

Page 1

1 SEPTEMBER 16, 2015
 2 (9:12 a.m.)
 3 CHAIRMAN:
 4 Q. I don't think there are any preliminary
 5 matters, but I think we've agreed that -
 6 MR. DUMARESQUE:
 7 Q. Point of order.
 8 CHAIRMAN:
 9 Q. Beg your pardon.
 10 MR. DUMARESQUE:
 11 Q. Point of order, Mr. Chair.
 12 CHAIRMAN:
 13 Q. Yes, sir.
 14 MR. DUMARESQUE:
 15 Q. Yes, I wish to raise a serious point of order
 16 this morning, Mr. Chair. About an hour or so
 17 ago, I was contacted by VOCM Radio who had
 18 delivered a brown envelope earlier this
 19 morning containing the complete details of my
 20 application for cost to this proceeding, and
 21 as you know, this information was - apart from
 22 what's on the website, it was submitted under
 23 the confidentiality that has certainly been
 24 applied to this procedure which I have adhered
 25 to at every step of the way. I have no issue

Page 2

1 with discussing the application. As a matter
 2 of fact, I was pleased to do so, but I do want
 3 to bring it to your attention because I
 4 certainly thought that the process of
 5 confidentiality was critical here, and
 6 obviously somebody chose to take that
 7 information, the complete package, and give it
 8 to the radio station, and while we're on that
 9 issue, Mr. Chair, the second part of it is on
 10 the awarding of cost, I have spoken to your
 11 counsel at various times indicating that the
 12 lack of a response on our application for cost
 13 is certainly affecting our ability to do our
 14 job, especially in the sense that right now we
 15 can't get people to - witness, especially from
 16 outside the province because we can't afford
 17 to pay people's costs, so it is a serious
 18 issue on two fronts, and, of course, as I
 19 pointed out this morning, even my legal
 20 advice, I can't expect him to come forward and
 21 do this for free forever, so I would ask that
 22 you deal with both of these issues in the most
 23 expeditious manner that you can.
 24 CHAIRMAN:
 25 Q. Okay, sir. I'm not sure it's a point of

Page 3

1 order, but we note your comments. I guess,
 2 we're back to Mr. Martin now, are we?
 3 MR. EDMUND MARTIN - CROSS-EXAMINATION BY GREENE, Q.C.:
 4 GREENE, Q.C.:
 5 Q. Good morning, Mr. Martin.
 6 MR. MARTIN:
 7 A. Good morning.
 8 GREENE, Q.C.:
 9 Q. Yesterday when we finished, we were talking
 10 about the performance contracts for Mr.
 11 Henderson. What was your involvement in those
 12 contracts?
 13 (9:15 a.m.)
 14 MR. MARTIN:
 15 A. I would be involved in providing the overall
 16 framework for performance in the company
 17 ensuring that Mr. Henderson's performance
 18 contract reflected that for the elements that
 19 he was responsible for, approving his
 20 performance contract structure, and then
 21 finally approving the assessment of how his
 22 performance was matched up to that particular
 23 contract for that year.
 24 GREENE, Q.C.:
 25 Q. Your involvement in the overall framework,

Page 4

1 would that have involved the specific measures
 2 and the weights assigned to them?
 3 MR. MARTIN:
 4 A. That's correct, it would.
 5 GREENE, Q.C.:
 6 Q. Are you the person to ask with respect to
 7 that, or should that be the HR Panel?
 8 MR. MARTIN:
 9 A. Once we get past the framework, the HR people
 10 would be better served to give you the details
 11 of it.
 12 GREENE, Q.C.:
 13 Q. So in terms of why weightings were assigned in
 14 a certain way to different categories, that
 15 would be better -
 16 MR. MARTIN:
 17 A. Yes, they would give you the logic, but I
 18 would be involved in the approval of that.
 19 GREENE, Q.C.:
 20 Q. Okay, and your involvement after for approving
 21 the assessment, would you actually assess the
 22 performance of all of the leaders that report
 23 to you?
 24 MR. MARTIN:
 25 A. Yes, that's the nature of the performance

Page 5

1 contract.
 2 GREENE, Q.C.:
 3 Q. And then you would recommend to the Board of
 4 Directors a payment of the incentives, is that
 5 correct?
 6 MR. MARTIN:
 7 A. That's correct.
 8 GREENE, Q.C.:
 9 Q. Okay. This really is a question or a request
 10 for an undertaking from Hydro. In response to
 11 the previous undertaking, Hydro provided a
 12 2013 and 2014 performance contracts for the
 13 Vice President of Hydro. I request that they
 14 provide the 2015 measures. Obviously, the
 15 outcomes are not ready yet, but I request that
 16 Hydro undertake to provide the 2015 measures
 17 and weightings that are in place for this year
 18 for Mr. Henderson. So that would be the 2015
 19 performance contracts without the outcomes.
 20 Is that agreeable?
 21 MR. YOUNG:
 22 Q. We understand the question. We'll certainly
 23 undertake that, yes.
 24 GREENE, Q.C.:
 25 Q. Okay. The response to undertaking, I believe

Page 6

1 it was number 5, and I just wanted to confirm
 2 my understanding of your previous response,
 3 provided the percentage of the performance
 4 contracts related to reliability performance
 5 and asset management. My question is, I
 6 understood from your answer, it's better to
 7 pursue that line of questioning with the HR
 8 Panel, is that correct?
 9 MR. MARTIN:
 10 A. That's correct.
 11 GREENE, Q.C.:
 12 Q. Information number 4 that was provided, and
 13 could we please bring that up on the screen,
 14 Ms. Gray. This was on response to a request
 15 from Mr. Dumaresque, but I'd like to bring you
 16 to footnote number one, performance paid in
 17 2014 based on 2013 performance. The way I
 18 understood that information to be that that
 19 included, yes, the salaries that were paid in
 20 2014 and the bonus that was paid, but the
 21 bonus was related to 2013 performance. Was
 22 that a correct interpretation?
 23 MR. MARTIN:
 24 A. I believe that's the correct interpretation.
 25 GREENE, Q.C.:

Page 7

1 Q. I have another undertaking request for Hydro,
 2 to ask Hydro to provide the bonuses - first I
 3 should ask Mr. Martin, have bonuses been paid
 4 in 2015 related to 2014 performance?
 5 MR. MARTIN:
 6 A. Yes.
 7 GREENE, Q.C.:
 8 Q. So the undertaking request is that Hydro file
 9 for the record the bonuses paid in 2015
 10 related to 2014 performance for the positions
 11 that are shown on Information number 4, and my
 12 request with respect to the non-Hydro
 13 executives, so for the Nalcor ones, that the
 14 bonus would indicate any portion of the bonus
 15 paid to the Nalcor executives that in turn
 16 gets charged to Hydro.
 17 MR. CASS:
 18 Q. Yes, that can be done.
 19 GREENE, Q.C.:
 20 Q. Thank you, Mr. Martin. Those are all my
 21 questions.
 22 CHAIRMAN:
 23 Q. Okay, do you have any questions?
 24 MS. WHALEN:
 25 Q. I don't have any questions, Mr. Chair. I

Page 8

1 think my questions are better put to other
 2 panels, based on Mr. Martin's responses, so
 3 I'll hold my questions.
 4 CHAIRMAN:
 5 Q. No. Do you have any?
 6 MR. OXFORD:
 7 Q. I've just got one question, Mr. Martin. You
 8 made reference to capital budgets and the
 9 program that you put in place to deal with
 10 emergencies as they arise, and that you defer
 11 some of the program or the capital budget
 12 program to a later date. With these capital
 13 budgets that come before the Board, you
 14 establish the priority and you justify the
 15 projects to the Board, or I should say the
 16 company, Hydro, and the Board approve these
 17 projects based on you being able to supply a
 18 reliable source of power. When you defer any
 19 of these capital budgets, we are deferring
 20 preventative maintenance on the system. Should
 21 the company be outsourcing at that point or
 22 increasing employees to address the fact that
 23 you would be falling behind in your
 24 preventative maintenance program by deferring
 25 these projects?

Page 9

1 MR. MARTIN:
 2 A. I would first separate the capital work from
 3 the preventative maintenance work. So when I
 4 was referring to a potential deferral, that
 5 was in the context of a capital project.
 6 Preventative maintenance would be in our
 7 operating budget and I wouldn't apply the same
 8 comment to the preventative maintenance as I
 9 would to the capital budget, and with respect
 10 to the preventative maintenance, just to
 11 extend the question to that from the operating
 12 side, I think it's a matter of judgment. With
 13 respect to preventative maintenance, every
 14 year there's a plan and a program, and because
 15 of the nature of preventative maintenance, we
 16 break it into two categories, planned and
 17 corrective. Basically, the planned is what we
 18 anticipate is coming; the corrective would be
 19 things such as if you're in the middle of
 20 doing your maintenance, you opened up a unit
 21 to do some work on it and found that when you
 22 looked inside there was more required, then
 23 you would add that to your list, obviously,
 24 because it had to be fixed, but there's no way
 25 you could have estimated that prior to because

Page 10

1 the preventative maintenance plan is based
 2 upon a series of things, but essentially what
 3 the manufacturer and what your operators tell
 4 you would be the reasonable sequence. So what
 5 that tends to yield is a list that would be
 6 larger than just the preventative portion -
 7 sorry, planned portion, and the second point
 8 is because that is - or the maintenance on
 9 these units, for the most part the planned
 10 maintenance is deferred to the non-winter
 11 period. Because the assets are needed the
 12 most in the winter, your period is limited as
 13 to when you can get this work done, and it's
 14 normal to always carry a suite of work that is
 15 on the books that has to be done, but it's not
 16 necessarily required to be done in that
 17 particular time frame, but has to be planned
 18 out. That would be normal business practice.
 19 What you have to watch for is the growth of
 20 that amount of work, and when that amount of
 21 work grows to a point where it's not - you
 22 know, or it's headed in a direction that you
 23 want to arrest that growth, even though a
 24 portion is normal, then hiring outside
 25 consultants and workers to come in and assist

Page 11

1 the current complement to get that done should
 2 and has been done.
 3 MR. OXFORD:
 4 Q. One other question that I have for you, Mr.
 5 Martin, is you've made reference a number of
 6 times throughout the hearing that Hydro has to
 7 rely upon old assets, and it will be increased
 8 costs in maintaining these assets that have
 9 reached the end of their life cycle, and
 10 especially taking you to the period when
 11 Muskrat Falls will be commissioned in 2017 or
 12 2018, so when you talk about increasing the
 13 cost, are you referring to the interim period
 14 between 2015 and 2017, or do you see these
 15 costs escalating even further after the
 16 commissioning of Muskrat Falls?
 17 MR. MARTIN:
 18 A. Well, first in response, I was not limiting my
 19 remarks to increasing costs to 2015/2017, no,
 20 but I should put some context around the go
 21 forward. The intent, as we've stated, is for
 22 Holyrood to close down at the appropriate
 23 time, so that would take a large piece of an
 24 aging asset increasing cost out of the
 25 picture, and Muskrat Falls Labrador-Island

Page 12

1 Link which would replace all of Holyrood plus
 2 more, that would be a newer asset, so I
 3 believe, as I mentioned in my comments
 4 regarding the maintenance bathtub curve type
 5 of thing, is that after a short period of time
 6 a new asset such as Muskrat Falls is expected
 7 to deliver a lower cost maintenance program
 8 over time until the age of that kicks in again
 9 down the road. With respect to assets other
 10 than Holyrood that will still be retained,
 11 obviously, and will work well into the future,
 12 the hydro plants, transmission lines,
 13 transformers, etc, the remaining units many -
 14 most of them are also very old, and I would
 15 see for a period of time increasing costs to
 16 catch up and ensure that the proper
 17 refurbishments and maintenance has been done
 18 to get to a certain point. Once we introduce
 19 the refurbishment portion of that, we should
 20 see a reduction after that again for the
 21 refurbished types of units because you're
 22 replacing a lot of older parts with new parts,
 23 not just maintaining them. The analogy would
 24 be obviously a car, I guess, where your cost
 25 of maintaining the engine would increase over

Page 13

1 time and at some point you'd make a decision
 2 to either buy a new car to replace the engine,
 3 and if you replace the engine, you would
 4 expect that the engine portion of that unit,
 5 the maintenance costs would go back to where a
 6 new car engine would be for a period of time,
 7 but the other parts of the car, unless they're
 8 replaced or refurbished will continue to
 9 possibly cost you more based on their age
 10 until they were replaced or refurbished as
 11 well.
 12 MR. OXFORD:
 13 Q. That's all the questions I have.
 14 CHAIRMAN:
 15 Q. Just a few things, Mr. Martin. First of all,
 16 you mentioned on a number of occasions GHGs,
 17 greenhouse gas or greenhouse gases.
 18 MR. MARTIN:
 19 A. Yes, sir.
 20 CHAIRMAN:
 21 Q. Are you talking about gases or one gas?
 22 MR. MARTIN:
 23 A. I would assume gases. I'm trying to remember
 24 the makeup of GHG, but I would be looking at
 25 it - I wouldn't be trying to make it a single

Page 14

1 output, it would be anything that would be
 2 included in the definition of GHG in a broader
 3 form. I don't have the makeup in my mind as
 4 to what that is.
 5 CHAIRMAN:
 6 Q. Well, there's only two, water vapour and Co2,
 7 so you're concerned about Co2?
 8 MR. MARTIN:
 9 A. That's correct.
 10 CHAIRMAN:
 11 Q. Have you done any research to determine how
 12 harmful Co2 is?
 13 MR. MARTIN:
 14 A. I have done -
 15 CHAIRMAN:
 16 Q. Or are you just following Provincial
 17 Government policy?
 18 MR. MARTIN:
 19 A. I haven't done formal research in terms of a
 20 directed program, but my knowledge would be
 21 based upon ongoing reading knowledge, papers
 22 that would cross my desk, information I would
 23 receive at seminars, discussions with other
 24 industry people, and, you know, frankly,
 25 things such as documentary programs and things

Page 15

1 like that, but a formal research program, no,
 2 but in general my knowledge would be based
 3 upon that kind of thing.
 4 CHAIRMAN:
 5 Q. So how bad is Co2? You know, anybody showing
 6 up in Emerg saying, boy, I'm sick today, the
 7 Co2 levels are up? I mean, greenhouse workers
 8 are exposed daily to elevated levels of Co2.
 9 (9:30 a.m.)
 10 MR. MARTIN:
 11 A. I would say that from my perspective, I don't
 12 have the qualifications to answer that
 13 question, so my focus in terms of attempting
 14 to keep my mind and company focused on
 15 generally what's happening in that area comes
 16 down to primarily a cost perspective, and
 17 we're always trying to follow and ascertain
 18 what could be the cost associated with that
 19 that would be imposed upon the company by
 20 outside bodies who may have a different view
 21 of it one way or another. So my view and my
 22 interest in it is will anything come to
 23 fruition where we're burning fuel, whether it
 24 be diesel or bunker sea at Holyrood, will
 25 there ever be a situation where there will be

Page 16

1 an additional cost attached to that because of
 2 a tax or some form of trading that is imposed
 3 by an outside government body, would be (a),
 4 and then from outside of Hydro, the
 5 electricity sales business on the flip side of
 6 that, are there or will there be any GHG
 7 credits or value that we can get for selling
 8 our electricity that could improve our
 9 revenue. So my view on that is, I don't have
 10 the technical background to answer the types
 11 of questions of what I believe is GHG
 12 scientific thinking true or false. My sole
 13 focus is on would it cost the customer
 14 anything or is there ways that we can increase
 15 the revenue to the province by virtue of that.
 16 CHAIRMAN:
 17 Q. We have no - I haven't read any indication
 18 that any time in the future Co2 is likely to
 19 be taxed or that there will be an emissions
 20 trading scheme. Wherever it's been tried, it's
 21 certainly proven to be, I think, fair to say a
 22 flop.
 23 MR. MARTIN:
 24 A. The recent information I have, and
 25 Newfoundland, as far as the cost to GHG is not

Page 17

1 impacting us directly right now, no, but I'm
 2 just referring my mind to the reading I've
 3 done and discussions that I've seen at Quebec
 4 and other Canadian provinces has had in
 5 conjunction with California. I know other
 6 provinces in Canada have been musing or
 7 talking about putting some form of programs in
 8 place that could put a cost on carbon
 9 emissions. Recently, I know President Obama
 10 in the United States announced some additional
 11 restrictions that he expects to be put in
 12 place in the future, and my analysis and the
 13 information that my people tell me is that if
 14 those types of things come to fruition, then
 15 that will lead to a higher cost of electricity
 16 for electricity driven by fossil fuels.

17 CHAIRMAN:
 18 Q. At the same time, Nalcor Energy is involved in
 19 the oil and gas business. So, I mean, on the
 20 one hand you're saying it's a problem with
 21 respect to Holyrood, but on the other hand,
 22 you are involved in trying to produce.

23 MR. MARTIN:
 24 A. I didn't say it was a problem, Mr. Chair. I
 25 just indicated that we have to make sure that

Page 18

1 on one side of the equation for the customer
 2 that we do our best to ensure that the costs
 3 are lowest and to whatever extent possible, we
 4 don't impose a GHG cost there that we don't
 5 control, and as far as electricity sales goes
 6 in other parts of the business, we try to
 7 maximize our value, and on the oil and gas
 8 side of things the focus would be the same, my
 9 role would be to maximize the value of that
 10 for the people of the province.

11 CHAIRMAN:
 12 Q. So you don't see any conflict between on the
 13 one hand trying to restrict Co2 or fossil fuel
 14 usage at Holyrood, and then at the same time
 15 trying to produce more fossil fuels through
 16 your oil and gas?

17 MR. MARTIN:
 18 A. As CEO of the company, we're driven by
 19 increasing value for the customer and the
 20 people of the province. I don't look at it in
 21 terms of it as a conflict; I look in terms of
 22 we have to maximize the value. Personally,
 23 you can see the obvious conflict outside of
 24 the company, I can see the obvious conflict
 25 and I think it's discussed quite a bit with

Page 19

1 respect to oil sands discussions and those
 2 types of things. So I understand the
 3 conflict, but company-wise, that's not my
 4 focus. I'm in charge to maximize the value to
 5 either the customer or the people of the
 6 province.

7 CHAIRMAN:
 8 Q. As Yogi Bear said, "When you come to a fork in
 9 the road, take it". That's what you're doing.
 10 Demand growth is another area that kind of
 11 interests me. Like, I never see in any
 12 discussions on population growth in the
 13 province, a discussion on our reproductive
 14 ratio. I mean, our reproductive ratio, I have
 15 read is either 1.3 or 1.4, and the maintenance
 16 level for any population is 2.1. One of the
 17 interesting things about demographic
 18 statistics is that they're very reliable. I
 19 mean, it's about the only - unlike the price
 20 of oil and all the other statistics people
 21 use, which are in my view akin to astrology
 22 versus astronomy, your reproductive ratio is a
 23 very certain figure, and it seems to me that
 24 at 1.3 and 1.4, we're probably losing over
 25 time three or four thousand people a year, yet

Page 20

1 when I look at the population, the province's
 2 recent report and your reports on demand
 3 growth, there seems to be an indication that
 4 out population is, in fact, going to grow, and
 5 you don't do any of your own analysis on any
 6 of these issues, do you, you rely on what the
 7 province tells you?

8 MR. MARTIN:
 9 A. From a demographic piece, that's correct, and
 10 that's in the context of - there's a bunch of
 11 factors goes into the electricity demand
 12 growth, that's one of them. Some of the work
 13 we do ourselves, but on the demographics, no,
 14 we take that from external sources.

15 CHAIRMAN:
 16 Q. I read that Germany got the same reproductive
 17 ratio as we do, and they're expecting a 15 to
 18 20 percent decline in their population over
 19 the next 20 years, they're starting to
 20 downsize their infrastructure, and I just
 21 don't see in Newfoundland any acknowledgement
 22 - in Newfoundland and Labrador, any
 23 acknowledgement that any of these factors are
 24 taken into account when you plan your - but,
 25 as I say, to reiterate, you just take your cue

Page 21

1 from the province's work on this.

2 MR. MARTIN:

3 A. The province's demographic work. We would -

4 we haven't seen any reports or information

5 saying that that's flawed, you know, and it's

6 a provincial type of - it's a Canadian

7 province and we do rely upon, yes, their

8 information, and we believe that it's

9 reasonable to do that.

10 CHAIRMAN:

11 Q. And we had a lot of discussion with reference

12 to Nalcor/Newfoundland Hydro about business

13 shareholders, and business excellence goals,

14 etc, customer satisfaction, etc, but at the

15 end of the day, Mr. Martin, Newfoundland Hydro

16 is a monopoly, is it not?

17 MR. MARTIN:

18 A. For the most part, it is, yes.

19 CHAIRMAN:

20 Q. Where is it not a monopoly? Where does it

21 compete in the real world of economics, in

22 markets?

23 MR. MARTIN:

24 A. Are you talking about Hydro?

25 CHAIRMAN:

Page 22

1 Q. Sure.

2 MR. MARTIN:

3 A. Yeah, I'm just thinking about from the

4 distribution side, there's two distribution

5 utilities in the province. From a generation

6 side, we have the lion's share of the

7 generation, but Newfoundland Power would be

8 providing some smaller bits of generation, so

9 I'm just thinking more along that lines and

10 from that perspective, but in the bigger

11 scheme of things, most of our assets could be

12 regarded in a monopoly position, I agree with

13 that.

14 CHAIRMAN:

15 Q. And your prices are guaranteed by government

16 authority? I mean, basically, to me,

17 Newfoundland Hydro is what they call a

18 coercive monopoly. Do you understand that

19 concept?

20 MR. MARTIN:

21 A. No, I haven't heard that term before, no.

22 CHAIRMAN:

23 Q. Well, there's two types of monopolies.

24 There's a coercive monopoly, and an efficient

25 monopoly, and an efficient monopoly is a

Page 23

1 business that competes in the marketplace and

2 it's so efficient in its pricing that

3 consumers flock to it, and consumers drive

4 other competitors out of business. Standard

5 Oil is the paramount example in the late 19th

6 century and early 20th century. They got into

7 the kerosene business and they kept lowering

8 their prices, productivity improvements, they

9 drove a lot of people - they saved a lot of

10 whales by the way too, but they drove a lot of

11 competitors out of business and everybody was

12 mad with Mr. Rockefeller, and in the early

13 20th century they started making gasoline and

14 they helped to clean up the cities of the

15 United States, and again they drove their

16 prices down. So they were very efficient as

17 opposed to a coercive monopoly which is a

18 monopoly that derives its power, economic

19 power, or economic presence, from FEDA

20 (phonetic) authority, from a government, and

21 it's primarily government, and that certainly

22 you would have to admit that Newfoundland

23 Hydro falls into that category.

24 MR. MARTIN:

25 A. I don't understand it enough to agree or

Page 24

1 disagree.

2 CHAIRMAN:

3 Q. Oh! Well, the rural subsidy, Mr. Dumaresque,

4 85 year old lady is forced to pay more for her

5 electricity in her electricity prices more

6 than she consumed, she's coerced into paying -

7 if it's \$300.00 a month, she's probably paying

8 about 40 bucks a month, isn't she, in - she

9 pays \$40.00 a month for electricity that she

10 does not use, she's coerced by the government,

11 by Hydro, is that not correct?

12 MR. MARTIN:

13 A. I would - it's imposed by government, not

14 Hydro. Regardless of Hydro's Crown or private

15 status, if the government chose to put in a

16 program such as the rural deficit, it wouldn't

17 make any difference if we're publicly traded

18 or Crown owned, that would be imposed.

19 CHAIRMAN:

20 Q. No, but it's - my point is that she is forced

21 to pay. If she was in a marketplace, she

22 would not have to pay, she would only - when I

23 go out to buy my groceries, I don't pay 113

24 percent, I pay 100 percent of what I buy. I'm

25 not forced to pay for somebody else.

Page 25	Page 27
<p>1 MR. MARTIN: 2 A. I agree with that. I'm just clarifying 3 separately from that, that that's a government 4 initiative. You said government and Hydro. 5 I'm agreeing that that's a government 6 initiative, but whether it be Hydro or 7 Newfoundland Power or any other company, the 8 same imposition of a program such as that 9 would have to be pursued (phonetic). 10 CHAIRMAN: 11 Q. But Newfoundland Power is forced to buy from 12 Hydro, isn't it? 13 MR. MARTIN: 14 A. Except for they have units of their own. 15 CHAIRMAN: 16 Q. No, but their own generation which is about 17 what, 15 percent of their total, I think it 18 is, the other 85 percent they are forced to 19 buy from Hydro? 20 MR. MARTIN: 21 A. At this point, yes, particularly in the island 22 where they operate. 23 CHAIRMAN: 24 Q. And even after we're all hooked up and we're 25 integrated into the North American market,</p>	<p>1 Q. Well, how many shares do we own? 2 MR. MARTIN: 3 A. All of them. 4 CHAIRMAN: 5 Q. And what is the share value? 6 MR. MARTIN: 7 A. It's the value of the company. I have to put 8 - I haven't got a value right here now, but 9 there's a significant amount of value in the 10 company. It's not ascertained as a company 11 that is publicly traded is, that's obvious, 12 it's a Crown owned corporation, but that in no 13 way indicates that there's no value to the 14 company. 15 CHAIRMAN: 16 Q. No, but we don't know what the value is. I 17 mean, in the absence of a market assessment, 18 there's no way to ascertain value? 19 MR. MARTIN: 20 A. Yes, there is. 21 CHAIRMAN: 22 Q. How? 23 MR. MARTIN: 24 A. The same way a company who is not publicly 25 traded, if it was going to be operated as an</p>
<p>Page 26</p> <p>1 there will still be compulsion in electricity 2 rates, will there not be? 3 MR. MARTIN: 4 A. A compulsion to buy from Hydro? 5 CHAIRMAN: 6 Q. Yes. 7 MR. MARTIN: 8 A. Yes, for certain portions of it, yes. 9 CHAIRMAN: 10 Q. The concept of - I mean, we've heard 11 discussion about shareholders. There's only 12 one shareholder really, isn't there? 13 MR. MARTIN: 14 A. Yes, when I say "shareholders", there's one 15 shareholder - for Hydro, flows through to 16 Nalcor, and Nalcor flows through to be owned 17 by the province, and when I use 18 "shareholders", I use it in the context of the 19 people of the province "own" the government. 20 CHAIRMAN: 21 Q. Do you actually think that the people of this 22 province are shareholders in - 23 MR. MARTIN: 24 A. Yes, that's the way I look at it, yes. 25 CHAIRMAN:</p>	<p>Page 28</p> <p>1 initial public offering, then there's a 2 process to value that. 3 CHAIRMAN: 4 Q. You mean a publicly traded company? 5 MR. MARTIN: 6 A. If it's a company that's not publicly traded, 7 and a good example would be companies that 8 have initial public offering, so the privately 9 owned, there's no share price published 10 anywhere, it could be owned by one individual 11 or a series of individuals, not being traded 12 on the stock market anywhere, and they decide 13 to put that company into the stock market, 14 there's a process to value that so that they 15 have an initial offering of that with a share 16 price attached to it. 17 CHAIRMAN: 18 Q. Yes. 19 MR. MARTIN: 20 A. So that's how you would value a company. 21 Using the same techniques as that, you could 22 value any company. 23 CHAIRMAN: 24 Q. But that's a privately owned - 25 MR. MARTIN:</p>

Page 29	Page 31
<p>1 A. It doesn't make any difference if it's 2 privately or publicly owned, you're going to 3 see the same thing in other parts of the world 4 where state owned companies may have been 5 partially privatized, and I think there's 6 discussions in Ontario at this point now some 7 discussion about Hydro One. That will be 8 valued for an initial public offering using 9 the same techniques.</p> <p>10 CHAIRMAN: 11 Q. But it will be, but Hydro is not now -</p> <p>12 MR. MARTIN: 13 A. It's not now, but I thought you asked me could 14 it be.</p> <p>15 CHAIRMAN: 16 Q. You have a book value, right, you have a book 17 value, you spend a lot of money and you book 18 it, and the assumption is that that book 19 value, you're telling me that book value has 20 an equivalent market value?</p> <p>21 MR. MARTIN: 22 A. Absolutely, and that's the exact same way, the 23 same processes would be used to value a sale 24 of a private company into the market or in 25 some cases it's used to value - the same</p>	<p>1 35,000, and Newfoundland Power would have, I 2 think, 200,000 plus.</p> <p>3 (9:45 p.m.) 4 MR. HAYES: 5 Q. 285,000.</p> <p>6 CHAIRMAN: 7 Q. So we have 250,000 customers. I guess, my 8 point is that we don't know what Hydro was 9 really worth because there's no way to assess 10 market value, and that's a major failure for 11 me.</p> <p>12 MR. MARTIN: 13 A. There is a way to assess market value. I just 14 wanted to make that clear, that's what I said 15 earlier.</p> <p>16 CHAIRMAN: 17 Q. Yes, but that's not a step that's being 18 contemplated.</p> <p>19 MR. MARTIN: 20 A. Not to my knowledge.</p> <p>21 CHAIRMAN: 22 Q. There's nothing to say that a book value will 23 equal the market value.</p> <p>24 MR. MARTIN: 25 A. Well, there's not a book value being used.</p>
<p>1 techniques are used to value a company that 2 may even be traded in the market. A company 3 wants to buy that, and oftentimes you'll see a 4 company could be traded in the market for pick 5 a number, \$20.00 per share, and another 6 company might offer \$25.00 a share for it. 7 The reason they do that is there's a valuation 8 methodology they put against that for the long 9 term and that's how they value it.</p> <p>10 CHAIRMAN: 11 Q. But that is the market at work.</p> <p>12 MR. MARTIN: 13 A. But those techniques can be easily applied to 14 any enterprise; state owned, private owned, or 15 publicly traded, the same processes.</p> <p>16 CHAIRMAN: 17 Q. Like, I notice when Emera bought out Teco 18 Power, they paid 5.9 billion, they picked up 19 700,000 commercial and household customers, 20 and the equity portion was 5.9 billion, \$27.95 21 a share. I just did a quick comparison to 22 Hydro. Hydro has got - how many accounts have 23 we got in total?</p> <p>24 MR. MARTIN: 25 A. Direct accounts and rural is in the 30 to</p>	<p>1 That's not the technique being used to value a 2 company going into the market from that 3 perspective. It would be a combination of 4 asset value and it would also be driven by 5 other things, such as the present value and 6 the future revenue flow that's expected from 7 that. Those are standard techniques that you 8 bring in experts who do that for a living, 9 and, yes, if it was put in place, a value 10 could be assigned to Hydro in the same fashion 11 as if Newfoundland Power or Fortis, or Emera, 12 or Nova Scotia Power, or Exxon Mobil, wanted 13 to be offered up for sale in the market the 14 same as the utility that Emera just purchased, 15 there's a series of techniques that are 16 applied across the world that you would value 17 that company, and those techniques apply to a 18 company whether it's a state owned company, 19 privately owned, or publicly traded.</p> <p>20 CHAIRMAN: 21 Q. But the valuation under conditions of 22 competitive enterprise, and market conditions, 23 could lead to a determination that the book 24 value is not reflective of market value. If 25 the company has been successful, the book</p>

Page 33

1 value will be - or the market value should be
 2 greater than book value after depreciation.
 3 We don't know that with respect to - I guess,
 4 my point is until something is evaluated in
 5 the marketplace, we don't know whether those
 6 investments made by a Crown corporation are,
 7 in fact, economically viable assets or they're
 8 a malinvestment, as some economists determine.
 9 They might be - I mean, a Crown corporation
 10 could dig a hole in the ground and spend
 11 millions of dollars digging a hole in the
 12 ground. At the end of the day, it's still a
 13 hole in the ground, there's been no added
 14 economic value and we don't know with respect
 15 to Hydro's operation, Hydro's investments, or
 16 the cost that Hydro has to bear, whether those
 17 investments are productive, they add to the
 18 value, to the productive capacity of its
 19 system and of society, or whether there are,
 20 in fact, some costs -
 21 MR. MARTIN:
 22 A. That would be a - you know, that's a
 23 discussion that happens in conjunction between
 24 Newfoundland and Labrador Hydro, or
 25 Newfoundland Power, and the Public Utilities

Page 34

1 Board. So if we're going to dig a hole, we
 2 come in for approval for that.
 3 CHAIRMAN:
 4 Q. Well, no, not really, you don't. We don't
 5 have any -
 6 MR. MARTIN:
 7 A. That would be a capital budget.
 8 CHAIRMAN:
 9 Q. You're spending a big pile of money now that
 10 we got no control over, aren't you?
 11 MR. MARTIN:
 12 A. But you're talking about digging a hole, and
 13 the normal process is that would be a capital
 14 budget application. We come in here and go
 15 through it with you.
 16 CHAIRMAN:
 17 Q. Yes, but your biggest capital budget
 18 application is beyond review of this Board.
 19 MR. MARTIN:
 20 A. That's something you'll have to take up with
 21 the Government, Mr. Chair.
 22 CHAIRMAN:
 23 Q. Well, I'm sure you supported that approach.
 24 Did you not support the Government's approach?
 25 MR. MARTIN:

Page 35

1 A. I just - I'm - I can't speak for the
 2 Government, and I won't (38:06)
 3 CHAIRMAN:
 4 Q. No, but you can speak for yourself. I mean,
 5 you weren't against the approach the
 6 Government took?
 7 MR. MARTIN:
 8 A. I can't speak on that as CEO of the company. I
 9 mean, that's the shareholder, and I'm not
 10 going to put myself in a position where - I
 11 don't have the luxury of offering personal
 12 views in terms of what my job is to run the
 13 company, so any time anyone is asking me a
 14 personal view, I will offer only when I'm not
 15 impacting others who indicate that that's not
 16 what I should be doing. So it cannot be a
 17 personal opinion on that.
 18 CHAIRMAN:
 19 Q. I notice you got a position here called "VP
 20 Communications and Shareholder Relations", but
 21 you really only got one shareholder and that's
 22 the Government. Why do you need somebody
 23 involved in shareholder relations?
 24 MR. MARTIN:
 25 A. Well, within the Government areas, on the

Page 36

1 shareholder side of things, there's many areas
 2 of Government that we interact with, both from
 3 Department of Natural Resources, Department of
 4 Environment, and Department of Finance, and
 5 others from a regulatory perspective, and that
 6 would be analogous to doing that. In
 7 addition, we look at other government
 8 agencies, such as the Federal Government, and
 9 the rules and relationships that have to be
 10 monitored there. So we look at it from the
 11 perspective of across the board how we
 12 interact with government bodies, including
 13 Newfoundland and Labrador Hydro.
 14 CHAIRMAN:
 15 Q. I would have thought that would have been your
 16 job.
 17 MR. MARTIN:
 18 A. My job?
 19 CHAIRMAN:
 20 Q. Yeah.
 21 MR. MARTIN:
 22 A. I'm accountable for that, but like other roles
 23 in the company, I delegate particular pieces
 24 of that, both functional and operational, to
 25 other lead people, because I find if I'm

Page 37

1 expected to do my own job and also the job of
 2 all the Vice Presidents, it's not effective
 3 because there's not enough time to do that.
 4 CHAIRMAN:
 5 Q. I think that's all of my questions. I guess,
 6 we're going to break for five minutes. I'm
 7 sorry, is there any re-direct by Newfoundland
 8 Hydro?
 9 MR. CASS:
 10 Q. No, sir, there's not, but thank you.
 11 CHAIRMAN:
 12 Q. Okay, I'm sorry about that. The Vice-Chairman
 13 here keeps me on the straight and narrow.
 14 (9:52 a.m.)
 15 MS. GLYNN:
 16 Q. We will break for five minutes to switch out
 17 the panel.
 18 (RECESS)
 19 (10:06 a.m.)
 20 CHAIRMAN:
 21 Q. So we're back now to Hydro for the next
 22 session. I will turn it over to one of the
 23 two lawyers, I guess, or one of the three
 24 lawyers. Your pick.
 25 MR. CASS:

Page 38

1 Q. Yes, Mr. Chair, thank you. We have the next
 2 two witnesses ready to be sworn. For the
 3 record, they are Mr. Michael Roberts who is
 4 closest to the Board, and Mr. Gerard McDonald.
 5 As I said, they're ready to be sworn.
 6 MR. MICHAEL ROBERTS (SWORN) EXAMINATION-IN-CHIEF BY MR.
 7 CASS:
 8 MR. GERARD MCDONALD (SWORN) EXAMINATION-IN-CHIEF BY MR.
 9 CASS:
 10 MR. CASS:
 11 Q. Mr. McDonald, can you confirm, please, the
 12 position that you hold and give us a brief
 13 synopsis of your work experience?
 14 MR. MCDONALD:
 15 A. My position is Vice President of Human
 16 Resources and Organizational Effectiveness
 17 with Nalcor Energy, currently seconded since
 18 June of last year into a role in support of
 19 Hydro. I've been in that position since -
 20 just about ten years. I joined Nalcor in
 21 January of 2006. Functional accountability
 22 across all our companies on Hydro for human
 23 resources and labour relations, organizational
 24 effectiveness, safety and health, and
 25 environment. Prior to that, over a period of

Page 39

1 approximately 28 years, I held senior roles in
 2 various companies and organizations; Memorial
 3 University, Hibernia Management and
 4 Development Company Limited, Carling O'Keefe
 5 Breweries, and then I started with Treasury
 6 Board Secretariat of the Provincial
 7 Government, and sandwiched in between all of
 8 that was about ten years in private consulting
 9 in those areas as well.
 10 MR. CASS:
 11 Q. And Mr. Roberts, the same question for you,
 12 sir, could you confirm the position that you
 13 hold and give a brief synopsis of your work
 14 experience?
 15 MR. ROBERTS:
 16 A. Sure. So as Gerard just alluded to, since
 17 last June, I've stepped into the role that he
 18 previously occupied, and have the same
 19 accountabilities today as he just described.
 20 Prior to that - I joined the organization in
 21 2007 as the Manager of Human Resources. There
 22 I had accountability for compensation and
 23 benefits, talent management, HRS payroll, and
 24 organizational effectiveness. Around
 25 2010/2011 time frame, I also took on

Page 40

1 accountability for labour relations. Prior to
 2 that, I've had about a dozen years of
 3 experience in the IT telecom and contact
 4 centre industry as a senior HR professional.
 5 MR. CASS:
 6 Q. Mr. McDonald, what area of evidence are the
 7 two of you responsible for?
 8 MR. MCDONALD:
 9 A. I think we just generally describe those, I
 10 think, matters pertaining to human resources,
 11 compensation, salary and benefits,
 12 organizational structure, organization design,
 13 and then we support finance considerably in
 14 terms of FTE analysis, and in other related
 15 areas that may or may not be pertinent here
 16 would be safety and environmental services.
 17 MR. CASS:
 18 Q. And do you adopt the written evidence in those
 19 areas which you're responsible for the
 20 evidence?
 21 MR. MCDONALD:
 22 A. Yes, I do.
 23 MR. CASS:
 24 Q. Now there have been some questions about the
 25 response to RFI-PUB-NLH-228, particularly

Page 41

1 Revision 4. This RFI response addresses
 2 executive time. Can you clarify the extent to
 3 which the executive time particularly shown in
 4 Revision 4 has been charged in test year
 5 revenue requirement?
 6 MR. MCDONALD:
 7 A. Sure, yes, I will, and perhaps the easiest way
 8 of doing that would be to start at the
 9 beginning and probably work through all four
 10 versions of that RFI response. So, maybe
 11 Jenny, you can bring up the original response
 12 to that RFI, which was filed in November of
 13 2013 and that was in relation to the then
 14 Application based on 2013 test year as I
 15 understand it. And the attachment to that
 16 identifies those executives and -- that's
 17 Revision 1 actually.
 18 MS. GRAY:
 19 Q. Oh, sorry.
 20 MR. MCDONALD:
 21 A. Do we have the original that was filed? So
 22 this was the very first one. And so, same
 23 executives identified there and just it was
 24 based on the 2013 year. No forecasts
 25 indicated for 2014 and 2015. Then we filed a

Page 42

1 revision, first revision to that RFI in
 2 November of 2013 and that indicates numbers
 3 for 2014 and 2015 totally thirteen twelve, as
 4 you can see for that list of executives.
 5 So if I can move on now then to the final
 6 two revisions to that RFI response. I think
 7 the next one, this was filed in December of
 8 last year. So we refiled, as everybody knows,
 9 and what I know was done for 2014 and 2015 at
 10 the time is that forecasts were provided for
 11 both 2014 and 2015 and those are higher
 12 numbers as you can see, and then there was a
 13 further revision to that, getting quickly now
 14 to Revision No. 4. Revision No. 3 was filed I
 15 believe in June of 2014 and I believe those
 16 numbers are probably the same as you saw just
 17 a moment ago. And there's a footnote at the
 18 bottom of that RFI response that is the same
 19 footnote in Revision 4, and really Revision 3
 20 and Revision 4 are the same attachment, except
 21 2016 has been added. I think it was on
 22 Newfoundland Power's request if I recall
 23 correctly.
 24 But in any event, footnote six at the
 25 bottom there, I'll just read it out. "Hours

Page 43

1 and the associated dollars for the positions
 2 noted have been restated to reflect the level
 3 of activity in the 2014 actual, but are not
 4 included in the 2015 test year." So that's
 5 important to note. In that response, we were
 6 indicating for 2014 and 2015 forecast based
 7 on, you know, knowledge of our actuals for
 8 2014 and a better forecast for 2015, but they
 9 were not intended to indicate our test year
 10 numbers for those executives.
 11 And then Revision 4 is the same
 12 attachment and the only difference there that
 13 I'm aware of is the addition of that far right
 14 column for 2016 indicates some numbers for
 15 2016. So having investigated this further,
 16 what I've determined is that, first of all,
 17 just confirm what footnote number six says
 18 which is actually the case. Those numbers
 19 were not meant to indicate test year numbers.
 20 The test numbers, the test year for 2015 was
 21 intended to be the same number that was
 22 indicated originally in Revision 1 and 2 of
 23 RFI or that PUB-NLH-228.
 24 I think you've heard testimony from Mr.
 25 Martin with respect to the basis on which

Page 44

1 hours for 2014 and 2015 were expected to be
 2 higher or were higher for certain executives
 3 on that list, myself included, but I can
 4 confirm that the intended test year number for
 5 2015 was meant to be thirteen twelve, which is
 6 the number that was indicated originally in
 7 the RFI response.
 8 MR. CASS:
 9 Q. Thank you, sir. That's the examination-in-
 10 chief for the Panel, Mr. Chair. Thank you.
 11 CHAIRMAN:
 12 Q. Okay. So we'll turn it over next then to Mr.
 13 O'Brien, I presume.
 14 MR. MICHAEL ROBERTS AND MR. GERARD MCDONALD, CROSS-
 15 EXAMINATION BY MR. LIAM O'BRIEN
 16 MR. O'BRIEN:
 17 Q. Yes, thank you, Mr. Chair. Perhaps actually I
 18 can pick up on that last point. It's just as
 19 well, I'm going to get to it at some point, so
 20 perhaps we could bring up those four
 21 revisions, I guess. I just want to be clear I
 22 understand your point, Mr. McDonald.
 23 (10:15 a.m.)
 24 So the test year numbers, are they
 25 reflected -- do they reflect the 2013 forecast

Page 45

1 that was in the 302 that you had in -- or 392
 2 for VP of Human Resources, the 392, or is it -
 3 - sorry, the 11-70, sorry, is that what's in
 4 the test year or is it the 392 here in the
 5 first version and 392?
 6 MR. MCDONALD:
 7 A. 392.
 8 MR. O'BRIEN:
 9 Q. The 392 is what's in the test years for the
 10 revenue requirement?
 11 MR. MCDONALD:
 12 A. That's correct.
 13 MR. O'BRIEN:
 14 Q. Okay. I just wanted to be certain on that.
 15 MR. MCDONALD:
 16 A. And those numbers first show up, as I said
 17 earlier, in Revision No. 1.
 18 MR. O'BRIEN:
 19 Q. Okay. I just wanted to be certain on that,
 20 okay. I'm going to get back to that a little
 21 bit later, but I just wanted to clarify that
 22 point, make sure I had it.
 23 If I could, Mr. McDonald, you've given us
 24 a brief overview, I guess, of your education
 25 background and you've been with Nalcor since

Page 46

1 2006? Is that right?
 2 MR. MCDONALD:
 3 A. Very beginning of the year, yeah.
 4 MR. O'BRIEN:
 5 Q. Okay. And did you start with Hydro or did you
 6 start with Nalcor?
 7 MR. MCDONALD:
 8 A. Newfoundland and Labrador Hydro.
 9 MR. O'BRIEN:
 10 Q. Okay. And what was your position when you
 11 started?
 12 MR. MCDONALD:
 13 A. Same position, Vice-President Human Resources
 14 and Organizational Effectiveness.
 15 MR. O'BRIEN:
 16 Q. Okay. And prior to that position, you never
 17 held any other positions with Hydro?
 18 MR. MCDONALD:
 19 A. That's correct.
 20 MR. O'BRIEN:
 21 Q. Okay. And you're one of the 24 employees that
 22 were transferred to Nalcor from Hydro in 2008?
 23 MR. MCDONALD:
 24 A. I'd have to see that list to confirm whether I
 25 was. It was around that time that I was

Page 47

1 transferred to Nalcor, yes.
 2 MR. O'BRIEN:
 3 Q. Okay, all right, and so subject to check
 4 whether or not it's that time, you were one of
 5 the individuals that went from Hydro to
 6 Nalcor?
 7 MR. MCDONALD:
 8 A. Yes.
 9 MR. O'BRIEN:
 10 Q. Okay. And you've kept the same role since
 11 2008 then, only under the Nalcor heading?
 12 MR. MCDONALD:
 13 A. That's correct.
 14 MR. O'BRIEN:
 15 Q. And you provide services, I guess, on a
 16 functional basis to all of Nalcor's lines of
 17 business. Is that right?
 18 MR. MCDONALD:
 19 A. That's correct.
 20 MR. O'BRIEN:
 21 Q. And the same services to all lines?
 22 MR. MCDONALD:
 23 A. That's correct.
 24 MR. O'BRIEN:
 25 Q. Okay. And Mr. Roberts, just for your

Page 48

1 background, can you give us an overview of
 2 your educational background?
 3 MR. ROBERTS:
 4 A. Sure. I completed a business degree (co-op)
 5 in 1996 specializing in human resources and
 6 labour relations. Completed my Masters of
 7 Business Administration in 1998 and
 8 subsequently I've completed some programs
 9 through the years, Ivy leadership programs at
 10 Queens, Industrial Relations certificate
 11 program.
 12 MR. O'BRIEN:
 13 Q. And you started with the company, with Hydro
 14 first or did you start with Nalcor?
 15 MR. ROBERTS:
 16 A. I would have started with Newfoundland and
 17 Labrador Hydro in 2007.
 18 MR. O'BRIEN:
 19 Q. 2007. And I'm sorry, I didn't get the full
 20 breakdown of what your role would have been
 21 when you started, and just can you give me an
 22 idea as to exactly what your duties would have
 23 been at that time?
 24 MR. ROBERTS:
 25 A. Sure. So when I began in 2007, I was hired on

Page 49

1 as the manager of Human Resources. So in that
 2 capacity, I had accountability for
 3 compensation and benefits, the talent
 4 management, human resources, information
 5 systems, payroll, as well as organizational
 6 effectiveness and then just generally, general
 7 human resources. And so then it was -- can't
 8 recall the exact time period, but it was
 9 around late 2010 or early 2011 that I would
 10 have also assumed then accountability for
 11 labour relations.

