

1 (9:00 a.m.)

2 MR. NOSEWORTHY, CHAIRMAN: Thank you and
3 good morning everybody. A touch of winter out there
4 prematurely, from my perspective, I can tell you that. I
5 guess we're into the fourth day today of our public
6 hearing into Newfoundland Power's 2003 capital
7 budget. We would have concluded Friday with Mr.
8 Hughes and Mr. Perry as witnesses and today we will
9 begin, I guess, with Mr. Ludlow. Good morning, Mr.
10 Ludlow.

11 MR. LUDLOW: Good morning, Mr. Chair.

12 MR. NOSEWORTHY, CHAIRMAN: But before we get
13 started, I'll ask the Board Counsel if there are any
14 preliminary matters this morning?

15 MS. NEWMAN: Yes, Chair, I understand that counsel
16 for Newfoundland Power has a couple of issues that
17 they would like to address.

18 MR. NOSEWORTHY, CHAIRMAN: Okay, good
19 morning, Mr. Alteen.

20 MR. ALTEEN: Just good housekeeping, Mr. Chairman.

21 MR. NOSEWORTHY, CHAIRMAN: Go right ahead.

22 MR. ALTEEN: This morning, Mr. Chairman, we filed
23 with the Board and circulated to the parties responses
24 to information request, CA-113 and CA-115 and CA-
25 121, which concludes all of the information, responses
26 to all of the information requests received by
27 Newfoundland Power thusfar. In addition, we filed
28 copies of undertakings given on the stand last week
29 and we've numbered those U-1 and U-2. They are, U-1
30 is a response in relation to a photocopy of our leases,
31 the Board will recall, and U-2 deals with Blackwood's
32 Dam, I believe, in response to a request, or a request for
33 an undertaking from Ms. Greene of Hydro, so with that,
34 the record, Mr. Chairman, in terms of being up to date
35 is so.

36 The second matter, Mr. Chairman, is we've
37 provided and circulated to the parties a full CD of the
38 record up until the close of business on Friday. That
39 has been circulated to the various counsel and
40 additional copies can be made and pressed and
41 provided as required.

42 And finally, Mr. Chairman, we have circulated

43 to the parties an updated capital budget variance report
44 for the year 2002. In the initial filing in this proceeding
45 which was made in August 2nd, the capital variance
46 report tracked variances in the 2002 capital budget up
47 till June 30th. We had undertaken and had indicated we
48 will file the most up to date information at the hearing
49 when Mr. Ludlow took the stand. We filed an updated
50 variance report, it's a one page document. It provides
51 information up till mid-October 2002, which is as up to
52 date as we could get and ensure that it was reliable
53 information, and with the leave of the Board it might be
54 appropriate to number that document exhibit EAL-2.

55 MR. NOSEWORTHY, CHAIRMAN: EA?

56 MR. ALTEEN: EAL-2.

57 MR. NOSEWORTHY, CHAIRMAN: 2, okay.

58 **EXHIBIT EAL-2 ENTERED**

59 MR. ALTEEN: And Mr. Ludlow will obviously be fully
60 able to speak to the document on cross-examination,
61 Mr. Chairman.

62 MS. NEWMAN: For clarification, was there a number
63 one?

64 MR. ALTEEN: There was a number one attached to Mr.
65 Ludlow's pre-filed evidence.

66 MS. NEWMAN: Okay.

67 MR. ALTEEN: So with that, Mr. Chairman ...

68 MR. NOSEWORTHY, CHAIRMAN: Was that in this
69 package, Mr. Alteen?

70 MR. ALTEEN: No, Mr. Chairman, it was circulated later
71 and I believe Ms. Blundon may have it. It was, I laid it
72 on her, I laid it on her desk. And those are, Mr.
73 Chairman, the preliminary matters, thank you very
74 much.

75 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
76 Alteen. If there are no other matters, I'll, we'll move
77 directly to Mr. Ludlow's evidence and I'll ask ... good
78 morning, Ms. Butler, to present your witness please?

79 MS. BUTLER, Q.C.: I wonder, Mr. Chairman, if the
80 witness could be sworn, please?

1 MR. NOSEWORTHY, CHAIRMAN: Absolutely, once
2 again, good morning, and welcome, Mr. Ludlow. Could
3 you ... you have the Bible in your right hand. Do you
4 swear on this Bible that the evidence to be given by
5 you shall be the truth, the whole truth, and nothing but
6 the truth, so help you God?

7 MR. LUDLOW: I do.

8 MR. NOSEWORTHY, CHAIRMAN: Thank you. Ms.
9 Butler?

10 MS. BUTLER, Q.C.: Thank you, Mr. Chairman. Mr.
11 Ludlow, you are a professional engineer and VP
12 Engineering and Operations with Newfoundland Power
13 Inc.?

14 MR. LUDLOW: Yes, I am.

15 MS. BUTLER, Q.C.: And you prepared pre-filed
16 testimony and one exhibit, and do you adopt these as
17 part of your sworn testimony today?

18 MR. LUDLOW: Yes, I do.

19 MS. BUTLER, Q.C.: Can you tell the Board, please, Mr.
20 Ludlow, what your focus will be today?

21 MR. LUDLOW: My pre-filed testimony addresses
22 several areas. Today I will use a Powerpoint
23 presentation, as counsel has informed the Board last
24 week, to provide an overview of the capital budget, as
25 well as the specific details contained therein. I'll also
26 address the most recent budget variances as they apply
27 to the 2002 capital budget.

28 The 2003 capital budget is based on several
29 fundamental principles; reliability, and you will see as
30 I go through this, a focus on urban and rural reliability;
31 customer service, and you will see that we have now
32 the requirement to, due to load growth and customer
33 growth; productivity; safety, safety for both the
34 employee and the general public; and finally the
35 environment, and many of those are interlocking or
36 interwoven through many of these projects as we go
37 through.

38 These themes are pretty consistent with the
39 budgets we've presented before this Board in the past,
40 in particular the 2002 budget which I presented last
41 year. I would like to begin my presentation, if I may,
42 with a discussion of the budget variances.

43 There is one, there is one point, Mr. Chairman,
44 if I may, and with the indulgence of the Board, whether
45 we could drop the lights a little for clarity. I'm not
46 usually in the habit of taking lights off, my job is to
47 keep them on, but at this point ...

48 MR. NOSEWORTHY, CHAIRMAN: We can do that if
49 we have the dimmer switch. I'm not sure about that.

50 MR. LUDLOW: If we could just check it and if it's not,
51 that's fine the way it is. No, the one right on the ... is it
52 too dark?

53 MR. NOSEWORTHY, CHAIRMAN: No, that's fine for
54 me. Are you okay?

55 MR. LUDLOW: That's acceptable? Okay.

56 MS. BUTLER, Q.C.: Okay, so let's have a look at the
57 2002 capital budget. This is Schedule E, page one of
58 the actual application.

59 MR. LUDLOW: Yes, it is.

60 MS. BUTLER, Q.C.: And can you comment on the
61 variances with respect to the year 2002 as they were
62 presented with the application, Mr. Ludlow?

63 MR. LUDLOW: Schedule E was presented with our
64 application in August. As you can see these numbers
65 are effective June, the June forecast, and we were
66 tracking very closely overall with a variance of \$557,000
67 under the total 57.8. I should back up a little and
68 explain the table. What we have on this side are the
69 various categories of the budget, and this aligns with
70 the way the budget application was filed this year. This
71 area represents the total approved budgets by this
72 Board including the fall filing as well as the
73 supplemental budget in July. This was our June
74 forecast, and this here are the variances as presented as
75 of the end of June.

76 One of the points I would like to bring out is
77 that variances from budget will, and continue to be
78 unavoidable as we go forward. Emergency situations
79 that pose a threat to safety or company operations will
80 continue to arise. Hopefully we continue to minimize
81 them, but they have occurred and will continue to.

82

83 (9:15 a.m.)

1 Yesterday and last night was a good example
2 of another reason for variance. Indeed, it's the nature
3 of the Newfoundland environment. Changes in work
4 due to third party requests, be they Work, Services,
5 Transportation, be they other customers, or be they, in
6 fact, city councils. Changes in customer requirements,
7 and that's basically due to load growth, estimates of
8 number of customers, or indeed the mix of the number
9 of customers both by geography and by type and style
10 of service.

11 One that will come out later in this
12 presentation is also a review of ongoing priorities and
13 assessments and re-assessments that are continually
14 done as budgets, and in fact, construction begins and
15 continues within our workplace.

16 And finally, price changes, and material
17 deliveries. When a budget is approved, our ability to
18 source, execute and install, we're at the whims of the
19 market. Detailed explanations of individual variances as
20 shown on Schedule E, page one, were presented in the
21 2002 capital expenditure status report, which was filed
22 in August.

23 MS. BUTLER, Q.C.: Okay, now your evidence,
24 particularly at page 19, lines 13 to 14, suggested that
25 you would file more current information at the hearing.
26 Mr. Alteen has distributed that this morning. Is this a
27 copy now on the screen of the same exhibit, EAL-2?

28 MR. LUDLOW: This is an example, or this is EAL-2
29 which was presented to the Board and counsel earlier
30 this morning, and this represents our most up to date
31 forecast as of mid-October. The slide shows there have
32 been further changes. I should again back up. Similar
33 to the last slide, these are the categories. These are the
34 approved budgets. This was the forecast as of June.
35 This is the current forecast as of mid-October, and this
36 budget variance is the difference between the current
37 forecast and the approved budget allotment.

38 What I propose to do is I'd take us through
39 these and highlight the larger areas for the Board. First
40 of all, I'll take you to energy supply here, and this has
41 increased \$629,000 since June. To give a flavour for
42 where that \$629,000 is in this table, it's the difference
43 between this and this line. This is primarily due from
44 the June increase as a cost of governors at our Seal
45 Cove plant. There's an additional cost to the Seal Cove
46 Penstock, and we've ... the cost to rewind a failure at a
47 Rattling Brook hydroelectric plant has also been

48 incurred since June. Now we have a forecast at this
49 point, a forecast variance of \$55,000 here with respect to
50 the approved budget.

51 The substation category has increased by
52 \$165,000 since June, and this is due primarily to an
53 increase in the Gander substation rebuild project, and
54 we've also found it necessary to replace some
55 compressors and other equipment on some of our high
56 voltage breakers, and we now have a negative variance
57 of approximately \$1 million in this category. \$1 million
58 is mainly driven by the market's availability to deliver a
59 power transformer for the Burin Peninsula, and it is
60 arriving in May/June next year.

61 The transmission category has increased by
62 \$117,000, due primarily to lightning damage during
63 August, and these lightning storms, I think Mr. Hughes
64 referenced these. There were three storms came
65 through in a week. The damage was primarily in the
66 Bonavista, lines on the Bonavista Peninsula and in the
67 Gambo to Gander area, and we now have a variance of
68 \$284,000 in this category.

69 The distribution category has increased by
70 \$720,000, again, due primarily to damage sustained
71 during the August lightning storms. The total variance
72 in this category is now approximately \$2 million.

73 General property is now forecast to be
74 \$696,000 below budget. This is a further reduction of
75 \$11,000 since June. Our transportation has decreased
76 by \$674,000 due to delays in the delivery of heavy fleet
77 vehicles, and we now have a negative variance of
78 \$514,000 in this category.

79 In telecommunications, this category is now
80 forecasted to be \$55,000 below budget, a further
81 reduction of \$34,000 since June, and the information
82 systems forecast has decreased by \$764,000 since June
83 due primarily to the deferral of software licenses and
84 consultants' fees as a result of delays in software
85 selection ... in particular, facilities management and
86 operations support systems, and we now have a
87 negative variance of \$790,000 in this category, and there
88 has been no change in the general expenses capitalized
89 category.

90 MS. BUTLER, Q.C.: Mr. Ludlow, before we leave the
91 2002 capital budget variances and head into the 2003
92 proposed capital budget, can you tell us which of the

1 categories on the screen you will cover or sponsor in
2 your testimony?

3 MR. LUDLOW: For this capital hearing I will sponsor
4 energy supply, substations, transmission, distribution,
5 general property, transportation, and
6 telecommunications.

7 MS. BUTLER, Q.C.: Now, Mr. Ludlow, in your
8 testimony, pages 4 to 10, you provide a general
9 overview of the 2003 capital budget. Which highlights
10 do you want to give the Board today?

11 MR. LUDLOW: This is a map of our, Newfoundland
12 Power's service territory, and it ranges from Port Aux
13 Basques, or Harbour Le Cou, Rose Blanche on the
14 southwest coast, through, obviously to the Avalon,
15 including the Burin and Bonavista Peninsulas. The
16 slide is titled "Area and District Buildings". The point
17 I'd like to bring out to the Board is that we have
18 strategically located equipment and employees
19 throughout the service territory. Now these range in
20 size from 100 employees to one person operations. Port
21 Aux Basques, for example, would have 10 to 15
22 employees and two or three trucks. Baie Verte would
23 have one employee and one truck. Corner Brook,
24 likewise, would be much larger.

25 The other point I'd like to bring out on this
26 slide is that we have a mix of urban and rural customers
27 and for the sake of discussion, our urban centre is
28 primarily St. John's, but we have Gander, Corner Brook,
29 Stephenville, and the larger centres as well.
30 Conversely, knowing Newfoundland, as I'm sure the
31 Board would, much of our service territory is also very
32 rural and we'll see some slides of these in a short while.

33 These line crews and other personnel are
34 positioned across the province to provide service
35 connections, respond to trouble, they're there for the
36 customers in the local areas. Now, we've targeted a
37 response time of two hours. A call comes, our
38 objective is to try to be on site within two hours. Right
39 now we're hitting about 85 percent on that internal
40 target, and that's consistent across all areas.

41 The focus I'd like to end this slide with is that
42 reliability and customer service combined with
43 productivity remains the key driver of our organization,
44 and in fact, the way we've structured and brought this
45 capital budget forward.

46 MS. BUTLER, Q.C.: Okay, can you give the Board
47 some indication of the customers that Newfoundland
48 Power serves in the territory?

49 MR. LUDLOW: Bear with me, the Board ... I was
50 looking for a picture of Marine Atlantic. I've got a
51 picture of Marine Atlantic, but I don't have a boat, so
52 this is the Marine Atlantic docking terminal in Port Aux
53 Basques, and this is the gateway into our province.
54 What we provide here would be energy or electricity for
55 loading, unloading, customer service, shore power, and
56 what have you. The load here is roughly one
57 megawatt, which would translate to about half the size
58 of the Avalon Mall, or half the size of the Fairmont
59 Hotel, so I'll just put it in perspective. To put it in
60 another perspective, 150 domestic customers is the
61 rough range of what this establishment would
62 represent.

63 The other point I think that's necessary to
64 bring out here is that this is in an area of the province
65 that is not growing due to increased load, it's relatively
66 stable.

67 MS. BUTLER, Q.C.: A second example?

68 MR. LUDLOW: This is a second example, and this is in
69 Conception Bay North. This is Quinlan Brothers. It is
70 a fish plant, and being from rural Newfoundland,
71 anything that processes seafood is a fish plant to me,
72 so ... but this processes crab and shrimp, so I guess it
73 still would fall in that category ... a load of about 2.2
74 megawatts. Again, the same style as the Avalon Mall.
75 This group employs roughly 370 employees at peak.
76 This is at the end of the Old Perlican, 02 feeder, which
77 again, we've had many, many debates in front of this
78 Board with over a period of time. Again, this is not an
79 area of significant growth, and one that is, in fact,
80 stable.

81 MS. BUTLER, Q.C.: Your evidence does highlight
82 some areas of customer growth, Mr. Ludlow.

83 MR. LUDLOW: I have talked about two areas where
84 things are sort of status quo. That's not always the
85 case within our service territory, and I use this collage
86 of pictures at Stavanger Drive, because there are areas
87 that are growing quite substantially. I just use this
88 purely as an example, Wal-Mart, Dominion, Kent, the
89 strip malls, Future Shop, and the list can go on. That's
90 one pocket in the east end. If we go to the west end, in
91 Mount Pearl with Pearlgate and the Canadian Tire shop,

1 Kent, and the list goes on likewise. There are pockets
2 of significant growth in the general service categories,
3 and likewise you're seeing the same in our residential
4 in these areas as well.

5 In 2003, we are forecasting to add
6 approximately 2,300 customers to our system, and
7 approximately \$11 million or 20 percent of our capital
8 budget is associated with customer growth.

9 MS. BUTLER, Q.C.: Mr. Ludlow, what does this slide
10 represent?

11 MR. LUDLOW: This slide is an overview of the
12 electrical system of the province, and I have no
13 intention of going into all the details of the slide, but
14 rather to give a flavour of the complexity of what is
15 necessary to run the electrical system. A reliable
16 service requires a significant investment in plant, be it
17 generation, transmission, substations or distribution,
18 and this island network includes Newfoundland Power
19 and Newfoundland and Labrador Hydro. It includes
20 Abitibi Consolidated, and Corner Brook Pulp and Paper,
21 and there are probably one or two other smaller private
22 ones in there as well, such as Rattle Brook, but these
23 are the types ... and that's the flavour of what's
24 involved ... many, many thousands of kilometres of line
25 to run this island.

26 MS. BUTLER, Q.C.: In comparison, what does this
27 slide represent?

28 MR. LUDLOW: This slide represents Newfoundland
29 Power's electrical network on the island and our total
30 investment at the end of 2001 was approximately \$1
31 billion. Here you can see our pockets in the southwest
32 coast, Stephenville, Corner Brook, a lot of central,
33 through to the east coast, Bonavista, to Burin, and all
34 of the St. John's/Avalon.

35 Just to put this in flavour, I was sitting in the
36 back last week and Mr. Perry mentioned it a couple of
37 times. I think it's important to reflect here, this
38 represents 8,000 kilometers of distribution line, it
39 represents 2,100 kilometers of transmission line, 23
40 hydro plants, 137 substations, and about 300 lower
41 voltage feeders.

42 Now let's just put that in perspective. That's
43 St. John's to Victoria, British Columbia, and halfway
44 back again, is the amount of line that's out there in this
45 system today.

46 (9:30 a.m.)

47 MS. BUTLER, Q.C.: Okay, now Mr. Ludlow, Table 1 at
48 page 6 of your testimony, and I wonder whether Mr.
49 Wells can get that up for us on the computer monitors.
50 It's Mr. Ludlow's testimony. Thank you, page 6. This
51 provides the unscheduled distribution outage
52 performance indicators for selected feeders on a number
53 of locations across the island. What does your slide
54 now that's on the large screens reflect relative to this
55 table?

56 MR. LUDLOW: The slide in front of you is a, it takes
57 this table and overlays it onto a, the geography of the
58 province. In recent years, reliability has become a major
59 influence on our capital budget, and this stems back to
60 '98/'99 was when we started this refocusing, and it has
61 meant a focus on system improvements. Significant
62 effort in the distribution, transmission, and yes, indeed,
63 on the substations as well. A significant percentage of
64 capital expenditure has been spent in the areas of radial
65 distribution, and we foresee a lot of work in the
66 transmission area for the future.

67 As I said, this represents areas that were
68 under-performing even our company average by a long-
69 shot, and I'd overlay some of these for you. Keeping in
70 mind that Table 1, page 6, do not represent all the
71 outages on these feeders. It is purely the unscheduled
72 SAIFI and SAIDI, and it's unscheduled distribution.
73 That's not loss of supply. Loss of supply could be
74 Newfoundland Hydro, it could be Newfoundland Light
75 and Power, so just to take a second, I won't read
76 through them all, most of them are self-explanatory on
77 the map, but there are a couple that aren't.

78 If you go to the ... I'm sorry, right here, in the
79 Cole Brook/Cape Anguille Upper Ferry, this is the
80 reference to Doyles, the second one from the bottom on
81 your slide. There's the sixth one from the bottom
82 references, ABC-02, that's Abraham's Cove, and
83 Abraham's Cove is the Port au Port, Highland, Picadilly,
84 and Black Duck Brook. The rest should pretty well give
85 an explanation of where they are with respect to the
86 place names and the substations.

87 There's ... the reason we have focused Table 1
88 on unscheduled distribution outage is when we invest
89 capital, we want to be able to direct it to a point where
90 you can make change. If a feeder is down because of
91 transmission, investing capital on the distribution side
92 will not impact that performance.

1 Last week there was a, and again, I don't have
2 it ... I'll have it, and I'm sure I'll be brought to it later, the
3 cause of outage was discussed before this Board, and
4 it talked in terms of the first line and it was rodents, and
5 it went down to broken insulators and equipment, and
6 so on. That's the tools that are used with which to
7 focus this capital into the unscheduled distribution on
8 the feeder.

9 MS. BUTLER, Q.C.: Okay, I wonder, Mr. Wells, if we
10 could look now at Schedule B, page 4 of 82? Yes, thank
11 you. Now, with that on our monitors, Mr. Ludlow, I'm
12 going to ask you something now about the distribution
13 reliability initiative that's shown under trunk feeders.
14 What locations will be addressed within that \$1.078
15 million proposed spending for the distribution reliability
16 initiative?

