New Brunswick Board of Commissioners of Public Utilities

Hearing

In the Matter of an application by Enbridge Gas New Brunswick for approval of proposed changes to rates for its Small General Service, General Service and Contract Service, Contract General Large General Service LFO, Off Peak Service, Contract Large Volume Off Peak Service and Natural Gas Vehicle Fueling

Delta Hotel, Saint John, N.B.
March 18th 2005, 9:30 a.m.

CHAIRMAN: David C. Nicholson, Q.C.

COMMISSIONERS: Jacques A. Dumont
Diana Ferguson-Sonier
H. Brian Tingley

BOARD COUNSEL: Ellen Desmond

BOARD STAFF: Doug Goss
James Lawton

BOARD SECRETARY: Lorraine Légère

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CHAIRMAN: Good morning.

MR. LAWSON: Good morning.

CHAIRMAN: Yet another gorgeous Saint John day out there.

MR. LAWSON: Typical March day of course.

CHAIRMAN: Yes. We will say nothing about up the valley. Any preliminary matters before we get started,

Mr. Hoyt?

MR. HOYT: Just one thing, Mr. Chairman. Mark Butler's c.v. which was sent in separately on Monday was not entered as a separate exhibit.

CHAIRMAN: Well, I'm glad you asked me. We will do that. That will be marked as A-6.

MR. EDWARDS: Similarly, Mr. Chairman, my c.v. and Mr. Yammine's were not marked as exhibits.

CHAIRMAN: That was a voice from the wilderness. Oh, all right. We will do that. I will have to find them though. Just a sec'.

MRS. LEGERE: That is CS, The City of Saint John.

MR. EDWARDS: Yes.

CHAIRMAN: And that came in under cover of March 15. And mine are stapled together. So it will be one exhibit.

MR. SORENSON: In addition, Mr. Chairman --

CHAIRMAN: Oh, hang on. Just a sec'. And I have that as CSJ-5. Okay. Mr. Sorenson?

MR. SORENSON: Mr. Chairman, on the request for information, Tuesday the 15th I forwarded both a letter and Power Point document that has not been marked.

CHAIRMAN: No, it hasn't.

MR. SORENSON: Correct. Do we want to mark that as well? And then I will --

CHAIRMAN: Any objections from anybody? They have all seen it? No? Okay. Would the Secretary -- I don't -- maybe I do. Now what did you want to have marked, Mr. Sorenson? The slides?

MR. SORENSON: Yes.

CHAIRMAN: Anything else?

MR. SORENSON: The opening presentation for this morning which was submitted yesterday morning can be marked. It is up -- again I can go either way.

CHAIRMAN: I have got the slide presentation, Madam Secretary. But I don't -- I may have it. But it is beginning to look like my desk up here.

MR. HOYT: Just on the second one though, I think that is the presentation that Mr. Sorenson will give at the beginning of his testimony.

CHAIRMAN: Yes.

MR. HOYT: So perhaps we can wait on that.

CHAIRMAN: All right.

MR. HOYT: Thank you.

CHAIRMAN: Thank you. All right. The slide presentation then my records indicate should be CES-4.

Would you take that down to him and ask him to describe that?

MR. HOYT: Actually though I think there is one more. The City of Saint John also provided a table 3.

CHAIRMAN: Mr. Hoyt, I'm having trouble figuring out which is what of Competitive Energy Services. Just give me a minute here. I will be through.

Mr. Sorenson, would you mind just approaching the bench, as they say in the flicks.

The slides, Mr. Hoyt, as Mr. Sorenson has now explained to me, are in fact his opening presentation.

MR. HOYT: So are you going to mark these now? It doesn't matter --

CHAIRMAN: No.

MR. HOYT: -- if they get entered now or later.

CHAIRMAN: Since I'm this far into the question there I should probably try and withdraw myself. Okay. We will mark -- the slide presentation will be marked as CES-4.

And there are further information requests which I understand Board staff asked for. And that has been circulated to everybody as well. I might as well mark that now too. And that will be CES-5.

Now somebody else had something?

MR. LAWSON: Saint John.

MR. EDWARDS: Mr. Chairman, along with our c.v.'s we also submitted further information that was requested, table 3, which showed absolute savings in terms of dollars. You may want to mark that as well.

CHAIRMAN: Tell you what. The first break we will huddle with the Secretary and find a couple of copies. And we will do it right after the break. Okay.

MR. EDWARDS: Sounds good.

CHAIRMAN: Any other matters? Mr. Lawson?

MR. LAWSON: Thank you, Mr. Chairman.

<u>CROSS EXAMINATION BY MR. LAWSON</u>:

Q.241 - Am I correct in assuming that EGNB can't afford to lose any more customers -- any customers, I'm sorry?

MR. HARRINGTON: I think what is clear from our evidence is that we need to grow the business. To the extent that customers are lost and customers come on, I think our evidence is clear that we need to grow the distribution business.

Customers do go bankrupt. We have had that happen to us. And so we do lose customers. It is a fact of the business reality. But to answer your question, we need to grow the business. So net growth has to take place.

Q.242 - You can't afford to lose customers. You lose them. I'm not asking you if you lose them. You can't afford to. You don't want to lose customers. Is that a fair statement?

MR. HARRINGTON: We do not want to lose customers.

Q.243 - And you want to get -- in fact I would say you must get new customers?

MR. HARRINGTON: I would agree with that statement.

Q.244 - Now could you give us an explanation of what your thoughts are as to why there was a significant growth in 2004 in your new signings?

MR. HARRINGTON: I believe this area was well questioned yesterday but I will just summarize.

I think yesterday I pointed out that changes in the regulation and legislative framework in which we operate, which took place in late 2003, allowed Enbridge Gas New Brunswick to take a more active role in the development of the market place.

Q.245 - And more aggressive marketing?

MR. HARRINGTON: A more focused -- and on top of that we took a more focused marketing approach, and in addition I think we illustrated quite well that absolute savings have grown for consumers through 2004, and so the value proposition offered by natural gas opposite competitive fuels was enhanced.

Q.246 - And I assume it's fair to say as well there was an expansion of your pipeline facility and that obviously afforded you more customers that you could get?

MR. HARRINGTON: There is nothing new about expansion. We expand relatively at the same rate every year. So yes.

But that's nothing new for 2004.

Q.247 - At least in one of your classifications in the -- as you described it in the residential classification your penetration went up in 2004 relative to 2003, correct? From 17 -- from 14 percent to 17 percent? I believe that's on your answer to Flakeboard Interrogatory number 4.

MR. HARRINGTON: Thank you for providing the reference. That's correct.

Q.248 - Now just on that same document if I could, please, Interrogatory number 4, the line i on the bottom of the I guess page 1 of 1 identifies the LFO customers as 21. Now if you look at Interrogatory number 1 -- your answer to Interrogatory number 1 by Flakeboard in that same document -- and based on your evidence yesterday, I believe you said that that was 17. Is 17 actually the correct number, or is 21 something different?

MR. HARRINGTON: Just for clarity, the 21 would include customers who are signed and who are actual, whereas the 17 are actual customers.

Q.249 - And does -- when I totalled in page 1, I see that the -- or Interrogatory number 1, that the total number of customers is 3,143 for at the end of 2004. And the question was what number of customers does EGNB have and the answer is 4,143. When you do the totalling for the number of customers you have in Interrogatory number 4 it totals 3,576. Is again that difference the number of people who have been signed but are not customers?

MR. HARRINGTON: That's correct.

Q.250 - So you had 433 customers who were signed but not yet on?

MR. HARRINGTON: That is correct.

Q.251 - Okay. Now if I could refer you to Interrogatory number 27 -- your answer to Flakeboard's Interrogatory number 27 which you referred to yesterday. Just for clarification I guess for my own purposes --

CHAIRMAN: Mr. Lawson, you are aware that we have marked these as exhibits --

MR. LAWSON: A-4. I'm sorry.

CHAIRMAN: Thank you. That would be very helpful, as you can tell as we wield back and forth.

MR. LAWSON: Once you dig it out you will realize you probably didn't need to go through the energy to do it for the purposes of the question, but --

CHAIRMAN: And the number is?

MR. LAWSON: 27.

CHAIRMAN: Thank you.

Q.252 - Reference in there is -- the footnote is to Flakeboard representing 17 percent of the 349 percent. Am I correct in my understanding that what you mean there is that Flakeboard represented about one/fifth of your new signings in 2004, slightly less?

CHAIRMAN: When you say new signings, Mr. Lawson, do you mean on a count basis or do you mean on an anticipated revenue basis?

MR. LAWSON: I believe the figures are in revenue signings. Signings are based on revenue, is that correct, anticipated annualized revenue streams?

MR. HARRINGTON: That's correct. Slightly less than that, yes.

Q.253 - Yes. Slightly less than one/fifth, 17 percent. Just when I looked at it originally I was concerned that the evidence was that 17 out of the 349 was the case, and that's not it at all.

MR. HARRINGTON: No, you have it correct.

Q.254 - So it would be fair to say that the single customer A Flakeboard represented my view of one/fifth or slightly less than one/fifth, it would be a significant chunk of the signing revenue in 2004?

MR. HARRINGTON: That's correct.

Q.255 - And you would agree that of the incentives that were listed by Mr. Butler yesterday incentives were provided to

Flakeboard to sign on?

MR. BUTLER: Yes, they were.

Q.256 - And you would also agree that Flakeboard had previously signed on but then as a result of a significant change or -- perhaps you don't know the reason, but they changed their mind and decided not to convert to gas earlier in 2001 or '02, I have forgotten the year?

MR. BUTLER: Yes, I remember that.

Q.257 - And do you recall that was attributable to a rather sudden change in the price of gas or at least took place around the same time as a rather sudden spike in the cost of gas?

MR. BUTLER: I really can't answer that because I'm not totally clear on why Flakeboard decided at the last minute not to go ahead with the conversion.

Q.258 - Did they never express to you or to anybody at EGNB that they were now uncertain about the potential savings?

MR. BUTLER: That has been the issue going back prior to that when I first met with Flakeboard, but there were -- I seem to recall other issues around a plant expansion that got cancelled, and so I'm not totally clear.

Q.259 - You would agree though that there was a serious concern by Flakeboard expressed to EGNB that a significant increase in the price of gas put into question any savings that they might achieve in their mind?

MR. BUTLER: That's one component, yes.

Q.260 - And you would agree that that uncertainty continued to be in their mind even as you courted them for the signing last spring?

MR. BUTLER: That's correct.

Q.261 - And that's what required incentives to sign?

MR. BUTLER: Exactly.

Q.262 - Would it be fair to say that in the current environment that most of the customers that EGNB or marketers obtain that sign onto gas are being pursued by the marketers or EGNB rather than customers coming knocking on your door? Not all obviously but most?

MR. HARRINGTON: I think to have a meaningful discussion on this you have to kind of look at this by class, because I think the answer to your question is actually no if you just look at it on overall units of customers. But there is merit to the question that is being posed.

Residential new construction, for instance, we get hundreds of signings in that market and we do not sell every one. They come to us. Residential retrofit, which is the way we define the market for existing homeowners who want to replace the heating equipment in their home, we get a fair number, I would say upwards of 70 percent of those that come to us rather than we go to them.

So on an absolute numbers basis I don't think you are -- the answer to your question would be no. But when you look at specific segments of the marketplace it's more as a result of our outward efforts in sales. So in the commercial and industrial segments we are selling. People aren't coming in the door.

Q.263 - And would it be fair to say that of those customers that you are selling, or marketers are selling because I presume you are not the only ones who are out there selling these customers, that there is a degree of nervousness on the part of the customers of the -- around the uncertainty of savings to be achieved?

MR. HARRINGTON: I think with any new product there is a certain amount of uncertainty. I would say that the situation around customer's uncertainty is actually changing in a very traumatic fashion as we sit. We are finding a lot more customer interest, a lot more customers calling our number because of what they are hearing about electricity, because of what they are hearing about the oil marketplace.

So for the new kid on the block, I think there is still uncertainty, there is some environmental uncertainty, Sable off shore, longevity of the ability to provide service, some uncertainty around price stability remains. But I think from my perspective that tide is actually turning.

Q.264 - You do agree that Flakeboard represents a customer that stands or stood to save a significant chunk of money relative to most of your customers by converting to gas?

MR. BUTLER: Yes, on an absolute basis.

Q.265 - And they as recently as last year expressed nervousness about converting because of uncertainties about the savings on gas conversions, is that right?

MR. BUTLER: Yes. As I said that uncertainty has been there for the last four years.

Q.266 - Right. And isn't it fair to say that that similar uncertainty whether expressed to you or not in fact exists with other customers even today?

MR. HARRINGTON: I believe I said that, yes.

Q.267 - So just again looking at the interrogatory number 4, I should have dealt with this when we were on the sheet, but Flakeboard's interrogatory number 4, your response -- or I guess maybe I have covered off all those. Don't bother digging out your papers. I won't bother you with it.

Just one question related to it but I won't bother digging it out. It did identify in 2003 that you had a market penetration in the -- what you have identified as the commercial category, commercial customers. It dropped from 28 percent penetration in 2003 to 24 percent in 2004, notwithstanding what I will describe as more aggressive marketing. To what do you attribute that drop?

MR. HARRINGTON: I think it goes back to a point that you raised earlier. Expansion. We put more pipe in front of prospective commercial customers. So there is just more prospective customers available to Enbridge Gas New Brunswick than there were in 2003.

Q.268 - What do you anticipate 2005's penetration to be like in the commercial field?

MR. HARRINGTON: For the exact same point that was just made, we do intend on installing a similar amount of distribution mains in 2005 as we did in 2004. I would anticipate that the penetration levels will actually remain quite consistent.

Q.269 - At about 24 percent?

MR. HARRINGTON: Yes. Simply because we continue to expand.

Q.270 - Would you agree that like most business decisions or personal decisions that -- involving money -- that the greater the risk of not getting something with certainty, the more reward somebody would be looking for before making -- deciding to go down a certain road?

MR. HARRINGTON: I would agree that in normal financial analysis that is the relationship.

Q.271 - And again I think we confirmed this yesterday, but obviously EGNB cannot guarantee customers that the price differential that might exist at any given time between oil and gas will be as it may be today, will continue to be the same differential tomorrow?

MR. HARRINGTON: Enbridge Gas New Brunswick is in no position to guarantee such things. What I do know, however, is that in going to the risk/reward relationship, you know, the absolute savings to customers have indeed increased significantly through 2004 and to today. So customers will be seeing a greater absolute benefit from converting to natural gas from incumbent fuels.

Q.272 - Based on current differential?

MR. HARRINGTON: Trends which have been sustained for quite some periods of time.

Q.273 - Now just on that though, you would agree that prior to 2002, I believe it was, that there was a trend that existed historically in the price of gas for some time, the price differential between gas and oil, that took an abrupt change in 2002?

MR. HARRINGTON: I think you may be referring to near the end of 2001 and into 2002, for greater clarity there. There was a very extreme spike in the price of natural gas and I think there is an exhibit that illustrates that in one of these --

Q.274 - Yes.

MR. HARRINGTON: -- it's actually in our response to Competitive Energy Services number 5, if we could all look at that. Are we there?

Q.275 - I am.

MR. HARRINGTON: Is this the relationship that you are referring to?

Q.276 - It would appear to be, yes. And so the historical pattern has had changes in those patterns, correct?

MR. HARRINGTON: Yes, it has.

Q.277 - And that historical pattern that you have set out here is only for 1999, correct?

MR. HARRINGTON: That is correct.

Q.278 - So unless you are better than most of the world, you probably can't predict that the historical pattern will continue in the future? In fact, I think you even said, unless I'm mistaken, yesterday the history -- maybe it wasn't you that said it, somebody else -- history isn't always the basis upon which to project the future. You can't predict the future based only on history, is that a fair assessment?

MR. HARRINGTON: Yes. And I don't think we were the ones that made that statement. I don't recall that.

Q.279 - I apologize.

MR. HARRINGTON: That's fine. But we are setting rates on a 12 month basis. If the relationship does change and Enbridge Gas New Brunswick's growth is affected and it's affected because of distribution and if it's within the control of Enbridge Gas New Brunswick, we will reduce distribution rates and preserve the benefits to the consumer.

Q.280 - But for customers who are signing or thinking about signing this year, you would agree that the price of oil in the last several months which has spiked significantly, as we all know, on one hand offers you a better marketing opportunity to show a differential that's favourable, but on the other hand you would agree should cause nervousness on the potential customer about the unpredictability and volatility of fuels period, whether it be gas or oil?

MR. HARRINGTON: I think volatility in retail and wholesale energy prices is something that consumers who rely on those should be aware of and concerned about and taking steps to manage.

Q.281 - It causes nervousness on whether or not to switch to a new fuel product.

MR. HARRINGTON: Is that a question?

Q.282 - Yes.

MR. HARRINGTON: I think they would have to assess that in their decision.

Q.283 - So now a new prospective customer -- I just have a few questions from the point of view of prospective customer. First on the distribution side, that prospective customer can take some consolation that the Public Utilities Board will regulate the distribution costs of gas if they are thinking about switching to gas. Fair assessment?

MR. HARRINGTON: That's correct.

Q.284 - But on the other had, we have already reviewed that you give them a document that warns them of significant potential changes which you agreed are probably interpreted as significant increases, is that correct?

MR. HARRINGTON: Yes.

Q.285 - So he is comforted by the PUB regulation but you warn him that it could increase significantly. And in fact the customer may well know that last year in 2004 there was what I would describe as a significant increase in tariff costs for distribution for some classes.

MR. HARRINGTON: On the distribution elements alone, in some of the distribution rates, yes, they could be considered significant.

Q.286 - And having given them the warning that there could be significant increases, and having knowledge of a significant increase last year, that would create some degree of nervousness in a prospective customer, you would agree?

MR. HARRINGTON: Sorry. Could you repeat the question?

Q.287 - I can understand why you can't remember it. I can't imagine it takes so long to deliberate over what seems to me to be a relatively easy question.

I'm asking about whether or not a prospective customer would be nervous about some prospects of savings, given that they may be aware of the fact that you have given them a warning of potentially significant increase in costs for distribution and that last year you significantly increased distribution costs?

MR. HARRINGTON: I don't think so. I have been in many customer settings. In fact I was with Flakeboard in many of the meetings. I think customers evaluate the prospect of converting to natural gas or any other major capital undertaking, if it happens to be one of those, based on the business case which is in front of them at the time.

And in that business case -- and this may carve out residential customers, because I do not believe they are that sophisticated in their analysis of whether to convert or not. But commercial customers and larger, I believe they evaluate the decision to convert to natural gas based on the business case that is laid out in front of them.

And that is in full contemplation of the rates model that underpins the delivery of natural gas. These are not unsophisticated participants. They understand that it is a market-based rates methodology and that it will track where the wholesale price of oil goes.

So you know, since announcing this rate application, we continue to grow our distribution system at rates greater than we had in the same period last year, which is a period before we had gone ahead with the 2004 rates application. So I would disagree with that assessment.

Q.288 - Just on that last point, let me ask you, would it surprise you that a contractor installer yesterday told me he has projects on hold because of customers who have said it is attributable to the uncertainty of the rates and the outcome of this increase? Would that surprise you?

MR. HOYT: Mr. Chairman, I don't think there is any evidence of Mr. Lawson's conversation.

MR. LAWSON: I have asked if he would be surprised by it.

MR. HARRINGTON: I would be surprised.

Q.289 - You would be? You have no feeling that that is the case at all from any discussions or any knowledge you have that there are people who are not proceeding because of uncertainties of the outcome of this?

MR. HARRINGTON: I have no knowledge of that at all.

Q.290 - Okay. Would it surprise you that there are people who do have such nervousness?

MR. HARRINGTON: As I think I have already answered this question, it would surprise me.

Q.291 - So we have talked -- you have talked about commercial customers as opposed to the residential. And you say they will make the decision based on the business model, correct? Am I understanding you correctly?

MR. HARRINGTON: You are understanding me correctly.

Q.292 - And that business model, unless I'm mistaken, cannot predict what the price of distribution will be for gas in that business model, correct?

MR. HARRINGTON: Customers have to --

Q.293 - Am I correct? I'm sorry. I can't believe that this can't be answered with a yes or a no. They cannot predict in their business model the price of distribution, correct?

You don't tell them what it is going to be, do you? Do you tell them what the distribution rates are going to be?

MR. HARRINGTON: The distribution rates are part of the --

Q.294 - No.

MR. HARRINGTON: Yes, we do.

Q.295 - You do tell them what the distribution rates will be in the future?

MR. HARRINGTON: We tell them what we are currently.

Q.296 - And then you warn them that there will be potentially significant, you agree, interpreted as increases?

MR. HARRINGTON: Correct.

Q.297 - And you are telling me you don't think that will make, in the business analysis, that will make them nervous?

CHAIRMAN: Mr. Lawson, we have gone around this question about five, maybe six times. And I will ask the witness to respond again to it. And let's get on to something else.

MR. LAWSON: As long as he responds to it, Mr. Chairman, that will be appreciated.

CHAIRMAN: Well, I will be the judge of that.

MR. HARRINGTON: As I think I have indicated, customers need to be concerned about their alternate energy sources when they are trying to make a decision like this.

Is this rates, in and of themselves, going to make them any more nervous? I don't think so. Because they understand how the market-based methodology works.

Q.298 - EGNB is faced with the prospects, as currently anticipated, with a $133 million accumulated deficit by the end of the period -- I have forgotten the name of the period. What is the name of the period you call it? Development period?

MR. HARRINGTON: Correct. That is correct.

Q.299 - Now do you know if customers or prospective customers are aware of that -- perhaps not the dollar amount but the fact that there will be a need to recover some accumulated losses over time?

MR. HARRINGTON: I think, as was evidenced yesterday, some of the business participants who have been involved in this industry since near the time that it started, don't completely understand the business model.

It is a relatively complicated business model. Some do and some don't. Most don't, I would agree.

Q.300 - But would most know that you are only covering about one/third or significantly less than most of your costs?

MR. HARRINGTON: I would say that most consumers do not have that level of knowledge.

Q.301 - Most business consumers?

MR. HARRINGTON: I would say that. And I'm not -- you know, I have worked in a public utility my entire life. And I would imagine people in the private sector don't have a deep understanding of ratesmaking methodologies and how market-based rates may be different than a cost of service based rates, to that level of detail.

Q.302 - Am I correct in my understanding that EGNB wants to have rates increased, maybe not wants, feels has to increase distribution rates as much as possible to ensure that customers are achieving their targeted savings and only their targeted savings?

