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<p>1 (9:32 a.m.)</p> <p>2 CHAIRMAN:</p> <p>3 Q. Good morning, everyone. I'd like to welcome</p> <p>4 everyone to the hearing on Newfoundland</p> <p>5 Power's 2025-2026 General Rate Application.</p> <p>6 My name is Kevin Fagan. I'm the Chair and</p> <p>7 CEO of the Board and I'll be the presiding</p> <p>8 member for this proceeding. Other Board</p> <p>9 members joining me on the panel are Dwanda</p> <p>10 Newman, Vice-Chair, and John O'Brien,</p> <p>11 Commissioner. We also have assisting us:</p> <p>12 Maureen Greene, our Board hearing counsel;</p> <p>13 Jacqui Glynn, Board counsel; and Joanne</p> <p>14 Galarneau, our Executive Director and Board</p> <p>15 secretary. At the back of the room, we also</p> <p>16 have: Katie Philpott, legal counsel for the</p> <p>17 Board; Stephanie Stack, assistant Board</p> <p>18 secretary; Mike McNiven, regulatory advisor;</p> <p>19 Mike Janes, engineering advisor; and Kim</p> <p>20 Simms, financial advisor. Sam Banfield, our</p> <p>21 engineering consultant is not proceeding –</p> <p>22 not present today but will be also with us</p> <p>23 on occasion. You'll see some of these staff</p> <p>24 members in the back of the room most days.</p> <p>25 I'd also like to welcome the parties</p>	<p>1 the Innu of Nitassinan, Inuit of Nunatsiavut</p> <p>2 and Inuit of NunakuKavut. We recognize all</p> <p>3 First Peoples who are here before us, those</p> <p>4 who live with us now and the seven</p> <p>5 generations to come. As First Peoples have</p> <p>6 done since time in memorial, we strive to be</p> <p>7 responsible stewards of the land and respect</p> <p>8 the cultures, ceremonies and traditions of</p> <p>9 all who call it home. As we open our hearts</p> <p>10 and minds to the past, we commit ourselves</p> <p>11 to working in the spirit of truth and</p> <p>12 reconciliation to make a better future for</p> <p>13 us all.</p> <p>14 I'll now provide a brief introduction</p> <p>15 of the General Rate proceeding. General</p> <p>16 rate proceedings are held for Newfoundland</p> <p>17 Power approximately every three years.</p> <p>18 Through this regulatory process, the Board</p> <p>19 evaluates the reasonableness of the cost to</p> <p>20 be recovered and whether the proposed</p> <p>21 customer rates are fair and</p> <p>22 undiscriminatory. To evaluate the</p> <p>23 reasonableness of the proposals presented by</p> <p>24 Newfoundland Power, the Board applies tests</p> <p>25 consistent with generally accepted utility</p>
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<p>1 and any interested members of the public who</p> <p>2 are here today, as well as the media. This</p> <p>3 hearing is being recorded by Glenda Gibbons</p> <p>4 with Discoveries Unlimited under the</p> <p>5 supervision of the Board Secretary and will</p> <p>6 be transcribed and distributed</p> <p>7 electronically on a daily basis. I would</p> <p>8 also like to thank in advance Courtney Bowen</p> <p>9 of Newfoundland Power, who'll be</p> <p>10 electronically presenting any requested</p> <p>11 documents to the parties and the Board</p> <p>12 during this proceeding.</p> <p>13 Before we start the process, I'll</p> <p>14 provide a land acknowledgement as a</p> <p>15 demonstration of respect for indigenous</p> <p>16 peoples and their past and present</p> <p>17 contribution to the province.</p> <p>18 We respectfully acknowledge the land on</p> <p>19 which we gather as the ancestral homelands</p> <p>20 of the Beothuk whose culture has been lost</p> <p>21 forever and can never be recovered. We also</p> <p>22 acknowledge the island of Ktaqmkuk and the</p> <p>23 unceded traditional territory of the Beothuk</p> <p>24 and Mi'kmaq and we acknowledge Labrador as</p> <p>25 the traditional and ancestral homelands of</p>	<p>1 practice. At the conclusion of the general</p> <p>2 rate application, the Board issues an order</p> <p>3 which sets forth the Board's decisions on</p> <p>4 the utility's proposals. The overall cost</p> <p>5 management of Newfoundland Power is being</p> <p>6 reviewed in this proceeding. The Board's</p> <p>7 decision resulting from this application</p> <p>8 approves the cost to be reflected in</p> <p>9 customer rates which are intended to provide</p> <p>10 Newfoundland Power a reasonable opportunity</p> <p>11 to recover prudently occurred costs plus an</p> <p>12 opportunity to earn a reasonable return on</p> <p>13 equity.</p> <p>14 At this point in time, I'll ask Board</p> <p>15 counsel, Jacqui Glynn, to enter the matter</p> <p>16 and to confirm the issuance of the</p> <p>17 appropriate public notices and identify any</p> <p>18 preliminary matters, if necessary.</p> <p>19 MS. GLYNN:</p> <p>20 Q. Thank you, Mr. Chair. Good morning to</p> <p>21 everybody. On December 12th, 2023, the Board</p> <p>22 received a general rate application from</p> <p>23 Newfoundland Power to establish new rates</p> <p>24 for its customers. Newfoundland Power is</p> <p>25 requesting that the Board approve, among</p>

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1 other things, an overall average increase
 2 and current electricity rates of 5.5 percent
 3 as of July 1, 2025. Newfoundland Power
 4 indicates that the proposed rate increase is
 5 a result of an increase in the company's
 6 return on equity from 8.5 percent to 9.5
 7 percent and increases in its costs since its
 8 last general rate application.
 9 Notice of the application was placed on
 10 the Board's website and published in
 11 newspapers throughout the province, starting
 12 on January 10th, 2024. The notice was
 13 published both in The Telegram and the West
 14 Coast Wire. The notice advised that full
 15 recovery of Newfoundland Power's costs,
 16 including forecast supply costs, could
 17 result in a significantly higher increase in
 18 customer rates than the 5.5 percent
 19 indicated in the application. This is
 20 because Newfoundland Power is proposing that
 21 a portion of its supply costs for the years
 22 of 2025 and 2026 be temporarily deferred
 23 with recovery planned through a customer
 24 rate increases in the July 1 RSA. Full
 25 recovery of costs, including forecast supply

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1 costs, could result in an increase of 9.8
 2 percent.
 3 On February 1, 2024, the Board held a
 4 prehearing conference at which we identified
 5 the Intervenor. We established the rules
 6 of procedure and set the schedule for the
 7 hearing of this application. There has been
 8 two rounds of request for information which
 9 resulted in several hundred RFIs being
 10 issued and responded to by the parties.
 11 Expert reports and RFIs on the expert
 12 reports have been filed. The parties have
 13 also participated in settlement discussions.
 14 All documents are available on the
 15 Board's website and the parties are now
 16 ready to start the public hearing portion of
 17 the application process. Notice of the
 18 start date for this hearing was published in
 19 papers throughout the province starting May
 20 11th, 2024. The order of witnesses is
 21 published on our schedule or on our website,
 22 sorry. Depending on the length of testimony
 23 from each witness, the hearing schedule
 24 could change. The hearing is currently
 25 scheduled to go into the first week of July,

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1 with a public participation date set for
 2 July 9th, 2024. Any member of the public who
 3 wishes to make a presentation to the Board
 4 may contact the Board secretary, Joanne
 5 Galarneau, or submit a written comment by
 6 July 5th, 2024. Today the parties will start
 7 with their opening comments and then we will
 8 start with Newfoundland Power's first
 9 company witness, president and CEO, Mr. Gary
 10 Murray.
 11 Mr. Chair, I confirm that the
 12 application has been properly filed.
 13 Appropriate notices have been published and
 14 you may now ask the parties to introduce
 15 themselves for the record.
 16 CHAIRMAN:
 17 Q. Thank you. I'd like to ask the parties here
 18 today now, each – no -- each party
 19 represented the Applicant, the Consumer
 20 Advocate, Newfoundland Hydro and the IBEW to
 21 introduce yourself and for – for the purpose
 22 of the record. I'll then have a few
 23 additional remarks before we proceed to
 24 opening statements. Let's begin with
 25 Newfoundland Power, the applicant.

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1 MR. O'BRIEN:
 2 Q. Good morning, Mr. Chair, Commissioners.
 3 Liam O'Brien, outside counsel for
 4 Newfoundland Power, and with me is Lindsay
 5 Hollett, inside counsel for Newfoundland
 6 Power.
 7 CHAIRMAN:
 8 Q. Consumer Advocate please.
 9 BROWNE, KC:
 10 Q. It's Dennis Browne, Consumer Advocate. With
 11 me is Jamie Fitzgerald and – well, would be
 12 with me on occasion and on the other
 13 occasions, Bernard Coffey will be with me.
 14 Bernard will be dealing with the rate
 15 experts next week on behalf of the consumers
 16 of the province.
 17 CHAIRMAN:
 18 Q. Good morning. Thank you. Newfoundland and
 19 Labrador Hydro please.
 20 SIMMONS, KC:
 21 Q. Good morning, Mr. Chairman and
 22 Commissioners. Dan Simmons appearing as
 23 outside counsel for Hydro and with me is
 24 Shirley Walsh who's regulatory counsel and
 25 Michael Ladha who's VP Legal.

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1 CHAIRMAN:
 2 Q. Good morning. Thank you. IBEW
 3 introduction, please.
 4 MR. KING:
 5 Q. Good morning, Mr. Chair and Commissioners.
 6 Justin King on behalf of IBEW 1620 and with
 7 me is Adrienne Ding.
 8 CHAIRMAN:
 9 Q. Good morning. Thank you. Okay, I've got a
 10 couple of process items before we start.
 11 So, all paper documentation already filed in
 12 relation to the application will be posted
 13 on the Board's website. All additional
 14 documentation presented during the public
 15 hearing today, including daily transcripts,
 16 will also be posted to the Board's website.
 17 The binders you see in the room contain the
 18 official version of the evidence and will be
 19 maintained under the supervision of Ms.
 20 Galarneau. These will be used for reference
 21 purposes needed in the event evidence cannot
 22 be displayed electronically or if some
 23 discrepancy exists between the electronic
 24 and paper records or if a witness would
 25 prefer to use a paper copy rather than the

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1 electronic version. Transcripts will be
 2 emailed to the parties upon completion each
 3 evening, with a paper copy available before
 4 the commencement of the hearings on the
 5 following day.
 6 Persons addressing the panel may, for
 7 the benefit of transcription, refer to the
 8 commissioners by name, Commissioner Newman,
 9 Commissioner O'Brien and myself as Chair.
 10 We ask counsel to refrain from reading long
 11 passages of pre-filed evidence into the
 12 record as such evidence is already on the
 13 record. We would ask for your cooperation
 14 in minimizing this practice. Persons who
 15 have concerns or issues with the room
 16 layout, supplies, files or records should
 17 bring these matters directly to Ms.
 18 Galarneau.
 19 Normal daily sitting times will be 9
 20 a.m. to 1:30 p.m. with a half hour break
 21 from 11 to 11:30 and we ask that all parties
 22 adhere to these times. And finally, please
 23 silence your cellphones and electronic
 24 devices.
 25 Before moving to opening statements, I

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1 would ask if there are any preliminary
 2 matters, Ms. Glynn?
 3 MS. GLYNN:
 4 Q. And there is, as I silence by Surface. We
 5 do have – thank you, Mr. Chair. We do have
 6 three preliminary matters to address. The
 7 first is to address a settlement agreement.
 8 The second is to note an undertaking and the
 9 third will be to enter an information item.
 10 So, I am very pleased to advise that the
 11 parties have reached a settlement agreement
 12 on certain of the issues and Ms. Greene is
 13 going to provide a quick synopsis of that
 14 agreement for us that we will then enter as
 15 Consent Exhibit No. 1.
 16 GREENE, KC:
 17 Q. Good morning, Mr. Chair, Commissioners.
 18 Yes, the parties have reached agreement on a
 19 number of issues. As a result, the parties
 20 will not present evidence or question in
 21 relation to the settled issues unless it's
 22 necessary to provide clarification of the
 23 settled issues.
 24 The parties have agreed on ten issues
 25 or ten items that were raised through the

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1 application. The first is the Automatic
 2 Adjustment Formula which has been used in
 3 the past to set the rate of return for
 4 equity for Newfoundland Power. So, the
 5 parties have agreed that this formula will
 6 not be used for years beyond 2026 and it
 7 will continue to be suspended until further
 8 order of the Board.
 9 The second item that the parties have
 10 agreed to is the recovery period of ten
 11 years to recover the costs that have been
 12 deferred in the Electrification Cost
 13 Deferral Account. The third item agreed to
 14 by the parties relates to the Demand
 15 Management Incentive Account and the parties
 16 have agreed that there will be a threshold
 17 for this account of plus or minus \$500,000.
 18 The fourth item the parties have agreed
 19 to is that Newfoundland Power will prepare a
 20 report on its Energy Supply Cost Variance
 21 Account and will file that report by
 22 December 31st, 2025 and that report will
 23 include a response to the recommendations
 24 made by the Board's consultant, the Brattle
 25 Group, in its April 2024 report and it will

1 also include a jurisdictional scan of
 2 practices in other jurisdictions.
 3 The fifth item relates to the Pension
 4 Capitalization Deferral Account and the
 5 parties have agreed that charges to that
 6 account will cease as of December 31st, 2024.
 7 The sixth item the parties have agreed to is
 8 that there will be a new deferral account
 9 created with respect to the costs that
 10 Newfoundland Power will incur for the
 11 conversion to the International Financial
 12 Reporting Standards.
 13 (9:45 a.m.)
 14 The seventh item the parties have
 15 agreed to is that the hearing costs of the
 16 Board and the Consumer Advocate for this
 17 hearing will be deferred and recovered over
 18 a 30-month period, beginning July 1, 2025,
 19 and any variance between the million dollars
 20 included in the revenue requirement and
 21 actual cost will be accounted for through
 22 the Rate Stabilization Account adjustments.
 23 The eighth item the parties have agreed
 24 to is that the calculation of depreciation
 25 expense that was proposed in the application

1 Q. Thank you, Ms. Greene. We are trying to
 2 somewhat paper friendly in this hearing and
 3 therefore on the understanding that
 4 everybody already has a copy of this
 5 settlement agreement, Commissioners
 6 including, we haven't got paper copies here
 7 to distribute. If anybody would like one,
 8 again you can see Ms. Galarneau. But we
 9 will enter it as Consent No. 1.
 10 The second preliminary matter that we
 11 have to address is that Ms. Greene has
 12 spoken to Newfoundland Power about an
 13 updated exhibit and we would like to note
 14 that as an undertaking, and Ms. Greene, if
 15 you could put the official undertaking on
 16 the record, please?
 17 GREENE, KC:
 18 Q. Yes. We have asked Newfoundland Power to
 19 file a revised Exhibit 3 to the application
 20 which exhibit, the Revised Exhibit 3 will
 21 show the actuals for 2023 as the current
 22 Exhibit 3 only had the 2023 forecast. So,
 23 as an undertaking, to record as an
 24 undertaking, agreement of Newfoundland Power
 25 to file a Revised Exhibit 3 to show 2023

1 should be approved by the Commissioners as
 2 filed with any adjustments coming as a
 3 result of any subsequent order of the Board.
 4 The ninth item is the parties have
 5 agreed that the Customer Energy and Demand
 6 Forecast that was filed for 2025 and 2026
 7 should be approved as filed. The tenth
 8 item, and the last item, is that
 9 Newfoundland Power will file a report by
 10 December 31st, 2025 on its energy and demand
 11 forecast methodology and that report will
 12 include a review of the recommendations made
 13 by the Brattle Group with respect to the
 14 forecast methodology in Brattle's report
 15 that was filed in April of 2024.
 16 So, I would like to thank all of the
 17 parties for their participation and
 18 cooperation in the settlement discussions
 19 because it did lead to reaching agreement on
 20 a number of significant issues which will
 21 reduce the time that had originally been
 22 allocated for this hearing. I would ask
 23 that the settlement agreement be filed as
 24 Consent Exhibit No. 1.
 25 MS. GLYNN:

1 actual financial results.
 2 MR. O'BRIEN:
 3 Q. And Newfoundland Power agrees to do so, Mr.
 4 Chair.
 5 CHAIRMAN:
 6 Q. Thank you.
 7 GREENE, KC:
 8 Q. Thank you.
 9 MS. GLYNN:
 10 Q. And the third preliminary matter is to enter
 11 an information item. Again, we are getting
 12 copies of this information item as it was
 13 something that was just finalized before we
 14 walked in here this morning. So,
 15 Newfoundland Power is going to speak to this
 16 information item.
 17 MR. O'BRIEN:
 18 Q. Thank you, Mr. Chair. It's an information
 19 item which is essentially a settlement
 20 agreement between the utilities and the
 21 Consumer Advocate on an issue involving
 22 rebasing. So, the Board would be aware of
 23 that. I'm already in breach of the
 24 paperless issue. I've got copies here, but
 25 I can file them at a – electronically or I

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1 can hand them to counsel now to be
 2 distributed.
 3 MS. GLYNN:
 4 Q. If you have the paper –
 5 MR. O'BRIEN:
 6 Q. If it helps.
 7 MS. GLYNN:
 8 Q. Yeah, no, if you have the paper copies, we
 9 can certainly distribute those.
 10 MR. O'BRIEN:
 11 Q. I do, yeah. I have a bunch. Thank you.
 12 So, Mr. Chair, we're looking to file this as
 13 an information item. We will have a witness
 14 to speak to the item and answer questions on
 15 it. To give a sort of 30,000-foot overview,
 16 it touches on a unique concept of this
 17 application and that's Newfoundland Power,
 18 in filing the application, normally with a
 19 general rate case, it would rebase power
 20 supply costs into a test year revenue
 21 requirement. In this particular case, as
 22 marginal energy costs have effectively
 23 changed, Newfoundland Power has not rebased
 24 its forecast power supply energy costs into
 25 the test years 2025 and 2026. Current

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1 wholesale rates are based on a cost of fu
 2 at Holyrood, whereas they ought to reflect
 3 the change in the marginal cost of energy/
 4 which is effectively the cost of energy
 5 experts over the LIL. While those wholesale
 6 rates are normally set in a GRA for
 7 Newfoundland and Labrador Hydro,
 8 Newfoundland Power has had discussions with
 9 Newfoundland and Labrador Hydro and the
 10 Consumer Advocate and have agreed it would
 11 be beneficial to customers to revise the
 12 wholesale rates as soon as practicable with
 13 the intent to have them revised by January
 14 1, 2025.
 15 So, with this in mind, this settlement
 16 agreement addresses that issue and outlines
 17 an agreement to have Newfoundland and
 18 Labrador Hydro present an application to the
 19 Board, so there's a process involved there,
 20 to present an application to the Board for a
 21 new wholesale rate on or about September
 22 16th, 2024, subject to principles contained
 23 in the framework that's outlined in that
 24 settlement agreement, and Newfoundland Power
 25 will file its flow-through application on

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1 the same date to assist with regulatory
 2 efficiency, and the applications would then
 3 be subject to a process before the Board
 4 with the hope of having a Board order by the
 5 end of December 2024. Ideally, that would
 6 be what we'd be looking for to allow a new
 7 wholesale rate to be implemented by January
 8 1. So, Newfoundland Power is proposing the
 9 Board order Newfoundland Power to rebase its
 10 power supply costs as part of its flow-
 11 through application in this GRA for the
 12 2025-2026 test year requirements such that
 13 it would allow customer rate revisions from
 14 rebasing to happen at the same time as the
 15 customer rate increases from these, from
 16 this application on July 1, 2025.
 17 So, there is a full framework and a
 18 draft rate attached, new wholesale rate
 19 attached there that may be subject to the
 20 outcome of that process, but that's the
 21 intent of the parties. So, we'd like the
 22 Board to consider that in the context of
 23 this hearing as well and if there are any
 24 questions, Ms. London will walk you through
 25 – Ms. Paige London, who is the VP of Finance

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1 and the Chief Financial Officer of
 2 Newfoundland Power, would walk you through
 3 the details of the framework there and will
 4 be able to answer questions from the parties
 5 on that agreement. So, we'd ask just to
 6 have this entered as an information item at
 7 this stage.
 8 MS. GLYNN:
 9 Q. Thank you, Mr. O'Brien. So, we will enter
 10 that as Information Item No.2. Mr. Chair,
 11 that concludes the preliminary matters that
 12 I am aware of, and we can move to the
 13 opening statements.
 14 CHAIRMAN:
 15 Q. Now, the Board would also like to thank all
 16 parties for their effort in reaching this
 17 agreement, actually both consent, and
 18 getting to this stage of the proceeding on
 19 schedule. We'll hopefully complete in an
 20 effective and efficient manner for the
 21 remainder of the hearing. Anything else,
 22 Mr. O'Brien, before we proceed?
 23 MR. O'BRIEN:
 24 Q. No more preliminary matters that I'm aware
 25 of, Mr. Chair.