17 MR. LUDLOW: In 2003 we'll focus again on lines that
18 are under-performing, and these three areas have been
19 highlighted that we will target for 2003. It's the Rose
20 Blanche/Burnt Islands, from an electrical nomenclature,
21 that's referred to as Long Lake 02, and that sometimes
22 you'll see that feeder. You will see Random Island
23 which includes the communities of Milton, Elliott's
24 Cove, Hickman's Harbour, Petley and what have you,
25 that's the Milton 02 job. And finally we have
26 Glovertown, Salvage, Eastport, and that is the
27 Glovertown 02 job. We would expect the same kind of
28 improvement that I presented in my testimony on page
29 6, Table 1, as we complete these jobs into the future.

30 MS. BUTLER, Q.C.: Mr. Ludlow, there were a number
31 of requests for information relevant to radial
32 transmission lines. What does the 2003 capital budget
33 propose relevant to radial lines?

34 MR. LUDLOW: Similar to distribution, when we started
35 this process in 1999, in '98/'99 on reliability, we had
36 areas that were under-performing, and badly under-
37 performing. We have been tackling these as we go
38 forward. A distribution system is only as good as the
39 backbone servicing it, and that backbone is the
40 transmission or the generation.

41 Newfoundland, the island, has seven key
42 radial systems, and that would be the attachment to my
43 pre-filed, which was EAL-1, and it's also represented on
44 this screen, and just here ... there are others, by the
45 way, but I'll mention these first. We have the Port Aux
46 Basques area, and I'll take that one a little further
47 shortly. We have the Baie Verte area, it's fed from

48 Indian River, 363 actually. Then we have the
49 Twillingate, and that line also services Newfoundland
50 Hydro's customers in Fogo through a branch line out of
51 Boyd's Cove. We have the Bonavista North, Gambo
52 through to New West Valley, which we addressed
53 before this Board last year. We have the Conception
54 Bay North area which is Heart's Content and New
55 Chelsey to Old Perlican, and also Victoria. We have the
56 Trepassey, which goes from Blaketown to Riverhead to
57 Trepassey. Actually there's a mountain in here called
58 Mount Misery, for good reason too, I might add, Mr.
59 Chair, and finally we have the area in Placentia, which
60 is 55-L, and the potential site for the hydromet
61 (*phonetic*) smelter, when this occurs.

62 We have seen, and again as has been
63 presented in my pre-filed, that radial transmission lines
64 and the customers served by them, the SAIFI and
65 SAIDI are higher on both counts, some of them near
66 two and a half times those fed by loop systems.

67 As I mentioned last year, we addressed, or are
68 in the process now of addressing the Bonavista North,
69 with the move of an under-utilized asset from Salt Pond
70 into that area. Unfortunately, that one has been
71 delayed due to a transformer failure on the Burin.

72 In 2003, we propose to continue to explore
73 projects to reduce these outages and firm up another
74 couple of those radial systems. These systems are
75 getting older and it can't only be a backward look from
76 failures to the system, but a proactive look as to what
77 will be required in the near and medium term.

78 MS. BUTLER, Q.C.: I wonder, Mr. Wells, can we just
79 look at page 3 of 82, Schedule B, please? Now, we're on
80 this particular slide. What's on our monitor are the
81 study options shown for Port Aux Basques/Old
82 Perlican area on the monitor, Mr. Wells.

83 MR. LUDLOW: Yes, with respect to the transmission
84 system engineering study for \$500,000, and if you so
85 wish, you can go to the details on page 33, but I'll just
86 show a couple of slides as to the electrical system in
87 these areas that we're addressing for the sake of giving
88 a flavour as to where things are.

89 MS. BUTLER, Q.C.: Okay.

90 MR. LUDLOW: If that's acceptable.

1 MS. BUTLER, Q.C.: Can you show us the extent of the
2 radial line at Port Aux Basques?

3 MR. LUDLOW: This picture, and when I first did this,
4 someone asked me, well, Earl, what is the green line.
5 Obviously that person couldn't have been from the
6 southwest coast. The green line is a representation of
7 the shore on the south coast, the southwest coast. It
8 has nothing to do with the electrical system. What we
9 have is the Bottom Brook substation here and a point
10 I'd make to the Commissioners is that any line
11 referenced with a TL is a Newfoundland and Labrador
12 Hydro line, so this whole area here which is our service
13 territory, is fed from Bottom Brook via a 145 kilometer
14 line into Doyles, which is here, and right on through to
15 Grand Bay. At Grand Bay we take it, the energy, and
16 then we have a radial line, 416, into a substation in
17 Long Lake. That's a further 23 kilometers.

18 This area services approximately 5,000
19 customers and has a peak load of 25.8 megawatts. The
20 point that I should make is we do have installed
21 generation in Port Aux Basques capable of covering 65
22 percent of the load on peak, not 100 percent, it's 65
23 percent. The Rose Blanche Brook hydro facility right
24 here is tied into the Long Lake substation, so this is
25 sort of getting the lay of the land.

26 To put this in perspective, last night at 1:00 the
27 line between Doyles and Grand Bay opened. It wasn't
28 a planned event, I might add, it was due to the winds
29 and the weather, and granted, it was open for only a
30 minute, but all customers in that area were out for that
31 period. The radial line means that when this line is
32 broken or this line is broken, anything downstream do
33 not have energy unless the generation can be brought
34 up, but generation cannot react in a minute or two
35 minutes or ten minutes.

36 This is an area of, that we're proposing to look
37 at next year. There were alternatives. Whether it's
38 another line coming from Bottom, whether it's additional
39 generation in the Port Aux Basques/Grand Bay to up
40 that 65 percent, or alternatively whether it's a
41 connection across the Hope Brook from Long Lake,
42 roughly 75 kilometers, I don't know the answer, and
43 maybe there is no answer, but I do need to at least
44 know that we've looked at it and done our best to
45 secure this area.

46 MS. BUTLER, Q.C.: And also at Old Perlican, Mr.
47 Ludlow.

48 MR. LUDLOW: If we go to the area behind Carbonear,
49 Victoria and Heart's Content, here we have three radial
50 lines, these are all our transmission lines. 43-L from
51 Heart's Content through to New Chelsey is 46 years old.
52 New Chelsey through to Old Perlican, this line is 20, I've
53 got 28 years old, and then there's another one from 40-L
54 to Victoria that's 27 years old. These lines are operating
55 at 69,000 volts. Now, this whole area, again, as we go
56 back, has been a topic for some discussion at this
57 Board. When we refer to the unscheduled distribution
58 outages, and again go back to the table, I am talking
59 about this area. I'm talking about the, how the system
60 is reacting at the distribution level, not the transmission
61 level. The distribution level is 12,500 volts, and it's out
62 beyond the substation. There's a fundamental
63 difference.

64 To give you a flavour here, last October, and
65 I don't know if the winds in Newfoundland are
66 prevailing northeasterly, but any Newfoundlander
67 knows that the worst wind that can blow is a
68 northeaster. Well this area is particularly prone to a
69 northeasterly wind. As it comes this way your wind,
70 salt, and ice all along this area, the absolute number
71 escapes me, but it was in the 10 to 12 outage range
72 within a two week period due to salt build-up and
73 contamination in this area.

74 Proposals that would be investigated, again,
75 similar to Port Aux Basques would be how do we
76 secure this whole loop, and if I may take a minute, we
77 have energy flowing to Victoria where it stops and it
78 goes this way until it stops at Old Perlican. One of the
79 options, and it may not be the answer, is a link between
80 Victoria to Old Perlican. Then if I have a failure on 43-L,
81 I can feed this way. If I have a break here, I still have a
82 fall back position of radial lines. Right now I do not
83 have any second contingency, particularly as this line
84 continues to age.

85 MS. BUTLER, Q.C.: Okay, so that addresses the
86 \$500,000 we see on the screen at Schedule B, page 3 of
87 82. I wonder, Mr. Wells, if we might go now to page 15
88 of Schedule B please? Now, we have received a
89 number of RFIs that address portable generation, and
90 as well, Mr. Ludlow, what can you tell us about the
91 portable generation unit which is proposed in the 2003
92 capital budget?

93 (9:45 a.m.)

1 MR. LUDLOW: There's no doubt that as we go
2 forward our focus must be on maintaining and keeping
3 the lines operating, but one thing is certain, I have 20
4 odd years in this business, we will have catastrophe
5 with respect to pole breakage and wires and what have
6 you, and it is not short-fix. Technology will help to
7 locate them, technology will not put it back up, and as
8 can be seen ... these are actual pictures from 1998, and
9 I was trying to get the location. It's out in the, towards
10 Ochre Pitt Cove, north of Carbonear area, I do believe
11 is where it happened. We had a lot of damage back in
12 '98. When we get hit and the physical or mechanical
13 characteristics of the wires and poles causes this stuff
14 to come down, this can be multiple days, sometimes
15 five, six, seven days for repair.

16 Now, the need, hence the need for portable
17 mobile generation. In 2003 we plan to purchase a two
18 and a half megawatt unit, and although it may not
19 service the whole feeder, that portable unit can keep
20 hospitals, seniors' homes, soup kitchens, and what
21 have you, running, providing bare essentials.

22 MS. BUTLER, Q.C.: Do we have a slide of a portable
23 generator?

24 MR. LUDLOW: This is not one of our generators, this
25 is a picture we took from the internet actually of a
26 potential unit. This is a, it would have a diesel and
27 transformation and switches contained within the
28 carrier. In 2003 we also plan to decommission our south
29 side fixed diesel unit, which is two and a half megawatts
30 as well, and that unit is beyond safe operating
31 parameters right now from the switch gear and what
32 have you within the unit, and this concludes my
33 general overview of the capital budget.

34 MS. BUTLER, Q.C.: Okay, now I wonder if we might go
35 to the next slide please and provide a detailed
36 description of each of the categories of the 2003 capital
37 budget for which you're responsible. The total budget
38 is \$55.8 million, correct?

39 MR. LUDLOW: That's correct. The total budget is
40 \$55.790, and my proposal would be now to take us
41 through the categories for which I am responsible and
42 give you a flavour of the types of projects that's in
43 there. I will leave the information systems and the
44 general expenses capital.

45 MS. BUTLER, Q.C.: Okay, so let's go to energy supply
46 first, and this is a duplication of Schedule B, page 1 of

47 82 of the actual application. What can you tell us about
48 energy supply?

49 MR. LUDLOW: Within Newfoundland Power, we run
50 2,300 hydro plants. On an average water year that
51 represents, excuse me, 426 gigawatt hours of energy,
52 and we have a peak capacity of about 94 megawatts.
53 These plants are old, really old. The average age, the
54 first one was built in 1899, and the most recent was
55 1998, and by far the bulk of them was in, were pre-'60.
56 We also have three gas turbines and five diesels with
57 a combined capacity of 54 megawatts.

58 The \$7,076,000 represents 13 percent of our
59 total budget and in general expenditures in this
60 category are associated with the replacement
61 rehabilitation of the deteriorated plant equipment,
62 infrastructure, and the generating plant, moving parts
63 themselves, and the reason for these expenditures are
64 tied to the continued operation and cost-efficient
65 energy. There are significant public and employee
66 safety issues which I will demonstrate shortly, and
67 there are also environmental compliance issues within
68 this category as well.

69 MS. BUTLER, Q.C.: Okay, now before we leave that
70 screen, on that page we show \$2.345 million for a hydro
71 plant facility rehabilitation. What specifically is
72 proposed here, Mr. Ludlow?

73 MR. LUDLOW: Last week, Ms. Greene was asking
74 some questions regarding the Blackwood's Dam
75 rehabilitation, so to put this in perspective, this is a
76 picture of the fourth Blackwood's free board dam, and
77 what that means is this dam for a large part of the year
78 may not even dam up water. It's used as a diversion
79 dam, back country, approximately 25 kilometers away
80 from roads, hence the helicopter, and as the spring run-
81 off comes, this dam and this structure is used to divert
82 the water into a certain watershed area, which is behind
83 the Horse Chops, Cape Broyle, on the southern shore.

84 This project is valued at \$200,000, and the
85 project would involve the replacement of here, rip-raff
86 (*phonetic*), and rip-raff, I'm an electrical engineer, so I'll
87 try my best ... rip-raff are simply big rocks between, I
88 would give it 14 to 16 inch diameter rocks, to dissipate
89 the energy of waves and ice, and in fact, if it happened
90 to overtop, it would dissipate energy, and provide
91 protection for the dam.

1 There was also some work on a control
2 structure that's also within this watershed area. The
3 key point here is that the life of this dam from our
4 estimates, we're getting to the near end of it. The
5 extension or the \$200,000 would further give us another
6 15 years onto this structure.

7 MS. BUTLER, Q.C.: Mr. Wells, I wonder if we can look
8 at page 11 of Schedule B? I think you're addressing
9 here the rehabilitation of thermal plants, is that correct?

10 MR. LUDLOW: Yes, I am. This is a slide of the Green
11 Hill gas turbine which is located in Grand Bank. This is
12 a name plate 25 megawatt unit. What we have in this
13 picture is the green is the air intake which basically the
14 machine draws its air for running, and the other, the
15 supposedly grey one is the exhaust, and this is where
16 the machine fires at roughly 1,100 degrees fahrenheit
17 out through this exhaust stack. This unit was built in
18 the mid-seventies. We're projecting another 15 years or
19 greater life on the turbine, but this unit, this exhaust
20 stack, on recommendation from Rolls Royce and other
21 externals needs to be replaced, and hence the inclusion
22 of the \$550,000 in the budget for next year, and this
23 continues to be a vital piece of our asset mix on the
24 Burin Peninsula.

25 MS. BUTLER, Q.C.: Alright, now page 13 of Schedule
26 B, Mr. Wells, please, and this is the penstock
27 replacement at Lockston at a project cost of \$1.520
28 million, can you elaborate?

29 MR. LUDLOW: Well, first of all, I should inform the
30 Board that I did not go down and cause this leak.
31 That's the first point I would make. The second thing
32 here, this picture was actually taken in September, last
33 ... well not last month now, two months ago, I guess.
34 Just to explain what we're dealing with ... the beige
35 house in the background is the power plant, it's three
36 megawatts. The flume, which is not a good picture of
37 it is the black pipe coming through here. These plugs
38 represent some of the 2,000 wedges and plugs that's
39 been put in this pipe this year alone to stop or at least
40 curtail the leaks. This was a blow-out that happened.
41 We had to de-water the pipe and what have you in
42 September to make the repair.

43 This penstock is 46 years old, it's wood stave
44 (*phonetic*), wood stave ... I liken it to a barrel, simply
45 that it's heavy BC fir that's put together. It's roughly .6
46 of a kilometer, and to put it in perspective, it's one and
47 a half meters in diameter. There's a lot of water going

48 down that pipe. Keep in mind, just downstream from
49 this you have the Bonavista Peninsula Highway, and to
50 put it in perspective further, Lockston is near the turn-
51 off to Trinity on the Bonavista Peninsula, as you go
52 down, just before Port Rexton. We have seen in excess,
53 like I said, of 700 holes that we had to plug this year in
54 this pipe alone.

55 MS. BUTLER, Q.C.: What does the next slide
56 represent, Mr. Ludlow?

57 MR. LUDLOW: Last year I spoke with this Board or
58 presented before this Board a project at Seal Cove. The
59 top slide, this is almost like ... it is a before and after
60 shot, taken from the same location, and believe it or not,
61 this was 12 months ago in Seal Cove, Conception Bay.
62 This is the Seal Cove Penstock today. This is wood
63 stave on the top, this is steel on the bottom with
64 concrete, and the reason I say it's the same, you can
65 even watch the tree lines and the poles, and it's not
66 close enough, but this is taken from the same angle.
67 When we go in to do that job we had to clear up any
68 environmental concerns from previous treatments of the
69 wood. That has been done and looked after, and this
70 penstock has now been watered up. Our construction
71 time on something of this magnitude is in the four to
72 five month category.

73 MS. BUTLER, Q.C.: Okay, so leaving energy supply,
74 let's look now at the second category you're
75 responsible for, which is substations, and can you give
76 the Board the highlights here?

77 MR. LUDLOW: In the substation category at \$5.887
78 million representing approximately 11 percent of the
79 budget, as you can see from the slide there are several
80 categories, the rebuild substations project, replacement
81 of deteriorated equipment, reliability and power quality
82 improvements, substation projection and monitoring,
83 distribution feeder remote control, and then we have
84 two additional power transformers that have been
85 included in next year's budget, and I'd like to go on with
86 a couple of examples of these if I may.

87 MS. BUTLER, Q.C.: Perhaps we might get on the
88 monitor, Mr. Wells, page 20 of Schedule B? Okay, now
89 here we have a reference to, within this sum of \$1.107
90 million, you address circuit breakers.

91 MR. LUDLOW: Just to put it in perspective of what
92 we're dealing with, these breakers, and it's on the slide
93 here, are in St. George's substation, Bay St. George.

1 These were installed in 1957, and they were moved
2 there from another site within our service territory in
3 1957. Our records won't go back. We cannot get parts.
4 Last year we've had failures that extended to two and a
5 half to three hour outages, and they're beyond, actually
6 they're far beyond their useful life. This is an oil filled
7 breaker, and an oil filled breaker means simply that the
8 electric contacts open and close under oil to break the
9 arc.

10 The other picture here would be a similar unit
11 that had been put, installed, or bought and installed in
12 the last couple of years. This is an SF-6 breaker; SF-6
13 being, I'll try, sulfur hexafluoride, I think it is, close
14 anyway, and in effect, it opens and closes, the contacts
15 open and close under a gas rather than under oil. This
16 would be our proposal to change.

17 MS. BUTLER, Q.C.: Mr. Wells, now page 25 of
18 Schedule B please? Now within the project cost of \$1.2
19 million, you're addressing the distribution system
20 procedure remote control projects. What can you tell
21 us about that?

22 *(10:00 a.m.)*

23 MR. LUDLOW: The distribution feeder remote control
24 project is a combination of two areas. Number one ...
25 it's the reclosers and relays. This picture is of two
26 reclosers, and I'll explain the relay in a minute. What a
27 recloser is is a switch that sits at the end of a
28 distribution line. This switch has some smarts. It will
29 test the line, it will open ... if you see your lights happen
30 to blink at night, it will blink twice or three times, that's
31 the system checking. If the winds are blowing and the
32 trees are in the lines, or the lines are slapping together,
33 if it clears this unit has smarts to keep it going.

34 The unit here, many of these, or the average
35 age of these are between 25 and 30 years old. They're
36 high maintenance and contain about 200 litres of oil
37 each. This is ... I hate using the term "exploded view",
38 but this is an exploded view. The unit is separated in
39 this picture. When it's running these contacts are
40 immersed in the oil within this tank. In here there are
41 literally hundreds of moving parts, and after the 25 to 30
42 year range, we're getting failures where the reliability of
43 them is running down. Now what has happened, we
44 have leap-frogged about, I would ... and again, I can't ...
45 two to three technologies, Mr. Chairman. From the mid-
46 seventies to today what you're seeing is that the same
47 purchase price for the equipment here, there's no oil,

48 the arc is broken in vacuum in these canisters, and also
49 your ability to analyze wave forms, power quality, to
50 reach out and touch this recloser from your system
51 control centre, be it in Stephenville, Gallants or Corner
52 Brook, you now have the ability to do that through the
53 SCADA system and improve your reliability and
54 productivity of your employees in the field, and that's
55 the goal and you can see the electronics here.

56 We could not tell if the system is on or off
57 with the old hydraulics. Today, if we required it we
58 could pull back in excess of 180 data points from these
59 new units. We will not pull back 186, we don't need
60 them, but there are, the ability to interrogate is
61 available.

62 MS. BUTLER, Q.C.: Alright, now this same page of
63 Schedule B also addresses, as you say, the relays, what
64 can you tell us about that?

65 MR. LUDLOW: The second part of this project deals
66 with a relay, the relay replacement. What a relay is set
67 up to do, a relay will take parameters from different
68 things, and I'm going to give you an example ... a relay
69 can monitor voltage, it can monitor resistance, it can
70 monitor differences, and then take these signals and
71 cause an action on a bigger piece of equipment. It's
72 just that, it's a relay. It relays the signals to a large
73 breaker, and what you're seeing here on the screen, this
74 is the old electromechanical relays, it's built out of
75 bearings, magnets, springs, and dials. This is the
76 replacement unit, actually the one on the right would
77 replace three of the one on the left. The one on the
78 right is a digital unit, it's on or it's off, there's no such
79 thing as a half. The one on the left is subject to drift
80 and high maintenance.

81 This is also the key to further managing the
82 under frequency load shed scheme within our province,
83 as to how we can further bring more customers into
84 these schemes as we go forward and manage the
85 system that much better on the global base.

