ONTARIO ENERGY BOARD

FILE NO.:	**EB-2016-0231**	**Five Nations Energy Inc.**
VOLUME:	**1**	
DATE:	**July 6, 2017**	
BEFORE:	**Allison Duff**	**Presiding Member**
	Christine Long	**Member**
	Ellen Fry	**Member**

EB-2016-0231

THE ONTARIO ENERGY BOARD

Five Nations Energy Inc.

Application for changes
to its electricity transmission revenue requirement
effective January 1, 2016

Hearing held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Thursday, July 6, 2017,
commencing at 9:38 a.m.

VOLUME 1

BEFORE:

ALLISON DUFF	Presiding Member
CHRISTINE LONG	Member
ELLEN FRY	Member

A P P E A R A N C E S

JAMES SIDLOFSKY	Board Counsel
LAWRIE GLUCK	Board Staff
RICHARD KING JEFF ST. AUBIN	Five Nations Energy Inc. (FNEI)
BRADY YAUCH	Energy Probe Research Foundation

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Thursday, July 6, 2017

--- On commencing at 9:38 a.m.

MS. DUFF: Please be seated.

[Technical interruption]

MS. DUFF: Good morning. Sorry for that disruption. My name is Allison Duff, and with me today are Christine Long and Ellen Fry. Today we are sitting to hear an application from Five Nations regarding approval to change its transmission revenue requirement effective January 1st, 2016. To date, the Board has issued procedural orders in order to make provision for written interrogatories, responses, and for this two-day oral hearing. There is a hearing plan prepared by Mr. Gluck, and I trust all parties have it. The hearing room is scheduled all day today and this room is reserved tomorrow for as long as we need it.

So may I have appearances, please.

APPEARANCES:

MR. SIDLOFSKY: Good morning, Ms. Duff. My name is James Sidlofsky, counsel to OEB Staff. I am here this morning with Mr. Gluck, case manager for this matter.

MS. DUFF: Thank you, Mr. Sidlofsky.

MR. YAUCH: Good morning, Panel. I am Brady Yauch, and I am representing Energy Probe Research Foundation.

MS. DUFF: Good morning, Mr. Yauch.

MR. KING: Good morning, Madam Chair. I am Richard King. I am counsel to Five Nations Energy. With me is my colleague, Jeff St. Aubin, and I will introduce my witness panel more formally later, but closest to the panel is Rod

Reimer. He is the finance controller of Five Nations Energy. And furthest from the Panel is Mr. Pat Chilton. He is the CEO of Five Nations.

MS. DUFF: Good morning, gentlemen. Are there any preliminary matters that we need to deal with today?

PRELIMINARY MATTERS:

MR. SIDLOFSKY: I have two general areas, Ms. Duff. The first relates to confidentiality and the second will relate to items to be marked as exhibits.

There was a very small amount of material filed in confidence in this proceeding. First, in the application itself Five Nations filed certain customer information related to its charge determinant forecast, and that can be found at Exhibit 5, tab 1, schedule 3 of the application.

Five Nations' reason for the requested treatment was that Five Nations only has a limited number of customers and revealing the charge determinant information even in the aggregate according to Five Nations would disclose confidential information about each customer.

Five Nations has also suggested that the redaction of that information from the public record should not adversely affect the transparency of this proceeding. Staff do not object to the confidential treatment of that material.

The second item was the Five Nations response to interrogatory 6-Staff-25, parts N and O. In part N, OEB Staff had asked Five Nations to advise whether the expenses included in account 5605 -- and that's executive salaries and expenses -- were only related to Five Nations board of directors costs and, if not, Five Nations was asked to provide a detailed breakdown of that category.

The response was that that account included both board of director expenses and CEO compensation and expenses. Initially the unredacted responses were filed in confidence, and that included the board of directors expense, and in Staff's view it was reasonable to file the board of directors expenses in confidence as well because having those expenses public would allow one to derive the CEO expenses just by subtracting out the board of directors expense.

The cover letter referred to that material as both confidential and personal, the redacted material. And as the Board's aware, personal information receives a slightly different treatment under the OEB's rules of practice and procedure.

We've spoken with Five Nations' counsel and worked on clarifying the request with respect to confidentiality, and what we have now are effectively three versions of the response. There is only one that we propose to use today, and that's the version that's -- the public version, which redacts all CEO and board of directors expenses.

The only item that would be treated as public in that table now would be the aggregate line at the bottom of the table provided in response to part N.

There is a confidential version of the response that would allow people who have signed the Board's confidentiality undertaking to see the current CEO's expenses and the board of directors expenses for 2016, and there is also a personal version -- or, excuse me, the material that remains redacted from that confidential version is information related to the previous CEO of Five Nations, along with corresponding board of directors expenses for those years. Those are the years through 2015.

OEB Staff don't object to this approach, and we note that Mr. Chilton has advised that he is content to have his material treated, his -- excuse me, his compensation information treated as confidential and not personal.

So Staff are satisfied with that approach. We do want to speak with counsel to the applicant after the hearing just to ensure that the correctly redacted material is -- and the correctly unredacted material is being filed with the Board, but that shouldn't hold up this hearing.

We'd like to speak with counsel offline about that if the Panel doesn't mind.

MS. DUFF: Okay, fine. Mr. Yauch, do you have any objections to this confidential treatment?

MR. YAUCH: No, that's fine. That's fine with us.

MS. DUFF: Well, the Board has reviewed these documents and the reasons provided in the letters of November the 26th, and it was 2016 and July the 4th, 2017. And we will approve the two requests provided -- namely, Exhibit 5, tab 1, schedule 3 -- as it contains information in which specific customer information could be revealed.

And we also approve the confidential treatment of interrogatory response 6-Staff-25, parts N and O, as they contain personal information related to the prior CEO.

The Board finds that providing confidential treatment of specific customer information and personal salary information is consistent with the OEB's practice direction on confidential filings.

Now, although you mention that you have no intention of using the document that's been afforded confidential treatment, when we get to that part of the cross-examination regarding OM&A, perhaps I will just assess who is in the room and ask Mr. King if he had any direct in which we would need to perhaps go in camera.

MR. SIDLOFSKY: Thank you, Ms. Duff. Just one point on that. I don't believe we have an undertaking from Mr. Yauch. I don't know if he plans to file one.

MR. YAUCH: I am sort of waiting to see how the hearing went. If it was the last thing, we don't need to be here for the confidential, but if it's sort of in the middle of the hearing, I would like to stay here for it, so I was sort of basing it on the schedule, if that's okay with you.

MS. DUFF: Yeah, we can defer it until then. Thank you very much.

MR. SIDLOFSKY: And we have a form available for Mr. Yauch in any event, so if he decides he wants to stay for that -- if it comes up and he decides he wants to stay for it, we can have him sign the undertaking.

The second area that I wanted to address dealt with a number of items that have been received in the past few days, and I think they should be marked as exhibits this morning. I will just take the Board through them quickly.

The first one -- and I am trying to deal with them in roughly chronological order. The first one is the public redacted response to interrogatory 6-Staff-25, parts N and O. There was a public version of a letter from counsel to Five Nations, along with the public redacted version of the table related to account 5605 on July 4th, 2017. I'd like to mark that as Exhibit K1.1.

MS. DUFF: That's fine.

EXHIBIT NO. K1.1: PUBLIC REDACTED RESPONSE TO INTERROGATORY 6-STAFF-25, PARTS N AND O WITH THE PUBLIC REDACTED VERSION OF THE TABLE RELATED TO ACCOUNT 5605 ON JULY 4TH, 2017.

MR. SIDLOFSKY: Five Nations has also filed a supplementary response to interrogatory 7-Staff-33. That has also come in in the last day or two. That would be Exhibit K1.2.

EXHIBIT NO. K1.2: SUPPLEMENTARY RESPONSE TO INTERROGATORY 7-STAFF-33.

MR. SIDLOFSKY: I'd like to file the package of CVs -- that would be Mr. Chilton's and Mr. Reimer's -- as Exhibit K1.3.

EXHIBIT NO. K1.3: PACKAGE OF WITNESS CVS FOR MR. CHILTON AND MR. REIMER.

MR. SIDLOFSKY: K1.4 will be the presentation to the

Board by Five Nations, and you will be clearly hearing more about that in the next few minutes. But it seemed to reasonable to mark that ahead of time.

EXHIBIT NO. K1.4: PRESENTATION BY FNEI

MR. SIDLOFSKY: Mr. Yauch has filed a compendium for Energy Probe; I believe the panel has copies of that.

MS. LONG: Sorry, Mr. Yauch, is that your operating cost overview? Is this the compendium?

MR. YAUCH: Right, that's it. I have extra copies, if you need them.

MS. DUFF: Thank you, I will need a copy. Oh, it has been provided for me on the dais, thank you. Please continue.

MR. SIDLOFSKY: And that would be Exhibit K1.5. And finally, OEB Staff have filed a compendium, and I would ask that that be marked as Exhibit K1.6.

MS. DUFF: Okay, thank you.

EXHIBIT NO. K1.5: ENERGY PROBE CROSS-EXAMINATION COMPENDIUM

EXHIBIT NO. K1.6: OEB CROSS-EXAMINATION COMPENDIUM

MR. SIDLOFSKY: I believe the Panel has copies of that as well.

And those are the preliminary matters. I believe Mr. King would like to take his panel through a presentation.

MS. DUFF: Yes, Mr. King, please proceed. Introduce your witnesses.

MR. KING: Thank you. I don't know when you want them sworn, sworn now, or in a moment?

MS. DUFF: Well, to the extent that they are going to be talking about the presentation, perhaps it would be a good idea now.

MR. KING: Yes, sure.

FIRST NATIONS ENERGY INC. - PANEL 1

Patrick Chilton, Sworn

Rod Reimer, Sworn

EXAMINATION-IN-CHIEF BY MR. KING:

MR. KING: So to more formally introduce the panel, I won't be taking them through the presentation, they will do that on their own.

Closest to the Board, as mentioned, is the finance controller for Five Nations Energy, Mr. Rod Reimer. His CV has been filed in this proceeding. He has had a long involvement both with Five Nations and with the electricity sector in Ontario. In fact, when I became Five Nations' counsel 17 years ago, Rod had already been working for Five Nations during the development phase of the project, so well before electrification came along.

He also helps out the distributors in the James Bay region, and both he and Mr. Chilton are directors of Coral Rapids Power generation, one of the river hydro plants that came online in March of this year.

To his right is Mr. Pat Chilton. He is the fourth chief executive officer of Five Nations since its inception. His CV is also filed on the record. You will note his experience in the electricity sector is more recent. His background is in executive roles in the health sector, the Aboriginal health sector specifically. But he also, as I said, sits on the board of Coral Rapids Power, and he is the brother of Ed Chilton, who you will hear about and who was really the driving force behind the establishment of Five Nations Energy.

So if I could turn to the two of you, you have before you the amended application and pre-filed evidence that was filed in November 2016, together with the IR responses and supplemental IR responses of April 2017, and then three of the filings from just earlier this week on July 4th, namely IR 25 dealing with board expenses and salary and wages, as well as IR 33 and the presentation. Do you have that in front of you?

MR. REIMER: Yes.

MR. KING: And were you involved in the preparation of all of those items?

MR. REIMER: Yes.

MR. KING: And are they true and accurate, to the best of your knowledge?

MR. REIMER: Yes, to the best of my knowledge.

MR. KING: And do you adopt the evidence for the purposes of this proceeding?

MR. REIMER: Yes.

MR. KING: So with that, I am happy to turn over to Mr. Reimer the presentation.

I should add they are first-time witnesses; they are not the professional witnesses you may be used to. So you may find them more forthcoming than you are used to.

PRESENTATION BY MR. REIMER:

MR. REIMER: Good morning, Madam Chair, members of the Panel, Board Staff, intervenors, good colleagues. I really appreciate that you were able to change the date of this hearing. I understand that's very, very seldom if ever done. My wife is most grateful. I also thank you for this opportunity to give this presentation.

We had hoped to host a meeting in one of our connected communities, just so that the Board Staff and perhaps a Panel member or two could understand exactly the situation, the location, the geography, the situation that we operate in. Since we can't do that, we beg your indulgence to go through this presentation. It talks a little bit about the history of Five Nations and if you could -- and where it came from.

So if you look at this map, you can see that it's right along the coast -- the transmission line runs right along the coast of James Bay. It begins in Moosonee, it's 270 kilometres long, and there is no road access. You can see on the inset just how removed it is from Toronto, from the rest of the province.

As I said, there is no road access. The railway was built, I think, in the 1930s around there to Moosonee, and that's the extent of all-season access. There is winter road access six weeks to eight weeks every winter, depending on the snow cover, depending on the how quickly the ground freezes, how quickly the muskeg freezes.

There is barge service from Moosonee, but it's limited. The train is very -- it's very swampy. It's basically all inundated during the summer months, which means that any kind of construction, any kind of maintenance activities on the line are mostly done in the wintertime.

Now, if you look at the top of the map, you will see Akimiski Island, and then you'll see this little dot called Attawapiskat. As a young person, I was always fascinated by maps and I distinctly remember about 13, 14 years old looking at all the road maps and flipping the backside of the map of Ontario, and I saw this little dot, and I said,, "You know, some day I am going to be there." And so through a bizarre series of circumstances and stuff, in the fall of 1990 I found myself in Attawapiskat. I ended up staying there for six years, and I learned to speak or at least understand most of the language, and got to understand firsthand the challenges.

I was given an old 10-by-40 Atco trailer that had been used as a warehouse. Housing is always at a premium and so here was this stranger from out of town. We are not going to give him a house when there's families on the waiting list. So for two years, I did some renovations on that, and I ran an extension cord to the neighbour. So you either plug in your toaster, or you plug in your frying pan, or you plus in the lights. It's like, you know, so you understand firsthand the limitations of electricity.

It's not like here, where you can call up a contractor and they call up the distributor and, okay, I need, you know, a disconnect or a reconnect at 3 o'clock; we should be back by 4, okay, and it's done. There, no; it was a chartered plane from Hydro One remotes, Ontario hydro Remote Communities from Thunder Bay. So you are looking at about $10,000 a trip. So for them to come and connect my trailer would have involved two of those trips, plus another trip from the Electrical Safety Authority inspector. So we are talking about $30,000. Well, you know, I didn't have that.

So that is some of the challenges that those communities faced, just for things that we took for granted.

So if you want to move to the -- just skip to the next slide. Going back in history, the first energization in those communities started about 1950 with the federal -- the distant early warning, those radar bases. The distribution was extended to residences in the early '70s, Ontario Hydro; a very limited supply, 15 amps, 20 amps per household; low voltage distribution, 8130.

The same with Attawapiskat. They had a very small system in the '70s. But there the voltage was even lower, 2400 to 4800, which means it was very difficult to extend that.

Services to the all these three communities were based on electrification agreements between the federal government and the province through Ontario Hydro. The federal government agreed to pay for the initial capital construction of the, I think both the distribution system, but mostly the generators. The issue was always generation, always the supply. That was always the issue.

By the mid -- mid-1980s communities had started to grow and really started to feel the constraints of diesel generation. The one picture there shows a tanker truck on fire. They were using a gas-powered transfer pump, and there was a pinhole leak that started -- had a vapour, and all of a sudden the whole truck is on fire. The other picture is in Attawapiskat. You can see the steep bank where the trucks had to go in the winter hauling the fuel. This one unfortunate occasion the truck didn't quite make it, ended up sliding back, jackknifing, and spilled part of the load.

Same as in the summer, on the barge. Fortunately we have no record, not even anecdotal, of any significant spills into the waterways. That would have been -- but there is always a risk. Anytime -- any time you transport over water you run that risk.

And so the people -- Nishnawbe-Aski Nation is the, what they call a provincial treaty organization. It represents the communities that are part of Treaty 9. Originally based in Timmins, they are now based out of Thunder Bay, and so they started looking at possible solutions in the mid-'80s.

Ontario Hydro also in the early '80s did this remote community wind diesel study, and ultimately a report was commissioned that we refer to as the Bird and Hale report, and this would have been February 1987.

Those objectives were to examine the costs and the benefits of extending the power grid. They looked at various alternative sources: Is it more feasible to, for example, go with wind, go with solar. The problem with wind and solar is that when the wind doesn't blow and the sun doesn't shine you either need storage or you need full diesel backup. Storage was still -- is still very expensive, and so it just wasn't feasible to have full diesel backup along with alternative energy.

So ultimately the report -- flip the slide, the next one. Yes. Ultimately the report recommended that the most logical solution for these three communities would be to extend the grid from Moosonee. At the time the estimated construction cost was about 32 million, and so what they proposed was very similar to what had been done up until then with the electricity supply in those communities, a combination of different funding sources.

In this case they also suggested that the province of Ontario -- MNDM, Ministry of Northern Development and Mines, was a key part in preparing this report. They played a key role. And so the recommendation was that the province also be involved in providing this, as well as -- as well as the government.

As my colleague can attest, there is always -- when you are dealing with work on the First Nations there is always that tug of war between this is federal responsibility and, well, this is provincial jurisdiction, so at the time the recommendation was that both levels of government would contribute to this. And then when it was done it would be turned over to Ontario Hydro to operate just as they had been operating the diesels and the distribution system.

So what they recommended at the time -- and here we are starting to get into the non-profit issue. And as I go through this presentation and some of the questions that we imagine we will be asked during the examination, you will see that this is a very much -- the start of this was very much a community grassroots on-the-ground kind of solution. It was driven by people that wanted to -- wanted to make -- to make a positive change, wanted things to improve.

So the recommendation back then was to set up what they called the James Bay Power Authority, set up as a non-profit, with seven members, and once it was done turn over to Ontario Hydro.

So -- the next slide there. The issue was that Ontario Hydro was not interested, not at all. They basically said that transmission line can't be built, can't be built in the swamp. There we go. One more back. There we go.

Basically, Ontario Hydro said they are not interested. We can't put poles in the swamp like that, plus nobody will pay their bills anyways. And communities kept pressing, wouldn't take no for an answer. They said, We have to do something.

One of the things -- right around this time, and this is -- we are talking about the early '90s. This is when I was living in Attawapiskat, and none of the -- very, very few houses, mostly the residences for the, like, for the hospital, the nurses, the teachers used, those had running water. Those had indoor plumbing. The rest of the community houses didn't.

And so all three communities started major, major retrofit programs, where they lifted up the houses and put in the water and sewer infrastructure, and Ontario Hydro began to refuse to connect new houses. They said, Well, our generator -- our systems are maxed out. This is all we can do. You can't -- you can build all you want, but we won't connect them, because come the wintertime when the load is peaking they are just going to shut off.

And so there again it was very difficult to get funding from the federal government, from Indian Affairs, to then upgrade those generators.

So Mushkegowuk -- the tribal counsel responsible for these three communities along with four others -- passed a resolution in 1996.

I just have a little -- an interesting story of -- one of the communities that was actually part of the New Watay project in northwestern Ontario -- in the late '80s I spent quite a bit of time in some of those communities, and the stuff that we take for granted, you know, go to the wall and turn on the switch, those houses don't have -- didn't have electric service.

So we are sitting there one evening in winter, and one of the kids had put on a movie on the VCR, so we are watching TV and watching the movie, and all of a sudden I noticed I was wondering where this electricity is coming from. You could hear this little gas-powered generator running in the background, and about halfway through all of a sudden it started flickering and everything went dark. So the kids were elbowing each other, No, it's your turn, no, no, it's your turn. I did it last time.

So eventually one of them went out, got the jerry can, filled up the generator, started up again, and continued watching the movie.

So these are communities of very -- it's very, very recent to have stuff that the rest of us have taken for granted for a long time.

So moving on. Progress. Mushkegowuk started technical working group, and that's where Pat's brother, Ed, Ed Chilton, became involved. He was an employee of Mushkegowuk counsel at the time and took a very significant, very lead role in putting this together.

In one of my previous slides I said the communities kept pressing. His motto was, you know, if they say no, well, we will ask a different way, we will ask a different question. We will never take no for an answer.

So the early part of '97 too, memorandums of understanding are signed. The first one created the Mushkegowuk Power Corporation with the First Nations for the creation of a Mushkegowuk power corporation to develop, operate the great extension. The second one was actually starting a project. That's between this newly formed power corporation and SNC Lavalin to jointly look at the feasibility of building this line.

So -- and here, this slide, Five Nations Energy Inc. is actually created. The letters patent were issued September 30th, 1997, pretty well 20 years ago, and here I will just read these out:

"The object of the corporation are to promote the social, economic, and civic welfare and development of the Attawapiskat, Fort Albany, and Kashechewan First Nations by promoting, acquiring, developing, and establishing works and facilities of any manner and nature for the provision, acquisition, transmission, distribution, and supply of electricity and other utilities to the communities of Attawapiskat, Fort Albany, Kashechewan, and elsewhere."

So these are what we refer to as our corporate or our social objectives. This was the other -- this was kind of the founding document for the corporation that's before you today.

FNEI as a non-profit doesn't have shareholders. What we have are members. In this case, it's the three local distribution companies, and this is where FNEI -- how the governance works. The three LDCs are responsible for appointing directors to FNEI's board, and the LDCs in turn have their directors appointed by the local chief and council. So this is how the governance flows from local membership; the local community residents, they elect a chief and council. The chief and council, they appoint directors to the local power corporation; and the power corporation in turn appoints directors for our board. And that's how we -- that's how the governance is enacted.

Moose Factory and TTN, the two other First Nations that make up five, they are part of FNEI just because the transmission line runs through their traditional territory and they were very interested when we started this up. They were very supportive, and actually played a very key role in the start-up of Five Nations Energy. Although they are not customers, they are not connected, just for traditional land as well as just wanting to assist their closely related First Nations, that's why they are part of Five Nations. So they also -- the chief and council there appoint one director each to Five Nations' board, so that's how FNEI has its governance set up.

So the work begins. We start working on -- we updated the feasibility study. We knew that our major funder -- we weren't able to attract any private capital, so the major funder would be INAC, the federal government. So they had a second set of eyes, a third party, Stone & Webster, look at the feasibility. They accepted the report and by September 22nd, 1998, they issued a letter of commitment for a $33 million multi-year funding agreement.

They actually made history. That's the first time they entered into a funding agreement with a corporation. Before that, they always did it with either a First Nation or a tribal council.

We had some -- during the environmental assessment, we had some significant work to do with the three First Nations. This was a significant change. They are used to -- they are used to generators, they are used to the way of life. Any time you introduce change, there is going to be opposition, there is going to be fear, there's going to be questions.