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<p>1 CHAIRMAN: 2 Q. Anymore – any preliminary matters from other 3 parties before we proceed? 4 FITZGERALD, KC: 5 Q. Mr. Chair, I’m just wondering, the Exhibit 3 6 that they undertake – that Newfoundland 7 Power has undertaken to file, when would we 8 get that? 9 MR. O'BRIEN: 10 Q. We can probably provide a copy. 11 MS. HOLLETT: 12 Q. Sometime today. 13 MR. O'BRIEN: 14 Q. Yeah, we can provide a copy. 15 FITZGERALD, KC: 16 Q. Today? This morning? 17 MR. O'BRIEN: 18 Q. End of the day, oh yeah, sure, yeah. 19 FITZGERALD, KC: 20 Q. Thank you. 21 CHAIRMAN: 22 Q. There’s no one else, we’ll now move to the 23 opening statements and we’ll begin with 24 Newfoundland Power, the Applicant. 25 MR. O'BRIEN:</p>	<p>1 Muskrat Falls project presented significant 2 concerns for the electrical system in 3 Newfoundland and Labrador. There was 4 significant uncertainty regarding the 5 timeline for the project’s completion and 6 commissioning, the reliability of supply 7 going forward and the impact the project 8 would have on electricity rates. In 9 comparison, today the Muskrat Falls Project 10 is complete and it’s in operation. That 11 said, it’s in operation at a significantly 12 higher cost than was expected in 2016. The 13 Labrador Island Link is also proving to be 14 less reliable than originally expected. 15 Holyrood continues to operate well beyond 16 its expected retirement date and 17 Newfoundland and Labrador Hydro is now 18 anticipating the need to spend another one 19 billion dollars for backup generation and 20 reliability support. Muskrat Falls’ costs 21 are now starting to impact our customers. 22 Government rate mitigation means they’ll see 23 a 2.25 percent rate increase each year to 24 and including 2030. 25 Q. Albeit there remains considerable</p>
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<p>1 Q. Thank you, Mr. Chair, Commissioners. I’d 2 like to start by acknowledging the time and 3 effort of the Intervenors and hearing 4 counsel in putting together the proposed 5 settlement agreements. I understand these 6 proposals would ultimately be subject to 7 approval by the Board but the company 8 believes they out – the proposals, as 9 outlined, will be appropriate and will 10 assist the parties in making efficient use 11 of the schedule before the Board in this 12 application. So, I don’t intend to address 13 any of the settlement agreements any further 14 at this stage and thank Ms. Greene for 15 walking us through those. 16 Turning to the application itself, 17 Newfoundland Power was last before the Board 18 in an in-person general rate hearing in 19 2016, some eight years ago. In the interim, 20 Newfoundland Power has continued to deliver 21 reliable service to customers at least cost 22 with the last two GRAs having been resolved 23 by agreement and no effective increase in 24 rates to customers. 25 Now, in 2016, Muskrat Falls – the</p>	<p>1 uncertainty beyond 2030. So while much has 2 changed since 2016, the Muskrat Falls 3 Project continues to present challenges 4 which affect matters before the Board in 5 this application. Now this application 6 proposes that the Board approve an overall 7 average increase in Newfoundland Power’s 8 customer rates of 5.5 percent with effect 9 from July 1st, 2025. The proposed rate is 10 necessary for Newfoundland Power to recover 11 its costs and to have an opportunity to earn 12 a just and reasonable return in each of 13 those test years in accordance with the fair 14 return standard. Newfoundland Power 15 recognizes the rate pressures its customers 16 are faced with and is satisfied the 17 proposals outlined in this application 18 successfully balance the interest of the 19 customers with those of the company. 20 The principle issues before you in this 21 GRA are Newfoundland Power’s operating costs 22 and the costs of capital. There are some 23 other issues which have been raised 24 regarding cost of service and the ongoing 25 load research study and rate design review,</p>

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1 but the principle issues are operating costs
 2 and cost of capital.
 3 As for the operating costs,
 4 Newfoundland Power continues to prudently
 5 manage these costs. These costs are,
 6 however, forecast to rise in test years.
 7 The COVID pandemic, the war in Ukraine and
 8 other global matters have created supply
 9 chain issues resulting in rising costs for
 10 electrical equipment, the components.
 11 Furthermore, inflation has increased prices
 12 and wages in the utility industry and across
 13 other sectors.
 14 That said, consistent with prior GRAs,
 15 Newfoundland Power’s proposed operating
 16 labour costs have a built in or implied
 17 efficiency of approximately one percent per
 18 year and increases in non-labour costs are
 19 expected to primarily be in line with
 20 inflation. Grant Thornton has reviewed
 21 Newfoundland Power’s forecast operating
 22 costs, including the methodology, the
 23 supporting documentation and responses to
 24 inquiries and trend analysis have been
 25 performed. They have not found any

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1 irregularities or inconsistencies to report.
 2 On the cost of capital issue, the
 3 expert concentric energy advisors and Dr.
 4 Lawrence Booth have differing approaches and
 5 views on the issue. They do agree on point,
 6 however, and that point is important. The
 7 cost of capital is higher now than it was in
 8 2016. Long-term bond rates are higher and
 9 Canadian regulators in other provinces have
 10 allowed increased equity returns to other
 11 utilities in recent history. The company’s
 12 risks have not materially changed since 2016
 13 and it will be for the Board to determine
 14 the appropriate cost of capital for
 15 Newfoundland Power in this hearing.
 16 (10:00 a.m.)
 17 As far as witnesses are concerned, we
 18 have seven who will give testimony in this
 19 hearing. The first today will be Mr. Gary
 20 Murray, the president and CEO for
 21 Newfoundland Power. He will introduce the
 22 application and provide a high level
 23 overview.
 24 Paige London, the vice-president of
 25 finance and chief financial officer will

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1 speak to the company’s financial performance
 2 and related issues and revenue requirement,
 3 including the rebasing issue we discussed
 4 earlier.
 5 Mr. James Coyne and Mr. John Trogonoski
 6 of Concentric Energy Advisors, will testify
 7 as a panel and they will provide expert
 8 testimony with respect to cost of capital.
 9 Mr. Wiclif Ma of Korn Ferry will
 10 provide expert testimony with respect to
 11 executive compensation. Mr. Byron Chubs,
 12 vice-president of engineering and energy
 13 supply at Newfoundland Power, will testify
 14 with respect to the customer operations and
 15 related costs.
 16 And finally, Mr. Michael Comerford,
 17 director of rates and supply, will deal with
 18 the remaining issues of costs of service,
 19 load research study and rate design issues.
 20 Thank you, Mr. Chairman, Commissioners,
 21 those are my opening comments.
 22 CHAIR:
 23 Q. Thank you, Mr. O’Brien. The Consumer
 24 Advocate, please. Good morning, Mr. Browne.
 25 BROWNE, KC:

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1 Q. Good morning members of the Commission and
 2 my colleagues. On November 9th, 2023,
 3 Newfoundland Power filed a General Rate
 4 Application. In that General Rate
 5 Application the company proposed changes to
 6 electricity rates for the period 2024
 7 through to 2026, an overall average increase
 8 of approximately 1.5 percent effective July
 9 1, 2024 and an overall average increase of
 10 approximately 5.5 percent effective July 1,
 11 2025.
 12 In the press release, Newfoundland
 13 Power mentioned effectively managing costs.
 14 They meant increasing costs of materials and
 15 supplies and highest interest rates.
 16 However, in the press release, what they are
 17 telling the public, what they are showing
 18 the public, there was no mention of their
 19 rate of return or the increase they were
 20 seeking and what effect that would have on
 21 their profit margin. Important information
 22 such as that should have been in the press
 23 release. Newfoundland Power failed to
 24 inform the public in that release that they
 25 were attempting to increase the rate of

1 return by 16 percent from 8.5 to 9.8, which
 2 would result in increased profits from 48
 3 million annually to over 60 million
 4 annually. That would be a 25 percent
 5 increase in profits.
 6 On May 17th, 2024, the provincial
 7 government announced its rate mitigation
 8 plan. 750 million dollars of public money
 9 would be put to use to assist rate payers.
 10 This would come in the form of rate
 11 mitigation annually and the plan was for six
 12 years. Newfoundland Power was undeterred.
 13 After the government issues its press
 14 release, Newfoundland Power issued a further
 15 statement informing customers of the 6.7
 16 percent rate increase expected in July 1,
 17 which we admit is not of their doing, and
 18 customers were then informed of Newfoundland
 19 Power's current rate of return on rate base
 20 where they would be seeking 1.5 percent in
 21 July 1 and the company also had a GRA before
 22 the PUB to set rates for 2024 and 2026.
 23 Again, nowhere in that release did
 24 Newfoundland Power inform the public that
 25 they were seeking an increase in their rate

1 contribute to the effort. They still were
 2 looking for profit increases from 48 million
 3 to 60 million. This speaks for itself. And
 4 was Newfoundland Power doing everything they
 5 can to assist ratepayers or to plan ahead?
 6 We have been on record as supporting Smart
 7 Meters for Newfoundland Power's customers,
 8 275,000 customers. Smart Meters are here in
 9 Canada. They're in virtually every utility
 10 in Canada, every private utility has its
 11 customers with the benefit of Smart Meters.
 12 We will be presenting evidence in reference
 13 to that, Douglas Bowman in his evidence will
 14 discuss the importance of Smart Meters.
 15 Over the next six years the penetration of
 16 Smart Meters will reach a level of 94
 17 percent of homes in Canada. Our friends in
 18 Nova Scotia have Smart Meters. New
 19 Brunswick have Smart Meters. Nova Scotia's
 20 time of use rates in the result, we have
 21 nothing. We did not plan and the utilities
 22 did not plan and now they're referring to
 23 further down the road studies to check out
 24 the importance of Smart Meters. They don't
 25 have to go very far. Newfoundland Power

1 of return from 8.5 to 9.86 percent to ensure
 2 that their profit margins increased from 48
 3 million to over 60 million annually. This
 4 would be important information for the
 5 company to have given in the press release.
 6 The press releases were designed to be soft
 7 sells, given an amount of money that
 8 customers would on average see their bills
 9 increase to. Why they are getting the
 10 increase to increase their profits was not
 11 disclosed. This was a failure on the part
 12 of Newfoundland Power. And Newfoundland
 13 Power in its release added, the president
 14 added in the release of November 9, "rest
 15 assured we remain committed to doing
 16 everything we can to minimize the impact of
 17 these increasing costs on our customers'
 18 electricity rates". The same phrase was
 19 repeated in the May 16th, 2024 release. But
 20 having heard the dilemma the province was
 21 facing because of the Muskrat Falls mess and
 22 the 750 million dollars the province was
 23 putting into rate mitigation from various
 24 federal sources and other sources,
 25 Newfoundland Power made no effort to

1 could check out some of its sister
 2 companies. Ratepayers want Smart Meters.
 3 Smart Meters are needed to assist with peaks
 4 at Holyrood. It will be of value to the
 5 system and this Board can no longer ignore
 6 the fact that Smart Meters are in every
 7 jurisdiction in Canada but not here. And we
 8 shouldn't have to wait for a year-long study
 9 or similar to say, oh yeah, Smart Meters
 10 work. They work in every jurisdiction.
 11 They're there. And we cannot be the only
 12 jurisdiction in Canada for the next two and
 13 three and four years without Smart Meters.
 14 We need them now. We see what's happening
 15 to electricity rates. We see the rate
 16 mitigation plan and now utilities have to
 17 come together and in an expedited fashion to
 18 ensure every ratepayer in the province has
 19 the benefit of a Smart Meter.
 20 There are other issues, of course, one
 21 of which is Newfoundland Power's operating
 22 costs. Newfoundland's operating costs are
 23 clearing out of control. In 2023 their
 24 operating costs were 72 million; in 2026
 25 they will rise to 81 million. That will be

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1 an increase of 12.6 percent and the
 2 operating costs for customers increasing 263
 3 to 293, 2026 costs. They beat the inflation
 4 rate, the Canadian inflation rate is only
 5 2.6, 4.5 projected for 2025; 6.5 for 2026.
 6 Newfoundland Power's operating costs are
 7 increasing above the inflation rate, 8.4,
 8 11.4 and 5.7 respectively. Something has to
 9 be done here. The Board cannot ignore that
 10 Newfoundland Power's operating costs are out
 11 of control. And it's time for a
 12 productivity incentive to be put in place
 13 and an incentive of significance and we are
 14 seeking in excess of one million dollars a
 15 year in reference to that productivity
 16 performance. Put it on them. They have the
 17 experts, they have the ability to control
 18 their costs. They knew where it's all
 19 going. They got all these vice-presidents
 20 from whom they are now seeking more rate
 21 increases for the work they are doing. Put
 22 it on them, tell them to figure it out.
 23 And, of course, their capital budgets are
 24 way out of whack and have been for some
 25 time. And this comes from a time when a

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1 mistake was made. 2005 the Board, with the
 2 parties, decided that capital budget
 3 hearings were no longer needed, but in
 4 deciding that, no one ever thought that for
 5 20 odd years capital budget applications
 6 weren't needed to be heard publicly, but
 7 that's what has transpired and capital
 8 budgets have increased to over 100 million
 9 dollars annually. And where was the plan
 10 here because the capital budgets and
 11 spending is tied in to inflation and it's
 12 tied into depreciation, so are we to believe
 13 that Newfoundland Power did not realize the
 14 depreciation expenses would increase
 15 dramatically? Surely their computers would
 16 have told them that. And now they're out
 17 seeking from ratepayers more costs because
 18 the depreciation has increased because the
 19 capital budgets were out of control.
 20 In this hearing you will hear from Dr.
 21 Booth, a Canadian, whose report is about
 22 Canada and Canadian companies, generally,
 23 and you'll hear from Concentric, Americans.
 24 The Board has already stated publicly that
 25 what's relevant in Canada is what's

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1 transpired in Canada. We advocate the
 2 report of Dr. Booth and request that the
 3 Board consider the same. We are also
 4 looking at bands, the so called bands and
 5 the Board will know, as will Newfoundland
 6 Power, they will know very well, that the
 7 plus and minus 18 basis points on rate base
 8 is a band that is in place. That band has
 9 cost consumers greatly.
 10 One figure we were looking at, every
 11 point of the band cost ratepayers
 12 \$64,000.00. Do that by 18 and you will
 13 figure out the millions in no uncertain
 14 terms. And who gets this band? Having
 15 gotten 8.5 percent, they also have an
 16 entitlement to what's in the band, to a
 17 misinterpretation of a 1998 Court of Appeal
 18 decision which is, in itself outdated and
 19 outmoded, but nowhere does the Court say
 20 that the funds from the band has to go to
 21 Newfoundland Power. In other jurisdictions
 22 ratepayers share what comes out of that
 23 band. We are suggesting that the band is
 24 too large in any case, 6 basis points will
 25 be sufficient. No more gifts. No more

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1 icing on the cake because that's exactly
 2 what it is. Let them earn their rate of
 3 return, but the band is an issue for us.
 4 (10:15 a.m.)
 5 Executive compensation is an issue.
 6 Newfoundland Power's failure to control its
 7 expenses and costs seems to be of no concern
 8 to the shareholder. Ratepayers are no
 9 longer interested in contributing anything
 10 for executive incentives or bonuses.
 11 Ratepayers have gotten nothing out of it.
 12 That sharing has to end. There are some
 13 comments my learned friend made about
 14 Muskrat Falls and the projected costs and we
 15 all know about Muskrat Falls and the
 16 projected costs and what's going on and the
 17 financial disaster it is for the provincial
 18 government. Newfoundland Power said
 19 nothing. When Muskrat Falls was being
 20 built, nothing, not a word, although the
 21 usual whisper campaign was going on, they
 22 knew it would be a fiasco, et cetera. They
 23 could have said something to protect their
 24 ratepayers. They said nothing. So the
 25 utilization of Muskrat Falls' costs in any

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1 of their submissions should be considered
 2 accordingly. The regulators function is to
 3 balance the interest of utilities and
 4 consumers, that's all we're looking for, a
 5 balance. There is an imbalance. Where a
 6 company in this particular jurisdiction, in
 7 this particular economic climate can make 48
 8 million dollars annually and even at the
 9 current rate of return at 8.5, that,
 10 according to the evidence, would increase to
 11 50 and 51 and 51, nearly a million dollars a
 12 week in profit. That's not good enough for
 13 them. They want to jump ahead to over 60
 14 million dollars by seeking a rate no one
 15 else in the country is entitled to,
 16 especially a company at 45 percent equity.
 17 They've had 45 percent equity for 16 years
 18 and although we approached the topic in
 19 hearings such as this, the answer was always
 20 the same from the Board, "this is not the
 21 time". 16 years later we're still here,
 22 they are profiting through the 45 percent.
 23 No one else in the country got it. They are
 24 having preferential treatment before the
 25 Public Utilities Board here. They would not

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1 get that anywhere else in the country. Why
 2 are they getting it here? Why hasn't the
 3 Board moved on it when interest rates were
 4 so low and debt was low. Consumers paid
 5 through the nose because of that 45 percent.
 6 We want something done with that. Dr. Booth
 7 will address that.
 8 And so that briefly outlines our case
 9 and Stephen Fitzgerald will be with me doing
 10 some of the examining and Bernard Coffey is
 11 here to deal with the experts on costs. And
 12 I thank you for your attention.
 13 CHAIR:
 14 Q. Thank you, Mr. Browne. Newfoundland and
 15 Labrador Hydro?
 16 SIMMONS, KC:
 17 Q. Thank you, Mr. Chairman, Commissioners.
 18 Newfoundland and Labrador Hydro is an
 19 Intervenor in this proceeding is interested
 20 in the proceeding and the outcome for a
 21 number of reasons. Newfoundland Power is
 22 Hydro's largest customer, it purchases over
 23 85 percent of Hydro's annual production of
 24 electrical energy for resale to customers on
 25 the island. Hydro itself is a customer of

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1 Newfoundland Power in several of its
 2 locations throughout the island of
 3 Newfoundland, including even Hydro's head
 4 officer here in St. John's. Additionally
 5 Hydro's rural customers served by the island
 6 interconnected grid and its customers in
 7 Labrador Straits area, pay the same rates as
 8 those approved by the Board for general
 9 island customers. And Hydro's non-
 10 government customers served by its isolated
 11 diesel systems are charged the same rates
 12 for their lifeline consumption as those
 13 approved for Newfoundland Power. It's also
 14 reasonable to expect that regulatory
 15 decisions and principles that are developed
 16 and applied to Newfoundland Power through
 17 these processes also find a way to being
 18 applied to Hydro.
 19 Newfoundland Power settled its last two
 20 General Rate Applications, with the last
 21 hearing taking place in 2016. Newfoundland
 22 Power's current application requests
 23 approval of, among other things, return on
 24 equity of 9.85 percent, an increase from the
 25 8.5 percent that was set in 2016 and has

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1 been continued through settlement among the
 2 parties and in approval by the Board in the
 3 subsequent GRAs. Newfoundland Power also
 4 requests approval of an overall average
 5 increase in Newfoundland Power's customer
 6 rates of 5.5 percent.
 7 Hydro has some specific interests in
 8 various areas of the evidence that
 9 Newfoundland Power has filed in support of
 10 its proposals. For example, Newfoundland
 11 Power's submissions regarding its business
 12 risk are predicated at least in part on
 13 Newfoundland Power's view of the reliability
 14 of electricity supply from Hydro and those
 15 are of interest to Hydro.
 16 Hydro has questions concerning the
 17 comparator groups used as the basis for
 18 Newfoundland Power's executive compensation
 19 and the basis for their incentive
 20 compensation and the recovery of those cost
 21 items from customers. Hydro will have
 22 questions concerning the increase in
 23 Newfoundland Power's operating costs and the
 24 level of rigor Newfoundland Power applies to
 25 ensuring costs are managed appropriately to

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1 ensure a reliable service at the lowest
 2 possible cost. Hydro hopes that our
 3 participation in the proceeding will be
 4 helpful to the Board when it comes to making
 5 determinations on Newfoundland Power's
 6 application Thank you.
 7 CHAIR:
 8 Q. Thank you, sir. IBEW, opening statement
 9 please?
 10 MR. KING:
 11 Q. Good morning again, Mr. Chair. We represent
 12 the International Brotherhood of Electrical
 13 Workers, Local 1620. We're an intervenor in
 14 the proceedings. The IBEW has over 775,000
 15 members internationally and operates through
 16 local unions and districts which facilitate
 17 effective representation and coordination.
 18 IBEW Local 1620 has over 600 members and 11
 19 units doing work primarily in utility and
 20 construction for a number of organizations
 21 across the province, one of which is
 22 Newfoundland Power. Approximately 355 IBEW
 23 members are employed with Newfoundland
 24 Power. 238 of those members are in the
 25 craft bargaining unit and 117 are in the

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1 clerical.
 2 The IBEW is proud of all its members
 3 and professional high qualify work that
 4 these individuals complete every day to
 5 provide services to Newfoundland Power and
 6 their customers. As a sole and exclusive
 7 bargaining unit for the unionized workforce
 8 of Newfoundland Power, it is important in
 9 these proceedings that we have an
 10 opportunity to highlight and speak to the
 11 matters that concern IBEW members. Thank
 12 you.
 13 CHAIR:
 14 Q. Thank you. So I guess we'll be getting
 15 prepared for the first witness, so we're
 16 going to take a five-minute break while we
 17 do that. Thank you.
 18 (BREAK AT 10:24 a.m.)
 19 (RESUME AT 10:33 a.m.)
 20 CHAIR:
 21 Q. Please introduce your witness, Mr. O'Brien.
 22 MR. O'BRIEN:
 23 Q. Sure. Thank you, Mr. Chair. Our first
 24 witness would be Mr. Gary Murray, and Mr.
 25 Murray will be affirmed if we could.

