

1 New Brunswick Board of Commissioners of Public Utilities

2

3 In the Matter of an application by the NBP Distribution &

4 Customer Service Corporation (DISCO) for changes to its

5 Charges, Rates and Tolls

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7 Fredericton, N.B.

8 November 7th 2005

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CHAIRMAN: David C. Nicholson, Q.C.

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BOARD COUNSEL: Peter MacNutt, Q.C.

BOARD STAFF: Doug Goss
John Lawton
John Murphy

BOARD SECRETARY: Lorraine Légère

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33 CHAIRMAN: Good morning, ladies and gentlemen. I hope
34 everybody had a relaxing weekend. I am going to take the
35 roll call to begin with this morning. Appearing today for
36 the Applicant?

37 MR. MORRISON: Good morning, Mr. Chairman. If things start
38 falling off our tables, we have ironing boards at home
39 that are wider than these. But in any event, it is Terry
40 Morrison and David Hashey. With me is Neil Larlee and

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2 Blake Hunter.

3 CHAIRMAN: I was going to make a remark about your ironing
4 board, Mr. Morrison, but I guess not. I couldn't do a
5 sleeve on that. Anyway Canadian Manufacturers and
6 Exporters, New Brunswick Division?

7 MR. VINCENT: Mike Vincent on behalf of the Canadian
8 Manufacturers and Exporters.

9 CHAIRMAN: Thank you, Mr. Vincent. Eastern Wind is not
10 here. Enbridge Gas New Brunswick?

11 MR. MACDOUGALL: Yes, good morning, Mr. Chair. David
12 MacDougall representing Enbridge Gas New Brunswick. My
13 proximity to Board Staff shouldn't be taken as anything
14 except I needed to be at the end of a table where I could
15 put my binders.

16 CHAIRMAN: So noted. Irving Group? The Jolly Farmer isn't
17 here. Rogers? Self-represented individuals?

18 MR. THOMPSON: Terry Thompson, Mr. Chair, Terrence Thompson
19 Consulting.

20 CHAIRMAN: Thank you. Municipal Utilities?

21 MR. GORMAN: Thank you, Mr. Chair. Raymond Gorman appearing
22 as counsel for the Municipal Utilities. This morning I am
23 joined by our consultant Paula Zarnett. And from Saint
24 John Energy I have Richard Burpee, Eric Marr, Dana Young
25 and Jeff Garrett. From Edmundston Energy, Charles Martin.

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And from Perth Andover Electric Light Commission, Dan Dionne.

CHAIRMAN: Thank you, Mr. Gorman. Vibrant Communities?
Public Intervenor?

MR. HYSLOP: Thank you, Mr. Chair. Peter Hyslop and Donald
Barnett this morning, sir.

CHAIRMAN: Thanks, Mr. Hyslop. And my scanning of the
audience indicates that there are no Informal Intervenors
here. But if there is, why speak up and we will note you
on the record. Mr. MacNutt, who do you have with you
today?

MR. MACNUTT: I have Doug Goss, Senior Advisor, John Lawton,
Advisor and John Murphy, Consultant, Mr. Chairman.

CHAIRMAN: Great. Thanks, Mr. MacNutt. Okay. There is one
housekeeping item that Mr. MacNutt and Mr. Hashey and the
Public Intervenor at least were talking about. And that
deals with notification of a need for the first
Intervenors Day.

Mr. Hashey, have you been able to distribute a tentative
agenda there?

MR. HASHEY: I am trying to find a microphone. Sorry, Mr.
Chairman. I have yet only a couple of copies out to the
Intervenors that I thought from an initial review of the
IRs there might be an issue, only to my friends Mr. Hyslop

1
2 and Mr. Gorman. But beyond that maybe it should just be put
3 on the record what we are talking about.

4 CHAIRMAN: Okay. I gave you the copy back, Mr. Hashey.

5 Could you share it with us? Basically Mr. Hashey and Mr.
6 MacNutt started talking and there should be a date that
7 parties, if -- sorry, there should be a date when the
8 Applicants receives -- sorry, let's a party know that they
9 do not intend to answer an interrogatory. And that would
10 be the date that the Applicant is required by our existing
11 schedule to file responses. That is November the 14th.
12 And if the Applicant in fact does not wish to, then they
13 will indicate so and the reasons for not answering it.
14 Then we are putting a new date in the schedule which is
15 November 17, three days later, and that is the date on
16 which Intervenors are not satisfied with the responses
17 that they receive from the Applicant, write to the Board
18 with a copy to the Applicant indicating why the response
19 is not acceptable and requesting that the issue be dealt
20 with at a Motions Day. This will also apply to answers
21 given where confidentiality is claimed.

22 Then on the 21st of November, Disco delivers binders with
23 the IRs and answers set out in areas with response of
24 Intervenor summarized. That is dealing with these
25 contested interrogatories, I presume, Mr. Hashey.

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Attempts will be made to clarify the issues, exemplifying government policy section 156 issues, unreasonable and irrelevant requests, confidentiality issues, et cetera.

November 22nd Motions Day to make presentation on issues relating to the interrogatory answers.

So I don't anticipate anybody will have a problem with that schedule so we will adopt that unless somebody comes at the break -- after the break and says no, it doesn't work because. Okay.

MR. GORMAN: Mr. Chairman, if I could make one -- just one comment. I spoke with Mr. Hashey with respect to the November 17th deadline for indicating that the response is not acceptable and essentially setting forth the reasons why we believe so. And I will be out of town and told him that we will give him the information as to which responses we think aren't acceptable. But the reasons may actually come on the day before because I will be back in town at that time. That seemed to be acceptable to Mr. Hashey.

CHAIRMAN: Yes. Mr. Hashey, is that all right?

MR. HASHEY: I think so in that instance. The only problem is the binders that we were hoping to distribute would have that information on them, that won't be possible. Obviously it takes time to prepare those and those would

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2 be prepared for the Board like we have done in the past, so

3 that the Board can follow through with the questions and

4 answers and objections as we proceed on Motions Day.

5 We will do the best we can. There may have to be some

6 additions. I respect that.

7 MR. GORMAN: And all I am really suggesting is that we have

8 some additional time or be able to raise arguments that

9 may not have been set forth in our written response.

10 That's all. And it may be that no new arguments will

11 arise, but I just wanted to make sure that we had the

12 right to do that.

13 CHAIRMAN: Okay. You are on the record for that, Mr.

14 Gorman.

15 MR. HASHEY: Mr. Chairman, I guess the key there is that we

16 know which IRs so that we can include those in a binder,

17 that's all. I think that can be done.