12 MR. O'BRIEN:
 13 Q. For labour relations, okay. And were you one
 14 of the employees that transferred from Hydro
 15 to Nalcor in 2008 frame as well?

16 MR. ROBERTS:
 17 A. I don't think I would have transferred at the
 18 same time that Mr. McDonald did, but would
 19 have probably been shortly after. I'd have to
 20 check.

21 MR. O'BRIEN:
 22 Q. Okay. And right now, you're a Nalcor
 23 employee?

24 MR. ROBERTS:
 25 A. Yes, I am.

Page 50

1 MR. O'BRIEN:
 2 Q. Okay. And I believe you've indicated the
 3 circumstances of you becoming -- I guess
 4 you're the acting VP of HR and Organizational
 5 Effectiveness? Is that right?

6 MR. ROBERTS:
 7 A. That's correct.

8 MR. O'BRIEN:
 9 Q. And that's since June of 2014?

10 MR. ROBERTS:
 11 A. That's correct.

12 MR. O'BRIEN:
 13 Q. Did you have any role in that capacity prior
 14 to June of 2014?

15 MR. ROBERTS:
 16 A. No, I did not.

17 MR. O'BRIEN:
 18 Q. Okay. In relation to that changeover in June,
 19 Mr. McDonald, have you retained any duties
 20 with respect to Human Resources and
 21 Organizational Effectiveness or are you
 22 basically seconded for the coordination of the
 23 power outage investigation?

24 MR. MCDONALD:
 25 A. Of that and more, but no, the latter. I have

Page 51

1 been seconded out. Mike is accountable.
 2 MR. O'BRIEN:
 3 Q. So Mike's accountable for everything in terms
 4 of HR and Organizational Effectiveness as of
 5 June of 2014?

6 MR. MCDONALD:
 7 A. To the extent that he's acting in that role,
 8 he has functional accountability, as I did,
 9 you know, for those areas across Nalcor and
 10 the lines of business. In the role that I've
 11 been in since last June, there have been
 12 elements of organizational effectiveness
 13 associated with the work I've been doing, but
 14 in that context only.

15 MR. O'BRIEN:
 16 Q. Okay. Can you explain that, just in terms of
 17 the elements of organizational effectiveness
 18 that you would have right now?

19 MR. MCDONALD:
 20 A. So there were three main reasons that I was
 21 asked to take a new role. Last year in
 22 response to the outage inquiry, you know, a
 23 number of new activities, incremental work was
 24 created, starting from January actually, and I
 25 was fairly actively involved in helping us get

Page 52

1 organized to respond to that and the PUB's
 2 inquiry that was initiated and all the
 3 processes and requirements that followed from
 4 that. It was formalized in June, but there
 5 was a fair amount of support work provided to
 6 the various teams that were mobilized, created
 7 and mobilized to do the internal investigation
 8 and to carry on through the remainder of the
 9 year in executing our incremental work plan.
 10 I led and facilitated the steering committee
 11 that oversaw that process throughout the year
 12 and then laterally, played a coordination role
 13 in making sure all our obligations to the PUB
 14 and otherwise were met, you know, from a
 15 reporting perspective.

16 And another element was around the same
 17 time, the Province had announced their
 18 intention to do an overall review, a more
 19 holistic review of the electricity system in
 20 the Province. That continues, but I am
 21 Nalcor's main interface between our company
 22 and the Province and a consultant in that
 23 piece of work. I was the main interface
 24 between our company and the PUB's consultants
 25 as well on the outage inquiry. So again, a

Page 53	Page 55
<p>1 fair amount of organizational work involved 2 with that and team support and facilitation 3 and coordination. 4 And then, more recently, say maybe dating 5 from late last year, was far more involved in 6 the process we've put together for transition 7 operations planning. So we know two and a 8 half, three years from now, we're going to be 9 moving into the integration of some new 10 assets, Muskrat Falls and the Labrador Link 11 and the Maritime Link, so we've mobilized a 12 process and a number of teams to help us get 13 ready for that, to make sure we're ready to 14 integrate those assets and assume operations. 15 So again, a fair amount of work associated 16 with supporting that and coordinating and 17 leading that overall process. I lead and 18 chair the transition steering committee that's 19 in place. 20 And to the extent that there's been a 21 fair amount of organizational work involved in 22 that as well, in terms of working with the 23 teams to assess what we need to look like from 24 a longer term electricity operations 25 perspective. I've been involved in providing</p>	<p>1 Q. So it's a coordination process for you? 2 MR. MCDONALD: 3 A. Yes. 4 MR. O'BRIEN: 5 Q. And why was it, if you're able to tell us, 6 that you were chosen to perform that role 7 yourself? 8 MR. MCDONALD: 9 A. I guess with my background, you know, I bring 10 some background from an organizational 11 effectiveness standpoint, but have been 12 involved in -- not in the electricity 13 industry, but other projects in the past that 14 involve a lot of facilitation and coordination 15 of organizations. So I guess that's a skill 16 set I bring to the company and was asked to 17 assist by bringing that to the table. 18 MR. O'BRIEN: 19 Q. Okay. Well, let me ask you, organizational 20 effectiveness, what does that mean? It's 21 something I'm not overly familiar with and 22 perhaps you can explain to me what 23 organizational effectiveness means. 24 MR. MCDONALD: 25 A. Basically, in a nutshell, it's about, you</p>
<p>1 a lot of the advisory support there as well. 2 MR. O'BRIEN: 3 Q. So you got involved early on in the process 4 after the outage, in terms of being an upfront 5 sort of person with investigations and that 6 kind of thing for Nalcor and Hydro, did you, 7 in January? 8 MR. MCDONALD: 9 A. It was more a coordinating capacity, you know. 10 In the first one or two weeks in particular, 11 we did a lot of work to get organized and 12 establish those teams and mandate those teams. 13 It was the teams obviously that did the work. 14 MR. O'BRIEN: 15 Q. Okay. 16 MR. MCDONALD: 17 A. So mine was more a coordinating capacity there 18 in terms of overseeing that. 19 MR. O'BRIEN: 20 Q. And you don't have -- I mean, you wouldn't 21 have an engineering background or anything 22 like that yourself? 23 MR. MCDONALD: 24 A. No, I don't. 25 MR. O'BRIEN:</p>	<p>1 know, things that relate to the effectiveness 2 of people and teams in an organization and the 3 processes they use to get work done. So it's 4 about team effectiveness. It's about business 5 processes in the organization and their 6 effectiveness. It's about organizational 7 structure because organizational structure and 8 organizational design are a factor in, you 9 know, that as well. 10 MR. O'BRIEN: 11 Q. And when you say effectiveness, are you 12 talking about whether an organization is 13 meeting its goals, that sort of thing? 14 MR. MCDONALD: 15 A. That could be part of it, absolutely, the 16 processes that the organization uses to plan, 17 set its targets, measure its performance. 18 MR. O'BRIEN: 19 Q. So would there be any way of measuring 20 organizational effectiveness beyond looking at 21 setting goals and looking at targets? 22 MR. MCDONALD: 23 A. I think most who are involved in the field 24 would use -- rely on the outcomes, you know, 25 and the improvements that can be documented</p>

Page 57

1 associated with processes and organizational
 2 results at a high level.
 3 MR. O'BRIEN:
 4 Q. And would you apply those against any sort of
 5 criteria? Would you look at what you've set
 6 in terms of goals at the beginning of the year
 7 and what goals you've met, that kind of thing?
 8 MR. MCDONALD:
 9 A. Generally speaking, that would be the
 10 approach. You set out your expectations, in
 11 terms of what you're hoping to achieve. Some
 12 of those can be measurable or verified. Some
 13 others are less tangible. I mean, it's just
 14 the nature of what you're looking at. I guess
 15 it depends. But generally speaking, what you
 16 would try and do is state what you're hoping
 17 to achieve and what your expectations are,
 18 what your objectives are and then assess the
 19 outcomes.
 20 MR. O'BRIEN:
 21 Q. Is that something you do on an annual basis
 22 for each of Nalcor's lines of business, have a
 23 look at what goals are required to be met each
 24 year and then at the end of the year, look at
 25 what have been met in order to measure the

Page 58

1 organization's effectiveness?
 2 MR. MCDONALD:
 3 A. Not me specifically, no.
 4 MR. O'BRIEN:
 5 Q. And who would do that?
 6 MR. MCDONALD:
 7 A. Well, we do it as organization and as a
 8 leadership team.
 9 MR. O'BRIEN:
 10 Q. But you're the VP of Organizational
 11 Effectiveness, are you not?
 12 MR. MCDONALD:
 13 A. I am the -- so I provide support. You've
 14 heard me use that term a lot, support and
 15 facilitation and coordination and assistance.
 16 I mean, I have that functional accountability
 17 to be able to provide that expertise and give
 18 guidance and make suggestions. It's with our
 19 lines of business and operations to execute.
 20 So in a way, I'm an internal consultant in
 21 those areas of organizational effectiveness
 22 and so to that extent, you know, I'd play a
 23 role.
 24 MR. O'BRIEN:
 25 Q. Okay. I might get back to that a little bit

Page 59

1 later, Mr. McDonald. Just in terms of your
 2 role with the outage investigation, and you've
 3 given us an overview sort of of how you
 4 initially got involved and you're sort of a
 5 front person, but you're not the person behind
 6 the scenes looking at the investigation,
 7 performing the investigation. You're a
 8 coordinator of that team. Is that right?
 9 MR. MCDONALD:
 10 A. Yes.
 11 MR. O'BRIEN:
 12 Q. And who else is on that team?
 13 MR. MCDONALD:
 14 A. At the beginning, we involved all -- you know,
 15 I can't remember if we refer to it as a
 16 steering committee or an executive review
 17 team, I think was actually the title we put on
 18 the team that was set up at the time, but that
 19 involved myself -- I'm going from memory here,
 20 but obviously, Rob Henderson as the Vice-
 21 President of Hydro. There would have been
 22 other people like John MacIsaac, Vice-
 23 President of Project Execution Tactical
 24 Services, and Paul Humphries, Vice-President
 25 of System Operations and Planning, and of

Page 60

1 course, the President and CEO was there as
 2 well, Ed Martin. And now I'm going from
 3 memory, I'm stretching here a little bit in
 4 terms of who else would have been there, but
 5 it would have been a bigger team than that
 6 involving some other people and others escape
 7 me right at the moment.
 8 MR. O'BRIEN:
 9 Q. And that would have been upfront as a steering
 10 committee from January going forward? Is that
 11 right?
 12 MR. MCDONALD:
 13 A. Yeah, and I think our main focus at the time
 14 was the immediate term goal of ours was to,
 15 you know, initiate and complete, in a
 16 reasonably expeditious way, a comprehensive
 17 internal investigation of the outage events
 18 and we had an obligation we knew to report to
 19 the regulator. So an executive review team
 20 was initially put in place to oversee that
 21 effort, it's main purpose.
 22 MR. O'BRIEN:
 23 Q. All right. And then in June of 2014, the team
 24 that you got involved with at that point, that
 25 was a different team, was it?

Page 61

1 MR. MCDONALD:
 2 A. Yeah. So it was less formal than the
 3 executive review team. No, that's not
 4 correct. That team continued on. It's just
 5 that at that point in June, what we had behind
 6 us was our own internal investigation was
 7 completed and reported. If I recall
 8 correctly, the PUB's external consultants had
 9 reported and I think the PUB had reported on
 10 an interim basis.
 11 MR. O'BRIEN:
 12 Q. Yes.
 13 (10:30 a.m.)
 14 MR. MCDONALD:
 15 A. So with the benefit of all of that and the
 16 work that was ongoing anyhow to build up what
 17 we called an integrated action plan in
 18 response to all of this for 2014, we were on
 19 then to a different stage of executing that.
 20 MR. O'BRIEN:
 21 Q. Sure, okay. So at that point, you're on to
 22 execution and you're the -- are you the only
 23 vice-president then going on that sort of
 24 execution team?
 25 MR. MCDONALD:

Page 62

1 A. No, absolutely not. I mean, Rob Henderson, in
 2 particular, as Vice-President of Hydro
 3 ultimately has accountability for ensuring
 4 that, you know, that integrated action plan is
 5 in place and has the right action items in it
 6 and is being executed. Again, I was there in
 7 a support role as a bit of an interface with
 8 the consultants from a coordinating capacity
 9 where Rob was very much in the picture, as was
 10 Paul Humphries and others on the Hydro
 11 leadership team.
 12 MR. O'BRIEN:
 13 Q. And were they there as consultants or was
 14 there -- and the reason I'm asking this
 15 question is that in the outage inquiry there
 16 was an RFI answered that listed a number of
 17 people that were specifically on the team and
 18 you were the only VP on that team.
 19 MR. MCDONALD:
 20 A. Can you refer me to the RFI?
 21 MR. O'BRIEN:
 22 Q. I can, if we can bring it up. It's the Island
 23 Interconnected System supply issues and power
 24 outages. It's PUB-NLH-078.
 25 MR. MCDONALD:

Page 63

1 A. Could you just keep scrolling down there,
 2 Jenny? Is that the end of it?
 3 MR. O'BRIEN:
 4 Q. I'm not sure it is. I think it goes -- yeah,
 5 the next page, but I don't think there's
 6 another individual.
 7 MR. MCDONALD:
 8 A. Okay. So, on the last page of that RFI
 9 response, in that last paragraph, you're see a
 10 reference to the Events Analysis Steering
 11 Committee. I was struggling with the label
 12 that we put on that.
 13 MR. O'BRIEN:
 14 Q. And that's what was I was struggling with, I
 15 guess.
 16 MR. MCDONALD:
 17 A. Yeah, so we used executive review team, events
 18 analysis steering committee, basically the
 19 same group that I described a moment ago with
 20 those various people on it. What we did
 21 underneath that, you know, to make ourselves
 22 as nimble as we could on this was to dedicate
 23 a smaller group of people who would work with
 24 me. The other VP on that team, by the way,
 25 was Chris Kieley, VP of Strategic Planning and

Page 64

1 Business Development, and three other senior
 2 operations people inside the organization who
 3 formed that sort of more tactical coordination
 4 team.
 5 MR. O'BRIEN:
 6 Q. Okay. And so going forward, that's where you
 7 have spent, since that time, the bulk of your
 8 time as it relates to Hydro, I take it?
 9 MR. MCDONALD:
 10 A. A good portion of 2014 was spent on matters
 11 associated with the outage inquiry, but as I
 12 explained earlier, there were other files, if
 13 you will, that I was working on. So they took
 14 some time as well, but for the most part, to
 15 the account of Hydro.
 16 MR. O'BRIEN:
 17 Q. Yeah, okay. And is that something that has
 18 continued into 2015 or are you starting to
 19 transition back to some of your other VP HR
 20 roles, I guess?
 21 MR. MCDONALD:
 22 A. Yeah. To some extent, it has carried over
 23 into the year but it has changed. So from an
 24 outage inquiry perspective, you know, and
 25 that's been separated into two phases. Phase

Page 65

1 one is certainly the phase I was actively
 2 involved in that hasn't finally come to a
 3 conclusion, but it transitioned off with
 4 Liberty's phase one report in December. We
 5 filed a reply submission in February of this
 6 year. So I would say up to the end of the
 7 first quarter of this year that was still
 8 occupying a lot of my time because we were
 9 still very active in that process. It
 10 continues to a more limited extent, you know,
 11 because the outage inquiry is still ongoing.
 12 The work that I mentioned earlier in relation
 13 to the Province's overall review of the
 14 electricity system continues, so continuing
 15 support to that. But what has become more of
 16 a level of effort is the work going on around
 17 transitions operations planning.
 18 MR. O'BRIEN:
 19 Q. And what does that involve, transitions
 20 operations?
 21 MR. MCDONALD:
 22 A. We know it's best practice with megaprojects
 23 such as the Lower Churchill Project to be
 24 planning a good time in advance for, you know,
 25 the actual integration of those assets. And

Page 66

1 in this situation, we're talking the
 2 integration of those new assets, Muskrat Falls
 3 and then the transmission link, into an
 4 existing electricity system. So we know that
 5 there's considerable amount of planning that
 6 has to be done to make sure that it is
 7 achieved in a seamless way and in a way that,
 8 you know, it doesn't have any impact on
 9 reliability and system performance and so on
 10 and so forth. So what we did last year was
 11 create four teams that would be put in place
 12 around different aspects of transition
 13 operations and they are working in a very sort
 14 of coordinated integrated way. Three of those
 15 four teams are actually co-located at the
 16 project's offices. But the point is, they're
 17 working under a coordinated plan to identify
 18 the things that we need to get completed and
 19 get done before interconnection occurs, both
 20 from a technical systems perspective, from a
 21 commercial and legal perspective, from a
 22 regulatory perspective, from a -- even from a
 23 ready for operations perspective as far as the
 24 project is concerned. They will eventually
 25 declare mechanical completion and hand the

Page 67

1 asset over. So there's a whole suite of
 2 different things that have to occur over the
 3 next two to three years to make sure we're
 4 ready.
 5 MR. O'BRIEN:
 6 Q. And you are on one of those teams or more than
 7 one?
 8 MR. MCDONALD:
 9 A. I'm not on one of those teams.
 10 MR. O'BRIEN:
 11 Q. You're not, okay.
 12 MR. MCDONALD:
 13 A. Again, I'm -- there is a steering committee in
 14 place overseeing that and I'm on that steering
 15 committee.
 16 MR. O'BRIEN:
 17 Q. And Mr. Roberts, are you on any of those teams
 18 yourself?
 19 MR. ROBERTS:
 20 A. No, I am not.
 21 MR. O'BRIEN:
 22 Q. Okay. Mr. McDonald, before January of 2014,
 23 did you have any involvement with overseeing
 24 reliability on the system or anything like
 25 that yourself?

Page 68

1 MR. MCDONALD:
 2 A. No, I would have had no operations
 3 accountabilities, no.
 4 MR. O'BRIEN:
 5 Q. And since your involvement, I guess, in terms
 6 of being on the steering committee in January
 7 and as well your continued involvement now,
 8 have you come to any opinion yourself as to
 9 whether or not there were reliability issues
 10 in late 2013, early 2014 for Hydro?
 11 MR. MCDONALD:
 12 A. I think, you know, what I would refer back to
 13 are the results of our own investigation,
 14 which I feel was pretty in-depth and our key
 15 findings were indicated inside that, in terms
 16 of what we felt the major contributing factors
 17 were. My opinion would be, you know, based on
 18 the work that was done by our teams, the
 19 people in operations and other technical
 20 people who knew what to study and assess. So
 21 you know, my opinion on that would be
 22 consistent with our own findings at the time.
 23 We picked up identify areas for improvement
 24 and they were identified and laid out in an
 25 action plan that we committed ourselves to.

Page 69

1 To a significant extent, our own conclusions
 2 and the actions we identified were consistent
 3 with the ones that were identified by the
 4 PUB's consultant.
 5 MR. O'BRIEN:
 6 Q. Okay.
 7 MR. MCDONALD:
 8 A. Any that we hadn't thought of, we integrated.
 9 So that's the best answer I can give you to
 10 that question, to be honest with you.
 11 MR. O'BRIEN:
 12 Q. Okay. And for the most part, Hydro hasn't
 13 taken issue with what Liberty has suggested,
 14 in terms of improvement, in terms of
 15 recommendations for Hydro?
 16 MR. MCDONALD:
 17 A. No, we've stated that, but I would repeat what
 18 I just said. I think in our own
 19 investigation, which was a fairly deep dive
 20 over a fairly short period of time, I think,
 21 we came to many of the same conclusions, if
 22 you will, and recommendations that Liberty
 23 made eventually. So they're well grounded,
 24 but the answer to your question is no.
 25 MR. O'BRIEN:

Page 70

1 Q. Okay. If I can ask to have NP-NLH-229 brought
 2 up, Attachment 1? And it's page -- sorry.
 3 MS. GRAY:
 4 Q. 229?
 5 MR. O'BRIEN:
 6 Q. Yeah, that's right. No, that's not it. Maybe
 7 it's PUB-NLH-229. Oh, you're in the -- are
 8 you in the Island Interconnect one?
 9 MS. GRAY:
 10 Q. No, I am in -- bring it up again.
 11 MR. O'BRIEN:
 12 Q. Try PUB-229, job descriptions. Yes, okay.
 13 All right. And page 12 of that. Here we go.
 14 No, I just went past, I think. Yeah, that's
 15 it. Okay. So these are job descriptions --
 16 this is the job description for Vice-President
 17 Human Resources and Organizational
 18 Effectiveness. Have both of you gentlemen
 19 reviewed that document?
 20 MR. ROBERTS:
 21 A. I have.
 22 MR. O'BRIEN:
 23 Q. Okay, have you, Mr. -
 24 MR. MCDONALD:
 25 A. Yes, I have.

Page 71

1 MR. O'BRIEN:
 2 Q. Okay. Mr. Roberts, maybe I can ask you when
 3 you were retained is that something that was -
 4 - when you were given the acting role, is that
 5 something that was given to you?
 6 MR. ROBERTS:
 7 A. Whether this particular document was, I was
 8 quite familiar with the roles and
 9 accountabilities of the position and the key
 10 responsibility areas when I took on the job.
 11 MR. O'BRIEN:
 12 Q. Okay. And was there an orientation process
 13 with Mr. McDonald or with someone else for
 14 you?
 15 MR. ROBERTS:
 16 A. Well, we've worked together closely now for
 17 eight years. I would be a direct report to
 18 Mr. McDonald prior to occupying this position
 19 reporting to Mr. Martin. And so again, so I
 20 would have had that as part -- I would
 21 consider that part of my preparation for
 22 taking on this assignment.
 23 MR. O'BRIEN:
 24 Q. Okay. And if we look down through this,
 25 you've already indicated that your

Page 72

1 responsibilities are in functional areas
 2 across -- or this functional area across all
 3 Nalcor lines and there's -- if we scroll down
 4 here, the key responsibility areas, would that
 5 adequately outline the areas you're -- I
 6 guess, both of you are responsible for?
 7 There's nothing missing from that? We have
 8 safety and health, environment, environmental
 9 stewardship, compliance, human resources and
 10 labour relations.
 11 MR. ROBERTS:
 12 A. I think there might be one other.
 13 MR. O'BRIEN:
 14 Q. Actually scroll one down more. No. I don't
 15 see anything in relation to organizational
 16 effectiveness on the key responsibility areas,
 17 and if we scrolled over into the next page, we
 18 see direction exercised. You see under
 19 management of human resources and labour
 20 relations seem to be combined there. If we
 21 scroll down a bit, you see managerial safety
 22 and health, and if we scroll down a bit more,
 23 manager of environmental services, and I
 24 believe we go down to the bottom of the page,
 25 the next page is another job description. So

Page 73

1 I don't see anything in here in terms of what
 2 organizational effectiveness, what duties you
 3 have in that regard and how your direction is
 4 supposed to be exercised. Is there anything
 5 you can point us to as to how you were given
 6 an orientation in that area?
 7 MR. MCDONALD:
 8 A. Is that a question for -
 9 MR. O'BRIEN:
 10 Q. That's for Mr. Roberts, I guess.
 11 MR. ROBERTS:
 12 A. So again, as part of my accountability when I
 13 was the manager of Human Resources, I also had
 14 organizational effectiveness responsibilities
 15 in that role.
 16 MR. O'BRIEN:
 17 Q. Okay.
 18 MR. ROBERTS:
 19 A. In support of the vice-president, who had
 20 ultimate responsibility and you can see
 21 underneath the Manager of Human Resources and
 22 Labour Relations description there, things
 23 like employee engagement, organizational
 24 design and process, team improvement advisory
 25 services. Those would be examples of

Page 74

1 organizational effectiveness work.
 2 MR. O'BRIEN:
 3 Q. Okay. So that's the -- is that the limit in
 4 terms of both of your roles for organizational
 5 effectiveness or do you look at organizational
 6 effectiveness as it pertains to the Nalcor
 7 entities themselves and how they interact or
 8 is this just within the Hydro entity?
 9 MR. MCDONALD:
 10 A. Could you repeat the last part of your
 11 question there?
 12 MR. O'BRIEN:
 13 Q. Yeah. I guess my question is more when you
 14 talk about organizational effectiveness, is it
 15 that you look at how each separate line of
 16 business is effective within itself or do you
 17 also look at how they interact with each other
 18 and whether or not they're effective in
 19 interacting with each other?
 20 MR. MCDONALD:
 21 A. I think it's both. I mean, to the extent
 22 that, for example, I would have been, I think
 23 Mike continues to be now, involved in
 24 discussions around -- as they've occurred over
 25 the years, you know, as the organizational

Page 75

1 design for Newfoundland and Labrador Hydro has
 2 evolved, we would have been involved in an
 3 advisory capacity for sure, you know, in terms
 4 of what we should be looking at and how we do
 5 organize ourselves so that, you know, the
 6 various entities are able to work effectively
 7 inside that organizational structure.
 8 MR. O'BRIEN:
 9 Q. In terms of the time you spend in each of
 10 these areas, with respect to human resources
 11 and labour relations issues, would that be the
 12 bulk of your time spent as a vice-president?
 13 Is it spent on that area mostly or is it spent
 14 on safety, environment? Can you break that
 15 down for me a little bit?
 16 MR. MCDONALD:
 17 A. Well, I couldn't really because the reality of
 18 the situation is that all of those functional
 19 areas have always required my time and
 20 attention. Priorities will change over time.
 21 But certainly, I wouldn't limit it to human
 22 resources and labour relations. Safety and
 23 health has always been a key focus for us.
 24 Environment has always been a key focus. And
 25 if you reflect on our five corporate goals,

Page 76

1 you know, three of those are linked in to the
 2 functional areas that, if you will, we have
 3 accountability for across Nalcor. Safety,
 4 environment and people goes one, two and four.
 5 So, we've -- you know, we're extremely active,
 6 you know, supporting all of those in all
 7 function areas that we're associated with.
 8 The key point I guess I'd make is that as
 9 priorities evolve over time, it just shifts
 10 and shifts around, you know, in terms of time.
 11 (10:45 a.m.)
 12 MR. O'BRIEN:
 13 Q. And is there any one organization within
 14 Nalcor's lines that you would spend more time
 15 with, you spend more of your time focused on?
 16 And I can ask the question of both of you if
 17 you want to get the opportunity.
 18 MR. MCDONALD:
 19 A. Sure. I can answer it from the perspective of
 20 up until let's say last June because I think
 21 my circumstances have changed a little bit
 22 since last June.
 23 MR. O'BRIEN:
 24 Q. I think you're right, yeah.
 25 MR. MCDONALD:

Page 77

1 A. But leading up to that, over a period of eight
 2 years, again that would vary from time to time
 3 on what was going on. It evolved somewhat
 4 over time as well from an organizational
 5 standpoint. So I'll give you two answers and
 6 give you a couple of examples.
 7 From my perspective, as the VP, not
 8 talking about staff down in HR and so on who
 9 would be in support as well, but the work that
 10 we did back in 2008, '09 and '10 around asset
 11 management, for example. That would have been
 12 something that I would have been pretty
 13 actively involved in in support of the
 14 president and others who had been involved in
 15 that discussion and a parallel process we went
 16 through at the time was to sort of review how
 17 we're doing engineering services as well,
 18 which eventually was renamed as project
 19 execution technical services. So just to give
 20 you an example, I mean, it changes over time,
 21 depending on the priorities and so on and so
 22 forth. So a considerable amount of time would
 23 have been involved with that in support of
 24 Hydro and our electricity businesses in
 25 particular.

Page 78

1 Then as well, as we evolved, inside our
 2 various areas downstairs, we began to put in
 3 place dedicated people for various lines of
 4 business, but Hydro included. I think that's
 5 indicated in one of our RFI replies, but
 6 inside human resources and in safety and
 7 health, for example, we would have identified
 8 dedicated people in support of Hydro
 9 specifically. So you know, we're finding
 10 different ways to make sure that our various
 11 lines of businesses' needs and requirements
 12 were being met, but in particular,
 13 Newfoundland and Labrador Hydro as our largest
 14 line of business.
 15 MR. O'BRIEN:
 16 Q. How about you, Mr. Roberts, since you've begun
 17 in your role? Is there any one line of
 18 business you've been focused on more than any
 19 other?
 20 MR. ROBERTS:
 21 A. No, I think Mr. McDonald summarized it very
 22 well. You go where the needs arise. I will
 23 say that I took on the role in June of 2014.
 24 We were still heavily involved in collective
 25 bargaining with Newfoundland and Labrador

Page 79

1 Hydro at the time and I served as chief
 2 negotiator. So they would have gotten a fair
 3 bit of my time through 2014 and leading into
 4 2015 until we signed our latest collective
 5 agreement. But apart from that, I would say
 6 the same thing as Mr. McDonald offered.
 7 MR. O'BRIEN:
 8 Q. I want to turn back to the idea of
 9 organizational effectiveness, and we spoke
 10 briefly about how you would measure that. I'm
 11 wondering in terms of goals, I guess your
 12 indication as to whether or not a company is
 13 operating effectively, and I'll take Hydro for
 14 example, would you look at things like
 15 reliability of the system, whether or not
 16 they're operating at least cost, that sort of
 17 thing? Is that what you would look at to see
 18 whether or not Hydro is operating effectively?
 19 MR. MCDONALD:
 20 A. Absolutely. So, you know, and I think we do
 21 that inside the company. I mean, we have a
 22 well-structured, I believe, process of
 23 corporate planning that I think Mr. Martin may
 24 have described to some extent, where on an
 25 annual basis each of our lines of business

Page 80

1 develop their priorities underneath our
 2 various corporate goals. And certainly under
 3 goal number three, operations excellence, our
 4 lines of business, and Hydro included
 5 obviously, would be setting out their targets
 6 and their initiatives as well associated with
 7 meeting the important aspects of operations
 8 and obviously they would include reliability
 9 targets and measures and that's done annually,
 10 refreshed on a five-year basis every year, and
 11 so I think it's a very effective process for
 12 making sure that those priorities are set out
 13 and monitored and measured on an ongoing
 14 basis.
 15 MR. O'BRIEN:
 16 Q. And are you involved in setting those
 17 priorities at all, in terms of each line of
 18 business or is that something that the line of
 19 business would bring to you and say here's
 20 what we've set as this year's priorities type
 21 of thing? Do you get involved with that?
 22 MR. MCDONALD:
 23 A. We, inside of -- I'm going to use HR OE to
 24 describe our division.
 25 MR. O'BRIEN:

Page 81	Page 83
<p>1 Q. Okay.</p> <p>2 MR. MCDONALD:</p> <p>3 A. So just an abbreviation, but we, just like any</p> <p>4 of the other corporate services areas or</p> <p>5 functional areas of the company, finance for</p> <p>6 example, or communications and others, would</p> <p>7 be involved in the sense that from a</p> <p>8 functional perspective, we would provide some</p> <p>9 guidance to all our lines of business with</p> <p>10 respect to, you know, emerging issues or</p> <p>11 priorities that we thought were important in</p> <p>12 support of, you know, our goals. But</p> <p>13 certainly when it comes from an operations</p> <p>14 perspective -- and so that would be considered</p> <p>15 as appropriate and integrated into the plans</p> <p>16 that would be developed by the lines of</p> <p>17 business. That's clearly their accountability</p> <p>18 for each of our lines of business and for</p> <p>19 Newfoundland and Labrador Hydro in this case</p> <p>20 to develop its business plan, its corporate</p> <p>21 plan. And they take into account the</p> <p>22 guidance. We call it a riverbank document.</p> <p>23 It's guidance that we give to the lines of</p> <p>24 business for consideration in developing their</p> <p>25 plans in relation to goal areas of safety and</p>	<p>1 terms of organizational effectiveness, HR and</p> <p>2 the VP of HR and organizational effectiveness</p> <p>3 would not be providing any guidance to</p> <p>4 operations on reliability say, would you?</p> <p>5 MR. MCDONALD:</p> <p>6 A. No.</p> <p>7 MR. O'BRIEN:</p> <p>8 Q. So you wouldn't be looking at things like key</p> <p>9 performance indicators on reliability, that</p> <p>10 sort of thing? That wouldn't be part of your</p> <p>11 job?</p> <p>12 MR. MCDONALD:</p> <p>13 A. No. You know, I mean, the functional areas</p> <p>14 we're accountable for are clear and null and</p> <p>15 those are the areas in which we provide</p> <p>16 guidance to the lines of business.</p> <p>17 MR. O'BRIEN:</p> <p>18 Q. Okay. And what areas are they? What are</p> <p>19 those functional areas that you would provide</p> <p>20 guidance to?</p> <p>21 MR. MCDONALD:</p> <p>22 A. Safety and health.</p> <p>23 MR. O'BRIEN:</p> <p>24 Q. Okay. So it's just all of these five areas</p> <p>25 that we see on the job description?</p>
Page 82	Page 84
<p>1 health, environment and people. Other</p> <p>2 functional areas would do exactly the same</p> <p>3 thing. That's fed in and Rob Henderson and</p> <p>4 his team consider that and they develop their</p> <p>5 corporate plan for the coming year.</p> <p>6 MR. O'BRIEN:</p> <p>7 Q. And that's for each line of business then</p> <p>8 would develop their own corporate plan then</p> <p>9 based on the guidance given by HR?</p> <p>10 MR. MCDONALD:</p> <p>11 A. In relation to functional areas.</p> <p>12 MR. O'BRIEN:</p> <p>13 Q. In relation to each functional area or just</p> <p>14 the HR functional area?</p> <p>15 MR. MCDONALD:</p> <p>16 A. In relation to the areas that we have some</p> <p>17 corporate accountability for.</p> <p>18 MR. O'BRIEN:</p> <p>19 Q. Okay. And what -</p> <p>20 MR. MCDONALD:</p> <p>21 A. So we would not be supplying any guidance or</p> <p>22 direction to Newfoundland and Labrador Hydro</p> <p>23 on operations issues.</p> <p>24 MR. O'BRIEN:</p> <p>25 Q. And that's the -- I guess that's my point in</p>	<p>1 MR. MCDONALD:</p> <p>2 A. Correct.</p> <p>3 MR. O'BRIEN:</p> <p>4 Q. That you'd provide guidance to?</p> <p>5 MR. MCDONALD:</p> <p>6 A. Correct.</p> <p>7 MR. O'BRIEN:</p> <p>8 Q. Would you provide guidance with respect to</p> <p>9 organizational effectiveness?</p> <p>10 MR. MCDONALD:</p> <p>11 A. Not necessarily. That area tends to be more</p> <p>12 project focused, you know, as needs arise in</p> <p>13 our lines of business.</p> <p>14 MR. O'BRIEN:</p> <p>15 Q. Would that be more -</p> <p>16 MR. MCDONALD:</p> <p>17 A. But certainly in the other areas, you know,</p> <p>18 there would be some guidance provided.</p> <p>19 MR. O'BRIEN:</p> <p>20 Q. And how is the guidance provided? You've</p> <p>21 mentioned -- and I'm not sure I got the term</p> <p>22 right, a riverbank?</p> <p>23 MR. MCDONALD:</p> <p>24 A. Riverbanks document.</p> <p>25 MR. O'BRIEN:</p>

Page 85

1 Q. Yeah. So how does that work? What type of a
 2 document is that?
 3 MR. MCDONALD:
 4 A. It's a document that we produce in
 5 consultation with the lines of business, and
 6 in this case, Hydro. It's based on our
 7 experience over the year. Let me use an
 8 example. So in the area of safety and health,
 9 the measures that we develop there in terms of
 10 our targets around lost time injuries, all
 11 injuries, reporting under our workplace
 12 observation system, these would be things that
 13 would be developed at a corporate level, and
 14 so guidelines around how those targets are to
 15 be set inside Hydro would be provided.
 16 Environment, for example, to use another
 17 example, we have a fairly standard criteria
 18 there in terms of the target that all lines of
 19 business are expected to meet, and that is 95
 20 percent or better in terms of achievement of
 21 their environmental leadership targets.
 22 MR. O'BRIEN:
 23 Q. And how about say human resources and labour
 24 management? Would you have that kind of a
 25 document you would provide with guidance, a

Page 86

1 riverbanks document with guidance to each line
 2 of business, say Hydro for example?
 3 MR. MCDONALD:
 4 A. We would, you know, and so in those areas, we
 5 would be reflecting on key initiatives that,
 6 you know, our division would be helping or
 7 stewarding inside the organization. Just
 8 trying to think of an example here now. So
 9 one could be, for example, the area of
 10 diversity and inclusion. So this has been an
 11 area of major strategic focus for us, as a
 12 company, over the last three to four years.
 13 WE adopted, if you will, longer term plan and
 14 strategy around that inside our organization,
 15 and so again, inside the boundary -- you know,
 16 the reference document, we'd be providing some
 17 guidance to the lines of business in terms of
 18 expected participation in training that we
 19 organize and deliver inside the company and
 20 other initiatives that we've identified in our
 21 action plan, multi-year action plan around
 22 that. So our expectation would be here's the
 23 plan we've all adopted. Here's some guidance
 24 with respect to what you should be considering
 25 inside your line of business plan, Mr. Rob

Page 87

1 Henderson.
 2 MR. O'BRIEN:
 3 Q. And how about things like salaries and say
 4 FTEs, that kind of thing? Would you provide
 5 any riverbanks document to Mr. Henderson on
 6 that?
 7 MR. MCDONALD:
 8 A. No. Salaries, for example, would be something
 9 we would deal with at a CEO and VP and Board
 10 of Directors level.
 11 MR. O'BRIEN:
 12 Q. Okay. I'll get into that, I guess, in a
 13 little bit. I'm going to jump to a new line
 14 of questioning here, Mr. Chair. I wonder
 15 whether this might be a good time to take the
 16 11:00 break.
 17 CHAIRMAN:
 18 Q. Commend you for your timing.
 19 MR. O'BRIEN:
 20 Q. I do my best.
 21 (BREAK - 10:57 A.M.)
 22 (RESUME - 11:34 A.M.)
 23 CHAIRMAN:
 24 Q. So, sir, you may continue.
 25 MR. O'BRIEN:

Page 88

1 Q. Okay, Mr. Chairman. I wanted to turn to
 2 another line of questioning at this point. I
 3 want to talk a bit about the organizational
 4 structure of Hydro and Nalcor, and in
 5 particular, I wonder if we could pull up PUB-
 6 NLH-138, Revision 2? I just wanted to have a
 7 look at the second page there. Okay, yeah,
 8 that's it there. So that's an indication of
 9 the leadership team for Hydro. Is that
 10 correct? And if we look back maybe at the
 11 first page, the question was to describe the
 12 current structure, provide a complete
 13 organizational structure that outlines the
 14 corporate structure of Hydro only. And the
 15 answer appears that "the Nalcor Group of
 16 Companies is a matrix organizational structure
 17 and various Hydro positions report to Nalcor
 18 management. Therefore various Nalcor
 19 positions are included to reflect the
 20 reporting relationship." Would you consider,
 21 at page two, the leadership team to be the
 22 leadership team for Hydro?
 23 MR. MCDONALD:
 24 A. Yes.
 25 MR. O'BRIEN:

Page 89	Page 91
<p>1 Q. Okay. And so the Vice-President of Human 2 Resources and Organizational Effectiveness is 3 there. If we could turn to page four of that 4 attachment? Human Resources and 5 Organizational Effectiveness Division. Can 6 you just break down exactly how that works in 7 terms of Hydro and I'm interested, I guess, we 8 see all the -- the orange blocks are Nalcor 9 positions, I understand. Is that right?</p> <p>10 MR. MCDONALD: 11 A. Yes.</p> <p>12 MR. O'BRIEN: 13 Q. Okay. And the remaining would be Hydro 14 positions, which would be in Hydro?</p> <p>15 MR. MCDONALD: 16 A. Correct.</p> <p>17 MR. O'BRIEN: 18 Q. Is there any dual reporting system here or do 19 these Hydro employees report directly through 20 Nalcor managers?</p> <p>21 MR. MCDONALD: 22 A. No, they report to those managers.</p> <p>23 MR. O'BRIEN: 24 Q. Okay., And do those managers have any dual 25 reporting? Apart from reporting to the Vice-</p>	<p>1 charts are on the record or not for this 2 proceeding?</p> <p>3 MR. MCDONALD: 4 A. I don't know if they are or not.</p> <p>5 MR. O'BRIEN: 6 Q. You don't know.</p> <p>7 MR. MCDONALD: 8 A. I can't recall.</p> <p>9 MR. O'BRIEN: 10 Q. Okay. I wonder if we could at least ask for 11 an undertaking to check that and if they're 12 not on the record to provide a copy of those 13 internal charts.</p> <p>14 MR. CASS: 15 Q. Yes, that can be done, Mr. Chair.</p> <p>16 MR. O'BRIEN: 17 Q. Okay, thank you.</p> <p>18 MS. GLYNN: 19 Q. And we'll note that as an undertaking on the 20 record.</p> <p>21 MR. O'BRIEN: 22 Q. I want to take you back to 2007 and '08, I 23 guess, when Nalcor was developed, and we've 24 talked a lot about the organizational 25 structure of the Nalcor lines of companies and</p>
<p>Page 90</p> <p>1 President of Human Resources and 2 Organizational Effectiveness, do they report 3 say to Mr. Henderson, the VP of Hydro?</p> <p>4 MR. MCDONALD: 5 A. No, they report to the Vice-President. We do 6 have a practice and organizational charts that 7 we use of showing other lines to -- back to a 8 line of business, people inside our 9 organizations and inside Hydro, but that -- 10 those are the reporting relationships.</p> <p>11 MR. O'BRIEN: 12 Q. And when you say you have -- you have a 13 separate organizational chart that's different 14 from this one?</p> <p>15 MR. MCDONALD: 16 A. We use internal organizational charts to, you 17 know, depict relationships as well with people 18 inside Hydro. You know, there are safety 19 people inside Hydro. There are environmental 20 people inside Hydro in operations. So when we 21 do charts sometimes, we like to keep a 22 complete picture there, and they're shown as 23 well.</p> <p>24 MR. O'BRIEN: 25 Q. And do you know if that's -- if those internal</p>	<p>Page 92</p> <p>1 it being on a matrix model. Are you familiar 2 with that?</p> <p>3 MR. MCDONALD: 4 A. Yes, I am.</p> <p>5 MR. O'BRIEN: 6 Q. Okay. Were you involved with developing that 7 organizational structure yourself?</p> <p>8 MR. MCDONALD: 9 A. Yes, I was.</p> <p>10 MR. O'BRIEN: 11 Q. And what was your role in that process?</p> <p>12 MR. MCDONALD: 13 A. I guess I worked in an advisory role with the 14 President and CEO.</p> <p>15 MR. O'BRIEN: 16 Q. Okay. And were there any key drivers behind 17 how the structure got put together initially?</p> <p>18 MR. MCDONALD: 19 A. Yes, there were. At the beginning, we saw 20 ourselves building on a model that was in 21 place, to the extent that Hydro and CF(L)Co 22 had been around for a long time and there was 23 a process or had been by which Hydro supplied 24 support to CF(L)Co as well. There were -- you 25 know, we recognized that at that particular</p>

Page 93

1 point in time, as Nalcor was evolving and
 2 diversifying, that we wanted to address the
 3 manner in which corporate services or shared
 4 services could be provided to those areas cost
 5 effectively and in a way that ensured that we
 6 could achieve as much consistency and
 7 standardization as possible in the other areas
 8 outside Newfoundland and Labrador Hydro,
 9 consistent with our practices there, and in a
 10 way which would enable us to, you know, have
 11 best practices in place across Hydro and our
 12 other lines of business in the corporate
 13 services areas. Those were some of the key
 14 drivers.