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1 CHAIR:
 2 Q. Save me a question there, Mr. O'Brien.
 3 MR. O'BRIEN:
 4 Q. What's that?
 5 CHAIR:
 6 Q. I said you saved me a question.
 7 MR. O'BRIEN:
 8 Q. There you go.
 9 MR. O'BRIEN:
 10 Q. Thank you, Mr. Chair. Mr. Murray, would you
 11 please introduce yourself for the Board,
 12 please?
 13 MR. MURRAY:
 14 A. Good morning. I'm Gary Murray, President
 15 and Chief Executive Officer of Newfoundland
 16 Power.
 17 MR. O'BRIEN:
 18 Q. And you'll introduce the General Rate
 19 Application on behalf of the company. Do
 20 you adopt Section 1, the Introduction, as
 21 your testimony?
 22 MR. MURRAY:
 23 A. Yes, I do.
 24 MR. O'BRIEN:
 25

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1 Q. Are there any changes you wish to make to
 2 the pre filed testimony and exhibits at this
 3 time?
 4 MR. MURRAY:
 5 A. No, there are not.
 6 MR. O'BRIEN:
 7 Q. How long have you been the President and CEO
 8 of Newfoundland Power?
 9 MR. MURRAY:
 10 A. I've been President and CEO of Newfoundland
 11 Power since--since August 1st, 2020. Prior
 12 to that I was Vice President of Customer
 13 Operations. My utility experience started
 14 when I joined Newfoundland Power in 2002.
 15 MR. O'BRIEN:
 16 Q. Now, Mr. Murray, it's been eight years since
 17 Newfoundland Power was last before the Board
 18 in an in-person hearing. Can you give the
 19 Board some highlights of the company's
 20 performance over that period?
 21 MR. MURRAY:
 22 A. Yes, I can. Over the last decade
 23 Newfoundland Power has continued to maintain
 24 stable, reliable, operations for our
 25

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1 customers. The reliability of our
 2 electrical system has remained consistent
 3 and better than the Canadian average.
 4 Customer satisfaction has been consistent
 5 since 2016. The company’s safety record has
 6 improved, with the last year being our
 7 safest year on record for our employees.
 8 There have also been some historic events
 9 and milestones experienced by both us at
 10 Newfoundland Power and the Provincial
 11 utility sector at large.
 12 MR. O’BRIEN:
 13 Q. Can you provide us with some examples of
 14 these historic events and milestones?
 15 MR. MURRAY:
 16 A. Absolutely. The first milestone was the
 17 successful implementation of our new
 18 customer service system in 2023, which was
 19 the largest capital project in our history.
 20 The project was forecasted to take three
 21 years and cost 31.6 million dollars. It was
 22 completed on time and on budget while
 23 maintaining service continuity for our
 24 customers. I’m very proud our employees
 25

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1 were able to complete this generational
 2 transition.
 3 The second landmark is the
 4 commissioning of the Muskrat Falls Project
 5 by Newfoundland and Labrador Hydro. The
 6 connection of the island inter-connected
 7 system with the North American grid is
 8 another generational change we’re
 9 navigating. Completion of the 13.5 billion
 10 dollar project goes with reliability and
 11 cost pressures for our customers.
 12 And the third significant event, we all
 13 experienced, of course, is the COVID-19
 14 pandemic. The pandemic began to impact
 15 Newfoundland and Labrador in the spring of
 16 2020. Not long after that I started my
 17 tenure as President and CEO. Despite the
 18 significant challenges imposed by the Public
 19 Health Emergency, we were able to adapt
 20 quickly. We came through the pandemic
 21 safely and without any negative impacts on
 22 the service we provide to our customers.
 23 MR. O’BRIEN:
 24 Q. But did the pandemic have any lasting
 25

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1 effects on your operations?
 2 MR. MURRAY:
 3 A. Global events with the pandemic and the war
 4 in Ukraine have had two significant impacts
 5 on our operations. The first is the effect
 6 on the supply chains and the cost of
 7 materials. In my view, supply chains
 8 continue to be stressed post-COVID. We see
 9 longer lead times for procuring parts and
 10 equipment for everything from line trucks,
 11 to power transformers, to meters. The
 12 company has had to adjust our approach to
 13 capital planning to account for longer lead
 14 times on equipment. One way we are doing
 15 this is by utilizing more multi-year
 16 projects.
 17 The second significant impact is on
 18 inflation. In June 2021 the rate of
 19 inflation was expected to be 5.8 percent
 20 from 2020 to 2023. Actually increases were
 21 significantly higher at approximately 17
 22 percent. Inflation turned out to be 11.2
 23 percent higher than forecasted.
 24 We’ve also seen significant impacts of
 25

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1 inflation on the cost of equipment. For
 2 example, since 2020 the cost of a
 3 substation/power transformer has nearly
 4 doubled, and the cost of a pole mounted
 5 transformer has increased by nearly 60
 6 percent.
 7 MR. O’BRIEN:
 8 Q. Has this been a challenge for you?
 9 MR. MURRAY:
 10 A. Well, we certainly see the effects of
 11 inflationary pressures on our operating
 12 cost. We are not alone in that. In 2023
 13 our actual non-neighbour operating cost were
 14 affected by higher rates of inflation.
 15 Following the impact many sectors also saw
 16 increases in labour cost. Most of the
 17 utilities in Atlantic Canada are seeing
 18 similar wage increases from 2023 to 2026.
 19 MR. O’BRIEN:
 20 Q. What about the Muskrat Falls Project, has it
 21 presented any challenges for Newfoundland
 22 Power?
 23 MR. MURRAY:
 24 A. Yes. The recently announced rate mitigation
 25

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1 plan will result in an annual 2.25 percent
 2 increase in customer rates every year, up to
 3 an including, 2030. So, our customers are
 4 now seeing the recovery of the Muskrat Falls
 5 cost. In addition to near term rate
 6 increases of over 15 percent, reliability
 7 concerns associated with the project have
 8 also come into focus since the last time we
 9 were before the Board.

10 MR. O'BRIEN:
 11 Q. Can you please elaborate on the reliability
 12 concerns associated with the Muskrat Falls
 13 Project?
 14 MR. MURRAY:
 15 A. Yes. Newfoundland Power is unique in that
 16 it depends on a single supplier, Hydro, for
 17 93 percent of the electricity we provide to
 18 our customers. The outlook of Hydro supply
 19 reliability on the Island changed in 2022.
 20 In its update to the Reliability and
 21 Resource Adequacy Study, Hydro indicated
 22 lower reliability assumptions for the
 23 Labrador Island Link than originally
 24 expected. We've also seen damage to the LIL
 25

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1 over the past few years due to storm
 2 conditions and material failures. As a
 3 result, Hydro has identified the need to
 4 continue relying on the 50 year old Holyrood
 5 Thermal Generating Station until at least
 6 2030.

7 The possibility of a loss of supply
 8 from Hydro during winter months presents a
 9 risk to our operations. Addressing the
 10 reliability of the LIL, as well as the
 11 future adequacy of generation on the Island,
 12 is expected to result in additional costs
 13 for our customers over the long-term. These
 14 include costs associated with the need to
 15 continue operating in Holyrood, building
 16 permanent back-up for the LIL, and building
 17 additional future sources of supply for the
 18 Island. The overall expense could be
 19 significant.

20 MR. O'BRIEN:
 21 Q. So, it's clear there are cost pressures on
 22 customer rates. What is Newfoundland Power
 23 doing to manage its own costs?
 24 MR. MURRAY:
 25

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1 A. We consider cost in everything we do. We
 2 know that these are challenging times for
 3 our customers. As I've said, we are
 4 experiencing inflation that is higher than
 5 it has been in decades, and we know that
 6 customers are experiencing that pressure as
 7 well. In terms of cost management,
 8 Newfoundland Power seeks to achieve cost
 9 control and operation efficiencies that are
 10 sustainable over the long-term. This
 11 contributes to our ability to provide least
 12 cost reliability service to our customers.

13 MR. O'BRIEN:
 14 Q. So, you mentioned productivity achievements
 15 in your labour costs. Have you been
 16 successful in achieving operational
 17 efficiencies elsewhere?
 18 MR. MURRAY:
 19 A. The record shows that we've been successful
 20 in balancing our cost, while maintaining
 21 reliability of service to our customers.
 22 Over the past decade we've maintained the
 23 reliability of electricity system at a
 24 consistent level while simultaneously
 25

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1 reducing cost for our customers. Over the
 2 last 10 years, for example, we have reduced
 3 our operating cost per customer by
 4 approximately 9.5 percent on an inflation
 5 adjusted basis. Over that period customer
 6 satisfaction with our service delivery
 7 remained consistent. That shows we have met
 8 our customer service expectations while
 9 lowering cost.

10 MR. O'BRIEN:
 11 Q. Now, let's move to the specifics of this
 12 General Rate Application. What rate change
 13 is the company looking for in the
 14 application?
 15 MR. MURRAY:
 16 A. Newfoundland Power's base rates were last
 17 set in 2022. In this application we are
 18 proposing a 5.5 percent increase in
 19 electricity rates effective July 1st, 2025.

20 MR. O'BRIEN:
 21 Q. So, what are the primary drivers of this
 22 increase?
 23 MR. MURRAY:
 24 A. This rate increase is a result of two
 25

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<p>1 changes in the company’s forecast cost of</p> <p>2 service. One, variations in Newfoundland</p> <p>3 Power’s cost since our last GRA, and two,</p> <p>4 the proposed increase in the company’s</p> <p>5 return on equity.</p> <p>6 MR. O’BRIEN:</p> <p>7 Q. Well, tell us about the first driver, the</p> <p>8 changes in the company’s costs.</p> <p>9 MR. MURRAY:</p> <p>10 A. Variations in the company’s costs since 2023</p> <p>11 account for 3.9 percent of the overall 5.5</p> <p>12 percent increase.</p> <p>13 MR. O’BRIEN:</p> <p>14 Q. And how much of that 3.9 percent is</p> <p>15 attributable to increases in operating cost?</p> <p>16 MR. MURRAY:</p> <p>17 A. Only 1.6 percent is specifically due to</p> <p>18 changes in our labour and non-labour cost.</p> <p>19 The remaining 2.3 is a result of a continued</p> <p>20 investment in the electricity system, and</p> <p>21 effects of amortizations proposed in this</p> <p>22 application.</p> <p>23 MR. O’BRIEN:</p> <p>24 Q. How do you address wholesale supply costs in</p> <p>25</p>	<p>1 of our total proposed 5.5 percent interest</p> <p>2 in customer rates. Newfoundland Power’s</p> <p>3 allowed return on equity of 8.5 percent is</p> <p>4 among the lowest for investor owned</p> <p>5 utilities in Canada. Our expert cost of</p> <p>6 capital witness, Concentric Energy Advisors,</p> <p>7 recommends a fair return on equity of 9.85,</p> <p>8 and a common equity ratio of 45 percent.</p> <p>9 This is based on the fair return standard</p> <p>10 and their assessment of our business and</p> <p>11 financial risk. Together, the return on</p> <p>12 equity and equity ratio constitutes our cost</p> <p>13 of capital.</p> <p>14 MR. O’BRIEN:</p> <p>15 Q. Why is the cost of capital important to</p> <p>16 Newfoundland Power?</p> <p>17 MR. MURRAY:</p> <p>18 A. Quite simply, we need the ability to raise</p> <p>19 capital at the lowest possible cost. Our</p> <p>20 business is capital intensive. Newfoundland</p> <p>21 Power is responsible for maintaining 9,500</p> <p>22 kilometres of distribution lines, 2,100</p> <p>23 kilometres of transmission lines, 131</p> <p>24 substations, and 23 hydro generating plants,</p> <p>25</p>
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<p>1 the application?</p> <p>2 MR. MURRAY:</p> <p>3 A. Typically as part of a General Rate</p> <p>4 Application, forecast electricity supply</p> <p>5 costs are reconciled with forecast revenue</p> <p>6 from customer rates during the test period.</p> <p>7 In this General Rate Application, however,</p> <p>8 we have not rebased forecast supply cost</p> <p>9 into 2025 and 2026 revenue requirements.</p> <p>10 (10:45 a.m.)</p> <p>11 This is due to the fact when we file the</p> <p>12 application there was uncertainty around the</p> <p>13 wholesale rate that would actually be in</p> <p>14 place during our test years. Our approach</p> <p>15 ensures power supply cost ultimately</p> <p>16 recovered from customers in 2025 and 206 are</p> <p>17 based on the wholesale rates actually in</p> <p>18 effect in those years.</p> <p>19 MR. O’BRIEN:</p> <p>20 Q. What impact does the proposed increase in</p> <p>21 your return on equity have on customer</p> <p>22 rates?</p> <p>23 MR. MURRAY:</p> <p>24 A. The return equity accounts for 1.6 percent</p> <p>25</p>	<p>1 and six thermal plants. The capital to fund</p> <p>2 these investments comes from a combination</p> <p>3 of equity and debt markets. In order to</p> <p>4 access capital at competitive rates, our</p> <p>5 cost of capital has to ensure fair return on</p> <p>6 investment. This keeps our debt costs low,</p> <p>7 and it is important that the company earn</p> <p>8 its allowed return. Actual results are</p> <p>9 ultimately what matters to investors and</p> <p>10 credit rating agencies. Ms. London will</p> <p>11 speak to the role of credit rating agencies</p> <p>12 in more detail.</p> <p>13 MR. O’BRIEN:</p> <p>14 Q. How does the cost of capital impact your</p> <p>15 customers?</p> <p>16 MR. MURRAY:</p> <p>17 A. A fair return on investment keeps our</p> <p>18 finance costs low, and that keeps costs low</p> <p>19 for customers. A sound cost of capital also</p> <p>20 gives us the flexibility we need to keep</p> <p>21 investing in the electrical system. Our</p> <p>22 continual investment in our system ensures</p> <p>23 that we can continue to provide least cost,</p> <p>24 reliability, electrical service to our</p> <p>25</p>

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1 customers.

2 MR. O'BRIEN:

3 Q. As President of Newfoundland Power, how do

4 you see the business risks facing the

5 company?

6 MR. MURRAY:

7 A. Newfoundland Power's business risks remain

8 largely consistent with those described in

9 our last General Rate Application. Our

10 business risks continue to be defined by

11 longstanding factors. These include, the

12 company's small size, our limited financial

13 flexibility, the fact we operate in a hard

14 operating environment, and the Provincial

15 economic outlook.

16 MR. O'BRIEN:

17 Q. How does Newfoundland Power see the

18 Province's economic outlook?

19 MR. MURRAY:

20 A. The Provincial economic outlook remains

21 weak. Our economic indicators continue to

22 lag behind the rest of Canada, including

23 historically low forecast housing starts.

24 With a weak economic outlook customer growth

25

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1 is expected to remain low over the

2 forecasted period. Annual customer

3 connections have decreased from a high of

4 5,000 in 2013 to a forecast of just 1,700 in

5 2026, a drop of over 60 percent. This makes

6 the company growth outlook more challenging

7 going forward.

8 MR. O'BRIEN:

9 Q. Mr. Murray, before we conclude your

10 testimony, do you have anything else you

11 wish to add?

12 MR. MURRAY:

13 A. As previously indicated, we have managed our

14 costs and service reliability on a long-term

15 sustainable basis. This has yielded

16 tangible benefits for our customers.

17 Continuing as focus will be increasingly

18 valuable to our customers going forward. We

19 remain committed to maintaining safe,

20 reliable, and an environmental responsible

21 service, for our customers at the lowest

22 possible cost.

23 MR. O'BRIEN:

24 Q. Now, Mr. Murray, does that conclude your

25

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1 testimony?

2 MR. MURRAY:

3 A. Yes, it does.

4 MR. O'BRIEN:

5 Q. Thank you. Mr. Chair.

6 CHAIR:

7 Q. Thank you. We'll take maybe our half an

8 hour break now and then we'll move into the

9 cross, if that's good with—is that okay?

10 All right. Thank you.

11 (OFF RECORD – 10:49 a.m.)

12 (RESUMED AT 11:23 a.m.)

13 CHAIR:

14 Q. Back to you, Mr. O'Brien.

15 MR. O'BRIEN:

16 Q. We have no further questions for Mr. Murray.

17 CHAIR:

18 Q. Okay, so we're over to cross.

19 MS. GLYNN:

20 Q. No, just to enter the undertakings.

21 MR. O'BRIEN:

22 Q. Oh, right, sorry, yes. So the undertaking

23 we spoke of this morning, Undertaking #1,

24 which was requested by the Board, I guess,

25

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1 Exhibit 3 for the Application, it's been

2 revised to include 2023 actuals, so I'll

3 present it for circulation.

4 MS. GLYNN:

5 Q. I took the opportunity during the break to

6 distribute it to all parties already. Oh, I

7 didn't give one to Maureen.

8 GREENE, KC:

9 Q. The one who asked it.

10 MS. GLYNN:

11 Q. Yeah, the most important one.

12

13 CHAIR:

14 Q. And Ms. Glynn, is it the Consumer Advocate

15 first? Okay, over to you, Mr. Browne.

