

NORTHWEST TERRITORIES PUBLIC UTILITIES BOARD

Northwest Territories Power Corporation

2022-2023 General Rate Application

Yellowknife, NWT  
September 8, 2022

Before the Northwest Territories Public Utilities Board:

Gordon Van Tighem - Chairman  
Tina Gargan - Vice-Chairman  
Myra Berrub - Member  
Danny Yakeleya - Member  
Joe Auge - Member

Appearances:

Public Utilities Board:

Ayanna Ferdinand Catlyn - Counsel  
Raj Retnanandan - Consultant  
Doris Minoza - Secretary  
Louise Beaulieu

Northwest Territories Power Corporation:

Paul Grant - Chief Financial Officer  
Chuck Myles - Director of Finance  
Belinda Whitford - Chief Operations Officer  
Andrew McLaren - Principal and Consultant  
Karen Salmon - Counsel  
Conner Goudreau - Financial Analyst

Stand Alone Energy Systems:

Dennis Bevington  
Jack VanCamp

Thermal Generating Communities

Rangi Jeerakathil - Counsel  
Dustin Madsen - Consultant

Towns of Hay River and Fort Smith:

Tom Marriott - Counsel

---

## INDEX

Opening Statement by Chairman of the Board	1
Opening Statement by Chairman of the Board	1
Cross-Examination by Stand Alone Energy Systems:	5
Opening Statement by Chairman of the Board	32
Cross-Examination by Mr. Jeerakathil - Thermal Generating Communities:	36
Cross-Examination by Mr. Marriott - Towns of Hay River and Fort Smith:	81
Cross-Examination by Northwest Territories Public Utilities Board:	105

1 Opening Statement by Chairman of the Board

2 MR. VAN TICHEM: Good morning, everyone. I would  
3 like to introduce the Public Utilities Board and staff. My name is Gordon  
4 Van Tighem; I'm chairman of the board. To my left is Ms. Tina Gargan,  
5 vice-chairperson of the board, and Danny Yakeleya, board member. To  
6 my right are Ms. Myra Berrub and Joe Auge, members of the board.

7 We have with us today our board secretary, Ms. Doris Minoza;  
8 board counsel, Ms. Ayanna Ferdinand Catlyn; board consultant, Mr. Raj  
9 Retnanandan; and Ms. Louise Beaulieu, who is here to assist Ms. Minoza.  
10 Our court reporter is Lois Hewitt. She'll be making a transcript of the  
11 hearing.

12 So in order to commence, just a few points. In case of an incident  
13 where you have to leave, there's two exits and right out to the front street,  
14 the marshaling area is across the street in the government's parking lot.  
15 Washrooms are through that door. And these recordings are being  
16 recorded, and transcripts will be available daily on our website.

17 We have pre-filed exhibits that are reflected in the websites, and  
18 there are 69 currently on the website. So for the hearing, any new exhibits  
19 will start with number 70.

20 So at this point, I would request confirmation of appearances,  
21 counsel representative for each of the interveners announcing their  
22 presence at the hybrid virtual and in-person hearing and confirm they're  
23 connecting by video conference.

24 In alphabetical order, Stand Alone Energy Systems, are you there?

25 MR. BEVINGTON: We're here. Dennis Bevington and

1 Jack VanCamp. We're sharing the same video conferencing equipment.

2 MR. VAN TIGHEM: Welcome.

3 Thermal Generating Communities?

4 [No response]

5 MR. VAN TIGHEM: Okay, how do we find them?

6 MS. MINOZA: I see they're online.

7 MS. FERDINAND CATLYN: This is TGC? I am emailing

8 counsel. He says he cannot get in. So counsel for -- Rangi at MLT, he's

9 indicating he can't get in yet. So IT can provide some assistance.

10 If you want to continue with the registrations, then we can register --

11 MR. VAN TIGHEM: Can they hear us?

12 MS. FERDINAND CATLYN: You can proceed.

13 MR. VAN TIGHEM: Okay, we'll proceed.

14 Towns of Hay River and Fort Smith. I saw Mr. Marriott on the

15 screen a minute ago.

16 MR. MARRIOTT: Yes, good morning, Sir. I'm here

17 and ready to go.

18 MR. VAN TIGHEM: I would now request NTPC counsel

19 to introduce the NTPC witness panel, and once introduced, the court

20 reporter will swear in the witnesses.

21 MS. SALMON: Good morning, Mr. Chair. Karen

22 Salmon, counsel for the applicant, Northwest Territories Power

23 Corporation. And with me today is Conner Goudreau, financial analyst

24 with NTPC.

25 Good morning, Mr. Chair, members of the board, staff, consultants,

1 counsel, interveners, and members of the public. I'd like to introduce the  
2 NTPC council.

3 The NTPC council - or sorry, the NTPC panel consists of Mr. Paul  
4 Grant, chief financial officer of NTPC. He is chairing the panel. To his  
5 right is Ms. Belinda Whitford, chief operations officer of NTPC. To  
6 Mr. Grant's left is Mr. Chuck Myles, the director of finance for NTPC. And  
7 to Mr. Myles' left, at the end of the table, Mr. Andrew McLaren, who is  
8 principal and consultant for Intergroup Consultants Ltd.

9 CVs for the panel were prefiled. They're found at Exhibit 62. And I  
10 would ask madam court reporter to swear in the NTPC panel, please.

11 Andrew McLaren, sworn

12 Chuck Myles, sworn

13 Paul Grant, sworn

14 Belinda Whitford, sworn

15 MS. SALMON: Thank you, madam court reporter.

16 The NTPC panel affidavits identifying and adopting the NTPC  
17 evidence that was filed in this matter are found attached to Exhibit 65.

18 And with that, the NTPC panel is available for cross-examination.

19 MR. VAN TIGHEM: Thank you. So then I would request  
20 Stand Alone Energy Systems to start the questioning.

21 MR. BEVINGTON: Good morning. Thank you for --

22 MS. FERDINAND CATLYN: I'm sorry to just interrupt. I think  
23 we're still waiting for Rangi. So we might want to just pause until he's able  
24 to join the meeting.

25 Is that what you're thinking as well, Karen?

1 MS. SALMON: Yes.

2 MR. VAN TIGHEM: Okay, hang in there, Dennis.

3 MR. BEVINGTON: Thank you.

4 MR. VAN TIGHEM: We're working on the -- getting the

5 Thermal Generating Communities online, so if anybody hasn't got a

6 muffin, this would be a good chance.

7 Dustin Madsen is online.

8 MR. MADSEN: Yes, I'm here.

9 MR. VAN TIGHEM: Okay, so we can proceed.

10 Mr. Bevington, are you still here?

11 MS. FERDINAND CATLYN: I'm sorry, Mr. Chair. We still need to

12 swear -- for them to introduce.

13 Dustin, are you with Rangì, just to confirm? It's Ayanna Ferdinand

14 Catlyn, counsel to the board. Just confirming.

15 MR. MADSEN: Yes, I'm not physically with Rangì.

16 I've been in communication with him this morning. He is having

17 connection issues, trying to get in through WebEx. I've not heard from

18 him, though, in about ten minutes, though. So I'm not entirely sure if he's

19 trying to find a work-around.

20 MS. FERDINAND CATLYN: Thank you. There we go.

21 MR. VAN TIGHEM: Good morning, Rangì.

22 MR. JEERAKATHIL: Hello?

23 MR. VAN TIGHEM: Good, you're with us.

24 Okay, can we go to Mr. Bevington, representing Stand Alone

25 Energy Systems.

1 Cross-Examination by Stand Alone Energy Systems:

2 Q MR. BEVINGTON: Good morning, everyone. It's a  
3 pleasure to be here. This is Dennis. I represent the Stand Alone Energy  
4 Systems, a company that has been in place in Fort Smith, Northwest  
5 Territories, for the past 20-some odd years. We deal a lot with renewable  
6 energy but we've also engaged in the past in a variety of regulatory issues,  
7 including work that was done in the early 2000s in Fort Simpson.

8 I'm here also as a ratepayer in Fort Smith; I have been for pretty  
9 well my entire life. And over that time, we've seen the growth of the  
10 community but we've also seen that the growth in the sales of the hydro  
11 system in this area have declined. And we're going to speak to that as  
12 part of our presentation here and as part of the work that we've been  
13 doing to bring this forward to the board.

14 We're also engaged in fairness. Some of the work that we're doing  
15 here was triggered by the statements of NTPC that the community of Fort  
16 Smith was not paying its fair share of the cost of the system, the electrical  
17 system. And I think we've demonstrated in a number of ways already that  
18 that is not necessarily the case and that many of the decisions that have  
19 been made by NTPC, by this board, and by the government of Northwest  
20 Territories have increased our costs in relationship to the actual cost of  
21 service. So those are things that we're very interested in. We hope to get  
22 some elucidation on this as we move forward through this process.

23 I have -- we have identified six areas that we want to talk about in --  
24 in this oral examination. And I'll start with one that relates to the use of  
25 energy and use of the total capacity of the system that is available to us

1 and that can help to alleviate not only costs to the community of Fort Smith  
2 but revenues to the power company and a chance to reduce the  
3 greenhouse gas emissions from the South Slave region. Those are all  
4 viable and important objectives, and we will -- we will work on those.

5 So one of the concerns we had early on was the characterization of  
6 the surplus. In SAES NTPC 10, NTPC state, on Taltson, the energy  
7 available is theoretically 18 megawatts times the number of hours the  
8 hydro plant is available about 90 percent of the year.

9 Now, that figure is just not correct. That would imply that the  
10 system is regularly shut down for five and a half weeks a year. And why is  
11 that important to actually get a correct figure on this matter? It's important  
12 because we need to understand the nature and the availability of the  
13 surplus if we're going to look at potential heat loads, potential use of  
14 hydrogen for storage of energy and for transmission of energy and other  
15 fashions.

16 So those are two -- so I'd like to clarify that for -- and have -- we  
17 consider the figure is closer to 95 percent, and we would also like to clarify  
18 the nature of the shutdown is the -- and to clarify that the shutdown of the  
19 Taltson hydro dam over the summer period for two, three weeks is done  
20 only on the basis of the required maintenance and the examination of  
21 facilities and not for any reason that could be done without a shutdown  
22 being in place.

23 So those are the two issues that we feel are very important there,  
24 and we'd like to have NTPC board speak to those.

25 A MR. GRANT: I'll ask Ms. Whitford to respond to



1 that.

2 A MS. WHITFORD: Thank you. So I'll clarify the first  
3 point. So when we stated that the Taltson hydro system was available for  
4 90 percent of the time, the intention was that it was 90 percent or more.  
5 90 percent wasn't meant to be a hard and fast number on when that  
6 system was available.

7 So generally when we have a shut down, we have an annual  
8 shutdown. And the purpose of what we would call a shutdown is to go and  
9 de-water the unit, go and inspect all the pieces of the unit to make sure  
10 that its condition is as we expected that it hasn't unexpectedly deteriorated  
11 in ways that we couldn't see from the outside and just regular day-to-day  
12 inspections. So the shutdown is required maintenance for a hydro  
13 generation unit on an annual basis.

14 Generally the shutdown would happen between two to three weeks.  
15 It depends if there is something that would happen. Sometimes we don't  
16 do maintenance -- the same maintenance every year. Sometimes it's  
17 more cyclical, so it's every three years, every five years. So the shutdown  
18 time will fluctuate. But availability is also impacted not only by planned  
19 maintenance but also by unplanned events as well. So a good example is  
20 in the summer of 2021, it was extremely hot in the South Slave area, and  
21 we -- the governor on the unit was having problems operating. And so  
22 there were unexpected shutdowns of that unit during that time in early  
23 July.

24 So the availability is not only planned shutdowns but also  
25 unplanned events that may happen. And though we try to prevent the

1 unplanned events from happening, it does happen.

2 Q MR. BEVINGTON: We're now going into a hydro  
3 rehabilitation project which is going to cost the rate payers a very large  
4 sum of money.

5 Will the rehabilitation project on the Taltson reduce the time  
6 required for average maintenance on that facility in the future?

7 A MR. GRANT: Again, I will have Ms. Whitford  
8 answer that.

9 A MS. WHITFORD: So what we are expecting is that the  
10 overhaul will reduce unplanned shutdowns of the hydro unit. That is what  
11 we're trying to prevent by doing this major work.

12 Planned shutdowns, I would expect that there may still be. After  
13 the first year, we're installing a new turbine and a new generator in the  
14 unit. So after the first year, there may need to be -- after it's operated for a  
15 period of time, we may need to shut down the unit the following summer  
16 so that we can go in and inspect things, make sure everything's running as  
17 expected, and then again the -- there would likely be maintenance done  
18 every year. The length of time I would expect would be a smaller window  
19 than, say, with the older unit that we have in place now, but it definitely  
20 wouldn't preclude us from doing annual maintenance shutdowns in the  
21 future.

22 Q MR. BEVINGTON: Okay. Now, you made another  
23 response, and this is to board NTPC 2 where you state the hydro system  
24 can support additional heating loads using the currently related maximum  
25 18 megawatts. The potential is limited due to it being a winter peaking

1 load. About 3 megawatts is available at most.

2 Now, can you qualify that a little? Because that would suggest that  
3 the peak load would be 15 megawatts on the system. And would that  
4 encompass one day? Two days? A month? A week? Would it be simply  
5 at the time of the day when most of the power is being generated, say,  
6 between 4 and 8 o'clock? Or is this -- so have you picked a number that  
7 really represents the ultimate possibility of the use of the system as it now  
8 exists?

9 A MR. GRANT: I'll ask Ms. Whitford to answer this  
10 also.

11 A MS. WHITFORD: So when we're saying that the 3  
12 megawatts are available, I would say that that is compared against the  
13 peak usage. That doesn't mean -- I can't tell you what that means, if that  
14 meant that it was available -- it only -- we only had 3 megawatts available  
15 for one hour or if we had it available for two months of the time. So it  
16 varies depending on the load in the community. You would need a more  
17 detailed assessment if you wanted to know, like, how much that was  
18 available very specifically by -- whether it was like you suggested on a day  
19 or if whether it was for only on the weekends or when that was.

20 MR. BEVINGTON: I'd ask Mr. VanCamp to speak to this  
21 as well.

22 Q MR. VANCAMP: Yes. Jack VanCamp here.

23 Surely the power corporation has kept records of shutdowns over  
24 the -- over the years, and they would know precisely from the records of  
25 when the facility was shut down, how long it was shut down.

1                   Why has the power corporation not shared that kind of information?  
2                   Surely there's some variability, but that's what statistical analysis is about.  
3                   If we're going to do a study, then can we look at actuals instead of  
4                   estimates and -- and --

5                   MR. BEVINGTON:                   Best guesses.

6                   Q MR. VANCAMP:                   And guesses?

7                   A MS. WHITFORD:                   So with respect to the shutdown, the  
8                   shutdown happens in the month of August, generally. Sometimes it might  
9                   start a little earlier at the end of July. But it's during the summer months  
10                  when there is generally more availability on the system. So it would be  
11                  more than the 3 megawatts. 3 megawatts is talking about -- that  
12                  availability would come in the middle of winter, so in January or February  
13                  when it was colder, and there is more usage on the system, and the  
14                  system is limited.

15                  So really Taltson, same thing as the Snare hydro zone. They are  
16                  very seasonal in terms of what load is available for other uses compared  
17                  to -- yeah, it's very seasonal. So we have a lot of load available in the  
18                  summer when there's less -- less heating demand on the system, less  
19                  electrical demand on the system. And then we have little load left in the  
20                  winter.

21                  Q MR. BEVINGTON:                   You know, I think the problem here is  
22                  that NTPC is not providing good numbers on a resource that belongs to  
23                  the people of the Northwest Territories which could be used for our  
24                  benefit.

25                  Now, if we get this kind of reporting where -- where it's -- it's very,

1 very casually tossed off, this is not the way to run a utility company that  
2 belongs to people in the north. We need the good numbers put in good  
3 fashion so that everybody, including this public utility board, can  
4 understand the nature of the use of the system. If you don't do that, you're  
5 failing at your job. And we -- we really don't want you to fail at your job.  
6 We want to be a success. We want all of this to be a success. So let's  
7 get these proper numbers in front of the public utility board so that it can  
8 actually assess the situation, and also so that the Government of the  
9 Northwest Territories is well-acquainted with what we have to offer in the  
10 Taltson system going forward.

11 Now, that's not really a question, and I apologize for making a  
12 statement, but that's something that has to be done as well.

13 Now we'll move on.

14 I'm very interested in the cost of service for wholesale rates in the  
15 Taltson grid.

16 Now my understanding is that Mr. Grant has been the one that's  
17 been responding to us on this particular item according to some of the  
18 paperwork that we've got from it. But we gave a pretty detailed analysis of  
19 what we thought a correct cost of service might look like for -- for the  
20 wholesale rates in Hay River.

21 And this makes a difference because what we see is that the  
22 burden of cost has been laid upon Fort Smith and Fort Resolution. 57  
23 percent of the energy that is sold from the Taltson is sold at wholesale  
24 rates to NUL. They are responsible according to NTPC and the board for  
25 33 percent of those costs of running the system. So that -- that triggered

1 an examination of this by ourselves because, of course, we want to make  
2 sure that there's fairness in the system.

3 And I might add it's not NTPC's job to determine fairness, but it's  
4 this board's job to determine fairness.

5 So NTPC's response to us on this was to say, well, there was a  
6 cost of service analysis done in 2018; we -- but there was no presentation  
7 or -- or intervention by the Town of Fort Smith or -- or any of the customers  
8 other than the Town of Hay River and Northland Utilities. So we're -- we  
9 had to take a good hard look at this.

10 The first question I have for Mr. Grant is in the allocation of  
11 common costs, would Northland Utilities pay a hundred percent of the  
12 allocation of common costs as prescribed in the Government of Northwest  
13 Territories directive, or are they paying less? According to how much  
14 power is being used. So if they're using 50 percent of the power, are they  
15 paying 57 percent of the common cap cost allocation in the Taltson zone?

16 A MR. GRANT: I will ask Mr. McLaren to respond to  
17 that.

18 A MR. MCLAREN: Sure. Thank you. Good morning.

19 There is a portion of the common costs that relate specifically to  
20 distribution functions, and Northland Utilities, the wholesale customer,  
21 does not pay a share of those common costs that relate specifically to  
22 providing distribution services. And that arises from a 2011 update, I  
23 believe, to the GNWT guidelines that was developed based on a  
24 proceeding in 2010 and a recommendation from the utility board to  
25 segregate those distribution costs and treat those separate.

1 Q MR. BEVINGTON: Okay, I was looking forward to that  
2 answer because I also did look at that particular thing.

3 So of the \$23 million that is in the forecast for common cost  
4 allocation, the Taltson zone has 18 percent of that. That amounts to 18 --  
5 and actually our consumer sales are 18 percent of the total. So if NUL is  
6 not paying the full price on the common cost allocation, where is the rest  
7 of the dollars being assigned to pay for that 18 percent share?

8 A MR. MCLAREN: I'm not sure about the 18 percent  
9 number. In terms of what happens to the distribution portion of common  
10 costs, those costs are shared among the customers who receive  
11 distribution service from NTPC. So those would be retail level customers  
12 in Snare, Taltson, and the Thermal zone.

13 Q MR. BEVINGTON: Okay. So we have a graph of those  
14 numbers, and they show \$1.1 million headquarters costs are assigned to  
15 the Taltson generation -- two backup generators. So is that money then  
16 put into the nonfuel operating and maintenance cost of the Taltson  
17 system?

18 A MR. MCLAREN: On the Taltson system, NTPC only  
19 provides backup diesel service to Fort Smith and Fort Resolution. NUL  
20 Hay River provides their own diesel backup. So any costs that relate to  
21 providing backup diesel generation service would be allocated entirely to  
22 Fort Smith and Fort Resolution.

23 Q MR. BEVINGTON: So the 1.1 million that was identified  
24 in the 2016/19 general rate application for those costs was 1.1 million. So  
25 Fort Smith and Hay River is paying headquarters cost amounting 1.1

1 million for running two backup generating systems in each community.

2 Now, does that 1.1 million, which was taken out of the common cost  
3 allocation share that NUL has -- doesn't have to pay, is that represented in  
4 the nonfuel operating cost for the Taltson system?

5 And we can look at distribution as well. Headquarters costs of  
6 858,000 for distribution in two communities; 858,000 headquarters cost to  
7 make sure that the lines in Fort Smith are sending power over there.  
8 That's what your cost of service analysis has done in 2016/19?