15 MR. O'BRIEN:
 16 Q. Mr. Martin, in his testimony, indicated that
 17 there may have been some areas within Hydro
 18 where there was significant additional
 19 capacity that wasn't being utilized. Was that
 20 something that was a concern to you at that
 21 time?

22 MR. MCDONALD:
 23 A. It wasn't a concern. I think, you know, it
 24 was a -- I guess I recognize the same thing as
 25 others would have and that there was probably

Page 94

1 an opportunity to utilize available capacity
 2 in different areas.

3 MR. O'BRIEN:
 4 Q. Are you able to give us any detail in that
 5 regard, sort of what areas you recognized?

6 MR. MCDONALD:
 7 A. No, I couldn't.

8 MR. O'BRIEN:
 9 Q. So from the evidence filed, it appears there
 10 were -- in 2008, there were 24 positions
 11 transferred in certain areas from Nalcor to
 12 Hydro. Is that right?

13 MR. MCDONALD:
 14 A. Yes.

15 MR. O'BRIEN:
 16 Q. Okay. And those individuals charged their
 17 time back obviously to Hydro to the extent
 18 that they spend time on Hydro activities? Is
 19 that right?

20 MR. MCDONALD:
 21 A. That's correct.

22 MR. O'BRIEN:
 23 Q. Were you involved in choosing which areas got
 24 transferred out of Hydro into Nalcor?

25 MR. MCDONALD:

Page 95

1 A. Only indirectly. I mean, there would have
 2 been discussions at the time about making
 3 sure, for example, that the people who spent
 4 most of their time in Hydro stayed in Hydro,
 5 but that others who were in positions that
 6 involved providing support across multiple
 7 areas of Nalcor would be put into Nalcor. So
 8 those were discussed as principles, I guess
 9 I'd put it that way at the time, and I would
 10 have been involved in those discussions, as
 11 others were as well.

12 MR. O'BRIEN:
 13 Q. On a principle level, but not in terms of
 14 getting into the details and choosing who is
 15 going to be transferred?

16 MR. MCDONALD:
 17 A. I would have been involved, for example, when
 18 my three manager reports were moved into
 19 Nalcor. I mean, I would have been involved in
 20 that, but on the basis of the principles I
 21 just discussed.

22 MR. O'BRIEN:
 23 Q. Okay. In one of the RFIs, if we could pull up
 24 PUB-NLH-141, and if we go along, I think it's
 25 in the second page. Actually, before we got

Page 96

1 to there, on the bottom there. I understand
 2 this would be the final but it mentions draft
 3 there at the bottom. I guess this is the
 4 final RFI for that. There's no other existing
 5 RFI for that one, is there, Mr. McDonald? I
 6 just noticed it there. I presume there's not.

7 MR. MCDONALD:
 8 A. I did as well.

9 MR. O'BRIEN:
 10 Q. And it doesn't -- this doesn't -- it's not an
 11 issue. So if we move to number two, page two,
 12 one of the focuses appears to have been to
 13 leverage -- so if we see B at line three,
 14 "leveraging the available people, resources
 15 and areas which were highly specialized and in
 16 limited supply." Was that something that was
 17 in your mind, in terms of deciding who gets
 18 transferred?

19 MR. MCDONALD:
 20 A. Not specifically on that question, no. It was
 21 one of the considerations behind adopting a
 22 shared services approach to, you know,
 23 corporate services areas.

24 MR. O'BRIEN:
 25 Q. Okay. So in terms of who got transferred,

Page 97

1 that wasn't the -- that wasn't in your mind in
 2 terms of leveraging these resources?
 3 MR. MCDONALD:
 4 A. Not specifically as it relates to the people
 5 who moved over.
 6 MR. O'BRIEN:
 7 Q. Okay.
 8 MR. MCDONALD:
 9 A. Some of those people who moved over, if you
 10 reflect on it, would be people possibly who
 11 fit that definition, but not specifically.
 12 MR. O'BRIEN:
 13 Q. All right. So in terms of the design
 14 principles for the structure that was put in
 15 place, Mr. Martin, in his testimony, indicated
 16 that the person at the corporate level who he
 17 would rely on as tasked with making sure that
 18 the key design principles of the matrix
 19 organization are adhered to would be you. Is
 20 that correct?
 21 MR. MCDONALD:
 22 A. Yes.
 23 MR. O'BRIEN:
 24 Q. Okay. And so you agree that's your
 25 responsibility?

Page 98

1 (11:45 a.m.)
 2 MR. MCDONALD:
 3 A. Well, I think in a presentation that was
 4 attached to another RFI response, there would
 5 have been a reference to me as a steward or a
 6 guardian of our matrix model.
 7 MR. O'BRIEN:
 8 Q. Yes, okay.
 9 MR. MCDONALD:
 10 A. Certainly in the early days, and I'm going
 11 back now to 2007 and 2008 when these decisions
 12 were being made and we were consciously, you
 13 know, saying to ourselves that this is the
 14 strategy we're adopting here, you know, in
 15 terms of shared services, it was extremely
 16 important at that time to ensure there was
 17 clarity inside Newfoundland and Labrador Hydro
 18 and across other lines of business that this
 19 was deliberate approach to shared services.
 20 So, you know, really I was the executive
 21 sponsor in my capacity as VP HROE, working
 22 with the President and CEO to ensure that we
 23 stayed on that path, that we provided all the
 24 necessary support and guidance to the lines of
 25 business to help them ensure success on that.

Page 99

1 So, your question was was I the one solely
 2 responsible, I can't remember if those are
 3 your exact words, I would say.
 4 MR. O'BRIEN:
 5 Q. And maybe the best thing to do is to have a
 6 look at the transcript and the question I
 7 posed to Mr. Martin and the answer. If we
 8 look at September 9th transcript, page 134,
 9 and might have to go up to 130 -- no, go down
 10 to 134. Just scroll down a bit, please.
 11 Okay, so the question is on
 12 line 16 there. "Is there anybody,
 13 any key person who is tasked with
 14 making sure on a go-forward basis
 15 say that the principles of the
 16 organization, those key design
 17 principles we talked about, are sort
 18 of met with going forward and that
 19 there's no conflicts? Is there
 20 anybody tasked with that role or is
 21 this a leadership thing?" "It's an
 22 inherent leadership" -- this is the
 23 response. "It's an inherent
 24 leadership, you know, that's -- I
 25 have to repeat myself. That's why

Page 100

1 we prepare" -- and we go up to the
 2 next page "an organizational" --
 3 sorry, "the framework of the
 4 leadership and why we document
 5 things the way that we do and a lot
 6 of it comes down to quality of your
 7 people and adherence to your values
 8 and then these people are expected
 9 to run the business and
 10 professionally and ethically.
 11 That's the way it goes."
 12 And then the question, "the reason I ask
 13 this is I did note in one of those attachments
 14 about one of the earlier, I guess, PowerPoint
 15 presentations back in 2008, there was a
 16 mention of one of the key principles for
 17 success was the matrix guardian and I've seen
 18 a mention of a matrix steward, that kind of
 19 thing. Does that type of individual exist
 20 within Newfoundland and Labrador Hydro or
 21 Nalcor?" And the answer is "yeah, I think,
 22 you know, if you look at the individual who
 23 helps me at the corporate level, who works the
 24 most closely with me at the corporate level
 25 and provides, you know, information

Page 101

1 perspective, experience and such as would be,
 2 I would see as that guardian would be the
 3 Vice-President of Human Resources and
 4 Organizational Effectiveness."
 5 Now he hasn't indicated in his response
 6 that that was at the outset. It seems to
 7 suggest that that's an ongoing go-forward
 8 basis that you would be the guardian of
 9 balancing the interests of Hydro within this
 10 matrix. Would you agree that's the case?
 11 MR. MCDONALD:
 12 A. Yes. He says two things in his testimony, as
 13 I read it. He makes it clear that it's
 14 inherent in leadership and it's the
 15 responsibility of leaders throughout the
 16 organization and the line of business leaders
 17 as well to ensure that, you know, we follow
 18 through on our commitment to an approach to
 19 our organization. He talked about, B, as a
 20 steward or guardian in the early days. That's
 21 a role that has continued. But as time has
 22 evolved and we've moved on, I would have to
 23 say that there's been less of a need for that,
 24 you know, in terms of being in an oversight
 25 capacity around those kinds of things than in

Page 102

1 later years for sure. I mean that's a model
 2 that has evolved, has become very comfortable
 3 for us. Again, as I said earlier, we were
 4 building on pre-existing experience in terms
 5 of how we're conducting business in Hydro as
 6 related to support to CF(L)Co. In reality, it
 7 was an extension of the same kind of thinking
 8 as it relates to support to other lines of
 9 business which in comparison to Hydro were
 10 relatively small.
 11 So, but there's no doubt that HROE, I
 12 think consistent with its mandate, you know,
 13 around organizational effectiveness would
 14 provide that advisory and guidance role to the
 15 organization in terms of ensuring that, you
 16 know, we are as effective as we can be in
 17 terms of that shared services model.
 18 MR. O'BRIEN:
 19 Q. And if we look back at some of the questions I
 20 had asked in terms of organizational
 21 effectiveness and whether or not these lines
 22 of business, including Hydro, are effectively
 23 interacting with each other inside of this
 24 matrix, is that your role to make sure that
 25 that's happening?

Page 103

1 MR. MCDONALD:
 2 A. Yes. You know, but not solely my role. I
 3 guess that's the point I'm trying to make. I
 4 mean, there are line of business leaders in
 5 particular and other leaders throughout the
 6 organization, and I know I'm repeating myself,
 7 share that responsibility. So it's shared
 8 leadership, there's no question about it. But
 9 I'm part of that leadership group that shares
 10 that leadership. And let me give you an
 11 example of how we, in our capacity, would have
 12 assisted in that process.
 13 So one of the important things I think we
 14 did in the early days of, you know, moving in
 15 this direction was to work with the lines of
 16 business and Hydro, of course, included to
 17 identify what we call our core business
 18 processes in functional areas. And the reason
 19 we wanted to do some work on that was to
 20 ensure that there was good clarity in our
 21 organization around what our accountabilities
 22 were in functional areas versus the
 23 accountabilities of the lines of business and
 24 operations in areas that we share. Take the
 25 recruitment process or any of the other

Page 104

1 processes that we have. So we did a lot of
 2 work over a period of a year using a tool
 3 called -- well, we used an accountability tool
 4 to document those shared responsibilities
 5 around core business processes in our
 6 organization. I'm just using that as an
 7 example of the ways in which we would have
 8 assisted the organization, you know, in
 9 ensuring an effective utilization of that
 10 model building on past experience.
 11 MR. O'BRIEN:
 12 Q. Let me ask if we could turn to PUB-316,
 13 Attachment 5, or sorry, not Attachment 5,
 14 Attachment 3. Newfoundland and Labrador Hydro
 15 were asked to provide copies of some of the
 16 documents internally that were relied upon
 17 when you were discussing, I guess at the
 18 leadership level, the organizational structure
 19 that eventually got put in place in 2008-2009.
 20 Are you familiar with this particular
 21 document?
 22 MR. MCDONALD:
 23 A. Yes, I am.
 24 MR. O'BRIEN:
 25 Q. Have you seen that before?

Page 105

1 MR. MCDONALD:
 2 A. Yes.
 3 MR. O'BRIEN:
 4 Q. Okay. I wonder if we could turn to page 11?
 5 And these are organizational design --
 6 organization design guiding principles. Would
 7 you have been tasked early on to look at those
 8 design principles and sort of give your input
 9 as a leadership -- in a leadership role or as
 10 a guardian or steward for the matrix model
 11 itself to look at those design guiding
 12 principles?
 13 MR. MCDONALD:
 14 A. I don't think the two are directly related.
 15 MR. O'BRIEN:
 16 Q. Okay.
 17 MR. MCDONALD:
 18 A. I think our work around organizational
 19 structure, you know, has gone through
 20 different stages over the last ten years.
 21 Every time we've talked about these and we've
 22 talked about them as a team, they've evolved
 23 somewhat from time to time. These were a
 24 further evolution of a set of design
 25 principles that Ed Martin articulated to the

Page 106

1 organization when he first arrived in 2005.
 2 Somewhat of an expansion here, but he was --
 3 he would have been among those in that
 4 discussion, you know, in terms of a discussion
 5 of the principles that we'll all be guided by
 6 in how we organize ourselves.
 7 MR. O'BRIEN:
 8 Q. And would you have any obligation going
 9 forward once the organizational structure was
 10 put in place to make sure that those design
 11 principles were being followed?
 12 MR. MCDONALD:
 13 A. Again, on a shared leadership basis.
 14 MR. O'BRIEN:
 15 Q. Okay, and I just want to make sure. In terms
 16 of a couple of points there I just wanted to
 17 raise. A clear, single point of
 18 accountability, Mr. Martin has given some
 19 evidence on that. What is your position in
 20 terms of who that would be for Hydro? Is it
 21 Mr. Henderson?
 22 MR. MCDONALD:
 23 A. Yes, it is.
 24 MR. O'BRIEN:
 25 Q. And how does that concept -- how does your

Page 107

1 role fit within that single point of
 2 accountability? Do you report into Mr.
 3 Henderson yourself at any point?
 4 MR. MCDONALD:
 5 A. No, I don't report to Rob Henderson. There
 6 would be people in my organization obviously
 7 who support Newfoundland and Labrador Hydro.
 8 The vast majority of the people in HROE are
 9 inside Newfoundland and Labrador Hydro, and in
 10 some cases we have dedicated people for Hydro
 11 specifically. That reference there in item
 12 number five, clear single points of
 13 accountability, exists for the delivery of
 14 support services to the lines of business. So
 15 here we're talking about what I call the
 16 corporate services areas or function areas, of
 17 which mine is one. There are others that I
 18 mentioned this morning. So I have the clear,
 19 single point of accountability for the
 20 delivery of those services across Nalcor.
 21 MR. O'BRIEN:
 22 Q. So when it comes to -- so the services you had
 23 that we saw on your job description, those
 24 areas, you don't report into Mr. Henderson
 25 with respect to those particular areas, do

Page 108

1 you?
 2 MR. MCDONALD:
 3 A. No.
 4 MR. O'BRIEN:
 5 Q. And you're responsible for those areas as they
 6 pertain to Newfoundland and Labrador Hydro?
 7 MR. MCDONALD:
 8 A. I'm responsible on a functional basis. The
 9 person that's responsible for executing on all
 10 five of our goals inside any line of business
 11 and it would be Mr. Henderson -- in the case
 12 of Newfoundland and Labrador Hydro, it's Mr.
 13 Henderson.
 14 MR. O'BRIEN:
 15 Q. Okay. So you provide guidance and he -- and
 16 Mr. Henderson is responsible and accountable
 17 for whatever happens from that point forward
 18 with respect to those issues?
 19 MR. MCDONALD:
 20 A. Yes. We're responsible more from a policy,
 21 standards and strategy standpoint, in
 22 consultation with the lines of business,
 23 especially on the strategy side of things.
 24 But the people who execute are the people
 25 responsible for the lines of business.

Page 109

1 MR. O'BRIEN:
 2 Q. Okay. In terms of the leadership, and you've
 3 mentioned who would be responsible, I guess
 4 for balancing Hydro's interests with respect
 5 to the other lines of Nalcor's interests.
 6 It's a common leadership obligation as opposed
 7 to a guardian sort of steward obligation. Is
 8 that right?
 9 MR. MCDONALD:
 10 A. No, I think in the first instance, it's the
 11 line of business leader. In this case, it's
 12 Rob Henderson, as the VP of Hydro, who's the
 13 person who is responsible and accountable for
 14 making sure the business needs and
 15 requirements of that line of business are met.
 16 MR. O'BRIEN:
 17 Q. Let's go to the beginning of 316 here, just
 18 the first page. So we see the question is to
 19 produce some internal analyses, but the
 20 answer, if we start at line 12 to 15,
 21 indicates "however how Nalcor should be
 22 organized to best serve its interests as a
 23 growing and diversifying energy company has
 24 always been balanced against the need to
 25 ensure that the best structure is in place to

Page 110

1 serve the interests of its regulated business,
 2 Newfoundland and Labrador Hydro." Is that Mr.
 3 Henderson's obligation or is that a
 4 leadership, entire leadership obligation, or
 5 is it your obligation?
 6 MR. MCDONALD:
 7 A. Again, I think it's a shared leadership
 8 question. I mean, we are saying to ourselves
 9 collectively, but Rob Henderson will play a
 10 key role in that given his responsibility for
 11 that line of business for Newfoundland and
 12 Labrador Hydro, but it's a shared thing.
 13 We're saying to ourselves collectively that in
 14 everything that we do, whether it's
 15 organizationally related or otherwise, that
 16 we'll have the interest of our core business,
 17 Newfoundland and Labrador Hydro, in view and
 18 in mind.
 19 MR. O'BRIEN:
 20 Q. So if you run into an instance where there's a
 21 conflict, how does the leadership deal with
 22 that? There's a conflict between the
 23 interests of one of the lines of business in
 24 Nalcor and Hydro say, how would you deal with
 25 that as a leadership team?

Page 111

1 MR. MCDONALD:
 2 A. To be honest, I struggle with giving an answer
 3 to that without an example. I mean, nothing
 4 occurs to me right off the top of my head in
 5 terms of an example. I don't know if you can
 6 provide one.
 7 MR. O'BRIEN:
 8 Q. Sure. Why don't we talk -- can we bring up --
 9 this is the 2016 Capital Budget Application,
 10 Appendix B, and talk about the transmission
 11 line 267 project. Have a look at Appendix B.
 12 This is in Newfoundland and Labrador Hydro's
 13 2016-2020 Capital Plan, which was recently
 14 filed.
 15 MR. MCDONALD:
 16 A. Right.
 17 MR. O'BRIEN:
 18 Q. Are you aware of the project yourself?
 19 MR. MCDONALD:
 20 A. Of?
 21 MR. O'BRIEN:
 22 Q. You had any involvement with the project at
 23 all?
 24 MR. MCDONALD:
 25 A. This is the line from Bay D'Espoir to Western

Page 112

1 Avalon?
 2 MR. O'BRIEN:
 3 Q. That's right, yeah.
 4 MR. MCDONALD:
 5 A. Yes, I'm familiar with it.
 6 MR. O'BRIEN:
 7 Q. Okay. And in this particular case, project
 8 management, engineering and construction
 9 management services are to be provided by the
 10 Lower Churchill Management Corporation. Is
 11 that right?
 12 (12:00 p.m.)
 13 MR. MCDONALD:
 14 A. Yes.
 15 MR. O'BRIEN:
 16 Q. Okay. So this is one of the largest regulated
 17 projects the Board has seen. Is that right?
 18 MR. MCDONALD:
 19 A. That's my understanding, yes.
 20 MR. O'BRIEN:
 21 Q. Okay. Would Newfoundland and Labrador Hydro
 22 have the manpower to do that type of a job?
 23 MR. MCDONALD:
 24 A. I can only give you an opinion that they
 25 probably wouldn't, given the scale of that

Page 113

1 project. But, I wasn't involved in any of the
 2 discussions that went on between Hydro and
 3 Lower Churchill and PETS, for example, on
 4 that.
 5 MR. O'BRIEN:
 6 Q. Well, it's a Hydro asset. It would be within
 7 Hydro's expertise to do this particular job,
 8 wouldn't it?
 9 MR. MCDONALD:
 10 A. I think Hydro personnel have done similar work
 11 in the past. I guess it all comes down to the
 12 availability of adequate resources to be able
 13 to execute relative to other priorities in the
 14 organization and in particular, ongoing
 15 operations and maintenance inside Hydro.
 16 MR. O'BRIEN:
 17 Q. Do you know if there was any analysis done on
 18 that particular project to see if it would be
 19 least cost with respect to Hydro?
 20 MR. MCDONALD:
 21 A. I don't know one way or the other because I
 22 wasn't involved in those discussions.
 23 MR. O'BRIEN:
 24 Q. Not at a leadership level even in terms of
 25 that?

Page 114

1 MR. MCDONALD:
 2 A. No, I don't recall being involved in any of
 3 the discussions on that or the capital
 4 proposal.
 5 MR. O'BRIEN:
 6 Q. Do you know the project itself indicates that
 7 there -- or Mr. Martin, sorry, indicated there
 8 was a number of employees might have been
 9 either seconded or sent out to the Lower
 10 Churchill Corporation and that was expertise
 11 of Hydro, and "we're looking to get that back"
 12 is what he indicated. Do you have any
 13 knowledge about what happened in that
 14 instance?
 15 MR. MCDONALD:
 16 A. Is that in the context of this particular
 17 application?
 18 MR. O'BRIEN:
 19 Q. In this, yeah. Not in the context of the
 20 application, in the context of the people that
 21 are going to do it were Hydro people and now
 22 are going to come back and do that for Hydro.
 23 Do you know why?
 24 MR. MCDONALD:
 25 A. Not in the context of this particular

Page 115

1 application. That's why I asked that
 2 question. But I mean, we've been -- we know
 3 that different people have moved from Hydro
 4 over to the Lower Churchill Project, either
 5 through secondment or they've applied for
 6 positions over there. We consciously think
 7 about how we're going to bring those people
 8 back into the company once we take over the
 9 new assets. So it's all part of the work we
 10 do around succession planning and that kind of
 11 thing, but I'm stating that generally, not in
 12 the context of any particular application, and
 13 but this is thinking that we would have worked
 14 through years ago, you know, in terms of
 15 making sure we were -- as we were able to do
 16 it, provide opportunities for people to get
 17 exposed to the project, you know, and then
 18 come back and bring that back with them.
 19 MR. O'BRIEN:
 20 Q. In general terms, would you agree that it
 21 would have been appropriate for Hydro or it's
 22 appropriate for Hydro to consider whether or
 23 not to balance the interests of Hydro versus
 24 that other line of business before making that
 25 particular decision?

Page 116

1 MR. MCDONALD:
 2 A. I'm sorry, I missed the first part.
 3 MR. O'BRIEN:
 4 Q. In general terms, and we're talking about
 5 conflicts here now and a potential conflict,
 6 would it be appropriate for Hydro to look at
 7 that particular decision and decide whether or
 8 not it's in the best interest of Hydro?
 9 MR. MCDONALD:
 10 A. And the decision you're referring to is which
 11 decision?
 12 MR. O'BRIEN:
 13 Q. Is to have the Labrador -- sorry, have Lower
 14 Churchill Management Corporation perform the
 15 project management, engineering, construction
 16 management services for Hydro on Hydro's
 17 asset. It's a different company.
 18 MR. MCDONALD:
 19 A. Yes.
 20 MR. O'BRIEN:
 21 Q. It's something that Hydro could -- has the
 22 expertise to do. Is it something, as a
 23 leadership team, that the leadership team
 24 should consider whether or not Hydro's
 25 interests are being balanced?

Page 117

1 MR. MCDONALD:
 2 A. I think it would have been a consideration. I
 3 wasn't involved in those discussions, as I
 4 said to you.
 5 MR. O'BRIEN:
 6 Q. Okay.
 7 MR. MCDONALD:
 8 A. But I'm sure it would have been one of the
 9 considerations in the conversation.
 10 MR. O'BRIEN:
 11 Q. And you have no idea yourself as to the reason
 12 behind this because you're not involved in the
 13 discussion?
 14 MR. MCDONALD:
 15 A. That's right.
 16 MR. O'BRIEN:
 17 Q. Okay. And who am I best to bring that up
 18 with? Mr. MacIsaac, is it?
 19 MR. MCDONALD:
 20 A. Yes. Mr. MacIsaac or Mr. Henderson.
 21 MR. O'BRIEN:
 22 Q. Okay, or Mr. Henderson?
 23 MR. MCDONALD:
 24 A. Um-hm.
 25 MR. O'BRIEN:

Page 118

1 Q. Okay. Can we turn to -
 2 MS. GLYNN:
 3 Q. Mr. O'Brien, before you move on, the document
 4 that you just referred to, we need to enter
 5 that as Information No. 6.
 6 MR. O'BRIEN:
 7 Q. Oh sorry, yeah.
 8 MS. GLYNN:
 9 Q. It's been distributed electronically and the
 10 Commissioners have a copy, but we'll enter it
 11 as Information No. 6 and we'll distribute
 12 paper copies later.
 13 MR. O'BRIEN:
 14 Q. Thank you. Can we look at NP-NLH-058? And
 15 I'd just like to look at lines 6 to 12. Is it
 16 058? Yeah, okay, where are we? It's in the
 17 response. If you move down a little bit.
 18 Yeah, I think it's on the next page. Next
 19 page. No, it's not that page either. Page
 20 three, sorry, yeah. If you start at line six
 21 there, "the company's experience is that the
 22 impact of such transfers" -- and we're talking
 23 about the transfers of those individuals back
 24 in 2008, so that the impact "has been a
 25 beneficial one from a cost and productivity

Page 119

1 resource optimization standpoint. However,
 2 any potential for a negative impact on
 3 regulated activities is monitored by the
 4 appropriate Hydro supervisors and managers and
 5 addressed, if necessary, through a workload or
 6 job scope adjustment, process change, the
 7 hiring of additional resources or some other
 8 appropriate action." Are you aware of any
 9 negative impacts that arose since 2008 and
 10 those employees that were transferred that
 11 needed discussion or needed consideration?
 12 MR. MCDONALD:
 13 A. No, I'm not.
 14 MR. O'BRIEN:
 15 Q. Okay. And if they did arise, would you be an
 16 individual involved in dealing with that or is
 17 it just the supervisors and managers within
 18 Hydro who would deal with that?
 19 MR. MCDONALD:
 20 A. Well, if -- so hypothetical, if -- it would
 21 depend on what it was and whether once we
 22 talked about it we thought any one of these
 23 remedies might be the best one. So in other
 24 words, you know, it could turn into a
 25 discussion as to whether it's strictly a

Page 120

1 resourcing issue and whether we should be
 2 looking at the addition of another FTE, for
 3 example, versus other opportunities to improve
 4 our process here or to change work scope or
 5 whatever the case may be. As an example,
 6 every time requisitions come through our
 7 system, we have that fresh discussion with
 8 respect to whether that position is required
 9 or can be redeployed elsewhere if it's needed.
 10 So it would depend on the situation, on a
 11 situation case by case basis, if you will.
 12 MR. O'BRIEN:
 13 Q. And do you have any guidelines or anything to
 14 deal with those types of things, potential
 15 impacts?
 16 MR. MCDONALD:
 17 A. Not specifically, no.
 18 MR. O'BRIEN:
 19 Q. Have you looked at any other utilities that
 20 have similar matrix models to see whether or
 21 not they have any guidelines to deal with
 22 those types of things?
 23 MR. MCDONALD:
 24 A. No.
 25 MR. O'BRIEN:

Page 121

1 Q. The company has -- I guess, Hydro has
 2 indicated that any potential for a negative
 3 impact, do you have any list of what types of
 4 impacts we're looking for or you're looking
 5 for on a regular basis or is it just deal with
 6 it when it happens and you notice it?
 7 MR. MCDONALD:
 8 A. Well, we would be counting on the people who
 9 are responsible for day-to-day operations,
 10 that being supervisors and managers, to alert
 11 their next level up, if you will, and
 12 ultimately the VP for Hydro, if he needs to be
 13 involved, and any issues associated with their
 14 inability to deliver on work requirements for
 15 reasons associated with what we're talking
 16 about here.
 17 MR. O'BRIEN:
 18 Q. Okay.
 19 MR. MCDONALD:
 20 A. And those are the people who are in the best
 21 position to know.
 22 MR. O'BRIEN:
 23 Q. And would you get involved then at some point
 24 or is it just only if the VP of Hydro comes to
 25 you and he has an issue?

Page 122

1 MR. MCDONALD:
 2 A. No, it could happen in different ways. It
 3 could be that the VP would come and visit me,
 4 or Mike in his capacity now, but it could be a
 5 phone call. You know, it could be a meeting
 6 that happens while I'm in the field. It can
 7 happen different ways.
 8 MR. O'BRIEN:
 9 Q. Okay.
 10 MR. MCDONALD:
 11 A. You know, managers will sometimes contact
 12 myself or Mike directly to discuss something,
 13 you know. So it would happen in different
 14 ways.
 15 MR. O'BRIEN:
 16 Q. And would you expect though for the most part
 17 that Mr. Henderson would be the one to deal
 18 with these types of things?
 19 MR. MCDONALD:
 20 A. Yes.
 21 MR. O'BRIEN:
 22 Q. I want to talk a bit about the budget process,
 23 if we could. Is that part -- do you play any
 24 role in the budget process, the operating
 25 budget and the capital project? Sort of what

Page 123

1 level of involvement do you have?
 2 MR. MCDONALD:
 3 A. Well, we have a divisional budget that's part
 4 of the annual process of building a budget for
 5 Hydro. So it's part -
 6 MR. O'BRIEN:
 7 Q. That's for the HR budget, that division, is
 8 it?
 9 MR. MCDONALD:
 10 A. Yes. I think we build two budgets. I'll ask
 11 Mike to help me here, if necessary. One for
 12 Hydro and then one for the people in Nalcor.
 13 MR. O'BRIEN:
 14 Q. Okay.
 15 MR. MCDONALD:
 16 A. But obviously the bigger one is the one for
 17 Newfoundland and Labrador Hydro. So we're
 18 part of that annual budgeting process. We go
 19 through the same process as others in
 20 developing that and discussing it and
 21 presenting it.
 22 MR. O'BRIEN:
 23 Q. Okay, just take me through the process sort of
 24 how it happens on an annual basis, what's the
 25 first step in your involvement in, say, the

Page 124

1 operating budget for Hydro?
 2 MR. ROBERTS:
 3 A. Sure, I can speak to that. I went through
 4 that most recently.
 5 MR. O'BRIEN:
 6 Q. Yeah.
 7 MR. ROBERTS:
 8 A. When it comes to - again we're speaking
 9 specifically to the HROE Division of Hydro
 10 inside of Hydro, not holistically, but I'm
 11 sure -
 12 MR. O'BRIEN:
 13 Q. But I might ask you to speak to both, Mr.
 14 Roberts, to that extent, but, yeah -
 15 MR. ROBERTS:
 16 A. Well, I would imagine the protocol set by
 17 Finance would be similar for every division
 18 that supports Hydro. So we'd go through a
 19 process of identifying and starting with what
 20 the needs were for the previous year in terms
 21 of budget, operating budget, and then we would
 22 prepare what we believe we need to provide the
 23 level of support required for Hydro and put
 24 forward a request for that budget, and that
 25 goes through several iterations. It starts

Page 125

1 off with my direct reports, the managers
 2 working with their teams and then they sit
 3 with me. I'll review it and take it under
 4 consideration, see whether or not we need to
 5 do any refinement of that, and then ultimately
 6 the next step would be to sit with Mr.
 7 Henderson, and I would sit with Mr. Henderson
 8 and go through the requirements and basically
 9 request those. It ultimately would be his
 10 call as to whether or not that got approved.
 11 MR. O'BRIEN:
 12 Q. Okay, is that for your divisional budget, for
 13 HR's divisional budget?
 14 MR. ROBERTS:
 15 A. That's correct, or environment or safety.
 16 MR. O'BRIEN:
 17 Q. Or environment or safety. So in terms of the
 18 number of FTE's you would require on an annual
 19 basis and the salaries and that kind of thing
 20 that you're looking at for those particular
 21 individuals and the HR Division, that gets
 22 approved by Mr. Henderson, does it?
 23 MR. ROBERTS:
 24 A. Correct.
 25 MR. O'BRIEN:

Page 126

1 Q. And what costs are you responsible for in
 2 terms of the budget? You look at salaries,
 3 you look at - do you look at overtime? Do you
 4 put together that as part of your budget?
 5 MR. ROBERTS:
 6 A. We wouldn't be accountable for putting
 7 together overtime budgets other than we might
 8 provide some support to operations in terms of
 9 we have payroll inside of our division. So
 10 our folks who look after payroll and our Human
 11 Resource Information Systems where the data is
 12 housed, we might prepare reports for
 13 operations and for Mr. Henderson so that they
 14 can make decisions around that, but we
 15 wouldn't give any guidance or direction
 16 setting overtime targets.
 17 MR. O'BRIEN:
 18 Q. When you say "reports for overtime", what
 19 would those reports look like?
 20 MR. ROBERTS:
 21 A. So if they were going through a budgeting
 22 process and they said, you know, tell me what
 23 we spent in terms of overtime last year, that
 24 would be prepared potentially by our team or
 25 Finance. Usually that's managed, I would

Page 127

1 suspect, through the controller for Hydro.
 2 MR. O'BRIEN:
 3 Q. And that's just a number in terms of handing
 4 that number on to Mr. Henderson?
 5 MR. ROBERTS:
 6 A. Correct. That would be up to operations
 7 inside of each of the areas of Hydro that
 8 would determine what the overtime requirement
 9 forecast it would be because they're setting
 10 the work schedule.
 11 MR. O'BRIEN:
 12 Q. And you would set that overtime requirement in
 13 terms of HR Division component, would you, or
 14 you put that together if you needed overtime
 15 or forecasted overtime for the HR Division?
 16 MR. ROBERTS:
 17 A. That's correct. So if we have a few staff
 18 that would be eligible for overtime, then we
 19 would put forward a budget for the same
 20 reasons, in anticipation of any of those
 21 individuals whom we might expect based on the
 22 forecasted work plan for the upcoming year
 23 what might require overtime.
 24 MR. O'BRIEN:
 25 Q. Okay, and in terms of the actual rate case

Page 128

1 itself, do you sponsor the overtime portion of
 2 that or is that something sponsored by
 3 operations and Mr. Henderson?
 4 (12:15 p.m.)
 5 MR. ROBERTS:
 6 A. I'm sorry, I'm not quite sure what you mean by
 7 sponsoring.
 8 MR. O'BRIEN:
 9 Q. There is an overtime component built into the
 10 revenue requirement. Is that something that
 11 you would have put together for the rate case,
 12 or is that something that Mr. Henderson is
 13 sponsoring?
 14 MR. ROBERTS:
 15 A. I would assume Mr. Henderson. It's not me.
 16 MR. O'BRIEN:
 17 Q. It's only the portion that would deal with HR,
 18 is it, that you would have sponsored on an
 19 annual basis?
 20 MR. ROBERTS:
 21 A. That's correct. I would have put forward a
 22 small amount of overtime for HR staff
 23 associated with work being done for Hydro.
 24 MR. O'BRIEN:
 25 Q. Okay. I wonder if we could have a look at

Page 129

1 Undertaking 4. That's the budget guidelines
 2 for 2013. I just want to go through the
 3 process a little, and some of this, I guess,
 4 in terms of how the process gets started, are
 5 you given a copy of these guidelines, say, to
 6 get you going for operations and management
 7 budget in 2013, is that something you would
 8 have been given?
 9 MR. ROBERTS:
 10 A. Yes, a copy would have been sent to my direct
 11 managers who put together the budgets for each
 12 of their departments. I would have been
 13 copied on it, and I would have been generally
 14 aware of them as they prepare the budgets to
 15 come to me for review.
 16 MR. O'BRIEN:
 17 Q. And then you'd follow whatever instructions
 18 are there for that and you present your budget
 19 then to - or your request in terms of a budget
 20 to Mr. Henderson?
 21 MR. ROBERTS:
 22 A. That's correct.
 23 MR. O'BRIEN:
 24 Q. Okay. In terms of the starting position, it
 25 appears from this document that Finance would

Page 130

1 provide you with what was spent before, is
 2 that how that works, or what last years budget
 3 was?
 4 MR. ROBERTS:
 5 A. That's correct.
 6 MR. O'BRIEN:
 7 Q. Is it last years actuals you've given and you
 8 go off that?
 9 MR. ROBERTS:
 10 A. I think we would see last years budget and
 11 last years actuals.
 12 MR. O'BRIEN:
 13 Q. Okay, and then each business unit puts
 14 together their own budget for Hydro, and Mr.
 15 Henderson deals with that himself?
 16 MR. ROBERTS:
 17 A. That's correct, it would all roll up through
 18 Mr. Henderson.
 19 MR. O'BRIEN:
 20 Q. Now when you provide your budget, is it you
 21 who puts together the salaries for the
 22 temporary and permanent employees? Do you
 23 determine what each salary would be for HR?
 24 MR. ROBERTS:
 25 A. In terms of the way we would give instructions

Page 131

1 on salaries, it would be each employee that we
 2 have inside of our budget would be on a
 3 particular pay scale, and there would be
 4 budgetary instructions provided in terms of
 5 what, if any, escalation to that scale there
 6 would be for a given year upcoming, and those
 7 would come from Human Resources as well, and
 8 apart from that then, we would just forecast
 9 where we anticipate each of those individual
 10 salaries within our department would go, and
 11 every department would do something similar.
 12 MR. O'BRIEN:
 13 Q. And do you have any communications with every
 14 other department then to say here's what - do
 15 they come to you, each department, and say
 16 what salaries should we include in our budget,
 17 that sort of thing, do you have a coordination
 18 role there?
 19 MR. ROBERTS:
 20 A. So inside of the - there's two groups, I
 21 guess, that we give clear instructions to. One
 22 would be the unionized workforce. So that
 23 would be set out by the terms of the
 24 Collective Agreement, so that would be obvious
 25 and a fact. We would probably - and I'd have

Page 132

1 to confirm this, but I would suggest that is
 2 part of creating the budget template that
 3 they're working from. Finance would have
 4 already prepared what those salaries would be
 5 because those would be known, there's no
 6 discretion involved, I guess I'll say.
 7 MR. O'BRIEN:
 8 Q. Okay.
 9 MR. ROBERTS:
 10 A. In terms of the non-union component, Human
 11 Resources also prepares what we call a salary
 12 administration matrix, and basically a
 13 person's salary would escalate by the economic
 14 adjustment that's applied, and then any merit
 15 associated with their performance for that
 16 particular year. So the matrix that we put
 17 out would dictate what they would get in terms
 18 of if they fall into a particular performance
 19 category, they get "x" percent increase, and
 20 so again we would move people along on that
 21 basis.
 22 MR. O'BRIEN:
 23 Q. Okay, so you would provide that to each
 24 division what the matrix would be for each - I
 25 guess, it's the same matrix spread along for

Page 133

1 non-unionized, is it, is that how it works?
 2 MR. ROBERTS:
 3 A. Yes, everybody is applied the same matrix,
 4 yes, in a non-union.
 5 MR. O'BRIEN:
 6 Q. In a non-union, so it's one document, is it,
 7 that's provided to each?
 8 MR. ROBERTS:
 9 A. There would be one matrix salary,
 10 administration matrix, yes.
 11 MR. O'BRIEN:
 12 Q. And so from that point then, each division
 13 would take that matrix and apply it to their
 14 own employees and their own requirements in
 15 terms of FTEs and that kind of thing, and
 16 provide that to Mr. Henderson, is that how
 17 that works?
 18 MR. ROBERTS:
 19 A. Well, I think there's two separate components
 20 there. Again we assist through the
 21 compensation and benefits team in terms of
 22 gathering information on each employee, what
 23 their performance rating was, where their
 24 current salary is, and what that escalation
 25 should be, and we build that into it, so they

