New Brunswick Board of Commissioners of Public Utilities

Hearing June 6th 2001
Delta Hotel, Saint John, N.B.

IN THE MATTER OF a generic hearing to establish the need for and the evidence to be provided in connection with any specific hearing held to review the maintenance or upgrading of a generating facility of New Brunswick Power Corporation

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CHAIRMAN: Good afternoon, ladies and gentlemen. Any preliminary matters?

The Board would propose that Mr. Hashey go first, then we will follow the alphabetical order of intervenors. And if after that -- I would suggest that if you want the Board to take a short break and then Mr. Hashey has the right of rebuttal. We will proceed in that fashion.

And as you all know, Board counsel does not participate unless we ask for advice, in this process. So -- and when you are making your presentation if you wouldn't mind moving up to the table as you did during

cross examination.

And Conservation Council of New Brunswick is the -- I'm sorry, Mr. Hashey will go first.

MR. HASHEY: Thank you, Mr. Chairman. I have a short few remarks that I will make and hopefully be able to give you copies of the remarks for the -- for your record and for others.

The generic hearing on the refurbishment projects has been completed and the three questions presented to the New Brunswick Board of Commissioners of Public Utilities have been dealt with.

On question 1, NB Power has presented extensive evidence and a great number of questions have been filed relating thereto. And of course those have been answered.

The questioning of witnesses has been extensive. I believe the Board has been armed with sufficient information to make a decision on the question raised, hopefully that is the case.

First of all, the applicant's evidence establishes that New Brunswick electricity customers will continue to require the electricity presently generated by Coleson Cove and Point Lepreau or replacement facilities in the future. NB Power has filed a 10 year load forecast and provided its projections beyond that point.

The evidence clearly demonstrates that even after

making ample provision for natural gas, customer self-generation and energy efficiency, the demand for electricity is forecast to increase from the current level.

The questioners here have examined each of three impacts in detail. While some will argue that there is a variation in the mix, the only conclusion that can be reached is that there is need for the power produced by Coleson Cove and Point Lepreau.

The applicant has presented a load and resource balance over the forecast horizon. it is clear from the evidence that NB Power would be capacity deficient without Coleson Cove and Point Lepreau or replacement facilities in the future.

The effect of such deficiencies in other areas in recent times are well known. In our cold climate this would not be acceptable. I felt that on Monday that probably we got a bit of an example of that here, I saw people shivering throughout the room.

The applicant has also testified that it continues to have an obligation to serve its customers' electricity needs. The Province White Paper on Energy Policy has in no way relieved NB Power of this responsibility.

The applicant has also clearly demonstrated that NB Power will continue to have profitable opportunities for

exports. These export sales benefit in-province customers and provide an outlet for surplus energy, which may from time to time be available within the province.

We respectfully request a decision from the Board that yes, it is reasonable to believe that NB Power will require the electricity presently generated by Coleson Cove and Point Lepreau and more specifically that -- and I'm really referencing at this point, Mr. Chairman, Members of the Board, the approvals requested that was on the bottom of our NBP 6, which reads that "We are specifically requesting that (1) NB Power load forecast is acceptable as reasonable."

On that point, variation and load forecasts have been provided for sensitivity evaluations -- or, sorry, will be provided for sensitivity evaluations at a project-specific hearing for the purpose of assessing the robustness of any proposed refurbishment project. The sensitivities would not be offered for the purpose of revisiting question 1.

Secondly, the NB Power load and resource review is accepted as reasonable.

Thirdly, Coleson Cove, Point Lepreau and/or replacement supply capacity is required to provide a reliable supply of electricity for New Brunswick.

And (4) because the load forecast already makes aggressive provision for demand reduction measures, NB

Power need only examine supply side options to any proposed refurbishment project.

And that is my comment, Mr. Chairman, on our question 1 application.

If I could move on then again briefly to questions 2 and 3.

On questions 2 and 3 the applicant has presented suggestions and recommendations as to the relevant issues and scope of the evidence that should be presented for specific generating facility hearings.

In terms of planning future generation resources, the applicant has clearly laid out the utility planning process and the type of information that is relevant to this exercise. The applicant is proposing to share the results of this process at the specific project hearings.

And as part of the planning process, the evidence indicates that the environmental issues that are pertinent to specific generation options should also be considered.

The evidence further indicates that the environmental issues relating to specific generation projects are subject to regulatory oversight by authorities other than this Board. I think we have certainly dealt with that fairly extensively.

At the project-specific hearings, the applicant proposes to provide evidence of the nature and cost of

planned environmental mitigation measures. The level of detail would be sufficient to facilitate the Board's review of the generation planning decision, but the applicant seeks to avoid duplication of the detailed environmental review evidence and processes being considered under the other authorities.

The applicant requests the Board to support this approach when ruling on the second question.

Now with respect to question 3, the applicant has identified the key input for evaluating generation projects and viable alternatives. The evidence has also laid out the scope of the evidence to be provided by NB Power at the project-specific hearings.

The evidence outlines the detailed analytical review that NB Power proposes to put forward at the hearing for the specific projects.

The applicant's experts will establish that the evidence proposed by NB Power for specific projects would be more than sufficient for this Board to fulfil its mandate to issue recommendations on future generation investments.

We therefore seek confirmation that the issues relevant to the generation projects that this Board needs to consider under the Public Utilities Act have already been identified.

We also seek to confirm that the future generation project hearings will be conducted within the scope of the evidence approved by this Board as a result of this hearing.

Now we will be -- and right at this point -- will be providing revised outlines of the scope of evidence we suggest should adequately deal with these matters. The revisions have encompassed commitments made at the hearing. Hopefully this will provide some guidance and assistance for the Board in its decision making process.

We thank the Board for its patience and courtesy shown throughout this hearing.

Now, Mr. Chairman, if we might circulate. What we have done is taken the exhibit 6 and we have attempted to put into the -- particularly into the second and third sections, the question 2 and 3 parts, changes that have been -- are being made as a result of commitments made and suggestions received as to what additional information people want or wanted.

And I hope that we have encompassed everything that would be sensible and reasonable. And hopefully these amendments may help you in your considerations. If we could circulate those sheets and everybody can have one.

CHAIRMAN: Yes, please. And unless somebody objects I think I will put it on the record and give it an exhibit number.

And that will be NBP 9. Thank you, Mr. Hashey.

MR. HASHEY: Thank you, Mr. Chairman. I think you can easily identify the changes or additions by the shading. When you look at the second page of that you will see shaded sections on the page that show what have been added.

CHAIRMAN: Would the Conservation council like to come up and take the spare mike over there?

MR. COON: Good morning, Mr. Chairman and fellow Commissioners. Would you like me to begin now?

CHAIRMAN: Yes, please. Go ahead.

MR. COON: I would like to start off with, in our closing argument here, dealing with the first question of is it reasonable to believe that NB Power will require the electricity presently generated by Coleson Cove and/or Point Lepreau or replacement facilities in the future?

Nothing in the evidence presented by NB Power suggests that they will lose the generating capacity provided by Coleson Cove for the foreseeable future.

The load and resources review in NB Power exhibit 1 assumes all three units at Coleson Cove will continue to operate throughout the forecast period. And that is on page 33 of that exhibit.

