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<p>1 (9:04 A.M.)</p> <p>2 CHAIRMAN:</p> <p>3 Q. Good morning. Anything before we start, Ms.</p> <p>4 Newman?</p> <p>5 MS. NEWMAN:</p> <p>6 Q. No, Mr. Chair, other than I thought I'd</p> <p>7 mention about the schedule. We do have Mr.</p> <p>8 Haynes and Mr. Henderson on this morning and</p> <p>9 there is a possibility that we might be able</p> <p>10 to, depending on how things go, also have Mr.</p> <p>11 Bowman, Dr. Bowman testify. And I propose</p> <p>12 that we wait and see how we go around break</p> <p>13 time with that.</p> <p>14 CHAIRMAN:</p> <p>15 Q. Any comment on that? Sounds good. Good</p> <p>16 morning, Ms. Butler. Would you like to</p> <p>17 introduce your two witnesses, please?</p> <p>18 BUTLER, Q.C.:</p> <p>19 Q. Thank you, Mr. Chairman. I'd ask Mr. Haynes</p> <p>20 and Mr. Henderson to take their position in</p> <p>21 the witness table.</p> <p>22 CHAIRMAN:</p> <p>23 Q. Good morning, Mr. Haynes, Mr. Henderson.</p> <p>24 Welcome.</p> <p>25 MR. JIM HAYNES (SWORN)</p>	<p>1 MR. ROB HENDERSON (SWORN)</p> <p>2 CHAIRMAN:</p> <p>3 Q. Thank you, and welcome once again. When</p> <p>4 you're ready, Ms. Butler.</p> <p>5 BUTLER, Q.C.:</p> <p>6 Q. Mr. Haynes, you are VP regulated operations,</p> <p>7 Newfoundland Hydro?</p> <p>8 MR. HAYNES:</p> <p>9 A. Yes, that's correct.</p> <p>10 Q. And you prepared pre-filed testimony in</p> <p>11 August, 2006 as well as supplementary</p> <p>12 evidence?</p> <p>13 MR. HAYNES:</p> <p>14 A. Yes, that's correct.</p> <p>15 Q. And do you adopt both as your sworn testimony</p> <p>16 today?</p> <p>17 MR. HAYNES:</p> <p>18 A. I do.</p> <p>19 Q. And, Mr. Henderson, you're manager, system</p> <p>20 operations and customer service at</p> <p>21 Newfoundland Hydro?</p> <p>22 MR. HENDERSON:</p> <p>23 A. That's right.</p> <p>24 Q. And you've assisted in preparing the original</p> <p>25 regulated activities testimony in August,</p>
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<p>1 2006?</p> <p>2 MR. HENDERSON:</p> <p>3 A. I did.</p> <p>4 Q. And do you adopt that as your sworn testimony</p> <p>5 today, as well?</p> <p>6 MR. HENDERSON:</p> <p>7 A. I do.</p> <p>8 Q. I want to ask the Panel to just put on the</p> <p>9 record, Mr. Chairman, their position relative</p> <p>10 to four points or proposals made by Mr.</p> <p>11 Bowman. So I wonder if we could have a look</p> <p>12 at page 32, Section 4.5 of Mr. Bowman's</p> <p>13 evidence, please? In the first bullet there</p> <p>14 starting at line 12 Mr. Bowman has made a</p> <p>15 recommendation to the Board that they direct</p> <p>16 Hydro to prepare and submit a detailed</p> <p>17 framework and schedule for undertaking a</p> <p>18 formal IRP. Can you just indicate, Mr.</p> <p>19 Haynes, very briefly for the Chairman, please,</p> <p>20 what is Hydro's position relative to an IRP</p> <p>21 exercise?</p> <p>22 MR. HAYNES:</p> <p>23 A. Yes, I believe there are three major elements</p> <p>24 to consider at this time with respect to an</p> <p>25 IRP. I guess the first and most significant</p>	<p>1 is the provincial energy plan, which is</p> <p>2 forthcoming and it may have some impact on how</p> <p>3 we approach some of these long-term energy</p> <p>4 issues. The second one, I guess, is per PUB</p> <p>5 Order 14 in 2003 whereby the Board did not</p> <p>6 order an IRP done but certainly did indicate</p> <p>7 that the most appropriate approach would be a</p> <p>8 generic process to evaluate the whys and means</p> <p>9 and hows and set scope and so on, which we</p> <p>10 agree with. And the third item is the fact</p> <p>11 that we have--there should be no doubt that</p> <p>12 Hydro has always done a generation expansion</p> <p>13 plan. We have submitted the 2005 plan and the</p> <p>14 2006 review was recently submitted. And one</p> <p>15 of the things that we had not had in there</p> <p>16 before was a discussion of any consequence on</p> <p>17 demand side management. We have allocated and</p> <p>18 are, in fact, you know, preparing and RFP for</p> <p>19 that now. And that would be a factor to</p> <p>20 consider in future generation expansion plans</p> <p>21 and that would be sometime hopefully in 2007</p> <p>22 we'll have that report completed and that</p> <p>23 would be another impact and that would be</p> <p>24 considered. So the timing is not right, right</p> <p>25 now for to undertake this. Could be a very</p>

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<p>1 extensive exercise. I think the energy plan</p> <p>2 is the biggest consideration right now.</p> <p>3 Q. And could Hydro consent to any terms at all</p> <p>4 with respect to an IRP at this hearing?</p> <p>5 MR. HAYNES:</p> <p>6 A. Yes, certainly. When the provincial energy</p> <p>7 plan is out and when it's released and after</p> <p>8 we've had a chance to review it and consider</p> <p>9 the appropriateness of an IRP, we could get</p> <p>10 the--if it's still appropriate to do that and</p> <p>11 to get together and discuss the terms and the</p> <p>12 intervenors or participants and the timing,</p> <p>13 and as I mentioned the first time, mostly</p> <p>14 importantly, the scope of that exercise, but</p> <p>15 following the release of the energy plan we</p> <p>16 would be more than happy to do that.</p> <p>17 Q. Okay. The second recommendation made by Mr.</p> <p>18 Bowman is at line 5. And here he's asking the</p> <p>19 Board or suggesting the Board direct Hydro to</p> <p>20 prepare a clear reliability policy or</p> <p>21 procedure identifying minimum reliability</p> <p>22 performance benchmarks on which to evaluate</p> <p>23 and audit reliability expenditures and he</p> <p>24 elaborates.</p> <p>25 MR. HAYNES:</p>	<p>1 A. Yes, probably the--not probably. The first</p> <p>2 thing would be to refer to the CA 212 which</p> <p>3 was recently submitted on the financial plan.</p> <p>4 And in that document in Appendix B, I did have</p> <p>5 it earmarked here, Appendix B, page 28, I'd</p> <p>6 just like to draw your attention to the</p> <p>7 corporate objectives and basically, you know,</p> <p>8 there are three important objectives there.</p> <p>9 One is to improve reliability of the power</p> <p>10 supply. And I'll go to the third one:</p> <p>11 increase the availability of generating plant,</p> <p>12 which all these things contribute to reliable</p> <p>13 service. And the second one was to achieve</p> <p>14 the controllable cost targets. And</p> <p>15 effectively we are always trying to balance</p> <p>16 cost, reliability and a lot of other factors,</p> <p>17 as well. If we were to go down, I just wanted</p> <p>18 to use an example, if we were to go down to</p> <p>19 the transmission section, it says in the</p> <p>20 second element of that chart, it says "Meet or</p> <p>21 beat delivery point SAIDI of 15 for</p> <p>22 Newfoundland Power." And when we reviewed</p> <p>23 this and set the 2006 target, we did not</p> <p>24 target continued improvement, we basically</p> <p>25 said let's hold the line. At that particular</p>
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<p>1 time in that review we had set 15 minutes as</p> <p>2 being a reasonable level of service for</p> <p>3 Newfoundland Power and we basically have held</p> <p>4 that. And of course, we will review these</p> <p>5 things each year and go from there. That's a</p> <p>6 significant thing, I think, from the point of</p> <p>7 view of this perception, that we are always</p> <p>8 targeting to be, you know, blindly going on,</p> <p>9 if you will, for some significant improvement.</p> <p>10 We strive for continuous improvement in many</p> <p>11 aspects, but we're not trying to build a</p> <p>12 system that is just leading the pack, if you</p> <p>13 will. We're trying to balance the whole.</p> <p>14 Q. So in terms of Hydro's reliability plan,</p> <p>15 beyond the corporate objectives, can we have a</p> <p>16 look at CA-30, revision 1, please, relative to</p> <p>17 Hydro's performance in distribution,</p> <p>18 generation and transmission?</p> <p>19 MR. HAYNES:</p> <p>20 A. Yes. In CA--I'm sorry.</p> <p>21 Q. Thirty, revision 1. Can you just lead us</p> <p>22 through here?</p> <p>23 MR. HAYNES:</p> <p>24 A. Yes, I'm sorry. We did re-file CA-30 with</p> <p>25 respect to our reliability measures and how we</p>	<p>1 perform against some benchmarks that were</p> <p>2 recently made available or that we could</p> <p>3 reuse.</p> <p>4 If I go to page 3, page 3 is basically</p> <p>5 the system average interruption frequency on</p> <p>6 the distribution system. And our particular</p> <p>7 performance is indicated in blue, as is our</p> <p>8 target. Our target, we did target at 20</p> <p>9 improvement. And I think the most notable</p> <p>10 point is that while we are here, Newfoundland</p> <p>11 Power are around three or so, and the numbers</p> <p>12 are down in the table below, which I'm told I</p> <p>13 can get by doing this. Here you are. And the</p> <p>14 CEA average is the green line. So we have a</p> <p>15 fair bit of ground to cover if we want to be,</p> <p>16 you know, equal to CEA. And I should remind</p> <p>17 you these are composite levels.</p> <p>18 When you refer to the table below, we</p> <p>19 actually break it out by the interconnected</p> <p>20 system and the isolated systems. And it's</p> <p>21 rather obvious that our isolated systems are</p> <p>22 bit more of a challenge than the</p> <p>23 interconnected systems. They are mini</p> <p>24 systems, if you will, with their own</p> <p>25 generation and typically a lot of geography</p>

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<p>1 issues with respect to its remoteness.</p> <p>2 As we go down to the next page, page 4,</p> <p>3 these are the duration indices for our</p> <p>4 performance versus Newfoundland Power, and</p> <p>5 again, CEA. And we still have quite a bit of</p> <p>6 room to cover from the point of view if we're</p> <p>7 going to close the gap. And I'm not</p> <p>8 suggesting that we will close that gap</p> <p>9 totally. Basically we're trying to balance</p> <p>10 the cost. Some of these things have impacts</p> <p>11 on the rural deficit which we're very</p> <p>12 conscious of and it's basically to balance the</p> <p>13 whole. But again, in the table, that's our</p> <p>14 five-year historic performance, and basically</p> <p>15 we've always looked at a five-year look-back</p> <p>16 as to how we did, how can we perform. And in</p> <p>17 these particular cases on the distribution</p> <p>18 system particularly we've targeted 20 percent</p> <p>19 improvement. And I think that we have a ways</p> <p>20 to go before we need to start to concern</p> <p>21 ourselves that we are really overdoing it,</p> <p>22 because I don't think we are in any way, shape</p> <p>23 or form.</p> <p>24 The next page, page 5, we're moving to</p> <p>25 the transmission SAIFIs, the average system</p>	<p>1 interruption frequency. And we have our</p> <p>2 target right there is we are actually, in 2005</p> <p>3 we're a little better than our target, but</p> <p>4 it's slowed, if you will. The point to make,</p> <p>5 I think, again, is that we're looking at a</p> <p>6 five-year rolling average, which in our view</p> <p>7 gives us a bit of consideration for weather</p> <p>8 events. And as you know, well know, that our</p> <p>9 weather varies, not only provincially but even</p> <p>10 from a geography point of view. And as I</p> <p>11 said, these are composite figures and we have</p> <p>12 not targeted to improve on last year's</p> <p>13 performance. I think that's a very important</p> <p>14 point. We're looking at a five year, how did</p> <p>15 we do, how can we be better. And the table</p> <p>16 again is, you know, we have targeted 20</p> <p>17 percent improvement, but again, on a rolling</p> <p>18 average.</p> <p>19 (9:15 A.M.)</p> <p>20 The next slide, page 7, is the duration</p> <p>21 index. A similar story. We certainly, you</p> <p>22 know, we've had good times and we've had bad</p> <p>23 times. The big green bump there, which is</p> <p>24 CEA, is the raw data in the sense that they</p> <p>25 have not taken into consideration the blackout</p>
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<p>1 in 2003. We never had a blackout, obviously,</p> <p>2 but we had a few events in 2003 which I</p> <p>3 believe, if memory serves me, was maybe the</p> <p>4 Burin Peninsula was a big part of that. There</p> <p>5 was a few outages that we did have.</p> <p>6 MR. HENDERSON:</p> <p>7 A. St. John's.</p> <p>8 MR. HAYNES:</p> <p>9 A. And St. John's, yes. Christmas Day,</p> <p>10 unfortunately. In the meantime, again, our</p> <p>11 target is not trying to keep on going to zero.</p> <p>12 That is an unrealistic thing to do.</p> <p>13 The next slide, I'd better leave that to</p> <p>14 Mr. O'Rielly, is the average restoration</p> <p>15 index. That is just a relationship between</p> <p>16 the SAIDI and SAIFI and really doesn't add any</p> <p>17 extreme value. It's just one divided by the</p> <p>18 other, so if you knew two, you knew the third,</p> <p>19 so it's no big deal, not a significant thing.</p> <p>20 The SAIDI and SAIFI are what we pay most</p> <p>21 attention to, how many times we interrupt a</p> <p>22 customer and how long it takes us to get them</p> <p>23 back on.</p> <p>24 The next slide moves to the generation</p> <p>25 arena. And turn my pages here. The first</p>	<p>1 factor is DAFOR. DAFOR is basically the</p> <p>2 percentage of the time that the units are not</p> <p>3 able to generate at their maximum continuous</p> <p>4 rating or nameplate rating due to forced</p> <p>5 outages, ie, things that we did not plan,</p> <p>6 things that took us out of service in an</p> <p>7 unstructured way or whatever. And our</p> <p>8 performance in--our target, actually, in 2005</p> <p>9 did reflect some asbestos management issues</p> <p>10 that the Board is aware of that we had in</p> <p>11 Holyrood where we required extended outages.</p> <p>12 So we obviously had to reflect those extended</p> <p>13 outages in our plan. We obviously couldn't</p> <p>14 target improving something that would be</p> <p>15 onerous from the point of view of the actual</p> <p>16 availability of equipment. They did require</p> <p>17 extended outages.</p> <p>18 The next item, the next slide is the</p> <p>19 capability factor, which is an important one.</p> <p>20 It basically is the percentage of time that</p> <p>21 the units are available to supply a load.</p> <p>22 Again, our targets for 2005 and 2006,</p> <p>23 actually, did reflect the extended outages of</p> <p>24 Holyrood and these things will all be</p> <p>25 considered as we set the 2007 targets. One of</p>

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<p>1 the things that this does do, looking at our</p> <p>2 five-year history, as Mr. Martin indicated</p> <p>3 yesterday, it does focus our attention. We</p> <p>4 are--you know, we have targets that our folks</p> <p>5 in the field have which they consider how we</p> <p>6 can be better, and the whole focus is to be</p> <p>7 better. It's not only the number, it's just</p> <p>8 the philosophy that we want to minimize the</p> <p>9 outages and provide the best service that we</p> <p>10 can at a reasonable price.</p> <p>11 Q. So relative to the recommendation that--or</p> <p>12 proposal that had been made by Mr. Bowman on</p> <p>13 this point, Mr. Haynes, was that Hydro should</p> <p>14 be directed to prepare a clear reliability</p> <p>15 policy, etcetera. What is Hydro's position?</p> <p>16 MR. HAYNES:</p> <p>17 A. We have, with respect to the overall</p> <p>18 reliability policy, we have not, I guess,</p> <p>19 targeted every individual thing. There's</p> <p>20 numerous factors to consider in that analysis</p> <p>21 and the budgets that we put forward, whether</p> <p>22 it be a capital or operating or whatever.</p> <p>23 We've looked at--we look at our feeders, and</p> <p>24 basically this is a function of the field</p> <p>25 staff to look at worse performers and to look</p>	<p>1 at what they can do and target performance.</p> <p>2 They would consider the number of customers on</p> <p>3 those feeders and would bring forward budgets</p> <p>4 that we would do. We have, to date, done most</p> <p>5 of this work, if not all, from a capital point</p> <p>6 of view on a project-by-project basis which we</p> <p>7 bring forward to the Board in our capital</p> <p>8 budget applications which are viewed very</p> <p>9 thoroughly and which are approved or disproved</p> <p>10 and we work from there. We don't think there</p> <p>11 is a need to establish a hard and fast</p> <p>12 reliability criteria, per se, at this time and</p> <p>13 particularly on the distribution.</p> <p>14 Q. Okay. The third--I'm sorry.</p> <p>15 MR. HAYNES:</p> <p>16 A. Particularly with respect to distribution.</p> <p>17 You know, we operate in a very diverse area</p> <p>18 and, you know, we are operating from Nain, in</p> <p>19 the Northern Labrador to Western Labrador, the</p> <p>20 South Coast of Newfoundland and there are, you</p> <p>21 know, numerous things to consider, population</p> <p>22 density, weather. There's a whole raft of</p> <p>23 things that a fixed number may not be</p> <p>24 appropriately reflect--my not appropriately</p> <p>25 reflect reasonable efforts to maintain</p>
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<p>1 service.</p> <p>2 Q. The third bullet representing the third</p> <p>3 proposal by Mr. Bowman is at page 32, line 22.</p> <p>4 Okay. And here he recommends that the Board</p> <p>5 direct Hydro to initiate essentially</p> <p>6 additional tracking and reporting of other</p> <p>7 KPIs. The first is in relation to CA-2, which</p> <p>8 is customer service. I wonder if we can look</p> <p>9 at those indicators? Okay. And perhaps we</p> <p>10 could just scroll down? Thank you. Now I</p> <p>11 think this is more a question for Mr. Haynes--</p> <p>12 Mr. Henderson, sorry. Can you comment on the</p> <p>13 proposal by Mr. Bowman here, please?</p> <p>14 MR. HENDERSON:</p> <p>15 A. Certainly. I guess first of all we recognize</p> <p>16 the benefit of collecting performance</p> <p>17 indicators for customer services. And these</p> <p>18 here are fairly common indicators, I would</p> <p>19 say, in the customer service area. You know,</p> <p>20 we're aware that others collect them. But</p> <p>21 before we would embark on collecting these</p> <p>22 types of indicators we'd like to make sure</p> <p>23 we're aware of the cost implications of</p> <p>24 implementing them and are fully aware of the</p> <p>25 benefits before we'd go down that road. And</p>	<p>1 for reporting in the regulatory area we've</p> <p>2 focused on our customer satisfaction index.</p> <p>3 And it was decided in the KPI review a few</p> <p>4 years ago that the customer satisfaction index</p> <p>5 would provide a good high-level indicator to</p> <p>6 the Board and so that's where our focus has</p> <p>7 been in terms of reporting and collecting</p> <p>8 information to report to the Board.</p> <p>9 Mr. O'Rielly, maybe you just go to JRH-1,</p> <p>10 page 20? This is the KPI report that Hydro</p> <p>11 submits annually to the Board, and this is the</p> <p>12 customer satisfaction index. Now the scale is</p> <p>13 not very good on the graph, but as you can</p> <p>14 see, our performance has been pretty steady</p> <p>15 and quite good. We're quite pleased with that</p> <p>16 measure. And that's a high-level indicator of</p> <p>17 the results of our customer satisfaction</p> <p>18 survey, which we feel is a good measure for</p> <p>19 the Board to see how well we're doing. So</p> <p>20 from that we do a survey.</p> <p>21 And I'd like to just refer to the survey</p> <p>22 now, Mr. O'Rielly and that's in CA-01, I</p> <p>23 believe.</p> <p>24 Q. That's on the screen there now.</p> <p>25 MR. HENDERSON:</p>

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<p>1 A. Okay. And if you could turn to page 18 of the</p> <p>2 survey? And in this, this shows the</p> <p>3 importance that the customers put on different</p> <p>4 areas of customer service. And I'll just</p> <p>5 point out a couple. For instance, the top one</p> <p>6 there is concern for safety is one that the</p> <p>7 customer considers very important. And you</p> <p>8 can go to the bottom which education was the</p> <p>9 least considered important. And if you just</p> <p>10 look at -</p> <p>11 Q. Before we leave that -</p> <p>12 MR. HENDERSON:</p> <p>13 A. - I was going to say No. 2 there is</p> <p>14 electricity restored promptly is another one</p> <p>15 that has a high importance. And then No. 12</p> <p>16 down below is timely response to customer</p> <p>17 concerns. It's down the list, but, you know,</p> <p>18 the importance is not quite as high as some of</p> <p>19 the things such as reliability of supply.</p> <p>20 Q. Before we leave that slide then, in terms of</p> <p>21 what you do from the customer survey, then, a</p> <p>22 concern for safety, electricity restored</p> <p>23 promptly and reliable service were the first</p> <p>24 three?</p> <p>25 MR. HENDERSON:</p>	<p>1 A. That's right. So in considering measures and</p> <p>2 where we should concentrate our performance,</p> <p>3 this is an important piece of information for</p> <p>4 us to consider.</p> <p>5 And then, Mr. O'Rielly, on page 12. I'm</p> <p>6 sorry, not 12.</p> <p>7 Q. Twenty-five?</p> <p>8 MR. HENDERSON:</p> <p>9 A. Twenty-five, yes. This here indicates the</p> <p>10 gaps in our performance between the customer</p> <p>11 expectation and how they perceive our</p> <p>12 performance in the survey. And on the bottom</p> <p>13 there has the largest gap, it's a negative gap</p> <p>14 which means we're not meeting expectations,</p> <p>15 and that's electricity at a reasonable cost.</p> <p>16 And on the top our best area of performance is</p> <p>17 friendly employees.</p> <p>18 And another one I'd like you to point out</p> <p>19 to, Mr. O'Rielly, is No. 4 there, the fourth</p> <p>20 one down, it's statement accuracy. I'm sorry,</p> <p>21 I'm looking at my notes here trying to -</p> <p>22 Q. The fourth from the bottom, I think.</p> <p>23 MR. HENDERSON:</p> <p>24 A. Fourth from the bottom, okay, yeah.</p> <p>25 Electricity restored promptly had a large gap.</p>
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<p>1 And then if you were to go up to timely</p> <p>2 response to customers' concerns, minus .67</p> <p>3 there. What I'm trying to point out here is</p> <p>4 some of the ones where we have the weakest</p> <p>5 performance are the areas that we'd like to</p> <p>6 focus our efforts. Timely response to</p> <p>7 customer concerns right now has not been one</p> <p>8 of the big areas that we need to concentrate</p> <p>9 on, so in terms of focusing our efforts and</p> <p>10 measuring, having tight measures on those</p> <p>11 areas, we haven't put that effort in there at</p> <p>12 this point. Not to say that it isn't worth</p> <p>13 doing, it's just we have to look at the</p> <p>14 benefit and where we focus our efforts in the</p> <p>15 short term.</p> <p>16 Q. Okay, now the second component of the same</p> <p>17 proposal by Mr. Bowman was relative to</p> <p>18 tracking factors that were indicated in CA-3.</p> <p>19 And I think this is more a question for Mr.</p> <p>20 Haynes to comment on.</p> <p>21 MR. HAYNES:</p> <p>22 A. With respect to CA-3, particularly A, there's</p> <p>23 a very similar, I guess, thread to what Mr.</p> <p>24 Henderson was saying. I mean, that is,</p> <p>25 there's no doubt that that is, that's nice</p>	<p>1 information to have. You know, we have to</p> <p>2 balance, I guess, you know, the cost to get</p> <p>3 that, and that may be something that could be</p> <p>4 incorporated. When we were doing this last</p> <p>5 night, one thing occurred to me is that as you</p> <p>6 keep piling on these questions and customer</p> <p>7 surveys, eventually they go in the garbage</p> <p>8 can. So, you know, you have to balance that</p> <p>9 whole to get credible information. And again,</p> <p>10 it's one factor of many to consider in doing</p> <p>11 that. But at the present time we do not have</p> <p>12 that specific number.</p> <p>13 With respect to B, on the correlation of</p> <p>14 information, we have not gone back to</p> <p>15 correlate that particular information with</p> <p>16 respect to we've done this work and how does</p> <p>17 it improve reliability. We do collect</p> <p>18 reliability numbers on feeder basis, on many,</p> <p>19 many basis, but when we do consolidate this</p> <p>20 information, we do it on a regional basis, on</p> <p>21 isolated and interconnected systems, so we</p> <p>22 look at how the region is performing. When</p> <p>23 you get into the division them self, when they</p> <p>24 are looking at their performance and so on,</p> <p>25 they will certainly indicate poor performance</p>

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<p>1 and look at can they be reasonably done, is it  2 cost effective to do it in a sense of the  3 number of customers, the actual issue that was  4 considered. And sometimes, as well, I might  5 add, that when we actually go out there and  6 actually do remedial work, it's not always  7 reliability that drives us, sometimes it's  8 safety because the poles are, you know, unfit  9 to climb and so we do inadvertently. We may  10 not improve safety, but we've certainly  11 extended the time frame from the point of view  12 of how long those assets will be reliable and  13 provide good service. It would be very  14 difficult to do this on an asset-by-asset  15 basis with respect to looking back to every  16 asset, every investment of operating capital  17 down to a distribution and feeder level. We  18 are--you know, distribution is an important  19 component of our service, but the geography  20 and the differences and a small population  21 base in rural Newfoundland is a challenge, and  22 you know, it's a significant factor and a cost  23 consideration, primarily. But we do strive  24 for good service and balance those, all those  25 different things.</p>	<p>1 With respect to question C, which was  2 the, you know, indicating return on  3 investment, similar thing. We have not gone  4 back on an asset-by-asset basis, particularly  5 at the distribution level, to consider that.  6 It's mostly been antidotal in the sense of,  7 you know, we replace insulators that feeders  8 been--the performance has improved. Sometimes  9 that may take two or three years to actually  10 see that, you know, if you don't have bad  11 weather and things like that.  12 With respect to the fourth one, the  13 fourth, item D, you know, balancing those  14 things, we constantly look at those things.  15 We have reviewed our staffing in the field,  16 particularly on line workers and we've  17 redistributed those, which you may recall from  18 previous hearings. You know, it's a balance  19 between the two. And I would suggest just  20 this may be an extreme event or an extreme  21 comparison, but I think does imply something.  22 If we were to, for instance, on the  23 distribution side in isolated Newfoundland,  24 determine that the most effective way to  25 operate the problems away in a sense of</p>
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<p>1 improve our service was to increase staffing,  2 and I'll for arbitrary sake pick Nain diesel  3 plant, which is a significant load in a remote  4 area of Labrador, no roads from the point of  5 view of year-round transportation. If we were  6 to determine that the most cost effective way-  7 -or if we were to determine that the most  8 effective way to increase the reliability was  9 to increase staff, ie, put in a permanent  10 electrician, and permanent mechanic and two  11 line workers along with the operators of the  12 diesel plant, you would be looking at  13 increasing the staffing by four. And if you -  14 (9:30 A.M.)  15 - to make my math simple in my head, if we see  16 that the all up cost of a trades employee,  17 fringes, etcetera, etcetera and the Labrador  18 transportation issues and Labrador allowances  19 and so on were \$100,000 year, that would be an  20 additional \$400,000 a year, each year of  21 operating cost to guarantee that level of  22 service. And \$400,000 of annual operating  23 cost can pay for a lot of capital. That's  24 assuming 10 percent. And if it was five  25 percent carrying costs, you know, you're still</p>	<p>1 down to \$200,000--I'm sorry. You're still up  2 to a significant amount of capital that you  3 could justify. Personally I don't think  4 capital expansion and capital investment on  5 the distribution assets, particularly, is a  6 driving force in our cost, it's mostly  7 operating expenses.  8 Q. Okay. The last recommendation by Mr. Bowman  9 is on page 33. And here he is addressing peer  10 group benchmarking, specifically asking the  11 Board to direct you to initiate reporting of  12 KPIs with performance externally benchmarked  13 to a comparable peer group, as he says you  14 agree to do in the mediation report. So what  15 is Hydro's current position relative to peer  16 group benchmarking, Mr. Haynes?  17 MR. HAYNES:  18 A. Hydro now has access through some particularly  19 reliability KPI factors which we have  20 submitted to the Board, effectively, in CA-30  21 which we just reviewed. And those are  22 available for generation transmission and  23 distribution and we have reported those, and  24 they are CEA numbers. In the next annual  25 report on the KPIs to the Board, we will</p>