18 MR. GORMAN: And that won't be a problem.

19 CHAIRMAN: Good, thank you. Now any other preliminary

20 matters? If not, Mr. Gorman, would you call your witness?

21 MR. GORMAN: Thank you. I would call Paula Zarnett.

22 PAULA ZARNETT, sworn:

23 DIRECT EXAMINATION BY MR. GORMAN:

24 Q.1 - Good morning, Ms. Zarnett. Would you please introduce

25 yourself to the Board?

26

2 A. My name is Paula Zarnett. I am vice-president of Barker
3 Dunn & Rossi and I am here to give evidence on behalf of
4 the Municipal Utilities.

5 Q.2 - And is your -- I will refer you to exhibit UM-1. Do you
6 have that in front of you?

7 A. I do.

8 Q.3 - And is your curriculum vitae found at the back of that
9 report?

10 A. It is.

11 Q.4 - And in addition to the curriculum vitae at the back of
12 the report, I would refer you to pages 3 and 4 and of your
13 report.

14 A. Yes. Those pages summarize very briefly the
15 qualifications of my firm and some of my background
16 experience in cost allocation studies.

17 Q.5 - And in particular at page 4 of your report, I believe
18 that deals with your background studies?

19 A. That's right. Starting, have got 20 years in studies in
20 the natural gas sector, a number of them in the
21 electricity sector going up to today.

22 Q.6 - And the information found on pages 3 and 4 and in the
23 attachment with your curriculum vitae, is that an accurate
24 summary of your qualifications?

25 A. Yes, it is.

2 MR. GORMAN: Mr. Chairman, I guess at an earlier time I had
3 canvassed other counsel present at the hearing and I
4 understand that there would be no objection based on this
5 pre-filed curriculum vitae to having Ms. Zarnett declared
6 as an expert witness in the area of class cost allocation
7 and rate design.

8 So I would ask the Board to declare her to be an expert in
9 that area for the purpose of this hearing.

10 CHAIRMAN: And the Board will accept her as an expert as
11 outlined by yourself.

12 MR. GORMAN: Thank you.

13 Q.7 - Ms. Zarnett, are there any corrections to your evidence?

14 A. Yes, there is. In the course of responding to the
15 interrogatories and specifically in UM exhibit 2, UM EGNB
16 IR number 12 --

17 Q.8 - Perhaps you can give us that citation again. It's
18 exhibit 2 --

19 A. UM-2, and it's information request UM ECNB -- EGNB IR
20 number 12.

21 Q.9 - Yes.

22 A. At the time that I was responding to that, I noticed two
23 errors in what was table 3 to my evidence, and those are
24 at lines 7 and 8. At line 7 the original version says
25 that the allocator is sales revenue. I'm recommending a

2 change to that and the new label should be all costs other
3 than regulatory between industrial transmission and
4 wholesale. So that causes a -- that's no change in the
5 numbers that are involved.

6 Q.10 - Yes.

7 A. Those numbers had already been changed to reflect that
8 methodology but the words in the final column that says
9 basis had not been changed. So that has been corrected.

10 MR. GORMAN: Perhaps before you continue, Mr. Chairman, I
11 have photocopied a number of copies of the table from UM-2
12 IR-12 because it's a fairly small chart. I don't know
13 about you, I have some difficulty in reading it. So
14 perhaps I could -- I don't think there is any necessity to
15 have this re-marked because it is already part of evidence
16 in the IR response, but I think if you would like, I can
17 distribute copies that are easier to read.

18 CHAIRMAN: That would be appreciated by some of us up here.
19 There are some other people up here that are confused, Mr.
20 Gorman, so I feel able to ask the question. The revised
21 table 3 should be put with Ms. Zarnett's evidence or the
22 interrogatory response?

23 MR. GORMAN: Perhaps I can explain. As a result of an
24 interrogatory from I believe it was EGNB interrogatory
25 number 12, Ms. Zarnett revised the table and it's found as

2 part of the response to interrogatory 12.

3 And it effectively had already amended her evidence
4 through the interrogatory process. But it wouldn't be
5 apparent to somebody reading her report because they would
6 have to also go to the interrogatory to find the amended
7 information. So it's already part of exhibit 12. I just
8 wanted to provide it as a separate sheet for ease of
9 reference today.

10 CHAIRMAN: So that would attached to the evidence -- or to
11 the report?

12 MR. GORMAN: Effectively this would replace the table 3
13 which is UM-1.

14 CHAIRMAN: Great. Thank you.

15 Q.11 - Now that everybody has a copy of the revised table 3,
16 Ms. Zarnett, perhaps we can go back and start from the
17 beginning. I think you said the change was -- the first
18 change was at line 7?

19 A. That's correct. In the original version under the column
20 that says "Basis" --

21 Q.12 - Yes.

22 A. -- at line 7 of the original version -- says "sales
23 revenue between industrial transmission and wholesale". I
24 have changed the words to read, "all costs other than
25 regulatory between industrial transmission and wholesale".

2 The numbers are not changed because they already reflect all
3 costs other than regulatory between industrial
4 transmission. It was only the words that were in error.

5 Q.13 - Okay.

6 A. And in row 8 the words say, number of full-time
7 equivalents assigned. This was the methodology proposed
8 by Disco. It's an acceptable methodology. I changed it
9 inadvertently. So I have changed those figures back to
10 reflect the figures that were in Disco's original addendum
11 3.

12 So the number that says 44 on the new version is 44 in
13 Disco's table, that's changed from 41 in my table, and the
14 135 was changed from 139.

15 Q.14 - And would these changes be reflected throughout the
16 table.

17 A. They flow through to the other computations in the table
18 and have the effect of increasing the total allocation of
19 cost to the wholesale customers by \$3,000 and reducing the
20 allocation to the industrial customers by \$3,000.

21 Q.15 - Thank you. Perhaps, Ms. Zarnett, then at this time you
22 could review for the Board the nature of your evidence?

23 A. Yes. This report was prepared totally by me in response
24 to a request from the Municipal Utilities in this

2 proceeding, and to address two issues of concern with regard
3 to the revenue responsibility that is being proposed by
4 Disco for the wholesale class.

5 The first section of my report is a brief introduction to
6 that scope. The second section, which we have already
7 touched on a little bit, is the qualifications of myself
8 and my firm. The third section addresses the first issue
9 of concern which is the allocation of general, shared and
10 Holdco costs. And the final section addresses the issue
11 of the 1.05 proposed revenue to cost ratio for the class.