16 BROWNE, KC:

17 Q. Thank you, Mr. Chair. Mr. Murray, you've

18 been in the news recently. You spoke at the

19 Energy NL conference and talked about

20 thermal generation. You talked about a

21 billion dollars that ratepayers are going to

22 have to come up with to assist with thermal

23 generation. What's the source of your

24 information on that? Where did you get

25 those figures and can you expand on that

1 somewhat?
 2 MR. MURRAY:
 3 A. Yeah, that information is from the latest
 4 information in Hydro's last report on the
 5 reliability and adequacy review.
 6 BROWNE, KC:
 7 Q. So you got all the information, it's Hydro's
 8 information and you formulated it into your
 9 presentation, is that correct?
 10 MR. MURRAY:
 11 A. That's correct, yeah.
 12 BROWNE, KC:
 13 Q. Now, the billion dollar figure, have you
 14 considered that or has Newfoundland Power
 15 considered it or you just repeated what
 16 Hydro was telling you?
 17 MR. MURRAY:
 18 A. We're just using the information on the
 19 record, but in our view, you know, there's
 20 more generation required besides what's
 21 proposed in the reliability adequacy review.
 22 BROWNE, KC:
 23 Q. And the thermal generation of which you are
 24 referring, have you had discussions on that
 25 at Newfoundland Power, what might be

1 A. It would meant that on peak if the LIL is
 2 out and Holyrood is not available, that our
 3 customers would be without power, some
 4 customers would be without power.
 5 BROWNE, KC:
 6 Q. And what is your plan for that should that
 7 happen?
 8 MR. MURRAY:
 9 A. Well, we're looking at what alternatives are
 10 to supply backup for customers. Right now
 11 the proposal that Hydro is proposing from
 12 what we understand is probably rotating
 13 outages which, in our view, is not an
 14 acceptable utility standard.
 15 BROWNE, KC:
 16 Q. So these plans have all been with the Board
 17 previously.
 18 MR. MURRAY:
 19 A. Well, it's ongoing –
 20 BROWNE, KC:
 21 Q. In an emergency situation.
 22 MR. MURRAY:
 23 A. It's ongoing.
 24 BROWNE, KC:
 25 Q. In your speech, back to that, you said a

1 required or –
 2 MR. MURRAY:
 3 A. Can you clarify your question?
 4 BROWNE, KC:
 5 Q. Well, you talked about thermal generation,
 6 we're going to need thermal generation
 7 besides what is going on at Holyrood and you
 8 referenced it today in terms of Muskrat
 9 Falls and reliability, is that a concern at
 10 Newfoundland Power?
 11 MR. MURRAY:
 12 A. Yes, it is, yeah, we've had discussions with
 13 Hydro on the matter and continue to have
 14 discussions and, you know, as I indicated we
 15 view that, you know, there's an update
 16 coming at the end of this month, we
 17 understand, so we wait to see that, but what
 18 we understand is that that's proposing 150
 19 megawatt gas turbine at Holyrood and 154
 20 megawatts at Bay d'Espoir and in our view
 21 that's probably not adequate enough for the
 22 backup of the island.
 23 BROWNE, KC:
 24 Q. How would that affect Newfoundland Power?
 25 MR. MURRAY:

1 billion dollars and then you offered that
 2 Newfoundland Power might be interested in
 3 doing something with thermal generation, is
 4 that correct?
 5 MR. MURRAY:
 6 A. Yes, that's what we indicated.
 7 BROWNE, KC:
 8 Q. And what are you interested in doing?
 9 MR. MURRAY:
 10 A. Well we do have some backup thermal
 11 generation that is now used for local
 12 supply, not supply but backup to our
 13 customers such as in Port aux Basques,
 14 Greenhill and Wesleyville, those units are
 15 at the end of their life and they could
 16 provide, you know, a replacement of those
 17 could provide benefit both to the grid, as
 18 well as to local backup generation.
 19 BROWNE, KC:
 20 Q. But you indicated publicly that you are
 21 interested in partnering, perhaps, with
 22 Hydro on thermal generation, isn't that what
 23 you said?
 24 MR. MURRAY:
 25 A. I indicated that we were open to any

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1 discussions that makes sense for the
 2 customer in delivering least cost power.
 3 BROWNE, KC:
 4 Q. And do you have jurisdiction to enter into a
 5 partnership with Hydro on thermal generation
 6 without Fortis' permission?
 7 MR. MURRAY:
 8 A. We would, you know, we would do what's best
 9 for our customer. We wouldn't need Fortis'
 10 permission, we would advise them of our
 11 plans once we got to that state.
 12 BROWNE, KC:
 13 Q. So you would just tell Fortis we're going
 14 into a partnership now with Newfoundland
 15 Power on a billion dollar project and that's
 16 the way it works between Newfoundland Power
 17 and Fortis?
 18 MR. MURRAY:
 19 A. I wasn't suggesting it was a partnership on
 20 a billion dollar project.
 21 BROWNE, KC:
 22 Q. Well I thought that was what you had said
 23 publicly, but I stand to be corrected, I'll
 24 take a second look. But you said you would
 25 be interested in a partnership with Fortis

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1 or with others, I thought you said.
 2 MR. MURRAY:
 3 A. I don't believe I said others, we just said
 4 that we would be interested in any
 5 partnership that was beneficial to
 6 customers.
 7 BROWNE, KC:
 8 Q. But what authority would Newfoundland Power
 9 have and we have to get into this because
 10 there are financial implications here for
 11 ratepayers, what authority would
 12 Newfoundland Power have as a subsidiary of
 13 Fortis to go out on its own in a partnership
 14 with anyone?
 15 MR. MURRAY:
 16 A. If it is part of our regulated cost, it
 17 would just be normal course of business for
 18 Newfoundland Power.
 19 (11:30 a.m.)
 20 BROWNE, KC:
 21 Q. And Fortis would just be informed that we're
 22 going into a billion dollar partnership now
 23 with Hydro and you would make a phone call
 24 or send them a letter or they hear in the
 25 news?

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1 MR. MURRAY:
 2 A. As I indicated, I didn't imply it was a
 3 billion dollar partnership. I implied that
 4 that was the cost of generation that Hydro
 5 was proposing.
 6 BROWNE, KC:
 7 Q. What is the relationship between Fortis and
 8 Newfoundland Power? You've been on some
 9 other boards, have you not, that are Fortis
 10 companies. What boards have you been on
 11 that are, other than Newfoundland Power,
 12 that are Fortis companies?
 13 MR. MURRAY:
 14 A. Yes, that's correct. I'm on the board for
 15 Maritime Electric which is in Prince Edward
 16 Island which is a utility similar to
 17 Newfoundland Power and I'm also on the board
 18 of Fortis Belize which is a generation
 19 company.
 20 BROWNE, KC:
 21 Q. And these, you were appointed to those
 22 boards by Fortis, is that correct?
 23 MR. MURRAY:
 24 A. I would have been appointed to Maritime
 25 Electric by the Maritime Electric board and

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1 as well by the Fortis Belize board.
 2 BROWNE, KC:
 3 Q. And Fortis and its companies throughout
 4 Canada have representation on their boards
 5 from Newfoundland Power and Maritime
 6 Electric or others, is that correct?
 7 MR. MURRAY:
 8 A. Can you repeat your question?
 9 BROWNE, KC:
 10 Q. Am I not speaking clearly?
 11 MR. MURRAY:
 12 A. No, I just didn't catch what exactly you are
 13 asking.
 14 BROWNE, KC:
 15 Q. Fortis in its, with Maritime Electric or
 16 Newfoundland Power, Newfoundland Power were
 17 emphasized here, Newfoundland Power
 18 executives, including yourself, are they on
 19 other Fortis boards in Canada?
 20 MR. MURRAY:
 21 A. If you're asking if there are Newfoundland
 22 Power executives on any other Fortis boards,
 23 no. I believe that's your question.
 24 BROWNE, KC:
 25 Q. Are there Fortis executives on Newfoundland

1 Power’s board or people from Fortis
 2 companies on Newfoundland Power’s board?
 3 MR. MURRAY:
 4 A. Yes, there is, Newfoundland Power has ten
 5 board members and four of them are—one is
 6 from Fortis and the other—yeah, I’m just
 7 trying to think of the three. One is from
 8 Fortis, there’s myself and then there’s two
 9 from other Fortis companies.
 10 BROWNE, KC:
 11 Q. Recently we saw the entrant of a new company
 12 through the link, for the Labrador Island
 13 Link taking over from Emera, had you—did you
 14 just hear about that on the news or were you
 15 aware that that was happening?
 16 MR. MURRAY:
 17 A. I was aware it was happening, yes.
 18 BROWNE, KC:
 19 Q. Had Newfoundland Power any interest or made
 20 any interests known in acquiring what KKK
 21 has now acquired?
 22 MR. MURRAY:
 23 A. That investment is a non-regulated asset
 24 which is not within the risk profile of
 25 Fortis or Newfoundland Power, so it was not

1 Q. Okay, if you want to go to Exhibit 3, the
 2 Financial Performance in your General Rate
 3 Application, page 1 of 9. And you’ll see
 4 there on line 25, earnings applicable to
 5 common shares 47 million nine hundred for
 6 2022, is a profit. 2023 you see it at 47
 7 million five hundred; 2024 you see it at 51
 8 million and then we see other figures coming
 9 in there. So you’re on the route, right
 10 now, of ’23, ’24 of making 47 and 51 million
 11 dollars, is that correct?
 12 MR. MURRAY:
 13 A. Yes, that’s correct.
 14 BROWNE, KC:
 15 Q. Just on that alone, so you’re in a small
 16 jurisdiction, you’re on the road to making
 17 51 million dollars and you’ve always made
 18 your rate of return, haven’t you? Since
 19 1998 you always got your rate of return.
 20 MR. MURRAY:
 21 A. Yes, that’s correct.
 22 BROWNE, KC:
 23 Q. And you always got the plus or minus 18
 24 basis points, you always got that, didn’t
 25 you?

1 something that we were interested in.
 2 BROWNE, KC:
 3 Q. It’s not something you’re interested in,
 4 okay. I’m looking for practicalities, so
 5 you in this application now, you’re already
 6 making, according to all the tables you’re
 7 on the road to make 48 million dollars this
 8 year and then 50, 51 and 52 just based on
 9 8.5 percent million dollars profit, is that
 10 correct?
 11 MR. MURRAY:
 12 A. Can you point me where you’re referring to?
 13 BROWNE, KC:
 14 Q. So you don’t know that you’re making 48
 15 million dollars annually this year and
 16 you’re about to make 50 or 51 million
 17 dollars in, out of the 8.5 percent? You
 18 need me to point that out to you, you’re the
 19 president.
 20 MR. MURRAY:
 21 A. Our earnings last year were 48 million
 22 dollars for 2023 and if we’re making
 23 reference to numbers, I would like to see
 24 where you’re referring to.
 25 BROWNE, KC:

1 MR. MURRAY:
 2 A. No, that’s not correct. Last year our
 3 earnings were 8.54 which was just slightly
 4 above our allowed return.
 5 BROWNE, KC:
 6 Q. Yeah, so you made more than what you were
 7 allowed, so there was excess, you over made,
 8 put it that way, is that correct? You made
 9 more profit and some of that profit has to
 10 go into excess earnings, is that correct?
 11 MR. MURRAY:
 12 A. Well the way the excess earnings account
 13 works, you know, and the way the return on
 14 rate base works, last year with the return
 15 on debt, that’s the way it worked out, yes.
 16 BROWNE, KC:
 17 Q. And now you’re on route to making nearly a
 18 million dollars a week, what is it you
 19 expect from the ratepayers of this province?
 20 How much money do you expect the ratepayers
 21 of the province to contribute when rates are
 22 going up due to Muskrat Falls and due to
 23 this application, is there any cut-off for
 24 you that we have enough, we have enough at a
 25 million dollars a week?

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1 MR. MURRAY:
 2 A. We have to balance both the interest to
 3 customers and the company and, you know,
 4 making sure that we are keeping rates as low
 5 as possible, as well as ensuring we can
 6 maintain the financial integrity of the
 7 company. As I mentioned in my opening
 8 statement, it keeps our debt costs are low
 9 as possible which leads to lower rates for
 10 customers.
 11 BROWNE, KC:
 12 Q. But you're effectively looking to increase
 13 rates to move your profit from 48 million to
 14 60 million, you're here looking for, to move
 15 your rate of return from 8.5 to 9.8, a 16
 16 percent increase and to increase your profit
 17 from 48 million to 60 million, a 25 percent
 18 increase, does that not affect ratepayers
 19 and consumer rates, that you're not looking
 20 for a rate increase here?
 21 MR. MURRAY:
 22 A. That's correct, that is the recommendation
 23 from our cost of capital expert, Concentric
 24 Energy Advisors.
 25 BROWNE, KC:

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1 Q. Now when you make an application, such as
 2 the one we have here where you're looking to
 3 increase your rate of return by 16 percent
 4 from 8.5 to 9.85 plus, do you inform Fortis
 5 that you have this application on and that's
 6 what you are attempting to do?
 7 MR. MURRAY:
 8 A. Only after we would, you know, file—we don't
 9 notify Fortis, we notify our board which
 10 would be routine prior to filing an
 11 application what our application would be.
 12 BROWNE, KC:
 13 Q. So Fortis hears about it in the news, is
 14 that it, or are they informed formally of
 15 the application?
 16 MR. MURRAY:
 17 A. They would be made aware through the board,
 18 their board members.
 19 BROWNE, KC:
 20 Q. So Fortis would know that you're making,
 21 you're looking for an increase in your rate
 22 of return?
 23 MR. MURRAY:
 24 A. Through our board, yes, that's correct.
 25 BROWNE, KC:

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1 Q. And, is Fortis also aware of your capital
 2 spending and how much you're applying to the
 3 board to get in any particular year, like
 4 right now you're at the 100 million mark.
 5 Is Fortis informed of that?
 6 MR. MURRAY:
 7 A. Similarly they would be aware through our
 8 board, our capital budgets are reviewed as
 9 part of our April board meetings, so they
 10 would be aware of it through that.
 11 BROWNE, KC:
 12 Q. And is there any back and forth between
 13 Fortis and yourselves to say you're looking
 14 for 9.87 or 9.85 percent, can you go get a
 15 bit more, can you go get 10 percent off the
 16 ratepayers?
 17 MR. MURRAY:
 18 A. No, there isn't. The recommendation comes
 19 from our cost of capital expert.
 20 BROWNE, KC:
 21 Q. And these cast of capital experts that
 22 you're using, are they involved in the cost
 23 of capital or any advice in other Fortis
 24 companies?
 25 MR. MURRAY:

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1 A. I'm not fully sure, I believe it would be
 2 subject to check, I believe Concentric may
 3 work for Fortis B.C., but I think that may
 4 be—I'm not sure of anyone else.
 5 BROWNE, KC:
 6 Q. So they might be involved with Fortis B.C.?
 7 MR. MURRAY:
 8 A. I believe so, yes, I'd have to doublecheck
 9 that.
 10 BROWNE, KC:
 11 Q. And these are a—Concentric is an American
 12 company?
 13 MR. MURRAY:
 14 A. Yes, that's correct.
 15 BROWNE, KC:
 16 Q. The mechanics of what happens here, so
 17 you're due to make 48 million from the
 18 ratepayers of this province, how does Fortis
 19 get the 48 million? Are there monthly
 20 contributions of Fortis? What are the
 21 mechanics of it, how does it work?
 22 MR. MURRAY:
 23 A. It's mainly, you know, it's through
 24 dividends and retained earnings in the
 25 company, so our earnings, depending upon the

1 year and maintaining our equity thickness,
 2 determine upon what dividends we paid to
 3 Fortis in a particular year.
 4 BROWNE, KC:
 5 Q. So is that a monthly projection or when does
 6 money –
 7 MR. MURRAY:
 8 A. No.
 9 BROWNE, KC:
 10 Q. When does it pass hands?
 11 MR. MURRAY:
 12 A. Typically we may make dividend payments to
 13 Fortis once or twice a year, but like I
 14 said, it largely depends on maintaining our
 15 equity thickness within the company as well.
 16 Ms. London would be able to take you through
 17 that in much more detail.
 18 BROWNE, KC:
 19 Q. And do the executive have shares in Fortis?
 20 The executive of Newfoundland Power?
 21 MR. MURRAY:
 22 A. I believe, well there's a newest member of
 23 the executive, I can't speak for the newest
 24 member, but I know the other three members
 25 of the executive do, yes.

1 MR. MURRAY:
 2 A. In principle all utilities are a monopoly,
 3 yes, that's correct.
 4 BROWNE, KC:
 5 Q. But you have an exclusive monopoly or on the
 6 island of Newfoundland there's no competing
 7 company to offer ratepayers electricity.
 8 (11:45 a.m.)
 9 MR. MURRAY:
 10 A. That's correct, but like I said, it's unique
 11 to all utilities, it's not unique to
 12 Newfoundland Power.
 13 BRONWE, KC:
 14 Q. And you have a lot of customers with
 15 electric heat, don't you, that you're
 16 providing electricity for electric heat?
 17 MR. MURRAY:
 18 A. Yes, that's correct.
 19 BRONWE, KC:
 20 Q. How does that compare elsewhere in Canada,
 21 the fact that you have a monopoly here,
 22 you're a monopoly on electric heat, we all
 23 need heat, we're in winter, and there's
 24 really very few alternatives here, and
 25 elsewhere in Canada other companies are in

1 BROWNE, KC:
 2 Q. And yet for those executives they're paid by
 3 the ratepayers of the province and then any
 4 incentive or so called bonus they get 50
 5 percent paid for by the ratepayers and who
 6 pays the other 50 percent?
 7 MR. MURRAY:
 8 A. It depends on which it is, if you're
 9 referring to the financial incentives, it's
 10 50 percent is paid by customers or through
 11 rates and 50 percent is paid by the
 12 shareholder.
 13 BROWNE, KC:
 14 Q. By Fortis.
 15 MR. MURRAY:
 16 A. Well through the earnings of the company.
 17 BROWNE, KC:
 18 Q. And Fortis directs that payment, is that it?
 19 MR. MURRAY:
 20 A. No, that's not correct, no, it's approved by
 21 the board of directors.
 22 BROWNE, KC:
 23 Q. I'm going to go to some other questions.
 24 Newfoundland Power has a monopoly, is that
 25 correct?

1 competition, there could be competition for
 2 heating, the provision of heating, like in
 3 Ontario, is that correct?
 4 MR. MURRAY:
 5 A. In Ontario, you know, from what I
 6 understand, I would think that Quebec is a
 7 bit similar to Newfoundland in the amount of
 8 electric heat load, and you know, if you
 9 look at Atlantic Canada, there's no gas, but
 10 there is oil heat, but most of those
 11 provinces are electrifying more now as well.
 12 BROWNE, KC:
 13 Q. And, I would think that some utilities, some
 14 electric utilities would be envious of you
 15 that you have such a large electric heat
 16 base to charge your customers from, is that
 17 a fair comment?
 18 MR. MURRAY:
 19 A. I'm not sure if I understand what you mean
 20 by "envious", I mean, we do have a high
 21 electric load, but we are a small province
 22 at the same time.
 23 BROWNE, KC:
 24 Q. And right now in this province there is an
 25 electrification program to get people off

1 oil and into electricity, that's correct?
 2 MR. MURRAY:
 3 A. There is a government policy at the moment
 4 to provide grants for switching from oil
 5 heat to electric, yes.
 6 BROWNE, KC:
 7 Q. And how does that benefit you?
 8 MR. MURRAY:
 9 A. It provides additional sales to electricity
 10 suppliers.
 11 BROWNE, KC:
 12 Q. And you have a really, there's really one
 13 company at the university is converting
 14 entirely to electricity, are they not?
 15 MR. MURRAY:
 16 A. They are converting their oil boiler to
 17 electric. I'm not sure if the entire
 18 university is going to be electric, but
 19 their main boiler –
 20 BROWNE, KC:
 21 Q. And who ultimately will get the benefit of
 22 that financially?
 23 MR. MURRAY:
 24 A. Well the sales of that will be to
 25 Newfoundland Power.