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<p>1 certainly put those comparisons in. That came 2 about by, I think we referred to one of our 3 answers, probably CA-4, we referred to the CEA 4 policy which basically disallowed the use of 5 these things for regulatory settings and, you 6 know, the wide publication, if you will, of 7 composite indicators and reliability.</p> <p>8 Q. Can we just hold and just get to that? It's 9 CA-4, Attachment 2, Section B-1, 3.1, sorry. 10 The policy you were referring to?</p> <p>11 MR. HAYNES:</p> <p>12 A. Yes, it is, policy No. 1. The concern is, the 13 concern with all benchmarking is that you need 14 to make sure that you're comparing apples and 15 apples and not to be--the data quality has to 16 be assured. And CEA have been collecting 17 reliability information for essentially mid 18 1970s, at least. A lot of effort goes into 19 making sure that data is correct and accurate. 20 And with respect to the CEA data, we're quite 21 comfortable that those are good, solid numbers 22 that we could use to compare how we perform. 23 It doesn't necessarily mean that we would be 24 the same, but at least if there's a difference 25 identified with respect to our geography. For</p>	<p>1 instance, in Labrador isolated systems or even 2 Labrador interconnected, at least we know 3 where we sit with respect to CEA and if we are 4 improving. But the policy itself, they have 5 recently changed that and allowed the use of 6 the reliability data only in regulatory 7 reporting.</p> <p>8 Q. Okay, so this policy that's on the screen did 9 constrain Hydro from providing the comparisons 10 until recently?</p> <p>11 MR. HAYNES:</p> <p>12 A. Yes, that's correct. Newfoundland Power 13 actually submitted their report and actually 14 quoted those numbers and at that particular 15 time, you know, they had been informed that 16 the CEA had eased up, if you will, on this. 17 We double checked with CEA and basically have 18 agreed or they've permitted us, if you will, 19 to release also transmission and generation 20 composite statistics, which we have prepared 21 and presented in CA-30. And we expect that in 22 the long term that this KPI data, particularly 23 for the reliability, will be available on an 24 ongoing basis. And as we generate reports on 25 KPIs in the future, we will certainly include</p>
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<p>1 that information for the use and consideration 2 by the Board.</p> <p>3 Q. What about the non-reliability KPIs, Mr. 4 Haynes?</p> <p>5 MR. HAYNES:</p> <p>6 A. On the non-reliability factors, we don't think 7 that any time in the near future that the--I'm 8 sorry, I should step back. In the report that 9 we had prepared for the Board, you know, from 10 the last hearing, we had suggested COPE would 11 be the--which is a CEA group, would be the 12 one-stop shopping, affordable, matter of fact, 13 very cheap access to benchmarking data. 14 Everything that we thought we would ever need 15 would be there, verified by utility people, 16 you know, measuring the value of all these 17 particular indicators. We don't think that, 18 in the near term anyway, that the CEA will be 19 in the same position they are on reliability, 20 and so we do recognize that we need to go out 21 and look for other information. There was a 22 proposal, you know, regarding the FERC 23 database and there may be others out there 24 which would be, which would be accessible. So 25 we will undertake to review any other</p>	<p>1 information that we can find or other sources.</p> <p>2 One concern we have is, our one concern 3 is the--there are lots of sources out there 4 you can get, but many of them have the same 5 guidelines as CEA has, that they are for the 6 user group, that they're, you know, I won't 7 say that they're confidentiality agreements, 8 but there are policies that say that this 9 particular information cannot be published. 10 And we obviously have to be conscious of any 11 restrictions like that. We don't intend to 12 broadcast numbers that are, obviously that are 13 restricted from use. But there are several 14 sources out there that actually collect 15 information, but it's user group use only for, 16 you know, your own internal purposes and they, 17 as well, are valuable to any corporation, 18 obviously. But what we need is information 19 that we can actually publish to the Board so 20 that you can compare how we do versus other 21 jurisdictions.</p> <p>22 The other challenge, of course, is the 23 peer group itself. As I mentioned a few 24 minutes ago, I'm really not sure--you know, I 25 think there are some Canadian utilities who</p>

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<p>1 have some long radial lines, like I know there 2 are, and certainly Sask Power is one is one 3 that has long radial transmission lines. From 4 a distribution perspective I'm not sure if 5 there are many of the utilities that has such 6 a diverse composition, isolated communities, 7 no roads, basically air transportation only, 8 spread from, you know, Northern Labrador to 9 Southern Newfoundland, as far west as Lab 10 City. And I guess the most easterly system we 11 have is probably on the Burin Peninsula, some 12 small communities down there. And it's a very 13 diverse area, sparsely populated. And to 14 suggest that we could, for instance, have the 15 same dollars per kilometre would be maybe a 16 bit unfair. It would be a bit of a stretch 17 that we could actually maintain such a small 18 customer base for the same price, and that 19 will reflect in its reliability performance, 20 as well.</p> <p>21 Q. Mr. Haynes, just so that we can be clear what 22 KPIs you're addressing now and in terms of the 23 non-reliability KPIs, can we just see that 24 list of 15 KPIs that Hydro - 25 MR. HAYNES:</p>	<p>1 A. If you refer to our KPI report, which is 2 Exhibit JRH-1, and I did, I think, mark the 3 page, page 23, and probably ideally just run 4 down through the list, I guess. All these 5 aren't available from CEA and the first, the 6 two generation indices are available from CEA 7 and we are quite confident we'll have those on 8 a go-forward basis, as are all the 9 transmission factors and the distribution 10 factors. The under frequency load shedding is 11 a KPI that we actually added in recent years 12 to reflect the nature of our (unintelligible - 13 coughing) system and as the Board may recall, 14 we've had previous discussions on our under 15 frequency load shedding performance and we 16 have actually focused quite a bit on reducing 17 that, because that affects a lot of people, 18 including Newfoundland Power and, you know, we 19 have been successful in addressing some of the 20 issues that we've had and have shown sustained 21 improvement.</p> <p>22 The hydraulic conversion factor and the 23 thermal conversion factor, they are fairly 24 unique to our physical plant and they would 25 not be CEA ones. On the regulated, the</p>
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<p>1 financial ones, these are the ones that I 2 think that there's a lot of interest in to see 3 what the controllable unit costs are, 4 generation controllable costs. Those are the 5 ones particularly that we will need to go and 6 look for other sources, because we do not 7 expect a CEA to be very forthcoming in 8 allowing that broad publication of those 9 particular figures, and of course, the 10 customer satisfaction index, Mr. Henderson has 11 already spoken to.</p> <p>12 Q. Okay. Now Mr. Bowman does make one other 13 comment relative to the peer group 14 benchmarking issue at page 28, line 16 of his 15 testimony, pre-filed, and here he suggests 16 that you, in fact, are non-compliant with the 17 terms of the mediated agreement, criticizes 18 you for failure to comply. Can you respond to 19 that?</p> <p>20 MR. HAYNES:</p> <p>21 A. Yes, I think the criticism is a bit unfair. 22 You know, the process was there. We did 23 produce a report with a recommended course of 24 action at that particular time, and certainly, 25 we were focused on COPE, because we thought it</p>	<p>1 was the most cost effective way to get this 2 particular information, which we could use to 3 compare our performance. We did agree to the 4 peer group and the Board's consultants did 5 basically verify that the factors that we put 6 forward were reasonable factors to start this 7 process, and we still think that they are 8 valid factors.</p> <p>9 We did follow the direction of the Board. 10 I think, fortunately, I guess, you know, since 11 we did that report that the CEA took a step 12 back with respect to reporting these figures 13 on a very, very broad basis and I'll say a 14 free-for-all thing, just pick whatever number 15 and report it. Their concern again that 16 benchmarking is a fairly complex thing to 17 ensure that you are actually doing valid 18 comparisons of, again, I'll say apples and 19 apples. So you know, the CEA has taken a back 20 step and I think that's not through any 21 actions of ours obviously and we have gone 22 back. We've participated in trying to get 23 these things done, and so I think, you know, 24 criticizing Hydro with respect to that is a 25 little bit unfair and we disagree with the</p>



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<p>1 criticism, but we are committed to, on a go-</p> <p>2 forward basis, to go out and look for another</p> <p>3 source of information that would be useful to</p> <p>4 the Board, and obviously subject to the</p> <p>5 Board's approval that it is considered useful</p> <p>6 and cost effective.</p> <p>7 Q. For the non-reliability KPI's?</p> <p>8 MR. HAYNES:</p> <p>9 A. For the non-reliability factors. We would</p> <p>10 continue to use CEA, they are northern</p> <p>11 utilities and they obviously are, we think,</p> <p>12 our best comparatives at this point in time.</p> <p>13 Q. Mr. Chairman, that concludes the direct</p> <p>14 evidence for Mr. Haynes and Mr. Henderson.</p> <p>15 They're available for cross-examination.</p> <p>16 CHAIRMAN:</p> <p>17 Q. Thank you, Ms. Butler. Good morning, Mr.</p> <p>18 Johnson. When you're ready please.</p> <p>19 MR. JOHNSON:</p> <p>20 Q. Yes, thank you. Just this morning I have, as</p> <p>21 you'll note, Mr. Bowman with me.</p> <p>22 CHAIRMAN:</p> <p>23 Q. Good morning, Mr. Bowman. Good to see you</p> <p>24 again.</p> <p>25 MR. JOHNSON:</p>	<p>1 Q. And very nervous about the radio reports as to</p> <p>2 what's facing us tomorrow. Mr. Haynes, can I</p> <p>3 start with you? Does the buck stop with you</p> <p>4 in terms of reliability and performance</p> <p>5 benchmarking? Is that totally within your</p> <p>6 bailiwick?</p> <p>7 MR. HAYNES:</p> <p>8 A. From a corporate point of view, not totally.</p> <p>9 I mean, you know, we are focused obviously on</p> <p>10 operating the system and reliability</p> <p>11 statistics and so on. We are the group who</p> <p>12 would propose the appropriate numbers, subject</p> <p>13 to approval of the leadership team. We would</p> <p>14 bring forward a proposal from a high level</p> <p>15 corporate thing. When it comes down to</p> <p>16 divisional aspects, that is primarily in our</p> <p>17 shop, yes.</p> <p>18 Q. And before getting into some of your comments</p> <p>19 this morning, which you made on direct, I'd</p> <p>20 just like to start with, in your evidence at</p> <p>21 page 15, and I'm referring to pages, lines</p> <p>22 seven to nine. This is under the topic</p> <p>23 "reliability and capital investment with an</p> <p>24 aging asset base." At line seven to nine, you</p> <p>25 indicate "the company's approach to date has</p>
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<p>1 been to study the alternatives and take a</p> <p>2 sound course of action supported by evidence</p> <p>3 and best practices," and in that context,</p> <p>4 you're talking about how Hydro is faced with a</p> <p>5 challenge of extracting full value from the</p> <p>6 asset prior to capital replacement, etcetera,</p> <p>7 and you have concerns about the aging</p> <p>8 infrastructure of the system. What is the</p> <p>9 best practice that you're referring to and how</p> <p>10 is it determined?</p> <p>11 MR. HAYNES:</p> <p>12 A. Best practice is a very broad term, you know.</p> <p>13 We have looked at several things, and maybe an</p> <p>14 example might be the most appropriate. In the</p> <p>15 transmission upgrade for the Avalon Peninsula,</p> <p>16 we took a very extensive look at replacing</p> <p>17 that capital versus, you know, putting more</p> <p>18 money into operating and life extension, and</p> <p>19 the analysis that we had done basically led us</p> <p>20 to the conclusion that in this particular</p> <p>21 case, economic and technical evaluation, that</p> <p>22 the most prudent course of action was to</p> <p>23 initiate a major, you know, capital upgrading</p> <p>24 of the line to give it life extension, as</p> <p>25 opposed to saying it's dead, let's replace it.</p>	<p>1 Those are the sorts of things. I mean,</p> <p>2 basically it's an economic and technical</p> <p>3 evaluation. There's a lot of engineering</p> <p>4 judgment involved with respect to those</p> <p>5 decisions. It's not a--there's not a book</p> <p>6 that we have on my shelf that says best</p> <p>7 practice, if that's--it's a review of practice</p> <p>8 by other utilities and, you know, looking at</p> <p>9 the trends in other areas and making the best</p> <p>10 value decision at the time.</p> <p>11 Q. But is there not some repository of the best</p> <p>12 practices that are being used by other</p> <p>13 utilities?</p> <p>14 MR. HAYNES:</p> <p>15 A. Not as such, not that I'm aware of. We have</p> <p>16 not subscribed to buying best practices</p> <p>17 because most of those things are going to</p> <p>18 cost--some are available. We have reviewed,</p> <p>19 we've considered and we've balanced those</p> <p>20 particular things in some cases with the cost</p> <p>21 and the reliability of where we are, and the</p> <p>22 aging infrastructure. We have put forward</p> <p>23 several capital budget proposals, particularly</p> <p>24 on the generation side, with respect to</p> <p>25 replacing assets because of that.</p>

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<p>1 (9:46 A.M.)</p> <p>2 Q. And you say it's possible to subscribe to</p> <p>3 these?</p> <p>4 MR. HAYNES:</p> <p>5 A. You can go and buy some of these things, yes,</p> <p>6 for various--and I don't, I have no idea what</p> <p>7 the cost is offhand, I don't recall exactly,</p> <p>8 but there are some people out there,</p> <p>9 consultants particularly, who will come in and</p> <p>10 sell you their best practice for generation</p> <p>11 maintenance, for instance. We have been</p> <p>12 maintaining these assets for 40 years. Most</p> <p>13 of our asset replacement is due to, you know,</p> <p>14 the lack of available spare parts, due to</p> <p>15 vendors being out of business or they have</p> <p>16 discontinued maintenance, and that is a big</p> <p>17 driver in some of those particular areas.</p> <p>18 Q. So do other utilities commonly subscribe to</p> <p>19 best practices so they have a repository, an</p> <p>20 updated repository of what the best practices</p> <p>21 are?</p> <p>22 MR. HAYNES:</p> <p>23 A. I'm not--I do not know.</p> <p>24 Q. And certainly, Hydro doesn't?</p> <p>25 MR. HAYNES:</p>	<p>1 A. We do not have a single source of that. We</p> <p>2 rely on the engineering department for many of</p> <p>3 those things, to be keeping--kind of keep tabs</p> <p>4 on the current trends and so on.</p> <p>5 Q. And how do they go about keeping tabs on the</p> <p>6 best practices?</p> <p>7 MR. HAYNES:</p> <p>8 A. Some of that is by trade journal. Some is by</p> <p>9 attending conferences and things such as that.</p> <p>10 Q. And what is the tie in between the best</p> <p>11 practices and the achievement of operational</p> <p>12 excellence?</p> <p>13 MR. HAYNES:</p> <p>14 A. We have--I'm going back to what I said earlier</p> <p>15 this morning. We have tried to balance the</p> <p>16 whole, in the sense of looking at the cost</p> <p>17 considerations to replace, to maintain, and</p> <p>18 have brought forward capital budgets based on</p> <p>19 that. It's a--we've tried to keep in touch, I</p> <p>20 guess, with what other utilities are doing,</p> <p>21 through trade shows or through conferences,</p> <p>22 and we basically bring that back and the</p> <p>23 engineering department primarily would be</p> <p>24 looking at those particular aspects of it, and</p> <p>25 the operations people as well, through</p>
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<p>1 attending conferences such as transmission</p> <p>2 expos and things like that, which we</p> <p>3 occasionally do. We don't do a lot of it, by</p> <p>4 the way, but we do, you know, attend some.</p> <p>5 Q. Further down in your evidence, on page 15, you</p> <p>6 state at lines nine to eleven, that "the</p> <p>7 overriding principle in these decisions is to</p> <p>8 ensure that the customer benefits from the</p> <p>9 decision, from both a cost and reliability</p> <p>10 perspective." That's what you seek to ensure,</p> <p>11 is it?</p> <p>12 MR. HAYNES:</p> <p>13 A. Yes.</p> <p>14 Q. And can I ask you, how do you quantify the</p> <p>15 customer cost benefits?</p> <p>16 MR. HAYNES:</p> <p>17 A. We look at the reliability statistics that we</p> <p>18 do measure. We have targeted improvement. We</p> <p>19 feel that the gap that we have between some of</p> <p>20 our reliability measures and where the</p> <p>21 industry is in general is substantial, and we</p> <p>22 have been trying to close the gap. We don't</p> <p>23 feel that we're in a position, particularly on</p> <p>24 distribution, to start backing up that we are</p> <p>25 there, so we need to kind of, you know, relax</p>	<p>1 for instance, the 20 percent improvement.</p> <p>2 Q. But I don't think that's what I'm asking you.</p> <p>3 I understand your evidence, and if you heard</p> <p>4 my opening comment to the Board yesterday -</p> <p>5 MR. HAYNES:</p> <p>6 A. Yes.</p> <p>7 Q. - I thought I was very clear that I was</p> <p>8 saying, and Mr. Bowman was saying, that we</p> <p>9 were not necessarily saying that you were</p> <p>10 spending too much or too little.</p> <p>11 MR. HAYNES:</p> <p>12 A. Understood.</p> <p>13 Q. Okay, I want to make that clear again this</p> <p>14 morning. But my question to you is how do you</p> <p>15 go about quantifying the customer cost</p> <p>16 benefits? Because in that statement in line</p> <p>17 nine, or line ten and eleven, you indicate</p> <p>18 that you can--that these decisions are "to</p> <p>19 ensure the customer benefits from the</p> <p>20 decision, from both a cost and reliability</p> <p>21 perspective." So I thought it was a natural</p> <p>22 question to ask you how you quantify the</p> <p>23 customer cost benefits.</p> <p>24 MR. HAYNES:</p> <p>25 A. I guess it's--we have not gone back on an</p>

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<p>1 asset or investment-by-investment decision to</p> <p>2 quantify the benefit. We've measured our</p> <p>3 statistics with respect to overall, by the</p> <p>4 regional performance, if you will, on the</p> <p>5 SAIDI's and SAIFI's, but we have not gone back</p> <p>6 on each and every investment to quantify that.</p> <p>7 We have done it on an anecdotal basis, with</p> <p>8 respect to, for instance, changing insulators,</p> <p>9 that the asset managers in the field have seen</p> <p>10 an improvement and then we move on to the next</p> <p>11 project.</p> <p>12 Q. Okay. Well, if as much as you do is look at</p> <p>13 it on an anecdotal basis, would you not agree</p> <p>14 with me that it's difficult to say that your</p> <p>15 decisions ensure customer cost benefits?</p> <p>16 MR. HAYNES:</p> <p>17 A. I don't think I'll agree with you, in the</p> <p>18 sense of, you know, of all the assets out</p> <p>19 there, I think we have looked at it at 10,000</p> <p>20 feet or 5,000 feet. The asset managers look</p> <p>21 at it a bit closer. I don't think that we</p> <p>22 have any particular event that we've gone back</p> <p>23 and kind of second guessed what we have done,</p> <p>24 that each of our investments have. If you</p> <p>25 asked, you know, if we were to go back to the</p>	<p>1 supervisor, the people who maintain, "have</p> <p>2 these things improved the overall reliability?</p> <p>3 Have they reduced call outs?" and so on, that</p> <p>4 the answer will be yes, but we have not gone</p> <p>5 down and measured by the each. We have not</p> <p>6 done that.</p> <p>7 Q. Okay, and going back to that statement at</p> <p>8 lines nine to eleven, where you refer to not</p> <p>9 only you ensure that you--ensure that the</p> <p>10 customer benefits from the decision from cost</p> <p>11 perspective, but you also look back and see</p> <p>12 that the customer benefits from the decision</p> <p>13 from a reliability perspective. So how do you</p> <p>14 go about quantifying the customer reliability</p> <p>15 benefits of your decisions?</p> <p>16 MR. HAYNES:</p> <p>17 A. Only by virtue of the performance indicators</p> <p>18 that we measure, SAIDI and SAIFI, and we do</p> <p>19 measure--you know, we do have the information</p> <p>20 on the feeder by feeder basis, which the asset</p> <p>21 managers look at and consider in proposing</p> <p>22 other projects.</p> <p>23 Q. But I wonder how we can reconcile your</p> <p>24 suggestion that these are quantifiable</p> <p>25 customer reliability benefits and you quantify</p>
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<p>1 these, when, if we could turn to CA-3, and I'm</p> <p>2 referring to lines 24 to 25, and perhaps if we</p> <p>3 could go up, Mr. O'Rielly, for a second just</p> <p>4 to see the question. We ask, in Part B of</p> <p>5 that question, for Hydro to please provide the</p> <p>6 following: correlation between amounts Hydro</p> <p>7 spent to improve the reliability of the</p> <p>8 network and the power outages in each region</p> <p>9 of the province served by Hydro, and then we</p> <p>10 go on and ask--no, that's the question that I</p> <p>11 am wanting to focus on, and if we go down to</p> <p>12 lines 24 and 25 of your response, you indicate</p> <p>13 that "correlations between amounts spent on</p> <p>14 reliability and regional performance have not</p> <p>15 been attempted and are not available."</p> <p>16 MR. HAYNES:</p> <p>17 A. That's correct.</p> <p>18 Q. Now again, I'd ask you, if you're not even</p> <p>19 attempting to go back and look at how regional</p> <p>20 performance has been affected or enhanced or</p> <p>21 whatever, I still then have trouble</p> <p>22 understanding the statement given in your</p> <p>23 evidence that the overriding principle in</p> <p>24 these decisions is to ensure that the customer</p> <p>25 benefits from the decision, from both a cost</p>	<p>1 and reliability perspective. I mean, isn't</p> <p>2 that just a statement that's put out there,</p> <p>3 but really it doesn't stand up to scrutiny, if</p> <p>4 you're not actually looking to quantify what</p> <p>5 the enhanced reliability is from the</p> <p>6 expenditures and decisions?</p> <p>7 MR. HAYNES:</p> <p>8 A. No, I don't think so. When we look at our</p> <p>9 capital expansion and distribution system, we</p> <p>10 look at poor performers. We look at what we</p> <p>11 need to do to maintain reliability. We've</p> <p>12 gone down through and the regional people have</p> <p>13 ranked the poor performers. They've come up</p> <p>14 with a solution through engineering usually to</p> <p>15 come back to improve performance, and we look</p> <p>16 at that. We look at the reliability of that</p> <p>17 particular feeder. We prepare our capital</p> <p>18 budget. We propose it. If it gets approved,</p> <p>19 we go do it. But we have not gone back to</p> <p>20 categorize all those different things to see</p> <p>21 the reliability. At the end of the day, the</p> <p>22 ultimate measure, I guess, is our reliability</p> <p>23 performance and you obviously have to use a</p> <p>24 lot of judgment with respect to the weather or</p> <p>25 other extraneous events.</p>

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<p>1 The other thing, I think, that we should</p> <p>2 just go back to is that of all those</p> <p>3 particular distribution assets out there, you</p> <p>4 know, sometimes when you spend money to</p> <p>5 upgrade or to replace some particular</p> <p>6 components because they are faulty, if that's</p> <p>7 a weather related thing or something else</p> <p>8 happened, you may have to follow those assets</p> <p>9 for two, three or five years to determine were</p> <p>10 we successful or not. We have not had the</p> <p>11 resources or actually focused on actually</p> <p>12 looking at that, but we don't have any</p> <p>13 discomfort in saying that what we have done</p> <p>14 has been prudent, has been cost effective and</p> <p>15 that we have seen improvement, but we have not</p> <p>16 gone back on an asset-by-asset basis to</p> <p>17 evaluate, you know, the value of all those</p> <p>18 individual projects.</p> <p>19 Q. But surely, if you're making--if you're giving</p> <p>20 customers an assurance that the decisions we</p> <p>21 make are good for you from a cost and</p> <p>22 reliability perspective, then it's not too</p> <p>23 much for the customer to ask "can you tell me</p> <p>24 what difference it made, this work you did now</p> <p>25 in my area? How did it affect my</p>	<p>1 reliability?" Wouldn't that be a logical</p> <p>2 question?</p> <p>3 MR. HAYNES:</p> <p>4 A. Yes, and if anybody came back on a particular</p> <p>5 basis and asked that question, we would dig it</p> <p>6 and we would come back and we would actually</p> <p>7 try to put that together, but to do it for</p> <p>8 every investment would be an onerous amount of</p> <p>9 work, which we don't think would be a valid</p> <p>10 use of time at this particular stage. I mean,</p> <p>11 the gap right now is substantial and we are</p> <p>12 trying to close the gap on the distribution</p> <p>13 reliability, not to close it, but to actually-</p> <p>14 -you know, to at least narrow it.</p> <p>15 I should add as well that particularly on</p> <p>16 these capital improvements that these things</p> <p>17 are put forward to the Board. If they are</p> <p>18 reliability considerations or safety</p> <p>19 considerations, that they are in the</p> <p>20 justification for the capital budget and that</p> <p>21 they are reviewed and, you know, questions</p> <p>22 asked and decisions made and we move forward</p> <p>23 and do it and move on to the next, I won't say</p> <p>24 bush fire but move on to the next poor</p> <p>25 performer, if you will.</p>
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<p>1 Q. Mr. O'Rielly, could I ask you to turn up CDB-</p> <p>2 3, which is an exhibit to the pre-filed</p> <p>3 evidence of Douglas Bowman? Mr. Haynes, I</p> <p>4 take it your familiar with this exhibit to the</p> <p>5 evidence of Mr. Bowman?</p> <p>6 MR. HAYNES:</p> <p>7 A. Yes.</p> <p>8 Q. And I'd just like to quote to you an extract</p> <p>9 from this exhibit, which comes from EPRI</p> <p>10 Solutions, Investing in the 21st Century</p> <p>11 Distribution System, subtitled Technical and</p> <p>12 Business Strategies to Enhance Power Quality</p> <p>13 and Reliability, and under the question "why</p> <p>14 is this study important now?" "Reliability</p> <p>15 and quality of service are becoming more</p> <p>16 critical factors in the regulation of</p> <p>17 distribution companies."</p> <p>18 BUTLER, Q.C.:</p> <p>19 Q. Excuse me. I wonder can you give us a</p> <p>20 reference for that?</p> <p>21 MR. JOHNSON:</p> <p>22 Q. I'm sorry. It's on the first page of that</p> <p>23 exhibit, at the bottom, bottom left-hand</p> <p>24 column. It goes on to say "more state</p> <p>25 regulators are requiring utilities to report</p>	<p>1 reliability levels and many are establishing</p> <p>2 performance benchmarks. It is critical for</p> <p>3 regulators to recognize the direct</p> <p>4 relationships between system reliability and</p> <p>5 investment in the distribution infrastructure.</p> <p>6 Each distribution company is responsible for</p> <p>7 understanding this relationship and making the</p> <p>8 information available to regulators as part of</p> <p>9 rate case filings and other information</p> <p>10 exchanges. Then regulators can make informed</p> <p>11 decisions when setting system performance</p> <p>12 expectations and allow appropriate investments</p> <p>13 to achieve these performance levels."</p> <p>14 Let me just draw your attention to one of</p> <p>15 those sentences, that "each distribution</p> <p>16 company is responsible for understanding this</p> <p>17 relationship and making the information</p> <p>18 available," ie. the relationship between</p> <p>19 system reliability and investment in the</p> <p>20 distribution infrastructure. Is that a</p> <p>21 statement with which you would concur, that</p> <p>22 it's the responsibility of the utility to</p> <p>23 understand that relationship?</p> <p>24 (10:00 A.M.)</p> <p>25 MR. HAYNES:</p>

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<p>1 A. Yes, but I think that information is provided</p> <p>2 in our capital budget filings that we do do,</p> <p>3 when we look at the reliability and justifying</p> <p>4 each of these capital expenses, which we</p> <p>5 basically by the each.</p> <p>6 Q. But -</p> <p>7 MR. HAYNES:</p> <p>8 A. They are there.</p> <p>9 Q. But then, you don't ever look behind your</p> <p>10 shoulder at expenditures you've made to</p> <p>11 establish the bang for the buck in a</p> <p>12 particular region that you provided by way of</p> <p>13 reliability?</p> <p>14 MR. HAYNES:</p> <p>15 A. Not on every capital budget, no. We measure</p> <p>16 regional statistics and we have a customer</p> <p>17 base of 35,000 and we're not downtown Los</p> <p>18 Angeles, from a U.S. utility. It's a small</p> <p>19 utility and I think you'd have to look at a</p> <p>20 lot of factors before you spend that amount of</p> <p>21 time and resources doing all that by the each.</p> <p>22 I'm not saying--I'm not disagreeing with it.</p> <p>23 It's a very ideal place to be. I don't think</p> <p>24 that this jurisdiction, at this particular</p> <p>25 time, it may be the most cost effective way to</p>	<p>1 approach it. But I don't disagree with the</p> <p>2 principle.</p> <p>3 Q. But would that be a best practice?</p> <p>4 MR. HAYNES:</p> <p>5 A. That may be a best practice for a large</p> <p>6 utility, where the cost of doing that on a</p> <p>7 customer-by-customer basis is very small.</p> <p>8 When you get down and spread, for instance, an</p> <p>9 EPRI software, which may be where they're</p> <p>10 doing, I don't recall now, over a 35,000</p> <p>11 customer base, that may be extremely</p> <p>12 expensive, and the resources to keep it going.</p> <p>13 You know -</p> <p>14 Q. But you've never costed the expense of doing</p> <p>15 it?</p> <p>16 MR. HAYNES:</p> <p>17 A. Not this particular one. That's an EPRI view.</p> <p>18 There are probably other vendors out there</p> <p>19 that have different--or different groups out</p> <p>20 there have different things. We have not gone</p> <p>21 down to that level, for our rural distribution</p> <p>22 utility, we have not.</p> <p>23 Q. You've indicated several times that you don't</p> <p>24 do this by a piece-by-piece look at the</p> <p>25 improvements that you've made. Do you do it</p>
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<p>1 with any of them?</p> <p>2 MR. HAYNES:</p> <p>3 A. We have done it--formally, I don't think that</p> <p>4 we've gone back to do any particular formal</p> <p>5 review, but I mean, if there was any</p> <p>6 particular investment that someone wanted to</p> <p>7 look at, we would go back and do it. If we go</p> <p>8 back to, for instance, not a distribution</p> <p>9 asset, a distribution issue, but let's look at</p> <p>10 the 230 KB transmission grid. We went back,</p> <p>11 we had numerous outages due to lightning and</p> <p>12 we brought forward a capital budget proposal</p> <p>13 to put in inline insulators, lightning</p> <p>14 arrestors if you will, lightning arrestors on</p> <p>15 the 230 KB circuit spacers on one circuit from</p> <p>16 St. John's to effectively--or in the lightning</p> <p>17 prone area from Bay D'Espoir east, and we can</p> <p>18 go back and we can look at that and we can say</p> <p>19 that we've had a lot less, you know, multiple</p> <p>20 outages because we've done that. But to go</p> <p>21 back and, you know, do up a formal review,</p> <p>22 we've gone back, yeah, that's done. We've</p> <p>23 seen improvement and we've moved on to the</p> <p>24 next challenge. We have not spent a lot of</p> <p>25 time going back. Now if we had gone back</p>	<p>1 obviously and if we had made that investment</p> <p>2 and there was no improvement, we'd obviously</p> <p>3 have to go back and say "well, what did we do</p> <p>4 wrong?" and that's been a very, very rare--I</p> <p>5 don't even know if we've ever had to go back</p> <p>6 and consider that. Most of the investments</p> <p>7 have shown benefit. But to sit down and do a</p> <p>8 -</p> <p>9 Q. How can you say that most of the investments</p> <p>10 have shown benefit if you don't go back and</p> <p>11 look at them on a per investment basis?</p> <p>12 MR. HAYNES:</p> <p>13 A. But we know that the performance of those 230</p> <p>14 KB circuits has improved, but it's not been</p> <p>15 formally documented in the sense of sitting</p> <p>16 down and doing a report to evaluate the</p> <p>17 effectiveness of that particular job.</p> <p>18 Basically, we've done it. We justify why we</p> <p>19 did it. We have sound engineering</p> <p>20 justifications for it, brought it forward,</p> <p>21 we've done it. We've moved on to the next</p> <p>22 challenge, if you will.</p> <p>23 Q. So do I understand your evidence, in terms of</p> <p>24 this suggestion that each distribution company</p> <p>25 is responsible for understanding the</p>