12 Q.16 - In preparing your report, what was your source of
13 information or data?

14 A. All the information came from the numbers and information
15 filed by Disco.

16 Q.17 - And would it perhaps have also included interrogatory
17 responses?

18 A. Yes.

19 Q.18 - So what specifically is addressed in your report, what
20 issues?

21 A. The first issue of concern is the allocation of general,
22 Holdco shared and corporate service costs which appeared
23 in Disco's evidence as addendum 3 to the cost allocation
24 study. Of particular concern are two issues, the
25 one-third, one-third, one-third allocation of costs

2 that are within Disco and within Holdco for regulatory costs,
3 and the second issue is the use of revenue as an allocator
4 for a very large component of the other costs.

5 The tables in the report, tables 1, 2 and 3, show my
6 computations to show the effects of those allocations and
7 to review some alternative methods for the allocation of
8 regulatory costs.

9 Q.19 - Now what conclusions and recommendations have you made
10 in your report with respect to those first two issues that
11 you have talked about?

12 A. First I would conclude that for regulatory costs a
13 one-third allocation is not appropriate, and that given
14 some tests of reasonableness and an overall best estimate
15 of cost causality, as it's possible to do in this case,
16 that the use of the total of other allocated costs
17 represents the best allocator for that.

18 In terms of the other Holdco costs where sales revenue has
19 been used, I would conclude that sales revenue is not an
20 appropriate allocator because it introduces the effects of
21 the revenue to cost ratios being proposed into the
22 allocator, and that for the most part a cost based
23 allocator is certainly preferred to revenue.

24 I also have concerns about -- in terms of the allocation
25 of Holdco costs, that since a portion of those

2 have already been allocated to the generation and transmission
3 functions, that using an overall total cost allocator may
4 represent double counting and that perhaps that should be
5 reviewed by Disco.

6 Q.20 - In coming to your conclusion on these two issues, did
7 you consider more than one option? Did you consider a
8 number of options?

9 A. Yes. For -- specifically for the regulatory costs
10 referring to table 2 --

11 Q.21 - Yes.

12 A. -- the three rows in this table represent Disco's
13 distribution, transmission, industrial and wholesale. So
14 they are the same classifications that were presented by
15 Disco in addendum 3, and that's the level at which I'm
16 working here. The first column shows the one-third,
17 one-third, one-third allocation as proposed by Disco and
18 in the second column it just computes those ratios.
19 In the second and third column, this is an attempt to test
20 an allocator that is based on all costs other than
21 regulatory. So column 3 draws the total allocated costs
22 from the CCAS. In the second column the proposed
23 allocation of 793 is subtracted. And column 5 computes
24 the percentages allocated that would result from treating
25 it on the basis of all other costs.

2 In columns 6 and 7, I have used Disco's OM&A, and the
3 reason for having a look at this is that the NERUC manual
4 recommends the use of OM&A costs as the allocator for
5 regulatory costs. So I have started with OM&A costs from
6 the CCAS, subtracted the 793 from each class and computed
7 the allocator there.

8 In column 9, this one uses the supply transmission and
9 distribution OM&A, and I tested that again because of the
10 NERUC recommendation. If we were dealing with an
11 integrated utility, it would be OM&A only for supply
12 transmission each function, but we could no longer
13 separate that, so I have used the total cost at the supply
14 and transmission level, and the OM&A at the Disco level
15 and done the same computation.

16 In column 11 is something different looking for a measure
17 of class causality, and it's the number of rate classes
18 for cost allocation purposes. So Disco distribution then
19 is seven rate classes, industrial transmission is one and
20 wholesale is one. So that computes the allocator there.

21 Q.22 - And perhaps you can tell us which of the alternate
22 allocation approaches you recommended and why?

23 A. Well certainly I would reject one-third, one-third, one-
24 third, looking at the Disco OM&A cost, even though it

2 is perhaps closest to what NERUC would recommend, this is a
3 bundled utility, on the fact of it the allocators look
4 very skimpy from the wholesale class' point of view and
5 industrial. I think overall that if we are really talking
6 about what causes regulatory costs, what is really there
7 is that the Applicant has costs and has rates which then
8 come in for scrutiny by this Board and therefore, the
9 magnitude of those to some extent reflects the causality
10 of those costs and the participation of those customers in
11 it.

12 So I would support either that it is the combination of
13 all costs or an argument could be made to exclude
14 transmission on the basis that those costs have been
15 scrutinized elsewhere and ought not to be included here.
16 But either one, the impact of excluding transmission is so
17 small, that it is probably not worth that refinement.

18 Q.23 - Thank you. Now did you, also in your report, address
19 the target revenue to cost ratio of 1.05, which is
20 established for the wholesale customer class?

21 A. Yes, I did. That is in section 4 of my report. And there
22 are three tables supporting that. Overall in looking at
23 that first in reference to table 4, that table sets out
24 the revenue to cost ratios of the wholesale class

2 back through all the cost allocation studies filed by Disco in
3 this hearing and computes the cumulative over-contribution
4 over all those years, which is well in excess of
5 \$100,000,000.

6 The second point of view from which I approached this was
7 to consider that now that the industry is restructured, it
8 can be viewed as having four distribution utilities in the
9 province, Disco's distribution and the three municipal
10 utilities, Saint John Energy, Energy Edmundston and Perth
11 Andover.

12 And each of those receive supply at the wholesale level.

13 It takes transmission services in order to serve its
14 customers and has a distribution system through which it
15 serves those customers. And it seems reasonable to me,
16 and in the context of an unbundled electricity structure,
17 that those entities should be treated on an equal basis as
18 distributors with those services.

19 So table 5, using the figures that were in the filed
20 customer class allocation study aggregates Disco's
21 distribution classes and computes for them as proposed by
22 Disco a revenue to cost ratio in aggregate for that
23 distribution, that group of distribution customers of
24 1.015, whereas by contrast the wholesale class is being
25 asked to contribute 1.05.

2 Q.24 - And what about the other transmission customer, what
3 are they being asked to contribute?

4 A. Transmission small industrials and it was very difficult
5 to find the numbers going back to those tables but I did
6 make an attempt, .761 and the transmission large
7 industrials .946.

8 Q.25 - Ms. Zarnett, do the analysis and conclusions contained
9 in your report represent your professional opinion with
10 respect to the issues that are addressed in the report?

11 A. Yes, they do.

12 Q.26 - And does your report, together with its conclusions,
13 contain all the evidence that you wish to provide to the
14 Board, subject of course to cross examination here today?

