

1 New Brunswick Board of Commissioners of Public Utilities
2 In the Matter of an application by the NBP Distribution &
3 Customer Service Corporation (DISCO) for changes to its
4 Charges, Rates and Tolls - Revenue Requirement

5

6 Delta Hotel, Saint John, N.B.

7 March 3rd 2006

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

INDEX

- 1
- 2 Mr. Laberge - page 5176
- 3 Mr. Robichaud - page 5181
- 4 Mr. Arsenault - page 5191
- 5 Mr. Shannon - page 5204
- 6 Mr. Arsenault - page 5212
- 7 Mr. Walker - page 5223
- 8 Ms. London - page 5229
- 9 Ms. Payne - page 5237
- 10 Ms. Brewer - page 5246
- 11 Mr. Dewitt - page 5254
- 12 Mr. Collins - page 5259
- 13 Mr. McKay - page 5261
- 14 Ms. Dunfield - page 5267
- 15 Ms. Dunn - page 5280
- 16 Mr. El-Jabi - page 5293
- 17 Ms. Creighton - page 5301
- 18 Mr. Smith - page 5320
- 19 Mr. Gallant - page 5324
- 20 Ms. Osborne - page 5330
- 21 Mr. Donnelly - page 5336
- 22
- 23
- 24
- 25
- 26
- 27

1 New Brunswick Board of Commissioners of Public Utilities
2
3 In the Matter of an application by the NBP Distribution &
4 Customer Service Corporation (DISCO) for changes to its
5 Charges, Rates and Tolls - Revenue Requirement
6
7 Delta Hotel, Saint John, N.B.
8 March 3rd 2006

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32

CHAIRMAN: David C. Nicholson, Q.C.

COMMISSIONERS: Jacques A. Dumont
Patricia LeBlanc-Bird
H. Brian Tingley
Diana Ferguson Sonier
Ken F. Sollows
Randy Bell
David S. Nelson

BOARD COUNSEL: Peter MacNutt, Q.C.

BOARD STAFF: Doug Goss
John Lawton

BOARD SECRETARY: Lorraine Légère

.....

33 CHAIRMAN: Good morning, ladies and gentlemen. I'm not
34 calling for appearances. We are trying to make this a bit
35 more informal, however, there would be those of you would
36 say that nobody could make a hearing more informal than I
37 do normally.
38 However, just a couple of housekeeping items. For any of
39 you who are not familiar, the microphone is for the
40 purposes of simultaneous translation. You have to push

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

the gray button down and get the red light. That indicates that your mike is then alive. And when you are finished why you can turn it off.

I have got a timer up here that I won't use unless we start to fall behind in our schedule which you have all seen. And this is the public's day as far as the Board and the panel are concerned. We welcome your comments.

I would caution you to try to keep it relevant to what it is that we are attempting to decide in these rooms. This being day 52. We have all been here for quite awhile.

But we do welcome your comments.

I would like to just make a couple of introductory remarks for those of you who are not aware. A Board such as ours has a dual responsibility. And the law is very clear on that and it has developed over the last hundred years, is that on one hand we have to set just and equitable rates for the consumer.

And on the other hand we are required to look at the economics of the utility itself and set those rates at a overall level that will return sufficient income to the utility so that it will be able to operate as a healthy enterprise and when necessary go out to the public markets and raise more money to provide the services for which it has the monopoly franchise. So we have that dual role.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

And we always have to do it, which puts a Board like ours in a position where with that second thing in mind we do have to ensure that over the long run the utility is going to be able to make a return on its investment and continue to provide the service that the state or province in our case has granted to it.

Now for the purposes of this hearing the new Electricity Act has -- and I'm sure most of you has heard of it, has a provision in it that we must take as having been reasonably and prudently incurred all of the costs that flow through to Disco through the power purchase agreements.

That represents approximately 80 percent of the costs that Disco must collect in order to break even. So for the purposes of his hearing our hands are tied. We cannot adjust to those costs at all. We must accept them. So we are down to that 20 percent.

For those of you that are presenting on behalf of business and business organizations, I want to float something that I have been thinking about personally myself. And just have your comments if you would be prepared to give them.

Having a view to the fact that in reference to income taxes collected in this province, individuals pay 87

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

percent of the income taxes whereas corporations pay 13.

There are other taxes that corporations pay that individuals don't, that's true. But the overall burden of taxation is borne by the individuals in the province, the individual taxpayers.

If we look at our dual role and try and have those who drive the cost pay the cost, then is not the most equitable to deal with the matter to require those who drive the costs in the electrical system pay the costs in the electrical system.

And then government looks at the various difficulties that are incurred because of rate increases for essential services such as electricity on a case by case basis and subsidize from tax revenues based upon that, rather than attempting to do it through the electric rates.

I would just like to have people's opinions expressed in reference to that and the equity of either a) providing that subsidy through the electricity rates or b) doing it through a policy decision on the part of government.

So having said all of that, we have now fallen behind, and that is my fault.

And the first presenter is Mr. Laberge from Bowaters Maritimes. And, Mr. Laberge, if you would like to come forward, sir.

2 MR. LABERGE: First I would like to thank the Public Utility
3 Board for this opportunity to present our arguments versus
4 the proposed electricity rate increases.

5 We acknowledge the fact that the electric power costs have
6 to be paid for by the users. But in our case electrical
7 power is the most important cost element of our
8 operations. Electricity, fibre and manpower costs are the
9 three major cost elements of competitive papermills, the
10 three most important. And these three major factors have
11 to be favourable.

12 We are competing globally with many papermills that have
13 either their own power generation facilities or favourable
14 rates. The firm base rates that we pay for have already
15 increased by close to 10 percent from December '96 to
16 December 2004. If we compare these to the rates of
17 competitive papermills as in many US southern states --
18 because as you know a lot of paper production has migrated
19 from the north of the North American continent down to the
20 southern states or to South America.

21 So if we compare to the southern states in the US, there
22 the rates have increased by only 2.9 percent in the same
23 period. And up to December 2005 the increases we face are
24 now close to 17 percent. And this information comes from
25 the public work site of the American Energy
26

1
2 Information Administration.

3 We are already amongst the papermills that pay some of the
4 highest electricity rates. As you know the Canadian pulp
5 and paper industry in particular as exporters is presently
6 under enormous profitability stress because of the
7 exchange rates versus the US dollar.

8 In our mill we invested over \$200 million from '95, '96
9 on, and particularly in a process that we call TMP that
10 uses a lot of power but is very efficient on fibre. So we
11 have achieved that goal, but it's very -- or consuming,
12 obviously.

13 The proposed rate increase would add approximately three-
14 and-a-half million dollars to our costs versus 2005. So
15 this in our situation could well be the difference between
16 profits or no profits, and if other factors come into play
17 it would mean the difference between operating with a cash
18 positive or not being able to produce any cash from our
19 location. So this is critical.

20 Also the proposed increase would have the detrimental
21 effect of pushing our costs in the wrong direction
22 permanently as it is not presented as a temporary
23 situation. Where exchange rates or prices might fluctuate
24 power rate increases like that will bring us in dangerous
25 zone as far as costs versus our competition, and we might

26

1
2 be stuck there. That's what is very dangerous for us.

3 If we are able to -- if we are to be able to attract
4 investment in our mill and possibly convert to added value
5 products or do other projects that would allow us to
6 decrease our power costs or other things like that, we
7 need to have basic costs that are competitive. And as I
8 said power is one of the three most important costs.

9 We are constantly striving to control our costs, but these
10 increases create a very important challenge which might
11 land us in a very critical situation and it might even
12 lead to closure. This is not necessarily going to lead to
13 closure at this time but at the level we are going to be,
14 we are going to be less and less able to react to eventual
15 more difficult situations.

16 So we think the government should consider the serious
17 short and long term economic impact of dramatically
18 increasing the power costs to large industry. We suggest
19 that government pursues putting in place a large industry
20 energy plan creating a real business environment that
21 supports and promotes the forest industry.

22 That's basically what I had to say.

23 CHAIRMAN: Would you care to comment on for instance the
24 assistance that the Ontario government has given to the
25 forestry industry there and do you think that that's an

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

appropriate way to go, or should it be more targeted or any thoughts on that?

MR. LABERGE: I can't particularly comment on what they have done in Ontario, but as you know in Ontario their electricity market has been deregulated and this has brought some havoc in the paper industry obviously. What we think is that government should evaluate the impact of these power rate increases on the base rates and on the overall rates for the paper manufacturers, the mills that use a lot of power, and balance this against, well if we come to a closure of certain of these mills what will happen to our economy? What is going to be the cost to the economy?

So I think the government has to have a plan and to be able to balance rate increases versus other types of help, maybe help in investment, and there are some things in the plans that if presented which are very interesting, and we are going to be very interested in delving into, but they have to have an overall plan that takes power into account.

We think they shouldn't look at power independently, they should look at it for the overall business environment.

That's what we think.

CHAIRMAN: Thank you.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

MR. NELSON: Mr. Laberge, the Dalhousie mill has been one of the oldest ones in the province and you are the only one left producing newsprint in the province. Have you ever looked at co-generation over the years?

MR. LABERGE: Yes, we have. We have looked at co-generation. Co-generation is a major investment and it's like any other investment, it needs to have a return. And one of the ways to convince the company to invest in cogeneration is that it has to have a nice return on investment.

If we look at it only as a power consumption reduction element, it is not necessarily an interesting return. One of the things we could suggest that an energy policy for government could contain is you have a policy to buy power from a cogeneration plant in a mill at a certain rate, that would be interesting, that would bring an interesting return on investment. That's something that would be really interesting for us in that matter.

MR. NELSON: Well have you talked to anybody about that? Have you discussed that with anybody or --

MR. LABERGE: Yes, we did, and we still have to get some answers from government. There are some things going on as I said with the government action plan, and we have got to try to push forward this idea. But we didn't have any

2 definitive answers on for example which rate could be proposed
3 to buy less power. That still has to be worked on.

4 MR. NELSON: Thank you.

5 CHAIRMAN: Thank you very much, sir. Appreciate your
6 attendance and your thoughts. I will ask Stephan
7 Robichaud from the Canadian Federation of Independent
8 Business to come forward.

9 MR. ROBICHAUD: Good morning. I'm Stephan Robichaud,
10 Atlantic Vice-President with the CFIB. And this is my
11 colleague Andrea Bourgeois. She is our Senior Policy
12 Analyst.

13 Thank you very much for this opportunity. I thought I
14 would maybe start -- and I hadn't prepared for that -- but
15 just quickly give you a bit of a feedback on the question
16 you posed in the beginning regarding taxes.

17 And one, maybe another element I would add into that is
18 looking at the tax picture from a business perspective.

19 One of the things that has happened in the last four years
20 is when you look at taxes on business there has been a
21 switch from what is called profit sensitive taxes to
22 profit insensitive taxes.

23 So on the income tax side for instance that is less of an
24 important portion of the taxes they pay today compared

1
2 to taxes that are not tied to profit, for instance property
3 taxes and so on.

4 If you look at property taxes they pay 1.5 times
5 residential. Workers' Comp. they pay the full price. On
6 EI it is 1.4 for instance. And those are all taxes they
7 have got to pay regardless of profits. So I thought that
8 was a good element maybe to add into that picture.

9 CHAIRMAN: And I appreciate that, sir. The 1.5 though is
10 anybody who has property that is non-principal residence
11 pays that same rate.

12 MR. ROBICHAUD: Yes.

13 CHAIRMAN: Yes. Okay. Thank you.

14 MR. ROBICHAUD: The CFIB welcomes the reinvolvement of the
15 Board in the regulatory oversight of electric rates in New
16 Brunswick. As we will show, NB Power has not treated
17 General Service customers fairly in the past. And we fear
18 that its proposals in the current proceeding represent
19 just more of the same.

20 The CFIB has about 4,500 members in New Brunswick in all
21 sectors of the economy, small and medium size businesses.

22 The small and medium size businesses are the main
23 employers in New Brunswick.

24 About one-third of New Brunswickers are employed in firms
25 with less than 50 employees. About 20 percent work

2 for mid size businesses, 50 to 499. They also contribute 40
3 percent to the Province's GDP and are responsible for half
4 of provincial exports in dollars, coming second only after
5 Alberta. Three-quarters of firms in the province have
6 less than five employees. And about 97 percent of firms
7 have less than 50 employees.

8 So as you can appreciate it is an important part of the
9 New Brunswick economy. And they also play a vital role in
10 their communities as community leaders. People are often
11 involved in their communities, contribute financially to
12 several causes and they offer much needed employment in
13 all regions of the province.

14 We have surveyed our members on the proposed rate
15 increases. And you have in the binders that I believe
16 were circulated to you a copy of that report, also a copy
17 of our submission and some information on small business.

18 The questionnaire targeted SMEs in all sectors and all
19 regions of the province to get their direct input on the
20 impacts then costs to business as well to assess how
21 informed SME owners at energy-efficient alternatives, the
22 application of such measures and the savings realized.

23 Overall for the results we saw 86 percent of respondents
24 says loss of profits. Are you just getting the binders
25 now? Okay. Sorry about that.

2 CHAIRMAN: Well, no, not really. Because I said that
3 normally if I'm going to give a paper or whatever it may
4 be I would rather keep it till the end so that people
5 don't flip through it.

6 MR. ROBICHAUD: Just we do in school too so we don't -- so
7 people aren't looking at the paper and they are listening
8 to what you are saying. I appreciate that.

9 53 percent say increase in prices -- and this is on page 2
10 -- look for other sources of energy, 35 percent, cutbacks
11 on number of employee hours, 29 percent, cancel plans to
12 expand, 21 percent, and consider closing businesses about
13 9 percent.

14 And when we extrapolate that to the economy overall we are
15 talking about 15,000 jobs at risk. And again you have a
16 copy of the actual report in the binder as well that does
17 an overview of all the questions.

18 We believe that the most important goal of utility
19 regulation is that electricity rates charged to all
20 customers, including General Service customers, should
21 reflect the cost of providing services to those customers.

22 This goal has two important implications.

23 First the overall amount of revenue collected from all
24 customers should reflect all of the reasonable and prudent
25 costs incurred by the utility including a reasonable cost

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

of capital as a return on the Province's investment.

However, it is equally important that rates not reflect unreasonable or imprudent costs. Nor should rates be designed to provide excessive returns to the Province.

The second implication of the goal of setting rates at cost is that rates for all customer classes should reflect the cost of serving those classes to the extent possible.

The table on page 3 shows ratio of class revenue to class cost for GS I and GS II. The simple fact is that from the perspective of General Service customers it does not

really matter whether the Board got it exactly right in its cost allocation decision or whether Disco's method, Dr. Rosenberg's method, Mr. Knecht's method was best.

No matter what methodology is used, GS I customers are providing revenue that is some 25 to 35 percent above cost. And GS II customers are providing revenue that is 14 to 15 percent above cost. And in fact Disco is taxing GS classes to provide subsidies to the other rate classes.

Moreover, this over-recovery of cost from General Service classes is nothing new. Based on cost allocation study from 1988/1989, historical year, the revenue cost ratio was 129 percent for GS I, 114 for GS II.

And in that proceeding the Board indicated, and I quote, "The Board also expects NB Power to develop the

2 plan to move all classes within the approved range of .905 to
3 1.05 over a period of time, which will permit proper
4 consideration of the desire to avoid rate shock."

5 And yet, some 14 years later, we find the revenue- cost
6 ratios for General Service customers to be virtually
7 unchanged. Without regulation oversight, NB Power has
8 made zero progress for it getting the rates for General
9 Service customers in line with their allocated cost. If
10 anything, the problem has simply gotten worse.

11 We believe that NB Power has simply ignored the Board's
12 directive.

13 In the current proceeding Disco proposes to start moving
14 rates in line with allocated cost as again directed by the
15 Board. Disco proposes to reduce GS I revenue cost ratio
16 from 128 to 123, GS II from 119 to 117. Revenue cost
17 ratios for General Service customers remain far outside
18 the target 95 to 105.

19 Despite the massive over-recovery of cost that is already
20 built into the rates, Disco proposes a 7.6 percent
21 increase to GS I customers, 9.5 to GS II customers, only
22 slightly below an overall system increase of 11.6 percent.

23 Based on Rosenberg's presentation yesterday, if GS II was
24 to get no increase, we would still have 115 percent ratio.
25 Unfortunately Disco offers zero guidance with respect

1
2 to the specific parameters for gradualism, relying completely
3 on its own judgment.

4 Moreover, even when Disco gets an opportunity to provide
5 some additional relief to General Service customers, it
6 fails to do so.

7 In the hearings on February 23rd 2006 Disco indicated that
8 it found some 2.1 million in extra interruptible service
9 revenue that allowed it to reduce the rate increase to
10 firm classes.

11 However, rather than assign the reduction to the classes
12 that have the highest revenue-cost ratios, Disco proposes
13 to reduce the increase for the class with the lowest
14 revenue-cost ratio.

15 Disco now proposes a rate increase for the large
16 industrial firm customers of 12.1 percent, almost
17 indistinguishable from the now lower system average of
18 11.4. In effect, Disco proposes to use this new-found
19 revenue to actually move revenue cost ratio further away
20 from 100 percent.

21 We submit that Disco's proposal is not reasonable, it
22 unduly discriminates against the General Service
23 customers, and it makes only minuscule progress towards
24 cost-based rates. Rate classes below the 95 percent
25 should either be brought above range or move significantly
26

2 towards the bottom of the range. The increase in revenue
3 associated with this change should then be shared among
4 the rate classes with revenue-cost ratios above 105,
5 namely the General Service, streetlights, water heater
6 customers.

7 In our recommendations, the CFIB recommends that rate
8 classes below 95 percent revenue-cost ratio be either
9 brought to this range or that significant progress towards
10 this goal be achieved.

11 The CFIB recommends that any amounts of lowered revenue
12 requirements be assigned to those classes that have the
13 highest revenue-cost ratios.

14 We also recommend that the cost-revenue ratio for those
15 classes above 105 be brought down or face no rate
16 increases.

17 Recognizing there has been no progress in 16 years, the
18 CFIB recommends that the Public Utilities Board set a time
19 frame, perhaps 5 years or more, to have cost-revenue
20 ratios, for all classes, within .95 to 1.05 range.

21 And finally we recognize the need to phase-out
22 discriminating features, within the rate setting process,
23 in favour of customers who are all electric.

24 In conclusion, as you can appreciate, small business is
25 the backbone of the New Brunswick economy. They are

1
2 very concerned about the proposed rate increase and feel
3 powerless in the ongoing debate between residential
4 ratepayers and big business.
5 Yet they are subsidizing all, at the tune of 115 to 135
6 percent, all other classes. Recently I was told by a
7 longterm observer that rate setting processes have a
8 golden rule. Pass on the cost to small business. They
9 don't vote. And they don't appear at hearings. Hopefully
10 this time these observers will be proven wrong.

11 Thank you.

12 DR. SOLLINGS: Yes. Thank you for your presentation. You
13 mentioned water heaters as being one of the rate classes
14 that is above a revenue-cost ratio of 1. Often as
15 regulators we are asked to look at whether or not there is
16 a competitive available service and -- that might take
17 that into account when we reflect on an appropriate
18 revenue-cost ratio. And we certainly could hear the
19 argument that since people have the option of buying a
20 water heater and owning it themselves, perhaps the
21 revenue-cost ratio should not be made identically equal to
22 1. I would like you to think about that as to the
23 competitiveness, to the noncompetitive services that NB
24 Power offers.

25 And the second item is one of the techniques that is

1
2 available to us as regulators to control and limit rate shock
3 is to essentially phase in the increase and set up
4 deferral accounts, essentially finance the transition
5 towards a revenue-cost ration of 1 for the customer class.
6 Do you have any thoughts on whether or not that would be
7 appropriate? On the understanding of course that
8 ultimately the customer ends up paying for the financing
9 but at perhaps a lower overall rate than they would
10 financing it themselves. So do you have any thoughts or
11 comments on that?

12 MR. ROBICHAUD: Well if I -- and if I am understanding you
13 correctly on that point, it's -- the key point there is in
14 fazing it in and obviously with the proposed rates as they
15 are right now there is a rate shock there and we have
16 heard about the impact, the impact varies from across the
17 region, and we have some presenters here today that will
18 speak to their particular firms as well.
19 So yes, we certainly appreciate and that is certainly the
20 feed back that I'm getting from my members is that there
21 is a preference to see a phased in approach. Thank you.

22 CHAIRMAN: Thank you very much, and also thank you for what
23 is obviously a very thoughtful brief and shows a lot of
24 work in preparation for coming. And although we kept it
25

1
2 away from ourselves until you presented, why I for one and I'm
3 sure my fellow Commissioners will give it some very good
4 attention. Thank you for coming.

5 MR. ROBICHAUD: You are welcome. Thank you very much.

6 CHAIRMAN: Canadian Oil Heat Association, Mr. Chiasson. Mr.
7 Chiasson is obviously not here. So that means I'm
8 catching up. So we will go to the New Brunswick Forest
9 Products Association, Mr. Arsenault.

10 MR. ARSENAULT: Good morning. And thank you for the
11 opportunity. My name is Mark Arsenault. I am the
12 president and CEO of the New Brunswick Forest Products
13 Association. I am joined today with Brent Wilkins who is
14 the Chairman of the Board and he will be making the bulk
15 of the presentation.

16 But before we start I would just like to mention that we
17 represent the member companies in the forest industry,
18 everyone from the large pulp and paper companies to the
19 small independently owned sawmills. And forestry employs
20 25,000 people roughly in the province and makes up for
21 about 11 percent of the GDP.

22 Our members have found this issue of most importance and
23 at a critical point for us. Industry is in difficult
24 times with regards to making a challenging situation work.

25 So there is a lot of modernization, there is a lot of
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

pulling up their boot straps and finding every little penny that we can in order to make up for the things that we can't change, like the high dollar and low lumber costs across North America.

So today to talk a little bit more about that Brent is going to make a presentation. He is the owner and operator of an independent family-run mill here just outside of Fredericton. They employ about 100 people. And over the last 4 to 5 years have made some major multi-million dollar investments in making the mill run efficiently, and has done some good stuff with his employees to try to find every last bit of savings and every bit of efficiency as they can to make ends meet. So like his -- like our members, he is feeling the pinch and increase of the nature that we are talking about here are going to have a substantial impact on him. So, Brent.