9 A MR. MCLAREN: Sorry, Mr. Bevington. I'm really  
10 having trouble following those numbers. I don't know what exhibit you're  
11 looking at.

12 Generally, I would say that the -- in my experience, the -- the costs  
13 related to the backup diesel plants in Fort Smith and Fort Resolution  
14 would be budgeted directly to the Taltson zone. It wouldn't be part of  
15 those common costs. But if I'm -- if I'm wrong about that, Mr. Grant can  
16 correct me.

17 So they wouldn't -- the cost of the standby plants would not be in  
18 that common cost number. It would be in -- to the extent that there's  
19 nonfuel operations and maintenance, it would be in the nonfuel operations  
20 and maintenance, and then there would also be capital costs associated  
21 with those facilities.

22 Q MR. BEVINGTON: The capital costs of those facilities  
23 are handled in a different part of the budget. Those costs were  
24 headquarters costs for -- for the operation and maintenance of two backup  
25 diesel systems in Fort Res and Fort Smith.



1 Now, that seems to me to be outlandish when the same  
2 headquarters costs for 25 different communities amount to 3.3 million, and  
3 those communities are not on road -- all on road systems, and they're  
4 certainly not within 200 miles of the headquarters.

5 MR. VANCAMP: Not backup.

6 Q MR. BEVINGTON: And they're not backup.

7 So really, those numbers exhibit something that we -- we would like  
8 to go back and determine fairness on. And as well, with the distribution  
9 costs that were taken out of NUL's share of the common cost allocation of  
10 858,000 for two communities also seems to be a bit rich when -- in  
11 comparison to the common cost allocation for distribution in those other  
12 25 communities. And I think the public utility board should take a good  
13 hard look at that again because that seems to be a little bit out of line.

14 So that -- those are -- now, when it comes to the total cost -- so  
15 we've separated now that the common cost allocation of -- total for the --  
16 and we went through the numbers here. We -- we would suggest that the  
17 common cost allocation -- 58 percent of the common cost allocation for  
18 the Taltson zone for NUL should be 1.960 million. And quite clearly that  
19 comes after the take-out of those generation and distribution costs.

20 Then we looked at the -- and once again, you know, if you start off  
21 with \$2 million and then for the -- for the amortization expense and the  
22 cost of general O and M in the Taltson system, and you come up with \$3.7  
23 million after -- take 2 million off for the common cost allocation, and you're  
24 left with 1.7 million to cover the costs of those other two cost areas, which  
25 amount to \$9 million, and -- and you're saying that the NUL share is only

1 1.7 million out of that? I -- I mean, it beggars common sense to say that  
2 that is a -- is a good arrangement of cost.

3 Now, why is it important right now to the Public Utility Board?

4 Because the cost of service analysis is the one that is determining that the  
5 residents of Fort Smith are not paying their fair share. And so if the cost of  
6 service analysis is skewed, then the cost of -- to the community must be  
7 changed.

8 MR. VAN TIGHEM: Mr. Bevington, if I could encourage  
9 you to move more in the direction of asking questions.

10 Q MR. BEVINGTON: Okay. Well, my question is what is  
11 the allocation of total amortization expense and return-on-rate base  
12 including headquarters for the NUL share of the common cost -- of the  
13 cost of service?

14 A MR. MCLAREN: I don't have that number in front of  
15 me, and I'm really struggling to follow some of the numbers that you're  
16 quoting.

17 Q MR. BEVINGTON: Well, you can go to NTPC.SAES-3,  
18 which is the information that we provided to you prior to this. And there's  
19 three pages of it. I hope that someone that is getting paid to look at this  
20 information would -- would be able to speak to it.

21 A MR. MCLAREN: Sure, I have -- I'm just going to try  
22 and walk through this.

23 For the benefit of others following along, I'm in Exhibit 45. It is -- it  
24 is SAE -- NTPC.SAES-3. And I believe this is the material Mr. Bevington  
25 was talking to. I'm on page 4 of 13 of the PDF. And there's some

1 discussion in this response from SAES about three buckets of cost. Non  
2 -- the first being nonfuel operations and maintenance expense. And  
3 there's a bit of an analysis based on using, I believe, an energy allocator,  
4 57 percent, which I think is roughly the breakdown of the kilowatt hours of  
5 energy.

6 On the nonfuel operations and maintenance expense portion of  
7 that, my comment on that would be that there are some distribution and  
8 diesel generation costs typically included in nonfuel operations and  
9 maintenance expense. Because NUL NWT isn't provided those services  
10 by the corporation; they provide their own distribution and thermal  
11 generation services, the portion of that nonfuel operations and  
12 maintenance costs relating to thermal generation and distribution would  
13 not be allocated to NUL in the cost of service study. So that's why the  
14 number is different than the 57 percent number used here.

15 On point 2, on the common cost allocation --

16 Q MR. BEVINGTON: I wouldn't agree with that.

17 If you look at the -- we -- we agreed that there was room -- the point  
18 is the large number, 6.4 million, needs to be reduced to 3.9 million.

19 Can you explain how you did that?

20 Now, there's one area that you can say, yes, we reduced the  
21 nonfuel O and M from 2.1 million. You can take it down to 1 million; you  
22 can take it down to 500,000. But you still have the amortization and  
23 return-on-rate base.

24 So those three areas are the cost areas of this -- of this zone. And  
25 to our mind, this needs further examination, to be fair.

1           Remember, we also said that we weren't including the unfair nature  
2 of the assignment of line loss. So those things have -- are not part of  
3 fairness, this situation that we were talking about here. And, you know, we  
4 can go on on this for quite a while. But the point is we've -- we've put  
5 something down. You did not refute it in your rebuttal, and we wanted to  
6 know why you didn't refute it and why you didn't give us the numbers that  
7 you're working with. And -- and that lack of information, it causes  
8 difficulties.

9           So we gave you the information that we see. You chose not to  
10 respond to it. Instead, you said, well, it was dealt with beforehand.

11           Well, whether it was dealt with beforehand or not, there's a question  
12 of fairness. And the board must look at fairness. And if there's something  
13 that hadn't been looked at in 2016 to '19 because there wasn't  
14 representation from Fort Smith on -- or intervention, then it needs to be  
15 looked at again.

16           So I'll leave that now. And we can't really go any further because  
17 obviously this has not been looked at by the witnesses that we have here.

18           So we'll move on then to the condition of the Fort Smith distribution  
19 system, NTPC operation regime for interruptible power.

20           Now, NTPC's made a couple of statements here. One of them is  
21 on page 651 of the general rate application. They said, "In the case of  
22 interruptible loads such as heat, NTPC does not make capital  
23 investments, including distribution system upgrades, to accommodate  
24 these rates."

25           In the same document, NTPC says they're going to do path study of

1 the distribution system.

2 We know the distribution system is not capable of delivering the --  
3 the available power that could be used for heating to reduce costs, to add  
4 revenue, to reduce greenhouse gas emissions to customers that are going  
5 to be here for another hundred years.

6 So what is it that NTPC's going to do for us to determine what is  
7 needed in the distribution system in Fort Smith to deliver the surplus  
8 energy that can be used for heating, and not just heating one or two  
9 buildings but heating demand that is 2.3 million litres of fuel. So that --  
10 that's a considerable volume of fuel. What is NTPC doing to ensure that  
11 the upgrading of this system is going to be considered, unlike what they  
12 said in the document, and that they're going to do the study that they said  
13 they're going to do in 2022/23? And not just examine the nature of the  
14 polls, because we understand that study's going on right now. But to  
15 understand what transformers, what insulation -- insulators need to be  
16 replaced, what has to be done in the system to allow us to utilize this  
17 energy for good purposes.

18 A MR. GRANT: I'll again ask Ms. Whitford to respond  
19 to this.

20 A MS. WHITFORD: So NTPC needs to do exactly what  
21 you're suggesting, Mr. Bevington, is the study. Part -- what the study is  
22 going to identify is whether there are portions of the line that need to be  
23 replaced; whether transformers -- and which transformers need to be  
24 replaced if we're going to upgrade the distribution lines to allow for  
25 additional heating loads; which -- how many insulators need to be

1 replaced, all of those components.

2 So that's the intention of the study is to understand the scope of  
3 work that needs to be done to upgrade the distribution system in Fort  
4 Smith and then to get an estimate of what the cost of that upgrade will be.

5 To date, NTPC has not -- we've -- we've brought on -- any  
6 customers who want to add heating load to the system, we have been  
7 able to bring them on and add them. But we do want to make sure that we  
8 can continue that on a -- on a bigger scale, on a more industrial scale.  
9 And that's what this distribution upgrade project will -- will bring.

10 Q MR. BEVINGTON: So -- so the statement that was  
11 made on page 651 of the general rate application, we can just disregard  
12 that. That's just something that was said that really is not the intention of  
13 NTPC or the direction that they're going in.

14 A MS. WHITFORD: Sorry. Is this Exhibit 1, page 651,  
15 or --

16 Q MR. BEVINGTON: Yes, that's --

17 A MS. WHITFORD: -- PDF 651?

18 Q MR. BEVINGTON: That's correct.

19 A MS. WHITFORD: I have a different -- so I believe that  
20 my statement is consistent with what we say in that document. We  
21 aren't -- we are not restricting sales to firm customers and folks who wish  
22 to have interruptible heating load, we need to -- we need to confirm what  
23 the capacity is on the distribution system or what upgrades need to be  
24 made in order to -- to take them on on a broader scale.

25 Q MR. BEVINGTON: Well, that's very good; I'm glad

1 you're making that point. And I -- I was very upset with that statement  
2 because it seemed very -- and you'll have to maybe look through the  
3 documents, but my understanding is from my records that was page 651.

4 The question about operating regime too, I mean, it's not just good  
5 enough to talk about how you're going to upgrade the distribution system.  
6 There's a whole operating regime that's required for -- for heat loads in  
7 communities.

8 If you're -- you know -- and I -- in conversations I've had with the  
9 Town of Fort Smith, they've been kind of unhappy with the fact that in the  
10 arena, the heat load has been shut down for -- for days on end because of  
11 peak load at a certain point in the day. So we need to have -- NTPC really  
12 needs to look at how to meter these systems so that -- at the lowest cost  
13 to the customer for transfers. If you put a heat coil in a furnace, and you  
14 raise the amount of electricity used in your residence from the average  
15 watt to quite a bit higher over the winter months, you can pretty well  
16 guarantee that's for heat.

17 So how we're going to monitor and -- and make available heat load  
18 for community members is something that NTPC has to take into account,  
19 as well the ability to -- to interrupt heat load.

20 I mean, we agree totally that backup heat systems are in most  
21 buildings here and should remain. But -- but NTPC has to have a very  
22 clear and precise way of interrupting heat load and restoring heat load as  
23 soon as power is available in order to get the maximum efficiency and the  
24 maximum revenue and the maximum effect from the system.

25 So there are other things that NTPC has to look at, and we made

1 some statements about that in some of the information that we provided to  
2 NTPC.

3 The role of the board here, the board will have to decide what its  
4 role is in -- in bringing this forward. If NTPC's saying it's going to make it  
5 more available, let's have the board make sure that it's fair for everyone.

6 Remember, fairness is the board's responsibility, and the board  
7 needs to take a role in fairness.

8 We'll move on then to --

9 MR. VAN TICHEM: Thank --

10 MR. BEVINGTON: -- NTPC's statement.

11 MR. VAN TICHEM: Thank you, Mr. Bevington. I

12 appreciate the recommendations. But could we work toward having less  
13 preamble and more question.

14 Q MR. BEVINGTON: Okay. Well, fair enough. And I  
15 apologize if I'm more verbose than you're used to.

16 NTPC statements on the production of hydrogen from surplus  
17 power in the Taltson system: And NTPC has said to -- in response to  
18 inquiries on this that they don't consider this to be an appropriate use of  
19 the surplus energy.

20 I'd like them to comment on that, to bring it out a little more so that  
21 we can understand what their issue is with the idea of green hydrogen  
22 being produced from the Taltson system.

23 A MR. GRANT: NTPC has not looked at hydrogen  
24 generation as yet. We did -- at least not recently. We did put out an RFP  
25 back in 1995 I believe. Went so far as to create a rate for hydrogen



1 generation out of the surplus power at Taltson. No one actually  
2 responded to that.

3 Q MR. VANCAMP: Could you -- could you enlighten us  
4 what that rate was and how long it was in place and for how much power  
5 that -- that rate was dedicated to?

6 A MR. GRANT: I don't believe the rate was dedicated  
7 to any significant -- or specific amount of power.

8 Q MR. VANCAMP: I believe it was 10 gigawatt hours.

9 A MR. GRANT: Okay. And I believe that -- subject to  
10 check, it was at a rate of 25 cents per kilowatt hour.

11 Q MR. VANCAMP: No. It was point 25 cents.

12 A MR. GRANT: Okay. Yeah --

13 Q MR. BEVINGTON: Yeah, we were engaged in this  
14 discussion at that time, and, yeah, the rate that was offered was -- was not  
15 something that a company is going to invest tens of millions of dollars in  
16 a -- for a two-year rate.

17 MR. VANCAMP: For a small amount of power.

18 Q MR. BEVINGTON: For a small amount of power.

19 So it was -- it was a brush-off at the time, and we recognize that.  
20 But times have changed, and there is great opportunities here, and we  
21 would like to see that our power energy supplier would be very interested  
22 in seeing how it can maximize the use of any energy that it has available  
23 in the system.

24 And simply to wait around for the next mining operation, actually  
25 with hydrogen, would be a loser. Hydrogen is going to be a dominant fuel

1 in the future, and we would like to see that NTPC would -- would show a  
2 much greater interest in this opportunity.

3 A MR. GRANT: And NTPC is always interested in  
4 learning about any third party that looks to develop a business in  
5 hydrogen, green hydrogen.

6 Q MR. VANCAMP: What is NTPC doing to proactively  
7 encourage that?

8 A MR. GRANT: Right now we -- with the other uses  
9 that we have in line for the excess power at Taltson, we haven't been  
10 actively pursuing any -- going out specifically for third parties to produce  
11 green hydrogen. But, like I say, NTPC is always open to discussing  
12 business opportunities with third parties.

13 MR. BEVINGTON: Okay. Mr. VanCamp will handle the  
14 next questions.

15 Q MR. VANCAMP: Hello. Yeah, those two -- two issues  
16 that I'd like to address. The first is with respect to the net metering policy.  
17 This has been brought up a number of times in the proceedings. And it's  
18 quite clearly articulated in the -- on the -- the website, the power  
19 corporation's website. The net metering program sets a cap of 20 percent  
20 of average generation in each -- each of the small generating systems. By  
21 adding those weasel words of "average generation", it turns the discussion  
22 from one of energy to one of capacity. And I'm sure the power corporation  
23 is quite well aware of that because in their table of community capacity,  
24 they identify that the capacity that's allowed in all of the system is less -- is  
25 less than 2.7 megawatts.

1                   Now, what that actually means is that in these small communities  
2 the amount of intermittent renewable energy is being capped at about  
3 between 2 and 2 and a half percent of total generation in the communities.

4                   We can all do the math. The capacity factor for most of -- well,  
5 solar systems, anyway, is about 12 percent in the -- in the NWT. So if you  
6 take 20 percent of average generation times a 12-percent capacity factor,  
7 you end up with really quite a small contribution to these very expensive  
8 diesel community generation systems.

9                   What we've seen in the literature and what the GNWT has provided  
10 is a -- is basically a debunking of the -- the assertion from the power  
11 corporation that they can't handle any more than this tiny amount of  
12 renewable energy because it will somehow affect the stability of the  
13 system. What we've seen all over the world and in the GNWT's analysis is  
14 that that just is not the case, that penetration into remote diesel systems  
15 can be as much as 40, 50 percent without -- without affecting the stability  
16 of the system.

17                   So my point is also I'd like to point out that in the case of Inuvik  
18 where they're already at the limit for the amount specified in the  
19 community capacity schedule, we've just seen that the -- that there is a  
20 proposal going forward for a megawatt -- another megawatt of solar in  
21 addition to the 4 megawatts of wind capacity that they're putting into that  
22 community. That will bring it up to a standard that's much higher than  
23 anything that the power corporation has included for any of the other  
24 communities.

25                   We also noticed that there's almost ten of the diesel communities

1 that are already at their limits. So two and a half percent of energy in ten  
2 communities is a tiny little bit of generation. It's not having an impact on  
3 much of anything. Why is the power corporation sticking to this -- this  
4 capacity calculation when it's obviously been shown to be incorrect and it's  
5 not being followed anywhere else, including Inuvik?

6 A MR. GRANT: The 20 percent or the -- actually  
7 the -- the renewable penetration policy is a GNWT policy as opposed to  
8 NWT -- or power corporation's policy. However, some of the things that  
9 you brought forward, you say that the amount of power being generated by  
10 solar in a community would be 12 percent of the rated capacity; is that  
11 correct?

12 Q MR. VANCAMP: That's what we know about solar.  
13 But the capacity factor, you know what capacity factors are. Capacity  
14 factor for solar in the NWT is somewhere between 10 and 13, depending  
15 on where you are so 12 is not a bad average, 12 percent. But 12 percent  
16 times 20 percent is not a very big number.

17 A MR. GRANT: But you're speaking of an average  
18 over the entire year, and there are periods of time when the solar will be  
19 producing its -- its nameplate amount, and that is where the 20 percent  
20 cap comes into play and that is --

21 Q MR. VANCAMP: And it's -- all over the world  
22 renewable energy systems are penetrating at much higher levels than that  
23 in diesel systems. The notion that somehow that creates instability has  
24 just been debunked.

25 A MR. GRANT: With the experience that we have

1 right now, we always look at the 20 percent penetration in each  
2 community, and we are always open to adding additional capacity on any  
3 renewables to a community, especially if there are mitigating technologies  
4 involved as well such as batteries, which is the case for Inuvik, as you say.

5 Q MR. VANCAMP: And Colville Lake?

6 A MR. GRANT: And Colville Lake.

7 Q MR. VANCAMP: So you know how to do it?

8 MR. BEVINGTON: One of those variables could be  
9 diesel.

10 A MR. GRANT: That would be another mitigating  
11 method, although it has not been fully tested.

12 Q MR. VANCAMP: So how much longer are you going  
13 to hang on to this capacity cap for renewables in the remote communities,  
14 in the diesel communities?

15 A MR. GRANT: We'll continue to look at the work  
16 that was done by the GNWT. The GNWT study you're referring to is the --

17 Q MR. VANCAMP: It's documented in our evidence.

18 A MR. GRANT: Yeah, it's the microgrid stability with  
19 intermittent renewables?

20 Q MR. VANCAMP: Yes.

21 A MR. GRANT: By Seno Plus, June of 2021. And  
22 that was a study that was put forth by the GNWT to perform a renewable  
23 energy penetration analysis on the electrical distribution systems in four  
24 communities. So it was limited to the distribution systems as well as --

25 Q MR. VANCAMP: And what was the conclusion? 45

1 percent penetration.

2 A MR. GRANT: Yeah. There are many more factors  
3 involved in increasing that penetration ratio, which is what we continue to  
4 look at in conjunction with the GNWT.

5 Q MR. VANCAMP: So my point is you know how to do  
6 it; it's just you're not proactively doing it?

7 A MR. GRANT: We have proactively increased the  
8 penetration levels in Colville Lake, and we are working with other -- other  
9 groups such as the one up in Inuvik to -- and Aklavik to increase the  
10 amount of renewable penetration in those communities right now.

11 Q MR. VANCAMP: You still capped the penetration in --  
12 I think it's ten communities that have already reached their current  
13 capacity levels. So it's capped?

14 A MR. GRANT: Correct.

15 Q MR. VANCAMP: So you're capping renewable energy  
16 in order to protect your diesel systems.

17 A MR. GRANT: To protect -- to protect our  
18 customers from the negative aspects of high penetration diesel -- or high  
19 penetration solar in situations where there's no mitigating technologies in  
20 place.

21 Q MR. VANCAMP: Okay, I want to move on to the final  
22 point, and that is with respect to some of the statements in the General  
23 Rate Application and regarding LNG as a climate solution. I believe it's  
24 included as a major part of the emission reductions that you claim as part  
25 of the progress that's been made with respect to greenhouse gas

1 emissions.

