New Brunswick Energy and Utilities Board

IN THE MATTER OF a directive from the Minister of Energy to conduct an investigation of the forecast of revenue and costs that New Brunswick Power Distribution and Customer Service Corporation (DISCO) has used to support the necessity for a 3% increase

Courtenay Bay Hotel, Saint John, N.B., on May 29, 2008.

Henneberry Reporting Service

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Courtenay Bay Hotel, Saint John, N.B., on May 29, 2008.

BEFORE: Raymond Gorman, Esq., Q.C. - Chairman
Cyril Johnston, Esq. - Vice Chairman
Ms. Constance Morrison - Member
Mr. Edward LeBlanc - Member
Mr. Robert Radford - Member

N.B. Energy and Utilities
Board Counsel - Ms. Ellen Desmond

Board Staff - Mr. Doug Goss
- Mr. John Lawton
- Mr. Dave Young
- Mr. Andrew Logan
- Mr. Jeff Aucoin

Secretary to the Board - Ms. Lorraine Légère
Assistant Secretary - Ms. Juliette Savoie

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CHAIRMAN: Good morning, everyone. Just go through the participants to see who is present this morning. Starting with Disco?

MR. MORRISON: Yes. Mr. Chairman. Terrence Morrison. And the same participants that I noted on the record yesterday.

CHAIRMAN: Thank you, Mr. Morrison. Canadian Federation of Independent Business? Not present this morning. Canadian

Manufacturers & Exporters? We seem to have a falling off of the numbers here today. Flakeboard Company Limited?

MR. GALLANT: Good morning, Mr. Chair. Barry Gallant with Flakeboard.

CHAIRMAN: Good morning, Mr. Gallant. Gary Lawson?

MR. LAWSON: Good morning, Mr. Chairman. And I'm here with the same group of representatives as yesterday.

CHAIRMAN: What a wonderful group it is. J. D. Irving Pulp & Paper Group?

MR. WOLFE: Good morning, Mr. Chairman. Wayne Wolfe.

CHAIRMAN: Thank you, Mr. Wolfe. Kurt Peacock here this morning? Voice of Real Poverty?

MS. THORNE-DYKSTRA: Bethany Thorne-Dykstra.

CHAIRMAN: Thank you. And the NB Energy and Utilities Board?

MS. DESMOND: Good morning. Ellen Desmond, Mr. Chair. And from Board Staff, Douglas Goss, John Lawton, Dave Young. And Board Consultants, Andrew Logan and Jeff Aucoin.

CHAIRMAN: Thank you, Ms. Desmond.

Mr. Morrison, yesterday -- I don't see anybody sitting up at the witness table. Is that an indication, a signal, if you will, that there is no more questions for this panel?

MR. MORRISON: There is no redirect, Mr. Chairman. I would ask that the panel be stood down.

CHAIRMAN: That is fine. And I wish to thank the panel for their participation yesterday.

CHAIRMAN: Ms. Desmond then, you have a witness to call?

MS. DESMOND: Yes, Mr. Chair. We would like to hear from Andrew Logan and Jeff Aucoin.

CHAIRMAN: Thank you. Perhaps you would come forward and swear them.

<u>ANDREW LOGAN and JEFF AUCOIN</u>, sworn:

CHAIRMAN: Proceed.

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

Q.1 - Good morning. Could both of you kindly identify your name, who you work for and what you were engaged to do for the Board with respect to this particular rate increase?

MR. LOGAN: My name is Andrew Logan. I'm a partner with the chartered accounting firm of Teed Saunders Doyle in Saint John.

We were engaged in April to conduct a review on certain evidence filed by the Applicant. And the scope of work is detailed in our report which I think we are going to get into a bit.

MR. AUCOIN: My name is Jeff Aucoin. I'm Senior Manager with Teed Saunders Doyle & Co., working in the auditing and assurance group. Graduated from St. Mary's University in 1993. Obtained my C.A. designation in 1996. And I also have five years experience as a Financial Analyst and Comptroller.

Q.2 - And Mr. Logan, could you kindly identify for the Board what your educational and employment experience has been?

MR. LOGAN: I graduated in 1986 from UNB with a Bachelor of Business Administration degree, articled with the accounting firm of Touche Ross, now known as Deloitte I believe, receiving my C.A. in 1989.

Spent a couple of years in the industry and the rest of the last 22 years in public accounting practice, primarily specializing in audit and other assurance type engagements.

I have been the consultant, Financial Consultant to the Board for the last three and a half years.

Q.3 - And Mr. Logan, have you ever testified before the Energy and Utilities Board before?

MR. LOGAN: Yes. Testified last summer, I believe in August or September in the last rate application.

MS. DESMOND: We would like to present Mr. Logan and Mr. Aucoin as experts in the field of regulatory accounting. And we would ask that they be declared experts in that area.

CHAIRMAN: Anybody have any problem with that?

MR. MORRISON: No objection.

CHAIRMAN: They will be declared experts in the field of regulatory accounting.

Q.4 - Perhaps we could start and ask, prior to today what role you had in your level of participation in terms of reviewing the filed material and preparing questions with Board Staff, just to clarify what your role has been as opposed to your traditional role as Board Consultant?

MR. LOGAN: In reference to the current matter?

Q.5 - Yes.

MR. LOGAN: Traditionally I have been involved with the last two rate applications in reviewing evidence, formulating interrogatories, participating in the hearings, helping during the deliberations, providing analysis of that sort.

For this particular matter I did not do any of those above-noted items. My involvement has been strictly limited to the scope of work that has been indicated in the report.

Q.6 - And I believe your report has been filed with the Board and shared with all of the participants. And at the back of that report, Mr. Logan, there are your terms of reference.

Perhaps you could walk through what you have presented to the Board, recognizing the terms of reference and perhaps referencing those terms of reference as you touch on some of the highlights in your report?

MR. LOGAN: Sure. Basically the assignment had four key areas that we were to look at. They are listed in my report beginning on page 28 in the appendix A.

The four main areas were review the purchase power costs, a look at the PDVSA settlement account, a look at the Point Lepreau refurbishment deferral account and a general review of the budgetary and planning process that the NB Power Group uses to formulate their annual forecasts and budgets.

So I'm going to just take you through each of those sections and detail in our report where the information can be found.

And starting with the first, the forecasted purchase power expense. And on page 4 of my report you will find the information that pertains to that particular matter.

Our analysis of the purchase power expense was primarily concerned around four areas. And they are listed in Appendix A.

I guess our key focus was on the figure contained in the consolidated financial statements that were presented on March 31st by the applicant. And if I recall correctly that number was the $797 million figure. That figure was derived from one of the PROMOD runs, version C which we talked extensively about yesterday.

And so our work focused around reviewing the information, the supporting documentation, the underlying assumptions, the underlying support that sort of fed through their system to derive that $797 million number.

And part one of our work focused on looking at the various assumptions that went into that PROMOD run, looking at the various components, talking to the folks at NB Power who generated that information, looking at any supporting documentation that existed, things like contracts, things like third party evidence, things of that nature, and tying those into the documents that were supplied and then agreeing those through the system.

So under point one of my report, Appendix A, pages 4 through 7 would list all of the various things that we did in those areas, around the modeling assumption data.

On page 5 of my report there are six items that sort of outline the key -- it is a rough outline, but sort of the key areas where the data is sort of concentrated.

We looked at load forecast information, some of the foreign currency and CPI inflation assumptions, the various hedge contracts that were in place, the outage and other operational constraints that go into the modeling system. We looked at the fuel price contracts -- or forecasts, sorry, and then some of the assumptions around purchased power.

And as I mentioned earlier we looked at each of these areas with the appropriate staff member of NB Power and got some further background and details on how those assumptions were derived and formulated.

Q.7 - Mr. Logan, just to clarify, you indicated that you were looking at the consolidated financial information of NB Power.

What about the financial information of DISCO?

MR. LOGAN: The second part of our scope of work was to focus on the DISCO information. And when the scope of work was generated back -- I think it was April 15th or April 17th, around that time frame -- the only evidence that we had to work with was the evidence that was submitted on March 31st, which as we all know was the consolidated information.

We did not have individual financial statements or financial information for the operating companies individually. And so we were only able to work with the consolidated information.

That being said, some of the things that we had hoped to do we were still able to achieve. There were some limitations on our work -- or on our scope. And I think I mentioned those in my report, a couple of items that we were not able to look at or to follow through on.

Now I note subsequent to the completion of our report -- and I think this information came out with the IR responses on or about May 15th -- that some of that information did surface eventually. But because of timing we did not look at it.

One thing I should mention before I continue. The nature of our work was what accountants refer to as a review. And that has a specific meaning for accountants. And in my report I refer to that. I think it is on page 2 and 3, what a review means in the accounting world.

And there are some specific guidance published in the Canadian Institute of Chartered Accountants Assurance Handbook on those methodologies and procedures that we would be using.

So I want to be very clear that what we did was not an audit. And again audits have specific meanings in the accounting world as well. So sometimes there is some confusion as to what a review and an audit means.

Q.8 - What would the difference be in terms of the actual result?

MR. LOGAN: An audit obviously provides a high level of assurance in terms of the financial information or financial statements that are being looked at.

For example NB Power has an external audit done on their financial statements by Deloitte. And the premise would that as a result of the audit that they would be able to provide a very high level of assurance that the financial statements are free of material in the statement.

When I say high level, generally it is meant to be 95 percent or better that the information is correct. A review engagement or review procedures provides a lesser amount of assurance.

It is a lesser amount of work. The procedures are not as extensive as an audit. It is what we refer to as a negative assurance. And I think in one of my conclusions I talk about nothing has come to our attention that would cause us to believe.

So those are the types of words that we use as opposed to saying things are free from material in the statements.

So it is a bit lower level.

But nevertheless there are certain guidelines and procedures that we do follow. And there can be some certain comfort taken from the work that we have done.

Just continuing on with the rest of our scope of work. I think on page 7 is our first conclusion or some of the concluding remarks that we have made on the work that we did.

And just beginning on page 7 and running through to page 10, we have various conclusions on load forecast, some of the fuel price things we looked at, some of the other input information we looked at.

On page 9 there is the beginning of the discussion on the heavy fuel oil or hedge settlement position that was talked a little bit about yesterday, about the D designation of some of those contracts and the resulting conclusion of the 19 1/2 million in income for the '07, '08 fiscal year.

On page 10 at the bottom, we continue on with our scope of work where we do a reconciliation of the input assumptions with the PROMOD output.

And so what we did there is we tried to -- and working with staff members of NB Power, we tried to use the underlying assumptions and modeling input information and predict the outputs that PROMOD would come to.

And just sort of a -- I think yesterday one of the panel members from the applicant mentioned sort of a vetting or a checking of the PROMOD output to make sure that the results are as expected. And we reperformed a series of calculations to make sure that was done and found no issue with that.

On page 11 we get into a little bit about some of the things we did around the DISCO area. And as I mentioned earlier there was some limitations of what we could do here.

But what we were able to do was a comparative analysis of the input assumptions that were used for the version B run, which as we know yesterday was the run that was used to set the vesting energy price.

And we did a comparative analysis based on version C, version A and a run that was done in 2007, or actually 2006, that would have been used to forecast a year ahead. And we looked at the various changes in those assumptions and got explanations from staff members to see whether not they made sense and whether they were consistent with other things that we had learned during our review.

And again we found no issues with any of those things.

Some of the major changes are outlined at the top of page 12 of our report.

We were able to work those calculations through and agree to those numbers down to the point where the vesting energy price was determined. And that is noted on line 21 of page 12. And that was the figure that was discussed yesterday, the $50.25 that was set on October 1st for the vesting energy price.

That is where our work stopped in terms of DISCO. We did not go any further than that. I think originally we had contemplated about tying in some other calculations that formulate the power costs for DISCO. But since that information was not available at the time of our review, we stopped there.

The last part of our work around the purchase power expense on the consolidated statements was to reconcile what we had learned in the PROMOD output and agree that to the financial statement information that was submitted.

And that schedule was found on page 13.

And I will note there that the biggest reconciling item that we came across of course was the inclusion of the D designated hedge settlement gain, as we had talked a little bit about yesterday.

And page 14 is our overall conclusion on the purchase power and fuel cost. And as you can see from that conclusion, and I mentioned this earlier, that basically nothing came to our attention during our review procedures that would cause us to believe that the fuel and purchase power expense contained in the financial statements was incorrect or materially misstated.

Q.9 - Mr. Logan --

MR. LOGAN: Yes.

Q.10 - -- in terms of that section, that first item of investigation, can you just give a little more information with respect to the hedge gain in the 19.5 million that is recognized there?

