

1 the claims experience of any of these related
 2 companies?
 3 A. I'm not sure.
 4 Q. Is it possible that we could have you find
 5 that out for us, a line item in the policy,
 6 the insurance policy to determine whether
 7 that's the case or not? (UNDERTAKING)
 8 A. I don't see why not.
 9 Q. Okay.
 10 A. You just want to know--just my learned friend
 11 here, because he takes down the undertakings.
 12 You want to know whether the claims experience
 13 is joint or individual in the group?
 14 Q. Correct. Do you know what time of year or
 15 when it is that the overall premium is paid,
 16 the 1.3 or the 1.4 million dollars?
 17 A. I believe it's in the summer.
 18 Q. And is it paid as a lump sum or is it paid -
 19 A. You're getting me into too much detail, I'm
 20 afraid, Mr. Fitzgerald.
 21 Q. Okay.
 22 A. I just don't know.
 23 Q. Do you have any knowledge as to what the lag
 24 time is between the time that Newfoundland
 25 Power pays the premium and you collect that

1 relation to this is actually documented?
 2 A. Oh, yes, all time is documented and charged.
 3 You know, there's no exceptions. See, if you
 4 look at Central Newfoundland Energy on the one
 5 that's on the screen, I wouldn't be surprised
 6 if that was time and not premiums.
 7 Q. We don't know that, do we?
 8 A. No, we don't know that, but I'm just
 9 supposing.
 10 Q. Supposing.
 11 A. 466 strikes me a small premium.
 12 Q. I guess the reason we ask the question is that
 13 it appears to us that the group insurance plan
 14 is being funded by regulated funds. And
 15 Newfoundland Power appears to us to be
 16 debiting its account to finance unregulated
 17 companies insurance costs. My question is, is
 18 that fair?
 19 A. Well, I don't think you two or three of those
 20 things. First of all, I said I didn't know
 21 what the lag was. I can't believe--knowing
 22 our finance people, I just can't believe that
 23 we're financing it. It seems to me perfectly
 24 normal, in fact, I think it's good practice
 25 for us to have the expertise in house because

1 amount back from the related company?
 2 A. None. Sorry. I mean, the payments within the
 3 group, as far as I know, are in normal course
 4 of business. I assume it's 30 days, but you
 5 can ask Mr. Perry the thing. You know,
 6 whether--there'd be the same condition both
 7 ways. But I don't, I just don't know. I've
 8 never heard of a, you know, real issue about
 9 payment.
 10 Q. So is it fair to say that Newfoundland Power
 11 is, in fact, the plan administrator of the
 12 group insurance?
 13 A. Yes. But it does a little bit more than
 14 administering. Alex, he's got the expertise
 15 on what markets are likely to be open, what
 16 aren't, whether a deductible will make a
 17 difference or whether it won't. So he does a
 18 lot. It's not like, say, a benefits
 19 administrator. He actually has quite a lot of
 20 knowledge about insurance.
 21 Q. Does he get involved in, say--say, Maritime
 22 Electric has a property damage claim?
 23 A. Absolutely. And he travels to Maritime or
 24 Belize or wherever.
 25 Q. And did you say earlier that his time in

1 I think it makes sense having it in
 2 Newfoundland. We've got a lot of issues and
 3 so on. I think it also makes sense to reduce
 4 the cost to the customers, to charge out that
 5 person's time when he's working on other
 6 things, so you retain an expertise at a
 7 cheaper price. I don't think you can say that
 8 somehow there's a benefit for the other
 9 companies. I think there's more of a benefit
 10 for the consumers by having the expertise.
 11 Q. But we don't know about the claims experience.
 12 If there is a fire at Maritime Electric and
 13 there's a catastrophic loss, we don't know if,
 14 in fact, that would increase Newfoundland
 15 Power's next annual premium or not. That
 16 could be possibly another disadvantage?
 17 A. Mr. Fitzgerald, because I wasn't certain, I
 18 said I wasn't certain, and I said we'd do an
 19 undertaking. You are assuming an answer,
 20 rightly or wrongly. If I'm not sure of
 21 something, I will say I'm not sure and we will
 22 give an undertaking. But you can't then go to
 23 a conclusion based on when I say I don't know.
 24 Q. No. That's fair enough. I guess we'll find
 25 out the answer to that. Does it seem