2 And in our evidence, we've referred to an article in Nature, a  
3 peer-reviewed article by a number of very well-respected research  
4 institutes, that says that LNG is not a climate solution. Expansion of  
5 natural gas, which LNG is part of, hinders a renewable energy future. The  
6 natural gas bridge narrative is misleading. The climate impact of natural  
7 gas has previously been underestimated and that new data about this are  
8 not sufficiently incorporated into energy analyses. At the same time, the  
9 bridge narrative is problematic. Meanwhile, investments in natural gas  
10 infrastructure make it harder to achieve climate targets due to lock-ins and  
11 very high economic risks.

12 This is not my words. This is a quote from the study published in  
13 Nature.

14 What's your response to that and why, in light of this new evidence,  
15 does the power corporation and the GNWT still claim that LNG is part of  
16 their climate progress and part of their climate change solution?

17 A MR. GRANT: All right. I cannot speak for the  
18 GNWT, but I can say that we have been running LNG in our Inuvik power  
19 plant for many years. And our experience is that there is a 20-percent  
20 reduction in greenhouse gas emissions. So it is a --

21 Q MR. VANCAMP: -- analysis or is that just from the  
22 burner tip?

23 A MR. GRANT: Sorry, from the?

24 Q MR. VANCAMP: From the burner, from the  
25 combustion unit. It might have lower emissions levels at combustion but

1 lifecycle emissions are what is really important here. And that includes all  
2 the upstream emissions, the fugitive emissions, the emissions that are  
3 associated with gasification, with transportation, with liquefaction. And the  
4 conclusion that's coming out of a number of studies is that LNG is actually  
5 worse for the atmosphere than coal. Why is that different in Inuvik?

6 A MR. GRANT: Well, as I say, using the data that  
7 you can find in table 4.0.1, the burn of natural gas versus the burn of  
8 diesel for 1 megawatt of power, you do find a 20-percent discount at that  
9 level. And that is what we have been --

10 Q MR. VANCAMP: That's precisely the incorrect  
11 analysis that's been pointed out in the Nature article and many others.

12 And this is important to know because you're also claiming that  
13 you're going to get major greenhouse benefits from the LNG plant that  
14 you're planning to put into Fort Simpson.

15 A MR. GRANT: Correct.

16 Q MR. VANCAMP: So those numbers are wrong too.

17 A MR. GRANT: We are relying on the reduced  
18 production -- or reduced cost --

19 Q MR. VANCAMP: So there's two arguments for LNG.  
20 One is that it's a greenhouse gas benefit. The other is that it's -- there's a  
21 cost benefit.

22 Have you done a reanalysis of the cost-benefit aspect of LNG in  
23 Inuvik based on current prices? The analysis that's been done was when  
24 natural gas was at an all-time low. It's now tripled in the last little while.  
25 Have you reanalyzed that economic benefit? And also have you added in



1 the cost of -- the capital cost now associated with the \$6 million storage  
2 facility that you just put into -- that you're putting into Inuvik?

3 A MR. GRANT: I'm not exactly sure where you get a  
4 \$6 million storage facility. We do have a third tank going in to allow us to  
5 use additional LNG. But we have not --

6 Q MR. VANCAMP: Did --

7 A MR. GRANT: -- done --

8 MR. VANCAMP: We have to -- we have to conclude  
9 our presentations here. Thank you very much.

10 Dennis?

11 MR. BEVINGTON: And thank you very much for taking  
12 the time to listen to our issues. This has been a process -- actually the  
13 only process that's available to -- to deal with NTPC energy issues is  
14 through this forum, through the intervention. And we're going to have  
15 some limited public participation coming up afterwards. We hope that that  
16 goes well. But sincerely, we'll be writing our argument coming out of this.  
17 You heard basically where we're going with it.

18 We need to maximize the use of renewable energy, including the  
19 Taltson surplus. We need to ensure fairness in the system, and we --  
20 there is much to gain here. This -- this is not a loss situation, this is a gain  
21 situation, and we really appreciate that -- that it can be viewed in this  
22 fashion. And the power company, we've heard their responses, their  
23 guarded desire to do more, and we look forward to that flourishing in the  
24 years ahead and that really we can make some progress here. We need  
25 more renewable energy in every community. That's the only way to go.

1 It's the only way we're going to achieve our climate change goals. And we  
2 must do it. That's -- that's the prerogative.

3 MR. VANCAMP: And we need the power corporation  
4 to be a very important part of that.

5 MR. BEVINGTON: Yes, absolutely. And full -- full scale,  
6 both feet in, working hard. So thank you very much for listening to us.

7 That's our presentation.

8 MR. VAN TIGHAM: Thank you very much, Mr. Bevington  
9 and Mr. VanCamp. I got a little bit anxious and jumped ahead a bit. I'll  
10 just sneak back for a second to give me recap of why we're here.

11 Opening Statement by Chairman of the Board

12 MR. VAN TIGHAM: This hearing of the Northwest  
13 Territories Public Utilities Board will consider the General Rate Application  
14 dated March 30th, 2022, of the Northwest Territories Power Corp for an  
15 order or orders of the board to approve:

16 1. The test year revenue requirement of \$122.608 million as set out  
17 in chapter 3 of the application, including approval as required of the  
18 following costs and revenues:

19 a) operating and maintenance expense of \$48.669 million for  
20 nonfuel operating expenses;

21 b) fuel expenses in \$27.412 million for fuel and purchased power  
22 expenses. Variances from fuel and purchased power prices approved as  
23 part of the GRA will be charged to or credited to NTPC's territory-wide  
24 stabilization fund;

25 c) amortization expense (net of government and customer

1 contributions) of \$27.257 million. Amortization expense is comprised of  
2 fixed asset amortization, fixed asset true-up, and amortization of deferred  
3 charges. NTPC is seeking the following approvals:

4 i. To adopt new asset amortization rates as determined in NTPC's  
5 depreciation study performed by Concentric for all asset classes, as  
6 outlined in Chapter 6.

7 ii. To amortize all variances arising as a result of the new  
8 depreciation rates over the average remaining life of the respective asset  
9 class, with a minimum period of five years.

10 iii. To implement net salvage rates for future removal and site  
11 restoration in a phased approach.

12 iv. To decrease the annual appropriation for regulatory hearing  
13 costs from \$0.512 million per year level approved at the 2016-19 GRA to  
14 \$0.439 million per year.

15 v. To decrease the annual amortization of the normalized overall  
16 deferral account from an annual level of \$3.759 million per year approved  
17 in the 2016-19 GRA to \$2.538 million per year.

18 vi. To increase the annual amortization of the water licensing  
19 deferral account from an annual level of \$1.511 million per year approved  
20 in the 2016-19 GRA to \$2.569 million per year.

21 vii. To maintain the annual amortization of the reserves for injuries  
22 and damages account for an annual level of \$0.250 million approved in  
23 the 2016-29 GRA.

24 viii. To increase the annual amortization of the employee future  
25 benefits account from an annual level of \$0.500 million per year approved

1 in the 2016-19 GRA to \$0.609 million per year.

2 ix. Amortization of deferred expenses and feasibility studies as  
3 requested and outlined in Schedule 11.5.

4 d) return on base rate of \$19.27 million, reflecting an underlying  
5 forecast in capital structure financing base rate of approximately 41  
6 percent equity and 59 percent long-term debt and capital lease, including  
7 the following proposed costs of capital:

8 i. Mid-year cost of long-term debt, 4.46 percent.

9 ii. Mid-year cost of capital lease, 10.69 percent.

10 iii. A requested return on equity for all assets outside the Thermal  
11 zone of 8 percent; and

12 iv. An interest coverage ratio in the Thermal zone of 1.5.

13 2. Approving the forecast test year net rate base of 356.678 million  
14 reflecting the net book value of assets in service, government  
15 contributions, customer contributions, other deferred charges, and an  
16 allowance for working capital.

17 3. Approving an increase in the threshold for providing project  
18 business cases and summaries from 400,000 to \$1 million.

19 4. Approving rates to be charged to customers covering the  
20 2022-23 and 2023-24 fiscal years, as set out in tables 1.4.1 through 1.5.3  
21 of this chapter. This comprises the following:

22 a) Share zone increases to energy rates by class as needed to  
23 achieve an average 2.5 increase in revenue from each class.

24 b) Thermal zone increase in energy rates (except Norman Wells)  
25 by class as needed to achieve an average 2.5 percent increase in revenue

1 from each class, in each of 2022-23 and 2023-24.

2 c) Norman Wells increases to energy rates by class as needed to  
3 achieve an average 10 percent increase in revenue from each class,f in  
4 each of 2022-23 and 2023-24.

5 d) Taltson zone, increases to energy rates by class as needed to  
6 achieve an average 10 percent increase in revenue from each class in  
7 each of 2022-23 and 2023-24.

8 As noted, the interveners will provide witnesses to speak to their  
9 evidence. The witnesses will be subject to cross-examination by the  
10 applicant, other interveners, the board's counsel and consultants, and  
11 then the board members. The intervener will then be given an opportunity  
12 for re-examination.

13 All interveners are registered through the process that we follow.  
14 And all parties who wish to participate in the hearing indicate their interest  
15 in that application and explain how they may be affected by the board's  
16 decision. We've done the registration and we've done the voting in. For  
17 the general public that may wish to express their views on the application,  
18 the board has set aside a period of time on Thursday evening, this  
19 evening, from 7 to 9:30 p.m. and Friday, September 9th, from 9 a.m. to  
20 12:30 for a public consultation. Members of the public should be  
21 registered with NTPC.

22 We're going -- this morning our intention is to go to 12:30. We'll  
23 have a 15-minute break at about 10:30. Any documents referred to in this  
24 hearing are filed and numbered as exhibits. All exhibits are available at  
25 the board's website. If there's any discrepancies, please advise the board.

1 The board secretary has provided hard copies for everyone at their table.

2 We've met the parties.

3 Are there any other parties who wish to be registered as interveners  
4 in this hearing?

5 Seeing none --

6 MR. JEERAKATHIL: Mr. Chairman, Rangi Jeerakathil for  
7 the TGC. I'm not sure -- I had remote problems so I didn't register an  
8 appearance. Did you want me to do that now?

9 MR. VAN TIGHEM: Yes.

10 MR. JEERAKATHIL: Okay. I'd register appearance,  
11 Rangi Jeerakathil of MLT Aikins for the Thermal Generating Communities  
12 and the consultant, Dustin Madsen from NRADIA Consulting, is the  
13 consultant for the Thermal Generating Communities.

14 I also had a preliminary matter. Did we mark or put as an exhibit  
15 the affidavits that were filed?

16 MR. VAN TIGHEM: Yes.

17 MR. JEERAKATHIL: I would like -- they are marked?

18 Okay, thank you.

19 MR. VAN TIGHEM: I am assured that they are.

20 MR. JEERAKATHIL: Okay, very good.

21 MR. VAN TIGHEM: All right. So it's now your turn to ask  
22 questions.

23 Cross-Examination by Mr. Jeerakathil - Thermal Generating Communities:

24 Q MR. JEERAKATHIL: Very good, thank you. Good

25 morning, panel, NTPC panel. My apologies for my technical issues this

1 morning. I'm not sure what occurred there. I'm sure it was wholly my fault,  
2 though.

3 NTPC panel, I have some questions for you, to start, around  
4 capitalization. And Mr. Madsen, in his evidence, went through in figure --  
5 figure 1 -- you don't need to turn it up -- various utilities and set out the  
6 average capitalization rate for labour of those utilities. Can you confirm  
7 that you take no issues with the calculations performed by Mr. Madsen as  
8 set out in his evidence with respect to the various capitalization rates for  
9 Canadian utilities set out in figure 1?

10 A MR. GRANT: I'll ask Mr. Myles to answer this.

11 A MR. MYLES: Good morning; thank you. I think  
12 what is important with respect to the capitalization rates that were  
13 displayed by Mr. Madsen is they were a wide variety of transmission,  
14 distribution, and vertically-integrated communities included in that list. So  
15 with would agree with that NTPC is closer-aligned with more along the line  
16 of, say, an NB Power Generation, so that capitalization rate would be  
17 more in line with what we consider for NTPC.

18 Q Thanks for that. Just -- my question was you don't have any concerns with  
19 the calculations set out in Mr. Madsen's evidence with respect to the  
20 utilities that I mentioned in figure 1; is that correct?

21 A MR. MYLES: That is correct.

22 Q Thank you. And so getting to your comments around NB Power, in  
23 exhibit -- in your rebuttal evidence, which is exhibit 2022-0150, and for the  
24 purposes of the record since all of the exhibit numbers have the first  
25 numbers 2022-001, I'm just going to refer to them by their actual numbers.

1 So this would be Exhibit 50.

2 You say at PDF -- sorry, at question A-3, at the start of that  
3 answer -- and I think you just alluded to it in your last answer to the  
4 question, you say NTPC does not agree with Mr. Madsen's  
5 recommendation of a capitalization rate of 25 percent for internal labour  
6 costs. The 2022-23 capitalization rate of 20.3 percent is a reflection of  
7 NTPC's capital plan and increase in FTEs to support capital program  
8 management.

9 NTPC also notes that a capitalization rate of labour of 20.3  
10 percent -- and here's where I'm placing the emphasis -- is consistent with  
11 other Canadian utilities such as NB Power Generation. Do you have that  
12 reference?

13 A MR. MYLES: I do have that, yes.

14 Q Thank you. And can you confirm that the material portion NB Power  
15 Generation's business relates to nuclear generating assets?

16 A MR. MYLES: I'm not -- I'm not an expert on NB  
17 Power, so I cannot confirm that. I do understand the make-up of their  
18 operation. But I do know that they do have nuclear power generation, yes.

19 Q Thank you. And would you -- you said you're not familiar with nuclear  
20 power, but would you be familiar enough with it to know that nuclear power  
21 plants, and the capital associated with those, tend to have -- the operation  
22 of those plants tend to have a significant amount of operating costs related  
23 to safety and other types of maintenance when compared to let's call it  
24 traditional generating types?

25 A MR. MYLES: I think that would be a fair



1 assessment. Again, I'm not an expert in nuclear generation, but that  
2 would be a fair assessment.

3 Q Thank you. And you can confirm that NTPC does not own or operate  
4 nuclear generating assets, correct?

5 A MR. MYLES: That is correct.

6 Q And would you agree with me that NB Power Generation is a solely -- is  
7 solely electricity-generating generation company?

8 A MR. MYLES: I believe NB Power has  
9 transmission, distribution, and generation, so more of a  
10 vertically-integrated Canadian utility.

11 Q Yes. But NB Power Generation -- if you could turn up figure 1 of  
12 Mr. Madsen's evidence, which is on page --

13 A MR. MYLES: And the exhibit that we're looking at,  
14 sorry?

15 Q I'm sorry. It's 50.

16 A MR. MYLES: 50, okay.

17 Q No, I'm sorry. It's 37. This would be PDF 9, page 9.

18 A MR. MYLES: And I apologize. Page number  
19 was --

20 Q Nine?

21 A MR. MYLES: Nine.

22 Q Yes. The same as --

23 A MR. MYLES: And I'm looking at figure 1?

24 Q Correct?

25 A MR. MYLES: Yes, I do have it in front of me.

1 Q Thank you. So NB Power -- the statement in question A-3 of your rebuttal  
2 evidence, that I just quoted into the record, talked about an inconsistent --  
3 the 20.3 capitalization rate of NTPC be consistent with NB Power  
4 Generation, not the vertically-integrated utility. So if you look at figure 1,  
5 which we accepted, you don't have any issues with the calculations with  
6 the information set out there, you'll see NB Power Generation has a low  
7 capitalization rate. And then you'll see NB Power distribution and  
8 transmission with higher capitalization rates, approximately 50 for  
9 transmission and for distribution close to 40. So my question was do you  
10 accept that NB Power Generation, which is the -- which is the company  
11 that you are comparing NTPC to, is a generation-only utility?

12 A MR. MYLES: No.

13 Q NB Power Generation. Not NB Power Transmission, not NB Power  
14 Distribution. That that -- that segment is generation.

15 A MR. MYLES: I'm sorry, I'm not sure if I follow the  
16 question correctly. So you're asking if NB Power Generation if I feel it is  
17 solely generation?

18 Q Yes. Do you accept that -- so let me back up. In the -- in answer to  
19 question A-3 of your rebuttal in Exhibit 50 -- and I don't think the board  
20 needs to pull it up -- you said -- NTPC said NTPC also notes that a  
21 capitalization rate of labour of 20.3 percent is consistent with other  
22 Canadian utilities such as NB Power Generation?

23 A MR. MYLES: Correct.

24 Q What I'm asking you to confirm is that NB Power Generation is a  
25 generation-only utility; it does not have transmission or distribution?

1 A MR. MYLES: Correct. I can confirm that.

2 Q Thank you. And you would agree that NTPC is not a generation-only  
3 utility. It also provides distribution and transmission services; is that fair?

4 A MR. MYLES: That is a fair statement, yes.

5 Q Thank you. And -- and would you agree -- you've agreed with the  
6 numbers in this table or didn't dispute them. Do you agree that NB Power,  
7 if you include generation, distribution, and transmission, has a  
8 capitalization rate of 29.2 percent, or would you accept that subject to  
9 check?

10 A MR. MYLES: I would accept that, subject to  
11 check.

12 Q It's contained in Mr. Madsen's evidence, for the record. Thank you.

13 And can you tell me why, in your rebuttal evidence at question A-3,  
14 which I just quoted into the record, why you chose to compare NTPC to a  
15 generation-only utility as opposed to the vertically-integrated Crown utility  
16 NB Power, which would include an average or weighted average of the  
17 capitalization rates set out in figure 1 for NB Power, NB distribution -- NB  
18 Power Distribution, and NB Power Transmission?

19 A MR. MYLES: In NTPC's opinion, it would be  
20 closer aligned to -- NB Power Generation would be closer aligned to  
21 NTPC. NB Power -- or NTPC does have a significant weight with respect  
22 to generating assets as opposed to distribution where distribution primarily  
23 with NUL being in the Yellowknife area. And in the Snare zone we are  
24 more heavily weighted in the generation side of the operation.

25 Q But NTPC is a vertically-integrated Crown utility. Right?

1 A MR. MYLES: Yes, we are.

2 Q Thank you. And -- and you can see, then, would you accept, that  
3 comparing a vertically-integrated to a generation-only component of  
4 another utility is subject to some concern; would that be fair? That  
5 would -- wouldn't be an apples to apples comparison, would it?

6 A MR. MYLES: Looking at it from that perspective, it  
7 would not be apples to apples. And I also think it's important to look at the  
8 make-up of our capitalization, how we are capitalizing our direct labour  
9 cost. In relation to an NB Power, if you're looking at it from a  
10 vertically-integrated standpoint or just from a generation standpoint, I think  
11 it would be more important to look at the overall process of the -- of what  
12 labour is being capitalized and what is the methodology behind that labour  
13 being capitalized as opposed to strictly looking at it from a company to  
14 company comparison.

15 Q That's fair. And I have a few questions that we'll get to around that. Can  
16 you -- can you provide the -- the percentage of annual labour costs NTPC  
17 incurs, both internal and external, for transmission and distribution-related  
18 functions or work?

19 A MR. MYLES: I don't have that information in front  
20 of me. I would have to check that.

21 Q Would you be able to provide that information in an undertaking?

22 A MR. MYLES: Yes, we could provide that.

23 Q Thank you.

24 UNDERTAKING NO. 1:

25 MS. FERDINAND CATLYN: Excuse me. May I just ask you to

1 explicitly state the undertaking for the record.

2 MR. JEERAKATHIL: Absolutely. NTPC to provide  
3 estimate of the percentage of annual labour costs NTPC incurs, both  
4 internal and external, for transmission and distribution-related work.

5 MS. FERDINAND CATLYN: Thank you.

6 Q MR. JEERAKATHIL: And if I could just back up a bit. In  
7 your -- in your rebuttal evidence, Exhibit 50, PDF 7, physical page 6, you  
8 say: NTPC agrees with Mr. Madsen at page 9 and 10 of his evidence that  
9 that is -- is most appropriate -- that it is most appropriate to compare  
10 NTPC's capitalization rate with other vertically-integrated utilities.

11 Do you see that reference?

12 A MR. MYLES: Yes, I do see that.

13 Q And you still accept that, that that's the case?

14 A MR. MYLES: Yes.

15 Q Thank you. And so utilities like Manitoba Hydro and BC Hydro and NB  
16 Power, vertically-integrated, would be appropriate comparators to NTPC  
17 because they are vertically-integrated Crown utilities?