15 A. Yes. And to the items that are in the information
16 requests.

17 Q.27 - And obviously in addition to the comments you have
18 already made this morning?

19 A. Yes.

20 MR. GORMAN: Thank you.

21 CHAIRMAN: Now Canadian Manufacturers, any questions of this
22 witness?

23 MR. VINCENT: Not at this time.

24 CHAIRMAN: Okay. And Mr. MacDougall?

25 MR. MACDOUGALL: Yes, Mr. Chair.

2 CHAIRMAN: Yes. Do you want to move up, sir.

3 MR. MACDOUGALL: Yes.

4 CHAIRMAN: Thanks.

5 CROSS EXAMINATION BY MR. MACDOUGALL:

6 MR. MACDOUGALL: Good morning, Ms. Zarnett.

7 MS. ZARNETT: Good morning.

8 MR. MACDOUGALL: Good morning, Mr. Chair, Commissioners.

9 Q.28 - I have only one line of questions today, Ms. Zarnett,
10 and they all derive only out of one document. So if I
11 could ask everyone to pull up exhibit A-3. That is
12 Evidence Phase 2, 18 April 2005, Volume 1 of 1. And in
13 that document if we could go to the tab towards the end
14 called "Schedules". It's the tab before the tab entitled
15 "Addenda". I believe it's the third last tab. And then
16 within those schedules if we could go to 6.1, which is on
17 page 23.

18 And my questions are just going to revolve around this
19 schedule. Now just to start off, Ms. Zarnett, you were
20 here during the Municipal Utilities' counsel cross
21 examination of the Disco panel, correct?

22 A. Some of it.

23 Q.29 - During that cross examination I recall that various
24 questions were asked regarding the different revenue to
25 cost ratios between the municipal class and the large
26

2 industrial class. My understanding is you were here during
3 that period of the cross examination?

4 A. Yes.

5 Q.30 - Now if we could turn to schedule 6.1?

6 A. I have it.

7 Q.31 - And again I recall that your counsel was pointing out
8 that the wholesale revenue to cost ratio in the Disco
9 study was 1.05. And if we look at that we can see that
10 that's the RC ratio at column 6, line 10 of schedule 6.1,
11 correct?

12 A. Yes.

13 Q.32 - And just so that everyone is clear on how this is
14 derived, and we will just use the wholesale as an example,
15 this is a comparison of the \$90,595,000 in column 1, fully
16 allocated revenue to the class -- to the total cost for
17 the class in column 5 of \$86,295,000, correct?

18 A. Yes.

19 Q.33 - You would do that comparison and then you get the ratio
20 in column 6?

21 A. That's how it's done.

22 Q.34 - And that's the same for all classes in this document,
23 correct?

24 A. Yes.

25 Q.35 - Now again as I recall, your counsel brought the

2 witnesses through line 7 dealing with the large industrial
3 class, where the large industrial rate is showing an RC
4 ratio of .95, correct?

5 A. Yes.

6 Q.36 - And Mr. Gorman made a point that this was based on a
7 differential of approximately \$15 million, i.e., the total
8 cost of \$315 million compared to the fully allocated
9 revenue of approximately \$300 million, correct?

10 A. Yes.

11 Q.37 - Now, however, as I recall your counsel did not bring
12 the Disco witnesses up through columns 1 through 3 dealing
13 with residential, did he?

14 A. I don't recall.

15 Q.38 - But can you take it subject to check that he did not
16 specifically go through those RC ratios?

17 A. Sure.

18 Q.39 - And that's what I would like to do today, okay?

19 A. Okay.

20 Q.40 - So if we can go to column 1, residential, you will see
21 there that the RC ratio is .908, correct?

22 A. Yes.

23 Q.41 - And that's comparing \$529,792,000 in costs to
24 \$480,905,000 in revenue, correct?

25 A. Yes.

2 Q.42 - And here if you could just quickly look at those, the
3 differential is approximately \$49 million, correct?

4 A. That's right.

5 Q.43 - And if we go to line 2, we will see the RC ratio for
6 the electric heat customers is even lower than that for
7 the residential class as a whole and the RC ratio for the
8 electric customers is .879, correct?

9 A. Right.

10 Q.44 - And again that is based on comparing total costs of
11 approximately 401 million compared to fully allocated
12 revenue of approximately 352 million, correct?

13 A. Right.

14 Q.45 - Now again then that's approximately \$49 million,
15 correct?

16 A. That looks about right.

17 Q.46 - And if you can just bear with me I think we will see
18 where we are going. If we go the residential non-electric
19 heat customers, their RC ratio is .998, very close to
20 unity, because their total cost is \$128,624,000 and their
21 total revenue is \$128,430,000, correct?

22 A. Yes.

23 Q.47 - So essentially the entire differential between costs
24 and revenue in the residential class is due to the
25 electric heat customers, correct?

2 A. It would appear so from this study.

3 Q.48 - Good. And that differential is \$49 million?

4 A. Yes.

5 Q.49 - So the residential electric heat customers are \$49
6 million below recovery of their fully allocated costs,
7 correct?

8 A. Yes.

9 Q.50 - Or their total costs. Now going back to the group you
10 are testifying for today, the wholesale customers, and if
11 we look again at line 10, the wholesale customers are a
12 little over \$4 million over cost, correct?

13 A. That's correct.

14 Q.51 - So just accepting Disco's numbers for now, I am
15 wondering if you could concede that the revenue to cost
16 ratio for the residential electric heat customers is
17 significantly below the ratio for the large industrial
18 class, correct?

19 A. Yes.

20 Q.52 - And the differential again is \$49 million compared to
21 the differential with the large industrial of \$15 million,
22 correct?

23 A. Yes.

24 Q.53 - So there is lots of room in the residential electric
25 heat class to recover more of their costs if one is trying

2 to move classes closer to unity, correct?

3 A. Yes. Assuming that they are treated as a separate class.

4

5 Q.54 - Maybe you can -- well within the residential class as a
6 whole --

7 A. Yes.

8 Q.55 - -- there is lots of room for manoeuvre if one, for
9 example, let's pick the rate design, if one changed the
10 rate design in order to recover more costs from the
11 electric heat customers, there is plenty of room within
12 that framework in order to recover the \$4 million of over-
13 collection by the wholesale class, correct?

14 A. Suitable changes in rate design would result in reduction
15 of the subsidies within the class.

16 Q.56 - Yes. And the biggest differential of any of these
17 classes is the residential electric heat customers that
18 are showing a differential of some \$49 million below
19 costs, correct?