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<p>1 relationship and making the connection, as</p> <p>2 these people say, you're not able to say if</p> <p>3 that'll be a costly venture or not a costly</p> <p>4 venture?</p> <p>5 MR. HAYNES:</p> <p>6 A. I don't know what the cost of that particular</p> <p>7 thing is. We would have to take that and look</p> <p>8 at what are the implications, what are the</p> <p>9 resource requirements to look at it on an</p> <p>10 asset-by-asset basis, and I would suggest that</p> <p>11 it is a fair effort to do that, which is</p> <p>12 certainly not in our operating budget that we</p> <p>13 put forward in this GRA.</p> <p>14 Q. Can I turn to page 28 of your evidence?</p> <p>15 I'm referring now to lines 24 to 26, under the</p> <p>16 topic "Capacity". "The island interconnected</p> <p>17 system should have sufficient generating</p> <p>18 capacity to satisfy a loss of load hours</p> <p>19 expectation target of not more than 2.8 hours</p> <p>20 per year." Then you indicate on lines 17 to</p> <p>21 19 of that page, that this criteria sets the</p> <p>22 minimal level for reserved capacity to meet</p> <p>23 the grid's firm load requirements.</p> <p>24 MR. HAYNES:</p> <p>25 A. That's correct.</p>	<p>1 Q. Now isn't it true that Hydro would only commit</p> <p>2 funds to increase the generating capacity for</p> <p>3 reliability purposes if the loss of load hours</p> <p>4 expectation was greater than 2.8 hours a year?</p> <p>5 MR. HAYNES:</p> <p>6 A. Generally speaking, however that doesn't</p> <p>7 preclude bringing forward a capital budget</p> <p>8 proposal or doing work that would be, for</p> <p>9 instance if we were to--it's the primary</p> <p>10 driver, but it's not the only one. We may</p> <p>11 bring forward other capital projects that--Mr.</p> <p>12 Martin I believe mentioned yesterday or if he</p> <p>13 didn't, it was certainly in his evidence that</p> <p>14 we may bring ahead other generation projects,</p> <p>15 if they beat our costs, if they can do what</p> <p>16 we're doing now cheaper. But primarily,</p> <p>17 that's the minimum standard for generation</p> <p>18 expansion, very common in most utilities. I'm</p> <p>19 sorry, the principle is common in most</p> <p>20 utilities, the 2.8 hours may not be the norm.</p> <p>21 Q. No, and I understand that but I just want to--</p> <p>22 if you can confirm my understanding that you</p> <p>23 wouldn't seek to increase spending on</p> <p>24 reliability if you were satisfied that your</p> <p>25 loss of load expectation was fine, as it was,</p>
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<p>1 certainly met those standards that you've set?</p> <p>2 MR. HAYNES:</p> <p>3 A. From meeting our firm supply, that's correct,</p> <p>4 but notwithstanding we would bring--forward</p> <p>5 things back if there was an economic--we would</p> <p>6 bring other things forward if there was an</p> <p>7 economic justification for that.</p> <p>8 Q. Now, if the loss of load expectation were to</p> <p>9 be less than 2.8 hours a year and Hydro were</p> <p>10 to commit funds to increase that capacity</p> <p>11 anyway, okay, I take it that we would expect</p> <p>12 the loss of load hours expectation to decrease</p> <p>13 further, that would be logical, that would be</p> <p>14 the aim of spending the money to do it.</p> <p>15 MR. HAYNES:</p> <p>16 A. We would bring forward a supply alternative to</p> <p>17 ensure that we do not exceed 2.8 hours a year.</p> <p>18 Once we go above 2.8 hours a year of</p> <p>19 expectation, we would bring things forward.</p> <p>20 If we were to bring a generation project</p> <p>21 forward--I may be missing your question, from</p> <p>22 the point of view that it's justified on an</p> <p>23 economic basis and the actual LOLH was one,</p> <p>24 well that's fine, but we wouldn't be driven to</p> <p>25 do something else until we had 2.2 or there</p>	<p>1 was another, you know, project that just had</p> <p>2 economics that said we really shouldn't pass</p> <p>3 this by.</p> <p>4 Q. And I guess what I'm asking you is, look,</p> <p>5 Hydro has set a standard of 2.8 which has been</p> <p>6 accepted and you don't look to improve upon</p> <p>7 that standard by spending money to exceed that</p> <p>8 standard, even though it might be beneficial</p> <p>9 to have that greater reliability built into</p> <p>10 the system. I mean, we have a standard and</p> <p>11 that's what we stick to.</p> <p>12 MR. HAYNES:</p> <p>13 A. For interconnected generation supply, yes.</p> <p>14 Q. Right.</p> <p>15 MR. HAYNES:</p> <p>16 A. But this is for the interconnected large</p> <p>17 system.</p> <p>18 Q. Understand, understand. And if Hydro were to</p> <p>19 determine, look, we're going to spend some</p> <p>20 more money and we're going to improve the loss</p> <p>21 of load hours figure, I mean, customers would,</p> <p>22 I suppose, get a benefit of that, would they</p> <p>23 not, that they would have that increased</p> <p>24 reliability that they could count on?</p> <p>25 MR. HAYNES:</p>

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<p>1 A. They would get a benefit in the sense that the</p> <p>2 probability of us, you know, not having enough</p> <p>3 energy or capacity to meet the requirements of</p> <p>4 our customers. They would have another margin</p> <p>5 of safety, that's correct.</p> <p>6 Q. That's right, but would it be fair for me to</p> <p>7 say that the reason why Hydro doesn't do that,</p> <p>8 make that expenditure is because it's not</p> <p>9 worth the extra cost to the consumer to the</p> <p>10 system of doing that, we have a standard</p> <p>11 that's reasonable and while we may be able to</p> <p>12 enhance the reliability, it's not worth what</p> <p>13 it would cost us to do it?</p> <p>14 MR. HAYNES:</p> <p>15 A. That's where we are right now. That number</p> <p>16 has been approved by the Board before and</p> <p>17 it's, you know, the whole philosophy of loss</p> <p>18 of load hours is a pretty common planning</p> <p>19 criteria for generation utilities.</p> <p>20 Q. And would I be right that the thinking, you</p> <p>21 know, the economic thinking is that look,</p> <p>22 there is a point where more spending is not</p> <p>23 going to be worth the benefit to the extra</p> <p>24 reliability that we can pick up by doing it?</p> <p>25 MR. HAYNES:</p>	<p>1 A. Yeah, there are diminishing returns and if you</p> <p>2 were to change that number, and I have no idea</p> <p>3 about the numbers, but if you were to drop</p> <p>4 that to 1.4, we would obviously be seriously</p> <p>5 outside of our current standard and would have</p> <p>6 to bring forth new supply alternatives very,</p> <p>7 very quickly.</p> <p>8 Q. Right.</p> <p>9 MR. HAYNES:</p> <p>10 A. You would have to advance construction of new</p> <p>11 supply. There are benefits of that too, you</p> <p>12 know, from the point of view of, you know,</p> <p>13 having more room on the system from the point</p> <p>14 of view of sudden change in load forecast and</p> <p>15 things like--it's a--the 2.8 hours is a</p> <p>16 balance again of everything, and for larger</p> <p>17 utilities it's a very common criteria, not at</p> <p>18 all what we use in the isolated diesel</p> <p>19 systems, for instance.</p> <p>20 Q. Right. Now this criteria that relates to</p> <p>21 generation capacity, what are Hydro's</p> <p>22 equivalent criteria that uses in the planning</p> <p>23 of the transmission and distribution systems?</p> <p>24 MR. HAYNES:</p> <p>25 A. We don't have that equivalent criteria from</p>
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<p>1 that perspective. We do not have a stated</p> <p>2 number. We have targeted, on the generation</p> <p>3 side with respect to targets, we have</p> <p>4 targeted, you know, the availability of the</p> <p>5 plant at the DAFOR and at a lower level we</p> <p>6 talked about, you know, the number of forced</p> <p>7 outages that one plant has, verses another and</p> <p>8 focus on the operational aspects of that. On</p> <p>9 transmission line, we measure SAIDI and SAIFI,</p> <p>10 we've looked at problem areas. There's a</p> <p>11 difference. We can lose transmission lines on</p> <p>12 the main grid and still supply load, you know,</p> <p>13 so I don't think that we're actually</p> <p>14 necessarily comparing totally apples and</p> <p>15 apples when you're comparing generating</p> <p>16 planning criteria verses transmission planning</p> <p>17 criteria. Most utilities or, you know,</p> <p>18 whether it's an ISO or an RTO or somebody in</p> <p>19 the broad mix of the way things are working</p> <p>20 these days in Canada and the US, have some</p> <p>21 kind of a planning criteria that they operate</p> <p>22 on generation, which is the one that ensures</p> <p>23 that when somebody wants power, it's available</p> <p>24 from a power point of view. It doesn't</p> <p>25 necessarily address the transmission and</p>	<p>1 distribution because, you know, you have to</p> <p>2 have the generation, then you have to have</p> <p>3 transmission and then you have distribution.</p> <p>4 There's a long chain, if you will, of</p> <p>5 interaction between what the customer actually</p> <p>6 sees at the meter socket view of the world and</p> <p>7 all the different drivers. This is a very</p> <p>8 basic premise to most utility planning, that</p> <p>9 they have some kind of a generation planning</p> <p>10 criteria and it's fairly solid.</p> <p>11 Q. Have you had an opportunity to look at the</p> <p>12 Delaware Electric Service Reliability</p> <p>13 Standards Policy that's attached to Mr.</p> <p>14 Bowman's report?</p> <p>15 MR. HAYNES:</p> <p>16 Q. To say that I digested every word, no, but I</p> <p>17 have reviewed it and I went on the web to have</p> <p>18 a look around to see, you know, tried to look</p> <p>19 for some background there. I've perused it,</p> <p>20 yes, I've looked at it, read most of it.</p> <p>21 Q. And it's a pretty comprehensive document</p> <p>22 setting out what the expectations are -</p> <p>23 MR. HAYNES:</p> <p>24 A. On the service? Yes.</p> <p>25 Q. Yes. And we don't have any such policy in</p>

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<p>1 this jurisdiction, Hydro doesn't have a policy 2 prepared as formal as that.</p> <p>3 MR. HAYNES:</p> <p>4 A. No, we don't. I would add, though, just as an 5 observation, what I observed there is they had 6 set, what I perceived to be minimum standards 7 of care, in the sense that they've 8 established--I forget the numbers, but they've 9 established, for instance, a duration index of 10 whatever. When you actually go and look at 11 some of the reports that are out there from 12 one or the other, I just forget which one, 13 that their actual performance is way more than 14 that, so they have not used that as a set 15 point that you have to maintain, as we do for 16 the 2.8, for instance. They have not used it 17 as a set point that says that the regulator is 18 oversighting and if you go above, you know, 19 one hour, for instance, whatever the number 20 is, then we're going to fine you, it's a 21 financial penalty; and if you go below, it's 22 fine. I didn't see that as being a thing that 23 would slow them down on bringing forward a 24 capital budget proposal to improve 25 reliability. It was a minimum standard of</p>	<p>1 care that if you go above that, you're in 2 trouble with the regulator. That's the way I 3 interpreted the information.</p> <p>4 Q. I'm sure Mr. Bowman can address it further 5 when he speaks later today or hopefully later 6 today. And would the Board--would 7 stakeholders not reap benefit from having some 8 of these reliability policies more formalized, 9 as opposed to seeing, for instance, a capital 10 budget that comes in on a particular piece and 11 that goes through an independent 12 justification, et cetera, is there any value 13 from the regulatory piece--and even for 14 Hydro's benefit, to having some of these 15 things formalized in a comprehensive policy? 16 Is there anything that we lose by doing that?</p> <p>17 MR. HAYNES:</p> <p>18 A. I think you have to be very cautious if you 19 were to establish standards like that. I 20 don't think that means that we would spend 21 less money, but it may--it depends on how it's 22 done. If you were to establish a reliability 23 target and let's assume that on the 24 interconnected system you set one number; on 25 the isolated system you set another number,</p>
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<p>1 for instance, based on what we, collectively, 2 think is appropriate, that that may drive 3 capital investment in the isolated systems, 4 which will drive the rural deficit. Then I'm 5 not saying that's wrong, in fact, it may be 6 the right thing to do. I don't know if it 7 would actually slow down investment with 8 respect to or curtail any work that we think 9 is required. We propose projects based on 10 poor performance and with a 20 percent target. 11 The KPI report that we had put forward last 12 time and we will put forward again this year, 13 does have, you know, targets. Up at 10,000 14 feet, if you will, how we want to achieve 15 distribution and transmission and generation 16 reliability, and those are things that were 17 put forward.</p> <p>18 Q. But it appears to me that you're coming at 19 this from a premise that I believe, the 20 Consumer Advocate believes and Mr. Bowman 21 believes, that the only benefits that come 22 from having these standards and these 23 expectations set down, is to curb or reign in 24 spending on reliability and if that wouldn't 25 accomplish that, what's the point? But I</p>	<p>1 don't view it in that fashion. I view it, 2 frankly, as a greater level of transparency 3 and a greater level of routinization of the 4 decision-making process regarding reliability 5 expenditures. Do you not see it in that 6 fashion, that the rules of the game are out 7 there and here's the expectations and--I'm 8 struggling to see what would be wrong with 9 that, given other jurisdictions have looked at 10 it and have taken it seriously.</p> <p>11 MR. HAYNES:</p> <p>12 A. I don't know how many jurisdictions have done 13 that. I don't believe that in any Canadian 14 jurisdictions have actually set reliability 15 standards like that, I am unaware of what the-- 16 to pick two and three and maybe Mr. Bowman 17 can shed light that 60, 70, 80 percent of US 18 utilities do that. I don't know what the norm 19 is, honestly, but from my understanding that 20 very few Canadian utilities have set 21 standards. You know, we as a utility have put 22 forward targets to the Public Utilities Board 23 in the KPI report and we brought forward 24 capital budget proposals to sustain that 25 improvement and they've been approved and</p>



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<p>1 dealt with appropriately. I don't dispute</p> <p>2 that ideally it may have merit, but I think</p> <p>3 before you would venture down that road, you</p> <p>4 would need to understand what does this mean,</p> <p>5 what is the cost, how much does it add to the</p> <p>6 cost of service, in a sense of not only</p> <p>7 whether it's right or wrong, from the point of</p> <p>8 view that it improves reliability, but what is</p> <p>9 the administrative cost, how many resources or</p> <p>10 what tools do we need and to maintain that.</p> <p>11 It's not, I really would be very, very</p> <p>12 reluctant to say yes, we should do it, let's</p> <p>13 get on with it. I think you'd have to sit</p> <p>14 back and look at the total scope of the work</p> <p>15 required.</p> <p>16 Q. But if I heard Mr. Martin correctly yesterday,</p> <p>17 he was very much describing a process whereby</p> <p>18 there would be input of customers'</p> <p>19 expectations, there'd be technical input from</p> <p>20 Hydro, there'd be comparisons of other</p> <p>21 similarly situated jurisdictions so that we're</p> <p>22 comparing apples to apples. Then there would</p> <p>23 be envisioned a band of reliability and then</p> <p>24 he explained how once you arrive at that level</p> <p>25 of reliability expectation, then costs fall</p>	<p>1 out of that. I mean, this is something that</p> <p>2 he--that he appeared to understand in terms of</p> <p>3 the process and I'm just wondering why, having</p> <p>4 it formalized, if the suggestion as Mr. Martin</p> <p>5 puts it, this going to be done, how</p> <p>6 formalizing it would cause such a difficulty?</p> <p>7 MR. HAYNES:</p> <p>8 Q. The difficulty right now is that we are not</p> <p>9 there, the difficulty from the point of view</p> <p>10 of--doesn't mean that we won't be there in 25</p> <p>11 or "X" number of years, I really can't predict</p> <p>12 that. I know that from an overall point of</p> <p>13 view there are many factors to consider. The</p> <p>14 rural deficit being one, the cost of service</p> <p>15 being another. I think the other thing that</p> <p>16 you have--we have not, or at least I have not</p> <p>17 gone down a customer survey to delve into the</p> <p>18 details down in that particular survey. You</p> <p>19 may have a different answer from--I'm sure we</p> <p>20 do have a different answer from businesses,</p> <p>21 you know, from hospitals and so on, there's a</p> <p>22 whole raft of things to do. I'm still struck</p> <p>23 by our service territory and the diversity of</p> <p>24 these different systems that we have and the</p> <p>25 customer basis for these costed over. I'm not</p>
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<p>1 suggesting it's not wrong to do, I don't think</p> <p>2 we're ready to tackle it right now.</p> <p>3 Q. But what would be, I appreciate the fact that</p> <p>4 there's a portion of this province is on an</p> <p>5 island and we can't rely on others and I</p> <p>6 understand that. But I'm struggling with,</p> <p>7 because we have these particular attributes or</p> <p>8 challenges, why we can't realistically say,</p> <p>9 look, for this type of service area, here's</p> <p>10 what should be the band. What is the</p> <p>11 difficulty with identifying it?</p> <p>12 MR. HAYNES:</p> <p>13 A. In the KPI report, which basically looks at,</p> <p>14 you know, the composite indices for that, you</p> <p>15 know, it is there. We have identified</p> <p>16 reliability targets that we have there for</p> <p>17 these particular assets. We have not gone</p> <p>18 down through, you know, it's a twenty percent</p> <p>19 improvement and we targeted a number to 2006,</p> <p>20 we'd have another number for 2007 and we'd</p> <p>21 constantly review, looking at the weather,</p> <p>22 looking at the history and so on. My personal</p> <p>23 view is that it does have merit, but I think</p> <p>24 to go into it blindly is--when I say</p> <p>25 "blindly", you know, being as--data minutia of</p>	<p>1 every asset like that, they may have merit on</p> <p>2 certain things, but I'm really reluctant to</p> <p>3 agree that we need to go to that sophisticated</p> <p>4 level for, you know, our customer base.</p> <p>5 Q. Well let's talk about your twenty percent</p> <p>6 improvement goal, if I heard Mr. Martin</p> <p>7 correctly yesterday, he basically said, look,</p> <p>8 this was something we settled on, we felt we</p> <p>9 had to do something by way of improvement, you</p> <p>10 know, this might be wrong, it was something we</p> <p>11 thought we could put some substantiation</p> <p>12 about, but, you know, I left with an assurance</p> <p>13 that look, this is not the end of it, this is</p> <p>14 something we put in place, almost like an</p> <p>15 interim type of measure, would that be a</p> <p>16 proper characterization?</p> <p>17 MR. HAYNES:</p> <p>18 A. I think, you know, one of the things that--I</p> <p>19 guess there's a couple of things, it may be an</p> <p>20 interim, we are reviewing our maintenance</p> <p>21 practices and trying to document exactly what</p> <p>22 we're striving for, and that's going to take</p> <p>23 some time to do. We obviously have to</p> <p>24 prioritize those to get it together in a sense</p> <p>25 of having defined standards and maintenance</p>

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<p>1 philosophies from that particular perspective.</p> <p>2 They obviously have to consider the</p> <p>3 reliability that we're achieving, they also</p> <p>4 have to consider the diverse geography and the</p> <p>5 different locations. One of the things that</p> <p>6 the twenty percent has done, it has focused</p> <p>7 our efforts of people in the field, the</p> <p>8 managers and the supervisors that this is a</p> <p>9 priority and they may bring forward capital to</p> <p>10 support that. Often times, it's an operating</p> <p>11 thing in the sense that they're going to do</p> <p>12 better planning, they're going to look at</p> <p>13 getting in and getting out. You know, most of</p> <p>14 the crews bring in crews from areas, so it is</p> <p>15 motivated a lot.</p> <p>16 Q. I understand all that and I mean, a target can</p> <p>17 motivate people and Mr. Chairman said</p> <p>18 yesterday it can also motivate organizations.</p> <p>19 I don't disagree with you on that, but my</p> <p>20 question is more basic; and that is, is this,</p> <p>21 as I understood Mr. Martin to say yesterday,</p> <p>22 was this twenty percent target something that</p> <p>23 was basically interim until we get our heads</p> <p>24 around all of these things that we have to</p> <p>25 consider what the customer expectation is,</p>	<p>1 what other similar situated areas in Canada</p> <p>2 are doing, et cetera, that's what I took him</p> <p>3 to mean. Now, if you're telling me that no,</p> <p>4 the twenty percent is what the policy is going</p> <p>5 to be on a go-forward, you know, let me know.</p> <p>6 MR. HAYNES:</p> <p>7 A. No, I don't think--if I implied that the</p> <p>8 twenty percent was a go-forward, no, I mean,</p> <p>9 we look at the performance of the regions, we</p> <p>10 look at what our history is, we look at the</p> <p>11 gaps, if you will, between Newfoundland Power</p> <p>12 and the CEA and we arrived at a number. The</p> <p>13 individual numbers in each region may be</p> <p>14 different, but collectively we targeted a</p> <p>15 twenty percent improvement because of the</p> <p>16 difference in where we are and we don't think</p> <p>17 that we have to worry about that today. I</p> <p>18 think in two to five years or whatever when</p> <p>19 some of these can get refined, there may well</p> <p>20 be room to step back and even the twenty</p> <p>21 percent is not cast in concrete at any</p> <p>22 particular point in time. There are a lot of</p> <p>23 drivers out there that drive that.</p> <p>24 Q. So what is formally happening within Hydro now</p> <p>25 along the lines of what Mr. Martin talked</p>
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<p>1 about yesterday, about pulling all these</p> <p>2 pieces together in this iterative process?</p> <p>3 MR. HAYNES:</p> <p>4 A. We have decided to form an engineering group,</p> <p>5 it basically focuses maintenance tactics,</p> <p>6 we've actually gone through the papers looking</p> <p>7 for a group of three engineers, I believe,</p> <p>8 right now and their focus is not projects,</p> <p>9 their focus is not to be looking at, you know,</p> <p>10 doing particular project work, it's to look at</p> <p>11 the overall maintenance aspect to bring these</p> <p>12 things together. They're not hired yet, the</p> <p>13 posting is closed, so on a go-forward basis we</p> <p>14 are going to have a focused group to look at</p> <p>15 the maintenance tactics and obviously these</p> <p>16 things will come into play, but that</p> <p>17 particular group's primary focus is on the</p> <p>18 asset itself. They will be reviewing</p> <p>19 information, as we discussed, you know, some</p> <p>20 of the things we talked about today.</p> <p>21 Q. And will that group, will they also be charged</p> <p>22 with determining whether new targets ought to</p> <p>23 be set or are they working in the confines of</p> <p>24 the twenty percent improvement over the five</p> <p>25 year rolling average?</p>	<p>1 MR. HAYNES:</p> <p>2 Q. They're starting from basically a clean piece</p> <p>3 of paper, they will start with the maintenance</p> <p>4 things that we do now. We've had various</p> <p>5 reviews of our maintenance system from</p> <p>6 reliabilities in our maintenance in some areas</p> <p>7 in the prospect and the things that we've</p> <p>8 done, but they're going to start effectively</p> <p>9 with a clean piece of paper to look at what we</p> <p>10 are doing, is it right and how do we influence</p> <p>11 our performance and asset strategy in the</p> <p>12 future. But that is a fairly comprehensive</p> <p>13 piece of work and I don't think it's</p> <p>14 reasonable to say that we're going to tackle,</p> <p>15 you know, transmission, distribution and</p> <p>16 generation all at the one time. There's a lot</p> <p>17 of things to do, but that is the focus of that</p> <p>18 particular group and, you know, Mr. Martin has</p> <p>19 been fairly adamant to get that going and it</p> <p>20 is a thing that we would be all spending a</p> <p>21 fair bit of time at because it's not just</p> <p>22 engineering. They have to take into</p> <p>23 consideration the operational constraints, all</p> <p>24 these factors will be considered in that.</p> <p>25 Q. And how will the value that customers</p>

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<p>1 subscribe to extra reliability or enhanced</p> <p>2 reliability be incorporated into that?</p> <p>3 Because, it seems to me, let me just give you</p> <p>4 an observation and have you comment to your</p> <p>5 hearts delight. It seems--</p> <p>6 (10:32 A.M.)</p> <p>7 It seems to me that when you read the</p> <p>8 customer's -- it's easy to say, look, we're</p> <p>9 going to incorporate customer feedback and</p> <p>10 customer expectations, but the surveys that</p> <p>11 have been generated to ask people if whether</p> <p>12 they'd be interested in paying more, if they</p> <p>13 valued more reliability, I mean, they really</p> <p>14 completely miss the mark, don't they? I mean,</p> <p>15 it's not a very valid means of determining</p> <p>16 what the customer wants. There's a question</p> <p>17 in there about would you be prepared to pay</p> <p>18 more for a more reliable service, and I don't</p> <p>19 know, maybe 40/44 percent said, yeah, they'd</p> <p>20 entertain it, and the other people said, no,</p> <p>21 we're not prepared to entertain it. The</p> <p>22 people who said they were prepared to</p> <p>23 entertain it don't know what it entails, how</p> <p>24 much more reliability you're going to get.</p> <p>25 That's way too soft isn't it?</p>	<p>1 MR. HAYNES:</p> <p>2 A. Well, I think the whole survey thing has to be</p> <p>3 done with a lot of caution, what the questions</p> <p>4 are, and are you actually getting good</p> <p>5 results. I mean, you know, different</p> <p>6 customers have different expectations. You</p> <p>7 know, would you rather have ten five minute</p> <p>8 interruptions a year or one eight hour</p> <p>9 interruption. You know, there's wide</p> <p>10 diversity and unfortunately we cannot solve</p> <p>11 every customer's -- we can't satisfy every</p> <p>12 customer. It has to be done on a balance.</p> <p>13 Q. I can appreciate that, and I guess what I'm</p> <p>14 getting at is how is this new team going to</p> <p>15 genuinely incorporate the consumer expectation</p> <p>16 into where the reliability standard ends up</p> <p>17 being through this process.</p> <p>18 MR. HAYNES:</p> <p>19 A. I'm not sure exactly how that's going to</p> <p>20 unfold as we move forward. The team is not</p> <p>21 put together, it's in the process of being put</p> <p>22 together. One of the primary focuses is on</p> <p>23 the asset; what is the right maintenance</p> <p>24 strategy that we do take, and certainly the</p> <p>25 expectations of what we put there is a part of</p>
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<p>1 it. If we accept, for instance, that</p> <p>2 distribution systems be out for eight or ten</p> <p>3 hours a month, for instance, they obviously</p> <p>4 are going to impact how we do it, but, you</p> <p>5 know, that has not been refined to the degree</p> <p>6 that I can answer your question. It certainly</p> <p>7 would be a consideration, and at the end of</p> <p>8 the day when we bring forward maintenance</p> <p>9 strategies or capital cost or increase, for</p> <p>10 instance, our operating budget to do all that,</p> <p>11 it will be under the full purview of the Board</p> <p>12 at that time.</p> <p>13 Q. Is there any expertise within Hydro as to how</p> <p>14 to go about incorporating customer value, and</p> <p>15 reliability expectations into the standard or</p> <p>16 the aim that the utility is trying to develop?</p> <p>17 Is that expertise in house?</p> <p>18 MR. HAYNES:</p> <p>19 A. I don't think -- we have not pursued that.</p> <p>20 It's not been as formal as that. The surveys</p> <p>21 themselves, we have had help with generating</p> <p>22 some of our surveys and it is a -- there's a</p> <p>23 lot of subjectivity in the interpretation of</p> <p>24 surveys; have we hit the right customer base,</p> <p>25 have we done a right geographic diversity on</p>	<p>1 those things, and to say there's expertise in</p> <p>2 house, I think we're capable of reviewing the</p> <p>3 surveys. We may need some help occasionally</p> <p>4 to say exactly what does this mean, but at the</p> <p>5 end of the day if we change something that's</p> <p>6 going to be significant, it's going to have</p> <p>7 significant cost implication, it will manifest</p> <p>8 itself in capital budgets or operating expense</p> <p>9 changes that will be brought forward to the</p> <p>10 Public Utilities Board.</p> <p>11 Q. And in terms of the level of residential</p> <p>12 customer satisfaction, for instance, and I'll</p> <p>13 just dwell there. No need to bring it up on</p> <p>14 the screen, I'm just going to have a</p> <p>15 conversation with you about it, but in that</p> <p>16 study it indicates if you drill down that less</p> <p>17 than 2 percent of your customers are not</p> <p>18 satisfied with service reliability. Do you</p> <p>19 have any sense -- it seems to me that that is</p> <p>20 good, having that low level of</p> <p>21 dissatisfaction, but do you have any sense as</p> <p>22 to how you compare or rate with other</p> <p>23 jurisdictions when it comes to that issue of</p> <p>24 satisfaction and reliability?</p> <p>25 MR. HAYNES:</p>