18 A MR. MYLES: I believe it is appropriate to compare  
19 vertically-integrated Canadian utilities with other vertically-integrated  
20 Canadian utilities. However, we are talking about the capitalization of  
21 labour. And I would reference back to not looking strictly at the company  
22 itself but really we're looking at how is labour capitalized and what are our  
23 policies used in respect of capitalizing that labour. So I would agree with  
24 that vertically-integrated companies should be compared to the other, and  
25 taking it to another layer, you have to actually look at the policies that

1 impact capitalization program when it comes to interim labour.

2 Q Thank you. And that does get me to my next question. At PDF page 7,  
3 physical page 6 of your rebuttal evidence, Exhibit 50, in response 84,  
4 NTPC refers to the PSAS, or Public Sector Accounting Standards, that it  
5 complies with?

6 A MR. MYLES: Yes, that is correct.

7 Q And when you talk about the policies around the capitalization of labour --  
8 and for the clarity of the record, when I was saying you should -- you  
9 should compare NTPC to other vertically-integrated utilities, I was  
10 speaking in the context of the capitalization of labour. And I think you  
11 understood that. But the test, then, for the capitalization of labour across  
12 let's say vertically-integrated utilities, or Crown utilities, would apply this  
13 PSAS -- which is Public Sector Accounting Standards -- test?

14 A MR. MYLES: Are you asking if I know if the other  
15 vertically-integrated companies subscribe to the PSAS accounting  
16 standards?

17 Q I would have assumed they do, but are you aware of that?

18 A MR. MYLES: No, I am not aware of that.

19 Q Okay. But NTPC does?

20 A MR. MYLES: NTPC does subscribe to PSAS  
21 accounting standards, yes.

22 Q And with respect to the capitalization of labour, would you agree with me  
23 that PSAS standards for capitalization of labour and the IFRS, those  
24 financial reporting standards are similar?

25 A MR. MYLES: They are definitely separate

1 accounting standards, and based on my understanding that there is  
2 alignment between IFRS and PSAS accounting. But again, to be clear,  
3 they are two separate reporting accounting standards.

4 Q Are you familiar with the capitalization standards with respect to labour set  
5 out in PSAS?

6 A MR. MYLES: I have a general understanding of  
7 the PSAS accounting rules, yes.

8 Q Do you also have an understanding of the standards around the  
9 capitalization of labour under IFRS?

10 A MR. MYLES: I would say I am more in tune with  
11 the PSAS accounting, because that is what NTPC subscribes to, as  
12 opposed to IFRS accounting standards with respect to capitalization of  
13 labour?

14 Q Would there be anyone else on the panel that would be familiar with both  
15 standards, to your knowledge, that could answer that -- answer the  
16 question of how comparable they are?

17 A MR. MYLES: No.

18 Q No. Okay. But if I understood your answer, you're familiar with both the  
19 accounting standards, PSAS and IFRS, to the extent to say that they are  
20 similar. Is that fair?

21 A MR. MYLES: That would be a fair statement, yes.

22 Q Thank you. And what is the test that NTPC applies with respect to the  
23 capitalization of a labour cost?

24 A MR. MYLES: So in general terms, what NTPC  
25 would look to validate from a labour capitalization standpoint is the time

1 directly spent by employees that can be directly attributable to the  
2 construction and/or development of capital project or the capital program.  
3 And that can come in two forms. That can be either direct to a project  
4 itself, for example, our engineering team or other groups that would be  
5 directly involved with the capital project. And then we also have indirect  
6 capital labour. So this would be more of other support functions being  
7 involved in the capitalization program or the particular capital project.  
8 Again, with respect to construction and/or development activities.

9 Q Thank you. So what you're saying, if I understand in layman's terms -- I  
10 didn't do well in accounting, just thought I would let you know.

11 So if a person is directly working on, you said, a capital project or  
12 the program related to construction or development of that project, they  
13 would -- they would assign their time to the capital project directly.

14 That's -- that's one way you do it. And the other is if someone has a  
15 general job, a portion of it is capital and a portion of it is operating, you  
16 would make an allocation, is that right, to an overhead account, and then  
17 that would be allocated to all the capital projects or certain capital  
18 projects?

19 A MR. MYLES: That is correct, yes.

20 Q Do I have that right?

21 A MR. MYLES: That's correct.

22 Q Thank you. At PDF page 6 of your rebuttal evidence, which is Exhibit 50.  
23 So this is PDF page 5, sorry. Physical page 6. In A-4, the second full  
24 paragraph, you say: NTPC's response to TGC10 -- do you have that  
25 reference? I'm just going to read it into the record.



1 A MR. MYLES: I do have it, yes.

2 Q May not have clearly identified which positions are included in the direct  
3 overhead costs. Actual costs coded direct to overhead come from various  
4 divisions in a given year and are based on employees' work on capital  
5 projects with a capital program. And then you go on there.

6 In this quote from your rebuttal evidence, NTPC appears to identify  
7 either an error in its response to TGC10 or potentially a clarification. Is  
8 that correct,

9 A MR. MYLES: Yes, that is correct.

10 Q And can you -- can you explain what this clarification or correction was to  
11 me again?

12 A MR. MYLES: In TGC10 when that response was  
13 put in for the IR -- it -- upon reading it, it referenced only engineering and  
14 construction when we're talking about indirect, indirect labour allocations,  
15 and it made reference to having our direct to capital group as a -- as our  
16 engineering group, for example -- and the only item that was put to the  
17 overhead, indirect overhead, was really the residual of any type of leave or  
18 annual pay or anything along those lines. So we wanted to make it clear  
19 that it wasn't only just the projects and engineering team that was going to  
20 the indirect capital account and that really we're looking at time spent for  
21 employees in other areas such as treasury, customer service, regulatory  
22 budgeting, and so forth. So we wanted to make it clear that those groups  
23 and functions are also included in our capitalization of labour.

24 Q Thank you. Is -- would you agree that there appears to be a lack of clarity  
25 for parties around specifically what costs NTPC is capitalizing in any given

1 year, based on the application?

2 A MR. MYLES: I'm not sure I understood your  
3 question. Could you repeat it, please?

4 Q Would you agree that there appears to be a lack of clarity, or ambiguity,  
5 with respect to specifically what costs NTPC is capitalizing in any given  
6 year as reflected in the application and the responses?

7 A MR. MYLES: No, I don't think I would agree with  
8 that. I think it's -- our capitalization process is it's clear and actually quite  
9 simple. When we're looking at employees' time that is directly related to  
10 the capital program, like we mentioned earlier, that it is either direct or  
11 indirect. So I believe it's very clear in -- in what is being capitalized.

12 Q Thank you. But would you agree that parties might benefit from obtaining  
13 a more detailed understanding specifically of the costs NTPC capitalized --  
14 capitalizes and expenses?

15 A MR. MYLES: I would say that our costs as they  
16 are capitalized are clearly stated in the application. And again, additional  
17 information, I'm not sure what clarity that would bring when it comes to the  
18 groups that are being capitalized and the nature of why they're being  
19 capitalized.

20 Q For example, you're not providing percentages of capitalization rates per  
21 department or area or FTE, that type of information that you might see in  
22 another GRA?

23 A MR. MYLES: We do know that our overall  
24 capitalization rate is 20.3 percent in relation to our operating expenses.  
25 And when it comes to capital programs, we do provide an overhead

1 allocation percentage that is applied to different projects based on the  
2 project itself. So that information is discussed, yes.

3 Q And do you, in the application, derive the 20.3 rate, show how it's  
4 calculated, based on costs in the application?

5 A MR. MYLES: Yes. I do believe there was a  
6 calculation done. Really it's in the rebuttal evidence that is the -- the one  
7 that we're in.

8 Q Is it table 1?

9 A MR. MYLES: Yes.

10 Q On page -- PDF 5?

11 A MR. MYLES: I'm looking at PDF -- or Exhibit 50,  
12 and really we're looking at page 4 of the PDF. And this is where  
13 Mr. Madsen originally came up with the capitalization -- capitalization ratio  
14 of 16.1 percent. And then we -- NTPC goes on to explain how the 16.1  
15 percent was not the accurate calculation, and we go on to explain that.  
16 And that is in table 1, as you mentioned, yes, on page 5 of PDF 50. So  
17 that would show where the capitalization of 20.3 percent is derived.

18 Q Thank you. In the same exhibit on page 6, PDF 6, physical page 5, you  
19 say Mr. Madsen also assumes linear correlation between the changes in  
20 the capital program workload assignments from employees who charge  
21 direct to overhead. This isn't always the case. For example, time and  
22 effort spent by executive employees to develop, scrutinize, and deliver the  
23 capital program to various stakeholders from one year to the next may  
24 change more as a result of the complexity of the projects of the new  
25 technology included in the projects rather than based on pure dollar value

1 of the capital program overall. Do you see that reference?

2 A MR. MYLES: I do see that, yes.

3 Q Thank you. And can you tell me where in Mr. Madsen's evidence he

4 stated there was a linear correlation? Or a correlation at all?

5 A MR. MYLES: I think it was a general theme within

6 the -- Mr. Madsen's evidence that he had presented. The actual direct

7 correlation, as of right now, I don't have that in front of me. But what we --

8 when we were going through this rebuttal process, we did get that

9 sentences that it was a direct relationship.

10 Q But you'd agree that he did not say that there was a linear correlation. Is

11 that fair?

12 A MR. MYLES: No. I would have to -- I would have

13 to look into that. That would have to be subject to a check.

14 Q So are you accepting the answer subject to check, or are you going to

15 undertake to provide whether he refers to a linear correlation in his

16 evidence?

17 A MR. MYLES: Let me check on page -- I will have

18 to take that as subject to check.

19 A MR. GRANT: Actually, if I could --

20 Q To see --

21 A MR. GRANT: -- pop in here. I think we're looking

22 at --

23 Q Yes.

24 A MR. GRANT: -- Exhibit 37, page 50, where it --

25 Q Yes.

1 A MR. GRANT: Page 10, sorry. Page 10. Where it  
2 says, "In my opinion, NTPC's capitalization rate is quite a bit lower than I  
3 would expect of a regulated electric utility experiencing a heightened level  
4 of capital workload". And we interpret that as -- we understand that to be  
5 when the level of workload goes -- goes up, the -- it would follow.

6 Q Okay. But you'd agree that he didn't say there was a linear correlation,  
7 right?

8 A MR. GRANT: Not in those direct words.

9 Q Okay. And that's your interpretation of what he said that you said; it's not  
10 what he said. Is that fair?

11 A MR. GRANT: That is our understanding of it.

12 Q Thank you.

13 And what Mr. Madsen says is -- in his evidence is that there's a  
14 best management practice for managing utility staff where there's a base  
15 level of capital work performed by internal employees, and the peaks and  
16 valleys are generally managed with external contractors. Right?  
17 That's what -- that's really what he's talking about in terms of -- of the  
18 capitalization of labour costs?

19 A MR. MYLES: And just for clarification, the exhibit  
20 that we're on, are we still on 50?

21 Q Sorry, No. We're on 37. We're talking about Mr. Madsen's evidence,  
22 yeah. Well, we're going back and forth, I should say. I mean, we -- we  
23 were referring to page -- yeah, page 6 of Exhibit 50 where you talked  
24 about the linear correlation. And -- and now I'm just generally trying to get  
25 your understanding of Mr. Madsen's evidence so that we can have a

1 better understanding of each other.

2 And if I understood what you're saying is you understood there to  
3 be some level of correlation in Mr. Madsen's evidence between the  
4 changes in capital program and workload assignments from employees  
5 who charge direct to overhead. And what I'm suggesting to you is really  
6 what Mr. Madsen was talking about and what I'm going to say you should  
7 have understood is Mr. Madsen was saying, look, there's a base level of  
8 utility employees, a portion of whom are charged to capital, and as  
9 projects increase or capital projects increase, you're going to -- you're  
10 going to add staff -- small amounts of staff, internal staff, probably not as  
11 much, but you'll rely on external staff or contractors for managing those  
12 peaks and valleys. And that's really what he was talking about. Not a  
13 linear correlation, per se, but a best practice.

14 Would that be a more fair -- is that consistent with your  
15 understanding of his evidence, or did you -- did you have a different view?

16 A MR. MYLES: Reading the evidence, it did look like  
17 it was making a direct correlation. But I do agree with that, in peaks and  
18 valleys in the capital program, that process or the programs can be  
19 completed through third-party consultants and/or increasing staff, which  
20 would impact the overall capitalization rates, yes.

21 Q Yes, thank you.

22 MR. VAN TIGHEM: Mr. Jeerakathil, would this be a  
23 possible time to take a break?

24 MR. JEERAKATHIL: Oh, I'm sorry, Mr. Chairman. I've  
25 blown through your break time. My apologies. It was just so engaging.

1 MR. VAN TIGHEM: That's why we were sitting --

2 MR. JEERAKATHIL: Of course --

3 MR. VAN TIGHEM: -- and listening.

4 Based on some overfilled bladders, I'd suggest we take our 15

5 minute break.

6 MR. JEERAKATHIL: Absolutely.

7 MR. VAN TIGHEM: Everyone back here by 11:10.

8 MR. JEERAKATHIL: Thank you.

9 MR. VAN TIGHEM: Thank you.

10 (ADJOURNMENT)

11 MR. VAN TIGHEM: Just about everybody's seated.

12 MR. JEERAKATHIL: Okay. I don't think I see you or the

13 NTPC panel. There we go. Oh, there's --

14 MR. VAN TIGHEM: That's not me --

15 MR. YAKELAYA: I don't think that's the panel.

16 MR. JEERAKATHIL: There we go. We're good.

17 MR. VAN TIGHEM: I'm this one.

18 MR. JEERAKATHIL: I see you. Yeah, it is coming in close

19 when you move, so...

20 Okay, I don't know if everyone's seated. Should I begin,

21 Mr. Chairman?

22 MR. VAN TIGHEM: Ready to go.

23 Q MR. JEERAKATHIL: Okay. If I could take you to your

24 rebuttal evidence, which is Exhibit 15, PDF 6, physical page 5. And we

25 were just chatting about, before the break, this idea of correlation that

1 NTPC indicated was set out in Mr. Madsen's evidence, and I just had a  
2 few more questions around that area.

3 So I -- at that page reference, you say NTPC's response to TGC10  
4 may not have clearly identified which positions are included in direct  
5 overhead costs. Actual costs quoted direct to overhead from various  
6 divisions in a given year and are based on employees' work on capital  
7 projects or the capital program. The budget for the following year will be  
8 based on the percentage of historical time coded to the overhead project,  
9 adjusted as required based on the estimated capital work for the  
10 upcoming year and how that may or may not change in alignment with  
11 capital work.

12 Do you see that reference?

13 A MR. MYLES: Yes, I do see it.

14 Q Thank you. And would you accept the following definition of the word  
15 "alignment" from the Oxford Dictionary, alignment: The arrangement in a  
16 straight line or in correct or appropriate relative positions?

17 A MR. MYLES: Yes, I would accept that.

18 Q Thank you. So when you say -- when you say the words "the budget for  
19 the following year will be based on a percentage of historical time coded to  
20 the overhead project, adjusted as required based on the estimated capital  
21 work the upcoming year and how that may or may not change in alignment  
22 with the capital work", are you not implying some correlation between the  
23 percentage of historical time coded to the overhead project and the  
24 amount of capital work?

25 A MR. MYLES: I would agree that there is some



1 correlation with the prior year's capital work in any particular role. So I  
2 think that would always be the starting point or the base of the amount of  
3 capital work a particular role may involve. And then that would have to be  
4 trued-up with the actual current capital plan for that upcoming or future  
5 years.

6 Q And so while you previously criticized Mr. Madsen for assuming a linear  
7 correlation, you in fact assume a linear correlation yourself. Is that -- is  
8 that fair?

9 A MR. MYLES: Well, I would say that the correlation  
10 is more in line with the actual capital program itself and not solely based  
11 on historical information.

12 Q But it is -- it is -- the amount of capitalized labour should go up if the  
13 amount of the capital program, capital projects, increases. Is that fair?

14 A MR. MYLES: In some cases, that may or may not  
15 happen. I think it does depend on the position itself as well. So if -- if the  
16 position has more work involved in the capital program, then there would  
17 be an increase in the labour. If it's not, there will be less. But really it's  
18 more dependent on the -- the capital plan itself and the level of  
19 involvement that that role would have.

20 Q Well, would you accept that as a general rule? I mean, you would typically  
21 see capitalized labour go up if there are -- if there was an increase in a  
22 capital program.

23 A MR. MYLES: If that labour is directly related to the  
24 construction and/or development of a project, then, yes, the labour would  
25 be in correlation to that.

1 Q And would that not typically be the case? I mean, if -- if you are building a  
2 bunch of capital projects, someone needs to build them, and that would be  
3 labour. Isn't that fairly intuitive?

4 A MR. MYLES: Yeah.

5 Q Or am I missing something?

6 A MR. MYLES: No, that is correct.

7 Q Thank you. Would you agree that if an asset is enhanced either through a  
8 life extension or increase in functionality, then this work would be  
9 capitalized or capital in nature?

10 A MR. MYLES: Referring to PSAS accounting  
11 standards, if the asset has a betterment; for example, if the useful life of it  
12 has been extended, then those expenses would be capitalizable. If you're  
13 looking at something that would just be a part of a routine maintenance  
14 program of a capital asset to keep that asset operational and in its  
15 intended use, then that would be considered operating expenses.

16 Q Thank you. And I think I did ask you this question earlier around whether  
17 there's a specific test that you apply to whether a labour cost or a cost  
18 should be capitalized. And did I just quote an acceptable test to you in my  
19 previous question? Is that the test that you -- that NTPC applies when it's  
20 deciding whether to capitalize a particular expense or not? And I can  
21 repeat it.

22 A MR. MYLES: Yes.

23 Q It was if an asset is enhanced either through a life extension or increase in  
24 functionality, then this work would be capital in nature.

25 A MR. MYLES: Yes. I would use the word

1 "betterment", but that would be a fair statement, yes.

2 Q Thank you. And I think that's commonly referred to as a betterment. Is  
3 that right?

4 A MR. MYLES: Correct.

5 Q Thank you. And that would -- that test that we just chatted about, that  
6 would be applied to all types of expenses, including labour, labour costs.

7 A MR. MYLES: Yes, that is correct.

8 Q Thank you. In Exhibit 37, which is Mr. Madsen's evidence -- you could  
9 turn it up if you want. It's PDF 2021, physical page 2021 -- he sets out a  
10 number of cost areas where costs would be capitalized. And I think -- I  
11 think in our discussion earlier on the record, you -- you pointed to a quote  
12 out of your rebuttal evidence where a bunch of these costs were -- were  
13 indicated as potentially being capitalized, depending on the -- on the  
14 situation. And I --

15 A MR. MYLES: That's correct.

16 Q -- think -- I don't have the exact reference, but I think it's your evidence,  
17 Exhibit 50, just to be fair, PDF 6, second -- second full paragraph at the  
18 bottom. And I just have a few questions about these areas which I think  
19 correlate pretty well to -- to what you've got. But I think it might be even  
20 more instructive to use your areas because they -- they probably -- they  
21 probably align better with your understanding of how your operations  
22 function.

23 So why don't we start with -- with that. So -- then there's some  
24 overlap, clearly, between what Mr. Madsen sets out at page 2021 of his  
25 evidence and what -- and the areas that you have set out on PDF 6 of

1 Exhibit 50.

2 But let's start with accounting. So in the accounting function, you're  
3 indicating that you do capitalize some of the labour costs in there. Is  
4 that -- is that right?

5 A MR. MYLES: That is correct.

6 Q And what type of accounting functions would you be capitalizing?

7 A MR. MYLES: In the accounting department, we  
8 would be looking at something, for example, our manager -- our asset  
9 capitalization manager, anyone involved with the management of the  
10 capital program under the accounting function because that role would be  
11 involved in the -- in the development and/or construction of new capital  
12 projects and then also if there were some accounts payable functionality  
13 that was directly related to the -- the capitalization of development and/or  
14 construction of capital projects.

15 So some payroll activities and some fixed asset activities would be  
16 a good example in the accounting function.

17 Q Thank you. And is that a fixed percentage yearly, or do you do a  
18 calculation?

19 Would you know, for example, off the top of your head what your  
20 capitalized labour percentage would be in accounting and how it's  
21 derived?

22 A MR. MYLES: I don't know the percentage exactly  
23 off the top of my head, but I can say that the percentage is based on their  
24 direct time as it relates to the development and/or planning or construction  
25 of the capital project. So that really would depend on their level of

1 involvement in those activities. So to say that it's a pure fixed 25 percent  
2 would not be a fair statement.

