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<p>1 CHAIRMAN: 2 Q. Good morning, everybody. We're back with Mr. 3 Johnson, isn't it? 4 JOHNSON, Q.C.: 5 Q. Yes. 6 MS. GLYNN: 7 Q. In all of my reminders I forgot to mention 8 that we do have an undertaking filed, the 9 completion of undertaking number 1. It has 10 been distributed to all the parties. 11 MR. CASS: 12 Q. Mr. Chair, this is the undertaking from page 13 38 of yesterday's transcript that related to 14 the Canadian average for customer 15 satisfaction. 16 CHAIRMAN: 17 Q. Okay. Anything of a preliminary nature 18 further? 19 MR. DUMARESQUE: 20 Q. A point of order, Mr. Chairman. 21 CHAIRMAN: 22 Q. Yes. 23 MR. DUMARESQUE: 24 Q. Yesterday I asked and I was told by the 25 Consumer Advocate that the salary and bonuses</p>	<p>1 that to get further clarification on the 2 points. 3 CHAIRMAN: 4 Q. So you are going to deal with the matter 5 raised by? 6 MR. YOUNG: 7 Q. The Consumer Advocate. 8 CHAIRMAN: 9 Q. The Consumer Advocate? 10 MR. YOUNG: 11 Q. Correct. 12 CHAIRMAN: 13 Q. What about the matter raised by Mr. 14 Dumaresque? 15 MR. YOUNG: 16 Q. Well, we hadn't received a question to a 17 witness or request for information on that. 18 But we did have -- Mr. Dumaresque and I had a 19 brief conversation yesterday afternoon and 20 again this morning, so I'm getting a sense as 21 to the information he may require. 22 CHAIRMAN: 23 Q. Okay. 24 MR. DUMARESQUE: 25 Q. Mr. Chairman, I specifically asked both the</p>
<p>Page 2</p> <p>1 of the Nalcor executive would be a part of his 2 question to Newfoundland Hydro and that the 3 information would be tabled here this morning. 4 And Hydro has certainly just reminded me, it 5 misunderstood the question and that it will 6 not be provided. Obviously this is 7 inappropriate and certainly I don't understand 8 why that information is not going to be 9 available. It's actually been published in 10 2012 and 2013 and I don't know why it won't be 11 available this morning. 12 MR. YOUNG: 13 Q. Mr. Chair, I can speak to that. We have been 14 trying to address--there was a couple of 15 undertakings for Mr. Martin yesterday in a few 16 matters in which he said he would revert and 17 try to get the information. We've been 18 working on that and once we got the 19 transcript, we had a better sense, yesterday 20 evening, as to what the question was and I 21 have been speaking to Mr. Johnson about that. 22 I'm not sure that the point that Mr. 23 Dumaresque raised is exactly within the four 24 corners of the question that Mr. Johnson 25 asked. So we'll probably have to deal with</p>	<p>Page 4</p> <p>1 Consumer Advocate and the counsel for Hydro if 2 this specific information would be provided. 3 I didn't do it in an RFI obviously. I don't 4 have the time to do that. And there was no 5 misunderstanding. It's very clear and the 6 information was very clearly published in 2012 7 and 2013. Why isn't it published for 8 everybody in the Province for 2014? 9 CHAIRMAN: 10 Q. Okay. 11 JOHNSON, Q.C.: 12 Q. Mr. Chairman, I think that there's -- I think 13 there was some terminological inexactitude 14 used yesterday in terms of some of what was 15 being sought and what I would - 16 CHAIRMAN: 17 Q. What do you mean by terminological 18 inexactitude? That's -- are you saying 19 someone was telling a lie or not telling the 20 truth? 21 JOHNSON, Q.C.: 22 Q. No, no, not -- no, not - 23 CHAIRMAN: 24 Q. I don't like euphemisms. I like plain 25 ordinary language, Mr. Johnson.</p>

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<p>1 JOHNSON, Q.C.:</p> <p>2 Q. No, I -</p> <p>3 CHAIRMAN:</p> <p>4 Q. So what is a terminological inexactitude,</p> <p>5 please?</p> <p>6 JOHNSON, Q.C.:</p> <p>7 Q. Well, in the sense of what I had indicated at</p> <p>8 the hearing I was looking for, perhaps wasn't</p> <p>9 expressed as well as I would have liked it to</p> <p>10 when I saw the transcript. So, I think in</p> <p>11 future, I'm certainly going to be more careful</p> <p>12 as to how I term it. Now, having said that,</p> <p>13 if Mr. Dumaresque was wanting a piece of</p> <p>14 information put upon on the record, I would</p> <p>15 feel that it would be appropriate for him to</p> <p>16 indicate exactly what it is, so that I'm not</p> <p>17 ending up disappointing him as to what he</p> <p>18 thinks I've asked for and what I'm going to be</p> <p>19 getting.</p> <p>20 CHAIRMAN:</p> <p>21 Q. Um-hm.</p> <p>22 JOHNSON, Q.C.:</p> <p>23 Q. And so he's here at the hearing and if he</p> <p>24 wants to get information, by all means. But,</p> <p>25 you know, it would be -- I think it would be</p>	<p>1 Q. All right.</p> <p>2 MR. YOUNG:</p> <p>3 Q. I thought when he got the information with</p> <p>4 respect to the undertaking that Mr. Martin had</p> <p>5 given.</p> <p>6 CHAIRMAN:</p> <p>7 Q. So you spoke to Mr. Dumaresque?</p> <p>8 MR. YOUNG:</p> <p>9 Q. Very briefly, yesterday afternoon, and -</p> <p>10 CHAIRMAN:</p> <p>11 Q. Okay. Do you understand what Mr. Dumaresque</p> <p>12 was looking for?</p> <p>13 MR. YOUNG:</p> <p>14 Q. I thought it was within the same --</p> <p>15 essentially, he would get the information he</p> <p>16 was seeking from the information Mr. Johnson</p> <p>17 had sought, and from this morning's</p> <p>18 conversation, I have a feeling it's broader</p> <p>19 than that.</p> <p>20 CHAIRMAN:</p> <p>21 Q. Okay.</p> <p>22 MR. YOUNG:</p> <p>23 Q. Which is new to me. So, you know, we'll look</p> <p>24 into that.</p> <p>25 CHAIRMAN:</p>
<p>Page 6</p> <p>1 better for him, so that he would say exactly</p> <p>2 what he wants.</p> <p>3 MR. DUMARESQUE:</p> <p>4 Q. I got no problem saying what I want.</p> <p>5 CHAIRMAN:</p> <p>6 Q. But I'm not sure he could be any clearer, so</p> <p>7 Mr. Johnson, do you understand what Mr.</p> <p>8 Dumaresque is seeking?</p> <p>9 JOHNSON, Q.C.:</p> <p>10 Q. Well, I understand. I mean, is it going to be</p> <p>11 produced for Mr. Dumaresque?</p> <p>12 MR. YOUNG:</p> <p>13 Q. Mr. Chair, just to speak to this further</p> <p>14 briefly. When I spoke to Mr. Dumaresque</p> <p>15 yesterday, I misinterpreted his point, which -</p> <p>16 MR. DUMARESQUE:</p> <p>17 Q. Everybody misunderstood.</p> <p>18 CHAIRMAN:</p> <p>19 Q. Hang on now.</p> <p>20 (9:15 a.m.)</p> <p>21 MR. YOUNG:</p> <p>22 Q. Because I thought the question he asked would</p> <p>23 be within the four corners of what Mr. Johnson</p> <p>24 had asked.</p> <p>25 CHAIRMAN:</p>	<p>Page 8</p> <p>1 Q. You will deal with -</p> <p>2 MR. YOUNG:</p> <p>3 Q. We understand it better now.</p> <p>4 CHAIRMAN:</p> <p>5 Q. You will deal with Mr. Dumaresque's request,</p> <p>6 will you?</p> <p>7 MR. YOUNG:</p> <p>8 Q. We will.</p> <p>9 CHAIRMAN:</p> <p>10 Q. Okay. So Mr. Dumaresque, is that</p> <p>11 satisfactory?</p> <p>12 MR. DUMARESQUE:</p> <p>13 Q. Oh, I'm sure that's clear, but I don't</p> <p>14 understand why it can't be produced very</p> <p>15 quickly.</p> <p>16 CHAIRMAN:</p> <p>17 Q. Well, I mean, I'm sure Mr. Young will act with</p> <p>18 expeditiously.</p> <p>19 MR. DUMARESQUE:</p> <p>20 Q. Thank you.</p> <p>21 CHAIRMAN:</p> <p>22 Q. Okay.</p> <p>23 MR. YOUNG:</p> <p>24 Q. If I could just, further to this, Mr. Chair,</p> <p>25 if I might, it can't be avoided that sometimes</p>

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<p>1 undertakings are given by witnesses and that 2 questions come up during hearings that are 3 nuances that arise. But it is preferably, in 4 all these cases, if these questions come in 5 advance in writing. 6 CHAIRMAN: 7 Q. Yes. 8 MR. YOUNG: 9 Q. So that there's less misinterpretation. 10 CHAIRMAN: 11 Q. Yes. 12 MR. YOUNG: 13 Q. And also proper opportunity. It's difficult 14 in the middle of a hearing to stop things and 15 get the right people assigned. You know, we 16 were working late night at the office, 17 telephone conversations trying to figure this 18 out after the transcript came back. It's less 19 than ideal. 20 CHAIRMAN: 21 Q. Point well taken or well made. Okay. But you 22 do understand now? 23 MR. YOUNG: 24 Q. We do in this case, yes. 25 CHAIRMAN:</p>	<p>1 trying to ascertain yesterday. So the apples 2 to apples comparison is not there from 2014 to 3 2015, so a portion of that increase is the 4 fact that there was more people in Hydro or 5 assigned into Hydro in 2015 than there was in 6 2014, seven positions. 7 JOHNSON, Q.C.: 8 Q. Mr. Martin, there is a 380,000 -- or there was 9 \$380,000 paid in 2015 for 2014 and \$246,965 10 paid in 2014 and you're saying that there was 11 seven other -- seven new positions that 12 received money in 2015? 13 MR. MARTIN: 14 A. That's correct. 15 JOHNSON, Q.C.: 16 Q. Okay. And what was the -- can you provide an 17 undertaking to tell us what was the total 18 amount paid to the seven new people? 19 MR. MARTIN: 20 A. I have that already. 21 JOHNSON, Q.C.: 22 Q. Okay. 23 MR. MARTIN: 24 A. That would be \$107,197 25 JOHNSON, Q.C.:</p>
<p>1 Q. Okay. So back to you, Mr. Johnson. 2 MR. EDMUND MARTIN, CROSS-EXAMINATION BY THOMAS JOHNSON, 3 Q.C. (CONT'D) 4 JOHNSON, Q.C.: 5 Q. All right, thank you. Mr. Martin, yesterday 6 we were discussing PUB-456 having to do with 7 the short term incentive payments paid in 2015 8 in relation to the previous year's performance 9 and those eligible, as I understood it from 10 the answer to that RFI, included 21 positions, 11 including the COO and the VP of Hydro, the VP 12 of Systems Operation and Planning, and a 13 variety of other senior people with the result 14 that \$380,000 were paid out by way of short 15 term incentive payments. And you needed time, 16 as I understand it, to give us an explanation 17 for the incentive payments for the 2014 18 performance going up over the previous year, 19 despite what went on in 2014 with Dark NL and 20 the rest of it. 21 MR. MARTIN: 22 A. Right. So of the 21 positions that were 23 eligible, seven of those were new positions in 24 Hydro for that particular year that weren't 25 there before. So that's the information I was</p>	<p>1 Q. 100 and? 2 MR. MARTIN: 3 A. 107,197. 4 JOHNSON, Q.C.: 5 Q. So that tells me that the rest of the people 6 who received payments in respect of 2014 7 performance did in fact get more than they got 8 the year before even? 9 MR. MARTIN: 10 A. In total, yes. It was 272,998. 11 JOHNSON, Q.C.: 12 Q. Yes. 13 MR. MARTIN: 14 A. Versus the 246,965 15 JOHNSON, Q.C.: 16 Q. Okay. Mr. Martin, as I look at the question 17 that was asked in PUB-456, first of all, it 18 asked for you to -- for the company to state 19 the total actual 2014 incentive payments that 20 were paid. That was answered. The number of 21 employees who received an incentive payment 22 related to 2014 performance; that was not 23 answered in the RFI, but what's the answer 24 this morning? 25 MR. MARTIN:</p>

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1 A. 21.
 2 JOHNSON, Q.C.:
 3 Q. 21?
 4 MR. MARTIN:
 5 A. And I should just clarify, 21 positions. Now
 6 there's 22 people because one position, the
 7 person changed out during the year and it was
 8 prorated.
 9 JOHNSON, Q.C.:
 10 Q. Okay. And then the next part of the question
 11 asked for the list of positions that were
 12 eligible and that was provided in the
 13 attachment, I take it. Is that right?
 14 MR. MARTIN:
 15 A. Yes, it is.
 16 JOHNSON, Q.C.:
 17 Q. Okay. And it also asked the criteria or
 18 factors that were used to determine the amount
 19 of each incentive payment, and could you file
 20 or undertake for Hydro to file the factors,
 21 the criteria or factors that were used to
 22 determine the amount of each incentive payment
 23 received by these people?
 24 MR. MARTIN:
 25 A. Yes, I could. You're looking for the detail

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1 or did you want to talk about it now?
 2 JOHNSON, Q.C.:
 3 Q. Well, we can talk about it now, but I think it
 4 would be useful to have it for the record.
 5 MR. MARTIN:
 6 A. Sure.
 7 MS. GLYNN:
 8 Q. So we'll note that as an undertaking.
 9 MR. MARTIN:
 10 A. That's correct.
 11 JOHNSON, Q.C.:
 12 Q. Okay, all right. So I understand it, Mr.
 13 Martin, from the brief touching upon it
 14 yesterday, because we discussed very briefly
 15 PUB-32 which indicated that typically for
 16 Hydro's regulated operations the incentive
 17 payments are tied to measures, including asset
 18 management, financial performance and
 19 reliability?
 20 MR. MARTIN:
 21 A. That's correct.
 22 JOHNSON, Q.C.:
 23 Q. Okay.
 24 MR. MARTIN:
 25 A. I'm not sure if that's a total. Just repeat

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1 those again please.
 2 JOHNSON, Q.C.:
 3 Q. What I said was it includes asset management
 4 as well financial performance and reliability.
 5 MR. MARTIN:
 6 A. That's right. It also includes more.
 7 JOHNSON, Q.C.:
 8 Q. And includes more as well?
 9 MR. MARTIN:
 10 A. Yes, safety.
 11 JOHNSON, Q.C.:
 12 Q. Safety, yeah.
 13 MR. MARTIN:
 14 A. It includes actions related to the employee
 15 survey and employee -- plans to address
 16 employee needs, and in some cases, capital
 17 expenditure requirements for folks who are
 18 responsible for capital, and I think that
 19 covers the main ones. Each individual then
 20 might have some other more sub-ones that are
 21 more specifically related to their area, but
 22 those -- oh, and if I come back, it could be a
 23 combination, if you go back to the overall
 24 performance measures for the corporation that
 25 I talked about yesterday, it could include

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1 anyone of those, depending on the positions.
 2 So safety, environment, as you mentioned
 3 financial performance, asset management, in
 4 some cases capital, the reliability measures,
 5 a measure related to implementing things that
 6 we have put in place related to the employee
 7 engagement survey and also in some cases,
 8 measures we put in place for, you know, the
 9 community involvement of the leadership. So
 10 I'm not saying all of those are covered in
 11 each one, but whatever each individual has,
 12 you can trace it back to one of those in the
 13 overall plan.
 14 JOHNSON, Q.C.:
 15 Q. So the events of the winter of 2014 obviously
 16 involve reliability performance issues. Did
 17 any of these people get reliability incentive
 18 payments?
 19 MR. MARTIN:
 20 A. No, they did not.
 21 JOHNSON, Q.C.:
 22 Q. And the events of -
 23 MR. MARTIN:
 24 A. Mr. Johnson, maybe I should clarify that as
 25 well. If we step back for a second, I'll take

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1 safety as one example and then apply that to
 2 reliability. From a safety perspective, as I
 3 spoke about yesterday, there's a combination
 4 of leading objectives and lagging objectives.
 5 The lagging objectives would be things like
 6 your all incident frequency rate, which is an
 7 outcome at the end of the year. So whatever
 8 happened during the year, at the end of the
 9 year you measure it. That's obviously a
 10 lagging indicator. The leading indicator
 11 would be -- one leading indicator would be,
 12 you know, how many incident reports that an
 13 employee voluntarily puts in ahead of
 14 something happening to either warn of an issue
 15 or to suggest a change and those types of
 16 things. That would be something that is
 17 progressive and leading during the year to --
 18 it is designed to prevent something from
 19 happening in the future and improve the
 20 lagging ratio the next year round.
 21 So from a reliability perspective, that's
 22 a similar concept. With respect to the
 23 lagging indicators, which would be things such
 24 as a SAIFI or SAIDI outcome that would be
 25 lagging and there's no employees that I can

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1 recollect were paid out for that lagging
 2 indicators.
 3 JOHNSON, Q.C.:
 4 Q. How about the -
 5 MR. MARTIN:
 6 A. From a leading indicator perspective, the
 7 asset management objectives of that particular
 8 employee, which would be part of our long term
 9 asset plan in terms of what had to be
 10 implemented to improve reliability over the
 11 longer run, there would be objectives in their
 12 performance contract as well that if they had
 13 achieved those impacting future reliability,
 14 they would have received an incentive payment
 15 related to that.
 16 JOHNSON, Q.C.:
 17 Q. But, so we're clear on the fact that the
 18 payments made in 2015 are supposed to reflect
 19 performance in 2014, right?
 20 MR. MARTIN:
 21 A. That's correct.
 22 JOHNSON, Q.C.:
 23 Q. Right. And are you saying that people
 24 actually received compensation in relation to
 25 asset management performance in 2014?

