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New Brunswick Board of Commissioners of Public Utilities

Delta Hotel, Saint John, N.B.
January 21st 2002
10:00 a.m.

IN THE MATTER OF an application dated July 12th 2001 by New Brunswick Power Corporation in connection with a proposal to refurbish its generating facility at Coleson Cove

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CHAIRMAN: David C. Nicholson, Q.C.

VICE-CHAIRMAN James E. Bateman

COMMISSIONERS: Robert Richardson
Emilien LeBreton
Jacques Dumont

BOARD COUNSEL Peter MacNutt, Q.C.

BOARD SECRETARY: Lorraine Légère

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CHAIRMAN: Good morning, ladies and gentlemen. It is my understanding that we have five parties who wish to simply make a presentation to the Board prior to summation beginning. And I will get to those in just a minute.

The summation, subject to what counsel and parties have to say will be in the ordinary course. Mr. Hashey would go first and then the various Intervenors. And then Mr. Hashey would have the opportunity to rebut what the Intervenors said.

Then in keeping with the tradition of the Board, we will probably retire. And we may then come back and have

particular questions that we would like to have everybody address at that time. We found in the past that that has tended to complete the record from the Board's point of view.

I notice here though that Mr. Dalzell, Citizens Coalition for Clean Air, wanted to just address the Board.

I think that you have been a party, Mr. Dalzell. I suggested what we do with you is that you take part in the summation as other parties do.

MR. DALZELL: Yes. That was our intentions with that note.

CHAIRMAN: Okay.

MR. DALZELL: Perhaps it wasn't clear, Mr. Chairman.

CHAIRMAN: Yes.

MR. DALZELL: We would just be one of the parties to --

CHAIRMAN: Okay. Well --

MR. HASHEY: Mr. Chairman --

CHAIRMAN: Yes, Mr. Hashey?

MR. HASHEY: -- one small item of business. There was an undertaking given to Mr. MacNutt. And it related to some further evidence that he asked Ms. MacFarlane for. We have that if you would like to have that to be marked as a final exhibit.

CHAIRMAN: Yes. Fine, Mr. Hashey.

MR. HASHEY: I will ask for copies of that to be distributed.

CHAIRMAN: Okay. This will be exhibit A-16. How would you characterize it, Mr. Hashey?

MR. HASHEY: Yes. I think really it is just a consolidated statement of cash flow --

CHAIRMAN: Okay.

MR. HASHEY: -- from the business plan.

CHAIRMAN: All right. That is what we will call it.

Any other preliminary matters? All right. The Board Secretary has written these down 1, 2, 3, 4, 5. And I will just go that way.

The first is City of Saint John. And would the representative like to come up to the reserve table and present to the Board?

MR. CAMPBELL: Craig Campbell for the City of Saint John.

Mr. Chairman, members of the Board, I have just a fairly short statement to make.

On November 19th 2001 Common Council adopted recommendations from reports by staff and the Environment Committee with regard to the Coleson Cove refurbishment proposal. The City's concern focused on "why is natural gas not being proposed?"

The Public Utility Board hearings have provided updates of the initial evidence including material resulting from the written interrogatories and covered some new issues. The City is very concerned that the

region has adequate power for existing and future development and at a reasonable cost. We thank NB Power for all the efforts they are making in that regard. As well the City has a number of other concerns on behalf of its citizens.

NB Power was asked by a number of Intervenors including the City to do further comparison of natural gas options with the Orimulsion proposal. That analysis (interrogatory CSJ-1) does indicate a significant overall greater cost for the natural gas options. It is still not clear how much that would have increased my electrical bill.

A substantial part of the reason was the high volatility for prices of natural gas fuel projected. In the hearings NB Power provided I think A-15, monthly prices for natural gas for the months of 2001. There were spikes in fuel cost in 2000-2001. Prices provided by NB Power for 2001 ranged from under \$2 to over \$9 with an average cost of \$4.38 U. S. They had used 4.55 with an escalation of 1.8 percent in their analysis.

The Province of New Brunswick pursued a number of lines of questioning regarding natural gas prices and noted that averages for the decade were more in the order of \$2.50. In fact the December price was 2.539. As can be seen there are some different approaches to considering

such options. The City supports the general direction of the Province's inquiry toward a more thorough consideration of all aspects of the natural gas option.

The City would also like to see the Province consider the potential economic and business benefits to New Brunswick and to our area if a greater natural gas infrastructure were to be developed, partly as a result of significant users such as NB Power. The Province commented that such a greater market would normally tend to produce more stable and lower prices.

Another area of City concern raised by the Province and other Intervenors was with respect to emission control regulations. We appreciate that the proposals that NB Power has made would reduce emissions in our area. It was noted at the hearings that a number of requirements would not actually be known until the Environmental Impact Assessment process is completed. The options under consideration at the PUB make use of the standards expected by NB Power. Some standards, such as the federal levels for NO_x are under review and may be revised in the near future.

Proposed limits for CO₂, the main component of the greenhouse gases, are not seen to be met by the base case Orimulsion proposal in slide 41 in A-11. A future emissions reduction cost may be necessary. And for

instance NB Power indicated that to meet the federal NOx level now under consideration would likely cost another \$48 million, some of which may be covered by the project contingency of 71,000,000.

A further concern for our area is that as future emission standards are developed that they be met in our region. Proposals for emission credit trading and regulations that apply to the total NB Power system as a whole could mean that Coleson Cove continues to operate without future upgrading as improvements are made elsewhere or credits purchased. We understand that the EIA process is where this may be considered further.

The cost of potential spills, health care and other social costs. NB Power has indicated that these are not specific costs in the comparison of options. As a result we feel that the environmental advantages of natural gas are not reflected in the cost comparison. NB Power indicates, A-10, response to supplementary interrogatory CCNB-30, page 9 that "environmental and social cost of emissions are soon to be taken into account when environmental standards are set for the operation of power plants." Also noted in discussion was that the cost of potential shipping spills are an "insurance issue".

In conclusion, the City of Saint John endorses the direction being taken by the Province toward a more

thorough consideration of all aspects of a natural gas option.

Thank you very much.

CHAIRMAN: Thank you, Mr. Campbell.

The Saint John Construction Association, I presume?

MR. DARRAH: Thank you very much, Mr. Chairman,

Commissioners. I have with me this morning the President of the New Brunswick Building and Construction Trades Council, Mr. Gary Ritchie.

The Saint John Construction Association was founded in 1886 by a number of contractors of the day to establish a working relationship with their consumer customer's, business and labour stakeholders in the community.

The Association today is a responsible representative for the contractors, subcontractors and suppliers for Southwestern New Brunswick. Since 1973 we have been the bargaining agent for the employers for 11 different construction trade unions of New Brunswick, the Construction and Building Council of which seven of these collective agreements are provincial in scope.

The Association, through its collective bargaining, represents 600 contractors with an interface of the 11 unions.

The Association in conjunction with the province and the federal -- the federal -- provincial and federal

associations is the chief spokesman for our industry in various business and labour relations matters. With this involvement the Association has had a major role with its members in participating in all industrial and commercial projects in the province of New Brunswick.

We are the major participants in the development of Coleson Cove, Irving Refining in '73, '76 and the building of Point Lepreau, Belledune, Mill Bank, St. Rose, Dalhousie as well as recent upgrades in the Irving Refinery in 1988 to 2000 -- 1998 to 2000.

We are closely associated with all of these developments, along with the owners. And this is the reason for making this submission to you today, and support this project. This is very important to the overall economic strategy of New Brunswick.

The Saint John Construction Association strongly supports the plan of NB Power for Lepreau's refurbishment -- the proposed refurbishment of the Coleson Cove generation station.

This project will certainly create a number of jobs and contractor opportunities in our industry. It will have a longterm benefit to the Province of New Brunswick and help further position as an energy centre.

Our organization acknowledges this project is complex and involves economic and technical issues that may be

difficult for fully evaluating.

Having participated in all of the Power Commission's projects in New Brunswick in the last 30 years, we are very comfortable with the information provided, and can identify with a number of these benefits which are our reasons for supporting this project.

We summarize these benefits from our perspective around two issues. The improved air emissions as proposed by the refurbishment will result in major modification and reduce output 70 to 90 percent in sulphur dioxide, 55 percent reduction in particulates and 70 percent in nitrogen oxide.

We understand with the use of Orimulsion these reductions will meet current environmental emission standards. This is a significant improvement over the current emissions and result in cleaner air for the citizens of Saint John.

We strongly support these changes. And being participants in the installation of the scrubbers in Belledune and Dalhousie, we can certainly attest to their success.

Economic spin-off throughout the construction stage at 750 million represents a major economic stimulus to our region. It places this project on a scale equal to the other major industrial projects and will create 2,150

person years of employment during the construction phase.

This will result in 200 million economic benefit to New Brunswick.

The other aspect of this project, and further projects planned by NB Power and the private sector will give us the opportunity to advance the involvement of young New Brunswick in the construction industry.

We in southern New Brunswick have the highest ratio of qualified tradespersons per capita of population anywhere in Canada. This has been the result of past economic policies of the Government of New Brunswick, NB Power and the Irving interests.

To continue this opportunity for our young people, it is indeed projects like this that we will support on their behalf.

Longterm employment and competitive generating plants. Refurbishing this plant for the life until 2030 will enhance the longterm economic driver affordable power for many years. Hundreds of longterm jobs will be retained at the refurbished plant. As well, with the use of Orimulsion we benefit from having a power plant with low fuel costs, which is certainly an aid in maintaining the competitive longterm power for New Brunswickers at a competitive position. In addition, the cost of Orimulsion as a fuel results in lower costs project than other fuel

sources with higher input per BTU. This will provide for a good return on the rate to the ratepayers and to the people of New Brunswick.

Increased Port activity. The use of the Port of Saint John to handle Orimulsion fuel also has benefit to the Saint John Region. The increased ship traffic being the fuel of our area will bring about 40 ships each year, approximately 60,000 tonnes each. This will generate 1.5 to \$2 million worth of revenue.

It would also enhance local businesses in supplying the goods and services for these ships.

The use of the Port on the West Side also supports the design to maintain an East Side of the Port for less industrial use and improve the overall aspects of the Western side of the Port. Needless to say, the Port of Saint John is a key part of the economic structure of this Province. And this project will further support the longterm viability of that Port.

In conclusion, the Saint John Construction Association fully supports the refurbishment of Coleson Cove Generating Station. Along with our colleagues from the New Brunswick Building and Construction Trades Council, we endorse the development of Coleson Cove.

Mr. Chairman, I have -- and I won't take the opportunity of reading you the letter signed by Mr. Gary

Ritchie who is with me this morning, supporting from the 9,000 tradespeople of that organization.

And attached to the document as today as we sit, is the unemployment of the members of that organization in the province of New Brunswick at 72 percent.

I would go on to say, if I may, is that this gives us an opportunity with this project and the others, to rebuild the workforce in the construction industry. We did this when we had the opportunity from 1971 to 1978. And we gave the people who are now aging, the opportunity for a good living. And this will give us the opportunity to do it again.

Thank you.

CHAIRMAN: Thank you, Mr. Darrah. And thank you, Mr. Ritchie, for coming with him.

And next we have the Saint John Board of Trade.

MR. MACMACKIN: Good morning. My name is Bill MacMackin. I am the President of the Saint John Board of Trade and I am here as well with General Manager, Darryl Goyetche and our other staff person, Amelda Gillman, representing the Board's thousand members and over 600 businesses that we represent in the City of Saint John and greater Saint John area.

Just as a reminder, the Board really works as a collective organization of community businesses, works

through committees and task forces and forums to deal with issues of importance to the business community and then recommend actions to be taken. It deals with changes and trends in issues to provincial and federal jurisdiction and monitors legislation and other developments that affect the business community.

The Board of Trade strongly supports the plans to refurbish the Coleson Cove generating station as proposed.

This project has a number of longterm and shortterm benefits which have been well covered by a lot of the other people here, including Pat Darrah from the Construction Association a moment ago.

As a volunteer organization we acknowledge that it is challenging to work through the many complex issues related to a project of this scope. But we have reviewed the information and provided really some kind of broad opinions on some of the economic and community benefits that we see.

The primary one that I think many of us in Saint John recognize are the potential for improved air emissions as a result of this refurbishment. And based on the information we have reviewed, I guess at this point we are prepared to accept that the choice of Orimulsion could result in the types of reductions in emissions that most of us seek.

And I guess putting it in real basic terms, we want to see that brown stripe that we all see across the sky many days of the week gone. And really most of our support for the choice of fuel and the proposed refurbishment hinges on that that is going to be gone and the types of emission reductions stated will be achieved and would really say that if through further investigation that was found not to be true, we would have great difficulty supporting this.

