LIST OF UNDERTAKINGS

(9:05 a.m.)

CHAIRMAN:

Q. Good morning, thank you. Good morning, Ms. Newman, do you have any matters before we begin?

MS. NEWMAN:

Q. No, Chair.

CHAIRMAN:

Q. What is this, Mr. O'Reilly, just out of curiosity?

MR. O'REILLY:

Q. That's the base at Granite Canal.

CHAIRMAN:

Q. Very good. Good morning, Mr. Haynes. How are you. Good morning, Mr. Kennedy.

MR. KENNEDY:

Q. Good morning, Chair.

CHAIRMAN:

Q. When you're ready to continue your cross-examination.

MR. KENNEDY:

Q. Thank you, Chair, Commissioners. Mr. Haynes, I wanted to start off by just asking you a few questions about reliability, initially. And you've provided some comments concerning

reliability in your pre-filed evidence. Maybe we can just flip to those first, page 8, Mr. O'Reilly. There was, I believe, two places where you referenced reliability specifically. One is in this paragraph directly underneath the overview title and it's midway through the paragraph. "It", referring to Hydro, "operates an aging complex thermal plant and several large hydro plants on the island with increasing challenges related to public expectations on reliability and environmental practices." Then over at page 10 under "System Equipment", "One of the challenges for Hydro is to operate and maintain aging facilities that are critical in meeting customers mode and reliability expectations while controlling costs and Hydro has taken action to improve the reliability or prevent significant deterioration of equipment." And then you provide at page 15, table 4, which are some reliability indices used for your fossil steam equipment performance. And then the next table, 5, is the hydraulic equipment performance. And then over on page 18 you have under "Frequency", load shedding events

detailed there. I wonder if we could just pull up U No. 3, Mr. O'Reilly. Just before asking a specific question about reliability, Mr. Haynes, I'm wondering first, now that we've got this U No. 3 out, is it possible for us to get the same Exhibit, only with the 2004 figures, please, which should be, I'm assuming readily available from your documentation itself, your -

A. I could provide you now with the 2004, table 5 data to the end of September, as opposed to--I mean I could just provide that information now.

Q. Okay. So like -

A. Only for the reliability figures.

Q. Okay, I'm looking at--I'm thinking of all these numbers like the productivity figures for your hydraulic conversion, your thermal conversion, your generation controllable costs and everything, based on your forecast numbers for 2004.

A. But those particular ones for--I don't think we have that for 2004 as yet.

Q. You would have, for instance, your hydraulic conversion factor and your thermal conversion

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MR. KENNEDY:
factors, wouldn't you, because you're proposing 624 kilowatt hours per barrel, for instance, for your 2004 forecast year?
A. Yes, we are.
Q. And your controllable unit costs would be something that you could calculate from your 2004 proposed figures?
GREENE, Q.C.:
Q. With respect, Mr. Kennedy, to the request, we will be filing a revised revenue requirement which will update the 2004 forecast that we filed with the Board. Some of the numbers are based on that revenue requirement such as the controllable unit cost number and the generation controllable cost numbers, etcetera. Others are reliability numbers where you wouldn't be able to provide it, only a possible target. So it would be a blend, and my suggestion would be that it would filed later in the hearing after we look at the 2004 revised revenue requirement and then use that for some of these numbers if you wish. Or we could file it based on what's filed to date, that is, if you want to use it more quickly.

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MR. KENNEDY:
Q. I think counsel for Hydro's suggestion of filing this after the revised figures have been provided by Hydro makes much more sense. So if we could get an undertaking I guess to update this U No. 3 to have 2004 forecast figures as revised by Hydro, where it's capable of being produced. (Undertaking)
GREENE, Q.C.:
Q. Because I was just going to say, obviously, some of the others such as the reliability ones would only be targets for 2004.
MR. KENNEDY:
Q. And I guess that's what the next question was, actually. In relation to the reliability figure, Mr. Haynes, generation being under your division, we've got two reliability indices that are listed in U No. 3.
A. Yes.
Q. Weighted capability factor and then the weighted--I don't know is that DAFOR?
A. Yes.
Q. Would you consider these two indices to be the most telling ones, if you will, for the reliability of your generation assets?

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A. I guess in trying to come up with corporate indices which kind of cover the whole of the generation and so on, we felt that these were the most appropriate as kind of being a balance thing. As you drill down into the system, if you will, you know the plant manager at Holyrood will provide a lot more--can get a lot more information from the point of his particular unit performance, his plant performance, which will be different than the Hydro section and that plant manager can go down and drill down and get specific things that are hydraulic and so on. This is the cumulative capability factor for both hydraulic and thermal. We think it's the appropriate figure to--focusing from the Public Utilities Board as an overview. There are a lot more details as you go down that are specific to the individual managers.
Q. So, for instance, the weighted capability factor under "Generation", you've described as the rate of unit operating time to unit outage time. So do I take it correctly that that's just the converse or the flip of the incapability factor. If the incapability

Page 8

factor is 25 percent, say, would that correspond to the weighted capability factor being 75 percent?
A. The incapability factor and the capability factor are one minus the other -
Q. Right.
A. But the DAFOR is not quite the same thing. It's basically a de-rating adjusted average rate. It considers other things. It's basically the equivalent forced outage time over a host of other things; the operating time and planned maintenance and so on.
Q. What does the DAFOR tell you that the weighted capability factor doesn't? What does DAFOR measure that the weighted capability doesn't measure?
A. The DAFOR gives you a ratio of the forced outage time whereas the incapability factor may be planned outages and other things, scheduled maintenance and so on. So one is an indication of how well we do, if you will, from the point of view of our planning and execution of our jobs. Like the incapability factor is cited there as between 80 and 90 percent. On the Holyrood, that would be

MR. HAYNES:

between, you know, typically where we target as we said before, 75 percent. On the Hydro units it would be higher. So that's kind of a blend of both the Hydro thermal--the whole of our generation, the whole of our interconnected generation performance.

Q. And the weighted capability factor, that's your entire system, that's your thermal, your hydraulic, everything all factored in together?

A. On the interconnected system.

Q. On the interconnected -

A. Yes, it doesn't include the isolated diesel areas and it would not be--it would no also be--I'm not quite sure of the--I would expect to have the--Labrador gas turbine may not be there, it's a separate system.

Q. Do you have a target set for 2004 under your reliability indices for generation?

A. I believe we provided some of the information in--maybe we didn't. For 2004 they are not set yet. We will look at the performance, we will look at the CEA averages and we will assign a number from there, what our target

is. It has not been assigned at this point in time.

Q. When would you normally do that?

A. We would do that late in 2003 or very early in 2004, we would actually assign numbers.

Q. And in the determination of what the target should be, you look at your actual performance for 2003 and also I think you mentioned the CEA figures?

A. What we look at more than anything is basically our performance over a five-year period and because--you know, you get into a very strong--there can be a very wide variation in the Hydro thermal split. And so looking at a single year and looking at next year we don't think it's appropriate because you'd basically be moving around too much. So what we're suggesting and what we--the way we look at it is we try to seek a sustained improvement on a five year rolling average and that would consider, for instance, on a transition system which Mr. Martin could speak to a bit better than me, that when you get a good winter you get a bad winter, that over a period of time, we want to see sustained

improvement. That's our goal.

Q. So when you set your reliability targets for 2004 and you do a five-year average for the preceding five year--immediately preceding five-year period.

A. Yes, we will review that and we will see a percentage improvement typically of that, you know--and -

Q. Is that a predetermined factor already? Like, for instance, it's already determined that you'll set your target at ten percent better than your five- year average or is it -

A. It's not hard and fast. If we had a particularly bad winter where you had, you know, certain things that were explainable, you may try to look after that or consider that in your evaluation. So it's not concrete.

(9:17 a.m.)

Q. Okay. Because if we look at page 15 or 16 of your pre-filed, it shows at table 4, and you've got the DAFOR and the incapability factor for your thermal units and then you've got the NLH five-year average and if I can gather correctly, 2002 wasn't a stellar year

compared to your five-year average.

A. No, it was not. We had a few issues in Holyrood, particularly with respect to tube leaks and so on.

Q. So, let's say you were setting your target for 2003 you would--if I gather correctly, take into judgment the fact that 2002 wasn't a particularly good year in determining what your target should be for 2003?

A. If, for instance, if our target was concrete and pat, then we would look for a ten percent improvement over last year. And given that 2002 wasn't a stellar year from the DAFOR perspective, you know, that philosophy would say that we would target in 2003 a performance which would be worse than we had in 2001 and 2000 and we would not do that. We would look at the five-year history and try to get sustained improvement over time, realizing that in any one year there are numerous events that could blow us out of the water, if you will.

Q. Now I think you've--you've mentioned in some of the responses in the RFIs and I think some of these were relating specifically to your

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MR. KENNEDY:
reliability in the isolated rural systems. Maybe we can just go to CA-147. And there's two questions; what's the basis for the generation and reliability criteria and use for planning the isolated rural systems and then, two, have the customers indicated a willingness to pay for this level of reliability. And you go on to explain then that you're using the same criteria that you've had in place for more than 30 years and it's similar to what's used in other Canadian utilities in setting your criterion, correct?

A. That's correct.

Q. And then part B, based on Hydro's 2002 residential customer satisfaction survey. "The perceived performance of Hydro falls below customer expectations for the attribute electricity at a reasonable cost, indicating that customers are paying more than what they feel they should. With respect to service reliability, 94 percent of customers are satisfied with the supply of electricity provided by Hydro and rate it as the most important attribute of service from Hydro.

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These factors combined would indicate that customers are not willing to pay more for more reliable service and that a less reliable service is not desirable." Does that statement there, and there's some follow-up RFIs in which there was some further explanation provided concerning that statement, but, first, does that reply there apply only to your Rural Isolated Customers or is that indicative of all your customers, so when you did your customer satisfaction survey, had those numbers.

A. I'm not sure of the split. Mr. Banfield looks after the survey. My interpretation was that as this was a generation reliability question, it would be more reflective of the distribution side in our isolated areas. Mr. Banfield could probably confirm whether the actual survey results were split between Isolated and Interconnected. Because on the Interconnected customers, of course, the isolated diesel generation criteria is of little importance to them.

Q. I guess I'm trying to figure out, like--so, in your initiatives to improve reliability or

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otherwise in your own end of the business, your own, in the generation end of the business, how do you determine whether you need to improve reliability over your five-year average, for instance?

A. There's no science to that there. Basically we meet with Newfoundland Power, we meet with the utility customers, at our joint utility meeting and we have had various feedback from them that they would--particularly under frequency load shedding is the most--is the thing that gets most people excited because it's unplanned and it's sudden and usually fairly big. But basically there was no survey as such, formal survey of the Industrial Customers or Newfoundland Power and certainly no surveys that we have done of Newfoundland Power's direct customers. It's more based on meetings, feedback from our meetings with Newfoundland Power and the Industrial Customers that they seek that improvement, or seek that--to improve or sustain a reliability.

Q. Is it an accurate statement to say that the pursuit of reliability, increasing the

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reliability of the system would almost always necessarily involve extra costs?

A. That depends. It may be just a re-deployment of cost. You know, if it's employee training and more care and caution and sometimes in the way things may become, although that's not a very big factor, usually it's equipment failure. And a big driving factor, of course, is our environment and snow storms, sleet storms and so on that affect the end customer reliability. You can--if you were to take that to the extreme, if we were to design all distribution and transmission lines to meet the most onerous criteria that we have or the most onerous weather event, yes, it would definitely drive the capital cost.

Q. So it's obviously a balance between what's acceptable to the customers in the way of reliability and whether more money needs to be spent to improve that reliability for your customer.

A. Yes, and we have over, you know, the number of years and some of the--particularly in the transmission area which Mr. Martin would be a lot more knowledgeable of if we had the Avalon

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MR. HAYNES:
upgrade project. That was a specific project that was undertaken to increase the reliability of at least one circuit basically from our primary generating sources, Bay d'Espoir into the St. John's area which is the major load centre. And that was based on the experience that we had with our parallel lines and icing on several major sleet storms over the years. So -

Q. I guess I'm trying to figure out where does the push come from. Is it to improve reliability, is it an internal matter for Hydro or is this desire to improve reliability driven by your customers?

A. Primarily driven by customers. And we have a committee with Newfoundland Power which was created as a result of that, the Inter-Utility Reliability Committee was actually put in place by the CEOs of Newfoundland Hydro and Newfoundland Power to look at that, to review that, to review under frequency events, what can be done, what are we doing and to encourage this dialogue. That was one of the primary drivers for that. Not the only one,

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but a significant factor.

Q. So other than in your own distribution territory, as we all know Newfoundland Power is by far the biggest customer you have on an individual basis, so you get your feedback about the customer expectations from Newfoundland Power, you don't go behind Newfoundland Power, if you will, and check with their customers to see directly how they feel?

A. No, we do not. We have had discussions and anecdotal information, if you will, relayed to us by Newfoundland Power, you know, particularly on the under frequency load shedding and we have had discussions and presentations to the Board on the under frequency load shedding and there's been some changes in Newfoundland Power's approach and our approach and to the rotating feeders because of that.

Q. And that's been your focus as of late, the proving the experience with the under frequency load shedding?

A. That's one of the focuses on reliability. That's the--one that generates a fair bit of

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dialogue at times, depending on the number of events per year.

Q. Are there other major initiatives that you could describe that Hydro is undertaking or plans to undertake to improve reliability in the service?

A. With respect to the generation division, the production department, I should say, on the reliability on Holyrood, we are undertaking a review with a consultant looking at some of the things that cause us to trip and cause some of these events. The Hydro generation has not had the same--the consequences are typically not as large when Holyrood has an issue. On the transmission and generation side there are various programs on wood pole testing to ensure to bring that up to speed and to review that, which Mr. Martin could speak to.

Q. So in the production end of the business though--so it's the under frequency load shedding and then the performance of the Holyrood generating station?

A. And we're also looking at the performance of the Hydro generation as well, but when we talk

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about under frequency load shedding, typically 50 percent plus have been initiated because of Holyrood event. And that's driven by--that's not only because of the thermal plant. It's also driven by the fact that Holyrood machine, I think 175 megawatts are the biggest, single machines that we have. And if it suddenly trips, is when we initiate under frequency load shedding. In a hydraulic plant, we do have sudden trips on occasion. Sometimes we are at lower loads and there's no event, but other times, as with Holyrood as well, but more often in the Holyrood plant--in a hydro plant you get some advance warning. The operator knows that in five minutes or ten minutes he has to take the machine down. He will initiate contact with Control Centre who will actually ramp up generation of other machines and ramp down that machine so it comes off service with no impact to the customer. It affects our statistics and any--the failure rate number that we cite in table 4, for instance, is not just the trips that are--that would cause under frequency load shedding, it is any forced outage, whether it

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MR. HAYNES:
causes a trip of customer load or any other load. So there's a multiple number of factors that we consider.
Q. I guess I'm trying to figure how do you get, you know, you get your signal, if you will, or your information from Newfoundland Power as to whether you need to improve reliability.
(9:30 a.m.)
A. That is a primary input that they--in the meetings that we have with them and particularly the under frequency load shedding and we do on a--in the meetings, in the Inter-Utility Reliability Committee, I believe it's called--we do exchange statistics and numbers on our delivery point performance to them and they provide us the information on their delivery point performance to their customers and we usually separate the ones that are caused, if you will, by Newfoundland Hydro versus the ones that are caused by Newfoundland Power. So it's a fair exchange of information as to the--you know, the end customer reliability. But it's all through Newfoundland Power.

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Q. If we could just go to IC-231. That's a big document and I never wrote my page number down.
GREENE, Q.C.:
Q. Before you look for the page number, that would really be for Mr. Martin.
A. Yes. Our system planning people participated in a document but basically that is a TRO review of the transmission performance.
MR. KENNEDY:
Q. Sure, yes.
A. He would be more versed.
Q. And the reason I was pulling it up is because you mentioned delivery point performance and this document I guess is rife with comments about delivery point performance standards and I'm just wondering if you could explain what that is, what's a delivery point performance standard?
A. Basically it is the--from Newfoundland Hydro's point of view, any particular location where we deliver power and energy to Newfoundland Power where they take it, that's our delivery point. Newfoundland Power's delivery point would be to the meter socket, basically

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primarily to their customers. So in our case it's the performance, whether it's to our end customer or whether it's to Newfoundland Power or Abitibi or whatever. That would be the performance at that, I'll say meter socket, that's a simplistic way to put it. And in Newfoundland Power it would be their customer, what the customer sees.
Q. I was going to say, so in the case of what you described earlier about sometimes you might have a trip at one of your hydro plants but because you can see that coming, you can arrange your or change your system to prevent loss of load actually being experienced by Newfoundland Power, that wouldn't affect your delivery point performance.
A. If we have time to take, you know, take action, it will not affect the delivery point performance. But it would reflect back into the other statistics that we monitor on generation performance.
Q. And that's what I was going to ask you. So in the case of U No. 3, in reliability for generation, your weighted capability factor and your weighted DAFOR, would they be

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affected by the same events that your delivery point performance would be affected?
A. The events that would be accounted for in both those factors can have an impact on the delivery point performance and often times they will not. So that there is basically a measurement of the performance of the generation assets. When you get down to the SAIDI and SAIFI on the--on the SAIDI and SAIFI on the transmission side, that measures the performance of our transmission lines and that may or may not impact delivered point performance. When you get down to the distribution side, most of those events would actually affect the delivery point performance. But Mr. Martin would be more versed in both the transmission and distribution statistics than I.
Q. Okay, but in that sort of pancake mode or layered cake mode, the distribution if there's an erosion in your SAIDI or SAIFI at the distribution level, that will impact your delivery point performance indices in so far as say, Newfoundland Power, what Newfoundland Power sees.