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1 MR. MARTIN:
 2 A. In the context of things that were aimed at
 3 improving reliability in future years.
 4 JOHNSON, Q.C.:
 5 Q. But I mean, there was -- I mean, there's
 6 considerable asset management issues in 2014
 7 that led to, you know, a lot of the problems
 8 that we experienced and you're telling me
 9 notwithstanding that, that there was
 10 compensation paid for in respect of asset
 11 management?
 12 MR. MARTIN:
 13 A. As I mentioned, in performance measures that
 14 related to 2014 performance, there was nothing
 15 paid out on that, zero. But the work that has
 16 been done with respect to furthering the asset
 17 management program, those things have to
 18 continue, and I relate those to a leading
 19 performance measure for reliability. Some
 20 might not. I do. So I just wanted to make
 21 that clear and in that case, yes, there was
 22 some payments made.
 23 JOHNSON, Q.C.:
 24 Q. Mr. Martin, do you understand why it would be
 25 -- it would strike a lot of people as odd or

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1 remarkable that there could actually be more
 2 incentive pay paid out in respect of 2014
 3 performance, after everything that went on in
 4 that year, even when you adjust for the new
 5 people coming on board for eligibility? I
 6 mean, you know, do you understand why people
 7 could be reasonably asking how could that be?
 8 (9:30 a.m.)
 9 MR. MARTIN:
 10 A. The performance measure process follows a
 11 principle that we refer to as a balance score
 12 card and the balance score card is a
 13 recognition that someone's performance or the
 14 performance of the company is measured in
 15 several different ways. There's a balance to
 16 what has to be provided. There has to be a
 17 balance of cost, reliability, safety,
 18 financial performance of the company, as well
 19 as how we treat our employees and as well as
 20 how we operate within the community. So the
 21 purpose of the structure of the performance
 22 measures is to ensure that the managers and
 23 employees know that they can't just focus on
 24 one thing at the exclusion of others. So, in
 25 the event of a non-performance in one area,

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<p>1 obviously no payout. But in other areas, 2 they're still expected, in the course of a 3 given year, regards to what happens in one of 4 the other categories, they're still expected 5 to perform. Performance continues. Things 6 have to be dealt with and the company has to 7 move on with an eye to the future as well. 8 That's the intent of the balance score card. 9 So from a reliability perspective, in 10 terms of performance, for 2014, there was no 11 payout. But in the other areas that they were 12 expected to still perform for the current and 13 long term benefit of the company, yes, they 14 still had to carry on with that and meet those 15 goals in respect of safety, environment, et 16 cetera. If we didn't -- obviously if an 17 employee did not meet any safety goals that 18 were laid out, didn't meet any environmental 19 goals that were laid out, reliability, 20 financial performance, they treated and acted 21 improperly with respect to the employees, and 22 they were not doing what they had to do with 23 respect to the customer and community, there 24 would be zero payout. But they are still 25 expected to perform in each of those areas.</p>	<p>1 eight indicators of reliability that's 2 reported to the Board by Hydro, and now I'm 3 talking in relation to 2014, that Hydro missed 4 the mark on all of those as well, all eight? 5 MR. MARTIN: 6 A. I believe you're talking about the eight that 7 were on the screen yesterday, and that's what 8 it indicated, yes. There's other performance 9 measures, I do believe, that are reported to 10 the Board in a quarterly report as well, and I 11 wasn't referring to those. 12 JOHNSON, Q.C.: 13 Q. Yeah, I'm referring to the eight reliability 14 KPIs. 15 MR. MARTIN: 16 A. Right, I understand. 17 JOHNSON, Q.C.: 18 Q. So it was missed in 2013 and it was -- and 19 none of the targets again were achieved in 20 2014? 21 MR. MARTIN: 22 A. That's correct. 23 JOHNSON, Q.C.: 24 Q. Mr. Martin, yesterday one of the undertakings 25 I asked for was the performance targets for</p>
<p>Page 22</p> <p>1 JOHNSON, Q.C.: 2 Q. In relation to the asset management piece, Mr. 3 Martin, do you know how many of the 21 4 eligible received monies in relation to asset 5 management performance for 2014? 6 MR. MARTIN: 7 A. Not offhand. I have to -- I think when we -- 8 when the information is filed it should 9 indicate that. 10 JOHNSON, Q.C.: 11 Q. You didn't look at that yesterday? 12 MR. MARTIN: 13 A. No, I didn't. 14 JOHNSON, Q.C.: 15 Q. So I take it that we would be in agreement 16 that, from your point of view, 2014 was not 17 satisfactory reliability in Hydro? 18 MR. MARTIN: 19 A. That's correct. 20 JOHNSON, Q.C.: 21 Q. Right. And yesterday, there was a document -- 22 there was some discussion this last day or two 23 regarding how Hydro did on reliability KPIs in 24 respect to 2013, and just to confirm your 25 understanding, Mr. Martin, that out of the</p>	<p>Page 24</p> <p>1 the past three years. You recall asking -- my 2 asking for that undertaking? 3 MR. MARTIN: 4 A. Yes, I do. 5 JOHNSON, Q.C.: 6 Q. And in going through the transcript last 7 evening, I think I should also ask you this 8 morning to undertake how the results compared 9 to the targets for 2013 and 2014 as well, 10 because I presume you're going to give me, in 11 the undertaking, the performance targets for 12 '13 and '14 and '15, and I want to see how 13 your results matched up with the targets that 14 you are relying on internally at Hydro. Is 15 that clear, Mr. Martin? 16 MR. MARTIN: 17 A. Yes, it is. 18 JOHNSON, Q.C.: 19 Q. Okay. 20 MS. GLYNN: 21 Q. We'll note that as an undertaking on the 22 record as well. 23 JOHNSON, Q.C.: 24 Q. Okay, thank you. Mr. Martin, the other point 25 I noticed in going through the transcript last</p>

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<p>1 evening, yesterday I asked for the performance 2 contracts for the past two years for senior 3 management level below Mr. Henderson, and I'd 4 like for you to undertake to provide those for 5 the leadership team more broadly. Okay?</p> <p>6 MR. MARTIN: 7 A. Yes.</p> <p>8 MS. GLYNN: 9 Q. And again, noted on the record.</p> <p>10 JOHNSON, Q.C.: 11 Q. Mr. Martin, on the issue of customer 12 satisfaction, I think you confirmed that since 13 2013, Hydro has dropped your customer 14 satisfaction target from greater than 90 15 percent satisfaction to greater than 80 16 percent satisfaction. Is that correct?</p> <p>17 MR. MARTIN: 18 A. That's correct.</p> <p>19 JOHNSON, Q.C.: 20 Q. And Hydro did not carry out any survey of 21 customer satisfaction in 2013? Is that 22 correct?</p> <p>23 MR. MARTIN: 24 A. That's correct.</p> <p>25 JOHNSON, Q.C.:</p>	<p>1 MR. MARTIN: 2 A. I think I should -- I think I was talking 3 about 2015. We haven't set the target for 4 2016 yet.</p> <p>5 JOHNSON, Q.C.: 6 Q. Okay. And Mr. Martin, I understand that a 7 decision has been taken not to actually survey 8 customer satisfaction on a yearly basis. 9 Hydro used to and then it stopped doing it on 10 a yearly basis and went to every two years. 11 Is that your understanding?</p> <p>12 MR. MARTIN: 13 A. That's my understanding.</p> <p>14 JOHNSON, Q.C.: 15 Q. Okay. And -</p> <p>16 MR. MARTIN: 17 A. Excuse me, Mr. Young, can you move forward a 18 little bit again?</p> <p>19 MR. YOUNG: 20 Q. Going to have to shift the table. Apologize.</p> <p>21 JOHNSON, Q.C.: 22 Q. Mr. Martin, I guess in light of recent 23 performance, do you think that the decision to 24 survey every two years should be revisited so 25 that you're getting a sense year by year as to</p>
<p>Page 26</p> <p>1 Q. And you indicated yesterday that -</p> <p>2 MR. MARTIN: 3 A. And I may need to check some of these dates 4 with some of my staff at some point, and to my 5 recollection -</p> <p>6 JOHNSON, Q.C.: 7 Q. Okay. So we'll take that subject to check.</p> <p>8 MR. MARTIN: 9 A. Subject to check, but it sounds correct.</p> <p>10 JOHNSON, Q.C.: 11 Q. Okay. And you indicated yesterday, I do 12 believe, that even in 2016, the target will 13 still be not up to 2013 levels? You'll still 14 be targeting greater than 80 percent. So it's 15 less -- even in 2016, you're targeting less 16 than Hydro used to target?</p> <p>17 MR. MARTIN: 18 A. In -</p> <p>19 JOHNSON, Q.C.: 20 Q. In customer satisfaction.</p> <p>21 MR. MARTIN: 22 A. In 2016?</p> <p>23 JOHNSON, Q.C.: 24 Q. Yes. I think that's what you indicated 25 yesterday.</p>	<p>Page 28</p> <p>1 where you are on something as important as 2 customer satisfaction?</p> <p>3 MR. MARTIN: 4 A. Two answers to that. One, I'd like to defer 5 to the panel that's going to be handling that 6 for confirmation and some more thought on 7 that. From my perspective, I believe that 8 when you do survey work, it's more effective 9 to examine the results of the survey, put a 10 plan in place and in many cases you need more 11 than one year to be able to measure, you know, 12 any particular improvement or degradation in 13 what has happened. You get your survey in. 14 You find out, you know, where you may need to 15 improve. You put a plan in place. That takes 16 a series of months usually. And then you 17 implement the plan and I think at a minimum it 18 would take another year to see if there's 19 results of that plan came to fruition. So 20 that would be my logic for going to a two-year 21 cycle rather than a one-year cycle.</p> <p>22 JOHNSON, Q.C.: 23 Q. But everything else in terms of your KPIs on 24 reliability that get filed, I mean, you've set 25 targets annually. What would be -- is there a</p>

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<p>1 distinction, you know, that you see?</p> <p>2 MR. MARTIN:</p> <p>3 A. It would be exactly same the thing. As I</p> <p>4 mentioned yesterday in several of the</p> <p>5 performance measures, we put a multi-year plan</p> <p>6 in place. So, you know, with respect to</p> <p>7 safety or with respect to asset management, as</p> <p>8 I've used before, when you start that process,</p> <p>9 you do a gap analysis. You determine where</p> <p>10 you -- you know, either survey or other</p> <p>11 information where you have to make</p> <p>12 improvements. You put a plan in place and for</p> <p>13 things such as this, it's generally a multi-</p> <p>14 year plan. Things generally don't change in a</p> <p>15 series of months. So we put a multi-year plan</p> <p>16 in place and then when we set the annual</p> <p>17 objective for that year, we take the portion</p> <p>18 of that three to five year plan that relates</p> <p>19 to that year and set the performance measures</p> <p>20 on that. The following year, we take the next</p> <p>21 year. So I would see that as the same</p> <p>22 process.</p> <p>23 JOHNSON, Q.C.:</p> <p>24 Q. So I guess, let me put it this way, in rather</p> <p>25 blunt terms. Are you -- you're not in favour</p>	<p>1 exception to one of the comments you just</p> <p>2 made. You mentioned and filled in some words</p> <p>3 which I didn't say. You indicated that I</p> <p>4 suggested if you take out an event or two</p> <p>5 we're not doing too bad or not doing so bad.</p> <p>6 I take exception to that comment. I don't see</p> <p>7 it that way at all."</p> <p>8 Now I want to get some clarity on this</p> <p>9 because the passage that I was referring to</p> <p>10 what you had said on Wednesday is at page 61</p> <p>11 of the Wednesday transcript. And it starts at</p> <p>12 line one on page 61 and I'll just read it.</p> <p>13 "The second thing that we've been looking at</p> <p>14 is how are we doing with respect to the system</p> <p>15 average interruption frequencies and the</p> <p>16 duration of those frequencies at the direct</p> <p>17 customer level, the direct residential</p> <p>18 customer level over time. When we adjust for</p> <p>19 Hurricane Igor and the major sleet storm of a</p> <p>20 couple of years ago, and when we take out the</p> <p>21 January events of the past two years to</p> <p>22 compare how we're doing overall in those</p> <p>23 cases, our duration of outages directly to the</p> <p>24 customers is less than the Canadian average</p> <p>25 and the frequency is slightly more than the</p>
<p>1 of going back to surveying annually?</p> <p>2 MR. MARTIN:</p> <p>3 A. I'd like to defer to the panel on that. My</p> <p>4 instructions are obviously customer service is</p> <p>5 paramount. The customers are the most</p> <p>6 important stakeholder we have. I go to</p> <p>7 professionals and say when you're designing</p> <p>8 and implementing survey work in improvements,</p> <p>9 you know, please put those actions together</p> <p>10 with respect to how best to achieve that. If</p> <p>11 they -- if I was advised that an annual survey</p> <p>12 was the best way to go by the folks who are</p> <p>13 handling that for me, I would certainly agree</p> <p>14 with that.</p> <p>15 JOHNSON, Q.C.:</p> <p>16 Q. Mr. Martin, finally on the reliability piece,</p> <p>17 you took exception yesterday to the way I</p> <p>18 phrased a question to you as regards</p> <p>19 reliability. I said in the preamble to my</p> <p>20 question, and I quote, "I guess what put me</p> <p>21 onto that a bit more was your discussion</p> <p>22 yesterday that, you know, if we backed out an</p> <p>23 event here or there that we're not doing too</p> <p>24 bad." And you said, in taking exception to</p> <p>25 that, quote, "so first, I'd like to take</p>	<p>1 Canadian average, less than one additional</p> <p>2 outage" and it should be per loss.</p> <p>3 And you go on to say "The generation</p> <p>4 availability for Hydro for a our hydro system,</p> <p>5 for our hydro assets, is favourable compared</p> <p>6 to the rest of the country and generation</p> <p>7 availability for Holyrood is favourable when</p> <p>8 we adjust for the '13 and '14 events compared</p> <p>9 over the long haul, the generation available</p> <p>10 for Holyrood is not as favourable as the</p> <p>11 hydro, but still on average similar to other</p> <p>12 jurisdictions."</p> <p>13 (9:45 a.m.)</p> <p>14 And now you took exception to my</p> <p>15 understanding, so perhaps having looked at</p> <p>16 those words, you can tell us, you know,</p> <p>17 exactly what were you meaning to tell us by</p> <p>18 what you said on page 61?</p> <p>19 MR. MARTIN:</p> <p>20 A. I would repeat what I said there. It's the</p> <p>21 same thing. I don't want to read it out to</p> <p>22 you again.</p> <p>23 JOHNSON, Q.C.:</p> <p>24 Q. Yeah, I mean, isn't the point that you were</p> <p>25 trying to make is that if you took out some</p>

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1 key events that you're not looking that bad on
 2 reliability on these two indicia? That's what
 3 I thought you were saying.
 4 MR. MARTIN:
 5 A. Well, you would be wrong in that because it
 6 doesn't say that there. The issue I took
 7 exception to yesterday was I was giving some
 8 data here and giving some factual information.
 9 Those statements stand. When you go on and
 10 suggest that in a tone or in a pejorative
 11 nature suggesting that I'm dispensing with the
 12 events of '13 and '14 as if they don't count
 13 or we're not interested in that. If that was
 14 your intent, in terms of saying something like
 15 I don't think it's that bad when I didn't say
 16 it, if that's your intent, I took exception to
 17 that. And that wasn't your intent, well
 18 that's clearer for me now and I apologize for
 19 taking exception to it, but the key point for
 20 me is I don't want anyone to suggest in a
 21 question or in a way something is addressed
 22 that I don't care deeply about and am deeply
 23 impacted by the '13 and '14 events. That's
 24 simply what I'm trying to say. This was data.
 25 The '13 and '14 events were, you know,

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1 dominated the company and my thinking then and
 2 it does now. So that was the point I was
 3 trying to clarify. If that's not what you
 4 meant or if it was a misstatement, fine, I
 5 apologize for saying that as well, but I just
 6 want to put on the record and be clear that
 7 that's my key point I want to leave here in
 8 front of everybody is those events were, you
 9 know, dominated mine and the company's
 10 thinking since they've happened and now.
 11 That's what I was trying to clarify yesterday.
 12 JOHNSON, Q.C.:
 13 Q. And I don't raise it over the offence issue at
 14 all. I mean, that's beside the point, but I
 15 guess, what I took the passage to mean to say
 16 that, you know, if -- that you seem to be
 17 making a point that if you excepted -- I'm not
 18 saying you minimized the events in any way,
 19 don't take them seriously, but you were trying
 20 to make a point that if you take those out of
 21 the data, our data looks to be online with
 22 some Canadian averages, and I -- to be honest,
 23 I didn't know where that was going because I
 24 couldn't understand for the life of me why you
 25 would take data points that represent events

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1 of January of the last two years. I couldn't
 2 understand that.
 3 MR. MARTIN:
 4 A. Well, I referred to this yesterday in my
 5 testimony. So maybe I can re-explain what I -
 6 - you know, that again and repeat what I said
 7 yesterday. One section of my testimony when I
 8 was talking about performance measures, I was
 9 indicating that it was essential to break the
 10 performance measures down and understand where
 11 the issues actually relate to, so that when
 12 you're putting improvement processes in place,
 13 you're doing it in the right places and not in
 14 places that it's not needed. So, in this
 15 particular case here, I'm giving some data to
 16 say if you take out those particular events,
 17 this is a series of facts. Those events by
 18 themselves you want to spend your focus on
 19 that particular event and the assets and
 20 issues that were surrounding that event, which
 21 we've done extremely thoroughly with our own
 22 internal review. We put significant plans in
 23 place and we're still executing those with
 24 respect to the outcome of our investigation on
 25 those particular events.