MR. WILKINS: Thank you. Over the past few years the forest industry has worked very hard to try and increase its competitiveness by modernizing, training and upgrading its workers' skills. All of these efforts have been challenged by some very serious facts. It's fact that we are competing in a global market place where New Brunswick's share is less than one percent. It's fact

1
2 that the market prices have been dropping and the Canadian
3 dollar has been rising. It's a fact that the cost of
4 doing business has increased dramatically from the cost of
5 wood to property taxes to power rates.

6 It's a fact that our companies have made some really tough
7 decisions in order to reduce operating costs and remain
8 competitive. Unfortunately, these decisions have meant
9 lay-offs, financial losses and a serious lack of new
10 investment.

11 You can understand that the government's recently
12 announced \$250 million action plan could not have come at
13 a better time. For the first time in a long time the
14 forest industry could once again start looking to the
15 future. Yet this vision is now verging on being very
16 short lived with NB Power's request to increase power
17 rates by almost 13 percent.

18 Energy is one of the single largest cost elements for
19 industry, accounting for up to 25 percent of operating
20 costs. Our members have been working desperately and
21 diligently to help make their operations more energy
22 efficient. But these efforts will fail in comparison to
23 the significant increase proposed by NB Power.

24 Since NB Power announced that it wants to raise power
25 rates a number of words and phrases have been spoken over
26

2 and over again, crippling, devastating, major blow, last nail
3 in the coffin, just to name a few. Let me tell you with
4 all sincerity wolf is not being cried here.

5 To start, the reality is that times are indeed tough.

6 With respect to power rates the forest industry, one of NB
7 Power's biggest customers, has not yet adjusted to the
8 impact of the 9 percent increase that has been experienced
9 over the past 24 months. Today we are paying close to
10 \$260 million in electricity costs. Without making some of
11 the tough decisions I mentioned earlier, the forest
12 industry simply does not have the extra \$30-plus million
13 to spare for power bills.

14 Over the last five years forest companies have
15 consistently endured decreased profitability. Some have
16 not been able to withstand and have closed their doors.
17 For many of those that remain they are losing money daily.

18 Unlike some businesses the industry deals on a highly
19 competitive global market and is not able to pass on the
20 increased cost to the consumer. It is absolutely
21 paramount that New Brunswick has a reliable, competitively
22 priced electricity.

23 As it stands today, we are already at a disadvantage with
24 respect to global competitiveness and sadly have been
25 watching investments flow to producers outside the

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

province. Investment in new technology that are necessary have been put off because the companies know the rising cost of power will consume any money saved through process improvements.

We are not asking to be treated differently and understand that power rate increases are inevitable. However, for the short term instead of -- sorry, in order to protect jobs and be in a position to attract new investment, it is necessary to gradually implement fair and reasonable rates. This likely will give companies a chance to try and adjust their operations accordingly. If not, we will immediately experience the trickle down effect of communities that are entirely dependent on the industry. It's not unreasonable to predict that some New Brunswickers may be without a paycheque and will not be able to cover their utility bills because their current employer has found it impossible to absorb the proposed increase.

For the long term government, NB Power, the PUB and stakeholders and residents must work together to change the current structure and create new energy policies that will prevent this from happening in the future. The demand for power will only continue to increase. So it's

1
2 critical together we explore new sources and opportunities for
3 affordable environmentally sound power generation, like
4 bio-mass energy systems for example.

5 There is proof that co-operation pays. When we look at
6 the \$250 million action plan for the forest industry,
7 although it doesn't solve all problems, it clearly
8 indicates the government not only listened but has also
9 demonstrated a willingness to help the forest industry.

10 It is our hope that these efforts were not made in vain.

11 We understand the PUB has been charged with the difficult
12 task of helping NB Power to be profitable while operating
13 in a free market system, where rising costs of fossil
14 fuels have seemed endless. However, the PUB has a
15 responsibility not to allow this to happen at the expense
16 of our industry and provincial economy.

17 NB Power rates for industrial users are already one of the
18 highest in the country. By adding the proposed 12.1
19 percent rate increase to the recent 9 percent increase
20 some doors will undoubtedly close. For the ones that
21 don't close their doors, there won't be a dollar left to
22 spend on creating and protecting jobs, expanding
23 operations, investing in new technology, training
24 employees or in supporting the communities they sustained.

25 Thank you.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

MR. ARSENAULT: Just in closing, there is -- simply put a blow like this is very much to handle, and in our case in many instances we are responsible for an entire community, and the community is dependent on one company which is on the verge and finding very difficult times, and I think it's very clear to see that with some of the closures that have already happened the type of impact that that will have. So when we are -- you know, usually there is a cycle. There is some good times and bad times. So profits her up and you hit a little down turn with regards to our market, but they pick up again.

But the circumstances have it a little bit different this time. There are some more longer term challenges that we are facing. So not being able to get over this hump could actually cripple an entire community. So there is a lot of that effect.

And I guess that goes, Mr. Chairman, to address your question on equity. People's individual's incomes are dependent on that company surviving in their region. So it does have another effect that -- you know, ideally you would hope for a highly competitive environment that would allow for better pricing. That doesn't exist right now.

So we are looking to the Public Utility Board to above and beyond all of its responsibilities to NB Power make sure

1
2 that they are first serving New Brunswickers and not cripple
3 an industry that's already in difficulty.

4 CHAIRMAN: Mr. Wilkins and Mr. Arsenault, I want to assure
5 you that every member of this Panel is a resident of this
6 province and since childhood has realized the importance
7 of your industry to the health of our province.

8 And I think Mr. Wilkins you said something to the effect
9 that we had an unenviable task, and we too in fact have
10 that. And we certainly appreciate the mention of
11 gradualism and mitigation of rate shock, and that
12 certainly is in our arsenal of arrows and we will
13 certainly give that due consideration.

14 I am pleased to hear you talk about long term plans
15 because that certainly is the only way that we as a
16 province can move forward in reference to that energy
17 question.

18 Now I wonder if any of my fellow Commissioners have any
19 questions?

20 MR. NELSON: Mr. Wilkins, you mentioned the government plan
21 that was announced before Christmas. Is there anything
22 under that plan that gives you some relief or gives you
23 some investment into -- for the company?

24 MR. WILKINS: The plan has a lot of interesting things in it
25 that will help the company I believe a lot. We are still
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

working with the government at this time to flush out the details of the plan. We don't have them all yet, how they propose to get the service to us in training and different avenues there. So I really can't comment a whole lot on that today.

MR. NELSON: Okay. So in other words you can't say if there is anything -- it is an energy policy or anything in that?

MR. WILKINS: Well, bio-mass is a part of that policy. For the forest industry as a whole, I believe that is a good thing. For myself I am a smaller company with -- 100 employees is a good size but I don't know if bio-mass exactly has any benefit to me at this point, if I can afford to put in the generating stations and stuff that will be there.

MR. NELSON: Right now -- what are you doing with your bio-mass now?

MR. WILKINS: My bio-mass now is marketed to other heating plants for -- I burn some on site to run my dry kilns and heat my mill with and some is marketed to other companies.

MR. NELSON: Within the province?

MR. WILKINS: Yes.

MR. NELSON: Thank you very much.

MR. ARSENAULT: One of the things with bio-mass also is -- the question was asked if people are considering

1

- 5200 -

2 investment in that? It's also difficult to make that decision
3 when there is no bio-mass policy from the government. Now
4 we are expecting that -- a draft of that to come this
5 month and that was part of the government action plan was
6 a sped-up policy to help us look at what we can expect in
7 the future as to how much bio-mass can be used with
8 regards to protecting the sustainability of the
9 environment and the like.

10 So those investments can't be made until we have those
11 types of studies and people have a chance to look at it.

12 So another reason for deferring a lot of the costs and
13 making it over a longer period so people can look at some
14 long term planning with regards to this.

15 MR. BELL: Mr. Arsenault, with regard to your association,
16 are they putting forward any recommendations regarding
17 federal policies over foreign exchange rates? Because
18 that is also crippling your association in a substantial
19 way. And I haven't heard anything said on that.

20 MR. ARSENAULT: To this date our association hasn't other
21 than the mention of any report to be looked at or that has
22 to be addressed. There are some points. When you look at
23 the problems with forestry there are some things that are
24 very difficult to change, that being one of them. Energy
25 rates to some degree being another one.

26

2 We know that rates are going to increase. But our
3 solutions are coming in bits and pieces. There is not one
4 magic solution to solve the woes of the industry.

5 So we have to go at every level to find the 2 percent or
6 the .5 percent or whatever it is that we can to make the
7 differences for the losses that we face.

8 DR. SOLLOWS: Mr. Arsenault, in your opening remarks you
9 indicated that you represent some of the largest to the
10 smallest companies. And that puts you in I think a unique
11 position to answer this question.

12 Beyond the -- one of the duties we have beyond allocating
13 costs to the different classes is designing the rates
14 within the classes. And I wonder what thoughts you might
15 have on or any direction you would want to give us on
16 eliminating inequities within the classes by design of the
17 rate structures.

18 Or is it appropriate say for example that larger customers
19 subsidize smaller customers within a rate class? Or are
20 you more in favor of bearing the cost completely according
21 to cost?

22 MR. ARSENAULT: Something that I would like to address just
23 a bit first too. One of the things that I have found most
24 troubling about the whole procedures that are ongoing is
25 -- and I understand the parameters that you as a Board

1

- 5202 -

2 have put within. But everything has revolved on who pays at
3 the expense of the other.

4 And it is very difficult to be put in that position
5 constantly. And we get the calls from, you know, is it
6 the homeowners or the residential that are paying at the
7 expense of the industrial and the like.

8 And I don't think that there has been enough, quite
9 honestly enough emphasis put on the transparency of the
10 whole process and looking at, as a bigger picture, the
11 overall problems of NB Power and the costs that are put
12 out.

13 I think we need to start looking at as a whole how to
14 reduce the costs so that we can pass on savings to
15 everyone rather than just who needs to pay at the expense
16 of the other.

17 And quite frankly that has been something that has been --
18 is very difficult to struggle with. But if we weren't
19 dealing with a 12.9 percent increase or 12.1 percent
20 increase or 8 percent increase or 6, we wouldn't be having
21 these issues.

22 I think that we should be -- and I understand that you are
23 mandated within a certain time frame to do this. But I
24 would like to see somehow a little more transparency from
25 the part of NB Power with regards to what is still a

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

public utility, because there is no other competition out there.

So as long as there is no other competition out there, the fact of the matter remains is that it is a monopoly. And we are stuck with what we have. So we constantly are forced with modernizing. We do everything that we can to reduce our costs in order to stay alive.

And I don't think -- whether it is real or not. I know that NB Power has gone through a substantial process of saving costs. But I think there is a perception out there that there is still a lot more than can be done. And we would like to see that happen.

DR. SOLLOWS: Thank you.

CHAIRMAN: Mr. Arsenault, I hope we have got a recording of what you have just said. Because I would like to play that every morning when I get up.

Now the greatest -- and this is a personal view -- but the greatest tool of regulation in fact is that every manager and middle manager knows that at some point in time he or she may have to justify the decision that is made in the ordinary course of running that business in front of an open public transparent process like this.

And really I couldn't agree more with you that it is a year over year look which, after everybody goes through

1
2 that learning curve, which none of us have had in 13 years.

3 But all of a sudden the hearings become much shorter and
4 much more streamlined.

5 And yet hopefully we can share some of our thoughts, et
6 cetera with the utility which will allow it to benefit
7 from the regulation we do get.

8 Gentlemen, thank you very much.

9 MR. ARSENAULT: Thank you.

10 CHAIRMAN: And we will call on Falconbridge now. Good
11 morning, Mr. Shannon.

12 MR. SHANNON: Good morning. On behalf of Falconbridge I
13 would like to thank the Chairman and members of the Board
14 for this opportunity to state our views on the electricity
15 rate increase proposed by Disco.

16 My name is Ted Shannon. I am the energy manager at the
17 Brunswick Smelter in Belledune, New Brunswick. I am here
18 today representing Falconbridge Limited who is an Informal
19 Intervenor in these hearings.

20 Falconbridge operates both the Brunswick Mine and the
21 Brunswick Smelter which have been in operation for over 40
22 years and together employ 1,200 people in Northern New
23 Brunswick.

24 The mine and smelter are large electricity consumers with
25 a total annual power bill of \$25 million. The 12.1

2 percent rate increase that is currently being proposed will
3 add over \$15 million to our operating costs over the next
4 five years. This will have a significant impact on our
5 operations.

6 In order to help you to understand how this cost increase
7 will impact the operations, I will briefly describe the
8 respective business models.

9 The mine revenue is generated from the sale of metals
10 contained in the concentrates that are produced from the
11 ore. This revenue must cover the mine operating costs and
12 the fees charged by smelters. Thus the revenue is
13 determined by the volume of metal and the world prices for
14 zinc, lead, copper and silver.

15 These metal prices are currently high but as we have
16 experienced many times over the past 40 years, metal
17 prices are very cyclic. Zinc in particular tends to rise
18 near the end of each economic cycle, then drop quickly
19 once the cycle peaks.

20 The zinc, copper and bulk concentrates produced at the
21 mine are sold to smelters throughout the world. The lead
22 concentrate is processed exclusively at the Brunswick
23 Smelter in Belledune where it constitutes over 60 percent
24 of the smelter capacity.

25 The smelter business model is a bit more complex and
26

1
2 less intuitive. Smelting revenue is generated from smelting
3 charges, which are also referred to as treatment charges,
4 that the mine suppliers pay in order to convert the
5 concentrate into pure metal. Smelting operational costs
6 must be then deducted from this revenue.

7 Smelting charges fluctuate based on the world smelting
8 capacity and the supply of concentrate available. In the
9 world of lead smelting China has expanded and continues to
10 increase its lead smelting capacity. They have done this
11 while lead concentrate supplies have been declining. As a
12 result smelting charges are now being set by Chinese lead
13 smelters and have been cut in half over the last five
14 years. A number of lead smelting operations in the US and
15 Europe have closed as a result.

16 The Brunswick Smelting operation in Belledune has been
17 forced to adopt a seasonal operating strategy in response
18 to the decline in revenue. This strategy, along with our
19 close proximity to our major lead concentrate supplier,
20 the Brunswick Mine, high productivity, competitive energy
21 costs and access to ocean transportation are key elements
22 in our ability to compete with the Chinese. Any
23 additional cost increases will add to the challenge of
24 finding a sustainable business model for the smelter after
25 the mine closes.

2 For both operations fluctuations in the Canada/US exchange
3 rate significantly affect our businesses. The revenue
4 from our products is based on the US dollar, while most of
5 our costs are paid in the Canadian dollar. The recent
6 rise in the Canadian dollar vis-a-vis the US dollar has
7 effectively increased our operating by \$20 million over
8 the past year.

9 For both the mine and smelting operations cost increase
10 cannot be passed on to the customers because we are
11 selling into commodity markets. We are price takers, not
12 price setters. Price increases must be offset by either
13 productivity improvements, energy efficiency improvements
14 or production efficiency improvements. Our Six Sigma
15 program has been successful in offsetting price increases
16 over the last few years through improvements in all three
17 areas.

18 It is unlikely we can accelerate our efficiency gains to
19 keep pace with the proposed electricity rate increase on
20 top of the six percent increase that we have already been
21 hit with in 2005.

22 We may then be forced to adopt more direct cost reduction
23 strategies. Some of the strategies that have been used in
24 the past include work force reductions, extended shut down
25 periods, reducing discretionary

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

spending which includes community support, and reducing or delaying capital spending. These would be direct examples of the spin-off effect of the rate increases that Jayson Myers of Canadian Manufacturers and Exports referred to in his evidence to the Board.

We agree that NB Power should be able to cover the cost of production with its revenue. In making your ruling on the rate increases, we would ask the Board to consider the non-production portion of the revenue, such as the rate of return to the provincial government, debt repayment and payments in lieu of taxes. These payments could be delayed or phased in over a number of years, giving customers a chance to adjust to the increases.

We understand that the increase in fuel prices is the cause of a significant portion of the rate increase. We are very much in support of the fuel surcharge that was originally proposed by NB Power. Fuel prices, like our commodity prices, are cyclical. This would be an effective and transparent way to pass these uncontrolled cost changes to the consumers in times of increasing and decreasing prices.

Without a truly competitive electricity market to drive improvements, the Board must insist that NB Power, both Disco and Genco, are making considerable progress to

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

reduce operating costs and improve efficiencies, much as we have been doing over the past years.

To conclude, I would like to once again thank the Board for your consideration of our views and to stress that the 12.1 percent rate increase will impact all aspects of our current business as well as our future spending decisions.

We hope that the Board will consider a phased in approach, institute a fuel surcharge and will demand that NB Power make efficiency improvements to offset some of the requested increase.

Competitive electricity rates in New Brunswick will help industries such as ours compete in the global market so that we can attract new investment for growth and continue to employ New Brunswick workers.

Thank you.

CHAIRMAN: Thank you, Mr. Shannon. In your presentation you talked about one of the efficiency measures that you had used to meet the rising cost was a seasonal running as I took it of the smelter?

MR. SHANNON: Yes.

CHAIRMAN: Could you explain that to me?

MR. SHANNON: Well since 2003 the smelter has been shutting down for an extended period each summer. Part of that is

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

to do maintenance that we would do every year, but the other part which in 2003 was three months, I believe last year it was one month, is a standby shutdown. And that is because we can't compete for lead concentrate that comes from outside of New Brunswick. So we can't fill our feed window economically.

CHAIRMAN: I see. We have had presentations made to us during this hearing in reference to introduction of seasonal rates in that our system here in this province is a winter peaking system, so that overall the winter electricity that we consume is more expensive to produce because it comes from a great mix of plants, whereas in the summer it's the base load plants and those are less expensive to run. So that I thought I heard from a seasonal approach that you were trying to match up with that, but I guess not.

I will ask my fellow Commissioners if they have any questions.

DR. SOLLOWS: Just to follow up on that issue of seasonality. If I understand correctly you are operating during the winter at a time when, as we have heard, electricity costs are very high, the cost of producing is very high, and you are shut down during the summer at a time when we have heard the cost of electricity is much

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

lower.

Would it be advantageous or possible for you to reverse that and take advantage of a seasonal rate that the power company offered to provide lower cost electricity during the summer?

MR. SHANNON: If there was a seasonal rate we would certainly consider that. We did look at winter shut down and we do have to put significant extra cost in just to keep things warm while we are on standby. So it's a trade off that we would have to look at.

DR. SOLLOWS: Right. It would depend on the amount of the reduction?

MR. SHANNON: Certainly.

DR. SOLLOWS: Thank you.

MR. SHANNON: Certainly. And I wouldn't want to be doing maintenance work in the winter in New Brunswick in Belledune when it's 40 below out.

DR. SOLLOWS: The other question I had is you stated in your report and again here that you are very much in favour of the original fuel surcharge that NB Power proposed. We have learned through the hearing process that NB Power's fuel costs are essentially fixed six months in advance of the rate setting year. So by the 1st of October they know definitively what their fuel costs are.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

And I would like your thoughts on whether or not it may be more appropriate to schedule a periodic review to see that those fuel costs are appropriate in November or December in advance of the rate setting year, rather than just automatically passing through the costs which include all of their procurement strategies through an automatic fuel cost adjustment mechanism?

MR. SHANNON: I think any fuel surcharge formula would have to reflect the way that NB Power does purchase their fuel, so if it's something that's done on a semi-annual basis then that would be the right way to do it.

DR. SOLLOWS: Thank you.

CHAIRMAN: Mr. Shannon, thank you very much for your presentation.

MR. SHANNON: Thank you.

CHAIRMAN: We are going to -- we have caught up and we are going to take a break now and come back at quarter-to-11:00.

(Recess)

CHAIRMAN: The next presenter that I have on my list is Gerard Daly and I know Mr. Daly and I don't think he is here. So Alex Arsenault. Mr. Arsenault, have a chair. Were you here when I talked about the microphone and pushing that little grey button? Okay. Just push the

1

- 5213 -

2 button and leave it on as long as you are talking. Don't

3 bother turning it off, just leave it on. Go ahead, sir.

4 MR. ARSENAULT: Good morning. Thanks very much for this

5 opportunity. When I was driving down from Crabbe Mountain

6 this morning it took me two hours. I thought I had better

7 let the Board know that the skiing is awesome at the hill

8 and my only hope is that you won't be sitting next week

9 and you can come see us. The invitation is open.

10 If you are wondering what a senior country bumpkin is

11 doing sitting before this illustrious Board, I have two

12 awesome reasons to be here. Number 1, I own the company.

13 As a New Brunswicker, along with my co-New Brunswickers,

14 we own NB Power. And number 2, we pay all the bills. So

15 anything and everything that is taking place at NB Power I

16 play a big part into it.

17 What baffles me is if I'm the owner and the only customer,

18 and I pay all the bills, why in hell is it so difficult,

19 in fact impossible, to get any information about how my

20 company is doing?

21 Now make sense out of that and I can walk out of here. If

22 I only get one answer to that question then I perhaps had

23 a good day. Is it a conspiracy of silence? No one says

24 anything. If it is, it's not very healthy for the people

25 who run the company. Is it an atmosphere or a

26

1
2 fear? Everyone is afraid to say anything because they are
3 going to lose their job? That's not any healthier.
4 But driving down here just musing a little bit to myself,
5 I thought I think there is a ghost furtively operating at
6 NB Power. There has to be. There are contracts that
7 should have been signed that weren't signed and no one
8 knows why. And there are contracts that apparently have
9 been signed that no one signed. We didn't even know they
10 existed. Did you see it? No. Did you take part in
11 preparing it? No. Do you know what is in it? No.
12 But apparently the contracts are there and they are very,
13 very financially lucrative or costly, depending on which
14 end you are at. There has got to be a ghost. Anyway, I
15 will leave that there for now.
16 I all my life -- and I was born in 1936. Okay. That's a
17 long time ago. And all my life I think beginning very,
18 very young I was the best, most solid admirer and the
19 proudest owner of NB Power ever. See, when I started out
20 in '36 NB Power was not much of anything. It was just a
21 piddly little company. But as I grew it grew and
22 developed and it developed into a hell of a big,
23 beautiful, strong, good corporation. I remember in the
24 late '40s when it started to really come into its own,

1

2 rural electrification. We at my home, we were part of that

3 because we lived in the middle tier of lots between Trout

4 Stream and Alderwood. Find that on the map and I will

5 give you something. And --

6 CHAIRMAN: I will, Mr. Arsenault. I know right where you

7 are.