And Pat's brother, Ed, always liked retelling the story of one community consultation session they had in Kashechewan. They had presented the idea of the transmission line. Part of the line had to cross Albany 67, the actual reserve lands. So there was a lot of arguments about, well, we should get compensated, well, you know, what's going to happen to the geese and what's going to happen to this and that. And finally, one of the elders of Evadney stood up and she says, “Okay, I have heard enough. I want all the men out,” and she kicked all the men -- kicked actually all the people doing the consultation. Everyone had to leave. So she for an hour and a half, she met with the women of the community. When they came back and directed -- the chief says, okay, we have decided we need this. We want to go forward and make it happen. Build this line. So that was one of the key challenges, was to cross that Albany 67, as far as from a community perspective.

Line survey work continued. The distribution assets, the transfer from Ontario Hydro remotes to the First Nation, that work continued.

We also started working with -- started working on a power purchase agreement. All of this was prior to the Electricity Act of '98, the OEB Act. This was all back when it was basically illegal for a private transmitter to connect more than itself.

We did work closely with the market design committee. But at this time, we had to enter into a power purchase agreement with Ontario Hydro. We had to purchase the electricity in Moosonee and then resell it in the three communities. Ontario Hydro made it very clear: We are not going to sell you electricity in Moosonee, and then buy it back from you so we can distribute it in these communities. You want to build this line, you are on your own. These communities are yours; you are going to be distributors.

And the amazing thing about this is the financial model that we put together actually worked and gave enough confidence -- in the next slide, I will talk about our loans. The financial model we put together, as it says here, the revenue from selling the electricity had to be enough to cover FNEI's operating costs, as well as to pay back its loans.

Regulatory work; as I mentioned, there was major changes in the electricity industry in the province.

Next slide; financing fell into place. We received -- we were able to negotiate $27.4 million from banks. We did have that $33 million commitment from INAC, but we were still short. So we ended up -- throughout all this time, we had been talking to the province, talking to the province, and they consistently refused to get involved in providing any kind of loan guarantees or any kind of grant or anything.

Finally, we were so close. We were $11 million -- came up with an idea that, okay, we will purchase assets from you that total $11 million and we will do it in a way that it's outside of rate base, it's outside of normal regulation, on the understanding that at some point you'll be able to purchase that back at its net book value. So that was the term sheet that Five Nations and Ontario Hydro, as well as the three First Nations, entered into. We will probably discuss that a little bit more further on.

So now line clearing begins. We did mostly mechanized. There was some manual right-of-way, people wanted to work. Substation construction, fairly typical. We had SNC Lavalin and PowerTel; some of you might be familiar with PowerTel.

And then in May 2002, we had our grand opening. This was in Fort Albany. And one thing -- one thing to keep in mind is that Fort Albany built a $19 million new school, and Ontario Hydro made it very clear we are not even going to give you temporary power unless we are convinced that that transmission line is going to be built. Yes, we are going to; yes, it's going to be built. So based on that, and there is also 37 new housing units, some attached to the new school for the teachers to use, and also some new housing for the community. None of those would have been able to be connected if not for the line.

So some milestones; customers were connected. FNEI won numerous awards and really worked on improving our assets. So over $25 million have been invested in capital assets since the original construction was completed, also including a new office building that we will probably discuss further today.

Some of the highlights for this rate application; we are asking -- we are asking for a significant -- I will be frank, a significant increase in our revenue requirement, 23.9 percent. The bulk of this is OM&A, just under a million dollars. Has to do with inflation, the staffing increase, additional assets that were constructed as well as the line we acquired. Our rate base has increased about $7 million.

But one thing to keep in mind is that because of the way the funding flowed, because of all the pre-Electricity Act '98, there is $33 million worth of assets that don't appear in our rate base. And these weren't customer-constructed assets, either. We did receive as part of the DeBeers project significant assets, line and station assets that they, as part of the regulatory requirement, constructed and then turned over to FNEI to operate.

But this is something different. Had we known then what we know now, we probably would have taken that $33 million and shown that as an equity contribution from the three First Nations. That would have -- but that option wasn't available to us then. In fact, it wasn't even in our -- nobody even thought about it, because that just wasn't done.

So right now, our constructed -- the constructed value of our assets are over $100 million.

Okay, IR plan, the five-year rate setting plan, a typical OEB IR plan. Our load forecast; we are very small. We know our customers very closely. Statistical methods of determining load like linear trend don't really work, is really overstated. So instead we just -- we looked at historical average peak load data.

We are requesting, like, January 1st, 2016 start date, and we acknowledge, like, that's 18 months ago. It's significantly -- like, some time has gone by.

The original -- the 2010 decision was 11 months, went back 11 months. The decision was in November and we asked for rates to be effective that January. We did forecast a $1.5 million revenue deficiency for 2016. Our actual ROE was just under 1 percent for 2016.

One of the things that we are really hoping that this -- that this process, this rate application this time we will be able to settle this non-profit issue. It's something that's been -- it's been hanging over our heads for quite some time.

I am showing you some of the history of why FNEI was set up the way it was, as a non-profit. Our corporate structure, we never -- how would I say this? Our intent was always to operate as a commercial -- as an electricity market participant, as a regular transmitter, operate within the regulatory framework, operate as a business, as a going concern. Our corporate structure was never -- that didn't define the way we operate it. That didn't make any changes on what we were hoping to accomplish.

We had no access to private capital. We were limited to what we could -- like, the public funding that we could get, and then based on that whatever monies we could borrow.

And the people, like I said, that story about Evadeney, about the elder that spoke up, community residents have an expectation of ownership. We all read -- we all see the news about the First Nations and their fiscal instability. We wanted to make very sure that this asset cannot be monetized. That's extremely important to us, that this -- there can be no risk to the community for loss of ownership.

If you change this into a for-profit corporation, we have already had in the past five, ten years, we have had many people knocking on the door, say, Hey, buddy, have we got a deal for you. Change to for-profit. We can raise a billion dollars, yadda, yadda, yadda. That is not our intent. Our intent was always to provide electricity to these communities so that they can grow, they wouldn't have these constraints. It was never our intention to be, umm, to be driven by the ability to make dividends.

Now, having said that -- so because we had a basic bare-bones project, that's all we could afford to build, we have been investing all of our surplus into capital, into building up the system so that we have redundancy, so that we can maintain our delivery point standards, we can maintain as little outages as possible.

But we have never touched -- we have never once touched our corporate or our social objectives. We are hoping -- we are hoping to do this, and we are very concerned that we won't be able to do that.

You look at other -- you look at other electricity market participants in the province. You have partnerships, you have all sorts of -- all sorts of structures. None of them are prohibited from earning a return. Some even have their income-tax costs covered.

The Board doesn't direct them, okay, you can only do this with your dividends. You probably are all familiar with the Toronto Hydro case. Stuff like that, we don't see that the Board wants to get involved in that detail, and so we are trying to come up with -- the best advice that we have been given is that there's really no -- there's no legal reason to prohibit a non-profit from earning surplus, from generating more revenue. There is always this mentality, Oh, you are a non-profit. Okay. So you should, like, just barely break even. It should be a shoestring budget, you know, hand to mouth, pay cheque to pay cheque, and that's not the case.

Our reserves policy that was put in -- or the reserves expectation that was put into the rates order, 2010, we tried, but it didn't -- we tried to implement that. Net income doesn't equal cash. Very micro-managing of the utility. Very paternalistic. If you read some of the wording of that order, it's quite troubling when you look at that.

Basically, if this reserves -- if FNEI is unable to earn an ROE as it stands, it's going to prohibit us from operating the way we are. We are going to have to -- there is going to have to be significant changes. It's just in this current form FNEI cannot operate without an ROE.

Moving on -- I don't want to take up too much of our time -- we have some existing credit agreements. We were able to get very good, very good long-term rates from Manulife and BMO.

Now, past Board directives. In the 2010 order there was three -- file service agreements with the three LDCs. We did those. The second order, deferral account for incremental tax credit, HST, that wasn't complied with. And here -- here I take, you know, I take personal responsibility for this.

I worked very closely with the Board Staff -- the Board Staff member that was doing an RSVA audit on the three LDCs and understood his thinking where you check off the box. You had to do these monthly retail settlement variance account journal entries and reverse them the next month.

The cost, the effort to do those were orders of magnitude more than the value to ratepayers for actually having those entries, and so we tracked -- I tracked this for six months, and the amount, the amount of this incremental tax credit just wasn't -- it wasn't material, yet the amount of time that it would take on every transaction -- every transaction had to be analyzed, as I put in the evidence, as to whether or not this was truly incremental or is this something that would get -- so looking back, what we should have done -- I should have done is, you know, maybe submit a letter, maybe reach out to Board Chair or something, just saying, hey, look, this isn't working for us. Is there any way around this?

As part of our IR response, I did look back over the preceding years, and it went through -- was much easier to go back. It took me a couple hours to pull out the amounts. But on a day-to-day transactional basis, it was just -- it was a nightmare to do that.

The third directive of the reserves policy, as noted in our evidence at length, we tried -- we tried to the best of our ability to comply with this. We put a draft policy together. This particular Board Staff member asked to review it before we formally file it. Never received a response. We met with senior OEB personnel, no reply.

So moving on, our capital projects, we have always focused on system reliability. There is no other line.

We have an approval process in place. I spoke briefly to our governance our directors put in place.

There are some questions about cost benchmarking utility comparisons. We are minuscule. We have 270 kilometres of line. You compare that to, you know, Hydro One with, you know, over 100,000 kilometres, it's really tough to compare. Very difficult to find a peer.

Future project, when we look forward, at some point we would like to have a little more reliability, some redundancy, twinning the line from Kashechewan to Attawapiskat, and basically focused now on now just continual end-of-life replacement when things are close to their end of life.

Speak very briefly on our new office building. Like I said, Five Nations started from nothing. There was myself working out of my home office. We hired a general manager, Cec McDonald, Pat's brother Ed, a few other advisers. We all worked out of our home offices, and when we started operating we rented space in this building. We ended up with about 800 square feet. It just wasn't suitable. It was downtown. There was no transport access. We couldn't bring any materials in. They had no place to work on them, and it wasn't secure. We shared a building with other tenants. We had numerous break-ins. The computers were connected to our SCADA at all the substations. If -- anybody with a bit of, you know, know-how could have shut down those communities, and it just wasn't suitable.

We did -- we spent about two years looking to see what came on the market. We were very close to purchasing a building. It was basically a warehouse, an insulated shell, would have required a lot of renovations. We were ready to put an offer in. We called a very snap meeting of the board of directors. By the time we got the meeting together, the vendor had already sold it. So we tried.

The 80 kilometres line acquisition, I mentioned that briefly in term sheet; that was always temporary. We always intended to purchase that back.

The bus isolation project, a significant project we have been working on the last couple of years, basically to allow FNEI staff to isolate equipment without taking the community in outage.

Brush clearing equipment; again, we did a cost benefit analysis. See, one of the things it's so difficult -- so difficult to explain is just the remoteness. One of the projects that we discussed in our evidence is station stone replacement and it's like, well, that's a no-brainer. It's gravel. Just go to the gravel company and order some gravel. Well, the closest gravel company is in Cochrane, which is a five-hour train ride to Moosonee. So we figured out how many cubic metres we needed. We got a price, a reasonable price, maybe $150,000 -- I can't remember; this is completely off the top of my head. But that was in Cochrane. So the volume of that would have required every last train car going back and forth, I think for three weeks. There was just an incredible haul. That gravel would be stockpiled in Moosonee, and then you'd need a fleet of transport trucks, gravel trucks to haul that up the winter road. By the time that gravel got there, it was worth millions of dollars.

So what we did instead is one of the guys that we work with closely, he had developed a crew of guys in Fort Albany and Kashechewan and said you know what? Albany has a good aggregate supply. Why don't we test that rock? We took some samples, sent it out; yes, it meets the requirements, has the right lack of conductivity, provides proper insulation, but it's the wrong size. No problem; the First Nation has a gravel crusher, we'll use that. Well, this gravel is dirty, so what are we going to do? So we got a hold of a vendor in Boise, Idaho, who had a gravel washer. So we shipped that up and there we had our own gravel washing thing. And that worked. It's out of the box. It's not -- you can't just check the box. How do you issue a tender for supply of X amount of gravel and get three competitive quotes for something like that? It just doesn't work.

And so we have always tried to walk that fine line between following the spirit, the intent of the regulation. We fully accept, you know, the OEB's right to regulate us; we have no issues with that whatsoever. But it's very difficult to try to explain how to get this going in such a remote place.

Brush clearing equipment, maintenance, utility best practices; we follow equipment manufacturer recommendations and try to minimize.

I will speak very briefly on wages and salaries. We have increased our full-time equivalents from five. We projected 11. We don't -- we didn't -- we held back on hiring two people, just waiting on the outcome of this case.

The problem is Timmins is a mining town. The biggest employers are the mines and there's also -- Hydro One has a significant presence there, as does OPG. OPG has, all over lower Matagami, they have very significant water -- hydroelectric installations there. In fact, one of our employees, his brother works for OPG. So we know exactly what the competition is out there and, well, we would prefer to remain non-unionized. We would prefer to keep our staff after we invest. We have hired -- we are now -- the fourth person that we've hired straight out of school and worked with them through their apprenticeship, through their receiving their fully certified substation electrician designation.

We would like to keep those people. They understand our system, and we would like to maintain the system so we can meet our -- continue to meet our delivery point standards.

Service reliability scorecard; as I mentioned before, it's very hard to benchmark small utilities. We did provide a suggested scorecard that had the metrics that we felt were appropriate to us.

Regional planning; this is fairly new. We have always worked closely with people at the ministry on the LTEP process. There was a little bit of a discrepancy in what we filed compared to what actually took place. That was mostly because the IESO approached us and said, hey, we need this information. So we did do a bit of a planning.

Last slide; we were very fortunate to have the Minister of Energy visit our office with nine of his senior staff. And we had recently put together a map that put things in perspective. Like I said in the beginning, I really like maps. The line that goes to Victor Mine is only like 100 kilometres or so away from the Ring of Fire. There is other First Nation remote communities, Webequie and others, that are close by. So part of our discussion was whether there was any interest in the province in extending the grid to service those communities.

Thank you for your time.

MS. DUFF: Thank you. Just on that last point, you were talking about the Victor Mine site and other communities in that vicinity that you have not connected to. Could you just explain that point a little bit more to me?

MR. REIMER: Well, the line -- DeBeers is part of, their Victor Mine project built their own line from Attawapiskat to connect to a Five Nation system in Attawapiskat and extend it to Victor Mine. So they have -- the transmission line terminates there. From that point on to the Ring of Fire, to Webequie, to other First Nations, it's only another 140.

MR. CHILTON: 140 kilometres.

MR. REIMER: 140 kilometres. So we did, FNEI did take the initiative a few years ago to do kind of a desktop study to see technically how much electricity we could provide to that. So at the time, it wasn't enough for full production, but definitely was enough for all of the construction activities. That would have eliminated a whole bunch of diesel that would have -- that would have been required. If you connect a community, well, then you -- when FNEI was first constructed, there was 10 million litres of diesel fuel a year going to those three communities, and had Victor Mine gone with their original draft environmental assessment, they were projecting 50 million litres of diesel fuel a year to run that mine.

So the same principles to connect Victor, the same principles apply to whether you extend to Ring of Fire or to these other communities.

MS. DUFF: Okay, thank you. First, Mr. Yauch, are you prepared to proceed with your cross-examination? It's 10:30.

MR. YAUCH: Yes, I am ready.

MS. DUFF: You estimated about half an hour.

MR. YAUCH: Yes, and I hope to stay within that. But if I go over, just feel free to stop me.

MS. DUFF: That's fine. I was just wondering perhaps we can take a short break for the witnesses as well, and it allows us to proceed. So let's just take a quick 15-minute break and we will be back at ten to, according to that clock. Thank you very much.

--- Recess taken at 10:37 a.m.

--- On resuming at 10:55 a.m.

MS. DUFF: Thank you.

Mr. Yauch, are you prepared to proceed?

CROSS-EXAMINATION BY MR. YAUCH:

MR. YAUCH: Good morning, panel. First I want to say that the presentation was very interesting, so I really appreciate it, so thank you.

So first can we start with page 1 of my compendium. If you can scroll down to the bottom of it, please. So this is the summary of your OM&A expenses going forward, and according to your application in 2016 you wanted to be $4.3 million; correct on that?

MR. KING: Um-hmm.

MR. YAUCH: If you go to page 2, please. In response to an IR you presented your unaudited figures, and for 2016 that was 3.9 million. It's a difference of about 420,000 between what you're proposing and what you actually spent in 2016.

Now, can you explain the difference between those two numbers? I am assuming it's just a timing issue, but...

MR. REIMER: The main drivers for that difference is we held back on hiring, filling two positions, based on, we wanted to wait to see what the outcome of this proceeding was. And we continually have a fairly conservative budgeting process, and so the other drivers were, we were underspent, for example, in money that we had set aside for emergency maintenance. We didn't require those funds that particular year. And also, we underspent some of our administration dollars. We had less, for example, board of directors meetings than we normally word.

MR. YAUCH: So the Board, as a practical matter, if the Board approves your application as you propose it you will get $420,000 last year that you didn't have last year to spend, so does that money go to employees you are hiring

-- that you held back in hiring in 2017? I am confused how that money flows back through the company when it didn't spend it in the first place.

MR. REIMER: We didn't want to make commitments. We didn't want to enter into employment agreements for staff if we weren't sure that we could then continue to employ them.

MR. YAUCH: The two employees, for example; they haven't been hired.

MR. REIMER: No.

MR. YAUCH: So if you get the money on the application proposing that you would have hired them in 2016, I am just kind of curious how practical -- do you pay them for a year in which they weren't there? Obviously I don't think you would do that, so I am just curious how that money actually goes back in the OM&A budget if you existed without it already.

You can get back to me if you don't have an answer for that. That's fine. I'm not...

MR. REIMER: Yeah, I don't have an answer for that.

MR. YAUCH: Okay.

MR. REIMER: We are not going to hire people and pay them back wages for work they haven't performed, so...

MR. YAUCH: Okay. I can move on. So if we go to page 3, please, in my compendium. So at the top there it says if you look back to 2010 and where you are at now, you are asking for an additional $981,000 compared to your 2010 Board-approved budget for OM&A to now, and within that

$981,000 there's three components that are justified in that -- as part of the proposal you are using to justify the increase.

So overall inflation, there is new employees -- I think you mentioned two -- a one-time pay bump to deal with your competitors' salaries increasing, and an increased cost of managing the Hydro One asset, the additional 80 kilometres of line.

I am assuming those are the three main drivers of that $981,000 increase; correct?

MR. REIMER: That's correct.

MR. YAUCH: Okay. So I am going to walk through a couple of those.

If we can go to page 5, please. The CPI portion is pretty straightforward, in my opinion. Increased 10 percent over that time. And you are also asking for a 10 percent compensation bump, because in your evidence you say that your competitors, mainly Hydro One and OPG -- I guess mostly OPG would be the biggest competitor in the area -- they give a cost-of-living increase based on inflation, but they also give one based on, they get 2 percent annual increase a year outside of inflation, and so you are saying you need that, you need to match that as well; correct?

MR. REIMER: That is correct.

MR. YAUCH: Okay. So if we add up these figures, for CPI at the top you see it's 334,000. That accounts for about one-third of the increase, and then the 10 percent bump is about the same, $335,000, and then the Hydro One line -- I will deal with it later, but you estimate it's an additional $51,000 a year to maintain.

So overall you hit $720,000 if you add those up, subject to check -- I am not going to ask you to do math here, but assuming my math is okay.

That leaves $261,000 for two new employees, if I am doing the math correct. You divide that by two, you get $130,000. That's -- this is how we are breaking down the cost increases on the operating budget; correct?

MR. REIMER: That's generally correct. Overall FNEI's budgeting is more a line-by-line-by-line basis based on historical costs, as well as what we anticipate going forward.

So we haven't actually separated out like this to say that it's $130,000 per FTE. It's close.

MR. YAUCH: Yeah, I imagine there's some difference between the two employees. They are not both going to be 130, but if you average it out that's -- we have $980,000 increase in OM&A. This is how we break it down. There is inflation, cost increase based on sort of a bump to meet your competitors, and then Hydro One line, and that's -- then it leaves a certain amount left for your two new employees. That's how we get down to $981,000 figure; correct?

MR. REIMER: Substantially.

MR. YAUCH: Okay. So if you go to page 6, please. This is where you were asked about this 10 percent -- not the CPI increase -- I think you call it a salary adjustment

-- and you said you looked at OPG and Hydro One and you tried to find some comparable positions, and I recognize that it's difficult to find a comparable position, but we basically -- when you found something somewhat comparable it equated to a 10 percent bump in salary to make Five Nations competitive with OPG and Hydro One.

MR. REIMER: That's correct.

MR. YAUCH: Right, okay. Now, if we go to page 7, please. You said the pay increase applies to eight full-time employees, so I assume you had six and then you are going to hire two more, and that's how you get to the eight. It's part H in that sheet. Right, yeah.

So you had six employees, you are going to hire two more, and that's how you get the eight employees, full-time equivalents?

MR. REIMER: No. When this 10 percent one-time salary adjustment was enacted there were eight employees that those -- eight existing employees that those affected. The only employee that did not get that one-time adjustment was the CEO.

MR. YAUCH: Okay, so management as well as --

MR. REIMER: Yes.

MR. YAUCH: -- non-management. Okay. If we can go to page 8 --

MR. REIMER: Yes, with the exception of the CEO.

MR. YAUCH: With the exception of the CEO; okay.

So I look at this. I see you had six employees. You go to total, the number of employees, now, you added employees in 2012, through 2013, as well as 2014 and 2015. Did the 10 percent pay bump apply to everyone equally, or was it prorated on how long you have been there? Because if you joined in 2015, for example, do you get a pay bump if -- you haven't actually been there since 2010. So how did you deal with your employees joining the company at different times?

MR. REIMER: The 10 percent was applied to each employee. However, their salary at the time would be entirely dependent on their qualifications, their experience, et cetera, et cetera. So the percentage was identical, but the dollar value would vary between employee based on what their salary at the time of the adjustment would have been.

MR. YAUCH: So if you joined in 2015, for example, if the Board approves your application as it is, you get a 10 percent bump, as well as the person who joined in 2010? It's not prorated in -- you know, if they joined in 2015, they had already ignored your competitors of OPG and Hydro One and they still joined Five Nations, but they are still going to get the pay bump regardless; correct? It's across the board?

MR. REIMER: That's correct.