20 A. It is.

21 Q.57 - Thank you.

22 MR. MACDOUGALL: Thank you very much, Ms. Zarnett. Mr.

23 Chair, Commissioners, thank you very much.

24 CHAIRMAN: Thank you, Mr. MacDougall. Self-represented
25 individuals have any questions? Public Intervenor? Mr.

26

2 Hyslop, do you want to come up front?

3 CROSS EXAMINATION BY MR. HYSLOP:

4 Q.58 - Good morning, Mr. Chairman, Commissioners, Ms. Zarnett.

5 My name is Peter Hyslop, I am the Public Intervenor and I
6 have one short line of questions. I will only be making
7 reference to your evidence which is filed and a couple of
8 sections of the White Paper, for the benefit of the Board.
9 First just to make a quick clarification. My friend Mr.
10 MacDougall asked you a series of questions about the
11 revenue cost ratios that were contained in the evidence
12 prepared by Disco, is that correct?

13 A. Yes.

14 Q.59 - And the schedule 6-1 you were looking at are the
15 revenue cost ratios that result from the use of Disco's
16 presented methodology for cost allocation at this hearing,
17 is that correct?

18 A. That's right.

19 Q.60 - And would it be fair to say that although you didn't
20 prepare one, that there are other cost allocation
21 methodologies that have been put in issue during the
22 course of this hearing as well?

23 A. That's correct.

24 Q.61 - And I don't think it's too big a leap of faith to
25 suggest that those other cost allocation studies have

2 suggested different revenue cost ratios, if they were adopted,
3 than the ones that were proposed by Disco, would that be
4 correct?

5 A. That's correct. All those answers were strictly in
6 reference to this table as presented.

7 Q.62 - Thank you very much, Mrs. Zarnett. Now I have just one
8 quick line of questioning and with respect to that I would
9 refer you to your evidence, which is UM-1, and starting at
10 page 13 thereof.

11 A. I'm there.

12 Q.63 - Right. And with respect to that -- I'm going to
13 summarize but it's my understanding from reading that and
14 in particular lines 17 through 20 in your evidence this
15 morning, it would be your view that each of the different
16 distribution companies, including Disco and the three
17 distribution companies that you represent, should on the
18 basis of fairness and equity, should be receiving their
19 energy all at the same price.

20 Would that be a summary of your evidence when it comes to
21 the RC ratios?

22 A. That they should receive the same RC ratio.

23 Q.64 - Right. Okay. And if I might take that -- did you --
24 and you are dealing with this strictly at the distribution
25 level, correct?

2 A. That's right.

3 Q.65 - Right. Now I guess my concerns -- you haven't gone on
4 and done an analysis as to how this might affect the
5 residential customers of each of the different utilities,
6 is that correct?

7 A. No. Presumably it would not have any necessary effect on
8 the customers of Disco if the revenue to cost ratio
9 remains where Disco has recommended.

10 Q.66 - Sure. Now where I want to go at is -- and I want to
11 refer you, if I could, to the White Paper at page 5,
12 section 2.1.

13 A. Where do I find a copy of that?

14 Q.67 - I'm sorry. The White Paper --

15 A. Thank you.

16 Q.68 - I refer you to page 5, section 2.1.

17 A. Yes.

18 Q.69 - Yes. It's under the heading, "New Brunswick Energy
19 Profile", and section 2.1 is sub-headed, "Energy Demand".
20 Do you have that?

21 A. Yes.

22 Q.70 - Right. And the first paragraph reads, "Approximately
23 756,600 people live in New Brunswick, primarily along the
24 coasts and in the river valleys. There are seven cities
25 and nearly 52 percent of the province's population lives
26

2 in urban areas." Do you read that?

3 A. Yes.

4 Q.71 - Right. And do you have any reason to disagree with the
5 statement that we have just read out of the White Paper,
6 Ms. Zarnett?

7 A. No, I have no other information on it.

8 Q.72 - Okay. And I was wondering if in the course of doing
9 your study, whether you were asked or did you make any
10 analysis of the rural/urban split in each of the municipal
11 customers that you represent?

12 A. I did not.

13 Q.73 - Okay. Would it be fair from your understanding to say
14 that the percentages in each of these utilities you
15 represent is probably not 52 percent rural, or do you have
16 any idea on that?

17 A. I really couldn't answer that.

18 Q.74 - Fair enough. Now moving on, if I could, to section --
19 or page 21 of the White Paper. Under the heading -- or
20 under section 3.1.3.6, Distribution Electric Utilities --

21 A. Yes.

22 Q.75 - -- you have that? And the White Paper makes the
23 following comment and I'm looking at the last paragraph on
24 page 21. It says, "The three municipal electric utilities
25 in New Brunswick serve a relatively dense urban market

2 with a higher proportion of general service (commercial and
3 small industrial) customers which have rates that are
4 higher than their cost of service." Do you read that?

5 A. What line are we at, please?

6 Q.76 - I'm at the bottom paragraph on page 21. It starts off,
7 the three municipal --

8 A. Okay. Yes.

9 Q.77 - Yes?

10 A. Yes.

11 Q.78 - Right?

12 A. Yes.

13 Q.79 - You have read that. Do you have any reason to disagree
14 with that statement contained in the White Paper?

15 A. I have no other information.

16 Q.80 - Okay. And the second sentence in that paragraph reads,
17 "Conversely the crown utility serves a diverse market
18 comprised of both urban areas and low density areas. The
19 creation of additional urban distributor electricity
20 electric utilities is likely to result in higher costs for
21 the remaining crown utility customers since the cost of
22 serving urban customers is generally less than the cost of
23 serving rural customers." Do you read that statement?

24 A. Yes.

25 Q.81 - Right. And do you have any evidence or reason to

2 disagree with the statement that we have just read out?

3 A. I have no information on that.

4 Q.82 - Thank you very much. Also if I look down to the last
5 sentence it starts "the select committee" and it continues
6 over into page 22. It says, "The select committee
7 reported that report noted that some committee members
8 believed that there was an inequity in the existing
9 franchise rights of the three municipal utilities, quote,
10 arising from the fact that these three municipalities may
11 not provide direct support toward ensuring the
12 affordability of electricity to rural New Brunswick." You
13 read and confirm that sentence, Ms. Zarnett?