1 Q. And we have to enter those onto the record
 2 as well.
 3 BROWNE, KC:
 4 Q. Okay, well say the November 9th one.
 5 MR. O'BRIEN:
 6 Q. Perhaps we can enter them.
 7 BROWNE, KC:
 8 Q. Okay, that's fair enough.
 9 MS. GLYNN:
 10 Q. So the November 9th press release will be
 11 entered as Information Item No. 3.
 12 MR. O'BRIEN:
 13 Q. No. 3, thank you.
 14 FITZGERALD, KC:
 15 Q. We should enter the other one.
 16 BROWNE, KC:
 17 Q. We should enter the other one as well then,
 18 the May 16th one.
 19 MS. GLYNN:
 20 Q. May 16th will be Information Item No. 4.
 21 BROWNE, KC:
 22 Q. Okay, thank you. So these press releases
 23 which bear your name and your quotes, make
 24 reference to the rate application, but yet,
 25 you tell people you're looking for an

1 BROWNE, KC:
 2 Q. So in this province, the sales of
 3 electricity are going to increase, is that a
 4 fair comment, to your benefit?
 5 MR. MURRAY:
 6 A. They're going to increase, I don't know if
 7 I'd agree with to our benefit because it is
 8 built in into our forecast and our revenue
 9 requirement which we're here to talk about.
 10 BROWNE, KC:
 11 Q. I have to ask you, you gave comments in
 12 these press releases I referenced in my only
 13 opening statement and you didn't inform
 14 ratepayers in these press releases, granted
 15 it's in your application. You didn't inform
 16 ratepayers of your seeking an increase in
 17 your rate of return from 8.5 to 9.85, why
 18 was that?
 19 MR. O'BRIEN:
 20 Q. I wonder, Mr. Chair, could we point to which
 21 press release you're talking to?
 22 BROWNE, KC:
 23 Q. Well there's a choice, you didn't refer to
 24 it in either one.
 25 MS. GLYNN:

1 overall average increase of 1.5 and then an
 2 overall average increase of approximately
 3 5.5, one on July 1, 2024, one on July 1,
 4 2025, and you have a number there, a dollar
 5 fifty and five fifty, so you've given them
 6 an average on a certain bill, and you go on
 7 and make statements, including in the
 8 November 9th one, the second paragraph, "We
 9 are not immune to the impacts of external
 10 factors, such as increase of cost in
 11 materials and supplies and higher interest
 12 rates. Rest assured we remain committed to
 13 doing everything we can to minimize the
 14 impact of these increasing costs on our
 15 customers' electricity rates." These are
 16 your words?
 17 A. Yes, that's correct.
 18 Q. But that assurance seems hollow because you
 19 were attempting to increase their
 20 electricity rates by increasing your rate of
 21 return and increasing your profit margins,
 22 so how can you say "we remain committed to
 23 doing everything we can to minimize the
 24 impact of these increasing costs on our
 25 customers" when you are in fact doing the

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1 opposite?

2 A. No, we are focused on making sure that our

3 operating costs are as low as they can be to

4 ensure that we keep electricity rates as low

5 as possible, as I mentioned in my opening

6 statement, you know, over the last decade

7 and per customer basis, our operating cost

8 is 9.5 percent lower on inflation adjusted

9 basis.

10 Q. Let's be frank here. Why didn't you tell

11 ratepayers that you are attempting to

12 increase your rate of return from 8.5 to 9.8

13 so that your profit margins will increase

14 from 48 million to 60 million, if you want

15 to be forthright and frank with your

16 customers, why isn't that in these releases?

17 A. You know, if you look at our proposals in

18 our GRA, there's three things that are

19 driving our costs. It's an increase in

20 investment on the system, it's our operating

21 costs and it's the higher return. You know,

22 we didn't get into the detail of each one of

23 those in this media release. The main thing

24 we view and focus in the customers is how

25 much their rates will be impacted by the

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1 overall application.

2 Q. And in the second release on May 16th, your

3 closing paragraph, the last sentence, "We

4 remain committed to doing everything we can

5 to minimize the impact of these increasing

6 rates on our customers' electricity." I

7 think it's the same sentence that you had in

8 the previous increase (sic.) and you talk

9 about increases that are coming to customers

10 in this second release on July 1 in this

11 media release of May 16th, is that correct?

12 A. That's correct, yes.

13 Q. Now, this additional estimated cost or rate

14 increase you refer to there of 6.7 percent,

15 what is, what causes that increase?

16 A. That's largely due to the wholesale rate

17 which we discussed earlier, the wholesale

18 rate right now in the second block for

19 Newfoundland Power is at 18 cents a kilowatt

20 hour, so basically this is energy supply

21 cost that Newfoundland Power paid to

22 Newfoundland and Labrador Hydro in 2023 and

23 through the rate stabilization account is

24 recovered on July 1st mechanism annually.

25 Q. Now that 6.7 percent rate increase, have you

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1 had some discussions with Hydro as a way to

2 probably lessen that, rather than put the

3 entire 6.7 percent rate increase all the way

4 on July 1? Well have you had conversations

5 with Newfoundland Hydro in that regard?

6 A. No, we haven't. We, you know, the mechanism

7 is fairly straightforward, so there's not

8 much that we can do to minimize that.

9 Q. So, let's get this straight, so you've had

10 no discussions or your people, your staff,

11 with Newfoundland and Labrador Hydro over

12 this 6.7 percent and probably the way to use

13 a deferral for it because those costs, that

14 6.7 are going to decrease in 24 months time,

15 you've had no discussions on that?

16 A. That is a deferral account that is fairly

17 standard calculation every year. We've had

18 discussions with Hydro on the mechanisms of

19 the calculation and what it is going to be,

20 but there's very limited ability to do

21 anything about it.

22 Q. And have you been approached by Hydro in

23 reference to that 6.7 rate increase and a

24 way to deal with it, so a deferral basis to

25 assist ratepayers? Have you had discussions

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1 with Hydro in reference to that?

2 A. The application was filed yesterday, you

3 know, there was discussions with Hydro on

4 the calculation and the actual number is

5 slightly higher, so that's what was filed

6 yesterday.

7 Q. Is slightly higher because of the 2.3

8 percent for the rate mitigation costs.

9 A. No, I'm referring to the 6.7 percent was

10 slightly higher just due to the final

11 calculations that was done between the

12 utilities.

13 Q. Oh, yeah, okay. So there are no ongoing

14 discussions on that between yourselves and

15 Hydro, that 6.7?

16 A. No, there is not, as I indicated the

17 application was filed yesterday.

18 Q. In reference to your executive compensation,

19 where your operating costs are increasing

20 between 2023 and 2026, they're increasing

21 from 72 million to 81 million, I think it

22 is, and your depreciation expenses are

23 increasing and why can't Newfoundland Power

24 control its operating costs? You always

25 have done a pretty fair job of controlling

1 your operating costs, but all of a sudden,
 2 you are not.
 3 A. Yeah, I wouldn't agree that we're not
 4 controlling our operating costs and I will
 5 agree that we have been doing a good job.
 6 We have just come from, you know, a very
 7 high inflationary period in the last two to
 8 three years that we haven't seen in decades.
 9 As I indicated in my opening statement,
 10 inflation was 17 percent through that period
 11 when it was anticipated in our last
 12 application to only be 5.8 percent, and you
 13 know, those are costs that are real that,
 14 you know, we do our best to minimize, but it
 15 is like everyone else out there in terms of
 16 every other business, there are inflationary
 17 pressures that are beyond our control, as
 18 indicated, a lot of materials and supplies
 19 that we get and contractor prices have gone
 20 up with inflation and it is a cost that we
 21 try to manage as best we can, but there's
 22 certain limits you can do with those types
 23 of inflationary amounts.
 24 Q. If you were, in fact, a private company,
 25 you're a regulated company and you know all

1 are within inflation, except for some that
 2 are much above that.
 3 Q. But you really don't have to worry about it
 4 because we're paying for it.
 5 A. No, we do have to worry about it. We do
 6 everything we can to keep our costs as low
 7 as possible which, you know, we have a long
 8 history of doing and we will continue to
 9 focus on that.
 10 Q. But this board is the regulator, so you
 11 don't have shareholders to answer to, but
 12 this board has to look at itself somewhat as
 13 making your answer for increased cost as if
 14 they were a shareholder. They sort of have
 15 to do that, they sort of have to watch out
 16 for that, don't they?
 17 A. The board has a responsibility to ensure
 18 that our proposals are reasonable with what
 19 we are asking for in the application.
 20 Q. And the board can't get in there and manage
 21 your enterprise, they can't say take a
 22 million dollars here and take another
 23 million there, I mean, you're moving from 72
 24 million in operating costs to 81 million,
 25 they can't say, well, you know, there is, we

1 these costs, you really don't have to worry
 2 about them because the ratepayers are paying
 3 for all them, but if you were a private
 4 company and you're going to your board
 5 meeting and you were showing your
 6 shareholders that your costs were going out
 7 of control and your depreciation was, had
 8 gotten very excessive, things that are
 9 really within your bailiwick to deal with,
 10 would you not think the shareholders would
 11 say "What's going on here? Can't you
 12 control your operating costs, can't you
 13 control or plan better for depreciation or
 14 capital expenditures"?"
 15 (12:00 p.m.)
 16 A. You know, I can't deal with a hypothetical
 17 question, you know, what it would indicate
 18 is that, you know, we've shown efficiencies
 19 as part of this rate application on our
 20 labour and our non-labour costs, for the
 21 most part, are going up within inflationary
 22 rates, except for some areas that are much
 23 higher than inflation, such as insurance,
 24 software costs and some other company fees
 25 costs. All of our other non-labour costs

1 suggest that you do a), b), c), d), but
 2 they're relying on you to do that, aren't
 3 they? To control your operating costs so
 4 that if your operating costs are going up in
 5 one area, they'll find a way to bring them
 6 down in another. Isn't that not fair, that
 7 the board depend on you to do that?
 8 A. Yeah, we look for ways to reduce our
 9 operating costs whenever we can. If you
 10 look at our last General Rate Application
 11 for '22/'23, we had just implemented LED
 12 street lights which had a, you know, 1.8
 13 million dollar savings in that which is
 14 carried forward every year since. So, you
 15 know, we do things when we can find those
 16 large operating savings that are beneficial
 17 to customers, so we're always looking for
 18 opportunities to ensure that we can keep our
 19 costs as low as possible.
 20 Q. These are all words, you're the president of
 21 the company, you should be able to tell the
 22 board what you did look at. We looked at
 23 a), b), c), d) and we tried to cut here and
 24 we tried to cut there and we tried to cut in
 25 the other, but I'm not hearing that. I'm

1 hearing this generality, yeah, we looked at
 2 it all, because really, where we're paying
 3 for it all, you know, you can just use
 4 words, can't you, you don't have to tell
 5 where you looked or what you tried to do.
 6 A. We've identified the savings in the RFIs, if
 7 you want to go there. PUB 17. If you
 8 scroll down to the bottom, towards the top
 9 of the next page, actually. Actually, split
 10 between the two, Courtney, thanks. Yeah, so
 11 you can see there that our labour inflation
 12 for this period is 3.1 percent which is 1
 13 percent labour efficiency above our actual
 14 inflation, labour inflation, our actual
 15 labour inflation is, you know, 4.1 percent
 16 and our actual labour inflation that is
 17 included in our proposals and our operating
 18 cost is 3.1 percent. That's one of the
 19 efficiencies and it details some of the
 20 things below that we are doing to accomplish
 21 that on the labour side. And on the non-
 22 labour side, you know, there's a lot of
 23 things that we do that provide efficiencies
 24 to our operations. Over the years, you
 25 know, we've installed downline reclosures,

1 A. Yes, that's correct. We use the GDP
 2 deflator which is the practice that we've
 3 been using with the board for over 20 years
 4 or more now, I believe, and that is what we
 5 have used to inflate our non-labour costs to
 6 be within that range.
 7 Q. So inflation is coming under control in
 8 Canada and elsewhere, is that correct?
 9 A. It appears to be lower than what it was in
 10 the last two years, yes.
 11 BROWNE, KC:
 12 Q. But yet, you want to move your operating
 13 cost from the 263 per customer to 293.
 14 You're moving it way up per customer when we
 15 look at these numbers because you're moving
 16 from 72 million to 81 million when you do
 17 the division. Customers will pay more in
 18 operating cost because you have failed to
 19 control the operating cost and are moving
 20 them upward. That's fair, that's a fair
 21 comment?
 22 MR. MURRAY:
 23 A. No, I wouldn't agree that we failed to
 24 control operating cost. As indicated, we
 25 just came through, you know, highest

1 an OMS system which reduces our, you know,
 2 response time to outages and things like
 3 that when there is system trouble, you know,
 4 during Snowmageddon, for example, we saved
 5 3.5 million customer minutes which is outage
 6 response time for crews and that equipment
 7 operates today and still continues with
 8 storms we have all the time to provide those
 9 efficiencies. So we're constantly providing
 10 efficiencies in our operations. You know,
 11 we have savings, we are constantly focused
 12 on reducing our, increasing our electronic
 13 bills which helped save cost for customers,
 14 those are built into our application. So
 15 there's a number of proposals that are in
 16 our application that are reducing cost for
 17 customers. You know, it is unfortunate that
 18 we have just come off such a high
 19 inflationary period and, you know, some of
 20 those inflationary pressures still persist,
 21 as I mentioned earlier with software and
 22 insurance and things like that.
 23 Q. Inflation in Canada is forecast to be 2.6
 24 percent, you're familiar with what inflation
 25 will be in Canada in 2024, are you?

1 inflation in decades. We are controlling
 2 our operating cost. There are still a
 3 number of operating costs that are way
 4 beyond inflation. So, those that are
 5 reasonable are put forward in our
 6 application at the GDP deflator and the
 7 others are at the known and measurable
 8 amounts that we can expect through the
 9 forecast period, such as I mentioned
 10 insurance and software.
 11 BROWNE, KC:
 12 Q. Now, regulatory boards in Canada and this
 13 Board on occasion get somewhat alarmed when
 14 they say operating costs going up as
 15 dramatically as yours are here. And so,
 16 they apply a productivity savings to your
 17 operations. You're familiar with that
 18 concept?
 19 MR. MURRAY:
 20 A. In certain jurisdictions. It's usually
 21 within a – it depends, you know, on the
 22 jurisdiction and what has been happening
 23 there in the past with the cost. So, it
 24 varies across Canada.
 25 BROWNE, KC:

1 Q. So, it wouldn't be unreasonable for this
 2 Board -- because they don't know the ins and
 3 outs of every cost you have there, they just
 4 look at it all, and they're not working the
 5 enterprise. They're the regulator -- to say
 6 "this looks high for us. Do something about
 7 it. And therefore we're giving you a
 8 productivity incentive to do something about
 9 it. We're giving you a productivity
 10 allowance"?

11 MR. MURRAY:

12 A. Is there a question?

13 BROWNE, KC:

14 Q. So, are you -- would you be surprised if the
 15 Board did that in this particular instance?

16 MR. MURRAY:

17 A. You know, I think the Board has to look at
 18 the evidence that's presented, in terms of
 19 what we proposed. As I indicated, we've
 20 already proposed a one percent labour
 21 efficiency through this application, which
 22 is, you know, about a million and a half
 23 dollars over the period. And we've shown
 24 what other proposals are in here and the
 25 other inflationary pressures that are

1 expansion. We saw your numbers. Your
 2 numbers continue to go up for your capital
 3 costs. It went up dramatically over a 10-
 4 15-year period in my recollection. And now
 5 you're at 100-million-dollar range for
 6 capital expenditures. When -- you mentioned
 7 Covid. So, when Covid struck and we were
 8 all affected by it and the economy was
 9 affected by it, but did you adjust your
 10 capital expenditures because of Covid for
 11 your capital expenditures?

12 MR. MURRAY:

13 A. I don't have the numbers in front of me. I
 14 would have to look and see. We didn't
 15 adjust our capital numbers. You know, the
 16 only thing I would think of is that because
 17 of Covid some projects may have been
 18 affected because of the ability to have
 19 crews work together and work within the
 20 guidelines of the Covid limitations, but we
 21 did not -- so, the only thing would be based
 22 on if there was reasons based upon delivery
 23 of materials. But we did not -- otherwise we
 24 continued on with a normal capital program.

25 BROWNE, KC:

1 driving those non-operating costs that are
 2 above typical inflation. So, I think the
 3 Board has to consider all of the information
 4 that was presented and, in my view, you
 5 know, I don't believe a productivity
 6 allowance is warranted in this application.

7 BROWNE, KC:

8 Q. But the Board has to look at it from a
 9 ratepayer's perspective. They have to be
 10 fair to the ratepayers too. It seems
 11 inflation has gone down, but your costs are
 12 going up and the Board therefore could
 13 reasonably put in place a productivity
 14 factor to apply to these costs. That
 15 wouldn't be unreasonable from the
 16 ratepayers' perspective to ask for, would
 17 it?

18 MR. MURRAY:

19 A. The Board has to look at what is reasonable,
 20 both for the ratepayer as well as the
 21 company and based on the information and
 22 their proposals as to whether our costs are
 23 reasonable.

24 BROWNE, KC:

25 Q. You've also embarked upon a capital

1 Q. Yeah, just going by memory now, and I stand
 2 to be corrected, but in these capital
 3 budgets during Covid, I'm sure we asked a
 4 question was Newfoundland Power affected by
 5 Covid and are you doing these expansions
 6 when things are going to be a lot more
 7 expensive when other people beg off them,
 8 probably a private enterprise. But I think
 9 your answer you said, and it's subject to
 10 check, but I will, was that you weren't
 11 affected by Covid. You weren't affected at
 12 that point anyway.

13 MR. MURRAY:

14 A. As I indicated, I don't think -- you know, I
 15 can't say if every project wasn't affected,
 16 but as long as we were able to have our
 17 employees or contractors work safely and we
 18 were able to receive materials without being
 19 disrupted by Covid, we for the most part
 20 carried on as per normal.

21 BROWNE, KC:

22 Q. But it wasn't normal.

23 MR. MURRAY:

24 A. We made provisions to keep everyone safe and
 25 get our work done because it's important.

1 BROWNE, KC:
 2 Q. But how would you get supplies? Supplies
 3 were – according to your own evidence today,
 4 supplies are still affected. You mentioned
 5 post Covid and the Ukraine war I think you
 6 mentioned.
 7 (12:15 p.m.)
 8 MR. MURRAY:
 9 A. Yeah, but you’re not – what you need to
 10 understand is that in 2020 is what – that’s
 11 what you’re referring to, you know, a lot of
 12 our materials – we have a lot of materials
 13 in inventory. A lot of other materials
 14 would be ordered early in the year. The
 15 impacts of Covid in terms of supply chains
 16 and inflation was really getting into late
 17 ’21, ’22 when we started to see the bigger
 18 impacts of that.
 19 BROWNE, KC:
 20 Q. But yet you had answered to us in a request
 21 for information that you weren’t really
 22 affected, but you were affected, weren’t
 23 you?
 24 MR. MURRAY:
 25 A. I can’t really answer your question without

1 have reliable service. We don’t make our
 2 decisions based on what depreciation is
 3 going to be. We look at what the system
 4 requires. We have an obligation to provide
 5 least cost reliable service to our
 6 customers.
 7 BROWNE, KC:
 8 Q. Mr. Fitzgerald is going to ask you some
 9 questions now because they have you stated
 10 as the person who’s going to deal with
 11 executive compensation, even though there
 12 are experts coming on to deal with it as
 13 well, I think.
 14 MR. MURRAY:
 15 A. Um-hm.
 16 BROWNE, KC:
 17 Q. I’ll come back to the media release. When
 18 you hear my comments as what you didn’t do
 19 to inform ratepayers through the media of
 20 some basic information as to why you were
 21 seeking rate increases, do you think that
 22 that’s an oversight; that probably that
 23 should have been done?
 24 MR. MURRAY:
 25 A. No, I don’t. When you look at a media

1 seeing the numbers. As I indicated, it’s –
 2 you know, we worked – we tried to work as
 3 much as we could within the limitations of
 4 what Covid presented.
 5 BROWNE, KC:
 6 Q. And in the expansion of your capital
 7 budgets, you were monitoring depreciation
 8 and everything that was factored in, were
 9 you not?
 10 MR. MURRAY:
 11 A. Well, we would understand what the impact of
 12 depreciation is on further capital
 13 investment, yes.
 14 BROWNE, KC:
 15 Q. So, right now, we’re looking to pay more
 16 money because of depreciation, but that’s
 17 something you knew was coming?
 18 MR. MURRAY:
 19 A. Well, we look at what’s required to maintain
 20 reliable service for our customers. You
 21 know, our system is very old. A lot of it
 22 was built in the ‘60s and ‘70s and all of
 23 our assets are aging and need to be replaced
 24 and maintained. We make our determinations
 25 on what’s required to ensure our customers

1 release, you know, we’re trying to
 2 communicate to customers what the impact is
 3 going to be on their bill and provide them
 4 some indication of what, you know, the
 5 drivers are, and we have done that,
 6 providing customers what the impact is on
 7 their bill.
 8 BROWNE, KC:
 9 Q. So, the rest of it is none of their
 10 business?
 11 MR. MURRAY:
 12 A. No, I didn’t indicate that. The information
 13 is available on the – you know, on our
 14 website, on the Public Utilities Board
 15 website. But we really communicate what the
 16 impact is on the bill. That’s what’s most
 17 important to customers.
 18 BROWNE, KC:
 19 Q. And the media is out there reporting on this
 20 media release which is not full. It’s not a
 21 fulsome release in any way, shape or form by
 22 you not providing that information. So,
 23 wouldn’t we have to describe this release as
 24 misleading?
 25 MR. MURRAY:

1 A. No, I don't agree with that.
 2 BROWNE, KC:
 3 Q. Would we have to describe it as not fulsome?
 4 MR. MURRAY:
 5 A. We believe it provides the information
 6 that's most important to customers. You
 7 know, as I indicated, there's a number of
 8 things that drive cost. It's very difficult
 9 in a media release to list all the things
 10 that are driving costs in a media release.
 11 BROWNE, KC:
 12 Q. So, on your customer surveys and so on, you
 13 could have put information there to say, "by
 14 the way, we're – our costs are going up
 15 because of all these reasons and what do you
 16 think of that?" Did you put it in your
 17 customer surveys? Perhaps so people would
 18 have some understanding of why their bills
 19 are going up and what -
 20 MR. MURRAY:
 21 A. No.
 22 BROWNE, KC:
 23 Q. - what they're contributing to.
 24 MR. MURRAY:
 25 A. No, we did not.