MR. HARRINGTON: Yes. I think what Enbridge Gas New Brunswick is saying is we have to pursue our market-based methodology for delivering a targeted level of savings to typical customers.

Q.303 - And in fact EGNB is applying today in this process to reduce some of those targeted savings?

MR. HARRINGTON: On a relative basis, yes.

Q.304 - A percentage of targeted savings is being reduced?

MR. HARRINGTON: Enbridge Gas New Brunswick is proposing to reduce the targeted level of savings in a percentage basis in the CLGS-LFO class from 15 percent to 10 percent.

Q.305 - So would it be fair to say that a prospective customer who is analyzing this would conclude that you can't guarantee that he will or it will achieve the targeted savings? If you don't understand --

MR. HARRINGTON: I'm sorry. I don't understand your question.

Q.306 - So is it fair to say that a customer will understand that you can't and don't guarantee that they will achieve this targeted savings?

MR. HARRINGTON: I think in our evidence we are quite clear that we -- for any given customer we cannot guarantee.

Q.307 - Right. But what you have indicated here today is to those customers that if they should happen to accomplish more than those targeted savings, your objective is to charge them a distribution rate that will allow them to theoretically only save the 10 percent or whatever the targeted rate might be?

MR. HARRINGTON: If all customers were typical, we would be pursuing our market-based rates methodology to ensure that the targeted level of savings was delivered.

Q.308 - Let me try again.

MR. HARRINGTON: I didn't mean to be evasive. I think what needs to be recognized is that within any given rate class there is a variety of different consumers. Some will save more. Some will save less. It depends on a number of factors.

I just needed to point out the typical aspect. But I think I was responsive to your question.

Q.309 - Well, let me put myself in the consumer's position then. As a consumer I look and say you can't guarantee me any savings, as a prospective consumer.

But what you are saying to me is that you -- if I achieve a certain level of savings, targeted savings, then your objective at least will be to try to reduce those savings so that I don't get more than 10 percent.

Now that may not be for everybody. That may not happen for me. Because as you say, you can't identify a tariff rate and savings for every customer. But that is the ultimate objective?

MR. HARRINGTON: I'm not sure there was a question in that.

Q.310 - All right. Would you agree with me in what I have just said? As a customer -- I'm looking at a prospective customer. Will you agree that my analysis would be reasonable if I said you, EGNB are telling me that you can't guarantee I will save anything. But you are also expressing before this Board and through the market-driven system that if I accomplish savings in excess of the targeted rate, say the 10 percent for LFO, that your objective is to charge a distribution rate that reduces that so that I only get my 10 percent?

MR. HARRINGTON: I think you have a good understanding of this.

Q.311 - You agree with me that that's the kind of thinking that could apply for a customer, prospective customer?

MR. HARRINGTON: It could apply for a customer.

Q.312 - So going back to the risk/reward, you are giving no guarantee of the reward to the customer, thereby giving them risk that they might not save any money, and you are telling them that the targeted reward, not guaranteed but targeted reward, is all they are going to get and if there is any chance of anything greater than that you want it, is that right?

MR. HARRINGTON: The way you characterize this I would take some objection to. I think what you are saying though is that Enbridge Gas New Brunswick's target based rates methodology requires that the balance between economic incentive for consumers and cost recovery is struck. You choose to characterize it in another fashion, that's fine.

Q.313 - No. I'm looking at it from a prospective customer just, Mr. Harrington, so you will understand. We are in the same boat as I have -- I think in yesterday's examination I indicated to you, and I think you agreed, that your current customer base are very motivated in expanding your customer base, agreed?

MR. HARRINGTON: I think we indicated that nobody is as motivated as Enbridge Gas New Brunswick, but I agree that you said that yesterday.

Q.314 - Would you agree with me today that your customers are anxious to see more customers over which to spread costs?

MR. HARRINGTON: And I think the way I responded to that yesterday was if customers were alive to that to the extent that you think they are, they would be very anxious to see us grow.

Q.315 - So I'm not trying to characterize something as one thing. I asked you if those -- that thought process is something that might go through a customer's head, not what you think but a customer's head, and I think you agreed that that characterization, as you call it, is reasonable for a customer to conclude?

MR. HARRINGTON: It may go through a customer's mind.

Q.316 - The increases in tariffs that are being sought here today for distribution, demand charges aside, am I correct range from about 23-and-a-half percent to 108 percent?

MS. BLACK: For the delivery component of the distribution rate, that is correct.

Q.317 - And would you agree that those kinds of numbers combined with those other things that we have just chatted about rightfully cause a degree of nervousness about deciding to switch from whatever the current fuel is to natural gas?

MR. HARRINGTON: The customers that we are dealing with are interested in the absolute savings that they are getting from converting to natural gas. As I have indicated earlier today when they are evaluating the business plan they will look at whether the anticipated cost of natural gas that is being presented is reasonable, whether the anticipated cost of oil as their alternate or electricity or propane is reasonable, and they will make their decision based on the savings that is laid out for them. As for the rates it's one element in that discussion. The fact that there is a 108 percent increase in one class -- prospective customers are going to be looking at it from the overall level of savings achieved.

Q.318 - And the certainties thereof, correct?

MR. HARRINGTON: Again dealing with business consumers, they are going to be looking at the certainties the way that they look at the certainties of every other aspect of their business lives.

Q.319 - Residential customers will also consider one would assume the certainties of their savings, which I presume is part of the reason why you have to give them incentives because they need that certainty?

MR. HARRINGTON: I believe if we were to speak to some residential customers -- prospective residential customers today, the one thing that they are getting more and more certain of is if they are using oil for their heating they need to find an alternative.

Q.320 - Now if I could ask the question again. Would you agree that there will be a question in the minds of a residential customer in deciding to switch to natural gas that they want to have some level of certainty that the anticipated savings will happen?

MR. BUTLER: Most customers are not -- the relative savings is something they look at to determine what the absolute savings are. It's the absolute savings that count. It's not the percentage of savings. Because most customers I think, not all -- but we talked yesterday about paybacks and customers are looking at paybacks. And a simple payback is simply dividing the capital cost of the work involved by the anticipated annual savings. And providing -- the fact of the matter is is when as in this case we are able to increase the distribution rates that means that their absolute savings are greater than they were at the time that they converted, which means they have a shorter payback than they did when they made the decision to do the conversion.

Q.321 - Okay. This time I'm confused. Maybe you can explain that to me. I don't understand how the fact that you can increase rates makes their life easier?

MR. BUTLER: If a customer initially makes their decision -- let's say they have a 20 percent savings and they believe they are going to get a 20 percent savings on -- off of their current cost of oil. So 20 percent of $1,000, so say they are going to save $200 a year. And if they base their decision on that and they like that kind of a pay back, in two or three years down the road if we -- if that 20 percent savings has grown and we have an opportunity to increase the distribution rate, that means they are no longer saving $200, they may be saving $400. And even with our rate increase it will be greater than the initial $200 that they were saving.

Q.322 - You want some of that $200 for yourself, the incremental savings?

MR. BUTLER: To arrive at the targeted savings, yes.

Q.323 - You want some of that $200 saving. You would agree though that a customer who is told that his rates, regardless of averaging it out -- if I tell my customer, even though it's only one small piece of the business, of their total cost of doing business, that the rates are going to go up 108 percent. After you -- you would agree that it will take a little calming down for you to go through the rationale that you just went through to make them feel better. They are going to upset at a 108 percent increase, fair enough?

CHAIRMAN: Mr. Lawson, when you reach a place where we can conveniently take a break, why let us know.

MR. LAWSON: I am about to break altogether, so --

CHAIRMAN: Okay.

MR. HARRINGTON: Can I ask everyone to turn to Enbridge's response to Competitive Energy Services number 23. We have been speaking about -- are we all there? We have been speaking about a residential customer for awhile. We have been talking about is 108 percent increase going to make that -- first of all the 108 has nothing to do with the residential customer. If I recall that is --

Q.324 - That's actually the commercial customer that you are primarily targeting who is getting the 108 --

MR. HARRINGTON: 32 percent increase on the delivery component for residential customers. If we roll our eyes down this SGS table that is provided here, I just want to point out that based on the history here, a residential customer typical at the CGS had saved $800 in 2002, $1,100 in 2003, $800 once again in 2004. And in this application we are gain sticking with our targeted rates based making methodology and we will be delivering them approximately $500 of savings. Is there certainty going forward? Can anybody promise certainty going forward? Oil prices are going to change, gas prices are going to change. Enbridge Gas New Brunswick can provide no certainty on these matters.

Our rates based -- our market based rates methodology will give customers a certain assurance that we will always try to deliver the targeted level of savings. We have delivered those savings and we intend to continue to do so.

Q.325 - Will you at least grant me this. If I am a prospective customer and you sit in front of me and tell me I should switch to gas and tell me all the wonderful things about why I should switch to gas and the potential savings, and then you announce to me, if you did, that we are just in the throes of having an increase of somewhere between 24 and 108 percent --

MR. HOYT: Mr. Chairman, this is the same question for the third or fourth time.

MR. LAWSON: That's my whole point, Mr. Chairman. I have had to ask questions three or four times to extract an answer to the question. My question that I asked that this witness answered had nothing to do with the question I asked.

MR. HOYT: The question you asked has actually been answered by two of the three witnesses on the Panel.

CHAIRMAN: All right. Mr. Lawson, conclude your question succinctly if you can. We will as the Panel to do it again. And then --

MR. LAWSON: Mr. Chairman, I won't bother. I think that I got the type of answers that I think I need from this Panel.

CHAIRMAN: Okay. We will take a 15 minute break.

(Recess)

CHAIRMAN: Lorraine guided me well over the break. And I now have the presentation of The City of Saint John that I will mark as an exhibit. It will be CSJ-6.

MR. HOYT: Excuse me, Mr. Chairman. What was that that was just marked?

CHAIRMAN: It is the presentation document of The City of Saint John.

MR. HOYT: We haven't seen a copy of that yet.

CHAIRMAN: Well, I will reserve that number for it till after you have seen a copy. Have you got an extra copy? Okay. Great. So that will be after lunch. Any other preliminary matters? Okay. Board counsel?

MS. DESMOND: Thank you, Mr. Chairman. We have a few questions that we would like to ask the panel.

<u>CROSS EXAMINATION BY MS. DESMOND</u>:

Q.326 - Our first question is that EGNB files a construction plan each year that includes a forecast of customer additions. Does EGNB view these additions as an upper limit, a target, a minimum acceptable? How would you describe that forecast?

MS. BLACK: The construction forecast that we file annually with the Board includes our forecast of customer additions, through-put and our construction of distribution pipe as well.

MR. HARRINGTON: It would be our best estimate of what our customer additions are going to be for the year coming based on our knowledge of the expansion plans that we have at the time when we file.

Q.327 - By your best estimate do you mean the upper limit, the best case scenario?

MR. HARRINGTON: No. We look at this from what we believe is the most realistic given the circumstances that we are aware of at the time.

Q.328 - So the minimum acceptable, is that a fair way to phrase that?

MR. HARRINGTON: No. We wouldn't characterize it that way. It would really be the most likely scenario that we would have on customer additions.

Minimal acceptable I think would have to be taken into account with the value the consumers represent to Enbridge Gas New Brunswick. So we are trying our best to predict the customer additions that we will achieve in the various segments for the year coming ahead.

However, through the course of the year in our marketing and sales operations we will adjust as according, depending on how we are doing in any one given market segment.

Q.329 - The customer additions, the distribution revenue signings and your through-put all appear to be important from the evidence that we have heard. How would you rate them in order of importance?

MR. HARRINGTON: You mentioned recent revenue signings, through-put and customer additions, correct?

Q.330 - That is correct.

MR. HARRINGTON: I think what might be missing is maybe a fourth item which is actual distribution revenues. The distribution revenue signings is the most closely related there. And I'm reluctant to give --

Q.331 - Sorry. If I could -- just before you proceed to do that could you explain both for my benefit and maybe for the benefit of the Panel what you mean by the actual distribution revenue as opposed to the distribution revenue signings?

MR. HARRINGTON: So I understand that there is a good understanding of what distribution revenue signings means?

Q.332 - It might be of some benefit for the panel and for myself if you would define both and distinguish between those two terms?

MR. HARRINGTON: Certainly. If we turn to -- and we don't need to do this -- but Flakeboard -- our response to Flakeboard Interrogatory number 27. We defined distribution revenue signings there. So I will just read into the record what that definition is.

Distribution revenue signings is defined as the expected annualized revenue from new customers signed to receive distribution service.

So they are not actually on the distribution system at the time when we sign them. There is a number of items that has to take place both at the customer site in terms of them making the necessary changes in their infrastructure to be able to use natural gas, and Enbridge Gas New Brunswick either to build main or to build services to provide them with service.

Actual distribution revenue is a function of through-put and the rates that Enbridge Gas New Brunswick is authorized to charge for customers for distribution service.

So if I hadn't have stepped back and thought about it a little bit, I would have quickly answered to your first question that through-put would be my number one priority.

However, that wouldn't be completely correct. Because every rate class contributes differently to the revenue generation, the actual revenue generation of Enbridge Gas New Brunswick.

For instance in the HFO rate class we receive, on a per gj basis, far less per gigajoule than we do in the SGS class. So there is a certain weighting of through-put that needs to take place before you can say which one of those original three items that you pointed out were most important.

I think for Enbridge Gas New Brunswick and for the longevity of the distribution system, what is most important is the actual distribution revenue that is achieved.

However, we need to recognize that, unless you spread out the revenue generation across enough customers, there is going to be risk. And I think I'm getting at some points that might have been elicited this morning.

If you have too small a customer base you are dependent on too few customers to make your annual revenue. And there is just an increased risk. So we need to attract as many customers as possible. But I would put that as a secondary priority to actual distribution revenues.

So actual distribution revenues, customer additions and then through-put, in that order, to get to your first question. Distribution revenue signings is important. Because it just gives us a forward-looking view as to where our actual distribution revenue is going. Is that helpful?

Q.333 - Yes. Thank you. Does EGNB set actual targets for customer additions, distribution revenue signings and through-put?

MR. HARRINGTON: Yes, we do. We set specific targets related to distribution revenue signings, specific targets with regard to customer additions.

Through-put is generally a fallout from that. But because it's arithmetic in nature, yes, we do set targets for through-put.

Q.334 - And by targets, is that by customer class? Or would that be an overall target set?

MR. HARRINGTON: We do set targets by customer class.

Q.335 - Only by customer class? Or is that in addition to your overall target?

MR. HARRINGTON: The customer class targets roll up to overall. We would add them together to get our overall targets.

Q.336 - And I take it then that specific targets have been set in the past?

A. Yes. One point to just clarify, the use of distribution revenue signings is a target that we only evolved into as a key operational measure within our organization in 2004.

Prior to that we would set targets on distribution revenue actual that would be based on customer additions targets and tried to achieve the customer additions targets to make the distribution revenues.

I'm not certain if that nuance is important. But I thought I should get that out.

Q.337 - Can you give some examples please of what specific targets have been set in the past?

MR. HARRINGTON: Are you looking for numbers? Or are you looking for the nomenclature, you know, what are the types of targets we set? I'm just a little --

Q.338 - Is there anything in the evidence that indicates what those targets are?

MR. HARRINGTON: If we could turn to Enbridge's response to Competitive Energy Services number 7. If everybody is there, the table that is provided in that response is the targets that Enbridge Gas New Brunswick had included in its annual filings to the Public Utilities Board on customer additions.

In addition I believe the evidence indicates what Enbridge Gas New Brunswick's targets were for the period of 2004 with regards to distribution revenues signings. I'm not able to -- at this second, I'm not able to provide an exact citing, but I'm certain I would be able to do that. We have relied on it in the evidence.

And at -- and we don't necessarily need to turn to this if you are not interested in doing that -- but for 2005 at Enbridge Gas New Brunswick's response to Flakeboard Interrogatory number 10, we provided a forecast for actual distribution revenue for 2005. So I think we have a number of our targets presented in evidence variously.

Q.339 - If I look at the CES Interrogatory and your response to that Interrogatory, you have your targets for customer additions. Is it fair that those targets have not been met in the past?

MR. HARRINGTON: The answer to the question is yes, and there is a table that I recall in response to one of our other Interrogatories which I think illustrates very clearly just how much we have not been able to meet those targets in the past. And I have just -- if you could bear with me for a second, I will find that citing.

I apologize for the amount of time this is taking, but

I think my --

Q.340 - Actually that's okay. It's not critical. We don't have to have the specific reference. But I understand you to say that, you know, generally the targets have not been met?

MR. HARRINGTON: For customer additions, that's correct.

Q.341 - If they have not been met which is what you have indicated is the case, why is it that EGNB has never used the rate rider?

MR. HARRINGTON: I would ask that -- please refer to exhibit A-1, page 7 of 13. If we see the second paragraph on that page, or the first full paragraph on that page. It just clarifies, further it is important to remember that if EGNB determines at any time that distribution rates are acting as a deterrent to customer acquisition or attention it can apply to the Board to use the rate rider mechanism to lower rates.

I think it was important to make that reference, because it qualifies when Enbridge Gas New Brunswick would initiate the use of a rate rider.

Enbridge Gas New Brunswick has not been able to meet its customer additions targets in the past and there were a number of factors that led to that. 2001, 2002, 2003 there were a number of factors that play in the market place that were affecting Enbridge Gas New Brunswick's ability to grow.

We set customer additions targets based on a number of assumptions, assumptions regarding the stable relationship of oil to natural gas, assumptions regarding the activeness and the high level of participation of other market participants in the development of the industry, electricity rates that would reflect their costs. None of those assumptions proved to be correct.

In 2003 Enbridge Gas New Brunswick was able to achieve certain changes to the legislative framework in which operates and be able to take over additional control over the marketplace which allowed it to control its own destiny to a certain extent with regard to growth.

To answer your very specific question, at no time did we actually believe that our rates were contributing to our ability to grow or our lack of ability to grow. We believe it was in most part due to externalities.

And if we refer to the historic savings response that I -- if we look at Competitive Energy Services Interrogatory number 23 which I referred to just when I was being questioned by Mr. Lawson, indeed the savings -- and we do not need to go there if we -- as everybody recalls. The savings that were being made available to customers under the target based rates methodology indeed met the targeted levels.

Enbridge Gas New Brunswick's assessment continues to be that its rates were not contributing to the growth issues that were at play.

Q.342 - You have indicated that you would use that rate rider if and when it is appropriate. What specific criteria would require you to use that rate rider?

MR. HARRINGTON: If I could ask everybody to please refer to Enbridge Gas New Brunswick's response to Competitive Energy Services Interrogatory number 15. If we are there, in this response Enbridge Gas New Brunswick lays out the conditions that we would use a rate rider, and if I might I will start at the second paragraph.

EGNB would apply to use a rate rider under conditions where it was unable to meet its growth requirements and it felt that its distribution rates were contributing to this. Some parameters EGNB would consider prior to applying for a rate rider include, is the problem driven by a change in the relationship between oil and gas pricing and EGNB's assessment of the duration of that relationship? The level to which it would have to reduce rates. For instance, EGNB will not reduce its rates to zero or below. How systemic is the problem? Is this a limited time problem or is it limited to the products and services of one marketer, or does it arise all gas suppliers?

And then the final paragraph, finally since a rate rider results in a class-wide reduction and will therefore have a meaningful negative impact on distribution revenues, EGNB must be convinced that the problem it is seeking to remedy through a rate rider is a class-wide problem. EGNB would not use a class-wide solution to address the concern of a small group of customers.

Q.343 - I appreciate your response and I have had the opportunity to read that Interrogatory, but I'm just wondering -- I mean, that gives you a lot of discretion. Is there anything in addition to that, anything more specific that would indicate when a rate rider would be used?

MR. HARRINGTON: There is no number. There is no percentage threshold of diminished savings. And I don't think there can be. The -- Enbridge Gas New Brunswick's market based methodology is -- we have always indicated that the balances between growth, i.e., providing sufficient economic incentives and cost recovery.

If we are able to continue to grow the distribution system, even if numbers may indicate that a rate rider is called for, our assessment is that the value proposition to end use consumers is sufficient and therefore we would not apply to use a rate rider.

If it is affecting growth and we are not able to meet our growth targets and it is determined that rates are the driver of this, we will reduce our rates. And to not put too fine a point on this, we must grow.

If we believe that the delivered cost of natural gas and specifically the delivery element of it is preventing us from growing, we are highly motivated to use the rate rider in that situation.

Q.344 - I think the evidence has been fairly clear that the estimates of future prices for oil and gas change regularly. And I just want to make it clear, is it correct that the emphasis is to be placed on the spread between these estimates rather than on any specific price?

MR. HARRINGTON: Yes, that's correct.

Q.345 - And is it EGNB's objective to have distribution prices that will achieve the balance between attracting customers and minimizing the increase in the deferral account?

MR. HARRINGTON: That is correct.

MS. DESMOND: Those are all of our questions. Thank you, Mr. Chairman.

CHAIRMAN: Thank you, Ms. Desmond. Probably you can stay there and I will ask if the applicant and Mr. Hoyt, do you have any re-direct?

MR. HOYT: Actually I had two, the Board counsel asked one, so I'm down to one three-part question.

<u>REDIRECT EXAMINATION BY MR. HOYT</u>:

Q.346 - Mr. Lawson asked about incentives that you gave in 2004. Did EGNB give incentives in prior years?

MR. HARRINGTON: There have been incentives available for all classes of customers since we commenced operations.

Q.347 - And does EGNB plan to continue giving new customers incentives in 2005?

MR. HARRINGTON: Absolutely. I think it's a normal marketing tactic used when any business needs to grow. You know, we think of the cellular phone companies, we think of Rogers TV trying to attract customers from satellite dishes to cable. When growth is required the offering of incentives to end use consumers is a normal part of marketing strategy.

Q.348 - And finally are the incentives given to existing customers or for the purpose of converting new customers?

MR. HARRINGTON: They are given for the purpose of growing the distribution system, so therefore it's new customers.

MR. HOYT: Thank you. Those are all my questions.

CHAIRMAN: Thank you, Mr. Hoyt. Mr. Sorenson, have you disposed of your tickets for tonight? I don't want --

MR. SORENSON: First and foremost I want to say thank you for your concern. The answer to the question is no, I have not. I'm hoping to make the second or third period of the first game.

CHAIRMAN: Okay.