Only because I think there was quite a bit of discussion about that yesterday. And if you could perhaps clarify for the panel what your understanding of that hedge gain was?

MR. LOGAN: Certainly.

I guess I will try to -- my turn to explain how this works. In the PROMOD output -- and I believe this was submitted in document 3. I don't have it in front of me. So I can't tell you the tab number.

But if you look at that schedule that has -- and it is a PROMOD output. And this is where the $44 million number shows up. There is a series of lines in that section that are predicting the cost to NB Power of their heavy fuel oil for the forecast period. Those forecast numbers are based on market rates at that time at the future forecasts that are predicted.

So in terms of trying to calculate what the true or net cost is to NB Power you must take into consideration the hedge position that they have at that time.

So we have got three or four lines that have the gross figures. And then we have the effect of the hedges that are in place at that time, which in this case is a gain of 44 million, to arrive at the true net cost of heavy fuel oil in this example for the forecast year.

And it is this $44 million I think that is causing some concern that it is a gain. Well, it is not really a gain. It is just simply a reconciling item in the PROMOD output that shows how we get to the net heavy fuel oil expense for the forecast period.

And so when the PROMOD C run was done, and because of the variable changes that occurred -- we talked yesterday about the spread in the natural gas price and heavy fuel oil and some of the other parameter -- things that were changed -- the new PROMOD run indicated that NB Power would be using less heavy fuel oil and relying more on purchase power to meet their energy needs.

And because there was a certain quantity of heavy fuel oil that was no longer needed, the underlying hedges that were in place were no longer effective, meaning they were no longer needed because we didn't need the fuel.

And the accounting rules basically say when an underlying transaction no longer is going to occur that whatever hedge position you have at that time must be recognized in income.

So in this case, because heavy fuel oil had been increasing quite rapidly and the hedge position was set prior to that, there was a gain. And that gain had to be recognized immediately.

Now there are handbook sections, you know. And we have reviewed those and gone through those with the NB Power folks. And their accounting makes sense to us. It does follow the CICA guidelines on such matters.

We were told that the auditors, NB Power's external auditors had also reviewed -- they had not reviewed the numbers but they had reviewed the methodology and the theory behind what was occurring and agreed it was correct treatment.

So the 19 1/2 million comes into income when those underlying transactions no longer are needed. And that was December of '07. So the income is recognized in December of '07.

That is basically our work around that purchased fuel and purchased power expense. The next part of our report in our scope of work focused on the Point Lepreau refurbishment deferral account.

And I guess our work in this area -- and I think this was pointed out yesterday. The legislation did not exist at the time NB Power was formulating their budgets. I believe the legislation came into effect sometime in December, around December 20th. And of course the budgets were prepared prior to that.

So our work was more or less to see if there was a major deviation from the intent of the legislation as to what NB Power had put together in terms of their forecast and their budget.

And on page 15 of our report through to page 18 we talk a little bit about that. And we look at the various components that were described yesterday that make up the deferral account, the incremental power costs, the period costs for Lepreau and the interest charges that are assessed to the deferral account and see whether or not they made sense compared to how the legislation turned out, whether there was any major deviations from that, any major exceptions, that there was something that was omitted or included that should not have been and compare to the legislation.

We also reviewed the internal accounting processes, the internal documentation, the internal procedures that were put in place between the various companies, to make sure that they would I guess properly account for and properly track those costs as they were sent into the deferral account.

And our conclusion was reached I guess on page 18, that we found no major problems with the work that we looked at.

We did some comparative analysis on the Lepreau budget with prior years to make sure there was no additional costs going in there that sort of were not historically included in Lepreau. We looked at the incremental power cost. We compared that information with stuff we had learned in the PROMOD review to make sure there was consistencies among that.

We looked at the interest rates, how they were calculated, how they were applied to the account, compared those to the PDVSA settlement for example. Because it was the same methodology was being utilized. And I found no issues with that.

A couple of points that came out of our work. And I think it is fair to say that this deferral account is still on a bit of refinement. Yesterday it was mentioned that there was a regulatory consultant hired to help finalize NB Power's methodologies.

But there was a couple of issues, one in particular that came up during our review, just in terms of tracking those incremental energy costs and making sure they get allocated to the correct customer classes, so that when they ultimately become recoverable down the road that the right costs are being attributed to the right customer classes.

Some of these I guess detail and items will be resolved when the applicant comes before the Board on this deferral account.

Q.11 - I believe the next item then was the PDVSA settlement account?

MR. LOGAN: That is correct. There were sort of two thrusts to our work in this area. Obviously again when the budget was being formulated, the last rate hearing had not concluded. And so NB Power was unaware of the Board orders that would come on the February 22nd ruling.

So the budget that was put together was based on the old modeling assumptions that were in force last year when the PDVSA settlement first came up.

Our work in that area mostly centered around reperformance of the calculations. We tied in the information, the assumptions to make sure they were consistent with the work that was done last year.

Some of the things -- there were some minor changes.

I think we talked yesterday about the change in the fuel supply schedule because of some changes in how that fuel was going to be utilized in the generation assets.

We made sure some of those changes were consistent with what we had learned during the PROMOD review.

We recalculated -- we agreed the changes and the impact on the financial statements to the financial information.

And that information is found on page 20 of our report.

So we were able to agree the calculations of the deferral account to the income statement and also to the balance sheet of the forecasted consolidated financial statements.

The second part of our work on the PDVSA account was around what I would call the Q zero forecast that NB Power puts together. And the Q zero forecast included the Board orders of February 22nd.

And although this work does not specifically tie into the matter before the Board today, it was part of our scope of work that we were asked to look at the PDVSA account and to make sure that the orders that were sent out in the February 22nd decision were incorporated eventually into that calculation.

And on page 21 of our report some of that information is indicated there, starting on line 11 some of the changes that were made.

We were able to agree all of the changes that were ordered by the Board with one exception. And that is noted on page 22, line 12, starting there. There seems to be -- and I am not sure -- we weren't conclusive on this. We simply pointed out the fact that there seems to be an inconsistency between what the Board ordered and what the applicant has included in the updated PDVSA calculations.

We make no recommendation at this point in terms of what should be done there. It wasn't part of our mandate. But we would point out that the numbers do not agree.

And you can read through our report in that section starting in line 12 as to what we saw there.

Q.12 - And Mr. Logan, what was the result of the difference in the interpretations?

MR. LOGAN: Well, when we look at the decision of February 22nd it appears in several places, and I note the page numbers here, that the Board ordered the applicant to set the benefit to customers in the first year of the settlement at $36.8 million.

When we reviewed the settlement, the revised PDVSA settlement calculation, we noted that the applicant had included a figure of $29.9 million.

And when we asked them how that figure was calculated they said that they used a proration of the Board-ordered amount for the year.

Now the Board is silent in their decision as to whether it should be prorated or not. And there are certain sections of that decision that would indicate that the amount should be 36.8 and not prorated. But again we didn't bring that one to conclusion. It wasn't part of our mandate I guess at this point.

I should -- it would be fair to say, and it should be pointed out that it really has no bearing on the three percent rate application or rate investigation that is before the Board right now. This would be a future matter.

Q.13 - Does that conclude that piece of the work?

MR. LOGAN: That is correct.

Q.14 - Okay. And then the final piece I think was with respect to the budget process?

MR. LOGAN: That is right. And starting on page 24 we were asked to gather some information and do a brief review of the budgetary process that NB Power uses annually.

And starting on page 24, as I said, we sort of listed the documents we looked at, some of the folks that we talked to in terms of this. And on page 25 our observations are listed there.

In summary I would say that it is a very extensive process. Obviously NB Power is a very large company and needs to have a very well documented and extensive planning process. I would say in my experience they do a very good job in terms of integrating some of the strategic and high level objectives of the Board into their operating plans. There seems to be a concentrated effort in that area.

A lot of the operational budgets are well supported by documentation from head office in terms of operating parameters for the year, communication downwards to the field level, so formulation of those budgets can occur properly. We noted no major issues with the approval process.

I guess there were some issues that were acknowledged in terms of the timing of the budgetary process, and obviously some of these came out yesterday during the discussions, about getting before the Board in terms of rate applications and when the information is ready. There are timing issues. And I believe NB Power is working on trying to rectify some of those.

One of the key observations that we made during our work, and I think it is noted on page 26, starting at around the ninth line. A bit of a deviation this year in the formulation of the '08, '09 operating budget was this revision C to the PROMOD runs.

And there was some discussion yesterday as to why that occurred. And so we looked at that. Because it was a bit different and not happened in previous years, to the best of our knowledge.

And I think because of the major changes in the market over that time frame, from when the first revision B was done, which I think was September 27th, to the final presentation of the budget in early December, because of significant changes in some of the underlying assumptions, revision C was performed.

And on page 26 you can see the impact. The numbers there, the 794' and the 894' that you see on line 24 and 25 of our report, we didn't reconcile those. They are reasonably close to some of the other numbers we looked at.

I was more interested in the quantum of the change of the 99 million. I wanted to get a better understanding of the overall impact of the two changes. As you can see there was obviously a very significant change that occurred.

And we concluded that it obviously made sense, that a number and magnitude of that large should be incorporated into the operating budgets.

And that basically concluded our work.

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

CHAIRMAN: Thank you, Ms. Desmond. Mr. Morrison?

MR. MORRISON: Yes, Mr. Chairman. I will be very brief.

CROSS EXAMINATION BY MR. MORRISON:

Q.15 - Mr. Logan, the only issue I want to explore with you is the one you spoke about a moment ago. And that is the apparent inconsistency between the way that NB Power applied the Board's decision on the PDVSA settlement and what you perceived to be the Board's decision.

And just a couple of questions really. You would agree with me that the full amount of the $36.8 million,that is included in the 5.9 percent rate increase that was approved by the Board in its February decision? Would you agree with --

MR. LOGAN: Yes, I would.

Q.16 - Okay. And given that the rate became effective basically on June 8th, I believe it was, of '07, a partial year -- and the reason I'm asking this question, because I'm told by my financial people that they really grappled with how to deal with this.

Do you have any suggestions as to how DISCO could have given the full benefit to customers in the period between June '07 and March '08, given that the only way to pass the benefit on to customers is through rates?

MR. LOGAN: Do I have any suggestions? Not off the top of my head. I have not thought about the interpretation that was put forth by NB Power in terms of the Board's decision.

And I would have to give that some thought. And you know, if that is an undertaking or whatever, I suppose I could do that.

Q.17 - No. I'm not asking for an undertaking. And the reason I posed the question quite frankly is my discussions with the people -- who were on the panel is that they wanted to get the benefit to customers.

The only way they felt that that could be done is to do it in the way in which they did it. And quite frankly they have been scratching their head as to what other alternative they could do other than how they did it.

And I'm just wondering whether you had any suggestions, that is all.

MR. LOGAN: The alternative would be the award the full $36 million. As I said in my report and in my testimony a few minutes ago, the Board's decision is a little unclear as to whether or not it is a definitive or a set amount for the test year, which was last year, or whether it should be prorated.

And that is where -- and as I said, I have not concluded on that. I have not thought about which is the right way. I'm just saying there isn't any consistency.

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

CHAIRMAN: Thank you, Mr. Morrison. Do we have somebody here now from Canadian Federation of Independent Business? Any questions for this witness?

MS. BOURGEOIS: No, I have no questions.

CHAIRMAN: Thank you. Canadian Manufacturers & Exporters? Mr. Plante here this morning? No. Flakeboard Company, Mr. Gallant?

MR. GALLANT: No. We don't this morning.

CHAIRMAN: Gary Lawson?

MR. LAWSON: No questions. Thank you.

CHAIRMAN: J.D. Irving Pulp & Paper Group? Mr. Wolfe?

MR. WOLFE: No questions, Mr. Chairman.

CHAIRMAN: Is Mr. Peacock here this morning? He wasn't here earlier. And the Voice of Real Poverty? Ms. Dykstra, any questions?

MS. THORNE-DYKSTRA: No, I have not.

CHAIRMAN: Any questions from the panel? Mr. Radford?

BY MR. RADFORD:

Q.18 - My understanding is that you only looked at the cost stream, you didn't look at the revenue stream, is that correct?

MR LOGAN: That's correct. There were four key areas as I mentioned. Primarily we were focused on the power cost to purchase and fuel costs that were in the consolidated budget, the 797 million as I indicated, and then the PDVSA deferral, the Point Lepreau deferral and of course the budgetary process. So we did not look at any revenue streams per se.

Q.19 - So I could conclude that you are not in a position to comment on the three percent increase whether it was required or not?

MR LOGAN: That's true.