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1 As far as the rest of the assets go, the
 2 rest of the operation, we have to look at
 3 those through the lens of is there an issue or
 4 not, because you don't want to be spending
 5 money in areas you don't have to spend money.
 6 And that was more the concept I'm talking
 7 about here. This was a data point.
 8 JOHNSON, Q.C.:
 9 Q. Mr. Martin, I'd like to turn to the issue of
 10 the new deferral account request that Hydro is
 11 making and Mr. O'Brien touched on this in his
 12 examination of you. These are the Isolated
 13 System supply cost variance deferral account,
 14 the energy supply cost variance deferral
 15 account, the Holyrood conversion rate deferral
 16 account. And Mr. Martin, the question that I
 17 have for you is in light of the higher return
 18 that Hydro is seeking and has a directive in
 19 respect of, why would it also be seeking to
 20 shift financial risk to customers and away
 21 from itself by virtue of these account
 22 mechanisms?
 23 MR. MARTIN:
 24 A. Two key reasons, I believe. One is when we
 25 compare our return to utilities such as

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1 Newfoundland Power and other utilities across
 2 the company (sic), we would be the same as
 3 Newfoundland Power and in many cases, less
 4 than utilities across the country. Our risk
 5 profile generally, from a generation large
 6 transmission perspective versus a distribution
 7 utility is generally accepted to be higher
 8 risk type of operation. There's more elements
 9 in there than a distribution utility, but in
 10 any event, compared to these types of
 11 utilities across the country, we certainly
 12 would be at the lower end of that return. We
 13 looked at, you know, the usage of deferral
 14 accounts in companies like Newfoundland Power
 15 or across the country and these are common
 16 practice in those particular areas across the
 17 country, very similar types of things that
 18 we're looking at. So, we felt that it was,
 19 you know, essential to be treated at least --
 20 at the least of those companies, you know, at
 21 the very least.

22 The second point is, you know, we look at
 23 the financial viability of a company such as
 24 Newfoundland and Labrador Hydro, it's
 25 essential. We're obviously here for the long

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1 term, forever, to provide electricity to
 2 customers. To do that, we do need to have a
 3 strong financial position. Two reasons for
 4 that. One is obviously, you know, for
 5 financing and to be able to focus the right
 6 amount of investment into the assets. And
 7 secondly, if that doesn't occur and there is
 8 situations where our income and available cash
 9 to invest in the assets as per the plan is
 10 diminished, then that would end up resulting
 11 in work not being done that should be done or
 12 deferred and in the long run, over time, if
 13 you don't do or defer costs related to work
 14 that has to be done to maintain the assets,
 15 then that, in the longer run, will increase
 16 costs to the customer and it will decrease
 17 reliability to the customer more so than if
 18 you had done the proper work.

19 JOHNSON, Q.C.:
 20 Q. So does Hydro defer work presently in the
 21 absence of these accounts?
 22 MR. MARTIN:
 23 A. Not for the reasons I talked about. In our
 24 case, we would -- if we currently defer work,
 25 I go back to my discussion yesterday. Within

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1 the asset management plan, it's set. On an
 2 annual basis, if there is a change, we have a
 3 management of change process and if something
 4 is going to be deferred, it has to be
 5 supported as to why and it would be replaced
 6 by some other work that has to be done now, so
 7 there's an exchange. And if that can be done,
 8 it's done. If it's not done, then we would
 9 have to either defer it or absorb the cost of
 10 not deferring it, and in the long run, that's
 11 not a good place to be.

12 JOHNSON, Q.C.:
 13 Q. But there will be no material difference
 14 between Hydro's approach to deferring work
 15 whether or not you have these deferral
 16 accounts, correct?
 17 MR. MARTIN:
 18 A. I think there would be. It depends on the
 19 risk profile. If these deferral accounts are
 20 not in place and say the company takes a
 21 negative hit because of that in a given year,
 22 in over a series of years, then your available
 23 cash to put into the operation to do the work
 24 you need to do would be diminished. That
 25 would cause a deferral of work or not doing

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1 some work because where else would the cash
 2 come from?
 3 JOHNSON, Q.C.:
 4 Q. But I mean, these are risks that -- first of
 5 all, you accept the premise -- I take it from
 6 your answer, you accept the premise that I put
 7 to you that you are -- there's no two ways
 8 about it that you're looking to shift this
 9 risk to the customer, right?
 10 MR. MARTIN:
 11 A. That's correct.
 12 JOHNSON, Q.C.:
 13 Q. Okay. And if we could bring up PUB-056 for a
 14 second?
 15 MS. GRAY:
 16 Q. Revision one?
 17 JOHNSON, Q.C.:
 18 Q. Revision one. Mr. Martin, this question asked
 19 "what is the increase in the 2013 revenue
 20 requirement due to increasing the return on
 21 equity to 8.8 percent instead of Hydro's
 22 marginal cost of debt, including all rural
 23 assets which were previously excluded in the
 24 calculation of rate base?" And if we to the
 25 attachment, I think you'll confirm that on

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1 line 22 we see that the impact is something in
 2 the order of 23 million dollars.
 3 MR. MARTIN:
 4 A. I see that.
 5 JOHNSON, Q.C.:
 6 Q. Okay. And those were monies that weren't
 7 being asked of customers until this
 8 application, correct?
 9 MR. MARTIN:
 10 A. That's correct.
 11 JOHNSON, Q.C.:
 12 Q. But you're seeking to include that in your
 13 revenue requirement at this point and so it's
 14 a major jump in the amount of return on equity
 15 that Hydro is looking for and then on top of
 16 that, you're saying "and please take these
 17 risks from us that we've always had and you
 18 take those too." Have I got that? Is that
 19 the concept?
 20 MR. MARTIN:
 21 A. That's the concept, with the addition of the
 22 fact of an important point being is what makes
 23 Newfoundland and Labrador Hydro different than
 24 a Newfoundland Power or any other utility
 25 across this country with respect to that. The

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1 difference is that there's a huge gap there in
 2 terms of the risk profile from where we're
 3 starting from and what we're doing in a manner
 4 that's prudent from operating a company and
 5 comparing ourselves from a risk basis to other
 6 companies across Newfoundland and Labrador in
 7 our similar sector and across the country,
 8 we're saying is that we have to get ourselves
 9 established in a stronger financial position
 10 over time and to compare to other companies in
 11 that fashion for the purpose of implementing
 12 this asset management plan that I've
 13 continually talked about. In looking at the
 14 investments that we're going to have to make
 15 over time with our aging assets, to keep them
 16 up and running, you know, to replace those
 17 assets in some particular cases and looking at
 18 the risks that's associated with that, we feel
 19 it's essential that the company be put in a
 20 financial position that would be at least
 21 comparable to the least of the other utilities
 22 across the country. I think it's essential
 23 from the strength of the company, the future
 24 of the company and to execute the plans that
 25 we have in place for the benefit of the

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1 customers.
 2 And as I mentioned earlier, you know,
 3 we've done some research across the country as
 4 well and from a deferral account perspective,
 5 once again, we're just attempting to put
 6 ourselves in the same position as a
 7 Newfoundland Power or other utilities across
 8 the country are in from a risk perspective.
 9 JOHNSON, Q.C.:
 10 Q. But Mr. Martin, I mean, I wonder what -- there
 11 would be, I take you to accept, absolutely no
 12 incentive in Hydro to make good forecast in
 13 relation to any of the variables that you want
 14 to cover off because now they can just be put
 15 into these accounts and it all comes out in
 16 the wash. The risk is transferred to the
 17 customer. I mean -
 18 (10:00 a.m.)
 19 MR. MARTIN:
 20 A. Well, Mr. Johnson, I believe on two of three
 21 requests that we have put in a range, a band
 22 that we would assume some risk on that for
 23 that purpose. So, certainly we would operate
 24 in that fashion anyway to make the right
 25 forecasts. I mean, our people are

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1 professional and they want to do the right
 2 thing and they are driven to do that, but in
 3 addition to that, from an incentive
 4 perspective, in two of the three we have put
 5 in a range of risk that the company would take
 6 to cover off that concern. And outside of
 7 that we are making the request that you stated
 8 before.
 9 JOHNSON, Q.C.:
 10 Q. One of the things that strikes me, Mr. Martin,
 11 and you can talk about comparing yourself to
 12 these other utilities and their returns, but
 13 these other utilities are not getting the
 14 benefit of a directive, right, so that when
 15 they go into a General Rate Application,
 16 there's a big Cost of Capital Application,
 17 there's a huge debate, there's back and forth,
 18 there's experts indicating, you know, what the
 19 business risks are, the regulatory risks are.
 20 Hydro is not subject to any of that on account
 21 of the directive, right?
 22 MR. MARTIN:
 23 A. Well, I think we're talking about some of it
 24 right now, but in any event, and I assume that
 25 - I'd have to check with my legal people, but

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1 by virtue of my experience so far in hearings
 2 like this, it doesn't seem to be much that's
 3 not discussed if folks want to discuss it, but
 4 putting that aside, you know, there is a
 5 directive in place and it is what it is.
 6 JOHNSON, Q.C.:
 7 Q. Let's put it this way, you didn't have to call
 8 any cost of capital expert to indicate what
 9 you're looking for by way of a return on
 10 equity because the directive did it for you,
 11 correct?
 12 MR. MARTIN:
 13 A. That's correct, but neither does that change
 14 the risk profile of the company.
 15 JOHNSON, Q.C.:
 16 Q. But I fail to see your point on that, Mr.
 17 Martin, because at the end of the day the
 18 directive is set, right? I mean, you know, to
 19 a certain degree - I think I'm missing your
 20 point. I mean, these other utilities go into
 21 regulatory proceedings and have to establish
 22 what their business risks are, the regulatory
 23 risks, call cost of capital evidence, and, you
 24 know, there's a debate about that, but you
 25 don't have to do that any more, you've got a

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1 directive that solves all that for you. So I
 2 don't know - I don't know where we have the
 3 opportunity to debate these issues any more,
 4 frankly.
 5 MR. MARTIN:
 6 A. Well, this line of questioning, in my
 7 understanding, started off with talking -
 8 asking me about the deferral accounts and my
 9 view on why they would be necessary in the
 10 context of a rate of return changing. The
 11 rate of return changing is a directive and by
 12 virtue of that, I can't really speak to the
 13 directive, it's a directive to the company.
 14 So that's a piece of data I'm dealing with.
 15 You asked about the deferral accounts, I was
 16 then going ahead to make the point in answer
 17 to that, that risk profile is similar and
 18 probably somewhat higher than many utilities
 19 across the country, and I was indicating that
 20 - you said deferral accounts such as this in
 21 the context of the rates of return that we're
 22 talking about in those companies. We will be
 23 no different than those companies in that
 24 particular case. That's the point I was
 25 trying to make. As far as getting into the

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1 directive, there's not much I can share with
 2 you on that. I didn't make the directive.
 3 JOHNSON, Q.C.:
 4 Q. So it really does come down to we can't - you
 5 don't get tested like these other companies do
 6 in a cost of capital setting, but you're
 7 saying give us what they've got in terms of
 8 some of these deferral accounts?
 9 MR. MARTIN:
 10 A. No, I was using that as an example to say
 11 other companies have it, and I was using that
 12 - and then I went to talk about our risk
 13 profile and I went on to talk about why it's
 14 important for Hydro to have financial
 15 strength. This risk could inadvertently
 16 affect Newfoundland and Labrador Hydro's
 17 strength, and that in turn could have a
 18 negative effect on the customer because if it
 19 caused us to defer or stop any type of work,
 20 in the long run that would end up costing the
 21 customer more and provide less reliability to
 22 the customer. That's the point I was making.
 23 JOHNSON, Q.C.:
 24 Q. But, Mr. Martin, you've had access to this
 25 directive going back four or five years. I

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1 think it was in '09 that that directive came
 2 out and you didn't file a case to come in and
 3 say, you know, we need to get this heightened
 4 return because it's - you know, allow us to do
 5 our work and not have to defer things, so I
 6 must say I'm a bit flummoxed by why it's so
 7 important now after all these years where you
 8 could have come in and had the return?
 9 MR. MARTIN:
 10 A. Well, I spoke about this yesterday as well, if
 11 we refer to the transcript, I indicated that
 12 we do believe that in a roughly two to three
 13 year timeframe we should be back in front of
 14 the Public Utilities Board on a regular basis.
 15 Over the past five to six years that hasn't
 16 happened, and I indicated there's a series of
 17 reasons for that, which some of the panels are
 18 going to get into in more detail, but I did
 19 state that the reasons for that were sound and
 20 decisions were made at the time considering a
 21 broad array of things. One key thing being
 22 that the customer would not be adversely
 23 impacted by that, and in that context, how the
 24 customer wasn't adversely impacted, there were
 25 several ways that was handled and there were

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<p>1 several ways the company was able to access 2 additional cash and capital to cover it off, 3 and those provisions were made within the 4 bounds of those decisions. So what's changed 5 now is that that's behind us, and right now 6 we're being faced with a very, very serious 7 return issue, a very serious financial issue, 8 and the reason we're here now is that we 9 cannot protect the customer any more, we need 10 to have this now and we need it for the 11 reasons I stated, with respect to the 12 financial strength of Hydro is essential.</p> <p>13 CHAIRMAN: 14 Q. Can I just make one quick point. I mean, 15 you're talking about the risks. What about 16 the malinvestment issue? I mean, I can look 17 at Light and Power's equity base and I can say 18 the market has evaluated that equity base. I 19 can't look at your equity base, and all I can 20 see is the costs. We don't know what market 21 value that has, do we? I mean, the only way 22 you can determine value, as far as I can 23 understand, is in the marketplace, so with 24 respect to your equity base, there's no way of 25 knowing - we know what it costs, but what is</p>	<p>1 MR. MARTIN: 2 A. Obviously, it can't be handled in the market 3 because we're Crown owned. So as far as a 4 share price, you're right, it can't exist. 5 That doesn't mean we can't put a value on the 6 equity because we have - we go out, we make 7 investments, the investments are approved 8 through this, we know what the investments 9 cost, they're depreciated on a -</p> <p>10 CHAIRMAN: 11 Q. The investments are approved through what? 12 MR. MARTIN: 13 A. Through the capital process here, capital 14 group of process at the PUB.</p> <p>15 CHAIRMAN: 16 Q. Well. 17 MR. MARTIN: 18 A. Each year we put in a capital program.</p> <p>19 CHAIRMAN: 20 Q. Certainly didn't happen with respect to 21 Muskrat Falls. 22 MR. MARTIN: 23 A. Well, that's a decision that's outside 24 Newfoundland and Labrador Hydro's perspective, 25 and with respect to Muskrat Falls with respect</p>
<p>1 it worth?</p> <p>2 MR. MARTIN: 3 A. What it's worth would be summarized in the 4 financial statements, basically.</p> <p>5 CHAIRMAN: 6 Q. No, but it's not based on anything other than 7 what it's booked at, is it? I mean, they book 8 - Newfoundland Power book - makes an 9 investment in renewing their assets or 10 extending their assets, the market implicitly 11 does an evaluation, I guess, through Fortis, 12 but the company is set up on a standalone 13 basis, so we get accurate information about 14 investments that that company makes because 15 the market determines that these investments 16 are worth it, and it's reflected in the stock 17 price, but we don't have any information 18 regarding your equity base beyond what it 19 costs. We don't know what it's worth in the 20 market, which is the only way you can 21 determine value.</p> <p>22 MR. MARTIN: 23 A. Obviously, it can't be handled -</p> <p>24 CHAIRMAN: 25 Q. I'm sorry for interrupting, but I -</p>	<p>1 to this hearing, for instance, Muskrat Falls 2 issue is outside of this hearing and it's 3 outside of this particular year.</p> <p>4 CHAIRMAN: 5 Q. I understand. 6 MR. MARTIN: 7 A. You know, that could be a discussion for the 8 future, but as far as this particular GRA is 9 concerned, Muskrat is not impacted.</p> <p>10 CHAIRMAN: 11 Q. No, but it's a big asset that Hydro is going 12 to have to deal with in its rates. 13 MR. MARTIN: 14 A. That's correct, but not this year is what I'm 15 saying. 16 CHAIRMAN: 17 Q. Well, it's coming. 18 MR. MARTIN: 19 A. Sure. 20 JOHNSON, Q.C.: 21 Q. That's for sure. 22 CHAIRMAN: 23 Q. I'm sorry, Mr. Johnson, but it's - 24 JOHNSON, Q.C.: 25 Q. That's okay, Mr. Chair. The part of the</p>

