately \$40,000 in external costs, |
| | A. Yes, I have, and in the case of the Series V | 12 | primarily related to travel. |
| 13 | and X, there is no early retirement option. | 13 | Q. The next undertaking that arose yesterday was |
| 14 | However, we did look at what a premium would | | also from the cross-examination of Mr. Kelly, |
| 15 | be to buy back these bonds and the premium | 15 | and it is found at page 107 of the transcript, |
| 16 | that would have to be paid would more than | 16 | lines 5 to 13. It is with respect to the |
| 17 | offset the change in interest. | 17 | savings that are arising from the meter |
| | Q. So there would be no benefit to pursuing that | 18 | reading review. Mr. Kelly asked you to |
| 19 | option? | 19 | provide what was the breakout of salaries from |
| | A. There is no benefit to pursuing that. | 20 | the anticipated savings of \$128,000. Mr. |
| | Q. The next undertaking arises from the cross- | 20 | Roberts, are you now in a position to confirm |
| 22 | examination of Mr. Kelly and it is found on | 22 | that for the Board? |
| 23 | page 91 of the transcript, lines 15 to 18. It | 23 | A. Yes, I am. Of the \$128,000, approximately |
| 24 | relates to the internal costs for 2003 to date | 24 | 100,000 represents the net change in salaries |
| 25 | for the process review. Mr. Kelly asked you | 25 | and the remaining \$28,000 is associated with |
| | Page | 11 | Page 12 |
| 1 | reductions in vehicle and travel costs | 1 | temporary staff in 2003? |
| 2 | associated with the meter reading activity. | 2 | A. Yes. As a matter of fact, just recently there |
| | Q. The last undertaking that arose yesterday, | 3 | were additional changes that were done, that |
| 4 | again from the cross-examination of Mr. Kelly, | 4 | were effective basically in the first week of |
| 5 | is found on pages 128 to 129 of the | 5 | September, and that was in the area of closing |
| 6 | transcript, and it arose with respect to the | 6 | out the cash handling procedures at the St. |
| 7 | letter from the union that Mr. Kelly referred | 7 | Anthony and the Wabush area offices. So there |
| 8 | to, and the question was with respect to the | 8 | were further reductions in temporary staff |
| 9 | number of FTEs reduced in 2003. I wonder, Mr. | 9 | located at those two areas as well. |
| 10 | Roberts, if you could outline for the Board | 10 | Q. Were there any other changes of temporary |
| 11 | what the number of FTEs reduced in 2003 is? | 11 | staffing in 2003, other than the ones you've |
| 12 | A. Well, the 60 FTEs that's referred to in the | 12 | just referred to, over-the-counter service? |
| 13 | particular letter from the union, we're not | 13 | A. Yes. In the discussions with the union, |
| 14 | aware of the basis as to how the union | 14 | relative to the letter, which Mr. Wells and |
| 15 | determined that particular 60 FTEs. However, | 15 | two other vice-presidents, Mr. Haynes and Mr. |
| 16 | if you were to look at NP-9, page 6 of 6, | 16 | Reeves at the time, there were reductions in |
| 17 | there you'll find that from 2002, there's been | 17 | the total number of temporary staff that would |
| 18 | a reduction of, up to the end of August, a | 18 | be on during the period 2003, as well as there |
| 19 | reduction of an additional ten full time | 19 | were also reductions in the number of hours in |
| | equivalents, and in IC-211, I believe it is, | 20 | comparison to the previous year as well. |
| 20 | equivalents, and in re-211,1 beneve it is, | | |
| 20 21 | you will find that of that ten, six represent | 21 | Q. Have you been able to quantify the number of |
| 21 22 | you will find that of that ten, six represent in the finance and corporate services area. | 21 22 | FT Equivalents or that reduction in temporary |
| 21 22 23 | you will find that of that ten, six represent in the finance and corporate services area. Q. With respect to the temporaries that was | | FT Equivalents or that reduction in temporary hours, Mr. Roberts? |
| 21 22 | you will find that of that ten, six represent in the finance and corporate services area. | 22 | FT Equivalents or that reduction in temporary |

Multi-PageTMNL Hydro's 2003 General Rate Application

| Octo | ober 15, 2003 Multi | -Pa | age [™] NL Hydro's 2003 General Rate Application |
|------|---|-----|---|
| | Page 13 | | Page 1 |
| 1 G | GREENE, Q.C.: | 1 | counsel for the parties and probably have a |
| 2 | undertakings that have been outstanding to | 2 | discussion around this, and then it's a matter |
| 3 | date. I would point out that when I refer to | 3 | for consideration of the Board as well, but I |
| 4 | the undertaking, I refer to the page number as | 4 | think we should try and do that fairly |
| 5 | it prints out on my page. There appears to be | 5 | expeditiously. |
| 6 | a difference between that page number and what | 6 | MS. NEWMAN: |
| 7 | the transcriber has as the page number on the | 7 | Q. Yes, Chair. We've arranged a meeting for |
| 8 | undertaking. I just point that out. But we | 8 | tomorrow after the hearing, if that's |
| 9 | have responded to all of the outstanding | 9 | adequate? |
| 0 | undertakings. | 10 | CHAIRMAN: |
| 1 C | CHAIRMAN: | 11 | Q. Okay. That's great. Thank you very much. |
| 2 | Q. Thank you, Ms. Greene. Just before we begin, | 12 | Good morning, Mr. Kelly. |
| 3 | I just had a quick look, I guess, down through | 13 | KELLY, Q.C.: |
| 4 | the Request for Public Presentations here, | 14 | Q. Good morning, Chair. |
| 5 | noting that the primary requests come from the | 15 | CHAIRMAN: |
| 6 | Great Northern Peninsula, Stephenville and | 16 | Q. When you're ready, you could begin your cross- |
| 7 | Corner Brook, and perhapsI realize it's a | 17 | examination please. |
| 8 | month away, but when we're looking at sorting | 18 | KELLY, Q.C.: |
| 9 | out logistics and itineraries for most of the | 19 | Q. Good morning, Mr. Roberts. |
| 0 | people in this room, in any event, in relation | 20 | A. Good morning. |
| 1 | to travel, it would be, I think, in | 21 | Q. When we left off yesterday, we had looked at |
| 2 | everybody's interest, to get our time table | 22 | the 2002 test year versus the 2000 test year |
| 3 | and schedule sorted out as quickly as | 23 | actuals, and I'd like to turn next to the 2003 |
| 24 | possible. So I guess with that in mind, Ms. | 24 | forecast and I'd like to start by taking you |
| 25 | Newman, I'll ask if you could meet with | 25 | to Exhibit WW-1, which is the Quarterly Report |
| | Page 15 | | Page 1 |
| 1 | for March 31st, 2003, and we can start by | 1 | year's budget has commenced, and we ask |
| 2 | going to page three of that report. Now | 2 | anybody with budget responsibility to do an |
| 3 | yesterday, you explained for us, in some | 3 | update of the current year and going hand in |
| 4 | detail, how the budget process at Hydro worked | 4 | hand with that, at that point in time is |
| 5 | and I understood from that that by the end of- | 5 | normally when a load forecast, a new |
| 6 | -for example, in 2003 for the 2004 year, you | 6 | Hydrothermal split would be done, and a field |
| 7 | would come up with a budget forecast or a | 7 | run would be done. So that in the April |
| 8 | budget document. Is that budget document then | 8 | period, you're getting a complete reforecast |
| 9 | essentially fixed as a point of comparison as | 9 | of all functions that are for the operating |
| 0 | you go forward? | 10 | budget. |
| 1 | A. Normally on January 1 of each year, the budget | 11 | Q. Okay. And did you say there are two? When is |
| 2 | is locked away and a copy of it is moved to | 12 | the second one? |
| 3 | what we refer to as a forecast field, and then | 13 | A. The second one would normally be done in |
| 4 | that's where all forecasts throughout the year | 14 | October. |
| 5 | would be made in that. So you're always able, | 15 | Q. Okay. So those would be the mandatory ones, |
| 6 | at any point during the year, to compare what | 16 | but you'd - |
| 7 | your initial budget was against your forecast. | 17 | A. These are the mandatory ones, but there is |
| 8 | Q. Okay. Now, so then does the forecast change | 18 | still the process in place that at any time |
| 9 | over the year? | 19 | that if costs are going up or going down, then |
| 0 | A. The forecast can change monthly. | 20 | the availability is there to complete |
| 1 | Q. Okay. Does Hydro update the forecast monthly? | 21 | forecasts on a daily, monthly, or weekly |
| 2 | A. It can be done monthly, but we have two | 22 | basis, as required. |
| 3 | specific mandatory review periods, the first | 23 | Q. Okay. Now can I just have a look at the |
| 4 | one being during the spring, which is roughly | 24 | screen and as weI want to go to the headings |
| 25 | in the April/early May period, where the next | 25 | first. We have, let's go to the far right- |

Multi-PageTMNL Hydro's 2003 General Rate Application

| October 15, 2003 Mult | I-Pag | ge ^m NL Hydro's 2003 General Rate Application |
|---|-------|--|
| Page 17 | | Page 18 |
| 1 KELLY, Q.C.: | 1 | forecast, what is that year-to-date component? |
| 2 hand side. You have an annual forecast. How | 2 | Is it the year-to-date from the budget or |
| 3 does that annual forecast document, as shown | 3 | year-to-date from this moveable forecast? |
| 4 there, relate to the budget? | 4 | A. Well, the 2003 forecast would be the most |
| 5 A. Well, the initial forecast that was there on | 5 | current forecast that we would have in the |
| 6 January 1, as I just outlined, was in fact a | 6 | system, relative to our results for 2003. |
| 7 budget. If there's been any changes to the | 7 | Q Okay. So it wouldn't be based upon the |
| 8 budget since January 1 of that particular | 8 | budget, but this one that changes several |
| 9 year, then they would be reflected in that | 9 | times during the year? |
| 10 annual forecast column. | 10 | A. The initial stepping stone on day one of |
| 11 Q. So the annual forecast column that you're | 11 | January 1st of 2003 was the budget. So you |
| 12 showing there is not the budget forecast, the | 12 | never had to repeat entering all the data for |
| 13 budget document? | 13 | the year. You started off with the same |
| 14 A. It would not be. | 14 | numbers in both columns; the forecast and the |
| 15 Q. No, okay. Then if we go along to the next | 15 | budget were identical. |
| 16 column, coming back to the left, you've got to | 16 | Q. Okay. |
| 17 year-to-date 2002 actual. | 17 | A. Then as you make changes, your changes are |
| 18 A. Yes. | 18 | made in your forecast column. So it's always |
| 19 Q. And that, I take it, is a set of actual | 19 | your most current up-to-date information that |
| 20 numbers up to, in this case, March 31st? | 20 | you would have available at that time. |
| A. Yes, that would be for the quarter ending | 21 | Q. Yes, but I'm just trying to understand then if |
| 22 March 31st, 2002. | 22 | it is the year-to-date on the forecast, it is |
| 23 Q. And that's for the purpose of comparison to | 23 | the year-to-date on a forecast that has been |
| the next column going back over, 2003 | 24 | adjusted from the budget - |
| 25 forecast. Now if that's year-to-date 2003 | 25 | A. Yes. |
| Page 19 | | Page 20 |
| 1 Q prepared in December, prepared in the fall? | 1 | document, Mr. Roberts, the revenue line is |
| 2 A. Or whenever the budget was finalized, which is | 2 | about approximately four and a half million |
| 3 normally for presentation to our Minister by | 3 | dollars at this stage above budget or above |
| 4 November 30th. | 4 | forecast? |
| 5 Q. Okay. So there's nothing in any of these | 5 | A. Above forecast, yes. |
| 6 tables that enable us to compare to the budget | 6 | Q. Okay. And down at the, if we just go to the |
| 7 in the budget document? | 7 | bottom line, we have approximately 12 million |
| 8 A. That is correct. | 8 | dollars in net operating income compared to a |
| 9 Q. Okay. Mr. O'Reilly, can we go to page three? | 9 | forecast for March of approximately eight |
| 10 We're on page one of the document here. The | 10 | million dollars? |
| 11 table that I want to go to is on page three. | 11 | A. That's correct. |
| 12 MR. O'REILLY: | 12 | Q. Now Mr. O'Reilly, can I get you to go to WW-2, |
| 13 Q. I believe this is page three. | 13 | which is the June Regulatory Report, and the |
| 14 KELLY, Q.C.: | 14 | same table on page three? Now in this |
| 15 Q. Sorry? | 15 | particular document, which is now updated to |
| 16 MR. O'REILLY: | 16 | June, Mr. Roberts, I gather in the 2003 |
| 17 Q. This is page three. | 17 | forecast columns and the annual forecast |
| 18 KELLY, Q.C.: | 18 | columns, they have been adjusted for this |
| 19 Q. No, I think if you scroll up to the bottom, | 19 | review which takes place in April or May you |
| 20 you should have asee on page one there. | 20 | told us about? |
| 21 MR. O'REILLY: | 21 | A. On a normal basis, yes. In the case of 2003, |
| 22 Q. My mistake. | 22 | the answer is no. The decision was made that |
| 23 (9:30 a.m.) | 23 | we would be doing an update on the results for |
| 24 KELLY, Q.C.: | 24 | the hearing probably starting sometime in July |
| 25 Q. There you go. Now, as I go across this | 25 | or August, and the decision was made that we |

Multi-PageTMNL Hydro's 2003 General Rate Application

| Page 21 1 MR.ROBERTS: 1 3 multiple forecasts, of the magnitude that's 1 3 multiple forecasts of the magnitude that's 3 CARY. Now there have been some changes though 5 6 in the annual forecast column between March 6 7 and June. If it wasn't updated, how did those 7 8 changes come about? 8 9 A. There is always some continuous level of 9 10 forecasting being done, but the major forecast 10 11 of all components that would normally be done 12 12 or effected until the fall. 12 13 Q. Can you kelp us as to if it wasn't the major 13 14 review, what would be the main inputs in the 14 15 or forecast coils and there have been 16 16 A. For instance, on your net operating, as an 16 16 drive operating costs and there have been 18 17 there are alwarple. (broicasts of 34cm the alwe been 18 18 or their operating costs and there have been 18 19 some revisions made to it. T'm just using 19 10 why between March and June. J don't know 20 12 would be there for rural, and would it in throngin the first six mon | Page 22 |
|--|----------|
| 2 would only do one forecast, rather than 2 million dollars, 2.9 million approximat 3 multiple forecasts of the magnitude that's 3 Can you explain why that revenue is up, particular, pose you this part of the quees simultancusly, if you go down to fuels 6 0. Okay. Now there have been some changes though 5 simultancusly, if you go down to fuels 7 and June. If it wasn't updated, how did those 7 is approximately the same? 8 changes come about? 8 A. I guess all I can tell you, at this point, is six months. Norm 10 forecasting being done, but the major forecast 10 happened in the first six months. Norm 11 of all components that would normally be done 11 12 reforecast, taking into account the actual 12 natific forecast? 15 the eafor forecast? 16 would be there for rural, and would it 13 of chic operating costs and there have been 16 would be there for rural, and would it changing the anual forecast of 326 mil 14 review, what would be it. I'm just using 10 reversies thap, the first six months as 15 O. Kay. Now let's look at the revenue side 21 your power purchase. 22 | 0 |
| 3 multiple forecasts of the magnitude that's 3 Can you explain why that revenue is up, particular, pose you this part of the quest simultaneously, if you go down to fuel quest simultaneously is gome both an anticipated in the first six months at quest on that were doing an update. The other thing gome first six months, based on that quest are updated in the first six months at quest are updated in the first six months at quest on the tore quest quest on the quest quest on the quest quest on the quest que | e |
| 4 required. 4 particular, pose you this part of the quest simultaneously, if you go down to fuel to simultaneously, if you | ely. |
| 5 Q. Okay. Now there have been some changes though 5 simultaneously, if you go down to fuels 6 in the annual forecast column between March 7 and June. If it wasn't updated, how did those 7 and June. If it wasn't updated, how did those 7 is approximately the same? 8 changes come about? 8 A. There is always some continuous level of 9 10 forecasting being done, but the major forecast 10 happened in the first six months. Norn 11 of all components that would normally be done 11 what we would be doing now would be 12 in April was deferred until the fall. 12 reforecast, taking into account the actual 13 Q. Can you help us as to if it wasn't the major 13 to the end of June, and projecting out for 14 review, what would be the main inputs in the 14 balance of the year, based on the low 16 A. For instance, on your net operating, as an 16 would be there for rural, and would it 17 example. Obviously somebody has reviewed some 18 Through that exercise then, that woid 18 of their operating costs and there have been 18 Through that exercise then, that woid | and in |
| 6in the annual forecast column between March and June. If it wasn't updated, how did those6power purchase, the combined amount of is approximately the same?8changes come about?8A. I guess all I can tell you, at this point, is that the 2003 actuals reflect what's actual happened in the first six months. Norm what we would be doing now would be the actual to end of June, and projecting out for terview, what would be the main inputs in the smaller forecasts?1010Q. Can you help us as to if it wasn't the major review, what would be the main inputs in the to instance, on your net operating, as an of their operating costs and there have been of their operating costs and there have been to why between March and June, I don't know1111example. Obviously somebody has reviewed some continuous changing of certain forecast costs continuous changing the first six months at that conclusion.11'03?1anticipated? conclude, bas2A. In relation to forecast, yes, but whether or s not that will translate into an additional increase at the end of 2003, you can't draw that conclusion.13'03?1anticipated? conclude, bas4A. During the first six months, based on that g forecast, which I had mentioned to you is, in o normal circumstances would have been updated in crease, within some of conclusion.16 | tion |
| 7and June. If it wasn't updated, how did those changes come about?7is approximately the same?8A. There is always some continuous level of 109A. I guess all I can tell you, at this point, is att the 2003 actuals reflect what's actual nappened in the first six months. Norm 1111of all components that would normally be done in April was deferred until the fall.12that the 2003 actuals reflect what's actual nappened in the first six months. Norm what we would be doing now would be to the end of June, and projecting out for to balance of the year, based on the loc to forecast?16A. For instance, on your net operating, as an 1716A. For instance, on your net operating, as an to their operating costs and there have been 1916Through that exercise then, that would to there for rural, and would it there for rural, and would it there for rural, and would it there for rural, and would it that one as an example, the actual reasons as continuous changing of certain forecast costs 2120Is if fair though for us to conclude, bas section. It would necessitate a change your power purchase.22have that information, but there would be some 2320Is if fair though for us to conclude, bas upon what we see on the revenue side, 2424throughout the piece.24Hydro's revenue is about 2.925Q. Okay. Now let's look at the revenue side that conclusion.256Q. Okay. But during the first six months at teast -67A. During the first six months, based on that 978A. During the first six months, based on that 9 <td>and</td> | and |
| 7and June. If it wasn't updated, how did those changes come about?7is approximately the same?8A. There is always some continuous level of 109A. I guess all I can tell you, at this point, is att the 2003 actuals reflect what's actual nappened in the first six months. Norm 1111of all components that would normally be done in April was deferred until the fall.12that the 2003 actuals reflect what's actual nappened in the first six months. Norm what we would be doing now would be to the end of June, and projecting out for to balance of the year, based on the loc to forecast?16A. For instance, on your net operating, as an 1716A. For instance, on your net operating, as an to their operating costs and there have been 1916Through that exercise then, that would to there for rural, and would it there for rural, and would it there for rural, and would it there for rural, and would it that one as an example, the actual reasons as continuous changing of certain forecast costs 2120Is if fair though for us to conclude, bas section. It would necessitate a change your power purchase.22have that information, but there would be some 2320Is if fair though for us to conclude, bas upon what we see on the revenue side, 2424throughout the piece.24Hydro's revenue is about 2.925Q. Okay. Now let's look at the revenue side that conclusion.256Q. Okay. But during the first six months at teast -67A. During the first six months, based on that 978A. During the first six months, based on that 9 <td>of those</td> | of those |
| 8 changes come about? 8 A. I guess all I can tell you, at this point, is that the 2003 actuals reflect what's actual happened in the first six months. Norm what we would be doing now would be in a privacy what would normally be done 10 of all components that would normally be done 10 11 of all components that would normally be done 11 13 Q. Can you help us as to if it wasn't the major 13 to the end of June, and projecting out for balance of the year, based on the log 14 example. Obviously somebody has reviewed some 16 forecast received from our customers an 18 of their operating costs and there have been 18 Through that exercise then, that would in ceassitate a revision being done to you 20 that one as an example, the actual reasons as 10 scitt in formation, but there would be some 21 to why between March and June, I don't know 12 14 anticipated? 24 throughout the piece. 22 1 '03? 2 24 Yog? A. In relation to forecast, yes, but whether or 3 anticipated? 3 out that will translate into an additional 4 anticipated? 4 O. Okay. Now let's is wonths, based on that 6 | |
| 9A. There is always some continuous level of forecasting being done, but the major forecast of all components that would normally be done9that the 2003 actuals reflect what's actual happened in the first six months. Norm what we would be doing now would be to the actual to the end of June, and projecting out for balance of the year, based on the loc forecast, taking into account the actual to the end of June, and projecting out for balance of the year, based on the loc forecast review, what would be the main inputs in the smaller forecasts?11what we would be doing now would be the actual to the end of June, and projecting out for balance of the year, based on the loc forecast review of the or prating costs and there have been some revisions made to it. I'm just using that one as an example, the actual reasons as continuous changing of certain forecast costs continuous changing of certain forecast of actual the end of 2003, you can't draw forecast, which I had mentioned to you is, in on normal circumstances would have been updated in ant reflected into this, then what you see i | |
| 10forecasting being done, but the major forecast10happened in the first six months. Norm11of all components that would normally be done11what we would be doing now would be12in April was deferred until the fall.12reforecast, taking into account the actual13Q. Can you help us as to if it wasn't the major13to the end of June, and projecting out for14review, what would be the main inputs in the14balance of the year, based on the loc15smaller forecasts?15forecast received from our customers an16A. For instance, on your net operating, as an16would be there for rural, and would it17example. Obviously somebody has reviewed some17changing the annual forecast of 326 mil18of their operating costs and there have been18Through that exercise then, that would19some revisions made to it. I'm just using19necessitate a revision being done to you20that one as an example, the actual reasons as20section. It would necessitate a change21to why between March and June, I don't know21your power purchase.22A. In relation to forecast, yes, but whether or23upon what we see on the revenue side.23rotat will translate into an additional3anticipated?4increase at the end of 2003, you can't draw5anticipated?5Q. Okay. But during the first six months at6and were doing an update. The other thing9forecast, which I had | ılly |
| 11of all components that would normally be done11what we would be doing now would be12in April was deferred until the fall.12reforecast, taking into account the actual13Q. Can you help us as to if it wasn't the major13to the end of June, and projecting out for14review, what would be the main inputs in the14balance of the year, based on the log15smaller forecasts?15forecast received from our customers an16A. For instance, on your net operating, as an16would be there for rural, and would it17example. Obviously somebody has reviewed some18Through that exercise then, that would18of their operating costs and there have been18Through that exercise then, that would19some revisions made to it. I'm just using19necessitate a revision being done to you20that one as an example, the actual reasons as20section. It would necessitate a change21to why between March and June, I don't know21your power purchase.22have that information, but there would be some22Q. Okay. Now let's look at the revenue side25Q. Okay. Now let's look at the revenue side25anticipated?2A. In relation to forecast, yes, but whether or3anticipated?3not that will translate into an additional4that 2003 is a bit of an exceptional period4that conclusion.52003 year to date for this particular repo6Q. Okay. But during the first six m | • |
| 12in April was deferred until the fall.12reforecast, taking into account the actual13Q. Can you help us as to if it wasn't the major13to the end of June, and projecting out for14review, what would be the main inputs in the14balance of the year, based on the loc15smaller forecasts?15forecast received from our customers an16A. For instance, on your net operating, as an16would be there for rural, and would it17example. Obviously somebody has reviewed some17changing the annual forecast of 326 mil18of their operating costs and there have been18Through that exercise then, that would10that one as an example, the actual reasons as20section. It would necessitate a change20that one as an example, the actual reasons as21your power purchase.21to why between March and June, I don't know21your power purchase.22Q. Okay. Now let's look at the revenue side22Q. Is it fair though for us to conclude, bass23continuous changing of certain forecast costs23upon what we see on the revenue side.24throughout the piece.24Hydro's revenue is about 2.9 million be25Q. Okay. Now let's look at the revenue side3anticipated?3not that will translate into an additional3anticipated?4increase at the end of 2003, you can't draw52003 year to date for this particular repo6Q. Okay. But during the first six months at <td< td=""><td>-</td></td<> | - |
| 13Q. Can you help us as to if it wasn't the major13to the end of June, and projecting out for14review, what would be the main inputs in the14balance of the year, based on the load15smaller forecasts?15forecast received from our customers an16A. For instance, on your net operating, as an16would be there for rural, and would it17example. Obviously somebody has reviewed some17changing the annual forecast of 326 mil18of their operating costs and there have been18Through that exercise then, that would19some revisions made to it. I'm just using19necessitate a revision being done to your20that one as an example, the actual reasons as20section. It would necessitate a change21to why between March and June, I don't know21your power purchase.22have that information, but there would be some22Q. Is it fair though for us to conclude, bass23continuous changing of certain forecast costs23upon what we see on the revenue side,24throughout the piece.24Hydro's revenue is about 2.9 million b250. Okay. Now let's look at the revenue side3anticipated?2A. In relation to forecast, yes, but whether or3anticipated?3not that will translate into an additional3that 2003 is a bit of an exceptional period4increase at the end of 2003, you can't draw52003 year to date for this particular repo5Q. Okay. But during th | - |
| 14review, what would be the main inputs in the smaller forecast?14balance of the year, based on the load forecast received from our customers and forecast received from our customers and increase the end of 2003, you can't know16A. For instance, on your net operating, as an example. Obviously somebody has reviewed some of their operating costs and there have been of that one as an example, the actual reasons as continuous changing of certain forecast costs continuous changing of certain forecast weside14balance of the year, based on the load concelle, based continuous changing of certain forecast, yes, but whether or contain that will translate into an additional diftional diftional forecast, which I had mentioned to you is, in forecast, which I had mentioned to you is, in forecast, which I had mentioned to you is, in forecast, | • |
| 15smaller forecasts?15forecast received from our customers an16A. For instance, on your net operating, as an16forecast received from our customers an17example. Obviously somebody has reviewed some17changing the annual forecast of 326 mil18of their operating costs and thre have been18Through that exercise then, that woul19some revisions made to it. I'm just using19necessitate a revision being done to you20that one as an example, the actual reasons as20section. It would necessitate a change21to why between March and June, I don't know21your power purchase.22have that information, but there would be some22Q. Is it fair though for us to conclude, base23continuous changing of certain forecast costs23upon what we see on the revenue side,24throughout the piece.24Hydro's revenue is about 2.9 million be25Q. Okay. Now let's look at the revenue side25than anticipated?3not that will translate into an additional3that 2003 is a bit of an exceptional perior4increase at the end of 2003, you can't draw52003 year to date for this particular repo6Q. Okay. But during the first six months, tased on that8were doing an update. The other thing9forecast, which I had mentioned to you is, in9should be mentioned is that it is quite co10normal circumstances would have been updated11and reflected into this, then what you see is <td></td> | |
| 16A. For instance, on your net operating, as an example. Obviously somebody has reviewed some16would be there for rural, and would it changing the annual forecast of 326 mil18of their operating costs and there have been18Through that exercise then, that would necessitate a revision being done to your section. It would necessitate a change20that one as an example, the actual reasons as20section. It would necessitate a change21to why between March and June, I don't know21your power purchase.22have that information, but there would be some22Q. Is it fair though for us to conclude, bass23continuous changing of certain forecast costs23upon what we see on the revenue side,24throughout the piece.24Hydro's revenue is about 2.9 million be25Q. Okay. Now let's look at the revenue side25than anticipated?2A. In relation to forecast, yes, but whether or 3 not that will translate into an additionalanticipated?4increase at the end of 2003, you can't draw4where we would normally have reforeca 2003 year to date for this particular repo6Q. Okay. But during the first six months at 76and we did make that decision that we defer not doing that until August, when were doing an update. The other thing 99forecast, which I had mentioned to you is, in 10normal circumstances would have been updated 11should be mentioned is that it is quite co to have timing variances within some of costs, even if a current forecast was do and in particular, I'm referring to the | |
| 17example. Obviously somebody has reviewed some17changing the annual forecast of 326 mil18of their operating costs and there have been18Through that exercise then, that word19some revisions made to it. I'm just using19necessitate a revision being done to your20that one as an example, the actual reasons as20section. It would necessitate a change21to why between March and June, I don't know21your power purchase.22have that information, but there would be some22Q. Is it fair though for us to conclude, bass23continuous changing of certain forecast costs23upon what we see on the revenue side,24throughout the piece.24Hydro's revenue is about 2.9 million bto25Q. Okay. Now let's look at the revenue side25anticipated?2A. In relation to forecast, yes, but whether oranticipated?A. Yes, but my question or my qualification3increase at the end of 2003, you can't draw5that conclusion.54increase at the end of 2003, you can't draw52003 year to date for this particular repo5q. Okay. But during the first six months at6and we did make that decision that we'7least -7defer not doing that until August, when8A. During the first six months, based on that9forecast, which I had mentioned to you is, in9forecast, which I had mentioned to you is, in9should be mentioned is that it is quite co10normal c | |
| 18of their operating costs and there have been18Through that exercise then, that would19some revisions made to it. I'm just using19necessitate a revision being done to your20that one as an example, the actual reasons as20section. It would necessitate a change21to why between March and June, I don't know21your power purchase.22have that information, but there would be some22Q. Is it fair though for us to conclude, base23continuous changing of certain forecast costs23upon what we see on the revenue side,24throughout the piece.24Hydro's revenue is about 2.9 million be25Q. Okay. Now let's look at the revenue side25than anticipated?2A. In relation to forecast, yes, but whether or2A. Yes, but my question or my qualification3not that will translate into an additional3that 2003 is a bit of an exceptional perior4increase at the end of 2003, you can't draw52003 year to date for this particular repord5Q. Okay. But during the first six months at6and we did make that decision that were doing an update. The other thing9forecast, which I had mentioned to you is, in9should be mentioned is that it is quite co10normal circumstances would have been updated10to have timing variances within some of11and reflected into this, then what you see is13costs, even if a current forecast was doi12actually the difference.13and in particu | |
| 19some revisions made to it. I'm just using 2019necessitate a revision being done to your section. It would necessitate a change 2020that one as an example, the actual reasons as 2120section. It would necessitate a change your power purchase.22have that information, but there would be some 2321Q. Is it fair though for us to conclude, base upon what we see on the revenue side, 2424throughout the piece.24Hydro's revenue is about 2.9 million be to should be some 2525Q. Okay. Now let's look at the revenue side25than anticipated?2A. In relation to forecast, yes, but whether or 3 not that will translate into an additional 4 increase at the end of 2003, you can't draw 5 that conclusion.1anticipated?4increase at the end of 2003, you can't draw 7 least -52003 year to date for this particular report 66Q. Okay. But during the first six months at 7 least -67defer not doing that until August, when were doing an update. The other thing 9 should be mentioned is that it is quite co 10 normal circumstances would have been updated 11 and reflected into this, then what you see is 12 actually the difference.11on particular, I'm referring to the cha that you have there in the net operating 1413Q. Okay. Let me go down then to the expense 1413that you have there in the net operating approximately 2.2 million dollars. | |
| 20that one as an example, the actual reasons as 2120section. It would necessitate a change your power purchase.22have that information, but there would be some 23 continuous changing of certain forecast costs 2421your power purchase.23continuous changing of certain forecast costs 242320Is it fair though for us to conclude, base upon what we see on the revenue side, 2424throughout the piece. 2524Hydro's revenue is about 2.9 million be than anticipated in the first six months25Q. Okay. Now let's look at the revenue side25anticipated?2A. In relation to forecast, yes, but whether or not that will translate into an additional 4 increase at the end of 2003, you can't draw 5 that conclusion.1anticipated?4increase at the end of 2003, you can't draw 152003 year to date for this particular repo and we did make that decision that we defer not doing that until August, when were doing an update. The other thing 9 forecast, which I had mentioned to you is, in 99should be mentioned is that it is quite co to have timing variances within some of 1111and reflected into this, then what you see is 1211costs, even if a current forecast was do and in particular, I'm referring to the chait that you have there in the net operating approximately 2.2 million dollars. | |
| 21to why between March and June, I don't know21your power purchase.22have that information, but there would be some22Q. Is it fair though for us to conclude, base23continuous changing of certain forecast costs23upon what we see on the revenue side,24throughout the piece.24Hydro's revenue is about 2.9 million be25Q. Okay. Now let's look at the revenue side25than anticipated in the first six months26A. In relation to forecast, yes, but whether oranticipated?3not that will translate into an additionalattat 2003 is a bit of an exceptional period4increase at the end of 2003, you can't draw55that conclusion.52003 year to date for this particular repo6Q. Okay. But during the first six months at6and we did make that decision that we7least -7defer not doing that until August, when8A. During the first six months, based on that8were doing an update. The other thing9forecast, which I had mentioned to you is, in9should be mentioned is that it is quite co10normal circumstances would have been updated11costs, even if a current forecast was don11and reflected into this, then what you see is11costs, even if a current forecast was don12actually the difference.13that you have there in the net operating13Q. Okay. Let me go down then to the expense13that you have there in the net operating14< | |
| 22have that information, but there would be some 2322Q. Is it fair though for us to conclude, base upon what we see on the revenue side, 2424throughout the piece. 25Q. Okay. Now let's look at the revenue side23upon what we see on the revenue side, 425Q. Okay. Now let's look at the revenue side24Hydro's revenue is about 2.9 million be than anticipated in the first six months7Page 231anticipated?2A. In relation to forecast, yes, but whether or 31anticipated?3not that will translate into an additional 43that 2003 is a bit of an exceptional period 44where we would normally have reforeca 52003 year to date for this particular repo 66Q. Okay. But during the first six months at 76and we did make that decision that we 78A. During the first six months, based on that 99should be mentioned is that it is quite co 1010normal circumstances would have been updated 11and reflected into this, then what you see is 12112Q. Okay. Let me go down then to the expense 14side. The expenses were projected or forecast1314side. The expenses were projected or forecast14approximately 2.2 million dollars. | |
| 23continuous changing of certain forecast costs23upon what we see on the revenue side,24throughout the piece.24Hydro's revenue is about 2.9 million be25Q. Okay. Now let's look at the revenue side25than anticipated in the first six monthsPage 231'03?1anticipated?2A. In relation to forecast, yes, but whether or31anticipated?3not that will translate into an additional3that 2003 is a bit of an exceptional period4increase at the end of 2003, you can't draw4where we would normally have reforeca5that conclusion.52003 year to date for this particular repo6Q. Okay. But during the first six months at6and we did make that decision that we7least -7defer not doing that until August, where8A. During the first six months, based on that9should be mentioned is that it is quite co9forecast, which I had mentioned to you is, in9should be mentioned is that it is quite co10normal circumstances would have been updated10to have timing variances within some of11and reflected into this, then what you see is11costs, even if a current forecast was dot12actually the difference.13that you have there in the net operating13Q. Okay. Let me go down then to the expense13that you have there in the net operating14side. The expenses were projected or forecast14a | ed |
| 24throughout the piece.24Hydro's revenue is about 2.9 million be than anticipated in the first six months25Q. Okay. Now let's look at the revenue side25than anticipated in the first six monthsPage 231'03?1anticipated?2A. In relation to forecast, yes, but whether or increase at the end of 2003, you can't draw4Yes, but my question or my qualification4increase at the end of 2003, you can't draw52003 year to date for this particular report5that conclusion.52003 year to date for this particular report6Q. Okay. But during the first six months at least -7defer not doing that until August, where8A. During the first six months, based on that 98were doing an update. The other thing 99forecast, which I had mentioned to you is, in 109should be mentioned is that it is quite co11and reflected into this, then what you see is 1211costs, even if a current forecast was don 1113Q. Okay. Let me go down then to the expense 1413that you have there in the net operating approximately 2.2 million dollars. | |
| 25Q. Okay. Now let's look at the revenue side25than anticipated in the first six monthsPage 231'03?2A. In relation to forecast, yes, but whether or3not that will translate into an additional4increase at the end of 2003, you can't draw5that conclusion.6Q. Okay. But during the first six months at7least -8A. During the first six months, based on that9forecast, which I had mentioned to you is, in9forecast, which I had mentioned to you is, in10normal circumstances would have been updated11and reflected into this, then what you see is12actually the difference.13Q. Okay. Let me go down then to the expense14side. The expenses were projected or forecast14side. The expenses were projected or forecast | |
| Page 231'03?1anticipated?2A. In relation to forecast, yes, but whether or2A. Yes, but my question or my qualification3not that will translate into an additional3that 2003 is a bit of an exceptional period4increase at the end of 2003, you can't draw4where we would normally have reforeca5that conclusion.52003 year to date for this particular repo6Q. Okay. But during the first six months at6and we did make that decision that we7least -7defer not doing that until August, when8A. During the first six months, based on that8were doing an update. The other thing9forecast, which I had mentioned to you is, in9should be mentioned is that it is quite co10normal circumstances would have been updated10to have timing variances within some of11and reflected into this, then what you see is11costs, even if a current forecast was don12actually the difference.12and in particular, I'm referring to the cha13Q. Okay. Let me go down then to the expense13that you have there in the net operating14side. The expenses were projected or forecast14approximately 2.2 million dollars. | |
| 1'03?1anticipated?2A. In relation to forecast, yes, but whether or 3not that will translate into an additional 42A. Yes, but my question or my qualification 34increase at the end of 2003, you can't draw 5that conclusion.3that 2003 is a bit of an exceptional period 45that conclusion.52003 year to date for this particular repo and we did make that decision that we 42003 year to date for this particular repo and we did make that decision that we 47least -7defer not doing that until August, when 88A. During the first six months, based on that 98were doing an update. The other thing 99forecast, which I had mentioned to you is, in 109should be mentioned is that it is quite co 1011and reflected into this, then what you see is 1111costs, even if a current forecast was don and in particular, I'm referring to the cha 1313Q. Okay. Let me go down then to the expense 1413that you have there in the net operating approximately 2.2 million dollars. | Page 24 |
| A. In relation to forecast, yes, but whether or not that will translate into an additional increase at the end of 2003, you can't draw that conclusion. Q. Okay. But during the first six months at least - A. During the first six months, based on that forecast, which I had mentioned to you is, in normal circumstances would have been updated and reflected into this, then what you see is actually the difference. Q. Okay. Let me go down then to the expense side. The expenses were projected or forecast A. In relation to forecast, yes, but whether or not that will translate into an additional and reflected into the expense is de. The expenses were projected or forecast A. Yes, but my question or my qualification that 2003 is a bit of an exceptional period where we would normally have reforeca 2003 year to date for this particular repo and we did make that decision that we defer not doing that until August, when were doing an update. The other thing should be mentioned is that it is quite co to have timing variances within some of and in particular, I'm referring to the cha that you have there in the net operating approximately 2.2 million dollars. | r ugo 2 |
| 3not that will translate into an additional3that 2003 is a bit of an exceptional period4increase at the end of 2003, you can't draw4where we would normally have reforeca5that conclusion.52003 year to date for this particular repo6Q. Okay. But during the first six months at6and we did make that decision that we forecast, which I had mentioned to you is, in8A. During the first six months, based on that8were doing an update. The other thing9forecast, which I had mentioned to you is, in9should be mentioned is that it is quite co10normal circumstances would have been updated10to have timing variances within some of11and reflected into this, then what you see is11costs, even if a current forecast was don13Q. Okay. Let me go down then to the expense13that you have there in the net operating14side. The expenses were projected or forecast14approximately 2.2 million dollars. | on is |
| 4increase at the end of 2003, you can't draw that conclusion.4where we would normally have reforecan 2003 year to date for this particular report and we did make that decision that we forecant and we did make that decision that we forecant and we did make that decision that we forecant defer not doing that until August, when were doing an update. The other thing should be mentioned is that it is quite con to have timing variances within some of to have timing variances within some of and in particular, I'm referring to the chance that you have there in the net operating that you have there in the net operating approximately 2.2 million dollars. | |
| 5that conclusion.52003 year to date for this particular repor6Q. Okay. But during the first six months at least -52003 year to date for this particular repor and we did make that decision that we for defer not doing that until August, when were doing an update. The other thing should be mentioned is that it is quite co to have timing variances within some of and in particular, I'm referring to the cha that you have there in the net operating approximately 2.2 million dollars. | |
| 6Q. Okay. But during the first six months at least -6and we did make that decision that we defer not doing that until August, when were doing an update. The other thing 98A. During the first six months, based on that 98were doing an update. The other thing 99forecast, which I had mentioned to you is, in 109should be mentioned is that it is quite co 1010normal circumstances would have been updated 1110to have timing variances within some of 1111and reflected into this, then what you see is actually the difference.11costs, even if a current forecast was don 1213Q. Okay. Let me go down then to the expense 1413that you have there in the net operating approximately 2.2 million dollars. | |
| 7least -7defer not doing that until August, when8A. During the first six months, based on that8were doing an update. The other thing9forecast, which I had mentioned to you is, in9should be mentioned is that it is quite co10normal circumstances would have been updated10to have timing variances within some of11and reflected into this, then what you see is11costs, even if a current forecast was doe12actually the difference.12and in particular, I'm referring to the cha13Q. Okay. Let me go down then to the expense13that you have there in the net operating14side. The expenses were projected or forecast14approximately 2.2 million dollars. | |
| 8A. During the first six months, based on that forecast, which I had mentioned to you is, in normal circumstances would have been updated and reflected into this, then what you see is actually the difference.8were doing an update. The other thing should be mentioned is that it is quite co to have timing variances within some of costs, even if a current forecast was don and in particular, I'm referring to the cha that you have there in the net operating approximately 2.2 million dollars. | |
| 9 forecast, which I had mentioned to you is, in 9 normal circumstances would have been updated 10 and reflected into this, then what you see is 11 and reflected into this, then what you see is 12 actually the difference. 13 Q. Okay. Let me go down then to the expense 14 side. The expenses were projected or forecast 9 should be mentioned is that it is quite co 10 to have timing variances within some of 11 costs, even if a current forecast was done 12 and in particular, I'm referring to the characteristic that it is quite co 13 actually the difference. 14 and the expenses were projected or forecast | |
| 10normal circumstances would have been updated and reflected into this, then what you see is actually the difference.10to have timing variances within some of costs, even if a current forecast was don and in particular, I'm referring to the cha that you have there in the net operating approximately 2.2 million dollars.10normal circumstances would have been updated and reflected into this, then what you see is actually the difference.10to have timing variances within some of costs, even if a current forecast was don and in particular, I'm referring to the cha that you have there in the net operating approximately 2.2 million dollars. | |
| 11and reflected into this, then what you see is11costs, even if a current forecast was done12actually the difference.12and in particular, I'm referring to the cha13Q. Okay. Let me go down then to the expense13that you have there in the net operating14side. The expenses were projected or forecast14approximately 2.2 million dollars. | |
| 12actually the difference.12and in particular, I'm referring to the cha13Q. Okay. Let me go down then to the expense13that you have there in the net operating14side. The expenses were projected or forecast14approximately 2.2 million dollars. | |
| 13Q. Okay. Let me go down then to the expense13that you have there in the net operating14side. The expenses were projected or forecast14approximately 2.2 million dollars. | |
| 14 side. The expenses were projected or forecast 14 approximately 2.2 million dollars. | - |
| | |
| | oment. |
| 16 167.8, for a difference, during that first six 16 But, in order to end up at about 8.3 mill | |
| 17 months, of about four million less in 17 in deficit or 7.8 million which is the num | |
| 18 expenses. So that then when you go to the 18 on Schedule 2, Hydro would have to | |
| 19 bottom line, during the first half of the 19 approximately 20 million dollars in the s | |
| 20 year, the net income is about 6.8 million, the 20 half of the year. As CFO, you're now hal | |
| 21 difference between 12.2 and 5.4, better than 21 through that second half. Do you see t | |
| 22 anticipated, in other words, better than 22 happening? | |
| 23 double your forecast. And do we conclude from 23 A. Yes. | |
| that that Hydro's performance in the first six 24 Q. You actually think that Hydro - | |
| 25 months has been substantially better than 25 A. We actually lose money in July, August, | |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | ober 15, 2005 Multi | -гад | e NL Hydro's 2005 General Rate Application |
|----------------|--|----------------|--|
| | Page 25 | | Page 26 |
| 1 N | MR. ROBERTS: | 1 | A. We're now in the process of doing the update, |
| 2 | September and October. | 2 | which we hope to have ready to file around |
| 3 | Q. And I see that - | 3 | about the end of October. There may be some |
| 4 | A. Our sales are low and that's the period in | 4 | changes relative to interest. Foreign |
| 5 | which most of your maintenance is being done. | 5 | exchange is not really an issue because it is |
| 6 | So January, February and March are your high | 6 | tied with fuels and it's reflected through the |
| 7 | sales months and the periods where you do make | 7 | Rate Stabilization Plan. I still anticipate, |
| 8 | a significant amount of money, and then as you | 8 | based on the information and some of the |
| 9 | - | 9 | preliminary information that I've reviewed, |
| 10 | Q. And I can see thatsorry. | 10 | because we're still in the process of putting |
| 11 | A and then as you proceed on through, July, | 11 | the document together, that there will still |
| 12 | June, July, August, September and going into | 12 | be a loss on an annual basis for 2003. |
| 13 | October, these are months in which we would | 13 | Q. Are you able, at this stage, to project the |
| 14 | actually lose money. | 14 | magnitude of that loss? |
| 15 | Q. And I can see that from forecast year-to-date, | 15 | A. No, I am not. That's where we are now in the |
| 16 | six months to annual forecast, what that would | 16 | update, and it will be at least another couple |
| 17 | show is ordinarily in there, you'd lose about | 17 | of weeks. It's impossible to do it without |
| 18 | 13 million dollars. But to get to 8.3, you'd | 18 | having all the pieces of the puzzle put |
| 19 | actually have to lose now well over 20 million | 19 | together. |
| 20 | dollars, and during the same period, we've had | 20 | Q. That's fair. Now can Iyou talked about |
| 21 | obviously improvements in exchange rates, | 21 | timing differences a moment ago, and I want to |
| 22 | reduced interest rates since the forecasts | 22 | take you over to UH No. 1. Now if we take a |
| 23 | were originally done, and I'm trying to get a | 23 | couple of lines in here, just to have a look |
| 24 | sense of how you see this second half | 24 | at, overall, as you go down through this |
| 25 | developing. | 25 | performance, the bulk of the items are down |
| | Page 27 | | Page 28 |
| 1 | over the half-year forecast, with the | 1 | approximately about 360,000 of the \$400,000 |
| 2 | exception of salaries and fringe benefits, and | 2 | variance at that point in time. |
| 3 | insurance, and I'd like to ask you, first of | 3 | Q. Why is there a \$140,000 increase in fringe |
| 4 | all, keeping in mind the reductions in | 4 | benefits? |
| 5 | salaries that you indicated to us yesterday | 5 | A. It may just be a function of the timing, when |
| 6 | and referred to a few more this morning with | 6 | the bills have been recorded, as to whether or |
| 7 | Ms. Greene, can you explain why the salaries | 7 | not the bills are received within June or if |
| 8 | are up in the first six months by | 8 | they're through in July. |
| 9 | approximately \$400,000? | 9 | Q. One of the questions we wondered is whether |
| 10 | A. Yes. One particular area happens to be | 10 | there were any severance payments paid in that |
| 11 | there's an increase in overtime of | 11 | first half of '03? If you go to CA-124, just |
| 12 | approximately \$215,000, and that increase in | 12 | flip ahead there for a second, there's a table |
| 13 | overtime is related to capital and it's also | 13 | that goes to 2002. Were any severance |
| 14 | contributing to the increase in the allocation | 14 | payments paid in '03? |
| 15 | line that's referred to as Hydro capitalized | 15 | A. Up to the end of June? |
| 16 | expense. As you can see, the forecast is 2.9 | 16 | Q. To the end of June? |
| 17 | and the actual is 3.4. | 17 | A. Just see if I may be able to answer your |
| 18 | Q. Yes. | 18 | question for you, Mr. Kelly. The payment of |
| 19 | A. You got approximately \$200,000 of capital | 19 | severance is not clear cut. For instance, a |
| | | 20 | positionand this is the reason why I'm |
| 20 | overtime that's reflected in the first line | 20 | |
| 20 21 | overtime that's reflected in the first line underneath salaries and fringe benefits that's | 21 | hesitating in trying to answer your question |
| | | | hesitating in trying to answer your question for you. We may make a position redundant, |
| 21 | underneath salaries and fringe benefits that's | 21 | |
| 21 22 | underneath salaries and fringe benefits that's also shown in the capitalized expense line as | 21 22 | for you. We may make a position redundant, |
| 21 22 23 | underneath salaries and fringe benefits that's also shown in the capitalized expense line as well. And up to the end of June, there is | 21 22 23 | for you. We may make a position redundant, but there could be a vacancy in another area |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | Page 29 | | Page 30 |
|---|---|--|---|
| 1 MR. ROBE | C C | 1 | there, I don't believe there's been any paid, |
| | . So the actual payment of the severance | 2 | but at least not in those six positions. But |
| | he individual being made redundant in | 3 | whether or not there were on three or four |
| | position would actually end up being | 4 | others, I'm not sure. |
| | yed until he was actually or she was | 5 | Q. If it was, it's a relatively small amount of |
| | tually terminated from the company | | - |
| | | 6 | money? |
| - | gether. | 7 | A. If it was, it would be very small amount of |
| | hat question, that point, on the screen | 8 | money. |
| | e, we have 2002 of 1.465 in severance. | 9 | Q. Okay. Can we just go back to UH No. 1 for a |
| 10 A. Yes. | | 10 | second? And you mentioned the capitalized |
| | at severance actually paid in 2002 or | 11 | expenses. Do we not have here another example |
| | ted as a potential liability in 2002? | 12 | where the capitalized expenses are running |
| | severance there was actually paid. | 13 | ahead of forecast by some \$460,000? |
| | ally paid? | 14 | A. Yes, we do, and as I mentioned, if forecast |
| 15 A. Yes. | | 15 | had have been done, then the variance may not |
| 16 Q. Oka | • | 16 | exist. Some of this overtime that was being |
| | ch approximately a million dollars was | 17 | incurred in that first six-month period was |
| | ed to the 46 positions that were | 18 | relative to the Cat Arm Project to ensure that |
| | inated in October. | 19 | the project was completed and on service as |
| 20 Q. Oka | - | 20 | scheduled. |
| | t I'm looking at in trying to answer your | 21 | Q. That 215 overtime though is only about less |
| - | tion is the six positions that have | 22 | than half of the difference in capitalized |
| | bened in the finance and corporate services | 23 | expense column, isn't it? |
| | up to the end of August. And from | 24 | A. Well, you've got a total variance of 460 odd |
| 25 look | ing through the information that I have | 25 | thousand dollars, of which 270 odd |
| | Page 31 | | Page 32 |
| | oximately was related to overtime. | 1 | or day before, yesterday I guess, you |
| - | number you gave us a few minutes ago was | 2 | indicated that you'd be filing an updated |
| | related to overtime. | 3 | study after your review is done, and that will |
| 4 A. 215, | - | 4 | be updated for all of the operations of the |
| 5 0. Oka | y. Now the other question I wanted to ask | 5 | |
| | | - | Company to the end of August. Will that |
| 6 you | about is the system equipment maintenance | 6 | forecast for '04 also include the reductions |
| 6 you 7 and | that is down significantly over that six- | | forecast for '04 also include the reductions from the positions which you indicated were |
| 6 you 7 and 8 mon | that is down significantly over that six- th period. Are you able to comment on why | 6 | forecast for '04 also include the reductions from the positions which you indicated were eliminated in early September in your response |
| 6 you 7 and 8 mon 9 that | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question | 6 7 | forecast for '04 also include the reductions from the positions which you indicated were eliminated in early September in your response this morning? |
| 6 you 7 and 8 mon 9 that 10 for M | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? | 6 7 8 | forecast for '04 also include the reductionsfrom the positions which you indicated wereeliminated in early September in your responsethis morning?A. The forecast for 2003 is being updated based |
| 6 you 7 and 8 mon 9 that 10 for M 11 A. I car | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? In tell you that it's in Mr. Haynes' area | 6 7 8 9 | forecast for '04 also include the reductionsfrom the positions which you indicated wereeliminated in early September in your responsethis morning?A. The forecast for 2003 is being updated basedon actuals to the end of August and forecast |
| 6 you 7 and 8 mon 9 that 10 for M 11 A. I car 12 and | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>M</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my | 6 7 8 9 10 | forecast for '04 also include the reductionsfrom the positions which you indicated wereeliminated in early September in your responsethis morning?A. The forecast for 2003 is being updated basedon actuals to the end of August and forecastfor the balance of the year, and then whatever |
| 6 you 7 and 8 mon 9 that 10 for M 11 A. I car 12 and 13 state | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>Ar</i> . Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to | 6 7 8 9 10 11 | forecast for '04 also include the reductionsfrom the positions which you indicated wereeliminated in early September in your responsethis morning?A. The forecast for 2003 is being updated basedon actuals to the end of August and forecastfor the balance of the year, and then whatevertranslates into adjustments for 2004 will also |
| 6 you 7 and 1 8 mon 9 that 10 for M 11 A. I car 12 and 13 state 14 Holy | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to yrood. So Mr. Haynes may be able to add | 6 7 8 9 10 11 12 | forecast for '04 also include the reductionsfrom the positions which you indicated wereeliminated in early September in your responsethis morning?A. The forecast for 2003 is being updated basedon actuals to the end of August and forecastfor the balance of the year, and then whatevertranslates into adjustments for 2004 will alsobe done. |
| 6you7and8mon9that10for M11A. I car12and13state14Holy15some | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to vrood. So Mr. Haynes may be able to add e more information to you on that. | 6 7 8 9 10 11 12 13 | forecast for '04 also include the reductionsfrom the positions which you indicated wereeliminated in early September in your responsethis morning?A. The forecast for 2003 is being updated basedon actuals to the end of August and forecastfor the balance of the year, and then whatevertranslates into adjustments for 2004 will alsobe done.Q. Okay. And the other major adjustments, kind |
| 6you7and8mon9that10for M11A. I car12and13state14Holy15some16Q. Okar | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to vrood. So Mr. Haynes may be able to add e more information to you on that. y. | 6 7 8 9 10 11 12 13 14 | forecast for '04 also include the reductions from the positions which you indicated were eliminated in early September in your response this morning? A. The forecast for 2003 is being updated based on actuals to the end of August and forecast for the balance of the year, and then whatever translates into adjustments for 2004 will also be done. Q. Okay. And the other major adjustments, kind of beyond the company, in terms of oil prices, |
| 6 you 7 and 8 mon 9 that 10 for M 11 A. I car 12 and 13 state 14 Holy 15 some 16 Q. Okar 17 A. But | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to vrood. So Mr. Haynes may be able to add e more information to you on that. y. that wouldn't be an uncommon occurrence | 6 7 8 9 10 11 12 13 14 15 | forecast for '04 also include the reductions from the positions which you indicated were eliminated in early September in your response this morning? A. The forecast for 2003 is being updated based on actuals to the end of August and forecast for the balance of the year, and then whatever translates into adjustments for 2004 will also be done. Q. Okay. And the other major adjustments, kind of beyond the company, in terms of oil prices, exchange rates and interest rates, how far up |
| 6 you 7 and 8 mon 9 that 10 for M 11 A. I car 12 and 13 state 14 Holy 15 some 16 Q. Oka; 17 A. But 18 that | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>M</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to vrood. So Mr. Haynes may be able to add e more information to you on that. y. that wouldn't be an uncommon occurrence we'd have a timing difference in system | 6 7 8 9 10 11 12 13 14 15 16 17 18 | forecast for '04 also include the reductions from the positions which you indicated were eliminated in early September in your response this morning? A. The forecast for 2003 is being updated based on actuals to the end of August and forecast for the balance of the year, and then whatever translates into adjustments for 2004 will also be done. Q. Okay. And the other major adjustments, kind of beyond the company, in terms of oil prices, exchange rates and interest rates, how far up to October 31st will you be doing that |
| 6you7and8mon9that10for M11A. I car12and13state14Holy15some16Q. Oka17A. But18that19equit | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to vrood. So Mr. Haynes may be able to add e more information to you on that. y. that wouldn't be an uncommon occurrence we'd have a timing difference in system pment maintenance related to Holyrood from | 6 7 8 9 10 11 12 13 14 15 16 17 | forecast for '04 also include the reductions from the positions which you indicated were eliminated in early September in your response this morning? A. The forecast for 2003 is being updated based on actuals to the end of August and forecast for the balance of the year, and then whatever translates into adjustments for 2004 will also be done. Q. Okay. And the other major adjustments, kind of beyond the company, in terms of oil prices, exchange rates and interest rates, how far up to October 31st will you be doing that analysis? In other words, is it cut off at |
| 6you7and8mon9that10for M11A. I car12and13state14Holy15some16Q. Okar17A. But18that19equi20the t | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to vrood. So Mr. Haynes may be able to add e more information to you on that. y. that wouldn't be an uncommon occurrence we'd have a timing difference in system pment maintenance related to Holyrood from ime that work was scheduled to commence | 6 7 8 9 10 11 12 13 14 15 16 17 18 | forecast for '04 also include the reductions from the positions which you indicated were eliminated in early September in your response this morning? A. The forecast for 2003 is being updated based on actuals to the end of August and forecast for the balance of the year, and then whatever translates into adjustments for 2004 will also be done. Q. Okay. And the other major adjustments, kind of beyond the company, in terms of oil prices, exchange rates and interest rates, how far up to October 31st will you be doing that analysis? In other words, is it cut off at the end of August or are we going to look at - |
| 6 you 7 and 8 mon 9 that 10 for M 11 A. I car 12 and 13 state 14 Holy 15 some 16 Q. Oka; 17 A. But 18 that 19 equi 20 the t 21 versa | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to vrood. So Mr. Haynes may be able to add e more information to you on that. y. that wouldn't be an uncommon occurrence we'd have a timing difference in system pment maintenance related to Holyrood from ime that work was scheduled to commence us the receipt or the recording of | 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | forecast for '04 also include the reductions from the positions which you indicated were eliminated in early September in your response this morning? A. The forecast for 2003 is being updated based on actuals to the end of August and forecast for the balance of the year, and then whatever translates into adjustments for 2004 will also be done. Q. Okay. And the other major adjustments, kind of beyond the company, in terms of oil prices, exchange rates and interest rates, how far up to October 31st will you be doing that analysis? In other words, is it cut off at the end of August or are we going to look at - A. I think everything is consistently ceased as |
| 6you7and8mon9that10for M11A. I car12and13state14Holy15some16Q. Okar17A. But18that19equi20the t21verse22invo | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to vrood. So Mr. Haynes may be able to add e more information to you on that. y. that wouldn't be an uncommon occurrence we'd have a timing difference in system pment maintenance related to Holyrood from ime that work was scheduled to commence us the receipt or the recording of ices relative to work being completed. | 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | forecast for '04 also include the reductions from the positions which you indicated were eliminated in early September in your response this morning? A. The forecast for 2003 is being updated based on actuals to the end of August and forecast for the balance of the year, and then whatever translates into adjustments for 2004 will also be done. Q. Okay. And the other major adjustments, kind of beyond the company, in terms of oil prices, exchange rates and interest rates, how far up to October 31st will you be doing that analysis? In other words, is it cut off at the end of August or are we going to look at - A. I think everything is consistently ceased as of the end of August, so you have a complete |
| 6you7and8mon9that10for M11A. I car12and13state14Holy15some16Q. Oka17A. But18that19equi20the t21verse22invo23That | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to vrood. So Mr. Haynes may be able to add e more information to you on that. y. that wouldn't be an uncommon occurrence we'd have a timing difference in system pment maintenance related to Holyrood from ime that work was scheduled to commence us the receipt or the recording of ices relative to work being completed. 's a fairly common occurrence. | 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | forecast for '04 also include the reductions from the positions which you indicated were eliminated in early September in your response this morning? A. The forecast for 2003 is being updated based on actuals to the end of August and forecast for the balance of the year, and then whatever translates into adjustments for 2004 will also be done. Q. Okay. And the other major adjustments, kind of beyond the company, in terms of oil prices, exchange rates and interest rates, how far up to October 31st will you be doing that analysis? In other words, is it cut off at the end of August, so you have a complete match of all operations at a set point in |
| 6 you 7 and 8 mon 9 that 10 for M 11 A. I car 12 and 13 state 14 Holy 15 some 16 Q. Okay 17 A. But 18 that 19 equi 20 the t 21 versus 22 invo 23 That 24<(9:45 a.m) | that is down significantly over that six- th period. Are you able to comment on why is reduced or is that a better question <i>A</i> r. Haynes? In tell you that it's in Mr. Haynes' area it's related to production, and my ment would be that it's related to vrood. So Mr. Haynes may be able to add e more information to you on that. y. that wouldn't be an uncommon occurrence we'd have a timing difference in system pment maintenance related to Holyrood from ime that work was scheduled to commence us the receipt or the recording of ices relative to work being completed. 's a fairly common occurrence. | 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | forecast for '04 also include the reductions from the positions which you indicated were eliminated in early September in your response this morning? A. The forecast for 2003 is being updated based on actuals to the end of August and forecast for the balance of the year, and then whatever translates into adjustments for 2004 will also be done. Q. Okay. And the other major adjustments, kind of beyond the company, in terms of oil prices, exchange rates and interest rates, how far up to October 31st will you be doing that analysis? In other words, is it cut off at the end of August or are we going to look at - A. I think everything is consistently ceased as of the end of August, so you have a complete |