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1 incongruent or unusual to you that a
 2 subsidiary would be administering the plan of
 3 a parent company. In your experience as a CEO
 4 of a fairly large company, you must travel in
 5 those circles. Is that an unusual setup?
 6 A. It is fairly unusual. But I think it's good.
 7 I mean, if you look at some of the other
 8 companies who do it different ways, say, for
 9 example, Enbridge and Consumers and Emera,
 10 Nova Scotia Power, there were, for want of a
 11 better word, difficulties raised because of
 12 the intercompany. Our own company I think is
 13 good, it's clean, it's very transparent and we
 14 have the expertise. And that's probably why
 15 our costs are going down and their costs are
 16 going up. I think you're right, it's slightly
 17 unusual, but the proof is very obvious where
 18 our costs are going compared to their costs.
 19 Q. Which costs are you referring to now?
 20 A. Well, if you do the last five years,
 21 Newfoundland Power's operating costs,
 22 excluding purchase power, have gone down by 12
 23 percent. The same five year period, same
 24 basis, Nova Scotia Power's costs have gone up
 25 27 percent.

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1 or the only effort would be to write an
 2 insurance cheque, premium cheque once a year?
 3 A. No, it wouldn't.
 4 Q. It wouldn't?
 5 A. No, it wouldn't. You still need somebody with
 6 insurance expertise. Now, obviously you can
 7 either have the person in-house, you could pay
 8 a tremendous amount of money if you tried to
 9 out source it because you'd have to have
 10 somebody independent from the broker. But
 11 that's just not how it works. On claims, on
 12 dealing with the insurance, on deciding what
 13 you're going to have, you know, no respectable
 14 company would just write a cheque.
 15 (9:30 a.m.)
 16 Q. No. But I mean, you would defer those other
 17 headaches, if I could put it that way, to
 18 Fortis. They could handle all that brokerage
 19 issue and just like right now, I'm assuming,
 20 Belize Electricity, I don't know how far they-
 21 -they don't need a plan administrator. All
 22 they need to do is pay you your money once
 23 you've paid out the funds?
 24 A. But as I said, I was doing it from the
 25 microcosm of Newfoundland Power. To my mind

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1 Q. Yes. That's--but you're not sort of asking me
 2 to draw the conclusion, then, that your
 3 insurance costs are -
 4 A. What I'm saying is that the insurance--you do
 5 a myriad of things certain ways to produce
 6 efficiency and productivity. Personally, and
 7 you can take a different view, as other
 8 accountants do, I think this is a more
 9 efficient way of doing it, and because it's
 10 more efficient, it helps the customers. I
 11 think the--and it's the same as lots of other
 12 things. It's just one of the ways we do
 13 things. I think if it was--personally, and
 14 obviously it's my opinion, that if it was done
 15 the other way round, in the end the costs
 16 would be higher and we'd be into a debate as
 17 to how much was charged here and how much was
 18 charged there. It's very transparent. We
 19 follow all the rules and the costs are coming
 20 down.
 21 Q. I guess I approach it on maybe a more
 22 simplistic level. It seems to me that if it
 23 was the other way around, ie, if you--if
 24 Fortis or some other entity was administering
 25 the plan, the only cost to Newfoundland Power

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1 it is the most efficient way of doing it. I
 2 also think it's the most efficient way of
 3 doing it for the group. You asked me a
 4 question earlier, are there situations where I
 5 think it wouldn't be efficient. I said there
 6 are, where the group was into different
 7 things. But I mean, basically, the property
 8 company is into property insurance and
 9 obviously it's got slips and falls. We had
 10 slips and falls. I think it's very similar.
 11 Q. Okay.
 12 A. You can do it either way. Personally, I think
 13 this is the better way of doing it.
 14 Q. Okay. Mr. Hughes, if I could just go to
 15 another topic, perhaps, now. CA-676.
 16 A. Okay.
 17 Q. Okay. This is an attachment--sorry, I should
 18 have referred you to the detachments, as well.
 19 Attachment A. Are you with me?
 20 A. Yes, I have it in front of me.
 21 Q. Okay. This is the breakdown of Belize
 22 Electricity Limited, staff charges in 2002.
 23 And I note--I'm just going to be referring to
 24 the first quarter. The first quarter, as I
 25 understand, would be January, February and