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<p>1 A. Other than the charts that were presented 2 yesterday how our rates compare with other 3 jurisdictions, I think you also need to keep 4 in mind that it has been presented to the 5 Board that in our particular jurisdiction, 6 particularly isolated systems, we don't 7 recover the cost of service. So, you know, 8 when you ask the customer are you willing to 9 pay more, some customers aren't paying the 10 cost of service now. They may not be 11 necessarily getting the direct message of what 12 this costs to improve the reliability of their 13 system. For instance, we don't -- I think 14 there was evidence, I don't recall the number, 15 but on the isolated diesel systems, we don't 16 recover cost. It's a matter of social policy 17 that they basically get for the life line 18 block, the same rates that basically are 19 charged to all customers in the province on 20 the interconnect -- except the interconnected 21 Labrador customers. So, you know, that 22 message is -- you have to balance all that. 23 Q. No, but my question was more simple. My 24 question was how does Hydro's customer 25 satisfaction level, which is over 90 percent,</p>	<p>1 and only 2 percent apparently are 2 dissatisfied, how does that compare to what 3 other utilities are finding their customers 4 are saying about their satisfaction levels 5 about reliability? 6 MR. HAYNES: 7 A. I'm not sure of the answer. I don't know if 8 Rob had a number. 9 MR. HENDERSON: 10 A. No, I don't have -- we don't have a survey of 11 all utilities or anything like that, that we 12 can give that kind of comparison for you. 13 MR. HAYNES: 14 A. I would offer one thing, though, and this is 15 personal, this is not a Hydro perspective, 16 that in reviewing all these things that are 17 said with respect to surveys, you've got to 18 dig deep to understand how they're put 19 together and what it means. You've got to 20 look at -- most surveys that come out there, 21 if you just take that top number that's our 22 there from a PR point of view, you really have 23 to dig deeper to find out exactly what that 24 means, and in some cases you can't get that 25 information. You've got to dig down and see</p>
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<p>1 how the questions are phrased. If you answer 2 yes to this question, you move to that 3 question. I don't think you can just take 4 that -- even our 92 percent, that's a 5 composite thing that our -- a customer 6 satisfaction index that we've measured. Other 7 utilities may do it differently; other groups 8 may do it differently. 9 Q. Unless I'm wrong on this, I took the evidence 10 to mean, and I took the information in the 11 survey to mean that the 94 percent level of 12 satisfaction was not a composite, that was a 13 94 percent satisfaction level with 14 reliability, is that correct? 15 MR. HAYNES: 16 A. On that one, yes. 17 Q. Okay. Why would you not be interested to find 18 out how other jurisdictions and utilities 19 customers are satisfied with the reliability 20 they're offered? I don't understand that. 21 MR. HAYNES: 22 A. If the information was readily available, we 23 would look at it, but we have not gone looking 24 for that particular information. 25 Q. How hard would it be for me to call you up as</p>	<p>1 a customer and ask for this information? 2 MR. HAYNES: 3 A. How we do? How we do, I guess, is fairly 4 easy. If you ask how Nova Scotia Power's 5 customers respond or NB Power, we don't have 6 that information. If that's what you mean. 7 Q. That's only a phone call away, though, isn't 8 it? 9 MR. HAYNES: 10 A. I honestly don't know. I don't know if they 11 release that level of detail. I really don't 12 know. It's all a matter of resources and how 13 much time you spend doing that. We have been 14 very conscious of operating resources, how 15 much we spend on this. 16 Q. But, Mr. Haynes, I mean, forgive me, but I 17 don't find that it would be very taxing on 18 Hydro to pick up the phone -- I'm sure you've 19 got a good working relationship with all these 20 utilities; you know, we've just had our survey 21 in and this is where we are, how are you guys 22 doing. That's easy, isn't it? 23 MR. HAYNES: 24 A. I don't know. I don't know. It depends how 25 many times you do it and how often you do it.</p>

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<p>1 Q. Now the 20 percent improvement that you're</p> <p>2 targeting in distribution reliability over the</p> <p>3 five year previous record, will that cost more</p> <p>4 than simply aiming to maintain the current</p> <p>5 level of reliability?</p> <p>6 MR. HAYNES:</p> <p>7 A. That's a good question. I really -- we will</p> <p>8 be bringing forward capital budget proposals</p> <p>9 to fix things that are broke, to maintain</p> <p>10 where we are, and some of the things we do are</p> <p>11 basically not all capital improvements, they</p> <p>12 are operating issues with respect to how we</p> <p>13 tackle outages, how we plan them, and how we</p> <p>14 do them. So to give you a yes or no answer, I</p> <p>15 suspect that there may be some increase in</p> <p>16 cost. I mean, obviously, there's capital</p> <p>17 expenses that are there, but we have been</p> <p>18 trying to hold the line on most -- our capital</p> <p>19 program has been fairly flat, basically.</p> <p>20 Q. But would it normally be the expectation that</p> <p>21 if you're aiming to enhance the reliability by</p> <p>22 20 percent, which is not a small number over</p> <p>23 the five year average, that that will cost</p> <p>24 more than trying to maintain?</p> <p>25 MR. HAYNES:</p>	<p>1 A. It doesn't feel wrong that there would be some</p> <p>2 increase in cost, but whether it's 1 percent</p> <p>3 or 2 percent, I don't -- you'd have to go back</p> <p>4 and say there's an issue of maintaining</p> <p>5 reliability of the asset that we installed</p> <p>6 versus actually enhancing.</p> <p>7 Q. And what you're actually doing is looking to</p> <p>8 enhance, right?</p> <p>9 MR. HAYNES:</p> <p>10 A. We are looking to fix our poor performance,</p> <p>11 and by virtue of that, to improve our overall</p> <p>12 reliability.</p> <p>13 Q. And do you think it's important to know what</p> <p>14 the quantum of that additional cost is</p> <p>15 expected to be?</p> <p>16 MR. HAYNES:</p> <p>17 A. We have not collated, if you will, or broken</p> <p>18 down these particular, by December bringing</p> <p>19 forward, from the point of view of, you know,</p> <p>20 trying to -- is this a reliability</p> <p>21 improvement, is this safety, is this</p> <p>22 justified. We do have a process in the Board</p> <p>23 where we do say we have normal and so on.</p> <p>24 Some of those things are in there, I believe,</p> <p>25 but we have not gone down and sliced and diced</p>
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<p>1 to that degree. Our focus has been to</p> <p>2 improve, to fix the poor performance, and to</p> <p>3 take the next challenge.</p> <p>4 Q. So essentially, if a customer were to ask,</p> <p>5 "Hydro, you're wanting to pursue this 20</p> <p>6 percent distribution reliability enhancement,</p> <p>7 let me know what it's going to cost me over</p> <p>8 what I'm getting now", you can't really tell</p> <p>9 them?</p> <p>10 MR. HAYNES:</p> <p>11 A. I can't do it offhand. We would have to go</p> <p>12 back and do quite a bit of analysis to do all</p> <p>13 that. There are a huge number of factors to</p> <p>14 consider right from the generation, to</p> <p>15 transmission, to distribution.</p> <p>16 Q. There was a slide earlier that showed -- I</p> <p>17 think Mr. Henderson spoke to it. In the</p> <p>18 slide, it showed the gap between the customer</p> <p>19 expectation and how they felt they were</p> <p>20 getting different from their expectation, I</p> <p>21 guess, and there was a slide that showed that</p> <p>22 the reasonable cost was the biggest gap.</p> <p>23 MR. HENDERSON:</p> <p>24 A. It's at the bottom of that particular page</p> <p>25 there.</p>	<p>1 Q. Yeah, the negative 2.6, and for the record,</p> <p>2 we're looking now at CA #1, Slide Figure 18</p> <p>3 within the attachment one, page 25 of 74. Now</p> <p>4 if you come down, you saw the reliable</p> <p>5 supplies, negative .96, and I notice education</p> <p>6 is negative .97, cares about customers is .99,</p> <p>7 but it clearly shows it's the reasonable cost</p> <p>8 aspect that customers really have the beef</p> <p>9 with relative to these other factors, right?</p> <p>10 MR. HAYNES:</p> <p>11 A. Well, everybody complains about cost no matter</p> <p>12 what the product.</p> <p>13 Q. And then I notice that Mr. Henderson indicated</p> <p>14 that if you look at the timely response to</p> <p>15 customer concerns, that was only .67 percent,</p> <p>16 and he said it being only .67 percent, we</p> <p>17 wondered really about the benefit of doing any</p> <p>18 more work to determine how we were satisfying</p> <p>19 customers in terms of, you know, promising and</p> <p>20 delivering upon the date that we told them</p> <p>21 they're going to be energized, about the</p> <p>22 number of customer complaints, etc, but I find</p> <p>23 it interesting that the reliable supply is</p> <p>24 only a margin above the timely response to</p> <p>25 customer concerns, yet you've now targeted a</p>

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<p>1 20 percent improvement on reliability which</p> <p>2 will have a cost. We're not sure what the</p> <p>3 cost will be. We have a sense it will be more</p> <p>4 than what it will cost to maintain. Can you</p> <p>5 reconcile why you wouldn't be doing anything</p> <p>6 on the other issue, but on the big ticket</p> <p>7 item, we're doing something?</p> <p>8 MR. HAYNES:</p> <p>9 A. But on the reasonable cost, I mean, we have</p> <p>10 targeted a reliability improvement, yes, but</p> <p>11 we have also had -- over the last number of</p> <p>12 years we've taken various initiatives from the</p> <p>13 point of view of reducing cost. For instance,</p> <p>14 in our isolated diesel system, we've looked at</p> <p>15 the maintenance interval, the overall interval</p> <p>16 for diesel engines. We've gone from 15,000</p> <p>17 hours that we used to do to a plan right now</p> <p>18 of 20,000 hours to reduce cost. So we've done</p> <p>19 that. We've tackled large initiatives from</p> <p>20 this perspective, and again it's balancing it</p> <p>21 all. There's no pat answer.</p> <p>22 Q. Could I ask you to turn to one of the</p> <p>23 documents that I put to you late last week, or</p> <p>24 sent over to you, and it's the report by</p> <p>25 McKinsey. Mr. Haynes, I take it you had an</p>	<p>1 opportunity to see what I sent you over on the</p> <p>2 19th of January?</p> <p>3 MR. HAYNES:</p> <p>4 A. Yes, I read that.</p> <p>5 Q. In that report by McKinsey and Company, which</p> <p>6 is summarized in the August 2003 Edition of</p> <p>7 Electric Utility Week, they make a number of</p> <p>8 statements concerning what power customers or</p> <p>9 consumers want including, and I'll just put</p> <p>10 these bullets to you, "Utilities overemphasize</p> <p>11 the value of reliability to consumers and are</p> <p>12 spending too much to upgrade an aspect of</p> <p>13 service that residential customers already</p> <p>14 find satisfactory". The next statement is,</p> <p>15 "It is doubtful that residential customers who</p> <p>16 have reliable service, those in most developed</p> <p>17 markets and in some advanced emerging ones,</p> <p>18 would want or would be willing to pay for</p> <p>19 service improvements of any type". The next</p> <p>20 bullet is, "Returns on reliability investments</p> <p>21 diminish beyond a certain threshold which most</p> <p>22 distributors have already passed". The next</p> <p>23 bullet that I put to you is, "Utilities should</p> <p>24 take the time to find out what people</p> <p>25 genuinely value. Customers in the survey said</p>
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<p>1 they would prefer quicker connections for new</p> <p>2 properties, more frequent and accurate</p> <p>3 billing, and shorter call centre wait times".</p> <p>4 Have you seen the McKinsey Report prior to my</p> <p>5 sending it on the 19th?</p> <p>6 MR. HAYNES:</p> <p>7 A. No, I'm not familiar with the McKinsey company</p> <p>8 at all, except I notice that they operate from</p> <p>9 Tel Aviv, but I presume they're an</p> <p>10 international company, but I don't know that.</p> <p>11 That's an assumption on my part.</p> <p>12 Q. And would the report, the McKinsey Report that</p> <p>13 they summarize, would those observations cause</p> <p>14 a pause to reflect on -- for Hydro to reflect</p> <p>15 on whether we're putting the focus where the</p> <p>16 consumer really wants the focus to be put?</p> <p>17 (10:45 A.M.)</p> <p>18 MR. HAYNES:</p> <p>19 A. It's certainly cause to reflect on what the</p> <p>20 appropriate things we should be doing for the</p> <p>21 rate payers are. I think there are a lot --</p> <p>22 again I go back, there are a lot of</p> <p>23 considerations. It's useful information. It</p> <p>24 is pause for thought. I don't think in some</p> <p>25 of our operating years that we are a developed</p>	<p>1 market when we look at our geography, and I</p> <p>2 think we would need to know a bit more</p> <p>3 information about where are these utilities</p> <p>4 and what are the things that drive them; are</p> <p>5 they a northern climate where the loss of</p> <p>6 electricity is a major impact on heating in</p> <p>7 the sense of electric heat or even driving</p> <p>8 your pumps and your fans and your furnaces, or</p> <p>9 whatever. I think there's a lot of things to</p> <p>10 consider. Even just going and grabbing a</p> <p>11 benchmark from somebody else, you just can't</p> <p>12 take it, you've got to weigh it; where was it</p> <p>13 done, what does it mean, how far down in the</p> <p>14 detail can you go to try to bring some</p> <p>15 reasonableness to it. I don't dispute the</p> <p>16 fact, obviously, the customers are paying the</p> <p>17 bills and they have a large input into what</p> <p>18 they're prepared to pay for it and what the</p> <p>19 expectations are, but there's a fair diversity</p> <p>20 there as well.</p> <p>21 Q. Would information of the type that's provided</p> <p>22 in the McKinsey Report cause you to do</p> <p>23 anything different than what you're doing now?</p> <p>24 Is there any insights from it?</p> <p>25 MR. HAYNES:</p>

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<p>1 A. I think we would have to take it under 2 consideration to see what this means. I 3 honestly don't think that any budgets that we 4 put forward to date are driving our costs 5 inordinately from the point of view of 6 reliability. I think that the -- we had an 7 outage this past week in Hopedale. It's 8 obviously paramount on their minds. The 9 community was out totally for an hour and a 10 half or so and half the community was out for 11 eight to nine hours. It's a very major issue, 12 but it comes down to -- in that particular 13 case, it comes down to our reliability 14 criteria in that particular event in the 15 diesel system. In their minds, it's 16 unsatisfactory.</p> <p>17 Q. And I can perfectly understand. What's the 18 reliability criteria for the isolated diesel?</p> <p>19 MR. HAYNES:</p> <p>20 A. In the diesel plant, we have a planning 21 criteria which is not uncommon. One that we 22 want to have a look at, a second look at to 23 see if it's appropriate, is the loss of the 24 large -- we plan to supply the peak load in 25 the community if we lose the largest generator</p>	<p>1 in the plant, and typically there are three 2 generators in most plants. Basically, we had 3 a catastrophic failure of an engine and we had 4 some issues with another engine, and in that 5 particular case we do not have mechanics and 6 electricians living in Hopedale. We basically 7 fly them in from Goose Bay, and that's what we 8 did, and we did have a partial service 9 restored within a couple of hours, basically, 10 by 11, I believe or so, I don't remember the 11 details exactly. The rest of the community 12 was when we could actually fix the second 13 machine. There's another generator now being 14 acquired and hopefully will arrive there 15 tomorrow so we're in a better state of 16 readiness if we lose another machine. So in 17 all those isolated communities, most of those 18 isolated communities when we have an event 19 like that, it is paramount in their minds, you 20 know, and there are lots of issues to 21 consider. Their fire pumps don't work. There 22 are other solutions to that. Obviously, they 23 could have their own diesel back up for that 24 sort of thing, but there's a whole raft of 25 things there. When you do the survey -- if</p>
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<p>1 you do a survey next week, obviously, if you 2 did it for Hopedale, we would get very poor 3 marks. Maybe in a year if they had no more 4 issues, we would get better marks. It is a 5 bit of a moving target in some of those areas.</p> <p>6 Q. Has Hydro ever taken the time -- my sense, 7 actually, is that people are cognizant of the 8 fact that there's no such thing as a perfect 9 system and there's a realization, people are 10 not unrealistic. Has Hydro ever asked, 11 whether through focus groups or surveys, the 12 number of hours of service outages that the 13 customers are willing to accept in a 14 particular area?</p> <p>15 MR. HAYNES:</p> <p>16 A. I don't think we've actually done that to 17 date. We have talked about it in the last 18 little while from a survey point of view, you 19 know, is it something that we should add and 20 how complex do we make the survey, ask the 21 right questions and try to validate the data. 22 You have to ask the right questions to get 23 meaningful results and it takes some 24 consideration, and I certainly am not an 25 expert in how to pose that question to get the</p>	<p>1 best value for the question.</p> <p>2 MR. HENDERSON:</p> <p>3 A. There are issues when you ask that kind of 4 question, if you take specifically the one 5 that's in CA #3, the first question, the 6 number of hours that a customer is willing to 7 accept. Of course, the customer doesn't have 8 a context in which to put those hours around 9 and what the cost of it is. A customer may 10 say we're willing to accept an hour a year, 11 but they don't know what that cost will be. 12 It gets very complex in terms of asking a 13 question like that because each level of hours 14 will have a cost associated with it, so it's 15 difficult to know exactly what a customer 16 would accept. There's questions that come to, 17 like, "if it's at supper time, I don't want 18 any; if it's in the middle of the night, you 19 can be out all night, I don't mind". So 20 there's all of those things that make it 21 complex in terms of wording a survey that 22 gives you a meaningful result that you can use 23 to then decide how you're going to spend money 24 on reliability.</p> <p>25 MR. HAYNES:</p>

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<p>1 A. I would add, on the isolated diesel 2 communities, I mean, we have a broad customer 3 base, we have a lot of diversity, we've looked 4 at all the systems from the point of view of 5 how we're doing. We do know or we do 6 certainly feel in meetings that we've had with 7 councils and complaints particularly in the 8 isolated diesel systems, when something like 9 that goes wrong, it's a big deal, it's not 10 just a feeder. Oftentimes when we get in 11 trouble like that it's the whole community 12 that's out for -- hopefully a small period of 13 time to get things reinstated, or at least so 14 we can rotate load, which brings other issues. 15 We have looked at that and one of the things, 16 as an example, that we're not blindly, if you 17 will, just going on a proposal that we spend 18 money, do this or do that, one of our 19 objectives this year which hopefully we'll 20 complete is to review, for instance, the 21 diesel planning criteria. We have surveyed. 22 When you asked the question earlier this 23 morning about have we looked at what other 24 jurisdictions do, we did do a survey a few 25 years ago in other Canadian utilities who</p>	<p>1 actually operate isolated diesel systems what 2 is your planning criteria, and there's 3 variations. Some utilities plan for the loss 4 of the largest machine. Many do. Some of 5 them assume that the other machines can 6 operate at full load. Some utilities operate 7 at 80 or 90 percent full load. So we're 8 planning this year to step back and do a 9 review of what is the planning criteria, to 10 look at the way we do our diesel plant design 11 in the sense of -- one of our obvious 12 exposures in the northern communities is if 13 the plant burns, and we have unfortunately had 14 that happen. Years ago there was a review 15 done and the decision was made, rightly or 16 wrongly, that we weren't going to put fire 17 protection in. Fire protection brings a whole 18 host of other concerns with respect to 19 inspection of the systems which has to be done 20 by another company, transportation issues, 21 cost issues, but when the plant burns and we 22 have had that unfortunate experience, if 23 that's in southern Newfoundland in a small 24 community of "x" number of customers, well, 25 maybe that's okay, you know, if push comes to</p>
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<p>1 shove, they could be relocated out. When you 2 get up into northern Labrador where 3 transportation of rebuilding a plant in the 4 middle of the winter is an horrendous 5 prospect, well, maybe we should be going back 6 and looking at the risk, maybe we should be 7 putting in fire protection, maybe we should be 8 looking at more robust diesels. As we all 9 know, we are bound by public tendering 10 guidelines, and we do go for the least 11 evaluated cost. High speed engines are 12 typically cheaper, but then the reliability we 13 keep being told by our field people, going 14 back to engineering, yeah, they're cheaper, 15 but they just don't work, they're not as 16 robust, they're not as tough. So we need to 17 go back and review that. At the end of the 18 day what I expect we will do is we'll end up 19 with a report and a recommendation from 20 Engineering, which looks at a whole host of 21 things, that here's where we are, here's an 22 appropriate criteria which may be different 23 for different diesels systems depending on the 24 number of customers, the physical location, 25 transportation difficulties, and we may end up</p>	<p>1 with two or three different criteria depending 2 on where it is, and we will bring that forward 3 and that would accompany a capital budget 4 proposal, for instance, to go back -- as an 5 example only, and I don't want to preclude 6 any results of the study, that we want to go 7 back and put in fire protection in the diesel 8 plants over a megawatt, for instance, or "x" 9 number of customers, or where there's no road 10 transportation. I don't want to preclude 11 any results of the thing, but we're not 12 sitting here, you know, status quo. We're 13 going back to look. We want to evaluate what 14 does this mean, what are the cost 15 implications, what will it do to rates, and we 16 will come forward with a proposal for the 17 Board's consideration. Now whether that will 18 be for a -- I doubt very much, and I'm quite 19 sure it will not be for a 2008 capital budget 20 proposal, but it may well be there for 2009 21 once the study is complete and we've weighed 22 all these things and chose what we think would 23 be an appropriate and reasonable course of 24 action. It would have rate implications as 25 well.</p>



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<p>1 Q. The revised answer to CA #30, which was at</p> <p>2 least spoken to by yourself this morning, gave</p> <p>3 the breakdown of reliability on rural</p> <p>4 interconnected. Does Hydro track any data as</p> <p>5 to how other rural operations do in other</p> <p>6 provinces?</p> <p>7 MR. HAYNES:</p> <p>8 A. We don't have that information, no. We don't</p> <p>9 have that information. As a matter of fact,</p> <p>10 one of the things that we were looking for one</p> <p>11 time was how did the diesel engines everywhere</p> <p>12 else perform, and that information is</p> <p>13 generally not collected. It used to be</p> <p>14 tracked by CEA years ago and was dropped as</p> <p>15 being not a significant thing to continue to</p> <p>16 track. On the generation side, we track all</p> <p>17 these reliability factors on hydro generators</p> <p>18 and thermal generators. On diesels, it's not</p> <p>19 done. We've talked about doing that</p> <p>20 internally so we have a better idea how these</p> <p>21 things perform, more from the point of view of</p> <p>22 justifying that a particular vendor, for</p> <p>23 instance -- we had excluded certain vendors</p> <p>24 from our bidding list for diesels based on</p> <p>25 performance, but engine speeds or whatever</p>	<p>1 have a higher long term operating cost because</p> <p>2 of higher maintenance. The information is not</p> <p>3 available. I would add, though, that in that</p> <p>4 particular -- you know, when we look at the</p> <p>5 isolated versus the interconnected systems, we</p> <p>6 do dig down to look at the -- we can dig down</p> <p>7 to look at what caused the system to be out in</p> <p>8 a diesel community, was it a distribution line</p> <p>9 problem, or was it a generating plant problem.</p> <p>10 So, you know, we do -- we can dig down there</p> <p>11 and that will be one of the aspects of looking</p> <p>12 at this particular review which we're</p> <p>13 proposing. We're not going to come in and say</p> <p>14 we want to increase the planning standard for</p> <p>15 a diesel plant design if the problem is, in</p> <p>16 fact, the distribution lines. It's a pretty</p> <p>17 rough terrain to operate up there in Labrador.</p> <p>18 I don't have the picture here, but, I mean,</p> <p>19 I've seen photographs of the fellows actually</p> <p>20 standing up and the street light is shoulder</p> <p>21 height. So it's a pretty challenging</p> <p>22 environment. It's a challenging environment</p> <p>23 which has to be considered. There are other</p> <p>24 things out there -- we have to shovel out the</p> <p>25 diesel plants. They're buried under snow in</p>
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<p>1 Black Tickle. There's a whole host of things</p> <p>2 that have to be considered as to how we meet</p> <p>3 these particular goals.</p> <p>4 Q. So your 20 percent improvement was arrived at</p> <p>5 in part, I take it, by looking at other</p> <p>6 utilities and their experience?</p> <p>7 MR. HAYNES:</p> <p>8 A. We looked at the gap, if you will, or the</p> <p>9 difference between the performance on the</p> <p>10 reliability of our distribution customers and</p> <p>11 the Newfoundland Power CEA, and we think that</p> <p>12 20 percent improvement, let's start there.</p> <p>13 Obviously, we can't keep going at 20 percent</p> <p>14 forever. You'll never be perfect, anyway,</p> <p>15 long term.</p> <p>16 THE CHAIRMAN:</p> <p>17 Q. Mr. Johnson, it's 11 o'clock. May I ask what</p> <p>18 your timing is on the completion?</p> <p>19 MR. JOHNSON:</p> <p>20 Q. I'm going to be a little bit more, Mr.</p> <p>21 Chairman, that's for sure. A break would</p> <p>22 probably be good.</p> <p>23 (11:00 A.M.)</p> <p>24 THE CHAIRMAN:</p> <p>25 Q. We'll reconvene at 11:30. Thank you.</p>	<p>1 (11:30 A.M.)</p> <p>2 THE CHAIRMAN:</p> <p>3 Q. Ms. Newman, anything before we get started?</p> <p>4 MS. NEWMAN:</p> <p>5 Q. Mr. Chairman, I'm just wondering if now might</p> <p>6 be a good time for us to mark these documents.</p> <p>7 Do you want all four marked? We'll call them</p> <p>8 information items or --</p> <p>9 MR. JOHNSON:</p> <p>10 Q. Yes, that would be fine with me.</p> <p>11 MS. NEWMAN:</p> <p>12 Q. Okay. So the first document is the McKinsey</p> <p>13 Quarterly Report, "What Power Consumers Want",</p> <p>14 and we'll call that Information #1. The next</p> <p>15 item is the Platts Report, "Electric Utility</p> <p>16 Week", August 4th, 2003, Information #2. The</p> <p>17 next item is National Energy Board Report, "A</p> <p>18 Compendium of Electric Reliability Frameworks</p> <p>19 Across Canada", June, 2004, that's Information</p> <p>20 #3. Then the other is the Newfoundland Power</p> <p>21 Peer Group Performance Measures, dated</p> <p>22 December 21st, 2006. That's Information #4.</p> <p>23 MR. JOHNSON:</p> <p>24 Q. I'd like to have you refer to the National</p> <p>25 Energy Board Report, Mr. Haynes, at page four.</p>

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<p>1 Have you had a chance to review this report?</p> <p>2 MR. HAYNES:</p> <p>3 A. Yes, I have.</p> <p>4 Q. Were you familiar with it prior to my sending</p> <p>5 it to you?</p> <p>6 MR. HAYNES:</p> <p>7 A. I have seen it before, but I can't say that I</p> <p>8 actually digested it to any great degree</p> <p>9 before. I have seen it and passed it on to a</p> <p>10 previous colleague.</p> <p>11 Q. The statement is made -- just before the bold</p> <p>12 letters, "How is reliability enhanced", the</p> <p>13 statement is made in the last sentence there</p> <p>14 before that, "A lack of redundancy, and</p> <p>15 generally longer distribution lines also mean</p> <p>16 that rural consumers experience lower</p> <p>17 reliability than urban consumers". That's a</p> <p>18 recognized fact, I take it?</p> <p>19 MR. HAYNES:</p> <p>20 A. I think our statistics from the isolated</p> <p>21 versus the interconnected demonstrates some of</p> <p>22 that, and certainly our statistics versus</p> <p>23 Newfoundland Power's would probably more</p> <p>24 emphasize that.</p> <p>25 Q. And in light of that recognized fact, and I</p>	<p>1 take it, that's not a political thing, I mean,</p> <p>2 that's a physicality fact of life as to why</p> <p>3 some areas don't get the same reliability as</p> <p>4 others, would that be correct?</p> <p>5 MR. HAYNES:</p> <p>6 A. Yes. It's not that these areas couldn't have</p> <p>7 the same level of reliability, but the cost</p> <p>8 would be significant.</p> <p>9 Q. That's right. So from that point of view,</p> <p>10 would we be seeking the same reliability</p> <p>11 standard for rural and urban and semi-urban</p> <p>12 areas in the Province of Newfoundland and</p> <p>13 Labrador, for instance? Would that be</p> <p>14 reasonable?</p> <p>15 MR. HAYNES:</p> <p>16 A. That we would establish different --</p> <p>17 Q. Would it be reasonable to establish different</p> <p>18 standards for each of the service areas?</p> <p>19 MR. HAYNES:</p> <p>20 A. It wouldn't be unreasonable. I think you</p> <p>21 still have to balance the whole with respect</p> <p>22 to your generation, your diesel plant design,</p> <p>23 the weather, the location. There's multiple</p> <p>24 factors to consider, but I don't think it</p> <p>25 would be economically viable or even</p>
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<p>1 acceptable from a rates point of view to</p> <p>2 anticipate that the consumer in a urban area,</p> <p>3 St. John's, Grand Falls, Corner Brook, and the</p> <p>4 reliability in Hopedale would be identical. I</p> <p>5 don't think that's practical. I don't know</p> <p>6 what the numbers are. We think there's still</p> <p>7 a fair distance, obviously, between where we</p> <p>8 are and where we should be before we actually</p> <p>9 get into a lot of discussion on those fine</p> <p>10 points.</p> <p>11 Q. And from that point of view, is the</p> <p>12 comparison, say, between Newfoundland Power's</p> <p>13 SAIDI and SAIFI and your own distribution</p> <p>14 SAIDI and SAIFI, is that really a fair</p> <p>15 comparison in your judgment?</p> <p>16 MR. HAYNES:</p> <p>17 A. In some areas it may be. On the</p> <p>18 interconnected areas, it may be, but I'm sure</p> <p>19 that Newfoundland Power, and they would</p> <p>20 obviously speak for themselves that -- I'm not</p> <p>21 sure how they measure all theirs offhand.</p> <p>22 I've seen some of the information, but if they</p> <p>23 were comparing a feeder by feeder basis</p> <p>24 performance in St. John's versus Trepassay or</p> <p>25 some other radio system they have, I'm sure</p>	<p>1 that they would have differences in their</p> <p>2 operating performance as we do.</p> <p>3 Q. At page 11 of that National Energy Board</p> <p>4 Report, I refer now under the topic 2.5,</p> <p>5 "Mandatory Reliability Standards". It says,</p> <p>6 "The circumstances brought about by</p> <p>7 restructuring have been a driving force behind</p> <p>8 efforts to develop a system of mandatory</p> <p>9 reliability standards which should be</p> <p>10 monitored and enforced through a compliance</p> <p>11 program with financial penalties. The</p> <p>12 Canadian Electricity Association, which</p> <p>13 represents Canada's electricity industry,</p> <p>14 supports mandatory standards. Additionally,</p> <p>15 some provinces have legislative and regulatory</p> <p>16 initiatives in place now or plans for</p> <p>17 mandatory standards". Were you familiar with</p> <p>18 the CEA's position on mandatory standards?</p> <p>19 MR. HAYNES:</p> <p>20 A. Yes. I would add too, though, that -- let me</p> <p>21 see how to put this. You still have to go</p> <p>22 back and look at the drivers. A lot of the</p> <p>23 other Canadian utilities, and certainly some</p> <p>24 of the larger CEA members have a lot of</p> <p>25 north/south transmission lines. This brings</p>