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

October 15, 2003

Multi-PageTMNL Hydro's 2003 General Rate Application

| | D 22 | | D 24 |
|--|--|--|--|
| Ι | Page 33 | | Page 34 |
| | MR. ROBERTS: | 1 | C |
| 2 | A. The interest rate is - | | MS. NEWMAN: |
| 3 | Q exchange rates will not be adjusted? | 3 | |
| 4 | A. Oh no, the interest rate assumptions would be | | KELLY, Q.C.: |
| 5 | as current as we can possibly use them. | 5 | |
| 6 | Q. Interest and exchange? | | MS. NEWMAN: |
| 7 | A. Yes. | 7 | |
| 8 | Q. Okay. So - | | KELLY, Q.C.: |
| 9 | A. But I want to caution you, the exchange rate | 9 | |
| 10 | that has an impact on Hydro is only relative | 10 | |
| 11 | to our fuel. | 11 | |
| 12 | Q. Yes, I understand that. | 12 | |
| 13 | A. But it will be reflecting a more current rate | 13 | 1 |
| 14 | for that. | 14 | MS. NEWMAN: |
| 15 | Q. Okay. Now on the interest rate question, I'd | 15 | Q. Okay. |
| 16 | like the Board to have a sense of the order of | 16 | KELLY, Q.C.: |
| 17 | magnitude that we're looking at here. We | 17 | Q. Okay. |
| 18 | prepared two sheets of paper, which I provided | 18 | MS. NEWMAN: |
| 19 | to you yesterday and gave copies to the clerk | 19 | Q. Just the two documents, the short term and the |
| 20 | for distribution. One deals with long term | 20 | long term. |
| 21 | and the other, short-term interest. | 21 | KELLY, Q.C.: |
| 22 1 | MS. NEWMAN: | 22 | Q. So these two will be information items, sorry, |
| 23 | Q. I propose to file these as information items | 23 | No. 10? |
| 24 | then. Is that adequate? | 24 | MS. NEWMAN: |
| 25 1 | KELLY, Q.C.: | 25 | Q. No. 10. |
| | Page 35 | | Page 36 |
| 1 1 | KELLY, Q.C.: | 1 | you reduce that off of the 1,188,000, you end |
| 2 | Q. Okay. Mr. Roberts, what we attempted to do, | 2 | up with approximately \$874,000. So the change |
| 3 | let's look at the long term one first, and | 3 | on the revision that will be filed somewhere |
| 4 | this is a question that Mr. Browne dealt with, | 4 | around about the end of October, the reduction |
| 5 | in part, yesterday, the reduction in the | - | in interest associated with nutting in what |
| 6 | interest rate on the bond issue which you had | 5 | in interest associated with putting in what |
| | interest rate on the bond issue which you had | 6 | |
| 7 | projected at 6.65 and came in at 5.70. We | | actually happened with this issue now will |
| 7 8 | • | 6 | actually happened with this issue now will reflect a reduction in interest of |
| | projected at 6.65 and came in at 5.70. We | 6 7 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. |
| 8 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest | 6 7 8 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you |
| 8 9 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering | 6 7 8 9 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000.Q. Sorry. I followedI think I followed you down to the 874, I think you said. |
| 8 9 10 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would | 6 7 8 9 10 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000.Q. Sorry. I followedI think I followed you down to the 874, I think you said.A. Um-hm. |
| 8 9 10 11 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate?A. I need to elaborate a little bit for you on that. The projected interest costs, as you'll | 6 7 8 9 10 11 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? |
| 8 9 10 11 12 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate?A. I need to elaborate a little bit for you on | 6 7 8 9 10 11 12 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? A. There is going to be still a little bit of a |
| 8 9 10 11 12 13 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate?A. I need to elaborate a little bit for you on that. The projected interest costs, as you'll | 6 7 8 9 10 11 12 13 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? A. There is going to be still a little bit of a discount that was sold on that issue, and that |
| 8 9 10 11 12 13 14 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate?A. I need to elaborate a little bit for you on that. The projected interest costs, as you'll see there, on 125 million, 6.65 percent is the | 6 7 8 9 10 11 12 13 14 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? A. There is going to be still a little bit of a discount that was sold on that issue, and that may be overwell, you're talking a 30-year |
| 8 9 10 11 12 13 14 15 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate?A. I need to elaborate a little bit for you on that. The projected interest costs, as you'll see there, on 125 million, 6.65 percent is the 8.3 million. But the assumptions that were | 6 7 8 9 10 11 12 13 14 15 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? A. There is going to be still a little bit of a discount that was sold on that issue, and that may be overwell, you're talking a 30-year issue. It may be a million or so. The over |
| 8 9 10 11 12 13 14 15 16 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate?A. I need to elaborate a little bit for you on that. The projected interest costs, as you'll see there, on 125 million, 6.65 percent is the 8.3 million. But the assumptions that were used in this application was that we would be | 6 7 8 9 10 11 12 13 14 15 16 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? A. There is going to be still a little bit of a discount that was sold on that issue, and that may be overwell, you're talking a 30-year issue. It may be a million or so. The over 30 years, it's going to be a very small reduction. |
| 8 9 10 11 12 13 14 15 16 17 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate? A. I need to elaborate a little bit for you on that. The projected interest costs, as you'll see there, on 125 million, 6.65 percent is the 8.3 million. But the assumptions that were used in this application was that we would be opening in an additional issue at 6.65 and | 6 7 8 9 10 11 12 13 14 15 16 17 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? A. There is going to be still a little bit of a discount that was sold on that issue, and that may be overwell, you're talking a 30-year issue. It may be a million or so. The over 30 years, it's going to be a very small reduction. |
| 8 9 10 11 12 13 14 15 16 17 18 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate? A. I need to elaborate a little bit for you on that. The projected interest costs, as you'll see there, on 125 million, 6.65 percent is the 8.3 million. But the assumptions that were used in this application was that we would be opening in an additional issue at 6.65 and adding it to it and it would be sold at a premium. So consequently, there is an amortization of that premium because the bonds | 6 7 8 9 10 11 12 13 14 15 16 17 18 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? A. There is going to be still a little bit of a discount that was sold on that issue, and that may be overwell, you're talking a 30-year issue. It may be a million or so. The over 30 years, it's going to be a very small reduction. Q. So somewhere insomething a little bit less |
| 8 9 10 11 12 13 14 15 16 17 18 19 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate? A. I need to elaborate a little bit for you on that. The projected interest costs, as you'll see there, on 125 million, 6.65 percent is the 8.3 million. But the assumptions that were used in this application was that we would be opening in an additional issue at 6.65 and adding it to it and it would be sold at a premium. So consequently, there is an amortization of that premium because the bonds were actually sold in excess of the 125 | 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? A. There is going to be still a little bit of a discount that was sold on that issue, and that may be overwell, you're talking a 30-year issue. It may be a million or so. The over 30 years, it's going to be a very small reduction. Q. So somewhere insomething a little bit less than 874, is that - |
| 8 9 10 11 12 13 14 15 16 17 18 19 20 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate? A. I need to elaborate a little bit for you on that. The projected interest costs, as you'll see there, on 125 million, 6.65 percent is the 8.3 million. But the assumptions that were used in this application was that we would be opening in an additional issue at 6.65 and adding it to it and it would be sold at a premium. So consequently, there is an amortization of that premium because the bonds were actually sold in excess of the 125 million. That's being amortized over the life | 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? A. There is going to be still a little bit of a discount that was sold on that issue, and that may be overwell, you're talking a 30-year issue. It may be a million or so. The over 30 years, it's going to be a very small reduction. Q. So somewhere insomething a little bit less than 874, is that - A. Yes, I think it will be somewhere a little bit less than 874. |
| 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate? A. I need to elaborate a little bit for you on that. The projected interest costs, as you'll see there, on 125 million, 6.65 percent is the 8.3 million. But the assumptions that were used in this application was that we would be opening in an additional issue at 6.65 and adding it to it and it would be sold at a premium. So consequently, there is an amortization of that premium because the bonds were actually sold in excess of the 125 million. That's being amortized over the life of the issue. So throughout the interest run, | 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? A. There is going to be still a little bit of a discount that was sold on that issue, and that may be overwell, you're talking a 30-year issue. It may be a million or so. The over 30 years, it's going to be a very small reduction. Q. So somewhere insomething a little bit less than 874, is that - A. Yes, I think it will be somewhere a little bit less than 874. Q. Okay. Now can we just have a look at the |
| 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | projected at 6.65 and came in at 5.70. We calculated the reduction in test year interest of about 1.188 million, and I'm wondering whether you can confirm that that number would be accurate? A. I need to elaborate a little bit for you on that. The projected interest costs, as you'll see there, on 125 million, 6.65 percent is the 8.3 million. But the assumptions that were used in this application was that we would be opening in an additional issue at 6.65 and adding it to it and it would be sold at a premium. So consequently, there is an amortization of that premium because the bonds were actually sold in excess of the 125 million. That's being amortized over the life | 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | actually happened with this issue now will reflect a reduction in interest of approximately between 8 and 850,000. Q. Sorry. I followedI think I followed you down to the 874, I think you said. A. Um-hm. Q. And then how did you get to 800 or 850? A. There is going to be still a little bit of a discount that was sold on that issue, and that may be overwell, you're talking a 30-year issue. It may be a million or so. The over 30 years, it's going to be a very small reduction. Q. So somewhere insomething a little bit less than 874, is that - A. Yes, I think it will be somewhere a little bit less than 874. Q. Okay. Now can we just have a look at the |

Multi-PageTMNL Hydro's 2003 General Rate Application

| 200 | ober 15, 2003 Mult | 1-1 ag | e NL Hydro's 2003 General Rate Application |
|-----|---|--------|---|
| | Page 37 | | Page 38 |
| 11 | KELLY, Q.C.: | 1 | Q. And the question is whether you will have more |
| 2 | borrowing costs, based upon the methodology | 2 | or less outstanding? |
| 3 | set out in the answer to the various | 3 | A. Than 3.4, that's correct. |
| 4 | information requests, and I wonder if you'd | 4 | Q. Okay. But in terms of from what is currently |
| 5 | comment on the calculation which we've shown | 5 | filed, approximately 3.47 would reflect the |
| 6 | there, which comes at 3.474? | 6 | reduction in interest rates? |
| 7 | A. Yes. We would agree that the average rates | 7 | A. Yes, if this was to be applied into what was |
| 8 | that are shown here are going to be | 8 | presently before us now, that would be the |
| 9 | representative of what should be in the update | 9 | impact. |
| 10 | that will be filed. However, once again, the | 10 | Q. All right. And Mr. Browne dealt with you |
| 11 | 3.4 million dollars will not be the number | 11 | yesterday in terms of the impact of the |
| 12 | that will be reflected in the 2004 forecast. | 12 | exchange rate at CA-221, and if we'd just put |
| 13 | The reason why I say that, it could be higher | 13 | that on the screen for a second. Currently |
| 14 | or lower at this point. I really don't know, | 14 | the application is filed at 66 cents and as |
| 15 | because what this has done is just dealt with | 15 | the exchange rate changes, that can have a |
| 16 | the impact on interest only and it has assumed | 16 | significant impact on the cost of the fuel |
| 17 | that the average promissory balance | 17 | oil, at 74 cents up to 9.1 million dollars? |
| 18 | outstanding would be the same. So with the | 18 | A. Yes, it will impact it, and once again, this |
| 19 | updates going through now for 2004, the actual | 19 | shows the order of magnitude based on the |
| 20 | promissory note balances will change. So the | 20 | present filing. That, I don't believe, will |
| 21 | 3.4 million dollars could be up or down. I'm | 21 | be the numbers that will end up being in the |
| 22 | not sure which way it will go at this point. | 22 | 2004 number, but it does reflect what can |
| 23 | Q. So the calculation in terms of the change in | 23 | happen. |
| 24 | interest affect is essentially correct? | 24 | Q. Why would you say that doesn't reflect - |
| 25 | A. It's - | 25 | A. Well, the reason why I say that is because the |
| | Page 39 | | Page 40 |
| 1 | update for 2003, fuel expenses have been | 1 | Q. After applying exchange rate benefits? |
| 2 | higher for the remainder of 2003 and your | 2 | A. Well, the price is in US and it's converted to |
| 3 | ending inventory and as you go through into | 3 | Canadian and it's the Canadian value that's |
| 4 | the prices for 2004, will impact the amount of | 4 | used through the fuel run (phonetic). |
| 5 | fuel. | 5 | Q. Exactly. So that the benefit will show up if |
| 6 | Q. Yes, I think if I'm following you correctly, | 6 | - |
| 7 | fuel prices themselves in US dollars may be | 7 | A. Yes. |
| 8 | higher, which offsets some of the exchange - | 8 | Q the exchange rate is improved from 66 cents? |
| 9 | A. You're going to have a mix, because when you | 9 | A. Yes. |
| 10 | go into 2004 we may have nine million dollars | 10 | Q. Okay. All right. Let'sbear with me a |
| 11 | coming in - | 11 | second. I want to turn next, Mr. Roberts, to |
| 12 | Q. Yes. | 12 | some questions on the salaries and benefits, |
| 13 | A as the reduction in fuel costs, but my | 13 | and a good place to start with this is if we |
| 14 | opening inventory, because it's an averaging, | 14 | go to IC-39, page 3 of 3, and if we go to the |
| 15 | may be higher than what I have now. So you | 15 | column in 1997 for the total salaries and |
| 16 | may not see nine million. You may see eight, | 16 | benefits, we had 51,863 at the bottom of the |
| 17 | but the premise that the change in exchange | 17 | page there, and if we go to the forecast for |
| 18 | rates will reduce fuel is correct. | 18 | 2004, you're forecasting 63,237 for an |
| 19 | Q. Right. And you made a comment a few minutes | 19 | increase over that period of time of 21.9 |
| 20 | ago that this goes through the loadthrough | 20 | percent. Now one of the things we did, you |
| 21 | the Rate Stabilization Plan, but in terms of | 21 | can kind of see it on the screen, comparing |
| 22 | setting the forecast fuel price for the test | 22 | that 97 and 2004 columns, is we looked at the |
| 23 | year, that is set in Canadian dollars, is it | 23 | individual breakouts on a percentage basis, |
| 24 | not? | 24 | and if you compare, for example, production |
| 25 | A. Yes. | 25 | '97 to production 2004, you get 17.7 percent, |

| | Page 41 | | Page 42 |
|-----|---|----|---|
| 11 | KELLY, Q.C.: | 1 | to give you time to reflect on that and we can |
| 2 | and on TRO, it is 7.3 percent. On finance, | 2 | come back to it later, if you wish? |
| 3 | it's 11.5 percent. Internal audit, 28.8 | 3 | (10:00 a.m.) |
| 4 | percent. Executive management, 33.9, and | 4 | A. Just bear with me, because salaries has been |
| 5 | human resources and legal, 103 percent. So | 5 | recast so many different ways and so many |
| 6 | that 21.9 percent is not spread evenly, by any | 6 | different directions. If you're looking at in |
| 7 | means, across those groups. And two of the | 7 | the case of production, I think part of the |
| 8 | lowest ones, I'll give you finance as well, | 8 | reason why 1997 is low is thatit's either |
| 9 | but the two production, production and TRO are | 9 | '96 or '97, Hydro used to do a lot of its |
| 10 | in the lower part of it. I'm wondering if you | 10 | maintenance on its own units at Holyrood and |
| 11 | can help us again understand why production | 11 | in either '96 or '97, we entered into |
| 12 | and TRO at the lower part of the increases, in | 12 | partnering agreements with the so-called |
| 13 | terms of percentage increase from '97 to '04? | 13 | manufacturers of the turbines and the |
| 14 | A. Well, I think the only way that you may be | 14 | equipment, for them to complete the |
| 15 | able to answer is look at the components as to | 15 | maintenance, rather than Hydro hiring on |
| 16 | what's making up the changes, and I don't know | 16 | significant numbers of temporaries. These |
| 17 | if that information is available to break it | 17 | guys are doing this. This is their |
| 18 | down by segments. If I may, Mr. Kelly, which | 18 | occupation. They had the expertise, and I |
| 19 | ones in particular? | 19 | think that's part of the reason why you will |
| 20 | Q. The lowest of any of the percentages are TRO - | 20 | find, in the case of production, if you look |
| 21 | A. Yes. | 21 | at the components of what makes up that, and |
| 22 | Q which we worked out at 7.3, production at | 22 | unfortunately I don't know if it was '96 or |
| 23 | 17.7 and they're the two, what I'd call, line | 23 | '97, but there was, if memory serves me |
| 24 | functions orif that answer will take some | 24 | correctly, about a million dollars worth of |
| 25 | time, Mr. Roberts, I'd certainly be prepared | 25 | reductions in temporary hours as a result of |
| | Page 43 | | Page 44 |
| 1 | going with the partnering agreements in | 1 | 2004, but if you happen to look at, for |
| 2 | Holyrood. | 2 | instance, on the overtime line, there's been |
| 3 | Q. So that would impact potentially on the | 3 | almost a million dollars change from 1998 to |
| 4 | production line? | 4 | 2004. There has been significant reductions |
| 5 | A. Yes, on the production line because what | 5 | in temporary salaries as well throughout the |
| 6 | you're seeing here on the production is the | 6 | piece within TRO. |
| 7 | total grouping of all the salaries, hourly | 7 | Q. But that's a good example of what you've got |
| 8 | wages and overtime for that particular | 8 | there, page 21 of 24. If you look at '98, the |
| 9 | division. | 9 | TRO total salaries at 24,137 are virtually the |
| 10 | Q. Do you have a sense of what makes TRO the | 10 | same as 24,548. So efficiency seemed to have |
| 11 | lowest of all, of 7.3 percent? | 11 | been obtained somehow in this department as |
| 12 | A. And I'm just trying to see if I can shed some | 12 | contrasted with a 21.9 percent increase, for |
| 13 | light on that one for you as well. If I may, | 13 | example, from '97 over the operation as a |
| 14 | if you don't mind, and you bear with me, maybe | 14 | whole, and that's what I'm trying to get a |
| 15 | I can sort of help you out a little bit. Can | 15 | handle on, like why is TRO better? |
| 16 | we go to NP-12? | 16 | A. Well, TRO, I guess Mr. Martin can speak |
| 17 | Q. Certainly. | 17 | probably more to it in depth than I can, but |
| 18 | A. I apologize now it doesn't go back to '97, but | 18 | TRO is changing some of the way that it's |
| 19 | it will provide you withpage 14 of 24, Mr. | 19 | doing its maintenance tactics. It has changed |
| 20 | O'Reilly, if you would. Because it's here | 20 | the set up utilized and its plant operators, |
| 21 | where you start to see the comparison of the | 21 | its DSRs, all kinds of other initiatives that |
| 100 | | | I FRIDK WIT KOOVOG DOG GOGOTIDOG WIDIGD 10 DOW |
| 22 | components of what's happened. And if I may, | 22 | I think Mr. Reeves has described, which is now |
| 23 | I think the summarization on TRO that you're | 23 | Mr. Martin has described in his evidence of |
| | - · · · | | |