Page 134

1 already have it, that piece would be done.
 2 MR. O'BRIEN:
 3 Q. I see.
 4 MR. ROBERTS:
 5 A. In terms of determining the number or
 6 allocation of FTEs, that would be operations
 7 responsibility to determine how many they
 8 need.
 9 MR. O'BRIEN:
 10 Q. Okay, so that's outside of your purview, it's
 11 only for your own division that you would
 12 build in FTEs, would it?
 13 MR. ROBERTS:
 14 A. Correct.
 15 MR. O'BRIEN:
 16 Q. So you apply the matrix, you provide that
 17 compensation matrix, and you would take what
 18 information is given to you by those divisions
 19 and you'd fit that into that matrix as well,
 20 and give them the actual figures to put in
 21 their budget?
 22 MR. ROBERTS:
 23 A. Yes, because as part of our process, we
 24 steward the performance management process. So
 25 we're actually out there facilitating those

Page 135

1 sessions to help assist operations in terms of
 2 their final allocation of performance ratings
 3 for their employees, and then that comes back
 4 to our compensation department whereby they
 5 can then apply it and update the budget.
 6 MR. O'BRIEN:
 7 Q. So you take part in sort of performance
 8 reviews and that sort of thing?
 9 MR. ROBERTS:
 10 A. We facilitate the process.
 11 MR. O'BRIEN:
 12 Q. Okay, all right. If we could turn to
 13 Undertaking - in the second paragraph here of
 14 this particular document - where are we here?
 15 No, the 2014 one, we can bring that up.
 16 That's Undertaking 5, I believe, is it?
 17 MS. GRAY:
 18 Q. It's all in the same one.
 19 MR. O'BRIEN:
 20 Q. It's all in the same one, sorry, yes, 2014,
 21 the fifth page in. The second paragraph, this
 22 is 2014 instructions, the second paragraph,
 23 "Support for all costs should be available.
 24 However, all costs above 2.2 percent
 25 escalation over the August 2013 forecast will

Page 136

1 be specifically highlighted during the review
 2 process. Where possible, costs should be
 3 maintained with an overall increase of 2.2
 4 percent or less". Does that apply to all
 5 costs or - sorry, the O & M as a whole, or
 6 does it apply to, say, labour costs?
 7 MR. ROBERTS:
 8 A. I'd have to defer that one to Finance. They
 9 set the budgetary instructions on that.
 10 MR. O'BRIEN:
 11 Q. Okay, but in terms of what -
 12 MR. ROBERTS:
 13 A. My understanding would be, it would be for
 14 other costs outside of salaries, I would
 15 think.
 16 MR. O'BRIEN:
 17 Q. So when you get this particular document, say,
 18 in 2014, and you look at what your costs are
 19 going to be for your division, do you
 20 highlight any of those costs that are above
 21 2.2 percent escalation for salaries?
 22 MR. ROBERTS:
 23 A. I don't think so, and I say that because I
 24 think the salary component is already built in
 25 and predetermined and put forward, and I think

Page 137

1 what the instructions here are to identify is
 2 for other controllable costs inside of our
 3 operations and maintenance budget, where are
 4 we exceeding a 2.2 percent escalation, and
 5 they want us to highlight that. As an
 6 example, if we are increasing our consulting
 7 budget by more than 2.2 percent, but I don't
 8 think this applies, and to be confirmed by
 9 Finance, but I don't think this would apply to
 10 salaries because again that's already been
 11 done for people. So when I get my budget, the
 12 salary has been put in there, and it's locked
 13 down in terms of they've already taken the
 14 union staff, advanced them the way they do as
 15 per the Collective Agreement, and non-union
 16 staff advanced them as per the salary
 17 administration matrix, that's all been done
 18 and uploaded into the template. So there
 19 would be no requirement to identify that
 20 because we're just following policy.
 21 MR. O'BRIEN:
 22 Q. So the 2.2 percent, what's that referencing
 23 then? Is that just referencing all O & M
 24 costs apart from salary?
 25 MR. ROBERTS:

Page 138

1 A. I can't answer that with certainty, other than
 2 say we're looking at other controllable costs
 3 inside of the operations and maintenance
 4 budget where there's escalation at 2.2 percent
 5 or greater.
 6 MR. O'BRIEN:
 7 Q. Is there someone you can point to me who would
 8 be better to answer that question?
 9 MR. ROBERTS:
 10 A. I would defer to the Finance Panel.
 11 MR. O'BRIEN:
 12 Q. The Finance Panel. Would you agree with me
 13 that 2.2 percent, that's in there really to
 14 look at inflation with the attempt to keep
 15 costs at an inflationary level?
 16 MR. ROBERTS:
 17 A. I would defer that to the Finance Panel as to
 18 why they set that marker.
 19 MR. O'BRIEN:
 20 Q. Perhaps we can go to - the reason I ask that,
 21 if we went to the 2015 instructions - I guess,
 22 first of all, we didn't see that in the 2013
 23 instructions. Do you know why that is the
 24 case?
 25 MR. ROBERTS:

Page 139

1 A. Again Finance prepares the budget
 2 instructions, so I couldn't speak to that.
 3 MR. O'BRIEN:
 4 Q. Okay, so if we go back to the 2015
 5 instructions now, the second paragraph there -
 6 the same paragraph, only it's 2.5 percent
 7 escalation. Are you aware why it's 2.5 now
 8 instead of 2.2?
 9 MR. ROBERTS:
 10 A. I am not.
 11 MR. O'BRIEN:
 12 Q. So for this year you prepared a budget. Would
 13 you have already prepared your budget, started
 14 your figures right now?
 15 MR. ROBERTS:
 16 A. For 2016?
 17 MR. O'BRIEN:
 18 Q. Uh-hm.
 19 MR. ROBERTS:
 20 A. Yes, we would have.
 21 MR. O'BRIEN:
 22 Q. And based on the actuals or budget of 2014 -
 23 sorry, 2014?
 24 MR. ROBERTS:
 25 A. Sorry, are you asking are we building the

Page 140

1 budget off of 2014 actuals or 2014 forecast?
 2 I'm not sure of the question.
 3 MR. O'BRIEN:
 4 Q. Well, you would build it off - for 2015, you
 5 built it on 2014 forecast, so that's 2016. So
 6 if you already built the 2015 budget last year
 7 -
 8 MR. ROBERTS:
 9 A. That's right.
 10 MR. O'BRIEN:
 11 Q. Did you look at the 2.5 percent escalation and
 12 highlight it with salaries in mind?
 13 MR. ROBERTS:
 14 A. Again we would have followed the budgetary
 15 instructions the way they're described there.
 16 We wouldn't have been - the departments
 17 wouldn't have been looking at how to escalate
 18 salaries, that would have already been done.
 19 I know I'm repeating myself, so maybe I'm not
 20 understanding your question.
 21 MR. O'BRIEN:
 22 Q. That's okay, I'm repeating the question.
 23 MR. ROBERTS:
 24 A. Okay, good.
 25 MR. O'BRIEN:

Page 141

1 Q. I understand.
 2 MR. ROBERTS:
 3 A. I was worried there for a second, I wasn't
 4 getting it.
 5 MR. O'BRIEN:
 6 Q. If we could pull up Grant Thornton Report,
 7 June 12, 2015, page 68. Is that page 68 of
 8 the report? Which one have you got, the June
 9 12th report there, 2015?
 10 MS. GRAY:
 11 Q. June 1st.
 12 MR. O'BRIEN:
 13 Q. The June 12th, sorry. It might be attached to
 14 a letter.
 15 MS. GRAY:
 16 Q. Sorry.
 17 MR. O'BRIEN:
 18 Q. That's okay. I want to have a look at Tables
 19 46 and 47. We're looking here at average
 20 salary per net FTE for 2007 and 2012, and 2013
 21 on to the test year, so we see some actuals
 22 and some - we see the forecast for '14 and
 23 '15. If you look at the these reports and we
 24 look at the bottom line here where it shows
 25 percentage increase per year, so we've got

Page 142

1 actuals of 2008 at 2.52; 2009 percentage
 2 increase, 4.89; and then we go along all the
 3 way up to the forecast for 2015. In those
 4 budgets, if we can scroll down a bit - yes,
 5 the forecast for 2015. So in those budgets,
 6 the only instructions that I could see in
 7 terms of escalations and maintaining costs
 8 within escalations were those 2014 and 2015
 9 instructions, maintaining within 2.2 percent
 10 and 2.5 percent. I don't see any situation
 11 here where we've got salary costs maintained
 12 within those levels. Is it your position that
 13 the salary costs over this time frame have
 14 been efficiently managed by Hydro?
 15 (12:30 p.m.)
 16 MR. ROBERTS:
 17 A. Yes, it would be my position that they've been
 18 effectively managed, and I don't think, as
 19 I've stated before, that those budgetary
 20 instructions applied to salaries. The salary
 21 budget is facilitated by the Human Resources
 22 Department in terms of basically setting the
 23 economic adjustment being applied to salaries,
 24 as well as clear instructions on the merit and
 25 progression inside of the non-union staff.

Page 143

1 MR. O'BRIEN:
 2 Q. So in its evidence, Hydro indicates that it
 3 strives to keep O & M costs within
 4 inflationary levels, but are you indicating
 5 they don't strive to keep those labour costs
 6 and salary costs within inflationary levels?
 7 MR. ROBERTS:
 8 A. Well, what I would say to that is, you know,
 9 in terms of the compensation philosophy,
 10 there's a number of principles that we would
 11 steward to in terms of ensuring that we were
 12 able to in the first instance attract and
 13 retain the required talent we need inside of
 14 our organization, recognizing that there is a
 15 lot of highly specialized and talented
 16 individuals inside the company, and secondly,
 17 in order to do that, we would want to make
 18 sure that we are comparing ourselves and
 19 paying employees of Newfoundland and Labrador
 20 Hydro on a comparable basis to other like
 21 companies and others in our industry. So that
 22 would be how we would be setting the margins
 23 and guidelines in terms of salary progression.
 24 It's known that the labour market from this
 25 time period we're reflecting on, 2007, upwards

Page 144

1 of the 2015 test year, has seen salaries in
 2 this province go well beyond what would be
 3 described as inflation. The average weekly
 4 earnings in the province over that period of
 5 time, for example, has escalated alone by 35
 6 percent, and that's just on the average.
 7 MR. O'BRIEN:
 8 Q. Is that above inflation?
 9 MR. ROBERTS:
 10 A. I'm saying they have increased by 35 percent,
 11 the average weekly earnings, if you look at
 12 reports from the website.
 13 MR. O'BRIEN:
 14 Q. And we have an answer to an RFI that says
 15 salaries have increased since the last test
 16 year by 43 percent above inflation?
 17 MR. ROBERTS:
 18 A. That's right.
 19 MR. O'BRIEN:
 20 Q. Is that something that you're satisfied, Hydro
 21 is satisfied, is an indication that salary
 22 levels and compensation levels have been
 23 maintained efficiently?
 24 MR. ROBERTS:
 25 A. Well, again I come back to the principles. We

Page 145

1 need to be able to attract and retain people
 2 inside of Hydro to work for this line of
 3 business. Our primary comparators would be
 4 other utilities, in particular in Atlantic
 5 Canada. That's the benchmark we set, most
 6 notably, of course, being Newfoundland Power
 7 who are in our own backyard. If I look, for
 8 example, at the unionized workforce alone, by
 9 these progressional increases, the wage rate
 10 of a tradesperson, a line worker in
 11 Newfoundland Hydro in 2015 is \$38.17. The
 12 Newfoundland Power rate would be \$39.10. So
 13 we had to be able to compete with that. We
 14 set our goals at the Atlantic Canada utility
 15 average and the average in 2015 would be
 16 \$38.42, so it would be just slightly under
 17 that, but that's the benchmark that we're
 18 stewarding to. These are the folks that we
 19 need to compete with for the talent we need i
 20 order to deliver on our mandate.
 21 MR. O'BRIEN:
 22 Q. When you say you set your goals, Mr. Martin
 23 talked about a Human Resources Plan. He
 24 mentioned that a number of times. Is that a
 25 document that you have, a Human Resources

Page 146

1 Plan, or is this a philosophy, what is it?
 2 MR. ROBERTS:
 3 A. Each year we undertake, as the rest of the
 4 lines of business inside Human Resources and
 5 Organizational Effectiveness, a corporate
 6 planning process. So we too would be setting
 7 targets and objectives and initiatives in line
 8 with our five corporate goals, no different
 9 than the other lines of business. Flowing
 10 from that, we would create a specific
 11 divisional plan to focus on in support of that
 12 corporate plan.
 13 MR. O'BRIEN:
 14 Q. So that's not a plan with respect necessarily
 15 to retention and recruitment of individuals,
 16 that's just your corporate goal plan for your
 17 division, no different than any other
 18 division, is it?
 19 MR. ROBERTS:
 20 A. No, I wouldn't characterize it that way
 21 because underneath our human resource planning
 22 and goal, and a people goal, we all have an
 23 accountability and responsibility for ensuring
 24 that we have a recruitment and retention
 25 strategy, both from a monetary and non-

Page 147

1 monetary perspective to make sure we're able
 2 to attract and retain people inside the
 3 business.
 4 MR. O'BRIEN:
 5 Q. So within your division then, the recruitment
 6 and retention strategy, I've seen some of the
 7 evidence there. What strategy did you take in
 8 order to recruit and retain individuals since
 9 the last test year?
 10 MR. MCDONALD:
 11 A. I'm going to start. It goes back to my time
 12 and early days of my role with Newfoundland
 13 and Labrador Hydro is, I guess, at a very high
 14 level, one of the early things that we did do
 15 was adopt what we call a human resources
 16 strategy, the same as we did for our safety
 17 goal, we refer to it as our framework for
 18 safety excellence, but really what it is, it's
 19 a bit of a strategy that will guide us in
 20 terms of in that case safety and health, and
 21 in the case of people. So beyond that,
 22 though, from a recruitment and retention
 23 standpoint, it was clear to us that we had to
 24 be thoughtful about our strategy and plans
 25 around recruitment and retention. Mike has

Page 148

1 already highlighted how important that is to
 2 us in our business, in particular, where we
 3 employ highly educated workforce and many
 4 people who are working in highly specialized
 5 roles who learn a lot on the job as well after
 6 they come to us fully trained. We developed
 7 sort of a multifaceted around recruitment and
 8 retention, and as Mike has alluded to, there
 9 have been sort of monetary or compensation
 10 components to that, and there have been
 11 important non-monetary and non-compensation
 12 components to that. So we have focused on
 13 compensation. It's one of the key things,
 14 obviously, that we felt we had to do for the
 15 reasons that Mike has outlined, in order to
 16 ensure that we were in the right place and
 17 able to attract and keep people, and not just
 18 limited to the trades, by the way, and Mike
 19 gave you a good example of how that works, but
 20 in our non-union workforce as well. On the
 21 non-monetary side of things, for example, one
 22 of the things we've worked very hard on from
 23 the early days is employee engagement in our
 24 organization, you know, in terms of creating
 25 the kind of culture and workplace that will

Page 149

1 attract people, you know, will develop a
 2 reputation as an employer of choice, and
 3 inside of that there are different things that
 4 we do do and that the businesses do to create
 5 a working environment that will enable our
 6 ability to both attract people and keep them
 7 when they're here because they want to stay
 8 here, and whether that's around different
 9 things we do around - in the safety and health
 10 area, or related to wellness or related to
 11 diversity and inclusion, and there's a list of
 12 other things that we've strategically
 13 highlighted as part of our human resources
 14 strategy that we've gotten onto, but the
 15 driver and thought process behind it has been
 16 around making us a preferred place to work.
 17 Compensation has been an important part of
 18 that, so - I was going to ask you what plan
 19 Mr. Martin was referring to, but I think it
 20 might be that plan.
 21 MR. O'BRIEN:
 22 Q. Okay.
 23 MR. MCDONALD:
 24 A. And that's what he was alluding to, so
 25 compensation has been an important component

Page 150

1 of it, but so have other matters that we've
 2 tried to focus on.
 3 MR. O'BRIEN:
 4 Q. So that's a strategy that was involved early
 5 on when you came to the company that you
 6 developed over time, is it?
 7 MR. MCDONALD:
 8 A. It's evolved since then, but, I mean, it's
 9 still our central approach to recruitment and
 10 retention.
 11 MR. O'BRIEN:
 12 Q. Okay, in terms of we talked about the salaries
 13 going up 43 percent over a certain time, how
 14 much of that are you responsible for in terms
 15 of sponsoring these costs here that are on the
 16 record? Is it just the actual figures or the
 17 salaries, or does that cross over into the
 18 total amount of the salary, like, the FTEs,
 19 number of people that are required, that kind
 20 of thing, or are you just responsible for the
 21 number that each individual is paid? I'm
 22 trying to get an idea as to -
 23 MR. MCDONALD:
 24 A. Yeah, we wouldn't - to the extent that those
 25 numbers are driven, or any numbers you look at

Page 151

1 are driven by the requirement for new FTEs,
 2 that wouldn't be our accountability.
 3 MR. O'BRIEN:
 4 Q. Okay.
 5 MR. MCDONALD:
 6 A. I mean, it would be up to operations to
 7 determine their requirements to meet their
 8 needs. Obviously, where we do have a lot of
 9 input is around salary levels, wage levels,
 10 processes around progression on scale, to what
 11 we call the job rate. We would have input
 12 around the processes we use around performance
 13 management and the extent to which we tie
 14 performance to compensation, so there is an
 15 element of merit for certain people who are
 16 rated highly from a performance perspective in
 17 our organization, so those aspects of the
 18 compensation number are things that probably
 19 we're directly involved with, but not the FTE
 20 side of things.
 21 MR. O'BRIEN:
 22 Q. Okay, so in terms of the overall figures here,
 23 there's a joint sponsorship here with
 24 operations and human resources, I guess, in
 25 getting to the overall figures? Operations is

Page 152

1 responsible for the number of individuals that
 2 we see in a forecast of increase in FTEs,
 3 whereas you're responsible for what they're
 4 getting paid?
 5 MR. MCDONALD:
 6 A. Yes.
 7 MR. O'BRIEN:
 8 Q. And when you come to your human resources
 9 strategy and what these individuals are
 10 getting paid, and we talk about non-unionized
 11 individuals, I note from the record that Hydro
 12 had back in 2011 or late 2010 engaged external
 13 consultant to have a look at that, is that
 14 correct?
 15 MR. MCDONALD:
 16 A. That's correct.
 17 MR. O'BRIEN:
 18 Q. Were you involved in that process of engaging
 19 a consultant?
 20 MR. MCDONALD:
 21 A. Yes, I was.
 22 MR. O'BRIEN:
 23 Q. And in discussing what - and this was a Nalcor
 24 engagement, was it not?
 25 MR. ROBERTS:

Page 153

1 A. Well, it would have been on the instructions
 2 that we were looking at multiple lines of
 3 business inside Nalcor and giving them
 4 descriptors as to what we're looking for, but
 5 apart from the oil and gas business, the bulk
 6 of the rest of Nalcor is predicated on the
 7 utility business, so we asked them to focus
 8 mainly on utility.
 9 MR. O'BRIEN:
 10 Q. And did you ask them to focus on anything
 11 other than sort of non-union and utility
 12 based, or was there any concern about the
 13 other lines of business that those individuals
 14 might require more retention or more
 15 attracting - higher salaries to attract into
 16 the other lines of business, oil and gas, that
 17 kind of thing?
 18 MR. ROBERTS:
 19 A. Yes, we would have asked them to look at oil
 20 and gas separately.
 21 MR. O'BRIEN:
 22 Q. You did that separately, is it?
 23 MR. ROBERTS:
 24 A. Correct.
 25 MR. O'BRIEN:

Page 154

1 Q. And there was a report that was produced, is
 2 that right, from Mercer's? Is that the name
 3 of the consultant?
 4 MR. ROBERTS:
 5 A. That's correct.
 6 MR. O'BRIEN:
 7 Q. And we don't have a copy of that report on the
 8 record. Are you prepared now to put a copy of
 9 that on the record?
 10 MR. ROBERTS:
 11 A. It wasn't our unwillingness to provide a copy.
 12 It was the contractual obligations we had with
 13 the consultant and that they requested we not
 14 provide anything more than we've been able to
 15 provide.
 16 MR. O'BRIEN:
 17 Q. If we look at CA-NLH-266, Attachment 1, this
 18 appears to be some excerpts from that
 19 particular report. Is that the only report
 20 that you received from Mercer on non-union
 21 compensation?
 22 MR. ROBERTS:
 23 A. Yes, that's correct.
 24 MR. O'BRIEN:
 25 Q. And I'm going to ask that you produce the full

Page 155

1 report for the record. I'll ask for an
 2 undertaking for it.
 3 MR. CASS:
 4 Q. Mr. Chair, the difficulty is that, as the
 5 witness has indicated, Mercer has expressed a
 6 concern about any more information than has
 7 been provided being produced in this case.
 8 It's very difficult for Hydro to have this
 9 work done by consultants when those are the
 10 expectations of the consultants and they won't
 11 be observed and they are not observed. That's
 12 the problem that Hydro is confronted with
 13 here, that the consultant that did the work
 14 has an expectation and if it's not observed,
 15 it's hard for Hydro to get this work done by
 16 consultants like Mercer.
 17 MR. O'BRIEN:
 18 Q. I can only ask for the undertaking. If it's
 19 not going to be given, Newfoundland Power is
 20 not interested in necessarily the amount paid
 21 to each individual, we're interested in a
 22 transparent process, and I don't think we can
 23 see that with four pages of this report. I'm
 24 concerned about whether or not there is any
 25 way we can get behind what's relied on by

Page 156

1 Newfoundland and Labrador Hydro in order to
 2 increase these salaries over time. Is there
 3 any other way?
 4 CHAIRMAN:
 5 Q. I think we better take that under advisement,
 6 or - no, go ahead.
 7 MS. GLYNN:
 8 Q. Yes, Mr. Chair, that is something that we can
 9 take under consideration. If Hydro is not
 10 prepared to give the undertaking at this time,
 11 that's something that the Board can discuss.
 12 MS. WHALEN:
 13 Q. Could you also indicate whether or not this
 14 kind of information has been provided in past
 15 GRAs? I seem to remember we have had this
 16 information before. Certainly, we get it from
 17 Newfoundland Power.
 18 MR. CASS:
 19 Q. We'll look into that. Thank you.
 20 MR. O'BRIEN:
 21 Q. So this particular report, would you have
 22 relied on that report in establishing union
 23 compensation going forward?
 24 MR. ROBERTS:
 25 A. Well, yes. What we would have done is

Page 157

1 utilized this report as additional background
 2 information in terms of ensuring that we were
 3 again being competitive inside the markets in
 4 which we aspire to be competitive in, which
 5 again, as I said, is the Atlantic Canada
 6 utility marketplace. That was the intent of
 7 the report was to validate whether we were
 8 competitive or not.

9 MR. O'BRIEN:
 10 Q. And did you have any other documentation that
 11 you would have gotten, any other reports that
 12 you would have relied on in coming to your
 13 present situation as to how you compensate
 14 non-union individuals?

15 MR. ROBERTS:
 16 A. Yes, so every year, like many companies, we
 17 would participate in salary surveys from other
 18 areas, so the list I have in front of me which
 19 we've counted on in the past are the Hay
 20 Group, Conference Board of Canada, Towers
 21 Watson, Aon Hewitt, these would all be other
 22 additional sources that we would go out each
 23 year and participate potentially in some of
 24 those surveys or collect reports from them as
 25 to what their reporting as either actuals in

Page 158

1 the previous year or forecast in the upcoming
 2 years in terms of what salary escalation looks
 3 like, typically by province.

4 MR. O'BRIEN:
 5 Q. And were there any of those reports you relied
 6 on in terms of preparing the rate case for
 7 2014/2015 forecast?

8 MR. ROBERTS:
 9 A. As to whether they were specifically relied
 10 on, I'd have to think about, but what they are
 11 used for is again additional validation of the
 12 recommendations that we're putting forward to
 13 the CEO, and then ultimately the Board, as to
 14 what salary escalation we should see each
 15 year. So that's how we go about monitoring
 16 escalation side of the non-union type roles,
 17 and then we would monitor what's happening
 18 with other utilities and their collective
 19 agreements for our trades, our unionized
 20 workforce.

21 MR. O'BRIEN:
 22 Q. I'd ask for an undertaking to check if there's
 23 any particular documents relied upon for the
 24 2013/2015 forecast in relation to non-union
 25 compensation that's built into those revenue

Page 159

1 requirements.

2 MR. CASS:
 3 Q. We can certainly check into what other
 4 documentation we have relied upon, Mr. Chair.

5 MS. GLYNN:
 6 Q. And I'll note that on the record as an
 7 undertaking.

8 MR. O'BRIEN:
 9 Q. Thank you, and while we have this one that's
 10 up here now, I wonder if we could turn to page
 11 5, the last page of the document, I believe.
 12 That's entitled - I guess, there's a bullet at
 13 the top, "Summary of Findings and
 14 Recommendations; Head Office, Bull Arm,
 15 Churchill, Hydro, and Lower Churchill
 16 Divisions". The middle bullet on the right
 17 hand side, note that, "While this structure is
 18 generally competitive with the market, there
 19 are a number of positions that will not be
 20 paid competitively. Nalcor may wish to assess
 21 whether all of these positions are evaluated
 22 appropriately or need to - need to administer
 23 it appropriately or need to be administered in
 24 a different level". Is that something that
 25 Nalcor does on a regular basis?

Page 160

1 MR. ROBERTS:
 2 A. Yes, I guess another way to look at it is
 3 that, you know, the consultants provide input
 4 into our thinking, but we wouldn't just do
 5 whatever came forward, we would take it into
 6 consideration, obviously. In this particular
 7 case, what they're alluding to and it's
 8 further reflected in the next bullet there
 9 with grades Hay 14 and below, reflect rates
 10 adjusted to Atlantic Canada. Typically, of
 11 course, the rates in Atlantic Canada,
 12 rightfully or wrongfully, tend to be a little
 13 lower than the national average or at least
 14 they had been in the past and their suggestion
 15 to us was that above Hay 14, about Hay 15
 16 through 18 at our senior levels, we should
 17 actually rely on higher market data, national
 18 data, but we subsequently went back and asked
 19 them to revise that such that they actually
 20 gave us all the data as Atlantic Canada data
 21 to keep the rates at 15 and above, based on
 22 Atlantic Canada utility benchmark as well.

23 MR. O'BRIEN:
 24 Q. So did you rely on the recommendations of
 25 Mercer's, in terms of setting your benchmarks?

Page 161

1 MR. ROBERTS:
 2 A. So when you say "benchmarks", you mean
 3 Atlantic Canada utility average?
 4 MR. O'BRIEN:
 5 Q. Well, I guess that and in terms of whatever
 6 they recommended to you for, it's difficult to
 7 tell from not having the full report, but in
 8 terms of whatever recommendations were given,
 9 do you reply on those recommendations?
 10 MR. ROBERTS:
 11 A. Well, so what I'm suggesting is that, you
 12 know, what they proposed here was taking our
 13 current job rates, which is identified as the
 14 current grade maximums on that chart and they
 15 propose a salary structure a little different
 16 than what we have today in terms of
 17 identifying the mid point or what we would
 18 call a job rate, so someone who is fully
 19 functioning in a role, that would be
 20 considered by some groups as the job rate or,
 21 you know, a hundred percent of that pay scale.
 22 Some other companies have adopted a philosophy
 23 of broad banding that to allow for, on the
 24 lower end, development up to that job rate or
 25 as it's described here, mid point, and then

Page 162

1 furthermore being able to allow people for
 2 different reasons to progress beyond that mid
 3 point or job rate into a range of higher,
 4 upwards of 10 or 20 percent additional, and so
 5 this is one of the things when we looked at
 6 that said, well interesting, and we all
 7 recognize others do it, we weren't prepared to
 8 go there, so we stayed with the mid points
 9 that had been identified or job rates, if you
 10 will, and we said we'll steward to those. We
 11 then asked for the Hay 15 and 18 to be cast in
 12 terms of not national data, but scaled back to
 13 Atlantic Canada data and so we kept that as
 14 the job rates and then when we look at that
 15 data, it told us that from Hay level 11
 16 through 18, which I believe was identified in
 17 one of the RFIs, that we were legging the
 18 market in terms of Atlantic Canada utilities
 19 and what they're paying for their non-union
 20 staff at those jobs. And so, that's why
 21 again, we adjusted our job rates to better
 22 reflect what was competitive. They also went
 23 on to recommend that we do that immediately,
 24 in terms of getting people to their job rates,
 25 but instead we proposed a bit more of a

Page 163

1 conservative approach in terms of allowing
 2 people to, once the job rate was adjusted, to
 3 progress there naturally through our salary
 4 administration process, which took people on
 5 average probably two years to get there, as
 6 opposed to immediately. So I'm just trying to
 7 explain that when we get data like this,
 8 that's how we interpret it, internalize it,
 9 apply our own thinking to it before we
 10 implement.
 11 MR. O'BRIEN:
 12 Q. Do you have any instances in which you would
 13 have gone beyond and exceeded what the
 14 recommendations were by Mercer's?
 15 MR. ROBERTS:
 16 A. No, I can't think of one instance where we
 17 necessarily did, other than I'll say that at
 18 the lower levels when you look at Hay grades 1
 19 through 10, you'll see that again what their
 20 proposed mid points verses where our job rates
 21 were to, in some cases they were lower than
 22 and we didn't roll back. We chose not to roll
 23 back job rates in those categories. Now, as
 24 it turns out a very small percentage of people
 25 occupied some of those positions, so that

Page 164

1 would be a case where--but again, they're
 2 recommending the maximum side over here, so
 3 there's not as many cases where that's the
 4 case. In fact, I don't think we have anybody
 5 at Hay grades 1 through 4 today, for example.
 6 But more so it's been the other way around
 7 that we've been much more conservative, we
 8 have stayed with the mid-point numbers, we've
 9 only gone to Atlantic Canada for all and in
 10 addition, they recommend short-term incentive
 11 targets to go back to the level of Hay 13,
 12 whereas we don't dip down that far in the
 13 organization in terms of providing incentive
 14 or at risk pay. So in all other cases we've
 15 been more conservative than what they
 16 recommend.
 17 MR. McDONALD:
 18 A. I think we're a little more conservative on
 19 the target STI recommendations there as well,
 20 so you see there a recommendation of 20
 21 percent for grades 8, 16 through 18 and a
 22 recommendation of 15 percent for grades 14
 23 through 15 and we didn't adopt those
 24 recommendations, we have implemented something
 25 lower than that.

Page 165

1 MR. O'BRIEN:
 2 Q. What have you implemented for those?
 3 MR. ROBERTS:
 4 A. So managers 15 and 16, we're at 10 percent and
 5 at manages 17 through 18, as represented
 6 there, is 15 percent and then, well that would
 7 be it for that group. The other thing I
 8 should point out is that in their
 9 recommendation, although it may not be on this
 10 particular slide, it's common in terms of
 11 short-term incentives that people would be
 12 able to earn beyond the posted target amount.
 13 So, for example, if the target was 10 percent,
 14 it's not uncommon and actually it's quite
 15 prevalent that people would be able to earn up
 16 to 1.5 times that. So in the example of 10
 17 percent, up to 15 percent for performance that
 18 exceeds target that sometimes people would
 19 describe as opportunity. Again, we haven't
 20 adopted that. We capped the payouts at the
 21 stated amounts.
 22 O'BRIEN, Q.C.:
 23 Q. We've seen in the forecast revenue
 24 requirement, increases in salaries and we
 25 understand from Mr. Martin's testimony that

Page 166

1 there are increases in FTEs as well associated
 2 with that and we've seen over time increase in
 3 salaries above and beyond inflation to a
 4 significant amount. I'm wondering what you
 5 can tell us in terms of what Hydro's programs
 6 are for productivity in terms of keeping the
 7 labour cost down, what kind of productivity
 8 measures do you have so that you can do more
 9 with the people you got, rather than hiring
 10 more at higher cost?
 11 MR. MCDONALD:
 12 A. So I can't think of a measure that we use on
 13 productivity, but what I would emphasize, I
 14 suppose, alternatively is that we've seized I
 15 think the opportunities that are available to
 16 us to be as productive as we can be with the
 17 available resources, so I guess one example of
 18 that would be the thinking that we put into
 19 the adoption of a shared services model for
 20 Newfoundland and Labrador Hydro and Nalcor as
 21 a very good example of that and we've built on
 22 that and done some other things, but as I
 23 mentioned earlier and as I'm sure Mr. Martin
 24 talked about it, we saw that as a way of
 25 making a far more effective utilization of

Page 167

1 available people in the organization to
 2 everybody's benefit and to Hydro's benefit as
 3 well. And then I described a little earlier
 4 the process we went through to focussing on
 5 our core business processes inside the company
 6 to look for opportunities to make sure people
 7 were clear as to the responsibilities between
 8 operations in the functional areas but we use
 9 it as an opportunity to identify opportunities
 10 for improvement in our processes as well, so
 11 these were looked at. You know, the work that
 12 we did in the area of asset management and our
 13 review of our organizational structure and
 14 execution model inside engineering services,
 15 which later become project execution and
 16 technical services, are very good examples, I
 17 think, of where we seized the opportunity to
 18 make ourselves better and there's no question,
 19 I think you heard Mr. Martin speak to the
 20 outcome from a project execution standpoint in
 21 terms of cost schedule and quality. There's
 22 no question about that in terms of the
 23 improvement we've seen in that area over the
 24 past number of years, and I think we've seen
 25 improvements in the area of asset management

Page 168

1 as well. So, you know, we don't use a
 2 productivity measure per se, we're more
 3 focussed on finding the opportunities and
 4 binding the opportunities for making ourselves
 5 more effective and efficient as an
 6 organization, that's the best answer I can
 7 give you.
 8 MR. O'BRIEN:
 9 Q. Well let me take you back to the beginning, I
 10 guess, the first part of the answer you talk
 11 about the share services model, aren't we
 12 talking about allocation here and not
 13 productivity, how you allocate those costs?
 14 MR. MCDONALD:
 15 A. No, I think you're talking about--you are
 16 talking about allocation because you have to
 17 have a methodology in place for making sure
 18 you're able to allocate those costs fairly and
 19 accurately and so on and so forth. But the
 20 bottom line is it is a method for making the
 21 optimum use of your available people in the
 22 organization, and there's no question they
 23 always had a driver and a consideration at the
 24 time for how we adopted that approach. As I
 25 said earlier, as a build, an evolution of a

Page 169

1 model that was already in place as it related
 2 to Hydro and CF(L)Co.
 3 MR. O'BRIEN:
 4 Q. And in terms of the latter part of your answer
 5 about a good examples to better ourselves and
 6 that sort of thing, we still have operating
 7 costs that are well above inflation as well,
 8 is that something you keep an eye on as well?
 9 Is that something you were involved with, with
 10 considering or is that Mr. Henderson's role?
 11 MR. MCDONALD:
 12 A. Again, I think it's his role as well as ours.
 13 I mean, my understanding of one of the key
 14 contributors to, you know, escalation,
 15 operating costs above inflation would be what
 16 we finished talking about a minute ago, which
 17 would be salaries and wages, and there have
 18 been, in my view, good reasons why we've done
 19 what we've done over the last ten years.
 20 There's no question that, you know, the
 21 adjustments we have made, both with our union
 22 people, in terms of economic adjustments and
 23 market adjustments, had been justified based
 24 on, you know, our central concern with making
 25 sure that we're paying fairly as an employer

Page 170

1 and so there's an issue of equity, but
 2 obviously from a business perspective making
 3 sure that we are in a position to attract and
 4 retain the people we need to run the
 5 operation. And everything that we've done in
 6 the past few years around salaries and wages
 7 and those costs which have been a major
 8 escalation has been on that basis and, you
 9 know, I think we've both answered your
 10 question earlier in terms of whether we feel
 11 that's justified, the answer is yes, for sure.
 12 MR. O'BRIEN:
 13 Q. I did want to cover off a few points just to
 14 make sure, so in terms of fulltime
 15 equivalence, I think we looked at that and I
 16 would be better to pose my questions on the
 17 increases from an operating side to Mr.
 18 Henderson, is that right?
 19 MR. MCDONALD:
 20 A. Yes.
 21 MR. O'BRIEN:
 22 Q. Because there's a number there and do you have
 23 any concern about any increases from your
 24 division from fulltime equivalence basis?
 25 What's the--I mean, in the forecast year, are

Page 171

1 you forecasting any increases in your
 2 division?
 3 MR. ROBERTS:
 4 A. This is for 2015, I'm going by memory, but
 5 there may have been one and I think that was a
 6 recruitment position.
 7 MR. O'BRIEN:
 8 Q. All right.
 9 MR. ROBERTS:
 10 A. And that was associated with the volume of
 11 turnover we've been seeing inside the
 12 organization just necessitated the need to be
 13 able to have someone else there to do the
 14 recruitment.
 15 MR. O'BRIEN:
 16 Q. Okay, and in terms of the operation side, it
 17 wouldn't be part of your role to sit down and
 18 speak with Mr. Henderson about what his needs
 19 are from a fulltime equivalency basis, that's
 20 his job?
 21 MR. MCDONALD:
 22 A. Yes.
 23 MR. O'BRIEN:
 24 Q. Okay. How about vacancy rate, is that
 25 something that you deal with on a regular

Page 172

1 basis with your recruitment and retention
 2 involvement? Is that something you can speak
 3 to?
 4 MR. MCDONALD:
 5 A. To some extent, perhaps. I mean, the vacancy
 6 rate is a function of recruitment and
 7 recruitment activity.
 8 MR. O'BRIEN:
 9 Q. Okay. I wonder if we could bring up IC-NLH-
 10 005 (Revision 1) and if we scroll down here
 11 just a little bit, I understand from the
 12 evidence that the revenue requirement includes
 13 a 40 FTE vacancy rate, is that right?
 14 MR. MCDONALD:
 15 A. Assumption, yes, that's correct.
 16 MR. O'BRIEN:
 17 Q. Okay, and what would you include in vacancies,
 18 just retirements, terminations, leaves of
 19 absence, is that all we're talking about?
 20 MR. MCDONALD:
 21 A. Yeah, vacancies will be created by all of
 22 those things, retirements, voluntary turnover,
 23 resignations, leaves of absence are the three
 24 main ones I can think of.
 25 MR. O'BRIEN:

Page 173

1 Q. Okay, and if we look at this RFI, it appears
 2 that based on your calculations, we're looking
 3 at really a \$83,000 per vacant FTE, so if your
 4 forecasts are off, say there's a 50 FTE
 5 vacancy in 2015, that's \$830,000 because
 6 you've only built in 40, is that right.
 7 MR. MCDONALD:
 8 A. Yeah.
 9 MR. O'BRIEN:
 10 Q. And how do you come to that 40 figure?
 11 (1:00 p.m.)
 12 MR. MCDONALD:
 13 A. It's essentially based on our experience. I
 14 think this may have been on file with the
 15 Board where we indicated that vacancy rate
 16 over a period of time, but I think one of the
 17 main indicators for us when we talk about this
 18 in a budgeting context is where have it come
 19 from, what's been our experience, what's been
 20 our recent experience, what are our
 21 expectations in terms of the addition and
 22 infusion of new FTEs into the system. What
 23 are our expectations around, you know, leaves
 24 of absence, you know, voluntary turnover,
 25 which fortunately remains pretty stable and

Page 174

1 relatively low, so it's a reflection on the
 2 past in terms of our recent experience and our
 3 expectations for the future in terms of
 4 additional and new requirements and I guess a
 5 third consideration would be, you know, our
 6 capacity to fill those roles in a reasonable
 7 timeframe.
 8 MR. O'BRIEN:
 9 Q. I wonder if we could look at NP-NLH-310. I
 10 think this might build on what you've just
 11 indicated, Mr. McDonald. So here you were
 12 asked, Hydro was asked to complete a table
 13 showing vacancies and I guess FTE budgets and
 14 then sort of a vacancy rate calculated on the
 15 basis of that. If we could go down, scroll
 16 down there, you can see the table, so we see
 17 2007 and 2014, we see the vacancies, those are
 18 your actuals on the first line, is that right.
 19 MR. MCDONALD:
 20 A. Yes.
 21 MR. O'BRIEN:
 22 Q. Okay, so we see actuals of, for 2012, 2013 and
 23 2014, actuals is above 50.
 24 MR. MCDONALD:
 25 A. Uh-hm.

Page 175

1 MR. O'BRIEN:
 2 Q. And I'm wondering why it is you've gotten to a
 3 40 figure, you've gone back to your 2011
 4 figure, why is that?
 5 MR. MCDONALD:
 6 A. We feel, well we've said 40 again in our--
 7 looking forward because we feel we can get
 8 there. Let me just break that down into a
 9 couple of pieces, perhaps, in terms of looking
 10 at what's transpired over the last three to
 11 four years. You see a marked difference there
 12 in 2011, so you know, for a number of years
 13 leading up to 2011 the vacancy rate was, in
 14 terms of FTEs, was what it was, moved up to 40
 15 and it's 52 in 2012. A couple of things going
 16 on there, but one in particular was a
 17 reorganization inside project execution
 18 technical services and the approval of a
 19 budget for a number of new resources.
 20 MR. O'BRIEN:
 21 Q. And that was the jump from 2011 to 2012, was
 22 it?
 23 MR. MCDONALD:
 24 A. Really the jump from 2010 to 2011.
 25 MR. O'BRIEN:

Page 176

1 Q. Okay, all right, sorry.
 2 MR. MCDONALD:
 3 A. So there was a significant additional budget
 4 approved for project execution in terms of
 5 additional resources inside project execution.
 6 So it took some time, I guess the assumption
 7 that's made is that they will be filled right
 8 away, but reality is not the case, I mean it
 9 takes awhile to fill those up. 2012--and we
 10 had some additional vacancies as well in
 11 finance, but that got itself ironed out going
 12 into 2013, so we got back to the place we
 13 needed to be in finance. In 2013, there's 51-
 14 -just give me a moment here.
 15 MR. O'BRIEN:
 16 Q. Sure.
 17 MR. MCDONALD:
 18 A. I'm just going from memory here now in terms
 19 of--2014 and this would have been a factor in
 20 2013 as well, but what we examined in
 21 particular was 2014 and why I was at 52, there
 22 are a couple of things that happened here as
 23 well that if you took these into account and
 24 normalized, if you will, for comparison
 25 purposes, in 2014 there were about almost nine

Page 177

1 and a half of practice positions that showed
 2 up on our budget that were later not funded,
 3 so in other words, above and beyond our
 4 regular complement of apprentices for
 5 Newfoundland and Labrador Hydro which I
 6 believe is 28. We had obtained government
 7 funding for a period of two or three years to
 8 hire an additional nine or ten apprentices,
 9 which we did do. That funding was not
 10 continued in 2014, but we had budgeted for
 11 those positions, so they were just deferred
 12 and not filled, so nine and a half of those.
 13 And in project execution technical services,
 14 there were six positions there that were
 15 budgeted, they were actually filled by
 16 contractors which we wouldn't have seen on our
 17 payroll system, it's just a different thing.
 18 So, between the two, that was a difference of
 19 around, if my math is right, between 15 and 16
 20 FTEs. So, when you normalize on that basis,
 21 it brings you back to underneath 40 and that's
 22 a further indication that we feel can be 40.
 23 And then 2015 we're forecasting at 40 which is
 24 what we feel we can get to. What we do know
 25 is coming, our additional new FTEs into Hydro.