86 MS. BUTLER, Q.C.: Now, still in the substations
87 category, Mr. Ludlow, I wonder, Mr. Wells, could we
88 just look back please at page 2 of 82, Schedule B?
89 There you go, and can you scroll up a bit there, thanks.
90 Are there any growth related projects shown here?

91 MR. LUDLOW: As I mentioned earlier, there are two
92 projects primarily in this category. That would be the
93 Virginia Waters and Chamberlains substation

1 transformers. We are getting growth in those areas.
2 This is a picture of Chamberlains, looking out over the
3 Fowler's Road, that area of the province.

4 I don't want to put too much reliance on the
5 signs I see in the field, but it's one of the fastest
6 growing communities in Eastern Canada, so on and so
7 on. If you drive it you will see the infrastructure that's
8 going in from water and sewer and new housing. It's
9 exploding all up through Manuels, Chamberlains, and
10 Paradise, and this area is what's being fed.

11 Now similarly, the Virginia Waters substation
12 that I refer to is located on Snow's Lane near Stavanger
13 Drive, and that substation serves the general area
14 bounded by Torbay Road, Logy Bay Road, it would go
15 to the new airport, taking in the community of Logy
16 Bay, and the Stavanger, Clovelly, all that area is what
17 would be covered by this substation.

18 MS. BUTLER, Q.C.: Now, on the computer monitors we
19 see that for Virginia Waters and Chamberlains
20 substations you're proposing to add a transformer, a
21 cost of about \$1.1 and \$1.2 million respectively. What
22 can you tell us about this particular transformer?

23 MR. LUDLOW: A substation's role is to take the
24 energy that's usually coming in in our system at 138 or
25 66,000 volts, and bring it to a useable level, which is
26 typically 12,500 or 25,000. In the Chamberlains area it
27 will be 25,000 volts to, I call it, ship it or distribute it.
28 What we are doing here in our application is to add a
29 unit. This is a power transformer. Actually it is a power
30 transformer in Chamberlains substation. A second unit
31 would be put right here and tied in. That would give
32 the ability for that area to grow. The same thing would
33 happen in Virginia Waters. You have flexibility and
34 back-up within that substation for future maintenance
35 as you go forward as well.

36 MS. BUTLER, Q.C.: Okay, so now let's look at the
37 transmission category which was dealt with, thank you,
38 at page 3 of 82, Schedule B, which is on the slide. What
39 can you tell us about this category, Mr. Ludlow?

40 MR. LUDLOW: The transmission category at \$4.629
41 million represents about 8 percent of the capital budget,
42 and under the rebuild transmission line project, I'd like
43 to give you a couple of examples if I could. This is the
44 24-L, we call it, which really means nothing, I guess,
45 unless you're working with it. It's the line that runs
46 from Ruby Line, the Goulds substation, to Bay Bulls

47 Big Pond, there's a substation there, to Mobile. Last
48 year we built the piece from, or we rebuilt the piece from
49 Bay Bulls Big Pond to Mobile. This year we will, we are
50 proposing to build a piece from the Goulds substation
51 to Bay Bulls Big Pond, and that will secure the line then
52 into the southern shore. Two reasons ... there is, we
53 have a significant number of hydro plants on the
54 southern shore and it also secures the supply from Bay
55 Bulls as far up as Cappahayden. Excuse me, and that,
56 this is not a total rebuild. It's a reconstruction of poles,
57 arms and wire as we go through this area.

58 MS. BUTLER, Q.C.: Still in transmission, what does
59 this slide reflect?

60 MR. LUDLOW: There's one point I missed on the last
61 slide is that was built approximately 50 years ago. Still
62 in this category, this slide is representative ... or it's not
63 representative, it is 301-L, again it doesn't mean much,
64 but 301-L is on the Burin Peninsula and runs from Salt
65 Pond, Grand Beach to Garnish, on to Grand Bank. This
66 line was built in the early sixties. Now this year, 2002,
67 we rebuilt the section from Grand Bank back to Grand
68 Beach and that was based on the premise of the
69 conductor had shown signs of deterioration and from
70 a valuation from a third party, Power Tech Labs, I do
71 believe is the name, and actually I brought a piece here
72 last year, and I have a piece on my desk ... we're finding
73 heavy corrosion and high chlorines from the salt, and
74 also high sulfides, and the conductor has lost its ... I'll
75 use the term, I don't know, I think it's right, malleability,
76 bendability, and in fact, it's brittle. The wire now when
77 it's loading is failing and falling to ground. That's the
78 69,000 volt line, and we're estimating this project at
79 approximately \$2 million for the 2003 capital season.

80 MS. BUTLER, Q.C.: Okay, so let's leave transmission
81 now and go to the distribution category. This is
82 Schedule B, page 4 of 82. There's no harm, Mr. Wells,
83 in putting that on the computer monitors too, because
84 then we can have it still on the screen when Mr. Ludlow
85 gets into some examples. What can you tell us about
86 distribution, Mr. Ludlow?

87 MR. LUDLOW: The distribution expenditures at
88 \$25.707 million represents 46 percent of our budget.
89 The key areas in here, this category, is to provide
90 service to our customers, improve reliability of service,
91 there are safety issues here, and also dealing with
92 environmental issues.

1 Our expenditures on the distribution
2 extensions, meters, services, street lighting and
3 transformers all total to about \$12.7 million, most of
4 which is driven by customer growth. The remainder of
5 \$4.1 million is driven by normal replacement.

6 Under the transformers, as an example, again
7 I reported to this Board last year, about a move a
8 towards a 316 grade stainless tank. Every one of our
9 distribution transformers, the 50 odd thousand we have
10 out there, are filled with oil. One oil spill typically is in
11 the \$2,500 to \$3,500 category.

12 We have reconstruction at \$2.7 million, and
13 moving on down, we have the Aliant pole purchase,
14 which is the further instalment for 2003, and then we
15 have the trunk feeders account at approximately \$6
16 million, and this includes the rebuilding of old and
17 deteriorated lines, the relocation of lines, and also
18 upgrades to improve reliability. And I'm going to give
19 you a few examples, if I may, and I'll speed it up a little
20 as I go.

21 MS. BUTLER, Q.C.: Go ahead, what does this slide
22 depict?

23 MR. LUDLOW: This slide I used earlier to show the
24 areas we would focus next year, and here, the first one
25 is the Random Island, or the Milton 02 feeder. This is
26 actually a picture on the Bar Road which is the
27 connection across to Random Island, and this, we have
28 a section of line actually that was built, about 40 years
29 old, 40 years ago, and we're estimating this project in
30 the \$528,000 range.

31 Now, if I could just take that to the next slide,
32 there's been some confusion around the numbers on
33 the Milton feeder.

34 MS. BUTLER, Q.C.: Let's have a look, if we could, to
35 Schedule B, page 51 of 82. Okay, now what I'm focused
36 on here are the two sentences just above the table
37 that's on the computer monitor and the sentences say,
38 there were nine unscheduled outages on this portion of
39 the line in a 12 month period commencing in April 2001.
40 The outages were primarily caused by the failure of
41 insulators and other equipment on the line. The table
42 below, in addressing the same line on Random Island,
43 instead of saying nine, from Milton it reflects 2.9 as the
44 SAIFI, so can you explain what might otherwise appear
45 as a discrepancy, Mr. Ludlow?

46 MR. LUDLOW: What, and I think this is broader than
47 just the Milton ... it's on the whole concept of
48 SAIFI/SAIDI. I take us back, and we, I mentioned the
49 Table 1, page 6, unscheduled distribution. I now take
50 us to this topo map, which gives the line and the
51 location of the Milton feeder. Right here, this is the
52 Milton substation. There's a distribution line that
53 comes out of the Milton substation. One goes left, one
54 goes right, but it's the same distribution line, it's Milton
55 02. The one that goes this way services everything
56 from Snook's Harbour, Elliott's Cove, Ladies' Cove, right
57 on through to Petley. The piece that goes the other
58 way services everything right through George's Brook,
59 right on down to Nut Cove. I don't even know if Nut
60 Cove is there, but Nut Cove is the slate mine. I'm sorry,
61 Clifton, Waterville (*phonetic*).

62 When we say that we have had nine outages,
63 and the part of this project that's being addressed in
64 2003 is the section from Milton substation to Elliott's
65 Cove. There were nine outages that were caused by
66 damage in that area, and what that means when you do
67 the calculation, there's approximately 500 customers on
68 Random Island, give or take 50. When you do a
69 calculation of unscheduled distribution outage on the
70 feeder, you take the number of outages by the
71 customers impacted, divided by the total customers on
72 the feeder. That's the calculation. So to use the Milton
73 02 example, there is, in this end of the feeder which
74 don't go off, it stays on, there's between ... I don't have
75 the mathematics, 600 or 700 customers, maybe even 800,
76 when you do the mathematics, the total feeder is as
77 shown, 2.9. The customers though, when we have a
78 break in the area here, all those customers would see
79 the nine.

80 MS. BUTLER, Q.C.: Okay, so some work is proposed
81 for the Milton feeder and onto your next slide, what is
82 proposed here?

83 MR. LUDLOW: I'm just following through with those
84 three examples, this is the Long Lake 02 project. This is
85 Rose Blanche. Rose Blanche, the community of Rose
86 Blanche, Harbour Le Cou area, what we have is at the
87 extremity of the service territory out of Port Aux
88 Basques, and what you have is trying to manoeuvre
89 through these communities, and usually we have a late
90 night/early morning is what's going to happen. We're
91 getting high failure again on our insulators and on our
92 poles and arms, and our inspections are showing it's
93 time for change on these units, and this project is
94 estimated at about \$200,000.

1 MS. BUTLER, Q.C.: Okay, I wonder, Mr. Wells, can we
2 go back now to page 4 of 82 in Schedule B? Okay, still
3 in the distribution category, you are proposing in trunk
4 feeders, a project costing \$3.5 million for the rebuild of
5 distribution lines. Do you have any examples of
6 projects in that category?

7 MR. LUDLOW: Yes, and this is a picture showing the,
8 two things. We've overlaid the service territory map for
9 a reason here. This line originates in Springdale at our
10 substation, and proceeds through our service territory,
11 and then moves on to provide service and serves the
12 Newfoundland Hydro customers in places such as St.
13 Patrick's and Little Bay.

14 This has come up about a couple of years ago,
15 I guess, and we started work on this, and what you see,
16 the picture up in the top corner, I'm sorry, here, this is
17 the existing line. This line was built in the early sixties
18 to service a, I think it was a copper mine, Whale's Gulch
19 mine. There is a transmission line now operating across
20 country, operating a distribution voltage. The reason
21 that pole looks, I don't know what the correct word is ...
22 I'll use my term, as fat as it is, because there's two poles
23 there, one bolted to the other to keep it up. What's
24 happening, it's inaccessible, it's cross country, it's also
25 prone to failure, and we have had significant failure in
26 this area. So through Newfoundland Hydro and
27 ourselves, we have worked on this, planned the least
28 cost approach to bringing this to conclusion, and
29 Newfoundland Hydro has included a line item in their
30 budget, and we in ours, and our project is estimated at
31 \$390,000 to build it out and replace the existing plant.

32 MS. BUTLER, Q.C.: Still in the same category, what
33 does this slide represent?

34 MR. LUDLOW: This is a picture of ... I might as well ...
35 the exact location is No. 5 Cork Place in St. John's. It's
36 a back lot construction. This is typical of a large
37 percentage of the core of St. John's. Next year, as in
38 past years, we're proposing to continue with our
39 program of rebuilding three feeders. They would be
40 Stamp's Lane, 09, which serves the area from
41 Penneywell Road, Adam's Avenue, Prince of Wales
42 Street area; King's Bridge, 08, which serves Rennies
43 Mill, Monkstown, Military Road areas; and then we
44 have King's Bridge, 11, that's Allandale Road, Churchill
45 Square, Strawberry Marsh. Some of these, this is what
46 we're dealing with.

47 Now, this project is based upon field
48 assessment of plant condition, not on failure rate. We
49 have gone, we've tapped, we've bored (*phonetic*),
50 we've assessed those poles and had people do these,
51 and the result is that these things need to be worked on
52 and replaced now.

53 MS. BUTLER, Q.C.: Still on the same schedule which is
54 on our monitors, you see under trunk feeders, the last
55 entry is the switch replacement and upgrade for
56 underground distribution on Water Street. We have
57 received some RFIs on this as well. What can you tell
58 us about that project, Mr. Ludlow?

59 MR. LUDLOW: This is part of the continuing program
60 of switch replacement in the Water Street area. Our
61 distribution system on Water Street is below the street.
62 In '98/'99 before this Board there was a presentation and
63 description given regarding the plant was of concern
64 and was causing, we needed to get on with doing some
65 work here. This plant was installed in the early 1960s,
66 and this is a picture of Bishop's Cove, and Bishop's
67 Cove, the reason this is here, if I could refer you to this
68 ... this is an aerial platform of transformers whereby the
69 buildings are fed.

70 We will continue, as we've just completed, or
71 are in the process of completing work there for this
72 year's program of near the courthouse and Baird's Cove
73 are the two areas we're working on now. We will
74 continue to remove one or two switches next year, I
75 think it's two or three, and then we will, in fact,
76 conclude the program in 2004.

77 This is a combination of switch replacement
78 and also bringing some of those switches above
79 ground for safety, and indeed the operating safety of
80 the employees, rather than being down in the man hole,
81 opening and closing switches. These are oil filled
82 switches. This year there are three switches we will
83 deal with.

84 MS. BUTLER, Q.C.: Okay, so let's move to the general
85 property category which was ... thank you ... page 5 of
86 Schedule B, and we can put that on the monitors as
87 well, Mr. Wells. This category, as we can see, includes
88 the unforeseen account of \$750,000. Is this correct?

89 MR. LUDLOW: Yes, the general property category at
90 \$1.66 million is approximately three percent of the
91 budget. The category includes expenditures related to
92 the addition or replacement of tools and equipment. An

1 example would be a tension stringer, and what a tension
2 stringer is is a piece of specialized equipment which
3 permits the installation of wire under energized
4 conditions. Fall arrest systems, legislation has changed
5 and workers now, there's a new standard with which we
6 must apply to our workers, preventing people from fall
7 out of poles and buckets.

8 To upgrade buildings and new additions, two
9 items I would mention here is the addition of a materials
10 storage area at Topsail Road. And finally, we have a
11 leaky roof at Maple Valley that needs to be worked on
12 in 2003. There is also the unforeseen account ...

13 MS. BUTLER, Q.C.: And we might go to the next line,
14 thank you.

15 MR. LUDLOW: And this account at \$750,000, from
16 trying to put a pictorial representation of what it was,
17 this is as unforeseen as we can get within our business.
18 We're into the season right now, and we have for the
19 last two days been pretty much on the verge of ice,
20 wind and snow, a bad combination. These pictures are
21 actually taken within the last couple of years, and we
22 do not include within our budgets, budget allocations
23 for storm damage.

24 MS. BUTLER, Q.C.: Okay, let's move now to the
25 transportation category, which is page 6 of Schedule B.

26 MR. LUDLOW: The transportation category at \$2.141
27 million, or four percent of the total budget, we have no
28 additional vehicles included in this account. These are
29 replacements. There are seven heavy line trucks, that's
30 the one with the man ... or sorry, person-lifts included
31 on them, and there's 48 passenger, ATV and trailer
32 units.

33 We continue to look at the mix of these
34 vehicles, what the size requirements and locations, and
35 we move them within to try and keep them operating as
36 cost efficiently as possible.

37 MS. BUTLER, Q.C.: The telecommunications category,
38 page 7, what does this include?

39 MR. LUDLOW: Our telecommunications category at
40 \$383,000, there's two pieces. First of all, it deals with
41 radios, radios in the trucks, the VHF. It will deal with
42 some towers, with guy wires, that type of work ...
43 towers and guy wires.

44 We also will address this year a replacement
45 that's necessary between Rattling Brook power station
46 and Sandy Brook, and the value of that project is
47 \$155,000, and that's also within the \$242,000 that's
48 showing on your screen, and the reason that's being
49 upgraded, not upgraded, replaced, this is not a radio,
50 this is a control circuit to control the Sandy Brook
51 plant, and what's happened is we're failing at
52 approximately nine percent ... not approximately nine,
53 we are failing at nine percent of the times when we pull
54 that control circuit, and the reason that's important in
55 times of high water or your machine is running and you
56 need an emergency stop, right now we are not
57 operating in a safe range where I'd like to be, where
58 people are there more often, we have to keep people
59 going, and to maintain the plant or the viability of the
60 plant and the operations and safety, we need to have
61 this circuit put in place. We can't stop the machine or
62 stop it nine times out of a hundred.

63 MS. BUTLER, Q.C.: Okay, so that's the end of the
64 telecommunications category, and the remaining
65 categories of the 2003 capital budget, as you've
66 indicated, are sponsored by others. Can you just in
67 conclusion, Mr. Ludlow, from an engineering and
68 operations perspective in any event, advise the Board
69 what you see as the challenges that face Newfoundland
70 Power in serving its customers in the future?

71 *(10:30 a.m.)*

72 MR. LUDLOW: There are three or four items, I think,
73 that I should bring to the Board's attention. The first
74 would be a continued focus on the rebuilding of our
75 aging plant, and I think it was Mr. Hughes had
76 mentioned that through the nineties we did not
77 maintain the replacement rates. We have to continue to
78 focus and we have to stay ahead of the game. A
79 second point is a continued vigilance in plant and field
80 inspections providing the data back into the budgeting
81 process. That's becoming ever more important as we go
82 forward and it's one that we're pursuing aggressively.

83 We also need to continue to investigate and
84 improve technology within the power system, and the
85 aid in locating of problems, to assist in the restoration
86 effort, and to also add to the productivity of our
87 workers in the field.

88 One item that stands out and is core in this
89 budget and from my perspective I would see it for the
90 future is a provision of reliable service on radial lines,

1 and that's one that I've mentioned three or four times
2 through my presentation this morning.

3 The key focus will be to continue improving
4 reliability, maintaining safe and environmentally sound
5 operations, and then balancing all that with
6 improvements and productivity, and that I think will be
7 the ultimate goal that we at Newfoundland Power will
8 stand for in the operations and engineering section.
9 Mr. Chairman, that concludes my presentation this
10 morning.

11 MR. NOSEWORTHY, CHAIRMAN: Thank you.

12 MS. BUTLER, Q.C.: Mr. Chairman, a copy of Mr.
13 Ludlow's slides is available, a hard copy, to be marked
14 as an exhibit, and I think Mr. Alteen will accomplish
15 that, and Mr. Ludlow is available for cross-examination
16 now.

17 MR. NOSEWORTHY, CHAIRMAN: Thank you very
18 much, Ms. Butler, Mr. Ludlow.

19 MR. ALTEEN: Perhaps we might number it exhibit
20 EAL-3, Mr. Chairman?

21 MR. NOSEWORTHY, CHAIRMAN: EAL-3?

22 **EXHIBIT EAL-3 ENTERED**

23 MR. NOSEWORTHY, CHAIRMAN: Okay, we do have
24 roughly a half hour left to our scheduled break at 11:00
25 so I'd propose that we at least begin cross-examination
26 ... pardon?

27 MR. BROWNE, Q.C.: Yes, be that as it may, Mr.
28 Chairman, can we have five minutes?

29 MR. NOSEWORTHY, CHAIRMAN: Be that as it may,
30 Mr. Browne, we will certainly take five minutes.

31 MR. BROWNE, Q.C.: Thank you.

32 *(break)*

33 MR. NOSEWORTHY, CHAIRMAN: Thank you. I'm
34 not sure Mother Nature contemplated two hour blocks
35 of public hearings so I would be receptive actually if
36 counsels, and certainly for the benefit of the witness, if
37 counsels wish to discuss the idea of taking two 15
38 minute breaks at strategically located intervals in the
39 mornings, so that can at least be an item that can be

40 discussed in any event and may be welcome to all of
41 us, but perhaps particularly the witnesses, I would say.
42 That being said, I'll ask Mr. Browne to begin his cross-
43 examination, please?

44 MR. BROWNE, Q.C.: Thank you, Mr. Chairman. Mr.
45 Ludlow, just going over some of the points that you
46 just made, first and foremost, you stated that it's the
47 objective of Newfoundland Power to have crews on site
48 for a power interruption within two hours. Is that
49 correct?

50 MR. LUDLOW: That is correct.

51 MR. BROWNE, Q.C.: And how does that work at
52 night? Are there crews out there constantly or are they
53 called in on stand-by, could you tell the Board a bit
54 about that?

55 MR. LUDLOW: We have a series of what I would call
56 operating procedures within the business and I'd take
57 the Board through several areas.

58 In the St. John's Metropolitan area, as far as
59 Holyrood, we run service crews from 8:00 in the
60 morning till 12:00 in the night. Those crews are trouble
61 crews, street light repair, small capital works, so they are
62 on the road, and that's 365 days a year.

