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NORTHWEST TERRITORIES
PUBLIC UTILITIES BOARD

Re:

NT POWER CORPORATION 2006/'07
AND 2007/'08 GENERAL RATE APPLICATION
PHASE I

Before Board Panel:

- Joseph Acorn - Board Chairperson
- John Hill - Vice-Chairperson
- Gene Nikiforuk - Board Member
- William Koe - Board Member
- Sandra Jaque - Board Member

HELD AT:

Baker Centre
Yellowknife, Northwest Territories
May 25th, 2007
Volume III

APPEARANCES

1
2
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4 Raj Retnanandan)
5
6 Stephen Lee)NT Power Corp
7 Hugh Williamson)
8
9 Thomas Marriott)Yellowknife, Hay River
10 Robert Bruggeman)and Fort Smith
11
12 A.O. Ackroyd, Q.C.)Inuvik, Fort Simpson
13 Azad Merani)and Fort Liard
14
15 Doug Tenney (NP))Northland Utilities
16 Jerome Babyn)
17
18 William Rouse)Behdzi Ahda First Nation
19
20 Daniel Marion)Dogrib Power Corporation
21 Jeff Baker)
22
23 David Wind)Private Citizen
24
25 Wendy Warnock)Court Reporter

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1 --- Upon commencing at 8:32 a.m.

2

3 THE CHAIRPERSON: Okay. Let's get
4 started. Mr. Lee, looks like you've got some
5 undertakings for us.

6 MR. STEPHEN LEE: Mr. Chairman, we do have
7 some undertakings, however, with the Board's indulgence,
8 if we have a little bit more time we can have copies
9 prepared for everybody and collated and all that good
10 stuff. So my suggestion would be to proceed with Mr.
11 Merani and then do the undertakings following that.

12 THE CHAIRPERSON: Mr. Marriott...?

13 MR. TOM MARRIOTT: Thank you, Mr.
14 Chairman. I just wanted to put on the record that, for
15 the hydro communities, the -- the schedule for argument
16 and reply is a bit problematic. We were hoping there
17 might be some flexibility there. And I wanted to put
18 that out on the record this morning and maybe get some
19 reaction from some of the other people in the room. Mr.
20 Donihee had raised this issue yesterday.

21 Right now the Board's schedule is June
22 14th for argument and June 28th for reply. The problem
23 that it causes us is two-fold. Dr. Kryzanowski will be
24 out of the country; he is leaving shortly and will be
25 back on June the 14th, so getting back the day the

1 argument is due.

2 And Mr. Bruggeman and myself are involved
3 in a hearing that starts on the 11th of June in Edmonton,
4 an Alberta Energy Utilities Board proceeding of
5 indeterminate date. It may well be done by June 14th,
6 but it's certainly going to be tight.

7 We were hoping that we could extend those
8 dates slightly. So it would -- what we would propose is
9 the Monday would be the June 18th, and that would
10 certainly help us immensely.

11 And then the other date, the reply date,
12 is June 28th. It would be okay with us if we just had
13 till the 29th; just the one (1) extra day there. So in
14 the end, you get the reply one (1) day later than the
15 schedule that we now have.

16 But I'll put that out there, sir, and
17 maybe you could get some comment from others.

18 THE CHAIRPERSON: Okay, thank you. Mr.
19 Ackroyd, do you want to present your witness?

20 MR. A.O. ACKROYD: Good morning, Mr.
21 Chairman, members. There for a while I thought maybe I
22 should ask Mr. Merani to continue on as our counsel and
23 then I would sit there and give the evidence, but we
24 thought better of it and you'll hear from Mr. Merani this
25 morning.

1 Mr. Merani's evidence is in response to
2 this application before you that has been filed by the
3 NTPC, the Town of Inuvik, the Hamlet of Fort Simpson and
4 the Hamlet of Ford Liard.

5 The filed evidence of Mr. Merani has been
6 entered in these proceedings as Exhibit 10. And attached
7 to that exhibit is the brief curriculum vitae of Mr.
8 Merani.

9 Would it be satisfactory, Mr. Chairman,
10 that it simply be incorporated in Exhibit 10 without
11 requiring a separate exhibit?

12 THE CHAIRPERSON: That would be fine.

13 MR. A.O. ACKROYD: Mr. Merani also
14 prepared the responses to the Information Requests from
15 the Board; a request 1 to 5; and from the Power
16 Corporation, 1 to 6. They've been entered here as
17 Exhibit 11.

18 May I then ask Mr. Merani if the -- if he
19 has before him both the Exhibit 10 and 11?

20 MR. AZAD MERANI: I do, sir.

21

22 THERMAL COMMUNITIES PANEL:

23 AZAD MERANI, SWORN

24

25 EXAMINATION-IN-CHIEF BY MR. A.O. ACKROYD:

1 MR. A.O. ACKROYD: Again, Mr. Merani, was
2 the material, Exhibits 10 and 11, prepared by you or
3 under your direction?

4 MR. AZAD MERANI: Yes, it was.

5 MR. A.O. ACKROYD: And do you have any
6 changes to that material as filed?

7 MR. AZAD MERANI: Yes, Mr. Ackroyd, I
8 have a couple of corrections. If you can turn to my
9 filed evidence on page 10, line 23, the sentence starts,
10 instead:

11 "NTPC argues T-A"

12 It should read:

13 "NTPC argues a customer"

14 so remove the letter "T".

15 MR. A.O. ACKROYD: Thank you.

16 MR. AZAD MERANI: And then on page 13, on
17 line 10, it reads:

18 "Installation of a third diesel engine"

19 And obviously it should be:

20 "third gas engine".

21

22 (BRIEF PAUSE)

23

24 MR. AZAD MERANI: Those are all the
25 changes that I had.

1 MR. A.O. ACKROYD: Thank you. Mr.
2 Merani, do you have available for presentation an opening
3 statement concerning your evidence, please?

4 MR. AZAD MERANI: Yes, I do.

5 MR. A.O. ACKROYD: Proceed, please.

6 MR. AZAD MERANI: Good morning, Mr.
7 Chairman and Members of the Board. The Thermal
8 Generation Communities that will present here today have
9 actively supported the evidence filed in this proceeding.

10 In addition to my filed evidence, I have
11 responded to various Information Requests, both from the
12 Board and NTPC, on which further elaboration and support
13 was provided for the recommendations filed in my
14 evidence.

15 My filed evidence deals with four (4) main
16 areas.

17 1. Affiliate Transactions. In the area
18 of affiliate transactions, the lack of transparency and
19 the nature and extent of these transactions and the
20 costing approach is of concern today and will be of
21 greater concern in the future as NTPC's affiliates ready
22 themselves for future hydro development.

23 Whether the Board uses the ATCO Code as
24 recommended by the TGC evidence or some other basis, the
25 need exists to have some form of Board approved oversight

1 mechanism with appropriate compliance and reporting
2 structures to ensure customers of the regulated entity
3 are adequately protected. This will become even more
4 pronounced as and when the Barren/Taltson hydro projects
5 come to fruition.

6 Number 2. Generation Using Fuel Sources
7 Other than Diesel. In the hydro communities, NTPC has
8 done an impressive job of displacing diesel fuel with
9 hydro in recent years. However, other than in Inuvik
10 where gas has now -- has in large part been replaced by
11 natural gas, precious little has been done to wean the
12 communities off their diesel dependency and related
13 escalating costs.

14 With a growing interest in Canada and in
15 the need to curb greenhouse emissions, increased funding
16 amounts are available from all levels of government for
17 projects displacing thermal with green energy. As the
18 market in carbon trading evolves in Canada, proceeds from
19 such trading will provide an additional benefit to green
20 projects.

21 Number 3. Diesel Fuel Stabilization Fund.
22 Sir, in our submission, the Diesel Fuel Stabilization
23 Fund should be operated in a same or similar manner in
24 which the diesel rates are set initially; that is based
25 on community-specific basis.

1 In my view, operating a single fund masks
2 the cost differentials associated with differences in
3 communities specific cost related to transportation and
4 fuel efficiency. As well, my recommendation is to
5 replace the forecast fuel efficiency rate with the actual
6 heat rate when the Diesel Stabilization Fund is trued-up.

7 The last issue, sir, is the fuel
8 efficiency rate for the Town of Inuvik. The Corporation
9 has given no weight to the potential increase in the fuel
10 efficiency rate in the Town of Inuvik with installation
11 of the third natural gas engine. We, therefore, suggest
12 a 5 percent improvement in fuel efficiency over that,
13 assumed by NTPC.

14 Mr. Chairman, that concludes my comments.

15 MR. A.O. ACKROYD: Witness is available
16 for examination.

17 THE CHAIRPERSON: Mr. Lee, do you have
18 any questions?

19

20 CROSS-EXAMINATION BY MR. STEPHEN LEE:

21 MR. STEPHEN LEE: Thank you, Mr.

22 Chairman, I do have questions.

23 Mr. Merani, your opening comments and
24 clarifications were helpful. You anticipated my first
25 question in terms of a typo which I thought I saw in your

1 evidence about the third diesel engine really should be a
2 third gas engine. If I -- did I hear you correct?

3 MR. AZAD MERANI: Yes, indeed, sir.

4 MR. STEPHEN LEE: Thank you. Mr. Merani,
5 have you reviewed the EUB decision 2003-040 with respect
6 to the ATCO Group Code of Conduct?

7 MR. AZAD MERANI: I have, sir.

8 MR. STEPHEN LEE: Thank you. And, in
9 fact, you recommend that the ATCO Group Code of Conduct
10 be used as a model for the Corporation, is that correct?

11

12 (BRIEF PAUSE)

13

14 MR. AZAD MERANI: Yes. We recommend that
15 that be used as a model. We also maintain that whether
16 the Board uses the ATCO Code or some other code, that is
17 not of issue necessarily to us. It's -- it's -- it was
18 recommended as a model because we are most familiar with
19 it.

20 MR. STEPHEN LEE: Okay, thank you, sir.
21 And that's actually the clarification I was seeking; is
22 your opening statement refers to the ATCO Code as
23 recommended by the TGC evidence or some other basis. And
24 it's -- what I was wondering, sir, is that phrase, "or
25 some other basis," leaves some latitude for this Board in

1 terms of your recommendation as to what would be
2 appropriate for a Code of Conduct for the Corporation.

3 So you're -- just so summarize, sir,
4 you're -- you're not saying that it's the ATCO Code and
5 the ATCO Code only? You're saying that as long as
6 there's some appropriate mechanism in place?

7 MR. AZAD MERANI: Certainly not -- you're
8 right, sir. I'm not recommending ATCO Code be the only
9 code that be looked at. There's, as you probably
10 gathered from the responses we've filed, there's the OEB
11 Code that we referred to. We've also referred to the
12 Michagan Co (phonetic) Code. And so -- and I think your
13 rebuttal evidence talks about the Manitoba Hydro and the
14 Newfoundland and Labrador Hydro Code.

15 So I am not necessarily saying that the
16 ATCO Code be the only code. I think it's used as a
17 reference point more than anything else.

18 MR. STEPHEN LEE: Thank you, sir, and
19 you've anticipated me again. I was going to ask if you
20 had reviewed the Corporation's evidence and specifically
21 the IR responses which refer to the Manitoba and
22 Newfoundland and -- hydro codes. And I believe you just
23 said yes, you had.

24 MR. AZAD MERANI: I believe -- I believe
25 that was in your rebuttal evidence.

1 MR. STEPHEN LEE: Correct. Thank...

2

3 (BRIEF PAUSE)

4

5 MR. STEPHEN LEE: Turning to the ATCO
6 Code, Mr. Merani, and, sir, it's probably a good time to
7 turn up -- I provided the Board and the Counsel with an
8 aid to cross that I wish to use and that's Appendix A
9 from the ATCO Code decision. And I believe you said you
10 had the entire decision there, so if you -- maybe if
11 you'd just flip that up, that would be helpful.

12 MR. AZAD MERANI: I have that, sir.

13 MR. STEPHEN LEE: Thank you. Now, sir,
14 the ATCO Group is comprised of several utilities and non-
15 utility affiliates, correct?

16 MR. AZAD MERANI: It's -- it's a large
17 company, it's -- it's got a number of affiliates, yes,
18 sir.

19 MR. STEPHEN LEE: And, in fact, those
20 affiliates, both utility affiliates and non-utility
21 affiliates, are set out in this Appendix A, is that
22 correct?

23 MR. AZAD MERANI: That's right.

24 MR. STEPHEN LEE: So there's separate gas
25 and electric utilities as I see on this organ --

1 operational chart; do you see that, sir?

2 MR. AZAD MERANI: There's gas, electric
3 and pipelines, yes, sir.

4 MR. STEPHEN LEE: Okay. And maybe just
5 to run through the utility affiliates; there's ATCO
6 Pipelines, ATCO Gas -- those are both gas affiliates --
7 utility affiliates?

8 MR. AZAD MERANI: Correct.

9 MR. STEPHEN LEE: And then there's ATCO
10 Electric and that's an electric utility affiliate?

11 MR. AZAD MERANI: That's right, sir.

12 MR. STEPHEN LEE: And then, also, there's
13 a number of other non-utility affiliates in the ATCO
14 Group, if I am reading this correct. And perhaps if you
15 could just confirm for me, the ATCO I-Tek Company is an
16 information technology company?

17 MR. AZAD MERANI: That's my
18 understanding, sir. Yes.

19 MR. STEPHEN LEE: And ATCO Singlepoint
20 customer billing and call centre services is provided
21 through that non-utility affiliate?

22 MR. AZAD MERANI: That's correct, sir.

23 MR. STEPHEN LEE: And ATCO Midstream gas
24 gathering and processing and storage?

25 MR. AZAD MERANI: Again, that's what the

1 Appendix 1 shows, yes.

2 MR. STEPHEN LEE: Is that consistent with
3 your personal understanding of the ATCO Group?

4 MR. AZAD MERANI: Mr. Lee, I'm not
5 involved intimately with the non-utility side of ATCO
6 Group's -- ATCO Limited's operations. I take it when the
7 Board has deemed it necessary to put this in the -- in
8 its decision it is -- it must be true.

9 However, I don't know if this is still
10 current. As you pointed out, this decision was back in
11 2003, so I'm not sure if it's still the most current
12 status of the organization's structure.