MR. YAUCH: Okay. Now, I am going to go to page 10 quickly just so I -- so this is from the last decision of the Board on OPG. I don't expect you to know this decision -- I am not going to ask you anything about the decision. But if you can go to page 11, I am going to walk you through a couple comments the Board said. So right under "Board findings", the Board determined that it was going to disallow $100 million from OPG's OM&A budget. It said this OM&A reduction relates to directly to what the Board finds to be what it determined to be excessive compensation, and it applied it to both nuclear and hydroelectric business. I know the hydroelectric business is near you, so.

It went on to say this has been a matter of concern for the Board for many years, which I think anyone who has been involved in OPG applications would agree.

If we go to the next page, page 12, please. Down at the bottom, it says the Board wasn't the only body concerned about OPG's high compensation levels. The Auditor General also did a very detailed report on OPG's compensation levels.

And if you go to page 13, please, at the top, it's noted there was significant evidence on the record that OPG's overall compensation costs were, quote, "higher than they should be."

And then finally, I will end it here at page 15. The Board concluded that it wouldn't be reasonable to pass all OPG's compensation costs on to ratepayers, given that it has determined them to be excessive. Now, if I understand, your application is you want to benchmark -- you want to ask for a 10 percent increase beyond inflation to your employees to match compensation costs that the Board, in other situations, determined to be excessive.

Now, from a ratepayer point of view, that doesn't seem reasonable. So I was wondering if you had an opinion, if you had considered that when you guys offered a 10 percent pay bump to your employees?

MR. CHILTON: The board and the senior staff at the time took a look at not only OPG, but a lot of the other industries around town, around the city of Timmins and the mining industry in the northeast. So they looked at a number of factors; OPG was one of them. Obviously, we didn't have hard and fast figures for the OPG and for Hydro One because we -- well, a lot of the information is done online, as well, too, through Googling. So comparing what we paid them for a position -- not the people when we hired them, but the position -- they were on the average about 10 percent behind. So that's where the 10 percent came from for that. That came in -- the decision was made in 2015 for that.

MR. YAUCH: And you compared it to 2010?

MR. CHILTON: The figures going back to 2010, looking over the period of time, there was actually -- it was done by the operations manager along with our finance controller.

MR. YAUCH: Did you break it down? Obviously, you are a small company, you don't have very many employees. But you have a clerical employee, I believe. You have a couple of different types of jobs within the company. Did you take a broad swath of OPG's clerical workers, for example, and compare to yours? How did you do -- how did the assessment come, the 10 percent difference?

MR. CHILTON: Even with the admin assistant and receptionist, they were actually not just behind -- they were behind overall, even with First Nations organizations and maybe Child and Family Services, those type of positions in those areas of work.

But because we are such a small company, the admin assistant and reception do much more than just -- they do a lot more. There is a broader range of responsibilities there.

MR. YAUCH: It's not a straight comparison --

MR. CHILTON: That's right.

MR. YAUCH: -- to, say, your admin assistant with your company and OPG?

MR. CHILTON: It was an a general comparison, yeah.

MR. YAUCH: Okay. Now, you would recognize -- I am just going to leave it to argument, but this Board is faced with the problem that on one hand, they have costs that they have deemed excessive. But on the other hand, you are asking that, well, if we don't meet those excessive costs, then we are not going to retain employees; correct?

MR. CHILTON: That's true. We wouldn't be able to maintain them. Like I said, we just didn't look at OPG. We looked at other areas. And even in my estimation coming forth out of the health industry and looking at salaries, the amount of money that we were compensating the employees in the admin level was far below the rate out there, if they applied for a position elsewhere. We didn't want to lose them, because we put a lot of time and effort into training.

MR. YAUCH: Okay, thank you. If you go to page 16. I won't belabour the point. This is from Hydro One's last application to the Board, and if you go to page 17, please, Hydro One wasn't seen as -- the compensation levels weren't as excessive as OPG's, but the Board made the same conclusion that Hydro One was 10 percent over median; it wasn't fair to pass those costs on to ratepayers. So I just wanted to highlight that. Both your two competitors have been called excessive to their compensation costs, so there is a problem here. The Board can either bring you up to that level or allow your competitors to go there -- or allow your workers to go there. But I will leave it at that.

So if you go to page 18, this is in relation to the -- one of the drivers of your OM&A costs is the additional money needed to operate the 80 kilometres that you bought back from Hydro One, and you estimated it to be $51,000 a year incremental costs. Now, is that figure still the same?

MR. REIMER: That estimate was based purely on the table on the subsequent page, page 19.

MR. YAUCH: The Hydro One table?

MR. REIMER: Yes.

MR. YAUCH: Yeah.

MR. REIMER: When FNEI budgets for transmission line maintenance, we try to put together a number that is -- that takes into consideration that the bulk of our maintenance activities, they're fairly lumpy. Most of our transmission line maintenance occurs every couple -- like for that specific 80 kilometres, for example, with the right-of-way brushing, that's not done on an annual basis. However, we need to have sufficient funds for when we actually do that work, that the funds are available for that.

MR. YAUCH: So I had a question. How did you get to the 51,000? Hydro One's last number in 2011 is 57,000. Obviously you have decreased it an additional $6,000. How did you get -- how do we come up with $51,000 just for that 80 kilometres of line that sit right next to the 80 kilometres of line you already own, right?

MR. REIMER: Just an estimate based on overall cost.

MR. YAUCH: Okay. So my follow-up question is: previously, Hydro One would manage 80 kilometres and right next to it, you would manage 80 kilometres, correct?

MR. REIMER: That's correct.

MR. YAUCH: So Hydro One had its own cost of $51,000 or 57, according to 2011. And then you had your own cost for managing 80 kilometres.

So when you get rid of Hydro One doing it, it seems like you would have more savings, and you are basically operating at the same cost of Hydro One. I am confused that there aren't more savings, given that you were basically already doing operations on that line right next to it.

MR. REIMER: The line next to it is part of the

DeBeers-constructed assets, and so those costs actually don't form part of our application. They are part of connection and cost recovery agreement with DeBeers.

MR. YAUCH: So you charge DeBeers and they pay you. You maintain it, DeBeers pays you, and that's how -- it doesn't go into rate base or anything, correct?

MR. REIMER: That's correct.

MR. YAUCH: You are already in the area, though, correct, maintaining a transmission line that's right next to one that you are going to own fully that will be part of rate base, right?

MR. REIMER: That's correct.

MR. YAUCH: I can leave that. Page 20, please, of my compendium. I just want to focus on -- it doesn't come up very clearly on the screen, but account 4820 is the transformer station equipment labour and in 2011, it was 205,000. In 2016, you are proposing it to be 724,000. That's a $520,000 increase, which is almost half of your entire increase for OM&A.

And then at page 21, you were asked to explain what's driving this and you give a couple reasons. There's the Hydro One line, there's some training costs, technician suppliers and then some LDC staff checks that I think you farm out to the LDCs that make up the three communities.

When you add all those together, I get 121,000 of incremental costs. So that leaves $400,000 that you need to -- that you are asking for. And I guess I am confused of what is actually going in that $400,000.

MR. REIMER: This includes the total wage costs for our operational staff.

MR. YAUCH: Okay, go on.

MR. REIMER: Six --

MR. YAUCH: So almost half of the increase in wages -- there's 980,000, and almost half of it is going to this one account, correct?

MR. REIMER: That's correct.

MR. YAUCH: If we go to page 22, this breaks down this a little bit. There is one line there in particular -- you have included $159,000 of overtime. Now, that accounts for about 30 percent of your staff wages. I couldn't find any evidence or anything. How did you reach that figure? Why 30 percent?

MR. REIMER: That's an estimate based on previous experience. You will note in the presentation that I gave the substations are in remote locations, and so the practice has been when we send a crew up, send them away from home, the expectation is that in order to make efficient use of time, efficient use of the travel cost, whether you use a charter whether you use scheduled flights, that when the guys are up there, they will put in long hours. Instead of working a normal eight-hour day they will work 12 to 14 hours for those three, four days that they are up there. This way they can achieve significantly more of the maintenance work, complete more of it, without requiring, like, a second trip the next week.

So based on -- based on our historic, like, kind of a historical, what's happened in previous years, we came up with an estimate of 30 percent.

MR. YAUCH: And your overtime policy, I know your employees aren't unionized, does it match OPG's and Hydro One's? Is it 1.5 or two times base pay?

MR. REIMER: 1.5.

MR. YAUCH: 1.5. Okay. Now, the next page -- sorry, go on.

MR. REIMER: We give our employees the option whether to take that in pay or whether to take that in time off.

MR. YAUCH: Okay. If you turn to page 23. Now, I am not going to belabour this point. This is from OPG's most recent application. I was just trying to get an idea of what some of your competitors are budgeting for overtime, and admittedly it's a very difficult -- everyone does it a bit differently, but for OPG, if you look at their total -- their labour, $859 million, they budget for $46 million in overtime in 2017. That's about 5 percent, which is significantly lower than yours.

So is your 30 percent figure solely based on the fact that you are further away and people have to spend longer times doing work in remote stations?

MR. REIMER: Yes, we don't normally -- we don't normally allow any overtime if they are working out of the Timmins base.

MR. YAUCH: Okay. If you go to page 24, please. So I know Board Staff is going to deal with this more than I am, but you made a concerted effort to move more stuff in-house; correct?

MR. REIMER: That is correct.

MR. YAUCH: And the reasoning based -- so when we look at the cost difference to your customers or ratepayers in general, from 2010 to 2016 the move to in-house rather than outsourcing is $348,000, so it seems that moving in-house is inherently more expensive than outsourcing it, so I was wondering if you could explain, why are we doing it then?

MR. REIMER: It's very difficult to explain, because what the outside services -- what isn't measured is the work that isn't being done. What isn't measured is the corporate knowledge that's not being retained, specific to FNEI's operation, and outside contractor, we are never guaranteed that the same individual will come. It's in their best interest if they see something that's failing to leave it to wait for a second trip, because that triggers another invoice, that triggers more invoicing.

As you move expertise, as you move things in-house, you develop people who understand -- who understand the system, take an ownership of the maintenance work that they are doing, make sure that the equipment is maintained properly so we can meet our delivery point standards.

We've always been very careful to foster a very -- a very good work ethic. We have high expectations of our staff when they are out in the field that they work efficiently, that they work safely, of course, that goes without saying, but that the work is done. Anything that they see that could be a problem, that's flagged right away, that's noted. If there's time they deal with it then, if not it's put on future plans.

So it's difficult -- it's difficult to make a dollar-to-dollar comparison. There is just -- there is work that was never being done with the outside contractors.

MR. YAUCH: So the other -- no, go on, sorry.

MR. REIMER: As the -- also, the assets age, as they get closer to their expected life span, you need to keep a closer eye on them. You will notice elsewhere in the evidence we invested significant dollars in testing equipment, and our guys are well-trained on that just to make sure that any problems that arise we have the capability to deal with.

MR. YAUCH: Is your opinion that having the services in-house actually improves your reliability for your customers or...

MR. REIMER: Absolutely.

MR. YAUCH: Okay. Okay. So if we can go to page 25, the next page, I believe, yeah, 25. Board Staff asked you about this directly. If you go to part C down at the bottom. In your last application, which I have later in my compendium but I won't deal with right now, you said often it was cheaper to deal with outside consultants than it was to hire in-house, but obviously in the last five years there has been a change where in-house is more -- you think it's more appropriate, and that's fine.

If you go to the following page, I don't see any clear evidence -- typically you would see this in a custom IR about the cost in dollars and cents, the cost savings to your customers of going in-house as opposed to outsourcing it. I see at the top you said it costs $250 an hour when we outsource, but I don't see any clear -- the savings you expect or don't expect from your switch from going outside to going internal.

Now, is there somewhere in the evidence other than the previous page that we talked about that that's clear or is it more that there is sort of systemic knowledge that you want within the company and this is the cost to do it of going internally?

MR. REIMER: It's always difficult to put a cost, to put a price on an unplanned outage, to put a price on equipment failure. It's quite simple to do this cost analysis: This is what we spent on outside contractors versus this is what we intend to spend on internal staff. It's very difficult to say, well, if we continue with outside staff this piece of equipment will fail.

However, our experience has been that there are maintenance procedures that the outside contractors never fulfilled, weren't able to. These are maintenance procedures that now with internal staff, staff that have the expertise and the training to do that, these procedures are now being fulfilled.

MR. YAUCH: Okay. I am going to skip ahead here, shortly. Page 38 of the compendium, please. Okay. So I just wanted the next page, but we can stay here. That's fine for now.

It appears that moving from hiring outside consultants in 2010, so time is working backwards on this chart if you are looking at it for the first time, so the most recent is on the left.

Your reliability statistics are actually getting worse as you have gone in-house. So I was wondering how you marry that with your comment about going in-house you might -- you will provide better service when it appears that it is actually getting worse.

MR. REIMER: To the best of my knowledge, the spike in 2015 had to do with random relay failures well before their expected life span. So we started on a relay replacement project to identify those relays and replace them. It's very -- one outage can have a huge, huge impact on our statistics. It does not necessarily correlate to the point that you are making.

MR. YAUCH: Okay, going forward over the next five years, do you have solid targets on reliability that you -- we won't get in the scorecard, but do you have targets that you as a company are seeking to obtain? Because I couldn't find them going forward. Do you want reliability to be at a certain level, or is it just to meet with the bare minimum as part of the transmission requirements?

MR. REIMER: It would be the delivery point standards that we filed.

MR. YAUCH: As your scorecard, it would be a success if you are within those requirements?

MR. REIMER: Yes.

MR. YAUCH: Okay. If we can go to page 28, please. If you scroll down, please. This is probably a fairly simple question. Your executive and management positions are remaining the same. If you go to the next page, 29, it says total salary and wages for the executive and management are going up by 20 percent.

Just a clarification; that 20 percent, is that 10 percent inflation and 10 percent pay bump that accounts for that 19 percent increase?

MR. REIMER: It would appear so, yes.

MR. YAUCH: Okay, that's what I thought. If you can go to page 31, please. So at the top, this is from the decision in your last rate application. It said that you didn't foresee any significant escalation of OM&A costs in the future years, and Board Staff actually agreed that that was likely to be the case.

But this application does see significant increases in OM&A costs; I think you'd agree with that assessment. So I wanted to know what changed between the last application and this application.

MR. REIMER: The major change between the previous application and this one? If you look at the capital projects that were undertaken prior to 2010, you will see a lot of -- a second transformer, for example, fairly big-ticket items. If, for example, a transformer failure, if you only had one, that could result in an outage anywhere from six months to a year. Those were the significant investments that were made.

In 2010, we hired an operations manager with significant utility experience, and we started drilling down into the details of the man-hours required to perform these regular maintenance procedures on all the equipment that we had installed. We very quickly realized that the outside services that we had been relying on weren't performing a lot of the maintenance procedures that were required. And it also became very apparent that a lot of the maintenance procedures that would be required couldn't be done without significant planned outages.

DeBeers is our largest customer. They have significant impacts to their business. If we take a planned outage, we work very closely with them. So between 2010 and the filing of our evidence, it became pretty apparent that although we've had the build of sourcing the equipment that we require, now we had to focus on, okay, what's the ongoing, the day-to-day, the regular three-month, six-months annual maintenance requirements for this equipment that we have in place. That accounts for the bulk of the increase in the OM&A.

MR. YAUCH: When you say they weren't -- some of the contractors you had before doing some of the maintenance procedures, they weren't performing them, were they not performing them according to the contract you had with them or you weren't paying them? The company had decided not to actually do the maintenance that was required?

MR. REIMER: We hadn't asked them.

MR. YAUCH: Okay. So they weren't -- not breaking a contract or anything like that?

MR. REIMER: No, let me be clear. They weren't being deficient or weren't meeting the terms of the contract. There was just procedures that we hadn't asked them to do that weren't identified at the time.

MR. YAUCH: Okay. I know I said I have a half hour; I have two more points if I can hurry.

MS. DUFF: Please continue.

MR. YAUCH: Okay, thank you. So if you go to page 32, please, in my compendium, this deals with conservation costs. IESO was funding your -- I think before 2014, you were funding your own conservation programs. Then in 2014, IESO came in and gave you money to fund conservation programs. But that money has run out and going forward, you are going to go back to doing them again. Did I interpret that timeline correctly?

MR. REIMER: We actually worked together with, at the time, the Ontario Power Authority. They matched the funds to do a pilot project and that's --

MR. YAUCH: That's the one in 2014, correct?

MR. REIMER: And prior.

MR. YAUCH: And prior, okay. So if we go to page 33, please. You were working with the program with IESO; they agreed to spend $182,000. The total cost of the program was $207,000; there is obviously a difference there of about $25,000 that you are on the hook to the pay for now, I am assuming. IESO hasn't come in and given you more money for the cost overruns?

MR. REIMER: No, the IESO program was very explicit on what they were going to fund and what they weren't going to fund.

MR. YAUCH: Okay. So going forward, you say here on the next page, 34 of my compendium, that you now want to include $30,000 each year in costs as part of conservation programs. Now, I couldn't find any evidence in your application of what type of conservation programs, any cost benefit analysis, anything that typically IESO would do when they fund these programs.

Is there a conservation plan by Five Nations on how they are going to spend the $30, that they are asking each year, or are you going to play it as the money comes in?

MR. REIMER: We haven't put any specific plans in place for these funds.

MR. YAUCH: Okay. So I just have one question on the scorecard, page 36 of my compendium, please. Now, you were asked by Board Staff and we have asked Hydro One this. You are not willing to have a metric that says costs per megawatt-hours delivered. You don't think that that's appropriate given your location. Hydro One has said the same thing. You know, like, for every megawatt delivered, your costs were X, could be operating or capital. You don't think that's appropriate for your company; correct?

MR. REIMER: No.

MR. YAUCH: No, okay. And two final questions. Page 44 of my compendium, please. This is from PEG's most recent report on benchmarking. As part of a custom IR, as you know, you have to come up with some sort of stretch factor. You proposed a .3 percent, but I can't find any evidence for why you did propose that. And it seems to me that your two closest competitors would be Algoma and Hydro One and they both have a .6.

So I was wondering why a .3 is appropriate and not a .6, given your proximity to those transmitters who have that stretch factor.

MR. REIMER: If you look at the group 1, you will see Northern Ontario Wires operates just next door from us. We decided to take the middle of the road.

MR. YAUCH: Okay, so just -- all right. I figured that was it.

And my last question is on the RRRP money; it's on page 53 of my compendium. This -- more I'm just curious about it.

With Hydro One running the 80 kilometres of line, they got the RRRP funding. But now that you have it, you get the money; is that correct?

MR. REIMER: No, that's not correct.

MR. YAUCH: That's not correct. So on page 54, it says:

> “This will free up the remote and rural rate assistance program funds that were going directly to Hydro One for maintaining the line. They go back to the communities that will either receive their funds monthly or annually.”

Maybe I am misinterpreting this, but I am curious.

MR. REIMER: When it says "communities", it refers to the three individual power corporations.

MR. YAUCH: So you don't get it?

MR. REIMER: No.

MR. YAUCH: So Hydro One was getting this and was giving it to the communities and now -- or no?

MR. REIMER: All those assets were outside of Hydro One's rate base. So basically, they received this RRRP money, applied it to their operations, their maintenance, administration, amortization, the cost of capital. Whatever was left over was then returned -- was then returned to the three LDCs proportionately.

MR. YAUCH: So the money Hydro One was getting, now three communities will get directly?

MR. REIMER: That's correct.

MR. YAUCH: Is there dollars at stake? Is it big, or is it not a very large amount of money?

MR. REIMER: It's in the regulation.

MR. YAUCH: Okay. Those are my questions. I appreciate your indulgence.

MS. DUFF: Thank you very much.

Mr. Sidlofsky, are you prepared to proceed?

MR. SIDLOFSKY: I am, thank you, Ms. Duff. If I could just have your indulgence for a moment. I am just trying to cut down on a couple of questions that I might otherwise have asked.

MS. DUFF: Please do.

CROSS-EXAMINATION BY MR. SIDLOFSKY:

MR. SIDLOFSKY: Thank you.

Panel, I'd like to start with a few questions about the effective date of your requested revenue requirement.

Five Nations filed its application on July 27th of 2016; correct? That was your initial filing?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And three months later on November 25th of 2016 you filed a revised and complete version of the application, after the OEB sent you a letter indicating that the application wasn't complete; am I right?

MR. REIMER: Yes, those are both correct.

MR. SIDLOFSKY: Thank you. Moving to the OEB Staff compendium, if I can take you to tab 1. You might not actually need to read a lot there. But in response to interrogatory 1-Staff-8, Five Nations explained that it wasn't in a position to file its application any earlier, as it acquired the 80 kilometres of transmission line from Hydro One on October 15th of 2015. Correct?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And you indicated that the acquisition represented an increase to Five Nations' rate base of 17 percent and needed to be reflected in that 2016 rate application.

MR. REIMER: Yes.

MR. SIDLOFSKY: Okay. At tab 2 of the compendium, we have reproduced attachment B to your response to interrogatory 2-Staff-13, and at pages 11 and 12 of the compendium it looks like you were discussing the purchase of the line, at least as far back as September of 2013, and you were discussing with your legal counsel the idea of buying the line at the end of 2014, then you could add that amount into your rate application. Is that when the discussion started about purchasing that line?

MR. REIMER: The actual discussion started probably ten years before that, but to actually get to a point where we were possibly in a position, yes, that is correct.

MR. SIDLOFSKY: Okay. Now, that clearly didn't happen. But when I look at page 14 of the compendium it's also clear that by September 2014 you knew that the purchase price was just over $5 million, and from the notes that we have highlighted in the compendium, the thinking was that your rate application should be filed with the Board by the end of 2014 for 2016 rates, and there is a note in here that your controller -- and -- but I take it that was you at the time; is that right?

MR. REIMER: Yes.

MR. SIDLOFSKY: That you contemplated revising the application to include the 80-kilometre purchase before submitting it to the OEB; is that correct?

MR. REIMER: That is correct.

MR. SIDLOFSKY: And according to your agreement with Hydro One, when Five Nations sought to repurchase the line the price would be the net book value, and it looks again from the finance committee meeting minutes, it looks like Five Nations was aware that the price would be around

$5 million; is that accurate?

MR. REIMER: Yes.

MR. SIDLOFSKY: And the eventual purchase price was 4.9 million, I believe; is that correct?

MR. REIMER: That sounds right.

