

**Transcript:  
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1 it says, "See previous question". But I can't tell  
 2 from the answer to the first question whether it's  
 3 yes or no.  
 4 MR. HAYES:  
 5 Q. I can probably state for the record, perhaps it  
 6 ought to have been included in the answer, that the  
 7 answer is no. If you work it out, it comes out to I  
 8 think just less than seven days, somewhat less than  
 9 seven days.  
 10 MS. HENLEY ANDREWS:  
 11 Q. Thank you.  
 12 CHAIRMAN:  
 13 Q. Mr. Spracklin?  
 14 MR. SPRACKLIN:  
 15 Q. I have no preliminary matters, Mr. Chairman.  
 16 CHAIRMAN:  
 17 Q. Mr. Hanrahan?  
 18 MR. HANRAHAN:  
 19 Q. Thank you, Mr. Chairman, I--two matters. First of  
 20 all, for the record, it has been distributed to the  
 21 parties, we've received the submission from the City  
 22 of Corner Brook, under the signature of Mr. James  
 23 Kennedy, concerning the proposed rate increase by  
 24 Newfoundland Power and that again has been

1 Q. In any event, this customer is part, I think, of a  
 2 large group of customers who have communicated the  
 3 same sorts of issues since its inception, and  
 4 essentially, this particular customer seemed to  
 5 describe to me a pattern of billing that was very  
 6 erratic and that his last bill was for \$20.00 I  
 7 believe and the previous month it was for \$80.00 and  
 8 so it's one of these situations where it sounds like  
 9 perhaps at one point the estimate was inaccurate or  
 10 a reading was inaccurate and it's caused this  
 11 gyration of bills ever since. Why is the Company,  
 12 other than the suggestion that it wouldn't work well  
 13 with the surcharge proposed, why else is the Company  
 14 interested in not continuing with the bimonthly,  
 15 because I believe Mr. Ryan in cross-examination said  
 16 that he's not sure that it should proceed any  
 17 further?  
 18 A. It's mainly because of examples like you're  
 19 providing and that there seems to be a perception,  
 20 at least in the customer base, that the--well,  
 21 beyond perception, I think it's a reality that they  
 22 don't understand it. But certainly the perception  
 23 is that it's not fair and that it doesn't work well  
 24 and there are a lot of complaints, well, there are

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1 circulated by the Clerk. Secondly, before the break  
 2 or perhaps the morning break, I circulated a  
 3 response constructed by Doane Raymond to DMB-203.  
 4 When I did so we did not have already given to the  
 5 parties the actual questions that led to the  
 6 response called DMB-203. So now we have the  
 7 questions to follow the answers which were provided  
 8 earlier this morning. So just for the record, that  
 9 will complete DMB-203, Mr. Chairman, and they've  
 10 been already circulated. That's all I have, thanks.  
 11 CHAIRMAN:  
 12 Q. Okay. Vice-Chair can now proceed with cross-  
 13 examination of Mr. Smith.  
 14 MR. KARL W. SMITH CROSS-EXAMINATION BY VICE-CHAIR LESLIE GALWAY  
 15 (CONT'D)  
 16 VICE-CHAIR GALWAY:  
 17 Q. Good afternoon. As luck would have it, my next  
 18 question relates to bimonthly estimates and during  
 19 lunch I took a message for the Consumer Advocate  
 20 from a customer who was rather upset about bimonthly  
 21 estimates. And I'm sure Mr. Browne has his message.  
 22 MR. BROWNE:  
 23 Q. Someone is responding as we speak. Thank you.  
 24 VICE-CHAIR GALWAY:

1 some complaints, and certainly we've heard from the  
 2 Consumer Advocate that he's been getting quite a few  
 3 complaints associated with bimonthly meter reading.  
 4 In putting together the application and  
 5 incorporating the change in rates to incorporate the  
 6 subsidy, it became very obvious that bimonthly will  
 7 certainly complicate things, overly complicate  
 8 things. Beyond that, just a general sense of  
 9 customers don't appear to like it, they don't appear  
 10 to understand it, there still seems to be consistent  
 11 perception problems with respect to actually what's  
 12 happening with bimonthly meter reading, and I  
 13 believe it's just simply a reaction to what we're  
 14 hearing from the customers more than anything else,  
 15 that would prompt Mr. Ryan to say that it's probably  
 16 time to really have a serious look at whether or not  
 17 it should continue anyway.  
 18 Q. In the, I guess the initial stages, the Company  
 19 obviously had investigated the benefits associated  
 20 with taking on such a process through bimonthly  
 21 meter readings and the other month obviously is an  
 22 estimate. On what basis did they, did the Company  
 23 make the decision to initiate it?  
 24 A. It was on the basis of cost reduction, saving costs,