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MR. HAYNES:
A. Most of our distribution would be to our actual--our customers.
Q. Okay.
A. Our transmission would have an impact in--not all cases but some cases on our delivery point performance to Newfoundland Power. For instance, if there are two transmission lines that go into a delivery point to Newfoundland Power and we lose one line, we don't lose service. If it's a radial line where we have one transmission line going in and we lose a transmission line, obviously, that would affect the end customer performance.
Q. So if I wanted to look at one indicae in order to see what Hydro's performance is, vis-a-vis, Newfoundland Power, what your performance in providing the product that you provide to Newfoundland Power, what would I look at?
A. I don't think there's any specific one that is solely a Newfoundland Power performance index on this chart because as I said, the generation affects it, the transmission affects it. But there was no composite--there is no composite aspect there. It's the most--

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the factor that means the most to Newfoundland Power would be obviously their end customer performance, whether we caused the event or whether they caused the event to their system. And they do track Newfoundland Power from--based on the meetings that we had with Newfoundland Power, they do allocate this is our fault or their fault.
Q. Yes. I think they recently changed their short-term incentive base SAIDI and SAIFI targets to include generation loss, as something that they also measure because it affects their end customer.
A. I'm not sure.
Q. And I guess what I'm trying to figure out is if I wanted to see what Hydro's performance is to Newfoundland Power, there's no one indicae here that I can look at and track that year over year.
A. Not in this chart that puts that into one sole number, no.
Q. In your number three there's a measurement here of your generation controllable costs, OM&A dollars per installed megawatts. And it's a note one there and it says "Subsequent

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to meetings with Grant Thornton, Hydro has determined that a more appropriate cost driver of generation OM&A cost is megawatts of installed capacity." Now the indicae that was being recommended by Grant Thornton was OM&A cost per installed megawatt hour I think?
A. And we still maintain on a high level the controllable unit cost which is the first item on the table which is controllable cost for forecast of megawatt hour delivery. The rationale for making that change on the generation is that if the thermal plant operator at Holyrood was looking at that there, his generation can be, you know, 2.5 terawatt hours, could be as low as one terawatt hour. So it's a very moving target, but the megawatt capability that he has to maintain and keep useful, use and useful, is static. So, you know, the divisor doesn't change. So you get a better--we think it's a better indication at his level, at their level on how good a job they're doing or, you know, watching the bar to see if they're increasing cost and try to control it. Whereas the--and similar for the hydraulic production. If we

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had a good water year and we had a tremendous amount of megawatt hours, he would do very, very good. The next year if it's dry, he would do very, very bad. So we think that the megawatt and I think Grant Thornton were agreeable to that, would be a better measure for him to focus on at that level.
Q. The last topic I wanted to just discuss with you was some questions about the Interruptible B program. And if we could go to the 2001 GRA material, Mr. O'Reilly and IC-165. Mr. Haynes, this was a question asking how many occasions has Hydro interrupted the Stephenville ACI pursuant to the Interruptible contract.
A. Yes.
Q. And it's self-evident there that since 1995 there hadn't been any interruptions to 2001.
A. Up to the end of 2001, that's correct.
Q. Were there any interruptions in 2002 or so far in 2003?
A. I'm not 100 percent, I thought there was one but I'm not quite certain.
Q. Can you give us a general reason why there would seem to have been more interruptions in

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MR. KENNEDY:
the early 90s than in the late 90s and into the 2000 when according to Hydro's data, the capacity issue is becoming more acute as we move along. In other words, your capacity would have been constrained more in 1998 or 1999 than in 1992 and if so, why would you have been interrupting back in '93, '94, '95 and not in '96, '97, '98 and so on?
A. A lot of conjecture on my part. The only--there may be some link back to the availability factor of Holyrood which was really not--we didn't make big improvements until '95, '96, '97, I guess, when we partnered with the OEMs, but that's a very weak response and I don't have that--I did not go back and review specifics of why we're in that particular situation. It may have been equipment problems or--and so on. I don't have that information.
Q. I have one more question area. Have you had an opportunity to review the report of EES?
A. I've read the report, yes.
Q. You're familiar then with the issue surrounding the wholesale demand rate as being

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proposed by Hydro in sofar as that there's a potential it could create an incentive, I think is the way it's been put for Newfoundland Power to use its generating resources in a less than optimal manner?
A. Yes and I believe Newfoundland Power did respond that they would adhere to the Act which basically--I mean they said they would do that, I think they implied that there may be some motivation do otherwise or something along those lines.
Q. Given, I suppose, their position, you could assume that sort of conceptually they see that weakness in the wholesale demand rate, if there is this incentive to use their generation resources more than optimal, but that would be conjecture on both our parts.
A. Yes, it would be.
Q. But EES has a recommendation in its report concerning central dispatching. Did you notice that when you were looking through the report?
A. Yes, I read the report, but I didn't--I guess at the time, it was uncertain whether it was going to be filed. I read the report, but I

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didn't study it to that degree.
Q. Okay. I just wonder, in your--in the report on the joint coordination between the two utilities, there's a description of the process for Hydro's dispatching and that you can, at times, call upon Newfoundland Power to provide power when it's needed?
A. Yes, and we do that as required.
Q. And is that done by virtue of a pre-established sort of written protocol between the two utilities or is this done in an informal manner, where it's just a person in your Energy Control Centre calling in to Newfoundland Power's Energy Control Centre?
A. We would look at--the Energy Control Centre would look at it, and there was a little bit of discussion yesterday on the order that we would seek resolution, you know. On a normal basis, when we have no generation constraints, we would not approach Newfoundland Power for that. We have dialogue with Newfoundland Power during the peak, when peak is expected, and they do plan to have most of their hydraulic generation on during peak. However, they do have limited storage and, you know,

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there are a lot of the run of the river type generation, and you know, the opportunities for a lot of that is limited, because of the nature of the plants and the construction. So they have water they turbine, you know, and they do that. But they do build up some hydraulic reserves in the fall to ensure that they are available to as high as they can during the expected peak. I know that. But we would only ask them if we saw a constraint.
Q. Right, which is usually going to come in your--unless there's some outage issue, it's going to come in the winter months?
A. Usually January, late December, January, February.
Q. Right, and it's at that point that Hydro grabs the stick, if you will?
A. Well, we initiate a phone call to their Control Centre and their Control Centre, most of these plants, they have remote control and they will actually initiate them and put them up to whatever that capability is or near.
Q. Has there ever been, in your recollection, an incident where Newfoundland Power failed to respond to a request of Hydro in that regard?

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MR. HAYNES:
A. Not that I'm aware of, and I'm quite sure that they would always respond. You know, if we don't meet the load, it's all customers will suffer, including Newfoundland Power customers.
Q. That's all the questions I have, Chair. Thank you, Mr. Haynes.
A. You're welcome. Thank you.
CHAIRMAN:
Q. Thank you, Mr. Kennedy and Mr. Haynes. Good morning, Ms. Greene. Begin your redirect please, when you're ready.
GREENE, Q.C.:
Q. Good morning, Mr. Chair, Commissioners. Mr. Haynes, the first question that I have for you in direct arises from cross-examination by Mr. Kelly on Monday, and in the course of the cross-examination, on a couple of occasions, there was discussion with respect to the diesel units and whether the Energy Control Centre mostly controlled the diesel units. With respect to that, does the Energy Control Centre remotely control the diesel units in the isolated areas?

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A. No, my answers were with respect to the Interconnected System and it certainly reads that it does, but they do not control any of the isolated diesel plants.
Q. So when you were talking about the Energy Control Centre remotely controlling diesel units, what did you mean?
A. They would remotely control the St. Anthony and the Hawke's Bay, you know, those plants, not the L'Anse au Loup or the Cartwrights, et cetera.
Q. So it's the diesel units that are interconnected to the system? Is that correct?
A. That's correct.
Q. The next area for redirect arises also from cross-examination by Mr. Kelly, this time with respect to the fuel conversion factor at Holyrood. There were a couple of information requests that Mr. Kelly took you through and there are two additional ones that I would like to refer you to at this time. The first is NP-267. In the cross-examination of Mr. Kelly, it was established that there were some projects undertaken at the Holyrood plant in order to ensure the efficiency factor was

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maintained and improved, if possible, and I guess, the issue is with respect to whether these projects were taken into account in Hydro's recommendation, with respect to the 624 kilowatt hours per barrel that we have proposed with setting rates for 2004. In NP-267, I wonder, please, if you could read the sentence beginning at line 18, please?
A. "The addition of this system and the water lance and reheater tubing on Unit No. 3 were considered by Hydro in proposing the increase from 615 kilowatt hours per barrel to 624 kilowatt hours per barrel for 2004."
Q. So Hydro did take into account the projects that have been completed or are in process at Holyrood in their recommendation? Is that correct?
A. That's correct.
(9:45 a.m.)
Q. And why does not--and I guess the issue of why Hydro is not recommending a higher number was also dealt with in this answer. Could you just read the sentence beginning at line 14, please?
A. "However, Hydro does not recommend proceeding

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with 628 kilowatt hours per barrel because other factors that were not present in the past may lead to a deterioration in this performance. This includes the effects of new generation sources on the residual load available to Holyrood and the potential environmental factors that may come to light through the use of the CEN system." And as well, if you were to look at IC-317 or at least, I just hit the high points. That particular RFI looked at several factors that influenced the ultimate fuel efficiency we achieve and they were the actual unit that is used. They're not all the same. Particularly No. 3 is not as efficient as Unit No. 1 and 2. The load level which is primarily dictated by the Energy Control Centre. We also have issues of unit fouling with respect to the various heat exchangers, air to air, water to water, and the condenser performance and so on. There are also some fuel measurement factors, you know, when the actual measurement is done, as well as the heat content of the fuel, which is not static. It does change a bit, and also, the ambient air conditions. So

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MR. HAYNES:
if the water in Indian Pond, for instance, is warmer or colder, it will affect the efficiency of the condenser and other factors.
The other item which is not listed there, which is probably worthy of note, is that of all the various auxiliary systems that we have in Holyrood and the maintenance aspects, you know, we can have a piece of equipment out for a period of time, a heater or a pump or whatever, and all those will have some impact on the ultimate performance of the conversion factor. So what we have proposed is that we achieve these benefits and that they will be reflected in the average on a go-forward basis.

Q. You've just talked about the number of factors that can influence the conversion factor for Holyrood, and I gather from your answer as well as from IC-317, there are quite a number of factors that can directly impact the efficiency that's achieved. Is that correct?

A. There really are numerous factors, of all the various mechanical and--primarily mechanical equipment and heat exchangers and preheaters

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and so on and fouling. As you start off the year, when you start off with three clean boilers and so on, you know, you have a good chance of doing very well. As time goes on, it will deteriorate because of fouling, which is natural.

Q. Now Mr. Kelly talked to you about what the impact is if Hydro achieves more than the efficiency that is set by the Board, and I'd like to talk to you about what happens in the reverse situation, which is if the efficiency factor is set by the Board and Hydro does not achieve it, and I wonder here, Mr. O'Reilly, please, if we could go to IC-207? Now in this particular case, the question relates to an actual efficiency of 648 and if 615 only had been achieved, and my question to you is: if in fact using these numbers the Board had established an efficiency factor of 648, which we certainly don't recommend, because we're recommending 624 but I'm using it for illustrative purposes, and Hydro had achieved only the 615, would the results be that instead of what's shown there in the last paragraph, that there would have been a impact

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of 6.1 million positive that there would be a 6.1 million dollar negative impact as a result of not achieving the efficiency set by the Board?

A. It's pretty well a symmetrical event. It may not be a dollar for dollar, but it's darn close, and it's a balance risk. It can go either way and it basically spins around the centre line. It can be a plus or minus.

Q. So that if Hydro did not, in fact, in this particular illustrative example, achieve that efficiency there would be the net impact of approximately $6 million with about $3. 7 million directly hitting Hydro's bottom line and being a negative for Hydro? Is that correct?

A. Yes, that's correct.

Q. The next question for redirect also arises from a question of Mr. Kelly, and I'd like, Mr. O'Reilly, if you could bring up the transcript please of October 21 at page 122, and it relates to the professional services for 2002 for IT. We were talking there about the professional services for IT of $224, 000 for 2002 and there in lines 12 to 16, we see

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an explanation that the services were required relative to the intranet document management security, and that reads there in the transcript as though it's one project. Is that correct?

A. No, that particular amount of money was for several projects in the IS&T department, such things as a Strategy Showcase upgrade, and it's a program used to get data and generate reports in the JD Edwards system. There was an EMS SCADA portion. There was some security consulting. There was inspection service for our microwave towers, which we normally contract. There was some money spent on document management initiatives, review, customer service programs, some money for evaluating Windows XP as an operating system, and some money on the intranet. So it was, by and large, a number of smaller items.

Q. So the 224, as you just mentioned, is for a number of miscellaneous type of projects in the IT side and not for just one project. In fact, there is an intranet project, a document management project, and a security project. Is that correct?

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MR. HAYNES:

A. Yes, and a few others besides. It's several smaller items.

Q. The next question is just to correct for the record with respect to the receipt of the PIRA forecast. On October 21, at page 141, you were asked the question "how often does Hydro receive a PIRA forecast?" and you responded that you thought it was quarterly. Is that in fact correct?

A. No, I thought wrong. It's monthly actually we receive the forecast.

Q. The next question arises through the cross-examination of Mr. Hutchings, and it's also the question that Mr. Hutchings asked about yesterday, and it relates to the determination of the average annual energy for Holyrood, and the difficulty Mr. Hutchings had in coming up with the calculation of the 2,996 gigawatt hours as shown as the annual energy capacity for Holyrood, and I wonder, Mr. Haynes, if you could explain the calculation that results in that number?

A. Yes. There are a couple of factors here. In our LOLH and so on, we use 465.5 megawatts as

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the actual number that we rely upon for, you know, several hours at a time, if you will. But on a continuous basis at Holyrood, because of some of the items I mentioned a minute ago on the--you know, when you start off in September when you have clean boilers, as you get down to March basically, even though we, you know, do various things, there is some deterioration of boiler performance over time. So the actual megawatt number that's used to calculate the 2996 is what we consider to be a continuous rating that we can sustain, and that's 456 megawatts, and then it's basically 456 times 8760 times 75 percent would lead to the 2996 gigawatt hours.

Q. And that wasn't evident from the information that was filed, so Mr. Hutchings wouldn't be able to do the calculation. Is that correct?

A. The number was very close, but it was not spot on. That's correct.

Q. And as you just explained, that's because it's not the actual maximum capacity of each of the units, but it's the number that you have determined to be what's available on a continuous basis from each of the units?

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A. That's correct.

Q. The next question on redirect also arises from the cross-examination of Mr. Hutchings and it's in the transcript of October 21 at page 141 is the first reference. October 21, page 141, and it's lines, I guess, 5 to--actually it started on the previous page, and Mr. Hutchings came back to it later, but the suggestion by Mr. Hutchings was that Hydro should consider spot market purchases in the summer to build water reservoirs for the winter, and in your answer, I guess, you dealt with some of the factors why Hydro wouldn't consider doing that, and I wanted you to expand on that at this time. Why isn't that a good suggestion from Hydro's perspective?

A. I guess the other significant factor that I neglected to mention was the fact that we would significantly increase our risk of spill. If you were to operate close to the top of the chart there and we had anything abnormal, any increased rain or whatever, then we would put ourselves very, very probably in a spill situation, which would be very uneconomic.

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Q. So in addition to the risk of spill which you didn't mention on October 21, I think there were two factors that you did say also influenced why Hydro would not seriously consider that suggestion, and they were the volatility of prices? Is that correct?

A. That's correct.

Q. And the other one was the impact it could have on the Holyrood operating performance?

A. Yes.

Q. The last question for redirect, before I come to responding to the undertakings of yesterday, arises from the cross-examination of Mr. Kelly. And it is to deal with the discussion you had with Mr. Kelly on Reliability Centred Maintenance, and I just wanted to briefly review that with you. What is the status of Reliability Centred Maintenance in your division, first with respect to the Holyrood plant?

A. As I mentioned, I did mention that we do employ RCM tactics at the Holyrood gas turbine and we had been looking at RCM in Holyrood for a period of time, and we do have presently a consultant engaged to review our approach to

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MR. HAYNES:
RCM in Holyrood and we are looking at several systems to evaluate whether that's going to be cost effective and actually save us money, and that will be done late this year, early in 2004, and we will react as we see appropriate, based on those results.
Q. That's with respect to Holyrood. What about with respect to hydro generation?
A. In hydro generation, we have not pursued, to the same level, RCM as we have at Holyrood. There are a couple of factors. One is that CF(L)Co had proposed to evaluate our RCM for their hydro units, which although they are bigger, it's still a hydro unit and the various components are one and the same in most cases. So we thought it would be appropriate to wait and see how they did and if they identified any major savings initiatives that could be, and we would basically capitalize on the work that they would have done. The other smaller factor is that when you compare a Holyrood versus a hydro plant, there are a lot more subsidiary systems or subsystems in Holyrood and there

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are some redundancy systems there. You have two pumps or whatever. In a hydro plant, the infrastructure is not as complex and the opportunities may not be as great, but I would not say that there are no opportunities. But we would like to evaluate the CF(L)Co results and also the Holyrood results before we actually move.
(10:00 a.m.)
Q. That completes the actual redirect, and at this time, we are in a position to respond to undertakings that were given yesterday. Yesterday there were three undertakings requested by the Industrial Customers. The first undertaking is found on page 99 of the transcript, and it deals with the cost implications for the Industrial Customers of the GNP transmission line being assigned to common, based on the 2004 data. It was in effect a request to update IC-180 that had been filed in the 2001 GRA. We are not in a position to respond to that today. I believe it will be next week before we'll be able to answer that question, but we are in a position to respond to the other two.

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The second undertaking is found on page 121 of yesterday's transcript, starting on page 121 and it goes over to page 123, and it deals with the incident of September 18th, 2003, and Mr. Seviour asked us to provide additional information with respect to the use of the GNP generation to assist during that particular outage. First, Mr. Haynes, with respect to that, when did the incident commence?
A. It initiated at 2131 hours on September the 18th.
Q. So that's 9:31 p.m. in time?
A. Yes, 9:31 p.m.
Q. I can relate more to 9:31 than the 21. So at 9:31 is when we lost Bay d'Espoir? Is that correct?
A. Yes, that's when the event started. There was several, you know, things happened but that's the initiating event.
Q. And I believe you testified in response to the questions that GNP generation was run during that incident to provide service to the Interconnected grid. Is that correct?
A. Yes, it was.

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Q. What time did the GNP generation come on?
A. The Hawke's Bay units were on maintenance, so they were not available. The St. Anthony diesels came on at 2156.
Q. 9:56?
A. 9:56. I can't add and subtract here on the stand, I'm sorry.
Q. And the Roddickton units, Mr. Haynes, when did they come on?
A. They came on approximately 30 minutes later, they were activated.
Q. Now St. Anthony came on at 9:56 p.m. How long did St. Anthony remain on serving the grid?
A. St. Anthony was on for two hours and 43 minutes.
Q. And during the time that it was on, what was the capacity delivered to the grid?
A. The peak capacity was 6.25 megawatts and the energy that was actually delivered during that time was 15,375 kilowatt hours, I'm sorry.
Q. What about the Roddickton unit; how long would the Roddickton unit have gone?
A. Roddickton was initiated, as I said, at--well, at -
Q. Around 10:30 p.m.?

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MR. HAYNES:
A. - a little later, around 10:30, and it was on for an hour and 40 minutes. The peak capacity was 1.7 megawatts and the energy was approximately 2500 kilowatt hours.
Q. In your discussions with both Mr. Kelly, I believe it was, and with Mr. Seviour, you indicated that all available generation was put in service in order to respond to that outage. Is that correct?
A. Yes. Within 15 or 30 minutes, the gas turbines at Stephenville and Hardwoods, along with the St. Anthony, were on line. As well, contact had been made with Newfoundland Power to put on all available hydro generation and to start the process of starting the Green Hill gas turbine, and you know, and after that 30-minute period, shortly after that, the Holyrood gas turbine was engaged and the Roddickton diesels are as well on. The Newfoundland Power Green Hill gas turbine, they had some difficulties getting it started and when those issues were resolved, we were pretty well on the road to having the other major generation issues addressed and back on

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line.
Q. So the NP thermal generation wasn't actually required at the end of the day?
A. No, when they were ready to actually put it on, we did not need it any more, so it was dropped.
Q. The last undertaking from yesterday is found on page 123 of yesterday's transcript and it was a request to update--you can see it there, at the bottom, starting at the bottom of page 123 where Mr. Seviour referred to IC-235 and asked Hydro to update the response to IC-235, and I wonder, Mr. O'Reilly, could you bring that up on the screen, please?
The question in IC-235 was to indicate the times that the GNP generation, Hawke's Bay and St. Anthony operated to support local load. The answer to the question states that it was for 112 times since 1996. That 112 times, was that to the end of 2002, Mr. Haynes?
A. Yes, that's correct.
Q. And in 2003, how many times have the Hawke's Bay and St. Anthony diesel units been operated?