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<p>1 into play reciprocity issues with respect to</p> <p>2 open access transmission, and it's not</p> <p>3 necessarily a place that Hydro needs to be at</p> <p>4 this point in time with interconnection. Most</p> <p>5 of the oversight is regarding the larger</p> <p>6 national grid, if you will, as opposed to down</p> <p>7 the distribution level. Their oversight is,</p> <p>8 in fact -- certainly not the same as the</p> <p>9 National Energy Board. The National Energy</p> <p>10 Board does not have the same jurisdiction that</p> <p>11 FERC has, and the FERC guidelines are for the</p> <p>12 main grid to prevent the blackouts of 2003 and</p> <p>13 things like that. That's the primary thrust</p> <p>14 of their reliability planning criteria and</p> <p>15 penalties, the works.</p> <p>16 Q. Does this not evidence a certain trend, a</p> <p>17 regulatory trend, towards having some</p> <p>18 mandatory standards set down?</p> <p>19 MR. HAYNES:</p> <p>20 A. It is on the bulk systems and the large</p> <p>21 interconnected systems, the North American</p> <p>22 context. At this point in time we're not</p> <p>23 connected -- we're not interconnected except</p> <p>24 for Labrador, and that's kind of behind the</p> <p>25 performance, I guess, of Churchill Falls. On</p>	<p>1 large interconnected systems where they're</p> <p>2 looking at preventing cascading failures and</p> <p>3 the blackouts that occurred in 2003, that's</p> <p>4 the thrust of the FERC oversight and the</p> <p>5 reliability organization, and I do agree with</p> <p>6 you that some jurisdictions have endorsed from</p> <p>7 a regulatory point of view that their</p> <p>8 regulators would actually regulate that</p> <p>9 aspect.</p> <p>10 Q. Let me understand where you think the state of</p> <p>11 reliability is for your customers. Is it</p> <p>12 acceptable or not acceptable? Where is it, in</p> <p>13 your judgment?</p> <p>14 MR. HAYNES:</p> <p>15 A. You mean our reliability performance to our</p> <p>16 distribution customers now?</p> <p>17 Q. Yeah.</p> <p>18 MR. HAYNES:</p> <p>19 A. I have no issue at all supporting that we need</p> <p>20 to be improving our performance. We have put</p> <p>21 forward capital budget proposals to do that.</p> <p>22 We have, I think, reasonably demonstrated in</p> <p>23 RFI's and so on that we have held the line</p> <p>24 insofar as we can on the operating cost. One</p> <p>25 of our big drivers in some of these areas is</p>
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<p>1 fuel costs, which is a separate issue, that's</p> <p>2 a supply side cost. The 20 percent</p> <p>3 improvement does recognize that the</p> <p>4 performance in the isolated systems is not the</p> <p>5 same as in the interconnected. It's a place</p> <p>6 to start. It is not the end game from the</p> <p>7 point of view of being an absolute thing that</p> <p>8 we're going to embrace for the next five or</p> <p>9 ten years. We will review these particular</p> <p>10 performance in these systems and come back</p> <p>11 with, from our perspective, a judgment and</p> <p>12 rationale as to why we should be targeting an</p> <p>13 improvement and put forward operating and</p> <p>14 capital budgets based on need. Just to re-</p> <p>15 emphasize, we largely serve a rural area, 21</p> <p>16 isolated systems who do not actually see the</p> <p>17 real cost of service on their bills, and</p> <p>18 that's a social policy issue, which is fine,</p> <p>19 but -- and we have tried to balance all those</p> <p>20 factors and will continue to try to balance</p> <p>21 those factors under the guidance of the Board.</p> <p>22 Q. I take it, though, that if you thought that</p> <p>23 your reliability figures were acceptable, you</p> <p>24 wouldn't be aiming 20 percent improvement at</p> <p>25 them?</p>	<p>1 MR. HAYNES:</p> <p>2 A. No, certainly we wouldn't. I don't think that</p> <p>3 they are acceptable in the rural areas. I</p> <p>4 don't think it's acceptable to be tolerating</p> <p>5 nine hour outages in Hopedale as we did this</p> <p>6 past week.</p> <p>7 Q. Well, doesn't that even more speak -- you</p> <p>8 know, doesn't that more speak to the need for</p> <p>9 a reliability policy with some mandatory</p> <p>10 standards? I mean, if your suggestion is that</p> <p>11 you're delivering less than what people expect</p> <p>12 and should deserve to get in their</p> <p>13 communities, why would you be against having</p> <p>14 some of these reliability mandatory standards</p> <p>15 in this jurisdiction? Wouldn't that be</p> <p>16 helpful?</p> <p>17 MR. HAYNES:</p> <p>18 A. I don't know if it would be helpful or</p> <p>19 harmful. I really don't think at this point</p> <p>20 in time with our rural nature, of our supply,</p> <p>21 and our focus on balancing cost and</p> <p>22 reliability, that we are actually doing</p> <p>23 anything wrong with respect to the way we</p> <p>24 bring forward improvement projects right now.</p> <p>25 I personally don't think it is wrong. The 20</p>

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<p>1 percent target improvement is a guide for 2 capital projects, it's a guide for the people 3 in the field to draw a higher level of focus 4 on reliability besides customer complaints. 5 It's a target that they're striving for, and 6 any things that we can do from an operating 7 point of view or capital point of view to 8 improve that, we will bring forward and 9 attempt to do.</p> <p>10 Q. But would you grant me that the probability of 11 arriving at what you've termed an unacceptable 12 situation for certain customers reliability 13 would have been lessened had we had a formal 14 policy in place setting out what the minimum 15 standards would be?</p> <p>16 (11:45 A.M.)</p> <p>17 MR. HAYNES:</p> <p>18 A. I don't think so. With respect to the 19 Hopedale example, we had a catastrophic 20 failure of a generating set and issues with 21 another generating set. Even with the best 22 reliability standards, that could still 23 happen. I would think that over time the 24 probability of that happening would be less, 25 yes.</p>	<p>1 Q. But it's always easy to pick out an example 2 and suggest that the inability to guard 3 against that example occurring argues against 4 the need for a minimum standard, but would you 5 not agree that on the whole, having a minimum 6 standard in place would guard against finding 7 ourselves, as you have evidentially put us, at 8 an unacceptable level of reliability for 9 certain of your customers?</p> <p>10 MR. HAYNES:</p> <p>11 A. It might, but I think we have to be very 12 conscious of the cost and the overall 13 implications of that. I don't think that I 14 could agree that we would pick a number today 15 that would be an appropriate number for 16 reliability regulation.</p> <p>17 Q. I'm not asking you to pick a number today.</p> <p>18 MR. HAYNES:</p> <p>19 A. And I would go further that, you know, with 20 respect to the whole distribution system, I 21 mean, there's a myriad of factors that 22 influence what I refer to as the meter socket 23 view. Things in Holyrood can interrupt 24 distribution customers, the transmission 25 system, terminal stations. There's a whole</p>
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<p>1 myriad of things that collectively impact what 2 the customer sees in his meter socket. It's 3 not as simple --</p> <p>4 Q. I understand that, but is it not possible to 5 incorporate the myriad of factors and 6 circumstances that prevail in Newfoundland and 7 have a standard that's nuanced enough to take 8 into consideration those factors? You fear 9 that somehow we're going to miss the nuances 10 of our system, but I'm suggesting to you 11 that's not necessarily the case.</p> <p>12 MR. HAYNES:</p> <p>13 A. I don't fear the standard. If the standard is 14 there, we will do our utmost to meet that 15 standard as we do to deliver quality service 16 today. I personally don't think that it's 17 necessary to do this on a distribution system 18 at this point in time. I don't think the 19 jurisdiction is big enough to apply that level 20 of fineness to where we are. We consider 21 all the factors when we input capital budget 22 proposals, and in our GRA we have leveled 23 the cost. There's no rate increase of any 24 consequence this time around, so we're not 25 driving cost through the roof.</p>	<p>1 Q. Yet despite all that, though, the fact remains 2 that in your evidence you're suggesting that 3 we still have unacceptable levels of 4 reliability for certain of your customers?</p> <p>5 MR. HAYNES:</p> <p>6 A. Yes, and if we were down approaching some, I 7 guess, what we collectively thought was an 8 acceptable standard of service, maybe that's a 9 time to consider it. I don't think it's 10 necessary at this point in time.</p> <p>11 Q. Let me turn to the IRP. You were here 12 yesterday for my opening statement, and I know 13 you commented upon Mr. Bowman's evidence in 14 that regard, but I think the ball has moved a 15 little bit further down the field on that 16 issue. My proposition that was shared by my 17 friend, Mr. Hutchings, on behalf of industrial 18 customers, was that we're simply seeking for 19 the Board to provide us leave to come back to 20 address the IRP issue following a reasonable 21 period of time after the delivery of the 22 Provincial Energy Plan, or if that did not 23 happen within a reasonable period of time, an 24 ability to come back to keep the issue on the 25 agenda, as it were. That being my position,</p>

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<p>1 do you have any difficulty with that, Mr.</p> <p>2 Haynes?</p> <p>3 MR. HAYNES:</p> <p>4 A. No, I don't. I go back and repeat what I said</p> <p>5 this morning that whatever the Energy Plan</p> <p>6 says is obviously going to be paramount in</p> <p>7 whatever we do with respect to an IRP. The</p> <p>8 other factor is the particular draft, if you</p> <p>9 will, that's there right now, I don't know --</p> <p>10 I'm assuming that Newfoundland Power never had</p> <p>11 input. That is a consumer advocate and</p> <p>12 industrial customers perspective. We would</p> <p>13 need to sit down with the Board, assuming that</p> <p>14 it's still appropriate following the Energy</p> <p>15 Plan, to determine what is the terms of</p> <p>16 reference, the scope, et cetera. At the end</p> <p>17 of the day, it's a technical economic</p> <p>18 evaluation of what the alternatives are and</p> <p>19 how we best get there and serve our customers</p> <p>20 in the best way we can.</p> <p>21 Q. So you're not necessarily disagreeing with</p> <p>22 what I put forward?</p> <p>23 MR. HAYNES:</p> <p>24 A. As I said in my comments this morning, and I</p> <p>25 hope I was clear, that we have no issue coming</p>	<p>1 back following the release of the Energy Plan</p> <p>2 to discuss that, and I would add further that</p> <p>3 if for some reason the Energy Plan was</p> <p>4 withdrawn or did not appear in the second</p> <p>5 quarter, say, that we would come back and</p> <p>6 discuss where we go from here. We don't</p> <p>7 dispute the fact that is a common way to do</p> <p>8 planning, but I would also reemphasize that we</p> <p>9 do generation planning now, we look at</p> <p>10 transmission planning, transformer loadings,</p> <p>11 we do all that now, but we have not taken it</p> <p>12 to the next level. Demand side management is</p> <p>13 an obvious addition to that.</p> <p>14 Q. On the peer group reporting, and you'll note</p> <p>15 that late last week I sent you over a copy of</p> <p>16 the peer group performance measures for</p> <p>17 Newfoundland Power dated December 21, 2006,</p> <p>18 which is Information No. 4?</p> <p>19 MR. HAYNES:</p> <p>20 A. Yes.</p> <p>21 Q. And had you seen a Newfoundland Power Peer</p> <p>22 Group Report prior to my sending them to you</p> <p>23 from any previous years?</p> <p>24 MR. HAYNES:</p> <p>25 A. From previous years? Yes, I've seen them,</p>
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<p>1 they're not--yes, I think there was one</p> <p>2 presented in 2004, possibly.</p> <p>3 Q. And then this was filed by Newfoundland Power</p> <p>4 in December 21, 2006, and then we had asked an</p> <p>5 RFI in CA-30 about comparisons and to Peer</p> <p>6 Groups on just reliability figures.</p> <p>7 MR. HAYNES:</p> <p>8 A. That's correct.</p> <p>9 Q. And then the initial reply to that was, you</p> <p>10 know, CCA-4, whereby you explained why that,</p> <p>11 you know, couldn't all be done, et cetera, and</p> <p>12 then bang, we get a revised version of CA-30</p> <p>13 where lo' and behold you provide comparisons</p> <p>14 to composite Canadian utilities, et cetera.</p> <p>15 And I'm just trying to reconcile in my mind</p> <p>16 how it could be that first of all Hydro agreed</p> <p>17 to start collection Peer Group information and</p> <p>18 reporting it annually to the Board, back at</p> <p>19 the last case, and then Newfoundland Power</p> <p>20 started providing that information to the</p> <p>21 Board, comparing itself to a composite group</p> <p>22 of Canadian utilities and American utilities,</p> <p>23 and Hydro is not able to provide this</p> <p>24 information. I find it difficult.</p> <p>25 MR. HAYNES:</p>	<p>1 A. We did not pursue, I guess following our</p> <p>2 submission of our report to the Board, we did</p> <p>3 not pursue going off and following the CEA, I</p> <p>4 guess, you know, their policy, to go back and</p> <p>5 establish another group. We did not do that.</p> <p>6 It's, you know, there was a report made to the</p> <p>7 Board; there was a recommendation made. CEA</p> <p>8 changed their policy, but we did not</p> <p>9 proactively go back and seek other</p> <p>10 alternatives, but we are committed to do it</p> <p>11 now.</p> <p>12 Q. But are you still committed to the importance</p> <p>13 that external peer grouping has to the</p> <p>14 regulatory process and the pursuit of</p> <p>15 excellence of Hydro?</p> <p>16 MR. HAYNES:</p> <p>17 A. Yes, it's an important factor. To say that we</p> <p>18 are going to be the same or to be in the same</p> <p>19 quartile as some of these things, I don't know</p> <p>20 that, we have to pick the right group. In</p> <p>21 some respects on the distribution, it will be</p> <p>22 a challenge to pick a group that we can say</p> <p>23 that we should be within five or ten percent,</p> <p>24 for instance, of some statistic because of our</p> <p>25 rural nature, because we operate 21</p>

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<p>1 independent isolated diesel systems and they</p> <p>2 all factor into our overall performance. Our</p> <p>3 concern, obviously, is what is the peer group</p> <p>4 and we would have to go back to the FERC</p> <p>5 database, if you will, that's one, there may</p> <p>6 be others, and try to mine out the appropriate</p> <p>7 comparators or the appropriate utilities that</p> <p>8 we would compare to. On the reliability, CEA</p> <p>9 seems to be the obvious choice.</p> <p>10 Q. But beyond the importance of finding out how</p> <p>11 your peer group is doing in terms of absolute</p> <p>12 terms, which is I think your concern of yours,</p> <p>13 and we can compare apples to apples and</p> <p>14 understand that, but do you not also see the</p> <p>15 benefit of tracking trend lines over time to</p> <p>16 see what other people's costs are doing--other</p> <p>17 utilities' costs are doing verses what your</p> <p>18 costs are doing, what other reliability is</p> <p>19 doing compared to yours, the trending issue?</p> <p>20 MR. HAYNES:</p> <p>21 A. Yes, I think that's important, but I also</p> <p>22 think one of the key things is how we're</p> <p>23 trending, how are we doing this year, last</p> <p>24 year, when you look at escalation or inflation</p> <p>25 or load growth et cetera, how we, as a</p>	<p>1 utility, are doing. How is our OMNA for</p> <p>2 circuit kilometers? Is it dropping, is it</p> <p>3 holding the line, is it going up and why? And</p> <p>4 one of the key things is our own record and I</p> <p>5 think the benchmarks outside are important,</p> <p>6 yes, because I don't think that we should be,</p> <p>7 you know, if they're going up and we're going</p> <p>8 down, you have to examine why, for instance,</p> <p>9 but you know, you got to dig a little bit</p> <p>10 deeper. The bigger the group, the more</p> <p>11 comfort you get that they are covering off a</p> <p>12 bunch of other aspects. I don't disagree, no.</p> <p>13 Q. So the ball was dropped here a little bit, I</p> <p>14 put to you, in terms of this peer group</p> <p>15 reporting initiative, would you not agree with</p> <p>16 that?</p> <p>17 MR. HAYNES:</p> <p>18 A. Well, I've asked--when you say "the ball has</p> <p>19 dropped", I'm not quite sure what you mean.</p> <p>20 Q. Well, I mean, if you had been more proactive</p> <p>21 and you used the word "proactive" in your</p> <p>22 response, we might be seeing something</p> <p>23 different than what we have now?</p> <p>24 MR. HAYNES:</p> <p>25 A. Yes, although we were hopeful that CEA would</p>
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<p>1 resolve the issues and be, you know, it would</p> <p>2 have been dispensed with sooner so we would</p> <p>3 not have to go and allocate resources to go</p> <p>4 and do that. You know, the other thing that</p> <p>5 Mr. Martin mentioned and which you had</p> <p>6 mentioned this morning a bit as well, is that</p> <p>7 going to the FERC database doesn't tell you</p> <p>8 what best practices are, that only tells you</p> <p>9 that these utilities are doing this and this</p> <p>10 is their record, then you got to contact them</p> <p>11 or get into a user group whereby you can</p> <p>12 discuss those sorts of things, and they are</p> <p>13 out there as well.</p> <p>14 Q. I take your point, I mean if you find someone</p> <p>15 who is doing better, you can pick up the phone</p> <p>16 and ask them what the--how they're doing.</p> <p>17 MR. HAYNES:</p> <p>18 A. And sometimes they're open minded; sometimes</p> <p>19 they're not. It depends on what--I doubt very</p> <p>20 much if they're going to be competitive</p> <p>21 against Newfoundland Hydro at this point,</p> <p>22 today, but you know, there's a lot of</p> <p>23 competition in the US utilities which doesn't</p> <p>24 necessarily make all that so free and easy to</p> <p>25 get as it would have been 25 years ago.</p>	<p>1 Q. So in a nutshell, what is it that Hydro is now</p> <p>2 prepared to do by way of peer group reporting</p> <p>3 on an annual basis to the Board?</p> <p>4 MR. HAYNES:</p> <p>5 A. On a peer group reporting we have committed to</p> <p>6 continue with the CEA on the reliability</p> <p>7 factors and we will also go out and seek</p> <p>8 another peer group through FERC, for instance,</p> <p>9 or any other thing that we can find to put</p> <p>10 together a credible peer group to compare it</p> <p>11 to and we'll prepare statistics based on that</p> <p>12 and present those with our KPI reports in the</p> <p>13 future. I don't know if the--I should qualify</p> <p>14 for the next KPI report, if that will be done</p> <p>15 by then because that's usually done in the</p> <p>16 Spring, but certainly for the next review,</p> <p>17 which will be 2007, we will be in a good</p> <p>18 position to present whatever we find and would</p> <p>19 hopefully do that.</p> <p>20 Q. Those are my questions, Mr. Haynes, thank you.</p> <p>21 MR. HAYNES:</p> <p>22 A. You're welcome.</p> <p>23 Q. Thank you, Mr. Henderson.</p> <p>24 MR. HENDERSON:</p> <p>25 A. You're welcome.</p>

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<p>1 CHAIRMAN:</p> <p>2 Q. Thank you, Mr. Johnson. Mr. Hutchings, do you</p> <p>3 have any questions?</p> <p>4 HUTCHINGS, Q.C.:</p> <p>5 Q. We have no questions for this panel, thank you</p> <p>6 Mr. Chairman.</p> <p>7 CHAIRMAN:</p> <p>8 Q. Good morning, Mr. Kelly.</p> <p>9 KELLY, Q.C.:</p> <p>10 Q. Thank you, Chair. Mr. Haynes, you looked with</p> <p>11 Ms. Butler at CA-30, the revision to it,</p> <p>12 looking at the distribution SAIFI and SAIDI,</p> <p>13 those comparisons are for your whole system,</p> <p>14 they're a composite, correct?</p> <p>15 MR. HAYNES:</p> <p>16 A. On the chart, they are composites, in the</p> <p>17 table below we separate the composite numbers</p> <p>18 indicated as well as the interconnected</p> <p>19 performance and the isolated system</p> <p>20 performance.</p> <p>21 Q. Right, now that composite is made up of any</p> <p>22 number of distribution lines or feeder lines</p> <p>23 and I understood from the testimony that you</p> <p>24 gave, both to Ms. Butler and Mr. Johnson, that</p> <p>25 you track your reliability on those individual</p>	<p>1 feeder lines, correct.</p> <p>2 MR. HAYNES:</p> <p>3 A. That's correct.</p> <p>4 Q. Now the thrust of what I wanted to get to is</p> <p>5 this, I take it you have lines that have</p> <p>6 recently been upgraded or replaced, for</p> <p>7 example, and would have a high degree of</p> <p>8 reliability and you would have lines on your</p> <p>9 system which are aged, may require further</p> <p>10 maintenance, may need to be replaced?</p> <p>11 A. That's correct.</p> <p>12 Q. Correct? And so the question I would like you</p> <p>13 to address for the Board is explain how you go</p> <p>14 about determining with that mixed system, the</p> <p>15 maintenance work that you will do on lines,</p> <p>16 how do you target those lines and how do you</p> <p>17 then choose as to what you're going to do for</p> <p>18 maintenance and what you're going to do for</p> <p>19 capital. Just explain that process.</p> <p>20 MR. HAYNES:</p> <p>21 A. I think all the--there are three regions in</p> <p>22 Hydro and they all have people, obviously, who</p> <p>23 are responsible for the distribution system.</p> <p>24 They have the information in a system,</p> <p>25 basically it's a computerized system with</p>
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<p>1 respect to the reliability, how we do, they</p> <p>2 rank the poor performers. We have--the poor</p> <p>3 performers that are there, for instance, worn</p> <p>4 out insulators or particularly in salt spray</p> <p>5 areas or insulators that are bad because just</p> <p>6 insulator manufacturing issues of long ago,</p> <p>7 we've targeted those for capital replacement.</p> <p>8 We have programs in place for what we call the</p> <p>9 distribution upgrades, so that basically the</p> <p>10 line crews and the supervisor, there's an</p> <p>11 amount of money allocated based on past</p> <p>12 performance for distribution upgrades, which</p> <p>13 looks at basically a five-year rolling average</p> <p>14 of what it costs to just routinely do</p> <p>15 upgrades, they go into an area, they replace</p> <p>16 bad poles or poles that they think will fail,</p> <p>17 crossarms, you know, insulators, cut outs,</p> <p>18 whatever, and that's done on a--I'll call it a</p> <p>19 sustaining capital basis, whereby we know that</p> <p>20 every year we're going to spend "X" amount of</p> <p>21 dollars for that and it's a projection based</p> <p>22 on five years experience. On a maintenance</p> <p>23 side, you know, the maintenance aspects vary.</p> <p>24 We do have some lines that are poor performers</p> <p>25 in wind or where we have heavy salt spray, you</p>	<p>1 know, there are some proactive things done in</p> <p>2 the maintenance aspects with respect to</p> <p>3 ensuring that the line crews go home with a</p> <p>4 bucket truck, if you will, so they can more</p> <p>5 readily respond to an outage, or that we have,</p> <p>6 for instance, like some of our areas are</p> <p>7 extremely susceptible to that and Fogo, Change</p> <p>8 Islands, we have dispatched crews to--we don't</p> <p>9 have a line crew on Change Islands, for</p> <p>10 instance, but if we, looking at the weather</p> <p>11 forecast and we anticipate a very bad weekend,</p> <p>12 we have dispatched crews to actually go there</p> <p>13 on a Thursday or Friday and stay so that they</p> <p>14 can more readily respond to trouble that we've</p> <p>15 had. We've done that often in certain areas.</p> <p>16 So there's different tactics in different</p> <p>17 places.</p> <p>18 Q. And so if I can just look at some of the</p> <p>19 things you just mentioned, you talked about</p> <p>20 looking at the system components and the age</p> <p>21 and condition of them, correct?</p> <p>22 MR. HAYNES:</p> <p>23 A. Yes.</p> <p>24 Q. That would entail in also looking at the</p> <p>25 anticipated manufacturer's lifespan of these</p>

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<p>1 projects, various components?</p> <p>2 MR. HAYNES:</p> <p>3 A. That's correct.</p> <p>4 (12:00 P.M.)</p> <p>5 Q. And then you're looking at the performance of</p> <p>6 the line itself, that factors into it?</p> <p>7 MR. HAYNES:</p> <p>8 A. Yes.</p> <p>9 Q. And does there come a point at which you do an</p> <p>10 assessment of the line to see whether in</p> <p>11 essence this line is sufficiently old in its</p> <p>12 infrastructure that it needs to be replaced?</p> <p>13 MR. HAYNES:</p> <p>14 A. Yes, we've done that on many occasions and</p> <p>15 will continue to do it and we have gone with</p> <p>16 major, for instance, pole replacement programs</p> <p>17 or basically rebuild sections of line or to,</p> <p>18 you know, put in mid span poles, you know,</p> <p>19 each line does have its own caveat stuff, I</p> <p>20 guess age and service environment. The people</p> <p>21 in the field, along with engineering support,</p> <p>22 will evaluate those and prepare</p> <p>23 justifications, but typically we do look at</p> <p>24 the poor performers and try to address those</p> <p>25 key issues which overall affect our composite</p>	<p>1 performance.</p> <p>2 Q. So managing these issues is not simply</p> <p>3 managing SAIFI and SAIDI on some kind of</p> <p>4 composite, it's actually looking at this in</p> <p>5 the field with particular feeder lines,</p> <p>6 components, poles, transformers, et cetera?</p> <p>7 MR. HAYNES:</p> <p>8 A. Absolutely.</p> <p>9 Q. Okay, now I take it from your answers that t</p> <p>10 here's a large degree of engineering judgment</p> <p>11 that factors into this as well?</p> <p>12 MR. HAYNES:</p> <p>13 A. That's correct.</p> <p>14 Q. And would you agree with this that a plan</p> <p>15 maintenance program and a plan replacement</p> <p>16 program actually saves money because it avoids</p> <p>17 unplanned costly outages?</p> <p>18 MR. HAYNES:</p> <p>19 A. That's correct.</p> <p>20 Q. And can I get you to elaborate on that?</p> <p>21 MR. HAYNES:</p> <p>22 A. Well, for instance I'll pick on--I know that</p> <p>23 the Consumer Advocate may think this is the</p> <p>24 extreme case, but if you pick on--and I'll</p> <p>25 pick a Labrador community as a for instance,</p>
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<p>1 if we have distribution issues in some</p> <p>2 community in Labrador, if we plan a project,</p> <p>3 whether it's an operating intervention or a</p> <p>4 capital intervention, we will look at the</p> <p>5 performance, we will look at what we have to</p> <p>6 do to improve it, from the point of view of</p> <p>7 design, where the poles are, may be some</p> <p>8 relocation and we'll go in, assuming it's a</p> <p>9 capital budget, we'll go and do it. If we</p> <p>10 leave it and we have a failure, then we are</p> <p>11 into, first of all, bringing in crews from</p> <p>12 outside for which there may or may not be a</p> <p>13 commercial flight that day, so we use a</p> <p>14 helicopter. It's a--reactive work, typically</p> <p>15 always cost more than proactive work.</p> <p>16 Q. And so if I translate that onto an island,</p> <p>17 part of the interconnected system, if you have</p> <p>18 a feeder line running to Onion Cove on the</p> <p>19 Northern Peninsula, if that goes out in the</p> <p>20 middle of the winter unexpectedly, it's a more</p> <p>21 costly venture to repair and replace it than</p> <p>22 if it is a planned replacement or repair in</p> <p>23 the middle of the summer?</p> <p>24 MR. HAYNES:</p> <p>25 A. That's correct.</p>	<p>1 Q. Thank you, Mr. Haynes, Mr. Henderson. Those</p> <p>2 are my questions.</p> <p>3 CHAIRMAN:</p> <p>4 Q. Thank you, Mr. Kelly.</p> <p>5 BUTLER, Q.C.:</p> <p>6 Q. Redirect, Mr. Chairman?</p> <p>7 CHAIRMAN:</p> <p>8 Q. Yes, please.</p> <p>9 BUTLER, Q.C.:</p> <p>10 Q. I wonder, Mr. Haynes, to put this entire</p> <p>11 examination-in-chief in some context, can we</p> <p>12 have a look at the map which was attached to</p> <p>13 Exhibit JRH-2, I believe, 2.1? Can we just</p> <p>14 get the bottom part of the island there on the</p> <p>15 screen maybe?</p> <p>16 MR. O'RIELLY:</p> <p>17 Q. The bottom part?</p> <p>18 BUTLER, Q.C.:</p> <p>19 Q. If you can get the whole--there you go, all</p> <p>20 right. Relative to Newfoundland Hydro's</p> <p>21 service territory, Mr. Haynes, can you tell us</p> <p>22 please, how many distribution customers does</p> <p>23 Newfoundland and Labrador Hydro serve?</p> <p>24 MR. HAYNES:</p> <p>25 A. There are approximately 35,000 customers.</p>