The economic benefits which have been discussed by many, really result all through the construction stage and then the longer term employment that this generating facility brings to our community. We have the benefit as well then of having a plant, assuming Orimulsion is approved, with low fuel costs and a very competitive role in maintaining good rates within the province of New Brunswick.

Also I guess as tax payers and thinking in terms of what the ratepayers would think, assuming Orimulsion can meet the emission desires, it represents a good way to do the project on a lower overall cost basis, which I think is good for all of us.

The other economic benefit that has been mentioned, of course, is the increased port traffic in the Saint John area. The proposed West Saint John port facilities that

would handle the Orimulsion fuel has a great benefit to stabilizing traffic within the Port and also is consistent with the Port's land use plan to develop more of their industrial use on the West Side.

The estimates we have been told provide -- indicate that revenue of 1 and a half to two million dollars would be put through the Port as a result of this initiative and we see this as an important step toward stabilizing the traffic and the revenues of the Port to ensure that its longterm viability is assured and that it can continue to play such a key part as piece of economic infrastructure here in the region.

In conclusion, the Board of Trade fully supports the refurbishment of the Coleson Cove Generating Plant because of all these benefits. However, I want to stress again that all of us in the community and the Board strongly feel that a lot of our support hinges on the potential that there will be significant improvements to air quality from that plant. NB Power must employ the best technology available to achieve these emission improvements and based on the information presented, we believe this can be achieved and can be the biggest benefit to Saint John as a result of this refurbishment.

Saint John industry, the private sector, has worked very hard over the last number of years to meet much

higher and really ever increasing environmental standards, has implemented millions and millions of dollars of new technology to bring their plants up to those standards. We now expect that this refurbishment should achieve the same objectives from the public utility. And if that is the case, we have no difficulty supporting it because the economic benefits and longterm benefits to this community will be great.

Than you very much.

CHAIRMAN: Thank you, Mr. MacMackin.

Canadian Unitarians for Social Justice?

MS. FLATT: Thank you. Mr. Chairman, members of the Board, I Sharon Flatt, as a member of the Canadian Unitarians for Social Justice in Saint John, would first like to take this opportunity to thank you for this final chance to address the issues which concern us in regards to the Coleson Cove refurbishment.

There are three main issues that we feel need careful consideration in order to make a fair assessment of the economic feasibility of this project.

They include the issues of the economic impacts that major storm occurrences due to climate change will have on plant safety and fuel reliability. The consideration of projects with inclusion of a full cost analysis of the real expense that this undertaking will have for tax

payers. And lastly, the costly implications of choosing a fuel that will produce excessive amounts of CO2.

We urge you to promote cleaner, if not renewable technologies, for a green sustainable economy lasting well into this age of uncertainty and change. We look forward to the alternative and possible answers that the upcoming environmental impact assessment offers.

And finally, at the end of the day, we look forward to being proud of New Brunswick for meeting and exceeding its obligations to cut greenhouse gas emissions and providing leadership on the path towards cleaner responsible energy production. Thank you.

CHAIRMAN: Thank you, Ms. Flatt.

Mr. Hashey, do you want 10 minutes before we start summation or are you prepared to go ahead now?

MR. HASHEY: I am quite prepared to proceed, Mr. Chairman.

CHAIRMAN: Okay. Go ahead, sir.

MR. HASHEY: There are some other letters I understand that you have. Do you mark those or how do you proceed with those?

CHAIRMAN: I don't even know that I have them

MR. HASHEY: I believe we received some copies of letters of support, I believe, but with comment from a number of industrial customers.

CHAIRMAN: All right, I see them now. One is from Fraser

and the other is UBM.

MR. HASHEY: Yes.

CHAIRMAN: Are there any others you are aware of?

MR. HASHEY: Yes. Bowater.

CHAIRMAN: The Board does not have that.

MR. HASHEY: Can I just have a moment, Mr. Chairman?

CHAIRMAN: Certainly.

MR. HASHEY: The only ones received during the hearing were the two, Mr. Chairman, I apologize.

CHAIRMAN: Okay. Mr. Hyslop has his hand up.

MR. HYSLOP: Thank you, Mr. Chairman. We have not seen any of the correspondence to which my colleague refers to as well.

CHAIRMAN: All right. Mr. Hyslop, what I'm going to do is at the break we will have some copies made, and at that time I will simply mark them for identification so they are part of the record. And the Board's approach to these matters has always been is that we will read them and give them the weight that they deserve, as simple as that. So we will save that until the break.

MR. HASHEY: Mr. Chairman, would you prefer that I stand or sit making this presentation or does it matter?

CHAIRMAN: It doesn't matter to me, Mr. Hashey. If you are more comfortable sitting, go ahead, by all means. We have been doing that --

MR. HASHEY: That's probably consistent. I think we will do that.

CHAIRMAN: Yes.

MR. HASHEY: Mr. Chairman, Members of the Board, our presentation will be, I believe, relatively short. We have sat through three days of evidence. The evidence has been produced, summaries have been provided to you. I will summarize things. I won't go into detailed evidence. I don't think that's necessary at this point in time. But obviously later of there are specific questions, we are here to answer them.

I have broken up the presentation that I am about to provide into a number of sections, and at the conclusion we would -- I will provide you a copy of these remarks that may assist, and you can have those for future considerations possibly as well.

I believe we have those in both official languages. I respect that some of the Board members their main language may be other than the one that I'm using and they have been -- I appreciate their indulgence to us on this.

The purpose of the application initially. NB Power continues to have an obligation to meet the electricity needs of New Brunswick customers. The current and emerging emission targets compel the utility to reduce SO2 and NOx emissions at its largest generation station, being

Coleson Cove. Following examination of all available supply alternatives, refurbishment of the Coleson Cove units to burn Orimulsion fuel with investment in emission control technologies has been demonstrated to be the least cost option. It would lead to stable power costs and downward pressure on rates. Investment recovery is estimated to be achieved in approximately six years. And I think that has some very basic points to it that I will be dealing a little more with later.

The applicant therefore is asking the Board of Public Commissioners -- sorry, the Board of Commissioners of Public Utilities, that I will be referring to as PUB, to recommend the Orimulsion conversion project be undertaken as proposed.

Now next just a brief comment on the generic hearing.

PUB conducted a hearing in June of 2001 following which a decision was rendered containing the following statement.

The Board considers that the approximately 1,000 megawatt of generating capacity represented by Coleson Cove is a necessary component of NB Power's system.

At this generic hearing the issues to be addressed and the nature and scope of the evidence to be provided in any future generation refurbishment hearing were clearly established. And it's our position that NB Power has addressed all the prescribed issues and evidence in the

Coleson Cove refurbishment application, which we have just heard. We believe that this requirement, which obviously we took seriously, has been met and dealt with.

Now the next item that I would reference briefly is the -- just a description of the proposed project. Considerable detail has been provided to PUB, which we will not repeat, as I have indicated. However, the essence of the project being proposed is that Coleson Cove be refurbished at a cost of approximately \$747 million.

The purpose of the proposal is to provide a highly reliable source of energy to satisfy the in-province demand in New Brunswick, particularly in the winter. And also to provide some export possibilities. The project will use the low cost fuel Orimulsion which will provide significant financial benefits.

A considerable amount of the cost of this project, as you have heard the evidence, relates to the reduction of SO₂ and the NO_x emissions. A summary of the intended renovations is contained in the evidence of Mr. Brogan, which is under the heading "Project Particulars" contained in exhibit A-11. That of course being the summary, the presentation that we heard at the initial part of this. And I won't get into that at this point in time.

Next briefly on the evidence. Detailed evidence has been provided in the material filed by NB Power in answers

to a large number of interrogatories, oral presentations to PUB, and the detailed cross-examination conducted by Intervenors and PUB.

Initially the President and Chief Executive Officer of NB Power, Mr. Stewart MacPherson, has provided an overview of the project. The points which we has made have not been refuted.

Then a number of witnesses from NB Power, Mr. Brogan, Mr. Marshall, Ms. MacFarlane, Mr. Thomas and Mr. Wilson all testified. They were all subject to cross-examination. These witnesses, I think it's worth pointing out, are all very senior members of the NB Power management team. The major decision makers were put forward to be heard by the Board and to be -- to have their evidence challenged.

It's important -- I think one of our major points that we must make here is the only evidence presented in this matter was presented by NB Power. Intervenors have attempted to be critical but it's most noteworthy that no one has put forward an alternative proposal which would satisfy the requirements as determined at the generic hearing. There was absolutely no other first-hand evidence of what might be done to meet that requirement.

There have been many suggestions that natural gas should be used. That more stringent or less stringent

environmental restrictions should be applied and that construction should be delayed. All of these suggestions have been dealt with, as I will make clear in my subsequent comments.

The next issue I would like to address is the issue of Orimulsion versus gas. I mean, that's something that we have heard an awful lot about. And I think that we have addressed it but I would like to make a few comments as to how I believe this has been touched upon and why the decision to suggest that this Orimulsion conversion -- or should be the one that we would be dealing with.

First of all, Mr. Marshall and his staff have done detailed analysis of the options available. These analyses obviously had been checked by Intervenors and they have proven to be accurate.

The preferred option having both significant financial and environmental benefits is the proposed Coleson Cove refurbishment. And as unique as it has been pointed out even in the stress case the Orimulsion option comes out on top. The natural gas option, which is being suggested without any supporting information, has significant problems and would result in much higher costs.

As Mr. MacPherson has stated, and I quote him, "A key issue with respect to natural gas is the volatility. The historical volatility of natural gas is 65 percent.

Volatility with respect to heavy fuel, which is the fuel that we burn at Coleson Cove today, 35 percent. And with respect to Orimulsion down to 6 percent."

There has been a number of questions asked concerning future natural gas availability and pricing. PNB and CCNB provided no evidence to alleviate these concerns. NB Power has experience with natural gas through its involvement in the Bayside Project at Courtenay Bay. NB power speaks about natural gas with first-hand knowledge.

The only reasonable assumption is that the evidence provided by NB Power is the best available evidence.

Mr. MacPherson on natural gas states -- and I think this quote is worthy of repeating -- "So we gave it, we felt, every advantage that we could with respect to pricing and availability to make sure that we didn't give it a short shrift with respect to it as an option for Coleson Cove."

I think from what you have heard is that NB Power has given very serious consideration to natural gas. They are certainly not anti-natural gas, and promote it whenever possible. There is no question about that.

In Mr. Marshall's analysis no penalties were assessed against gas regarding availability and pricing. While natural gas would provide incremental environmental benefits, its cost is well behind the other options. An

8.7 percent increase in rates would be anticipated. Even with such an increase, power costs would remain subject to fluctuation due to the high volatility of natural gas and its options.

The next item I would address is the security for Orimulsion. There were suggestions -- concerns over the security of the supply. The evidence has indicated that for over 20 years NB Power has purchased significant quantities of its crude oil from Venezuela to fuel its oil fired power plant at Coleson Cove. Similarly, it has fueled its Dalhousie plant with Orimulsion for over six years. There has never been a missed delivery. Sales of Orimulsion are extremely important to the Venezuela economy due to the vast reserves and the fact that they are outside of the OPEC quotas. And if something happened in relation to natural gas, the evidence has clearly indicated that reversion back to oil is readily available as a reliability measure at Coleson Cove.

Now another very significant issue that we should look at here is the timing of the project. There has been some suggestion I think, by my friend, Mr. Coon, that possibly things should be delayed and we hear that -- you know, wait and see what the requirements may be environmentally down the road. Well as we all know, this is a continuing and ever changing target and we can wait, and wait and

wait but things must be done in some projects. And here we suggest that we do have a crucial time table.

NB Power has provided ample evidence of its need to reduce sulphur, SO₂ and NO_x emissions beginning in the year 2005. I think that's a key point, that this -- the project as suggested will go into place and there would be the significant reductions as early as 2005, which is of course the target. But it's a crucial target to meet.

Mr. Coon's cross-examination on behalf of CCNB, seems to suggest a belief that it may be better to remain on oil, delaying any major investments and emission control technologies until further -- sorry, future standards are more clear.

Not to proceed with the planned refurbishment in accordance with the schedule presented, we suggest would be a mistake. We have an opportunity to make an investment which will reduce emissions and put downward pressure on power costs. Remaining on oil would lead to a 4.5 percent rate increase requirement. The project is on a very tight time table and the approval and recommendations of this Board is an essential part of the process. A year's delay could result in lost fuel savings and reduced export benefits of \$100 million, plus the loss of one year of environmental benefits.

The imminent closure of Point Lepreau in 2006,

hopefully for refurbishment -- and that's of course the next application in this crucial line -- makes it all more critical that decisions are made and investments made to refurbish NB Power's largest generating station. And we suggest that the time table is imminent and it has to be done now.