Q.20 - Now I think you said you looked at their financial statements. Did you look at their outside accountant's financial statements?

MR LOGAN: No. The financial statements we would have reviewed would have been the forecasted ones that were supplied in the information package.

Q.21 - So you didn't go back and look at their actual financial statements from their outside accountants?

MR LOGAN: Are you referring to the --

Q.22 - For the last fiscal period?

MR LOGAN: They were not available at this time.

Q.23 - And I think I understand the difference between an audit and a review, but when you generally do an audit usually accountants make recommendations to the corporation?

MR LOGAN: They can, yes. That can be an output from the audit process.

Q.24 - Did you see any recommendations from the outside accountants to the corporation of what should be done?

MR LOGAN: There are a few I would say one or two items in my report that may be considered to be recommendations to the corporations or suggestions to the corporations in terms of -- or maybe not suggestions perhaps but observations that we made during our work. But nothing specific that we noted in terms of control processes or accounting functions that are performed, no.

MR RADFORD: Thank you, Mr. Chairman.

CHAIRMAN: Thank you, Mr. Radford. Mr. Johnston?

BY VICE-CHAIRMAN:

Q.25 - Mr. Logan, this is a question that I no doubt should have asked of the panel yesterday, but I will ask you in case you know it. The vesting energy charge was set following revision B of the PROMOD run and that is as set out in -- on page 26 of your report, that's your understanding?

MR LOGAN: That's correct.

Q.26 - Now this vesting -- the vesting energy price was set and then the vesting energy charge was modified somewhat because of the decrease in load in the figures that have been provided for us for DISCO, is that your understanding as well?

MR LOGAN: That's correct. And I think one of the panel members yesterday indicated that the $50.25 vesting energy price had not changed in the revision C forecast or the preparation of the budget, but the demand figure had decreased --

Q.27 - Yes.

MR LOGAN: -- for the in-province load, yes.

Q.28 - And so on the figures that have been presented to us with respect to the vesting energy charge, it is based on the price set based on revision B and the volume -- the volume that was used in revision C?

MR LOGAN: That's my understanding. It's a lesser number. Now I have not reconciled the difference between the energy quantity that was used in the set to vesting price to the new number that was calculated to determine the cost. There is a difference. It was about 448,000

megawatts, but I haven't gone through the process of
reconciling that change yet.

Q.29 - Now a portion of this change relates to purchase power
from outside of the corporation. In your review -- and we
heard some evidence yesterday with respect to some of that
purchase power being under contract and some still not
being under contract. In your review did you review any
of those contracts for the purchase power?

MR LOGAN: For the firm purchases?

Q.30 - Yes.

MR LOGAN: Yes, we did.

Q.31 - And do you have a sense at the time of your review what
portion of that purchase power is fixed under contract and
what is not?

MR LOGAN: We do have that information in our working
papers. I can't recollect at this point the exact number
but we -- there is a schedule in our working papers I
recall that would have a breakdown between firm purchases
and uncommitted purchases -- outside purchases for the
forecast year.

Q.32 - And again I apologize for asking you questions that no
doubt I should have thought of yesterday, but the last one
is in the course of your review did you learn whether or
not there were going to be changes in the amount of money

owing between DISCO and Genco as a result of these changes? In other words the vesting energy charge under these agreements, is that still going to be payable by DISCO to Genco or has that been modified in some way?

MR LOGAN: I'm not sure. I don't think I know the answer to that question.

Q.33 - You understand what I am driving at though?

MR LOGAN: Yes. I would assume that the invoicing procedure that is used between the two companies would fluctuate based on quantity consumed, but the price is fixed at $50.

Q.34 - And that's the question, is whether that price is going to be changed or not, and again --

MR LOGAN: I don't know.

Q.35 - -- I should have been thinking of this yesterday.

MR LOGAN: I don't know.

MR JOHNSTON: Thank you very much, Mr. Logan.

MR. MORRISON: Mr. Johnston, I can answer that?

MR. JOHNSTON: I thought you might be able to, Mr. Morrison.

MR. MORRISON: Perhaps it's a stretch to say that I can answer it, but I can mouth the words which I think are the answer. There will be no change in the vesting energy price but the volume of course is different from what was anticipated in the PROMOD being run. It's the volume in PROMOD C, the price in PROMOD B.

MR. JOHNSTON: Okay. So that the amendments to the power purchase agreements that we talked about yesterday are not going to affect the vesting energy price?

MR. MORRISON: That's my understanding.

MR. JOHNSTON: Thank you very much.

CHAIRMAN: I would like to thank the panel for their participation. And I guess at this point in time we can move into the presentations.

Normally we would do this alphabetically, but I understand from the Board Secretary that the group from the Voice of Real Poverty are on a bit of a time constraint. So I'm wondering if they might come forward at this time?

MS. THORNE-DYKSTRA: Thank you very much for the opportunity to make a small presentation on behalf of the impoverished people of this Province and the impact of any increase in electricity rates that affects them directly. We certainly appreciate this opportunity and quite frankly a lot of the technical questioning and information that you have has overwhelmed us, because we are not proficient in all the energy technology and everything. So you are going to hear a presentation that is very down to earth and not so technical.

So I thank you for the opportunity to make this presentation to your Board in the matter of the recent increase of three percent applied to our electricity rates after a 5.9 percent raise was just approved at the beginning of this year.

Since our non-profit organization appealed to you on December 13th 2007, with regard to the inability of the 111,370 New Brunswickers living on or below the poverty line to afford their hydro, I would like to begin with a letter that we sent to the Premier, Shawn Graham, and to Energy Minister, Jack Kerr on March 1st 2008.

And that letter states. I am writing on behalf of Voice of Real Property Incorporated to state our sincere disappointment in the recent approval of the New Brunswick Energy and Utilities Board to hike electricity rates to 5.9 percent.

Our organization made presentation to this Board on December 13th in hopes that we were taken seriously as we educated the Board on the realities of poverty in New Brunswick.

We explained our non-profit organization's purpose is to improve the quality of life, dignity and fair treatment of people living on or below the poverty line within New Brunswick through awareness, education and advocacy to the public, government, other organizations and agencies, and to support one another.

We were impressed with the Board members, that they -- that the Board members were intent as we educated them on the 111,370 New Brunswickers living in poverty according to Stats Canada 2001 figures, including the working poor, and gave us a full hour instead of the allotted 15 minute time slot.

We stated food banks grew from 16 in 1986 to 58 in 2008, up 262.5 percent, offering only three to five days worth of food per month to their clients. We told of the inhumane rate of the single employable person on social assistance at 285 bucks a month, a total of $3,420 a year, only 19 percent of the National Welfare Council poverty line measure of $17,895 a year.

The transitional for a doctor endorsed work disabled only receives $521 a month, or $6,252 a year, and the personal care disabled receives $600 a month, or a total of $7,200 to live on a year.

We educated the Board on the reality of the 70 to 75 homeless people in the downtown Moncton area, with no roof, therefore no money. We told of the homeless man who froze to death along the Mapleton Road in Moncton. We explained the poor programs, the regular fuel supplement, the $780 a year, but only for those who rent, not those who own their own homes.

How the Department of Social Development tries to force people into a mortgage of over $100 a month to qualify for this heat, to only get $130 a month for six months, while being stuck paying the 100-plus dollar mortgage for 12 months of the year.

The emergency fuel supplement that provides half a tank once per calendar year. The home energy supplement of $100 a year. We explained the NB Power rates have increased 22.8 percent between the years of 2002 and 2006. Hot water tank rental even went up 17.8 percent and the service charge went up 19.8 percent, yet those -- from 1998 to 2004 social assistance rates went up zero percent, and up only by four percent by 2006.

Our recommendation was that if rates were increased that they not be enforced on low income people, and at the HST be removed for this group.

The response from the Chairman was it's quite frankly I think a reality check for us all. The Vice Chairman told us that our correlation of social assistance rates reminded him of the power increase last summer and that, quote, the provincial government put a program in place to deal with its affect on large industrial users. I think it related to property taxes or something along those lines, but I don't recall any similar programs being put in place to deal with the people living in poverty.

Were there any contracts with organizations like yourselves in the same way to try to respond to this issue? We responded no. In fact we asked to meet with the Minister of Finance in January 2007 and we are still waiting.

Board Member Barnett stated, hopefully that you have a very strong voice both in terms of the Board and other aspects that the people of your organization have to live on a daily basis.

We thought they heard us and had genuine compassion, but once again the rate goes up, not another 5.9 percent, but 8.9, for the total of 31.7 percent in just five years.

Appropriately one of our members asked Mr. David Hay and his employees if they were willing to give back their salaries, bonuses and expenses to live on social assistance. Little did we know then just what that meant.

Research in Public Accounts 2007 has opened our eyes. I give this -- in 2007 salaries paid to NB Power Group of Companies totalled $195.8 million with 180 million paid to the to 2,259 employees who earn over $40,000 each, and 15.7 million to those who earn 40' and under.

On the top end, Mr. Hay earned $340,825 as salary only, not expenses or anything else, or bonuses. Four employees earned over 200,000, 351 employees earned between 100' and 200,000 and 654 employees earned between 80' and 100,000. That means that 1,015 NB Power employees earned $80,000 and up. Where else in this Province can you earn this kind of money? Do you think it's a little top heavy?

In New Brunswick truly cash strapped -- is New Brunswick truly cash strapped or just out of control due to too much management?

We now understand why our poverty group was not taken seriously by the NB Energy and Utilities Board, nor NB Power. They have no idea what an extra $150 a month in ongoing cost of living means to those who are only given the crumbs off the government's table, as much as 100 times less than Mr. Hay.

Premier Shawn Graham, help. We are asking your government to step in and set a special rate for the poorest of the poor just as you did for industry.

So that letter was sent on March 1st. The response we received from the Premier's office came on March 6th. And it states. Dear Ms. Thorne-Dykstra. I would like to acknowledge receipt and thank you for your e-mail dated March 1st to Premier Shawn Graham in which you are requesting a meeting with him regarding special energy rate for people in poverty. Since this matter pertains to the Department of Energy, a copy of your e-mail has been forwarded to the department and I have asked them to communicate with you in order to discuss your request. Sincerely, Cynthia Jenkins, Scheduling Administrator, from the Premier's office.

A copy to Minister Jack Kerr. From the Right Honourable Jack Kerr, we have had no response.

Understanding that no one was truly listening to our cries for help, we decided to participate in a call-in show and asked Minister Kerr publicly to provide a special rate. He made it sound like this could not be done. But we know better.

After attending a United Way conference in Quebec City just a few weeks ago, I spoke with an Ontario United Way lady who said that we could take you folks to court by not providing a reduced rate for low income citizens. But I explained we have no such special rate. She was in disbelief.

If Ontario can provide a special electricity rate, which they do, for their low income people, why can't New Brunswick?

We also publicized our letter to the Premier and

Energy Minister Jack Kerr, so that the general public could understand our dilemma. We have received a number of responses in support of this idea of a special rate for low income people, as they know how difficult it is becoming to pay their own electricity bills.

Needless to say, we are not impressed with the 5.9 percent approval, nor the rate grab of three percent thereafter. We are not stupid. We do see clearly that NB Power got the nine percent they wanted all along, just in two installments.

We find it very difficult to listen to anyone who claims they are in need of an increase when they announce major profits at year end, like we heard that $85 million profit of last year and a projection of 65 million in the coming year. It doesn't sound much like need to us. The bills are paid and there is lots of money left over. So why does NB Power need more?

It is just like the salary information we cited in the letters to the Premier and Energy Minister. Many NB Power employees do not need an increase in their salaries knowing the total salaries accounted for 195.8 million last year, with over a thousand employees earning between 80,000 and 340,000. Yet they all needed a four percent increase this year. That means another $8 million that was put towards salaries.

And that means that Mr. Hay now receives an extra $13,633 annually. His increase alone is four times what some people on social assistance are required to live on for an entire year, the $3,420. Who is in more need?

Even the Premier not only gave himself a nice extra 20,000 each year, but the Speaker got 22,000 more, the Opposition Leader 14,000 more, and every member of the legislature a base salary of 85,000, to the tune of an additional $50 million.

Not to mention every civil servant person was given a four percent increase in pay. Surely they are in more need than the 111,370 low income people. Yet people on social assistance should be grateful for their three percent they just received. Now instead of the $3,420 to live on this year, they have a whopping 3,523. That's $103 more this year.

We don't mean to sound ungrateful here, but that extra $103 a year isn't going far with the extra $150 per month we will now have to pay on NB Power alone.

It is not hard to see that we will be going behind much further by this years end.

