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<p>1 (10:12 A.M.)</p> <p>2 CHAIRMAN:</p> <p>3 Q. Thank you and good morning, everybody. I'd</p> <p>4 like to welcome you to the start of the pre-</p> <p>5 hearing conference for the Newfoundland and</p> <p>6 Labrador Hydro's 2006 General Rate</p> <p>7 Application. It seems that General Rate</p> <p>8 Applications are synonymous with the Fall and</p> <p>9 here we are again, having heard the last one</p> <p>10 in 2003, I guess. The Board has been busy</p> <p>11 since then, however, with insurance matters.</p> <p>12 We've conducted a couple of insurance reviews</p> <p>13 and indeed, we've had a major review of our</p> <p>14 regulation of petroleum pricing in the</p> <p>15 province. So, we have indeed been busy, and</p> <p>16 it'll be a welcome diversion, in actual fact,</p> <p>17 to deal with this General Rate Application,</p> <p>18 and when you talk about a General Rate</p> <p>19 Application as a welcome diversion, I think</p> <p>20 you probably need to be looking at and</p> <p>21 focusing on what you're doing basically,</p> <p>22 essentially, but nevertheless, we do look</p> <p>23 forward to it.</p> <p>24 I think most of you--I see a lot of</p> <p>25 familiar faces out there. Nonetheless, my</p>	<p>1 name is Bob Noseworthy. I'm Chair and CEO of</p> <p>2 the Public Utilities Board, and to my left is</p> <p>3 my colleague, Darlene Whalen, who's the Vice-</p> <p>4 Chair of the Board, and both of us, for</p> <p>5 purposes of the pre-hearing conference, will</p> <p>6 comprise the panel. What will happen in</p> <p>7 relation to the General Rate Application</p> <p>8 itself when it starts, in relation to the</p> <p>9 panel, is a mystery at this point in time, in</p> <p>10 any event. We have two vacant commissioners.</p> <p>11 I'm anticipating some new appointments shortly</p> <p>12 and likely one of those would comprise, along</p> <p>13 with Darlene and myself, comprise the panel to</p> <p>14 hear the General Rate Application. So it may</p> <p>15 be a little bit of a different mix than you</p> <p>16 have here this morning, but it'll just be one</p> <p>17 additional person, including ourselves.</p> <p>18 Before we begin as well, I'd like to</p> <p>19 introduce the staff that have joined us this</p> <p>20 morning. Dwanda Newman on my right, Dwanda is</p> <p>21 the Board counsel, and the Board secretary,</p> <p>22 Cheryl Blundon on my left, and I'm sure most</p> <p>23 of you are familiar and know both those</p> <p>24 individuals well.</p> <p>25 The purpose of the pre-hearing conference</p>
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<p>1 this morning is really to assist with the</p> <p>2 organization and planning of the public</p> <p>3 hearing into Newfoundland and Labrador Hydro's</p> <p>4 2006 General Rate Application, and we do have</p> <p>5 an agenda with regard to coming to some</p> <p>6 agreement hopefully on rules of procedure,</p> <p>7 order of witnesses and schedule of dates, and</p> <p>8 I understand there has been some consultation</p> <p>9 on those subjects already and hopefully there</p> <p>10 has been some agreement and consensus which</p> <p>11 will make this morning's proceedings short,</p> <p>12 hopefully. That remains to be seen.</p> <p>13 Without any further ado, I'd like to ask</p> <p>14 Ms. Newman to enter the matter and confirm the</p> <p>15 issuance of notices and the notice of</p> <p>16 interventions we've received as a result.</p> <p>17 Good morning, Ms. Newman.</p> <p>18 MS. NEWMAN:</p> <p>19 Q. Good morning, Mr. Chairman, Madame Vice-Chair,</p> <p>20 everyone who has the fortune of sitting with</p> <p>21 us here today and likely then throughout the</p> <p>22 rest of the fall. I can confirm that the</p> <p>23 Board did receive an application from</p> <p>24 Newfoundland and Labrador Hydro on August 3rd,</p> <p>25 2006 for approval of, among other things, the</p>	<p>1 rates to be charged as of January 1, 2007 for</p> <p>2 the supply of power and energy to its</p> <p>3 customers, the rules and regulations</p> <p>4 applicable to the supply of electricity to its</p> <p>5 customers and such other matters as may appear</p> <p>6 just and reasonable upon hearing the</p> <p>7 application.</p> <p>8 Notice of this application and of this</p> <p>9 pre-hearing conference was published in</p> <p>10 newspapers throughout the province, beginning</p> <p>11 on August 19th. It was, in fact, published in</p> <p>12 The Evening Telegram, The Western Star, The</p> <p>13 Shoreline, The Express, The Compass, The</p> <p>14 Packet, Southern Gazette, The Beacon, The</p> <p>15 Pilot, The Advertiser, The Nor'wester, The</p> <p>16 Coaster, The Georgian, The Gulf News, The</p> <p>17 Labradorian, The Charter, The Northern Pen and</p> <p>18 The Aurora.</p> <p>19 In response to this notice, the Board did</p> <p>20 seek--did receive intervenor submissions from</p> <p>21 three parties: the first being the Consumer</p> <p>22 Advocate who was duly appointed in accordance</p> <p>23 with the legislation; the second being</p> <p>24 Newfoundland Power; and the third being a</p> <p>25 group of Industrial Customers represented by</p>