Multi-Page[™]NL Hydro's 2003 General Rate Application

| | | | ige 112 Hydro 5 2000 General Rate Application |
|---|--|---|---|
| | Page 45 | | Page 46 |
| | ELLY, Q.C.: | 1 | Q. Significant reductions in that department, |
| 2 | Q. Would it becan we conclude as well that one | 2 | that division or whatever you call it, versus |
| 3 | of the factors in TRO is that there would be | 3 | some of the other divisions? |
| 4 | totalthat the number of employees in TRO has | 4 | A. It's been more, I think, more dramatic in that |
| 5 | taken a bigger reduction? Would that be one | 5 | particular division than in some of the |
| 6 | of the driving factors? | 6 | others. |
| 7 | A. Well, there are reductions throughout all | 7 | Q. Okay. Can I get you to put up NP-10 for a |
| 8 | areas of the corporation. | 8 | second then? And we looked a moment ago at |
| 9 | Q. Is there anything else you wanted to add to | 9 | 21.9 percent increase for '97 overall, if you |
| 10 | that? | 10 | just scroll up the table there. If you look |
| 11 | A. There's so many binders here, and the chair | 11 | at the table from '97 down to August of '03, |
| 12 | goes awful quick. | 12 | there in fact have been 904 to 791, 113 fewer |
| 13 | Q. Don't want you to go off the edge of the | 13 | employees at Hydro during that period of time? |
| 14 | platform. | 14 | A. Yes. |
| 15 | A. So you go and not come back. | 15 | Q. And a small offsetting increase of only four |
| 16 | Q. That could do great damage to your | 16 | on the temporary side. So the 21.9 percent |
| 17 | occupational health and safety statistics. | 17 | increase comes despite the layoff of 113 |
| 18 | A. Your question relative to changes in | 18 | permanent employees. Agree with that? |
| 19 | compliment, I guess in the case of TRO, in NP- | 19 | A. Well, you know, our wages are being |
| 20 | 9, page 4 of 6, it had 420 in 1997. As of | 20 | comparative for the environment that we |
| 21 | 2002, it's now down to 349. Into August, it's | 21 | operate in. There are reductions in permanent |
| 22 | 342. So there has been, on a permanent basis, | 22 | staff and there are also reductions being made |
| 23 | but also, I think, in a temporary basis as | 23 | in the temporary hours as well. |
| 24 | well, there's been reductions of the amount of | 24 | Q. Okay. Can we just go back to IC-39 for a |
| 25 | staff that has been there. | 25 | moment? There's just one small question I |
| | Page 47 | | |
| 1 | wanted to ask you on that one. | 1 | Page 48 A. But it's a function of when the timing was |
| 2 | A. The other thing that I want to highlight in | 2 | done. |
| $\begin{vmatrix} 2\\ 3 \end{vmatrix}$ | this whole scenario too is that when you're | 3 | Q. Oh, I see. |
| 4 | back comparing '97 and even '98, in the year | 5 | |
| | | 1 | |
| | | 4 | A. You know, Hydro will continually re-forecast |
| 5 | 2004, we have recorded in the salary and | 5 | A. You know, Hydro will continually re-forecast its cost. |
| 5 6 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars | 5 6 | A. You know, Hydro will continually re-forecast its cost.Q. Okay. That's not a big point. I don't want |
| 5 6 7 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was | 5 6 7 | A. You know, Hydro will continually re-forecast its cost.Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how |
| 5 6 7 8 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So | 5 6 7 8 | A. You know, Hydro will continually re-forecast its cost.Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe |
| 5 6 7 8 9 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as | 5 6 7 8 9 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look |
| 5 6 7 8 9 10 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. | 5 6 7 8 9 10 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. |
| 5 6 7 8 9 10 11 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself.Q. Okay. The question I had on this page, Mr. | 5 6 7 8 9 10 11 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were |
| 5 6 7 8 9 10 11 12 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself.Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast | 5 6 7 8 9 10 11 12 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the |
| 5 6 7 8 9 10 11 12 13 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself.Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you | 5 6 7 8 9 10 11 12 13 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the |
| 5 6 7 8 9 10 11 12 13 14 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you go to your Schedule 2 for the final test year | 5 6 7 8 9 10 11 12 13 14 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the other handout that everybody now has, another |
| 5 6 7 8 9 10 11 12 13 14 15 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you go to your Schedule 2 for the final test year requirement of 61,926, we wondered why there's | 5 6 7 8 9 10 11 12 13 14 15 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the other handout that everybody now has, another sheet that I prepared to youprovided to you |
| 5 6 7 8 9 10 11 12 13 14 15 16 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you go to your Schedule 2 for the final test year requirement of 61,926, we wondered why there's a difference between your 2002 forecast and | 5 6 7 8 9 10 11 12 13 14 15 16 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the other handout that everybody now has, another sheet that I prepared to youprovided to you yesterday in which we attempted to do a rough |
| 5 6 7 8 9 10 11 12 13 14 15 16 17 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you go to your Schedule 2 for the final test year requirement of 61,926, we wondered why there's a difference between your 2002 forecast and the test year forecast of 61,900? | 5 6 7 8 9 10 11 12 13 14 15 16 17 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the other handout that everybody now has, another sheet that I prepared to youprovided to you yesterday in which we attempted to do a rough reconciliation from 2002 actuals on salaries |
| 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you go to your Schedule 2 for the final test year requirement of 61,926, we wondered why there's a difference between your 2002 forecast and the test year forecast of 61,900? A. The 61,926 that you see in the 2002 test year | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the other handout that everybody now has, another sheet that I prepared to youprovided to you yesterday in which we attempted to do a rough reconciliation from 2002 actuals on salaries and benefits to 2004 forecast. And, Ms. |
| 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you go to your Schedule 2 for the final test year requirement of 61,926, we wondered why there's a difference between your 2002 forecast and the test year forecast of 61,900? A. The 61,926 that you see in the 2002 test year revenue requirement, right off the bat that | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the other handout that everybody now has, another sheet that I prepared to youprovided to you yesterday in which we attempted to do a rough reconciliation from 2002 actuals on salaries and benefits to 2004 forecast. And, Ms. Newman, shall we mark that as the next |
| 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you go to your Schedule 2 for the final test year requirement of 61,926, we wondered why there's a difference between your 2002 forecast and the test year forecast of 61,900? A. The 61,926 that you see in the 2002 test year revenue requirement, right off the bat that didn't reflect the million dollars for the | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the other handout that everybody now has, another sheet that I prepared to youprovided to you yesterday in which we attempted to do a rough reconciliation from 2002 actuals on salaries and benefits to 2004 forecast. And, Ms. Newman, shall we mark that as the next information? |
| 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you go to your Schedule 2 for the final test year requirement of 61,926, we wondered why there's a difference between your 2002 forecast and the test year forecast of 61,900? A. The 61,926 that you see in the 2002 test year revenue requirement, right off the bat that didn't reflect the million dollars for the elimination of the 46 positions, that was not | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the other handout that everybody now has, another sheet that I prepared to youprovided to you yesterday in which we attempted to do a rough reconciliation from 2002 actuals on salaries and benefits to 2004 forecast. And, Ms. Newman, shall we mark that as the next information? MS. NEWMAN: |
| 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you go to your Schedule 2 for the final test year requirement of 61,926, we wondered why there's a difference between your 2002 forecast and the test year forecast of 61,900? A. The 61,926 that you see in the 2002 test year revenue requirement, right off the bat that didn't reflect the million dollars for the elimination of the 46 positions, that was not reflected in the 2002 test year. | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the other handout that everybody now has, another sheet that I prepared to youprovided to you yesterday in which we attempted to do a rough reconciliation from 2002 actuals on salaries and benefits to 2004 forecast. And, Ms. Newman, shall we mark that as the next information? MS. NEWMAN: Q. Yes. That would be Information No. 11. |
| 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you go to your Schedule 2 for the final test year requirement of 61,926, we wondered why there's a difference between your 2002 forecast and the test year forecast of 61,900? A. The 61,926 that you see in the 2002 test year revenue requirement, right off the bat that didn't reflect the million dollars for the elimination of the 46 positions, that was not reflected in the 2002 test year. Q. But why is it reflected in your IC-39 | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the other handout that everybody now has, another sheet that I prepared to youprovided to you yesterday in which we attempted to do a rough reconciliation from 2002 actuals on salaries and benefits to 2004 forecast. And, Ms. Newman, shall we mark that as the next information? MS. NEWMAN: Q. Yes. That would be Information No. 11. |
| 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | 2004, we have recorded in the salary and fringe benefits, there's 3.7 million dollars there for employee future benefits, which was not in any of these numbers prior to 2000. So that's a fairly substantial increase of an as itself. Q. Okay. The question I had on this page, Mr. Roberts, is if you look at the 2002 forecast number of 63,394 shown on your table, and you go to your Schedule 2 for the final test year requirement of 61,926, we wondered why there's a difference between your 2002 forecast and the test year forecast of 61,900? A. The 61,926 that you see in the 2002 test year revenue requirement, right off the bat that didn't reflect the million dollars for the elimination of the 46 positions, that was not reflected in the 2002 test year. | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | A. You know, Hydro will continually re-forecast its cost. Q. Okay. That's not a big point. I don't want to belabour it. I was just curious as to how that worked. Now, can I take you next towe can go at this a couple of ways. We can look first at NP-243 and if we go to page 2 of 2. And what we asked in the question was we were looking for the changes in salaries from the actuals of 02 to forecast 03 and 04. And the other handout that everybody now has, another sheet that I prepared to youprovided to you yesterday in which we attempted to do a rough reconciliation from 2002 actuals on salaries and benefits to 2004 forecast. And, Ms. Newman, shall we mark that as the next information? MS. NEWMAN: Q. Yes. That would be Information No. 11. |

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

October 15, 2003

Multi-PageTMNL Hydro's 2003 General Rate Application

| | | | · · · · · · · · · · · · · · · · · · · |
|--|--|---|--|
| | Page 49 | | Page 50 |
| | XELLY, Q.C.: | 1 | compliment because at all times somewhere |
| 2 | decrease in 2003 is mainly due to the full | 2 | through the piece there would definitely be |
| 3 | year's effect of the 46 positions eliminated | 3 | vacancies. in your information request that |
| 4 | in 2002 partly offset by general scaling | 4 | you had provided to us yesterday there is one |
| 5 | increases, 2004 is mainly due to an overall | 5 | particular item that's not on this listing, |
| 6 | scaling increase of approximately three | 6 | and if I may, I'll just try and work you down |
| 7 | percent. So we've tried to show that on | 7 | through it. At the end of 2002 there was |
| 8 | Information 11. And can I get you to look at | 8 | approximately 32 vacant positions. And if you |
| 9 | Information 11 and tell us whether we've got | 9 | use an average salary of approximately |
| 10 | this right, or if not, where you think the | 10 | \$50,000, that's an additional \$1.6 million |
| 11 | changes need to be made? | 11 | that you would have to add to that particular |
| 12 | A. Well, I guess maybe I should start to explain | 12 | number. The severance payments there are as |
| 13 | the process as to how Hydro determines its | 13 | noted elsewhere, as well, you got the 1.4 and |
| 14 | salary budget for a particular year. It | 14 | savings is 2.6. So by just adding in the 1.6 |
| 15 | starts with a listing of what the actual | 15 | million instead of 46,258 you'd end up with |
| 16 | permanent positions are by the various | 16 | 47,871. The eight percent is a reasonable |
| 17 | divisions and then added to that would be | 17 | good number, it would be 3.8 based on the |
| 18 | requirements for temporaries, and then based | 18 | revised number. So you'd actually end up with |
| 18 | on various reviews there could be additions or | 18 | a figure of 51,700 for all intentional |
| 20 | deletions and then a salary adjustment scale | 20 | purposes. |
| | | | |
| 21 | would be applied to it, depending on the | 21 | Q. Just give me that number again, 51? |
| 22 | circumstances at the time. So just to give | 22 | A. 51,700. |
| 23 | you a high level as to how we do it, it's not | 23 | Q. Okay. |
| 24 | a simple matter of taking an actual at a point | 24 | A. If my math is right. That's after reflecting the salary increases of approximately eight |
| 25 | in time, we actually base it on full | 25 | the salary increases of approximately eight |
| | In third, we detailing buse it on full | 20 | |
| | Page 51 | 25 | Page 52 |
| 1 | Page 51 percent. | 1 | Page 52 had an average during the year of 32 vacant? |
| | Page 51 | | Page 52 |
| 1 | Page 51 percent. | 1 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you |
| 1 2 | Page 51 Q. Okay. | 1 2 | Page 52 had an average during the year of 32 vacant? A. That's correct. |
| 1 2 3 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have | 1 2 3 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you |
| 1 2 3 4 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is | 1 2 3 4 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to |
| 1 2 3 4 5 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection | 1 2 3 4 5 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in |
| 1 2 3 4 5 6 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been | 1 2 3 4 5 6 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? |
| 1 2 3 4 5 6 7 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. | 1 2 3 4 5 6 7 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. |
| 1 2 3 4 5 6 7 8 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of | 1 2 3 4 5 6 7 8 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. |
| 1 2 3 4 5 6 7 8 9 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? | 1 2 3 4 5 6 7 8 9 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd |
| 1 2 3 4 5 6 7 8 9 10 11 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule | 1 2 3 4 5 6 7 8 9 10 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the |
| 1 2 3 4 5 6 7 8 9 10 11 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. | 1 2 3 4 5 6 7 8 9 10 11 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill |
| 1 2 3 4 5 6 7 8 9 10 11 12 (| Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) | 1 2 3 4 5 6 7 8 9 10 11 12 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on |
| 1 2 3 4 5 6 7 8 9 10 11 12 (13 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) Q. Right. But thatis that 32 vacant positions, | 1 2 3 4 5 6 7 8 9 10 11 12 13 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on a LTD; could be all kinds of various reasons as to why you would have a vacancy. |
| 1 2 3 4 5 6 7 8 9 10 11 12 (13 14 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) Q. Right. But thatis that 32 vacant positions, is that like as of December 31st? Just tell me how that works? | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on a LTD; could be all kinds of various reasons as to why you would have a vacancy. Q. Okay. So let's just look at a couple of other |
| 1 2 3 4 5 6 7 8 9 10 11 12 (13 14 15 16 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) Q. Right. But thatis that 32 vacant positions, is that like as of December 31st? Just tell me how that works? A. The actual number is 23 as of that point, but | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on a LTD; could be all kinds of various reasons as to why you would have a vacancy. Q. Okay. So let's just look at a couple of other things next. NP-14. And in NP-14 the salary |
| 1 2 3 4 5 6 7 8 9 10 11 12 (13 14 15 16 17 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) Q. Right. But thatis that 32 vacant positions, is that like as of December 31st? Just tell me how that works? A. The actual number is 23 as of that point, but the average was 32. | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on a LTD; could be all kinds of various reasons as to why you would have a vacancy. Q. Okay. So let's just look at a couple of other things next. NP-14. And in NP-14 the salary projections for 2004 test year were scaled |
| 1 2 3 4 5 6 7 8 9 10 11 12 (13 14 15 16 17 18 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) Q. Right. But thatis that 32 vacant positions, is that like as of December 31st? Just tell me how that works? A. The actual number is 23 as of that point, but | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on a LTD; could be all kinds of various reasons as to why you would have a vacancy. Q. Okay. So let's just look at a couple of other things next. NP-14. And in NP-14 the salary projections for 2004 test year were scaled three percent effective January 1st for both |
| 1 2 3 4 5 6 7 8 9 10 11 12 (13 14 15 16 17 18 19 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) Q. Right. But thatis that 32 vacant positions, is that like as of December 31st? Just tell me how that works? A. The actual number is 23 as of that point, but the average was 32. Q. So 23 as of December 31st? A. Yes. | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on a LTD; could be all kinds of various reasons as to why you would have a vacancy. Q. Okay. So let's just look at a couple of other things next. NP-14. And in NP-14 the salary projections for 2004 test year were scaled three percent effective January 1st for both union and non-union employees. In fact, the |
| 1 2 3 4 5 6 7 8 9 10 11 12 (13 14 15 16 17 18 19 20 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) Q. Right. But thatis that 32 vacant positions, is that like as of December 31st? Just tell me how that works? A. The actual number is 23 as of that point, but the average was 32. Q. So 23 as of December 31st? A. Yes. Q. And 32 is the average - | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on a LTD; could be all kinds of various reasons as to why you would have a vacancy. Q. Okay. So let's just look at a couple of other things next. NP-14. And in NP-14 the salary projections for 2004 test year were scaled three percent effective January 1st for both union and non-union employees. In fact, the union increase did not become effective until |
| 1 2 3 4 5 6 7 8 9 10 11 12 (13 14 15 16 17 18 19 20 21 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) Q. Right. But thatis that 32 vacant positions, is that like as of December 31st? Just tell me how that works? A. The actual number is 23 as of that point, but the average was 32. Q. So 23 as of December 31st? A. Yes. Q. And 32 is the average - A. The average for the year. | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on a LTD; could be all kinds of various reasons as to why you would have a vacancy. Q. Okay. So let's just look at a couple of other things next. NP-14. And in NP-14 the salary projections for 2004 test year were scaled three percent effective January 1st for both union and non-union employees. In fact, the union increase did not become effective until March the 29th, '03? |
| 1 2 3 4 5 6 7 8 9 10 11 12 (13 14 15 16 17 18 19 20 21 22 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) Q. Right. But thatis that 32 vacant positions, is that like as of December 31st? Just tell me how that works? A. The actual number is 23 as of that point, but the average was 32. Q. So 23 as of December 31st? A. Yes. Q. And 32 is the average - A. The average for the year. Q. For the year. Now, are those Fulltime | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on a LTD; could be all kinds of various reasons as to why you would have a vacancy. Q. Okay. So let's just look at a couple of other things next. NP-14. And in NP-14 the salary projections for 2004 test year were scaled three percent effective January 1st for both union and non-union employees. In fact, the union increase did not become effective until March the 29th, '03? |
| 1 2 3 4 5 6 7 8 9 10 11 12 (13 14 15 16 17 18 19 20 21 22 23 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) Q. Right. But thatis that 32 vacant positions, is that like as of December 31st? Just tell me how that works? A. The actual number is 23 as of that point, but the average was 32. Q. So 23 as of December 31st? A. Yes. Q. And 32 is the average - A. The average for the year. Q. For the year. Now, are those Fulltime Equivalents or are those permanent employees? | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on a LTD; could be all kinds of various reasons as to why you would have a vacancy. Q. Okay. So let's just look at a couple of other things next. NP-14. And in NP-14 the salary projections for 2004 test year were scaled three percent effective January 1st for both union and non-union employees. In fact, the union increase did not become effective until March the 29th, '03? A. Yes. Q. And why didwould you apply the three percent |
| 1 2 3 4 5 6 7 8 9 10 11 12 (13 14 15 16 17 18 19 20 21 22 | Page 51 percent. Q. Okay. A. And if you look in 2004 we actually have recorded 49,925. So as you can see, there is a difference of 1775, and that's a reflection of additional temporary help that has been removed from the system. Q. So at the end ofdo I take it at the end of 2002 there were 32 vacant positions? A. In fact 32 positions. And we use a rough rule of thumb approximately \$50,000 position. 10:15 a.m.) Q. Right. But thatis that 32 vacant positions, is that like as of December 31st? Just tell me how that works? A. The actual number is 23 as of that point, but the average was 32. Q. So 23 as of December 31st? A. Yes. Q. And 32 is the average - A. The average for the year. Q. For the year. Now, are those Fulltime | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | Page 52 had an average during the year of 32 vacant? A. That's correct. Q. Okay. And would that be people then just, you know, John Jones is gone and we're waiting to decide on who we're going to hire and put in that place? A. It would be some of that. Q. Okay. A. You know, a position became vacant and you'd make the decision now, should we do the review, how long it would take before you fill the position. Somebody could be just gone on a LTD; could be all kinds of various reasons as to why you would have a vacancy. Q. Okay. So let's just look at a couple of other things next. NP-14. And in NP-14 the salary projections for 2004 test year were scaled three percent effective January 1st for both union and non-union employees. In fact, the union increase did not become effective until March the 29th, '03? |

Multi-PageTMNL Hydro's 2003 General Rate Application

| OCIU | ober 15, 2003 Mul | ti-Pa | ge [™] NL Hydro's 2003 General Rate Application |
|------|---|-------|--|
| | Page 5. | 3 | Page 5 |
| 1 M | IR. ROBERTS: | 1 | RFIs and the information on '02, one million |
| 2 | A. It's done for simplicity in trying to put | 2 | of that 3.9 in overtime actually was a |
| 3 | through and develop the budget. It's next to | 3 | capitalized expense. First of all, am I |
| 4 | impossible to try and go into the system and | 4 | correct in that? |
| 5 | identify by each location how many union | 5 | A. I will say yes. |
| 6 | employees are there and do that calculation so | 6 | Q. And so my question is, if that is the case in |
| 7 | it was done for ease of use. | 7 | '02, then, in fact, the operating overtime |
| 8 | Q. Okay. Can we go to CA-184? And we touched on | 8 | will be essentially onat the same level |
| 9 | this one briefly a few moments ago for | 9 | through 2002, 3 and 4, or am I missing |
| 10 | severance. And you told us that there was no | 10 | something in that? |
| 1 | significant amount of severance in '03. What | 11 | A. Well, if you take the million dollars out of |
| 2 | about '04 in the forecast, is there any amount | 12 | 2002, it would be 2.9. |
| 3 | included for severance payments in '04? | 13 | Q. Yes. |
| 4 | A. There is no severance allowed in '04. | 14 | A. Versus 2969 in 3 and 2864 in 4. |
| 5 | Q. Nothing in the forecast in '04? | 15 | Q. So the operating overtime will essentially |
| 6 | A. No. | 16 | remain the same? |
| 7 | Q. Okay. And can I take you next to NP-244? And | 17 | A. Based on those numbers it probably appears to |
| 8 | this refers to a passage in Mr. Brushett's | 18 | be flat. |
| 9 | report at page 39 where he indicates that | 19 | Q. Okay. All right. |
| 0 | Hydro isreports that its going to make a | 20 | A. The actually numbers of hours may be reduced |
| 1 | conscious effort to reduce overtime. And the | 21 | some, but because of the change in the rate it |
| 2 | answer says, "Overtime is declined from 3.9 | 22 | may be just holding flat. |
| 3 | million in 2001 to three, nine, ten in '02 and | 23 | Q. Now, next thing I want to have a look at is |
| 24 | is anticipated to further decline to 2.9 and | 24 | theI want to talk to you about this vacancy |
| 25 | 2.8 in '03 and '04." Now, as I understand the | 25 | allowance. And let's go to Mr. Brushett's '03 |
| | Page 55 | 5 | Page 5 |
| 1 | report first at page 38. And if you go down | 1 | includes an estimate of potential savings |
| 2 | to line 23 to 25, in the 2002 test year, Mr. | 2 | resulting from the ongoing review of Hydro's |
| 3 | Roberts, we had a 1.5 million vacancy credit. | 3 | work processes, what I'd call the productivity |
| 4 | And in '03 you carried a million and you're | 4 | factor, can we call it in that sense? |
| 5 | proposing 2.5 million in the '04 forecast. Is | 5 | A. No, that's your words, that's not mine. |
| 6 | that correct? | 6 | Q. Okay. What is the difference then in terms of |
| 7 | A. Yeah, there is 2.4, 2.5 million dollars | 7 | ongoing review? |
| 8 | reflected in 2004 of which one million is our | 8 | A. We're doing a process review of our |
| 9 | normal vacancy and the other million and a | 9 | improvements of our processes to determine |
| 0 | half is represented to allow for continuous | 10 | where changes can be made to enhance and |
| 1 | changes as a result of our process improvement | 11 | improve corporate performance. |
| 2 | initiatives. | 12 | Q. Okay. Is that somehow different than |
| 3 | Q. Okay. And if we go to CA-43, you provide an | 13 | productivity? |
| 4 | explanation of what the vacancy allowance is | 14 | A. It is in my mind. |
| 5 | intended to cover. And this just simply | 15 | Q. Okay. Well, let's go to NP-34. Can you just |
| 6 | covers the number of positions, line 6, become | 16 | scroll up a little bit there? This is the |
| 7 | vacant during a particular year due to | 17 | actual vacancy rate percentages calculated by |
| 8 | retirement, termination, long-term disability, | 18 | comparing the actual permanent salary costs. |
| 9 | etcetera. And that's the concept that you | 19 | And inif we go down to 2004 in your forecast |
| 20 | referred to a few moments ago? | 20 | year, you're using 2.5 percent? |
| 1 | A. Yes. | 21 | A. Yes. |
| 22 | Q. Okay. And then if we just go over to NP-248, | 22 | Q. And 2.5 percent applied to 63 million 237, |
| 23 | in this one, as I understand your answer, in | 23 | which is the total wage package from IC- 39 |
| 24 | addition to that what I'd call normal vacancy, | 24 | would give us 1,580,000, approximately 1. 6 |
| 25 | at lines 11 to 13 this vacancy allowance | 25 | million? |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | | -raş | ge ^m NL Hydro's 2003 General Rate Application |
|----------|---|------|--|
| | Page 57 | | Page 58 |
| 1 1 | MR. ROBERTS: | 1 | average salary of \$50,000, then that would |
| 2 | A. Yes. But you're not comparing it on the right | 2 | translate into an extra \$1.6 million in salary |
| 3 | number. | 3 | costs. |
| 4 | Q. Okay. Tell me why? | 4 | Q. And those were vacant positions during the |
| 5 | A. Because we apply it to the permanent salaries, | 5 | year, so in 2002 would be 1.6 million, would |
| 6 | not to the total salary grouping. | 6 | it not? |
| 7 | Q. And what's the permanent - | 7 | A. But that's an average for the 2002. In some |
| 8 | A. Approximately about 40 million dollars would | 8 | months it could be more, some months it could |
| 9 | be there for permanent salaries. | 9 | be less. |
| 10 | Q. Okay. So you've applied that to a lower | 10 | Q. Well, why would we not use an average, isn't |
| 11 | number. Well, let's go at this - | 11 | that the best number to use? |
| 12 | A. Well, the answer it states is that the actual | 12 | A. Well, that's what we're using just to assist |
| 13 | permanent salary cost for the year is subject | 13 | you in what you're trying to illustrate on |
| 14 | to the vacancy reduction. | 14 | your particular form, Mr. Kelly. |
| 15 | Q. Okay. Let's just go back to Information | 15 | Q. Well, let me take you back to IC-39, page 2 of |
| 16 | Request, or document 11 for a moment, that's | 16 | 3. And on this particular document here we |
| 17 | the paper one. A few moments ago we went | 17 | have only the permanent workforce. And we |
| 18 | through this and you indicated that in 2002 | 18 | look down through each of the years from '97 |
| 19 | the vacancy, the average vacancy positions | 19 | to 2002 using the data here. And in the top |
| 20 | were 32. So in 2002, in fact, you carried 1.6 | 20 | block we have the filled and vacant position. |
| 21 | million? Is that not what I understood? I | 21 | And in the middle block we have the filled |
| 22 | asked you that and you said yes, that was in | 22 | positions only. So if we subtract, for |
| 23 | relation to permanent workforce? | 23 | example, take '97, we have 904 of filled and |
| 24 | A. I said that if you were to fill the 32 vacant | 24 | vacant and 887, you subtract the two, you get |
| 25 | positions as of the first of the year using an | 25 | 17. And we did that all the way along from |
| | Page 59 | | Page 60 |
| 1 | '97 to 2002, so we got vacancies for '97 of | 1 | real, the true vacancies, before we talk about |
| 2 | 17, 21 for '98, 42 for '99, 38 for 2000, 33 | 2 | productivity or enhancement or whatever word |
| 3 | for '01 and 21 for '02 using this data, for an | 3 | you want to use, is there not approximately |
| 4 | average over that whole period of 28, which | 4 | 1.6 in real vacancy? |
| 5 | would still work out if we go to the positions | 5 | A. I can only elaborate as to the provisions |
| 6 | that were vacated at 46 positions at 2.6 | 6 | that's made is that the permanent salaries are |
| 7 | million of approximately \$56,000 per position | 7 | approximately 40 million a year based on a |
| 8 | of 1.6 again. So we get back to that same 1.6 | 8 | compliment. And we've applied a vacancy |
| 9 | number which you just showed me on Information | 9 | factor of approximately two and a half percent |
| 10 | 11? | 10 | to that that translates into a million dollars |
| 11 | A. I must say, I'm not following you whatsoever. | 11 | and that's the provision that we've provided |
| 12 | Q. Well, I'm just trying to get the key elements. | 12 | in both 2003 and in 2004 for anticipated |
| 13 | First of all you told us it had to be | 13 | savings in salaries that may occur due to |
| 14 | permanent employees. So then we go to this | 14 | vacancies. |
| 15 | table on permanent employees and we work out | 15 | Q. What I'm suggesting to you is that, that that |
| 16 | the average vacancy from '97 to 2002, we come | 16 | is not enough for true vacancies. And when we |
| 17 | up with 28. And if I take your number of | 17 | go through this example, the analysis we just |
| 18 | 50,000, it gives me 1.4 million using that | 18 | did, we, in fact, even on what you pointed out |
| 19 | average. And if I look at the experience of | 19 | from 2002, do we not get a number up around |
| 20 | the lay offs, those 46 positions at 2.6 | 20 | 1.6? |
| 21 | million, then the average of that number is | 21 | A. Well, at the end ofthe average for 2002 is |
| 22 | 56,000 per position, so it would give us a | 22 | approximately 32 vacancies worth \$1.6 million, |
| 23 | number between 1.4 and 1.6. And what I'm | 23 | but that is an average. |
| 101 | putting to you, Mr. Roberts, is on a recent | 24 | Q. And in fact, this issue came up in 2001. If |
| 24 25 | historical basis is that, in terms of the | 25 | we go back to November 15th atI'll take you |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | ober 15, 2003 Mult | I-Pag | ge ^m NL Hydro's 2003 General Rate Application |
|----------------|---|----------|---|
| | Page 61 | | Page 62 |
| 1 1 | KELLY, Q.C.: | 1 | you told us were already vacant, yet you still |
| 2 | to page 12. At page 12 there's a discussion | 2 | ended up with 23 at the end of December, point |
| 3 | at line 80 in which you say, "In the last four | 3 | number one. And point number two, Hydro's |
| 4 | years the average is approximately 3.8 | 4 | evidence indicates that 25 percent of your |
| 5 | percent, which is four percent referred to by | 5 | workforce will retire over the next five |
| 6 | Grant Thornton." And Grant Thornton in that | 6 | years. So it seemsit would seem to me that |
| 7 | hearing was suggesting that four percent | 7 | a vacancy, a true vacancy factor of at least |
| 8 | vacancy factor would be more reflective of the | 8 | \$1.6 million is more reflective over the |
| 9 | true historic number. And if you applied four | 9 | period of time? Can I get you to address |
| 10 | percent to your permanent workforce, what | 10 | those points? |
| 11 | number would that give us? | 11 | A. I guess my comment would be is that positions |
| 12 | A. If you applied four percent to 40 million, | 12 | are being eliminated and based on the current |
| 12 | it's going to give you 1.6. | 12 | compliment of where we are, it's still felt |
| 13 | Q. It comes back to the 1.6 again, doesn't it? | 13 | that the two and a half percent on a \$40 |
| | - | | • |
| 15 | A. But I guess the other thing that has to be taken into account too is that these | 15 | million permanent salary budget is an adequate vacancy allowance at this point. |
| 16 | | 16 | |
| 17 | positions, some of these positions that have | 17 | Q. And if we looked at it and said, well, no, 1.6 |
| 18 | been vacant in the past are being eliminated | 18 | is a better number, then the true productivity |
| 19 | over time through various changes, so the | 19 | factor that's available on that sort of |
| 20 | amount of vacancies that are occurring are | 20 | analysis would only be, out of that total of |
| 21 | starting to diminish. | 21 | 2.5, would only be about \$900,000? Depends on |
| | (10:30 a.m.) | 22 | your inputs? |
| 23 | Q. I find that a surprising answer in view of the | 23 | A. I'm not sure which way you're going. I'm not |
| 24 | 40in view of two things. Number one, in | 24 | sure I understand what you're trying to get at |
| 25 | 2002 you eliminated 46 positions, 18 of which | 25 | here. |
| | Page 63 | | Page 64 |
| 1 | Q. Well, we saw that the vacancy factor has two | 1 | A. That would be the net of the changes within |
| 2 | components. If the real vacancy component is | 2 | 2002. |
| 3 | for real vacancy positions you're going to | 3 | Q. Right. Because - |
| 4 | fill is about 1.6 million, then the allowance | 4 | A. It could have been more and there would be |
| 5 | for future reductions really only works out to | 5 | some additions, but the net change is what you |
| 6 | about \$900,000? | 6 | see there. |
| 7 | A. I can only tell you this, is that the \$1. 5 | 7 | Q. Yeah. And fundamentally that reflects the 46 |
| 8 | million was an estimate of what we felt could | 8 | let go in the fall of - |
| 9 | be achieved in further reductions in positions | 9 | A. It would be 46, plus there may have been other |
| 10 | relative to process review improvements that | 10 | positions throughout the year and there may |
| 11 | were under way. The million dollars that we | 11 | have been other additions throughout the year. |
| 12 | have as a vacancy reduction reflects our best | 12 | So that's the net number, which would included |
| 13 | estimate of applying two and a half percent | 13 | the 46. |
| 14 | rate against approximately \$40 million worth | 14 | Q. Okay. And in '03 there are ten positions |
| 15 | of permanent salaries to make an allowance for | 15 | additional which have been eliminated? |
| 16 | positions that would become vacant throughout | 16 | A. There's a net change of ten positions which is |
| 17 | the year and for which there will be a time | 17 | also some additions and some deletions. |
| 18 | lag in filling those positions. | 18 | Q. Okay. Now, if we goif we take those ten |
| 19 | Q. Mr. Roberts, let's go next to NP No. 10. And | 19 | positions, then at your number of \$50,000, |
| 20 | let's start by coming down in the 2001, 2002 | 20 | that would give us 500,000 in total? |
| 20 | category. And you'll see there, excuse me, | 20 | A. Yes. |
| 22 | that your permanent staff goes from 847 to | 22 | Q. And if we use the average from the 46 |
| 1-2 | 801. Now, that would be the 46 employees that | 22 | positions at 2.6 million, we'd have 560, 000 |
| 23 | son mon, mai would be the 40 employees that | 120 | positions at 2.0 million, we deflave 500, 000 |
| 23 24 | were let on in 2002? First of all would that | 24 | for ten positions in total would you agree |
| 23 24 25 | were let go in 2002? First of all, would that be correct? | 24 25 | for ten positions in total, would you agree with that much? |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | iober 15, 2005 Mult | <u>1-1 a</u> ę | ge NL Hyuro s 2005 General Kate Application |
|--|---|---|---|
| | Page 65 | | Page 66 |
| 1 1 | MR. ROBERTS: | 1 | at page 2 of 4. And if we go across the |
| 2 | A. You're going to have to run that one by me one | 2 | temporary salaries line, the temporary |
| 3 | more time on your second calculation. | 3 | salaries in '02 are 5 million 960? |
| 4 | Q. You eliminated 46 positions. | 4 | A. Yes. |
| 5 | A. 46 positions, yes. | 5 | Q. Okay. Now, if we just go back to NP-10, the |
| 6 | Q. At a cost of \$2.6 million? | 6 | question would be, well, how many of those, |
| 7 | A. Well, if you've done the math, I'll accept it. | 7 | the 173 for the end of 2001 would reflect the |
| 8 | Q. Right. We had that discussion yesterday. | 8 | kind of opening number and the 2002, 194 is a |
| 9 | Now, follow along with me here. If you go | 9 | number at year-end as you've told us. So what |
| 10 | over to the temporary side of the ledger here, | 10 | we did is we averaged the two, so we got 183 |
| 11 | in 2001 to 2002 there were 21 additional | 11 | positions on average during the year. Would |
| 12 | temporary positions added, but from '02 to | 12 | that be reasonablya reasonable fair way to |
| 13 | 2003 there were 63 eliminated? | 13 | do it? |
| 14 | A. I guess the caution I have to add is that in | 14 | A. I can honestly tell you, I don't know. |
| 15 | the temporaries now you're dealing at year-end | 15 | Q. You have no idea? |
| 16 | numbers only. | 16 | A. I wouldn't without actually sitting down and |
| 17 | Q. Okay. | 17 | doing the calculations myself, I wouldn't be |
| 18 | A. So throughout the year it could be up to two | 18 | able to attest as to whether or not your |
| 19 | or three hundred. This just happens to be a | 19 | average is what I would be prepared to say, |
| 20 | point in time that the number count has been | 20 | yes, it's reasonable. |
| 20 | done. | 20 | Q. Okay. Well, let me give you where I'm going |
| 21 | Q. Right. And so, we could go at this a couple | 21 | and then you can take time to reflect on it, |
| 22 | of ways. We could look at thelet me just | 22 | if you like. If I take the 5 million, 960 for |
| 23 | back up the bus a bit first. We'll come back | 23 | all of your temporary salaries in 2002, and I |
| 25 | to NP-10, but let me put NP-12 on the screen | 24 | divide it by the 183 temporary positions, I |
| 25 | ^ | | · · · · · |
| 1 | Page 67 get an average salary cost for those temporary | 1 | Page 68 numbers that you're trying to use on an |
| $\begin{vmatrix} 1 \\ 2 \end{vmatrix}$ | positions of \$32,568, okay. If I multiply | $\begin{vmatrix} 1\\2 \end{vmatrix}$ | average. |
| | then by the 63 positions which are eliminated, | $\begin{vmatrix} 2\\ 3 \end{vmatrix}$ | Q. Okay. Well, can youcan I put the question |
| 3 | because your answers tell us that we're going | | |
| | | | to you open anded this way, what is the value |
| 5 | | 4 | to you open-ended this way, what is the value of the reduction in temporary amployees from |
| 5 | to use 131 going forward, 63 positions | 5 | of the reduction in temporary employees from |
| 6 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 | 5 6 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of |
| 6 7 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And | 5 6 7 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of |
| 6 7 8 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, | 5 6 7 8 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? |
| 6 7 8 9 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears | 5 6 7 8 9 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking |
| 6 7 8 9 10 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth | 5 6 7 8 9 10 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees?A. And how did you get the 63, you're just taking 2002, 194 against the 131? |
| 6 7 8 9 10 11 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five | 5 6 7 8 9 10 11 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees?A. And how did you get the 63, you're just taking 2002, 194 against the 131?Q. Right. |
| 6 7 8 9 10 11 12 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent | 5 6 7 8 9 10 11 12 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees?A. And how did you get the 63, you're just taking 2002, 194 against the 131?Q. Right.A. Just on first glance at this, I think if you |
| 6 7 8 9 10 11 12 13 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million | 5 6 7 8 9 10 11 12 13 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent |
| 6 7 8 9 10 11 12 13 14 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million in salary reductions in 2003? | 5 6 7 8 9 10 11 12 13 14 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent salaries and the temporaries in 2002, we're at |
| 6 7 8 9 10 11 12 13 14 15 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million in salary reductions in 2003? A. I guess all I can tell you at this point is | 5 6 7 8 9 10 11 12 13 14 15 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent salaries and the temporaries in 2002, we're at 50.4 and for 2003 we're at 48.9, so there's |
| 6 7 8 9 10 11 12 13 14 15 16 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million in salary reductions in 2003? A. I guess all I can tell you at this point is that up to the end of August as reflected here | 5 6 7 8 9 10 11 12 13 14 15 16 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent salaries and the temporaries in 2002, we're at 50.4 and for 2003 we're at 48.9, so there's been a reduction made within this categories |
| 6 7 8 9 10 11 12 13 14 15 16 17 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million in salary reductions in 2003? A. I guess all I can tell you at this point is that up to the end of August as reflected here on NP-10 there are ten positions, net change | 5 6 7 8 9 10 11 12 13 14 15 16 17 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent salaries and the temporaries in 2002, we're at 50.4 and for 2003 we're at 48.9, so there's been a reduction made within this categories of permanent and temporaries and that's |
| 6 7 8 9 10 11 12 13 14 15 16 17 18 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million in salary reductions in 2003? A. I guess all I can tell you at this point is that up to the end of August as reflected here on NP-10 there are ten positions, net change the ten positions that have been eliminated. | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent salaries and the temporaries in 2002, we're at 50.4 and for 2003 we're at 48.9, so there's been a reduction made within this categories of permanent and temporaries and that's approximately \$1.5 million that's been shown |
| 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million in salary reductions in 2003? A. I guess all I can tell you at this point is that up to the end of August as reflected here on NP-10 there are ten positions, net change the ten positions that have been eliminated. And in the case of the temporaries the actual | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent salaries and the temporaries in 2002, we're at 50.4 and for 2003 we're at 48.9, so there's been a reduction made within this categories of permanent and temporaries and that's approximately \$1.5 million that's been shown as a reduction. |
| 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million in salary reductions in 2003? A. I guess all I can tell you at this point is that up to the end of August as reflected here on NP-10 there are ten positions, net change the ten positions that have been eliminated. And in the case of the temporaries the actual number of temporaries have been reduced in | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent salaries and the temporaries in 2002, we're at 50.4 and for 2003 we're at 48.9, so there's been a reduction made within this categories of permanent and temporaries and that's approximately \$1.5 million that's been shown as a reduction. Q. Sorry, 1.5 million shown where? |
| 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million in salary reductions in 2003? A. I guess all I can tell you at this point is that up to the end of August as reflected here on NP-10 there are ten positions, net change the ten positions that have been eliminated. And in the case of the temporaries the actual number of temporaries have been reduced in 2003 from 2004from 2002 and the actual | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent salaries and the temporaries in 2002, we're at 50.4 and for 2003 we're at 48.9, so there's been a reduction made within this categories of permanent and temporaries and that's approximately \$1.5 million that's been shown as a reduction. Q. Sorry, 1.5 million shown where? A. In comparison of the total salaries, the 50.4 |
| 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million in salary reductions in 2003? A. I guess all I can tell you at this point is that up to the end of August as reflected here on NP-10 there are ten positions, net change the ten positions that have been eliminated. And in the case of the temporaries the actual number of temporaries have been reduced in 2003 from 2004from 2002 and the actual number of hours that the temporaries were | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent salaries and the temporaries in 2002, we're at 50.4 and for 2003 we're at 48.9, so there's been a reduction made within this categories of permanent and temporaries and that's approximately \$1.5 million that's been shown as a reduction. Q. Sorry, 1.5 million shown where? A. In comparison of the total salaries, the 50.4 for 2002 against forty-eight, eight for 2003. |
| 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million in salary reductions in 2003? A. I guess all I can tell you at this point is that up to the end of August as reflected here on NP-10 there are ten positions, net change the ten positions that have been eliminated. And in the case of the temporaries the actual number of temporaries have been reduced in 2003 from 2004from 2002 and the actual number of hours that the temporaries were receiving in 2002 versus 2003 have been | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent salaries and the temporaries in 2002, we're at 50.4 and for 2003 we're at 48.9, so there's been a reduction made within this categories of permanent and temporaries and that's approximately \$1.5 million that's been shown as a reduction. Q. Sorry, 1.5 million shown where? A. In comparison of the total salaries, the 50.4 for 2002 against forty-eight, eight for 2003. Q. Yes. But you've got some salary increases in |
| 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | to use 131 going forward, 63 positions eliminated, then I get 2,047,500, so roughly 2 million in temporary salaries eliminated. And so I'm going to put it to you, Mr Roberts, that on the face of the numbers there appears to be in 2003 already about \$2 million worth of temporary salaries and five hundred to five hundred and sixty thousand of permanent salaries for about two and a half, 2.6 million in salary reductions in 2003? A. I guess all I can tell you at this point is that up to the end of August as reflected here on NP-10 there are ten positions, net change the ten positions that have been eliminated. And in the case of the temporaries the actual number of temporaries have been reduced in 2003 from 2004from 2002 and the actual number of hours that the temporaries were | 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | of the reduction in temporary employees from 2002 to 2003? In other words, from the end of 2002 to 2003, what's the savings to Hydro of the reduction of those 63 employees? A. And how did you get the 63, you're just taking 2002, 194 against the 131? Q. Right. A. Just on first glance at this, I think if you looked at NP-12, if you look at the permanent salaries and the temporaries in 2002, we're at 50.4 and for 2003 we're at 48.9, so there's been a reduction made within this categories of permanent and temporaries and that's approximately \$1.5 million that's been shown as a reduction. Q. Sorry, 1.5 million shown where? A. In comparison of the total salaries, the 50.4 for 2002 against forty-eight, eight for 2003. |