Since we last presented to your Board a couple of events have transpired. Namely our organization in conjunction with the City of Moncton and a number of non-profit organizations of Greater Moncton placed a memorial in Riverfront Park in memory of the homeless man who froze to death along the Mapleton Road. Also a gentleman of the name of Paul Durrell froze to death on April 6th of this year in his own home because he could not afford his electricity bill.

According to the media we understand that some 610 New Brunswick residents were disconnected this past winter.

With the addition of an unnecessary three percent increase we expect more will meet the same fate if you do not establish a special rate for low income people now.

We ask that you begin by not allowing this three percent gouge on the people of New Brunswick, and that you work with the non-profit organizations to establish a low income energy rate immediately.

Thank you for your attention to this serious request.

CHAIRMAN: Thank you very much for your presentation, Ms. Thorne-Dykstra. The first thing that I need to point out to you is that under the terms of the Electricity Act you have asked us to essentially disallow the three percent increase which occurred on the 1st of April of this year. This Board does not have the authority to reverse that three percent increase nor to alter it in any way. Under the Electricity Act the utility is entitled to take an increase of up to three percent in any year without coming to the Board for approval.

The purpose of the sessions that we have had over the past couple of days is to investigate whether or not the requirement is there for that three percent, whether or not it is justified, if you will, and to report back to the Minister. But our Board quite frankly is powerless to make any change to that. Any change that might occur would be up to the utility itself.

I would like to say that again I think it is a reality check. As you have indicated I spoke those words in December. They were sincere. And again it is a reality check. It's a segment of our population that perhaps we don't hear enough about.

I did have an opportunity to speak to a national organization known as CAMPUT, which are members of public utility tribunals across the country, last month. And the message I took to that conference essentially was based on your presentation last December.

I would also point out to you that that group is actually meeting in New Brunswick next year and there is provision for participation of people and groups that might not normally be able to afford to come to such a conference, and would certainly welcome your attendance, because there is a dialogue on the impact of things such as energy on poverty groups and whatnot in the course of these conferences.

So if you are interested we would certainly be interested in having you participate in that.

Anyway, those are my comments. And I don't really have any questions for you. Any questions or comments from the rest of the panel?

<u>BY MR. RADFORD</u>:

MR. RADFORD: Just one. I was listening very carefully to your figures and you used the figure 111,300-and-some people under. What is the under? What level is that?

MS. THORNE-DYKSTRA: Under the poverty line?

MR. RADFORD: Yes. What is the poverty line?

MS. THORNE-DYKSTRA: The poverty line varies depending on if you are a single person or if you have a family and what the make up of your family is. The single employable person or a single person it's $17,000 a year.

MR. RADFORD: And for a --

MS. THORNE-DYKSTRA: For a family --

MR. RADFORD: And it goes up depending on how many children you have --

MS. THORNE-DYKSTRA: Yes. How many children and -- yes.

MR. RADFORD: So what you are telling me is that 15 percent, if I just do a quick calculation -- 15 percent of this Province?

MS. THORNE-DYKSTRA: Yes. Of the Province.

MR. RADFORD: Thank you very much for your presentation.

CHAIRMAN: Thank you very much. We will take a 15 minute break at this time and reconvene at quarter to 11:00.

(Recess - 10:30 a.m. - 10:45 a.m.)

CHAIRMAN: So we are going to go back to doing this alphabetically. And Canadian Federation of Independent Business?

MS. BOURGEOIS: Thank you, Mr. Chairman, members of the Board. Thank you so much. It just shows that I'm not an expert in these things. And I'm not really used to being in front of the panel. So I thank you for the opportunity of being here.

And also I want to say for the record that Canadian Federation of Independent Business appreciates the Minister's advice to actually looking into this three percent increase. It is the first time that it happened. And I think it is a wonderful opportunity.

I'm not going to talk for about an hour. Someone asked me. Probably about 15 to 20 minutes, just to give you a time line.

I want to take two minutes to talk about who I represent, first of all.

Canadian Federation of Independent Business, we are a non-profit, non-government association. And we represent about 4,500 small and medium sized businesses across the province. We have 105,000 business owners across Canada. We are a voluntary association. There is no obligation for a business owner to be part of our organization. We are 100 percent funded by our members. So that is how I gain my salary. And it is nowhere near to those amounts that we heard earlier.

We take policy decisions and positions based on our members' votes. I represent what they say. We don't have a committee who would sit down around the table and decide what is important for the economy. I ask my members what is important to them and what they want to see in any policy file. And what they tell me that is what I do.

We have in the -- based on Statistics Canada data we have 97 percent of businesses in New Brunswick who employ fewer than 50 people. They employ half of working New Brunswickers. They provide jobs in every corner of the province. And they are responsible for about half of the province's GDP.

Just to define small and medium sized businesses, they would be employing anywhere from one person, no person maybe. Most of them employ about five people and all the way up to 100 people or so, depending on the sector. Obviously in the manufacturing sector, they would tend to employ slightly more people. And in a retail shop they would tend to employ fewer.

They are also contributors to our economy in terms of social contributors. They do a lot of community work, volunteer work and so on.

Now looking at the context of this increase, I don't know -- I'm just going to say it for the record. NB Power Group, they posted a profit in 2007, 2008 of $85 million. And they forecast another surplus for the next year.

That just shows that they have the financial strength to go on about their business without necessarily increasing their revenue.

Their request for a three percent increase comes after a long history of rate hikes. For the past 11 years their website states there are eight years of increases. Five of those have been of three percent or under. So there was no accountability to the public why they asked it.

And they didn't have to justify it to anyone.

The transit system, when they need to increase hikes, they have to justify it. NB Power didn't.

CFIB's recommendations are the following. 1. No rate increases be permitted when NB Power posts a profit or forecasts a surplus. 2. Increase accountability on rate increases by having all rate recommendations examined through public hearings. 3. Introduce a reasonable time frame for bringing all rate classes within the 0.95 to 1.05 revenue cost ratio. 4. Provide permanent representation for small business at energy rate hearings through a small business advocate.

Just to put it into context again, we have -- in the past 10 years electricity costs have increased by over 30 percent. After the businesses in Newfoundland and Labrador, businesses in New Brunswick are the hardest hit by high energy costs.

In fact through a recent survey conducted by the Canadian Federation of Independent Business, 82 percent of small businesses have been negatively affected by high energy costs. That is a huge percent of them.

And also we have the highest concentration of exporting small businesses after Alberta. Few people realize this. But actually we export everything from products related to the paper industry to maple syrup.

We realize -- New Brunswick small businesses realize more exports than those in P.E.I., Newfoundland, Labrador, Nova Scotia together. They are competing against other firms in other countries.

We asked also our members what would be the impact of another electricity rate increase. 36 percent of them said a major impact. And by that they meant reducing the number of employees, passing on business opportunities and closing down.

Think about businesses in your community. Think when you used to go and fill up your gas tank. How many people used to help you there before and how many people are now there?

Think of minor impact. We have 56 percent of members who said there will be a minor impact in their business. They have -- they are very generous saying that is minor. What they mean by that is an increase in prices and decrease in demand. Obviously they have to pass on those increases. They operate on very tight profit margins, cutting down on training, equipment, upgrades and expansion plans.

I had a member who called me. And she said after about 20 years of running a bed and breakfast she had to close down for the winter, even though she used to host hockey teams coming from all across the provinces in Atlantic Canada because she couldn't afford to pay the heating bills for a whole hockey team during the winter season. She just had to close that business down.

CFIB's recommendation number 1. We just say that there should be no rate increase when NB Power Group shows a solid financial position. Rates should reflect all reasonable and prudent costs incurred by providing electricity. Rates should not provide excessive returns to the Province. That would just be translated into a hidden tax grab.

And 3. Rates should reflect the cost of serving each customer class.

Recommendation number 2. Increase accountability on rate increases by having all rate recommendations examined through public hearings. Public hearings promote communication, transparency and accountability.

And 88 percent of our members support public hearings even though they realize that there is a cost, you know, involved here and there is a lot of time and effort on your side. We really appreciate that. And I think the wealth of discussions and all the questions that everyone had shows that there is need for this kind of communication.

Recommendation number 3. Introduce a reasonable time frame for bringing all rate classes within the 0.95 to

1.05 revenue cost ratio.

As we heard yesterday, the three percent increase this time will be applied across all classes with no differential for general service customers, residential or industrial. That would be, as far as I know, probably one of the very few times when that happened.

Small and medium sized businesses, they are usually in the general customer -- general service classes, GS 1 or GS 2 so-called. And they include anything from pizza shops, restaurants, bakeries, inns, hair salons, retail shops, small manufacturing businesses and medium sized business offices.

Customers in the GS 1 class, they pay about 124 percent of the price of electricity. And customers in the GS 2 class, they pay 116 percent respectively.

In 1989 those ratios were 129 for the GS 1 class and 114 for the GS 2 class. Since '89 until 2007 pretty much nothing changed.

Just to remind you that actually in 1992 a Board decision recommended that NB Power develop a plan to move all classes within the approved range of 0.95 to 1.05 over a period of time. That recommendation just has been totally ignored by NB Power.

And that shows the need for the fourth recommendation which is provide permanent representation for small business at energy rate hearings through a small business advocate.

As I said, I'm no expert in energy issues. I find it very intimidating just being in this room actually. And I think the goal of having that kind of representation would be to foster communication between the Board, NB Power and small business community and also to ensure that the revenue cost objective is met in an adequate time line.

Nova Scotia recently, two days ago, actually just passed legislation to have a permanent representation for a small business advocate.

And also, I would also like to say that there are a lot of possibilities to do this. We may not need a full-time resource to represent small businesses. It could be a recommendation to expand the role of the consumer's advocate and also to have him present at all hearings.

He is not present here today. And he wasn't invited to participate at this because it is only a three percent increase. I mean, only a three percent increase.

In conclusion, rates cannot increase every year. As I said, looking back to 1998 to 2007 there have been eight years of increases, some of them really high increases.

Rates -- increasing them every year just sends the signal that NB Power has absolutely no incentive in cutting costs.

There has to be a way of seeing deficiencies in your business.

Since '98 until now we have seen major changes in Internet usage and all kinds of technological advances. Where are those efficiencies implemented in their business? Extra money just goes into general coffers actually. And that is equivalent to a hidden tax grab.

If there is a rate increase a gradual approach must be taken to bring all rate classes into the .95 to 1.05 revenue cost ratio.

And again we recommend to have a legislated time line for ratio implementation and remove any kind of hearing exemptions. Hearing increases no matter if there will be a 1 percent, 2 percent or 11 percent. They should go through an accountability process through a full hearing.

And 4, we would recommend to provide permanent representation for small businesses. We realize that the Board doesn't have all the power. And it is only making recommendations.

And we realize that some of our recommendations may include changes to the Electricity Act. And we definitely -- strongly advise the Board to make those kind of recommendations to the Minister.

Thank you for your time.

BY THE CHAIRMAN:

CHAIRMAN: Thank you for your presentation. I just have a question with respect to your suggestion for a permanent representation for small business.

And as you know there is a Public Intervenor that was appointed during the last two rate hearings where applications were actually made for an increase by NB Power.

Did your group have any discussions with the Public Intervenor to make sure that I guess your perspective was put forward at the hearings?

MS. BOURGEOIS: Yes. We did have extensive discussion with him. And he actually said that his role could be expanded so that he would ensure that he spends a certain amount of time covering the residential class and then another amount of time just covering the GS 1 or GS 2 classes. However, depending on how that is implemented he could be at one point in a conflict of interest issue. And so we fully agree that maybe expanding his role right now, and just making sure that he actually protects those customers in the GS 1 and GS 2 could be a solution to this recommendation.

CHAIRMAN: Thank you. I don't have any other questions.

Does the panel have any questions?

BY MR. RADFORD:

MR. RADFORD: Just to make sure that I am up to date. You used to send out surveys to the businesses. Is that how you still do it?

MS. BOURGEOIS: Yes. We still do it. And we --

MR. RADFORD: And they respond --

MS. BOURGEOIS: Yes.

MR. RADFORD: -- back to written --

MS. BOURGEOIS: We send surveys --

MR. RADFORD: -- multiple choice?

MS. BOURGEOIS: -- through the Internet. We send surveys by mail. We send them by fax and also in person. Yes.

MR. RADFORD: But it is sort of a multiple choice type of question?

MS. BOURGEOIS: Some questions are multiple choice. Some of them are very simple yes or no. The question on should there be full public hearings every time there is a rate increase proposal, that was a simple yes or no.

MR. RADFORD: And you throw some figures like 66 percent, 88 percent. What percent of the surveys that you send out come back in, on an average?

