

Hearing Transcript

**REFERENCE TO THE BOARD
RATE MITIGATION OPTIONS AND IMPACTS
MUSKRAT FALLS PROJECT**

October 15, 2019

PRESENT:

The Board:

Board Members

Darlene Whalen, Chair
Dwanda Newman, Vice-Chair
John O'Brien, Commissioner

Board Counsel / Staff

Maureen Greene, Q.C., Reference Counsel
Sara Kean, Assistant Board Secretary

Parties:

Nalcor Energy /

Newfoundland and Labrador Hydro

David Eaton, Q.C., Counsel – Nalcor
Geoff Young, Q.C., Counsel – NL Hydro

Newfoundland Power

Kelly Hopkins, Counsel
Liam O'Brien, Counsel

Consumer Advocate

Dennis Browne, Q.C. – Consumer Advocate
Stephen Fitzgerald, Counsel – Consumer Advocate

Island Industrial Customer Group

Paul Coxworthy, Counsel
Denis Fleming, Counsel
Dean Porter, Counsel

Witnesses:

Newfoundland Power

Peter Alteen, Q.C., President & CEO
Byron Chubbs, Vice-President, Energy Supply and Planning
Krista Langthorne, Manager, Energy Conservation

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<p>1 (9:07 a.m.)</p> <p>2 CHAIR:</p> <p>3 Q. Good morning, everybody.</p> <p>4 MR. O'BRIEN:</p> <p>5 Q. Good morning.</p> <p>6 ALTEEN, Q.C.:</p> <p>7 A. Good morning.</p> <p>8 CHAIR:</p> <p>9 Q. No preliminary matters, I understand, so</p> <p>10 we're going to go right to you, Mr. O'Brien,</p> <p>11 to introduce your panel.</p> <p>12 MR. O'BRIEN:</p> <p>13 Q. Thank you, Madam Chair, and Commissioners.</p> <p>14 I'm going to hand things over to Mr. Alteen.</p> <p>15 He's going to introduce his panel, he's</p> <p>16 going to walk you through the presentation</p> <p>17 which everyone should have.</p> <p>18 CHAIR:</p> <p>19 Q. Thank you. Good morning, Mr. Alteen.</p> <p>20 MR. O'BRIEN:</p> <p>21 Q. Mr. Alteen.</p> <p>22 ALTEEN, Q.C.:</p> <p>23 A. Good morning, Madam Chair, Madam Vice-Chair,</p> <p>24 Commissioner O'Brien. My name is Peter</p> <p>25 Alteen, and I'm the President of</p>	<p>1 Conservation. She's also a graduate of</p> <p>2 Memorial University, and she's certified in</p> <p>3 Project Management and Sustainable Energy</p> <p>4 and Building Technologies. Ms. Langthorne</p> <p>5 joined Newfoundland Power in 2012 as a</p> <p>6 conservation planner, and she's served in a</p> <p>7 variety of conservation and market analysis</p> <p>8 roles prior to becoming the Manager of</p> <p>9 Customer Conservation. She is currently the</p> <p>10 manager responsible for Newfoundland Power's</p> <p>11 analysis of all matters related to</p> <p>12 electrification and conservation. She</p> <p>13 currently serves on Fortis Transportation</p> <p>14 Electrification Committee and the provincial</p> <p>15 government's Electrical Vehicle Working</p> <p>16 Group. Ms. Langthorne has been responsible</p> <p>17 for coordinating all of our electric market</p> <p>18 assessment with the Board's consultants,</p> <p>19 Synapse Energy Economics. Madam Chair, this</p> <p>20 proceeding today is about the rates</p> <p>21 Newfoundland Power's customers will have to</p> <p>22 pay as a result of Nalcor Energy Muskrat</p> <p>23 Falls Project. Newfoundland Power delivers</p> <p>24 electrical service to approximately 268,000</p> <p>25 customers on the island grid. That's about</p>
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<p>1 Newfoundland Power. With me today on this</p> <p>2 panel is Mr. Byron Chubbs and Ms. Krista</p> <p>3 Langthorne. Mr. Chubbs is the President of</p> <p>4 Energy Supply and Planning with Newfoundland</p> <p>5 Power. He's a graduate of Memorial</p> <p>6 University, and he first joined Newfoundland</p> <p>7 Power in 2004 as an engineering student. He</p> <p>8 served in a variety of engineering and</p> <p>9 operation management roles in the company</p> <p>10 between 2004 and 2016. In 2016, Mr. Chubbs</p> <p>11 left Newfoundland Power and took up the</p> <p>12 position of Vice-President Customer Service</p> <p>13 with Maritime Electric, an affiliate of</p> <p>14 Newfoundland Power that provides electrical</p> <p>15 service to the Province of Prince Edward</p> <p>16 Island. In 2018, he rejoined Newfoundland</p> <p>17 Power in his current position. He is the</p> <p>18 executive responsible for energy supply at</p> <p>19 Newfoundland Power, and he's also</p> <p>20 responsible for Newfoundland Power's capital</p> <p>21 plan. Mr. Chubbs is the executive</p> <p>22 responsible for our participation in this</p> <p>23 reference and coordinating all of that</p> <p>24 within the company. Ms. Langthorne is</p> <p>25 Newfoundland Power's Manager of Customer</p>	<p>1 92 percent of the customers on the grid.</p> <p>2 Hydro serves the remaining 8 percent, and</p> <p>3 the combination of legislation, cabinet</p> <p>4 orders, and contracts which support the</p> <p>5 Muskrat Falls Project basically dictate that</p> <p>6 these are the customers who will have to pay</p> <p>7 the cost of the project. The Provincial</p> <p>8 Power Policy is explicitly referred to in</p> <p>9 your Terms of Reference, and that policy</p> <p>10 directs that all utility facilities be</p> <p>11 managed and operated in a manner that</p> <p>12 results in power being delivered to</p> <p>13 consumers at the lowest possible cost</p> <p>14 consistent with reliable service. We think</p> <p>15 that this policy clearly mirrors the primary</p> <p>16 expectations of our customers, and that's an</p> <p>17 expectation of reliable service at</p> <p>18 affordable rates, and the Muskrat Falls</p> <p>19 Project clearly provides something of a</p> <p>20 threat to these expectations. Initial</p> <p>21 references focused on the affordability part</p> <p>22 of that threat. This is a big concern for</p> <p>23 our customers and it's a big concern for us</p> <p>24 too. From Newfoundland Power's perspective,</p> <p>25 Madam Chair, the assessment of options</p>

<p style="text-align: right;">Page 5</p> <p>1 available to mitigate customer rate impacts 2 associated with the project can be done over 3 multiple time horizons. In the short term, 4 the focus is the level of customer rates 5 upon commissioning of the project. Here the 6 objective is avoiding customer rate shock. 7 The focus of the Board’s consultants work 8 and the reference has been at identifying 9 specific sources of funding to mitigate 10 customers rates beginning in 2021. Mr. 11 Chubbs and Ms. Langthorne will briefly 12 comment on the consultants conclusions, but 13 in addition there are three issues 14 Newfoundland Power would specifically like 15 to raise here today. The first concern is 16 the long-term organization of the electrical 17 sector in the province, and Mr. Chubbs will 18 address that issue shortly. The second 19 issue relates to planning for optimizing 20 electric usage in local markets once the 21 project is commissioned. Ms. Langthorne 22 will address this issue. The third issue 23 relates to long term oversight of the 24 Muskrat Falls Project’s impact on customer 25 rates. I will conclude our presentation</p>	<p style="text-align: right;">Page 7</p> <p>1 about are potential doubling of rates now 2 for over two years. This is important 3 because we know our customers are concerned 4 and they’ve been concerned for a while, and 5 they’ve been telling us their concern 6 through customer interactions and our 7 customer surveys. As part of our 8 observations on Phase 2, I would like to 9 start back in 2018. In 2018, during 10 Newfoundland Power’s General Rate 11 Application, we were asked by the Board and 12 other parties what might be done to address 13 rate increases related to Muskrat Falls. In 14 our response, we identified what we believed 15 were options that had the most potential to 16 mitigate electricity rate increases. These 17 were largely conceptual in nature based on 18 information that we had at the time. I’ve 19 listed some of these options here. Number 20 one was to delay, defer, or limit Muskrat 21 Falls Project cost recovery, and Liberty has 22 addressed this and quantified it in detail 23 in their report. Number two was to credit 24 Nalcor electricity export revenue against 25 customer rates. Both Liberty and Synapse</p>
<p style="text-align: right;">Page 6</p> <p>1 with some comments along those lines. With 2 that, I’ll pass it to Mr. Chubbs. 3 MR. CHUBBS: 4 A. Thank you, Peter. Madam Chair, the Muskrat 5 Falls Project was officially sanctioned in 6 December of 2012 at an estimated cost of 7.4 7 billion dollars. Customers at the time were 8 paying about 12.2 cents per kilowatt hour, 9 and were forecast to be paying approximately 10 15.1 cents per kilowatt hour in 2021, and 11 this was an increase of just under 25 12 percent. This 15.1 cents included all the 13 cost of Muskrat Falls and was expected to 14 increase at a rate less than inflation going 15 forward, or in other words, it would decline 16 in real dollars. Following a series of 17 project updates by June, 2017, the project 18 cost had increased to 12.7 billion dollars, 19 and that’s an increase of 72 percent. As a 20 result, the 2021 customer rate forecast 21 increased to 22.9 cents per kilowatt hour, 22 double what customers were paying at the 23 time. More refined estimates have been 24 produced since then, but effectively, 25 electricity customers have been hearing</p>	<p style="text-align: right;">Page 8</p> <p>1 have each analyzed and quantified the value 2 of export in their reports. The third was 3 to develop new electricity markets within 4 the province, and Synapse has addressed this 5 directly in their report, and Krista will 6 discuss this more shortly. We also had a 7 fourth option which was to credit Nalcor oil 8 revenues against customer rates. Of course, 9 this item is excluded from the scope of the 10 reference. However, we believe that all 11 these options still hold true today as 12 having meaningful potential to mitigate 13 electricity rate increases in the province. 14 This leads me to the options that the 15 Board’s consultant, Liberty, have identified 16 in Phase 2 of the Reference. Liberty 17 concluded that the financial mitigation 18 options represent the largest opportunity to 19 mitigate future customer rates, and it 20 appears from their analysis that applying 21 future revenue streams from Nalcor dividends 22 and excess sales revenue will contribute 23 about 125 to 135 million dollars to mitigate 24 rates in 2021, and these revenues are 25 projected to increase over time. Liberty</p>

<p style="text-align: right;">Page 9</p> <p>1 also identified existing government revenue 2 streams related to the electricity sector as 3 funds that could be applied to rate 4 mitigation. These include Hydro and 5 Churchill Falls dividends, water power 6 rentals, and possibly even HST paid by 7 electricity customers, and it appears these 8 funds could provide an additional 25 to 75 9 million dollars for rate mitigation by 2021. 10 (9:15 a.m.) 11 These options all appear reasonable to 12 Newfoundland Power, and I think there's been 13 mostly agreement on this matter so far in 14 the Reference. Next are the efficiency 15 improvements that Liberty has identified, 16 and the Board were specifically directed in 17 the Reference to look at cost savings with 18 respect to electricity, including the 19 activities of Nalcor Energy and its 20 subsidiaries, and this is what Liberty did. 21 They estimated that in total the Nalcor 22 Group of Companies could generate 23 efficiencies of about 30 million annually by 24 integrating Power Supply and Hydro and 25 reducing future Lower Churchill Project O &</p>	<p style="text-align: right;">Page 11</p> <p>1 Maritimes, and this is going to transform 2 how the system operates going forward. With 3 the addition of the 12.7 billion dollar 4 Lower Churchill Project, the value of the 5 system that customers are paying for will 6 grow to about 16 billion dollars, more than 7 four times what it is today. Once Muskrat 8 Falls is complete, customers on the island 9 will be paying for three separate utilities 10 to operate the grid; a regulated Nalcor 11 utility, Newfoundland and Labrador Hydro, an 12 unregulated Nalcor utility in Power Supply, 13 and Newfoundland Power, a regulated utility. 14 Multiple utilities each with similar roles 15 to perform without a doubt results in 16 duplications and inefficiencies in how we 17 collectively operate, and this tells me that 18 potential customer benefits might exist by 19 restructuring the sector to reduce 20 duplication, eliminate inefficiencies, and 21 keep cost as low as low as possible. The 22 Board's consultants work identified and 23 quantified options for rate mitigation for 24 2021, but there's still questions that are 25 unanswered. For example, Liberty indicated</p>
<p style="text-align: right;">Page 10</p> <p>1 M costs. Liberty's conclusions along these 2 lines also appear reasonable. As part of 3 the Reference, Liberty also examined 4 combining functions of Newfoundland Power 5 and Hydro. Hydro's 230 KV transmission 6 operations were ultimately excluded from 7 this review, meaning that only parts of the 8 poles and wires assets were considered, and 9 Liberty concluded that any potential savings 10 from transfer of other functions were more 11 than offset by differences in cost of 12 capital. It makes sense that an exercise 13 that starts with two poles and wires 14 operators on the Island of Newfoundland, and 15 ends with two poles and wires operators on 16 the Island of Newfoundland, would not 17 produce material benefits to customers. So 18 Liberty's conclusions here also appear 19 reasonable to Newfoundland Power, certainly 20 for the 2030 timeframe of the Reference. 21 The electrical system in the province is 22 going through a massive change. The Island 23 of Newfoundland is changing from a 24 completely isolated grid to a system that is 25 interconnected to Labrador and the</p>	<p style="text-align: right;">Page 12</p> <p>1 the technical and accounting aspects for 2 rate mitigation would require further study 3 by Nalcor and the province. In addition, 4 the Board's reliability and resource 5 adequacy proceeding has not yet concluded, 6 and the Muskrat Falls Project is not yet in 7 operation. It's Newfoundland Power's view 8 that once Muskrat Falls is operational and 9 these important questions are resolved, then 10 the Government should undertake a 11 comprehensive reassessment of how the sector 12 is structured and operated, and the 13 assessment would be aimed that ensuring the 14 sector delivers least cost reliable service 15 to customers over the long term. 16 Newfoundland Power has practical experience 17 in restructuring electric utility 18 operations. In the early 1990s, following 19 the cod moratorium, Newfoundland Power 20 experienced a sharp reduction in electricity 21 sales growth, and it was clear the company 22 had to restructure its operations as a 23 result, and from that point we began a focus 24 on a flatter, leaner management structure, 25 reorganizing our field operations, and the</p>

Page 13	<p>1 deployment of technology, and this allowed 2 Newfoundland Power’s workforce to reduce by 3 about 40 percent during the process. This 4 was done through early retirement programs 5 and attrition and without layoffs to 6 permanent employees. It took over a decade 7 of restructuring for the restructuring to be 8 completed. Following completion in 2005, 9 Newfoundland Power was in a position to 10 deliver reliable service to its customers at 11 the lowest cost in a flat sales environment. 12 Newfoundland Power approached this 13 restructuring in a planned and deliberate 14 way, continually reassessing our engineer 15 operations and the cost and the quality of 16 service we were providing to our customers. 17 We did not approach this restructuring 18 looking for immediate or short-term rate 19 relief or reductions, and had we done so, it 20 would have been more risky both from a cost 21 perspective and a service perspective, and 22 it may not have been done at all. Today 23 Newfoundland Power routinely beats inflation 24 in its cost management while delivering 25 reliable service to customers, and this</p>	Page 15	<p>1 reliably. With that, I’ll pass it on to 2 Krista. 3 MS. LANGTHORNE: 4 A. Thanks, Byron. My presentation today will 5 focus on the benefits of conservation and 6 electrification for rate mitigation and bill 7 reduction for customers. I will talk about 8 the current programs we offer, how the local 9 electricity market is changing, and how 10 Newfoundland Power is planning for a future 11 post-Muskrat Falls. Our customers tell us 12 that conservation is very important to them. 13 The primary reason that customers conserve 14 is reduced electricity costs. Conservation 15 provides tangible benefits in two ways. 16 First, it lowers individual customer bills. 17 Second, it reduces overall system costs 18 which benefit all users of the electrical 19 system. Over the past decade, Newfoundland 20 Power has consistently met or exceeded all 21 of its targets set out in its conservation 22 plans every year. This has allowed 23 customers to save almost 60 million dollars 24 on their electricity bills, and has also 25 saved 74 million dollars in avoided fuel</p>
Page 14	<p>1 long-term view taken by the company in the 2 early 90s placed us in a position to be able 3 to do this. So in our view, with the 4 electricity system going through such a 5 massive transformation, it’s worth stepping 6 back and looking at how the system is 7 structured and whether it is achieving 8 maximum value for customers. This includes 9 not only an assessment of future system 10 costs, but also future system reliability, 11 and we recognize that any potential 12 benefits, costs, and risk would take time to 13 assess. Any change might take a period of 14 time to achieve, and we also recognize there 15 will be no immediate benefits to customers 16 to address the rate impacts of Muskrat Falls 17 in 2021. However, Newfoundland Power’s 18 experience indicates that meaningful cost 19 changes on an electrical system can be 20 achieved and without sacrificing service 21 quality, and we think the Board should 22 recommend to Government that the 23 organization of the electricity system be 24 given a thorough examination once Muskrat 25 Falls is commissioned and operating</p>	Page 16	<p>1 cost at the Holyrood generating station. 2 Heat pumps are a popular technology used by 3 our customers to reduce their energy costs 4 associated with space heating. The data on 5 this slide shows the total number of 6 residential customer heat pump installations 7 in the province for the period 2014 through 8 2018. In June, 2017, Nalcor Energy 9 announced that customer rates would need to 10 double to recover the rising cost of Muskrat 11 Falls. Our customers first reaction to this 12 was to conserve. In 2018, the number of 13 residential heat pump installations 14 increased by 57 percent in one year. That’s 15 triple the rate of installation from the 16 period 2014 through 2017. The growing 17 number of heat pump installations reflects 18 the broader sentiment of Newfoundland 19 Power’s customers towards the rising 20 electricity costs. Newfoundland Power is 21 already planning customer programming and 22 education to reflect the provincial 23 electrical system upon commissioning of 24 Muskrat Falls. We recognize that the future 25 will not look like the recent past.</p>

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1 Marginal costs will be different. The
 2 marginal cost of energy will be lower, and
 3 the marginal cost of capacity will be
 4 relatively high, and as Byron indicated, we
 5 were aware in 2018 that the development of
 6 new electricity markets could provide rate
 7 mitigating benefits for customers. The
 8 starting point for conservation and
 9 electrification planning is an assessment of
 10 the overall market potential. Market
 11 potential is simply an estimate of long-term
 12 energy and demand impacts associated with a
 13 specific technology. The graph on this
 14 slide shows the market potential associated
 15 with electric vehicle technologies in the
 16 province. I will refer to electric vehicles
 17 as EVs. The yellow line on the graph
 18 reflects the number of EVs estimated over a
 19 fifteen-year period in the province. The
 20 blue line reflects the potential number of
 21 EVs which might be realized with programming
 22 to influence customers to adopt EVs. The
 23 difference between the yellow and the blue
 24 line is the EV potential for the fifteen-
 25 year period. Our research values this

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1 potential at 170 million dollars by 2034.
 2 A comprehensive market assessment of
 3 potential conservation and electrification
 4 technologies has been completed with the
 5 assistance of Dunskey Energy Consulting.
 6 This study assesses potential technologies
 7 aimed at energy conservation, demand
 8 management, and electrification. The Dunskey
 9 Energy potential study will provide the
 10 basis for comprehensive program assessment
 11 and development which is already underway.
 12 This will ensure we are in a position to
 13 provide appropriate programming and
 14 education for our customers upon the
 15 commissioning of Muskrat Falls. Synapse
 16 Energy Economics, the Board's consultant,
 17 had input into the potential study and a
 18 copy of this study has been filed on the
 19 public record of this Reference. Dunskey
 20 Energy indicated there is reasonable
 21 potential for EVs in the province. On the
 22 other hand, the potential associated with
 23 electric heating technologies was found to
 24 be limited by the future price of
 25 electricity and heating oil. The potential

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1 associated with time of use rates was
 2 limited and required further study, and that
 3 study is already underway. Electrification
 4 will result in rate mitigating benefits when
 5 the customer price exceeds the net proceeds
 6 of export sales. The simple illustration on
 7 this slide shows the rate mitigating benefit
 8 associated with a single EV. Based upon a
 9 retail rate of 13.5 cents per kilowatt hour,
 10 and a net export sales value of 2.9 cents
 11 per kilowatt hour, and an annual EV
 12 consumption of 5,000 kilowatt hours, will
 13 provide a rate mitigating benefit of 530
 14 dollars annually. The present value over
 15 the life of a single vehicle will be 3900
 16 dollars. Dunskey sees potential for over
 17 145,000 electric vehicles in the province by
 18 2034. Synapse observed electrification has
 19 the largest rate mitigation potential.
 20 Synapse observed that conservation has the
 21 largest bill reduction potential and will
 22 continue to lower system costs. Synapse
 23 also observed more research is required to
 24 evaluate the potential of time of use rates.
 25 All of these observations align with

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1 Newfoundland Power's research. In
 2 conservation and demand management,
 3 influencing customer behaviour is central.
 4 Customer behaviour does not change
 5 overnight. New initiatives associated with
 6 electrification will take time to realize,
 7 but Muskrat Falls is a long-term investment,
 8 so initiatives that take time to realize
 9 will still benefit our customers. Customer
 10 education will be key to the success and
 11 timing of these rate mitigating benefits.
 12 At first glance, electrification and
 13 conservation can seem like opposite messages
 14 from a customer perspective. For this
 15 reason, I expect that education will play a
 16 prominent role in Newfoundland Power's
 17 upcoming customer conservation, demand
 18 management, and electrification plan. With
 19 that, I'll pass back to Peter.
 20 ALTEEN, Q.C.:
 21 A. Okay. The current setup, that existing
 22 combination of legislation, cabinet orders,
 23 and contracts that support the Muskrat Falls
 24 Project essentially placed Nalcor Energy in
 25 the position of determining what the

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1 customers on the island integrated grid will
 2 pay in relation to the project. They're in
 3 the driver's seat. In May of last year, the
 4 Government intervened and indicated that
 5 residential customer rate will be limited to
 6 13.5 cents a kilowatt hour once the project
 7 is commissioned. Newfoundland Power took
 8 some comfort in that announcement. We think
 9 that our customers took some comfort in it
 10 also, but the Muskrat Falls Project has very
 11 long life assets, 75, 100 years, perhaps
 12 even longer than 100 years, and no matter
 13 how that projects costs are going to be
 14 reflected in rates over the very long term,
 15 or even the medium term, is highly uncertain
 16 from Newfoundland Power's perspective and
 17 from Newfoundland Power's customers
 18 perspective. Leaving Nalcor Energy in the
 19 position of being able to unilaterally
 20 determine what customers will have to pay is
 21 not in Newfoundland Power's view good public
 22 policy. It is not in Newfoundland Power's
 23 view in the interest of our customers. Some
 24 type of oversight makes sense. From our
 25 perspective, regulatory oversight has a

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1 couple of obvious advantages. One is
 2 regulators like yourselves have expertise in
 3 utility cost and rates. You're used to the
 4 subject matter, and you routinely
 5 incorporate customer's interests in your
 6 decision making. It's part of what you do.
 7 (9:30 a.m.)
 8 But there are also choices in the degree and
 9 form of oversight that might be appropriate.
 10 For example, the relatively comprehensive
 11 oversight which is appropriate for a fully
 12 regulated enterprise like Newfoundland Power
 13 may not necessarily make sense for the
 14 Muskrat Falls Project. The discussions over
 15 the past two weeks concerning Nalcor Energy
 16 Marketing and the possibility of the Board
 17 exercising some oversight over the risk
 18 management policy in terms of trading is an
 19 example of a less comprehensive type of
 20 regulation that might be appropriate in the
 21 circumstances.
 22
 23 ALTEEN, Q.C.:
 24 Q. .. And the oversight might not necessarily
 25 include final decision making authority.

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1 This harkens back to the Board's oversight
 2 over Newfoundland and Labrador Hydro rates
 3 prior to Hydro becoming regulated in the
 4 1990s. At that time, if Hydro wished to
 5 increase rates, the Government typically –
 6 which the Government had the ultimate
 7 authority to determine what those rates
 8 would be or if Hydro could raise the rates –
 9 would refer the matter to the Board. A
 10 hearing, typically a process that looked
 11 like a typical rate case, followed and the
 12 Board issued a report to the Government.
 13 And then it was Cabinet that determined what
 14 the final rates would be. So, there could
 15 be a role of oversight from a regulator
 16 which is not necessarily inclusive of the
 17 final decision making authority.
 18 When I think about some of the issues
 19 raised in the context of oversight in the
 20 Muskrat Falls Project and what the
 21 possibilities are, this type of model may
 22 have some application. The issue of
 23 regulatory oversight has risen in the
 24 context of this reference in a couple of
 25 places. We think it's appropriate for you

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1 to specifically raise the issue in your
 2 report to the Government.
 3 The Government has a number of complex
 4 decisions in front of it with respect to
 5 rate mitigation and many of those decisions
 6 are outside the scope of this Board or the
 7 reference before the Board. Nevertheless
 8 raising the issue clearly now will put the
 9 issue on the Government's agenda. And a
 10 decision on oversight, we understand, has
 11 the potential to require change to some of
 12 the legislative Cabinet order and
 13 contractual arrangements supporting the
 14 Muskrat Falls Project. But it seems to us
 15 that some things probably need to change to
 16 avoid the future looking like the recent
 17 past with respect to how we're going to
 18 price Muskrat Falls' production. We think
 19 there must be a better public policy outcome
 20 than that and we think that regulatory
 21 oversight, to some degree, is part of a
 22 better public policy outcome.
 23 To conclude, Madame Chair, Madame Vice-
 24 Chair, Commissioner, we've been listening
 25 carefully to our customers' concerns over

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1 where electricity prices are going for a few
 2 years now. They're concerned that it's
 3 going to become unaffordable. We share that
 4 concern. The rising electricity price
 5 forecast associated with the project have
 6 shaken our customers' confidence.
 7 This reference has identified between
 8 150 and 200 million dollars in potential
 9 rate mitigation options for 2021. This is
 10 an important step because these are tangible
 11 dollar valued options to help reduce the
 12 rising price forecast.
 13 By the time Muskrat Falls is
 14 commissioned, an appropriate customer
 15 conservation demand management
 16 electrification plan will be read. It will
 17 assist customers in managing their bills.
 18 It will support electrification over the
 19 long term. And when the plan is
 20 implemented, it should help reduce the
 21 rising electricity price forecast too. This
 22 too will count as progress in addressing the
 23 challenges presented by the Muskrat Falls
 24 Project.
 25 Providing a degree of regulatory

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1 oversight to the project is, in our view, an
 2 option the Government should seriously
 3 consider. It won't affect the 12.7 billion
 4 dollars that's been invested in the project.
 5 But it may help ensure future expenditures,
 6 such that they're variable, will be
 7 reasonable and it may instil a degree of
 8 customer confidence in where electricity
 9 pricing is going.
 10 Finally, there's been a lot of change
 11 since the Muskrat Falls Project was
 12 sanctioned in 2012. Project costs are now
 13 estimated at 5.3 billion more than the
 14 sanctioned value of 7.4 billion. To put
 15 that in perspective, that's equivalent to
 16 the investment or almost five times the
 17 total investment Newfoundland Power has in
 18 its 130-year-old electrical system, almost
 19 five times, and that's just the overruns.
 20 Operating costs are now estimated it
 21 looks like to be something like 97 million
 22 dollars. That's 62 or 63 million dollars
 23 higher than the original estimate. That
 24 looks quite familiar because that's about
 25 what our annual operating costs are, what it

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1 takes to run Newfoundland Power.
 2 My point in raising these numbers and
 3 trying to punctuate them is just to say the
 4 water is changed on the bead since 2012 and
 5 that these costs were largely unanticipated,
 6 but are clearly significant. And while
 7 progress has been made in rate mitigation as
 8 a result of this reference, there are
 9 material unanswered questions out there.
 10 Once they get resolved, how Muskrat
 11 Falls costs will go into rates, how that
 12 will be reflected in financial statements,
 13 how the project will affect reliability,
 14 whether we can or cannot open financing
 15 arrangements and do something along that
 16 line. Once all of that is over and
 17 resolved, we think – and the project's run
 18 and it's reliable, we think it's at that
 19 point that Government should conduct a
 20 detailed examination of where we are in
 21 light of what's been invested, so that we
 22 can ensure that we make the best of the
 23 situation as it then stands. And that
 24 should be focused through the lens of the
 25 Provincial Power Policy, in our opinion.

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1 That's what the Government should do. That
 2 will result in our customers receiving power
 3 at the lowest possible cost consistent with
 4 reliable service in all of the circumstances
 5 that then pertain and I think that is what
 6 this Board should be focusing on and what
 7 the Government should be focusing on and it
 8 is what Newfoundland Power is focused on.
 9 Thank you. Thank you very much for your
 10 attention.
 11 CHAIR:
 12 Q. Thank you.
 13 YOUNG, Q.C.:
 14 Q. Good morning, Chair. Good morning, Panel.
 15 My name is Geoff Young. I'm in-house
 16 counsel with Newfoundland and Labrador
 17 Hydro. I think most of my questions will
 18 probably be directed to Ms. Langthorne, but
 19 I'm not certain of that. I'm sure from the
 20 resumes I just heard, I think you're all
 21 capable of answering the questions I have.
 22 Fairly focused though, what I'd like to
 23 pursue a little bit further, and you've
 24 indicated a fair bit of work has already
 25 been done, started on this with Dunsky and

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1 others, with respect to electrification,
 2 with respect to heat pumps and the impact.
 3 We know also that some research has been
 4 looked at at least about time-of-use rates
 5 and Synapse were here the other day and they
 6 were talking about critical peak pricing.
 7 Just wondering if you can indicate where we
 8 are along that, particularly with regard to
 9 starting with heat pumps, because that I
 10 think, as you've shown in your graph,
 11 clearly the up and coming technology that's
 12 going to affect electrification in the near
 13 future, already I would suggest.
 14 MS. LANGTHORNE:
 15 A. Sorry. I'm sorry can you read the question
 16 in terms of what you're looking for for heat
 17 pumps? Like -
 18 YOUNG, Q.C.:
 19 Q. Just wondering – well, yeah, I'm just
 20 wondering where your research is with regard
 21 to rate design in that regard.
 22 MS. LANGTHORNE:
 23 A. Okay.
 24 YOUNG, Q.C.:
 25 Q. If there's any new movement there in that

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1 light.
 2 MS. LANGTHORNE:
 3 A. Okay. For rate design, time-of-use rates
 4 and critical peak pricing was included in
 5 the potential study analysis that was
 6 conducted by Dunsy Energy Consulting and
 7 for both cases, they found that the
 8 potential was limited. So, since the
 9 potential study, we've been in conversations
 10 with Dunsy, working jointly with Hydro, to
 11 have them do some more analysis to look at
 12 what the impacts of electrification will be
 13 in the future and if there is some
 14 flexibility around the Industrial contracts
 15 with Hydro's customers, whether or not that
 16 would change the outlook for time-of-use
 17 rates and critical peak pricing.
 18 In terms of heat pumps, we watch that
 19 market very, very closely. We provide
 20 comprehensive information to our customers
 21 about whether or not a heat pump is right
 22 for their home. We work very closely with
 23 the installers in the market to make sure
 24 that the same messages are getting
 25 communicated to customers and that customers

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1 can take comfort in knowing that a quality
 2 unit is being installed into their home.
 3 We are about to undertake – we've
 4 started the process of a heat pump load
 5 research study. We'll actually look at the
 6 energy savings and the load impact of heat
 7 pumps on the system. So that work has
 8 started.
 9 YOUNG, Q.C.:
 10 Q. Thank you. With regard to – and you've
 11 mentioned this also, there's a bit of a
 12 delicate balance between electrification,
 13 promoting load growth, energy intensive, but
 14 not causing a peak. And I assume that the
 15 last comment you made about the research for
 16 heat pumps, is it targeted at that
 17 specifically or are you just monitoring that
 18 at this point to see which way it's going?
 19 MS. LANGTHORNE:
 20 A. Are we targeting it for electrification?
 21 YOUNG, Q.C.:
 22 Q. Yes. Well, I'm wondering about is there a
 23 particular concern about capacity shortage
 24 to happen with heat pumps coming on at the
 25 rate that it is.

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1 MS. LANGTHORNE:
 2 A. We are looking very closely – that's one of
 3 the primary objectives of the study is to
 4 look at the load impact of heat pumps on the
 5 system and how they operate at times of
 6 peak.
 7 YOUNG, Q.C.:
 8 Q. Okay, thank you. One of the conversations I
 9 had with Synapse had to do with screening
 10 tests you might use for technology, CDN
 11 technologies, and I suggested to them that
 12 there might be some concern that we'll have
 13 to watch as we design this to make sure that
 14 the customers who can't participate to
 15 reduce their bills through conservation and
 16 who might get caught in an increased rate
 17 due to lower overall usage, if that occurs.
 18 To the extent that that occurs, there may be
 19 people who are disadvantaged by the CDN, and
 20 I asked about whether they used the rate
 21 impact measures test and things of that
 22 nature to ensure that that didn't occur.
 23 Have you looked at that yet in your
 24 research?
 25 MS. LANGTHORNE:

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1 A. Yes. We look at, and we are very
 2 familiar with the standard practice tests
 3 that are used for utility cost effectiveness
 4 screening of conservation programs. So, the
 5 RIM test is not currently utility practice
 6 to use as a screening tool for conservation
 7 programs and the National Standard Practice
 8 Manual for assessing cost effectiveness of
 9 energy efficiency resources, which is, I
 10 would say, the authoritative document on
 11 utility cost effectiveness screening also
 12 does not recommend the use of the RIM test
 13 as a screening measure for conservation
 14 programs. And in 2015, the Board approved
 15 the use of the program Administrators Cost
 16 Test as a substitute for the RIM test.
 17 YOUNG, Q.C.:
 18 Q. So, I assume the concern is that the RIM
 19 test is too conservative and it suppresses
 20 too many useful options? Is that generally
 21 the observation that's made? It screens out
 22 too many things that other like total
 23 resource cost test might – for example,
 24 might promote?
 25 MS. LANGTHORNE:

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1 A. The rate payer impact measure test is seen
 2 as the most restrictive of all the tests.
 3 It also only provides an indication of
 4 whether rates could increase or decrease.
 5 It does not inform you on the impact of the
 6 rate increases. And the rate impacts are
 7 only one consideration of program design.
 8 You also have to consider the overall bill
 9 reduction that a customer could achieve and
 10 then you have to look at your customer
 11 participation and try to make your programs
 12 broad enough so that it reaches a majority
 13 of customers.
 14 YOUNG, Q.C.:
 15 Q. Thank you. Those are all our questions.
 16 Thank you, Panel.
 17 CHAIR:
 18 Q. Thank you. Consumer Advocate.
 19 BROWNE, Q.C.:
 20 Q. Thank you, Chair. I have some questions.
 21 Talking about time-of-use rates and the
 22 potential, you mentioned these. It would
 23 seem to me there was a study undertaken some
 24 time ago or some kind of pilot project that
 25 Newfoundland Power was involved in

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1 pertaining to time-of-use rates. Do you
 2 recall that and what the outcomes were?
 3 MS. LANGTHORNE:
 4 A. Yes, I do.
 5 BROWNE, Q.C.:
 6 Q. And what were the outcomes?
 7 MS. LANGTHORNE:
 8 A. We completed a pilot project of time-of-use
 9 rates in 2015. We had about 200 customers
 10 participate. We found that we could see
 11 that customers could reduce their energy
 12 usage in the morning, but we did not see a
 13 lot of movement in the evening. And the
 14 savings were pretty similar to what we've
 15 seen in other jurisdictions and I believe it
 16 was about 1.6 percent reduction.
 17 BROWNE, Q.C.:
 18 Q. And how was it conducted? Were monitors
 19 placed in people's homes to allow them to
 20 access electricity at a certain time? How
 21 was it monitored? What were the mechanics
 22 of that?
 23 MS. LANGTHORNE:
 24 A. There was a monitor placed inside customers'
 25 homes that provided them with information on

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1 their electricity use and they were provided
 2 with program information on the times of the
 3 peak periods and what the differential of
 4 the costs were.
 5 (9:45 a.m.)
 6 BROWNE, Q.C.:
 7 Q. Now, when that was conducted, electricity
 8 rates were probably at somewhere in the
 9 vicinity of ten cents a kilowatt, I would
 10 think, and when we're looking at Muskrat
 11 Falls, we're looking at more than that. Do
 12 you think the uptake in time-of-use rates
 13 may be different from a rate payer's
 14 perspective now than they were then?
 15 MS. LANGTHORNE:
 16 A. Not necessarily. There's only certain loads
 17 that customers can really shift. So, it
 18 really does depend on their behaviour and if
 19 they're motivated to shift their usage or
 20 not. I will say that we, as I mentioned,
 21 are looking closer at time-of-use rates and
 22 we are also conducting a rate design review
 23 that is about to get underway that will also
 24 look closer at time-of-use rates.
 25 BROWNE, Q.C.:

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1 Q. And the rate design review that you're
 2 undertaking, will that be made public or
 3 filed with the PUB?
 4 MS. LANGTHORNE:
 5 A. Yes, I believe it would.
 6 BROWNE, Q.C.:
 7 Q. And what's the timeframe on that?
 8 MS. LANGTHORNE:
 9 A. We are working with Dunsky to take that
 10 analysis of the time-of-use rates. So that
 11 should be finished by the end of the year
 12 and those inputs are very important for us
 13 to get started on a rate design review. So,
 14 we expect that to get started in the new
 15 year.
 16 BROWNE, Q.C.:
 17 Q. In terms of heat pumps, the Government was
 18 out there last week announcing a million
 19 dollars, a thousand dollars for a thousand
 20 customers, to incentivize people to move to
 21 heat pumps. What do you think of a program
 22 such as that?
 23 MS. LANGTHORNE:
 24 A. I think that customers are very interested
 25 in heat pumps and if that helps customers

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1 reduce their electricity use, then that's a
 2 good thing.
 3 BROWNE, Q.C.:
 4 Q. And what programs has Newfoundland Power in
 5 place to incentivize customers to do
 6 something similar?
 7 MS. LANGTHORNE:
 8 A. We actually offer financing for customers to
 9 overcome that upfront cost to allow
 10 customers to install heat pumps.
 11 BROWNE, Q.C.:
 12 Q. And how does that work, financing? If a
 13 customer was to approach Newfoundland Power
 14 and with the idea of getting a heat pump,
 15 what are the mechanics of that? Just take
 16 us through that because customers would need
 17 to know -
 18 MS. LANGTHORNE:
 19 A. Sure.
 20 BROWNE, Q.C.:
 21 Q. - how to avail of that and this is as good a
 22 forum as any right now.
 23 MS. LANGTHORNE:
 24 A. Customers would contact us or there's a form
 25 on our website to apply for financing. We

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1 would then review their usage. We would ask
 2 them to supply us with a permit to show that
 3 the work can take place at their residence.
 4 We would also ask who the installer is and
 5 ask for an invoice because we want to make
 6 sure that the installer is a certified
 7 installer and that the heat pump meets the
 8 efficiency requirements that we require to
 9 try to make sure that customers are going to
 10 see the energy savings out of their
 11 investment. And then they have a term over
 12 five years in which they can pay that back
 13 and that comes right off their utility
 14 bills.
 15 BROWNE, Q.C.:
 16 Q. Have you had much uptake in that as of
 17 today?
 18 MS. LANGTHORNE:
 19 A. We've had about 400 customers participate.
 20 BROWNE, Q.C.:
 21 Q. And that's ongoing?
 22 MS. LANGTHORNE:
 23 A. Yes.
 24 BROWNE, Q.C.:
 25 Q. Your last stats on residential heat pumps in

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1 your figure on page 11 is 2018. What's
 2 going on in 2019? Do you have any idea of
 3 where you are on that in terms of heat
 4 pumps?
 5 MS. LANGTHORNE:
 6 A. We will have some market research hopefully
 7 within the next month. We typically survey
 8 our customers in the fall of the year.
 9 BROWNE, Q.C.:
 10 Q. So, you don't know right now if customers
 11 are moving to heat pumps or have moved, any
 12 of your customers have moved in 2019? Is
 13 that your evidence?
 14 MS. LANGTHORNE:
 15 A. I don't have the specific numbers, but I can
 16 tell you through conversations with
 17 customers and installers that heat pumps is
 18 a very popular technology among customers.
 19 The most popular content to the Take Charge
 20 website relate to heat pumps. So, customers
 21 are very engaged and very interested in heat
 22 pumps.
 23 BROWNE, Q.C.:
 24 Q. Now, just moving away from that topic and
 25 onto another. One of the larger measures

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1 that has been discussed in reference to rate
 2 mitigation and how consumers can be assisted
 3 in reference to the ultimate charge for
 4 their electricity bill is the financing and
 5 refinancing that might be available under
 6 the – through the Federal Loan Guarantee and
 7 other financial instruments. Has
 8 Newfoundland Power done any study of those
 9 possibilities and what might be available
 10 there from their perspective?
 11 ALTEEN, Q.C.:
 12 Q. No, we have not. We see those agreements as
 13 between the governments, Nalcor and their
 14 debt holders. So, there’s not much we can
 15 do to influence that.
 16 BROWNE, Q.C.:
 17 Q. So, you have – you must have some point of
 18 view on what’s available out there, just
 19 from reading the newspapers if you haven’t
 20 studied it yourselves, in terms of sinking
 21 fund payments and the covenants that are
 22 available on the loan guarantee. Hasn’t
 23 anyone at Newfoundland Power looked at that
 24 to -
 25 ALTEEN, Q.C.:

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1 Q. Not in – we have not looked in detail at the
 2 financial terms associated with the
 3 financing with a view to determining how you
 4 would negotiate or renegotiate terms. As a
 5 general proposition, when a project turns
 6 out to be substantially different than what
 7 the original plan is, that you would have to
 8 refinance the project is a commercial
 9 reality that occurs, not infrequently. But
 10 we have not gone and looked at the covenants
 11 contained in the documents with a view to
 12 providing legal advice to the Government.
 13 BROWNE, Q.C.:
 14 Q. In terms of the 13.5 cents that the
 15 Government is suggesting rates be set at,
 16 that’s all well and good from the
 17 Government’s perspective, but Newfoundland
 18 Power is a private company. If Government
 19 were to establish rates at 13.5 cents, what
 20 can we look forward to from Newfoundland
 21 Power? Are we going to see a rate
 22 application the next day because they see
 23 some movement to – because as a private
 24 company, you would have a right to bring on
 25 a rate application in the circumstances?

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1 What’s the plan here? What can customers
 2 look forward to from Newfoundland Power once
 3 the 13.5 cents is set?
 4 ALTEEN, Q.C.:
 5 Q. I don’t know. I can’t predict the future,
 6 but I can say this. The last time
 7 Newfoundland Power’s costs resulted in a
 8 rate increase for customers was in 2016 and
 9 that last year in 2018, as part of the
 10 resolution of the General Rate Application
 11 filed then, we extended that through 1920
 12 (sic), so that would make a period of about
 13 five years that Newfoundland Power’s costs
 14 have not served to increase its customers
 15 rates at all.
 16 BROWNE, Q.C.:
 17 Q. Yeah, that’s understandable, but we can’t
 18 get any kind of commitment or some
 19 suggestions from Newfoundland Power that
 20 rate payers can find comfort in, and indeed
 21 the Government should find comfort in by
 22 doing all this rate mitigation just to leave
 23 an open space there for Newfoundland Power
 24 to move in with a rate application. You
 25 can’t give any guarantee that you won’t do

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1 that?
 2 ALTEEN, Q.C.:
 3 Q. That is correct.
 4 BROWNE, Q.C.:
 5 Q. And in a similar vein, Liberty found
 6 striking the amount of capital spending by
 7 Hydro and Newfoundland Power combined and
 8 indeed, there are issues in reference to
 9 capital spending before this Board right
 10 now. The capital spending of Newfoundland
 11 Power is increasing all of the time. Your
 12 parent, Fortis, in a release seemed to take
 13 comfort for – take comfort to its
 14 shareholders that rate base is expanding for
 15 its various component companies in various
 16 jurisdictions, including this one, I would
 17 imagine.
 18 What would Newfoundland Power’s view be
 19 on a legislative cap for the amount of
 20 capital spending that a utility could submit
 21 for review in any one year? What’s your
 22 position on a cap?
 23 MR. CHUBBS:
 24 A. I’ll speak to that, Mr. Browne.
 25 Newfoundland Power doesn’t believe a cap is

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1 in the best interest of our customers. All
 2 of our capital projects that we put forward
 3 are consistent with the power policy of the
 4 Province; that is to provide least cost
 5 reliable service, and I think that we do
 6 that and we provide – we justify all those
 7 capital projects on those basis to the Board
 8 and we think that that works for our
 9 customers.
 10 BROWNE, Q.C.:
 11 Q. I don't know if it works for your customers,
 12 but it certainly works for your shareholder,
 13 for your owner, Fortis. Right now in the
 14 Province, Newfoundland Power tell people
 15 that we have flat load growth. Is that
 16 correct? The load growth is flat?
 17 ALTEEN, Q.C.:
 18 Q. Load is actually declined in each of the
 19 last three years and this year, I would
 20 consider it flat vis-à-vis last year.
 21 BROWNE, Q.C.:
 22 Q. And projections for the coming years, when
 23 do you see an increase in load growth into
 24 the future?
 25 ALTEEN, Q.C.:

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1 Q. We do five-year sales forecast as a matter
 2 of routine. We don't see appreciable load
 3 growth in that five-year time horizon.
 4 BROWNE, Q.C.:
 5 Q. And your reliability criteria SAIDI and
 6 SAIFI, how are we with that with
 7 Newfoundland Power vis-à-vis national
 8 comparators?
 9 MR. CHUBBS:
 10 A. I'll speak to that. Our reliability
 11 performance has been fairly stable over the
 12 last ten years. During normal operations,
 13 our reliability, compared to the national
 14 average, is about half the Canadian average.
 15 So, I think our reliability performance is
 16 adequate, certainly for the environment that
 17 we operate in, yes.
 18 BROWNE, Q.C.:
 19 Q. Well, in some stats it appears to be better
 20 than national averages. Isn't that not
 21 correct?
 22 MR. CHUBBS:
 23 A. During normal operating conditions, our
 24 system reliability is better than the
 25 national average. The numbers that—the

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1 statistics that we provide usually, you
 2 know, to the Board and to other parties for
 3 comparison do not include major storms and
 4 major system events. They don't include
 5 times when, you know, we lose—say lost
 6 supply from Newfoundland and Labrador Hydro,
 7 those conditions. So, what we report on are
 8 the—those statistics really are a measure of
 9 how our poles and wire is operating. So, we
 10 exclude those major events that kind of
 11 exceed the capacity of our system or out of
 12 our control. When you include everything,
 13 if you were to look at what all customers
 14 see throughout the year, our reliability is
 15 actually just the Canadian average.
 16 BROWNE, Q.C.:
 17 Q. So, we have no load growth, flat load
 18 growth, coming into the future. Your
 19 reliability is very good by any standard.
 20 Why is there more capital spending? How can
 21 you justify more capital spending just with
 22 those two stats alone and why would this not
 23 be a good time to introduce a cap for
 24 capital spending indeed and which will be
 25 imposed on Newfoundland Hydro as well given

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1 the circumstances in which we find
 2 ourselves? Isn't it time for a change and
 3 for a reassessment of what's been going on
 4 here?
 5 ALTEEN, Q.C.:
 6 A. Because it would be bad policy. Madam
 7 Chair, if you took the situation that we
 8 actually ran into three or four years ago,
 9 we had an unexpected failure of the
 10 distribution circuit that served the Island
 11 of Bell Island and it was unanticipated.
 12 And in response to that, to secure the
 13 supply for the Island of Bell Island, we had
 14 to come in with a supplemental capital
 15 expenditure application, something in the
 16 order of 15 to 18 million dollars as I
 17 recall, but that number might be wrong.
 18 Once you start talking caps, you start
 19 impairing the ability of a utility to fulfil
 20 its obligation to provide service to it
 21 customers. So, while a cap may have some
 22 attraction from a simplicity perspective,
 23 from a delivery of reliable service over a
 24 large service area like Newfoundland Power
 25 has to serve, it doesn't make a lot of

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1 sense. However, a system which requires
 2 Newfoundland power to come forward and show
 3 that each and every one of its capital
 4 expenditures are consistent with reliable
 5 service delivery at the lowest possible
 6 cost, that is an appropriate standard and
 7 that is what is consistent with current
 8 Canadian practice.
 9 BROWNE, Q.C.:
 10 Q. Some jurisdictions in Canada have
 11 performance-based rate-making. I think two
 12 Fortis companies in Ontario and Alberta
 13 respectively are into performance-based rate
 14 systems. Are you familiar with that?
 15 ALTEEN, Q.C.:
 16 A. Yes, and our affiliate in British Columbia
 17 is also -
 18 BROWNE, Q.C.:
 19 Q. Okay.
 20 ALTEEN, Q.C.:
 21 A. - subject to performance-based rate-making.
 22 BROWNE, Q.C.:
 23 Q. And how does it work there, performance-
 24 based rate-making?
 25 ALTEEN, Q.C.:

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1 A. In all of these schemes, the essential
 2 principle that underlines performance-based
 3 rate-making is simple, and that is to create
 4 incentives to ensure that a utility doesn't
 5 increase its rates by anything more than
 6 inflation minus a productivity factor, often
 7 called X. So, at the core of these programs
 8 is a formula, inflation minus X, and that's
 9 why rates change on an annual basis in the
 10 utilities that are under performance-based
 11 regulation. Now, inflation minus X gets to
 12 be a much larger formula when you put in a
 13 bunch of other variables and that's the
 14 differences between the various
 15 jurisdictions, but at the core of it is the
 16 I minus X calculation. So, when you look
 17 back at Newfoundland Power's performance,
 18 you can compare it sort of like that. In
 19 our last rate case, we actually filed the
 20 results of a study that was a 20-year review
 21 of the total cost, total contribution of all
 22 of Newfoundland Power costs. That's all of
 23 our capital; that's all of our operating;
 24 it's profit; it's contracted costs; it's all
 25 of that. And in the 20 years ending in

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1 2017, it was clearly indicated that the
 2 total impact of Newfoundland Power's costs
 3 on customers' rates was about half a cent a
 4 kilowatt hour. And if you go back and look
 5 at inflation over that period, it looked
 6 like our cost performance had beaten
 7 inflation by an aggregate of 24 percent over
 8 that 20-year period. So, that's one percent
 9 and a bit per year over a 20-year period.
 10 We conclude from performance, like that we
 11 perform as well as a utility that is under
 12 performance-based regulatory schemes.
 13 That's what our customers actually see. The
 14 good news in the story is it's just not all
 15 about the cost. Through that period,
 16 Newfoundland Power was able to improve its—
 17 the reliability of its system by close to 40
 18 percent. So, you have reduced real costs of
 19 24 percent; improved reliability of 39
 20 percent, I think was the number. And you
 21 could see these numbers in the context of—I
 22 think it was PUB-NP-73 I think was the RFI.
 23 (10:00 a.m.)
 24 So, performance-based regulation is not
 25 likely going to change the results of our

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1 performance a great deal. That's my point
 2 with that. The Board has actually
 3 considered this context and I'm sure at
 4 least the Chair and the Vice-Chair may
 5 vaguely recall this, you weren't there,
 6 Commissioner O'Brien, back in the 2008
 7 through 2010 period when the Consumer
 8 Advocate brought forward John Todd from
 9 Elenchus Consulting or whatever as an expert
 10 to talk about those issues and the Board
 11 concluded that--much of what the Board does
 12 encourages productivity that is similar to
 13 that which is—occurs under or incented under
 14 performance-based rate-making schemes in
 15 Canada.
 16 BROWNE, Q.C.:
 17 Q. Yes, that was before Muskrat Falls. Things
 18 are changing. And have the Fortis Companies
 19 in Canada generally met their performance
 20 requirements under the performance rate-
 21 based systems under which they are in these
 22 three provinces?
 23 ALTEEN, Q.C.:
 24 A. I haven't done a detailed review of that,
 25 but I generally think they do.

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1 BROWNE, Q.C.:

2 Q. And Fortis is happy with the returns in

3 these three provinces that they're getting,

4 the performance-based systems are into?

5 ALTEEN, Q.C.:

6 A. Not really into—in a position to speak to

7 Fortis' happiness about returns, Madam and

8 Vice-Chair.

9 BROWNE, Q.C.:

10 Q. But Fortis is doing pretty good out there.

11 We have to admit that and good for Fortis.

12 Isn't that true?

13 ALTEEN, Q.C.:

14 A. I'm a shareholder in Fortis and I'm happy to

15 be so.

16 BROWNE, Q.C.:

17 Q. So, given that we are into this Muskrat

18 Falls conundrum which Newfoundland Power

19 didn't want and the rate payers certainly

20 didn't want, but we're here and we have to

21 work with it, you are bringing forward a

22 number of conservation and incentivization

23 for customers, but in reference to

24 yourselves with the new reality, what is

25 Newfoundland Power prepared to do? You're

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1 not prepared to go with a cap. You're not

2 prepared to look at performance-based rate-

3 making. What is it that you are going to

4 do, Newfoundland Power, the company itself

5 to assist indeed yourselves and customers?

6 Because I'm unconvinced that performance-

7 based rate-making might be to your benefit

8 overall. Everyone recognizes you're a

9 private company and that you have to make a

10 return. That's a given. What is it that

11 you're proposing here?

12 ALTEEN, Q.C.:

13 A. Newfoundland Power hasn't agreed or

14 disagreed with anything. What I've pointed

15 out is that PBR is unlikely to have better

16 outcomes for customers than Newfoundland

17 Power's proven performance. If you accept

18 and Newfoundland Power is tooled to provide

19 least-cost reliable service to its

20 customers, if we are achieving that, and I

21 believe we've been achieving that for some

22 time now, you can only sacrifice cost or

23 reliability. And Newfoundland Power thinks

24 that the balance that it has achieved over

25 the last decade is consistent with the

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1 customers' long-term interest. The view

2 that a project, which has gone quite a bit

3 over projected costs, that the remedy for

4 that is to take a part of the electrical

5 system that is performing reasonably well

6 and make it perform worse, we don't see that

7 as a solution to the problem presented by

8 Muskrat Falls, Madam Chair.

9 BROWNE, Q.C.:

10 Q. Do you believe that all the costs of the

11 Muskrat Falls Project have been prudently

12 incurred and should be included in rates?

13 ALTEEN, Q.C.:

14 A. I'm not in a position to say how much, if

15 any, of the Muskrat Falls Project were

16 prudently incurred and should be included in

17 rates. My suspicion is if an analysis was

18 done, you—along those lines, you might reach

19 a conclusion that part of those costs are

20 not prudent or in accordance with what we

21 would call public utility regulatory

22 standards, reasonable is the—another word.

23 So, I'm not in a position to say, though I

24 suspect not.

25 BROWNE, Q.C.:

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1 Q. Do you find yourselves struggling at

2 Newfoundland Power because you can't go out

3 and buy electricity on the spot market in—

4 because you are bound by legislation to

5 purchase power from Hydro, isn't that not

6 correct?

7 ALTEEN, Q.C.:

8 A. That is correct.

9 BROWNE, Q.C.:

10 Q. Whose interest is that in, that Newfoundland

11 Power can't purchase electricity on the spot

12 market to bring it onto the Island for its

13 customers or even an amount of power?

14 ALTEEN, Q.C.:

15 A. I believe it's in the interest of Nalcor

16 Energy.

17 BROWNE, Q.C.:

18 Q. Would you like to see a system where

19 Newfoundland Power would have the right to

20 purchase power on the spot market for,

21 ultimately, for the benefit of Newfoundland

22 Power and its customers here to keep rates

23 stable?

24 ALTEEN, Q.C.:

25 A. That's a complicated question and will

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1 require me to make a lot of assumptions, but
 2 I think I can say this much, if the system
 3 was an open market, so that Newfoundland
 4 Power could either acquire or develop its
 5 own resources to supply its customers, then
 6 that choice may well tend to reduce the
 7 costs that our customers would have to pay
 8 an account of the energy or generation
 9 resources that we need. That's certainly
 10 been our experience I think in Prince Edward
 11 Island where we purchased a large amount of
 12 our supply. So, that has served to reduce
 13 prices because market prices are quite low
 14 now. Whenever you ask a question like that,
 15 to superimpose that change on the current
 16 situation, raises a whole range of other
 17 complications and it wouldn't necessarily be
 18 so depending on what we would intend to do
 19 with the 12 or 13 billion dollars of capital
 20 costs associated with the Muskrat Falls
 21 Project or at least the Muskrat Falls
 22 generation part of the project for sure.
 23 BROWNE, Q.C.:
 24 Q. But the wholesale price you're paying
 25 Newfoundland Hydro for electricity right now

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1 is what? Roughly.
 2 ALTEEN, Q.C.:
 3 A. At the margin, I think it's 18 cents a
 4 kilowatt hour.
 5 BROWNE, Q.C.:
 6 Q. And if Newfoundland Hydro or Nalcor Energy
 7 Marketing is selling power on the market to
 8 foreign buyers outside of the province for
 9 2.5 cents a kilowatt, do you see any
 10 possibilities there at all for Newfoundland
 11 Power or for a restructuring of the system
 12 to take advantage of those low costs? And I
 13 take your point, it couldn't all be done
 14 overnight.
 15 ALTEEN, Q.C.:
 16 A. We don't see that. We haven't fully
 17 evaluated that in the short term, but our
 18 recommendation to the Commission that once
 19 we reach steady-state on the system or that
 20 point on the system we're comfortable with
 21 what's been invested works well, then
 22 looking at that type of proposition as part
 23 of a broader assessment of what's in the
 24 best interest of the customers served by the
 25 system might yield—or that might a part of

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1 the consideration, Mr. Browne. That's the
 2 way I would look at it. Looking at it now
 3 where the system is not even operational,
 4 we're trying to get over the commissioning,
 5 we want to get over that entry-level of
 6 rates and see where we stand, I don't know
 7 that looking at that now makes as much sense
 8 as looking at it once the system is up and
 9 working reliably. That's our view of the
 10 work. Then we can have some sober
 11 reflection with a timeline that permits
 12 reasoned assessment.
 13 BROWNE, Q.C.:
 14 Q. Sure, and I take your point on that.
 15 Newfoundland Power has always had a position
 16 on the rural-rate subsidy and the rural-rate
 17 subsidy and how Island customers are paying
 18 for the rural-rate subsidy, and how that
 19 should not be borne by Island-rate
 20 customers. What's your position on that
 21 today?
 22 ALTEEN, Q.C.:
 23 A. Well, I don't think our position on that has
 24 changed much. We believe economically the
 25 rural-rate deficit is essentially a subsidy

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1 that's paid by Newfoundland Power's
 2 customers to a bunch of other users of
 3 electricity on different systems. And that,
 4 because it's a subsidy, it tends to distort
 5 pricing for Newfoundland Power's customers,
 6 and in our view for the other customers on
 7 the system, in a better way to deliver the
 8 subsidy would be in the normal way we
 9 deliver subsidies through government,
 10 through government offices. Governments are
 11 particularly capable at determining what are
 12 the appropriate needs of people, needs-based
 13 assessments, whereas commissions like
 14 yourselves tend to be driven by economics
 15 when it comes to issues like that. So,
 16 that's—we would prefer to see the subsidy
 17 directly paid to the recipients and allow
 18 them to make choices between different
 19 energy sources based on the true cost of
 20 those sources where they live. That way,
 21 they get the subsidy, but they'll make
 22 energy choices that are more economical for
 23 everyone.
 24 BROWNE, Q.C.:
 25 Q. Your view of the rural-rate subsidy is a

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1 government social initiative that should
 2 remain with government and not be included
 3 in Newfoundland Power’s customers’ rates?
 4 ALTEEN, Q.C.:
 5 A. That’s has been a longstanding position.
 6 However, we accept that it is included in
 7 our rates and we’ve stopped making that
 8 argument every single time we show up for
 9 rates because it’s not going to go anywhere,
 10 Mr. Browne.
 11 BROWNE, Q.C.:
 12 Q. Sometimes you’ve got to keep going though.
 13 You have to keep your—keep trying. In terms
 14 of supply adequacy and reliability, the
 15 post-Muskrat Falls Project commissioning, in
 16 Newfoundland Power’s view will the Avalon
 17 Peninsula’s supply be improved in terms of
 18 supply adequacy and reliability post-Muskrat
 19 Falls’ commissioning?
 20 (10:15 a.m.)
 21 ALTEEN, Q.C.:
 22 A. It is my hope that it will remain at least
 23 consistent with the supply reliability that
 24 our customers enjoy today. However, I don’t
 25 know that we’ve gone far enough down that

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1 road yet to fully understand what’s involved
 2 in having or developing or creating that
 3 state of affairs, Mr. Browne. The
 4 assessments and the studies are coming in.
 5 We are reviewing them closely. The Board we
 6 know has its consultants reviewing them and
 7 that matter will find its way to a
 8 reasonable conclusion within a reasonable
 9 period of time, it is my expectation and
 10 we’ll see, but it is our hope that
 11 reliability for our customers on the Avalon
 12 Peninsula, which are half of our customers,
 13 will at least be as reliable as it is today.
 14 BROWNE, Q.C.:
 15 Q. In terms of the Maritime Link, do you see
 16 that as a viable option for getting supply
 17 onto the Avalon and in the winter months
 18 should there be difficulties with the
 19 Labrador Island Link?
 20 ALTEEN, Q.C.:
 21 A. It’s too early to say how all of that will
 22 play together. What we know today is that
 23 there are limitations that exist.
 24 Newfoundland and Labrador Hydro are
 25 addressing that issue in studies that

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1 they’re filing with the Board. We are
 2 participants in that, full participants in
 3 that proceeding. So, that’s where that sort
 4 of sits right now. It’s hard to say much
 5 more about it really.
 6 BROWNE, Q.C.:
 7 Q. In Newfoundland Power’s view, will there be
 8 a long-term need to keep the Holyrood
 9 thermal generation system in service once
 10 Muskrat Falls is commissioned?
 11 ALTEEN, Q.C.:
 12 A. We have not reached that conclusion yet.
 13 BROWNE, Q.C.:
 14 Q. What does that mean?
 15 ALTEEN, Q.C.:
 16 A. We just haven’t reached that conclusion that
 17 Holyrood is the answer to providing adequate
 18 supply for customers on the Avalon
 19 Peninsula. It may be some other type of
 20 engineering initiative that may be
 21 transmission based, it may be generation
 22 based, it may be a combination of it or it
 23 may be a combination of those things in
 24 operational changes. It’s a complex issue.
 25 BROWNE, Q.C.:

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1 Q. So, you’re not completely satisfied that
 2 there will be reliability once Muskrat Falls
 3 is commissioned in the winter, say, for
 4 instance, reliability in the winter months?
 5 ALTEEN, Q.C.:
 6 A. Our current view is more reliability-based
 7 assessment and planning is required to
 8 ensure the right level of reliability for
 9 our customers on the Avalon Peninsula and
 10 that is underway.
 11 BROWNE, Q.C.:
 12 Q. Tell me this. Currently is the transmission
 13 systems robust enough to bring 500 megawatts
 14 of firm capacity energy over the Maritime
 15 Link?
 16 MR. CHUBBS:
 17 A. We do know we’ve been following Newfoundland
 18 and Labrador Hydro’s information reports
 19 that they’ve been filing on this matter and
 20 we do know that there are transmission
 21 constraints into the Avalon today should we
 22 lose the Labrador Island Link altogether.
 23 So, importing over the Maritime Link, there
 24 is still a transmission constraint on the
 25 Avalon that we are aware of. We do know

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1 that Hydro are reviewing the planning
 2 criteria that may ease that constraint. So,
 3 there's information that has been filed on
 4 that, but again, this is just, at this
 5 stage, an open matter with the Board that's
 6 being resolved. So, it hasn't come to any
 7 final conclusion yet that I'm aware.
 8 BROWNE, Q.C.:
 9 Q. So, it's your position therefore that this
 10 system is not robust enough currently as to
 11 bring 500 megawatts of firm capacity in
 12 energy over the Maritime Link onto the
 13 Island? Is that your position right now?
 14 MR. CHUBBS:
 15 A. As we understand it at this point, there is
 16 a transmission constraint into the Avalon
 17 Peninsula should the complete Labrador
 18 Island Link go out of service during -
 19 BROWNE, Q.C.:
 20 Q. What is that transmission -
 21 MR. CHUBBS:
 22 A. And that is under a peak-load scenario.
 23 BROWNE, Q.C.:
 24 Q. Sure. What is the—what is that transmission
 25 in capacity right now? You can give it to

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1 us generally.
 2 MR. CHUBBS:
 3 A. Well, the Island system uses about 1700
 4 megawatts of capacity. The Labrador Island
 5 Link has a capacity of about 900 megawatts,
 6 Muskrat Falls being about 800 megawatts of
 7 generation. If that Labrador Island Link
 8 was out of service without Holyrood in
 9 operation, the constraint into the Avalon—or
 10 sorry, the total generation available on the
 11 Island is about 1400 megawatts. And the
 12 constraint into the Avalon, I think, shows
 13 up at around 1200 megawatts.
 14 BROWNE, Q.C.:
 15 Q. And Newfoundland Power is studying this with
 16 Hydro? Are you working with Hydro on it?
 17 MR. CHUBBS:
 18 A. Well, Hydro is working on it. We are
 19 involved in the process and certainly
 20 providing any assistance that we can in
 21 terms of load forecast, but it's—this is
 22 largely a transmission system planning
 23 initiative by Newfoundland and Labrador
 24 Hydro.
 25 BROWNE, Q.C.:

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1 Q. In terms of your load forecast, which you've
 2 said is flat, do you share your load
 3 forecast with Newfoundland and Labrador
 4 Hydro?
 5 ALTEEN, Q.C.:
 6 A. Yes, we do.
 7 BROWNE, Q.C.:
 8 Q. When do they come looking for it or how is
 9 that done? What are the mechanics of that?
 10 MR. CHUBBS:
 11 A. Subject to check, I think they get it...
 12 ALTEEN, Q.C.:
 13 A. Subject to check, I think they get it at a
 14 time that is consistent with their planning
 15 cycle, and I believe it is in the Spring of
 16 the year. I believe it's the Spring. I'm
 17 getting a confirmatory nod from Mr.
 18 Henderson, who is the person who really
 19 knows the answer to the question.
 20 BROWNE, Q.C.:
 21 Q. And is there a discussion around the load
 22 forecast or what you give them, you're
 23 telling them essentially what you need in
 24 terms of load, what Newfoundland Power
 25 anticipates it will need.

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1 ALTEEN, Q.C.:
 2 A. No, I think there's a reasonably collegial
 3 attitude between our forecasters and the
 4 forecasters at Hydro and they, between
 5 themselves, want to understand what
 6 underlies the forecast so that they can use
 7 it appropriately. I think that that
 8 relationship does exist.
 9 BROWNE, Q.C.:
 10 Q. Thank you very much, thank the panel for
 11 your answers.
 12 ALTEEN, Q.C.:
 13 A. Sure.
 14 CHAIR:
 15 Q. Thank you, Mr. Browne. Industrial
 16 Customers?
 17 MR. COXWORTHY:
 18 Q. Thank you Madam Chair, Commissioners. Good
 19 morning, my name is Paul Coxworthy. I'm
 20 counsel for the Island Industrial Customer
 21 Group. Ms. Langthorne, you gave some
 22 evidence earlier today about some further
 23 research is being done by Dunsky?
 24 MS. LANGTHORNE:
 25 A. Yes, that's correct.

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1 MR. COXWORTHY:
 2 Q. And I think it was in the context of time of
 3 use rates and critical peak pricing, and I
 4 guess their initial finding that the
 5 potential for those was limited and Dunsky
 6 was asked to go back and look at that
 7 further, am I paraphrasing your evidence
 8 correctly?
 9 MS. LANGTHORNE:
 10 A. Yes, that's correct.
 11 MR. COXWORTHY:
 12 Q. And in the context of that you talk about, I
 13 thought that you said that one of the things
 14 that Dunsky has been asked to look at is the
 15 flexibility of industrial contracts and I
 16 think you added that by "industrial" you
 17 were referring to industrial customers of
 18 Hydro, was that correct?
 19 MS. LANGTHORNE:
 20 A. Yes.
 21 MR. COXWORTHY:
 22 Q. Can you comment further on what Dunsky has
 23 been asked to look at there in relation to
 24 industrial contracts?
 25 MS. LANGTHORNE:

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1 A. They are looking at the curtailment windows
 2 and seeing if it's possible to extend those.
 3 MR. COXWORTHY:
 4 Q. Anything else?
 5 MS. LANGTHORNE:
 6 A. They're also looking at, well not in terms
 7 of Industrial, but they're looking at the
 8 implications of electrification in the
 9 future and what implications that has on the
 10 system during peak days.
 11 MR. COXWORTHY:
 12 Q. And that's not specific to the Industrial
 13 customers.
 14 MS. LANGTHORNE:
 15 A. No, that's not.
 16 MR. COXWORTHY:
 17 Q. I just want to explore with you, Ms.
 18 Langthorne, although perhaps the other
 19 members of the panel could comment on this
 20 as well, with result to Newfoundland Power's
 21 larger commercial customers, customers that,
 22 if I can characterize it, don't have a usage
 23 profile that is close to the Domestic user,
 24 so the preponderance of their use is not
 25 about heating a building or lighting a

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1 building or heating hot water, or the other
 2 Domestic uses that typify most of your
 3 customers. Are there a lot of large
 4 commercial customers of Newfoundland Power
 5 that fit that sort of profile that are
 6 outside sort of the standard Domestic
 7 profile and whose, a large part of their use
 8 or preponderance of their use is about some
 9 process, whether it's a manufacturing
 10 process or some process, that that's most of
 11 their electrical consumption, is there a
 12 group within Newfoundland Power, a class, if
 13 I can call it that, of customer, of large
 14 commercial customer, that's been identified
 15 by Newfoundland Power's meeting that
 16 profile?
 17 MS. LANGTHORNE:
 18 A. I would say we would call it a segment of
 19 our commercial market and we would have
 20 manufacturers, processors, fishplants, those
 21 types of customers that would definitely be
 22 what you've described.
 23 MR. COXWORTHY:
 24 Q. Sure, and are they being looked at
 25 separately in terms of their opportunities

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1 for being about to take up things, like time
 2 of use rates, critical peak pricing,
 3 capacity curtailment?
 4 MS. LANGTHORNE:
 5 A. Yes, they are, so as far of our potential
 6 study they do break the market out into
 7 segments for Newfoundland Power's larger
 8 customers and also as part of our upcoming
 9 conservation demand management plan, we
 10 would look specifically at the different
 11 implications for different segments of our
 12 market.
 13 MR. COXWORTHY:
 14 Q. And is Dunksy looking at that? Is that part
 15 of the further research they're doing, are
 16 they looking at that segment of Newfoundland
 17 Power's customers?
 18 MS. LANGTHORNE:
 19 A. No, they would look at it from a much larger
 20 perspective, where we would look at it in a
 21 more detailed way.
 22 MR. COXWORTHY:
 23 Q. Mr. Alteen, near the conclusion of your
 24 evidence you talked about customers'
 25 confidence being shaken, I think in the

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1 context of the anticipated rate increases
 2 arising from the Muskrat Falls Project, if
 3 they are not effectively mitigated, and I
 4 was hoping that you could comment on what
 5 role you believed the Public Utilities Board
 6 and I guess more to the point processes
 7 before the Public Utilities Board, could
 8 have in promoting or restoring your
 9 customers' confidence?
 10 ALTEEN, Q.C.;

11 A. Yes, I can do that. What we or what I've
 12 been describing when I talk about the low
 13 customer confidence, was really brought home
 14 to us in this period post June, 2017 when it
 15 was pretty much publicly announced that
 16 rates would have to double to cover the
 17 costs of Muskrat Falls, and we saw the
 18 reactions to that through a number of means.
 19 We have surveys, we actually talked to our
 20 customers quite a bit, just normally, and we
 21 did focus groups and a bunch of other stuff
 22 to really understand what our customers
 23 sentiment was about this. And our
 24 customers, as much as, you know, you might
 25 like to think that they've been following

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1 the future of electricity rates closely,
 2 they were not, you know, they were shocked.
 3 They were shocked. I think there was a
 4 range of feelings from despair right to
 5 anger, whatever, and one of the themes that
 6 came out of that for us was how did this
 7 happen to us? So when I speak about
 8 instilling a degree of customer confidence,
 9 it's really about the publicity that you put
 10 around changing price in this type of
 11 industry. If we want to change the price
 12 that we charge our customers, we have to
 13 come down here under the glare of the
 14 lights, under oath, and start explaining why
 15 and the press, typically as they are here
 16 today, will cover that news, and that allows
 17 people to understand things that are going
 18 on around them. That understanding is the
 19 route of what you might get in terms of a
 20 little more confidence, Mr. Coxworthy; what
 21 it won't necessarily do, of course, is
 22 change, at this stage, change the 12.7
 23 billion dollar price tag that's there. So
 24 that's what we're talking about. We trying
 25 to think ahead, beyond the first 13.5 cents

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1 kilowatt hour of rates, to what happens
 2 then. Are we going to have another one of
 3 these exercises? How are we going to manage
 4 that, what will our customers expect because
 5 they really want some—they love certainty
 6 and predictability in price, as the
 7 Industrials highly value it, so do our
 8 customers, but you know, we can't give them
 9 maybe as much predictability as we like,
 10 given the circumstances, but we can make it
 11 public enough and can make it understandable
 12 enough that people can get a sense of where
 13 it's going.

14 MR. COXWORTHY:
 15 Q. Just a follow-up question on that. If
 16 customer confidence is not restored or at a
 17 sufficient level, will that affect the
 18 optimum take-up of the electrification and
 19 CDM proposals that are being put forward,
 20 explored through Liberty, Synapse,
 21 yourselves? If customers don't have
 22 confidence, will that impact adversely under
 23 take-up of those types of things?
 24 ALTEEN, Q.C.:
 25 A. That's really hard to say, if you create a

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1 conservation electrification demand
 2 management suite of initiatives that you can
 3 communicate effectively to customers, our
 4 experience is that customers will tend to
 5 act in their best interests. Customers
 6 conserve to save on their bill; there's no
 7 more clear message we get than that. So
 8 that's an issue that's, you know, almost
 9 like a program, something you can plan for
 10 and execute. When we look at the confidence
 11 issue, I'm talking about a much bigger issue
 12 in our opinion about the sector and we're in
 13 this sector and how we deal with that, and
 14 I'm not so such that I can draw the
 15 relation—though there may be some spillover.

16 MR. COXWORTHY:
 17 Q. I guess what I'm getting at is how certain
 18 do they have to be that buying an electric
 19 car is going to save them money in the long
 20 term, how certain do they have to be that if
 21 they invest in a heat pump and other things,
 22 that over, if their time horizon is not a
 23 year or two, but you know, five or ten
 24 years, how certain do they have to be about
 25 the predictability of rates that you, of

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1 course, mentioned earlier as being an
 2 important factor.
 3 ALTEEN, Q.C.:
 4 A. Certainty and predictability will assist
 5 them in making those decisions. I think
 6 that that is true. I'm not so sure that the
 7 regulatory oversight will necessarily
 8 provide a great deal of that, you know, in
 9 the short term, but yes, that will affect
 10 the take-up.
 11 MR. COXWORTHY:
 12 Q. If regulatory oversight doesn't achieve it,
 13 I think you said in the short term, can it
 14 achieve it in the medium and long term, that
 15 greater predictability?
 16 ALTEEN, Q.C.:
 17 A. These are investments that occurs, ten-year
 18 investment in a heat pump is, you know, is a
 19 similar ten-fifteen year investment, I
 20 think.
 21 MR. COXWORTHY:
 22 Q. Thank you, Mr. Alteen, thank you panel, I
 23 have no further questions.
 24 CHAIR:
 25 Q. Thank you Mr. Coxworthy. Ms. Greene.

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1 GREENE, Q.C.:
 2 Q. Thank you, Chair. Good morning.
 3 ALTEEN, Q.C.:
 4 A. Good morning.
 5 GREENE, Q.C.:
 6 Q. Same slide, let's start with the questions
 7 of regulatory oversight. You've given
 8 evidence this morning that some form of
 9 oversight would make sense on a go-forward
 10 basis and I wanted to explore that with you
 11 in terms of if you're making any
 12 recommendations or any suggestions to the
 13 Board to include in its report. You
 14 mentioned that the normal regulatory process
 15 is one form of oversight; the glare of the
 16 lights puts a sharper focus to things, would
 17 you agree with that?
 18 (10:30 a.m.)
 19 ALTEEN, Q.C.:
 20 A. Yes, if you mean it affects management
 21 decision-making, it does do that.
 22 GREENE, Q.C.:
 23 Q. In what way?
 24 ALTEEN, Q.C.:
 25 A. In the context of the circumstances we are

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1 describing. Take, for example, Lower
 2 Churchill O&M, operating and maintenance
 3 costs, that's a variable cost. If you want
 4 to increase that cost in a material way,
 5 then you had better be able to justify it
 6 within a regulatory framework if there's
 7 regulatory oversight. If not, you don't
 8 have that justification to make and being
 9 able to justify your costs is something that
 10 utility management are continually
 11 considering, that's just the nature of this
 12 business.
 13 GREENE, Q.C.:
 14 Q. So you would agree that the need to justify
 15 your operating and maintenance costs and
 16 your capital costs to an independent
 17 regulator brings a sharper focus internally
 18 where those costs are being prepared?
 19 ALTEEN Q.C.:
 20 A. I agree with that.
 21 GREENE, Q.C.:
 22 Q. With respect to the future operating and
 23 maintenance costs and future capital costs
 24 for the Lower Churchill project, do you
 25 believe enhanced regulatory oversight or any

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1 regulatory oversight would be appropriate
 2 from the perspective of the reasonableness
 3 of the costs and ensuring customer
 4 confidence in that the costs being incurred,
 5 that they're paying for, are reasonable?
 6 ALTEEN, Q.C.:
 7 A. Yes, I do.
 8 GREENE, Q.C.:
 9 Q. So do I take it from that answer that
 10 Newfoundland Power would agree or recommend
 11 that future operating and maintenance costs
 12 and capital cost for the Lower Churchill
 13 project be subject to regulatory review in a
 14 normal process?
 15 ALTEEN, Q.C.:
 16 A. They should be subject to some regulatory
 17 review, whether it's the full degree of the
 18 review that Newfoundland Power's costs are
 19 given is a matter of some, I don't know, of
 20 some application variation. They may come
 21 in once every five years to get their costs
 22 set or once every ten years to get their
 23 costs set; it depends on the variability of
 24 the costs.
 25 GREENE, Q.C.:

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1 Q. So that's a timing issue, is it?
 2 ALTEEN, Q.C.:
 3 A. It's a timing issue and it's a degree of
 4 oversight issue. I think there's two of it
 5 and it's how much the costs change. You
 6 don't want to have full regulatory oversight
 7 of a cost that's largely stable and it's not
 8 going to change much.
 9 GREENE, Q.C.:
 10 Q. But it would be full regulatory oversight
 11 depending on the appropriateness of the
 12 timing for the oversight.
 13 ALTEEN, Q.C.:
 14 A. It would be an oversight as to
 15 reasonableness.
 16 GREENE, Q.C.:
 17 Q. In your discussion in your presentation
 18 around this slide, you mentioned that there
 19 are other potential options with respect to
 20 regulatory oversight and you mentioned the
 21 Hydro situation pre 1996, and how do you see
 22 that being applicable here?
 23 ALTEEN, Q.C.:
 24 A. Right now Nalcor Energy is an unregulated
 25 entity and it's entitled to take the costs

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1 and it is subject, obviously, to its owners'
 2 oversight, the Government of Newfoundland,
 3 but it simply is entitled to pass whatever
 4 costs it sees fit along to our customers.
 5 You could use something like the pre-
 6 regulated Hydro experience to create a
 7 scheme of oversight where if Nalcor Energy
 8 wanted to increase the costs, they would
 9 come down here, have some review as to the
 10 reasonableness of those costs, but you may
 11 not be the people who decide the
 12 reasonableness, you would just recommend it,
 13 much like your referential capacity in this
 14 proceeding here today. And then you could
 15 report back to the Cabinet or to the
 16 Province or the Government of the Province
 17 and they could decide. That is a halfway
 18 house in terms of oversight, but it's, in
 19 our view, it's something that could be
 20 considered.
 21 GREENE, Q.C.:
 22 Q. Now you mentioned Nalcor costs that are
 23 being passed on to ratepayers, so the direct
 24 costs that are being passed on to ratepayers
 25 or that are contemplated would be with

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1 respect to the Muskrat Falls project, so are
 2 you suggesting that that be done for past
 3 Muskrat Falls costs that would be already
 4 incurred, the 12.7 billion or future costs?
 5 ALTEEN, Q.C.:
 6 A. No, I do not think that going back there
 7 would necessarily solve anything from a
 8 regulatory perspective.
 9 GREENE, Q.C.:
 10 Q. So are you providing that—I'm trying to
 11 explore for the Commissioners what is it
 12 Newfoundland Power believes is an
 13 appropriate form of regulatory oversight,
 14 what are the options, where does
 15 Newfoundland Power fall with respect to the
 16 options. So the only cost right now Nalcor
 17 Energy is passing on with the potential is
 18 the future operating and maintenance and
 19 capital costs for the Lower Churchill
 20 project, so I thought I had already
 21 understood that you thought that some
 22 process where the reasonableness of the cost
 23 were tested and some sort of final approval
 24 by the Board probably would be a preference,
 25 are you offering up this pre-1996 type of

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1 review as another alternative?
 2 ALTEEN, Q.C.:
 3 A. That is a distinct alternative that I would
 4 call something like a halfway house, it's
 5 not the regulatory review that you mentioned
 6 in the first instance.
 7 GREENE, Q.C.:
 8 Q. Of the people who are here in the room,
 9 there's only a few of us who are involved in
 10 the pre-1996 type of review, there were a
 11 number of occasions where the government did
 12 not accept the recommendations of the Board,
 13 including with respect to the royal rate
 14 subsidy, isn't that correct, Mr. Alteen?
 15 ALTEEN, Q.C.:
 16 A. I'm aware of that, but if the goal from a
 17 public policy perspective is to leave the
 18 decision-making authority with the
 19 government of the province, then that might
 20 be appropriate as a halfway house. In the
 21 model I'm describing, Ms. Greene, what the
 22 government gets is the advice of an expert,
 23 this Board, in determining what to do with
 24 Nalcor's request to increase the rate. But
 25 that ultimately, when you really step back

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1 and look at it, is the core public policy
 2 issue of how much oversight do you want over
 3 this project in the big public policy
 4 context. We favour more than is currently
 5 contemplated.
 6 GREENE, Q.C.:
 7 Q. And your first preference, as I understood
 8 it, would be the normal regulatory process,
 9 is that what I took from your comments or –
 10 ALTEEN, Q.C.:
 11 A. I think that would provide more confidence,
 12 relatively speaking.
 13 GREENE, Q.C.:
 14 Q. And with respect to other options, are there
 15 any other options that you would like to
 16 raise for the Board’s consideration with how
 17 the normal regulatory process, I actually
 18 like the glare of the lights, but it does
 19 bring certain clarity there with everybody
 20 as they’re preparing for it, or this, the
 21 reference type review.
 22 ALTEEN, Q.C.:
 23 A. Those are the two models that we put out
 24 there, but there would be more options
 25 possible if we had more clarity about where

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1 the long-term organization of the sector of
 2 the costs were. Mr. Marshall, in his
 3 evidence, raised something about, well if we
 4 fix the costs, associate the cost recovery
 5 associated with the 12.7 billion, then
 6 there’s very little else that moves. Well
 7 that would affect in turn how much oversight
 8 you want to place on the remaining O&M which
 9 is a relatively small portion, but it’s not
 10 insignificant at the same time. So it’s not
 11 unrelated to how you want the sector to
 12 operate.
 13 GREENE, Q.C.:
 14 Q. And we’ll come to that, what the long-term
 15 considerations that you have raised. With
 16 respect to Nalcor Energy Marketing, you did
 17 raise other options with respect to that, is
 18 my understanding from your presentation
 19 earlier. One is that there could be a
 20 retrospective review, as opposed to a
 21 prospective review and I’d like to ask you
 22 to expand on that, Nalcor Energy Marketing.
 23 ALTEEN, Q.C.:
 24 A. What I was trying to describe and maybe I
 25 did a poor job of it, was for Nalcor Energy

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1 Marketing, the American experience with
 2 which I have some familiarity for local
 3 utilities, they are often buying on
 4 wholesale markets, like a fully regulated
 5 electric utility would be buying on FERC,
 6 regulated markets in the United States.
 7 Oftentimes the regulator in terms of, the
 8 utility regulator, in terms of determining
 9 how much oversight they want to exercise
 10 over such an entity, will try not to get
 11 into every single transactions because these
 12 are fast-moving markets and, you know,
 13 you’ve got to move fairly fast with it.
 14 What they tend to do and I’ve seen this in a
 15 couple of utilities, is that they look at
 16 the risk management policy of the utility,
 17 in terms of its market access and buying the
 18 supply for its customers, and they will do
 19 whatever is reasonable in the circumstances
 20 to ensure that the policy is reasonable
 21 adhered to and those policies would
 22 determine how much you could hedge, how much
 23 you could buy in a single purchase—whatever
 24 it is in terms of the appropriate risk
 25 management technique, and then they would

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1 audit or do a compliance sort of review of
 2 it. That is commonplace practice in the
 3 United States. When I describe it to some
 4 of my co-workers at Newfoundland Power, it
 5 is not a lot unlike conceptually how this
 6 Board regulates CIACs. We have a policy;
 7 you approve the policy. We know that we’re
 8 subject to audit and review, we might have
 9 to report on the policy once a year, but
 10 that type of oversight is relatively light-
 11 handed. It’s not expensive to respond to
 12 and it doesn’t restrain the behaviour of
 13 someone who has to act in a competitive
 14 market situation. So there are significant
 15 models or examples out there that can be
 16 used to provide oversight, just what degree
 17 of oversight do we think is appropriate I
 18 think is a starting point and I think you
 19 just go out and look at what’s out there.
 20 (10:45 a.m.)
 21 GREENE, Q.C.:
 22 Q. And you’re aware that Liberty has
 23 recommended a similar type of regulatory
 24 oversight as you have just outlined?
 25 ALTEEN, Q.C.:

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1 A. It makes all the sense in the world when I
 2 read it.
 3 GREENE, Q.C.:
 4 Q. So it is Newfoundland Power’s position that
 5 there should be that regulatory type of
 6 oversight over the trading activities of
 7 Nalcor Energy Marketing?
 8 ALTEEN, Q.C.:
 9 A. Over their risk management policies and the
 10 execution of the policies. Beyond that, I
 11 don’t know that it’s, you know, we want to
 12 go too far down into regulating it.
 13 GREENE, Q.C.:
 14 Q. One issue that has been in the hearing is
 15 whether the revenue that has is earned from
 16 the marketing activities of Nalcor Energy
 17 marketing should be applied to the rates
 18 that customers will end up paying for the
 19 Muskrat Falls project. I assume that it
 20 would be Newfoundland Power’s position that
 21 revenue that’s earned in the export markets,
 22 using the assets customers pay for, should
 23 all be applied towards the rates that
 24 customers pay?
 25 ALTEEN, Q.C.:

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1 A. Yes, it is.
 2 GREENE, Q.C.:
 3 Q. Turning now to another topic then, I’d like
 4 to go to Slide 8, and you’ve mentioned
 5 several times during your presentation this
 6 morning about the longer-term situation and
 7 you’ve asked the Board to recommend to
 8 government that once steady state is reached
 9 that there be an extensive study done of the
 10 electricity sector in the province. And I
 11 wanted to talk about that recommendation
 12 this morning from Newfoundland Power, and I
 13 would like first to turn to the Liberty
 14 Report, and if you could bring up, please,
 15 page 6 of the Liberty Report. And if we
 16 could go down a bit there, first paragraph
 17 in the Section B, actually I’ll come back to
 18 the first paragraph, the second paragraph
 19 where Liberty stated that “The analysis of
 20 the economic effects of asset transfers from
 21 Hydro to Newfoundland Power showed negative
 22 rate consequences for customers, even if we
 23 did not assume using Hydro’s equity returns
 24 for mitigation.” And they go on to point
 25 out that Hydro has significantly lower

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1 carrying costs with capital investments,
 2 even with the same rates of return, and then
 3 they go on to say that “The greater equity
 4 levels, the higher debt costs and taxation
 5 exemplify factors that make Newfoundland
 6 Power’s costs higher.” So I wanted to give
 7 you the opportunity to comment on that
 8 because that was Liberty’s analysis and
 9 findings that given the nature of the
 10 investor owned utility and the higher cost
 11 structures that Newfoundland Power have,
 12 there would not be benefits to the customer,
 13 and I wanted to give you the opportunity to
 14 explain why you’re making the recommendation
 15 today and what would change in the longer
 16 term?
 17 ALTEEN, Q.C.:
 18 A. Why we’re making the recommendation today
 19 isn’t necessarily tied to this, and an
 20 investor owned utility’s carrying costs are
 21 higher than a Crown corp carrying costs and
 22 I think that’s well understood. When we
 23 step back and look at the costs that are
 24 customers are going to be over the long
 25 term, Madam Chair, we’re struck at just the

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1 size of the change in investment in the
 2 electrical system. So once all of this is
 3 commissioned, presuming that our costs are
 4 going to come in as they re currently
 5 forecast, the government will find itself,
 6 as owner, of about 15 billion dollars of
 7 electricity assets that it’s going to be
 8 asking customers to pay the cost of it.
 9 That’s the huge change here and we see, you
 10 know, when we look at this and it’s come up
 11 in the reference, there’s a proliferation of
 12 organizations in there that are doing all of
 13 those types of things. Now we have
 14 Newfoundland Power’s, what, 1.1, 1.2 billion
 15 dollars worth of investment, that’s a
 16 relative size of it, so when we talk about
 17 taking a long-term view, it’s really driven
 18 by the increasing government investment as
 19 opposed to Newfoundland Power. What we
 20 think we bring to that consideration is a
 21 pretty good view of what it takes to get
 22 costs out of the system over the long term.
 23 So we’re not sort of saying that this option
 24 is why we’d have the long-term review that
 25 you somehow have, Newfoundland Power having

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1 a bigger footprint. That may or may not be
 2 part of the discussion as some of the
 3 suggestions from the Consumer Advocate may
 4 or may not be part of the discussions, but
 5 it really, it's really from our perspective,
 6 given the big increase, the 5 or 6 billion
 7 dollars in additional costs which is
 8 probably close to twice the existing system
 9 in 2012, that you really should step back
 10 and look at it as an owner, how can I
 11 optimize this for the best interest of our
 12 customers to make sure it's reliable least
 13 cost service. When we went through that
 14 exercise, there were pretty huge transition
 15 costs, 40 million dollars in early
 16 retirement incentives alone that we came to
 17 this Board and looked for amortizations on.
 18 There were significant employee reductions,
 19 but that was necessary to get to a platform
 20 that was least cost in a low growth
 21 environment, but it had—so we went through
 22 all of that detail, got to a platform that
 23 looks reasonably well now. I think the
 24 government should be thinking about
 25 optimizing its own assets in whatever ways

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1 are available in a similar long-term way,
 2 not under the gun of how much we can affect
 3 rates in the next year, year and a half.
 4 That context will be much too short to find
 5 a lot of efficiencies and a lot of long-term
 6 benefits for customers that do exist that we
 7 have achieved because we took a long-term
 8 view. That's essentially where our view is
 9 on that, Ms. Greene.
 10 GREENE, Q.C.:
 11 Q. And that your ability to optimize costs
 12 would in effect overcome your negative
 13 consequences if your different capital
 14 structure and your different tax position?
 15 ALTEEN, Q.C.:
 16 A. No, I don't necessarily believe that that
 17 is, you know, a single wires provider is
 18 something that will get you long-term
 19 benefits. I'm not certain it won't, but I'm
 20 not certain at all that that is it. I think
 21 the broader context would be found within
 22 unregulated and regulated, Nalcor Hydro,
 23 those entities because that's where the
 24 costs are. They have what, 135 million
 25 dollars in OPEXs in Hydro, another 100 in

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1 Hydro, we've got like 65, maybe 63, so
 2 that's where the cost benefits might be and
 3 the capital costs are similar, concentrated
 4 in the government utility, that is where
 5 your answers will be. That's why we think
 6 it makes common sense to go to the owner and
 7 say, you should look at this, not under the
 8 glare of trying to reduce rates against, to
 9 avoid a rate shock, but long-term
 10 optimization of these assets. That's our
 11 recommendation to the Board. Does that make
 12 it any clearer, Ms. Greene?
 13 GREENE, Q.C.:
 14 Q. And a follow-up question just to make sure
 15 that I understood what you are saying is
 16 that you believe that Newfoundland Power's
 17 ability to optimize those costs, it would be
 18 greater than, because we've heard evidence
 19 during the rate case from Hydro and from
 20 Nalcor how they're focussed on costs and how
 21 they plan to do it, but I guess from what—
 22 I'm not sure if I'm doing a fair assessment
 23 of what you just outlined, you believe that
 24 Newfoundland Power's ability to maximize
 25 those costs over the longer term probably

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1 would bring greater value than if we left it
 2 to Nalcor and Hydro to do it.
 3 ALTEEN, Q.C.:
 4 A. I think it's a government, I think it's an
 5 owner thing as opposed to the utility thing
 6 in this circumstance.
 7 GREENE, Q.C.:
 8 Q. And I wanted to go back up to the first
 9 paragraph to give you the opportunity to
 10 comment on another factor that was
 11 underlying Liberty's analysis that it wasn't
 12 appropriate to transfer assets to
 13 Newfoundland Power and you'll find it
 14 halfway down where you begin, "We eliminated
 15 consideration of transferring the 230 kV and
 16 HVdc facilities, considering their
 17 criticality to overall system integrity and
 18 reliability." That was one factor, and then
 19 at the end of that sentence they go on to
 20 say, "The lack of Newfoundland Power's
 21 operational experience with those types of
 22 facilities", so other than the cost
 23 structures that were a factor for Liberty,
 24 they also were concerned about your lack of
 25 experience in doing 230 kV and dc

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1 facilities, so I wanted to give you the
 2 opportunity to respond to that as well.
 3 MR. CHUBBS:
 4 A. And I'll respond to that, Ms. Greene. You
 5 know, throughout this process, the issues
 6 came up with Liberty on a number of
 7 occasions and if I can take you back to the
 8 Phase 1 submissions, when we looked at this,
 9 Liberty had just talked about retail
 10 operations and it was just about, you know,
 11 customer service and distribution and when
 12 Newfoundland Power, when we filed our Phase
 13 1 submission, we said if you're going to
 14 look at just customer service and just
 15 distribution, it makes sense to look at the
 16 whole wires system and include transmission
 17 if you want to get at the maximum
 18 efficiencies. When we started on this path,
 19 you know, Liberty brought up the fact that
 20 Newfoundland Power doesn't operate 230 kV,
 21 so Newfoundland Power's transmission system
 22 we have about 2000 kilometers of
 23 transmission at 66 kV and 138 kV; whereas
 24 Newfoundland and Labrador Hydro would have
 25 had 138 kV and 230 kV. When this issue came

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1 up, we reached out to a few of our Fortis
 2 affiliates, you know, there's ITC in the US
 3 which operates about 25,000 kilometers of
 4 transmission. It's a huge transmission
 5 company and we reached out to their
 6 operational folks and we said do you see a
 7 difference in 138 and 230 kV in terms of
 8 operational capabilities, something we
 9 should be considering as we're doing our
 10 analysis on this, and their opinion was that
 11 there was no material difference. We
 12 reached out to Fortis BC Electric in British
 13 Columbia, they operate the same transmission
 14 voltage levels as we do, a 66, 138 and 230
 15 kV and they had the same opinion that there
 16 was no material difference in operating 230
 17 kV and 138 kV. Now, 230 kV equipment is
 18 larger, it's a higher voltage, so the
 19 insulators are bigger, the transformers are
 20 bigger, the structures are critically
 21 bigger, but other than the fact that it's
 22 larger in terms of maintenance and
 23 operations, there was no material
 24 difference, so we do not share Liberty's
 25 conclusion here in terms of lack of

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1 operational experience. We feel we'd be
 2 able to operate that, the same as we do our
 3 own transmission lines today.
 4 GREENE, Q.C.:
 5 Q. And with respect to the HVdc facilities?
 6 MR. CHUBBS:
 7 A. Again, you know, polls and wires, it's
 8 inspection, it's maintenance, you know,
 9 steel towers, we have steel towers also, so
 10 the same thing.
 11
 12 ALTEEN, Q.C.:
 13 A. But we do agree that the need for allowing
 14 the operation of the assets to fit in may
 15 make, you know, transferring the 230 kV
 16 backbone of the system any time before you
 17 get that may create risks that are not worth
 18 taking, so we don't really find the
 19 conclusions something we disagree with
 20 because of all the reasons there are
 21 sufficient reasons for them to reach a
 22 conclusion it shouldn't be there. I think
 23 that's our view of it, isn't it, Byron?
 24 MR. CHUBBS:
 25 A. Yes, that's correct. It made sense that

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1 Liberty, when they, you know, they had a lot
 2 of discussion about execution risk in terms
 3 of timing and yeah, it made sense when they
 4 said we'll take the 230 and put it aside and
 5 continue our efforts with the remaining
 6 parts of the system, you know, that made
 7 sense considering where we are and we're
 8 just getting Muskrat Falls into operation,
 9 so yes, I would agree.
 10 GREENE, Q.C.:
 11 Q. The last area that I wanted to question on
 12 was, came up during the questioning of the
 13 Liberty panel that Newfoundland Power also
 14 pays water rents and could you please give
 15 the estimate of the amount that Newfoundland
 16 Power pays annually for water rental
 17 payments?
 18 MR. CHUBBS:
 19 A. I believe it's approximately a million
 20 dollars.
 21 GREENE, Q.C.:
 22 Q. And do you foresee that amount changing at
 23 any point in time in the future?
 24 MR. CHUBBS:
 25 A. No.

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1 GREENE, Q.C.:

2 Q. And I believe the suggestion to the Liberty

3 panel by Mr. O'Brien was that that amount

4 could also be applied to rate mitigation, so

5 I assume that's a recommendation from

6 Newfoundland Power that the government

7 consider applying your water rental payments

8 to offset rates?

9 MR. CHUBBS:

10 A. When Liberty made their—when I read

11 Liberty's report, they identified, you know,

12 future government revenue streams from the

13 electricity sector and they identified some

14 existing government revenue streams and

15 those were water power rentals, you know,

16 current Hydro dividends and HST. And our

17 observation was there are others to be

18 considered and that was one that

19 Newfoundland Power does pay waterpower

20 rental, so if you're going to look at

21 revenue streams just to relate it to the

22 electricity sector, you know, there would be

23 no need to exclude that from the review.

24 GREENE, Q.C.:

25 Q. And are there any other revenue streams that

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1 should also be considered that have not been

2 discussed to date?

3 MR. CHUBBS:

4 A. One other is corporate income tax, you know,

5 Newfoundland Power pays approximately I

6 believe 12 million in corporate income tax

7 every year and, you know, Liberty on this

8 page actually highlights that as a cost to

9 customers, but it is also a potential

10 revenue stream that could be used for rate

11 mitigation.

12 GREENE, Q.C.:

13 Q. And is that 12 million dollars a provincial

14 share or

15 MR. CHUBBS:

16 A. I think it's fifty/fifty, subject to check.

17 GREENE, Q.C.:

18 Q. So the 12 million, is that fifty percent or

19 is it the hundred percent?

20 MR. CHUBBS:

21 A. I think that's the hundred percent of the

22 amount and about fifty percent would be

23 provincial, fifty percent federal, again

24 subject to check.

25 GREENE, Q.C.:

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1 Q. Thank you panel, that concludes all my

2 questions.

3 CHAIR:

4 Q. Thank you Ms. Greene. Mr. O'Brien?

5 MR. O'BRIEN:

6 Q. Nothing in reply.

7 CHAIR:

8 Q. And I don't have any questions. So thank

9 you. Where are we sitting now? We're done

10 for the day?

11 GREENE, Q.C.:

12 Q. We are concluded for the day, happily.

13 Tomorrow there is no sitting day. The next

14 witness will be Mr. Patrick Bowman for the

15 Industrial Customers and he will be here

16 Thursday morning for 9:00.

17 CHAIR:

18 Q. Thank you very much.

19 Upon conclusion at 11:02 a.m.

20

21

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CERTIFICATE

I, Judy Moss, hereby certify that the foregoing is a true and correct transcript in the matter of Reference to the Board, Rate Mitigation Options and Impacts, Muskrat Falls Project, heard on the 15th day of October, 2019 before the Newfoundland and Labrador Board of Commissioners of Public Utilities, 120 Torbay Road, St. John's, Newfoundland and Labrador and was transcribed by me to the best of my ability by means of a sound apparatus.

Dated at St. John's, Newfoundland and Labrador this 15th day of October, 2019

Judy Moss

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