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<p>1 Q. And they would be, of course, not just on the</p> <p>2 island but also in Labrador?</p> <p>3 MR. HAYNES:</p> <p>4 A. That's correct.</p> <p>5 Q. And how many of Hydro's 35,000 customers</p> <p>6 actually pay cost of service?</p> <p>7 MR. HAYNES:</p> <p>8 A. From a regional point of view or system point</p> <p>9 of view, none of them actually pay the cost of</p> <p>10 service at that--you know, the interconnected</p> <p>11 customers do not pay the cost of service, nor</p> <p>12 do the Isolated Diesel systems.</p> <p>13 Q. And how many of the 35,000 customers are</p> <p>14 isolated diesel customers?</p> <p>15 MR. HAYNES:</p> <p>16 A. I think that's in the report. I think it was</p> <p>17 about 4400, but--you don't know offhand, do</p> <p>18 you, Rob?</p> <p>19 MR. HENDERSON:</p> <p>20 A. It's around 35.</p> <p>21 MR. HAYNES:</p> <p>22 A. 3500 customers.</p> <p>23 MR. HENDERSON:</p> <p>24 A. 3500 on the isolated.</p> <p>25 Q. And how many different isolated systems?</p>	<p>1 MR. HAYNES:</p> <p>2 A. There are 21 communities that we serve and</p> <p>3 there's Natuasish which was discussed</p> <p>4 yesterday.</p> <p>5 Q. Now to appreciate the complexity of</p> <p>6 reliability spending versus reliability</p> <p>7 results, can we just, looking at this map, for</p> <p>8 an example, take the community of Quirpon.</p> <p>9 Can you tell me where that is?</p> <p>10 MR. HAYNES:</p> <p>11 A. That's up on the Northern Peninsula near</p> <p>12 L'Anse Aux Meadows. I was actually there this</p> <p>13 past summer on vacation. But it's -</p> <p>14 Q. It's actually spelled Q-U-I-R-P-O-N, is it?</p> <p>15 MR. HENDERSON:</p> <p>16 A. I can't see it there. I'm sorry, yes.</p> <p>17 MR. HAYNES:</p> <p>18 A. Very nice community, I would add.</p> <p>19 Q. If an outage is suffered in the community of</p> <p>20 Quirpon, what could be the cause, Mr. Haynes?</p> <p>21 MR. HAYNES:</p> <p>22 A. That's--I don't know if that's the last--the</p> <p>23 furthest customer away on the whole system,</p> <p>24 but basically St. Anthony system is an</p> <p>25 extremely long ways away from generation.</p>
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<p>1 Basically issues can be local distribution</p> <p>2 issues with respect to the service connection,</p> <p>3 could be on the--back to the transformer. It</p> <p>4 can go back to the main terminal station at, I</p> <p>5 believe, at St. Anthony, and just keep on--and</p> <p>6 you walk on down this--we don't have the wires</p> <p>7 on this particular map, but basically it's a</p> <p>8 single line--press the right key here--</p> <p>9 basically you walk all the way down the</p> <p>10 Northern Peninsula, which basically is a long</p> <p>11 radial 66N 138 KV line. There's 66 up here,</p> <p>12 138 down here. You come back where it ties</p> <p>13 into the main grid at Deer Lake, and Deer Lake</p> <p>14 would be kind of the main grid connection with</p> <p>15 a 138 KV line through the park, and that's</p> <p>16 where basically it would get a primary</p> <p>17 connection to most generation. There is some</p> <p>18 small local generation. You could even go</p> <p>19 back as far as Holyrood. If that particular</p> <p>20 feeder was on under frequency load shedding,</p> <p>21 which the Board is familiar with, that if we</p> <p>22 lost a generator at Holyrood, we could, in</p> <p>23 theory--I don't think that particular feeder</p> <p>24 is on the load shedding scheme right now,</p> <p>25 maybe because of the size of the load, but if</p>	<p>1 we lost a generator at Holyrood, we could trip</p> <p>2 those particular customers. Usually it's a</p> <p>3 brief outage. Every event that happens on the</p> <p>4 Northern Peninsula, in respect from Deer Lake</p> <p>5 north, can cause lights to flicker and, you</p> <p>6 know, it's--they're at the end of a radial</p> <p>7 system and every event on the GNP can put them</p> <p>8 at risk or they certainly see the impacts of</p> <p>9 our service.</p> <p>10 Q. So can you explain the analysis that goes into</p> <p>11 determining how to improve reliability service</p> <p>12 in a community like Quirpon?</p> <p>13 MR. HAYNES:</p> <p>14 A. Well, in that particular location there, the</p> <p>15 regional office responsible for the community</p> <p>16 is at Port Saunders, and they have</p> <p>17 transmission line people there and</p> <p>18 distribution service crews who actually</p> <p>19 perform that. I think the closest crew for</p> <p>20 that particular community is in St. Anthony.</p> <p>21 They go in there and inspect, you know, look</p> <p>22 for issues, not look for issues, sometimes</p> <p>23 it's very apparent and blatant, on occasion,</p> <p>24 but they basically repair through the</p> <p>25 distribution upgrade program or if it's just a</p>

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<p>1 routine maintenance, it's just an operating 2 cost and they do it and go on. 3 With respect to the supply side, on the 4 138 KV line up, there's maintenance aspects 5 there. We've had a few outages this year, 6 earlier this year with tree falls, contractors 7 cutting poles falling across the line which 8 basically interrupted some service down south 9 and I suspect north. If you wanted to truly 10 improve the overall reliability there, from 11 that particular meter socket view, and because 12 of that long radial line, one possibility 13 would be--I'm not suggesting that we do that-- 14 would be to build a line from Cat Arm, which 15 is a very solid reliable part of the system, 16 over the mountains and to pick up the GNP, so 17 they have some diversity of supply, which is 18 talked about in the NEB paper to a degree 19 that, you know, the typical radial systems, or 20 you could have local generation. One of the 21 things that we have looked at this year, which 22 is not quite finished yet, is a little bit 23 further south, but the Portland Creek 24 development, which would add some level of 25 generation on the GNP and provide some help.</p>	<p>1 Local generation and gas turbines or diesels 2 could also, to improve the overall 3 reliability. 4 On the planned maintenance side, if 5 there's a significant event or significant 6 planned outage, we could look at bringing in 7 temporary diesel so that we could take a line 8 out of service for a few days to do whatever 9 remedial work is required and supply them from 10 diesel, and we have done that. We've done 11 that in Port aux Basques a few years ago, or 12 the Port aux Basques system, through 13 cooperation with Newfoundland Power on 14 upgrading some of those lines. So there's a 15 whole myriad of things. It's a very, very 16 complex thing, and there's no single pat thing 17 that has a solution to all these things. You 18 got to look at the whole, you apply judgment. 19 When we get back into the main grid, things we 20 do there can affect the distribution 21 customers. It can affect the industrial 22 customers, who are extremely sensitive to loss 23 of supply, and rightfully so. So you know, 24 it's a juggling match by and large. 25 Q. This is the engineering judgment that my</p>
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<p>1 learned friend, Mr. Kelly, just spoke of, I 2 guess. 3 MR. HAYNES: 4 A. That's correct. 5 Q. All right. Relative to the policy that was 6 referred to you from one of the papers that 7 have been attached to Mr. Bowman's evidence, 8 it's CDB-2, page 14, and it's Section 4.2, I 9 believe. Now relative to the reliability 10 policy that's being referred to here, in this 11 document it suggests that "each EDC has to 12 maintain their electrical service reliability 13 and quality performance measures within a 14 benchmark standard," and then you'll see in 15 the last line there, that "the EDC may be 16 subject to penalties as defined in Section 13 17 for failing to meet the standard." What are 18 the penalties? 19 MR. HAYNES: 20 A. These are financial penalties basically, which 21 we interpret as being a lever to ensure some 22 minimum level standard of care for the 23 customers. I didn't see in that particular 24 document where it was a set point, if you 25 will, that if you are better than that, you</p>	<p>1 don't spend money, and some of their 2 statistics actually show very good performance 3 compared to that minimum standard. 4 Q. So this is the minimum standard of care 5 standard that you referred to in your answer 6 to Mr. Johnson's question? 7 MR. HAYNES: 8 A. That's my interpretation of this particular 9 document is that. 10 Q. Okay. Finally, on the issue of the 11 reliability, you were asked about the costs of 12 the improvement of reliability. 13 MR. HAYNES: 14 A. Yes. 15 Q. Just so that we're clear, Mr. Haynes, relative 16 to the 20 percent reliability target or 17 initiative that's been referred to in your 18 pre-filed evidence and your oral evidence 19 today, is this to be achieved within the 20 revenue requirement of the test year we just 21 forecast with the minimal rate increases to 22 customers? 23 MR. HAYNES: 24 A. That's correct, we have not. We plan to 25 target that particular improvement and</p>

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<p>1 basically, at the end of the day, our rates 2 are the same and our cost of service is pretty 3 well--you know, it is very good. I don't 4 think we've seen an extraordinary increase in 5 our cost. In fact, it's basically been more or 6 less flat in some respects. Fuel has been a 7 big driver in our distribution, certainly in 8 our cost of service aspects, the actual cost 9 to sell per customer or per kilowatt hour is 10 actually dropped a bit.</p> <p>11 Q. Okay. I have one final question on the IRP 12 that Mr. Johnson just asked you about a moment 13 ago, and just so that we're clear, now that 14 Mr. Johnson has restated the position on this, 15 Hydro is committed to meet with the Board and 16 the stakeholders after the release of the 17 Province's energy plan to discuss whether an 18 IRP is appropriate?</p> <p>19 MR. HAYNES: 20 A. That's correct.</p> <p>21 Q. And if so, the timing participant scope costs, 22 etcetera?</p> <p>23 MR. HAYNES: 24 A. That's correct. I think that's very 25 important. If an IRP is the course of action,</p>	<p>1 I think we have to be very clear on what the 2 objectives are and understand the full gambit 3 of what that means, so there's no scope creep, 4 whatever.</p> <p>5 Q. Mr. Chairman, those are my questions on 6 redirect. Thank you.</p> <p>7 CHAIRMAN: 8 Q. Thank you, Ms. Butler. Commissioner Whalen, 9 do you have any questions?</p> <p>10 VICE-CHAIR WHALEN: 11 Q. No questions. Thank you.</p> <p>12 CHAIRMAN: 13 Q. I had a couple earlier this morning. Just 14 give me a moment. I guess this may be for Mr. 15 Henderson. On page 18 of your pre-filed 16 evidence--just call that up, Mr. O'Rielly, 17 please--it's not on page 18. There was a 18 reference, in any event, to the \$500,000 to be 19 spent on the energy conservation plan and 20 there was a reference there to hiring a 21 manager and the development of a program, I 22 guess essentially.</p> <p>23 BUTLER, Q.C.: 24 Q. We have it there on the screen for you now, 25 Mr. Chairman.</p>
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<p>1 CHAIRMAN: 2 Q. Okay.</p> <p>3 MR. HENDERSON: 4 A. The bottom of 18 and starting at the top of 5 19.</p> <p>6 Q. Okay, top of 19, yes. And I guess there was a 7 reference to because of that, a fairly 8 significant increase in the cost of the 9 systems operation and customer service line of 10 the budget, and I'd just like you to comment 11 in a little bit more detail on what's 12 envisaged there, what exactly your plans are 13 for that particular area, and if nothing is 14 firmed up, once you get this individual on, 15 what process you plan to follow and what are 16 your, sort of, key things that you're going to 17 look at there?</p> <p>18 MR. HENDERSON: 19 A. Well, the energy conservation program manager 20 is now in place. She began with us in August, 21 and during the fall, her efforts have been 22 mostly focused on, I guess, building up a plan 23 for 2007 when we would start to spend the 24 \$500,000. She's been building a strong 25 relationship with Newfoundland Power. We're</p>	<p>1 working quite closely with Newfoundland Power 2 in conservation activities. It's critical 3 that we're working together on this because to 4 get the most effect, we need to address 5 Newfoundland Power's customers in their energy 6 consumption. So she's been working closely 7 with Newfoundland Power, building a strong 8 relationship there, also working with the 9 Provincial Government, the Natural Resources 10 department and Environment and Conservation, 11 and looking at what they're doing, so we'd 12 have a joint approach to the conservation 13 issue.</p> <p>14 So over the fall, she developed a plan 15 and we started to build up a request for 16 proposals for a study for the province to 17 determine the potential for energy 18 conservation in the province. We're hoping 19 today, actually, that that request for 20 proposals will be issued. It's an extensive 21 study that we'll have a consultant hired to 22 look at what different types of programs we 23 might implement in Newfoundland that will give 24 us good results in terms of energy 25 conservation. We had a similar study done in</p>

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<p>1 the early 90s and this is an update of that 2 study, looking at today's circumstances. That 3 study is estimated to cost in the range of 4 \$300,000 and Newfoundland Power is going to 5 cost share it with us, so it's a joint study, 6 and we expect to get the results from that 7 during the first half of this year.</p> <p>8 With those results in hand, we will be 9 using that to develop a five-year plan. We 10 expect to have the five-year plan completed by 11 the end of this year. So that we'll have more 12 specific details as to what areas we will 13 address, for instance, compact fluorescent 14 lighting is one that a lot of people hear 15 about as a real winner in terms of conserving 16 energy at a reasonable cost, and all the other 17 initiatives that might be identified in this 18 study. So that will be developed in the 19 latter half of this year.</p> <p>20 So a big part of the \$500,000 will be 21 spent on that study this year, but in the 22 agreement between the parties, it was decided 23 that that study cost would be amortized over a 24 five-year period. So this year, the cost for 25 that study, from our perspective, we expect it</p>	<p>1 to be around \$50,000 would be actually cost in 2 this year. So that would lead from the budget 3 the other items that we would be spending 4 money on would be the salaries and so on for 5 the people who are working on this, which we 6 have only one person full time and one person 7 that's going to be on at the beginning of the 8 year to help with some of the initial work. 9 So that will cover off, I guess, say close to 10 \$100,000 of the budget.</p> <p>11 (12:20 p.m.)</p> <p>12 The other elements that we plan to spend 13 on is some promotional information to get 14 Hydro Wise, which is the brand, if you like, 15 that we're using for conservation, get that 16 out into the public so people will start to 17 recognize it as a reliable source of 18 information for conservation, to give it more 19 credibility in the province so that people 20 will know that's a good place to go to learn 21 about conservation. So we'll be putting some 22 effort into that as well. The other areas we 23 expect to be doing later in the year is to 24 develop some pilot projects related to 25 conservation programs that come out of the</p>
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<p>1 study. We expect that there will be some that 2 will be clear winners that we would want to 3 move on quickly. We expect to do that in the 4 latter half of the year, and so some of those 5 expenses, it will cover off some of those 6 expenses as well.</p> <p>7 Throughout the year, we're going to be 8 working with Newfoundland Power, as we said, 9 with the government departments and other non- 10 government agencies to again build 11 partnerships, see how we can leverage things 12 that they're doing, help them along to help 13 promote conservation, so there'll be a fair 14 bit of meetings and maybe attending 15 conferences and that sort of thing to build 16 that strong relationship. Those types of 17 things will be going on. We'll also be 18 working with the Industrial Customers. We 19 intend to get together with them and start 20 talking about where there's opportunities in 21 their operations that we might be able to 22 focus some of our energy and assist them in 23 achieving some conservation initiatives.</p> <p>24 That's a summary of some of the things 25 that we intend to do. It's a lot of work and</p>	<p>1 we're very excited about it. Actually, we 2 think it's something that is somewhat overdue 3 from our perspective. In the past, we've 4 tended to just focus on our rural customers, 5 but we feel that as the prime supplier of 6 energy in the province, we really need to get 7 in on the whole system and put a larger focus 8 on it. So we're excited and we got a great 9 team, and I think we should see some real good 10 results in a couple of years time.</p> <p>11 Q. So the outcome of your study will identify 12 opportunities in the area and likely a plan of 13 action to go forward, probably a budget?</p> <p>14 MR. HENDERSON:</p> <p>15 A. That's right. It will identify items such as 16 how much energy you might expect by promoting 17 compact fluorescent light bulbs, for instance. 18 What is the potential in Newfoundland to 19 reduce energy for that one? Another one may 20 be the promotion of Energy Star appliances, 21 for instance, and how much we can gain there. 22 Maybe a program to help assist people in 23 insulating their homes. Again, it will 24 identify what the potential is there and how 25 we might go about promoting and delivering</p>

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<p>1 that type of a program.</p> <p>2 Q. Is Newfoundland Power cost sharing in that</p> <p>3 initiative?</p> <p>4 MR. HENDERSON:</p> <p>5 A. Yes, they're a big part of that. It's not</p> <p>6 quite 50/50 sharing because of our focus with</p> <p>7 the industrial customers will also be a part</p> <p>8 of it, so they're not cost sharing that part,</p> <p>9 but otherwise, it's a 50/50 arrangement.</p> <p>10 Q. Okay, thank you. Page 13, I might be right</p> <p>11 this time, Mr. O'Rielly, please.</p> <p>12 BUTLER, Q.C.:</p> <p>13 Q. Mr. Chairman, I wonder if I might, before you</p> <p>14 leave the topic of conservation, I'd be remiss</p> <p>15 if I didn't point out that the manager is in</p> <p>16 fact present in the room. Her name is Ms.</p> <p>17 Simone Kieley. She's with us today.</p> <p>18 CHAIRMAN:</p> <p>19 Q. Hi, Ms. Kieley, welcome. Hope you're enjoying</p> <p>20 your job.</p> <p>21 MS. KIELEY:</p> <p>22 Q. As Rob mentioned, we're very excited.</p> <p>23 CHAIRMAN:</p> <p>24 Q. Page 13, just with regard to the second</p> <p>25 paragraph there, and we had this discussion, I</p>	<p>1 think, back in 2003 in the figures with regard</p> <p>2 to turn over and retirement and that are no</p> <p>3 less staggering today, or probably more so</p> <p>4 than they were back then, with regard to the</p> <p>5 turn over in the work force, and there's a</p> <p>6 reference, I think, and there's nobody that</p> <p>7 I'm aware that's on here to speak to the human</p> <p>8 resource aspect of that, and I don't know if</p> <p>9 you'd be in a position to do that, but it's in</p> <p>10 your area here and it's in the pre-filed</p> <p>11 evidence, I guess, with regard to the issue of</p> <p>12 the trades and the differential that exists</p> <p>13 with regard to wages and it hints at sort of a</p> <p>14 strategic initiative or plan to address this</p> <p>15 whole area, and I suppose I'm just looking</p> <p>16 again for a few comments from the point of</p> <p>17 view of the overall organization. It's</p> <p>18 probably a question that I should have put to</p> <p>19 Mr. Martin yesterday, but didn't. But</p> <p>20 regarding the whole issue of succession, the</p> <p>21 planning with respect to that, if you can</p> <p>22 comment on that, and how this reference that</p> <p>23 you have here to trying to address the wage</p> <p>24 discrepancies and the issue of turn over, what</p> <p>25 impact that has and that might have on costs.</p>
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<p>1 13 percent is a substantial--depending on how</p> <p>2 many tradespeople that applies to, you know,</p> <p>3 it speaks to a substantial requirement in</p> <p>4 terms of additional money and how that's to be</p> <p>5 managed, and with regard to the bigger, I</p> <p>6 guess, person power management of the</p> <p>7 organization, if you will.</p> <p>8 MR. HAYNES:</p> <p>9 A. It is a significant challenge. There are</p> <p>10 several other nuances of the particular labour</p> <p>11 market we have right now. We have seen some</p> <p>12 people leave to go west, to go north, to IOC,</p> <p>13 Voisey's Bay. Everybody is in a hiring frenzy</p> <p>14 with respect to trades workers. We have</p> <p>15 addressed a number of things in our</p> <p>16 apprenticeship program where we've maintained</p> <p>17 our numbers. We've also--one of our</p> <p>18 challenges is geography and attracting people</p> <p>19 to remote areas. We have been trying to do a</p> <p>20 better job of actually when we're taking</p> <p>21 people into the apprenticeship program or even</p> <p>22 if we take them on as temporary employees in a</p> <p>23 regional area, as the trades be, for instance,</p> <p>24 a construction electrician that we've been</p> <p>25 doing a little bit of coaching to get them to</p>	<p>1 upgrade to the industrial ticket and have</p> <p>2 been, you know, proactive in helping out with</p> <p>3 that with respect to their employment and</p> <p>4 sometimes I'll go so far as to say that</p> <p>5 looking at our--some of the regional managers</p> <p>6 have looked at some expected retirements, and</p> <p>7 say if we can get Tom, Dick, Harry or Sue, you</p> <p>8 know, up to speed there, at least then we have</p> <p>9 a good chance that they're going to stay in</p> <p>10 the area. It's a very serious issue in</p> <p>11 Labrador.</p> <p>12 With respect to the wage disparity, we</p> <p>13 are in contract negotiations now with both our</p> <p>14 operations bargaining unit as well as the</p> <p>15 office support workers and I really don't want</p> <p>16 to--we're actually in conciliation, so you</p> <p>17 know, we are obviously focused on a plan to</p> <p>18 get back on par with, you know, where we think</p> <p>19 we need to be, particularly with the trades.</p> <p>20 And I would be reluctant to go, to say much</p> <p>21 more seeing we are still in the conciliation</p> <p>22 process, but we are attacking that issue.</p> <p>23 On the engineering side, I could add that</p> <p>24 we have, we've increased the number of, I</p> <p>25 don't recall the number offhand, but we have a</p>

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<p>1 graduate training program where we hire</p> <p>2 basically new graduates and as long as they</p> <p>3 meet our performance standards and as long as</p> <p>4 there are workers, if you will, we basically</p> <p>5 intend that they would be employed for three</p> <p>6 to four years as a graduate engineer, maybe</p> <p>7 working on two or three projects, maybe</p> <p>8 working in two or three departments in</p> <p>9 anticipation that as people leave, we would</p> <p>10 actually, you know, that they would actually</p> <p>11 take some of the other vacated roles. We've</p> <p>12 also, even though we've lost a few people to</p> <p>13 north, if you will, we've also been attractive</p> <p>14 in some cases with attracting a few people</p> <p>15 back home, if you will. Salary has been an</p> <p>16 issue, but some people don't care about that,</p> <p>17 they just want to live and work in</p> <p>18 Newfoundland. And there are obviously</p> <p>19 advantages to that, depending on their</p> <p>20 personal lifestyle. But we seem to have an</p> <p>21 ability to attract new grads very easily. Our</p> <p>22 concern is that we're looking for a few more</p> <p>23 seasoned people as well and it's still a</p> <p>24 challenge, but we're hoping that some of the,</p> <p>25 you know, the changes that we're making will</p>	<p>1 help that. But it's definitely not over.</p> <p>2 With respect to your question or comment</p> <p>3 on succession planning, we are actually, we've</p> <p>4 done that before. I would suggest that right</p> <p>5 now we are being a little bit more formal.</p> <p>6 Basically all regional managers have basically</p> <p>7 a succession planning task to complete and</p> <p>8 looking at the key areas where they feel</p> <p>9 they're at risk, and that's in progress as we</p> <p>10 speak.</p> <p>11 CHAIRMAN:</p> <p>12 Q. All this as far as any implications from a</p> <p>13 monetary perspective, that's all included in</p> <p>14 the revenue requirement for this?</p> <p>15 MR. HAYNES:</p> <p>16 A. In the 2007 test case we have allocated an</p> <p>17 amount of money out there for, you know,</p> <p>18 salary adjustments where we hope to be. Now</p> <p>19 to say that's where we're going to be at the</p> <p>20 end of the day is--but we're very conscious of</p> <p>21 what we've allocated and we're very conscious</p> <p>22 that we're trying very hard to stay within</p> <p>23 those bounds.</p> <p>24 Q. Thank you. Just one more quickly. On page 9</p> <p>25 again there's a reference there benchmarking</p>
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<p>1 initiatives as it relates to your area.</p> <p>2 Corporate benchmarking initiatives in your</p> <p>3 area, could you give me an example or two of a</p> <p>4 corporate benchmarking initiative in your</p> <p>5 area?</p> <p>6 MR. HAYNES:</p> <p>7 A. Just looking for the reference, I'm sorry.</p> <p>8 Q. I saw it on page 9 this morning, probably at</p> <p>9 the top of the page, Mr. O'Rielly, the last</p> <p>10 bullet. Corporate planning coordinates and</p> <p>11 associated -</p> <p>12 MR. HAYNES:</p> <p>13 A. That, we do have one individual, you know,</p> <p>14 tagged as, I guess, as corporate planning, and</p> <p>15 we're still struggling with who is responsible</p> <p>16 for the benchmarking. Not struggling, it's</p> <p>17 more where should this reside from a corporate</p> <p>18 point of view from the oversight of any</p> <p>19 benchmarking that we've done. We've all done</p> <p>20 benchmarking different times for different</p> <p>21 things. You know, we've done a few things at</p> <p>22 Holyrood and we've done things at Hydro</p> <p>23 generation which was discussed a few years ago</p> <p>24 at one of the previous hearings. And this</p> <p>25 particular individual right now is mostly on</p>	<p>1 metrics, of how we measure ourselves, how are</p> <p>2 we doing, what are our performance indicators.</p> <p>3 Many are related to the ones that we have</p> <p>4 there, but there are other internal things</p> <p>5 that we measure with respect to capital</p> <p>6 programs and so on, so that individual is</p> <p>7 doing that. We still haven't, I don't think,</p> <p>8 and I'm sorry Mr. Martin wasn't asked this</p> <p>9 question, we still haven't kind of solidified</p> <p>10 exactly how we're going to do this long term,</p> <p>11 so we still have to bring a bunch of things</p> <p>12 together on this benchmarking thing. And you</p> <p>13 know, some of the things we talked about this</p> <p>14 morning are all relevant, but it's, you know,</p> <p>15 it's, benchmarking is not a frivolous</p> <p>16 exercise, in my perspective, it requires a lot</p> <p>17 of care that we actually know we're comparing</p> <p>18 apples and apples. And this particular</p> <p>19 individual is, we thought that they would be</p> <p>20 doing some of that, but that's still on review</p> <p>21 a bit, but still on our radar screen, no</p> <p>22 doubt. It's very key in Mr. Martin's</p> <p>23 perspective of how we're doing and it's an</p> <p>24 important consideration.</p> <p>25 Q. I did try and explore that with Mr. Martin on</p>

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1 the basis of corporate targets and objectives.  
 2 And I think his response was that, you know,  
 3 we're moving in that direction, we're getting  
 4 there, we're not there yet. Because, you  
 5 know, I guess from my perspective whatever  
 6 sort of gets established at that and given the  
 7 accountability framework now in place within  
 8 Hydro, what gets established at the corporate  
 9 level gets driven down through the  
 10 organization and chances are it gets done, and  
 11 there's, you know, it's all linked and tied  
 12 together. And so I did explore that aspect a  
 13 little bit with him yesterday. I was  
 14 wondering if you could give me a firm example  
 15 of that today, but -

16 MR. HAYNES:

17 A. Difficult to give you a firm example. All I  
 18 can tell you is that with respect to metrics  
 19 and measurements and so on, we are extremely  
 20 busy. You know, it's, there's still some  
 21 moving targets, I'm afraid.

22 Q. Fair enough.

23 MS. WHALEN:

24 Q. I just had a follow-up question with respect  
 25 to the Chair's question to Mr. Henderson on

1 conservation. And in terms of how you're  
 2 planning to measure the success of that new  
 3 initiative, will it be in your customer  
 4 service area or will it be in deferred  
 5 generation perhaps? I mean, I don't know,  
 6 have you set up any measurement systems for  
 7 that or is that to come?

8 MR. HENDERSON:

9 A. They will be coming. We haven't set any  
 10 targets. We expect from the study that we'll  
 11 get some idea of best practices and we are  
 12 looking at other utilities and how they are  
 13 measuring their performance in terms of energy  
 14 conservation and so we intend to take the best  
 15 from others. We don't want to reinvent the  
 16 wheel. We've started having a lot of dialogue  
 17 with different areas to get those, but we  
 18 haven't got them yet.

19 Q. So the initiative that's been established  
 20 isn't a pilot project or something that's  
 21 going to be tried for awhile, is it, is it  
 22 something that's -

23 MR. HENDERSON:

24 A. No, this will be a multi-year. Like at the  
 25 end of this year we'll have a five-year plan.

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1 That plan, we expect, will indicate some  
 2 targets as to what we think is achievable in  
 3 terms of I'll say reduced kilowatt hours. And  
 4 we'll have to look at different ways to  
 5 measure that because as you can imagine, it is  
 6 kind of complex to know what the person would  
 7 have otherwise used if you hadn't had the  
 8 program. But we'll be looking at best  
 9 practices in other jurisdictions to help us  
 10 with that.

11 Q. Okay. That's fair enough. Thank you.

12 CHAIRMAN:

13 Q. That's all the questions I have. Are there  
 14 any other particular? No. Thank you, very  
 15 much, Mr. Haynes, Mr. Henderson. I appreciate  
 16 your testimony very much. Thank you. It is  
 17 20 to one. Is it your hope, Mr. Johnson, to  
 18 have Mr. Bowman take the stand, as well, at  
 19 this point?

20 (12:40 P.M.)

21 MR. JOHNSON:

22 Q. It is my hope to do that, given what I'm  
 23 hearing about the weather tomorrow and things  
 24 of this nature, so.

25 CHAIRMAN:

1 Q. Fair enough. We'll proceed on that basis.  
 2 I'm sure it'll go beyond 1:30 and within  
 3 reason, you know, I think we're prepared to  
 4 push on with it and see if we can clue it up  
 5 today. Do you feel that might be possible,  
 6 given your timing in terms of direct?

7 MR. JOHNSON:

8 Q. Well I plan to be, you know, very, very brief  
 9 on direct. His evidence is there, you know,  
 10 the Board has read it, so I'll just introduce  
 11 the witness and essentially pass him over.

12 CHAIRMAN:

13 Q. Okay. Do you have a lot?

14 BUTLER, Q.C.:

15 Q. Well I didn't know that his examination-in-  
 16 chief was going to be that brief. I had  
 17 suspected that my examination, my cross-  
 18 examination might be an hour.