Multi-Page[™]NL Hydro's 2003 General Rate Application

| | Page 69 | | Page 70 |
|--|---|----------|---|
| 1 N | AR. ROBERTS: | 1 | and perhaps you can undertake to come back and |
| 2 | after factoring in the salary increases and | 2 | address that further, okay? (Undertaking). |
| 3 | everything else you still have a reduction. | 3 | A. Okay. |
| 4 | Q. Yes. But the salary reductions are already | 4 | Q. Let me move to a different but related |
| 5 | built in. What I'm trying to get a handle on | 5 | question, and that is transportation. Can I |
| 6 | is what's the value of that elimination of 63 | 6 | take you tolet's go back to NP-10 for a |
| 7 | temporary positions before you apply all the | 7 | moment. And we have in NP-10 the reductions |
| 8 | salary adjustments? We know you've lost ten | 8 | in permanent workforce. And for this purpose |
| 9 | permanent, but we can also see that we've lost | 9 | I'm going to focus on '98 because it's the |
| 10 | 63 temporary. And looking at the schedule you | 10 | limit of your available data on transport. In |
| 11 | got NP-12 in 2000, you had 5.960 for a total | 11 | 1998 you had 889 employees and in 2002 you |
| 12 | of approximately 180 to 190 temporary | 12 | were down to 801 for a reduction of 88 |
| 13 | employees. So if it's down to 131, there must | 13 | employees? |
| 14 | be a significant savings and we're trying to | 14 | A. Yes. |
| 15 | understand what that savings is or are. Do | | (10:45 a.m.) |
| 16 | you wish time to reflect on this one, Mr. | 16 | Q. Can we go then to NP-24? And in NP-24 we |
| 17 | Roberts? | 17 | havego to page 2 of 6. Here are the '98 |
| 18 | A. Yes, because I'm not sure I fully can grasp | 17 | vehicle classifications. And if Mr. O'Reilly, |
| 19 | what you're trying to get me to confirm with | 19 | you scroll down to the bottom. You had 274 |
| 20 | you. | 20 | vehicles in 1998. And if we go over to page 6 |
| 20 | Q. Well, the question is simple. WhatI'll put | 20 21 | of 6 and go down to the bottom, you've got |
| 21 | it this way. What is the savings, what is the | 21 | Hydro vehicles of 282. So from '98 to '04 |
| 22 | value of the reduction in the temporary | 22 | sorry, '02, your vehicles have gone up by |
| 23 | employees from 2002, 194 to the 2003 number of | 23 24 | eight vehicles, at the same time that your |
| 24 | 131? And so I'll let you reflect on that one | 24 25 | employees have gone down by 88 employees. |
| 23 | · · · · · · · · · · · · · · · · · · · | 25 | |
| | Page 71 | | Page 72 |
| $\begin{vmatrix} 1 \\ 2 \end{vmatrix}$ | Now, I would have thought that as the number of employees go down, the numberthe need for | 1 | operating or a capital nature. Q. But I would have thought if they were capital |
| 2 | vehicles would reduce somewhat. Can I get you | 2 | project vehicles, they'd be the heavier |
| 3 | tohave you analyzed this question at all? | 3 | equipment vehicles, would they not? |
| 4 | A. Transportation is the responsibility of Mr. | 4 | A. No, not necessarily so. |
| 5 | | 5 | Q. No. Because on that point if we just go back |
| 6 | Martin and he'd be the more appropriate person to explain the relationship of the vehicles | 6 | to, I'm not sure which year we're on here now, |
| 7 | | 7 | |
| 8 | with permanent compliment. | 8 | you're at page 6. That's theif we go to the |
| 9 | Q. Okay. And we'll explore that with Mr. Martin. | 9 | 02 page, Mr. O'Reilly, page 6, and you go down |
| 10 | But at a high level, in terms of overall cost | 10 | to the column which is pickups and vans, the |
| 11 | control in Hydro, has the finance department | 11 | second column over and you go to the bottom, |
| 12 | looked at this question of vehicle management | 12 | there are 152. Whereas if you go back to 1998 |
| 13 | and how many vehicles do we need as we reduce | 13 | in that column there are 142. The big change |
| 14 | employees? | 14 | is in pickups and vans. A. Um-hm. |
| 15 | A. You have toand I'm treading in the areas that Mr. Martin is more familiar with than I | 15 | |
| 16 | am. But one of the things that you'd have to | 16 17 | Q. You can't shed any light on that one?A. Yeah, as I mentioned, the transportation is |
| 17 | - · | | - |
| 18 | be cognisant in the vehicles is that some of these vehicles are probably associated with | 18 19 | more appropriately to be addressed by Mr. Martin. |
| 19 | the capital program. And during this period | | |
| 20 | that we're referring to we were doing the | 20 21 | Q. Mr. Martin, okay. Bear with me a moment. At a high level can I take you to 261 on the |
| 21 | Avalon upgrade on the transmission line and | | question of transport, NP-261? And what we |
| 22 23 | some of these vehicles were probably being | 22 23 | have in here is the total transport budget, |
| 23 | used for capital projects. This is the total | 23 24 | but it also includes aircraft fuel and |
| 24 | fleet irrespective of if it was of an | 24 25 | aircraft costs? |
| | meet mespective of it it was of an | | |

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

October 15, 2003

| | D 72 | | D 74 |
|--|--|--|--|
| | Page 73 | | Page 74 |
| | MR. ROBERTS: | 1 | capital? |
| 2 | A. Yes. | 2 | A. Because some of the capital projects may not |
| 3 | Q. So we looked at this particular table taking | 3 | require the utilization of vehicles. |
| 4 | out the two aircraft components so that we | 4 | Q. If you had those vehicles for capital projects |
| 5 | just focused on the costs for your vehicle | 5 | and the capital project is finished, why isn't |
| 6 | fleet. And if you do that and you come to | 6 | there a reduction then in the vehicle fleet? |
| 7 | your 2002 actuals and you take out aircraft, | 7 | Like, if you don't need them anymore, why |
| 8 | you're down to 791,000 and you come over to | 8 | don't you get rid of them? |
| 9 | 2004 forecast, we're at 994, which is a 25.6 | 9 | A. Well, I guess, I'll go back, rather than get |
| 10 | percent increase in your transportation costs | 10 | myself in deeper trouble than I may already |
| 11 | just from '02 to forecast '04 for your vehicle | 11 | be, Mr. Martin has responsibility for |
| 12 | fleet. And I'm wondering whether the finance | 12 | transportation. And I think it's safer, |
| 13 | department has analyzed this, because it seems | 13 | rather than me trying to speculate and only |
| 14 | like a huge increase, \$200,000 over the space | 14 | give partial answers, I think it's safer to |
| 15 | of two years? | 15 | put the questions to him. |
| 16 | A. Well, once again, Mr. Martin is responsible | 16 | Q. Okay. We'll take that one up with Mr. Martin |
| 17 | for it, but I will add one additional comment, | 17 | then. Okay. Next column, the next item I |
| 18 | what did the capitalized fleet credit do, | 18 | wanted to go to is Professional Services. And |
| 19 | because that would have increased your cost in | 19 | if we go to the Grant Thornton report '03, |
| 20 | 2004 compared to 2. In other words, we have | 20 | Grant Thornton '03 report at page 44, we'll |
| 21 | less vehicle cost being charged out to capital | 21 | start there. And come down to the bottom of |
| 22 | in 2004 than we did in 2002. So, | 22 | the page, Mr. O'Reilly, there's a table. In |
| 23 | automatically that would increase your overall | 23 | that table, Mr. Roberts, the breakout of total |
| 23 | cost. | 23 | professional fees into Professional Services, |
| 24 | Q. Why would there be less charged out to | 24 | Regulatory Costs, Software Acquisitions, |
| 23 | · · · | 23 | |
| | Page 75 | | Page 76 |
| | | | 0 |
| 1 | Maintenance and Non-regulated is provided. | 1 | that 3.315, 2.439 of itfirst of all, can you |
| 2 | And it's the first line that we're primarily | 2 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that |
| | And it's the first line that we're primarily focused on here, the actual professional | 2 3 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? |
| 2 3 4 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 | 2 3 4 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00?A. No, I don't have that information with me. |
| 2 3 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this | 2 3 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00?A. No, I don't have that information with me.Q. Okay. Perhaps you could undertake to give us |
| 2 3 4 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement | 2 3 4 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00?A. No, I don't have that information with me.Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) |
| 2 3 4 5 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. | 2 3 4 5 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00?A. No, I don't have that information with me.Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for |
| 2 3 4 5 6 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. | 2 3 4 5 6 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a |
| 2 3 4 5 6 7 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a | 2 3 4 5 6 7 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. |
| 2 3 4 5 6 7 8 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule | 2 3 4 5 6 7 8 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a |
| 2 3 4 5 6 7 8 9 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services | 2 3 4 5 6 7 8 9 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. |
| 2 3 4 5 6 7 8 9 10 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule | 2 3 4 5 6 7 8 9 10 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to |
| 2 3 4 5 6 7 8 9 10 11 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services | 2 3 4 5 6 7 8 9 10 11 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance |
| 2 3 4 5 6 7 8 9 10 11 12 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast | 2 3 4 5 6 7 8 9 10 11 12 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit |
| 2 3 4 5 6 7 8 9 10 11 12 13 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast '04 which is in your next page, we go from two | 2 3 4 5 6 7 8 9 10 11 12 13 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit that's on the screen there, Mr. Roberts, we |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast '04 which is in your next page, we go from two million six two seven to 4.5 million in total? | 2 3 4 5 6 7 8 9 10 11 12 13 14 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit that's on the screen there, Mr. Roberts, we have a couple of items I wanted to ask you |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast '04 which is in your next page, we go from two million six two seven to 4.5 million in total? In other words, we have a 71.4 percent | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit that's on the screen there, Mr. Roberts, we have a couple of items I wanted to ask you about. Down under Production, we have the |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast '04 which is in your next page, we go from two million six two seven to 4.5 million in total? In other words, we have a 71.4 percent increase in Professional Services. A. Yes. | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit that's on the screen there, Mr. Roberts, we have a couple of items I wanted to ask you about. Down under Production, we have the Information Tech Infrastructure Library of \$259,000.00. And I thought I took from an |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast '04 which is in your next page, we go from two million six two seven to 4.5 million in total? In other words, we have a 71.4 percent increase in Professional Services. A. Yes. Q. Okay. Now, I'll take you next to Grant | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit that's on the screen there, Mr. Roberts, we have a couple of items I wanted to ask you about. Down under Production, we have the Information Tech Infrastructure Library of \$259,000.00. And I thought I took from an answer, I believe Mr. Browne, that somehow |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast '04 which is in your next page, we go from two million six two seven to 4.5 million in total? In other words, we have a 71.4 percent increase in Professional Services. A. Yes. Q. Okay. Now, I'll take you next to Grant Thornton's report on your '02 year which is at | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit that's on the screen there, Mr. Roberts, we have a couple of items I wanted to ask you about. Down under Production, we have the Information Tech Infrastructure Library of \$259,000.00. And I thought I took from an answer, I believe Mr. Browne, that somehow this was a one time expense or did I |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast '04 which is in your next page, we go from two million six two seven to 4.5 million in total? In other words, we have a 71.4 percent increase in Professional Services. A. Yes. Q. Okay. Now, I'll take you next to Grant Thornton's report on your '02 year which is at page 24 for the table. Okay. And what Grant | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit that's on the screen there, Mr. Roberts, we have a couple of items I wanted to ask you about. Down under Production, we have the Information Tech Infrastructure Library of \$259,000.00. And I thought I took from an answer, I believe Mr. Browne, that somehow this was a one time expense or did I misunderstandcan you explain what this is |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast '04 which is in your next page, we go from two million six two seven to 4.5 million in total? In other words, we have a 71.4 percent increase in Professional Services. A. Yes. Q. Okay. Now, I'll take you next to Grant Thornton's report on your '02 year which is at page 24 for the table. Okay. And what Grant Thornton attempts to do in that particular | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit that's on the screen there, Mr. Roberts, we have a couple of items I wanted to ask you about. Down under Production, we have the Information Tech Infrastructure Library of \$259,000.00. And I thought I took from an answer, I believe Mr. Browne, that somehow this was a one time expense or did I misunderstandcan you explain what this is about? |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast '04 which is in your next page, we go from two million six two seven to 4.5 million in total? In other words, we have a 71.4 percent increase in Professional Services. A. Yes. Q. Okay. Now, I'll take you next to Grant Thornton's report on your '02 year which is at page 24 for the table. Okay. And what Grant Thornton attempts to do in that particular column is set out the main items, this is not | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit that's on the screen there, Mr. Roberts, we have a couple of items I wanted to ask you about. Down under Production, we have the Information Tech Infrastructure Library of \$259,000.00. And I thought I took from an answer, I believe Mr. Browne, that somehow this was a one time expense or did I misunderstandcan you explain what this is about? A. No, I can't, it's underneath Mr. Haynes' area |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast '04 which is in your next page, we go from two million six two seven to 4.5 million in total? In other words, we have a 71.4 percent increase in Professional Services. A. Yes. Q. Okay. Now, I'll take you next to Grant Thornton's report on your '02 year which is at page 24 for the table. Okay. And what Grant Thornton attempts to do in that particular column is set out the main items, this is not the total as was shown on the page. The total | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit that's on the screen there, Mr. Roberts, we have a couple of items I wanted to ask you about. Down under Production, we have the Information Tech Infrastructure Library of \$259,000.00. And I thought I took from an answer, I believe Mr. Browne, that somehow this was a one time expense or did I misunderstandcan you explain what this is about? A. No, I can't, it's underneath Mr. Haynes' area of responsibility. |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | And it's the first line that we're primarily focused on here, the actual professional services. And the number in '02, in the '02 year, is, I take it that's where we have this million dollars on the Business Improvement Initiative. A. Yes, that's correct. Q. Okay. Now, let's just go to CA-44 for a second and we'll go to the attached schedule and we'll look at the Professional Services line and we come across from '97 to forecast '04 which is in your next page, we go from two million six two seven to 4.5 million in total? In other words, we have a 71.4 percent increase in Professional Services. A. Yes. Q. Okay. Now, I'll take you next to Grant Thornton's report on your '02 year which is at page 24 for the table. Okay. And what Grant Thornton attempts to do in that particular column is set out the main items, this is not | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | that 3.315, 2.439 of itfirst of all, can you give the Board any sense of what makes up that other approximately \$900,000.00? A. No, I don't have that information with me. Q. Okay. Perhaps you could undertake to give us some sense of what that is? (Undertaking) Not looking for every particular line item for those items, but \$900,000.00 still seems a significant amount to simply leave unnoted. So, when you come back, if you can explain to us what the main component of that balance would be. If we go down through the bit that's on the screen there, Mr. Roberts, we have a couple of items I wanted to ask you about. Down under Production, we have the Information Tech Infrastructure Library of \$259,000.00. And I thought I took from an answer, I believe Mr. Browne, that somehow this was a one time expense or did I misunderstandcan you explain what this is about? A. No, I can't, it's underneath Mr. Haynes' area |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | ober 15, 2003 Multi | -Paş | ge NL Hydro's 2003 General Rate Application |
|--|---|--|--|
| | Page 77 | | Page 78 |
| 1 1 | MR. ROBERTS: | 1 | which is 3 of 4. Now we have the forecasts |
| 2 | provide additional information in that | 2 | item and we have, up at the top, under |
| 3 | respect. | 3 | Finance, Business Continuity Project. Can you |
| 4 | Q. All right. Can we go to NP-257 and what Np- | 4 | help us with that one? |
| 5 | 257 shows is the same Professional Services | 5 | A. Yes. Hydro is in the process of developing a |
| 6 | categories for each of the years '01, '03 and | 6 | business continuity plan and have need of |
| 7 | '04 for forecast. First of all, we've got the | 7 | provision of \$300.00 to provide, obtain the |
| 8 | '01 items. If you come across the line | 8 | services of an external consultant and that |
| 9 | Management, there's Corporate Consulting Plan | 9 | will deal with crisis management and physical |
| 10 | and Annual Report Consulting of 67,000 and | 10 | security, a review of our critical |
| 11 | 94,000 respectively. Can you explain what | 11 | infrastructure, services and processes and in |
| 12 | those are? | 12 | Hydro in ways that may be obtained from an |
| 13 | A. The 67,000 that you see there was assistance | 13 | exposure to an event that would impair our |
| 14 | attained in developing a corporate | 14 | ability to supply electricity. |
| 15 | communications plan. | 15 | Q. Oh, I see, okay. If you come down under |
| 16 | Q. Um-hm. | 16 | production again, we again see this |
| 17 | A. And the Annual Report Consulting was the cost | 17 | Information Technology Infrastructure Library |
| 18 | association (sic.) with preparation of the | 18 | item, this time it's 66,000. |
| 19 | annual report including the printing. And | 19 | A. All I can say is you're going to have to put |
| 20 | included in the \$94,000.00 in 2001 was | 20 | the question to Mr. Haynes who has |
| 21 | approximately \$20,000.00 that should have been | 21 | responsibility for IS & T. |
| 22 | included and recorded in 2000 rather than in | 22 | Q. Okay. If we just go over to page 4 of 4, I |
| 23 | 2001. So, the actual cost for 2001 was | 23 | take it the item for Business Continuity |
| 24 | 74,000. | 24 | Project, that's the same one you just |
| 25 | Q. 74,000, okay. Just go over to the next page | 25 | described for '03. |
| | Page 79 | | Page 80 |
| 1 | A. Yes, that's a continuation. | 1 | doing the update. |
| 2 | Q. And the same answer with respect to | 2 | Q. Do you expect then a reforecasting down for |
| 3 | Information Technology Infrastructure Library? | 3 | '04, keeping in mind that both '02 and '03 are |
| 4 | A. That's correct. | 4 | being reduced? |
| 5 | Q. Okay. Can I take you toon the next heading, | 5 | A. Part of the, if I may just to elaborate a |
| 6 | Miscellaneous, to Grant Thornton's '03 report | 6 | little bit, is with the changes that I had |
| 7 | at page 43. And there's a table there which | 7 | advised yesterday, some of the costs that are |
| 8 | is, it shows Miscellaneous Expenses and there | 8 | now, that would have, in the past, gone to |
| 9 | are a couple I want to look at. First is | 9 | training are now going to travel rather than |
| 10 | Staff Training, and in Staff Training you are | 10 | into training. Back when we were using our |
| 11 | budgeting for forecast '04 a million dollars? | 11 | manual system, that if you travelled, you |
| 12 | A. That's correct. | 12 | would put all your travel costs on a travel |
| 13 | Q. Okay. But your actual in '02 were only 658 | 13 | claim and you would code it into the training |
| 14 | against the tested year of 840. So, you came | 14 | area. What's happening with the automation of |
| 15 | in almost 200,000, 180,000 under budget on | 15 | the expense side of things now, that the |
| 16 | '02? First of all, is that correct? | 16 | actual cost that would normally be going into training, are going into travel and |
| 17 | A Vac | 17 | |
| | A. Yes. O Okay And then in '03 while you're | 17 | |
| 18 | Q. Okay. And then in '03 while you're | 18 | consequently, there will be reductions. |
| 18 19 | Q. Okay. And then in '03 while you're forecasting 932, if I take you to NP-251. | 18 19 | consequently, there will be reductions. Q. So, reductions not only in '03, but then in |
| 18 19 20 | Q. Okay. And then in '03 while you're forecasting 932, if I take you to NP-251.A. Yes. | 18 19 20 | consequently, there will be reductions.Q. So, reductions not only in '03, but then in forecast '04? |
| 18 19 20 21 | Q. Okay. And then in '03 while you're forecasting 932, if I take you to NP-251. A. Yes. Q. As of September 15, there's only 287,000 paid, | 18 19 20 21 | consequently, there will be reductions.Q. So, reductions not only in '03, but then in forecast '04?A. I'm not sure of '04 at this point. I do know |
| 18 19 20 21 22 | Q. Okay. And then in '03 while you're forecasting 932, if I take you to NP-251. A. Yes. Q. As of September 15, there's only 287,000 paid, line 8 or spent. Where do you expect your | 18 19 20 21 22 | consequently, there will be reductions.Q. So, reductions not only in '03, but then in forecast '04?A. I'm not sure of '04 at this point. I do know there is changes been happening in '03. |
| 18 19 20 21 22 23 | Q. Okay. And then in '03 while you're forecasting 932, if I take you to NP-251. A. Yes. Q. As of September 15, there's only 287,000 paid, line 8 or spent. Where do you expect your training for '03 to be? | 18 19 20 21 22 23 | consequently, there will be reductions.Q. So, reductions not only in '03, but then in forecast '04?A. I'm not sure of '04 at this point. I do know there is changes been happening in '03.Q. Okay. And the last question on the |
| 18 19 20 21 22 | Q. Okay. And then in '03 while you're forecasting 932, if I take you to NP-251. A. Yes. Q. As of September 15, there's only 287,000 paid, line 8 or spent. Where do you expect your | 18 19 20 21 22 | consequently, there will be reductions.Q. So, reductions not only in '03, but then in forecast '04?A. I'm not sure of '04 at this point. I do know there is changes been happening in '03. |

Multi-PageTMNL Hydro's 2003 General Rate Application

| October 15, 2003 | | age ^m NL Hydro's 2003 General Rate Application |
|--|----------|---|
| | Page 81 | Page 82 |
| 1 KELLY, Q.C.: | 1 | had anticipated in our schedule, and I guess |
| 2 20,000 in '01/'02 increasing to 100,000 | in 2 | parties would like to speak, in particular, |
| 3 '04. Does that relate to the HYDROWIS | SE 3 | the Industrial Customers, as to whether we |
| 4 Program? | 4 | move on with the next scheduled witness which |
| 5 A. Yes, it does. | 5 | was Mr. Haynes, on probably Friday or tomorrow |
| 6 Q. And is that the only item in there, HYDROV | | afternoon or whether we put it off till the |
| 7 A. To the best of my knowledge, that's only | for 7 | Monday which was the original scheduled day. |
| 8 HYDROWISE. | 8 | So I believe Mr. Hutchings has something to |
| 9 Q. Okay. This would be a good place to bre | eak, 9 | say on that and then perhaps the others as |
| 10 Mr. Chairman. | 10 | well. |
| 11 CHAIRMAN: | | CHAIRMAN: |
| 12 Q. Thank you, Mr. Kelly, Mr. Roberts. W | e'll 12 | |
| reconvene at 11:30. | 13 | Mr. Hutchings? I'd like to continue. Is it |
| 14 (BREAK - 11:02 a.m.) | 14 | 6 6 |
| 15 (RESUME - 11:38 a.m.) | 15 | terms of the issue of Friday or - |
| 16 CHAIRMAN: | 16 | MS. NEWMAN: |
| 17 Q. Ready to begin, Mr. Roberts? | 17 | Q. Well, actually - |
| 18 MS. NEWMAN: | 18 | HUTCHINGS, Q.C.: |
| 19 Q. Chair, we just - | 19 | Q. Ms. Greene wanted it addressed now if we |
| 20 CHAIRMAN: | 20 | could. |
| 21 Q. Sorry, Ms. Newman | 21 | CHAIRMAN: |
| 22 MS. NEWMAN: | 22 | Q. Okay, fair enough. |
| 23 Q. We just have one matter that we'd like | | GREENE, Q.C.: |
| 24 address. It appears now that this witness r | • | |
| 25 be off the stand and finished earlier than w | ve 25 | affects the work schedule of parties for |
| | Page 83 | Page 84 |
| 1 tonight and tomorrow night if we know w | hat's 1 | will be heard, we generally tend to think that |
| 2 actually happening on Friday. | 2 | we're less likely to finish in the time |
| 3 CHAIRMAN: | 3 | allowed and more likely to go over rather than |
| 4 Q. I appreciate that, okay. Sure. Fine. | 4 | to be ahead of the schedule, which happily we |
| 5 HUTCHINGS, Q.C.: | 5 | are now. |
| 6 Q. Mr. Chair, the issues arises due to persona | al 6 | But in the circumstances, Ms. Greene has |
| 7 plans of mine which take me away from | here 7 | suggested that she would wish to begin with |
| 8 tomorrow and back in the country on t | he 8 | Mr. Haynes on Friday if that's available. Our |
| 9 weekend. And we had, as between Mr. S | eviour 9 | preference would be that we keep the schedule |
| 10 and myself, in dividing our labours, had | | as it was and start on Monday in order that we |
| 11 determined that I would be doing most of | the 11 | not disrupt our plans for the cross- |
| 12 cross-examination for Mr. Haynes. That b | being 12 | examination. |
| 13 the case, while I wouldn't anticipate that | t 13 | CHAIRMAN: |
| 14 even if he started on Friday that we wou | ld 14 | Q. Thank you. Ms. Greene. |
| 15 necessarily be cross-examining on the fir | | GREENE, Q.C.: |
| 16 day, it would certainly be of significant | 16 | Q. With respect to the schedule, the schedule |
| benefit to us for myself to be able to hear | : 17 | that was done was a tentative schedule. The |
| 18 the total of his cross-examination where | I 18 | parties are aware that there is no guarantee |
| 19 would be the one doing most, as I say, of t | the 19 | that a witness will be five days if that's |
| 20 cross-examination on behalf of the Industr | rial 20 | what scheduled or if there's two days, they |
| 21 Customers. | 21 | may in fact take five days. Our position with |
| 22 Mr. Haynes had been scheduled, you kr | now, 22 | respect to the schedule is that the parties |
| to start on Monday from the very beginning | | |
| the scheduling that was done and I think w | - | |
| 25 we consider the forecast of when witnes | | |

Multi-Page[™]NL Hydro's 2003 General Rate Application

| Page 85Page1 GREENE, Q.C.:1 respect to it and we leave it entirely in the2 everything else does go according to the1 nespect to it and we leave it entirely in the3 schedule. So our preference would be ifbut,2 hands of the panel.4 obviously, that's a decision for the panel,3 CHAIRMAN:5 rather than to lose a whole day on Friday5 have any comments or sorry, Mr. Fitzgerald? | 00 |
|--|----|
| everything else does go according to the schedule. So our preference would be ifbut, obviously, that's a decision for the panel, CHAIRMAN: Q. Thank you, Ms. Greene. Mr. Browne, do you | |
| 3schedule. So our preference would be ifbut, obviously, that's a decision for the panel,3 CHAIRMAN: 44Q. Thank you, Ms. Greene. Mr. Browne, do you | |
| 4 obviously, that's a decision for the panel, 4 Q. Thank you, Ms. Greene. Mr. Browne, do you | |
| | |
| 5 Tathet than to lose a whole day on Filday 5 have any confinents of sorry, with Fildgerald? | |
| | |
| 6 which it now appears that could be the case. 6 MR. FITZGERALD: | |
| 7 With respect to the order of cross- 7 Q. We support the Industrial Customer. It seems | |
| 8 examination, the Consumer Advocate will be 8 like basic fairness would support their | |
| 9 first, Newfoundland Power would be second. It 9 position on that. | |
| 10 is unlikely that we would get to cross- 10 CHAIRMAN: | |
| 11 examination of the Industrial Customers on 11 Q. Mr. Kelly. | |
| 12Friday, although I continue to live in hope.12 KELLY, Q.C.: | |
| 13And in that regard, Mr. Hutchings has the13Q. We take no real position. We would proceed | |
| 14 benefit of reading the transcript with respect 14 either way. I understand Mr. Hutchings' | |
| 15 to the cross-examination that may have 15 position but we leave it to the panel. | |
| 16 occurred on Friday. But we certainly are 16 CHAIRMAN: | |
| 17 prepared to leave it to the panel. I would 17 Q. Any further comments, Ms. Newman? | |
| 18like some understanding if this occurs in the18MS. NEWMAN: | |
| 19future that thereif we happen to finish on a19Q. I would confirm for the panel that the | |
| 20 Thursday or a Wednesday, we don't stop then 20 schedule, of course, was never intended to be | |
| 21 and wait till the next week till the next 21 certain days for witnesses and I think the | |
| 22 witness appears in the schedule; that we 22 parties were all aware that the days may float | |
| 23 should be moving ahead as expeditiously as 23 either later or earlier than we had | |
| 24 possible to finish this hearing as soon as 24 anticipated. But then of course some | |
| 25 possible. So that is our position with 25 circumstances will always arise to change that | |
| Page 87 Page | 88 |
| 1 and sometimes that is the circumstances of 1 A. I guess the best way to deal with it would be | |
| 2 counsel. So I leave that in the hands of the 2 to take it, and I'm not sure, Mr. Kelly, if | |
| 3 panel. 3 this is where you want me to explain it, but | |
| 4 CHAIRMAN: 4 I'll start with the hydraulic component. When | |
| 5 Q. Thank you. I'm going to proceed with the 5 the cost of service is done for a test year, | |
| 6 cross-examination now and I'll just, perhaps 6 one of the components in that is the amount of | |
| 7 during the cross-examination, consult with my 7 generation that will be available from our | |
| 8 colleagues and hopefully, at the end of it 8 Hydro facilities for that particular test | |
| 9 have a decision, or we may just take a couple 9 year. And proceeding from that on an actual | |
| 10of minutes after, if not.But I'd like to10basis, any difference in the amount of hydro | |
| 10 proceed with the cross-examination now, if I 11 electric that we get from hydrology versus | |
| 12 could. 12 what was actually recorded in the test year, | |
| | |
| | |
| | |
| 15 Q. Thank you, Chair. Mr. Roberts, I want to 15 fuel cost at Holyrood and that adjustment is 16 mede to the rote stabilization plan | |
| 16 switch gears now and have a look at the demand 16 made to the rate stabilization plan. | |
| 17 energy rate issues with you as they relate to 17 In the case of the load variation, in the 19 text user there uses an economic that the | |
| 18 the impact upon Hydro. First of all, can we 18 test year there was an assumption that the | |
| 19 start by having you explain the current way 19 sales either to Newfoundland Power, the | |
| 20 that the Rate Stabilization Plan works in 20 Industrials, would be X, and based on the | |
| 21 relation to ensuring that volatility or 21 actual results, the difference between the | |
| 22 changes in the forecast, from either 22 actual and what was used in the forecast | |
| 23 Newfoundland Power or the Industrial 23 adjustments were made in the rate | |
| 24 Customers, work, in terms of not impacting 24 stabilization plan both from a revenue | |
| 25 Hydro's revenue requirement. 25 perspective and from a cost perspective Page 85 - Page | |

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

October 15, 2003

Multi-PageTMNL Hydro's 2003 General Rate Application

| | Page 89 | Page 90 |
|--|--|--|
| 1 MR. ROBERTS: | | |
| 2 relative to fuel. The other adjustment t | | |
| 3 made is that any difference in the ac | | |
| | | |
| | | |
| | - | |
| 6 rates, that amount is also deferred and | | 1 25 |
| 7 to the rate stabilization plan. | 1.4 | 1 |
| 8 Q. And the one that's important for the B | | 0 |
| 9 focus on here is the load forecasting | | |
| 10 variation component. And so from | - | 1 |
| 11 point of view as I understand your an | | 6 6 |
| 12 Hydro is protected in the sense that the | | |
| 13 forecast that's used in the test year, a | - | |
| 14 variations from that are run through th | | - · · · |
| 15 Stabilization Plan? | 15 | |
| 16 A. Yes, everythingHydro's results | are 16 | |
| 17 normalized back to what the cost of s | | |
| 18 was. | 18 | |
| 19 Q. Right. Now, then we can just have a | | |
| 20 question PUB-151. And this deals with | | |
| 21 implementation of a proposed deman | | |
| 22 rate structure. That's the wholesale | | 1 |
| that Hydro would sell to Newfoundlan | | • |
| 24 correct? First of all, Mr. Roberts, w | | 1 5 |
| 25 we're talking about here is the wholes: | ale rate 25 | being within the range of plus or minus five |
| | Page 91 | Page 92 |
| 1 percent. Under the demand and energy | | E I |
| 2 proposed in PUB-150, monthly bill | u | 1 |
| 3 determinants in 2004 applicable to N | | |
| 4 forecast at 1,054 megawattsI'll leave | | 1 |
| 5 the decimals, skip through some of the | | |
| 6 the lower limit is set by the minimum | | |
| | | |
| 7 provision which is 98 percent. Now | - | 7 to pay anyway. Is that how I understand it? |
| 8 explain to the Board what that 98 perce | - | to pay anyway. Is that how I understand it?A. I believe you're correct but I think, once |
| explain to the Board what that 98 percentHydro's proposal is about. | cent in 8 9 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has |
| explain to the Board what that 98 percent Hydro's proposal is about. A. Mr. Kelly, the most appropriate person | ent in 8 9 on that 10 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be |
| explain to the Board what that 98 percent Hydro's proposal is about. A. Mr. Kelly, the most appropriate person you should be querying on the deman | ent in 8 9 on that 10 ad energy 11 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. |
| explain to the Board what that 98 percent Hydro's proposal is about. A. Mr. Kelly, the most appropriate person you should be querying on the demand question and including this particular | eent in 8 9 on that 10 id energy 11 RFI 12 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand |
| explain to the Board what that 98 percent Hydro's proposal is about. A. Mr. Kelly, the most appropriate person you should be querying on the deman question and including this particular would be Mr. Banfield and Mr. Gren | eent in 8 9 on that 10 id energy 11 RFI 12 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if |
| explain to the Board what that 98 percent Hydro's proposal is about. A. Mr. Kelly, the most appropriate person you should be querying on the demare question and including this particular would be Mr. Banfield and Mr. Grent Stone and Webster. | xent in89on that10101011RFI121314 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if demand falls. Just go over to PUB-152, |
| explain to the Board what that 98 percently Hydro's proposal is about. A. Mr. Kelly, the most appropriate persong you should be querying on the demand question and including this particular would be Mr. Banfield and Mr. Grently Stone and Webster. Q. But this impacts the money to you as | xent in89on that10101011RFI121314CFO of15 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if demand falls. Just go over to PUB-152, because these are numbers that we can all |
| explain to the Board what that 98 percent Hydro's proposal is about. A. Mr. Kelly, the most appropriate person you should be querying on the demare question and including this particular would be Mr. Banfield and Mr. Grent Stone and Webster. | xent in89on that10101011RFI121314CFO of15 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if demand falls. Just go over to PUB-152, because these are numbers that we can all |
| explain to the Board what that 98 percently Hydro's proposal is about. A. Mr. Kelly, the most appropriate persong you should be querying on the demand question and including this particular would be Mr. Banfield and Mr. Grently Stone and Webster. Q. But this impacts the money to you as the company and so I gather you must -have you looked at this issue at all, or | 2 cent in 8 9 on that 10 nd energy 11 RFI 12 eman from 13 14 CFO of 15 have had- 16 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if demand falls. Just go over to PUB-152, because these are numbers that we can all understand and that are important to you as the CFO. So that two percent will result in a |
| explain to the Board what that 98 percently Hydro's proposal is about. A. Mr. Kelly, the most appropriate person you should be querying on the deman question and including this particular would be Mr. Banfield and Mr. Grem Stone and Webster. Q. But this impacts the money to you as the company and so I gather you must -have you looked at this issue at all, o CFO, it doesn't matter? | xent in89on that101011RFI12eman from1314CFO of15have had-16r as1718 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if demand falls. Just go over to PUB-152, because these are numbers that we can all understand and that are important to you as the CFO. So that two percent will result in a reduction in revenues for the year of 1.7 and |
| explain to the Board what that 98 percently Hydro's proposal is about. A. Mr. Kelly, the most appropriate person you should be querying on the deman question and including this particular would be Mr. Banfield and Mr. Green Stone and Webster. Q. But this impacts the money to you as the company and so I gather you must -have you looked at this issue at all, on CFO, it doesn't matter? A. I have reviewed the issue but at a very store of the company and so I gather you for the company and you have be the store of the company and you have be the store of the company and you have be the store of the company and you have be the store of the company and you have be the store of the store | xent in89on that10ad energy11RFI12eman from1314CFO of15have had-16r as1718/ high19 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if demand falls. Just go over to PUB-152, because these are numbers that we can all understand and that are important to you as the CFO. So that two percent will result in a reduction in revenues for the year of 1.7 and the upper bound, in other words, if demand |
| explain to the Board what that 98 percently dro's proposal is about. A. Mr. Kelly, the most appropriate person you should be querying on the deman question and including this particular would be Mr. Banfield and Mr. Grently Stone and Webster. Q. But this impacts the money to you as the company and so I gather you must -have you looked at this issue at all, on CFO, it doesn't matter? A. I have reviewed the issue but at a very level. The actual details of the working | xent in89on that101011RFI12eman from1314CFO of15have had-16r as1718y high19gs and20 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if demand falls. Just go over to PUB-152, because these are numbers that we can all understand and that are important to you as the CFO. So that two percent will result in a reduction in revenues for the year of 1.7 and the upper bound, in other words, if demand res by that five percent, will result in a |
| explain to the Board what that 98 percently dro's proposal is about. A. Mr. Kelly, the most appropriate person you should be querying on the deman question and including this particular would be Mr. Banfield and Mr. Grem Stone and Webster. Q. But this impacts the money to you as the company and so I gather you must -have you looked at this issue at all, o CFO, it doesn't matter? A. I have reviewed the issue but at a very level. The actual details of the workin the calculations that are through this to the the the the the the the the the the | xent in89on that101011RFI12eman from1314CFO of15have had-16r as17187 high19gs and20hing21 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if demand falls. Just go over to PUB-152, because these are numbers that we can all understand and that are important to you as the CFO. So that two percent will result in a reduction in revenues for the year of 1.7 and the upper bound, in other words, if demand gain in revenues of 4.9 million, except for |
| explain to the Board what that 98 percently Hydro's proposal is about. A. Mr. Kelly, the most appropriate persond you should be querying on the demand question and including this particular would be Mr. Banfield and Mr. Greently Stone and Webster. Q. But this impacts the money to you as the company and so I gather you must -have you looked at this issue at all, on CFO, it doesn't matter? A. I have reviewed the issue but at a very level. The actual details of the working the calculations that are through this to are done by Mr. Banfield and Mr. Greently | xent in89on that10ad energy11RFI12eman from1314CFO of15have had-16r as1718718719gs and20hing21neman.22 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if demand falls. Just go over to PUB-152, because these are numbers that we can all understand and that are important to you as the CFO. So that two percent will result in a reduction in revenues for the year of 1.7 and the upper bound, in other words, if demand gain in revenues of 4.9 million, except for the PUB assessment which will show as an |
| explain to the Board what that 98 percently dro's proposal is about. A. Mr. Kelly, the most appropriate person you should be querying on the deman question and including this particular would be Mr. Banfield and Mr. Grently Stone and Webster. Q. But this impacts the money to you as the company and so I gather you must -have you looked at this issue at all, on CFO, it doesn't matter? A. I have reviewed the issue but at a very level. The actual details of the workin the calculations that are through this tare done by Mr. Banfield and Mr. Grently Q. Right. And I want to stay with you at the state the state with you at t | xent in89on that101011RFI12eman from1314CFO of15have had-16r as1718718719gs and20hing21neman.22a very23 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if demand falls. Just go over to PUB-152, because these are numbers that we can all understand and that are important to you as the CFO. So that two percent will result in a reduction in revenues for the year of 1.7 and the upper bound, in other words, if demand rises by that five percent, will result in a gain in revenues of 4.9 million, except for the PUB assessment which will show as an increase or decrease in the following year. |
| explain to the Board what that 98 percently Hydro's proposal is about. A. Mr. Kelly, the most appropriate person you should be querying on the demare question and including this particular would be Mr. Banfield and Mr. Green Stone and Webster. Q. But this impacts the money to you as the company and so I gather you must -have you looked at this issue at all, on CFO, it doesn't matter? A. I have reviewed the issue but at a very level. The actual details of the workin the calculations that are through this to are done by Mr. Banfield and Mr. Green are don | xent in 8 9 9 on that 10 id energy 11 RFI 12 eman from 13 14 14 CFO of 15 have had- 16 r as 17 y high 19 gs and 20 hing 21 neman. 22 a very 23 a 98 24 | to pay anyway. Is that how I understand it? A. I believe you're correct but I think, once again, as I keep going back, the one that has a lot more in-depth knowledge of this would be Mr. Banfield and Mr. Greneman. Q. That's fine. Now, lets just go over toand that two percent floor is on the down side, if demand falls. Just go over to PUB-152, because these are numbers that we can all understand and that are important to you as the CFO. So that two percent will result in a reduction in revenues for the year of 1.7 and the upper bound, in other words, if demand rises by that five percent, will result in a gain in revenues of 4.9 million, except for the PUB assessment which will show as an increase or decrease in the following year. The variation in revenues will generally flow |