MS. BOURGEOIS: On an average we have -- I would say the response rate varies greatly by the medium that we do the survey. And that would vary probably from the 15 percent to about 30 percent of response rates.

MR. RADFORD: Right.

MS. BOURGEOIS: Just to give you a perspective, Statistics Canada has about 5 to 10 percent response rates depending on their survey. Most of them are mandatory too.

MR. RADFORD: Yes, exactly. On the reports that you do get in -- the responses you get in, are they -- can you classify them as the larger members of your group? Or are they of the mom and pop operations?

MS. BOURGEOIS: Really the mom and pop operations. I would say more than 50 percent of our members have fewer than five people. And they are surveys that we get back then to have a very good representations of that too.

MR. RADFORD: Thank you for the education.

MS. BOURGEOIS: Thank you.

CHAIRMAN: Thank you very much for your presentation. I appreciate you taking the time to come here today.

I don't see Mr. Plante. Did he slip in sometime this morning? All right. Mr. Gallant then for Flakeboard?

MR. GALLANT: Good morning, Mr. Chairman and Commissioners.

I guess Flakeboard appreciates the opportunity to address the Board with our comments on the investigation into the DISCO three percent rate increase.

As I have sat here for the last couple of days I must admit I continue to find these hearings informative. And I guess with regards to this one, as we get into some of the numbers, as we look forward a little scary, specifically as it relates to the numbers that were discussed about the refurbishment of Lepreau in relation to the deferral account, interest expense related to that capital expenditure and the depreciation expense. And all those costs that will have to be looked after as we go forward.

One of the things that I kind of quickly come up with, we are going to have a hard time to reconcile that three percent increase over the next coming years will satisfy the financial needs that we have heard about in the hearings here.

For us and I believe industry in general, understanding of cost is critical. And especially for a significant cost item like power for us and some of the other industrials in the province. And it is important to our planning and future capital investments which require us to remain competitive in a global environment.

What we have seen over the last -- since 2005 we have seen our power rates go up by 25 percent which has been a staggering amount in three years.

I guess I would like -- to start I guess I would like to touch on -- basically my presentation here will -- basically three items that kind of hit me over the last little while. With all the information that has been presented here I'm sure we could go on for quite awhile and pick through a lot.

But I think at the end of the day the main focus that I know industry and I think all the ratepayers in the province require is that NB Power is operating as efficiently and as effectively as it can. And I think if it has got to that point what else can we ask?

So one of the first things that I had come up with was with regard to benchmarking studies. I have been at various hearings over time. And I have heard different talks about benchmarking studies that NB Power has been involved in.

And please correct me if I'm wrong but I have not been aware -- I haven't actually been able to see them. And I'm not sure if they have been available to the public to look at.

One thing that I guess I would request as part of this investigation, that a formal benchmarking study is filed with the Board annually to allow the ratepayers of the province to understand how well NB Power is actually performing in relationship to their peers.

You know, whatever the format that takes. But I think it definitely should be in a manner that compares how well they do with regards to allocation of resources, whether it is how they generate their power, whether it is in a manner of cost per kilowatt, whether it is manning per kilowatt generated. I just think -- I believe it is a right of the Province to understand how well they are doing.

The other part of the filing would be, if they are not a top performer in each of those areas, that they explain how they anticipate to get to there.

With regards to ourselves and the Province or any industry, especially as we deal with expanding our shipments throughout North America, we have to operate at our top, the best that we can and be competitive with the remaining -- our industry and throughout North America. And with power being such a large component of our costs, we need NB Power to be at the same level.

One of the other -- to move on, one of the other items that I found interesting with regards to some of the evidence performed -- or the evidence presented. And one of it was related to Andrew Logan's report.

It related to an analysis that he did with regard to the reduction of the forecasted expense between revision B of the budget and revision C. The revision B was performed on December 27th. And the revision C was performed on December 2nd.

In that time what had been reported was that the forecasted expense for fuel and purchased power had dropped by $99,620,000. In his evidence it explained -- 61,000 was explained as the in-province load reductions. The additional reduction was attributed to -- $25,000 was due to switching to purchase power from generation.

I guess I would ask that further investigation be performed to understand this situation. Is this something that can be expanded past the budget that was presented for 2008, 2009? Is there a possibility to get into longer range purchase contracts that would allow NB Power to reduce the amount of generation from its highest cost generators? I really found that interesting.

And is there some change in the power purchasing structure that will -- obviously it allows this to happen. Because it wasn't in the first budget and had been revised in the second.

And is that an opportunity for us to cut some costs out of our go-forward numbers? Because as I said before, in my anticipation our go-forward numbers -- it may be very interesting going forward.

Another point that I wanted to touch base with today. And this one is obviously kind of close to Flakeboard's issue lately, is the fact that we have lost three of our top electrical tradespeople to Lepreau.

These are tradespeople that we absolutely need in these times that we see with regard to the competitive environment that we are facing, to help us run at our best levels. And they have been -- we have lost them to Lepreau.

And these are employees that Flakeboard has spent tremendous money training and time training on getting them to the level that we need to operate our business the best we can.

The reality is we lost it to Lepreau because of money. I mean, we couldn't afford -- we couldn't get into a bidding war to keep those employees.

So not only do we -- are forced to pay higher electrical bills, we are also losing our employees to NB Power to allow them to work on their projects. But it also comes back that they have to pay that higher premium to get our employees. It will ultimately come back to us as an additional cost on our rates. So that has been a really tough one for us to handle.

I guess the problem on that that we are trying hard to understand is -- we are trying to understand why NB Power had not seen this coming. I mean, obviously they knew the shutdown was -- and the shutdown at Lepreau was inevitable -- or it was planned for a long point.

And also one of the other issues that we have heard is that their skilled trades are getting nearer retirement and they need to turn over their people, which we all do. But we are wondering why they haven't been able to do it internally?

As I said, you know, we can talk about, you know, the budgeting process. And we have heard different issues on the budgeting process. But the reality is at the end of the day -- and we have seen it over the last few years -- that if the financial results aren't there, NB Power can come back to the Board and ask for a rate increase and provide documentation and provide information that allows the Board to approve the rates.

Flakeboard doesn't have that opportunity. If we don't perform and proceed we are just not going to be able to be here.

So I guess that relates back to coming up with ways to really hold NB Power's feet to the fire with regards to using their resources and being basically a world class performer as it comes to generating power in the province of New Brunswick.

I guess I appreciate -- thank you for the opportunity to address the Board this morning. And thank you.

CHAIRMAN: Thank you, Mr. Gallant. Any questions from the panel? Thank you very much for your presentation. Mr. Lawson?

MR. LAWSON: Thank you, Mr. Chairman, members of the Board.

I would pass on, just because I happen to know this, Dave Plante would be, I'm sure came to be here.

But ironically he has a -- they are putting on -- CME is putting on a program in Fredericton today and tomorrow that he is obviously driving. And ironically it is also on productivity, which of course is something near and dear to the hearts of his members I'm sure and most businesses who are customers of NB Power.

So I don't think his absence is a vote of confidence in the three percent rate increase. But I don't know that. I don't speak for him.

I think one of the reasons why the three percent threshold has been put in because -- for being able to have NB Power put it in without a hearing is because it is perceived as a relatively small number.

I think what the government needs to understand is that particularly for two groups, three percent is not a small number. You have heard from the Voice of Real Poverty. For those people three percent increase is not a small number. There are a lot of people.

The figure of 15 percent is a provincial-wide basis. In the city of Saint John it has only recently been reduced to 21 percent, 20 to 21 percent of the people living in poverty as defined by this low income cutoff rate.

So that is a very -- and those numbers are very real. I mean, there are people that the government must address. I'm not so sure if the right way to address it is in fact through power rate issues. But the government must address the issue of people living in poverty.

And I know there are some people in business and a variety of other groups who are working to try to get government to understand that. That is not here for this Board for consideration at the moment.

The other group are the large industrial customers and the large customers. Three percent translates into a very significant amount of money for them.

I'm a residential customer. And do I want a three percent increase? Of course I don't. I would rather not have any increase.

But for me and I think for many of the customers of NB Power, it is not going to make or break their world. But it will potentially make or break -- make a big difference to the large customers and the people living in poverty in New Brunswick.

So I think the Board, in its report to government on this -- because as the Chair has pointed out, they don't have any decision-making power in this regard. It is just a report to government. But I think that is a message that should be communicated to government.

I just have a few points that I wanted to raise. And they are sort of not connected. So I apologize. But the first one is I guess a comment. And that is that the Board made a decision for DISCO, and it was for DISCO, on the interest coverage ratio issue, that the appropriate interest coverage ratio would be 1.1 percent.

The evidence shows that we have before us that if that same 1.1 percent rate was used for NB Power, no increase for NB Power would be required this year.

So whether it is appropriate to apply the 1.1 percent to DISCO -- or sorry, to NB Power as a whole raises another question, which is this question that I tried to raise yesterday with the panel. And that is the break-even question.

I mean, the evidence was yesterday that there has been no direction by government, the shareholders, that self-sustaining -- the direction for NB Power is to be self-sustaining, no direction from this government, that is to be self-sustaining. Really, the only direction that appears is that they are to be break-even.

And I'm not so sure I can agree with this very broad definition of break-even. I think everybody would agree break-even to most people means you don't make money and you don't lose money.

If you go to a gambling table and you break even it is not because you made less with a whole bunch of money, with a bunch of cushion for the next time. It is the fact that you came out, you didn't lose your shirt. You are not going to make any big trips on your winnings either.

Break-even means you don't make money, you don't lose money. Yes, maybe you have to have some cushion one year to the next because each year is unpredictable. So maybe you average to break-even.

We know from the statistics as of recent years they are doing better than average of a break-even. So government I would suggest, if in this case they were to truly break even, a zero number, their $69 million is the forecast profit, I think the statistic is that every one percent increase represents $12 million. It is about consistent with the fact that the three percent will generate $37 million.

What that would mean is that instead of an increase for truly a break-even, there could be a rollback for NB Power. I didn't do the math. But it must be in the neighborhood of two percent, in that neighborhood. A rollback of two percent would take them to a break-even.

I submit that there is a conservative element of financial planning, appropriate perhaps for a utility. But it is conservative.

Mr. Radford very well pointed out that last year NB Power said we are losing $300,000 a day and we need an increase. We are, as most businesses would describe, we are bleeding to death. We need that increase. And the increase was given.

They had projected $36 million in profits. And they now appear to be headed for $85 million in profits. In fairness, at least part of that is extraordinary. Hadn't planned on the PDVSA settlement. Mind you in that $36 million was whatever the incremental costs were of the not having the PDVSA deal. But they hadn't planned on it.

Even if you take out the extraordinary elements they made $53 million last year. Or it appears destined that they will make around $53 million last year. That is not 36 million. That is significantly more than $36 million.

Now the Federal Government for example has been very good at projecting surpluses and then coming in, we are all happy about it, they come in with substantially more than they have, conservative budgeting. That is a small c conservative rather than a big C conservative, I might add. No political comments here.

So they are projecting $69 million for this coming year. Last year they projected 36'. They came in with somewhere between 53' and 85' depending what you do with accounting. $69 million isn't close to break-even.

And we would -- and in addition to that, it can't be lost sight of that while some money, to get to the 69', to reduce the revenue that would otherwise be -- the profit that would otherwise be there -- money is paid to the Province.

Some of that money is, yes, credited towards debt of the Province -- or debt of NB Power. Others goes to the government. It goes to the government's coffers, if you will, directly or indirectly.

And in 2000' and -- for this forecast year, in addition to the $69 profit, it is anticipated there will be $55 million that will be paid to the Province for which there is no credit being given on debt. It is $55 million.

And that is my estimate of $20 million.

And it is my estimate $20 million for a management fee or guarantee, loan guarantee fee and $33 million of money that is taxes that are not of the variety that get credited as if they were -- as if it was to reduce debt, I'm sorry.

Last year that number is even larger. In the year -- the third quarter statements have been filed with the Board suggests that $77 million has been paid. That includes some of the debt repayment component plus a $20 million guarantee fee.

Plus it appears -- and I don't know because there is a bracket around it -- but it appears as though it is an $8 million dividend that was paid. Plus the government gets to incorporate in their books the $85 million profit.

So that is far from break-even. Or if it is not break-even -- I like the break-even at the roulette table anytime I step up with those kinds of numbers, I can tell you.

Now the information that has been provided indicates that there is a $16 million loss within DISCO, if you use the statistics that have been filed.

It can't be lost sight of though that the bottom line is $69 million. And we know where a lot, almost all of the revenue -- in fact there was some indication yesterday maybe all of the revenue. But I don't think it is all the revenue.