<p style="text-align: right;">Page 53</p> <p>1 change with the new return on equity direction 2 is that previously when the Board was setting 3 the ROE, it didn't - in the last number of 4 years, it didn't permit a return on certain 5 assets of the company, certain rural assets, 6 right? You're aware of that. 7 MR. MARTIN: 8 A. That's correct. 9 JOHNSON, Q.C.: 10 Q. And the directive changes that, and I guess 11 this ties into the rural rate subsidy that has 12 reached very, very high levels over the past 13 number of years in the sense that these rural 14 assets are providing service to people in more 15 isolated areas, and, of course, the rates that 16 these persons and customers are paying are not 17 equal to, or anywhere near equal to in a lot 18 of cases, the amount to provide the service. 19 So other customers are subsidizing that 20 service to their rates, but yet Hydro in this 21 directive is going to be actually entitled to 22 a return on those rural assets as well. Are 23 we on the same page so far? 24 MR. MARTIN: 25 A. Yes.</p>	<p style="text-align: right;">Page 55</p> <p>1 MR. MARTIN: 2 A. In what context? 3 JOHNSON, Q.C.: 4 Q. Well, you know, are you concerned about the 5 level of it? 6 MR. MARTIN: 7 A. I'm concerned, extremely concerned about any 8 cost, reliability, safety, anything that I 9 counted as performance measures. I'm 10 concerned about all of that, including the 11 rural deficit. 12 (10:15 a.m.) 13 JOHNSON, Q.C.: 14 Q. And you'd be aware that the deficit adds about 15 13 percent to the bills of Newfoundland Power 16 customers, and based upon the proposed 17 allocation in this proceeding that's put 18 forward from Hydro, you're aware of that? 19 MR. MARTIN: 20 A. I'm aware that's an increase. I don't have 21 the numbers at my fingertips. As I mentioned, 22 when we're getting down to that detail, we're 23 better served to talk it through with the 24 finance panel. 25 JOHNSON, Q.C.:</p>
<p style="text-align: right;">Page 54</p> <p>1 JOHNSON, Q.C.: 2 Q. Okay, and the rural rate amount has grown, Mr. 3 Martin, from the materials in the amended GRA 4 from about 41 million in the 2007 test year to 5 a forecast of 64.1 million in the 2015 test 6 year, and while there's no need to refer to 7 it, I'm referring, for the record, to the 8 amended GRA, Volume 1, at page 2.82. Now, Mr. 9 Martin, let me ask you in terms of your take 10 on the rural deficit and the level that it has 11 reached. Just comment generally on how you 12 see the growth in the rural deficit first? 13 MR. MARTIN: 14 A. To get into details now might be better 15 served, you know, at the financial panel. I 16 don't have the numbers at my fingertips and 17 the detail would be useful there. I'd suggest 18 that you pursue that with the finance panel. 19 JOHNSON, Q.C.: 20 Q. Well, I guess, I just provided you the numbers 21 in terms of the growth, like, 40 to 60, and 22 that's the number that I'm asking you to 23 comment on in terms of your view of the growth 24 of that rural rate or that rural subsidy, the 25 rural deficit, I should say?</p>	<p style="text-align: right;">Page 56</p> <p>1 Q. Okay. In terms of the fact now that Hydro is 2 coming in and has a directive for even a 3 larger return on equity than it has 4 traditionally gotten, and then we have that 5 happening in tandem with a rural deficit 6 that's growing ever larger, and, you know, by 7 provincial policy the industrial customers 8 don't contribute to it, as you know, so 9 there's only a few that's left to pay for it, 10 I mean, have you had any discussions with 11 government as to whether certain of the 12 responsibility for the rural deficit should be 13 picked up by government as opposed to the 14 customers? 15 MR. MARTIN: 16 A. I haven't had conversations with the 17 government regarding that. 18 JOHNSON, Q.C.: 19 Q. In the Board's Order back at the 2004 General 20 Rate Application of Hydro, it at that time had 21 expressed concern about the level of the rural 22 deficit, and had expressed concern about it 23 and questioned whether the only effective 24 means might be for implementing the 25 government's policy on it, is to transfer some</p>

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<p>1 or all of the rural deficit to Hydro or its 2 shareholder. Are you aware of that 3 discussion? 4 MR. MARTIN: 5 A. No, I'm not. 6 JOHNSON, Q.C.: 7 Q. Okay. You're not aware of the Board's 8 concerns on the level of the rural deficit or 9 any discussion of the issue from 2004? 10 MR. MARTIN: 11 A. I'm aware generally of the concern of the 12 Board, but you were quoting some specific 13 things with respect to that. I just wasn't 14 aware of that. 15 JOHNSON, Q.C.: 16 Q. Okay. Mr. Martin, would Hydro be prepared to 17 contribute a portion of its directed return to 18 payment of a portion of the rural deficit? 19 MR. MARTIN: 20 A. Would we be prepared, no. 21 JOHNSON, Q.C.: 22 Q. And why is that? 23 MR. MARTIN: 24 A. I go back to - I mean, my mandate - the 25 mandate of Hydro is obviously run the company</p>	<p>1 JOHNSON, Q.C.: 2 Q. Do you have concern, Mr. Martin, about the 3 fact that with this recent directive, I mean, 4 you're now - we're now at a spot where some 13 5 percent of, for instance, take the 6 Newfoundland Power customers bill, is tied up 7 with funding the rural deficit, and does that 8 cause you a concern in terms of whether their 9 rates are reasonable if they're paying in 10 excess of their cost to service to that 11 extent, and in part, you know, we're looking 12 at a situation where you're coming in now 13 looking for even greater return on equity on 14 account of the directive? Does that cause you 15 concern about the reasonableness of that? 16 MR. MARTIN: 17 A. I have to - I'm dealt a series of factors that 18 are imputs that I can't control. Within that 19 series of imputs, we have to run the company, 20 and I don't want to repeat what I just said a 21 moment go, but I refer back to that, is that 22 we have a series of imputs that we have to 23 deal with and I'm focused on putting the 24 company on the proper financial footing, so 25 that we can continue to service the customers</p>
<p>Page 58</p> <p>1 and provide reliable, safe, lowest possible 2 cost of electricity to the province. To do 3 that, we need - the company needs to have a 4 strong financial base, and what we're asking 5 for here is to put the company on the same 6 footing as would be other utilities across the 7 country. That's where my focus is, and I 8 strongly and firmly believe that the financial 9 viability of the company is essential to do 10 that, and anything outside of the four corners 11 of that with respect to what other entities 12 are doing to--or acted upon with the company, 13 I can't impact that, but I know that we need 14 to have a company that has the proper return, 15 proper risk profile similar to other entities 16 in the country, and we need that to be able to 17 execute our plans going forward with respect 18 to doing exactly what we should be doing, 19 which is providing reliable, lowest possible 20 cost and in a safe manner to the customers. 21 That's what I'm saying is that we need to have 22 that financial structure for the long term go 23 forward for the company, and I believe if 24 we're not doing that, we're not doing the 25 right thing.</p>	<p>Page 60</p> <p>1 properly. There's a series of imputs that 2 come into that that I'm handed, and I have to 3 deal with that, and my focus is, as I 4 mentioned, and I don't want to repeat what I 5 just said again, but I'm making sure the 6 company is structured properly financially for 7 the long run for the benefit of the customer. 8 I have to do that. That's part of my 9 responsibility. 10 JOHNSON, Q.C.: 11 Q. And you've not, I think you've confirmed, had 12 any discussions about government taking up 13 some of the responsibility for the rural 14 deficit? 15 MR. MARTIN: 16 A. I can confirm that's what I said. 17 JOHNSON, Q.C.: 18 Q. And do you know whether any of your other 19 leadership team members have had any such 20 discussions? 21 MR. MARTIN: 22 A. I'm not aware. I don't expect they did, but 23 I'm just not aware. 24 JOHNSON, Q.C.: 25 Q. Okay, those are my questions. Thank you.</p>

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1 CHAIRMAN:
 2 Q. I think Vale is next, is that correct?
 3 MS. GLYNN:
 4 Q. No, the industrial customers.
 5 CHAIRMAN:
 6 Q. Oh, I'm sorry, the industrial customers, I beg
 7 your pardon.
 8 MR. EDMUND MARTIN - CROSS-EXAMINATION BY MR. PAUL
 9 COXWORTHY:
 10 MR. COXWORTHY:
 11 Q. Thank you, Mr. Chair. Good morning, Mr.
 12 Martin?
 13 MR. MARTIN:
 14 A. Good morning.
 15 MR. COXWORTHY:
 16 Q. Paul Coxworthy, my colleague, Dean Porter, who
 17 represent the Island Industrial Customer
 18 Group, NARL Refining, Corner Brook Pulp and
 19 Paper, Teck Resources. I'd like to start with
 20 some questions regarding the timing of this
 21 application. You've been presented, according
 22 to the issues list, the witness list, to the
 23 Board, to speak to that issue, the timing of
 24 the present application, this General Rate
 25 Application. The original Order in Council in

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1 2013 that addressed the load variation surplus
 2 was issued in April of 2013, and contemplated
 3 a Hydro General Rate Application being made.
 4 I'll certainly acknowledge it didn't set a
 5 specific time line. I think it's fair,
 6 though, to infer that it was expected that it
 7 would follow in a timely fashion after the
 8 Order in Council. That Order in Council was
 9 revised and a new one issued, which then took
 10 effect in terms of the directions in September
 11 of 2013, again with the same direction, or
 12 certainly contemplation that there would be a
 13 Hydro General Rate Application following that
 14 would address issues that were left unresolved
 15 by this Government directives. So as of the
 16 fall of 2013, can you provide us with your
 17 perspective as to what your expectations were
 18 as to how soon following that Hydro - you were
 19 expecting Hydro to file its General Rate
 20 Application?
 21 MR. MARTIN:
 22 A. I can't recall my expectations at the time. I
 23 think I've already indicated, and I'll give
 24 the same answer, that your best form of
 25 getting information on this would be through

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1 the finance panel with the details, and I'm
 2 only going to repeat the statement I made
 3 before that, I think, it would be proper to be
 4 in front of a utilities Board every three
 5 years or so. What's happened in the interim,
 6 there was reasons for that, and some of the
 7 reasons which I think are still correct that
 8 delayed that, and one big consideration was
 9 that the customer was protected from a rate
 10 perspective during that time frame, and any
 11 more detailed questions, I'd tend to refer you
 12 to the finance panel on that.
 13 MR. COXWORTHY:
 14 Q. Certainly, if I might ask what I think would
 15 be a high level question, and you've spoken at
 16 least partially to it in terms of there were
 17 issues that you felt that would explain the
 18 delay, which the finance panel can get into
 19 greater detail on. Would you acknowledge that
 20 those were issues that were within the control
 21 of Hydro?
 22 MR. MARTIN:
 23 A. No.
 24 MR. COXWORTHY:
 25 Q. Can you give me an example of an issue that

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1 wasn't in the control of Hydro that delayed -
 2 MR. MARTIN:
 3 A. I'd prefer you went to the finance panel on
 4 that. They've prepared for that, and I have a
 5 general knowledge, but I'm going to tend to
 6 refer you to the finance panel on that
 7 continually.
 8 MR. COXWORTHY:
 9 Q. Otherwise, in respect of the timing, given
 10 that we are now considerably closer to the
 11 Inter-Link, the Labrador Link to the Island
 12 with Muskrat Falls, we've come that much
 13 closer since 2013 to that, with the issues to
 14 be left resolved in General Rate Application
 15 still not resolved, are you comfortable with
 16 that timing, that that is the best time to be
 17 coming before the Board, given how much closer
 18 we are now to yet another set of very dramatic
 19 changes that will come to the fore when the
 20 Muskrat Falls Labrador Link is in place?
 21 MR. MARTIN:
 22 A. Yes, I'm very comfortable with it.
 23 MR. COXWORTHY:
 24 Q. So it wouldn't have been better to have come
 25 before the Board with these issues to be

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1 resolved earlier than now?

2 MR. MARTIN:

3 A. It's not a matter of better or worse; it's a

4 matter of there's reasons for it that the

5 finance panel will discuss, and those reasons

6 are sound.

7 MR. COXWORTHY:

8 Q. Mr. Martin, because certainly the industrial

9 customers intend to submit that it is a factor

10 to consider and how much the Board should

11 attempt to address in this present GRA, as

12 opposed to a future GRA, I would - I would ask

13 for some elaboration on the time frame within

14 which you expect the next GRA to be filed? I

15 understand, in response to Mr. Johnson, you've

16 indicated a two or three year time frame.

17 What are the factors that are going to dictate

18 within that two or three year time frame when

19 Hydro will be back before this Board with

20 another General Rate Application following

21 this one?

22 MR. CASS:

23 Q. Pardon me, Mr. Chair, I may be missing

24 something here, in which case I apologize. I

25 thought this was among the settled issues.

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1 Perhaps I'm wrong there.

2 MR. COXWORTHY:

3 Q. I'm just following up on the answer of Mr.

4 Martin to the Consumer Advocate's question in

5 terms of his expectation of a two or three

6 year timeframe.

7 CHAIRMAN:

8 Q. I think - yeah, go ahead, sir.

9 MR. MARTIN:

10 A. I refer you to the finance panel. I would

11 take advice from the finance and regulatory

12 people with respect to that.

13 MR. COXWORTHY:

14 Q. So the information or your understanding of

15 the two to three year time frame comes from

16 them?

17 MR. MARTIN:

18 A. Yes, it does, and they have explained that to

19 me, which I agree with in terms of over the

20 long run that seems to be a reasonable period.

21 As to the details of what will happen next, I

22 would take advice from them on that.

23 MR. COXWORTHY:

24 Q. Thank you, Mr. Martin. You've referred and

25 deferred a number of issues to the finance

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1 panel, and in fairness, this is a question

2 perhaps that your counsel should be responding

3 to, but it will dictate the scope of my

4 questioning of you and how many questions I

5 feel I need to ask out of due diligence, if

6 nothing else, as opposed to understanding that

7 I can defer them to the finance panel. I

8 understand when you refer to the finance

9 panel, you're referring to Mr. Henderson. Are

10 there other persons - I know Carla Russell's

11 name has been mentioned, but I don't have a

12 firm understanding of who is being deferred

13 to.

14 MR. CASS:

15 Q. The finance panel is Carla Russell, and other

16 people, Mr. Chair. It's possible that Mr.

17 Henderson might have a perspective on some of

18 the things that are being discussed, but the

19 deferrals by Mr. Martin are to the finance

20 panel and that's led by Carla Russell.

21 MR. COXWORTHY:

22 Q. And the other persons, are you able to

23 identify?

24 MR. CASS:

25 Q. Scott Pelley, and Carol Ann -

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1 MR. YOUNG:

2 Q. Lutz.

3 MR. CASS:

4 Q. Lutz.

5 MR. COXWORTHY:

6 Q. Okay, thank you, Mr. Cass, Mr. Young, thank

7 you, Mr. Martin. Mr. Martin, you've also been

8 offered to this panel to speak to the

9 requirement for new deferral mechanisms for

10 Hydro, and you've been asked several questions

11 by Newfoundland Power's counsel, by the

12 Consumer Advocate regarding that. In response

13 to the Consumer Advocate, you spoke to a risk

14 profile comparison which you understand has

15 been made, perhaps has been made by yourself,

16 but certainly by your financial people,

17 comparing Hydro's risk profile to that of

18 other utilities across Canada. I assume that

19 those would be other transmission/generation

20 type utilities as opposed to distribution

21 utilities, that you are trying to compare

22 apples to apples when you're comparing those

23 risk profiles?

24 MR. MARTIN:

25 A. We've attempted to do that, and looked at a

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1 series of companies, including distribution,
 2 plus generation/transmission, plus
 3 generation/transmission/distribution. As I
 4 think we all know, obviously, there's a
 5 different mix of companies across the country
 6 and we tried to look at a series of those.

7 MR. COXWORTHY:
 8 Q. And as I understand it, and correct me if I'm
 9 paraphrasing you inaccurately or incompletely,
 10 one of the main justifications for the
 11 deferral accounts, the new mechanisms, the
 12 requirement for them, is to try and make up
 13 some of the ground between when you make that
 14 comparison of risk profiles with other
 15 utilities, the difference between where they
 16 are and where you are, where Hydro is at this
 17 time, and also in terms of the types of
 18 deferral accounts they have to address their
 19 risk profiles as opposed to what is in place
 20 at the present time for Hydro, is that
 21 correct?

22 MR. MARTIN:
 23 A. It's not correct in this manner, I think
 24 you've said it was the - I felt you were
 25 suggesting I said that it was the main reason,

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1 so I would say, no, I don't see it being the
 2 main reason. I see it being a supplementary
 3 piece of information to support our thinking.
 4 I think the main reason is the financial
 5 strength requirement matched up properly with
 6 the risk profile for the reasons I've just
 7 mentioned several times.

8 MR. COXWORTHY:
 9 Q. And would you agree, though, that this Board
 10 also has to look to what is a good regulatory
 11 practice in terms of the types of risks, for
 12 instance, that it is reasonable to ask
 13 customers to bear, as opposed to those which
 14 should rest with the utility?

15 MR. MARTIN:
 16 A. I wouldn't get into presupposing any mandate
 17 for the Board.

18 MR. COXWORTHY:
 19 Q. And so one of the things certainly they could
 20 look at is the risk profiles of other
 21 utilities, similar situate utilities to the
 22 extent they are similar situate to
 23 Newfoundland Hydro to your risk profile.
 24 Would that be a reasonable comparison for them
 25 to take into account?

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1 MR. MARTIN:
 2 A. You're going to see me avoiding trying to
 3 direct the Utilities Board in any fashion.
 4 You know, it seems the Public Utilities Board
 5 would do what they have to do, in any event,
 6 but you're going to find me avoiding any type
 7 of such talk in terms of me suggesting
 8 anything to the PUB.