19 CHAIRMAN:

20 Q. Yes, okay.

21 BUTLER, Q.C.:

22 Q. But, and I think that's still doable, but I  
 23 don't know whether--I might call for a break  
 24 partway through to collect my thoughts and  
 25 make it more efficient.

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1 CHAIRMAN:  
2 Q. Yeah, no, no, that's fair enough. I'll just  
3 try to do a little bit of a canvas. Mr.  
4 Hutchings, do you have -  
5 HUTCHINGS, Q.C.:  
6 Q. I wouldn't anticipate having any questions for  
7 Mr. Bowman.  
8 CHAIRMAN:  
9 Q. Mr. Kelly?  
10 KELLY, Q.C.:  
11 Q. Very little, Mr. Chairman.  
12 CHAIRMAN:  
13 Q. Okay. Ms. Newman?  
14 MS. NEWMAN:  
15 Q. Very little.  
16 CHAIRMAN:  
17 Q. Yeah, well it looks like it might be perhaps  
18 an hour and a bit, which would put us on to,  
19 even with a short break, and I'll be prepared  
20 to do that at an appropriate time, put us on  
21 to a, you know, 2, 2:15 finish, maybe, which  
22 wouldn't be too bad. Get you on a plane this  
23 afternoon, Mr. Bowman, maybe. Anyway, why  
24 don't we give it a try? Is that agreeable?  
25 Is that okay? Do you want a little break now

1 for five minutes to get set up or anything or  
2 is -  
3 MR. JOHNSON:  
4 Q. It probably wouldn't hurt, yes. Thank you.  
5 CHAIRMAN:  
6 Q. Yeah, okay, sure.  
7 (OFF RECORD)  
8 CHAIRMAN:  
9 Q. Thank you. Care to introduce your witness?  
10 MR. JOHNSON:  
11 Q. Yes. Mr. Chairman, C. Douglas Bowman is on  
12 the stand. Mr. Bowman, you are an energy  
13 consultant now living in United States, some  
14 29 years of experience. Of course, you've  
15 testified before this Board on various  
16 occasions and have been all over the world,  
17 including, I should add, during the  
18 negotiation process I used to have to keep in  
19 mind the 11 and a half hour difference between  
20 St. John's and Outer Mongolia. But in any  
21 event, Mr. Bowman, you have presented a report  
22 at the request of the Consumer Advocate dated  
23 October 27th, 2006?  
24 MR. BOWMAN:  
25 A. That's correct.

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1 Q. Okay. And you adopt that testimony?  
2 CHAIRMAN:  
3 Q. I just got to swear him in.  
4 MR. JOHNSON:  
5 Q. Fair enough.  
6 CHAIRMAN:  
7 Q. Mr. Bowman, welcome.  
8 MR. CARL DOUGLAS BOWMAN (SWORN)  
9 CHAIRMAN:  
10 Q. Welcome back. Good to see you again. Mr.  
11 Johnson.  
12 MR. JOHNSON:  
13 Q. Can you retroactively swear to what you said  
14 before you were sworn?  
15 A. Yes.  
16 Q. Mr. Bowman, just briefly before I turn you  
17 over for cross-examination, a lot of this  
18 morning's cross-examination of Mr. Haynes, of  
19 course, had to do with the reliability policy.  
20 And if you would provide, in a nutshell, why  
21 it is you're suggesting to the Board of  
22 Newfoundland and Labrador why a reliability  
23 policy is your suggestion for this  
24 jurisdiction?  
25 A. Just go back a step to explain, like we're all

1 here because Hydro has filed an application,  
2 and the reason we're here is we're basically  
3 auditing that application. Now, when I  
4 reviewed the application, of course, it struck  
5 me when I saw the 20 percent reliability  
6 improvement over the previous five years  
7 average. Okay, now when you improve  
8 reliability, you are increasing costs, okay.  
9 Now that's a given. You can waffle about  
10 that, but to increase reliability is an  
11 increase in cost, okay. Now it's difficult to  
12 argue against an improvement in reliability.  
13 Certainly that's something customers want, but  
14 they only want that only if it's justified,  
15 only if they place value on it. So when I  
16 reviewed that, of course, the first thing I  
17 want to know is, okay, what does this increase  
18 in reliability cost? Okay, well, Hydro  
19 doesn't seem to know. Okay, the second thing,  
20 well what benefit can consumers expect? Well  
21 the target is 20 percent, but there's no real  
22 numbers, hard and fast numbers given, so we  
23 don't really know what the customers, how they  
24 can expect a benefit. What value do the  
25 customers place on whatever benefit might be



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<p>1 gained? Well we don't really know that,  2 either. Like the customer service, the  3 surveys look quite good. It's higher than  4 I've seen anywhere else. And the fourth thing  5 is what's your plan, how does this fit into  6 the overall structure, where are you going  7 from here? Is it 20 percent for one year, two  8 years, five years? Well there's no plan. Now  9 I can't conduct an audit when I don't know the  10 cost, I don't know the value, I don't know the  11 expected gain and I don't know how it fits in  12 the overall plan. Now one way to get around  13 that is to come up with a policy that does  14 define these things, okay. Now there are,  15 there's always going to be difficulties in  16 defining what constitutes a reliability  17 expenditure versus something that's an asset  18 replacement or something that's done for, say,  19 energy improvement, energy supply reasons.  20 But Hydro has a lot of trained engineers and  21 people who have expertise in this area and  22 they make judgments on that. What we're  23 looking for is a reliability policy that  24 allows an audit to be conducted in the future.  25 That will allow us to do our jobs better in</p>	<p>1 the audit process and will give the Board more  2 information to make its decisions.  3 Q. Thank you, Mr. Bowman. That concludes my  4 direct.  5 CHAIRMAN:  6 Q. Thank you, Mr. Johnson. Ms. Butler, when  7 you're ready, please?  8 BUTLER, Q.C.:  9 Q. Thank you, Mr. Bowman. Your evidence actually  10 made four recommendations, the reliability  11 policy was just one of them. Can we just have  12 a peek again at those at page 32, please? I'm  13 not going to ask you any questions, Mr.  14 Bowman, with respect to the first because the  15 position was clarified, certainly, this  16 morning. The second bullet is indeed the  17 proposal that the Board direct Hydro to  18 prepare a clear reliability policy. Mr.  19 Haynes, in his evidence this morning,  20 addressed this by reference, first of all, to  21 Hydro's five-year plan and then secondly by  22 reference to CA-30, Revision 1, which allowed  23 Hydro at a very late date, I agree, to compare  24 its reliability indicators to those of the CEA  25 and Newfoundland Power. Did you have a chance</p>
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<p>1 to review that?  2 A. Yes.  3 Q. And in addition to those, Mr. Bowman, just so  4 that I understand the perspective from which  5 you come, can you tell me whether you were  6 aware that Hydro currently reports to the  7 Board reliability information on an event  8 basis?  9 A. I'm not clear on what all Hydro's reporting  10 requirements are.  11 Q. Okay, so if I suggested to you, for example,  12 that Hydro was required by regulatory  13 oversight already to report to the Board any  14 event which results in greater than 5000  15 customer hours of interruption and the event  16 which causes that, any event resulting in an  17 isolated diesel community being without  18 service more than eight hours, etcetera, would  19 that be the kind of thing that you're used to  20 in your business as an energy consultant?  21 A. Yeah, most jurisdictions have that type of  22 requirement.  23 Q. Okay, so it wouldn't surprise you that Hydro  24 is required to do that?  25 A. No.</p>	<p>1 Q. And that they also are required to report  2 reliability information to the Board on a  3 quarterly basis in their quarterly regulatory  4 report which would include statistics on SAIFI  5 and SAIDI, for example?  6 A. Once again, I don't know what all their  7 reporting requirements are except the fact  8 that if you've got it there in front of you,  9 that they're doing that.  10 Q. Okay. Well, of course, the Board would know  11 this. So I'm just trying to get behind how  12 much you knew prior to making this particular  13 recommendation. Were you also aware that they  14 report their KPI--well, that they file a KPI  15 report on an annual basis with the Board?  16 A. Yes, I'm aware of that.  17 Q. And relative to Newfoundland and Labrador  18 Hydro that on capital budget applications, in  19 accordance with the Board's current capital  20 budget application guidelines which are under  21 review, Hydro is required to identify projects  22 as either mandatory, normal capital or  23 justifiable, were you aware of that?  24 A. Yes.  25 Q. And that if a project is normal capital, Hydro</p>

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<p>1 must, of course, show the need and need can, 2 in fact, be justified on the basis of 3 reliability? 4 A. I can't say that I know that. I had reviewed 5 Newfoundland Power's capital budget and I did 6 not see that. Like I saw the categories, I 7 did not see that justification. 8 Q. I wonder, we do have available the existing 9 capital budget guidelines which are tabled or 10 entitled provisional because they are under 11 review. And I think you have to scroll into-- 12 I have, actually, the January letter that was 13 recently circulated. It would be on page 4. 14 You see the classifying capital projects 15 there? 16 A. Yes. 17 Q. Okay. And on page 5 under normal capital, 18 supporting information, number one? 19 A. Yes. 20 Q. "In relation to normal capital expenditures 21 the utility must show that there is evidence 22 of a need, ie, reliability data." 23 A. I see that. I'm not sure what your point is. 24 Q. Oh, I'm just asking whether you were aware 25 that this Board, if a capital project is</p>	<p>1 categorized as normal capital, it says that 2 supporting information justifying the need for 3 that project can, in fact, be reliability 4 data, for example, in support of the project? 5 A. Yes, I understand that. 6 Q. Okay. And in addition to those four, Mr. 7 Bowman, on every general rate application, of 8 course, reliability data is reported to the 9 Board, as well? 10 A. Yes. 11 Q. Okay, now two points, I guess, that I want to 12 make from that. First of all, you would agree 13 with me that this Board has already 14 established the means by which to assess the 15 reliability of Hydro's service through these 16 means? 17 A. No, I wouldn't. 18 Q. Why not? 19 A. Well just for the reasons I just gave. We've 20 got a 20 percent reliability improvement 21 target, they don't know what it costs, okay. 22 They don't know what the benefit is expected 23 from it. So they've got a target, but we 24 don't know what the expected benefit is. They 25 don't know what their customers value in terms</p>
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<p>1 of that reliability and they don't have a 2 plan. They say 20 percent, Mr. Haynes said 20 3 percent. We don't know what it's going to be 4 the year after that. Like none of these 5 things are answered. So if the Board doesn't 6 have this information, it can't make that 7 judgment. 8 Q. Well relative to the context of this 9 particular application, Mr. Bowman, you are 10 aware, are you not, that the target which has 11 been stated as the initiative is, in fact, 12 tied to a revenue requirement for the test 13 year which sees virtually no rate increase to 14 customers? 15 A. Yes. I'm worried about going forward. I'm 16 saying let's develop a policy so we can audit 17 this in the future. I'm not worried about 18 this case. The revenue requirement has been 19 settled. 20 Q. Right. I mean, it would be a very different 21 thing, would it not, if, in fact, the utility 22 was before the Board saying we have a target 23 of 20 percent improvement for reliability and 24 coupled with that we have a forecast revenue 25 requirement which will see an increase in</p>	<p>1 rates to consumers of 20 percent, that would 2 be a very different thing? 3 A. Oh, that might be what they're saying now. If 4 they maintain current levels, it might be a 20 5 percent rate reduction. 6 Q. Have you heard any evidence from Mr. Martin or 7 Mr. Haynes that's suggested that the 20 8 percent is going to be a level that they will 9 cast in stone year over year? 10 A. Well I don't know, I don't know what they're 11 saying. As I say, they don't have a plan. I 12 don't know what this is going to cost. Like 13 if it's 20 percent for 2006, it's 20 percent 14 for 2007, if you go on like that, it's going 15 to cost far in excess of that. 16 Q. Well the 20 percent target improvement was not 17 coupled with a 20 percent increase in 18 operating costs? 19 A. Do you know that? I haven't seen any evidence 20 that says it's not. 21 Q. But did you do a comparison to Hydro's prior 22 operating costs and the forecast revenue 23 requirement operating costs to suggest that 24 there is some link? 25 A. There is definitely a link. I don't know what</p>

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<p>1 the link is. I asked for it and they couldn't</p> <p>2 provide it. See, going forward, if you try to</p> <p>3 improve the reliability by 20 percent each</p> <p>4 year, your costs are going to skyrocket.</p> <p>5 There's absolutely no question about that.</p> <p>6 Q. Now this morning Mr. Haynes testified, and</p> <p>7 forgive me if I misunderstood what he said,</p> <p>8 but I did not draw from his testimony that</p> <p>9 there was an undertaking to improve</p> <p>10 reliability 20 percent every year on a go</p> <p>11 forward basis.</p> <p>12 A. Yeah, I think you're right, and he didn't have</p> <p>13 a plan, though. He didn't say that he wasn't</p> <p>14 going to, he said we'll do it this year and</p> <p>15 we'll look at it again. So I don't know what</p> <p>16 the plan is.</p> <p>17 Q. And again, you don't have the benefit of</p> <p>18 having heard Mr. Martin's evidence yesterday?</p> <p>19 A. No, but I did read the transcript.</p> <p>20 Q. Now relative to the reliability initiative</p> <p>21 that you describe as, in your evidence as a</p> <p>22 simple 20 percent reliability initiative, you</p> <p>23 did subsequently clarify, I think, through an</p> <p>24 RFI, that it is an initiative to improve</p> <p>25 Hydro's five-year average 0105 in distribution</p>	<p>1 reliability?</p> <p>2 A. Yes.</p> <p>3 Q. Okay. You have since seen Hydro's</p> <p>4 distribution SAIFI and SAIDI compared to the</p> <p>5 CEA average and Newfoundland Power?</p> <p>6 A. Yes.</p> <p>7 Q. And in light of these do you accept that</p> <p>8 Hydro's reliability initiative in that regard</p> <p>9 is justified?</p> <p>10 A. No.</p> <p>11 Q. Why not?</p> <p>12 A. Well they haven't compared it to similar</p> <p>13 utilities. Like Mr. Haynes said, you got to</p> <p>14 compare apples to apples. Compare it to a</p> <p>15 Canadian average, Canadian average, that</p> <p>16 includes urban, rural, probably urban and</p> <p>17 rural for the CEA that Hydro has isolated, as</p> <p>18 everyone in this room knows, so it's just not</p> <p>19 a direct comparison. I don't know, that's the</p> <p>20 problem is I don't know if this is an</p> <p>21 appropriate target or not. I'm not saying</p> <p>22 they shouldn't do it, I'm just saying I don't</p> <p>23 see the justification for it. I can't do an</p> <p>24 audit on it, that's the problem.</p> <p>25 Q. Well relative to the justification for it,</p>
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<p>1 the witnesses did say that they drew some</p> <p>2 justification from CA-1, Attachment 1, which</p> <p>3 was the customer survey, and page 18, in</p> <p>4 particular. I wonder if we can just look at</p> <p>5 that? Have to scroll to the bottom. Yeah.</p> <p>6 So on this particular table Mr. Haynes and Mr.</p> <p>7 Henderson, on which they relied, suggested</p> <p>8 that this part of their survey did support</p> <p>9 improved reliability because electricity</p> <p>10 restored promptly and reliable supply ranked</p> <p>11 very high. Do you agree?</p> <p>12 A. Yes.</p> <p>13 Q. And on page 25 the gap ratings, similarly,</p> <p>14 they said supported their reliability</p> <p>15 initiative because beyond reasonable cost, of</p> <p>16 course, reliable supply still factored high as</p> <p>17 did electricity restored promptly.</p> <p>18 A. Yes, and if you combine that with two percent</p> <p>19 of the customers being unhappy with</p> <p>20 reliability, it leaves you with a mixed bag</p> <p>21 there.</p> <p>22 Q. A mixed bag?</p> <p>23 A. Yeah, if only two percent are unhappy, that's,</p> <p>24 like that customer service survey, that's</p> <p>25 better than I've seen, well anywhere in my</p>	<p>1 limited look at this. Delmarva Power, they</p> <p>2 have 78 percent customer satisfaction, Green</p> <p>3 Mountain Power they target 80 percent,</p> <p>4 Maritime Electric closer to home, 77.7</p> <p>5 percents in their annual report. 93 percent</p> <p>6 looks awfully good to those numbers.</p> <p>7 Q. Well again, I guess this comes back to your</p> <p>8 point of having to compare an apple with an</p> <p>9 apple. In the examples that you've just given</p> <p>10 me, how many customers are being served?</p> <p>11 A. I don't see what difference that makes.</p> <p>12 They're all over the map on that. A customer</p> <p>13 is a customer, I don't know. Does it matter</p> <p>14 how many are served? Can you give me an</p> <p>15 example of what you're getting at?</p> <p>16 Q. Well, in Newfoundland Hydro's case, the</p> <p>17 distribution customers are only 35,000 in</p> <p>18 number and relative to where they are, Mr.</p> <p>19 Haynes just finished explaining where they are</p> <p>20 located in the most challenging areas of the</p> <p>21 province. I guess the point I'm trying to</p> <p>22 make is, is it not truly fair, if you're going</p> <p>23 to compare, to compare other utilities who are</p> <p>24 as close as possible to that, sort of,</p> <p>25 characteristic?</p>

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<p>1 A. I think you'll want to. I'm not sure how that</p> <p>2 impacts customer satisfaction.</p> <p>3 Q. You don't believe affects customers</p> <p>4 satisfaction?</p> <p>5 A. Well, I'm not sure how it affects customer</p> <p>6 satisfaction, if a customer is happy or</p> <p>7 unhappy. Customer--when it comes to reliable,</p> <p>8 customers are usually happy with historical</p> <p>9 performance. They usually aren't happy to pay</p> <p>10 for additional performance like the McKinsey</p> <p>11 Report, states.</p> <p>12 Q. Well, I'm going to come to the McKinsey Report</p> <p>13 in a moment, but you do raise an interesting</p> <p>14 point. I guess you would agree with me that</p> <p>15 if we did a customer survey in Hopedale this</p> <p>16 week, we might get a very different response</p> <p>17 to a customer survey than if we did one in</p> <p>18 July.</p> <p>19 A. That's correct.</p> <p>20 Q. And I presume you've heard today's news,</p> <p>21 relative to the dissatisfaction from the</p> <p>22 residents in Hopedale?</p> <p>23 A. I heard Mr. Haynes talking about it.</p> <p>24 Q. I'd like some clarity, if I could, with</p> <p>25 respect to a statement made on page 21 of your</p>	<p>1 evidence, and this is lines 3 to 10. You say</p> <p>2 that it's apparent Hydro does not have the</p> <p>3 policy and procedure you've spoken about,</p> <p>4 including a minimum benchmark of reliability</p> <p>5 performance beyond which no further</p> <p>6 reliability expenditures would be required.</p> <p>7 And then you go on to give examples of other</p> <p>8 jurisdictions that establish such reliability</p> <p>9 performance procedures and benchmarks,</p> <p>10 including Pennsylvania, and later in your next</p> <p>11 bullet, Delaware. Now, I wonder, can you just</p> <p>12 look at the Delaware example which was in your</p> <p>13 exhibit CDB 2, page 14.</p> <p>14 Now, I asked Mr. Haynes about this and he</p> <p>15 explained how he interpreted it. We</p> <p>16 understood that this paragraph 4.2 suggested</p> <p>17 that each utility in this jurisdiction had to</p> <p>18 maintain minimum performance standards. And</p> <p>19 if they were not met, they would be subject to</p> <p>20 corrective actions which are described in</p> <p>21 Section 13 as financial penalties. Is that</p> <p>22 your understanding?</p> <p>23 A. There's financial penalties plus increased</p> <p>24 reporting requirements.</p> <p>25 Q. Yes, but my point is, how does this example</p>
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<p>1 tie into the statement that you had made at</p> <p>2 page 21, lines 3 to 10 that Hydro needs a</p> <p>3 minimum benchmark of reliability performance</p> <p>4 beyond which no further reliability</p> <p>5 expenditures would be required. In other</p> <p>6 words, we interpret this as being a minimum</p> <p>7 benchmark requirement, if a utility does not</p> <p>8 meet it, it could be fined. If I understood</p> <p>9 from what you had said, that they needed a</p> <p>10 minimum benchmark performance standard, after</p> <p>11 which no further expenditures would be</p> <p>12 permitted.</p> <p>13 A. No, it said none would be required.</p> <p>14 Q. Well okay, beyond which no further</p> <p>15 expenditures would be required.</p> <p>16 A. Yes, if you've maintained the minimum level of</p> <p>17 reliability, then you're not required to do</p> <p>18 something to improve on it. Much like the</p> <p>19 generation liability criteria, we discussed</p> <p>20 this morning, the 2.8 loss of load</p> <p>21 expectation. As long as it doesn't go above</p> <p>22 that level, they're not required to spend</p> <p>23 additional money for generation capacity.</p> <p>24 Q. Alright. Now, you use the example of</p> <p>25 Pennsylvania and Delaware as jurisdictions</p>	<p>1 where this exist, but I'm saying that from</p> <p>2 paragraph 4.2 I don't read it that way. I</p> <p>3 read it that they are establishing minimum</p> <p>4 performance benchmarks and that the utilities</p> <p>5 are penalized for failure to meet them, not</p> <p>6 the other way around.</p> <p>7 A. Well, if they're above those benchmarks, they</p> <p>8 don't have to spend additional money to</p> <p>9 improve on. And there is an axe (phonetic)</p> <p>10 here that they could use if they do fall below</p> <p>11 it.</p> <p>12 Q. Alright, but isn't that different, Mr. Bowman,</p> <p>13 from establishing a benchmark for Hydro beyond</p> <p>14 which they should be constrained in their</p> <p>15 spending?</p> <p>16 A. No, I said, they wouldn't be required to spend</p> <p>17 more at that level.</p> <p>18 Q. So, in the policy that you are seeking to have</p> <p>19 Hydro prepare, with the Board's direction, you</p> <p>20 are suggesting that there be a policy</p> <p>21 established beyond which no further spending</p> <p>22 would be justified?</p> <p>23 A. Would be required.</p> <p>24 Q. What's the difference?</p> <p>25 A. Well, they might be able to justify further</p>

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<p>1 expenditures if they're customer surveys are</p> <p>2 dropping, but the bottom line is they wouldn't</p> <p>3 be required to spend to money on reliability</p> <p>4 improvements if it's beyond, that's the way it</p> <p>5 works.</p> <p>6 Q. You don't actually have jurisdiction to which</p> <p>7 you can refer us that does establish a</p> <p>8 reliability benchmark following which the</p> <p>9 utilities' reliability spending is constrained.</p> <p>10 (1:15 P.M.)</p> <p>11 A. I haven't recommended that it be constrained</p> <p>12 and I don't think it's con--well, it's</p> <p>13 constrained in the regulatory process, but -</p> <p>14 Q. Right. Can we turn now to the McKinsey report</p> <p>15 and perhaps while we're locating that, you</p> <p>16 might tell me what the date of this is. Thank</p> <p>17 you, we have that on the screen. Mr. Bowman,</p> <p>18 do you know the date of this report?</p> <p>19 A. The only date that I see on here is August</p> <p>20 2006, but I had this in my testimony in 2003,</p> <p>21 so the report is older than that.</p> <p>22 Q. It's older than that, okay.</p> <p>23 A. Or at least the one I was referencing in my</p> <p>24 testimony. I don't know if they've done</p> <p>25 another one.</p>	<p>1 Q. So, it speaks as of 2003, is that what you're</p> <p>2 saying?</p> <p>3 A. Well, that's my recollection. I can't see a</p> <p>4 date on here right now. Oh, 2003, number 3,</p> <p>5 so 2003.</p> <p>6 Q. 2003, number 3, okay, so it speaks as of that</p> <p>7 time frame; that's important.</p> <p>8 A. Yes.</p> <p>9 Q. And you would be familiar with the McKinsey</p> <p>10 Group?</p> <p>11 A. No, I'm not familiar, no.</p> <p>12 Q. Not familiar with them?</p> <p>13 A. No.</p> <p>14 Q. Okay. In paragraph 3 of this document, they</p> <p>15 refer to their most recent survey, do you see,</p> <p>16 "our recent survey of one electrical,</p> <p>17 distributors, customers, for instance, show</p> <p>18 them to be largely content with their service</p> <p>19 and almost oblivious to service</p> <p>20 interruptions", et cetera. I'm just curious,</p> <p>21 what would a survey by McKinsey cost?</p> <p>22 A. I have no idea. That's why I would recommend</p> <p>23 using information that's available. It is</p> <p>24 expensive to be on these various consumer</p> <p>25 benchmarking studies.</p>
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<p>1 Q. Okay. So, you're not proposing a survey like</p> <p>2 the McKinsey survey for Hydro?</p> <p>3 A. No.</p> <p>4 Q. Okay. In the second paragraph, it refers to</p> <p>5 an Asian Power Company. "Over the past five</p> <p>6 years, for example, an Asian power launched an</p> <p>7 extensive reliability effort costing hundreds</p> <p>8 of millions of euros to reduce the length of</p> <p>9 its annual service interruptions per customer</p> <p>10 from less than five minutes to less than two,</p> <p>11 thereby making itself more reliable than any</p> <p>12 other distributor we know". I assume you'd</p> <p>13 agree that's not the case with Newfoundland</p> <p>14 and Labrador Hydro, with those kind of</p> <p>15 reliability statistics?</p> <p>16 A. Well, I think that's referring to a specific</p> <p>17 program. So, Newfoundland Hydro may have a</p> <p>18 program like that; I'm not aware of.</p> <p>19 Q. Have you had any suggestion that Newfoundland</p> <p>20 and Labrador Hydro can boast that kind of</p> <p>21 reliability?</p> <p>22 A. Yes, well, like it says, therefore, making</p> <p>23 itself more reliable than any other</p> <p>24 distributor that they know.</p> <p>25 Q. Okay. So, again, relative to comparisons, in</p>	<p>1 this particular case, is that, in fact, a</p> <p>2 reliability statistic that you believe, even</p> <p>3 today, because this speaks of 2003, is perhaps</p> <p>4 the most reliable that you've seen?</p> <p>5 A. The information in here corresponds quite</p> <p>6 closely to what my experience is.</p> <p>7 Q. Okay.</p> <p>8 A. Now, as far as that Asian utility, that's one</p> <p>9 extreme example.</p> <p>10 Q. Yes.</p> <p>11 A. It certainly doesn't fit the norm.</p> <p>12 Q. No. Now, I guess my point would be that</p> <p>13 Newfoundland and Labrador Hydro may be another</p> <p>14 extreme example. Can we look at your</p> <p>15 information No. 2 which is the NEB Report?</p> <p>16 And here we have mandatory reliability</p> <p>17 standards. Would it be fair to say, Mr.</p> <p>18 Bowman, that every jurisdiction being</p> <p>19 discussed in this report, other than</p> <p>20 Newfoundland and Labrador, is on the North</p> <p>21 American grid?</p> <p>22 A. That's probably true.</p> <p>23 Q. Okay. To confirm that, can we look at page 10</p> <p>24 which is the compendium map, figure 2.4,</p> <p>25 please? Section--just above--2.4.2, there you</p>

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<p>1 go. This is labelled as NERC regions. And</p> <p>2 NERC is the North American Electric</p> <p>3 Reliability Counsel.</p> <p>4 A. Yes.</p> <p>5 Q. Okay. And you can see Newfoundland and</p> <p>6 Labrador are not part of the NERC region?</p> <p>7 A. That's correct, but in terms of distribution</p> <p>8 reliability, it's immaterial.</p> <p>9 Q. Well, I wonder though, if you look back at</p> <p>10 page 9, relative to what this paper is</p> <p>11 actually addressing, it says there, just under</p> <p>12 the bold print of North American Electric</p> <p>13 Reliability Counsel, "for interconnected, bulk</p> <p>14 power systems, NERC, has made a key</p> <p>15 contribution to the development of the</p> <p>16 industry reliability policies". And it's</p> <p>17 stated mission, you'll see below, "is to</p> <p>18 ensure that the bulk electric system in North</p> <p>19 America is reliable, adequate and secure".</p> <p>20 This was, I think, the point Mr. Haynes was</p> <p>21 making this morning that the report addresses</p> <p>22 primarily, the responsibility of NERC to</p> <p>23 ensure reliability of service within those</p> <p>24 utilities who are connected on the grid.</p> <p>25 A. Just bear with me a minute. Can you go to</p>	<p>1 table 2.1, please on page 3, Distribution</p> <p>2 System Performance Indicators, that's Canada</p> <p>3 wide, so it does address distribution.</p> <p>4 Q. Yes, but I guess, Mr. Haynes point and mine</p> <p>5 now is that principally this paper is</p> <p>6 addressing NERC regions.</p> <p>7 A. No, this paper is addressing Canada, Canada</p> <p>8 wide.</p> <p>9 Q. Well, we just saw from the map that</p> <p>10 Newfoundland is one of the rare examples of</p> <p>11 jurisdictions, Canada wide, that are not</p> <p>12 included in NERC.</p> <p>13 A. So, Newfoundland is not in NERC, that doesn't</p> <p>14 mean that it's not in the survey.</p> <p>15 Q. No, I agree it wasn't in the survey, but it's</p> <p>16 not subject to the reliability standards</p> <p>17 established by NERC.</p> <p>18 A. Yes, but nobody is subject to NERC reliability</p> <p>19 standards on the distribution end.</p> <p>20 Q. Well, I wonder if we might look at page nine,</p> <p>21 Roman numerals nine, in the Executive Summary.</p> <p>22 While I would agree with you that membership</p> <p>23 in NERC is voluntary, you see the sentence</p> <p>24 there "for interconnected bulk systems," bulk</p> <p>25 power systems. "For interconnected bulk power</p>
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<p>1 systems, the North American Electric</p> <p>2 Reliability Council, NERC, and its regional</p> <p>3 councils in which most Canadian electric</p> <p>4 utility system operators are members, have</p> <p>5 been assuming the main responsibility for</p> <p>6 setting reliability standards and operating</p> <p>7 policies." Right?</p> <p>8 A. Yes.</p> <p>9 Q. Okay. So NERC does have the primary</p> <p>10 responsibility for establishing this for all</p> <p>11 those jurisdictions who are members, and</p> <p>12 Newfoundland is not.</p> <p>13 A. I'm not sure what the point is, but on the</p> <p>14 distribution side, NERC is really not</p> <p>15 involved. This is, I think Mr. Haynes said,</p> <p>16 generation and transmission, in terms of NERC,</p> <p>17 but distribution is a stake--in the United</p> <p>18 States, it's a staked issue, as it is in--as</p> <p>19 in Canada it's a provincial issue.</p> <p>20 Q. Well, I don't know if we're going to agree on</p> <p>21 that, but in terms of the report itself, I</p> <p>22 guess my interpretation of its primary focus</p> <p>23 may be different than yours.</p> <p>24 A. Well, it's primary focus is on reliability.</p> <p>25 Q. Yes.</p>	<p>1 A. And 80 to 90 percent of the reliability on</p> <p>2 electricity system is on the distribution</p> <p>3 systems. So you can't ignore the distribution</p> <p>4 system, and it hasn't ignored the distribution</p> <p>5 system.</p> <p>6 Q. No, but the bulk of the country is on a</p> <p>7 distribution system which this report attempts</p> <p>8 to--for which this report attempts to</p> <p>9 establish a consistent reliability standard,</p> <p>10 which is easier when you are connected to the</p> <p>11 grid.</p> <p>12 A. This doesn't establish reliability standards.</p> <p>13 Q. Well, it discusses the reliability standards</p> <p>14 established by NERC.</p> <p>15 A. It discusses them, but like I said, it</p> <p>16 doesn't--the distribution system is</p> <p>17 immaterial. It has nothing to do with being</p> <p>18 in NERC. It has nothing to do with being on</p> <p>19 an island. Distribution system is a</p> <p>20 distribution system. It's not interconnected</p> <p>21 with another system.</p> <p>22 Q. Well, let's talk about Newfoundland and</p> <p>23 Labrador Hydro's unique circumstances. You</p> <p>24 have given evidence, I gather, all over the</p> <p>25 world.</p>