But most all the revenue for Genco and for most of NB Power come from the customers, from the DISCO customers, the people who are going to get the three percent increase in place.

That $69 million is essentially coming from the customers. Maybe it is through other parts. Maybe it is through Genco. But it is coming from the ratepayers. They are the ones who are contributing the vast majority to revenue.

So whether it is a $16 million loss or a $72 million Genco profit, almost all of it comes from the people who are the people who pay the power bills daily to NB Power.

I would just like to also, just briefly, vesting energy price issue. And the Vice-Chairman raised it today. And it was dealt with yesterday in my examination.

I think there was an agreement by one of the panelists that in fact if in December a calculation -- a rerun was done for this third run that included asking it to do a rerun of the vesting price, the price that was charged down to DISCO for the energy.

So they did a recalculation based upon the volume. But they didn't do a recalculation to vesting price. And the contract, PPA, power purchase agreement doesn't contemplate it. It says you do it in October or late September, first of October, that is the price. Regardless of what happens in the future that is the price.

They knew that things had changed dramatically between then and December. They reran it on the basis of volume and the purchase power volume. But they didn't rerun it on price.

If they had rerun it on price, Mr. Good's evidence, as I understood it, was that price would be lower. DISCO, the customers if you will, would have been charged at a lower price. But they effectively hide behind the contract. And I don't use that term loosely. But they effectively say the contract says you do it in October and that is it. You don't change it. And we have heard that in both the previous hearings. It is done in October and you don't change it. Yet they changed it when it was arguably convenient.

Point Lepreau. I am perplexed. And I do not believe that 700 people are going to be busy beavers over the next

18 months -- not only 700 people -- they have to hire more people at Point Lepreau to keep that place running to not generate power over the next 18 months.

We couldn't get into it in detail yesterday for time reasons. Plus the panelists weren't all that familiar with it. In fact I believe Ms. Clark's comment was, I wondered the same thing. What are these people going to do?

I think -- and I would encourage the Board to have a detailed look at this question or at least get government or NB Power to have a detailed look at this.

Because I cannot buy the idea that a plant is closed for 18 months and that 700 people will continue to work, and you had to hire -- they had to hire a bunch of other people, consultants and extra employees to look after that, and not get any credit back.

If they are in fact working for AECL, not it appears, at least there is no indication of it, get any credit back for the time that they are presumably spending on this contract helping AECL. In fact this isn't evidence. And I'm not swearing on the Bible.

But I spoke with somebody yesterday who come. And a lot of the AECL people need the NB Power people there because there isn't the degree of expertise that perhaps there should be. And some of that expertise is being brought by the NB Power folks.

Well, if in fact AECL is using the expertise of NB Power folks to carry out the contract, then there should be some credit given to we the taxpayers, we the ratepayers of NB Power from AECL. Anyway that is a can of worms.

Second to last point I guess -- I must say when this appeared to -- you know, what I will call the full and frank disclosure of all of NB Power's information and that the rate increase being based on all of NB Power's information and it all being filed, I thought that was wonderful. It was a change if you will that there is an opportunity to review all of this.

Now I am a cynic by my nature. It is part of the profession, as some of you may know or at least some of us in the profession have a certain cynicism. And maybe I am wrong, but I asked myself yesterday is it possible -- and this is wild speculation on my part, but is it possible that there is an opening up to the idea because we know that there are substantial costs coming down the tube with Nuclearco and the refurbishment.

And I must profess I haven't gone to look at the PPAs to see what the PPA does about how price adjustments between Genco -- or sorry, Nuclearco and DISCO take place to allow DISCO, the regulated utility to have to pay all those extra costs, and there are going to be a lot of them as result of the refurbishment. But is it possible that by opening it up and making it all the company that there will now be an ability to recover some costs that may not have otherwise been recoverable down at the regulated DISCO for all of DISCO for that.

Now as I say, wild speculation. I would normally slap some somebody in the head for saying things like that if they don't know what they are talking about. I am throwing it out for the Board's consideration.

And I guess that is the last point. So thank you very much. I do appreciate the opportunity to participate. And more importantly to participate without having to answer to anybody, except of course the Board.

CHAIRMAN: Thank you, Mr. Lawson.

MR. LAWSON: I presume there are no questions.

CHAIRMAN: Any questions from the Panel? Thank you for your participation.

MR. LAWSON: Thank you.

CHAIRMAN: Mr. Wolfe?

MR. WOLFE: Thank you, Mr. Chairman, for allowing me the opportunity to speak today. Since I understand that you cannot change the rate increase, I have several recommendations I would like to make today that I hope you will take under consideration.

As I look at this evidence that we have gotten over the last few weeks, it strikes me that this proposal is so different from all the evidence we received at the last two, three hearings, whatever it was, over the last few years. And one reason in my mind is that it is so different is there is so many new variables and so many new one time events. And it may never happen again for a long time.

The number one thing that overrides all the others in my mind is the Lepreau shutdown. First of all, this is a very huge capital job. It is going to incur a lot of new debt. And I would assume that somewhere down the future, we are going to get a whole bunch of new interest costs against the daily cost of NB Power.

Secondly, it has resulted in the generation of a large deferral account. And I will talk about that later.

Third is resulting the need for large volumes of imported power, as compared to previous years. And lastly it is resulted in a huge reduction in export power income, again as compared to other years.

So a lot of one time events there. Outside of the

Lepreau shutdown financial issues, this budget has some other one time occurrences such as in no particular order, number one, there was the selling of a fuel hedge. Now this may have happened in the past but we always got DISCOs numbers only and DISCO had fixed PPAs. And so there were no -- we couldn't get to that sort of detail. Secondly, there are large increases in fuel prices. This is not necessarily new to this budget, but price escalation on fuel seems to have taken on a new higher rate of increase lately. Just the last three days alone, we have seen crude oil prices go up -- or sorry, go down $7 and back up $4. So huge volatility.

And third, finally over the last few months, the industrial sector has seen a huge reduction in its use of power and that's resulted in a much, much lower load pattern for NB Power. And I will talk about that in a little bit too.

So all of these items produce a lot of uncertainty. Some are going to be good for NB Power, some are not going to be good. Some are going to be bad. But in my opinion all these one time items make it very difficult to produce a meaningful budget.

Anytime you make a budget, it is always helpful to compare to the prior year's results. This year there is no prior comparable year because of all the one time hits. As well, it is NB Power's policy to make their final PROMOD run in October, six months before their year ends. Although for this budget they did make a run in December, but that's still four months before year end. Perhaps many years ago when business was more predictable and less volatile making a budget six months early was okay. But in today's business climate, you need to be flexible, budget preparation needs to be responsive to change. To me this means a budget is finalized two months from year end, not four or six as NB Power seems to believe. I worked on many, many -- for many, many years I have worked at several pulp and paper companies, and our year end was always on December 31st. We were -- we never had a budget prepared before November 15th. And many, many times it was December 1st before we would finalize our budget. To think that you would do it six months ahead of time, you have no idea what is going to happen in the next year. Next, in response to CME, Question 5, it talks about the so-called break even directive from the government. And I did my own take on this and given the benefit of the doubt to NB Power, I concede that they are saying that their normal fluctuation is $50 million, so to me their net earnings shouldn't be any higher than $50 million in a normal year. One way, of course, to reduce fluctuations is to make a budget closer to your year end I believe.

It is also worth noting that in document number 3, on the footnote of table A on page 5 of the introductory section, the net earnings for the year just ended on March 31st 2008 are projected to be $53 million when you take away the reversal of the one time dollar value of the PDVSA lawsuit. To report financial results without one time events is entirely consistent with practices of the Toronto Stock Exchange companies. So the budget before us results in a $69 million net earnings. Comparing to last year, that's $16 million higher. Comparing to my idea of a break even, it is still $19 million too high. And I would suggest that here we have a budget with so many unknowns on both the positive and the negative sides, at the very least, the net earnings should be no higher than the previous year and that would reduce the proposed increase from the current $37 million down to at least 21 million.

In my opinion, the 3 percent request results -- which results in the $37 million increases there because it is the largest it can be obtained without a hearing and also NB Power has a history of 3 percent increases.

Also yesterday during the Panel, one of the NB Power representatives said it was necessary to have positive retained earnings, even reducing the net earnings by $16 million still results in positive retained earnings.

We also learned yesterday that when Lepreau restarts the added depreciation and the repayment of the deferral account is going to add a minimum of $55 million to NB Power costs as compared to this year. And that doesn't even count the new interest that is going to come on the new debt. These costs -- if 37 million is 3 percent, these costs by themselves will add almost 5 percent to the rates. If such a large increases are on the way, all the more reason to keep this year's rate increase at the minimum needed.

One huge change that I -- of all the ones that I listed earlier, is the big reduction in power usage by the large industrial class. Over the last few months, there have been many, many businesses shut down, all of them resulting in lower power use within the province. And indeed there also has been more shut downs announced now for later this year.

Now my company is part of the large industrial group, and internally we have also seen an overall reduction in our power use just to try to be more efficient and try to cut our costs. And sometimes the result has been permanent shutdowns within our own company as well. If this 3 percent goes ahead, the large industrial group firm rates will have gone up by more than 25 percent over the last three years. And at the same time due to all these closures and the evidence that NB Power presented, the industrial transmission usage has been reduced by almost 18 percent in two years. 18 percent of the businesses -- of the use that has gone out of business. And the use of interruptible power has a reduction of almost 24 percent over the same two years, all because of less business in the province.

Just to repeat, there has been a 25 percent cost increase to large industrial customers in three years and a reduction of almost 20 percent in the load for NB Power's. Not a very good trend and increasing costs on both sides. And it is another very good reason in my mind to try to keep this year's increases as low as possible before more companies end up leaving the province and increasing the cost to NB Power.

At the last hearing one contentious issue was the request for a cost allocation hearing. Now there is such a huge change in the power use pattern likely a cost allocation hearing is needed now more than ever.

In the evidence NB Power stated that one of their goals was to become self-sufficient. Hard to argue with motherhood. But I don't believe the province can afford at this time to absorb the increases needed to allow NB Power to become self-sufficient, because yesterday it was stated that an interest coverage of 1.75 times is needed to become self-sufficient. Comparing to the budget this year that it's 1.27 times, I don't know what that means in actual dollars but I can see that it would be a big -- a much bigger increase. Imagine what that would do to the rest of New Brunswick businesses that are running today. Rather than self-sufficiency I believe the Board should include in its ruling the recommendation that NB Power needs to work harder at becoming much more productive and more efficient before more people go out of business in this province.

So if I can summarize what I would like to put out. First of all with so many unknowns I think the Board should recommend the budget net earnings to the current year should be no more than $53 million which is last year's earned. Ideally it could be mandated at $50 million rather than 69 million.

Number two, I would propose that the Board recommend that NB Power consider changing their budgeting process in order to when ordered to produce a budget that is finalized closer to the actual year end and allows for fewer unknowns.

Number three, I propose that the Board recommend for NB Power to work more diligently at becoming more efficient and more productive, especially now that we know what large increases are coming at us in a couple of years. Perhaps we can start to stem the tide of all these business shutdowns.

And my last one is yesterday we learned that NB Power monthly statements are ready on the fifth day after every month end. Since they seem reluctant to share up-to-date financial results I would propose that the Board order NB Power to provide consolidated quarterly reports on a timely basis. The evidence states on page 1 of appendix D in document number 3 that the NB Power Board will be provided updated quarterly reports throughout the budget year. I see no reason why you as the Energy Board and all other interested parties would not get the same documents. That ends my submission. Thank you very much.

CHAIRMAN: Thank your for your submission, Mr. Wolfe, and for your participation over the last couple of days. Any questions from the panel?

MR. RADFORD: Mr. Wolfe, you have obviously tremendous

experience in this field land I thank you for your comments.
You spoke about becoming more efficient. Did we hear anything in the last two days on efficiency?

MR. WOLFE: I don't believe so, but the person from Flakeboard also said that we need some benchmark data, and all of us in business work off of benchmark. We always try to compare to other people and try to become the best in class if we can do it. And that's a good idea, I think, to find some benchmark data for NB Power.

MR. RADFORD: But what I heard yesterday and today, there was no talk on efficiency from the power commission. You just gave us numbers.

MR. WOLFE: You are correct.

MR. RADFORD: And there was no -- there was no indication of why this decision on the 3 percent was made. Did you hear anything yesterday?

MR. WOLFE: I believe it's done because they can get 3 percent without coming to the Board.

CHAIRMAN: Again thank you for your participation, Mr. Wolfe. And Mr. Peacock I don't believe has arrived this morning. That would bring us to you, Mr. Morrison. Do you want a bit of a break or do you want to --

MR. MORRISON: I think we anticipated most of the comments coming forward and I'm prepared to proceed now, Mr.