63 In addition, there are in this area we have
64 several people on stand-by and stand-by meaning that
65 they're on call and being attached by phone, radio, and
66 available, and they would be of the technical and
67 engineering nature.

68 As you move to Carbonear and the balance of
69 the island, we tried the service crew piece in
70 Carbonear/Whitbourne but we discontinued it because
71 it was felt to be non-productive. We now keep people
72 on stand-by and available around the clock, and these
73 are right around the clock. As well, the line staff are on
74 call as well, and in St. John's in the off hours, between
75 12:00 in the night and 8:00 in the morning, there's a line
76 crew on call, so that reaches right across. On top of
77 that again, in the event there is a system problem, be it
78 transformers, be it what I will call more of a technical
79 nature, there are people that are available on that front,
80 and then overlaying all that again, we have a system
81 control centre that's personed 24 hours a day, 365 days
82 a year, that is receiving calls in the event there is an
83 outage. The call is logged, the time, and dispatched.

1 MR. BROWNE, Q.C.: You stated that you have people
2 from 8:00 to, 8:00 in the morning till 12:00 at night, why
3 is there no one after 12:00 at night?

4 MR. LUDLOW: Well, the reason ... we've looked to see
5 the timing of these shifts, whether they should be from
6 10:00 in the morning to 10:00 at night, or 6:00 in the
7 morning and then stagger them. What we felt and what
8 we have been finding by the volume of calls and the
9 types of calls is that as the evening draws on, 11:00,
10 11:30, and particularly up to 12:00, the number of calls
11 that are coming for trouble are tailing off, so the volume
12 did not warrant keeping people on shift at full-time
13 wages throughout the night, plus the fact, every shift
14 you put on, as you get into shift rosters, it's not just
15 one person, it basically multiplies itself behind having
16 people available and adding incremental staff on the
17 roster is what ends up happening. It was a cost issue.

18 MR. BROWNE, Q.C.: So between 12:00 and 8:00 you
19 don't get so many calls, you did an analysis, is that
20 your answer?

21 MR. LUDLOW: My answer is that we, I have not done
22 an analysis but anecdotally and from observations over
23 the past years, we have not been receiving the same
24 number of calls in that period, that is correct.

25 MR. BROWNE, Q.C.: The crews who are on stand-by,
26 do they receive stand-by pay under your collective
27 agreement?

28 MR. LUDLOW: Yes, they do.

29 MR. BROWNE, Q.C.: So on stand-by means what,
30 they're around the house or within range, or they can't
31 go to a party, or what does it mean?

32 (10:45 a.m.)

33 MR. LUDLOW: Well, it means they have to be
34 available for work. It means if they move from their
35 house to somewhere else, they're in contact either by
36 phone or by radio and that would be the basis upon
37 which ... they have to be available. It's particularly
38 difficult Christmastime. Yes, they can go to a party, but
39 they're available, and available means that they are not
40 permitted to imbibe, I guess, is the right word.

41 MR. BROWNE, Q.C.: Just going through the capital
42 budget here, according to the presentation that you
43 gave. There was a picture there of Port Aux Basques

44 where the ferry is not docking, it's the third or fourth
45 picture in. I don't know if Mr. Wells can put it up there,
46 but it probably doesn't make any difference, we can all
47 see it. I think Midland has trucks outside there, is that
48 correct? That's Port Aux Basques there?

49 MR. LUDLOW: That is correct.

50 MR. BROWNE, Q.C.: Yeah, and you mentioned that
51 this facility at Port Aux Basques requires so much
52 power, is that correct?

53 MR. LUDLOW: That is correct.

54 MR. BROWNE, Q.C.: Was that one of the reasons that
55 you built Rose Blanche, to facilitate that particular plant
56 there?

57 MR. LUDLOW: The construction of Rose Blanche ...
58 no, that is not the reason we bought (*sic*), or built Rose
59 Blanche. Rose Blanche was built to secure and to add
60 additional generating capacity to the southwest coast
61 of the province, and that point from both economics
62 and reliability it was seen as an alternative. The one
63 megawatt load that I referred to at Marine Atlantic, it is
64 Marine Atlantic, is part of the load that's in the Port
65 Aux Basques area and has been there, Mr. Browne, you
66 probably know as well as I do ... I don't know. Marine
67 Atlantic has always been in Port Aux Basques.

68 MR. BROWNE, Q.C.: So that's not new.

69 MR. LUDLOW: No, not at all.

70 MR. BROWNE, Q.C.: Because when you built Rose
71 Blanche, wasn't there talk in the Port Aux Basques area
72 of some kind of fabricating plant being built there that
73 would need, have extra power requirements, do you
74 recall any of that?

75 MR. LUDLOW: I can remember a discussion regarding
76 the potential development of the old railway buildings,
77 I'm not sure if that's the one you're referring to, from the
78 production of ... these were generating plants actually,
79 believe it or not, and top side development ... I forget
80 the name of the company, Mr. Browne, and the ... I
81 actually forget the name of the company, and that
82 would have been back in the mid-nineties is when that
83 would have been projected, and that did not come, or
84 did not materialize.

1 MR. BROWNE, Q.C.: So that capacity was never
2 required from Rose Blanche's perspective?

3 MR. LUDLOW: When Rose Blanche was built it was
4 built, and subsequent to Rose Blanche there was a
5 decommissioning of some diesels in Port Aux Basques
6 as well, so it was an effective balancing of the
7 generating capacity in the Port Aux Basques area.

8 MR. BROWNE, Q.C.: It indicates, I'm sure we'll come
9 back to this later, just going over your presentation
10 there, there's a picture there that has Stavanger Drive
11 on it. Has the power company done any studies in
12 terms of the capacity for Stavanger Drive? Has
13 Stavanger Drive reached it's capacity, do you know
14 that?

15 MR. LUDLOW: With respect specifically to Stavanger
16 Drive and its capacity, I do not know, but I do know
17 that the area of Clovelly and the residentials and even
18 while we speak there are constructions still occurring
19 on Stavanger, the name of the building escapes me ...
20 the whole east end development area has been for the
21 past two to three years, and from all perspectives it's
22 projected to be continued vibrancy down in that area,
23 Mr. Browne, so I don't have a document that I can
24 provide you with but from all field intelligence that I
25 have, observations and load growth, I don't see any
26 reason why it would be projected to stop or slow.

27 MR. BROWNE, Q.C.: So has the company had
28 discussions with the city in reference to what the
29 possibilities are down there and what the capacity is
30 there?

31 MR. LUDLOW: I can date back in my previous role as
32 regional manager in St. John's when the original
33 development for Clovelly was first put forward, and this
34 would be in the early nineties, and there were several
35 thousand houses proposed for the Snow's Lane area,
36 and at that point in time it was seen as ... I don't want to
37 use the term of a pipe dream, but what's amazing is that
38 the pipe dream has come true and we're seeing growth
39 continuing to happen. We're always in consultation
40 with councils and with the planners and developers, as
41 these things come through, that's part of the field data
42 that takes part in the planning process.

43 COMMISSIONER FINN: And just for some
44 clarification, Mr. Browne, when you're using the term
45 "capacity", are you referring to the capacity for further
46 development down there or the capacity for

47 Newfoundland Power currently to provide electrical
48 service?

49 MR. BROWNE, Q.C.: Okay, yes, Mr. Finn, the capacity
50 for further development, has it reached its peak or is it
51 nearing its end from an available land perspective, and
52 what was your answer? You have checked with the
53 City or you haven't?

54 MR. LUDLOW: We're in continuous contact with the
55 City. I mean we have been, this is not a day-by-day
56 thing, this had been occurring years in advance as
57 things grow and areas develop.

58 MR. BROWNE, Q.C.: And whose responsibility is that
59 to monitor with the City developments such as
60 Stavanger Drive or Virginia Waters, and determine what
61 the capacity is there?

62 MR. LUDLOW: If I could just take a second and go
63 back into the processes and the way we're organized as
64 a business, again, I will call on some of my past
65 experiences, and usually I'll find those to be better as an
66 example, if that would help, Mr. Browne? As regional
67 manager in St. John's being responsible for the
68 continued provision of service, we would identify areas
69 within the City where there would be potential growth,
70 and I can take you back to pre-Howley Estates, next
71 door. This was always seen as an area that was
72 relatively vulnerable from an electrical perspective.
73 Clovelly was one, Pearlgate, near Glendale substation
74 was seen as a high potential growth area, and I date
75 back there into the early nineties, and what would
76 happen, we'd take the City or the area and we'd divide
77 it into responsibilities by field technicians. They
78 monitor subdivisions, they're responsible for attaining
79 easements, dealing with councils, the growth in the
80 areas, and the businesses and what have you, and then
81 as this builds through the year, the potential load, the
82 areas where we're looking at is kept and maintained,
83 kept and maintained by individuals. So I'd go field
84 technician, I'd take it from there to the superintendent
85 in the area, and ultimately it would flow right up
86 through to the manager for St. John's, and it is his
87 responsibility to ensure that we can supply our
88 customers, not only today but for the next several
89 years, so it may be a long answer, but there's a process
90 and that's the process that we follow, Mr. Browne.

91 MR. BROWNE, Q.C.: In reference to three or four
92 pages toward the end, you made reference to Cork Place
93 there, and the replacement of poles, and how do you

1 determine that the pole is required to be replaced? Is
2 there what they call thermoscaning, is that what you
3 use there?

4 MR. LUDLOW: It's a combination of factors we would
5 use. First of all, you would not thermoscan a pole.
6 Thermoscan is an infrared technology and one of the
7 byproducts of any electrical system is heat. Infrared,
8 by its nature, will pick up heat differentials. That's one
9 thing. When you have field inspections, field
10 inspections, a person going along, it may be as simple
11 as tapping a pole with a hammer, or as advanced as
12 core sampling of a pole, to ensure that the outer core ...
13 the outer core ... the outer shell may be solid but the
14 inner core may have failed, with rot or whatever
15 happens, and ... I don't know what else happens to
16 these things ... so it's a combination of, as I look at this
17 pole, Mr. Browne, I can't tell you that pole is good or
18 bad, and I may walk to that base and not be able to tell
19 you either, but when we went and walked these feeders
20 and assessed the feeders and the plant combining age,
21 current condition, like the trees, they can be trimmed.
22 The transformer, there's big issues, and that's the basis
23 of either core sampling, age of pole, location, all of
24 those things, and that's the way we would do it.

25 MR. BROWNE, Q.C.: So do you do it on a pole-by-pole
26 basis? Do you study each and every pole and say that
27 one is no good, this one is okay, etcetera, is that the
28 way it's done in the field?

29 MR. LUDLOW: We will go along a distribution system,
30 we would assess poles, we would assess the majority
31 of the poles, then when we look at them, you may have
32 a stretch of four or five poles, if you replace four or five
33 poles, leave one pole that's 40 years old, and then put
34 four or five more new ones in, the answer is no, from my
35 opinion. If you go in to do ten poles, you do ten poles,
36 you complete the whole task.

37 MR. BROWNE, Q.C.: So if there's ten poles there as
38 part of the system and five are gone, you'd replace the
39 ten, is that what you're telling us?

40 MR. LUDLOW: No, what I am saying is we would make
41 a call on the plant condition. If we're getting a high
42 percent failure on these poles, as we do our field
43 assessments, we would then assess the whole feeder
44 and if those poles are showing a large percentage rate
45 failure, we would make an engineering judgement at
46 that point in time. Poles are one piece, insulators is
47 another piece, transformers is another piece, secondary

48 conductors are another piece, primary conductors is
49 another piece, so when you go in, and I'm glad you
50 referenced the picture at Cork Place, getting that pole
51 replaced is no easy task when you consider the fences,
52 the sheds, trees, when you go in you're trying to make
53 this happen. We're to the point, we've even
54 investigated going underground with some of this
55 stuff, Mr. Browne.

56 MR. BROWNE, Q.C.: That's what I was going to ask
57 you, have you done an analysis of underground in
58 certain neighbourhoods?

59 MR. LUDLOW: I'm glad you asked because one of the
60 things we are doing is assessing the feasibility of going
61 underground in some of these types of areas and
62 weighing then the feasibility of ice and snow and
63 vegetation back against, those operating costs back
64 against the, what would appear to be improved service.
65 We have, however, had significant experience with
66 underground, having worked in that area in Virginia
67 Waters, Hunt's Lane, a neighbour too in Mount Pearl,
68 we have a long history of, and we've got a lot of rocks
69 in this soil too, and rocks have a tendency to move and
70 pierce conductor, so our experience to date with the
71 underground has not been stellar. However, your point
72 is well taken and it is one that I personally am looking
73 at as to whether or not we can move some of these
74 underground.

75 MR. BROWNE, Q.C.: So you are going to do an
76 analysis of some kind or undertake a study, is that your
77 answer?

78 MR. LUDLOW: We will be looking at whether or not in
79 the future, we're not going to stop, there are some that
80 we will go aerial. We do know that the underground
81 will be multiples more expensive in the capital front.
82 We are assessing whether or not it's even feasible to go
83 underground, so whether you call that a study, I don't
84 know, Mr. Browne, but I would use the term, the
85 judgement will be applied in that end.

86 MR. BROWNE, Q.C.: Because within the City of St.
87 John's you have certain areas that are underground. If
88 you go to the Kent's Pond area, Dublin Road, Belfast,
89 in that area, they are underground. Have you ever
90 done a comparative study as to the cost to the system
91 in that underground area versus the cost to the system
92 in a similar area that's not underground?

1 MR. LUDLOW: To say that I have a study that I can
2 present to this Board, no, I haven't, but I do know that
3 if I were to study, sorry, I have been in front of this
4 Board and dealt with the Board in the past, in particular,
5 on problems with ... and actually one of the items in this
6 capital budget is the replacement of services under the
7 distribution account ... anyway, just, we can go there,
8 but it's the distribution account and services. Within
9 that there is a very large section which deals with the
10 replacement of underground services in the Virginia
11 Waters/Watson Street area, so the cost for the initial
12 installation is high. The maintenance would appear to
13 be non-existent, but they are prone to troubles and
14 failures and we have had that. I do not have a
15 document that I can give you right now.

16 (11:00 a.m.)

17 MR. BROWNE, Q.C.: Mr. Ludlow, just a follow-up on
18 a few questions that we asked Mr. Hughes and Mr.
19 Perry yesterday (*sic*), and he put them over to you.
20 One area was dealt with, personnel from Belize being
21 trained at Newfoundland Power. Mr. Hughes told us
22 we were probably better off to check with Mr. Ludlow,
23 and he gave us his understanding then. Can you tell us
24 how many employees from Belize are being trained at
25 Newfoundland Power's offices?

26 MR. LUDLOW: Mr. Hughes, I think, framed it in
27 around the approximately 20 since we first got involved
28 in the business, but I'd like to just back up a little bit
29 and explain what happens with training and what ...
30 there was ... a question went to line staff. To my
31 recollection I have not been involved or had anyone
32 from the line trade. The closest would be a senior
33 engineer that we've had in our shop in training, and in
34 training would be a, roughly a month would be the
35 approach. It would be in discussion mode, it would be
36 observation mode, and those people would be on that
37 front, so when Mr. Hughes spoke of the training, he did
38 refer to the senior individuals, the accounting side, I do
39 believe is there, the auditors, safety would be involved,
40 materials management, those would be the types of
41 areas, Mr. Browne. From the line and the technical and
42 engineering, we have had very few and the ones we
43 have had have been primarily in the engineering front.

44 MR. BROWNE, Q.C.: So how much time is taken up by
45 Newfoundland Power personnel and our ratepayers are
46 paying for to train people from Belize?

47 MR. LUDLOW: That's an interesting question because
48 one of the bases is that if a person is assigned, and
49 actually it was one of our managers only two weeks ago
50 said, Earl, I've spent a couple of days, therefore my time
51 is being billed out to Belize. If I spend time working
52 with that employee directly, only on that ... if I'm
53 continuing my day-to-day work, then my day-to-day
54 work will be billed to my normal function numbers. But
55 if I'm taking time as devoted solely to the training and
56 development, then that time is charged.

57 MR. BROWNE, Q.C.: Well how do you differentiate if
58 the person from Belize is just going along with you,
59 following you in your day-to-day work, that isn't
60 charged, is that what you're telling us?

61 MR. LUDLOW: That's correct.

62 MR. BROWNE, Q.C.: But if he asks some questions of
63 you, or interrupts you in your daily work that is
64 charged, is that what you're stating?

65 MR. LUDLOW: No, that's not what I said. What I did
66 say was that if a person took a substantive portion of
67 time to educate or to inform or to train, that time is
68 charged to Belize. There's a reverse side to this too,
69 and again, from personal experience, having worked in
70 Jamaica after Hurricane (inaudible), and as well after
71 Hurricane Keith, the people that truly benefit, it may
72 appear to be the Belizians, but I also know that from an
73 employee development perspective, from our company,
74 the people that have been involved are much better
75 informed and also, how would I say it, developed
76 employees as a result of their experiences with these
77 companies as well, be that the training or be that
78 secondments.

79 MR. BROWNE, Q.C.: It's five after 11:00. I've got my ...
80 do you want to break now, Mr. Chairman?

81 MR. NOSEWORTHY, CHAIRMAN: Sure, we'll break
82 now and we'll go until 11:30.

83 MR. BROWNE, Q.C.: Okay, thank you.

84 (break)

85 (11:30 a.m.)

86 MR. NOSEWORTHY, CHAIRMAN: Mr. Browne, if I
87 could ask you to continue your cross-examination
88 please?

1 MR. BROWNE, Q.C.: Yes, thank you, Mr. Chairman.
2 Mr. Ludlow, I've asked Mr. Hughes and Mr. Perry some
3 questions about the Aliant pole purchase. Can you tell
4 us how it works on a practical level? Does
5 Newfoundland Power order poles in for the non-
6 regulated entity, Fortis Inc.?

7 MR. LUDLOW: No, first of all ... well, first of all, we do
8 not have poles in our inventory other than for
9 transmission. I would go there to start with. We set
10 poles primarily through contractors and we buy a pole
11 when it's installed in the ground. That's to start. I
12 would go that way. What happens is Newfoundland
13 Power would do engineering work and it's billed out on
14 the hour basis to Fortis in the event there was a non-
15 joint use pole line to be constructed, similar to what we
16 do for Aliant.

17 In the event then that Fortis decided to go
18 ahead with that work, there's a separate contract which
19 the contractor would engage in to install the pole. The
20 pole is then taken ownership when it is, in fact, I don't
21 want to use the word "planted", but in the ground.

22 MR. BROWNE, Q.C.: The Aliant poles, does Aliant
23 have other poles other than what you purchased from
24 them, other than what Newfoundland Power purchased
25 from them?

26 MR. LUDLOW: Well, there's three sets of poles, if my
27 memory serves correct ... those poles that we bought in,
28 like we at Newfoundland Power have. There's the poles
29 owned by Fortis, and there are the poles that are, I think
30 have just recently come before this Board for
31 Newfoundland and Labrador Hydro. Those would be
32 the pieces.

33 MR. BROWNE, Q.C.: And Aliant has no poles in their
34 own right now?

35 MR. LUDLOW: Not that I'm aware of. Sorry, not on
36 the island of Newfoundland anyway. I'm sure they
37 have poles in the Maritime Provinces.

38 MR. BROWNE, Q.C.: I asked Mr. Hughes concerning
39 Central Newfoundland Energy and he told the answer
40 in part that Mr. Ludlow is the better one to get into the
41 details of this. Is there any of Newfoundland Power's
42 assets assisting in the work undergoing there in Central
43 Newfoundland on the Exploits River Partnership?

44 MR. LUDLOW: I was sitting in the, I guess you'd call
45 it the audience or whatever, the other day and I was
46 thinking about that since. From trucks, the heavy
47 construction, if there was anything of that type, there's
48 nothing that I can come to mind or I can find. In the
49 event that there's an employee would go to Grand Falls
50 and would be ... what's the word I'm looking for ...
51 charged out, just that his wages are charged to CNE at
52 market rates ... the potential there would possibly be a
53 vehicle, a passenger vehicle, and I'm not sure, Mr.
54 Browne, if that was the trucks you were referring to or
55 not, but there's a potential of a passenger vehicle, that
56 type of thing, overlaying, and those, in turn, will be
57 billed to CNE as well.

58 MR. BROWNE, Q.C.: So they would all be picked up in
59 the inter-company transactions?

60 MR. LUDLOW: As far as I know, that's where they
61 would come out. Whether they do or not, I don't know,
62 but they would be billed, yes. There is a charge that
63 would occur between the businesses and it would
64 happen there.

65 MR. BROWNE, Q.C.: Can you tell us how it works from
66 the perspective of Aliant, the poles that are owned by
67 Fortis, does Newfoundland Power personnel plant the
68 poles that are owned by, for Fortis, and is
69 Newfoundland Power's trucks used as the whole, the
70 whole gamut?