1 MR. MURRAY:
 2 A. I'm not sure. Can you repeat your question?
 3 I'm not sure what you mean.
 4 BROWNE, KC:
 5 Q. Well, the customer satisfaction service,
 6 don't you make reference to those when you
 7 are doing your executive compensation and
 8 you're deciding your bonuses? You're
 9 saying, "we had customer surveys done and
 10 we've done very, very well according to
 11 these and that's something that should be
 12 considered"?
 13 MR. MURRAY:
 14 A. Yes, one of the components of the incentive
 15 plan is customer service and it is based on
 16 a scoring from customer service. Our
 17 customer service has generally been about
 18 86-87 percent now for a decade.
 19 BROWNE, KC:
 20 Q. If you have a specific question to the
 21 customer to tell them that you were
 22 increasing their rates so that your profits
 23 would go from 48 to 60 million, you might
 24 not quite like the response you're getting.
 25 Wouldn't that be a fair comment?

1 BROWNE, KC:
 2 Q. Why wouldn't you inform in your customer
 3 surveys where you're asking, you know, what
 4 your problems are and et cetera, why
 5 wouldn't you get down to some specific
 6 information there so customers are informed
 7 before they respond?
 8 MR. MURRAY:
 9 A. Our customer surveys are, you know,
 10 standardized, being done by MQO, to ensure
 11 that we get a – it's a customer satisfaction
 12 survey. And you know, the two things that
 13 customers highlight the most as impacting
 14 their customer satisfaction is cost and
 15 reliability, and we will get – ask customers
 16 if – you know, further detail as to why they
 17 gave us a lower score, and if it's
 18 reliability or if it's cost, to get more
 19 detailed information. But we don't ask them
 20 specific questions on that.
 21 BROWNE, KC:
 22 Q. And the customer surveys, the general
 23 questions you're asking, they're used when
 24 bonuses are being assessed and so on. Is
 25 that correct?

1 MR. MURRAY:
 2 A. It depends on the question you ask, a
 3 specific question.
 4 BROWNE, KC:
 5 Q. Sure, it does depend on the question you
 6 ask, yes. But if you had to ask that
 7 question?
 8 MR. MURRAY:
 9 A. Yeah, like I said, our surveys are indicated
 10 to be used over a long period of time so
 11 that we have a baseline that we can compare
 12 customer satisfaction over the long term.
 13 BROWNE, KC:
 14 Q. So, your customer surveys and the way the
 15 customers feel depends on the questions that
 16 are asked and you're careful what you're
 17 asking. Is that correct?
 18 MR. MURRAY:
 19 A. As I indicated, our survey has probably been
 20 the same now for I'm going to say about ten
 21 years. So, it is meant to be a
 22 statistically valid survey, which is what we
 23 do.
 24 BROWNE, KC:
 25 Q. Thank you, Mr. Murray. Mr. Fitzgerald will

1 have some questions.
 2 MR. O'BRIEN:
 3 Q. Mr. Chair, before Mr. Fitzgerald starts, I
 4 did want to make a point of order with
 5 respect to co-counsel asking questions at
 6 this point in time. I gather from my
 7 learned friend that Mr. Fitzgerald will be
 8 asking questions on executive compensation
 9 and I do note that Mr. Browne has asked a
 10 number of questions addressing executive
 11 compensation already, and the procedural
 12 rules do provide that co-counsel don't touch
 13 on the same issues. So, I do want to flag
 14 that as a concern going forward that we
 15 weren't given notice as to who would be
 16 cross-examining on which issues going
 17 forward and the rules suggest that that
 18 should be done before the witness gets on
 19 the stand so that both co-counsel aren't
 20 examining on the same issues. We want to
 21 raise that as a concern. For now in terms
 22 of questions provided we're not touching on
 23 the same stuff, I'm prepared to allow Mr.
 24 Fitzgerald to go forward. But going forward
 25 with the case, I think it'd be fair to the

1 entitled to or should – or could be entitled
 2 to, depending upon their performance at
 3 Newfoundland Power?
 4 MR. MURRAY:
 5 A. Yes, I can, at a high level, yes.
 6 FITZGERALD, KC:
 7 Q. Sure. And they would be?
 8 MR. MURRAY:
 9 A. So, you're referring to the incentive plan
 10 and what's included?
 11 FITZGERALD, KC:
 12 Q. Yes.
 13 MR. MURRAY:
 14 A. Okay. So, the incentive plan is made up of,
 15 you know, five components. One of them is
 16 safety which is made up of two components.
 17 It looks at the all injury frequency rate,
 18 which is basically number of injuries within
 19 the company. The other component of that is
 20 leading indicators. So best practice in
 21 safety these days is to have both lagging
 22 and leading indicator. Historically it was
 23 more lagging indicator. So, now has a
 24 lagging and a leading indicator. So, we
 25 have two components to the leading

1 witnesses to let us know in advance who's
 2 going to be cross-examining on which points
 3 and the rules do provide for that.
 4 BROWNE, KC:
 5 Q. I think that's a fair comment. Mr.
 6 Fitzgerald.
 7 FITZGERALD, KC:
 8 Q. Yeah, no, appreciate that, Mr. O'Brien.
 9 There shouldn't be any crossover. I guess
 10 Mr. Browne was asking general questions
 11 regarding operating costs and of course,
 12 that's one of the subcategories so that's –
 13 it was touched on, but with Mr. Murray, I
 14 have some specific questions and hopefully
 15 there won't be any crossover.
 16 CHAIRMAN:
 17 Q. Okay, thanks. We'll proceed.
 18 MR. O'BRIEN:
 19 Q. Thank you, Mr. Chair.
 20 FITZGERALD, KC:
 21 Q. Thank you, Mr. Chair. So, Mr. Murray, just
 22 generally, are you able to give me some
 23 information as to the – or the Board
 24 information rather regarding the various
 25 incentive and bonuses that the executive is

1 indicator, which is job safety plan and
 2 investigation, incident investigations, the
 3 quality of incident investigations and
 4 quality of job safety plan. So, that makes
 5 up 20 percent of the incentive plan.
 6 The other is, one is reliability, which
 7 is based on a performance of the company's
 8 reliability. A third one is customer
 9 service, which is based on the customer
 10 satisfaction survey, which we just mentioned
 11 a few minutes ago. Then there is the
 12 operating cost per customer, which is the
 13 performance of operating cost per customer
 14 basis. There is the financial earnings,
 15 which is earnings of the company and how we
 16 perform on that. And then the last one is
 17 on regulatory performance.
 18 FITZGERALD, KC:
 19 Q. So, each of these metrics are applied to
 20 each of the qualifying executives? They're
 21 scored on these metrics?
 22 MR. MURRAY:
 23 A. No, these are corporate targets. So, the
 24 way the incentives are made up is there's 70
 25 percent corporate targets, which would be

1 made up of those that I just listed, and
 2 then there's a 30 percent individual target
 3 for each individual executive.
 4 FITZGERALD, KC:
 5 Q. And when you say individual executive, how
 6 big is this class of executive?
 7 MR. MURRAY:
 8 A. We have a very small team. There is myself
 9 and three vice-presidents, so just four
 10 executives.
 11 FITZGERALD, KC:
 12 Q. So, it is only – so that metric that you
 13 just went through, all of you, four
 14 executives are scored in relation to those
 15 metrics?
 16 MR. MURRAY:
 17 A. The corporate and then the individual, yes.
 18 FITZGERALD, KC:
 19 Q. Okay. So, and this determination, is this
 20 made on a – is there a time of year that
 21 these scores are tallied or a decision is
 22 made?
 23 MR. MURRAY:
 24 A. Yes, it is done at the end of the year. So,
 25 it is usually – it's normally like late

1 MR. MURRAY:
 2 A. It's called a Short-Term Incentive and once
 3 these are scored, that's when the Short-Term
 4 Incentive is evaluated and paid, yes.
 5 FITZGERALD, KC:
 6 Q. And paid out?
 7 MR. MURRAY:
 8 A. Yes.
 9 FITZGERALD, KC:
 10 Q. Okay. So, besides this system or this
 11 program that you just described, are there
 12 any other bonus or incentive programs for
 13 executives?
 14 MR. MURRAY:
 15 A. This is the only one that is in customer
 16 rates, right. There is a Long-Term
 17 Incentive, but that is not in customer
 18 rates.
 19 FITZGERALD, KC:
 20 Q. Okay. So, that's – so, the Board is blind
 21 to that. We don't need to know what extra
 22 remuneration the executives are getting over
 23 and above regulated salary and the bonuses
 24 that are transparent?
 25 MR. MURRAY:

1 January, early February, which is the Q1
 2 board meeting. So, all of the Q – you know,
 3 year end results are in for the previous
 4 year and that is when it is evaluated.
 5 FITZGERALD, KC:
 6 Q. And of course, that's – and then there's a
 7 payment obviously of some sort?
 8 MR. MURRAY:
 9 A. You know, the results are evaluated against
 10 targets and there's a determination made of
 11 the scoring of the targets, yes.
 12 FITZGERALD, KC:
 13 Q. So, just to understand it then, so obviously
 14 the executives get their salary per year or,
 15 you know, their expected salary. At the end
 16 of the year, the metrics are scored or
 17 they're weighed somehow and then a
 18 determination is made in January/February as
 19 to the amount of the bonus over and above
 20 salary?
 21 MR. MURRAY:
 22 A. Yes, there's an incentive, which is what
 23 this is.
 24 FITZGERALD, KC:
 25 Q. Right.

1 A. That is correct, yeah. The Short-Term
 2 Incentive is the part that is, you know, is
 3 part of regulated cost and the Long-Term
 4 Incentive is outside of that, is non-
 5 regulated cost.
 6 (12:30 p.m.)
 7 FITZGERALD, KC:
 8 Q. And who pays for that?
 9 MR. MURRAY:
 10 A. The Long-Term Incentive would be paid by the
 11 shareholder.
 12 FITZGERALD, KC:
 13 Q. So, if we were to look at the total bonus
 14 and the total salary that any individual,
 15 Newfoundland Power executive were to
 16 receive, that would not be the full story of
 17 their actual remuneration for the year
 18 obviously? There is other money that we
 19 will not even be aware of?
 20 MR. MURRAY:
 21 A. Yeah, I wouldn't say not be aware of, but
 22 there is other payments, I guess, incentives
 23 that are not part of regulated cost that
 24 would be approved by the Board.
 25 FITZGERALD, KC:

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1 Q. Right. So, we are aware, but we don't know
 2 amounts? We don't know amounts of the Long-
 3 Term Incentives?
 4 MR. MURRAY:
 5 A. That would be correct, but it is identified.
 6 FITZGERALD, KC:
 7 Q. Yeah. It's identified that it's a factor.
 8 MR. MURRAY:
 9 A. Yeah.
 10 FITZGERALD, KC:
 11 Q. But the actual dollar amount is not
 12 identified?
 13 MR. MURRAY:
 14 A. That would be correct.
 15 FITZGERALD, KC:
 16 Q. Okay. So, who – the scoring that you just
 17 went through, who sets that criteria? How
 18 was that developed?
 19 MR. MURRAY:
 20 A. The incentive targets are set by the board
 21 of directors and they would be the ones to
 22 do the evaluation at the year end.
 23 FITZGERALD, KC:
 24 Q. So, okay, so the board of directors are the
 25 – and I believe you went through it this

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1 morning. There are four I think Fortis
 2 executives or Fortis related executives,
 3 including yourself, on the board?
 4 MR. MURRAY:
 5 A. That's correct.
 6 FITZGERALD, KC:
 7 Q. And there are six others from various other
 8 walks of life, other – they would be
 9 businesspeople as well?
 10 MR. MURRAY:
 11 A. Yes, that's correct.
 12 FITZGERALD, KC:
 13 Q. And would any of these other six have any
 14 insight or expertise in what an appropriate
 15 metric would be for an electric utility
 16 executive?
 17 MR. MURRAY:
 18 A. I'm not sure of your question. Are you
 19 referring to the targets or are you
 20 referring to incentives?
 21 FITZGERALD, KC:
 22 Q. The targets. I mean to develop – I think
 23 you indicated that the board develops the
 24 criteria.
 25 MR. MURRAY:

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1 A. Yes, the board does develop the criteria
 2 with – you know, management provides them
 3 some insight. The board develops and – the
 4 board does the final approval of them.
 5 FITZGERALD, KC:
 6 Q. Okay. So, do I take it from that then,
 7 maybe it's fair to infer that management
 8 perhaps drives the program?
 9 MR. MURRAY:
 10 A. I wouldn't say drives the program.
 11 Management helps provide the data that
 12 develops the program.
 13 FITZGERALD, KC:
 14 Q. So, I guess those non-Fortis or non-utility
 15 board members would probably – it would be
 16 benefit – the management input would benefit
 17 them more say than the Fortis executives?
 18 Would that be an accurate statement?
 19 MR. MURRAY:
 20 A. Can you restate that?
 21 FITZGERALD, KC:
 22 Q. So, I guess the way I'm looking at it is you
 23 have ten members of an executive board.
 24 Four of them are Fortis executives who are,
 25 if you use a vernacular, tuned into how to

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1 measure an electric utility executive's
 2 compensation. I'm going to guess, and maybe
 3 I'm wrong, that the other six probably don't
 4 come from that industry. And so, when it
 5 comes to understanding how to reward or
 6 incentivize an executive of an electric
 7 utility, they may rely more upon the
 8 electric utility's management to make these
 9 decisions as to what is the proper criteria
 10 than the other Fortis board members.
 11 MR. MURRAY:
 12 A. What I'd say is that, you know, most of our
 13 independent board members are ICD members,
 14 you know, independent corporate directors is
 15 what that stands for. So, you know, they
 16 have been through the training around the
 17 ICD course and would have an understanding
 18 of compensation and executive compensation
 19 and you know, I would imagine for the newer
 20 board members coming on, it would be new to
 21 them, but we always have a combination of
 22 new board members and experienced board
 23 members. So, you know, I would say that
 24 that – for the newer board members, it would
 25 probably be not as experienced with utility

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1 standards, right.
 2 FITZGERALD, KC:
 3 Q. Sure. So, they would benefit more from the
 4 management input than say those experienced?
 5 MR. MURRAY:
 6 A. Yes, I would agree with that, yeah.
 7 FITZGERALD, KC:
 8 Q. Okay. And you mentioned the ICD
 9 designation. Besides the Fortis executives,
 10 are all the other board members currently –
 11 do they all carry that designation, that
 12 credential?
 13 MR. MURRAY:
 14 A. I don't think all of them right now, because
 15 we just have – you know, a couple of new
 16 board members, but I believe four of the six
 17 do and the other two will probably be
 18 completing it soon.
 19 FITZGERALD, KC:
 20 Q. Okay. I think you've indicated that – I was
 21 trying to follow your past with Newfoundland
 22 Power. I think you said you joined in 2002.
 23 Is that – did I – or you were with Fortis, I
 24 think, in 2002?
 25 MR. MURRAY:

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1 A. No, I joined Newfoundland Power in 2002.
 2 FITZGERALD, KC:
 3 Q. Okay. And when was it that you were first
 4 elevated to an executive status?
 5 MR. MURRAY:
 6 A. That was in October of 2014.
 7 FITZGERALD, KC:
 8 Q. In 2014. And from that period to the
 9 present, has there ever been any year in
 10 which members of the executive did not
 11 receive incentive payments?
 12 MR. MURRAY:
 13 A. Not that I'm aware of, no.
 14 FITZGERALD, KC:
 15 Q. And would you be aware of the experience
 16 prior to 2014, whether executives – there
 17 was ever a myth or a lore in the past that
 18 there was that year that the executives
 19 didn't get paid? Do you know anything about
 20 that?
 21 MR. MURRAY:
 22 A. I couldn't really speak to prior to that.
 23 FITZGERALD, KC:
 24 Q. Okay. So, are you able to indicate to us
 25 what the average payments to the executive

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1 members in 2023 was?
 2 MR. MURRAY:
 3 A. For the STI?
 4 FITZGERALD, KC:
 5 Q. Yes.
 6 MR. MURRAY:
 7 A. Yeah, I believe there's an RFI on that, NLH-
 8 114.
 9 FITZGERALD, KC:
 10 Q. Thank you.
 11 MR. MURRAY:
 12 A. So, you can see those are the Short-term
 13 Incentives for 2022 and 2023 and down below,
 14 it shows what was included in regulated and
 15 what was included in non-regulated cost.
 16 FITZGERALD, KC:
 17 Q. Okay. So -
 18 MR. MURRAY:
 19 A. And it also includes the directors – the
 20 management, directors who are management
 21 within the company also are part of that
 22 program.
 23 FITZGERALD, KC:
 24 Q. Okay. So, the STI that's – and your STI is
 25 on full display there. That represents the

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1 payment over and above your salary. Is that
 2 correct?
 3 MR. MURRAY:
 4 A. That's correct, yes.
 5 FITZGERALD, KC:
 6 Q. And likewise to each of the other
 7 executives?
 8 MR. MURRAY:
 9 A. Yes, that's correct.
 10 FITZGERALD, KC:
 11 Q. Okay. In this case, this GRA that's going
 12 forward, if in fact you – you know, you
 13 don't receive or that Newfoundland Power
 14 doesn't get a favourable decision from this
 15 Board and you don't get the 1. or the 5.5 in
 16 20 – the average increase in 2025, would the
 17 incentive payments be made anyway?
 18 MR. MURRAY:
 19 A. You're saying with respect to the proposed
 20 rate increase?
 21 FITZGERALD, KC:
 22 Q. Yes.
 23 MR. MURRAY:
 24 A. You know, if you look at the incentives that
 25 are here, one component is regulatory. So,

1 you know, that would probably have an impact
 2 on that component. But the other components
 3 are independent, shall we say, of the rate
 4 case in terms of safety and reliability.
 5 FITZGERALD, KC:
 6 Q. So, the answer – well, I mean, I guess you
 7 can't crystal ball it, but would you – if
 8 you were to – don't want you to guess, but
 9 to use your best educated sort of view of
 10 this, if in fact by this GRA, there is no
 11 regulatory success, if I could put it that
 12 way, will that impact the STIs next January
 13 or February?
 14 MR. MURRAY:
 15 A. I would think it may have an impact on that
 16 component, yes.
 17 FITZGERALD, KC:
 18 Q. Okay. But there would still be – the other
 19 components would still be measured up and
 20 more than likely you would – the executives
 21 would receive their incentive bonus?
 22 MR. MURRAY:
 23 A. That would be my understanding. That's the
 24 way the plan is designed and laid out.
 25 FITZGERALD, KC:

1 MR. MURRAY:
 2 A. Yes, that's correct.
 3 FITZGERALD, KC:
 4 Q. Yeah. So, in the metrics that you mentioned
 5 earlier, the breakdown is – I think one of
 6 the components is customer service. In that
 7 measurement, are customers ever consulted or
 8 do they have any input whatsoever on the
 9 incentives? Are they ever asked whether
 10 executives in any particular year are
 11 deserving of incentives?
 12 MR. MURRAY:
 13 A. No. As I indicated earlier, it's based on
 14 the customer satisfaction survey which is
 15 done independently by MQO.
 16 FITZGERALD, KC:
 17 Q. Right, but that survey certainly doesn't ask
 18 any question about executive compensation?
 19 MR. MURRAY:
 20 A. No, it doesn't.
 21 FITZGERALD, KC:
 22 Q. I'm wondering if we could just go to the
 23 Korn Ferry document that's in evidence for a
 24 moment, and in particular, page four
 25 thereof. And it says here that as a policy

1 Q. Okay. The incentives themselves, I think we
 2 already discussed this. It is – who pays
 3 for the incentive? Where does the money
 4 come from?
 5 MR. MURRAY:
 6 A. As indicated here, you know, the incentives
 7 that are paid, certain components are paid
 8 through cost of service, you know, through
 9 revenue requirement and through rates and
 10 the other component that's over above that
 11 is through non-regulated, which would be
 12 paid by the shareholder. You know, this has
 13 been reviewed by the Board. I think the
 14 last time had an extensive review was in
 15 2016 and at that time, there were some
 16 modifications to the financial, in terms of
 17 how that was paid by the rates versus what
 18 is paid by the shareholder.
 19 FITZGERALD, KC:
 20 Q. So, rates being the ratepayers?
 21 MR. MURRAY:
 22 A. That's correct, yes.
 23 FITZGERALD, KC:
 24 Q. Right. So, the ratepayers are paying a
 25 portion of the incentives, of course?