Now the next area in issue that I would like to address briefly again is the question of environmental responsibility. There has been much discussion of the environmental benefits of the project. SO₂ reduction targets and the benefits are substantial and they are uncontested.

NO_x reduction targets and benefits were also demonstrated to be substantial, although some question whether investments to reduce that particular emission were being made too early. Others questioned whether the plant could achieve greater reductions if that became necessary in the future.

NB Power provided ample evince that the NO_x levels would have to be reduced. The applicant's witnesses explained all of the factors leading to their belief that the target of .21 pounds MMBTU will have to be achieved. They also noted that the investments to achieve this target should prudently be made as part of the refurbishment project.

The applicant further demonstrated how it would achieve further NOx reduction targets if required in the future at a cost not to exceed \$48 million, some or all of which could be funded from the project's \$71 million contingency.

And finally on this topic, the refurbishment project would directly contribute to NB Power's CO2 reduction strategy as a result of efficiency improvements and the redispatch of the power system to replace coal generation with energy from Coleson Cove. Elimination of low margin exports would be used to achieve the balance of the reduction, unless lower cost options become available through market mechanisms. And I suggest that is a matter for future consideration.

Next I would like to briefly address the issue of the pipeline which has again been a topic that has been discussed here.

NB Power has demonstrated that it has two viable options to bring Orimulsion to the plant by pipeline. It has answered all questions concerning the viability of a pipeline from Canaport or Pier 10. The finalization of a contract is dependent on work relating to the shipping facility. It is anticipated that this contract will be concluded within two months. The pipeline is not on the critical construction path.

NB Power has satisfied itself that the pipeline is available and has established that the pricing is within the budget and the reserve being proposed. Obviously, the field work on the pipeline cannot commence until the EIA approval is received and any pipeline approvals such as this Board possibly are received. These issues are within the appropriate planning process, which has been explained in detail by Mr. Brogan and Mr. Thomas. Planning and negotiations are well advanced. The cost projections have been established as being secure.

Next issue, Mr. Chairman, members of the Board, is the issue of construction costs. And again briefly in summary, both Mr. Brogan and Mr. Thomas have explained in detail the construction process, including the planning process. A considerable number of experts have been engaged to work on the project. Approximately 45 percent of the direct costs are effectively secure. The evidence has been very thorough and hopefully has satisfied the members of this board that this project can be done within the suggested budget.

The applicant explained in depth how the cost estimates for the project were developed the measures that will be taken to ensure that budgets and schedules will be met. NB Power has developed a comprehensive plan for control of construction scheduling and costs to minimize

the cost overruns.

NB Power has extensive experience in the successful conversion of the Dalhousie generating station. The key project personnel of NB Power and its consultants have direct experience with that project.

And members of the Board, it has been very clearly explained that this conversion to Orimulsion at Dalhousie has been done very successfully and has worked out very, very well in the overall planning and scheme of power delivery to New Brunswickers by NB Power.

Next a brief comment on the interventions. The environmental Intervenors and PNB have offered extensive interrogatories and cross examination -- but again I have to repeat -- but no contrary evidence.

Every question has been answered and it remains the case that the proposed refurbishment project is the least cost alternative over the full range of realistic assumptions.

And certainly there has been a great deal of investigation into the various possibilities here.

New Brunswick industrial customers support the stable power costs that this project offers. Obviously, a good and firm energy base will supply an attractive environment for New Brunswick industry as it exists and as it hopefully will be developed.

Supporting interventions have been made -- and you have just heard them -- from the construction organizations. And I won't go further into that.

Now the next issue, as I move towards the end of my submission, is the issue of financial statement impact. This of course was the evidence of Ms. MacFarlane.

Ms. MacFarlane has explained how the cost of a project such as Coleson Cove must be handled and how it has been carefully analyzed. She has explained the important contribution of the proposed Coleson Cove project to NB Power.

It is important to note that the project, with lower fuel costs and anticipated revenue, should pay for itself in approximately six years.

Ms. MacFarlane's analysis demonstrates that the proposed refurbishment alternative has the greatest positive impact on NB Power's financial position by producing the following: The strongest net income of the three alternatives and downward pressure on generation costs; and the strongest capacity to service debt as measured by operating cash flow and interest coverage.

I think the following quote from Ms. MacFarlane's testimony really sums up the financial implications of this project where she states "There are many reasons for rate increases, but this project is not one of them."

Then in conclusion, Mr. Chairman and members of the Board, the summary presented at the commencement of the hearing by Mr. MacPherson is worthy of review.

Mr. MacPherson reiterated the obligations of NB Power, which I think is important and which came up in the generic hearing, which are stated to be as follows: (i) to provide a reliable source of electricity to our customers; (ii) to meet all environmental standards that are required of a generator in New Brunswick; and (iii) to do that at the least possible cost.

The detailed evidence presented to this Board has confirmed that the refurbishment of Coleson Cove, as proposed, is the only option that satisfies these three criteria.

Mr. MacPherson emphasized the importance of the 1,000 megawatt capacity at Coleson Cove, which represents approximately a third of the load that is supplied in the Province of New Brunswick at peak load in the winter. It is very significant.

Great care has been taken to meet environmental standards, and considerable expenditure on the project relates to this aspect.

Careful analytical reviews were conducted of many potential scenarios. Mr. MacPherson again states -- and I think this is a quote worthy of remembering right from the

beginning of his evidence -- "Under all of these scenarios, the Coleson Cove Orimulsion Project was the least cost option. From a planning point of view, that is rather unique, when analysing projects based on different variables, that one project continually comes to the top with respect to being the lowest cost option."

And as a result of that and the evidence, Mr. Chairman, members of the Board, NB Power respectfully requests that this Board recommend that the proposed Coleson Cove Refurbishment Project should be undertaken, as has been detailed in the evidence which has been presented to you.

Thank you for your indulgence throughout the hearing.

That concludes my initial comments, Mr. Chairman.

CHAIRMAN: Thank you, Mr. Hashey. We will take a 10 minute recess now and then start with the Intervenors.

(Recess)

CHAIRMAN: It is the Board's intention at the conclusion of summation in reference to this hearing to review the tentative hearing schedule in reference to Point Lepreau refurbishment. So I just let you know that.

The Board has a number of copies of that tentative agenda, the Secretary does. And after this is over we will hand them out. I think most of you here probably have them now.

But anyhow, Mr. Coon?

MR. COON: Good morning, Mr. Chairman and Commissioners of the Board.

NB Power has made application to the Board concerning its proposal to spend approximately three-quarters of a billion dollars to refurbish its thermal generating station at Coleson Cove. And they are seeking recommendation from the Board as to whether it should proceed with the proposed refurbishment.

NB Power has presented evidence to the Board on a number of aspects of the refurbishment, specifically why does the Coleson Cove Generating Station have to be refurbished? What are the alternatives to refurbishment of Coleson Cove? And why is the proposed refurbishment the best alternative available?

They have additionally presented evidence on details concerning Coleson Cove as it exists, the scope of the proposed refurbishment and so on, operating costs and capacity levels, environmental and socio-economic considerations and fuel supply.

The Conservation Council in our summation will address the question of whether the proposed refurbishment should proceed in terms of the need to refurbish Coleson Cove and the best alternative to the status quo.

The question of why does the Coleson Cove Generating

station have to be refurbished is the first one we would like to offer summation on with respect to the evidence that is in the record.

In its decision of July 11th 2001 in the matter of the generic hearing to establish the need for and the evidence to be provided in connection with any specific hearing held to review the maintenance or upgrading of a generating facility of NB Power, the Board noted that since Coleson Cove is operating, and is expected to operate and continue to operate for a considerable number of years, that the Board expected NB Power to specifically address why the refurbishment of Coleson Cove or construction of some replacement facility is required.

So given that it is operating and it is expected to operate for a considerable number of years, why do anything right now?

In exhibit A-6, the pre-filed evidence, Mr. Stewart MacPherson in fact gave evidence specifically in response to the question of "Why something must be done?" It is on page 8 and 9. He indicated that in NB Power's licence to operate Coleson Cove, the Provincial Department of Environment and Local Government had required NB Power to submit a plan to reduce sulphur dioxide emissions to 40,000 tonnes or less, and to submit that plan by 2005. Under cross-examination Mr. Glen Wilson indicated that

legal authority for that order contained in the licence to operate flowed from the Clean Air Act. So in other words, this is a legal obligation to submit this plan under the Clean Air Act. And Mr. Marshall indicated the current licence to operate at Coleson Cove was issued in January 2000 for a five-year period. So during this five-year period they were to submit this plan.

While NB Power did not in fact file its licence to operate Coleson Cove in evidence, the exhibit A-14, New Brunswick Power Corporation, Sulphur Dioxide Reduction Program dated January 2001 is an exhibit and does contain the plan they required to submit. And in that case the plan that they had submitted for Coleson Cove included the installation of the flue gas, the scrubber. It included the SCR in their original plan and wet flue gas precipitation equipment. So a number of pollution abatement technologies coupled with conversion of the fuel from high sulphur oil to Orimulsion.

As for the time frame specifically, in that same exhibit, sulphur reduction plan, in section entitled Background, it contains the following: "Though no time frame has been finalized for the emissions reductions, reduction implementation is expected by 2010 or earlier." So under cross-examination on this matter Mr. Marshall indicated that NB Power expected Coleson Cove would have

to comply with the 40,000 tonne SO2 regulatory limit as part of their renewed operating licence at Coleson Cove which would be renewed in the year 2005 and run to the period -- to the date 2010. As for the compliance date within the five-year term of the licence, Mr. Marshall suggested that NB Power had an indication from the Department of Environment and Local Government that the compliance date in fact would be 2005, that that would be the date they would be required to achieve these reductions for sulphur dioxide.

In support of this Mr. Marshall referred to a letter from the Department to Mr. Stewart MacPherson dated March 22nd 2001 and signed by Deputy Minister of Environment and Local Government, Byron James. That is exhibit A-13. However, on close reading of this letter, nowhere in this letter does the Deputy Minister refer to a compliance date of 2005 for Coleson Cove. Mr. Marshall went on to say during cross-examination, page 203 in the transcripts, that NB Power was targeting 2005 in order to enable the Province to fulfil its obligations to the New England Governors and the Eastern Canadian Premiers, an agreement on reducing sulphur dioxide emissions by 2005. However, once again in Mr. Byron's letter, that exhibit A-13, it indicates that the premiers and governors have called for reductions to be achieved by in fact 2010, not 2005.

Furthermore, those reductions referred to here are those which are intended to enable national emissions reductions in each country.

One can only conclude from this that the evidence does not support a 2005 date to achieve new regulatory requirements for SO₂ emissions at Coleson Cove, but the evidence does suggest that the compliance date for achieving the regulated SO₂ reductions could be as late as in fact 2010.

So in summary, under the Clean Air Act, the Province is expected to incorporate a new regulatory requirement concerning Coleson Cove's SO₂ requirements in their next operating licence when it is renewed in 2005 with a compliance date that at this point is unknown, that could be as late as 2010. Therefore, something will have to be done by NB Power at some point over the next eight years to reduce SO₂ emissions at Coleson Cove to 40,000 tonnes a year or less. This represents a reduction of about 7,800 tonnes from Coleson Cove's average annual SO₂ emissions of 47,800 tonnes between 1990 and 2000 as detailed in exhibit A-14 as well, table 1.

Well, is there anything else that must be done at Coleson Cove besides achieving this regulatory requirement to reduce SO₂ emissions? It is clear that that has to be done. We are not clear when the date is. But it will be

sometime between 2005 to 2010.

Well, is there anything else that must be done in response to the question that Mr. MacPherson has posed in the pre-filed evidence?

Well, he refers -- that is, Mr. MacPherson refers to an agreement by the New England Governors and Eastern Canadian Premiers to reduce nitrogen oxide emissions by 2007, these NOx emissions. While this agreement was not filed in evidence either, under cross-examination Mr. William Marshall indicated that the governors and premiers' NOx target was a regional one for New England and the Eastern Canadian Premiers and that he was not aware of any discussions of the allocation of this target among the 11 jurisdictions. Mr. Marshall acknowledged this did not represent therefore any regulatory option for NB Power, nor were there any regulations which bound NB Power to reduce its NOx emissions.

However, Mr. Marshall said that the message had been very clear what the expectations are and that these were contained in the letter to Mr. Stewart MacPherson from Environment Department's Deputy Minister, Byron James. That is back to exhibit A-13. So he claimed there were clear expectations articulated in that letter regarding NOx emission reductions.

In that letter, under the section Nitrogen Oxides, the

Deputy Minister of Environment makes no mention of the New England Governors, the Eastern Canadian Premiers' regional target for nitrogen oxides and describes the reduction targets for nitrogen oxides as quote "less well-defined" than for SO₂. From the top of that page two of that letter I quote again "The Department has not yet identified a specific approach to NO_x reductions for New Brunswick, however internal discussions are about to begin on developing a path forward."