3 Q I see. So they would be tracking their time on those capital projects in a  
4 particular year, and you would estimate based on maybe the previous year  
5 and what you plan on doing, what that number would be; is that right?

6 A MR. MYLES: Their time is tracked, yes, and will be  
7 tracked by project.

8 Q And then in order to determine how much of that accounting labour cost to  
9 capitalize, you would look at that directly-tracked time and make --  
10 create -- do a calculation or a forecast to determine what your  
11 capitalization rate should be for the test year?

12 A MR. MYLES: Yes, that is fair.

13 Q Thank you. And would it be the same, then, for the other items you've got  
14 in Exhibit 50 at page -- PDF page 6, treasury, customer service, regulatory  
15 budgeting, supply chain management, information technology, and  
16 executive?

17 A MR. MYLES: Yes, they would all follow the same  
18 process and fact pattern.

19 Q Thank you. And would that -- would you base that on a three-year  
20 average, or would that be based on the previous year's direct time, or --

21 A MR. MYLES: When we're looking at --

22 Q -- how would that be calculated?

23 A MR. MYLES: When we're looking at, say, for  
24 example, the test year that we are currently in, the 2022-23 test year, the  
25 process would start with the budgeting process where we would look at --

1 we would send out our information for the budgeting program. We would  
2 ask managers of particular -- particular employee groups to identify where  
3 the -- their employees may be involved in capital programs with respect to  
4 development and/or planning of those programs. And then we would take  
5 that, and they would use the upcoming capital plan for that year, for  
6 example, to make sure that it's accounted for.

7 So it would be done as a part of each forecast year and in general  
8 each year's budget to identify what roles are involved and at what  
9 percentages are they involved in the capital program.

10 Q Okay. Those -- would it be fair to say that most of those capitalization  
11 ratios would probably be in -- in around your 20 percent but not too  
12 much -- too much off of that, or would that not be fair?

13 A MR. MYLES: I think that there is --

14 Q Or would be below -- be below?

15 A MR. MYLES: There's some range. But, yes, the  
16 average is 20 percent.

17 Q Thank you. And would you be able to undertake what the capitalization  
18 ratio for each of the functions listed on page 6 of Exhibit 50 are?

19 A MR. MYLES: Yes, we can do that.

20 Q Thank you.

21 MS. FERDINAND CATLYN: Hello again. May I ask you to  
22 explicitly state the undertaking for the record.

23 MR. JEERAKATHIL: Yes. I think it would be  
24 undertaking -- I believe 2.

25 MS. FERDINAND CATLYN: Yes.

1 MR. JEERAKATHIL: To set out the capitalization ratios for  
2 labour for the functions accounting, treasury, customer service, regulatory,  
3 budgeting, supply chain management, information technology, and  
4 executive.

5 MS. FERDINAND CATLYN: Thank you.

6 MR. JEERAKATHIL: Thank you.

7 UNDERTAKING NO. 2:

8 Q MR. JEERAKATHIL: If I could take to you Exhibit 60, PDF  
9 page 6, physical page 5 in -- this is your rebuttal evidence. There NTPC  
10 takes issues with Mr. Madsen's evidence on which costs can be expensed  
11 or capitalized as it pertains to maintenance.

12 And you quote page 32 of Mr. Madsen's testimony there where he  
13 says, "A core concept of capitalization is whether the asset can continue  
14 to provide the service intended if certain work is not performed. Normal  
15 course of maintenance of an asset is often expensed, but if the work is  
16 necessary to ensure the asset can function as intended, or put another  
17 way, if the work is not performed, the asset will not be capable of  
18 functioning, then the work is capital in nature?"

19 And then you say, "NTPC disagrees with Mr. Madsen's conclusion  
20 that work to ensure an asset is capable of functioning is defined as capital  
21 in nature."

22 And then you go on to say, "If that were so, then all maintenance  
23 functions would be considered capital in nature. If an oil change is not  
24 completed, the engine will fail. If a damaged insulator is not replaced, the  
25 connection point will fail."

1 Now, in the quote provided by NTPC at page 30 -- from 30 to page  
2 32 of Mr. Madsen's test -- evidence, you would agree that Mr. Madsen  
3 states normal course maintenance of an asset is often expensed. Right?

4 A MR. MYLES: Yes, I do see that quote.

5 Q You would also agree that the examples that you set out there, such as an  
6 oil change or an insulator replacement or clearing of snow from roads  
7 would be a normal course maintenance function, right?

8 A MR. MYLES: We would classify those as normal  
9 maintenance and expense those items.

10 Q And so when you said that you disagreed with Mr. Madsen, it's clear you  
11 weren't disagreeing about those items. He wasn't disagreeing with you  
12 about those items that you listed there, right?

13 A MR. MYLES: In the rebuttal evidence, what we're  
14 referencing is where Mr. Madsen is alluding to keeping the asset in its  
15 intended function should be capital in nature. So we were making  
16 reference -- or NTPC was making reference to if you do -- you do require  
17 an oil change to keep the asset functioning as required. And we would  
18 consider that as maintenance where Mr. Madsen was saying that was  
19 meant for its intended use. So the rebuttal was around the keeping it in its  
20 intended use terminology.

21 Q Right. But it isn't a fair characterization of Mr. Madsen's evidence that he  
22 was saying that those things you mention in your -- in your rebuttal, such  
23 as snow clearing, oil changes, et cetera were something that -- that if not  
24 performed -- that would be capitalized. Right?

25 A MR. MYLES: That is correct. We were making



1 reference to that we were considering those as expenses, yes.

2 Q And you would agree with me that the quote that you -- that you set out in  
3 your rebuttal evidence, if interpreted in -- with all the words, would not  
4 have -- would not -- could not be interpreted as meaning that an oil  
5 change would be capitalized?

6 A MR. MYLES: Yes. I would agree that Mr. Madsen  
7 would understand that an oil change would not be capital in nature.

8 Q Okay. So the -- so the point that you make there isn't really fair, is it, in  
9 terms of comparing -- saying what Mr. Madsen's evidence is indicating  
10 that an oil change and insulator repair and snow clearing would be  
11 capitalized. That isn't fair, is it?

12 A MR. MYLES: What the purpose of the rebuttal,  
13 again, is we're really looking -- focusing on ensuring the asset can function  
14 as intended. So we were making it clear that maintenance work would be  
15 expensed and not capitalized. So that's really what the focus was, not  
16 necessarily saying that an oil change -- or Mr. Madsen would consider an  
17 oil change capitalization.

18 Q Okay. If I could take you to table 14 in Mr. Madsen's evidence. That's  
19 exhibit 37, page 56 and 57, where he sets out table 14 of -- I believe it's  
20 the -- in the application.

21 A MR. MYLES: I do have table 14 up.

22 Q Okay, perfect. And so here you're setting out in table 14 the certain areas  
23 of O&M; is that right, which total 1.091 million O&M expense?

24 A MR. MYLES: Yes, that's correct.

25 Q Okay, thank you. And I just have a couple questions about these.

1                   So the 0.3 -- I think that's 0.3 million to -- so \$300,000, to support  
2                   asset management maintenance plan, so would this be all assets that  
3                   require maintenance or specific assets, or do you know?

4           A   MR. MYLES:   Looking at this schedule as it is, I -- I  
5                   would not say that it is all or part. I would not have that information in front  
6                   of me right now.

7           Q   Okay, and --

8           A   MR. MYLES:   Sorry. I would like -- perhaps maybe  
9                   Ms. Whitford could provide some additional information on this one.

10          Q   Sure.

11         A   MS. WHITFORD:                                       So we classified that as asset  
12                   maintenance management plan but the intent of that -- the intent of that  
13                   funding is to support the -- what would I call it -- introduction of new -- of  
14                   new technologies or new assets to the corporation that are sort of outside  
15                   of our normal -- outside of our normal asset line-up.

16                   So a good example is in this year we are introducing a new plant in  
17                   Sachs Harbour is being installed, and a new plant in Lutselk'e is being  
18                   installed. There will be additional costs associated with what we call  
19                   deficiencies when a plant is built or even just getting to -- to know how the  
20                   new plant will operate. That will increase costs in the short-term in the  
21                   next year or two in order to -- to work out sort of the kinks of getting that  
22                   running. And so that's what that 300,000 is representing.

23         Q   Thank you. So it sounded to me from your answer that -- that this is about  
24                   new capital. And my follow-up question would be if it's about new capital,  
25                   why wouldn't it be capitalized as opposed to expensed based on the test

1 that I was just discussing with the NTPC panel about?

2 A MS. WHITFORD: And that's a good question.

3 According to PSAS and -- generally standard across accounting  
4 frameworks, once an asset is in use and used, you can no longer charge  
5 costs against -- against the capital value of that asset. Then it becomes  
6 O&M.

7 So once the plant is -- is up and running and generating power for  
8 our customers, we can't charge more money against the value of that  
9 plant. It will have to go into O&M.

10 Q Right. But this is -- this is costs incurred prior to the asset being put in  
11 service that relates to a new asset. So why wouldn't it be -- why wouldn't it  
12 be capitalized? Are you saying -- are you saying you can't capitalize this  
13 cost unless there's an existing asset to add to it? Or could you not just -- I  
14 mean, I'm not as familiar as the accountants in the room about, you know,  
15 how -- how this would be recapitalized, but I assume that this would meet  
16 the test for -- for the capitalization of an asset. And how -- where -- how --  
17 where you capitalize it or how you capitalize it is probably subject to some  
18 discretion.

19 A MS. WHITFORD: Well, I would like our auditors to  
20 think that, but they are pretty strict on how their rules work.

21 No, this actually is the cost associated with operating the plant after  
22 it is used and useful. So after it's generating power; it's constructed; it's  
23 operating, generating power, there's still going to be additional costs over  
24 and above what our operating costs were for that plant previously under  
25 the old plant.

1                   There will be additional costs for our staff to get trained up. If  
2                   there's new gen sets installed in the plant or if the plant is configured  
3                   differently, there will be additional costs that are incurred to get that -- that  
4                   plant fully -- well, to maintain it and use that plant moving forward. But  
5                   they're not -- they're not considered capitalized because the asset is  
6                   already in service when these costs are incurred.

7                   Q So -- okay, so just so I'm clear, so I thought -- I thought this was about a  
8                   new plant. But you're saying it's about -- maybe I just misunderstood the  
9                   previous answer. So can you just say again what this asset management  
10                  maintenance plan is for?

11                 A MS. WHITFORD:                   Sure. So that -- that phrase is used  
12                 to describe the fact that we are managing our assets moving forward. And  
13                 in our -- in our -- in our application, we describe that this is really to  
14                 support work that is being done on new assets -- or new assets, when we  
15                 implement them, there's going to be some additional training; there's  
16                 going to be some additional costs that are -- that are incurred. When you  
17                 have a new asset to the system or a new asset to your company, it takes  
18                 some time and additional costs to learn how that asset works.

19                 So that's what this is about is once the new asset is installed and in  
20                 place, these are additional costs that are required to operate that asset.

21                 Q I see. So the training needed to operate the asset, implement it -- oh, I  
22                 think you're freezing. Are you frozen on me? Is that correct?

23                 A MS. WHITFORD:                   Could you just repeat that again?  
24                 I'm not sure if it was us or you, but there definitely was a break in  
25                 communication.

1 Q Yes. So this -- this asset line, this line on the top of page -- table 14, it's  
2 about training staff and getting them ready to operate new assets?

3 A MS. WHITFORD: Sort of. It's about -- the initial  
4 training for the staff to operate the asset, that would be done as part of  
5 the -- that would be incurred as part of the capital cost of the asset. So  
6 initial training, that'll be capitalized with the asset. This is after the asset's  
7 already in operation.

8 So I don't know about you, but I know if -- me personally, when I get  
9 something new to operate, I'll get an initial training, and I'll work on it. But  
10 once you -- until you put that asset into practical use and you get to know  
11 what things -- what the characteristics are of working that asset, you don't  
12 necessarily know all the right questions to ask for your training, and you  
13 don't know -- you may have heard some of the -- some of the comments in  
14 terms of, well, you need to -- you need to push this button, or you need to  
15 turn this dial when this -- when the reading says this, but people may not  
16 understand when that situation will happen until they've actually been  
17 operating the -- the asset for a while.

18 So this is -- this is post-implementation training that would happen.  
19 This is also additional maintenance that might happen along with getting  
20 the new asset in place.

21 Q Okay, thank you. I think I understand that now.

22 Then the second line item there on table 14, "support portfolio  
23 planning and control related to a capital stage gating process for capital  
24 replacement projects". That also sounds like it would be capital in nature  
25 and not expensed. Can you tell me what that particular line item is about?

1 A MR. MYLES: I don't have the -- the specific details  
2 on this one in front of me right now.

3 Q Would you be prepared to undertake to provide a description of what this  
4 particular account is related to?

5 A MR. MYLES: Yes, we could do that.

6 Q Or this expense. I'm sorry.

7 A MR. MYLES: Yes, we can do that.

8 Q So for the record, the \$340,000 operating expense line item contained in  
9 table 14 of the application, support portfolio planning and control related to  
10 a capital stage gating process for capital replacement projects.

11 Thank you.

12 UNDERTAKING NO. 3:

13 Q MR. JEERAKATHIL: In -- in Mr. Madsen's evidence, which  
14 is, again, Exhibit 37, in tables 3, 4, and 5 on page 28 of his evidence, he  
15 sets out a schedule from -- from an AltaLink application which sets out a  
16 position, an FTE position and the relative -- and the capitalization rate  
17 associated with that position.

18 Do you see -- do you see that reference? It's table 3, AltaLink's  
19 capitalization for senior executives; table 4, AltaLink's capitalization of  
20 accounting resources; and table 5, AltaLink's capitalization of human  
21 resources.

22 Do you see those tables?

23 A MR. MYLES: Yes, I do see them.

24 Q Would NTPC have similar -- similar information in their records per  
25 position as AltaLink has -- has set out in Mr. Madsen's evidence?

1 A MR. MYLES: I wouldn't say that we have the exact  
2 information. I think I'd have to go back and reference.

3 When we look at the percentage of capital applied to a particular  
4 role in any given year, it's really dependent on the amount of work that  
5 that -- that role has with respect to the construction, planning,  
6 development of the capital project. So those percentages would change.  
7 I'm not sure if these percentages are static at AltaLink and this is what  
8 their default is. But ours would not be static. It would be more based on  
9 the amount of time and the capital plan. So I would not say we have it  
10 exactly like this.

11 Q Thank you. Keeping in mind that it isn't necessarily static, would you have  
12 this data readily available?

13 Like, do you calculate this per employee that -- that assigns capital  
14 to -- or whose -- sorry, let me restate that. Whose salary or -- or cost is  
15 capitalized, would you have that per FTE description or name?

16 A MR. MYLES: Yes, we would have that as a part of  
17 our budgeting process.

18 Q Would you be able to undertake to provide to us that information?

19 A MR. MYLES: And for clarification, you want the  
20 percentages as they are presented for the 2022-23 test year. Is that  
21 correct?

22 Q Yeah. And why don't we -- if it's not too much trouble, I would want to  
23 expand that undertaking to the areas that we chatted about earlier in our  
24 examination, which are -- I think you -- for the clarity of the record, I  
25 suppose I should -- we should state those.

1 A MR. MYLES: Sorry, I think the second --

2 MS. FERDINAND CATLYN: Yes, please.

3 A MR. MYLES: Go ahead.

4 Q I'm just going to have to find it.

5 I have it. So you would be -- so I think this is Undertaking 4. So for  
6 the -- for the functions of accounting, treasury, customer service,  
7 regulatory, budgeting, supply chain management, information technology,  
8 and executive, to provide the breakdown between -- sorry, the  
9 capitalization rate per employee in those functions in a -- in a manner  
10 similar to tables 3, 4, and 5 -- or in a similar format to those tables as set  
11 out in Exhibit 37.

12 Is that clear enough for the purposes of the record?

13 MS. FERDINAND CATLYN: Yes, thank you. Yes, that's  
14 satisfactory. Thank you.

15 MR. JEERAKATHIL: Thank you. It was a bit of a  
16 mouthful. Thank you for that.

17 A MR. MYLES: Sorry. Just for the record for  
18 clarification, do we want to put in there for the 2022-23 forecast year?

19 Q Yes, that would be satisfactory.

20 UNDERTAKING NO. 4:

21 Q MR. JEERAKATHIL: So getting back to your rebuttal  
22 evidence to Exhibit 50 at PDF 7, in the first full paragraph, NTPC takes  
23 issue with Mr. Madsen's evidence regarding the capitalization of NTPC's  
24 SCADA position relative to AltaLink.

25 And for the SCADA program -- first, can you explain to me just for



1 the clarity of the record what the SCADA program is?

2 A MR. MYLES: Maybe I will ask Ms. Whitford if she  
3 would give an explanation of SCADA position.

4 A MS. WHITFORD: Okay, so SCADA that we use at  
5 NTPC is used to -- sorry, and I can't think of what the acronym stands for  
6 right now. But that information is -- basically it allows us to monitor and  
7 see what -- what's happening with our operational plan. So it allows us to  
8 connect to the hydro sites remotely and see which units are operating and  
9 to what degree they're operating. It allows us to see if there's an  
10 interruption in -- in service to any of those units. It also allows us to look at  
11 the diesel plants as well remotely and see if they're operating. So it really  
12 is a -- sort of a monitoring tool that we use.

13 Q Thank you.

14 MR. VAN TIGHEM: Mr. Jeerakathil --

15 MR. JEERAKATHIL: Yes.

16 MR. VAN TIGHEM: -- we're moving along quickly in time  
17 and hoping that you can summarize, wind down. We're going to run up  
18 against a big brick wall time-wise. Oh, you disappeared.

19 MR. JEERAKATHIL: Okay, you're back. I'm sorry. Can --  
20 I missed that, Mr. Chairman. I'm sorry. There was a disconnect.

21 MR. VAN TIGHEM: Yes. We budgeted 45 minutes each.  
22 You've had an hour and a half so looking for you to expediently wrap up  
23 with still the opportunity of getting the information that you're hoping to  
24 have, and we can move on to the next ones that are patiently waiting.

25 MR. JEERAKATHIL: Okay, you're back. Can you hear me

1 now?

2 MR. VAN TIGHEM: Yes, we can.

3 MR. JEERAKATHIL: Okay, with that explanation,

4 Mr. Chairman, I may be a little bit longer. I'm hoping I can get your  
5 indulgence. I may be more than ten minutes but I wouldn't be more than --  
6 if we do take a break at -- what time are we taking a break? Is it 12:30 or  
7 12:00 today?

8 MR. VAN TIGHEM: 12:30 was the end time, not a break  
9 time, in the plan as outlined. We --

10 MR. JEERAKATHIL: -- [audio feed cut out] -- accurate --  
11 add a few questions in the last few days.

12 Q MR. JEERAKATHIL: So just with respect to SCADA, is  
13 there anything specific to -- to NTPC's SCADA program that would warrant  
14 a lower capitalization rate in your view than, say, for example, what  
15 AltaLink -- what AltaLink is doing?

16 A MR. MYLES: I think -- I can't really comment on  
17 how this position works at AltaLink. So to make a comparison of this one  
18 particular SCADA position at NTPC versus SCADA position at AltaLink,  
19 I'm sure that they have SCADA positions that do various functions and are  
20 part of different aspects of their operation. But the SCADA position as it is  
21 with us -- or with -- as it is with NTPC is really more of an operational  
22 position. And that's why the capitalization rate is at the percentage that it  
23 is.

24 Q But would it be fair to say that SCADA systems are very similar in the  
25 sense that they monitor assets as described by Ms. Whitford --

1 Ms. Whitford?

2 A MR. MYLES: Yes, that's fair. They do monitor  
3 assets. They are not directly involved in the construction and/or  
4 development necessarily. And when they are involved, then that time is  
5 capitalized.

6 Q Okay, I think I missed that answer, but I'm pretty sure I know -- I think the  
7 system cut out again. Pretty sure I know what you said. I'll -- I can rely on  
8 the record.

9 Is it the case that the human resource function has no capital --  
10 capitalization in the labour component?

11 A MR. MYLES: That is correct --

12 Q -- for NTPC?

13 A MR. MYLES: That is correct.

14 Q Thank you. And are you able to provide an estimate of the total internal  
15 and external costs for human resources forecast to be incurred by NTPC  
16 in the test period?