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<p>1 Poole Althouse and Stewart McKelvey, and that</p> <p>2 group is Abitibi Consolidated Company of</p> <p>3 Canada, Grand Falls Division, ORE Resources</p> <p>4 Inc., Corner Brook Pulp and Paper Limited,</p> <p>5 North Atlantic Refining Limited and Voisey's</p> <p>6 Bay Nickel Company Limited. And those were</p> <p>7 all the interventions that were received in</p> <p>8 response to the notice to date.</p> <p>9 CHAIRMAN:</p> <p>10 Q. Thank you, Ms. Newman. Perhaps for the</p> <p>11 proceedings, I could ask the parties to just</p> <p>12 introduce themselves and indicate in what</p> <p>13 capacity you're here, and I'll start with the</p> <p>14 applicant, Hydro.</p> <p>15 MR. YOUNG:</p> <p>16 Q. Good morning, Chair, Vice-Chair. My name is</p> <p>17 Geoffrey Young. I'm counsel for Newfoundland</p> <p>18 and Labrador Hydro and with me today is Ms.</p> <p>19 Gillian Butler, Q.C. She's external counsel</p> <p>20 for Hydro for this rate application. In the</p> <p>21 back of the room, we also have some other</p> <p>22 esteemed members of Hydro. Mr. Mitchell is</p> <p>23 known well to the Board. There's another</p> <p>24 person, Derrick Sturge, who's known to the</p> <p>25 Board as an institution, but not to the Board</p>	<p>1 as an individual because of the change in the</p> <p>2 personnel over the years. He was with Hydro</p> <p>3 back in the 90s. Mr. Sturge is our chief</p> <p>4 financial officer.</p> <p>5 CHAIRMAN:</p> <p>6 Q. Thank you and welcome. Good to see you, Ms.</p> <p>7 Butler. I think the last time we had met, you</p> <p>8 were representing Newfoundland Power, but it</p> <p>9 may take a little bit of getting used to, but</p> <p>10 I'm sure that won't take long.</p> <p>11 BUTLER, Q.C.:</p> <p>12 Q. I think it's customary, Mr. Chairman, for</p> <p>13 lawyers to change seats at this Public</p> <p>14 Utilities Board.</p> <p>15 CHAIRMAN:</p> <p>16 Q. Consumer advocate, please.</p> <p>17 MR. JOHNSON:</p> <p>18 Q. Good morning, Mr. Chairman, Madame Chairman.</p> <p>19 Tom Johnson, of course I've been appointed to</p> <p>20 represent the general and domestic customers</p> <p>21 in this hearing, and I'll be attended with</p> <p>22 someone from my office in the future, but not</p> <p>23 today.</p> <p>24 CHAIRMAN:</p> <p>25 Q. Thank you, Mr. Johnson, welcome. We welcome</p>
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<p>1 your appointment as well. The Industrial</p> <p>2 Customers, please.</p> <p>3 HUTCHINGS, Q.C.:</p> <p>4 Q. Good morning, Mr. Chairman. Joseph Hutchings</p> <p>5 from Poole Althouse, with me Paul Coxworthy</p> <p>6 from Stewart McKelvey. We represent the</p> <p>7 Island Industrial Group of Customers of</p> <p>8 Newfoundland and Labrador Hydro. In the back</p> <p>9 of the room this morning, we have two energy</p> <p>10 managers, one from Corner Brook Pulp and</p> <p>11 Paper, being Mr. David McDonald, and one from</p> <p>12 Abitibi Consolidated in Grand Falls, being Mr.</p> <p>13 Wilmore Eddy.</p> <p>14 CHAIRMAN:</p> <p>15 Q. Welcome, gentlemen.</p> <p>16 HUTCHINGS, Q.C.:</p> <p>17 Q. We'll be here in such force as we can muster</p> <p>18 from time to time to carry on.</p> <p>19 CHAIRMAN:</p> <p>20 Q. Thank you, Mr. Hutchings. Look forward to</p> <p>21 working with you and Mr. Coxworthy.</p> <p>22 Newfoundland Power, please.</p> <p>23 MR. HAYES:</p> <p>24 Q. Good morning, Mr. Chair, Vice-Chair. Gerard</p> <p>25 Hayes representing Newfoundland Power this</p>	<p>1 morning. Chair, the hearing counsel at</p> <p>2 present, our plan is to have Mr. Ian Kelly,</p> <p>3 Q.C. and Mr. Alteen, both of whom you're</p> <p>4 familiar with, representing us at the hearing.</p> <p>5 I understand there are a few dates during the</p> <p>6 hearing when Mr. Kelly may not be available</p> <p>7 and as a result, you may see me more often</p> <p>8 than you have in the past. But in any event,</p> <p>9 I'll be here for this morning. With me is</p> <p>10 Lorne Henderson, who's our Director of</p> <p>11 Regulatory Affairs, and he's assisting me with</p> <p>12 this this morning.</p> <p>13 CHAIRMAN:</p> <p>14 Q. Thank you very much, Mr. Hayes. Welcome to</p> <p>15 both of you. Before we get started, I guess,</p> <p>16 on the particular agenda, there's maybe just a</p> <p>17 couple of housekeeping items. The physical</p> <p>18 layout that we have here this morning is</p> <p>19 likely to be, I suspect, the physical layout</p> <p>20 for the hearing itself. I trust that's</p> <p>21 satisfactory. If it's not, you'll have to</p> <p>22 bring it to the attention of the Board</p> <p>23 secretary. If there are any other</p> <p>24 requirements that you may need in terms of the</p> <p>25 room itself or the briefing room out there, if</p>