MR. SORENSON: But I tend to drive like some people fly airplanes. So --

CHAIRMAN: I will not go there. Well maybe you would like to speak with the City of Saint John and perhaps they wouldn't mind switching around your presentation to be next rather than theirs in the ordinary order.

MR. SORENSON: Yes. We have actually communicated and they have agreed, but I do have a question before we actually do that.

If the City of Saint John needed to consult me in their cross when Enbridge and their respective attorneys are asking questions, would I be able to support them in any of those type of questions?

CHAIRMAN: I think I will have to ask the applicant and the other Intervenors about that.

MR. HOYT: Well the applicant would have difficulty with it. This subject came up at the pre-hearing conference when there was some issue about who Mr. Sorenson was actually representing with respect to the City of Saint John. I mean, I think the City of Saint John has participated in their own cross-examination. They have witnesses who are going to put on a presentation, I think should be available for cross-examination. I think it would just muddy the waters if Mr. Sorenson was part of that and our understanding was that he would not be.

CHAIRMAN: Well, we have to agree with Mr. Hoyt's approach, Mr. Sorenson. But again Board will make Board counsel available for The City of Saint John folk during breaks and that sort of thing, if that can be of help.

MR. SORENSON: As such then yes, we will switch. Thank you.

CHAIRMAN: Now what is your pleasure? Do you want to break now and come back at 1:00 o'clock?

MR. SORENSON: I'm prepared to go. I mean --

CHAIRMAN: Well, I'm just --

MR. SORENSON: -- I'm prepared to present this moment and then go through their cross. But it is up to you, if that is too late.

Because I assume, Mr. Hoyt, that this is probably not going to be a 15-minute conversation about the Red Sox. Is that a fair statement?

MR. HOYT: That is a fair statement. But what I would suggest is that perhaps Mr. Sorenson could give his presentation before lunch. And then we would come back after lunch and get right into the cross?

CHAIRMAN: Okay.

MR. HOYT: Could the EGNB panel be excused?

CHAIRMAN: Absolutely. Oh, hang on. I forgot about my Commissioners. That is not appropriate. I do apologize.

BY MR. DUMONT:

Q.349 - We were mentioning the rate rider in the last question. My question would be when you negotiate a business plan with a consumer, do you mention to them how the rider would come into play? And are they aware that there is a rate rider?

MR. HARRINGTON: I would say that it is not a feature that is discussed at every customer consultation. Some customers it is a concept that just isn't helpful for them to understand their business relationship.

But with sophisticated clients we usually end up getting into a detailed discussion of our rates methodology and issues like the rate rider.

In fact I know -- I can actually picture myself explaining this to the President of Flakeboard at the time. So yes is the answer. But it is not something that is a feature of every discussion.

But just to remind you, while we don't say rate rider in our notification to customers, we do say that we do have the flexibility to adjust rates downwards through the course of a rate period. And it would be a function of approval of the Board as well.

Q.350 - Would you agree that it would be helpful for all consumers of gas to know how the rate rider -- when it would be applied and how it would be applied?

MR. HARRINGTON: If it were a simple -- first they do know through the notification. However, to get into the mechanics of the details of how it actually works, I don't know more than just notifying them that we have this flexibility that it would be -- especially for residential customers, I'm not sure that they would understand, more than providing them with this notification that it is a possibility.

So I don't disagree with your assessment that it could be helpful. But it is a relatively difficult concept. And I think the level of communications that is available now, it strikes the right balance from my perspective.

MR. DUMONT: Thank you.

MR. HARRINGTON: You are welcome.

CHAIRMAN: It is always disappointing to realize that this Board's decisions aren't discussed around the dinner tables of New Brunswick. But I guess that is life.

MR. HARRINGTON: I agree.

CHAIRMAN: Thank you very much, panel. You are excused.

(Jon Sorenson sworn)

CHAIRMAN: Can you folks hear in the back of the room? From the point of view that I can hear the music up here.

MR. SORENSON: We apologize for these technical difficulties. Here we go.

CHAIRMAN: I guess we will close the door on your presentation, Mr. Sorenson.

MR. SORENSON: Okay. We have discussed this. And it has been submitted in the evidence, et cetera, et cetera. My opening remarks are much different than the applicant's. I'm just doing a quick overview.

We discussed this yesterday, the SGS class increases to go from $4 -- again on the delivery component -- $4.13.86 cents per gj to 5.4436 per gj. That is a 31.58 percent increase in that class. The GS, as you can see, increases from 2.2166 per gj to 3.3826 per gj. That is a 52.60 increase.

The big increase, the CGS class, goes from $1.50 cents, approximately 51 cents per gj, to 3.1427. That is an increase of 108.25 percent in that class. And then the LGS-LFO on the demand side, increase of 25.7. And then on the delivery side the 23.69.

Now put this in real terms for you, Mr. Chairman and the staff here, if insurance was to ask for those type of rates there would be a public outcry. If NB Power, which has $3 billion worth of debt was trying to ask for 108 percent increase, there would be a public outcry.

The point being is we all agree that there is a need here to potentially increase rates. But again these are obviously, and I think we have proven, are rather significant.

We have already said this, again the methodology and computations of the rate request. We have talked about that in our submissions, actually the effect. The return on investment for customers that converted from three years ago to date. Is it fair that they are going through an increase last year and then a significant increase this year, that is very drastic in a very short period of time?

There have been a lot of savings promises and a lot of savings analyses done from 2001, 2002, 2003, now 2004. Those saving promises now are in violation of what was communicated at that point in time. And then again will gas be cost-effective?

What we are doing with a lot of our customers, not just here but throughout the northeast part of North America is we have to look at alternative fuels. And that is what is the most economic? Is it oil? Is it gas? Is it propane? Obviously not propane. But we are looking at a lot of different alternatives for customers.

Will new conversions significantly slow down? We believe so. Slower conversions will require EGNB's existing and increased costs will have to be spread out over a smaller customer base. That is a significant concern. And I think Mr. Lawson discussed that.

Does gas become a premium fuel versus a saving fuel against number 2 oil and propane? Gas has already become a premium fuel against bunker oil. But will it also become a premium fuel against number 2? That also is a concern.

Here is the market. We know -- we are talking about rate increases. But this is just NYMEX over the previous 12 months through Tuesday night. This is natural gas. Now we are talking about increases in distribution charges.

But lo and behold we have had a 31 percent increase in natural gas prices over the past 12 months. But you do see here obviously some dips. We had a very nice dip in September, August time frame. And we started the year in a little more reasonable fashion.

Obviously the time -- the October, November time was very high. And now this number is actually approaching 750 which is obviously concerning on the price of this commodity.

Well, a picture is worth a thousand words. And this picture kind of tells it all. Again if we have market-based rates and we are setting rates and we pick a certain point of time, we can maximize the spread with oil and gas.

So natural gas and oil trend, but spread in August and September. What does that mean? Well, that means you could see that this spread was larger at this point in time. But it crossed. And it crosses many other times. And then the spread is starting to increase.

As Mr. Harrington communicated, if they were to set rates today, there is no question the spread has improved. I would agree with him. You can't deny that. He is absolutely, 100 percent correct.

But the point being is what we show in our analyses and our submissions, that over the last three years, this water is a lot more muddy than a certain point in time. Again look at the close proximity here. Look at the wide gap here. Look at the dispersity through here.

So obviously I'm going to want to choose the most favorable time to set my rates instead of looking back 12 forward, 12 -- and come up with trends and patterns and historical analyses that supports putting together a rate that makes sense against the market.

Crude oil today is at $57 a barrel. We all know that. Who is to say that won't go to 45 in four weeks? And then the point being is we don't. We don't know that.

So customer conversions, again we talk about return on investment, has decreased over the past two years. It has decreased for two reasons. There has been a significant increase on the cost of the commodity. Enbridge actually offers the utility gas as a very good rate as it compares against the market.

Let's give them credit where credit is due. Marketers will actually say that they believe their rate is below market. We can -- again we can discuss that. But that is not what we are here to discuss today.

But that combined again with increasing of commodity plus an increase of last year's rates, then actually diminishes that savings. And if you are trying to do it over a five-year period then you have -- it spreads that savings out -- excuse me, spreads your return on investment further out.

So again our concern is the return on the investment will diminish or be eliminated with a proposed rate increase.

Now we submitted for evidence basically a customer using 11,000 gj's. This particular customer had approximately $40,000 worth of conversion. Their current rates, they are saving $8,483.51 with the current Enbridge rates. Last year they were saving more, even with the fuel volatility.

If you do comparative prices today, 52 cents a litre, that is Enbridge's number, at that same point in time a realistic gas price. Efficiency, we talked about that. We can argue that one all day. But improvements of 6 percent. That same customer loses now $9,500.

So the point is it is a $17,981 swing or 13 percent. The return on investment is eliminated. So if the customer knew that within a two-year time frame that his ROI would be eliminated, would have that customer actually converted? The likelihood is no.

So the model, should a smaller customer base have to bear the cost of the utility? We have talked about that through this session. And again we would submit evidence we don't believe they should.

Do converters, believers have to bear the costs of an uncertain market? Mr. Lawson eloquently discussed that. Do converters, believers have to bear the excessive cost of the utility? Again unfortunately you do have a rising deferral account, 50, $60 million. It is an issue I think we are all concerned with.

Will customer's conversions diminish and add subsequent more additional risk on the existing customer base? Again Enbridge's marketing plan last year was focused -- some of their incentives were very focused on helping customers convert by giving them dollars towards their capital conversion costs.

In other words if it cost me $15,000 they would give a number, you know, 100 percent, 50 percent towards that. That is wonderful. That helps the customer convert. But if that is eliminated, where is the return on the investment?

So should rates go up so drastically while the commodity price on gas continues to increase, 31 percent over the past year, and be very volatile? And I believe Mr. Lawson was asking questions regarding that.

So our testimony and evidence submitted display that the proposed rate increases are significant. And I'm going to use that word significant. We believe they are counterproductive and counterintuitive to grow the market and share the risk among a large customer base.

I think you saw from our evidence -- and my partner

Richard Silkman basically said in some of his submission that in a market like this maybe we should be considering reducing rates instead of increasing rates, get more customers on, spread out risk and then start to put together a model over a three-year period that may increase rates over time. Thank you.

CHAIRMAN: Thank you, Mr. Sorenson. All right. We will break for lunch now and come back at -- let's try to get back about quarter after 1:00. We may run into difficulties in getting lunch in that shorter time period. If that is the case why I understand. Okay. See you then.

(Recess - 12:00 p.m. - 1:15 p.m.)

CHAIRMAN: Any preliminary matters? No? Then go ahead, Mr. Sorenson.

MR. SORENSON: I have nothing further to present. Again I'm Jon Sorenson, a partner with Competitive Energy Services. Myself and my partner, Rich Silkman, who could not be here, who is vacationing unfortunately, prepared our information.

If you want more details on my c.v. -- and with the issues wrapped around time, I'm prepared to start with Mr. Hoyt.

<u>CROSS EXAMINATION BY MR. HOYT</u>:

MR. HOYT: For the Board's benefit I will be referring a lot to CES-2 and CES-3. If the Board wanted to just have those binders which are CES's evidence and the response to Enbridge's Interrogatories.

But having said that, I would actually like to start with the presentation that Mr. Sorenson gave us just before lunch, a couple of questions on that.

Q.1 - Looking at the first page of the presentation and the percentage increases to the delivery charge, Mr. Sorenson, did you hear Mr. Harrington's opening statement yesterday that the proposed rate increases result in only an average 8 percent increase in the overall delivered cost of natural gas for a customer?

MR. SORENSON: The question is did I hear his statement? Of course. Yes, I heard his statement.

Q.2 - And did you hear him -- you heard him say that the overall delivered cost of natural gas as a result of the proposed rate increase will increase about 8 percent?

MR. SORENSON: What he is assuming when he makes that statement is that -- he is taking the total gas consumption, in other words your commodity as well as your delivery and distribution charges, and he is coming up with an assumption of 8 percent.

This piece is very simple. It is just focusing on what is the rate today and what is the rate proposed and what is the increase of that rate proposed? It is not on the total annualized cost of a consumer.

And furthermore, I think it is too general to make a comment of 8 percent in one particular class where we have -- there is data that can support 14, 15.

And Mr. Harrington last night stated, while he was up here, that on average it could be as high as 15 percent overall increase in cost.

Q.3 - I believe if you checked it, what Mr. Harrington referred to was an 8 percent increase across all classes. And what he was talking about though was what the customer pays. Correct, Mr. Sorenson?

MR. SORENSON: Again we can debate the 8 percent, which I do debate. But he was talking about the total energy cost for the customer. That is correct, Mr. Hoyt.

Q.4 - Thank you. Turn to page 2 please. The second bullet from the bottom of page 2, you refer to or you indicate that slower conversions will require EGNB's existing and increased costs spread out over a smaller customer base.

What evidence do you have that there will be slower conversions?

MR. SORENSON: In my cross examination yesterday I pointed very specifically to 2003 to 2004. And basically as we said, they went from approximately -- I don't have it in front of me -- 1,166 additions to 831 additions. And I apologize if I don't have the exact numbers. It is not in front of me.

So as such that is with an increase in Enbridge-related charges last year plus obviously a volatile commodity. So one would think, intuitive thinking, would think that it would have a similar effect, to slow down conversions on a go-forward basis.

Q.5 - Could you please refer to your response to Enbridge's IR 19(d) please?

MR. SORENSON: 19(d)?

Q.6 - Yes.

MR. SORENSON: Thank you.

Q.7 - And perhaps just read the first sentence?

MR. SORENSON: Natural gas is relatively a new energy source in the province of New Brunswick, is that where you want?

Q.8 - No. 19(d) as in dog.

MR. SORENSON: CS cannot predict with certainty that new customer additions will decline as a result of rate increases.

Q.9 - Thank you, Mr. Sorenson.

MR. SORENSON: You are welcome, Mr. Hoyt.

Q.10 - Could we go to the third page of this morning's presentation. And in the second bullet you indicate that natural gas prices are 31 percent higher than they were one year ago at this time. What has happened to oil prices during the same period of time?

MR. SORENSON: They have increased.

Q.11 - And are you staying at the Delta this weekend or these couple of days?

MR. SORENSON: No.

Q.12 - Did you get The Globe and Mail yesterday morning?

MR. SORENSON: No.

MR. HOYT: I have got an excerpt from the front page of the Report On Business that I would like to show the witness and get marked as an exhibit, Mr. Chairman.

CHAIRMAN: And he is familiar enough that he can object for whatever reason.

MR. SORENSON: I have one, David. I'm ready, Mr. Hoyt.

MR. HOYT: I think the Board has to mark it as an exhibit if they are prepared to do so.

CHAIRMAN: Well, do you have any objection to having it marked as an exhibit?

MR. SORENSON: No, none whatsoever.

CHAIRMAN: Okay. My records, Mr. Hoyt, indicate that that should be A-6.

MR. HOYT: I have got A-7.

CHAIRMAN: Okay. It is <u>A-7</u>.

Q.13 - So Mr. Sorenson, would you agree that the gist of this article is that oil prices are at an all-time high?

MR. SORENSON: Yes.

Q.14 - This morning you mentioned towards the end of your presentation that oil prices could go to $45 a barrel?

MR. SORENSON: Not overnight. But yes, absolutely.

Q.15 - But would you confirm that Enbridge's evidence on which their target rates were calculated was based on an oil price of $48.33?

MR. SORENSON: Confirmed. I confirmed that in my evidence or in one of the Interrogatories.

Q.16 - Thank you.

MR. SORENSON: Can I comment, Mr. Hoyt, on your question?

Q.17 - Sure.

MR. SORENSON: Oil prices go up. Oil prices go down. Gas prices go up. Gas prices go down. We happen to be at a point in time at the highest ever for the price of oil. I would not disagree with that.

But markets change. And markets are volatile. And they go up and down. Last year the peak of the oil was in one month but it came off significantly by the end of the year.

Q.18 - To that point, Mr. Sorenson, could you turn to the next page of your presentation this morning, and the chart that you spent some time with with respect --

MR. SORENSON: Yes.

Q.19 - -- to the spreads?

MR. SORENSON: Go ahead.

Q.20 - Would you confirm that the circled area shows a sustained period, a sustained spread between oil and gas prices during the period of time that is circled?

MR. SORENSON: As you can see from the graph, Mr. Hoyt, there is approximately a 21-day basis which are similar to what Enbridge used in their methodology where it was a similar spread, that is correct.

Q.21 - But during that period that you have circled it appears to be a sustained spread, I think you would agree?

MR. SORENSON: I would believe that it is a similar spread. I don't know if the word sustained is appropriate,

Mr. Hoyt. Because it does change as a percent by day.

Q.22 - And just looking to the right of the circled area, beginning well, mid December till today, would you agree again that there is a sustained or consistent spread between oil and gas prices during that period?

MR. SORENSON: No, I won't. I will not. I will say that from January forward that we have seen a consistent spread on a go-forward basis.

However, you will see in November and December the graphs are actually going back and forth. And there is no spread that can be taken into consideration at those points.

But I will confirm your statement on a January forward basis that there is a spread between the two products thus far this year.

Q.23 - And would you also agree that EGNB is not able to come back to this Board for another rate increase until 2006 at the earliest?

MR. SORENSON: I believe that is what the franchise agreement says.

Q.24 - All right. Those are the questions I had on the opening statement.

Now turning to your evidence and your responses to the Interrogatories. First could you turn to exhibit D of CES's evidence? That is at the back of the evidence that was filed.

MR. SORENSON: Thank you.

CHAIRMAN: Hold on. Yes. We are all there, Mr. Hoyt.

Q.25 - The City of Saint John actually submitted a similar exhibit with the exception of the note at the bottom, the total excluding City commissions of $23,976.

Can you explain what that is, Mr. Sorenson?

MR. SORENSON: Frankly I don't know.

Q.26 - Is this your exhibit?

MR. SORENSON: No. I helped to do the calculations. But I submitted this. But I don't know what the City commissions is. You would have to ask Bill or Dave. I don't know what City commissions are.

Q.27 - We will do that. I would now like to refer to page 9 of CES' evidence. And at line 182 you indicate that the Harrington black model focuses on an instantaneous cost comparison.

And in other places -- you don't have to turn it. But in your response to EGNB, IR 3A for example, you indicated that the Harrington black model looks at forward fuel prices as of a particular day.

Would you confirm that you understand that EGNB utilized the 21-day NYMEX average for the period of February 2005 to January 2006 and not a single day?

MR. SORENSON: They picked a day to do their analysis. And what I mean by that is you pick a certain day and then you do your 21-day analysis wrapped around that day.

Q.28 - But they did utilize a 21-day NYMEX average for the one-year period?

MR. SORENSON: From that point in time, from that day, yes.

Q.29 - And that is consistent with the approach used by EGNB in its original rate application in 2000 and again in last year's rate adjustment hearing in which you intervened, correct?

MR. SORENSON: I didn't agree with it in 2000. I didn't agree with it last year. And I don't agree with it now.

Q.30 - No. I didn't ask if you agree with it. I asked if that is consistent with what EGNB used in those prior two applications?

MR. SORENSON: That is correct.

Q.31 - And would you confirm that exhibit A-4, which was Mr. Harrington's opening statement, which had a recalculation of the target distribution rates attached, is an update of EGNB's market-based rates as if they were calculated on March 14th?

MR. SORENSON: Hold on.

Q.32 - It is exhibit A-4 I believe. No, no. Sorry. It is A-5. I'm sorry.

CHAIRMAN: A-5.

Q.33 - I have got a copy here.

MR. SORENSON: Thank you. Could you repeat the question?

Q.34 - Sure.

MR. SORENSON: Thank you.

Q.35 - Would you confirm that that is just an update of the calculation of EGNB's market-based rates done as of March

14th?

MR. SORENSON: I would confirm that Enbridge has recalculated their market-based rates based on that point in time.

Q.36 - So despite your evidence that EGNB chose the absolute highest oil price to establish its target distribution rates, those rates would be higher if they were calculated today?

MR. SORENSON: At the time the evidence was submitted, the time that they actually proposed to make their change was the highest point in 2004. We are now in 2005. And the market has changed.

Q.37 - So if they were calculated today though they would be higher than the rates EGNB applied for?

MR. SORENSON: Can't deny that.

Q.38 - Just staying with the price of oil for a minute, will you go to page 16 of your evidence.

On lines 333 and 334 you refer to both The City of Saint John and the Province of New Brunswick where recent fuel prices were as low as 38 cents per litre, correct?

MR. SORENSON: Correct.

Q.39 - If we could refer to appendix A to Saint John's responses to EGNB's IR's for a moment, which for the Board's benefit is CSJ-3?

MR. SORENSON: Is that in evidence? Or I mean, is that from their --

Q.40 - It is their IR responses?

MR. SORENSON: Thank you.

Q.41 - This is at the back of those IR responses.

CHAIRMAN: Sorry. What was the number again?

MR. HOYT: Appendix A to Saint John's IR responses.

MR. DUMONT: That would be appendix A-1?

MR. YAMMINE: A-1.

MR. HOYT: Yes.

Q.42 - So you had indicated that the Saint John fuel price was as low as 38 cents per litre recently.

Could you look at Saint John's oil costs on those tables and look at the ones for 2004 and their projected oil costs for 2005 and indicate the last time Saint John's oil cost was below 39 cents?

MR. SORENSON: Am I looking at the right place?

Q.43 - It is the -- in each one it is the fourth column in from the right.

CHAIRMAN: From the right, not the left.

MR. SORENSON: Thank you, Mr. Chairman. April of 2004.

Q.44 - No. You said 38.

MR. SORENSON: September 2004. What is that?

Q.45 - No. You had indicated that it had recently been 38 cents. When is the last time it was below 39 cents?

MR. SORENSON: According to this chart, that would be February, according to your chart.

Q.46 - Of what year?

MR. SORENSON: 2004.

Q.47 - And that is Saint John's chart?

MR. SORENSON: That is Saint John's chart.

Q.48 - Thank you. So we can put away Saint John's for a moment and go back to the CES.

So now I would like to turn to exhibit A to CES's evidence.

MR. SORENSON: If you would like I can put that up on the screen.

Q.49 - No. I think we have all got it.

MR. SORENSON: Thank you.

Q.50 - As I understand it, this table represents NYMEX pricing for New York Harbour number 2 oil and wholesale gas costs at Henry Hub in Louisiana, is that correct?

MR. SORENSON: Correct.