17 A MR. MYLES: Yes, we can provide that.

18 Q Do you have that now, or do you have to undertake to provide that?

19 A MR. MYLES: That would have to be an  
20 undertaking.

21 Q Okay, I think that's undertaking 5. And it's to provide the total  
22 internal/external human resources costs forecast to be incurred by NTPC  
23 in the test period.

24 UNDERTAKING NO. 5:

25 Q MR. JEERAKATHIL: In Mr. Madsen's evidence at pages

1 34 and 35, physical and PDF, he addresses eight new positions related to  
2 operations, FTEs. And we're not -- (audio feed lost) -- capitalized.

3 A MR. MYLES: I'm sorry, you cut out there.

4 Q That he sets out there (audio feed lost)

5 A MR. MYLES: Sorry. You were frozen and in and  
6 out.

7 Q Sorry. I think you cut out again. Did you see that? Do you have those --  
8 that was -- those positions?

9 A MR. MYLES: I think we need to reset. You were  
10 cutting out, and I think we were cutting out. So we got -- --

11 Q Okay. I'll re-ask --

12 A MR. MYLES: I didn't get any of the request.

13 Q I'll re-ask. So Mr. Madsen sets out several positions, eight in fact, that are  
14 in the forecast for the test years -- (audio feed lost) -- hydro electrical field  
15 engineer, system operator, et cetera. Do you see those? Eight positions.

16 A MR. MYLES: Sorry, you cut out again.

17 Q Did you hear my question? You cut out again. I think we're having some  
18 wifi issues across the country here.

19 A MR. MYLES: We are definitely having some  
20 connection issues.

21 Q Hello?

22 A MR. MYLES: Can you hear us?

23 Q I can now.

24 A MR. MYLES: There we go. Oh, goodness.

25 Q Hello?

1 A MR. MYLES: If you can hear us, I can ask  
2 Ms. Whitford to -- I believe the question is to explain the positions that are  
3 on PDF page 34. If that is the question, then I can pass that over to  
4 Ms. Whitford.

5 Q Oh, my goodness. I wonder whether we should all disconnect and  
6 reconnect. I don't know if that sometimes helps.

7 A MR. MYLES: Can you hear us now?

8 Q I -- you cut out again for a minute, but I can -- I just heard you.

9 A MR. MYLES: Okay. So maybe we will have  
10 Ms. Whitford explain the positions as they are listed on page 34 of the  
11 PDF in Exhibit 37.

12 Q And -- and whether -- whether any of those positions are capitalized and  
13 whether she's aware of what percentage they may be capitalized.

14 A MR. MYLES: Okay.

15 Q I can't see you, just so you know.

16 A MS. WHITFORD: That's okay. You've seen me lots  
17 already. As long as you can hear me. So -- can you hear me?

18 Q You're cutting in and out. I didn't hear you.

19 MR. VAN TIGHEM: As they say, technical problems are  
20 temporary. But they can be worked on. We have a bunch of technicians  
21 sitting around, and they aren't twiddling their fingers. So perhaps we could  
22 take a break for an hour and do lunch. Be back here at 1:00.

23 MR. JEERAKATHIL: Sure. Yeah. I anticipate I'll be ten  
24 minutes max.

25 MR. VAN TIGHEM: Okay. Well, we anticipate it will be

1 working at 1:00.

2 MR. JEERAKATHIL: Okay, very good. Thank you so  
3 much.

4 MR. VAN TIGHEM: Thank you. We are recessed for an  
5 hour.

6 (ADJOURNMENT)

7 MR. VAN TIGHEM: All right, I believe everyone's in the  
8 room. We'll move back to the presenter of note who's committed to ten  
9 minutes.

10 And just to make it more comfortable for you, the NT --

11 MR. JEERAKATHIL: I'm rarely held to account for my  
12 terrible estimations, Mr. Chairman.

13 MR. VAN TIGHEM: NTPC has agreed to receive  
14 anything in writing that you don't get to verbally.

15 MR. JEERAKATHIL: Okay. I think we'll get through it no  
16 question.

17 Q MR. JEERAKATHIL: So I think we were chatting before  
18 the break about these eight positions on Exhibit 37, page 34. I think I can  
19 just circumvent this by saying I think those positions will be contained in  
20 your undertaking to provide the capitalization rate per position. Correct?

21 A MR. MYLES: That is correct, yes.

22 Q Thank you. So I'd like -- I'd like to ask a few questions about insurance  
23 costs. And the -- the first is -- I noticed that at -- sorry -- at your -- at your  
24 rebuttal evidence, PDF page 10, physical page 9, Exhibit 50, you state in  
25 the second paragraph:

1 "NTPC has taken steps to increase the self-insurance components  
2 of its insurance program by increasing the deductible for property  
3 insurance from 300,000 in 2018 to 1.5 million in 2021 as illustrated in TCG  
4 NTPC 11 attached (audio feed lost) some NTPC assets are fully insured  
5 (audio feed lost) -- transmission (audio feed lost).

6 Oh, you're back. You just froze. Did you see the -- did you hear  
7 what I read into the record?

8 A MR. GRANT: No. If you could please repeat.

9 Q Okay. Well, I'm not going to -- it's a -- it's a reference at page 10 of the  
10 rebuttal evidence, PDF page 10. You just talk about how you've increased  
11 the -- you've increased the deductible from 300,000 to 1.5 million in  
12 2020-2021. Correct?

13 A MR. GRANT: Yes.

14 Q Thank you. And have you conducted any recent studies or analysis which  
15 demonstrate the savings that could be gained from further increasing  
16 deductibles?

17 A MR. GRANT: We don't -- have not done a study  
18 along those lines. We rely on the expert that we use for going out and  
19 dealing with our insurance issues. They look at -- they have a very good  
20 understanding of our particular assets. They've been to site. And then  
21 they also are very familiar with the insurance market, both domestic and  
22 international. And they are the ones that provide us with a  
23 recommendation on the best alternative.

24 We would ask questions such as should you -- should we increase  
25 our deductible or not, what are the advantages. And they would provide

1 us with that information.

2 So we do not do a study, but we do rely on our expert, and that is  
3 familiar with both ourselves and the market.

4 Q Are you able to provide the name of that -- of that insurance expert?

5 A MR. GRANT: Yes. Our insurance consultant is  
6 with Aon Insurance, and his name -- his name is --

7 Q That's fine. The company --

8 A MR. GRANT: Yeah, I don't have it here.

9 Q The company is fine.

10 A MR. GRANT: Yeah.

11 Q I meant the company. So that's fine.

12 A MR. GRANT: Yeah, Aon's fine then.

13 Q Does NTPC have a breakdown of the relative coverage it has on specific  
14 types of assets with a rate base? For example, a schedule showing  
15 generation assets, the gross book value of the assets, and the associated  
16 insurance coverage?

17 A MR. GRANT: Do we have a table listing --

18 Q Yeah?

19 A MR. GRANT: -- all our assets and the insurance  
20 coverage --

21 Q Yes.

22 A MR. GRANT: -- on each asset? No.

23 Q Thank you. And is there any reason why you wouldn't have that?

24 A MR. GRANT: We just have values within different  
25 categories of asset, I suppose. So, you know, what is a hydro site, what is



1 a distribution line, what is a power plant.

2 Q Thank you. In your rebuttal evidence, Exhibit 50 at PDF 10, you state in  
3 the third paragraph in relation to question 8, so answer A-8:

4 "NTPC's broker has confirmed that it is unlikely that further  
5 increases to the deductible portion of its property insurance will materially  
6 decrease the premiums and does not support further increases to self  
7 insurance through higher deductibles."

8 Do you see that reference?

9 A MR. GRANT: Yes, I do.

10 Q Would you be in a position to provide that written opinion of the Aon  
11 broker and any analysis provided as an undertaking?

12 A MR. GRANT: Yes, I would.

13 MR. JEERAKATHIL: Thank you. I'm not sure which  
14 number of undertaking that is, Mr. Chairman, but --

15 MS. FERDINAND CATLYN: We're on 6.

16 MR. JEERAKATHIL: 6. So it's to provide the analysis of  
17 the insurance broker described in Exhibit 50, page 10.

18 MR. GRANT: Okay. Just to be clear, it's not an  
19 analysis. It is an opinion. So it's not an analysis.

20 MR. JEERAKATHIL: Okay. I'm sorry. Opinion.

21 UNDERTAKING NO. 6:

22 Q MR. JEERAKATHIL: And I just have two more questions.

23 The first is with respect to Inuvik, the Inuvik LNG facilities, are you able  
24 to -- to tell -- to tell me what percentage of installed capacity in Inuvik is  
25 natural gas versus diesel, approximately?

1 A MR. GRANT: I do not have that amount, but I can  
2 certainly get that for you.

3 MR. JEERAKATHIL: Okay, that would be undertaking  
4 number 7 to provide the installed capacity of LNG in Inuvik.

5 UNDERTAKING NO. 7:

6 Q MR. JEERAKATHIL: And would you know what -- that --  
7 that's the installed capacity was the first question. The second would be  
8 what would the typical operating capacity be between LNG and diesel if it's  
9 different than the installed capacity?

10 A MS. WHITFORD: So I believe in our application we  
11 identify how much of our generation will be provided by gas, I'll say. Not  
12 just LNG, but gas. I think we have it at 60 percent, and 40 percent by  
13 diesel.

14 Q And is that -- that's in Inuvik, or is that company-wide?

15 A MS. WHITFORD: No. That's for Inuvik.

16 Q That's for Inuvik. And is that both installed capacity and operating  
17 capacity?

18 A MS. WHITFORD: I was referring to your operating  
19 capacity question. So that's really in terms of generation.

20 Q Okay, thank you. So could I -- could I still have the undertaking with  
21 respect to installed? That would be undertaking 7.

22 A MR. GRANT: Yes, we can do that.

23 Q Thank you. And then last question: In Norman Wells, the generation  
24 project in Norman Wells, will that facility fully be capable of meeting the  
25 needs of Norman Wells if the Imperial purchased power ends?

1 MR. GRANT: I'll ask Ms. Whitford to answer that.

2 A MS. WHITFORD: So if we're unable to buy purchased  
3 power from Imperial Oil or another organization if they take over that  
4 facility, the existing plant is not set up as a primary power plant. It's still  
5 set up as a backup diesel plant. So there are two gen sets in the line-up.  
6 And as part of our corporate protocol, we would have three in order to  
7 meet reserve-fixed capacity requirements. So we would need to add  
8 another gen set to that lineup.

9 Q I see. And is that gen set generally -- is it available, or would there be a  
10 lead time to have that brought to Inuvik -- or significant lead time?

11 A MS. WHITFORD: We do have a number of emergency  
12 generators that we have available to provide power on emergency basis.  
13 So we were using one -- we call it EM5 -- at one point to support full-time  
14 generation in Norman Wells when IOL was down, and we would likely use  
15 that as the interim asset while we procured another generator for Norman  
16 Wells.

17 MR. JEERAKATHIL: Thank you. That's very helpful.

18 Mr. Chairman, subject to undertakings, those are my questions.

19 MR. VAN TIGHEM: Thank you very much. That would  
20 allow us to move on to the town of Hay River and Fort Smith.

21 MR. JEERAKATHIL: Very good. Thank you. Thank you  
22 for your indulgence.

23 Cross-Examination by Mr. Marriott - Towns of Hay River and Fort Smith:

24 MR. MARRIOTT: Good afternoon, panel. First of all, I  
25 better make sure that you can hear me.

1 MR. VAN TICHEM: We can hear you and we can see  
2 you, but you're in a little tiny square.

3 Oh, now you're in a big square.

4 MR. MARRIOTT: Okay, that was nothing to do with  
5 me. But it's good that you can see me in a big square.

6 Q MR. MARRIOTT: So panel, good afternoon. I'd like to  
7 start by discussing with you some proposed rate increases, particularly in  
8 the Taltson zone. And I'd ask you to turn to Exhibit 2022-001-001, which  
9 maybe I could just call Exhibit 1, your application. And I can refer to the  
10 other exhibits in a similar fashion by the -- the numeric value at the end of  
11 the exhibit number.

12 But anyway, turning to Exhibit 1 at page 1-4, which I believe is PDF  
13 page 11. If I could get you to turn that up.

14 A MR. GRANT: We have that.

15 Q Okay, thank you. Now there, at lines 6 and 7, you say you're seeking a  
16 rate adjustment for the Taltson zone resulting in a 10-percent increase in  
17 revenue to all customer classes for each of 2022 and 2023 and 2023 to  
18 2024; correct?

19 A MR. GRANT: Correct.

20 Q Now, to be clear, does this mean you are seeking approval of a  
21 10-percent increase in rates for all customer classes in the Taltson zone  
22 for each of 2022-23 and 2023-24?

23 A MR. GRANT: Correct.

24 Q Okay. I actually expected a "no" to that question. And to help you  
25 understand why, I'd ask you to turn in that same exhibit to PDF page 31,

1 table 1.4.1.

2 A MR. GRANT: Yes.

3 Q Okay. So there that shows, among other things, the percentage increases  
4 proposed for rates in various zones, including the Taltson zone. And --  
5 and I take it that, if you want to get a 10 percent increase in revenues, you  
6 may have to increase rates higher than 10 percent, if, for example, your  
7 customer forecasts are down or your customer -- or the -- the usage per  
8 customer is down; is that fair?

9 A MR. GRANT: I'll --

10 A MR. MCLAREN: Perhaps I can -- go ahead,  
11 Mr. Grant.

12 A MR. GRANT: I'll ask Mr. McLaren to answer.

13 A MR. MCLAREN: Yeah, the table is called proposed  
14 rates. It's referring specifically to the energy portion of the rate, and you're  
15 correct, Mr. Marriott, in that to achieve -- because the rate structure is  
16 composed of fixed charges, like customer charges and demand charges  
17 as well as an energy charge, to get a 10 percent increase in revenues, you  
18 need to increase the energy portion of the rate by more than 10 percent to  
19 get to total revenues because we're not proposing to change the fixed  
20 charges, the customer charge and demand charge.

21 Q Okay. So is -- is the result an overall increase in the rates the average  
22 customer would pay at 10 percent; is that the intent?

23 A MR. MCLAREN: I think we think about it in terms of  
24 revenues. And if you go to -- it's table 1.4.3, a little further down in that  
25 document, it shows the proposed revenue increase. And it's the last -- it's

1 column J of that table.

2 Q What PDF number is that?

3 A MR. MCLAREN: I may have different numbering in  
4 mine. It's page 33 on mine. Page 1- -- page numbered 1-26.

5 Q You're talking about 1.4.3 table?

6 A MR. MCLAREN: Correct.

7 Q Okay. Okay. I think I understand. If we could turn to table 1.4.1 for a  
8 moment. On my copy -- and I'm going from the copy on the board's web,  
9 which I assumed everybody would be using. But depending on whether or  
10 not you have cover letters and that kind of thing, it might be different page  
11 numbers, but table 1.4.1.

12 So there, in terms of the energy charges, the proposed increases, if  
13 I'm reading this table correctly, for Fort Smith, for both years -- actually, I  
14 should say for the year 2022-2023, is 11 percent. Have I got that right?

15 A MR. MCLAREN: That is the proposed increase to the  
16 energy portion of the rate, yes.

17 Q And for Fort Resolution it would be 11 percent?

18 A MR. MCLAREN: You're in the residential column; is  
19 that correct?

20 Q Yeah.

21 A MR. MCLAREN: Yes, correct.

22 Q That's right. And then for general service, government in both  
23 communities, it looks like it's 11.8 percent increase. And 11.8 percent  
24 increase for nongovernment. Right?

25 A MR. MCLAREN: Correct.

1 Q And for wholesale, the rate increase is the 10 percent, yes?

2 A MR. MCLAREN: Correct, yes.

3 Q For streetlights, the rate increase is 10 percent as well?

4 A MR. MCLAREN: Correct.

5 Q Okay. And then turning to table 1.5.1, which in my copy is about three  
6 pages later and is PDF page 34, so that's now showing that 2023-2024  
7 proposed rates, including percentage rate increases for energy charges,  
8 and all of those same percentages would also apply as proposed  
9 increases for 2023-24 over the previous year. Is that correct?

10 A I believe that's correct, yes.

11 Q Thank you. Now I just want to go back to page 1-4 in that same exhibit,  
12 which is again PDF page 11 in my copy anyway. And when you're there,  
13 could you look at line 13 where it says, quote, "for all communities outside  
14 of Fort Smith and Fort Resolution, the net increase on a 1,000-kilowatt  
15 residential bill will be 1.7 percent per year for each of the two years." In  
16 Fort Smith and Resolution, the increases will be larger but overall bills will  
17 still be the lowest in the territory." Do you see that?

18 A MR. MCLAREN: Yes.

19 Q Okay. So you say in the passage above that the increases in Fort Smith  
20 and Fort Resolution will be larger than 1.7 percent per year for each of the  
21 two years. What will the net increases be in Fort Smith and Fort  
22 Resolution on a 1,000-kilowatt hour residential bill over each of the two  
23 years on a percentage basis if the proposed rate increases sought in the  
24 application are approved?

25 A MR. GRANT: Sorry for that delay. If I can take you

1 to look at item 10 -- or 001.04, there is the table showing what the bill  
2 impact is in PDF 2.

3 Q So Exhibit 4, PDF 2?

4 A MR. GRANT: Correct. It's Exhibit 001.04, PDF  
5 page 2.

6 Q Okay. Maybe just an issue of nomenclature here, but are you talking  
7 about Exhibit 2022-001-004, PDF 2? I just want to make sure before I  
8 turn to the exhibit?

9 A MR. MCLAREN: No, I think it's exhibit  
10 2022-002-001.04.

11 Q 1.04. I don't see that on the commission's list -- or the board's list.

12 MS. MINOZA: Point 4.

13 Q 1.4. Oh, yes. Okay. Supplementary information. Okay, now I know where  
14 to look.

15 Okay, so sorry, rather than take the time to pull it up, maybe you  
16 can just tell me -- oh, I see that the reporter has it on the screen now.  
17 Okay, so nongovernment residential impacts -- okay. Yeah, I don't see the  
18 ones I was asking about. Which were Fort Smith and Fort Resolution.

19 A MR. MCLAREN: At the very bottom of the table. If  
20 you go back to the -- scroll back up the page. One more up for residential.  
21 Yes. Right there. The very, very last row of that table.

22 Q I see. Okay.

23 A MR. MCLAREN: And the last -- the last two rows are  
24 showing increases. Are those for the two test years?

25 A MR. MCLAREN: This would be the first of the test



1 years as proposed. So it would be -- but the percentages would be the  
2 same in each test year. So 9.9 percent in the first -- well, not test year,  
3 phase-in of rate. So, this would be the first year of phase in of 9.9 and the  
4 second year would be another 9.9 on top of that.

5 Q Okay. Thank you very much for clarifying that.

6 All right, let's go now to a different exhibit. This is Exhibit 21. That  
7 is an email from MLAs Frieda Martselos and Rocky Simpson.

8 A MR. GRANT: Yes. We're there.

9 Q Okay. So the email states, quote, "As the MLAs for Thebacha and Hay  
10 River South, we are requesting that the NWT Public Utilities Board hold  
11 public hearings in an open forum so that members of the general public  
12 can have a say on any potential electricity rate increases. We are of  
13 particular concern to the recent submission by the NWT Power  
14 Corporation to increase electricity rates in the Taltson zone with a 10  
15 percent rate increase two years in a row which would amount to a 20  
16 percent increase within two years. All our constituents in Fort Smith and  
17 Hay River have voiced loudly that they're uniformly opposed to any  
18 electricity rate increases of that magnitude in such a short amount of  
19 time". End quote.

20 My question is, what was NTPC's reaction to receiving that email,  
21 particularly with respect to the reference to the increases in the Taltson  
22 zone?

23 A MR. GRANT: I'll let Mr. Myles answer that.

24 A MR. MYLES: Thank you. So Mr. Marriott, you're  
25 asking about NTPC's reaction to that letter? Is that correct?

1 Q Yes. It's an email, but yes.

2 A MR. MYLES: So I think of course with any  
3 increase, it's not great news. And -- but with those increases, what  
4 we're -- we're focusing on the cost of servicing the particular zones. So  
5 the -- so the revenue requirement is aligned with the cost of servicing that  
6 zone. So as far as our reaction, we -- we're not -- we do understand that  
7 there is -- there is a reaction to it. So...