Further, during cross-examination, Mr. Marshall acknowledged that the Department of Environment has yet to require NB Power to develop and submit a plan for NO_x reductions, as it did do in their last operating licence renewal for SO₂. With Coleson Cove's licence to operate under the Clean Air Act up for renewal by 2005, any requirement for even developing a NO_x reduction plan for Coleson Cove, if it is to come, is unlikely to occur then for three more years, as part of that renewal of their licence to operate in 2005.

In summary, there is nothing clear about what regulatory obligations NB Power system-wide or Coleson Cove will have to face for NO_x emissions, by when, or what NB Power's share of any provincial reduction target might be. NB Power provided no evidence as to what percentage of the total provincial NO_x emissions they contribute from

their system, so it is impossible in fact to get a sense of how much of some future provincial target they might be allocated as electric power sector, and whether this would even result in plant-specific regulations at Coleson Cove.

In fact, under cross-examination, Mr. Marshall explained he did not know what percentage of New Brunswick's total NOx emissions, NB Power's system represents.

So according to the evidence, the only reason that something has to be done at Coleson Cove remains the expected regulatory requirement to reduce its sulphur dioxide emissions to 40,000 tonnes per year sometime between 2005 and 2010. As described in the sulphur dioxide reduction plan NB Power was required to submit to the Department of Environment, and it is exhibit A-14, NB Power's proposal is to achieve this regulatory requirement with approximately three-quarters of a billion dollar refurbishment project that is the subject of this hearing.

So then what are the alternatives to refurbishment of Coleson Cove to reduce its SO2 emissions to achieve the regulatory requirement of 40,000 tonnes per year of SO2 from the average annual emission rate of 47,800 tonnes per year? Well, NB Power examined 12 options and provided a comparison of their power costs in exhibit A-6, table 3.3 as they were requested to by the Board in terms of comparative powers costs. However, these were developed

to also achieve a self-imposed target for NOx reductions, not just the SO2 reductions and in the context of extending Coleson Cove's operating life beyond 2017 out to 2030.

I'm going to look at a couple of these alternatives from that perspective.

With respect to the oil-blend alternative, in Appendix A of the pre-filed evidence in the Definition of Power Supply Options, page 30, it says, quote, Based on information provided by the Provincial Department of Environment and Local Government, it is expected that continued operation of Coleson Cove beyond 2005 would require the utilization of a blend of 1 percent and 3 percent sulphur heavy fuel oil. This would be required to meet a plant SO2 restriction of 40,000 tonnes. However this so-called oil-blend alternative to the refurbishment included capital investments for NOx controls and life-extension when they did their comparative analysis.

Under cross-examination, Mr. Marshall said the capital cost of NOx controls for the oil-blending option is about half of the capital cost of 98 million assigned to that alternative, with the remaining capital costs attributed to upgrade and life extension in 2014. If the NOx controls were deferred to 2014, discounting it back to 2005, Mr. Marshall suggested the effective reduction in

capital costs would probably be about 25 percent. Mr. Marshall also agreed during cross-examination that for projects such as the Orimulsion conversion and the oil blend option with the same expected life that the total levelized annual costs represented in that table 3.3, which I found quite useful in trying to understand the alternatives, that in fact they are a better indication of their relative cost effectiveness of those options than the numbers which include end effects. So we focus on the total levelized annual costs in that table.

And this is where NB Power of course addresses the issue of power costs in a sense per kilowatt hour basis. They do not present this kind of information in the integrated resource plan among the three alternatives they assess there.

So in my comments and summation here I will stick to the comparative power costs in the screening section of their evidence.

And if we look at that, the total levelized annual costs for the oil-blend option with NOx controls and the Orimulsion refurbishment proposal appear in that table 3.3 in exhibit A-6. But they appear for different capacity factors.

Now if you look at that comparison and you delay NOx controls to 2014, when there should be much greater

certainty about the regulatory environment for NOx, the fixed levelized costs are reduced by 25 percent, as Mr. Marshall suggested, and then if the oil-blend option without NOx controls is compared at the same capacity factor as was used for the Orimulsion conversion project at 50 percent, which was done for the Province of New Brunswick in Supplemental 9 of exhibit A-10, the difference in total levelized lifecycle annual costs between those two options drops from about one cent per kilowatt hour to a third of a cent per kilowatt hour on average over the life of the plant.

So this version of the oil-blend option, with NOx controls and life-extension expenditures delayed until 2014 in fact would essentially have no initial capital cost, eliminating the financial risks associated with the significant uncertainty in the regulatory environment for emissions other than the sulphur dioxide.

There is another option in fact too that would achieve the regulatory SO2 limit of 40,000 tonnes without any capital expenditure and that would be to reduce exports from Coleson Cove. In cross-examination, Mr. Marshall indicated that in fact the regulatory target for SO2 could be achieved by reducing exports, although this was not selected as an alternative for screening purposes.

In a way, this should come as no surprise as in a

normal operating year for the Orimulsion conversion project, NB Power expects that fully 62 percent of Coleson Cove's net generation will supply export markets, which is in exhibit A-7, response to CCNB-2. Which according to Mr. Marshall on cross-examination means about 62 percent of the pollution from the refurbished Coleson Cove in a normal operating year would be from export sales. The normal operating year, in fact, described as such by Ms. MacFarlane was 2008 to 2009. She picked that year as best reflecting a normal operating year in her comments when she made her presentation on exhibit A-11 for slides 50 to 51 concerning the financial statement impact analysis. So she said that's a normal operating year, and that's where these numbers come from.

The question then becomes, if the regulatory requirement to reduce SO₂ emissions can be met without any capital expenditures by either simply switching to a lower sulphur oil blend or reducing exports, or some least-cost combination of both, why spend \$747 million to achieve this standard?

NB Power has argued that it must anticipate future emission targets beyond the one for SO₂ that it expects to be regulated between 2005 and 2010.

The evidence indicates that NB Power anticipates future reduction targets will be established on a system

wide basis for NOx, for the nitrogen oxide, and carbon dioxide. For both substances the evidence indicates NB Power anticipates these targets are expected as a result of political agreements reached between the New England Governors and Eastern Canadian Premiers. A lot of -- we heard a lot about that -- concerning Regional targets for NOx and CO2 reductions to be achieved in 2007 and 2010 respectively.

Under cross-examination it was acknowledged by Mr. Marshall that in both of these targets -- that both of these targets for NOx and CO2, that they are regional in nature. That they have not been allocated by jurisdiction. That they have not been allocated by sector within jurisdictions. And that NB Power has not been required by the Department of the Environment to submit an emissions reduction plan for either NOx or CO2.

There is one exception to the general regional nature of these targets and that is the governors and premiers regional target for the electricity sector which is found in exhibit CCNB-1, page 13, which calls for the amount of CO2 emitted per megawatt hour of electricity use within the region to be cut by 20 percent by 2025. However, NB Power did not use this electricity specific anticipated future target in evaluating the refurbishment project and its alternatives.

In Mr. Marshall's prefiled evidence he indicated it was necessary that in examining the alternatives to the proposed refurbishment project, they must enable total system emissions to remain within regulated limits.

In our interrogatory CCNB 17 in exhibit A-7, when asked why CO2 limits were not applied as a criteria for assessing the alternatives, he indicated quote, "At this time there are specific regulated requirements for SO2 and NOx but not yet for CO2 emissions."

However, under cross-examination Mr. Marshall acknowledged that it had been -- he had been incorrect to say that there are specific regulated requirements for NOx, in fact, there are none.

However, he pointed out that as a system planner the obligation is not just to operate the system for tomorrow or today, but our obligation is to operate the system over the life of the project. And so we need to evaluate the economics and the targets over the life. Further he agreed that the New England Governors and Eastern Canadian Premiers target for reducing carbon dioxide omissions is, in fact, a projected future emission target. And that CO2 limits could be regulated by 2010. See that in exhibit A-7, CCNB-17. One then can only conclude from this that a system planner at NB Power would have an obligation to evaluate the economics of the Orimulsion project and its

alternatives from both future NOx and CO2 targets. That was not done.

In the absence of any certainty over what NB Power's system obligation will be for reducing NOx emissions, or what the regulatory obligation for NOx will be at Coleson Cove, NB Power chose their own projected target for analysis purposes.

However, NB Power chose to ignore projected future emission targets for CO2 in their screening analysis and in the integrated resource plan analysis with one exception, and that was the stress case sensitivity analysis, whose results are misleading at best, as we will show.

Therefore Mr. Marshall's conclusion given in evidence that the proposed refurbishment project enables NB Power to cost effectively meet all projected future emission reduction targets cannot be correct.

The question of whether to incorporate undefined future regulatory changes for emission levels or rates is carrying out -- in carrying out a comparative analysis of the proposed refurbishment project and its alternatives is, in fact, an interesting one.

The question of what standards to apply for modelling purposes is a risky business. In fact, the Department of Environment and the local government has asked NB Power in

the final guidelines for Coleson Cove environmental impact assessment to explain to them, New Brunswick's own environmental regulatory agency, why NB Power chose the emission targets that they have used for the Orimulsion conversion project. And that's in exhibit PNB-1.

A fair economic analysis of the refurbishment project and its alternatives cannot take place when there is a selective use of anticipated future emission targets. Either the analysis considers projected future emission targets for CO₂, NO_x and SO₂, or limits itself to the certainty of the planned SO₂ regulations for some time in the second half of this decade.

Major projects must take a multi pollutant approach, not a selective pollutant approach designed to advantage a fuel such as Orimulsion with its high carbon content.

As the Board noted in its July 11th 2001 decision, it anticipates there will be cost implications of meeting environmental standards through facility upgrades. Indeed, the costs can be quite high.

During cross-examination Mr. Jim Brogan indicated that the cost of installing the SCR technology to control NO_x as part of the proposed project could have been 120 and \$150 million, which is why they -- they dropped it.

In response to cross-examination from the Board he explained the cost for NO_x controls as currently proposed

is 40 million. If this proves inadequate to achieve some future regulatory requirements for NOx, additional costs of up to 48 million could be expected, according to Mr. Brogan's response to our interrogatory 61 in exhibit A-7.

The \$15 a tonne costs estimated or calculated for reducing CO2 emissions by NB Power assumed that in the stress case analysis it was based on achieving a target that NB Power established for itself by dispatching Orimulsion before coal and reducing their least profitable exports. That's how they arrived at the \$15 a tonne cost of reducing CO2 emissions. However, under cross-examination by the Province of New Brunswick, Mr. Marshall agreed that the CO2 target chosen for the environmental sensitivity analysis, and that's the only place he used it, was based on the assumption that a regulatory agency in fact would accept their proposal to measure emission reductions against a base year, 1990, that did not reflect their actual CO2 emissions of 6.3 million tonnes in that year, but rather adjusted upwards to 8.3 million tonnes a year.

Under further cross-examination, Mr. Marshall indicated that no government agency, indeed, has accepted NB Power's proposal to adjust their base year upwards. Meaning that actual reductions that they targeted for themselves are less than they could be if they were

required to use their actual base -- their actual emissions in that base year of 1990.

So the results -- and sorry, Mr. Marshall under cross-examination further by the Province, Mr. Marshall asserted the cost of CO2 reductions therefore would be higher or high if future reduction requirements were based on their actual emissions of 6.3 million tonnes in the 1990 base year. Therefore the results of the environmental sensitivity analysis are misleading, significantly overstating the competitiveness of the Orimulsion conversion proposal.

So that brings us finally to the question of why this proposed refurbishment is thought to be the best alternative available.

Does the evidence demonstrate that the proposed project is the best overall option for Coleson Cove? Mr. MacPherson says yes. Based on the evidence, and in light of the rationale for doing something at Coleson Cove at this time, the Conservation Council's conclusion is, no. To proceed with the proposed \$747 million expenditure at this time carries a high degree of financial risk.

Coleson Cove is operating and is expected to operate until 2017 without major expenditures. To meet its expected regulatory options -- obligations for SO2 emissions somewhere between 2005 and 2010, it need only

burn an oil fuel blend with a lower sulphur content or reduce exports or do some least cost combination of the two. This would require no capital expenditure in either of those three cases. Once the regulatory environment for NOx and CO2 emissions becomes clearer, NB Power will be in a much better position to determine what the best overall options are for Coleson Cove. With a clear understanding of what their system NOx and CO2 requirements will be, and what related regulatory requirements will have to be met at Coleson Cove, NB Power would be able to properly evaluate what should be done to achieve them, and on what basis they would extend Coleson Cove's operating life through to 2030.

There is no imperative to go forward with a \$747 million refurbishment today. Once the regulatory environment for NOx and CO2 is known and understood, a different set of options to the ones considered may be more appropriate, more cost-effective, and certainly carry much less financial risk.