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<p>1 you could raise those with the Board secretary 2 prior to the hearing, we'll certainly try and 3 accommodate you in the best way we can. 4 The pre-hearing, along with the 5 conference itself, will be transcribed and we 6 have Ms. Paulette Murphy here this morning 7 with Discoveries Unlimited and we will make 8 every effort, once the hearing starts, as 9 well, to have overnight transcription 10 available in the normal efficient fashion that 11 we've experienced with Discoveries Unlimited 12 in the past. And that's about it for those 13 particular items. 14 I'll call upon either Mr. Young or 15 indeed, Ms. Butler, to, for the purposes of 16 the proceeding here this morning, to just 17 briefly introduce the application, if you 18 could, please. 19 MR. YOUNG: 20 Q. Thank you, Mr. Chair. I'll speak to that very 21 briefly. I think considering the people 22 assembled in the room, I'm sure everybody's 23 more than familiar with the application. I 24 need not deal with the content of it. So if I 25 may, I'll just indicate a few comments we have</p>	<p>1 as to how the application may have an impact 2 on the process. 3 As the Board and the parties here are all 4 aware, this is a relatively conservative 5 application on certain fronts. In particular, 6 the return on equity level is very modest. 7 It's the one the Board has approved before, 8 proposed for 5.2 percent, and we don't 9 anticipate that issue to be onerous from the 10 point of view of taking up time in the 11 hearing. And there are a few other issues of 12 that sort which may be resolved through 13 settlement or through negotiation that we 14 think may make the present schedule 15 achievable. I've heard a bunch of adjectives 16 in relation to the schedule and it's one that 17 we first saw or one much like we first saw as 18 a tentative schedule when this application was 19 first considered to be filed some months ago, 20 and some of those adjectives are it's 21 ambitious, it's optimistic. We prefer doable 22 and progressive, because we believe that it is 23 a fairly efficient schedule, one that can be 24 met. 25 The point I would like to make in</p>
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<p>1 relation to some of the negotiation days in 2 the schedule is that the Board should be 3 advised, and may already have understood that 4 they will not be the only negotiation days 5 that take place, and that's something we 6 intend to actively pursue to make the process 7 as efficient as possible. It's something 8 we've had some success with in the past and 9 we're hoping to build upon that. Those things 10 being said, I'd also like to commend the 11 parties and thank them for the high level of 12 cooperation that's already occurred over the 13 last few days and even this morning and trying 14 to make the schedule run smoothly. We have a 15 couple of small concerns in relation to 16 American holidays, Thanksgiving, and some of 17 the witnesses who may be appearing, and it 18 appears that the parties are going to be able 19 to work through those issues quite well and 20 things should flow fairly smoothly. 21 Aside from that, we have no other 22 particular comments on the process. 23 CHAIRMAN: 24 Q. Thank you. Mr. Young, certainly doable and 25 progressive are music to my ears when it comes</p>	<p>1 to objectives, no question about that. We'll 2 do everything we can to ensure that those 3 objectives are met, from the Board's 4 perspective as well, and if indeed 5 negotiation, additional negotiation days are 6 required which would represent significant 7 process, or progress, excuse me, in terms of 8 reducing the number of days in this room and 9 getting on with the job and addressing issues 10 and reducing the numbers of issues ultimately 11 that have to be dealt with in an adversarial 12 manner in the decision, we would certainly 13 support the process in that regard and do 14 everything we can to try and accommodate that. 15 MR. YOUNG: 16 Q. Thank you, Chair. 17 CHAIRMAN: 18 Q. The agenda itself, there are four or five 19 items, I guess, on the agenda and I'll just 20 ask Ms. Newman to introduce each one of those 21 and we'll proceed to have a discuss as 22 necessary on those items. 23 (10:27 A.M.) 24 MS. NEWMAN: 25 Q. Thank you, Mr. Chairman again. As alluded to,</p>

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1 counsel have had a discussion in advance of us
 2 meeting here today and I did want to confirm
 3 the comments of counsel for Hydro that it was
 4 my impression that everybody has been very
 5 cooperative and open to trying to move this
 6 hearing along and in an efficient fashion and
 7 I think bodes well for how it's going to--how
 8 successful we'll be with that.

9 One of the first issues that we did, as
 10 normal process for us, is to try to establish
 11 some rules of procedure under which everybody
 12 would operate and the Board would adopt. I
 13 have circulated, I believe the Board has a
 14 copy of rules of procedure which have been
 15 discussed and I understand that parties are
 16 generally agreed with, and I would propose be
 17 adopted by the Board for this hearing. You
 18 may wish to receive confirmation of everyone's
 19 agreement here this morning before we move on
 20 to the next item.

21 CHAIRMAN:

22 Q. With regard to the rules of procedure, are
 23 there any comments that anybody would like to
 24 make particularly? Start with Hydro, if
 25 that's okay.

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1 a sensible approach to the whole thing.
 2 Perhaps one binder carried home at night
 3 instead of two is always a laudable objective.

4 CHAIRMAN:

5 Q. Sounds good to me.

6 MR. YOUNG:

7 Q. I like the two-binder comment. I seem to
 8 remember -

9 MS. NEWMAN:

10 Q. All right, 10 instead of 20.

11 CHAIRMAN:

12 Q. Any other particular comments on the rules of
 13 procedure? Okay, thank you. Next item, I
 14 guess, Ms. Newman.

15 MS. NEWMAN:

16 Q. Yes, Mr. Chairman. The next item that I wish
 17 to address briefly this morning, and that's an
 18 order of witnesses. While it's, I'd say,
 19 virtually impossible to establish a concrete
 20 order of witnesses and the manner in which the
 21 witnesses will be presented, at this stage in
 22 the hearing process, as we haven't exchanged
 23 RFIs or other methods of discussion and
 24 information exchange, the parties all have
 25 agreed to the order of witnesses that I have

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1 MR. YOUNG:

2 Q. Thank you, Chair. We're fine with them.
 3 There's one other comment or one comment in
 4 relation to this and it's a very minor one,
 5 and it has to do with our concerns for the
 6 amount of paper that sometimes gets generated
 7 literally. The single-sided requirement in
 8 Section 2. We will be single siding most of
 9 the documents. However, we would suggest to
 10 the Board that reports, and this is always the
 11 case, reports to be filed as attachments to
 12 documents which are normally found on two-
 13 sided, we would do that. I don't think that
 14 would be an imposition on anyone to have them
 15 that way and we've followed that recently in
 16 the Capital Budget. I think that's working
 17 fine. Other than that, we're quite fine with
 18 things as laid out. Thank you.