MR. SIDLOFSKY: Now, you received the decision granting Hydro One leave to sell that line to you in July of 2015, and according to that decision the agreement dated March 13th of 2015 provided for a purchase price of 5.12 million plus HST.

I am not trying to catch you up on the actual numbers, the very specific numbers for the purchase price, but does that sound correct to you?

MR. REIMER: Those numbers were always based on the best estimate that we could at the time. It was very difficult to get proper depreciated numbers from Hydro One, and so at the time of those meetings those were the best numbers that we had at the time.

MR. SIDLOFSKY: Okay. And my questions really are these: You knew that the sale was approved, and you knew the purchase price a year before you filed this revenue-requirement application; is that correct as far as the timing goes?

MR. REIMER: We had a good estimate of what the purchase price would be. Every -- the purchase price was always a function of time. As time went on the amortization increased, the purchase price went down.

MR. SIDLOFSKY: So my question is: If the price of the line was essentially known -- and I think we're -- it sounds like we could be talking about variations of 100- to $200,000 on a roughly $5 million purchase. My question really is why you didn't file an application in early 2015 for 2016 rates. Excuse me, for 2016 revenue requirement.

MR. REIMER: The short answer is, we are a small company, and we have only so much available resources. The purchase of that 80 kilometres took up an awful lot of my time, the regulatory lawyer's time, as well as other members of management.

We don't have a separate rate application department. We can only work --

MR. SIDLOFSKY: I didn't see a regulatory group in your staff, no.

MR. REIMER: We can only work on one thing at a time, and we are very hesitant to move forward without knowing for sure that this was actually -- this was actually going to go forward. There was significant hoops that FNEI had to jump through to effect this purchase.

MR. CHILTON: Can I add to that?

MR. SIDLOFSKY: Certainly, please.

MR. CHILTON: At the time as well, to be quite frank, there were some internal issues at Five Nations Energy that had to be dealt with, and also, you have to remember that Rod is really a part-time person, he is not full-time financial controller, he is a part-time one.

MR. SIDLOFSKY: So I think I know the answer to my next question, but I will ask it anyway. Did you -- would it have it been feasible for you to use some sort of placeholder for that line acquisition cost and filing your application on that basis and simply updating it later, or did you just not have the manpower to do that?

MR. REIMER: We wouldn't have -- we didn't have the manpower to do that. Technically, yeah, it would have been feasible to put in a placeholder, put in an estimated amount and then as time went on, you know, update the evidence. Yes, that would have been feasible. We just didn't have -- we didn't have the manpower to do that.

MR. SIDLOFSKY: I am going to ask you a couple of questions about the incremental tax credit deferral account. I know you mentioned that in your presentation, and you had some comments about -- you had some views on the materiality of those amounts, but if we move to tab 3 of the compendium, we have reproduced the OEB's decision and order in your 2010 revenue-requirement application. And specifically I will take you to pages 34 and 35 of the compendium, which correspond to pages 14 and 15 of the decision. I will just give you a moment to get there.

At that part of the decision the Board stated:

“The Board directs that beginning July 1st, 2010, FNEI shall record in a deferral account the incremental input tax credit it receives on revenue-requirement items that were previously subject to PST and which become subject to HST. Tracking of these amounts will continue in the deferral account until the effective date of FNEI's next rate application. While the actual amounts recorded in such an account may well be small, as FNEI contends, there is insufficient evidence at this point to determine whether the administrative costs outweigh the benefits. As a result the Board finds that in order to ensure consistency across regulated utilities a deferral account is appropriate."

You provided your response to interrogatory 1-Staff-11, and we have that at tab 4 of the compendium. At page 52 you will see the table you provided that highlights the estimated incremental tax credit amount for the period of July 10th -- excuse me, July 1st, 2010 to December 31st, 2016. I just have a few questions about that.

First of all, just in looking at the table, I was trying to add up the numbers and they didn't quite match. Can you just confirm for me there is an error for the July 1st to December 31st, 2010 period, where the estimated incremental tax credit amount was $5,000 and you are also showing 50 percent as $5,000. I assume that should have been 2,500; is that right?

MR. REIMER: What I was trying to compare and it's little confusing -- what I was trying to compare is that the first year, July 1st to December 31st, is half of a year. So half of that year is 5,001. Half of that is not 5,001; half of that would be 2,500.

However, the next line it starts -- the comparison then makes sense.

So half a year of 2011 is 5,957 compared to 5,001. So what I should have done is just left that first 50 percent field blank; sorry for the confusion.

MR. SIDLOFSKY: No, that's okay. I am just trying to get the addition right.

MR. REIMER: Yeah, if you just cross out that field, then the rest of the table will make sense.

MR. SIDLOFSKY: Okay. And given that, the total incremental tax credit for that period, July 2010 to December 31st of 2016, is that $86,000 then, approximately?

MR. REIMER: Yeah, the sum of the first column.

MR. SIDLOFSKY: Right. And then half of that would be roughly $43,000.

MR. REIMER: Yeah, the purpose of the 50 percent was just so that -- we were specifically told to track the six months. So this was the amount for those six months. And it would be the other -- it was just to compare what six months of the subsequent years would look like.

MR. SIDLOFSKY: Okay. And do you consider that estimate that you have given to be a reasonable proxy of the tax credit that would have been recorded in that deferral account if you had established it?

MR. REIMER: Yes.

MR. SIDLOFSKY: So then if the total incremental tax credit is approximately $45,000, would you agree that it should be refunded -- or it shouldn't, given the Board's decision in its 2009 or 2010 decision?

MR. REIMER: I would defer to the Board.

MR. SIDLOFSKY: Okay. I have some questions about the reserve fund framework that was established in the Board's previous decision.

At tab 5 of the compendium, we have reproduced your response to interrogatory 1-Staff-12. And we asked -- OEB Staff asked Five Nations a number of questions with respect to the reserve funds that the OEB required Five Nations to establish as part of its EB-2009-0387 decision and order.

In part A of that response, you stated that FNEI established the operating and capital reserve funds in accordance with the decision, but no appropriations were made to those reserves. That's accurate, is it?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And you go on then to suggest that there was inconsistent language in the Board's decision, and you were concerned that net income isn't the same as cash. You also mentioned that you sought direction from Board Staff on that, and you say that -- in fact, you said in your presentation that you didn't receive a response from Board Staff on those questions.

Is it fair for me to summarize your view as being that it wasn't possible to follow the Board's direction with respect to the funding of those operating and capital reserve funds, and therefore you didn't fund those reserves? Is that fair, or would you characterize it differently?

MR. REIMER: That's fair.

MR. SIDLOFSKY: And you also confirmed that you didn't file that draft reserve policy on the record in any proceeding.

MR. REIMER: That is correct.

MR. SIDLOFSKY: So then it is fair to say that your view is that the decision was inconsistent. Five Nations received no assistance from Board Staff, and therefore it didn't implement the Board's order? Does that pretty much summarize your position on this?

MR. REIMER: I was told specifically to provide Board Staff with a copy of the draft policy, so that he could review it, provide any comments, and get back to me prior to formally filing it.

MR. SIDLOFSKY: I am wondering, though, is it fair to say that while net income isn't the same as cash, given a reasonable period of time, some portion of net income does become cash?

MR. REIMER: If you look at a typical cash flow statement, the starting point of any cash flow statement is your net income.

MR. SIDLOFSKY: So then eventually it goes -- at least some part of that goes to cash, is that right?

MR. REIMER: Yes, depending on the operation of the company, depending on its financing, depending on the fluctuation in accounts receivable, accounts payable, et cetera. At some point, you would think it does show up as cash, yes.

MR. SIDLOFSKY: Okay. So then at some point, there would have been cash available to fund those reserves, wouldn't there have been?

MR. REIMER: Yes.

MR. SIDLOFSKY: In fact, as part of the draft reserve policy that you filed with Staff after the 2010 decision, and you refiled that as part B as your response to 1-Staff-12, that essentially was your plan, wasn't it? So that once net income became available as cash, your plan was to fund those reserves.

MR. REIMER: With respect, we never had any intention of funding those reserves.

MR. SIDLOFSKY: So it's -- we are not talking about a timing issue here. You simply never planned to fund them.

MR. REIMER: As noted in the evidence, we reached out several times to try to resolve this, the whole issue, the whole principle behind the concept of reserves. It wasn't a timing issue; it was a matter of principle.

MR. SIDLOFSKY: Perhaps I could ask a question that relates more to timing and math than principle. I understand your answer. I am wondering, though, whether it's correct factually that on a cash basis, the reserve funds could have been fully funded by the end of 2011.

MR. REIMER: I'd have to review the statements for that time. I don't -- from a cash basis, I don't believe so.

MR. SIDLOFSKY: Are you able to review those statements? Would you find the answer if you reviewed those statements?

MR. REIMER: It becomes question of -- as noted in our draft reserves policy that's part of the evidence, whether or not there was cash available sufficient, it would still require a decision by the board of directors whether or not that cash was available to fund those reserves. It would still require -- it would still require that type of decision regardless of whether or not there was cash in the operating accounts.

MR. SIDLOFSKY: So the board of directors would have had to decide to allocate the money to that account -- allocate the cash to those reserve accounts.

MR. REIMER: Based on our draft reserves policy, that is what was envisioned within that policy.

MR. SIDLOFSKY: Subject to that, and I understand that your board of directors would have to make that allocation, or make the decision on that allocation, would you be able to tell the Board when those reserves could have been fully funded based on cash available? And I understand that that would be subject to a board of directors' decision to actually move the money into those reserve accounts.

What may help you is if I take you the page 63 of the Staff compendium. Mr. Gluck has just pointed this out to me and it may be of some help to you. Item K on that page is a table outlining the cash that Five Nations had in its accounts, with the exception of the insurance reserve.

MR. REIMER: The answer to your question then is yes.

MR. SIDLOFSKY: Yes, you can tell me, or, yes, it would have been fully funded by 2011?

MR. REIMER: Yes, had the Board decided to take the cash available in the operating account to fund those reserves, those reserve funds would have been fully funded.

MR. SIDLOFSKY: Okay, thank you for that. Based on that, and based on the Board's decision in your previous revenue-requirement application, would you have expected to make an application to the Board to remove those -- to remove that portion of your internally-generated funds once those accounts had been fully funded?

MR. REIMER: At that point in time, removing those internally-generated funds would have immediately put us offside with our covenants. We would have closed our doors.

MR. SIDLOFSKY: Could I just ask you to confirm that the deemed return or the revenues in excess of costs component of the revenue requirement approved by the Board in 2010 was approximately $1.1 million?

MR. REIMER: That sounds about right.

MR. SIDLOFSKY: So then if you would apply to remove the returned portion of the revenue requirement or the, sorry, or the revenues in excess of costs, once you had sufficient cash to fulfil those reserves -- or, sorry, to fully fund those reserves, I take it, then -- and you can tell me if you agree or not -- that your approved revenue requirement would have been reduced by about 1.1 million in each year for the 2012 to '15 period.

MR. REIMER: That's correct.

MR. SIDLOFSKY: If we go to page 62 of the compendium, also part of tab 5, looking at part G of your response to 1-Staff-12, when we look at the actual net income on an accrual accounting basis, the reserve funds could have been fully funded by the second quarter of 2011; is that right?

MR. REIMER: That is correct.

MR. SIDLOFSKY: That is what you said in your response, so that's correct?

MR. REIMER: Yes.

MR. SIDLOFSKY: So there would have been about a six-month difference between the timing that the reserve funds would have been fully funded on a cash basis versus an accrual basis; is that right?

MR. REIMER: There, again, you are assuming the board of directors would have deemed all the cash in the operating account as surplus and available to be put into reserve funds.

MR. SIDLOFSKY: When we look at part I of your response, also on page 62, when we look at FNEI's net income during the 2010 to '15 period Five Nations earned approximately $10 million of revenues in excess of costs; is that correct?

MR. REIMER: That is correct.

MR. SIDLOFSKY: And according to the Board's decision, the Board's 2010 decision, you would have appropriated just over $2 million toward the two reserves. That's an operating reserve of 1.75 million and a capital reserve of .275 million. That's what the Board required you to do in its previous decision; correct?

MR. REIMER: That is correct.

MR. SIDLOFSKY: Which suggests to me that you earned approximately $8 million of revenues in excess of costs over that same period once the reserves were fully funded or would have been fully funded, to be fair.

MR. REIMER: With respect, you used the term "costs" fairly loosely there. You are assuming the reserve fund, the $2 million, is a cost.

MR. SIDLOFSKY: No, I am sorry, I wasn't assuming the reserve fund was a cost. I was looking at your overall net income, subtracting from that the cash that you needed to fully fund those reserves, and what I am left with is about $8 million of revenues in excess of costs.

MR. REIMER: That's correct.

MR. SIDLOFSKY: Okay. And I assume that your net income during that 2010 to '15 period would have been lower if Five Nations' revenue requirement had been revised to remove that return component, or the revenue in excess of costs component.

MR. REIMER: I cannot state this strongly enough: There would not have been an FNEI within a year or two of funding those reserves. All of our loans would have been called. There is more to operating a company than net income.

MR. SIDLOFSKY: I hear you. And I thank you for your answer. I am just -- I am trying to work through some of the accounting here, so I am --

MR. REIMER: You are correct.

MR. SIDLOFSKY: -- I am going to focus on the math.

MR. REIMER: Okay.

MR. SIDLOFSKY: And my understanding is that notionally your net income would have been reduced by about $4.4 million over the same period if your revenue requirement had been revised to remove the return component; does that sound accurate to you?

MR. REIMER: That seems low. $1.1 million over -- yeah, that's -- had you reduced that starting January 1st, 2013, yes, you are correct.

MR. SIDLOFSKY: Yeah, okay.

MR. REIMER: Yeah.

MR. SIDLOFSKY: A question about -- also on part E of the -- excuse me, on page 62 of the compendium. If we can just scroll up a bit to part E. You're showing net income in your actual ROE for the 2010 to '16 period in the table in your response to part E; correct?

MR. REIMER: That's correct.

MR. SIDLOFSKY: Could you explain why the actual net income is significantly lower in 2015 and '16 than in earlier years?

MR. REIMER: The main cost drivers for those would be the right-of-way brushing program that we started, that we implemented -- began doing, as well as the additional full-time staff that came on-board.

MR. SIDLOFSKY: And moving to part K, at page 63 of the compendium, same response, 1-Staff-12, part K. You are showing restricted deposits and GIC investments in that table.

Were those restricted deposits or GIC investments used as securities against Five Nations' loans?

MR. REIMER: The 750,000 was security for a short-term loan facility that we had with the Bank of Montreal. The $500,000 we had to set aside because we came very close to the one ratio in our debt covenants with our senior lenders, and so part of the covenant allows the senior lender to ask for security in the amount of $500,000 until those ratios improve.

MR. SIDLOFSKY: Okay. And tab 6 of the compendium, just moving to page 67, you refer to restricted cash, and could you just tell us what that includes and why it's different from the amounts covered in things like restricted deposits?

MR. REIMER: The table on page 63 of your compendium does not include the insurance reserve of $4 million. So on the pro forma balance sheet you see restricted cash of 4,500,000. That would be the $500,000 set aside at the request of the senior lenders, plus the $4 million insurance reserve.

MR. SIDLOFSKY: Okay, thank you. Is the GIC part of restricted cash as well?

MR. REIMER: The 750? No. It was at one point, but it no longer is.

MR. SIDLOFSKY: And if we go to part L of 1-Staff-12, and that's at page 64 of the compendium, there is a line in the middle of the page -- or in the middle of that table that refers to net investment in PP&E. Can you explain that -- first of all, could you explain the uses of the net income? And secondly, could you explain the net investment in the PP&E calculation that you provide in that response?

MR. REIMER: Bear with me one second. Do you have the full financial statements in your compendium? I would just draw attention to a typical cash flow statement in one of FNEI's audits.

MR. SIDLOFSKY: If you can just bear with us, Mr. Gluck is going to take a look for that.

MR. REIMER: I could, off the top of my head, go through it, if you wish.

MR. SIDLOFSKY: We will try to make it as easy for you as we can.

MR. REIMER: Keep going -- there you go, statement of cash flows.

So here you will see a typical 2012 compared to 2011. You see net income from operations 2 million. You add in items not requiring a cash outlay -- in this case, amortization of 1.2 million. And then your trade receivables and payables. In this case, there was a decrease in accounts receivable. We brought in more cash. There was prepaid expenses and then an increase in accounts payable. So cash provided by operating activities, 3,328,000.

From that we use -- in this particular statement, we used 1,238,000 to pay for the principal portion of the long-term debt. The interest portion would already have been taken into consideration in the net income. So 1.2 million was spent on the principle portion and in this case, the purchase of a restricted term deposits. So it's the $500,000 plus the 750. There is a slight $320 difference because the bank took some fees and added to that.

Then there is an addition to capital assets in this particular period of 1,439,000; the previous period 539. So cash used in investing activities at 2.6 million. The change in cash, there was a reduction in that year of 599,000. The cash at the beginning of the year was just over 2 million; cash at the end of the year was 1.4 million.

MR. SIDLOFSKY: Okay --

MR. REIMER: That's typically how net income translates to cash.

MR. SIDLOFSKY: And the net investment in PP&E, if we go back to the table in the interrogatory response?

MR. REIMER: If you look at the line for 2012, you will see the 1,439,492, the second column. The first column being 2012, opening 14,672,000. The second column PP&E, 1,439,000. And the other columns include those numbers that were on that report we just looked at.

MR. SIDLOFSKY: Okay, thank you for that. I am going to move on to your forecasted capital expenditures.

MS. FRY: Before you move on, can I just a couple of questions about that topic?

Looking at the reserve situation at a very high level -- this is bit theoretical, but give it your best try. So if you imagine a situation where in fact by the end of 2011, you did fully fund both of those reserves, okay. If you were to look at it today, would all the cash still be in those reserves or would you have spent the money on capital and OM&A?

MR. REIMER: If I could draw your attention to the decision.

MS. FRY: Sure.

MR. REIMER: It sounds like a simple question, but if you look at -- it's page 24 of the decision, it's page 44 of the compendium. The issue that we would have immediately run into is -- I will read this here.

> "Regulatory audit shall review an monitor FNEI's operation and funding mechanism of the reserves. Regulatory audit shall advise the Board when transactions and matters related to reserves do not comply with the intent of this decision and regulatory practice in general."

The question is more would we have been allowed to access those reserves and invest in capital expenditures.

MS. FRY: That's a valid point, so let me just reframe it a bit.

In this theoretical construct, if you had sought those approvals and gotten all the approvals you were seeking, would you have spent all the money in the reserves by this time?

MR. REIMER: Looking at the table, we would have spent that money several times over.

MS. FRY: From both reserves?

MR. REIMER: Yes.

MS. FRY: Thank you.

MR. SIDLOFSKY: Could I take you to tab 7 of the compendium? At that tab, we have reproduced your response to interrogatory 2-Staff-17. And at part D on page 72, you discuss some projects that you are considering completing after 2017. So those included, from my read of it, a battery replacement project in each of three control rooms, replacement of brush clearing equipment and replacement of aging equipment for the fibre optic system.

Do you have any estimates of the costs of those projects?

MR. REIMER: Bear with me one second, I will see if that was part of the 1.7 that we anticipated for the test year.

MR. SIDLOFSKY: Sure.

MR. REIMER: Which were the specific projects you were requesting again the battery replacement project?

MR. SIDLOFSKY: In your answer, you mentioned the battery replacement project in each control room, that's at each of three stations, replacement of brush clearing equipment, replacement of aging equipment for the fibre optic system.

You also mentioned twinning the line from Kashechewan to Attawapiskat, but you also have an estimate of that at $35 million in the response. So I am really interested in the other three projects.

MR. REIMER: The battery would be probably close to $100,000, replacing of brushing equipment, probably about

250, similar to the replacement of the aging -- the electronics for the fibre optic, the lasers and stuff, would again be around 250.

MR. SIDLOFSKY: And the 100,000, is that a total or 100,000 each?

MR. REIMER: Total.

MR. SIDLOFSKY: Okay. Now, you did mention twinning the line from Kashechewan to Attawapiskat in your response, and you said that your estimate of that cost would be about $35 million. Your current rate base is about $36 million, so a project like that would double your rate base. Is that pretty accurate?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And I wonder if you could discuss that project a little bit more, give some background to it, and perhaps let the Board know if you are actually planning on doing that during the next five-year period.

MR. REIMER: The reliability of a radial line system that was constructed has always been uppermost in everyone's minds that live there that are part of the management, part of the governance of FNEI. The twinning of the line from Otter Rapids, the closest point of generation, to Moosonee and then on the Kashechewan really demonstrated both from an operation as well as a maintenance point of view how outages can be significantly reduced. It's always been the twinning -- the twinning of the line to Attawapiskat has always been something in the back of our minds but never something that appeared feasible, just because of the magnitude of -- like you say, it doubles our rate base. Keep in mind, though, that our rate base doesn't include the $33 million of original construction assets that don't appear on the books.

Other than that, there is not a whole lot -- we haven't done any -- we haven't done any engineering, we haven't done any specific estimating or anything like that. There is not a whole lot I can say about that project right now.

MR. SIDLOFSKY: Well, realistically how many years down the road do you think it would be before a project like that would be built or would be in-service?

MR. REIMER: That depends a lot on the outcome of this rate case.

MS. LONG: Mr. Reimer, we are trying to get a sense of what the next five years looks like for you. So to the best of your ability, if you are able to tell us whether or not you anticipate moving ahead with that project in the next five years, it would be helpful.

MR. REIMER: Yes. We would anticipate within the next five years to have detailed engineering, detailed cost estimates, detailed plans to then determine whether or not this is something we would like to go forward with.

MS. LONG: Thank you.

MR. SIDLOFSKY: Just to follow up on Ms. Long's question, though, it doesn't sound like this project would be in-service within the IRM period in your -- in this current five-year period of your application; would it?

MR. REIMER: No, no, it wouldn't.

MR. SIDLOFSKY: If I could take you to tab 8 of the compendium, section -- sorry, I will just wait until we get there. And specifically page 84. If we can just scroll down a little bit to section 5.4.4. Those are the Board's Chapter 5 filing requirements. And they require the filing of at least a five-year forecast of capital expenditures. You haven't done that in your application. You've provided a forecast for 2017 for capital expenditures.

Would it be possible, or do you have any forecasts of your capital expenditures for 2018 to '20?

MR. REIMER: That's something we could put together and --

MR. SIDLOFSKY: Would you mind undertaking to do that?

MR. REIMER: Yes.

MR. SIDLOFSKY: Thank you. So that would be -- Undertaking J1.1 would be a forecast of capital expenditures for 2018 to 2020.