1 Newfoundland Power sets its salary range
 2 plus/minus 15 percent of the market median
 3 and the private market tends to set – tends
 4 to either set their salary range at
 5 plus/minus 20 of the market median. So -
 6 MR. MURRAY:
 7 A. Are we on page four?
 8 FITZGERALD, KC:
 9 Q. I'm sorry, yeah, page four.
 10 MR. MURRAY:
 11 A. Okay.
 12 FITZGERALD, KC:
 13 Q. Are we not there?
 14 MR. MURRAY:
 15 A. That's on page three. No, I was looking at
 16 the screen. Okay. Okay, continue.
 17 FITZGERALD, KC:
 18 Q. Okay. So, section two, this is page four,
 19 am I right? Yeah.
 20 MR. MURRAY:
 21 A. Yes.
 22 MR. O'BRIEN:
 23 Q. Just the numbers on page five on that side.
 24 That's the difference.
 25 MS. HOLLETT:

1 Q. The pdf page versus the document -
 2 MR. O'BRIEN:
 3 Q. The pdf page is five, but the number on the
 4 document -
 5 FITZGERALD, KC:
 6 Q. Okay, all right. Okay. The computer
 7 strikes again. All right. So, the - so,
 8 why does Newfoundland Power has - why has
 9 Newfoundland Power selected this salary
 10 range of the plus/minus 15 percent?
 11 MR. MURRAY:
 12 A. Plus or minus 15?
 13 FITZGERALD, KC:
 14 Q. Yeah.
 15 MR. MURRAY:
 16 A. I'm not sure, to be honest with you. It's
 17 been there for many years. I can't really
 18 explain the history of it. But what I would
 19 say is that, you know, we've set our
 20 incentives at P50, which is 50 percent of
 21 the market comparator, and generally
 22 Newfoundland Power pays at the 100 percent,
 23 even though - you know, or it doesn't pay
 24 above the 100 percent I should say. So,
 25 typically with a new executive, they would

1 FITZGERALD, KC:
 2 Q. Okay. Well, perhaps we'll wait for -
 3 MR. MURRAY:
 4 A. Mr. Ma is best to answer that.
 5 FITZGERALD, KC:
 6 Q. Are there - just turning to another topic.
 7 Besides the executive bonuses, are there any
 8 other forms of annual bonuses for non-
 9 executive management personnel?
 10 MR. MURRAY:
 11 A. As we indicated on the previous sheet, the
 12 directors of the company, which is about 12
 13 senior management people, they are entitled
 14 to an STI program as well that is 15 percent
 15 of the salary, and we have a pay per
 16 performance for management positions. None
 17 of the union positions have any pay for
 18 performance.
 19 FITZGERALD, KC:
 20 Q. So, are any of those bonuses, the non - the
 21 first one you referred to, are any of those
 22 bonuses related to whether Newfoundland
 23 Power realize or exceeds its approved return
 24 on equity?
 25 MR. MURRAY:

1 normally start at about 85 percent of the
 2 comp ratio and then over three to five years
 3 would progress to 100 percent of the comp
 4 ratio. We have typically not gone above the
 5 100 percent comp ratio, to my knowledge,
 6 except in probably a few rare instances.
 7 So, we typically don't target to the plus
 8 15, even though we indicate that it is
 9 there. But I can't speak to the history of
 10 it.
 11 FITZGERALD, KC:
 12 Q. Okay. These - you know, it says the private
 13 sector market tends to either set the salary
 14 range at plus or minus - is this plus/minus
 15 15 percent, is that using comparators in
 16 private commercial organizations?
 17 MR. MURRAY:
 18 A. I think what - it's a question for Mr. Ma,
 19 but I think what that means is that, you
 20 know, the comparator group that they use,
 21 that the majority of people use, the plus or
 22 minus 20 percent, and he's just indicating
 23 that Newfoundland Power uses a range of plus
 24 or minus 15 percent.
 25 (12:45 p.m.)

1 A. No, they - I'm not sure what you mean by
 2 that.
 3 FITZGERALD, KC:
 4 Q. Well, again, what are the metrics of these
 5 other incentives for the managers and the
 6 directors?
 7 MR. MURRAY:
 8 A. So, for the directors, their program is
 9 similar to the executives, except its 50
 10 percent corporate STI and 50 percent
 11 personal targets. For the management of the
 12 company, they're not - they don't have STI
 13 targets. It is more based upon their
 14 individual performance and on a technical
 15 level of their delivery and execution of
 16 projects and their personal development.
 17 So, it's more of a pay for performance
 18 program and not an incentive program for
 19 management.
 20 FITZGERALD, KC:
 21 Q. And all of these, the bonuses and the
 22 incentives, are they included in the
 23 operating cost forecasts?
 24 MR. MURRAY:
 25 A. The regulated amounts would be, yes.

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1 FITZGERALD, KC:
 2 Q. Yeah. So, they're sort of baked into – when
 3 you put – when we go to your operating costs
 4 in 2024 forecast, that will include an
 5 anticipated amount for incentives and
 6 bonuses?
 7 MR. MURRAY:
 8 A. Yes, under the labour, all the, you know,
 9 the regulated component would be in the
 10 labour of our cost.
 11 FITZGERALD, KC:
 12 Q. Okay, Mr. Murray. Those are the only
 13 questions I have for you.
 14 CHAIRMAN:
 15 Q. Are you concluded, Mr. Browne? Any
 16 questions further?
 17 BROWNE, KC:
 18 Q. Yes, we're concluded.
 19 CHAIRMAN:
 20 Q. Okay. So, we'll move on to Newfoundland and
 21 Labrador Hydro.
 22 SIMMONS, KC:
 23 Q. Good. Thank you, Mr. Chairman. Mr. Murray,
 24 I'm Dan Simmons, counsel for NL Hydro.
 25 Hopefully I don't have too much for you and

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1 we may be able to move along fairly quickly.
 2 If I understand correctly, you've identified
 3 what you say are the three drivers for the
 4 rate increase that Newfoundland Power is
 5 seeking in this application, the three
 6 drivers behind the 5.5 percent. And if I
 7 recall, one of those you described as being
 8 investments. The other was operating cost
 9 increases and then the third one was the
 10 increase in the return on equity rate. Do I
 11 have that right?
 12 MR. MURRAY:
 13 A. Yes, that's correct.
 14 SIMMONS, KC:
 15 Q. Okay. And when you say investments, what
 16 are you referring to there? Is that capital
 17 investments?
 18 MR. MURRAY:
 19 A. Yes, that would be, you know, the
 20 depreciation costs associated with our
 21 capital investment.
 22 SIMMONS, KC:
 23 Q. Okay. So, capital investments, of course,
 24 are approved by the Board separately, not in
 25 this hearing, and when Newfoundland Power

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1 undertakes a capital project, it invests
 2 money in it, it ends up claiming annually
 3 depreciation on those investments and it's
 4 that depreciation that finds its way into
 5 the operating costs. Is that right? Do I
 6 have that right?
 7 MR. MURRAY:
 8 A. That's correct. I mean, it would – it's
 9 both, you know, depreciation and interest
 10 cost, right.
 11 SIMMONS, KC:
 12 Q. And interest cost as well?
 13 MR. MURRAY:
 14 A. Yes.
 15 SIMMONS, KC:
 16 Q. Find their way in.
 17 MR. MURRAY:
 18 A. Yeah.
 19 SIMMONS, KC:
 20 Q. And so, of that 5.5 percent, I think you
 21 said 3.9 is related to operating costs?
 22 MR. MURRAY:
 23 A. No, that's not correct.
 24 SIMMONS, KC:
 25 Q. Okay.

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1 MR. MURRAY:
 2 A. 1.6 is related to operating cost.
 3 SIMMONS, KC:
 4 Q. Okay. And how does – how do the others
 5 break down then? What are the percentages
 6 of the – what parts of the 5.5 fall in those
 7 other categories?
 8 MR. MURRAY:
 9 A. So, it's made up of, you know, the
 10 investment which is 2.2
 11 SIMMONS, KC:
 12 Q. Yes.
 13 MR. MURRAY:
 14 A. The operating cost which is 1.6 percent.
 15 The proposals in the GRA, which is the
 16 amortizations and hearing costs and those
 17 things, which is the 1.2.
 18 SIMMONS, KC:
 19 Q. Okay.
 20 MR. MURRAY:
 21 A. And then sales growth is a decrease of 1.1
 22 percent. So, that's a total of 3.9.
 23 SIMMONS, KC:
 24 Q. Okay. So, those are the three drivers. I'd
 25 like to bring you to the Newfoundland Power

1 application, please, Volume 1. And I'm
 2 going to be going, please, to page 1-5 and
 3 Section 1.1.3, which deals with the
 4 provincial electricity sector. I'm sorry,
 5 it's page 1-5, and I'm not sure which pdf
 6 page that is. Pdf page 50 I'm told.
 7 MR. O'BRIEN:
 8 Q. Yeah, here we go. We're good.
 9 SIMMONS, KC:
 10 Q. Okay. You have that there, Mr. Murray?
 11 MR. MURRAY:
 12 A. Yes, I do.
 13 SIMMONS, KC:
 14 Q. Okay. So, this section – and you've adopted
 15 this as your evidence in chief. So, this
 16 section starts out by saying, dealing with
 17 the outlook for the provincial electricity
 18 sector and it says it's characterized by
 19 uncertainty, and you say the uncertainty
 20 presents as a risk to the delivery of least
 21 cost reliable service and so on. And then
 22 you go on and identify, I think three
 23 different areas that you say are
 24 uncertainties in the provincial electricity
 25 sector. The first one, starting at line 8

1 SIMMONS, KC:
 2 Q. Right. And what you said here in starting
 3 line 10 is, "The full impact of Muskrat
 4 Falls Project costs on rates paid by
 5 Newfoundland Power's customers will not be
 6 known until the Provincial Government's rate
 7 mitigation plan is finalized and Hydro files
 8 its next General Rate Application." Well,
 9 the plan now has been finalized, so that's
 10 information that you now have, correct?
 11 MR. MURRAY:
 12 A. It's information we have. You know, it
 13 provides some certainty to 2030. We are not
 14 aware of what that means beyond 2030.
 15 SIMMONS, KC:
 16 Q. And so the degree of uncertainty that you
 17 were talking about when the application was
 18 filed related to Muskrat Falls costs, that's
 19 been either reduced or eliminated for the
 20 2025 and 2026 forecast years, is that right,
 21 because you know it's going to happen in
 22 those years.
 23 MR. MURRAY:
 24 A. We know it's going to happen in the short-
 25

1 and going down to line 12, refers to the
 2 rate mitigation for the costs associated
 3 with the Muskrat Falls Project. See that?
 4 MR. MURRAY:
 5 A. Yes, that's correct.
 6 SIMMONS, KC:
 7 Q. Right. So, at the time this application was
 8 filed, the Provincial Government had not
 9 announced its rate mitigation plan and it
 10 was not known at that time what is known
 11 now; that the plan will cap increases in
 12 consumer rates attributable to the Muskrat
 13 Falls Project to the 2.25 percent per year
 14 up till 2030. Those facts weren't known
 15 when this application was filed?
 16 MR. MURRAY:
 17 A. That's correct. In our sales forecast, we
 18 had – you know, government had previously
 19 announced, you know, a 2.25 percent target
 20 shall we say. So, starting in 2025, we had
 21 allowed for 2.25 percent increase going
 22 forward in our application related to
 23 Muskrat Falls cost recovery. We hadn't
 24 allowed for it in 2024, but we did allow for
 25 it 2025 going forward.

1 term, but I would say that, you know, when
 2 we look at business risk and that, we look
 3 at the long-term, what is the long-term
 4 impact. So, you know, we don't have
 5 certainty beyond 2030, but we do, I would
 6 agree, have it over the next two years.
 7 SIMMONS, KC:
 8 Q. Okay. So, let's say there is still
 9 uncertainty about what happens after 2030.
 10 What does that have to do with forecasting
 11 either operating costs, or capital
 12 expenditures, or any of those other factors,
 13 for the 2025 and 2026 test years, because
 14 that's what rates are going to be based on?
 15 MR. MURRAY:
 16 A. You know, I would say it has really no
 17 impact on our short-term forecast. As I
 18 indicated, we hadn't allowed for the 2.25 in
 19 the 2024, in our forecast, so that will
 20 have--you know, I guess you could say have a
 21 small impact on our sales forecast going
 22 forward.
 23 SIMMONS, KC:
 24 Q. Right.
 25

1 MR. MURRAY:
 2 A. But in terms of, you know, the forecast and
 3 proposals here, it's probably not an impact
 4 on that, but it is--it's on a broader risk
 5 with respect to cost recovery in the long-
 6 term and what that is going to be beyond
 7 2030, as well as future expenditures related
 8 to, you know, future generation and backup
 9 of the grid.
 10 SIMMONS, KC:
 11 Q. So, those are all concerns. I understand
 12 those are concerns for Newfoundland Power.
 13 You got to look ahead. You got to plan over
 14 the long-term, but none of those concerns
 15 are going to increase a cost in 2025 or
 16 2026, those long-term concerns, and if they
 17 are, explain to me how they would.
 18 MR. MURRAY:
 19 A. The only one, as I indicated, would be the
 20 slight impact on sales forecast due to the
 21 increase in 2024 that wasn't accounted for
 22 in our sales, that's all.
 23 SIMMONS, KC:
 24 Q. Right, right, and that's a fairly routine
 25

1 reliability of supply on the Island
 2 Interconnected System, and there's reference
 3 there to the Reliability and Resource
 4 Adequacy Study filed in 2022, and I think
 5 you referred to that this morning, earlier.
 6 And the concern here is really about, is it
 7 not, the reliability of the delivery of
 8 power over the LIL, the Labrador Island
 9 Link, is it?
 10 MR. MURRAY:
 11 A. There would be two components. It would be,
 12 yes, the reliability of power delivered over
 13 the LIL, and the backup provided by
 14 Holyrood.
 15 SIMMONS, KC:
 16 Q. Right. So, one is the reliability of the
 17 LIL, will there be outages, forced outages,
 18 on the LIL, would be a concern, and then
 19 secondarily, if because of that there has to
 20 be backup power constructed, there will
 21 costs associated with that. Are those--I
 22 don't mean to put words in your mouth, but I
 23 just want to make sure I understand what the
 24 concerns are there.
 25

1 thing to take into account when you're doing
 2 sales forecasts, just to take account of how
 3 much you anticipate rates are going to go
 4 up, and whether that's going to discourage
 5 people from electrifying. That's--that
 6 sounds like a fairly standard thing that you
 7 would be taking into account, is it not?
 8 MR. MURRAY:
 9 A. I don't know about standard but, you know,
 10 it's something that's there.
 11 SIMMONS, KC:
 12 Q. Okay. All right. Nothing exceptional? Now
 13 that you know it's 2.25 percent for those
 14 two test years, there's nothing exceptional
 15 now about that that would cause you any
 16 great concern about whether--about your
 17 demand forecast, is there?
 18 MR. MURRAY:
 19 A. No. I would say not, no.
 20 SIMMONS, KC:
 21 Q. Okay. All right. The next paragraph there,
 22 starting at paragraph 14 down to 19,
 23 addresses what's described in the
 24 application as risks related to the
 25

1 MR. MURRAY:
 2 A. Yes, that is correct. You know, in the
 3 short-term, I mean, there's reliability
 4 concerns with the LIL before the backup is
 5 built. You know, if Holyrood is not
 6 available, you know, we will be short of
 7 power on the Island. So, you know, we do
 8 have concerns in the short-term and the
 9 long-term about loss of the Labrador Island
 10 Link, which there's been a number in the
 11 last few years. If, for some reason, that
 12 Holyrood was not available, which this year
 13 there was one unit that was not available
 14 the whole winter.
 15 SIMMONS, KC:
 16 Q. Okay. And so was there any--was there any
 17 loss of power supply to the Island because
 18 one unit at Holyrood was not available
 19 during the winter?
 20 MR. MURRAY:
 21 A. This winter, no, there wasn't.
 22 SIMMONS, KC:
 23 Q. Now, regarding the reliability of the
 24 Labrador Island Link, are you--are you
 25

1 familiar with what the actual reliability
 2 performance has been in the last year?
 3 MR. MURRAY:
 4 A. I am, yes.
 5 SIMMONS, KC:
 6 Q. Okay. And how are you aware of that?
 7 MR. MURRAY:
 8 A. You sent a document yesterday.
 9 SIMMONS, KC:
 10 Q. So, you had a look at the document we put
 11 in? All right. Well, maybe we can--we can
 12 go to that, please. That's the LIL
 13 reliability--well, the NLH quarterly report
 14 we provided -
 15 MS. GLYNN:
 16 Q. Yes.
 17 SIMMONS, KC:
 18 Q. - if we can bring that up. We'll probably
 19 have to enter that in as well.
 20 MS. GLYNN:
 21 Q. Fine. We'll enter that as Info Item No. 5.
 22 SIMMONS, KC:
 23 Q. Right. Now, I have some copies with me. I
 24 don't know if we need to distribute those or
 25

1 means forced outages. Does that sound right
 2 to you?
 3 MR. MURRAY:
 4 A. Yes. My understanding it's equivalent
 5 forced outage.
 6 SIMMONS, KC:
 7 Q. Okay. And for this--correct me if I'm
 8 wrong, but for the period that's being
 9 reported here, which is for the 12 months
 10 ended March 31st, 2024, the forced outage
 11 rate on the LIL was actually 2.7 percent.
 12 MR. O'BRIEN:
 13 Q. Mr. Simmons, I don't -
 14 MS. GLYNN:
 15 Q. We don't have the right page there.
 16 GREENE, KC:
 17 Q. Yeah, we don't have the right page.
 18 MR. O'BRIEN:
 19 Q. - up on the screen, your page.
 20 SIMMONS, KC:
 21 Q. Here we go. Do you have it there? There's
 22 a table there. If you look at line 6 it
 23 refers to the 2.7 percent and Table 11 there
 24 expresses it as well. Do you see that?
 25