13 MR. STEPHEN LEE: Thank you, sir. And
14 perhaps if we could approach this just from the basis of
15 this operational chart being current as at the time of
16 the decision.

17 MR. AZAD MERANI: That we can --

18 MR. STEPHEN LEE: If we work at that
19 basis, is that okay?

20 MR. AZAD MERANI: That -- that would be
21 better thing for me to accept, yes.

22 MR. STEPHEN LEE: Okay. And probably
23 myself, too.

24 The -- just in terms of ATCO Midstream,
25 sir, though, you -- you do not have any personal

1 information to suggest that ATCO Midstream as at that
2 time was not involved in gas gathering, processing, and
3 storage, do you?

4 MR. AZAD MERANI: No, sir.

5 MR. STEPHEN LEE: Thank you. And ATCO
6 Power; that's a power production --

7 MR. AZAD MERANI: That's my
8 understanding, sir.

9 MR. STEPHEN LEE: And as at that time,
10 the Alberta industry was deregulated for retail and
11 generation functions, is that correct?

12 MR. AZAD MERANI: That's right.

13 MR. STEPHEN LEE: So ATCO Power would be
14 essentially where their generating stations were owned
15 and operated out of; that's the non-utility affiliate for
16 generation?

17 MR. AZAD MERANI: That's my
18 understanding, yes.

19 MR. STEPHEN LEE: Thank you, sir. And
20 just moving down the line there, ATCO Frontec provides
21 technical and facilities management services, correct?

22 MR. AZAD MERANI: Correct.

23 MR. STEPHEN LEE: Thank you. I guess
24 similar to the Alberta electric industry, Mr. Merani, is
25 it also not true that as at that time the natural gas

1 industry or retail service was deregulated? Or do you
2 know that?

3 MR. AZAD MERANI: As I mentioned to you,
4 sir, before, I'm not involved in the gas side. I'm
5 primarily involved in the electric utilities in Alberta
6 so I couldn't speak to that.

7 MR. STEPHEN LEE: Fair enough. Thank
8 you, sir.

9 Now, Mr. Merani, I'm just generally
10 interested in the ATCO Group in relation to the Power
11 Corporation and I'm wondering if, just based on your
12 knowledge of the ATCO Group, you could help us with that
13 a bit.

14 And would you have a sense of just the
15 comparative size of the ATCO Group relative to NTPC, I
16 guess maybe in terms of the combined rate base of the
17 regulated assets of ATCO versus NTPC?

18 MR. AZAD MERANI: I have not made that
19 comparison, but I can it's -- tell you quite honestly
20 that the ATCO Group regulated entities are significantly
21 larger than the Power Corp.

22 MR. STEPHEN LEE: Okay. Thank you, and -
23 - and I think just orders of magnitude is sufficient.
24 So, I mean, if we're talking significantly larger, that -
25 - that's fine.

1 Would they be significantly larger in
2 terms of rate base?

3 MR. AZAD MERANI: Yes. I -- I think they
4 would be -- any one of these -- ATCO gas, electric or
5 pipelines -- might be bigger than Power -- the Power
6 Corp.

7 MR. STEPHEN LEE: And together, ATCO gas,
8 pipelines and electric would be --

9 MR. AZAD MERANI: Significantly larger --

10 MR. STEPHEN LEE: -- very much larger?

11 MR. AZAD MERANI: Yes.

12 MR. STEPHEN LEE: So each one on their
13 own would be larger but together they're all going to be
14 significantly larger.

15 And would you -- would it be the same
16 thing with revenue requirement for each of these three
17 (3) utilities, taken -- taken in total?

18 MR. AZAD MERANI: Again, I haven't done a
19 study, sir, but, you know, just on the face of it, I
20 think I would -- I could agree with you. The revenue
21 requirements for three (3) combined would be much larger
22 than the revenue requirement for the Power Corp.

23 MR. STEPHEN LEE: Thank you, sir. Would
24 you agree with me, as well, for the total number of
25 utility employees? Just based on the size of their

1 operations, it seems --

2 MR. AZAD MERANI: I think that's a
3 reasonable statement, sir.

4 MR. STEPHEN LEE: Thank you, sir. And
5 how about your expectation of the volume of inter-
6 affiliate transactions within the ATCO Group?

7 Is it your view that the volume of those
8 transactions as at the time of the ATCO decision would be
9 significantly more, in terms of dollars and number of
10 transactions, than what is currently taking place in the
11 Power Corporation?

12 MR. AZAD MERANI: Mr. Lee, we have not
13 got information from the Power Corp. as to the exact
14 volume of inter-affiliate transactions. We've got some
15 indication of the time that's been spent by senior
16 management on affiliates.

17 But I think, given the size of the Power
18 Corp and the -- the size of the ATCO Utilities -- the
19 pipelines, gas and electric -- I think it's reasonable to
20 say that the affiliate -- the affiliate transactions are
21 probably significantly higher in the ATCO Group than they
22 are in the Power Corp.

23 MR. STEPHEN LEE: Thank you, sir. You
24 referenced -- and I appreciate your candour on that, by
25 the way -- you referenced at the -- the front end not

1 having detailed information in terms of the -- the nature
2 or scope, I guess, of NTPC's inter-affiliate
3 transactions.

4 Sir, have you reviewed the rebuttal
5 evidence of the Power Corp? And, specifically, I can
6 refer you to page 6, line 25.

7 MR. AZAD MERANI: Yes, I have, sir. I
8 thought your question was as to the number of
9 transactions, and I haven't got that information nor have
10 you provided that in your rebuttal.

11 MR. STEPHEN LEE: Thank you, sir. I
12 appreciate the distinction. So in terms of numbers of
13 transactions though, your general sense was that you
14 would agree with me that the ATCO Group would be larger,
15 notwithstanding you don't have the specific information?

16 MR. AZAD MERANI: I didn't say I agreed.
17 I said it would be reasonable to assume. So --

18 MR. STEPHEN LEE: Fair enough.

19 MR. AZAD MERANI: -- I -- I have no such
20 knowledge, Mr. Lee, as to repeat -- repeat what I said
21 before. I think we asked for some financial statements
22 for the -- for the non-regulated entities and we were
23 told that they're not available or they're not for public
24 consumption.

25 So we were, ourselves, trying to gauge the

1 nature and extent of inter-affiliate transactions.

2 Not having received the financial
3 statements, I'm not in a position to tell you precisely,
4 but again, as I mentioned before, I think it would be
5 reasonable to assume subject to that caveat.

6 MR. STEPHEN LEE: I appreciate the -- the
7 clarification. Thank you for that.

8 So, in terms of number of transactions, I
9 have your answer. In terms of dollar value of those
10 transaction, sir, would you agree with me that the ATCO
11 Group would have significant -- significantly more inter-
12 affiliate transactions on a dollar basis?

13 MR. AZAD MERANI: Sir, I'm going caveat
14 that again. The total value of the transactions, that's
15 on page 6 -- this amounts to \$1.5 million. I don't know
16 whether that's the norm, whether that was more or less in
17 prior years.

18 So, just going by the one point 1.5
19 million, I would suggest that it probably makes sense
20 that the ATCO Group inter-affiliate transactions, the
21 total dollar value, is -- is -- it's reasonable to assume
22 that it's more than 1.5 million.

23 MR. STEPHEN LEE: Thank you sir. I
24 appreciate --

25 MR. AZAD MERANI: Subject -- subject to

1 check again.

2 MR. STEPHEN LEE: Okay. Fair enough.

3 Mr. Merani, would you agree with me that
4 the checks and balances, and I believe that's your term
5 from your -- your evidence, the checks and balances
6 necessary to screen intercalate transactions should be
7 commensurate with the size of the organizations involved?

8 MR. AZAD MERANI: I heard you lead me
9 through all the questions up to now, Mr. Lee, and I
10 wanted to make this observation. That -- and my
11 familiarity, of course, is with the accounting side, so
12 in the accounting literature often we've talked about
13 small gap versus large gap and the CICA, it doesn't draw
14 any distinction between small gap and large gap.

15 So, if you're a public company that is one
16 hundredth (1/100th) to -- the time -- the size of a
17 large company, gap is gap. And I'm just using that as an
18 example. So, if you have a regulated utility, whether
19 it's the size of NTPC or whether it's ten (10) times its
20 size, it doesn't matter, in my view.

21 What matters is the fact that customers
22 need some assurance -- I'm sure the Board needs that, too
23 -- that there's some transparency in these transactions;
24 that there's checks and balances to ensure that the
25 customers' rates are reasonable and -- and at a level

1 where we think or we can make that assessment as to the
2 prudence of the costs and the allocation of those costs
3 as between utility and non-utility.

4 So, I apologize for the long answer, but
5 at the end of the day, I do not agree that simply because
6 the Power Corp. is a small utility -- small is a relative
7 term, sir -- and so, I would not agree with -- with your
8 proposition.

9 MR. STEPHEN LEE: Thank you for that. I
10 -- I don't have a concern with the long answer. Actually
11 it -- it's helpful for me to understand.

12 And your analogy with gap -- small gap
13 versus large gap; gap is gap -- I -- I'm not an
14 accountant, but I would take a layperson's understanding
15 of your answer to -- to mean that, as far as gap is
16 concerned, one (1) size fits all; is that the substance
17 of what you're trying to convey to me?

18 MR. AZAD MERANI: The principles that are
19 enunciated in the handbook apply whether you're a small -
20 - small -- small company or a large company. And it's
21 the principles we're talking about, Mr. Lee; principles
22 don't change with the size of the company.

23 MR. STEPHEN LEE: Correct.

24 MR. AZAD MERANI: So, when you -- you --
25 your -- your suggestion, from what I understand, is that

1 because we're a small company, we should be excepted.
2 I'd say that is not -- you're violating some basic
3 principles of ratemaking.

4 To my knowledge, there's no exemption --
5 and I'm not a legal counsel -- but there is no exemption
6 for a smaller public utility from any of the requirements
7 of any of the acts. There's no exemption from any of the
8 accounting recommendations. In fact, we heard Ms.
9 Goucher talk about the March 30th, 2007 com -- exposure
10 draft.

11 Certainly, sir, if NTPC's as small as you
12 say it is, then maybe that -- that should be reason
13 enough for the CICA to grant some exemption to small
14 companies. But there isn't that exemption. So I -- I
15 don't really see principles -- the need for the
16 principles to be violated just because you're a small
17 company.

18 MR. STEPHEN MERANI: I think I understand
19 where we may be missing each other, Mr. Merani. It's not
20 so much the principles that I was asking you about when I
21 referred to checks and balances; more the nature of the
22 code itself -- the model, if you will, to be used.

23 And I guess I'm -- I'm struggling a little
24 because we discussed earlier, there's a number of
25 different models that could be used. And I understand

1 your evidence to be that you're recommending the ATCO
2 Group Code. But there's other ones that are out there,
3 and as long as it's some basis; some other basis. And
4 it's in that context, sir, that I'm asking you is: The
5 some other basis or the nature of the model or the code
6 itself, should that be commensurate with the size of the
7 operation?

8 MR. AZAD MERANI: Sir, you used the word
9 "basis" a couple of times, and my take is you cannot base
10 anything on -- on -- in a vacuum. You have to have some
11 basis for a applying, what I call checks and balances to
12 ensure that the amounts that you're siphoning off to your
13 non-utility regulations are the -- are amounts that are -
14 - comply with some principles.

15 And those principles can only be followed
16 consistently if they're -- if they're qualified in some
17 sort of a document. Whether it's the ATCO Code or some
18 other code, you need a set of guiding principles so that
19 everybody knows whether it's the Board, customers or the
20 utility, that those principles are being followed on a
21 consistent basis, year over year.

22 So, let me give you an example. If we
23 have 1.5 million in '06/'07 as the total value of
24 transactions, we do not know what they will be -- what
25 they were for prior years, but if we had a codified

1 document that told us that the labour cost, for example,
2 are being allocated in a certain fashion, and they follow
3 the code of conduct that the overhead rate that is being
4 applied to work that is done for the affiliates, is a
5 fully burdened overhead rate.

6 See, those are the kind of checks and
7 balances that we don't have at this time. And I'm
8 suggesting to you, sir, that the only way that you can
9 get some proper understanding and assurance and
10 transparency that those princ -- those principles are
11 being followed is by encoding them in sort of a document.

12 MR. STEPHEN LEE: Let me see if I
13 understand your answers, sir. There was a bit in there.

14 Is it your position that the Corporation
15 does not have in place appropriate checks and balances?
16 Or is it your position that it's just not documented and
17 filed with the Board as -- as a code?

18 MR. AZAD MERANI: Sir, if you turn to my
19 evidence at page 3, on line 8, we say that the primary
20 concern is lack of transparency.

21 So, I'm not suggesting that what NTPC is
22 doing is not correct. They may be absolutely following
23 the share services in a model that they know internally,
24 but nobody outside of the company seems to know.

25 My suggestion to you, sir, was that --

1 again, we're talking about checks and balances and
2 principles and codification of those principles in a
3 document -- my suggestion to you, sir, is that the
4 primary concern being transparency can only be addressed
5 through a satisfactory set of principles that the Board
6 has identified and the utility's following and that
7 everybody around that is a stakeholder -- customers,
8 government, other parties -- know that those principles
9 are being followed consistently from year to year.

10 MR. STEPHEN LEE: Thank you for that,
11 sir. And -- and I think we're back on the same page
12 here.

13 It's the document that I was asking you
14 about in terms of the, I guess, the level of detail,
15 items addressed and requirements in that document that
16 you're talking about; that's what should be commensurate
17 with the size of the operation, should it not?

18 I mean, simply put, do we need a full-
19 blown ATCO Code to deal with the size and nature of the
20 affiliate transactions being undertaken by the
21 Corporation at this time? Isn't that just killing a gnat
22 with a sledgehammer?

23 MR. AZAD MERANI: I think we've canvassed
24 this area earlier on, Mr. Lee. I was suggesting to you
25 that the ATCO Code be used as a model, not exclusively

1 replicating every word of that ATCO Code, and making it a
2 Power Corp Code.

3 Again, if you go back to my evidence, sir,
4 at page 5 and 6, my suggestion is not to transcribe the
5 ATCO Code at all, verbatim. I'm suggesting that NTPC
6 provide, no later than its next GRA, its own
7 comprehensive code of conduct and compliance plan
8 modeled, not duplicated, after the ATCO Code.