9 MR. COXWORTHY:
 10 Q. Thank you, Mr. Martin. Let me get to the
 11 point then in terms of whether the other
 12 Canadian utilities you're comparing yourself
 13 to, Hydro is comparing itself to, are really
 14 similarly situate, and the point has been made
 15 by the Consumer Advocate that, I believe, this
 16 jurisdiction is unique in terms of a public
 17 utility like yourself having had a government
 18 direction made setting its rate of return, and
 19 eliminating the testing of all of the issues,
 20 cost of capital, and so on, that would go with
 21 that. Doesn't that take Newfoundland and
 22 Labrador Hydro out of the comparison with
 23 other utilities across Canada?

24 MR. MARTIN:
 25 A. Point number one, I don't know if you're

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1 statement is correct for other jurisdictions,
 2 you'll have to talk to the finance panel about
 3 that, but I don't agree with your latter
 4 statement.

5 MR. COXWORTHY:
 6 Q. And why don't you agree, Mr. Martin?

7 MR. MARTIN:
 8 A. Because we're a generation/transmission
 9 utility with rural distribution. Our mandate
 10 is very similar to other utilities, and we
 11 have obviously a very important customer base.
 12 That comparison to the other utilities is
 13 very, very similar. That's why.

14 MR. COXWORTHY:
 15 Q. Mr. Martin, I'd like to move on to another
 16 topic. You are, at least in terms of the
 17 witness list that Hydro has presented, I
 18 think, this Board's only window into the
 19 Nalcor leadership contribution to Hydro, and
 20 the costs that have been charged in to Hydro
 21 by or in respect of Nalcor leadership for the
 22 2015 test year, and more generally, you are
 23 the window for the Board, for the parties, to
 24 understand that leadership contribution and
 25 understand whether those costs that are being

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1 charged in are reasonable. So with that, I'd
 2 like to turn to - this is an RFI Response,
 3 PUB-NLH-228. If we could turn to the
 4 Attachment 1, or the table that's previously
 5 been referred to. Thank you, and Mr. Martin,
 6 you've been asked some previous questions
 7 about this table, but I wanted to put a few
 8 more questions to you again because I don't
 9 understand there really will be any other
 10 witness being presented at this hearing that
 11 will be able to offer answers to them. In
 12 relation to the footnote #6, the very last
 13 footnote, and I'll give you a chance to read
 14 it, and what that footnote says is, "Hours and
 15 the associated dollars for the positions noted
 16 above have been restated to reflect the
 17 activity in the 2014 actual, but are not
 18 included in the 2015 test year", and that
 19 appears to apply in terms of that footnote -
 20 appears across from every position other than
 21 the VP Project Execution and Technical
 22 Services, and the VP of Strategic Planning and
 23 Business Development, but I note that he's
 24 only charged in in one year and that's 2014.
 25 Can you explain to me the thinking behind why

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1 one of those officers leadership contribution
 2 is being included in the test year and not the
 3 others?
 4 MR. MARTIN:
 5 A. I refer you to the - I think we have an HR
 6 panel, I believe, and -
 7 MR. COXWORTHY:
 8 Q. With Mr. McDonald?
 9 MR. MARTIN:
 10 A. Mr. McDonald would be the one to talk about
 11 that.
 12 MR. COXWORTHY:
 13 Q. So Mr. McDonald should be able to speak to
 14 that?
 15 MR. MARTIN:
 16 A. That's correct.
 17 MR. COXWORTHY:
 18 Q. And is that only in relation to his own
 19 position or in relation to the other positions
 20 as well?
 21 MR. MARTIN:
 22 A. In relation to the other positions as well.
 23 MR. COXWORTHY:
 24 Q. So he is another window into the principles
 25 and the thought that has gone into what should

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1 be charged in to Hydro?
 2 MR. MARTIN:
 3 A. That's correct.
 4 MR. COXWORTHY:
 5 Q. If you allow me to ask a few more questions,
 6 understanding that perhaps you'll defer me to
 7 Mr. McDonald, but to do again my due diligence
 8 before we move on.
 9 MR. MARTIN:
 10 A. Sure.
 11 MR. COXWORTHY:
 12 Q. At page 121 of your evidence given on
 13 September 9th in this hearing, you were asked
 14 about the forecast leadership contribution
 15 charges for 2015 and 2016 and what were the
 16 reasons for an elevated level compared to what
 17 was there before 2014. We know you've
 18 explained why the 2014 charges were elevated.
 19 I understand the reasons for 2015 and 2016 are
 20 different. They are in respect of the work
 21 that needs to be done to prepare Hydro to
 22 receive power over the Labrador Link, and also
 23 then the issues that arise in relation to the
 24 Maritime Link.
 25 MR. MARTIN:

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1 A. That's correct, and in addition, you know,
 2 other ongoing day to day operational work at
 3 this point as well.
 4 MR. COXWORTHY:
 5 Q. Sure, which didn't go away, absolutely.
 6 MR. MARTIN:
 7 A. Right.
 8 MR. COXWORTHY:
 9 Q. The core, I suppose, work that was always
 10 there for 2014, I would imagine there's some
 11 spill over from 2014 into 2015 as well?
 12 MR. MARTIN:
 13 A. Yes, I agree.
 14 MR. COXWORTHY:
 15 Q. I think that's a reasonable assumption to make
 16 that that's the case, but with that,
 17 understanding that a lot of that time in 2015
 18 and 2016 is going to be in relation to what
 19 I'll call the - if I can call it the
 20 integration piece, the integration of Hydro
 21 with the Labrador Link, the Maritime Link, can
 22 you offer me and offer the Board a perspective
 23 on what contribution the VP Corporate
 24 Communications and Shareholders Relations is
 25 going to be making to that integration piece?

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1 MR. MARTIN:
 2 A. A couple of comments there. You mentioned - I
 3 want to make it clear again that - you
 4 mentioned the largest portion, I think you
 5 mentioned, would be going to this integration
 6 piece. I wouldn't necessarily agree with that
 7 comment, so I just wanted to clarify that. The
 8 reason being is that the ongoing operations
 9 that are occurring at Hydro, supported by
 10 these people, as I mentioned earlier, a lot of
 11 the work is impacting other pieces of the
 12 business. While they don't get charged in
 13 here, there's a lot of - I think I mentioned
 14 as well there's a lot of obviously late hours
 15 and some weekends and those types of things
 16 aren't charged in here as well. So I just
 17 wanted to clarify that point, but directly as
 18 to what your question is, I believe, what the
 19 VP Corporate Communications and Shareholders
 20 Relations work would be, I would think it
 21 would be predominantly on the things that I
 22 just mentioned, not on the integration piece.
 23 With respect to the integration piece there
 24 will be an element of shareholder interface,
 25 obviously, as it's going to have to make sure,

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1 you know, things are touching a FERC and a
 2 NERC basis, our experience has indicated that
 3 will likely require some legislation and those
 4 types of things.
 5 MR. COXWORTHY:
 6 Q. Okay, so when you refer to shareholder, you're
 7 referring to the Provincial Government?
 8 MR. MARTIN:
 9 A. That's correct, and then from a public
 10 perspective, you know, we're obviously going
 11 to have to be transparent, explain to people
 12 what's happening, so whatever element it is,
 13 I'm not sure, but that would be predominantly,
 14 I think, where the input would come from.
 15 MR. COXWORTHY:
 16 Q. Because I do feel a need to point out in
 17 relation to the VP Corporate Communications
 18 and Shareholders Relations that, you know,
 19 compared to the 2012 year, which is the first
 20 year in which the position was created in
 21 2011, so it's the first year we would expect
 22 any time to be charged in, in any event, but
 23 there's been quite a dramatic increased
 24 forecast for 2015 and 2016 in the role. So is
 25 all of that increase or most of that increase

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1 attributable to the VP Corporate
 2 Communications and Shareholders Relations work
 3 on the integration piece?
 4 MR. MARTIN:
 5 A. I think we're at a stage I'm going to have to
 6 refer you to Mr. McDonald.
 7 MR. COXWORTHY:
 8 Q. Mr. McDonald can help me on that?
 9 MR. MARTIN:
 10 A. Yes.
 11 MR. COXWORTHY:
 12 Q. Thank you, and I assume Mr. McDonald can help
 13 me on the reasons for his own forecast
 14 increases in his charges?
 15 MR. MARTIN:
 16 A. Most definitely he'll be able to answer that
 17 question.
 18 MR. COXWORTHY:
 19 Q. Mr. Martin, this chart ends at 2016. I think
 20 that's all you were asked, and likely more
 21 than you were asked to provide in the original
 22 question, but could you give us your
 23 perspective, and you've given some answers
 24 which I can turn to if need be, but I think
 25 I'll just start off by putting this question

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1 to you, can you give us some perspective as to
 2 what you expect after 2016 in terms of when we
 3 look at the overall Nalcor leadership charges
 4 being charged in in 2016, being forecast, it's
 5 over 4,000 hours, what's your expectation
 6 after 2016, is that number going to stay at
 7 that sort of high level, is it going to come
 8 down, can you provide us at a high level, your
 9 expectations in terms of the planning that's
 10 in place around integration?
 11 MR. MARTIN:
 12 A. I'm not prepared to do that right now. As I
 13 mentioned earlier, we are in the process of
 14 outlining how the corporation will be
 15 structured in relation to the changes that are
 16 coming, and until that's complete, I wouldn't
 17 be able to offer you a -
 18 MR. COXWORTHY:
 19 Q. Are you able to say when that work will be
 20 completed so that the Board can be made
 21 apprised of that type of information?
 22 MR. MARTIN:
 23 A. I can say when it's ready, we'll share.
 24 MR. COXWORTHY:
 25 Q. Is it fair to say it will be some time in

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1 2016, given that it's aimed at ensuring that
 2 Hydro is ready for the Maritime Link and the
 3 Labrador Link?
 4 MR. MARTIN:
 5 A. Yes, I think, within - we have to make our
 6 changes and we have to get it in place
 7 reasonably as quickly as possible, so that
 8 it's structured to give us a chance to act in
 9 that way in preparation for the changes.
 10 MR. COXWORTHY:
 11 Q. With respect to the 2014 costs, again still on
 12 Attachment 1 to PUB-NLH-228, leadership costs,
 13 the Consumer Advocate asked some questions
 14 around the increase in time that was charged
 15 in by all of the leadership team in that year,
 16 and certainly causally it's well understood
 17 and entirely easy to understand that the
 18 events of the January, 2014 outage and
 19 everything that fell out from that would have
 20 required Nalcor's leadership contribution to
 21 increase in that year. I don't know if the
 22 Consumer Advocate went right out and said it,
 23 and maybe this wasn't the intent of his
 24 questioning, but I was left with the question
 25 of was it appropriate for the Nalcor

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1 contribution to be charged in to Hydro, given
 2 that the issues that were being addressed were
 3 ones which, as demonstrated by the Liberty
 4 Report, I believe, most of the recommendations
 5 of which have been accepted by Hydro, a lot of
 6 that was preventable, a lot of the issues that
 7 gave rise to the 2014 outages review were
 8 preventable, and would have been preventable
 9 by maintenance and other steps prior to 2014.
 10 Is it appropriate to charge in that time to
 11 Hydro, given that that's a cost that
 12 ultimately the customers have to incur?
 13 (10:45 a.m.)
 14 MR. MARTIN:
 15 A. Point one, we can't find in the Liberty Report
 16 where they're making the link that you
 17 suggested, so I wanted to clarify that. The
 18 second point, I think it's entirely
 19 appropriate to put whatever resources that we
 20 have available with the expertise into
 21 customer service, which is what we've done,
 22 and I believe that we've absorbed a great deal
 23 more hours that were not charged to Hydro, in
 24 any shape or fashion with respect to anything
 25 that touched in any way, shape, benefit of

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1 another business, and plus, you know, the
 2 extensive weekends and extra work that was
 3 done, I would say most of the team was doing
 4 14 hour days and working all weekend, and none
 5 of that work had been charged in. So I think
 6 it would be entirely reasonable here. As a
 7 matter of fact, I think it's hugely
 8 underestimated as to what was charged in and
 9 what the company absorbed, outside of what the
 10 other entities absorbed, the majority of them,
 11 and what we did here I think was a fair
 12 representation of what we could clearly point
 13 to as a direct charge, and I think that was a
 14 benefit to the customer.
 15 MR. COXWORTHY:
 16 Q. And, Mr. Martin, if I could extend that then,
 17 are you saying then that you feel that it's
 18 reasonable for Hydro's customers to incur the
 19 cost that flows out of those charge ins by the
 20 Nalcor leadership group in 2014?
 21 MR. MARTIN:
 22 A. Yes, I do.
 23 MR. COXWORTHY:
 24 Q. Mr. Martin, you've said, I think several times
 25 in the course of your testimony, that Hydro

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1 ultimately is a customer focused organization?
 2 MR. MARTIN:
 3 A. That's correct.
 4 MR. COXWORTHY:
 5 Q. And, in fact, the whole Nalcor organization,
 6 given that although it's not exclusively
 7 devoted to the line of business with respect
 8 to Hydro is involved in, certainly to a large
 9 extent it's devoted to that, but you would
 10 think of the Nalcor organization as being
 11 customer focused as well?
 12 MR. MARTIN:
 13 A. In the context of Hydro?
 14 MR. COXWORTHY:
 15 Q. Yes.
 16 MR. MARTIN:
 17 A. Absolutely.
 18 MR. COXWORTHY:
 19 Q. At the commencement of this hearing in the
 20 opening statement, I expressed the industrial
 21 customers concerns for rate stability, rate
 22 predictability, and went through some of the
 23 history with respect to longstanding rate on
 24 predictability really up to this point and
 25 since 2007, and now since 2013, rate

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<p>1 instability which is a situation which at 2 least when I'm asking by my clients when 3 that's going to end, I'm not in a position to 4 advise them on that and our consultants 5 aren't, based on the information in this GRA 6 Application and otherwise. Would you agree 7 that the goals of those customers of Hydro of 8 rate stability and rate predictability, that 9 it is reasonable for those customers, those 10 industrial customers, to expect an outcome in 11 this application that promotes rate stability 12 and rate predictability for them? 13 MR. MARTIN: 14 A. Well, you've just stated that's your client's 15 needs, so - 16 MR. COXWORTHY: 17 Q. You would agree? 18 MR. MARTIN: 19 A. If that's their needs, then we'd have to agree 20 with that. We can't make their needs for 21 them. 22 MR. COXWORTHY: 23 Q. Thank you, Mr. Martin. I have no further 24 questions. 25 CHAIRMAN:</p>	<p>1 that I want to canvas with you particularly. 2 The first one is the business of - because of 3 Vale, it's a new - firstly, it is a new 4 industrial customer, and secondly, one of its 5 defining characteristics at this time is that 6 it has an increasing load. In other words, as 7 it ramps up, its load will be increasing. I 8 notice on the witness list that one of the 9 things that you were going to speak to was the 10 issue of deferral accounts, the necessity of 11 deferral accounts. I wanted to try and 12 ascertain what, if any, I guess, thoughts that 13 you might have with respect to the issue of 14 deferring past costs to be recovered in the 15 future as it might affect a customer like Vale 16 whose load is increasing; in other words, 17 costs are incurred in the past, but recovery 18 of them is in a deferral account to be 19 recovered at a future time by a customer, 20 payable by a customer whose load is 21 increasing. Have you given any thought to 22 that or has that occupied your attention at 23 all? 24 MR. MARTIN: 25 A. With respect, I'd like to refer you to the</p>
<p>Page 86</p> <p>1 Q. Mr. O'Reilly. Do you want to break now or are 2 you - do you want to come back after the break 3 or start now, sir? 4 O'REILLY, Q.C.: 5 Q. Well, I can start. I don't think I'm going to 6 be particularly long, Mr. Chairman. 7 MR. EDMUND MARTIN - CROSS-EXAMINATION BY O'REILLY, Q.C.: 8 O'REILLY, Q.C.: 9 Q. Good morning, Mr. Martin. 10 MR. MARTIN: 11 A. Good morning. 12 O'REILLY, Q.C.: 13 Q. I'm Tom O'Reilly, and I represent Vale 14 Newfoundland and Labrador Limited, and with me 15 is Mr. Denis Fleming. Mr. Martin, I don't 16 know if you were here when we first sat on the 17 9th of September, but I indicated that while 18 Vale is a member of the industrial class, it 19 is a new member of the industrial class, and 20 as such, it has some, I guess, discreet issues 21 that it wishes to have addressed at this 22 particular GRA, so it's from that perspective, 23 although Mr. Coxworthy has canvassed with you 24 issues which are of concern to Vale, 25 nevertheless there are some discreet issues</p>	<p>Page 88</p> <p>1 finance panel to talk about that. 2 O'REILLY, Q.C.: 3 Q. Okay, so I guess it's something that you 4 haven't put your mind to? 5 MR. MARTIN: 6 A. Not directly, no. 7 O'REILLY, Q.C.: 8 Q. Okay. I guess, the second thing that I wanted 9 to talk to you about was the - and I read 10 through the GRA evidence filed by Hydro, and, 11 I guess, it talked about the age of the assets 12 and the fact that much of the plant and 13 transmission assets of Hydro are quite old, I 14 mean, in the sense that they've been in place 15 for 40 years or more, and I think you 16 indicated that, I'm not trying to tie you down 17 to a particular date, but that - and that the 18 cost of replacing these would be quite a bit 19 more now than their original cost. Is that a 20 fair summary of Hydro's position on this? 21 MR. MARTIN: 22 A. That's correct. 23 O'REILLY, Q.C.: 24 Q. Okay, one of the revenue streams that Hydro is 25 seeking as a part of its rate structure is</p>