71 MR. LUDLOW: Let me just, if I may ... I think there's a
72 fundamental point to be made, and that's the one I made
73 a few minutes ago. Newfoundland Power do not have
74 the capacity to stick a pole. In 1992 we assessed the
75 market conditions that were local ... I mean within
76 Newfoundland, and whether or not we needed to
77 continue to have what I'd call digger derricks
78 (*phonetic*), and that's the ones with the big augers on
79 them ... and what we were finding, we were tearing up
80 more turret (*phonetic*) bearings and teeth off those
81 augers than it was worth, so what we did, we went to
82 market, and the conditions of the market is that there
83 had to be two contractors with certain response times.
84 Those contractors would be on site within a specified
85 period of time, be it 3:00 in the morning or 3:00 in the
86 afternoon. There's a lot more backhoes and excavators
87 and (inaudible), in those capacities, and that's where we
88 started in '92, so we got out of the pole setting
89 business. It don't mean we don't manage, we're not in
90 the construction of pole setting, that's the first thing.

- 1 Back then we had problems with dynamite and
2 dynamite caps, and storage and regulations. So no, we
3 do not stick poles for Fortis or for Aliant. We do the
4 engineering. If a pole is required and what the cabling
5 requirements, or what the pole strength would be to
6 support the anticipated cable requirements, that's the
7 interface. My inventory right now do not maintain 30,
8 35 or 40 foot poles. I don't buy a pole until it's in the
9 ground.
- 10 MR. BROWNE, Q.C.: I just want to go to some of the
11 responses that were filed here this morning, just review
12 some of those with you before I get into the series of
13 questions which I have prepared. I had asked one
14 question concerning fax machines, and if you look to U-
15 1, Mr. Wells ...
- 16 MR. LUDLOW: Excuse me, Mr. Browne, have these
17 books been updated? Okay, and your reference is?
- 18 MR. BROWNE, Q.C.: U-1.
- 19 MR. LUDLOW: Okay, thank you.
- 20 MR. BROWNE, Q.C.: The numeral "U".
- 21 MR. ALTEEN: The undertakings and materials filed
22 this morning are not on the updated record at this
23 point, Mr. Chairman, they will be tomorrow.
- 24 MR. BROWNE, Q.C.: Okay, it's my understanding from
25 your evidence that the company is about to, is looking
26 for approval to purchase or lease, I guess, 40 fax
27 machines, is that accurate?
- 28 MR. LUDLOW: I just want to check the number, Mr.
29 Browne, if I may. Just bear with me one second please?
30 That is correct.
- 31 MR. BROWNE, Q.C.: And I had asked when Mr. Perry
32 was on the stand, can you undertake to check that out
33 for us before Mr. Ludlow takes the stand to advise us
34 in writing if there is an option to purchase out these fax
35 machines, and what the purchase out price would be as
36 opposed to the price for leasing new machines, and I
37 think his response was in (a), down below, in 2001 the
38 company chose to extend the lease term by two years
39 and reduce the payments in accordance with option
40 number two. The lease will expire in 2003 and there are
41 no further extension or purchase options contained in
42 the original lease. My question to you is this, have you
43 approached the company, regardless of the terms of the
44 lease, to see if the company would be interested in
45 selling you those fax machines whose lease is up?
- 46 MR. LUDLOW: No, we have not.
- 47 MR. BROWNE, Q.C.: And why haven't you done that?
- 48 MR. LUDLOW: Well, first of all, we entered into a
49 contract or a lease arrangement in 1998 for five years
50 with, and that contract had certain terms that are
51 highlighted in U-1. These units, the 40 fax machines
52 that we're referring to, are used throughout this
53 province, and this morning I put up a map that shows
54 one and two person operations, the district buildings,
55 if you remember or recall. They're used to take
56 information on switching and on safety into those
57 locations. We are now dealing with five year old
58 technology and a five year old fax machine and also a
59 contract that has no option for extension. At this point
60 it's up next year and to be quite honest, Mr. Chairman,
61 we haven't progressed anywhere with this until next
62 year occurs, and we don't foresee having those
63 discussions or replacing them in that way.
- 64 MR. BROWNE, Q.C.: But you're looking for the
65 budgetary approval now, is that correct?
- 66 MR. LUDLOW: That is correct.
- 67 MR. BROWNE, Q.C.: But the lease will not be up until
68 the end of 2003, December 31, 2003?
- 69 MR. LUDLOW: The actual date, I am not clear on,
70 whether it's December or June, but it is in December ...
71 or it is, sorry, in 2003.
- 72 MR. BROWNE, Q.C.: Has anyone done some due
73 diligence here to see if these 40 fax machines are
74 working or are they broken?
- 75 MR. LUDLOW: I'll be quite honest, I don't know
76 whether they're working or they're not working. I have
77 a requirement for fax machines to run my business and
78 that fax machine is used to get orders for switching and
79 customer service approvals and authorizations into the
80 field offices. One thing I can tell you for certain is if
81 they weren't working our customers have a tendency to
82 speak very clear and very loud about a lack of service.
- 83 MR. BROWNE, Q.C.: Now, faxes wouldn't be the only
84 way that you can communicate, you also have

1 computers with email, isn't that correct, Mr. Hughes
2 (*sic*), Mr. Ludlow, I'm sorry?

3 (*11:45 a.m.*)

4 MR. LUDLOW: We do communicate with, or via email.
5 The reason we use fax is that some of the documents
6 that are transferred ... I referenced switching orders. Let
7 me give you an example of what a switching order is.
8 Switching order is a process of hold offs in that it's a
9 line protection. Before a worker goes to work on a line
10 it has to be isolated or grounded or what have you, and
11 there's a whole series of steps and protocols. That is
12 faxed to the remote districts or the districts.

13 For example, when we have authorizations that
14 would come from the governing bodies, be they the
15 Provincial Government or the Municipal Council
16 regarding inspection and authorization to connect.
17 Those are actual certificates of documentation. It's not
18 just a matter of referencing a number XYZ. That's the
19 type of things that are going over these fax machines,
20 and besides that, there are items that are not
21 transferable by email. We could put scanners in and
22 scan all the equipment, or all those things, and then
23 transfer it to email.

24 MR. BROWNE, Q.C.: Yeah, by way of an attachment,
25 you have scanners, I gather, don't you?

26 MR. LUDLOW: Very few that I am aware of, sir.

27 MR. BROWNE, Q.C.: No, the only point I ask to be
28 investigated as part of your due diligence and to ensure
29 that ratepayers are getting the best bang for their buck
30 here, is that someone find out if these fax machines can
31 indeed be purchased now that their lease is coming to
32 an end. Will the owner entertain a buy out if there's
33 nothing wrong with them, and you haven't given any
34 evidence stating there's anything wrong with these fax
35 machines.

36 MR. LUDLOW: No, I have not, and it was not my
37 intention to say that there was anything wrong with
38 them. My intention though is that I do have a five year
39 old fax machine and as we go forward we will assess
40 where we go with respect to these fax machines. There
41 is another unit in here in my evidence that refers to a
42 mail machine. They're no longer serviced, they're no
43 longer maintained. One thing I will be certain is that I
44 do not want to get into an arrangement whereby these

45 units are no longer up to date from a servicing and a
46 maintenance and a warranty.

47 MR. BROWNE, Q.C.: On CA-121(c) which was filed
48 today, Attachment A, you give the per capita electricity
49 consumption in Canada by province and the annual
50 growth.

51 MR. LUDLOW: Could you just give me one second
52 until I find this please.

53 MR. BROWNE, Q.C.: Certainly, Mr. Ludlow.

54 MR. LUDLOW: Again, the reference was, Mr. Browne?

55 MR. BROWNE, Q.C.: CA-121(c), Attachment A.

56 MR. LUDLOW: Yes sir.

57 MR. BROWNE, Q.C.: And we have electricity
58 consumption kilowatt per person, the annual growth
59 rate, can you tell us what the annual growth rate is for
60 Newfoundland for the period 1999 to 2000?

61 MR. LUDLOW: If I'm reading this table correctly, for
62 Newfoundland for the period of 1999 to 2000, the
63 annual growth rate is seven percent.

64 MR. BROWNE, Q.C.: And for Newfoundland Power it's
65 down below, what is it for Newfoundland Power?

66 MR. LUDLOW: For the portion of the island served by
67 us, it's 5.4 percent.

68 MR. BROWNE, Q.C.: And the Canadian average as
69 well?

70 MR. LUDLOW: The Canadian average is, for 1999 to
71 2000 is 2.8 percent.

72 MR. BROWNE, Q.C.: So Newfoundland Power,
73 therefore, in terms of growth, has outstripped the
74 Canadian average, is that the conclusion we could
75 come to there?

76 MR. LUDLOW: The conclusion is that the growth rate
77 in kilowatt hour per person, is that your reference, Mr.
78 Browne?

79 MR. BROWNE, Q.C.: Pardon sir?

- 1 MR. LUDLOW: Could you restate your question,
2 please?
- 3 MR. BROWNE, Q.C.: Yeah, the conclusion is that
4 Newfoundland Power has outstripped the Canadian
5 average, isn't that correct, in terms of growth ... 5.4
6 versus 2.8, yes or no, Mr. Ludlow?
- 7 MR. LUDLOW: Just bear with me one second until I
8 read the table, please?
- 9 MR. BROWNE, Q.C.: Sure.
- 10 MR. LUDLOW: The heading of this table is that the
11 per capita electrical consumption, or electricity
12 consumption in Canada by province and within our
13 territory, we have seen a per capita growth of 5.4
14 percent on electrical consumption, that is my
15 understanding of what that table is reading.
- 16 MR. BROWNE, Q.C.: And that would reflect your
17 growth, is that a fair comment?
- 18 MR. LUDLOW: No, that is not correct. That's the
19 growth in the per capita consumption by person.
- 20 MR. BROWNE, Q.C.: But would there be a correlation
21 between consumption, of what people are consuming
22 and your growth, would there be any correlation there?
- 23 MR. LUDLOW: I would think there would be a
24 correlation but if I was sitting here with five and seven
25 percent growth rates, I think that the, we would be
26 talking much more than two power transformers on a
27 per annual basis. We're talking about average use here,
28 I do believe is where we're going, by consumer, and this
29 would tie back to things such as number of household
30 appliances, DVD players, what have you. There is an
31 element within the growth factor, but that is not the
32 system growth.
- 33 MR. BROWNE, Q.C.: Okay, thank you, Mr. Ludlow on
34 that, now I'll go to the questions that I had prepared.
35 These are just a few follow-ups just from what I saw
36 there on the spot. Mr. Ludlow, the capital budget dated
37 August 2, 2002, this has your affidavit on the
38 application before the Board.
- 39 MR. LUDLOW: Is that a question, Mr. Browne?
- 40 MR. BROWNE, Q.C.: Yes.
- 41 MR. LUDLOW: Yes, that is my affidavit.
- 42 MR. BROWNE, Q.C.: And in that affidavit you state to
43 the best of your knowledge, information and belief, all
44 matters, facts and things set out in this application are
45 true.
- 46 MR. LUDLOW: That is correct.
- 47 MR. BROWNE, Q.C.: So you're familiar with most of
48 what's in this budget with the exception of the
49 information systems which you stated today would be
50 the exceptions, is that correct?
- 51 MR. LUDLOW: There's two portions, that would be
52 the information systems, as well as the general
53 expenses capitalized.
- 54 MR. BROWNE, Q.C.: Just a query, the budget was filed
55 August 2nd, 2002. Why was the evidence not filed at
56 the same time? Why did we have to wait until October
57 28th, 2002 to get the evidence, any particular reason for
58 that?
- 59 MR. LUDLOW: I assume, Mr. Browne, you're referring
60 to the pre-filed evidence, is that what we're referring to?
- 61 MR. BROWNE, Q.C.: Yes.
- 62 MR. LUDLOW: Typically what we have done in these
63 circumstances is we have prepared the budget process
64 and submitted, and when the date for the hearing is set,
65 then the pre-filed is prepared and submitted at that time.
- 66 MR. BROWNE, Q.C.: So what was the reason for doing
67 the pre-filed evidence, waiting until October?
- 68 MR. LUDLOW: Really, the situation, first of all, is we
69 deal with the variances I explained, we would file ...
70 typically this has been the process we've followed, just
71 simply prepare the budget, prepare the projects, and go
72 through the process leading up to August and then in
73 getting ready for the hearing, to what I'm doing here
74 today, we would have our pre-filed ready and submitted
75 sometime on a pre-determined schedule agreed to with
76 the Board.
- 77 MR. BROWNE, Q.C.: And filing the budget August
78 2nd, 2002, had you hoped to get the capital budget on
79 prior to this time, is that fair comment?
- 80 MR. LUDLOW: Yes sir, that is true.

1 MR. BROWNE, Q.C.: And what was your timeframe for
2 getting it through?

3 MR. LUDLOW: My timeframe personally and
4 corporately would have been September to early
5 October, and that's highlighted in the evidence, that
6 was to attempt to get some work, the planning, the
7 design, and get out of the block early, in the event we
8 happened ... and that's highly unlikely we won't have a
9 good winter, but if we did have a good winter, that we
10 could start our projects in January, February, March.
11 However, being here today it's imperative that we
12 receive approval of the budget, otherwise we've got to
13 push all this work out further into next year, and that's
14 the basis for the early filing, Mr. Browne.

15 MR. BROWNE, Q.C.: Now, your filing as such
16 contained a few reports and little by way of analysis. I
17 think you gave us the 2002 capital expenditures status
18 report, but a lot of what's grounded in the budget, I had
19 to ask questions for to get the reports and to get
20 through it. Wouldn't you have been better off filing the
21 reports that grounded a certain expenditure, rather than
22 just giving us a bare bones application?

23 MR. LUDLOW: No, I don't think so. I think we've
24 followed this process and it has been an efficient
25 process for every year up to, certainly last year. We
26 have always followed an open and honest piece with
27 this Board. If the Board wishes information, we provide
28 it, and are more than willing to sit here and discuss,
29 debate, and upon request of the Board we will fulfil any
30 request upon reports or studies that we have
31 completed, and rather than just simply complete these
32 things for the sake of completing them, to me that's
33 counterproductive.

34 MR. BROWNE, Q.C.: Now, this Board heard a capital
35 budget application, and indeed, a general rate
36 application from Newfoundland Hydro in last year, and
37 in order number PU-7, 2002/2003, issued June 7th, 2002,
38 the Board listed requirements for Newfoundland Hydro
39 to follow certain guidelines in following their capital
40 budgets. I just want to give you a copy of those for a
41 moment and ask you some questions about that
42 concerning your own budget. Newfoundland Hydro ...

43 MR. NOSEWORTHY, CHAIRMAN: Excuse me, Mr.
44 Browne, is it necessary to mark this, Ms. Newman?

45 MS. NEWMAN: No, that's already been part of the
46 Board record so I don't think it's necessary to mark it as
47 an exhibit.

48 MR. NOSEWORTHY, CHAIRMAN: Thank you. Sorry,
49 Mr. Browne.

50 MR. BROWNE, Q.C.: Newfoundland Power was an
51 intervenor in Newfoundland Hydro's capital budget and
52 general rate application, is that true, Mr. Ludlow?

53 MR. LUDLOW: That's correct.

54 MR. BROWNE, Q.C.: And when the decision came
55 down in reference to Newfoundland and Labrador
56 Hydro on June 7th, 2002, did you have occasion to read
57 that decision?

58 MR. LUDLOW: I did.

59 MR. BROWNE, Q.C.: Did you notice, therefore, that
60 the Board had set standards for Newfoundland Hydro
61 in reference to the budget process that they were to
62 undertake in the future?

63 MR. LUDLOW: I did.

64 MR. BROWNE, Q.C.: Did you think that maybe these
65 could also apply to you?

66 MR. LUDLOW: There's two separate issues as I see it
67 here. This ruling applied to Newfoundland and
68 Labrador Hydro and not to Newfoundland Power. A
69 second point is that in working with this Board over the
70 years and the processes we have followed, that has
71 never been subject to those types of change, and we
72 followed this year the same as we have in past years.
73 And likewise, to draw an analogy between both
74 companies which are fundamentally different in both
75 what they operate and stand for, like large generation,
76 large transmission, future projects versus by far us
77 being in the distribution and small generation, there are
78 some aspects of our budget that would lend itself to
79 analysis and those have been provided.

80 *(12:00 noon)*

81 MR. BROWNE, Q.C.: Mr. Ludlow, can you go to Item
82 7 in the Board's order where the Board stated, copies of
83 any engineering studies, consultants' reports,
84 environmental studies, or dealer documentation
85 outlining the current condition and future requirements

1 of the plant, that these documents are already on file
2 with the Board, reference may be made to these
3 documents. In your budget as filed, did you make any
4 reference to any of these studies or reports or
5 documents on file with the Board?

6 MR. LUDLOW: I have, if I were to go back through, I
7 would start with my answer to your query, sir, it's the
8 same, that this comment was a ruling on another
9 company. However, there are cases, if my memory
10 serves right, of a reference to items that may have been
11 filed on the, I'll go to the Burin study, there's a cross-
12 reference that would have been used in the past, and
13 Mr. Browne, there may be others, but right now they
14 escape me and I don't have a list with me, I'm sorry.

15 MR. BROWNE, Q.C.: And No. 8, the Board required
16 Hydro to file a cost benefit analysis of all alternatives,
17 both internal and external that have been considered,
18 including any DSM measures that have been evaluated.
19 Did you do that in reference to any money that you're
20 seeking from the ratepayers of the province?

21 MR. LUDLOW: Where it was applicable, a cost benefit
22 analysis or an NPV was completed, and not all projects
23 will lend themselves to that, particularly at the
24 distribution level. The Lockston plant is one that was
25 included, and again, I would say that this ruling was a
26 part of the Newfoundland and Labrador Hydro hearing.

27 MS. BUTLER, Q.C.: Mr. Chairman, I wonder if I might
28 object perhaps at this point and ask for the continued
29 relevance of questions in relation to an order which
30 affects another company. The order which, I'm going
31 by memory, applies to Newfoundland Power's
32 standards for the supporting documents on a capital
33 budget application is PU-6, 1991. It's that order which
34 was followed in the presentation of Newfoundland
35 Power's capital budget application in this year as well
36 as earlier years, and that I think would be an issue for
37 counsel, just as much as it would be for this particular
38 witness, but the same answer is going to apply to any
39 question in relation to this order. This is an order that
40 affects a different company under different
41 circumstances. I don't think it's fair to pursue it with
42 Mr. Ludlow.

43 MR. BROWNE, Q.C.: I think we're pursuing it from a
44 standards perspective because in the end we're going
45 to ask this Board to apply standards to these
46 applications. In order to get any real information, I
47 guess, in reference to the budget, we had to go through

48 all of this and ask several hundred questions in order to
49 get the studies, and I think that all of this should have
50 been presented to begin with because that would have
51 given us a fair opportunity to examine the studies, get
52 some advice on the studies, and to be able to fairly
53 represent consumers. I think it's a fair line of
54 questioning because it's not that it's leading nowhere,
55 it's going to lead to a particular remedy that we are
56 going to seek for budgets future.

57 MS. BUTLER, Q.C.: In response to that, Mr. Chairman,
58 I guess ...

59 MR. NOSEWORTHY, CHAIRMAN: Can I just move to
60 Mr. Young, any comment please?

61 MR. YOUNG: I don't have any particular comment on
62 whether or not this is ... and I don't know how far Mr.
63 Browne wants to go into this in relation to perhaps an
64 11 year old order that affected Newfoundland Power
65 versus this very recent one that affects Hydro. I just
66 note though that he is, I assume, pursuing this line of
67 questioning to see if this new direction of the Board
68 might perhaps apply to Newfoundland Power and I
69 don't know how much the Board wishes to explore that
70 right now, but I certainly understand the relevance to
71 that point.

72 MR. NOSEWORTHY, CHAIRMAN: Thank you. Ms.
73 Newman?

74 MS. NEWMAN: I don't have any comments.

75 MR. NOSEWORTHY, CHAIRMAN: Thank you. Ms.
76 Butler, please?

77 MS. BUTLER, Q.C.: I think my point, Mr. Chairman,
78 would be that in relation to the Consumer Advocate's
79 potential submission that there are certain standards to
80 be applied equally to both utilities, it seems to me that
81 that is a matter of argument and not a matter on which
82 this witness should be giving evidence. We know what
83 resulted from the response to requests for information
84 because we all have the same 16 volumes of information
85 sitting behind us, so it is certainly a question for the
86 Board in terms of what standard is to be applied in the
87 disclosure of information, or provision of information
88 with the filing of a capital budget application for
89 Newfoundland Power. That doesn't change the
90 position today. The position today is that
91 Newfoundland Power, in presenting its application,

1 followed the order by which it is bound, and that is the
2 1991 order.