14 A. It's there.

15 Q.83 - Right. And you have no reason to disagree with the
16 statement that is contained therein?

17 A. I have no information about it.

18 Q.84 - Thank you. Okay. Now I just want to perhaps just
19 follow up on that briefly. Now as it stands at present, a
20 residential customer in Fredericton or Moncton, where they
21 don't have a separate utility, you know, would appear to
22 be providing an element of support for rural customers.
23 And I appreciate this is not quantified. You haven't done
24 any analysis to determine whether that would be true or
25 not true?

2 A. No. Nor did I see any evidence of it in this proceeding.

3 Q.85 - I agree. But if we are going to ask customers in
4 Fredericton or Moncton to provide an element of support on
5 the basis of fairness and equity, would it not also be
6 fair to ask urban customers in Saint John or Edmundston to
7 be providing a similar element of support for rural
8 customers in New Brunswick?

9 A. As long as it's similar and part of an explicit policy.

10 Q.86 - Right. Okay. And I guess to confirm again, even for
11 your own clients you haven't made any analysis of the
12 difference between an urban to rural subsidy, that would
13 be correct?

14 A. No, I have not.

15 MR. HYSLOP: Right. Thank you. Thank you, Mr. Chairman.

16 Those are my questions. Thank you very much, Ms. Zarnett.

17 CHAIRMAN: Thank you, Mr. Hyslop. Mr. Morrison, how long do
18 you think your questioning will take?

19 MR. MORRISON: About 15 minutes, Mr. Chairman.

20 CHAIRMAN: Okay. I suggest we take a break now and come
21 back with your questioning.

22 (Recess)

23 CHAIRMAN: Go ahead, Mr. Morrison.

2 CROSS EXAMINATION BY MR. MORRISON:

3 MR. MORRISON: Thank you, Mr. Chairman. Good morning, Ms.
4 Zarnett.

5 MS. ZARNETT: Good morning.

6 MR. MORRISON: My name is Terry Morrison. I will be asking
7 you some questions on behalf of the Applicant, Disco.

8 Q.87 - I want to turn to table 5 of your evidence, Ms.
9 Zarnett.

10 A. I have it.

11 Q.88 - Now if I understand what you are doing there is you are
12 basically trying to compare the same customer classes that
13 the Municipal Utilities serve to those that Disco's
14 serves. Is that correct?

15 A. That is correct.

16 Q.89 - Okay. And you are making a comparison of the revenue
17 to cost ratios for each of the -- what I will call retail
18 rate classes of Disco and comparing them to the 1.05 for
19 wholesale. Is that correct?

20 A. What I am trying to do is compare in aggregate the retail
21 customers --

22 Q.90 - Aggregate, yes.

23 A. Okay.

24 Q.91 - And Mr. Hyslop drew you through some of the differences
25 in the systems, if you will, between the Municipal
26

2 Utilities and Disco and you had no reason to disagree with the
3 comments that he made. Correct?

4 A. No. Except that if that is going to be a consideration,
5 it should be explicit and based on cost studies around
6 that.

7 Q.92 - Okay. And if I understand the questioning from Mr.
8 Gorman, and I am trying to put this in general terms, I
9 believe the Municipal Utilities are taking the position
10 that there are four suppliers of retail services,
11 distribution services in New Brunswick, the Municipal
12 Utilities and Disco. And therefore, they should all --
13 their customers should all be treated generally the same.

14 Is that a fair synopsis of the position?

15 A. Yes, I think it is.

16 Q.93 - Okay. But the Municipal Utilities are not distribution
17 customers, are they? They are wholesale customers?

18 A. They are wholesale customers.

19 Q.94 - And you are aware, Ms. Zarnett, that Disco has an
20 obligation to provide standard service?

21 A. Yes.

22 Q.95 - And the Municipal Utilities do not. Is that correct?

23 A. That is correct.

24 Q.96 - Would you agree with me, Ms. Zarnett, that given the
25 differences in the systems, if you are going to look at

2 the revenue to cost -- the aggregate revenue to cost ratios of
3 Disco's retail customers, that that -- the appropriate
4 comparison would be to the revenue to cost ratios that
5 those same customers have in let's say the Saint John
6 Energy system?

7 A. Do I understand you that you are asking for a comparison
8 of residential general service to general service and so
9 on?

10 Q.97 - Correct.

11 A. Well I am staying with you.

12 Q.98 - Okay. Now I understand from your c.v. that you have
13 done at least two cost allocation studies for Saint John
14 Energy?

15 A. Yes. Those were some years ago.

16 Q.99 - Okay. Have you been provided with, or have you reviewed
17 any current cost allocation studies with respect to Saint
18 John Energy or any of the other Municipal Utilities?

19 A. I have not.

20 Q.100 - Would you agree with me, Ms. Zarnett, that if one were
21 to look at the revenue to cost ratios for those same
22 customer classes that you have aggregated for Disco, that
23 that would be a more meaningful comparator?

24 A. No, I wouldn't.

25 Q.101 - Why not?

2 A. Because each distribution utility has to make decisions
3 based on history and whatever situation it is in at the
4 time, the principle of gradualism and so on, how it will
5 bring its individual customer classes to an appropriate
6 revenue to cost ratio. And the fact that one has made
7 more progress in that respect and another one not
8 shouldn't affect how those customers are regarded.

9 Q.102 - Do you have available in the -- or can you provide any
10 revenue to cost ratios that are coming out of any of the
11 cost allocation studies prepared for the Municipal
12 Utilities? Would you undertake to do that?

13 A. I don't have any that are recent and I haven't reviewed
14 any.

15 Q.103 - Would your client -- and Mr. Gorman can jump in --
16 would your client be prepared to provide that information?

17 MR. GORMAN: If I could have a moment? I'm not sure how
18 long it might take to provide that type of information.

19 Mr. Chairman, I am informed by Mr. Martin from Edmundston
20 and Mr. Young from Saint John, that first of all with
21 respect to Saint John it might take two to three weeks to
22 get the information that would be required. And Mr.
23 Martin says that Edmundston does not have that information
24 readily available. So -- and Perth Andover's, I believe
25 they have something that is two or three years

2 old.

3 So I don't believe that at this stage in the proceeding,
4 it would be possible to give that undertaking and fulfil
5 it in a timely fashion.

6 MR. MORRISON: I will leave it there, Mr. Chairman.

7 Q.104 - I would like you, Ms. Zarnett, to turn to page -- well
8 the bottom of page 12 of your evidence.

9 A. I am there.

10 Q.105 - It goes from the bottom of page 12 actually over to
11 the top of page 13, I believe.

12 A. Yes.

13 Q.106 - No. I'm sorry. It's the bottom of page 10 and the
14 top of page 11.

15 A. Okay.

16 Q.107 - And if I understand what you are saying there, you say
17 that the language of the contracts, and you are talking
18 about the contracts between Disco and the Munis, if you
19 will, conveys the intention that the revenue to cost
20 ratios be "reduced to .105 or below". Correct?