19 CHAIRMAN:

20 Q. We wouldn't have any -

21 MS. NEWMAN:

22 Q. Excuse me, Mr. Chairman. I have canvassed
 23 that issue with the Board secretary and the
 24 other counsel and if they have a problem, they
 25 can confirm, but apparently that's realized as

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1 circulated around the room as being reasonable
 2 at this time, which would have at least one
 3 panel being the finance--being the regulatory
 4 witnesses presented and Hydro is still
 5 considering whether another panel will be
 6 presented by way of finance. But generally
 7 speaking, this list of order of witnesses is
 8 seen as reasonable. Of course, there may be
 9 some other witnesses that arise as we proceed.

10 CHAIRMAN:

11 Q. Any comments on the order of witnesses? No.
 12 And we acknowledge that, you know, our
 13 experience has been that this has to be fluid,
 14 dependant on schedules and particularly with
 15 regard to out-of-province consultants, if you
 16 will, and we try to accommodate that as best
 17 we can, recognizing that we are on a schedule
 18 and that schedule should be adhered to as best
 19 we can, I think, and that would be in
 20 everybody's interest. But acknowledging that
 21 from time to time there may be some
 22 flexibility that's required here.

23 MR. YOUNG:

24 Q. Mr. Chairman, I'd like to make one comment and
 25 I don't think this is going to matter terribly

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<p>1 much at this point because it's a rather 2 preliminary matter and we're not sure exactly 3 how these things will unfold, but even this 4 morning, I mentioned the high level of 5 cooperation. I think the order of witnesses 6 for some of the experts and consultants may be 7 flipped one with the other to settle with 8 travel arrangements and other matters.</p> <p>9 CHAIRMAN: 10 Q. Sure, understand.</p> <p>11 MS. NEWMAN: 12 Q. Yes, Mr. Chairman, I'll go through that now in 13 the more detailed next item which is the 14 schedule of dates, if we can proceed to that.</p> <p>15 CHAIRMAN: 16 Q. Go ahead, Ms. Newman.</p> <p>17 MS. NEWMAN: 18 Q. I have circulated a schedule of dates which, 19 generally speaking, everyone, to my 20 understanding, agrees upon. There are just a 21 couple of changes that I have to run through 22 this morning that I understand everybody 23 agrees on. If you look at October 10th, we 24 currently have there two items to happen on 25 October 10th, the second round of RFIs and the</p>	<p>1 filing of experts' reports and pre-filed 2 evidence from other parties. There was, I 3 think, a sensible request to extend that date 4 somewhat, only for the experts' reports and 5 the pre-filed evidence. So the second round 6 of RFIs stays on October 10th, but to allow 7 the experts just a few extra days to get their 8 reports filed. Everybody agreed that we could 9 accommodate that request. So we would move 10 that second item to October 13th.</p> <p>11 And then, that necessitates a couple of 12 other changes to allow adequate time to do 13 RFIs on experts' reports, which had previously 14 been scheduled for October 17th. So on 15 October 17th, we will still receive the 16 responses to the second round of RFIs, but the 17 RFIs on experts' reports will move to October 18 20th. And then we have for October 23rd, the 19 responses to the RFIs on experts' reports, 20 that'll be moved to October 27th.</p> <p>21 Now I would suggest that those dates for 22 the pre-hearing are fixed and that the Board 23 would take those as fairly firm dates.</p> <p>24 The following dates are to say a shot in 25 the dark is probably fair, with the starting</p>
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<p>1 of the hearing on October 31 and after that, 2 of course, everybody knows that it just 3 depends on how long the witnesses take. But 4 we've made our best guess as to what will 5 transpire and there are a couple of changes, 6 as alluded to by counsel for Hydro, with 7 respect to the expert witnesses, mainly to 8 accommodate the Thanksgiving week holidays on 9 November 23rd. So what we'd like to do, I 10 might suggest, is we have Robert Greneman move 11 from the 16th to the 15th. Doug Bowman will 12 testify on the 16th. On November 17th, we'll 13 have Larry Brockman. And November 20th, 14 Patrick Bowman.</p> <p>15 So with those changes, we may have some 16 extra days found towards the end of November 17 so travel may be moved up a couple of days. 18 We can look at that once a determination is 19 made as to where we are going.</p> <p>20 CHAIRMAN: 21 Q. Subject to those changes and comments, are 22 there any objections?</p> <p>23 MS. NEWMAN: 24 Q. I can undertake to circulate a copy of that, 25 just to make sure everybody's got it and is in</p>	<p>1 agreement before we do anything with that.</p> <p>2 HUTCHINGS, Q.C.: 3 Q. Yes, Mr. Chair, those accurately reflect the 4 discussions we had this morning relative to 5 the schedule. I guess I feel obliged to add 6 one additional adjective to the description of 7 the schedule, to those that have been 8 mentioned already and the response that we had 9 in discussions with some people we spoke to 10 about was the schedule was aggressive. Now in 11 the world that our people come from, 12 aggressive is not always a bad thing by any 13 means. Lots of things require aggressive 14 responses and we are committed to doing 15 everything we possibly can to meet the 16 schedule. But it is a very compressed 17 schedule, especially when you compare it to 18 the previous ones that we've had. I mean 19 normally the experts' reports would be coming 20 in several weeks after the second round of 21 RFIs have been answered and in this instance, 22 they are actually just a short time after the 23 first ones are in and before the second ones 24 are there. So you know, there will be some 25 problems inevitably in terms of those flows.</p>