3 MR. NOSEWORTHY, CHAIRMAN: Mr. Browne, may
4 I ask for clarification in terms of do you intend to, do
5 you intend to investigate this vigorously or not?

6 MR. BROWNE, Q.C.: No, I'm not going to spend the
7 next two hours on it, Mr. Chairman.

8 MR. NOSEWORTHY, CHAIRMAN: It's just ...

9 MR. BROWNE, Q.C.: I'll make my point and go on, hit
10 and run.

11 MR. NOSEWORTHY, CHAIRMAN: I guess my
12 comment, I guess my comment would be that
13 notwithstanding the fact that we do have an order that's
14 ten years old, it would be interesting from my
15 perspective, we did outline the standards here.
16 Certainly, they may or may not apply in future to
17 Newfoundland Power. We could engage in argument
18 along these lines. At this point in time I'm not really
19 inclined to do that, but I am interested, quite frankly, in
20 the comments because I don't see any other way
21 necessarily outside of this to, to receive those. Mr.
22 Ludlow certainly has a wealth of experience and indeed
23 if some of these things in general terms, and I really
24 don't want to ... if we're going to get into a long debate
25 on this, I guess we'll have to go into this into argument,
26 but I would certainly be interested in Mr. Ludlow's
27 comments. I think he made the distinction that these
28 companies are fundamentally different. Indeed there are
29 two aspects to the business. Cost benefit analysis
30 would not apply in certain instances and may apply in
31 others. These are very useful pieces of information,
32 quite frankly, for the Board in its deliberations, and
33 without, with your indulgence, Ms. Butler, without
34 getting into argument, I'd like to hear at least some,
35 some general responses, in any event, to this, it may be
36 useful. Thank you.

37 MR. BROWNE, Q.C.: Okay, wouldn't it have been
38 helpful with the application, Mr. Ludlow, if
39 Newfoundland Power had followed Item 11 and
40 provided documentation, including maintenance
41 records and reports of outages that indicate whether a
42 particular project was remedial or preventative, that
43 would support a particular project, would that not have
44 been helpful, sir?

45 MR. LUDLOW: I think if we look at No. 11, these
46 records and reports are the basis for many of these
47 projects and whether we filed them or haven't, we have
48 provided all these when requested, and I guess, Mr.
49 Browne, my point is, I took no pleasure in answering
50 the 7,000 sheets of paper either, I will assure you, no
51 more than you did in asking the questions, I'm sure, but
52 there comes a balance, and that balance becomes filing
53 ten years of inspections on pole lines. Now, we can file
54 that type of material on every distribution line and so
55 on, but the value and material value that would bring to
56 the Board, I guess, is a subject that's going to be in the
57 Board's purview.

58 When I look at a project, Mr. Chair, such as
59 the Lockston Penstock, the last thing I, as a person, will
60 do is replace a penstock for the sake of replacing a
61 penstock. I would look at that from the future viability
62 of that plant, the cost of energy, where it goes, and
63 what is the best solution to both that area, and indeed,
64 the province, and that becomes where we have done
65 the cost benefits and the NPVs. Similar to the
66 transmission studies, and they're called transmission, it
67 might be a misnomer. Maybe it's a reliability study for
68 the southwest coast, because when we look at where
69 we go and how we get there, whether do nothing is the
70 end result or whether it's generation ... if it's generation,
71 I've got NPVs to do and cost benefits to do. In there
72 there will be diverted outage, operating cost issues,
73 there's a whole bunch of things that would come out of
74 those types of analyses as we go forward.

75 So to say why did we not present, or should
76 we have presented four more banker boxes of
77 inspections, from my perspective, I'm not going
78 through from ... and even in getting ready, the last ten
79 years' inspections on every single pole line that we've
80 gone over. I have to rely on the judgement of my
81 people, the engineering judgement of the professionals
82 which we've engaged in the work, and then pull that
83 together and overlay the parameters as to what
84 happens.

85 So it's a matter, I guess, Mr. Chairman of where
86 we are with respect to filing the capital budget. Our
87 approach has been to bring it medium to high range,
88 rather than at what I would call the kilobyte level.

89 MR. NOSEWORTHY, CHAIRMAN: Just as a point of
90 clarification, I guess, Mr. Browne and Mr. Ludlow, I
91 recognize the fact that these requirements that are laid
92 down here are not requirements on you for the capital

1 budget, and certainly there is no, there is no prospects
2 that we're holding Newfoundland Power to this test. I
3 guess from my perspective, and if Mr. Browne could
4 acknowledge this in the phrasing of the questions, I'm
5 interested more in how these things may or may not be
6 relevant in terms of your experience. I think that's of
7 interest to the Board. I recognize that these standards
8 don't apply at this point in time, I understand that.

9 MR. LUDLOW: Mr. Chairman, if I may, my point there
10 was more along the lines of the continuum of data
11 available, and that's ... so that's where my point was on
12 that one.

13 MR. BROWNE, Q.C.: Mr. Ludlow, in terms of the
14 budget generally, I have to ask this question, where is
15 the plan, where is the five year plan? You provide us a
16 budget for 2003, make some references to 2004, and
17 then it ends. The Board doesn't know where you're
18 headed, and neither does the ratepayer. My question
19 is this, would it be in everyone's best interest if there
20 was a timeline, a plan, a five year plan, barring
21 emergencies, we understand that, every now and then
22 a pole or a line is going to come down, but if there was
23 a concise plan to which we could refer so we can see
24 where the capital budget is headed over a series of
25 years, would that not be helpful?

26 MR. LUDLOW: Well, I have to draw a distinction
27 between, and I'll reflect back to last week when there
28 was a discussion regarding the five year budget, and
29 drawing the conclusion that there is no planning.
30 There's two fundamentally different issues. To give
31 this Board the impression that there is no planning
32 occurring at the engineering level, or at the operations
33 level, is incorrect. I'll give you a couple of examples,
34 just in thinking about this.

35 Going back to 1999, we came before this Board
36 with a problem that had materialized through the
37 nineties, and that was the Water Street underground
38 system, Mr. Browne, and what had happened ... I was
39 the regional manager in the early nineties. We had
40 identified problems, we had taken the system along as
41 far as we could go, and we had estimated timelines of
42 failure and so on, and where we were, and we came
43 before this Board in 1999, I think it was '99 ... it may
44 have been '98, but for the sake of discussion to give
45 you the process ... and it was then that we said we need
46 to start moving these switches out within the next three
47 to four to five years, and these are the ones that are
48 under the streets, buried in brine and oil and ... or not

49 oil, but in man holes. So what we did, and how we
50 work, Mr. Browne, on these issues, we do an
51 assessment of the asset. We go through it, we size it
52 up, we bring in the failure rates, we look at physical
53 inspection, we look at external experts, if necessary, on
54 some of these fronts.

55 In this case we had a case where the
56 technology was put in in the sixties, we were having
57 people operate switches underneath Water Street in a
58 confined space, so we had a major safety issue ... I'll
59 just give you the flavour ... and then we had a situation
60 of these things being all oil filled underneath Water
61 Street. We were having failures. As we looked at the
62 failures and assessed them, we knew we had to do
63 something, so we came before this Board with a plan
64 that 11 switches would need to be done, but we didn't
65 come in with money to do 11 switches, or to request to
66 do 11 switches. We came in saying we know that we
67 have to do this job into the foreseeable future. We will
68 start with a straight replacement. Experience as we start
69 the work will tell us, are there ways that we can do this
70 differently. This year we're into, I would suggest
71 probably the second last year of the process. We have
72 now reduced the number of switches, and this is all
73 continuous feedback that's occurring. We've taken the
74 switches above ground where possible and if anyone
75 is interested, the next time you drive Water Street, right
76 in front of the courthouse there's a rock wall, you
77 wouldn't know it's there, but it's right behind it and it's
78 not a garbage box ... that's a power switch we've put in,
79 so from '99 to 2003, which is what I'm talking about here,
80 there has been a plan.

81 That's one example. That provided us with
82 better engineering solutions, it permitted us to stage in
83 the capital over a period of time, and minimize the
84 problems and outages to the customers on Water
85 Street, the central core of the city. Well that's
86 debatable, I guess, it depends on where you're to.

87 (12:15 p.m.)

88 That's one. There was another one, the surge
89 tanks. We came before this Board in '98 with a review
90 that had been conducted by Varcon (*phonetic*), and a
91 surge tank is a pressure relief device, I call it, at our
92 hydroelectric plants, and we had done field inspections.
93 There was deterioration of the steel in what I would call
94 the barrel, and there there was some identified as
95 needing TLC and immediate change out. That was
96 brought before, it was staged in, we did Tors Cove, we

1 did Cape Broyle, we removed it actually, we did Horse
2 Chops. The next year the report said look at Rattling
3 Brook, five years you need to look at it. Next year we
4 will go in and look at Rattling Brook and assess the
5 timeline. Now that's a couple ... insulators, the same
6 thing, so to indicate that there's no plan, I think is
7 inappropriate.

8 MR. BROWNE, Q.C.: Well, if there is a plan and you
9 know what the plan is, wouldn't it be most appropriate
10 to advise the Board in writing as to exactly what the
11 plan is so the Board can see where you're headed and,
12 indeed, so ratepayers can see where you're headed.
13 Would that be unreasonable?

14 MR. LUDLOW: I don't think it's practical, Mr.
15 Chairman, because ...

16 MR. BROWNE, Q.C.: You just told us you had a plan,
17 what's wrong with putting it in writing?

18 MR. LUDLOW: I don't think that's practical, Mr.
19 Chairman, because first of all these plans are driven by
20 individual project groupings. If we look at the
21 penstocks, that's something else, there's areas and they
22 will move within. As to say that I've got a master plan
23 for every part of this business, no, it's not there, but on
24 the highlight parts there are and they're well thought
25 out and we will continue to go that way. That's
26 basically the way we have run and for the sake of
27 having a five year capital budget, I've lived that one
28 too. I've lived a ten year capital forecast, and from my
29 end it becomes as much an accounting exercise and an
30 exercise of fitting numbers rather than practicalities.
31 Once you get beyond two years, that ... I can give you
32 a table, but if I say in 2005 I'm going to do something,
33 either I'm going to be in there and doing it whether it
34 needs to be done or not, or tightening up the front end
35 of the budget, what we do, one year and next year, and
36 that's the approach. Year three, four and five of the
37 capital budgets I've ever been involved in in my
38 history, all it did would be to put projects on the radar
39 screen at best.

40 MR. BROWNE, Q.C.: Within the company, is there a
41 capital budget plan beyond 2004? Is there one for 2005,
42 2006?

43 MR. LUDLOW: Not that I'm aware of, Mr. Browne.

44 MR. BROWNE, Q.C.: So it's just two year plans, that's
45 what you're doing up there?

46 MR. LUDLOW: Capital budget, that's the case, but
47 when you talk in terms of engineering and thinking and
48 working and plans, within those departments there are
49 work cycles and thought out issues and engineering on
50 those fronts. Not on all but on a goodly number.

51 MR. BROWNE, Q.C.: Now you will, I think it's been
52 stated somewhere there in the evidence, or maybe you
53 want to reiterate for me, there is a connection between
54 the capital budget and rate base, is that correct?

55 MR. LUDLOW: Yes.

56 MR. BROWNE, Q.C.: And rate base, the Board has
57 determined using the automatic adjustment formula for
58 three years previous, is that correct?

59 MS. BUTLER, Q.C.: Mr. Chairman, excuse me, Mr.
60 Ludlow, if I might, I thought we had already drawn the
61 line in the sand in relation to the automatic adjustment
62 formula and what was relevant at this hearing and what
63 was relevant at the upcoming GRP.

64 MR. BROWNE, Q.C.: I just am going to make a parallel
65 between something, Mr. Chairman, I think counsel is
66 not being fair here.

67 MR. NOSEWORTHY, CHAIRMAN: Quickly, Mr.
68 Browne, if you would, I did, I did, I know, yesterday, a
69 comment with regard to Board Hearing Counsel, who
70 was discussing rates of return, and automatic
71 adjustment formula, and I really would want you to cut
72 to the chase.

73 MR. BROWNE, Q.C.: Oh yes, I'm getting there, thank
74 you, I just need a little bit of latitude. Mr. Ludlow, are
75 you familiar with the automatic adjustment formula?

76 MR. LUDLOW: I'm familiar with the formula but to get
77 into the mechanics, I cannot go there.

78 MR. BROWNE, Q.C.: No, I'm not asking you to get into
79 the mechanics. Are you aware that under the formula
80 there was a three year, a three year plan for the formula,
81 are you aware of that?

82 MR. LUDLOW: What I'm aware of is that in 1998 there
83 was an automatic adjustment formula put in place, and
84 whether that's three or four years, there's people with
85 much more intelligence than I, Mr. Browne, that could
86 address that question.

1 MR. BROWNE, Q.C.: Okay, so if there is a plan for the
2 automatic adjustment formula which gives you your
3 rate of return and your rate base, a component of your
4 rate base is your capital budget, wouldn't it make
5 common sense to have a plan for at least the period of
6 the automatic adjustment formula, so we can see where
7 you're headed for that period of the automatic
8 adjustment formula?

9 MR. LUDLOW: Common sense, not in my view.
10 However, if you're trying to forecast the effectiveness
11 of a formula, I think that's the whole process that we
12 will be going through in February in doing a post-
13 formula review, or we'll be looking back to '98 to see the
14 effectiveness, and from my perspective, those are the
15 types of conversations and topics, Mr. Chair, that
16 would be more appropriate at that time.

17 MR. BROWNE, Q.C.: In terms of the capital budget
18 process itself, can you go to CA-87(d) please?

19 MR. LUDLOW: D?

20 MR. BROWNE, Q.C.: Yes. I asked you to provide the
21 minutes from the budgetary meetings.

22 MR. LUDLOW: Correct.

23 MR. BROWNE, Q.C.: Because you stated in your
24 evidence these budget items are reviewed and
25 prioritized during consultations, and your answer was,
26 there are no minutes of budgeting meetings in relation
27 to this proposed capital budget, and I also asked you,
28 if you can just go to CA-87(a), please provide all
29 proposed items reviewed, and you gave us an
30 attachment of everything that was reviewed, and then
31 I asked, please provide a prioritization of this list. Can
32 you go to your answer for (b), and then (c), please
33 provide any projects which did not make the list, 87(c).

34 MR. LUDLOW: I hope I'm keeping up with you here,
35 Mr. Browne, I'm trying. Alright.

36 MR. BROWNE, Q.C.: Yeah, no, I asked you to give the
37 projects that ... you said budget items are reviewed and
38 prioritized during consultations, and then you told me
39 the projects that did not make the prioritized list may be
40 determined through reviewing the responses of, see
41 87(a), and see 87(b). In other words, go down through
42 all of those and make a determination and govern
43 yourself which ones made the list and which ones
44 didn't. I could say something else about it but I'll be

45 kind. The fact that in the beginning you tell us that
46 there are no budgetary minutes kept. What is kept?
47 You're meeting, are there notes kept in reference to the
48 budget?

49 MR. LUDLOW: When we get into these budget
50 rounds that's been discussed and brought before this
51 Board by Mr. Hughes, to keep minutes of every single
52 meeting, or notes of every meeting that goes on is
53 neither practical or useful internally to our business,
54 and the debates and arguments that occur are probably
55 left outside of the paperwork, and what we get into is
56 you have project justification, you look at the projects,
57 and that's basically how it rolls up through this
58 process. The minutes (*sic*), or the minutes ... the
59 meetings typically called between the managers of the
60 various departments, and their superintendents or
61 directors would be heavily involved in this piece, so we
62 do not keep minutes of those. We never have.

63 MR. BROWNE, Q.C.: How do you determine the dollar
64 value of what you have to work with? You come
65 forward here with a budget of around \$55 million and
66 the previous year you came with something similar,
67 how do you know the dollar value that you're going to
68 present to the Board? Is the dollar value determined
69 before the budgetary items are allotted?

70 MR. LUDLOW: There's two or three things that
71 happen here. It's not, it's typical that there's a rough
72 range provided with which this budget will fall, low end,
73 upper end, and what have you. Then ... that's really
74 early on in the process. Subsequent to that the
75 meetings are held, the discussions, and in there you
76 have the inputs of load and customer forecast and our
77 field inspections and so on, and so on, and so on.
78 They are then pulled together. After the list of projects
79 has been finalized, then it is reviewed to see whether or
80 not the actual number that comes out of that will meet
81 ... can we do the work physically, how does it hit us or
82 work with us financially ... obviously that's a concern,
83 and generally, any movement that should have
84 occurred, would have occurred at that point in time in
85 the budget process, so there are several factors all
86 interplaying at the one time as we go through this, Mr.
87 Browne.

88 MR. BROWNE, Q.C.: Is there a dollar figure that is
89 given to you, we have this much money to spend on
90 the budget this year?

91 MR. LUDLOW: No sir.

1 MR. BROWNE, Q.C.: How does the dollar figure get
2 into the \$55 million range, therefore?

3 MR. LUDLOW: The range that I'm talking about is
4 provided early in the process.

5 MR. BROWNE, Q.C.: Who provides the range and how
6 is that determined, sir?

7 MR. LUDLOW: That range is provided by the financial
8 area of the business and the range is purely that, a
9 range.

10 MR. BROWNE, Q.C.: What range was provided then
11 for this particular budget, sir?

12 MR. LUDLOW: May I finish my first question first, Mr.
13 Browne? Thank you. Then as those projects are
14 brought together and are looked at, I know for one
15 case, or in my case, if I feel that the range is not
16 substantive enough for me to complete what's
17 necessary, I personally will intervene and attempt to
18 influence that dollar figure. Case in point, last year it
19 was Seal Cove, there was no way I was running that
20 plant for another year under the conditions that it had
21 been run in, and that's probably a quote that I used in
22 front of this Board last year. It was uncomfortable and
23 I was beyond my professional judgement to carry it.
24 Those are the points that I would go.

25 With respect to the actual dollar figure, like I
26 said, the range, I don't recall what the range was, to be
27 quite honest with you, Mr. Browne, and secondly,
28 when this process had come through and we had
29 included the project list, the \$55, I do believe, .790, it
30 was determined to be a reasonable and prudent budget
31 allotment for our corporation for the year 2003.

32 MR. BROWNE, Q.C.: You have no recollection of what
33 the range was for the capital budget for this particular
34 year, and yet it's your budget that you filed according
35 to your affidavit?

36 *(12:30 p.m.)*

37 MR. LUDLOW: Mr. Chairman, this budget process
38 started last January. I do not know what the range is.
39 If I did I would say it.

40 MR. BROWNE, Q.C.: How do you know whether or not
41 to come to the Board with a capital budget of, say, \$70

42 million or \$90 million or \$100 million as opposed to \$55
43 million?

44 MR. LUDLOW: Mr. Browne, one of the points I would
45 make here is that in doing this project list that's
46 presented at \$55.7 ... I'm going to use .790 ... 55 point
47 something million, that allotment is based upon, as I
48 said, field inspection, engineering judgement, public
49 safety, environment, and there's another piece ... can we
50 do the work. We do have a limited number of
51 resources, both in the local market and within ... sorry,
52 internal to the business, so there is a resource call and
53 balancing what must be done within the business
54 community, so when you look at those, that's a piece.

55 Would I, as an example, be content with \$55
56 million? I will suggest to you that if we were to proceed
57 in future years, that range of that budget can swing, in
58 my opinion, as high as the low sixties, and it may drop
59 to the 40/50 range, and that's where I would see it
60 swinging in future years. It will not, in my opinion,
61 drop below \$40 million for the foreseeable future. If it
62 do, the customers of this province will have bigger
63 issues with reliability, and that's my professional
64 judgement.

65 MR. BROWNE, Q.C.: Now, you mentioned that there
66 was a range given. Who gave the range in terms of the
67 budget?

68 MR. LUDLOW: Any discussion on the range that I'm
69 referring to would have come from the finance end of
70 the business, through discussion with Mr. Perry, Mr.
71 Hughes, myself, I would have been in there. I would
72 have known what it was ... I just don't know what it is.

73 MR. BROWNE, Q.C.: So you ...

74 MR. LUDLOW: As simple as that.

75 MR. BROWNE, Q.C.: So you ended up with \$55 million,
76 so ... approximately \$55 million, so \$55 million would
77 have been within the range, I guess, would it?