9 And my -- my clarification this morning to
10 you, sir, was that we've now got several references to
11 other codes including the rebuttal evidence references to
12 the two (2) other Canadian jurisdictions; I mentioned to
13 you the OED.

14 There's a plethora of codes out there,
15 sir, and all I'm suggesting is that there be some
16 willingness expressed by NTPC to work with, perhaps, the
17 parties to develop a comprehensive code that would
18 basically codify what NTPC's doing internally, anyways if
19 -- if those procedures are consistent with the codes that
20 we've seen other -- in other areas as far, as shared
21 services are concerned, as far as for-profit affiliates
22 are concerned, I think that's -- that -- that's all we're
23 recommending at this stage.

24 Maybe there's a misapr -- miscon --
25 misapprehension on what I'm recommending. I'm suggesting

1 that -- that some document be developed at or before the
2 next GRA and I would suggest, sir, that perhaps -- and I
3 -- this is from experience in dealing with major
4 undertakings in Alberta, it's always better to work with
5 customers before the filing of such documents than to
6 fight it out at a public hearing.

7 MR. STEPHEN LEE: That -- just so I'm
8 clear, sir, that the document that you're talking about
9 being developed, it again needs to be appropriate for
10 NTPC's specific circumstances. I -- I think I heard that
11 in your prior answer.

12 It needs to match what NTPC's doing?

13 MR. AZAD MERANI: Obviously -- that's --
14 that's a truism -- it -- it needs to match what NTPC's
15 systems are.

16 Again, as I mentioned before, it needs to
17 match what other provinces and jurisdictions have done in
18 terms of codes as well. So NTPC may be doing all that it
19 thinks it has to do, but unless you've taken a
20 comprehensive look at all of the other codes of conduct
21 in other jurisdictions, you may not know that you're
22 missing something.

23 So I -- Mr. Lee, I -- I do not know --
24 there's precious little evidence on the record as far as
25 what kind of computations are being used to allocate

1 costs across the board to utilities and non-utility
2 transactions. Whether there's a -- for example in -- in
3 ENMAX, we've seen a very comprehensive model that takes,
4 for example, the costs at the head office level. And
5 this cost would be, for example, internal audit legal
6 services. And -- and then those costs are then shared
7 down to the various levels of transmission, distribution
8 or retail.

9 So -- and that model, for example, was
10 developed by a reputable accounting firm -- I'm sorry, it
11 wasn't developed. It was developed by ENMAX, but
12 reviewed by a reputable accounting firm and that has been
13 tested before a public hearing and that model has now
14 been used since, I believe, 2004.

15 So my suggestion to you is, sir, that I'm
16 not suggesting that NTPC is not doing what it says its
17 doing, I'm just saying were not -- we don't have the
18 information before the Board to ensure that its doing
19 that -- all that other codes are requiring the -- their
20 respective companies to do.

21 MR. STEPHEN LEE: Thank you for that
22 clarification, that's helpful. You mentioned ENMAX and
23 the accounting model that it's using.

24 Would you agree with me that there would
25 be a cost to develop and implement and perhaps adapt if

1 you're using -- if you're working from an existing model
2 somewhere else in the -- in the country perhaps -- but
3 there would be a -- a cost to -- to develop and adapt a -
4 - a new model or a new code for the Power Corp.; would
5 you agree with that?

6 MR. AZAD MERANI: Sir, when you -- when
7 you're a public utility and you're regulated and you have
8 responsibility to -- to your stakeholders that -- that
9 whatever you're doing is in the public interest, I
10 suggest to you, sir, that customers would be willing to
11 absorb that -- a certain level of cost to provide that
12 additional transparency.

13 I'm not sure what the exact nature and
14 extent of that model cost was, but I don't think we're
15 looking at millions of dollars, sir.

16 MR. STEPHEN LEE: I'm not asking you for
17 an amount and -- and I think and I -- I don't know what
18 the number is either, so I don't want to quib you --
19 quibble with you in terms of the quantum of the cost. I
20 -- I think just directionally we can agree that there
21 would be an incremental cost to the development and
22 maintenance of a model like that. As well -- including
23 the reporting requirements, as well.

24 Is that -- would you agree with me on
25 that?

1 MR. AZAD MERANI: Yes, sir. There --
2 there's a cost, an offsetting that cost is a benefit.

3 MR. STEPHEN LEE: And that offsetting
4 benefit, I think I heard you say, would justify the cost
5 in the public interest. I do believe --

6 MR. AZAD MERANI: Yes, let me give you an
7 example, Mr. Lee. For example -- we've seen 1.5 million
8 in your rebuttal evidence. For example, if after we went
9 to this Code then found out that one point five (1.5)
10 really should've been 5 million -- I'm just pulling a
11 number from the air -- there right off the bat you've got
12 a significant saving in one (1) year.

13 It gives customers, it gives the Board, it
14 gives all the stakeholders that additional comfort,
15 additional transparency that's required. Now, if that's
16 going to cost some money, I'd say there's -- there's a
17 benefit. It's unquantifiable, but for every -- every
18 cost as long as there's a benefit, I think that's the way
19 the -- the utility operates, in any event.

20 MR. STEPHEN LEE: And the benefit, sir,
21 is the transparency. You may find that there's costs
22 that should be disallowed, you may not, but it's the
23 transparency that's the important spot.

24 MR. AZAD MERANI: That's right, sir.
25 Where there's transparency and potential of additional

1 savings. But you're right there -- there is no assurance
2 without going through all the details. We don't really
3 at this time -- know what the savings would be, if any.

4 MR. STEPHEN LEE: Thank you, sir, and
5 again, I appreciate your candour. I take it because
6 you're speaking on behalf of the thermal generation
7 communities you're -- you're committing -- or -- or your
8 position is for them that -- that's a cost -- that's a
9 reasonable cost; it's in public interest -- to be borne
10 for that benefit.

11 My -- my question is only that you're --
12 you're only speaking for the thermal communities?

13 MR. AZAD MERANI: Hmm. And --

14 MR. STEPHEN LEE: Well, let me put it
15 this way, sir. Let me -- would it be your view that the
16 additional costs should be borne by all customers?

17 MR. AZAD MERANI: This is a system cost
18 as far as I am concerned, yes, sir. It benefits -- any
19 benefits that come out of this, I don't think you'd find
20 the hydro customers, if there is a benefit, saying that
21 those benefits should again be only for the -- for the
22 benefit of thermal customers.

23 MR. STEPHEN LEE: Hydro customers should
24 bear it as well?

25 MR. AZAD MERANI: I think it's a system

1 cost.

2 MR. STEPHEN LEE: Thank you, Mr. Merani,
3 I appreciate that. Can you turn to your response to
4 BR.TGC-1A and that's Exhibit 11.

5 MR. AZAD MERANI: Yes, sir.

6 MR. STEPHEN LEE: And do you have that in
7 front of you?

8 MR. AZAD MERANI: I do.

9 MR. STEPHEN LEE: Okay. Now, if you flip
10 to the second page, I believe, of that response. Yes.
11 And the response requests support for the view that NTPC
12 affiliates are in competition with NTPC. And then you
13 provide an answer, and the part I was curious about in
14 your answer starts at the -- the top of the second page.

15 And as I read that, what's it doing is
16 it's providing a definition of the competition. And this
17 is right at the -- the top of the page and I'll read it
18 to you and just ask you to confirm if this -- if I'm
19 reading this correctly.

20 But as I read this, this is what you're,
21 sort of, definition of competition would be and that's --
22 that is:

23 "Providing electricity to the same set
24 of customers as those currently served
25 by NTPC."

1 And then you go on in the next paragraph
2 to talk about power generated by hydro and district
3 heating projects owned and operated by the affiliates.

4 Do you see those -- those two (2)
5 references? I'll just give you a moment to get the --

6 MR. AZAD MERANI: Yes, sir, I -- I'm
7 there, sir.

8 MR. STEPHEN LEE: Okay. Did you need a
9 moment to read it all or...?

10 MR. AZAD MERANI: No, go ahead, sir,
11 please.

12 MR. STEPHEN LEE: So am I correct in my
13 reading that that's -- that's how you would define
14 competition between -- or the potential for competition
15 between, NTPC and its affiliates? Is it the provision of
16 electricity?

17 MR. AZAD MERANI: I mean, generally when
18 we talk about competition, we're talking about a
19 competitor that is essentially supplying the same good or
20 service as -- as you are, so that would be a direct
21 competitor.

22 So when you talk about electricity supply
23 or electricity generation, we would talking about the
24 potential for NTPC's affiliate too engaging in this -- in
25 a -- in a supply and sale of electrical energy.

1 MR. STEPHEN LEE: Okay. So I -- I think
2 I am reading it the same way -- than you.

3 Sir, that leads to me to wonder then:
4 Would you include the Snare/Cascades hydro project as --
5 as competing with NTPC?

6 MR. AZAD MERANI: The way I understand
7 that transaction, sir, that is the entire output of that
8 Snare/Cascades dam is being purchased by NTPC. The --
9 the affiliate, NWT Energy Corp., is not in the business
10 of buying and selling their power, so my understanding
11 was that their -- the affiliate is not directly
12 competing -- competing with NTPC in -- inasmuch as NTPC's
13 buying 100 percent of the power output.

14 MR. STEPHEN LEE: We have the same
15 understanding, sir, and that's why I'm asking the
16 question. So I didn't know if I heard in your answer
17 whether or not you thought the Snare/Cascades project is
18 -- Dogrib Power Corporation really, is -- is competing --

19 MR. AZAD MERANI: I --

20 MR. STEPHEN LEE: -- like in the sense of
21 what your evidence is?

22 MR. AZAD MERANI: No, as I said to you --
23 said before, Mr. Lee, in my view is a competitor is
24 supplying power to a set of customers that you're
25 supplying power to at this present time. I don't see

1 Dogrib Power Dam or NWT Energy Corp. doing that at this
2 time, so it would not be a competitor.

3 MR. STEPHEN LEE: Thank you for that,
4 sir. And in fact, you would agree with me that the --
5 the sale from the Dogrib of the power from Snare/Cascades
6 to the power -- which is a regulated sales. It's -- that
7 -- the terms of that agreement and sale are vetted by
8 this Board, correct?

9 MR. AZAD MERANI: That's right. So let
10 me give you a little bit of clarification, Mr. Lee, my
11 view as to a competitor provider.

12 If for example you have -- providing
13 service in a certain community and an affiliate comes
14 around and says, We want to supply -- we want to
15 undertake some district heating for one (1) or more of
16 the communities buildings. And if the affiliate is given
17 that -- that contract, and as a result there is some loss
18 of sales to the regulated side, to me that would be a
19 competitor that has now taken sales off the system and
20 into a non-utility entity.

21 MR. STEPHEN LEE: When -- when you say
22 "district heating," sir, help me with that. Are you
23 referring to electrical heat systems?

24 MR. AZAD MERANI: My understanding, sir,
25 is for example Aadrii is what I had in mind, so it would

1 be that kind of a system or situation.

2 MR. STEPHEN LEE: Okay. Let's -- let's
3 talk a little bit about Aadrii. That's the Fort
4 McPherson residual heat project, right?

5 MR. AZAD MERANI: Right.

6 MR. STEPHEN LEE: Okay. Just so we're
7 talking about the same one. And, sir, my understanding
8 is that the power Corporation provides waste heat from
9 its generated -- sorry, its regulated generation assets
10 to Aadrii and Aadrii provides heat to the local
11 community? Is that consistent with your understanding?

12 MR. AZAD MERANI: That's my
13 understanding, sir.

14 MR. STEPHEN LEE: So in that case, sir,
15 help me with this: Is -- is Aadrii providing electric
16 power or electric service to the same customers as the
17 Power Corporation?

18 MR. AZAD MERANI: No, I'm sorry if I
19 mislead you, sir. I'm -- I'm suggesting if we had a
20 situation where Aadrii was to venture out beyond the
21 waste heat use and -- and -- and in effect, use the power
22 station to -- to supply some of the other customers, not
23 necessarily through waste heat -- but -- and I'm a
24 engineer -- I'm not an engineer, so I might be losing
25 myself here -- but if they are providing some sort of a -

1 - a service where it displaces the revenues that are
2 currently being generated through the regulated entity, I
3 think that would be a competitor.

4 MR. STEPHEN LEE: So you're -- you're
5 concerned about a future event not currently what's
6 happening with Aadrii?

7 MR. AZAD MERANI: Right, sir. And -- and
8 I think when we talk about code we -- we don't
9 necessarily -- we're not looking at adopting to today's
10 circumstances. We would also be looking at what's coming
11 down in the future.

12 So for example, Mr. Bowman referred to the
13 new NWT Hydro Act I think it's called, and my
14 understanding, sir, is that -- that there'd be a separate
15 corporation that would own 100 percent of NTPC and which
16 would have the ability to generate some power through the
17 Taltson system.

18 So it's those kinds of situations, sir,
19 in the future where you may have the potential of a
20 company like NWT Hyrdro taking over some of the
21 communities that are currently being served by NTPC.
22 And, sir, as I read the legislation -- and I'm not sure
23 if it's quite the final legislation, sir, but could you
24 give me a moment?

25 MR. STEPHEN LEE: Mr. Mirani, I hesitate

1 to cut you off here or interrupt I should say. I'm happy
2 to hear your -- your answer, but I guess I still had some
3 questions on Aadrii, so if -- and it may make some sense
4 to continue with Aadrii just so --

5 MR. AZAD MIRANI: Sir, if I can -- I'll -
6 - I'm -- I'll be happy to come back, but, you know, just
7 to finish the thought that I have.

8 MR. STEPHEN LEE: Certainly.

9 MR. AZAD MIRANI: So when I take a look
10 at the amendment sections we're looking at, it says for
11 example that:

12 "This act shall apply to supply and
13 sale of energy generated by the Twin
14 Gorges Hydro Electric Generating
15 Facility on the Talston River any --
16 and any expansion of, addition to, or
17 replacement of that facility, and
18 distributed to customers in and near
19 Enterprise, Fort Resolution, Fort
20 Smith, Hay River and the Hay River
21 Reserve.