8 MR. ARSENAULT: Good.

9 CHAIRMAN: I have searched the title out there.

10 MR. ARSENAULT: Good show.

11 CHAIRMAN: And I have skied your mountain. Carry on, sir.

12 MR. ARSENAULT: Well there. All is not lost today then.

13 You know what, they brought one mile of line into our

14 farm, little farm we have there. And you know all we had

15 in the house, a dozen light bulbs. Yet they brought power

16 to us. And we were proud.

17 And then in the '50s, late, middle '50s when I chose to

18 change careers, I went to work at NB Power. And I stayed

19 there the '50s, the '60s, the '70s, the '80s and into the

20 '90s. And I know the type of corporation that it became.

21 I know why it became the corporation that it was. And I'm

22 glad that I played a part in it. But I will tell you how

23 good it was. I used to travel across Canada and down into

24 the States and any time anyone in the utility industry

25 heard about NB Power they would say, oh, you have

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

got it made down there. We know about you. We were the envy of every other public utility, bar none.

All this to bring me to say where did we go wrong? Why do we have to have this hearing? This is no reflection on the Board. It's the process. Why my public corporation has to get me to pay many millions of dollars added to the actual cost of producing the product, and they are going to tack that onto my bill. And people have been preparing this hearing for a year or more. And they are going to saddle me and every other New Brunswicker with the bill.

Why?

Why can't we get quarterly reports from our corporation on all aspects of its finances. How much we are doing, what fuel, we know how it's going, and cost of maintenance and accidents. And mistakes. We all make mistakes. Why don't we admit them? You know, the mark of the person is not the making of the mistake, it's the agreeing or the admitting that you made a mistake, you know.

I'm beginning to think that the atmosphere at NB Power reminds me of the Sunday school class, Grade 4, nine, ten years old. The teacher said -- at the end of the year she said, today we are going to fire questions at you willy-nilly about the Bible just to see what you heard this

1
2 year, what you learned. And there were 30 questions. And if

3 I had the time I would read them to you and you would be
4 laughing on the way home. I will mention one. She asked
5 this little boy in Grade 4, what is the seventh
6 commandment. And he fired right back, thou shall not
7 admit adultery. Well, you know, hello Bill Clinton. I'm
8 beginning to say hello, NB Power.

9 My wife said if you say that they are going to say, there
10 you go, you are bringing sex into it again. And you know
11 what I said to her, if you feel like you are getting
12 screwed then it's a proper comment. And I think we are
13 getting screwed. Okay. Why? Where did it go wrong? I
14 don't know.

15 Let's go to the rate increase. I'm all over the place. I
16 never know what comes out of my mouth until it comes out.
17 You want 12 or 13 -- 11, 12, 13 percent. It's big. Will
18 it hurt? Yes. Will it send the province down the tube?
19 No. We didn't go down the tube when we went from 59 cents
20 a gallon or a litre for gasoline to 1.24 and now we are
21 down to 90-some and we are saying, oh boy, aren't we doing
22 great. See what they can do to your mind. But we didn't
23 go down the tube. Did it hurt? Yes. Will this hurt?
24 Yes. Will it hurt some people more than others?

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Yes. Should we subsidize the residential rates? No. Why would I want to take money out of my tax pocket and transfer it to my utility pocket? Then you are going to tell me, whoa, your tax pocket is deficient. So what will that do? How long will you do it? Who will it help? It won't help me.

I want to pay my power bill. And if I can't pay it I will conserve. By the way, I have already conserved about 25 percent at the old farm at Crabbe Mountain.

But should we help the people that this will hurt? Yes. The young mom with a couple of kids on social assistance at 805 bucks a month -- boy, we are generous, aren't we -- 805 bucks a month, she is going to hurt. Help her. The senior citizens on fixed incomes. Help them. But not through NB Power. Let's not make NB Power another social services department.

NB Power has to stand on its own, should operate like a non-profit corporation, and it's not its place, and it shouldn't be, to play social services. The mechanisms are in place right now to look after that. For subsidized housing we have a heating allowance. Do you know the last time the heating allowance was reviewed? 1989. Boy, we are up to date, aren't we? 1989. Review that and bring it up to date.

1
2 There is a heating subsidy for other people. Look after
3 the seniors with fixed incomes who are trying to stay in
4 their home, rather than go to the home, you know. Help
5 them. But don't use NB Power as the social agency to do
6 so.

7 Now the future. Three things for the future. My
8 recommendation. Stop this foolishness. There is no need
9 for this. A hell of a lot of people -- or people make a
10 hell of a lot of money getting ready for this. But what
11 will you get after the end of these hearings? What will I
12 have as an owner/customer of NB Power that I didn't have
13 before. A hell of a lot more anger. And that's about it.

14 A hell of a lot more frustration. But it ain't going to
15 give us much, is it? Come on.

16 So why the need for this? Why wouldn't my corporation,
17 publicly owned, give me quarterly reports as we go along?

18 And then I will know what is happening. And a bad
19 quarter, we will say, well let's go one more and see what
20 happens. Two bad quarters, then we say, hey, maybe we
21 have to adjust here a little bit. It wouldn't be a bloody
22 13 percent shock. It might be a one percent or half of
23 one or one-and-a-half. Why can't we do that? And if NB
24 Power doesn't have the accountants, the capability to do
25 that, well let's get rid of the people that are
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

there and put the people there who will do it.

In 2006, with the computerization that we have today, they should know on a day by day basis where we stand. Why can't they tell me quarterly, number 1?

Number 2, I want my utility, I want moi, myself and I and my co-New Brunswickers, to retain 100 percent ownership of my utility.

I heard this week, privatize NB Power. Well I'm going to tell you, if you privatize NB Power this is who you are going to be competing with. These are the rates that our addicted friends, not my word, addicted friends south of the border are paying. It's available to anyone. If you put -- you make this a privately utility you are going to be competing in North American markets for our electricity. I will just name two right now. Our friends immediately south of us in Maine are paying 100 percent more than we are paying. Twice.

New York, that's just down the road. And that's why they need a hell of a lot of power in New York. 125 percent more than we are paying. Privatize it. Get your heads out of the sand, the people who are saying that.

Number 3, reliability, security of supply for the foreseeable future. Looking at what has been happening in the world over the past 25, 30 years with the energy

2 situation and the cost, would it not make sense that within --
3 if at all possible that we would guarantee security of
4 supply within New Brunswick with a public utility. Then
5 we own, therefore we control, and therefore if we are
6 serious when we say we want to put New Brunswickers to
7 work and we want to do this and we want to better the life
8 of New Brunswickers, what better way to be able to go
9 tomorrow 10 years from now to heavy industry, big
10 business, and say, come to New Brunswick, you know why you
11 should come, because we don't have to compete with our
12 addicted friends down south for electric rates.
13 We control what we own and we don't have to make big
14 profits and we can guarantee you reasonable cost and
15 security of supply. If that is complicated I missed
16 something. You see, when I look at what is coming out of
17 NB Power and the government -- you know, the worst insult
18 that you can proffer on another human being is to say to
19 him or to her, you are stupid, you are too stupid to
20 understand, so I won't bother telling you. And that is
21 what -- that is the way I'm being treated.
22 They must think that our heads are in the sand so deep
23 that we are putting out cut glass at the other end of our
24 anatomy. Well, I'm going to tell you one thing. I change
25 my shorts every day. And I have never found a piece of
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Royal Doulton figurine in my shorts. I am not stupid. And do not treat me as a stupid human being. Respect.

But you know, one more thing, it doesn't say much though for the people who do that to me. It doesn't say much for them. I really appreciate this opportunity.

Oh, one more thing. Have I got time, one minute?

CHAIRMAN: I have given you a little extra, Mr. Arsenault.

MR. ARSENAULT: Oh.

CHAIRMAN: Go ahead, sir. Time for one more thing.

MR. ARSENAULT: Okay. No. We hear, you know, in the news fiasco, fiasco. Orimulsion \$750 million fiasco. And that's what we hear. There is nothing further from the truth.

I'm a big booster of NB Power. I still think that it is a good company and that it needs to be -- you know, it is the big bus going down the road. Maybe it needs a new driver and a couple of new mechanics.

But the bus is still basically a solid piece of machinery.

And the passengers, we are there and we are paying our bills.

But, you know, you hear 750 million bucks. We had a plant that was finished, needed to be rebuilt. We rebuilt it and in so doing we raised its capacity by 19 percent. We had a plant that was producing more pollution than it

1

2 was producing electricity.

3 We cut that. We reduced the particulates by 83 percent,
4 mercury -- boy, that is bad stuff -- mercury by 74
5 percent, SO2 not 64, 52 percent. That is what the \$750
6 million did.

7 Now did we spend more than we should have for Orimulsion?

8 Yes. Is that lost? No. The plant still has the
9 capacity to burn a cheaper rate of fuel. And I'm
10 confident that someday we will find it. So these are the
11 types of things. Not only NB Power isn't giving us the
12 bad stuff, but it's not even giving us the good stuff.

13 Anyway, I really appreciate this opportunity. And I think
14 you have been very respectful. Thank you.

15 CHAIRMAN: Thank you, Mr. Arsenault. Coming from the
16 megapolitan area of St. Stephen I appreciate the back of
17 the beyond as you do too. Thank you, sir.

18 MR. ARSENAULT: Okay. Thank you.

19 CHAIRMAN: And McCains Canada? Mr. Walker?

20 MR. WALKER: Mr. Chairman and Commissioners. Is it truly
21 fair to make me follow an act like that?

22 On behalf of McCain Foods Canada I would like to thank
23 you for giving us the opportunity to appear before you
24 today to briefly outline our concerns with the magnitude
25 and timing of the proposed increases in electricity rates

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

in New Brunswick.

My name is Allan Walker. I'm the Vice-President of Purchasing for McCain Foods Canada based in Florenceville.

McCain operates 16 production facilities across Canada, 60 around the world. Six of those factories are in New Brunswick.

In this province alone we make juice, pizza, desserts, Chinese food and of course french fries. These facilities plus our head office complex in Florenceville employ over 2,200 salaried and hourly employees. Despite our international presence our roots are in New Brunswick.

And we continue to invest heavily here.

Over the past three years alone we have invested tens of millions of dollars on such projects as increasing the capacity of the Grand Falls pizza plant, building a cold storage and distribution centre in Florenceville and expanding our information systems complex in Florenceville as well. McCain Foods spends \$9 million per year on electricity in New Brunswick.

Because of the size of this spend we have for many years been active in working to be as energy-efficient as possible across our operations. And these efforts continue to be a major focus for us.

We appreciate the fact that NB Power has been

2 restructured in an attempt to create an environment of
3 competition within the electricity sector.

4 We support open competitive markets and welcome Disco's
5 desire to operate as a competitive company. We also
6 recognize that at least a part of the requested increase
7 is fully justifiable in the face of the rising input
8 costs.

9 Our concern, however, is that Disco is also basing at
10 least a significant portion of the requested increase on
11 the desire to achieve a targeted rate of return on
12 investment.

13 I recognize that they are new at this. But in the
14 competitive world in which McCain and indeed all of their
15 industrial customers operate, rates of return are not
16 guaranteed.

17 Some factors are within our control. Some are not. But
18 running a profitable business requires at the very least
19 an incessant focus on cost control, innovation and strong
20 management and being able to see the entire company.

21 Nothing can be taken for granted, including the ability to
22 pass increased costs along to your customers.

23 An additional concern is that what we cannot see behind
24 the PPAs it would be safe to assume that the generating
25 companies are also including a targeted rate of

2 return in their costing and that part of the Disco increase is
3 being driven by this as well.

4 The proposed increase combined with the previous two
5 increases amount to over 18 percent since 2004 for large
6 industrials. By any definition this qualifies as rate
7 shock. And in McCain's case the combined increase adds
8 \$1.7 million each year to our costs.

9 These increases put many energy-intensive industries on
10 the knife's edge of viability and could well cause factory
11 shutdowns and employee layoffs.

12 This has not been unfamiliar territory for New Brunswick
13 in the last few years, as many of our sectors have had to
14 deal with a multitude of adverse competitive factors.

15 Most so far have coped. But there is little margin of
16 error left for some.

17 McCain is not as energy-intensive as some. But the monies
18 diverted to supporting some targeted rate of return for
19 Disco could be better invested in continued productivity
20 improvements and production expansions in our New
21 Brunswick factories.

22 Remember 60 percent of the french fries produced in Canada
23 are exported. And we are already wrestling with an
24 exchange rate that has moved against us by 18 percent in
25 the last two years, making us that much less competitive

1
2 in markets in the US and abroad.

3 Given that many of New Brunswick's large industrial
4 employers are very energy-intensive and that these same
5 companies are already attempting to adjust to rapid
6 changes in the exchange rate and the competitive landscape
7 in their industries, New Brunswick as a whole may be
8 better off accepting lower rates of return for Disco and
9 the generating companies in the short term to allow
10 industries time to cope with these cost increases.

11 Insisting on increases large enough to achieve these
12 target rates of return for Disco today could result in
13 lower net tax revenues for New Brunswick tomorrow, as idle
14 factories and unemployed workers are not good sources of
15 economic growth and tax revenue.

16 We are not advocating a return to the days of NB Power
17 consistently losing money. But we are urging restraint
18 and wisdom in the pace and timing of rate increases and an
19 understanding of the ripple effects of the economy as a
20 whole that such rapid increases will set in motion a
21 sufficient time for adjustment is not allowed.

22 We would also urge that in the absence of true competition
23 in the generating sector, that they be subject to the
24 oversight that the PUB is currently not permitted to give
25 them.

2 It is very difficult to run a company when you cannot get
3 at some 80 percent of your costs. And the PUB has not
4 been permitted to do that. And we would urge that they be
5 permitted to do that.

6 Thank you for your time and your consideration.

7 CHAIRMAN: Thank you, Mr. Walker. Some of my Commissioners
8 may have some questions. Well, I do.

9 We have heard from a number of industrial presenters
10 previously that they were working with government, now in
11 particular the forestry industry.

12 But I remember from the early '90s when we first had
13 regulatory jurisdiction over the then NB Power that you in
14 fact were an Intervenor that participated in our hearings
15 process, and as I remember it contributed a great deal.

16 Having said all of that, have your industry or similar
17 non-forestry product industries approached government in
18 an effort to assist in developing an energy plan for the
19 future and for the industry in this province?

20 MR. WALKER: Well, McCain Foods works through the Canadian
21 Manufacturers and Exporters Association which in turn is
22 our industry voice to the government.

23 CHAIRMAN: Mmmm.

24 MR. WALKER: So rather than have too many voices coming we
25 prefer to work with the industry and come with a common
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

unified voice.

CHAIRMAN: And has the Canadian Manufacturers Association attempted to sit down on a planning basis with our government? Do you know that? If not I will tackle Mr. Plante.

MR. WALKER: I would prefer that went to Mr. Plante.

CHAIRMAN: Okay. Good. Well, thank you for your participation, sir.

MR. WALKER: Thank you.

CHAIRMAN: Next on the list is the New Democratic Party of New Brunswick, Allison Brewer. And Ms. Brewer is not here. So there is Ashley London of the Credit Counselling of Atlantic Canada. And welcome, Ms. London.

MS. LONDON: Thank you. My name is Ashley London. I have been a counselor with Credit Counselling Services of Atlantic Canada for the past 11 years. And I would like to deliver the following statement on behalf of our organization and consumers throughout the province. Before I get started, I would like to give you a little bit of background as to who we are and what we do. CCS of Atlantic Canada is a registered non-profit organization. We are dedicated to helping consumers regardless of their social or financial standing with credit and money management and budgeting issues.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

We opened our first office in Saint John back in 1994.

And we currently have 12 offices. We also offer telephone and on-line counselling as well for clients that actually can't get to our offices.

CHAIRMAN: Ms. London, could you pull that mike in just a little?

MS. LONDON: Sure.

CHAIRMAN: Some of the old chaps up here are having trouble. Okay. Thank you.

MS. LONDON: We deal with over 10,000 Atlantic Canadians each year. And approximately 5,000 of those are coming from New Brunswick. These numbers continue to climb year after year as well. Due to the increased consumer debt loads we are seeing, an alarming number of consumers who are unable to manage, and are behind not only on their credit payments but on their basic utilities. It is our firm belief that the proposed rate increase will only add to their financial burden. While we understand that NB Power cannot control consumer debt, it can assist in the education of consumers by working with agencies such as CCS to promote responsible money management and budgeting practices. Our goal is to help educate consumers before they fall into

2 financial hardships. But we need the assistance from the
3 community and businesses such as NB Power to get the
4 message out.

5 CCS has always had a good working relationship with NB
6 Power during our 12-year history. And they have worked
7 with us for clients on several occasions to avoid an
8 interruption in the client's power service by working out
9 reasonable payment arrangements.

10 We are also very supportive of NB Power's equalized
11 billing program as this allows customers to develop a
12 year-round budget plan, something that we do recommend to
13 all of our clients that come in for budgeting and money
14 management. That takes away the worry of the fluctuations
15 in their month to month power costs. Unfortunately in
16 some cases clients who need it the most aren't eligible
17 for the budget or equalized billing.

18 We appreciate the care and compassion that NB Power has
19 shown some of our clients. And we are very concerned
20 about the effect of the proposed 13 percent residential
21 rate that this will have on New Brunswick families. We
22 are especially concerned for those with low incomes and
23 other vulnerable groups such as unemployed, seniors and
24 social assistance recipients.

25 As it stands NB Power has no policies to protect
26

1
2 consumers from disconnection during the winter months. And we
3 feel that this is very important to have in place,
4 regardless of whether or not the rate increase is
5 approved, as heat and lights are among the most basic of
6 necessities that we share.

7 We have one of the highest low-income populations in
8 Canada. And we are also concerned of the trickle down
9 effect that this increase may have on consumers should
10 Saint John Energy follow suit.

11 My heart goes out mostly to the low income population who
12 have -- we see this day to day, who have to make a
13 decision on whether or not to put food on the table, get
14 their prescriptions or pay their basic utilities.

15 We would like to ask why these rate increases couldn't
16 take place over a more gradual scale to allow the
17 consumers to take time to adjust their budget plans. One
18 could argue that NB Power is sending the wrong message to
19 consumers by suggesting that the way to deal with NB
20 Power's poor financial planning is to increase revenues
21 rather than tackling the issue of the money management and
22 the proper short and long-term planning.

23 CCS is also concerned with the way that NB Power has
24 handled some of their past due accounts. We see these
25 again on a daily basis, instances where consumers have

1
2 been allowed to run several months behind and then
3 unfortunately receive a "pay up or have your service
4 disconnected" notice.

5 If rates continue to increase we will be faced with more
6 of these types of situations. And NB Power needs to have
7 a plan in place to deal with them.

8 We realize that NB Power has people dedicated to helping
9 clients with past due accounts. But they are not trained
10 to deal with the full financial situation and therefore
11 cannot provide the objective budgeting advice that our
12 clients need.

13 So our question is what if anything is NB Power doing to
14 address these situations? We would like to propose a more
15 prudent approach that benefits both the consumer and the
16 utility, a scenario by which each delinquent account is
17 identified early on and these consumers are referred to
18 third parties such as Credit Counselling Services, to also
19 help with the financial difficulties.

20 We would like to finish by thanking the Public Utilities
21 Board for allowing us the opportunity to address our
22 concerns. And we would encourage the Board to take any
23 consideration, the negative impact that the proposed rate
24 increase will have on many New Brunswick families when
25 making its final recommendation.

1
2 We look forward to a continued positive working
3 relationship with NB Power and we are more than willing to
4 work together on behalf of New Brunswick consumers.

5 Thank you.

6 CHAIRMAN: Ms. London, thank you very much. I'm sure that
7 Mr. Peacock has shared with you the fact that as soon as
8 this marathon hearing we are presently in is completed, it
9 is the Board's intention, and Disco has agreed, that we
10 will have a specific hearing on customer service policy
11 issues.

12 And certainly a lot of what you have spoken of are the
13 kinds of things that we want to look at and take a long
14 and hard look at in that particular hearing. We call it a
15 generic. And I certainly hope that you and your
16 organization can be represented at that --

17 MS. LONDON: We definitely will.

18 CHAIRMAN: -- and can share those thoughts with us. Now you
19 alluded at the very beginning that NB Power had assisted
20 in a number of ways. But I also took from it that you
21 felt that they could assist in other ways as well?

22 MS. LONDON: Definitely.

23 CHAIRMAN: And again those have to do with customer credit
24 issues I presume?

25 MS. LONDON: There is a few different issues. We are seeing
26

1

- 5235 -

2 a lot of it right now. And I guess with the increase we are
3 worried that it is just going to snowball after --

4 CHAIRMAN: Yes.

5 MS. LONDON: -- the increase. Because we are seeing a lot
6 of consumers coming in now.

7 The unfortunate part is we are getting a lot of calls from
8 consumers who have just had their power cut off. And
9 there is not a whole lot that we can do once it is cut off
10 to assist. It is generally if we can get them ahead of
11 time we can work well with them. But once the
12 disconnection has been made there is not a whole lot of
13 work that we can do with them. It is just not workable.

14 CHAIRMAN: Yes. The lawyer in me wonders though if Disco
15 would be able to refer a customer to you with all the
16 privacy issues that are out there now. But that is for
17 the lawyers to decide. And perhaps that is a conversation
18 that you can have with them. You also mentioned that the
19 equalized billing is a very useful service. But there are
20 some of your clients who are unable to take advantage of
21 that. In particular can you give me some examples?

22 MS. LONDON: Anybody that is currently past due cannot go
23 onto an equalized billing. And that is a little bit
24 understandable.