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A. To date, those units have been operated on seven occasions. Two were for system support and the other five were for local events.
Q. Thank you, Mr. Haynes. Thank you. That completes both the redirect and the response to the undertakings.
CHAIRMAN:
Q. Thank you, Ms. Greene. Thank you for the clarification on the time. I had to rely on my colleague here yesterday when you referred to that graph as magenta. She clarified for me that it was a pinkish colour. So I know the time.
GREENE, Q.C.:
Q. Mr. Chair, I was calling it pink and it was the engineers in system operations -
CHAIRMAN:
Q. - who called it magenta.
GREENE, Q.C.:
Q. - who corrected me that it was magenta.
CHAIRMAN:
Q. I see.
GREENE, Q.C.:
Q. I thought it was an engineering colour.
CHAIRMAN:

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Q. Crayola comes in all colours these days. We'll move now, I guess, to questions from the Board. Commissioner Saunders, please.
COMMISSIONER SAUNDERS:
Q. Thank you, Mr. Chair. Just to carry on with that last item that Ms. Greene raised in redirect, Mr. Haynes. What was the alternative? Or put it another way, why did you choose the alternative of the engagement of the GNP generation on that September 18th incident?
A. Well, we had lost a--we had interrupted, from Bay d'Espoir plant, a significant amount of generation and basically, if we had not engaged whatever we could, we would have had other customers out of service for a longer period of time.
Q. So why was the GNP generation chosen first?
A. The Hardwoods and the Stephenville gas turbines were initiated, and contact with Newfoundland Power, and then the St. Anthony diesels came on. So the action had already started with Newfoundland Power.
Q. Okay.
A. We had already initiated, you know, starts of

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MR. HAYNES:
the Hardwoods and Stephenville gas turbines, which are the biggest machines, at 54 megawatts each, and then we basically went to the St. Anthony diesel plant, which is also six plus megawatts, and the Holyrood gas turbine requires the control room operator or an operator in the control room or an operator at the plant to actually go out and start that. So there's a bit of a time delay to get that machine on.

Q. So then at the time that the GNP generation was engaged, was there any other alternative?

A. No, basically the Bay d'Espoir plant was unavailable. Any other hydro generation at Hind's or Cat Arm, if the machines were not on maintenance, because it's a bit of a heavy maintenance period, so they weren't all available. I don't recall specifically which machines were unavailable, but whatever was available was dispatched.

Q. Just a couple of questions relating to matters that were raised, I think yesterday, if I can find it here. One is with respect to the RCM program or process. You aren't sold, I gather

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from your comments, that it's of a lot of benefit to the generation side of the business. It's more applicable, I think you said, or better adapted to the TRO side?

A. I think there may be significant gains in both areas. I guess what I tried to imply this morning in redirect is that we are proceeding with caution. We are reviewing. We do have it in place for the gas turbine at Holyrood. We have been looking at RCM at Holyrood for some period of time and we have some, I won't say uncomfort, we just have some reservations about doing it on all systems. So we have engaged a consultant, an experienced consultant, to review our RCM initiatives that we might undertake on certain systems at Holyrood. And depending on that review and the feedback, then we would actually look at engaging that and on the hydraulic side, you know, you have one turbine and one generator, obviously there's still opportunities for RCM, I'm quite sure, but the traditional understanding of RCM is that basically you can get 80 percent of your benefit by doing 20 percent of the work and we were not prepared--

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we don't think it would be appropriate to study each and every system and I'm sure nobody does. So we want to focus those activities and I think by waiting until we get some results from CF(L)Co or see what, you know, the dialogue with their operating people, that if they come back and they identify quite a bit of a potential, that will actually, you know, engage us, if you will, on the hydro side. But we are progressing in Holyrood. We are reviewing it, and if the savings are there, we will initiate that RCM program, you know, to accept that tactic for certain systems.

Q. Okay. Earlier on, when Mr. Wells was on the stand, I think we touched on it as well with Mr. Roberts, there is a fair bit of discussion about the business improvement process that Hydro has recently adopted. Is there anything you want to indicate to the Board as to how that process is going to impact on your department?

A. It will definitely have impacts.

Q. In what areas, for instance?

A. In hydro generation and in thermal generation,

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there will be impacts with business process review, particularly with the initiatives that are on the go right now, with you know, asset management, work management and prioritization, those issues. And the people from the field are engaged in that. It's not a--I think one of the pluses in the approach is it's not a head office driven, in a sense. It's obviously there's a lot of head office driving in it, but there are labour managers and asset managers from the field involved who are on the ground floor of looking at these things and would go back and be champions, if you will, of some of these changes. But they will, over time, impact and we have indicated, I guess, in our filing that we have included another, an additional one and a half million dollars in the--we've put it in our vacancy reduction account, if you will, as a place to put it, that will be anticipated savings overall of that and other things that we are doing. So we feel that we have actually covered that off in the 2004 test year revenue requirements.

Q. Okay. Just one other question in the area of

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COMMISSIONER SAUNDERS:
a subject that's a favourite of mine, and that's full-time equivalents.
A. Okay.
Q. Let's start out with--I'll find the page here in a moment. It's your evidence, page 14, and that's Table 3. Before I get into that, I wanted to ask you a question. Are you familiar with the efforts by Hydro to convert to the FTE measurement?
A. Yes.
Q. You are?
A. Yes.
Q. And so that, I think, took--started to take place a couple of years ago, as I recall?
A. Yes, I think actually 2003 is actually, you know, the forecast figures were on FTE, on an FTE basis.
Q. But if I go to, if I can find it here, Schedule 4 of yours. I'm sorry, Schedule 6. There we are. You show in here permanent salaries, and we can take any year, take the first one, it's easier to see. 2002, it's 15 million eight eighty-three. And in response to a question that was raised, I think by Mr.

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Kelly or it may have been Mr. Browne, but it's not important in terms of who raised it. You indicated that that number was the FTE equivalent.
A. Not in--in 2002, the permanent salary number--in 2002, it was still being done on an hourly wage basis and -
Q. Okay.
A. - a permanent complement basis. So in 2002, the fifteen eight eighty-three was salaries paid to permanent complements and the temporary salaries, the balance, if you will, is done on hourly wages at fifteen seventy-nine.
Q. Okay. And move along to 2004 then.
A. In 2004, all salaries, whether they're permanent complement positions that are in organization chart or whether they're temporary, are included in under the permanent salary heading, which is a bit misleading, I guess.
Q. So when you say that that's an FTE equivalent -
A. Yes, that $18,471,000 is to pay all salaries in the production division, whether they're

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permanent or temporary.
Q. Okay. But my understanding of FTE, it would include overtime and fringe--I'm sorry, not fringe benefits--would include overtime and hourly wages, of course, as well, but it doesn't here, obviously, because -
A. No.
Q. - you show a separate number, one million four seventy-five for overtime.
A. Yes, and overtime is sometimes capitalized, you know, it depends on where it goes. But that basically would be--you know, overtime, we plan for an amount of overtime.
Q. Yes.
A. But often times, we are driven there by, you know, other factors, breakdown or whatever. So our forecasting of personnel needs in that permanent salary component is basically the number of standard--the number of hours we require to do our regular work. Overtime is still treated separately and budgeted separately. If you were -
Q. That's not my understanding of how the FTE statistic is supposed to end up. The FTE statistic is, in my understanding, supposed to

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measure the number of hours of work by your total staff, including overtime. But you don't understand it to be that way?
(10:15 a.m.)
A. I'm not--my understanding is that that's not the way that we put forward the numbers on our FTE complement that we have not included the overtime, but I -
Q. Because otherwise, how could you measure the total labour output, if you like, against the numbers that you provide in terms of your total cost? Anyway, that's not a debate I wanted to enter into here. That's probably for somebody else at a different time. The other question I had is in relation to your vacancy adjustment and what that number relates to, because this is not a budget sheet that I can understand. It's an actual net operating expense breakdown. Is that -
A. That's what our 2004 -
Q. Yes.
A. - revenues that we require, I guess.
Q. So vacancy adjustment and we take 2004 of 925,000, what does that tell me? What is that supposed to indicate?

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MR.HAYNES:

A. I guess, in a nutshell, if we do not achieve savings based on business process review or we do not achieve savings based on delaying hiring people when they leave and we replace the jobs or whatever, that we are seeking, in total, in that salary section, $20,160,000. If we achieve nothing, then we will be short 925. We are saying that we will achieve those savings in that year.

Q. I understand. But my problem, I guess, is that the permanent expenses or the permanent salaries of 18,471,000 which you say is supposed to be equivalent to the FTE dollar value, and we had a disagreement on overtime, but we can sort that out, I'm sure. I don't understand the relevance of the 925 because to me, all that does is indicate that you've got some positions that you haven't filled, as of the date of that statement, and what that relevance is to your actual cost and outputs and efficiency, I fail to understand. I know it relates back to your Table 3, which we began this discussion with, which is on page 14, but that too, I don't understand in terms

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of what it is you're trying to indicate to the Board as to what your efficiency is. To show that your complement has dropped from 320 to 300 may mean something to the way in which you measure your productivity, but what's more important, I think, at least as far as I'm concerned, is the productivity measurement that's indicated by the FTE's and I come back to the root question, why it is Hydro appears to have struggled with making that conversion over the past two or three years that you've been trying to do it?

A. I do not know the answer to your last question, with respect to the FTE. I mean, what we have put into permanent salaries is the FTE dollars for permanent and temporary employees.

Q. Yes.

A. I accept what you said that when you evaluate at the end of the year how many actual hours that you did, you would have to consider overtime plus other hours to give you the total number of hours that were engaged in work. I'm not sure about the mechanics behind the schedule in the finance side. Just to go

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back to the other item you mentioned. The 2004 forecast permanent salaries, the 18.47 million dollars, that is a forecast--that is our complement positions plus our expected temporary hires. It does not include an allowance for the vacancies that are currently on the books, because the vacancies that are on the books right now are considered to be temporary ones. They may be two weeks, they may be two months, and if we can, it'll be forever. And the credit for all that, that we accrue over the year, along with other things from the BPI process, our other initiatives, are included in the credit, if you will, of $925,000. That's the way that we took--that's the approach that was taken for this schedule.

Q. I just have difficulty and I just wanted to bring that matter up because I know the effort was started and I can't recall if it came about as a result of a Board order or some directive that we issued through the financial consultants, Grant Thornton, but it appears to be that the way in which you now show your permanent complement, your FTE's and your hourly wages and overtime and all of that, is

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a source of confusion.

A. Okay. I mean, what we -

Q. And I just pass that on, and probably, Ms. Greene, if you could come up with any kind of a schedule to replace the one that is showing up here to indicate what the FTE equivalent is, it would be most helpful.

GREENE, Q.C.:

Q. Commissioner Saunders, Hydro actually started reporting on an actual basis for FTE's in 2002. When Mr. Haynes said 2003, we also started forecasting and budgeting on that basis. And with respect to the FTE's, part of the confusion is where we did not have a prior to 2003 on a budget basis, for comparability purposes, we have included it both ways in what we have filed. In the future, you will only see the FTE basis, so I think that will simplify the process. We did it so we could do direct comparisons on staffing from past historical data. But in the future, I'm assuming we'll only have to go back no earlier than 2002, so we should have it on a comparable basis. So for the next hearing, I assure you you won't have the same confusion.

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COMMISSIONER SAUNDERS:
Q. I recall raising this in the 2001 GRA and I recall the response that you just gave was something similar.
GREENE, Q.C.:
Q. The only--the problem is -
COMMISSIONER SAUNDERS:
Q. And we're two years down the road and it still hasn't been changed.
GREENE, Q.C.:
Q. That's because we still have to show you the historical data because of all of the requests for information and tracking.
COMMISSIONER SAUNDERS:
Q. I understand that, but for the purposes of what the 2004 forecast is, the test year, then I don't think anything else but FTE's is any way useful.
GREENE, Q.C.:
Q. And the 2000 -
COMMISSIONER SAUNDERS:
Q. Permanent complements don't really mean too much to me. They may mean a lot to you, but I don't think that there's a very--it's a very meaningful measure for the Board.

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GREENE, Q.C.:
Q. The 2004 forecast, Commissioner Saunders, is on an FTE basis.
COMMISSIONER SAUNDERS:
Q. Well -
GREENE, Q.C.:
Q. The hourly -
COMMISSIONER SAUNDERS:
Q. - that's a matter of argument, isn't it? As to what Mr. Haynes just described, it's not on an FTE basis as I understand it.
GREENE, Q.C.:
Q. And that's because you -
COMMISSIONER SAUNDERS:
Q. Especially when you show the vacancy adjustments at $925,000.
GREENE, Q.C.:
Q. - and perhaps when I ask Mr. Haynes some questions arising from your questions on the vacancy adjustment, you'll understand how we have applied it. But the FTE basis is an FTE basis. The only thing that I guess we may have some difference on is whether overtime gets included in it, and neither us nor Newfoundland Power include overtime in how we

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budget for FTE's. But if the Board would like us to change, well, obviously we will change again, because we are responding to whatever the Board finds suitable for its tracking and its measurement.
COMMISSIONER SAUNDERS:
Q. I'll explore it with Mr. -
GREENE, Q.C.:
Q. Martin?
COMMISSIONER SAUNDERS:
Q. No, Grant Thornton's witness, Mr. Brushett, when he arrives on the stand. I guess he'll be able to help us out in terms of what we progress to on the conversion. Thank you, Mr. Chair. That's all I have.
CHAIRMAN:
Q. Thank you, Commissioner Saunders. Commissioner Whalen.
COMMISSIONER WHALEN:
Q. Yes, Mr. Haynes. I did have a number of questions of Cost of Service, but you'll be pleased to hear that I've decided to defer those to the experts, so I'll just pass on those. I only have on question, actually, outstanding and it just arises from Ms.

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Greene's discussion with you on re-direct on the factors affecting the ultimate fuel efficiency at Holyrood.
A. Yes.
Q. And it only relates to Holyrood operations for the upcoming year. Will Granite Canal have any effect on the operations of Holyrood this winter, this is the first winter, I guess, you'll be--Granite Canal will be in service?
A. In theory, if the load forecast had not changed, you know, had the system not been growing and so on, there would be less production--if all things were static, the effect, the impact of another 243 gigawatt hours of energy capability from Granite Canal would, in theory, have reduced the fuel consumption at Holyrood and would likely have some impact on the average loading of the units. But that is not a specific, you know, it's hard to pick that out of the pile, but in theory, it would have some impact on the average loading. If the load has been up, the hydraulic has been low, so you know, it's still sustained, but in 2004, we're projecting less production at Holyrood as we kind of come

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MR. HAYNES:
down to a lesser performance than we've achieved in the last two years, particularly.
Q. So in theory, Granite Canal would have resulted in a lower average loading at Holyrood?
A. If everything else was static, it would presumably reduce in some impacts.
Q. How does that affect the fuel efficiency?
A. If our average unit loading on a given period of time, if you look at Schedule 5, the curve of the Holyrood performance, just excuse me, when you look at that particular chart, I mentioned the other day that between 100 and 120 megawatts, that's basically about 30 percent of our monthly operating average is in that period of time. So if you're operating at a very, very high load and high energy production at Holyrood, then you would be pushed up to the latter part of that chart which would put you up at 120, 140 megawatt range. As you come down, you will have some, you know, impact on the energy conversion factor. Now, the Energy Control Centre will do its best to dispatch to the units at a high

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efficiency load, but there are other system conditions which can strain that, so it's a-- you know, there are so many factors that go into that discussion that it is very difficult to pinpoint that this is a, you know, if you do this, this doesn't exactly happen, but it trends that way. But you would bring back the average loading in some amount.
Q. That's all I have, thank you very much, Mr. Haynes, you've been very helpful.
CHAIRMAN;
Q. Thank you, Commissioner Whalen. Thank you very much, Mr. Haynes, for your testimony. I found it to be very direct and informative. I don't have any particular technical questions. I guess one of the questions I do have, I asked this at the corporate level to Mr. Wells and it relates, I think Mr. Wells commented on the fact that indeed what gets measured, gets managed and I certainly agree with that. And I guess from our perspective and the responsibility that we have in terms of regulation, certainly one of the key features that I see going forward is really to get, in terms of our ability to regulate and certainly

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supervise, is to get into a system of key performance indicators that we can certainly monitor and agree upon and ensure that those are operationalized in an appropriate way within the organization. That's one of the only ways that I can see that we can equalize, to some degree, the information that's in your head and in mine. So I keep perhaps asking this question quite a bit, how does--one aspect is certainly--would be certainly the performance indicators and from our perspective to ensure that these are the key measures and that they communicate to us some messages, in terms of efficiency, let me ask you now do you--and you also indicated that, you know, these are at a more of a productivity level, more at your level and if you drill down, there are certainly other indicators that I'm sure that you use in your monitoring of your various divisions and departments that report to you. So how do you effectively operationalize, if you will, the key performance indicators in your area of responsibility within the organization? How do you use them in your day-to-day business as

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vice-president of Hydro; and how indeed are they used within the organization to measure your performance?
A. These KPI's, the ones that are on this particular sheet and also as you drill down through, are available to the plant managers and the regional managers and all directors and almost anybody who has access to a computer at Hydro. And we do review these from time to time in our manager/director meetings to see where we are, we, you know, some of these we obviously pay a lot more attention on a more regular basis than others, and some of the ones are generated at the year end. But the financial ones are there, they're available to review the cost, the amount of millions that are spent in each respective department and I review those with the managers and directors of my division, and some of the capability factors and so on, have been put into the targets, if you will, for the respective managers. So, for instance, in a Bay d'Espoir or Holyrood, one of his performance targets for 2003 would be to maintain a certain reliability factor or to

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MR. HAYNES:
improve upon it or to reduce the number of the failure rate performance, for instance, at Bay d'Espoir. So those are things that we had reviewed, discussed and those are his specific or her specific targets, for instance, for 2003.

Q. So you actually sit down at the beginning of the year of whenever the period of time and work out these performance targets with managers and then sit down at the end of the year and review effectively how these have been met?

(10:30 a.m.)