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<p>1 I think we've had pretty good cooperation in</p> <p>2 the past by all parties in trying to make this</p> <p>3 work and we certainly want to do that again.</p> <p>4 We are hopeful, I guess, that we'll be able to</p> <p>5 deal with a number of issues by way of</p> <p>6 negotiation and put ourselves in a position</p> <p>7 where this schedule can, in fact, as Mr. Young</p> <p>8 has expressed, be a doable one.</p> <p>9 CHAIRMAN:</p> <p>10 Q. Thank you, Mr. Hutchings. Yes, I think I</p> <p>11 would agree. I've heard adjectives like</p> <p>12 doable, progressive, aggressive and I agree</p> <p>13 with all those, and maybe we'll add flexible</p> <p>14 as needed here now while maintaining the</p> <p>15 previous three. How's that?</p> <p>16 HUTCHINGS, Q.C.:</p> <p>17 Q. Sounds like a plan.</p> <p>18 CHAIRMAN:</p> <p>19 Q. So we'll see what we can do. Are there any</p> <p>20 other particular comments?</p> <p>21 MS. NEWMAN:</p> <p>22 Q. Yes, Mr. Chairman, picking up on that thought,</p> <p>23 I guess some discussion has been held amongst</p> <p>24 counsel about the issues that are to be</p> <p>25 addressed in this hearing, so that we can put</p>	<p>1 a focus on the hearing so that we can meet</p> <p>2 this schedule. There is some ongoing</p> <p>3 discussions about some issues that we might be</p> <p>4 able to either settle, as alluded to, or</p> <p>5 perhaps maybe put off into a future</p> <p>6 proceeding. One of the issues that has been</p> <p>7 raised is depreciation issue that is within</p> <p>8 the application, and I wanted to allude to the</p> <p>9 application here. At page five of the</p> <p>10 application, Hydro, in paragraph O, sets out</p> <p>11 its position on depreciation and it says in</p> <p>12 the application "straight line on equal life,</p> <p>13 group depreciation methodology set out in the</p> <p>14 Gannett Fleming Inc. depreciation study filed</p> <p>15 by Hydro on December 22nd, 2005 be approved in</p> <p>16 principle with the implementation of the</p> <p>17 methodology deferred."</p> <p>18 So effectively, what that means is that</p> <p>19 in this application the Board would look at</p> <p>20 the principles that are proposed in that</p> <p>21 report, but defer, I believe, based on the</p> <p>22 evidence, until sometime in 2007 when Hydro</p> <p>23 would come back with the actual</p> <p>24 implementation. And one suggestion that came</p> <p>25 up that would allow us to meet this</p>
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<p>1 progressive schedule and also allow for a full</p> <p>2 canvassing of the depreciation issue with the</p> <p>3 experts that might be brought to bear on the</p> <p>4 issue is to put that matter off until sometime</p> <p>5 in the future. So for the Board not to decide</p> <p>6 in principle on the depreciation issue during</p> <p>7 the GRA, but to do that in 2007 along with the</p> <p>8 application from Hydro for implementation.</p> <p>9 And I believe that each of the parties have</p> <p>10 some comments on that, but I think it would</p> <p>11 add to the efficiency of this process, and I</p> <p>12 believe at the end of the day, probably a more</p> <p>13 full examination of that issue itself. It's</p> <p>14 my understanding that there's no time</p> <p>15 sensitivity to having that principle approval</p> <p>16 at this time. So you may want to hear from</p> <p>17 the parties on that.</p> <p>18 CHAIRMAN:</p> <p>19 Q. Mr. Young, do you have any particular comments</p> <p>20 on that issue?</p> <p>21 MR. YOUNG:</p> <p>22 Q. Yes, as Ms. Newman indicated, there was some</p> <p>23 discussion on this issue over the last few</p> <p>24 days, in fact, the last week or so. Hydro's</p> <p>25 position on this, I think, is that we're</p>	<p>1 trying to be as open to the Board's best</p> <p>2 scheduling of this as it deems appropriate.</p> <p>3 The report was filed in response to a</p> <p>4 requirement from the Board and Hydro is</p> <p>5 willing to engage in this hearing, if it is</p> <p>6 the choice of the Board, to have this matter</p> <p>7 fully explored. We're not--we haven't filed</p> <p>8 rates on that basis, so it's clear that it's</p> <p>9 not part of our schedule to get rate</p> <p>10 implementation. You might infer by the fact</p> <p>11 that we didn't file on that basis that it is</p> <p>12 an in principle thing that we're requesting at</p> <p>13 this time, and I'd also add that, you know, we</p> <p>14 would be before the Board on a range of issues</p> <p>15 and we thought it may be appropriate to have</p> <p>16 this matter dealt with in this GRA, were it to</p> <p>17 be the Board's pleasure to do so.</p> <p>18 The suggestion has been made to defer</p> <p>19 this and to, as we sometimes refer to them, a</p> <p>20 generic hearing. We're not opposed to that.</p> <p>21 We're not proposing it either incidentally,</p> <p>22 but I think that is a way it could be handled.</p> <p>23 If the Board feels, however, that this is a</p> <p>24 matter which would just add a small additional</p> <p>25 incremental amount of time or another issue to</p>