25 But what we try and do is work -- we will provide the

26

1

- 5236 -

2 client with a budget with a target date for them to get up to
3 date. And what we would like is maybe a little bit of
4 help, as far as NB Power goes, to work with that budget
5 and maybe give the client the benefit of the doubt and
6 include the past due amount in the equalized billing as
7 well.

8 CHAIRMAN: Good. Thank you. I will check with my fellow
9 Commissioners and see if they have some questions.

10 MR. NELSON: Ms. London, you have been there for 11 years?

11 MS. LONDON: Yes, I have.

12 CHAIRMAN: We are getting feedback and not the positive
13 kind.

14 MR. NELSON: Were you there when the HST was applied to the
15 electricity bills?

16 MS. LONDON: No.

17 MR. NELSON: No. That was previous to that?

18 MS. LONDON: I do believe. I do believe it was, yes --

19 MR. NELSON: I beg your pardon?

20 MS. LONDON: -- previous.

21 MR. NELSON: That was previous to you. Okay. I was just
22 wondering of the effect of the 15 percent on the bills at
23 the time. Okay. That is fine. Thank you.

24 MS. LONDON: Thank you.

25 CHAIRMAN: Well, a number of my confreres have been active

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

in your organization. And I know that you do excellent work.

And we will certainly heed what you have to say. And hopefully you will be back at customer service policy time.

MS. LONDON: Thank you.

CHAIRMAN: Thanks, Ms. London. And Christina Payne is the presenter. And those ugly big black things back by the Secretary have to be turned off. You can turn them all at me if you want to.

No. And just a little background. This Board ruled early in this hearing that we would allow the press in, but this was a particular day where we said that if people did not want to have cameras present when they made their presentation, then we certainly would respect that, because we want you to feel as free to say what you want to and as comfortably as you can. So go ahead, ma'am.

MS. PAYNE: My name is Christina Payne. I live in Ripples, New Brunswick. I am here today to represent all low income families in New Brunswick, who struggle month to month to survive.

I have two children. Both have asthma. My youngest child requires an asthma machine two times a day in order to breathe. No power equals no machine.

I would like to take a moment to give you an idea of

1

2 my monthly income. I bring in approximately \$1,960 per month,
3 including my family allowance. And my expenses is \$2,281.

4 If you do the math, I am short approximately \$321 per
5 month for my bills. This does not include a home phone,
6 because it is not in my budget.

7 In the past three years my power has been shut off two
8 times. Recently, last week to be exact, my power was shut
9 off with no warning. It was not a pleasant experience.
10 This could have been life-threatening for my daughter.

11 I have called NB Power in the past and the majority of
12 these calls were not pleasant and I had to wait on hold
13 for a representative for at least five minutes or longer.

14 I find the employees rude. I have offered payments that
15 I can afford, but it was never enough. I try to avoid
16 calling them at all costs. They have told me that it is
17 not enough. That I at least have to pay the previous
18 month to avoid disconnection. What are you supposed to do
19 when the money just is not there? Go without power I
20 guess.

21 Customer service said I do not qualify for equalized
22 billing, because I do not have good credit. They always
23 say there is nothing they can do for you. But recently I
24 have learned that a phone call to the local MLA will get
25 something done. I still had to pay half of my bill, which

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

was \$400. But at least I didn't have to wait a week without power.

The money was just not there to pay the full amount. But I made an agreement to pay the remainder of the bill when I got my income tax, which was already planned on doing. Their customer service representatives told me pay your bill each month and I will not disconnect you. I only wish that was possible. She was rude saying do you think -- did you think it would just disappear. My husband was home when it was disconnected. He tried to get a chance to call NP Power first, but his response to that was pay your damn bill and I won't have to come here to disconnect you. Great customer service.

Let's face it, winter is hard for everyone with extra expenses, such as oil for the furnace and more power is required for that. Electric heaters are expensive as well. Just imagine for one minute how families on assistance feel. They probably have it probably worse than me. I make over minimum wage and I can't afford it. We have no choice in this and they know it. It's not as if I am ignoring my power bills. Like I said earlier I am short \$321 every month. I have to let some things go. I have to worry every month what am I going to lose this

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

month.

In Manitoba they have a law that prevents disconnections in the winter. Why can't we have the same law? Another thing about customer service, when I recently called NB Power, they said they left messages. The strange thing about that is I have no home phone. The number that they were calling was disconnected six months prior. How could they have possibly left messages? When they did -- why did they -- why didn't they at least send a letter in the mail warning me of this disconnection? They have done that in the past for me.

I asked them about that. And she said this is not a requirement.

In conclusion, how many others go through the same experience? I would imagine the answer is more than you can think of. What about people that bring in less money than I do, how do they manage? Have you ever been in this situation, struggling from pay cheque to pay cheque? It is not pleasant. Why not -- why not be like Manitoba where their law is as I stated, no disconnections in the winter.

We need more rules, regulations and laws to prevent my situation from happening to me again and keep others from this as well. They should not be allowed to disconnect in

1

- 5241 -

2 the winter. And rules to send out warning disconnections
3 should be a must.

4 Customer service should not be commenting rude remarks to
5 us over the phone. Be more understanding.

6 NB Power is asking for a 13 percent increase. Can people
7 in New Brunswick really afford it? I know personally I
8 can't.

9 I guess what I am asking is to think about other low
10 income families. If I am struggling, how are they
11 managing?

12 The point is fairness. Think about families that are
13 struggling every month to get by, especially in the
14 winter, other families in similar situations. Please
15 think and reconsider. This 13 percent increase is
16 something I can't afford and neither can other residents
17 in New Brunswick.

18 My daughter needs power to live. Power is not only for
19 the wealthy but for low income families as well. There
20 may be other children in New Brunswick needing an asthma
21 machine to live as well. It is not fair for her to suffer
22 because she lives in a low income family. Like I said,
23 power is not just for the wealthy. Thank you.

24 MS. LEBLANC-BIRD: Ms. Payne, could I ask a question?

25 MS. PAYNE: Sure.

26

2 MS. LEBLANC-BIRD: When you are discontinued in the
3 wintertime how long does it take for you to be
4 reconnected? Or how long did it take?

5 MS. PAYNE: As soon as I got the money. They waited. I had
6 to at least have something. I had no money. I went two
7 days without power.

8 MS. LEBLANC-BIRD: And is there a connection fee that you
9 have to pay to be reconnected?

10 MS. PAYNE: \$38. 38 extra dollars would do it at but the
11 customer service representative said that if, that's only
12 if, they made it there during the day. If they went after
13 hours it would be more than that, 80-some dollars I do
14 believe is what she said.

15 MS. LEBLANC-BIRD: Okay. Thank you.

16 MS. PAYNE: Thanks.

17 DR. SOLLOWS: You mentioned -- I want to make sure I clearly
18 understand this. You had your power disconnected without
19 getting prior knowledge?

20 MS. PAYNE: I never got -- I never got no notice, no letter
21 or nothing or I would have called to make arrangements.

22 DR. SOLLOWS: And it was because you had had your phone
23 taken out and they must have been making calls to --

24 MS. PAYNE: They were calling the wrong number. I have
25 never had a home phone because I can't afford a home

1

- 5243 -

2 phone. What I had was a cell phone.

3 DR. SOLLOWS: I see.

4 MS. PAYNE: The cell phone that they had broke. So it
5 wasn't working for six months. And just recently I got
6 another cell phone and it's pay as you go.

7 DR. SOLLOWS: Right.

8 MS. PAYNE: If I don't have the extra money I don't have a
9 phone.

10 DR. SOLLOWS: And you get your billing notice by mail
11 though?

12 MS. PAYNE: I get my billing notice by mail, yes.

13 DR. SOLLOWS: But not the disconnection notice.

14 MS. PAYNE: I have never received a disconnection notice
15 this last time which was last week.

16 DR. SOLLOWS: Thank you.

17 MS. PAYNE: Thank you.

18 MR. NELSON: Do you heat the home electrically?

19 MS. PAYNE: Electric, yes, and it's very expensive. My
20 house is not very well insulated. And I also have an oil
21 furnace too, but if I don't have the money I don't have
22 oil. So therefore I have no choice but to use the
23 electric heat.

24 MR. NELSON: Thank you.

25 CHAIRMAN: Well, Ms. Payne, we appreciate that you have

26

1

- 5244 -

2 taken time to come here today and we appreciate what you have
3 had to say to us. Now as I said to Ms. London, the
4 previous presenter --

5 MS. PAYNE: I'm also a member of credit counselling
6 services, yes.

7 CHAIRMAN: Are you?

8 MS. PAYNE: Yes.

9 CHAIRMAN: Okay. Well we are looking at all of these
10 various things and I am familiar with the law you speak of
11 in Manitoba, and we will be looking very closely at those
12 things. But that doesn't help you here today and now.

13 MS. PAYNE: No.

14 CHAIRMAN: And we have reached the end of our morning
15 session and the Public Intervenor, Mr. Hyslop, is back
16 there. And I think you know him, do you not?

17 MS. PAYNE: Yes.

18 CHAIRMAN: Maybe there are representatives from Disco who
19 may be able to smooth the way a bit for you and I
20 recommend that but --

21 MS. PAYNE: Well another statement that I don't understand.
22 I could probably make it if I could qualify for equalized
23 billing. But once you are disconnected you don't qualify
24 for it.

25 CHAIRMAN: I see. All right. But that may be something

26

1

2 that Mr. Hyslop can assist you in pursuing with people from
3 Disco here today.

4 Anyway, we do appreciate -- once again if you are able to
5 when we do the customer service policy review with
6 everything, come and help us some more at that time if you
7 would. We would appreciate it.

8 MS. PAYNE: Actually when I go home today my power might be
9 disconnected again because I was supposed to pay it today.
10 I haven't got my income tax yet.

11 CHAIRMAN: I think some people will probably make sure that
12 isn't the case.

13 MS. PAYNE: Okay.

14 CHAIRMAN: Okay. Thank you for coming.

15 MS. PAYNE: Thank you.

16 CHAIRMAN: We will reconvene at 1:00 o'clock.

17 (Recess)

18 CHAIRMAN: Good afternoon, ladies and gentlemen. Ms. Brewer
19 who got her wires crossed at timing or whatever, we went
20 too fast this morning, is here now. And we are able to
21 start a little bit ahead of schedule.

22 So we will ask Ms. Brewer if she would like to come up to
23 the table and make her presentation. I have already
24 warned her, knowing her mother as I do, that she has only
25 got 15 minutes

26

2 MS. BREWER: I will try to be brief. But I will start with
3 an apology for having arrived on time.

4 Good morning, Mr. Nicholson and other members of the
5 Public Utilities Board. I appreciate this opportunity to
6 speak with you today.

7 I come before you to add the voice of the New Brunswick
8 New Democratic Party to those in opposition to the
9 proposed electricity rate hikes of 12.9 percent for
10 residential users and 11.9 percent for industrial
11 customers. In doing so we join a number of individuals
12 and organizations in the province who find this situation
13 nothing short of scandalous.

14 We are discouraged by the almost daily news reports of
15 boondoggles and secret deals that are behind the rate
16 hikes, while at the same time being told by the utility
17 that it is circumstances in the global marketplace that
18 are solely to blame for its financial woes.

19 It is even harder to hear that after years of facing ever-
20 increasing power bills that somehow the public has not
21 been paying its way.

22 We ask you to think very hard before you allow the
23 requested rate hikes to come into effect. We are aware
24 that certain increases will have to be allowed and are
25 perhaps justifiable given our place in the global market

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

economy.

We are also aware that in light of expensive mistakes on the part of NB Power there are certain financial losses that have to be covered. But to ask us to take a rate hike that will cause hardship in households throughout this province is more than we should be asked to bear. The situation in which we find ourselves seems ironic. Past administrations within NB Power and government worked hard to sell the idea of the cost benefits of heating with electricity.

During the 1970's homes were retrofitted or built with that in mind and by people who in good faith felt they were doing their part to help alleviate the crisis in the oil industry.

I don't think anyone thought they would have to bear the financial burden for bad decisions on the part of NB Power executives over whom the public has little control.

I took a look at my power bill the other day. Here is how it breaks down. I pay 8.37 cents per kilowatt-hour on the first 1300 kilowatts used per month and 6.63 cents per kilowatt-hour on the remaining amount. Electricity gets cheaper the more I use.

There is something wrong with this picture. We have a pricing policy that doesn't encourage energy conservation.

1
2 And I firmly believe it is designed to created dependency on
3 electricity. We essentially become addicted to its use
4 and then face ever-increasing power rates.

5 There are a couple of other things I would like you to
6 consider. We have heard from industry and small business
7 about the devastating effects of the increases on jobs and
8 the economy. We have heard from the social sector about
9 the devastating effects of the increases on disadvantaged
10 people in the province.

11 I want you to hear from the New Brunswick New Democratic
12 Party that we are opposed to the rate hikes and feel that
13 government will have to pick up the pieces if the 12 and
14 13 percent increases are allowed to go into effect.

15 The only people we have heard from in favor of the
16 increases for the most part are from those representing
17 the financial interests of NB Power. We have been asked
18 to forget the \$2 billion Orimulsion debacle.

19 We have heard at least one NB Power executive say that
20 worries about the negative effects of the rate hikes on
21 business and residential customers are not his concern.

22 If I may be allowed I would like to share a recent quote
23 by that executive taken from the CBC website. We have
24 been given a mandate by government to run this

1
2 business on a cost recovery basis. The question of people on
3 the margin, the question of difficulties for industry, are
4 something which the policies and government are meant to
5 deal with. That is not our responsibility.

6 This type of arrogance coming from NB Power is indicative
7 of why we are in this mess. While many factors on the
8 world market are beyond our control, unless the utility
9 takes fiscal responsibility for past mistakes, we will
10 constantly be at the mercy of its incompetence.

11 When the current government restructured the utility,
12 splitting it up into several divisions, it absorbed half
13 of a \$3 billion debt from the Crown Corporation. Then
14 Energy Minister Jean Volpe told us that part of the
15 rationale for the restructuring was to avoid large rate
16 increases like those faced by people in Ontario and
17 California. Yet the utility has come to the Board to ask
18 for the very increases the restructuring was supposed to
19 avoid.

20 What we now have as a result of the restructuring is a
21 series of smaller corporations that have been set up with
22 no other purpose than to make a profit without any
23 obligation to serve the needs of the public.

24 We know that what we are facing today is in part bad
25 management at NB Power. The government failed to catch it

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

at the time. And the consequences of those mistakes are being passed onto the ratepayer and the taxpayer.

We understand the reasoning behind offering breaks to industry in order to facilitate jobs and stimulate the economy. However, the social impact of a steep rise in heating costs on the public must also be taken into consideration. There are a number of built-in benefits for industry that are not available to residential customers.

If the rate hikes have to go into effect we are hoping the Board can minimize them. Further, we would urge that the government be directed to create programs to address the disadvantaged and that it address the ripple effects that rate hikes will have on our economy.

We share the concerns of the Canadian Federation of Independent Business that small businesses will be among those hardest hit. We share its concern that the potential \$16 million financial burden that will be dumped on the province's 4,500 small businesses could result in 15,000 job losses. Is that a risk we are willing to take?

We would ask the Board to think hard about its role, not just as an economic regulator but as a social regulator that takes all of the implications of the impending rate hikes into effect.

1
2 We would further ask the Board to explore creative rate
3 designs that would take into account measures such as
4 maximum rate allowances for low income ratepayers or to
5 think about the development of organizations such as
6 Ontario's Share The Warmth, a charity that helps ensure
7 people are not cut off by utilities because of an
8 inability to pay their gas or hydro bills.

9 The Energy Efficiency and Conservation Agency could play a
10 key role in facilitating the development and
11 implementation of those types of programs. While its
12 mandate is to oversee conservation, not rate relief, it
13 could urge more creative and compassionate solutions to
14 the problems ratepayers and taxpayers are facing today.
15 For many people the rate hikes will not be so much about
16 dollars and cents. It will be a matter of how much
17 comfort they will be able to afford to buy. It isn't a
18 crime to want to be warm in your own home. There comes a
19 point where you can't turn the heat down anymore before it
20 starts to affect your mental and physical well-being.

21 In closing, I am calling on the Provincial Government to
22 change the terms of reference of the Public Utilities
23 Board to give it authority to open the books at NB Power,
24 or failing that to initiate a public inquiry.

25 During the course of these hearings we have been
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

inundated with the latest revelations of misspending and confidential dealmaking. We aren't talking about thousand or million dollar mistakes. We are talking about billion dollar mistakes and an administration that seems unable to acknowledge or take responsibility for them. We need the books open to scrutiny and all secret deals put on the table so the public can see what it is really being asked to pay for.

I don't mind turning down my heat yet again. But in all conscience the Public Utilities Board should be turning up the heat on what appears to be scandalous mismanagement of a very important energy portfolio.

Thank you.

CHAIRMAN: Thank you, Ms. Brewer. Some of my fellow Commissioners may have questions.

DR. SOLLOWS: Yes. Ms. Brewer, you have mentioned declining block rate structure and the fact that you pay more for energy as a small user and effectively get a discount the more you use.

MS. BREWER: Mmmm.

DR. SOLLOWS: One of the traditional justifications for a higher price in the first rate block that we hear is that it goes to recover the cost of servicing the very small customers or people who perhaps don't use any energy at

1

2 their cottage and pay a service charge that is well below the
3 cost of service.

4 MS. BREWER: Mmmm.

5 DR. SOLLOWS: And so one option we may have would be to
6 increase the service charge from 17 to say \$24 and take
7 the extra money and reduce that first block rate down.
8 Would that be something that you would think would be
9 appropriate?

10 MS. BREWER: That is hard to say without seeing the figures
11 on it or how that would impact. If -- again if it was
12 going to increase the rates for people, I wouldn't be in
13 favor of that.

14 But if by setting up some sort of a structure it was
15 actually of benefit --

16 DR. SOLLOWS: If it was revenue-neutral to the --

17 MS. BREWER: And if it was revenue-neutral.

18 DR. SOLLOWS: Then we could possibly do something like that.

19 But it would involve increasing the service charge to
20 decrease that first rate block.

21 MS. BREWER: Again if that were, yes, revenue-neutral --

22 DR. SOLLOWS: Okay. Thank you.

23 MS. BREWER: -- we would be in favor of that.

24 CHAIRMAN: Ms. Brewer, I would love to engage you in a
25 discussion on whether or not we should become a social
26

1
2 regulator. But I'm afraid that would take a lot more time
3 than we have this afternoon.

4 However, I want to assure you that it not all then the
5 vast majority of the things that you have mentioned are on
6 the Board's mind. And we certainly have front and center
7 the question of rate shock to all of the customers of NB
8 Power Disco. So thank you for your presentation today.

9 MS. BREWER: Okay. Thank you for your time.

10 CHAIRMAN: Next on the list is UPM-Keymene whom I understand
11 is represented by Gary DeWitt. Mr. DeWitt? I just
12 misread the order and we will just reverse that. So go
13 ahead. You are there, Mr. Dewitt. I will get to Mr.
14 Collins in just a second. Go ahead, sir.

15 MR. DEWITT: Okay. Mr. Chairman, members of the Board. My
16 name is Gary Dewitt and I am here on behalf of UPM-
17 Miramichi, the largest employer in northeastern New
18 Brunswick.

19 We have an annual payroll of about 75 million and New
20 Brunswick suppliers to about \$100 million worth of
21 business with the mill. We have 800 employees and
22 hundreds of workers in communities across the region whose
23 jobs depend upon our mill.

24 On February 1st UPM-Miramichi began a three month shut
25 down of its paper and groundwood mills with nearly 500

2 employees being laid off. The three month shut-down is a
3 drastic indicator of the mills struggle for survival.

4 UPM-Miramichi has already seen its energy cost increase
5 due to the NB Power rate increases of the past few years
6 and now we are threatened with a 2006 increase that is
7 much greater than the already burdensome increase we were
8 anticipating this year.

9 The impact for UPM-Miramichi would be another 4 million
10 annually. This comes at a time when our mill must achieve
11 millions of dollars in cost reductions if we are to
12 survive beyond 2006.

13 Among those savings we have already told our employees we
14 must reduce labour costs by 12 percent this year. Sadly,
15 a large part of the benefit from the sacrifice by
16 employees would be cancelled out by the 12.1 percent power
17 rate increase being proposed. The cost reduction
18 initiative we are going through right now gives us cause
19 to wonder whether NB Power itself has looked internally.
20 Has NB Power made all possible changes to ensure its own
21 efficiencies? This is what UMP-Miramichi is doing right
22 now in hopes of surviving past 2006.

23 The burden of an extra power rate increase will definitely
24 not help our situation. In reality this could be one more
25 nail in our coffin. Hopefully not the last.

1

- 5256 -

2 Thank you for your attention.

3 CHAIRMAN: Thank you, sir. Just a minute, we may have some
4 questions.

5 MR. NELSON: Mr. Dewitt, in comparison to your other mills,
6 I mean, around the -- you know -- right across Canada --
7 you have got another one where, out west?

8 MR. DEWITT: No. It's down in the States.

9 MR. NELSON: Down in the States?

10 MR. DEWITT: Yes.

11 MR. NELSON: And in comparison how does the power rates
12 compare with say what New Brunswick rates are?

13 MR. DEWITT: Well you are probably aware the rates across
14 Canada our rates are competitive probably with other
15 jurisdictions in Canada. We are competing on a global
16 market and, you know, it's very difficult to compete.

17 MR. NELSON: So I mean, in Finland would you have any
18 comparison to what you are --

19 MR. DEWITT: I don't have them directly.

20 MR. NELSON: You don't have any of those. So it's a global
21 market, you have competition and your hydro -- your energy
22 bill would go up by what, 4 million, you said?

23 MR. DEWITT: Yes.

24 MR. NELSON: Could you tell me right now how much you are
25 paying approximately in electricity?

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

MR. DEWITT: It's around 35', 36' million a year.

MR. NELSON: And that's taking -- does that take away the --
that's subtracting the mill that you shut down, the
groundwood mill you shut down?

MR. DEWITT: Yes.

MR. NELSON: Thanks a lot.

MR. DUMONT: At your mills do you buy any interruptible
power?

MR. DEWITT: Yes, we do.

MR. DUMONT: You do? Thank you.