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

October 15, 2003

Multi-PageTMNL Hydro's 2003 General Rate Application

| | ober 15, 2003 Mult | 1-r aş | ge NL Hydro's 2003 General Rate Application |
|---------------------------------------|---|----------|---|
| | Page 93 | | Page 94 |
| 1 1 | KELLY, Q.C.: | 1 | Q. Now, where would Newfoundland Power get that |
| 2 | basis. So if we had the situation of, first | 2 | have to get that revenue from, that extra five |
| 3 | of all, the demand went down, Hydro would now | 3 | million dollars, because we're talking about |
| 4 | become exposed if its revenue volatility on | 4 | demand here now, a peak rise in the demand |
| 5 | forecasting would go from zero to 1.7 million, | 5 | during the winter causes five million dollars |
| 6 | correct? | 6 | in volatility. |
| 7 | A. Yes, I believe that's correct. | 7 | A. I don't know enough information to be able to |
| 8 | Q. But if the demand fell below that, | 8 | assess what the impact there would be into |
| 9 | Newfoundland Power would have to pay for | 9 | Newfoundland Power. And as I say, I think the |
| 10 | demand that its customers were not in fact | 10 | details of what you're referring to has got to |
| 11 | using, is that your understanding? | 11 | go back to Mr. Banfield. |
| 12 | A. Yes, there is a fixed amount that would be | 12 | Q. So, you as the CFO of Hydro, have not looked |
| 13 | done. There's a minimum payment that would | 13 | at where that additional revenue would have to |
| 14 | have to be made. | 14 | come from? |
| 15 | Q. Now, if the demand goes up, Newfoundland Power | 15 | A. I haven't looked personally at what would |
| 16 | would have to pay an additional 4.95 if it | 16 | happen within Newfoundland Power. |
| 17 | went to the upper end of that range, correct? | 17 | Q. Have you, as the CFO of Hydro, looked at the |
| 18 | A. Yes, I believe that's correct. | 18 | financial impact on the customers of this |
| 19 | Q. Now that 4.9 million of extra revenue to start | 19 | Province to account for that five million |
| 20 | off with, that would go, as the answer says, | 20 | dollars, as to where it would have to come |
| 21 | right to Hydro's bottom line. And if we go | 21 | from and how we would get there? |
| 22 | over to NP-160, that 4.9 million is equivalent | 22 | A. The question was answered based on the |
| 23 | to 230 basis points or a 2.3 rate of return | 23 | circumstances that was there and it was said |
| 24 | excess for Hydro, lines 8 and 9? | 24 | to quantify what was the impact of the |
| 25 | A. Yes, that's what it says. | 25 | parameters that were set and this is the |
| | Page 95 | | Page 96 |
| 1 | impact that would arise on Hydro. | 1 | points, I take it that as part of this |
| 2 | Q. On Hydro. | 2 | proposal for a demand energy rate, Hydro has |
| $\begin{vmatrix} 2\\ 3 \end{vmatrix}$ | A. It didn't go into Newfoundland Power or to | 3 | not incorporated any provision for an excess |
| 4 | anyone else. | 4 | revenue account, either as part of this or as |
| 5 | Q. But the question I'm asking you now is as the | 5 | part of any other of the proposals in relation |
| 6 | CFO of Hydro, have you looked at what this | 6 | to its dividends and rate of return? |
| 7 | would mean for rate payers in Newfoundland and | 7 | A. At this point, Hydro has not brought forward |
| 8 | Labrador - | 8 | any changes relative to caps or margins or |
| 9 | A. Have I - | 9 | spreads associated, other than the fact that |
| 10 | Q as to how this five million is somehow going | 10 | its return on its equity was requested at 9.75 |
| 11 | to get out of their pockets through us to you. | 11 | percent. The 230 basis points that you happen |
| 11 | A. No, I have not. | | to see here relative to that 4.9 million |
| 12 | Q. And I take it from the answers to the | 12 13 | dollars happens to be so high because of the |
| 13 | questions I've already posed, you have not | 15 | fact that it is the level of the equity that's |
| 14 | looked at the revenue volatility that this | 14 | in Hydro. It only happens to be about, |
| 15 | would mean to Newfoundland Power? | 15 | approximately about 200 million dollars. So |
| 17 | A. I haven't. I'm not sure as to whether or not | 10 | that's why it ends up being a total basis |
| 17 | there's been some discussions between | 17 | points of 230. |
| 18 | Newfoundland Power and Hydro. This | 18 | Q. That kind of leads into my next question which |
| 20 | information is available to them through the | 20 | is I want to look at this question of |
| 20 | RFI, which indicates the impact on Hydro. But | 20 | dividends and capital structure. Let's start |
| 1 | once again, as I say, Mr. Banfield would have | 21 | by going to Mr. Brushett's report at page 11. |
| 22 23 | more in-depth knowledge associated with this. | 22 | And we have in the middle of the page there, |
| 23 24 | Q. I'm going to leave that point at that. Now, | | the table that shows the changes in capital |
| | just before I leave this point, that 230 basis | 24 | structure from 2001 through to forecast 2004. |
| 25 | Just before I leave this point, that 250 basis | 25 | structure from 2001 through to forecast 2004. |

Multi-Page ™ NL Hydro's 2003 General Rate Application Page 97

| | Def 15, 2005 M | iiu-raž | ge NL Hydro's 2005 General Kate Application |
|----------------|---|--|---|
| | Page | 97 | Page 98 |
| 1 K | ELLY, Q.C.: | 1 | million dollars paid out. |
| 2 | So in 2001, Hydro at 18 percent equity, was | 2 | Q. Right. So the 65 was declared and paid in '02 |
| 3 | actually beginning to get reasonably close to | 3 | and the 5.6 was in fact declared and paid in |
| 4 | the 20 percent target that had been | 4 | '03. |
| 5 | established as far back as about 1990. Would | 5 | A. Yes, and the dividend that was paid in '03 was |
| 6 | you agree with that, Mr. Roberts? | 6 | related to the final settlement for 2002 |
| 7 | A. Yes, I believe that's correct. | 7 | actuals. If I may, just to provide a little |
| 8 | Q. And that has slid since down to 86.4 percent | 8 | bit of additional information for the Board as |
| 9 | in 2003 on debt or 11.9 percent on equity and | 9 | well, Hydro's dividend to the Province on a |
| 10 | will only be recovered to 12.4 percent in | 10 | particular year, there's only small quarterly |
| 11 | 2004, correct? | 11 | payments, instalment payments are made to the |
| 12 | A. That's correct. | 12 | Province. And at the end of a particular |
| 13 | Q. Now, there was some discussion with Mr. Wells | 13 | year, once the actual results are known, then |
| 14 | about the dividends paid in 2002 and the | 14 | the 75 percent calculation is done and the |
| 15 | dividends paid in 2003 and if I take you to | 15 | dividend is paid within the first quarter of |
| 16 | Mr. Brushett's report at line 22, he says | 16 | the following year. |
| 17 | "This overall deterioration from 2001 can be | 17 | So that the dividend of 5.6 million |
| 18 | attributed primarily to the significant | 18 | dollars that was paid in 2003 is the final |
| 19 | dividends declared and paid on regulated | 19 | settlement based on regulated income for 2002. |
| 20 | operations in 2002 of 65.7 million, and the | 20 (| (12:00 p.m.) |
| 21 | dividends forecast for 2003 of 5.6 million." | 21 | Q. But, in fact, does it help if we put the 5. 6 |
| 22 | Now as I understand it, Mr. Roberts, the total | 22 | back into 2002 and we have 71.3 million, that |
| 23 | that was paid in 02 and 03 is the sum of those | 23 | is stillin 2002, that is still vastly in |
| 24 | numbers, of 71.3 million. Is that correct? | 24 | excess of the dividend policy in 2002, isn't |
| 25 | A. Over the two-year period, yes, there was 71.3 | 25 | it? |
| | Page | 99 | Page 100 |
| 1 | A. Yes, and everybody was aware of that at the | 1 | highlight that the reason why it's 230 basis |
| 2 | last hearing that this was going to occur and | 2 | points is because there's only 200 million |
| 3 | in fact it actually did. | 3 | dollars worth of equity there. It wasn't to |
| 4 | Q. It did occur. | 4 | infer other than that's why it's 230 basis |
| 5 | A. You know, it's not a surprise that the | 5 | points. |
| 6 | dividend was to be paid. As a matter of fact | 6 | Q. Right. But the reason that it is 230 million |
| 7 | we even filed our application back in 2001 | 7 | as opposed to about 75 or 80 million more than |
| 8 | reflecting the payment of this special | 8 | that, if you go to Mr. Brushett at page 14, is |
| 9 | dividends by the Province. | 9 | because government and Hydro's Board paid out |
| 10 | Q. And that decision to take out the dividends | 10 | 70 plus million dollars worth of dividends, is |
| 11 | and reduce the equity was the decision of the | 11 | that not correct? |
| 12 | shareholder, the Government of Newfoundland | 12 | A. There's no question that the payment of |
| 13 | and Labrador, and Hydro's Board? | 13 | dividends reduced equity so, consequently, any |
| 14 | A. Well, the Government requested a special | 14 | change like that will automatically increase |
| 15 | dividend and Hydro's Board reviewed the | 15 | the number of base points. |
| 16 | circumstances and then based on that, they did | 16 | Q. Right. So now if we go to your evidence at |
| 17 | agree to the payment of the special dividend. | 17 | Section 3.3, it's at page nine, you make the observations under "Financial Risk", I'll take |
| 18 19 | Q. Right. So, when, for example, we were looking at the demand energy a few moments ago and you | 18 | you to line 21. "If there is little equity in |
| 20 | said well it's 2.3 percent because of the thin | 19 | the capital structure, financial flexibility |
| 20 | equity, that is because of a decision made by | 20 21 | is reduced." And is it not the case that the |
| 21 | government, the shareholder and Hydro's Board | $\begin{vmatrix} 21\\22 \end{vmatrix}$ | shareholder and Hydro's Board, having made |
| | to depart from the policy of moving to an | 22 | that decision, made a decision to have less |
| 23 | | | |
| 23 24 | | | |
| 23 24 25 | 80/20 split, is it not? A. My reference a few minutes ago was just to | 24 25 | flexibility? A. Which line were you referring to again, Mr. |

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

October 15, 2003

Multi-PageTMNL Hydro's 2003 General Rate Application

| October 15, 2005 | Multi-Page | NL Hydro's 2005 General Rate Application |
|---|------------|--|
| | Page 101 | Page 102 |
| 1 MR. ROBERTS: | 1 | by shareholders that it required a special |
| 2 Kelly? | 2 | dividend and that's what was paid. But I |
| 3 Q. Lines 21 and 22. In other words, that | 3 | guess if you look at what happened within the |
| 4 determination that leads to less financial | 4 | organization, dividends only commenced being |
| 5 flexibility is in fact a determination made | by 5 | paid in 1995, so if you look at it on a total |
| 6 government and Hydro's Board, is it not? | 6 | basis of what could or could not have been |
| 7 A. The reduction in equity, in effect, is | 7 | paid out, the amount of dividends that are |
| 8 limiting the amount of return that's availab | ole 8 | paid out is still only 35 percent of what |
| 9 to the shareholder. | 9 | could have been done. |
| 10 Q. And that was the decision made by Hyd | lro's 10 O | 2. So are you suggesting that the 80/20 policy |
| Board and government, collectively. | 11 | was not a good policy to have had in the 1990s |
| 12 A. That was the collective decision that was r | | and at the last hearing? |
| 13 at the time to pay out this special dividend | | No, I'm not saying that. I'm saying that I |
| 14 of 60 million dollars. | 14 | still feel that the policy of 80/20 is a |
| 15 Q. Right. And in fact, if you go over to the | | reasonable level to obtain. Ms. McShane, our |
| 16 next page, page 10, at line 14 where you sa | | financial expert considers it to be at an |
| 17 "It is considered prudent to commence mo | | upper end of a reasonable range associated |
| 18 toward the capital structure of 80 percen | - | with being self-supporting, and we still feel |
| 19 debt over the next five years", that same | | that the efforts to try to attain and return |
| 20 position, was it not, was advanced by Hyd | | to an $80/20$ debt capital structure is still |
| 21 1990 that we should move to 80/20 and, | | appropriate. |
| 22 fact, looking back at it now, really no | | Right. But government, your shareholder, |
| 23 progress had been made, has it? Again | | hasn't signed onto that, has it, Mr. Roberts? |
| because of the decisions by the shareholde | | . Not at this point, no. |
| 25 A. Well, we were there and the decision was | | And so the proposal to the Board at this |
| | | <u> </u> |
| | Page 103 | Page 104 |
| 1 stage, in fact, ignores the fact that | ha 1 | from government, then our current targets of |
| 2 government has not signed on to either t | | trying to achieve an 80/20 ratio and a |
| 3 capital structure policy or the dividend4 policy, have they? | 3 | dividend payout ratio of 75 percent are, in |
| | tha 4 | fact, the policy of the organization. |
| | | 2. The policy of Hydro. |
| 6 actual capital structure is and what the | | . Yes. |
| 7 actual existing dividend pay-out ratio happ | | 2. Yes, but not necessarily the policy of |
| 8 to be, and that is up to 75 percent of net | 8 | government? |
| 9 operating income as reflected in this | | They are, unless further direction is |
| 10 application. | 10 | received. Well, can I take you to Mr. Wells' |
| 11 Q. Okay. And if I take you back to page 8 | | evidence to the capital structure, dividend |
| 12 your testimony, where you say at line 1 | | policy report, the last page, which is 7 of 7, |
| 13 through 20, I'll take you to line 18. | 13 | the last paragraph, where Mr. Wells and Hydro, |
| 14 "Hydro's financial integrity and credit | | in fact, advised that failure to adhere to |
| 15 worthiness are of concern to the sharehold | | such a policy could result in similar |
| and are key determinants in what constitut | | disallowances by the Board, therefore, |
| 17 reasonable rate of return". But in fact, ma | | adversely impacting any shareholder returns. |
| 18 I suggest to you, sir, that for you to say | 18 | So, despite the advice and direction of Hydro |
| 19 that Hydro's financial integrity and credi | | to government, the shareholder, government has |
| 20 worthiness are of key concerns to the | | not seen fit to respond and provide direction |
| 21 shareholder, when government has not res | - | yet, has it? |
| 22 to your policy paper, to Hydro's policy pa | per 22 A | To date, government hasn't issued any |
| | - | |
| 23 on capital structure and dividend policy, i | s 23 | direction back to Hydro relative to this |
| | s 23 24 | |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | | -1 ag | |
|--|---|--|---|
| | Page 105 | | Page 106 |
| | ELLY, Q.C.: | 1 | doing. |
| 2 | by government to address any of these issues | 2 | Q. That Hydro's target and I'll agree with you |
| 3 | of capital structure and rate of return, is | 3 | that that's Hydro's target, but government has |
| 4 | there? | 4 | not yet given you any commitment on those |
| 5 | A. The information that you see that's filed here | 5 | items, have they? |
| 6 | has been provided to government. There have | 6 | A. We haven't received formal notification of any |
| 7 | been some briefings with the Minister as Mr. | 7 | change relative to what has been provided to |
| 8 | Wells outlined and with the Deputy Minister. | 8 | them on the capital structure and dividend |
| 9 | Hydro's Board is conversant with what has been | 9 | payment. |
| 10 | presented and we have to wait and receive | 10 | Q. And government still provides the loan |
| 11 | further direction from government at this | 11 | guarantee and Hydro continues to pay the loan |
| 12 | time. | 12 | guarantee fee? |
| 13 | Q. So, at this point in time, there's no | 13 | A. That's correct. |
| 14 | commitment on capital structure or dividend | 14 | Q. And Hydro is still exempt from paying income |
| 15 | policy. Government is still providing the | 15 | tax and there are no proposals to change that? |
| 16 | guarantee and - | 16 | A. Not that I'm aware of. |
| 17 | A. No, I don't agree. You say there's no | 17 | Q. Okay. As we talked about earlier, there are |
| 18 | commitment. We have established policies of | 18 | no proposals for either excess earnings |
| 19 | what we feel is the dividend payout ratio | 19 | accounts, range of rate of Return on Rate Base |
| 20 | which is 75 percent. That is still the | 20 | or automatic adjustment formulas? |
| 21 | current policy and it's still our objective | 21 | A. Hydro has not proposed any in this application |
| 22 | and target to endeavour to return to $80/20$. | 22 | at this point in time. |
| 23 | So, we do have something in place today. | 23 | Q. And the rural deficit continues to be |
| 24 | That's not to say that it may not change, but | 24 | transferred to rate payers as opposed to paid |
| 25 | there is, in fact, some basis for what we are | 25 | by government directly, no proposals to change |
| | | - | |
| | Page 107 | | Page 108 |
| 1 | that? | 1 | Page 108 you're ready, please. |
| 1 2 | that? A. The payment of the rural deficit has been | | Page 108 you're ready, please. /R. SEVIOUR: |
| | that?A. The payment of the rural deficit has been determined by an Order in Council and | | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be |
| 2 | that?A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will | 2 N 3 4 | Page 108 you're ready, please. AR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. |
| 2 3 | that?A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and | 2 N 3 | Page 108 you're ready, please. AR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. |
| 2 3 4 | that?A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. | 2 N 3 4 5 6 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. |
| 2 3 4 5 6 7 | that?A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers.Q. Okay. | 2 N 3 4 5 6 7 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up |
| 2 3 4 5 6 | that?A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers.Q. Okay.A. So, direction has been received from | 2 N 3 4 5 6 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which |
| 2 3 4 5 6 7 | that?A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers.Q. Okay.A. So, direction has been received from government on that particular issue. | 2 N 3 4 5 6 7 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do |
| 2 3 4 5 6 7 8 | that?A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers.Q. Okay.A. So, direction has been received from government on that particular issue.Q. Right. And it effectively means no change in | 2 N 3 4 5 6 7 8 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? |
| 2 3 4 5 6 7 8 9 10 11 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from | 2 M 3 4 5 6 7 8 9 10 11 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. |
| 2 3 4 5 6 7 8 9 10 11 12 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. | 2 N 3 4 5 6 7 8 9 10 11 12 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt |
| 2 3 4 5 6 7 8 9 10 11 12 13 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction | 2 N 3 4 5 6 7 8 9 10 11 12 13 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction that came, is that Newfoundland Power and the | 2 N 3 4 5 6 7 8 9 10 11 12 13 14 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of 5.05 percent issued just a couple of years ago |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction that came, is that Newfoundland Power and the Labrador Interconnected Customers would | 2 N 3 4 5 6 7 8 9 10 11 12 13 14 15 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of 5.05 percent issued just a couple of years ago and that's part of my question, were they |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction that came, is that Newfoundland Power and the Labrador Interconnected Customers would continue to pay the rural deficit. | 2 N 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of 5.05 percent issued just a couple of years ago and that's part of my question, were they issued in two years or just in one year? |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction that came, is that Newfoundland Power and the Labrador Interconnected Customers would continue to pay the rural deficit. Q. Okay. Those are all my questions, Mr. | 2 N 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of 5.05 percent issued just a couple of years ago and that's part of my question, were they issued in two years or just in one year? A. There was an initially issue and then I think |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction that came, is that Newfoundland Power and the Labrador Interconnected Customers would continue to pay the rural deficit. Q. Okay. Those are all my questions, Mr. Roberts. Thank you very much for your time | 2 N 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of 5.05 percent issued just a couple of years ago and that's part of my question, were they issued in two years or just in one year? A. There was an initially issue and then I think in 2002, we opened that issue, had an opener |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction that came, is that Newfoundland Power and the Labrador Interconnected Customers would continue to pay the rural deficit. Q. Okay. Those are all my questions, Mr. Roberts. Thank you very much for your time and patience. | 2 N 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of 5.05 percent issued just a couple of years ago and that's part of my question, were they issued in two years or just in one year? A. There was an initially issue and then I think in 2002, we opened that issue, had an opener that you could increase it. |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction that came, is that Newfoundland Power and the Labrador Interconnected Customers would continue to pay the rural deficit. Q. Okay. Those are all my questions, Mr. Roberts. Thank you very much for your time and patience. A. Thank you. | 2 N 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of 5.05 percent issued just a couple of years ago and that's part of my question, were they issued in two years or just in one year? A. There was an initially issue and then I think in 2002, we opened that issue, had an opener that you could increase it. Q. And this is at a very preferential rate. My |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 C | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction that came, is that Newfoundland Power and the Labrador Interconnected Customers would continue to pay the rural deficit. Q. Okay. Those are all my questions, Mr. Roberts. Thank you very much for your time and patience. A. Thank you. | 2 N 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of 5.05 percent issued just a couple of years ago and that's part of my question, were they issued in two years or just in one year? A. There was an initially issue and then I think in 2002, we opened that issue, had an opener that you could increase it. Q. And this is at a very preferential rate. My question, I guess, was the maturity date of |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 C 22 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction that came, is that Newfoundland Power and the Labrador Interconnected Customers would continue to pay the rural deficit. Q. Okay. Those are all my questions, Mr. Roberts. Thank you very much for your time and patience. A. Thank you. HAIRMAN: Q. Thank you, Mr. Kelly. Thank you, Mr. Roberts. | 2 N 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of 5.05 percent issued just a couple of years ago and that's part of my question, were they issued in two years or just in one year? A. There was an initially issue and then I think in 2002, we opened that issue, had an opener that you could increase it. Q. And this is at a very preferential rate. My question, I guess, was the maturity date of 2006 which is considerably shorter term than |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 C 22 23 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction that came, is that Newfoundland Power and the Labrador Interconnected Customers would continue to pay the rural deficit. Q. Okay. Those are all my questions, Mr. Roberts. Thank you very much for your time and patience. A. Thank you. HAIRMAN: Q. Thank you, Mr. Kelly. Thank you, Mr. Roberts. We'll move now to the Industrial Customers, I | 2 N 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | Page 108 you're ready, please. RR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of 5.05 percent issued just a couple of years ago and that's part of my question, were they issued in two years or just in one year? A. There was an initially issue and then I think in 2002, we opened that issue, had an opener that you could increase it. Q. And this is at a very preferential rate. My question, I guess, was the maturity date of 2006 which is considerably shorter term than most of the debt instruments that are listed |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 C 22 | that? A. The payment of the rural deficit has been determined by an Order in Council and direction issue to the Board that it will continued to be paid by Newfoundland Power and the Labrador Interconnected Customers. Q. Okay. A. So, direction has been received from government on that particular issue. Q. Right. And it effectively means no change in policy, in fact, backed up on some issues from the Board's last order. A. I guess I can only repeat that the direction that came, is that Newfoundland Power and the Labrador Interconnected Customers would continue to pay the rural deficit. Q. Okay. Those are all my questions, Mr. Roberts. Thank you very much for your time and patience. A. Thank you. HAIRMAN: Q. Thank you, Mr. Kelly. Thank you, Mr. Roberts. | 2 N 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | Page 108 you're ready, please. MR. SEVIOUR: Q. Thank you, Mr. Chair. And I will be conducting the cross-examination of Mr. Roberts. Good afternoon, Mr. Roberts. A. Good day. Q. Mr. Roberts, can I begin by asking you turn up schedule to your evidence, Schedule 11 which reflects the schedule of long term debt. Do you have that, sir? A. Yes. Q. My interest is in the series ACC debt instruments which reflect an interest rate of 5.05 percent issued just a couple of years ago and that's part of my question, were they issued in two years or just in one year? A. There was an initially issue and then I think in 2002, we opened that issue, had an opener that you could increase it. Q. And this is at a very preferential rate. My question, I guess, was the maturity date of 2006 which is considerably shorter term than |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | obel 15, 2005 Willi | -1 a | ige NL fryuro \$ 2005 General Kate Application |
|----------------------------|---|----------------------------|--|
| | Page 109 | | Page 110 |
| 1 1 | MR. SEVIOUR: | 1 | my interest is the passage where you're |
| 2 | the case, that it was such a short term issue? | 2 | talking to Mr. Browne about Granite Canal. |
| 3 | A. At the point in time in the analysis of what | 3 | And at page 20, lines 8 to 12, I wonder if I |
| 4 | Hydro's debt was and what it's weighted | 4 | can ask you to read the test. |
| 5 | average term to maturity was in relation to | 5 | A. Beginning on line? |
| 6 | its debt and the advice of what would be | 6 | Q. Just the first full sentence in line 8. |
| 7 | required in the market at a particular time. | 7 | A. Eight, "if the project was being added in |
| 8 | And the decision was made that we would go | 8 | 2004, because you're averaging 2003 and '04, |
| 9 | with a five-year ratio and also in that same | 9 | the impact on Rate Base wouldn't be a full 135 |
| 10 | particular year, there was also another long- | 10 | million dollars for the purpose of supplying |
| 11 | term issue that was done for 30 years. | 11 | the return". |
| 12 | Q. And were those two separate issue directed to | 12 | (12:15 p.m.) |
| 13 | two separate projects, financings or | 13 | Q. Thank you. And my question, Mr. Roberts, I'm |
| 14 | undertakings? | 14 | interested in confirming whether or not the |
| 15 | A. I'm just trying to recall from memory now. | 15 | Granite Canal is currently fully in Rate Base? |
| 16 | These were thein the case of 2001, there was | 16 | A. Yes. In retrospect, that answer is wrong, |
| 17 | a requirement for approximately another 250 | 17 | because it's in 2003 and it's in service, the |
| 18 | million dollars, I think of additional | 18 | 2003 number is in the 2004 number. |
| 19 | borrowings. That wasour promissory note | 19 | Q. So, when we look at Schedule 3 to your |
| 20 | level was getting close to the 300 dollar | 20 | evidence which deals with the Rate Base, we |
| 21 | maximum. And I believe there was an issue | 21 | see the full capital contribution of Granite |
| 22 | that was maturing in that particular year. | 22 | Canal in that total figure. |
| 23 | So, it was a refinancing as well. | 23 | A. Yes. What I was trying to highlight and I |
| 24 | Q. Thank you. Can I next ask Mr. O'Reilly to | 24 | probably picked the wrong period of time, but |
| 25 | turn up page 20 of yesterday's transcript and | 25 | for instance, if a project happened to come |
| | Page 111 | | Page 112 |
| 1 | in, say, 2004, because you're averaging, you | 1 | management and then subsequently brought to |
| 2 | wouldn't get the full year's impact on Rate | 2 | the Board of Directors for confirmation. One |
| 3 | Base. So, my apologies. It is in the 2003 | 3 | of Hydro's Board members is the Deputy |
| 4 | number and is in the 2004, so the overall | 4 | Minister of Finance representing the Province. |
| 5 | impact is that it's in Rate Base. | 5 | So, he is versed on the results of all the |
| 6 | Q. I wanted to move on now to issues of Hydro's | 6 | Board meetings of Hydro, as to the discussions |
| 7 | financial targets, Mr. Roberts and can you | 7 | and the outcome and would be in a position to |
| 8 | indicate who sets those financial targets for | 8 | relay that information to appropriate people |
| 9 | Hydro? | 9 | within government. In addition to that, Mr. |
| 10 | A. The financial targets are determined by the | 10 | Wells, through conversations either through |
| 11 | management of the Company and brought forward | 11 | our Minister or others, may have been involved |
| 12 | to the Hydro Board of Directors for | 12 | in some of these discussions that I would not |
| 13 | confirmation. | 13 | be aware of. |
| 14 | Q. I was interested in the exchange of | 14 | Q. Okay. And the type of specific initiative |
| 15 | correspondence between Mr. Wells that Mr. | 15 | that we saw addressed by Mr. Wells' |
| 16 | Kelly referred to just moments ago in | 16 | correspondence, that is the recommendation for |
| 17 | ment referred to just moments ago m | | |
| 11/ | connection with the dividend policy and that | 17 | a 50 percent dividend policy being a change |
| 18 | | 17 18 | a 50 percent dividend policy being a change from had formerly been the case, would that be |
| 1 | connection with the dividend policy and that | | |
| 18 | connection with the dividend policy and that particular financial target. And I wondered | 18 | from had formerly been the case, would that be |
| 18 19 | connection with the dividend policy and that particular financial target. And I wondered if you could indicate to the Board the level | 18 19 | from had formerly been the case, would that be in the nature of a routine consultation |
| 18 19 20 | connection with the dividend policy and that particular financial target. And I wondered if you could indicate to the Board the level of consultation, if any, that goes on between | 18 19 20 | from had formerly been the case, would that be in the nature of a routine consultation communication with government or would it be |
| 18 19 20 21 | connection with the dividend policy and that particular financial target. And I wondered if you could indicate to the Board the level of consultation, if any, that goes on between shareholder government and Hydro in connection | 18 19 20 21 | from had formerly been the case, would that be in the nature of a routine consultation communication with government or would it be extraordinary, in your experience?A. Well, the preparation of that capital structure dividend policy was, I guess, one of |
| 18 19 20 21 22 | connection with the dividend policy and that particular financial target. And I wondered if you could indicate to the Board the level of consultation, if any, that goes on between shareholder government and Hydro in connection with those financial targets. | 18 19 20 21 22 | from had formerly been the case, would that bein the nature of a routine consultationcommunication with government or would it beextraordinary, in your experience?A. Well, the preparation of that capital |

Multi-PageTMNL Hydro's 2003 General Rate Application

| Octo | ober 15, 2003 Mul | ti-Pa | ge [™] NL Hydro's 2003 General Rate Application |
|------|--|-------|--|
| | Page 11 | 3 | Page 114 |
| 1 N | IR. ROBERTS: | 1 | what was felt as being a reasonable and |
| 2 | expressed by the Board relative to, number | 2 | realistic way of trying to return to what was |
| 3 | one, the payment of a special dividend which | 3 | felt, by management, to be an appropriate debt |
| 4 | was higher than what was Hydro's normal | 4 | to capital structure of $80/20$. |
| 5 | dividend policy and just what direction was | 5 | Q. And would I be fair in colouring the |
| 6 | going to be available to the organization on a | 6 | communication on the discussion paper as more |
| 7 | go-forward basis. Because, you know, it can | 7 | in the nature of an exceptional or unusual |
| 8 | have an impact on rates and what's being | 8 | communication from Hydro to its shareholder in |
| 9 | presented. Based on that, discussions | 9 | that regard? |
| 10 | commenced, of courseI should back up just | 10 | A. Only from the point of view that the payment |
| 11 | one step, government were certainly aware that | 11 | of the special dividend and the impact that it |
| 12 | the payment of the special dividend that had | 12 | had on the organization and the concerns that |
| 13 | been requested would certainly be an issue of | 13 | there was a lack of predictability and |
| 14 | concern at the hearing in 2001 too. And after | 14 | stability here as to what was happening and |
| 15 | the issue of P.U.7 in the final order and the | 15 | Hydro was trying to provide as much |
| 16 | concerns that were raised by the Board, | 16 | information as it could to government on a |
| 17 | management decided that it would put together | 17 | discussion paper to start to generate some |
| 18 | a discussion paper for government on this | 18 | discussion with them to see if there was a way |
| 19 | particular area. And it should be broad | 19 | that we can accommodate all parties concerned, |
| 20 | enough not just to cover, you know, the actual | 20 | some requests and allow Hydro to return back |
| 21 | payment of dividends and what it was in the | 21 | to its debt to capital structure of 80/20. |
| 22 | future, but also deal with the capital | 22 | Q. Thank you, Mr. Roberts. I think I'll move on. |
| 23 | structure and what were the background that | 23 | I'm going to ask you to turn up Schedule 4 of |
| 24 | led into this and what were the ramifications | 24 | your evidence, please. I'm sorry, I have that |
| 25 | is what's been done to date. It also contains | 25 | incorrect, it would be Schedule 9 of your |
| | Page 11 | 5 | Page 11 |
| 1 | evidence. And this is a schedule of retained | 1 | borrows in the capital markets, it's able to |
| 2 | earnings and as I understand it, the equity in | 2 | borrow based on the guarantee of its owner, |
| 3 | Hydro, Mr. Roberts, is not, in fact, typical | 3 | but in the assessment of the organization, the |
| 4 | capital injection equity, but it's really in | 4 | bond rating agencies do look at the impact of |
| 5 | the form of retained earnings, is that | 5 | the organization, both on a consolidated and |
| 6 | correct? | 6 | an unconsolidated basis. And they do issue |
| 7 | A. Yes, these are the accumulated earnings in | 7 | reports on Newfoundland and Labrador Hydro |
| 8 | Hydro. | 8 | which will outline concerns, if they have any, |
| 9 | Q. And if we look at the Schedule, can you | 9 | and also deals with the way that the operation |
| 10 | confirm that the equity that's reflected then | 10 | is operating. |
| 11 | is the retained earnings in the amount of | 11 | Q. But the principle reliance that's placed by |
| 12 | \$200,419,000.00 reflected on the schedule? | 12 | Hydro on borrowing is on the Province's |
| 13 | A. That is the accumulated earnings in Hydro and | 13 | guarantee, is that correct? |
| 14 | net of dividends since its formation. | 14 | A. The guarantee enables us, at our present |
| 15 | Q. But I'm correct in regarding this as the | 15 | capital structure, to be able to readily |
| 16 | equity that is in Hydro regarded to be the | 16 | available (sic.) raise funds and it's with |
| 17 | equity base of Hydro? | 17 | that guarantee that we're able to do that. |
| 18 | A. This the shareholder's equity within Hydro | 18 | And the presence of that guarantee really, in |
| 19 | from its accumulated earnings net of dividend. | 19 | effect, and Ms. McShane deals with this in her |
| 20 | Q. And can you confirm that Hydro does not rely | 20 | evidence, that the presence of a guarantee |
| 21 | on this equity and the associated capital | 21 | with our capital structure of approximately |
| 22 | structure of Hydro to permit it to borrow in | 22 | 80/20 equates almost to a $60/40$ where there |
| 23 | the world financial markets? | 23 | wouldn't be a guarantee. |
| 24 | A. I guess I'm hesitant in answering your | 24 | Q. And with the guarantee, I think you've said in |
| 25 | question to be that specific. When Hydro | 25 | your evidence that Hydro achieves a credit |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | | | age ML Hydro's 2003 General Rate Application |
|-----|---|----|---|
| | Page 117 | | Page 118 |
| 1 1 | MR. SEVIOUR: | 1 | costs associated with borrowing in the world |
| 2 | rating that's equivalent to the Province's, is | 2 | financial markets? |
| 3 | that correct? | 3 | A. I, personally, I wouldn't know if it was just |
| 4 | A. We automatically get the credit rating of the | 4 | a guarantee. I can only give the opinion that |
| 5 | Province. | 5 | when the ratings are done, this is just one of |
| 6 | Q. But the guarantee that the government | 6 | many factors that will be looked at similar to |
| 7 | provides, are you aware, does it cost | 7 | the ratings and the reports that would be |
| 8 | government anything? | 8 | issued on Newfoundland and Labrador Hydro. It |
| 9 | A. Yes, there would be a cost to the Province | 9 | wouldn't be restricted to just one particular |
| 10 | from the point of view that by having this | 10 | area. |
| 11 | guarantee there, it is, in effect, putting a | 11 | Q. But you personally have no knowledge of any |
| 12 | contingent amount on the amount of funds that | 12 | actual costs to government in that - |
| 13 | even the Province can borrow. Because when | 13 | A. No, I'm not involved in the discussions with |
| 14 | you're looking at the total borrowing ability | 14 | government. I've been involved with the bond |
| 15 | of the Province, then it's important that | 15 | rating agencies relative to Newfoundland and |
| 16 | Hydro continue to show that it's self | 16 | Labrador Hydro and their assessment of Hydro. |
| 17 | supporting, but I also believe that the bond | 17 | Q. Thank you. Now, as I understand it, the |
| 18 | rating agencies do take into account | 18 | guarantee fee will be projected to be |
| 19 | guarantees that would be issued on other | 19 | \$14,453,000.00 in test year 2004. I think you |
| 20 | entities because that could be a potential | 20 | can find that on your Schedule 7. Is that |
| 21 | liability that could be called upon in the | 21 | correct? |
| 22 | case of default. | 22 | A. The amount sounds familiar, yes. |
| 23 | Q. And are you aware of whether or not, by reason | 23 | Q. And that is booked as a cost of debt to Hydro? |
| 24 | of the guarantee, government has been exposed | 24 | A. Yes, it is. |
| 25 | to higher borrowing costs of have seen other | 25 | Q. Okay. Is it fair for us to conclude, Mr. |
| | Page 119 | | Page 120 |
| 1 | Roberts, that with the government's guarantee, | 1 | at the Province's credit rating in that |
| 2 | Hydro enjoys a sound credit rating in the | 2 | regard, is that fair? |
| 3 | world financial markets? | 3 | A. I think they're looking at the credit rating |
| 4 | A. The guarantee is only there to help the debt | 4 | of the Province in our case. It's the return |
| 5 | holder. The debt holder is looking for some | 5 | that shareholder gets helps to add credence |
| 6 | guarantee at some point that its going to | 6 | towards the guarantee. And, if anything, may |
| 7 | achieve its money in the case of default. So, | 7 | make it easier for the Province in respect |
| 8 | the guarantee is saying that in the event that | 8 | that if the entity is self supporting, self- |
| 9 | the organization is not self-sustaining and is | 9 | sustaining and the likelihood of having the |
| 10 | not earning a reasonable return on its | 10 | guarantee exercised is lessened. |
| 11 | operations, then the recourse is back to | 11 | Q. I wanted to take you to your table 1 on page 7 |
| 12 | whoever issued the guarantee. | 12 | of your evidence and these are the tables |
| 13 | Q. But is it true that from a creditor's | 13 | reflecting financial results. Do you have |
| 14 | perspective on the world financial markets, a | 14 | that, Mr. Roberts? |
| 15 | lender to Hydro is going to regard Hydro as | 15 | A. Yes, I do. |
| 16 | having a sound credit rating for credit | 16 | Q. In this one is the present debt equity ratio |
| 17 | purposes for its lending purposes by reason of | 17 | to be 86 to 14, is that correct? |
| 18 | the government's guarantee? | 18 | A. In 2003, yes, debt to capital of 86 to 14. |
| 19 | A. No, the guarantee is being looked at as being | | (12:30 p.m.) |
| 20 | a comfort or a cushion to the debt holder. | 20 | Q. And at page 10 of your evidence, you say it's |
| 21 | What's being looked at is what is the risks | 21 | a financial goal or a target of Hydro that its |
| 22 | associated with government as a shareholder in | 22 | financial position does not impinge on the |
| 23 | Hydro enabled to have, as sufficient funds, | 23 | credit rating of the Province. Do you recall |
| 24 | and a return on that to cover it. | 24 | that evidence? |
| 25 | Q. Okay. And the creditor is essentially looking | 25 | A. Yes, I do. |

