

**Transcript:  
July 23, 1996, pages 180 to 183  
1996 General Rate Proceeding**

Page 177

Page 179

1 Power Company does not pay any more than is  
2 required.  
3 Q. Okay. Now, Mr. Rutherford, had he been with  
4 Newfoundland Power before?  
5 A. He was originally hired by Newfoundland Power, yes.  
6 Q. Okay. And did he then get transferred from  
7 Newfoundland Power to Fortis as well?  
8 A. Yes.  
9 Q. And were there other people within Newfoundland  
10 Power who then filled his position?  
11 A. No, I guess not. That position was eliminated.  
12 Q. Okay. So, the position was eliminated, but Fortis  
13 then charged back for his services.  
14 A. The services he provided were in a different  
15 direction that the job he was doing when he was  
16 there.  
17 Q. Okay. And then you told us that Mr. Watson, I  
18 think, was hired from outside and hired for Fortis?  
19 A. He was hired as a Fortis employee, yes.  
20 Q. A Fortis employee, okay. And that he was valuable  
21 during the formation of Fortis?  
22 A. I said that about Mr. Rutherford.  
23 Q. Okay. So, Mr. Watson--is it Mr. Watson or Mr.  
24 Rutherford who the Company subsequently realized was

1 MS. HENLEY ANDREWS:  
2 Q. Yes, March 18, 1996.  
3 A. Yes, I have it.  
4 Q. If you look at the bottom of page 27, the last  
5 sentence. It says, "in the case of Fortis executive  
6 and staff costs charged to NP, an overhead rate of  
7 25 percent is added to the charge". Is that  
8 correct?  
9 A. The bottom of page 27.  
10 Q. Yes.  
11 A. Beginning on the second last line, is it?  
12 Q. Yes.  
13 A. All right, okay, um-hm.  
14 Q. And then on the next page Deloitte and Touche  
15 comment that "this overhead rate lacks specific  
16 support"?  
17 A. Yes.  
18 Q. Although they conclude that it doesn't appear to be  
19 unreasonable?  
20 A. Yes.  
21 Q. And then they say that -- skip the next sentence for  
22 a second -- "a position could be taken that there  
23 should be an allocation of other related costs". I  
24 think that should be "such as office space, etc. or

Page 178

Page 180

1 going to be of greater value to Newfoundland Power  
2 than to Fortis?  
3 A. Mr. Rutherford.  
4 Q. Okay. Was it Mr. Rutherford who had been the  
5 consultant with Anderson?  
6 A. Yes.  
7 Q. So, when you say that he was, Mr. Rutherford was  
8 hired first by Newfoundland Power, how long was he  
9 with Newfoundland Power before he went to Fortis?  
10 A. I'm not sure of the time line.  
11 Q. Okay. So, he was useful to Fortis while it was  
12 being set up and then his services were allocated to  
13 Newfoundland Power until he was eligible for  
14 retirement?  
15 A. He was available for work either in Fortis or in the  
16 Power Company. He spent most of his time working on  
17 projects in the Power Company because that's where  
18 we perceived we would get maximum value for his  
19 services.  
20 Q. Now, in the study done for you by Deloitte and  
21 Touche, there are a number of comments in the  
22 conclusion. Could you take a look at that?  
23 MR. HANRAHAN:  
24 Q. Is this on inter-corporate charges?

1 mark up for overhead costs", but weren't at least  
2 some of these people occupying Newfoundland Power's  
3 own offices anyway? I think you told us Mr. Bruneau  
4 was.  
5 A. Mr. Bruneau was resident in the Kenmount Road  
6 building, yes, and Mr. Rutherford was for a period  
7 of time. Again, I don't have the period of time.  
8 Q. Okay. And then they conclude at the bottom -  
9 A. Of course it says "a position could be taken that  
10 there should be an allocation".  
11 Q. That's right. But then at the bottom in their  
12 summary, they say that "the charge for the services  
13 of Dr. Bruneau is not adequately supported."  
14 A. I think we've heard that position before in these  
15 hearings, yes.  
16 Q. Now the final -- I think it's the final area. Yes,  
17 final area is you were asked questions about bi-  
18 monthly meter reading.  
19 A. Yes.  
20 Q. My recollection is that the issue of moving from  
21 monthly meter readings to bi-monthly meter readings  
22 was very contentious in the 1991 rate hearing.  
23 Isn't that right?  
24 A. Contentious from what point of view?