1 if the parties have them.
 2 MS. GLYNN:
 3 Q. We do have a copy for the witness, and if
 4 anybody else would like a copy we can
 5 certainly -
 6 (1:00 p.m.)
 7 SIMMONS, KC:
 8 Q. I have some copies with me too if anyone
 9 needs one. So, Mr. Murray, I'm going to be
 10 going to page 20 of this document, and
 11 that's probably--on the PDF's that's
 12 probably 21 or 22. So, this is a
 13 Newfoundland and Labrador Hydro document
 14 report submitted to the Board. Do you see
 15 these as a matter of course, or was this
 16 something new to you?
 17 MR. MURRAY:
 18 A. I sometimes review them, but I hadn't seen
 19 this specific one before yesterday.
 20 SIMMONS, KC:
 21 Q. Right, because this one, I think, was
 22 submitted April 30th. And on page 10 there's
 23 a section that refers to the Labrador Island
 24 Link EqFOR Performance, and I'm told that
 25

1 MR. MURRAY:
 2 A. Yes, I do.
 3 SIMMONS, KC:
 4 Q. Okay. Now, do you know how that compares to
 5 what was being considered back when the 2022
 6 report was filed, the one that you've
 7 referred to in your application? Do you
 8 know if that's a better performance, the
 9 same performance, or a worse performance,
 10 than what was being considered at that time?
 11 MR. MURRAY:
 12 A. Well, I'm not sure. I's one year of data, I
 13 will say that.
 14 SIMMONS, KC:
 15 Q. Right. Now, the LIL has been fairly,
 16 relatively recently commissioned and put in
 17 service. It's a new project. I presume you
 18 had experience with capital projects and
 19 putting, bringing, new things on-line in the
 20 electrical industry. Would you expect that
 21 there would normally be some start-up
 22 concerns when you bring a new project on?
 23 It would take a period of time before you
 24 get it running it smoothly and get to start
 25

1 to see what the reliability is going to look
 2 like?
 3 MR. MURRAY:
 4 A. I would say not normally for a transmission
 5 line. Normally transmission lines are very
 6 reliable from day one.
 7 SIMMONS, KC:
 8 Q. Okay. And for this--this, I think, is the
 9 first year of operation here. And you give
 10 me any views to whether you would consider
 11 the 2.7 percent forced outage rate as being
 12 an indicator of reliability, a good
 13 indicator of reliability?
 14 MR. MURRAY:
 15 A. You know, what I can say is the 2.7 based on
 16 your target would indicate good reliability.
 17 I will say that the measure, the EqFOR is
 18 not what I would say is a normal standard
 19 that I'm used to for transmission lines in
 20 terms of measuring reliability. It's not a
 21 standard measure, so it is a different
 22 measure that I'm not familiar with.
 23 SIMMONS, KC:
 24 Q. Right. And I think you just referred to the
 25

1 SIMMONS, KC:
 2 Q. So, can we go please to the Newfoundland
 3 Power rebuttal documents, page 12, PDF page
 4 15? There's a reference here--this was
 5 filed on May 28th, and there's a reference
 6 here in line 4 to 5 to Newfoundland Power's
 7 plant availability has averaged 95 percent
 8 over the past decade. So, can you just
 9 explain to me what that's measuring, what
 10 that measures, please?
 11 MR. MURRAY:
 12 A. Yeah, that's what I indicated. We use a
 13 plant availability, which is essentially
 14 the--what that does is looks at forced
 15 outages and availability of our plants. So,
 16 basically it's saying that our plants are
 17 available for operation 95 percent of the
 18 time.
 19 SIMMONS, KC:
 20 Q. Okay. Would the difference, the other 5
 21 percent, would that indicate when that
 22 unavailability--would that indicate forced
 23 outages?
 24 MR. MURRAY:
 25

1 comparison to the planning analysis. If you
 2 look at Table 11 there, on the far right
 3 it's got a range of planning analysis values
 4 1 to 10; to the left of that, base planning
 5 value 5; and then the actual is 2.7. So,
 6 when you say you see that the performance
 7 was better than the planning value, that's
 8 what you're referring to there, is it?
 9 MR. MURRAY:
 10 A. That's what I'm referring to there, yes, but
 11 as I indicated, like it's not a measure that
 12 I'm familiar with for transmission lines.
 13 SIMMONS, KC:
 14 Q. Do you know what the reliability rate is for
 15 Newfoundland Power's own generation?
 16 MR. MURRAY:
 17 A. We don't measure our generation in a similar
 18 fashion for outages. Our units are
 19 generally viewed differently. We are
 20 mainly--you know, we're not run as--our
 21 units are run to provide efficient power to
 22 the grid, not so much for firm capacity, but
 23 we measure ours based on availability, which
 24 is a different measure than the DAFOR.
 25

1 A. Yes, it would.
 2 SIMMONS, KC:
 3 Q. It would? So, for--am I correct then that
 4 for Newfoundland Power's own generating
 5 plants, the forced outage rate would be--
 6 have been averaging 5 percent over that
 7 period?
 8 MR. MURRAY:
 9 A. That's correct.
 10 SIMMONS, KC:
 11 Q. Right. So, the performance of the Labrador
 12 Island Link during the last year at 2.7
 13 percent forced outage rate would appear to
 14 be better than Newfoundland Power's own
 15 generation forced outage rate?
 16 MR. MURRAY:
 17 A. I don't agree. I mean, they're not
 18 comparable standards. You're comparing the
 19 liability of a transmission line to a
 20 reliability of a plant. I don't view them
 21 as the same. You know, they're different.
 22 They're different, and the impact of, you
 23 know, our plants being available versus the
 24 impact of the LIL are, you know, they're
 25

1 different, totally different.
 2 SIMMONS, KC:
 3 Q. Sure. So, the impact on the system may be
 4 different, but the--and what I understand is
 5 that, and you may or may not be aware of
 6 this, is that Hydro regards the LIL as if it
 7 was a generation asset because it's a
 8 supplier of electric power into the Island,
 9 the same way that a power plant on the
 10 Island would be a supplier into the Island.
 11 MR. MURRAY:
 12 A. Which, as I indicated, is not a standard
 13 that's familiar for a transmission line.
 14 SIMMONS, KC:
 15 Q. Okay. And can I have NLH-NP-91, please?
 16 This is a response to a Request for
 17 Information, Mr. Murray, and the question
 18 had asked, "What percentage of power outages
 19 Newfoundland Power's customers were caused
 20 by Hydro versus Newfoundland Power during
 21 the 2019 to 2023 period," and I note in the
 22 answer there that it says that of
 23 Newfoundland Power's outages to distribution
 24 customers only two percent were caused by
 25

1 which is about 40 percent better than the
 2 Canadian average. So, you know, we're
 3 comparing---we're not comparing apples to
 4 apples, I guess.
 5 SIMMONS, KC:
 6 Q. Right. Well, this one is talking about the
 7 source of the problem though. Your
 8 reliability may be very good, but even
 9 within that, when there are outages, it
 10 appears that only a very small portion of
 11 those are attributable to Hydro.
 12 MR. MURRAY:
 13 A. Which is standard in the industry.
 14 Transmission outages are typically a small
 15 percentage. I'd say two percent is probably
 16 on the higher end.
 17 SIMMONS, KC:
 18 Q. Okay. So, to just go back then to the
 19 application, and we were looking at the
 20 introductory section there, and you had--the
 21 application had referred to concerns about
 22 reliability of the Labrador Island Link.
 23 Recent performance would seem to indicate
 24 that the Labrador Island Link, even though
 25

1 Hydro outages. The other 98 percent had a
 2 Newfoundland Power cause.
 3 MR. MURRAY:
 4 A. Yes, they are comparing, you know,
 5 distribution outages to transmission
 6 outages, which are, you know, different
 7 standards. So, like it's--to infer that
 8 it's--I'm not sure. I see what you're
 9 inferring, but they're just two standards, I
 10 guess. A distribution reliability is a lot
 11 different than a transmission reliability.
 12 SIMMONS, KC:
 13 Q. Okay. But it is an indicator, is it not,
 14 that much of the reliability concerns that
 15 Newfoundland Power has appear to originate
 16 though within the Newfoundland Power system
 17 rather than from Hydro, or have during this
 18 period, 2019 to 2023.
 19 MR. MURRAY:
 20 A. I don't agree with that. I mean, as I
 21 indicated earlier, our reliability is quite
 22 good. On a SAIDI measure, you know, which
 23 is System Average Interruption Duration, our
 24 reliability on average is about 2.5, 2.6,
 25

1 some of the measures are different, is
 2 performing at a level of reliability that
 3 seems on par with the kind of reliability
 4 that Newfoundland Power gets from its own
 5 generation.
 6 MR. MURRAY:
 7 A. I think you're drawing conclusions between
 8 dissimilar assets. You know, our concern
 9 with the LIL going back to 2022, and the
 10 Reliability Resource Adequacy Study, you
 11 know, comes from a couple of factors. You
 12 know, there was a review done by Halder and
 13 Associates that indicated that, you know,
 14 previously the LIL's reliability was
 15 portrayed as a return period of 1 and 175,
 16 and through that review they determined that
 17 some structures were actually more like a 1
 18 in 10 year return period, so much, much,
 19 less than what was indicated, and that was
 20 at the time—and as well, Daymark Energy
 21 Advisors also, you know, said that with the
 22 loss of a tower on the LIL, you know,
 23 perhaps the LIL should be considered an
 24 energy only line versus firm capacity. So,
 25

1 we're drawing our conclusion--drawing some
 2 of our conclusions from those reports that
 3 were a part of the Reliability and Resource
 4 Adequacy Study, and that was at the time,
 5 you know, that Hydro indicated that Holyrood
 6 was required for backup in the near term to
 7 ensure we had reliability of the system.
 8 So, while it may have performed well last
 9 year, there have been a number of outages
 10 over the last three or four years that have
 11 had extended periods of outages. In the
 12 most recent year, and this year in March,
 13 the LIL was out for eight days due to an ice
 14 storm in Labrador. So, it just shows you
 15 that the extent that an outage can have.
 16 Luckily that was during a warm period of
 17 time and Holyrood was available, but it was
 18 out for 10 days due to storm damage. So,
 19 our concerns come from, you know, those
 20 types of observations.
 21 SIMMONS, KC:
 22 Q. Okay. And so then how does that concern
 23 play into the three--either of the three
 24 drivers that you've identified for the rate
 25

1 forecasts higher because of this concern?
 2 MR. MURRAY:
 3 A. No. We have allocated--we haven't allocated
 4 any cost in terms of our operating for
 5 addressing any of those issues, no.
 6 SIMMONS, KC:
 7 Q. Okay. So, no costs in operating. What
 8 about in the investment category? So, is
 9 this relevant at all to your Rate
 10 Application and the 5.5 percent that you're
 11 looking for?
 12 MR. MURRAY:
 13 A. It is relevant to the risk that we are
 14 exposed to in terms of, you know, the return
 15 that we expect for the risk that we take.
 16 So, that is one of the elements that plays
 17 into the risk which Concentric advisors can
 18 speak to that -
 19 SIMMONS, KC:
 20 Q. Okay. So -
 21 MR. MURRAY:
 22 A. - and the assessment of Newfoundland Power
 23 and our risk.
 24 SIMMONS, KC:
 25

1 increase that Newfoundland Power is looking
 2 for for '25 and '26, because I can see that
 3 those are long-term concerns and so on, but
 4 do those concerns increase any of
 5 Newfoundland Power's costs in those two test
 6 years?
 7 MR. MURRAY:
 8 A. If there was an event in the next year it
 9 could impact our costs in that year. So, if
 10 there was an extended outage next year where
 11 the LIL was out of service and it could--and
 12 power was not available because of Holyrood
 13 or something, and we ended up rotating power
 14 for extended periods of time, it could have
 15 an impact on our cost. I can't recall the
 16 cost of DarkNL, but we rotated power then
 17 for five days over a seven day period, and
 18 it had—you know, it has a significant impact
 19 on our operations and our cost.
 20 SIMMONS, KC:
 21 Q. Okay. So, for the forecast for 2025 and
 22 2026, has Newfoundland Power's long-term
 23 concern about the LIL been factored into
 24 those forecasts in any way? Are those
 25

1 Q. So, there's--so, these risks that you've
 2 identified here, they are not--there's no
 3 capital investments that's going to happen
 4 in '25 or '26 because of those risks?
 5 There's no operating expense increase? The
 6 only way this is relevant to Newfoundland
 7 Power's application is if--is in the cost of
 8 capital claim, is that right?
 9 MR. MURRAY:
 10 A. To the best of my knowledge, yes, that's
 11 correct.
 12 SIMMONS, KC:
 13 Q. Okay. And that's for Concentric to comment
 14 on?
 15 MR. MURRAY:
 16 A. That would be correct.
 17 (1:15 p.m.)
 18 SIMMONS, KC:
 19 Q. And on the next page, please, at the top,
 20 lines 1 to 6 there, the third area of risk
 21 that you've identified under the Provincial
 22 Electricity sector heading is the potential
 23 impact of Federal regulations to achieve net
 24 zero emissions. Does Newfoundland Power
 25

1 regard that as a significant risk factor to
 2 its operations?
 3 MR. MURRAY:
 4 A. Not directly to our operations in the near
 5 term, no.
 6 SIMMONS, KC:
 7 Q. Okay. Does it--does this concern have any
 8 impact at all on the forecast--forecast
 9 costs for 2025 and 2026?
 10 MR. MURRAY:
 11 A. Not that I'm aware of, no.
 12 SIMMONS, KC:
 13 Q. Okay. So, I can see it might be a long-term
 14 concern if it's going to increase costs at
 15 some point in the future, but I presume that
 16 will be for another application at another
 17 day if that happens. Would that be right?
 18 MR. MURRAY:
 19 A. That would seem reasonable.
 20 SIMMONS, KC:
 21 Q. Okay. And the potential for further
 22 investment by Newfoundland and Labrador
 23 Hydro to increase generation on the Island,
 24 whether it's replacement of Holyrood, or
 25

1 SIMMONS, KC:
 2 Q. But the Board, in determining what a fair
 3 return is to Newfoundland Power on this
 4 application, has to deal with what the rate
 5 base is, and with what the operating
 6 expenses are, and with what the return on
 7 equity is, because those are the three main
 8 factors that go into determining what the
 9 revenue requirement is, which then
 10 determines what the rates have to be in
 11 order to recover enough money to pay for
 12 those things. I think I've got that right
 13 there. And a future--the potential that in
 14 future there will expenditure on new
 15 generation doesn't fit in that equation at
 16 this hearing. It's not part of the
 17 consideration. Would you agree with me?
 18 MR. MURRAY:
 19 A. No, I wouldn't agree with that. I think
 20 it's part of the consideration of the
 21 overall risk profile of Newfoundland Power.
 22 SIMMONS, KC:
 23 Q. Okay. So, it may factor then into
 24 Concentric's opinion on the rate of return?
 25

1 whether it's due to increase in demand,
 2 you've talked about that. You spoke about
 3 it at the Energy NL Conference. That's a
 4 future problem. That's not a problem for
 5 the forecast for 2025 and 2026 either, is
 6 it?
 7 MR. MURRAY:
 8 A. You know, I would say that's part of the
 9 long-term risk about the uncertainty of
 10 backup supply, as well as the cost
 11 implications associated with it.
 12 SIMMONS, KC:
 13 Q. Right. So, it's not really a concern for
 14 the Board on this application. That will be
 15 dealt with at another time.
 16 MR. MURRAY:
 17 A. I wouldn't agree with that assessment. I
 18 mean, you know, the Board has to look at the
 19 long-term outlook for Newfoundland Power and
 20 the electricity sector. We're not just
 21 looking at what are our risk that determine
 22 our rate of return in this period. It is
 23 over the long-term as to what risk are we
 24 exposed to.
 25

1 Is that what you're saying?
 2 MR. MURRAY:
 3 A. That would be correct, yes.
 4 SIMMONS, KC:
 5 Q. Okay. But it's not going to create an
 6 expense in '25 or '26, and it's not going to
 7 be a capital investment for Newfoundland
 8 Power in '25 and '26?
 9 MR. MURRAY:
 10 A. That would appear reasonable, yes.
 11 SIMMONS, KC:
 12 Q. There on that page again, the next section
 13 there is 1.1.4, which deals with risk and
 14 return, and I think you've said this in your
 15 main testimony already, and that's at line
 16 13 and 14. You say that, "Newfoundland
 17 Power's business risks in 2023 remain
 18 largely consistent with those described in
 19 the company's 2022/2023 General Rate
 20 Application," and you've described what some
 21 of those risks are. Am I correct in
 22 understanding that those are the same risks
 23 that were at play the last time that
 24 Newfoundland Power was here for a General
 25

1 Rate Application?
 2 MR. MURRAY:
 3 A. Yes. You know, the one exception is that
 4 when we filed our last GRA, you know, the
 5 outlook of the reliability of the LIL has
 6 changed. That changed in 2022 with the
 7 update to the Reliability of Resource
 8 Adequacy. So, that is one factor that has
 9 changed, is the long-term outlook of
 10 reliability and maintaining Holyrood through
 11 the period. So, that's probably the one
 12 change from 2022 to 2023 GRA.
 13 SIMMONS, KC:
 14 Q. And one other thing that's changed since the
 15 last GRA of course is that the rate
 16 mitigation announcement has been made, and
 17 that that's advanced, and that has removed a
 18 degree of uncertainty?
 19 MR. MURRAY:
 20 A. In the short-term, yes.
 21 SIMMONS, KC:
 22 Q. Okay. All right. So, on this Rate
 23 Application Newfoundland Power is looking
 24 for a return on equity of 9.85 percent.
 25

1 Q. What order was it again, this morning?
 2 SIMMONS, KC:
 3 Q. PU 3 2022.
 4 MS. GLYNN:
 5 Q. Mr. Simmons, I do note that we are very
 6 close to the 1:30.
 7 SIMMONS, KC:
 8 Q. Well, that would certainly be a good time
 9 for a break then.
 10 MS. GLYNN:
 11 Q. And we can have this ready to go for
 12 tomorrow.
 13 SIMMONS, KC:
 14 Q. That would be great.
 15 MS. GLYNN:
 16 Q. That works well?
 17 SIMMONS, KC:
 18 Q. Yes, it does.
 19 MS. GLYNN:
 20 Q. Is that okay with your, Mr. Chair? I
 21 probably should check with you first.
 22 CHAIR:
 23 Q. You can always save that question if you
 24 want to ask another or we can certainly
 25

1 Currently it is 8.5 percent, which it has
 2 been for some time. I think probably over
 3 the last three GRA's that's what the return
 4 on equity has been. And at the last GRA I
 5 believe there was a settlement agreement on
 6 the return on equity. Do you recall that,
 7 that the 8.5 was determined by settlement
 8 and then had to be approved by the Board.
 9 MR. MURRAY:
 10 A. Yes, that's correct.
 11 SIMMONS, KC:
 12 Q. Okay. I'd like to take a look for a moment,
 13 please, at the Board's decision from the
 14 last GRA. It's PU No. 3, I think, from
 15 2022.
 16 MS. GLYNN:
 17 Q. Are you able to get that from our website?
 18 MS. BOWN:
 19 Q. I'm not into the internet.
 20 SIMMONS, KC:
 21 Q. I apologize. I should have given some
 22 notice beforehand that I was going to turn
 23 up that page.
 24 GREENE, KC:
 25

1 break now.
 2 SIMMONS, KC:
 3 Q. Well, it kind of flows. A number of things
 4 flow from that, so it's a good time for a
 5 break.
 6 CHAIR:
 7 Q. Okay. We'll break until tomorrow. Thank
 8 you.
 9 MS. GLYNN:
 10 Q. So, we're back at 9:00 o'clock tomorrow
 11 morning, not 9:30. It will be 9:00 o'clock
 12 from here on after.
 13 Upon concluding at 1:23 p.m.
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

CERTIFICATE

I, Judy Moss, hereby certify that the foregoing is a true and correct transcript of hearing in the matter of Newfoundland Power Inc. 2025-2026 General Rate Application heard on June 13th, 2024 before the Newfoundland and Labrador Board of Commissioners of Public Utilities, 120 Torbay Road, St. John's, Newfoundland and Labrador and was transcribed by me to the best of my ability by means of a sound apparatus.

Dated at St. John's, Newfoundland and Labrador this 13th day of June, 2024

Judy Moss

A

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