| | ober 15, 2005 Mult | I-Page | e NL Hydro's 2003 General Rate Application |
|--|--|--|--|
| | Page 121 | | Page 122 |
| 1 1 | MR. SEVIOUR: | 1 | uncertainties or some concerns that would be |
| 2 | Q. Could you elaborate on that, what are you | 2 | raised relative to Hydro in its analysis by |
| 3 | getting at there? | 3 | the various bond rating agencies. |
| 4 | A. Well, for instance, if I may, the table that | 4 | If I may, Mr. Seviour, I'll just |
| 5 | we were just talking about on page 7, you'll | 5 | illustrate one of the items that I was just |
| 6 | see the financial results in Hydro is that | 6 | trying to explain to you. In thethis is in |
| 7 | we're experiencing a loss, and that's | 7 | NP-104, Attachment G. Just move up a bit, Mr. |
| 8 | illustrated in my revenue requirement on | 8 | O'Reilly. Okay. You'll find there in the |
| 9 | Schedule 3. The continuation of such events | 9 | middle of that page the various rating |
| 10 | runs the risk of impairing and impacting on | 10 | agencies, they look at both strengths and |
| 11 | the credit rating of the province, that if | 11 | challenges. And you'll find here where they |
| 12 | Hydro happens to be in a position where it's | 12 | start to make reference to such things that |
| 13 | losing money year after year, then it will | 13 | they start to have some concerns about. This |
| 14 | start to impinge on the credit rating of the | 14 | report is done as of 2002. So if there were |
| 15 | province. So it's crucial that Hydro continue | 15 | starting to be trends in future things such as |
| 16 | to maintain its financial position so that it | 16 | continuous losses these things would start to |
| 17 | does not impinge on the credit rating of the | 17 | come in here and this is where they would |
| 18 | province. | 18 | start to continue to have measurements of |
| 19 | Q. And is there any independent indicator of | 19 | where they were starting to have some |
| 20 | which you're aware which would suggest that | 20 | concerns. For instance, remember, cash flows, |
| 21 | Hydro's current financial position does | 21 | sensitive to water levels and oil prices, high |
| 22 | threaten the province's credit rating? | 22 | realized foreign exchange losses. So, all of |
| 23 | A. The only thing that you may find some in the | 23 | these things are being brought out relative to |
| 24 | analysis of the various credit rating | 24 | the rating of Newfoundland and Labrador Hydro. |
| 25 | agencies, there may be some references to some | 25 | And of course, these are all going to be |
| | Page 123 | | Page 124 |
| | e | | |
| 1 | considered then in the overall assessment of | 1 | - |
| 1 2 | considered then in the overall assessment of what may or may not be done for the province. | 1 2 | "Consideration". Do you see that? |
| | considered then in the overall assessment of what may or may not be done for the province. In the case of 2003 we did meet with the bond | | "Consideration". Do you see that? A. Yes, I do. |
| 2 | what may or may not be done for the province. In the case of 2003 we did meet with the bond | 2 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's |
| 2 3 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion | 2 3 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally |
| 2 3 4 5 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the | 2 3 4 | "Consideration". Do you see that?A. Yes, I do.Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? |
| 2 3 4 5 6 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of | 2 3 4 5 | "Consideration". Do you see that?A. Yes, I do.Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province?A. That's right. |
| 2 3 4 5 6 7 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a | 2 3 4 5 6 | "Consideration". Do you see that?A. Yes, I do.Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province?A. That's right.Q. And there's nothing in this report that would |
| 2 3 4 5 6 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of | 2 3 4 5 6 7 | "Consideration". Do you see that?A. Yes, I do.Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province?A. That's right.Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's |
| 2 3 4 5 6 7 8 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a | 2 3 4 5 6 7 8 | "Consideration". Do you see that?A. Yes, I do.Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province?A. That's right.Q. And there's nothing in this report that would |
| 2 3 4 5 6 7 8 9 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were | 2 3 4 5 6 7 8 9 10 | "Consideration". Do you see that?A. Yes, I do.Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province?A. That's right.Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair |
| 2 3 4 5 6 7 8 9 10 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an | 2 3 4 5 6 7 8 9 10 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? |
| 2 3 4 5 6 7 8 9 10 11 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were | 2 3 4 5 6 7 8 9 10 11 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to |
| 2 3 4 5 6 7 8 9 10 11 12 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were advised also as to the reasons why we were | 2 3 4 5 6 7 8 9 10 11 12 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to raise that in these various reports they raise |
| 2 3 4 5 6 7 8 9 10 11 12 13 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were advised also as to the reasons why we were experiencing a loss for 2003. So they're | 2 3 4 5 6 7 8 9 10 11 12 13 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to raise that in these various reports they raise both strengths and challenges and they look at |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were experiencing a loss for 2003. So they're fairly current in the information that would | 2 3 4 5 6 7 8 9 10 11 12 13 14 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to raise that in these various reports they raise both strengths and challenges and they look at trends and what's happening over time - |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were experiencing a loss for 2003. So they're fairly current in the information that would be available for them in assessing both the | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to raise that in these various reports they raise both strengths and challenges and they look at trends and what's happening over time - Q. Yes. |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were experiencing a loss for 2003. So they're fairly current in the information that would be available for them in assessing both the province and the entity as a whole and they | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to raise that in these various reports they raise both strengths and challenges and they look at trends and what's happening over time - Q. Yes. A and as we start to see things starting to |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were experiencing a loss for 2003. So they're fairly current in the information that would be available for them in assessing both the province and the entity as a whole and they appreciate that there may be things that will happen in one year. But they do get concerned about having continuous trends that in the | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to raise that in these various reports they raise both strengths and challenges and they look at trends and what's happening over time - Q. Yes. A and as we start to see things starting to deteriorate - Q. And this is specific to Hydro? A then that can specifically impact then on |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were experiencing a loss for 2003. So they're fairly current in the information that would be available for them in assessing both the province and the entity as a whole and they appreciate that there may be things that will happen in one year. But they do get concerned | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to raise that in these various reports they raise both strengths and challenges and they look at trends and what's happening over time - Q. Yes. A and as we start to see things starting to deteriorate - Q. And this is specific to Hydro? |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were advised also as to the reasons why we were experiencing a loss for 2003. So they're fairly current in the information that would be available for them in assessing both the province and the entity as a whole and they appreciate that there may be things that will happen in one year. But they do get concerned about having continuous trends that in the event that Hydro was to continue to experience losses, then it would start to become a major | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to raise that in these various reports they raise both strengths and challenges and they look at trends and what's happening over time - Q. Yes. A and as we start to see things starting to deteriorate - Q. And this is specific to Hydro? A then that can specifically impact then on |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were advised also as to the reasons why we were experiencing a loss for 2003. So they're fairly current in the information that would be available for them in assessing both the province and the entity as a whole and they appreciate that there may be things that will happen in one year. But they do get concerned about having continuous trends that in the event that Hydro was to continue to experience losses, then it would start to become a major concern for them. | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to raise that in these various reports they raise both strengths and challenges and they look at trends and what's happening over time - Q. Yes. A and as we start to see things starting to deteriorate - Q. And this is specific to Hydro? A then that can specifically impact then on the overall rating of the province. And of course, the level of return that Hydro receives relative to the equity that is in the |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were experiencing a loss for 2003. So they're fairly current in the information that would be available for them in assessing both the province and the entity as a whole and they appreciate that there may be things that will happen in one year. But they do get concerned about having continuous trends that in the event that Hydro was to continue to experience losses, then it would start to become a major concern for them. Q. In the Dominion Bond Rating Service Report | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to raise that in these various reports they raise both strengths and challenges and they look at trends and what's happening over time - Q. Yes. A and as we start to see things starting to deteriorate - Q. And this is specific to Hydro? A then that can specifically impact then on the overall rating of the province. And of course, the level of return that Hydro receives relative to the equity that is in the organization is a concern, because if there |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | what may or may not be done for the province. In the case of 2003 we did meet with the bond rating agencies, and in particular, Dominion Bond Rating Services who is up here on the screen before us, and they were appraised of the fact that we were going to be having a loss on regulated operations in 2003 of approximately about \$8 million and they were also aware of the fact that we were filing an application in the spring and they were advised also as to the reasons why we were experiencing a loss for 2003. So they're fairly current in the information that would be available for them in assessing both the province and the entity as a whole and they appreciate that there may be things that will happen in one year. But they do get concerned about having continuous trends that in the event that Hydro was to continue to experience losses, then it would start to become a major concern for them. | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | "Consideration". Do you see that? A. Yes, I do. Q. And one of the strengths there that's referenced is that the debt is unconditionally guaranteed by the province? A. That's right. Q. And there's nothing in this report that would suggest that something in Hydro or Hydro's financial position is going to erode or impair the province's credit rating, is there? A. No. But my only point was I was trying to raise that in these various reports they raise both strengths and challenges and they look at trends and what's happening over time - Q. Yes. A and as we start to see things starting to deteriorate - Q. And this is specific to Hydro? A then that can specifically impact then on the overall rating of the province. And of course, the level of return that Hydro receives relative to the equity that is in the |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | | 1 45 | e AL Hydro's 2005 General Kate Application |
|---|--|---|---|
| | Page 125 | | Page 126 |
| | MR. ROBERTS: | 1 | that's her opinion. |
| 2 | be having some further impact on the credit | 2 | Q. Thank you. I understand that Hydro's present |
| 3 | worthiness of Hydro and consequently the | 3 | targets are 80/20 debt equity ratio and that |
| 4 | impact of the province. | 4 | this, in fact, has been the target for some |
| 5 | Q. And just to finish with this report that | 5 | years, but that Hydro formerly had a target of |
| 6 | you've turned up, under the "Update" in that | 6 | a 60/40 debt equity ratio in relation to its |
| 7 | section, the last paragraph in the left-hand | 7 | unregulated activities. Is that correct? |
| 8 | column says "The medium term outlook for the | 8 | A. At the last general rate application Hydro had |
| 9 | utility's financial profile remains | 9 | presented to the Board a position that Hydro |
| 10 | reasonable". You see that? | 10 | would like to obtain a 60/40 debt to capital |
| 11 | A. Yes. | 11 | structure. |
| 12 | Q. Okay. And Ms. McShane I think spoke to this | 12 | Q. And that no longer remains the case. And I |
| 13 | in her evidence and if you can turn it up at | 13 | wanted to review with you a comment coming |
| 14 | page 17, line 22 to 24, she addressed this | 14 | from Ms. McShane's evidence at page 6. And |
| 15 | point has said, "For 2004 Hydro's forecasting | 15 | she says at lines 9 to 11 of the evidence, |
| 16 | regulated capital structure containing 86 | 16 | page 6, "Hydro has addressed this issue," the |
| 17 | percent debt, above its target level of 80 | 17 | debt equity issue she's speaking of, "and |
| 18 | percent, there is no evidence that this higher | 18 | concluded that a 60/40 debt equity capital |
| 19 | debt ratio will negatively impact on the debt | 19 | structure is not practically achievable. |
| 20 | rating of the province in the near term." Are | 20 | Consequently, Hydro is proposing to maintain |
| 21 | you aware of that evidence from Ms. McShane? | 21 | an 80 percent debt to capital as its target |
| 22 | A. Oh, yes, I've read it. | 22 | for the foreseeable future." Were you part of |
| 23 | Q. And do you agree with that comment in her | 23 | the deliberations and decision making which |
| 24 | evidence? | 24 | lead to the conclusion that a 60/40 debt |
| 25 | A. Yes, Ms. McShane has done that analysis and | 25 | equity capital structure was not practically |
| _ | | 25 | equity cupital structure was not practically |
| | Page 127 | 2.5 | Page 128 |
| 1 | Page 127 achievable? | 1 | Page 128 markets as a stand alone entity, that is, |
| | Page 127 achievable? A. Yes, I was party to some of those discussions. | | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to |
| 1 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? | 1 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. |
| 1 2 | Page 127 achievable? A. Yes, I was party to some of those discussions. | 1 2 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? |
| 1 2 3 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which | 1 2 3 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and |
| 1 2 3 4 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where | 1 2 3 4 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial |
| 1 2 3 4 5 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve | 1 2 3 4 5 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a |
| 1 2 3 4 5 6 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided | 1 2 3 4 5 6 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. |
| 1 2 3 4 5 6 7 8 9 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and | 1 2 3 4 5 6 7 8 9 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - |
| 1 2 3 4 5 6 7 8 9 10 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was | 1 2 3 4 5 6 7 8 9 10 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the |
| 1 2 3 4 5 6 7 8 9 10 11 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to | 1 2 3 4 5 6 7 8 9 10 11 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - |
| 1 2 3 4 5 6 7 8 9 10 11 12 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your | 1 2 3 4 5 6 7 8 9 10 11 12 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. | 1 2 3 4 5 6 7 8 9 10 11 12 13 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. Q. And did the shareholders' position with | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and not something less has abandoned the goal of |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. Q. And did the shareholders' position with respect to the taking of dividends in Hydro | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and not something less has abandoned the goal of achieving a stand alone investment grade |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. Q. And did the shareholders' position with respect to the taking of dividends in Hydro have any impact that conclusion? | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and not something less has abandoned the goal of achieving a stand alone investment grade rating? |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. Q. And did the shareholders' position with respect to the taking of dividends in Hydro have any impact that conclusion? A. No. I think it was looked at as the time | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and not something less has abandoned the goal of achieving a stand alone investment grade rating? A. I guess in the short term Hydro has set a |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. Q. And did the shareholders' position with respect to the taking of dividends in Hydro have any impact that conclusion? A. No. I think it was looked at as the time frame and what would be required to ever | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and not something less has abandoned the goal of achieving a stand alone investment grade rating? A. I guess in the short term Hydro has set a current target which it feels is 80 to 20 debt |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. Q. And did the shareholders' position with respect to the taking of dividends in Hydro have any impact that conclusion? A. No. I think it was looked at as the time frame and what would be required to ever achieve a 60/40 ratio and looking at that far | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and not something less has abandoned the goal of achieving a stand alone investment grade rating? A. I guess in the short term Hydro has set a current target which it feels is 80 to 20 debt capital with the continuation of the |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. Q. And did the shareholders' position with respect to the taking of dividends in Hydro have any impact that conclusion? A. No. I think it was looked at as the time frame and what would be talking | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and not something less has abandoned the goal of achieving a stand alone investment grade rating? A. I guess in the short term Hydro has set a current target which it feels is 80 to 20 debt capital with the continuation of the guarantee, so at least in the short term of |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. Q. And did the shareholders' position with respect to the taking of dividends in Hydro have any impact that conclusion? A. No. I think it was looked at as the time frame and what would be required to ever achieve a 60/40 ratio and looking at that far out over the horizon that you'd be talking maybe 10 to 15 years before you could ever | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and not something less has abandoned the goal of achieving a stand alone investment grade rating? A. I guess in the short term Hydro has set a current target which it feels is 80 to 20 debt capital with the continuation of the guarantee, so at least in the short term of the next five to seven years that should be |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. Q. And did the shareholders' position with respect to the taking of dividends in Hydro have any impact that conclusion? A. No. I think it was looked at as the time frame and what would be required to ever achieve a 60/40 ratio and looking at that far out over the horizon that you'd be talking maybe 10 to 15 years before you could ever achieve such a position. | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and not something less has abandoned the goal of achieving a stand alone investment grade rating? A. I guess in the short term Hydro has set a current target which it feels is 80 to 20 debt capital with the continuation of the guarantee, so at least in the short term of the next five to seven years that should be where we are heading. |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. Q. And did the shareholders' position with respect to the taking of dividends in Hydro have any impact that conclusion? A. No. I think it was looked at as the time frame and what would be required to ever achieve a 60/40 ratio and looking at that far out over the horizon that you'd be talking maybe 10 to 15 years before you could ever achieve such a position. Q. Mr. Roberts, I'd like to get your reaction to | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and not something less has abandoned the goal of achieving a stand alone investment grade rating? A. I guess in the short term Hydro has set a current target which it feels is 80 to 20 debt capital with the continuation of the guarantee, so at least in the short term of the next five to seven years that should be where we are heading. Q. So we're going to live in the world of the |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | Page 127 achievable? A. Yes, I was party to some of those discussions. Q. And what was the basis for that conclusion? A. The basis was with 60/40, to achieve a 60/40 you were looking maybe 10, 15 years out which was really well past the horizon as to where you're practically going to be able to achieve that. And in the short term it was decided that we would maintain the target of 80/20 and still have a debt guarantee. The 60/40 was premised on the fact that you would be able to give up having a guarantee placed on your debt. Q. And did the shareholders' position with respect to the taking of dividends in Hydro have any impact that conclusion? A. No. I think it was looked at as the time frame and what would be required to ever achieve a 60/40 ratio and looking at that far out over the horizon that you'd be talking maybe 10 to 15 years before you could ever achieve such a position. | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | Page 128 markets as a stand alone entity, that is, without the guarantee, Hydro would need to have a debt equity ratio in the 60/40 range. Am I being fair to the evidence as you see it? A. I think that's what Ms. McShane's comments and the advise of her as being our financial expert saying that you would need at least a 60/40 debt to capital structure. Q. And is the implication - A. And then you would be able to eliminate the guarantee. Circumstances - Q. And is the implication accordingly that Hydro in targeting an 80/20 debt equity ratio and not something less has abandoned the goal of achieving a stand alone investment grade rating? A. I guess in the short term Hydro has set a current target which it feels is 80 to 20 debt capital with the continuation of the guarantee, so at least in the short term of the next five to seven years that should be where we are heading. |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | oder 15, 2003 Multi | -1 ag | ge NL Hydro's 2003 General Kate Application |
|---|---|--|--|
| | Page 129 | | Page 130 |
| 11 | MR. SEVIOUR: | 1 | percent dividend which you've told us remains |
| 2 | Q. Thank you. You spoke to Mr. Kelly about the | 2 | the current policy, that policy was exceeded |
| 3 | implications of dividends, in particular the | 3 | in both 2001 and 2002 according to this table, |
| 4 | special dividend in 2002 for Hydro's debt | 4 | is that correct? |
| 5 | equity ratio. And the short answer was that | 5 | A. Yes, it is. |
| 6 | it had a negative implication, I think, was | 6 | Q. And based on your discussion with Mr. Kelly, |
| 7 | your evidence. Is that a fair | 7 | which I think wouldand I'm not quite sure |
| 8 | characterization? | 8 | how the accounting treatment goes here. The |
| 9 | A. The payment of special dividend in 2002, yes, | 9 | 2002 figure that we see of \$65,723,000 paid |
| 10 | did alter the debt to capital structure. | 10 | out in respect of 2002, the special dividend, |
| 11 | Q. I wanted to look at the discussion paper. | 11 | should that not be increased toincreased by |
| 12 | This is Attachment No. 1 to Mr. Well's | 12 | the amount that was paid out in first quarter |
| 13 | evidence, his Schedule 2. And in particular I | 13 | 2003? Is that properly booked as a dividend |
| 14 | wanted to look at the dividend history here. | 14 | for '03 or '02? |
| 15 | Now, you used in your evidence this morning a | 15 | A. The remainder of the amount that was based on |
| 16 | figure of an aggregate 35 percent dividend pay | 16 | 2002 actuals was actually booked and recorded |
| 17 | out since Hydro's inception. I think that was | 17 | in 2003. It wasn't declared until the actual |
| 18 | your evidence? | 18 | results were known. And you will also find |
| 19 | A. Yes, that's the number that Mr. Wells quoted | 19 | the same circumstance happens throughout here. |
| 20 | too. | 20 | For instance, in 2000 the dividend of ten, |
| 21 | Q. And Mr. Wells used it in his evidence. But in | 21 | zero, twenty-six would probably have reflected |
| 22 | the real world there have been dividends only | 22 | an adjustment from 1999 as well so that the |
| 23 | from 1995 forward, is that correct? | 23 | settling up is always done once the actual |
| 24 | A. Yes, the dividend policy commenced in 1995. | 24 | financial results are know, then an actual |
| 25 | Q. And with respect to Hydro's policy of a 75 | 25 | dividend is declared so that they're - |
| | Page 131 | | Page 132 |
| 1 | Q. In the next year? | 1 | A. Yes. |
| 2 | A square off the books. That's right. But | 2 | Q. Okay. I did an exercise, Mr. Roberts, of |
| 3 | that's always in the year behind. | 3 | bringing this table forward to the end of |
| 4 (| (12:45 p.m.) | 4 | estimated 2003. And I'm going to ask you |
| 5 | Q. So really what you have is a - | 5 | trust my math, but I got a total dividend |
| 6 | A. You've got a lag - | 6 | payable for the period 95/03 of \$139,429, 000 |
| 7 | Q. I'm sorry? | | \mathbf{r} |
| 8 | | 7 | when you factored in the - |
| 1 | A. You've got a lag happening in the dividends | 7 8 | |
| 9 | • | | when you factored in the - |
| | A. You've got a lag happening in the dividends | 8 | when you factored in the - A. Five point five? |
| 9 | A. You've got a lag happening in the dividends versus the actual years. | 8 9 | when you factored in the - A. Five point five? Q. The most recent payment. And adjusting for |
| 9 10 | A. You've got a lag happening in the dividends versus the actual years.Q. I think I understand. The dividend may be set | 8 9 10 | when you factored in the -A. Five point five?Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating |
| 9 10 11 | A. You've got a lag happening in the dividends versus the actual years.Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully | 8 9 10 11 | when you factored in the -A. Five point five?Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of |
| 9 10 11 12 | A. You've got a lag happening in the dividends versus the actual years.Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully paid until '03? | 8 9 10 11 12 | when you factored in the -A. Five point five?Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of \$132,425,000, which is a obviously less than |
| 9 10 11 12 13 | A. You've got a lag happening in the dividends versus the actual years.Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully paid until '03?A. Well, the dividend policy is established. | 8 9 10 11 12 13 | when you factored in the - A. Five point five? Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of \$132,425,000, which is a obviously less than the total aggregate dividend pay out. |
| 9 10 11 12 13 14 | A. You've got a lag happening in the dividends versus the actual years. Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully paid until '03? A. Well, the dividend policy is established. Q. Yes. | 8 9 10 11 12 13 14 | when you factored in the - A. Five point five? Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of \$132,425,000, which is a obviously less than the total aggregate dividend pay out. A. That's correct. |
| 9 10 11 12 13 14 15 | A. You've got a lag happening in the dividends versus the actual years. Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully paid until '03? A. Well, the dividend policy is established. Q. Yes. A. But not all the dividends will be declared and | 8 9 10 11 12 13 14 15 | when you factored in the - A. Five point five? Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of \$132,425,000, which is a obviously less than the total aggregate dividend pay out. A. That's correct. Q. And in fact, my math took me to a conclusion |
| 9 10 11 12 13 14 15 16 | A. You've got a lag happening in the dividends versus the actual years. Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully paid until '03? A. Well, the dividend policy is established. Q. Yes. A. But not all the dividends will be declared and paid within that year because you don't know | 8 9 10 11 12 13 14 15 16 | when you factored in the - A. Five point five? Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of \$132,425,000, which is a obviously less than the total aggregate dividend pay out. A. That's correct. Q. And in fact, my math took me to a conclusion that between 1995 and projected year end 2003, |
| 9 10 11 12 13 14 15 16 17 | A. You've got a lag happening in the dividends versus the actual years. Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully paid until '03? A. Well, the dividend policy is established. Q. Yes. A. But not all the dividends will be declared and paid within that year because you don't know what the actual results are until after the | 8 9 10 11 12 13 14 15 16 17 | when you factored in the - A. Five point five? Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of \$132,425,000, which is a obviously less than the total aggregate dividend pay out. A. That's correct. Q. And in fact, my math took me to a conclusion that between 1995 and projected year end 2003, Hydro would, in fact, be paying out 105 |
| 9 10 11 12 13 14 15 16 17 18 | A. You've got a lag happening in the dividends versus the actual years. Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully paid until '03? A. Well, the dividend policy is established. Q. Yes. A. But not all the dividends will be declared and paid within that year because you don't know what the actual results are until after the end of the year. | 8 9 10 11 12 13 14 15 16 17 18 | when you factored in the - A. Five point five? Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of \$132,425,000, which is a obviously less than the total aggregate dividend pay out. A. That's correct. Q. And in fact, my math took me to a conclusion that between 1995 and projected year end 2003, Hydro would, in fact, be paying out 105 percent of its net operating income as |
| 9 10 11 12 13 14 15 16 17 18 19 | A. You've got a lag happening in the dividends versus the actual years. Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully paid until '03? A. Well, the dividend policy is established. Q. Yes. A. But not all the dividends will be declared and paid within that year because you don't know what the actual results are until after the end of the year. Q. But does that mean that in '03 the additional | 8 9 10 11 12 13 14 15 16 17 18 19 | when you factored in the - A. Five point five? Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of \$132,425,000, which is a obviously less than the total aggregate dividend pay out. A. That's correct. Q. And in fact, my math took me to a conclusion that between 1995 and projected year end 2003, Hydro would, in fact, be paying out 105 percent of its net operating income as dividends. Is that generally square with your |
| 9 10 11 12 13 14 15 16 17 18 19 20 | A. You've got a lag happening in the dividends versus the actual years. Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully paid until '03? A. Well, the dividend policy is established. Q. Yes. A. But not all the dividends will be declared and paid within that year because you don't know what the actual results are until after the end of the year. Q. But does that mean that in '03 the additional amount of, I think it was 5,564,000 - | 8 9 10 11 12 13 14 15 16 17 18 19 20 | when you factored in the - A. Five point five? Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of \$132,425,000, which is a obviously less than the total aggregate dividend pay out. A. That's correct. Q. And in fact, my math took me to a conclusion that between 1995 and projected year end 2003, Hydro would, in fact, be paying out 105 percent of its net operating income as dividends. Is that generally square with your understanding? |
| 9 10 11 12 13 14 15 16 17 18 19 20 21 | A. You've got a lag happening in the dividends versus the actual years. Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully paid until '03? A. Well, the dividend policy is established. Q. Yes. A. But not all the dividends will be declared and paid within that year because you don't know what the actual results are until after the end of the year. Q. But does that mean that in '03 the additional amount of, I think it was 5,564,000 - A. That's all related to the final settlement for | 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | when you factored in the - A. Five point five? Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of \$132,425,000, which is a obviously less than the total aggregate dividend pay out. A. That's correct. Q. And in fact, my math took me to a conclusion that between 1995 and projected year end 2003, Hydro would, in fact, be paying out 105 percent of its net operating income as dividends. Is that generally square with your understanding? A. That sounds about right because all you've |
| 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | A. You've got a lag happening in the dividends versus the actual years. Q. I think I understand. The dividend may be set and requested in '02 but it wouldn't be fully paid until '03? A. Well, the dividend policy is established. Q. Yes. A. But not all the dividends will be declared and paid within that year because you don't know what the actual results are until after the end of the year. Q. But does that mean that in '03 the additional amount of, I think it was 5,564,000 - A. That's all related to the final settlement for what the 2002 actual results were. | 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | when you factored in the - A. Five point five? Q. The most recent payment. And adjusting for the loss in '03 in the net regulated operating income column I got a total figure adjusted of \$132,425,000, which is a obviously less than the total aggregate dividend pay out. A. That's correct. Q. And in fact, my math took me to a conclusion that between 1995 and projected year end 2003, Hydro would, in fact, be paying out 105 percent of its net operating income as dividends. Is that generally square with your understanding? A. That sounds about right because all you've done is you've just added the extra dividend |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | ober 15, 2003 | Multi-Pa | age | NL Hydro's 2003 General Rate Application |
|-----|--|----------|-----|---|
| | Pa | ge 133 | | Page 134 |
| 1 1 | /R. ROBERTS: | 1 | | into the plant and equipment. |
| 2 | the case. | 2 | Q. | Mr. Roberts, just before leaving this area, |
| 3 | Q. That's my math. | 3 | | what is Hydro's position with respect to the |
| 4 | A. I guess the only caution there is that | 4 | | \$200 million that remains as retained earnings |
| 5 | reflected in there is the special | 5 | | that we looked at, at the beginning of this |
| 6 | circumstances in 2002 of the \$60 million | 6 | | discussion? Is that subject to a request from |
| 7 | dividend that was there, but that's the fact | 7 | | the shareholder for dividends on account of |
| 8 | and that's what was required. | 8 | | that amount of retained earnings, that amount |
| 9 | Q. And you commented yesterday at page 29 of you | r 9 | | of equity? |
| 10 | evidence, I wonder if Mr. O'Reilly can pull | 10 | | Are you asking me whether or not government |
| 11 | that up. Page 29, lines 10 to 16, you're | 11 | | could request that the equity be paid out? |
| 12 | talking about, I think the cost of debt and | 12 | Q. | Yes. |
| 13 | you said "It's a function of, during this time | 13 | A. | I think I'm treading the legal ground now, but |
| 14 | period, we were also building Granite Canal | 14 | | I don't think there would be any impairment |
| 15 | which totalled 135,000,000, plus we had the | 15 | | that would stop that from happening. I |
| 16 | RSP as well, plus the change in the special | 16 | | personally don't think the province will, but |
| 17 | dividend that was paid out to the province in | 17 | | there is always, I guess, in that respect the |
| 18 | 2002 as well. All these factors contributed | 18 | | province may turn around and decide that it |
| 19 | to an increase in debt." How did the payment | 19 | | may require additional funds from Hydro as |
| 20 | of the dividend increase tocontribute to an | 20 | | part of its equity. It may want to take some |
| 21 | increase in Hydro's debt in that year? | 21 | | of its equity back out again, but at this |
| 22 | A. Because Hydro had to borrow it to pay the | 22 | | point, there are no further requests for |
| 23 | dividend, the funds had previously been | 23 | | additional equity and the confirmation or I |
| 24 | invested back in through plant. So it was | 24 | | say the continuation of our current dividend |
| 25 | reinvested back in through the organization | 25 | | policy of paying out 75 percent of net |
| | Pa | ge 135 | | Page 136 |
| 1 | operating income, is what we are following | - I | | continuation of the 75 percent dividend payout |
| 2 | today. | | | ratio related to Hydro's regulated earnings, |
| 3 | Q. Can I ask you to turn up CA-3, please? Mr. | 3 | | and a hundred percent of the payout of the net |
| 4 | O'Reilly, this is the 2003 - 2007 financial | 4 | | income from the sales offrom the export |
| 5 | projection. You're familiar with this | 5 | | sales to Hydro Quebec. |
| 6 | document, are you, Mr. Roberts? | 6 | 0. | So 75 percent of regulated - |
| 7 | A. Yes, I am. | 7 | | So it's 75 percent of regulated and a hundred |
| 8 | Q. And I'd assume that your fingerprints would | | | percent of basically the net profit from our |
| 9 | on it, you had some role in its preparation? | 9 | | export sales to Hydro Quebec. |
| 10 | A. Yes. | 10 | 0. | And the 75 percent of regulated gets us the |
| 11 | Q. The last question I'll ask you about dividend | | | \$212 million that's in the bullet? |
| 12 | policy relates to the executive summary on | | A. | No, the 212 would be both, both regulated and |
| 13 | page 4 of the exhibit and in the fourth bullet | 13 | | the dividends that would be coming from our |
| 14 | down, it says "A seventy-five percent divider | | | export sales as well. |
| 15 | payout for the Hydro dividend portion is | 15 | | And my interest, I guess, in coming to this, |
| 16 | targeted during the period 04 to 07. Over the | | | this document was prepared in August of this |
| 17 | 2003 to 2007 time frame, \$260 million in | 17 | | year? |
| 18 | dividends are projected to be paid to the | 18 | А | Yes. |
| 19 | Province of Newfoundland and Labrador | | | If you look at the first page, it says, |
| 20 | consisting of \$212 million from Hydro and \$ | | | "August 2003", which is subsequent to Mr. |
| 21 | million from Churchill Falls (Labrador) | 20 | | Wells' communication to government seeking |
| 22 | Corporation." And can you confirm that tha | | | some action to the 50 percent dividend policy |
| 23 | \$212 million is based on the 75 percent | 23 | | which, I think, has the support of, among |
| 24 | dividend payout policy? | 23 | | others, Ms. McShane and, you know, does this |
| 25 | A. The dividend that you see quoted here is the | | | indicate that government has given up-that |
| L | · · · · · · · · · · · · · · · · · · · | =0 | | C |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | | 1 45 | e AL Hyuro S 2005 General Kate Application |
|--|--|--|--|
| | Page 137 | | Page 138 |
| | AR. SEVIOUR: | 1 | utility? |
| 2 | Hydro has given up on the idea of a 50 percent | 2 | A. That is correct. |
| 3 | dividend policy? | 3 | Q. I wonder if Mr. O'Reilly could pull up page 42 |
| 4 | A. No, this document was prepared based on the | 4 | of P.U.7. The bolded section that appears on |
| 5 | assumptions and the information that we knew | 5 | page 42, could you read that, please, for the |
| 6 | at the time, and the date of August 2003 | 6 | record? |
| 7 | reflects the most current information we had, | 7 | A. "The Board finds no statutory basis for |
| 8 | which was relative to the update. It had | 8 | treating NLH as an investor owned utility. |
| 9 | actually been done earlier and as a result of | 9 | The Board concludes approval in principle on |
| 10 | the re-filing and the revision dated, I think | 10 | NLH's request to be treated as an investor |
| 11 | it's August 12th, this document was updated to | 11 | owned utility is not justified based on its |
| 12 | reflect those current results. And as of that | 12 | current operating characteristics. The Board |
| 13 | update and as we speak now, there's been no | 13 | believes NLH's request is premature in the |
| 14 | further direction from government received, so | 14 | absence of a sound plan by NLH of how it will |
| 15 | it's based on the most current information | 15 | achieve financial targets similar to an |
| 16 | that we had at the time. | 16 | investor owned utility, and what impacts this |
| 17 | Q. Thank you. I wanted to move to a discussion | 17 | will have on its customers. The Board notes |
| 18 | of Hydro as an investor owned utility. Mr. | 18 | that NLH's debt is guaranteed by government |
| 19 | Roberts, you're familiar with that discussion, | 19 | and this ensures Hydro's continued access to |
| 20 | I suspect? | 20 | the capital markets of the world." |
| 21 | A. Yes. | 21 | Q. Thank you. Now, I take it, Mr. Roberts, that |
| 22 | Q. And my understanding, from reading the 2001 | 22 | one of the financial targets of Hydro would be |
| 23 | P.U.7 and proceedings associated with that, is | 23 | to be treated as an investor owned utility, |
| 24 | that at that time in the 2001 GRA, Hydro | 24 | does that continue to be the case? |
| 25 | requested to be treated as an investor owned | 25 | A. Yes. |
| | Page 139 | | Page 140 |
| 1 | Q. And when the Board's decision on this point, | 1 | Q. So that hasn't advanced in a way that Hydro |
| 2 | in 2001, refers to a sound plan to achieve | 2 | would like to see it, I take it? |
| | | | |
| 3 | financial targets to an investor owned | 3 | A. Hydro would have liked to have it resolved. |
| 34 | financial targets to an investor owned utility, can you indicate if in fact any steps | 34 | A. Hydro would have liked to have it resolved. Q. Yes. |
| | ÷ | | • |
| 4 | utility, can you indicate if in fact any steps | 4 | Q. Yes. |
| 4 5 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan? | 4 5 | Q. Yes. A. Once and for all, but as you know the |
| 4 5 6 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement | 4 5 6 | Q. Yes.A. Once and for all, but as you know the circumstances as they are today. |
| 4 5 6 7 | utility, can you indicate if in fact any stepshave been undertaken within Hydro to implementsuch a sound plan?A. Hydro has commenced discussions with itsowner, relative to its capital structure, as | 4 5 6 7 | Q. Yes.A. Once and for all, but as you know the circumstances as they are today.Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur |
| 4 5 6 7 8 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan? A. Hydro has commenced discussions with its | 4 5 6 7 8 | Q. Yes.A. Once and for all, but as you know the circumstances as they are today.Q. And the legislative changes that you've |
| 4 5 6 7 8 9 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan?A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have | 4 5 6 7 8 9 | Q. Yes.A. Once and for all, but as you know the circumstances as they are today.Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? |
| 4 5 6 7 8 9 10 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan?A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed | 4 5 6 7 8 9 10 | Q. Yes.A. Once and for all, but as you know the circumstances as they are today.Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application?A. Yes. |
| 4 5 6 7 8 9 10 11 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan?A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way | 4 5 7 8 9 10 11 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? |
| 4 5 6 7 8 9 10 11 12 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan?A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along | 4 5 6 7 8 9 10 11 12 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully |
| 4 5 6 7 8 9 10 11 12 13 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan?A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along that lines towards being similar to an | 4 5 6 7 8 9 10 11 12 13 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully outlined like they are now, in the question, I |
| 4 5 6 7 8 9 10 11 12 13 14 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan?A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along that lines towards being similar to an investor owned utility. The attainment of a | 4 5 6 7 8 9 10 11 12 13 14 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully outlined like they are now, in the question, I don't recall. |
| 4 5 6 7 8 9 10 11 12 13 14 15 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan? A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along that lines towards being similar to an investor owned utility. The attainment of a debt to capital structure of 80/20, coupled | 4 5 6 7 8 9 10 11 12 13 14 15 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully outlined like they are now, in the question, I don't recall. Q. But I take it that there's no, no initiative |
| 4 5 6 7 8 9 10 11 12 13 14 15 16 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan? A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along that lines towards being similar to an investor owned utility. The attainment of a debt to capital structure of 80/20, coupled with our guarantee, enables us to borrow in a | 4 5 6 7 8 9 10 11 12 13 14 15 16 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully outlined like they are now, in the question, I don't recall. Q. But I take it that there's no, no initiative or corporate strategy or document within Hydro |
| 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan? A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along that lines towards being similar to an investor owned utility. The attainment of a debt to capital structure of 80/20, coupled with our guarantee, enables us to borrow in a manner that's similar to an investor owned | 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully outlined like they are now, in the question, I don't recall. Q. But I take it that there's no, no initiative or corporate strategy or document within Hydro which you might point me to, to say, well |
| 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan? A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along that lines towards being similar to an investor owned utility. The attainment of a debt to capital structure of 80/20, coupled with our guarantee, enables us to borrow in a manner that's similar to an investor owned utility, which would have a 60/40 ratio. | 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully outlined like they are now, in the question, I don't recall. Q. But I take it that there's no, no initiative or corporate strategy or document within Hydro which you might point me to, to say, well look, this is our sound plan towards obtaining |
| 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan? A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along that lines towards being similar to an investor owned utility. The attainment of a debt to capital structure of 80/20, coupled with our guarantee, enables us to borrow in a manner that's similar to an investor owned utility, which would have a 60/40 ratio. Q. And with respect to the shareholder | 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully outlined like they are now, in the question, I don't recall. Q. But I take it that there's no, no initiative or corporate strategy or document within Hydro which you might point me to, to say, well look, this is our sound plan towards obtaining investor owned utility characteristics? |
| 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan? A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along that lines towards being similar to an investor owned utility. The attainment of a debt to capital structure of 80/20, coupled with our guarantee, enables us to borrow in a manner that's similar to an investor owned utility, which would have a 60/40 ratio. Q. And with respect to the shareholder discussion, that's been a pretty one-sided affair to this point, you don't have a | 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully outlined like they are now, in the question, I don't recall. Q. But I take it that there's no, no initiative or corporate strategy or document within Hydro which you might point me to, to say, well look, this is our sound plan towards obtaining investor owned utility characteristics? A. Of a formalized plan at this point, the answer |
| 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan? A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along that lines towards being similar to an investor owned utility. The attainment of a debt to capital structure of 80/20, coupled with our guarantee, enables us to borrow in a manner that's similar to an investor owned utility, which would have a 60/40 ratio. Q. And with respect to the shareholder discussion, that's been a pretty one-sided | 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully outlined like they are now, in the question, I don't recall. Q. But I take it that there's no, no initiative or corporate strategy or document within Hydro which you might point me to, to say, well look, this is our sound plan towards obtaining investor owned utility characteristics? A. Of a formalized plan at this point, the answer would be no. |
| 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan? A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along that lines towards being similar to an investor owned utility. The attainment of a debt to capital structure of 80/20, coupled with our guarantee, enables us to borrow in a manner that's similar to an investor owned utility, which would have a 60/40 ratio. Q. And with respect to the shareholder discussion, that's been a pretty one-sided affair to this point, you don't have a response to the position that was put forward | 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully outlined like they are now, in the question, I don't recall. Q. But I take it that there's no, no initiative or corporate strategy or document within Hydro which you might point me to, to say, well look, this is our sound plan towards obtaining investor owned utility characteristics? A. Of a formalized plan at this point, the answer would be no. Q. Thank you. Are you aware of any dividend |
| 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 | utility, can you indicate if in fact any steps have been undertaken within Hydro to implement such a sound plan? A. Hydro has commenced discussions with its owner, relative to its capital structure, as well as its dividend policy. There also have been changes in legislation that has removed certain items that were restricted to the way that Hydro operated, and it is heading along that lines towards being similar to an investor owned utility. The attainment of a debt to capital structure of 80/20, coupled with our guarantee, enables us to borrow in a manner that's similar to an investor owned utility, which would have a 60/40 ratio. Q. And with respect to the shareholder discussion, that's been a pretty one-sided affair to this point, you don't have a response to the position that was put forward in March by Mr. Wells, is that correct? | 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | Q. Yes. A. Once and for all, but as you know the circumstances as they are today. Q. And the legislative changes that you've referred to, Mr. Roberts, did they not occur prior to the 2001 General Rate Application? A. Yes. Q. So they were before the Board in 2001 as well? A. Yes, but whether or not they were fully outlined like they are now, in the question, I don't recall. Q. But I take it that there's no, no initiative or corporate strategy or document within Hydro which you might point me to, to say, well look, this is our sound plan towards obtaining investor owned utility characteristics? A. Of a formalized plan at this point, the answer would be no. Q. Thank you. Are you aware of any dividend policies of investor owned utilities, Mr. |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | | 1-1 4 | age AL Hyuro's 2005 General Rate Application |
|----|---|-------|---|
| | Page 141 | | Page 142 |
| 1 | MR. ROBERTS: | 1 | document - |
| 2 | owned utility dividend policies. I am aware | 2 | Q. Mr. Roberts, I will now conclude my cross- |
| 3 | of some of the dividend payouts that's been | 3 | examination before this afternoon, so perhaps |
| 4 | made by investor owned utilities, as well as | 4 | if you can reflect on it overnight and we - |
| 5 | other utilities. | 5 | A. If I can find the page, because I did take |
| 6 | Q. Are you aware of any investor owned utility | 6 | that particular page out. |
| 7 | which has paid out in excess of a hundred | 7 | Q. That would be of assistance. |
| 8 | percent of its net operating income within the | 8 | KELLY, Q.C.: |
| 9 | last eight years? | 9 | Q. It's on the screen. |
| 10 | A. Bear with me, there is an RFI that showed | 10 | A. Oh, I guess my comments relative toI don't |
| 11 | dividend payouts of both Crown utilities and | 11 | know actual firsthand knowledge of investor |
| 12 | some investor owned utilities and it showed | 12 | owned utilities and their dividends being paid |
| 13 | the amounts that had been paid out over a | 13 | out, but for instance, if you look at Nova |
| 14 | period of the last six or seven years. | 14 | Scotia Power in 2001, they've paid out 153 |
| 15 | Q. Would you want to simply reflect on that and | 15 | percent; TransAlta has also paid out some |
| 16 | we can engage on - | 16 | fairly substantial dividends. I don't really |
| 17 | A. I know the page number, I just don't know | 17 | know the reasons why that may back up some of |
| 18 | where I put it. It's page 67 of a document | 18 | these, but you can see there that it has |
| 19 | that got filed, I think DBRS actually did the | 19 | happened. As a matter of fact, and I can't |
| 20 | report and it's page 67. Maybe if you can | 20 | attest to the support behind this, but even in |
| 21 | just give me one minute, I may be able to | 21 | the case of Newfoundland Power in 1996, there |
| 22 | quickly tell you exactly. I'm not finding it, | 22 | was 134 percent paid out. That's my reading |
| 23 | but there is a particular page that was done | 23 | of what this summarization is showing me. |
| 24 | in the DBRS Report, it's page 67. I think the | 24 | B.C. Hydro has paid out 129 percent in 2001. |
| 25 | Public Utilities Board actually asked for a | 25 | I think, when I read this, I see it as it's |
| | Page 143 | | Page 144 |
| 1 | all circumstance bound and there may be all | 1 | Plan? It doesn't have its own pension plan. |
| 2 | valid reasons why it exceeds the dividend | 2 | Q. And that is a defined benefit plan, is it? |
| 3 | policy, but that would be my only comment that | 3 | A. I think that's a defined benefit plan, based |
| 4 | I could add to this conversation would be that | 4 | on years of service, it's 2 percent a year, I |
| 5 | based on what's put here and it does appear to | 5 | think it is. |
| 6 | be moving from year to year. So, you know, | 6 | Q. And has Hydro ever looked at an alternative |
| 7 | the actual dividends that are being paid out, | 7 | pension plan, such as a defined contribution |
| 8 | to me, certainly don't seem to be of a | 8 | plan? |
| 9 | consistent nature that you would be able to | 9 | A. Back in the days of when consideration was |
| 10 | draw a conclusion from that everybody is | 10 | being done for privatization, I think actually |
| 11 | adhering to a fixed and set dividend policy. | 11 | even legislation and changes to Acts, were |
| 12 | Q. Now if you look at the industry average, the | 12 | actually created for Hydro to take its own |
| 13 | range tends to be in the 50 to 60 - | 13 | pension plan. But nothing, once privatization |
| 14 | A. Well, as I say, I didn't draw any conclusions, | 14 | fell by the wayside, there's nothing that's |
| 15 | I justI remember having this and I have it | 15 | happened since. |
| 16 | attached to another question and it was | 16 | Q. And can I take you back to P.U.7, Mr. |
| 17 | interesting to see that, you know, what | 17 | O'Reilly, if I could turn up page 41, just to |
| 18 | happened with Hydro and the request for a | 18 | conclude on this investor owned utility line |
| 19 | special dividend certainly wasn't unique when | 19 | of questions. And perhaps you can scroll up |
| 20 | you looked at some of the other things that | 20 | right there, starting "The main differences". |
| 21 | are happening, both in government owned | 21 | Perhaps you can read that full paragraph, Mr. |
| 22 | utilities and in other utilities. | 22 | Roberts. |
| 23 | Q. Mr. Roberts, does Hydro have a defined pension | 23 | A. "The main differences between the way Hydro is |
| | plan? | 24 | intended to operate an investor owned utility |
| 24 | A. Hydro is part of the Public Service Pension | 12. | are as follows: Crown corporation, NLH, may |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | ober 15, 2003 Mul | u-raş | ge NL Hydro's 2005 General Rate Application |
|----------|---|----------|---|
| | Page 145 | 5 | Page 146 |
| 1 N | MR. ROBERTS: | 1 | rural deficit, and the continuation of |
| 2 | receive direction from its shareholder, the | 2 | lifeline rates, now that could still be |
| 3 | Government of Newfoundland and Labrador, with | 3 | imposed by government on, as an example, |
| 4 | respect to social or public policy | 4 | Newfoundland Power. So that option is still |
| 5 | considerations not in conflict with | 5 | available, either to a Crown or to an investor |
| 6 | legislation which NLH will implement. NLH's | 6 | owned. The investor owned would be no worse |
| 7 | ability to borrow and its borrowing program is | 7 | off by having that imposed, they have an |
| 8 | influenced by the fact its debt is guaranteed | 8 | automatic recovery that's guaranteed to them. |
| 9 | by the Province. NLH is able to borrow at a | 9 | So those types of things could still be done. |
| 10 | lower cost which results in lesser costs to | 10 | Q. I understand. I wanted to talk briefly to you |
| 11 | customers. And as a Crown corporation, NLH is | 11 | about your Schedule 2, the revenue |
| 12 | not subject to corporate income taxes." | 12 | requirement. And this, I guess, is also a |
| 13 | Q. It goes on to say, "There's been no evidence | 13 | document that you would have been deeply |
| 14 | to suggest that these differences will be | 14 | involved in the preparation of? |
| 15 | eliminated in the short term." | 15 | A. Yes, it is. |
| 16 | A. That's correct. | 16 | Q. Mr. Kelly has taken you through, in some |
| 17 | Q. And can you confirm that all of these | 17 | detail, some of the particular issues on the |
| 18 | differences remain the same today, as they | 18 | revenue requirement and other issues |
| 19 | were at the time of the issuance of P.U.7? | 19 | associated with costs and cost increases |
| 20 | A. Yes, they are still the same. | 20 | reflecting higher revenue requirements from |
| 20 | Q. Thank you. | 20 | 2002 test year to 2004 test year. And I |
| 21 | A. However, I would like to add that government | 21 | wanted to just talk about a couple of |
| 22 | can, by Orders through the Public Utilities | 22 | particular points. There was a large increase |
| 23 | Board, also implement additional policy, for | 23 | in the insurance cost in 2004this is in the |
| 24 | instance the example of the recovery of the | 24 | 2004 estimate, this is line 17. |
| 23 | | - | |
| | Page 147 | | Page 148 |
| 1 | A. Yes. | 1 | public liability only. The comprehensive and |
| 2 | Q. And I think it's up from 1.2 million in actual | 2 | the collision is not purchased. Annually, we |
| 3 | for 2002. I was interested in learning what, | 3 | review deductible levels and determine, based |
| 4 | in fact, Hydro insures for these costs? | 4 | on cost, whether or not deductible levels may |
| 5 | A. Could you just repeat your question one more | 5 | change. We meet annually with our major |
| 6 | time, Mr. Seviour? I was looking for | 6 | insurers and the re-insurers. We market the |
| 7 | something and trying to listen to you, and | 7 | program on an annual basis, seeking alternate |
| 8 | shouldn't be doing two things at the same | 8 | quotes, where they are available. And to give |
| 9 | time. | 9 | an example, we went to quotes this year on |
| 10 | Q. It's getting late, Mr. Roberts. It's | 10 | our, I think it was either the property or the |
| 11 | understandable. My question was simply, given | 11 | liability insurance, and we could only get one |
| 12 | the range of fairly dramatic increase in the | 12 | quote. There was nobody could cover the full |
| 13 | insurance costs, going forward into 2004, what | 13 | limit that we required on the liability. So |
| 14 | first of all does Hydro insure for these high | 14 | you know, those types of things are |
| 15 | projected insurance costs? | 15 | continually being reviewed and monitored. The |
| 16 | A. Maybe I can just briefly describe for you some | 16 | market is getting less and less available to |
| 17 | of the things that we have. Our property and | 17 | meet our insurance requirement. And of |
| 18 | boiler insurance is placed on a replacement | 18 | course, our claims experience also has an |
| 19 | cost basis. We do not insure our transmission | 19 | impact on what some of our insurance costs |
| 20 | and distribution lines. | 20 | will be. We have had some accidents and some |
| 21 | Q. Sorry, you do or you do not? | 21 | fairly serious accidents in the last couple of |
| 22 | A. We do not. The coverage is either not | 22 | years and that has impacted on some of our |
| | available or too expensive and that decision | 23 | insurance costs as well. |
| 23 | 1 | | |
| 23 24 | has been made not to insure them. In the case | 24 | Q. So apart from the transmission lines, does |
| | - | 24 25 | Q. So apart from the transmission lines, does Hydro self-insure at all? |