A. Yes, we have--there are two or three vehicles, one is these performance targets. We also have departmental other objectives that are signed off between myself and my mangers and directors, and these things are--one or several of these factors are usually included in that, along with others, as things that they need to be focusing on this particular year and that we do look for improvement or control or whatever. So those are, you know, this particular sheet is a floating up to the

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top of, you know, a half a dozen or dozen kind of high level indicators. As you go down through the various departments, whether it's engineering or operations or IT or whatever, there are other factors and other objectives that we have agreed to on a one-to-one basis and corporately, that they are challenged to achieve.

Q. Second part of my question was how they are used within the organization to valuate your performance?

A. I have the same thing with Mr. Wells, I had objectives that we have agreed to that production division has put forward. It's like a Christmas tree, there are a whole raft of objectives below and they filter up and there are three or four or five high level objectives that Mr. Wells has agreed or directed me to focus on.

Q. Are these some of those objectives?

A. Some of those are related, obviously the reliability ones and the cost control ones are things there. I mean, our intent and our objective for 2003 was to control our cost to the bottom line that we had anticipated when

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we went into 2003, and if things happen, if there are events that occur that we would need to spend more money, we will go back and evaluate and see if we can move things around or to shave from pocket A to pay the unforeseen expense in pocket B, as often happens in the generation--particularly for break down. So that is a goal and objective to maintain that particular cost control and I wouldn't suggest that we always achieve it, but we are certainly trying to hold that particular figure.

Q. Is this something new in relation to the review of, you know, key performance indicators within Hydro or is this something that's been done for quite some time and really these are being developed now, I guess, as a result of P.U.7. There's certainly a performance review report that would have been performed by Grant Thornton that came out of that, has this just been really operationalized within Hydro now or is it something that's been there all along and just being brought forward now in relation to the Board's interest?

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A. We've always had objectives--I wouldn't say "always", for the last years that I can remember that we have had objectives set between my position and the CEO, and between the vice-president's position and the various managers/directors that report to them, there's been objectives set for quite a number of years. And in 2002 when we were doing some, you know, strategic planning initiatives, we did identify that we really need to be a little bit more proactive on the measurement side and this KPI screen, these key performance initiatives were, I mean, this started before the Grant Thornton review and so on, these things were in progress and there was a template or a draft screen prepared. And one of it was to actually put these things in a place where employees, and particularly managers and supervisors could actually see them, this is how we're doing. And this is updated on some of--some of these factors are updated on a weekly basis and some, for instance, the customer satisfaction index is an annual event, but most of these things are at least updated on a--not all, most are

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MR. HAYNES:
updated at least on a minimum, monthly basis. So it's--the communication's feed back to the people who have most control and impact on those performance have the information. So the KPI screen or using the technology that we have to get this information is new, but the objectives, setting corporate objectives, departmental objectives, that's not new.
Q. Thank you very much, Mr. Haynes. Any matters arising from Board questions? Good morning Mr. Browne, do you have any?
BROWNE, Q.C.:
Q. No, thank you, Mr. Chair.
CHAIRMAN:
Q. Mr. Kelly?
KELLY, Q.C.:
Q. I think I have a couple of questions on the Reliability Centered Maintenance arising from the new information, if I may be permitted Mr. Chairman?
CHAIRMAN:
Q. Sure, go ahead.
KELLY, Q.C.:
Q. Mr. Haynes, you talked about the CF(L)Co

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analysis that's going to be done on Reliability Centered Maintenance, do you know when that will be done?
A. I think the first stage I believe is being done in 2004, that they are going to review in 2004 application of RCM to some of their systems.
Q. Will Hydro receive a report from CF(L)Co on that project?
A. We may not receive the report, but we'll certainly have dialogue with CF(L)Co and there would be no reason why we would not--they would not be share results with us.
Q. You mention that there's a consultant retained to look at RCM for Holyrood?
A. Yes.
Q. Can you tell us who that is and what the cost will be?
A. The consultant is Hartford Steam Boiler and I think it's in the order of $60,000 or $70,000.
Q. And when will they report?
A. They will report late this year, at least the draft report will be in our hands, I believe, by the end of the year.
Q. And I take it from that, that there will be a

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written report from Hartford Steam Boiler?
A. I would assume there would be a written report, yes, from them.
Q. Thank you. Those are my questions, Chair.
CHAIRMAN:
Q. Thank you, Mr. Kelly. Mr. Hutchings, good morning.
HUTCHINGS, Q.C.:
Q. Yes, I think we have a couple of questions between us, Mr. Chair. Mr. Haynes, just arising out of your discussions with Commissioner Whalen and Ms. Greene on the Holyrood deficiency factor, and the factors that influence that, you'd referred to IC-317 and you list there six factors and you added another one during the course of your responses. Recognizing that each of these factors will have a different impact at a different point in time, are these basically all the same factors that have been impacting your efficiency at Holyrood since 1996 and 1997?
A. Yes, those factors have been constant. Those factors are always there. They change from year to year, depending on fouling and so on,

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but they are common factors.
Q. So your struggles with these factors are reflected in the averages that you have already produced in the past number of years?
A. That's correct.
Q. Okay, thank you.
CHAIRMAN:
Q. Mr. Seviour.
MR. SEVIOUR:
Q. Thank you, Mr. Chairman. Mr. Haynes, thank you for the information about September 18 and I guess calculating the hours into the early morning of September 19, 2003. My question relates to the GNP generation at that time that you've now sort of quantified in greater particulars. And I wonder if you could indicate to us how the generation from the GNP on September 18 and into the early morning hours of September 19, compared to local loads on the GNP at that time?
A. I do not have that information, but basically you had six megawatts at St. Anthony and 1.7 at Roddickton. I cannot tell you whether it actually would have exceeded the GNP load, but basically it would have--it still would have

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MR. HAYNES:
contributed to the system, had we not started it, it would have been generation that would have had to have been provided by the gas turbines at St. John's or Stephenville.
Q. I appreciate your evidence on the point. Can you, with some particularity, furnish that information to me? (Undertaking).
A. I believe that information should be available from the Energy Control Centre, yes.
Q. Thank you, Mr. Haynes. That's all the questions I have, Mr. Chairman.
CHAIRMAN:
Q. Thank you, Mr. Seviour. Mr. Kennedy?
MR. KENNEDY:
Q. Nothing arising, Chair.
CHAIRMAN:
Q. Ms. Greene?
GREENE, Q.C.:
Q. I had one, Mr. Chair, arising from the questioning of Commissioner Saunders and I wonder if we could bring up Schedule 6, please, Mr. O'Reilly, to Mr. Haynes' evidence. Looking at the 2004 forecast, Mr. Haynes, for the line that's shown there permanent

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salaries, is it correct that that includes for budgeting purposes, the employees who will be on on a fulltime permanent basis for the year on the assumption verses they will be there for the full 12 months of the year?
A. That's correct.
Q. And it also includes budgeting for temporaries that will be on at various times to do maintenance and for other reasons, is that correct?
A. That is correct.
Q. So it's composed of two types of employees: those who will be there on a permanent basis for a fulltime basis; and those who will be on at various points of time that we call temporaries?
A. That's correct.
Q. Now coming down to line 9, the vacancy adjustment, is the vacancy adjustment applied first only with respect to permanent or fulltime employees?
A. The vacancy adjustment, of the $925,000.00 there are, I guess, composition of that number, there are two factors. One is a million dollar vacancy reduction that we've

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carried for a number of years, or close to that number.
Q. And you mean corporately there, don't you?
A. Corporately it was a million dollars and that is our share based on the number of employees that production division has, that would -
Q. So the normal vacancy adjustment would be, for example, if you looked at 2003 where you see 368 related to vacancies in fulltime positions as a result of retirements of people leaving Hydro and a period of time and then the position being filled, is that correct?
A. That would be correct.
Q. So the budget number is first based on the fact that there will be people in the fulltime positions continuously throughout the 12 months, plus an indication of what's required for temporary supplement to the workforce, is that correct?
A. That's correct.
Q. And because we know that there will be vacancies in the fulltime positions, a vacancy allowance is then applied as a credit, is that correct?
A. That's correct.

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Q. And that's only applied to the fulltime employees?
A. Yes.
Q. Now, the next question was why is the vacancy adjustment higher in 2004 for the production division than the two previous years shown at 2002 and 3?
A. The increase is basically due--is our expectation of gains that we will achieve through business process review, specifically the program that we started, also through any initiatives that are undertaken to review any vacant positions that we had that maybe written out of our office system that we can avoid or any other changes where we see that we can actually achieve savings in 2004. So we had anticipated essentially the difference of 925 and roughly, say, 370 of other saving that we are challenged to achieve this year. If we achieve them, that's great; if we don't achieve them, we will, obviously be, we will not earn to pay those particular things and it would not be part of our rate base.
Q. So would it be fair to characterize that as an accounting entry to reflect the enhanced

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GREENE, Q.C.:
efficiency gains Hydro expects to achieve, it was put in the vacancy allowance factor for 2004, is that correct?
A. That's correct, it was a place of convenience, a code that could be used easily to accommodate those numbers.
Q. And leaving aside the issue of the overtime and whether overtime gets budgeted as part of a F.T.E. basis, is the line that's shown there on line 4, "permanent salaries" Hydro's budget for fulltime equivalents for 2004?
A. Yes.
Q. Thank you, Mr. Haynes, that completes what I had.
CHAIRMAN:
Q. Thank you, Ms. Greene. Thank you very much once again, Mr. Haynes. It's 10:40, it's likely to have a short break in any event for Mr. Haynes to clear all 12 binders, I think, off the desk. So probably what we'll do now, given that it's only 20 minutes before break time, is we'll take the break now of a half an hour, we'll come back and reconvene. If it's really necessary between now and 1:30 to take

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another ten minutes, we can do that and see how it goes. And we'll start Mr. Martin at ten after.
GREENE, Q.C.:
Q. Thank you, Mr. Chairman.
(BREAK - 10:43 A.M.)
(RECONVENE - 11:13 A.M.)
CHAIRMAN:
Q. It hasn't been terribly comfortable in here all morning. I think we tried to do something with the air conditioning over the break and hopefully that will make a difference. If it doesn't and people find that it becomes unbearable or we need another break or even if we have to terminate for the morning, hopefully that won't happen, but let me know, speak up if there's any particular problem in terms of continuing.
BROWNE, Q.C.:
Q. I think it has to do with the Raptors being in town.
CHAIRMAN:
Q. Could be. No refunds available here. Anyway, good morning. Sorry, Ms. Greene.
GREENE, Q.C.:

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Q. Before we begin with Mr. Martin, I just wanted to mention that we have circulated to the parties, and I believe the clerk has circulated there for the Panel members a copy of evidence from Ms. Richter, who will appear early next week as a witness. The evidence is similar to what we have done with other witnesses in terms of a short direct examination of the report that has already been filed in the hydrology review and it was filed as an exhibit to Mr. Haynes' evidence. The only thing that's new here is with respect to curriculum vitae of Ms. Richter which was not filed because we weren't sure at the time whether it would be necessary to call her as a witness. So that has been circulated. And at this time we anticipate Ms. Richter will be called early next week as a witness.
(11:15 a.m.)
CHAIRMAN:
Q. Thank you, Ms. Greene. Good morning, Mr. Martin. How are you?
A. Mr. Chairman, fine. Thank you. Commissioners.
Q. Good to see you again. It's been a -

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A. A long time.
Q. - long time, yeah.
A. Good to see you.
Q. Mr. Martin and I started out in engineering together. His hair was dark and I had some. Anyway.
MR. FREDERICK MARTIN (SWORN)
CHAIRMAN:
Q. Begin when you're ready, Ms. Greene, please.
GREENE, Q.C.:
Q. Mr. Martin, what is your position with Newfoundland and Labrador Hydro?
A. I am Vice-President of Transmission and Rural Operations.
Q. Evidence was filed with Hydro's application called "Transmission and Rural Operations" and at the time it was filed it was under the heading of Mr. Reeves, who has since retired. Some may say that he's one of the more fortunate people at Hydro, or former employees of Hydro these days, having retired. But in the August 12th revision is was stated the evidence would be adopted by you at this hearing. Do you adopt the Transmission and Rural Operations evidence filed with Hydro's

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GREENE, Q.C.:
revised Application as your evidence in this proceeding?
A. I do.
Q. Mr. Martin, I'd like first to look at Schedule 2 to your evidence. And I wonder, Mr. O'Reilly, if you could bring that up, please? And I wanted to review with you the facilities, the transmission and distribution facilities for which your division has responsibility. So with reference to the math that is Schedule 2 to your evidence, could you please outline the transmission distribution facilities for which you are responsible?
A. Yes. On the Island Interconnected System, Hydro currently owns and operates 3, 456 kilometres of high voltage transmission lines at 230, 138 and 69 kV. These are the red, green and blue lines respectively on Schedule 2, as well as 54 high voltage terminal stations. Changes since the 2002 Cost of Service include the new 76 kilometres of 230 kV transmission line built as part of the Granite Canal project as well as a new high voltage terminal station at Granite Canal site

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and an extension to the 230 kV termination station at Upper Salmon.
Q. Mr. Martin, could you stop there and indicate where on the map they would seize (phonetic) a new addition to the transmission line, the terminal station due to Granite Canal?
A. Yes. If you look, I guess, on the south coast, about halfway along, an inch up from the bottom of the coast, you'll see Granite Canal. And then the TL-263 is the new 76 kilometres of 230 kV transmission that terminates at the Upper Salmon terminal station. In addition, Hydro also maintains 2516 kilometres of distribution lines up to 25 kV and 25 low voltage substations serving approximately 21,800 customers on the Island Interconnected System. These distribution areas are along the south coast, the northeast coast and the Great Northern Peninsula. On the Labrador Interconnected System Hydro owns 269 kilometres at 138 kV transmission, and associated terminal stations at Churchill Falls and Happy Valley-Goose Bay. Hydro also owns and maintains 44 kilometres of 46 kV sub-transmission in Labrador west. With respect

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to distribution on the Labrador Interconnected System, Hydro owns and maintains 336 kilometres of line and nine substations serving approximately 8900 customers.
Q. Mr. Martin, you mentioned the addition of the new assets as a result of the Granite Canal project. Will Hydro be adding any additional staff as a result of this new project?
A. No, we will not.
Q. Now, I'd like to go to Schedule 3, please, to your evidence? And this deals with the isolated systems. Mr. Martin, could you please summarize Hydro's facilities in our isolated systems?
A. Yes. Hydro owns and operates 24 isolated diesel generating and distribution systems serving approximately 4400 customers throughout coastal Newfoundland and Labrador. Sixteen of these systems are located in Labrador and eight are on the Island of Newfoundland. These systems are comprised of 83 diesel generators with a total install capacity of 30.5 megawatts. Schedule 4 to my evidence indicates that this install capacity has increased by 1,760 kilowatts between 2000

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and 2002.
Q. You're responsible for the Transmission and Rural Operations Division in Hydro. What are some of the major challenges that you see facing the division in the near future?
A. transmission and rural operations, TRO, is faced with multiple challenges in carrying out Hydro's mandate of providing reliable service to its customers at the lowest possible cost. Some of these include: large geographic service area and the harsh environmental conditions we regularly encounter such as ice, sleet, wind and lightening storms; the increasing maintenance requirements of many of our assets including wood poles, power transformers, breakers and diesel engines, as they approach the end of their service lives; the high level of reliability expected by our customers; the fast response times expected by our customers following an interruption in service; the increasing focus on our environmental performance such as emission levels from the Holyrood generating station and our diesel plants as well as the rehabilitation of decommissioned sites; and

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MR. MARTIN:
finally, our consistent efforts to improve productivity and control costs. It is the balancing of these two factors, reliability of service on one side and cost control on the other to ensure the lowest possible cost for our customers that is perhaps our greatest challenge.
Q. What initiatives have been undertaken to control costs in TRO?
A. TRO has implemented several initiatives since 1999 to optimize performance and control costs. Examples include, the introduction of Reliability Centred Maintenance, RCM, as outlined on page 6, Section 3.2 of my evidence has eliminated certain maintenance practices while changing the frequency of others. These changes will reduce our operating costs without affecting overall reliability. RCM is in the process of elimination--I'm sorry, in the process of implementation in 2003 and will be fully implemented starting in 2004. A line worker review in 2001, as outlined on page 9, Section 3.4.1 of my evidence was completed to ensure the optimum number and deployment of

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line worker staff. This resulted in a reduction of 11 positions and the changing of another 13 positions from permanent full-time to part-time temporary. In addition, a number of positions were redeployed for operational efficiencies such as response time. The concept of the diesel system representative, DSR, as outlined on page 9, Section 3.4.2 of my evidence was implemented in 2002. These multi-skilled personnel located at all isolated diesel sites can perform limited line duties, minor electromechanical repairs, utility maintenance and customer service functions in addition to operating the diesel plant. This will improve continuity of service to our customers while reducing labour and travel costs. These initiatives, plus efficiencies gained as other opportunities arose resulted in the permanent compliment of TRO being reduced by 63 positions, from 412 in 1999 to 349 at the end of 2002, as well as a significant reduction in the requirement for temporary staff. As well, the effect of these improvements are illustrated in TRO's net operating expenses, as shown in Schedule 5 of

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my evidence. These are forecast at $ 32 million in 2003 and $32.6 million in 2004, a decrease of $2.2 million from 2002 actuals.
Q. Mr. Martin, you've indicated that one of your challenges was dealing with an aging asset base. What initiatives has TRO undertaken to address this issue?
A. Within TRO one of our largest categories of assets is our 80,000 wood poles. Of these, Hydro has approximately 20,000, 26,000 poles currently in service on its high voltage transmission network. Approximately 35 percent of these are in excess of 30 years old. Traditionally, preventive maintenance practices would have been based on inspection and replacement of wood poles as they deteriorated. During 1998 and 1999 a sample of Hydro's wood poles were tested and core samples taken to determine the residual concentration of preservatives. In about 60 percent of the poles sampled preservative levels were at or below their recommended threshold level. As part of its 2003 maintenance activities TRO will be inspecting, testing and treating approximately 1500 of its

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wood transmission poles across the system. Core samples of approximately 150 will be analyzed to determine the residual concentration of preservatives. The results of this program and correlation with the testing completed in 1998 and 1999 will assist Hydro in developing a long-term strategy regarding its wood pole assets. Should the results of this program be positive from an asset life extension perspective, TRO will be recommending that its complete wood pole management program be capitalized.
Another category with respect to aging equipment is our air blast circuit breakers. Hydro has 44 of these devices in excess of 35 years old. A major refurbishment program has been initiated to maintain these units in acceptable operating condition. These assets, as well as the power transformers, diesel generator sets and diesel plants referenced in my evidence will require considerable attention in the future.
Q. Mr. Martin, the isolated diesel systems in the Interconnected Rural System are within TRO's responsibilities. Given that, how do you see

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GREENE, Q.C.:
your role in controlling the rural deficit?
A. As explained by Mr. Wells and Mr. Roberts in their previous testimony, the rural deficit is governed by a number of factors including: the revenue derived from the rates charged to customers; the allocation of assets through the Cost of Service; and the cost of operating the various facilities. In July the government gave direction to the Board on the rates for rural customers and so set the parameters for the revenue to be received. The Board, through its approval of the Cost of Service and the assignment of plant, also affects the magnitude of the rural deficit. For example, the decision by the Board in P.U.7 in 2002 to allocate the GNP transmission to Hydro rural shifted significant costs from the common pool to Hydro rural and thus greatly impacted the magnitude of the rural deficit. In the 2001 hearing, based on the data at that time, the impact of this change was estimated to be approximately $9 million. These two factors, the policy for rural rates and the assignment of assets in the Cost of