It in fact is the loss of the 635 megawatts of generating capacity in 2007 as presented in the load and

resources review of NB Power 1 that is really at issue.

With or without the planned investment at Coleson Cove, its generating capacity remains available to NB Power. The planned investment at Coleson Cove is designed to permit the fueling of its three boilers by orimulsion in addition to heavy fuel oil.

The Conservation Council believes here that the salient question really is whether or not NB Power will require the electricity presently generated by Point Lepreau in the future following its planned retirement in 2006.

In our estimation nowhere in NB Power's submission has it provided evidence that makes the case that a future requirement for 635 megawatts of electricity presently generated by Point Lepreau will be required over the forecast period.

According to Mr. Marshall's testimony in exhibit NB Power 1, page 15 the current load and resources review predicts a shortfall in generating capacity of 304 megawatts beginning in 2007 following the retirement of the 635 megawatt Point Lepreau Nuclear Power Plant. That is in NBP-1, page 15.

Ten years from now the load and resources review still only predicts a requirement for 428 megawatts of generating capacity, still far less than the electricity

presently generated by Point Lepreau.

The question before the Public Utilities Board then is really whether a convincing case has been made that the projected shortfalls in generating capacity of 304 megawatts in 2007 and 428 megawatts by 2011 are reasonable.

To put it another way, is there a need for new generation resources after Point Lepreau is retired in 2006 to supply the 304 megawatts in 2007 and 428 megawatts by 2011?

The question then really focuses on whether NB Power has provided sufficient evidence to make the case convincingly that the 304 megawatt shortfall in 2007 and 428 megawatt shortfall in 2011 are reasonable estimates of the additional generating capacity required by NB Power to carry out its mandate outlined under section 2 of the Electric Power Act.

With regards to this, we would first like to point out that the load and resources review in exhibit NBP-1, page 33 assumes interconnection sales as part of the load forecast of 220 megawatts from 2007 to 2011, the period where the shortfalls are being projected.

Therefore, if you consider this 220 megawatts as going outside of the province, in terms of meeting in-province requirements, the projected shortfalls in generating

capacity actually amount to 84 megawatts in 2007 and 220 megawatts by 2011, simply subtracting the figures, if existing and committed resources were entirely dedicated to supplying the in-province requirements.

That said, the question before us is are the projected shortfalls in generating capacity over the forecast period reasonable? The Conservation Council's contention is that no certainty can be attached to these projections and will outline why the uncertainty.

The Province's new energy policy introduces a much higher level of uncertainty into forecasting than previously existed in the very uncertain art of load forecasting.

And I will draw the Board's attention once again to the testimony during cross examination and page 87 in NBP-1, tables 13 and 14 concerning the 1990 load forecast and the fact that it was off in the year 2000 by as much as 13 percent, which if applied 10 years hence from now would essentially wipe out any of the projected shortfalls in generating capacity.

With that said, the added uncertainty here flows from the five elements found in the energy policy here, the planned energy-efficiency strategy and its potential impacts, the initiative to reduce New Brunswick's reliance on electric and space water-heating through fuel

switching, the removal of restrictions on non-utility generation and access to transmission lines, the ability of wholesale and large industrial customers to procure their electricity from suppliers other than NB Power, and the implications of the UN Climate Change Convention which Canada has ratified and to which it is legally bound, and the associated development of a provincial climate action plan and its related measures.

In exhibit NB Power 1 on page 38, Mr. Bhutani lists what he believes are the key factors that will effect the future electricity requirements of NB Power's in-province customers as the availability of natural gas in many parts of New Brunswick, the intention of the provincial government to remove restrictions on electricity generation and the provincial government's building initiatives on energy-efficiency and ongoing improvements in appliance and thermal efficiency in homes.

In exhibit NB Power 1 on pages 77 and 78 of the load forecast, projections are made for how much fuel switching to natural gas, industrial self-generation and energy-efficiency improvements are expected to reduce NB Power's in-province load over the forecast period.

During cross examination of panel 1 on June 4th, the transcripts will show that Mr. Bhutani and Mr. Marshall translated this load reduction into a reduction in demand

for generating capacity of roughly 250 megawatts as a result of fuel switching to natural gas, 150 megawatts as a result of industrial customer self-generation and 100 megawatts as a result of naturally occurring energy-efficiency measures in the residential sector and those natural occurring energy-efficiency measures in the general service sector coupled with the results of the provincial buildings initiative.

A key question that must be asked then is how reliable are these estimates in each case with respect to the 100 megawatts of energy-efficiency?

As the transcripts will show in the cross examination of panel 1 on June 4th by DNR, Mr. Bhutani indicated no improvements in energy-efficiency among NB Power's industrial customers are anticipated in the load forecast.

No evidence was given as to the potential contribution of the energy-efficiency strategy provided for in provincial energy policy to increase the 100 megawatts of energy-efficiency provided in the load forecast.

Although in exhibit NB Power 3, in response to CCNB interrogatory 27 on page 88, Mr. Bhutani says "Specific programs under the New Brunswick energy-efficiency strategy could be key factors affecting electrical demand both from energy-efficiency and fuel switching."

It is the Conservation Council's contention that the

provincial energy-efficiency strategy could reasonably be expected to further reduce future generating requirements.

New Brunswick's energy policy, 2001, section 3.4.4.4. says "To ensure that energy-efficiency improvements in New Brunswick are as far-reaching as possible, the Province will develop and implement a comprehensive energy-efficiency strategy which could include the use of regulatory measures, funding and financing mechanisms, pricing mechanisms to achieve significant increases in energy-efficiency."

In exhibit CCNB-1 the economically attractive potential for energy-efficiency gains in electric power use by 2010 for New Brunswick was assessed by Marbek Resource Consultants for the Department of Natural Resources in 1992, and reported in a study entitled "Energy-efficiency potential for New Brunswick."

Its comprehensive analysis found a potential for economically attractive energy-efficiency improvements that would reduce NB Power's peak demand in 2010 by a total of 1095 megawatts.

Of this it is estimated that depending on the particular measures used in an energy-efficiency strategy, between 330 megawatts and 765 megawatts of the total available savings in peak demand could be achieved by 2010.

No evidence was supplied by NB Power that demonstrated how much of this potential has been achieved in the period between 1992 and 2001 through energy-efficiency improvements, nor how that potential may have changed in the face of different economic conditions today or over the forecast period and in the face of technological change in terms of efficiency technologies.

However, contrary to the contention of Mr. Marshall during cross examination of panel 1 by the Conservation Council on June 4th, exhibit CCNB-1 on page 6, table 2 indicates that Marbek's study did not identify the majority of potential efficiency in thermal improvements to building shells. Rather this represented only slightly more than a third of the potential reductions in demands identified for 2010.

The current economic potential for reducing demand through energy-efficiency improvements beyond the 100 megawatts provided for in the load forecast over the forecast period then remains unquantified.

The impact of the provincial energy-efficiency strategy on NB Power's 304 megawatt shortfall in electricity, if it is designed to meet its stated goal, "to ensure that energy-efficiency improvements in New Brunswick are as far-reaching as possible", cannot yet be estimated. And this is supported in exhibit NB Power 3 in

response to CCNB interrogatory 20.

Will there be a total of 200 megawatts of demand savings attained through energy-efficiency improvements rather than the predicted 100 megawatts? Will it be 300 megawatts?