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<p>1 specifically assigned charges, and it does 2 that specifically assigned charge - in 3 assigning that amount of what the specifically 4 assigned charge is in the case of Vale, it 5 seems to equate the cost of the original cost 6 and the replacement cost as being the same 7 dollar value, it doesn't pay any attention to 8 the fact that a dollar for expending an asset 9 or acquiring an asset, the original cost 40 10 years ago was a dollar, but today it's 11 probably \$10.00, it just applies - it seems to 12 have the same dollar value in calculating this 13 specifically assigned charge as part of its 14 rate. Have you given any thought to that? 15 MR. MARTIN: 16 A. Again I refer you to the finance panel to 17 answer that. 18 O'REILLY, Q.C.: 19 Q. All right. So I take it that that is not 20 something that you would be paying attention 21 to, that is not something that would occupy 22 your time? 23 MR. MARTIN: 24 A. No, it wouldn't. I want to just - not paying 25 attention to is a strong term.</p>	<p>1 been to the finance panel. This is one that 2 might probably be also shared with the rates, 3 and specifically with this one with the cost 4 of service expert as opposed to Mr. Martin. 5 (10:54 a.m.) 6 O'REILLY, Q.C.: 7 Q. Yeah, I'm just - Mr. Young, I was just 8 inquiring to see how far up the food chain 9 this gets, that's all. There's no trickery to 10 it. It's just something that we're having an 11 interest in. 12 CHAIRMAN: 13 Q. Appropriate analogy. 14 O'REILLY, Q.C.: 15 Q. I think that may be all we have. I think 16 that's all I have. Thank you. 17 CHAIRMAN: 18 Q. We will now break. 19 MS. GLYNN: 20 Q. Until 11:30. 21 (RECESS) 22 (11:37 a.m.) 23 CHAIRMAN: 24 Q. Okay, who is next? I think it's the Innu 25 Nation, am I correct?</p>
<p>Page 90</p> <p>1 O'REILLY, Q.C.: 2 Q. No, I don't mean to suggest - 3 MR. MARTIN: 4 A. But it's not something that I would be into 5 the detail on. 6 O'REILLY, Q.C.: 7 Q. Okay. 8 MR. YOUNG: 9 Q. Perhaps if I could, Mr. Martin has referred a 10 number of things to the finance panel, and 11 some of these will go to the rates panel, and 12 this one particularly probably is properly a 13 matter for our cost of service expert to give 14 an opinion. I just thought it would assist 15 the parties on that point. 16 O'REILLY, Q.C.: 17 Q. I can't hear what Mr. Young is saying. 18 MR. YOUNG: 19 Q. With apologies - 20 O'REILLY, Q.C.: 21 Q. Not only is he speaking to you, but my hearing 22 is - 23 O'REILLY, Q.C.: 24 Q. With apologies, Mr. O'Reilly. I was just 25 suggesting that a number of deferrals have</p>	<p>Page 92</p> <p>1 MR. LUK: 2 Q. Yes, Mr. Chair, thank you. 3 MR. EDMUND MARTIN - CROSS-EXAMINATION BY MR. SENWUNG LUK: 4 MR. LUK: 5 Q. Good morning, Mr. Martin. 6 MR. MARTIN: 7 A. Good morning. 8 MR. LUK: 9 Q. My name is Senwung Luk. Sorry for the 10 scratchiness of my voice, I seem to have 11 caught a bit of a cold, but my name is Senwung 12 Luk, I'm counsel for Innu Nation, and thank 13 you for answering our questions here this 14 morning. 15 MR. MARTIN: 16 A. Good morning. 17 MR. LUK: 18 Q. So I'd like to begin by bringing up your 19 testimony from Wednesday, page 65 and 66, and 20 I believe this is where you discuss what Hydro 21 will do upon the - to prepare for the 22 integration of Muskrat Falls and the Island 23 Link and the Maritime Link, and you say at 24 page 66, line 6, "We need to make sure that we 25 properly integrate a significantly new large</p>

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<p>1 generator and transmission structure into the 2 Newfoundland and Labrador System, and we also 3 need to integrate Newfoundland and Labrador 4 into the North America System with all that 5 entails with respect to NERC standards, FERC 6 standards, FERC open access requirements and 7 other things. That work is underway and will 8 be complete and ready for the integration 9 timeframe of Muskrat Falls and the Labrador 10 Island Link and the Maritime Link". So if I 11 could ask you, just to clarify on those 12 remarks, is it Hydro's plan to integrate Hydro 13 into the North American System and to become 14 compliant with the FERC open access tariff 15 requirements? 16 MR. MARTIN: 17 A. That's correct. 18 MR. LUK: 19 Q. And is it Hydro's plan to adopt an open access 20 transmission tariff based on the FERC pro 21 forma model? 22 MR. MARTIN: 23 A. I can't answer that right now. My 24 instructions are to fit into the FERC 25 framework. I expect it will be, but we have -</p>	<p>1 necessary structures in place to adhere to 2 those requirements. 3 MR. LUK: 4 Q. So by the time that Muskrat Falls is ready to 5 produce power? 6 MR. MARTIN: 7 A. Ready to export power. 8 MR. LUK: 9 Q. Okay. 10 MR. MARTIN: 11 A. That would be different from obviously 12 providing it to the province, right. 13 MR. LUK: 14 Q. Can you explain that difference? 15 MR. MARTIN: 16 A. Well, the first priority is the Newfoundland 17 and Labrador requirements, and they'll be met 18 first. It's surplus power that is over and 19 above that is what would be available for 20 export. It could be two different timings 21 because as the units come on one at a time, 22 the province would obviously get priority. 23 MR. LUK: 24 Q. Okay, and is it Hydro's plan to bring all the 25 units on line as soon as they're ready?</p>
<p>Page 94</p> <p>1 obviously, have legal people and operational 2 people going through what the requirements 3 are, and I need to make sure that's finalized 4 before we commit to anything, but the 5 instructions are that, yes, we will adhere to 6 the FERC guidelines, whatever they may be. 7 MR. LUK: 8 Q. And presumably because without adhering to 9 those guidelines, it would be difficult to 10 sell electricity from Muskrat Falls to the US 11 market? 12 MR. MARTIN: 13 A. That's correct. 14 MR. LUK: 15 Q. Okay, thank you. Based on your evidence from 16 Wednesday, it sounds like it's Hydro's plan to 17 be complete with this process of generating a 18 FERC compliant open tariff by 2017? 19 MR. MARTIN: 20 A. Once again the timeframes are not entirely 21 laid out right now, so I'm obviously not 22 prepared to offer a specific time, but in 23 general your statement would be correct. 24 Certainly the idea is when there's electricity 25 available for export, we need to have the</p>	<p>Page 96</p> <p>1 MR. MARTIN: 2 A. I'm not going to get involved in discussing 3 the Muskrat Falls availability sequence at 4 this point. 5 MR. LUK: 6 Q. Okay. So is it Hydro's plan to submit the 7 open access tariff to the Public Utilities 8 Board for approval? 9 MR. MARTIN: 10 A. That'll be an outcome of what I'm advised by 11 people who are working on it for me. 12 MR. LUK: 13 Q. Is there a plan for a different way of getting 14 approval for that transmission tariff? 15 MR. MARTIN: 16 A. Same answer. 17 MR. LUK: 18 Q. Okay. 19 MR. MARTIN: 20 A. It has to be worked out now by a group of 21 people, so they'll have to come and let me 22 know what the proper sequence of events would 23 have to be under existing legislation and 24 under existing requirements. I just don't have 25 the detail on that, but obviously whatever has</p>

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<p>1 to be done will be done properly.</p> <p>2 MR. LUK:</p> <p>3 Q. Okay. Do you have a sense for how long that</p> <p>4 approval process will need to take?</p> <p>5 MR. MARTIN:</p> <p>6 A. No, I don't. I'm not sure what approval</p> <p>7 process you're referring to.</p> <p>8 MR. LUK:</p> <p>9 Q. If indeed Hydro decides to submit the open</p> <p>10 access tariff to the Public Utilities Board</p> <p>11 for approval, that process, how long do you</p> <p>12 think that would take?</p> <p>13 MR. MARTIN:</p> <p>14 A. We have to determine if that's going to happen</p> <p>15 first before I could discuss a timeframe, so I</p> <p>16 wouldn't be discussing a timeframe of</p> <p>17 something if I don't know it's going to happen</p> <p>18 or not.</p> <p>19 MR. LUK:</p> <p>20 Q. Right. What other ways would there be for</p> <p>21 approval of the open access tariff but for</p> <p>22 approval from the Public Utilities Board?</p> <p>23 MR. MARTIN:</p> <p>24 A. That's the question and direction that is</p> <p>25 being answered for me by a group of experts.</p>	<p>1 I'm being advised upon that by a group of</p> <p>2 people, you know, legal people for the most</p> <p>3 part, as well as operating people and support.</p> <p>4 When that comes forward, they'll say here are</p> <p>5 the types of things that you have to adhere to</p> <p>6 based upon the existing regulations, rules,</p> <p>7 and legislation both here and in North</p> <p>8 America, and here's how, you know, it should</p> <p>9 be administered based upon the advice that</p> <p>10 we've received at that point, and here will be</p> <p>11 the time table of events that are connected to</p> <p>12 that. Until I get that, I can't answer the</p> <p>13 types of questions that you're asking.</p> <p>14 MR. LUK:</p> <p>15 Q. Mr. Martin, I believe -</p> <p>16 MR. MARTIN:</p> <p>17 A. When you ask the question, I'm listening, I'm</p> <p>18 hearing that you're suggesting that it has to</p> <p>19 come here before the PUB. I just don't know</p> <p>20 at this point, so when I know, we're going to</p> <p>21 let people know and we'll share the</p> <p>22 information at that point.</p> <p>23 MR. LUK:</p> <p>24 Q. Thank you, Mr. Martin. I believe the force of</p> <p>25 my question was - I think I asked whether you</p>
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<p>1 (11:45 a.m.)</p> <p>2 MR. LUK:</p> <p>3 Q. So based on the settlement agreement that was</p> <p>4 filed, I suppose, in August, Hydro provided an</p> <p>5 outlook for the regulatory calendar that it</p> <p>6 foresaw for the next couple of years, and I</p> <p>7 noticed that there is no suggestion of having</p> <p>8 approval for the open access tariff as part of</p> <p>9 that regulatory calendar?</p> <p>10 MR. MARTIN:</p> <p>11 A. I haven't seen the regulatory calendar. I'd</p> <p>12 have to look at it, but I think it would go to</p> <p>13 follow from what I just said, is that it</p> <p>14 wouldn't be on there because we don't know if</p> <p>15 it's a requirement or not.</p> <p>16 MR. LUK:</p> <p>17 Q. Okay, do you have a sense for how long until</p> <p>18 Hydro decides whether to file for approval of</p> <p>19 an open access tariff before the Board?</p> <p>20 MR. MARTIN:</p> <p>21 A. Like, I don't know if we're communicating very</p> <p>22 well here. You keep asking the same question</p> <p>23 in a different way, and I'm giving you the</p> <p>24 same answer constantly, I don't know if it's</p> <p>25 going to go before the Public Utilities Board.</p>	<p>1 planned on bringing the tariff before the PUB,</p> <p>2 and to paraphrase, you said, you are still</p> <p>3 thinking about it, and my next question was -</p> <p>4 MR. MARTIN:</p> <p>5 A. I didn't say I was thinking about it. I said</p> <p>6 I was getting people, qualified people -</p> <p>7 MR. LUK:</p> <p>8 Q. People are thinking about it.</p> <p>9 MR. MARTIN:</p> <p>10 A. More than thinking about it, laying out the</p> <p>11 requirements and putting a plan together.</p> <p>12 MR. LUK:</p> <p>13 Q. And, I guess, my subsequent question was how</p> <p>14 long is that thinking process or the process</p> <p>15 of people considering that question, how long</p> <p>16 do you anticipate that process taking?</p> <p>17 MR. YOUNG:</p> <p>18 Q. Mr. Chairman, if I could just ask Mr. Luk to</p> <p>19 give a sense of relevance to this line of</p> <p>20 questioning in this GRA. We listened to the</p> <p>21 questions for a period of time and it appeared</p> <p>22 to be with regard to the regulatory calendar</p> <p>23 and the issues that were settled, and I think</p> <p>24 within a certain balance that would make a</p> <p>25 certain amount of sense, but this is asking</p>

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1 Mr. Martin what he plans to do several years
 2 away on a decision he's already indicated
 3 hasn't been made yet, and he's answered that
 4 question, I think, fully. I don't know what
 5 else the rest of this could have to do with
 6 this GRA.
 7 CHAIRMAN:
 8 Q. Did you hear Mr. Young's comments, Mr. Luk?
 9 MR. LUK:
 10 Q. I did, Mr. Chair, but if I could respond, the
 11 relevance is with relation to the Labrador
 12 West Transmission Project, and how the
 13 Labrador transmission rate that Hydro is
 14 applying for in this present GRA applies to
 15 that project, and how compliance with FERC
 16 requirement would affect how those numbers
 17 work out. As far as I understand it, it's a
 18 major policy decision, and it seems like it's
 19 well within Mr. Martin's purview to know and
 20 to answer.
 21 MR. YOUNG:
 22 Q. If I could respond, Mr. Chair, if that's the
 23 relevance, it's even further afield than I
 24 thought. I mean, that transmission project is
 25 not at present being constructed. There's no

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1 application before the Board for that. Parts
 2 of that remain exempt from the Board's
 3 consideration, and there's nothing in the test
 4 year with regard to that specifically, and I
 5 just don't see the connection. I think we
 6 could be wasting a fair bit of time here.
 7 MR. LUK:
 8 Q. Well, Mr. Chair, the Labrador industrial
 9 Transmission rate does contemplate projects
 10 such as the LWTP. Even if it ends up not being
 11 fully constructed, there are already costs
 12 expended and somebody is going to have to pay
 13 those costs, and it's within the evidence
 14 given by our expert, Mr. Raphals, that
 15 potentially these costs might be borne by
 16 Labrador interconnected customers and at some
 17 point in this hearing we'll be seeking the
 18 Board's guidance on potentially how those
 19 costs should be handled.
 20 CHAIRMAN:
 21 Q. But I take - I mean, I take it from the sense
 22 of Mr. Martin's responses is that they have
 23 not made decisions in these matters yet. They
 24 are some years down the road. I mean, I don't
 25 know how apropos - I don't know how, you know,

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1 your questions can be properly answered in
 2 this context. It awaits another day, it seems
 3 to me. I mean, I'm not trying to stifle any
 4 legitimate exchange. It's not that your
 5 questions aren't bona fide and deserving of
 6 response, it's just that at this stage in the
 7 process Hydro can't respond and/or Nalcor
 8 can't respond to your questions.
 9 MR. LUK:
 10 Q. If the answer is "I don't know", I think
 11 that's perfectly fine from my perspective, but
 12 insofar as an application for approval of the
 13 tariff might take place prior to the next GRA,
 14 then it makes the potential cost of the
 15 transmission project all the more relevant and
 16 all the more deserving of the Board's
 17 attention.
 18 CHAIRMAN:
 19 Q. But Mr. Young has said there's no application
 20 in. They don't know what timeframe they're on
 21 yet with respect to this. At least - is that
 22 true?
 23 MR. YOUNG:
 24 Q. That is correct. There is no application
 25 before the Board.