Page 178

1 So, we're going to try to manage that as
 2 effectively as we can and try and stay within
 3 that vacancy factor.
 4 MR. O'BRIEN:
 5 Q. Mr. McDonald, you see the increase in budget
 6 FTEs and actual FTEs going from 2007 to 2015
 7 and all the way along. Wouldn't you think
 8 that if the actual FTEs and the budget FTEs
 9 are increasing, you've got more people there,
 10 wouldn't you expect more vacancies?
 11 MR. MCDONALD:
 12 A. Yes, you would.
 13 MR. O'BRIEN:
 14 Q. So, why would it go down from 52 to 40?
 15 MR. MCDONALD:
 16 A. What year are you looking at? 52 -
 17 MR. O'BRIEN:
 18 Q. Well, just all along, wouldn't you expect it
 19 as you get more employees, you get more
 20 vacancies too? So, from 2011 forward, I mean,
 21 I guess what I'm suggesting is is that it's
 22 difficult enough to handle at the same level
 23 as you were before, as a year before. What's
 24 the expectation that you're going to drop them
 25 when you got more employees and more FTEs?

Page 179

1 MR. MCDONALD:
 2 A. Well, we feel we can, I mean, if you just
 3 relate back to 2014 as I did just a moment ago
 4 and take into account the two factors I
 5 mentioned, you know, we're back to 37. That's
 6 what I was trying to explain to you. You
 7 know, it will be a challenge. As FTEs
 8 increase we got to manage our way through that
 9 and get those positions filled. We still feel
 10 40 is a reasonable target and certainly the
 11 positions are needed and going to be utilized.
 12 So beyond the immediate year and the year
 13 immediate future, in terms of getting all
 14 those positions filled, that's a fact, those
 15 positions are needed and utilized, they'll be
 16 filled and hopefully there will be a lower
 17 level of activity and change over the coming
 18 years to make 40 reasonable. A vacancy rate
 19 in percentage terms of somewhere around 4.2
 20 percent is reasonable in our view.
 21 MR. O'BRIEN:
 22 Q. But the last three years it was six percent?
 23 MR. MCDONALD:
 24 A. Yes.
 25 MR. O'BRIEN:

Page 180

1 Q. So if we look at experience, you're at six but
 2 you're satisfied you're going to get to four
 3 in 2015. Do you have an idea as to what your
 4 forecast vacancies are going to be for 2015
 5 right now?
 6 MR. MCDONALD:
 7 A. The best information we have right now based
 8 on, I think it's the end of the July, is 65.
 9 MR. O'BRIEN:
 10 Q. 65?
 11 MR. MCDONALD:
 12 A. Yes.
 13 MR. O'BRIEN:
 14 Q. And you're expecting to get down to 40 by the
 15 end of the year?
 16 MR. MCDONALD:
 17 A. No, I don't expect that we necessarily will,
 18 but for rate case purposes and for the longer
 19 term--meeting the longer term, yes, we believe
 20 40 is an appropriate vacancy factor.
 21 MR. O'BRIEN:
 22 Q. So in terms of what you're expecting for that
 23 year, 2015, you're not going to get to what
 24 you forecast, but it is your expectation that
 25 over the year following that test year, until

Page 181

1 the next GRA, you will get to 40?

2 MR. MCDONALD:

3 A. Yes. And we believe as well that--what really

4 matters I suppose as well or is just as

5 important as where are we with respect to

6 those positions and this has largely been our

7 concern this year and that's driving that

8 number I just said to you, is new FTEs, is the

9 new level of FTEs that come into the system,

10 somewhere in the area of 60 and so we're

11 working our way through that, getting those

12 positions filled relative to other priorities

13 ongoing in operations. My expectation base,

14 what I've been told by operations is that--and

15 by HR because they have a view on the vacancy

16 rate, is that all but literally a handful of

17 those new positions will be filled by the end

18 of the year. So that's not showing up on the

19 vacancy rate, unfortunately, in terms of the

20 vacancy factor, but the positions will be

21 filled.

22 MR. O'BRIEN:

23 Q. So do you believe you will be up to then, in

24 terms of what's budgeted, the 943, by the end

25 of the year you'll be at 943 FTEs?

Page 182

1 MR. MCDONALD:

2 A. Where's the 943 budgeted FTEs?

3 MR. O'BRIEN:

4 Q. So if you look at the budget of FTE for 2015

5 or are you more likely to be closer to the

6 903?

7 MR. MCDONALD:

8 A. We won't be budgeted because we do have a

9 vacancy factor and that's at play here and

10 I've already indicated that, you know, based

11 on our most recent look at it, we're expecting

12 a vacancy factor for the full year, taking

13 into account people leaving, coming in, so on

14 and so forth, of around 65. We expect that

15 that will moderate and by managed down in the

16 next year and the years that follow to a more

17 reasonable level and it's our further

18 expectation that vacancy factor aside and it's

19 not unimportant, with that aside, those

20 positions will be filled and utilized by

21 operations.

22 MR. O'BRIEN:

23 Q. So in terms of the end of this year, 65

24 vacancies or is it a 6--65 vacancies is what

25 you're forecasting right now for the end of

Page 183

1 2015?

2 MR. MCDONALD:

3 A. For the full year.

4 MR. O'BRIEN:

5 Q. Yes, for the full year and what about actual

6 FTEs for the end of 2015, what are you

7 forecasting?

8 MR. MCDONALD:

9 A. If, based on what I just said a moment ago, if

10 we end up at 65 for the full year and we have

11 been working with a budget of 943, the

12 difference between the two, I suppose, is what

13 our actual FTEs for the year will be.

14 MR. O'BRIEN:

15 Q. Okay, all right, so that would be over that

16 4.2 percent certainly.

17 MR. MCDONALD:

18 A. Yes.

19 MR. O'BRIEN:

20 Q. And did you perform a vacancy analysis, I

21 guess, so you have a formal vacancy analysis,

22 you do mid year, that sort of thing in order

23 to come to those figures?

24 MR. MCDONALD:

25 A. Yes, we do it periodically.

Page 184

1 MR. O'BRIEN:

2 Q. Okay, if I could turn to the shared services

3 model, I've got a couple of questions for you

4 on that, gentlemen. One of the things I

5 wanted to talk to you about is, we started off

6 on this, and that's the time billed in or

7 charged in by leadership, but before I get to

8 that, just pull up the evidence 3.7.2, it's

9 page 3.38, volume one. And I just want to

10 briefly talk about the cost recovery

11 methodology and I spoke to Mr. Martin about

12 this and I just want to talk to you about this

13 as well. I understand that you have, as part

14 of your role, then the shared services model

15 comes under your purview, does it? You manage

16 that, is that something that you do or is it -

17 MR. MCDONALD:

18 A. We all manage that--we all operate within it

19 and we all have our various roles and

20 accountabilities inside that structure, so we

21 manage within it.

22 MR. O'BRIEN:

23 Q. Okay, all right. So if we went, say, down

24 through the cost recovery methodologies employ

25 the following principles, fair and reasonable,

Page 185

1 accurate and traceable, if we come to the next
 2 page, acceptable in a regulatory context that
 3 the methodology should be acceptable under a
 4 regulatory framework which demands a certain
 5 amount of rigor in development and design,
 6 taking into account the fact that results of
 7 the methodology may affect large groups of
 8 stakeholders, including end customers. From
 9 an ongoing basis, is it your role really only
 10 to look at that type of thing within HR and
 11 not within the other lines of business, would
 12 Mr. Henderson be the individual who is
 13 responsible for making sure that any charges
 14 into Hydro are acceptable in a regulatory
 15 context or do you have any involvement in
 16 that?
 17 (1:15 p.m.)
 18 MR. MCDONALD:
 19 A. He does to the extent that he's running Hydro
 20 and he is responsible for ensuring that he and
 21 others in his organization are charging in or
 22 charging out, whatever the case may be, in
 23 accordance with these instructions and these
 24 guidelines that were issued, as I recall by
 25 finance.

Page 186

1 MR. O'BRIEN:
 2 Q. Okay, so in the context of whether or not, say
 3 a charge coming from another line of business
 4 into Hydro, there's a question as to whether
 5 or not it's acceptable in a regulatory
 6 context, if that ever arises, that doesn't
 7 come to you for a decision, does it?
 8 MR. MCDONALD:
 9 A. No.
 10 MR. O'BRIEN:
 11 Q. No, and would that be something finance would
 12 look at or something that Mr. Henderson would
 13 look at?
 14 MR. MCDONALD:
 15 A. Both, but Mr. Henderson I'm sure would as
 16 well.
 17 MR. O'BRIEN:
 18 Q. Okay, and before I leave that point, the idea
 19 of the methodology demanding a certain amount
 20 of rigor, what does that mean to you?
 21 MR. MCDONALD:
 22 A. It means that we have exactly this kind of
 23 thing in place, the appropriate guidance
 24 provided to the organization and to people who
 25 will be in the position of either charging in

Page 187

1 or charging out, that we're doing it
 2 consistently in accordance with a set of
 3 standards that have been thought through that
 4 are fair from a cost perspective, there's a
 5 good clarity and line of sight around, you
 6 know, how that's being done and to me, that's
 7 the main thing, you know, that's what has been
 8 provided.
 9 MR. O'BRIEN:
 10 Q. Okay, there's a reason for these guidelines
 11 and do you take from this that they should be
 12 rigorously adhered to?
 13 MR. MCDONALD:
 14 A. That was the purpose for which they were
 15 distributed, as I understand it, I mean, the
 16 outlines and principles there as well which
 17 you just finished going through.
 18 MR. O'BRIEN:
 19 Q. Yeah, okay. So if we could bring up PUB-228,
 20 Revision 4, and this is where we started and
 21 it may be where we end. Perhaps if we look at
 22 the attachment here, and I'm going to go
 23 through your hours. I guess the first
 24 question is for VP human resources and
 25 organizational effectiveness, we get to 2014,

Page 188

1 those hours of 1462.5, are those actual hours
 2 for you or for both of you?
 3 MR. ROBERTS:
 4 A. I believe that's for both.
 5 MR. O'BRIEN:
 6 Q. For both? Okay, so you both would have
 7 charged in for that year, but probably for
 8 different reasons as to what work you were
 9 doing, is that right?
 10 MR. ROBERTS:
 11 A. That's right.
 12 MR. O'BRIEN:
 13 Q. Now, I'd ask you Mr. Roberts first, how is it
 14 that you keep your time?
 15 MR. ROBERTS:
 16 A. By inputting into a timesheet.
 17 MR. O'BRIEN:
 18 Q. Okay, and so the hours, are you able to break
 19 out between you sort of how much of these
 20 hours relate to hours charged in by you,
 21 verses Mr. McDonald?
 22 MR. ROBERTS:
 23 A. I couldn't, I'm sure somebody could. What I
 24 can reflect on is reasons why I would have
 25 charged hours in 2014 to Newfoundland and

Page 189

1 Labrador Hydro.
 2 MR. O'BRIEN:
 3 Q. Well maybe you can tell us that, yes.
 4 MR. ROBERTS:
 5 A. Well, so for example I mentioned it this
 6 morning, in 2014 I served--and into 2015, as
 7 the chief negotiator for Newfoundland and
 8 Labrador Hydro in collective bargaining. So
 9 any time spent doing that would have been
 10 charged directly to Newfoundland and Labrador
 11 Hydro.
 12 MR. O'BRIEN:
 13 Q. Okay, and how much of your time did that take
 14 up would you figure?
 15 MR. ROBERTS:
 16 A. I would be speculating, I mean the timesheets
 17 would prove it, I mean, we print timesheets
 18 and figure it out. We were in bargaining, we
 19 started bargaining in, I think around April of
 20 2014 and we didn't conclude until 2015 and we
 21 probably had inside 2014, maybe six, seven
 22 weeks of bargaining. So if I was in
 23 bargaining for that full week, I would have
 24 charged all my time to Hydro.
 25 MR. O'BRIEN:

Page 190

1 Q. Okay, and Mr. McDonald, in terms of your time,
 2 if we backed out Mr. Roberts' time, does the
 3 remaining time reflect all of the time you
 4 spent in Hydro?
 5 MR. MCDONALD:
 6 A. Yeah.
 7 MR. O'BRIEN:
 8 Q. I'm trying to get a handle on that, just sort
 9 of how much time you would spend because it's
 10 1400 for both individuals and I'm trying to
 11 get a handle on whether or not that accurately
 12 indicates how much time you spent.
 13 MR. MCDONALD:
 14 A. Oh it does, I mean, I go through the same
 15 process as Mike and, you know, it's a
 16 combination of the both of us. I knew it was
 17 the case for 2015, but it is for 2014 as well.
 18 I described a little earlier, I think, some of
 19 the things I was involved in last year and it
 20 drove a lot of activity on my part in support
 21 of Hydro directly, so these would be charges
 22 that were specific to Hydro, related to the
 23 auditor's inquiry and some other things as
 24 well.
 25 MR. O'BRIEN:

Page 191

1 Q. Okay, and having been seconded to Hydro, I
 2 guess you had indicated earlier a lot of your
 3 time would have been spent with Hydro over
 4 that period, would you have recorded all your
 5 time?
 6 MR. MCDONALD:
 7 A. Yes.
 8 MR. O'BRIEN:
 9 Q. And how about you, Mr. Roberts?
 10 MR. ROBERTS:
 11 A. Any time spent working specifically for Hydro
 12 would have been charged to Hydro.
 13 MR. O'BRIEN:
 14 Q. Okay, and how about any time that you worked
 15 on other lines of business that involved Hydro
 16 as well, how would you deal with that?
 17 MR. ROBERTS:
 18 A. So if it was a piece of work that I was doing,
 19 I would characterize as being for Nalcor that
 20 benefits all lines of business, they would
 21 default it to Nalcor. If I did something
 22 specifically, a piece of work for oil and gas
 23 which I obviously would have, then I would
 24 charge that to oil and gas.
 25 MR. O'BRIEN:

Page 192

1 Q. And in terms of how you do your charging, did
 2 you ever receive any instructions to say if
 3 there's any grey area, don't charge it to
 4 Hydro?
 5 MR. MCDONALD:
 6 Q. It's always been clear to me that, you know,
 7 if there's a specific piece of work that
 8 you've done for Hydro against which you can
 9 apply your time to a work load, let's say,
 10 then that's clear, it goes into Hydro. So
 11 it's always been clear to me, I think
 12 everybody that, if you have a work order
 13 number and it's clear to you for whom the work
 14 was done, whether it's specifically for a line
 15 of business, that was charged.
 16 MR. O'BRIEN:
 17 Q. And how about leadership meetings for Nalcor?
 18 Would any portion of that be charged to Hydro?
 19 MR. MCDONALD:
 20 A. No, my answer would be the same as Mike's, in
 21 situations like leadership team meetings where
 22 I'm working on something that is not unique or
 23 specifically related to Hydro or oil and gas,
 24 whatever the case may be, it defaults to
 25 Nalcor.

Page 193

1 MR. O'BRIEN:
 2 Q. And in terms of the hours there recorded for
 3 2013, 302, I guess those are just your hours,
 4 Mr. McDonald.
 5 MR. MCDONALD:
 6 A. That's correct, yes.
 7 MR. O'BRIEN:
 8 Q. And if we look back, we see hours in 2008,
 9 your hours gradually declining from 2008 down
 10 to 2013, can you explain why that would be the
 11 case?
 12 MR. MCDONALD:
 13 A. Yes, so it was just a gradual evolution. When
 14 I first arrived in 2008, I was spending a lot
 15 more time, along with Mike and my other
 16 manager of reports, doing work for Hydro. In
 17 2009 and 2010 in particular, a lot of that
 18 time, I think, would have been related to the
 19 work that we did around asset management and a
 20 review of our operations and structure inside
 21 engineering services and between the two, they
 22 consumed a lot of additional time. 2009
 23 generally speaking was a year of assessment
 24 and review; 2010 was largely around
 25 implementation. And then in 2011, that fell

Page 194

1 off a bit, but still some ongoing work there.
 2 A key thing we did, though, inside HR we, as
 3 the years went by, is that, you know, people
 4 below me, I was finding myself not being as
 5 actively involved in hands-on work for any of
 6 our lines of business, Newfoundland and
 7 Labrador Hydro included, so that would have
 8 been defaulting to Mike and the other managers
 9 and people below them. And as I mentioned
 10 earlier as we moved along inside our
 11 structure, what we made a point of doing in
 12 our various areas, in safety and health and in
 13 human resources in particular, was to ensure
 14 that we had dedicated points of contact for
 15 Newfoundland and Labrador Hydro. So they were
 16 able to take away some of the load as well,
 17 not just from me, but from Mike in his case
 18 and from the manager of safety and health. So
 19 we tried to organize ourselves so that, you
 20 know, there was more time available to me and
 21 our managers, so that's the reason you would
 22 have seen that reduced over those more recent
 23 years and then 2014/2015 were different years.
 24 MR. O'BRIEN:
 25 Q. If we look at then, and I agree with you, I

Page 195

1 guess, the 2014/15 would be different years,
 2 but if we look at the actual grand total of
 3 hours for leadership spent from 2008 to 2013,
 4 we see a significant decline in the hours of
 5 leadership. Are you able to tell me whether
 6 or not that the amount of time spent by
 7 leadership would have had any reflection on
 8 reliability issues we saw in 2013/2014?
 9 MR. MCDONALD:
 10 A. No, I wouldn't make that connection at all.
 11 MR. O'BRIEN:
 12 Q. And why not?
 13 MR. MCDONALD:
 14 A. I just don't believe that what you're seeing
 15 there--first of all, fully reflective of the
 16 time that any one of us as executives would
 17 have been spending on Hydro, even though it
 18 may not have been documented in a timesheet.
 19 Lots of work that we do as executives would
 20 apply to that as well is for the benefit of
 21 all lines of business, but Hydro included as
 22 our largest line of business. So leadership
 23 team meetings or we're dealing with other
 24 matters that are not uniquely related to a
 25 line of business, generally are for the

Page 196

1 benefit of all lines of business, Hydro
 2 included, so to the extent that we would have
 3 spent a considerable amount of time as
 4 leadership team members on safety inside our
 5 organization, which we have and continue to
 6 do, or around environmental issues or around
 7 other things related to our corporate goals,
 8 these were for the benefit of Hydro as well,
 9 so there's time that you're not seeing
 10 captured there on that chart, I believe, that
 11 is in the equation. So I don't think you can
 12 look at those numbers and the decline you see
 13 there as being any indication of any lessening
 14 effort or attention being given to Hydro's, as
 15 one of our lines of business, by the executive
 16 of the company. And I don't see, I don't see
 17 a nexus either between that and reliability or
 18 the reliability issues we encountered in 2014.
 19 MR. O'BRIEN:
 20 Q. The hours charged, I just want to be sure now
 21 before I come off this topic, do each one of
 22 you fill out your own timesheets?
 23 MR. MCDONALD:
 24 A. That's what I do.
 25 MR. ROBERTS:

Page 197

1 A. That's what I do as well.
2 MR. O'BRIEN:
3 Q. Okay. I don't have any further questions for
4 this panel.
5 CHAIRMAN:
6 Q. Well I think it's a good time now to stand
7 down until tomorrow.
8 Upon concluding at 1:26 p.m.

Page 198

1 CERTIFICATE
2 I, Judy Moss, hereby certify that the foregoing is a true
3 and correct transcript of a hearing in the matter of
4 Newfoundland and Labrador Hydro's General Rate
5 Application heard on the 16th of September, A.D., 2015
6 before the Commissioners of the Public Utilities Board,
7 St. John's, Newfoundland and Labrador and was transcribed
8 by me to the best of my ability by means of a sound
9 apparatus.
10 Dated at St. John's, Newfoundland and Labrador
11 this 16th day of September, A.D., 2015
12 Judy Moss

-\$-	130 [1] 99:9	7:4,10 41:25 42:3,9,11	-5-	account [7] 20:24 64:15
\$20.00 [1] 30:5	134 [2] 99:8,10	42:15 43:3,6,8 44:1 50:9		81:21 176:23 179:4
\$25.00 [1] 30:6	14 [3] 160:9,15 164:22	50:14 51:5 60:23 61:18	5 [5] 6:1 104:13,13 135:16	182:13 185:6
\$27.95 [1] 30:20	1400 [1] 190:10	64:10 67:22 68:10 78:23	159:11	accountabilities [6]
\$300.00 [1] 24:7	1462.5 [1] 188:1	79:3 135:15,20,22 136:18	5.9 [2] 30:18,20	39:19 68:3 71:9 103:21
\$38.17 [1] 145:11	15 [12] 20:17 25:17	139:22,23 140:1,1,5	50 [2] 173:4 174:23	103:23 184:20
\$38.42 [1] 145:16	109:20 160:15,21 162:11	142:8 174:17,23 176:19	51 [1] 176:13	accountability [19]
\$39.10 [1] 145:12	164:22,23 165:4,6,17	176:21,25 177:10 179:3	52 [4] 175:15 176:21	38:21 39:22 40:1 49:2
\$40.00 [1] 24:9	177:19	187:25 188:25 189:6,20	178:14,16	49:10 51:8 58:16 62:3
\$83,000 [1] 173:3	16 [5] 1:1 99:12 164:21	189:21 190:17 196:18	-6-	73:12 76:3 81:17 82:17
\$830,000 [1] 173:5	165:4 177:19	2014/15 [1] 195:1		104:3 106:18 107:2,13
-&-	16th [2] 198:5,11	2014/2015 [2] 158:7		107:19 146:23 151:2
& [3] 136:5 137:23 143:3	17 [1] 165:5	194:23	6 [4] 118:5,11,15 182:24	accountable [7] 36:22
-'-	18 [5] 160:16 162:11,16	2015 [46] 1:1 5:14,16,18	60 [1] 181:10	51:1,3 83:14 108:16
'08 [1] 91:22	164:21 165:5	7:4,9 11:14 41:25 42:3,9	65 [6] 180:8,10 182:14,23	109:13 126:6
'09 [1] 77:10	1996 [1] 48:5	42:11 43:4,6,8,20 44:1,5	182:24 183:10	accounts [2] 30:22,25
'10 [1] 77:10	1998 [1] 48:7	64:18 79:4 138:21 139:4	68 [2] 141:7,7	accurate [1] 185:1
'14 [1] 141:22	19th [1] 23:5	140:4,6 141:7,9 142:3,5	-7-	accurately [2] 168:19
'15 [1] 141:23	1:00 [1] 173:11	142:8 144:1 145:11,15		190:11
---	1:15 [1] 185:17	171:4 173:5 177:23 178:6	700,000 [1] 30:19	achieve [3] 57:11,17 93:6
-just [1] 176:14	1:26 [1] 197:8	180:3,4,23 182:4 183:1	-8-	achieved [1] 66:7
-0-	1st [1] 141:11	183:6 189:6,20 190:17		achievement [1] 85:20
005 [1] 172:10	-2-	198:5,11	8 [1] 164:21	acknowledgement [2]
058 [1] 118:16	2 [2] 43:22 88:6	2015/2017 [1] 11:19	85 [2] 24:4 25:18	20:21,23
-1-	2.1 [1] 19:16	2016 [6] 42:21 43:14,15	-9-	acting [3] 50:4 51:7 71:4
1 [8] 41:17 43:22 45:17	2.2 [10] 135:24 136:3,21	111:9 139:16 140:5		action [7] 61:17 62:4,5
70:2 154:17 163:18 164:5	137:4,7,22 138:4,13	2016-2020 [1] 111:13	903 [1] 182:6	68:25 86:21,21 119:8
172:10	139:8 142:9	2017 [2] 11:11,14	903 [1] 182:6	actions [1] 69:2
1.3 [2] 19:15,24	2.5 [4] 139:6,7 140:11	2018 [1] 11:12	943 [4] 181:24,25 182:2	active [2] 65:9 76:5
1.4 [2] 19:15,24	142:10	20th [2] 23:6,13	183:11	actively [4] 51:25 65:1
1.5 [1] 165:16	2.52 [1] 142:1	229 [1] 70:4	95 [1] 85:19	77:13 194:5
10 [5] 162:4 163:19 165:4	20 [4] 20:18,19 162:4	24 [2] 46:21 94:10	912 [1] 1:2	activities [3] 51:23 94:18
165:13,16	164:20	250,000 [1] 31:7	915 [1] 3:13	119:3
100 [1] 24:24	200,000 [1] 31:2	267 [1] 111:11	930 [1] 15:9	activity [4] 43:3 172:7
10:06 [1] 37:19	2005 [1] 106:1	28 [2] 39:1 177:6	945 [1] 31:3	179:17 190:20
10:15 [1] 44:23	2006 [2] 38:21 46:1	285,000 [1] 31:5	952 [1] 37:14	actual [11] 43:3 65:25
10:30 [1] 61:13	2007 [10] 39:21 48:17,19	-3-	9th [1] 99:8	127:25 134:20 150:16
10:45 [1] 76:11	48:25 91:22 98:11 141:20	3 [3] 42:14,19 104:14	-A-	178:6,8 183:5,13 188:1
10:57 [1] 87:21	143:25 174:17 178:6	3.38 [1] 184:9		195:2
11 [2] 105:4 162:15	2008 [14] 46:22 47:11	3.7.2 [1] 184:8	A.D [2] 198:5,11	actuals [11] 43:7 130:7
11-70 [1] 45:3	49:15 77:10 94:10 98:11	30 [1] 30:25	a.m [11] 1:2 3:13 15:9	130:11 139:22 140:1
113 [1] 24:23	100:15 118:24 119:9	302 [2] 45:1 193:3	37:14,19 44:23 61:13	141:21 142:1 157:25
11:00 [1] 87:16	142:1 193:8,9,14 195:3	316 [1] 109:17	76:11 87:21,22 98:1	174:18,22,23
11:34 [1] 87:22	2008-2009 [1] 104:19	35 [2] 144:5,10	abbreviation [1] 81:3	add [2] 9:23 33:17
11:45 [1] 98:1	2009 [3] 142:1 193:17,22	35,000 [1] 31:1	ability [3] 2:13 149:6	added [2] 33:13 42:21
12 [4] 70:13 109:20	2010 [5] 49:9 152:12	37 [1] 179:5	198:8	addition [5] 36:7 43:13
118:15 141:7	175:24 193:17,24	38:06 [1] 35:2	able [21] 8:17 55:5 58:17	120:2 164:10 173:21
12:00 [1] 112:12	2010/2011 [1] 39:25	392 [6] 45:1,2,4,5,7,9	75:6 94:4 113:12 115:15	additional [15] 16:1
12:15 [1] 128:4	2011 [9] 49:9 152:12	-4-	143:12 145:1,13 147:1	17:10 93:18 119:7 157:1
12:30 [1] 142:15	175:3,12,13,21,24 178:20	4 [11] 6:12 7:11 41:1,4	148:17 154:14 162:1	157:22 158:11 162:4
12th [2] 141:9,13	193:25	42:14,19,20 43:11 129:1	165:12,15 168:18 171:13	174:4 176:3,5,10 177:8
13 [1] 164:11	2012 [5] 141:20 174:22	164:5 187:20	188:18 194:16 195:5	177:25 193:22
	175:15,21 176:9	4.2 [2] 179:19 183:16	above [11] 135:24 136:20	address [2] 8:22 93:2
	2013 [21] 5:12 6:17,21	4.89 [1] 142:2	144:8,16 160:15,21 166:3	addressed [1] 119:5
	41:13,14,24 42:2 44:25	40 [16] 24:8 172:13 173:6	169:7,15 174:23 177:3	addresses [1] 41:1
	68:10 129:2,7 135:25	173:10 175:3,6,14 177:21	absence [4] 27:17 172:19	adequate [1] 113:12
	138:22 141:20 174:22	177:22,23 178:14 179:10	172:23 173:24	adequately [1] 72:5
	176:12,13,20 193:3,10	179:18 180:14,20 181:1	absolutely [4] 29:22	adhered [3] 1:24 97:19
	195:3	43 [2] 144:16 150:13	56:15 62:1 79:20	187:12
	2013/2014 [1] 195:8	46 [1] 141:19	acceptable [4] 185:2,3	adherence [1] 100:7
	2013/2015 [1] 158:24	47 [1] 141:19	185:14 186:5	adjusted [3] 160:10
	2014 [48] 5:12 6:17,20		accordance [2] 185:23	162:21 163:2
			187:2	adjustment [3] 119:6
				132:14 142:23
				adjustments [3] 169:21

<p>169:22,23 administer [1] 159:22 administered [1] 159:23 administration [5] 48:7 132:12 133:10 137:17 163:4 admit [1] 23:22 adopt [3] 40:18 147:15 164:23 adopted [5] 86:13,23 161:22 165:20 168:24 adopting [2] 96:21 98:14 adoption [1] 166:19 advance [1] 65:24 advanced [2] 137:14,16 advice [1] 2:20 advisement [1] 156:5 advisory [5] 54:1 73:24 75:3 92:13 102:14 affect [1] 185:7 affecting [1] 2:13 afford [1] 2:16 again [31] 12:8,20 23:15 52:25 53:15 62:6 67:13 70:10 71:19 73:12 77:2 86:15 102:3 106:13 110:7 124:8 132:20 133:20 137:10 139:1 140:14 144:25 157:3,5 158:11 162:21 163:19 164:1 165:19 169:12 175:6 against [5] 30:8 35:5 57:4 109:24 192:8 age [2] 12:8 13:9 agencies [1] 36:8 aging [1] 11:24 ago [7] 1:17 42:17 63:19 115:14 169:16 179:3 183:9 agree [8] 22:12 23:25 25:2 97:24 101:10 115:20 138:12 194:25 agreeable [1] 5:20 agreed [1] 1:5 agreeing [1] 25:5 agreement [3] 79:5 131:24 137:15 agreements [1] 158:19 ahead [1] 156:6 akin [1] 19:21 alert [1] 121:10 allocate [2] 168:13,18 allocation [4] 134:6 135:2 168:12,16 allow [2] 161:23 162:1 allowing [1] 163:1 alluded [2] 39:16 148:8 alluding [2] 149:24 160:7 almost [1] 176:25 alone [2] 144:5 145:8 along [9] 22:9 95:24 132:20,25 142:2 178:7</p>	<p>178:18 193:15 194:10 alternatively [1] 166:14 always [9] 10:14 15:17 75:19,23,24 109:24 168:23 192:6,11 American [1] 25:25 among [1] 106:3 amount [18] 10:20,20 27:9 52:5 53:1,15,21 66:5 77:22 128:22 150:18 155:20 165:12 166:4 185:5 186:19 195:6 196:3 amounts [1] 165:21 analogous [1] 36:6 analogy [1] 12:23 analyses [1] 109:19 analysis [8] 17:12 20:5 40:14 63:10,18 113:17 183:20,21 announced [2] 17:10 52:17 annual [7] 57:21 79:25 123:4,18,24 125:18 128:19 annually [1] 80:9 answer [19] 6:6 15:12 16:10 69:9,24 76:19 88:15 99:7 100:21 109:20 111:2 138:1,8 144:14 168:6,10 169:4 170:11 192:20 answered [2] 62:16 170:9 answers [1] 77:5 anticipate [2] 9:18 131:9 anticipation [1] 127:20 anyhow [1] 61:16 Aon [1] 157:21 apart [6] 1:21 79:5 89:25 131:8 137:24 153:5 apparatus [1] 198:9 Appendix [2] 111:10,11 application [12] 1:20 2:1 2:12 34:14,18 41:14 111:9 114:17,20 115:1 115:12 198:5 applied [8] 1:24 30:13 32:16 115:5 132:14 133:3 142:20,23 applies [1] 137:8 apply [12] 9:7 32:17 57:4 133:13 134:16 135:5 136:4,6 137:9 163:9 192:9 195:20 apprentices [2] 177:4,8 approach [10] 34:23,24 35:5 57:10 96:22 98:19 101:18 150:9 163:1 168:24 appropriate [9] 11:22 81:15 115:21,22 116:6 119:4,8 180:20 186:23 appropriately [2] 159:22,23 approval [3] 4:18 34:2</p>	<p>175:18 approve [1] 8:16 approved [3] 125:10,22 176:4 approving [3] 3:19,21 4:20 April [1] 189:19 area [18] 15:15 19:10 40:6 72:2 73:6 75:13 82:13,14 84:11 85:8 86:9 86:11 149:10 167:12,23 167:25 181:10 192:3 areas [54] 35:25 36:1 39:9 40:15,19 51:9 58:21 68:23 71:10 72:1,4,5,16 75:10,19 76:2,7 78:2 81:4,5,25 82:2,11,16 83:13,15,18,19,24 84:17 86:4 93:4,7,13,17 94:2,5 94:11,23 95:7 96:15,23 103:18,22,24 107:16,16 107:24,25 108:5 127:7 157:18 167:8 194:12 arise [4] 8:10 78:22 84:12 119:15 arises [1] 186:6 Arm [1] 159:14 arose [1] 119:9 arrest [1] 10:23 arrived [2] 106:1 193:14 articulated [1] 105:25 ascertain [2] 15:17 27:18 ascertained [1] 27:10 aside [2] 182:18,19 aspects [3] 66:12 80:7 151:17 aspire [1] 157:4 assess [7] 4:21 31:9,13 53:23 57:18 68:20 159:20 assessment [4] 3:21 4:21 27:17 193:23 asset [12] 6:5 11:24 12:2 12:6 32:4 67:1 77:10 113:6 116:17 167:12,25 193:19 assets [11] 10:11 11:7,8 12:9 22:11 33:7 53:10 53:14 65:25 66:2 115:9 assigned [3] 4:2,13 32:10 assignment [1] 71:22 assist [4] 10:25 55:17 133:20 135:1 assistance [1] 58:15 assisted [2] 103:12 104:8 associated [14] 15:18 43:1 51:13 53:15 57:1 64:11 76:7 80:6 121:13 121:15 128:23 132:15 166:1 171:10 assume [3] 13:23 53:14 128:15 assumed [1] 49:10 assumption [3] 29:18</p>	<p>172:15 176:6 astrology [1] 19:21 astronomy [1] 19:22 Atlantic [11] 145:4,14 157:5 160:10,11,20,22 161:3 162:13,18 164:9 attached [4] 16:1 28:16 98:4 141:13 attachment [10] 41:15 42:20 43:12 70:2 89:4 104:13,13,14 154:17 187:22 attachments [1] 100:13 attempt [1] 138:14 attempting [1] 15:13 attention [3] 2:3 75:20 196:14 attract [8] 143:12 145:1 147:2 148:17 149:1,6 153:15 170:3 attracting [1] 153:15 auditor's [1] 190:23 August [1] 135:25 authority [2] 22:16 23:20 availability [1] 113:12 available [8] 94:1 96:14 135:23 166:15,17 167:1 168:21 194:20 Avalon [1] 112:1 average [9] 141:19 144:3 144:6,11 145:15,15 160:13 161:3 163:5 awarding [1] 2:10 aware [5] 43:13 111:18 119:8 129:14 139:7 away [2] 176:8 194:16 awhile [1] 176:9</p>	<p>basis [27] 43:25 47:16 57:21 61:10 79:25 80:10 80:14 95:20 99:14 101:8 106:13 108:8 120:11 121:5 123:24 125:19 128:19 132:21 143:20 159:25 170:8,24 171:19 172:1 174:15 177:20 185:9 bath tub [1] 12:4 Bay [1] 111:25 bear [2] 19:8 33:16 become [3] 65:15 102:2 167:15 becoming [1] 50:3 Beg [1] 1:9 began [2] 48:25 78:2 beginning [7] 41:9 46:3 57:6 59:14 92:19 109:17 168:9 begun [1] 78:16 behind [8] 8:23 59:5 61:5 92:16 96:21 117:12 149:15 155:25 below [3] 160:9 194:4,9 benchmark [3] 145:5 145:17 160:22 benchmarks [2] 160:25 161:2 beneficial [1] 118:25 benefit [6] 61:15 167:2,2 195:20 196:1,8 benefits [5] 39:23 40:11 49:3 133:21 191:20 best [15] 18:2 65:22 69:9 87:20 93:11 99:5 109:22 109:25 116:8 117:17 119:23 121:20 168:6 180:7 198:8 better [12] 4:10,15 6:6 8:1 43:8 85:20 138:8 156:5 162:21 167:18 169:5 170:16 between [15] 11:14 18:12 33:23 39:7 52:21,24 110:22 113:2 167:7 177:18,19 183:12 188:19 193:21 196:17 beyond [10] 34:18 56:20 144:2 147:21 162:2 163:13 165:12 166:3 177:3 179:12 big [1] 34:9 bigger [3] 22:10 60:5 123:16 biggest [1] 34:17 billed [1] 184:6 billion [2] 30:18,20 binding [1] 168:4 bit [20] 18:25 45:21 58:25 60:3 62:7 72:21,22 75:15 76:21 79:3 87:13 88:3 99:10 118:17 122:22 142:4 147:19 162:25 172:11 194:1 bits [1] 22:8</p>
-B-				
			<p>B [4] 96:13 101:19 111:10 111:11 backed [1] 190:2 background [8] 16:10 45:25 48:1,2 54:21 55:9 55:10 157:1 backyard [1] 145:7 bad [1] 15:5 balance [1] 115:23 balanced [2] 109:24 116:25 balancing [2] 101:9 109:4 banding [1] 161:23 bargaining [6] 78:25 189:8,18,19,22,23 base [1] 181:13 based [23] 6:17 8:2,17 10:1 13:9 14:21 15:2 41:14,24 43:6 68:17 82:9 85:6 127:21 139:22 153:12 160:21 169:23 173:2,13 180:7 182:10 183:9</p>	