DR. SOLLOWS: With your mill in -- this is the one in the
Miramichi, would you have the opportunity to invest in
combined heat and power or what is termed cogeneration
facilities and act as a source of supply to NB Power?

MR. DEWITT: Yes, we do.

DR. SOLLOWS: Do you do that now?

MR. DEWITT: Yes, we do. We don't supply to NB Power but we
do cogenerate.

DR. SOLLOWS: I see. So you pretty much cover -- you
obviously don't cover all of your own electricity.

MR. DEWITT: No, we only -- a small portion of our own in-
house supply.

DR. SOLLOWS: Are there any great impediments to you
increasing the contribution that you make in terms of your

2 own generation and perhaps supplying excess to NB Power?

3 MR. DEWITT: Investment is our biggest impediment right at
4 the present time. We have the facility there but it means
5 tens of millions of dollars to convert it to, you know, a
6 bio-mass boiler.

7 DR. SOLLOWS: It's right now oil fired?

8 MR. DEWITT: No. It's shut down at the present time. It
9 was shut down when the craft mill closed.

10 DR. SOLLOWS: Right. Thank you.

11 CHAIRMAN: Mr. Dewitt, as I'm sure you are aware, we have
12 heard from the Forest Products Association of New
13 Brunswick this morning as well as other large industries.
14 And the Board is certainly cognizant of the important role
15 that you do play in our province and we are grappling with
16 the question ourselves.

17 My question really is the government has announced a plan
18 for I believe it's \$250 million of assistance to the
19 industry. Is that proving to be of advantage to your
20 company?

21 MR. DEWITT: Just what advantage it is going to be we are
22 not sure yet, but our company is talking to the government
23 about that and we will have to see where it goes.

24 CHAIRMAN: And you don't know if any of that is earmarked
25 for power mitigation on rate increases or anything?

1

- 5259 -

2 MR. DEWITT: Nothing has been committed to as of yet.

3 CHAIRMAN: Okay. Well thank you for coming, sir, and your
4 presentation. And my apologies to Mr. Collins. I misread
5 my agenda. So would he come forward, please. Just hit
6 the button, the grey button, and leave it on while you
7 speak, sir.

8 MR. COLLINS: Bonjour. Mon nom, c'est Charles Collins.
9 (French).

10 You can ask me questions in English if you want to. Do
11 you people have any questions?

12 CHAIRMAN: I apologize for not being bilingual, sir --

13 MR. COLLINS: That's all right.

14 CHAIRMAN: -- but I'm very interested in your proposal and
15 I'm going to recommend to Ms. Weir that she come and look
16 at your facility. She is the lady who was recently
17 appointed to head the conservation agency.

18 MR. COLLINS: I called the Department of Energy when she was
19 put in place and she never returned my call.

20 CHAIRMAN: Well then I will remind her. I will indeed.

21 MR. COLLINS: That was done.

22 CHAIRMAN: And if we take a --

23 MR. COLLINS: I sincerely think that the rates should be
24 reversed.

25 CHAIRMAN: Yes, I understand.

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

MR. COLLINS: In my head -- it's so clear in my head.

CHAIRMAN: That's the way in fact it is in many jurisdictions. And the cut off that you have of 700 kilowatt hours monthly usage is pretty close to what we have analyzed and NB Power Disco have analyzed that people who just use electricity for other things than heat that's where they would lie.

MR. COLLINS: I said I think it's 6' or 700 kilowatt hours per month. Well this is what I use on an average of five -- and that's just to wash yourself, heat the water, cook and things like that, which is a reasonable amount. And then I looked at my bills for the past five years for the winter and it's an average of about 3,000 kilowatt hours. Unfortunately in January it's 3,500. But on an average it's 3,000. I have that in my presentation.

CHAIRMAN: Well the Board has certainly not gone quite as far as you are suggesting but we have said -- yet, says Commissioner Sollows -- we will have to do this gradually.

MR. COLLINS: Yes.

CHAIRMAN: However, what we have said is that we want to see the rate beyond the first block to reach the level of the first block --

MR. COLLINS: It should be higher.

CHAIRMAN: Well that may be the next step. But anyhow we

1

- 5261 -

2 have --

3 MR. COLLINS: It should be higher for different -- for a lot
4 of reasons.

5 CHAIRMAN: Well some people who do have electric heat don't
6 have the option of moving quickly to something else.

7 MR. COLLINS: But I have electric heat.

8 CHAIRMAN: Pardon me?

9 MR. COLLINS: I have electric heat.

10 CHAIRMAN: Well you are going to have to educate us on those
11 solar panels. Anyway, thank you very much.

12 MR. COLLINS: Solar panels is an adventure.

13 CHAIRMAN: I'm sure it is. It would be for somebody who is
14 ill mechanically prepared as I. Anyway, thank you very
15 much for your presentation, sir. The City of Miramichi?
16 Welcome, your worship. And your City has been an Informal
17 Intervenor throughout the process. I presume that you
18 have read all of the documentation that has been forwarded
19 to you, sir.

20 MR. MCKAY: No. We have -- certainly we want to thank the
21 Board for allowing this opportunity to appear today.

22 My name is John McKay. I'm the Mayor of the City of
23 Miramichi, the largest city in northern New Brunswick and
24 a place where we love to live as Miramichiers.

25 I'm coming as a previous member of the Legislature,

26

2 serving 20 years in the Legislature and several of those years
3 as Chairman of the Committee on Crown Corporations. So
4 I'm very aware of the intimate relationship between the
5 Government of New Brunswick and NB Power, where basically
6 to a large extent certainly for the lay person it's one in
7 the same.

8 I want to speak today about the situation in Miramichi and
9 the very vulnerable and fragile climate that we have in
10 Miramichi and how it can be impacted upon with these
11 latest power rate increases.

12 The Miramichi is a one-industry town. I say one-industry,
13 it is based upon the natural resource type economy. We
14 have a paper mill. We have a long lumber mill, an
15 oriented strand board mill, we have a plywood mill, all
16 very unique, all very dependent upon energy, especially
17 electricity.

18 The City of Miramichi is also a large user. For a small
19 municipality our electric bill is \$1 1/2 million a year.
20 We are not in a situation where we can easily move to
21 another source of energy.

22 One-third of our electric bill is for our utility to run
23 the wells and to run the pumps that serve the sewer
24 system. You can't be in a situation where you shut down
25 water to your citizens for 12 hours a day as they do in

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

some third world countries or you shut down the sewer system which is of course ridiculous.

So we are in a situation where we have to absorb these costs and don't have many options to do it. You look at the paper today -- yesterday, the headlines in The Telegraph Journal about property tax bills up again this year.

But one thing that is very interesting is the increase in the assessments and the valuations of the major municipalities. Province is up 6 percent, Dieppe up 14 percent, Moncton up 9 percent. Fredericton is up 7 percent. Saint John is up 5.7 percent.

Miramichi is the only municipality that I know of that has actually had a decrease in its property valuation. We are down.

Now in spite of that -- and a large part of it is because of the restructuring at UPM-Keymene who are going through their own crisis.

To address that situation and to try to encourage more growth in the community, the Council has taken an unprecedented step of committing itself to no tax rate increase for as long as this Council is in office, at a time when the valuation of the community is actually going down.

1
2 Now we are faced with this new cost. And this will
3 represent approximately \$165,000 extra cost to the people
4 of the City of Miramichi, in addition to their domestic
5 cost and their individual cost. This is a City cost.

6 We don't have the option of increasing taxes. That has
7 been ruled out. We don't have the option of running a
8 deficit, which is only going to add to increased taxes.

9 We don't have the option of running a debt, as the
10 Province of New Brunswick does, because we can't run a
11 debt for operational costs, nor do we want to.

12 So we are faced with eliminating the services that we now
13 provide. We in order to try to attract more development
14 in our community, we have established an Economic
15 Development Department, a small Economic Development
16 Department, the first time in the last couple of years, to
17 try to go out and seek and find.

18 This power rate increase of \$165,000 is equivalent to the
19 entire Economic Development Department, the fledgling
20 Economic Development Department that the City of Miramichi
21 has established.

22 So if we were to go and try to address it from that angle,
23 it would mean wiping out that entire department, as we are
24 trying to now to entice some new growth in the community.

2 I said earlier we don't have the option of other energy
3 sources as other parts of the province can enjoy. And the
4 one in particular is natural gas. The mention about
5 alternate energy sources. And natural gas of course is
6 one.

7 That is not available in northern New Brunswick, through
8 wise decisions that others made. It is available in
9 southern New Brunswick. It is available in the rest of
10 Canada. It is available in the rest of North America.

11 So what I'm saying to you today is when you are looking at
12 this request by NB Power and the Province of New Brunswick
13 -- let's not forget about that. NB Power is a creature of
14 the Province of New Brunswick and is controlled by the
15 Government of New Brunswick.

16 All of its board members are nominated and appointed by
17 the Government of New Brunswick. That is not a bad thing.

18 I think it is important the utility be owned by the
19 taxpayers. But it is not an independent corporation by
20 any stretch of the imagination.

21 Just think of the impact on vulnerable users, as in the
22 case of our industries in northern New Brunswick, one-
23 industry towns. The tax rate freeze -- and I will close
24 with this -- the tax rate freeze that we as a Council
25 adopted in very stressful times, we didn't have any money
26

1

2 to allow us to do that.

3 It was a necessary decision to assure our -- especially
4 our industrial base, that they could depend on the City as
5 far as avoiding extra taxes while they are restructuring.

6 And we went to Finland. And we delivered that message
7 right to the head office of UPM-Keymene.

8 Now this power rate increase by multitudes overshadows,
9 negates, wipes out, eliminates whatever advantage that tax
10 freeze would have for the company.

11 So ladies and gentlemen, I would suggest that, you know,
12 the alternative course for small communities -- and I know
13 other communities in the north are in the same situation -
14 - absorbing the increase is not a possibility without
15 having dire consequences to how the municipality actually
16 is able to function. And if you are able to get us a
17 natural gas pipeline into northern New Brunswick, then we
18 would welcome that recommendation. And with that I would
19 end my comments.

20 CHAIRMAN: Thank you, your worship. Just a moment. Some of
21 my fellow Commissioners may have some questions. No
22 questions. But I do thank you.

23 MR. MCKAY: I guess I was clear in what I said.

24 CHAIRMAN: You certainly were crystal-clear. There is no
25 question about that. And it is something that we are

26

1
2 grappling with as well.

3 Thank you for your presentation and making the trip here.

4 Thank you, sir.

5 MR. MCKAY: And don't forget that natural gas pipeline for
6 northern New Brunswick.

7 CHAIRMAN: I wish I could just like that. And we would put
8 one up the valley as well. I mean, there you have it.

9 Next on the agenda is Lois Dunfield for the Common Front
10 for Social Justice.

11 MS. DUNFIELD: Mr. Chairman, members of the Board, I thank
12 you for allowing me and my friend Sister Cormier this
13 opportunity to make this presentation on behalf of the
14 Common Front for Social Justice.

15 I started this with "NB Power Hikes: Unacceptable Blow to
16 the Poor."

17 I am here to voice the concerns of the Common Front for
18 Social Justice on behalf of the low-income people over the
19 proposed power rates that NB Power wants to impose on us,
20 the residential customers of New Brunswick. We want you
21 to know that we are not in favor of these increases.

22 Here are the facts. In 2001, NB Power rates were stable.

23 It was in 2002 that the power hikes began. Let us assume
24 that a household was then paying \$2,000 per year for
25 electricity. The 2002 rate increase by 3 percent

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

brought the bill up to \$2,060 per year. Then, when the 2.9 percent hike of April 2003 came along, not only for power rates but also for hot water tank rental and service charges, the household unit was now paying \$2,120 per year.

In 2004, there was another increase, bringing the amount of annual cost to \$2,181. In March 2005, there was an additional increase of 3 percent, bringing the household power bill to \$2,247. Then came July 2005, with another 3 percent increase, bringing it to \$2,314. This is a \$314 hike in less than four years. The current request of 13 percent for residents would, if approved, bring the household power bill to \$2,612, which is over \$600 higher than it was less than four years ago.

When the notices will come with the power bills explaining the increases, NB Power will probably inform us that not only have they increased the electricity rates, but that their services and products, such as your hot water tank rental and other service charges will also be increased by 13 percent, not by the 2 or 2.5 percent inflation rate.

Surely, such services are not connected to the increasing fuel costs on world markets.

Like all New Brunswick citizens, including the many

1
2 thousands of social assistance recipients, I have dealt with
3 five power rate increases since 2002. I am not happy with
4 the 13 percent increase now requested by NB Power.
5 Unfortunately, as just mentioned, such an increase would
6 greatly affect our pocket books. The power bill will be
7 too high for those of us who are on social assistance, as
8 well as for blue-collar low-income workers, and seniors on
9 fixed incomes. There is no way that we can afford such a
10 power bill hike.

11 Back in October 2005, when I wrote to Lillian Gilbert, I
12 pointed out to her that increasing the residential rate by
13 more than the indicated rate -- or industrial rate is not
14 fair. Several large industrial companies have reported
15 significant profit margins and they should pay their fair
16 share of electricity cost. We are in agreement that
17 special attention should perhaps be given to the
18 Province's small business enterprises. What remains
19 certain however, is that increased rates by NB Power will
20 hurt many residential customers like us who are living on
21 a limited income.

22 Those of us on social assistance receive \$110 per month as
23 a fuel supplement from the months of November to April,
24 and for this we are very thankful to the New Brunswick
25 government. At the end of April, however, when
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

we received the power bill, it is still quite high. Having too little an income to set money aside, we have to wait until the arrival of our May cheque to pay this bill and there is no \$110 fuel supplement money included in the May social assistance cheque. This means we have to cut out essential things to pay our power bill. Moreover, at \$110 per month, the 6-month fuel supplement is too low to offset the rising cost of furnace oil or electricity.

In November 2005, the Common Front for Social Justice has demanded that the supplement -- that this supplement be raised to \$125 per month and that it be made available to all households on social assistance, including those who own their own homes. We still do believe that this is a valid request.

I would like to point out that when NB Power increases their rates, this creates real hardships for those of us on fixed income who have to pay the rent and the telephone and buy groceries, use public transportation to go to doctor's appointments, et cetera. It boils down to the fact that if we don't have the money to pay for our power bills, our electric power will be disconnected. It won't mater whether this happens in spring, summer, autumn or winter. We cannot use part of our rent money to pay for electricity because if we don't pay our rent, then we

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

can't be -- then we end up getting put out of where we are living.

And if we squeeze the money for electricity out of our food budget, we become malnourished, more subject to infections and other diseases. You may say there are food banks and soup kitchens, go to them for hot meals and food. If you ever said that to many of us, we would feel you have slapped us in the face. There are some of us on social assistance who do have some pride and going to a food bank or to a soup kitchen is not something that we are prepared to do. We, who are living on a small budget, we recommend that the Public Utilities Board refuse to approve NB Power's request for the 13 percent increase that they demand.

If limited electric power increases are approved by the Public Utilities Board, the percentage should not be higher than a percent rates which the New Brunswick government is prepared to give to social welfare recipients on April 1st 2006.

I had a telephone call from Frank Bourque and he tried to explain to me the reasons behind NB Power's increases. During our conversation, he asked me if I had thought about going on equalized billing. I told him no. That would not be possible for me. He told me that the amount

1
2 I would pay, if I were to go on equalized billing, was in the
3 vicinity of \$102 per month.

4 As a single person, living on 570 per month from social
5 assistance as my only income, equalized billing is not an
6 option. Deducting \$102 represents an 18 percent drop in
7 my income, something I cannot stand. I am not alone in
8 this case as many other social welfare recipients are in
9 the same boat as I am.

10 I also had a letter from Lynn Arsenault, Director of
11 Retail and Customer Marketing. She suggested that we use
12 the service of NB Power's Energy Advisor who can make
13 suggestions to reduce our electricity consumption. For
14 many of us, reducing electricity consumption is
15 practically impossible. We are already very careful not
16 to make -- or not to waste heat. By October, we need to
17 have the heat turned on and as November, December,
18 January, February, March and April come along, there are
19 cold spells and more electricity is used to heat our
20 homes. Many of us keep the thermostat much lower than
21 most middle-income people.

22 If we keep the heat too low during the winter months, then
23 we get a cold and sickness sets in. So to reduce
24 electricity consumption, we can't keep the thermostat down
25 all the time. You can't ask fragile seniors to keep warm

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

with less heat.

I would also like to point out that when the New Brunswick Government and NB Power looked at changing to another brand of oil, this was not discussed publicly with the people of this Province. Rather, this was a decision made by the Provincial Government and NB Power. Millions of dollars were lost in the Orimulsion deal with Venezuela. Because both parties goofed on this deal, it is not up to the customers to pay for the bad management on the part of NB Power and the Lord government.

May I also -- like to point out that by giving the President of NB Power an annual salary of way over \$200,000 plus a bonus of \$55,000, as this was done recently, this is not a way to control costs within the power company. Normally, bonuses are only given if substantial profits have been made.

NB Power should be better managed and better controlled so that it does not pay salaries beyond its means, with the money collected from our power bills. Raising the power rates without improving management will simply encourage the continuation of poor managerial practices.

We are keenly aware that as long as NB Power keeps raising their rates, there will be more and more people

2 who will not be able to pay their power bills. It is time
3 that NB Power put themselves in our shoes and learned to
4 live within its means. The repayment of a debt that they
5 have created should be gradual instead of demanding a 13
6 percent hike all at once.

7 In conclusion, the members of the Common Front for Social
8 Justice say that New Brunswickers living on a small income
9 are going to be seriously hurt should the 13 percent
10 increase requested by NB Power be granted. In the name of
11 fairness toward all citizens, the Common Front for Social
12 Justice recommends that the Public Utility Board request
13 the following:

14 1. That increases in service charges, hot water tanks,
15 and other services not be increased by more than the rate
16 of inflation, which is between 2 percent and 2.5 percent,
17 not the 13 percent that is requested by NB Power for all
18 residential customers.

19 2. That the government of New Brunswick remove the GST
20 and the HST from such an essential service as electricity.

21 This recommendation has already been voiced by Members of
22 the Legislative Assembly of Nova Scotia and other advocacy
23 groups.

24 3. That the New Brunswick government give an electricity
25 supplement to all people on social welfare as

1

2 of April 1, 2006. This supplement should be sufficient to
3 offset the increase in power rates which will be granted
4 to NB Power. Consideration should also be given by the
5 New Brunswick government to extend this power supplement
6 to all people who are living below the poverty line.

7 4. The New Brunswick Power lowers the high salaries and
8 benefits paid to its top executives and use the savings to
9 offset electricity costs, thus reducing the energy hike
10 requested.

11 Thank you.

12 CHAIRMAN: Thank you, Ms. Dunfield. And you cleared up a
13 couple of questions that I had raised at the end of your
14 presentation. But I will just -- I will reemphasize it.
15 So if you or Sister Cormier can help me out, so be it.
16 Do you know of members of your organization who are on
17 social assistance are presently getting the oil assistance
18 program that the Provincial Government announced?

19 MS. DUNFIELD: I know I do.

20 SISTER CORMIER: I know a few more. Most of them are. But
21 there are two things that are detrimental to the poor
22 people. One of them is that the fuel supplement presently
23 is not given to all social welfare recipients.
24 They are excluding people who are quite poor, live in poor
25 houses but because they own their house the power

26

1

2 supplement is refused. And I know recently they have been --
3 even been refused emergency fuel. Also -- well that's
4 one. Another thing is low income people are often not
5 very literate and to access the power supplement they have
6 to formally apply and many of them are not aware of this
7 and therefore are not receiving this essential money that
8 they would need.

9 CHAIRMAN: I presume that that's one of the roles that your
10 organization will assist in?

11 SISTER CORMIER: Some of us do that. We reach out and fill
12 out the application forms, but something should be done to
13 correct this.

14 CHAIRMAN: Okay. And so further so that I completely
15 understand, so then someone who is on social assistance
16 but owns their own home does not get the \$200 oil
17 supplement?

18 SISTER CORMIER: That is correct. And we have asked the
19 government since over a year to correct that and nothing
20 has been done.

21 CHAIRMAN: Okay. If you don't own your own home but
22 obviously rent you get a fuel supplement then?

23 MS. DUNFIELD: Yes, I do.

24 CHAIRMAN: And how much does that amount to?

25 MS. DUNFIELD: Right now it's \$110 and it's from November

26

1

- 5277 -

2 till April. So when I get the April's bill at the end of

3 April, come the 1st of May when I get my social assistance

4 cheque, there is no fuel supplement on it to help pay the

5 April bill which takes in some days in March.

6 CHAIRMAN: That \$110 effectively covers the whole year?

7 MS. DUNFIELD: No, it doesn't. Just from November of the

8 previous year till April of this year.

9 CHAIRMAN: Okay. I will rephrase that so I understand. But

10 you just get one fuel supplement cheque a year?

11 MS. DUNFIELD: No. It's over -- it comes November,

12 December, January, February, March, April. It comes six

13 months.

14 SISTER CORMIER: It's added to the welfare cheque, \$110 plus

15 the basic --

16 CHAIRMAN: I see. Every six months?

17 SISTER CORMIER: Once a month.

18 CHAIRMAN: Or every month?

19 SISTER CORMIER: Every month.

20 CHAIRMAN: Okay. You see why I needed that explanation.

21 But how about the summer months? Is there any fuel

22 supplement there at all?

23 SISTER CORMIER: No.

24 MS. DUNFIELD: No.

25 CHAIRMAN: All right. And the folks in your organization

26

1

- 5278 -

2 you are familiar with who heat with oil, are they getting that
3 plus the -- I believe it was \$200 that was announced by
4 the government?

5 SISTER CORMIER: That was -- I should clarify that. I don't
6 know why but when the federal government announced this
7 extra money they left out all of the welfare recipients
8 who are not seniors or who do not have children, which is
9 leaving a whole lot of people in the cold. And this is
10 just so hard to understand.

11 CHAIRMAN: Literally and figuratively, Sister, they are
12 leaving them in the cold.

13 MS. DUNFIELD: And may I add that when the provincial
14 government ordered this rebate they made sure that those
15 of us who rent and receive social assistance and heat with
16 electricity do not get it, do not receive that.