22 One (1) or more of those..."

23 Sorry. So if -- if that entity decides to
24 provide service to one (1) one or more communities that
25 are currently being served by NTPC then certainly I think

1 that would constitute a com -- a competitor taking sales
2 away from the incumbent utility.

3 MR. STEPHEN LEE: Maybe I will have one
4 (1) question on that act before I return to -- to Aadrii.
5 If -- if it was the case that the legislation required
6 rate regulation by this Board for service to the
7 communities you just referenced, then would that be
8 satisfactory? The Board would review whatever service by
9 whomever to those communities, would it not?

10 MR. AZAD MIRANI: So if the -- if the
11 Board approves that transaction, certainly you are now in
12 a situation where you, as the ATCO code refers to, you
13 have a for-profit affiliate and therefore you have to
14 have adequate checks and balances, a code of conduct that
15 caters for the -- for transactions with a for-profit
16 entity.

17 MR. STEPHEN LEE: And the -- the -- but I
18 guess getting back to your -- your main point,
19 transparency, the Board review would provide transparency
20 provided a sufficient record was put before it, is that--

21 MR. AZAD MIRANI: But, sir, the Board
22 reviews -- the Board reviews your energy requirement
23 right now --

24 MR. STEPHEN LEE: Yes.

25 MR. AZAD MIRANI: -- but there is this

1 lack of transparency that we've identified and we're --
2 that we're seeking to correct.

3 So I'm suggesting to you that the -- Board
4 review in -- in and of itself, does not necessarily mean
5 that there can be no further attempts to achieve that
6 further level of clarification, further level of
7 transparency that we talked about before.

8 MR. STEPHEN LEE: Thank you for that,
9 sir. Actually, you raise an interesting point in terms
10 of the Board review. Have you reviewed the Board's
11 Decision 599, with respect to Aadrii? Are you aware of
12 that decision?

13 MR. AZAD MIRANI: I haven't -- I don't
14 recall that, sir.

15 MR. STEPHEN LEE: Okay. If I told you --
16 and if you could take this subject to check; if you can't
17 let me know. But that the Board's decision addressed an
18 exemption application from Aadrii to PUB regulation, but
19 in doing so it considered a number of the issues that
20 you're expressing concern about, specifically
21 competition.

22 Can you take that, subject to check?

23 MR. AZAD MIRANI: I -- I will take that,
24 subject to check, yes, sir.

25 MR. STEPHEN LEE: And can you also take

1 it subject to check, that in doing so the Board reviewed
2 the costs necessary for the -- any of the capital
3 additions required for the waste heat recovery? Again,
4 subject to check?

5 MR. AZAD MIRANI: I'm sorry, could you
6 repeat that question?

7 MR. STEPHEN LEE: That the Board reviewed
8 the necessary capital additions costs for the facilities
9 required to recover the waste heat?

10 MR. AZAD MERANI: Sorry, you used the
11 word "reviewed" and earlier you said there was an
12 exemption application.

13 I'm not sure if I connect the two (2), did
14 the Board review in the exemption application the assets
15 that Aadrii was using to generate -- to -- to allow the
16 waste heat recovery systems; is that the question?

17 MR. STEPHEN LEE: That's what I'm putting
18 to you, sir.

19 MR. AZAD MERANI: Subject to check again,
20 if -- if -- I have to review that decision, sir.

21 MR. STEPHEN LEE: Fair enough. And we'll
22 hear from you I'm sure if you don't agree. Just so you
23 have it clear, for the record it's Board Decision 5-97.

24 MR. AZAD MERANI: Thank you.

25 MR. STEPHEN LEE: Mr. Merani, were you

1 also aware that Aadrii is a customer of the Power Corp?
2 They pay rates for power like any other customer in Fort
3 McPherson?

4 MR. AZAD MERANI: I -- I know there is an
5 arrangement as between Aadrii and NTPC. I'm not exactly
6 familiar with the details of that arrangement, sir.

7 MR. STEPHEN LEE: Okay. So you don't
8 have any reason to disagree with me then that in fact
9 they are a customer and they pay the regulated service
10 rate?

11 MR. AZAD MERANI: Subject to check, I
12 will accept that.

13 MR. STEPHEN LEE: Thank you, sir. And I
14 promised I'd get back to Aadrii and I had some follow-up
15 questions. I wanted to pose to you, if I recall your
16 answer -- and we were talking about sort of future
17 events; this was the context -- you said, sir, that if
18 Aadrii was to use the assets to provide electricity
19 service to other customers in the Fort McPherson area,
20 that would be a concern.

21 That's kind of the future even that you
22 were worried about?

23 MR. AZAD MERANI: Yeah, just to make sure
24 we were on the same page, sir, I'm suggesting Aadrii or -
25 - or whatever company -- affiliate company that is set up

1 in the future, if it starts encroaching upon the sales of
2 the utility and as a result the total revenues of the
3 utility are diminished as a result of this encroachment
4 then that will be a concern, yes, sir.

5 MR. STEPHEN LEE: Okay. And I'm -- I'm
6 just curious about how Aadrii would -- would do that,
7 sir.

8 You're -- I would put it to you, and tell
9 me if you can agree or disagree with this, Aadrii doesn't
10 have any generation assets. They don't own any
11 generation assets presently.

12 MR. AZAD MERANI: Sir, I -- I would not
13 want to speculate on the future. You've asked me what
14 may happen. Whether it's Aadrii or any other affiliate I
15 -- what my point simply is that there needs to be a
16 system, sir, where you would -- you could prevent this
17 sort encroachment that you talked about.

18 And I'm not sitting here as an expert on
19 engineering designs to know exactly what, in future, an
20 affiliate may or may not do. All I'm suggesting that if
21 there is such a possibility that it -- that it ought to
22 be thought about and discussed and an adequate code would
23 have to be developed to prevent that kind of occurrence.

24 MR. STEPHEN LEE: Thank you, sir. We had
25 talked earlier, Mr. Merani, and you referenced the OEB

1 Code and the -- I believe it's the Michigan Code.
2 They're identified in your evidence so perhaps it might
3 be an easy thing to turn to; BR.TGC-1B. If you can turn
4 that one up, sir?

5

6 (BRIEF PAUSE)

7

8 MR. AZAD MERANI: Yes, sir?

9 MR. STEPHEN LEE: And if you flip to the
10 -- it's a few pages in but you flip to the last page of
11 that response, you have your summary table of the three
12 (3) different codes: Alberta, OEB, and Michigan.

13 MR. AZAD MERANI: Right.

14 MR. STEPHEN LEE: Okay. Thank you, sir.
15 Can you tell me, Mr. Merani, what -- what is asymmetrical
16 pricing, in the context of affiliate transactions?

17 MR. AZAD MERANI: Are you referring to my
18 Information Response or are you referring to something
19 else now?

20 MR. STEPHEN LEE: I'm just asking a
21 question. What is asymmetrical pricing with respect to
22 affiliate transactions?

23 MR. AZAD MERANI: That would suggest to
24 me, sir, that when you have transactions as between a
25 utility and an affiliate that there is a lack of

1 symmetry. So you would have a situation where if a
2 transaction is going from an affiliate to a utility and
3 it's priced, for example, at fair market value, and if a
4 similar transaction is going from a utility to an
5 affiliate and it's based on something other than fair
6 market value, that would not be symmetrical. So that
7 would be what I understood.

8 MR. STEPHEN LEE: Thank you. That's
9 helpful, sir. Just looking at your summary table there,
10 the OEB example, that would be an example of asymmetric
11 pricing, correct?

12 MR. AZAD MERANI: That's what the OEB has
13 approved, as I understand, sir.

14 MR. STEPHEN LEE: And the same thing with
15 Michigan; that's asymmetrical pricing as well, correct?

16 MR. AZAD MERANI: And that's what I
17 understood, sir. But that's based on the decisions those
18 jurisdictions took and I'm not at liberty to talk to you
19 about what went on in those hearings because I wasn't
20 there, certainly, sir.

21 But I can only tell you this is the end --
22 at the end of the day, this is what those jurisdictions
23 decided after a thorough review of the subject.

24 MR. STEPHEN LEE: Understood. And that's
25 what I was getting to, is this is what they eventually

1 decided and we can accept that.

2 Similarly for Alberta you've -- you told
3 me that you reviewed the Alberta ATCO decision, the
4 Alberta Energy and Utilities Board decision --

5 MR. AZAD MERANI: Yes.

6 MR. STEPHEN LEE: -- in the ATCO Group
7 case?

8 MR. AZAD MERANI: Yes, sir.

9 MR. STEPHEN LEE: And, sir, you would
10 agree with me that the Alberta Board expressly considered
11 asymmetrical pricing and denied that proposal, correct?

12 MR. AZAD MERANI: That's right, sir.

13 MR. STEPHEN LEE: Thank you. Now, Mr.
14 Merani, sticking with the same IR response -- and this
15 BR.TGC-1B -- and would you go back three (3) pages in
16 your response, still in "B", at the bottom of the page
17 there's a heading, "Shared Services to Affiliates"; do
18 you see that?

19 MR. AZAD MERANI: Yes, sir.

20 MR. STEPHEN LEE: The term "shared
21 services," that comes out of the EUB's decision on the
22 ATCO Group code, correct?

23 MR. AZAD MERANI: Right.

24 MR. STEPHEN LEE: Can you help me with
25 how the EUB defines what "shared services" are?

1 MR. AZAD MERANI: Sir, I think it's a
2 defined term in the decision, so if you give me a moment
3 I'll retrieve that.

4 MR. STEPHEN LEE: Take your time.

5

6 (BRIEF PAUSE)

7

8 MR. AZAD MERANI: In fact, sir, that's
9 attached to my evidence under Appendix 5 at page 4, and
10 it reads:

11 "Shared service means any service other
12 than a utility service or a for-profit
13 affiliate service provided on a cost
14 recovery basis by a utility to an
15 affiliate or by an affiliate to a
16 utility."

17 MR. STEPHEN LEE: And -- thank you, Mr.
18 Merani. So as I understand what that definition would
19 mean, as long as it's not a for-profit affiliate service
20 it's a shared service then?

21 MR. AZAD MERANI: That's my
22 understanding, sir.

23 MR. STEPHEN LEE: Thank you. And I just
24 want to make sure I understand the -- the rest of what
25 you're saying in the paragraph under "Shared Services" is

1 that under the ATCO Code, the EUB approved cost recovery
2 basis for transfer pricing, not fair market value; is
3 that correct?

4 MR. AZAD MERANI: Sorry, I missed that
5 question. Could you repeat that, please?

6 MR. STEPHEN LEE: Certainly. I -- I just
7 want to make sure I understand shared services and what
8 the EUB has done. And my understanding is that the EUB
9 approved cost recovery basis as the transfer pricing
10 mechanism, not fair market value for shared --

11 MR. AZAD MERANI: For shared services?
12 That's correct, sir.

13 MR. STEPHEN LEE: -- services? Thank
14 you, sir.

15

16 (BRIEF PAUSE)

17

18 MR. STEPHEN LEE: Mr. Merani, I'm going
19 to shift gears here and turn you to BR.TGC-2A if I could.

20

21 (BRIEF PAUSE)

22

23 MR. STEPHEN LEE: Now if you turn to the
24 second page, sir, and I'll refer you to the bottom of
25 that page.

1 MR. AZAD MERANI: I'm there, sir.

2 MR. STEPHEN LEE: The last three (3)
3 lines I guess I'm -- I'm just trying to again understand
4 what -- what you're recommending to the Board, but as I
5 read this the statement at the last -- in the last three
6 (3) lines says that:

7 "The Board should prefer those
8 alternatives that are economically
9 feasible and sound, provide reliable
10 service to the consumer, and have the
11 least short-term or long-term
12 environmental impacts."

13 Do you see that, sir?

14 MR. AZAD MERANI: Just to make sure -- is
15 this the paragraph that starts, "The TCG note?"

16 MR. STEPHEN LEE: Correct. And if you go
17 down to the third line -- third last line, pardon me --

18 MR. AZAD MERANI: So --

19 MR. STEPHEN LEE: -- it should say, and
20 particularly:

21 "The Board should prefer those
22 alternatives that are economically
23 feasible and sound, provide reliable
24 service to the consumer, and have the
25 least short-term and long-term

1 environmental impacts."

2 MR. AZAD MERANI: Yes, I see that, sir.

3 MR. STEPHEN LEE: Now, this is kind of
4 the summary point to that answer and I just wanted to
5 make sure I understood it.

6 Is -- is that essentially the test that
7 you're advocating that this Board apply when considering
8 capital projects?

9 MR. AZAD MERANI: Sir, if you read the
10 words to that paragraph that you just quoted, I say that
11 the Board should at least consider -- so this is at
12 minimum and the Board is at full liberty to consider
13 whatever they have to in order to make sure that the
14 project meets these requirements that we suggest it does,
15 as well as that the project itself is prudent.

16 MR. STEPHEN LEE: Thank you, sir. And --
17 and in fact when you say, "The Board should at least
18 consider," and let's just read that. You say:

19 "The Board should at least consider
20 environmental matters."

21 And then you go on to set out what I've
22 suggested to you is your test.

23 So the point of the paragraph is that
24 you're saying that environmental matters are important.
25 The -- the Board should factor that in and that's why

1 you've added on least short-term and long-term negative
2 environmental impacts; is that an accurate understanding?

3 MR. AZAD MERANI: Sir -- sorry. Yes,
4 sir. And I think if you go back to the question the
5 Board asked which was what jurisdiction does the Board
6 have to prescribe how the Utility should do its resource
7 planning or mandate renewable energy portfolio.

8 And we were trying to respond to this, Mr.
9 Lee, in the best possible way and suggest that, you know,
10 if there was any question that the Board has some
11 limitations in what kind of criteria it should consider,
12 having looked at some of this species of -- some of the
13 pieces of legislation we're suggesting that the
14 legislation does allow you to look at environmental
15 matters, in addition to the other -- other matters that
16 are discussed in the Public Utilities Act.

17 MR. STEPHEN LEE: Understood. And you'll
18 be relieved that I won't ask you for your legal opinion
19 on that or on the jurisdiction question.

20 MR. AZAD MERANI: I'm relieved, sir.

21 MR. STEPHEN LEE: What I -- what I want -
22 - I just want to understand though in -- in terms of what
23 you're suggesting that the Board apply as a test, if you
24 will, for capital projects? I mean, essentially it's
25 summed up in those -- those last lines there that I

1 quoted to you; is that right?