<p style="text-align: right;">Page 25</p> <p>1 this hearing which is not insurmountable, in 2 relation to the schedule, we'd certainly be 3 willing to address it in the scope of this 4 hearing. So we're clearly at the Board's 5 pleasure on this matter. 6 CHAIRMAN: 7 Q. Thank you, Mr. Young. Mr. Johnson, do you have 8 any comments? 9 MR. JOHNSON: 10 Q. Mr. Chairman, I guess, I was one of the 11 parties who expressed some concern as to 12 getting into the idea of an approval in 13 principle in the context of this hearing, not 14 only because of scheduling difficulties but 15 certainly that was one of the considerations. 16 One of the things that I've determined from 17 speaking to depreciation people in the know is 18 that it is a complex area and it would seem 19 that in the absence of a compelling reason to 20 deal with it in principle at this stage that a 21 full and proper treatment, including 22 implementation with all the details and 23 figures would be the appropriate way to go. 24 So I'm very much in favour of having it hived 25 off from this particular hearing and to be</p>	<p style="text-align: right;">Page 26</p> <p>1 dealt with later. 2 (10:42 A.M.) 3 CHAIRMAN: 4 Q. Thank you, Mr. Johnson. Mr. Hutchings, any 5 comment? 6 HUTCHINGS, Q.C.: 7 Q. Yes, thank you, Mr. Chair. I will echo what 8 Mr. Johnson has said relative to this item. 9 Not only is depreciation in itself, as the 10 Board is undoubtedly aware, a very complex and 11 difficult area and for that reason, of course, 12 attracts a whole different group of experts 13 than the cost of service experts that we have 14 scheduled to appear at this stage. In this 15 particular case, as appears from the pre-filed 16 evidence of Newfoundland and Labrador Hydro, 17 we are talking about an issue that would cause 18 an annual depreciation expense increase of 14 19 million dollars. It's not a one-time number. 20 That's an annual increase of 14 million 21 dollars in the expenses of Hydro to be 22 recovered out of rates, if this depreciation 23 study is implemented in its current form. You 24 have before you Hydro's position and their 25 report on this. My information is that there</p>
<p style="text-align: right;">Page 27</p> <p>1 are a wide variety of views as to how this 2 issue should properly be dealt with, and you 3 know, the method that Hydro is proposing 4 appears to those that we have discussed this 5 with to be, and I'm back to the same word 6 again, a very aggressive one as regards 7 depreciation. So this will be a big issue, 8 both in terms of its complexity and need to 9 bring other experts and the big dollar ticket, 10 which is associated with it. I would see real 11 difficulty in being able to accommodate the 12 additional experts that would be required and 13 the reports and the timing for all of that in 14 the current schedule. But I think also it is 15 a sufficiently discreet and large issue that 16 it merits a great deal of attention and that 17 can be properly handled in a separate 18 proceeding, and at the same time, it is not 19 one that is intended by Hydro to have 20 immediate affect on rates as of January 1, 21 2007. It is being proposed now only as a 22 matter of principle for approval, but 23 obviously once it is approved in principle, 24 numbers will run and in the fullness of time, 25 at some point the dollar item will become a</p>	<p style="text-align: right;">Page 28</p> <p>1 real one. So that I don't think there is any 2 real prejudice to Hydro in deferring the 3 consideration of this matter at this point, 4 and I think that the interests of the balance 5 of the parties and the interest of good 6 regulation generally would be best served by 7 taking this one discreet item out of the 8 current hearing and making arrangements to 9 deal with it at another time. Thank you, Mr. 10 Chair. 11 CHAIRMAN: 12 Q. Thank you, Mr. Hutchings. Mr. Hayes, do you 13 have any comments? 14 MR. HAYES: 15 Q. Yes, Chair. Newfoundland Power, because of 16 the nature of our own business, doesn't have 17 the same concerns with respect to the 18 complexity of the depreciation and we don't 19 have the same need obviously for expert 20 evidence to allow us to consider it. So it's 21 not a big issue for Newfoundland Power. 22 However, we do recognize that the Consumer 23 Advocate and the Industrial Customers are in a 24 bit of a different position, and we would 25 acknowledge that what they are suggesting is</p>