17 CHAIRMAN: Well I believe the government has announced that
18 consideration is being given to giving that supplement for
19 people who heat with electricity. That's my
20 understanding. That's beyond our control as you
21 appreciate. Perhaps some of my fellow commissioners who I
22 am sure understood everything far clearer than I did have
23 some additional questions. Just a moment.

24 MS. LEBLANC-BIRD: I just have one question. Is the \$110
25 supplement per month something that is a fairly new thing

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

or has that been something that has been ongoing for a while?

MS. DUNFIELD: It's been ongoing for a while. It started out with \$70 and it was raised to \$90 back in 2004 and then they upped it again to \$110 for November 2005.

MS. LEBLANC-BIRD: And the increases have been linked to the increase of gas? That has been the thought process.

SISTER CORMIER: Furnace oil mainly.

MS. LEBLANC-BIRD: Furnace oil. Thank you very much.

MS. DUNFIELD: You are welcome.

DR. SOLLOWS: Yes. I know in other jurisdictions where they faced this problem there has been a concerted effort to deal with people at the low income end of the spectrum by ensuring that they have adequate heat and that this often involved going into the homes and installing and improving insulation standards, improving the actual heating systems and carrying out structural improvements rather than going with monthly cheques, but setting it up so that they have a good comfortable environment in which to live and can afford to pay to heat it.

How many of the people that you represent are renters and how many are owners?

SISTER CORMIER: The vast majority are renters and many of them can only afford a small room.

2 DR. SOLLOWS: Right.

3 SISTER CORMIER: So they --

4 DR. SOLLOWS: And so practically it would mean that for --

5 to deal with this there would have to be some action taken

6 to improve the heating systems and improve the insulation

7 in the buildings in which you rent, is that fair?

8 MS. DUNFIELD: I would think so.

9 DR. SOLLOWS: Thank you.

10 MS. DUNFIELD: You are welcome.

11 CHAIRMAN: Thank you, ladies, for your presentation and

12 coming, and I must say that we have had a number of folks

13 who have come and made the effort to come here today and I

14 don't -- I don't like to characterize it in improper

15 fashion but you have put a face on a problem which we are

16 all aware is out there and certainly is on our minds as we

17 hear the evidence and have to come to our difficult

18 decision. Again thank you for coming.

19 MS. DUNFIELD: And thank you.

20 SISTER CORMIER: Thank you very much.

21 CHAIRMAN: And next is Mr. Michaud, the Communications,

22 Energy and Paperworkers? I am sorry, it is Ms. Michaud.

23 No, I guess it is probably Mr. Michaud and -- no. I will

24 just be quiet. Excuse me, madam. You have to push the

25 gray button down there.

1
2 MS. DUNN: Mr. Chairman, Public Intervenor and Members of
3 the Board, Max Michaud was unable to be here today. He is
4 in Newfoundland where a storm closed the airport
5 yesterday, and as a result was unable to return to New
6 Brunswick.

7 I'm Brenda Dunn. I'm a member of the National Executive
8 Board for CEP, representing workers in the Atlantic
9 region. And Max has asked me to read a report on his
10 behalf.

11 Firstly, we want to thank you for the opportunity to
12 present our views here today.

13 We also want to commend you for what appears to be an
14 extra effort, on your part, to hear and consider the views
15 of all constituents relevant to the question of whether NB
16 Power's most recent proposed increases to electricity
17 rates should be granted.

18 However, like many others who have intervened in these
19 proceedings and presented their views on this question, we
20 feel we must also express both concern and criticism that
21 the PUB, or public watchdog is actually considering such a
22 vitally important question and without full public
23 disclosure of the financial information necessary to
24 justify NB Power's latest request for a rate increase.

25 Your deliberations on this matter over the past
26

1
2 several weeks have drawn more attention than any PUB hearing
3 in recent memory, and rightly so. Much is at stake here.

4
5 Many employers, big and small, have expressed grave
6 concerns about the continued viability of their business
7 operations in New Brunswick, should these increases be
8 granted. CEP alone represents some 5,000 forestry and
9 mill workers whose jobs are already at risk because of a
10 high Canadian dollar, decreased market demands and
11 significantly high power costs. Hundreds of other union
12 and non-union forestry related jobs are equally at risk,
13 and this is in the absence of an exorbitant increase in
14 power rates that you are now considering. We are not
15 statisticians but we think it is modestly predictable
16 that, for every job that is lost, where a major industry
17 such as one of our paper mills closes in one of our New
18 Brunswick communities, another four jobs will disappear in
19 that community because of the spin off effect.

20 One does not have to look far to see the devastating
21 effect this has on our province, our communities and our
22 economy. We have already witnessed the result of industry
23 problems catching up to communities like Nackawic,
24 Bathurst and Miramichi with a combined direct loss in
25 excess of one thousand full time jobs.

2 Development, harvesting, processing, manufacturing and
3 milling of our New Brunswick forests translates into
4 thousands of highly skilled, well paid jobs in over 40
5 communities throughout New Brunswick.

6 Forestry, petrochemicals and mining account for over 75
7 percent of New Brunswick's exports and provide good jobs
8 for over 25,000 employees. All of these industries, which
9 represent the mainstay of our New Brunswick economy, are
10 already suffering from the effects of what many industry
11 representatives and analysts are describing as the perfect
12 storm.

13 Most principal among the problems faced by our industries
14 is the high cost of electricity. At 25 percent of the
15 total cost of production, electricity is the single
16 highest cost in a newsprint mill. To impose significantly
17 higher electricity costs to New Brunswick industries at
18 this time would be both catastrophic and irresponsible.
19 Catastrophic because of the devastating consequences it
20 will have on our industries, our jobs, our standard of
21 living, our communities, our economy and our future.

22 Irresponsible because we know, in advance, what the result
23 will be. If you don't know, you haven't been listening.
24 This is one of those rare occasions when industry
25 representatives, workers and their unions are in absolute

1
2 accord on this issue.

3 The PUB should not allow the current proposed rate
4 increases and NB Power must come up with an alternate plan
5 to pay down its debt and become solvent.

6 We are not suggesting here that NB Power should not be
7 granted rate increases in line with the increased costs of
8 running a business. We are not even suggesting that NB
9 Power should not be granted sufficient rate increases to
10 gradually pay down its debt. What we are saying is that
11 it took some considerable time to accumulate the debt. We
12 should expect that it will take longer than any of us
13 would like to pay it off. And it is both unreasonable and
14 unrealistic to expect New Brunswick ratepayers to reach
15 deep into their pockets and give priority to NB Power's
16 debt over their own financial obligations. In less than 5
17 months, last year, NB Power requested and was granted two
18 3 percent increases. The combined effect of these
19 increases and the 12.9 increase now being sought
20 represents a 20 percent increase, in one year, for both
21 industrial and residential customers.

22 Our members would love to see those kinds of increases at
23 the bargaining table. But they are also realistic and
24 they understand that one increase drives another and
25 sooner or later it all catches up.

2 We have focused a large part of our presentation here
3 today on industry and jobs. However, residential
4 ratepayers are in no better position than industry to
5 absorb NB Power's latest proposed increases. Everything
6 is relevant. And whether you are a single parent, a
7 senior on fixed income, or a member of CEP working at a
8 mill, a 20 percent increase to your power bill in less
9 than one year does not get balanced out by an increase in
10 pension benefits, or the paycheque or the lottery.

11 Last year's increased power rates combined with the
12 current proposed increase, play out no differently, in our
13 view, and are no more justifiable or acceptable than the
14 huge increases imposed on New Brunswickers by Insurance
15 Companies in the recent years. Even less so because NB
16 Power is our utility and is regulated and controlled by
17 us, at least for the time being. We expect that
18 restructuring and the trend toward deregulation of NB
19 Power, under the guise of competition, will in fact, mean
20 that residential customers will bear a disproportionate
21 share of increased power rates in the future and
22 ultimately, residential customers will be saddled with the
23 non revenue generating components of our old power
24 company, while private enterprise walks away with the
25 parts that generate both power and revenue.

1
2 If we are right about this, residential customers have the
3 most to lose. We will lose a power utility bought and
4 paid for through our tax purse. We will see residential
5 power rates skyrocket, and we will completely lose our
6 ability to regulate rates.

7 There is ample evidence which suggests that we are already
8 on the edge of this slippery slope. The PUB and our
9 elected officials have a duty, an obligation to the people
10 of New Brunswick to ensure that this does not happen.

11 Immediate and urgent measures must be taken, both on the
12 short and long term, if we are able to preserve our
13 utility and our ability to exercise influence over how
14 that utility impacts on our standard of living, our
15 environment, and our future.

16 We believe on the short term, the PUB should grant a
17 modest increase to NB Power rates, in the range of 3
18 percent. We further believe that should the PUB grant an
19 increase in excess of 3 percent, the New Brunswick
20 government should immediately exercise its right to reduce
21 the increase back to 3 percent.

22 Finally, on the short term side of the equation, we think
23 that the PUB should immediately call for special public
24 hearings to identify and verify NB Power's real debt, to
25 accept submissions and suggestions relating to

1
2 how that debt should be repaid, and to establish a practical,
3 long term formula to eliminate the debt and make NB Power
4 self-sustaining.

5 Beyond the short term, CEP believes that government,
6 industry, unions and other stakeholders need to develop a
7 long term solution to ensure New Brunswick electricity
8 rates are competitive. To do this, we think that a number
9 of measures must be taken.

10 Firstly and foremost, our province needs to develop a New
11 Brunswick first energy plan. By this, we mean that New
12 Brunswick energy needs must take priority over power
13 exports and deregulation. We also must ensure that the
14 future energy needs of residents and industry in our
15 province are supplied by power generated in New Brunswick,
16 for the people and industries of New Brunswick and under
17 the public scrutiny and control of the people of New
18 Brunswick. To ensure that our future needs are met in
19 this manner, we need to immediately put our minds to
20 increased generation by whatever means whether that be
21 hydro, wind, coal, nuclear.

22 If we are to remain self sustaining, we need to increase
23 generation, and none of the means of achieving this are
24 without problems. However, we must not allow ourselves to
25 get frozen in the headlights.

Careful decisions need to be made about how and where we developed increased generating capacity and then we need to make the best of our decisions and move on.

We should clarify here that our concept of a New Brunswick first energy plan does not rule out exportation and selling of excess power to customers outside of New Brunswick.

On the contrary, if selling excess electricity can assist New Brunswick Power in paying down its debt and/or reducing power rates for New Brunswick customers, we think it makes abundantly good sense, provided the principles of our New Brunswick first energy plan are met first.

CEP also believes that our province needs to develop a plan which will ensure that NB Power rates become and remain competitive with other jurisdictions in our region.

Unless we are able to do this, it is only a matter of time when, in our view, the whole concept and principles surrounding a New Brunswick first energy plan would crumble.

Finally, we would like to add another component to our New Brunswick first concept. We think that the New Brunswick government needs to exponentially expand its efforts to attract new business to our province and incent existing business to stay and expand. To be successful in

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

1
2 achieving these objectives, a host of ideas need to be
3 explored. We would like to take this opportunity to offer
4 just one idea.

5 We think business that locate in New Brunswick and create
6 long term, well paid jobs, thereby contributing to the
7 economic well being of our province, should be recognized
8 for their distribution. One possible way of showing our
9 recognition and appreciation is to develop a system
10 whereby established long term businesses are regularly
11 rebated a small percentage of their overall power costs
12 covering a predetermined period, say 5 to 10 years. This
13 could serve a number of purposes. It would incent
14 business to establish in New Brunswick, it would encourage
15 established businesses to remain here, it would enhance
16 job creation in our province and it would help to address
17 industry concerns about escalating power costs.

18 A 3 percent increase to power rates for a 1,000 ton per
19 day newsprint mill translates roughly into a \$1.2 million
20 increase. By extension, five such increases over a 5 year
21 period translate into something like a \$6 million cost
22 increase. Our idea would reward large employers who
23 maintain operations in New Brunswick, consume significant
24 amounts of power and demonstrate a commitment to creating
25 and preserving jobs here over an extended period of time.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

We have not attempted to devise a formula to determine the level of rebate to such employers but we are simply attempting to plant an idea here, we hope that may be explored.

However, the rebate would obviously need to be sufficient enough to represent an incentive to employers. We need such an idea would fit well within a New Brunswick first energy plan.

Thank you for allowing us to make this presentation to you today and we sincerely hope that our views and ideas will help guide you in making the right decision on this matter of such critical importance to all New Brunswickers.

CHAIRMAN: Thank you, Ms. Dunn. The very beginning of your presentation you say that your deliberations in this matter over the past several weeks have drawn more attention than any Public Utilities Board hearing in recent memory.

That is probably because we haven't had a rate one in 13 years. However I saw Commissioner Sollows to my left scribbling like fury as you went through your brief. And I think we scribbled a couple of the same places. So I'm going to take the privilege of the Chairman and mention it first. And that is on page 5. "We expect that

1
2 restructuring and the trend toward deregulation of NB Power,
3 under the guise of 'competition', will in fact, mean that
4 residential customers will bear a disproportionate share
5 of increased power rates in the future and ultimately,
6 residential customers will be saddled with the non
7 revenue" et cetera. And you go on from there.

8 One of the things that this Board has been doing with the
9 cooperation of Disco and all of the Intervenors over the
10 last 51 days is in fact to attempt to ascertain, with the
11 information that we have in front of us, that those group
12 of customers that drive certain costs will be the ones who
13 pay that.

14 And as a result Disco has come back with a revised cost
15 allocation study. And the rates that are there hopefully
16 reflect at least a pretty good estimate of where the costs
17 were coming from. And most of the groups were realigned
18 after that cost allocation study. And that is because --
19 that is part of our responsibility that we attempt to do.

20
21 Now one of our difficulties -- and we are the creature of
22 the Legislature. And it is the power that the Legislature
23 gives us that we must be guided by.

24 And I mentioned this morning for the purposes of this

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

first hearing approximately 80 percent of the costs that are reflected in Disco Corporation's rates are passed on to them through power purchase agreements which we must take as having been prudently incurred. So we can't question those in this particular one.

Our interpretation will be argued out at a little later date as to whether or not that is applicable in the future or if that section dies with this hearing.

The second thing I wanted to comment on -- and I have really just done it -- we think the PUB -- this is on page 6 -- "Finally, on the short term side of the equation, we think that the PUB should immediately call for special public hearings to identify and verify NB Power's real debt, to accept submissions and suggestions relating to how that debt should be repaid, and to establish a practical, long term formula to eliminate the debt and make NB Power self sustaining."

Hopefully, if we have the legal jurisdiction to do so in subsequent hearings, we will probably get closer to looking at doing that.

Having said those things I will find out if my fellow Commissioners have any questions.

MR. DUMONT: On your page, the bottom of page 7 starts "We also must ensure that the future energy needs of residents

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

and industry in our province are supplied by power generated in New Brunswick."

Would you support more -- would you support publicly-owned generators more than privately-owned generators in New Brunswick?

MS. DUNN: I don't think that I'm qualified to answer that.

Unfortunately the person that prepared this brief isn't available. I would like to answer anything I can. But that's a little difficult for me.

MR. DUMONT: Knowing Mr. Michaud, I'm sure he would have had an answer for me. Thank you.

CHAIRMAN: Well, I apologize again for not realizing that you had substituted for him today. Thank you for your participation and for I believe your membership's attendance here today.

MS. DUNN: And again thank you very much.

CHAIRMAN: Thank you. We will take a 15-minute break.

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

CHAIRMAN: Okay. Go ahead, sir.

MR. EL-JABI: Bon après-midi, medames les commissaires, messieurs les commissaires. Je tiens avoir, messieurs, l'occasion que vous nous donné d'exprimer notre point de vue sur l'impact de la hausse des tarifs d'électricité proposée par Energie Nouveau Brunswick sur l'opération de

1
2 l'Université de Moncton.

3 Mon nom est Nassir El-Jabi. Je suis le vice-recteur à
4 l'administration et aux ressources humaines de
5 l'Université de Moncton. Puis, j'aimais vous présenter
6 notre point de vue sur ce sujet-là.

7 Tout d'abord le présent mémoire que j'aimerais vous
8 présenter a pour but de mettre en évidence l'impact sur
9 l'Université de Moncton de la hausse des tarifs
10 d'électricité proposée par Energie NB. La hausse des
11 tarifs d'électricité proposée pour l'année 2006-2007 est
12 de 7.6 %. Ca c'est dans le cas de l'usage général
13 ordinaire, et ceci pour nos trois constituantes de
14 l'Université qui se trouvent à Edmundston, Shippagan, et
15 bien sûr au Campus de Moncton.

16 J'aimerais tout d'abord vous présenter l'université pour
17 ceux et celles qui ne sont pas au courants des détails de
18 cette institution-là. Cette institution était fondée en
19 1963 et étant -- c'est la seule institution francophone
20 d'envergure à l'extérieur du Québec. Bien sûr, il y a
21 l'Université St. Anne, mais l'Université de Moncton a une
22 mission quand même très large; et c'est la seule
23 institution de ce type-là en dehors de Québec.

24 C'est une institution constituant qui a pour but de
25 fournir à la population, bien sûr, acadienne et

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

francophone des programmes de formation generale, très large, et de haute qualité. Elle contribue, par ses activités de recherche, à l'avancement des connaissances dans divers domaines du savoir, et elle participe au développement et à l'épanouissement de la société, ainsi que dans la milieu économique de grand Moncton, Edmundston et Shippagan, et dans la province en général.

Donc, parallèlement à son impact économique sur la scène provinciale est d'autant plus considérable que la grande majorité de ses diplômés et diplômées de le'université intègrent le marché du travail en Nouveau-Brunswick.

En comparaison avec d'autres institutions, et je ne fais pas la procès des autres institutions, nos diplômés travaillent au Nouveau-Brunswick, la majorité. La totalité pratiquement de nos étudiants viennent de cette province-là et puis ils pratiquent dans cette province-là.

Pour poursuivre sa mission, l'Université compte deux principales sources de revenus, et là je vous explique d'où viennent nos revenus. Elles viennent de deux places bien definies, les subventions gouvernementales et les droits de scolarité. Donc, une hausse de 7,6 % tel que indiquée dans la documentation pour cette année, le tarif de l'électricité, représenterait une augmentation

1
2 d'au-delà de 152 000 \$ dans le budget de l'université pour
3 l'année prochaine. Et ceci s'ajoute aux coûts que
4 actuellement pour l'année 2005 - 2006 les coûts de
5 l'énergie -- de l'électricité -- à l'Université de Moncton
6 un peu plus de deux millions de dollars. Donc, ceci fasse
7 ajouter cette augmentation de deux millions de dollars.
8 Pour absorber que l'université va recevoir dans le coût de
9 son opération, il y a deux possibilités. Où bien, une
10 augmentation de subvention gouvernementale, où bien un
11 transfert de cette charge à la population étudiante.
12 Et pour vous faire un exercice très rapide de notre
13 budget, un tiers vient de droits de scolarité, deux tiers
14 viennent de subventions provinciales. Donc, c'est d'un
15 côté ou de l'autre il faut transférer cette augmentation à
16 une ou l'autre. On n'a pas le contrôle de la subvention
17 gouvernementale parce que elle est donnée et fixée par le
18 gouvernement provinciale. C'est donc la seule place où on
19 a des manoeuvres. Dans ce cas-là ça vient de droits de
20 scolarité. A ces charges additionnelles, les droits de
21 scolarité, la population estudiantine est doublement
22 affectée puisque Energie NB propose une augmentation de
23 13 % de ses tarifs dans les loyers résidentiels. Donc,
24 ces étudiants-là vont subir un effet de 7.6 % and vont
25 subir 13 % additionnel parce que ils vont résider quelque
26

1
2 part autour du campus dans différent résidence,
3 appartements et cetera. Donc, toute augmentation du coût
4 d'opération de l'université, quelque soit un impacte sur
5 des droits de scolarité, et ainsi sur la capacité des
6 personnes souhaitants de prévaloir d'une formation
7 postsecondaire, ayant une conséquence à la fin sur
8 l'accessibilité à la formation, ces augmentations auraient
9 une incidence sur la capacité de recrutement de
10 l'Université, ce qui amplifierait davantage la
11 problématique liée à la hausse des droits de scolarité.
12 A la fin, les dépenses devraient être égales ou revenus.
13 S'il y a moins de revenus, les dépenses augment; donc, le
14 probleme devient doublement bien affecter l'institution.
15 Je vais vous rappeler que the gouvernement provincial
16 lançait en avril 2005 le document qui s'appelle "Accès à
17 une éducation et à une formation postsecondaires de
18 quality." Parmi ses objectifs de premier niveau, on
19 cherche à rendre le coût de la formation postsecondaire
20 plus abordable. Récemment, le premier ministre, monsieur
21 Bernard Lord, a énoncé cinq nouveaux objectifs provinciaux
22 pour les cinq prochaines années dans le discourse sur
23 l'état de la province de 2006. Le premier de ces
24 objectifs se lit ainsi -- et là je dis les mots de le
25

1
2 premier ministre -- "Le Nouveau-Brunswick, province du savoir:
3 d'ici cinq ans, je veux que le Nouveau-
4 Brunswick ait la plus forte augmentation de travailleurs et de
5 travailleuses ayant une formation postsecondaire au
6 Canada."

7 Donc, toute diminution de la population étudiants aurait
8 un effet négatif à la réalisation des objectifs du
9 gouvernement provincial susmentionnés par rapport à
10 l'éducation postsecondaire. De même, elle aurait un
11 impact sur la capacité de l'Université à poursuivre son
12 oeuvre et de continuer à jouer son rôle d'importance dans
13 la société néobrunswickoise.

14 Donc, de la part de l'Université, la recommandation qu'on
15 peut faire devant la commission, c'est qu'on donne la
16 directive à Energie Nouveau-Brunswick d'accorder un statut
17 spécial à l'Université de Moncton, en raison de sa
18 spécificité, afin que celle-ci soit exemptée de la hausse
19 des tarifs d'électricité proposée par Energie Nouveau-
20 Brunswick.