No one can say at this point. All we can say is that at this time there will be an uncertain amount of demand displaced by energy-efficiency improvements above and beyond those considered in the load forecast.

We believe these uncertainties could make it difficult for the Board to accept NB Power's load forecast as reasonable. Furthermore it leaves energy-efficiency as a legitimate alternative to be considered when considering supply side proposals to address any shortfalls in generating capacity during the forecast period.

Therefore we would suggest that the Public Utilities Board consider requiring NB Power supply and consider demand side options in any specific hearing concerning the proposed refurbishment of Point Lepreau, contrary to their suggestion.

With respect to the demand that the load forecast expects to be displaced by fuel switching.

NB Power's load forecast in exhibit NB Power 1, page 77 presents the project impacts of fuel switching from electric space and water-heating to natural gas, which was

characterized during the June 4th cross examination by panel 1 as displacing roughly 150 megawatts of demand.

The provincial energy policy does contain a commitment to implement a fuel-switching strategy from electric space and water-heating to other options, not just gas but oil or other fuels as well. 3.4.4.3.3 in the energy policy.

In exhibit NB Power 3, in its response to CCNB interrogatory 23, NB Power makes it clear that their analysis of the impact of fuel switching is restricted to fuel switching from electricity to natural gas, which necessarily is limited by the extent of the distribution infrastructure for gas.

The Provincial Energy Policy is to reduce New Brunswickers' reliance on electric space and water-heating by encouraging a switch to either gas or oil.

In its response in exhibit NB Power 3, to CCNB interrogatory 23, NB Power argues that its estimates of fuel switching are so ambitious that any potential switching to oil or propane or other fuels will be expected to be incidental within the allowances estimated for gas penetration.

This contention was repeated under cross examination of the panel by the Conservation Council on June 4th. But no evidence was supplied to support the contention.

Interestingly enough, in its response to CCNB

interrogatory 25 in exhibit NB Power 3, NB Power indicated that a 50 percent as opposed to its estimated 13 percent shift from electric space and water-heating in the residential sector would reduce its sales by an additional 1251 gigawatt hours or roughly an additional 150 megawatts, increasing fuel switching's impact from 150 to 300 megawatts.

So how reasonable is this? Well, again it depends on the nature of the provincial government's off electric initiative. Could such an initiative double NB Power's estimate of the impact of fuel switching on its load when fuel switching to oil is considered?

New Brunswick has had experience with such conscious policy in the past to have consumers switch fuels for heating, space and water-heating, when the federal and provincial governments and NB Power itself provided incentives in the 1980s for New Brunswickers to switch on to electric heat.

It is the Conservation Council's view that the roughly 100 megawatt impact of fuel switching to natural gas in the residential sector underestimates the impact of the stated government policy to help reduce New Brunswickers' dependence on electric space and water-heating by including switching to oil and other fuels. The actual impact of such a conscious policy could be significantly

more than NB Power assumes.

It would be instructive to look at the impact of the 1980's government policy to encourage New Brunswickers to switch to electric space and water-heating in the first place which helped bring about the significant intensity in our electric power sector in New Brunswick.

We believe that this uncertainty with respect to fuel switching could make it difficult for the Board to accept NB Power's load forecast as reasonable.

Furthermore, it also in this case leaves this demand side option of fuel switching open as a legitimate alternative project to be considered when specific project hearings are held to address any shortfalls in generating capacity for the forecast period.

Therefore, I would suggest that this demand side option could also be part of an alternative project to the proposed refurbishment of Point Lepreau in the project-specific hearings.

Moving on to the removal of restrictions on non-utility generation and access to transmission lines. In exhibit NB Power 1, page 40 of Mr. Bhutani's evidence, he indicates that NB Power's load forecast allows for only 150 megawatts of self-generation by industry or 20 percent of the industrial demand.

According to its clarification to CCNB's interrogatory

12 in exhibit NB Power 4, NB Power has based its assumption on "its extensive knowledge of the energy industry, its own cost structure about its customers and the analysis that it has conducted or participated in with a series of world class developers." Presumably large industrial customers will make their decisions to self-generate based on a variety of criteria.

Mr. William Marshall indicated in response to cross examination of panel 1 by the Conservation Council on June 4th that the 150 megawatts of self-generation and load forecast could indeed be an underestimate if industrial customers took advantage of U.S. export markets.

In exhibit NB Power 4, CCNB -- yes, exhibit NB Power 4, in response to CCNB's supplemental interrogatory 17 on page 26, NB Power wrote "The economics of self-generation can be improved if transmission access is available to higher-priced markets such as New England. Similar to NB Power using its export sales to subsidize in-province rates, large industry could use market opportunities to subsidize its self-generation costs."

Will transmission access be available to provide this option? Well, in exhibit NB Power 3 in response to CCNB interrogatory 2 on page 63, NB Power indicates it has targeted the completion of a second transmission interconnection with New England for 2003, "preferably by

the spring." This will provide 300 megawatts of new transmission capacity to New England markets.

Additionally, according to Mr. Stewart MacPherson's testimony during the Conservation Council's cross examination of panel 1 on June 4th, U.S. developers have proposed an interconnection between New Brunswick and Manhattan with 1200 megawatt capacity as part of the so-called Neptune Project. He indicated this proposal has been registered with the U.S. Regulatory Agency and that the developers will be optioning access to the proposed line for a 60-day period beginning in September of this year.

Based on the evidence then it is clear that 300 megawatts of additional transmission capacity to the U.S. markets will likely be available by 2003 and perhaps much more -- perhaps much more later in the forecast period, depending on the interest shown by power producers and prospective power producers during this fall's option to the proposed Neptune line.

Are there other uncertainties that would make this 150 megawatts of industrial self-generation an underestimate? Indeed substantial evidence was given in this vein.

In exhibit NB Power 1, page 20 Mr. Bhutani indicates that "In some cases industry may have advantages over NB Power, particularly when such generation can be tied to

process steam requirements."

In exhibit NB Power 3 in response to CCNB's interrogatory 13 he contends that the economics of such co-generation are influenced by improved efficiencies of the process, up to 90 percent for co-generation as compared to 40 percent for single cycle generation and by the higher capital cost allowance rates allowed for co-generation.

In exhibit NB Power 3 in response to CCNB interrogatory 15, NB Power states that the economics of self-generation from existing process steam production, new co-generation from natural gas and purely self-generation of electricity are not clear.

Conservation Council contends that if the economics are unclear then this injects further uncertainty into the 150 megawatt projection for industry self-generation.

Furthermore in NB Power exhibit 4 in its response to CCNB's supplemental 17, NB Power wrote "It is possible that a large industrial client could reduce costs of self-generation through synergies provided through its own processing, especially if it also has process steam requirements. NB Power is not aware of the value which these synergies could create."

Given that NB Power is unaware of the value which these synergies could create, this represents another

source of uncertainty for the estimate of 150 megawatts of industrial self-generation.

In exhibit NB Power 1 on page 10 Mr. MacPherson indicates that natural gas is the most likely fuel source for self-generation. However in exhibit NB Power 3 in response to CCNB interrogatory 8, page 69 he indicates that oil, biomass, refinery off-gas, hydro and wind could be options.