<p>blocks [1] 89:8 board [16] 5:3 8:13,15 8:16 34:1,18 36:11 38:4 39:6 87:9 112:17 156:11 157:20 158:13 173:15 198:6 bodies [2] 15:20 36:12 body [1] 16:3 bonus [4] 6:20,21 7:14 7:14 bonuses [3] 7:2,3,9 book [10] 29:16,16,17,18 29:19 31:22,25 32:23,25 33:2 books [1] 10:15 bottom [7] 42:18,25 72:24 96:1,3 141:24 168:20 bought [1] 30:17 boundary [1] 86:15 boy [1] 15:6 break [9] 9:16 37:6,16 75:14 87:16,21 89:6 175:8 188:18 breakdown [1] 48:20 Breweries [1] 39:5 brief [3] 38:12 39:13 45:24 briefly [2] 79:10 184:10 bring [18] 2:3 6:13,15 32:8 41:11 44:20 55:9 55:16 62:22 70:10 80:19 111:8 115:7,18 117:17 135:15 172:9 187:19 bringing [1] 55:17 brings [1] 177:21 broad [1] 161:23 broader [1] 14:2 brought [1] 70:1 brown [1] 1:18 bucks [1] 24:8 budget [53] 8:11 9:7,9 34:7,14,17 111:9 122:22 122:24,25 123:3,4,7 124:1,21,21,24 125:12 125:13 126:2,4 127:19 129:1,7,18,19 130:2,10 130:14,20 131:2,16 132:2 134:21 135:5 137:3,7,11 138:4 139:1,12,13,22 140:1,6 142:21 175:19 176:3 177:2 178:5,8 182:4 183:11 budgetary [4] 131:4 136:9 140:14 142:19 budgeted [5] 177:10,15 181:24 182:2,8 budgeting [3] 123:18 126:21 173:18 budgets [10] 8:8,13,19 123:10 126:7 129:11,14 142:4,5 174:13 build [7] 61:16 123:10 133:25 134:12 140:4 168:25 174:10</p>	<p>building [5] 92:20 102:4 104:10 123:4 139:25 built [7] 128:9 136:24 140:5,6 158:25 166:21 173:6 bulk [3] 64:7 75:12 153:5 Bull [1] 159:14 bullet [3] 159:12,16 160:8 bunch [1] 20:10 bunker [1] 15:24 burning [1] 15:23 business [89] 10:18 16:5 17:19 18:6 21:12,13 23:1 23:4,7,11 47:17 48:4,7 51:10 56:4 57:22 58:19 64:1 74:16 78:4,14,18 79:25 80:4,18,19 81:9 81:17,18,20,24 82:7 83:16 84:13 85:5,19 86:2 86:17,25 90:8 93:12 98:18,25 100:9 101:16 102:5,9,22 103:4,16,17 103:23 104:5 107:14 108:10,22,25 109:11,14 109:15 110:1,11,16,23 115:24 130:13 145:3 146:4,9 147:3 148:2 153:3,5,7,13,16 167:5 170:2 185:11 186:3 191:15,20 192:15 194:6 195:21,22,25 196:1,15 businesses [2] 77:24 149:4 businesses' [1] 78:11 buy [7] 13:2 24:23,24 25:11,19 26:4 30:3</p> <hr/> <p style="text-align: center;">-C-</p> <p>CA-NLH-266 [1] 154:17 calculated [1] 174:14 calculations [1] 173:2 California [1] 17:5 Canada [13] 17:6 145:5 145:14 157:5,20 160:10 160:11,20,22 161:3 162:13,18 164:9 Canadian [2] 17:4 21:6 cannot [1] 35:16 capacity [14] 33:18 49:2 50:13 54:9,17 62:8 75:3 93:19 94:1 98:21 101:25 103:11 122:4 174:6 capital [14] 8:8,11,12,19 9:2,5,9 34:7,13,17 111:9 111:13 114:3 122:25 capped [1] 165:20 captured [1] 196:10 car [4] 12:24 13:2,6,7 carbon [1] 17:8 Carling [1] 39:4 carried [1] 64:22 carry [2] 10:14 52:8 case [27] 43:18 81:19 85:6</p>	<p>101:10 108:11 109:11 112:7 120:5,11,11 127:25 128:11 138:24 147:20,21 155:7 158:6 160:7 164:1 164:4 176:8 180:18 185:22 190:17 192:24 193:11 194:17 cases [5] 29:25 107:10 163:21 164:3,14 CASS [15] 7:17 37:9,25 38:7,9,10 39:10 40:5,17 40:23 44:8 91:14 155:3 156:18 159:2 cast [1] 162:11 catch [1] 12:16 categories [3] 4:14 9:16 163:23 category [2] 23:23 132:19 central [2] 150:9 169:24 centre [1] 40:4 century [3] 23:6,6,13 CEO [7] 18:18 35:8 60:1 87:9 92:14 98:22 158:13 certain [12] 4:14 12:18 19:23 26:8 44:2 45:14 45:19 94:11 150:13 151:15 185:4 186:19 certainly [16] 1:23 2:4 2:13 5:22 16:21 23:21 65:1 75:21 80:2 81:13 84:17 98:10 156:16 159:3 179:10 183:16 certainty [1] 138:1 certificate [2] 48:10 198:1 certify [1] 198:2 CF [4] 92:21,24 102:6 169:2 chair [15] 1:11,16 2:9 7:25 17:24 34:21 38:1 44:10,17 53:18 87:14 91:15 155:4 156:8 159:4 Chairman [62] 1:3,8,12 2:24 7:22 8:4 13:14,20 14:5,10,15 15:4 16:16 17:17 18:11 19:7 20:15 21:10,19,25 22:14,22 24:2,19 25:10,15,23 26:5 26:9,20,25 27:4,15,21 28:3,17,23 29:10,15 30:10,16 31:6,16,21 32:20 34:3,8,16,22 35:3 35:18 36:14,19 37:4,11 37:20 44:11 87:17,23 88:1 156:4 197:5 challenge [1] 179:7 change [4] 75:20 119:6 120:4 179:17 changed [2] 64:23 76:21 changeover [1] 50:18 changes [1] 77:20 characterize [2] 146:20 191:19 charge [4] 19:4 186:3 191:24 192:3</p>	<p>charged [13] 7:16 41:4 94:16 184:7 188:7,20,25 189:10,24 191:12 192:15 192:18 196:20 charges [2] 185:13 190:21 charging [5] 185:21,22 186:25 187:1 192:1 chart [3] 90:13 161:14 196:10 charts [5] 90:6,16,21 91:1,13 check [5] 47:3 49:20 91:11 158:22 159:3 chief [3] 44:10 79:1 189:7 choice [1] 149:2 choosing [2] 94:23 95:14 chose [3] 2:6 24:15 163:22 chosen [1] 55:6 Chris [1] 63:25 Churchill [8] 65:23 112:10 113:3 114:10 115:4 116:14 159:15,15 circumstances [2] 50:3 76:21 cities [1] 23:14 clarify [2] 41:2 45:21 clarifying [1] 25:2 clarity [3] 98:17 103:20 187:5 clean [1] 23:14 clear [15] 31:14 44:21 83:14 101:13 106:17 107:12,18 131:21 142:24 147:23 167:7 192:6,10 192:11,13 clearly [1] 81:17 close [1] 11:22 closely [2] 71:16 100:24 closer [1] 182:5 closest [1] 38:4 Co [4] 92:21,24 102:6 169:2 co-located [1] 66:15 co-op [1] 48:4 Co2 [8] 14:6,7,12 15:5,7 15:8 16:18 18:13 coerced [2] 24:6,10 coercive [3] 22:18,24 23:17 collect [1] 157:24 collective [6] 78:24 79:4 131:24 137:15 158:18 189:8 collectively [2] 110:9 110:13 column [1] 43:14 combination [2] 32:3 190:16 combined [1] 72:20 comfortable [1] 102:2 coming [7] 9:18 82:5</p>	<p>157:12 177:25 179:17 182:13 186:3 Commend [1] 87:18 comment [1] 9:8 comments [2] 3:1 12:3 commercial [2] 30:19 66:21 commissioned [1] 11:11 Commissioners [2] 118:10 198:6 commissioning [1] 11:16 commitment [1] 101:18 committed [1] 68:25 committee [9] 52:10 53:18 59:16 60:10 63:11 63:18 67:13,15 68:6 common [2] 109:6 165:10 communications [3] 35:20 81:6 131:13 companies [9] 28:7 29:4 38:22 39:2 88:16 91:25 143:21 157:16 161:22 company [49] 3:16 8:16 8:21 15:14,19 18:18,24 25:7 27:7,10,10,14,24 28:4,6,13,20,22 29:24 30:1,2,4,6 32:2,17,18,18 32:25 35:8,13 36:23 39:4 48:13 52:21,24 55:16 79:12,21 81:5 86:12,19 109:23 115:8 116:17 121:1 143:16 150:5 167:5 196:16 company's [1] 118:21 company-wise [1] 19:3 comparable [1] 143:20 comparators [1] 145:3 comparing [1] 143:18 comparison [3] 30:21 102:9 176:24 compensate [1] 157:13 compensation [17] 39:22 40:11 49:3 133:21 134:17 135:4 143:9 144:22 148:9,13 149:17 149:25 151:14,18 154:21 156:23 158:25 compete [3] 21:21 145:13,19 competes [1] 23:1 competitive [6] 32:22 157:3,4,8 159:18 162:22 competitively [1] 159:20 competitors [2] 23:4,11 complement [2] 11:1 177:4 complete [6] 1:19 2:7 60:15 88:12 90:22 174:12 completed [5] 48:4,6,8 61:7 66:18 completion [1] 66:25 compliance [1] 72:9</p>
---	---	--	--	---

component [5] 127:13 128:9 132:10 136:24 149:25	52:24 61:8 62:8,13 155:9 155:10,16 160:3	47:19,23 50:7,11 61:4 84:2,6 88:10 89:16 94:21 97:20 125:15,24 127:6 127:17 128:21 129:22 130:5,17 134:14 152:14 152:16 153:24 154:5,23 172:15 193:6 198:3	Dated [1] 198:10	derives [1] 23:18
components [3] 133:19 148:10,12	consultation [2] 85:5 108:22	corrective [2] 9:17,18	dating [1] 53:4	describe [4] 40:9 80:24 88:11 165:19
comprehensive [1] 60:16	consulting [2] 39:8 137:6	correctly [2] 42:23 61:8	day-to-day [1] 121:9	described [8] 39:19 63:19 79:24 140:15 144:3 161:25 167:3 190:18
compulsion [2] 26:1,4	consumed [2] 24:6 193:22	cost [27] 1:20 2:10,12 11:13,24 12:7,24 13:9 15:16,18 16:1,13,25 17:8 17:15 18:4 33:16 79:16 93:4 113:19 118:25 166:7 166:10 167:21 184:10,24 187:4	days [5] 98:10 101:20 103:14 147:12 148:23	description [5] 70:16 72:25 73:22 83:25 107:23
concept [3] 22:19 26:10 106:25	consumers [2] 23:3,3	costs [33] 2:17 11:8,15 11:19 12:15 13:5 18:2 33:20 126:1 135:23,24 136:2,5,6,14,18,20 137:2 137:24 138:2,15 142:7 142:11,13 143:3,5,6 150:15 168:13,18 169:7 169:15 170:7	deal [13] 2:22 8:9 87:9 110:21,24 119:18 120:14 120:21 121:5 122:17 128:17 171:25 191:16	descriptions [2] 70:12 70:15
concern [7] 93:20,23 153:12 155:6 169:24 170:23 181:7	contact [3] 40:3 122:11 194:14	cover [1] 170:13	dealing [2] 119:16 195:23	descriptors [1] 153:4
concerned [3] 14:7 66:24 155:24	contacted [1] 1:17	create [3] 66:11 146:10 149:4	deals [1] 130:15	design [14] 40:12 56:8 73:24 75:1 97:13,18 99:16 105:5,6,8,11,24 106:10 185:5
conclude [1] 189:20	containing [1] 1:19	created [3] 51:24 52:6 172:21	December [2] 42:7 65:4	determine [6] 14:11 33:8 127:8 130:23 134:7 151:7
concluding [1] 197:8	contemplated [1] 31:18	creating [2] 132:2 148:24	decide [2] 28:12 116:7	determining [1] 134:5
conclusion [1] 65:3	context [15] 9:5 11:20 20:10 26:18 51:14 114:16 114:19,20,25 115:12 173:18 185:2,15 186:2,6	credits [1] 16:7	deciding [1] 96:17	develop [6] 80:1 81:20 82:4,8 85:9 149:1
conclusions [2] 69:1,21	continued [5] 61:4 64:18 68:7 101:21 177:10	criteria [2] 57:5 85:17	decision [6] 13:1 115:25 116:7,10,11 186:7	developed [5] 81:16 85:13 91:23 148:6 150:6
conditions [2] 32:21,22	continues [4] 52:20 65:10,14 74:23	critical [1] 2:5	decisions [2] 98:11 126:14	developing [3] 81:24 92:6 123:20
conducting [1] 102:5	contract [4] 3:18,20,23 5:1	CROSS-EXAMINATION [1] 3:3	declare [1] 66:25	development [4] 39:4 64:1 161:24 185:5
Conference [1] 157:20	contractors [1] 177:16	Crown [5] 24:14,18 27:12 33:6,9	decline [3] 20:18 195:4 196:12	dictate [1] 132:17
confidentiality [2] 1:23 2:5	contracts [5] 3:10,12 5:12,19 6:4	cue [1] 20:25	declining [1] 193:9	diesel [1] 15:24
confirm [7] 6:1 38:11 39:12 43:17 44:4 46:24 132:1	contractual [1] 154:12	culture [1] 148:25	dedicate [1] 63:22	difference [6] 24:17 29:1 43:12 175:11 177:18 183:12
confirmed [1] 137:8	contributing [1] 68:16	current [5] 11:1 88:12 133:24 161:13,14	dedicated [4] 78:3,8 107:10 194:14	different [26] 4:14 15:20 60:25 61:19 66:12 67:2 78:10 90:13 94:2 105:20 115:3 116:17 122:2,7,13 146:8,17 149:3,8 159:24 161:15 162:2 177:17 188:8 194:23 195:1
conflict [8] 18:12,21,23 18:24 19:3 110:21,22 116:5	contributors [1] 169:14	curve [1] 12:4	deep [1] 69:19	developing [3] 81:24 92:6 123:20
conflicts [2] 99:19 116:5	control [2] 18:5 34:10	customer [5] 16:13 18:1 18:19 19:5 21:14	default [1] 191:21	development [4] 39:4 64:1 161:24 185:5
confronted [1] 155:12	controllable [2] 137:2 138:2	customers [3] 30:19 31:7 185:8	defaulting [1] 194:8	development [4] 39:4 64:1 161:24 185:5
conjunction [2] 17:5 33:23	controller [1] 127:1	cycle [1] 11:9	defaults [1] 192:24	development [4] 39:4 64:1 161:24 185:5
connection [1] 195:10	conversation [1] 117:9	D-	defer [5] 8:10,18 136:8 138:10,17	development [4] 39:4 64:1 161:24 185:5
consciously [2] 98:12 115:6	coordinated [2] 66:14 66:17	D'Espoir [1] 111:25	deferred [2] 10:10 177:11	development [4] 39:4 64:1 161:24 185:5
conservative [4] 163:1 164:7,15,18	coordinating [4] 53:16 54:9,17 62:8	daily [1] 15:8	deferral [1] 9:4	development [4] 39:4 64:1 161:24 185:5
consider [5] 71:21 82:4 88:20 115:22 116:24	coordination [8] 50:22 52:12 53:3 55:1,14 58:15 64:3 131:17	data [9] 126:11 160:17 160:18,20,20 162:12,13 162:15 163:7	deferring [2] 8:19,24	development [4] 39:4 64:1 161:24 185:5
considerable [3] 66:5 77:22 196:3	coordinator [1] 59:8	date [1] 8:12	deficit [1] 24:16	development [4] 39:4 64:1 161:24 185:5
considerably [1] 40:13	copied [1] 129:13		definition [2] 14:2 97:11	development [4] 39:4 64:1 161:24 185:5
consideration [8] 81:24 117:2 119:11 125:4 156:9 160:6 168:23 174:5	copies [2] 104:15 118:12		degree [1] 48:4	development [4] 39:4 64:1 161:24 185:5
considerations [2] 96:21 117:9	copy [7] 91:12 118:10 129:5,10 154:7,8,11		delegate [1] 36:23	development [4] 39:4 64:1 161:24 185:5
considered [2] 81:14 161:20	core [4] 103:17 104:5 110:16 167:5		deliberate [1] 98:19	development [4] 39:4 64:1 161:24 185:5
considering [2] 86:24 169:10	corporate [22] 75:25 79:23 80:2 81:4,20 82:5 82:8,17 85:13 88:14 93:3 93:12 96:23 97:16 100:23 100:24 107:16 146:5,8 146:12,16 196:7		deliver [4] 12:7 86:19 121:14 145:20	development [4] 39:4 64:1 161:24 185:5
consistency [1] 93:6	corporation [6] 27:12 33:6,9 112:10 114:10 116:14		delivered [1] 1:18	development [4] 39:4 64:1 161:24 185:5
consistent [4] 68:22 69:2 93:9 102:12	correct [41] 4:4 5:5,7 6:8 6:10,22,24 14:9 20:9 24:11 45:12 46:19 47:13		delivery [2] 107:13,20	development [4] 39:4 64:1 161:24 185:5
consistently [1] 187:2			demand [3] 19:10 20:2 20:11	development [4] 39:4 64:1 161:24 185:5
construction [2] 112:8 116:15			demanding [1] 186:19	development [4] 39:4 64:1 161:24 185:5
consultant [8] 52:22 58:20 69:4 152:13,19 154:3,13 155:13			demands [1] 185:4	development [4] 39:4 64:1 161:24 185:5
consultants [9] 10:25			demographic [3] 19:17 20:9 21:3	development [4] 39:4 64:1 161:24 185:5
			demographics [1] 20:13	development [4] 39:4 64:1 161:24 185:5
			department [9] 36:3,3 36:4 131:10,11,14,15 135:4 142:22	development [4] 39:4 64:1 161:24 185:5
			departments [2] 129:12 140:16	development [4] 39:4 64:1 161:24 185:5
			depend [2] 119:21 120:10	development [4] 39:4 64:1 161:24 185:5
			depending [1] 77:21	development [4] 39:4 64:1 161:24 185:5
			depict [1] 90:17	development [4] 39:4 64:1 161:24 185:5
			depreciation [1] 33:2	development [4] 39:4 64:1 161:24 185:5

<p>95:21 discussing [4] 2:1 104:17 123:20 152:23 discussion [12] 19:13 21:11 26:11 29:7 33:23 77:15 106:4,4 117:13 119:11,25 120:7 discussions [12] 14:23 17:3 19:1,12 29:6 74:24 95:2,10 113:2,22 114:3 117:3 distribute [1] 118:11 distributed [2] 118:9 187:15 distribution [2] 22:4,4 dive [1] 69:19 diversifying [2] 93:2 109:23 diversity [2] 86:10 149:11 division [19] 80:24 86:6 89:5 123:7 124:9,17 125:21 126:9 127:13,15 132:24 133:12 134:11 136:19 146:17,18 147:5 170:24 171:2 divisional [4] 123:3 125:12,13 146:11 divisions [2] 134:18 159:16 document [20] 70:19 71:7 81:22 84:24 85:2,4 85:25 86:1,16 87:5 100:4 104:4,21 118:3 129:25 133:6 135:14 136:17 145:25 159:11 documentary [1] 14:25 documentation [2] 157:10 159:4 documented [2] 56:25 195:18 documents [2] 104:16 158:23 doesn't [5] 29:1 66:8 96:10,10 186:6 dollars [2] 33:11 43:1 done [35] 7:18 10:13,15 10:16 11:1,2 12:17 14:11 14:14,19 17:3 42:9 56:3 66:6,19 68:18 80:9 91:15 113:10,17 128:23 134:1 137:11,17 140:18 155:9 155:15 156:25 166:22 169:18,19 170:5 187:6 192:8,14 doubt [1] 102:11 down [34] 11:22 12:9 15:16 23:16 63:1 71:24 72:3,14,21,22,24 75:15 77:8 89:6 99:9,10 100:6 113:11 118:17 137:13 142:4 164:12 166:7 171:17 172:10 174:15,16 175:8 178:14 180:14 182:15 184:23 193:9 197:7 downsize [1] 20:20</p>	<p>downstairs [1] 78:2 dozen [1] 40:2 draft [1] 96:2 drive [1] 23:3 driven [5] 17:16 18:18 32:4 150:25 151:1 driver [2] 149:15 168:23 drivers [2] 92:16 93:14 driving [1] 181:7 drop [1] 178:24 drove [4] 23:9,10,15 190:20 dual [2] 89:18,24 Dumaresque [5] 1:6,10 1:14 6:15 24:3 during [1] 136:1 duties [3] 48:22 50:19 73:2</p> <hr/> <p style="text-align: center;">-E-</p> <hr/> <p>early [13] 23:6,12 49:9 54:3 68:10 98:10 101:20 103:14 105:7 147:12,14 148:23 150:4 earn [2] 165:12,15 earnings [2] 144:4,11 easiest [1] 41:7 easily [1] 30:13 economic [6] 23:18,19 33:14 132:13 142:23 169:22 economically [1] 33:7 economics [1] 21:21 economists [1] 33:8 Ed [2] 60:2 105:25 EDMUND [1] 3:3 educated [1] 148:3 education [1] 45:24 educational [1] 48:2 effective [8] 37:2 74:16 74:18 80:11 102:16 104:9 166:25 168:5 effectively [7] 75:6 79:13,18 93:5 102:22 142:18 178:2 effectiveness [41] 38:16 38:24 39:24 46:14 49:6 50:5,21 51:4,12,17 55:11 55:20,23 56:1,4,6,11,20 58:1,11,21 70:18 72:16 73:2,14 74:1,5,6,14 79:9 83:1,2 84:9 89:2,5 90:2 101:4 102:13,21 146:5 187:25 efficient [5] 22:24,25 23:2,16 168:5 efficiently [2] 142:14 144:23 effort [3] 60:21 65:16 196:14 eight [2] 71:17 77:1 either [9] 13:2 19:5,15 114:9 115:4 118:19</p>	<p>157:25 186:25 196:17 electricity [16] 16:5,8 17:15,16 18:5 20:11 24:5 24:5,9 26:1 52:19 53:24 55:12 65:14 66:4 77:24 electronically [1] 118:9 element [2] 52:16 151:15 elements [3] 3:18 51:12 51:17 elevated [1] 15:8 eligible [1] 127:18 elsewhere [1] 120:9 Emera [3] 30:17 32:11 32:14 Emerg [1] 15:6 emergencies [1] 8:10 emerging [1] 81:10 emissions [2] 16:19 17:9 emphasize [1] 166:13 employ [2] 148:3 184:24 employee [5] 49:23 73:23 131:1 133:22 148:23 employees [12] 8:22 46:21 49:14 89:19 114:8 119:10 130:22 133:14 135:3 143:19 178:19,25 employer [2] 149:2 169:25 enable [2] 93:10 149:5 encountered [1] 196:18 end [17] 11:9 21:15 33:12 57:24 63:2 65:6 161:24 180:8,15 181:17,24 182:23,25 183:6,10 185:8 187:21 energy [3] 17:18 38:17 109:23 engaged [1] 152:12 engagement [3] 73:23 148:23 152:24 engaging [1] 152:18 engine [5] 12:25 13:2,3 13:4,6 engineering [6] 54:21 77:17 112:8 116:15 167:14 193:21 ensure [10] 12:16 18:2 98:16,22,25 101:17 103:20 109:25 148:16 194:13 ensured [1] 93:5 ensuring [8] 3:17 62:3 102:15 104:9 143:11 146:23 157:2 185:20 enter [2] 118:4,10 enterprise [2] 30:14 32:22 entire [1] 110:4 entities [2] 74:7 75:6 entitled [1] 159:12 entity [1] 74:8 envelope [1] 1:18 environment [11] 36:4</p>	<p>38:25 72:8 75:14,24 76:4 82:1 85:16 125:15,17 149:5 environmental [6] 40:16 72:8,23 85:21 90:19 196:6 equal [1] 31:23 equation [2] 18:1 196:11 equity [2] 30:20 170:1 equivalence [2] 170:15 170:24 equivalency [1] 171:19 equivalent [1] 29:20 escalate [2] 132:13 140:17 escalated [1] 144:5 escalating [1] 11:15 escalation [13] 131:5 133:24 135:25 136:21 137:4 138:4 139:7 140:11 158:2,14,16 169:14 170:8 escalations [2] 142:7,8 escape [1] 60:6 especially [4] 2:14,15 11:10 108:23 essentially [2] 10:2 173:13 establish [2] 8:14 54:12 establishing [1] 156:22 estimated [1] 9:25 etc [3] 12:13 21:14,14 ethically [1] 100:10 evaluated [2] 33:4 159:21 event [1] 42:24 events [3] 60:17 63:10 63:17 eventually [4] 66:24 69:23 77:18 104:19 everybody [4] 23:11 42:8 133:3 192:12 everybody's [1] 167:2 evidence [9] 40:6,18,20 94:9 106:19 143:2 147:7 172:12 184:8 evolution [3] 105:24 168:25 193:13 evolve [1] 76:9 evolved [7] 75:2 77:3 78:1 101:22 102:2 105:22 150:8 evolving [1] 93:1 exact [3] 29:22 49:8 99:3 exactly [4] 48:22 82:2 89:6 186:22 EXAMINATION [1] 44:15 examination-in [1] 44:9 EXAMINATION-IN-CHIEF [2] 38:6,8 examined [1] 176:20 example [35] 23:5 28:7 74:22 77:11,20 78:7</p>	<p>79:14 81:6 85:8,16,17 86:2,8,9 87:8 95:3,17 103:11 104:7 111:3,5 113:3 120:3,5 137:6 144:5 145:8 148:19,21 164:5 165:13,16 166:17 166:21 189:5 examples [4] 73:25 77:6 167:16 169:5 exceeded [1] 163:13 exceeding [1] 137:4 exceeds [1] 165:18 excellence [3] 21:13 80:3 147:18 except [2] 25:14 42:20 excerpts [1] 154:18 execute [3] 58:19 108:24 113:13 executed [1] 62:6 executing [3] 52:9 61:19 108:9 execution [11] 59:23 61:22,24 77:19 167:14 167:15,20 175:17 176:4 176:5 177:13 executive [8] 41:2,3 59:16 60:19 61:3 63:17 98:20 196:15 executives [9] 7:13,15 41:16,23 42:4 43:10 44:2 195:16,19 exercised [2] 72:18 73:4 exist [1] 100:19 existing [2] 66:4 96:4 exists [1] 107:13 expansion [1] 106:2 expect [8] 2:20 13:4 122:16 127:21 178:10,18 180:17 182:14 expectation [6] 86:22 155:14 178:24 180:24 181:13 182:18 expectations [6] 57:10 57:17 155:10 173:21,23 174:3 expected [7] 12:6 32:6 37:1 44:1 85:19 86:18 100:8 expecting [4] 20:17 180:14,22 182:11 expects [1] 17:11 expedition [2] 2:23 60:16 experience [13] 38:13 39:14 40:3 85:7 101:1 102:4 104:10 118:21 173:13,19,20 174:2 180:1 expertise [4] 58:17 113:7 114:10 116:22 experts [1] 32:8 explain [5] 51:16 55:22 163:7 179:6 193:10 explained [1] 64:12 exposed [2] 15:8 115:17 expressed [1] 155:5</p>
---	---	--	---	--

<p>extend [1] 9:11 extension [1] 102:7 extent [18] 18:3 41:2 51:7 53:20 58:22 64:22 65:10 69:1 74:21 79:24 92:21 94:17 124:14 150:24 151:13 172:5 185:19 196:2 external [3] 20:14 61:8 152:12 extremely [2] 76:5 98:15 Exxon [1] 32:12 eye [1] 169:8</p> <hr/> <p style="text-align: center;">-F-</p> <p>facilitate [1] 135:10 facilitated [2] 52:10 142:21 facilitating [1] 134:25 facilitation [3] 53:2 55:14 58:15 fact [9] 2:2 8:22 20:4 33:7,20 131:25 164:4 179:14 185:6 factor [8] 56:8 176:19 178:3 180:20 181:20 182:9,12,18 factors [4] 20:11,23 68:16 179:4 failure [1] 31:10 fair [8] 16:21 52:5 53:1 53:15,21 79:2 184:25 187:4 fairly [6] 51:25 69:19,20 85:17 168:18 169:25 fall [1] 132:18 falling [1] 8:23 falls [7] 11:11,16,25 12:6 23:23 53:10 66:2 false [1] 16:12 familiar [5] 55:21 71:8 92:1 104:20 112:5 far [7] 16:25 18:5 43:13 53:5 66:23 164:12 166:25 fashion [1] 32:10 February [1] 65:5 fed [1] 82:3 FEDA [1] 23:19 Federal [1] 36:8 fell [1] 193:25 felt [2] 68:16 148:14 few [4] 13:15 127:17 170:6,13 field [2] 56:23 122:6 fifth [1] 135:21 figure [6] 19:23 173:10 175:3,4 189:14,18 figures [6] 134:20 139:14 150:16 151:22,25 183:23 file [2] 7:8 173:14 filed [8] 41:12,21,25 42:7 42:14 65:5 94:9 111:14 files [1] 64:12</p>	<p>fill [3] 174:6 176:9 196:22 filled [10] 176:7 177:12 177:15 179:9,14,16 181:12,17,21 182:20 final [4] 42:5 96:2,4 135:2 finally [2] 3:21 65:2 finance [17] 36:4 40:13 81:5 124:17 126:25 129:25 132:3 136:8 137:9 138:10,12,17 139:1 176:11,13 185:25 186:11 finding [3] 78:9 168:3 194:4 findings [3] 68:15,22 159:13 finished [3] 3:9 169:16 187:17 first [26] 7:2 9:2 11:18 13:15 41:22 42:1 43:16 45:5,16 48:14 54:10 65:7 88:11 106:1 109:10,18 116:2 123:25 138:22 143:12 168:10 174:18 187:23 188:13 193:14 195:15 fit [3] 97:11 107:1 134:19 five [7] 37:6,16 75:25 83:24 107:12 108:10 146:8 five-year [1] 80:10 fixed [1] 9:24 flawed [1] 21:5 flip [1] 16:5 flock [1] 23:3 flop [1] 16:22 flow [1] 32:6 Flowing [1] 146:9 flows [2] 26:15,16 focus [12] 15:13 16:13 18:8 19:4 60:13 75:23 75:24 86:11 146:11 150:2 153:7,10 focused [5] 15:14 76:15 78:18 84:12 148:12 focuses [1] 96:12 focussed [1] 168:3 focussing [1] 167:4 folks [2] 126:10 145:18 follow [4] 15:17 101:17 129:17 182:16 followed [3] 52:3 106:11 140:14 following [4] 14:16 137:20 180:25 184:25 footnote [5] 6:16 42:17 42:19,24 43:17 forced [5] 24:4,20,25 25:11,18 forecast [19] 43:6,8 44:25 127:9 131:8 135:25 140:1,5 141:22 142:3,5 152:2 158:1,7,24 165:23 170:25 180:4,24 forecasted [2] 127:15</p>	<p>127:22 forecasting [4] 171:1 177:23 182:25 183:7 forecasts [3] 41:24 42:10 173:4 foregoing [1] 198:2 forever [1] 2:21 fork [1] 19:8 form [3] 14:3 16:2 17:7 format [4] 14:19 15:1 61:2 183:21 formalized [1] 52:4 formed [1] 64:3 forth [4] 66:10 77:22 168:19 182:14 Fortis [1] 32:11 fortunately [1] 173:25 forward [16] 2:20 11:21 60:10 64:6 99:18 106:9 108:17 124:24 127:19 128:21 136:25 156:23 158:12 160:5 175:7 178:20 fossil [3] 17:16 18:13,15 found [1] 9:21 four [11] 19:25 41:9 44:20 66:11,15 76:4 86:12 89:3 155:23 175:11 180:2 frame [4] 10:17 39:25 49:15 142:13 framework [6] 3:16,25 4:9 100:3 147:17 185:4 frankly [1] 14:24 free [1] 2:21 fresh [1] 120:7 front [2] 59:5 157:18 fronts [1] 2:18 fruition [2] 15:23 17:14 FTE [9] 40:14 120:2 141:20 151:19 172:13 173:3,4 174:13 182:4 FTE's [1] 125:18 FTEs [24] 87:4 133:15 134:6,12 150:18 151:1 152:2 166:1 173:22 175:14 177:20,25 178:6 178:6,8,8,25 179:7 181:8 181:9,25 182:2 183:6,13 fuel [2] 15:23 18:13 fuels [2] 17:16 18:15 full [8] 48:19 154:25 161:7 182:12 183:3,5,10 189:23 fulltime [3] 170:14,24 171:19 fully [3] 148:6 161:18 195:15 function [3] 76:7 107:16 172:6 functional [21] 36:24 38:21 47:16 51:8 58:16 72:1,2 75:18 76:2 81:5,8 82:2,11,13,14 83:13,19</p>	<p>103:18,22 108:8 167:8 functioning [1] 161:19 funded [1] 177:2 funding [2] 177:7,9 furthermore [1] 162:1 future [6] 12:11 16:18 17:12 32:6 174:3 179:13</p> <hr/> <p style="text-align: center;">-G-</p> <p>gas [11] 13:17,21 17:19 18:7,16 153:5,16,20 191:22,24 192:23 gases [3] 13:17,21,23 gasoline [1] 23:13 gathering [1] 133:22 general [5] 15:2 49:6 115:20 116:4 198:4 generally [10] 15:15 40:9 49:6 57:9,15 115:11 129:13 159:18 193:23 195:25 generation [4] 22:5,7,8 25:16 gentlemen [2] 70:18 184:4 Gerard [4] 38:4,8 39:16 44:14 Germany [1] 20:16 GHG [6] 13:24 14:2 16:6 16:11,25 18:4 GHGs [1] 13:16 given [17] 45:23 59:3 71:4,5 73:5 82:9 106:18 110:10 112:25 129:5,8 130:7 131:6 134:18 155:19 161:8 196:14 giving [2] 111:2 153:3 GLYNN [6] 37:15 91:18 118:2,8 156:7 159:5 go-forward [2] 99:14 101:7 goal [7] 60:14 80:3 81:25 146:16,22,22 147:17 goals [15] 21:13 56:13,21 57:6,7,23 75:25 79:11 80:2 81:12 108:10 145:14 145:22 146:8 196:7 goes [8] 18:5 20:11 63:4 76:4 100:11 124:25 147:11 192:10 gone [4] 105:19 163:13 164:9 175:3 good [15] 3:5,7 28:7 64:10 65:24 87:15 103:20 140:24 148:19 166:21 167:16 169:5,18 187:5 197:6 government [23] 14:17 16:3 22:15 23:20,21 24:10,13,15 25:3,4,5 26:19 34:21 35:2,6,22 35:25 36:2,7,8,12 39:7 177:6 Government's [1] 34:24</p>	<p>GRA [1] 181:1 grade [1] 161:14 grades [5] 160:9 163:18 164:5,21,22 gradual [1] 193:13 gradually [1] 193:9 grand [1] 195:2 Grant [1] 141:6 GRAs [1] 156:15 Gray [7] 6:14 41:18 70:3 70:9 135:17 141:10,15 greater [2] 33:2 138:5 GREENE [14] 3:3,4,8 3:24 4:5,12,19 5:2,8,24 6:11,25 7:7,19 greenhouse [3] 13:17 13:17 15:7 grey [1] 192:3 groceries [1] 24:23 ground [3] 33:10,12,13 grounded [1] 69:23 group [6] 63:19,23 88:15 103:9 157:20 165:7 groups [3] 131:20 161:20 185:7 grow [1] 20:4 growing [1] 109:23 growth [1] 10:21 growth [6] 10:19,23 19:10,12 20:3,12 guaranteed [1] 22:15 guardian [7] 98:6 100:17 101:2,8,20 105:10 109:7 guess [56] 3:1 12:24 31:7 33:3 37:5,23 44:21 45:24 47:15 50:3 55:9,15 57:14 63:15 64:20 68:5 72:6 73:10 74:13 76:8 79:11 82:25 87:12 89:7 91:23 92:13 93:24 95:8 96:3 100:14 103:3 104:17 109:3 113:11 121:1 129:3 131:21 132:6,25 138:21 147:13 151:24 159:12 160:2 161:5 166:17 168:10 174:4,13 176:6 178:21 183:21 187:23 191:2 193:3 195:1 guidance [22] 58:18 81:9 81:22,23 82:9,21 83:3 83:16,20 84:4,8,18,20 85:25 86:1,17,23 98:24 102:14 108:15 126:15 186:23 guide [1] 147:19 guided [1] 106:5 guidelines [8] 85:14 120:13,21 129:1,5 143:23 185:24 187:10 guiding [2] 105:6,11</p> <hr/> <p style="text-align: center;">-H-</p> <p>half [3] 53:8 177:1,12</p>
---	--	--	--	---

<p>hand [5] 17:20,21 18:13 66:25 159:17</p> <p>handful [1] 181:16</p> <p>handing [1] 127:3</p> <p>handle [3] 178:22 190:8 190:11</p> <p>hands-on [1] 194:5</p> <p>happening [3] 15:15 102:25 158:17</p> <p>hard [2] 148:22 155:15</p> <p>harmful [1] 14:12</p> <p>Hay [9] 157:19 160:9,15 160:15 162:11,15 163:18 164:5,11</p> <p>HAYES [1] 31:4</p> <p>head [2] 111:4 159:14</p> <p>headed [1] 10:22</p> <p>heading [1] 47:11</p> <p>health [12] 38:24 72:8 72:22 75:23 78:7 82:1 83:22 85:8 147:20 149:9 194:12,18</p> <p>heard [6] 22:21 26:10 43:24 58:14 167:19 198:5</p> <p>hearing [2] 11:6 198:3</p> <p>heavily [1] 78:24</p> <p>held [2] 39:1 46:17</p> <p>help [4] 53:12 98:25 123:11 135:1</p> <p>helped [1] 23:14</p> <p>helping [2] 51:25 86:6</p> <p>helps [1] 100:23</p> <p>Henderson [37] 3:11 5:18 59:20 62:1 82:3 87:1,5 90:3 106:21 107:3 107:5,24 108:11,13,16 109:12 110:9 117:20,22 122:17 125:7,7,22 126:13 127:4 128:3,12,15 129:20 130:15,18 133:16 170:18 171:18 185:12 186:12,15</p> <p>Henderson's [3] 3:17 110:3 169:10</p> <p>hereby [1] 198:2</p> <p>Hewitt [1] 157:21</p> <p>Hibernia [1] 39:3</p> <p>high [2] 57:2 147:13</p> <p>higher [8] 17:15 42:11 44:2,2 153:15 160:17 162:3 166:10</p> <p>highlight [3] 136:20 137:5 140:12</p> <p>highlighted [3] 136:1 148:1 149:13</p> <p>highly [5] 96:15 143:15 148:3,4 151:16</p> <p>himself [1] 130:15</p> <p>hire [1] 177:8</p> <p>hired [1] 48:25</p> <p>hiring [3] 10:24 119:7 166:9</p> <p>hold [3] 8:3 38:12 39:13</p> <p>hole [5] 33:10,11,13 34:1 34:12</p>	<p>holistic [1] 52:19</p> <p>holistically [1] 124:10</p> <p>Holyrood [6] 11:22 12:1 12:10 15:24 17:21 18:14</p> <p>honest [2] 69:10 111:2</p> <p>hooked [1] 25:24</p> <p>hopefully [1] 179:16</p> <p>hoping [2] 57:11,16</p> <p>hour [1] 1:16</p> <p>hours [16] 42:25 44:1 187:23 188:1,1,18,20,20 188:25 193:2,3,8,9 195:3 195:4 196:20</p> <p>housed [1] 126:12</p> <p>household [1] 30:19</p> <p>HR [23] 4:7,9 6:7 40:4 50:4 51:4 64:19 77:8 80:23 82:9,14 83:1,2 123:7 125:21 127:13,15 128:17,22 130:23 181:15 185:10 194:2</p> <p>HR's [1] 125:13</p> <p>HROE [4] 98:21 102:11 107:8 124:9</p> <p>HRS [1] 39:23</p> <p>human [38] 38:15,22 39:21 40:10 45:2 46:13 48:5 49:1,4,7 50:20 70:17 72:9,19 73:13,21 75:10,21 78:6 85:23 89:1 89:4 90:1 101:3 126:10 131:7 132:10 142:21 145:23,25 146:4,21 147:15 149:13 151:24 152:8 187:24 194:13</p> <p>Humphries [2] 59:24 62:10</p> <p>hundred [1] 161:21</p> <p>hydro [194] 5:10,11,13 5:16 7:1,2,8,16 8:16 11:6 12:12 16:4 21:12,15,24 22:17 23:23 24:11,14 25:4,6,12,19 26:4,15 29:7,11 30:22,22 31:8 32:10 33:16,24 36:13 37:8,21 38:19,22 46:5,8 46:17,22 47:5 48:13,17 49:14 54:6 59:21 62:2 62:10 64:8,15 68:10 69:12,15 74:8 75:1 77:24 78:4,8,13 79:1,13,18 80:4 81:19 82:22 85:6 85:15 86:2 88:4,9,14,17 88:22 89:7,13,14,19 90:3 90:9,18,19,20 92:21,23 93:8,11,17 94:12,17,18 94:24 95:4,4 98:17 100:20 101:9 102:5,9,22 103:16 104:14 106:20 107:7,9,10 108:6,12 109:12 110:2,12,17,24 112:21 113:2,6,10,15,19 114:11,21,22 115:3,21 115:22,23 116:6,8,16,21 119:4,18 121:1,12,24 123:5,12,17 124:1,9,10 124:18,23 127:1,7 128:23 130:14 142:14 143:2,20</p>	<p>144:20 145:2,11 147:13 152:11 155:8,12,15 156:1 156:9 159:15 166:20 169:2 174:12 177:5,25 185:14,19 186:4 189:1,8 189:11,24 190:4,21,22 191:1,3,11,12,15 192:4 192:8,10,18,23 193:16 194:7,15 195:17,21 196:1 196:8</p> <p>Hydro's [12] 24:14 33:15 33:15 109:4 111:12 113:7 116:16,24 166:5 167:2 196:14 198:4</p> <p>hypothetical [1] 119:20</p> <hr/> <p style="text-align: center;">-I-</p> <hr/> <p>IC-NLH [1] 172:9</p> <p>idea [6] 48:22 79:8 117:11 150:22 180:3 186:18</p> <p>identified [9] 41:23 68:24 69:2,3 78:7 86:20 161:13 162:9,16</p> <p>identifies [1] 41:16</p> <p>identify [6] 66:17 68:23 103:17 137:1,19 167:9</p> <p>identifying [2] 124:19 161:17</p> <p>imagine [1] 124:16</p> <p>immediate [3] 60:14 179:12,13</p> <p>immediately [2] 162:23 163:6</p> <p>impact [5] 66:8 118:22 118:24 119:2 121:3</p> <p>impacting [2] 17:1 35:15</p> <p>impacts [3] 119:9 120:15 121:4</p> <p>implement [1] 163:10</p> <p>implementation [1] 193:25</p> <p>implemented [2] 164:24 165:2</p> <p>important [10] 43:5 80:7 81:11 98:16 103:13 148:1 148:11 149:17,25 181:5</p> <p>impose [1] 18:4</p> <p>imposed [4] 15:19 16:2 24:13,18</p> <p>imposition [1] 25:8</p> <p>improve [2] 16:8 120:3</p> <p>improvement [5] 68:23 69:14 73:24 167:10,23</p> <p>improvements [3] 23:8 56:25 167:25</p> <p>in-depth [1] 68:14</p> <p>inability [1] 121:14</p> <p>incentive [2] 164:10,13</p> <p>incentives [2] 5:4 165:11</p> <p>include [3] 80:8 131:16 172:17</p> <p>included [11] 6:19 14:2 43:4 44:3 78:4 80:4 88:19 103:16 194:7</p>	<p>195:21 196:2</p> <p>includes [1] 172:12</p> <p>including [3] 36:12 102:22 185:8</p> <p>inclusion [2] 86:10 149:11</p> <p>increase [11] 12:25 16:14 132:19 136:3 141:25 142:2 152:2 156:2 166:2 178:5 179:8</p> <p>increased [3] 11:7 144:10,15</p> <p>increases [6] 145:9 165:24 166:1 170:17,23 171:1</p> <p>increasing [8] 8:22 11:12,19,24 12:15 18:19 137:6 178:9</p> <p>incremental [2] 51:23 52:9</p> <p>indicate [5] 7:14 35:15 43:9,19 156:13</p> <p>indicated [19] 17:25 41:25 43:22 44:6 50:2 68:15 71:25 78:5 93:16 97:15 101:5 114:7,12 121:2 155:5 173:15 174:11 182:10 191:2</p> <p>indicates [7] 27:13 42:2 43:14 109:21 114:6 143:2 190:12</p> <p>indicating [3] 2:11 43:6 143:4</p> <p>indication [7] 16:17 20:3 79:12 88:8 144:21 177:22 196:13</p> <p>indicators [2] 83:9 173:17</p> <p>indirectly [1] 95:1</p> <p>individual [9] 28:10 63:6 100:19,22 119:16 131:9 150:21 155:21 185:12</p> <p>individuals [15] 28:11 47:5 94:16 118:23 125:21 127:21 143:16 146:15 147:8 152:1,9,11 153:13 157:14 190:10</p> <p>Industrial [1] 48:10</p> <p>industry [4] 14:24 40:4 55:13 143:21</p> <p>inflation [7] 138:14 144:3,8,16 166:3 169:7 169:15</p> <p>inflationary [3] 138:15 143:4,6</p> <p>information [22] 1:21 2:7 6:12,18 7:11 14:22 16:24 17:13 21:4,8 49:4 100:25 118:5,11 126:11 133:22 134:18 155:6 156:14,16 157:2 180:7</p> <p>infrastructure [1] 20:20</p> <p>infusion [1] 173:22</p> <p>inherent [3] 99:22,23 101:14</p>	<p>initial [4] 28:1,8,15 29:8</p> <p>initiate [1] 60:15</p> <p>initiated [1] 52:2</p> <p>initiative [2] 25:4,6</p> <p>initiatives [4] 80:6 86:5 86:20 146:7</p> <p>injuries [2] 85:10,11</p> <p>input [4] 105:8 151:9,11 160:3</p> <p>inputting [1] 188:16</p> <p>inquiry [8] 51:22 52:2 52:25 62:15 64:11,24 65:11 190:23</p> <p>inside [51] 9:22 64:2 68:15 75:7 78:1,6 79:21 80:23 85:15 86:7,14,15 86:19,25 90:8,9,18,19 90:20 98:17 102:23 107:9 108:10 113:15 124:10 126:9 127:7 131:2,20 137:2 138:3 142:25 143:13,16 145:2 146:4 147:2 149:3 153:3 157:3 167:5,14 171:11 175:17 176:5 184:20 189:21 193:20 194:2,10 196:4</p> <p>instance [5] 109:10 110:20 114:14 143:12 163:16</p> <p>instances [1] 163:12</p> <p>instead [2] 139:8 162:25</p> <p>instructions [19] 129:17 130:25 131:4,21 135:22 136:9 137:1 138:21,23 139:2,5 140:15 142:6,9 142:20,24 153:1 185:23 192:2</p> <p>integrate [1] 53:14</p> <p>integrated [6] 25:25 61:17 62:4 66:14 69:8 81:15</p> <p>integration [3] 53:9 65:25 66:2</p> <p>intended [3] 43:9,21 44:4</p> <p>intent [2] 11:21 157:6</p> <p>intention [1] 52:18</p> <p>interact [4] 36:2,12 74:7 74:17</p> <p>interacting [2] 74:19 102:23</p> <p>Interconnect [1] 70:8</p> <p>Interconnected [1] 62:23</p> <p>interconnection [1] 66:19</p> <p>interest [3] 15:22 110:16 116:8</p> <p>interested [3] 89:7 155:20,21</p> <p>interesting [2] 19:17 162:6</p> <p>interests [9] 19:11 101:9 109:4,5,22 110:1,23 115:23 116:25</p> <p>interface [3] 52:21,23</p>
---	--	---	--	--