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1 CHAIRMAN:
 2 Q. So, you know, again you're dealing with a
 3 very, it seems to me, very extremely, I don't
 4 know, hypothetical situation, and not really
 5 within the ambit of these proceedings, I don't
 6 think. Not saying that they're not
 7 legitimate, but they await a further
 8 application or a further occasion when they
 9 can be properly answered, and I don't see how
 10 - I don't see how the interest of your
 11 constituency is being prejudiced by anything
 12 that Mr. Martin is saying or anything that Mr.
 13 Young is saying.
 14 MR. LUK:
 15 Q. Well, Mr. Chair, in this application, Hydro
 16 does seek approval for a Labrador industrial
 17 transmission rate, and if that rate is
 18 approved, then these costs arising from the
 19 Labrador West Transmission Project, even if it
 20 never gets completed, the already expended
 21 costs are potentially costs that could be
 22 spread out to Labrador interconnected
 23 consumers through the Labrador industrial
 24 transmission rate that Hydro is applying for
 25 in this proceeding. So that's how I'm seeing

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<p>1 the relevance to what Hydro is applying for in 2 this proceeding. 3 MR. YOUNG: 4 Q. Mr. Chair, there's nothing before the Board 5 with respect to those costs that are being 6 sought at present. 7 CHAIRMAN: 8 Q. I don't know what else - I mean, you know - 9 MR. LUK: 10 Q. Well, we're - 11 CHAIRMAN: 12 Q. I mean, I don't like to say no, but I think 13 your questions are out of order, but you're 14 kind of pushing me. I don't know - I mean, 15 you know, I don't want to stifle, as I say, a 16 free exchange, but I think that - you know, I 17 think Hydro has properly put it in a 18 reasonable context, so I'd ask you to be 19 mindful of that, I guess, in your subsequent 20 questioning. 21 MR. LUK: 22 Q. Okay, thank you, Mr. Chair. If I could ask 23 Jennifer to bring up IN-NLH-245. This 24 question is about capital expenditures in 25 Labrador Interconnected, and on page 2 at line</p>	<p>1 A. Not necessarily. 2 MR. LUK: 3 Q. What other needs might there be in - 4 MR. MARTIN: 5 A. Once again, I can talk about it generally, but 6 if we get into much more specifics, I'd have 7 to take some advice on it, but it's obviously 8 no secret that the load forecasting in Lab 9 West was getting to a point where there was 10 potential to consider additional transmission 11 into Lab West at some point as well, 12 regardless of the Kami Mine. I just can't 13 recall the sequences and the times, but I can 14 recall discussions around both, and as far as 15 the detail goes as to where it landed at this 16 particular point, I can't remember. The Kami 17 Mine obviously if it was proceeding, it would 18 definitely trigger the line and that was the 19 statement that was here, but as far as the 20 benefits and the timing required for other 21 load that could have happened in Lab West, I'm 22 not familiar, I'm not remembering the exact 23 timing as such. 24 MR. LUK: 25 Q. Now 392 million is a fair bit of money, and</p>
<p>Page 106</p> <p>1 22 - line 24, excuse me, it states that, "The 2 cost of the Labrador West Transmission Project 3 is 329 million dollars". Are you familiar 4 with that figure, Mr. Martin? 5 MR. MARTIN: 6 A. Generally. 7 MR. LUK: 8 Q. And as far as you know, the Labrador West 9 Transmission Project will only benefit - or it 10 wouldn't be necessary, but for the 11 construction of the Kami Mine by Alderon, is 12 that correct? 13 MR. MARTIN: 14 A. I need to take some advice on that. 15 MR. LUK: 16 Q. I believe perhaps I could help you at IN-NLH- 17 235, line 13. In the answer to this RFI, Hydro 18 stated that, "The costs of the Labrador West 19 Transmission Project were not included in the 20 figures for the load forecast because the Kami 21 Mine was - the financing for it was 22 uncertain". So does that suggest to you that 23 but for the Kami Mine, there would be no 24 Labrador West Transmission Project? 25 MR. MARTIN:</p>	<p>Page 108</p> <p>1 it's in the evidence of - pre-filed evidence 2 from the report of our expert, Mr. Raphals, 3 that that would lead to an annual revenue 4 requirement increase of 19 million for 5 industrial customers and 9 million for 6 residential customers in the Labrador 7 Interconnected System. I can give you a 8 reference for that if you need. Has Hydro 9 taken any advice on whether this way of - 10 whether the Labrador industrial transmission 11 rate as is proposed in Hydro's Application, 12 has Hydro taken any advice on whether that is 13 compliant with FERC? 14 MR. MARTIN: 15 A. We haven't made an application for cost 16 recovery with that line. 17 MR. LUK: 18 Q. But if the cost recovery goes according to 19 Labrador transmission rate, then these would 20 be the results of the construction of the 21 Labrador West transmission project, would they 22 not? They would lead to an increase in 23 revenue requirement of 19 million for 24 Industrial Customers and nine million more or 25 less for residential customers?</p>

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<p>1 MR. MARTIN:</p> <p>2 A. I'm not sure of the reports that you're</p> <p>3 referring to. I'm not sure if they're</p> <p>4 reflective of numbers that Newfoundland and</p> <p>5 Labrador Hydro may have in place and I can't</p> <p>6 recall how that would fit in to the Labrador</p> <p>7 Industrial rate and I'd need to do a fair</p> <p>8 amount of work or get some advice on all of</p> <p>9 those questions before just agreeing to your</p> <p>10 statement.</p> <p>11 MR. LUK:</p> <p>12 Q. From a policy perspective, do you agree that</p> <p>13 it is Hydro's policy to try to protect Native</p> <p>14 load customers from the cost of a project like</p> <p>15 the Labrador West Transmission Project that is</p> <p>16 intended mainly to serve one new customer?</p> <p>17 (12:00 p.m.)</p> <p>18 MR. MARTIN:</p> <p>19 A. In my understanding of that, on one end of the</p> <p>20 spectrum if a particular new build</p> <p>21 transmission was benefitting only one</p> <p>22 industrial customer, the policy is that that</p> <p>23 industrial customer would bear the cost.</p> <p>24 That's what I know. If something -- if more</p> <p>25 than one customer benefitted from that under</p>	<p>1 undertaking answer beyond what I just said and</p> <p>2 what Mr. Martin has said. I mean, it would be</p> <p>3 unfair for us to speculate about the kinds of</p> <p>4 advice we might need in that circumstance, I</p> <p>5 think.</p> <p>6 CHAIRMAN:</p> <p>7 Q. You have nothing in writing, you're saying?</p> <p>8 You just got what you've just -- both have</p> <p>9 just said with respect to this issue?</p> <p>10 MR. YOUNG:</p> <p>11 Q. Well, I mean, it's actually an issue that</p> <p>12 would perhaps better be put to Hydro and</p> <p>13 Hydro's Cost of Service experts before the</p> <p>14 Board in the event an application came.</p> <p>15 CHAIRMAN:</p> <p>16 Q. Yes.</p> <p>17 MR. YOUNG:</p> <p>18 Q. And so it's both premature and rather</p> <p>19 speculative, I would suggest.</p> <p>20 CHAIRMAN:</p> <p>21 Q. Okay.</p> <p>22 MR. YOUNG:</p> <p>23 Q. And I don't know what kind of information we</p> <p>24 could give with respect to an undertaking.</p> <p>25 We're in the Board's hands, but I don't know</p>
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<p>1 certain circumstances, then I'd have to take</p> <p>2 the advice of, you know, my system operations</p> <p>3 and legal people in terms of how that would be</p> <p>4 handled.</p> <p>5 MR. LUK:</p> <p>6 Q. And it would be Hydro's policy to project the</p> <p>7 Native load customers as much as possible?</p> <p>8 MR. MARTIN:</p> <p>9 A. I need to take some advice on that. I think</p> <p>10 the way I stated it is what I understand. To</p> <p>11 say that we were protecting or not protecting</p> <p>12 a customer base, I don't look at it that way,</p> <p>13 and if that was a further deeper policy that</p> <p>14 was stated like that, I'd need to check.</p> <p>15 MR. LUK:</p> <p>16 Q. Is that something you'd be prepared to</p> <p>17 undertake to check?</p> <p>18 MR. YOUNG:</p> <p>19 Q. I don't know, Mr. Chair, just on this whether</p> <p>20 an undertaking beyond the answer Mr. Martin</p> <p>21 has already given, because it is a</p> <p>22 hypothetical situation really that's being</p> <p>23 posed and I think he said "should that arise,</p> <p>24 I would seek advice." I don't know if there's</p> <p>25 something specific we could provide in an</p>	<p>1 if we can fill in the blank.</p> <p>2 MR. LUK:</p> <p>3 Q. That's fair enough. I just have one more set</p> <p>4 of questions. Do you know how much has been</p> <p>5 expended already on the Lab West Transmission</p> <p>6 Project?</p> <p>7 MR. MARTIN:</p> <p>8 A. No, I don't.</p> <p>9 MR. LUK:</p> <p>10 Q. Is that something that you'd be prepared to</p> <p>11 undertake to provide, that information?</p> <p>12 MR. MARTIN:</p> <p>13 A. I'm just looking to counsel. Is there</p> <p>14 anything confidential there? I don't want to</p> <p>15 understand something that I can't provide.</p> <p>16 MR. YOUNG:</p> <p>17 Q. No, the issue with this, Mr. Chair, is a</p> <p>18 little complicated. I think the answer</p> <p>19 probably could be provided. I'm going to</p> <p>20 check to see myself, but we didn't anticipate</p> <p>21 this line of questioning. As you know, there</p> <p>22 is a directive to the Board, an exemption</p> <p>23 order, with respect to this, and certain</p> <p>24 issues were exempt. However, down the road,</p> <p>25 as I understand, remember the exemption order,</p>

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1 and it's been some time since I've read it, it
 2 was anticipated that rates for customers were
 3 going to be dealt with by the Board. But I
 4 wouldn't have anticipated that being an issue
 5 before the Board to come within its
 6 jurisdiction up until the time that an
 7 application was made. So the particular
 8 amount of capital spending that's occurred to
 9 date is, for this matter, moot, I would
 10 suggest. It's not a relevant matter. I mean,
 11 obviously it's -- there's data out there that
 12 can be obtained. I just don't know if Hydro
 13 needs to produce that data around that right
 14 now. It's just not relevant to this
 15 proceeding.

16 CHAIRMAN:
 17 Q. Did you hear that, sir?

18 MR. LUK:
 19 Q. So I wasn't sure if -- so there is a number
 20 somewhere out there, but I didn't catch the
 21 full details of what Mr. Young said.

22 MR. YOUNG:
 23 Q. I apologize. I'll repeat. So, I mean, some
 24 money has been expended and the project has
 25 been stopped, but the matter of the line and

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1 the construction and the design and all of
 2 those issues are exempt from the Board's
 3 jurisdiction. We would come before the Board
 4 if we were to seek rates to recover those
 5 costs eventually were the line to be built, et
 6 cetera. But because that hasn't happened, I
 7 don't think the matter is before the Board.

8 MR. LUK:
 9 Q. Okay. Is it presently Hydro's intention to
 10 seek recovery from its customer base for costs
 11 already expended on that line, if the line
 12 does not go ahead?

13 MR. YOUNG:
 14 Q. No application before the Board on that at
 15 this time. I don't know if we can speak to
 16 intentions on that, but there's nothing in the
 17 present application about that specifically.

18 MR. LUK:
 19 Q. Is it something that you would be, Mr. Martin,
 20 prepared to say that -- is that something
 21 you'd be prepared to say you wouldn't do in
 22 the event that the line was not completed?

23 MR. MARTIN:
 24 A. I wouldn't say it either way. I mean, just
 25 building on what counsel said, you know, that

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1 issue hasn't come to my attention. There are
 2 costs expended. That would be brought
 3 forward, you know, in time from the finance
 4 people and the people who deal with cost of
 5 service and things as an item to deal with.
 6 So they haven't done that with me yet and I
 7 just can't give you any direction as to which
 8 way it would go and it's not a personal
 9 decision for me. It would be, you know, a
 10 policy decision based upon the experts that
 11 work with me from a legal and operations
 12 perspective. I would just take their advice
 13 on it.

14 MR. LUK:
 15 Q. Okay. Thank you, Mr. Martin. Those are Innu
 16 Nation's questions.

17 CHAIRMAN:
 18 Q. Okay. Madame Dawson, do you have any matters
 19 you wish to pursue?

20 MR. EDMUND MARTIN, CROSS-EXAMINATION BY MS. GENEVIEVE
 21 DAWSON
 22 MS. DAWSON:
 23 Q. Mr. Chair, yes, I do. I do have a few
 24 questions for Mr. Martin and I should
 25 introduce myself, Mr. Martin. I'm Genevieve

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1 Dawson and I represent the Nunatsiavut
 2 Government. Our interests, as you can
 3 imagine, are quite limited, but nonetheless
 4 very important to the people of Nunatsiavut,
 5 and some of my -- my first question I'm going
 6 to start off with is that there are two Acts
 7 that I consider to sort of reign over this -

8 MR. MARTIN:
 9 A. Excuse me for one second. Just once again,
 10 I'm having trouble seeing through and if I'm
 11 not -- I'm not looking at you when I'm
 12 speaking.

13 MS. DAWSON:
 14 Q. I don't know if that's good or bad. But in
 15 any event, there's two Acts that reign, I
 16 would consider reign over these proceedings
 17 and one Act is the Electrical Power Control
 18 Act and the other is the Public Utilities Act
 19 and both these Acts refer to the Inuit Land
 20 Claims Agreement and I want to ask you, did
 21 you know that? Do you know that these both,
 22 both these Acts refer to, in particular, the
 23 Inuit Land Claims Agreement and that they -- I
 24 guess, the Land Claims Agreement, I would
 25 suggest, according to both these Acts, take

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1 precedence over both these Acts. Did you know
 2 that?
 3 MR. MARTIN:
 4 A. No, I didn't.
 5 MS. DAWSON:
 6 Q. Okay. So I'm going to read -- these are on
 7 the website for the PUB, but I'm going to read
 8 to you what they do say about the Labrador
 9 Inuit rights, but again, they are on the PUB
 10 website. The first Act is the Public
 11 Utilities Act and Section 4.2 says "this Act
 12 shall be read and applied in conjunction with
 13 the Labrador Innu Land Claims Agreement Act
 14 and where a provision of this Act is
 15 inconsistent or conflicts with a provision,
 16 term or condition of the Labrador Innu Land
 17 Claims Agreement Act, the provisions, term or
 18 condition of the Labrador Innu Land Claims
 19 Agreement shall have precedence over the
 20 provisions of this Act." That is the Public
 21 Utilities Act.
 22 And the same provision is in the
 23 Electrical Power Control Act. I won't read it
 24 out, but it's basically the same, that the
 25 Land Claims Agreement shall take precedence

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1 over the provisions of the Electrical Power
 2 Control Act. So I'm taking from your answer
 3 that you did not know that?
 4 MR. MARTIN:
 5 A. That's correct.
 6 MS. DAWSON:
 7 Q. So therefore, can I also assume that there is
 8 nobody in your management team that was tasked
 9 with understanding and looking at those
 10 provisions with respect to this Application
 11 and in particular, the way that Newfoundland
 12 Hydro is run?
 13 MR. MARTIN:
 14 A. No, you couldn't take that from my comments.
 15 MS. DAWSON:
 16 Q. Okay. So then I'll ask you for the name of
 17 the person in your management team that would
 18 make sure that your application and the
 19 application of -- the rate application, one,
 20 is compliant or understands. Is there anybody
 21 in your team that understands this Act, sorry,
 22 the Land Claims Agreement, and is there
 23 anybody in your management team that
 24 understands how this would or should comply,
 25 make sure that your company, I'll call it,

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1 complies with the Land Claims Agreement?
 2 MR. MARTIN:
 3 A. Mr. Young would have to deal with that for
 4 sure.
 5 MS. DAWSON:
 6 Q. Okay. So maybe Mr. Young can give me the name
 7 of somebody in your management team that would
 8 ensure compliance with this Act.
 9 MR. YOUNG:
 10 Q. Feel like I'm giving testimony.
 11 MS. DAWSON:
 12 Q. Well, you -
 13 MR. YOUNG:
 14 Q. I will indicate that I take it to be my
 15 responsibility and have done so in this case.
 16 MS. DAWSON:
 17 Q. Okay.
 18 MR. YOUNG:
 19 Q. I don't think that makes me a compellable
 20 witness.
 21 MS. DAWSON:
 22 Q. So my other question is this, and this may be
 23 a little controversial but you've -- I think
 24 from some of your comments that I've taken
 25 over the last couple of days, and I will be

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1 the first to say that I couldn't always follow
 2 them, not because of you, but because I
 3 definitely -- I might have a few degrees but
 4 lack both an engineering degree in
 5 electricity. I don't have an accountant
 6 designation. I certainly don't have an MBA
 7 designation, and after your testimony, I feel
 8 like I should have run some sort of a company
 9 for many years. So if I don't sound like I am
 10 familiar with some of the terms that would be
 11 correct. But, do I get it from your testimony
 12 that Nalcor and the development of Muskrat
 13 Falls was highly integrated or kind of the
 14 same as Newfoundland and Labrador Hydro with
 15 respect to the development of Muskrat Falls?
 16 They're both connected?
 17 MR. MARTIN:
 18 A. There's a lot of words there.
 19 MS. DAWSON:
 20 Q. Did I out word you is the question.
 21 MR. MARTIN:
 22 A. I hope no one offers any further views on
 23 that. I'll just try and revert and come back
 24 to what I said and I think it was during my
 25 testimony when I was most likely talking about

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1 hours charged and time spent and I believe I
 2 made a point there, amongst others, that when
 3 looking at the hours charged, to me it wasn't
 4 giving a representative view of the time spent
 5 on issues that were indirectly or directly
 6 touching Newfoundland and Labrador Hydro and I
 7 went on to make a comment that, for instance,
 8 Hydro, obviously we need to provide
 9 electricity to the people and customers of the
 10 Province and much like a situation where in
 11 the past the construction of a Cat Arm or a
 12 Holyrood or Bay D'Espoir or a Granite Canal
 13 would be something that Hydro would need to,
 14 you know, spear head and make sure happened.
 15 In a similar context with Muskrat Falls and
 16 the Labrador Island Link is also providing
 17 electricity to the Province, then Hydro -- the
 18 time spent there by myself and others would
 19 also be directly connected to the mandate of
 20 Newfoundland and Labrador Hydro.
 21 MS. DAWSON:
 22 Q. Yes, so I guess my question is that at the end
 23 of the day, the development of Muskrat Falls
 24 will directly benefit Newfoundland Hydro.
 25 That's the whole point is that you want to get

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1 away from the reliance on Holyrood, some
 2 issues on reliability and all the issues you
 3 mentioned, the development of Muskrat Falls
 4 will offer Newfoundland and Labrador Hydro a
 5 safe, reliable, environmentally friendly
 6 resource basically, and of some of the other
 7 issues that you mentioned?
 8 MR. MARTIN:
 9 A. Those statements are correct, yes.
 10 MS. DAWSON:
 11 Q. Okay. So and is that -- and that is where I'd
 12 like to segue then into a little bit, and not
 13 too many questions, I only have a few, on the
 14 development of Muskrat Falls. And when you
 15 and the management team were discussing the
 16 development of Muskrat Falls, was there any --
 17 did you consider at all whether you --
 18 consider or rule it out or even think about a
 19 transmission line to the communities of
 20 Nunatsiavut?
 21 MR. MARTIN:
 22 A. On a regular basis or, you know, on a periodic
 23 basis might be a better way to state it, we do
 24 consider how power is being provided to the
 25 isolated communities in Labrador and there's