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<p>1 certainly not an unreasonable proposal, in the</p> <p>2 current context. So that's about all we'd say</p> <p>3 about that at this time.</p> <p>4 CHAIRMAN:</p> <p>5 Q. Ms. Newman, do you have anything to add?</p> <p>6 MS. NEWMAN:</p> <p>7 Q. I don't.</p> <p>8 CHAIRMAN:</p> <p>9 Q. I guess I don't detect any strong position by</p> <p>10 Hydro on this. I mean, it seems to me you're</p> <p>11 willing to adhere to whichever way the Board</p> <p>12 may decide on this, with a view to its</p> <p>13 inclusion or not. I would assume by</p> <p>14 incorporating this, you'd have to refile the</p> <p>15 application, would you?</p> <p>16 MR. YOUNG:</p> <p>17 Q. Well, if we were to refile--if we were to</p> <p>18 require rates to be set based on new</p> <p>19 depreciation methodology, there would have to</p> <p>20 be a refiling in some form and at some time.</p> <p>21 What we were proposing was an approval of it</p> <p>22 in principle and the manner in which that</p> <p>23 gets, as Mr. Hutchings alluded to, rolled out</p> <p>24 into dollars would have to be dealt with at a</p> <p>25 later time in any event. And the level of</p>	<p>1 complexity of that process might depend</p> <p>2 somewhat on the nature of the approval in</p> <p>3 principle as far as to what happened.</p> <p>4 I'd just like to reiterate what I had</p> <p>5 said before, and to put this in some context,</p> <p>6 from the comment made by Mr. Hutchings. You</p> <p>7 know, we're not opposed in any strong way to</p> <p>8 deferring this completely out of this hearing,</p> <p>9 which is to say not deal with the approval in</p> <p>10 principle process. We would be concerned if</p> <p>11 it was put off for a very long period of time,</p> <p>12 because we do feel it's a matter that ought to</p> <p>13 be dealt with. And I think the most succinct</p> <p>14 way I can put this is that should the Board</p> <p>15 decide to include this issue in this hearing,</p> <p>16 Hydro is able to engage its experts and</p> <p>17 provide an opportunity for cross-examination.</p> <p>18 But it's--you know, it's not an--and the other</p> <p>19 thing I suppose I should say before I leave</p> <p>20 this is the report was filed at the Board's</p> <p>21 request and we think it would be inappropriate</p> <p>22 for us not to be available to the Board should</p> <p>23 it decide to deal with this at this time, when</p> <p>24 we're before it. But if the Board chooses</p> <p>25 another process or procedure, that's something</p>
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<p>1 we can certainly accommodate.</p> <p>2 CHAIRMAN:</p> <p>3 Q. It's certainly not something that Ms. Whalen</p> <p>4 and I have discussed previously. What I'm</p> <p>5 detecting here, and I guess from the Board's</p> <p>6 perspective, as well, I mean, we are</p> <p>7 interested in getting this application dealt</p> <p>8 with progressively and aggressively, and my</p> <p>9 experience, in any event, with General Rate</p> <p>10 Applications, when you do have detailed issues</p> <p>11 like this that are complex from at least</p> <p>12 perhaps three of the four parties that are out</p> <p>13 there, or certainly two, and then there are</p> <p>14 additional witnesses. I'll speak for myself,</p> <p>15 I'm an engineer, so is Darlene. When you get</p> <p>16 into depreciation, it requires a level of</p> <p>17 intensity for us as commissioners that is</p> <p>18 significant. Not saying we can't work through</p> <p>19 them, but it does require a different mode of</p> <p>20 thinking for us and I guess from my</p> <p>21 perspective, these things, these issues, such</p> <p>22 as depreciation, I know, you know, marginal</p> <p>23 cost is another one of these issues, it would</p> <p>24 be more appropriate, in my judgment, to sort</p> <p>25 of reserve these for another time. Not saying</p>	<p>1 that they would be put off for an indefinite</p> <p>2 period but to reschedule some other venue and</p> <p>3 some other time outside of the hearing itself.</p> <p>4 Having said that, that's my own personal view.</p> <p>5 I haven't discussed this with Ms. Whalen, but</p> <p>6 I don't detect any strong positions out there</p> <p>7 that are terribly adversarial in this that</p> <p>8 would require us considering it in a motions</p> <p>9 day, for example. And what I'd undertake to</p> <p>10 do is to deal with it and have a discussion</p> <p>11 with Ms. Whalen and that the Board would deal</p> <p>12 with it within the context of the order that</p> <p>13 would be issued as a result of this proceeding</p> <p>14 today, if that's satisfactory with everybody.</p> <p>15 MR. JOHNSON:</p> <p>16 Q. It is to me.</p> <p>17 HUTCHINGS, Q.C.:</p> <p>18 Q. Yes. Thank you, Mr. Chair.</p> <p>19 MR. YOUNG:</p> <p>20 Q. Fine, Mr. Chair.</p> <p>21 CHAIRMAN:</p> <p>22 Q. And having said that, I'll afford Ms. Whalen</p> <p>23 the option to make any comments that she would</p> <p>24 like to make on it as well.</p> <p>25 VICE-CHAIR WHALEN:</p>

<p style="text-align: right;">Page 33</p> <p>1 Q. I guess the only question I would have, has 2 Hydro put its mind to implementation timing? 3 I mean, is 2007 or 2008 or--you know, if the 4 approval of the methodology was dealt with in 5 the hearing, what would be the timing you'd be 6 looking at? 7 MR. YOUNG: 8 Q. It's something we would anticipate--if we had 9 an order, for example, approving the 10 methodology, just for sake of putting this in 11 some perspective, if we had an order approving 12 the methodology, you know, by the new year, 13 it's something we would get to work on and 14 depending on how much that matter had been 15 investigated in the approval in principle 16 process, we could probably turn that around 17 within a reasonable period of time and apply 18 for rates to flow from just that piece, if the 19 Board was to be willing to consider that. And 20 if it flowed out of a different process, which 21 is to say a generic hearing, it might be that 22 we could wrap both into the one and the timing 23 could also be otherwise. So I think the short 24 answer is it's something we would expect to 25 happen in 2007.</p>	<p style="text-align: right;">Page 34</p> <p>1 As I was just reminded, there are other 2 circumstances down the road as to different 3 costs which might mean that when we discuss 4 these things with other parties, we might find 5 that an implementation timing, which is 6 slightly different than that, may be also 7 sensible. But at this point, we think we will 8 be able to engage and get rates set for 2007, 9 although it's not necessarily the case that 10 that would be the timing, depending on the 11 circumstances. 12 VICE-CHAIR WHALEN: 13 Q. But it was an expectation that approval of the 14 methodology now by the Board would mean that 15 the rates arising from this General Rate 16 Application would include the implementation 17 of the depreciation study? That's not what I 18 understood. 19 MR. YOUNG: 20 Q. No. 21 VICE-CHAIR WHALEN: 22 Q. Okay. 23 MR. YOUNG: 24 Q. We haven't applied on that basis. 25 VICE-CHAIR WHALEN:</p>
<p style="text-align: right;">Page 35</p> <p>1 Q. Okay. 2 MR. YOUNG: 3 Q. You're right. And if we felt--if Hydro had 4 intended to have rates set based on the 5 methodology, our filing would have been 6 different. 7 VICE-CHAIR WHALEN: 8 Q. Sure. 9 MR. YOUNG: 10 Q. It would have included those. 11 CHAIRMAN: 12 Q. Any other additional comments on that 13 particular matter? It may be as well 14 something which would be right for a technical 15 conference of some sort as well, and hopefully 16 to make some progress in that regard before it 17 ever came back to a hearing. It seems to me 18 that that might be an appropriate process in 19 any event, rather than deal with it within the 20 context of the hearing now, alternatively deal 21 with it in some form of negotiation days 22 within this hearing, which would only prolong 23 the process further quite likely. So if 24 that's okay, we'll deal with it within the 25 context of the order, if that's agreeable to</p>	<p style="text-align: right;">Page 36</p> <p>1 everybody? Thank you. 2 That's the last item that I have. Ms. 3 Newman, are there any other items? 4 MS. NEWMAN: 5 Q. There are no other items I wish to address. 6 CHAIRMAN: 7 Q. Okay. Are there any particular comments that 8 anybody would like to raise at this point? 9 Other comments? 10 MR. YOUNG: 11 Q. Just one, Mr. Chair, if I might. I didn't 12 mean to clutter up the agenda this morning, 13 but this is something that we probably should 14 get some clarity on, and I don't wish to make 15 an issue if none still exists, although there 16 was discussions amongst the parties about 17 this, and that's the issue of marginal costs, 18 report that was--marginal cost pricing report 19 that was filed with the application or before 20 that. The perspective of Hydro is that 21 because it is an issue which relates to 22 pricing and costing approaches and this is a 23 General Rates Application, it's a matter which 24 some or all the parties may wish to engage. 25 We did not anticipate that that would also be</p>