8 Q Okay. Can you turn to Exhibit 22, which is a letter. This one is a letter  
9 from the Standing Committee on Government Operations. And I'm  
10 looking at the fifth paragraph on page 1 of that letter. I'll make sure we  
11 can see that. It starts "members on the committee". Yes.

12 So it states, at that fifth paragraph on page 1 of Exhibit 22, quote:  
13 "Members on the committee have heard concerns from many constituents  
14 about NTPC's proposed rate increases. Residents worry about  
15 implications for the cost of living and cost of doing business. Concerns  
16 are especially acute in the Taltson zone where the proposed rate  
17 increases are highest." End quote.

18 Does NTPC agree that the letter appears to be written in part as a  
19 result of constituents contacting their MLAs with concerns about rate  
20 increases?

21 A MR. GRANT: It appears so.

22 Q And would you agree that, at least from your customers' perspective, the  
23 proposed Taltson increases are causing concern, possibly even rate  
24 shock?

25 MR. GRANT: I'll let Mr. Myles answer this.

1 A MR. MYLES: I believe that it does express  
2 concern. NTPC does -- does see that.

3 And as far as if we're looking at the concept of rate shock, there --  
4 there are a couple decisions that are out. There's decision 3, 2023, and  
5 decision 2, 2007. And in particular in decision 2, 2007, the board states,  
6 "The board has used a 15 percent cap as a guideline in this instance to  
7 mitigate potential rate shock in the point of view of the end customer."

8 So we are looking for a 10 percent increase over the course of two  
9 years. And based on the decision in 2-27, that the board views the 15  
10 percent cap as the guideline for rate shock.

11 Q Okay. Now, you said over the course of two years you're looking for a 10  
12 percent increase. But you're looking for a 10 percent increase in each of  
13 those two years; right?

14 A MR. MYLES: That is correct, yes.

15 Q And then in terms of the 15 percent, you understand -- or NTPC  
16 understands that that is a per-year measure; is that right?

17 A MR. MYLES: That is correct.

18 Q So to NTPC's understanding, based on PUB decisions, a rate increase, so  
19 long as it's under 30 percent over two years, is in keeping with the PUB's  
20 guidelines; is that right?

21 A MR. MYLES: I'm reading the decision, and the  
22 quote that's in the decision, it says "The board has used 15 percent cap as  
23 a guideline."

24 So we would look at that as a 15 percent per year.

25 Q Okay. I think you're agreeing with me, but I won't push it.



1 published." End quote.

2 So given these passages from the general rate application that we  
3 just looked at, is it fair to say that if the board was to approve a lower rate  
4 increase to rate -- to rate classes in the Taltson zone than those who have  
5 applied for, that decision would not lead to a corresponding or  
6 consequential increase in the rates you have proposed for any of the other  
7 zones?

8 A MR. GRANT: I'll ask Mr. McLaren to answer that.

9 A MR. MCLAREN: I think in developing the rate  
10 proposals, the corporation's not asking to recover its full revenue  
11 requirement. There is a shortfall in terms of -- and I think that shortfall has  
12 sort of been tested at a corporate level in terms of what the corporation,  
13 thinks it can absorb. And the current proposal leads to a shortfall of about  
14 2.6 million, I believe, by the end of the second year, the phase-in.

15 So we -- I think we're being asked to -- hypothetically, would that  
16 alter the corporation's evaluation of can it continue to absorb the shortfall,  
17 I think that would --

18 Q Well, I didn't ask that.

19 A MR. MCLAREN: I'm sorry?

20 Q I didn't ask that, sir. What I asked was if there was a decision by the  
21 Public Utilities Board that they were not approving the full rate increase  
22 that you've applied for in the Taltson zone, would that mean that rates in  
23 any other zone would increase?

24 A MR. MCLAREN: And I think that the rate proposal in  
25 sum sort of considered the fact that the rates across the board will not

1 yield the full revenue requirement, and there was sort of a stress test of a  
2 \$2.6 million shortfall being something that could be absorbed. If that  
3 corporate-wide shortfall were different, I -- you know, without putting words  
4 in the company's mouth -- and maybe Mr. Grant will respond to this, that --  
5 that would have to be revisited, whether that additional shortfall would be  
6 something that could be absorbed.

7 Q But is there anything in your application that says that? Is there anything  
8 in your application as filed -- I'm not asking you to amend the application  
9 on the fly. Is there anything in the application as filed that says if those full  
10 increases aren't approved in a particular zone, that the impacts are going  
11 to be visited on rates in other zones?

12 A MR. GRANT: Yes. In Exhibit 23, PDF page 5,  
13 there's a statement in there that if the 10 percent proposals were not -- if  
14 the proposal had not been the 2.5 and the 10 percents, there would be  
15 approximately a 3.75 percent increase throughout the corporation for the  
16 service area.

17 Q So Exhibit 23, PDF page 5. Is there any way we can make that a little  
18 bigger?

19 A MR. GRANT: In the first paragraph.

20 MR. MARRIOTT: Okay, if we can maybe leave it at  
21 that first paragraph. I'm trying to read it, please.

22 MS. MINOZA: Yeah, sorry.

23 A MR. GRANT: And that also does include that the  
24 Snare and Thermal communities was also -- be at that rate.

25 Q Okay, I thought I was reading the right passage, and --







1 quote.

2 Now, could you explain what level of operating and capital budgets  
3 detail NTPC actually does prepare in nontest years in the normal course?

4 A MR. GRANT: I'll ask Mr. Myles to respond to that.

5 A MR. MYLES: Thank you. So we do -- NTPC does  
6 prepare operating budgets on a yearly basis. And as stated in the rebuttal  
7 evidence, we are saying that those budgets are not created or prepared in  
8 the detail that would be part of a GRA test year.

9 So to answer the question, yes, they are prepared on a yearly  
10 basis, and they are prepared from an operation standpoint, and again, just  
11 not quite as detailed as a budget that would be in a GRA test year.

12 Q Okay. And is there a written report for those nontest years with actual  
13 results compared to the operating and capital budgets that you prepare in  
14 those nontest years, including variance explanations?

15 A MR. MYLES: We do have internal reviews of our  
16 forecasts to actual results in non-GRA test years. Again, they are not to  
17 the same level of detail, and they may not have gone through the same  
18 level of detailed analysis and review process. So, yes, we do have  
19 variance analyses internally.

20 Q And are those prepared on a monthly basis or some other period?

21 A MR. MYLES: They are prepared on a monthly  
22 basis and again on a yearly basis. So as part of the monthly, quarterly,  
23 and yearly review process. And then just to also add to the discussion  
24 that NTPC does file on an annual basis with the PUB our annual report  
25 finances. And if you look at those annual report finances, it does include a

1 detailed analysis of expenses year over year. And when there is a recent  
2 GRA, it will compare to the GRA test year. So that type of analysis is  
3 available to interveners on a yearly basis.

4 And then PUB -- or NTPC also files with the PUB our annual capital  
5 budget as well with -- which shows details on our capital projects and our  
6 detailed spend for our capital projects. So the information is available  
7 publicly.

8 Q Well, some information is. I guess this is potentially an issue for argument  
9 in front of the PUB as to, you know, how much information should be  
10 provided, if there's more to be provided than you're providing now.

11 So for the PUB to get its head around that, I wonder if you would be  
12 prepared to undertake to provide for the last non-test year the operating  
13 and capital budgets prepared for that test year and then the variance  
14 reports that you mentioned for that test -- non-test year -- if I said "test  
15 year" a moment ago, I meant non-test year -- so including the monthly  
16 reports and the yearly report. Is that something that you could undertake  
17 to provide?

18 A MR. MYLES: At this time, I think NTPC would not  
19 be willing to take that as an undertaking at this time. Like I said, there is  
20 the annual report of finance which provides information that's out on our --  
21 our view of our accounts on a yearly basis.

22 And then also the additional costs that would be involved in  
23 creating these additional reports to public -- or the file publicly, those costs  
24 are not built into this current test year.

25 Q I'm not asking you to incur any additional costs except to find the reports

1 that you've describe and produce them. I'm not looking for you to sanitize  
2 them or edit them in any way.

3 A MR. MYLES: At this point, I don't think NTPC  
4 would be comfortable in releasing that to the public, not having the  
5 detailed and proper review internally before -- prior to posting them on to  
6 the PUB.

7 MR. MARRIOTT: Well, Mr. Chairman, I'm in your  
8 hands. On behalf of my clients, I'd like to ask that the utility be directed to  
9 provide the undertaking I've requested which would include producing the  
10 operating and capital budgets for the last non-test year as well as the  
11 variance reports that NTPC has described for that non-test year.

12 I'm looking for a ruling, sir, which you can either rule on now or  
13 later. It doesn't matter to me.

14 A MR. MYLES: Just for clarification, if I could, I'd like  
15 to add that when I say we have them prepared internally, they're not  
16 prepared in the same format as you would see in a GRA test year. So  
17 they're not -- it would require additional work. It wouldn't be a matter of  
18 just taking the existing information and putting it out.

19 MR. MARRIOTT: Well, Mr. Chairman, since he's  
20 added that qualification, what I'm asking for is not that. He said they  
21 prepare these reports. They're obviously sufficient for their purposes. I'm  
22 asking for them to be produced so that we can see what they look like and  
23 how reliable they might be and then take it from there in terms of arguing  
24 whether these kinds of things should be produced. I'm not asking them to  
25 do any additional work.

1 MR. VAN TIGHEM: Is there any confidentiality or  
2 personnel considerations in releasing those reports?  
3 A MR. GRANT: I think we'd have to review the  
4 reports to see if there's -- what kind of granularity would be resulting from  
5 that, and if that did in fact provide -- or disclose confidential information.  
6 MR. VAN TIGHEM: And is that a major undertaking?  
7 A MR. GRANT: It would take some time.  
8 MR. VAN TIGHEM: What's "some time"?  
9 A MR. GRANT: I would say that would take a month  
10 to see if -- if the kind of material that would be considered confidential  
11 would be able to be unrecognizable, I suppose, if that's how you want to  
12 put it.  
13 MR. VAN TIGHEM: A month would work for us. So we  
14 would comply with the intervener's request and ask that the report be  
15 provided.  
16 MS. SALMON: If I could just ask the Chair to just  
17 confirm are you asking the corporation to advise within a month whether  
18 we can redact information to be able to provide some form of budget  
19 document to you?  
20 MR. VAN TIGHEM: I understood that it would take a  
21 month to review it and release it, so I'm asking for the report within a  
22 month.  
23 MS. SALMON: Okay.  
24 MR. MARRIOTT: Thank you, Mr. Chair.  
25 MR. VAN TIGHEM: This happened last time too, so...



1 zone. So that's in Exhibit 11, and it's a particular tab with that schedule,  
2 5.1.2.

3 Okay. Now, I'm assuming that the panel has a version of this  
4 before them on their own screens so that it might be more legible than  
5 what I'm seeing on my screen. Is that fair? Do you have the -- the  
6 schedule legible to you in front of you?

7 MR. VAN TIGHEM: I believe so.

8 Q MR. MARRIOTT: Okay, I'm just going to ask us to look  
9 at, for function code 8881, the distribution brushing expense in the Taltson  
10 zone and the 2018-2019 forecast and NTPC panel. Would you confirm  
11 that that is shown as \$36,000?

12 A MR. MYLES: Yes, we can confirm that.

13 Q Okay, thank you. And then for the same function code, 8881, can you  
14 confirm that the 2022-2023 forecast is \$503,000.

15 A MR. MYLES: That is correct.

16 Q Thank you. Okay, I want to move on to the third area and final area of my  
17 questioning. I think this all goes to the issue of end of life and what kind of  
18 evidence or support there should be when a utility is proposing to incur  
19 costs at the end of an asset's life. So I'll maybe frame this I'd like to start  
20 with Exhibit 36. Again, that's the intervenor evidence on behalf of the  
21 towns of Hay River and Fort Smith, Mr. Bell's evidence, at answer 12,  
22 starting at PDF page 10.

23 So maybe the panel could just let me know when they have that  
24 before them.

25 A MR. GRANT: We have that in front us now.

1 Q Thank you. So starting at that page and then going forward for the next  
2 three pages or so, Mr. Bell highlights a number of Alberta proceedings  
3 where the Alberta Utilities Commission, or its predecessor, has required  
4 that a predictive model or an asset health index or some other quantitative  
5 analysis be used in assessing the need for capital work.

6 And I presume the panel reviewed Mr. Bell's evidence, and I was  
7 wondering if NTPC could share any thoughts that it had about the Alberta  
8 approach as illustrated by those examples in Mr. Bell's evidence.

9 A MR. GRANT: I'll ask Ms. Whitford to respond to  
10 that.

11 A MS. WHITFORD: Thank you. So at NTPC, we have  
12 used the term in the application "end of life" to really mean sort of -- not so  
13 much a very prescriptive or quantitative point in time for when an asset  
14 should be replaced, but we consider a number of things.

15 So we consider the age of an asset. So it does matter if an asset is  
16 40 years old or 10 years old. You'd expect the older assets maybe don't  
17 work as well. But we also consider things like functionality, whether an  
18 asset is working like it should be, working or not.

19 We consider things like technological obsolescence. So more and  
20 more our new technologies are coming out, or -- and it's not even -- it's not  
21 even really advanced or like -- what am I trying to say here -- technology  
22 per se, but there is better equipment that's being created that provides  
23 better security over the environment or provides better fuel efficiency in  
24 our gen sets. And so it makes sense financially to -- or from an  
25 environmental steward's perspective to update or to replace our assets.

1 So we consider all of these things when we -- when we talk about end of  
2 life.

3 We do have an asset health assessment program, and we're just --  
4 we're really -- I'd say we're very new at that program. That's only been  
5 underway in the last few years. So we've been -- we assess our assets.  
6 We -- every year we go out and assess a percentage of assets and have a  
7 look at their -- the condition of the assets. Are they as -- are they in the  
8 same condition that we would expect them to be in? Are they better? Are  
9 they worse? What do they look like? How are they operating?

10 So we do that. And as we're developing that asset management  
11 framework, we're also starting to add more important things in it. Criticality  
12 is one that we're really focusing on this year. Like, of the asset groups that  
13 we have, which are the really critical ones that we need to focus on?

14 So when those pieces fail, when do -- those are the ones that we  
15 need to pay the most attention to because they will bring down the entire  
16 gen set, or it will create a problem with the plant functioning. So we need  
17 to identify which are the most critical pieces of assets that we need to pay  
18 attention to and then ensure that we have a strong maintenance program  
19 and/or replacement program for those assets.

20 So Mr. Bell talks about creating a very complex and -- and -- we'll  
21 call it expensive asset management program that I think is great for  
22 AltaLink. I don't know that that makes sense for our company. I mean, we  
23 are -- we are moving there. Not at the -- we're definitely not to the -- to the  
24 refinement that Mr. Bell proposes. And we're getting there, but we're not  
25 there.



1           And I think that the other piece that we might not think about on a  
2 day-to-day basis, when you compare NTPC and our operations versus  
3 AltaLink, is that we operate in a very -- I call it extreme environment. And  
4 so we need to ensure safe, reliable power for our customers in all  
5 conditions.

6           That means in February, in Ulukhaktok, in Fort MacPherson, in  
7 Sachs Harbour. We need to make sure that -- that an engine doesn't  
8 break or doesn't fail because if it does, it may mean very costly repairs; it  
9 may mean extra time to get in there if there's a storm or we can't -- we  
10 can't get in there to get to the community and address the failure, it may  
11 mean a number of days' delay in trying to get power back on.

12           So we have to balance all of these things about end of life or when  
13 an asset should be replaced with trying to provide safe, reliable power.

14           So all those considerations go into when it's time to replace an  
15 asset and also our asset health assessment. Thank you.

16 Q Thank you. So you -- you said that you have an asset health program  
17 currently in operation. I guess I don't want to overparaphrase or interpret  
18 what you said. But I think you said it was in its early stages, although I  
19 think you mentioned it had been in place for some years.

20           Maybe I'll stop there and just ask if you agree with what I just said.  
21 Is that a proper recounting of what you told me?

22 A MS. WHITFORD:                           That is correct. And you will see that  
23 the asset health assessment that we use, that goes into developing sort of  
24 the priorities of our projects and which ones are more urgent and which  
25 ones are important but still could be pushed out a little bit further.

1                   So in the -- in our filing of our five-year capital plan this year with  
2                   the PUB, there's a column that talks about the prioritization of the projects.  
3                   And what goes into creating that prioritization is the asset health  
4                   assessments that we do.

5           Q Now, when you talk about these asset health assessments, I note that you  
6           do include in Exhibit 23 NTPC's information responses to HR, FS,  
7           NTPC 19. It starts at PDF page 119. But included in that response is  
8           something you've identified as an asset health assessment.

9                   Is that kind of assessment something that you've already prepared  
10                  or the other end of life projects specifically mentioned in your application?

11          A MS. WHITFORD:                   So because the Sachs Harbour plant  
12                  replacement is a fairly major project and undertaking, we created a  
13                  condition assessment. We contracted out a condition assessment for that  
14                  asset in terms of what -- what the condition of the existing assets were and  
15                  then what was needed in that place.

16                   That kind of assessment is not done for every project and in every  
17                  condition. That's not what I mean. I mean more of an informal review of  
18                  our assets on a more regular basis.

19                   I mean, we have our plant operators, and they inspect our assets,  
20                  and our plant superintendents inspect our assets on a daily and weekly  
21                  basis. That's -- that's sort of an asset assessment, an informal asset  
22                  assessment that happens regularly.

23                   And then we have -- well, I say a more in-depth one periodically.  
24                  That's what I consider the asset management program that we're running.  
25                  And then when we have such a major replacement like Sachs Harbour

1 plant, then we might create a condition assessment and have a contractor  
2 come in and do a formalized review of what's needed -- what's not working  
3 in the plant, where it is, and what's needed to replace it.

4 MR. MARRIOTT: All right. Thank you.

5 Mr. Chairman, if I might just have a moment, I'm going to mute  
6 myself and just have a discussion. I may be close to done here.

7 I'm back. Thank you, panel. Thank you, Mr. Chairman. Those are  
8 the questions on behalf of the Towns of Hay River and Fort Smith.

9 MR. VAN TICHEM: Thank you, Mr. Marriott. We'll now  
10 move to questions from board staff.

11 Cross-Examination by Northwest Territories Public Utilities Board:

12 MR. RETNANANDAN: Thank you, Mr. Chairman. And good  
13 afternoon, panel.

14 I have about five areas of examination. And recognizing the time,  
15 I'm hoping we can go through it fairly quickly.

16 So the first one relates to saved revenues. And now B -- you don't  
17 need to refer to this. But BR NTPC 3B, NTPC was asked to explain how  
18 and to what extent the dropping sales of 6 gigawatt hours experienced in  
19 2021 due to the pandemic was recognized in developing the 2023  
20 forecast for each community and rate class.

21 Similarly, in BR NTPC 3C, NTPC was asked to comment on the  
22 extent to which any drop in sales to wholesale customers arising from the  
23 pandemic was corrected as -- so as to reflect the subsequent recovery in  
24 the economy.

25 And in response to that, in 3B and 3C -- again, you don't need to

1 necessarily look at this. But the impact of the pandemic was captured to  
2 the extent that it was included in the five-year rolling average for UPC.  
3 Within the five-year rate, the sales fluctuations for 2020-2021 did not  
4 drastically impact 22-23.

5 And so my question is based on more recent information, does  
6 NTPC have any evidence such as more recent sales numbers to suggest  
7 the 6 gigawatt hour loss in sales during the 2021 pandemic year has not  
8 recovered to pre-pandemic levels by 2022-23?

9 A MR. GRANT: I'll ask Mr. Myles to respond to that.

10 A MR. MYLES: Thank you. I guess NTPC current --  
11 I don't have the information here to answer that question for additional  
12 evidence.

13 Q Maybe I can sort of be a little more specific.

14 A MR. MYLES: Sure.

15 Q And so if you go to take an example, the pre-pandemic wholesale sales in  
16 2019-20 were 162.6 gigawatt hours for Snare wholesale. And I'm taking  
17 this number from TGC NTPC 2 attachment -- attachment 1, I think -- or  
18 Exhibit 43.1. So that was the number -- for 2019-20 was 162.6 gigawatt  
19 hours. And now NTPC is forecasting 160.5 gigawatt hours for Snare  
20 wholesale in 22-23. So there is a drop in sales for Snare wholesale of  
21 something like 2.1 gigawatt hours in the 22-23 forecast relative to the  
22 pre-pandemic year 2019-20.