In the same exhibit, in his response to CCNB interrogatory 9 on page 9, he went on to suggest that "Dependent on the specific nature of the industrial process, other fuels besides gas may be advantageous", such as biomass waste and off-gas at the oil refinery.

What about biomass waste? Well, in exhibit NB Power 3 in response to CCNB interrogatory 10 on page 71, NB Power indicates the current potential for new self-generation from wood waste is about 60 megawatts.

This potential for self-generation by fuels other than natural gas then is yet another source of uncertainty for the estimate of 150 megawatts of industrial self-generation.

So in conclusion, the estimate of 150 megawatts for industrial self-generation may not be reasonable given the sources of uncertainty outlined by NB Power in its evidence.

In summary these were (1) the efficiencies available through industrial co-generation; (2) the higher capital cost allowance rates for co-generation; (3) the uncertainly surrounding the economics of self-generation from existing process steam production, new co-generation from natural gas and purely self-generation of electricity; (4) the role of fuels other than natural gas for self-generation; (5) the value of synergies available to large industrial customers through their own processing, especially if they have process steam requirements; and finally industrial use of market opportunities in New England and possibly New York and the mid-Atlantic states to subsidize its self-generation that will be available through -- that may be available through improved transmission access likely beginning in 2003.

The large number of uncertainties concerning this estimate of 150 megawatts of industrial self-generation calls into question the reasonableness of NB Power's load forecast, in particular the use of U.S. market opportunities by industrial customers to subsizide their self-generation could translate -- could translate into significantly more self-generation than that anticipated, closing the gap in generating requirements identified by -- requirement for new generating requirements identified for 2007 in the load forecast.

What about the ability of wholesale large industrial customers to procure their electricity from suppliers other than NB Power as a result of the energy policy.

NB Powers' load forecast makes no allowances -- or resources review makes no allowances for industrial or wholesale customers to procure their electricity from suppliers other than NB Power over the forecast period, except for itself.

In exhibit NB Power 1, page 29 of the load and resources review, it details how it will obtain 38 and a half megawatts of capacity from non-utility wood and 8.7 megawatts capacity from non-utility hydro and 263 megawatts from non utility gas for a total of 310 megawatts of generating capacity that it will procure from suppliers other than itself. Yet in its load forecast and resources review makes no allowances for industrial or wholesale customers to procure any of their electricity from suppliers other than NB Power over the forecast period.

The only reference to documentary evidence that argues against, for example, possible purchases from Hydro Quebec, is the Hydro Quebec Strategic Plan for 2000, 2004. The reference for this documentary evidence is in exhibit NB Power 3 in response to PUB interrogatory 24 on page 58. And it cites the website to get to the document.

And this indicates that in that period 2000 to 2004, Hydro Quebec will make electricity available only on a short term basis and at rates based on the higher of New York or New England prices. No documentary evidence of Hydro Quebec sales strategy beyond 2004 was provided.

In NB Power exhibit 3, in response to CCNB interrogatory 7 on page 68, NB Power indicated they had been engaged in confidential discussions with Newfoundland and Labrador Hydro about the development at Lower Churchill Falls. The nature and outcome of these discussions cannot be known at this time, but it does introduce an intriguing variable in terms of potential new sources of supply. Otherwise we can't imagine why they would be investing time speaking to Newfoundland and Labrador Hydro.

A load forecast that assumes no purchases of electricity by industrial or wholesale sectors from suppliers other than NB Power over the forecast period would seem unreasonable. Particularly when NB Power itself intends to use 310 megawatts in total of non-utility, non NB Power capacity over the forecast period. Further calling into question the generation shortfalls that they have identified and the reasonableness of their load forecast.

And finally the implications of the UN Climate Change

Convention which Canada has ratified and to which it is legally bound and the associated development or the resultant development of a provincial climate action plan and its any related measure associated with that.

There is tremendous uncertainty about what measures might be implemented by either the federal or provincial governments in pursuing the objectives of the UN Climate Change Convention to reduce greenhouse gas emissions in pursuit of the conventions' goal to stabilize atmospheric concentrations of those greenhouse gases at levels and prevent dangerous anthropogenic interferences with the climate system. A convention to which Canada has been legally bound since March 21st 1994.

Therefore there is tremendous uncertainty about what impacts Canada's legal obligations under the convention and any protocols that may be ratified in the forecast period to that convention might have on NB Power's load forecast during the forecast period, which interestingly enough coincides with the target date for achieving the proposed Kyoto protocol that is yet to be ratified, proposed Kyoto protocol goal for Canada of reducing greenhouse gas emissions 6 percent below 1990 levels.

Is it reasonable to assume that NB Power will require 304 megawatts of additional generating capacity in 2007 following the retirement of Point Lepreau and 428

megawatts in 2011? Based on the tremendous uncertainty about the impacts of the Provincial Energy Policy with respect to these various elements I have outlined in my argument on NB Power's load forecast and resources review we can only conclude that the question of need cannot be resolved at this hearing at this time. And that the basis does not currently exist in this planning environment to make a reasonable determination about the reasonableness of the load forecast.

The contribution of energy efficiency, industrial self-generation, purchases by industrial and wholesale customers from suppliers other than NB Power, fuel switching from electricity to other fuels besides gas and the impact of greenhouse gas reduction measures may have been seriously underestimated.

The transcripts of June 5th will show that Mr. William Marshall of NB Power agrees with my assertion that NB Power faces a turbulent planning environment. In such a turbulent planning environment, there can be little certainty about the future. And the farther out you try to forecast, the greater the uncertainty looms.

In light of this, it is difficult to see how NB Power's load forecast as presented could be considered reasonable. The Conservation Council asks that the Board ensures the issue of need for generating resources remain

as a necessary component of any further future project specific hearings. And we would ask you to give careful consideration to our suggestion that in fact given our argument and the evidence that has been provided, the load forecast in fact is not reasonable.

The other two questions this hearing was established to deal with is what are the relevant issues to be reviewed during any subsequent specific generating facility upgrading or maintenance hearings and what is the nature and scope of evidence that NB Power should provide for those hearings.

The Electric Power Act says NB Power has a two part mandate. First to provide for the continuous supply of energy adequate for the needs and future development of the province. We heard a lot about that.

And second, to promote the economy and efficiency in the generation, distribution, supply, sale, and use of power. You heard a lot about that from the Conservation Council in our cross examination.

It is the Conservation Council's view that NB Power's entire mandate in both parts should be used as part of a project evaluation criteria for project specific hearings as part of the process to review project alternatives and that evidence should be presented by NB Power to demonstrate how both parts of the mandate are being served

by the project.

In the Act -- in the mandate there is no legal weighting given to favoring the first part of the mandate to provide the continuous supply over the second part of the mandate to provide for the economy and efficiency in the generation, distribution, sale, supply and use of power. So we believe NB Power is legally bound to address both parts of these mandates on an equal basis, give them equal weight.

If this is the case, it would add additional criteria to those lists in exhibit NB Power 6 for project evaluation. It would require the evaluation to examine the project's role in promoting the economy and efficiency and in generation, distribution, supply, sale and use of power.

This would require the addition of demand side options to be considered as part of the identification of alternatives outlined in exhibit NB Power 6 and it would require the provision of evidence for project specific hearings that would demonstrate how the project would promote the economy and efficiency in generation, distribution, supply, sale and use of power as compared to project alternatives.