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Service are generally outside Hydro's direct control. It is the third factor, that is the cost of operating the various facilities where TRO has the greatest influence in controlling the rural deficit by being as efficient and innovative as possible in all of our operations.
Q. What specific initiatives has Hydro introduced that have had a direct bearing on the operating costs for these rural systems and thus have had a direct impact on controlling the rural deficit?
A. In addition to some of those previously outlined such as our line worker review, diesel system representatives and Reliability Centred Maintenance TRO has been involved in several other initiatives over the years targeted at reducing operating costs, thus reducing or controlling the rural deficit. These include, interconnections where economically feasible; diesel plant automation; the utilization of waste heat from engines for space heating in the diesel plants; utilization of florescent lighting in plants to replace inefficient incandescent

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lighting; the utilization of high pressure sodium fixtures for street and area lighting to replace inefficient mercury vapour lamps; customer energy audits in conjunction with the conservation core; various demand side management programs; and customer awareness programs such as our current HYDROWISE initiative.
Q. Mr. Martin, Mr. Haynes testified about a 25 megawatt wind project for the Island Interconnected System with the project being located on the Burin Peninsula. Has Hydro explored the potential of a wind energy project for the isolated systems?
A. Yes. Hydro has just recently entered into a contract with Frontier Power Systems for a wind demonstration project at Ramea. Frontier Power Systems will be constructing a wind farm at Ramea comprised of six 65 kilowatt wind turbines with an estimated average annual energy production of 750 megawatt hours. Hydro has contracted to purchase all the energy produced subject to operating limits at the diesel plant. The term of the contract is 15 years and Hydro will pay for the energy

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delivered at 100 percent of its avoided fuel costs. By participating in this demonstration project Hydro and its customers will gain valuable knowledge in the operation of such a wind farm and potential applications in other isolated sites. There is no impact on the 2004 revenue requirement as a result of this project.
Q. At the recent 2004 capital budget hearing Mr. Reeves gave evidence that Hydro was conducting a review of its fleet. Would you please update the Board as to this review and its status?
(11:30 a.m.)
A. Yes. A committee comprised of our transportation asset manager and three labour managers was struck this year to complete a review of Hydro's on and off road vehicles. The committee was directed to analyze our current fleet and locate--analyze our present fleet by location and crew to identify minimum requirements for normal maintenance and emergency response activities. The review was to include the allocation of aerial devices and boom trucks to identify potential savings

MR. MARTIN:

available in moving toward multi-function material handling aerial devices in strategic locations. The committee is in the process of finalizing its review, including the potential impact of the results of our RCM initiative. A presentation of these recommendations to management for approval is anticipated before year end. While I am anticipating changes as a result of this review, I am unable to quantify them at this time.

Q. Mr. Martin, another challenge you have mentioned for your division is reliability. Would you elaborate on that and describe some of the activities undertaken by TRO to address reliability issues?

A. We continue to monitor, evaluate and take the necessary steps to maintain and improve reliability where it is cost effective to do so. Normally, reliability improvement proposals are made in response to known problems. Examples of these include the $45 million Avalon upgrade project which was implemented to address our experience with ice loading conditions higher than design criteria

on the Avalon Peninsula which had caused several extended blackouts. Similarly, the application of lightening arresters to TL-206, one of our 230 kV lines feeding the Avalon Peninsula from Bay d'Espoir, was proposed to mitigate a recurring problem with lightening simultaneously tripping both lines east from Bay d'Espoir. A major upgrade and partial rerouting of our 69 kV line TL-220 feeding the Conaigre Peninsula was completed to address numerous outages resulting from ice and wind storms. Other programs had been initiated to remedy known defective equipment, such as the COB insulator problem. Next year we will be completing a major upgrade on TL-214, a 138 kV line feeding the Doyles-Port aux Basques System. This is being done to correct multiple issues identified over the years as a result of salt spray contamination, wind loading and the COB insulator problem. Projects and programs such as these targeted at known specific problem areas must be implemented as long as they are cost effective if Hydro is to maintain a reasonable level of reliability of service to its customers.

Q. Thank you, Mr. Martin. That concludes my direct examination of Mr. Martin.

CHAIRMAN:

Q. Thank you, Ms. Greene. Good morning, Mr. Fitzgerald.

MR. FITZGERALD:

Q. Good morning, Chairman. I have a couple of areas to discuss with Mr. Martin, but Mr. Browne will have some questions as well. Good morning, Mr. Martin.

A. Good morning.

Q. Mr. Martin, you became vice-president of transmission and rural operations in August of 2003?

A. That's correct.

Q. And prior to that your evidence indicates you were director of engineering and rural operations from 1996 to 2003?

A. That's correct.

Q. In that, in your prior position you reported directly to Mr. David Reeves?

A. I did.

Q. If we could go just briefly to Schedule 1 of your evidence, please? And this is an illustration, I guess, a flow chart of

reporting. And from this we see that you have three managers and two directors reporting directly to you?

A. Yes, that's correct.

Q. And in terms of these five departments are you responsible for TRO's operating and capital budgets in their entirety?

A. Yes, we are.

Q. When you took over from Mr. Reeves in August of 2003 and you became vice-president of TRO, were you given any memorandum or any particular instruction or any direction as to particular specific areas of concern in TRO?

A. No, nothing more than a reaffirmation of the objectives and strategies that had been to be carried out by Mr. Reeves prior to his retirement. I think, as Mr. Haynes has noted previously, at the beginning of every year based on Hydro's strategic plan there are various objectives deposed for divisions that tie into the strategic plan for the corporation and my objectives for the remainder of this year are to implement those are per what Mr. Reeves would have done had he

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not left.
Q. Okay. And were key performance indicators discussed this year with you?
A. Oh, absolutely, yes, they were. Things such as safety performance, environmental performance, SAIDI and SAIFI reliability performance factors, cost control, all of these things were certainly addressed with me when I assumed that position.
Q. Okay. If I could just turn quickly to page 1 of your evidence? And here in line 6 to 18 you describe generally rural operations. And I want to just focus briefly on the isolated systems.
A. Um-hm.
Q. And TRO, I take it, provides all aspects of service for the isolated systems, is that correct?
A. That's correct.
Q. And that includes planning operations, asset management, customer service?
A. I have to pause before I speak. No, we do not.
Q. You do not?
A. I'll retract my first answer.

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Q. Okay.
A. The planning, the actual planning for the isolated systems is a function of the system planning department which is in the production division. Customer services is in the finance division. It's the operation and maintenance of the isolated facilities that come under my direct responsibility.
Q. I'm sorry, your last answer, the which?
A. The operation and maintenance of the isolated systems are my responsibility.
Q. So operation, that wouldn't include metering and billing then?
A. We are involved with our DSR's or diesel system representatives in meter reading in the isolated communities. That is one of the functions of those multi-skilled individuals.
Q. So just if I can go back to Schedule 1 briefly, the flow chart? Which of these five departments or regions is particularly responsible for the isolated system?
A. Each region has its own series of isolated systems that the regional manager is responsible for. The regional manager in central is responsible for all those isolated

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systems on the Island of Newfoundland, basically the south coast as well as St. Brendan's and Little Bay Islands. The regional manager in the north is responsible for those diesel plants on the south coast of Labrador and the regional manager in Labrador is responsible for those from, I guess you would call it the northwest--northeast coast of Labrador.
Q. So do these departments then specifically distinguish cost and services for supply to the isolated systems?
A. Those costs can be arrived at. With regards to the establishment of our business units, no. The business units are set up by isolated systems per area, if you will. In other words, there's an isolated--there's a business unit looking at the isolated systems for central, northern and Labrador.
Q. Okay. So each of these departments then, if they're to procure services from another department, that is recorded in a business unit or how does that work?
A. Yes, if it's a significant piece of work, typically there would be a work order raised

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by the appropriate region and any engineering services required or environmental services required would be costed against that particular work order. As a matter of fact, to that particular--it can be coded to that particular plant, if you will.
Q. And on the ground how is that tracked?
A. It's tracked through our--well, we have a series of account codes that people charge their time to, and then the J.D. Edwards system keeps track of all of those. As time sheets are completed and travel completed and so on, they're entered into the J.D. Edwards system and they're tracked by a work order.
Q. And specifically then how would overhead and administrative costs be determined for the purpose of calculating the costs of supply to the isolated systems?
A. I believe things like overhead and that are costed out at the end of the year on a percentage basis as part of the Cost of Service allocation.
Q. A percentage basis. And that information comes from each of these five departments?
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A. The information basically comes from the finance and the Cost of Service group, as I understand it, in the finance division.
Q. The skill sets of, been call that, of staff involved in the supply of the isolated system, how are they different from those required to staff supply and--in the interconnected system, are there different set of skills?
A. With respect to those the DSRs that actually work in the isolated communities, yes, there's a different skill set from, I'll say those that obviously operate as line workers and so on, on the Interconnected system. The DSRs were required to have their high school equivalency and then they went through specific training with regards to the tasks that they were expected to carry out as--under that new designation or classification of diesel system representatives. So they are a unique classification of individuals within Hydro, from that perspective.
Q. And just as a sub-note to that, in your evidence at page 2 you indicate that--page 2, lines 12 to 17. You indicate that many of the isolated diesel plants now require only semi-

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attended staffing. Some operators need not be present at the plant for scheduled intervals. I guess the question arises what are they doing for the rest of the working day?
A. In those facilities where we have two full-time DSRs, they have a work schedule that covers 80 hours in a two week period that they're expected to be at the plant, I'll say from eight to five, okay. At other times during the day they are on call, one of those individuals is on call and if something is required to be done or if there is an outage in the system or whatever, they respond to that and try to remedy the problem.
Q. Okay. So when I read "semi-attended staffing", that doesn't mean four hour days, that means eight hour days and off normal hours there is -
A. There is one of them on call.
Q. Okay.
A. That's correct, yeah.
Q. All right.
A. That means the plant is not attended 24 hours a day.
Q. I understand.

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A. As they were at one time.
Q. Have the specific costs associated with supplying the isolated systems ever been audited?
A. I honestly don't know the answer to that.
Q. Okay. Do you know if the rural deficit calculation has ever been audited by the Board's financial consultant?
A. I would certainly assume that it has, but again, if you're looking for fact, I don't know that for a fact.
Q. And can we find that out?
A. Certainly. I would think so.
GREENE, Q.C.:
Q. Grant Thornton, when they do their review, they do the review of all of Hydro's costs. And I guess that's something that we can pursue with Mr. Brushett when he's a witness.
MR. FITZGERALD:
Q. Okay.
GREENE, Q.C.:
Q. Mr. Roberts would have been a witness to ask that, as well. Mr. Brushett, I assume.
MR. FITZGERALD:
Q. Well, I'll wait for Mr. Brushett. Does Hydro

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have performance indicators related to minimizing the size of the rural deficit?
A. No, it does not.
Q. Is there any bonus or incentive received by you or any of your--or staff based on your effectiveness in reducing the rural deficit?
A. Not specifically the rural deficit. As I mentioned in my direct evidence, our focus in TRO is one of trying to minimize all costs. And as part of the executive there is a small incentive program within Hydro and part of it is tied to performance, financial performance.
Q. Would it make sense for Hydro to have an independent department solely responsible for the isolated systems to more clearly track and keep the expenses transparent?
A. This question was raised a couple of times in RFIs and we're responded, I think, and I would reiterate that we don't think it would. We think the current structure within Hydro and the synergies which we bring to it from a management, engineering, environmental perspective provides the least cost service for the isolated communities.
MR. FITZGERALD:

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(11:45 a.m.)
Q. Moving from that, then, Mr. Martin. If I could direct you to NP-8, NLH, please? Particularly page 5 of 5, Mr. O'Reilly. And this is an explanation overall of expenses change in TRO and the various Hydro departments over the last couple of years.
A. Um-hm.
Q. And of course, I'm going to focus on the bad stuff, not the good stuff.
A. I may redirect you to the good stuff, if you don't mind.
Q. Just the paragraph D there, you have transportation expenses in 2004 forecast higher due to a decrease in the utilization of vehicles on capital projects. Could you expand on that answer a bit, please?
A. Yes. As part of our ongoing capital program various Hydro vehicles, the helicopter services and so on, whenever they're used on a specific capital project, those costs are expensed to that particular capital project. What we've seen in previous years, 2001, 2 and 3 with the significant level of capital program that we've had, the Avalon upgrade,

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the Granite Canal project and so on, there's been a significant increase in the use of vehicles and the helicopter, and that will decrease in 2004 as a result of our capital program being reduced.
Q. Does that infer then that you're going to have excess vehicles that aren't going to be used next year, is that -
A. No, I don't think it's fair to make that inference. I mean, we are going to have additional projects going on next year. The other important thing to realize here is that it's not only specific vehicles that are bought specifically for capital projects that are included here. Hydro, when its inspectors from the distribution crews and so on go out to inspect the transmission line or a distribution line after it's been upgraded, their vehicle that they use for routine maintenance and operational functions, those vehicles are then costed and expensed to those capital projects. Commissioning crews in our protection control department, when they go out to commission a new facility as part of a capital project, their vehicles are expensed

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to that capital project and so on. So it's not only specific vehicles that may have been purchased for a capital project that's included here, it's also the regular vehicles that we use during our normal operating and maintenance functions that are expensed to capital projects.
Q. Okay. So if I look at Schedule 5 appended to your pre-filed evidence, and transportation line 27, which is a large percentage of Hydro's overall transportation operating expense, is that correct?
A. That is Hydro's transportation operating expense.
Q. In its entirety. We see that there is an increase, 2004, as you just mentioned and as you mentioned in paragraph D of NP No. 8. But earlier in your testimony this morning on direct you'd indicated that you've reduced your staff from 1999 I think you said 412 individuals in 1999, now you're down to 349. The transportation expense has not reduced in step with that. Is it fair to infer that there should have been?
A. No, I don't think that's a fair inference at

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all. By example, if we reduce a line crew from four people to three people, we still need the line truck. If we reduce a protection and control group, commissioning group from three people to two people, we still need the van. If somebody in IS and T eliminates a technician's position or whatever, it doesn't necessarily mean that there's going to be a corresponding reduction in vehicles. You still need the vehicle, those that are left still need the vehicles to carry out their work.
Q. Okay. In the case of a capital project, and I'm going to simplify this, you--it stands to reason that you would have to requisition more vehicles, obviously, because you have more activity?
A. During major projects like the Granite Canal there were no doubt vehicles requisitioned specifically for that project. But I think we need to point out as well that there's not necessarily vehicles bought every year for capital projects necessarily. When the project is finished, the vehicle that we used
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on that project, if they're of use on a project that's coming up the following year, they are used on that project.

Q. Okay. In the 2001 hearing there was a discussion regarding the option of leasing versus purchasing vehicles to perhaps match the lifespan of a capital budget project. And I think at the time Mr. Reeves indicated positively that Hydro was looking into that option. Did that ever pan out?

A. Yes. My understanding is that before we buy a vehicle every requirement for a vehicle is analyzed with regards to whether or not it would be least cost to buy it or lease it, and invariably it comes out that we buy. And I don't think this is uncommon across the industry. I know I understand the Provincial Government is in the throws of a complete vehicle review. They've come to the same conclusion, that looking at leasing versus purchasing for the type of environment we're working in, it comes out always that--at least it has to date, that these analyses indicate that the purchase option is the least cost option.

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Q. Okay. And is that conclusion, is that arrived at in house or did you retain a consultant for that, did you get independent advice on that?

A. No. That is done completely in house.

Q. In house?

A. We do those analyses ourselves.

Q. Okay. And which department would have done that?

A. The transportation asset management department.

Q. And that's within your bailiwick?

A. That is, yeah.

Q. And is there a particular person who has been designated to do that measure or to study that issue?

A. The particular individual for carrying that out is the transportation asset manager himself.

Q. And that's Mr. Brinston, I believe, is it?

A. Yes.

Q. So the conclusion is then that the lease option for vehicles would likely never be exercised?

A. No. I guess what I said was that every time there's a requirement for a vehicle, we don't

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assume that the analysis is going to come out the same as the last time. We do a separate analysis for every vehicle. And the record to date has indicated that in each instance it's been more appropriate and more cost effective to purchase a vehicle rather than lease. We will continue to do those analyses on a one on one basis in the foreseeable future.

Q. If I could direct you now, Mr. Martin, back to NP No. 8, NLH? This paragraph G, professional services. Professional services are forecast to be higher in 2003 due to requirement for specialized internal auditors and for a consultant to assess and report on liability. Reduction in 2004 is due to completion of the Reliability Study. After I read that just looking at Schedule 5 again, jump back there, Mr. O'Reilly. At line 22. Professional services in the 2002 test year projected to be 335,000, the actual was only 241. That's correct?

A. That's correct.

Q. Yeah. Then what we have as the 2003 estimate which reflects what we just read in paragraph G, ie, extra expenses, the Reliability Study

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and the environmental consultant. That explains the increase there?

A. That's the bulk of it, yes.

Q. Okay. Then when we look at 2004 forecast, it reduces from 443 and goes down to 375, but it's considerably more than the 2002 actual. Is this the new set point for what you expect professional services to be in the range of $375,000 in your department?

A. I'm reluctant to say that's going to be the number. I would expect that certainly in the short term, it's going to be in that order of magnitude. I don't have the benefit of the previous years numbers, but I think that the $300,000.00 range is probably a reasonable benchmark, if you will. There may be circumstances that develop over time where that number will increase for various reasons, such as the GNP study. There may be opportunities in the future to cut that number. I can assure you it will be only the number that we need to effectively carry out our business.

Q. Okay. I just want to go back to NP No. 8

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again, just curiosity really, there was an increase in employee expenses for the provision of newly required personal protective equipment. What is that?

A. That reference was made to the fact that we provided our maintenance people with fire retardant clothing.

Q. If I can turn now, Mr. Martin, to page 15 of your evidence, please, page 15, line 7 to 11.

A. Yes.

Q. And here you indicate, I'm just paraphrasing that Hydro has completed several upgrade projects on the interconnected rural systems to improve reliability at a total cost of 3.2 million dollars. And my question is, the criteria that Hydro considers when deciding if a distribution system upgrade should be undertaken for reliability reasons?

A. As I mentioned in my direct by Ms. Greene, generally what we do is try to look at problem areas. If we know we have an insulator problem that's causing us performance issues on a specific distribution line and they are recurring problems; it's not just a one of situation and we go through a knee jerk

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reaction, it's a problem that's there, we know it's there, we know what the problem is and then we take the necessary steps to bring forward a proposal to remedy that particular problem.