2 MR. AZAD MERANI: Again, sir, I don't
3 want to leave the impression that that's all we're asking
4 the Board to consider. This is -- with the growing
5 concern over environmental issues and the -- the concerns
6 that have been expressed by NTPC that environmentals are
7 -- projects might be too expensive to undertake and so on
8 and so forth.

9 We're suggesting given the current
10 awareness of the global impact of CO2 emissions; given
11 the fact that there are projects out there that may
12 qualify for the funding that are -- that is available
13 from various sources; that, you know, in the past where
14 these projects might have been uneconomic, you know, it -
15 - it might be an appropriate time now for the Board to
16 consider projects that may not be entirely economic to do
17 on a cost benefit analysis. But when you take into
18 account the extraneous factors such as the CO2 emissions,
19 such as reductions in -- as a result of reductions in CO2
20 emissions there may be a possibility to get some green
21 credits.

22 All of those, sir, are new issues that
23 have not really been before the Board in the past. So I
24 think we've got a new awareness of -- there's a new
25 paradigm -- and I'm just suggesting that the Board is not

1 constrained in its consideration of resource planning to
2 -- to consider just those costs -- sorry, just those
3 projects that have historically been before the Board.

4 So in other words, those projects that are
5 -- that are so-called marginal projects that -- and a
6 number have been identified both in your -- sorry, a
7 number of projects have been identified primarily in your
8 -- in your IR response; I think it's TGC-9. And so it's
9 -- it's along those lines, sir, that we're suggesting
10 that environmental issues be considered to -- considered
11 as part -- part and parcel of the overall resource
12 planning of the Utility.

13 MR. STEPHEN LEE: Thank you for that, Mr.
14 Merani. You -- you mentioned greenhouse gas credits.

15 I assume it's -- tell me if I'm wrong --
16 your position that we should consider it but -- and it
17 needs to be factored into the economic analysis but not
18 until such time as there's a value that can be reasonably
19 attributed to those credit if -- if one ever
20 materializes?

21 MR. AZAD MERANI: Sorry, if one ever
22 materializes? Is that the question?

23 MR. STEPHEN LEE: Yes.

24 MR. AZAD MERANI: Sorry. Hm --

25 MR. STEPHEN LEE: Well, let me put it

1 this way. Should we just assume a number for the credits
2 and built that into economics now or should the Company
3 be prudent and wait till a market develops, until an
4 ascertainable value for credits is known?

5 MR. AZAD MERANI: I do not think that's a
6 prudent way to go, sir. A prudent way for me would be to
7 look at these projects and -- and look at what
8 environmental credits you can bank and perhaps use --

9 MR. STEPHEN LEE: Bank at what value,
10 sir, though; that's what I'm trying to understand.
11 Should we assume a value or should it be worked into the
12 economics once a value can be determined?

13 MR. AZAD MERANI: There is a value, Mr.
14 Lee, it's just not as well-developed a value right now,
15 but it's not zero. So, you know, if you were to assume a
16 certain value and -- and the European market obviously is
17 much more developed than the Canadian market, but I
18 understand there's an exchange in Montreal that's now
19 looking at trading on the -- as far so -- as far as the
20 greenhouse credits are concerned. So it's a developing
21 market if I can call it that.

22 So I -- I don't think it's prudent to deem
23 it to be zero. There is a value and I would suggest to
24 you that if a project is -- economics are very marginal
25 it might be that the value of the credits that you deem

1 might be just enough to make the project feasible.

2 MR. STEPHEN LEE: I understand the theory
3 but can you tell me what that value is? What is the
4 number that should be factored into the economic analysis
5 today?

6 MR. AZAD MERANI: We don't know the exact
7 number. You're -- you're asking me to quantify the exact
8 dollar value. I'm not able to. I'm suggesting to you,
9 sir, there is a value. It's of unknown quantity at this
10 time, but it's not zero.

11 MR. STEPHEN LEE: Okay. And the
12 corollary, sir, are you asking the Corporation to
13 quantify it?

14 MR. AZAD MERANI: As I mentioned --

15 MR. STEPHEN LEE: Or just be prepared to
16 address it if it can be quantified?

17 MR. AZAD MERANI: As I mentioned before,
18 sir, if a project -- economics are turned down because
19 there's very small net negative MPD you may want to
20 assume a minimum amount of this credit and if that is
21 enough to -- to turn the project from a net negative MPD
22 to a net positive MPD I suggest to you that project is
23 doable.

24 MR. STEPHEN LEE: What's the threshold?
25 How much should be assumed?

1 MR. AZAD MERANI: As far as the credits
2 are concerned?

3 MR. STEPHEN LEE: Yeah. How much as a --
4 as a small amount that would be negative? I mean and --
5 and -- and help me with the materiality here, Mr. Merani.

6 MR. AZAD MERANI: I -- I think you're
7 asking me to spit hairs here, sir. I'm not an expert in
8 energy trading.

9 I have to assume that there is a market
10 out there, we've all heard about it, it's not rocket
11 science that there -- that there are greenhouse emitters
12 that are looking for -- to buy credits; that will not
13 take another ten (10) years to develop. It'll -- it'll be
14 very imminent, I suggest to you, sir.

15 So you may not have a value today and I'm
16 not able to give you cert -- an exact number, but in
17 terms of, you know, we're in the '06/'07, '07/'08 test
18 years, but I would suggest to you, sir, that in the next
19 GTA you may have a much better feel for what the -- the
20 values are.

21 MR. STEPHEN LEE: And how -- would it --
22 would it satisfy you, Mr. Merani, if the Corporation did,
23 in fact, account for credits and a value to credits as a
24 can -- as a best can -- as at the time the project's
25 being advanced and -- and try to make their best guess as

1 to what the value is at that point in time?

2 I mean, is your point, sir, that just as
3 long as it's being considered and factored into the --
4 the capital planning process; is that all your point...

5 MR. AZAD MERANI: Mr. --

6 MR. STEPHEN LEE: Or is -- or is your
7 point that there should be a value attributed to it and
8 it's our job to go figure out what it is, notwithstanding
9 there's no regulatory regime?

10 MR. AZAD MERANI: So, as I mentioned
11 before, sir, we're not looking at the next two (2) test -
12 - next two (2) years that are the test years, we're
13 looking at figuring out some sort of environmental
14 credits into your next GRA or even before that.

15 So I'm not suggesting for a moment that
16 you ascribe a value to the projects that you have on the
17 table in this GRA, but it's something that the Company
18 should consider for its future projects.

19 And I -- I quite agree with you, sir,
20 that, you know, it is really difficult to figure out
21 exactly what level of credit will make a project go from
22 an net negative to a net positive MPD, for example. But
23 as we were told yesterday, there are a number of projects
24 that are not even based on MPD analysis, they're based on
25 reliability and other considerations.

1 And so if that be the case then certainly,
2 sir, if you're -- if you're undertaking projects that
3 don't have that threshold of, you know, go/no go,
4 certainly you -- you may want to include cons -- and give
5 consideration to those projects that you require for
6 reliability and other purp -- purposes in the green
7 projects.

8 And sir, the other -- the other sto --
9 point, too as well, is that not only would you have the
10 green credits, but as we saw in the case of Inuvik, the -
11 - the sheer displacement value of natural gas to diesel
12 itself is worth significant amount of dollars.

13 So if you have, for example, a micro-
14 turbine going in, you know, in terms of the -- the value
15 that you can get out of the displaced fuel, it -- it
16 itself might be enough to turn the project from a no go
17 to a go. And I'm suggesting to you, sir, that the -- the
18 green credits are just a bonus then.

19 MR. STEPHEN LEE: Thank you for that,
20 sir. Good. You mentioned displaced -- the cost of the
21 displaced diesel.

22 Do you have any reason to believe that the
23 Corporation does not already consider that in its capital
24 planning and project evaluation?

25 MR. AZAD MERANI: Sir, we've tried

1 through various IRs, I think, to see projects that were
2 of -- that had been previously considered to be of very
3 small economic value and -- and then we -- I -- I'm not
4 sure how -- if we got evidence on the record to suggest
5 that the Corporation has, in fact, taken all the steps
6 necessary to look at displaced fuel as the driver for new
7 projects.

8 MR. STEPHEN LEE: Mr. Merani, I want to
9 turn you back to the test, if you will, at the bottom of
10 BR-2A and just ask you a quick question on that one (1)
11 again.

12 You're familiar with the Corporation's
13 application and the PPD fuel supply agreement that the
14 Corporation's put in place?

15 MR. AZAD MERANI: Yes, sir.

16 MR. STEPHEN LEE: Would say that that
17 agreement meets the test that's set out there?

18 MR. AZAD MERANI: And -- sorry, the
19 question then would be whether the contract with the PPD
20 meets this test?

21 MR. STEPHEN LEE: Yes.

22 MR. AZAD MERANI: You'll have to help me
23 how the -- how it does, sir.

24 MR. STEPHEN LEE: Were you in the room
25 for the Corporation's evidence on Wednesday?

1 MR. AZAD MERANI: I believe so.

2 MR. STEPHEN LEE: Okay. And I don't know
3 if you heard and if you didn't hear, it's -- it's
4 definitely in the Corporation's application materials.

5 And you can -- maybe if you could just
6 accept this, subject to check, that the fuel supply
7 agreement with the PPD is revenue neutral to the
8 Corporation, but the benefit at the end of the day is
9 avoided environmental liability due to --

10 MR. AZAD MERANI: Yes, I recall that,
11 sir. Thank you.

12 MR. STEPHEN LEE: -- reduced operations
13 and ownership. Yeah.

14 MR. AZAD MERANI: Thanks for the
15 refreshing of the memory. I do recall that, sir, yes,
16 sir.

17 MR. STEPHEN LEE: Thank you. And it --
18 it's the last bit, it's the envir -- environmental
19 liability related to the tank ownership and -- and
20 operations and fuel handling, that I'm wondering is --
21 that just, to my mind, fits directly within the test that
22 you're proposing there?

23 MR. AZAD MERANI: I would think so, yes.

24 MR. STEPHEN LEE: So in -- in your view,
25 it meets that requirement --

1 MR. AZAD MERANI: And that's -- Mr. Lee,
2 that's the kind of things that we are talking about, as
3 well. If you have what we found out yesterday or maybe
4 the day before through cross-examination, was that the
5 economics -- the pure economics of the contract with PPD
6 were very negligible and there -- apparently there's some
7 beni -- benefits in the longer term, according to the
8 testimony I recall that Mr. Kerr filed yesterday.

9 However, there are those environmental
10 liabilities that PPD has assumed. So I think from that
11 perspective to the -- to the extent that it transfers the
12 liability from NTPC to GNWT, I'm not sure if -- if it's
13 really any different as such in that the liability or the
14 potential liability is still there. It's just not on the
15 backs of NTPC, it's on the back of the GNWT residents.

16 MR. STEPHEN LEE: Well, nor would it -- I
17 guess it wouldn't be on the backs, to use your term, of
18 the -- the ratepayers.

19 MR. AZAD MERANI: As long as the
20 ratepayers are the residents it would be, sir.

21 MR. STEPHEN LEE: Okay, I can accept
22 that. Mr. Chair, I'm close to finishing up here and I
23 think I can get there quickly if I could have the Board's
24 indulgence for a quick break to confer.

25 THE CHAIRPERSON: About five (5) minutes?

1 Okay.

2 MR. STEPHEN LEE: That would help,
3 thanks.

4

5 --- Upon recessing at 9:55 a.m.

6 --- Upon resuming at 10:05 a.m.

7

8 THE CHAIRPERSON: Okay, Mr. Lee, ready to
9 go?

10 MR. STEPHEN LEE: Thank you very much,
11 Mr. Chairman, for your indulgence. With that break we
12 were able to eliminate the rest of our questions and I
13 can advise the we're all done.

14 THE CHAIRPERSON: All right. Thank you.
15 Mr. Marriott...? I don't see him around
16 anywhere. I guess he has no questions.

17 Mr. Rouse...?

18 MR. WILLIAM ROUSE: No questions.

19 THE CHAIRPERSON: No questions.

20 Northlands...?

21 MR. JEROME BABYN: No.

22 THE CHAIRPERSON: No. Mr.

23 Retnanandan...?

24

25 QUESTIONS BY MR. RAJ RETNANANDAN:

1 MR. RAJ RETNANANDAN: Thank you, Mr.
2 Chairman. Good morning, Mr. Merani.

3 MR. AZAD MERANI: Good morning, Mr.
4 Retnanandan.

5 MR. RAJ RETNANANDAN: I have a question
6 concerning the Code of Conduct. And your recommendation
7 is for NTPC to provide, no later than it's next GRA, its
8 own comprehensive code of conduct and a compliance plan
9 modeled after the ATCO Group Code of Conduct.

10 In terms of the timing, which is the next
11 GRA, I'm just wondering what considerations you might
12 have taken into account in recommending that it be at the
13 next GRA?

14 And also in light of some of the other
15 matters you mentioned in your testimony this morning,
16 such as the Hydro Corporation Act, whether you believe
17 the -- the timing is -- should be for the next GRA?

18 MR. AZAD MERANI: Thank you, sir. At the
19 time we prepared our evidence, we had no idea that the
20 Hydro Corporations Act was being thought about or being
21 close to being finished, for that matter, so we just
22 found out about that, I guess, a couple of days ago.

23 So as to your first part of the question,
24 what considerations we took into account. Sir, is that -
25 - I tried to explain to Mr. Lee, my suggestion was that

1 there are number of considerations that will go for NTPC
2 to have a thorough and proper assessment of the various
3 codes of conducts that are existing. We have mentioned
4 several of them; there may be others.

5 And what our thinking was that -- that
6 this is not something that can be done in haste. And
7 again, as we mentioned this morning, I'm thinking that it
8 might be a useful exercise to have a coordinated effort
9 with both Board and -- Board staff, pardon me, and the
10 Intervenor, active Intervenors, in order to develop such
11 a code.

12 So it might take some time. However, the
13 introduction of the Northwest Territories Hydro
14 Corporations Act -- and I'm not sure whether this is the
15 -- has received its final reading or not, but it looks
16 pretty -- pretty final -- so this has brought on a
17 totally new dimension as far as timing is concerned, and
18 so I would suggest, sir, that it might be sooner than the
19 next GRA.