UNDERTAKING NO. J1.1: TO PROVIDE A FORECAST OF CAPITAL EXPENDITURES FOR 2018 TO 2020.

MS. DUFF: I am just wondering on that undertaking. When you spend a capital expenditure it may not be in-service. Would you be able to then say which portion of that total -- so let's say you are spending a million dollars and we expect that million dollars is all clearing equipment, so we're going to -- that's a bad example, but it will go into service versus a long-term capital expenditure which spans many years. Just think about how you could present that table that could inform us really what's work in progress carrying from one year to the next versus what could be used and useful and in-service. And I think that is important for the Board to see. I appreciate that's extra work, but thank you.

MR. SIDLOFSKY: If we can go to page 88 of the compendium. In your response to question 2-Staff-8, attachment 18E, which is on page 88 of the compendium, the actual 2016 net book value of $35.73 million is shown, and that's higher than the applied-for net book value of 35.63 million.

I'd ask you, Mr. Reimer, if you agree that the actual net book value should be used in the calculation of rate base?

MR. REIMER: Yes.

MR. SIDLOFSKY: Ms. Duff, I am not sure what your plans were in terms of the lunch break. I can -- I have got another ten-minute section or so if you would like me to keep going.

MS. DUFF: Ten minutes for this section?

MR. SIDLOFSKY: For my next section; that's right.

MS. DUFF: Oh.

MR. SIDLOFSKY: No, I am actually -- sorry, I am actually moving on to capital contributions. I just have a few questions on that.

MS. DUFF: Okay. Well, why don't we finish the capital part.

MR. SIDLOFSKY: Sure.

MS. DUFF: Thank you. Is that all right? The witnesses, are you okay to hold on for ten more minutes? Thanks.

MR. SIDLOFSKY: I am going to take you to tab 10 of the compendium at page 98 and specifically to your response to interrogatory 2-Staff-16, part GG. And in your response there you said that there were no capital contributions made toward either of the Attawapiskat or Kashechewan feeder projects, and FNEI's transmission plan describes the rationale for both projects as communities requiring new facilities.

Now, that suggests that those facilities were driven by customer needs. If I take you a couple pages further along in the compendium, we have reproduced section 6.3.2 of the system transmission code. And that section requires load customers to make a capital contribution to cover the cost of modifications driven to meet the load customers' needs.

So I have a few questions about that. Would those projects have been needed if the LDC transmission customers weren't connecting new feeders?

MR. REIMER: No.

MR. SIDLOFSKY: And is the load served at each of the substations forecast to increase due to the connection of the new feeders?

MR. REIMER: The feeders were required due to increased load. The layout of the distribution system didn't allow for additional load. You will notice in my presentation the fairly low distribution voltages in those communities, and so when one feeder is maxed out they need to sectionalize -- or section off a portion of the distribution system to transfer some of the load on to a second feeder. So it's not that you build a feeder and then load increases; it's that the load has increased to the point that one feeder is not sufficient, so then the distributor constructs a second feeder, FNEI then within the station fence does the work required in order to connect that second feeder. Does that make sense?

MR. SIDLOFSKY: It does. I am not an engineer, but, yes, it does make sense.

But that being the case, that new feeder was driven by additional load. The need for that new feeder was driven by additional customer load, is that right?

MR. REIMER: That's correct.

MR. SIDLOFSKY: Did you perform the economic evaluation that the transmission system code requires?

MR. REIMER: No.

MR. SIDLOFSKY: Which means that you didn't calculate any capital contribution that would be payable by the LDC customers?

MR. REIMER: That is correct.

MR. SIDLOFSKY: Do you have -- I take it then -- although you might have a sense, but I take it that you don't have any sense of what that capital contribution might have been?

MR. REIMER: No.

MR. SIDLOFSKY: Would you be in a position to run that economic evaluation and calculate the capital contribution?

MR. REIMER: Absolutely.

MR. SIDLOFSKY: Would you mind undertaking to do that?

MR. REIMER: Okay.

MR. SIDLOFSKY: Thank you. So that will be undertaking J1.2. And that will be to prepare an economic evaluation and calculate a capital contribution, if applicable, for the Attawapiskat and Kashechewan feeder project.

MR. REIMER: Sorry, which specific projects?

MR. SIDLOFSKY: Attawapiskat and Kashechewan.

MR. REIMER: Okay.

UNDERTAKING NO. J1.2: TO PREPARE AN ECONOMIC EVALUATION AND CALCULATE A CAPITAL CONTRIBUTION, IF APPLICABLE, FOR THE ATTAWAPISKAT AND KASHECHEWAN FEEDER PROJECT

MR. SIDLOFSKY: Perhaps I could just go on to one more section. I have managed to clear out a couple of questions there, courtesy of Mr. Yauch, so perhaps we could get through one more piece before we break.

MS. DUFF: Please.

MR. SIDLOFSKY: Thank you. My questions for the next few minutes have to do with the transmission system plan, rate base and O&M related to the 80-kilometre transmission line, the line that was repurchased from Hydro One.

So that was repurchased on October 15th of 2015 and the purchase price -- my understanding is the purchase price of that was 4.9 million reflecting net book value, and that was a line that you had originally sold to Hydro One in 2000.

MR. REIMER: That is correct.

MR. SIDLOFSKY: Am I correct about all of that?

MR. REIMER: That is correct.

MR. SIDLOFSKY: At page 91 of the compendium, we have reproduced your response to interrogatory 2-Staff-16, part A, and you stated there that the sale price to Hydro One of the transmission line and the Moosonee tapping station was 11 million. Is that correct?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And at part B of that response, you noted that the total depreciation on that line was $3.76 million. So the difference there is 7.24 million, 7 and a quarter million; correct?

MR. REIMER: That's correct.

MR. SIDLOFSKY: I would just ask that you can confirm that the difference between the purchase price of the line, that's the 4.9 million, and the depreciated value of that line at 7.24 million is the value of the Moosonee tapping station that was sold along with the transmission line in 2000.

MR. REIMER: That is our understanding.

MR. SIDLOFSKY: Sorry, that's your understanding. Is that because there was some lack of clarity about that, or because you didn't do the calculation?

MR. REIMER: We didn't ask for Hydro One's amortization schedule for that specific portion of the asset. We only asked for the transmission line portion.

MR. SIDLOFSKY: Okay And in fact, you've said that Hydro One depreciated the line in accordance with its standard depreciation rates, even though it wasn't in the Hydro One rate base or any other transmitters rate base, is that right?

MR. REIMER: That is correct.

MR. SIDLOFSKY: And your statement in response to interrogatory 2-Staff-16, part C, was that you used the OEB-approved depreciation rates for transmission line assets.

MR. REIMER: Yes.

MR. SIDLOFSKY: Okay. Can you explain your statement that the line wasn't in Hydro One's rate base? Do you have some background to that?

MR. REIMER: That goes back to the presentation that I made earlier this morning, where the province was looking for a way to provide the additional $11 million that FNEI was short in order to complete the original construction. This was the suggestion and ultimately the way that the province chose to chose to provide FNEI with that $11 million was to direct Hydro One to purchase assets, the Moosonee tapping station and however many kilometres of line it would turn out to be based on construction cost, to equal $11 million.

Now, in order for Hydro One to then recoup their cost, there was an amount written into the RRRP regulation at the time that would then be redirected. Instead of going to those three distributors in the community, in those communities, that amount would then be redirected to Hydro One to cover both its operating -- all of its costs related to those assets.

It was never entered into Hydro One's actual rate base; it was kind of outside.

MR. SIDLOFSKY: I see, okay, thank you for that. And I think you already said that you don't know what the depreciation rate was that Hydro One used for that line? Or do you know the rate?

MR. REIMER: I would have to look it up. They did provide statements every five years on the revenue coming in and what they applied that to. My understanding is that they used typical depreciation rates.

MR. SIDLOFSKY: If you don't mind, I am going to ask you to undertake two things, although the second thing you may actually have the answer for right now. But I am going to ask you to undertake the provide the depreciation rates that were used by Hydro One on the 80-kilometre line, and I'd also like to know the depreciation rate that you propose to use on that line.

Do you know the second part at this point?

MR. REIMER: Several years ago, FNEI went through this asset component amortization exercise in order to comply with IFRS regulations, or accounting standards, so there's not one particular depreciation rate for a transmission line. It's broken down into different components. The poles are amortized over a certain length of time, the wires a different length, the fixture a different length.

So it's not a simple one depreciation rate. The assets are depreciated based on their estimated useful lives, the specific components. I don't believe Hydro One used that. I think they used a typical transmission line depreciation rate prior to IFRS and componentization of assets.

MR. SIDLOFSKY: That was going to be my next question whether you knew if Hydro One had componentized that asset.

MR. REIMER: Not to my knowledge.

MS. DUFF: Can I interrupt? You mentioned that they provided you every five years with a report, Hydro One provided it to Five Nations. Could you explain that? Do you have a copy of it?

MR. REIMER: Yes. It actually took ten years for the first one.

MS. DUFF: Just slipping that in there, yes.

MR. REIMER: Is this on, no. Basically the term sheet, the original term sheet that Five Nations and everyone entered into, called for regular reporting on a five-year basis. The understanding was that at some point -- initially, the RRRP funds would not be sufficient to cover all the costs. But as the line depreciated, at some point there would be a sufficiency, and then whatever the sufficiency was would then be returned to those three distributors an a pro rata basis.

MS. DUFF: Do you have a copy of the last one that you received?

MR. REIMER: Yes.

MS. DUFF: And how long ago was that about?

MR. REIMER: Just prior -- just prior to the sale being effected, and then they did a final trueup calculation as of October 15th, 2015.

MS. DUFF: Would you mind providing that?

MR. REIMER: Sure.

MS. DUFF: I mean, I know -- I don't mean to take away your question, Mr. Sidlofsky, but you were just asking what rate did Hydro One use. I am wondering if this table could provide at least some assurance of the asset value very close to the sale date. Now, you may still have another question there that I didn't mean to overwrite, but if you have that valuation, would you mind providing that?

MR. REIMER: Yes, I could.

MS. DUFF: Okay, thank you. Now, you can please proceed with your request.

MR. SIDLOFSKY: Thanks. I am just going to try to build on that request. Maybe --

MS. DUFF: And I want to get a number for that one.

MR. SIDLOFSKY: That would be J1.3.

MS. DUFF: So this is the Hydro One report that they provided, and that includes that trueup prior to the sale? That would be ideal.

UNDERTAKING NO. J1.3: TO PROVIDE THE HYDRO ONE REPORT THAT INCLUDES THE TRUEUP PRIOR TO THE SALE.

MR. SIDLOFSKY: That may actually take care of the undertaking I had asked for, which was to provide Hydro One's depreciation rate for that line. Would that be in the report to your recollection? I don't want to burden you with more undertakings than we need.

MR. REIMER: That report would only have the actual dollar value of deprecation that they calculated.

MR. SIDLOFSKY: Okay. If you could provide the rate as well. Perhaps I will ask for that as a separate undertaking.

MR. KING: Sorry, I don't mean to interrupt. We will answer it in our undertaking. My recollection is we tried to reverse-engineer to figure out what the rate was based on the amount and gave up --

MR. REIMER: Yes.

MR. KING: -- because we couldn't figure out what the rate -- it just wasn't clear to us what the rate was. We had our accountant look at it. So we may just end up with the report, but we will -- happy to have you try reverse-engineer the number.

MR. REIMER: My --

MS. DUFF: Why don't you discuss it at the break --

MR. REIMER: Yeah.

MS. DUFF: -- and decide what you still need, given that answer is helpful, but, I mean, in terms from the Board's perspective that gives us some assurance what the asset value is, assuming Hydro One has audited and has its own compliance requirements regarding depreciation rates it would have used, even though it was outside rate base.

MR. SIDLOFSKY: We can chat briefly at the break about the rate itself, so we do have the undertaking for the Hydro One report as J1.3, and I will speak to that as a preliminary matter when we start up after lunch.

My next area has to do with the bus isolation project, and it could be about 20 minutes --

MS. DUFF: Oh, no, I think --

MR. SIDLOFSKY: -- so if now would be a good time for a break --

MS. FRY: Before the break I have a couple of questions. Okay. So the RRRP funding that Hydro One got, it was -- part of it was for the initial capital cost of the line and part of it was for OM&A.

Do you know how much Hydro One got towards the initial capital funding of the line?

MR. REIMER: My understanding, the RRRP regulation was revised at that time and specific amounts for each community were written in totalling $1.5 million a year. The entire 1.5 was then redirected on an annual basis to Hydro One, and they then allocated it as per however they do their accounting.

MS. FRY: So they're the ones who allocated it as between capital and OM&A?

MR. REIMER: That is correct.

MS. FRY: Okay. And the fact that Hydro One did get some amount towards the initial capital cost of the line, was that in any way factored in in your purchase price when you bought back the line?

MR. REIMER: I should clarify, their reporting showed the costs, their cost of capital. It wasn't -- I wouldn't characterize it as a capital contribution per se. It was more of, this is what these assets are costing us based on whatever Hydro One's cost of capital at the time was.

There's -- as I recall, going completely from memory, there's several line items in the reporting that they provided to the communities, to the three LDCs.

MS. FRY: Yeah, I guess what's puzzling me a bit is I am looking at the decision, EB-2015-0127, where the sale was approved, and it says:

> “Hydro One has been receiving rural and remote rate protection funds from these communities to reimburse it for the initial capital funding and to cover the cost of maintaining and operating the assets."

So, I mean, is there any additional light you could shed on how much went to capital if you did an undertaking?

MR. REIMER: That would be -- that's in those reports.

MS. FRY: That we are already getting.

MR. REIMER: Yes.

MS. FRY: Okay, thanks.

MS. DUFF: Okay. Great. I think we will take our morning break. Is there anything else, Mr. King?

MR. KING: Nothing for me.

MS. DUFF: Okay. So we'll -- oh, I meant lunch break. I was corrected there. So why don't we regroup at quarter to 2:00, just a little over an hour. Right? It's quarter to 1:00 now. And thank you very much.

--- Luncheon recess taken at 12:41 p.m.

--- On resuming at 1:49 p.m.

MS. DUFF: Mr. Sidlofsky, just before we left, I believe we had an undertaking that was left hanging. Were you able to resolve that with the applicant?

MR. SIDLOFSKY: I think we have. The applicant is prepared to use its best efforts to determine the Hydro One deprecation rate for the line. So I think we can now give that a number as J1.4.

UNDERTAKING NO. J1.4: (A) TO MAKE BEST EFFORTS TO DETERMINE A CALCULATION OF THE HYDRO ONE DEPRECIATION RATE FOR THE LINE; (B) TO ADVISE THE DEPRECIATION RATES FNEI WAS USNG FOR THE COMPONENTS OF THE LINE

MR. SIDLOFSKY: We had also asked about what rate you were proposing to use for that line. Now, you did mention that the line has been componentized because of IFRS. Are you able to provide the depreciation rates you were using for the components of the line, though?

MR. REIMER: Yes, absolutely.

MR. SIDLOFSKY: Okay. So perhaps we could have all of that in one undertaking, J1.4.

MS. DUFF: Thank you. Are there any other preliminary matters before we proceed with the cross-examination again?

Okay, great. Okay, please continue then.

MR. SIDLOFSKY: Thank you. As we left off just before lunch, I was just about to get into some questions on the but isolation project. I will start with a bit of preamble to this. At Exhibit 2, tab 2, schedule 1, Five Nations discusses the bus isolation protect, and that's a major capital project forecast to cost $4.5 million, correct?

MR. REIMER: That's correct.

MR. SIDLOFSKY: Okay. Then I am going to take you to page 72 of the compendium and on that page, we have a portion of your answer to interrogatory 2-Staff-17. That amount seems to have been revised to $4 million, with 3 million spent to date and a million dollars in future spending; is that right?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And the project seems to benefit consumers -- it does seem to benefit consumers by reducing outages caused by maintenance and testing activities. But there does seem to be a fairly high cost attached to that, so we have a few questions about that. It's also unclear whether the project was requested by the communities that were served and therefore, what flows from that is a question about whether any capital contribution might have been requested.

So at part E of your response, you stated that certain testing and maintenance activities caused significant outages to the communities. I'd ask you to identify what incremental piece of equipment can be serviced now without interruption to the customer in comparison to equipment that could be serviced prior to the bus isolation upgrade.

MR. REIMER: I have to preface by saying I am not an engineer.

MR. SIDLOFSKY: That makes two of us.

MR. REIMER: Basically, as discussed in the evidence, prior to the bus isolation, there was only a single pathway of electricity through the station. So any of the equipment that is required for the operation of the station in order to do maintenance on it that requires it to be isolated would require an outage. So it's difficult to go -- it's difficult to go piece by piece by piece, because Basically, I am fairly comfortable saying it would be very limited -- a very limited number of equipment that could be taken out of service currently without, like prior to the bus isolation project. There wouldn't be very many pieces of equipment that could be taken out of service, isolated, and then maintenance procedures, testing, et cetera, performed on it.

MR. SIDLOFSKY: Without an outage?

MR. REIMER: Without an outage.

MR. SIDLOFSKY: Okay. In your response to 2-Staff-17, you provided two single line drawings related to the Fort Albany station, and I am -- my understanding is that there are actually two pathways currently in the Fort Albany schematic; that would be up to enclosure 2.

MR. REIMER: Like I said, I am not an engineer. I work closely with the operations and maintenance department, our operations manager.

MR. SIDLOFSKY: We are trying to get some sense -- it doesn't have to be in a huge amount of detail, but we are trying to get some sense of what could have been maintained without outages before this proposed project and what can be -- what you're anticipating will be able to be maintained without outages after you do the work.

If you don't have the answers and you are prepared to give an undertaking to provide that information, Staff would be fine with that as well.

MR. REIMER: That would probably be best.

MR. SIDLOFSKY: That would be undertaking J1.5.

UNDERTAKING NO. J1.5: TO PROVIDE A DESCRIPTION OF EQUIPMENT THAT COULD HAVE BEEN MAINTAINED BEFORE THE PROPOSED PROJECTS, AND WHAT FNEI ANTICIPATES WILL BE ABLE TO BE MAINTAINED WITHOUT OUTAGES AFTER THE WORK IS PERFORMED

MS. DUFF: Okay.

MR. SIDLOFSKY: And in your response, you indicated that you are not currently meeting your customer delivery point performance standards at the Kashechewan and Fort Albany stations. Is that correct?

MR. REIMER: Where do you see this?

MR. SIDLOFSKY: That's in your response to part E. You haven't quite put it that way in that response, but what you have said is that when you complete the project, the frequency and duration of outages will be greatly reduced and in line with your customer delivery point performance standards.

Are you currently meeting those standards then?

MR. REIMER: To the best of my knowledge, yes.

MR. SIDLOFSKY: Okay. Did you provide a copy of your performance standards as part of the application?

MR. REIMER: I'd have to double-check. I know they have been filed with the Board. I don't know if they were filed in -- can I defer to my colleague? If not, it can be easily done.

MR. SIDLOFSKY: Perhaps the easiest way to do it is just to take an undertaking from you and you can provide that, thanks.

MS. DUFF: I just wanted to say while I am in support of information that's pertinent, with a two-day hearing having undertakings being provided, they will all be after the oral hearing is over with does subject us to some risk. So the clearer we can make the undertakings and just making sure that they are factually based, that makes it easier because it's difficult for the Panel to, you know, if there are subsequent questions regarding that, there really is no opportunity to ask those after the oral hearing.

MR. REIMER: Perhaps I could add to my response for the customer delivery point standard. Our understanding is that we are granted a certain number of minutes of planned outages and to work within those minutes, it's pretty well impossible with the current -- prior to the bus isolation. It would be impossible to do the required maintenance procedures within those planned minutes. They are very small. I can't say off the top of my head what they are, I think -- somehow the number of 192 minutes, I don't -- it's very small. So I think that's the reference to the customer delivery point standards there. It's that if we wanted to stay within that, we have great difficulty.

MS. DUFF: And I understood the undertaking -- I have the benefit of seeing the transcript roll in front of me here, but the earlier undertaking was that, are you able to do it without any outages, like, before the bus isolation? Like, was there maintenance work that you could do without outages?

MR. REIMER: There were some that we could do --

MS. DUFF: Okay.

MR. REIMER: -- but there's certain equipment; for example, taking any one of the two transformers out of service and isolating them, very, very difficult.

MS. DUFF: I understand.

MR. REIMER: Things like that.

MS. DUFF: But you were able to do some maintenance work.

MR. REIMER: Some, yes.

MS. DUFF: And I think the undertaking as I understand it was to compare before and after the bus isolation how much was being able to be done without an outage --

MR. REIMER: Yeah.

MS. DUFF: -- so it would have been very little and it -- hopefully it's going to be a lot more, and that was that question.

MR. REIMER: Yeah, and this -- what you are looking at, this particular line, Niagara, is for Fort Albany. Fort Albany is a little different, for example, than Kashechewan. Fort Albany actually has -- we have ways of isolating just that station and allowing the electricity to continue to flow to Kashechewan and on to the mine. In Kashechewan we don't have that -- we didn't have that option.

So any outage that we took in Kashechewan would then necessitate Attawapiskat and the DeBeers Victor Mine taking an outage as well. This goes back to the original construction was bare bones, get something that works, something to replace the diesels, so...

MS. DUFF: So Board Staff, that last interrogatory was just related to the Fort Albany. I just want to confirm that was all that you wanted?

MR. KING: So we do have the delivery point performance standards in our original evidence at Exhibit 4, tab 1, schedule 2, the frequency and duration of outage figures, and that precedes the one slide, for example, that Energy Probe introduced this morning comparing outages.

MR. SIDLOFSKY: Thank you for that, Mr. King. Staff are okay with the performance standards and won't require an undertaking on that item. As for the undertaking related to the equipment that can currently be maintained without an outage, we'd like that undertaking to apply to both Fort Albany and Kashechewan if that's all right with you. Yes?

MR. REIMER: That's fine.

MR. SIDLOFSKY: Thank you. Can you give me a sense of what portion of the outages at each station would be attributable to maintenance and testing?

MR. REIMER: Which outages are you referring to?

MR. SIDLOFSKY: Planned outages. Sorry, what we are looking for is the proportion of planned outages to overall outages. I should have been clearer with that question.

MR. REIMER: I don't have that information in front of me. All I know is that planned outages over the past three years have been extremely rare, have only -- the only two that I can recall were actually taken for the purpose of construction of the bus isolation, where we had to take the station out of service in order to do this work. Other than that there have been very few, if any, planned outages. That's the best response I can give you.