Q. And on these particular problems, are you required to justify these before the Board?

A. Oh yes, all of these capital projects are fully justified by the each and before the Public Utilities Board.

Q. And with that comes a projected reliability improvement?

A. I don't think per se we have necessarily been doing that at the distribution level. When we brought forward major projects like the Avalon upgrade, the lightening arrestor project, the TL 220 project and other major initiatives on the bulk electrical system. They've typically been backed up with reports, engineering reports that demonstrate the past performance and if we can do what we call a what if analysis, to try and show what improvements there would be, they are contained in those reports. On the distribution side, I don't think, in the past, that we've been doing

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those or in that way specifically. We indicate perhaps what the SAIDI and SAIFI was on the particular feeder or distribution system and that we can significantly improve it or at least, we expect to significantly improve it for that particular problem by implementing this proposal.

Q. And these indicators are brought to the attention of the Board post improvement?

A. No.

Q. They're not?

A. No, as I mentioned, generally they're not. We can certainly do that, I mean, I think one of the issues that's come out of the RFIs is the justification and how can we give the Board some level of comfort that what we're doing should have some significant benefit. And I think one of the things we could look at doing is, again, what I call is what if analysis. Whereby, if we're bringing forward a proposal to upgrade a distribution system and we know what the historic SAIDIs and SAIFIs are, what we do then is go back and look at what the causes were, we can fix those problems. And in fixing those problems, had they been fixed

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before the historical record, if you will, what would have been the SAIDIs and SAIFIs? We can try to give at least some indication of what the improvement might be expected to be. Now, having said that, I need to caution you that if we fix something for a lightening arrestor problem, I'm sorry, for an insulator problem, the next year we'll be attacked by lightening or ice or wind or something else and it may drive the numbers out of whack again. But I think we can certainly do something in that area to improve the reporting of those types of projects.

(12:00 p.m.)

Q. Okay. So, barring those extraordinary events though, you believe there would be some usefulness to providing that type of information following an approval and its actual execution?

A. No, not an approval. As part of the approval process, to try to demonstrate to the Board what we would hope to accomplish or what could be expected to be accomplished by implementing this particular proposal.

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Q. And that's a positive implementation that you're suggesting that on a go-forward basis that that's what you're considering?
A. That is certainly something that if the Board thought that would be of benefit to it, we've discussed it internally within the engineering groups and TRO and it's something we're certainly prepared to try and accommodate, certainly.
Q. Thank you, Mr. Martin. That's mercifully brief, Mr. Chairman. I defer now to Mr. Browne.

CHAIRMAN:

Q. Thank you, Mr. Fitzgerald. Good afternoon, Mr. Browne?

BROWNE, Q.C.:

Q. Mr. Chairman. Mr. Martin, the Hydro commissioned a study on the system performance review of the Great Northern Peninsula as evident from IC-231. And that system performance review you received in June 2003. Following receipt of that, what action has Hydro taken?
A. Hydro has obviously reviewed the report. We've set up an internal team within the TRO

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engineering department to review the content of the report, the recommendations of the report. And we are currently looking at what, if anything, can be done to implement the recommendations that came out of the report. Some of the things that were in the report, I should add, had already been implemented or in the process of being implemented. Could you give me that IC reference again, please, Mr. Browne? I have it, thank you.
Q. In any case, the report on page 5-14 makes reference to the fact that St. Anthony customers experience the highest number of customer interruptions amounting to 34.1 percent in the GNP north area. If the problem is there in St. Anthony, what has Hydro planned to alleviate the problems experienced in St. Anthony?
A. As I mentioned in answer to your previous question, there were a couple of things that came out of the recommendations of the report including a review of the possible application of lightening arrestors to TL 241 which again, is part of the backbone 138 kV system feeding the Northern Peninsula. We are certainly

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going to look at that to see what, if anything, can be done. I can report to the Board that the preliminary indications are that there are no specific areas where there is a high concentration of lightening activity along that particular line, as referenced from our lightening tracking system that we have available to us. There seems to be one or two specific areas where there might be a small increase in the incidents of lightening. We are not, at this particular point in time, planning on taking any specific action. We don't have enough data to justify bringing any of these forward, but we are going to continue to monitor that. And if and when we can identify some specific proposal with regards to improving reliability there, as long, again, as it's cost effective, we will be bringing things like that forward.
Q. What emergency plans are in place for an area like the Great Northern Peninsula when electricity is lost from the grid?
A. You mean like in the St. Anthony area?
Q. Yes.
A. We have the diesel plant there, obviously, at

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St. Anthony with operators available. We have line crews stationed in the area. We had an emergency response, a call out management program set up. The folks in the System Operations Department have all the phone numbers of all the supervisors and operators that may need to be called to respond to a situation. So, I think--I don't have the detail here now, but I can assure you right now that there are emergency response procedures with phone numbers and names in place in the event of an emergency on the Northern Peninsula, anywhere on the Northern Peninsula for that matter.
Q. There on the Peninsula itself, do you have access to portable diesel generation there?
A. I believe, and I stand to be corrected at this, I believe one of the units at the St. Anthony diesel plant is a mobile unit. It's really set up as part of the facility, but it could, if it had to be, demobilized. I think--to answer your question in the context of which you're putting it, I would have to say now, we don't have any mobile generation up

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there that could quickly respond to a problem in some small community, no.
Q. And why is that?
A. I think again, it comes back to the balance of cost versus reliability. I mean, where do we draw the line? Where do we put this mobile generation? If we put it at--take a community--Rocky Harbour, why wouldn't the folks in Wiltondale expect to get one? Why wouldn't the folks in Burgeo expect to have it? I mean, again, it comes back to cost versus reliability. And we think we provide a reliable enough service on that Peninsula now, we can, with the facilities we have, notwithstanding the fact that again, we try to make improvements, as long as they're cost effective over time.
Q. So, in your view, the problem with portable diesel generation is where to locate it?
A. No, again, it's the cost. We have to buy them and how many do you buy and where do you put them? It's a cost consideration.
Q. So, the alternative is--you have none, is that what it comes down to, rather than buy one?
A. Right now, my understanding is that we do not

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have any mobile units that are available, I'll say, at a depot somewhere either on the Island or in Labrador that we could dispatch to an area in the case of an emergency.
Q. Would there be a problem dispatching a portable generating unit on the Northern Peninsula in a storm situation in any case?
A. I think it would depend on the magnitude of the storm. I'm sure if we had units available, we could, under some reasonable conditions, be able to get them in. We do use rental mobile units at times if were going to do a major upgrade to a distribution system. We have, in the past, leased mobile rental units to keep the community on while we do the upgrade, rather than take the outage. But again, I think it would all depend on the nature of the storm and where the particular community was.
Q. Is it more cost effective to rent these than to purchase your own when you're using these to upgrade the lines and so on.
A. We had, as a matter of fact, following the rehabilitation of the McCallum diesel plant had two units that we had been leasing down

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there and it was cheaper to lease for that particular application, two available that we were looking at purchasing and lo and behold, along comes the fire at the Rencontre East diesel plant and the two of those things were immediately purchased and pressed into service. To answer your question, I think if we're looking at just using these things on an ad hoc basis for distribution upgrade purposes and so on, we are probably better of in leasing them.
Q. Have you done a cost analysis of that? On what do you base that opinion?
A. I base that--it's a personal opinion. No, we have not done a cost analysis.
Q. But based upon your experience, you believe that would be the most cost effective way to do it.
A. Absolutely.
Q. I want to move to the other report that was filed, it deals with the reliability and quality of service to coastal Labrador communities. And when we visited Labrador in the last hearing, there was litany of complaints from people particularly on the

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north east coast of Labrador in reference to the type service that they were getting and the number of outages they had and I think this report probably was ordered by the Board in the result. Have you had a chance to review that report?
A. Could you give me the reference, if you have it available?
Q. Sure, it's CA 14 NLH, it was filed September 27, 2002.
A. yes, I have it. Yes, I have perused the report.
Q. And in reference to some of the problems that were cited, if we go to page 3 in the report we see a name that at the 2001 hearing reference was made to brown out conditions occurring at Nain and there was an investigation. What's the situation at Nain now? Are they still subject to brown out conditions?
A. No, they are not; that particular problem has been remedied and since the commissioning of the new diesel plant there, service has been significantly improved. Now, having said
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that, when we go up there, are we going to get any complaints, let's wait and see. I can tell you one specific incident and I want to try and get this out, that at one time, recently, I believe it was in July, we had a problem on the distribution system up there. Our diesel system representatives couldn't remedy the situation. We dispatched a crew from Happy Valley/Goose Bay to go in and try to remedy the problem. They couldn't get in because of weather, I think they had to land in Hopedale. The community of Nain were without power for 13 hours, but again it's the type of issues we face on a daily basis.

Q. So, you anticipate people might be coming forward to tell the Board about that?

A. I would not be surprised.

Q. But that was the exception.

A. That was the exception.

Q. And in Charlottetown, we heard about the shrimp plant when we were there last and how there was losses in the shrimp plant due to outages. What has been done to curb that?

A. I think as it says here in the report, those issues were addressed as soon as the problems

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were identified and that the performances improved. I have not heard anything untoward with regards to the Charlottetown service. And I can assure you that had there been any problems, I think we would have heard.

Q. Okay. So, that was--in 2003 there's nothing new to report to the Board in reference to problems at Charlottetown?

A. Not that I'm aware of, no.

Q. What about in Mary's Harbour on page 4, 33 loss of supply outages during 2001 and in 2002 there were 7 loss of supply outages. What's the situation there now?

A. Again, I can't say we haven't had any problems in Mary's Harbour, but to my knowledge, there has been no significant problems in that community since that time. Those problems have been fixed.

Q. And in Lanse au Loup, there were 25 system outages in 2001 which were loss of supply from the Quebec system. What's the situation in Lanse au Loup?

A. The problems continue. We continue to have significant problems in the Lanse au Loup to Red Bay system. We've had numerous complaints

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from customers. When we got the proper group together, we've established a group within Hydro consisting of our regional manager for the Northern area which Lanse au Loup comes under. Our manager of system performance and protection, a representative from the customer services group and other technical people have been put into a working team, if you will to look at the problems, the ongoing problems in the Lanse au Loup system. We have had problems on our distribution system itself in Labrador, in that particular system. However, a large part of it still stems from operations of protective relaying in Quebec itself, in the Blanc Sablon area. Our manager of system performance protection and a regional manager in Northern have had several telephone conversations and conference calls with Hydro Quebec counterparts. We thing we worked up a solution. Maybe just for the Board's information, I can sort of give you a little background in this. The way the protection and control is set up there now is any time there's a disruption or an undervoltage situation on the Blanc Sablon system, the

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first thing that Hydro Quebec does is trip the breaker at the border. And they do that for our protection. They really don't know if our diesel system is on or off. So, rather than re-close back on out of synchronism with our system and potentially damage our equipment and our customers' equipment, they automatically isolate us at the border. What we're going to do is put a procedure in place whereby our operators will inform the Lac Robertson operator, that's the hydro plant that feeds the system, that the diesel plant is off. He will automatically disable that undervoltage protection. So, in the future, if they get an undervoltage situation or a fault or whatever on their system, we will not be tripped. If they trip and then re-close, we'll automatically be picked up. But the way it's working now, every time they get a blip, we're tripped, we're the last ones to come back on. We could be out for ten minutes, we could be out for two hours. It's been a real problem for us.

(12:15 p.m.)

BROWNE, Q.C.:

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Q. So, how often are people experiencing outages there in that Lanse au Loup area? Once a month or can you quantify -
A. Oh, at times more frequent than that.
Q. But you feel that it has been resolved?
A. No, it hasn't been resolved. It's going to be resolved. We're working on it now. Like I said, we've had several discussions with our counter parts at Hydro Quebec. We've come up with what we feel is a realistic solution to solve, at least a good part of that problem with regards to the undervoltage protection on the Blanc Sablon system. We have a meeting scheduled with them for early November and by that time, we hope to put this whole thing in place and get that problem resolved.
Q. Are there any other communities there that you should bring to our attention, other than these where there are problems are experienced along the North coast?
A. No, there's no other problems up there that I can think of off hand, certainly none of the significance that we have in the Lanse au Loup area.
Q. Now, people were having problems, they were

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billing and paying bills and getting to a bank and getting their mail on time, but I gather that would be Mr. Banfield's area, is that correct?
A. I can try to answer any questions you might have.
Q. You know about that as well?
A. I'll try, if you'd like.
Q. Okay, because we had complaints from residents of various communities concerning when they'd get their Hydro bill and it would come late and they were having problems with the mail generally, as I recall it, and therefore couldn't take advantage of discounts and the like. What has Hydro done to address these concerns?
A. I can't offer any more light on that particular topic over and above what's in the report here. I mean, if you want to get into specifics of that. I actually thought you were talking about the over-the-counter service in some of our areas. I think that's better for Mr. Banfield.
Q. Okay. So -
A. I hope he'll forgive me.

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Q. Now, are you travelling to Labrador when we go out to Labrador?
A. Yes, certainly.
Q. And what about Mr. Banfield?
A. I'm sure he wouldn't miss it for the world (laughter).
Q. In reference to Labrador, when the relocation was complete to Davis Inlet to the new location, the name escapes me right now.
A. Natuashish.
Q. Natuashish, okay. Is that now an area that Hydro provides for?
A. Hydro still is responsible for and provides services in Davis Inlet. That community is not decommissioned yet; there are still customers there. We operate the Natuashish under an agreement with the Federal government, but it is still their facilities; we are operating them for them.
Q. So, can you give us details of that. How exactly does that work? Are you making money on that, for instance?
A. No, I'm sure we're not making money on it; we're doing it--we provide operators and maintenance people as required. They provide

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all the fuel. We provided some engineering services to them in review of some of their technical specifications, drawings. We've assisted them with commissioning activities and all of those costs are recovered at cost.
Q. What kind of system did they put in a modern community like that? What kind of generation, diesel generation was put in there?
A. It's very similar to what we put in in Nain. I think they have three units there. They have plant automation there that will schedule the units on and off. It can do data logging of various parameters in the plant. It's pretty much, except for the size of the units, and I don't recall exactly what they were, but it's pretty much along the lines of Nain, the Nain plant. As a matter of fact, I hope they won't mind if I say, they used our specification for Nain for the Natuashish facility, in large part.
Q. And because it's--it would be a new diesel up there, I guess, a new diesel generation.
A. Three new engines in there, yes.
Q. Okay. If you have a car, an older car, you
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got an old clunker on the road, we're told that's not very efficient from a gas perspective and from a fuel perspective. Whereas if you go down to get a new car from Tom Woodford, we're told that that can be very efficient from a fuel perspective. The newly commissioned generation in Natuashish, how is that, from a fuel perspective, is that more efficient?

A. I would say the engines themselves are certainly more efficient than an older generation engine, but again, you need to understand or have an appreciation for where they're actually operating them. You operate these diesel engines down at low levels, low loads, the inefficiency falls off fairly quickly, but the automation system itself is supposed to take care of that. It schedules units on and off to try and optimize performance of the various facilities in the plant depending upon the total load for the plant.

Q. And because the--all these different diesel generators that you have there along the north east coast and indeed, into the south coast,

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is there different amounts of fuel that you burn to produce a kilowatt hour in these various diesels, dependant on their age?

A. Yes, and not only depending on--certainly age is a factor, but the load profile and the available capacities is also a factor. I don't know how else to answer that, except I'm sure there are small differences throughout all of these systems. Again, depending upon the size of the units, the age of the units, the load profiles in the community themselves that will affect marginally the number of kilowatt hours per litre of fuel, but I don't know -

Q. When you say marginally, a new diesel generator as opposed to an older clunker that you might have there, somewhere along the system, would there be savings in fuel by putting in a newer generator, rather than continuing with the older one? Have you done an analysis of that as to what the fuel savings would be?

A. I specifically haven't done an analysis. I'm certain that our System Planning Department have done analyses of that with regards to the

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capital cost replacement of an existing engine with a new one and the result in fuel efficiencies. Again, on a personal basis, if you wish, an opinion, I don't think it's cost effective to replace older type engines with new engines at the capital cost that we experience just for the marginal savings of fuel.

Q. What would you--give me your definition of marginal savings? Would that be ten or fifteen percent or two percent or twenty percent? What do you say is a marginal saving of fuel by putting in a new diesel as opposed to the older ones?

A. I'm reluctant to put a number on it. I think what I'm saying is that looking at the capital cost of a new diesel engine which could be in the order of a half a million dollars depending on the size and the incremental savings in fuel efficiency, I think, at least on my own knowledge, that that is not cost effective.

Q. In Voisey's Bay in Labrador, they must need some form of generation there as well. Is Hydro involved in that generation?

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A. No, we are not.

Q. Why is that?

A. Some years ago, and again my knowledge on this is limited. Some years ago we were asked, Hydro was asked to put together an estimate for connecting the Voisey's Bay mine site with a transmission line from, actually from Churchill Falls, I believe it was and the cost of that transmission was prohibitive. Voisey's Bay Nickel, again as I understand it, had decided that they are going to install an isolated diesel system, if you will, to service that particular mine site. They have not, again as I understand it, gone out for quotations on that particular or tenders on that particular service. We've let them know that we are interested, if and when they do that, in providing a proposal to them for that diesel plant.

Q. So, you don't know what the situation is, if they've moved privately or are they going -

A. I understand that, again, on the, for the main power plant, they have gone out and they have tendered, I'll call it construction power for

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the site and I believe that particular tender went to a local company, but the main power supply for the whole operation, if and when it gets up and going, has not been tendered yet, to my knowledge.

Q. On this issue of fuel and the age of your diesels, can we just go to NP 39, please. There's an attachment, if you go to page 3 of 3, please.

A. Okay.

Q. And we see there, your fuel budget as forecast for the diesel on the Island Isolated system to be one million four hundred and ninety one thousand and it's going down in 2004 to one million three hundred and ninety thousand. Why is it going down? Just Harbour Deep, is it?

A. No, I think it's more than Harbour Deep. I think, generally speaking, on the Island Interconnected systems, our load growth is experiencing a minor decrease. Obviously, the impact of Harbour Deep is there as well, but I think on the Island Isolated systems, if I remember correctly, our load forecast is marginally decreasing and I use that term

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marginally again.

Q. So what, you're losing customers there, is that it?

A. I think that's probably a factor, yes.

Q. In terms of the diesels that you have there in Francois and Grey River and Little Bay Islands, McCallum, Petites, Ramea, Rencontre East--well, Petites is gone now too, I guess, isn't it?

A. Effective the end of this month.

Q. Yes, okay, and Rencontre East and St. Brendan's, what is the age of these diesels? Are they modern or are they old, that have been subject to overhauls?

A. I actually think I have that information here if I can find it. Bear with me, please. I think that's referenced in CA 117. So, that table on page 2 of 3 of CA 117 gives you the unit numbers and the age of the specific diesels at each of our isolated sites. So, you'll see that some are fairly new and others are fairly old.

Q. What's the newest one?

A. The newest one, well, I see one in Black Tickle that's one year old. The ones in Nain

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should be fairly new; they're all one year old.

Q. Now, the one in Black Tickle, that's the newest one, is that burning less fuel than prior to when it was installed and how much less fuel is it burning?