20 NTPC does not appear before the Board as
21 frequently as some of the -- the Alberta utilities, so
22 the last GRA was for '01/'03, this is for '06/'08, so
23 there's a fair gap. So if -- if we were out looking at
24 another GRA in four (4) or five (5) years, it might be
25 quite a while before we get our arm -- arms around a

1 proper code.

2 So having this new piece of legislation, I
3 think, has brought on an added dimension as far as timing
4 and the urgency to have this matter revisited. I would
5 suggest, sir, having given some more thought after read
6 the -- reading this Act, that the con -- consultative
7 process that I suggested earlier on, be launched as soon
8 as possible and that the Board could set some deadlines
9 around a reasonable date by which the -- the parties
10 could agree on a cord -- code and file that before the
11 Board for approval.

12 So that could be a special proceeding.
13 I'm hopeful that there could be a negotiated settlement,
14 but if not, then it could be, you know -- portions could
15 be litigated if necessary. I'm -- I'm hopeful that
16 there's enough literature around the country to devise a
17 proper code that fits to NTPC's current and future
18 circumstances.

19 I apologize for the long answer, sir.

20 MR. RAJ RETNANANDAN: All right, thank
21 you. I just have a question in regard to a comment made
22 by the Corporation in its -- in its rebuttal evidence.
23 You don't necessarily have to turn -- turn to this; it's
24 page 54 -- sorry, page 5 of the rebuttal at line 9.

25 And the Corporation says, first:

1 "It should be noted that the ATCO Group
2 Code of Conduct, referenced by Mr.
3 Merani, makes a specific distinction
4 between shared services transactions,
5 which should be allocated as a cost
6 recovery basis -- [sorry] on a cost
7 recovery basis, and for-profit
8 affiliate service, such as outsourced
9 retail customer services provided by
10 ATCO Singlepoint or IT support from
11 ATCO I-Tek."

12 NTPC then goes on to say:

13 "Each affiliate transactions are of the
14 shared service variety and not the for-
15 profit affiliate services."

16 The question is: In your view, do you see
17 just a shared services aspect of services for NTPC or do
18 you see both shared services and affiliate -- for-profit
19 affiliate services?

20 MR. AZAD MERANI: Sir, as it stands
21 today, my understanding is, from the evidence that we've
22 heard from Ms. Goucher, I think, that most of the
23 transactions appear to be those of a shared service
24 variety as the -- as the rebuttal evidence says.

25 As I understood the ATCO Code -- the for-

1 profit entity would be an entity such as ATCO I-Tek which
2 is set up specifically to provide i-tech type services,
3 so that is -- I don't think there is an equivalent entity
4 that exists currently with respect to NTPC. I'm just
5 thinking about the affiliates they have.

6 But certainly with the creation of the new
7 Act, that could all very well change and we could very
8 well find ourselves with a full profit affiliate coming
9 into being. So at this time, sir, it appears to me that
10 most of the transactions look like shared services; that
11 could change.

12 MR. RAJ RETNANANDAN: All right. Thank
13 you. I have a question concerning the Fuel Stabilization
14 Fund and so I'd like to refer to page 13 of the
15 Corporation's rebuttal evidence.

16 MR. AZAD MERANI: Yes, sir.

17 MR. RAJ RETNANANDAN: And I'm not sure if
18 I've got the right reference. Anyway, "since the
19 charges" -- this is what the Corporation says:

20 "Since the charges to the fuel
21 stabilization fund are calculated with
22 reference to the GRA approved fuel
23 price on a community by community
24 basis, there is no basis to assert, as
25 Mr. Merani does, that some comments --

1 some communities are perpetually
2 subsidizing others in the diesel fuel
3 stabilization fund."

4 Now, as I understand, the way the
5 Corporation does the forecast, is that the GTA forecast
6 for fuel costs includes a base fuel cost or what they
7 call the landed cost, plus the freight and transportation
8 costs by community, plus the fuel tax. And I think these
9 are set out in -- in the -- the Corporation's response to
10 TGC.40E.1

11 So given that structure, I'm just
12 wondering, any change in the cost of fuel impacts
13 primarily the -- the -- the landed cost and if the
14 landed cost is about the same for all communities, would
15 it be reasonable to say that it would impact all
16 communities pretty much the same?

17 MR. AZAD MERANI: Sir, I saw the rebuttal
18 evidence and if you can turn to page 13 of that rebuttal
19 evidence and to appendix APM-3 of my evidence, sir.

20 And this may be part -- part of the
21 problem I -- may be the fact that the TGC has not been
22 actively involved in the prior applications and we
23 haven't really received the monthly calculations that the
24 Corporation files before the Board.

25 But what you see in Appendix APM-3 is an

1 illustration of the TGC-40, so you have landed costs that
2 are identical down the line; we have delivery charges
3 that -- that vary from community to community, and fuel
4 services charges as well as the fuel tax is identical.

5 So my understanding, when you look at
6 Table 1 of the Corporation's rebuttal evidence, is that -
7 - well, let me back up a little bit. My understanding is
8 when, in the context of a GRA, the Utility will forecast
9 the landed cost, delivery charges, fuel service charges
10 and the fuel tax to land on the -- on the total cost for
11 that community. And that is included in the rate that is
12 charged on a forecast basis.

13 On true-up of the diesel fuel
14 stabilization fund, you can see on table 1 that there's a
15 difference -- the delta between columns A and B generate
16 the fuel price variance and then it goes through and
17 comes up with a total increase or de -- decrease in the
18 cost of the kilowatt hour in column H, so that's 8.69
19 cents per kilowatt hour.

20 So if -- if this were the final result and
21 the company were to be applying before the Board to seek
22 recovery of that amount, you -- you'd find an amount of
23 8.69 spread across the Board to all the communities. So
24 that in ef -- effect, while there is no change in the --
25 in the landed cost, those communities that have a lower-

1 than-average transportation cost primarily end up
2 subsidizing those communities that have a higher-than-
3 average delivery charge.

4 So in essence, you -- you'll notice that,
5 for example, if the total charge was 8.69, as we
6 mentioned before, the Fort Simpson's rate is 8.92.

7 Sorry, let me back up, sir. It's -- it's for the --
8 again, just to be consistent with what I said before, for
9 those communities that have a low -- lower-than-average
10 rate, they would end up picking up some of the costs of
11 shipping of those communities that were higher than
12 average, so -- so th -- that's the kind of cross subsidy
13 that I was referring to.

14 And I'm afraid my table APM-3 did -- did
15 not quite illustrate in the same manner that the company
16 files, but the principles remain the same.

17 All right, so -- so sorry, Mr.
18 Retnanandan, the example that I was trying to illustrate
19 was if 8.69 is the new rate, as I understand, that would
20 be applied to all of the communities and just hypo --
21 hypothetically, if you take the first community, let say,
22 Wha -- What Ti is 4.30.

23 So the -- if you were to design this on a
24 community-specific basis, Wha Ti would have a rate of --
25 of 0.0430 dollar per kilowatt hour. In fact, it would

1 end up with a rate of 0.0869.

2 MR. RAJ RETNANANDAN: Right. And in --
3 in -- in your view, is there -- is there any mechanism
4 that is presently used that is contributing to this
5 difference by community or is it your view that the only
6 way to deal with this is -- is through separate riders?

7 MR. AZAD MERANI: I'm sorry, I didn't
8 quite catch the first part of the question.

9 MR. RAJ RETNANANDAN: I'm just wondering
10 if -- if the present true-up mechanism, for some reason,
11 results in these types of differences, because I think as
12 we observed initially, the -- the differences are in the
13 base price of -- of -- of diesel and so you would expect
14 the -- the price -- the base price to change pretty much
15 at the same -- by the same amount for each of the
16 communities, but when you observe these actual
17 calculations it seems like there are differences.

18 So I'm just wondering, is the -- is the
19 difference arising as a result of the way these
20 calculations are presently done or is there a fundamental
21 issue with regard to whether there should be one (1)
22 rider as opposed to separate riders?

23 MR. AZAD MERANI: I think it's more the
24 latter. You know, our -- our position is that -- well,
25 there's a couple of angles to what we're suggesting.

1 So, first of all, we're suggesting that
2 the -- the true-up occur on a community-by-community
3 basis, much along the same lines as the Utility designs
4 its initial set of rates and much along the same lines
5 that this Board has adopted a philosophy of community-
6 based rates.

7 Secondly, sir, our -- we've taken the
8 position that there is a fundamental disconnect in that
9 the -- the calculation that you see on Table 1 takes into
10 account approved effic -- pardon me, an approved
11 efficiency or heat rate that dates back to the last time
12 the Board approved it in the context of a rate
13 application.

14 So, as we've seen, almost without
15 exception, that as each year goes on and there's new
16 additions to engines and capital and these engines tend
17 to be more efficient, we've seen an improvement in heat
18 rate year over year, sir.

19 So what this calculation basically does is
20 it provides an inherent benefit to the shareholder in
21 terms of ratcheting the efficiency at a previously
22 approved heat rate whereas the facts -- facts suggest
23 that the efficiencies are improving year over year.

24 So there -- there isn't a built in bias,
25 if I can call it that, that -- that results in customers

1 overpaying the proper cost of fuel because my view is
2 that when you're looking at a true-up mechanism, sir, you
3 ought to look at what it costs the company on an actual
4 basis and what the customers have paid.

5 So the first part of that equation being
6 what it costs the company, if you're going to include an
7 approved efficiency factor, which was approved in the
8 last rate application, I think what you've got is a
9 theoretical value of the product and the volume of the
10 product.

11 I'm suggesting rather than using a
12 theoretical value, you use the actual, so tho -- those
13 are the -- it's a two (2) pronged issue for me, sir.

14 MR. RAJ RETNANANDAN: All right, thank
15 you. Thank you very much, those are my questions, sir.

16 THE CHAIRPERSON: Thank you, sir. Mr.
17 Donihee...? No. Board members...?

18 All right, with that I should mention that
19 the ATCO Group organization chart handed out by the Power
20 Corp. is Exhibit 28.

21

22 --- EXHIBIT NO. 29: The ATCO Group organization
23 chart handed out by the Power
24 Corp

25

1 THE CHAIRPERSON: Mr. Ackroyd, do you
2 have any re-examination for this Witness?

3 MR. A.O. ACKROYD: None, sir.

4 THE CHAIRPERSON: None. Thank you, Mr.
5 Merani.

6
7 (PANEL STANDS DOWN)

8
9 MR. STEPHEN LEE: Thank you, Mr.
10 Chairman, and my apologies. I had intended to reference
11 the marking of that as an exhibit and I just forgot.

12 Sir, I understand that there's a
13 presentation and also I can advise the Board that we have
14 responses to undertakings, so, we're in your hands as to
15 the order.

16 THE CHAIRPERSON: I'd suggest that if you
17 could provide your undertaking replies now, then we'll go
18 to the public presentation and that would give Mr.
19 Marriott and Mr. Merani a few minutes to look at the
20 undertaking responses and see if they might have any
21 questions, if Marriott comes back.

22 MR. STEPHEN LEE: Sorry, that should have
23 been Exhibit 29. Thank you, sir. And maybe we'll just
24 take a couple minutes. I'll seat Mr. Bowman and Ms.
25 Goucher to speak to these undertakings.

1 JUDITH GOUCHER, Resumed

2 PATRICK BOWMAN, Resumed

3

4 MR. STEPHEN LEE: If we're ready to
5 begin, Mr. Chairman, it's my pleasure to advise that
6 we've now, with some work last night, completed all of
7 the undertakings, so we'll be in a position to complete
8 the record before adjourning today.

9 As I advised yesterday, sir, Undertaking
10 number 2 took a little bit of work, and that was to
11 advise of the number of positions at Jackfish for
12 2004/'05, '05/'06 and the test years. And, sir, I
13 believe, if I'm recalling correctly, you had also
14 referenced in relation to the salary costs in the
15 response to HC.NTPC-13. That was, you'll recall, the IR
16 that was the subject of cross at that point in time, so I
17 think that was the point of the reference. And Ms.
18 Goucher will speak to that undertaking, sir.

19 MR. JUDITH GOUCHER: Thank you. Good
20 morning, Mr. Chairman, Board. As Mr. Lee indicated, this
21 undertaking is in response to a question related to the
22 Interrogatory HC.NTPC-13, and in particular the table
23 presented there under Item number "G".

24 And over the last couple of days the
25 Corporation has attempted to identify the positions

1 according to the categories presented there, which were
2 Jackfish, Snare and Bluefish. However, we were not able
3 to make that distinction. And as I said yesterday, or it
4 might have been the day before, the number of positions
5 across this Snare system has been constant over this
6 period. In 2004/'05 it was forty-one (41); 2005/'06,
7 thirty-nine (39); 2006/'07, thirty-nine (39); and
8 2007/'08, forty-one (41).

9 Plant operator positions at Jackfish have
10 been reduced by five (5). However, positions have been
11 added for Bluefish and the Apprentice program. Over this
12 period the administration positions for the
13 Snare/Yellowknife system, which were included in the
14 Jackfish numbers on that table have been constant at five
15 (5) throughout the four (4) years.

16 Operational positions, however, are
17 utilized across the system. Personnel are deployed where
18 they are needed according to the system requirements and
19 therefore their salaries are allocated across the system
20 either to Jackfish, Snare or Bluefish, depending on where
21 the operation need is.

22 And this is done to take advantage of
23 economies of scale, which is our biggest challenge, and
24 as a result, the salary dollars that you see there don't
25 reflect any one (1) or two (2) or forty-one (41)

1 positions; they're the time spent by the entire
2 operational staff, and therefore we were not able to
3 specifically say this position is dedicated to Snare,
4 this position is dedicated to Bluefish and this position
5 is dedicated to Jackfish.

6 So in the attempt of providing at least
7 addition information, I can back out the administration
8 positions, and there are five (5) related to those, but
9 the remainder are operational and they're used across all
10 of those systems.

11 MR. STEPHEN LEE: Thank you, Ms. Goucher.
12 Mr. Chairman, that would take us then, skipping the
13 undertakings that were provided yesterday, up to
14 Undertaking Number 12.