<p>62:7 interim [2] 11:13 61:10 internal [8] 52:7 58:20 60:17 61:6 90:16,25 91:13 109:19 internalize [1] 163:8 internally [1] 104:16 interpret [1] 163:8 interpretation [2] 6:22 6:24 introduce [1] 12:18 investigated [1] 43:15 investigation [9] 50:23 52:7 59:2,6,7 60:17 61:6 68:13 69:19 investigations [1] 54:5 investments [3] 33:6,15 33:17 involve [2] 55:14 65:19 involved [50] 3:15 4:1 4:18 17:18,22 35:23 51:25 53:1,5,21,25 54:3 55:12 56:23 59:4,14,19 60:24 65:2 74:23 75:2 77:13,14,23 78:24 80:16 80:21 81:7 92:6 94:23 95:6,10,17,19 113:1,22 114:2 117:3,12 119:16 121:13,23 132:6 150:4 151:19 152:18 169:9 190:19 191:15 194:5 involvement [11] 3:11 3:25 4:20 67:23 68:5,7 111:22 123:1,25 172:2 185:15 involving [1] 60:6 ironed [1] 176:11 island [3] 25:21 62:22 70:8 issue [8] 1:25 2:9,18 69:13 96:11 120:1 121:25 170:1 issued [1] 185:24 issues [12] 2:22 20:6 62:23 68:9 75:11 81:10 82:23 108:18 121:13 195:8 196:6,18 item [1] 107:11 items [1] 62:5 iterations [1] 124:25 itself [5] 74:16 105:11 114:6 128:1 176:11 Ivy [1] 48:9</p> <hr/> <p style="text-align: center;">-J-</p> <hr/> <p>January [6] 38:21 51:24 54:7 60:10 67:22 68:6 Jenny [2] 41:11 63:2 job [32] 2:14 35:12 36:16 36:18 37:1,1 70:12,15 70:16 71:10 72:25 83:11 83:25 107:23 112:22 113:7 119:6 148:5 151:11 161:13,18,20,24 162:3,9 162:14,21,24 163:2,20</p>	<p>163:23 171:20 jobs [1] 162:20 John [1] 59:22 John's [2] 198:7,10 joined [2] 38:20 39:20 joint [1] 151:23 judgment [1] 9:12 Judy [2] 198:2,12 July [1] 180:8 jump [3] 87:13 175:21 175:24 June [18] 38:18 39:17 42:15 50:9,14,18 51:5 51:11 52:4 60:23 61:5 76:20,22 78:23 141:7,8 141:11,13 justified [2] 169:23 170:11 justify [1] 8:14</p> <hr/> <p style="text-align: center;">-K-</p> <hr/> <p>keep [11] 15:14 63:1 90:21 138:14 143:3,5 148:17 149:6 160:21 169:8 188:14 keeping [1] 166:6 keeps [1] 37:13 kept [3] 23:7 47:10 162:13 kerosene [1] 23:7 key [19] 68:14 71:9 72:4 72:16 75:23,24 76:8 83:8 86:5 92:16 93:13 97:18 99:13,16 100:16 110:10 148:13 169:13 194:2 kicks [1] 12:8 Kieley [1] 63:25 kind [17] 15:3 19:10 54:6 57:7 85:24 87:4 100:18 102:7 115:10 125:19 133:15 148:25 150:19 153:17 156:14 166:7 186:22 kinds [1] 101:25 knew [3] 60:18 68:20 190:16 knowledge [6] 14:20,21 15:2 31:20 43:7 114:13 known [2] 132:5 143:24 knows [1] 42:8</p> <hr/> <p style="text-align: center;">-L-</p> <hr/> <p>L [4] 92:21,24 102:6 169:2 label [1] 63:11 labour [15] 38:23 40:1 48:6 49:11,13 72:10,19 73:22 75:11,22 85:23 136:6 143:5,24 166:7 Labrador [39] 20:22 33:24 36:13 46:8 48:17 53:10 75:1 78:13,25 81:19 82:22 93:8 98:17 100:20 104:14 107:7,9</p>	<p>108:6,12 110:2,12,17 111:12 112:21 116:13 123:17 143:19 147:13 156:1 166:20 177:5 189:1 189:8,10 194:7,15 198:4 198:7,10 Labrador-Island [1] 11:25 lack [1] 2:12 lady [1] 24:4 laid [1] 68:24 large [2] 11:23 185:7 largely [2] 181:6 193:24 larger [1] 10:6 largest [3] 78:13 112:16 195:22 last [28] 38:18 39:17 42:8 44:18 51:11,21 53:5 63:8 63:9 66:10 74:10 76:20 76:22 86:12 105:20 126:23 130:2,7,10,11 140:6 144:15 147:9 159:11 169:19 175:10 179:22 190:19 late [5] 23:5 49:9 53:5 68:10 152:12 laterally [1] 52:12 latest [1] 79:4 latter [2] 50:25 169:4 lawyers [2] 37:23,24 lead [4] 17:15 32:23 36:25 53:17 leader [1] 109:11 leaders [5] 4:22 101:15 101:16 103:4,5 leadership [37] 48:9 58:8 62:11 85:21 88:9 88:21,22 99:21,22,24 100:4 101:14 103:8,9,10 104:18 105:9,9 106:13 109:2,6 110:4,4,7,21,25 113:24 116:23,23 184:7 192:17,21 195:3,5,7,22 196:4 leading [4] 53:17 77:1 79:3 175:13 learn [1] 148:5 least [4] 79:16 91:10 113:19 160:13 leave [1] 186:18 leaves [3] 172:18,23 173:23 leaving [1] 182:13 led [1] 52:10 legal [2] 2:19 66:21 legging [1] 162:17 less [4] 57:13 61:2 101:23 136:4 lessening [1] 196:13 letter [1] 141:14 level [24] 19:16 43:2 57:2 65:16 85:13 87:10 95:13 97:16 100:23,24 104:18 113:24 121:11 123:1 124:23 138:15 147:14</p>	<p>159:24 162:15 164:11 178:22 179:17 181:9 182:17 levels [11] 15:7,8 142:12 143:4,6 144:22,22 151:9 151:9 160:16 163:18 leverage [1] 96:13 leveraging [2] 96:14 97:2 LIAM [1] 44:15 Liberty [2] 69:13,22 Liberty's [1] 65:4 life [1] 11:9 likely [2] 16:18 182:5 limit [2] 74:3 75:21 limited [5] 10:12 39:4 65:10 96:16 148:18 limiting [1] 11:18 line [36] 6:7 74:15 78:14 78:17 80:17,18 82:7 86:1 86:25 87:13 88:2 90:8 96:13 99:12 101:16 103:4 108:10 109:11,15,20 110:11 111:11,25 115:24 118:20 141:24 145:2,10 146:7 168:20 174:18 186:3 187:5 192:14 195:22,25 lines [49] 12:12 22:9 47:16,21 51:10 57:22 58:19 72:3 76:14 78:3 78:11 79:25 80:4 81:9 81:16,18,23 83:16 84:13 85:5,18 86:17 90:7 91:25 93:12 98:18,24 102:8,21 103:15,23 107:14 108:22 108:25 109:5 110:23 118:15 146:4,9 153:2,13 153:16 185:11 191:15,20 194:6 195:21 196:1,15 link [4] 12:1 53:10,11 66:3 linked [1] 76:1 lion's [1] 22:6 list [8] 9:23 10:5 42:4 44:3 46:24 121:3 149:11 157:18 listed [1] 62:16 literally [1] 181:16 living [1] 32:8 load [2] 192:9 194:16 locked [1] 137:12 logic [1] 4:17 longer [4] 53:24 86:13 180:18,19 look [64] 18:20,21 20:1 26:24 36:7,10 53:23 57:5 57:23,24 71:24 74:5,15 74:17 79:14,17 88:7,10 99:6,8 100:22 102:19 105:7,11 111:11 116:6 118:14,15 126:2,3,3,10 126:19 128:25 136:18 138:14 140:11 141:18,23 141:24 144:11 145:7 150:25 152:13 153:19 154:17 156:19 160:2</p>	<p>162:14 163:18 167:6 173:1 174:9 180:1 182:4 182:11 185:10 186:12,13 187:21 193:8 194:25 195:2 196:12 looked [5] 9:22 120:19 162:5 167:11 170:15 looking [21] 13:24 56:20 56:21 57:14 59:6 75:4 83:8 114:11 120:2 121:4 121:4 125:20 138:2 140:17 141:19 153:2,4 173:2 175:7,9 178:16 looks [1] 158:2 losing [1] 19:24 lost [1] 85:10 Lots [1] 195:19 low [1] 174:1 lower [14] 12:7 65:23 112:10 113:3 114:9 115:4 116:13 159:15 160:13 161:24 163:18,21 164:25 179:16 lowering [1] 23:7 lowest [1] 18:3 luxury [1] 35:11</p> <hr/> <p style="text-align: center;">-M-</p> <hr/> <p>M [3] 136:5 137:23 143:3 MacIsaac [3] 59:22 117:18,20 mad [1] 23:12 main [8] 51:20 52:21,23 60:13,21 172:24 173:17 187:7 maintained [3] 136:3 142:11 144:23 maintaining [5] 11:8 12:23,25 142:7,9 maintenance [20] 8:20 8:24 9:3,6,8,10,13,15,20 10:1,8,10 12:4,7,17 13:5 19:15 113:15 137:3 138:3 major [4] 31:10 68:16 86:11 170:7 majority [1] 107:8 makes [1] 101:13 makeup [2] 13:24 14:3 malinvestment [1] 33:8 manage [5] 178:1 179:8 184:15,18,21 managed [4] 126:25 142:14,18 182:15 management [20] 6:5 39:3,23 49:4 72:19 77:11 85:24 88:18 112:8,9,10 116:14,15,16 129:6 134:24 151:13 167:12,25 193:19 manager [8] 39:21 49:1 72:23 73:13,21 95:18 193:16 194:18 managerial [1] 72:21 managers [12] 89:20,22 89:24 119:4,17 121:10</p>
--	--	--	--	---

<p>122:11 125:1 129:11 165:4 194:8,21 manages [1] 165:5 mandate [3] 54:12 102:12 145:20 manner [2] 2:23 93:3 manpower [1] 112:22 manufacturer [1] 10:3 margins [1] 143:22 Maritime [1] 53:11 marked [1] 175:11 marker [1] 138:18 market [22] 25:25 27:17 28:12,13 29:20,24 30:2 30:4,11 31:10,13,23 32:2 32:13,22,24 33:1 143:24 159:18 160:17 162:18 169:23 marketplace [4] 23:1 24:21 33:5 157:6 markets [2] 21:22 157:3 Martin [83] 3:2,3,5,6,14 4:3,8,16,24 5:6 6:9,23 7:3,5,20 8:7 9:1 11:5,17 13:15,18,22 14:8,13,18 15:10 16:23 17:23 18:17 20:8 21:2,15,17,23 22:2 22:20 23:24 24:12 25:1 25:13,20 26:3,7,13,23 27:2,6,19,23 28:5,19,25 29:12,21 30:12,24 31:12 31:19,24 33:21 34:6,11 34:19,25 35:7,24 36:17 36:21 43:25 60:2 71:19 79:23 93:16 97:15 99:7 105:25 106:18 114:7 145:22 149:19 166:23 167:19 184:11 Martin's [2] 8:2 165:25 Masters [1] 48:6 matched [1] 3:22 math [1] 177:19 matrix [22] 88:16 92:1 97:18 98:6 100:17,18 101:10 102:24 105:10 120:20 132:12,16,24,25 133:3,9,10,13 134:16,17 134:19 137:17 matter [3] 2:1 9:12 198:3 matters [6] 1:5 40:10 64:10 150:1 181:4 195:24 maximize [4] 18:7,9,22 19:4 maximum [1] 164:2 maximums [1] 161:14 may [18] 15:20 29:4 30:2 40:15,15 79:23 87:24 93:17 120:5 159:20 165:9 171:5 173:14 185:7,22 187:21 192:24 195:18 McDonald [223] 38:4,8 38:11,14 40:6,8,21 41:6 41:20 44:14,22 45:6,11 45:15,23 46:2,7,12,18 46:23 47:7,12,18,22 49:18 50:19,24 51:6,19 54:8,16,23 55:2,8,24</p>	<p>56:14,22 57:8 58:2,6,12 59:1,9,13 60:12 61:1,14 61:25 62:19,25 63:7,16 64:9,21 65:21 67:8,12 67:22 68:1,11 69:7,16 70:24 71:13,18 73:7 74:9 74:20 75:16 76:18,25 78:21 79:6,19 80:22 81:2 82:10,15,20 83:5,12,21 84:1,5,10,16,23 85:3 86:3 87:7 88:23 89:10 89:15,21 90:4,15 91:3,7 92:3,8,12,18 93:22 94:6 94:13,20,25 95:16 96:5 96:7,19 97:3,8,21 98:2,9 101:11 103:1 104:22 105:1,13,17 106:12,22 107:4 108:2,7,19 109:9 110:6 111:1,15,19,24 112:4,13,18,23 113:9,20 114:1,15,24 116:1,9,18 117:1,7,14,19,23 119:12 119:19 120:16,23 121:7 121:19 122:1,10,19 123:2 123:9,15 147:10 149:23 150:7,23 151:5 152:5,15 152:20 164:17 166:11 168:14 169:11 170:19 171:21 172:4,14,20 173:7 173:12 174:11,19,24 175:5,23 176:2,17 178:5 178:11,15 179:1,23 180:6 180:11,16 181:2 182:1,7 183:2,8,17,24 184:17 185:18 186:8,14,21 187:13 188:21 190:1,5 190:13 191:6 192:5,19 193:4,5,12 195:9,13 196:23 mean [42] 15:7 17:19 19:14,19 22:16 26:10 27:17 28:4 33:9 35:4,9 54:20 55:20 57:13 58:16 62:1 74:21 77:20 79:21 83:13 95:1,19 102:1 103:4 110:8 111:3 115:2 128:6 150:8 151:6 161:2 169:13 170:25 172:5 176:8 178:20 179:2 186:20 187:15 189:16,17 190:14 means [3] 55:23 186:22 198:8 meant [2] 43:19 44:5 measurable [1] 57:12 measure [5] 56:17 57:25 79:10 166:12 168:2 measured [1] 80:13 measures [6] 4:1 5:14 5:16 80:9 85:9 166:8 measuring [1] 56:19 mechanical [1] 66:25 meet [2] 85:19 151:7 meeting [4] 56:13 80:7 122:5 180:19 meetings [3] 192:17,21 195:23 megaprojects [1] 65:22 members [1] 196:4</p>	<p>Memorial [1] 39:2 memory [4] 59:19 60:3 171:4 176:18 mention [2] 100:16,18 mentioned [11] 12:3 13:16 65:12 84:21 107:18 109:3 145:24 166:23 179:5 189:5 194:9 mentions [1] 96:2 Mercer [3] 154:20 155:5 155:16 Mercer's [3] 154:2 160:25 163:14 merit [3] 132:14 142:24 151:15 met [7] 52:14 57:7,23,25 78:12 99:18 109:15 method [1] 168:20 methodologies [1] 184:24 methodology [6] 30:8 168:17 184:11 185:3,7 186:19 Michael [3] 38:3,6 44:14 mid [6] 161:17,25 162:2 162:8 163:20 183:22 mid-point [1] 164:8 middle [2] 9:19 159:16 might [17] 30:6 33:9 58:25 72:12 87:15 99:9 114:8 119:23 124:13 126:7,12 127:21,23 141:13 149:20 153:14 174:10 Mike [13] 51:1 74:23 122:4,12 123:11 147:25 148:8,15,18 190:15 193:15 194:8,17 Mike's [2] 51:3 192:20 millions [1] 33:11 mind [7] 14:3 15:14 17:2 96:17 97:1 110:18 140:12 mine [2] 54:17 107:17 minute [1] 169:16 minutes [2] 37:6,16 missed [1] 116:2 missing [1] 72:7 Mobil [1] 32:12 mobilized [3] 52:6,7 53:11 model [13] 92:1,20 98:6 102:1,17 104:10 105:10 166:19 167:14 168:11 169:1 184:3,14 models [1] 120:20 moderate [1] 182:15 moment [6] 42:17 60:7 63:19 176:14 179:3 183:9 monetary [3] 146:25 147:1 148:9 money [2] 29:17 34:9 monitor [1] 158:17 monitored [3] 36:10 80:13 119:3</p>	<p>monitoring [1] 158:15 monopolies [1] 22:23 monopoly [9] 21:16,20 22:12,18,24,25,25 23:17 23:18 month [3] 24:7,8,9 morning [7] 1:16,19 2:19 3:5,7 107:18 189:6 Moss [2] 198:2,12 most [15] 2:22 10:9,12 12:14 21:18 22:11 56:23 64:14 69:12 95:4 100:24 122:16 124:4 145:5 182:11 mostly [1] 75:13 move [5] 42:5 96:11 118:3,17 132:20 moved [7] 95:18 97:5,9 101:22 115:3 175:14 194:10 moving [2] 53:9 103:14 Ms [15] 6:14 7:24 37:15 41:18 70:3,9 91:18 118:2 118:8 135:17 141:10,15 156:7,12 159:5 multi-year [1] 86:21 multifaceted [1] 148:7 multiple [2] 95:6 153:2 musing [1] 17:6 Muskrat [6] 11:11,16 11:25 12:6 53:10 66:2</p> <hr/> <p style="text-align: center;">-N-</p> <p>Nalcor [50] 7:13,15 17:18 26:16,16 38:17,20 45:25 46:6,22 47:1,6,11 48:14 49:15,22 51:9 54:6 72:3 74:6 76:3 88:4,15 88:17,18 89:8,20 91:23 91:25 93:1 94:11,24 95:7 95:7,19 100:21 107:20 109:21 110:24 123:12 152:23 153:3,6 159:20 159:25 166:20 191:19,21 192:17,25 Nalcor's [5] 47:16 52:21 57:22 76:14 109:5 Nalcor/Newfoundland [1] 21:12 name [1] 154:2 narrow [1] 37:13 national [3] 160:13,17 162:12 Natural [1] 36:3 naturally [1] 163:3 nature [3] 4:25 9:15 57:14 necessarily [6] 10:16 84:11 146:14 155:20 163:17 180:17 necessary [3] 98:24 119:5 123:11 necessitated [1] 171:12 need [18] 35:22 53:23 66:18 101:23 109:24</p>	<p>118:4 124:22 125:4 134:8 143:13 145:1,19,19 159:22,22,23 170:4 171:12 needed [8] 10:11 119:11 119:11 120:9 127:14 176:13 179:11,15 needs [8] 78:11,22 84:12 109:14 121:12 124:20 151:8 171:18 negative [3] 119:2,9 121:2 negotiator [2] 79:2 189:7 net [1] 141:20 never [2] 19:11 46:16 new [18] 12:6,22 13:2,6 51:21,23 53:9 66:2 87:13 115:9 151:1 173:22 174:4 175:19 177:25 181:8,9 181:17 newer [1] 12:2 Newfoundland [55] 16:25 20:21,22 21:15 22:7,17 23:22 25:7,11 31:1 32:11 33:24,25 36:13 37:7 42:22 46:8 48:16 75:1 78:13,25 81:19 82:22 93:8 98:17 100:20 104:14 107:7,9 108:6,12 110:2,11,17 111:12 112:21 123:17 143:19 145:6,11,12 147:12 155:19 156:1,17 166:20 177:5 188:25 189:7,10 194:6,15 198:4 198:7,10 next [18] 20:19 37:21 38:1 42:7 44:12 63:5 67:3 72:17,25 100:2 118:18,18 121:11 125:6 160:8 181:1 182:16 185:1 nexus [1] 196:17 nimble [1] 63:22 nine [3] 176:25 177:8,12 NLH-138 [1] 88:6 non [1] 146:25 non-compensation [1] 148:11 non-Hydro [1] 7:12 non-monetary [2] 148:11,21 non-union [12] 132:10 133:4,6 137:15 142:25 148:20 153:11 154:20 157:14 158:16,24 162:19 non-unionized [2] 133:1 152:10 non-winter [1] 10:10 normal [4] 10:14,18,24 34:13 normalize [1] 177:20 normalized [1] 176:24 North [1] 25:25 notably [1] 145:6 note [7] 3:1 43:5 91:19</p>
---	--	---	---	---

<p>100:13 152:11 159:6,17 noted [1] 43:2 nothing [3] 31:22 72:7 111:3 notice [3] 30:17 35:19 121:6 noticed [1] 96:6 Nova [1] 32:12 November [2] 41:12 42:2 now [39] 2:14 3:2 17:1 27:8 29:6,11,13 34:9 37:21 40:24 42:5,13 49:22 51:18 53:8 60:2 68:7 71:16 74:23 86:8 98:11 101:5 114:21 116:5 122:4 130:20 139:5,7,14 154:8 159:10 163:23 176:18 180:5,7 182:25 188:13 196:20 197:6 NP-NLH-058 [1] 118:14 NP-NLH-229 [1] 70:1 NP-NLH-310 [1] 174:9 null [1] 83:14 number [35] 6:1,12,16 7:11 11:5 13:16 30:5 43:17,21 44:4,6 51:23 53:12 62:16 80:3 96:11 107:12 114:8 125:18 127:3,4 134:5 143:10 145:24 150:19,21 151:18 152:1 159:19 167:24 170:22 175:12,19 181:8 192:13 numbers [14] 42:2,12 42:16 43:10,14,18,19,20 44:24 45:16 150:25,25 164:8 196:12 nutshell [1] 55:25</p>	<p>108:14 109:1,16 110:19 111:7,17,21 112:2,6,15 112:20 113:5,16,23 114:5 114:18 115:19 116:3,12 116:20 117:5,10,16,21 117:25 118:3,6,13 119:14 120:12,18,25 121:17,22 122:8,15,21 123:6,13,22 124:5,12 125:11,16,25 126:17 127:2,11,24 128:8 128:16,24 129:16,23 130:6,12,19 131:12 132:7 132:22 133:5,11 134:2,9 134:15 135:6,11,19 136:10,16 137:21 138:6 138:11,19 139:3,11,17 139:21 140:3,10,21,25 141:5,12,17 143:1 144:7 144:13,19 145:21 146:13 147:4 149:21 150:3,11 151:3,21 152:7,17,22 153:9,21,25 154:6,16,24 155:17 156:20 157:9 158:4,21 159:8 160:23 161:4 163:11 165:1,22 168:8 169:3 170:12,21 171:7,15,23 172:8,16,25 173:9 174:8,21 175:1,20 175:25 176:15 178:4,13 178:17 179:21,25 180:9 180:13,21 181:22 182:3 182:22 183:4,14,19 184:1 184:22 186:1,10,17 187:9 187:18 188:5,12,17 189:2 189:12,25 190:7,25 191:8 191:13,25 192:16 193:1 193:7 194:24 195:11 196:19 197:2</p>	<p>173:4 184:5 194:1 196:21 offer [2] 30:6 35:14 offered [2] 32:13 79:6 offering [5] 28:1,8,15 29:8 35:11 Office [1] 159:14 offices [1] 66:16 oftentimes [1] 30:3 oil [12] 17:19 18:7,16 19:1 19:20 23:5 153:5,16,19 191:22,24 192:23 old [3] 11:7 12:14 24:4 older [1] 12:22 once [6] 4:9 12:18 106:9 115:8 119:21 163:2 one [85] 6:16 8:7 11:4 13:21 15:21 17:20 18:1 18:13 19:16 20:12 26:12 26:14 28:10 29:7 35:21 37:22,23 41:22 42:7 46:21 47:4 49:13 54:10 65:1,4 67:6,7,9 70:8 72:12,14 76:4,13 78:5 78:17 86:9 90:14 95:23 96:5,12,21 99:1 100:13 100:14,16 103:13 107:17 110:23 111:6 112:16 113:21 117:8 118:25 119:22,23 122:17 123:11 123:12,16,16 131:21 133:6,9 135:15,18,20 136:8 141:8 147:14 148:13,21 159:9 162:5 162:17 163:16 166:17 169:13 171:5 173:16 175:16 184:4,9 195:16 196:15,21 ones [3] 7:13 69:3 172:24 ongoing [9] 14:21 61:16 65:11 80:13 101:7 113:14 181:13 185:9 194:1 Ontario [1] 29:6 onto [1] 149:14 opened [1] 9:20 operate [2] 25:22 184:18 operated [1] 27:25 operating [11] 9:7,11 79:13,16,18 122:24 124:1 124:21 169:6,15 170:17 operation [3] 33:15 170:5 171:16 operational [1] 36:24 operations [38] 53:7,14 53:24 58:19 59:25 64:2 65:17,20 66:13,23 68:2 68:19 80:3,7 81:13 82:23 83:4 90:20 103:24 113:15 121:9 126:8,13 127:6 128:3 129:6 134:6 135:1 137:3 138:3 151:6,24,25 167:8 181:13,14 182:21 193:20 operators [1] 10:3 opinion [5] 35:17 68:8 68:17,21 112:24 opportunities [7] 115:16 120:3 166:15</p>	<p>167:6,9 168:3,4 opportunity [5] 76:17 94:1 165:19 167:9,17 opposed [3] 23:17 109:6 163:6 optimization [1] 119:1 optimum [1] 168:21 orange [1] 89:8 order [12] 1:7,11,15 3:1 57:25 143:17 145:20 147:8 148:15 156:1 183:22 192:12 organization [35] 39:20 40:12 56:2,5,12,16 58:7 64:2 76:13 86:7,14 97:19 99:16 101:16,19 102:15 103:6,21 104:6,8 105:6 106:1 107:6 113:14 143:14 148:24 151:17 164:13 167:1 168:6,22 171:12 185:21 186:24 196:5 organization's [1] 58:1 organizational [61] 38:16,23 39:24 40:12 46:14 49:5 50:4,21 51:4 51:12,17 53:1,21 55:10 55:19,23 56:6,7,8,20 57:1 58:10,21 70:17 72:15 73:2,14,23 74:1,4 74:5,14,25 75:7 77:4 79:9 83:1,2 84:9 88:3,13 88:16 89:2,5 90:2,6,13 90:16 91:24 92:7 100:2 101:4 102:13,20 104:18 105:5,18 106:9 146:5 167:13 187:25 organizationally [1] 110:15 organizations [3] 39:2 55:15 90:9 organize [4] 75:5 86:19 106:6 194:19 organized [3] 52:1 54:11 109:22 orientation [2] 71:12 73:6 original [2] 41:11,21 originally [2] 43:22 44:6 otherwise [2] 52:14 110:15 ours [2] 60:14 169:12 ourselves [14] 20:13 63:21 68:25 75:5 92:20 98:13 106:6 110:8,13 143:18 167:18 168:4 169:5 194:19 outage [10] 50:23 51:22 52:25 54:4 59:2 60:17 62:15 64:11,24 65:11 outages [1] 62:24 outcome [1] 167:20 outcomes [4] 5:15,19 56:24 57:19 outline [1] 72:5 outlined [1] 148:15</p>	<p>outlines [2] 88:13 187:16 output [1] 14:1 outset [1] 101:6 outside [9] 2:16 10:24 15:20 16:3,4 18:23 93:8 134:10 136:14 outsourcing [1] 8:21 overall [8] 3:15,25 52:18 53:17 65:13 136:3 151:22 151:25 overly [1] 55:21 oversaw [1] 52:11 oversee [1] 60:20 overseeing [3] 54:18 67:14,23 oversight [1] 101:24 overtime [14] 126:3,7 126:16,18,23 127:8,12 127:14,15,18,23 128:1,9 128:22 overview [3] 45:24 48:1 59:3 own [19] 20:5 25:14,16 26:19 27:1 37:1 61:6 68:13,22 69:1,18 82:8 130:14 133:14,14 134:11 145:7 163:9 196:22 owned [12] 24:18 26:16 27:12 28:9,10,24 29:2,4 30:14,14 32:18,19 OXFORD [3] 8:6 11:3 13:12</p>
<p>-O-</p>				
<p>O [3] 136:5 137:23 143:3 O'Brien [303] 44:13,15 44:16 45:8,13,18 46:4,9 46:15,20 47:2,9,14,20 47:24 48:12,18 49:12,21 50:1,8,12,17 51:2,15 54:2,14,19,25 55:4,18 56:10,18 57:3,20 58:4,9 58:24 59:11 60:8,22 61:11,20 62:12,21 63:3 63:13 64:5,16 65:18 67:5 67:10,16,21 68:4 69:5 69:11,25 70:5,11,22 71:1 71:11,23 72:13 73:9,16 74:2,12 75:8 76:12,23 78:15 79:7 80:15,25 82:6 82:12,18,24 83:7,17,23 84:3,7,14,19,25 85:22 87:2,11,19,25 88:25 89:12,17,23 90:11,24 91:5,9,16,21 92:5,10,15 93:15 94:3,8,15,22 95:12 95:22 96:9,24 97:6,12 97:23 98:7 99:4 102:18 104:11,24 105:3,15 106:7 106:14,24 107:21 108:4</p>	<p>O'Keefe [1] 39:4 Obama [1] 17:9 objectives [2] 57:18 146:7 obligation [7] 60:18 106:8 109:6,7 110:3,4,5 obligations [2] 52:13 154:12 observation [1] 85:12 observed [3] 155:11,11 155:14 obtained [1] 177:6 obvious [4] 18:23,24 27:11 131:24 obviously [17] 2:6 5:14 9:23 12:11,24 54:13 59:20 80:5,8 94:17 107:6 123:16 148:14 151:8 160:6 170:2 191:23 occasions [1] 13:16 occupied [2] 39:18 163:25 occupying [2] 65:8 71:18 occur [1] 67:2 occurred [1] 74:24 occurs [2] 66:19 111:4 OE [1] 80:23 off [11] 65:3 111:4 125:1 130:8 140:1,4 170:13</p>	<p>offer [2] 30:6 35:14 offered [2] 32:13 79:6 offering [5] 28:1,8,15 29:8 35:11 Office [1] 159:14 offices [1] 66:16 oftentimes [1] 30:3 oil [12] 17:19 18:7,16 19:1 19:20 23:5 153:5,16,19 191:22,24 192:23 old [3] 11:7 12:14 24:4 older [1] 12:22 once [6] 4:9 12:18 106:9 115:8 119:21 163:2 one [85] 6:16 8:7 11:4 13:21 15:21 17:20 18:1 18:13 19:16 20:12 26:12 26:14 28:10 29:7 35:21 37:22,23 41:22 42:7 46:21 47:4 49:13 54:10 65:1,4 67:6,7,9 70:8 72:12,14 76:4,13 78:5 78:17 86:9 90:14 95:23 96:5,12,21 99:1 100:13 100:14,16 103:13 107:17 110:23 111:6 112:16 113:21 117:8 118:25 119:22,23 122:17 123:11 123:12,16,16 131:21 133:6,9 135:15,18,20 136:8 141:8 147:14 148:13,21 159:9 162:5 162:17 163:16 166:17 169:13 171:5 173:16 175:16 184:4,9 195:16 196:15,21 ones [3] 7:13 69:3 172:24 ongoing [9] 14:21 61:16 65:11 80:13 101:7 113:14 181:13 185:9 194:1 Ontario [1] 29:6 onto [1] 149:14 opened [1] 9:20 operate [2] 25:22 184:18 operated [1] 27:25 operating [11] 9:7,11 79:13,16,18 122:24 124:1 124:21 169:6,15 170:17 operation [3] 33:15 170:5 171:16 operational [1] 36:24 operations [38] 53:7,14 53:24 58:19 59:25 64:2 65:17,20 66:13,23 68:2 68:19 80:3,7 81:13 82:23 83:4 90:20 103:24 113:15 121:9 126:8,13 127:6 128:3 129:6 134:6 135:1 137:3 138:3 151:6,24,25 167:8 181:13,14 182:21 193:20 operators [1] 10:3 opinion [5] 35:17 68:8 68:17,21 112:24 opportunities [7] 115:16 120:3 166:15</p>	<p>167:6,9 168:3,4 opportunity [5] 76:17 94:1 165:19 167:9,17 opposed [3] 23:17 109:6 163:6 optimization [1] 119:1 optimum [1] 168:21 orange [1] 89:8 order [12] 1:7,11,15 3:1 57:25 143:17 145:20 147:8 148:15 156:1 183:22 192:12 organization [35] 39:20 40:12 56:2,5,12,16 58:7 64:2 76:13 86:7,14 97:19 99:16 101:16,19 102:15 103:6,21 104:6,8 105:6 106:1 107:6 113:14 143:14 148:24 151:17 164:13 167:1 168:6,22 171:12 185:21 186:24 196:5 organization's [1] 58:1 organizational [61] 38:16,23 39:24 40:12 46:14 49:5 50:4,21 51:4 51:12,17 53:1,21 55:10 55:19,23 56:6,7,8,20 57:1 58:10,21 70:17 72:15 73:2,14,23 74:1,4 74:5,14,25 75:7 77:4 79:9 83:1,2 84:9 88:3,13 88:16 89:2,5 90:2,6,13 90:16 91:24 92:7 100:2 101:4 102:13,20 104:18 105:5,18 106:9 146:5 167:13 187:25 organizationally [1] 110:15 organizations [3] 39:2 55:15 90:9 organize [4] 75:5 86:19 106:6 194:19 organized [3] 52:1 54:11 109:22 orientation [2] 71:12 73:6 original [2] 41:11,21 originally [2] 43:22 44:6 otherwise [2] 52:14 110:15 ours [2] 60:14 169:12 ourselves [14] 20:13 63:21 68:25 75:5 92:20 98:13 106:6 110:8,13 143:18 167:18 168:4 169:5 194:19 outage [10] 50:23 51:22 52:25 54:4 59:2 60:17 62:15 64:11,24 65:11 outages [1] 62:24 outcome [1] 167:20 outcomes [4] 5:15,19 56:24 57:19 outline [1] 72:5 outlined [1] 148:15</p>	<p>outlines [2] 88:13 187:16 output [1] 14:1 outset [1] 101:6 outside [9] 2:16 10:24 15:20 16:3,4 18:23 93:8 134:10 136:14 outsourcing [1] 8:21 overall [8] 3:15,25 52:18 53:17 65:13 136:3 151:22 151:25 overly [1] 55:21 oversaw [1] 52:11 oversee [1] 60:20 overseeing [3] 54:18 67:14,23 oversight [1] 101:24 overtime [14] 126:3,7 126:16,18,23 127:8,12 127:14,15,18,23 128:1,9 128:22 overview [3] 45:24 48:1 59:3 own [19] 20:5 25:14,16 26:19 27:1 37:1 61:6 68:13,22 69:1,18 82:8 130:14 133:14,14 134:11 145:7 163:9 196:22 owned [12] 24:18 26:16 27:12 28:9,10,24 29:2,4 30:14,14 32:18,19 OXFORD [3] 8:6 11:3 13:12</p>
<p>-P-</p>				
				<p>p.m [7] 31:3 112:12 128:4 142:15 173:11 185:17 197:8 package [1] 2:7 page [28] 63:5,8 70:2,13 72:17,24,25 88:7,11,21 89:3 95:25 96:11 99:8 100:2 105:4 109:18 118:18,19,19,19 135:21 141:7,7 159:10,11 184:9 185:2 pages [1] 155:23 paid [12] 6:16,19,20 7:3 7:9,15 30:18 150:21 152:4,10 155:20 159:20 panel [8] 4:7 6:8 37:17 44:10 138:10,12,17 197:4 panels [1] 8:2 paper [1] 118:12 papers [1] 14:21 paragraph [6] 63:9 135:13,21,22 139:5,6 parallel [1] 77:15 paramount [1] 23:5 paradon [1] 1:9 part [30] 2:9 10:9 21:18 56:15 64:14 69:12 71:20 71:21 73:12 74:10 83:10 103:9 115:9 116:2 122:16 122:23 123:3,5,18 126:4 132:2 134:23 135:7</p>

<p>149:13,17 168:10 169:4 171:17 184:13 190:20 partially [1] 29:5 participate [2] 157:17 157:23 participation [1] 86:18 particular [39] 3:22 10:17 36:23 54:10 62:2 71:7 77:25 78:12 88:5 92:25 103:5 104:20 107:25 112:7 113:7,14 113:18 114:16,25 115:12 115:25 116:7 125:20 131:3 132:16,18 135:14 136:17 145:4 148:2 154:19 156:21 158:23 160:6 165:10 175:16 176:21 193:17 194:13 particularly [3] 25:21 40:25 41:3 parts [5] 12:22,22 13:7 18:6 29:3 past [11] 4:9 55:13 70:14 104:10 113:11 156:14 157:19 160:14 167:24 170:6 174:2 path [1] 98:23 Paul [2] 59:24 62:10 pay [10] 2:17 24:4,21,22 24:23,24,25 131:3 161:21 164:14 paying [5] 24:6,7 143:19 162:19 169:25 payment [1] 5:4 payouts [1] 165:20 payroll [5] 39:23 49:5 126:9,10 177:17 pays [1] 24:9 people [81] 2:15 4:9 14:24 17:13 18:10,20 19:5,20,25 23:9 26:19 26:21 36:25 56:2 59:22 60:6 62:17 63:20,23 64:2 68:19,20 76:4 78:3,8 82:1 90:8,17,19,20 95:3 96:14 97:4,9,10 100:7,8 107:6,8,10 108:24,24 114:20,21 115:3,7,16 121:8,20 123:12 132:20 137:11 145:1 146:22 147:2,21 148:4,17 149:1 149:6 150:19 151:15 162:1,24 163:2,4,24 165:11,15,18 166:9 167:1 167:6 168:21 169:22 170:4 178:9 182:13 186:24 194:3,9 people's [1] 2:17 per [7] 30:5 137:15,16 141:20,25 168:2 173:3 percent [35] 20:18 24:24 24:24 25:17,18 85:20 132:19 135:24 136:4,21 137:4,7,22 138:4,13 139:6 140:11 142:9,10 144:6,10,16 150:13 161:21 162:4 164:21,22 165:4,6,13,17,17 179:20</p>	<p>179:22 183:16 percentage [5] 6:3 141:25 142:1 163:24 179:19 perform [3] 55:6 116:14 183:20 performance [29] 3:10 3:16,17,20,22 4:22,25 5:12,19 6:3,4,16,17,21 7:4,10 56:17 66:9 83:9 132:15,18 133:23 134:24 135:2,7 151:12,14,16 165:17 performing [1] 59:7 perhaps [8] 41:7 44:17 44:20 55:22 138:20 172:5 175:9 187:21 period [17] 10:11,12 11:10,13 12:5,15 13:6 38:25 49:8 69:20 77:1 104:2 143:25 144:4 173:16 177:7 191:4 periodically [1] 183:25 permanent [1] 130:22 person [8] 4:6 54:5 59:5 59:5 97:16 99:13 108:9 109:13 person's [1] 132:13 personal [3] 35:11,14 35:17 Personally [1] 18:22 personnel [1] 113:10 perspective [22] 15:11 15:16 22:10 32:3 36:5 36:11 52:15 53:25 64:24 66:20,21,22,23 76:19 77:7 81:8,14 101:1 147:1 151:16 170:2 187:4 pertain [1] 108:6 pertaining [1] 40:10 pertains [1] 74:6 pertinent [1] 40:15 PETS [1] 113:3 phase [3] 64:25 65:1,4 phases [1] 64:25 philosophy [3] 143:9 146:1 161:22 phone [1] 122:5 phonetic [2] 23:20 25:9 pick [3] 30:4 37:24 44:18 picked [2] 30:18 68:23 picture [3] 11:25 62:9 90:22 piece [7] 11:23 20:9 52:23 134:1 191:18,22 192:7 pieces [2] 36:23 175:9 pile [1] 34:9 place [23] 5:17 8:9 17:8 17:12 32:9 53:19 60:20 62:5 66:11 67:14 78:3 92:21 93:11 97:15 104:19 106:10 109:25 148:16 149:16 168:17 169:1 176:12 186:23</p>	<p>plan [28] 9:14 10:1 20:24 52:9 56:16 61:17 62:4 66:17 68:25 81:20,21 82:5,8 86:13,21,21,23 86:25 111:13 127:22 145:23 146:1,11,12,14 146:16 149:18,20 planned [5] 9:16,17 10:7 10:9,17 planning [10] 53:7 59:25 63:25 65:17,24 66:5 79:23 115:10 146:6,21 plans [3] 81:15,25 147:24 plants [1] 12:12 play [4] 58:22 110:9 122:23 182:9 played [1] 52:12 pleased [1] 2:2 plus [2] 12:1 31:2 point [42] 1:7,11,15 2:25 8:21 10:7,21 12:18 13:1 24:20 25:21 29:6 31:8 33:4 44:18,19,22 45:22 60:24 61:5,21 66:16 73:5 76:8 82:25 88:2 93:1 103:3 106:17 107:1,3,19 108:17 121:23 133:12 138:7 161:17,25 162:3 165:8 186:18 194:11 pointed [1] 2:19 points [6] 106:16 107:12 162:8 163:20 170:13 194:14 policy [3] 14:17 108:20 137:20 population [5] 19:12,16 20:1,4,18 portion [11] 7:14 10:6,7 10:24 12:19 13:4 30:20 64:10 128:1,17 192:18 portions [1] 26:8 pose [1] 170:16 posed [1] 99:7 position [21] 22:12 35:10 35:19 38:12,15,19 39:12 46:10,13,16 71:9,18 106:19 120:8 121:21 129:24 142:12,17 170:3 171:6 186:25 positions [25] 7:10 43:1 46:17 88:17,19 89:9,14 94:10 95:5 115:6 159:19 159:21 163:25 177:1,11 177:14 179:9,11,14,15 181:6,12,17,20 182:20 possible [3] 18:3 93:7 136:2 possibly [2] 13:9 97:10 posted [1] 165:12 potential [5] 9:4 116:5 119:2 120:14 121:2 potentially [2] 126:24 157:23 power [17] 8:18 22:7 23:18,19 25:7,11 30:18 31:1 32:11,12 33:25 50:23 62:23 145:6,12</p>	<p>155:19 156:17 Power's [1] 42:22 PowerPoint [1] 100:14 practice [4] 10:18 65:22 90:6 177:1 practices [2] 93:9,11 pre-existing [1] 102:4 predetermined [1] 136:25 predicated [1] 153:6 preferred [1] 149:16 preliminary [1] 1:4 preparation [1] 71:21 prepare [4] 100:1 124:22 126:12 129:14 prepared [7] 126:24 132:4 139:12,13 154:8 156:10 162:7 prepares [2] 132:11 139:1 preparing [1] 158:6 presence [1] 23:19 present [3] 32:5 129:18 157:13 presentation [1] 98:3 presentations [1] 100:15 presenting [1] 123:21 president [10] 5:13 17:9 38:15 59:21,23 60:1 77:14 90:1 92:14 98:22 Presidents [1] 37:2 presume [2] 44:13 96:6 pretty [3] 68:14 77:12 173:25 prevalent [1] 165:15 preventative [10] 8:20 8:24 9:3,6,8,10,13,15 10:1,6 previous [4] 5:11 6:2 124:20 158:1 previously [1] 39:18 price [3] 19:19 28:9,16 prices [4] 22:15 23:8,16 24:5 pricing [1] 23:2 primarily [2] 15:16 23:21 primary [1] 145:3 principle [1] 95:13 principles [17] 95:8,20 97:14,18 99:15,17 100:16 105:6,8,12,25 106:5,11 143:10 144:25 184:25 187:16 print [1] 189:17 priorities [10] 75:20 76:9 77:21 80:1,12,17,20 81:11 113:13 181:12 priority [1] 8:14 private [4] 24:14 29:24 30:14 39:8 privately [4] 28:8,24</p>	<p>29:2 32:19 privatized [1] 29:5 problem [3] 17:20,24 155:12 procedure [1] 1:24 proceeding [2] 1:20 91:2 process [43] 2:4 28:2,14 34:13 52:11 53:6,12,17 54:3 55:1 65:9 71:12 73:24 77:15 79:22 80:11 92:11,23 103:12,25 119:6 120:4 122:22,24 123:4 123:18,19,23 124:19 126:22 129:3,4 134:23 134:24 135:10 136:2 146:6 149:15 152:18 155:22 163:4 167:4 190:15 processes [14] 29:23 30:15 52:3 56:3,5,16 57:1 103:18 104:1,5 151:10,12 167:5,10 produce [5] 17:22 18:15 85:4 109:19 154:25 produced [2] 154:1 155:7 productive [3] 33:17,18 166:16 productivity [7] 23:8 118:25 166:6,7,13 168:2 168:13 professional [1] 40:4 professionally [1] 100:10 program [11] 8:9,11,12 8:24 9:14 12:7 14:20 15:1 24:16 25:8 48:11 programs [5] 14:25 17:7 48:8,9 166:5 progress [2] 162:2 163:3 progression [3] 142:25 143:23 151:10 progressional [1] 145:9 project [23] 9:5 59:23 65:23 66:24 77:18 84:12 111:11,18,22 112:7 113:1 113:18 114:6 115:4,17 116:15 122:25 167:15,20 175:17 176:4,5 177:13 project's [1] 66:16 projects [5] 8:15,17,25 55:13 112:17 proper [1] 12:16 proposal [1] 114:4 propose [1] 161:15 proposed [3] 161:12 162:25 163:20 protocol [1] 124:16 prove [1] 189:17 proven [1] 16:21 provide [31] 5:14,16 7:2 47:15 58:13,17 81:8 83:15,19 84:4,8 85:25 87:4 88:12 91:12 102:14 104:15 108:15 111:6 115:16 124:22 126:8</p>
--	--	--	--	--