23 Now, I guess the question is could you indicate whether the extent  
24 of the reduction is supported -- when I say "the reduction", that is a 2.1  
25 gigawatt hours relative to pre-pandemic -- is supported by more recent

1 sales numbers in 22-23 for Snare wholesale, and have you done this  
2 analysis?

3 A MR. MYLES: Maybe I'll ask Mr. McLaren if he can  
4 shed some light on this.

5 A MR. MCLAREN: I'm not aware of any specific analysis  
6 that has been done to test whether that -- we have better information. I  
7 assume -- I take what you're asking is do we now have better information  
8 to describe to what extent that forecast remains reasonable as the -- as  
9 the territory recovers from or proceeds through the pandemic. Is that fair?

10 Q Yes.

11 A MR. MCLAREN: I'm not aware of anything that we  
12 have in addition to this that could be brought forward on that point.

13 Q Would it be -- would it be possible to undertake to provide such an  
14 analysis where you would compare the more recent sales to see whether  
15 they are tracking what you're forecasting? Or are they more likely to  
16 reflect the pre-pandemic levels of sales for the wholesale -- Snare  
17 wholesale rate?

18 A MR. MYLES: Yes, we can take that as an  
19 undertaking.

20 Q All right, so that would be undertaking number 9, I believe. And so that  
21 would be to do an analysis to assess whether the actual sales for Snare  
22 wholesales are tracking your forecast, or whether they are more consistent  
23 with pre-pandemic levels of sales for the Snare wholesale rate.

24 UNDERTAKING NO. 9:

25 Q MR. RETNANANDAN: Now, I also want to look at another

1 general service for the Thermal zone. And based on information provided  
2 in TGC NTPC 2, attachment 1, which is Exhibit 43.1, a similar sort of  
3 comparison was made. The pre-pandemic Thermal zone sales were 43.8  
4 gigawatt hours in 2019-20. And they are forecast to be 49 -- 42.9 gigawatt  
5 hours in 22-23. So there is a drop in sales for general service Thermal  
6 zone of about 1 gigawatt hours in 22-23, forecast relative to the  
7 pre-pandemic year 2019-20.

8 Now, could you again -- I don't know if you've done the analysis --  
9 but if such an analysis could be provided by way of an undertaking, that  
10 would be helpful.

11 A MR. MYLES: We would need to take that as an  
12 undertaking as well.

13 Q All right. So that would be Undertaking number 10. Comparing the 2023  
14 forecast sales with the 2022-23 year-to-date and prior months actuals to  
15 see to what extent the forecast may be consistent with the -- that it reflects  
16 pre-pandemic levels.

17 UNDERTAKING NO. 10:

18 A MR. MYLES: I'm going to ask Mr. McLaren if he  
19 could add some additional information to that as well.

20 Q Thank you.

21 A MR. MCLAREN: Sure, I'll just comment. A few  
22 cautions that I'm sure you understand, Mr. Retnanandan, is that, one, I  
23 don't think there will be audited actual months available or anything like  
24 that. This would be sort of unaudited things, and sometimes sales move  
25 around a bit throughout the year as accounts are revisited. So anything

1 that they could provide would be on a sort of preliminary actual basis.

2 The other thing I would just note is that, if I were -- if I were doing  
3 this, I would want to sort of have a look at some other categories too. And  
4 I'll just note that in the Thermal zone, for example, the forecast residential  
5 sales are higher in 2022-23 than they were pre-pandemic. So that may  
6 reflect some transition of people working from home, and so residential  
7 sales go up and general service sales go down. So if we're doing this, we  
8 might want to just leave the door open to think about the reasonableness  
9 generally and if we have any -- any areas where we think that it's  
10 materially tracking differently for reasons that we can't explain, that we  
11 might look at that.

12 Q Right. So with those caveats, could you then undertake to include that  
13 analysis for all relevant rate classes and compared to what extent they are  
14 consistent with -- with what you're seeing today, to what extent they are  
15 consistent with your forecasts or with pre-pandemic levels?

16 A MR. MYLES: Yes, we'd agree to that.

17 Q Okay. Now moving on, I've got a quick question on fuel costs. I would like  
18 to refer to BR NTPC 4C, and that is Exhibit 043. And fuel costs is a  
19 significant component of NTPC's revenue requirement. So NTPC used  
20 2021 actual pricing for all communities. And this is a quote taken from  
21 NTPC 4C. So NTPC used December 2021 actual pricing for all  
22 communities as explained in the application page 4N. This is how the fuel  
23 and purchased power forecasts were calculated. The methodology of  
24 using most recent available actual prices is consistent with the prior  
25 General Rate Application.

1                   Now, as we all know, the fuel prices, particularly the WTI, the world  
2 price, West Texas Intermediate, has fluctuated over the last few months.  
3 And I'm not sure when NTPC actually did the forecast. And so is there  
4 any indication of what the WTI rate that may have corresponded to the fuel  
5 prices that are reflected in the application?

6 A MR. GRANT:   Sorry, could you just repeat the last  
7 part of that question?

8 Q Yeah. So I'm trying to relate the fuel price forecasts, which have been  
9 fluctuating quite a bit over the last few months. They went up quite a bit in  
10 the earlier part of the year, and then they have now sort of moderated  
11 somewhat. So I'm just wondering what type of average WTI that may --  
12 you may have assumed for the fuel price forecast, the WTI that  
13 corresponds to your fuel price forecast. Maybe there is no correlation. If  
14 so, you can tell us that.

15 A MR. GRANT:   Our forecast, like we have said in  
16 the -- or in our -- in our evidence, our forecast was based on December  
17 prices, which followed our previous methodology. And recognizing that  
18 there -- there are changes in the fuel prices, but we also have a  
19 mechanism to deal with fuel price changes from our regulated fuel prices.  
20 And that -- that will be looked at at some point as well.

21 Q Right. What I'm sort of wondering is whether the world price of oil, which  
22 somehow reflects on your fuel price forecasts, whether that is reflective of  
23 going forward expectations for 22-23?

24 A MR. GRANT:   Well, the price that we use in  
25 developing these rates was based on -- was based on December. Prices



1 that we had been receiving, you know, that was the actual price that we  
2 received fuel at. But looking forward, we have not incorporated updated  
3 fuel prices based on any of the world fuel prices.

4 Q All right. So the assumption, then, is that the December prices would be  
5 reflective of go-forward fuel prices for 22-23. Now, is there some way to  
6 support that?

7 A MR. GRANT: What I said was that we have rates  
8 built into our rate application which incorporate the -- the fuel prices from  
9 December. And we also have a mechanism to deal with changes from  
10 regulated rates. And that is what we would rely on to deal with upward  
11 and downward rate or price pressures on fuel.

12 Q Yes. And I -- I recognize that, that you do have a fuel stabilization  
13 account. And -- but I think what I'm trying to get at is the -- the level at  
14 which you're establishing your rates, that they should be at the right level  
15 to reflect fuel costs for the 22-23 forecast year. And if that's something  
16 you may wish to look at and get back to us as to whether the rates -- I  
17 mean, rather than looking at just the December number, which may  
18 perhaps be reflective of the 22-23 year, but just provide some support for  
19 why you have relied on that number as reflective of 22-23. I understand  
20 your rate stabilization fund.

21 A MR. MYLES: Just I can add some additional  
22 comments there.

23 So what Mr. Grant is saying is that our fuel prices, as far as this  
24 application, when we developed the application, we used the fuel prices  
25 as of December, which was around \$1.21 a litre, I believe. And as you

1 know, that fuel prices have increased since that time, and they continue to  
2 remain substantially higher than that, between 30 and 35 percent higher  
3 than that. So within this GRA, we do not have the additional cost of fuel  
4 built into that. So there would be additional expense potentially in the  
5 future in the form of some form of shortfall rider to reflect this additional  
6 cost in fuel. That is not built into the current GRA rates.

7 Q All right, thank you. That's helpful.

8 Now moving on to -- so the fuel cost savings resulting from the  
9 Inuvik wind turbine, and I'm referring to BR NTPC 4D as part of  
10 Exhibit 023, and in the board's question, NTPC was asked to provide the  
11 fuel cost savings impacts resulting from the Inuvik high point wind turbine  
12 addition. And in response, NTPC stated, "There is no updated quantified  
13 assessment of the impacts on wind in 23-24. This is because NTPC does  
14 not at present have clarity on timing for the project or for final government  
15 contributions to be provided. Once these matters are resolved, NTPC will  
16 have a better ability to complete the project projection of the fuel savings  
17 that will occur and the net additions to ratepayers."

18 Now, as opposed to that, there's sort of -- you're expressing this  
19 concern about an uncertainty in the application in Exhibit 001, page 1-5.  
20 And you don't need to refer this. I'll just read it out to you.

21 "Note that 2.6 million shortfall in revenues by the second year of the  
22 phase-in under proposed rates represents NTPC's decision to reflect  
23 expected benefits of the Inuvik high point wind turbine rates, even though  
24 this project will not reach commercial service until 23-24 year."

25 So I guess putting these two together, given the passage of time -- I

1 mean, at that you said you didn't have all the particulars. But you've also  
2 quantified 2.6 million as the potential fuel savings. And given the passage  
3 I read to you about the response, is NTPC in a better position to provide  
4 the fuel displacement benefits arising from Inuvik wind?

5 A MR. GRANT: This project is still under  
6 construction, so at this point in time we are -- we have no empirical or  
7 operational data that would allow us to better estimate the -- the amount of  
8 savings from fuel from this project.

9 Q All right. Could you then provide the assumptions that went into the 2.6  
10 million estimate for fuel displacement benefits in 22-23 arising from the  
11 Inuvik wind supply?

12 A MR. GRANT: No. We're not in a position right now  
13 to provide that information, as it is -- there's too many unknowns about the  
14 performance or the -- of the wind turbine.

15 Q I'm just wondering how you might have quantified that 2.6 million. Are  
16 there some schedules or some kind of calculation that was done to arrive  
17 at that number?

18 A MR. GRANT: In coming up with that number, we  
19 just looked at high-level assessments of the power potential of the  
20 windmill and what that would do for our reduction in fuel required for the  
21 Inuvik plant.

22 Q Was it sort of a back of the envelope calculation; is that what you're  
23 saying?

24 A MR. GRANT: It was a very high level that was  
25 used when they were looking at the project to initially announce it. That's

1 what would have been produced and used.

2 Q Is that something you can provide? I mean, because the 2.6 million  
3 number is a -- is an important number from the perspective that NTPC is  
4 not asking for that amount as a rate adjustment for the current year,  
5 22-23. And the reason is that you are saying that 2.6 million would  
6 materialize as fuel cost benefits in 23-24. So it would be useful to get an  
7 understanding of how you arrived at that 2.6 million.

8 MR. VAN TICHEM: Perhaps there was a business case.

9 Q MR. RETNANANDAN: Perhaps a business case.

10 A MR. GRANT: We can undertake to find the source  
11 of that -- the source and -- of a calculation for that fuel savings.

12 Q Okay. 11 -

13 MS. FERDINAND: Sorry, number 11.

14 Q MR. RETNANANDAN: So a business case or a calculation  
15 to support the 2.6 million estimate for fuel displacement benefits in 22-23  
16 arising from Inuvik wind supply.

17 UNDERTAKING NO. 11:

18 Q MR. RETNANANDAN: All right. I won't be long. So I just  
19 have a quick question on the non-wires alternatives. The board asked  
20 some questions on -- in BR NTPC 8, Exhibit 023. And this is what it said:  
21 NTPC -- in your response, you said:

22 "NTPC is currently working with our customers on the net metering  
23 program which essentially provides localized power to customers. NTPC  
24 is open to working with customers and new technologies interested in  
25 investigating NWA options" --

1                   That is non-wires alternatives.

2                   -- "where it makes business sense for NTPC's existing customers."

3                   Now, may I ask you what type of non-wires services does NTPC  
4                   have in mind in reference to the above quote?

5           A   MR. GRANT:   I'll ask Ms. Whitford to respond to  
6                   that.

7           A   MS. WHITFORD:                                        So I guess I would put it back to our  
8                   customers what non-wire alternatives they are willing to bring to the table  
9                   we are willing to work with them on. So the majority of non-wire  
10                  alternatives are not being driven by us but rather by our customers. The  
11                  net metering program is customer-driven, and then we work with them on  
12                  that program.

13          Q   All right. I can sort of cite some non-wires alternatives that may potentially  
14                  be provided by not only customers but also other contracting parties such  
15                  as voltage control, frequency control, generation ramp-up and down,  
16                  operating and spending reserves, demand response, battery storage for  
17                  balancing intermittent renewables, so all of those potentially could be  
18                  non-wires.

19                         Now, would it be fair to say that for non-wire services to be made  
20                         available, it would first be necessary for NTPC to identify opportunities  
21                         where such non-wires services may be most cost-effective compared to  
22                         the addition of a new plant, whether it be in generation, transmission, or  
23                         distribution?

24                                 So what I'm saying is rather than leaving it to the customers, NTPC  
25                                 may need to be more proactive in coming up with -- in their planning

1 decisions in evaluating various capital addition options, to look at  
2 non-wires alternatives side-by-side with other wires and generation  
3 options to minimize costs for customers, and can that be incorporated into  
4 your planning process in some fashion?

5 A MS. WHITFORD: So we -- yes, we can take -- we do  
6 take new technologies into consideration when we're looking at planning  
7 our systems. I will say that on -- on PDF 51 at the top, in the top  
8 paragraph there, we identify -- sorry. That's Exhibit 23, PDF 51. We  
9 identify that -- like, our systems are very small, in particular -- especially  
10 when you're speaking about something non-wires alternative which is  
11 essentially trying to say let's take generation or energy options and split  
12 them throughout the distribution system.

13 Colville Lake has a distribution line of 12 kilometres. Fort Smith, 20  
14 kilometres. It's not -- it's not like the end of the line is so far away from the  
15 generation plant. We really have very small communities. And trying to  
16 balance that, like you said, Mr. Retnanandan, about the -- trying to  
17 balance that with the cost of service for our customers and trying to find a  
18 cost-effective way of providing power, that is the challenge.

19 So we do consider new technologies. We do look at where they  
20 make sense. We describe one on -- lower down on PDF 51 there, we talk  
21 about the distributive generation project that we were working with the  
22 Town of Inuvik on.

23 The cost to try to maintain that separate generation from the -- from  
24 the existing generation plant far exceeded the benefits that customers  
25 were getting. And in fact, the Town of Inuvik wasn't even willing to take on

1 that project because the costs were so high to maintain that.

2 So we definitely will keep future technologies in mind as we work on  
3 our systems, and happy to work with customers as they bring new  
4 technologies to us, net metering projects to us. Happy to work with them  
5 as well. Thank you.

6 Q And this may be even more relevant in the context of electric vehicles  
7 coming on street and the potential for, you know, need -- requiring  
8 additional feeder capacity. If you have three or four Teslas connected on  
9 the same feeder, you may need to strengthen the wires. So you may need  
10 to look at potentially redesign options that would have time of use  
11 elements, perhaps. It may also need some form of demand response  
12 potentially and coordination of those activities.

13 So what is being suggested is more like a nudge factor. You know,  
14 these are all things that are coming down the road. And rather than  
15 looking only at capital solutions, you may need to look at other non-wire  
16 solutions which are more cost effective.

17 And I recognize what you said about some of these costs being  
18 high, but if these services are procured on a competitive basis, you are  
19 bound to end up -- and with the appropriate contractual requirements, then  
20 you would have better -- a better outcome from there.

21 All right. So I'll move on from there to -- okay, this is my last area.  
22 And so Mr. Marriott had a number of questions with regard to the Taltson  
23 zone and so -- so did the other parties, SAES and so on.

24 Now, there are many -- so many elements to this proposal. I guess  
25 the proposal that is before the board is to increase rates for the Taltson

1 zone across the board by 10 percent. Similarly for the Norman Wells by  
2 10 percent over two years. In both cases, it's over two years. So that's  
3 the proposal.

4 Now, as part of NTPC's evidence and responses, we have not --  
5 the board has not seen any evidence that reflects how these -- these costs  
6 and revenue -- I mean, the whole idea of this proposal is to improve the  
7 revenue to cost ratios for these particular area -- zones. But the board  
8 has not seen any evidence that suggests based on the current most  
9 recent updated cost of service study that the revenue to cost -- what the  
10 revenue to cost ratios would be for the various customer classes within  
11 those zones.

12 So as you know, the government instruction is that the increases --  
13 rate increases for nongovernment customers should not exceed 1 percent,  
14 and it should not exceed 3 percent for government customers.

15 So keeping all that in mind -- now, these are the elements: NTPC  
16 has made a proposal for a phase-in of rates over two years at 10 percent  
17 for these communities. There is the government instruction which says  
18 that rates cannot be increased -- well, rates may not be increased within  
19 these zones for different customer classes, namely government and  
20 nongovernment, by more than certain amounts. And we don't see a cost  
21 of service study that reflects how these rates can be moved to be  
22 consistent both with the government constraints as well as reflecting other  
23 rate design considerations.

24 So here is what I would like to suggest, and perhaps you could tell  
25 me if this is an appropriate undertaking to -- to take up. And so here it



1 goes: So the board would like NTPC to provide as an undertaking the  
2 last-approved cost of service study updated for 22-23 revenue  
3 requirement and proposed rate changes for Fort Smith, Fort Resolution,  
4 and Norman Wells at the rate class level to reflect the government  
5 instructions while ensuring wholesale RC, revenue to cost ratios, reflect a  
6 reasonable increase consistent with improving revenue to cost ratios. And  
7 this should also be considered in conjunction with the phase-in approach  
8 proposed by NTPC.

9 So in a sense what we are asking for is an updated cost of service  
10 study that reflects costs and revenues at the rate class level.

11 Can that be provided by way of an undertaking?

12 A MR. MCLAREN: I think we can accept that  
13 undertaking. I'll put a -- a little bit of a preamble, though, is that there will  
14 be certain elements that we would update in a full phase 2 proceeding that  
15 we won't be able to do in a timely way in this proceeding.

16 Where we can't do those, the undertaking will indicate what we  
17 weren't able to update so it's clear. But it can be updated -- the  
18 previously-approved methods and approach can be updated by running it  
19 with the 22-23 revenue requirement numbers.

20 And to the extent we need to make assumptions or can't update  
21 certain things, we would identify those as part of the undertaking  
22 response.

23 UNDERTAKING NO. 12:

24 MR. RETNANANDAN: All right. And so given the -- these  
25 are some of the things -- and the Chair will speak to the dates for filing of

1           these things, these items. And given the significance of this undertaking,  
2           the board will likely allow time for information requests and responses  
3           from parties, and that would then be followed by argument and reply for  
4           these proceedings.

5                       Mr. Chair, those are my questions.

6           MR. VAN TIGHEM:                       Thank you.

7                       Moving right along, are there any questions from members of the  
8           board? Seeing none, and being quite happy with the undertakings that  
9           have gone forward compared to what I was looking for, I would like to  
10          thank everyone for their involvement, continued involvement. This is just  
11          the next step. With upcoming dates, undertakings by October 14th.  
12          Information requests by October 21st. Response by November 4th.  
13          Argument by November 18th. And reply by December 2nd. It was  
14          suggested a ruling by April 1st, but I think that's a little bit long. So we'll  
15          work towards earlier than that.

16                      We look forward to the input from the general public. There are six  
17          or eight registered participants at this point, so we'll see where that goes.  
18          And again -- not again, but this -- this was a technological difference for all  
19          of us, I think. And it, to the greater extent, worked. And so we look  
20          forward to future innovation.

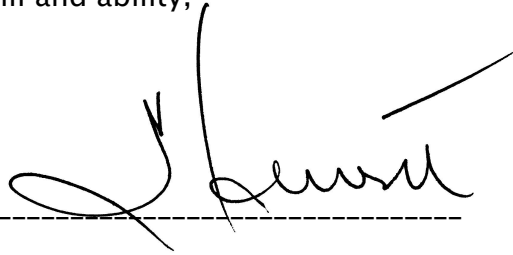
21                      Thank you again. With that, we will adjourn the hearing on  
22          technical issues and prepare for the public input.

23          (ADJOURNED AT 2:47 p.m.)

24                      -----

25

Certified correct to the best of my  
skill and ability,

A handwritten signature in black ink, appearing to read "Lois Hewitt", written over a horizontal dashed line. The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Lois Hewitt, CSR(A), RPR, CRR  
Court Reporter