15 And Undertaking Number 12 we have a
16 handout. It was a document that was requested and that
17 was the transaction report regarding the fuel hedge. And
18 I understand copies are at the back of the room.

19 It's a document -- and I -- does the Board
20 have copies of these, as well?

21 Okay. Great. Maybe I'll just read the
22 title in for your reference. It's:

23 "Northwest Territories Power
24 Corporation 2006/'07 and 2007/'08 GRA
25 Undertaking 12, transaction report,

1 commodity swap, January 18, 2007."

2 And, sir, I was trying to recall the
3 exhibit number that were up to, is it 30?

4 THE CHAIRPERSON: Yes, that will be
5 Number 30.

6

7 --- EXHIBIT NO. 30: Northwest Territories Power
8 Corporation 2006/'07 and
9 2007/'08 GRA Undertaking 12,
10 transaction report commodity
11 swap, January 18, 2007.
12 Entire report under Part 3 of
13 the policy section

14

15 MR. STEPHEN LEE: Thank you, Mr.
16 Chairman. Undertake --

17 MS. JUDITH GOUCHER: I just have one (1)
18 point to add on that one. Our undertaking was to provide
19 the information under Part 3 of the policy section, and
20 in the interest of providing all of the information we've
21 delivered the entire report.

22 MR. STEPHEN LEE: Thank you, Ms. Goucher.

23 Mr. Chairman, Undertaking number 13 was to
24 identify fuel efficiency components of the volume
25 variance filed in the materials. And I'm just trying to

1 paraphrase from my notes here, so I'm not sure if I've
2 got that exact, but I do note the responses exactly, in
3 responsive -- to the undertaking. And that again is --
4 is a handout. It's -- I guess we're onto 31 now for the
5 exhibit number.

6 And just to read it into the record,
7 the title is:

8 "Undertaking No. 13. Fuel expense
9 change due to plant efficiency change,
10 2006/'07, generation and price at
11 2001/'03, negotiated settlement
12 efficiencies comparison to Exhibit No.
13 13, Schedule 3.3.1."

14 And, sir, I'll have -- make the request
15 that that be entered as an exhibit. And Mr. Bowman had
16 some comments he wished to make on it.

17

18 --- EXHIBIT NO. 31: Response to Undertaking 13.
19 Fuel expense change due to
20 plant efficiency change
21 2006/'07, generation and
22 price at 2001/'03, negotiated
23 settlement efficiencies
24 comparison to Exhibit No. 13,
25 Schedule 3.3.1

1 MR. PATRICK BOWMAN: Thank you. Good
2 morning, Mr. Chairman, Members of the Board. The Exhibit
3 31 that has been handed out, is in response to a question
4 from Mr. Merani which was referencing the fact that when
5 one looks at the Corporation's 2002/'03 fuel expense in
6 comparison to the Corporation's 2006/'07 fuel expense,
7 there are a number of different factors going to change
8 the -- the amount paid for fuel; one is price.

9 And the Corporation had separately
10 identified the impact of price and it was I -- I can't
11 quickly find the number, but it was on the order of 5.6
12 million. The Corporation had said that the remainder of
13 the impact was due to volume. Mr. Merani and I had a
14 discussion on that and noted that the reason the volume
15 of fuel changes is -- it actually has two (2) underlying
16 reasons:

17 One (1) is the overall load that must be
18 served and one (1) is the efficiency with which the units
19 operate at.

20 And he had asked for an identification of
21 the relative impact of each of -- of those factors,
22 particularly the efficiency factor. That's what this
23 table does.

24 Now, I just want to make sure that for
25 those people who are fascinated by the mathematics, when

1 you're dealing with a number that changes over time due
2 to multiple factors, you can do analysis a number of
3 different ways depending on what order you look at each
4 of the factors changing.

5 And so for those people who are
6 concerned about the order factor, what we've done in the
7 table is we have taken all variables equal to the
8 2006/'07 GRA and then solely changed the efficiency, so
9 you can see the impact of the efficiency were it -- the
10 first variable changed. It's the exact same basis as we
11 did the fuel price table, which was to use all 2006/'07
12 variables and change fuel price. So you can see solely
13 the impact of fuel price. The residual then is the
14 impact of load changes as well as -- as the overlap
15 between the -- the multiple factors which would be a very
16 small amount.

17 This table notes that overall the change
18 in efficiencies from the last GRA is a -- a total of
19 eighty-two (\$82,000) dollars. The fuel expense were the
20 2001/'03 negotiated settlement efficiencies maintained
21 would be 17 million, '06/'08; in this GRA it is 17
22 million one-five-o (150) and that's due to a number of
23 offsetting changes; the key ones being diesel generation
24 in the thermal communities, jet efficiencies going up
25 considerably, the efficiency in the -- in Yellowknife

1 going down considerably, reflecting the change of that
2 plant's operating mode from a -- a -- a primary
3 generating plant to a standby plant and the fuel price
4 efficiency for the Inuvik gas going down, as we discussed
5 early with Mr. Merani.

6 The -- the only thing I would note is
7 that you will see in "A" in the table for Fort Resolution
8 and Norman Wells, these communities did have an
9 efficiency specifically identified in the last GRA
10 because it is just a nominal amount of fuel burned at
11 those for outages. So there was -- there was a standard
12 generation at-cost built in without an actual fuel
13 efficiency identified.

14 So in this GRA we have identified
15 efficiencies for those units, but there wasn't a
16 comparable efficiency from the previous GRA to be able to
17 -- to compare to.

18 MR. STEPHEN LEE: Thank you, Mr. Bowman.
19 That takes us to Undertaking number 14, Mr. Chairman.
20 Undertaking 14 according to my notes was a request for
21 the preliminary 2006/'07 actual sales for the thermal
22 communities and we've been careful to only provide the
23 thermal communities as was clarified.

24 That we have a handout for that the Board
25 and parties should have. It's entitled:

1 "Undertaking No. 14. Northwest
2 Territories Power Corporation 2006/'07,
3 2007/'08 General Rate Application
4 comparison of 2006/'07 sales
5 preliminary actuals to GRA forecasts
6 for thermal communities."

7 Which takes us to Exhibit 32 for marking
8 purposes.

9
10 --- EXHIBIT NO. 32: Response to Undertaking 14.
11 Northwest Territories Power
12 Corporation 2006/'07,
13 2007/'08 General Rate
14 Application comparison of
15 2006/'07 sales preliminary
16 actuals to GRA forecasts for
17 thermal communities
18

19 MR. PATRICK BOWMAN: And again, Mr.
20 Bowman had a few comments on this handout, sir.

21 MR. PATRICK BOWMAN: Thank you. Again,
22 Mr. Chairman. Just to ensure that everyone is clear on
23 what the table is doing, this table sets out in the third
24 column the 2006/'07 preliminary actuals with all of the
25 caveats noted earlier by Ms. Goucher. These were

1 unaudited amounts, they have not yet been through the
2 level of -- of rigorous review that is done as part of
3 the Corporation's year end audit process.

4 Having said that, they are the results
5 that are -- people are working with to this point in time
6 and they reflect a variance compared to the GRA forecast,
7 which is shown in the forth column, of approximately 1.2
8 percent across the thermal generation communities.

9 Some of the more notable variances, just
10 to ensure everyone is clear on this table, I -- I -- have
11 been looked into; not all of them have been looked into
12 as yet; the more notable ones particularly in regards to
13 three (3) communities: Colville Lake, Norman Wells and
14 Tulita, which were higher than forecast.

15 In each case tend to resul -- relate to
16 sales of construction power, to construction jobs going
17 on in those communities, which are -- were not built into
18 the load forecast. And these are not typically built
19 into the load forecast because there is no certainty as
20 whether people coming in to build a job are going to use
21 their own generators or going to buy construction power
22 from the Corporation.

23 So -- and -- and it emphasizes how
24 small these communities are that I'm -- I'm talking
25 about. In Colville Lake it was a -- a water treatment

1 plant that was being constructed as well as, I understand
2 it, a bed and breakfast. In Tulita there was a school as
3 well as a fair bit of housing construction and Norman
4 Wells, I'm -- I'm informed it had -- rela -- there was a
5 fair bit of work on the hotels as well as some other
6 construction in town.

7 So those -- those are the major upward
8 variances. The most notable downward variance is
9 Tsiigehtchic, which I -- I am told -- people from the
10 Northwest Territories who follow the news will be aware
11 that Tsiigehtchic had some financial issues with the town
12 this year and resulted in -- in lower sales, primarily to
13 facilities that are -- are funded by the town's finances.

14 MR. STEPHEN LEE: Thank you, Mr. Bowman.

15 Mr. Chairman, Undertaking No. 15 sought
16 details on the MPD analysis that was provided in table
17 BR-29M.5 and that was in relation to Fort Simpson, Turtle
18 AMR installation project, and we have a handout that
19 should be before parties which I assume will be marked as
20 Exhibit 33.

21 The document is entitled:

22 "Undertaking 15. Net present value
23 analysis, Fort Simpson, Turtle AMR
24 installation Project based on most
25 recent prices."

1 And, sir, I just ask that that be marked
2 and there's nothing further with that one.

3

4 --- EXHIBIT NO. 33: Response to Undertaking 15.
5 Net present value analysis,
6 Fort Simpson, Turtle AMR
7 installation Project based on
8 most recent prices

9

10 MR. STEPHEN LEE: Similarly for
11 Undertaking number 16, we just have a document. The
12 undertaking, sir, was requesting the Fort Smith load
13 forecast regression inputs including heating degree days
14 and other details.

15 So, sir, we have a -- a handout that's
16 been provided to parties, Exhibit No. 34 would be the
17 next number in the marking and it's simply entitled,
18 "Exhibit number 16."

19

20 --- EXHIBIT NO. 34: Response to Undertaking 16.
21 Fort Smith load forecasts
22 regression inputs including
23 heating degree days and other
24 details

25

1 MR. STEPHEN LEE: Turning to Undertaking
2 number 17, Mr. Chair. Undertaking number 17 asks for an
3 explanation regarding the variance, and specifically with
4 respect to AFUDC regarding the Relay Feeder Project.

5 And I -- I just have a project number;
6 20150887. But I -- oh, pardon me, and the reference to
7 the IR that the question arose from was BR-29J and Ms.
8 Goucher's prepared to speak to that one.

9 MS. JUDITH GOUCHER: Yesterday, in the
10 review of the Fort Smith feeder relay upgrade, the
11 variance from budget was identified as being due to
12 additional AFUDC from capital inventory. In 1999/2000,
13 the regulatory purpose for the AFUDC was not well
14 understood from an accounting point of view.

15 In 2001/'02, in preparation for an X-Rate
16 (phonetic) application, failure to account for the AFUDC
17 on capital inventory was identified. As a result, the
18 Corporation recalculated what the AFUDC on capital
19 inventory would have been for each of 1999/2000,
20 2000/2001 and 2001/'02. As the majority of capital
21 inventory held by NTPC was related to distribution jobs,
22 more specifically wires, transformers and poles, the
23 Corporation opened all of the distribution jobs for the
24 years in question and added the AFUDC on capital
25 inventory to those jobs.

1 The Corporation has taken the following
2 steps to address this issue to ensure that it does not
3 occur again. The year end processes were amended to
4 identify the requirement to apply AFUDC to capital
5 inventory and identifies the position responsible for
6 that task.

7 In addition, as part of the year end
8 audited working papers, a reconciliation is completed
9 that identifies all sources of AFUDC and this
10 reconciliation is verified by management and audited by
11 the office of the Auditor General of Canada.

12 MR. STEPHEN LEE: Thank you, Ms. Goucher.

13 Mr. Chairman, that takes us to our last
14 Undertaking No. 18 and although I wasn't in the room when
15 the undertaking was given, I understand it to be that we
16 were to provide the term sheets for the March 1999 and
17 June 1991 debt issuances. Oh, pardon me, I misspoke.
18 March 8 -- 1989, not '99 and June 1991 debit issuances.
19 Those documents have been provided to parties and would
20 be marked at Exhibit 35.

21

22 --- EXHIBIT NO. 35: Northwest Territories Power
23 Corporation Undertaking No.
24 18, term sheet.

25

1 MR. STEPHEN LEE: And the title, just to
2 read it into the record, would be:

3 "Northwest Territories Power
4 Corporation Undertaking No. 18 term
5 sheet."

6 Sir, that completes the -- all of the
7 undertakings that I had record of and I think I just
8 wanted to commend the -- the back room staff for turning
9 these things around so quickly, it's a bit of a feverish
10 effort and given the -- the late sitting hours from the -
11 - the panel, I think it was quite a task to get that
12 done. I'm very pleased that we were able to -- to close
13 the record off for you before adjourning. That's all we
14 have, sir.

15 THE CHAIRPERSON: Thank you, Mr. Lee.
16 Mr. Merani, could you use a few minutes to
17 see if you have any questions related to this
18 undertakings?

19 MR. AZAD MERANI: Sir, I can proceed now.

20 THE CHAIRPERSON: Okay. Let's go ahead
21 then.

22

23 CROSS-EXAMINATION BY MR. AZAD MERANI:

24 MR. AZAD MERANI: First, I really want to
25 express a gratitude for getting these undertakings as

1 soon as you have, Ms. Goucher and Mr. Bowman, that's
2 really appreciated.

3 So, Mr. Bowman, if you could just turn to
4 Exhibit 31. Trying to understand exactly what has gone
5 on, so if I can express in my own wor -- words and see if
6 we can agree on what this schedule is doing.

7 Sir, as I understand the third column is
8 your '06/'07 forecast generation and that would be
9 identical to what you've got in schedule 3.31 of your
10 filing; correct?

11 MR. PATRICK BOWMAN: That's correct. I
12 would just note that it is in schedule 3.3.1 of the
13 updated filing as of May 16th, but it -- that is correct.

14 MR. AZAD MERANI: Yes, I apologize,
15 that's the schedule I was looking at, sir.

16 The -- the column next to it provides the
17 heat rates corresponding to the generation -- sorry,
18 running to that plant that was approved in that
19 negotiated settlement for 01/'03, correct?

20 MR. PATRICK BOWMAN: That's correct.

21 MR. AZAD MERANI: And then the next
22 column over is simply the calculation of the volumes
23 associated with the generation -- essentially generation
24 divided by the heat rate?