Chairman.

CHAIRMAN: Okay.

MR. MORRISON: Let me start by saying that this is not a rate application. It's an investigation under section -- of the EUB Act. Assembling the evidence required to support and prove a revenue requirement for a rate application takes, as I'm sure you can appreciate, many months. That time was not available to my client in this proceeding. The result is -- and I know that the parties are looking for the same level of detail. Mr. Radford talked about the discussion of efficiency. That detail and format of the information that has been filed is not the same as what you should expect or anybody else should expect to be of the same level as it would be if this was a full rate application. It is physically impossible. Now there is another difference. Perhaps it flows from the nature of this investigation and the fact that it isn't a rate application. The information filed in this matter is different from a rate application. There is no question about that and it has been commented upon. The information that has been filed has not been restricted to DISCO financial information. Indeed it does not present the DISCO view in isolation but rather the financial picture of the entire NB Power group of companies. So why was this done.

This Board was directed to investigate the financial information to justify and support the decision to increase DISCO's rate by 3 percent. The decision to increase DISCO's rates was made by the Board of Directors in February of this year. The directors based their decision not on DISCO's financial forecast alone but on the financial forecast for the companies as a whole. That was how the decision was made and the material filed is the financial information relied upon by the directors to support that decision.

This Board as I mentioned earlier has been directed by government to review the rate decision made by the board of directors. In essence I would submit that the government has delegated responsibility to this Board to in effect be an advisor to government and to review that business decision, the decision on the 3 percent rate increase.

As you know all of the operating company's revenues ultimately roll up to the government, and the government looks at the NB Power group as a whole. That's the perspective it takes. As I mentioned before this is not a rate application under section 101 and I would submit this Board is not sitting as a section 101 regulator for this proceeding. It is investigating whether the business decision is justified.

Now it has been suggested that it is not appropriate to present the consolidated view in this proceeding but rather only DISCO's costs should have been presented. I submit that in the context of this proceeding the consolidated view is the right way to approach this process. It would be the wrong way to approach a rate application.

Now in cross-examination yesterday Ms. Desmond suggested that the consolidated view approach is different from the approach taken in the previous two rate hearings. And I agree entirely with that. It's a different proceeding. In fact it's a very unique proceeding.

Ms. Desmond went further yesterday and suggested that the approach taken in this process contradicts statements made by Mr. Hay in the last rate case, and you will recall that I objected to that question and I was probably a little hard on my friend, and she is my friend by the way. But there is a reason why I objected, and it's well known that you can't cross-examine a witness on a previous inconsistent statement, or should I say an alleged inconsistent statement, by another person, and that is because third party cannot put the statement made by another person in context, nor can they explain what their words meant. And I know, as the Chairman pointed out, we -- this is not a trial and we have panels. But in her cross-examination Ms. Desmond referred to a statement by Mr. Hay that basically said DISCO must play by the rules. And the suggestion was that perhaps -- and I don't want to put words in Ms. Desmond's mouth, but the suggestion was that perhaps NB Power is not playing by the rules in this proceeding.

Now what Ms. Desmond did not put to the witness was the exchange leading up to that comment by Mr. Hay, and I went through the transcript last night. Mr. Hay was discussing the difficulty -- and that was at the opening panel of the rate increase last year. He was discussing the difficulty that management had in trying to reconcile the regulatory regime that we live in with the reality of how the utility operates. And I'm just going to refer back to what led up to that quote, and I think it's important because I don't want to leave the impression that either I or my client is playing games with the Board in this regard, because we have been forthright and Mr. Hay was quite forthright in identifying the challenges that he faced and management faced in dealing with the legislation as it exists. It's a question on direct actually, and he said, the structure is proving to be a difficult one. It was put in place on October 1st, '04, and I'm sure everyone in the room would understand and agree with that statement. And there have been various statements by the government that the government intends to look at the structure with the potential to make some modifications. To date there are no changes. And this is the part that Ms. Desmond quoted. And the attitude that we have to take is the rules are the rules and we must live by those rules, and so we have filed on that basis for the distribution company in order to obtain the revenue requirement for DISCO.

Now later that same morning under cross-examination by Mr. Thériault, Mr. Thériault was asking Mr. Hay basically how decisions are made by the company and so on, and this a question by Mr. Thériault in cross-examination. He said, okay, let's set aside the holding company for a moment, or the holding company. Dealing with the affiliated companies. He wanted to deal with the affiliated companies. And Mr. Hay in his response says, well we can't set aside the holding company of course. I mean we have a structure. We have a structure that was designed and put in place in October of 2004 which was never born. It was a structure that was set up to have private level insurance in five separate companies and split up in revenue through power purchase agreements among all those five companies. And at the time it was envisaged that there would be five separate CEOs, there would be five separate balance sheets, there would be five separate boards. That did not occur. There was only one company that got it as you know and that was the transmission company. But the Board and the CEO are duplicated over all the companies and frankly that has been a very good thing for this province because when you look around the experiments in North America particularly they have been badly handled and a lot of people have lost money. So the prior government had a proposal and a plan of going slow and deregulation which it did.

The current government has already indicated their intention to potentially modify the current arrangement. And so management in the meantime, as I say, is in a somewhat difficult position of trying to work with this group of five companies in a way that respects the government's -- what the governments are intending to do.

But there are a set of rules and that is what we are doing.

In short, what Mr. Hay, and I would submit was quite clear in the last proceeding, what he was saying is that there is a disconnect between how the utility operates and how it is regulated. And if you recall I made that same point myself, perhaps inarticulately as I read the transcript last night, during the generation cost hearing last June, where I was talking about this disconnect and made reference to the analogy of trying to fit a square peg into a round hole. Unfortunately I said a round peg into a square hole which I am told is quite possible.

However, both Mr. Hay and I stated in the last proceeding that when it comes to a rate hearing we do have to play by the rules. And that is we have to file evidence based on DISCO's perspective. And I'm not going to comment on what if anything the government should do with respect to the regulatory regime for NB Power. I suspect you may want to do that in your recommendations to government, I don't know. But the point is that when it comes to a rate hearing we don't have any choice but to file on the basis of DISCO's financial results. But again this is not a rate hearing.

So let's look at this 3 percent. What we filed was the consolidated view. When you look at the financial picture of the NB Power group as a whole there are two factors that become very apparent, and those are highlighted in the overview or the introduction in the material filed in April. First there is an increase in fuel and purchase power expense of $31 million and there is a decrease and out of profit gross margin almost entirely due to the Lepreau refurbishment of $32 million. That's $63 million.

Now parties have been critical of the fact that in the NB Power group as a whole is forecasting a net income of $69 million. This is this notion of break even which Mr. Lawson referred to this morning. And they are asking, well how can you increase rates as long as there is any net income? Well let's put this into perspective. The total revenue base of the NB Power group is approximately 1.4 billion dollars -- billion dollars. The net income represents only 4.9 percent of that revenue.

Furthermore the $69 million as Ms. Clark pointed out yesterday, or a good chunk of it, could easily be wiped out by any one of the risk variables inherent in the operation of the utility. And those are normally hydro, export sales and weather events. And we had a long discussion about those risk factors in the last rate hearing.

Because of these inherent risks I submit it would be irresponsible for the directors of the NB Power group of companies to budget for zero net income. Irresponsible.

In addition, and I'm sure the accountants in the room or anyone who has had to deal with Revenue Canada can attest, you cannot sustain an enterprise that consistently does not have an appropriate level of retained earnings.

It's my submission that the consolidated financial view of the companies clearly demonstrates that the 3 percent increase is fully supported and justified. I'm sure someone is going to say, well that's all fine and dandy, but the Board only has jurisdiction over DISCO. I have said what I have to say on that matter, other than the fact that the material that has been filed is clear. If you considered only DISCO's forecasted revenues, only DISCO's forecasted revenues and expenses, a rate increase of approximately 5 percent would be justified.

In short, by taking the consolidated view the financial performance of the other companies is subsidizing DISCO in this year, and thereby reducing the rate impact to customers. And I notice that Mr. Lawson in his comments yesterday thought that was an appropriate view to take.

So if you look solely at DISCO's financial forecast, which some have argued that's how you should do it, the 3 percent increase is more than justified.

There is one comment that was made by Mr. Lawson in his final submission. It dealt with the workforce at

Point Lepreau. He basically said that he didn't believe what the panel had said yesterday. First of all, I guess the costs at Lepreau don't have any impact in terms of this 3 percent rate increase in '08, '09. They obviously will have an impact on the deferral account and perhaps, as Mr. Wolfe alluded to, there may be some ongoing issues with Lepreau as we go out in time.

So to that extent I don't believe Ms. Clark was fully prepared to get into the details about the workforce at Point Lepreau. But the fact of the matter is that that's a statement that's on the record and there is no evidence to contradict that. So I did want to raise that, that I don't believe Ms. Clark was being untruthful in her response to the question, nor was she trying to be evasive.

Those are all the submissions I have, Mr. Chairman. Unless there is any questions, which I will do my level best to answer, but we will see.

CHAIRMAN: Thank you, Mr. Morrison. Any questions from the panel. Mr. Radford?

MR. RADFORD: Just a couple of clarifications, Mr. Morrison. I'm trying so hard to do what is right here and so I have to ask some questions.

MR. MORRISON: I understand.

MR. RADFORD: I don't understand the dividend. What is the dividend that moves from the power commission over? Where does that dividend go? How does that work?

MR. MORRISON: The dividend from the power commission to the province?

MR. RADFORD: Is that where it goes? Why is it dividend rather than just the surplus going over.

MR. MORRISON: Well when you look at the shareholders' agreement, and I'm going by memory here, Mr. Radford, Mr. Lawson I believe got into some of the revenue stream that goes from the NB Power group, if you will, the utility to the provincial government -- the provincial government is the shareholder. Minster of Environment holds one voting share -- sorry -- the Minister of Energy owns one voting share I believe. Electric Finance Corporation holds some preferred shares, but for all intents and purposes it doesn't matter, it's the shareholders, the province.
There are payments in lieu of taxes which are legislated.
And that was to put the company on the same type of level playing field as any other company. So it pays the equivalent of taxes to the government, payments in lieu of taxes. They are legislated.
The company also pays regular taxes, property tax, right-of-way tax, those types of things as any other

enterprise or individual for that matter would do. So that's one revenue stream. If you want to say that that's the legislated revenue stream.

My understanding from the shareholders agreement is that -- and under the Act that the Minister can direct that a dividend be paid from the company to the province as shareholder. As I understand it Transco is the only company that pays regular dividends because they have a capital structure. So if the Province I believe under the legislation can declare a dividend, however the money that's paid, and I think it's under section 37 or section 38 -- section 37 I'm reminded -- of the Act -- any money that's paid over and above these tax life items that's paid to the province has to be used to retire the legacy debt, because when the utility was restructured the province took -- how many hundred million -- $187 million of legacy debt from NB Power onto the Province's books. So any money that flows from the utility to the Province has to be used to retire that debt. And I believe that's by legislation. That's what I understand how this dividend stream works.

MR. RADFORD: I was just a little lost on that.

MR. MORRISON: I'm sorry. It was over 400 million. It wasn't 187 million. 400 million.

MR. RADFORD: And yesterday Ms. Clark mentioned about when she was talking about Point Lepreau and she gave the analogy of all we are doing is taking the engine out of the car and press the car. But she said it was 70 percent operational. What did she mean by that?

MR. MORRISON: I will check with Ms. Clark. I will give you just from what I know from my involvement in the Point Lepreau refurbishment hearings of six or seven years ago, and that was a previous refurbishing proposal that didn't come to fruition. But the issues I think are primarily the same.

A big chunk of what happens at Lepreau, and I'm sure someone will correct me if I'm wrong, but a big chunk of what happens at Lepreau and a big chunk of their operational costs really goes to satisfying the regulator. The nuclear regulator is for obvious reasons very diligent. They have redundant security programs, very sophisticated computer programs to meet just regulatory compliance. And I'm sure someone will correct me on this, but my guess is that a big chunk of those costs are those ongoing regulatory requirement costs. Now there is also -- you have got to secure the plant, you have got to secure the nuclear fuel, so there is security, there is fire suppression, all of those things. So unless Ms. Clark is telling me I'm completely off base, there is water, electrical safety security, there is ongoing training, and 70 percent of the systems are still running which I'm assuming are a lot of these -- they are really safety compliance issues and they are done for the regulator.