Q.51 - So these aren't actually the natural gas or oil prices that either a residential customer or a commercial customer in New Brunswick would pay on any particular day, correct?

MR. SORENSON: I will answer your question. Correct.

Q.52 - Thank you.

MR. SORENSON: May I add --

Q.53 - Sure.

MR. SORENSON: -- to my answer? We use these prices when we do any type of calculation. And what they are called, there is conversion rates, adders, et cetera, et cetera to a point of delivery.

So the point being is this is what we use in a lot of our calculations in calculating an oil price in New Brunswick, an oil price in Maine, a gas price in Maine, a gas price in New Brunswick.

Q.54 - I think Enbridge would use the oil price as a starting point for the calculations of their rates.

But I as a natural gas customer am not paying that rate, correct? That is not the rate I pay?

MR. SORENSON: Correct.

Q.55 - Thank you.

MR. SORENSON: The graph is to show a correlation, Mr. Hoyt. And basically there is negative correlation instead of positive correlation over a three-year history.

Q.56 - Mr. Sorenson, I have looked at your c.v. that was filed as part of your IR responses and also statements about your qualifications at the beginning of CES's evidence.

Would it be fair to say that you got into the energy business in 1999?

MR. SORENSON: Yes.

Q.57 - And would it be fair to say that you got into the gas business at the ground level with WPS in 2001?

MR. SORENSON: No.

Q.58 - Why wouldn't that be correct?

MR. SORENSON: Smart Energy is natural gas and electricity.

Q.59 - And what types of things were you doing there?

MR. SORENSON: I worked with our Chief Energy Strategist to do -- that is where I first learned hedging strategy instead of buying blocks of energy, et cetera.

Q.60 - So that is the type of thing that you did at Smart Energy?

MR. SORENSON: Correct. And we -- I was in charge of all our marketing and sales, business development activities and basically the program to secure the 120,000 customers that we did in that period. I was -- I championed that.

But I was the second employee, so -- and an owner of the company. And at that point in time we had to do a little bit of everything.

Q.61 - Well -- and I guess similar with that, I look particularly at the qualifications that are set out on page 2 and 3 of your evidence.

And it appears that with WPS that really you were a master of all trades. You did everything?

MR. SORENSON: Unfortunately they were not willing to put any additional resources into the market.

Q.62 - But I guess what I didn't see in there was almost nothing about being involved in the actual conversion of equipment?

MR. SORENSON: I don't do installations myself. I'm not a contractor.

Q.63 - So would it be fair to say that you are not an expert on actually converting appliances and evaluating efficiencies? Wouldn't that be fair to say?

MR. SORENSON: I don't think so.

Q.64 - Wouldn't be fair to say? Or you don't think you would be an expert?

MR. SORENSON: It wouldn't be fair to say. And first and foremost, one of the strategic decisions we made with WPS -- initially we were working with multiple contractors. So we worked very closely with them, these contractors on converting locations that converted to natural gas.

And with that said we then eventually made a financial investment into one of those contractors. And we worked side by side with them in all the conversion of the locations.

Q.65 - Okay. Well, let's look at some of the things that you had to say about efficiencies.

Now as I understand your evidence, you have used 6 percent gains in efficiency for a typical conversion of number 2 oil to natural gas throughout your evidence, is that right?

MR. SORENSON: Correct.

Q.66 - And so you are using 6 percent efficiency gains for commercial customers, the GS and --

MR. SORENSON: The commercial and larger, correct.

Q.67 - Right. So GS and up. And the examples that are provided -- the examples you provide and the models you --

MR. SORENSON: Right. But if we go to a larger customer for example, and there is no increase. I did use some examples with heavy fuel. We used a larger -- a larger variance.

Q.68 - Yes. We will get to those.

If we could -- I would like to actually just go to page 12 of your evidence. And just take a moment. I think rather than deal with each separately it probably it best to deal with them together.

So I'm just going to read three different quotes from your material on efficiencies beginning at page 12. And I would refer first to line 253 on page 12 where it says --

you were talking about efficiency gains used by EGNB in its calculation.

And you said "We believe they do not reflect real market conditions. It is true that significant improvements can occur when installing new equipment and switching to natural gas as compared to 20 plus year old boiler and burner equipment that is not maintained."

And then on page 13 at line 268 -- and I will go back after and we will do these one at a time. At line 268 at page 13 it says "Currently due to high costs of conversion many commercial customers are not replacing entire boiler systems. Rather they are only replacing the burner fittings and applicable piping. If a complete boiler system is replaced both oil and natural gas can and will yield significant efficiency improvement over older antiquated systems."

And then finally, staying on page 13, at line 275 you say "Under normal operating procedures at a commercial operation with normal and annual maintenance, an oil-fired burner with an older boiler can yield lower efficiency factors as low as 70 percent."

So I apologize. I know it is a lot. Sorry. The last sentence of that says "However many of the conversions in New Brunswick are at the burner level. So many issues such as radiant heat loss and standby losses will still apply."

So just to summarize, and then we will go through them each separately, you said three things in there. First you said that old oil systems can have efficiency factors as low as 70 percent, correct?

MR. SORENSON: Or lower.

Q.69 - Or lower? And secondly you said that if a complete boiler system is replaced, natural gas can yield significant efficiency improvements over older systems, correct?

MR. SORENSON: Absolutely. So can oil.

Q.70 - And you actually said it twice?

MR. SORENSON: I'm a gas guy. I love -- you know, at the end of the day I'm a gas guy.

Q.71 - And thirdly you have indicated that due to the high cost of conversion, many commercial customers are not replacing entire boiler systems, that many of the conversions in New Brunswick are at the burner level, correct, many of the conversions?

MR. SORENSON: Yes.

Q.72 - And just so everybody is clear --

MR. SORENSON: On the commercial and larger customers.

Q.73 - Right.

MR. SORENSON: A lot of the residential customers are replacing their entire systems, and also smaller commercial operations. So what is your point?

Q.74 - We will get there. And just so everybody is clear, including me, where the conversion is at the burner level, that means just the burner gets replaced. The boiler itself isn't replaced?

MR. SORENSON: The complete boiler is not replaced, correct. The burner is replaced, piping, fittings, chimneys, et cetera.

Q.75 - Now in fact you indicated in your responses to IR's that 95 to 100 percent of conversions in the GS and CGS classes are conversions of their existing oil-fired boiler systems to a new natural gas-fired boiler system, correct?

MR. SORENSON: The mistake I made when -- I probably shouldn't have quoted numbers. I made a guess. And I was wrong. I thought Enbridge did a good example of all the appliances. What you will see in Enbridge's data of course is fireplaces, inserts, stovetops, whatever it may be.

And so obviously there is a significant number of appliances specifically that relates to the residential and smaller businesses. But if you start looking more in the commercial and larger applications I think those numbers would change significantly.

Q.76 - So your evidence was that many of the conversions were just at the burner level, right?

MR. SORENSON: Many of the --

Q.77 - But that is not what you are saying now?

MR. SORENSON: I am saying that many of the large -- commercial and larger customers, Mr. Hoyt, that is what I'm -- many of the customers of the commercial and large customer bases -- I know you are pulling out the pie chart. Go ahead.

Q.78 - For the Board's benefit what I'm referring to is the pie chart that is at the back of Mark Butler's opening statement which also forms part of A-5.

MR. SORENSON: Yes. This chart again obviously focuses that there are a lot different conversions from appliance perspective.

Q.79 - And the heading indicates that these are space heating appliances in GS and CGS premises, correct?

MR. SORENSON: That is what the heading says.

Q.80 - Pardon me?

MR. SORENSON: That is what the heading says, correct.

Q.81 - And what percentage does it indicate are conversion -- burner conversions?

MR. SORENSON: It says only 4 percent.

Q.82 - Right. So it appears you base your 6 percent efficiency number, which in Mr. Butler's opening statement he actually acknowledges 6 percent might not be far off, when just a burner conversion was done.

But you have used the 6 percent efficiency number for all GS and CGS customers on the fact that many commercial customers are not replacing entire boiler systems but only replacing the burner.

And it turns out that that is only 4 percent of the cases, correct?

MR. SORENSON: I disagree.

Q.83 - How --

MR. SORENSON: Because I think I made an inappropriate statement in my initial evidence that that number was too high. In other words, it wasn't 95 or 90 percent. And probably I was unfortunately guessing and made an inappropriate percentage.

And Mr. Butler's numbers appear to be -- he would have this data more than I would have this data available.

Q.84 - Yes. You had acknowledged that in one of the IR's?

MR. SORENSON: Yes.

Q.85 - So you accept that 4 percent is the number?

MR. SORENSON: Well, what I accept, the fact is again -- and I will be very, very clear that -- and if we want to argue efficiencies, we have a fundamental difference of opinion on efficiency factors. And I will be again very clear.

We have found, working with contractors, engineers, et cetera in locations that convert to natural gas, unless they are using heavy fuel oil in the commercial and large customer ranks that efficiency factor improvements could be as little as zero to as much as 10 percent.

On average we have found that to be in the 5 to 6 percentile range. As such I -- that is why my evidence is supported that way.

Q.86 - But you just indicated that Enbridge has the numbers. And Mr. Butler has indicated has indicated it is 4 percent.

You referred to heavy fuel oil. I didn't want to touch on that. In appendix B to your evidence you have submitted a study. Or sorry, it is exhibit B to your evidence.

MR. SORENSON: Yes.

Q.87 - I will just wait for the Board to get there.

And this study is appendix B is all about heavy fuel oil, correct?

MR. SORENSON: Correct.

Q.88 - And EGNB is not applying to change its CLGS-HFO rate, is that correct?

MR. SORENSON: Correct.

Q.89 - The next thing I would like to refer to --

MR. SORENSON: And the reason for that again is to prove the case that the largest efficiency gains we have found in the market are in the heavy fuel oil category, and as such, to comment that we could achieve similar results on a smaller device or number 2 fuel oil is inconsistent with what is happening in the market.

Q.90 - But heavy fuel isn't a rate class that is being discussed at this time?

MR. SORENSON: It is not.

Q.91 - Let's turn to page 15 of your evidence. And this is the last paragraph that is dealing with efficiency numbers. And at the same time, if the Board wants to just kind of hold onto this paragraph on page 15 but also turn to exhibit C to CES's evidence which is referenced in this paragraph.

So in this paragraph, as I say, you are dealing with an ASHRAE excerpt that is found in exhibit C to your evidence, is that --

MR. SORENSON: Yes. We updated it, as you recall, with the 2004 ASHRAE.

Q.92 - Yes. You did as part of the IR responses. But --

MR. SORENSON: We updated it, correct.

Q.93 - The point that I want to make though is that the comments that are made in the paragraph on page 15 were based on the excerpt that is in appendix C?

MR. SORENSON: Yes.

Q.94 - And I see at the beginning of the second paragraph in exhibit C it references the AFUE as determined for residential fan type furnaces. And then it goes on and a lot of data and so on.

So we are talking about residential furnaces, am I correct? Is that --

MR. DUMONT: What line would that be?

MR. HOYT: It is the top of the second paragraph. It says "The AFUE is determined for residential fan type furnaces."

MR. SORENSON: Yes. Next question?

Q.95 - So that is what this is about?

MR. SORENSON: What is your question?

Q.96 - My question was is the excerpt in appendix C dealing with residential furnaces, both gas and oil?

MR. SORENSON: Correct.

Q.97 - So the first thing I do want to point out about this, this is a 1988 excerpt from ASHRAE, correct?

MR. SORENSON: I would agree. And that is why we updated it with 2004 data.

Q.98 - Right. And we appreciate that.

Secondly though, on line 311 of page 15 of your evidence, line 311 of page 15 it says that "ASHRAE states that most end users in New Brunswick are using atmospheric with intermittent ignition gas burners with either a power vent or improved heat transfer to direct vent units, correct?

MR. SORENSON: That is what it says.

Q.99 - And first, you are aware I assume that natural gas wasn't available in New Brunswick in 1988?

MR. SORENSON: Yes. I guess some people in Moncton believed it was available in 1988 actually.

Q.100 - Some people what?

MR. SORENSON: In Moncton.

Q.101 - Was the natural gas infrastructure as prevalent in New Brunswick in 1988 as it is in New Brunswick today?

MR. SORENSON: No.

Q.102 - And this ASHRAE report from 1988 --

MR. SORENSON: Was based on North American results.

Q.103 - And it didn't actually say anything about end users in New Brunswick at all?

MR. SORENSON: It did actually have a New Brunswick reference. But the facts are it was based on North American results.

It had a New Brunswick reference, in other words focusing more on the northeast section of North America.

Q.104 - But they weren't talking about New Brunswick users specifically on that type of equipment?

They didn't say most end users in New Brunswick are using that particular appliance, which is what this sentence says?

MR. SORENSON: If you look -- well, not specifically -- but New Brunswick is cited in the second page of the appendix.

Q.105 - Well, the second page -- who prepared that note to reader?

MR. SORENSON: I copied it out of a book.

Q.106 - That note to reader is out of a book?

MR. SORENSON: Yes.

Q.107 - Could we get a copy of -- can we get an undertaking to provide that?

MR. SORENSON: Sure. Yes.

MR. HOYT: Can we get a number for the undertaking? I think it is number 1.

CHAIRMAN: Well, it is number 1. But it is an undertaking. And we keep track of those. There were 111 residential customers and one bakery in 1988.

MR. HOYT: Thank you for clearing that up.

MR. SORENSON: Make a note to the record on that please.

Q.108 - So turning back to page 15. And it is the bottom paragraph on page 15. And as you indicated, exhibit C, it is being referred to there as about residential appliances.

Just prior to that, in the previous paragraph, you had given an example of a commercial customer, which I find makes this all quite confusing.

But I believe your punch line begins on line 317. And what you say is that this information combined with the fact that many systems are being upgraded and retrofitted, not completely replaced, means that the efficiency improvements are likely to be in the single digits and not double digits as suggested by EGNB, correct? That is the conclusion of this paragraph?

MR. SORENSON: That is the conclusion of the paragraph.

Q.109 - Right. But first we have already referred you to Enbridge's pie chart where it confirms only 4 percent conversions involve just the conversion burner, correct?

MR. SORENSON: Again I guess we are going to agree to disagree. But yes, that is correct.

Q.110 - And you indicated that CES provides energy procurement and consulting services to commercial, industrial and institutional users of electricity, natural gas and fuel oil, at the beginning of your evidence?

MR. SORENSON: That is very true.

Q.111 - So you don't act for residential customers?

MR. SORENSON: CES does not. WPS used to.

Q.112 - Right. CES does not?

MR. SORENSON: WPS we had 25 residential customers.

Q.113 - And did you hear Mark Butler say yesterday that in the SGS class, residential class, that the furnace or boiler is always replaced?

MR. SORENSON: Correct. And again similar efficiencies can be improved by replacing an old, old oil furnace with a new high efficiency oil furnace.

Q.114 - But there doesn't seem to be much of a punch line there. I mean, it doesn't seem -- it is talking about residential customers that never actually use a conversion burner.

And it is talking about that many systems are upgraded using a conversion burner when that is not the case either.

MR. SORENSON: You made a statement. You didn't ask me a question.

Q.115 - In fact you are not making any valid comparisons, including actual efficiencies and conversions in New Brunswick, are you?

MR. SORENSON: I would disagree.

Q.116 - Okay. Let's -- we will talk about something else. Look at some of the examples that you included as part of your evidence.

And the first one that I turn to and ask the Board to turn to is at page 13 of CES's evidence.

And at the same time I would ask that you and the Board have open EGNB's evidence where they actually calculate the target distribution rate, which is found in A-1, page 4 of A-1.

MR. DUMONT: Page 4 of 13?

MR. HOYT: Yes.

Q.117 - So page 4 of 13 of Enbridge's evidence and then page 13 of CES's evidence.

And in this example CES is looking at a residential customer, correct?

MR. SORENSON: Correct.

Q.118 - So when we are making this comparison, the column of the EGNB distribution rate calculation that should be looked at is the SGS column, correct?

MR. SORENSON: Correct.

Q.119 - Now in your example you use for -- I mean, it makes a lot of sense you would use the same numbers. You used EGNB's cost of gas, the $16.86 of GJ. And that can be found at line 10 of Enbridge's calculations. You used their annual natural gas usage of 114 GJ's which can be found at line 9 of Enbridge's calculation.

You used Enbridge's cost of oil of 64 cents a litre which can be found at line 1 of Enbridge's calculation. You used Enbridge's total annual natural gas cost of $1,922 which can be found at line 8 of Enbridge's calculation.

So -- oh, and as well you indicated that you are going -- on page 13 at line 262 you also said you are using the efficiency factor improvements that EGNB applies. So you have used all of the factors, all of the numbers that EGNB uses to calculate its target distribution rates.

But when Enbridge does it, their calculated savings is $480. Your calculation is $373. I need to understand where your $373 figure comes from?

MR. SORENSON: I don't have my work paper with me. But bear with me.

CHAIRMAN: Take your time. I have a question. Because I have a note that when Ms. Black was commenting she indicated that line 4 and line 9 should be the same.

MR. HOYT: No. That was just in the LFO class, the right-hand column. And that is because there is no efficiency improvement as part of EGNB's evidence in the LFO rate class.

CHAIRMAN: Okay. So it should be 31,759.

MR. HOYT: In both places?

CHAIRMAN: Yes.

MR. HOYT: No. Sorry. Ms. Black says the right number is the bottom one. Both of them should be 31,000' --

CHAIRMAN: What was that again, since I just inked it out?

MR. HOYT: Both --

CHAIRMAN: 45?

MR. HOYT: 31,745 in both places.

CHAIRMAN: Okay. Sorry to interrupt. Did I give you some time, Mr. Sorenson? No? Take your time.

And at the time that that natural gas field ceased to produce, it was still the second oldest producing natural gas field in Canada. I like giving these little history lessons.

MR. HOYT: I had actually been warned that when I asked that question that somebody was going to say there was gas in Moncton in the '80's.

CHAIRMAN: Yes. It was a very, very old field. As a matter of fact -

MR. TINGLEY: In Albert County.

CHAIRMAN: In Albert. And it was. And it served Moncton. And Todd McQuinn, the head of safety at the board actually ran Moncton Utility Gas, which the name then, for two or three years. That is the end of the history lesson.

MR. SORENSON: I used a different efficiency factor.

Q.120 - Pardon?

MR. SORENSON: My numbers differentiate because I used a different efficiency factor.

Q.121 - But I think --

MR. SORENSON: Mr. Hoyt, I answered the question. I used a different efficiency factor.

Q.122 - So would you accept though that, with all of the assumptions that you used, that the savings number should be $480?

MR. SORENSON: Yes.

Q.123 - Okay. So the second part of that example is --

MR. SORENSON: But that does not change the fact -- no, let me finish my thought. So again $480 into a $10,000 expenditure, it is 21 years instead of 26.

Q.124 - Okay. Let's pursue that then. So let's look at your conversion cost of $10,000 they used as the example. That is what you just did, right?

You wanted to -- you said that a $10,000 conversion, divide by 480 and got 20 years?

MR. SORENSON: That is the simple math.

Q.125 - Right. So my understanding is that to Enbridge, that a typical residential conversion involves space heating and hot water, where customers are looking for savings to achieve a payback of their cost. Would you agree?

MR. SORENSON: Yes.

Q.126 - So I would like to turn now to CES's response to EGNB's IR 7 (a).

MR. DUMONT: Can you repeat that?

MR. HOYT: It is CES's response to Enbridge's Interrogatory 7 (a).

MR. SORENSON: Go ahead.

Q.127 - So what you indicated there was that you were aware of a business associate who converted his home in New Brunswick for an initial cost of $10,000?

MR. SORENSON: Correct.

Q.128 - And you then go on to say at the bottom of that paragraph that you are also aware of situations where people have converted their homes to gas for between 5,000 and $20,000 depending on the equipment that was converted or installed such as grills and fireplace inserts, is that correct?

MR. SORENSON: Yes.

Q.129 - So you include as part of the conversion price the equipment that was converted and/or installed. And you mentioned grills, which I assume are barbecues, and fireplace inserts, is that correct?

MR. SORENSON: No. Why don't you look at (c)?

Q.130 - No. But we are talking about in this example here --

MR. SORENSON: Right. Look at (c).

Q.131 - We will go to (c).

MR. SORENSON: No. But I'm defining -- again you want to know where the 10,000 makes up -- (c), 6', 3', et cetera. Look at your --

Q.132 - Right.

MR. SORENSON: It is pretty simple.

Q.133 - Right. So we go to (c)?

MR. SORENSON: That is what comprises the 10,000 plus.

Q.134 - And one of those elements of that conversion is a gas stove, correct, for $3,000?

MR. SORENSON: Correct.

Q.135 - So surely conversion costs under your description are likely to be overstated when they include luxury items such as barbecues, fireplace inserts and stoves?

MR. SORENSON: I would disagree. But I gave you a particular example of a customer. This is an example of a customer. Is it a typical customer? Is that what your question is?

Q.136 - Yes.

MR. SORENSON: Again a typical customer -- I believe, and what I have been told in the market, is closer to the

$5,000 range than the 10,000. That is why I gave you a range.

Now Mr. Butler submitted evidence this morning -- or excuse me, yesterday -- it has been a couple of days now, hasn't it -- that said as little as approximately 25' -- $2,600.

We consulted last night with a contractor who felt that on a low, on the low side, that number was closer to $4,000, on a very low side.

And so again what we are finding here is that a residential customer the range is all over the place. And the fact is if they are leasing the equipment versus buying the equipment, it can vary in price.

Q.137 - But just a moment ago, a couple of questions ago, you indicated that you agreed that with Enbridge that a typical residential conversion of all space heating and a hot water heater, correct?

MR. SORENSON: I did say that. That is correct. It is in my evidence.

Q.138 - So I'm a natural gas customer. And before I converted to natural gas I didn't have a fireplace.

So as I understand your logic, if I had installed a fireplace at the time of my conversion, my conversion cost would have included the cost of that fireplace?

MR. SORENSON: Whatever you choose to convert in your home is your total cost of conversion. And then you can do your own economics on how you want to get a return on that investment.

Q.139 - Okay. Thank you. It was actually Mr. Harrington who said yesterday morning that the typical cost of a residential conversion for space heating and hot water is $2,500.

MR. SORENSON: Okay. Sorry.

Q.140 - So under EGNB's scenario, with conversion cost of $2,500 that resulted in annual savings of $480, it would take approximately five years to be paid back, not 26, isn't that correct, under their scenario?