25 MR. PATRICK BOWMAN: That's correct.

1 MR. AZAD MERANI: And then you've taken
2 the same prices as you got on schedule 3.31 of May 16th
3 and, essentially, what you've done then is to work out
4 the fuel expense on the far right column as if the fuel
5 efficiencies that were approved in the GRA were to apply
6 today?

7 MR. PATRICK BOWMAN: Mr. Merani, all
8 correct.

9 MR. AZAD MERANI: Doesn't happen all the
10 time. So as we go down the table we see that the
11 subtotal eleven million one six six (11,166,00) am I to -
12 - am I to understand this correctly, is this like what
13 the -- what is showing, I guess, is the impact just in
14 isolation off the change in the heat rate.

15 So basically as you're -- I think you
16 mentioned it as well, the improvement over the years in
17 the fuel efficiency has allowed you to decrease the fuel
18 expense by \$11 million; would that be correct?

19 MR. PATRICK BOWMAN: No, that's not
20 correct. What the table shows, as one works across to
21 the final column, is the fuel expenses that would be in
22 revenue requirement -- the full fuel expense that would
23 be in revenue requirement in the event nothing had
24 changed in efficiencies.

25 Now, some of these numbers, as you note,

1 are lower than they would have been -- than -- than they
2 are in the GRA and some are higher because in some cases
3 the fuel efficiencies based on the methodology approved
4 goes up and in some cases it goes down.

5 Overall, though, when you reach the end of
6 -- of the table you will see that, for example, the
7 subtotal diesel in the application NTPC is seeking
8 approval of, ultimately, eleven million and forty-four
9 thousand dollars (\$11,044,000) in diesel expense related
10 to the communities shown above.

11 Had the 2002/'03 efficiencies been
12 retained, it would today be seeking eleven million one
13 hundred and sixty-six thousand (11,166,000) which is a
14 difference of some hundred and twenty-two thousand
15 (122,000). The revenue requirement for diesel is a
16 hundred and twenty-two thousand dollars (\$122,000) less
17 today than it would have been had the 2001/'03 heat rates
18 been retained.

19 You can do the same for the Inuvik gas in
20 terms of the heat rates. Norman Wells, of course, the
21 purchased power doesn't have a heat rate associated with
22 it.

23 MR. AZAD MERANI: Yes, thank you for that
24 clarification, Mr. Bowman.

25

1 (BRIEF PAUSE)

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MR. AZAD MERANI: If I can turn to Exhibit 32, please? I think you mentioned, Mr. Bowman, that is it the corporate policy not to take into account I believe you mentioned those two (2) construction jobs in Colville Lake and there may be some -- I think you mentioned a school or something to that effect. but I'm wondering.

10

11

12

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16

17

But I'm wondering, in your consultations with the community are you not able to gauge what construction jobs might be coming up and there are, I don't know, obviously uncertainties but there's development permits and there's consultations with the hamlet and oftentimes we understand that the folks -- local folks at the hamlet office are quite knowledgeable about what's coming down the pipe?

18

19

20

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MR. PATRICK BOWMAN: Mr. Merani, you have sort of well summarized the -- the challenges associated with forecasting which facilities may get build. The biggest one doesn't tend to be the hamlets as I'm informed, it tends to be the Government of the Northwest Territory' budgets that one looks to to see which facilities are receiving funding.

25

But just because there's funding for a

1 facility in any given year, the actual likelihood of that
2 facility proceeding and breaking ground once one deals
3 with all the other matters you've talked about,
4 tendering, permitting, whatever else needs to occur, has
5 some uncertainty associated with it.

6 That is -- nonetheless, NTPC does
7 everything it can to ensure that it has a handle on those
8 facilities. The challenge I talked about this morning
9 was one (1) order of magnitude greater than that, which
10 is, not only trying to forecast those facilities but
11 trying to go one (1) step further about not just looking
12 at when the facility might come into effect, but, looking
13 at when the construction activity associated with that
14 facility might occur and whether those people carrying
15 out the construction may choose to use the Corporation's
16 supply of power as opposed to -- in -- in the case of
17 some of these small communities provide their own
18 generation because when the -- the company comes in and
19 brings their equipment, they can always bring a generator
20 with them and do it themselves.

21 So not only do you have all the
22 complexities associated with forecasting the facility,
23 you have this additional factor about the constructor's
24 decisions and when that might occur. Those are the -- by
25 that point we're into a very, very difficult forecast

1 area and in those three (3) cases I noted there was
2 actual activity that had not been forecast.

3 MS. JUDITH GOUCHER: And if I could just
4 add to that, all of the projects that Mr. Bowman
5 identified were known to the Corporation and were
6 reflected in our load forecasts in terms of the
7 facilities being built. As you mentioned it was the
8 construction load that was not included?

9 MR. AZAD MERANI: Ms. Goucher, your
10 application was filed on November 24th, 2006 and I take
11 it at this time you would have had -- taken all those --
12 had you known about these construction projects, you
13 would have taken that into account?

14 MS. JUDITH GOUCHER: I believe in one (1)
15 of our IR responses we indicated that we had five (5)
16 months of actuals reflected in our 2006/'07 forecast, so,
17 to the extent that the projects were taking place in the
18 first five (5) months of the year, yes, you would have
19 seen some of that.

20 However, we did not update our load
21 forecast assumptions beyond introducing the actuals and
22 truing up for the 2005/'06 actual year end results. We
23 still maintained the forecast that was prepared, in terms
24 of the assumptions of activity, probably in the fall
25 before that. So no, those types of things were not

1 updated for the filing.

2 MR. AZAD MERANI: One (1) final question.
3 On the -- the first column on that Exhibit 32, the
4 preliminary actuals, Ms. Goucher, these are again actual
5 actuals, if I can call them that, they're not normalized
6 actuals, correct?

7 MS. JUDITH GOUCHER: Yes, that is
8 correct.

9 MR. AZAD MERANI: Thank you, panel.
10 Thank you, Mr. Chairman.

11 THE CHAIRPERSON: Mr. Marriott, I see
12 you're back. Did you have any questions in relation to
13 the undertakings that were filed today?

14 MR. TOM MARRIOTT: Well, if there is only
15 one (1) that pertains to me maybe I could take a moment
16 just to see if that one has been answered.

17 THE CHAIRPERSON: All right. Go ahead.

18
19 (BRIEF PAUSE)

20
21 THE CHAIRPERSON: I see that actually we
22 have one (1) member of the public here to present, Mr.
23 David Wind, so perhaps we can go ahead with his
24 presentation while Mr. Marriott has a look at the
25 undertaking response.

1 (BRIEF PAUSE)

2

3 PRESENTATION BY MR. DAVID WIND:

4 MR. DAVID WIND: Mr. Chair, Members of
5 the Board, my name is David Wind and I'd like to thank
6 the Board for this opportunity to make a few remarks and
7 comments.

8 I understand that the Public Board Hearing
9 is now just about ready to conclude and that a bit of a
10 fatigue factor may be starting to set in, so, I'll be as
11 brief as I can.

12 Although I was elected to Yellowknife City
13 Council last fall, I want to make it clear that I am not
14 speaking for the City of Yellowknife or the Yellowknife
15 City Council for that matter. However, after observing
16 the lack of participation from the general public over
17 the last three (3) days, I felt that it was necessary to
18 make these remarks if for no other reason than to
19 recognize the importance of public participation in these
20 hearings.

21 I have to say, however, that after
22 observing the sheer volume of information, the amount of
23 detail and its mostly technical nature, perhaps I'm
24 beginning to understand why so few members of the general
25 public have turned up.

1 On reading the abbreviated versions of the
2 rate application, I became concerned about the large
3 increase in rates in the application for hydro-based
4 communities of which I believe Yellowknife is one.

5 For me, this is a real puzzle since
6 Yellowknifers has -- have observed a significant shift
7 away from diesel generation and a corresponding greater
8 reliance on hydro generation of our electrical power over
9 the last several years.

10 In view of rising fuel costs and the
11 relatively stable costs of hydro-based generation, the
12 expectations of Yellowknifers would be that power rates
13 should stabilizes or even moderate instead of rising and
14 the figure that's being used is 23.9 percent.

15 During the course of this Hearing there
16 has been considerable discussion of a great many numbers
17 like this and it might be useful just to pause for a
18 moment and consider what a 23.9 percent increase in
19 power rates might mean.

20 I'm going to ask for a little latitude
21 here because I do know that the rate increase will be
22 moderated somewhat by perhaps -- and this is as much an
23 unknown as anything -- but there may be smaller increases
24 in cost of distribution in Yellowknife. However, a
25 household of four (4) who own their own home could easily

1 have been spending two hundred dollars (\$200) per month
2 for electrical power before this rate increase.

3 Ignoring the slight moderating effect of
4 power distribution an increase of 29 percent translates
5 into forty-seven dollars and eighty cents (\$47.80) per
6 month or five hundred and seventy-three dollars and sixty
7 (\$573.60) cents per year in actual dollar terms.

8 Now, Yellowknife has been struggling to
9 attract resource workers to live in the city and
10 contribute to the economy as opposed to having them
11 continue to live in Southern Canada and commuting to and
12 from their jobs in the diamond mines. The high cost of
13 home ownership which includes the cost of running these
14 homes, i.e., taxes, utilities, and maintenance is often
15 cited as a factor in decisions not to live in
16 Yellowknife.

17 You can see that increasing costs by 23.9
18 percent as requested in the rate application
19 would certainly make the cost of accommodation in
20 Yellowknife even more expensive than it is already, and
21 would certainly discourage further -- workers from
22 choosing to live in our city.

23 I must also add that every time a worker
24 decides to live in Yellowknife instead of commuting from
25 centres in southern Canada, it's an economic contribution

1 to the whole of the Northwest Territories, not -- not
2 just Yellowknife.

3 I'd like to give a second example. I
4 believe the City of Yellowknife shows its electrical
5 utility costs as approximately \$2 million per year. A
6 rate increase of 23.9 percent would mean as much as an
7 increase of four hundred and seventy-eight thousand
8 dollars (\$478,000) per year in dollar terms, which in
9 turn would have to be raised by a potential increase in
10 property taxes between 3 and 4 percent. And you can see,
11 as a city councillor I would be very concerned about
12 that.

13 Just to stay with the city theme for just
14 a moment longer, it turns out that the annual costs of
15 electric power generation is roughly equivalent to
16 property taxes raised from an average single family
17 residence; about two hundred dollars (\$200) a month. Can
18 you imagine the public outcry if the City were to raise
19 property taxes by 23.9 percent in a single year? I'd be
20 out of a job pretty quick.

21 I believe I read in the NTPC website that
22 the rate increase was necessary, at least in part, as a
23 result of the need to maintain revenues in an environment
24 of anticipated declining demand. In most competitive
25 situations the usual response to declining demand is the

1 adoption of measures to stimulate demand, most often by
2 lowering prices. Only in noncompetitive situations where
3 there is a single supplier can the response of an
4 increase in rate be sustained in the face of a decrease
5 in demand.

6 I believe a temporary increase in demand
7 for power is expected to result from reclamation work at
8 the Giant Mine site over the next two (2), three (3),
9 four (4) years. If such a temporary increase in demand
10 should occur, it could perhaps be addressed using diesel
11 generation at Jackfish Lake. However, with the current
12 emphasis on reduction of greenhouse gases, it would seem
13 more environmentally friendly to use this opportunity to
14 increase NTPC's hydro generation capacity.

15 When demand, again, returns to normal
16 levels the additional capacity could be marketed to
17 Yellowknife customers at reduced rates. This approach
18 could encourage increased use of hydro-generated
19 electricity and less use of energy forms derived from
20 burning carbon-based fuels.

21 I would like to make one (1) more point on
22 the environmental theme. As a Yellowknife power customer
23 the return of profits of NTPC to the Government of the
24 Northwest Territories and that the GNWT then subsidizes
25 the generation of electricity in communities which rely

1 primarily on diesel generation, has always been
2 difficult to accept and is even more so in this time of
3 increased environmental concern.

4 A decision which would be more
5 environmentally responsive would be to encourage the use
6 of hydroelectric generation by keeping rates low and
7 encouraging conversion from diesel generation by setting
8 rates which better reflect the actual cost of using
9 diesel generation. Some would even suggest including a
10 cost to offset greenhouse gas emissions.

11 Mr. Chairman, that concludes my
12 presentation, although I would again like to remind
13 everyone that I have present -- that -- that what I have
14 presented should not be regarded as a position of the
15 City of Yellowknife, nor should it be regarded as a
16 position of Yellowknife City Council. Thank you very
17 much.

18 THE CHAIRPERSON: Thank you, Mr. Wind. I
19 want to thank you on behalf of the Board for the effort
20 and time you've put in over the last few days in
21 attending our hearings and making a statement. Thank
22 you.

23 Mr. Marriott, did you have any questions
24 related to the undertakings?

25 MR. TOM MARRIOTT: No, Mr. Chairman. I

1 just wanted to confirm that I don't have any questions
2 arising from the undertaking response concerning me. I
3 would just offer by way of explanation, I would have been
4 here for that undertaking response but one of the clients
5 that I represent here also were served with documents
6 requiring an appearance in court this morning and I
7 couldn't find anyone else to look after that for them so
8 I just couldn't leave them in the lurch, sir.

9 THE CHAIRPERSON: All right. With that
10 then I guess the only thing left is setting dates for
11 argument and reply. Mr. Marriott proposed morning June
12 18th for argument and June 29th for reply.

13 Is there any objection to those dates from
14 the Power Corp. or the other Intervenors?

15 MR. STEPHEN LEE: Mr. Chairman, from the
16 Power Corporation's perspective we're amenable to Mr.
17 Marriott's suggestion.

18 THE CHAIRPERSON: Mr. Merani...?

19 MR. A.O. ACKROYD: Okay.

20 THE CHAIRPERSON: Northlands...?

21 MR. JEROME BABYN: Yes, that's fine.

22 THE CHAIRPERSON: Okay. And Mr. Rouse?

23 MR. WILLIAM ROUSE: Fine.

24 THE CHAIRPERSON: I guess with that I
25 just want to thank everyone for the smooth conduct of the

1 Hearing the last few days. And this Hearing's now
2 closed. Thank you.

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4 --- Upon adjourning at 11:03 a.m.

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9 Certified Correct

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Wendy Warnock, Ms.

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