A. I can't answer that. I don't even know the kilowatt capacity of that unit. I don't know the kilowatt capacity of the one it replaced. I am reluctant to say this, but I'll say it anyway, I'm sure it's more fuel efficient than the one it replaced because it would be the newer engine and now doubt the one it did replace was a significantly older one, but again, I don't know the particulars, so I really can't say.

Q. Are these engines mechanical engines, the older ones and the newer ones electric engines? Is there a mechanical--the generator themselves, are they mechanical as opposed to electric generators now? What's the difference?

A. They're all electric generators.

Q. They're all electric.

A. I don't know of a mechanical generator, sorry.

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That term is not familiar to me.

Q. In terms of Black Tickle, if you look at NP 39.

A. NP?

Q. Yes, let's go back to NP 39 for a moment. You said Black Tickle is your newest and it should be more efficient.

A. It's one of the newer ones there, yeah. It's one year old, you can see in the table. NP 39, yes.

Q. We see that the fuel, it's burning in litres in there, for 2003 was 500,250 and in 2004, it's going up to 503,750. Why would that be if it's a newer model?

(12:30 p.m.)

A. I can only assume it's an increase in load. There's been a load growth in Black Tickle which was probably a driver for the new engine in the first place, and that's what's driving up the consumption of fuel.

Q. Have you done an assessment of how much fuel you're burning, given the new generator as opposed to how much fuel you burned from the previous generator that's there?

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A. I have not, but I know our operations people do a monthly production report by the plant, so I'm sure they have a good fix on the fuel efficiencies of each one of the engines in their systems. But I have not done it.

Q. Has an analysis been done of whether or not when you undertake a new generator like such as in Black Tickle, if it's better to purchase or to lease that generator?

A. I'm not aware of any such analysis that we would actually lease a unit for a prime power application. We may have looked at that. We probably have, but I can't say for sure that we have.

Q. Just can you undertake to find out about that, if Hydro has undertaken any such analysis, prior to embarking upon purchases of these diesel generators, whether it's more economical to lease as opposed to purchase? And also, can you undertake to provide us with the information in reference to Black Tickle, to show us the fuel in litres that was burned from the old generator as opposed to what's going on now in the new generator? (Undertaking) There should be figures

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available on that, Ms. Greene, wouldn't you think?

GREENE, Q.C.:

Q. Well, we certainly will look to see if they are available. The undertaking with respect to the difference in fuel consumption between the new and old unit in Black Tickle and an undertaking with respect to whether we've analyzed purchasing versus leasing a diesel unit for, as Mr. Martin said, prime power supply. So there's two undertakings.

BROWNE, Q.C.:

Q. Okay. If it's available, I wouldn't mind having that before Mr. Martin left the stand actually. In terms of CA-117 again, you said Black Tickle as one of the newer ones. What is one of the older ones that are here?

A. Well, the other two in Black Tickle are 25 years old. We have a couple of units at L'Anse au Loup that are 28. There's one in Francois that's 30. There's a couple of the units that we hopefully will retire in Davis Inlet that are 28 and 29 years old.

Q. Okay. So when I look at NP-39 and look at Black Tickle and see the fuel is 500,000 and

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the projected fuel is 503,000, that's for combined all three generators? It doesn't give any comparator of the new versus the old or anything?

A. No, that's right. That's the plant consumption.

Q. Okay. So I don't know, based on that, if you're doing well or if you're doing not by installing the new one or what the difference is between the new one and the old one?

A. Not on this. All you can tell is that we're burning more fuel.

Q. Okay. But in terms of the numbers and the statistics you keep yourself, Ms. Greene, can you undertake to provide us on the unit number, the amount of fuel for each unit number? (Undertaking) So that we can get a comparator of the new versus the old. And you said the Black Tickle generator cost a half million dollars? Was that your figure or did you know?

A. No, I don't know. And again, in thinking about this, I am not sure that we're going to be able to distinguish the fuel for that particular unit. There's a common tank that

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supplies these three engines. The tanks are dipped once a month to get the fuel consumption and reconcile it with the total production. So to try and split up the amount of fuel burned amongst the three engines in the plant is going to be, I think, an extremely difficult, if not impossible, exercise.

Q. So the fuel all comes from the same source and you don't know how much fuel is burned per generator there?

A. No, I don't think we do.

Q. Can you find out with certainty?

A. Absolutely, yes.

Q. And that could be part of that undertaking, to advise us of whether that figure is available. (Undertaking)

A. Yes.

Q. So therefore, we can just assume that the new generators are doing a bit better than the old generator. You don't know for a fact if they are or if they're not.

A. Well, the factor acceptance testing for every generator, there is a fuel consumption run

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done, so that we know and can verify the fuel efficiency of the unit, as compared to specification. So before the unit leaves the factory, we know what efficiency it will meet.

Q. And in terms of those efficiencies, when you look at the total cost for fuel on the coast of Labrador, the total diesel budget for the Labrador and the island, we're into $7 million, 7 1/2 million dollars. What is the plan here to try to bring that consumption down through the use of more efficient generators? Is there any such plant or any such analysis been done?

A. As I mentioned before, again, I can't say specifically that this has been done, but I don't believe there's any savings to be had by replacing. As long as the unit is operable, it's reasonably efficient, it's not at the end of its useful life, to change out that generator with a new one that is more fuel efficient is not cost effective. You may save some minor dollars on the bottom line of your fuel expense, but the capital cost to buy it, install it, commission it and everything else is going to far outweigh, in my mind, any of

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those savings.

Q. What if it were to save 10 or 15 percent on the fuel budget generally? You got a $ 7 million budget there. It would save 10 or 15 percent. That would be a million dollars there at 15 percent. Have you--that's why I'm concerned about the analysis, what kind of analysis has been done here, and you can't comment on that?

A. No. No, I can't.

Q. And you can't comment on any analysis that's been done in reference to leasing versus purchasing these diesels?

A. No, we have undertaking to provide that to you.

Q. And in a place like Voisey's Bay, if Voisey's Bay has gone with a private company, for instance, to install a diesel and to do maintenance there, would that surprise you if they, in fact, have gone ahead and done that, ignoring Hydro in reference to that particular matter?

A. Not one bit.

Q. Would they do that because it may be more efficient for them to do that than through the

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services of Hydro? Would you think a private company would have a cost consideration?

A. Well, I would hope that any private company would have a cost consideration. As I mentioned before, Hydro has expressed an interest in Voisey's Bay in providing that service. We cannot force them to give us that opportunity, but I am certain that if we had an opportunity, we would be very cost competitive with anybody else who would make a proposal on such a specification.

Q. If we can go back to Natuashish for a moment, you said that you're dealing with the Federal Government in reference to that. Are you actually making money or are you just providing the service?

A. We are providing the service at cost.

Q. At cost?

A. Yes.

Q. Why would you do that? Is that a Federal territory or is that a Federal reserve that's there?

A. It is a Federal territory. I believe it's about to be made a reserve, but exactly the status of that, whether it's a Federal reserve

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or not, I'm not 100 percent sure.

Q. How are you certain that you're recovering all your costs in reference to there?

A. Because, again, we've opened up a work order within TRO and all of the services that we provide are captured and coded to that particular work order, and then on a monthly basis, we bill them for those costs.

Q. Would you -

A. Including overheads, by the way.

Q. - would any consideration have been given to do it on a cost plus basis, if that's a service that the Federal Government requires?

A. I do believe there was consideration given to that, but given the fact that we are probably going to be asked to take over that particular facility in the near future, we decided that, on an advisory type basis to the Federal Government, that we would just recover costs, with no markup.

Q. Now the recovery of costs into that, into that particular community, how does that relate into the deficit that we have here in Labrador generally?

MR. MARTIN:

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A. It doesn't.
Q. You're saying it's not costing Hydro anything? So it doesn't--it's a break-even basis?
A. That's right.
Q. The way it's -
A. That's right.
Q. And who's in charge of tracking that at Hydro to make sure that it is break-even and that we're not losing money in reference to this particular portion, where Hydro is just providing the service at cost?
A. The responsibility, I would say, is at the manager level, the director level in TRO engineering, that they have a work order raised and all costs associated with that project and the services that we provide to that project are costed to that account and recovered.
Q. Okay. We'll leave this area of the fuel and the diesels until we can get some further information. On October 20th, I think Mr. Roberts was on the stand, and he told us that you would be able to tell us about initiatives undertaken in isolated areas in reference to the HYDROWISE Program, and the Rural Deficit

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generally, and how to decrease the Rural Deficit. Are you prepared to do that or is that more Mr. Banfield?
A. I'm prepared to speak to some of the initiatives that TRO specifically has undertaken, like the DSR initiative, RCM.
Q. Okay. Well maybe can you tell us about that? What initiatives has Hydro undertaken to deal with the Rural Deficit in these isolated areas?
A. Well, as noted in my direct examination by Ms. Greene, we've done everything from interconnections, where they're cost effective to do so, to changing out the light fixtures in our diesel plants to try and be more conservative.
Q. What about in the homes? Some years ago, Hydro undertook a conservation program, as I recall from a previous hearing, which they had a number of communities were subject to a pilot project in reference to conservation and demand side management initiatives whereby they were given fluorescent lights and wraps for boilers, et cetera.
A. Yes.

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Q. Do you have any information in reference to what's gone on in the past in some of these communities?
A. Only in the context of what you've just mentioned. I know we have given contact fluorescent lighting to various communities to try and defer, if you will, the capacity increase in that particular community. I know we offered a program whereby we tried to encourage people to replace their electric hot water boilers with oil-fired hot water boilers and give them a financial incentive. I believe it was $500 to do so. The result of that particular initiative, as I understand it, was not all that effective. It was -
Q. Yes, I'm sure people jumped at the opportunity to purchase oil on the coast of Labrador.
A. Well, I think the takeup was actually in St. Anthony and that's where we got the biggest response. So, you know, no, I can't give you specifics about each one of these individual things, but I know that we have undertaken some of those things. Some have been successful; others have been somewhat unsuccessful.

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Q. Where are we with it now? It seems we're in a state of flux here, just from the answer you're giving me. Is there a particular HYDROWISE Program going into these communities in order to ensure that the rules of conservation are first and foremost being observed?
A. I think I can answer that by saying that Hydro's formal DSM initiative right now is the HYDROWISE initiative, and that's basically an information program to try and get, as you say, the rules of conservation out to the people. It's being done through, as I understand it, mail outs to customers. I was very interested to see that we're going to take it into the schools in some of these areas, to try and get to the people at a younger age to inform them about the importance of this. But right now, that is our DSM initiative within Hydro is the HYDROWISE initiative.
Q. Somewhere on the coast of Labrador, we were in Goose Bay last year and people from the coast of Labrador, from some of these communities
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where you brought on a HYDROWISE or similar program and got them to use fluorescent lights and to wrap their boilers and to seal their homes generally, they said that you did all that, but then that was it. There was no follow up to it. It was done and then you were gone, and no one came back to check to see what part two was or if there was a part two, and they couldn't say if they were burning fluorescent lights any more now or 120 watts bulbs, I guess, you know. So what do you say to that?

(12:45 p.m.)

A. I think I should defer that one to Mr. Banfield.

Q. Okay.

A. If you don't mind.

Q. Yes, because it's an area that we very much want to explore and we'll again put Mr. Banfield on notice that we would like to find out concerning the follow up that was done in these communities and what's the plan for these communities for the future, save for the mail out. Okay. These are our questions. Thank you very much, Mr. Martin.

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A. You're welcome.

CHAIRMAN:

Q. Thank you, Mr. Browne, Mr. Martin. We'll move now to Mr. Kelly, please.

KELLY, Q.C.:

Q. Thank you, Chair. Mr. Martin, good morning, or good afternoon, I should say now.

A. Good afternoon.

Q. As you told Mr. Fitzgerald, I gather that--and from your resume, you've been with Hydro since 1971, and have been a director in engineering, transmission and rural operations since 1996, and then VP since August 1 of 2003?

A. That's correct.

Q. So you'd be very familiar with the changes that have taken place in the TRO division, especially during the period from '96 through 2000, right up to date, 2003?

A. I should be.

Q. Okay. Because unlike Mr. Fitzgerald, I don't want to look just at some of the problems. I want to look at some of the things that have been improved during that period. In order to do that, let's get a sense of how the division operates first, by going to your Schedule 1.

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Now this is the breakdown of your division into essentially five departments?

A. That's correct.

Q. Okay. Now the engineering and transmission and rural operations, that's your engineering group, as I understand it, correct?

A. That's correct.

Q. Okay. I won't spend much time with those. What I'd like you to do is explain for us how each of the next three departments work. Central, I understand, is located out of Bishops Falls. I'd like you to describe what's there physically and how that department operates. Could you just take us through a little bit of that?

A. Yes. The Central region has its headquarters in Bishop Falls. We obviously have a very large office complex there. We have our transportation asset management group are based there. We have our line worker or transmission line group or one of our transmission line groups out of Central are based there. The management of all of our area offices, remote diesel plants, the planners for the central region, they all

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operate out of that office in Bishop Falls.

Q. So would it be fair to say that that is the biggest of the three regional offices?

A. I think that's a fair characterization, yes.

Q. Approximately how many employees would be in that central region office in Bishops Falls?

A. Approximately 170.

Q. Okay. Just take us to the next one, the northern region. Where is that located and give us the same tour?

A. The northern region has its central office in Port Saunders. It has an area office in St. Anthony. They are responsible for the transmission facilities on the Great Northern Peninsula, all of the distribution systems on the Great Northern Peninsula, the operation or I should say the maintenance of the three diesel plants on the Interconnected System on the Northern Peninsula, and all of the isolated diesel systems and distribution systems in Southern Labrador.

Q. Okay. And approximately how many employees in that division?

A. There's approximately 75 people.

KELLY, Q.C.:

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Q. Okay. So little bit less than half the size of Bishops Falls?
A. That's correct.
Q. Okay. Let's go to the Labrador region next.
A. The Labrador region has its central office in Happy Valley-Goose Bay, with an area office in Wabush. They are responsible for the 138 kV transmission line from Churchill Falls to Happy Valley-Goose Bay, the distribution facilities in Labrador West, the distribution facilities in Labrador East, the Happy Valley North plant, which is a standby diesel plant we have in that area, the 25-megawatt gas turbine at Happy Valley-Goose Bay terminal station, and all of the isolated communities on the northeast coast of Labrador.
Q. Okay. And how many employees in that division?
A. Approximately 50.
Q. 50, okay. The northern region, did I miss something there? Does the northern region have any responsibility in Labrador at all, or is it just on the island?
A. No, in Labrador, the northern region is responsible for all the isolated diesel plants

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and distribution systems on the south coast of Labrador.
Q. Just along the south coast?
A. That's right.
Q. Okay. Now then, just go over briefly the Environmental Services and Properties division. Where is that located and how many have you got there?
A. The Environmental Services and Properties department works out of St. John's office at Hydro Place. They are responsible for all the environmental support required by the Corporation in exercising its environmental management system and programs. They are also responsible for all property issues and survey issues for the corporate Hydro.
Q. And how many employees in that division?
A. We have 11.
Q. 11 there, and just go back to Engineering, Transmission and Operations, how many now there?
A. 40.
Q. 40, okay. We'll come back to those. Now one of the things that Mr. Fitzgerald asked you about is whether there was a manager of the

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Rural Deficit. Is there--and I take it the answer to that is no, there's no particular individual assigned to manage that rural deficit?
A. If you're talking about being able to control costs, which is the thing that we can really have some influence on in the management of the rural deficit, I would suggest that individual, as of August 1st, is me.
Q. So it only takes place at that level, in terms of the overall management? There's nobody in the department specifically assigned to manage and address rural deficit issues?
A. Again, and I don't mean to belabour this, in the area of controlling costs, the regional managers who report to me are responsible for controlling costs in all areas, including the Isolated Systems. Each one of those has an asset manager who is specifically responsible for the operation and maintenance costs of each of those isolated systems.
Q. So but the cost management is done across your systems as a whole, as opposed to attempting to manage the rural deficit per se? Is that fair?

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A. Forgive me. If you're talking about the rural deficit as it's defined with regards to the $41 million rural deficit -
Q. Yes.
A. - I'm not managing that. What I am managing, and what my managers are managing, is the cost, the controllable costs and the influence that we can have on trying to minimize those costs, thereby impacting, at least controlling or minimizing the rural deficit as much as we can.
Q. Okay. Now with that as the background, let's have a look first at your Schedule 5, and I'd like to take you to the salaries and fringe benefits department or section of this, and if we look first at the subtotal, so we get the full picture, the forecast for 2004 is 21.3 million dollars?
A. That's correct.
Q. Okay. And if we go back along that line through 2003 back to 2002, it's been running in the range of 21.9 for example in 2002 to 21.3 for your 2004 forecast?
A. That's correct.
KELLY, Q.C.:

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Q. Okay. So can I just get, Mr. O'Reilly, if you could put up on the monitor Schedule 2 from Mr. Roberts for a moment? Okay. Now if we go across the salaries and fringe benefits line there, which is line 15, the total for Hydro, if we go over, for example, to the revised 2004, is $63 million and we come back across the line, it's run in the range of 61, for example, in the test year. You had 64 1/2 million in 2002 actuals. So your share, Mr. Martin, is roughly about a third of the total, if we just looked at your Schedule 5, which is $21 million?

A. That's correct.

Q. Roughly about a third of the total?

A. Yes.

Q. Okay. We go back to your Schedule 5. Now can I look across your permanent salary line first? In 2002, you had 19.6 million forecast, but you actually came in at 18.7. But as you go down to the bottom lines, when we get the total, we actually had 21.9 versus 21.9, so the bottom lines actually turned out to be the same, roughly about the same. Why did you have a reduction in the permanent, but

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then a pick up in hourly wages, which would be temporary and overtime? Could you just explain that to us first?

A. That could have been due to several things: new capital projects, if they came about; the requirement to backfill positions. I don't know the specifics of that, but those are a couple of things that come to mind that may have influenced that.

Q. In fact, I notice that your capitalized expense credit, in your department, was up from 2.8 million or 2.9 almost as forecast to about 4.6 million. So came in substantially over budget in capitalized salary expense?

A. That's correct.

Q. Do you have any explanation for that, as to why the big variance there?

A. The only thing that comes to my mind is potentially some new projects that were not budgeted that were unplanned that came up that we had to address.

Q. Were there actual projects or is that a conjecture answer?

A. Right now, that's a conjecture.

Q. Okay.

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A. I'd be very surprised if there were no new projects that came up in 2002. It seems like every year we get at least a couple of unexpected projects.

Q. And that fact that you continue to get unexpected projects continues every year to bring your capitalized expense in above forecast. Every year you seem to get new projects. That's been a recurring trend in your department too?

A. I think it's fair to say that we do get perhaps some new projects every year. The size of them and how this has impacted these numbers, I really can't say.

Q. Okay. Let me ask you this question then. Now at the end of 2002, can you tell me how many vacant positions you had in your division?

A. There is an RFI on that, and if I remember correctly, and I stand to be corrected, it was 100 and--at the end of 2002, vacancies, I'm sorry.