MR. SORENSON: Under their $2,500 scenario it would be four and a half, five years, versus 26 for a $10,000 customer. But if the number is closer to 4,000 like other contractors in the market believe, then that actually pushes it an additional two, two and a half, three years.

Q.141 - So to summarize then in this example --

MR. SORENSON: So in other words what you are finding,

Mr. Hoyt, is that there are -- and with most of this evidence, is one can prove -- can make various statements talking to different industry experts and come up with different scenarios. The contractors don't necessarily agree with a low of $2,500.

Q.142 - But I mean, to summarize in this example it appears that the efficiency calculation was incorrectly done, the conversion cost is wrong and you overstated the payback period by 21 years?

MR. SORENSON: The conversion is not -- I would disagree with all those statements. Thank you.

Q.143 - Okay. Well, let's go to example 2 which is at page 15 of your evidence.

And in this example you have referred to a typical natural gas consumption of 2,000 GJ's for a GS customer, correct?

MR. SORENSON: Correct.

Q.144 - And it is my understanding that the GS rate class applies to customers who use more that 400 GJ's but less than 2,000 GJ's pere year. Is that your understanding?

MR. SORENSON: 4,000 to 2,000 is my understanding.

Q.145 - No. 400 to 2,000?

MR. SORENSON: Thank you. 400 to 2,000 is my understanding.

Q.146 - Right. So wouldn't it be a stretch to suggest that a customer that uses the absolute maximum number of GJ's in a class is a typical representative of that class?

MR. SORENSON: The only way to truly determine whether that is a stretch or not is to do a complete analysis of all customers in that segment.

Q.147 - What New Brunswick data did you base this typical 2,000 GJ usage on?

MR. SORENSON: A customer that we had worked in the past on converting.

Q.148 - Well, would you be surprised if I told you that Enbridge does not have a single customer in the GS class that uses 2,000 GJ's a year?

MR. SORENSON: Yes.

Q.149 - You would be surprised by that?

MR. SORENSON: I would.

Q.150 - Let's look at example E. I say example E. It is actually in exhibit E to this evidence. And it is discussed. And it is described at page 16. It is E-1. Yes.

Q.151 - So my first question on this -- and there is actually three examples that are given there. There is E, F and then G.

And with respect to E and F, why when you represent actual customers do you make up fictional examples in E and F? Why don't you use real numbers?

MR. SORENSON: What is your question?

Q.152 - When you represent actual customers why do you make up these fictional examples in E and F rather than use actual numbers?

MR. SORENSON: What am I making up?

Q.153 - As I understand it these are illustrative as opposed to actual customers, E and F. For example, I think G, the lead in to G explains that it is the Delta.

Are E and F -- are they supposed to represent any customer in particular? Or are they just hypotheticals?

MR. SORENSON: Illustrative.

Q.154 - Okay. So with the example E, which as I say is described, begins to be described on page 16, first I would just note that this typical customer, typical GS customer burns 1821 GJ's.

And this is again the class that has a 2000 GJ max, correct?

MR. SORENSON: Yes.

Q.155 - And we don't have to turn to it unless you want to. In CES's response to IR 15-A you indicated the equipment in this particular example was a typical high efficiency burner applied towards an existing boiler system, correct?

So it is a burner conversion that you are using in this example?

MR. SORENSON: Correct.

Q.156 - So from that you are using the same 6 percent efficiency factor despite the fact that it is only representative of 4 percent of the market?

MR. SORENSON: I'm using a 6 percent efficiency factor, yes, correct.

Q.157 - In this example?

MR. SORENSON: Yes.

Q.158 - So let's turn to E-1. And is the model used for this example similar to that used in other examples throughout your evidence in responses to IR's?

MR. SORENSON: In what way?

Q.159 - Well, like is this model used for E and F -- and then I think in your response to IR 18 I think you provided another example? It looks like this.

MR. SORENSON: Yes.

Q.160 - So it is based on the same model?

MR. SORENSON: Correct.

Q.161 - And how long has CES been using this model?

MR. SORENSON: CES or Jon Sorenson?

Q.162 - Either one?

MR. SORENSON: Four years.

Q.163 - What I would like to look at is the calculation of the delivery charge and ask you how you got the figure of $4,289 at the bottom of the first page on this example?

MR. SORENSON: You have a fixed monthly charge. And you have your delivery charge.

Q.164 - Right. But how did you actually calculate the delivery charge piece? What is the math to get that 4,289?

MR. SORENSON: 1,935, a straight conversion number, 1,935 times 2,166.

Q.165 - And where did you get the 1,935?

MR. SORENSON: Straight conversion efficiency.

Q.166 - Right. But if we go to page 2 of this example --

MR. SORENSON: Yes.

Q.167 - -- in the middle of the page, which is where I think you factor in your efficiency, you indicate -- you will see there that there are two numbers.

Across from number 2 oil it indicates 1,935. And down below it indicates energy input for the year based on natural gas 1,821.

Is the 1,821 after the efficiency has been factored in?

MR. SORENSON: Correct.

Q.168 - So that is the amount of natural gas that would actually be being used, right?

MR. SORENSON: Correct.

Q.169 - So why isn't the delivery charge calculated using the amount of natural gas?

MR. SORENSON: Because we can't -- again in a typical burner situation we can't guarantee that the efficiency improvements would be in place. So we would use this example as where we project savings to actually be.

But we can't guarantee that those efficiency improvements would be in place. The City of saint John has talked about that as well. We can't guarantee those efficiency improvements would be in place.

Q.170 - Why in your example do you then multiply the 1,821 GJ's, which is the actual amount of natural gas --

MR. SORENSON: Less through-put.

Q.171 - No. The 1,821 times the commodity price of 945 to get the estimated base cost of the gas?

MR. SORENSON: That is correct.

Q.172 - So you would multiply -- you would use the 1,821 GJ's, which is the amount of gas that you project being used, multiply it by the commodity cost to get the cost of the gas, but then suggest that you would not use that amount of gas, i.e. the 1,821 to multiply by the delivery charge of 2.2166 to get the dollar figure for the delivery charge.

How can that make sense? And just to be sure, multiply the delivery by 2.2166.

MR. SORENSON: I built the model. I built this. I understand that. I know how the math works.

What was your question?

Q.173 - My question is surely you used the same amount of gas to calculate the commodity price and the delivery charge?

MR. SORENSON: What you are saying is, again where there is a flaw, is that the 1,821 -- the efficiency factors that I took into place were applied towards the total consumption of the commodity but not applied towards the delivery charge, is that correct?

Q.174 - I get to ask the questions. And what I would suggest or ask is isn't that a pretty fundamental flaw in the model?

MR. SORENSON: That is about a $253 differential.

Q.175 - And it would magnify, depending on the amount of gas that was involved, wouldn't it, Mr. Sorenson?

MR. SORENSON: Correct.

Q.176 - And the error in the delivery charge calculation would be magnified even more if you were actually using an efficiency gain in excess of 6 percent, wouldn't it?

MR. SORENSON: Again if you are using an efficiency gain over 6 percent, yes, that would spread further.

Q.177 - And that is used in all your models?

MR. SORENSON: This is the model that I have developed four or five years ago, that is correct.

Q.178 - Okay. I would now like to turn to your example of specific usage from the Delta Hotel in Fredericton which is found at pages 17 and 18.

And at the top of page 18 you indicate that the Delta saved $50,000 in year 1, $25,000 in year 2 and $14,000 this past year for a total savings of $89,000, correct?

MR. SORENSON: Yes.

Q.179 - And how were those savings calculated?

MR. SORENSON: Against propane. That is what they actually converted from. It is not in this model. This model basically again -- it is my understanding that Enbridge's rate methodology is based on oil. So as such this model was done on oil.

Because the Delta -- actually we represent the entire Chipreit Hotel chain which is actually seven properties in Atlantic Canada. When we went to tender we were able to get a 45 cents per litre oil price.

As such, at that time, the Delta asked us to look at, you know, what would be their cost correlation to oil versus natural gas.

The numbers I don't have -- I didn't put that data in because it didn't apply. We all agree that natural gas compares very favorably to propane.

Q.180 - But I thought you just said that you also factored oil into that calculation?

MR. SORENSON: I'm trying to do a comparison. I did a comparison of where they are today versus -- again versus number 2 oil. Because there are other properties. The other six properties are buying oil.

Q.181 - But not the Delta Fredericton. You have indicated that the cost of converting the Delta was $100,000, correct?

MR. SORENSON: It was about 108' I believe.

Q.182 - Okay. Let's turn to exhibit G?

MR. SORENSON: Yes. I have got it.

Q.183 - Let's wait for the others to get there.

And am I correct in saying that you have used your same 6 percent efficiency gain in this example?

MR. SORENSON: Yes.

Q.184 - And the delivery charge calculation would be wrong in this example as well?

MR. SORENSON: It would be slightly off.

Q.185 - And I'm told that the Delta did not actually convert from oil, unlike some of the other Delta Hotels, but rather from electricity and propane?

MR. SORENSON: That is exactly right.

Q.186 - You agree?

MR. SORENSON: Yes.

MR. HOYT: I have got -- Enbridge actually did some calculations of the Delta's actual savings, which I provided a copy to Mr. Sorenson yesterday and would like to circulate to others and ask the Board to mark as an exhibit.

CHAIRMAN: Any objection to that, Mr. Sorenson?

MR. SORENSON: No.

CHAIRMAN: Thank you. That will be marked as exhibit A-8.

Q.187 - So the first thing I would like to point out is on the first page of your exhibit G, down towards the bottom, it says "Peak demand per day." And it has got a demand charge of 2,378 GJ's per day. Is that correct?

MR. SORENSON: Are you on my model? Or are you on Enbridge's model here?

Q.188 - On yours?

CHAIRMAN: Say again, Mr. Hoyt.

Q.189 - My question is at the bottom of the first page of Mr. Sorenson's example for the Delta Hotel towards the bottom, five or six lines up from the bottom it says "Peak demand per day" and says "Contract demand 2,378 per day"?

MR. SORENSON: 71.75 is what it says.

Q.190 - I'm not sure where you are looking?

MR. SORENSON: At the Delta model.

Q.191 - Where does it say 71.75? Perhaps I will just show you what I'm referring to.

MR. HOYT: The version that Mr. Sorenson is looking at is different from the version that I have got, Mr. Chairman.

CHAIRMAN: Well, my version says 2,378.

MR. HOYT: Which is what mine says as well.

MR. SORENSON: I don't know why.

Q.192 - This is the version that was filed. I mean, this is what we received.

MR. SORENSON: This is my --

Q.193 - So you are looking at exhibit G to your evidence?

MR. SORENSON: Yes.

CHAIRMAN: Why don't we take a 10-minute recess now.

MR. HOYT: I'm a couple of minutes away if you want to just finish up now.

MR. SORENSON: Again that contract demand was a mistake. Because that is why I think this was revised. I have the correct version in my book.

I don't know what -- Ali must have made a mistake when she sent that forward. My contract demand I have as 71.75. And I would more than gladly show you that information.

Q.194 - Okay. Well, the version that I have --

MR. SORENSON: Well, I don't have that in front of me. So again --

MS. DESMOND: Excuse me. If I can --

MR. SORENSON: -- my version is 71.75.

MS. DESMOND: Sorry. I think there might be some confusion about the exhibit numbers. If you look at F-2 and G that might be where the confusion lies.

MR. HOYT: We are looking at G.

MS. DESMOND: Exhibit F-2 has that number 71' -- sorry, exhibit F-2 has the reference that Jon --

MR. SORENSON: Go ahead, Mr. Hoyt.

Q.195 - So that is correct then that the peak demand shown on the Delta example is 2,378 --

MR. SORENSON: Yes.

Q.196 - -- per day?

And if you refer to the exhibit A-8 that was just marked, up under "Assumptions" you will see at number 7, "Contract demand 55 GJ's." Do you see that?

MR. SORENSON: Correct. And I guess what we would agree -- you know, Enbridge has that data readily available. This chart was done many -- a long time ago actually frankly with more current data.

But I would like to actually go to your exhibit. I want to discuss the exhibit if we could. First and foremost there is --

Q.197 - Just in terms of the question though that I asked --

MR. SORENSON: -- excuse me, there are some clauses --

CHAIRMAN: Mr. Sorenson, just a second. We will give you an opportunity to go through it. I want Mr. Hoyt to finish his line of questioning please.

Q.198 - Just a question that I wanted to ask, that surely it would be fair to assume that EGNB would know the Delta's 2204 contract demand charge?

MR. SORENSON: Correct.

Q.199 - And on this calculation on exhibit A-8 which was prepared recently, Enbridge has calculated the Delta's total savings for 2004 at $144,000, correct?

MR. SORENSON: In the exhibit that was presented, that is correct.

Q.200 - Right. I do want to point out one thing. If you look at item 10 up under "Assumptions" it says "Prices include HST."

So if we take out the HST -- because I don't think any of the prices any of us have been talking about for the last two days have HST in them?

MR. SORENSON: That is correct.

Q.201 - If we take that out that would reduce it down to 125,000. I mean, you can check the math. But it would reduce it to $125,000.

And that, Mr. Sorenson, is actually more savings in one year than the Delta's total cost of conversion, isn't it?

MR. SORENSON: There are some flaws in this document. And you want to discuss that?

Q.202 - Go ahead.

MR. SORENSON: Number one, if you multiply -- you are saying a propane cost of 44 9. If you do the math, take 62,305 on your propane cost divided by 120,664 I believe that comes out to 5,165.

Q.203 - The difference would be HST?

MR. SORENSON: Would be HST. Thank you. Second issue, there were seven -- there are seven rooftop cooling units, okay, seven roof' -- may I finish -- seven rooftop cooling units of which three, excuse me, four were converted over to be obviously steam absorption chillers.

The load displace that you have here, in the opinion of the Delta Hotel, was closer to 350,000 KWH versus 1.218 KWH. That is a significant flaw in this model. And as such, if you go down, then your equivalent GJ's would be actually 1,575, hence savings only of 18,745.

So in addition to that, the focus on that hotel was boiler conversion, laundry and kitchen. And you didn't take into consideration those consumption items.

So this model is flawed. Now with that said, my model was strictly based on the fact that they are now looking at oil as compared to natural gas.

I -- we are in agreement, Mr. Hoyt -- we are in agreement, Mr. Hoyt, that there is significant savings with propane. Your market-based rates are focused on oil. So the facts are I did the Delta Hotel with an oil figure, not from its original propane. We all agree that there is significant savings versus propane.

Q.204 - So when you prepared this example that is part of your evidence and included exhibit G, were you aware that the Delta had converted from propane and electricity and not from oil?

MR. SORENSON: Yes.

Q.205 - But you chose to do an example to show specific usage by the Delta using oil?

MR. SORENSON: Correct. Because you have an oil-based market analysis.

MR. HOYT: Mr. Chairman, we would like to take a break just at this point. I would like to speak to Enbridge. And we would have a couple of follow-up questions on this. And then that would end my cross of Mr. Sorenson.

CHAIRMAN: Okay. We will take a break then.

(Recess - 2:35 p.m. - 2:45 p.m.)

CHAIRMAN: Continue, Mr. Hoyt.

MR. HOYT: Just a couple of questions, Mr. Chairman.

Q.206 - I understand that in preparing the Delta 2004 savings that Enbridge looked at Delta's gas bill consumption in their first year of using gas and converted back to get the amount of any electricity displaced for domestic hot water, which would be the middle column working back to get the electric load displaced.

Do you have any reason to believe that the gas bills EGNB has for the Delta are inaccurate?

MR. SORENSON: What I focused on was the electric load displacement. And we came up with, when this was presented to me, that the fact that -- the biggest issue that the hotel was dealing with was the electricity load was dispensed by the conversion of chillers on the rooftops.

So they basically have gone to four rooftop gas-fired units. And they still have the three larger ones which are electric. As such they feel that the displacement of electricity load has been approximately 350,000 KWH.

As such, if you do the math accordingly, you get an equivalent, instead of 5,484 GJ's, 1,575 GJ's at a cost of 18,745. So basically in this model you are overstated by about $50,000.

Q.207 - Well, it is interesting that you refer to the rooftop units. Because I understand that Enbridge did not use them, the 350,000 kilowatt hours that you refer to, in connection with the rooftop units, because they weren't comfortable with the information that they had. So they are not part of this example at all.

So would you agree that if they were included that the savings would be even greater than those shown by Enbridge?

A. No. I -- the only way I can truly look at this model is actually to sit with the engineer at the hotel and actually go through the electricity that was actually displaced at the time. So the answer to your question is no.

Would I agree that there have been significant savings from the conversion from propane to natural gas at the facility? The answer to that question is yes.

MR. HOYT: Thank you, Mr. Sorenson. I have no more questions.

CHAIRMAN: Thank you. Do any of the other two Intervenors have any questions? Good. I don't have to get into an explanation of friendly cross.

<u>BY THE CHAIRMAN</u>:

Q.208 - Well, I just have one. And it is really not germane. But you peaked my curiosity. Because when you were describing some exhibit that was in your filing, you brought up the fact that you would take -- I think it was NYMEX prices for -- was it number 2 oil? I don't know.

And you said, we have factors that we apply to that NYMEX price which will -- additives for the state of Maine, additives for New Brunswick, et cetera, et cetera, et cetera.

So I'm just curious. Are you able to tell us, knowing your additives, as I'm sure you do, what is the real cost difference between fuel oil in the state of Maine and the province of New Brunswick?

MR. SORENSON: It runs about 15 percent less in the state of Maine.

Q.209 - Because I know that at the time the franchise was applied for, why the study that was done to back that up said somewhere that there was about 20 or 25 percent in fuel oil in the range to be able to drop if natural gas came into competition here.

So it is about 15 percent now?

MR. SORENSON: That is correct.

Q.210 - Great.

MR. SORENSON: But again that has bounced all over. But that is the current. Unfortunately we have to do a lot of this analysis.

One of our clients is Eastern Maine Medical Centre.

And we did -- in September we hedged their gas, a base load of gas in January and February 15,000 decatherms of gas in those two months.

Then when we tried to do peaking load, the price of oil was actually cheaper. So we ended up using 50,340 gallons of oil in January, 14,300 gallons of oil in addition to their base load of gas.

So as you can see, depending on the point of the day, the prices varied dramatically.

Q.211 - And that is certainly my appreciation of what happens here in New Brunswick, for instance the Regional Hospital in Saint John.

MR. SORENSON: Absolutely. Very good example. Yes.

CHAIRMAN: Okay. Mr. Sorenson, thank you for your participation.

MR. SORENSON: Thank you. Sorry I was solo up here.

CHAIRMAN: Pardon me?

MS. DESMOND: Sorry I was solo. I didn't have any support. And I am disappointed that Mr. Hoyt didn't ask me any Red Sox questions.

MR. HOYT: I could ask you one if you would like.

CHAIRMAN: Thank you. I guess that -- no. That doesn't conclude the evidence until Saint John has their -- sorry.

Do you have a presentation that you want to do a slide show on? Might as well come and get wired up while Mr. Sorenson gathers his things.

Mr. Edwards, this document I have here now, that is a copy of your presentation, is it not?

MR. EDWARDS: Yes, it is.

CHAIRMAN: Okay. And that is the one that I have marked as CJ number 6.

MRS. LEGERE: Yes. That is correct.

(William Edwards and Samir Yammine sworn)

MR. EDWARDS: Thank you, Mr. Chairman. Just to repeat, my name is William Edwards. I'm a Commissioner with The City of Saint John. And with me is Mr. Samir Yammine, our Energy Manager.

This won't take too awfully long. The City of Saint John does not take any issue with the methodology used by Enbridge to calculate what they believe are savings. What we do take issue with is some of the assumptions that they have made and the numbers that they have used and the efficiencies that they believe can be derived from the conversion from oil to natural gas.

And in particular we take objection I guess to their assumption that The City of Saint John is not a typical customer. We believe that we epitomize a typical customer. We do buy oil in bulk like many organizations do, such as the Greater Saint John Apartment Owners Association. And for those reasons -- and there are many other organizations that buy in bulk, many commodities, that we believe we are typical.

And I would remind everybody again that it is the citizen of The City of Saint John, the individual, just like an individual homeowner, that ultimately pays the bill.

So the objective of this presentation is to talk about the City's experience with natural gas conversion, the targeted savings presented by Enbridge, a little bit about the methodology that was used and the impact of Enbridge Gas's proposed rate increase on The City of Saint John and the existing customers and future growth.

I'm going to ask Mr. Yammine to just walk us through these slides. And we will go through them very quickly. Obviously this one is the year 2003. And it is the natural gas versus oil prices, the GS code.

Mr. Yammine, would you explain what the red and the white bars are?

MR. YAMMINE: Bill, once again, before I go further I would like to introduce myself. I have a degree of Bachelor of Engineering. I received it from Technical University of Nova Scotia, formerly Dalhousie. I did two years in

Master of Applied Science. Then I worked as a Technical Instructor for the Navy Officers in Halifax.

Then I moved to the city of Saint John. I worked as a System Engineer on Canadian Frigate Program. I was responsible for the managing and providing engineering assessment on navigation, external communication and antisubmarine warfare system.

Then I joined the City in 1996 as a Project Manager for the Municipal Energy Efficiency Program. In it the City was proactive in developing many energy management projects in order to reduce their costs. We did over 60 to 80 energy management and retrofit projects on various City buildings, City Facility Commission and water and sewage plan.

As a result of the savings, the City as of 2004 has saved over $1.1 million. And the City was awarded last year nationally an environmental award for excellence in energy efficiency. Thank you very much.

So to start here, as I said, the reason we brought year 2003 is to show you a comparison between natural gas prices versus oil prices. And you can see on the top here we have a GS code.

Because The City of Saint John has many buildings. Some have SGS code. Some of GS code. Some have CGS code.

Because of the nature of the rate code structure by Enbridge Gas New Brunswick.

However when it comes to oil, The City of Saint John pays one oil price for each location. So it doesn't matter what location. It doesn't matter what volume. We only have one commodity price for the oil.

Just to keep track here and give you some explanation of this graphic, we are engineers. We like graphic. And graphics speak one thousand words, pictures. We are not lawyers.

CHAIRMAN: You have to realize that the lawyers have very poor eyesight. I'm having a good deal of trouble with the scale. Anyway, just remember that the next time.

MR. YAMMINE: Thanks. Sorry about that. Looking at the yellow graph here, the yellow bar. And on a monthly -- you look at each month January up to December.