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<p>1 the subject of a specific order to defer in 2 this case, and because there was some 3 discussion as to whether that might also be 4 appropriate, I thought I would raise that. We 5 think there may be real value, because the 6 technical nature of that, to discuss that 7 issue in the context of this GRA in a 8 negotiation process, and there may be, 9 perhaps, a need to deal with that as an issue 10 to be dealt with by cross-examination and 11 RFIs, etcetera. It is something, and I'll 12 pick the ambitious or the optimistic adjective 13 for this one, it is something we would hope 14 there could be a very good level of 15 communication amongst the various consultants 16 and experts and in-house people on over the 17 next month or so, and it may be premature to 18 prejudge how that fits into the hearing in 19 advance of those opportunities.</p> <p>20 I just wanted to clarify though, from 21 Hydro's position, that that would still be on 22 the table and still a matter in this hearing 23 that could be up for discussion.</p> <p>24 MS. NEWMAN: 25 Q. Yes, Mr. Chairman, I just want to clarify as</p>	<p>1 well. The marginal cost issue is one that you 2 raised, is one of those issues that could very 3 well be put off into a generic process, but 4 there is some ongoing discussions amongst the 5 parties as to whether they, you know, together 6 believe that that's the most appropriate 7 approach or not, and I suggest that we leave 8 that particular issue until some time in the 9 near future and see how things unfold in that 10 regard.</p> <p>11 CHAIRMAN: 12 Q. Any other comments by anybody? 13 HUTCHINGS, Q.C.: 14 Q. I have nothing. 15 (10:57 A.M.) 16 MR. HAYES: 17 Q. We would certainly concur with that approach 18 for now, Chair. 19 CHAIRMAN: 20 Q. Why don't we make it the subject of at least a 21 discussion in terms of the negotiation days 22 and see where we go from there with it at that 23 point in time. Okay. Any other remarks? 24 Okay. Thank you for your cooperation. 25 It indeed bodes well hopefully for the hearing</p>
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<p>1 itself. Just, I guess, a comment on the--it's 2 not in the rules of procedure, the hours, just 3 in case anybody--I know somebody had mentioned 4 it this morning to me earlier on. There was 5 an inquiry. We would propose that the hearing 6 hours themselves would be along our 7 traditional lines, which would be 9:00 to 8 1:30, with a break from 11 to 11:30 for coffee 9 and whatever else. And we would, generally 10 speaking, take a day, because we do have a 11 fairly heavy agenda in terms of other items 12 during the fall, take a day during the week as 13 appropriate where we wouldn't have a hearing 14 day. And that has normally been Wednesday, 15 but that's been subject, quite frankly, to as 16 well the fact of expert witnesses from out of 17 the province, where we wouldn't want to have 18 certainly a break in the continuity and 19 presentation and their appearance, which would 20 complicate matters for them and certainly add 21 to any costs, if they were over a day. And in 22 looking at the schedule, it may not be an 23 issue in any event, because I think we start, 24 if indeed we adhere to the start date, on a 25 Tuesday. So that week, which would be the 1st</p>	<p>1 of November week, generally speaking, would be 2 four days. I think the 8th is set aside in 3 any event. There's the holiday on Remembrance 4 Day, which would render that week a four-day 5 week. We have done some rejugling with 6 regard to the expert witnesses on the week of 7 the 20th and that shouldn't present a problem 8 for taking a day there. And then I think we 9 have the travel week alone which we'd travel 10 on a continuous basis, as necessary, with 11 regard to timing and schedule and what's 12 appropriate. So I don't think that would be a 13 particular issue. But we'd--there are a 14 couple of weeks in there that we'd adhere to a 15 four-day week.</p> <p>16 That's it. So we will be issuing an 17 order. The matter is now adjourned and we'll 18 issue an order accordingly, coming from this, 19 but certainly based on our discussion today, 20 there should be no surprises to anybody. And 21 again, I thank you very much for your 22 cooperation in all these matters, and I guess 23 as far as the schedule itself is concerned, 24 with regard to our involvement, it doesn't 25 look like, even if we have a motions day here</p>

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1 that it would be necessary. There's a couple
2 of negotiation days which are set for the 25th
3 and 26th. So as I see it, we'll look forward
4 to seeing each of you at the start of the
5 hearing in October. Thanks again.
6 (CONCLUDED AT 11:00 A.M.)

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1 CERTIFICATE
2 I, Paulette Murphy, do hereby certify that the
3 foregoing is a true and correct transcript in the
4 matter of a pre-hearing conference for Newfoundland
5 and Hydro's 2006 General Rate Application heard
6 before the Board of Commissioners of Public
7 Utilities sitting in St. John's, Newfoundland and
8 Labrador and was transcribed by me to the best of
9 my ability by means of a sound apparatus.
10 Dated at St. John's, NL this
11 8th day of September, 2006
12 Paulette Murphy
13 Discoveries Unlimited Inc.