<p>130:1,20 132:23 133:16 134:16 154:11,14,15 160:3 provided [17] 5:11 6:3 6:12 42:10 52:5 84:18 84:20 85:15 93:4 98:23 112:9 131:4 133:7 155:7 156:14 186:24 187:8 provides [1] 100:25 providing [7] 3:15 22:8 53:25 83:3 86:16 95:6 164:13 province [18] 2:16 16:15 18:10,20 19:6,13 20:7 21:7 22:5 26:17,19,22 52:17,20,22 144:2,4 158:3 province's [4] 20:1 21:1 21:3 65:13 provinces [2] 17:4,6 provincial [3] 14:16 21:6 39:6 PUB [3] 52:13 61:9 88:5 PUB's [4] 52:1,24 61:8 69:4 PUB-228 [1] 187:19 PUB-229 [1] 70:12 PUB-316 [1] 104:12 PUB-NLH-078 [1] 62:24 PUB-NLH-141 [1] 95:24 PUB-NLH-228 [1] 43:23 PUB-NLH-229 [1] 70:7 public [5] 28:1,8 29:8 33:25 198:6 publicly [8] 24:17 27:11 27:24 28:4,6 29:2 30:15 32:19 published [1] 28:9 pull [4] 88:5 95:23 141:6 184:8 purchased [1] 32:14 purpose [2] 60:21 187:14 purposes [2] 176:25 180:18 pursue [1] 6:7 pursued [1] 25:9 purview [2] 134:10 184:15 put [36] 8:1,9 11:20 17:8 17:11 24:15 27:7 28:13 30:8 32:9 35:10 53:6 59:17 60:20 63:12 66:11 78:2 92:17 95:7,9 97:14 104:19 106:10 124:23 126:4 127:14,19 128:11 128:21 129:11 132:16 134:20 136:25 137:12 154:8 166:18 puts [2] 130:13,21 putting [3] 17:7 126:6 158:12</p>	<p style="text-align: center;">-Q-</p> <p>Q.C [15] 3:3,4,8,24 4:5 4:12,19 5:2,8,24 6:11,25 7:7,19 165:22 qualifications [1] 15:12 quality [2] 100:6 167:21 quarter [1] 65:7 Quebec [1] 17:3 Queens [1] 48:10 questioning [3] 6:7 87:14 88:2 questions [13] 7:21,23 7:25 8:1,3 13:13 16:11 37:5 40:24 102:19 170:16 184:3 197:3 quick [1] 30:21 quickly [1] 42:13 quite [4] 18:25 71:8 128:6 165:14</p> <p style="text-align: center;">-R-</p> <p>radio [2] 1:17 2:8 raise [2] 1:15 106:17 range [1] 162:3 rate [22] 127:25 128:11 145:9,12 151:11 158:6 161:18,20,24 162:3 163:2 171:24 172:6,13 173:15 174:14 175:13 179:18 180:18 181:16,19 198:4 rated [1] 151:16 rates [11] 26:2 160:9,11 160:21 161:13 162:9,14 162:21,24 163:20,23 rather [1] 166:9 rating [1] 133:23 ratings [1] 135:2 ratio [4] 19:14,14,22 20:17 re-direct [1] 37:7 reached [1] 11:9 read [5] 16:17 19:15 20:16 42:25 101:13 reading [2] 14:21 17:2 ready [7] 5:15 38:2,5 53:13,13 66:23 67:4 real [1] 21:21 reality [3] 75:17 102:6 176:8 really [14] 5:9 26:12 31:9 34:4 35:21 42:19 75:17 98:20 138:13 147:18 173:3 175:24 181:3 185:9 reason [8] 30:7 62:14 100:12 103:18 117:11 138:20 187:10 194:21 reasonable [8] 10:4 21:9 174:6 179:10,18,20 182:17 184:25 reasonably [1] 60:16 reasons [8] 51:20 121:15 127:20 148:15 162:2</p>	<p>169:18 188:8,24 receive [2] 14:23 192:2 received [1] 154:20 recent [6] 16:24 20:2 173:20 174:2 182:11 194:22 recently [4] 17:9 53:4 111:13 124:4 RECESS [1] 37:18 recognize [2] 93:24 162:7 recognized [2] 92:25 94:5 recognizing [1] 143:14 recommend [4] 5:3 162:23 164:10,16 recommendation [3] 164:20,22 165:9 recommendations [10] 69:15,22 158:12 159:14 160:24 161:8,9 163:14 164:19,24 recommended [1] 161:6 recommending [1] 164:2 record [11] 7:9 38:3 91:1 91:12,20 150:16 152:11 154:8,9 155:1 159:6 recorded [2] 191:4 193:2 recovery [2] 184:10,24 recruit [1] 147:8 recruitment [13] 103:25 146:15,24 147:5,22,25 148:7 150:9 171:6,14 172:1,6,7 redeployed [1] 120:9 reduced [1] 194:22 reduction [1] 12:20 refer [4] 59:15 62:20 68:12 147:17 reference [7] 8:8 11:5 21:11 63:10 86:16 98:5 107:11 referencing [2] 137:22 137:23 referred [1] 118:4 referring [5] 9:4 11:13 17:2 116:10 149:19 refiled [1] 42:8 refinement [1] 125:5 reflect [9] 43:2 44:25 75:25 88:19 97:10 160:9 162:22 188:24 190:3 reflected [3] 3:18 44:25 160:8 reflecting [2] 86:5 143:25 reflection [2] 174:1 195:7 reflective [2] 32:24 195:15 refreshed [1] 80:10 refurbished [3] 12:21 13:8,10</p>	<p>refurbishment [1] 12:19 refurbishments [1] 12:17 regard [2] 73:3 94:5 regarded [1] 22:12 regarding [1] 12:4 Regardless [1] 24:14 regular [4] 121:5 159:25 171:25 177:4 regulated [3] 110:1 112:16 119:3 regulator [1] 60:19 regulatory [6] 36:5 66:22 185:2,4,14 186:5 reiterate [1] 20:25 relate [3] 56:1 179:3 188:20 related [16] 6:4,21 7:4 7:10 40:14 102:6 105:14 110:15 149:10,10 169:1 190:22 192:23 193:18 195:24 196:7 relates [3] 64:8 97:4 102:8 relation [9] 41:13 50:18 65:12 72:15 81:25 82:11 82:13,16 158:24 relations [13] 35:20,23 38:23 40:1 48:6,10 49:11 49:13 72:10,20 73:22 75:11,22 relationship [1] 88:20 relationships [3] 36:9 90:10,17 relative [2] 113:13 181:12 relatively [2] 102:10 174:1 reliability [11] 6:4 66:9 67:24 68:9 79:15 80:8 83:4,9 195:8 196:17,18 reliable [2] 8:18 19:18 relied [8] 104:16 155:25 156:22 157:12 158:5,9 158:23 159:4 rely [7] 11:7 20:6 21:7 56:24 97:17 160:17,24 remainder [1] 52:8 remaining [3] 12:13 89:13 190:3 remains [1] 173:25 remarks [1] 11:19 remedies [1] 119:23 remember [4] 13:23 59:15 99:2 156:15 renamed [1] 77:18 reorganization [1] 175:17 repeat [3] 69:17 74:10 99:25 repeating [3] 103:6 140:19,22 replace [3] 12:1 13:2,3</p>	<p>replaced [2] 13:8,10 replacing [1] 12:22 replies [1] 78:5 reply [2] 65:5 161:9 report [27] 4:22 20:2 60:18 65:4 71:17 88:17 89:19,22 90:2,5 107:2,5 107:24 141:6,8,9 154:1 154:7,19,19 155:1,23 156:21,22 157:1,7 161:7 reported [3] 61:7,9,9 reporting [9] 52:15 71:19 85:11 88:20 89:18 89:25,25 90:10 157:25 reports [13] 20:2 21:4 95:18 125:1 126:12,18 126:19 141:23 144:12 157:11,24 158:5 193:16 represented [1] 165:5 reproductive [4] 19:13 19:14,22 20:16 reputation [1] 149:2 request [11] 5:9,13,15 6:14 7:1,8,12 42:22 124:24 125:9 129:19 requested [1] 154:13 require [3] 125:18 127:23 153:14 required [8] 9:22 10:16 57:23 75:19 120:8 124:23 143:13 150:19 requirement [9] 41:5 45:10 127:8,12 128:10 137:19 151:1 165:24 172:12 requirements [9] 52:3 78:11 109:15 121:14 125:8 133:14 151:7 159:1 174:4 requisitions [1] 120:6 research [3] 14:11,19 15:1 resignations [1] 172:23 resource [3] 119:1 126:11 146:21 resources [44] 36:3 38:16,23 39:21 40:10 45:2 46:13 48:5 49:1,4,7 50:20 70:17 72:9,19 73:13,21 75:10,22 78:6 85:23 89:2,4 90:1 96:14 97:2 101:3 113:12 119:7 131:7 132:11 142:21 145:23,25 146:4 147:15 149:13 151:24 152:8 166:17 175:19 176:5 187:24 194:13 resourcing [1] 120:1 respect [22] 4:6 7:12 9:9 9:13 12:9 17:21 19:1 33:3,14 43:25 50:20 75:10 81:10 84:8 86:24 107:25 108:18 109:4 113:19 120:8 146:14 181:5 respond [1] 52:1 response [21] 2:12 5:10</p>
--	---	---	---	--

<p>5:25 6:2,14 11:18 40:25 41:1,10,11 42:6,18 43:5 44:7 51:22 61:18 63:9 98:4 99:23 101:5 118:17</p> <p>responses [1] 8:2</p> <p>responsibilities [4] 72:1 73:14 104:4 167:7</p> <p>responsibility [10] 71:10 72:4,16 73:20 97:25 101:15 103:7 110:10 134:7 146:23</p> <p>responsible [21] 3:19 40:7,19 72:6 99:2 108:5 108:8,9,16,20,25 109:3 109:13 121:9 126:1 150:14,20 152:1,3 185:13 185:20</p> <p>rest [2] 146:3 153:6</p> <p>restated [1] 43:2</p> <p>restrict [1] 18:13</p> <p>restrictions [1] 17:11</p> <p>results [3] 57:2 68:13 185:6</p> <p>RESUME [1] 87:22</p> <p>retain [5] 143:13 145:1 147:2,8 170:4</p> <p>retained [3] 12:10 50:19 71:3</p> <p>retention [9] 146:15,24 147:6,22,25 148:8 150:10 153:14 172:1</p> <p>retirements [2] 172:18 172:22</p> <p>revenue [9] 16:9,15 32:6 41:5 45:10 128:10 158:25 165:23 172:12</p> <p>review [15] 34:18 52:18 52:19 59:16 60:19 61:3 63:17 65:13 77:16 125:3 129:15 136:1 167:13 193:20,24</p> <p>reviewed [1] 70:19</p> <p>reviews [1] 135:8</p> <p>revise [1] 160:19</p> <p>revision [17] 41:1,4,17 42:1,1,13,14,14,19,19 42:20 43:11,22 45:17 88:6 172:10 187:20</p> <p>revisions [2] 42:6 44:21</p> <p>RFI [17] 41:1,10,12 42:1 42:6,18 43:23 44:7 62:16 62:20 63:8 78:5 96:4,5 98:4 144:14 173:1</p> <p>RFI-PUB-NLH-228 [1] 40:25</p> <p>RFIs [2] 95:23 162:17</p> <p>right [53] 2:14 17:1 27:8 29:16 43:13 46:1 47:3 47:17 49:22 50:5 51:18 59:8 60:7,11,23 62:5 70:6,13 76:24 84:22 89:9 94:12,19 97:13 109:8 111:4,16 112:3,11,17 117:15 135:12 139:14 140:9 144:18 148:16 154:2 159:16 170:18 171:8 172:13 173:6</p>	<p>174:18 176:1,7 177:19 180:5,7 182:25 183:15 184:23 188:9,11</p> <p>rightfully [1] 160:12</p> <p>rigor [2] 185:5 186:20</p> <p>rigorously [1] 187:12</p> <p>risk [1] 164:14</p> <p>riverbank [2] 81:22 84:22</p> <p>riverbanks [3] 84:24 86:1 87:5</p> <p>road [2] 12:9 19:9</p> <p>Rob [8] 59:20 62:1,9 82:3 86:25 107:5 109:12 110:9</p> <p>Roberts [103] 38:3,6 39:11,15 44:14 47:25 48:3,15,24 49:16,24 50:6 50:10,15 67:17,19 70:20 71:2,6,15 72:11 73:10 73:11,18 78:16,20 124:2 124:7,14,15 125:14,23 126:5,20 127:5,16 128:5 128:14,20 129:9,21 130:4 130:9,16,24 131:19 132:9 133:2,8,18 134:4,13,22 135:9 136:7,12,22 137:25 138:9,16,25 139:9,15,19 139:24 140:8,13,23 141:2 142:16 143:7 144:9,17 144:24 146:2,19 152:25 153:18,23 154:4,10,22 156:24 157:15 158:8 160:1 161:1,10 163:15 165:3 171:3,9 188:3,10 188:13,15,22 189:4,15 191:9,10,17 196:25</p> <p>Roberts' [1] 190:2</p> <p>Rockefeller [1] 23:12</p> <p>role [37] 18:9 38:18 39:17 47:10 48:20 50:13 51:7 51:10,21 52:12 55:6 58:23 59:2 62:7 71:4 73:15 78:17,23 92:11,13 99:20 101:21 102:14,24 103:2 105:9 107:1 110:10 122:24 131:18 147:12 161:19 169:10,12 171:17 184:14 185:9</p> <p>roles [9] 36:22 39:1 64:20 71:8 74:4 148:5 158:16 174:6 184:19</p> <p>roll [3] 130:17 163:22,22</p> <p>rules [1] 36:9</p> <p>run [4] 35:12 100:9 110:20 170:4</p> <p>running [1] 185:19</p> <p>rural [3] 24:3,16 30:25</p>	<p>131:1,10,16 132:4 136:14 136:21 137:10 140:12,18 142:20,23 144:1,15 150:12,17 153:15 156:2 165:24 166:3 169:17 170:6</p> <p>salary [24] 40:11 130:23 132:11,13 133:9,24 136:24 137:12,16,24 141:20 142:11,13,20 143:6,23 144:21 150:18 151:9 157:17 158:2,14 161:15 163:3</p> <p>sale [2] 29:23 32:13</p> <p>sales [2] 16:5 18:5</p> <p>sands [1] 19:1</p> <p>sandwiched [1] 39:7</p> <p>satisfaction [1] 21:14</p> <p>satisfied [3] 144:20,21 180:2</p> <p>saved [1] 23:9</p> <p>saw [5] 42:16 92:19 107:23 166:24 195:8</p> <p>says [3] 43:17 101:12 144:14</p> <p>scale [5] 112:25 131:3,5 151:10 161:21</p> <p>scaled [1] 162:12</p> <p>scenes [1] 59:6</p> <p>schedule [2] 127:10 167:21</p> <p>scheme [2] 16:20 22:11</p> <p>scientific [1] 16:12</p> <p>scope [2] 119:6 120:4</p> <p>Scotia [1] 32:12</p> <p>screen [1] 6:13</p> <p>scroll [8] 72:3,14,21,22 99:10 142:4 172:10 174:15</p> <p>scrolled [1] 72:17</p> <p>scrolling [1] 63:1</p> <p>se [1] 168:2</p> <p>sea [1] 15:24</p> <p>seamless [1] 66:7</p> <p>second [9] 2:9 10:7 88:7 95:25 135:13,21,22 139:5 141:3</p> <p>seconded [5] 38:17 50:22 51:1 114:9 191:1</p> <p>secondly [1] 143:16</p> <p>secondment [1] 115:5</p> <p>Secretariat [1] 39:6</p> <p>see [52] 11:14 12:15,20 18:12,23,24 19:11 20:21 29:3 30:3 42:4,12 46:24 63:9 72:15,18,18,21 73:1 73:20 79:17 83:25 89:8 96:13 101:2 109:18 113:18 120:20 125:4 130:10 134:3 138:22 141:21,22 142:6,10 152:2 155:23 158:14 163:19 164:20 174:16,16,17,22 175:11 178:5 193:8 195:4 196:12,16,16</p>	<p>seeing [3] 171:11 195:14 196:9</p> <p>seem [2] 72:20 156:15</p> <p>seized [2] 166:14 167:17</p> <p>selling [1] 16:7</p> <p>seminars [1] 14:23</p> <p>senior [4] 39:1 40:4 64:1 160:16</p> <p>sense [2] 2:14 81:7</p> <p>sent [2] 114:9 129:10</p> <p>separate [4] 9:2 74:15 90:13 133:19</p> <p>separated [1] 64:25</p> <p>separately [3] 25:3 153:20,22</p> <p>September [4] 1:1 99:8 198:5,11</p> <p>sequence [1] 10:4</p> <p>series [3] 10:2 28:11 32:15</p> <p>serious [2] 1:15 2:17</p> <p>serve [2] 109:22 110:1</p> <p>served [3] 4:10 79:1 189:6</p> <p>services [32] 40:16 47:15 47:21 59:24 72:23 73:25 77:17,19 81:4 93:3,4,13 96:22,23 98:15,19 102:17 107:14,16,20,22 112:9 116:16 166:19 167:14,16 168:11 175:18 177:13 184:2,14 193:21</p> <p>session [1] 37:22</p> <p>sessions [1] 135:1</p> <p>set [18] 55:16 56:17 57:5 57:10 59:18 80:12,20 85:15 105:24 124:16 127:12 131:23 136:9 138:18 145:5,14,22 187:2</p> <p>setting [9] 56:21 80:5,16 126:16 127:9 142:22 143:22 146:6 160:25</p> <p>seven [1] 189:21</p> <p>several [1] 124:25</p> <p>share [10] 22:6 27:5 28:9 28:15 30:5,6,21 103:7 103:24 168:11</p> <p>shared [13] 93:3 96:22 98:15,19 102:17 103:7 104:4 106:13 110:7,12 166:19 184:2,14</p> <p>shareholder [7] 26:12 26:15 35:9,20,21,23 36:1</p> <p>shareholders [5] 21:13 26:11,14,18,22</p> <p>shares [2] 27:1 103:9</p> <p>shifts [2] 76:9,10</p> <p>short [2] 12:5 69:20</p> <p>short-term [2] 164:10 165:11</p> <p>shortly [1] 49:19</p> <p>show [1] 45:16</p> <p>showed [1] 177:1</p> <p>showing [4] 15:5 90:7</p>	<p>174:13 181:18</p> <p>shown [3] 7:11 41:3 90:22</p> <p>shows [1] 141:24</p> <p>sick [1] 15:6</p> <p>side [15] 9:12 16:5 18:1,8 22:4,6 36:1 108:23 148:21 151:20 158:16 159:17 164:2 170:17 171:16</p> <p>sight [1] 187:5</p> <p>signed [1] 79:4</p> <p>significant [6] 27:9 69:1 93:18 166:4 176:3 195:4</p> <p>similar [4] 113:10 120:20 124:17 131:11</p> <p>single [5] 13:25 106:17 107:1,12,19</p> <p>sit [4] 125:2,6,7 171:17</p> <p>situation [7] 15:25 66:1 75:18 120:10,11 142:10 157:13</p> <p>situations [1] 192:21</p> <p>six [7] 42:24 43:17 118:20 177:14 179:22 180:1 189:21</p> <p>skill [1] 55:15</p> <p>slide [1] 165:10</p> <p>slightly [1] 145:16</p> <p>small [3] 102:10 128:22 163:24</p> <p>smaller [2] 22:8 63:23</p> <p>society [1] 33:19</p> <p>sole [1] 16:12</p> <p>solely [2] 99:1 103:2</p> <p>someone [4] 71:13 138:7 161:18 171:13</p> <p>sometimes [3] 90:21 122:11 165:18</p> <p>somewhat [3] 77:3 105:23 106:2</p> <p>somewhere [2] 179:19 181:10</p> <p>sorry [23] 10:7 37:7,12 41:19 45:3,3 48:19 70:2 100:3 104:13 114:7 116:2 116:13 118:7,20 128:6 135:20 136:5 139:23,25 141:13,16 176:1</p> <p>sort [28] 54:5 56:13 57:4 59:3,4 61:23 64:3 66:13 77:16 79:16 83:10 94:5 99:17 105:8 109:7 122:25 123:23 131:17 135:7,8 148:7,9 153:11 169:6 174:14 183:22 188:19 190:8</p> <p>sound [1] 198:8</p> <p>source [1] 8:18</p> <p>sources [2] 20:14 157:22</p> <p>speak [9] 35:1,4,8 124:3 124:13 139:2 167:19 171:18 172:2</p> <p>speaking [4] 57:9,15 124:8 193:23</p>
---	---	---	--	---

-S-

<p>specialized [3] 96:15 143:15 148:4</p> <p>specializing [1] 48:5</p> <p>specific [4] 4:1 146:10 190:22 192:7</p> <p>specifically [15] 58:3 62:17 78:9 96:20 97:4 97:11 107:11 120:17 124:9 136:1 158:9 191:11 191:22 192:14,23</p> <p>speculating [1] 189:16</p> <p>spend [7] 29:17 33:10 75:9 76:14,15 94:18 190:9</p> <p>spending [3] 34:9 193:14 195:17</p> <p>spent [16] 64:7,10 75:12 75:13,13 95:3 126:23 130:1 189:9 190:4,12 191:3,11 195:3,6 196:3</p> <p>spoke [2] 79:9 184:11</p> <p>spoken [1] 2:10</p> <p>sponsor [2] 98:21 128:1</p> <p>sponsored [2] 128:2,18</p> <p>sponsoring [3] 128:7,13 150:15</p> <p>sponsorship [1] 151:23</p> <p>spread [1] 132:25</p> <p>St [2] 198:7,10</p> <p>stable [1] 173:25</p> <p>staff [7] 77:8 127:17 128:22 137:14,16 142:25 162:20</p> <p>stage [1] 61:19</p> <p>stages [1] 105:20</p> <p>stakeholders [1] 185:8</p> <p>stand [1] 197:6</p> <p>standard [3] 23:4 32:7 85:17</p> <p>standardization [1] 93:7</p> <p>standards [2] 108:21 187:3</p> <p>standpoint [6] 55:11 77:5 108:21 119:1 147:23 167:20</p> <p>start [7] 41:8 46:5,6 48:14 109:20 118:20 147:11</p> <p>started [11] 23:13 39:5 46:11 48:13,16,21 129:4 139:13 184:5 187:20 189:19</p> <p>starting [5] 20:19 51:24 64:18 124:19 129:24</p> <p>starts [1] 124:25</p> <p>state [4] 29:4 30:14 32:18 57:16</p> <p>States [2] 17:10 23:15</p> <p>stating [1] 115:11</p> <p>station [1] 2:8</p> <p>statistics [2] 19:18,20</p> <p>status [1] 24:15</p> <p>stay [2] 149:7 178:2</p>	<p>stayed [4] 95:4 98:23 162:8 164:8</p> <p>steering [9] 52:10 53:18 59:16 60:9 63:10,18 67:13,14 68:6</p> <p>step [4] 1:25 31:17 123:25 125:6</p> <p>stepped [1] 39:17</p> <p>steward [8] 98:5 100:18 101:20 105:10 109:7 134:24 143:11 162:10</p> <p>stewarding [2] 86:7 145:18</p> <p>stewardship [1] 72:9</p> <p>STI [1] 164:19</p> <p>still [11] 12:10 26:1 33:12 65:7,9,11 78:24 150:9 169:6 179:9 194:1</p> <p>stock [2] 28:12,13</p> <p>straight [1] 37:13</p> <p>strategic [2] 63:25 86:11</p> <p>strategically [1] 149:12</p> <p>strategy [13] 86:14 98:14 108:21,23 146:25 147:6 147:7,16,19,24 149:14 150:4 152:9</p> <p>stretching [1] 60:3</p> <p>strictly [1] 119:25</p> <p>strive [1] 143:5</p> <p>strives [1] 143:3</p> <p>structure [24] 3:20 40:12 56:7,7 75:7 88:4,12,13 88:14,16 91:25 92:7,17 97:14 104:18 105:19 106:9 109:25 159:17 161:15 167:13 184:20 193:20 194:11</p> <p>struggle [1] 111:2</p> <p>struggling [2] 63:11,14</p> <p>study [1] 68:20</p> <p>subject [1] 47:3</p> <p>submission [1] 65:5</p> <p>submitted [1] 1:22</p> <p>subsequently [2] 48:8 160:18</p> <p>subsidy [1] 24:3</p> <p>success [2] 98:25 100:17</p> <p>successful [1] 32:25</p> <p>succession [1] 115:10</p> <p>such [11] 9:19 12:6 14:25 24:16 25:8 32:5 36:8 65:23 101:1 118:22 160:19</p> <p>suggest [2] 101:7 132:1</p> <p>suggested [1] 69:13</p> <p>suggesting [2] 161:11 178:21</p> <p>suggestion [1] 160:14</p> <p>suggestions [1] 58:18</p> <p>suite [2] 10:14 67:1</p> <p>summarized [1] 78:21</p> <p>Summary [1] 159:13</p> <p>supervisors [3] 119:4</p>	<p>119:17 121:10</p> <p>supplied [1] 92:23</p> <p>supply [3] 8:17 62:23 96:16</p> <p>supplying [1] 82:21</p> <p>support [28] 34:24 38:18 40:13 52:5 53:2 54:1 58:13,14 62:7 65:15 73:19 77:9,13,23 78:8 81:12 92:24 95:6 98:24 102:6,8 107:7,14 124:23 126:8 135:23 146:11 190:20</p> <p>supported [1] 34:23</p> <p>supporting [2] 53:16 76:6</p> <p>supports [1] 124:18</p> <p>suppose [3] 166:14 181:4 183:12</p> <p>supposed [1] 73:4</p> <p>surveys [2] 157:17,24</p> <p>suspect [1] 127:1</p> <p>switch [1] 37:16</p> <p>sworn [4] 38:2,5,6,8</p> <p>synopsis [2] 38:13 39:13</p> <p>system [16] 8:20 33:19 52:19 59:25 62:23 65:14 66:4,9 67:24 79:15 85:12 89:18 120:7 173:22 177:17 181:9</p> <p>systems [3] 49:5 66:20 126:11</p> <hr/> <p style="text-align: center;">-T-</p> <hr/> <p>table [3] 55:17 174:12,16</p> <p>Tables [1] 141:18</p> <p>tactical [2] 59:23 64:3</p> <p>takes [1] 176:9</p> <p>taking [5] 11:10 71:22 161:12 182:12 185:6</p> <p>talent [4] 39:23 49:3 143:13 145:19</p> <p>talented [1] 143:15</p> <p>tangible [1] 57:13</p> <p>target [6] 85:18 164:19 165:12,13,18 179:10</p> <p>targets [10] 56:17,21 80:5,9 85:10,14,21 126:16 146:7 164:11</p> <p>tasked [4] 97:17 99:13 99:20 105:7</p> <p>tax [1] 16:2</p> <p>taxed [1] 16:19</p> <p>team [34] 53:2 56:4 58:8 59:8,12,17,18 60:5,19 60:23,25 61:3,4,24 62:11 62:17,18 63:17,24 64:4 73:24 82:4 88:9,21,22 105:22 110:25 116:23,23 126:24 133:21 192:21 195:23 196:4</p> <p>teams [14] 52:6 53:12,23 54:12,12,13 56:2 66:11 66:15 67:6,9,17 68:18</p>	<p>125:2</p> <p>technical [7] 16:10 66:20 68:19 77:19 167:16 175:18 177:13</p> <p>technique [1] 32:1</p> <p>techniques [7] 28:21 29:9 30:1,13 32:7,15,17</p> <p>Teco [1] 30:17</p> <p>telecom [1] 40:3</p> <p>telling [1] 29:19</p> <p>tells [1] 20:7</p> <p>template [2] 132:2 137:18</p> <p>temporary [1] 130:22</p> <p>ten [5] 38:20 39:8 105:20 169:19 177:8</p> <p>tend [1] 160:12</p> <p>tends [2] 10:5 84:11</p> <p>term [9] 22:21 30:9 53:24 58:14 60:14 84:21 86:13 180:19,19</p> <p>terminations [1] 172:18</p> <p>terms [123] 4:13 14:19 15:13 18:21,21 35:12 40:14 51:3,16 53:22 54:4 54:18 57:6,11 59:1 60:4 68:5,15 69:14,14 73:1 74:4 75:3,9 76:10 79:11 80:17 83:1 85:9,18,20 86:17 89:7 95:13 96:17 96:25 97:2,13 98:15 101:24 102:4,15,17,20 106:4,15,20 109:2 111:5 113:24 115:14,20 116:4 124:20 125:17 126:2,8 126:23 127:3,13,25 129:4 129:19,24 130:25 131:4 131:23 132:10,17 133:15 133:21 134:5 135:1 136:11 137:13 142:7,22 143:9,11,23 147:20 148:24 150:12,14 151:22 157:2 158:2,6 160:25 161:5,8,16 162:12,18,24 163:1 164:13 165:10 166:5,6 167:21,22 169:4 169:22 170:10,14 171:16 173:21 174:2,3 175:9,14 176:4,18 179:13,19 180:22 181:19,24 182:23 190:1 192:1 193:2</p> <p>test [16] 41:4,14 43:4,9 43:19,20,20 44:4,24 45:4 45:9 141:21 144:1,15 147:9 180:25</p> <p>testimony [5] 43:24 93:16 97:15 101:12 165:25</p> <p>thank [10] 7:20 37:10 38:1 44:9,10,17 91:17 118:14 156:19 159:9</p> <p>themselves [1] 74:7</p> <p>Therefore [1] 88:18</p> <p>they've [5] 74:24 105:22 115:5 137:13 142:17</p> <p>thinking [8] 16:12 22:3 22:9 102:7 115:13 160:4</p>	<p>163:9 166:18</p> <p>third [1] 174:5</p> <p>thirteen [2] 42:3 44:5</p> <p>Thornton [1] 141:6</p> <p>thought [8] 2:4 29:13 36:15 69:8 81:11 119:22 149:15 187:3</p> <p>thoughtful [1] 147:24</p> <p>thousand [1] 19:25</p> <p>three [17] 19:25 37:23 51:20 53:8 64:1 66:14 67:3 76:1 80:3 86:12 95:18 96:13 118:20 172:23 175:10 177:7 179:22</p> <p>through [44] 18:15 26:15 26:16 34:15 41:9 48:9 52:8 71:24 77:16 79:3 89:19 101:18 105:19 115:5,14 119:5 120:6 123:19,23 124:3,18,25 125:8 126:21 127:1 129:2 130:17 133:20 160:16 162:16 163:3,19 164:5 164:21,23 165:5 167:4 179:8 181:11 184:24 187:3,17,23 190:14</p> <p>throughout [4] 11:6 52:11 101:15 103:5</p> <p>tie [1] 151:13</p> <p>timeframe [1] 174:7</p> <p>times [4] 2:11 11:6 145:24 165:16</p> <p>timesheet [2] 188:16 195:18</p> <p>timesheets [3] 189:16 189:17 196:22</p> <p>timing [1] 87:18</p> <p>title [1] 59:17</p> <p>today [4] 15:6 39:19 161:16 164:5</p> <p>together [10] 53:6 71:16 92:17 126:4,7 127:14 128:11 129:11 130:14,21</p> <p>tomorrow [1] 197:7</p> <p>too [3] 23:10 146:6 178:20</p> <p>took [8] 35:6 39:25 64:13 71:10 78:23 163:4 176:6 176:23</p> <p>tool [2] 104:2,3</p> <p>top [2] 111:4 159:13</p> <p>topic [1] 196:21</p> <p>total [4] 25:17 30:23 150:18 195:2</p> <p>totally [1] 42:3</p> <p>Towers [1] 157:20</p> <p>traceable [1] 185:1</p> <p>traded [10] 24:17 27:11 27:25 28:4,6,11 30:2,4 30:15 32:19</p> <p>trades [2] 148:18 158:19</p> <p>tradesperson [1] 145:10</p> <p>trading [2] 16:2,20</p> <p>trained [1] 148:6</p>
--	---	--	--	---

<p>training [1] 86:18 transcribed [1] 198:7 transcript [3] 99:6,8 198:3 transferred [10] 46:22 47:1 49:14,17 94:11,24 95:15 96:18,25 119:10 transfers [2] 118:22,23 transformers [1] 12:13 transition [4] 53:6,18 64:19 66:12 transitioned [1] 65:3 transitions [2] 65:17,19 transmission [3] 12:12 66:3 111:10 transparent [1] 155:22 transpired [1] 175:10 Treasury [1] 39:5 tried [3] 16:20 150:2 194:19 true [2] 16:12 198:2 try [5] 18:6 57:16 70:12 178:1,2 trying [13] 13:23,25 15:17 17:22 18:13,15 86:8 103:3 150:22 163:6 179:6 190:8,10 turn [13] 7:15 37:22 44:12 79:8 88:1 89:3 104:12 105:4 118:1 119:24 135:12 159:10 184:2 turnover [3] 171:11 172:22 173:24 turns [1] 163:24 twelve [2] 42:3 44:5 two [29] 2:18 9:16 14:6 22:4,23 37:23 38:2 40:7 42:6 53:7 54:10 64:25 67:3 76:4 77:5 88:21 96:11,11 101:12 105:14 123:10 131:20 133:19 163:5 177:7,18 179:4 183:12 193:21 type [8] 12:4 21:6 80:20 85:1 100:19 112:22 158:16 185:10 types [9] 12:21 16:10 17:14 19:2 22:23 120:14 120:22 121:3 122:18 typically [2] 158:3 160:10</p> <hr/> <p style="text-align: center;">-U-</p> <p>Uh-hm [2] 139:18 174:25 ultimate [1] 73:20 ultimately [5] 62:3 121:12 125:5,9 158:13 Um-hm [1] 117:24 uncommon [1] 165:14 under [13] 1:22 32:21 47:11 66:17 72:18 80:2 85:11 125:3 145:16 156:5 156:9 184:15 185:3</p>	<p>underneath [5] 63:21 73:21 80:1 146:21 177:21 understand [13] 5:22 19:2 22:18 23:25 41:15 44:22 89:9 96:1 141:1 165:25 172:11 184:13 187:15 understood [2] 6:6,18 undertake [3] 5:16,23 146:3 undertaking [15] 5:10 5:11,25 7:1,8 91:11,19 129:1 135:13,16 155:2 155:18 156:10 158:22 159:7 unfortunately [1] 181:19 unimportant [1] 182:19 union [3] 137:14 156:22 169:21 unionized [3] 131:22 145:8 158:19 unique [1] 192:22 uniquely [1] 195:24 unit [3] 9:20 13:4 130:13 United [2] 17:10 23:15 units [4] 10:9 12:13,21 25:14 University [1] 39:3 unless [1] 13:7 unlike [1] 19:19 unwillingness [1] 154:11 up [53] 3:22 6:13 9:20 12:16 15:6,7 23:14 25:24 30:18 32:13 34:20 41:11 44:18,20 45:16 59:18 61:16 62:22 65:6 68:23 70:2,10 76:20 77:1 88:5 95:23 99:9 100:1 111:8 117:17 121:11 127:6 130:17 135:15 141:6 142:3 150:13 151:6 159:10 161:24 165:15,17 172:9 175:13,14 176:9 177:2 181:18,23 183:10 184:8 187:19 189:14 upcoming [3] 127:22 131:6 158:1 update [1] 135:5 upfront [2] 54:4 60:9 uploaded [1] 137:18 upwards [2] 143:25 162:4 usage [1] 18:14 used [8] 29:23,25 30:1 31:25 32:1 63:17 104:3 158:11 uses [1] 56:16 using [4] 28:21 29:8 104:2,6 Usually [1] 126:25 utilities [7] 22:5 33:25 120:19 145:4 158:18 162:18 198:6</p>	<p>utility [8] 32:14 145:14 153:7,8,11 157:6 160:22 161:3 utilization [2] 104:9 166:25 utilize [1] 94:1 utilized [5] 93:19 157:1 179:11,15 182:20</p> <hr/> <p style="text-align: center;">-V-</p> <p>vacancies [10] 172:17 172:21 174:13,17 176:10 178:10,20 180:4 182:24 182:24 vacancy [18] 171:24 172:5,13 173:5,15 174:14 175:13 178:3 179:18 180:20 181:15,19,20 182:9,12,18 183:20,21 vacant [1] 173:3 validate [1] 157:7 validation [1] 158:11 valuation [2] 30:7 32:21 value [43] 16:7 18:7,9,19 18:22 19:4 27:5,7,8,9,13 27:16,18 28:2,14,20,22 29:16,17,19,19,20,23,25 30:1,9 31:10,13,22,23 31:25 32:1,4,5,9,16,24 32:24 33:1,1,2,14,18 valued [1] 29:8 values [1] 100:7 vapour [1] 14:6 various [13] 2:11 39:2 52:6 63:20 75:6 78:2,3 78:10 80:2 88:17,18 184:19 194:12 vary [1] 77:2 vast [1] 107:8 verified [1] 57:12 verses [2] 163:20 188:21 version [1] 45:5 versions [1] 41:10 versus [4] 19:22 103:22 115:23 120:3 viable [1] 33:7 Vice [6] 5:13 37:2 38:15 59:20,22 89:25 Vice-Chairman [1] 37:12 vice-president [10] 46:13 59:24 61:23 62:2 70:16 73:19 75:12 89:1 90:5 101:3 view [9] 15:20,21 16:9 19:21 35:14 110:17 169:18 179:20 181:15 views [1] 35:12 virtue [1] 16:15 visit [1] 122:3 VOCM [1] 1:17 volume [2] 171:10 184:9 voluntary [2] 172:22 173:24</p>	<p>VP [18] 35:19 45:2 50:4 58:10 62:18 63:24,25 64:19 77:7 83:2 87:9 90:3 98:21 109:12 121:12 121:24 122:3 187:24</p> <hr/> <p style="text-align: center;">-W-</p> <p>wage [2] 145:9 151:9 wages [2] 169:17 170:6 wants [1] 30:3 watch [1] 10:19 water [1] 14:6 Watson [1] 157:21 ways [6] 16:14 78:10 104:7 122:2,7,14 website [2] 1:22 144:12 week [1] 189:23 weekly [2] 144:3,11 weeks [2] 54:10 189:22 weightings [2] 4:13 5:17 weights [1] 4:2 well-structured [1] 79:22 wellness [1] 149:10 Western [1] 111:25 WHALEN [2] 7:24 156:12 whales [1] 23:10 whereas [2] 152:3 164:12 whereby [1] 135:4 Wherever [1] 16:20 whole [2] 67:1 136:5 winter [1] 10:12 wish [2] 1:15 159:20 within [22] 35:25 74:8 74:16 76:13 93:17 100:20 101:9 107:1 113:6 119:17 131:10 142:8,9,12 143:3 143:6 147:5 178:2 184:18 184:21 185:10,11 without [2] 5:19 111:3 witness [2] 2:15 155:5 witnesses [1] 38:2 wonder [8] 87:14 88:5 91:10 105:4 128:25 159:10 172:9 174:9 wondering [3] 79:11 166:4 175:2 words [3] 99:3 119:24 177:3 worked [5] 71:16 92:13 115:13 148:22 191:14 worker [1] 145:10 workers [2] 10:25 15:7 workforce [5] 131:22 145:8 148:3,20 158:20 workload [1] 119:5 workplace [2] 85:11 148:25 works [6] 89:6 100:23 130:2 133:1,17 148:19</p>	<p>world [3] 21:21 29:3 32:16 worried [1] 141:3 worth [1] 31:9 written [1] 40:18 wrongfully [1] 160:12</p> <hr/> <p style="text-align: center;">-X-</p> <p>X [1] 132:19</p> <hr/> <p style="text-align: center;">-Y-</p> <p>year [73] 3:23 5:17 9:14 19:25 24:4 38:18 41:4 41:14,24 42:8 43:4,9,19 43:20 44:4,24 45:4 46:3 51:21 52:9,11 53:5 57:6 57:24,24 64:23 65:6,7 66:10 80:10 82:5 85:7 104:2 124:20 126:23 127:22 131:6 132:16 139:12 140:6 141:21,25 144:1,16 146:3 147:9 157:16,23 158:1,15 170:25 178:16,23 179:12 179:12 180:15,23,25,25 181:7,18,25 182:12,16 182:23 183:3,5,10,13,22 188:7 190:19 193:23 year's [1] 80:20 years [35] 20:19 38:20 39:1,8 40:2 45:9 48:9 53:8 67:3 71:17 74:25 77:2 86:12 102:1 105:20 115:14 130:2,7,10,11 158:2 163:5 167:24 169:19 170:6 175:11,12 177:7 179:18,22 182:16 194:3,23,23 195:1 Yesterday [1] 3:9 yet [2] 5:15 19:25 yield [1] 10:5 Yogi [1] 19:8 YOUNG [1] 5:21 yourself [10] 35:4 54:22 55:7 67:18,25 68:8 92:7 107:3 111:18 117:11</p>
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