What we did here is -- this is to show us what is our oil price for this particular month, January, February. So the yellow one, it tells you what is the oil price, furnace oil price for this particular month.

Next to it is the purple one which is the natural gas prices. So in order for us to compare apple to apple, so we had to compare the natural gas price for gigajoule into litres, a dollar per litre, so to have a fair comparison.

So what we did for the natural gas prices, we have included our monthly distribution, whatever, and we divided by a factor, used 26. And we come up with this number beside it. So this is to give us a good and fair explanation.

Looking at the graphic here it tells you how the oil prices compare to the natural gas. By looking at this particular GS code, we can see that the natural gas price is higher by 28 percent versus furnace oil. And this is real data here we are talking about. And this is comparing btu to btu.

And I just want to mention here, the picture here, tell you that not necessarily -- not necessarily that oil prices will track natural gas prices. So the pattern of increase between natural gas prices and oil prices is not necessarily the same.

Go to the next one please. This is just to illustrate another example for 2004. This is the same thing here. So natural gas prices for this was higher by 14.91 percent.

Next please. The same thing again. We have here in the year 2004, as you can see, the furnace oil was higher only 3 percent versus natural gas prices. And the reason why is in October or in August you start to see a little bit of difference between oil prices versus natural gas.

However what we find out, also from our experience in 2005, that oil prices for January and February went down from 52 to 46.09. And this is real data.

The reason I bring this picture here is to tell you and to give Mr. Chairman and the Commission a good idea what happens. If we implement this rate increase in future -- if you look at -- it is the purple color -- you have one --

MR. EDWARDS: Samir (Mr. Yammine), why don't you start at 1 and just work your way across.

MR. YAMMINE: Yes. I just want to show you, give you a good idea about -- the oil price was 42 cents. The next one is 49 cents. And then the yellow one is 59 cents.

However if you look at the one beside it, the 27.57 cents beside it, this one here. If the prices, if the increase will be implemented for a full year, there is going to be a 27.67 percent difference between natural gas prices.

So natural gas price is going to be higher compared to furnace oil for the SGS category. For the GS category it is going to be 13.07. And for CGS is 10.31 percent.

The City of Saint John would like to give credit to Enbridge Gas New Brunswick. We cannot take this credit here. And The City of Saint John has been proactive in the natural gas business. And Enbridge Gas realizes this.

By looking at this number here, this will give you an idea of the propane to natural gas conversion saving. Looking at the GS here you can see at the top one in 2002 we realized a saving of 31.76 percent. For 2003, 2004 there are similarities. The savings dropped to 24, 25 percent.

However the sad part of this here is the savings are going to shrink if this increase is fully implemented to 9.24 percent unfortunately.

If you look at the other graph which says the SGS graph you can see the black one is going to be at minus 4.5 percent with no -- we have not tried to particularize it actually. But our data is telling us here is propane is starting to look good.

This is a typical example of Canada Games Aquatic Centre here. What we did at the Canada Games Aquatic Centre -- I wasn't involved directly. What we did there, we changed the oil burners. We had two old McLean oil burners. And we changed it to a natural gas burner.

And as a result of this year there was no saving on that. And the saving -- we lost. There was a loss at 2003 by $32,000 because of this conversion.

And if you look at the number, if this increase will be implemented in the future there will be a loss of $12,000 as a result of this increase.

MR. EDWARDS: What was the change in the efficiency when we changed from oil to natural gas?

MR. YAMMINE: We believe -- I talked to the manager. And there was an engineering study. Before they took the burner out the engineering said the efficiency was 79 percent and after they put the natural gas burner it was 79 percent.

MR. EDWARDS: So no change?

MR. YAMMINE: There was no change.

MR. EDWARDS: This is pretty hard to see. So we will just tell you roughly what it is. These are the buildings that the City has natural gas in, the date of installation, our estimate of the amount of gigajoules at each one, the distribution charges. And with the change we anticipate that the change alone will cost the City in the next year 49,000, $50,000.

Now that is -- and there is one assumption in here that is not quite accurate. And that is this one, the City Market. We have an issue at the City Market that we will touch on later. That is if we change to natural gas at the City Market.

MR. YAMMINE: Yes.

CHAIRMAN: Do you have the figures, Mr. Edwards, of the actual use of gas in GJ's for a year after it was put in most of those buildings? In other words those are estimates as I read it.

MR. EDWARDS: Do we have those?

MR. YAMMINE: The reason we say -- Mr. Chairman, the reason we say estimate is because we try to project for 2005 for the future estimate. Basically these are very accurate, plus or minus.

MR. EDWARDS: We have experience from the previous year.

MR. YAMMINE: From the previous year.

MR. HOYT: If it is useful to the Board, Mr. Chairman, I'm sure Enbridge has those numbers.

CHAIRMAN: Okay.

MR. EDWARDS: We have maintained all along that -- and I guess Enbridge actually agree, most new oil and gas boilers have the same efficiency.

The 90 percent efficiencies and the 95 percent efficiencies relate to condensing boilers. And most of the boilers are not condensing boilers.

MR. YAMMINE: I would like to touch on this.

MR. EDWARDS: Go ahead, Samir.

MR. YAMMINE: We have to -- condensing boilers are good boilers. I just want to speak, Mr. Chairman, about condensing boilers. Condensing boilers are a good example to save energy. And we are not questioning that.

However, in order for you to have a condensing boiler you have to have an ideal condition. You have to have a special condition on your supply (inaudible) in order for it to condense.

And furthermore condensing boilers, they are expensive. So they cost you maybe one to twice. We did an example. We put the proposal at the City Market we are looking to do. And somebody come up with the proposal saying, you put condensing boilers. And the price to be honest was twice.

Another thing about condensing boilers is they say you can only have it in natural gas. But the same methodology can apply to oil furnaces. You can put a heat exchanger there or heat recovery. And you can be able to use it in order to recover the heat and make it more efficient.

Another thing I would like to add here is natural gas savings all should be based on price difference. We believe efficiency is not related -- is only related to what equipment. It is not related to what type of fuel you are using, whether it is natural gas or oil.

For example, if I have a motor, electric motor running at 75 percent and I change it and I replace it with a new high efficiency motor, 95 percent, just because it is electricity? No. Because this is a type of equipment. And the technology has been done on there to improve the efficiency. And also --

CHAIRMAN: What do you say about what I heard EGNB witnesses saying, that the efficiency may be the same if both units are clean, et cetera but with the oil it will lose that efficiency over time?

MR. EDWARDS: Mr. Chairman, that is correct, if proper maintenance isn't applied. But proper maintenance is the propriety of the owner of the building. So we maintain that we will maintain our equipment. And therefore the efficiencies won't diminish.

This is just simply the same table that was provided in exhibit A.

MR. YAMMINE: I just going to give you an example here. If you look at this Derivation of Distribution Rates, energy efficiency factor -- and I add line 8.1 which is to tell you in order for a customer, in order for a customer to achieve the target saving of 15 percent, let's say GS, in order for it to receive this 15 percent saving, you have to have an efficiency factor of 19 percent.

For example if I'm a customer, I'm paying let's say

0.5 to 2 cents, and I have a boiler, 75 percent or 76 percent, in order for me to have this 15 percent I have to have an efficiency of 95 percent. And to get 95 efficiency this means you have to have a condensing boiler running 100 percent condense.

And you can get the 15 percent efficiency also but not using natural gas. You can get the same efficiency by using oil equipment. Because there is oil equipment, as we said, that can run in the high -- 88 percent.

MR. EDWARDS: And I said I want to talk just a moment about the City Market. Samir, at the City Market we have two large boilers, correct?

MR. YAMMINE: We have two large boilers, correct.

MR. EDWARDS: And one of them is shot?

MR. YAMMINE: Yes.

MR. EDWARDS: And we went out for a call for proposals to replace one or both boilers with oil or replace one or both boilers with natural gas or just repair the existing broken down one or to just simply replace that one boiler with natural gas or oil. And what conclusion did we come to?

MR. YAMMINE: Before after?

MR. EDWARDS: Now? Where are we right now?

MR. YAMMINE: We had to pull out our tender from the market when we heard about this -- that Enbridge has applied for a rate.

And we decided that for now we are -- this job is on hold right now as any other job pending the resolution of the rate increase.

MR. EDWARDS: If I recall the quote to simply replace the one boiler with natural gas was in the order of $70,000. Is that correct?

MR. YAMMINE: Around that, yes.

MR. EDWARDS: Okay. If we did that, and given the increase that is being requested here in the distribution rates, what would our payback be for that $70,000?

MR. YAMMINE: We don't pay back. We lose.

MR. EDWARDS: Thank you. Okay. That is the point I'm trying to make. The oil is cheaper than the natural gas. And there would be absolutely no payback. In fact we would go farther in the hole. And with that I will conclude.

CHAIRMAN: I'm just curious, before I turn it over for cross. But you buy your oil on an annual contract that you put out for proposals?

MR. YAMMINE: We buy our oil -- buy on a monthly -- our prices will change. It's an annual contract I believe, annual or two years contract, something like that.

CHAIRMAN: Well, how are the prices in that contract set?

MR. YAMMINE: It is a variable price. It would vary with -- and basically Irving, let's say Irving, will send us a notice on the 1st of the month, notifying what is going to be our month's -- for this particular month, how much we are going to pay for oil.

For example January, they will tell us January 1st this is going to be your oil price for this January.

CHAIRMAN: So it is not tied to any -- let's say the NYMEX price plus 10 percent or something like that. It is totally at the whim of your supplier?

MR. YAMMINE: Of course, yes.

CHAIRMAN: Well, no. I have trouble with that of course. Because normally if you enter into a contract, why you will do it for an extended period of time so that you have that security cost. But that is not the case. It just seems odd to me, that is all.

MR. EDWARDS: There is an arrangement where the City buys in conjunction with the Provincial Government.

CHAIRMAN: Yes.

MR. EDWARDS: And so we get the advantage of Provincial price as well as the City price, because we buy so much oil.

CHAIRMAN: All right. But is a master contract signed that all municipalities can take part in --

MR. EDWARDS: Yes.

CHAIRMAN: -- if they so desire?

MR. EDWARDS: Yes.

CHAIRMAN: Do you have somebody who is knowledgeable as to the terms of that contract?

MR. EDWARDS: We do. He is not here at the moment. It would be our purchasing agent. We can undertake to provide that information.

CHAIRMAN: Well, okay. I will just leave it at that. Thanks, Mr. Edwards. And I will let Mr. Hoyt do his cross.

I presume, Mr. Lawson, you have no questions? Good. Thank you. Mr. Hoyt?

MR. HOYT: Could we just have a couple of minutes before we start?

<u>CROSS EXAMINATION BY MR. HOYT</u>:

MR. HOYT: Mr. Chair, just one question before we start. I'm just not sure if table 3 the City submitted this week, whether that has been marked as an exhibit or not. Because that is the document that I would like to refer to.

CHAIRMAN: I don't know what table --

(Off the record)

MR. HOYT: So actually as part of this cross examination the thing to look at would be that table and then CSJ-1 which is Saint John's evidence and CSJ-2 which are Saint John's responses to EGNB's IR's.

Those are the two documents -- three documents I will primarily be referring to.

CHAIRMAN: Yes. Mr. Hoyt, I think I should probably mark it as an exhibit. Because it just came in. You say it was attached to a late response, one of your Interrogatories?

MR. HOYT: It was an answer to our response for further -- our request for a further response. But it came in at the same time as the witnesses' c.v.'s.

CHAIRMAN: Yes. I think for the sake of the record we probably should give it an exhibit number. Just a sec'. My records indicate that would be CSJ-7.

All right. In addition to CSJ-7 what should we have on hand, Mr. Hoyt?

MR. HOYT: CSJ-1 and CSJ-2 which is Saint John's evidence and their response to IR's.

Q.1 - So just the first item. And I don't think we have to actually turn to it. Just following up on the question that I had asked Mr. Sorenson earlier about his exhibit D which is actually the -- it is the table that you included at page 4 of your opening statement which is the 49,000 additional cost.

And Mr. Sorenson's copy of it that has at the bottom "Total excluding City commissions" with a $23,000 number or something on it.

And just for the Board's information it is exhibit D to CES's evidence.

MR. EDWARDS: And what was the question, Mr. Hoyt?

Q.2 - What does that mean? I know it is showing what your additional costs are.

But then there is this other number that I don't know it is supposed to reduce those costs or what it means.

MR. EDWARDS: I will try to make this fairly simple. The Canada Games Aquatic Centre, although it is a City-owned building, is operated by a Commission.

And it doesn't -- I guess the costs of the fuel for that building do not come directly out of our purse but out of the Commission. That number of 21,539.02 is included in the 49,878.

Q.3 - So it is not a different -- like your total -- you are still saying your total increase cost, the 49', that is not an increase or a decrease that should be factored in anywhere?

MR. EDWARDS: No, no.

Q.4 - It is just for somebody's information that that represents the Aquatic Centre? Okay. Thank you.

Perhaps first I would just like to ask a couple of questions on the presentation that you just went through, starting with the first couple of pages which have the tables that were referred to.

And I just want to confirm that the basis for the calculations or the conclusions that are on those tables are the calculations that are in your evidence, I think for the most part in appendix A and appendix D.

That is where we can figure out the numbers to get to these, the differences between gas and oil prices, the differences between gas and propane.

Is that where the backup for these numbers is?

MR. YAMMINE: I believe so, yes.

Q.5 - Okay. That is what I assumed.

On page 4, again going to the bottom table on that page, you mention specifically the City Market. And you had the -- you had indicated that the $4,000 estimate that is there was the one that is way off or somewhat off.

Could you indicate the order of magnitude? Because it is -- I guess other than the Aquatic Centre it appears to be the biggest consumer.

MR. EDWARDS: There is some natural gas at the City Market now. And it is in the order of 1,300 gigajoules per year.

Q.6 - So at this point, in terms of -- the Chairman was asking about actual consumption figures. At this point that actual consumption figure is 1,300?

MR. EDWARDS: That is correct.

Q.7 - Thank you. And on page 5, just the top box, Mr. Yammine, you had referenced a condensing boiler.

The evidence or the responses to IR's that you submitted indicated that you had converted the main garage from an oil boiler to radiant tubes, is that correct?

MR. EDWARDS: That is correct.

Q.8 - And that main garage, that is a commercial operation, correct?

MR. EDWARDS: Commercial in the sense that it services the fleet of City vehicles.

Q.9 - Okay. Thank you. At this point those are the only questions I have got on your opening.

For your buildings, for Saint John's buildings that are on natural gas, who is EGNB's customer?

MR. EDWARDS: The City of Saint John.

Q.10 - Thank you. Now this is following up on some of the Chairman's questions about your oil price. And in your evidence you have indicated The City of Saint John has a contract with Irving through the Province of New Brunswick to supply its furnace oil to City-owned buildings, correct?

MR. EDWARDS: That is my understanding of the arrangement.

Q.11 - And so The City of Saint John is a party to a buying group through the Province of New Brunswick?

MR. EDWARDS: That is correct.

Q.12 - And is one of the benefits of participating in that group lower fuel oil prices?

MR. EDWARDS: Without a doubt.

Q.13 - I would like to refer -- I actually said I was going to stick with the Saint John stuff. But this is a response of CES's, CES IR 14 (b).

It is their response to an Enbridge IR, which would be in CES-3. And the particular one is 14 (b).

CHAIRMAN: That is EGNB Interrogatory 14, the response, is that correct?

MR. HOYT: The response from CES to EGNB's Interrogatory. Yes. There is 14 (a) (b) and (c).

CHAIRMAN: Yes. And this is which?

MR. HOYT: 14 (b) is the one I would like you to look at. Just wait for the witness.

MR. EDWARDS: We don't have that particular Interrogatory here.

Q.14 - And actually that one is easy to find because I have highlighted it. So it indicates that the Province has tenders for approximately 21,000,000 litres of fuel oil annually, correct?

MR. EDWARDS: I wouldn't have any personal knowledge of that. But --

Q.15 - No. But is that what --

MR. EDWARDS: -- it wouldn't surprise me.

Q.16 - It wouldn't surprise you that is what that response indicates, that the Province's tenders were approximately 21,000,000 litres of fuel oil?

MR. EDWARDS: Yes. That is what that response indicates.

Q.17 - I'm just going to get it now, just before I forget.

And just to put things in context, my understanding is that 21,000,000 litres of fuel oil would represent 7,000 residential customers. Is that about right?

MR. EDWARDS: I really couldn't say.

Q.18 - A residential customer would use 3,000 litres a year?

MR. YAMMINE: I don't -- basically myself I don't use oil. So I cannot give you the number of 3,000.

Q.19 - So when The City of Saint John decided to convert certain of its properties to natural gas, was The City of Saint John a member of that Province buying group at that time?

MR. EDWARDS: Yes. I believe they were.

Q.20 - I have actually got a printout somewhere from the

Department of Energy website which is an annual -- or biweekly fuel price survey.

It is available on the Department of Energy -- it is just the www.gnb.ca website under Department of Energy, which Mr. MacDougall is distributing. I would like to get it marked as an exhibit.

CHAIRMAN: My records indicate it should be A-8 -- oh, dear -- A-9.

Q.21 - So my understanding is that what this exhibit represents is the average retail or residential furnace oil price updated to March 8th. Would you agree?

MR. EDWARDS: That is what it appears to be, yes.

Q.22 - And so what is the average residential fuel oil price -- or furnace oil price in New Brunswick at March the 8th?

MR. EDWARDS: 79.4 cents per litre.

Q.23 - Thank you. And again I guess just with one of our previous exhibits, you will note up at the top it says "All taxes included." So that has got HST in it.

So I think for everybody's benefit we will take the HST out of that. And if you will trust my math that is 69 cents a litre. So just for the purposes of discussion, this survey appears to indicate that price of 69 cents per litre.

CHAIRMAN: Mr. Hoyt, do you know if the Maine price includes all our taxes?

MR. HOYT: If the what price?

CHAIRMAN: The Maine price, down below?

MR. HOYT: I would assume. It says up at the top -- I mean, they won't have HST. I don't know what they would have.

CHAIRMAN: They have got a few taxes.

MR. HOYT: They would have something I'm sure.

Q.24 - Now I understand that a couple of Saint John's buildings -- and I think perhaps, Mr. Yammine, you had indicated in your opening that you have a couple in the SGS class, correct?

MR. YAMMINE: I would like to confirm that please.

Q.25 - Might I just suggest page 4 of your opening statement. That is the table that I always go to.

MR. YAMMINE: That is right.

Q.26 - And that SGS class, that is Enbridge's residential class as well, right? Not from the table, but just generally, the SGS Enbridge class, that includes the residential customers?

MR. YAMMINE: But there is some commercial which are SGS classes also.

Q.27 - Right. So residential, small commercial there --

MR. YAMMINE: Yes.

Q.28 - -- that is the SGS class?

MR. YAMMINE: Yes.

Q.29 - And again this is very helpful, the table, just in terms of the way it breaks out the buildings, to keep track of what Saint John buildings use what.

So let's compare the March 5th oil price used in Saint John's calculations at appendix A of your -- I guess it is appendix A which came in as an Interrogatory response. So if we could turn to that.

Sorry. Appendix A. It would be found in CSJ-2.

MR. YAMMINE: I'm sorry. Is it appendix A-1?

Q.30 - Yes. Sorry. I always call it A.

CHAIRMAN: Appendix A-1?

MR. HOYT: Yes.

CHAIRMAN: A-1?

MR. HOYT: Yes.

Q.31 - So what I wanted to look at, the way that table is set up it appears there is a year 2003, 2004. And then on the second page is 2005.

So I wanted you to just point out what the March '05 oil price per litre is that you are using. And what is it?

MR. YAMMINE: 46 cents.

Q.32 - 46 cents. And when comparing that to the exhibit that we just marked, the Department of Energy website price of

69 cents per litre, it doesn't look like Saint John is a typical SGS customer, does it?

MR. EDWARDS: We get a preferred price on oil, there is no question, as do many other individuals and companies. As an example the building that we have our offices in, City Hall, is not owned by the City. They purchase about 800,000 litres a year. And they have this preferred price as well.

Q.33 - Yes. I would like to stick with that, just your preferred price. If you will turn to page 5 --

CHAIRMAN: Mr. Hoyt, I do apologize for interrupting. But I'm just curious. We look here and we have got the 2005 prices that are projected for oil.

And yet my understanding was you don't know what it is until the commencement of the month in which you are -- is that correct?

MR. EDWARDS: Yes. That is correct. It fluctuates --

CHAIRMAN: So the 46 cents then is just taking the latest price you have got and going ahead?

MR. EDWARDS: That is correct.

MR. HOYT: And we are going to pick up on that as well.

CHAIRMAN: Sorry.

MR. HOYT: No, no. That is fine.

CHAIRMAN: I want to be clear. Go ahead, Mr. Hoyt.

MR. HOYT: No. You ask them much quicker than I do.

Q.34 - So again I would like to turn to page 5 of your opening statement. And what I'm looking at is the bottom of the two tables on that page. Everybody there?

What I wanted to look at was this line 1.1. And in it you have indicated, as you did in your presentation, that the City purchases oil for a single price for all of these classes.

And am I correct in looking at that that the City price is 17 cents below the retail oil price used by Enbridge in calculating the SGS rate?

MR. EDWARDS: If you did the math right, yes, you are correct.

Q.35 - Yes. That is probably the only qualifier. And in the GS class there would be a difference, the City is purchasing its oil for 6 cents below the typical retail oil price used by Enbridge in its calculations?

MR. EDWARDS: Okay.

Q.36 - And just to finish the train of thought, in the CGS class, the City is purchasing its oil at 5 cents below the typical retail oil price used by EGNB in calculating its CGS rate?

MR. EDWARDS: Right.

Q.37 - Just on this, one last thing. I wanted to just turn --

and again I apologize for going to another binder. I wanted to turn to Flakeboard's response to Enbridge's IR 7, which would be found in FCL 3 under the Board's exhibits.

CHAIRMAN: All right. Which Interrog' again, Mr. Hoyt?

MR. HOYT: Number 7.

Q.38 - And I would like to refer to the table that is at the back of that response. Do you have it?

MR. DUMONT: Yes.

MR. HOYT: No. But the witnesses I don't think have it.

Q.39 - So what I would like to ask you to look at on this Flakeboard table in their response to 7-A is the line "Number 2 oil cost per litre."

And my understanding is that this is their projected oil cost per litre for 2005. And again since you have trusted me on the math, the average of those numbers is 48.8 cents per litre.