| Page 149 Page 150 1 MR. KOULKTS: alter the deductible. alter the deductible. 2 A. Only the transmission and distribution lines. 3 Q. Davy. And - 3 Q. Thave the sense that this is an annual effort 3 Q. Okay. And - 4 that you deal with when time comes for renewal 5 replacement of our vehicles. But on our major 5 or tendering on your insurance? 6 property and for our liabitity, they would be 7 every year and the process basically starts in about March because you really, to be able to 9 that you discuss from time to time with 9 provide replacement cost, so that when 1 evel of self insurance or has that been 11 results for the end of the year, have them 12 explored by Hydro? 12 converted to a replacement cost, so that when 12 our provide replacement cost, relative to 14 quotes and based on an asy our current level of a 14 insurers and the insurance and they yeat 13 our most current replacement cost, relative to 16 deductible say of, and I'm jush hydoheitically 16 our projectry and boiler insurance and they 16 our projectry and boiler insurance and they 17 a liability claim, they would go out for 17 im liability diam, they would go out for 17 im liability diam, they would go out for 18 quotes, but you mys asy "Well, look, give me 18 mecting with the various re-insurance ana | | | - | ige INE Hydro S 2005 General Rate Application |
|--|--|--|--|--|
| 2 A. Only the transmission and distribution lines. 2 (1:15 p.m.) 3 Q. Okay. And - - 4 A. We wouldn't insure, as I mentioned, the - 5 replacement of our vehicles. But on our major - 6 property and for our liability, they would be - 7 covered, with varying deductible. - 8 Q. And tell me about the retention of deductibles - 9 that you discuss from time to time with - 10 underwriters. Are these in the nature of some - 11 level of self insurance or has that been - 12 explored by Hydro? - - 13 A Well, what they would go to if - - 14 quotes, Hyw ould do is they would go to if - - 15 deductible say of, and I'm just hypothetically - our most current replacement costs relative to 16 urgues, Hyw ould algo ou for - - - 17 a liability claim, they would go ou for - - - 18 quotes, Hyw decide to go with two million - - | | Page 149 | | Page 150 |
| 3 Q. I have the sense that this is an annual effort 4 A. We wouldn't insure, as I mentioned, the 3 Q. I have the sense that this is an annual effort 4 A. We wouldn't insure, as I mentioned, the 3 Q. I have the sense that this is an annual effort 6 property and for our liability, they would be 6 A. Well, our insurance comes up in July 1 of 6 covered, with vargin geductible. 7 every year and the process basically starts in about March because you really, to be able to 9 that you discuss from time to time with 9 provide replacement cost information as 10 underwriters. Are these in the nature of some 10 coverent as we can, we try to get our actual 11 level of self insurance or has that been 11 resulter of the year, have them 13 deductible way of, and I'm just hypothetically 15 our most current replacement costs, so that when 14 quotes, but you may say "well, look, give me 18 meeting with the various re-insurers and 19 quotes, but you may say "well, look, give me 18 meeting with the various re-insurers and 10 visits if the decide to go with two million 19 trying to obtain quotes wherever possyible to | | | - | |
| 4 A We wouldn't insure, as 1 mentioned, the 4 that you deal with when time comes for renewal 5 replacement of our vehicles. But on our major 6 A Well, would be 5 or tendering on your insurance? 4 Wet would be 7 covered, with varying deductibles. 6 A Well, whar the you discuss from time to time with 9 provide replacement cost information as 10 underwriters. Are these in the nature of some 10 current as we can, we try to get our actual 12 explored by Hydro? 12 converted to a replacement cost, so that when 13 A Well, what they would go out for 13 the information is being provided to the re- 14 insurers and the insurers in March, they get 0 our most current repeak, which has just recently 14 quotes, lifw a decide to go with two million 13 the uncerner neewal, which has just recently 16 quotes, lifw a decide to go with two million 14 meeting with the various re-insurers and 17 a the time. ', and then based on an assessment 22 be con verter neewal, which has just recently 18 quotes, lifw a decide to get a three-year 14 the current renewal, which has justore cently< | | | | |
| 5 replacement of our vehicles. But on our major 5 or (endering on your insurance? 6 property and for our liability, they would be 6 A. Well, our insurance comes up in July 1 of 7 covered, with varying deductible. 8 about March because your really, to be able to 9 that you discuss from time to time with 9 provide replacement cost, information as 10 underwriters. Are these in the nature of some 10 current as we can, we try to get our actual 11 level of self insurance or has that been 11 results for the end of the year, have them 13 deductible say of, and I'm just hypothetically 10 current ta we can, we try to get our actual 14 quotes, but you may say "well, look, give me 13 insurers and the insurers in March, they get 16 our property and boiler insurance and they 10 cover the insurance that we're requesting. In 12 at the time." And then based on an assessment 21 the current renewal, which has just recently 21 renewal at an increase only of about 2.7 2 requirement? 3 14 underwriters and the our total increase. 3 bed to is in our Property and Boiler | | - • | - | - |
| 6 property and for our liability, they would be 6 A Well, our insurance comes up in July 1 of 7 covered, with varying deductibles. 7 8 Q. And tell me about the retention of deductibles 7 9 that you discuss from time to time with 9 10 underwriters. Are these in the nature of some 10 11 level of self insurance or has that been 11 12 explored by Hydro? 12 13 A. Well, what they would do is they would go to 13 14 quotes and based on say our current level of a 14 15 deductible say of, and I'm just hypothetically 15 16 uversus three million versus mays "well, look, give me 18 17 a liability claim, they would go out for 18 18 quotes, fit we decide to go with two million 19 19 quotes, fit we decide to go with two million 19 20 versus three million versus maybe even half a 21 11 million, depending on what the market is like 21 21 mold be made as to whether or not we would 23 23 of the cost vers | 1 | | | |
| ? covered, with varying deductible. ? every year and the process bacically starts in about March because you really, to be able to provide replacement cost information as current as we can, we try tog to actual 10 underwriters. Are these in the nature of some in the order set provide replacement cost information as current as we can, we try tog to actual 11 level of self insurance or has that been in the information is being provided to the re-insurers and the insurance and hay our current level of a insurers and the insurance in a sour current level of a insurers and the insurance in the work of the year. have them it or property and boiler insurance and they out proking a number, of say a million dollars on a guote, but you may say "well, look, give me is quotes, but you may say "well, look, give me is quotes, but you may say "well, look, give me is quotes, but you may say "well, look, give me is of the cost versus there million versus maybe even half a current renewal, which has just recently is other completed, as I had mentioned, we had so the corrent renewal, which has just recently is getting-even actually getting quotes, but you may say "well, look give me is would be made as to whether or not we would is assuming that liability then that decision 24 some difficulty in getting-even actually getting quotes, but you may say "well, look is in our Property and Boiler 11 Policy, we were able to get a three-year is not even were able to do is in our Property and Boiler 12 Policy, we were able to get a three-year is not even the insurance the were questing. In the current renewal dates, the information is always brought back to the management cost is our property and boiler 13 | 5 | - | 5 | |
| 8 Q. And tell me about the retention of deductibles 8 about March because you really, to be able to provide replacement cost information as 9 that you discuss from time to time with underwriters. Are these in the nature of some the explored by Hydro? 10 converted to a replacement cost, so that when the information is being provided to the reinsures in March, they get 11 avell, what they would do is they would go to to protect and based on say our current level of a 11 the information is being provided to the reinsures and the insurers in March, they get 15 deductible say of, and I'm just hypothetically 15 our most current replacement cost, so that when 16 picking a number, of say a million dollars on the quotes. If we decide to go with two million 10 our property and boiler insurance and they 17 a liability claim, they would go out for million, depending on what the market is like 20 cover the insurance that we're requesting. In 10 million, depending on what the market is like 21 the cost versus the risk of taking and 23 23 of the cost versus the risk of taking and 23 some difficulty in getting-even actually 24 renewal at an increase only of about 2.7 2 renewal at an increase only of about 2.7 2 34 percent, subject to what our claims exper | 1 | | | · · |
| 9 that you discuss from time to time with 9 provide replacement cost information as 10 underwriters. Are these in the nature of some 10 current as we can, we try tog to ar actual 12 explored by Hydro? 11 results for the end of the year, have them 13 A. Well, what they would do is they would go to 11 results for the end of the year, have them 13 A. Well, what they would do is they would go to 13 insurers and the insurers in March, they get 14 quotes and based on asy our current level of a 14 insurers and the insurers in March, they get 16 proketing a number, of say a million oldlars on 16 our most current replacement costs relative to 17 a liability claim, they would go out for 18 meeting with the various re-insurers and they 18 quotes, but you may say "well, look, give me 19 the current renewal, which has just recently 12 at the time.' And the based on an assessment 21 the current renewal, which has just recently 24 assuming that liability then that decision 22 be co os in our Propery and Boiler 23 ofthe cost versus theries only of about 2.7 1 budgeting and preparation of revenue | 1 | | 7 | |
| 10 underwriters. Are these in the nature of some level of self insurance or has that been 10 current as we can, we try to get our actual results for the end of the year, have them 13 A. Well, what they would do is they would go to ductes and based on say our current level of a 11 results for the end of the year, have them 14 quotes and based on say our current level of a 13 the information is being provided to the re- insurers and the insurance and they 16 picking a number, of say a million dollars on 17 a liability claim, they would go out for 18 16 our most current replacement costs relative to 16 19 quotes, but you may say 'well, look, give me 19 18 18 meeting with the various re-insurers and 10 the current renewal, which has just recently 10 21 million, depending on what the market is like 21 10 the current renewal, which has just recently 22 some difficulty in getting-even actually 23 24 assuming that liability then that decision 24 24 some difficulty in getting-even actually 24 some difficulty in getting and preparation of revenue 25 26 would be made as to whether or not we would 26 The comparts and preparation of revenue 27 Page 152 29 Policy, we were able to get a three-year 2 10 In insurance has always received a high profile 36 | | | | • • |
| 11 level of self insurance or has that been explored by Hydro? 11 results for the end of the year, have them explored by Hydro? 12 explored by Hydro? 12 converted to a replacement cost, so that when the information is being provided to the re- 14 quotes and based on say our current level of a 14 insurers and the insurers in March, they get 15 deductible say of, and I'm just hypothetically 15 our most current replacement costs relative to our property and boiler insurance and they 17 a liability claim, they would go out for 17 would be then, over the next period of time, 18 quotes, but you may say "well, look, give me 18 meeting with the various re-insurers and 10 quotes, but you may say "well, look, give me 18 meeting with the various re-insurers and 12 at the time." And then based on an assessment 20 cover the insurance that we're requesting. In 12 assuming that liability then that decision 24 getting quotes, but yoe of the tings we were 25 would be made as to whether or not we would 25 able to do is in our Property and Boiler 24 assuming that liability then that decision 24 getting quotes, but yoe of the tings we were 25 | | • | | |
| 12 explored by Hydro? 12 converted to a replacement cost, so that when 13 A. Well, what they would do is they would go to it he information is being provided to the re- 14 uotes and based on say our current level of a its insurers and the insurers in March, they get 15 deductible say of, and I'm just hypothetically is our most current replacement costs relative to 16 picking a number, of say a million dollars on is our most current replacement cost relative to 18 quotes, but you may say "well, look, give me is our most current renewal, which has just recently 19 quotes, three million versus maybe even half a our or operty and bolier insurance that we're requesting. In 21 million, depending on what the market is like 11 incurrent renewal, which has just recently 22 would be then based on an assessment 23 some difficulty in gettingeven actually 23 det the or on ot we would 24 assuming that liability then that decision 24 24 assuming that liability then that decision 24 getting quotes, but on of the things we were 25 would be made as to whether or not we would 26 half mentioned, we had 25 mour claims are low, t | 1 | | | |
| 13 A. Well, what they would do is they would go to 13 the information is being provided to the re- insurers and the insurers in March, they get insurers in | 1 | | | - |
| 14quotes and based on say our current level of a deductible say of, and I'm just hypothetically14insurers and the insurers in March, they get our most current replacement costs relative to our property and boiler insurance and they15deductible say of, and I'm just hypothetically16our most current replacement costs relative to our property and boiler insurance and they17a liability claim, they would go out for quotes, but you may say "well, look, give me quotes. If we decide to go with two million oversus there million versus maybe even half a 2017would be then, over the next period of time, meeting with the various re-insurers and trying to obtain quotes wherever possible to cover the insurance that we're requesting. In the current renewal, which has just recently getting quotes, but one of the things we were able to do is in our Property and Boiler20would be made as to whether or not we would 2324seen completed, as I had mentioned, we had some difficulty in getting-even actually getting quotes, but one of the things we were able to do is in our Property and Boiler21Policy, we were able to get a three-year renewal at an increase only of about 2.7 gercent, subject to what our claim sexperience a additional increases. So these are some of sour claims are low, then our total increase will only be 2.7 percent. If the claims or neperson who compises a department to additional increase. So these are some of s additional increase. So these are some of s additional increase. So these are some of s the types of things that we're looking at on sour claims are now, the vave in place.1112O. I think you mentioned you have one department tor one person who companies a de | | · · · | | - |
| 15 deductible say of, and I'm just hypothetically 15 our most current replacement costs relative to 16 picking a number, of say a million dollars on 16 our most current replacement costs relative to 18 quotes, but you may say "well, look, give me 17 would be then, over the next period of time, 19 quotes, lif we decide to go with two million 19 trying to obtain quotes wherever possible to 20 versus three million versus maybe even half a 20 cover the insurance that we're requesting. In 21 million, depending on what the market is like 21 the current renewal, which has just recently 22 assuming that liability then that decision 24 getting quotes, but one of the things we were 25 would be made as to whether or not we would 25 bale to do is in our Property and Boiler 24 assuming that liability then that decision 24 getting quotes, but one of the things we were 25 would be made as to whether or not we would 25 able to do is in our Property and Boiler 25 percent, subject to what our claims experience 1 A. Insurance has always received a high profile 4 will only be 2.7 percent. If the claims 6 <td< td=""><td>1</td><td></td><td></td><td></td></td<> | 1 | | | |
| 16picking a number, of say a million dollars on a liability claim, they would go out for16our property and boiler insurance and they would be then, over the next period of time, meeting with the various re-insurers and trying to obtain quotes. If we decide to go with two million versus three million versus maybe even half a 21our property and boiler insurance and they would be then, over the next period of time, meeting with the various re-insurers and trying to obtain quotes wherever possible to cover the insurance that we're requesting. In the current renewal, which has just recently been completed, as I had mentioned, we had some difficulty in gettingeven actually getting quotes, but one of the things we were able to do is in our Property and Boiler23of the cost versus the risk of taking and some difficulty in gettingeven actually getting quotes, but one of the there wall able to do is in our Property and Boiler24assuming that liability then that decision would be made as to whether or not we would 25Page 1511Policy, we were able to get a three-year renewal at an increase only of about 2.712percent, subject to what our claims experience will be over the coming three years. So if experience changes, then we will be subject to a additional increases. So these are some of a additional basis, relative to the 1033A. Insurance coverage that we have in place. 121A. We have a senior manager who is responsible to commitee. Here's some of the options and here's the experience in the industry as well.15A. Wave a senior manager who is responsible 1616O. And is there any initiative to do anything tifferent in the coming yea | | | | |
| 17a liability claim, they would go out for17would be then, over the next period of time,18quotes, but you may say "well, look, give me18meeting with the various re-insurers and19quotes, lf we decide to go with two million19trying to obtain quotes wherever possible to20versus three million versus maybe even half a20cover the insurance that we're requesting. In21million, depending on what the market is like21the current renewal, which has just recently22at the time." And then based on an assessment23some difficulty in gettingeven actually23of the cost versus the risk of taking and23some difficulty in gettingeven actually24assuming that liability then that decision24getting quotes, but one of the things we were25would be made as to whether or not we would25able to do is in our Property and Boiler26Page 151Page 151Page 1521Policy, we were able to get a three-year1budgeting and preparation of revenue3percent, subject to what our claims sexperience3A. Insurance has always received a high profile4will only be 2.7 percent. If the claims5the company saying the renewal is up and5experience changes, then we will be subject to7the company saying the renewal is up and6an ongoing annual basis, relative to the10insurance to myself and the manager of11insurance coverage that we have in place.11assistance to myself and | | | | - |
| 18 quotes, but you may say "well, look, give me 18 meeting with the various re-insurers and trying to obtain quotes wherever possible to 19 quotes, If we decide to go with two million 19 trying to obtain quotes wherever possible to 20 versus three million, depending on what the market is like 20 cover the insurance that we're requesting. In 21 million, depending on what the market is like 21 the current renewal, which has just recently 22 astuming that liability then that decision 22 some difficulty in gettingeven actually 23 some vertificating quotes, but one of the things we were astuming that liability then that decision 24 24 assuming that liability then that decision 25 able to do is in our Property and Boiler 25 would be made as to whether or not we would 25 budgeting and preparation of revenue 2 requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on 3 ber orging and preparation of revenue requirement? A. Insurance has always received a high profile 4 will be over the coming three years. So if 4 M. Insurance has always received a high profile 5 brought back | 1 | | | |
| 19quotes. If we decide to go with two million19trying to obtain quotes wherever possible to20versus three million versus maybe even half a20cover the insurance that we're requesting. In21million, depending on what the market is like21the current renewal, which has just recently22at the time." And then based on an assessment22been completed, as I had mentioned, we had23of the cost versus the risk of taking and23some difficulty in gettingeven actually24assuming that liability then that decision24getting quotes, but one of the things we were25would be made as to whether or not we would25able to do is in our Property and Boiler26Page 151Policy, we were able to get a three-year1budgeting and preparation of revenue2renewal at an increase only of about 2.72requirement?3percent, subject to what our claims experience3A. Insurance has always received a high profile4will be over the coming three years. So if4within Hydro. Annually, since 1've known on5our claims are low, then our total increase6brough back to the management committee of7experience changes, then we will be subject to7the company saying the renewal is up and8additional increases. So these are some of8here's what's happened and a presentation and9the types of things that we'ne looking at on9sometimes there may even have been a10an ongoing annual basis, relative | 1 | | 17 | - |
| 20 versus three million versus maybe even half a 20 cover the insurance that we're requesting. In 21 million, depending on what the market is like 21 the current renewal, which has just recently 22 at the time." And then based on an assessment 22 been completed, as I had mentioned, we had 23 of the cost versus the risk of taking and 23 some difficulty in getting-even actually 24 assuming that liability then that decision 24 getting quotes, but one of the things we were 25 would be made as to whether or not we would 25 able to do is in our Property and Boiler 26 Page 151 Page 151 Page 152 1 Policy, we were able to get a three-year 1 budgeting and preparation of revenue 2 renewal at an increase only of about 2.7 2 A. Insurance has always received a high profile 4 will be over the coming three years. So if 4 within Hydro. Annually, since I've known on 5 our claims are low, then our total increase 6 brought back to the management committee of 7 experience changes, then we will be subject to 8 here's what's happened and a presentation and 9 | | | | - |
| 21 million, depending on what the market is like 21 the current renewal, which has just recently 22 at the time." And then based on an assessment 22 been completed, as I had mentioned, we had 23 of the cost versus the risk of taking and 23 some difficulty in gettingeven actually 24 assuming that liability then that decision 23 some difficulty in gettingween actually 25 would be made as to whether or not we would 25 able to do is in our Property and Boiler 25 Policy, we were able to get a three-year 1 budgeting and preparation of revenue 2 renewal at an increase only of about 2.7 2 requirement? 3 percent, subject to what our claims experience 4 will be over the coming three years. So if 4 within Hydro. Annually, since I've known on 5 our claims are low, then our total increase 5 the renewal dates, the information is always 6 will be yoer of things that we're looking at on 9 sometimes there may even have been a 10 an ongoing annual basis, relative to the 10 presentation by the underwriter in providing 11 insurance corege that we have in place. 12 insura | 1 | | 19 | |
| 22 at the time." And then based on an assessment 22 been completed, as I had mentioned, we had 23 of the cost versus the risk of taking and 23 some difficulty in getting-even actually 24 assuming that liability then that decision 24 getting quotes, but one of the things we were 25 would be made as to whether or not we would 24 able to do is in our Property and Boiler 25 Policy, we were able to get a three-year 1 budgeting and preparation of revenue 2 renewal at an increase only of about 2.7 2 a. Insurance has always received a high profile 4 will be over the coming three years. So if 3 A. Insurance has always received a high profile 5 our claims are low, then our total increase 6 brought back to the management committee of 7 experience changes, then we will be subject to 8 here's what's happened and a presentation and 9 the types of things that we're looking at on 9 sometimes there may even have been a 10 an ongoing annual basis, relative to the 10 presentation by the underwriter in providing 11 insurance coverage that we have in place. 12 Q. I think you mentioned you have one departm | | - | | |
| 23of the cost versus the risk of taking and assuming that liability then that decision would be made as to whether or not we would23some difficulty in gettingeven actually getting quotes, but one of the things we were able to do is in our Property and Boiler25would be made as to whether or not we would24getting quotes, but one of the things we were able to do is in our Property and Boiler26Page 151Page 15227renewal at an increase only of about 2.7 percent, subject to what our claims experience 4 will be over the coming three years. So if 5 our claims are low, then our total increase 6 will only be 2.7 percent. If the claims a dditional increases. So these are some of 9 the types of things that we're looking at on 10 an ongoing annual basis, relative to the 11 insurance coverage that we have in place.3A. Insurance have been a 10 presentation by the underwriter in providing assistance to myself and the manager of 12 Q. I think you mentioned you have one department 13 or one person who comprises a department 14 deals with this?13O. And is there any initiative to do anything 16 for the insurance of the organization.17Q. And his function is to do the liaison with the 16 claims, all the information that's related to 21 claims, all the information that's related to 22 the insurance tax's in place.1416Charles with the underwriters and dealing 22 throughout the year. I guess you pick up 23 q. And does the insurance issue have greater 24 visibility because of the dramatically2323Some fine surance issue have greater 242424Some fine surance issue have greater 242425 </td <td>1</td> <td>· · ·</td> <td></td> <td></td> | 1 | · · · | | |
| 24assuming that liability then that decision would be made as to whether or not we would24getting quotes, but one of the things we were able to do is in our Property and Boiler25would be made as to whether or not we would25Betting quotes, but one of the things we were able to do is in our Property and Boiler1Page 151Page 1522renewal at an increase only of about 2.7 percent, subject to what our claims experience 4 will be over the coming three years. So if 5 our claims are low, then our total increase 6 will only be 2.7 percent. If the claims 7 experience changes, then we will be subject to 8 additional increases. So these are some of 9 the types of things that we're looking at on 9 on eperson who comprises a department 10 cals with this?A. Insurance have been a 10 an ongoing annual basis, relative to the 11 insurance coverage that we have in place. 12 Q. I think you mentioned you have one department 13 or one person who comprises a department who 14 deals with this?14here's the experience in the industry as well.15A. We have a senior manager who is responsible 16 for the insurance of the organization.15Q. And his function is to do the liaison with the 1117Q. And his function is to do the liaison with the 111617going to deal with your divisional person 1819A. He looks after all the brokers and dealing 20with the underwriters and dealing with the 212122Q. And does the insurance isue have greater 2422aditional safeguards from the continuation of 2224Q. And does the insurance isue have greater 242424 <td></td> <td></td> <td>22</td> <td>-</td> | | | 22 | - |
| 25would be made as to whether or not we would25able to do is in our Property and BoilerPage 151Page 151Page 1521Policy, we were able to get a three-year1budgeting and preparation of revenue2renewal at an increase only of about 2.72requirement?3percent, subject to what our claims experience4N. Insurance has always received a high profile4will be over the coming three years. So if5the renewal dates, the information is always5our claims are low, then our total increase5the renewal dates, the information is always6will only be 2.7 percent. If the claims6brought back to the management committee of7experience changes, then we will be subject to7the company saying the renewal is up and8additional increases. So these are some of9sometimes there may even have been a10an ongoing annual basis, relative to the10presentation by the underwriter in providing11insurance coverage that we have in place.11assistance to myself and the manager of12Q. I think you mentioned you have one department13committee. Here's some of the options and14deals with this?14here's the experience in the industry as well.15A. We have a senior manager who is responsible16Gr the insurance of the organization.16for the insurance of the organization.17going to deal with the underwriters and dealing19A. He looks after all the brokers | 23 | - | 23 | |
| Page 151Page 151Page 1521Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience 4 will be over the coming three years. So if 5 our claims are low, then our total increase 6 will only be 2.7 percent. If the claims 7 experience changes, then we will be subject to 8 additional increases. So these are some of 9 the types of things that we're looking at on 10 an ongoing annual basis, relative to the 11 insurance coverage that we have in place. 12 Q. I think you mentioned you have one department 13 or one person who comprises a department to ro the insurance of the organization.1A Insurance has always received a high profile with Hydro. Annually, since I've known on the renewal dates, the information is always borought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the management to mage rwho is responsible for the insurance of the organization.1115A. We have a senior manager who is responsible for the insurance of the organization.1516G. And his function is to do the liaison with the to claims, all the information that's related to 211522Q. And does the insurance is sue have greater visibility because of the dramatically1823Q. And does the insurance is sue have greater visibility because of the dramatically2024visibility because of the dramatically2124visibility because of the dramatically24 | 1 | | | |
| 1Policy, we were able to get a three-year renewal at an increase only of about 2.71budgeting and preparation of revenue requirement?3percent, subject to what our claims experience 4 will be over the coming three years. So if our claims are low, then our total increase 6 will only be 2.7 percent. If the claims a dditional increases. So these are some of 8 additional increases. So these are some of 9 the types of things that we're looking at on 9 the types of things that we're looking at on 9 on ongoing annual basis, relative to the 10 an ongoing annual basis, relative to the 11 insurance coverage that we have in place.1budgeting and preparation of revenue requirement?10. I think you mentioned you have one department 13 or one person who comprises a department 14 deals with this?1budgeting and preparation of revenue requirement?10. And his function is to do the liaison with the 16 for the insurance of the organization.10. And his function is to do the liaison with the underwriters and dealing with the underwriters and dealing with the 2112Q. And does the insurance issue have greater visibility because of the dramatically2A. Well, the insurance is in place and now is to continually monitore exactly what's happening< | 25 | would be made as to whether or not we would | 25 | able to do is in our Property and Boiler |
| 2renewal at an increase only of about 2.72requirement?3percent, subject to what our claims experience4will be over the coming three years. So if3A. Insurance has always received a high profile4will be over the coming three years. So if5the renewal dates, the information is always6will only be 2.7 percent. If the claims5the renewal dates, the information is always7experience changes, then we will be subject to7the company saying the renewal is up and8additional increases. So these are some of8here's what's happened and a presentation and9the types of things that we're looking at on9sometimes there may even have been a10an ongoing annual basis, relative to the10presentation by the underwriter in providing11insurance coverage that we have in place.11assistance to myself and the manager of120. I think you mentioned you have one department13committee. Here's some of the options and14deals with this?14here's the experience in the industry as well.15A. We have a senior manager who is responsible16G. And his function is to do the liaison with the18broker and so on?18who's going to deal with your divisional person19A. He looks after all the brokers and dealing19brokers as you've described?20With the underwriters and dealing with the21continually monitor exactly what's happening21the insurance that's in place. <t< td=""><td></td><td></td><td></td><td></td></t<> | | | | |
| 3percent, subject to what our claims experience3A. Insurance has always received a high profile4will be over the coming three years. So if5insurance has always received a high profile5our claims are low, then our total increase5the renewal dates, the information is always6will only be 2.7 percent. If the claims6brought back to the management committee of7experience changes, then we will be subject to7the company saying the renewal is up and8additional increases. So these are some of9sometimes there may even have been a9the types of things that we're looking at on9sometimes there may even have been a10an ongoing annual basis, relative to the10presentation by the underwriter in providing11insurance coverage that we have in place.11assistance to myself and the manager of120. I think you mentioned you have one department13committee. Here's some of the options and14deals with this?14here's the experience in the industry as well.15A. We have a senior manager who is responsible15Q. And his function is to do the liaison with the16for the insurance of the organization.16different in the coming year or are you simply17Q. And his function is to do the liaison with the1718who's going to deal with your divisional person19A. He looks after all the brokers and dealing1920with the underwriters and dealing19 <t< td=""><td></td><td>Page 151</td><td></td><td>Page 152</td></t<> | | Page 151 | | Page 152 |
| 4will be over the coming three years. So if4within Hydro. Annually, since I've known on5our claims are low, then our total increase5the renewal dates, the information is always6will only be 2.7 percent. If the claims5brought back to the management committee of7experience changes, then we will be subject to7the company saying the renewal is up and8additional increases. So these are some of8here's what's happened and a presentation and9the types of things that we're looking at on9sometimes there may even have been a10an ongoing annual basis, relative to the10presentation by the underwriter in providing11insurance coverage that we have in place.11assistance to myself and the management13or one person who comprises a department13committee. Here's some of the options and14deals with this?14here's the experience in the industry as well.15A. We have a senior manager who is responsible16Gifferent in the coming year or are you simply16going to deal with your divisional person18who's going to deal with your divisional person19A. He looks after all the brokers and dealing19brokers as you've described?20with the underwriters and dealing with the20A. Well, the insurance is in place.21claims, all the information that's related to21continually monitor exactly what's happening22the insurance issue have greater23additional | 1 | C C | 1 | c |
| 5our claims are low, then our total increase will only be 2.7 percent. If the claims resperience changes, then we will be subject to 8 additional increases. So these are some of 9 the types of things that we're looking at on 10 an ongoing annual basis, relative to the 11 insurance coverage that we have in place.5the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and 9 sometimes there may even have been a 10 presentation by the underwriter in providing 11 insurance coverage that we have in place.12Q. I think you mentioned you have one department deals with this?10presentation by the underwriter in providing assistance to myself and the management insurance prior to going to the management committee. Here's some of the options and here's the experience in the industry as well.15A. We have a senior manager who is responsible for the insurance of the organization.16Q. And is there any initiative to do anything different in the coming year or are you simply going to deal with your divisional person who's going to deal with your divisional person who's going to deal with the underwriters and dealing19A. He looks after all the brokers and dealing 2019brokers as you've described?21Q. And does the insurance issue have greater visibility because of the dramatically22throughout the year. I guess you pick up additional safeguards from the continuation of our safety and health program, the awareness | | Policy, we were able to get a three-year | | budgeting and preparation of revenue |
| 6will only be 2.7 percent. If the claims6brought back to the management committee of7experience changes, then we will be subject to7the company saying the renewal is up and8additional increases. So these are some of9the company saying the renewal is up and9the types of things that we're looking at on9sometimes there may even have been a10an ongoing annual basis, relative to the10presentation by the underwriter in providing11insurance coverage that we have in place.11assistance to myself and the management13or one person who comprises a department who13committee. Here's some of the options and14deals with this?14here's the experience in the industry as well.15A. We have a senior manager who is responsible15Q. And is there any initiative to do anything16for the insurance of the organization.16different in the coming year or are you simply17Q. And his function is to do the liaison with the17going to deal with your divisional person18broker and so on?18who's going to deal with your divisional person19A. He looks after all the brokers and dealing19brokers as you've described?20with the underwriters and dealing with the20A. Well, the insurance is in place and now is to21claims, all the information that's related to21continually monitor exactly what's happening22the insurance that's in place.22throughout the year. | 2 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 | 2 | budgeting and preparation of revenue requirement? |
| 7experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place.7the company saying the renewal is up and here's what's happened and a presentation and o sometimes there may even have been a presentation by the underwriter in providing11insurance coverage that we have in place.10presentation by the underwriter in providing12Q. I think you mentioned you have one department or one person who comprises a department who deals with this?12insurance prior to going to the management insurance prior to going to the options and here's the experience in the industry as well.15A. We have a senior manager who is responsible for the insurance of the organization.15Q. And is there any initiative to do anything different in the coming year or are you simply going to deal with your divisional person who's going to deal with the underwriters and broker and so on?19A. He looks after all the brokers and dealing with the underwriters and dealing with the claims, all the information that's related to claims, all the information that's related to claims, all the insurance issue have greater q. And does the insurance issue have greater visibility because of the dramatically20A. Well, the insurance is in place and now is to continually monitor exactly what's happening throughout the year. I guess you pick up additional safeguards from the continuation of our safety and health program, the awareness | 2 3 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience | 2 3 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile |
| 8additional increases. So these are some of 99here's what's happened and a presentation and 99the types of things that we're looking at on 10an ongoing annual basis, relative to the 119sometimes there may even have been a 1010an ongoing annual basis, relative to the 1110presentation by the underwriter in providing 1111insurance coverage that we have in place. 1211assistance to myself and the manager of 12120. I think you mentioned you have one department 1312insurance prior to going to the management 1313or one person who comprises a department who 1413committee. Here's some of the options and 1414deals with this?14here's the experience in the industry as well.15A. We have a senior manager who is responsible for the insurance of the organization.15Q. And is there any initiative to do anything16different in the coming year or are you simply17going to deal with your divisional person18who's going to deal with the underwriters and broker and so on?18who's going to deal with the underwriters and brokers as you've described?20with the underwriters and dealing with the 2120A. Well, the insurance is in place.22the insurance that's in place.21continually monitor exactly what's happening23Q. And does the insurance issue have greater visibility because of the dramatically24our safety and health program, the awareness | 2 3 4 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if | 2 3 4 | budgeting and preparation of revenue requirement?A. Insurance has always received a high profile within Hydro. Annually, since I've known on |
| 9the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place.9sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the manager of12Q. I think you mentioned you have one department or one person who comprises a department who deals with this?11assistance to myself and the manager of insurance prior to going to the management committee. Here's some of the options and here's the experience in the industry as well.15A. We have a senior manager who is responsible for the insurance of the organization.15Q. And is there any initiative to do anything different in the coming year or are you simply17Q. And his function is to do the liaison with the broker and so on?18who's going to deal with your divisional person who's going to deal with the underwriters and brokers as you've described?20with the underwriters and dealing the insurance that's in place.20A. Well, the insurance is in place and now is to continually monitor exactly what's happening22the insurance that's in place.22throughout the year. I guess you pick up additional safeguards from the continuation of visibility because of the dramatically24 | 2 3 4 5 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase | 2 3 4 5 | budgeting and preparation of revenue requirement?A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always |
| 10an ongoing annual basis, relative to the insurance coverage that we have in place.10presentation by the underwriter in providing assistance to myself and the manager of insurance prior to going to the management12Q. I think you mentioned you have one department or one person who comprises a department who deals with this?11assistance to myself and the manager of insurance prior to going to the management committee. Here's some of the options and 1415A. We have a senior manager who is responsible for the insurance of the organization.15Q. And is there any initiative to do anything different in the coming year or are you simply17Q. And his function is to do the liaison with the broker and so on?16different in the coming year or are you simply19A. He looks after all the brokers and dealing claims, all the information that's related to 2219A. Well, the insurance is in place and now is to continually monitor exactly what's happening22Q. And does the insurance issue have greater visibility because of the dramatically24our safety and health program, the awareness | 2 3 4 5 6 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims | 2 3 4 5 6 | budgeting and preparation of revenue requirement?A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of |
| 11insurance coverage that we have in place.11assistance to myself and the manager of12Q. I think you mentioned you have one department12insurance prior to going to the management13or one person who comprises a department who12insurance prior to going to the management14deals with this?14here's some of the options and15A. We have a senior manager who is responsible15Q. And is there any initiative to do anything16for the insurance of the organization.16different in the coming year or are you simply17Q. And his function is to do the liaison with the17going to deal with your divisional person18broker and so on?18who's going to deal with the underwriters and20with the underwriters and dealing19A. Well, the insurance is in place and now is to21claims, all the information that's related to21continually monitor exactly what's happening22the insurance that's in place.22throughout the year. I guess you pick up23Q. And does the insurance issue have greater23additional safeguards from the continuation of24visibility because of the dramatically24our safety and health program, the awareness | 2 3 4 5 6 7 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to | 2 3 4 5 6 7 | budgeting and preparation of revenue requirement?A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and |
| 12Q. I think you mentioned you have one department12insurance prior to going to the management13or one person who comprises a department who13committee. Here's some of the options and14deals with this?14here's the experience in the industry as well.15A. We have a senior manager who is responsible15Q. And is there any initiative to do anything16for the insurance of the organization.16different in the coming year or are you simply17Q. And his function is to do the liaison with the17going to deal with your divisional person18broker and so on?18who's going to deal with the underwriters and19A. He looks after all the brokers and dealing19brokers as you've described?20with the underwriters and dealing with the20A. Well, the insurance is in place and now is to21claims, all the information that's related to21continually monitor exactly what's happening22the insurance that's in place.22throughout the year. I guess you pick up23Q. And does the insurance issue have greater23additional safeguards from the continuation of24visibility because of the dramatically24our safety and health program, the awareness | 2 3 4 5 6 7 8 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of | 2 3 4 5 6 7 8 | budgeting and preparation of revenue requirement?A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and |
| 13or one person who comprises a department who deals with this?13committee. Here's some of the options and here's the experience in the industry as well.14deals with this?14here's the experience in the industry as well.15A. We have a senior manager who is responsible for the insurance of the organization.15Q. And is there any initiative to do anything different in the coming year or are you simply17Q. And his function is to do the liaison with the broker and so on?16ifferent in the coming year or are you simply19A. He looks after all the brokers and dealing 2019N. Well, the underwriters and dealing with the claims, all the information that's related to 2220A. Well, the insurance is in place and now is to 2123Q. And does the insurance issue have greater visibility because of the dramatically22throughout the year. I guess you pick up 2324visibility because of the dramatically24our safety and health program, the awareness | 2 3 4 5 6 7 8 9 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on | 2 3 4 5 6 7 8 9 | budgeting and preparation of revenue requirement?A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a |
| 14deals with this?14here's the experience in the industry as well.15A. We have a senior manager who is responsible14here's the experience in the industry as well.16for the insurance of the organization.15Q. And is there any initiative to do anything17Q. And his function is to do the liaison with the16different in the coming year or are you simply18broker and so on?18who's going to deal with your divisional person19A. He looks after all the brokers and dealing19brokers as you've described?20with the underwriters and dealing with the20A. Well, the insurance is in place and now is to21claims, all the information that's related to21continually monitor exactly what's happening22the insurance that's in place.22throughout the year. I guess you pick up23Q. And does the insurance issue have greater23additional safeguards from the continuation of24visibility because of the dramatically24our safety and health program, the awareness | 2 3 4 5 6 7 8 9 10 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the | 2 3 4 5 6 7 8 9 10 | budgeting and preparation of revenue requirement?A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing |
| 15A. We have a senior manager who is responsible for the insurance of the organization.15Q. And is there any initiative to do anything different in the coming year or are you simply going to deal with your divisional person who's going to deal with the underwriters and broker and so on?17Q. And his function is to do the liaison with the broker and so on?15Q. And is there any initiative to do anything different in the coming year or are you simply going to deal with your divisional person who's going to deal with the underwriters and brokers as you've described?19A. He looks after all the brokers and dealing with the underwriters and dealing with the claims, all the information that's related to the insurance that's in place.1620Q. And does the insurance issue have greater visibility because of the dramatically2023Q. And does the insurance issue have greater visibility because of the dramatically23 | 2 3 4 5 6 7 8 9 10 11 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. | 2 3 4 5 6 7 8 9 10 11 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the manager of |
| 16for the insurance of the organization.16different in the coming year or are you simply17Q. And his function is to do the liaison with the broker and so on?16different in the coming year or are you simply18broker and so on?17going to deal with your divisional person19A. He looks after all the brokers and dealing with the underwriters and dealing with the claims, all the information that's related to the insurance that's in place.16different in the coming year or are you simply going to deal with your divisional person who's going to deal with the underwriters and brokers as you've described?20with the underwriters and dealing with the claims, all the information that's related to the insurance that's in place.2021claims, all the information that's related to the insurance issue have greater visibility because of the dramatically2123Q. And does the insurance issue have greater visibility because of the dramatically2324visibility because of the dramatically2425our safety and health program, the awareness | 2 3 4 5 6 7 8 9 10 11 12 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department | 2 3 4 5 6 7 8 9 10 11 12 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the management |
| 17Q. And his function is to do the liaison with the broker and so on?17going to deal with your divisional person who's going to deal with the underwriters and brokers as you've described?19A. He looks after all the brokers and dealing with the underwriters and dealing with the claims, all the information that's related to the insurance that's in place.17going to deal with your divisional person who's going to deal with the underwriters and brokers as you've described?20with the underwriters and dealing with the claims, all the information that's related to the insurance that's in place.20A. Well, the insurance is in place and now is to continually monitor exactly what's happening throughout the year. I guess you pick up 2323Q. And does the insurance issue have greater visibility because of the dramatically23additional safeguards from the continuation of our safety and health program, the awareness | 2 3 4 5 6 7 8 9 10 11 12 13 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department or one person who comprises a department who | 2 3 4 5 6 7 8 9 10 11 12 13 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the management committee. Here's some of the options and |
| 18broker and so on?18who's going to deal with the underwriters and19A. He looks after all the brokers and dealing18who's going to deal with the underwriters and20with the underwriters and dealing with the19brokers as you've described?20claims, all the information that's related to20A. Well, the insurance is in place and now is to21claims, all the information that's related to21continually monitor exactly what's happening22the insurance that's in place.22throughout the year. I guess you pick up23Q. And does the insurance issue have greater23additional safeguards from the continuation of24visibility because of the dramatically24our safety and health program, the awareness | 2 3 4 5 6 7 8 9 10 11 12 13 14 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department or one person who comprises a department who deals with this? | 2 3 4 5 6 7 8 9 10 11 12 13 14 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the management committee. Here's some of the options and here's the experience in the industry as well. |
| 19A. He looks after all the brokers and dealing with the underwriters and dealing with the claims, all the information that's related to the insurance that's in place.19brokers as you've described?20with the underwriters and dealing with the claims, all the information that's related to the insurance that's in place.19brokers as you've described?21claims, all the information that's related to the insurance that's in place.20A. Well, the insurance is in place and now is to continually monitor exactly what's happening throughout the year. I guess you pick up 2323Q. And does the insurance issue have greater visibility because of the dramatically23additional safeguards from the continuation of our safety and health program, the awareness | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department or one person who comprises a department who deals with this? A. We have a senior manager who is responsible | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the management committee. Here's some of the options and here's the experience in the industry as well. Q. And is there any initiative to do anything |
| 19A. He looks after all the brokers and dealing with the underwriters and dealing with the claims, all the information that's related to19brokers as you've described?20with the underwriters and dealing with the claims, all the information that's related to19brokers as you've described?21claims, all the information that's related to20A. Well, the insurance is in place and now is to continually monitor exactly what's happening the output the year. I guess you pick up23Q. And does the insurance issue have greater visibility because of the dramatically23additional safeguards from the continuation of our safety and health program, the awareness | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department or one person who comprises a department who deals with this? A. We have a senior manager who is responsible for the insurance of the organization. | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the manager of insurance prior to going to the management committee. Here's some of the options and here's the experience in the industry as well. Q. And is there any initiative to do anything different in the coming year or are you simply |
| 21claims, all the information that's related to21continually monitor exactly what's happening22the insurance that's in place.22throughout the year. I guess you pick up23Q. And does the insurance issue have greater23additional safeguards from the continuation of24visibility because of the dramatically24our safety and health program, the awareness | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department or one person who comprises a department who deals with this? A. We have a senior manager who is responsible for the insurance of the organization. Q. And his function is to do the liaison with the | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the manager of insurance prior to going to the management committee. Here's some of the options and here's the experience in the industry as well. Q. And is there any initiative to do anything different in the coming year or are you simply going to deal with your divisional person |
| 21claims, all the information that's related to21continually monitor exactly what's happening22the insurance that's in place.22throughout the year. I guess you pick up23Q. And does the insurance issue have greater23additional safeguards from the continuation of24visibility because of the dramatically24our safety and health program, the awareness | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department or one person who comprises a department who deals with this? A. We have a senior manager who is responsible for the insurance of the organization. Q. And his function is to do the liaison with the broker and so on? | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the manager of insurance prior to going to the management committee. Here's some of the options and here's the experience in the industry as well. Q. And is there any initiative to do anything different in the coming year or are you simply going to deal with your divisional person who's going to deal with the underwriters and |
| 23Q. And does the insurance issue have greater23additional safeguards from the continuation of24visibility because of the dramatically24our safety and health program, the awareness | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department or one person who comprises a department who deals with this? A. We have a senior manager who is responsible for the insurance of the organization. Q. And his function is to do the liaison with the broker and so on? A. He looks after all the brokers and dealing | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the manager of insurance prior to going to the management committee. Here's some of the options and here's the experience in the industry as well. Q. And is there any initiative to do anything different in the coming year or are you simply going to deal with your divisional person who's going to deal with the underwriters and brokers as you've described? |
| 23Q. And does the insurance issue have greater23additional safeguards from the continuation of24visibility because of the dramatically24our safety and health program, the awareness | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department or one person who comprises a department who deals with this? A. We have a senior manager who is responsible for the insurance of the organization. Q. And his function is to do the liaison with the broker and so on? A. He looks after all the brokers and dealing with the underwriters and dealing with the | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the management committee. Here's some of the options and here's the experience in the industry as well. Q. And is there any initiative to do anything different in the coming year or are you simply going to deal with your divisional person who's going to deal with the underwriters and brokers as you've described? A. Well, the insurance is in place and now is to |
| 24 visibility because of the dramatically 24 our safety and health program, the awareness | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department or one person who comprises a department who deals with this? A. We have a senior manager who is responsible for the insurance of the organization. Q. And his function is to do the liaison with the broker and so on? A. He looks after all the brokers and dealing with the underwriters and dealing with the claims, all the information that's related to | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the manager of insurance prior to going to the management committee. Here's some of the options and here's the experience in the industry as well. Q. And is there any initiative to do anything different in the coming year or are you simply going to deal with your divisional person who's going to deal with the underwriters and brokers as you've described? A. Well, the insurance is in place and now is to continually monitor exactly what's happening |
| | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department or one person who comprises a department who deals with this? A. We have a senior manager who is responsible for the insurance of the organization. Q. And his function is to do the liaison with the broker and so on? A. He looks after all the brokers and dealing with the underwriters and dealing with the claims, all the information that's related to the insurance that's in place. | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the manager of insurance prior to going to the management committee. Here's some of the options and here's the experience in the industry as well. Q. And is there any initiative to do anything different in the coming year or are you simply going to deal with your divisional person who's going to deal with the underwriters and brokers as you've described? A. Well, the insurance is in place and now is to continually monitor exactly what's happening throughout the year. I guess you pick up |
| | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | Policy, we were able to get a three-year renewal at an increase only of about 2.7 percent, subject to what our claims experience will be over the coming three years. So if our claims are low, then our total increase will only be 2.7 percent. If the claims experience changes, then we will be subject to additional increases. So these are some of the types of things that we're looking at on an ongoing annual basis, relative to the insurance coverage that we have in place. Q. I think you mentioned you have one department or one person who comprises a department who deals with this? A. We have a senior manager who is responsible for the insurance of the organization. Q. And his function is to do the liaison with the broker and so on? A. He looks after all the brokers and dealing with the underwriters and dealing with the claims, all the information that's related to the insurance that's in place. Q. And does the insurance issue have greater | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | budgeting and preparation of revenue requirement? A. Insurance has always received a high profile within Hydro. Annually, since I've known on the renewal dates, the information is always brought back to the management committee of the company saying the renewal is up and here's what's happened and a presentation and sometimes there may even have been a presentation by the underwriter in providing assistance to myself and the manager of insurance prior to going to the management committee. Here's some of the options and here's the experience in the industry as well. Q. And is there any initiative to do anything different in the coming year or are you simply going to deal with your divisional person who's going to deal with the underwriters and brokers as you've described? A. Well, the insurance is in place and now is to continually monitor exactly what's happening throughout the year. I guess you pick up additional safeguards from the continuation of |