78 MR. LUDLOW: Well, I would suggest to you that the
79 original might have been slightly lower than \$55 million,
80 but when I got involved with the Lockston plant and
81 those projects, these are not deferrable projects. These
82 projects must be done. Again, to say that it's within the
83 range, yes, I would say it's within the range, but I
84 wouldn't black and white say to you, Mr. Browne, that

- 1 it was \$56 million or \$55 million. It's within a reasonable
2 range for our taking our business forward.
- 3 MR. BROWNE, Q.C.: But the Finance Department
4 gives you the range to begin with, is that your answer?
- 5 MR. LUDLOW: We don't have, sorry ... yes, we work
6 with finance. Finance don't work alone. Mr. Perry and
7 I ... to take it to the extreme, if a project is coming up
8 that's up for debate, Mr. Perry and I in Seal Cove last
9 year, I had Mr. Perry on the Seal Cove dam. Now that's
10 how we work as a business. There's only four of us at
11 the office, there are five officers in our business. It's
12 not a large breadth with a complicated hierarchial
13 arrangement. It's continuous discussion, it's
14 continuous debate, and it's continuous feedback
15 occurring throughout the year. That's what happens,
16 but the key driver on the finance would be Mr. Perry,
17 but to say that I do not have influence is incorrect, I do.
- 18 MR. BROWNE, Q.C.: Can you undertake to file with
19 the Board what the range was for this particular budget
20 from the beginning, throughout the process, and how
21 you ended up with \$55 million, or approximately \$55
22 million?
- 23 MR. ALTEEN: We'll undertake to do our best, Mr.
24 Chairman, but if there's no record, it's a malleable
25 number, as the witness has described, but we'll do our
26 best to come up with a response to it in the spirit of
27 cooperation. Moving on ...
- 28 MR. BROWNE, Q.C.: When the Finance Department
29 gives you the figure that you are to work with, have
30 you had any ... you meet with the Finance Department,
31 I gather, is that correct, in this process?
- 32 MR. LUDLOW: My discussion with Mr. Perry is daily,
33 it's not weekly or monthly. This is continuous
34 operation and we are discussing these things
35 throughout ... well, since last January.
- 36 MR. BROWNE, Q.C.: Is there a discussion when you
37 come up with the budget, knowing that the capital
38 budget is a component of rate base, is there a
39 calculation that you have seen, or that you have heard
40 about, which suggests what return you will get, all
41 things being equal, if this budget is approved?
- 42 MR. LUDLOW: Just try that one on me one more time,
43 Mr. Browne, please?
- 44 MR. BROWNE, Q.C.: Okay, the capital budget being a
45 component of rate base, was there, have you been party
46 to a discussion where the rate of return you will get on
47 your rate base is discussed, given the fact that you
48 have had, that you're seeking a particular amount?
- 49 MR. LUDLOW: No sir, it has not.
- 50 MR. BROWNE, Q.C.: That is not forecast, is that what
51 you're telling us?
- 52 MR. LUDLOW: I have no idea whether it's forecast or
53 not, but I have not been party to discussions regarding
54 what return on rate base and that end of the business
55 that you're talking about would be.
- 56 MR. BROWNE, Q.C.: Can you go to CA-72(a), please?
57 There the question was asked, on a bar graph similar to
58 the bar graph found at page 49 in the 2003 general rate
59 application, please provide the following. Please
60 provide the average rate base per customer year
61 (*phonetic*), for the years 1993 to the present forecast
62 rate base for 2003 and for 2004. Please provide a
63 corresponding table. And we see there, the graph on,
64 that's provided. What does that tell you, Mr. Ludlow?
- 65 MR. LUDLOW: Bear with me one second and ...
- 66 MR. BROWNE, Q.C.: Certainly.
- 67 MR. LUDLOW: Well, being a visual learner, I would
68 have to say that the average rate base per customer is
69 increasing in graph one.
- 70 MR. BROWNE, Q.C.: Why would that be?
- 71 MR. LUDLOW: Well, the obvious is the Aliant
72 purchase, and secondly is that as we look at the rate
73 base and the average age of a lot of the plant and
74 equipment that's within that rate base, distribution
75 assets are typically in the 30 year range, hydro plants in
76 the 40 to 50 year range, and we all know what's
77 happened to inflation in 30 years. As we continue to
78 replenish rate base, when a pole today versus a pole in
79 1960, I wish I had the calculation in front of me, I don't
80 have it, but I would suggest to you it's multiples, so I
81 would be amazed if it didn't increase. If it stayed the
82 same we would be, in fact, going backwards with
83 respect to our refurbishment and keeping the plant at a
84 reasonable operating level within this company.

1 MR. BROWNE, Q.C.: Can you just go to the next page
2 in that, Mr. Wells, there's a table there, and there we see
3 between 1993 and 1998 that the average rate base per
4 customer was consistent. You see it 2.3, 2.3, 2.3, over
5 that period of time. Was there no inflation in those
6 years, Mr. Ludlow?

7 MR. LUDLOW: To go back and let's take a look at
8 what happened in this province and what happened to
9 our customers. There certainly was inflation in that
10 period of time, Mr. Browne. I mean if you look at what
11 happened to the capital budgets from 1992 with the cod
12 moratorium when we went from, and again, I might be
13 off a year or so because I'm not referencing my numbers
14 here ... I keep talking about regional manager more than
15 anything else here today, but I was regional manager in
16 St. John's at that point, and we saw budgets go from 60
17 odd million to \$30 million and less, particularly in 1992.
18 That was a time when we basically had to rationalize the
19 business which was done, both internally through
20 operating and our employees, as well as the
21 expenditures being put into the electrical system. I do
22 believe it was Mr. Hughes last week that passed the
23 comment, hindsight is a great thing. We may have
24 gone too far. From 1992 through to 1997, the capital
25 budgets were very low. I can take you to, well, I'll
26 speak to it. There was a ... CA-85(b) comes to mind, Mr.
27 Browne, when you reference Dunville and Old Perlican,
28 or we referenced it in our response, there was times that
29 it was not uncommon but rather commonplace ... that's
30 the one ... that councils and community councils would
31 be before this Board or writing to the Board ... having
32 been before councils such as Trepassey myself, all
33 down through Lumsden, Wesleyville, Port Aux
34 Basques, and the theme was common. There was a
35 reliability theme, or sorry, a lack of reliability theme, and
36 this 85(b) references two such examples. One was
37 Dunville, and a second, Old Perlican. The approach we
38 had used coming through the nineties was rather than
39 go and do a job and finish it, we would use multiple
40 years to go in and you'd, to use my terms again,
41 piecemeal it. You'd be picking at a job. At the end of
42 the day we were spending a lot of time with no results.

43 In '97, '98, '99, we changed philosophy. We
44 said we would go in and we will do Dunville and we'll
45 come out, and the objective is not to go back. In '99 we
46 went into Old Perlican, I do believe, and that basically
47 would account for the change ... *(cell phone ringing)*
48 ... sorry, that's not mine. It would account for what has
49 happened.

50 MR. BROWNE, Q.C.: That's your answer?

51 MR. LUDLOW: That's my answer, sir.

52 MR. BROWNE, Q.C.: Can we go back to CA-72(a),
53 please?

54 MS. BUTLER, Q.C.: Did you want (a) or (b), because
55 that's (b).

56 MR. BROWNE, Q.C.: The table, Table 1 is fine there.
57 When we see the period 1993 to 1998, and the average
58 rate per customer is constant, is it your evidence that
59 not enough money was put into capital budgets at that
60 particular time, is that what you're saying to us?

61 MR. LUDLOW: What I'm saying, Mr. Chairman, is the
62 benefit of hindsight is a great thing. Would we do it
63 any differently? Under the economic conditions of the
64 province, 30 odd thousand fish plant workers and fisher
65 people out of work, what would we do, and the impacts
66 ...

67 MR. BROWNE, Q.C.: Now ...

68 MR. LUDLOW: Just let me finish, please. What would
69 we do? I'm not convinced we would do anything
70 different, but you can only harvest from your installed
71 infrastructure so long, and that plant that was in place
72 in 1991/1992, is now ten years older. It's not a 30 year
73 old pole anymore, it's a 40 year old pole, and that 40
74 year old pole, I don't know about you, Mr. Browne, but
75 I know I'm not near as spry now as when I was 30, so I
76 age too.

77 MR. BROWNE, Q.C.: It gets worse *(laughter)*.

78 MR. LUDLOW: That's depressing.

79 *(12:45 p.m.)*

80 MR. BROWNE, Q.C.: Is it fair comment to say, to say
81 this. When you're flush with cash, the capital budget
82 increases, but when you're not flush with cash, we see
83 a constant there, so for the period 1993 to 1998, when
84 you're saying that we had the fish crisis and so on, you
85 weren't so flush, but now that you are, we see more
86 money being spent, is that fair comment?

87 MR. LUDLOW: No, I don't think so.

1 MR. BROWNE, Q.C.: I'm not saying that's right or
2 wrong, but is it fair comment?

3 MR. LUDLOW: You can draw whatever analogies you
4 wish from the table, but as I go back to '92/'93 and
5 onwards up to '97, the case that I just put forward with
6 this Board are facts borne out by the evidence and as
7 well addressed by personal experience that I have been
8 into, Mr. Chairman, through that period. Would I have
9 liked to have had access to more capital? Yes. Why?
10 Because I wouldn't have had to lay off employees, and
11 we went through that process in reducing from 1,000
12 employees down to 700. Now, how do we manage
13 today? We manage with a lower number, we're
14 involving the market more, we had that transition
15 through '92 to '98, '99, 2000, so with respect to Mr.
16 Browne's comment on cash, to be quite honest, I don't
17 know the available cash that was available in '92/'93
18 versus today.

19 MR. BROWNE, Q.C.: But the fact of the matter is, there
20 haven't been much by way of increases in consumers'
21 rates for a variety of reasons for the period since the
22 automatic adjustment formula was introduced, but yet
23 your, your rate base and your capital budgets have
24 increased from 1997, 1998 forward. The money has to
25 come from somewhere, doesn't it?

26 MR. LUDLOW: Well, that's a good observation.

27 MR. BROWNE, Q.C.: So you must be more flush, shall
28 we say, than you were in 1993 because according to
29 this chart, you are spending more because the average
30 rate base per customer has gone up after 1998. You
31 have more money.

32 MR. LUDLOW: I have no idea, Mr. Browne, where
33 you're going. Do you want to try that one one more
34 time for me? If that was a question, I'll do my best to
35 answer it for you. I will tell you that from '92 through
36 to, say, 2000, trying to keep this business and manage
37 the business in the most productive way possible, all
38 while increasing customer service, has not been an easy
39 task. That has been, the drivers has been the focus on
40 cost to the customer, reliability to the customer,
41 environmental issues are now big issues within our
42 business, and were, but they are ever-increasing. You
43 do all that and at the same time keep your costs under
44 control, I'm not the type, Mr. Browne, to pat myself on
45 the back, but I think that's not too bad.

46 MR. BROWNE, Q.C.: Now, can you go to CA-72(b),
47 sir? Here I ask you to provide the average rate base per
48 full-time equivalent employee for the years 1993 to the
49 present forecast rate base for 2003 and 2004, please
50 provide a corresponding table, and you can go to the
51 graph there, what does this graph tell you, Mr. Ludlow?

52 MR. LUDLOW: Similar to my last comment on your
53 previous graph is that the average rate base per FTE
54 within our business has increased, and again, even with
55 the exclusion of Aliant that would continue to be so.

56 MR. BROWNE, Q.C.: And can you go to the table on
57 the next page please, Mr. Wells? And here we see the
58 average rate base per full-time employee. It's gone from
59 1998, 6.29 to ... well, we'll exclude the Aliant, even
60 though that's your choice to put the Aliant in there
61 when you applied to the Board, well it's 8.5, or 8.57 for
62 2003, and 8.76, and with Aliant it's right to 9.22. So you
63 are, and while you're increasing your rate base, you're
64 losing employees, is that correct?

65 MR. LUDLOW: As the table on the previous page
66 would show you, the average rate base per FTE is
67 increasing. Two factors. The rate base has increased
68 and the number of FTEs or full-time equivalents has
69 decreased, and the full-time equivalent, I'm not sure if
70 that's defined in here, Mr. Browne, but full-time
71 equivalent is if I hire six people today to December, for
72 two months in other words, that's six times two is 12
73 months of work, divide that by 12 months of the year,
74 I'll get one FTE, so your observation, rate base up,
75 numbers down, is correct.

76 MR. BROWNE, Q.C.: Employees don't go into your
77 rate base as such, do they? Employees wouldn't be
78 considered part of your rate base, would they?

79 MR. LUDLOW: My goodness, I don't have any
80 employees that are fixed assets.

81 MR. BROWNE, Q.C.: They're not fixed assets, are
82 they?

83 MR. LUDLOW: No.

84 MR. BROWNE, Q.C.: And you get your rate of return
85 on your rate base ... I put it to you, from a rate base
86 perspective, a computer suits your purpose more than
87 an employee would, because you get a return on a
88 computer, is that not correct?

1 MR. LUDLOW: Mr. Chairman, from my perspective,
2 the day that a computer is better to me than an
3 employee is a day that I will not run operations and
4 engineering. You are hard pressed to get that computer
5 out at 3:00 in the morning at the top of a 40 foot pole, so
6 I would take great exception to that comment, Mr.
7 Browne.

8 MR. BROWNE, Q.C.: Yeah, from a personal
9 perspective, but I'm just being theoretical here now, but
10 we all know the value of the human person, we all value
11 human persons, you no more so than I, myself, I'm sure,
12 but when you look at Table 2 and the graph that's there
13 ... just go to the table, please, Mr. Wells ... while
14 employees have gone, the rate base has gone up
15 considerably, so is that suggesting perhaps that
16 computers and machines are taking the place of
17 employees?

18 MR. LUDLOW: That's a stretch of logic for me on that
19 one, Mr. Browne, I have to say. What I would suggest
20 to you is as I explained in my previous description, you
21 got a multitude of factors happening in this rate base.
22 You're replacing old plant, the inflation index over 30
23 and 40 year periods, we have been focusing on, I did
24 mention Water Street, penstocks, surge tanks and
25 equipment, and that has been consistent. These units,
26 when installed, would have been, as I said, orders of
27 magnitude, less expensive. So to say that I'm replacing
28 people with machines, no, it's not correct. However,
29 what I will say is that with the investment of capital in
30 the right locations, which is exactly what one of the
31 fundamental principles of this budget is, I can impact
32 my need to have additional employees within my
33 business for on-call, for response times, for trouble, so
34 maybe if I could stretch the analogy that way, I can
35 become more productive, and becoming so, as I invest
36 capital into my system, but I'm not investing capital to
37 get rid of employees.

38 MR. BROWNE, Q.C.: But that's the end result, isn't it,
39 sir, according to this chart, as you get rid of employees,
40 there's more seems to be invested in capital.

41 MR. LUDLOW: I mean you can look at these numbers
42 and the numbers are what the numbers are, but I do
43 know that when I spoke to Mr. Harold Clarke, a line
44 crew working foreman in Carbonear last year, he said,
45 Earl, it's the first time in my 32 years I haven't been on
46 the Bay de Verde barrens in February, it's working. I
47 better be careful because it may fall down tonight, I
48 hope it don't because of the ice and winds, but that

49 means that I have not got ... I have not got the
50 requirement to have the same numbers waiting for
51 things to happen, that's what's happening. Yes, I will
52 also say to you that as we invest in technology ... a key
53 example, last week while I was sitting here, and I should
54 be careful how this comes out, I guess, but I was sitting
55 there, I was a bit agitated all week, it had nothing to do
56 with the hearing, I was agitated enough anyway, Mr.
57 Chairman, but the point was on Wednesday, I had a
58 notification of an emergency situation impending in
59 Deer Lake with a power transformer. While sitting in
60 the back of the room we were mobilizing our mobile
61 transformer, not generator, from Burin to Deer Lake.
62 We had a number of days, not weeks, and we had
63 found this through condition-based testing and so on,
64 that we were in imminent failure, so between
65 Wednesday, Thursday and Friday, we moved our
66 mobile and 12:30 Friday night, we took the transformer
67 out of ... what in the ... out of service.

68 Now I'll tie this back, Mr. Browne, to
69 technology. So, Saturday we took the unit down. A
70 piece of equipment roughly the size of this was
71 (inaudible) or failing within the tap changer. It's on
72 order ... Friday, Saturday sorry ... from Texas. It will be
73 installed on Thursday. The only reason we can do that
74 and avoid a \$1 million asset failure is because
75 technology gives us that advantage, so yes, if I had
76 lost that transformer, I would have had 10 to 15 people
77 repairing and getting that unit back in service. It's
78 through systems, the facilities management that's being
79 proposed to track, to trend, to find what other ones we
80 got and get in there before they break. So yes, I think
81 your observation is accurate.

82 MR. BROWNE, Q.C.: Can we go to CA-72(c), and there
83 I asked to provide the average rate base per electricity
84 sales in gigawatts for the years 1993 to the forecast
85 year, and please provide a corresponding table. Can we
86 look at that for a moment, please? And we have a
87 graph and a table, do you want to go to the table for a
88 moment, please, Mr. Wells? What does that tell you, if
89 anything, Mr. Ludlow, in reference to the average rate
90 base per electricity sales for that period of time?

91 MR. LUDLOW: Similarly, that has increased since
92 1993. To analyze the graph I would suggest to you that
93 it was flat to '97 and then it, the rate base per gigawatt
94 hour of sales grew from 1.10 to 1.24.

95 MR. BROWNE, Q.C.: And if you put Aliant in there it's
96 more dramatic again, isn't it?

1 MR. LUDLOW: I'm sorry, I had, in my numbers I used
2 Aliant. It's gone from 1.10 to 1.18, excluding Aliant.

3 MR. BROWNE, Q.C.: Okay, we'll just leave that for a
4 few months, and I want to come back to other aspects
5 of the capital budget, but we'll move on to another topic
6 now, just out of ... to get people alert again. We'll go to
7 vehicles. Vehicles are always fun, and in my questions
8 to Mr. Hughes and Perry, I asked the policy in reference
9 to the personal use of vehicles, and I think the personal
10 use policy is on CA-46(g), and I have the wrong one.
11 Try CA-123, and I don't think that's it either. Just one
12 moment, I think I'll be able to give it to you.

13 MR. LUDLOW: CA-45(g) maybe, Mr. Browne?

14 MR. BROWNE, Q.C.: CA-45, I think you're right. Let's
15 go to CA-45(g), thank you, and this policy, the
16 guidelines for personal use of company vehicles, when
17 did that come into being, sir?

18 *(1:00 p.m.)*

19 MR. LUDLOW: This policy, we have always had a
20 guidelines for personal use, but this particular one, I
21 would think, two or three years ago, Mr. Browne.

22 MR. BROWNE, Q.C.: Two or three years ago?

23 MR. LUDLOW: That would be ... we always had
24 general guidelines for personal use of company
25 vehicles, and this one here, the writing as it were, was
26 formalized, I think this piece of prose, maybe '99/2000
27 range. I stand to be corrected, and that's subject to
28 check, if you wish I can do that.

29 MR. BROWNE, Q.C.: Yes, sure, but in any case,
30 number three, the final decision on whether a vehicle is
31 to be marked or unmarked shall be the responsibility of
32 the appropriate manager, and then I asked you in CA-
33 123, you can just go to that for a moment. CA-123,
34 please advise us how many of Newfoundland Power's
35 vehicles are unmarked, no company logo, and the
36 reasons for the same. Can you, when you get a chance
37 there, sir, CA-123 ...

38 MR. LUDLOW: Okay.

39 MR. BROWNE, Q.C.: Can you read out your response
40 to that?

41 MR. LUDLOW: CA-123?

42 MR. BROWNE, Q.C.: Yes.

43 MR. LUDLOW: Newfoundland Power currently has 44
44 vehicles that are not marked with the company logo.
45 Unmarked vehicles are assigned to individuals who
46 must be available to respond quickly to operational,
47 business-related, or customer issues outside of normal
48 working hours and who require a vehicle for that
49 purpose. Some senior management are also provided
50 with an unmarked company vehicle as part of their
51 overall employment benefits package.

52 MR. BROWNE, Q.C.: And that's the executive for the
53 most part, they have an unmarked vehicle, and that's
54 always been the case. I think that's true, Mr. Ludlow?

55 MR. LUDLOW: That's true, yes.

56 MR. BROWNE, Q.C.: Has there been an expansion in
57 the number of unmarked vehicles to the best of your
58 knowledge?

59 MR. LUDLOW: The only expansion from my thinking
60 would have been, it would have resulted in '99 or 2000,
61 and that was the reference that you used on CA-45(g),
62 paragraph 3, which this was put in.

63 MR. BROWNE, Q.C.: Well, if there is an expansion,
64 why has there been an expansion in the number of
65 unmarked vehicles?