So does it not seem odd that Saint John would be showing as their typical SGS price 46 cents per litre of oil when Flakeboard, a large CLGS-LFO customer is projecting its oil price in 2005 will be 48.8 cents?

MR. EDWARDS: I can't -- I can't answer for Flakeboard. I don't know why or how they came up with their projections. We didn't do any projections. We simply took our latest price and projected it over the year.

Q.40 - But you would acknowledge that the price that you are using for your -- you are purchasing oil for your SGS buildings, the two of them -- you are purchasing at 46 cents per litre which is lower than Flakeboard's projected oil cost for 2005?

MR. EDWARDS: I would acknowledge that the numbers we use are lower than those that are projected by Flakeboard.

Q.41 - Thank you. Now I would like to turn to propane.

Okay. Just before we leave the Flakeboard exhibit, if you would just -- do you want to just note the footnote, first footnote at the bottom of the table and perhaps read that into the record?

MR. EDWARDS: I'm sorry. Which footnote did you want me to read?

Q.42 - The first one please?

MR. EDWARDS: It says, the projected prices for number 2 oil uses a current NYMEX New York Harbour heating oil strip plus our current delivery cost to calculate.

Q.43 - And is it your understanding that that is consistent with how EGNB does its calculations?

MR. EDWARDS: That is my understanding.

Q.44 - Thank you. So we can go back to the Saint John evidence and Interrogatories.

So does The City of Saint John consider itself a typical propane customer?

MR. EDWARDS: Do we consider ourselves a typical customer?

Q.45 - Typical propane customer, pricewise?

MR. EDWARDS: Yes.

Q.46 - With respect -- well, actually what I would like to look at is this table 3 that was marked as CSJ-7. And if everybody has got that, if you could just look way over to the right. I think it is two columns in.

Just indicate what the propane price per litre for 2005 is that you are using in your calculations?

MR. EDWARDS: .405.

Q.47 - Thank you. And you purchase your propane through that Province buying group?

MR. EDWARDS: No, we do not.

Q.48 - How do you get that kind of a price?

MR. EDWARDS: Simple tender.

Q.49 - Simple tender? But you are not like a typical SGS customer with a typical propane fireplace and a hot water heater?

MR. EDWARDS: The City of Saint John actually uses very little propane.

Q.50 - But you do have propane -- in terms of the buildings that you converted to natural gas, I believe there were

15, how many were converted from propane?

MR. YAMMINE: I have to do the addition, if you don't mind me please, for a second. You have the table in front of you. You should be able to add them. I mean, we have only 10. We have 10 buildings.

Q.51 - 10 buildings what?

MR. YAMMINE: We converted from propane to natural gas.

Q.52 - And how many buildings altogether are on natural gas?

MR. YAMMINE: I believe it is 14.

Q.53 - Okay. And maybe -- I understood it was 50. But I think maybe it is the Aquatic Centre. Because I never really understand -- I don't know if I'm describing it right. But I think it is kind of the wild card. So it is either 14 or 15.

But 10 were converted from propane, is that correct?

MR. YAMMINE: Yes. That is true.

Q.54 - Right. And so what you are showing -- what you are demonstrating in what I call table 3, which is exhibit CSJ-7, are savings as between gas and propane, correct?

MR. EDWARDS: Yes. That is correct.

Q.55 - Anyway, I want to get back though first to the typical customer. And I don't think you are suggesting that The City of Saint John is like say Shelley Black from Enbridge, who testified on their behalf in the last couple of days?

MR. EDWARDS: I'm sorry. What is the question?

Q.56 - Well, here we go. I won't make you guess. I actually asked Shelley the other day to show me her 2005 propane bill. Because I knew that she had propane.

And I have got it here today. And I would like to actually show it to you and get it marked as an exhibit.

CHAIRMAN: Is that 2005 or 2004?

MR. HOYT: 2005.

CHAIRMAN: You might describe what appliances. This would be A-10.

MR. HOYT: Yes.

Q.57 - So we are set? And my understanding to the Chair's question is that Ms. Black has a stove fireplace type of appliance.

Let's look at her invoice to see what she pays for propane. So what does her invoice indicate that she pays for propane?

MR. YAMMINE: I believe she pays high.

Q.58 - No, no. But what is the number? I believe that too.

MR. YAMMINE: 94 cents.

Q.59 - Pardon me?

MR. YAMMINE: 94 cents a litre.

Q.60 - Thank you. So let's be clear then that The City of

Saint John's price per litre per propane is quite a bit better than Ms. Black's?

MR. YAMMINE: Mr. Hoyt, we live in a business here. I own a business myself, a restaurant. I spend the same amount as she spends, Mr. Hoyt, and I pay 53 cents, because I manage it.

I have my brother. He owns an apartment. He has -- he uses less than 4,000 litres of oil. And to be honest with you, he pays 53 cents right now.

So it is common sense here we have to use to manage our price and the way we run our business. And many customers, many homeowners are using the same methodology.

And in fact to use the 63 or 69 cents, this is misleading. Thank you.

Q.61 - But just to confirm that exhibit CSJ-7 indicates The City of Saint John pays 40.5 cents per litre --

MR. EDWARDS: That is correct.

Q.62 - -- at this point? Thank you.

MR. HOYT: And I actually have to get in at this point that Ms. Black is not on a gas route. That is why she is still using propane.

CHAIRMAN: I'm just interested in the witnesses' method of managing your propane consumption so that you could come up with that price. Go ahead, Mr. Hoyt.

Q.63 - In A-3 of your evidence you indicated that one of the purposes of your testimony is to show how EGNB's proposal to increase distribution rates will be counterproductive and will make it very difficult to attract new customers to switch to natural gas, correct?

It is A-3 is the reference. It is actually 3.2.

MR. EDWARDS: That is correct.

Q.64 - What qualifications do you have to determine whether increased EGNB distribution rates will make it very difficult to attract new customers?

MR. EDWARDS: What qualifications? Well, I guess what I'm referring to is our own experience. And I tried to demonstrate, and I don't know if I did it very well, of the current experience we are having at the Market, that if the distribution rates increase it will make it uneconomical for us to go ahead with a gas-fired appliance there.

And that is what I had in mind at that time. And I assume, rightly or wrongly, that others will find themselves in the same position or the same experiences.

Q.65 - So the basis of your suggestion is simply that if the distribution rates go up it will be more difficult to attract new customers?

MR. EDWARDS: That was the basis of that statement, yes.

Q.66 - But did you hear Mr. Harrington in the last couple of days speak about growth being the most important factor to EGNB?

MR. EDWARDS: Yes, I did.

Q.67 - And if the rate increases impede growth that EGNB will use its rate rider?

MR. EDWARDS: I heard him say that.

Q.68 - Thank you. I would ask -- well, actually there is a couple of places. What I need to confirm -- I guess if you would go to A-6 of Saint John's evidence, CSJ-1?

CHAIRMAN: A-6 means the answer to Question 6, is that it?

MR. HOYT: Yes. It is at the bottom of page 3 of Saint John's evidence.

CHAIRMAN: Oh, all right. Thanks.

MR. HOYT: No. It is not an IR. It is just their evidence.

Q.69 - So all I need you to confirm with respect to the table at the end of A-6, and also the tables that were attached to your evidence, which are both the graphs and the calculations, have now been replaced by the information that is found at appendix A-1.

So just so there is not any misunderstanding as to which --

MR. YAMMINE: That is correct, Mr. Hoyt.

Q.70 - And the reason that was done was because inadvertently there was an error just in terms of plugging in the distribution rate?

MR. YAMMINE: I believe one -- you asked us to -- when we did the calculation, to include the distribution rate starting 1st of May, was it?

Q.71 - Yes. I think what actually had happened was that you had put the higher distribution rate, the increase from last year, into all of 2004. And it should have just started in May?

MR. YAMMINE: That is correct.

Q.72 - And similarly with this year it had the proposed rate increase starting at January. But it should have been in April?

MR. YAMMINE: That is correct.

Q.73 - So just so people know --

MR. YAMMINE: That is correct.

Q.74 - -- when they want to look through Saint John's calculation, the place to go is not A-6 and the tables for the evidence. It is to go to appendix A. That is where your calculations are done?

MR. YAMMINE: I was planning to mention that. Thank you very much.

Q.75 - You are welcome. So what I would like to do then now is just turn to that appendix A-1 to your Interrogatories which is CSJ-2.

And could you confirm in these tables for year 2003, year 2004, year 2005, comparing furnace oil prices to natural gas prices, that no efficiency gains are taken into consideration in these calculations?

MR. YAMMINE: That is correct.

Q.76 - And is The City of Saint John aware that EGNB's board-approved market-based approach to setting its distribution rates during the development period has always included efficiency gains as part of the calculations, both when the original rates were established in July of 2000 and when the rates were revisited last year?

MR. EDWARDS: Yes, we are.

Q.77 - So -- but you have not considered the efficiency gain in any of these calculations made either in the evidence or the Interrogatories, efficiency gains aren't factored in?

MR. EDWARDS: Just so I answer correctly, would you mind just repeating that please?

Q.78 - Sure. No. All I want to do is just to confirm that in the calculations that you have done, comparing oil prices to natural gas prices, that you just -- you haven't factored efficiency gains in?

MR. YAMMINE: That is true. And we have a fundamental difference here. When it comes to efficiency we have to realize one thing here.

Efficiency is related to equipment. I can get the same efficiency as oil I can get with natural gas. Thank you.

Q.79 - When you say that though, you say you can get the same efficiency, you mean whether you buy a new oil appliance or a new natural gas appliance?

MR. YAMMINE: For example if I have an oil-fired furnace, let's say 74 percent or 70 percent efficiency, and I'm using it for heating, I can use a high efficiency oil furnace at 88 percent, the same thing.

And at the same time which I can get the same efficiency as I can use in natural gas boiler high efficiency.

Q.80 - But in that case though what you are talking about is the unit that replaces this old clunker? You are talking about you can get high efficiency --

MR. YAMMINE: Yes.

Q.81 - -- new high efficiency oil or new high efficiency natural gas?

MR. YAMMINE: That is true.

Q.82 - Could you just turn to A-13, page A-13 of EGNB's evidence which is A-1?

MR. EDWARDS: Excuse me. What page is that?

Q.83 - Well, it is page 11 actually. It is the tail end of the response to A-13. And what it is, it is the efficiency numbers that EGNB uses.

So what my question is, could you confirm that the efficiency gains that are referred to on that page are referring to replacement of existing oil equipment? They are not talking about new oil equipment?

MR. EDWARDS: That is my understanding.

Q.84 - Thank you. So now I would like to just go back to the appendix A-1 that we had been looking at with the year 2003, 2004. I guess I should have told you not to put that one away.

And this is the area where the Chairman has asked some of my questions. So I will adjust accordingly.

But I wanted to indicate -- and I think actually, Mr. Yammine, you had indicated in your presentation that Saint John does use the same oil price for all natural gas classes in doing this calculation for the SGS, the GS and the CGS class, is that right?

MR. YAMMINE: Yes.

Q.85 - And I would like to just -- just because I have got some follow-up questions, again just reask the question that the Chairman asked in terms of where you get your 46 cents oil price for 2005, which is on the second page.

For anybody who is following along, it is four columns in from the left.

MR. YAMMINE: We took it from our last price for February 2005. That was the price we had for oil price for the month of 2005 -- February 2005.

Q.86 - So was that your price in January?

MR. YAMMINE: This was our price for February 2005.

Q.87 - What was your price for January?

MR. YAMMINE: I believe it is the same.

Q.88 - Because you have indicated that it is the same?

MR. YAMMINE: That is true.

Q.89 - I would like to show you an exhibit that was entered with Mr. Sorenson. It is The Globe and Mail article which is exhibit A-7. Do you have a copy?

And I would like to turn to the second page of that exhibit. And there is a chart showing crude oil prices over a particular point in time.

And would you agree that there appears to have been a significant dip in January of 2005?

MR. EDWARDS: Mr. Hoyt, there doesn't appear to be any scale on that. But if it is to some sort of scale, then your statement would be correct.

Q.90 - Thank you. Do you know what your price, your oil price is for March at this point?

MR. YAMMINE: I'm sorry. I cannot confirm it. I don't have the number with me.

Q.91 - But could you provide it to us?

MR. YAMMINE: Yes.

Q.92 - You will undertake to provide us with that March --

MR. YAMMINE: We will do that. Yes. We will do that.

Q.93 - Thank you. And do you really expect your oil price to remain at 46 cents a litre for the rest of 2005?

MR. EDWARDS: We sure hope not.

Q.94 - You sure hope not. What do you hope happens?

MR. EDWARDS: Well, we hope it goes down.

Q.95 - Do you expect it to go down?

MR. EDWARDS: I'm not an economist. I really couldn't say.

MR. YAMMINE: Mr. Hoyt, if I knew that oil prices go up and go down, I will go invest $100,000 in new markets.

Q.96 - I knew that was coming. The only thing I would like though to remind you is the Flakeboard IR number 7 that we looked at a few moments ago.

You recall that Flakeboard --

MR. EDWARDS: Yes.

Q.97 - -- projection?

And their projection, a large customer purchasing 70,000,000 litres of oil, they are projecting their price will be 48.8 cents for 2005.

Do you remember that?

MR. EDWARDS: Yes, I do.

Q.98 - And what would be the impact on the calculations in these tables in appendix 1 if the retail oil prices from the Department of Energy's website were used in the calculations?

MR. EDWARDS: It would have the effect of making the use of natural gas by the City more attractive.

Q.99 - Quite a bit more attractive I think. Would that be fair to say?

MR. EDWARDS: That is a reasonable thing to say.

Q.100 - So I guess just to leave this appendix A, I just want to confirm that it doesn't factor any efficiency gains. It is based on Saint John's price for oil even when comparing it to SGS natural gas cost.

And for 2005 the only actual oil numbers that are in there are January and February?

MR. EDWARDS: That is correct.

Q.101 - Thank you. Now I would like to turn to table 3 which is CSJ-7. And at the same time I would like you to turn in your opening -- to your opening statement, page -- just a sec'. Well, actually we covered some of this before.

So rather than take you through the different buildings, I just wanted to confirm that you had indicated that of your either 14 or 15 buildings that are currently on gas, 10 were converted from propane, is that correct?

MR. YAMMINE: Yes, that is correct.

Q.102 - And would you agree that savings on conversions from propane to natural gas tend to exceed those achievable on conversions from oil to natural gas?

MR. YAMMINE: It could be yes. It could be no. This is a very general question. I mean, you are asking me if I convert -- I can convert a bad oil system and convert it to oil or natural gas with a new system.

I can get 40 percent efficiency. At the same time I can do a straight conversion. I can get 20 percent efficiency.

Q.103 - No, no. But I wasn't talking about in terms of efficiency. I'm just talking savings.

MR. YAMMINE: I'm not talking about -- I'm sorry, savings.

Q.104 - Savings?

MR. YAMMINE: I'm talking about savings. I can do -- take old furnace which is 65 percent and convert it and do all kinds of energy measures on it and get 40 percent saving.

And I can convert natural gas -- or propane radiant heat to natural gas radiant heat, and I only get maybe 20, 30 percent. So it can work both ways. So I cannot say yes. I cannot say no.

Q.105 - Okay. Just looking at the buildings and the information you have provided us as part of this, would it be safe to say that the savings from propane exceed the savings from oil?

MR. YAMMINE: We have been very successful to convert from propane to natural gas.

Q.106 - Could you point out where in your evidence, and before the Interrogatories or anything asked, where you indicated to the Board that over 66 percent of Saint John's conversions were actually from propane, not oil?

MR. YAMMINE: We did not indicate in the evidence. The reason why, because the way this process is going is we are using oil as a benchmark. And that is the reason we did not include it there. Thank you.

Q.107 - So let's go back to exhibit CSJ-7, the one I call table 3, and just a couple of questions. I would just like to look at your 2005 propane prices.

And the first thing I would like to ask is similarly with oil, is the same propane price applied to all classes of buildings whether it is SGS, GS or CGS?

MR. EDWARDS: Yes.

Q.108 - And how did you come up with your 2005 propane price?

MR. YAMMINE: We used the same idea as for oil. We took the lat price for February, which is 40.5 cents, something like that.

And before I go further, just to let you know that March, we didn't get a notice for any propane increase for March. So what does it tell me? If I don't get it maybe I got it now. The price is the same.

Q.109 - But just to look at some of the other years with propane, it does indicate that it changes occasionally during months of a particular year.

If you look at 2004, actually that year it changed most months. So you acknowledge that, that that has happened in the past?

MR. YAMMINE: That is correct.

Q.110 - And so you don't have any forecasts for your propane prices for the rest of 2005?

MR. YAMMINE: We use the same methodology as we use to forecast the oil.

MR. HOYT: No more questions, Mr. Chairman. Thank you, panel.

<u>BY THE CHAIRMAN</u>:

Q.111 - Were either of you gentlemen involved in negotiations either for purchase of the molecule or for services that brought you natural gas?

Were you there at that time? Did you take part in those negotiations?

MR. EDWARDS: I'm sorry. The negotiations that brought natural gas to Saint John?

Q.112 - Not to Saint John but to The City of Saint John, to the conversions of your buildings, et cetera?

MR. EDWARDS: We weren't part of any negotiations that brought gas to our buildings. But Mr. Yammine managed any of the conversions.

Q.113 - Presumably he talked to Enbridge?

MR. YAMMINE: Yes.

Q.114 - Yes. Okay. That is all I wanted to know about.

MR. YAMMINE: Okay. Thanks.

Q.115 - Were you guaranteed any price savings in reference to conversion from propane and/or oil?

MR. YAMMINE: Not by writing.

Q.116 - Pardon me?

MR. YAMMINE: Not a written guarantee, no.

Q.117 - Well, all right. I'm asking you to your recollection were you guaranteed any --

MR. YAMMINE: We met Enbridge on many occasions. And they mentioned about saving numbers all the time. So they are saying you are going to get savings for a long period.

So there was discussion about it from Enbridge confirming there is going to be a lot of saving, and numbering, yes. But there was not --

Q.118 - Was that in reference to those 10 buildings that you converted from propane? Or in your mind was it in reference to oil too?

MR. YAMMINE: Basically propane to natural gas.

Q.119 - Okay. And you are still achieving savings there?

MR. YAMMINE: If this increase will be approved the saving will be diminished.

Q.120 - Okay. But if the prices don't stay stagnant for oil or propane but in fact go up, then your savings may not diminish?

MR. YAMMINE: Yes.

CHAIRMAN: I have no further questions. Normally I would ask if you had any redirect. But I don't think that is necessary.

Okay. Thank you for your testimony. And I'm sorry. Board counsel, do you have any questions?

MS. DESMOND: Thank you. No.

CHAIRMAN: Thank you. While the witnesses are stepping down, I presume that the parties would like a little time to get summation put together.

MR. HOYT: The applicant would. We still have Flakeboard.

CHAIRMAN: Oh, I'm sorry. Were they going to call a witness?

MR. HOYT: Yes.

CHAIRMAN: It is getting very late in the day. I do apologize. I would love to hear some direct examination, Mr. Lawson.

MR. LAWSON: You will love the direct examination that Mr. Lawson is going to give. Because it will last but moments.

CHAIRMAN: Okay. Mr. Lawson, would you like to offer up your witness? Are you going to ask your questions from there?

MR. LAWSON: My only question is going to be to have him affirm the evidence, Mr. Chairman.

(<u>Barry Gallant sworn</u>)

<u>DIRECT EXAMINATION BY MR. LAWSON</u>:

Q.1 - You are Barry Gallant, right?

MR. GALLANT: Yes.

Q.2 - And the evidence that has been put in and marked FCL-2, written direct testimony of Barry Gallant and EGNB Interrogatories marked FCL-3 have been prepared by you or under your direction?

MR. GALLANT: Correct.

Q.3 - And is the information to your knowledge in these correct?

MR. GALLANT: Correct.

MR. LAWSON: All the questions I have. Thank you.

CHAIRMAN: Thank you, Mr. Lawson. My apologies for having forgotten about your testimony. But I really -- I guess I was too eager to get this concluded. Mr. Hoyt?

MR. HOYT: Thank you. As Mr. Lawson indicated, the two binders that I will be referring to primarily are FCL-2 and FCL-3 which is Flakeboard's evidence and their responses to Enbridge's IR's.

CROSS EXAMINATION BY MR. HOYT:

Q.4 - So Mr. Gallant, in your evidence at A-5 you indicate that Flakeboard and EGNB reached a settlement that resulted in EGNB applying for and receiving a rate decrease for certain volumes of gas for LFO customers, correct?

MR. GALLANT: That is correct.

Q.5 - Can you confirm that those rates are now in blocks? The first one is for the first 33,000 GJ's delivered per month. The second block is for the next 25,000 GJ's delivered per month. And then the third block is for volumes delivered in excess of 58,000 GJ's per month?

MR. GALLANT: That is correct.

Q.6 - And could you also confirm that EGNB is not requesting any increase for the second or third blocks of the CLGS-LFO rate class?

MR. GALLANT: That is correct.

Q.7 - Now you have indicated in your evidence that Flakeboard expects to use annually more than 58,000 GJ's per month of gas, correct?

MR. GALLANT: That is correct.

Q.8 - So almost half of the minimum amount of gas that Flakeboard anticipates using is in that second block, correct?

MR. GALLANT: That is correct.

Q.9 - And in fact you have indicated that Flakeboard will use mor than 58,000 GJ's per month of gas. So any such additional amounts would be in the third block, correct?

MR. GALLANT: Any additional to 58,000 --

Q.10 - Beyond the 58'?

MR. GALLANT: -- would be in the third block, correct.

Q.11 - Right. And again neither the rates for the second block or the third are being increased as part of this application?

MR. GALLANT: As part of this application, correct.

Q.12 - I would like to refer to Flakeboard's response to Enbridge's IR number 7 which is actually the same table that we referred to with The City of Saint John.

And again as with The City of Saint John I would like to get a look at the projected oil cost per litre. Now the footnote for this point, as Mr. Edwards read into the record, says you obtained the projected prices for number 2 oil using a current NYMEX New York Harbour heating oil strip plus your correct delivery cost, correct?

MR. GALLANT: That is correct.

Q.13 - And we have taken an average of your 12 monthly oil cost per litre prices. And subject to check -- you may have checked what I did it before -- it comes out to 48.8 cents per litre?

MR. GALLANT: Without checking I would have to agree with that.