Q. Vacant positions?

A. Sorry. No, I don't know the answer to that.

Q. Okay.

A. I'm sorry.

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Q. If you can't tell me the number of vacancies, can you -

A. I was going to answer another question.

Q. Can you tell me the number of vacant positions that you have in your department now, in your division?

A. I can't tell you exactly, but it would be somewhere between, I think, 10 and 15 in TRO.

Q. Okay. When you come back on Monday, can you undertake to tell me the number of vacant positions that you had as of the end of 2002 and the number that you have as of now? (Undertaking) Okay. What you've given me, 10 to 15, will work for the purpose of carrying on for where we're going. Now the 10 or 15 that you have now, do you intend to eliminate any of those or will they be filled?

A. Right now, I have no intention of eliminating any of those positions, but I think as other witnesses have testified, before we replace or fill any vacant position, we do an analysis and a review of it to determine whether or not we can gain some efficiencies there.

Q. Well, are you reviewing those 10 to 15?

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A. We will be reviewing those 10 to 15.
Q. Well, how long have they been vacant?
A. Some of them would have been vacant as of the 1st of August, one in particular that I know of, and others perhaps longer, perhaps even shorter. But -
(1:00 p.m.)
Q. I'm just trying to understand the process. Like when do you--when a position becomes vacant, when do you start? If you've got these 10 or 15 and you haven't started any of them yet, why?
A. I would love to have started two months ago, but -
Q. Why didn't you?
A. I think the answer to that is fairly obvious.
Q. And it is--help me.
A. It's preparing for this hearing.
Q. Okay.
A. Or trying to become prepared for this hearing has taken an inordinate amount of time, to be quite frank.
Q. Let me take you to NP-35, and we have--if we could just scroll up another little bit, Mr. O'Reilly. We have some information here on

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the 2003 permanent and temporary positions and 2004 forecast and if you can just go up a little bit more, Mr. O'Reilly, so we can get the note down at the bottom, please? Now the note on the bottom, which goes to the 791 in 2004, says "this does reflect the reduction in permanent complement to August of '03, but does not reflect future anticipated staffing reductions that are reflected in the revenue requirement through the vacancy allowance." So do I take it from that note, Mr. Martin, that the 791 is the number of positions that you--well, first of all, that Hydro itself--we'll talk about your division in a minute--that Hydro is carrying for its 2004 forecast?
A. As I understand it, that will be the number that Hydro will be carrying as a result of the forecast that is to be filed by the end of October.
Q. So it's not reflected in the current one?
A. No, I believe -
Q. In other words, in -
A. - those numbers have changed since the -
Q. Sorry?
A. I believe those numbers have changed since the

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original or the revised filing.
Q. Well, let's go back and look at your department, because that's what I want to try to explore here a little bit. I notice if I come across transmission and rural operations, at line 17, you had at the end of 2003, 349 but as of August '03, you've got 342 and you've got the same number of temporaries.
A. That's correct.
Q. Do you see that?
A. Yes.
Q. How many are in the application that is before the Board now? How many permanent positions or FTEs are in the application that is before us, if there are seven somehow to be eliminated?
A. There is the 342 plus the 49.
Q. So in the current application in your division, it is based on 349?
A. 342 plus the 49.
Q. Plus, but is that what is currently in the application?
A. I think it's 349 plus 49, yes.
Q. That's what I'm trying to understand.
A. No, it's 349 plus 49. There's been seven

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eliminated since then.
Q. So since you filed in April, you've eliminated, completely gone, seven positions?
A. In TRO, yes.
Q. In TRO?
A. That's correct.
Q. Okay. That's what I'm trying to understand. Okay. So when you refile, will you be refiling with any further reductions, keeping in mind that you've now got still some 10 or 15 vacant positions in TRO?
A. We will be refiling with the 342 plus 49.
Q. But not taking into account any of the 10 to 15 vacant positions?
A. I would suggest it's taken into account in the vacancy adjustment allotment that's been associated with TRO for 2004 of in excess of a million dollars.
Q. Okay. But that's the only place it would be?
A. That's right.
Q. Okay. But you'll come back and let us know on Monday how many are currently vacant there?
A. We certainly will.
Q. Now let's just move on from there and have a
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look at NP-9, at page 4 of 6. And this gives us the information for transmission and rural operations going back to 1999? And if we go back to page 1 first, just so you're not mislead by the numbers, this is, in the answer, the permanent staffing level by division in department?

A. Okay.

Q. Okay? If we can just go back to 4 of 6 for a moment, if we look at operations, that would be, as I understand it, the three regional offices that we talked about a few moments ago, central, northern and Labrador, correct?

A. That's correct.

Q. Okay, and so since 1997, they've gone down from 366 positions, down to, as of August 03, 292, for a difference of, as I make it, of 74 if you do the math?

A. That's correct.

Q. And if you go over to engineering, you had a reduction of four positions there?

A. Correct.

Q. And environment and properties is essentially the same. So your division has had 78 permanent reductions since 1997?

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A. That's correct.

Q. Okay. Now, let's go to NP-10 and as I look at NP-10, Hydro in total, in the permanent category since 1997, has gone from 904, down to 791 for a difference of 113?

A. That's correct.

Q. Okay. Now, I make that, that you've had 78 gone out of your department, our of four, I guess, of your department, which is 69 percent of Hydro's total reduction, 79 out of 113, 69 percent.

A. I'll trust your math.

Q. The bulk of them come out of your department or your division, do you agree with that, Mr. Martin?

A. Certainly, the numbers speak for themselves.

Q. Okay, and in fact, if I go back to NP-9 for a moment, you've got four of six there, which take us up to August '03, if we just scroll back to two of six for a moment, which is Mr. Haynes' department that we looked at with him, the major reductions there are in the thermal generation department, in which we had 14 deleted and so, with the Holyrood and the divisions or the departments in which you had

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the cut, if I look at the combined total of Holyrood and those four departments in which you've had to cut, I get 78 plus 14 for a total of 92, out of 113, which makes 81 percent, 81 percent of all the reductions that Hydro has achieved have come out of four of your department, plus Holyrood's. And that seems to be the math, first of all, do you agree with that in general terms?

A. Well, I'll accept your math, subject to checking.

Q. Right, by all means. So that would give us 81 percent of all of the reductions come out of five Hydro departments out of nineteen, with the vast bulk of them being in TRO. Now, what I would like you to help us understand is how did TRO achieve that? Because you got the bulk of them.

A. TRO achieved it, as I indicated in the direct examination, achieved that through the identification of an opportunity, an analysis of an opportunity to determine whether or not there could be savings and as a result of that analysis, implemented the change and got the savings.

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Q. Were you involved in the process at TRO in which that was done?

A. I was involved in some of it, yes.

Q. Okay. Now did TRO, the group that was looking at these savings in TRO, did you look at it only on this position is vacant, let's look at what we can do there, or did you step back and look at the whole picture and see how you could achieve a reorganization to achieve some benefits?

A. I think the answer to that is both, you know, like I said before, if we have a vacancy now of even one position, there's always an analysis, a review done of that particular position to see if there's an opportunity there for savings or efficiency. A lot of the other initiatives going back to 1995 when TRO reorganized and went from six regional offices to three, was an analysis, an opportunity was identified, it was analyzed, there was thought to be savings there, we implement it and we realize the savings. The DSR's was another initiative, the line worker review was another one, so I think we have to say that we do

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both, we look at specific initiatives in certain areas, as opportunities arise, and we look at individual positions. We do both.

Q. Okay. What I'm particularly interested in is the process that you went through for looking at the restructuring; in other words, not simply so much the individual vacant position, but did you set up a committee to look at that? Was there a particular individual assigned to look at that process?

A. I think generally speaking with the larger initiatives it's fair for me to say that there would have been a committee or a working group established, I'm thinking now specifically of the line worker review, there was a committee established of three of our labour managers representing all three regions. They benchmarked where we were with regard to line workers. They came up with what they thought was a reasonable proposal for change. The proposal was presented to management, it was accepted and the changes implemented, and it resulted in the elimination of the 11 line worker positions and a reduction of another 13 permanent ground worker positions to part-time

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temporary.

Q. Is that approach capable of having application elsewhere in Hydro, and if so, what are the plans to do anything with it?

A. I think as Mr. Wells and Mr. Roberts and others have said, we are continuing that approach. What TRO has done in the past has been generally specific to TRO, looking at their own division. The business process improvement initiative that Hydro is undertaking now, is looking at all processes across all divisions and we've already had some successes in that area. And we will continue to do that and the expected results of that are reflected in the 2.5 million dollars you see in the vacancy reduction or at least the 1.5 million dollar addition to the normal vacancy adjustment.

Q. Now, let's just talk about the business improvement initiative for a second. We've already heard the evidence that there's about $600,000.00, plus 128 for meter reading in total. Which of those components come in your division?

A. I think as indicated in the numbers we just

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went through, we have since--since the beginning of 2003, eliminated 7 positions as a result of business process improvement.

Q. So those 7 are ones attributable to this business process improvement?

A. In my mind, it's all business process improvement, I mean, the initiatives that we undertook with the line worker review, the RCM program, the DSR's, all of these things are reflective of business process improvement. I think the one you're referring to is the more formal approach that we've taken now, where we go across all divisions, rather than just try to localize your focus on individual divisions. But the 7 you are referring to were all as a result of business process improvement initiatives that resulted in the 7 positions being eliminated this year.

Q. Okay, can we just put NP-35 back up on the screen then? And if we scroll up there and we look at the various departments, in terms of permanent employees and we see where this business improvement initiative has borne fruit, management was eight, is eight; production was 300, now is 301, so we didn't

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get a net gain there; internal audit is the same; finance is down five, so there may be some improvement there; TRO is the seven we looked at; and one in human resources. So again, the bulk of business improvement is in TRO?

A. To this particular point in time, the processes that were reviewed had particular application to things like finance, customer services that is in the finance division, and TRO.

Q. But who ran the business improvement initiative in TRO? Was there one particular individual or director or somebody assigned or -

A. If you're talking about the new formal approach to business process improvement that we've been talking about in the hearings for the last couple of weeks, a former director, the director of transmission and rural operations, who is now an executive director in the Corporation, reporting directly to Mr. Wells, has responsibility for leading that initiative.

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Q. Who is that?
A. His name is Tom Vatcher.
Q. Okay, so Mr. Vatcher was a director in your department that ran these initiatives that we just looked at, or was a main person involved in it?
A. He was the team lead, we'll say.
Q. And he's now gone over as an executive director reporting directly to Mr. Wells. Is that an attempt to try to make some of these improvements applicable elsewhere in the organization?
A. I don't think it's an attempt to make these things applicable in other parts of the organization, that's not a fair characterization, I would suggest.
Q. Okay, you put it in your words.
A. Well it's to put the emphasis on it at the executive level, that Mr. Wells and others expect results from this and the person who is leading the initiative and charged with the responsibility of it, now reports to the president and CEO himself.
Q. When did that change in Mr. Vatcher's status to report to the CEO take place?

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A. I'm thinking it was 2002.
Q. Sometime in 2002?
A. Yes.
Q. So it's been in place for roughly about a year?
A. A year.
Q. All right. Let's go next to--have a look at CA-46, which dealt with some of the costs associated with these things. In terms of the efforts in the TRO division, were there particular studies or reports done with respect to TRO?
A. You mean with regard to some of our initiatives, like, DRS's and -
Q. Yes.
A. There were certainly analyses done.
Q. Were there reports generated from those analyses?
A. No, there were not.
Q. How did you--take for example the DSR program, this is what puzzles me, I've listened to your explanation, sounds great, but how did you know--how do you know that that was going to result in real reduction? What sort of analysis did you go through to determine that

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there would be cost reductions and why is there not some report on it?
A. Well there seems to be a fixation with reports and I really don't know why, but the way the DSR -
Q. The reason is because you're a regulated utility, and as a regulated utility, the Board has a certain mandate, so that's the thrust for the why, but you go ahead.
A. That's what I'm going to try and explain how I--how this is done. There was, again, with the DSR initiative, similar to the line worker review, there would have been a group of key individuals in the organization put together. They would have analyzed the current situation, they would have identified an opportunity for improvement. There would have been an analysis done with regard to the projected savings through that initiative. That initiative would have been brought back and presented as a Power Point presentation or something similar to management. Management, no doubt, would have asked questions, prodded, perhaps even made suggestions for changes. At the end of the day when the initiative was in

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the state that everybody was comfortable with, the initiative would have been approved and it would have been implemented.
Q. But don't you think it would have been also helpful for the Board, for example, to have summarized that into, that process then into a short report as to here's what we're doing in the projected savings?
A. Even though I'm an engineer, at times I'm not all that strong a proponent for reports. There's a place for reports; there's a place for identifying things. We have limited resources. We identify, we analyzed, we identify an opportunity, we put the cost savings around it, we present it, it's agreed by management, we implement, we move on. That's the process.
Q. Let me take you to IC-39 next and it's page 3 of 3. Now we were talking about salaries and benefits and if I look at the '97 salaries and benefits in your department, TRO, at 22. 8 million.
A. Yes.
Q. Okay. And I go across to the forecast for
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2004 at 24.5 million, I have a 7.3 percent increase overall. You can do the math if you wish.

A. No, that's fine.

Q. You'll get 7.3 percent. Now, I take you next to CA 61, page 2 of 2. This gives us a breakdown by union and non union. Unfortunately, it only goes back to 1998, but if you do the same analysis, you go down to your department of Transmission in Rural operations and you have look at the changes there. The union part of it is up from 24.7 in '98 to 25.5, very small increase. The non-union is up from 19.2 to 24.7. So, in fact, if we make the math, about 28.7 for the non-union and 3.2 for the union. So, the bulk of the increase in the total package is in the-- there's a much bigger increase in the non-union even though the wage rates approximately went up by about the same amount. Which would lead us to conclude that the bulk of the layoffs were in the union employee category. First of all, can you confirm that?

A. I think there was an RFI on that where we indicated the number of non-management versus

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management people that were included in the layoffs.

Q. Right.

A. And I think you're correct in saying that there were more union layoffs than non-union layoffs.

Q. The bigger proportion in the union than in the management. I don't need to go to -

A. That's my recollection of the RFI, yes.

Q. Right, okay. Can I then take you to IC-212 at page four of the attachment, page four. If you go down to the bottom, Mr. O'Reilly, they'll give you the page numbers, a little bit further up, there you go, come into the screen on the bottom. Mr. Martin, one of the items that the union raised in this was talking about reduction in staff and Hydro taking 60 fulltime equivalents in 2003, another 60 fulltime in 2004 and no reduction in supervisory staff. First of all, can I get you to address the comments as expressed there first?

A. Well, I guess my first comment would be, I don't really know where they got the 60 fulltime equivalents in '03 and another 60 in

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'04. I don't know what the basis of those numbers are. With regards to the reductions in supervisory staff, I think I would suggest that, you know, our supervisory level is based upon permanent positions, the number of permanent positions we have in the organization and in the departments. And as you staff up or de-staff with terms and temporaries, you don't necessarily change the supervisory level or certainly not to the same degree.

Q. But your permanent staff has come down, as we went through the analysis earlier, has come down significantly, from ninety seven three sixty six down to two ninety two.

A. Right.

Q. That hasn't simply been replaced with temporary staff.

A. No, it hasn't, no.

Q. No, so the thrust of the question is, is there not still an opportunity to look at the supervisory structures in your department.

A. Yes, as I've mentioned throughout this morning, we're always looking at opportunities. If a vacancy becomes available

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or if there's an opportunity identified for improvements or efficiencies, we identify it, we evaluate it, we analyze it. If it's cost effective and doesn't impact on our service, safety or environment, we implement.

Q. That answer is just one part though of the two-part components we looked at earlier. It's just when a position becomes vacant. Is there any ability or process in place to look at now restructuring the supervisory personnel?

A. That opportunity is always there.

Q. I appreciate it may always--well, if it's always there, my question is then what are you doing with it?

A. Well again, we are -

Q. Other than looking at individual vacancies?

A. No, but we're continually looking at our structure, our organization. I mean, like I said before, in TRO, we went from six regions in '96, I believe it was, or '95 to three. We are continually looking at ways to improve. One of the challenges I mentioned in my direct cross-examination is this continuous effort to

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try and improve productivity and become more efficient. We're always doing that. I mean, I take your point, but I don't know what else to say except that we are continually doing that. Every time we identify an opportunity for improvement or efficiency gains, we grasp it.

Q. Is there currently then ongoing a review of supervisory structure or not? That's what I'm trying to get a handle on.

A. I think the answer to that is yes. Do we spend every waking hour of every day doing that? No. I mean -

Q. But if there is a review of supervisory structure ongoing then, is that to--will that review be completed and changes in supervisory structure take place and will it be incorporated in 2004? That's what I'm trying to understand.

A. I am quite confident that in this continuous business process improvement initiative that we are undertaking now and moving forward on that there will be opportunities for savings, and I am quite confident that they won't only be non-supervisory positions. There will be

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other positions that as the analyses are done and opportunities identified, those opportunities will be taken and implemented, yes.

Q. Okay. Well, let's move on and have a look at a related question. Chair, this'll take more than three or four minutes to develop. It's probably a good place to break, if you wish.

CHAIRMAN:

Q. I would agree, if you don't mind. That'll be fine. Thank you very much. Now we'll--Ms. Richter, as I understand, will be coming on right after Mr. Martin. Is that correct, Ms. Greene?

GREENE, Q.C.:

Q. Yes, that's correct, Mr. Chair. When Mr. Martin finishes, we plan to proceed next then with Ms. Richter.

CHAIRMAN:

Q. I think there's been some discussion in respect of Wednesday as not being a day off. We'll just proceed on through, if that--run through the Wednesday, is that correct?

MS. NEWMAN:

Q. Yes, Chair, we have discussed that and I

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understand that everybody is available to do that, if necessary.

MR. FITZGERALD:

Q. Mr. Chairman, actually I wasn't aware of that. I'm, in fact, not available on Wednesday. The Consumer Advocate may be. I understood that, yes, that she was going to be following, of course, after Mr. Martin, but I didn't know it was going to be consecutive.

CHAIRMAN:

Q. I see. Anyway, I'll leave that for you to sort out.

MS. NEWMAN:

Q. We'll speak to you on Monday. How does that sound?

CHAIRMAN:

Q. Okay. That sounds good to me. Thank you very much, Mr. Martin, Mr. Kelly. We'll see you at 9:00 on Monday morning.

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CERTIFICATE

I, Judy Moss Lauzon, do hereby certify that the foregoing is a true and correct transcript in the matter of Newfoundland and Labrador Hydro's 2003 General Rate Application for Approval of, among other things, its rates commencing January 2004, heard on the 24th day of October, 2003 before the Board of Commissioners of Public Utilities, Prince Charles Building, St. John's, Newfoundland and Labrador and was transcribed by me to the best of my ability by means of a sound apparatus.

Dated at St. John's, Newfoundland and Labrador this 24th day of October, A.C., 2003

Judy Moss Lauzon