The other question -- and this arises and it goes to this workforce and I would like to deal with it --the employees at Point Lepreau nuclear employees are very much in demand. And during the hearing that I was involved in that was an issue, because people are looking at the OM&A costs and saying, well gee, labour costs are so high. Well these people can walk out of Point Lepreau and find a job anywhere in the world. So if they are not kept employed they are going to go elsewhere. And that's a huge issue. And I'm sure if you ever do look at the labour costs at Lepreau you are going to see that they are higher than you would see in a thermal plant.

MR. RADFORD: Yesterday morning when Ms. Desmond was asking questions to the witnesses and she made reference to the CEO's statement. You shut her down, legally right, but that was the closest we got to a decisionmaker. I would have liked to have known the answers or what they would have said. You elected not to give us -- or the corporation decided not to give us a decisionmaker on the

3 percent. Now you have made reference to it in your summation now. I can only guess the reason why. But I got to go back again as I mentioned yesterday to this $300,000 loss per day that you came to us and said, we got to have money. And I signed it supporting your position that the corporation needed the money. Before the 3 percent increase comes in on this year, from the figures that I heard yesterday, is that you are still going to -- you were still going to have let's say 35 to $40,000 profit -- you are going to have at least $100,000 a day profit. So you have gone from -- you have gone from a $300,000 a day loss to a $100,000 a day gain by February, and if I understand the figures you are going to get another $100,000 a day by the 3 percent. Show me where I'm wrong?

MR. MORRISON: Well I haven't crunched the numbers, but I can say -- I do want to go back because you raised the matter yesterday and you raise it again this morning about this $300,000 a day.

MR. RADFORD: That is correct. You did say that.

MR. MORRISON: I did say it. And it was true at the time I said it. You have to appreciate of course that all rate decisions are based on -- and your legislation says it must be based on -- forecasted revenues and expenses. So it's based on a forecast. And we all know that every forecast is wrong. They are always wrong. That's the nature of a forecast. One of the problems that you have, and it's a forecasting problem, is that when you try -- Mr. Wolfe is quite right when he talks about one time events. Forecasting revenue and expenses for this utility accurately is a challenge, and it's a challenge because of those contingencies or variables that I talked about earlier. Any one of them can swing, as Ms. Clark said, 20, 30, $40 million.

Now that raises another issue and we talked about it in the last rate case, is whether there should be some regulatory mechanisms in to reduce that volatility so that you have forecasts that -- well they will never be 100 percent accurate -- if you can put regulatory mechanisms, where it's deferral accounts or otherwise, that deal with those highly volatile risks, get those out of the equation, and you will find the forecasting will be much more accurate. So -- and I'm not -- I just don't want you to be left with the impression, Mr. Radford, that I sat in front of you and gave you false information because that's not the case.

MR. RADFORD: Quite to the contrary. I still think you were absolutely right except for the final figures from the --

but let's just use the 300,000. If we use the 300,000 a day loss, and if that is anywhere close to being right, you are going to have -- before the 3 percent going, you were going to have $100,000 gain this year without the 3 percent if we use -- and I think, Ms. Clark, you mentioned that the 3 percent equated to $37 million. So you have that and you have already got a 40 or a 37 -- whatever the figure -- I'm a little hazy on that -- but it looks like you have gone from a $300,000 a day loss to a $200,000 a day surplus. Am I wrong.

MR. MORRISON: I will consult with Ms. Clark and hopefully be able to respond.

MR. RADFORD: Please.

MR. MORRISON: I think I have the answer. In '07, '08 there were a couple of extraordinary events if you will. The first was the PDVSA settlement which as everyone knows came in the middle of the last rate hearing, and that accounted for about $47 million. And Mr. Logan talked about the gain on the hedge positions. Again in a way that flows is also connected to I believe partly to the Lepreau issue but partly from the change of fuelling at Dalhousie. And that was another $20 million. And on this -- in the forecast for '08, '09, they are looking at a reasonable level of retained earnings. So I don't know whether your numbers are exactly correct, but the magnitude of the change seems to be reasonable.

MR. RADFORD: Where it is --

MR. MORRISON: But those are the factors that are driving it, Mr. Radford.

MR. RADFORD: Yes. No, no, I understand the rest of it I think. So thank you very much.

VICE CHAIRMAN: Mr. Morrison, I want to talk a little bit about the report that we have to write and some of the issues and the difficulties that I see going forward in that report.

During your submission you indicated that there seemed to be some people who suggested or thought that your client was playing games with the figures. I have never heard such a suggestion being made, but I think it is true that the matter has gone in a direction that is different than what perhaps was anticipated before anybody was aware of the kind of information that was going to be filed.

It seems to me that what took place here with respect to fixing the rates was that there was an objective of the corporation in its business plan, as well as statements from the shareholder, that the objective was to have an increase of 3 percent or less, this year, and that when the DISCO figures were looked at it would have required a higher increase than that for DISCO to be whole. So the corporation looked at it on a global basis and did an analysis that determined that a 3 percent rate increase would be sufficient if you looked at a corporation as a whole. Are you with me so far? Is that a fair summary of what seems to have taken place?

MR. MORRISON: It seems like a fair summary to me.

VICE CHAIRMAN: Okay. And what I want to talk about now though are some of -- because we have to prepare a report about what has taken place and about the revenues and costs that were used to determine this rate increase. And there are some issues I think that arise from having taken these steps, and it's not the steps are inappropriate necessarily or anything of the sort, but it raises certain difficulties. The first difficulty is it makes it difficult for the Board to do an analysis because we have limited frames of reference. I think going into this process many of us thought that it would be easier than it has turned out to be because we would be working with comparable figures to the ones we have been working with for the last year or so and have become so familiar with. So coming up with new sets of figures I think, or a different approach, causes difficulty for the Board in terms of its analysis.

The other thing is that this approach seems to me to have created some risks that may be of concern to the Board and to the population, and I would like to outline a couple of those to you and ask you -- or your comments and if you want to consult with your client, please feel free.

The two risks that come to mind immediately are that there seems to be increased risk upon the corporation with respect to its finances. Under the DISCO system where you have the setting of the vesting energy price six months ahead combined with the hedging program, you have the energy costs pretty much locked in by virtue of the hedging and the fixing of the vesting energy price. So while that process, as Mr. Wolfe and others have commented on, may have had some down sides one of the benefits to it was that it fixed in these amounts.

Now having made these modifications with respect to the PROMOD inputs and change the planning to include greater amounts of purchase power which is not firm, contracts which are not fixed, there is a risk there, and the panel may wish to comment on that. And so I -- because the Panel may not wish to comment on this, of course, I speak only for myself, but because I think this is a potential area of comment I am raising it now.

The second risk or -- I think is that where we have seen that there have been changes to the power purchase agreements or proposed changes that have been made in order to reduce DISCO costs or to the benefit of DISCO shall we say, in order to allow this increase to go forward at the level at which it has been set. The risk that is perceived is that similar changes at some point may take place in the other direction to the benefit of Genco, which might lead to a higher increase than had changes not been made to the power purchase agreements. So that's a concern I think that may be expressed and again may be, you know, something that the Board may wish to comment on.

And so I put those to you and to your client as my own personal thoughts of some of the areas that we might wish to address in this report and I ask for your comments on them. And if you need to consult or take a little time, please do?

MR. MORRISON: Perhaps take 10 minutes.

CHAIRMAN: All right. We will adjourn for 10 minutes.

(Recess - 12:25 p.m. to 12:35 p.m.)

CHAIRMAN: Mr. Morrison, you have a response?

MR. MORRISON: As usual, Mr. Johnston's questions tend to go to the nub of a number of issues. So I will do the best I can in the time available. But really I think conceptually it's not that complex.

I will deal first of all with the change in the format of the information provided. No question it would have been easier if you had of been able to take the type of revenue requirement tables that we filed in the last two rate hearings and then just plug in whatever DISCO numbers were available and do some type of comparison knowing that it wouldn't be in the same detail, of course, but that would have been the easiest thing for you, and quite frankly, would have been the easiest thing for us to prepare probably. But the fact of the matter is that that's not how the Board of Directors made its decision and we believed that to put it in that format would have been misleading in the sense that really that's not how they made their decisions.

So hopefully somehow that will get rectified either through government action or otherwise as we move forward. Other than the fact that if we have another rate application, there is no change in the legislation, then you can expect -- and I think we responded to an IR to that effect that you can expect to see the same type of filing that we have done traditionally.

You did ask two questions, one is increase risk associated with the purchases. These unhedged purchases, if you will, arose from -- they arose initially from a very unique situation. Again it is the Lepreau outage. You have a load that you have to serve. Lepreau is out. Thermal generation is prohibitively expensive -- well heavy fuel, thermal generation is prohibitively expensive. You can buy the power cheaper outside the province. So they entered into these purchase agreements. They did so -- yes, there was a short term -- there was increase in short term risk, but there also was a counter-balancing if you will of benefit because of the reduced price, the marginal difference between in-province generation versus purchases. But that risk is only a short term risk, Mr. Johnston in the sense that those contracts are being hedged as we speak. We didn't have a figure as to how much of them had been hedged, but the hedging policy does provide for 80 percent hedge rate, and I expect that those will be locked in shortly.

So, yes, there is some short term risk, but the benefit I guess is a management decision. The benefit of reduced costs of the purchases outweighed that risk in management's mind.

You did say that -- oh, the next question I believe was the issue of changing the PPAs. And this is an issue. It was an issue in the last rate case about changing the PPAs and basically running off and changing the PPAs and basically running off and changing the PPAs every time you find a glitch in them because it tends to promote uncertainty. And uncertainty in itself will cause some risk because if the PPAs can be changed willy-nilly, then you are correct while all of the changes to date I would submit have been in "the ratepayers favour" there could come a time when someone would decide to change the PPAs so as to boost the capacity payment to Genco or do something that could be detrimental to the ratepayers. And it should be discouraged, I agree. But I think you can take some comfort in that there are two safeguards if you will in these PPA amendments or changing the PPAs. The first is that all PPA amendments have to be approved by the Board of Directors of DISCO. And I think that's -- you can say well they can do whatever they want, but I think generally as Mr. Hay said in the last case, and Ms. Clark I believe said in her evidence that the Boards of Directors are accountable to a shareholder, as all Boards of Directors are, and the shareholder in this case is the Province of New Brunswick.

MR. MORRISON: Perhaps take 10 minutes.

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The second stop gap is -- and the second safeguard is as is happened in the last rate case -- PPA amendments, they cam to this Board for review to see whether in fact they were prudently undertaken. And I am sure that if the Board had seen a PPA amendment that was imprudent, it would have -- I don't know what your order would have been, but it probably would have been to the effect that you can make the PPA amendment if you wish management, but any cost consequences to the ratepayer flowing from that will be not allowed in rates. I think that's where the other stop gap or safety is.

So I don't see there be any additional risk in regards to the changes to the PPAs. Although from a strict policy point of view, obviously they should for certainty sake they should be thoroughly reviewed. And if there is comprehensive changes that need to be made, they should be made and some type of omnibus process rather than piece meal.

VICE-CHAIRMAN: Thank you very much.

CHAIRMAN: Thank you, Mr. Morrison. Ms. Desmond is there anything else from a procedural perspective that we need to do before we conclude?

MS. DESMOND: Nothing I can think of, thank you, Mr. Chair.

CHAIRMAN: I guess then this concludes --

MR. LAWSON: Mr. Chairman, my apologies, I don't want to have the last word. I just wanted to raise a question -- a point that was raised by Mr. Morrison. If there was any understanding that I was alleging that Ms. Clark was telling an untruth in the evidence that was not my point and nor was it my intention. My intention was to merely point out that I think that she had gathered information from others and I think it is something that needs to be looked at. So I just wanted to make sure on the record there was no indication, no intention on my part to be alleging untruth by the witness.

CHAIRMAN: Thank you, Mr. Lawson. I don't think that anybody took it in that context. Well then this does conclude the public session of the New Brunswick Energy and Utilities Board in connection with our investigation of the 3 percent increase for electricity rates, which took effect on April 1st 2008. And unlike I guess other sessions such as this, we go back and prepare a decision and in this particular case it is a report to the Minister.

At this point in time I would like to thank all of the participants in this process who took the time to come to the public session over the last couple of days. And I think it bears perhaps naming all of the participants because I think everybody did put quite an effort into this process and it is a new and different process for both the Board and all of the participants. So our thanks to DISCO and their panel, to the Canadian Federation of Independent Business, the Canadian Manufacturers and Exporters, to Flakeboard Company Limited, to Gary Lawson, to the J.D. Irving Pulp & Paper Group, to Kurt Peacock and to the Voice of Real Poverty for taking the time to participate in this session.

So I guess this matter is now concluded, the public portion of it at least.

(Adjourned)

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

Reporter