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1 an assessment done with respect to what is the
 2 least cost most reliable option and that has
 3 been an ongoing process and it wouldn't -- so
 4 that kind of question wouldn't be done in the
 5 context of a Muskrat Falls. It would be done
 6 in a regular context of what is the least cost
 7 way to provide power to the coast. So no, not
 8 in the context of Muskrat Falls, but I wanted
 9 to make the point, we do consider that on a
 10 periodic basis.
 11 (12:15 p.m.)
 12 MS. DAWSON:
 13 Q. I'm going to put it to you that would you be
 14 able to understand some of the frustration
 15 from the people of Nunatsiavut that they see
 16 this huge undertaking on the development of
 17 Muskrat Falls and the vast benefits that are
 18 going to come out of that and yet at the same
 19 time, there's no direct benefit with respect
 20 to electricity and the supply of electricity
 21 to those very communities, given that, you
 22 know, the principles of adjacency kind of come
 23 into play that it's very close to them and yet
 24 they don't have -- they will not benefit from
 25 that development? Can you understand the

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1 sense of frustration and alienation that they
 2 may feel?
 3 MR. MARTIN:
 4 A. Frustration and alienation, these are feelings
 5 and if people have those, I have to respect
 6 that. It's not a matter of, you know, if I
 7 agree or disagree. I certainly have to
 8 respect that. But past that, I just wanted to
 9 suggest to you, where we're going with this
 10 line of questioning, I'm going to rapidly get
 11 to a point where I'm going to suggest it's not
 12 relevant to these proceedings, but I don't
 13 want to disrespect you by starting to answer
 14 all your questions in that fashion. I just
 15 believe it's not related to these proceedings.
 16 MS. DAWSON:
 17 Q. No, I understand, but unfortunately or
 18 fortunately for me and maybe unfortunately for
 19 you, I have heard about the development of
 20 Muskrat Falls for two and a half days or
 21 almost two and a half days linked to and very
 22 fundamental to the long term viability of
 23 Newfoundland Hydro and I represent a lot of
 24 people who find all that very frustrating
 25 because they don't get any benefit out of that

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1 from the development of Muskrat Falls and I
 2 understand that that's not before the Board,
 3 but -- and I don't want to get into quoting
 4 you, but I've got my quotes ready for how
 5 you've linked those two concepts and actually
 6 that this is really a Newfoundland Hydro
 7 decision that Muskrat Falls would be
 8 developed. But again, I'm going to put to
 9 you, do you understand that the residents of
 10 Nunatsiavut find all this very frustrating
 11 that there's this huge undertaking that they
 12 get no benefit from and in fact, there may be
 13 some environmental damage done to their land?
 14 MR. MARTIN:
 15 A. So once again, I don't want to disagree with
 16 your statements, so I'm not going -- I'm not
 17 addressing your statements. My virtue of the
 18 fact you're telling me there's frustration,
 19 then yes, I do understand that.
 20 MS. DAWSON:
 21 Q. That's all the questions I have.

1 CHAIRMAN:
 2 Q. Okay, now I think Mr. Dumaresque, you have
 3 some questions that you wish to put to Mr.
 4 Martin in relation to matters of prudence, is

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1 that correct?
 2 MR. DUMARESQUE:
 3 Q. Yes, Mr. Chairman.
 4 CHAIRMAN:
 5 Q. An agreement has been reached with Hydro with
 6 respect to proceeding in this manner?
 7 MR. CASS:
 8 Q. Mr. Chair, if I might, I do understand that
 9 Mr. Dumaresque is an Intervenor for the
 10 limited purpose of prudence. I believe as
 11 well that the record is not complete on the
 12 prudence issue.
 13 CHAIRMAN:
 14 Q. Yes.
 15 MR. CASS:
 16 Q. This does make it difficult, I think, to get
 17 into detailed questions. Mr. Martin, I
 18 believe, will do his best today to answer the
 19 high level policy questions as best he can.
 20 CHAIRMAN:
 21 Q. So you understand the--I mean, we're in a
 22 sense, Mr. Dumaresque, we're kind of putting
 23 the cart before the horse because the prudence
 24 issues have not been addressed in direct
 25 testimony and that's further down the road,

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1 after which there would be an opportunity for
 2 cross-examination on those issues. But we've
 3 decided that you can proceed in that context,
 4 now understanding, of course, the context as
 5 was just stated, understanding the context
 6 within which your questions are being put and
 7 will be answered.
 8 (12:20 p.m.)
 9 MR. DUMARESQUE:
 10 Q. Yes, well I have not spent much time in this
 11 environment, as you can appreciate.
 12 CHAIRMAN:
 13 Q. That may not be a liability, sir.
 14 MR. DUMARESQUE:
 15 Q. My previous experience was on the legislature
 16 floor and when we used to get into budgeting,
 17 well certainly there was a lot of flexibility
 18 in how the questions were interpreted, so I'll
 19 probably look for your guidance on that
 20 relevance or if not, I'm sure the counsel for
 21 Hydro will do so. But because I didn't have
 22 the clarification on whether I would be able
 23 to speak at all during this proceeding at this
 24 time, and because we haven't seen the witness
 25 list yet for the prudence review and if in

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<p>1 fact Mr. Martin will be one of the witnesses 2 that will be called, one of the important 3 pieces of information that I would be using to 4 question Mr. Martin is the transcript or the 5 testimony, if you want to put it in that 6 context, that he gave to the 2014 annual 7 general meeting of Nalcor where he spoke 8 specifically to the purchase, the process and 9 purchase of the combustion turbine generator, 10 a major undertaking, and what I would do at 11 this point on that particular issue because 12 that is a significant basis for my questioning 13 of Mr. Martin in particular, is that I would 14 ask Hydro if they would give an undertaking to 15 provide me with a copy of the transcript for 16 the 2014 AGM section that relates specifically 17 to the combustion turbine generator and I have 18 reviewed it and I think it's at minute 14 to 19 somewhere around minute 20 of the time that 20 Mr. Martin was responding to questions that 21 day, and there might have been a section 22 otherwise, but certainly I don't expect that 23 can be done today, but if it could be an 24 undertaking provided to us and have that so I 25 would be able to lead off in that manner on</p>	<p>1 MR. DUMARESQUE: 2 Q. Well I know it's on the website as a video 3 tape, whether Hydro itself transcribes these 4 things, I'm not aware of whether they do or 5 not, but it is extremely relevant to the line 6 of questioning that I had planned to put to 7 Mr. Martin in his capacity. 8 MR. YOUNG: 9 Q. Mr. Chair, best I could say is we can look 10 into that. At this point, I don't know 11 whether - 12 CHAIRMAN: 13 Q. So you're looking for basically a transcript 14 of an AGM, is that what you're looking for-- 15 the recent AGM of Hydro? 16 MR. DUMARESQUE: 17 Q. 2014 AGM and the particular section of that 18 question and answer period where he gave 19 extensive answers. 20 CHAIRMAN: 21 Q. So these were not prepared remarks by Mr. 22 Martin, they were in response to media 23 questions or questions from the floor? 24 MR. DUMARESQUE: 25 Q. From some of the shareholders, yes.</p>
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<p>1 Monday, probably, from that perspective. Is 2 that something that Hydro would be willing to 3 do? 4 MR. YOUNG: 5 Q. Mr. Chair, we could look into that. I am not 6 aware of that, it's a little unexpected as a 7 source of information to be given, but we 8 could certainly look into that and see if it's 9 available and it sounds to me like it probably 10 is. 11 MR. DUMARESQUE: 12 Q. Well it's on the website, it's just that I 13 can't take it from the website to be able to 14 bring it in here. I asked the PUB staff if 15 they could plug into it, but again, I guess on 16 a technicality from a legal perspective it's 17 probably not appropriate to do it in that 18 manner, so I asked for an undertaking to 19 provide a transcript of it so that it could be 20 evidence to be used for the cross-examination. 21 MR. YOUNG: 22 Q. Could I ask whether, Mr. Dumaresque, is this a 23 matter that's been transcribed? Have you seen 24 it as a written document or is it essentially 25 video tape?</p>	<p>1 CHAIRMAN: 2 Q. Okay. 3 MR. DUMARESQUE: 4 Q. And as I said, I prepared my questions for him 5 as a result of these statements because they 6 were very specific and I certainly wanted to 7 get to understand, but I know that because 8 they're not a part of the record as it stands 9 now, it probably wouldn't be appropriate to 10 refer to them. 11 MR. YOUNG: 12 Q. Yes, Mr. Chair, we didn't see this coming. 13 We'll have to look to see if--it sounds to me 14 and I'm gathering this, making perhaps an 15 assumption, which I shouldn't do, but it 16 sounds to me like it's probably not 17 transcribed, that's it's on the website as a 18 telecast sort of a document or a file and I 19 really don't know what would be required to do 20 that and how that would be presented to the 21 Board, but we can look into that. Perhaps we 22 can talk to Mr. Dumaresque after the fact to 23 discuss that and I'd get a better sense of how 24 that might occur, how much he wants and that 25 sort of thing. We're not trying to be</p>

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<p>1 difficult, I'm just trying to figure out, to</p> <p>2 my knowledge the Board hasn't been asked to</p> <p>3 look at something like this before, so we've</p> <p>4 got to work that out.</p> <p>5 CHAIRMAN:</p> <p>6 Q. Is that satisfactory, Mr. Dumaresque?</p> <p>7 MR. DUMARESQUE:</p> <p>8 Q. Yes, on that particular point I would be</p> <p>9 pleased to follow up.</p> <p>10 CHAIRMAN:</p> <p>11 Q. Is it your intention to call Mr. Martin during</p> <p>12 the prudence part of these proceedings as</p> <p>13 well?</p> <p>14 MR. YOUNG:</p> <p>15 Q. Mr. Chairman, we haven't made decisions on the</p> <p>16 prudence panel yet.</p> <p>17 CHAIRMAN:</p> <p>18 Q. Okay.</p> <p>19 MR. YOUNG:</p> <p>20 Q. I will add, though, that we would have</p> <p>21 envisaged that to be largely technical matters</p> <p>22 and the people that we have considered for</p> <p>23 that at this point, without making those</p> <p>24 decisions, are not part of a policy witness,</p> <p>25 are the people who will answer the specific</p>	<p>1 Q. Correct.</p> <p>2 CHAIRMAN:</p> <p>3 Q. Okay, all right.</p> <p>4 MR. DUMARESQUE:</p> <p>5 Q. Yes, and I guess my point is since it's under</p> <p>6 consideration and hasn't been decided and from</p> <p>7 what I just heard probably unlikely to happen,</p> <p>8 then I certainly want to avail of this</p> <p>9 opportunity to be able to question Mr. Martin</p> <p>10 specifically, not on the technicalities, not</p> <p>11 on the details, but on precisely how he</p> <p>12 decided to--and what part he played in the</p> <p>13 procurement and contracting of this 125</p> <p>14 million dollar purchase of this combustion</p> <p>15 turbine, and because his statements are so</p> <p>16 clearly on the record as a result of the</p> <p>17 statements he made at the 2014 AGM, they are</p> <p>18 certainly very appropriate and I want to be</p> <p>19 able to lead off on that particular issue with</p> <p>20 that information provided to all concerned</p> <p>21 here in this procedure.</p> <p>22 CHAIRMAN:</p> <p>23 Q. Okay, so we'll defer that to Monday then,</p> <p>24 that's what we're agreeing to, is it?</p> <p>25 MR. YOUNG:</p>
<p>1 questions that we anticipate arising.</p> <p>2 CHAIRMAN:</p> <p>3 Q. So your answer is you don't know whether Mr.</p> <p>4 Martin will be appearing or not.</p> <p>5 MR. YOUNG:</p> <p>6 Q. That's correct.</p> <p>7 CHAIRMAN:</p> <p>8 Q. Okay. So are you satisfied now, Mr.</p> <p>9 Dumaresque, to postpone consideration of these</p> <p>10 matters until Monday or when will you be</p> <p>11 making a decision as to respect of Mr. Martin</p> <p>12 appearing?</p> <p>13 MS. GLYNN:</p> <p>14 Q. Mr. Chair, there's still a lengthy process</p> <p>15 left for the prudence review.</p> <p>16 CHAIRMAN:</p> <p>17 Q. Oh I know, I understand all of that. There's</p> <p>18 a lot of water -</p> <p>19 MS. GLYNN:</p> <p>20 Q. So the issues list and the witness list is not</p> <p>21 scheduled to be filed until September 24th.</p> <p>22 CHAIRMAN:</p> <p>23 Q. Oh, okay, so that's part of consideration, but</p> <p>24 down the road.</p> <p>25 MR. YOUNG:</p>	<p>1 Q. I suppose, Mr. Chair, I mean I know understand</p> <p>2 things a little differently than I did a few</p> <p>3 minutes ago. It sounds to me like he wants</p> <p>4 this produced before he cross-examines Mr.</p> <p>5 Martin, is that what you're saying?</p> <p>6 MR. DUMARESQUE:</p> <p>7 Q. Yes, that's right.</p> <p>8 MR. YOUNG:</p> <p>9 Q. So it's not an undertaking to provide</p> <p>10 subsequent, this is an undertaking to provide</p> <p>11 that prior to cross-examination, which is</p> <p>12 different than what I first thought it was.</p> <p>13 MR. DUMARESQUE:</p> <p>14 Q. Yes, that's right, I want that before I start</p> <p>15 the cross-examination and I guess where it's</p> <p>16 becoming more relevant now is in light of the</p> <p>17 fact that you have just indicated that you're</p> <p>18 not going to be calling Mr. Martin and likely</p> <p>19 not be calling Mr. Martin in the prudence</p> <p>20 review, it is certainly more prudent now, than</p> <p>21 ever, to have this line of questioning on the</p> <p>22 record as soon as possible. And, I mean, this</p> <p>23 is not the "magna carta" I'm asking to have</p> <p>24 translated, it's four or five minutes that are</p> <p>25 very specific to the issue that was given at</p>

1 the AGM last year.
 2 MS. GLYNN:
 3 Q. Mr. Chair, perhaps we could break for a few
 4 minutes and see if we're able to access the
 5 document now.
 6 CHAIRMAN:
 7 Q. Okay, if you think you can, by all means we'll
 8 adjourn for a few minutes to see if this
 9 matter can be resolved now, Mr. Dumaresque.
 10 MR. DUMARESQUE:
 11 Q. Thank you, Mr. Chair.
 12 CHAIRMAN:
 13 Q. Okay.
 14 (OFF RECORD - 12:40 P.M)
 15 CHAIRMAN:
 16 Q. So ladies and gentlemen, I understand we've
 17 had some discussions or you've had some
 18 discussions about procedure and some things
 19 have been agreed to to the satisfaction of all
 20 parties and I guess we're going to adjourn
 21 until Monday, is that the understanding? It
 22 seems like we're--I was saying to the crowd
 23 inside, we're breaking new ground in
 24 administrative law, I mean, this is really a--
 25 we're having cross-examination on evidence

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

1 that's not been filed and I'm--anyway,
 2 interesting.
 3 MS. GLYNN:
 4 Q. And Mr. Chair, just as a point of
 5 clarification that it would be Mr. Dumaresque
 6 starting his cross-examination 9:00 Monday
 7 morning.
 8 CHAIRMAN:
 9 Q. So Mr, Dumaresque, you be ready for 9:00 on
 10 Monday morning.
 11 MR. DUMARESQUE:
 12 Q. Monday morning, ready and willing.
 13 CHAIRMAN:
 14 Q. Okay, all right. Well in that case, I guess
 15 we should adjourn and certainly enjoy your
 16 weekend. Thank you.
 17 Upon conclusion at 1:01 p.m.

<p>-#-</p> <p>#6 [1] 73:12</p> <hr/> <p>-\$-</p> <p>\$10.00 [1] 89:11 \$107,197 [1] 11:24 \$246,965 [1] 11:9 \$380,000 [2] 10:14 11:9</p> <hr/> <p>-'-</p> <p>'09 [1] 48:1 '13 [5] 24:12 32:8 33:12 33:23,25 '14 [5] 24:12 32:8 33:12 33:23,25 '15 [1] 24:12</p> <hr/> <p>-1-</p> <p>1 [4] 1:9 54:8 73:4 81:12 100 [1] 12:1 107,197 [1] 12:3 10:00 [1] 43:18 10:15 [1] 55:12 10:45 [1] 82:13 10:54 [1] 91:5 11:30 [1] 91:20 11:37 [1] 91:22 11:45 [1] 98:1 11th [2] 138:5,11 121 [1] 75:12 125 [1] 134:13 12:00 [1] 109:17 12:15 [1] 123:11 12:20 [1] 127:8 12:40 [1] 136:14 13 [3] 55:15 59:4 106:17 14 [2] 83:4 128:18 19 [2] 108:4,23 1:01 [1] 137:17</p> <hr/> <p>-2-</p> <p>2 [1] 105:25 2.82 [1] 54:8 20 [1] 128:19 2004 [2] 56:19 57:9 2007 [2] 54:4 84:25 2011 [1] 78:21 2012 [3] 2:10 4:6 78:19 2013 [15] 2:10 4:7 22:24 23:18 24:9 25:13,21 26:13 40:19 62:1,2,11 62:16 64:13 84:25 2014 [37] 4:8 10:17,19 11:2,6,9,10 12:6,19,22 16:15 18:19,25 19:6,14 20:2 21:10 22:5,16 23:3 23:20 24:9 73:17,24 75:17,18 76:10,11 81:11 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