So in view of this, we request, with respect, that the Board recommend against the project as proposed.

Thank you very much.

CHAIRMAN: Thank you, Mr. Coon. Mr. Gillis, not here today.

Irving Oil Limited?

MR. EARLE: We do not wish to offer any final argument.

CHAIRMAN: Thank you. JD Irving? Up here please.

MR. DEVER: My name is Bill Dever. I am representing JD Irving Limited.

Mr. Chairman, Board members, I just have a brief submission to make.

JD Irving Limited and the forest products companies affiliated with it depend on reliable stable power at competitive rates in order to compete in the international forest products markets. Irving Paper is the biggest single consumer of power in New Brunswick. Power represents a full 25 percent of the cost of producing paper. It is a major concern to Irving Paper that our power costs are among the highest in the industry.

We believe that the NB Power proposal to convert Coleson Cove to run on Orimulsion is a positive step that will reduce power costs for Irving Paper and all consumers in New Brunswick.

Although we support the view that NB Power -- of NB Power that Orimulsion is the low cost choice for the primary fuel at Coleson Cove we have some doubt relating to the choice of bunker as the back-up fuel to Orimulsion.

We have used both bunker and natural gas in our business over the last year. Our experience is that the price of delivered natural gas is competitive with the delivered price of bunker over this period. This favourable

comparison covers a period when natural gas prices reached unprecedented highs. We believe NB Power should revisit this issue.

On balance, NB Power has presented a sound financial, technical and environmental case for the proposed refurbishment of Coleson Cove to Orimulsion. We therefore urge the Board to approve NB Power's application in this matter.

Thank you.

CHAIRMAN: Mr. Dever, just for my own edification here, bunker, is that one percent or three percent oil?

MR. DEVER: Three percent.

CHAIRMAN: Okay. Thank you, Mr. Dever. Mr. Hyslop?

MR. HYSLOP: Thank you, Mr. Chairman and Commissioners.

I first I think want to set the stage on why we are here. And section 40.1.1 of the Public Utilities Act reads as follows: New Brunswick Power Corporation shall before making any direct capital expenditure in respect of a new generating facility make an application to the Board for the Board's recommendations as to the proposed capital expenditures.

I note the phrase "Board's recommendations" and I preface my remarks by saying this just isn't a yes/no process. I would encourage the Board to keep an open mind and look for recommendations that may go hand in hand with

approval, suggestions that may make the risk to New Brunswickers, ratepayers or tax payers mitigated, and looking at the entire scope of the project to not just consider in narrow isolation the numbers but some of the longterm risks that may be present.

I note the Public Utilities Act does not set out a criteria to evaluate the application or to weigh it. It just simply says that we are to make recommendations. That's your job and on behalf of the Province of New Brunswick we will be making some specific suggestions as to what type of recommendations may go back.

We begin by suggesting that in terms of the economic justification for the case NB Power Corporation has made out a strong case. The fundamental and underlying logic to their application is that the relative price for Orimulsion versus heavy fuel oil and/or gas is such that its stability and the difference in the cost of production of energy is to a great advantage over the price -- over the life of the contract.

At the same time, you know, we don't know exactly what some of these prices will be or what they will be in the future, and NB Power has had to make judgments in particular with regard to the price of gas and the value of future emissions in its statements. The price of Orimulsion we don't know but we accept the evidence of Mr.

Easson that he has confirmed the accuracy of NB Power's calculations as set out in his evidence.

However, PROMOD, PROVIEW have inputted all the data and they have given us NB Power's best guess on the unknown factors. They have suggested that the net present value on the base load -- or the base case -- is \$503 million better than gas. And that's fine.

However, we suggest that the PROMOD, PROVIEW models are only tools of management. They do not replace management. And it's impossible to input every risk factor into these models and notwithstanding the useful role that these tools may play, NB Power -- and the Province encourages NB Power Corporation's management to step back and analyze some of the risks that are associated with this project in a broad macro-view, and to make some assessment of the steps that might well be taken to mitigate them.

We suggest that if they do so there are three specific areas of risk to be dealt with.

The first is the question of environmental emission risks, the second is with regard to the contractual risks with the BITOR contract and the third are the capitalization risks involved with this project.

Dealing first with the environmental risk. We want to first start from pointing out that NB Power's position has

consistently been that we have to meet the environmental constraints as they stand. And we have got some problem with that. And in particular, you know, we go back to Mr. Marshall's comments. And he states at page 230 of the transcript, "As a system planner our obligation is not just to operate the system for today or tomorrow in sequential periods but we are to look at it over the life of the project." And it's just not the economics that we have to look at over the life of the project. We have to look at what the environmental constraints are today and what they might be in the future. We suggest it's just not simply enough to have a game plan that says, this is what we expect it to be today, we are going to meet it and we will do it at the lowest cost. You have got to look further down the line at what might happen.

It's important I think, and I will suggest, and I reiterate the comments of Mr. Coon, that at the present time we are not sure what those environmental constraints will be.

It's interesting that in the environmental impact guidelines which were filed as PNB number 1 that NB Power -- at the present time we are at the stage where NB Power has proposed guidelines, has suggested what they should be, and as part of the environmental impact arrangement they are going to have to quote, "explain why they were

proposed".

You know, this whole process doesn't exist or doesn't happen if significantly different standards are set at the environmental impact assessment. If different standards are more stricter set then NB Power is back to the drawing board. And there is some validity to Mr. Coon's point that perhaps we are here a little early.

We are also back to the drawing board if we sit back and at the end of negotiations the actual CO2 limits are set at 1990 standards. That's a risk. And if that happens there is no way in the world that any of the proposals we now have to deal with are going to meet that standard. Mr. Coon raises a valid point.

Even if the standards are accepted, where does that leave us? Well first I begin with the proposition that -- and I'm going to deal specifically with CO2 a while -- and Mr. MacPherson's evidence, it's in A-6, he states, "This proposal to convert to Orimulsion is not a solution to greenhouse gas emissions." Page 330 of the transcript, cross-examination of Mr. Marshall, I asked after a fairly long examination of CO2, if he accepted that statement as still being correct and he said yes.

NB Power is sitting here saying, we are meeting constraints, but they are not meeting the constraints on CO2. They are telling us it is not a solution to

greenhouse gas emissions and that's the starting point in terms of the risk to the environment.

The evidence is also clear -- and I'm reading again from page 330 of the transcript -- that gas presents a significant advantage over Orimulsion in terms of the CO2 emissions. It also presents a significant advantage with regard to sulphur dioxide and to NOx. In fact if we look at it on an annual basis, gas will produce 800,000 less tonnes of CO2 than Orimulsion. And this is estimated but it was confirmed as being in the ball park at page 357 of the evidence.

Also on the evidence on CO2 we can expect in 2010 that there will be a market for the CO2 credits. It's not speculative. Mr. Marshall was quite clear with all that's going on there is going to be a market. If you have got too much CO2 you are going to have to buy credits. If you are smart enough not to be producing too much CO2 you can sell them. What is speculative, according to Mr. Marshall, is we have no idea what the price of those credits might be in 2010. We have no idea. I threw out to him the suggestion that it could be a hundred dollars, and he didn't deny it couldn't be. In fact he said it could be. Sure hope not, because if it is we have got a very serious situation, a situation such that if you take the PROVIEW model and you apply it to that set of factors

we are going to build two nuclear plants, or at least that's what PROVIEW would tell us to do.

This whole issue of what is going to happen with carbon dioxide in the next ten years is a significant intangible risk that has not been factored into any models or equations.

We quite share Mr. Marshall's concern. We don't want it to be a hundred dollars either. We know that that's going to be hard for industry and New Brunswickers as a whole. But it is a risk. We just don't know what is going to happen.

And with CO2 and environment the issue is as, you know, the public is becoming more concerned and where is that going to leave us down the road? I don't know. I do know this. 800,000 tonnes a year of capacity, for lack of a better word, because you haven't produced as much CO2, at a hundred dollars a tonne is \$80 million. That factor would work very, very strong in the favour of gas and looking at a longterm project.

The fact is in ten years, gentlemen, it's not the energy supplier who controls the cost of his energy today that may be the winner, it may be the forward thinking energy producer that is taking into account and hedging against some of these environmental risks that's the winner.

NB Power's approach, and it was confirmed by my colleague Mr. Hashey this morning, is to deal with the environmental standards as constraints as they stand today. Having met the immediate constraint, their analysis is what is the cheapest, and on that criteria it's hard to argue perhaps with the general statement of Mr. Hashey's argument.

Gentlemen, a lot can happen in 20 years. I understand that there is studies being conducted where the public in some jurisdictions are willing to pay more for their power in order to protect the environment. I question whether NB Power has ever done such an analysis. The public of New Brunswick may well be prepared to pay a little more to have increased flexibility.

If CO2 market opens in 2010 at a hundred dollars a tonne it will be too late to wish that we had switched to gas in 2004.

I suggest respectfully it's not good enough for NB Power to say they don't have a solution to greenhouse gas.

The time is now for them to get on this issue and provide to the public of New Brunswick, to its ratepayers and to the tax payers, what is their plan for these longterm environmental risks with carbon dioxide.

I will perhaps, because I'm -- you know -- issue can be taken on the evidence that we do have a game plan on

CO2. Essentially what NB Power has told us in their evidence is there is two major ways to deal with it. One, we will redispach energy to a more expensive but less environmentally sensitive method. And I guess the suggestion is they would switch off coal and go to Orimulsion and reduce some of our CO2 emissions.

The other thing they would do is reduce exports. Now on the reduction of exports I have got a little bit of a problem with that, and that's because it appears from the evidence that the CO2 emission standards are going to be regional standards. They are going to be standards that affect the eastern Canadian provinces and the New England states. So if we don't export, that just means probably somebody in New England is producing more and putting the same volume of emissions into the air. That's a net sum.

It may help get NB Power off the hook internally but it doesn't meet the standards that are there.

My suggestion is that also there is a little bit of a contradiction between saying on one hand one of the advantages of this project is that if we go ahead with the Orimulsion it increases our ability to create exports, thereby keeping the price of power down somewhere between 10 and 15 percent. And at the same time saying if we can't meet the environmental standards we are going to stop exporting. You can't have it both ways. You can't

have the advantage of exports if at first -- the first environmental attack or approach to solve a problem is to stop them. You can't have it both ways. There is an inconstancy there and I think it's evident.

NB Power has proposed to spend \$747 million while admitting that there is no solution to greenhouse gases. NB Power has proposed to enter into a 20 year contract without a game plan for these greenhouse gases.

Therefore, Mr. Chairman, we strongly recommend to this Board -- and this isn't a yes/no recommendation -- but perhaps it's a recommendation that should be carried out before it does go ahead. We recommend that this Board recommend to NB Power Corporation that they prepare and file within 12 months a strategic document to deal with the measures that would have to be undertaken if in 2010 gas market futures traded at \$100 per tonne -- or CO2 futures traded at \$100 per tonne.

Some of these measures should include an aggressive proposal by NB Power with regard to demand slide management. Measures on involving technology with regards to non-thermal production and really getting out and doing their homework on the development and use of gas. I was quite taken by the previous speaker's remark that Irving has found that gas is certainly comparable to heavy fuel oil in terms of its price advantage.

I don't think they have sharpened their pencil on gas, and I also think and I suggest, that a great deal of the volatility that they are speaking of had to deal with what I considered a blip in the longterm trends of fuel prices that occurred in 2000 and 2001. There is going to be increasing supply of gas in Atlantic Canada as the offshore develops. What type of possibilities are really there at the end of the day for the use of gas in these services? I'm not sure the full shake has been given to gas yet by NB Power.

That is one huge risk. What is it going to cost if we have too much CO2 in the air? We don't know. We have got to have a game plan.

I want to briefly talk about nitrogen oxide, and I will be very short on this. It has been covered well by my colleague, Mr. Coon. There is discussion as to the standards being reduced from .21 pounds per million BTUs to .12 to .15 pounds of nitrogen oxide per million pounds of -- million BTU.

Now I found it interesting that for \$48 million we can achieve this level. It can be achieved by spending this amount, according to Mr. Brogan, and not all of this \$48 million is being added on to the \$747 million for the project.

Quite a large part of it I understand would be

considered within the \$71 million contingency. NB power says it has got to look beyond today and tomorrow. It has got to look down the road over the life of the project. It would seem to me if you are not just meeting constraints but you are actually doing that, then the spending of this \$48 million is a -- and I will use the phrase -- "no brainer". Forward thinking would suggest that you are going to be there sooner or later, let's get it done and let's get on with it.

In fact I was quite surprised that NB Power in their submissions didn't unequivocally state that it would be their intention to proceed with this given the relative cost to the total project.