MR. SIDLOFSKY: No, that's fine, thank you. I am wondering if you could identify the new assets that were installed at both Fort Albany and Kashechewan that were required for bus isolation. Are you able to describe those projects?

MR. REIMER: It's not that there were new assets installed that required the bus isolation, it's more that the stations weren't designed with -- the original design, the original construction, was for a single transformer. We had purchased second transformers for Fort Albany and Attawapiskat, and they were just stored in a corner of the yard. We actually had a sea can full of jacks and timbers. In the event that a transformer would fail we would manually winch these transformers over, put it in place, reconnect it.

So there's more of an original design that didn't allow -- didn't anticipate being able to take certain items out of -- certain equipment out of service for maintenance. Those pieces of equipment didn't exist at the time, weren't connected. So it's -- I can't really answer that question. It's more of a correct -- we are attempting to correct the original design.

MR. SIDLOFSKY: So put another way, would it be less a matter of adding assets to the station than it is a matter of reconfiguring the station; is that --

MR. REIMER: That's correct.

MR. SIDLOFSKY: -- is that it? Okay.

MR. REIMER: That's correct, yes. The bus isolation -- yes, that's actually a -- that's a very good way of describing the bus isolation, reconfiguring the station.

MR. SIDLOFSKY: So given that we are talking here more about configuration than about new assets, can you explain how the 4 million was spent?

MR. REIMER: Bear with me one with second.

MR. SIDLOFSKY: Sure.

MR. REIMER: I don't have a neat summary, but basically, we purchased equipment -- we entered into an agreement with PowerTel contractor to provide the labour and some of the materials. We did -- we have an ongoing relationship with an engineering firm that did all the engineering. We did purchase some equipment, a boom truck, another piece of lifting equipment, some other type of equipment to allow PowerTel to do the work.

We had originally tendered this out and looked for a complete kind of a turnkey project. We made it very explicit that all the costs should be included, including equipment. The issue that we have always run into is that we get an hourly rate or a daily rate for a piece of equipment, and then the equipment stays at site for a year because of the logistics of mobilizing a piece of equipment, and so then you end up paying an hourly rental charge for a piece of equipment that's waiting until the winter road or waiting until a barge can come and pick it up.

So I'd have to do a little bit of number crunching to find out exactly what the breakdown is with respect to purchase of materials, labour.

MR. SIDLOFSKY: I would ask that -- because it's one of your most significant capital projects, I'd ask for that breakdown if you don't mind. That would be undertaking J1.6, a breakdown of the cost of the bus isolation project.

UNDERTAKING NO. J1.6: TO PROVIDE A BREAKDOWN OF THE COST OF THE BUS ISOLATION PROJECT

MR. REIMER: Would there not have been a project summary? I am sure we provided a summary in the evidence.

MS. DUFF: This is the bus isolation?

MR. REIMER: Yes.

MR. SIDLOFSKY: To answer your question, yes, you did provide that. But there is no breakdown of the costs. There is a discussion of the priority of the project and the risk of not proceeding, but there is no cost breakdown for it. And I can tell you that was at Exhibit 2, tab 2, schedule 1, page 13.

Sorry, Mr. Reimer, were you just following up on that or --

MR. REIMER: No.

MR. SIDLOFSKY: Just one question came to mind while you were speaking about the equipment that you purchased, though. Do you have other uses for the boom truck that you bought now that you own it?

MR. REIMER: One we are actually trying to sell, it's up for sale. We transported it back to Moosonee this past winter. The other one is still being used in Attawapiskat to complete the project there this summer.

MR. SIDLOFSKY: Thank you for that. And just one last question in this area. This project came about because of requests by your customers. Were they concerned about outages, or how did you decide that this project was a priority for you?

MR. REIMER: Like I stated in my earlier testimony, in 2010, we hired an operations manager and we started to really dig down into the details of all the maintenance activities that need to occur. It became very apparent that in order to meet -- I think it's actually 360 minutes, I think I said 192. In order to the stay within those minutes, we needed to find some way of being able to isolate pieces of equipment without taking an outage.

None of our customers made any request. They actually had no idea that we were contemplating any of this work. We've always had a very close working relationship with

DeBeers and Victor Mine, and they have always appreciated as much advance notice of any planned outages.

MR. SIDLOFSKY: But they weren't pressing you for it?

MR. REIMER: No.

MR. SIDLOFSKY: Okay.

MR. REIMER: No.

MR. SIDLOFSKY: I'd like to move on to your head office in Timmins, your new head office. That was constructed in August of 2013 at a total cost of 488 -- sorry, 4.86 million. Is that correct?

MR. REIMER: That was substantially complete in August of 2013.

MR. SIDLOFSKY: And there are a number of references to the purchase of a new head office, or the construction of a head office in the excerpts from Five Nations board of directors' meeting minutes, and those were provided in your response to 2-Staff-13, attachment 13B, specifically. And I'd like to take you to tab 2 of the compendium at pages 7 to 8. Sorry -- that's pages 7 to 8 of the compendium, thanks.

So in June of 2010 and March of 2011, and that's at page -- those dates are covered at page 7 of the compendium -- there were discussions about a potential office move. And there is a reference to a 7,000 square foot building which is, I believe, similar in size to the building that you eventually built. But that building was at a price of $410,000. Can you tell us why Five Nations wouldn't have bought that building?

MR. REIMER: As I mentioned, I believe, in my presentation, we had put an offer in on that building. It was basically a steel Quonset style building insulated, there was no interior offices, nothing like that. We put in an offer, spoke to the vendor and then we attempted to get a quick board meeting together. And in the time that we put the offer and managed to get a board meeting together, another person had come and purchased the building.

MR. SIDLOFSKY: So that's the one you missed out on?

MR. REIMER: That's the one, yes.

MR. SIDLOFSKY: Okay. And in July 2011, just a few months after that, there was a special teleconference meeting to discuss the purchase of vacant land on Highway 655, and that's at page 8 of the compendium. And the expected price for that was $300,000 for the land, and you estimated 800 thousand to $950,000 to develop that land with a building and other services. Is that accurate?

MR. REIMER: At the time, yes.

MR. SIDLOFSKY: And I believe another option was discussed, and that was to buy a prefabricated steel building for around $65,000, So that would have been a total cost of about 365,000, is that correct?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And there was even a motion at that meeting to go ahead and place an offer on that property.

MR. REIMER: That's correct.

MR. SIDLOFSKY: Can you tell us what happened to that property?

MR. REIMER: That's the property we ended up buying. We ended up purchasing five acres of land. We did not however purchase the prefab building.

MR. SIDLOFSKY: I see, okay. And in part X of your response to interrogatory 2-Staff-16, and that's at Tab 10 of the compendium at page 96, you noted that there's a very limited supply of existing facilities in Timmins that would have been able to meet Five Nations' requirements. And you go on to say that over a two-year period, there was only one potential option that was considered and that was simply an insulated shell of a warehouse. And I think you mentioned that earlier today as well.

And that was the one that got away from you. That was the one that you didn't even get a chance to put on offer in on before it was sold, correct?

MR. REIMER: That's correct.

MR. SIDLOFSKY: Did you consider renting a property during that time as opposed to buying and building on your own?

MR. REIMER: Yes.

MR. SIDLOFSKY: And were there any options, any rental options raised with your board of directors?

MR. REIMER: During the time that it became obvious that the current leased premises were no longer suitable, we continually looked for rental purchase, any type of, any type of property that would be suitable. We actually did tour another commercial kind of warehouse store front building on Spruce South. We looked at it and realized it would take an awful lot of renovations, a very small land -- very small piece of land, hardly any -- there was no outside storage, just, we just didn't find anything suitable.

MR. SIDLOFSKY: And you said in your response to interrogatories 2 -- sorry, interrogatory 2-Staff-16X that you monitored rental and purchase markets for existing facilities in Timmins for at least two years.

Are there any further records that you have to highlight the options that were considered, or have I pretty much summarized them in your board of directors minutes?

MR. REIMER: There are no other records.

MR. SIDLOFSKY: Okay. Did you have any broker or real-estate agent or any other third-party representative researching locations for you?

MR. REIMER: Not that I can recall. Leave it at that.

MR. SIDLOFSKY: Would you have been the person dealing with the third party if there had been one?

MR. REIMER: I myself didn't, but I can't speak -- I cannot recall clearly if our operations manager or the CEO at the time -- I believe they did, but I don't want to go on record saying they had. I don't recall precisely.

MR. SIDLOFSKY: So then you also wouldn't know if there were any reports prepared by a third party or a broker or an agent?

MR. REIMER: No.

MR. SIDLOFSKY: In the end, I think the bottom line is that in the end you weren't able to pursue less expensive options, and your evidence is that the total cost of the building was the 4.86 million.

Now, that seems to be a significant increase from what you were originally looking at, which would have been, what, in the range of one-and-a-quarter million, maybe, for the land and building.

MR. CHILTON: I -- obviously I wasn't around at the time, but I was in Timmins at the time, and I had a lot of discussions with my brother Ed, basically, is what it was. And at the time he had mentioned to me, and I -- just talking -- he has passed on now, but at the time he mentioned that there was -- they had a lot of difficulty. They had this piece of land that they were going to purchase and design a building that would be -- that would be suited and would meet the needs of the staff and the storage and all the necessary rooms that they might need.

He -- when he talked about the building he talked about trying to make it something that would be -- be significant and making a statement representing First Nations people and the success of the organization.

At the time, of course, it was in 2011/2012, and what he had mentioned was that in Timmins normally what would happen on Mushkegowuk council or at other tribal councils that were there or First Nations, they rented offices that were really -- didn't make a statement in the community about any type of -- any significance of being a First

Nations successful organization in Timmins or even in northeastern Ontario, so they wanted to make it kind of like a flagship to show that they are proud of the success that Five Nations Energy had, and the idea of a tepee in front and the larger -- and the offices that would encompass not only a garage but also a lot of storage space, and the only place they could build that is on a five-acre land -- piece of land within city limits that -- just serviced by water and -- city water, but needed sewage and everything. If you don't have -- as you probably know, if you don't have a sewage system you need at least a minimum five acres for a septic system.

So that's what they -- basically what -- how it started out. I don't know exactly what went into the actual planning, but it does make a significant statement for the leadership and within the community of Timmins that we are there and successful, and he wanted to be kind of a flagship and demonstrate our presence within the northeast, including Timmins.

MS. FRY: Just to be clear, when you say the building makes a statement, is it because it's large or standalone or has the tepee as you say in front -- like, can you put your finger on what makes the statement?

MR. CHILTON: Well, the fact that First Nation organization being successful, yeah, the tepee signifies that there is an Aboriginal organization in there and states a presence within the city of Timmins. A lot of people drive by there, including the mayors and councils, and they are amazed at the beauty of the building, but at the same time the -- who's situated in there, and it's Five Nations Energy, again a very successful organization recognized not only within Timmins and within our communities but also nationally.

MS. FRY: So because it's a standalone, large, attractive building, is that basically --

MR. CHILTON: Yeah. I wouldn't say excessively large, but I know that obviously that's where this is going, but it makes a statement. It --

MS. FRY: Well, I wasn't saying excessively large, I just wanted to understand what you meant.

MR. CHILTON: It's a beautiful building.

MS. FRY: Thank you.

MR. CHILTON: It shows the success, I think, of the organization.

MR. REIMER: If I could add to that, we sat down and estimated the number of staff that would be housed there. We looked at the garage space knowing that we would have to accommodate transport, being able to back in overhead crane. I think what Pat is referring to, instead of a Quonset hut, instead of a typical steel building, we went with wood construction, went with significantly higher ceilings, and at the time the design that we put together, we were given an opinion, probable cost of only $2.4 million, and that's what we presented to our board of directors. That's what we went with. The purchase of the land plus $2.4 million.

When we got to the point where we received permission from our senior lenders to actually borrow money, we were able to get financing, the Bank of Montreal. We put this out to tender and we had pre-approved five contractors. The first two of them ended up bowing out, didn't provide any bids. The lowest one that we ended up going with was 3.4 million, the next one was about, oh, 4.1, and the other one was over 5 million.

What had happened in the northeast at the time was a mini -- a bit of a gold boom, and so all the gold mines in the area, there was so much activity it was very difficult to get a contractor that wanted to bid on this building. It's not that the building is ostentatious or, you know, some modern art or anything like that. It's sized a reasonable amount of square footage per person that needs to work there.

Every building needs a certain amount of overhead, shall we say. You need washrooms, you need hallways, you need reception area, you need a boardroom. Whether we have 20 staff or whether we have seven, we need, you know, pretty well the same size of garage for the type of equipment that comes in.

And so we tried -- we ended up going with the lowest bidder, and we worked very, very hard on maintaining that contractor to his price. We managed to stay within contingency, even though normal practice has been to always try to inflate the contract with all sorts of extras at the end.

MR. CHILTON: If I can add to that as well, the building downtown where they were renting was very old, an identical situation, Moose Creek First Nation, that has an office right downtown Timmins, as well as up in Moose Factory, Ontario. The space that they rented in downtown Timmins for about 20 people became so costly that people are now working out of their homes.

So it goes to show that in terms of demand of space -- and there still is a boom with gold in the Timmins area, a lot of mining going on in the area. The cost and the ability for the landlords to raise their rent to a point where it becomes ridiculous and leaky roofs and that type of thing, it's just not suitable.

This building now is a secure building. It wasn't secure downtown Timmins when Five Nations had their office there, and also it's accessible by wheelchair and for elderly people as well, too, and the other office didn't have that.

MS. DUFF: You mentioned earlier about your SCADA system and the security needs for that. Can you perhaps describe how this building accommodates that security that you need?

MR. REIMER: Well, for starters, it's a single-use building; we don't share it with other tenants. The building is always locked, and access is through a key fob. After hours, to use your key fob, you have to put in a code. The previous building was multi-tenant. It used to be an old bakery in the '50s and was added on. So where

FNEI had its offices actually was -- the hallway went through it, so all the other people who work in that office on the way to the washroom would walk right through it.

The operations manager was sitting there. Had his monitors. He had all the, you know, the three substations. If he happened to leave his desk to go use the washroom, anyone could sit down and press the red button, and --it was just -- it was fine in the beginning when there was just two or three of us, and it was just for office space. But as FNEI grew, as we brought some more operational staff, as we actually started doing our own maintenance, it just was not suitable.

And we don't have those -- you know, like I can't give you a list of papers saying these are the phone calls, these the people we talked to, these are the properties we have seen. But we did we looked for quite a long length of time, and finally we realized that the only way to get anything that would be suitable would be to construct.

MR. CHILTON: I had a couple more things, I guess. One is that on May 26th, when the Minister came, I took him for a tour of the building and not -- everybody else went their different ways within the building. But I took the Minister through it and he asked does it suit your needs, and I said it definitely does now compared to the other location. And one of the things he says is there anything you would do differently with this building, and I frankly told him I'll come and show you. We showed him the heating system, the geothermal which was put in, and I said basically the geothermal doesn't necessarily work up here for four seasons; it's a three season thing. We actually had to add a gas boiler to supplement the heat in the middle of winter because we were spending too much on electricity, that was the only one.

And actually he asked for -- actually he asked for information on the geothermal, and the cost as well, too. So he says it goes against a lot of -- this actual is practical, he says, with what you did. But a lot of people are talking about geothermal and that is why he was looking for the information of whether or not it was suitable in the types of climates where Timmins is. So it's interesting.

MR. SIDLOFSKY: I am going to ask you a couple more questions about the price. But before I do, I note that in part Q of your response to interrogatory 2-Staff-16, you said that you financed your head office through a combination of self financing and a mortgage. And when you say "self financing", you mean -- was that paid with cash that Five Nations held?

MR. REIMER: Yes.

MR. SIDLOFSKY: And what would the breakdown have been between the self-financed amount and the mortgage?

MR. REIMER: We ended up with a mortgage of 1,675,000. We also had another short-term loan of -- it was 1.1 million. So the difference of that would have been out of our operating.

MR. SIDLOFSKY: The difference between that and the

4.86 million?

MR. REIMER: Yes.

MR. SIDLOFSKY: Thank you. And was some portion of the head office financed then with money that wouldn't have been available to Five Nations if you had applied to the Board to remove the earnings in excess of costs component of your revenue requirement?

MR. REIMER: I'll refer to my previous answer. We wouldn't be operating, so we wouldn't have needed an office. Yes, you are correct.

MR. SIDLOFSKY: And I just have a few more questions about the price then. The original quote that you were dealing with at the outset, or what you anticipated the project would cost was 2.4 million.

MR. REIMER: That was the opinion of probable cost by our engineer, our architects.

MR. SIDLOFSKY: But when it went to tender, the prices ranged -- or the tenders ranged from 3.4 to 5.5 million.

MR. REIMER: That's correct.

MR. SIDLOFSKY: And you explained that that was due to the increase in construction demand because of the spike in gold mining activity.

MR. REIMER: That's what we attributed it to.

MR. SIDLOFSKY: And when you say you chose the lowest cost bidder, I took from that that you chose the $3.4 million bid; is that correct?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And once the bids came in and you realized that they were significantly higher than your estimated cost, and you also would have been aware that there was a labour shortage at that point because of the gold mining activity, did you consider delaying the construction of the head office? You had the land at that point, or you could have had the land. Was there any thought given to holding off on construction until the demand for labour eased up a bit?

MR. REIMER: There may have been informal discussions. We were kind of between a rock and a hard place. We weren't able to find any other suitable rental lease premises. Our company was growing, we were bringing staff on.

MR. CHILTON: If I can add to that? The mining boom would have made thing as lot worse as it stands right now compared to 2010/2011. Things have really boomed in the last number of years. If you thought there was a boom in 2011, it is even greater now.

MR. SIDLOFSKY: Okay. When you say the company was growing at that point, and the impression is that you were growing beyond the facilities you had previously, the office facilities, is that because you were bringing services in-house at that point as opposed to -- or at least you were trying to bring them in as opposed to dealing with third party contractors.

MR. REIMER: That's correct.

MR. SIDLOFSKY: That was part of that overall strategy, to bring more work in-house?

MR. REIMER: Yes.

MR. SIDLOFSKY: Now, in your response to -- sorry, I will take you to page 95 of the compendium and specifically to your response to interrogatory 2-Staff-16, part P.

You show a detailed breakdown of the costs between land -- well, among land, engineering and project management and construction, and that brings us to approximately 4.86 million.

And you did say that the tendered cost of the building was 3.4 million, so you had what looks to have been a million dollar overrun on that building. Do you have any explanation for that?

Sorry, perhaps I should have been clearer. What I was doing there was taking out the cost of the land to leave you with about $4.6 million for the building, including the engineering and project management.

MR. REIMER: It's approximately only $350,000 worth of change orders on the actual construction contract, the 3.4 million. It was just over, I believe, just over 10 percent. The rest of the costs included -- there was some furnishings, site development to bring -- we had an additional contractor come and do the LAN, the local area network, the telecom, that was about $100,000, so it wasn't -- I wouldn't classify it as cost overruns, I would just say part of the overall cost of the project. We did -- we did work very, very closely with the contractor, and there was quite a few changed orders we just absolutely refused.

MR. SIDLOFSKY: So then the 3.4 million wasn't an all-inclusive amount.

MR. REIMER: No, no.

MS. LONG: I am sorry, can you just go over that million-dollar difference? So you cited $100,000 for telecom, about 340,000 in change orders, and what is the remainder?

MR. REIMER: There was about $42,000 of interest during construction, spent about 42,000, $43,000 on furnishings. There were some civil costs. Site development, about $25,000. I already mentioned furnishings, about 43. We put in a filing system. That was $30,000. It's a combination of --

MS. LONG: Sorry, I guess I'm just -- maybe my math is bad, but I think Mr. Sidlofsky was taking you to about a million dollars' difference, and with the change orders and the telecom I am at about 440. I think you cited some other things which might add up to about $100,000, so I am kind of wondering where the other $400,000 is. I am looking for big-ticket items, not small things.

MS. DUFF: Did you say you put the computers in this category? I am just trying to -- did you say that earlier?

MR. REIMER: No, it was the local area network.

MS. DUFF: Oh, okay.

MR. REIMER: We had an outside contractor come in and do the wiring.

MS. DUFF: Oh, okay, thank you.

MS. FRY: Sorry, civil costs, that's not a term I know. What are you referring to?

MR. REIMER: That would be kind of developing the lot normally. We had some other landscaping and stuff that wasn't part of the $3.4 million contract.

MS. FRY: Okay. So it's not like filing fees or anything?

MR. REIMER: No, no.

MS. FRY: It's land development. Okay.

MR. REIMER: Yeah.

MS. LONG: Do you want to take this away and think about it?

MR. REIMER: That might be --

MS. LONG: Okay. Okay. Why don't we just mark that as an undertaking, but basically, what I am looking for is just big categories that make up the difference between the tender amount of 3.4 and approximately the $4.5 million that Mr. Sidlofsky referred to when you take the land out of the detailed breakdown that you have there. Is that clear?

MR. REIMER: Yeah, there's -- looking at this table, there is $520,000 in engineering and project management. I don't know if that makes up the difference in your...

MR. SIDLOFSKY: I believe I had taken that out when I gave you those numbers. So just to make sure we are all clear, you showed a total cost of 4.86 million for the land and building. That's from your response to part P. When I take out the 250 for the land, that takes us to approximately 4.6 million for the land. Now, that is inclusive of engineering and project management.

So you had a quote of 3.4 million, and we are at 4.6 million. Now, you said that wasn't all-inclusive. Are you suggesting, though, that when you take out the engineering and project management you have actually accounted for all the big-ticket items in what you have told the Panel in your response?

MR. REIMER: Yeah, if you look at this table, we have 250,000, just over, in land, we have engineering and project management of 520,000, and then we have construction -- construction costs of just over 4 million. Of this 4 million, 3.4 would have been the original contract, roughly $400,000 in change orders, so we are at 3.8.

So another -- that only -- you only need to make up another $200,000 of --

MS. FRY: Okay. Sorry, the bids you received, were they just for construction, or were they for construction plus engineering and project management?

MR. REIMER: Just for construction.

MS. FRY: Just for construction, okay.

MR. REIMER: Yes, yup.

MS. LONG: And was it a separate third party that did the project management?

MR. REIMER: We had a local firm that did the design. And then they were project managers, but we also had Pat's brother Ed from FNEI kind of be like -- like the owner, representing the owner, and so he would make sure that the engineer -- everything was being done according to the contract. Really hammered on some of those change orders, you know. A contractor tries to slip in some extra dollars here and there, and so that's what makes up the 520.