21 A. Yes.

22 Q.108 - That is the conclusion you have arrived at after
23 reading the contract?

24 A. That is right.

25 Q.109 - Okay. I am going to ask you to turn to exhibit A-15.

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A. A-15.

Q.110 - It will be in the cart behind you. It's appendix 11.

A. Okay.

Q.111 - So that's A-15, appendix 11. I am just waiting for the other Commissioners -- everybody has that? And if you could turn to page 11. And could you read the first paragraph on page 11 into the record, please?

A. "Effective April 1st for each of the years from 1998 to 2000 inclusive, the rate adjustment shall be based on the difference between NB Power's projected revenue to cost ratio for service to the wholesale customer class for the upcoming year and 105 percent. And thereafter the revenue to cost ratio shall be maintained at 105 percent until the termination of the contract. This methodology is illustrated in appendix D attached hereto".

Q.112 - Thank you, Ms. Zarnett. And I would ask you to turn to Table 4 of your evidence -- in your evidence?

A. I have it.

Q.113 - And if we just look at the last column, which is excess of revenue over cost?

A. Yes.

Q.114 - And you have a dollar figure, correct?

A. Yes.

Q.115 - And am I correct that that figure is calculated on the

2 basis of a revenue to cost ratio above unity, above one-to-
3 one?

4 A. Yes. It's simply a subtraction of the revenue and the
5 cost.

6 Q.116 - But it is based on a revenue to cost -- the deviation
7 from unity, correct, one-to-one?

8 A. Yes.

9 MR. MORRISON: Those are all my questions, Mr. Chairman.

10 Thank you.

11 CHAIRMAN: Thank you, Mr. Morrison. Go ahead, Mr. MacNutt.

12 CROSS EXAMINATION BY MR. MACNUTT:

13 Q.117 - Good morning. I am Peter MacNutt, counsel to the
14 Board. The first question is I want you to refer to page
15 1 of your c.v. There is a part which is in the back of
16 your exhibit.

17 A. Okay.

18 Q.118 - And there is a heading there, "Experience By Subject
19 Area" and the subheading, "Saint John Energy". It
20 indicates that you were involved in two studies to
21 allocate bundled costs of electricity service to customer
22 classes. One of these studies included analysis of
23 metered system load profiles and publicly available
24 typical customer profiles to develop demand cost
25 allocation factors. This is the area of study I think Mr.

2 Morrison was talking to you about?

3 A. Yes.

4 Q.119 - One of those studies included an analysis of metered
5 system load profiles. Do you think this information would
6 be useful to the Board?

7 A. The metered information as I recall was at the substation
8 level. It was not class load profile information.

9 Q.120 - And when was that prepared, can you remember?

10 A. Four or five years ago.

11 Q.121 - Do you think it would be of assistance to the Board if
12 it had that information before it?

13 A. I don't specifically see how it would.

14 Q.122 - I am going to switch over and deal with time of use
15 rates. What advice would you give the Board regarding the
16 implementation of real time or time of use rates for
17 transmission service customers?

18 A. Well, certainly before restructuring in Ontario, we had
19 time of use rates for wholesale customers, for the large
20 direct customers of Ontario Hydro and for the Municipal
21 Utilities. Those were both time of day and seasonal.
22 There were some implementation difficulties initially, but
23 they did work well and they did give an opportunity

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2 for a variety of load shifting programs to be administered by
3 the distributors for their customers.

4 Those were, as I recall, accompanied by a requirement that
5 all customers with loads over 5 megawatts, even if they
6 were served within from the distribution system also got a
7 time of use rate. At the same time, Ontario Hydro and
8 Toronto Hydro pioneered -- ran some pilot studies of
9 residential time of day rates and got a variety of
10 results.

11 Those were -- the customers involved were volunteers. So
12 the level of response to the rate was extremely high and
13 extremely good. We can't necessarily generalize that that
14 would be the case for all customers.

15 Q.123 - Now following up on your discussion with Mr. Hyslop,
16 the Public Intervenor, of a few minutes ago, if there were
17 to be a policy prorating a subsidy to -- promoting --
18 excuse me, I will start over again --

19 A. Okay.

20 Q.124 - -- if there were to be a policy promoting a subsidy to
21 rural customers, how would you recommend that this be done
22 so as to provide equity between the urban residential
23 customers of Disco and the urban residential customers of
24 the Municipal Utilities?

25 A. Well, I am somewhat reluctant to come here and tout

2 Ontario, but Ontario has had such a practice since I believe
3 the 80s. It's in regulation. And it's based on studies -
4 - starting with studies to determine the difference in
5 cost.

6 The Hydro One -- and at the time that this was initiated,
7 Ontario Hydro, which served most of the rural areas had
8 implemented density rates that applied with its own
9 service territory based on cost studies that were
10 reviewed. And what would then happen is that a
11 computation would be made of the differential between the
12 rural rates and an aggregate of urban rates, which is to
13 say in Ontario, the rates of the Municipal Utilities and
14 the higher density rates of Ontario Hydro and the
15 difference between that, there was a limit I believe 15
16 percent which that was not allowed to exceed.

17 And that computation resulted in a quantified amount per
18 kilowatt hour that applied in addition to the wholesale
19 rate to every kilowatt hour sold in the province. So that
20 means not only residential, but loads of all types paid a
21 contribution to that assistance. So I think that is quite
22 a reasonable system, as long as it is based on appropriate
23 levels of cost studies and a defined and explicit approach
24 to how much that assistance is going to be.

2 Q.125 - Could you describe more fully -- in other words, give
3 us more specifics on the type of cost studies that were
4 used?

5 A. I haven't reviewed them. They were done initially by
6 Ontario Hydro in order to support its density rates. And
7 I suppose somebody could go back to that time. They will
8 -- Hydro One will shortly have to file a new cost
9 allocation study and it could prove informative when it is
10 filed.