Clearly the province of New Brunswick would ask this Board to recommend to NB Power that they proceed with this additional expenditure if in fact they decide that it should go ahead.

I would like to move on to the contractual risk. First of all this is not a \$747 million project. PNB-90(d) lists and totals the variable and the fixed costs over the life of the project, totalled up the variable cost column. The variable cost column with the Orimulsion is in the area of \$5.2 billion. We don't know the exact numbers, but we know we have got water, we have got some limestone. We might have a few variable employees. The

variable costs other than fuel are relatively minimal. We are going to -- this is a guess but I think we are in the ballpark, this contract is worth \$4.5 billion. It's not 747 we are dealing with. It's probably in excess of \$5 billion, the commitments that NB Power is undertaking.

It's really quite remarkable that the one document that creates a \$4.5 billion liability we know very little about. We know nothing about guarantees. We don't know anything about the exit clauses. We don't know anything about the performance standards. And all of these issues, all these contractual obligations create and allocate risks between the parties.

Contract is not just the price and how the price goes up and down. The risk is contained throughout the contract and can be distributed between the parties.

Contracts allocate risk. And surprisingly the only risk factor that has been put in the PROMOD and PROVIEW models are in fact the price and price escalation. None of the other risk factors of this contract are in there.

Subtle issues of risk may at some point in time down the road become quite substantial. NB Power, they have got a great business relationship with BITOR. They sing praises of their relationship, their reliability over the last five years. There is a good relationship. I don't take issue with that. But at the same time -- and I'm

encouraged that it's there. But in the real world things happen. Relationships break down.

In the real world relationships break down. In the real world economies such as that in Argentina collapse. In the real world governments are elected and change the whole royalty picture. In the real world supply plants can be destroyed by terrorists. In the real world a lot of things can happen. So how do we protect ourselves against those risks?

These are risks that aren't in the model. They are not risks that are in the numbers. But they are risks that are there. And has anybody stepped back and said how do we deal with them?

What we do know about the contract makes the province of New Brunswick very nervous. From the suggestions of Commissioner Richardson in his questioning of Ms. MacFarlane the contract appears to be a take or pay contract. We are concerned it may be take or pay for specific quantities, so if you wanted to get in a situation to cut back on your production at Coleson Cove you couldn't because you are obligated to pay for certain minimal quantities any how. I don't know what's in there but it's an issue.

What performance bonds exist if there is a failure of performance? It's for 20 years. There is only one seller

of Orimulsion and he has only one plant to produce and ship it. We have done calculations that suggest that the base load of the power that New Brunswickers depend on -- on their day-to-day requirements of that base load by our calculations, the capacity is 2,357 megawatts. Dalhousie and Coleson Cove if this goes through will be 1,304 megawatts. We estimate 55 percent of the base load of power that consumers use in this province comes from one source, who has one production plant.

Are we putting all our chickens or all our eggs in one basket? There is incredible risk associated with that set of parameters. Just knowing the price and knowing it's certain doesn't eliminate the risk. The risks here, we suggest, are significant and substantial.

Mr. Chairman, with respect to the management of NB Power Corporation, it's time they did some hard bargaining. As a lawyer I have often told clients in my practice signing the term sheet means the hard bargaining is just beginning. And we would recommend that this Board urge NB Power in its negotiations to consider the following.

New Brunswick Power should negotiate reasonable exit clauses on notice or alternatively negotiate a five year contract with three five year renewals in the absence of notice. Such terms will result in flexibility to deal

with longterm risks that are not part of the PROVIEW and PROMOD models.

If we have a situation in 2010 where we are dealing with CO2 emissions at \$100 a tonne, this can give us some flexibility. We can cut back or we can exit. We can go to something else. Otherwise we are stuck with it for 20 years.

Price. There is an awful lot of discussion how advantageous the price of Orimulsion is to what we expect the price to be for gas and heavy fuel oil. But we know there is a lot of offshore development very close to home.

That offshore development may be coming through New Brunswick in the next 10 years. Increase supply results in a lowering of price. I accept there is a supply demand market for gas. But gas could drop in price. And we would suggest notwithstanding, notwithstanding the advantageous position that Orimulsion has today, NB Power should negotiate into the pricing formula clauses that force the price of Orimulsion to be reduced in the event that the price for natural gas and the price for heavy fuel oil should drop below the contract price for Orimulsion.

I fully expect BITOR will meet their legal obligations under the contract. They have every intention to do so. They -- New Brunswick Power's evidence is certainly not

questioned in any way, that they are reputable businessmen who meet their obligations. However, in the real world things happen. And what happens if they can't meet their obligations. What happens if their plant is disrupted?

We suggest that a fundamental part of undertaking a four and a half billion dollar obligation is having security in the event that that obligation is not met by BITOR. We believe that there should be forms of guarantees from parties whose creditworthiness and reliability are beyond question be made part of this contract.

Finally, lawyer -- and that I'm sure -- I don't expect Mr. Hashey would take issue with this -- if you have to litigate you don't want to go on the road. You are a lot better playing at home. And I suggest that the forum of convenience with regard to application of law and the courts that will have jurisdiction over any matter that comes in dispute with this contract be New Brunswick courts.

Mr. Chairman and Commissioners, New Brunswick -- the province of New Brunswick is a strong believer in good business relationships. We are impressed NB Power officials have stated that they have a good relationship and confidence in the party that they are about to enter into a \$4.5 billion contract. But 20 years is an awful

long time. A lot of things can happen and none of these have been programmed in the PROVIEW.

Quite frankly, we reiterate we have not seen the contract and that does give us a great deal of concern, and there may be other issues. It may well be that NB Power should engage specialists to assist in the negotiation of that contract, and I wish I had that one back, quite frankly. Anyhow.

NB Power has an incredible bargaining position right now. They are about to buy \$4.5 billion worth of product.

And when you are selling \$4.5 billion worth, you are willing to make concessions at the bargaining table. We would suggest that NB Power be prepared to do some very strong bargaining.

Finally, I would like to deal briefly with the capitalization risk. NB Power proposes between 2003 and 2007 -- and this deals -- if they add in the Point Lepreau they are going to spend close to \$1.7 billion. In addition they propose to commit \$4.5 billion with BITOR. We look at their financial statement, which was entered into evidence by Mr. MacNutt. Their debt is approximately \$3 billion. Their retained earnings are \$8 million. Quite frankly this is not a healthy financial statement in dealing with the issues of risk. Back in my business days, there was something called a debt/equity ratio 3

billion to 8 is 375 to 1. And it's hard normally I think for most banks to accept borrowing when you are over 5 or 6 to 1.

Now NB Power took the position that this project is so beneficial to them. And the evidence at page 376 of the transcript is that it was not interested in having an equity partner for this project. Page 377, their statement was, "It makes no sense to share the benefits with a third party." I cross-examined Ms. MacFarlane on how comfortable she was with the cash flow projections and suggested that if such projections were 10 to 15 percent out the debt repayment would be seriously affected.

And Ms. MacFarlane was very strong on the point that because of the certainty of price and the certainty of margins that at the end of the day there is very little -- a relatively low risk with this project. She is very confident they can make it. Cross-examination by Ms. MacNutt -- or Mr. MacNutt -- before I get to that point, I just point out that it is not just the cash flow implications from this project that affect cash flows, there are a lot of other things that over 20 years can affect cash flows. We have seen in the last 15 days what happens at Point Lepreau because it went down. The result was that instead of \$32 million surplus this year, we are not going to have any surplus.

A year ago I'm sure if I cross-examined NB Power officials they would have confirmed to me that they thought the 32 million on a one-year projection was doable. Well they were only 100 percent off because something unforeseen and unexpected happened. And in the real world these things happen.

How can we be sure, if we can't get it right in one year, and we can be 100 percent off, that we can't be 10 or 15 percent off in 2006 and 2007 and 2008? There is a very serious risk here with regard to the capitalization of New Brunswick Power Corporation if they are off on these projections.

We have significantly limited our ability to finance NB Power if we are wrong on these projections eight, nine years down the road. If the debt is not 3.4 million but it is 4.5 million, one of the most important reasons to being able to satisfy debt, the confidence of the market can be destroyed and upset.

We can appreciate a desire to not share the benefits of a project. It cannot, and the Province of New Brunswick cannot and does not understand NB Power's reluctance to share the risk. The risks are substantial.

The net result, if their calculation's are off, is a situation that the taxpayers and/or the ratepayers are going to be forced to pick up a very significant tab.

Accordingly, Mr. Chairman, the province of New Brunswick recommends that New Brunswick Power Corporation seek out an equity partner willing to participate in the capitalization of the Coleson Cove refurbishment.

Mr. Chairman, these hearings have been very important. They have allowed Intervenors to highlight a number of risk factors which must be assessed in the broad perspective.

In the real world events occur which cannot be predicted. It is important that business plans take into account the unexpected. And just because you can't put all the unexpected into a model doesn't mean that they don't exist.

NB Power must be flexible enough in the future to deal with carbon dioxide emissions if they reach \$100 a tonne. They must be flexible enough to deal with the production that the increased offshore production of gas may result in a drop in the price of gas below that which is under the BITOR contract.

The province of New Brunswick has attempted to illustrate the nature of these risks. We have proposed recommendations which will help mitigate these risks in the project in 2010 and in 2020.

We want to avoid a situation. And we would ask that these recommendations be made so that New Brunswick Power

Corporation and the province of New Brunswick do not look back in 10 or 15 years and say, I wish I had.

I thank the Commission and the Board for hearing our remarks. And I thank my colleagues for their presentations of their case throughout.

CHAIRMAN: Thank you, Mr. Hyslop.

The Saint John Citizens Coalition for Clean Air is next. I'm just going to ask you, Mr. Dalzell, how long do you think your presentation will take?

MR. DALZELL: It shouldn't take more than 10 minutes.

CHAIRMAN: I will hold you to it.

MR. DALZELL: Thank you.

CHAIRMAN: Okay.

MR. DALZELL: Mr. Chairman and Members of the Board, thank you. Keeping in mind that your role of the Public Utilities Board is that of an economic regulator, our summary comments based on the evidence raises for us serious questions of the financial risks associated with this project that you have before you, these financial risks associated with cost overruns in the future.

The evidence including the interrogatories and the cross-examination process demonstrates for us that there are financial risks associated with the \$740 million refurbishment using the Orimulsion fuel as well as the emission control technologies described.

Now the applicant has set its own emission reduction targets of 70 percent or better for NOx, 77 percent or better for SO2, 55 percent or better for particulate using the boiler modifications to reduce NOx emissions and the installation of the flue gas desulphurization unit or the scrubbers to reduce to SO2 emissions.

When asked though under what basis, what documentation did NB Power make these claims, we were told that the manufacturer's specifications were the basis. As far as we can determine, there was no evidence to examine or questions of those manufacturer's specifications.

Therefore it was difficult to conclude the statements in these predictions with regards to these emission reductions, whether they were in fact justified. We believe that there are other options available at least cost to get to these targets.

Now NB Power is making an investment decision based on uncertainty. For example, the letter from the Department of the Environment entered into evidence, A-13 notes "The Department has not yet identified a specific approach to NOx reductions for New Brunswick. The new proposal, federal NOx guidelines for power plants are expected to be developed and in operation in the future."

The concern we have here, that they are not -- excuse me -- the concern we have, which has not been answered in

the evidence is whether N.B.'s own independently-set emission reduction targets will be sufficient to address an expected increasingly more stringent federal and provincial emission regulatory context.

The cost of the boiler modification is expected to be 184,000,000. 25 percent of the costs, in our view, may not be sufficient to meet these new provincial, federal and even international agreements.

The cost breakdown didn't specify the SCR, for example a proven NOx reduction technology that can reduce NOx by 95 percent. The applicant did state in our cross-examination that if it is needed later, the contingency cost item of 71,000,000 would be used.

The 48,000,000 was acknowledged as the cost associated with that in the SCR later if the boiler modification measures did not result in reaching those targets.

Now from a cost efficiency point of view, it would make more economic sense in our view to put in the effective NOx control technologies infrastructure when you are constructing the facility as opposed to adding it or retrofitting an already completed facility.

Now based on the fact that the climate change and greenhouse gas emissions is now and in the future affecting weather, we did not see expenditures designed for expected intense weather events that would put this

\$750 million investment possibly at risk from damage from intense weather events such as storm surges, high tides, soil erosion, vicious storms.

We did have it acknowledged in the evidence that in the Ground Hog storm in 1977 Coleson Cove was damaged. So we know from rare past experience though that the facility could be affected.

The applicant in our view has placed this expensive proposal at risk by not factoring in costs associated with protecting the facility. There was no evidence of costs related to adaptive measures to be incorporated into the facility and the surrounding land area which sits at a very vulnerable location in the Bay of Fundy and an area that is predicted to be adversely impacted with greenhouse gas intense weather events, climate change. And this is substantiated in a recent NAFTA, North American Commission on the Environment report.