66 MR. LUDLOW: Okay, we looked at where we are in
67 some of these areas. The other point that should be
68 made, first of all, is that not all unmarked vehicles are
69 personal use. Let's be clear on that one as well. The
70 safety department has an unmarked van. Properties
71 would have an unmarked Cavalier, and like I said, I
72 drive a vehicle myself, so that's a separate issue, I think.
73 Now, what we have been finding is ... I'm sorry, I need
74 to correct myself, it wasn't '99, it was 2000, because this
75 happened right at the Y2K roll-over was where it
76 happened, and this policy was put in place, so I'm fairly
77 confident on that one, Mr. Browne. And what was
78 happening is we have people such as general
79 forepersons that are in the field, their trucks are radio
80 equipped, and as such, particularly if you go to a place
81 like Port Aux Basques, the question I'd ask is to what
82 real advantage is it to have the vehicle marked anyway,
83 and what we decided at that point, those people are in
84 those vehicles, it's like an office to you or I, and as
85 such, we decided to take them off those vehicles at the
86 manager's discretion as we said, purely from a, I would

1 call it a lifestyle perspective more so than anything else,
2 and that's what it was for. On the safety and on the
3 others, it was purely from the operational, I would call
4 it operational efficiencies in those. Safety responding
5 to an incident or an accident is a point you ... I don't
6 want to use the term "low profile", but it's nice not to be
7 front and centre on some of these. Property
8 negotiations, the same way, and there are others. So
9 that's basically where that happened and why it
10 happened.

11 Now all that said and done, that truck has light
12 bars, a light bar being the lights that go on the roof, or
13 a fender-mounted spotlight, it will have a radio on the
14 centre hump or the transmission towelling (*phonetic*),
15 and be equipped with line gear and flashlights, so the
16 ability to respond has not changed. The only thing
17 that's changed are the decals.

18 MR. BROWNE, Q.C.: But if this person who is driving
19 that truck is not on stand-by on a particular night, and
20 he's out using the truck for other than company related
21 business, why should the ratepayers be paying for that
22 usage? Ratepayers have to pay for their own vehicles,
23 don't they?

24 MR. LUDLOW: I think the observation here is that
25 people assume that the people in these vehicles go
26 home at 4:00. They do not. My vehicle, as an example,
27 as an officer of this business, it's the exception when
28 I'm either not on the radio or on the phone, and people
29 will sometimes have been known to be said, you're too
30 involved in day to day activities, but that's fine. That
31 general foreman, and I'll use the Port Aux Basques
32 example, he do not get off work at 4:00. He is on-call
33 365 days of the year, and whether he's at, he's not on
34 paid call 365 days a year, but he is on-call 365 days a
35 year. He is, he is to be, if he's ... if we can get him or
36 reach him and he's immediate response. He is our only
37 supervisory person in that community, for example.

38 MR. BROWNE, Q.C.: How many general foremen are
39 there, Mr. Ludlow?

40 MR. LUDLOW: Approximately, I can count them for
41 you, if you wish.

42 MR. BROWNE, Q.C.: If there's 44 vehicles, is there 44
43 general foremen?

44 MR. LUDLOW: Bear with me one second, Mr. Browne.
45 I'd give it a dozen for those in the general foremen
46 category.

47 MR. BROWNE, Q.C.: So 12 of the general foremen
48 have unmarked vehicles, is that what you're telling us?

49 MR. LUDLOW: Well, 12, give or take ten percent,
50 yeah, but it's in that range, 10, 12, 15.

51 MR. BROWNE, Q.C.: Okay, so that's 10, 12, what about
52 the other 20, 28, or 30?

53 MR. LUDLOW: Okay, if you're asking how I would
54 come up with these ...

55 MR. BROWNE, Q.C.: The unmarked vehicles, who has
56 the rest of the vehicles? That accounts for 10 or 12 of
57 them, who has the rest of the 44 that are unmarked out
58 there?

59 MR. LUDLOW: I'm thinking that there is an RFI on ...
60 that lists all these. I'm not going to be able to go to the
61 44th. I can take you much closer and into the thirties
62 and probably low forties to give you a flavour.

63 MR. BROWNE, Q.C.: You can give us generally, I'm
64 not sure if there is an RFI on it or not, I can't say that.

65 MR. LUDLOW: What I ... let's go ... in the general
66 operation section of the business, the structure starts
67 with a manager, a superintendent and a general
68 foreman. That's generally the way we respond to our
69 businesses, okay, and that's a point. The general
70 foreman usually has crew and day to day and after hour
71 responsibilities. The superintendent who would, in
72 Port Aux Basques, be in Stephenville in this case, he
73 would have an unmarked car, Mr. Browne, and the
74 manager would also have an unmarked vehicle. The
75 superintendent, we would have probably another ten of
76 those, or a dozen, somewhere in that range across the
77 province. You take those, you take the executive
78 members of the business, which are, I don't know what
79 you call it, perks, part of the compensation package.
80 That's those, I've mentioned safety, I've mentioned
81 other departments that would have those types of
82 unmarked vehicles. Just, I can't remember the rest of
83 them, Mr. Browne, but the flavour I'm trying to give you
84 is that these are here for, let me put it this way, it's not
85 uncommon for me to leave a function because there is
86 trouble. It's less common now, but there was times, not
87 that long ago, that it would be call-out and the calls

- 1 happened around the clock. It don't happen in my
2 current position, but that's the type of flavour that we
3 run our business.
- 4 MR. BROWNE, Q.C.: But in all these locations there
5 would also be call-in crews, you told me this morning
6 that there's always people on call between 8:00 and
7 12:00.
- 8 MR. LUDLOW: That's correct.
- 9 MR. BROWNE, Q.C.: That's correct, and you told me
10 this morning after 12:00, not so many, you don't get so
11 many calls in any instance, right?
- 12 MR. LUDLOW: Correct.
- 13 MR. BROWNE, Q.C.: Okay, you mentioned the
14 managers, do the managers for the most part have a
15 truck or a car?
- 16 MR. LUDLOW: I would say that most of the managers
17 would have a small SUV.
- 18 MR. BROWNE, Q.C.: A small SUV, unmarked, would it
19 be, would it have lights on it, some kind of insignia?
- 20 MR. LUDLOW: No, he would not, not in his case.
- 21 MR. BROWNE, Q.C.: So the fellow next door, as far as
22 he's concerned, that would be the manager's personal
23 car, is that correct?
- 24 MR. LUDLOW: I guess that's up to the person next
25 door, sir.
- 26 MR. BROWNE, Q.C.: Yeah, but there would be nothing
27 obvious to him to say that that car belongs to the
28 person as opposed to Newfoundland Power?
- 29 MR. LUDLOW: If the person next door is interested
30 enough to go and look in, you would see that there are
31 VHF radios, and there's antennas and there's other
32 equipment and gear in the back of that truck. That I can
33 tell you. You can find it in mine on the parking lot out
34 there right now if you so wish.
- 35 MR. BROWNE, Q.C.: And how many managers are
36 there?
- 37 MR. LUDLOW: In operations?
- 38 MR. BROWNE, Q.C.: Yes.
- 39 MR. LUDLOW: If we go back to 1996, we had, bear
40 with me a second ... eight. Today, four.
- 41 MR. BROWNE, Q.C.: Okay, so that's four cars.
- 42 MR. LUDLOW: Now that's give or take one.
- 43 MR. BROWNE, Q.C.: Four and 12 are 16, and you
44 mentioned the executive cars, we're getting halfway
45 there. What is the purpose of marking a vehicle? Is
46 there a specific purpose companies use by putting their
47 insignia on a vehicle?
- 48 MR. LUDLOW: Yes, there are, and that will be under
49 circumstances to let you know that a company is
50 responding to an incident. It is the, it will get you
51 through, oh, I don't know, fire scenes, it can get you
52 through traffic accidents and those types of things.
- 53 MR. BROWNE, Q.C.: And is it also a purpose to
54 ensure certain vigilance that people not use these
55 vehicles for personal use as well, isn't that correct,
56 because people would observe, like if I recall some
57 years ago, the Provincial Government had all its cars
58 marked in an effort to cut down on personal usage, do
59 you recall that?
- 60 MR. LUDLOW: No, I don't, actually. It may be the
61 case, but let me just try once more, Mr. Browne, here,
62 and give you ... and I'll use my own, and you can draw
63 it back. I'll take you back to Mother's Day, 1998, at 5:00
64 and there was a very serious electrical contact accident
65 at King's Bridge substation or just outside. There was
66 a young man climbed the tower. I was leaving the east
67 end heading home. My radio is always on the go.
68 Coming up the parkway we had an outage in the east
69 end. Now, at that point, due to the knowledge and the
70 connectivity I had through the radios and there, I
71 arrived at King's Bridge substation, full family in tow, I
72 might add, my wife and three daughters, being the first
73 one on scene to try and control what's happened, and
74 that's not the exception. People can think, well that's
75 not the role of an executive. In our business we run the
76 business at the ground level, and I wouldn't hesitate if
77 I could get in somewhere and help, I'd go, and that's a
78 true example.
- 79 MR. BROWNE, Q.C.: But your vehicle is not marked
80 because it's part of your compensation package, and
81 that's understandable, but are you providing indirectly

1 compensation to your managers that is not part of their
2 compensation package, are you doing it indirectly by
3 providing them with an unmarked vehicle? Is that the
4 purpose of giving managers an unmarked vehicle?

5 MR. LUDLOW: It's not the real purpose of it, no, it's
6 not to be quite honest with you. We would not be able
7 to function without having Phonse Delaney, the
8 regional manager in Corner Brook, and Keith Wellon,
9 the manager in St. John's, without the vehicles. He
10 cannot do it, and if there is a side benefit, from where I
11 sit, the ratepayers of this province are much better off
12 than if it was removed, and that's a ...

13 MR. BROWNE, Q.C.: Well, I guess that's for the Board
14 to decide if the ratepayers are being overcharged
15 because people are using vehicles for personal use, or
16 if there are a number of vehicles, when you total up the
17 mileage which we'll come to now in a little while, to see
18 if we have too many vehicles because of personal use.
19 Tell me this, are your snowmobiles, do you have
20 snowmobiles?

21 *(1:15 p.m.)*

22 MR. LUDLOW: Yes, we do.

23 MR. BROWNE, Q.C.: Are they, do they have the
24 company logo?

25 MR. LUDLOW: To be quite honest, I have no idea.

26 MR. BROWNE, Q.C.: What about your ATV vehicles,
27 do you have ATVs?

28 MR. LUDLOW: There would be a number on that
29 skidoo and on that ATV, but there wouldn't be
30 Newfoundland Power, a Fortis Company on it.

31 MR. BROWNE, Q.C.: And does this personal use
32 policy apply to those vehicles as well, snowmobiles
33 and ATVs?

34 MR. LUDLOW: No, it do not.

35 MR. BROWNE, Q.C.: Pardon?

36 MR. LUDLOW: No, it do not.

37 MR. BROWNE, Q.C.: It doesn't apply to ATVs and
38 snowmobiles?

39 MR. LUDLOW: No, it do not.

40 MR. BROWNE, Q.C.: This personal use policy?

41 MR. LUDLOW: No.

42 MR. BROWNE, Q.C.: Can people use snowmobiles and
43 ATVs for personal use?

44 MR. LUDLOW: No, they cannot.

45 MR. BROWNE, Q.C.: They're not allowed to do that.

46 MR. LUDLOW: Mr. Browne, I've answered the
47 question three times.

48 MR. BROWNE, Q.C.: How is it that, where's the
49 direction telling people that they're not allowed to use
50 that, snowmobiles or ATVs? Is that a separate policy
51 that you haven't given us?

52 MR. LUDLOW: No, there is no separate policy, and no,
53 they are not permitted to use ATVs or skidoos for after
54 hours personal use. I don't know what else I can say
55 about it. These are ...

56 MR. BROWNE, Q.C.: Where's the direction given to
57 employees not to do that?

58 MR. LUDLOW: Mr. Browne, when you run a business
59 the size that we're trying to run, we can become so
60 steeped in minutiae of policy that it cripples from you
61 moving and it removes all flexibility. I would tell you
62 right now that if I saw one of our employees or one of
63 our managers, or anyone using skidoos or ATVs for
64 their own purpose, brought to task is probably too
65 hard. They would have a sharp left turn brought to
66 them. We do not have skidoos and ATVs for personal
67 joyriding. That's not what that's there for. They are
68 there such that they're stored in ready-to-go condition,
69 fuelled, such that we can respond at 3:00 in the
70 morning, and I welcome you to join me on a trip on one
71 of those any time you wish, but that's truly what they're
72 there for.

73 MR. BROWNE, Q.C.: We can't use them for personal
74 use now, can we?

75 MR. LUDLOW: No, we can't actually.

76 MR. BROWNE, Q.C.: Thanks for the offer.

1 MR. LUDLOW: It would have to be 3:00.

2 MR. BROWNE, Q.C.: So you're quite definite about
3 snowmobiles and ATVs, but say using this particular
4 guideline that you have in place here for personal use
5 of company vehicles, is there anything stopping a
6 manager from taking his vehicle and going on holiday
7 and going to Toronto in that vehicle?

8 MR. LUDLOW: Is there anything here? I guess from
9 reading this, no.

10 MR. BROWNE, Q.C.: Is there anyone monitoring that
11 or are they directed not to do that?

12 MR. LUDLOW: Yes, they are, but at the same point in
13 time, if a general foreman, and I'll go back there if I may,
14 the guidelines that aren't written is that they would stay
15 within their operating area. The ones we use with the
16 managers was similar. If I received a request, can I take
17 this vehicle off island, which is a realistic request,
18 would I grant it? That's possible too that I may.

19 MR. BROWNE, Q.C.: Why should the ratepayers pay
20 for that?

21 MR. LUDLOW: First of all, Mr. Browne, these people,
22 as I said, are in continuous on-call circumstances. If we
23 were to decide to pay these people for every minute
24 they worked, that's another issue, and it's an issue that
25 I feel that would be detrimental to the way the business
26 is run and the ratepayers of the province.

27 MR. BROWNE, Q.C.: But my question was, was there
28 anything to stop a manager from taking a vehicle for
29 personal use, because he has that use pursuant to your
30 policy, and using it for his holidays to go to Toronto,
31 and you said you would approve that in
32 circumstances?

33 MR. LUDLOW: What I would say is that if requested
34 and that request could possibly come, I would not
35 prevent that person from taking the vehicle off island.

36 MR. BROWNE, Q.C.: But why should the ratepayers
37 pay for an employee's holiday, it's not part of his
38 compensation package?

39 MR. LUDLOW: I didn't say it was part of his
40 compensation package. What I did say is that there
41 may be benefits that flow over to the employee and if
42 that's the case, so be it.

43 MR. BROWNE, Q.C.: Can you undertake to take a look
44 this afternoon, I think you might be able to do it readily,
45 and show me over the last number of years, the number
46 of unmarked vehicles you've had. I can recall a hearing,
47 I thought there was a handful of unmarked vehicles, but
48 it seems to have increased over the last number of
49 years. Can you take a look at that, would you have
50 stats on that, to show me the number of unmarked
51 vehicles, say from 1997 to the present?

52 MR. LUDLOW: That hearing you're referring to was
53 probably 1998, Mr. Browne.

54 MR. BROWNE, Q.C.: It might be. Do you recall the
55 number of unmarked vehicles in 1998?

56 MR. LUDLOW: No, I can't, I'm sorry.

57 MR. BROWNE, Q.C.: I think I might be able to but I'll
58 save you, let you give the answer.

59 MR. ALTEEN: We'll look, Mr. Chairman, I cannot
60 undertake to give something that I don't know if we
61 have a record of it, but in 1998, I believe there was an
62 issue that we were decalling too many trucks before this
63 Board. Now it's we're not decalling them, and it's
64 coming from the Consumer Advocate on both
65 accounts.

66 MR. BROWNE, Q.C.: I think you were putting the
67 Fortis logo, we were objecting to the Fortis logo, to be
68 accurate, Mr. Alteen, let's be accurate, if you're going to
69 accuse. We didn't see any benefit for the ratepayers for
70 putting the Fortis logo on vehicles. I have another
71 series of questions on vehicles and can you go to 45(a),
72 please, and there I asked the question, please provide
73 specifics as to the purchases of the passenger off-road
74 vehicles and the heavy fleet vehicles, please advise if
75 these vehicles have already been ordered and
76 negotiated, the tendering process, the screening and
77 evaluation process for vehicles, and the maintenance
78 history, and I think you gave us a response with the
79 maintenance history, and it might be a follow-up, an
80 attachment to that, Mr. Wells, just go behind that for a
81 minute, would you please? You give us a list of
82 vehicles here in CA-45(a), Attachment A, and you give
83 us the year of the vehicle, the odometer reading, the
84 date and the maintenance cost to that particular year.
85 Those vehicles, can you tell us what they are, which
86 ones are cars, and which ones are light trucks, from the
87 beginning? Do you have the wherewithal to do that?

- 1 MR. LUDLOW: I have the wherewithal, I just don't
2 have the wherewithal with me.
- 3 MR. BROWNE, Q.C.: Okay.
- 4 MR. LUDLOW: The passenger ...
- 5 MR. BROWNE, Q.C.: Because I didn't know based on
6 these numbers, what's a car and what's a truck.
- 7 MR. LUDLOW: No, well what I can tell you is that the
8 passenger vehicles versus heavy fleet would again be
9 ... a passenger vehicle would be your Cavalier, S-10
10 pick-up, SUV type of vehicle, Mr. Browne, and the
11 heavy fleet would be more into the heavy line, be they
12 articulating booms, typically All-Techs (*phonetic*) or
13 Possey Plus (*phonetic*) and those Way-Jacks
14 (*phonetic*) type vehicles.
- 15 MR. BROWNE, Q.C.: Okay.
- 16 MR. LUDLOW: But subsets within passenger vehicles,
17 I'm not in a position to do that right now.
- 18 MR. BROWNE, Q.C.: So passenger vehicle, you've got
19 down, 025(d), vehicle 410, and it's at head office. The
20 year is there, 1997, 130,000 clicks, and you've got
21 \$26,000 in repairs. Now for a period in that time, the
22 year is 1997, the vehicle would be under warranty,
23 would it not?
- 24 MR. LUDLOW: Yes.
- 25 MR. BROWNE, Q.C.: The vehicle would be under
26 warranty so, and it would be under warranty up to how
27 many clicks, 60,000 perhaps?
- 28 MR. LUDLOW: Whatever the standard automobile
29 maintenance warranties are, be they ... I guess now, if
30 it's a Chrysler it would be something different than a
31 Chev, but that's typically the way it's run.
- 32 MR. BROWNE, Q.C.: \$26,000 in repairs, say if it is a
33 Cavalier, I don't know what it is, and you can tell me
34 there now. \$26,000 seems like a lot to repair such a
35 vehicle. Overnight, can you find out for me what that
36 vehicle was and also 007(d), the head office 1997,
37 161,000 clicks, we've got another \$26,000 bill there for
38 maintenance for those particular vehicles. I gather
39 they're not boom trucks or anything like that.
- 40 MR. LUDLOW: The, we will endeavour to do whatever
41 we can.
- 42 MR. BROWNE, Q.C.: And will you be in a position to
43 identify what these vehicles are for us, because that's
44 probably not overly helpful to the Board if we're trying
45 to do our due diligence in reference to your purchase of
46 passenger vehicles and your repairs to the same, and
47 whether the Board should give you more money to
48 purchase more if we can't identify what these are, the
49 numbers don't mean very much to us.
- 50 MR. LUDLOW: Well let me just help a little, if I may.
- 51 MR. BROWNE, Q.C.: Sure.
- 52 MR. LUDLOW: Okay, as you look at this list,
53 Commissioners, what's in here ranges from the Cavalier
54 at one end, to a full-size Ford pick-up. This morning I
55 used a slide of the fourth Blackwood's free board dam.
56 That back country, 25 kilometers. That one in particular
57 in inaccessible, but there are vehicles that travel back
58 country that are used truly as 4 x 4's. Now, Mr. Browne,
59 I will check as to whether ... I'll say it, truck 7 or 260, and
60 what they are, but that may very well be a
61 representation of that type of vehicle. These again
62 would be hauling equipment and gear back country, so
63 when we speak in terms of vehicles, we may have a
64 vision here this morning of being driving around on
65 paved roads, but these are work horses that are going
66 back country, not all of them, but that may account for
67 the 26, so on that note we will try, I assume ... I refer to
68 my counsel?
- 69 MR. ALTEEN: We will try again, Mr. Chairman, the
70 ability for us to get out the maintenance records on a
71 particular vehicle overnight, I'm not absolutely certain
72 of but we will give it our best effort as we always do in
73 these matters.
- 74 MR. BROWNE, Q.C.: Sure, if they can identify for us
75 what the vehicle is, that would be helpful as well.
- 76 MR. ALTEEN: It's 25(d) and 007(d), I believe, the
77 Consumer Advocate is looking for?
- 78 MR. LUDLOW: Yes, I'm sorry.
- 79 MR. BROWNE, Q.C.: Yes, if you have an opportunity
80 to identify them all, of course, that would be helpful as
81 well. That brings us to 1:30, Mr. Chairman, probably we

1 can conclude on that note and continue with vehicles
2 in the morning.

3 MR. NOSEWORTHY, CHAIRMAN: Thank you, Mr.
4 Browne, thank you, Mr. Ludlow, we'll reconvene at 9:00,
5 thank you.

6 *(hearing adjourned to November 20, 2002)*