21 CHAIRMAN: Thank you, sir. I just want to be clear. You
22 mentioned \$152,000 increase in the upcoming year's budget?

23 MR. EL-JABI: Yes.

24 CHAIRMAN: But I got mixed up because it would be \$2 million
25 in total. Are your buildings electrically heated?

1

- 5299 -

2 MR. EL-JABI: We have a mix of electrical and we use other
3 kinds of heating. It's a mix -- mixed up. We have like
4 different -- different buildings and different campuses.

5 CHAIRMAN: Yes.

6 MR. EL-JABI: It's not the same system everywhere. Even on
7 one campus we can have a combination between electricity
8 and oil. It's all combined together.

9 CHAIRMAN: So you are General Service I then, that would be
10 how you pay? You are in customer class, General Service
11 I? You are not familiar with that detail?

12 MR. EL-JABI: No, not really. What exactly --

13 CHAIRMAN: Okay. I will turn it over to my other
14 Commissioners.

15 MR. EL-JABI: Sure.

16 CHAIRMAN: I am getting hoarse here. It's been a long day.

17 MS. FERGUSON-SONIER: (French)

18 MR. EL-JABI: (French)

19 MS. FERGUSON-SONIER: (French)

20 MR. EL-JABI: (French)

21 MS. FERGUSON-SONIER: Merci, Monsieur El-Jabi.

22 MR. EL-JABI: Merci.

23 DR. SOLLOWS: Yes, sir. Just following up on the -- you
24 appear to be in -- as many commercial customers are -- in
25 a rate class that on the whole pays more than its fair

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

share of the costs for the energy they use. And I know you have suggested that we would -- we should recommend developing a special rate for your institution, but if we were to move to reduce the rate of increase for all of the customers in your class to bring the rate in line with the actual cost of service, would that be an acceptable alternative?

MR. EL-JABI: (French)

DR. SOLLOWS: Thank you.

CHAIRMAN: I have recovered my voice. I will get back into the fray and tell you where I was coming from. You have not had the great privilege or misfortune of having sat through 51 days of this hearing, which some of us have, and you can characterize it any way you want to. Anyhow, we are dealing with a number of different customer classes. And in this province there is residential, there is large industrial, small industrial. There is also General Service I and General Service II. II being the all electric rate, and General Service I being those that don't have all of their energy source as electricity.

MR. EL-JABI: That's our case.

CHAIRMAN: And that would be your case I believe, because most institutions are in that category and public schools and public hospitals, et cetera.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Our point was and where I was trying to get to was that from the cost of service study that was done and the first part of this hearing, it turns out that your class of customer, as well as the all electric in your class of customer is paying more than the cost of producing the power and serving you with that power. So one of the things that a regulator like this Board will do over time, and again, we have to look at the rate shock aspect to everybody is move the rates of your class so that it gets down closer to where you are paying your costs and that's it. In other words, unity.

So that's what one of the responsibilities this Board has.

But again, I have to say, it's over time. But anyhow I do appreciate having a daughter in university all of the very poignant message that you are delivering.

Well, thank you very much, sir, for coming and making your presentation. And again my personal greetings to my former vice-chair.

MR. EL-JABI: (French)

CHAIRMAN: Merci. And the next on the agenda is the New Brunswick Student Alliance whom I'm sure will follow right up on the Vice-president's presentation to us. Ms. Creighton?

MS. CREIGHTON: I do have some new points though. So you

1

- 5302 -

2 will be pleased to hear that.

3 CHAIRMAN: Everybody seems to have had today.

4 MS. CREIGHTON: Good.

5 CHAIRMAN: Yes.

6 MS. CREIGHTON: Mr. Chair and Commissioners, thank you for

7 the opportunity to present today. I know you have had a

8 long day. And you are having a long hearing. So I

9 appreciate the time that you have given to us.

10 My name is Ellen Creighton. I'm a student at the

11 University of New Brunswick. I'm also on the UNB Student

12 Union. However today I'm here to speak to you on behalf

13 of the New Brunswick Student Alliance which represents

14 over 16,000 students in the province of New Brunswick.

15 The students come from UNB Fredericton, the Universite de

16 Moncton at Moncton, Shippagan and Edmundston campuses, St.

17 Thomas University and Mount Allison University as well. I

18 have been asked to speak on behalf of students at UNB

19 Saint John. So I'm here on behalf of everyone.

20 It is my intention to try and give you a sense of what the

21 proposed rate increases will have as an impact on the

22 lives of students in New Brunswick. Some of the effects

23 that I talk about may be applied to college students as

24 well. However they cannot be directly transposed on that

25 group. And I won't presume to speak for them. But you

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

can just keep that in mind.

I think when we sat down to look at this we found there were three ways that students in the province will be affected by proposed rate increases.

The first is that as a group students are more vulnerable than members of the general public to major increases to the cost of living. And the main reason that this is is that Student Financial Aid does not take into account increases in the cost of living in its allocations to students.

I guess -- and I'm going to go through the submission that I gave to you. But this is of particular concern.

Because it is those students who are poorest who will not be able to find the funds to pay for these rate increases.

Those people who are at the maximum of the Student Loan limits. And so I will go through. But this is particularly important for us.

I come to you today with the issue of the affordability of these rate hikes, which is again as I said before, significantly different for students compared to the general public. Times have changed. No longer is a university education affordable for most people. Students from lower and middle income families face significant financial barriers that have not been seen in

1
2 our society since university became more accessible during the
3 last century. About 55 percent of students in New
4 Brunswick rely on student loans to support their
5 university costs. Due to restrictions on these programs,
6 other students are forced to rely on private loans from
7 banks. Most students work to meet their financial need,
8 not just in the summer, but during the school year as
9 well. Over half of those who receive student aid are
10 classified as "independent" and do not receive any form of
11 help from their families. The financial pressures
12 students face correlate directly to an increase in a
13 number of mental health issues among this demographic,
14 including depression.

15 These days, an undergraduate degree costs between 14,000
16 and \$16,000 per year including cost of living. Given the
17 high costs, over half of New Brunswick students rely
18 heavily on financial assistance provided by the harmonized
19 Canada Student Loan program. The federal government sets
20 living allowances on an annual basis for each jurisdiction
21 delivering the Canada Student Loan program and sends this
22 information to jurisdictions based on the consumer price
23 index. These are included in the needs assessment.

24 And now I need to explain that although this will be

1
2 included in the needs assessment, it does not correlate to
3 increased monies being available for people to borrow for
4 their education. There are limits on the amounts that
5 people can borrow. And they do not increase very often.
6 Last year we had our first increase in nine years. So for
7 those students who are borrowing at the maximum level,
8 they have no more access to money for at least another
9 five to six years.

10 As I said, the weekly loan limits do not cover the full
11 amount of assessed need. And I want to emphasize that
12 there is no loan increase planned for this upcoming year
13 that would be able to help those students who would be
14 affected by a rate hike of this magnitude.

15 Some people say that students can work more in order to
16 pay for increased costs. However, I submit that students
17 have very little remaining capacity to work. Virtually
18 all students work full-time during the summer in order to
19 save for university. Unfortunately, with tuition and the
20 cost of living as they are, those student savings cover
21 only a portion of tuition alone, not to mention books, not
22 to mention food, not to mention rent.

23 We have gone from a situation in 1976 where 26 percent of
24 students worked, to a situation where, in 2005, 46 percent
25 of students work. And this is during the school

1
2 year. These are national figures. In New Brunswick, 61
3 percent of students work part to full-time jobs in
4 addition to their studies in order to finance their
5 studies, and those people are still going into debt.
6 There is very little capacity for students to obtain money
7 from working in order to pay for the increased costs that
8 these proposed rate hikes would impose on those people. So
9 that is point 1 -- way 1 in which they are affected.
10 The second way in which they are affected -- and this is a
11 bit different than -- the Administrator from U de M did
12 mention that students will be affected in two ways, one
13 for paying for university, which I will get to in a
14 moment. But the second is for the amount that they will
15 pay as renters.
16 And I want to emphasize the fact that only 12 percent of
17 New Brunswick students live with their parents. 88
18 percent of students in New Brunswick live in rental units
19 or on university campuses in residences.
20 And on a personal note I can tell you that the places
21 where students have available to rent are not the best
22 well-insulated places in the world. And the places where
23 they have to rent near campuses, sometimes in small
24 communities there is not a whole lot of choice. And often
25 people have to choose the cheapest and the closest school
26

1
2 because they can't afford transportation, cars, et cetera.

3 And personally I have lived in three different residence
4 situations since I started university. And all three of
5 them have been awful in terms of insulation and in terms
6 of my ability and my roommates' ability to keep control of
7 the heat that goes flying through the walls and through
8 the windows as we sit there.

9 I have been following the hearing. I'm a news junkie.
10 And I heard David Coon of the Conservation Council speak.

11 And he had a very progressive idea, one followed in other
12 jurisdictions. He said to allow the rate hikes, because
13 these will encourage people to consume less, but have a
14 rebate for consumers who reduce their power consumption.
15 And we have seen initiatives at both the provincial and
16 federal levels that are supposed to help people cut their
17 energy uses and cut their consumption, One-Ton Challenge,
18 Efficiency NB, the loans and grants programs that these
19 governments have set up.

20 And I have looked into them. And they recommend actions
21 that cut down on consumption quite drastically, through
22 insulation of pipes, retrofits of homes, of furnaces,
23 reinsulations of walls, replacing window casing, et
24 cetera.

25 And if you prove -- in one of the programs, if you

1
2 prove you reduced your consumption enough, they give you the
3 money for free. And Premier Lord even said today that the
4 government will be offering incentives for people, further
5 incentives for people to reduce their power consumption.
6 And New Brunswick students agree that it is in everyone's
7 best interest to reduce consumption in the long term.
8 And what I want to bring to your attention now, and it is
9 really important, and I don't know why it hasn't been
10 picked up more, is that these programs only benefit those
11 people who own homes. Those people who rent cannot take
12 advantage of any of these monies. They don't even have
13 the legal ability to improve their insulation in their
14 homes or retrofit their furnace or whatever.
15 And so when proposed rate hikes go in and governments try
16 and apply this balm, this salve, saying well, don't worry,
17 we are going to help you reduce your consumption so you
18 don't use as much, so you won't have to pay as much, they
19 are only talking to one segment of the population. And
20 that segment of the population does not include renters.
21 And students, as I mentioned before, are overwhelmingly
22 renters.
23 And that is why I'm asking you to please take this into
24 consideration. If you see the government programs as
25

1
2 having a mitigating effect on the impact of these rate hikes
3 then please recognize that these government programs don't
4 apply to a huge segment of the population as really
5 important.

6 So that was my second point.

7 The third point is that students have become major funders
8 of the institutions where they study over the last 15
9 years. The gentleman from Universite de Moncton mentioned
10 a rate of 30 percent at U de M. I'm going to give you a
11 rate of 40 percent because I think that reflects
12 throughout the province the average.

13 On average students pay \$4,800 a year in tuition in New
14 Brunswick to attend university. This figure is projected
15 to rise again, as per usual, at universities in New
16 Brunswick this year. This makes an average hike of 15
17 percent over the past three years. Tuition has increased
18 over 100 percent in the last 15 years. Minimum wage
19 hasn't. And that is what we get when we work.

20 The main reason for this increase was a massive slash to
21 transfer payments that the federal government made in 1994
22 and 1995. Because this funding has never been fully
23 restored, universities find that they do not have enough
24 money to operate from government. Boards of Governors,
25 Boards of Regents, and Boards of Directors across this

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

province all adhere to a "balanced budget doctrine" which is healthy I suppose in one way. But what is the only other source for the balance of the money needed in order to have a balanced budget when government funding falls short of university needs? Students.

Now this isn't your problem. I recognize this. But I want to point out how it is that the structure of the university funding has changed and therefore how the rate hikes will follow students from home to school and essentially hit them twice, as the person from Universite de Moncton stated.

On average, students now pay 40 percent of the costs of running universities. This figure is up from 20 percent of the cost in the 1980's and 5 percent of the cost in 1960's.

Students are the only source of revenue that institutions can control, and so rest assured that they will pass this cost onto us. Utility costs figure about 10 percent of the costs of running universities. And the electricity portion needs to be separated out. And it is different between every institution. And the best number I could arrive at is about 5,000,000 in electricity cost.

Therefore on this estimation New Brunswick students will have to come up with an additional \$650,000 to pay for

1
2 these increases at their institutions.

3 Universities themselves estimate that the increased cost
4 if these rate hikes are allowed to go through to the
5 student in terms of their funding will range between \$25
6 and \$50 per student per year. That doesn't sound like a
7 lot of money. That is groceries. That is half of a book.

8 The universities note that anticipated fuel cost
9 increases and electricity cost increases together are one
10 of the biggest pressures that they face in their budgets.

11 And they will pass this on to students no doubt.

12 This is different from the general public I submit.

13 Because the general public doesn't pay into the operating
14 cost of their own schools or their workplaces. And we do,
15 quite substantially.

16 We find our school and our workplace if we work at school.

17 And we will be on the hook personally for any hikes you
18 allow. Big increases in government funding are not on the
19 horizon despite ink being spilled in numerous election
20 promises.

21 So now, after outlining the particular ways in which
22 students will be affected, I want to address a few more
23 points. The effect of rate shock, whether taxpayers
24 should subsidize NB Power rates and some recommendations
25 that we have for you.

1
2 The effect of rate shock on students I submit will be
3 quite substantial, especially for those who are from the
4 lower and middle income brackets. Because those are the
5 people who aren't receiving much money from their
6 families. And those are the people who are maxing out
7 their student loan allocations.

8 At this point, most of the money that most students spend
9 is borrowed money. They live on fixed incomes and
10 increases in costs come at the expense of other
11 necessities of life, including but not limited to, food,
12 books, rent, transportation and clothing.

13 I can say unequivocally that, given the precarious
14 financial situation of most students, they will suffer
15 from rate shock. They suffer from rate shock anyway from
16 year to year as tuition goes up. This will be on top of
17 that.

18 The question that I keep hearing you ask people is whether
19 taxpayers should subsidize NB Power rates. And on this
20 question we would like to defer to the Public Intervenor
21 and what he thinks. Because we think he is doing a good
22 job. And we have faith in him. And we have seen that he
23 is quite well-informed on all fronts.

24 And lastly in terms of recommendations, I want to be clear
25 that I and we don't presume to be experts in energy

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

or in reducing consumption of energy or in any other energy-related matter.

I know that many of my fellow students would have much more to say on this matter than I can, and from a more informed perspective I bet too. But my goal here today was to provide you with the particular effect proposed rate hikes would have on a very specific vulnerable group.

I don't feel that I have the mandate to argue in a wholesale manner against any rate increases. And by that I mean against rate increases at all. For we have many students who, like the Conservation Council, believe that higher rates will spur less consumption and therefore is a desirable public policy goal.

However I need to argue for a more humane approach to evaluating the effect of rate increases that takes into consideration the ability of certain vulnerable groups to pay. Students are one of these particular vulnerable groups. I ask that you please add students to the list of vulnerable groups on fixed incomes, which includes seniors and those on income assistance for example. I also ask that the Board question the assumptions that people make. For example, there is the assumption that rate hikes give people an incentive to consume less. There is also an assumption that the government's loan and grant

1
2 programs will help people consume less. Both of these
3 assumptions fail with regard to students who are primarily
4 renters. They do not have the ability to make meaningful
5 changes to the structures of homes in order to consume
6 less power.

7 Perhaps the Board can carve out an exception for post-
8 secondary educational institutions. Given that students
9 will already face the increase at home, whatever that
10 increase is, and I hope it is not as much as has been
11 requested, is it fair for them to pay again at their place
12 of learning? While the amount the cost will increase for
13 publicly-funded schools and other institutions, the
14 increase in cost will be spread over the public at large.

15 These increases, as I noted above, will have a very
16 concentrated impact though at universities on a very
17 discreet number of people.

18 Also, perhaps the Board could issue a recommendation that
19 efforts to help homeowners be extended to everyone,
20 including renters.

21 Further, I would ask that the Board avoid implementing the
22 heavy rate increase at one time so that the student loans
23 program has time to catch up in terms of recognizing the
24 need and making some room for them in limits that they
25 set.

1
2 I ask the PUB to look at every single percent NB Power is
3 looking for, recognizing that it comes from the pockets of
4 all New Brunswickers, and require that every last cent of
5 that requested rate increase be justified.

6 Thank you for your time. I certainly don't envy the job
7 that you have ahead of you. But New Brunswick students
8 very much appreciate the chance to present their case to
9 you today.

10 CHAIRMAN: Thank you, Ms. Creighton. I will see if any of
11 my fellow Commissioners have questions

12 MR. BELL: Ms. Creighton, I find your proposal here quite
13 informative. And thank you for that. I'm particularly
14 interested in -- you are looking for the educational
15 institutions to get some consideration in the rate
16 increase.

17 And how would you propose that we also look to the student
18 population as a rate class in order to provide student
19 renters for example with some form of relief to the power
20 rates? How would you suggest that that be done?

21 MS. CREIGHTON: Quite honestly I would have to speak with
22 you and speak with the Board about the possibilities for
23 doing that. It wasn't my intention to come here today and
24 ask for special treatment I guess.

25 MR. BELL: I see.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

MS. CREIGHTON: And it was my intention though to ask for an understanding of the situation that we face. And I think that our lot is similar to those like seniors on fixed incomes and also those on income assistance, that they have a certain limit beyond which they don't have the capacity to pay without going into money that is allocated for other things.

If you are interested in giving us special treatment though I won't turn that down.

MR. BELL: Okay. I thought that you are reaching out for that as well. But certainly your objective of our understanding your situation has been well-reached and presented. Thank you.

MS. CREIGHTON: Thank you very much. I appreciate it.

DR. SOLLOWS: I would like to thank you as well for your presentation. It is very well done.

In particular I think, and you recognized it in the comments you just made, that you are in a situation very similar to those that we have heard from earlier today, that people on low fixed incomes tend not to be owners, they tend to be renters. And it is certainly something that has been, as you have pointed out, seems to have been below the radar screen.

Have you given any thought as to how, if not this

1

- 5317 -

2 Board then broader public policy could be adjusted to take
3 that into account?

4 MS. CREIGHTON: Yes, I have. And just as a note I think
5 while we are in a similar position to those people, an
6 aggravating factor is paying for the operating cost of the
7 universities.

8 And essentially, you know, when you go to work or you go
9 to a store, you are not paying necessarily for their
10 energy, but when you go to university you are, on top of
11 your home energy that you use. So I would make that
12 distinction.

13 In terms of public policy ideas for renters, I think there
14 is so many things that we can do. But we are not thinking
15 creatively about it. And we are not reaching out to the
16 people who have the ideas.

17 I mean, I have some ideas. One of them is landlords want
18 a break on property taxes. Why not take a portion of
19 their property taxes and create a fund that they can apply
20 to have money to improve their rental properties? That is
21 one. Another one is to give a tax break to those
22 landlords who can prove that their property isn't energy
23 efficient.

24 Another one is for a new property development that there
25 be a very strict guideline in place for the energy

26

1

- 5318 -

2 efficiency of that new building, one that takes us 10, 15, 20
3 years into the future, not just meeting the building codes
4 of today. There should be amendments to legislation that
5 compels landlords to make necessary repairs.

6 I mean, I can't describe to you what it is like to walk by
7 a power outlet and feel the wind blowing through in
8 January. Or I can't describe to you -- or maybe you
9 already know -- but you know, waking up in the morning and
10 you have this much frost on the inside of your window, you
11 know, looking outside and you have got these huge,
12 beautiful but completely sketchy icicles that you have to
13 look through over your front porch. And you just know
14 that the wind is blowing through your apartment or your
15 house.

16 So I mean, those are three or four ideas. I thought of
17 them in about an hour. I bet there is a lot of people out
18 there with a lot of ideas that just need to be reached out
19 to.

20 DR. SOLLOWS: Thank you very much.

21 MR. TINGLEY: You are living in the same place I lived in in
22 my fifth year at university on the second floor on
23 Charlotte Street?

24 MS. CREIGHTON: Sure am. And I actually lived on Carleton
25 Street which is just next to Charlotte Street And one

26

1

- 5319 -

2 whole side of my apartment insulated, one whole wall. And it
3 was a long narrow apartment. And it happened to be on the
4 long side, not the narrow side. So that was even suckier.

5 MR. TINGLEY: Do you still have to carry the oil in a tin
6 can from the back to the --

7 MS. CREIGHTON: No. But they won't pick our recycling up.

8 MR. DUMONT: I just wanted to tell you, Ms. Creighton, I
9 have a son at Universite de Moncton who is 21 years old.
10 So I am very concerned about the plight of students at
11 university. So you have been heard very well.

12 MS. CREIGHTON: Thank you very much.

13 CHAIRMAN: Ms. Creighton, are you in engineering?

14 MS. CREIGHTON: No. I'm in law.

15 CHAIRMAN: I sort of knew that.

16 DR. SOLLOWS: You don't know how many times I'm going to
17 have to live with that.

18 CHAIRMAN: Commissioner Sollows is in the engineering
19 department of UNBSJ. And we kid one another. But I can
20 tell you this. I will expect the Public Intervenor to
21 have a list of three pages of suggestions during summation
22 as to how students can be individually helped.

23 Seriously I want to congratulate you on your brief and the
24 thought that you have put in it. And you have a great

25

1

- 5320 -

2 future in the Bar of New Brunswick.

3 I do have to point out one thing while you were -- in your
4 second page, "an undergraduate degree costs between 14,000
5 and \$16,000 per year." Gracious sakes, I have got to
6 tackle my daughter.

7 But you then said tuition alone is about \$4,800 a year.

8 So I don't think I will admonish her as I thought I was
9 going to on that.

10 Anyway thank you very much for your presentation.

11 MS. CREIGHTON: Thank you for listening.

12 CHAIRMAN: The Public Intervenor as usual has something that
13 he would like to say.

14 MR. HYSLOP: I couldn't go the whole day, Mr. Chair. But I
15 was going to ask Ms. Creighton to drop her résumé off.

16 CHAIRMAN: I can tell you probably most lawyers in the room
17 are thinking the same thing.

18 MR. MORRISON: Too late. She articles with us.

19 CHAIRMAN: Okay. Thank you, Ms. Creighton. And His Worship
20 the Mayor of St. George is here I believe. And I know
21 that St. George is the banana belt of Charlotte County,
22 but you didn't get that tan there, sir.

23 MR. SMITH: No, I did not.

24 CHAIRMAN: You have to push the little gray button so the
25 red light -- that's it.

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. SMITH: Bear with me. I have new glasses and I am getting older. Mr. Chairman, Members of the Board, Public Intervenor, ladies and gentlemen, thank you for inviting me to come here today to express the concerns the town of St. George has in regards to the proposed increase in the cost of hydro here in New Brunswick.

St. George is a small community. Our economic viability comes basically from aquaculture, traditional fisheries, tourism, the lumber industry and agriculture. Our electricity costs at present for the town are approximately \$145,000 per year. This includes streetlights, water and sewage, recreation and so on. I might also add that I believe about 2 percent of our energy comes from natural gas, which we have in St. George at this time.

This is a significant cost to a community of approximately 1,580 people. The aquaculture industry, as the paper industry, have undergone many challenges in the past couple of years that have certainly had an enormous effect on the economy of St. George and its outlying community. For instance, in the past few months approximately 150 people have lost their jobs within these industries due to the impact of these companies having to compete in the

1
2 global market and the rise of the Canadian dollar.

3 Many of these people are not only leaving the area, but
4 are leaving the province to find employment. We need to
5 find ways to entice them to remain in the communities they
6 grew up in and are comfortable in.

7 One of the ways we do this is to maintain affordable rates
8 for the services that each community provides for its
9 residents. This also enables St. George to maintain its
10 existing business and attract new business. Many of our
11 citizens are seniors who live on a fixed income. And an
12 electricity increase of this magnitude will certainly
13 create an added burden to those already experiencing
14 financial difficulties.

15 The increase also means that this could cost the town of
16 St. George, 1 1/2 percent increase in our tax base, which
17 again puts an added burden on all our taxpayers of which
18 many are seniors. The town of St. George is very
19 concerned that this is a substantial increase in
20 electricity costs, will most likely affect the businesses
21 and this could result in more people losing their jobs and
22 more people leaving the area.

23 I understand the province is trying to implement a program
24 to provide training for people so they are qualified to
25 perform the jobs available and this is the

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

way of keeping them in New Brunswick. This is definitely a worthwhile program. But if our services are not affordable and people cannot afford to stay in the area, then this program will be for not.

If this increase must become a reality, I would strongly urge the Board to consider a reduced rate for our municipalities and industries, both large and small.

Implement the increase over a number of years rather than all at once. This would give everyone all involved the opportunity to prepare -- better prepare and make adjustments for this increased cost.

Once again on behalf myself as Mayor and our Council, we wish to thank the Board and the Chairman and Intervenor for giving us the opportunity to come before the Board and speak to you and give you just a quick overview of a small community, the same as the Miramichi. The only thing, we are a little smaller than they are, but we are affected by the same costs and the same rate increases. And we would just ask you to make good decisions and look everything over very carefully. And we appreciate your time and effort. Thank you very much.

CHAIRMAN: Thank you, Your Worship. Just some of my Commissioners my have some questions. It's late in the day.

2 MR. SMITH: Good.

3 CHAIRMAN: Anyway, thank you for coming, sir.

4 MR. SMITH: Thank you.

5 CHAIRMAN: And a familiar face, Mr. Gallant from
6 Flakeboard. Mr. Gallant consumes a lot of natural gas and
7 has appeared before the Board wearing that hat. Welcome,
8 Mr. Gallant.

9 MR. GALLANT: Good afternoon, Mr. Chair and Commissioners.
10 Flakeboard appreciates the opportunity to address the
11 Board here with our concerns on the proposed NB Power
12 rates increases.
13 It has been a long day. And I am sure some of my comments
14 here will be very familiar with what we have heard to
15 date. But hopefully I can spin them a little differently
16 and make them a little -- add a few comments as well.
17 My name is Barry Gallant. I am the manager of purchasing
18 and the controller for Flakeboard in St. Stephen, New
19 Brunswick. Flakeboard manufactures decoratively finished
20 particle board and MDF panels for the furniture and
21 kitchen cabinet industry by using waste by-products from
22 New Brunswick's saw mills. We employ 325 people at our
23 manufacturing site in St. Stephen.
24 With regards to the power rates increase, we are extremely
25 concerned with the 12.1 percent rate increase

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

for the industrials as proposed to the PUB by NB Power. As we are all aware, New Brunswick economy is heavily weighted towards resource extraction and processing, which are energy intensive with electricity comprising a significant percentage of the operating costs for most manufacturers.

Any power rate increase will have a tremendous impact on the New Brunswick manufacturing sector.

Flakeboard operates in a fiercely competitive global market. And we are already suffering the challenges of a higher Canadian dollar, higher fuel and transportation costs, excessive levels of imported Chinese furniture and downward pricing pressure on our products. Passing an energy rate increase onto our customers is not an option. The 12.1 percent rate increase proposed by NB Power is significantly greater than the 8 to 10 percent estimate by NB Power in the fall of 2005 and will amount to an 18.1 percent jump in industrial power rates since January of 2005.

Rate increases of this magnitude cause tremendous uncertainty for manufacturers. And thereby possibly hindering the development and investment that is required by industrials throughout the province to remain competitive in the global economy.

2 Also this rate increase happened at a time when we have
3 already seen numerous plant closures over the past two
4 years.

5 Compounding this issue is a significant increase in
6 property taxes and natural gas distribution rates over the
7 last couple of years that have further eroded New
8 Brunswick's position as a competitive manufacturing
9 environment.

10 It is also relevant in this discussion to consider how we
11 arrived at this point and truly understand NB Power's
12 justification for this large increase. There is much
13 ambiguity surrounding NB Power's past performance,
14 productivity and cost structure.

15 Before a 12.1 percent rate hike is approved, we urge the
16 Board to consider how the health of the provincial
17 economy, the impact on residential customers, as well as
18 that of the utility depends on a healthy industrial
19 sector. Thus we respectfully suggest that every effort
20 must be made to minimize electrical rate increases. If a
21 rate increase of this magnitude is necessary, then it
22 should be phased in over a period of time to allow all
23 ratepayers the opportunity to adjust to this new reality.
24 We strongly urge the Board to also help clearly set the
25 expectations for NB Power to generate and deliver
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

electrical energy in the most efficient method possible to the people of New Brunswick.

I thank you for your time and consideration in this matter.

CHAIRMAN: Now, Mr. Gallant, what portion of the value of your end product does electricity have? In other words, what in the cost structure, what percentage would it be?

MR. GALLANT: Without getting too sensitive on the --

CHAIRMAN: I don't want to infringe on confidential information, but I just --

MR. GALLANT: It would probably be in the top, you know, five items that we -- cost items as part of our manufacturing. Maybe in the 10 percent -- 6 to 10 percent range.

CHAIRMAN: Okay.

MS. LEBLANC-BIRD: We have heard a lot of people come today and talk to us about the different measures that they have adopted in order to conserve their energy costs. And I am wondering in your business if there has been any corporate measures or policies in place to become more energy efficient in your consumption?

MR. GALLANT: I mean, the power consumption has always been -- or efficiency has always been an issue. There is nothing specifically related to electricity on the table at this point in time. But with regards to -- and capital

1
2 investment and looking forward, each capital project is
3 evaluated each year based on needs within the organization
4 to reduce costs or cost structures.

5 So, you know, going forward this is an opportunity that we
6 may have to really focus on energy on a go forward basis
7 to figure out which ways we can conserve power going
8 forward and seeing such rate increases proposed on the
9 horizon.

10 DR. SOLLOWS: Yes. Mr. Gallant, we heard I think it was
11 yesterday from a witness that -- particularly the forest
12 industry and forest products industries, those with access
13 to natural gas had maybe an easier transition to this kind
14 of an environment, because they could more easily
15 institute combined heat and power or cogeneration plants.

16 And I know your company does have access to natural gas.
17 Have you examined the possibly of generating more of your
18 own electricity and meeting thermal loads that you might
19 have?

20 MR. GALLANT: Cogeneration has been something that we have
21 talked to various parties on at this point in time.
22 Obviously investment in a cogen, and we just have not got
23 to the point to make the decision to do that at this point
24 in time. But this is something that we have been
25 considering and we just have not come to the final point

1

2 that is something that we will do. But with these type or
3 rate increases it's definitely on the horizon of this very
4 -- you know, an item that would need to be looked at going
5 forward.

6 DR. SOLLOWS: Thank you.

7 CHAIRMAN: I am just curious, to me the layman, your product
8 utilizes what say sawmills and pulp and paper companies
9 would on the whole burn for a cogen fuel, would they not?
10 The only product I have seen in driving by is the huge
11 sawdust pile outside. Now that could be burnt, I
12 understand that. But basically your product consumes wood
13 chips, does it not?

14 MR. GALLANT: Both. We would use sawdust and shavings. And
15 on our hardwood we would use wood chips as well.

16 CHAIRMAN: I see.

17 MR. GALLANT: But in the product we would -- we could -- you
18 know, I am sure in the province some of this stuff would
19 be burnt as well.

20 CHAIRMAN: Yes. I am just curious. And again nothing of
21 commercial sensitivity, but what portion of your product
22 will go the U.S. market and what portion goes to the
23 Canadian market?

24 MR. GALLANT: Roughly 50 percent would go into the U.S.

25 CHAIRMAN: And I always remember when we regulated trucking,

26

1

- 5330 -

2 why Milltown Trucking, they were hauling into Ontario and
3 points beyond. But anyhow, thank you, Mr. Gallant for
4 coming and your presentation today.

5 MR. GALLANT: Thank you as well.

6 CHAIRMAN: And Wendy Osborne for the New Brunswick Chamber
7 of Commerce. Welcome, Ms. Osborne. You have to press the
8 little grey button there.

9 MR. OSBORNE: Little gray button. How is that? Good
10 afternoon, Mr. Chairman, Members of the Board, Public
11 Intervenor, ladies and gentlemen. It is my privilege this
12 afternoon to speak on behalf of the New Brunswick Chamber
13 of Commerce. I am the Chair of that Chamber. And I am
14 very grateful for the opportunity to speak to you.
15 And I am also very tempted to simply say ditto to Mr.
16 Gallant and give you a free 15 minutes. We do have many
17 of the same -- and as such, I have cut a number of pages
18 out of what I was going to say this afternoon, because I
19 believe you have heard almost all of the arguments that I
20 am going to talk about.

21 Just to give you a background on who the New Brunswick
22 Chamber of Commerce is, we are group of 53 local Chambers
23 of Commerce that represent the entire province of New
24 Brunswick, both language groups. We represent 6,000
25 businesses and including a broad cross-section of

26

1
2 employers in both linguistic communities and in all sizes of
3 businesses, large, small and medium-sized businesses. So
4 we -- my coming to you this afternoon to speak is in a
5 general sense is representing business in New Brunswick.
6 It is no surprise to tell you again -- I am know I am
7 repeating things that you have heard many times before,
8 but I am here today in response to NB Power's recent
9 filing for a 12.9 percent power rate increase for
10 industrial users and 11 percent power rate increase for
11 small industrial users with a combined 8.6 for general
12 service customers.

13 As you are aware, the province of New Brunswick is the
14 second most dependent province in Canada on electricity
15 and a third most dependent on manufacturing.

16 Various factors, including a high Canadian dollar, rising
17 fuel and material costs, as well as, a depressed commodity
18 prices have put severe constraints on our manufacturers'
19 ability to compete in the global marketplace.

20 Many New Brunswick manufacturers are heavily weighted
21 towards resource extraction and processing, which is very
22 energy intensive. As a result, any increase in power
23 rates is magnified significantly and its impact is
24 potentially critical to our entire economic development of
25

1
2 our province.

3 While we certainly understand the need for NB Power to
4 balance its books, as business people we will never want
5 anything different, it should be done -- it should not be
6 done at the expense of significant job losses in the
7 manufacturing sector. Any power rate increase of the
8 magnitude suggested by NB Power needs to be seriously
9 considered giving its far reaching and potentially
10 devastating impact on our economy.

11 The New Brunswick Chamber of Commerce feels that the
12 provincial government needs to take a step back and try to
13 find a solution in order to help the business community of
14 New Brunswick overcome major obstacle with its
15 development. While I don't come to you this afternoon
16 with any specific solutions to the -- how NB Power should
17 balance their budget and how the business community should
18 be able to survive at the same time, it is the opinion of
19 my Board of Directors and who I represent to you this
20 afternoon that there hasn't been enough information,
21 enough study done as to what the potential impact this
22 will have on the entire economy of our province.

23 Electricity touches every business, not just obviously New
24 Brunswick, but worldwide. And in order to retain our
25 ability to be competitive, we need to watch our bottom
26

1

- 5333 -

2 line. And there is not a bottom line in the province that
3 isn't going to be drastically affected by 10-plus percent
4 increase in any aspect of what they have to do to create
5 their business and to make them stronger.

6 And I just wanted to -- we conclude that NBCC believes
7 that the status quo on power rates, we would hope would be
8 either maintained until further study or changed in a way
9 that is -- that businesses will be able to effect change
10 in their business to be able to keep them strong. In
11 other words, that they be phased in in a reasonable way so
12 that we would as business people be able to maintain our
13 businesses and reflect small changes in the price that we
14 pass onto our consumers, as opposed to things being
15 drastic.

16 In addition, now would be an opportune moment to allow the
17 agency for Efficiency and Energy Conservation to do its
18 work, since it would appear that we have reached the point
19 where energy rates have become a detriment to economic
20 development.

21 Thank you very much for your time and your attention. And
22 I will end on that note.

23 DR. SOLLOWS: Yes. Thank you, Ms. Osborne. I note -- and
24 you noted in your presentation that industrial customers
25 are facing something like a 12 percent rate increase and

26

2 general service customers closer to 6 or 7 in that range.

3 One of the reasons that that has occurred and those
4 numbers are in that ratio is that as the Chairman has
5 pointed out, it has become clear through the evaluation of
6 costs and allocations that the general service customers
7 are paying in a sense more than their fair share. And
8 large industrial and small industrials perhaps less than
9 their share.

10 Now one of the things that could be done to mitigate the
11 impact would be to average it between them and therefore
12 increase the rates for General Service I and II and that
13 sector of the economy, which is the small business and
14 probably service sector of the economy. And in a sense
15 have them further subsidize or increase their subsidize to
16 manufacturing industry. Is that something that your
17 organization would support?

18 MS. OSBORNE: It would depend on what the magnitude and the
19 speed of such an increase would be. We certainly are --
20 the business community is open always to how -- what the
21 argument is to the bottom line. We are not saying NB
22 Power should never increase rates or that we deserve --
23 one sector of the economy deserves special treatment
24 compared to the other.

25 Certainly -- eventually -- and you know NB Power needs

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

to charge what -- eventually needs to charge what power is worth. We need to do it in a way that's not going to be so drastic that we lose our competitive edge, which right now between fuel prices and all the other things that are hitting us, we are losing. So certainly we would be open to the study of that.

DR. SOLLOWS: So the bigger concern that you have is the sudden and magnitude -- suddenness of a change and the magnitude of the change rather than the direction of the change?

MS. OSBORNE: Absolutely.

DR. SOLLOWS: Thank you very much.

CHAIRMAN: Thank you. Well, thank you, Ms. Osborne, for coming. Now if you had come earlier in the day, I am sure you would have been peppered with questions, but we are about questioned out I am afraid.

MS. OSBORNE: I am not going to complain. Thank you very much.

CHAIRMAN: Thank you very much. And last presenter this afternoon is Mr. Gordon of N.B. Natural Gas Association. Take as long as you want to, Mr. Gordon.

MR. DONNELLY: I am actually not Neil Gordon. I am Scott Donnelly.

CHAIRMAN: You have done it to me again.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

MR. DONNELLY: I am much better looking than Neil. He is not here today.

CHAIRMAN: And what was the name again, sir?

MR. DONNELLY: Scott Donnelly.

CHAIRMAN: Thank you, Mr. Donnelly. Go ahead, sir.

MR. DONNELLY: Mr. Chair and Commissioners, as the Vice-President of the New Brunswick Natural Gas Association, I thank you for the opportunity to present our comments pertaining to proposed changes to the electricity rates by N.B. Power Distribution and Customer Service.

The membership of the New Brunswick Natural Gas Association includes independent contractors, tradesman, suppliers and other stakeholders in the natural gas industry. In support of fairness and equality to our customers, we believe that electricity rates should reflect the cost to produce it. The taxpayer should not subsidize electricity rates.

The only way to change electricity use behaviour is to reflect the real consequences of using it. More importantly, our customers, natural gas customers, should not be subsidizing electricity rates through taxes.

Based on these proposals, we propose that the following things should happen. Electricity rates should reflect the cost, which means rates should rise. The

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

commercial all electric rates should be eliminated for new customers immediately. I guess an analogy is when the patient arrives, the first thing you do is stop the bleeding.

The penalty for existing all electric customers moving a partial load to natural gas should be removed immediately.

The GS I and GS II rates should be merged over a reasonable time.

Thank you for the opportunity to present these and I hope you will take these into consideration.

CHAIRMAN: Well, thank you. Your arguments -- or suggestions have a certain ring of clarity that I have heard before I guess.

You would be interested in knowing that in our -- if you are not already aware -- in our cost of service allocation -- CCAS hearing that we had early on in this one, the Board has indicated at this time we don't believe it would be appropriate to either stop the GS II from being offered to new customers because basically that would be discriminatory. However, we have studied the customers in that class and there appear to be certain characteristics that were not obvious at first glance. So we have said don't do away with it now, but look at it more closely and find out exactly what's going on and what

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

customers are being served and there may be a fairer way of serving them than the present rates. But let's just look at it a little more closely. We don't want to disturb the environment too greatly at that time.

I don't think that any of your customers would say that 13 percent is not in the realm of rate shock. And conservation or switching of energy sources, what do you think if this Board were to recognize that let's say the proposed rate increase was appropriate and this is pure speculation right now on my part, but that we felt that that would be rate shock and therefore it should be mitigated by some measure, et cetera, would not the message then get out there to the public that that's where those rates were going to go to and that that would achieve most of the desired result and yet mitigate the shock to the electricity customer?

MR. DONNELLY: I guess one of the concerns I have deep down, especially at my house as an example, I burn natural gas at my house for heating. I use electricity to my lights and traditional household equipment. And I look across the street and I see some with electric baseboard. I see them turning up their thermostat. And I say, you know, I am subsidizing some of the cost for him to run electric baseboard at his house, where I don't have those issues

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

myself, why am I subsidizing his costs through my tax base?

CHAIRMAN: Yet we had the Mayor of the Miramichi here who said, I am looking to the southern part of the province and they can look across the street and say that. Whereas where I come from, we can't do that. We really don't have that alternative. It's a difficult thing.

MR. DONNELLY: We don't envy the position you are in. I -- you know, thinking about it on the way over here, I got thinking things like if you rob a bank every year, does that mean that it's wrong for you to continue or should you stop and cut your losses and move on. You know, I think at some point in time we have to be accountable for what it costs to produce electricity from day one through the whole 365 day cycle.

CHAIRMAN: Well, Mr. Donnelly, there is no question, you weren't here this morning first thing, but we as a Board we are charged by the common law and the legislation to do two things. One is to ensure that the rates are just and equitable to the customer, but also we have the requirement that over time, that the utility will be able to earn a return so that when it must add new plant, it continue to serve its customer base that it can go to the market and get those funds. So ultimately it has to be in

1

- 5340 -

2 that kind of position. So we have to weigh those two things
3 at all times.

4 MR. DONNELLY: Yes.

5 CHAIRMAN: Good.

6 MR. DONNELLY: Thank you very much.

7 CHAIRMAN: Yes.

8 DR. SOLLOWS: Yes, Mr. Donnelly.

9 CHAIRMAN: Careful. You are going off.

10 MR. DONNELLY: I don't want to say you are going downhill,
11 but --

12 DR. SOLLOWS: I feel it.

13 CHAIRMAN: He gets right into his argument.

14 DR. SOLLOWS: No. You said I am not allowed to argue,
15 Chairman. Now, I do have a question. And that relates to
16 your suggestion that we should combine or merge the GS I
17 and GS II rates. We seem to be confronted with evidence
18 that indicates that the GS I rate collects substantially
19 more revenue than the costs that are -- that those
20 customers attribute -- cause. And the GS II rates appear
21 to collect not as much surplus in revenue, but still some
22 surplus.

23 If we were to take the step of moving the GS I rate down
24 so that it that it was at full cost recovery, i.e., if we
25 were to set rates that properly reflected costs

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

according to the cost allocation study and that led to a rate reduction for the General Service II class on merging, would you still suggest that we should merge them?

MR. DONNELLY: That's a good question that I would like to take back to the Board.

DR. SOLLOWS: I thought you might.

MR. DONNELLY: My expertise is more on the residential side. But I have a scripted set of notes here that I have read off. And we would love to have the opportunity to come back and address you.

DR. SOLLOWS: It is -- and certainly from I think our perspective, it is an issue, because we all -- we do want to get the price signal right. And we don't want to make an -- inadvertently make a poor decision in the process. But I would ask you if you can take that back and perhaps come back to us that would be great.

MR. DONNELLY: I would like to do that. Thank you.

DR. SOLLOWS: Thank you.

CHAIRMAN: And certainly if you address a letter to the Secretary, while it will be shared with the Panel provided we get it before we hunkle down to get the decision done in this matter.

MR. DONNELLY: And what time frame would that be?

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

CHAIRMAN: They perked right up you see. Well, probably September. No. If you had it into us by third week in March or so why that would be sufficient. Actually the last week of March would probably do it fine. Anyway, thank you very much for coming here today and participating in the public process. Appreciate your remarks, Mr. Donnelly.

MR. DONNELLY: I really enjoyed it. And it's great being the last one because I know I am the one stopping you from leaving.

CHAIRMAN: No, no. They are.

MR. DONNELLY: Thank you very much for your time.

CHAIRMAN: Thank you. Not really. I am blaming too much on you, Mr. Morrison. Anyway, I want to thank all of the parties and the Intervenors who came here today. And as usual thank the shorthand reporter and Board Staff and merci bien for the ladies in the shack in the back for their services as usual. And we will see most of you again on Monday the 13th. Thank you.

(Adjourned)

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