MS. LONG: And do you have a general idea what the breakdown is between engineering and project management, what the spend was?

MR. REIMER: About 370,000.

MS. LONG: For engineering or project management?

MR. REIMER: Engineering and project management -- that was approximately what was paid to the engineering firm that designed the building and actually managed the contract.

MS. LONG: 370?

MR. REIMER: Yes.

MS. LONG: And the amount here is 520, so can you explain the difference?

MR. REIMER: Well, the 150 would have been the fees, the travel, the other stuff that FNEI would have incurred to manage this project from FNEI's perspective.

MS. LONG: Thank you.

MR. CHILTON: Can I add something as well to Ms. Fry's earlier question? One of the things in terms of making a statement and making something significant in Timmins, in the northeast -- or northern Ontario, basically, there is a lot of racism, extreme amount of racism. As a matter of fact, in Thunder Bay there has been a number of deaths attributed to racism, and there's murders going on, and in Timmins it's not too far behind.

What we wanted -- I think what Ed was talking about back then, I know the Board was -- I knew some of the Board members -- what they were talking about back then was trying to show that we are not gone to run and hide and bury our -- and get some sort of Quonset hut on a back -- on Airport Road or near the airport for an office, and they wanted to make a statement that there is something that First Nations can do. They are not just a bottom feeder getting crumbs from the government, that type of thing, wanted to make a statement, and Five Nations Energy is being held up, like I said, in high regard by a lot of First Nation organizations across the country, and wanted to make a statement, so I think that was one of the reasons.

The other thing with respect to the land in the Timmins area, five acres, 250,000 for five acres of land, there is -- the land has actually doubled because right next to us, between the hospital and Five Nations Energy property, there's five acres of land there. That property has now went up to -- up to 500,000, because there is a First Nation looking at purchasing property in that area as well.

On the north side of us, where there is more property, there is actually a First Nation that's looking at what they call treaty land entitlement. In other words, they didn't get their full treaty land entitlement back in the settlement of the treaty, so they are looking at purchasing land in the city of Timmins and creating an urban reserve right next to our location.

So there is more of an emphasis now for First Nations going out and presenting themselves in the community, not just renting an old reserve home that's run down like you might see in Attawapiskat, but it's something -- a building of significance to make a statement.

So, yeah, it's a -- in a way it's a political statement, but at the same time it's a statement that we -- that First Nations people can hold up as a source of pride, so...

MR. SIDLOFSKY: Mr. Reimer -- sorry, I should ask Ms. Long. Do you still need an undertaking?

MS. LONG: No, I don't, thank you, Mr. Reimer. You adequately answered my question. I appreciate it.

MR. SIDLOFSKY: And Mr. Reimer, do you have purchasing and tendering policies as an organization?

MR. REIMER: Yes, they are part of our overall financial policies.

MR. SIDLOFSKY: I don't believe you filed them as part of your application. Would you be able to file a copy with the Board?

MR. REIMER: I am sure we filed our finance policies; they will be contained in there.

MR. SIDLOFSKY: Sorry, we do have that; my apologies.

MR. CHILTON: If I could add to that? As well as the finance policies, since I came on board in looking at the finance policies, one of the things I wanted to do is streamline them a bit because they seem a little -- a little outdated, in my opinion. So I asked the board if we could, at the last board meeting with the finance committee at the end of board meeting, and the finance committee agreed to it and recommended to the board that we engage some third to take a look at it and give a fresh set of eyes to it, and make things bit more manageable. So they could more checks and balances into it, but at the same time just update it, because it seemed out of date to me.

MR. SIDLOFSKY: I am going to move on to ask a few questions about the building itself. And first I will take you to page 110 of the compendium, where there's a picture and a description of the building as well. And that's found at exhibit -- sorry, a picture and description of the building are found at Exhibit 2, tab 2, schedule 1, pages 3 to 4 of your original application.

Now, in response to interrogatory 2-Staff-16, parts F through U, you provided information about the current building and your previously leased space. And just a few details about the new building; the total size is 7500 square feet, correct?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And it sits on five acres of land. You have got 2,370 square feet for administration functions.

MR. REIMER: Yes.

MR. SIDLOFSKY: And 3,230 square feet for operations?

MR. REIMER: Yes.

MR. SIDLOFSKY: And 1,900 square feet of inside storage.

MR. REIMER: That's correct.
MR. SIDLOFSKY: Plus 3,000 square feet of outside storage.
MR. REIMER: That's a gravelled spot for the outside storage.
MR. SIDLOFSKY: Okay, and it's roughly 3,000 square feet.
MR. REIMER: Yes.
MR. SIDLOFSKY: And we've estimated the cost of the building at roughly $4.9 million, to be about $540,000 per full time employee based on nine current FTEs; does that sound right?
MR. REIMER: Yes.
MR. SIDLOFSKY: And $647 per square foot, when we look just at the inside space.
MR. REIMER: That's correct.
MR. SIDLOFSKY: So on a revenue requirement basis, the annual cost of the building is about $500,000, and that's about ten times the $50,000 in OM&A costs you been paying for the rented location. Does that sound right?
MR. REIMER: That's correct.
MR. SIDLOFSKY: And you had between two and five employees working at the previously rented location, correct?
MR. REIMER: That's correct.
MR. SIDLOFSKY: And your expectation is that between nine and 11 employees will work out of the new head office?
MR. REIMER: That's correct.

MR. SIDLOFSKY: So on a revenue requirement basis, when we assume two to five times more employees working out of the new office, the incremental cost of the new building ranges from $20,000 per FTE per year more expenses to $35,000 per FTE per year more expensive than your previous location.

Did you do any sort of analysis to determine the reasonableness of that increase?

MR. REIMER: The short answer is no. We knew we needed more space. We felt it was unreasonable to expect our staff to continue working under that existing space, it just wasn't -- it wasn't workable.

MR. SIDLOFSKY: How many employees can you accommodate in the new building?

MR. REIMER: Anywhere from 13 to 16. We have also designed it, if you look at that picture, behind the higher -- the garage part, we have designed it -- it's tough to see from this picture, but directly behind where you see the large overhead door, directly behind that, we have designed it to allow for an addition for relative -- like, for a small construction cost, we can extend the office part of the building behind the garage and have another seven full offices.

So the building was designed to last FNEI's needs going out to 50 years. It was designed built in a way as very low maintenance, as low as -- part of the reason why we put in the geothermal was to lower our operating costs. Unfortunately, the cost-benefit analysis that we were provided with used ground water temperatures from Southern Ontario, 13 degrees, whereas we are at 4 degrees. So that didn't quite work out as we had anticipated.

So as the building stands now, we could easily accommodate up to 15 people.

MR. SIDLOFSKY: Before you extend it.

MR. REIMER: Yes, yeah. It would be a little crowded. But if we had to, we could squeeze people in.

MR. SIDLOFSKY: If you've given thought to be able to add a phase to the building in the future, was there any way you could have phased the building as you constructed it so that you could have cut your costs in the shorter term by building a slightly smaller building?

MR. REIMER: As I stated before, you need a minimum amount of square footage to have a functioning building You need reception area, like I said before; you need a boardroom area. We have what we call a map room, it's kind of a raised pedestal where you can put all your single line diagrams, and the guys can all stand around and do their planning. We have the garage.

It would be very difficult to try to separate out things that could have been built two years or five years from now. The short answer is no, I don't see how realistically we could have phased in any of what's existing here.

MR. SIDLOFSKY: Has any thought been given to renting out part of that building if you don't need the entire space?

MR. REIMER: We actually had -- we had many, many people come up to us when we first started talking about building a building to put up a very large building that we would be the anchor tenant and then other organizations would then rent from us. Again the same issue of security, the same issue of focussing just on our requirements as a transmitter, that took precedence. And so no, we have never -- we have had offers of people wanting to rent, but then you run into, you know, security issues, additional traffic, lack of being able to control who has access to that building.

MR. SIDLOFSKY: When the design work was being done for the building, was any thought given to building it in such a way that part of the area could be rented out before it was needed by the transmitter?

MR. REIMER: No, not as I recall.

MR. SIDLOFSKY: So it was always intended to be just for Five Nations and just to meet your needs for -- I mean, potentially in the future you could expand the building. But you built it to be a bit larger than what you needed in the short term; is that right?

MR. REIMER: We built it to handle our immediate and very, very near term future needs.

MR. SIDLOFSKY: Very near term, in terms of how many years?

MR. REIMER: Well, as we say in the evidence, looking to 11 full time employees.

MR. SIDLOFSKY: Right now you can house more than 11 in that building.

MR. REIMER: We can if we would need to, but it would mean some offices would double up, and the one work area, we'd have to put in a few more workstations. So it could be done, but the building was designed to comfortably handle the 11 people that we anticipated hiring.

MR. SIDLOFSKY: Okay. I will get to a few questions about that in just a minute, but one question before I leave this particular area, you said that you needed additional space to store equipment that was high-value or temperature-sensitive, and I get that from part FF of your response to 2-Staff-16, and that's at page 97 of the compendium.

And just one question on that: Where did you store that -- well, maybe more than one, but where did you store that equipment previously?

MR. REIMER: The existing -- our previous leased premises on Birch Street, there was a small storage room in the basement where we installed some shelving, 80 square feet. It was tiny. They used to -- when the school board operated that building they had sort of a -- it was on -- it was on street level, kind of an underground parking garage, there was offices above it, so it was a low ceiling, approximately eight feet, and so the landlord, when we didn't -- when he purchased that building, he did some renovations, put in an overhead door, and so we took a couple hundred square feet at the back of that, installed some more shelving, and as secure as we could make it.

That's where we stored those things. There was temperature fluctuations, but not as bad as if it had been stored outside. So it was kind of a make-do.

MR. SIDLOFSKY: Did you have any vandalism issues then or other problems that way, theft?

MR. REIMER: The only issues we had were, we had, as I recall, two break-ins in the offices part, stole some computers, stole some -- there was a large-screen TV we had. We had some handmade tamarack geese hanging up in the boardroom and... And one of --

MS. DUFF: They flew away?

MR. REIMER: They flew away, and all of a sudden this person, you know, looking to make some money before Christmas was going to all these other organizations and saying, "Hey, look what I've made. Would you like to buy these crafts," and people started calling and say, "Hey, Rod, these look very familiar." The person had never done any crafts. He just -- he was a very gifted con man, is all.

MR. SIDLOFSKY: Has that problem cleared up in the new space?

MR. REIMER: Absolutely, yeah.

MR. SIDLOFSKY: So I would like to move on with a few questions about the floor area that you built. The cost of the new head office does seem high, and in looking at that, staff created a table showing the cost for the Timmins head office compared to other offices for Ontario LDCs, and that's at tab 15 of the compendium at page -- sorry, I just don't have the...

MS. LONG: I believe it's 112.

MR. SIDLOFSKY: 112, thank you. That's it. And I understand that there are differences between Five Nations and other Ontario LDCs in terms of location and size of buildings. But if we can use this as a starting point, I would like to ask you a few questions about that.

First of all, just a fairly broad question: Could you provide an explanation for the significant difference in cost per square foot? According to this table it appears that Five Nations' head office costs about 2.7 times as much per square foot compared to the average. And I should say that these are -- the buildings that staff are referring to are head-office buildings that have been built fairly recently as well.

MR. REIMER: The only comment I can make is that some of the issues that we touched on, the challenges of constructing something in Timmins, the 647 -- and I haven't had a chance -- roughly, is not out of line for construction in Timmins, that price per square foot, this type of building.

It's also -- like I said earlier in my testimony, you need a certain amount -- you need a certain amount of square foot to get your basic, you know, your -- the basic requirements of a building.

As you scale the building up, you can -- generally the price per square foot goes down. And so we are kind of in a Catch-22 where we don't -- we need the bare minimum of a building, we need a certain number of square foot to house the bare minimum, but we don't want to build too big, because we don't need all that space.

So it's -- yeah, this graph doesn't look good.

MS. LONG: Mr. Reimer, Mr. Chilton, can I just ask you a question? So these are utilities that, as Mr. Sidlofsky says, are, I would say, southern Ontario, and you are talking about northern Ontario. So I appreciate that there are differences in construction, and labour is one of the things that you highlighted, but is there anything else that we should be aware of when it comes to construction in Timmins, be it materials, be it, you know, anything else that makes it more expensive to build in Timmins, beyond labour and the shortage?

MR. REIMER: That's probably the most significant one. We actually -- we had to extend our tender close by almost a month because none of the general -- of the five general contractors, none of them could get subcontractors to bid on this, just because they were so busy.

So we ended up with some -- some of the subcontractors actually travelled seven hours, they came from Sault St. Marie, just because there was just so much work directly in Timmins. Some came from Barrie. I think all the glass ended up coming from Barrie.

So it makes it challenging, and when you look at this chart it's like...

MS. LONG: Okay, thank you.

MR. SIDLOFSKY: Material didn't have to be flown into

Timmins, though, right?

MR. REIMER: No.

MR. SIDLOFSKY: And I assume your answer is going to be similar for the cost per FTE, but maybe I should let you tell me what you think about the difference in cost per FTE.

MR. REIMER: Yeah, I actually started answering that question.

So it's similar. It's similar. You need a certain size of building for the minimums. It wouldn't cost -- like, to house another 11 people, it wouldn't cost another 4.9 million, right? Like, your economies of you scale, as you get -- it would be -- the price per square foot, the price per full-time equivalence for more staff would definitely go down.

MR. SIDLOFSKY: Do you have any sense of what it would cost to expand the building in the way that you've sort of prepared it for expansion?

MR. REIMER: No, I wouldn't even hazard a guess.

MR. CHILTON: Well, I would say just after taking part in this discussion it wouldn't probably be any type of expansion, it would probably be just stick built in terms of a -- because it wouldn't be seen by the public, it will just be stick built and, like, a -- basically like a home. I could say that now.

The other thing I am wondering about is a lot of the comparisons here, a lot of the people are -- a lot of the organizations or distributors are for-profit, right, and we are not-for-profit, and the reason I say that is because they are obviously looking at more of a profit margin, where can they make more money by squeezing more people together in one room, that type of thing, and putting dividers in to squeeze more people in. Like I said earlier, it takes care of our needs, it takes care of expansion, it takes care of storage, it takes care of the pride that we have in the company as well, too, as a non-profit.

MR. SIDLOFSKY: And I appreciate your answer, but I am just I am trying to make sure I am clear on that.

Is the thinking that it's somehow necessary for your staff to have larger work spaces than, for example, you know, a southern Ontario for-profit utility, by virtue of the nature of the transmitter as a not-for-profit entity?

MR. CHILTON: No, I am not saying that. I am saying our people have to work in comfortable areas and in something that's not disturbed by some of the activity that might be down the hallway where the operations people work and gather for their meetings, something that we have to have as Rod or Vladimir, the operating manager or myself, we kind of need offices to work quietly within and hold conference calls, those type of things.

It's just that we are a smaller organization. Yeah, I know that we have a huge -- looking at the graphs here, yeah, I can see that. But I am not saying that -- I guess what I am saying is that a not-for-profit in terms of space -- I am putting my foot in my mouth here. But it's an -- I am just saying that we appreciate when it is designed the space that we need to work quietly within.

For profit? Yes, I guess trying to make more money, more people, you can use a lot more space for -- well, for profit you really -- it's in it for the buck, right.

MR. SIDLOFSKY: And just one last question in this area. Did you have any options in terms of other municipalities, maybe even a municipality closer to your system for your head office?

MR. REIMER: There is always an expectation that head offices are actually on the reserve. There has always been the push to have offices right in the community, whether Attawapiskat, whether Fort Albany. The case with Five Nations is Timmins is very much a hub of the northeast. There's several large trucking firms that have terminals there.

The airport, all the flights to Toronto, flights up and down the coast, they all originate out of Timmins. This is kind of -- it's reached the size where 45, 50,000 -- it's reached the size where you can attract and keep people. Our operations manager actually moved there from Toronto; he wanted to have that.

If we were to consider something closer to Moosonee, you'd have transportation logistics because everything would have to be done by rail. Cochrane, then you'd still end up driving to Timmins to get to the airport. There really was never seriously entertained because it's just -- it wouldn't have, it wouldn't have resulted in any operational or any cost efficiencies.

MR. SIDLOFSKY: The reason I am asking is because you do talk about the labour costs having gone up in the Timmins area, and other costs having increased due to the gold mining activity. I am just wondering if there were any other options out there for a lower-cost community.

MR. REIMER: One of our main competitors would be, for example, Detour Gold. It's a camp life; you are in two weeks, you're out for two weeks, or you're in for ten days and out for four days. So it's irrelevant whether you are located in Smooth Rock Falls, Hearst, Barrie, wherever. There's other mines that have camp life, so you are in competition with those as well. So your location is kind of -- it's kind of irrelevant at that point.

MR. SIDLOFSKY: Once you are in that general geographic area, you are going to be caught up in those cost pressures, is that right?

MR. REIMER: Yes, and once you have substation electricians, you know, that reach their journeymen status, they need a good reason to stay. And right, now we can offer the work flexibility, we can offer competitive wages, and also Timmins is a good community. If you want, you can have a bit of downtown. We even have a symphony orchestra, you can sing in a choir now and then. But you can also -- a five-minute walk, you are in the middle of nowhere, right? So you have that. I don't know if you wanted to add anything.

MR. CHILTON: I would add by just saying like Rod said, it is a hub, Timmins is a hub, just like Toronto is a hub. The cost of operations here I'm sure is expensive as well.

But Timmins being the hub for the whole northeast, like Thunder Bay is to the northwest, it's a huge, huge area servicing a huge area. In our particular case up in the northwest, it's the same thing.

But think it's great if you are looking at Moosonee as being a location, I don't think that would be really -- you could really attract the people because what we would have is people that we have trained, such as the substation electricians, moving to Timmins and going to work for Hydro One or other companies, going where the jobs are and where the availability and the places to raise children and better education, a lot of these things. I think that's why people move there, for the hubs and services.

MS. FRY: The people that go out to remote locations to fix the equipment, do they have any space in this building? How does that work?

MR. CHILTON: Yeah, our staff, the staff right in our --

MS. FRY: They are included in the nine?

MR. CHILTON: In the nine, yes. As a matter of fact, we are making an offer to another apprentice that will be the tenth. Actually, we had ten; we terminated one in January. He was a substation electrician. And rather than going out and hiring, we figured what we would do is we would advertise again. We had a number of applications we went through for an another apprentice right out of school, yeah.

MS. FRY: So those type of people, those type of employees, like roughly what proportion of their time would they spend in the office as opposed to out in the field working on things?

MR. REIMER: Probably about 40 percent in the field.

MS. FRY: Okay. Thanks.

MR. REIMER: Just to add to what Pat said, we actually -- two of the individuals, one from Attawapiskat, one originally from Moose Factory, we hired them straight out of out school and they both achieved their full substation electrician journeyman status with us. That allowed us then to meet the ratio, so we brought in another apprentice.

These are the kind of people that are originally from there, and when they go up there, they know the people, they know the expectations. It's almost like going home while at the same time, they have the benefits of life in Timmins, education for their children, other opportunities, stuff like that. So those are the kind of people that we have worked very hard to attract, and now we want to make sure that we retain them after all that investment.

MR. SIDLOFSKY: Thank you for that. I am going to be moving away from the building. I am actually moving into areas like benchmarking and the performance scorecard.

I am not sure what your thoughts are, Ms. Duff, on a break. I can go another ten minutes with those couple of items.

MS. DUFF: Let's take a break now. I looked at the schedule and originally we had said we were going to sit to 4:30. Does anybody have an issue with sitting until five today?

Okay, maybe that's one consideration. Okay, great, so we will take a 15 break then, and we will be back at 25 to. Thank you very much.

--- Recess taken at 3:19 p.m.

--- On resuming at 3:42 p.m.

MS. DUFF: Please be seated, thank you.

When we first came in here, I thought to myself, why are all the shades closed, but now I realize it's getting quite warm in here. Anyhow, it's completely acceptable if people need to remove their jackets.

Mr. Sidlofsky, please continue.

MR. SIDLOFSKY: Thank you. As I said before the break, I am moving on to some questions about benchmarking. Just a couple, though. And I will take you to page 78 of the compendium, and specifically to part I of the response to interrogatory 2-Staff-17. And in that response you stated that while you're willing to complete a benchmarking study for your next rebasing, you don't believe that a comparable transmitter exists. And you go on to say that, while there may be comparable-sized transmitters, it's not -- you are not aware of any with Five Nations' ownership structure, customer makeup, geography, climate, and inability to access the transmission line regularly.

I just have a couple of questions on that. Have you engaged a consultant at any time to complete a scan of whether there are any comparable transmitters?

MR. REIMER: No.

MR. SIDLOFSKY: And I understand all of your response, but I do have a question about one aspect of it. Why do you think your ownership structure would inhibit benchmarking?

MR. REIMER: I think it just becomes part of the overall operating characteristics, both where it's -- you know where FNEI operates from, where it operates in.

MR. SIDLOFSKY: Well, you said in your response that as examples related to your ownership structure you referred to the Aboriginal and non-profit nature of the utility, so is there something about that that you think would inhibit benchmarking with other utilities?

MR. REIMER: I think that comment had more to do with, just like I said, the characteristics, the type of -- there is no other utility -- we don't anticipate finding any other utility like us. In and of itself, no, it shouldn't -- it shouldn't -- how would I say -- prohibit any kind of benchmarking. If you were to find somebody -- another transmitter in a similar location with similar operating characteristics, et cetera, et cetera, you should be able to make some kind of comparisons. We are just saying that transmitter doesn't exist.

MR. SIDLOFSKY: Okay. But you haven't done any sort of formal review of transmission in North America to determine that?

MR. REIMER: Not a formal review, no. No.

MR. SIDLOFSKY: Have you done anything informally? Have you -- what kind of work have you done to determine you're unique?

MR. CHILTON: What we do know for sure is that Five Nations Energy is the only Aboriginal transmitter wholly owned in the country. Like, we know that. But we haven't done any type of formal comparisons if there are any other Aboriginal or non-Aboriginal type transmitters that are very similar to where we serve and the numbers of communities.

MR. REIMER: We would have to extend -- like, we are quite well-versed with, of course, Ontario, as well as the majority of the Canadian provinces. We would have to definitely go south of the border and determine if there is anything stateside that comes equivalent to this, then you are starting to look more into cooperatives and stuff like that, so -- and nobody would have -- once you go stateside you wouldn't have anybody dealing with the remoteness, the muskeg, the terrain, so you may find some, like, I have no idea, with similar number of customers, but as far as I know there is only one James Bay lowlands.