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<p>1 A. I have not given evidence all over the world.</p> <p>2 Q. You've been consulted all over the world.</p> <p>3 A. Yes.</p> <p>4 Q. And you would have perhaps more familiarity</p> <p>5 with other utilities, in terms of being able</p> <p>6 to assist us in comparing an apple with an</p> <p>7 apple, than perhaps most?</p> <p>8 A. I don't know if I can--I think I'm qualified</p> <p>9 to do that. I don't know if I can assist you</p> <p>10 more than anyone else.</p> <p>11 Q. Okay. When we talk about what's unique for</p> <p>12 Newfoundland and Labrador Hydro, well, tell me</p> <p>13 if you agree with me or not. We have to</p> <p>14 consider first of all that it operates on an</p> <p>15 island, as well as a part of the province</p> <p>16 that's on the mainland.</p> <p>17 A. It does do that.</p> <p>18 Q. Neither of which systems are connected to the</p> <p>19 North American grid?</p> <p>20 A. Yes, and it's fair to say that distribution</p> <p>21 systems that--that's really immaterial, like I</p> <p>22 said earlier, but proceed.</p> <p>23 Q. And Hydro itself does not supply service to</p> <p>24 the whole province. Hydro, Newfoundland and</p> <p>25 Labrador Hydro, only supplies service directly</p>	<p>1 to the most challenging portions of the</p> <p>2 province. It does not supply direct service</p> <p>3 to the cities with the large population bases.</p> <p>4 A. I think generally you're correct, but</p> <p>5 Newfoundland Power might take issue with that.</p> <p>6 Q. Given this reality and given that Mr. Haynes</p> <p>7 has said earlier today that there are, in</p> <p>8 fact, 21 different isolated systems within</p> <p>9 Hydro's overall territory, can you think of</p> <p>10 another utility which is comparable?</p> <p>11 A. Not offhand. I know there are some isolated</p> <p>12 communities in Egypt and the tourist resorts</p> <p>13 and such, but I think Hydro probably has a</p> <p>14 larger number of isolated systems than most</p> <p>15 any place else in the world.</p> <p>16 Q. Which takes me back to my other example or my</p> <p>17 earlier statement in which I suggested that</p> <p>18 Hydro was in fact perhaps truly unique in that</p> <p>19 sense.</p> <p>20 A. Well, I think Hydro, its distribution system</p> <p>21 is not unique. I mean, distribution systems</p> <p>22 are all mostly the same. An isolated system</p> <p>23 is certainly different from an integrated</p> <p>24 system.</p> <p>25 Q. Well, we did ask you, and this is relative, of</p>
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<p>1 course, to your third recommendation that</p> <p>2 Hydro start tracking and reporting on a--I'm</p> <p>3 sorry, it's your fourth recommendation about</p> <p>4 peer group benchmarking. We asked you in RFI</p> <p>5 relative to other peers that you could</p> <p>6 recommend for us. That's NLH-18. Now just a</p> <p>7 little bit of history here. Mr. Haynes has</p> <p>8 explained today that, from Hydro's</p> <p>9 perspective, it cannot rely on the source it</p> <p>10 had hoped to rely upon, which was the CEA COPE</p> <p>11 data bank, for non-reliability KPIs.</p> <p>12 (1:30 P.M.)</p> <p>13 A. That's what he said. I'm not sure why, but</p> <p>14 that's what he said.</p> <p>15 Q. And that Hydro is now committed to, given that</p> <p>16 they can't do their one-stop shopping from a</p> <p>17 fairly cheap resource, attempting to find</p> <p>18 another peer group against which it can</p> <p>19 benchmark for the non-reliability KPI's, which</p> <p>20 takes me to this RFI. Here, Hydro had asked</p> <p>21 you to provide a detailed listing of the</p> <p>22 numerous other sources for peer group</p> <p>23 information besides the CEA that could provide</p> <p>24 reliable and consistent performance data, and</p> <p>25 your answer was that you hadn't compiled such</p>	<p>1 a list and made no commitment to do so, which</p> <p>2 is fine, but in terms of being as helpful as</p> <p>3 we can to the Board, Mr. Bowman, I just wanted</p> <p>4 to ask you whether, in fact, you could assist</p> <p>5 us in recommending other sources for the peer</p> <p>6 group benchmarking now on a go-forward basis?</p> <p>7 A. On the stand at this moment?</p> <p>8 Q. Yes.</p> <p>9 A. No.</p> <p>10 Q. Well, in terms of being as helpful as you can</p> <p>11 to the Board on the recommendation that you</p> <p>12 make, is there any undertaking you're prepared</p> <p>13 to make?</p> <p>14 A. I guess that I'm prepared to do whatever the</p> <p>15 Board asks me to.</p> <p>16 Q. Well, you see, you're, in fairness,</p> <p>17 criticizing Hydro for not providing</p> <p>18 comparisons of its performance against a peer</p> <p>19 group. Hydro has explained through Mr. Haynes</p> <p>20 that it is struggling to find a peer group</p> <p>21 that would provide the reliable, verifiable</p> <p>22 data against which it can compare its</p> <p>23 performance. So in terms of meeting your</p> <p>24 criticism of Hydro, just asking whether in</p> <p>25 fact you're prepared in assisting Hydro in</p>

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<p>1 locating that peer group?</p> <p>2 A. I'd be very happy to do that. I just will add</p> <p>3 to that though, I understood Mr. Haynes to say</p> <p>4 this morning that they are going to start</p> <p>5 doing that. Hydro is going to start doing</p> <p>6 that.</p> <p>7 Q. Yes, they are going to start. They were</p> <p>8 committed to look and, in fact, try and dig</p> <p>9 through the FERC database, if they could, to</p> <p>10 pull out the necessary information. But if</p> <p>11 you could assist them, relative to the</p> <p>12 criticism that you had made, that would be</p> <p>13 helpful.</p> <p>14 A. I certainly will.</p> <p>15 MR. JOHNSON:</p> <p>16 Q. And Hydro will pay for Mr. Bowman's time, and</p> <p>17 out of a non-regulated revenue, I presume.</p> <p>18 BUTLER, Q.C.:</p> <p>19 Q. I don't know. I mean, Mr. Bowman did make the</p> <p>20 statement that was on the screen relative to</p> <p>21 that there were numerous other sources for</p> <p>22 peer group information besides the CEA. So if</p> <p>23 that list can be produced, then Hydro will</p> <p>24 certainly use it, relative to the commitment</p> <p>25 that Mr. Haynes has made.</p>	<p>1 A. Of course, I was repeating what Hydro had said</p> <p>2 themselves.</p> <p>3 Q. Mr. Chairman, those are my questions for Mr.</p> <p>4 Bowman. Thank you very much.</p> <p>5 CHAIRMAN:</p> <p>6 Q. Thank you, Ms. Butler. Mr. Hutchings, do you</p> <p>7 have any at all?</p> <p>8 HUTCHINGS, Q.C.:</p> <p>9 Q. No questions, thank you, Mr. Chairman.</p> <p>10 CHAIRMAN:</p> <p>11 Q. Mr. Kelly?</p> <p>12 KELLY, Q.C.:</p> <p>13 Q. Just very briefly, Mr. Chairman. Mr. Bowman,</p> <p>14 I take it you accept that the system</p> <p>15 reliability stats, SAIDI and SAIFI, for Hydro</p> <p>16 are below the Canadian CEA and Newfoundland NP</p> <p>17 averages?</p> <p>18 A. They're below the averages.</p> <p>19 Q. Right, okay, and you understand that in this</p> <p>20 particular hearing, there is an agreed revenue</p> <p>21 requirement that has been negotiated?</p> <p>22 A. Yes, as I said, I proposed development of a</p> <p>23 policy so that we can do a proper audit in the</p> <p>24 future. We haven't been able to do a proper</p> <p>25 audit.</p>
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<p>1 Q. And I take it you also accept that what Hydro</p> <p>2 is proposing on this reliability initiative,</p> <p>3 they have to do within their allowed revenue</p> <p>4 requirement?</p> <p>5 A. Yes, I understand that.</p> <p>6 Q. Okay. So in terms of what the Board has to</p> <p>7 deal with in this particular application, I</p> <p>8 take it there's really no issue that what</p> <p>9 Hydro is--that there's any problem with what</p> <p>10 Hydro is proposing? They're proposing to</p> <p>11 improve reliability within an agreed revenue</p> <p>12 requirement.</p> <p>13 A. That's right. The issue is going forward.</p> <p>14 Q. Right, and in many ways, that's largely a</p> <p>15 matter for another day?</p> <p>16 A. In terms of approving the expenditures, that's</p> <p>17 for another day, but a decision on whether or</p> <p>18 not to initiative development of a policy is</p> <p>19 an issue for today.</p> <p>20 Q. And that's a matter of public policy for the</p> <p>21 Board to consider, what it wishes to do with</p> <p>22 the record that it currently has?</p> <p>23 A. That's correct.</p> <p>24 Q. Okay. Thank you, Mr. Bowman.</p> <p>25 CHAIRMAN:</p>	<p>1 Q. Thank you, Mr. Kelly. Ms. Newman?</p> <p>2 MS. NEWMAN:</p> <p>3 Q. No questions, Mr. Chairman.</p> <p>4 CHAIRMAN:</p> <p>5 Q. Mr. Johnson, redirect?</p> <p>6 MR. JOHNSON:</p> <p>7 Q. With respect to the updates that the Board</p> <p>8 receives on outages from the utilities from</p> <p>9 time to time, if there's a significant event,</p> <p>10 and with respect to the passage that Ms.</p> <p>11 Butler showed you, in terms of the type of</p> <p>12 evidence that should be put forward in the</p> <p>13 capital budget guidelines that you've seen,</p> <p>14 does that in any way take away, Mr. Bowman,</p> <p>15 from the advisability of a formal reliability</p> <p>16 policy for the province and its consumers?</p> <p>17 A. No, it doesn't take away from it at all. The</p> <p>18 issue here is there's no audit trail, so we</p> <p>19 can't do an audit on it, and the other issue</p> <p>20 is there's no real plan to this thing. Going</p> <p>21 forward, we want to be able to conduct that</p> <p>22 audit, do an audit and see what the plan is,</p> <p>23 see how it fits in with the overall</p> <p>24 reliability scheme for the Province.</p> <p>25 Q. That's my only question. Thank you.</p>



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<p>1 CHAIRMAN:</p> <p>2 Q. Thank you, Mr. Johnson. Commissioner Whalen?</p> <p>3 VICE-CHAIR WHALEN:</p> <p>4 Q. Mr. Bowman, could you clarify for me whether</p> <p>5 there's a difference between mandatory</p> <p>6 reliability standards and minimum reliability</p> <p>7 standards?</p> <p>8 A. Well, what makes them mandatory just usually</p> <p>9 means there's a specific penalty associated</p> <p>10 with it, and that could be in terms of money,</p> <p>11 like it is in Delaware, or it could be in</p> <p>12 terms of more stringent reporting</p> <p>13 requirements. In Delaware, it's actually</p> <p>14 both.</p> <p>15 Q. So is it fair to say that the--because I heard</p> <p>16 Mr. Johnson use the term interchangeably this</p> <p>17 morning and I'm not sure if he was referring</p> <p>18 to the same thing and just calling it by two</p> <p>19 different names or if there was two different</p> <p>20 things on the table, but we are, in the</p> <p>21 context of your evidence, talking about</p> <p>22 minimum?</p> <p>23 A. Well, I don't--I think within the context of</p> <p>24 the evidence, what we're talking about is a</p> <p>25 policy that establishes some criteria for when</p>	<p>1 you spend money on reliability improvements,</p> <p>2 and whether you define that as a minimum</p> <p>3 criteria where there's penalties applied or</p> <p>4 whether you establish it as a benchmark is up</p> <p>5 to the policy. That's what you decide in the</p> <p>6 policy. Like I say, Delaware, they have a</p> <p>7 minimum requirement, in which case they do</p> <p>8 apply penalties if you get below that or they</p> <p>9 call the utility up and the utility has to</p> <p>10 defend why they dropped below that. So like</p> <p>11 the issue to me isn't what you set. You just</p> <p>12 need a policy that sets some kind of audit</p> <p>13 trail so in the next hearing when Hydro comes</p> <p>14 in with a reliability benchmark, we can</p> <p>15 compare that and we can look at the audit</p> <p>16 trail and decide whether or not that should be</p> <p>17 approved or not.</p> <p>18 Q. So could you take me through what a minimum</p> <p>19 reliability policy for Hydro might look like</p> <p>20 conceptually? I mean, what might it consist</p> <p>21 of? It would consist of set targets for</p> <p>22 SAIDI, SAIFI?</p> <p>23 A. Yeah, I think the--like Delaware, I chose to</p> <p>24 include Delaware here because it's relatively</p> <p>25 recent. It's a relatively small market, much</p>
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<p>1 like Newfoundland is a small market, and it</p> <p>2 has two main distribution companies, one that</p> <p>3 supplies most of the urban areas, like</p> <p>4 Newfoundland Power, and the other that</p> <p>5 supplies most of the rural areas, like Hydro.</p> <p>6 Now if we go through just the different</p> <p>7 sections in this reliability standard. So we</p> <p>8 start with the purpose, the scope and then the</p> <p>9 definitions, and then they define electric</p> <p>10 service reliability and quality, and then they</p> <p>11 set the benchmarks, and that's in Section 4.</p> <p>12 Actually, I think if we--bear with me a</p> <p>13 minute. Yes, if you look at--sorry, if you go</p> <p>14 back to page three, Section 1.3, it says</p> <p>15 "compliance with this regulation is a minimum</p> <p>16 standard." So that minimum standard, which is</p> <p>17 defined in Section 4 for each of the</p> <p>18 utilities, 635 for SAIDI, 295--sorry, 635 for</p> <p>19 SAIDI for the rural Delaware Electric Co-op</p> <p>20 and 295 minutes for Delaware Power SAIDI, and</p> <p>21 they supply most of the urban areas, that is</p> <p>22 the minimum benchmark.</p> <p>23 After that, you go on to the objectives</p> <p>24 and the power quality program. The power</p> <p>25 quality program in Section 6, which I seem to</p>	<p>1 be missing, so Section 6, so "each electric</p> <p>2 distribution company shall maintain a power</p> <p>3 quality program with clearly stated objectives</p> <p>4 and procedures." They'll consider power</p> <p>5 quality concerns and design, construction and</p> <p>6 maintenance of the transmission facilities,</p> <p>7 and they'll maintain records of customer power</p> <p>8 quality concerns. Now those types of power</p> <p>9 quality issues relate to, for example, if</p> <p>10 you're constantly blowing out light bulbs, for</p> <p>11 example, that means you probably have high</p> <p>12 voltage in your home. So those types of power</p> <p>13 quality issues are also tracked in here.</p> <p>14 Then they specifically identify an</p> <p>15 inspection maintenance program, just to make</p> <p>16 sure the utility is actually doing their job,</p> <p>17 actually doing the surveys and such necessary</p> <p>18 to make sure that you're maintaining reliable</p> <p>19 supply.</p> <p>20 Then they have planning and studies</p> <p>21 reports. That's what they deliver once a year</p> <p>22 and that's supposed to say what they plan on</p> <p>23 doing the next year in terms of meeting</p> <p>24 reliability, and then they have an annual</p> <p>25 performance report that goes back and looks at</p>

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<p>1 that at the end of the year. It says "did you 2 actually meet those targets? Did you carry 3 out the things you said you were going to do? 4 Did you meet your targets and have, or are you 5 in the process of seeing the results of that 6 program? They have a major event report, much 7 like we discussed earlier. I think every 8 jurisdiction has that. They talk about prompt 9 restoration of outages. Well, that's part of 10 SAIDI, system average interruption duration. 11 And then they talk about the penalties 12 and other remedies. Now you don't necessarily 13 have to have penalties. Some jurisdictions 14 like the National Energy Board report talks 15 about some jurisdictions are looking at 16 penalties. Other jurisdictions, like 17 Australia, they don't use penalties at all. 18 They just publish the information. So if 19 you're a customer of that distribution 20 company, you can look at their performance 21 relative to the others and you can question 22 them, "why is your performance not as good as 23 distribution company B?" for example. 24 And then it just finishes off with outage 25 and control systems and the reporting</p>	<p>1 specifications and implementation. So it 2 covers the benchmarks themselves or the 3 minimum criteria, and then on an annual basis, 4 the utility has to file its plan and has to 5 show how--and also has to file a performance 6 report. So it shows what they're going to do 7 and then it shows after the fact how they've 8 been doing. 9 Now if you had a plan, if you had 10 something like that in this province, it's 11 entirely possible that Hydro wouldn't be in 12 here today saying that their performance looks 13 very poor, relative to the Canadian average. 14 If you had established your minimum at some 15 level and they maintained that level, then it 16 might still look bad compared to the average, 17 but it would be within a level that we, as in 18 the people in this room and the Board, has 19 decided was acceptable. 20 Q. So yes, I'm getting a vision of everyone 21 chasing everybody else in terms of what this 22 benchmark might be, but you're not suggesting 23 it would be tied to a Canadian average or 24 another group of--it would be unique to 25 Hydro's operating circumstances?</p>
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<p>1 A. Yes, it should certainly be, and in Delaware, 2 they have two utilities and they have two 3 different benchmarks. 4 Q. So what would we use the peer group for? 5 A. Well, Delaware took the easy route. They just 6 based it on history, and the idea there, and 7 one that's very easy to justify, in my 8 opinion, is customers, they--customers are 9 generally happy with the level of reliability 10 they've experienced in the past. If their 11 reliability gets worse, you're probably going 12 to hear from them. If it gets better, you 13 probably won't. Like in my own case, I went 14 from Springfield, a home in Springfield, 15 Virginia, where I don't remember ever having 16 an outage more than two hours, and I don't 17 even remember having an outage more than five 18 minutes. And I've since moved to Warrenton, 19 and I'm out in the country, and last year 20 alone, I had 60 hours of interruptions. I 21 think in the first year I was there, I had 22 something in the order of 40 or 50 hours. Now 23 when you go to that type of scenario all of a 24 sudden, you're not used to that level of 25 reliability and you're going to complain. So</p>	<p>1 what most of these utilities do and what the 2 McKinsey report supports, what the information 3 supports is that people are indeed used to 4 their reliability and they don't want to pay 5 for additional reliability when you have--when 6 you're in a country that does have adequate 7 reliability. 8 Q. Did I hear you right earlier when you said, 9 looking at Hydro's reliability statistics, 10 that they're very good, from your perspective? 11 A. No, their reliability statistics are not very 12 good. Their customer survey - 13 Q. Customer service. 14 A. - customer satisfaction was very good compared 15 to what I see. I'm not suggesting that that's 16 a benchmark necessarily, but I know Delmarva, 17 their performance was--their customer 18 satisfaction was in the order of 87 percent 19 and they have no intentions of spending more 20 money to improve reliability though they'll 21 spend money to maintain reliability, but they 22 aren't going to spend money to improve on it. 23 Their opinion is they've met that benchmark 24 and don't have to go beyond that, and 25 customers aren't willing to pay.</p>

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<p>1 Q. To what extent has--I've been around this</p> <p>2 since about 1996, and it seems to me that</p> <p>3 certainly the last five years, the whole issue</p> <p>4 of benchmarking and minimum performance</p> <p>5 standards has been more of an issue since</p> <p>6 deregulation and restructuring has come to the</p> <p>7 fore than earlier. To what extent--now that</p> <p>8 may just be a perception, more so a perception</p> <p>9 than reality, but to what extent has the</p> <p>10 setting of minimum standards for utilities</p> <p>11 been driven by deregulation and privatization</p> <p>12 and restructuring in North America?</p> <p>13 A. There's no question that has been a</p> <p>14 significant contributor to it. Now I've</p> <p>15 argued in various countries that if we had</p> <p>16 stayed with the vertically integrated</p> <p>17 structure, which you currently have here, and</p> <p>18 we had moved to a benchmarking type</p> <p>19 performance based regulatory mechanism, we</p> <p>20 could have probably achieved another</p> <p>21 significant leap in efficiencies in the</p> <p>22 electricity business. Now instead, every</p> <p>23 country in the world has at least looked at</p> <p>24 restructuring and privatization, and by doing</p> <p>25 that, there's been just a significant, very</p>	<p>1 significant effort put into that, very</p> <p>2 significant cost, and it's opened up these</p> <p>3 other areas. Like all of a sudden, who is</p> <p>4 responsible for reliability, and in a</p> <p>5 nutshell, on the generation sector, which is</p> <p>6 competitive, no one is. In the end, you</p> <p>7 expect the market to attract that capital.</p> <p>8 Now in some jurisdictions, they recognize the</p> <p>9 market isn't attracting that capital and</p> <p>10 they're putting in safeguard, like stop gap</p> <p>11 measures where the Board can order or the</p> <p>12 utility, like the system operator, Mr. Haynes</p> <p>13 said this morning, the ISO or RTO, whoever can</p> <p>14 do their system studies and decide that they</p> <p>15 will build or will commission building of a</p> <p>16 generating station to help meet that level of</p> <p>17 reliability. So in some ways, certainly</p> <p>18 restructuring drove a lot of this, but we</p> <p>19 could have gone a long ways on this before we</p> <p>20 ever started restructuring, and I think now</p> <p>21 that we have a lot of markets and we're</p> <p>22 starting to identify where the markets aren't</p> <p>23 working particularly well, and we're starting</p> <p>24 to implement a lot of regulatory mechanisms to</p> <p>25 try and make sure that it's making up for</p>
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<p>1 those shortcomings of the competitive markets.</p> <p>2 Q. Delaware and Pennsylvania, are they</p> <p>3 deregulated markets, the two examples you</p> <p>4 used?</p> <p>5 A. All the U.S. is deregulated in terms of the--</p> <p>6 or it's competitive in terms of the wholesale</p> <p>7 market.</p> <p>8 Q. Competitive, yes.</p> <p>9 A. But not necessarily in the retail market.</p> <p>10 Pennsylvania does have retail competition, but</p> <p>11 it's been pretty much a failure, and like in</p> <p>12 Delaware's case, it's--they don't have it yet.</p> <p>13 They talk about the possibility of it coming</p> <p>14 and that, but you'll see, in this guide, they</p> <p>15 don't talk about service reliability, I mean</p> <p>16 like generation reliability. It's strictly on</p> <p>17 the distribution and transmission end,</p> <p>18 strictly the monopoly services still. And if</p> <p>19 you look at Vermont, their reporting</p> <p>20 mechanisms, they don't have PBR and they don't</p> <p>21 have retail competition, and they require all</p> <p>22 of their--just look at that.</p> <p>23 I think Barton Village in Vermont, it's</p> <p>24 an electricity distribution company, like</p> <p>25 there's a number of large ones and there are a</p>	<p>1 number of real small ones. Green Mountain is</p> <p>2 the large one, but it has basically the same</p> <p>3 reporting requirements as Barton Village,</p> <p>4 which is very small, and they report on an</p> <p>5 annual basis. They have their performance</p> <p>6 indicators here. So they have a performance</p> <p>7 standard related to call answering, and they</p> <p>8 have billing and meter reading performance</p> <p>9 requirements, percent of bills not rendered</p> <p>10 within seven days of monthly billing cycle,</p> <p>11 bills found inaccurate, percent of bills</p> <p>12 estimated, and then they have performance</p> <p>13 standards related to work completion. So the</p> <p>14 average number of days to completion of a line</p> <p>15 extension from the date the project was</p> <p>16 approved for construction. They have percent</p> <p>17 of all other customer requested work completed</p> <p>18 on or before a promised delivery date. They</p> <p>19 have average delay days, missed appointments.</p> <p>20 So if they make an appointment, they're going</p> <p>21 to be there to hook up your meter, and if</p> <p>22 they're late, they track those number of days</p> <p>23 and they actually pay a penalty if they don't</p> <p>24 meet a certain benchmark. And they have a</p> <p>25 customer satisfaction index as well, and then</p>

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<p>1 they have worker safety, lost time incidents,  2 lost time severity, and then on the  3 reliability side, they have SAIFI and CAIDI,  4 which is just SAIDI divided by SAIFI. And  5 then they--and this is something that would be  6 of interest to me, given where I live, but  7 they have worst performing areas.</p> <p>8 Now what they do, most of these  9 jurisdictions do, they identify the two  10 percent worst feeders on the system and, like  11 I say, in my case, I had something like 60  12 hours interruption last year. I would  13 probably fall into that category. So what  14 they'd do is they have a requirement that you  15 take those two percent worst performing  16 feeders, look at them relative to the average,  17 and if they're far below average, then they're  18 required to submit a plan what they're going  19 to do to remedy that situation. Like the  20 thinking there is that everybody pays the same  21 rates. Everybody is required to some minimum  22 standard of reliability.</p> <p>23 And they do--they look at major storms.  24 They actually remove major storms from it, and  25 then, like I say, they have their service</p>	<p>1 guarantees as well, and those service  2 guarantees relate to customer requested meter  3 readings, meter accuracy verification, and  4 final initial meter readings. Now in their  5 case, they'll give the customer a five dollar  6 credit whenever they don't meet that  7 requirement, that service guarantee. I think  8 Green Mountain gives a ten dollar credit,  9 because they're a bigger utility.</p> <p>10 Like I say, this is an example of an  11 extremely small utility that's subject to some  12 pretty stringent regulatory reporting  13 requirements. So it's not a matter of the  14 amount of money that goes into it. These are  15 things that you need to track if you're going  16 to serve your customers well, and certainly  17 even this is far below what you're require if  18 you're going to have service excellence.</p> <p>19 Q. That's all I have, Chair. Thank you. Thank  20 you, Mr. Bowman.</p> <p>21 CHAIRMAN:  22 Q. Thank you, Commissioner Whalen. I have no  23 questions, Mr. Bowman. Thank you. Mr.  24 Johnson, do you have any?</p> <p>25 MR. JOHNSON:</p>
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<p>1 Q. No, nothing in follow up on that.</p> <p>2 CHAIRMAN:  3 Q. Thank you, Mr. Bowman, very much for your  4 testimony. I guess by virtue, Ms. Newman, of  5 completing Mr. Bowman, we have an off day  6 tomorrow, because my understanding is that Dr.  7 Canon will be--won't be arriving until  8 Thursday from Ontario, or he won't be arriving  9 until tomorrow night, I guess.</p> <p>10 MS. NEWMAN:  11 Q. He's due in tomorrow evening. Hopefully the  12 weather won't prevent that. But I understand  13 that we want to have Mark Bradbury testifying  14 while Dr. Canon is here. So hopefully, if all  15 goes well, we'll start with Mark Bradbury on  16 Thursday morning at 9 a.m., and then Dr. Canon  17 after that.</p> <p>18 CHAIRMAN:  19 Q. So tomorrow would be an off day on that basis,  20 I guess.</p> <p>21 MS. NEWMAN:  22 Q. Tomorrow, there's--yes.</p> <p>23 MR. JOHNSON:  24 Q. I'll keep you posted.</p> <p>25 CHAIRMAN:</p>	<p>1 Q. Good. Thanks once again, Mr. Bowman, and  2 we'll see you -</p> <p>3 VICE-CHAIR WHALEN:  4 Q. Have a safe trip back.</p> <p>5 CHAIRMAN:  6 Q. - see you 9:00 on Thursday morning. Thank  7 you.</p>

## 1 CERTIFICATE

2 I, Judy Moss, hereby certify that the  
3 foregoing is a true and correct transcript in the  
4 matter of Newfoundland and Labrador Hydro's Revised  
5 2006 General Rate Application heard on the 23rd day  
6 of January, A.D., 2007 before the Board of  
7 Commissioners of Public Utilities, Prince Charles  
8 Building, St. John's, Newfoundland and Labrador and  
9 was transcribed by me to the best of my ability by  
10 means of a sound apparatus.

11 Dated at St. John's, Newfoundland and Labrador  
12 this 23rd day of January, A.D., 2007  
13 Judy Moss