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<p>1 and the cost reductions that would have come about</p> <p>2 from the implementation of bimonthly meter reading</p> <p>3 would be the reduced number of meter readers that</p> <p>4 were required and therefore the labour costs</p> <p>5 associated with that.</p> <p>6 Q. And at that time did the Company anticipate as much</p> <p>7 difficulty with this--I think it was expected that</p> <p>8 there'd be a lot of calls in the beginning because</p> <p>9 people wouldn't understand it, and I also understood</p> <p>10 at one point that the Company felt that these calls</p> <p>11 were beginning to taper off and that perhaps there</p> <p>12 had been some acceptance of it. And so I guess I'm</p> <p>13 trying to get from that point where the calls</p> <p>14 tapered off and they thought there was some</p> <p>15 acceptance of it to today, no, we don't think it's</p> <p>16 probably a good program to continue it.</p> <p>17 A. Well, it seems that the tapering off of the calls</p> <p>18 did not correlate with acceptance after all. It's</p> <p>19 probably a case whereby the customers just stopped</p> <p>20 trying to understand or they went back so many times</p> <p>21 and just threw up their arms in frustration so to</p> <p>22 speak and said they just can't understand it and I</p> <p>23 have no choice. Obviously, now that another option</p> <p>24 is open to them in terms of somebody that they can</p>	<p>1 over and above rate of return on approved rate base,</p> <p>2 and it was with respect to the years '91, '92', '93,</p> <p>3 and you commented at that time that you would</p> <p>4 disagree that there was any amount for the year</p> <p>5 1991, and I think that's where everything stopped.</p> <p>6 So I want to give you an opportunity to address</p> <p>7 that.</p> <p>8 A. My reference there was with respect to the range of</p> <p>9 right of return on rate base that we've been</p> <p>10 referring to, arose from the 1991 Order PU-6, and it</p> <p>11 was in reference to the years 1992 onward. So on</p> <p>12 that basis, I think that the range that was</p> <p>13 approved, arising from that particular Order, does</p> <p>14 not apply to 1991.</p> <p>15 Q. Okay. So you're referring to Item No. 4 on page 82</p> <p>16 of the Order, "A just and reasonable return for NP</p> <p>17 is determined to be between 10.96 percent and 11.19</p> <p>18 percent on its average rate base for 1992 -"</p> <p>19 A. Yes.</p> <p>20 Q. " - which would provide an opportunity to earn a</p> <p>21 rate of return on common equity between the range of</p> <p>22 13 percent to 13 1/2 percent."</p> <p>23 A. Yes, that's correct.</p> <p>24 Q. And that just refers to the average rate base for</p>
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<p>1 call, being the Consumer Advocate, it seems to have</p> <p>2 elevated itself again. We still receive a number of</p> <p>3 calls with respect to bimonthly meter reading but</p> <p>4 certainly they're not anywhere near where they were</p> <p>5 upon the initial implementation in the beginning</p> <p>6 period of that. So it's more of a general sense</p> <p>7 rather than something we can point to and say</p> <p>8 there's still 2,000 calls a month because there</p> <p>9 isn't.</p> <p>10 Q. I think during a discussion, a conference that I</p> <p>11 attended, I asked another commissioner from Ontario</p> <p>12 whether they had experience with such a program and</p> <p>13 they mentioned at, or that particular person I</p> <p>14 should say, mentioned to me that their program was</p> <p>15 different in that not only is it a bimonthly meter</p> <p>16 reading but it's a bimonthly billing process. Did</p> <p>17 the Company ever give consideration to that?</p> <p>18 A. I don't really know if that aspect was considered or</p> <p>19 not. I'm just familiar with what was actually</p> <p>20 implemented and I'm not sure if that alternative was</p> <p>21 investigated or not.</p> <p>22 Q. Now, I think the first day that you were giving</p> <p>23 evidence under cross-examination, you made a comment</p> <p>24 with respect to the amounts the Company has earned</p>	<p>1 1992.</p> <p>2 A. Yes.</p> <p>3 Q. How do you feel about 1993?</p> <p>4 A. This is where we got into the discussion of what</p> <p>5 should be the appropriate measure of excess revenue,</p> <p>6 and I believe that the measure of excess revenue is</p> <p>7 related to the rate of return on common equity.</p> <p>8 Q. And how do you feel about '92?</p> <p>9 A. I think it applies -</p> <p>10 Q. Same -</p> <p>11 A. I think it applies to all of those years.</p> <p>12 Q. Okay. My last questions are with respect to Joint</p> <p>13 Use Agreement, and I wanted you to explain what the</p> <p>14 Joint Use Agreement between the Company and</p> <p>15 Newfoundland Telephone is designed to do, or NewTel</p> <p>16 I suppose I should say.</p> <p>17 A. Basically what the Agreement is designed to do is to</p> <p>18 bring the ownership of poles to what's been</p> <p>19 negotiated to be a range of parity or a number</p> <p>20 that's considered to be where it should be, and that</p> <p>21 is 60 percent ownership by Newfoundland Light &amp;</p> <p>22 Power and 40 percent ownership by NewTel</p> <p>23 Communications, and that was the negotiated</p> <p>24 agreement between the two companies. The practical</p>