It is the Conservation Council's view that in exhibit NB Power 6 on the blue page, concerning project evaluation

criteria, under the cost of power -- it is a little hard to reference this because it wasn't organized the way other things were -- but the blue page, under the cost of power heading, that environmental and health costs borne by New Brunswick society rising from the production of that power should be estimated as a component of power costs.

During cross examination of panel 1 by the Conservation Council on June 5th, Mr. William Marshall -- sorry, that is panel 2 and 3, I guess it would be on June 6th, Mr. William Marshall acknowledged that such cost to society exists after the power plants meet all existing environmental standards. The transcripts will bear this out.

To evaluate a project and to compare it with project alternatives, an estimate of the differential environmental and health costs borne by society as a result of the various alternatives is a relevant issue to be considered for a public utility with a mandate to serve and benefit New Brunswickers.

We request that the Public Utilities Board request that such an analysis be entered in evidence for project specific hearings.

Exhibit NB Power 6 does not include the financial risks associated with a capital intensity of projects

under their risk factors. That is the extent of the financial exposure for a project to be a risk factor requiring mitigation.

In response to the Conservation Council's cross examination of combined panel 2 and 3 on June 5th, World Environment Day, NB Power indicated this was relevant only in terms of financial impacts. The Conservation Council submits that this should in fact be considered as a risk factor in its mitigation is a relevant issue. An assessment of this risk and possible mitigation strategies should then be submitted into evidence in project specific hearings. Or we would recommend that you consider that requirement.

In exhibit NB Power 6, there is no criterion for project evaluation that looks at the impact of the project on the competitiveness of the local electricity market once competition arrives in New Brunswick in 2003. The Conservation Council believes this is an extremely relevant issue to the establishment of a fairly competitive electricity market in New Brunswick.

The issue of NB Power using its current advantages as a public utility and monopoly supplier to make lumpy investments in projects with extremely low fuel costs prior to the opening of the market is the epitome of relevance in our view. Such a criterion should be added

to project evaluation for future project-specific hearings.

With respect to the specific evidence to a Point Lepreau project-specific hearing, the Conservation Council would urge that the Public Utilities Board require NB Power to submit evidence concerning the performance of the refurbished Pickering A Candu reactors and subsequent maintenance, repair and energy replacement costs.

Similarly evidence should be provided on the maintenance, repair upgrading and energy replacement costs incurred by Point Lepreau itself from 1993 to the time of the specific hearing on refurbishment as contrasted against the maintenance, repair, upgrading and energy replacement cost incurred by Point Lepreau, by NB Power from 1983 to 1993.

With respect to the evidence specific to a Coleson Cove project, the Conservation Council suggests that the Board request evidence in two areas. (1) concerning the impacts of the project on the Province's ability to reduce its greenhouse gas emissions as compared to nonrefurbishment alternatives that are considered.

So evidence concerning the impacts of the project on the Province's ability to reduce its overall greenhouse gas emissions as compared to nonrefurbishment alternatives.

Second, we believe that NB Power should be required to enter into evidence an assessment of its legal liability and cleanup costs associated with a spill of orimulsion from a tanker storage tank or pipeline.

This ends the Conservation Councils' closing arguments. And I would just like to thank, on behalf of my colleagues, the Chairman and Commissioners for your patience for the tenderfoots that we have been in this proceeding.

We have been on a steep learning curve. And we look forward next time to being a little more seasoned for the next hearing. Thank you very much.

CHAIRMAN: Thank you, Mr. Coon.

Help me out a little bit here. Was there anything in the evidence that required Coleson Cove to be refurbished because of environmental concerns earlier than the normal life use of the plant?

I'm just trying to remember if there were anything in there. I know they are going to reduce their emissions.

MR. COON: It will be easier to remember the evidence from cross examination I think. There are things in the evidence submitted.

But in cross examination, panel 1 talked about things like fuel switching to light fuel oil to meet those environmental objectives as opposed to switching to

orimulsion.

And in my opinion as an environmentalist who studies these things, and in discussions we have had directly with the head of the air quality section of the Department of Environment, it is clear that switching to low sulphur oil would meet -- could meet those environmental requirements.

So in fact a plant refurbishment would not be required to simply meet the environmental standards. There are other options available beyond that. The plant refurbishment part of it is in fact required to be able to burn orimulsion.

CHAIRMAN: Okay. Thank you very much.

Department of Natural Resources and Energy?

MR. HYSLOP: Do you wish us to come forward, Mr. Chairman, or could we speak right from here?

CHAIRMAN: I like to see the color of your eyes, Mr. Hyslop. I think it is easier for the Board to get the full import from out front.

MR. HYSLOP: Thank you, Mr. Chairman. I preface my formal remarks by indicating that the importance of these hearings are going to affect energy and New Brunswick Power's policy for the next decade and a half as we go into the other ones. And it was a privilege to have been able to have been involved in the process. I think it is important to New Brunswick.

I propose to deal in my argument in two parts, first of all dealing with the first question which is raised. Is it reasonable to believe that New Brunswick Power will require the electricity presently presented by Coleson Cove and/or Point Lepreau or replacement facilities in the future, and then to deal with the issues 2 and 3 together. I apologize that there might be some overlap in the arguments.

First dealing with NB Power exhibit 6 and the approvals required. The Province of New Brunswick accepts that New Brunswick Power has demonstrated that there is a requirement to replace the electricity produced at Coleson Cove and Point Lepreau.

However in stating -- and it is not without some reservations, and in particular reservations with regard to the demand side management issues.

I think it has been clear and it has been made out that there is and are reliability requirements to providing electricity, the Province of New Brunswick -- New Brunswick is satisfied New Brunswick Power's position and presentation demonstrate the need for this electricity.

Simply put the New Brunswick -- the Province of New Brunswick cannot run short of supply nor in the production of electricity. It must be reliable.

If there is not an adequate and reliable source in supply of electricity, costs will soar as witnessed recently in Alberta and California. I would suggest that rolling blackouts in January in New Brunswick are not to be considered a good thing. My client is of the view that NB Power's mandate and position are responsible.

The Province of New Brunswick is not however satisfied New Brunswick Power has been diligent on issues relating to the demand for electricity nor has it effectively promoted demand side management.

New Brunswick Power feels it must only address supply options at further hearings. The Province of New Brunswick disagrees and submits the evidence submitted by NB Power during this hearing was weak and does not justify the removal of demand side options at a site-specific hearing.

New Brunswick Power cites reduction of 100 megawatts of power from energy-efficient sources. In addition they cite that demand of 200 megawatts by penetration of natural gas is possible and perhaps another 150 megawatts by industrial self-generation.

All of these projections were described as aggressive by Mr. Bhutani, in fact to the point where the load forecast analysis may have to be qualified and questioned and I would agree within certain sensitivity ranges by NB

Power itself. This can be found in exhibit 3 of NB Power, DNR interrogatory 16 and NB Power exhibit 4, DNR supplementary interrogatory 16 (e).

On the industrial side, New Brunswick Power believes that businesses will be driven by the financial considerations to look at co-generation and self-generation issues.

And while we agree that in the practical sense this may be true, the issue remains has NB Power really looked at what more it can do to lessen their industrial clients' purchase of electricity?