11 MR. MACNUTT: Thank you. No further questions, Mr.
12 Chairman.

13 CHAIRMAN: Thank you, Mr. MacNutt. Mr. Gorman?

14 REDIRECT EXAMINATION BY MR. GORMAN:

15 MR. GORMAN: Thank you, Mr. Chairman. On redirect I just
16 have one series of questions.

17 Q.126 - Ms. Zarnett, could you pull exhibit A-15? I believe
18 you may still have it in front of you.

19 A. I have it, Mr. Gorman.

20 Q.127 - And take you to tab -- sorry appendix 10, page 3.

21 A. Sorry. Appendix?

22 Q.128 - Appendix 10.

23 A. 10.

24 Q.129 - And that should be a contract between New Brunswick
25 Power Corporation and the City of Saint John?

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2 A. It is.

3 Q.130 - You were asked by Mr. Morrison a question with respect
4 to the contract language in the Edmundston Energy
5 contract?

6 A. Yes.

7 Q.131 - And if I refer you to page 3 of appendix 10, you will
8 see a heading, "Revenue to Cost Ratio Rate Adjustment"?

9 A. Yes.

10 Q.132 - And would you read that paragraph into the record,
11 please?

12 A. "In consideration of the city agreeing to take electric
13 power and energy solely from NB Power during the term of
14 this agreement, NB Power agrees to apply a revenue to cost
15 ratio rate adjustment (rate adjustment) to the monthly
16 bills otherwise payable by the city, such that the effect
17 of the rate adjustment will be the reduction over the
18 first five years of this agreement of the revenue to cost
19 ratio for service to the city from 114 percent being the
20 revenue to cost ratio calculated by NB Power for wholesale
21 customers for NB Power's fiscal year 1995-96 to 105
22 percent and the maintenance of the ratio at no more than
23 105 percent until the termination of this agreement."

24 Should I continue?

25 Q.133 - No, that's fine. Do you -- have you looked at these
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2 before and are there differences between the Edmundston
3 contract and the Saint John contract?

4 A. Yes, there are. The Saint John contract says no more than
5 105 percent. So looking specifically at the language, the
6 door is apparently open under these terms to reduce it
7 still further.

8 The Saint John Energy contract, I am just looking for that
9 paragraph again. No more than language is not explicitly
10 in there. So if we were dealing solely with this contract
11 as determining that revenue to cost ratio, something would
12 be there for Saint John which was not there for
13 Edmundston.

14 The question remains though is it appropriate to look back
15 to a contract that was entered into all those years ago
16 under bundled industry conditions and with the objective
17 of moving away from a situation of a revenue to cost ratio
18 of 114 percent to within the range that was defined, and
19 then to say that's where that movement is appropriately
20 stopped.

21 MR. GORMAN: I don't have any further questions, Mr.
22 Chairman.

23 CHAIRMAN: Thank you, Mr. Gorman. Your last comment, Ms.
24 Zarnett, counsel had better come well armed with good
25 legal argument to say why this Board when given by statute
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the authority that we have that we can't set a new revenue cost ratio and therefrom new rates for any of the customer classes of NB Disco.

I want to thank you for your participation before us and I wish you a safe journey home.

MS. ZARNETT: Thank you very much.

CHAIRMAN: We will give you a minute to go down to a chair if you want to and -- let me see. Let me just deal -- you can go ahead. I think it was on Thursday last week as a result of Commissioner Sollows' questions why we wrote up a question which we handed out to all the parties and invited their response. Any -- I presume that Disco has a response?

MR. MORRISON: Ours will be ready after lunch. It's an open book exam, so we have to make sure that we have done it correctly.

CHAIRMAN: That's fair enough, Mr. Morrison. Anybody else going to comment? Mr. Hyslop?

MR. HYSLOP: Yes, Mr. Chair. I have the examination tablet here in response to Mr. Sollows' question, and I also have a document which we have prepared that makes appropriate reference to the transcripts. There were a couple of areas where we gave answers subject to check and we prepared written responses to those subject to check and I

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- 2311 -

2 would offer both of these documents to the Board and the other
3 parties as I guess part of our duty coming out of our
4 cross examination.

5 CHAIRMAN: Okay. Well those are basically undertakings
6 then. I would suggest they should be treated in the same
7 fashion as undertakings. So if you have something, why
8 don't we mark them as exhibits right now, Mr. Hyslop.
9 Great. I will put them on the record then. This is
10 exhibit PI-8 and it's -- how would you define that, Mr.
11 Hyslop?

12 MR. HYSLOP: It's -- I regard it as a response to a question
13 put by Mr. Sollows.

14 CHAIRMAN: Okay. This is a response of Mr. --

15 MR. HYSLOP: I'm sorry, Mr. Chairman. I regard the one
16 regarding PUB-8 as the written response to the question
17 put by Commissioner Sollows.

18 CHAIRMAN: And that was PI-8 --

19 MR. HYSLOP: Yes.

20 CHAIRMAN: -- not PUB.

21 MR. HYSLOP: Yes.

22 CHAIRMAN: Okay. And PI-9, these are the undertakings and
23 the subjects to check of the Public Intervenor's witness
24 Mr. Knecht. And they are PI-9.

25 MR. HYSLOP: Thank you, Mr. Chairman.

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CHAIRMAN: Thank you, Mr. Hyslop. Now what do the parties think? When will they be able to begin summation? Mr. Morrison?

MR. MORRISON: I believe -- it was my understanding that we were going to begin summation on Wednesday morning, Mr. Chairman.

CHAIRMAN: Okay. Everybody satisfied to start on Wednesday morning?

MR. GORMAN: Agreed.

CHAIRMAN: Agreed. Anybody disagree? I guess that's it. Can we start at 9:30 on Wednesday morning?

MR. MORRISON: That would be fine.

CHAIRMAN: We had a great dispute in the Commissioner's room this morning. It turns out that I mentioned that we would start on the 14th of December at 9:30. So there were a number who felt that this morning was supposed to be at 9:30. So we split the difference. We started at 9:23. Okay. We will reconvene here then on Wednesday morning at 9:30.

And I might just add that it has been the Board's habit that we would have summation from all of the parties and then we would take a break. By that I mean for instance, if we were to finish at 2:00 o'clock or 3:00, we would not reconvene until the next morning, because our

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habit is that the Commissioners will then sit down and if

there are certain areas in the evidence that interest the panel, we would be able to ask all counsel to address a particular issue in their rebuttal. Yes, Mr. Morrison?

MR. MORRISON: Always my favourite part of the proceeding, Mr. Chairman.

CHAIRMAN: Yes. Counsel really look forward to that. But I see no reason why we should change from our past practice on that. And then when you do your rebuttal you can address those various items. It makes for a more complete record.

Anyway, see you Wednesday morning. Thank you.

(Adjourned)

Certified to be a true transcript of the proceedings of this hearing as recorded by me, to the best of my ability.

Reporter