Q.14 - Could I ask the Board to refer and the witness to refer to A-11 of EGNB's evidence which is A-1. Yes. It is Enbridge's -- it is the response to Q11. It is at page 7 of Enbridge's evidence.

MR. GALLANT: Page 7?

Q.15 - It is at page 7 of Enbridge's evidence down at the bottom?

MR. GALLANT: Yes.

Q.16 - And could you point out the retail oil price that is being used by EGNB in establishing the proposed CLGS-LFO rate class?

MR. GALLANT: That would be 48.6 cents.

Q.17 - And the Flakeboard price that you have projected in your response is 48.8 cents, correct?

MR. GALLANT: Correct.

Q.18 - Sounds pretty close?

MR. GALLANT: Sounds close.

Q.19 - Now Mr. Gallant, are you really qualified to express an opinion on the impact of EGNB's proposed rate increase on their ability to attract new customers and to maintain existing ones?

MR. GALLANT: Am I qualified to express opinion on it? Is that the question?

Q.20 - What factual basis do you make that statement?

MR. GALLANT: The factual basis that I would make that statement on is I know through the time period with regards to us to convert from our oil and propane to natural gas, the struggle that we had to actually come to that final decision.

So my basis and our background with regards to that would lead us to believe that a customer similar to us or any customer would go through the same type of calculations, the same type of theory.

In our situation savings was a major factor in that. So that would be the basis that I would believe I would answer that on.

Q.21 - So it is essentially your company's experience itself as opposed to any kind of an analysis of other customers and so on, what they do and what factors are important to them?

MR. GALLANT: I can't make any comment on what other factors would be important to them. I just know what we had gone through and --

Q.22 - And EGNB's distribution rates are only a part of a gas user's overall cost, correct?

MR. GALLANT: Correct.

Q.23 - What is the estimated cost of Flakeboard's conversion to natural gas?

MR. GALLANT: The estimated cost as was provided in our evidence was approximately 2.2 million.

Q.24 - And you have indicated that it seems very likely that Flakeboard will recover its direct cost of conversion in three years, correct?

MR. GALLANT: That was correct. That was stated in our evidence as well.

Q.25 - And is a payback of three years acceptable to Flakeboard?

MR. GALLANT: The payback is -- normally we would go for a shorter time. But I must make a comment on that. The numbers that we were putting forth there are based on estimates at this point in time. As we had noted in the evidence, we are four to five months into this process.

It looks good at this point in time. We cannot judge what may happen in the next, you know, months or years to determine if we will actually achieve that payback in that time period.

Q.26 - In your responses to EGNB's IR's you also indicated that the maximum additional annual cost to Flakeboard as a result of the distribution rate increase proposed by EGNB will be approximately $74,000, correct?

MR. GALLANT: That is correct.

Q.27 - And what percentage does that $74,000 represent of your total forecast, annual natural gas cost?

MR. GALLANT: I think it was stated 1 percent.

Q.28 - 1 percent?

MR. GALLANT: Just on that though, I mean, pure dollars, $75,000 is a significant amount of money regardless of the context it is taken in.

And I know in our industry right now, as you have seen throughout the province with regards to currency -- we do ship about 45 percent into the States.

And the struggles that we have faced with currency has really made, our company in particular, and as we have seen with other companies through New Brunswick, you know, really focus on the bottom line.

And an additional cost in that aspect is additional cost of dollars off the bottom line, which we are struggling to try to make sure that we hold onto every dollar that we can to keep ourselves competitive.

And that $74,000 increase is actually, as part of our distribution cost, about a 13.5 percent increase in our distribution cost for that individual service.

And any cost increase of a 13 to 14 percent increase on any service or product that we would buy would be questioned and would be challenged.

Q.29 - So let's look at savings. You were talking about savings. Let's look at Flakeboard's response to EGNB's IR 6.

And what I would like to look particularly at are the tables in 6 (b) (c) and (d) since they look at Flakeboard's actual propane and oil displacement, which I guess wasn't the case in 6 (a).

So I would like to start to the table -- looking at the table in 6 (b), and just ask you, Mr. Gallant, what are the total savings, using the actual oil and propane information for November of '04?

MR. GALLANT: For November of '04 it is stated $65,923.82.

Q.30 - And for December '04?

MR. GALLANT: $60,069.29.

Q.31 - And for January '05?

MR. GALLANT: $81,726.94.

Q.32 - Can we then turn the page to the table 6 (c). And my understanding is that it performs the exact same calculation as 6 (b), only with the proposed rate increase to the CLGS-LFO rate class factored in, is that correct?

MR. GALLANT: That would be correct.

Q.33 - And what would the monthly savings be in that case?

MR. GALLANT: You want me to state the monthly statings?

Q.34 - Please, just for the three months?

MR. GALLANT: Sure. For November it would be -- November '04, 62,829.23. December 53,891.69. And for January of '05, 75,549.34.

Q.35 - Okay. Thank you. And then if you would turn to the last table, 6 (d). And again to me that is the difference in the savings between table 6 (b) and table 6 (c), is that correct?

MR. GALLANT: That would be correct.

Q.36 - And in December '04 and January '05 the difference looks to be around 6,000 per month, is that correct?

MR. GALLANT: That is correct.

Q.37 - So consistent with your earlier statement that the maximum additional cost to Flakeboard as a result of proposed distribution increase is around 74,000, that kind of is consistent, right, 6,000 a month, 74,000 over the year?

MR. GALLANT: That would be consistent.

Q.38 - And your tables in 6 (b), 6 (c) and 6 (d) cover only last November, December and January -- January of this year as sample months, correct?

MR. GALLANT: That is correct.

Q.39 - So did you -- you didn't actually lose any savings in those months because of this application? The rates, they weren't approved then?

MR. GALLANT: No.

Q.40 - They are there as an example of what would happen. But because the rate increase hasn't been implemented, you haven't actually lost that $6,000 in those three months?

MR. GALLANT: No. No, we have not. That was just an example put forth that had been asked in the Interrogatories.

Q.41 - And in A-8 of your evidence you state that Flakeboard is not yet using a lot of the volume of gas that you will once your conversion is complete. That is correct?

MR. GALLANT: We are still -- there are still some units that have not -- have yet to be converted, that is correct.

Q.42 - So when the conversion is complete the absolute savings will increase, correct?

MR. GALLANT: I can only -- if things continue as they seem now, I could say that would be a fair statement. I cannot guarantee what it would be at that point in time.

So I could not guarantee what the savings may or may not be at that point in time.

Q.43 - And just to turn back to 6 (b) for a moment, table 6 (b), I would just like to note that on the third line, the delivery volumes in those three months, could you just indicate that those were?

MR. GALLANT: What those volumes were?

Q.44 - What the delivery volumes of gas were in those three months?

MR. GALLANT: Those -- where they were taken from or --

Q.45 - No, no. Just the amount of gas actually delivered?

MR. GALLANT: Okay. In November we had received 16,530.94 GJ's of gas. In December of '04 we received 43,662.98. And in January we received 57,356.34.

Q.46 - And those are the monthly totals that you had indicated earlier that Flakeboard expects to use more than 58,000 GJ's a month once you get up and get everything going?

MR. GALLANT: Once we have everything converted we would use more than that.

CHAIRMAN: Mr. Hoyt, can I ask sort of a follow-up of that?

MR. HOYT: Sure.

CHAIRMAN: My impression of your business, and that is pretty foggy, is that your energy consumption overall won't vary that much from summer to winter?

MR. GALLANT: The -- what will vary is -- in the winter we are faced with a fairly large heating load. In the January, February, March is probably the largest -- where we hit our peak with regards to energy consumption.

The summer it tails off on the heating, obviously on the heating component. But our production or process stays relatively consistent all year long.

CHAIRMAN: What would you say the percentage difference in energy consumption for those three peak months in the year is compared to the three smaller? And that is total energy consumption. Just a layman rough guess.

MR. GALLANT: A layman's rough guess? Just give me a few minutes and I will give you a little bit better. I have got the numbers here. I will just do some quick calculation.

Those three months would probably be about 20 percent. I'm just quickly doing it here now. Yes. Without a calculator I would have to roughly say in the 20 percent range.

CHAIRMAN: Sorry. When you say 20 percent, those three months are 20 percent of your consumption? Or what did you mean? Sorry.

MR. GALLANT: Actually if I can just grab a calculator I can probably work out the exact number there.

Based on our estimated -- our overall estimated energy consumption in December, January and February versus compared to the rest of year, we would be looking at a 27 percent energy consumption in those three months.

CHAIRMAN: Above what it would be in the other months? Or is that 27 percent --

MR. GALLANT: That would be 20 percent of the overall energy consumed for the year, an estimate.

CHAIRMAN: Thank you.

Q.47 - And if you had -- you hadn't converted. But if you had a million dollars in energy costs and someone offered you 10 percent savings, 15 percent savings or $250,000 what would you take?

MR. GALLANT: 10 percent savings. What was the other one?

Q.48 - 10 percent, 15 percent or $250,000?

MR. GALLANT: I would take the $250,000.

Q.49 - Good choice. What are Flakeboard's projected 2005 savings from converting to natural gas?

MR. GALLANT: What are they?

Q.50 - What are your projected savings for this year, for

2005?

MR. GALLANT: I can -- I have not projected in 2005 what our savings would have been -- or what they would be. I felt that, at this point in time, we worry on our month to month, what are costs are -- what our savings are month to month. I haven't had the opportunity to do a forecast for the year.

Q.51 - Would you have a ball park figure?

MR. GALLANT: Until yesterday I didn't.

Q.52 - Would you today?

MR. GALLANT: Based on the numbers that you had provided to me yesterday I would -- taking into consideration -- and I don't know with regards to the actual document that was presented to me yesterday, whether -- after just going through it briefly, the details of it, I think the amount as per that paper, and without confirming it, a magnitude of roughly about $2.2 million.

Q.53 - So that is $2.2 million in savings in 2005?

MR. GALLANT: That's based on the -- that's based on the document that was presented to me yesterday.

Q.54 - And that seems reasonable?

MR. GALLANT: In an order of magnitude, you know, is it going to be 2.2, 2.5, 1.7? I had looked at the details. And there was a few things that I wanted to take question with, but --

Q.55 - It is in the ball park?

MR. GALLANT: In an order of magnitude.

Q.56 - So just -- really just the last point, just to put the $74,000 in context here, increased cost as a result of this proposed rate increase, Flakeboard wants to save $2.274 million rather than $2.2 million in 2005?

MR. GALLANT: I -- if you can promise me the $2.2 million as we sit here today? You know, I don't know if you can promise me that.

I mean, I'm not sure -- I mean, it is obvious that we are not looking to save -- I don't know what we are going to save I guess at the end of the day.

MR. HOYT: Thank you. I have no more questions for this witness. Thanks, Mr. Gallant.

CHAIRMAN: Mr. Hoyt, do you have that copy of that sheet of paper you gave the witness yesterday? Good.

MR. HOYT: Yes.

CHAIRMAN: I think it might be appropriate to put it in so that we have some idea of --

MR. HOYT: Yes.

CHAIRMAN: And also for the purpose of summation, your counsel, if you discover that there is something that you misunderstood or was misleading or not factual, you can let us know.

MR. HOYT: So that would be A-11, Mr. Chairman.

CHAIRMAN: If my memory serves me correctly, yes.

CHAIRMAN: Does Board counsel have any questions?

MS. DESMOND: No. Thank you, Mr. Chairman.

CHAIRMAN: Thank you.

BY THE CHAIRMAN:

Q.57 - Mr. Gallant, I'm just going to ask you the same questions that I put to the previous witnesses from The City of Saint John.

And that simply is were you the individual or did you sit in on the negotiations that occurred when you were connected to the gas network, et cetera?

MR. GALLANT: Yes. I was involved.

Q.58 - Did anybody from EGNB promise you savings?

MR. GALLANT: Yes, they did.

Q.59 - And did that take the form of saying that you are going to save 15 percent or you are going to save 30 or 10 or something like that?

MR. GALLANT: It was guaranteed a specific amount.

Q.60 - It guaranteed a specific amount?

MR. GALLANT: Yes.

Q.61 - I.e. dollars saved per year?

MR. GALLANT: Over a period of time, dollars over a period of time.

Q.62 - And are we approaching that at all?

MR. GALLANT: If --

Q.63 - Is that the 3,000,000 payback then that you thought or --

MR. GALLANT: If the numbers are correct that would be appropriate -- it would be in the range.

Q.64 - And you certainly have indicated to us that you -- I would characterize it as agonized over the decision of whether to switch or not?

MR. GALLANT: We did. We spent -- actually we started the process roughly in 2002. We had got to the point where we had signed and were ready to go. And then when prices started to take off we stopped. We said we weren't ready.

We weren't comfortable with the risk that was involved with the -- that we had seen at that point in time with the volatility of the oil and gas -- or the oil and -- or the gas market at that point in time. So we put the -- we halted the proceedings because of the volatility and the risk of the capital.

We were looking -- and we did look at a $2.2 million conversion cost. And we just weren't comfortable at that time to spend -- to commit ourselves to the $2.2 million based on our projected savings, you know, based on the projected savings from that expenditure.

CHAIRMAN: Yes. And those were your projections?

MR. GALLANT: That were our projections at the time.

CHAIRMAN: Yes. I see. Okay. Just an unrelated question. Have you gone ahead with any of your physical expansion there?

MR. GALLANT: We have not at this point in time.

CHAIRMAN: Is that possible in the future? Or does the change in exchange rates sort of put a damper on that again?

MR. GALLANT: We continue to work on a possible expansion. It is still on the table. There are very many factors to determine whether we will actually go ahead. But it is still on the table.

CHAIRMAN: Good. Thank you, Mr. Gallant. Any redirect, Mr. Lawson?

MR. LAWSON: Please, if I might, Mr. Chairman, just a couple of questions.

<u>REDIRECT EXAMINATION BY MR. LAWSON</u>:

Q.65 - Mr. Gallant, reference was made to the propane switch, if you will, and your heating costs in the winter, the heavier load in the winter.

What was the primary source of heating that you converted from for the purposes of -- or the heavier load in the winter?

MR. GALLANT: We converted from propane to natural gas.

Q.66 - Now just referring to A-11, the document that identifies the summary of the forecast savings, this was not prepared by you, correct?

MR. GALLANT: This was not -- you are correct.

Q.67 - And you say you have had an opportunity to look at the calculations were done for the purpose, correct?

MR. GALLANT: That is correct.

Q.68 - And you agree the order of magnitude seems to be in the right area at least?

MR. GALLANT: It would be in the ball park, yes.

Q.69 - Now that is based on a very fundamental assumption, is it not, with respect to the relative pricing of fuel?

MR. GALLANT: Well, it is based on the relative pricing of fuel, propane -- or sorry, the relative pricing of propane, oil and natural gas at a specific point in time.

Q.70 - And has Flakeboard ever prepared their own forecast for the coming year of the savings, that you can recall?

MR. GALLANT: Since we have converted?

Q.71 - Right.

MR. GALLANT: I have not completed a full forecast of that nature at this point in time.

Q.72 - Why not?

MR. GALLANT: I haven't felt it was valuable to forecast the year with the volatility aspect of those three commodities.

MR. LAWSON: Okay. Thank you.

CHAIRMAN: Just so I understand completely, the forecast figures in A-11 you have looked at, they seem to fit based upon the evidence that you submitted to us as to your projection at this time for the price of oil and the price of propane, et cetera?

MR. GALLANT: The numbers that we project -- or for our projections for oil and propane for the year, I'm assuming they were all done roughly around the same time. So I'm assuming that is the basis where it would be in that same order of magnitude.

CHAIRMAN: Okay. Thank you.

MR. HOYT: Mr. Chairman, just for the Board's information, the reason that Enbridge didn't include anything below just those monthly numbers was they didn't want to disclose any of Flakeboard's confidential pricing.

But my understanding is that Mr. Gallant met with Mr. Butler yesterday to be advised how those numbers were derived. So it wasn't just a matter of putting 12 figures in front of him.

CHAIRMAN: Okay. Thank you, Mr. Hoyt. Which leads me to sort of an observation and a little bit of concern when I see clients' names on accounts coming in.

I mean, it is one thing if that client or customer happens to be a party to the action -- or sorry, to the hearing with others. That was a little bit of concern. But that particular party who has introduced that evidence has gone to a hockey game.

Anyway, anything further? Mr. Lawson?

MR. LAWSON: Mr. Chairman, just arising out of that last question you asked the witness, I just thought it might be useful if the Board did refer to that forecast that is an attachment to the Interrogatory.

And it is Interrogatory number 7, page 2 of 2 which is the forecast I think to which the Chairman is referring. And I think it might be useful just to ask the witness if they anticipate that any price given on here in the future --

CHAIRMAN: You ask him, Mr. Lawson.

MR. LAWSON: Would you -- do you anticipate that the price that is given in here in your forecast that were in response to the Interrogatory will in fact be the price that you will pay in say June or July or August of this year?

MR. GALLANT: I couldn't guarantee that that would be the price we would have to pay at that point in time.

MR. LAWSON: Thank you.

CHAIRMAN: Well, thank you, Mr. Gallant.

What is your preference, counsel, as to summation? Do you want to do it orally? Do you want to do it in written form? What would you like to do?

MR. HOYT: We would be happy to do it in either form. I think two of the other three parties aren't here. So it is going to be difficult to have much of a discussion.

I would ask for some time. And there is a lot of information in this area. And we haven't looked at the transcripts and so on.

CHAIRMAN: You just relieved me. Because you are the man who is going to take the trip.

MR. HOYT: Pardon me?

CHAIRMAN: I say you have relieved me. Because you are the man who is going to take the trip. So if I set it -- next week is taken up with the system operator hearing, okay, on the electricity side. So we don't have any dates until after the Easter weekend. And you are looking at the 1st of April is when you had proposed to put your rates into effect.

So I think that with frankness I would like to have it oral. Because I do enjoy exchanges with counsel. But I do think that we can probably do it in our own boardroom rather than having to go to the hotel again.

So go ahead, Mr. Hoyt.

MR. HOYT: Well, I was just going to say -- I know that you have got that hearing Tuesday and Wednesday. I know I'm out of town from next Friday for the following week. What about Monday or Thursday?

CHAIRMAN: No. I have got to get the panel ready. We have to get ready for that two-day hearing.

MR. HOYT: What are you doing on Thursday?

CHAIRMAN: I'm before the Crown Corporation Committee of the Legislature at 9:00 in the morning, Mr. Hoyt. They have priority. So I'm booked.

MR. HOYT: The other thing --

CHAIRMAN: The Board is booked.

MR. HOYT: The only other thing -- and far be it for me to speak for Mr. Sorenson. But I know he is in the States. So in terms of him participating in oral argument, I don't know how that works. But we are quite happy I think to do it either way.

CHAIRMAN: I can't speak for Mr. Sorenson either. But from what I have observed he probably would enjoy it.

MR. HOYT: I think perhaps the biggest thing is that it be done prior to April 1st, so that the rates if approved or whatever are effective April 1st.

MR. LAWSON: Mr. Chairman, just --

CHAIRMAN: Anybody have a March calendar here? There is one right here.

MR. LAWSON: Mr. Chairman, just to complicate things a little bit --

CHAIRMAN: Oh, I knew it.

MR. LAWSON: Yes. As of shortly after noon on Tuesday of next week I'm out of town for more than I deserve to be --

CHAIRMAN: So you are taking --

MR. LAWSON: -- beyond April 1st.

CHAIRMAN: -- more than three days off?

MR. LAWSON: That is right. A way more than I deserve to be there. I won't be back until April 1st. And I think unfortunately because I haven't had anybody else here, it is hard to have somebody come and do argument in my place.

MR. HOYT: Mr. Chairman, again just with that April 1st kind of hanging there for us, we would be quite content -- I know you would like to do oral -- but to submit in writing by Tuesday or Wednesday -- I mean, it would be consistent with Mr. Lawson's schedule -- that we would submit the arguments by the middle of next week.

Then following your hearing, at some point between then and the end of the month, hopefully the Board would have an opportunity to consider them.

CHAIRMAN: Well, okay. What I'm going to suggest --

Mr. Lawson, is that fair? Is that possible? Let me put that that way.

MR. LAWSON: Mr. Chairman, I would assume that the intention would be to have the applicant submit argument and then I have a chance to respond.

MR. HOYT: You know what we would want then.

CHAIRMAN: Yes.

MR. LAWSON: Which is fine. I have no problem with that.

CHAIRMAN: Let me think. When are you back, Mr. Lawson?

MR. LAWSON: I'm embarrassed to admit not till April 11th. But I will be in contact. So I probably could deal with it in my absence --

CHAIRMAN: Yes. Well, my suggestion is this --

MR. LAWSON: -- in writing.

CHAIRMAN: -- is that everybody have their summation in by -- when is it that you leave?

MR. LAWSON: Tuesday.

CHAIRMAN: Of next week?

MR. LAWSON: Yes.

CHAIRMAN: And that is March 22?

MR. LAWSON: Yes.

CHAIRMAN: And then everybody has the opportunity to critique the other's summation for -- that would be Tuesday the 29th.

And we will -- we understand that you want to get those rates or whatever rates you are going to be allowed in force by the 1st of April.

And we will certainly do our darnedest to arrive at a decision and inform you. And it may well be a decision by e-mail.

MR. HOYT: That is fine. We appreciate the effort to do it by April 1st.

CHAIRMAN: And so we will inform the parties, the other parties who have left of what we are doing.

MR. HOYT: So we have till the end of the day on Tuesday?

CHAIRMAN: What is your end of day?

MR. HOYT: 5:00 o'clock.

CHAIRMAN: Sure.

MR. LAWSON: I should work for a big firm.

MR. HOYT: No, no. We are quite happy if it is midnight.

CHAIRMAN: No. I know -- with great frankness it makes no difference to us. Because we are going to be tied up in a hearing anyway.

The only thing is that I would like to get it in so that Mr. Lawson can take it with him.

MR. HOYT: Well, I'm leaving on the 25th. So I would like for us to have done our responses within a couple of days too.

CHAIRMAN: Well, the 25th. Anyway, you know, why don't you gentlemen talk.

MR. LAWSON: Those dates are fine.

MR. HOYT: No. They are fine. We will have it in by the end of the day on the 22nd and then replies by the end of the 29th.

CHAIRMAN: Okay. All right. Good. Thank you for your cooperation. And I will look forward to receiving the briefs as will my fellow Commissioners.

(Adjourned 5:00 p.m.)

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

Reporter