We conclude, based on these hearings and all the evidence that this proposal before you will not address the CO2 emission, major contributor to New Brunswick's greenhouse gases.

Considering that our society at all levels is now mobilizing efforts to substantially reduce these greenhouse gas emissions, the proposal, with its high cost or public funds to be used to back it up does little to

address the CO2 issue. This is a very serious concern which respectfully we would ask the Board to take into consideration.

This lack of financial planning and commitment to the climate change agenda will cost the people of New Brunswick, taxpayers and ratepayers millions of dollars in the future, coping with the continuing adverse impact of climate change, intense weather events.

From a financial cost efficiency perspective this project is shortsighted and risky notwithstanding the fact that there is only one fuel source in the world, and that is in South America, for the fuel supply.

Basically we would in summary respectfully ask the Board not to recommend this project as it stands, but to make recommendations that would keep in mind some of the other costs and the environmental controls in the future.

We have to for the record though do acknowledge that NB Power's efforts to try to reduce the emissions in their own targets is acknowledged. Because we in our group have been advocating for such reductions.

But we would suggest that there are other means and ways to do so. And the way that this project is presented, in our view, respectfully does not allow -- does increase risk and uncertainty.

So therefore these are the concluding remarks. And

thank you very much for the opportunity to present them.

CHAIRMAN: Thank you, Mr. Dalzell. And that was only seven minutes. Congratulations.

MR. DALZELL: For me that's not bad at all. Thank you.

CHAIRMAN: Saint John Energy?

MS. COUGHLAN: Thank you, Mr. Chairman and Board members.

I'm Jennifer Coughlan with Saint John Energy. And we have a very brief statement to make today.

NB Power is currently Saint John Energy's sole supplier of wholesale electricity. Saint John Energy's ultimate goal is to maintain reliability of supply at all times. Therefore we are very concerned with the issue of reliability during upgrading of the Coleson Cove generating facility.

We realize NB Power does not require that capacity nor does it require energy from that capacity during the period that Coleson Cove unit is out of service. But we have concerns as to how this will be dealt with if Point Lepreau goes offline during this period. We don't want our customers to be subjected to market-based rates.

It is NB Power's forecast that the Orimulsion conversion will put downward pressure on NB Power's rates over the long term.

Although the natural gas, oil-blend option carries with it the assumption of higher fuel costs, we feel that

the Board needs to consider the lower capital costs and the lower environmental impacts of the natural gas, oil-blend option.

In closing we would like to thank the Board for your time and urge you to consider all options available for the refurbishment of the Coleson Cove generating facility.

Thank you.

CHAIRMAN: The Union of New Brunswick Indians? The City of Edmundston? West Coast Power Inc.? Canadian Manufacturers and Exporters? Emera Incorporated? Enbridge Gas New Brunswick Inc.?

All right. We will reconvene at 2:00 o'clock this afternoon for NB Power's rebuttal. And then perhaps the Board will have some specific questions that the applicant and the Intervenors can address. Thank you.

(Recess - 12:30 p.m. - 2:00 p.m.)

CHAIRMAN: Anything preliminary before Mr. Hashey starts his rebuttal? Is that a hand, Mr. Hyslop?

MR. HYSLOP: No.

CHAIRMAN: I would never make an auctioneer, would I? Okay.

MR. HYSLOP: I would be broke if you were.

CHAIRMAN: Okay. Mr. Hashey, go ahead please.

MR. HASHEY: Thank you, Mr. Chairman. I will try to make this rebuttal really quite short and specific to a few areas that we believe have been highlighted by our

friends.

Firstly on the environmental responses, there seems to be a wish for a delay in a matter of putting things off until decisions are made which when CO2 -- and I will come more specifically to it -- could be never-never land, as we have seen it on and on and on we go.

What baffles me a little bit is the delay that they are requesting is really putting off some significant environmental improvements which are intended for the near future.

And we certainly heard a number of Intervenors that have spoken that want this environmental effort to take place, the environmental effort that we are intending to do, which in fairness does meet current standards.

I think we have got to remember though that this is more than just an environmental project. This project has a business side and an economic side to it which of course -- which is the main topic for the Board here.

A couple of things that we should reflect on very briefly and comment. First of all on the CO2 issue, as the evidence has shown that CO2 is not just a shortterm planning effort, as they have said, but there has been a shortterm planning effort attached to CO2.

In fairness Mr. Marshall has indicated that it has been assessed to the limits believed to be in effect in

2010. And there has been some serious attention paid to those. And the \$15 a tonne has been applied to that. And that is a real figure.

But what we have really got to remember is that this project has paid itself by 2010, has paid for itself. And at that time, if there are additional targets coming in, then they will be -- they will obviously have to be regarded and dealt with.

On SO₂ and on the NO_x they have been targeted. And the target on SO₂ has been met. And a serious proposal on NO_x has been made which may or may not be accepted. I will come to that.

But the other thing that we keep coming back to is natural gas. And we also have to remember on that that natural gas has less financial flexibility to deal with the CO₂ issue. And that flows right out of the points that I have just made on the payback issue as well.

A very serious issue here of course is that, you know, we really can't afford to dither away time and delay and wonder when something else is going to happen or something else might happen.

We are dealing the best we can with current circumstances. There is a business side. And there must be a readiness for the Point Lepreau shutdown situation which is one of the important aspects of this.

We would like to do the environmental work now. And that's -- we are moving ahead in that direction.

On the delay, wait one year? What are we going to get after one year? Where is there going to be any further certainty on CO2 when we look at it from the historical standpoint, when we look at how long governments have been dealing with that issue and how -- that is not a New Brunswick issue. This is not a Canadian issue. Although it is a North American issue to a point. But it is a global issue.

And we have just heard the issue -- I mean, everybody is aware of the news in the United States where the President says that look, we can't meet these standards businesswise. Business will be destroyed.

Well, can you imagine what will happen in New Brunswick if we have CO2 standards that exceed anybody else's standards? And what is that going to do to us costwise here? And what's it going to do to the economic side and the business side of living in New Brunswick?

This has got to be addressed on the big issue. It has been a concentrated issue for eight years, nothing is settled. There is no policies. And putting it off will not help us one bit here.

There is the \$100 million issue. If we move now, if we can have your recommendation, there is a very

significant saving over the next year.

Now on the NOx issue, we have talked about that in great detail. If in fact through this environmental assessment or through other environmental regimes there is a higher standard placed on NB Power, we know what it will cost to meet what they are hinting at now but not really there yet.

There is a plan that can be paid for. If there is something that has to be done in the future it can be done. It is not that this construction project has to stop and wait. These additional requirements can be met at future dates at a future cost.

But right now the view is that something should be done in a prudent manner which has been suggested, which is a prudent suggestion. And it is provided for in the plan.

And we keep talking about delay, delay and we will put it off for a year, put it off 10 years. That is not solving anything.

Just use the example if I buy a computer. Now we know there is going to be a better computer next year. What do I do? Keep putting it off, putting it off, putting it off and avoiding the advantages it brings to me? I mean, business unfortunately can't operate that way.

My learned friend makes comments about the uncertainty

of the world. Well, we must live in an uncertain world it seems. But businesses must, and businesses must go on. And businesses must make decisions. And of course that is really what we are trying to do here.

A lot has been said, if I could -- that will end my short comments on environment. If any questions I'm happy to try them.

The next issue is the Orimulsion contract that seems to give people a lot of problems. My friend was beating around billions of dollars today.

But what my friend hasn't done is bring forth the billions of dollars that we are talking about, the comparable evidence that would be discussed here if we are talking about natural gas.

How many extra billions would that be? Again we can talk in a critique manner. But it just keeps coming back to me that we haven't had that evidence of the alternate solution.

We know, and the evidence is here uncontradicted, that natural gas issue is a very volatile issue. We have the 65 percent number. If it is a longterm number, is it 50, is it 70? But it is in that range that there is a very, very significant increase in cost.

You know, if you are going to go on a natural gas contract you are going to have to go on a longterm

contract. And that longterm contract is going to have some significant numbers attached to it. And yes, there was a concerted effort here to negotiate a longterm Orimulsion contract.

We can criticize the people at NB Power. And I would suggest there are some terribly qualified people who negotiate a lot of contracts and have a lot of experience in negotiating some very, very significant contracts.

Was it intentional to negotiate a longterm contract? Yes. This cheap price is very, very significant to the economics of this project.

Are there outs? Yes. The evidence is there. The questions were asked specifically I think by the Board actually to Mr. Brogan, who indicates that there is an out, a contingency there if the environmental taxes in relation to CO2 go to the point that the project isn't economically feasible.

CHAIRMAN: Was that just CO2?

MR. HASHEY: No. I'm sorry. I think that goes to the environmental requirements.

CHAIRMAN: So there is --

\ MR. HASHEY: I guess the real concern here is CO2. The others have all been answered or are answerable --

CHAIRMAN: Yes.

MR. HASHEY: -- in themselves.

But the real -- I mean, the fact that you might have a NOx requirement addition and we have to spend an extra \$48 million or whatever it is, still makes this project economically feasible, very much more feasible than any others.

But the real concern here and the real thing that nobody knows about is CO2. I mean, if CO2 goes right off the map with the requirements then anything could happen.

I mean, we can grab at straws. We can -- I mean, it is just like trying to grab --

CHAIRMAN: So there is an out in the contract?

MR. HASHEY: Yes.

CHAIRMAN: That was certainly my recollection.

MR. HASHEY: Yes.

CHAIRMAN: I had a note here, Mr. Hashey, to ask you if you didn't cover it.

MR. HASHEY: Yes.

CHAIRMAN: Okay.

MR. HASHEY: Absolutely. That is in the evidence of Mr. Brogan. And -- there is a clause that you can see. And again maybe it is unfortunate. There is no reason that the Board's representative couldn't see that on a confidential basis if there is any requirement there.

We have talked about that. I think that is -- that is in evidence and quite clear.

I have mentioned the stability of price. Negotiations have been serious and will seriously be pursued and followed. There is not a situation here that the best available contract is not going to be negotiated.

I know the Board wouldn't want to micro-manage. If the Board wants to make a suggestion or a recommendation in their recommendation without making it conditional, there is certainly no harm in having that sort of thing. We recognize that.

In the response further to the Province on the debt equity needs to be addressed, having an equity partner in this project simply is not the answer.

If there has to be an equity partner -- I mean, this is what the Province right now is looking at, as I understand it, from what the announcements have been, is that they are looking at the future of NB Power and the overall position.

But what really came clear in this evidence, that cash flows from this project really do reduce risk in the business plan, and that this project, if we had an equity partner, would really undoubtedly increase the benefits to the New Brunswick customer that you would otherwise have, in that the equity partner is obviously going to ask for returns, for additional returns which will significantly reduce the benefit to the New Brunswick customer and

probably have some significant effect on rates, which we know this project as it currently stands on its own will not do.

I believe those are my closing comments. I come back to the really basic principles here, is that we have tried to put forward a plan which truly NB Power and its management team believes is the best available plan to meet the requirements of NB Power in the long term and also in the short term.

There is a Lepreau matter that we will be talking about shortly here. It is nice to hear that there is this great concern about CO2 which will probably give some support for Lepreau from some of the -- my friends here and maybe shorten that one.

But if there are some specific recommendations -- I mean, we would hope the recommendation is to proceed with the project as outlined.

If there is some specific suggestion as to what someone might look at, nobody is going to object to that.

But I would hope that the recommendation wouldn't be a conditional recommendation, if you follow what I mean, Mr. Chairman.

CHAIRMAN: I think so.

MR. HASHEY: And that would really be the remarks.

CHAIRMAN: All right. The Board -- we are going to take a

recess, because I want to talk with my fellow Commissioners to see if there is anything that Mr. Hashey has not addressed that the Intervenors brought up or vice versa.

The one thing that I do want the Intervenors to consider over the recess is in the light of their -- the suggestions that each of them have, how do you square that with section 3.7 of the Electric Power Act which reads as follows, "The Board of Directors shall administer the affairs of the corporation on a commercial basis. And all decisions and actions of the Board of Directors are to be based subject to public policy as determined from time to time by the Lieutenant-Governor-in-Council on sound business practice."

And also section 2 which reads as follows, "The intent, purpose and object of this Act is to provide for the continuous supply of energy adequate for the needs and future development of the province and to promote economy and efficiency in the generation, distribution, supply, sale and use of power."

So you might have some comments on that. And the Board will retire for about 15 minutes. And when we come back we may have some additional things we will ask you to address.

Thank you.

(Recess - 2:15 p.m. - 2:30 p.m.)

CHAIRMAN: Well we have no further questions except the one that I posed before we left. So I guess maybe that's just to go around the Intervenors.