And in particular, looking at this concept of the efficient use of electricity, in the public interest if we could reduce the demand 1,000 megawatts, which may not be possible but maybe it can, I don't know, that would be a good public interest in the efficient use of electricity.

I was taken by Mr. MacPherson's remarks that NB Power shares the same goals on the efficient use of electricity as the public. Whether that can be true when you are a vendor of electricity, I don't know.

But I'm proud that NB Power in fact shares that view. And I do think that as part of sharing that view, looking at demand side should be emphasized.

On the residential use component, New Brunswick Power has a two point million budget to deal with this. NB

Power claims to have 25 people hired to promote services to customers in reducing energy costs.

But what is the effect? They haven't provided any evidence. Has it helped reduce demand for electricity? How much? To what extent? Where is the evidence to show that this commitment of resources has been effective? And more importantly what further gains can be made?

New Brunswick Power has not made any analysis of demand side initiatives since the integrated resource plan of 1995. More importantly they have not been able to provide at this hearing the results of any programs or new initiatives or technology that may be available.

Have the earlier programs worked? What follow-up programs need to be considered? What impact can really be made on the demand side?

The Province of New Brunswick submits that NB Power has not demonstrated in any meaningful way that they have covered all the bases in dealing with initiatives to curtail the demand for electricity in this province.

While it may or may not be likely that demand side management will result in a lessening of electricity requirements to the point where the production -- replacement of production from Point Lepreau or Coleson Cove is not needed, the Province submits that New Brunswick Power has not adequately demonstrated this to be

so at this hearing.

And we further submit, Mr. Chairman and members of the Board, that it is very much in the public interest that New Brunswick Power do so. There is no better way of diminishing greenhouse gas emissions than not requiring electricity to be produced from fossil fuels.

There is no better way of predicting the supply of resources than lessening the demand for electricity. Demand reduction through natural gas substitution or self-generation will not have the same environmental effects as energy-efficiency.

Accordingly the Province of New Brunswick submits that New Brunswick Power has to establish, in its consideration of other alternatives on a project-specific application, that demand side management is not a viable alternative for purposes of some load reduction.

While we can accept in view of NB Power's responsibility to not be in a tight supply situation and must ensure quality and reliability of service, we find that the need to find 1,500 megawatts of capacity, we believe they must show and must establish by a detailed demand side analysis that this alone cannot be considered as an alternative. This is especially so in view of the significant environmental savings that go with it.

Accordingly upon review of NB Power exhibit 6 and the

approvals requested, we would urge this Board not to approve NB Power's request under point 4 but rather direct that a detailed demand side analysis of their initiatives over the past five years and an analysis of specific demand side programs that could be considered as we go forward in the next decade.

Included in this review would be anticipated DSM methods. Such a process would be a positive step on the part of New Brunswick Power in complying with the Province of New Brunswick's climate change action plan and the implementation of the energy policy. We would trust that NB Power would desire to be proactive and not reactive in this regard.

Dealing more specifically with the issues raised in questions 2 and 3 which are, what are the relevant issues to be reviewed and what is the nature and scope of the evidence?

First I would like to say the Department was pleased at the level of cooperation of the witnesses over the past two days. It is clear that in view of the public interest in these proceedings there is very little that NB Power were trying to suppress.

The transcripts will reveal many references where NB Power has agreed to provide certain evidence at a site-specific hearing. And perhaps with only the exception of

some demand side issues there has not been a disinclination to provide such materials.

Certainly the future process is more difficult when a perception arises that something is to be hidden. And happily that is not the case here.

The Province of New Brunswick wants to state for the record their general satisfaction in NB Power's responses to the request for evidence and are pleased that NB Power will make such evidence available during a site-specific hearing.

And I might add that a casual glance of NB Power exhibit 9 appears to have covered a number of the major issues. And I'm sure they will be looking diligently at the transcripts to ensure their compliance.

And while the transcripts and the undertakings will speak for themselves, there are a number of issues that the Province of New Brunswick wishes to highlight.

First and foremost we believe that there is a need to compare apples to apples. In dealing with the cost of power, of life cycle of each alternative, we will require that a full analysis of the cost of producing a kilowatt of power for each alternative. It is not enough to say that nuclear generation is 3.5 cents per kilowatt or natural gas is 5.6 cents per kilowatt.

How does NB Power get to that conclusion? We ask for

those parties that were without technical resources to analyze the information, NB Power takes special steps in formatting so that they can show some consistency in the consideration of option to option so as to make it easy to review.

We believe that the hearings illustrate that there is some cloud or -- I hate to use the word "smog" -- over the New England pricing issues to be resolved.

New Brunswick Power's expert on New England pricing was satisfied that New Brunswick Power's approach to analyzing this market was appropriate and reasonable. He did not share the conclusions that NB Power had reached.

NB Power should do a further analysis with Mr. Dalton so as to examine the full state of the differences and submit it as part of the hearings.

Is there a risk over the next 10 years that sales in New England may cease to be a good thing? How high is the risk? Certainly if there can be a resolution of this issue then it makes sense.

NB Power is planning the sale of 3 terawatts of power of electricity from Point Lepreau to New England. The evidence of Mr. Marshall yesterday suggests that Coleson Cove may run on a full-time basis if that market is available.

The continuation of this market in the future is

integral to New Brunswick Power's business plan. With respect, when their independent expert has reached, by whatever process, conclusions that vary with New Brunswick Power's own analysis, the confusion, I would dare say the smog must be removed.

We generally support the building of additional transmission lines to New England. This practice is consistent with the Province's energy policy. The argument that it permits NB Power to purchase from these markets also is important to ensuring reliability and the overall pattern of sales of New Brunswick Power to the New England markets.

We do however require evidence detailing the progress of the regulatory approvals, the cost and time lines for the completion of these transmission projects.

New Brunswick Power's evidence suggests that there will be a two-stage analysis of generation alternatives, preliminary analysis and then a more detailed. More evaluation criteria will be used to analyze those alternatives which passed muster at the preliminary state.

However as part of the evidence presented at a site-specific hearing we submit that NB Power must show the analysis that was used to screen out the preliminary projects.

Accordingly we would expect that in evaluating these

alternatives, New Brunswick Power provide evidence that justifies their decision to eliminate any alternatives in the preliminary analysis.

Many of these alternatives are likely to be alternatives which may be environmentally friendly and may involve tradeoffs between the economy and the environment. New Brunswick Power must be able to demonstrate to the public beyond doubt that the tradeoffs they make make sense.

New Brunswick Power has agreed to provide costs of electricity during the time of refurbishment of Point Lepreau and a plan as to how this demand will be met. In addition we trust that adequate sensitivity analysis will be provided to allow for construction cost overruns and overextended construction periods.

The Province of New Brunswick takes particular exception to the fact that environmental issues -- environmental requirements that there should be no repeat of environmental review issues.

We find it difficult to conceive of how public hearings of a site-specific application will occur without reference to environmental issues.

In particular we refer to the cost of environmental alternatives. If an extra expenditure will mean NB Power is doing the environment better, then at least the

alternative of whether the expenditure should be made should be considered.

While we agree the hearing should not be a complete environmental assessment, different alternatives in terms of the environment will permit different evaluations of cost -- permitting differing evaluations of cost fall well within the scope of the hearings before you.