Page 181

1 Q. That there were a lot of people who had concerns  
2 with it. There were some consumer concerns  
3 expressed.  
4 A. That wouldn't surprise me, yes.  
5 Q. And I think you indicated that in a recent survey  
6 and you -- I won't hold you exactly to the numbers --  
7 - that roughly 50% of consumers indicated that they  
8 were unhappy with the bi-monthly meter reading?  
9 A. Yes.  
10 Q. But that only 15% were prepared to pay more to get  
11 monthly meter readings back?  
12 A. Those are numbers off the top of my head, yes.  
13 Q. I think you also told us that it will cost more to  
14 get the monthly readings back.  
15 A. Yes.  
16 Q. So you're prepared to do that on the basis of 15% of  
17 your customers?  
18 A. Well, when we carried out that -- when that survey  
19 was carried out, there was nothing in the way of  
20 cost identified. The people who answered the  
21 question had no idea what we were talking about in  
22 the way of cost and as I mentioned previously, it  
23 sounds like it's something like maybe \$1.25 a year  
24 or something. So it -- to me it's not material. I

Page 182

1 think if customers had been told that at the time of  
2 the survey, I think you would have gotten a  
3 different result.  
4 Q. Okay. Those are my questions.  
5 CHAIRMAN:  
6 Q. Mr. Alteen?  
7 MR. AIDAN RYAN, RE-DIRECT EXAMINATION BY MR. PETER ALTEEN  
8 Q. Mr. Ryan, and I may have misinterpreted the question  
9 or the answer to the question that Ms. Henley  
10 Andrews and the answer just raised but did -- Ms.  
11 Henley Andrews asked you whether there was consumer  
12 concern over bi-monthly meter reading at the 1991  
13 hearing. I believe that was the question.  
14 A. I don't remember that -  
15 MS. HENLEY ANDREWS:  
16 Q. That was the question.  
17 A. But the position that she put forth doesn't surprise  
18 me, you know, that there was consumer concern.  
19 Exactly when we went to bi-monthly, I'm not sure.  
20 MR. ALTEEN:  
21 Q. That was -  
22 A. It can't be that long ago.  
23 MS. HENLEY ANDREWS:  
24 Q. Maybe it was '93.

Page 183

1 MR. ALTEEN:  
2 Q. It was '93 when the Company went to bi-monthly,  
3 wasn't it, Mr. Ryan?  
4 A. That makes -- that's true. That's true. I'm sorry.  
5 Yeah.  
6 Q. It's late in the day. And in 1991 there was no  
7 proposal for bi-monthly at the rate proceeding?  
8 A. No, there was not. That's right. Yeah, I should  
9 have remembered that.  
10 Q. Just on a staff organizational thing, Mr. Ryan, can  
11 you look at Noseworthy Keating's Annual Report or  
12 Annual Review for 1994 and would you look at  
13 Schedule 4.  
14 A. Yes.  
15 Q. And that showed the manager level positions in  
16 November 1987?  
17 A. Yes.  
18 CHAIRMAN:  
19 Q. What page is this?  
20 MR. ALTEEN:  
21 Q. Schedule 4 of the '94 Report, Mr. Chairman. This is  
22 a minor point. It's not material but we might as  
23 well settle it. Have you got that Schedule 4 in  
24 front of you?

Page 184

1 A. Yes.  
2 Q. And how many legal counsel does that show you had in  
3 '87?  
4 A. Two.  
5 Q. And if you go to Schedule 2 -  
6 A. Schedule 2?  
7 Q. 2, yes, Mr. Ryan.  
8 MS. HENLEY ANDREWS:  
9 Q. What document are you looking at?  
10 MR. ALTEEN:  
11 Q. The Noseworthy Keating Howard and Kung Annual Report  
12 for 1994.  
13 MS. HENLEY ANDREWS:  
14 Q. Not the letter of April 11th?  
15 MR. ALTEEN:  
16 Q. No, no. The report.  
17 A. Schedule 2. I have Schedule 2, yes.  
18 Q. I'll wait for Ms. Henley Andrews to get it.  
19 MS. HENLEY ANDREWS:  
20 Q. Yeah.  
21 MR. ALTEEN:  
22 Q. And those two lawyers reported to Mr. Marshall who  
23 appears in Schedule 2 as an Executive, didn't they,  
24 at that time?