Mr. Coon, have you any comment on what I said?

MR. COON: Mr. Chairman, thank you for that question regarding section 3.7 of the Electric Power Act.

A couple of things. NB Power's Board is expected to administer affairs of the corporation on a business basis and on a business basis going forward in a future that clearly is going to be constrained in terms of carbon dioxide emissions, one would expect that CO2 would be part of the equation here.

The Act says that administering the affairs of the corporation on a business basis subject to public policy. That public policy in New Brunswick today is one that indeed is a future that is carbon constrained where CO2 emissions will be constrained. The first shoe to drop on that, I guess, from provincial policy perspective was the premier's endorsement of the New England Governors Eastern Canadian Premiers' action plan, that's CCNB exhibit 1, in August of 2001, which sets out specific commitments with respect to reduction targets and deadlines for achieving those targets and specific recommendations.

In fact the recommendation concerning the reduction of

greenhouse gases from the electricity sector, which clearly the Premier has endorsed as part of this, is to achieve this goal through a combination of new renewable energy sources including solar, wind and bio-energy, among others, by using lower carbon fuels, which Orimulsion is not, increasing the efficiency of the electricity generation and transmissions systems and the use of new efficient distributed generation systems.

CHAIRMAN: That comment "which Orimulsion is not" was your words putting in --

MR. COON: That was in brackets, Mr. Chairman.

CHAIRMAN: Yes. Okay.

MR. COON: The next shoe to drop with respect to public policy in New Brunswick we expect we will see in a couple of months with the release of New Brunswick's Climate Action Strategy that will have to be delivered to the next meeting of New England Governors and Eastern Canadian Premiers, and certainly also to the other provinces in the federal government as part of the national initiative.

So this is the state of public policy already in Brunswick. So while NB Power may wish to -- may want to wish the carbon dioxide constraints away, that's what we know of public policy in New Brunswick today. And the final shoe to drop on this I guess will be what public policy will flow from our national commitments to achieve

the Kyoto protocol, which is expected to be ratified, according to the Prime Minister, by June before the G7, G8 summit in Alberta.

So that's the nature of public policy in terms of the public policy climate that the Board of NB Power is operating in here, and clearly within the context of this particular proposal these things need to be addressed.

Coleson Cove is operating reliably and will continue to do so, and continue to provide a reliable supply of electricity to us as it is. It's not as if Coleson Cove is to be retired or is in need of major overhauls for reliability purposes any time soon.

And as for the efficiency of generation which that section speaks to, NB Power is mandated to promote efficiency for generation. Well I guess we know Coleson Cove is not an efficient generator, but that will have to be dealt with in the context of the larger issue of what to do with Coleson Cove in view of the province's public policy concerning constraining greenhouse gas emissions and CO2 emissions in the future.

CHAIRMAN: Does JD Irving have anything they wish to add in reference to what I brought up?

MR. DEVER: No.

CHAIRMAN: Okay. Mr. Hyslop?

MR. HYSLOP: Thank you, Mr. Chairman. One of the great

beauties of asking lawyers to interpret statutes is it gives us the opportunity to respectfully submit any number of things, and obviously with phrases like "commercial basis" and "sound business practice", "economy and efficiency", it's quite possible to put a number of very different spins on the language of the section 3(7) and section 2 of the Electric Power Act.

I think though if you condense those two sections down to what probably is intended, the way I would phrase the question or phrase the meaning is to ask, what goes into making a business decision? And our response to that would be along the lines that we raised this morning. And in particular longterm planning and longterm decision making not only has -- I'm going to use the word -- a micro-perspective when you analyze what is known and analyze what can be reasonably -- or estimated on some type of a reasonable basis. But I think it also involves taking a longterm perspective which is, you know, standing back and asking a lot of what ifs, even if you don't know what the answer to the what ifs is, saying, What if this happened, how are we in the best position to deal with this. And I think good business decisions bring in both that micro and shortterm aspect, and I would be the first to agree that the case presented by New Brunswick Power is very strong in that regard. But I question the weakness

of their presentation within those two sections. I'm not sure they have yet taken that step back, asked all the what ifs and asked how can we develop a good sound flexible approach to some of these things that could occur.

There is a couple of other issues and perhaps these are more specific answers to the question you posed. One thing I would suggest that we have to as a matter of sound business practice consider the idea that we are dealing with close to a sole source reply without risk mitigation.

And I'm going to submit respectfully that that is not a good business practice, to have one source of reply without doing everything you can in that contract to mitigate the risk.

Economic and efficiency, we would probably suggest that -- first of all, on the efficiency part I can't give specific evidence but I was told on a break that gas is a more efficient product. Maybe it's not more cheap but it's a more efficient way of producing thermal energy or electricity when it's used in a combined gas -- combined cycle -- combined combustion cycle, and then the use of heavy fuel oil or Orimulsion. So the efficiency may appear to lean toward gas. In the narrow sense of an economic test -- I would hate to think that we are going to limit the word economic solely to the idea of price and

cost, but rather we would suggest that economic has to be a somewhat broader concept. Your cheapest buy is not always your best buy. But certainly I think it would be wrong to suggest that your cheapest price should at least be the starting point from where you bring in the other risk factors.

I apologize for a somewhat disjointed approach to this but I think perhaps I hope the Commissioners get the drift of the point I'm trying to make.

CHAIRMAN: Thank you, Mr. Hyslop. Mr. Dalzell?

MR. DALZELL: No, I think the points have been covered and we will leave it at that, Mr. Chairman. Thank you.

CHAIRMAN: Thank you. Ms. Coughlan for Saint John Energy, did you have anything you wanted to add?

MS. COUGHLAN: No comments, Mr. Chairman.

CHAIRMAN: Thank you. All right. Mr. Hashey, do you have anything specific you wish to mention to the Board after what you have heard the Intervenors say?

MR. HASHEY: No, Mr. Chairman. I believe the sections speak for themselves and do put an obligation of the management of the commission who have been here and have heard the comments of the various people. I think the arguments that were made by both my good friends Mr. Coon and Mr. Hyslop were really the same points that they have made before and I believe I have answered those.

CHAIRMAN: Thank you, Mr. Hashey. Now the Board will -- we will be adjourning today in a few moments. The Board hopes to be able to deliver an oral indication of the recommendation or lack thereof that we would have to -- I believe it's the President CEO of NB Power, and we will attempt to have that ready to go a week from today at 11:00 o'clock in the morning. So the hearing will be reconvened here at 11 a.m. next Monday.

I would ask the parties however to contact the Board any time after three or 3:30 on this Friday afternoon just to check and make sure that we are proceeding according to schedule.

So now -- yes, Mr. Coon?

MR. COON: Mr. Chairman, I just clarify that you said it was in the hotel and not in the offices?

CHAIRMAN: No, it's here.

MR. COON: In the hotel.

CHAIRMAN: Yes.

MR. COON: Okay. Sorry. Thank you.

CHAIRMAN: In this room. Now you have all received the tentative agenda for the Point Lepreau hearing and also note that the load forecast is an integral part of that Point Lepreau hearing even though it's set out as if it were a separate hearing. It's part of it.

So I will start with the NB Power and ask if they have

any comments in reference to that tentative agenda. I believe we have already been in touch with you about that, Mr. Hashey?

MR. HASHEY: That's very acceptable with NB Power.

CHAIRMAN: Okay. So let me just go around -- I won't bother calling on those parties that haven't had much participation in this particular hearing, but I will turn to you, Mr. Coon, and ask you if you have any comments in reference to that tentative schedule?

MR. COON: Thank you, Mr. Chairman. Yes, we do have a couple of comments. As one of the Intervenors who is largely dependent on volunteer labour to help us assemble our interrogatories and review them and assemble our cross-examination and so on, I have a couple of concerns around timing here.

Fist off with respect to the load forecast, there is no provision for a second set of interrogatories to NB Power as I read this. Maybe I'm --

CHAIRMAN: That's correct, I guess. We felt that having looked at NB Power's load forecast during the generic that the changes that have been made between last spring and this winter would be probably easily ascertained by a review, in that I can't see it taking a different form. I mean it's -- the inputs will be different. So we felt I guess that one set of interrogatories would probably be

sufficient. Got any comments on that, Mr. Coon?

MR. COON: Well I guess I would like to go on record with the position that we would appreciate the opportunity for a second set of interrogatories on the load forecast. You might take that under consideration.

Now the other two issues are time related. The first one has to do with the date that the first set of interrogatories are due to NB Power on the Point Lepreau question. Apparently it's scheduled for Monday, March 25th, and we would like to see that moved to April so there is a little more time to prepare those interrogatories. As I said, we are largely dependent on volunteers to help us assemble those and it's just not enough time for us to do the kind of job we would want to.

So if that could be moved a week or two into April that would help us immensely.

CHAIRMAN: That is a full month though after they file their evidence, Mr. Coon.

MR. COON: Indeed. Indeed.

CHAIRMAN: All right. We hear what you are saying and we will put that down as well.

MR. COON: Just a point on that, that evidence is filed but there is a bit of a time lag between it actually being filed and Intervenors actually seeing the evidence, because -- anyway, we will leave that as it is.

And then the final point is with respect to the time to provide a response -- or sorry -- to provide the second set of interrogatories following the response to the first set on the Lepreau question. There is currently one week, as I read this, NB Power would be responding to the first set of interrogatories for Lepreau on April 15th and the second set of interrogatories to NB Power would be due within a week on April 22nd. And for the same reason we would ask for an additional week there, moving the deadline for the second set of interrogatories to NB Power forward one week. Those are our concerns.

CHAIRMAN: Good. Thank you, Mr. Coon. I will make a note of that as well. Okay. Mr. Hyslop?

MR. HYSLOP: Mr. Barnett has some issues and will speak, Mr. Chairman.

MR. BARNETT: Thank you, Mr. Chairman. The first one -- one clarification, I guess. We have a date down here of Monday, March the 8th, for the load forecast on the green sheet I have. Can I just confirm that I don't think the 8th is a Monday?

CHAIRMAN: Green sheet?

MR. BARNETT: Well, I got it in green, I guess. But it's under the agenda for the schedule for the Point Lepreau.

CHAIRMAN: Well that's -- that has been replaced completely, Mr. Barnett, by the two page white paper --

MR. BARNETT: Okay.

CHAIRMAN: -- tentative agenda.

MR. BARNETT: Okay. Then we can ignore that remark. I will use -- I will borrow it from Mr. Coon.

Like Mr. Coon, the Province has a problem with the dates in terms of the filing of evidence and the IR's. The Province will be involved in the National Energy Board hearing scheduled to start the 23rd of April, and we will be preparing to that -- preparing for that.

And therefore the dates that you are suggesting of moving into the month of April, probably slipping the date that's here by -- by two weeks, say April the 8th would be one for the first set of interrogatories which the Province would support and like to see. We will be calling evidence insofar as the NEB process is concerned.

We will be readying ourselves for that -- for that hearing. So we have a problem with those things coming almost on top of one another.

CHAIRMAN: So when are you suggesting the first set of interrogatories for NB Power?

MR. BARNETT: April the 8th, Mr. Chairman.

CHAIRMAN: April 8th.

MR. BARNETT: At the soonest.

CHAIRMAN: And everything moving from there on?

MR. BARNETT: Everything would slip -- slip forward by that

week and a half or two weeks.

CHAIRMAN: Okay. Anything else?

MR. BARNETT: And in response to your -- or your response to Mr. Coon in terms of the second set of interrogatories on the load forecast, I guess, that is fine provided -- obviously the second set of IR's are usually generated by the answers to the first set of IR's. So I would ask for -- the possibility of flexibility in regards to that, Mr. Chairman.

CHAIRMAN: Okay.

MR. BARNETT: I mean, obviously if the IR's are complete, don't generate any further, we don't need a second set of IR's. But sitting here today it's hard to estimate whether or not we will need or not, and therefore we should contingency plan.

CHAIRMAN: Okay. Thank you, Mr. Barnett. Mr. Dalzell?

MR. DALZELL: Thank you, Mr. Chairman. The time frame between the first and second interrogatories is very tight from April 15th to April 22nd, and we would respectfully ask if that could be extended.

We concur with the comments, recommendations of the Conservation Council in respect to the fact that this is a voluntary group, and we do require time to review and to work on the evidence. So we would ask that that be taken into consideration. Thank you.

CHAIRMAN: Thank you. Ms. Coughlan?

MS. COUGHLAN: No comments.

CHAIRMAN: Well, we will go back to the drawing board and be discussing this further next -- next Monday with you.

On behalf of the Board we want to thank all of the parties and counsel who have appeared before us. Their cooperation has been excellent. Well, when we first started into this process we were estimating up to three weeks of hearing time, and we did it in three days. So I think says it all.

Thank you very much. See you next Monday.

(Adjourned)

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

Reporter