The Province of New Brunswick submits it is properly the subject matter of hearings under this Act. We cannot recommend that there be a "no repeat of EIA issues." And from the practical sense we do not know how this will occur. The events of this hearing in fact show quite clearly the extent of the environmental issues.

We were very much struck by the fact that none of the New Brunswick Power witnesses could accurately tell this Board the current state of environmental applications nor what applications would have to be made under various environmental legislation.

It bothers my client to hear officials say that environment issues are a business constraint and that NB Power's policy is simply to comply and not do it better unless there is a good economic reason to do so.

This causes concerns. It illustrates an attitude. The Province submits New Brunswick's position that the environment is a business constraint is indicative of

their position there should be no repeat of the EIA issues.

However we submit that the evaluation of economic choices and savings to the environment are alternatives that should be on the table at any site-specific hearing.

We believe that all of the alternatives of delivery of fuel to Coleson Cove should be spelled out. Even if NB Power has before a site-specific hearing made a decision on the method of transportation and delivery of product, the elimination of these other alternatives must be justified.

We suggest that the method of delivery issue is integral to Coleson Cove as a whole and should be made part of the entire package.

We have concerns that there be a full analysis of the cost of long-term interruption of supply of orimulsion. Notwithstanding that the supplier's long-term doing a good job, it appears to us to be a significant downside if there is only one supplier.

If supply is interrupted in the long term what is the result? What is the change of cost in production if Coleson Cove must utilize number 6 fuel for an extended period of time or must switch from fuel to natural gas?

We have previously spoken to the demand side alternatives. And we repeat these arguments under issues

2 and 3 and submit that it would not be proper if demand options were not considered.

In summary, Mr. Chairman and members of the Board, the Province of New Brunswick confirms New Brunswick Power has demonstrated that there is a substantial requirement to replace the power from Coleson Cove and Point Lepreau. We believe they have been cooperative in undertaking to provide the detailed evidence.

We believe that their desire to set aside demand side initiatives and avoid dealing with tradeoffs between the economy and the environment should not be shunted aside but should be part of a meaningful discussion of these issues on a site-specific hearing.

That concludes my remarks.

CHAIRMAN: Thank you, Mr. Hyslop.

(Recess)

CHAIRMAN: Perhaps you could stay right there for now. I don't know if there is anybody else coming or not, but Enbridge Gas New Brunswick? Emera Incorporated?

MR. BLAMIRE: No comments.

CHAIRMAN: Mr. Gillis?

MR. GILLIS JR.: No comments.

CHAIRMAN: Irving Oil Limited?

MR. CLINTON: No comments.

CHAIRMAN: J.D. Irving Limited?

MR. DEVER: We just have a brief comment to make, Mr. Chairman.

CHAIRMAN: All right. Do you have a mike close at hand if it's brief or do you want to come up to the --

MR. DEVER: I can speak from here at your pleasure.

CHAIRMAN: All right. Go ahead, sir.

MR. DEVER: Mr. Chairman, Commissioners, J.D. Irving and Irving Paper are NB Power's largest industrial customer. NB Power is well aware as a result of previous discussions of our major concerns concerning energy cost and reliability. In fact, energy is the only significant cost input that places our paper business at a competitive disadvantage when compared to our competitors.

As such, the ability of NB Power to provide reliable low cost power in a deregulated environment is of critical importance to us.

J.D. Irving supports the view of NB Power that it has demonstrated that the electricity generated by Coleson Cove and Point Lepreau will be required in the future.

Furthermore, we believe that the relevant issues to be reviewed in conjunction with any specific facility upgrade and the evidence to be provided in the specific hearings has been appropriately identified throughout this hearing process.

Having said that, we recognize that the quality of the

evidence is just as important as the type of evidence to be presented. We anticipate that NB Power will demonstrate through the evidence provided that its decisions are justified.

In particular we are concerned about the cost control of any refurbishment project, during construction, and we are also concerned about the cost of replacement energy or electricity, in particular during the Point Lepreau refurbishment where we have perhaps an 18 month construction period.

That concludes our remarks.

CHAIRMAN: Thank you. And was that Mr. Wolfe? Okay. Nova Scotia Power?

MR. WALLACE: No comment.

CHAIRMAN: Saint John Citizens Coalition for Clean Air? Saint John Energy?

MS. COUGHLAN: Yes, Mr. Chairman, we have some brief comments we would like to make.

CHAIRMAN: All right. The Board is going to take a break then right now. We had not anticipated that Saint John Energy would want to say a few words.

When we come back, Mr. Hashey, after your rebuttal, the Board may have some questions of the participants too. I just put you on warning for that. We will take a 10 minute recess.

(Recess - 2:45 p.m. - 3:10 p.m.)

CHAIRMAN: We will hear now from Saint John Energy. And after that the Board has at least one question it wishes to put to the intervenors and see if they want to comment on it.

Then we will take a break and Mr. Hashey will prepare his rebuttal and we will come back in and have that.

Ms. Coughlan?

MS. COUGHLAN: Jennifer Coughlan, Saint John Energy. Mr. Chairman, Commissioners, as I said earlier, we have just a few brief comments.

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

Currently, Saint John Energy has a long term contract with NB Power and this contract is based on cost of service. We have concerns as to how these expenditures will affect our contract. We are also concerned with the cost of replacement electricity while Coleson Cove is shut down and the effect on ratepayers, ourselves included, in New Brunswick.

Although we are not a generating utility, we are an

environmentally aware organization having obtained ISO 14001 certification in January of this year, and as a result, we understand that these expenditures are essential to meet environmental requirements and we support the efforts being made.

Finally, Saint John Energy is aware that all these issues will be discussed in detail at the project-specific hearings to be held later this year and we look forward to hearing evidence on the aforementioned. Thank you.

CHAIRMAN: Thank you, Ms. Coughlan. You can sit right where you are if you want to.

In particular the question that I would like counsel and/or intervenors to respond to is that basically is Mr. Coon's argument with the mathematics of what the shortfalls are, as well as the export, in that in 2007 there is only a shortfall of 304 megawatts that rises to I think 428 in 2011 but -- and of course there is the export contracts, including P.E.I., export sales showing of 200 megawatts.

Do any parties have any comments they wish to make in reference to that? And I will give Mr. Coon an opportunity to respond.

Nobody is rushing to the mike.

MR. HASHEY: Are you asking us, Mr. Chairman?

CHAIRMAN: No, I'm not asking you. You can do that in your

rebuttal, Mr. Hashey. I'm just wondering if any of the others, DNRE and I see an Irving enterprise over there raising their hand, so if you have something.

Mr. Hyslop?

MR. HYSLOP: Could the Chair just repeat those numbers again?

CHAIRMAN: Well I was speaking from my notes, but my notes of Mr. Coon's summation to us said that the projected shortfall in 2007 when Point Lepreau would go off line to be refurbished would be 304 megawatts, that would rise to 428 in 2011 if Lepreau were not refurbished.

And Mr. Coon, as I understood his argument, maintained that one should be able to subtract the export figure, which I took down as approximately 200 megawatts. Is that right, Mr. Coon?

MR. COON: 220 megawatts.

CHAIRMAN: 220. So I simply wanted to have your comments on it if you had any, Mr. Hyslop?