Multi-PageTMNL Hydro's 2003 General Rate Application

| · | ober 15, 2005 Mult | -I ag | e NL Hyuro's 2005 General Kate Application |
|--|--|--|--|
| | Page 153 | | Page 154 |
| 1 1 | MR. ROBERTS: | 1 | A. The 600,000 that's referred there is referring |
| 2 | impact that that can have relative to our | 2 | to the initiatives that I have described in my |
| 3 | insurance in the long term as well. | 3 | evidence on pages 23 to 24, going to line 7 on |
| 4 | Q. I want to move to a discussion of the | 4 | page 24. |
| 5 | productivity allowance, which is shown in the | 5 | Q. And perhaps I got it wrong, but I took it from |
| 6 | 2002 test year, but not in '04. I think | 6 | your evidence in answer to questions from Mr. |
| 7 | you've explained in your earlier cross- | 7 | Kelly yesterday that those savings were |
| 8 | examination why that is the case. I was | 8 | represented by the elimination of full-time |
| 9 | trying to keep track of the various savings | 9 | equivalent positions. Do I have that wrong? |
| 10 | associated with the VPI and staff reductions | 10 | A. It would beyes, primarily through the |
| 11 | that you've described to us, and I'm going to | 11 | elimination of full-time equivalents. |
| 12 | go through them and make sure I have them | 12 | Q. I think your evidence, in answer to Mr. |
| 13 | correct. First of all, with respect to the | 13 | Kelly's questions, was that you believe that |
| 14 | elimination of the 46 positions in 2002, I | 14 | something in the order of ten full-time |
| 15 | understand that there's going to be an annual | 15 | equivalents had been eliminated, and I don't |
| 16 | savings of 2.6 million dollars. Is that | 16 | want to put words in your mouth. I just want |
| 17 | correct? | 17 | to know what the basis for the 600,000 is. |
| 18 | A. Yes, it is. | 18 | A. Yes, I did mention ten. That was my quick |
| 19 | Q. In addition to that, and separate from that, I | 19 | calculation of trying to add up to equate to |
| 20 | understand that from the elimination of ten | 20 | ten positions because it's half a position |
| 21 | full-time equivalent positions in 2003, there | 21 | here and a full position over there. So |
| 22 | will be an annual savings of \$600,000? This | 22 | adding up the pieces. |
| 23 | is the savings referenced in CA-46, which I'm | 23 | Q. And you mentioned, in response to questions of |
| 24 | happy to turn up, if you'd like to have a look | 24 | Ms. Greene yesterday in your examination-in- |
| 25 | at it. | 25 | chief, page 15 of the October 14 transcript, |
| | | | |
| | Page 155 | | |
| 1 | Page 155 lines 17 to 19 speaking of combined savings | 1 | Page 156 |
| 1 | lines 17 to 19, speaking of combined savings | 1 2 | Page 156 Q. And in addition to those savings, you've |
| 2 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined | 2 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar |
| 2 3 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing | 2 3 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million |
| 2 3 4 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is | 2 3 4 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? |
| 2 3 4 5 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." | 2 3 4 5 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an |
| 2 3 4 5 6 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. | 2 3 4 5 6 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen |
| 2 3 4 5 6 7 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000."A. Yes.Q. Do you have that passage? | 2 3 4 5 6 7 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the |
| 2 3 4 5 6 7 8 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. | 2 3 4 5 6 7 8 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or |
| 2 3 4 5 6 7 8 9 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? | 2 3 4 5 6 7 8 9 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes |
| 2 3 4 5 6 7 8 9 10 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - | 2 3 4 5 6 7 8 9 10 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision |
| 2 3 4 5 6 7 8 9 10 11 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to | 2 3 4 5 6 7 8 9 10 11 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody |
| 2 3 4 5 6 7 8 9 10 11 12 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. | 2 3 4 5 6 7 8 9 10 11 12 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million |
| 2 3 4 5 6 7 8 9 10 11 12 13 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? | 2 3 4 5 6 7 8 9 10 11 12 13 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? A. Yes. | 2 3 4 5 6 7 8 9 10 11 12 13 14 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that category underneath the salaries and employee |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? A. Yes. Q. So that's not an additional amount? | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that category underneath the salaries and employee benefits grouping is to cover anticipated |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? A. Yes. Q. So that's not an additional amount? A. No. The 600,000 reflects the changes that | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that category underneath the salaries and employee benefits grouping is to cover anticipated additional savings that we hope to achieve |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? A. Yes. Q. So that's not an additional amount? A. No. The 600,000 reflects the changes that were made in accounts payable, the purchasing | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that category underneath the salaries and employee benefits grouping is to cover anticipated additional savings that we hope to achieve from the process review initiatives that are |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? A. Yes. Q. So that's not an additional amount? A. No. The 600,000 reflects the changes that were made in accounts payable, the purchasing and travel card, plus some changes relative to | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that category underneath the salaries and employee benefits grouping is to cover anticipated additional savings that we hope to achieve from the process review initiatives that are ongoing. |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? A. Yes. Q. So that's not an additional amount? A. No. The 600,000 reflects the changes that were made in accounts payable, the purchasing and travel card, plus some changes relative to the inventory as well, for a total of 600,000. | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that category underneath the salaries and employee benefits grouping is to cover anticipated additional savings that we hope to achieve from the process review initiatives that are ongoing. Q. And does that mean that line 15, the salaries |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? A. Yes. Q. So that's not an additional amount? A. No. The 600,000 reflects the changes that were made in accounts payable, the purchasing and travel card, plus some changes relative to the inventory as well, for a total of 600,000. Q. So in addition to the 2.6 million and the | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that category underneath the salaries and employee benefits grouping is to cover anticipated additional savings that we hope to achieve from the process review initiatives that are ongoing. Q. And does that mean that line 15, the salaries and fringe benefits line for 2004 forecast and |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? A. Yes. Q. So that's not an additional amount? A. No. The 600,000 reflects the changes that were made in accounts payable, the purchasing and travel card, plus some changes relative to the inventory as well, for a total of 600,000. Q. So in addition to the 2.6 million and the 600,000, there was savings in the range of | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that category underneath the salaries and employee benefits grouping is to cover anticipated additional savings that we hope to achieve from the process review initiatives that are ongoing. Q. And does that mean that line 15, the salaries and fringe benefits line for 2004 forecast and your Schedule 2, \$63,237,000, that that's a |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? A. Yes. Q. So that's not an additional amount? A. No. The 600,000 reflects the changes that were made in accounts payable, the purchasing and travel card, plus some changes relative to the inventory as well, for a total of 600,000. Q. So in addition to the 2.6 million and the 600,000, there was savings in the range of \$128,000 annually on account of meter reading | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that category underneath the salaries and employee benefits grouping is to cover anticipated additional savings that we hope to achieve from the process review initiatives that are ongoing. Q. And does that mean that line 15, the salaries and fringe benefits line for 2004 forecast and your Schedule 2, \$63,237,000, that that's a figure net of the allowance? |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? A. Yes. Q. So that's not an additional amount? A. No. The 600,000 reflects the changes that were made in accounts payable, the purchasing and travel card, plus some changes relative to the inventory as well, for a total of 600,000. Q. So in addition to the 2.6 million and the 600,000, there was savings in the range of \$128,000 annually on account of meter reading optimization? | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that category underneath the salaries and employee benefits grouping is to cover anticipated additional savings that we hope to achieve from the process review initiatives that are ongoing. Q. And does that mean that line 15, the salaries and fringe benefits line for 2004 forecast and your Schedule 2, \$63,237,000, that that's a figure net of the allowance? A. That's net of the numbers that we just talked |
| 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | lines 17 to 19, speaking of combined savings in 2004, you said "the corporatethe combined savings in 2004 from the corporate purchasing card and the travel process changes is approximately \$350,000." A. Yes. Q. Do you have that passage? A. Yes. Q. My question was where does that figure fall? Is that part of the - A. That's part of the 600,000 that's referred to here. Q. It's part of the 600,000? A. Yes. Q. So that's not an additional amount? A. No. The 600,000 reflects the changes that were made in accounts payable, the purchasing and travel card, plus some changes relative to the inventory as well, for a total of 600,000. Q. So in addition to the 2.6 million and the 600,000, there was savings in the range of \$128,000 annually on account of meter reading | 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 | Page 156 Q. And in addition to those savings, you've identified that there's a one million dollar vacancy allowance and a further 1.5 million dollar process improvement allowance? A. In 2004, Hydro has continued to include an appropriate vacancy allowance that will happen on an ongoing basis with employees leaving the organization, being on long-term disability or whatever, relative to the time that it takes between a vacancy occurring and a decision being made to fill the position and somebody eventually being in it. The extra 1.5 million dollars that's included in 2004 in that category underneath the salaries and employee benefits grouping is to cover anticipated additional savings that we hope to achieve from the process review initiatives that are ongoing. Q. And does that mean that line 15, the salaries and fringe benefits line for 2004 forecast and your Schedule 2, \$63,237,000, that that's a figure net of the allowance? |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | oder 15, 2005 Multi | -1 a | ge NL Hydro's 2005 General Rate Application |
|-----|---|------|---|
| | Page 157 | | Page 158 |
| 1 1 | MR. SEVIOUR: | 1 | sure if I was dealing in the same numbers or |
| 2 | numbers that would otherwise be part of the | 2 | not. But I think you may find that there's, |
| 3 | other costs, principally the salaries and | 3 | in the 63.2 million dollars in the 2004, |
| 4 | fringe benefits at line 15, if they weren't in | 4 | there's been approximately 1.6 or 1.7 million |
| 5 | savings? Is that correct? | 5 | dollars worth of temporary wages that have |
| 6 | A. If we didn't have those savings, that number | 6 | been removed from this as well. |
| 7 | would be a lot higher. | 7 | Q. Could I take youjust in conclusion on that, |
| 8 | Q. So the math I've done on the 2.6 plus the | 8 | what we take from your evidence then is that |
| 9 | 600,000 and the other items comes out to about | 9 | the savings you've outlined would be added to |
| 10 | 5.8. \$5,828,000 is my total figure with all of | 10 | the revenue requirement and would, in |
| 11 | the savings you've outlined for us today and | 11 | substance, fall probably in the line 15 |
| 12 | yesterday. Does that sound about right? | 12 | category as an additional 5.8 million. |
| 13 | A. Yes, it does. | 13 | A. Well, they're already reflected in that line |
| 14 | Q. And that doesn't include the savings on | 14 | 15. All those savings- |
| 15 | account of the 32 temporary positions which | 15 | Q. They're already out. |
| 16 | you're going to have a look at get back to us | 16 | A. They're already out. |
| 17 | on, is that correct? | 17 | Q. They're already out, fine. And if they |
| 18 | A. I'm going to review the temporary once I have | 18 | weren't out - |
| 19 | an opportunity to see what's happening here. | 19 | A. If they weren't out and nothing was done, then |
| 20 | Q. But that figure may be higher yet depending on | 20 | you'd be looking at - |
| 21 | what you find out about the temporaries. | 21 | Q. Sorry, it's getting late. |
| 22 | A. I think what I'm going to find is that the | 22 | A 5.8 million dollars higher. |
| 23 | temporariesthe reason why I was hesitating | 23 | Q. Can I get you to turn up CA-3, please, this is |
| 24 | is because there is about five different | 24 | the five year financial forecast that we |
| 25 | places that I was being led to and I'm not | 25 | looked at briefly. Now, my interest is in the |
| | Page 159 | | Page 160 |
| 1 | bullet in the middle of the page on page, | 1 | Hall refers to the Canadian Outlook, long-term |
| 2 | roman four, executive summary. Do you have | 2 | forecast, Ottawa, Ontario Conference Board of |
| 3 | that? And we see a bullet, one line bullet, | 3 | Canada for the references on page 24 of the |
| 4 | Operating and Maintenance expenses are | 4 | document. |
| 5 | predicted to increase by the rate of inflation | 5 | Q. And the inflation rates that are projected in |
| 6 | after 2004. | 6 | this analysis range between 1.4 and 1.7 |
| 7 | A. Um-hm. | 7 | percent annually. |
| 8 | Q. And, in fact, if you turn over to page 5, we | 8 | A. Yes, that's what it's reflecting. |
| 9 | see the inflation rates that are specified. | 9 | Q. And has there been any analysis done to |
| 10 | Are those the inflation rates that you had in | 10 | support the executive summary conclusion that |
| 11 | mind when this was prepared? | 11 | O&M expenses are predicted to increase by only |
| 12 | A. I'm sorry, I didn't - | 12 | these rates after 2004? |
| 13 | Q. The table one on page 5, I'm sorry, if - | 13 | A. No, this is a financial projection that were |
| 14 | A. Yes, these are the inflation rates that are | 14 | based on a set and agreed upon set of |
| 15 | used in the preparation of this financial | 15 | parameters and it was done to provide the |
| 16 | projection. | 16 | illustration of what could occur based upon |
| 17 | Q. And there's a reference there, "footnote to | 17 | the assumptions that were outlined in this |
| 18 | Hall, 2002", can you help us with that? Is | 18 | particular document. |
| 19 | that a source of the inflation rate | 19 | Q. Would you agree with me that the O&M costs |
| 20 | projection? | 20 | that we've looked over the past couple of days |
| 21 | A. Yes. | 21 | have generally increased at a rate greater |
| 22 | Q. Okay. | 22 | than inflation since, let's say, 1997? |
| 23 | A. And I'm just trying to remember what its old | 23 | A. There's certainly been increases in costs, but |
| 24 | name used to be versus its new name. Just | 24 | there's also been decreases. And what the |
| 25 | give me on second there. Yes, on page 24, | 25 | purpose of this financial projection was, was |

Multi-PageTMNL Hydro's 2003 General Rate Application

| | tober 15, 2003 Mult | I-P | age NL Hydro's 2003 General Rate Application |
|----|---|-----|---|
| | Page 161 | | Page 162 |
| 1 | MR. ROBERTS: | 1 | Q. I believe I'll conclude before the break in |
| 2 | to be exactly that. It was a projection of | 2 | the morning, Mr. Chairman. |
| 3 | what something may look like based on the | 3 | CHAIRMAN: |
| 4 | parameters that were set. It's not a document | 4 | Q. Okay. Just to give us a road map. Mr. |
| 5 | that is to be used other than as another tool | 5 | Kennedy, did you have any idea about tomorrow? |
| 6 | that reflects what something may look like | 6 | MR. KENNEDY: |
| 7 | based on the projections and the assumptions | 7 | Q. I should be about an hour and a half, Chair. |
| 8 | that were used in the preparation. | 8 | CHAIRMAN: |
| 9 | Q. So, the prediction that's talked about there | 9 | Q. Okay. So, it looks like we could conclude |
| 10 | is just an assumption as opposed to a true | 10 | tomorrow, Mr. Roberts. |
| 11 | prediction? | 11 | A. Thank you. |
| 12 | A. This is just an assumption to prepare this | 12 | - |
| 13 | financial projection, here's what thing may | 13 | |
| 14 | look like if the real world unfolds to be as | 14 | - |
| 15 | outlined here with these assumptions. That's | 15 | |
| 16 | purely all this document was designed to do. | 16 | |
| 17 | Q. Okay. Thank you. Mr. Chairman, this might be | 17 | • |
| 18 | an appropriate time for me to break. I'm | 18 | earlier or indeed give us some flexibility |
| 19 | ready to move on to another area. | 19 | - |
| 20 | CHAIRMAN: | 20 | believe, little opportunity to move some of |
| 21 | Q. Thank you, Mr. Seviour. Thank you very much, | 21 | |
| 22 | Mr. Roberts. Mr. Seviour, do you know how | 22 | |
| 23 | much or do you have any idea of how much | 23 | reliance on experts who are already scheduled, |
| 24 | longer you'll be? | 24 | but there may be other opportunities or |
| 25 | MR. SEVIOUR: | 25 | flexibilities we may wish to avail of later |
| | Page 163 | | Page 164 |
| 1 | and the Board doesn't want to deny the | 1 | Upon conclusion at 1:33 p.m. |
| 2 | opportunity every time we get ahead of | | |
| 3 | schedule. We would indicate that this is our | | |
| 4 | preference in treating any additional time | | |
| 5 | available to us throughout the hearing, having | | |
| 6 | said that, I think there are questions of | | |
| 7 | fairness here to allow for proper preparation | | |
| 8 | and cross-examination and, indeed, change of | | |
| 9 | schedule and I guess we have, sort of a | | |
| 10 | personal request from the Industrial Customers | | |
| 11 | to accommodate a schedule there and certainly | | |
| 12 | the Consumer Advocate who is looking for some | | |
| 13 | preparation time, I think as well, as the | | |
| 14 | first up in the cross-examination. So, we are | | |
| 15 | prepared, on this occasion, to take the day | | |
| 16 | off on Friday and begin, I guess, with Mr. | | |
| 17 | Haynes on Monday. Having said that, I | | |
| 18 | wouldn't want to see this as a precedent and | | |
| 19 | then indeed, hopefully, we can move with | | |
| 20 | continuity throughout the schedule where | | |
| 21 | possible. And that may give us some needed | | |
| 22 | flexibility in future, but for the time being, | | |
| 23 | we'll take Friday off and we'll begin with Mr. | | |
| 24 | Haynes on Monday. Okay. Thank you and we'll | | |
| 25 | see at 9:00 in the morning. | | |
| | | | |

| | | Tuge 112 Hjuro 5 2000 Scherur Rute Hppheurion |
|----|---|---|
| | Page 165 | |
| 1 | CERTIFICATE | |
| | | |
| 2 | I, Judy Moss Lauzon, do hereby certify that | |
| 3 | the foregoing is a true and correct transcript in | |
| 4 | the matter of Newfoundland and Labrador Hydro's | |
| 5 | 2003 General Rate Application for Approval of, | |
| | among other things, its rates commencing January, | |
| 6 | | |
| 7 | 2004, heard on the 15th day of October, A.D., 2003 | |
| 8 | before the Board of Commissioners of Public | |
| 9 | Utilities, Prince Charles Building, St. John's, | |
| 10 | Newfoundland and Labrador and was transcribed by me | |
| | | |
| 11 | to the best of my ability by means of a sound | |
| 12 | apparatus. | |
| 13 | Dated at St. John's, Newfoundland and Labrador | |
| 14 | this 15th day of October, 2003 | |
| | | |
| 15 | Judy Moss Lauzon | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |