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<p>1 (9:07 a.m.)</p> <p>2 MR. SCOTT PELLEY, MS. CARLA RUSSELL, MS. CAROL ANN LUTZ,</p> <p>3 RESUME STAND</p> <p>4 CHAIRMAN:</p> <p>5 Q. So I understand, Mr. Cass, sir, you have some</p> <p>6 opening remarks.</p> <p>7 MR. CASS:</p> <p>8 Q. Not so much opening remarks, Mr. Chair. I</p> <p>9 understand that there was something that was</p> <p>10 misstated in earlier testimony that Ms.</p> <p>11 Russell wanted to correct, if she could be</p> <p>12 allowed to do that?</p> <p>13 MS. RUSSELL:</p> <p>14 A. It was just there were two actual instances.</p> <p>15 One was on the -- and they were just numbers.</p> <p>16 So from the November 16th testimony, and this</p> <p>17 was, I think, with Mr. O'Brien. We were</p> <p>18 talking about the Appendix A. So it's on page</p> <p>19 218 of November 16th testimony.</p> <p>20 MS. GRAY:</p> <p>21 Q. Yes, just one moment.</p> <p>22 MS. RUSSELL:</p> <p>23 A. And it's where we were speaking about -- Mr.</p> <p>24 O'Brien said "and we know that by August, your</p> <p>25 forecasting increased from 138 to 144". That</p>	<p>1 MS. RUSSELL:</p> <p>2 A. A little bit further.</p> <p>3 MR. O'BRIEN:</p> <p>4 Q. Line 23.</p> <p>5 MS. RUSSELL:</p> <p>6 A. Right. So the point there where it mentions</p> <p>7 the 138 million to the 144 million, so the</p> <p>8 144, those weren't apples to apples numbers.</p> <p>9 The 144 should be 141.8 and just to show the</p> <p>10 difference, if we pull up Appendix A to the</p> <p>11 cost deferral? Okay.</p> <p>12 So if you come down, the first column is</p> <p>13 our forecast and the second column is the test</p> <p>14 year. The difference, if you go down right to</p> <p>15 the bottom of that, is that the test year,</p> <p>16 when you look at the line 34 and 35, the test</p> <p>17 year includes that those deferrals for the 1.2</p> <p>18 for the CDM and the 1.2 for the GRA are in the</p> <p>19 138, so it's netted off of that. The 144 does</p> <p>20 not assume -- does not have those deferrals in</p> <p>21 there. So you would have to remove the -- you</p> <p>22 would have to net off the 1.2 for the CDM and</p> <p>23 the GRA cost deferral to have an apples to</p> <p>24 apples comparison up above and one is because</p> <p>25 they're included in the test year and then our</p>
<p>Page 2</p> <p>1 number -- they weren't -- those numbers</p> <p>2 weren't actually apples to apples. The number</p> <p>3 for -- the correct number to the 144 would</p> <p>4 have been -- should be 141.8 and the</p> <p>5 difference is the two deferrals that are down</p> <p>6 lower on line 34 and 35 of Appendix A.</p> <p>7 O'REILLY, Q.C.:</p> <p>8 Q. Excuse me, can we -</p> <p>9 MS. GLYNN:</p> <p>10 Q. Ms. Russell, could we just wait until the</p> <p>11 document comes up, please?</p> <p>12 MS. RUSSELL:</p> <p>13 A. Sorry, yeah.</p> <p>14 O'REILLY, Q.C.:</p> <p>15 Q. Yeah, we can't get it up on the screen here.</p> <p>16 MS. RUSSELL:</p> <p>17 A. Sure.</p> <p>18 O'REILLY, Q.C.:</p> <p>19 Q. Thank you.</p> <p>20 MS. RUSSELL:</p> <p>21 A. So this is the reference. So the reference</p> <p>22 was line 23 on page 217.</p> <p>23 MS. GLYNN:</p> <p>24 Q. We have to go down a little bit further there,</p> <p>25 Ms. Gray.</p>	<p>Page 4</p> <p>1 forecast, we don't have those deferrals netted</p> <p>2 off against the operating expenses.</p> <p>3 So that was the first. The second one</p> <p>4 was from yesterday and it was November 17th</p> <p>5 testimony and it would have started on page</p> <p>6 191. And this was line 21 and it was Mr.</p> <p>7 Johnson's question about the book equity for</p> <p>8 2014 looks to be 5.19, and I believe in the</p> <p>9 discussion yesterday -- and we can bring up</p> <p>10 the table which I believe is the Grant</p> <p>11 Thornton table. Table 9, I believe.</p> <p>12 So I think yesterday in the discussion,</p> <p>13 the 5.9 was referenced as being the number</p> <p>14 with the 4.4 -- as being with 4.47 ROE and</p> <p>15 that's what the return would be for 2014 and</p> <p>16 that's not correct. That actually has the 8.8</p> <p>17 percent in that and that's what the</p> <p>18 anticipated -- that's what the return was that</p> <p>19 included the 8.8 because the revenue</p> <p>20 deficiency deferral is booked in there. So if</p> <p>21 you removed the 8.8 from that, it would be --</p> <p>22 it would have been a minus 1.47 return on book</p> <p>23 equity.</p> <p>24 So those were the only two clarifications</p> <p>25 I just wanted to make.</p>

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<p>1 MR. CASS: 2 Q. Thank you. 3 CHAIRMAN: 4 Q. You are finished, sir? 5 MR. CASS: 6 Q. Yes, thank you. 7 CHAIRMAN: 8 Q. I believe, Mr. Johnson, we are back to you. 9 CROSS-EXAMINATION BY THOMAS JOHNSON, Q.C. (CONT'D) 10 JOHNSON, Q.C.: 11 Q. Thank you, sir. Good morning, ladies and 12 gentleman. 13 MS. LUTZ: 14 A. Good morning. 15 MS. RUSSELL: 16 A. Good morning. 17 MR. PELLEY: 18 A. Good morning. 19 JOHNSON, Q.C.: 20 Q. Yesterday, Ms. Lutz, we were having a 21 discussion in connection with the site service 22 administrator that you had indicated was found 23 in the regions that would have a role in 24 relation to cost control. Do you recall that? 25 MS. LUTZ:</p>	<p>1 progress at December 31st, 2015, there's no 2 impact on rate base." So that's understood. 3 But if we could just go back to the quote 4 there at lines 24 to 26, "with the exception 5 of the forecast underspend for the Labrador 6 West transmission line project, Hydro has 7 planned and expects to achieve its forecasted 8 2015 capital expenditure within a variance 9 that is consistent with the level of 10 estimates." Now just a clarification on that. 11 Is Hydro now -- is there a forecast now as to 12 where Hydro expects to be in relation to its 13 2015 capital expenditures? 14 (9:15 a.m.) 15 MS. LUTZ: 16 A. Yes, there is. 17 JOHNSON, Q.C.: 18 Q. Okay. And as compared to 119.6 million, where 19 is that forecast? 20 MS. LUTZ: 21 A. And I'm going to go by my memory here, from my 22 day-to-day work activities. So I believe the 23 forecast for CAPEX right now is 132.1 24 JOHNSON, Q.C.: 25 Q. So overspending?</p>
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<p>1 A. Yes. 2 JOHNSON, Q.C.: 3 Q. I wonder if you could undertake to provide the 4 job description of that particular role? 5 MS. LUTZ: 6 A. Yes. 7 JOHNSON, Q.C.: 8 Q. Thank you. 9 MS. GLYNN: 10 Q. Noted on the record. 11 JOHNSON, Q.C.: 12 Q. If we could turn to the Grant Thornton 13 financial consultants report at page 114? 14 This is in connection with capital 15 expenditures. And at line 21, it indicates 16 that "Hydro indicated in its response to CA- 17 NLH-326 that the forecast expenditures for 18 2015 of 119.6 million are lower than budgeted 19 expenditures of 282.1 million due to work on 20 the Labrador West transmission line being 21 suspended until Alderon completes the 22 financing plan for the Kami Mine." And then 23 as we see on line 27 for a moment, it states 24 "as the Labrador West transmission line 25 project is forecast to be included in work in</p>	<p>1 MS. LUTZ: 2 A. It's -- I'm not sure that's an apples to 3 apples comparison. When this RFI was answered 4 that this was the forecast expenditure for 5 2015. In 2015 actual, we had some projects 6 that were carried forward from 2014 that were 7 not complete, so therefore -- and those were 8 projects that were approved already by the 9 Board and so the total planned spend, 10 including carry overs for 2015, excluding the 11 Labrador West line, is about 144 million. 12 JOHNSON, Q.C.: 13 Q. Okay. Could we have an apples to apples of 14 comparing the 119.6 that was forecast for 2015 15 -- and I take it 119. -- yeah, an apples to 16 apples of where we are, what's the present 17 forecast for 2015 as compared to that 119.6. 18 MS. LUTZ: 19 A. In relation to the information that's in the 20 test year? 21 JOHNSON, Q.C.: 22 Q. Right. 23 MS. LUTZ: 24 A. Sure. 25 JOHNSON, Q.C.:</p>

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<p>1 Q. Right. And if there were to be an amount 2 lower than the 119.6 is found out by that 3 undertaking reply, would Hydro be intending to 4 make any adjustment to the rate base in the 5 test year on account of that? 6 MS. LUTZ: 7 A. Well, no, but the -- as indicated here, the 8 test -- the rate base is not impacted by the 9 planned CAPEX related to the Lab West project. 10 JOHNSON, Q.C.: 11 Q. I understand that. 12 MS. LUTZ: 13 A. Okay. 14 JOHNSON, Q.C.: 15 Q. But how about if the forecast expenditures for 16 2015 come in at less than 119.6 in this apples 17 to apples comparison that we're talking about? 18 MS. LUTZ: 19 A. '14 or '15? 20 JOHNSON, Q.C.: 21 Q. '15, sorry. 22 MS. LUTZ: 23 A. No, we had not planned to adjust our test year 24 for rate setting purposes. However, we had 25 made an adjustment for the CT and so on, which</p>	<p>1 there be -- can you think of a reason why it 2 would not be appropriate to make an adjustment 3 to the test year rate base? 4 MS. LUTZ: 5 A. The planned level of expenditures that were 6 forecasted to be included in the test year are 7 expected numbers and those assets are expected 8 to be in service and we believe that those 9 would be in service for 2016 and would be 10 appropriate for rate setting purposes. 11 JOHNSON, Q.C.: 12 Q. For 2015? 13 MS. LUTZ: 14 A. For setting rates. 15 JOHNSON, Q.C.: 16 Q. Yeah. When Mr. Henderson was on the stand in 17 September, September 24th -- I just look back 18 on it now with nostalgia. 19 CHAIRMAN: 20 Q. I can't remember. 21 JOHNSON, Q.C.: 22 Q. Anyway, it was a happy memory, I guess. We 23 had a discussion regarding travel costs and he 24 indicated that I could bring it up with your 25 panel, and what I had put to him was based</p>
<p>Page 10</p> <p>1 we have indicated in our application, in our 2 cost deferral application for the purposes of 3 setting for the 2015 costs. 4 JOHNSON, Q.C.: 5 Q. So if you underspent relative to the 6 forecasted expenditure for 2015 of 119.6, you 7 would not be intending to make an adjustment 8 to rate base in the test year for 2015? 9 MS. LUTZ: 10 A. I would have to -- I'd like to get the 11 information in the undertaking and confirm 12 that, if that's okay. 13 JOHNSON, Q.C.: 14 Q. So you'd also confirm Hydro's position on that 15 point in an undertaking? 16 MS. LUTZ: 17 A. Yes. 18 JOHNSON, Q.C.: 19 Q. Okay. 20 MS. GLYNN: 21 Q. The undertaking is noted on the record. 22 JOHNSON, Q.C.: 23 Q. Let me just ask you, if indeed the present 24 forecast for capital expenditures in 2015 were 25 to be less than that number, why wouldn't</p>	<p>Page 12</p> <p>1 upon what I was seeing in Table 57 of the 2 Grant Thornton report at page 61, if we could 3 bring that up? Table 57. Was it 57 or 37? 4 37, sorry, can't read my writing. Well, no, I 5 think it's at page -- no, it's page 61 of the 6 Grant Thornton report. Sorry about that. 7 So if we have travel, we see in actuals 8 under travel for 2014, 3.2 million, and then 9 we see a forecast in 2015 of 3.7 million 10 dollars. And he had indicated when he 11 testified that there had been increase in 12 travel, the cost of travel in terms of 13 airfares and that sort of thing that was 14 contributing to that extra amount. Can you 15 shed light on what the substantiation is for 16 that? 17 MS. LUTZ: 18 A. Yes, just give me a second. 19 JOHNSON, Q.C.: 20 Q. Sure, yeah, absolutely. 21 MS. LUTZ: 22 A. So within that category of expense, there's a 23 couple of things included. One would be 24 travel expenses, conference costs and 25 relocation expenses. So I did look back to</p>

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<p>1 find out the variance. So the variance 2 related to -- there was about 500,000 less in 3 travel and it was due to reasons ranging from 4 vacancies to changes in work scope and there 5 was some change in relocation, so that was a 6 net change. So, essentially the level of 7 travel that was put forward was reflective of 8 the number of people that were involved and 9 the anticipated activity. However, the lower 10 amounts will reflect -- were impacted by 11 vacancies, as I mentioned, and also changes in 12 work scope, whether they completed work in the 13 same manner or if it was capital work they 14 completed and so on.</p> <p>15 JOHNSON, Q.C.: 16 Q. So the relocation that you're referring to, 17 just can you elaborate on that, relocation 18 expenses?</p> <p>19 MS. LUTZ: 20 A. That would be costs associated with people 21 moving from one location to another.</p> <p>22 JOHNSON, Q.C.: 23 Q. Within Hydro? So getting like transferred 24 from St. John's to Bishops or something like 25 that?</p>	<p>1 to get that information.</p> <p>2 JOHNSON, Q.C.: 3 Q. Okay. If you could provide the explanation 4 for that full 700,000 increase?</p> <p>5 MS. LUTZ: 6 A. Sure.</p> <p>7 JOHNSON, Q.C.: 8 Q. Okay.</p> <p>9 MS. GLYNN: 10 Q. Noted on the record.</p> <p>11 JOHNSON, Q.C.: 12 Q. The GRA costs, if I could ask you to turn to 13 Table 2.7 of the evidence? And we see in 14 Table 2.7 that GRA and Board related costs in 15 the 2014 test year is 3.5 million and then 16 there's a further 2.3 million in the 2015 test 17 year. See that?</p> <p>18 MS. LUTZ: 19 A. Yes, I see that.</p> <p>20 JOHNSON, Q.C.: 21 Q. Okay. And Mr. Henderson indicated I could ask 22 your panel about this. The question I would 23 have is what amount of that 2014 test year 24 figure of 3.5 million is in relation to the 25 original GRA versus the amended GRA? Can that</p>
<p>Page 14</p> <p>1 MS. LUTZ: 2 A. I don't have the particulars on what the 3 specific relocation expenses related to.</p> <p>4 JOHNSON, Q.C.: 5 Q. No.</p> <p>6 MS. LUTZ: 7 A. I don't know what areas it was.</p> <p>8 JOHNSON, Q.C.: 9 Q. Okay. And if we turn to Undertaking 55 for a 10 moment and in particular, Attachment 2, page 11 one? And if I could just bring your attention 12 to -- this is 2015 forecast versus 2015 test 13 year and down under travel, we see that the 14 test year had 3.7 million in it and we see the 15 actuals forecast in the left-hand column, 16 actuals to August 2015 forecast, are 3. 9 17 million. So we're up \$700,000 in terms of an 18 actual amount from 2014 actuals to 2015 19 actuals forecast. It seems to be a fairly 20 significant increase in that expense category, 21 but there's no explanation for the variance 22 there. What's the explanation for that 23 variance, do you know?</p> <p>24 MS. LUTZ: 25 A. I don't have the information here. I'd have</p>	<p>Page 16</p> <p>1 be provided?</p> <p>2 MS. LUTZ: 3 A. I'm not sure I could provide a breakdown 4 between the original GRA and the amended GRA, 5 but I can provide information in terms of the 6 expenses that we recorded were the anticipated 7 expenses and we ultimately did record in 2014 8 related to the external hearing related costs.</p> <p>9 JOHNSON, Q.C.: 10 Q. So the 2014 test year forecast, that would be 11 inclusive of everything Hydro thought was to 12 be expended on both the amended and the 13 original application? Is that how that 14 worked?</p> <p>15 MS. LUTZ: 16 A. 2014?</p> <p>17 JOHNSON, Q.C.: 18 Q. Yes.</p> <p>19 MS. LUTZ: 20 A. 2014 was our -- it wasn't -- we also had costs 21 in 2015 test year of course.</p> <p>22 JOHNSON, Q.C.: 23 Q. Right.</p> <p>24 MS. LUTZ: 25 A. Related to the whole application.</p>

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<p>1 JOHNSON, Q.C.:</p> <p>2 Q. Yeah, yeah. So in terms of the 2014 test year</p> <p>3 cost, that would be -- that 3.5 million amount</p> <p>4 is inclusive of both the original -- what was</p> <p>5 anticipated to be filed on the -- spent on the</p> <p>6 original GRA and the amended GRA? Is that</p> <p>7 right?</p> <p>8 MS. LUTZ:</p> <p>9 A. Not inclusive -- I'm not -- can you repeat</p> <p>10 your question?</p> <p>11 JOHNSON, Q.C.:</p> <p>12 Q. Certainly. We see in the test year for 2014,</p> <p>13 there's three and a half million dollars there</p> <p>14 that falls under the category of GRA and Board</p> <p>15 related costs.</p> <p>16 MS. LUTZ:</p> <p>17 A. Yes.</p> <p>18 JOHNSON, Q.C.:</p> <p>19 Q. And what I'm trying to get a handle on is to</p> <p>20 what degree is that -- or what proportion of</p> <p>21 the 3.5 has to do with the amended application</p> <p>22 versus the original application? Is that even</p> <p>23 a fair question?</p> <p>24 MS. LUTZ:</p> <p>25 A. I can't -- I wouldn't say it's not a fair</p>	<p>1 estimate at the time and we had noted that if</p> <p>2 it was significantly different or if it was</p> <p>3 different that we would apply to adjust it if</p> <p>4 necessary.</p> <p>5 JOHNSON, Q.C.:</p> <p>6 Q. I guess what I'm trying to get at is that it</p> <p>7 seems to me that we had gotten up to around</p> <p>8 June of 2004 and then the brakes were put on,</p> <p>9 right -- or June of 2014, sorry, and the</p> <p>10 brakes were put on, and I'm just trying to get</p> <p>11 a sense of to what degree, you know, there</p> <p>12 might be some duplication of costs put in the</p> <p>13 2014 test year on account of the fact that we</p> <p>14 -- now we're on two processes there, right.</p> <p>15 Do you catch where I'm going on that?</p> <p>16 MS. LUTZ:</p> <p>17 A. I think I follow your comment.</p> <p>18 JOHNSON, Q.C.:</p> <p>19 Q. Yeah.</p> <p>20 MS. LUTZ:</p> <p>21 A. I think we have some -- you had some</p> <p>22 information on the GRA and -</p> <p>23 MS. RUSSELL:</p> <p>24 A. So the costs for 2014 wouldn't include any</p> <p>25 costs for '15. So if you're wondering if</p>
<p>1 question, but I'm not sure I can make the</p> <p>2 straight distinction between amended</p> <p>3 application and original application because</p> <p>4 the costs -- there's a couple of combinations</p> <p>5 of costs in here. One of the costs related to</p> <p>6 the hearing, the external costs related to</p> <p>7 this hearing, and so that amount in the test</p> <p>8 year was one million dollars, and also we had</p> <p>9 legal fees and consulting fees in relation to</p> <p>10 the preparation for the GRA. So that's the</p> <p>11 amount that we had in 2014. And perhaps it</p> <p>12 might be -- if we talk about '15, that might</p> <p>13 help clarify.</p> <p>14 JOHNSON, Q.C.:</p> <p>15 Q. Go ahead, yeah.</p> <p>16 MS. LUTZ:</p> <p>17 A. So in 2015, we have -- we again have some</p> <p>18 costs related to legal fees and external</p> <p>19 consulting and we have the amortization, the</p> <p>20 anticipated amortization of Board hearing</p> <p>21 costs, but in 2015 we had assumed that -- our</p> <p>22 assumption has been that the amount would be</p> <p>23 one million dollars and that it would be</p> <p>24 deferred over three years. So we have an</p> <p>25 amortization of 333,000 and that was our</p>	<p>1 there's '15 costs in '14, there isn't. The</p> <p>2 2014 GRA and Board related costs would be</p> <p>3 relating to the costs that we anticipated to</p> <p>4 incur in that year.</p> <p>5 JOHNSON, Q.C.:</p> <p>6 Q. Yes.</p> <p>7 MS. RUSSELL:</p> <p>8 A. In 2014. And then as Ms. Lutz has discussed,</p> <p>9 then there's the 2015 portion that's in the</p> <p>10 test year.</p> <p>11 JOHNSON, Q.C.:</p> <p>12 Q. Right, okay. And you're saying it's not</p> <p>13 possible to break down the 2014 test year</p> <p>14 number into what was in relation to the</p> <p>15 original application versus amended?</p> <p>16 MS. RUSSELL:</p> <p>17 A. No, we don't have that. All the costs, they</p> <p>18 all come in on -- it's not done -- they're</p> <p>19 just GRA costs that come in. It's just for</p> <p>20 the GRA. There's no separation between that.</p> <p>21 (9:30 a.m.)</p> <p>22 MS. LUTZ:</p> <p>23 A. Can I also add, so some of the RFIs -- so this</p> <p>24 whole process, as you indicated, has been --</p> <p>25 you know, we started and then we refiled. So</p>

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<p>1 we updated some of the RFIs, but a significant 2 number of those RFIs weren't updated. So 3 those were still useful in terms of -- you 4 know, it was in relation to this particular 5 process. 6 JOHNSON, Q.C.: 7 Q. Okay. Let me ask you about cost allocation 8 for a moment. Mr. O'Brien put to you and you 9 had a bit of discussion yesterday regarding 10 this fully burdening issue and you had said 11 that there was a -- you thought early analysis 12 showed a 70 to \$100,000 impact, and you 13 provided an undertaking to provide, I guess, 14 the financial impact for 2014 and 2015, right? 15 And do I understand that that undertaking was 16 broad enough to cover as well HR and 17 information services and health and safety as 18 well? 19 MS. LUTZ: 20 A. The way I interpreted Mr. Rolph's comment, he 21 was referring to the common services which he 22 defined as HR, IS and Safety and Health. 23 JOHNSON, Q.C.: 24 Q. Okay. So that's what your undertaking will be 25 looking at, the three of those?</p>	<p>1 Board. And again, if you go then back to page 2 11 of 24? Is that page 11 of 24? There you 3 go. And just go down to lines 36 to 41. 4 Yeah. 5 It states here "charges for external 6 billings do incorporate a profit margin, 7 according to Hydro, in 2010. External 8 billings are based on markup of 57 percent on 9 wage rates. CF(L)Co is 80 percent, fixed 10 charge of \$80 a day and a 25 percent profit 11 margin." And so, I take it this was the 12 markup that was being -- was this the latest 13 markup that was being charged to CF(L)Co 14 before you stopped charging the markup? Is 15 that the most up-to-date markup that was used 16 by Hydro? 17 MS. LUTZ: 18 A. Could you just repeat that? 19 JOHNSON, Q.C.: 20 Q. Certainly. When I read this, it would 21 indicate that Hydro used to charge CF(L)Co a 22 markup along these lines of what we're seeing 23 here in lines 36 to 38. Is that right? 24 MS. LUTZ: 25 A. That's not the way I read it, no.</p>
<p>1 MS. LUTZ: 2 A. On those three, yes. 3 JOHNSON, Q.C.: 4 Q. Okay. As well, in relation to the cost 5 allocation business, you undertook to 6 calculate a markup with respect to transacting 7 with CF(L)Co for 2014 and 2015 test years. 8 MS. LUTZ: 9 A. Yes. 10 JOHNSON, Q.C.: 11 Q. And what markup are you going to apply in 12 answering that undertaking? 13 MS. LUTZ: 14 A. I would have looked at the information that 15 Mr. Rolph had suggested at what would be an 16 appropriate markup, which I believe he says is 17 two to five percent. 18 JOHNSON, Q.C.: 19 Q. I see, okay. Now could I turn your attention 20 to NP-NLH-197, Attachment 1? Yeah. And if we 21 could just scroll back up to see the cover 22 page on this document so we get a description 23 of it for the record, Ms. Gray? Yeah. This 24 is Grant Thornton's review of intercompany 25 transactions, '08 to 2010, filed with the</p>	<p>1 JOHNSON, Q.C.: 2 Q. No? Okay. How do you read it? 3 MS. LUTZ: 4 A. The first sentence to me is "charges for 5 external billings do incorporate a profit 6 margin" and it's external to any of the 7 related parties. So it would be if, as an 8 example, if Hydro was going to do work for 9 Newfoundland Power or Aliant to put poles in, 10 for instance. It would be an external type of 11 billing. 12 JOHNSON, Q.C.: 13 Q. Okay. 14 MS. LUTZ: 15 A. So then it goes on to say that if we were to 16 conduct that work, the charges for labour, for 17 the people, would be -- for Hydro people would 18 be -- or any Nalcor person would be marked up 19 by 1.57 and anyone from CF would be 1.8, in 20 addition to a fixed charge. And then it goes 21 on to say that any current agreements -- if we 22 had an agreement with a customer already and 23 it was a different amount in there, then that 24 would be grandfathered into this. 25 JOHNSON, Q.C.:</p>

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1 Q. I see. So just to go back then, so the
2 undertaking that you'll be providing will be
3 based on that very, very modest markup as was
4 referenced in Mr. Rolph's report?
5 MS. LUTZ:
6 A. Well, that's the way I -- we were referencing
7 the comments that Mr. Rolph had made, so that
8 was -
9 JOHNSON, Q.C.:
10 Q. I understand, okay. Could we have you also
11 provide an undertaking to provide a markup
12 such as we see that would apply to an external
13 billing, in the case of CF(L)Co? CF(L)Co has
14 an outside interest involved with it, the
15 Province of Quebec, right?
16 MS. LUTZ:
17 A. That's correct.
18 JOHNSON, Q.C.:
19 Q. Right. So could we have an undertaking as to
20 what the impact would be for the 2014 and 2015
21 test year if markup as used for external
22 purposes like described here was used?
23 MS. LUTZ:
24 A. I could do the calculation, but we would have
25 to -- I would have to go back and check any

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1 agreements, any legal documents that we may
2 have in place with CF.
3 JOHNSON, Q.C.:
4 Q. Well, what we're looking for is the financial
5 impact of the number.
6 MS. LUTZ:
7 A. I can calculate it.
8 JOHNSON, Q.C.:
9 Q. Yeah.
10 MS. LUTZ:
11 A. But I would just like to say that whether or
12 not that -- we'd have to check the legal
13 agreements as well, and it indicates it here
14 that any other agreements would be
15 grandfathered.
16 JOHNSON, Q.C.:
17 Q. Okay. And well, maybe a further undertaking
18 then is to advise us as to what agreement
19 might be in place that would bear upon the
20 ability to charge that markup.
21 MS. LUTZ:
22 A. Sure.
23 JOHNSON, Q.C.:
24 Q. Okay.
25 MS. GLYNN:

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1 Q. Noted on the record.
2 JOHNSON, Q.C.:
3 Q. Ms. Lutz, again, you were asked by Mr. O'Brien
4 whether you were involved with establishing
5 the intercompany guidelines and you said that
6 you had participated in that, and what was
7 your involvement in the establishment of these
8 intercompany guidelines?
9 MS. LUTZ:
10 A. So, as I mentioned, I joined Nalcor in late
11 2007. So we undertook this process in 2008.
12 I was relatively new to the company, so I
13 participated by doing some calculations and
14 support as required to help design what those
15 guidelines were.
16 JOHNSON, Q.C.:
17 Q. Okay. Who led this effort at Nalcor?
18 MS. LUTZ:
19 A. It was the corporate controller at the time.
20 JOHNSON, Q.C.:
21 Q. Who was that?
22 MS. LUTZ:
23 A. It was Mr. Glenn Mitchell.
24 JOHNSON, Q.C.:
25 Q. And was this a process that was underway when

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1 you started in '08 or was it started after you
2 got there?
3 MS. LUTZ:
4 A. Actually I can't say for certain. I can't.
5 JOHNSON, Q.C.:
6 Q. Okay. In any event, let me bring you to
7 Undertaking 53 and in particular, this is
8 Newfoundland Power's inter-affiliate code of
9 conduct dated May 2011 and if I could just
10 draw your attention to Section 3 of the
11 document and Roman numeral four. This sets
12 out in this section the underlying principles.
13 The code should be interpreted and applied in
14 accordance with these principles. Number four
15 is "with regard to the provision of staff and
16 other services to affiliates, benefits should
17 be transparent, demonstrable and maximized to
18 the advantage of rate payers." And were you
19 aware of this document back when Hydro or
20 Nalcor was doing its work on these
21 intercompany transactions?
22 MS. LUTZ:
23 A. Back in 2008?
24 JOHNSON, Q.C.:
25 Q. Well, this is from '11, but I guess you'd been

Page 29	Page 31
<p>1 involved with -- you were aware of this 2 document prior to this case, I take it? 3 MS. LUTZ: 4 A. Yes, I am. 5 JOHNSON, Q.C.: 6 Q. Okay. And in fairness, these principles were 7 borne out of an earlier order that affected 8 Newfoundland Power from 2003, right? 9 MS. LUTZ: 10 A. Yes. 11 JOHNSON, Q.C.: 12 Q. Okay. And P.U. 19 in 2003. So that was 13 understood by you back in '08? 14 MS. LUTZ: 15 A. Not back in '08, but since that time, yes. 16 JOHNSON, Q.C.: 17 Q. Since that time, okay. When did you become 18 aware of the principles in P.U. 19 (2003)? 19 Can you recall? 20 MS. LUTZ: 21 A. No. 22 JOHNSON, Q.C.: 23 Q. No? 24 MS. LUTZ: 25 A. I can't.</p>	<p>1 did not assess whether rate payers derived 2 demonstrable benefit from Nalcor's 3 intercompany transactions, correct? 4 MS. LUTZ: 5 A. They did not assess that, no. 6 JOHNSON, Q.C.: 7 Q. That's right. And nor Nalcor didn't ask 8 Deloitte to assess it either, right? 9 MS. LUTZ: 10 A. That's correct. 11 JOHNSON, Q.C.: 12 Q. Right. And when Deloitte was retained to do 13 this work, Nalcor would have been fully aware 14 of the Board's order that we just discussed 15 pertaining to Newfoundland Power, right? Is 16 that right? 17 MS. LUTZ: 18 A. Yes. 19 JOHNSON, Q.C.: 20 Q. Yeah, okay. And Deloitte was not asked to 21 consider the principles governing intercompany 22 transaction as had been set down in that order 23 number P.U.19 (2003)? Is that right? 24 MS. LUTZ: 25 A. Yes.</p>
<p>1 JOHNSON, Q.C.: 2 Q. No, okay. 3 MS. LUTZ: 4 A. Not specifically. 5 JOHNSON, Q.C.: 6 Q. Okay. So the principles that we see expressed 7 there, and particularly that one that I just 8 brought your attention to, that mandate that 9 the utility -- that the transactions will not 10 disadvantage and furthermore that rate payers 11 in the utility will derive some demonstrable 12 benefit and there's talk about maximization in 13 the next clause. Are these principles that 14 you would agree with? 15 MS. LUTZ: 16 A. Yes, I do agree with those principles. 17 JOHNSON, Q.C.: 18 Q. Right. And when Nalcor had Deloitte review 19 its model and its processes -- because you 20 went through that review process with Deloitte 21 or Nalcor did? Is that right? 22 MS. LUTZ: 23 A. Yes. 24 JOHNSON, Q.C.: 25 Q. Right, and my understanding is that Deloitte</p>	<p>1 JOHNSON, Q.C.: 2 Q. Okay. Now you're aware that Newfoundland 3 Power charges a markup when it provides 4 services to affiliates in the Fortis Group of 5 Companies? You're aware of that? 6 MS. LUTZ: 7 A. From this document, it outlines certain 8 services and certain services where there is - 9 - it's done at cost. 10 JOHNSON, Q.C.: 11 Q. Right, and in terms of the Nalcor's -- certain 12 of Nalcor's companies, for instance, and just 13 take one, the aspects dealing with oil and gas 14 that Nalcor has an involvement with. 15 MS. LUTZ: 16 A. Yes. 17 JOHNSON, Q.C.: 18 Q. I take it these are in the profit making 19 business? 20 MS. LUTZ: 21 A. Yes. 22 JOHNSON, Q.C.: 23 Q. Right, and when, for instance, oil and gas at 24 Nalcor obtains services for outside sources, I 25 take it you would agree with me that the rates</p>

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<p>1 they pay to these outside sources, they would 2 include a profit margin, right? 3 MS. LUTZ: 4 A. Could you just repeat that? 5 JOHNSON, Q.C.: 6 Q. When oil and gas, for instance, at Nalcor goes 7 out to a third party to get services that it 8 needs to conduct its business, it pays rates 9 that reflect a profit by those third party 10 providers? Is that right? 11 MS. LUTZ: 12 A. I don't have direct information on what Nalcor 13 oil and gas - 14 JOHNSON, Q.C.: 15 Q. But if they go out to the market to an arm's 16 length supplier of services, it would be 17 normal that they would expect to pay a markup 18 on those services? 19 MS. LUTZ: 20 A. I would assume so. 21 JOHNSON, Q.C.: 22 Q. Yeah. And in terms of the Hydro not charging 23 a markup -- because I take it a markup would 24 have the potential of maximizing a rate payer 25 benefit, would you not agree?</p>	<p>1 entities because it's designed to facilitate 2 the sharing of resources, given that we are a 3 shared service organization. 4 (9:45 a.m.) 5 JOHNSON, Q.C.: 6 Q. And this is in -- this is referencing again 7 the Deloitte report, which as we've 8 acknowledged did not look at whether the 9 benefits were demonstrable or whether they 10 were being maximized to the benefit of the 11 rate payer. 12 MS. LUTZ: 13 A. It didn't look at that, but it did outline 14 that the process is fair and reasonable and in 15 line with other utilities. In terms of 16 whether or not there have been benefits, the 17 administration fee -- so we've been able to 18 share the cost of providing services with the 19 other lines of business. It's Hydro office 20 space and IS services and so on. So in the 21 test year, I believe it's 5.7 million dollars 22 that we have. And in terms, yesterday we 23 spoke about the staff that had transferred to 24 Nalcor and are sharing services. So, we don't 25 have -- Mr. Pelley would be an example. We</p>
<p>Page 34</p> <p>1 MS. LUTZ: 2 A. The way that we do the intercompany 3 transactions, we have provided some evidence 4 that shows there has been a demonstrable 5 benefit and I guess what I'm saying, a markup 6 is not the only way that there can be 7 benefits. 8 JOHNSON, Q.C.: 9 Q. And in terms of the markup, I guess why 10 wouldn't -- if Hydro personnel is providing 11 services to entities, some of which are 12 obviously involved in profit oriented 13 activities, why wouldn't there be a markup? 14 MS. LUTZ: 15 A. I believe we -- there was an RFI asked by you, 16 CA-082, which explains why we -- that was our 17 response. Jenny, if you could bring that up? 18 JOHNSON, Q.C.: 19 Q. Okay, sure. 20 MS. LUTZ: 21 A. Oh, 083, sorry. So one of the primary 22 differences from Hydro, in terms of Nalcor, we 23 are -- we're not a stand-alone utility and 24 we're sharing resources. So we are -- we 25 don't charge a profit on the services between</p>	<p>Page 36</p> <p>1 don't -- Hydro doesn't have a dedicated 100 2 percent full-time treasurer, but we are able 3 to draw on the services of Mr. Pelley, for 4 instance, as required. So therefore there's 5 an inherent benefit by having the services 6 available, but not having to provide -- pay 7 the cost of having someone full time. That's 8 a demonstrable benefit. 9 JOHNSON, Q.C.: 10 Q. So in the case now of say CF(L)Co, which has a 11 private interest involvement or an outside 12 interest involvement, do you see the rationale 13 for a markup there, that that would make 14 sense? 15 MS. LUTZ: 16 A. Do I see a rationale for charging CF(L)Co? 17 JOHNSON, Q.C.: 18 Q. Yeah. 19 MS. LUTZ: 20 A. It's a similar situation. As it mentions 21 here, we are designed -- we do have shared 22 services and it is designed to optimize the 23 sharing of the resources. So the rates are 24 the same across the entities and it 25 facilitates just the efficient use of the</p>

<p style="text-align: right;">Page 37</p> <p>1 resources.</p> <p>2 JOHNSON, Q.C.:</p> <p>3 Q. Yeah, but I guess what I'm focusing on now is</p> <p>4 Mr. Rolph's report. It seemed to be what he</p> <p>5 was saying is that where there was a private</p> <p>6 or outside interest involved, you'd look at</p> <p>7 doing a markup and I think CF(L)Co would fit</p> <p>8 that definition. Is that right?</p> <p>9 MS. LUTZ:</p> <p>10 A. It could.</p> <p>11 JOHNSON, Q.C.:</p> <p>12 Q. Yeah.</p> <p>13 MS. LUTZ:</p> <p>14 A. We had an undertaking to look at that.</p> <p>15 JOHNSON, Q.C.:</p> <p>16 Q. Right. And so, I guess would you accept Mr.</p> <p>17 Rolph's view of the world that a markup would</p> <p>18 be -- would make sense in that context?</p> <p>19 MS. LUTZ:</p> <p>20 A. I accept that it's one way to do it. It's not</p> <p>21 necessarily the only way it could be done.</p> <p>22 JOHNSON, Q.C.:</p> <p>23 Q. Okay. But you're not saying it's</p> <p>24 unreasonable?</p> <p>25 MS. LUTZ:</p>	<p style="text-align: right;">Page 39</p> <p>1 CHAIRMAN:</p> <p>2 Q. Mr. Coxworthy, sir.</p> <p>3 CROSS-EXAMINATION BY MR. PAUL COXWORTHY</p> <p>4 MR. COXWORTHY:</p> <p>5 Q. Thank you, Mr. Chair. Good morning, Mr.</p> <p>6 Pelley, Ms. Russell, Ms. Lutz.</p> <p>7 MR. PELLEY:</p> <p>8 A. Good morning.</p> <p>9 MS. LUTZ:</p> <p>10 A. Good morning.</p> <p>11 MS. RUSSELL:</p> <p>12 A. Good morning.</p> <p>13 MR. COXWORTHY:</p> <p>14 Q. I just want to cover some of the ground that</p> <p>15 has been previously answered by you, in terms</p> <p>16 of how long you've been with Nalcor or Hydro</p> <p>17 and the positions you've been in. There's</p> <p>18 been some evidence about that, but I just want</p> <p>19 to clarify a few things. So perhaps I could</p> <p>20 start with you, Mr. Pelley.</p> <p>21 MR. PELLEY:</p> <p>22 A. Sure.</p> <p>23 MR. COXWORTHY:</p> <p>24 Q. You've been the corporate treasurer with</p> <p>25 Nalcor Energy, as well as Newfoundland and</p>
<p style="text-align: right;">Page 38</p> <p>1 A. I'm not saying it's reasonable or</p> <p>2 unreasonable, no.</p> <p>3 JOHNSON, Q.C.:</p> <p>4 Q. Okay. And so, if you're not saying that it's</p> <p>5 unreasonable or reasonable, I'm just trying to</p> <p>6 get a sense of why there would be a</p> <p>7 distinction drawn with other pieces of Nalcor</p> <p>8 that are in profit, for instance, why they</p> <p>9 would not be charged a markup likewise. What</p> <p>10 would be the distinction between CF(L)Co and</p> <p>11 these other entities that are in the profit</p> <p>12 business?</p> <p>13 MS. LUTZ:</p> <p>14 A. Well, I need to go back to the structure of</p> <p>15 Nalcor and the entities. So there is -- there</p> <p>16 are shared services between a number of</p> <p>17 entities that are within the Nalcor group and</p> <p>18 the way the intercompany transaction process</p> <p>19 has been established is that the rates are the</p> <p>20 same and is designed to facilitate the sharing</p> <p>21 of the resources. So we're not a stand-alone</p> <p>22 utility.</p> <p>23 JOHNSON, Q.C.:</p> <p>24 Q. Okay. I think that those are my questions for</p> <p>25 the panel. Thank you.</p>	<p style="text-align: right;">Page 40</p> <p>1 Labrador Hydro?</p> <p>2 MR. PELLEY:</p> <p>3 A. Yes.</p> <p>4 MR. COXWORTHY:</p> <p>5 Q. How long have you been the corporate</p> <p>6 controller for Nalcor?</p> <p>7 MR. PELLEY:</p> <p>8 A. Corporate treasurer.</p> <p>9 MR. COXWORTHY:</p> <p>10 Q. I'm sorry, treasurer.</p> <p>11 MR. PELLEY:</p> <p>12 A. That's not a role I want.</p> <p>13 MR. COXWORTHY:</p> <p>14 Q. I'll try and keep them straight.</p> <p>15 MR. PELLEY:</p> <p>16 A. Since 2013, so approximately two years.</p> <p>17 MR. COXWORTHY:</p> <p>18 Q. Okay. And have you also then been the</p> <p>19 corporate treasurer for Newfoundland and</p> <p>20 Labrador Hydro for that same period?</p> <p>21 MR. PELLEY:</p> <p>22 A. Correct, yes.</p> <p>23 MR. COXWORTHY:</p> <p>24 Q. Okay. So it's a dual appointment?</p> <p>25 MR. PELLEY:</p>

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<p>1 A. Yes, insofar as that I'm an officer of 2 Newfoundland and Labrador Hydro as corporate 3 treasurer, yes. 4 MR. COXWORTHY: 5 Q. And are you -- you're considered to be a 6 Nalcor employee though as opposed to Hydro 7 employee? 8 MR. PELLE: 9 A. Yes, that's correct. 10 MR. COXWORTHY: 11 Q. And you report to Mr. Sturge in that position? 12 MR. PELLE: 13 A. Ultimately, yes, but I report to Mr. Sturge 14 through a general manager. That would be the 15 general manager of commercial and treasury and 16 risk. 17 MR. COXWORTHY: 18 Q. Sure. And prior to 2013, what position did 19 you hold with Nalcor or with Hydro? 20 MR. PELLE: 21 A. I was the assistant treasurer for Nalcor 22 Energy. 23 MR. COXWORTHY: 24 Q. And Ms. Russell, from your evidence on 25 November 16th, I understand that you have been</p>	<p>1 A. I do, yes. 2 MR. COXWORTHY: 3 Q. Directly? 4 MS. RUSSELL: 5 A. I report directly to Mr. Sturge with a dual 6 reporting relationship to -- well, I did, at 7 the time, okay, so it's changed now, so now I 8 report directly to Mr. MacIsaac. 9 MR. COXWORTHY: 10 Q. Sure. But prior to Mr. MacIsaac become 11 president of Hydro - 12 MS. RUSSELL: 13 A. Yes. 14 MR. COXWORTHY: 15 Q. - your direct reporting line would have been 16 to Mr. Sturge? 17 MS. RUSSELL: 18 A. Yes, and a dual reporting relationship to Mr. 19 Henderson. 20 MR. COXWORTHY: 21 Q. Sure. The dotted line reporting that we've 22 been talking about. 23 MS. RUSSELL: 24 A. Correct. 25 MR. COXWORTHY:</p>
<p>1 in your current position since January 2014? 2 MS. RUSSELL: 3 A. Correct. 4 MR. COXWORTHY: 5 Q. And prior to that, you were manager of rates 6 and regulatory for approximately one year? 7 MS. RUSSELL: 8 A. Correct. 9 MR. COXWORTHY: 10 Q. So did that start in January 2013? 11 MS. RUSSELL: 12 A. Yeah, I think it was December, January, yes. 13 MR. COXWORTHY: 14 Q. And that's the position now that's held by Mr. 15 Fagan? 16 MS. RUSSELL: 17 A. Correct. 18 MR. COXWORTHY: 19 Q. Has there been any change in that position 20 since Mr. Fagan in terms of responsibilities? 21 MS. RUSSELL: 22 A. No. 23 MR. COXWORTHY: 24 Q. And do you report to Mr. Sturge? 25 MS. RUSSELL:</p>	<p>1 Q. And Ms. Lutz, you've been in the position of 2 divisional controller with Nalcor since 2011? 3 MS. LUTZ: 4 A. No. 5 MR. COXWORTHY: 6 Q. Or corporate controller, I'm sorry. 7 MS. LUTZ: 8 A. I was the corporate controller from 2011 to 9 2014, so last July I moved over as a 10 divisional controller of Hydro. 11 MR. COXWORTHY: 12 Q. Thank you. And your reporting lines to Mr. 13 Sturge, is it direct to Mr. Sturge or is it 14 through - 15 MS. LUTZ: 16 A. It's through Ms. Russell. 17 MR. COXWORTHY: 18 Q. Through Ms. Russell, and has that always been 19 the case? 20 MS. LUTZ: 21 A. Since I've been in this role. 22 MR. COXWORTHY: 23 Q. In the role of divisional controller? 24 MS. LUTZ: 25 A. Yes.</p>

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<p>1 MR. COXWORTHY: 2 Q. Okay. How about prior to that when you were 3 corporate controller? 4 MS. LUTZ: 5 A. No, I reported at that time to the general 6 manager of corporate services. 7 MR. COXWORTHY: 8 Q. Within Nalcor? 9 MS. LUTZ: 10 A. Yes. 11 MR. COXWORTHY: 12 Q. Okay. And that person then would report to 13 Mr. Sturge? Is that correct? 14 MS. LUTZ: 15 A. That's correct. 16 MR. COXWORTHY: 17 Q. Thank you. You're familiar, and I would note 18 that Ms. Russell directed us to NP-NLH-369 19 with the Orders in Council that were issued in 20 2013 to Hydro in relation to the allocation of 21 the load variation surplus. If we can turn to 22 NP-NLH-369 perhaps? And the specific Order in 23 Council I want to direct you to is there. I 24 think we passed it. It's in the body of the 25 response as opposed to an attachment or it may</p>	<p>1 Q. Okay. And so you didn't read, I think you 2 were indicating, the Order in Council, or you 3 weren't given a copy of it to read at the 4 time, but you say you were familiar from 5 discussions. What did you understand from 6 those discussions in 2013 about what this 7 Order in Council was supposed to do? 8 MR. PELLEY: 9 A. I can't recall specifically. 10 MR. COXWORTHY: 11 Q. Did you understand that it directed Hydro to 12 file a GRA based on a 2013 test year? 13 MR. PELLEY: 14 A. I can't recall. 15 MR. COXWORTHY: 16 Q. So do you recall any discussions in 2013 about 17 Hydro preparing to file a general rate 18 application? 19 MR. PELLEY: 20 A. What I would say is while I don't specifically 21 recall participating in any discussions, 22 decisions around filing of a GRA and timing 23 and so forth wouldn't fall within the scope of 24 what I do. 25 MR. COXWORTHY:</p>
<p>Page 46</p> <p>1 be an attachment as well, but it's excerpted 2 in the body. Sorry, I'm not able to give you 3 the exact page. I know it's there though. If 4 we could scroll up a bit more, Ms. Gray? Yes, 5 we're getting into it. Yes, there it is. 6 Thank you. 7 So this is OC2013-089. It was issued in 8 April of 2013. So I'll just give you a chance 9 to look at that, but were you familiar, Mr. 10 Pelley, at the time, in 2013, in your role as 11 corporate treasurer with Nalcor, with this 12 Order in Council? Would it have been brought 13 to your attention in your role as corporate 14 treasurer? 15 MR. PELLEY: 16 A. Could you just scroll down, Jenny? No, this 17 Order wasn't specifically brought to my 18 attention, but I was aware of it through, I 19 guess, just general participation in the 20 management team with the company. 21 MR. COXWORTHY: 22 Q. And aware of it in 2013? 23 MR. PELLEY: 24 A. Yes. 25 MR. COXWORTHY:</p>	<p>Page 48</p> <p>1 Q. Would or wouldn't, I'm sorry? 2 MR. PELLEY: 3 A. Sorry, wouldn't fall within the scope of what 4 I touch on a day-to-day basis, for lack of a 5 better word. 6 MR. COXWORTHY: 7 Q. So when -- and I guess I'm looking at the 8 evidence you gave on November 16th, 2015. I 9 don't think it's necessary to turn to it, but 10 one of the areas you identified as your area 11 of responsibility as corporate treasurer with 12 Nalcor and Hydro was financial risk management 13 for the company. 14 MR. PELLEY: 15 A. Yeah. 16 MR. COXWORTHY: 17 Q. And, you know, I don't know what's encompassed 18 exactly in that you may say, but is the timing 19 of a GRA, revenue deficiencies that may be 20 arising because rates have not changed because 21 there hasn't been a GRA, is that part of 22 financial risk management in your role or is 23 that not within the scope of it? 24 MR. PELLEY: 25 A. No, it -- I need a moment to think this one</p>

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<p>1 through because I think ultimately, yes, it</p> <p>2 is, from the perspective of what impact delays</p> <p>3 in a general rate application could</p> <p>4 potentially have on Hydro's liquidity, its</p> <p>5 ability to finance itself on a day-to-day</p> <p>6 basis. So to that extent, yes, I think it's</p> <p>7 within the scope, and you know, on a quarterly</p> <p>8 or on a quarterly, in some cases, and some</p> <p>9 cases annual basis, as part of our review of</p> <p>10 the financial risk that face all our</p> <p>11 companies, we look at liquidity and we would</p> <p>12 have looked at it for Hydro in that period and</p> <p>13 would have made a determination that despite</p> <p>14 delays in a rate filing, Hydro's financial</p> <p>15 resources, such as its access to short term</p> <p>16 credit, its access to long term debt markets,</p> <p>17 would have been sufficient.</p> <p>18 MR. COXWORTHY:</p> <p>19 Q. In 2013?</p> <p>20 MR. PELLE:</p> <p>21 A. In 2013 to carry us through, yes.</p> <p>22 MR. COXWORTHY:</p> <p>23 Q. Okay. And did you make that same assessment</p> <p>24 for 2014?</p> <p>25 MR. PELLE:</p>	<p>1 MR. COXWORTHY:</p> <p>2 Q. You were in rates and regulatory.</p> <p>3 MS. RUSSELL:</p> <p>4 A. Correct.</p> <p>5 MR. COXWORTHY:</p> <p>6 Q. But were you aware of this Order in Council?</p> <p>7 MS. RUSSELL:</p> <p>8 A. Yes.</p> <p>9 MR. COXWORTHY:</p> <p>10 Q. Were you made aware of it in 2013?</p> <p>11 MS. RUSSELL:</p> <p>12 A. Yes.</p> <p>13 MR. COXWORTHY:</p> <p>14 Q. And was your opinion sought or was there any</p> <p>15 discussion in which you were involved about</p> <p>16 whether, you know, a 2013 test year was an</p> <p>17 appropriate test year for Hydro's next GRA?</p> <p>18 MS. RUSSELL:</p> <p>19 A. Opinion sought from?</p> <p>20 MR. COXWORTHY:</p> <p>21 Q. Well, from Mr. Sturge or anyone within Nalcor</p> <p>22 or Hydro.</p> <p>23 MS. RUSSELL:</p> <p>24 A. Once we received this?</p> <p>25 MR. COXWORTHY:</p>
<p>1 A. We would have, yes.</p> <p>2 MR. COXWORTHY:</p> <p>3 Q. Okay. And so that the liquidity was</p> <p>4 sufficient?</p> <p>5 MR. PELLE:</p> <p>6 A. Correct.</p> <p>7 MR. COXWORTHY:</p> <p>8 Q. Was your opinion ever asked in 2013 or</p> <p>9 afterwards as to whether a 2013 test year was</p> <p>10 an appropriate one for a general rate</p> <p>11 application?</p> <p>12 MR. PELLE:</p> <p>13 A. No.</p> <p>14 MR. COXWORTHY:</p> <p>15 Q. And it's not something that you would</p> <p>16 typically be asked, given your role?</p> <p>17 MR. PELLE:</p> <p>18 A. No.</p> <p>19 MR. COXWORTHY:</p> <p>20 Q. Ms. Russell, I'd like to move on to yourself</p> <p>21 and similar questions. I recognize that in</p> <p>22 January 2013, you were not in your current</p> <p>23 position.</p> <p>24 MS. RUSSELL:</p> <p>25 A. Correct.</p>	<p>1 Q. Well, even before. So before the Order in</p> <p>2 Council was issued, was your opinion sought as</p> <p>3 to whether 2013 was an appropriate test year</p> <p>4 for Hydro's next GRA?</p> <p>5 MS. RUSSELL:</p> <p>6 A. At the point in time when the preparation of a</p> <p>7 GRA was -- 2013 was the test year that was</p> <p>8 going to be put forward.</p> <p>9 MR. COXWORTHY:</p> <p>10 Q. So there was no -- before April of 2013 when</p> <p>11 this Order in Council came out, there was no</p> <p>12 discussion of Hydro's next GRA or preparations</p> <p>13 made for it?</p> <p>14 MS. RUSSELL:</p> <p>15 A. Well, yes, there were preparations ongoing</p> <p>16 before this.</p> <p>17 MR. COXWORTHY:</p> <p>18 Q. Okay. And you were involved with them as</p> <p>19 manager of rates and regulatory?</p> <p>20 MS. RUSSELL:</p> <p>21 A. Yes. I believe they had started even before I</p> <p>22 was there.</p> <p>23 MR. COXWORTHY:</p> <p>24 Q. So before this Order in Council came out, was</p> <p>25 there any discussion that you were involved in</p>

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<p>1 as to what would have been an appropriate test</p> <p>2 year for Hydro's next GRA?</p> <p>3 MS. RUSSELL:</p> <p>4 A. Before this -- well, I believe, the -</p> <p>5 MR. COXWORTHY:</p> <p>6 Q. Before the Order in Council.</p> <p>7 MS. RUSSELL:</p> <p>8 A. - the 2013 test year would have been the test</p> <p>9 year that Hydro would have been preparing.</p> <p>10 MR. COXWORTHY:</p> <p>11 Q. Sure. And you were involved in that from the</p> <p>12 very beginning of your involvement, December</p> <p>13 2012?</p> <p>14 MS. RUSSELL:</p> <p>15 A. When I -- yes, but it wouldn't have been the</p> <p>16 beginning, I guess, of -- necessarily the</p> <p>17 beginning of the preparation stage, but since</p> <p>18 -</p> <p>19 MR. COXWORTHY:</p> <p>20 Q. So there would have been GRA preparations</p> <p>21 predating your coming into the position in</p> <p>22 December of 2012?</p> <p>23 MS. RUSSELL:</p> <p>24 A. Yes.</p> <p>25 (10:00 a.m.)</p>	<p>1 time.</p> <p>2 MR. COXWORTHY:</p> <p>3 Q. And was your opinion sought in July or before</p> <p>4 that filing in July 2013 as to whether the</p> <p>5 2013 test year was still reasonable?</p> <p>6 MS. RUSSELL:</p> <p>7 A. From a rates and -- in my role at the time?</p> <p>8 MR. COXWORTHY:</p> <p>9 Q. Yes.</p> <p>10 MS. RUSSELL:</p> <p>11 A. Yes, we would have discussed or looked at the</p> <p>12 test year at the time and that was what was</p> <p>13 filed in July.</p> <p>14 MR. COXWORTHY:</p> <p>15 Q. And at any point after the July 2013 filing,</p> <p>16 the original GRA filing, were you involved in</p> <p>17 any discussion about the 2013 test year and</p> <p>18 whether it was still a reasonable or</p> <p>19 appropriate test year to go forward with with</p> <p>20 Hydro's GRA?</p> <p>21 MS. RUSSELL:</p> <p>22 A. Subsequent to in 2014?</p> <p>23 MR. COXWORTHY:</p> <p>24 Q. Is that the first time that discussion</p> <p>25 occurred, in 2014, that you were involved in?</p>
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<p>1 MR. COXWORTHY:</p> <p>2 Q. And after the Order in Council was issued</p> <p>3 indicating that the test year was to be 2013,</p> <p>4 was there any discussion at any point</p> <p>5 afterwards as to whether 2013 test year was</p> <p>6 appropriate?</p> <p>7 MS. RUSSELL:</p> <p>8 A. At the point -</p> <p>9 MR. COXWORTHY:</p> <p>10 Q. For Hydro's next GRA.</p> <p>11 MS. RUSSELL:</p> <p>12 A. At which time period are you referring to?</p> <p>13 MR. COXWORTHY:</p> <p>14 Q. After the Order in Council was issued.</p> <p>15 MS. RUSSELL:</p> <p>16 A. So in April?</p> <p>17 MR. COXWORTHY:</p> <p>18 Q. Yes.</p> <p>19 MS. RUSSELL:</p> <p>20 A. That was -- we filed in July.</p> <p>21 MR. COXWORTHY:</p> <p>22 Q. I understand.</p> <p>23 MS. RUSSELL:</p> <p>24 A. So at that point in time, the 2013 test year</p> <p>25 appeared to be reasonable at that point in</p>	<p>1 MS. RUSSELL:</p> <p>2 A. I believe so, yes.</p> <p>3 MR. COXWORTHY:</p> <p>4 Q. And what was the context for that discussion,</p> <p>5 in terms of that arising?</p> <p>6 MS. RUSSELL:</p> <p>7 A. I think the context of the discussion, which</p> <p>8 would have been looking at the test year that</p> <p>9 we filed in July versus making an amendment,</p> <p>10 would have been based on updated financial</p> <p>11 information based on changes in forecast costs</p> <p>12 because -- simply because of how long it had</p> <p>13 been at that point in time from when we filed</p> <p>14 in July, that the forecast costs going forward</p> <p>15 had changed. So that's when discussions would</p> <p>16 have -</p> <p>17 MR. COXWORTHY:</p> <p>18 Q. And at some point, of course, in the course of</p> <p>19 January, 2014, you changed your position, you</p> <p>20 actually become - you actually go into your</p> <p>21 current position?</p> <p>22 MS. RUSSELL:</p> <p>23 A. Correct.</p> <p>24 MR. COXWORTHY:</p> <p>25 Q. In January, 2014, so these discussions about</p>

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<p>1 perhaps the 2013 test year not being 2 reasonable or appropriate, was that before or 3 after you moved into your current position in 4 January, 2014? 5 MS. RUSSELL: 6 A. It would have been in my new position because 7 that - just due to the period of time that had 8 gone on, so it was - so we filed in July, 9 2011. I would have changed over into this 10 role in January, and it would have been in the 11 second quarter. 12 MR. COXWORTHY: 13 Q. Second quarter of 2014 when the first 14 discussions about the amount of time having 15 gone by? 16 MS. RUSSELL: 17 A. That I can recall. 18 MR. COXWORTHY: 19 Q. What was the expectation when the GRA was 20 originally filed in July, 2013, about when 21 Hydro would get an order, a final order? 22 MS. RUSSELL: 23 A. I think it would have been that rates would be 24 in place in 2014. 25 MR. COXWORTHY:</p>	<p>1 A. We can, yes. 2 MS. GLYNN: 3 Q. Noted on the record. 4 MR. COXWORTHY: 5 Q. And so you say it wasn't until the second 6 quarter of 2014 then that there was concern 7 about the 2013 test year? 8 MS. RUSSELL: 9 A. There was concern about, yes, the forecast of 10 cost going forward and the rates, yes. 11 MR. COXWORTHY: 12 Q. And what costs had changed, say, from January 13 of 2014 to the second quarter that caused - 14 you made mention of 100 CT? 15 MS. RUSSELL: 16 A. Yes. 17 MR. COXWORTHY: 18 Q. 100 megawatt CT? 19 MS. RUSSELL: 20 A. Yes. 21 MR. COXWORTHY: 22 Q. Anything else? 23 MS. RUSSELL: 24 A. I think I mentioned some of those in my 25 testimony with Mr. O'Brien. The CT was one.</p>
<p>1 Q. At any point in 2014? 2 MS. RUSSELL: 3 A. I'd have to - we would have had discussions 4 about that, absolutely. I'd have to recall 5 and go back in time. It's been a little bit 6 of time, so I'd have to go back and see, but 7 it would have been that rates would be in 8 place January 1st, I believe, was for 2014. 9 MR. COXWORTHY: 10 Q. So Hydro would have set a target date. 11 Whether the target would have been met or not, 12 of course, is another matter, by which it was 13 least hoping to have new rates in place coming 14 out of the original July, 2013 filing? 15 MS. RUSSELL: 16 A. Correct. 17 MR. COXWORTHY: 18 Q. And you don't recall what that date is now? 19 MS. RUSSELL: 20 A. I believe it was January 1st, 2014, that rates 21 would be - 22 MR. COXWORTHY: 23 Q. Can I have your undertaking just to verify 24 that? 25 MS. RUSSELL:</p>	<p>1 There were changes due to the aging assets, 2 there were changes made to workforce due to 3 that, and work plans changing. The CT, as I 4 mentioned. There were some - the fuel 5 efficiency. There were numerous. There were 6 some factors that were there that were 7 changing the forecast for costs. 8 MR. COXWORTHY: 9 Q. And were these all items that changed in 2014, 10 in the first two quarters of 2014? 11 MS. RUSSELL: 12 A. They were things that became - 13 MR. COXWORTHY: 14 Q. That 100 megawatt CT, I would understand, of 15 course, would have, but the others - 16 MS. RUSSELL: 17 A. Yes, they became aware, yes. The workforce 18 changes would have been one of - a bigger 19 driver as well. 20 MR. COXWORTHY: 21 Q. I'm going to move on to another area, and this 22 is in relation to the Nalcor leadership time 23 charged into Hydro, and PUB-NLH-228 has been 24 referred to, and perhaps we could turn to it 25 now, Ms. Gray, please. Various witnesses up</p>

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<p>1 to this point had been asked questions about 2 this particular RFI response, and one of the 3 questions I had asked of previous witnesses 4 was in relation to footnote 6, hours, and the 5 associated dollars for positions that had been 6 restated to reflect the level of activity in 7 2014 actual, but are not included in the 2015 8 test year. I think, essentially, we've been 9 told that what is included in 2015 test year, 10 to know or understand what that is, we need to 11 look at Revision 1 of this same RFI response. 12 Is that your understanding as well? 13 MS. RUSSELL: 14 A. I think Ms. Lutz can clarify that. 15 MR. COXWORTHY: 16 Q. Yes, thank you. 17 MS. RUSSELL: 18 A. Just to make sure we have the right revision. 19 MR. COXWORTHY: 20 Q. Absolutely. 21 MS. LUTZ: 22 A. I think with the number of revisions with PUB- 23 NLH-228, I think the information is contained 24 in the Grant Thornton Report as we looked at 25 yesterday, so I think that would probably be -</p>	<p>1 the evidence we had so far, that when we look 2 at Revision 5, that the 2015 forecast time 3 there for various Nalcor leadership team 4 positions, that everyone that has the footnote 5 6 across from their position, and I note 6 that's most of the positions except for the VP 7 Project Execution, and the VP Strategic 8 Planning, that the 2015 forecast number there 9 for those positions for the 2015 test year, 10 that those are not the actual numbers that are 11 going to be used for the test year? 12 MS. LUTZ: 13 A. That's correct. 14 MR. COXWORTHY: 15 Q. And the actual numbers are going to be lower 16 than those in all respects? Absolutely, if 17 you want to take us through the record - I 18 still want the undertaking response, but, 19 absolutely, if you can provide us with that 20 evidence now, that would be helpful? 21 MS. LUTZ: 22 A. Okay, so I'm just going to go right now 23 through the table. So the President and CEO 24 for 2015, the numbers in the test year are 155 25 hours. The VP HR, 393 hours. VP Project</p>
<p>1 MR. COXWORTHY: 2 Q. So the Grant Thornton - so none of the 3 versions of PUB-NLH-228 are now an accurate or 4 best representation of the time that's charged 5 into the test year? 6 MS. LUTZ: 7 A. I can go through the revisions if you - 8 MR. COXWORTHY: 9 Q. Well, I suspect it would be better to have 10 Revision 6, so that rather than have to go to 11 Grant Thornton's Report, that we would have 12 Hydro's position on the record of what Nalcor 13 leadership time is being charged in to the 14 2015 test year. 15 MS. LUTZ: 16 A. Okay. 17 MR. COXWORTHY: 18 Q. Could we have an undertaking to that effect? 19 MS. LUTZ: 20 A. Yes. 21 MS. GLYNN: 22 Q. Noted on the record. 23 MR. COXWORTHY: 24 Q. Thank you. In any event, can we agree - well, 25 is it reasonable, and I think it is based on</p>	<p>1 Execution is 452, which is what's there on the 2 screen. The VP Finance, 48. VP Corporate 3 Relations, 266, and Strategic Planning, zero, 4 as seen on the screen. So that's a total of 5 1314. 6 MR. COXWORTHY: 7 Q. I think I've asked previous witnesses, and I 8 don't think I've gotten a response, and I 9 think to a certain extent we were referred 10 back to the Finance Panel for this, why aren't 11 the numbers in Revision 5, why aren't those 12 the numbers in the 2015 test year? Why are, 13 at least in some cases, the numbers lower? 14 Can anyone on the Finance Panel explain why 15 that's the case? 16 MS. LUTZ: 17 A. My understanding of this particular - when 18 this was revised for Revision 5, I believe the 19 change that was made was a change to the 20 total. That's from - from Revision 4. 21 MR. COXWORTHY: 22 Q. Yes, I'm sorry, you're right about that, it 23 was just a total, although, I think, Revision 24 4 and Revision 5 are the same other than the 25 total at the bottom?</p>

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<p>1 MS. LUTZ: 2 A. Yes. 3 MR. COXWORTHY: 4 Q. Absolutely, I agree, yeah. 5 MS. LUTZ: 6 A. Yes. 7 MR. COXWORTHY: 8 Q. So whether it's Revision 4 or Revision 5, 9 though, can you explain why lower numbers are 10 ultimately for at least some of these 11 positions being used for the 2015 test year 12 than what were put forward in Revision 4 and 13 Revision 5? 14 MS. LUTZ: 15 A. So essentially the numbers that are in the 16 test year were prepared, obviously, before 17 these numbers were updated, as it says in the 18 footnote, in November. It reflects the 19 forecast to actuals to November, 2014, and the 20 projection to the end of the year. So that's 21 the information that was provided on this, to 22 provide additional information about the 23 amount of time that was spent in '14, and the 24 anticipated amount of time forecasted to be 25 spent in 2015.</p>	<p>1 into the test year, we're going to just go 2 with the information that we filed or that we 3 forecast in November, 2014? I'm saying 4 November, 2014, but some time in 2014. You've 5 already said, obviously, a lot of the 6 information would have had to have been put 7 together well before November, 2014. Am I 8 right that that was the basis for the decision 9 for going with the revision - well, the 10 different numbers than Revision 4 and 5 for 11 the charge-ins? 12 MS. LUTZ: 13 A. So you're correct in that the numbers had 14 already been established at a particular point 15 in time, and that those numbers were the 16 numbers that I just read out, and since that 17 time this RFI reflects the forecast of what 18 happened since that time. 19 MR. COXWORTHY: 20 Q. Okay, thank you. If we could turn to Mr. 21 McDonald's evidence on September 21st, page 22 37. This is a question that was posed to Mr. 23 McDonald - 24 MS. LUTZ: 25 A. Just one second.</p>
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<p>1 MR. COXWORTHY: 2 Q. Okay, correct me if I'm wrong then, if I'm 3 misunderstanding, what you've decided to do, 4 or what Hydro has decided to as appropriate is 5 they are taking the time they would have 6 forecast at some point in 2014 when you were 7 preparing your GRA filing, and have decided 8 that's the appropriate time to put in, even 9 though since then the forecast of how much 10 leadership time may go in for some of these 11 positions has changed and increased? 12 MS. LUTZ: 13 A. Could you just say that again? I just want to 14 make sure. 15 MR. COXWORTHY: 16 Q. Absolutely. Has Hydro decided that the 17 appropriate thing to do is to go with a 18 forecast number for these leadership charge- 19 ins to Hydro that it would have come up with 20 sometime in 2014, presumably prior to the 21 November, 2014, filing or around the time of 22 that, and said, look, we're going to freeze it 23 there, and even though we may revise those 24 forecasts of charge-ins subsequent to, say, 25 November, 2014, we're not going to put that</p>	<p>1 MR. COXWORTHY: 2 Q. In relation to the - 3 MS. GLYNN: 4 Q. Just one second, Paul. 5 MS. RUSSELL: 6 A. We've having technical difficulties. 7 MR. PELLEY: 8 A. I turned her monitor off trying to move it, 9 sorry. I won't try to be helpful again, Carol 10 Ann. 11 MR. COXWORTHY: 12 Q. I'll give you a chance to read what Mr. 13 McDonald had to say on page 37, and maybe it 14 needs to be scrolled back to page 36 for some 15 context, but I don't think that any more than 16 that is needed. So starting at the bottom of 17 page 36, Mr. O'Reilly is asking questions 18 about 2014 actuals versus forecasted 2015 19 costs in the test years, so, I guess, if we 20 could move on from there to page 37, and he's 21 referring to the Finance Panel, and then Mr. 22 O'Reilly moves to a question at line 15, "Can 23 you tell me, do you know whether the charges 24 set out in Revision 1 or Revision 4", and 25 again this would be PUB-NLH-228, "were</p>

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1 included in the 2014 revenue deficiency
 2 calculation", and Mr. McDonald refers Mr.
 3 O'Reilly to the Finance Panel on that point.
 4 Can you answer that question for us in terms
 5 of 2014 revenue deficiency and the information
 6 in PUB-NLH-228, which of those revisions, if
 7 any of them, accurately reflect what's in 2014
 8 revenue deficiency?
 9 (10:15 a.m.)
 10 MS. LUTZ:
 11 A. 2014? I'm sorry, I'm just checking.
 12 MR. COXWORTHY:
 13 Q. No worries.
 14 MS. LUTZ:
 15 A. 2014, I don't see in any of those revisions
 16 reflective of the number that's in the test
 17 year. It is noted in the Grant Thornton
 18 Report on page 71 and 72, and the total in the
 19 2014 test year is 3,200 hours.
 20 MR. COXWORTHY:
 21 Q. So that's the total, but we don't have the
 22 breakdown?
 23 MS. LUTZ:
 24 A. In the Grant Thornton, it's there as well.
 25 MR. COXWORTHY:

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1 Q. Okay, and does it reflect any of the revisions
 2 of PUB-NLH-228, or is it -
 3 MS. LUTZ:
 4 A. The 2015 number, the test year number, I
 5 believe, is in Revision - I'm just going to go
 6 back again. Okay, so in Revision 1 just for
 7 clarify - so 2015 is reflected by individual
 8 on Revision 1.
 9 MR. COXWORTHY:
 10 Q. Okay, so the -
 11 MS. LUTZ:
 12 A. But not 2014.
 13 MR. COXWORTHY:
 14 Q. 2014 revenue deficiency, the Hydro - I'm
 15 sorry, the Nalcor charge-ins to Hydro for the
 16 leadership team, we'd find that information
 17 still in Revision 1?
 18 MS. LUTZ:
 19 A. For 2015.
 20 MR. COXWORTHY:
 21 Q. For 2015?
 22 MS. LUTZ:
 23 A. Not 2014.
 24 MR. COXWORTHY:
 25 Q. And not for 2014, and will we find that

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1 information for 2014 anywhere in PUB-NLH-228,
 2 or do we have to look at Grant Thornton's
 3 Report?
 4 MS. LUTZ:
 5 A. It's in Grant Thornton's Report.
 6 MR. COXWORTHY:
 7 Q. I guess, similarly, I would ask for an
 8 undertaking. Can we have PUB-NLH-228, some
 9 revision produced that provides us with the
 10 2014 information in terms of what Nalcor
 11 leadership team is being charged in towards
 12 the revenue deficiency for 2014?
 13 MS. LUTZ:
 14 A. Yes, Revision 6 can have both 2014 and 2015.
 15 MR. COXWORTHY:
 16 Q. Thank you.
 17 MS. GLYNN:
 18 Q. Noted on the record.
 19 MR. COXWORTHY:
 20 Q. I'd like to move on to Mr. McDonald's evidence
 21 on September 16th at page 185, line 11, I
 22 believe. This is a line of questioning from
 23 Mr. O'Brien of Mr. McDonald regarding, I
 24 think, broadly speaking, the matrix
 25 organizational structure. Are you familiar

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1 with that term?
 2 MS. LUTZ:
 3 A. Yes.
 4 MR. COXWORTHY:
 5 Q. And starting at line 11, Mr. O'Brien asked,
 6 "Would Mr. Henderson be the individual who is
 7 responsible for making sure that any charges
 8 into Hydro are acceptable in a regulatory
 9 context, or do you have any involvement in
 10 that", and then Mr. McDonald answers, "He
 11 does", referring to Mr. Henderson, "to the
 12 extent that he's running Hydro and he's
 13 responsible for ensuring that he and others in
 14 his organization are charging in and charging
 15 out, whatever the case may be, in accordance
 16 with these instructions and these guidelines
 17 that were issued, as I recall, by Finance",
 18 and so that's what takes me now to this panel,
 19 has anyone in this panel been involved in
 20 formulating, and I think Ms. Lutz, you've
 21 indicated that you have had some involvement
 22 at least, in formulating guidelines with
 23 respect to intercompany charges and the
 24 principles that should apply to that?
 25 MS. LUTZ:

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<p>1 A. Yes.</p> <p>2 MR. COXWORTHY:</p> <p>3 Q. Anyone else on the panel been involved in that</p> <p>4 piece?</p> <p>5 MR. PELLE:</p> <p>6 A. For my part, that would not have been part of</p> <p>7 my role.</p> <p>8 MS. RUSSELL:</p> <p>9 A. No, it's Ms. Lutz.</p> <p>10 MR. COXWORTHY:</p> <p>11 Q. Okay, thank you. Ms. Lutz, are you satisfied</p> <p>12 that, you know, all the guidelines that are</p> <p>13 applicable to intercompany charges that are</p> <p>14 charged into Hydro, whether it's from Nalcor</p> <p>15 or from other lines of business within Nalcor,</p> <p>16 are you satisfied that they're all on the</p> <p>17 record now? I can take you to what I</p> <p>18 understand to be the record, but on the record</p> <p>19 in this general rate application?</p> <p>20 MS. LUTZ:</p> <p>21 A. I just want to make sure that I understand</p> <p>22 what you're asking.</p> <p>23 MR. COXWORTHY:</p> <p>24 Q. Well, let me take you to what I understand is</p> <p>25 on the record, and then you can tell me</p>	<p>1 or directions within Nalcor as to what's</p> <p>2 appropriate as intercompany charges?</p> <p>3 MS. LUTZ:</p> <p>4 A. This table was prepared for information</p> <p>5 purposes to provide - to present information</p> <p>6 on the types of services that could</p> <p>7 potentially be shared, so in the evidence it</p> <p>8 was meant to provide some context about how</p> <p>9 those charges are done. It's not a document</p> <p>10 that's issued as such. I think you had asked</p> <p>11 that question.</p> <p>12 MR. COXWORTHY:</p> <p>13 Q. No, it's not in Exhibit 8, I guess, was the</p> <p>14 point I was going to make.</p> <p>15 MS. LUTZ:</p> <p>16 A. Right.</p> <p>17 MR. COXWORTHY:</p> <p>18 Q. You don't find this table in Exhibit 8. So</p> <p>19 does this table exist anywhere other than in</p> <p>20 this application in any document?</p> <p>21 MS. LUTZ:</p> <p>22 A. The table itself doesn't exist in Exhibit 8,</p> <p>23 but it is an outcome of the types of things</p> <p>24 that are described in Exhibit 8. For instance,</p> <p>25 it discusses the admin fee and labour costs</p>
<p>1 whether there's anything more?</p> <p>2 MS. LUTZ:</p> <p>3 A. So in terms of guidelines that are available</p> <p>4 for - okay, go ahead.</p> <p>5 MR. COXWORTHY:</p> <p>6 Q. Okay, first of all, if we could turn to Volume</p> <p>7 2 of Hydro's amended GRA application. It's</p> <p>8 Exhibit 8, I believe. Yes, intercompany</p> <p>9 transaction costing guidelines. So these</p> <p>10 would have been guidelines that you were</p> <p>11 involved in preparing?</p> <p>12 MS. LUTZ:</p> <p>13 A. Yes.</p> <p>14 MR. COXWORTHY:</p> <p>15 Q. And the only other thing I understand to be on</p> <p>16 the record in terms of any guidance or</p> <p>17 direction to people with Nalcor about what is</p> <p>18 appropriate to be charged in to Hydro is in</p> <p>19 Section 3 of the finance evidence of the</p> <p>20 application, so maybe if we could turn to page</p> <p>21 3.43 in Section 3, and Table 3.1.4. Is this</p> <p>22 table - Ms. Lutz, I'm going to give you a</p> <p>23 chance to - it's part of the finance evidence.</p> <p>24 We'll give you a chance to look at it. Is</p> <p>25 this also part of the guidance or guidelines</p>	<p>1 and so on.</p> <p>2 MR. COXWORTHY:</p> <p>3 Q. So this table doesn't exist in terms of</p> <p>4 providing any prior guidance to anyone within</p> <p>5 Nalcor or Hydro as to what is appropriate to</p> <p>6 be charged in and how it should be charged in,</p> <p>7 whether it should be allocated or direct</p> <p>8 billed? This is sort of an after the fact</p> <p>9 analysis of how these types of costs are</p> <p>10 allocated?</p> <p>11 MS. LUTZ:</p> <p>12 A. I think it reflects the processes that are</p> <p>13 ongoing. So for instance, audit expenses,</p> <p>14 that would be an example. Those costs, people</p> <p>15 might wonder is that all billed to Nalcor and</p> <p>16 then charged out to lines of business. This</p> <p>17 table was prepared to indicate that audit fees</p> <p>18 for Hydro are direct billed to Hydro.</p> <p>19 MR. COXWORTHY:</p> <p>20 Q. And is that information in Exhibit 8?</p> <p>21 MS. LUTZ:</p> <p>22 A. That particular information is not in Exhibit</p> <p>23 8.</p> <p>24 MR. COXWORTHY:</p> <p>25 Q. So how - where does that guidance come from?</p>

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<p>1 MS. LUTZ:</p> <p>2 A. Well, the person who's responsible for the</p> <p>3 audit fees understands how - they meet with</p> <p>4 the auditors, they get the audit plan, they</p> <p>5 understand how the billings will be done, they</p> <p>6 have a bill for Hydro, so we have a bill for</p> <p>7 Hydro, and the Hydro bill -</p> <p>8 MR. COXWORTHY:</p> <p>9 Q. I don't want to be - is this all in this</p> <p>10 person's head or is there some - if the</p> <p>11 auditor changes, or the person in that audit</p> <p>12 position changes, I mean, how does that</p> <p>13 information get imparted to his or her</p> <p>14 successor?</p> <p>15 MS. LUTZ:</p> <p>16 A. I wouldn't - I don't mean to indicate it was</p> <p>17 in their head, but it is reflective of how we</p> <p>18 do business.</p> <p>19 MR. COXWORTHY:</p> <p>20 Q. But is there some document that that person in</p> <p>21 that position would refer to for guidance or</p> <p>22 direction about how those intercompany costs</p> <p>23 are to be allocated, you know, similar to this</p> <p>24 Table 3.14?</p> <p>25 MS. LUTZ:</p>	<p>1 through Mr. McDonald's evidence starting at</p> <p>2 page 165, but if we could move then to page</p> <p>3 166, and I ask, "Is there a document somewhere</p> <p>4 within Hydro, within Nalcor, that we can see</p> <p>5 to understand what those codes are", and Mr.</p> <p>6 McDonald says, "It would be the Finance group</p> <p>7 who would maintain those codes, obviously, but</p> <p>8 as I said, the codes that appear on the</p> <p>9 timesheets that we use are self-descriptive".</p> <p>10 Is there anyone on this panel who's involved</p> <p>11 in determining those codes or administering</p> <p>12 those codes, whatever is the appropriate term?</p> <p>13 MS. LUTZ:</p> <p>14 A. So for any codes - so just to provide some</p> <p>15 more information on what we're referring to</p> <p>16 here, if anyone is using an intercompany</p> <p>17 charge or a work order, we call it, all those</p> <p>18 work orders would have to be set up by the</p> <p>19 corporate controllers office of Nalcor.</p> <p>20 MR. COXWORTHY:</p> <p>21 Q. Of Nalcor, so the office you used to be in?</p> <p>22 MS. LUTZ:</p> <p>23 A. Correct, and so without a valid code, the</p> <p>24 timesheet wouldn't - if you used an incorrect</p> <p>25 work order, it wouldn't process, essentially.</p>
<p>Page 78</p> <p>1 A. There isn't a specific document that lists all</p> <p>2 those things, no, you're correct.</p> <p>3 MR. COXWORTHY:</p> <p>4 Q. Is it a whole bunch of different documents</p> <p>5 with bits and pieces here and there, is there</p> <p>6 a binder that assembles all this information</p> <p>7 internally?</p> <p>8 MS. LUTZ:</p> <p>9 A. No, as I indicated, the table was presented to</p> <p>10 provide information on the types of charges</p> <p>11 that might be shared and how they are actually</p> <p>12 dealt with, and so there isn't a specific</p> <p>13 policy that outlines every single one of those</p> <p>14 items, no, you're correct.</p> <p>15 MR. COXWORTHY:</p> <p>16 Q. If we could turn to Mr. McDonald's evidence on</p> <p>17 September 17th at page 165, and this was some</p> <p>18 questioning by myself and Mr. McDonald</p> <p>19 regarding what I've learned about - from</p> <p>20 several witnesses, not just Mr. McDonald,</p> <p>21 about how people within Nalcor will record</p> <p>22 time, and not just within Nalcor, within</p> <p>23 Hydro, record their time on timesheets and in</p> <p>24 accordance with certain codes, depending on</p> <p>25 the project they're working on, and if we go</p>	<p>Page 80</p> <p>1 MR. COXWORTHY:</p> <p>2 Q. And do some of those codes provide an</p> <p>3 indication as to whether the time spent on</p> <p>4 that project is appropriate to be charged in</p> <p>5 to Hydro as opposed to not, are the codes</p> <p>6 organized in that fashion?</p> <p>7 MS. LUTZ:</p> <p>8 A. There would be - so if it was a project that</p> <p>9 was a Hydro specific project, there would be a</p> <p>10 work order set up to capture that activity,</p> <p>11 and if it was a Hydro activity before it got</p> <p>12 set up as an intercompany code, it would have</p> <p>13 to be set up with a billable to Hydro,</p> <p>14 basically.</p> <p>15 MR. COXWORTHY:</p> <p>16 Q. Perhaps we could turn to a specific example.</p> <p>17 If we could bring up Undertaking 23, which is</p> <p>18 Mr. Roberts' 12 most used codes. Thank you,</p> <p>19 and it sounds like, Ms. Lutz, although if</p> <p>20 anyone else on the panel has information they</p> <p>21 could add, certainly I'd welcome it, but it</p> <p>22 appears that you might be the best person to</p> <p>23 direct these questions to. So I'm just</p> <p>24 looking for some more understanding of how</p> <p>25 these codes work. So starting with the</p>

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<p>1 executive leadership NLH recovery, first of</p> <p>2 all, can you tell me what type of work - what</p> <p>3 type of projects are intended to be covered by</p> <p>4 that work code?</p> <p>5 MS. LUTZ:</p> <p>6 A. No, I could not tell you the specific</p> <p>7 projects.</p> <p>8 MR. COXWORTHY:</p> <p>9 Q. So who - is that the corporate controller of</p> <p>10 Nalcor who decides that?</p> <p>11 MS. LUTZ:</p> <p>12 A. I don't think it would be down to the project</p> <p>13 level.</p> <p>14 MR. COXWORTHY:</p> <p>15 Q. Okay, so who decides what type of work should</p> <p>16 go under executive leadership NLH recovery, is</p> <p>17 it Mr. Roberts?</p> <p>18 MS. LUTZ:</p> <p>19 A. Yes.</p> <p>20 MR. COXWORTHY:</p> <p>21 Q. So he decides that himself without any</p> <p>22 guidance other than whatever guidance he gives</p> <p>23 himself in that regard?</p> <p>24 MS. LUTZ:</p> <p>25 A. And his understanding that if he's doing work</p>	<p>1 understand the responsibilities, but there's</p> <p>2 no other document or anything external that</p> <p>3 would tell someone what's appropriate to be</p> <p>4 Nalcor general administration versus executive</p> <p>5 leadership recovery time?</p> <p>6 MS. LUTZ:</p> <p>7 A. Well, if we just go back to Exhibit 8 for a</p> <p>8 second.</p> <p>9 MR. COXWORTHY:</p> <p>10 Q. Sure.</p> <p>11 MS. LUTZ:</p> <p>12 A. It talks about the types of services that are</p> <p>13 shared among the lines of business, and if you</p> <p>14 are working on providing, say, a legal service</p> <p>15 to Hydro, then they use a billable to Hydro</p> <p>16 work order. If they're working on oil and</p> <p>17 gas, they use the billable to oil and gas, for</p> <p>18 instance.</p> <p>19 (10:30 a.m.)</p> <p>20 MR. COXWORTHY:</p> <p>21 Q. Sure, and some examples would be pretty</p> <p>22 obvious?</p> <p>23 MS. LUTZ:</p> <p>24 A. Right.</p> <p>25 MR. COXWORTHY:</p>
<p>1 related to Hydro that's specific to Hydro,</p> <p>2 that he uses his time code for billable to</p> <p>3 Hydro, for instance.</p> <p>4 MR. COXWORTHY:</p> <p>5 Q. And would this be time that's charged in to</p> <p>6 Hydro if it's recorded under this code, do you</p> <p>7 know?</p> <p>8 MS. LUTZ:</p> <p>9 A. It doesn't -</p> <p>10 MR. COXWORTHY:</p> <p>11 Q. The executive leadership NLH recovery?</p> <p>12 MS. LUTZ:</p> <p>13 A. Yes, yes, from the description.</p> <p>14 MR. COXWORTHY:</p> <p>15 Q. And then in relation then to the Nalcor</p> <p>16 general administration code, do you have any</p> <p>17 understanding of what type of work someone in</p> <p>18 a Nalcor leadership position would put under</p> <p>19 that code?</p> <p>20 MS. LUTZ:</p> <p>21 A. I wouldn't be able to say the particulars.</p> <p>22 MR. COXWORTHY:</p> <p>23 Q. Again it would be up to the particular</p> <p>24 individual to figure out - again I don't want</p> <p>25 to be flip, they understand their job, they</p>	<p>1 Q. The oil and gas one you're giving there, but,</p> <p>2 I guess, when you're talking about Nalcor</p> <p>3 general administration versus executive</p> <p>4 leadership NLH recovery, you know, the</p> <p>5 difference between those two is not as clear,</p> <p>6 I would put to you, certainly not as clear as</p> <p>7 oil and gas, and Newfoundland and Labrador</p> <p>8 Hydro time. So you point to Exhibit 8. Where</p> <p>9 in Exhibit 8 do you say that if Mr. Roberts</p> <p>10 had a question in his mind, or if someone was</p> <p>11 questioning Mr. Roberts' allocation of his</p> <p>12 time and saying, well, gee, I'm not sure that</p> <p>13 that should have been under Nalcor general</p> <p>14 administration, maybe it should have been</p> <p>15 charged in to Hydro or vice versa, where in</p> <p>16 Exhibit 8 would one go to to try and resolve</p> <p>17 that issue or find an answer to that issue?</p> <p>18 MS. LUTZ:</p> <p>19 A. I don't think the exhibit is probably as</p> <p>20 prescriptive as what you're describing, but it</p> <p>21 does outline - the intent is that if you're</p> <p>22 able to track your time related to a specific</p> <p>23 work activity conducted on behalf of another</p> <p>24 line of business, you charge to that line of</p> <p>25 business.</p>

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<p>1 MR. COXWORTHY: 2 Q. And have you ever been involved or been aware 3 of, Ms. Lutz, or anyone else on the panel, of 4 that type of question ever arising, not just 5 in Nalcor leadership positions, but including 6 Nalcor leadership positions, where there was 7 some question as to whether the time was 8 properly allocated as time to be recovered 9 from Hydro, billed to Hydro, versus time that 10 should be kept within Nalcor? 11 MS. LUTZ: 12 A. Sometimes I get questions from individuals if 13 they're not sure about the work activity, 14 whether it's a recharge, that type of activity 15 or not. Sometimes I do. 16 MR. COXWORTHY: 17 Q. So you're the person who would answer those 18 questions? 19 MS. LUTZ: 20 A. Not entirely, but I'm just - sometimes I do 21 get questions. 22 MR. COXWORTHY: 23 Q. And so when you say "you don't answer", you 24 get the questions, but you don't necessarily 25 answer them -</p>	<p>1 particular code. 2 MR. COXWORTHY: 3 Q. So if there's something you can look up that 4 would tell us more than just public inquiry 5 costs, what would you look to? 6 MS. LUTZ: 7 A. I'd look at the work order that was referenced 8 on the left hand side, and I would see what 9 the description is, a more detailed 10 description, and whether it's a billable, a 11 recharge work order or not. 12 MR. COXWORTHY: 13 Q. So this work order, would that work order tell 14 us whether it's time that's billed to Hydro 15 directly or not billed to Hydro directly, 16 would that information be included in the work 17 order? 18 MS. LUTZ: 19 A. Yes. 20 MR. COXWORTHY: 21 Q. And it exists, this document, the work order? 22 It's something that it doesn't have to be 23 created or recreated, there's a document that 24 exists today? 25 MS. LUTZ:</p>
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<p>1 MS. LUTZ: 2 A. No, I - 3 MR. COXWORTHY: 4 Q. Who answers them? 5 MS. LUTZ: 6 A. I try to answer if I know the answer; if I 7 don't, I will find out what the activity was 8 so I could provide the appropriate advice. 9 MR. COXWORTHY: 10 Q. So you might speak to whoever is involved with 11 that particular project, gather some 12 information, and ultimately the answer comes 13 from you? 14 MS. LUTZ: 15 A. Not necessarily - if they ask me, or I would 16 ask someone else to get back to that 17 individual. 18 MR. COXWORTHY: 19 Q. Okay. If we could go back to Undertaking 23, 20 and Mr. Roberts' codes. I just want to ask 21 you about the public inquiry costs then. Can 22 you tell us what that involves, what type of 23 work or projects? 24 MS. LUTZ: 25 A. I wouldn't be able - I'd have to look up that</p>	<p>1 A. I hope not. 2 MR. COXWORTHY: 3 Q. Could I have an undertaking for a copy of that 4 work order? 5 MS. LUTZ: 6 A. Yes. 7 MR. COXWORTHY: 8 Q. For the public inquiry costs, thank you. 9 MS. GLYNN: 10 Q. Noted on the record. 11 MS. RUSSELL: 12 A. I was just going to add just something to 13 that, but I think you were asking about the 14 different codes, the recovery ones, there are 15 certain codes and it may have just come out in 16 the end, that are Nalcor specific, and ones 17 that are tagged as Hydro. So it's not like, 18 for example, the Nalcor general admin, that 19 would be - I'm pretty sure that's a Nalcor 20 code. So there would be nothing in there if 21 Mr. Roberts charged his time to that one, 22 nothing is going to Hydro, but there are ones 23 that are coded and if you, you know, miscoded 24 or you didn't put something in the right one - 25 I think we spoke about going back to budgets,</p>

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1 there are certain amount of hours that are
 2 allocated for Mr. Roberts to go to Hydro. If
 3 he miscoded, no different than anybody else, I
 4 guess, who's on a timesheeting, a lot of
 5 lawyers are on timesheeting where you code
 6 your time, accountants, we've all done it in
 7 previous workplaces, you would look at your
 8 budget and see, well, the hours may look high
 9 or the hours may look low, maybe something
 10 didn't get charged in there, and you could go
 11 back and check that. So there are checks no
 12 different than any other timesheeting one, and
 13 there are ones where - the Nalcor one,
 14 anything in there does not go to Hydro
 15 specifically tagged Nalcor and Hydro, so I
 16 just wanted to make sure -
 17 MR. COXWORTHY:
 18 Q. No, I mean, I didn't go through them all, but
 19 I would assume something like Bull Arm cost
 20 recovery doesn't get billed to Hydro?
 21 MS. RUSSELL:
 22 A. Correct, or even the Nalcor one. I wasn't
 23 sure if you were asking is there specifically
 24 tagged ones.
 25 MR. COXWORTHY:

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1 Q. Sure, no, that's what I would expect, but it's
 2 a question of what time actually gets
 3 allocated into something with a fairly general
 4 description like Nalcor general
 5 administration?
 6 MS. RUSSELL:
 7 A. So that would be up to the individual to write
 8 that in. On the timesheets there are - at the
 9 other side of this timesheet, there is an
 10 opportunity for description of your time as
 11 well, so you can write in descriptions there,
 12 and I know being a supervisor for people who
 13 do, and also creating timesheets, depending on
 14 what I'm doing, I can write in Nalcor, what I
 15 was doing if I coded to a particular one, as
 16 well the other check would be the supervisor
 17 like Mr. Martin would be signing off on this.
 18 He would look at the amount of time that's in
 19 there as well. So there are checks built into
 20 this to make sure that what's going on.
 21 There's more to the timesheet that you can put
 22 in descriptions about what you do.
 23 MR. COXWORTHY:
 24 Q. Sure, thank you, Ms. Russell. In relation to
 25 the Nalcor general administration code and the

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1 executive leadership NLH recovery code, would
 2 there be - I assume there is a work order at
 3 least nominally that's associated with those
 4 two codes, is that fair, Ms. Lutz?
 5 MS. LUTZ:
 6 A. There are work orders noted on -
 7 MR. COXWORTHY:
 8 Q. Would those work orders provide any
 9 substantive information as to what type of
 10 work is included with an executive leadership
 11 NLH recovery?
 12 MS. LUTZ:
 13 A. No.
 14 MR. COXWORTHY:
 15 Q. Would there be - I wouldn't think so, but I
 16 wanted to put the question to you to ask,
 17 would there be any information that would tell
 18 us more than executive leadership NLH recovery
 19 in terms of the type of work?
 20 MS. LUTZ:
 21 A. Probably not, not from the work order.
 22 MR. COXWORTHY:
 23 Q. And the same then with Nalcor general
 24 administration, would there be anything there
 25 that would provide any more fine grained

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1 detail as to what is included within that?
 2 MS. LUTZ:
 3 A. Not from the work order description.
 4 MR. COXWORTHY:
 5 Q. If we can turn to Mr. Martin's evidence on
 6 September 11th, page 75, line 12, and I was
 7 asking Mr. Martin, following up with some
 8 questions that were asked by Mr. O'Brien, I
 9 believe, and Mr. Martin was being asked about
 10 the forecast leadership time contribution
 11 charges for 2015 and 2016 for himself, or for
 12 his position, that appear on PUB-NLH-228, and
 13 they are elevated or increased over what they
 14 had been before 2014. I then go on to ask him
 15 about that. If we could scroll down to page
 16 76, and then at line 15, this is my question,
 17 "I think that's a reasonable assumption to
 18 make that that's the case, but do we
 19 understand that a lot of that time in 2015 and
 20 2016 is going to be in relation to what I'll
 21 call the integration piece", and I don't think
 22 I need to go to the - Mr. Martin, both in
 23 response to me, and then I think maybe in an
 24 even more clearer fashion in a response to Ms.
 25 Greene, makes the point, actually, in 2015,

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1 much of his increased time was really about
 2 the outages and really the increase that we
 3 see in 2016 is where there's a shift, and
 4 that's his word, to integration. So although
 5 I lead in to suggest that a lot of the 2015
 6 time might be integration, he corrects that,
 7 and so I didn't want to lead you astray there,
 8 but in relation to 2016, it's my understanding
 9 that his evidence is that to the extent that
 10 he does have an increased contribution time
 11 into Hydro to be billed into Hydro, compared
 12 to, say, prior to 2014, that that's to a large
 13 extent, not exclusively, to a large extent,
 14 due to integration. Is there a code that's
 15 been set up or a work order that's been set
 16 up, or several codes and work orders, that
 17 relate to the integration? I guess, I jumped
 18 ahead and talked about integration. Do you
 19 understand what Mr. Martin means by
 20 integration?
 21 MS. RUSSELL:
 22 A. Yes, I believe I understand what - you're
 23 referencing 2016 time now, are you?
 24 MR. COXWORTHY:
 25 Q. Yeah.

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1 MS. RUSSELL:
 2 A. Which isn't in the test year, but you're
 3 talking about 2016 time?
 4 MR. COXWORTHY:
 5 Q. Well, the extent -
 6 MS. RUSSELL:
 7 A. Because that wouldn't be -
 8 MR. COXWORTHY:
 9 Q. To the extent that there's any integration
 10 work being done in 2015, can you tell me that
 11 there is not? I guess, I'm asking is there a
 12 code or worksheet set up for that?
 13 MS. RUSSELL:
 14 A. There would be codes. There would be codes, I
 15 would think, for the integration.
 16 MR. COXWORTHY:
 17 Q. And Ms. Lutz, do you have any -
 18 MS. LUTZ:
 19 A. I'll have to confirm that.
 20 MR. COXWORTHY:
 21 Q. Could I have an undertaking for you to advise
 22 and if there's a worksheet or worksheets
 23 related to the integration piece, if we could
 24 have those?
 25 MS. LUTZ:

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1 A. Yes.
 2 MR. COXWORTHY:
 3 Q. Thank you.
 4 MS. GLYNN:
 5 Q. Noted on the record.
 6 MS. RUSSELL:
 7 A. I can just only add my personal time code.
 8 There is one code that I use. I don't have a
 9 lot of time to it at all. Over 95 percent of
 10 my time is Hydro, but there is one integration
 11 code I can speak that there is one because I
 12 know that I have one for myself that I would
 13 use if I was in any particular meetings on
 14 that particular topic.
 15 MR. COXWORTHY:
 16 Q. And what type of meetings or activities are
 17 you involved in that you use that code for?
 18 MS. RUSSELL:
 19 A. I think Mr. Henderson has termed this "ready
 20 for commercial integration", so it's another
 21 acronym, RCFI, but that's what it stands for.
 22 So there is a code for that, and some of those
 23 codes are relating to finance regulatory with
 24 the integration. Some of that is the studies
 25 that are going on in regulatory with respect

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1 to changing and what the next GRA might look
 2 like, so some things like that. So I can
 3 speak to that there is at least one code
 4 because I used it.
 5 MR. COXWORTHY:
 6 Q. And do you know whether that time when you put
 7 it in on the integration code, is that time
 8 that gets billed in directly to Hydro?
 9 MS. RUSSELL:
 10 A. It is a Nalcor code.
 11 MR. COXWORTHY:
 12 Q. It's a Nalcor code, so it doesn't get billed
 13 in to Hydro?
 14 MS. RUSSELL:
 15 A. No, not the time that I charge to that code,
 16 and that would be relating to, as I said, the
 17 specific things that I might do which may be
 18 more considered to be on the Nalcor side
 19 versus the Hydro because 95 percent of my time
 20 is Hydro, and there are lots of activities
 21 that I would do on a regular basis that would
 22 be maybe related to integration when you think
 23 of regulatory and the types of things that are
 24 all Hydro - in how Hydro is getting ready for
 25 this, including the next GRA. So that would

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<p>1 be Hydro time.</p> <p>2 MR. COXWORTHY:</p> <p>3 Q. But that, you wouldn't use the integration</p> <p>4 code for that?</p> <p>5 MS. RUSSELL:</p> <p>6 A. No, I wouldn't use it for that type of stuff.</p> <p>7 MR. COXWORTHY:</p> <p>8 Q. Just in terms of the earlier undertaking just</p> <p>9 to be clear, I would want the information on</p> <p>10 the worksheets that would explain whether it's</p> <p>11 time that's directly billed to Hydro versus</p> <p>12 time that's not. I realize on the worksheet,</p> <p>13 it might just be a number 006, but if we could</p> <p>14 have that explanation as well. Thank you.</p> <p>15 Ms. Lutz is nodding. I think that's</p> <p>16 indicating -</p> <p>17 MS. LUTZ:</p> <p>18 A. Yes, sorry.</p> <p>19 MS. GLYNN:</p> <p>20 Q. We'll add that to the undertaking.</p> <p>21 MR. COXWORTHY:</p> <p>22 Q. Thank you. I'd like to move on to a document</p> <p>23 that was filed for cross-examination purposes,</p> <p>24 or documents, the day before yesterday, and</p> <p>25 these are regulations and an Order in Council.</p>	<p>1 Information 46, I just want to refer to this</p> <p>2 because there's definitions in this document</p> <p>3 that I think might be helpful then when we get</p> <p>4 to the Order in Council. So if we could</p> <p>5 scroll down, Ms. Gray, I think it's on the</p> <p>6 second page. Yes, thank you. So there's</p> <p>7 definitions there. LIL means a transmission</p> <p>8 line and all related components of Muskrat</p> <p>9 Falls Project, and it goes on to provide</p> <p>10 further information; LILParty refers to</p> <p>11 various companies and partnerships, legal</p> <p>12 entities; LTA means the transmission</p> <p>13 facilities of Muskrat Falls; Muskrat Falls</p> <p>14 itself means the hydroelectric facilities of</p> <p>15 the Muskrat Falls Project. So I did want to</p> <p>16 move on then to Information 47 and to the</p> <p>17 second Order in Council. The first one, I</p> <p>18 think, is simply the process of filing the</p> <p>19 order with the Board, but the Order in Council</p> <p>20 itself or the substantive one is the second</p> <p>21 one. This is 2013-343. First of all, I'll ask</p> <p>22 is anyone on this panel prior to my filing</p> <p>23 this a couple of days ago familiar with or had</p> <p>24 reason to review or discuss this Order in</p> <p>25 Council?</p>
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<p>1 I'll describe them as the Muskrat Falls</p> <p>2 Project exemption order. I've distributed</p> <p>3 copies previously to counsel. So if that</p> <p>4 could be brought up, I guess, starting with</p> <p>5 the regulation.</p> <p>6 MS. GLYNN:</p> <p>7 Q. And we have to enter these, Mr. Coxworthy.</p> <p>8 MR. COXWORTHY:</p> <p>9 Q. Yes, I'm sorry, thank you.</p> <p>10 MS. GLYNN:</p> <p>11 Q. So we'll enter the regulation as Information</p> <p>12 46.</p> <p>13 MR. COXWORTHY:</p> <p>14 Q. All three documents would be entered as one</p> <p>15 information or - let's separate them.</p> <p>16 MS. GLYNN:</p> <p>17 Q. So the regulation first, and then we can enter</p> <p>18 the two Order in Council. Do you want to do</p> <p>19 that now?</p> <p>20 MR. COXWORTHY:</p> <p>21 Q. Yes.</p> <p>22 MS. GLYNN:</p> <p>23 Q. We can enter them both as 47.</p> <p>24 MR. COXWORTHY:</p> <p>25 Q. Thank you. So starting with the regulation,</p>	<p>1 MS. RUSSELL:</p> <p>2 A. I haven't been - I'm aware of these OCs, but</p> <p>3 not -</p> <p>4 MR. COXWORTHY:</p> <p>5 Q. But you haven't been involved in any</p> <p>6 discussion as to -</p> <p>7 MS. RUSSELL:</p> <p>8 Q. No.</p> <p>9 MR. COXWORTHY:</p> <p>10 Q. To the extent there's anything to be done at</p> <p>11 Hydro or Nalcor about them, there hasn't been</p> <p>12 any discussion that you've been involved in</p> <p>13 about that?</p> <p>14 MS. RUSSELL:</p> <p>15 A. No.</p> <p>16 MR. COXWORTHY:</p> <p>17 Q. And is that true for the rest of the panel as</p> <p>18 well?</p> <p>19 MR. PELLEY:</p> <p>20 A. In the context of what the implications were</p> <p>21 for Hydro, no.</p> <p>22 MR. COXWORTHY:</p> <p>23 Q. How about in the context of what the</p> <p>24 implications are for Nalcor?</p> <p>25 MR. PELLEY:</p>

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<p>1 A. I guess, my familiarity with the order there 2 comes from my involvement with the Muskrat 3 Falls, the limited involvement I had with the 4 Muskrat Falls financing at the Nalcor level. 5 MR. COXWORTHY: 6 Q. So this is not the first time you're seeing 7 this? 8 MR. PELLEY: 9 A. Absolutely not. 10 MR. COXWORTHY: 11 Q. And Ms. Lutz, have you had any reason in your 12 position to have it brought to your attention? 13 (10:45 a.m.) 14 MS. LUTZ: 15 A. Not in this current position, but I was aware 16 that there was a Muskrat Falls exemption 17 order, but I hadn't read these OCs. 18 MR. COXWORTHY: 19 Q. And that's in your previous position as 20 Corporate Controller with Nalcor? 21 MS. LUTZ: 22 A. Yes. 23 MR. COXWORTHY: 24 Q. I want to move down - there's various types of 25 expenditures that are referred to in the order</p>	<p>1 respect of each of Muskrat Falls, and you'll 2 recall we went through the definitions in the 3 regulation, "the LTA, or the LIL, until such 4 time as the project is commissioned or nearing 5 commissioning, and Newfoundland and Labrador 6 Hydro is receiving services from such 7 project". So, I guess, my question to the 8 panel generally is, has there been anything 9 established internally at Hydro that finance 10 is aware to track these types of costs, 11 expenses, or allowances that are not supposed 12 to go into rates until, as the Order in 13 Council puts it, commissioning or near 14 commissioning and Hydro is receiving services 15 from such project? Has there been any - has 16 there been anything established or anything 17 being established to track those costs? 18 MS. RUSSELL: 19 A. For further - for down the road? 20 MR. COXWORTHY: 21 Q. Well, your answer, and I was anticipating it, 22 because you may say none of these types of 23 costs and expenses have been incurred yet. 24 MS. RUSSELL: 25 A. There's nothing in the test year relating to -</p>
<p>Page 102</p> <p>1 as being exempted, but I want to move down to 2 Section 3. So Section 3 is a legal document, 3 and I'm going to try and stay away from asking 4 for any legal opinions, but, I guess, it's my 5 understanding - it says, "Notwithstanding 6 Sections 1 and 2", so it's sort of saying, 7 look, we've just gone through 1 and 2 and 8 these are all the things that are exempted in 9 terms of the Board's jurisdiction as I would 10 understand it. It says, "Notwithstanding 11 that, no amounts paid by Newfoundland and 12 Labrador Hydro described in those sections 13 shall be included as costs, expenses, or 14 allowances in Newfoundland and Labrador 15 Hydro's cost of service calculation or in any 16 rate application or rate setting process, and 17 no such costs, expenses, or allowances shall 18 be recovered by Newfoundland Hydro", and it 19 goes on to say, "where such amounts are 20 attributable to marketing electrical power 21 outside the province", and I would understand 22 this, and I'm not asking you to agree, I think 23 it perhaps requires a legal opinion, but I 24 would understand it to say, but also that it's 25 not to be so charged in, in any event, in</p>	<p>Page 104</p> <p>1 you know, there's nothing in the test year 2 that we're here in this GRA relating to - 3 MR. COXWORTHY: 4 Q. So you can tell us for certain? 5 MS. RUSSELL: 6 A. Well, I can tell you that our GRA application 7 would have been reviewed by our legal counsel, 8 who is aware of the intricacies of these, and 9 that there were no comments back that there 10 was anything in there that would have caused 11 concern with any of these - 12 MR. COXWORTHY: 13 Q. And that was the question I had, as to whether 14 there had been any review - 15 MS. RUSSELL: 16 A. So there's nothing in this test year - 17 correct, by our counsel. 18 MR. COXWORTHY: 19 Q. On a go forward basis, is there going to be 20 any internal controls that finance is going to 21 be involved to track these costs? 22 MS. RUSSELL: 23 A. Going forward - 24 MR. COXWORTHY: 25 Q. There's going to be another GRA in 2017.</p>

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1 MS. RUSSELL:
 2 A. Yes, so that's all part of - and that would be
 3 all part of what we would be looking at
 4 between after this GRA and the next, yes,
 5 putting in the controls, looking at the codes,
 6 going back to work codes for - so all that
 7 stuff absolutely would be considered.
 8 MR. COXWORTHY:
 9 Q. If we could turn to page 42 of Mr. Martin's
 10 evidence.
 11 MS. GRAY:
 12 Q. Sorry, what date, Mr. Coxworthy?
 13 MR. COXWORTHY:
 14 Q. I'm sorry, of September 15th, Ms. Gray, page
 15 42, and Ms. Greene, Board Counsel, was asking
 16 Mr. Martin some questions as to what direction
 17 he had given with respect to the deferral
 18 accounts, and this is referring generally to
 19 accounts such as the energy supply cost
 20 deferral account, and there are others as
 21 well, although my particular line of
 22 questioning is directed towards the energy
 23 supply one. Mr. Martin's answer is, "I think
 24 it was in the context of the overall financial
 25 strength of the company, and the extent that

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1 these elements were introducing a particular
 2 level of volatility which translates into risk
 3 that didn't fit that, the direction was to
 4 find analogues that put us in a situation
 5 where overall the company financial position
 6 compares reasonably to other, comparable to
 7 the extent possible, companies", and Ms.
 8 Greene asked, "Okay, and it was your finance
 9 people who came back with recommendations on
 10 these new deferral accounts, given that
 11 broader direction, is that correct", and Mr.
 12 Martin says, "That's correct". So it's in
 13 that context that I'm asking the questions.
 14 In relation to the energy supply cost deferral
 15 account, and Exploits, power purchased by
 16 Hydro in relation to Exploits, and there's
 17 evidence in the Section 3 of the financial
 18 evidence of the application about that which
 19 we may go to, what is - from the point of view
 20 of finance, what is the particular level of
 21 volatility associated with those power
 22 purchases?
 23 MS. RUSSELL:
 24 A. So if I can pull up Appendix "A" of the cost
 25 deferral as one example I can show you the

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1 numbers with respect to - I can testify to the
 2 numbers that drive how big these variances can
 3 be.
 4 MR. COXWORTHY:
 5 Q. Absolutely.
 6 MS. RUSSELL:
 7 A. So if you go to the bottom of lines 27 to 30,
 8 the one you're referencing there, the energy
 9 supply cost variance deferral account, so that
 10 7.1 million dollars for 2015, if we did not
 11 get that, that would be a hit to Hydro's
 12 bottom line, and that is an amount that would
 13 take you outside the range of rate of return
 14 on rate base.
 15 MR. COXWORTHY:
 16 Q. Does that tell us what volatility is involved
 17 in relation to Exploits? It's just one of the
 18 contributors.
 19 MS. RUSSELL:
 20 A. That is the total, right, that is the total of
 21 the whole energy supply cost variance deferral
 22 account. Exploits would be one factor in
 23 there, wind would be another, as we've
 24 discussed, are variance factors in there that
 25 would do that, but just to give you a sense of

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1 the numbers on those particular -
 2 MR. COXWORTHY:
 3 Q. Is anyone on the panel familiar with the terms
 4 under which Hydro purchases power from
 5 Exploits? The financial evidence says it's 4
 6 cents per kilowatt hour.
 7 MS. LUTZ:
 8 A. Yes.
 9 MS. RUSSELL:
 10 A. Yes, on the OC.
 11 MR. COXWORTHY:
 12 Q. Are you familiar with any other terms?
 13 MS. RUSSELL:
 14 A. Such -
 15 MR. COXWORTHY:
 16 Q. Well, is there a minimum amount that has to be
 17 purchased by Hydro per year?
 18 MS. RUSSELL:
 19 A. I'm not familiar with that. I'm familiar with
 20 the 4 cents, the impact that way on the 4
 21 cents.
 22 MR. COXWORTHY:
 23 Q. I'm trying to understand where the volatility
 24 comes from.
 25 MS. RUSSELL:

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<p>1 A. On the price side or - there is variability 2 from Exploits on the volume side, the 3 hydraulic side for sure based on the flows in 4 and out, and again I'm not the expert with 5 respect to the system operations piece of 6 this, which I believe Mr. Goulding, and again 7 Mr. Henderson, has spoke about before on 8 Exploits, so there's two components to the 9 Exploits. There's the volume and the price. 10 So the volume is to do with the hydrology in 11 that there is - 12 MR. COXWORTHY: 13 Q. And I wouldn't expect you to be able to 14 explain to us the hydraulic variability to the 15 extent that depends on rainfall or 16 temperature. 17 MS. RUSSELL: 18 A. Correct, and that causes the - 19 MR. COXWORTHY: 20 Q. A myriad perhaps of other factors. 21 MS. RUSSELL: 22 A. And that would cause a financial variance. 23 MR. COXWORTHY: 24 Q. Sure, but is no one on the panel aware of 25 whether or not Hydro is committed to having to</p>	<p>1 you want to put it, to pay for that? 2 MR. PELLEY: 3 A. Potentially, yes. 4 MR. COXWORTHY: 5 Q. So could I have an undertaking from this panel 6 to make an inquiry to see whether there is any 7 maximum or minimum amount that Hydro is 8 committed to buy in Exploits power? 9 MS. RUSSELL: 10 A. We can check, yes. 11 MR. PELLEY: 12 A. Quite easy to do, yes. 13 MS. GLYNN: 14 Q. Noted on the record. 15 MR. COXWORTHY: 16 Q. Thank you. Mr. Pelley, as I understand it, 17 and perhaps not exclusively yourself, but you 18 were involved in the work that Mr. Martin was 19 referring to in the passage I just referred to 20 about to find analogues or comparables between 21 Hydro and other utilities, and you've spoken 22 to, for instance, Hydro Quebec and others, in 23 relation to whether deferral accounts are 24 appropriate or not? 25 MR. PELLEY:</p>
<p>Page 110</p> <p>1 purchase a minimum amount of power per year 2 under its arrangements with the Provincial 3 Government to buy Exploits power? 4 MS. RUSSELL: 5 A. I'm not aware of - 6 MR. PELLEY: 7 A. I'm not aware of any minimum or maximum 8 purchase. 9 MR. COXWORTHY: 10 Q. Would you - if there was one, would you be 11 aware of it? 12 MR. PELLEY: 13 A. I can't say that with certainty, no, because 14 again, I guess, the purchase of power is 15 outside - 16 MR. COXWORTHY: 17 Q. Wouldn't that be a financial risk management 18 issue? I mean, if you are committed to having 19 to buy a certain amount of power from Hydro 20 every year - I'm sorry, if Hydro is committed 21 to buy a certain amount of power at a certain 22 price every year from a supplier, whoever that 23 supplier is, isn't that an aspect of financial 24 risk management to say, oh, look, we've got to 25 have the money there, the cashflow, however</p>	<p>Page 112</p> <p>1 A. In the context of what Mr. Martin is referring 2 to there, which I interpret to be the design 3 of deferral accounts, and, I guess, justifying 4 our position on the design of deferral 5 accounts, that's not something I would have 6 worked on directly, no. 7 MR. COXWORTHY: 8 Q. So when you were going and looking at what the 9 Regie or other jurisdictions may have 10 approved, and I realize you were talking about 11 the debt guarantee fee - 12 MR. PELLEY: 13 A. Okay, yeah. 14 MR. COXWORTHY: 15 Q. So I don't want to conflate too many things, 16 but did you do a similar review in relation to 17 deferral accounts - 18 MR. PELLEY: 19 A. Absolutely. 20 MR. COXWORTHY: 21 Q. What type of deferral accounts had been 22 approved or were in place in other 23 jurisdictions? 24 MR. PELLEY: 25 A. So there's a number of things I can - and</p>

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1 again this is largely - some of this will be
 2 part of the record, some will be part of what
 3 I've done in preparation, I guess, to come and
 4 talk about those issues, but if you look at in
 5 terms of what's on the record, I believe it is
 6 - I need to get a reference to an RFI, which I
 7 may have lost. Bear with me for one second.
 8 MR. COXWORTHY:
 9 Q. Sure. Mr. Chair, we are close to our usual
 10 break time. Perhaps that'll give an
 11 opportunity to Mr. Pelley to review.
 12 CHAIRMAN:
 13 Q. Yes, sir.
 14 MR. COXWORTHY:
 15 Q. Thank you, Mr. Chair.
 16 (10:57 a.m.)
 17 (RECESS)
 18 (11:33 a.m.)
 19 CHAIRMAN:
 20 Q. Mr. Coxworthy, once more into the breach, sir.
 21 MR. COXWORTHY:
 22 Q. Thank you, sir. Mr. Pelley, I think when we
 23 broke you were going to refer us to an RFI
 24 response?
 25 MR. PELLEY:

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1 A. Yes, and I believe just to clarify before we
 2 took a break, you had asked about my
 3 involvement in the direction that Mr. Martin
 4 had given with respect to deferral accounts as
 5 outlined here in lines 9 to 13 of the -
 6 MR. COXWORTHY:
 7 Q. September 15th, page 42.
 8 MR. PELLEY:
 9 A. There's the reference. So from my
 10 perspective, I was going to put a couple of
 11 things out there. One is if we could bring up
 12 our response to PUB-NLH-388, and I think
 13 what's outlined in our response is reflective
 14 of the type of work that Mr. Martin was
 15 referring to in his statement, and what we
 16 have here is in addition to some discussion
 17 around the types of deferral accounts that
 18 Newfoundland Power has in this jurisdiction,
 19 in addition if we scroll down perhaps to the
 20 next page, we have a listing here, a table of
 21 four other utilities; three of which are Crown
 22 owned that have deferral mechanisms in place
 23 with respect to - in this context, it's fuel
 24 cost, but in most jurisdictions fuel costs -
 25 variability in fuel costs is a significant

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1 driver of energy supply cost variability. And
 2 kind of moving on from this, the case of BC
 3 Hydro, I know personally from my perspective
 4 I've done some more research again tying back
 5 to support the direction that Mr. Martin had
 6 given, BC Hydro, while they're a much larger
 7 utility than Newfoundland and Labrador Hydro,
 8 there certainly are some similarities in terms
 9 of the fact that there's reliance on hydrology
 10 and so forth, and in looking at - and I'm
 11 moving on now from this specific RFI. We
 12 looked at BC Hydro, and this does go back to
 13 2003 when the government issued, I think it
 14 was, heritage special direction #2 to the BC
 15 Utilities Commission. One of the things that
 16 did was establish BC Hydro's ROE to be
 17 comparable to that of the - sorry, equal to
 18 that of the most comparable investor owned
 19 utility grossed up for taxes. So obviously
 20 there's similarity between that and the
 21 situation we find ourselves in with our ROE
 22 being directed.
 23 MR. COXWORTHY:
 24 Q. And we were talking about deferral accounts,
 25 and I recognize there's a relationship that

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1 I'll get to, but the BC heritage directive #2
 2 that you're referring to, does it say anything
 3 about deferral accounts?
 4 MR. PELLEY:
 5 A. Absolutely. As part of that, the BC
 6 Government also directed the two deferral
 7 accounts be established for energy supply
 8 cost. One was on this so-called heritage
 9 block of power, and the second one was, I
 10 believe, called the trade income deficit
 11 account to stabilize the ups and downs in BC
 12 export revenues, but subsequent to that, and
 13 again this is in the context of their
 14 similarities to Hydro, BC Hydro filed a rate
 15 application in which they asked for another
 16 energy supply deferral account to stabilize
 17 fluctuations in the so-called non-heritage
 18 power, and that was awarded by the BC
 19 Utilities Commission.
 20 MR. COXWORTHY:
 21 Q. There's a decision that relates to that?
 22 MR. PELLEY:
 23 A. It's BC-UC-G9604 where they granted this
 24 deferral account, so we viewed that as being a
 25 reasonable comparison.

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<p>1 MR. COXWORTHY: 2 Q. Thank you, Mr. Pelley. You've referred to a 3 couple of documents. One of them is the 4 heritage directive #2 in relation to BC Hydro. 5 Is that on the record? 6 MR. PELLETTY: 7 A. I wouldn't be able to say with certainty, but 8 if it's not, I can undertake to provide it. 9 MR. COXWORTHY: 10 Q. Can I ask you to check; if it's not, have your 11 undertaking to provide us with a copy? It 12 sounds like you have a copy. 13 MR. PELLETTY: 14 A. That's no problem, yeah. 15 MR. COXWORTHY: 16 Q. And the same thing then with the decision, the 17 BC-UC-G9604? 18 MR. PELLETTY: 19 A. Sure. 20 MR. COXWORTHY: 21 Q. Either if you could, with my thanks, advise us 22 if it's on the record and if not, have your 23 undertaking to provide a copy? 24 MR. PELLETTY: 25 A. No problem.</p>	<p>1 MR. PELLETTY: 2 A. Not as part of my comparison, no. 3 MR. COXWORTHY: 4 Q. Maybe this BC heritage directive may or may 5 not have some information about that. 6 MR. PELLETTY: 7 A. I would agree, yes, it may, yeah. 8 MR. COXWORTHY: 9 Q. And do you know whether in any of these other 10 jurisdictions before that you were referring 11 to here or that Hydro is referring to in Table 12 1 of PUB-NLH-388, do they have anything like a 13 rate stabilization plan, an RSP, such as we 14 have here? Is that part of your comparison? 15 MR. PELLETTY: 16 A. That wasn't part of my direct comparison. I 17 was looking at strictly the energy supply - 18 from an energy supply cost perspective. 19 MR. COXWORTHY: 20 Q. And even if it wasn't part of your comparison, 21 as part of just having a look, did you happen 22 to notice or did it come to your attention 23 whether there was anything like an RSP in any 24 of these other jurisdictions? 25 MR. PELLETTY:</p>
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<p>1 MR. COXWORTHY: 2 Q. Thank you. 3 MS. GLYNN: 4 Q. Noted on the record. 5 MR. COXWORTHY: 6 Q. In terms of Table 1 - I'm sorry, perhaps there 7 was something more before I go on. 8 MR. PELLETTY: 9 A. No. 10 MR. COXWORTHY: 11 Q. In terms of PUB-NLH-338 and Table 1, and I 12 realize this may not be all the comparison 13 work, but it's sort of a summary there, did 14 your comparison work involve determining 15 whether there was a banding as was being 16 proposed for the deferral accounts for Hydro 17 in terms of the 500,000 plus or minus, or some 18 other number? 19 MR. PELLETTY: 20 A. That moves more into, I guess, the design of 21 deferral accounts, which I wasn't as directly 22 involved in. 23 MR. COXWORTHY: 24 Q. So you don't know - as part of your 25 comparison, you didn't look at that?</p>	<p>1 A. No. 2 MR. COXWORTHY: 3 Q. In these other jurisdictions, you've spoken 4 about BC Hydro and there's an heritage 5 directive #2. Do you know, and it may be 6 evident from the document when we have, 7 whether that was a government directive? 8 MR. PELLETTY: 9 A. That was a government directive, yes. That 10 was a government directive to the BC Utility 11 Commission. 12 MR. COXWORTHY: 13 Q. And it was a directive not only in relation to 14 ROE, but also in relation to a deferral 15 account? 16 MR. PELLETTY: 17 A. Two deferral accounts; the trade income, and 18 the heritage deferral. 19 MR. COXWORTHY: 20 Q. And the other three examples that you gave, or 21 that Hydro has given, PUB-NLH-388, Manitoba 22 Hydro, Ontario Power, Nova Scotia, do you know 23 whether the deferral accounts there arose out 24 of a statutory, a legal directive, or a 25 government directive?</p>

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<p>1 MR. PELLETTY:</p> <p>2 A. My understanding is, no, they do not, they</p> <p>3 would have been granted by the relevant</p> <p>4 utilities boards in those jurisdictions.</p> <p>5 MR. COXWORTHY:</p> <p>6 Q. And how do you know that?</p> <p>7 MR. PELLETTY:</p> <p>8 A. I'm just recalling that from having reviewed a</p> <p>9 summary document that was provided to us by a</p> <p>10 consultant as to how some of these costs</p> <p>11 arose.</p> <p>12 MR. COXWORTHY:</p> <p>13 Q. Okay.</p> <p>14 MR. PELLETTY:</p> <p>15 A. Actually, sorry, that was in the context of</p> <p>16 return on equity. In terms of the approval of</p> <p>17 those accounts, it was just based on my own</p> <p>18 general research.</p> <p>19 MR. COXWORTHY:</p> <p>20 Q. Your own general research. Do you have other</p> <p>21 cases -</p> <p>22 MR. PELLETTY:</p> <p>23 A. We could undertake to provide - perhaps we</p> <p>24 could undertake to provide the relevant</p> <p>25 orders.</p>	<p>1 MR. PELLETTY:</p> <p>2 A. I'm feeling left out of the undertakings.</p> <p>3 MR. COXWORTHY:</p> <p>4 Q. Thank you, Mr. Pelley.</p> <p>5 MR. PELLETTY:</p> <p>6 A. No problem.</p> <p>7 MR. COXWORTHY:</p> <p>8 Q. If we could turn to Mr. Martin's evidence on</p> <p>9 September 10th, 2015, page 19, and at page 19,</p> <p>10 Mr. O'Brien at line 12 was asking Mr. Martin a</p> <p>11 question. One of the things he wanted to</p> <p>12 speak to Mr. Martin about was energy supply</p> <p>13 cost variations, deferral mechanism, and in</p> <p>14 particular, I'm interested in Exploits</p> <p>15 generation costs. "So this is sought to be</p> <p>16 included in this deferral mechanism, those</p> <p>17 particular costs. Is there any expectation on</p> <p>18 Hydro's part that those costs are going to</p> <p>19 increase", and Mr. Martin has referred us to</p> <p>20 the Finance panel for those details, and I've</p> <p>21 already asked some questions about that, but</p> <p>22 the 4 cents per kilowatt hour, we've heard</p> <p>23 from Mr. Henderson, and I think perhaps</p> <p>24 potentially from other witnesses, but I</p> <p>25 certainly recall specifically from Mr.</p>
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<p>1 MR. COXWORTHY:</p> <p>2 Q. Yes, please.</p> <p>3 MR. PELLETTY:</p> <p>4 A. For such accounts, if that would be -</p> <p>5 MR. COXWORTHY:</p> <p>6 Q. For the Manitoba Hydro, Ontario Power, and</p> <p>7 Nova Scotia.</p> <p>8 MR. PELLETTY:</p> <p>9 A. No problem.</p> <p>10 MR. COXWORTHY:</p> <p>11 Q. Thank you.</p> <p>12 MS. GLYNN:</p> <p>13 Q. Noted -</p> <p>14 MR. PELLETTY:</p> <p>15 A. Just to be clear, other than BC Hydro, do it</p> <p>16 for the other three entities listed in that</p> <p>17 table?</p> <p>18 MR. COXWORTHY:</p> <p>19 Q. For all four, that's right, and I've been too</p> <p>20 quick with my undertakings. I just want to</p> <p>21 give Ms. Glynn -</p> <p>22 MS. GLYNN:</p> <p>23 Q. Thank you. Noted on the record for the orders</p> <p>24 for Manitoba Hydro, Ontario Power, and Nova</p> <p>25 Scotia Power.</p>	<p>1 Henderson, that he didn't have any expectation</p> <p>2 that that 4 cents was going to increase prior</p> <p>3 to the transfer of the Exploit assets to</p> <p>4 Hydro?</p> <p>5 MS. RUSSELL:</p> <p>6 A. That was his testimony, yes.</p> <p>7 MR. COXWORTHY:</p> <p>8 Q. And does this Finance panel, since his</p> <p>9 testimony, or for that matter prior, have any</p> <p>10 other information that would indicate</p> <p>11 otherwise?</p> <p>12 MS. RUSSELL:</p> <p>13 A. No, we have - as discussed with Mr. O'Brien</p> <p>14 yesterday, there has been, I think,</p> <p>15 subsequently that Order in Council that keeps</p> <p>16 the 4 cents until at least until the middle of</p> <p>17 next year.</p> <p>18 MR. COXWORTHY:</p> <p>19 Q. Of July?</p> <p>20 MS. RUSSELL:</p> <p>21 A. Yes.</p> <p>22 MR. COXWORTHY:</p> <p>23 Q. I think it's July, 2016. How about after</p> <p>24 July, 2016, what's anticipated to happen then?</p> <p>25 MS. RUSSELL:</p>

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<p>1 A. I wouldn't be able to comment on - the OC goes 2 to the middle of that, but I don't think it 3 would be anticipated because we would be 4 looking at, as Mr. Henderson gave testimony as 5 well, to bringing the assets of Exploits into 6 Hydro. 7 MR. COXWORTHY: 8 Q. So no one on this panel is involved in those 9 discussions or negotiations with government 10 about either the transfer or the pricing? 11 MS. RUSSELL: 12 A. No. 13 MR. COXWORTHY: 14 Q. So it's everyone's understanding it's going to 15 stay at 4 cents? 16 MR. PELLELY: 17 A. I would just add for the purposes of the 18 record, I have been involved in discussions 19 with the province on the transfer of the 20 assets, but only - my scope into that is 21 limited to, I guess, potential financial 22 impacts on Hydro. 23 MR. COXWORTHY: 24 Q. And in the context of your involvement in 25 those discussions, has there been any</p>	<p>1 Hydro. 2 MR. COXWORTHY: 3 Q. Oh, the operation and maintenance costs? 4 MR. PELLELY: 5 A. Yes, and these discussions, I would emphasize, 6 that I've been involved in are very high level 7 at this point, for lack of a better 8 characterization. 9 MR. COXWORTHY: 10 Q. Anything else other than operation and 11 maintenance costs that you've heard are a 12 contemplation that might be costs that Hydro 13 will consider that it's bearing as a result of 14 that transfer? 15 (11:45 a.m.) 16 MR. PELLELY: 17 A. Well, you obviously have your ongoing capital 18 costs as well for maintenance of the plant. 19 MR. COXWORTHY: 20 Q. Anything else? Anything else in terms of 21 costs that Hydro may bear or there's 22 consideration of Hydro bearing when those 23 assets are transferred? 24 MR. PELLELY: 25 A. At this point, no.</p>
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<p>1 indication of timing for that transfer? 2 MR. PELLELY: 3 A. No, not at this point. 4 MR. COXWORTHY: 5 Q. My understanding from previous evidence is 6 it's still expected to be sometime in 2016. Do 7 you have any different understanding? 8 MR. PELLELY: 9 A. No. 10 MR. COXWORTHY: 11 Q. And your involvement was in terms of the 12 potential financial impacts on Hydro. What 13 are those potential financial impacts on Hydro 14 of the transfer? 15 MR. PELLELY: 16 A. It's more, I guess, about ensuring that the - 17 or discussions around ensuring that there's a 18 mechanism in place to recover the costs 19 associated with those assets for Hydro. 20 MR. COXWORTHY: 21 Q. What cost is going to be associated from the 22 transfer of the assets to Hydro? 23 MR. PELLELY: 24 A. Not the transfer, but more so the ongoing 25 maintenance of the assets once they're in</p>	<p>1 MR. COXWORTHY: 2 Q. Is there any consideration of Hydro actually 3 paying government or Nalcor something as 4 consideration for that transfer? 5 MR. PELLELY: 6 A. I haven't been involved in that type of 7 discussion at this point. 8 MR. COXWORTHY: 9 Q. So you're not aware of any consideration of 10 that? 11 MR. PELLELY: 12 A. Consideration meaning Hydro outright paying 13 the province for the assets? 14 MR. COXWORTHY: 15 Q. Or Nalcor? Somebody? 16 MR. PELLELY: 17 A. Those are all discussions that are currently 18 underway. 19 MR. COXWORTHY: 20 Q. They are underway? 21 MR. PELLELY: 22 A. Yeah. 23 MR. COXWORTHY: 24 Q. Mr. Henderson in his evidence, and we can go 25 to it if necessary, but he did talk about when</p>

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<p>1 that transfer occurred, that he anticipated</p> <p>2 there would have to be some sort of</p> <p>3 application before the Board to deal with</p> <p>4 whatever ramifications flow out of that. Are</p> <p>5 these issues of the cost that Hydro will have</p> <p>6 to bear on the assets, do you have any</p> <p>7 understanding of whether that would be part of</p> <p>8 Hydro's application to the Board?</p> <p>9 MR. PELLEY:</p> <p>10 A. Mr. Henderson testified that there will be an</p> <p>11 application to the Board to approve transfer</p> <p>12 of the assets, or the ongoing -</p> <p>13 MR. COXWORTHY:</p> <p>14 Q. Well, in relation to the consequences of the</p> <p>15 transfer? I don't think he said to approve</p> <p>16 the transfer, I'm not sure.</p> <p>17 MR. PELLEY:</p> <p>18 A. Presumably, such an application would have to</p> <p>19 contemplate how those costs are going to be</p> <p>20 addressed on a go forward basis, yes.</p> <p>21 MR. COXWORTHY:</p> <p>22 Q. And no such application - there's been no work</p> <p>23 started in preparing such an application yet</p> <p>24 that you're aware of?</p> <p>25 MR. PELLEY:</p>	<p>1 Schedule VII to the finance evidence?</p> <p>2 MS. RUSSELL:</p> <p>3 A. No.</p> <p>4 MR. COXWORTHY:</p> <p>5 Q. No?</p> <p>6 MS. RUSSELL:</p> <p>7 A. The costs from the transfer?</p> <p>8 MR. COXWORTHY:</p> <p>9 Q. Yeah.</p> <p>10 MS. RUSSELL:</p> <p>11 A. There's nothing related to the transfer in</p> <p>12 this application, so I think that's the</p> <p>13 easiest way to put it.</p> <p>14 MR. COXWORTHY:</p> <p>15 Q. But would that deferral account, Schedule VII,</p> <p>16 capture -</p> <p>17 MS. RUSSELL:</p> <p>18 A. No.</p> <p>19 MR. COXWORTHY:</p> <p>20 Q. No?</p> <p>21 MS. RUSSELL:</p> <p>22 A. No.</p> <p>23 MR. COXWORTHY:</p> <p>24 Q. Ms. Russell, in your previous role as Manager</p> <p>25 of Rates and Regulatory, you would have had</p>
<p>Page 130</p> <p>1 A. Not to my knowledge, no.</p> <p>2 MR. COXWORTHY:</p> <p>3 Q. Ms. Russell?</p> <p>4 MS. RUSSELL:</p> <p>5 A. I was going to say we're still working through</p> <p>6 the details of that, so they're not finalized,</p> <p>7 but once they would be finalized, then they</p> <p>8 would form part of that application.</p> <p>9 MR. COXWORTHY:</p> <p>10 Q. And there's no timing for such an application</p> <p>11 yet, Ms. Russell, that you're -</p> <p>12 MS. RUSSELL:</p> <p>13 A. No, it would depend on the circumstances of, I</p> <p>14 guess, the discussions when a transfer would</p> <p>15 take place, discussions with government. I'm</p> <p>16 not in those particular discussions, but once</p> <p>17 a date or whatever would be set, then we would</p> <p>18 work towards that from a finance perspective</p> <p>19 and pull together - be part of the pulling</p> <p>20 together of the information for that.</p> <p>21 MR. COXWORTHY:</p> <p>22 Q. These costs that Hydro may have to bear as a</p> <p>23 result of the transfer, are these costs that</p> <p>24 are intended to be captured by the Schedule</p> <p>25 VII deferral account; Schedule VII being</p>	<p>Page 132</p> <p>1 some familiarity with the operation of the</p> <p>2 rate stabilization plan, the RSP?</p> <p>3 MS. RUSSELL:</p> <p>4 A. I would have some familiarity, yes. Ms. Lutz</p> <p>5 also has some familiarity on the RSP.</p> <p>6 MS. LUTZ:</p> <p>7 A. That's correct.</p> <p>8 MR. COXWORTHY:</p> <p>9 Q. Thank you, and this is Mr. Fagan's position</p> <p>10 now?</p> <p>11 MS. RUSSELL:</p> <p>12 A. Correct.</p> <p>13 MR. COXWORTHY:</p> <p>14 Q. Who other than yourself and Ms. Lutz, now Mr.</p> <p>15 Fagan, would have the most familiarity about</p> <p>16 how the RSP operates?</p> <p>17 MS. RUSSELL:</p> <p>18 A. The most familiarity?</p> <p>19 MS. LUTZ:</p> <p>20 A. The operations group also, and Mr. Henderson.</p> <p>21 MR. COXWORTHY:</p> <p>22 Q. Mr. Henderson.</p> <p>23 MS. LUTZ:</p> <p>24 A. Mr. Goulding.</p> <p>25 MR. COXWORTHY:</p>

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1 Q. Was Mr. Henderson involved in the design of
 2 Schedule VII, the deferral account?
 3 MS. RUSSELL:
 4 A. The actual design of it? The design would
 5 have been - for the calculation of the
 6 deferral would have been proposed from the
 7 rates and regulatory group, Mr. Fagan, and
 8 then it would have been reviewed with Mr.
 9 Henderson.
 10 MR. COXWORTHY:
 11 Q. Sure. It's part of the finance evidence,
 12 would you agree, Schedule VII?
 13 MS. RUSSELL:
 14 A. Schedule VII -
 15 MR. COXWORTHY:
 16 Q. If we go to Section 3, which is the finance
 17 evidence, Hydro's application, and you'll see
 18 that one of the schedules is Schedule VII?
 19 MS. RUSSELL:
 20 A. Yes, those are finance schedules.
 21 MR. COXWORTHY:
 22 Q. So that's finance evidence, and you previously
 23 indicated, Ms. Russell, that this panel is
 24 responsible for the finance evidence?
 25 MS. RUSSELL:

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1 A. Yes.
 2 MR. COXWORTHY:
 3 Q. So is this panel ultimately responsible for
 4 Schedule VII?
 5 MS. RUSSELL:
 6 A. We can speak to Schedule VII.
 7 MR. COXWORTHY:
 8 Q. If we could turn to Section 3 still in the
 9 finance section of the evidence, page 3.48,
 10 and this is the section of the finance
 11 evidence that refers - deals with the energy
 12 supply cost variance deferral, and we
 13 understood that this panel would be able to
 14 speak to this. I want to refer you then to
 15 line 17 on that page which refers to the
 16 material difference between the price of power
 17 purchases, a range of 4 cents to 15 cents, as
 18 part of what's intended to be addressed by the
 19 deferral account, would you agree?
 20 MS. RUSSELL:
 21 A. Yes.
 22 MR. COXWORTHY:
 23 Q. And would you agree that that 4 cents is only
 24 associated with purchases from Exploits,
 25 purchases from - that's where that low end of

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1 that range comes from?
 2 MS. RUSSELL:
 3 A. Yes, primarily, yes.
 4 MR. COXWORTHY:
 5 Q. Well, is there any other power that Hydro buys
 6 at 4 cents a kilowatt hour?
 7 MS. RUSSELL:
 8 A. I just have to check on the Star Lake - I'd
 9 have to just double check. Star Lake, I
 10 believe, is 4 cents as well.
 11 MR. COXWORTHY:
 12 Q. Okay, so Star Lake and Exploits. Any other
 13 power at that price?
 14 MS. RUSSELL:
 15 A. I think that's the -
 16 MR. COXWORTHY:
 17 Q. So if we could turn back then to Schedule VII,
 18 still in the finance evidence, looking at the
 19 first bullets at the top, the variations to
 20 which this account is intended to apply, one
 21 of them includes power purchases from
 22 hydraulic generation and that would include
 23 the Exploits and Star Lake power we just
 24 talked about?
 25 MS. RUSSELL:

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1 A. Yes.
 2 MR. COXWORTHY:
 3 Q. With respect to the non-Exploits, non-Star
 4 Lake - or non-Exploits power purchase
 5 agreements, do you have an understanding as to
 6 the contracts, the terms of the contracts, not
 7 for Exploits because I've already asked if
 8 there's any maximum and minimum that applies
 9 there, but in terms of the other power
 10 purchase agreements, do you have any general
 11 or specific understanding of the terms of
 12 those contracts?
 13 MS. RUSSELL:
 14 A. The full terms of the contracts, no, not with
 15 all the purchase of power. The operations
 16 group would -
 17 MR. COXWORTHY:
 18 Q. If I were to say to you that they have fixed
 19 and variable components, and that the variable
 20 components are tied to the consumer price
 21 index, would you agree?
 22 MS. RUSSELL:
 23 A. I'd have to look at - I'd have to review.
 24 MR. COXWORTHY:
 25 Q. Well, let's look at page 3.49 of the finance

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<p>1 evidence.</p> <p>2 MS. RUSSELL:</p> <p>3 A. Yes.</p> <p>4 MR. COXWORTHY:</p> <p>5 Q. And I think starting at line 14. So this is</p> <p>6 in the finance evidence, the evidence this</p> <p>7 panel is responsible for. "The magnitude of</p> <p>8 Hydro's island interconnected energy supply</p> <p>9 costs is such that Hydro also proposes to</p> <p>10 stabilize its prices. The terms of the</p> <p>11 various PPAs also provide for variations for</p> <p>12 the purchase price of power. Other than the</p> <p>13 Exploits power purchase, each of the PPA rates</p> <p>14 has a fixed and variable component. The</p> <p>15 variable component is escalated annually in</p> <p>16 accordance with the provisions of each of the</p> <p>17 contracts", so these are referring, as I</p> <p>18 understand it, to the contracts that are not</p> <p>19 Exploits power purchase, "based on the</p> <p>20 consumer price index".</p> <p>21 MS. RUSSELL:</p> <p>22 A. Yes.</p> <p>23 MR. COXWORTHY:</p> <p>24 Q. So you don't have any other information or</p> <p>25 evidence to provide in relation to those other</p>	<p>1 A. With the Exploits?</p> <p>2 MR. COXWORTHY:</p> <p>3 Q. With the non-Exploits contracts, based on this</p> <p>4 evidence? If there's a fixed and a variable</p> <p>5 component -</p> <p>6 MS. RUSSELL:</p> <p>7 A. Right.</p> <p>8 MR. COXWORTHY:</p> <p>9 Q. The only variable - the only volatility is in</p> <p>10 relation to the CPI?</p> <p>11 MR. PELLEY:</p> <p>12 A. But there would also be the volume of power</p> <p>13 taken under those contracts would be variable.</p> <p>14 MR. COXWORTHY:</p> <p>15 Q. So you're saying that the fixed component</p> <p>16 would have a variable in terms of how much and</p> <p>17 who decides how much power should be taken</p> <p>18 under those contracts?</p> <p>19 MR. PELLEY:</p> <p>20 A. That would be a systems operation decision.</p> <p>21 MS. RUSSELL:</p> <p>22 A. Systems operations.</p> <p>23 MR. PELLEY:</p> <p>24 A. When, I guess, they're looking at it, and I'm</p> <p>25 outside -</p>
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<p>1 contracts, that that would be your</p> <p>2 understanding of how they operate?</p> <p>3 MS. RUSSELL:</p> <p>4 A. Yes, I don't have any other information.</p> <p>5 MR. COXWORTHY:</p> <p>6 Q. Has there been any volatility associated with</p> <p>7 the consumer price index in recent years, and</p> <p>8 perhaps Ms. Lutz or Mr. Pelley can -</p> <p>9 MR. PELLEY:</p> <p>10 A. I would have to undertake to provide that to</p> <p>11 you if you're asking me -</p> <p>12 MR. COXWORTHY:</p> <p>13 Q. If you could provide us perhaps going back -</p> <p>14 let's say go back - what's reasonable, five</p> <p>15 years?</p> <p>16 MR. PELLEY:</p> <p>17 A. Sure.</p> <p>18 MS. GLYNN:</p> <p>19 Q. Noted on the record.</p> <p>20 MR. COXWORTHY:</p> <p>21 Q. Thank you. Other than the CPI, would you</p> <p>22 agree that with respect to those non-Exploits,</p> <p>23 that there's no other volatility associated</p> <p>24 with those contracts?</p> <p>25 MS. RUSSELL:</p>	<p>1 MR. COXWORTHY:</p> <p>2 Q. So it's within Hydro's control as to how much</p> <p>3 power it'll take under those contracts, the</p> <p>4 non-Exploits contracts?</p> <p>5 MR. PELLEY:</p> <p>6 A. That would be a question for systems</p> <p>7 operations. My understanding generally is,</p> <p>8 no. If demand reaches a point where you have</p> <p>9 to draw on those contracts and that demand</p> <p>10 exceeds what you anticipated, I -</p> <p>11 MR. COXWORTHY:</p> <p>12 Q. I have the same question then to ask you, Mr.</p> <p>13 Pelley, as I asked you the last time, you</p> <p>14 know, if part of the risk management for Hydro</p> <p>15 is to understand in any year what are our</p> <p>16 commitments, what do we have to pay third</p> <p>17 parties for power in this particular instance,</p> <p>18 isn't that an important understanding from the</p> <p>19 point of view of assessing the financial risk</p> <p>20 to Hydro?</p> <p>21 MR. PELLEY:</p> <p>22 A. Absolutely.</p> <p>23 MR. COXWORTHY:</p> <p>24 Q. Have we captured that?</p> <p>25 MR. PELLEY:</p>

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<p>1 A. And we rely on - when we're looking at a risk 2 like that, that you outlined for Hydro, we're 3 relying on the estimates provided to us by 4 ultimately system operations for here's what 5 we think we're going to buy, here's the 6 potential up and down in that, and can we 7 absorb that in the context of the, I guess, 8 tools we have in place to absorb financial 9 risk. 10 MR. COXWORTHY: 11 Q. So when you're reviewing the financial risk, 12 the finance panel generally, or finance 13 generally, the financial risk associated with 14 potential volatility, and now you're pointing 15 to another source of volatility, which is 16 perhaps the possibility of different amounts 17 of power being taken under these? 18 MR. PELLEY: 19 A. Subject to the fact that I'm not an engineer 20 and it's based on my general understanding of 21 how these things work, but - 22 MR. COXWORTHY: 23 Q. No, but you're indicating that there would 24 have been an understanding of a certain band 25 of variability in terms of the amount of power</p>	<p>1 was on the finance panel to address. 2 MR. COXWORTHY: 3 Q. No, no, fair enough, Mr. Pelley, but in terms 4 of anyone on the finance panel, can you tell 5 us whether this factor that's been raised by 6 Mr. Pelley, which is the possibility of 7 variability in purchases under the non- 8 Exploits power purchases, has that been taken 9 into account in terms of what risk is intended 10 to be addressed in that Schedule VII? 11 MS. RUSSELL: 12 A. Risk with respect to the variability on? 13 MR. COXWORTHY: 14 Q. On the amount - as Mr. Pelley has suggested, 15 that there might be variance under those non- 16 Exploits PPAs in terms of the amount of power 17 Hydro might purchase, so not the price of the 18 power, we've talked about that - 19 MS. RUSSELL: 20 A. Right. 21 MR. COXWORTHY: 22 Q. But the amount they might purchase at that 23 price? 24 MS. RUSSELL: 25 A. I'd have to double check the actual agreements</p>
<p>Page 142</p> <p>1 that could be taken, or would be taken under 2 these contracts? 3 MR. PELLEY: 4 A. Presumably, system operations would have such 5 an estimate. 6 MR. COXWORTHY: 7 Q. Well, designing a deferral account that's 8 intended to address these risks, are you 9 saying you don't know what those bands are? 10 MS. RUSSELL: 11 A. I didn't design - 12 MR. COXWORTHY: 13 Q. Or anyone on this panel? 14 MS. RUSSELL: 15 A. I didn't design the deferral account, so 16 perhaps I'm not the right one to direct the 17 question to. 18 MR. COXWORTHY: 19 Q. I've directed it to the finance panel 20 generally, it is part of the finance panel's 21 evidence, Schedule VII is there, and you can 22 speak to it. In reviewing it, in speaking to 23 it, can you tell - 24 MR. PELLEY: 25 A. That wasn't one of the particular areas that I</p>	<p>Page 144</p> <p>1 on each single one. I wouldn't - and I think 2 that system operations panel probably could 3 speak to the terms of those with respect to 4 the volume. 5 MR. COXWORTHY: 6 Q. So you don't know - in reviewing the deferral 7 account in Schedule VII, you can't tell us 8 whether that risk is or isn't captured? 9 MS. RUSSELL: 10 A. The risk about the variability? 11 MR. COXWORTHY: 12 Q. The variability in the amount of power that 13 would be purchased, as suggested by Mr. 14 Pelley, under those non-Exploits PPAs? 15 MS. RUSSELL: 16 A. So could you - if we had an example, if you 17 had an example on one of the particular ones, 18 if you could - 19 MR. COXWORTHY: 20 Q. Well, let's turn to Schedule VI in Section 2 21 of the evidence, and I'll give you a chance, 22 recognizing that this is not part of your 23 evidence - 24 MS. RUSSELL: 25 A. What page again, sorry?</p>

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<p>1 MR. COXWORTHY: 2 Q. It's page 1 of 1, Schedule VI, it's near the 3 end of Section 2, and I think Ms.Gray will 4 bring it up, if you could, Ms. Gray, bring it 5 up on the screen. 6 MS. RUSSELL: 7 A. Okay. 8 MR. COXWORTHY: 9 Q. So in relation to - if you look at the 2015 10 forecast, so the last column over. 11 MS. RUSSELL: 12 A. Yes. 13 MR. COXWORTHY: 14 Q. And you'll see there's various suppliers with 15 which Hydro would have power purchase 16 agreements, Wind projects, for instance, St. 17 Lawrence Wind, 104.8. So in terms of 18 variability there, that's a forecast amount, 19 so I guess, my question is, was your panel in 20 reviewing Schedule VII and preparing to 21 testify in relation to Schedule VII, do you 22 have an understanding that there's a band 23 there, is there a risk of taking less than 24 104.80 from St. Lawrence Wind, and I just use 25 that as an example, I don't want to get into</p>	<p>1 contracts? 2 MR. COXWORTHY: 3 Q. Yeah, and how that's been addressed, if at 4 all, in the deferral account in Schedule VII? 5 MR. PELLEY: 6 A. Understood. 7 (12:00 p.m.) 8 MS. GLYNN: 9 Q. Noted on the record. 10 MR. COXWORTHY: 11 Q. Going back to the Exploits generation that 12 Hydro is purchasing, and is forecasting to 13 purchase, and, I guess, if you look at 14 Schedule VI, we're still on it, thank you, 15 Ms.Gray, you'll see that there's forecast to 16 be purchased from Nalcor, Grand Falls, Bishop 17 Falls, and Buchans, and I would understand 18 that to be when I talk about Exploits power, 19 that that's what we're talking about, 633.5 20 kilowatt hours. We've already talked about 21 how the price for that is fixed at least to 22 the middle of July at 4 cents per kilowatt 23 hour, and you've spoken, Ms. Russell, about 24 the possibility of variability in terms of if 25 it's a dry year, or rainfall, and not as an</p>
<p>Page 146</p> <p>1 any confidential information or whatever, so 2 if we can be more generic about it, I'm happy 3 to do so. 4 MS. RUSSELL: 5 A. Yeah. 6 MR. COXWORTHY: 7 Q. I don't want to find out in particular about 8 St. Lawrence. 9 MS. RUSSELL: 10 A. No, I couldn't - I'd have to double check, and 11 part of that would involve discussions with 12 System Ops together, so I - 13 MR. COXWORTHY: 14 Q. Can you do that for us? 15 MS. RUSSELL: 16 A. I can get back to you on that, yeah. 17 MR. COXWORTHY: 18 Q. In relation to all of the power purchases that 19 are forecast for 2015 in Schedule VI? 20 MS. RUSSELL: 21 A. Yes. 22 MR. PELLEY: 23 A. Just to clarify, the undertaking would be to, 24 I guess, obtain an assessment of the likely 25 variability in volume of purchases under those</p>	<p>Page 148</p> <p>1 expert in this area, but - 2 MS. RUSSELL: 3 A. Right. 4 MR. COXWORTHY: 5 Q. But just generally, that's your understanding 6 that if price is not an issue in relation to 7 Exploits power, that that might still be? 8 MS. RUSSELL: 9 A. The volume piece, yes. 10 MR. COXWORTHY: 11 Q. The volume piece, and there's been evidence 12 from Mr. Fagan, we can turn to it, that it's 13 been a wet year and if one looks at the RSP 14 report, the balances, and there's been the 15 August report that's been entered into 16 evidence, and I don't know if it's necessary 17 to go to it, but that hydraulic balances have 18 been high, they've been high for some time, 19 and I don't think there's anyone that is 20 forecasting that that's going to go down any 21 time soon. Now those are hydraulic balances 22 in relation to Hydro's hydraulic assets, they 23 don't cover Exploits, as I understand it, but 24 Exploits is in the same province, you know, 25 and I've certainly not seen any information.</p>

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<p>1 Are you aware of any information that Exploits 2 is subject to hydraulic - concerns about 3 hydraulic variability? 4 MS. RUSSELL: 5 A. I wouldn't be the person to ask that. 6 MR. COXWORTHY: 7 Q. Specifically - no. 8 MS. RUSSELL: 9 A. I wouldn't be the person, that would be system 10 operations. 11 MR. COXWORTHY: 12 Q. So you're not. This is just sort of a 13 generally - you understand it could happen? 14 MS. RUSSELL: 15 A. Yes, there could be variations in hydrology 16 that would be - if you want to get the - all 17 that type, that's definitely the system 18 operations panel. 19 MR. COXWORTHY: 20 Q. So again in Schedule VII then in terms of 21 assessing what risks need to be covered off by 22 that deferral account, other than 23 hypothetically that there might be a variation 24 due to hydraulic production due to rainfall, 25 you don't have any specific information, this</p>	<p>1 aspects of what's captured in the supply cost, 2 only the Exploits. 3 MS. LUTZ: 4 A. Okay. 5 MR. COXWORTHY: 6 Q. You're talking about situations where the 7 amount of power purchased or available from 8 Exploits is less than what's been forecast due 9 to the reasons that you've given. 10 MS. LUTZ: 11 A. Possible reasons. 12 MR. COXWORTHY: 13 Q. How about if the power purchased from Exploits 14 is more than what's forecast, more than the 15 633.50, how does that get captured in the 16 deferral account? 17 MS. RUSSELL: 18 A. So any variances on the volume going on either 19 - 20 MR. COXWORTHY: 21 Q. Because it works both ways, doesn't it? 22 MS. RUSSELL: 23 A. From the -- it works both ways. From the test 24 year, the forecast energy supply costs, 25 whatever the variance would be from the</p>
<p>Page 150</p> <p>1 panel doesn't have any specific information 2 that that is a real risk in 2016? 3 MS. RUSSELL: 4 A. I'll just defer to Ms. Lutz for this. 5 MR. COXWORTHY: 6 Q. Sure, absolutely. 7 MS. LUTZ: 8 A. I'd just to perhaps add a comment. Some of 9 the reasons in the past that power purchase 10 may be down from Exploits could have been that 11 a unit was unavailable. So the -- and that 12 could have been for any number of reasons. 13 MR. COXWORTHY: 14 Q. Sure. 15 MS. LUTZ: 16 A. It could have been icing or anything like 17 that. It might not necessarily have been 18 hydrolic levels and rainfall and so on. So 19 that might be one of the reasons that would 20 create volatility in terms of the amounts, and 21 also in this account, the gas turbine is in 22 here as well. 23 MR. COXWORTHY: 24 Q. Yes, and I, you know, I'm not -- my line of 25 questioning is not directed towards other</p>	<p>Page 152</p> <p>1 actuals would go in there. So if it worked 2 the opposite way, then it would go the 3 opposite way. 4 MR. COXWORTHY: 5 Q. And perhaps just to show, at least based on 6 the evidence, that's not entirely a 7 hypothetical that it could increase, if we 8 could turn to page 2.8 of the evidence and if 9 you look at line eight, you'll see that the 10 2015 production level from Exploits generation 11 is forecast to be 776 gigawatt hours. So, 12 more than the 633.5 that we were looking at in 13 the schedule. So, certainly there seems to be 14 at least a possibility of - 15 MS. RUSSELL: 16 A. On variation? 17 MR. COXWORTHY: 18 Q. That's right, of an up variation as opposed to 19 a down variation, in terms of how much power 20 Hydro may take and pay for? 21 MS. RUSSELL: 22 A. I would agree there's variation, yes, there 23 can be variation. 24 MR. COXWORTHY: 25 Q. And it could be up as well as down?</p>

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<p>1 MS. RUSSELL: 2 A. Yes. 3 MR. COXWORTHY: 4 Q. And whether Hydro decides to take more than 5 633.5 gigawatt hours, do you understand 6 whether that's in Hydro's control or not? 7 MS. RUSSELL: 8 A. The ability to take more? 9 MR. COXWORTHY: 10 Q. Yes. 11 MS. RUSSELL: 12 A. Again, I think that system operations could 13 discuss how much power or how that works or 14 the causes of what may cause you not to be 15 able to take Exploits power, you know, 16 compared to the forecast, of what you may have 17 had in your forecast. 18 MR. COXWORTHY: 19 Q. But the ability -- if there's more available - 20 MS. RUSSELL: 21 A. Yes. 22 MR. COXWORTHY: 23 Q. - and we just went to page 2.8. 24 MS. RUSSELL: 25 A. Yes.</p>	<p>1 where Hydro is going to be purchasing more 2 than 633.5 in 2015? How do you know if 3 there's any financial risk associated with 4 that to Hydro in doing that? 5 MS. RUSSELL: 6 A. What do you mean financial risk? Like this 7 will capture, so the deferral account captures 8 the variance between what your forecast is and 9 as you said, any increases above or below. 10 MR. COXWORTHY: 11 Q. How does it capture it? Now let's turn to 12 Schedule 7, because that's -- and get the 13 specifics in terms of how this formula would 14 work. So A is the -- at Schedule 7 -- total 15 actual energy supply costs. B is the total 16 test year. So as we've just seen in Schedule 17 6, one of the components of the test year is 18 that it's expected or forecasted that there'll 19 be 633.5 purchased from Exploits. So that 20 would be a component of B. 21 MS. RUSSELL: 22 A. Sorry, which one? It took a little while to 23 get that to come up on the screen. 24 MR. COXWORTHY: 25 Q. No, no, I'm sorry. Sorry to rush you. So I'm</p>
<p>Page 154</p> <p>1 MR. COXWORTHY: 2 Q. The ability to take more. 3 MS. RUSSELL: 4 A. Yes. 5 MR. COXWORTHY: 6 Q. If it's available, is that a matter that's 7 within Hydro's control? I realize there might 8 be all sorts of other consideration Hydro may 9 take on account as to whether to do it. 10 MS. RUSSELL: 11 A. Right. 12 MR. COXWORTHY: 13 Q. But whether to - 14 MS. RUSSELL: 15 A. I would say that unless there are factors 16 outside, you know, with the hydrology and the 17 different -- it depends on what the factors 18 are. You'd have to look at all the factors, 19 and again, system operations would be -- I 20 can't speak to the -- to how they do the 21 supply mix with respect to Hydro's operations, 22 so I would not be the one to. 23 MR. COXWORTHY: 24 Q. So how do you know whether it's protecting 25 from any risk if there's an upside situation</p>	<p>Page 156</p> <p>1 looking at that Schedule 7. I'm looking at 2 that formula, energy supply cost, A minus B 3 minus C. 4 MS. RUSSELL: 5 A. Um-hm. 6 MR. COXWORTHY: 7 Q. And A is actual energy supply costs in 8 calendar year. We don't know that yet. B 9 though is the total test year energy supply 10 costs, and you know, that would be the 11 information in Schedule 5 and Schedule 6 in 12 Section 2, and part of the component of B, I 13 was putting to you, is that would include the 14 633.5 gigawatt hours that are forecast to be 15 purchased from Exploits, that that would be in 16 B. 17 MS. RUSSELL: 18 A. Right, okay. 19 MR. COXWORTHY: 20 Q. And then you have C, the energy supply costs 21 or savings. So my question to you is that if 22 the actual energy supply costs, A, ends up 23 being with more, more Exploits power being 24 purchased that 633.5, how does that work? How 25 does that work through this formula in terms</p>

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<p>1 of whether that ends up being to the benefit 2 of customers or not to the benefit of 3 customers? 4 MS. RUSSELL: 5 A. So I don't know if it's helpful to pull up -- 6 just because we can put some numbers, like if 7 we pull up - 8 MR. COXWORTHY: 9 Q. Absolutely. 10 MS. RUSSELL: 11 A. - Schedule 3 of Appendix C, page one of -- no, 12 this is -- sorry, Appendix C of the cost 13 deferral application. 14 MR. COXWORTHY: 15 Q. Okay. 16 MS. RUSSELL: 17 A. Because it does go through - 18 MR. COXWORTHY: 19 Q. Sure. 20 MS. RUSSELL: 21 A. - with some numbers, this same calculation. 22 Just -- I don't know if that's helpful to have 23 numbers. 24 MR. COXWORTHY: 25 Q. Yes. No, I'm sure it will be.</p>	<p>1 get at is the specific impact of Exploits 2 power. 3 MS. RUSSELL: 4 A. So we can get you that. I don't specifically 5 -- I don't necessarily have that calculation, 6 but there would be backup calculations. If 7 you're asking -- do you want more calculations 8 behind the 30.8? 9 MR. COXWORTHY: 10 Q. Sure. 11 MS. RUSSELL: 12 A. If that's what you're looking at. 13 MR. COXWORTHY: 14 Q. I think at the end of this line of 15 questioning, I'll be asking for that. 16 MS. RUSSELL: 17 A. Yes, okay. 18 MR. COXWORTHY: 19 Q. But I want to make sure that I cover as much 20 ground as I can. 21 MR. PELLEY: 22 A. Perhaps I could just make sure I understand 23 the line of questioning correctly. 24 MR. COXWORTHY: 25 Q. Sure.</p>
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<p>1 MS. RUSSELL: 2 A. But so on the hydrolic, and this is - 3 MR. COXWORTHY: 4 Q. So I guess you'll have to give us a moment now 5 for it to come up on the screen. 6 MS. RUSSELL: 7 A. I'll wait until -- yeah. So this represents 8 the calculation that you were just discussing. 9 So, on the hydrolic piece there, you'd have 10 your forecast energy supply cost, which would 11 be at the 30 -- sorry, the 30.8 million. Then 12 you would have your test year energy supply 13 costs, which would be set at the test year 14 number of 32.3 million. And then it shows the 15 calculation there, energy supply costs, the 16 top one minus the bottom. You can go through 17 that calculation. So, when you look at the A 18 minus B portion, that's the pieces we would 19 look at. The forecast energy supply costs 20 would be captured. Anything different than 21 test year would be captured in that number. 22 MR. COXWORTHY: 23 Q. Sure. And that's when -- again, I don't mean 24 to be flippant, but that's when you lump 25 everything together. And what I'm trying to</p>	<p>1 MR. PELLEY: 2 A. You're looking to determine what the impact is 3 in a situation where more Exploits -- for 4 instance, more Exploits power was purchased 5 than was originally accounted for in the test 6 year and how that plays out in terms of an 7 adjustment, right? 8 MR. COXWORTHY: 9 Q. Yeah. 10 MR. PELLEY: 11 A. And of course, an explanation as to how that 12 situation could arise, whether or not it's a 13 management -- as the result of management 14 decision making or something outside the 15 control of - 16 MR. COXWORTHY: 17 Q. Well, whether it is ever out of Hydro's 18 control. 19 MR. PELLEY: 20 A. Yeah. 21 MR. COXWORTHY: 22 Q. I mean, one of the things that we talked about 23 that goes to that is whether there's a maximum 24 or a minimum amount that has to be purchased 25 from Exploits.</p>

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<p>1 MR. PELLE:Y: 2 A. Right. 3 MR. COXWORTHY: 4 Q. So that would be. 5 MR. PELLE:Y: 6 A. Yeah. 7 MR. COXWORTHY: 8 Q. If we find out that there is, that that would 9 be a factor. 10 MR. PELLE:Y: 11 A. And that's already an undertaking on the 12 record, as I understand. 13 MR. COXWORTHY: 14 Q. Absolutely. 15 MR. PELLE:Y: 16 A. Yeah. 17 MR. COXWORTHY: 18 Q. If there are any other factors that go to 19 control. 20 MR. PELLE:Y: 21 A. Yeah. 22 MR. COXWORTHY: 23 Q. But the second level question -- because, yes, 24 we're halfway there -- is how do we know what 25 other generation sources Exploits, extra</p>	<p>1 Schedule 7, that that was a possibility? 2 MS. RUSSELL: 3 A. The possibility of displacing something 4 besides Holyrood? 5 MR. COXWORTHY: 6 Q. Besides Holyrood. 7 MS. RUSSELL: 8 A. Well, my -- the calculation is Holyrood 9 because that's where the other -- well, that 10 is what system -- again, this information is 11 compiled off of -- when we're doing this, we 12 do the finance side of it, but the input would 13 come from system operations saying that, you 14 know, if we don't -- depending on the 15 difference between Exploits purchases, the 16 offset would be to Holyrood. 17 MR. COXWORTHY: 18 Q. But if it's - 19 MS. RUSSELL: 20 A. And that's how we would build the calculations 21 off it. 22 MR. COXWORTHY: 23 Q. But if it's not actually displaced in 24 Holyrood, if buying more Exploits power 25 doesn't actually reduce how much would have</p>
<p>Page 162</p> <p>1 Exploits power is going to displace? Is it 2 always going to displace Holyrood? 3 MS. RUSSELL: 4 A. It displaces Holyrood. 5 MR. COXWORTHY: 6 Q. That's the assumption, isn't it, in Schedule 7 7? 8 MS. RUSSELL: 9 A. Yes, it is. That's an assumption. 10 MR. COXWORTHY: 11 Q. The assumption is it always displaces 12 Holyrood. That's how it's calculated. 13 MS. RUSSELL: 14 A. That would be -- in this calculation, that's 15 what the number C over at the end, the 1.9. 16 MR. COXWORTHY: 17 Q. Have you had any -- or do you have any 18 understanding that there could be displacement 19 of Hydro's own hydrolic generation by Exploits 20 purchases? 21 MS. RUSSELL: 22 A. With respect to that, again we'd probably have 23 to speak to system ops as to the displace - 24 MR. COXWORTHY: 25 Q. So you didn't know that when you reviewed the</p>	<p>Page 164</p> <p>1 been otherwise burned at Holyrood, does 2 Schedule 7 capture that scenario in terms of 3 savings? 4 MS. RUSSELL: 5 A. I'm not sure if that would -- again, we'd have 6 to talk to system plan. I'm not even sure if 7 that would - 8 MR. COXWORTHY: 9 Q. If it would ever happen? 10 MS. RUSSELL: 11 A. Yes. 12 MR. COXWORTHY: 13 Q. Is what you're saying. 14 MR. PELLE:Y: 15 A. Why don't we do that as an undertaking? 16 MS. RUSSELL: 17 A. I really can't speak to that even, you know, 18 happening. 19 MR. COXWORTHY: 20 Q. But if it were, if it did happen, does 21 Schedule 7 address that? 22 (12:15 a.m.) 23 MS. LUTZ: 24 A. Could I just - 25 MR. COXWORTHY:</p>

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<p>1 Q. Sure, absolutely.</p> <p>2 MS. LUTZ:</p> <p>3 A. - just add something? Are you asking if we</p> <p>4 had displaced our own hydrolic generation for</p> <p>5 instance, so that is picked up in the RSP, all</p> <p>6 of which is priced at the cost of Holyrood</p> <p>7 fuel.</p> <p>8 MR. COXWORTHY:</p> <p>9 Q. That's right. So, and this is the further</p> <p>10 point and I guess this is why I was asking Ms.</p> <p>11 Russell, and you've indicated that Ms. Lutz,</p> <p>12 that you're also familiar with the RSP. What</p> <p>13 happens then? Isn't the assumption when Hydro</p> <p>14 hydrolic under the RSP is displaced that that</p> <p>15 means you have to burn more at Holyrood?</p> <p>16 Isn't that how the RSP -- the RSP is a</p> <p>17 complicated beast.</p> <p>18 MS. LUTZ:</p> <p>19 A. Yes.</p> <p>20 MR. COXWORTHY:</p> <p>21 Q. And I'm here simplifying it. But in</p> <p>22 simplifying it, is that your understanding of</p> <p>23 how the RSP works?</p> <p>24 MS. LUTZ:</p> <p>25 A. That we -- could you just say what your</p>	<p>1 MS. LUTZ:</p> <p>2 A. It's not Hydro's own hydrolic generation</p> <p>3 sources.</p> <p>4 MR. COXWORTHY:</p> <p>5 Q. It's not Hydro's own. Sorry, that was my</p> <p>6 misunderstanding. Thank you for clarifying</p> <p>7 that. So, again, to go back to my question</p> <p>8 though in terms of how the RSP works, if</p> <p>9 Exploits is displacing hydrolic generation,</p> <p>10 Hydro's own hydrolic generation so that it</p> <p>11 goes down from less than what's been forecast,</p> <p>12 what happens in the RSP? I suggested to the</p> <p>13 RSP is that's -- the assumption is, oh, we</p> <p>14 have to burn more fuel at Holyrood and there's</p> <p>15 a cost associated with that. Is that how the</p> <p>16 RS -- again, I know I'm simplifying and please</p> <p>17 correct me if I'm over simplifying, but is</p> <p>18 that basically what happens?</p> <p>19 MS. LUTZ:</p> <p>20 A. Okay, I'm just caught up on your comment that</p> <p>21 we're burning more fuel. We may not</p> <p>22 physically burn the fuel.</p> <p>23 MR. COXWORTHY:</p> <p>24 Q. No, I know.</p> <p>25 MS. LUTZ:</p>
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<p>1 assumption is?</p> <p>2 MR. COXWORTHY:</p> <p>3 Q. If hydrolic ends up -- Hydro's hydrolic.</p> <p>4 MS. LUTZ:</p> <p>5 A. Yes.</p> <p>6 MR. COXWORTHY:</p> <p>7 Q. Let's leave out Exploits. I know it's lumped</p> <p>8 in here in this Appendix C, but that's not how</p> <p>9 it works in the RSP. Would you agree?</p> <p>10 MS. LUTZ:</p> <p>11 A. That hydrolic right here is just Exploits</p> <p>12 hydrolic. It's not total.</p> <p>13 MR. COXWORTHY:</p> <p>14 Q. I'm sorry, in Appendix C?</p> <p>15 MS. LUTZ:</p> <p>16 A. I believe so.</p> <p>17 MR. COXWORTHY:</p> <p>18 Q. You may be right. What I looked at at</p> <p>19 footnote, it includes Nalcor, Grand Falls,</p> <p>20 Bishops Falls and Buchans. So is that just</p> <p>21 Exploits or is -</p> <p>22 MS. LUTZ:</p> <p>23 A. That is Exploits and I believe Star Lake.</p> <p>24 MR. COXWORTHY:</p> <p>25 Q. Okay.</p>	<p>1 A. But we price it as if the fuel had been</p> <p>2 burned.</p> <p>3 MR. COXWORTHY:</p> <p>4 Q. As if the fuel has been burned?</p> <p>5 MS. LUTZ:</p> <p>6 A. That's right, in the RSP rules.</p> <p>7 MR. COXWORTHY:</p> <p>8 Q. And so whether the fuel has been burned or</p> <p>9 not, the customers will have to pay or</p> <p>10 there'll be a balance created in the RSP that</p> <p>11 may end up being a negative balance, depending</p> <p>12 on how all the other factors in the RSP work</p> <p>13 out, but that's a negative for the customer,</p> <p>14 isn't it, when the RSP indicates that a</p> <p>15 balance is created on the basis that fuel had</p> <p>16 to be burned at Holyrood, whether it was</p> <p>17 burned or not? That's a negative for</p> <p>18 customers, would you agree?</p> <p>19 MS. LUTZ:</p> <p>20 A. It's a -- well, it would be a receivable from</p> <p>21 customers if the hydrolic generation was -- if</p> <p>22 the hydrolic generation that was actually</p> <p>23 consumed was less.</p> <p>24 MR. COXWORTHY:</p> <p>25 Q. And is that risk to customers captured by the</p>

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<p>1 deferral account Schedule 7?</p> <p>2 MS. LUTZ:</p> <p>3 A. I believe it is.</p> <p>4 MR. COXWORTHY:</p> <p>5 Q. Can you explain to me? Can you take me</p> <p>6 through with an example? Or if not, if that's</p> <p>7 not a fair thing to put to the panel, could I</p> <p>8 have an undertaking for an example that shows</p> <p>9 how the customer would be protected under that</p> <p>10 deferral account as it's currently worded?</p> <p>11 MS. LUTZ:</p> <p>12 A. We can certainly take that undertaking, but</p> <p>13 the costs -- so it's a net -- the way that</p> <p>14 calculation works, so we have all of the costs</p> <p>15 associated with the various power purchases</p> <p>16 and then we have -- we say, okay, we would</p> <p>17 have burned X amount of fuel at Holyrood, so</p> <p>18 we deduct that from it, and that's priced the</p> <p>19 same way as it would be in the RSP.</p> <p>20 MR. COXWORTHY:</p> <p>21 Q. Absolutely, but again, but you've already</p> <p>22 indicated that the fuel may not have actually</p> <p>23 been burned at Holyrood.</p> <p>24 MS. LUTZ:</p> <p>25 A. Right, so -</p>	<p>1 MS. GLYNN:</p> <p>2 Q. Okay. So the undertaking is noted.</p> <p>3 MR. COXWORTHY:</p> <p>4 Q. Thank you.</p> <p>5 CHAIRMAN:</p> <p>6 Q. I'm having a John Efford moment. It's some</p> <p>7 tangly.</p> <p>8 MR. COXWORTHY:</p> <p>9 Q. You'll be glad to hear, as I'm sure will be</p> <p>10 the panel, that I'm finished with this line of</p> <p>11 questioning, Mr. Chair.</p> <p>12 MS. GLYNN:</p> <p>13 Q. I'm going to make a suggestion that once we</p> <p>14 have the undertaking list provided tomorrow we</p> <p>15 can have -</p> <p>16 MR. COXWORTHY:</p> <p>17 Q. A review.</p> <p>18 MS. GLYNN:</p> <p>19 Q. Yeah, to make sure that we are all perfectly -</p> <p>20 MR. COXWORTHY:</p> <p>21 Q. Thank you.</p> <p>22 CHAIRMAN:</p> <p>23 Q. Oh yes, we're going to have a review.</p> <p>24 MR. COXWORTHY:</p> <p>25 Q. I'm sure that's a wise suggestion. Thank you,</p>
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<p>1 MR. COXWORTHY:</p> <p>2 Q. So how are the customers protected against</p> <p>3 that scenario where the formula is derived</p> <p>4 based on burning at Holyrood but the burning</p> <p>5 doesn't occur?</p> <p>6 MS. LUTZ:</p> <p>7 A. So as you mentioned, it is a complicated</p> <p>8 calculation, so I think it is better if we</p> <p>9 work through some scenarios and present it</p> <p>10 back. I think that would be most appropriate.</p> <p>11 MR. COXWORTHY:</p> <p>12 Q. I think there's been enough explication. I</p> <p>13 don't know if Ms. Glynn is -- do I need to go</p> <p>14 through that for the undertaking or do you</p> <p>15 think there's a sufficient undertaking</p> <p>16 information there?</p> <p>17 MS. GLYNN:</p> <p>18 Q. If the parties are sufficiently clear on what</p> <p>19 they need to provide.</p> <p>20 MR. COXWORTHY:</p> <p>21 Q. I'm satisfied that they are.</p> <p>22 MS. RUSSELL:</p> <p>23 A. I think we know, yeah.</p> <p>24 MR. COXWORTHY:</p> <p>25 Q. I just want to make sure the record is clear.</p>	<p>1 Ms. Glynn. I think I just have a few more, I</p> <p>2 believe short questions.</p> <p>3 CHAIRMAN:</p> <p>4 Q. Great sense of relief.</p> <p>5 MR. COXWORTHY:</p> <p>6 Q. I can hear the sighs, Mr. Chair, thank you.</p> <p>7 Going back to PUB-NLH-228 and the charging in</p> <p>8 of leadership time. With the changes that</p> <p>9 have occurred just very recently now with Mr.</p> <p>10 MacIsaac being appointed as president of</p> <p>11 Hydro, I understand, although I don't think</p> <p>12 it's been fleshed out, that there might be</p> <p>13 other changes, either that have happened or</p> <p>14 are contemplated to flow out of that. Does</p> <p>15 that change any of the forecast Nalcor</p> <p>16 leadership time for 2015? Well, perhaps not</p> <p>17 2015, we're late in 2015 already, but for</p> <p>18 2016?</p> <p>19 MS. RUSSELL:</p> <p>20 A. For the test year purposes, we aren't planning</p> <p>21 on changing anything in the test year with</p> <p>22 respect to that.</p> <p>23 MR. COXWORTHY:</p> <p>24 Q. And in relation to -- and this was a comment</p> <p>25 you made, Ms. Russell. I think you may have</p>

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1 made it more than once, but in your evidence
 2 yesterday, November 17th -- I don't think it's
 3 necessary to turn to it, November 17th at page
 4 196, line 17 -- that Hydro's position was that
 5 ROEs, return on equity, are typically dealt
 6 with in a GRA and this was in the context of
 7 the suggestion that perhaps if Newfoundland
 8 Power's ROE were to change after this
 9 proceeding is over that perhaps we shouldn't
 10 wait until another Hydro GRA to change the
 11 ROE, but have an adjustment in the middle.
 12 Would you agree that one of the rationales or
 13 maybe the only rationale, I would put to you,
 14 for dealing with an ROE typically in the past
 15 in a GRA was the need for Hydro to bring
 16 evidence forward to justify a particular ROE?
 17 MS. RUSSELL:
 18 A. So I agree on that. I think I also said that
 19 if there was another -- the other, I think,
 20 point that was put forward that changing it
 21 after -- like once Newfoundland Power had gone
 22 through its GRA, whatever, an adjustment may
 23 come out of theirs, that that was also
 24 reasonable. I would agree that's a reasonable
 25 -

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1 MR. COXWORTHY:
 2 Q. So it's as reasonable, but is there any
 3 reasonable reason at all to leave it to a GRA
 4 if there's no need to call evidence on what
 5 the -
 6 MS. RUSSELL:
 7 A. Well, that was just -
 8 MR. COXWORTHY:
 9 Q. - no need for Hydro to call evidence on what -
 10 MS. RUSSELL:
 11 A. - typically as again GRAS, ROEs would be
 12 discussed here. That's the only reason for
 13 it.
 14 MR. COXWORTHY:
 15 Q. But would you agree in the past that the
 16 reason for that is because it was necessary to
 17 call evidence to prove the ROE or to support
 18 the ROE that was being sought?
 19 MS. RUSSELL:
 20 A. Well, yes, usually there's evidence and
 21 usually, as in other matters, sometimes the
 22 Board may want to look at any other changes
 23 all at the same time.
 24 MR. COXWORTHY:
 25 Q. That's fair.

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1 MS. RUSSELL:
 2 A. A lot of different changes versus just one.
 3 MR. COXWORTHY:
 4 Q. Thank you, Ms. Russell. Thank you, Mr.
 5 Pelley, Ms. Lutz. I have no further
 6 questions.
 7 CHAIRMAN:
 8 Q. You're finished?
 9 MR. COXWORTHY:
 10 Q. I am.
 11 CHAIRMAN:
 12 Q. Oh, okay. Mr. O'Reilly?
 13 CROSS-EXAMINATION BY THOMAS O'REILLY, Q.C.
 14 O'REILLY, Q.C.:
 15 Q. Thank you, Mr. Chairman. My name is Tom
 16 O'Reilly and I'm the -- represent the
 17 interests of Vale Newfoundland in this GRA. I
 18 just have a few questions for you. One of the
 19 problems with being close to the end is that
 20 there's two risks that you face. One is that
 21 a lot of the questions get asked before. The
 22 other one is those that did ask before,
 23 there's a risk that you might forget what the
 24 answers were. So, forgive me if I transgress
 25 on the second one.

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1 But I want to go back to the Schedule 7
 2 of your finance evidence that Mr. Coxworthy
 3 spent some time with and at the risk -- I
 4 thought I sort of had a handle on that and I'm
 5 sorry if I'm wading back in it, but my
 6 simplistic view of this is that one of the
 7 components of the power purchase arrangement
 8 that Hydro has with Exploits is that it's
 9 assuming its low end cost of four cents?
 10 Isn't that correct?
 11 MS. RUSSELL:
 12 A. Correct.
 13 O'REILLY, Q.C.:
 14 Q. Okay. But there's no assurance built around
 15 that, that that's -- that amount is going to
 16 last for any period of time? It can be
 17 changed without -- there's no contract
 18 governing it? It's not a protected price, in
 19 other words, is it?
 20 MS. RUSSELL:
 21 A. On the four cents?
 22 O'REILLY, Q.C.:
 23 Q. Yes.
 24 MS. RUSSELL:
 25 A. There is up until -- there is an OC up until

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<p>1 the middle of next year.</p> <p>2 O'REILLY, Q.C.:</p> <p>3 Q. Up until -</p> <p>4 MS. RUSSELL:</p> <p>5 A. That does keep it at the four cents.</p> <p>6 O'REILLY, Q.C.:</p> <p>7 Q. After that, there's nothing after that?</p> <p>8 MS. RUSSELL:</p> <p>9 A. Not at that -- not at this time, no.</p> <p>10 O'REILLY, Q.C.:</p> <p>11 Q. Okay, all right. And it's intended if -- so</p> <p>12 after the end of -- after the middle of next</p> <p>13 year, looking at it from where we are here,</p> <p>14 there are two risks associated with the</p> <p>15 amount, the cost of Exploits power. There's</p> <p>16 one on volume, how much you take.</p> <p>17 MS. RUSSELL:</p> <p>18 A. Um-hm.</p> <p>19 O'REILLY, Q.C.:</p> <p>20 Q. And there's another -- there would be another</p> <p>21 risk on how much you have to pay for it?</p> <p>22 MS. RUSSELL:</p> <p>23 A. Correct.</p> <p>24 O'REILLY, Q.C.:</p> <p>25 Q. Okay. For the working -- for the purpose of</p>	<p>1 Q. Yes, in price, and it seems like there's no -</p> <p>2 MS. RUSSELL:</p> <p>3 A. So that would be captured in the deferral</p> <p>4 account, but Hydro doesn't anticipate there to</p> <p>5 be any changes.</p> <p>6 O'REILLY, Q.C.:</p> <p>7 Q. Yeah, but there's no assurance. Unlike a</p> <p>8 power purchase contract say from Corner Brook</p> <p>9 Pulp and Paper where we know if certain</p> <p>10 volumes or a minimums that are taken, you know</p> <p>11 what you're going to have to pay for.</p> <p>12 MS. RUSSELL:</p> <p>13 A. Yes.</p> <p>14 O'REILLY, Q.C.:</p> <p>15 Q. Or from Vale, they have an account as well.</p> <p>16 MS. RUSSELL:</p> <p>17 A. Yes.</p> <p>18 O'REILLY, Q.C.:</p> <p>19 Q. But that assurance -</p> <p>20 MS. RUSSELL:</p> <p>21 A. Up to the end of 2016 is what's -</p> <p>22 O'REILLY, Q.C.:</p> <p>23 Q. It's not there?</p> <p>24 MS. RUSSELL:</p> <p>25 A. Only up 'til the -- I guess the middle of</p>
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<p>1 working of the formula in Schedule 7, should</p> <p>2 that not be capped? Should there be not some</p> <p>3 addition -- and I don't know -- I'm suggesting</p> <p>4 the problem that I see, but I don't see it</p> <p>5 addressed here. Should there be some, like a</p> <p>6 capping mechanism put in there that it's</p> <p>7 assumed that this is only work up until -- in</p> <p>8 other words, the \$500,000 won't get influenced</p> <p>9 by any amount over four cents?</p> <p>10 MS. RUSSELL:</p> <p>11 A. So I think, I'd have to -- again, at this</p> <p>12 point in time, the four cents is up to 2016.</p> <p>13 O'REILLY, Q.C.:</p> <p>14 Q. Yes.</p> <p>15 MS. RUSSELL:</p> <p>16 A. And we'll be looking to transfer the assets</p> <p>17 into Hydro. We didn't anticipate any change,</p> <p>18 but Mr. Henderson, I think, gave some</p> <p>19 testimony on that.</p> <p>20 O'REILLY, Q.C.:</p> <p>21 Q. But am I inventing a problem or do you see</p> <p>22 there's -</p> <p>23 MS. RUSSELL:</p> <p>24 A. You're asking about changes in the price?</p> <p>25 O'REILLY, Q.C.:</p>	<p>1 2016.</p> <p>2 O'REILLY, Q.C.:</p> <p>3 Q. Only up until the end of June?</p> <p>4 MS. RUSSELL:</p> <p>5 A. Correct.</p> <p>6 O'REILLY, Q.C.:</p> <p>7 Q. Okay. So I guess, I revert to my question,</p> <p>8 should this be something that should be</p> <p>9 reflected in the formula? I mean, it's based</p> <p>10 on the assumption that it's going to be four</p> <p>11 cents to power, but there's no assurance it's</p> <p>12 going to remain at four cents.</p> <p>13 MS. LUTZ:</p> <p>14 A. Let's just say that it doubled, just for</p> <p>15 argument sake.</p> <p>16 O'REILLY, Q.C.:</p> <p>17 Q. Pardon me?</p> <p>18 MS. LUTZ:</p> <p>19 A. Let's just say that it doubled, for argument</p> <p>20 sake.</p> <p>21 O'REILLY, Q.C.:</p> <p>22 Q. Okay.</p> <p>23 MS. LUTZ:</p> <p>24 A. That would be captured in this account because</p> <p>25 -- because of the mechanics.</p>

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<p>1 O'REILLY, Q.C.:</p> <p>2 Q. Yes, but it would get passed along</p> <p>3 automatically without any interim review.</p> <p>4 MS. LUTZ:</p> <p>5 A. That's the -</p> <p>6 O'REILLY, Q.C.:</p> <p>7 Q. It would go into the \$500,000 threshold. It</p> <p>8 would count along with the volume -</p> <p>9 MS. RUSSELL:</p> <p>10 A. It would go into the thing because it would be</p> <p>11 considered, yes, like one of the prices is</p> <p>12 price volume.</p> <p>13 O'REILLY, Q.C.:</p> <p>14 Q. Yes. Whereas with the other power purchase</p> <p>15 contracts, the ones that would affect the</p> <p>16 \$500,000 threshold relate to the volume, not</p> <p>17 to the price?</p> <p>18 MS. RUSSELL:</p> <p>19 A. The other ones that are in there?</p> <p>20 O'REILLY, Q.C.:</p> <p>21 Q. Yes.</p> <p>22 MS. RUSSELL:</p> <p>23 A. I don't think all of them relate -</p> <p>24 O'REILLY, Q.C.:</p> <p>25 Q. Well, I'm thinking -- excuse me, Corner Brook</p>	<p>1 MS. RUSSELL:</p> <p>2 A. It would be changes in price that would go</p> <p>3 through as well.</p> <p>4 O'REILLY, Q.C.:</p> <p>5 Q. Okay. And mercifully, I'm going to leave that</p> <p>6 subject now. Tell me, anybody on your panel,</p> <p>7 do you have anybody here, any members of the</p> <p>8 panel have any financial responsibility for</p> <p>9 contract administration, oversight or -- I</p> <p>10 know you don't administer contracts, but do</p> <p>11 you have any oversight over the financial</p> <p>12 aspects of contract administration?</p> <p>13 MS. RUSSELL:</p> <p>14 A. With -</p> <p>15 O'REILLY, Q.C.:</p> <p>16 Q. Cost to budget and -</p> <p>17 MS. RUSSELL:</p> <p>18 A. What types of contracts?</p> <p>19 O'REILLY, Q.C.:</p> <p>20 Q. Yeah.</p> <p>21 MS. RUSSELL:</p> <p>22 A. Like what kind of contract?</p> <p>23 O'REILLY, Q.C.:</p> <p>24 Q. Well, say for the diesel, the lease of the</p> <p>25 diesel, that sort of thing. What would be</p>
<p>Page 182</p> <p>1 Pulp and Paper and Vale, their prices are</p> <p>2 fixed. It's only the -- the only amount, the</p> <p>3 variance would be the amount that was taken,</p> <p>4 the volume that was taken.</p> <p>5 MS. RUSSELL:</p> <p>6 A. Okay. So you're -- so, sorry, your question</p> <p>7 is?</p> <p>8 O'REILLY, Q.C.:</p> <p>9 Q. I'm saying is there not something that needs</p> <p>10 to be tied off here to cover the possibility</p> <p>11 that the rate of four cents will increase or</p> <p>12 change in some fashion after the end of June,</p> <p>13 without the risk of this being automatically</p> <p>14 passed along to the rate payer without any -</p> <p>15 MS. RUSSELL:</p> <p>16 A. Well, the nature of the deferral account would</p> <p>17 be to have the price go in and any changes to</p> <p>18 the price is like -</p> <p>19 O'REILLY, Q.C.:</p> <p>20 Q. Along with changes in volume.</p> <p>21 MS. RUSSELL:</p> <p>22 A. Correct, as if they're like diesel or any of</p> <p>23 the other, the CT fuel or anything else.</p> <p>24 O'REILLY, Q.C.:</p> <p>25 Q. All right.</p>	<p>Page 184</p> <p>1 your -</p> <p>2 MS. RUSSELL:</p> <p>3 A. When there's a contract, like for example with</p> <p>4 the diesel?</p> <p>5 O'REILLY, Q.C.:</p> <p>6 Q. Yeah, well, the existing contracts that you</p> <p>7 have for the diesel, for the black start, for</p> <p>8 example.</p> <p>9 MS. RUSSELL:</p> <p>10 A. So we do a -- there is a due diligence process</p> <p>11 that goes in the company where even if the</p> <p>12 contract wasn't specifically in your group,</p> <p>13 like your group wasn't necessarily part,</p> <p>14 directly part of that contract, there would be</p> <p>15 a team of people like legal, finance. If it</p> <p>16 impacted -- and there's a group that</p> <p>17 administers the due diligence process and they</p> <p>18 would have -- there'd be a finance person.</p> <p>19 There'd be a legal person. Depending on what</p> <p>20 the contract is, they would bring in other</p> <p>21 people as required and there'd be a list of</p> <p>22 people and then they would circulate the</p> <p>23 contract for -- they would circulate for</p> <p>24 review and any commentary, only as it would</p> <p>25 relate to your area.</p>

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<p>1 O'REILLY, Q.C.:</p> <p>2 Q. Yeah. There are really two aspects and one is</p> <p>3 the decision to enter into the contract and</p> <p>4 what the terms and conditions are going to be,</p> <p>5 and the second thing is after you've entered</p> <p>6 into the contract, there is the carrying out</p> <p>7 of the work and there's a monitoring to make</p> <p>8 sure it complies with the terms and conditions</p> <p>9 that you've agreed to enter into, right?</p> <p>10 MS. RUSSELL:</p> <p>11 A. Um-hm.</p> <p>12 O'REILLY, Q.C.:</p> <p>13 Q. And is it in the -- so you have a role in --</p> <p>14 somebody there would have a role in both</p> <p>15 aspects of this? And I'm more interested in</p> <p>16 the administration part of it, the ongoing</p> <p>17 adherence to terms and conditions and so on.</p> <p>18 Would you have -- anybody have</p> <p>19 responsibilities for that?</p> <p>20 MS. LUTZ:</p> <p>21 A. So some of the -- like some of the contracts</p> <p>22 that you probably -- you mentioned the diesel</p> <p>23 lease.</p> <p>24 O'REILLY, Q.C.:</p> <p>25 Q. Yeah, yeah, for as an example.</p>	<p>1 Q. But there would be some financial oversight</p> <p>2 for the administration of the contract</p> <p>3 provided by finance?</p> <p>4 MS. LUTZ:</p> <p>5 A. Right. So let's say that the contract</p> <p>6 provided for say it was two million dollars in</p> <p>7 lease expenses for a year, for example, and it</p> <p>8 came in at three million dollars, then we'd be</p> <p>9 highlighting variances and understanding what</p> <p>10 those reasons were and so on.</p> <p>11 O'REILLY, Q.C.:</p> <p>12 Q. And that would fall under your responsibility?</p> <p>13 MS. LUTZ:</p> <p>14 A. We would -- and then we would communicate that</p> <p>15 up through management to the leadership team</p> <p>16 and so on.</p> <p>17 O'REILLY, Q.C.:</p> <p>18 Q. Okay. Can we go to the evidence, let me see,</p> <p>19 page 3.21, yeah, Table 3.1? And you'll see</p> <p>20 here the third item in that table, Holyrood</p> <p>21 black start diesel. There's the opening</p> <p>22 balance at December 31st, 2014, 3.6 million</p> <p>23 and then there are additions of 1.6 million.</p> <p>24 What is the addition?</p> <p>25 MS. LUTZ:</p>
<p>Page 186</p> <p>1 MS. LUTZ:</p> <p>2 A. That would be administered by someone in</p> <p>3 operations.</p> <p>4 O'REILLY, Q.C.:</p> <p>5 Q. Yeah.</p> <p>6 MS. LUTZ:</p> <p>7 A. So the specifics of the contract would be</p> <p>8 administered by them and monitored through, as</p> <p>9 we've mentioned, variance analysis and so on</p> <p>10 through the finance department.</p> <p>11 O'REILLY, Q.C.:</p> <p>12 Q. Right.</p> <p>13 MS. LUTZ:</p> <p>14 A. We wouldn't be actually administering every</p> <p>15 single contract.</p> <p>16 O'REILLY, Q.C.:</p> <p>17 Q. Okay. All right. You wouldn't be?</p> <p>18 (12:30 p.m.)</p> <p>19 MS. LUTZ:</p> <p>20 A. We wouldn't be, no.</p> <p>21 O'REILLY, Q.C.:</p> <p>22 Q. No, no.</p> <p>23 MS. LUTZ:</p> <p>24 A. But someone in -- someone -</p> <p>25 O'REILLY, Q.C.:</p>	<p>Page 188</p> <p>1 A. That's the cost for the lease of the diesels</p> <p>2 during 2015.</p> <p>3 O'REILLY, Q.C.:</p> <p>4 Q. During 2015?</p> <p>5 MS. LUTZ:</p> <p>6 A. Yes.</p> <p>7 O'REILLY, Q.C.:</p> <p>8 Q. Okay.</p> <p>9 MS. LUTZ:</p> <p>10 A. That's the forecast that was put in the test</p> <p>11 year.</p> <p>12 O'REILLY, Q.C.:</p> <p>13 Q. All right. And if we go to page 3.29, the</p> <p>14 fourth bullet, "Hydro is proposing the</p> <p>15 approval of the following: to include in</p> <p>16 revenue requirement the amortization of costs</p> <p>17 associated with the black start generating</p> <p>18 units in Holyrood of 3.6 in 2014 and 1.6 in</p> <p>19 2015 and that the amortization will be based</p> <p>20 on a five-year period." Is that correct?</p> <p>21 MS. LUTZ:</p> <p>22 A. That's correct.</p> <p>23 O'REILLY, Q.C.:</p> <p>24 Q. That's correct, okay. Now it's the rental</p> <p>25 costs for 2015 then is 1.6? Is that -</p>

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1 MS. LUTZ:
 2 A. The amount that's in the test year was 1.6.
 3 O'REILLY, Q.C.:
 4 Q. 1.6, okay. So if -- and I've read the
 5 discussion about the use of these, why these
 6 were brought in as an interim measure until
 7 the CT got up. I don't want to go through 40
 8 pages of transcript which I read last night.
 9 But as I understand it, if Hydro had returned
 10 these diesels before the end of July last
 11 year, would that mean that a part of -- it
 12 would have been returned, that we wouldn't be
 13 looking at this. The decision not to return
 14 it has now influenced the fact that there's an
 15 amount included in the deferred charges of
 16 1.6, but that had they decided to return them,
 17 that would not be there?
 18 MS. LUTZ:
 19 A. The 1.6 is the lease to June 30th of 2015.
 20 O'REILLY, Q.C.:
 21 Q. But if they had returned them, you wouldn't be
 22 leasing them any more, I presume, so the cost
 23 would -- the cost would drop off when you
 24 returned the lease?
 25 MS. LUTZ:

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1 A. If we hadn't -
 2 O'REILLY, Q.C.:
 3 Q. For the units.
 4 MS. LUTZ:
 5 A. If we hadn't been leasing them, we wouldn't
 6 have the cost.
 7 O'REILLY, Q.C.:
 8 Q. You wouldn't have to do that, correct?
 9 MS. LUTZ:
 10 A. That's correct.
 11 O'REILLY, Q.C.:
 12 Q. Okay. So did -- yeah. Is the one million
 13 dollar a year amortization included in the
 14 proposed amended GRA test year cost of
 15 service, that amount?
 16 MS. LUTZ:
 17 A. The amortization?
 18 O'REILLY, Q.C.:
 19 Q. Yeah.
 20 MS. LUTZ:
 21 A. Yes, it is.
 22 O'REILLY, Q.C.:
 23 Q. It is. Now, I want to -- can we go to the RFI
 24 VALE-089, Revision 1? I'm going to refer to
 25 another subject. I'm moving to another

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1 subject now. I'm going to move to talk about
 2 the maintenance of the transformers and
 3 breakers. I want to have something about that
 4 now. So I want to direct you to page three of
 5 three. It says the work planned -- "the work
 6 plan for 2015 is estimated to be \$763,000 for
 7 air blast circuit breaker and transformer
 8 maintenance. These costs exclude labour costs
 9 associated with travel to and from the site,
 10 vehicle rental and incrementals." So the
 11 costs, the work plan for 2015 is \$763,000 on
 12 these -- for transformers and breaker
 13 maintenance, correct?
 14 MS. LUTZ:
 15 A. That's what it says here.
 16 O'REILLY, Q.C.:
 17 Q. That's is what they're saying there, right.
 18 Now can we go, and just keep your finger on
 19 that, I can't do that with the computer but I
 20 wanted to go and look at the amended evidence
 21 at page 3.23, lines, under "extraordinary
 22 repairs" there, it says, "On May 2015, the
 23 Board issued an interim report" and so on,
 24 "Hydro recognized"--the next sentence, "Hydro
 25 recognized that although"--this is line 9,

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1 "that although there will be an increase in
 2 future preventative and corrective
 3 maintenance, the full 1.2 million will not be
 4 a recurring annual expense. Hydro proposes
 5 that the 1.2 million to be deferred and
 6 amortized over a 5 year period and that the
 7 unamortized balances be included in the rate
 8 base. Deferring these costs"--so they're
 9 referring here to the 1.2 million, in line 8,
 10 "The action items included work required to be
 11 completed totalling 1.2 million in 2015
 12 related to air blast circuit breakers and
 13 transformers." So how do I--can you reconcile
 14 the 763 to the 1.2? The 7.63 in Table -
 15 MS. RUSSELL:
 16 A. My understanding is that the RFI reflects the
 17 latest estimate of the cost.
 18 O'REILLY, Q.C.:
 19 Q. Sorry?
 20 MS. RUSSELL:
 21 A. My understanding is that the RFI response
 22 refers to that same work and it reflects, when
 23 we put in the evidence we had estimated 1.2,
 24 the RFI has indicated that the costs that are
 25 anticipated for '15 were 763,000.

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1 O'REILLY, Q.C.:

2 Q. So this is an updated, in other words, the

3 information contained in the RFI was not up to

4 date, the costing information was not up to

5 date, is that what you're saying?

6 MS. RUSSELL:

7 A. The opposite way.

8 MS. LUTZ:

9 A. The opposite.

10 O'REILLY, Q.C.:

11 Q. Oh, the opposite way, all right, okay. So

12 it's the newer, the newer--it's the lesser

13 cost that we're talking about here to do what

14 was originally planned to cost 1.2 million?

15 MS. LUTZ:

16 A. That's my understanding.

17 O'REILLY, Q.C.:

18 Q. Okay. Will it now mean that this was work

19 that was planned to be done over a five-year

20 period, again this is line 13 at page 3.23,

21 deferring these costs from amortizing over a

22 five-year period rather than including the

23 1.2, will that, will this mean now that the

24 work that originally was scheduled to take 1.2

25 million dollar work, estimated, now 763,000,

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1 can be done in a lesser period of time than

2 five years?

3 MS. LUTZ:

4 A. It's not, I'd just like to clarify, I don't

5 think it's intended to say that the work is

6 going to take five years, just that -

7 O'REILLY, Q.C.:

8 Q. It's going to be amortized.

9 MS. LUTZ:

10 A. Amortized over five years, cost to be incurred

11 -

12 O'REILLY, Q.C.:

13 Q. Amortized, so I shouldn't interpret that, I

14 shouldn't interpret the amortization period

15 equals the period of time for doing,

16 completing the work?

17 MS. LUTZ:

18 A. No.

19 O'REILLY, Q.C.:

20 Q. Well is there going to be seen that it's going

21 to cost less, does that mean that it will take

22 less time to do the work?

23 MS. LUTZ:

24 A. I couldn't comment on how much time it would

25 take to do the work, but the intention was

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1 that there was estimated to be an annual

2 amount related to the particular piece of work

3 estimated when we did the application to cost

4 1.2 million and the RFI provided an updated

5 amount of 763,000.

6 MS. RUSSELL:

7 A. And just to add to that, I believe what the

8 change may have been was due to estimates, as

9 we said, of the cost for contractors and just

10 the changes when the work actually got done,

11 it was lower than what was originally, because

12 of the difference in the timing of the

13 estimate versus the actual work, so I think it

14 has to do with more the contractor cost

15 potentially than the length of time.

16 O'REILLY, Q.C.:

17 Q. Now still with the same RFI, 089, Tables 1 and

18 2 show that, I think if you just look at them

19 there, for Table 1 deals with transformers,

20 this is maintenance cost for the transformers,

21 and Table 2 is maintenance cost for air blast

22 circuit breakers. Between the two, it looks

23 like there were 19 extra transformers and 20

24 extra air blast circuit breakers maintained in

25 2014, in addition to the planned ones, is that

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1 a fair interpretation?

2 MS. LUTZ:

3 A. Can you just repeat the numbers?

4 O'REILLY, Q.C.:

5 Q. I say it looks to me, if I read Tables 1 and

6 2, it seems that in the case of the

7 transformers on Table 1, that 19 extra

8 transformers were maintained in 2014 over and

9 above the ones that had been planned to have

10 been done, in other words, there's a bit of a

11 catch up going on here.

12 MS. LUTZ:

13 A. Yes, this table does indicate that.

14 O'REILLY, Q.C.:

15 Q. And in the case of, on Table 2, in the case of

16 the air blast circuit breakers, there were 20

17 done in 2014, above what had been planned to

18 originally have been done.

19 MS. LUTZ:

20 A. It appears that way.

21 O'REILLY, Q.C.:

22 Q. And the ones that, these extras, the 20, the

23 19 and the 20 were ones that originally had

24 been planned to be done between 2010 and 2013?

25 MS. LUTZ:

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1 A. The specifics is probably not a question I can
2 answer in terms of the execution of the work.

3 O'REILLY, Q.C.:

4 Q. I don't think I'm leading you astray by
5 telling you that was the impression I got from
6 the evidence that was given by previous
7 panels.

8 MS. LUTZ:

9 A. No, fair enough, I don't want to comment on
10 the execution of the work.

11 O'REILLY, Q.C.:

12 Q. No, okay, fair enough.

13 MS. LUTZ:

14 A. But this table does indicate there was catch
15 up, yes.

16 O'REILLY, Q.C.:

17 Q. But assuming that that's correct, let's assume
18 that that's correct, let's assume that those
19 additional 19 and 20 transformers and air
20 blast, done in 2014, were originally planned
21 to have been done between 2010 and 2013,
22 assuming the Board accepts that that is the
23 evidence before it that they have. Can you
24 tell me has Hydro included this catch up
25 maintenance costs in the 2014 revenue

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1 deficiency deferral application for 45.9
2 million dollars, can you tell me that?

3 MS. LUTZ:

4 A. I'd have to confirm that.

5 O'REILLY, Q.C.:

6 Q. Can you do that? Will you do that?

7 MS. LUTZ:

8 A. Yes.

9 O'REILLY, Q.C.:

10 Q. I'll take that as an undertaking.

11 MS. GLYNN:

12 Q. Noted on the record.

13 O'REILLY, Q.C.:

14 Q. A further question on this, before I leave it,
15 how much of the 763,000 dollars has been
16 included in the 60 million dollar 2015 revenue
17 deficiency application, can you tell me that
18 or is that something you want to -

19 MS. LUTZ:

20 A. I don't have that information.

21 O'REILLY, Q.C.:

22 Q. Can you do that?

23 MS. LUTZ:

24 A. Yes.

25 O'REILLY, Q.C.:

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1 Q. And is that also appropriate to ask for an
2 undertaking?

3 MS. GLYNN:

4 Q. Noted on the record.

5 O'REILLY, Q.C.:

6 Q. Okay, thank you very much. Now, the testimony
7 from the panel is that--I want to talk now
8 about the CT, Holyrood CT being included in
9 the 2015 test year, okay, just to get us on
10 the same volume anyway. So the panel has
11 testified that the CT costs were included in
12 the test rate base for the 2015 test year, is
13 that correct, and it was done, this was when
14 it was prepared, it was included in that.

15 MS. LUTZ:

16 A. Yes, that's correct.

17 O'REILLY, Q.C.:

18 Q. Okay, and it was based on the assumption that
19 the CT would be in service by the year end
20 2014.

21 MS. LUTZ:

22 A. That's correct.

23 O'REILLY, Q.C.:

24 Q. Okay. So if the purchase and installation
25 contract had contained a completion date in

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1 late 2015, not 2014, when you prepared your
2 application, would the CT have been included
3 in the 2015 rate base?

4 MS. LUTZ:

5 A. Could you say it again?

6 O'REILLY, Q.C.:

7 Q. I say if the purchase and installation
8 contract for the CT had contained a completion
9 date in, say, late January of 2015, not the
10 end of the year, would it have been included--
11 would you have included them in the 2015 year,
12 test year rate base? In other words, when it
13 was prepared it was on the assumption it was
14 going to be in operation for that year, 2015.
15 It wasn't, but if the contract that you had
16 entered into provided for a completion date in
17 2015, would you still have included the CT, in
18 the 2015 year rate base?

19 (12:45 p.m.)

20 MS. LUTZ:

21 A. So are you asking me if we had anticipated
22 that the CT -

23 O'REILLY, Q.C.:

24 Q. Well if the contract said--well, okay,
25 anticipation, fine.

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<p>1 MS. LUTZ: 2 A. So if the CT, if we had anticipated that the 3 CT would not be in service at the end of 2015? 4 O'REILLY, Q.C.: 5 Q. Right. 6 O'REILLY, Q.C.: 7 Q. Would we have included it in our rate base? 8 O'REILLY, Q.C.: 9 Q. Right. 10 MS. LUTZ: 11 A. I don't think so. 12 O'REILLY, Q.C.: 13 Q. You would not have done it and that's the 14 reason you backed it out of the deficiency, 15 the 2014 deficiency, isn't it? 16 MS. LUTZ: 17 A. 2015? 18 O'REILLY, Q.C.: 19 Q. Deficiency. 20 O'REILLY, Q.C.: 21 Q. '15? 22 O'REILLY, Q.C.: 23 Q. Yes. 24 MS. LUTZ: 25 A. Yes.</p>	<p>1 or is there any documentation related to when 2 Hydro was first aware, first became aware that 3 the CT would not be in operation by the end of 4 2014? 5 MS. RUSSELL: 6 A. So I don't know also if there's been any 7 testimony from Mr. MacIsaac on that from the 8 prudence when he was on the stand. 9 O'REILLY, Q.C.: 10 Q. And I'm not aware of any. 11 MS. RUSSELL: 12 A. He would have been the one who could tell you 13 more about timelines, but we can check. 14 O'REILLY, Q.C.: 15 Q. But to the extent, will you check to see if 16 there is any such documentation? 17 MS. RUSSELL: 18 A. Sure. 19 MS. GLYNN: 20 Q. Mr. O'Reilly, I'm going to note that as two 21 separate undertakings. 22 O'REILLY, Q.C.: 23 Q. Yes, okay, that's fine, because they may not 24 be--I appreciate the fact that we're on a 25 little bit of a fishing expedition, but we're</p>
<p>Page 202</p> <p>1 O'REILLY, Q.C.: 2 Q. Right. Now I know that you have no, you 3 haven't had any dealings, you've told me, with 4 the contract itself, the contract for the CT, 5 but I'm wondering if you would be able to 6 provide me with any correspondence say between 7 the contractor and Hydro, with regards to the 8 December 2014 target completion date. It must 9 have been at some point anticipated that it 10 was going to be completed in 2014 when the GRA 11 was prepared, correct? 12 MS. RUSSELL: 13 A. Yes, we would have based that off of, from 14 operations would tell us on the capital piece. 15 O'REILLY, Q.C.: 16 Q. Would there be any correspondence that would 17 identify that date? 18 MS. RUSSELL: 19 A. I'd have to check for you, like what's there. 20 O'REILLY, Q.C.: 21 Q. And that's what I'm asking you to do and to 22 provide me with any materials in the contract 23 or any documentation that would show that with 24 regard to the expected December 2014 25 completion date, that's what I'm looking for,</p>	<p>Page 204</p> <p>1 looking for a document, so that's fair enough. 2 And thirdly, would you look to see if there's 3 any documentation related to any penalties 4 that might be payable by the contractor for 5 failing to meet a December 14th, 2014 6 completion date? 7 MS. LUTZ: 8 A. I can look to, we can go and find out. 9 O'REILLY, Q.C.: 10 Q. That's what I'm trying to, thank you. 11 MS. GLYNN: 12 Q. And that undertaking is noted as well. 13 O'REILLY, Q.C.: 14 Q. Okay. I think, yeah, kind of the last bit of 15 information that I'm interested in, the GRA 16 was permitted, in your testimony, again at the 17 amended evidence at page 3.9, I don't know, 18 this may have been canvassed, but if it is, I 19 apologize if I'm going to take you back over 20 it again just very briefly. Page 3.9, lines 21 11 to 16. So, "In July of 2013 Hydro applied 22 to the Board for rate adjustments to be 23 effective January 1st, 2014 to reflect these 24 increases and to enable a reasonable return on 25 rate base. Hydro acted prudently to request a</p>

<p style="text-align: right;">Page 205</p> <p>1 rate adjustment and had a reasonable 2 expectation of a rate change in 2014." And I 3 guess what I'm, you know, I'm looking at this 4 process that we're into, it was filed in July 5 of 2013, we're now here pretty well two years 6 plus later and still not there, and this was 7 the first GRA since 2006, right? 8 MS. RUSSELL: 9 A. Yes. 10 O'REILLY, Q.C.: 11 Q. Seven years in the difference and that's 12 roughly twice the recommended interval for, 13 between GRAs and your testimony is still that 14 it was a reasonable expectation on the part of 15 Hydro, when they filed a GRA, that they were 16 going to have rates in effect by 2014? 17 MS. RUSSELL: 18 A. When we filed in July. 19 O'REILLY, Q.C.: 20 Q. When you filed. Your evidence is that you had 21 a reasonable expectation of a rate change, 22 notwithstanding what I - 23 MS. RUSSELL: 24 A. Yes. 25 O'REILLY, Q.C.:</p>	<p style="text-align: right;">Page 207</p> <p>1 MR. PELLEY: 2 A. Perhaps interaction with individuals in the 3 communities or interaction with - 4 MS. DAWSON: 5 Q. No, no, just with respect to your role in 6 finance, what's your level of interaction 7 with, let's say Mr. Moore on the isolated 8 communities, from an operational perspective? 9 MS. LUTZ: 10 A. From my perspective it would be--did you want 11 to say something? 12 MS. RUSSELL: 13 A. I'm sorry, I was just going to say for Mr. 14 Moore, with respect to financial, financial he 15 would submit budgets and we would get every 16 month variances from his budget with respect 17 to that, so - 18 MS. DAWSON: 19 Q. Right, which I'll get into with you a bit, but 20 other than that, you would just be overseeing 21 on the financial aspect of operations on the 22 Labrador isolated, I assume? 23 MS. RUSSELL: 24 A. Just the financial that we just spoke about. 25 MS. DAWSON:</p>
<p style="text-align: right;">Page 206</p> <p>1 Q. And that's still your evidence, okay. I think 2 that's probably all, Mr. Chairman. Thank you 3 panellists, thank you. 4 CHAIRMAN: 5 Q. Oh, I'm sorry, Ms. Dawson, excuse me, beg your 6 pardon. 7 MS. DAWSON: 8 Q. I'm down here quiet as a mouse. 9 CHAIRMAN: 10 Q. I stand ashamed of myself or sit, I forgot 11 you. 12 MS. DAWSON: 13 Q. Panel, I represent the Nunatsiavut government 14 and I don't think my questions are going to be 15 long, but they might be, a lawyer's famous 16 last words. Just a general question for each 17 of you, what is your interaction or do you 18 have any interaction with, other than on a 19 financial review with the isolated communities 20 in Labrador, I'm assuming you have some 21 financial review, which I'll get into probably 22 with Ms. Russell, but other than that, I 23 assume you don't have much interaction with 24 the diesel, the isolated--I call them the 25 isolated diesel communities in Labrador.</p>	<p style="text-align: right;">Page 208</p> <p>1 Q. Right, otherwise, would you have any 2 interaction then with the Nunatsiavut 3 Government at all? 4 MS. RUSSELL: 5 A. No, not myself. 6 MR. PELLEY: 7 A. I wouldn't either. 8 MS. DAWSON: 9 Q. And Mr. Pelley, from a corporate treasury 10 would you have any interaction with them? 11 MR. PELLEY: 12 A. No. 13 MS. DAWSON: 14 Q. Unlike your interaction with the Government of 15 Newfoundland, I assume you do liaison a little 16 bit with the Government of Newfoundland? 17 MR. PELLEY: 18 A. Absolutely. 19 MS. DAWSON: 20 Q. But not the Nunatsiavut Government? 21 MR. PELLEY: 22 A. No. 23 MS. DAWSON: 24 Q. Okay, and the same with you, Ms. Russell, 25 there wouldn't be any interaction between you</p>

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<p>1 and the Nunatsiavut Government?</p> <p>2 MS. RUSSELL:</p> <p>3 A. I haven't had any to date.</p> <p>4 MS. DAWSON:</p> <p>5 Q. Okay, and the same with you, Ms. Lutz?</p> <p>6 MS. LUTZ:</p> <p>7 A. None to date.</p> <p>8 MS. DAWSON:</p> <p>9 Q. Okay. So I think my focus then will probably</p> <p>10 be with Ms. Russell and I'm going to just, I</p> <p>11 was very confused about some of the things</p> <p>12 that I heard yesterday, but I'm not confused,</p> <p>13 I don't think because of your testimony, it's</p> <p>14 because I really don't understand, I don't</p> <p>15 think, how budgets work, and so I'm a little</p> <p>16 confused about all of that. And you would</p> <p>17 think that after a couple of months of</p> <p>18 listening to testimony about how budgets work</p> <p>19 that I might have this figured out, but I do</p> <p>20 not. So I understood and I'm doing this now</p> <p>21 just so I understand and as by way of example,</p> <p>22 I understood that five different managers</p> <p>23 reported to you, is that correct?</p> <p>24 MS. RUSSELL:</p> <p>25 A. Five different manages, yes.</p>	<p>1 MS. RUSSELL:</p> <p>2 A. Okay, so then there's the manager of rates and</p> <p>3 regulatory, which is Mr. Fagan.</p> <p>4 MS. DAWSON:</p> <p>5 Q. Okay.</p> <p>6 MS. RUSSELL:</p> <p>7 A. The manager of regulatory engineering I</p> <p>8 believe you stated, which is Jennifer</p> <p>9 Williams, and there's also the supply chain,</p> <p>10 you indicated.</p> <p>11 MS. DAWSON:</p> <p>12 Q. Yes.</p> <p>13 MS. RUSSELL:</p> <p>14 A. And then there's the manager of risks,</p> <p>15 controls processes and risks is the last</p> <p>16 individual.</p> <p>17 MS. DAWSON:</p> <p>18 Q. Okay, so then I also understood you to say</p> <p>19 that, would you be responsible for their</p> <p>20 budgets or would each manager be responsible</p> <p>21 for their budgets?</p> <p>22 MS. RUSSELL:</p> <p>23 A. Each manager would be responsible and not all</p> <p>24 of those managers have budgets but each</p> <p>25 manager would be responsible for their own</p>
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<p>1 MS. DAWSON:</p> <p>2 Q. Okay, so I got, and I don't even want to know</p> <p>3 what this is, the manager of supply chain,</p> <p>4 that was one I got.</p> <p>5 MS. RUSSELL:</p> <p>6 A. Yes.</p> <p>7 MS. DAWSON:</p> <p>8 Q. And I read the transcript and I still couldn't</p> <p>9 get them all. Manager of regulatory</p> <p>10 engineering, is that another?</p> <p>11 MS. RUSSELL:</p> <p>12 A. Correct, yes.</p> <p>13 MS. DAWSON:</p> <p>14 Q. Manager of finance?</p> <p>15 MS. RUSSELL:</p> <p>16 A. No, it would be the controller.</p> <p>17 MS. DAWSON:</p> <p>18 Q. Well no, I'll get to the controller is next,</p> <p>19 so I got three right, what are the other two</p> <p>20 then?</p> <p>21 MS. RUSSELL:</p> <p>22 A. So there is a, let me go back, so you have the</p> <p>23 controller, which is Ms. Lutz.</p> <p>24 MS. DAWSON:</p> <p>25 Q. I got the controller, yes.</p>	<p>1 budgets and then I would review them</p> <p>2 afterwards.</p> <p>3 MS. DAWSON:</p> <p>4 Q. Okay, so I take it then under the manager,</p> <p>5 let's say of supply chain, that particular</p> <p>6 manager would be looking at what you call, I</p> <p>7 think, business units underneath him or her?</p> <p>8 MS. RUSSELL:</p> <p>9 A. Correct, if there was a further breakdown of</p> <p>10 more units that may, depending on the manager</p> <p>11 and what operations are underneath him or her.</p> <p>12 MS. DAWSON:</p> <p>13 Q. Okay. So then there was some discussion</p> <p>14 between you and Mr. O'Brien, I think maybe Mr.</p> <p>15 Johnson about the 2.2 inflation, so then each</p> <p>16 manager or director of each business group</p> <p>17 then has to make sure that they are within</p> <p>18 this variation of 2.2, is that right, for</p> <p>19 their budget, every year? If they're over</p> <p>20 their forecast, they have to--or budget, they</p> <p>21 have to, I guess account for that.</p> <p>22 MS. RUSSELL:</p> <p>23 A. Provide explanations.</p> <p>24 MS. DAWSON:</p> <p>25 Q. And who are they accounting to?</p>

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1 MS. RUSSELL:
 2 A. Provide the explanations from the managers?
 3 MS. DAWSON:
 4 Q. Yes.
 5 MS. RUSSELL:
 6 A. So they would have to provide it and
 7 ultimately, I guess at the end of the day, it
 8 is the final sign-off on Hydro's budget is
 9 with Mr. Martin.
 10 MS. DAWSON:
 11 Q. Okay, so they come in and let's say, for
 12 example, so this is something that I can
 13 understand, so let's say I'm sitting with Mr.
 14 Moore and I come in now and my budget is like
 15 5 percent over, way off the 2.2, then I have
 16 to explain to Mr. Moore or do I explain to Mr.
 17 Henderson or someone else -
 18 MS. RUSSELL:
 19 A. Are you reporting to Mr. Moore?
 20 MS. DAWSON:
 21 Q. Yeah, I'm reporting to Mr. Moore.
 22 MS. RUSSELL:
 23 A. Okay, if you're reporting to Mr. Moore, so
 24 this is just the process, of the budget
 25 process, so there's different steps as you

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1 move along the process. So the first process,
 2 if you're reporting to Mr. Moore, then yes,
 3 Mr. Moore would get his consolidated budget
 4 with all his business units and if there were
 5 any, if you, as you indicated, were higher
 6 than 5 percent, then he would, I would think
 7 he would want to discuss that with you. Then
 8 he would have to look at that, I would think
 9 in comparison, he would be looking across all
 10 the business units, but yes, you would discuss
 11 with him and then he would move it to the next
 12 step, so it would work its way up.
 13 MR. PELLEY:
 14 A. Sorry, I was going to say it may be helpful
 15 when you're thinking about there's some
 16 aggregation happening there as well.
 17 MS. DAWSON:
 18 Q. No, no, I got that, but it's the aggregation I
 19 guess that I'm concerned about. If there is
 20 this level of review with respect to 2.2 and
 21 the variances, then how do I get to some of
 22 the figures that Mr. O'Brien took you through
 23 with respect to at the end, you know, we have
 24 13 percent over budget, 10 percent over
 25 budget, 18 percent over budget at the end of

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1 the year, then it seems to me that this 2.2
 2 thing is, well it's kind of a fiction, it
 3 doesn't really work or is that unfair for me
 4 to -
 5 MS. RUSSELL:
 6 A. Well I think the thing you have to look at is
 7 the 2.2 is used for the reason to highlight
 8 the variances that may be over, there may be
 9 justified reasons why you would be over. As I
 10 indicated, some things were workforce, if
 11 there was more work that was coming on and
 12 you're comparing to last year's budget, but
 13 your work plan is, and this is just an
 14 example, more work than that and you need more
 15 resourcing or--there could be reasons that are
 16 above it and that's the purpose for using the
 17 2.2 to highlight what those are and then it
 18 would be Mr. Moore first and then it would
 19 work itself up to Mr. Henderson and ultimately
 20 Mr. Martin to sign off on whether or not those
 21 increases were justified to put into the
 22 budget.
 23 MR. PELLEY:
 24 A. What it comes down to is for a cost category
 25 at the aggregated level, if you've exceeded

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1 that target of inflation, it's not always 2.2
 2 percent, that would vary -
 3 MS. DAWSON:
 4 Q. I think it's 2.5 now for 2015.
 5 MR. PELLEY:
 6 A. Would vary, depending on the year, but the
 7 overarching principle from a management
 8 perspective is if you're going to be outside
 9 that, there has to be a solid business case
 10 for as to why. Maybe it's system reliability,
 11 maybe it's, you know, the need to keep up with
 12 wage growth, something of that nature.
 13 MS. DAWSON:
 14 Q. So the reasonableness then is determined by
 15 Mr. Henderson, I understood of the variance?
 16 MS. RUSSELL:
 17 A. The reasonable of if there's a variance that
 18 goes in and is put forward in the budget, yes,
 19 it would be, but ultimately Mr.--he would then
 20 present to Mr. Martin who would -
 21 MS. DAWSON:
 22 Q. And did I also understand from you, Mr.
 23 Pelley, that there's some linkage between your
 24 performance bonuses and this 2.2?
 25 MR. PELLEY:

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<p>1 A. Not between the 2.2, there's multiple linkages 2 with, I guess performance of the company and 3 the performance of the individual manager and 4 the performance contract and I think the 5 example I gave was I own two business units, 6 so once my budget is approved, there's a 7 threshold target opportunity if I'm below my 8 budget, I'm, I guess things are adjusted 9 accordingly. If I'm above it, things are 10 adjusted accordingly, but then as part of my 11 overall, I guess, performance management 12 contract, there's also an element that's 13 determined by what happens at the aggregate 14 level up above. So there's two levels of 15 linkage there, but it's not tied to the 2.5 16 percent directly because I may have budgeted 17 items that there's a business reason that I 18 would be allowed to exceed that and that would 19 become my approved budget.</p> <p>20 MS. DAWSON: 21 Q. Okay, so your performance then is linked to or 22 your performance evaluation or your bonuses is 23 linked then to the budget which may not 24 necessarily be linked to the 2.2, depending on 25 the business case or the business that you're</p>	<p>1 Q. Further into the year, that you must realize - 2 MS. RUSSELL: 3 A. So we do forecasting meetings, we have 4 forecasting meetings where any amounts that 5 may exceed the budget would be, would have to 6 go through that process and be presented to 7 Mr. Henderson, any recovery plans and then 8 they would, and if there was an increase or a 9 change the budget would have to be approved by 10 Mr. Henderson.</p> <p>11 MS. DAWSON: 12 Q. I guess I'm perplexed at how one gets to sort 13 of the 18 percent or 10 percent or 15 percent 14 over budget and it seems to me to be awfully 15 high when you're running Hydro, that once you 16 get into those sorts of figures that Mr. 17 O'Brien took you though, right, they seem to 18 be, you seem to be over budget quite a lot and 19 I don't quite follow what controls are in 20 place.</p> <p>21 MS. RUSSELL: 22 A. So I think, as I said making the overall, 23 looking at those variances, you can't just 24 make a broad statement about--you would have 25 to look at what exactly those differences,</p>
<p style="text-align: right;">Page 218</p> <p>1 going to - 2 (1:00 p.m.) 3 MR. PELLE: 4 A. I think that's a fair assessment, yes. 5 MS. DAWSON: 6 Q. And I guess, Ms. Russell, then if the 7 variances then are done on a monthly basis, 8 which is what I understood, then as you get 9 into the year, closer and closer as you get to 10 the end of the year, then you're going to know 11 whether you're into some of the higher sort of 12 overall over budgets that Mr. O'Brien took you 13 though, which is close to, you know, 10 14 percent, 18 percent, and I'm trying to figure 15 out what controls are in place other than some 16 of the ones that you mentioned, other than, I 17 guess it was net income and operating 18 expenditures, all that sort of stuff. Are 19 there any other measures in place? I got from 20 you that there were not, other than the ones 21 that you mentioned.</p> <p>22 MS. RUSSELL: 23 A. So your first part of your question was if as 24 you're going along you would see that - 25 MS. DAWSON:</p>	<p style="text-align: right;">Page 220</p> <p>1 what comprises that 10 percent to be able to 2 then make a comment, it could have been 3 something that came up, like there had been 4 different ones, the CT, increases in 5 workforce, there could have been changes in 6 that, so before you would make--you would have 7 to look at the individual items that were 8 causing that increase.</p> <p>9 MS. DAWSON: 10 Q. Yeah, you mentioned that yesterday, okay. The 11 only other--the deferral account for the 12 isolated communities, the diesel which I think 13 is the Schedule V-1, Schedule 6 and I have a 14 feeling that I'm going to ask you a question 15 that you're probably not going to be able to 16 answer, but with respect to the price of 17 diesel fuel and its variation, I'm assuming 18 you wouldn't have any overview or wouldn't be 19 able to give me any understanding then that 20 when Mr. Moore is deciding what diesel 21 generators to use and what kind of fuel, and 22 well, particularly the diesel generators, you 23 would have no overview or understanding of 24 what type of diesel generators would be used 25 in isolated communities which could save fuel?</p>

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1 MS. RUSSELL:
2 A. No.
3 MS. DAWSON:
4 Q. Okay. That's all my questions.
5 CHAIRMAN:
6 Q. Okay, I think we'll probably--do you want to
7 start or should we reconvene until tomorrow?
8 GREENE, Q.C.:
9 Q. Mr. Chair, certainly whatever the panel would
10 like. I know that I will not finish today.
11 We only have roughly 20 minutes or so left.
12 CHAIRMAN:
13 Q. I think probably the best thing to do is to
14 adjourn and we can start--we have to reconvene
15 tomorrow anyway on another matter, so it's
16 just as well to finish it off tomorrow, is
17 that acceptable to everybody?
18 JOHNSON, Q.C.:
19 Q. Yes.
20 CHAIRMAN:
21 Q. Because if it's not, I think it's going to be
22 too bad for you.
23 (laughter).
24 Upon conclusion at 1:07 p.m.

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1 CERTIFICATE
2 I, Judy Moss, hereby certify that the foregoing is a true
3 and correct transcript of a hearing in the matter of
4 Newfoundland and Labrador Hydro's General Rate
5 Application heard on the 18th day of November, A.D., 2015
6 before the Commissioners of the Public Utilities Board,
7 St. John's, Newfoundland and Labrador and was transcribed
8 by me to the best of my ability by means of a sound
9 apparatus.
10 Dated at St. John's, Newfoundland and Labrador
11 this 18th day of November, A.D., 2015
12 Judy Moss

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