MR. HYSLOP: Thank you, Mr. Chair. Just a moment to consult with Mr. Barnett. Yes. Thank you, Mr. Chairman. I apologize for the delay.

The Province's view with regard to the argument presented by Mr. Coon is that the export market has historically been an important point or part of the NB Power business plan.

And while there are certain reservations we have against -- about the plan itself and its continuation in the future, and we address that in our summations, the fact is the sale to New England has served to reduce the price of power to New Brunswick consumers.

And in anticipation of evidence to support that it's likely to continue in the future at a site specific hearing, we believe that a strong argument can be made that this type of deficiency would have to be covered.

CHAIRMAN: Thank you, Mr. Hyslop. And one of the Irving companies raised their hand. Would you identify which one and your name, please. Thank you.

MR. DEVER: Mr. Chairman, Bill Dever speaking on behalf of J.D. Irving Limited, I guess my only observation that I would make concerning the argument is that the forecasts our forecasts and they are predicated on certain assumptions in terms of what sort of demand is going to be placed on the system and what sort of fuel switching and other sorts of ideas might be available.

I guess we would be concerned that the -- that the -- that the assumptions may be low as opposed to high. And that in fact the shortfall may be higher than 300 megawatts under the forecast, as opposed to lower.

And on the basis of requiring a reliable source of power, we would be inclined to err on the side of caution

in terms of ensuring that that's available.

CHAIRMAN: Thank you. Any comments from Saint John Energy?

MS. COUGHLAN: No comments.

CHAIRMAN: All right. The Board will take a break to give Mr. Hashey an opportunity to prepare his rebuttal.

(Short Recess)

CHAIRMAN: Mr. Hashey, during the break Mr. Coon properly pointed out to me that I had said that he would have an opportunity to respond to anything any of the other intervenors had to say in reference to my question. I didn't give him that opportunity. So if you would like to take it now I will let him speak.

MR. COON: Thank you, Mr. Chairman. It's just to point that if this shortfall in generation requirements that have been identified in the load forecast is taken at face value that in fact within 10 years we are talking about a $700 million refurbishment for Point Lepreau to supply 228 megawatts of capacity for in-province requirements in the year 2011. So that's the only point I wanted to make.

CHAIRMAN: Thank you, Mr. Coon. Mr. Hashey.

MR. HASHEY: Yes. Thank you, Mr. Chairman. First of all, we do appreciate the support received from customers and from the Province suggesting that they recognize the need for New Brunswickers to have adequate power. I think that's really the essence of this matter.

I will make really responses very brief and on five points.

First of all, the first point is the very point that you have addressed. I think the answer to that is the basic answer that the 220 megawatts that Mr. Coon and others have spoken of and you have questioned about, these are contracted sales. They can't be expropriated for the people of New Brunswick. They are contracted for the life of units. There is an obligation to deliver. It's not something you can free up for the people of New Brunswick if there are shortfalls.

CHAIRMAN: Mr. Hashey, are you able to share with us what they represent? I know there is what, approximately 30 megawatts of Point Lepreau, is that not correct, that goes to P.E.I.? And there would also be a contract with in reference to the Dalhousie, as I understand it?

If you could just fill us in on that we would appreciate it.

MR. HASHEY: Yes, I will reference that for the exactness. I think I know, but I may be wrong.

MR. MACPHERSON: The contracts are 200 megawatts, the Hydro Quebec Millbank sale, and 20 megawatts of the Maritime Electric from Dalhousie.

CHAIRMAN: There is no Lepreau in there then at all?

MR. HASHEY: No. Point two, we recognize uncertainty.

That's I think unfortunately part of the economics of life in just about everything. And nobody could emphasize it more than the uncertainty that developed even in the natural gas situation which seemed to be so sound and simple.

We have heard some of the customers say that we may be low. What I think will happen is that what we have suggested and what is proposed is that there will be a sensitivity study and an analysis. And I think that will take care of this in the Coleson Cove hearing.

I mean we know that there is uncertainty. We will try to deal with that issue. You know if you ignore it, if you do what Mr. Coon is suggesting and just say look until there is certainty, you ignore it, we will all be living in California or somewhere far worse.

The third point that I would make is Coleson Cove. We are not looking at additional capacity here. This is an environmental issue I think which has been explained that this is why this refurbishment is being considered primarily. Coleson Cove is -- will be in this hearing, although we call it the Coleson Cove hearing, as has been stated, it is one option to be considered and dealt with at the hearing. Other options will be examined. The option re nonsulphur fuel will be evaluated.

What we are suggesting on this one though is that

there is no need of DSM on this site in this situation. And it's different possibly on Lepreau. On the Point Lepreau hearing, yes, it's agreed that consideration will be given to demand site options on this study.

Hopefully by that time, and this is not the first hearing, this will be sometime in a year or whatever the schedule may state now, by that time we will have more information on the government efficiency strategy.

Hopefully it will be in place by that time, so it can be provided as some guidance to us. And then it can be considered as to how this may fit into it. There is that uncertainty that exists, and hopefully by Lepreau we will have that. But certainly it will be a matter to be looked at whether that happens or not.

I think as the final point, we really do believe and respectfully submit that most, if not all of the issues, and we believe virtually all of the issues, if not all, have been raised and are dealt with in our summary sheets that we have supplied you.

I think it is a very broad mandate, it's been expanded considerably, and we are prepared to move in that direction and hopefully have a very meaningful discussion and a very meaningful presentation to you both in the evidence and throughout the process of this first requested hearing.

Those are my comments, Mr. Chairman.

CHAIRMAN: Thank you, Mr. Hashey. A couple of housekeeping items here before we adjourn.

The tentative schedule on the Coleson Cove has been passed out. And I want to emphasize tentative, because I think when I read off the dates for some of them to you yesterday at the close of the hearing, why I recognized that we really couldn't go ahead with the pre-hearing conference on Friday, September 7th, and I think that's because we are in the middle of a national convention or just before it. So we would probably switch it one week later in September, is what we would probably do with that.

But then during a break why some of the intervenors present here said, look, is there any way of working the start of the hearing from Monday, December 3rd back? And we checked with the hotel and a ballroom is available for the first four days of that previous week, which is November 26 to 29. But Friday would be taken up.

We will put a tentative reservation starting on the 29th -- excuse me, the 26th of November until we get further into this process and everybody can go home and find out how these dates will work.

But I just wanted to give everybody a heads-up as to a tentative schedule now so that you can block it off in

your agendas.

It's the intention of the Board to deliver an oral decision in this matter and do so at 11:00 a.m. on Wednesday the 11th of July at the Board's premises.

As most of you know, I know, we have moved premises from the old Provincial Building on Charlotte Street to the 14th floor of the City Hall building.

If in fact we are not going ahead with an oral decision on that date, we will inform all of the parties.

I believe that concludes everything but the decision. And on behalf of the commissioners and staff, I want to thank all of the participants here, and tell you that we have appreciated your participation and the smoothness with which the hearing has proceeded.

I want to thank NB Power's staff as well for their co-operation and seemingly come up with everything including the Energy Policy with five copies for us in the middle of a hearing. So we really appreciate that. And on behalf of the commissioners appreciate the assistance that our staff has given to us as well.

So we will look forward to seeing you on the 11th of July. Thank you very much.

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

Reporter