MR. SIDLOFSKY: Understood, but when I listen to your answer what I am hearing is considerations that relate more to the remoteness of the communities that you serve and the, you know, the geography, the climate, more so than the not-for-profit nature of the utility or the Aboriginal nature of the utility. It doesn't sound to me when I am listening to your answer that there is really anything in those aspects of the utility that would make it impossible to compare it or to benchmark it with other utilities.

MR. REIMER: You are correct.

MR. SIDLOFSKY: Okay. Moving on to the performance scorecard, I just have a couple of questions about that. At Exhibit 4, tab 1, schedule 1, appendix 1 of your application, you provided Hydro One's proposed scorecard as it was filed in EB-2016-0160. And I am now going to take you to page 118 of the compendium. And that's a reproduction of part C of your response to interrogatory 4-Staff-20, and my understanding is that what you did there was you provided a -- excuse me, you provided a populated version of certain sections of Hydro One's scorecard.

Now, in part C, Staff had asked you to provide an explanation for each measure in Hydro One's scorecard that you didn't plan to include in your proposed scorecard, and that element of the response was missing.

So I don't necessarily need you to go through that now, but I am hoping you can give an undertaking to provide an explanation for each of the measures that you don't propose to include in your own performance scorecard, unless you are able to do it now. I mean, I am fine with the answer now if you have it.

MR. REIMER: Well, I can speak to the customer focus, for example.

MR. SIDLOFSKY: Sure.

MR. REIMER: We deal with our customers, all four of them, pretty well on a daily basis. So it's -- how we -- it's a very difficult metric to measure, because we have an ongoing -- like, we don't have thousands of customers, we have four customers, and so we know them well, they know us well, we are on a first-name basis, speed dial, the whole bit, right? So I am not sure what you would want to measure. Customer satisfaction? They will tell us if they are upset with us.

MR. SIDLOFSKY: Okay, any other items you are able to speak to now? I believe what's in front of you on the screen -- on the main screen right now is the Hydro One proposed scorecard.

MR. REIMER: For example, the public-policy responsiveness, the only one that really is applicable to us would be regional planning. I am not sure what else to say. They are just not applicable to somebody as small as us. Does that answer your --

MR. SIDLOFSKY: Perhaps -- well, it answers my question on the couple of areas, but if you could provide the undertaking -- I don't want to try to drag it out of you -- the explanation out of you now. I am happy to take an undertaking on it.

MR. REIMER: Okay.

MR. SIDLOFSKY: Okay. So that will be J1.7, and that's an undertaking to provide an explanation for each of the measures that Five Nations does not propose to include in its own performance scorecard.

UNDERTAKING NO. J1.7: TO PROVIDE AN EXPLANATION FOR EACH OF THE MEASURES THAT FIVE NATIONS DOES NOT PROPOSE TO INCLUDE IN ITS OWN PERFORMANCE SCORECARD.

MR. SIDLOFSKY: And if I could just ask you to confirm that the version of the performance scorecard that you provided at part C of interrogatory 4-Staff-20 is your proposed performance scorecard for which you are seeking approval in this proceeding; is that correct?

MR. REIMER: My understanding is we provided a kind of a sample, a type that could possibly apply to FNEI. I am not comfortable saying that this is what we asked to be approved at this point.

MR. SIDLOFSKY: Is there a scorecard that you would want the Board to approve?

MR. REIMER: At this point -- at this point we -- no.

MR. SIDLOFSKY: You haven't produced one to this point that --

MR. REIMER: No. No this is the closest, what's shown here.

MR. SIDLOFSKY: Okay. Just one last question on this. With respect to the system reliability measures that are set out in that scorecard, do the majority of your reliability issues originate on the Hydro One system?

MR. REIMER: Yes, absolutely.

MR. SIDLOFSKY: And if that's the case, could you advise the Board whether you have spoken with Hydro One about addressing the reliability issues that affect you that have arisen on their system?

MR. REIMER: To the point of filing a formal complaint. Everything was resolved September 23rd, 2015, when the second line was energized. So the issue was that there was a -- the old T7M, the old line built in early '70s from Otter Rapids to Moosonee was continually failing. DeBeers had constructed a second line, at the same time constructed the one that Five Nations took over.

We took over ownership in December 2008. We had a list of deficiencies to work through. Hydro One decided to get DeBeers to take care of the deficiencies before taking ownership. So they relied on that old line for those additional almost seven years.

MR. SIDLOFSKY: Okay, thank you. I am going to move on to a few questions about your charge determinant forecast.

MS. LONG: Sorry, just before you move on, Mr. Sidlofsky.   Mr. Reimer, I just want to be clear with what your everyday is with respect to this scorecard.

So do you understand that you will be subject to a scorecard?

MR. REIMER: Yes.

MS. LONG: And this proposed scorecard is one that FNEI has put forward, but is not necessarily married to; is that what I understand? It's a proposal in that the Board may amend it as part of this decision and you accept that?

MR. REIMER: Yes.

MS. LONG: Okay. Just wanted to be clear, thanks.

MR. REIMER: Yeah. I didn't want to say this is exactly --

MS. LONG: But you do appreciate that you will be subject to a scorecard.

MR. REIMER: Yes.

MS. LONG: And this evidence we are hearing is very helpful for us to determine what actually should be on the scorecard. Okay, thank you.

MR. SIDLOFSKY: In moving to your charge determinant forecast, I am going to say first of all that we recognize that the underlying data that you used to calculate the proposed charge determinants and the alternative charge determinants based on the linear trend methodology were filed confidentiality.

So I can tell you from Staff's perspective, we are trying to keep these questions at a high level. If you do feel you need to go into something confidential, could you please raise that before you do it, so that we can take the measures we need to to protect that information.

MR. REIMER: Okay.

MR. SIDLOFSKY: Thanks. I am going to take you to page 120 of the compendium. And in interrogatory 5-Staff-23, OEB Staff asked First Nation about its proposal to use three year historical average peak load data for its charge determinant forecast, as opposed to a linear trend method which had previously been approved by the OEB.

And your response on that was that using recent historical data along with having discussions with your customers would provide for an accurate forecast. So my question -- my first question is whether you can confirm that you used the three-year historical average of peak load data for the proposed 2016 charge determinants.

MR. REIMER: That's correct.

MR. SIDLOFSKY: Was that based on 2013 to '15?

MR. REIMER: I believe so.

MR. SIDLOFSKY: And our understanding is that there were no adjustments made because your customers are expecting relatively flat load; is that correct?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And do you have any reason to believe that your customer load will increase significantly or materially during the 2017 to '20 period?

MR. REIMER: Increase, no.

MR. SIDLOFSKY: And because we are now halfway through 2017, we'd appreciate some updated information on your forecast. And what I'd like is an undertaking to provide the charge determinant forecast on the basis of a four-year historical average. So that would be 2013 to 2016 and a three-year historical average of 2014 to '16.

MR. REIMER: We can do that.

MR. SIDLOFSKY: Would you mind doing that?

MR. REIMER: Yes, we can do that.

MR. SIDLOFSKY: Thank you. So that will be undertaking J1.8.

UNDERTAKING NO. J1.8: TO PROVIDE THE CHARGE DETERMINANT FORECAST ON THE BASIS OF A FOUR-YEAR HISTORICAL AVERAGE, 2013 TO 2016, AND A THREE-YEAR

HISTORICAL AVERAGE, 2014 TO '16.

MR. REIMER: May I just make a comment?

MR. SIDLOFSKY: Sure, sorry.

MR. REIMER: You do realize that our largest customer is the DeBeers operating the Victor Mine. They have publicly said that they are winding down. At some point, they are going to -- the plans that they have made public, they are going to shut down operations. So any forecast is entirely contingent upon -- how would I say it? The reasonableness of any forecast is kind of guessing whether or not our largest customer will -- what their load will be going forward. So we can --

MR. SIDLOFSKY: Have they announced when they are shutting down publicly?

MR. REIMER: 2019.

MR. CHILTON: Yes.

MR. REIMER: Now, there's also sorts of discussion with Attawapiskat, et cetera, et cetera. So it's anybody's guess at this point. So I guess we have no problem with that undertaking, but we will qualify it with that; we really don't know.

MR. SIDLOFSKY: And if you'd like to qualify that right in the body of the undertaking, that's fine as well.

MR. REIMER: Sure, no, I just wanted to make sure you understood that.

MR. SIDLOFSKY: Thank you. I am going to move on to some discussion about your operating costs, your 2016 actual versus forecast. That's the first area I want to deal with, and I am going to take you to page 139 of the compendium.

And at interrogatory -- excuse me, at interrogatory 6-Staff-25, Staff asked Five Nations to produce its actual 2016 OM&A expenditures. And at that page of the compendium, OEB Staff have summarized the information and provided a variance analysis between proposed and actual.

Five Nations' proposed 2016 OM&A expenses, by Staff's Calculation, are $981,000 above 2010 OEB-approved, and that would be an increase of 29 percent. Does that sound correct to you?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And your actual OM&A expenses are $561,000 above your 2010 OEB-approved, so that represents an increase of 17 percent.

MR. REIMER: That's correct.

MR. SIDLOFSKY: Okay. And your -- just to compare your proposed to actual, your proposed 2016 OM&A expenses are $420,000 above 2016 actual, representing an increase of 11 percent.

MR. REIMER: Sorry, what was the comparison again?

MR. SIDLOFSKY: That was comparing proposed 2016 OM&A to actual 2016 numbers.

MR. REIMER: Yes, that's correct.

MR. SIDLOFSKY: Okay. And the proposed budget represent a fairly significant increase above 2010 approved. I think we can agree on that, correct?

MR. REIMER: Yes, absolutely.

MR. SIDLOFSKY: You are adding staff, you have acquired the 80 kilometres of line, all of those are going to affect your OM&A clearly since 2010.

MR. REIMER: Yes.

MR. SIDLOFSKY: And at part B of your response to 6-Staff-25, and that's at page 129 of the compendium, you gave a detailed breakdown of your proposed 2016 OM&A spending. And what we'd like is a breakdown of your actual 2016 OM&A spending with a variance analysis to the proposed amounts. Would you be able to do that, first of all?

MR. REIMER: At this level of detail?

MR. SIDLOFSKY: Ideally, yes.

MR. REIMER: Okay. Yes, we can do that. I was just double-checking to make sure there wasn't any individual line items that had personal salary information, but they are aggregated enough that, yes, we can do that.

MR. SIDLOFSKY: Okay. If they are aggregated, that's great. If they are not aggregated and there is personal information, if you can bring that to our attention, that would be helpful, and we will treat it appropriately.

MR. REIMER: What page was that on again?

MR. SIDLOFSKY: The detailed breakdown, 129 of the compendium.

MR. REIMER: I can provide it at this level of detail, yes. The aggregate of 5605, 5610, 5615 have been summarized to avoid disclosing any personal salary details.

MR. SIDLOFSKY: Okay, great. We would also like, as part of that undertaking response, we would appreciate you providing a summary of the reasons for any material variances in any account.

MR. REIMER: Material being?

MR. SIDLOFSKY: $50,000 and up.

MR. REIMER: Okay, sure.

MR. SIDLOFSKY: Thanks. That will be Undertaking J1.9.

UNDERTAKING NO. J1.9: TO PROVIDE A BREAKDOWN OF ACTUAL 2016 OM&A SPENDING WITH A VARIANCE ANALYSIS TO THE PROPOSED AMOUNTS; AND TO PROVIDE A SUMMARY OF THE REASONS FOR ANY MATERIAL VARIANCES IN ANY ACCOUNT ($50,000 AND UP)

MR. SIDLOFSKY: And just moving along then, in 2016 the majority of the major capital project that you presented in your evidence, like the 80 kilometres of line, the new head office, those were already in service as of -- or in 2016; correct?

MR. REIMER: That's correct.

MR. SIDLOFSKY: So is it fair to say that your actual 2016 OM&A represents a reasonable picture of the OM&A spending that will be required over the proposed five-year term of your revenue requirement?

MR. REIMER: With the exception of the addition of the two staff persons that we held off on hiring.

MR. SIDLOFSKY: Okay. But there is no load growth expected. And I understand your comments about the mine, but you are not expecting load growth among your other customer groups.

MR. REIMER: No, not significant.

MR. SIDLOFSKY: And you're not planning -- well, there are very few major capital projects that you are planning over the term.

MR. REIMER: We still have significant work this summer, 2017, to finish the bus isolation.

MR. SIDLOFSKY: Right.

MR. REIMER: And then we have provided an undertaking to look out for the next three years, yes.

MR. SIDLOFSKY: Right. And could you indicate whether it's your view that the Board should continue to rely on your 2016 forecast, given that we know 2016 actuals at this point, but should the Board be continuing to rely on your 2016 forecast to set the revenue requirement when your 2016 actual OM&A expenditures were significantly lower, about -- well, over $400,000 lower?

MR. REIMER: I could probably better answer that after we provide the analysis of the variance. There are some items, for example, not filling staff positions, there are some maintenance items where, 2016, for example, our right-of-way clearing program was underspent compared to other years. However, we've -- when looking at the cost of that on an annualized year-to-year basis, what we requested is reasonable and is something that we expect to spend going forward.

So there are some variances like that, where in 2016, for example, what we anticipated, what we budgeted for, what we put in our ask, we weren't able to spend.

So I would suggest perhaps looking at the detailed variance and then going from there.

MR. SIDLOFSKY: But if -- and we will certainly do that, but if the Board were to approve your 2016 OM&A budget as you forecasted it, and this is an application for 2016 revenue requirement, then effectively the Board's approving amounts that weren't in fact spent in 2016; correct?

MR. REIMER: That is correct. And the only distinction I would make is that we would have no difficulty with recouping actual costs for 2016. However, the revenue requirement then from 2017 going forward, if that -- that would need to be based on what we anticipated to spend in 2016. Does that make sense?

MR. SIDLOFSKY: Sorry, but is that what you are proposing now? Because my understanding of what you are proposing is a 2016 revenue requirement with, for example, a stretch factor, with IRM adjustments for the next four years. Am I wrong, or -- because that sounds like something different from a very mechanistic adjustment over the next four years.

MR. REIMER: I was attempting to answer your question. I am not going -- I have difficulty saying that we require revenue for positions that we haven't filled in 2016. But what I am saying is that once we have an indication from the Board whether or not the Board feels that those positions are justified and that you will grant us that revenue requirement, we will then immediately either not fill those positions or fill those positions. Once we fill those positions then we will need that revenue requirement.

So am I changing the amount that we are requesting? No. But I am acknowledging that in 2016 there was items that we did not spend, but looking forward we would anticipate spending those. I seem to be confusing you.

MR. SIDLOFSKY: Okay. I already asked my questions about the effective date. That doesn't mean I can't ask more, but -- and I think I will.

When you say that, I am a little confused about that, because you are asking for 2016 revenue requirement, and you are asking for your revenue requirement to be effective January 1st of 2016.

MR. REIMER: That is correct.

MR. SIDLOFSKY: So what exactly are you asking the Board to do about these two new positions?

MR. KING: Maybe I can jump in. There is no formal amendment of our application or our ask in this application. We are asking for a revenue requirement that remains unchanged. I think he was trying to get at a specific element of the OM&A expense.

The fact of the matter is that our ROE for 2016 was less than 1 percent. So to the fact that this is sort of an envelope approach to rate-setting, there has been no change to the ask.

MR. SIDLOFSKY: But if the Board approves a January 1st effective date for your -- sorry, January 1st, 2016 effective date for your revenue requirement and that revenue requirement included -- or your ask included two new positions, then are you not recovering -- if the Board gives you what you ask for, which is a January 1st, 2016 effective date, then isn't the Board giving you revenue for two new positions as of 2016 that you didn't fill?

MR. REIMER: Yes, that's -- on a line-by-line basis, that is correct.

MR. SIDLOFSKY: Okay. And I am going to move on in my questions. I understand your answer, so thank you for that. And I am going to move on to your staffing levels and compensation. And again, when I -- as I did with the charge determinants, when I say I am getting on to compensation, from a staff perspective we are dealing with publicly available information. If you plan to go into confidential information, please let us know.

MR. REIMER: Yes.

MR. SIDLOFSKY: At part B to your response to interrogatory 6-Staff-26, you provided actual salary and benefit costs incurred between 2011 and 2016, and at page 147 of the compendium OEB Staff have created a table showing the FTEs and compensation costs between -- sorry, that's 147. Thanks. Sorry, a table showing the FTEs and compensation costs between 2011 to '16, and provided some variance analysis for those figures. I am wondering if you can speak to the significant increase in compensation and staffing levels between 2011 and '16.

Is that -- and I know you have spoken a fair bit about the need to increase your staff, and you have touched briefly, I think, on bringing work in-house. Is there anything more you can add to that discussion?

MR. REIMER: That's basically it. We worked on increasing the operational staff, and then in 2015, I myself became an employee as well. That's the increase in executive and management. Other than that, the bulk of our increase has been bringing on operational staff, apprentices, substation electrician.

MR. SIDLOFSKY: And again, is that tied to the idea of bringing more of those services in-house so you are not relying on third parties?

MR. REIMER: Yes.

MR. SIDLOFSKY: And the two incremental FTEs that were planned for 2016 but who weren't hired, those are a substation electrician, a journeymen electrician and an apprentice?

MR. REIMER: That's correct.

MR. SIDLOFSKY: And I think you mentioned that you still haven't filled those positions. Have you advertised them at all? Have you started any move toward hiring them? Or are you waiting for the outcome of this proceeding?

MR. REIMER: We actually have a letter of offer ready for a new apprentice. We have yet to do any search for a substation electrician.

MS. LONG: Mr. Reimer -- oh, I am sorry, Mr. Chilton. Mr. Reimer, are you a full time FTE? I thought I heard Mr. Chilton say earlier that you only worked part time, so I am just trying to understand your role in whether there

is another .5 FTE out there that we haven't heard about.
MR. REIMER: For the purpose of this table, we rounded up. It's actually about .6, .65, so.
MS. LONG: Okay. You are a .6 or .75, thank you very much.
MR. REIMER: Yes.
MR. SIDLOFSKY: How did you get by in 2016 without those two positions? Were they needed in 2016? What impact did not having those two FTEs have on the utility?
MR. REIMER: Based on my discussions with our operations manager, there were certain maintenance activities, more of the kind of pre-emptive -- not pre-emptive, preventive testing, stuff like that, that just didn't happen.
MR. SIDLOFSKY: And what's their role going to be going forward then? Is it just that kind of work, or will they -- is there enough work for the two of them going forward?
MR. REIMER: Yes.
MR. SIDLOFSKY: Is that because you are taking on more work in-house, or because the work's already there and it just hasn't been done?
MR. REIMER: The work's already there; it's just not being done.
MR. SIDLOFSKY: So as far as compensation goes, there are really two aspects to the change in overall compensation that Staff can see. One is the changes to wages that you spoke about; the other is changes to

staffing levels.

Staff asked some interrogatories about this, but we would still like a bit more information about the breakdown of the staffing cost changes.

So what we are looking for is a breakdown between 2015 actual and 2016 actual, and 2015 actual and 2016 proposed that shows the amount of the overall staffing cost increase that's related to the change in the number of FTEs and the amount that's related to increases in salaries, wages and benefits.

Is it possible for you to do that? And do I need to repeat the question, because I felt like I did as I was asking it?

MR. REIMER: We would have to do that by undertaking. But yes, yes we can do that.

MR. SIDLOFSKY: Okay, if we could -- we will take that undertaking from you and we will call it J1.10.

UNDERTAKING NO. J1.10: TO PROVIDE A BREAKDOWN OF STAFFING COST CHANGES BETWEEN 2015 ACTUAL AND 2016 ACTUAL, AND 2015 ACTUAL AND 2016 PROPOSED THAT SHOWS THE AMOUNT OF THE OVERALL STAFFING COST INCREASE RELATED TO THE CHANGE IN THE NUMBER OF FTES AND THE AMOUNT RELATED TO INCREASES IN SALARIES, WAGES AND BENEFITS

MR. SIDLOFSKY: At page 85 of the compendium, and that's in part H to interrogatory 6-Staff-25, Five Nations noted that it applied a 10 percent wage increase to 8 of its FTEs, and that was applied on January 1st of 2016. So the total cost of that increase was about $60,000 in 2016, correct?

MR. REIMER: That sounds right.

MR. SIDLOFSKY: Okay. And you noted that in your last rate case, you surveyed compensation rates for similar employment positions at other employers and you adjusted wages accordingly and implemented an annual CPI wage increase.

Was any one-time raise provided to employees as part of the 2010 adjustment that you described in response to part H1 of 6-Staff-25, or was the only adjustment a shift to annual CPI adjustments in 2010?

MR. REIMER: To the best of my knowledge, the only adjustment would have been the shift to a CPI adjustment in 2010.

MR. SIDLOFSKY: And you spent some time talking with Mr. Yauch as well about how you reviewed positions at Hydro One and OPG for comparison purposes. And your view was that you were lagging behind those companies. Those companies were your competition for labour in the area.

And you said that you set certain positions at the $120,000 a year range to ensure that salaries are competitive, and you set apprentice salaries at standard journeyman rates for the industry, is that correct?

MR. REIMER: Yes.

MR. SIDLOFSKY: So can you explain why apprentice salaries need to be set at journeymen levels? Compensation is based on experience when it comes to your trades.

MR. REIMER: I think the wording that's implicit and assumed is that a first year apprentice is X percentage of a journeyman, second year a different percentage of a journeyman. That's what that's referring to, not that we start an apprentice at the full-fledged journeyman rate. His is salary is a function -- his wage rate is a function of a certain percentage that's set -- normally, it's set by the Ministry of Colleges that sets those apprenticeship -- those percentages.

MR. SIDLOFSKY: Okay. Do you intend to continue to provide CPI-based annual wage increases through your IRM period following this, following the setting of this revenue requirement?

MR. REIMER: CPI plus 1 to 2 percent, yes. That was the issue in 2010. We thought by including an annual CPI increase that we would, you know, we have kind of matched -- we have come to a competitive level. And so now if we have CPI increase that, you know, we will be in step with everybody else.

What we didn't realize is that the majority of our competitors, competitors with respect to attracting staff, had CPI plus anywhere from 2 to 3 percent.

MR. SIDLOFSKY: So you are not quite going that far, but you are looking at CPI plus 1 to 2 percent?

MR. REIMER: Yes.

MR. SIDLOFSKY: And I sense that it was your belief that you were going the lose operational staff if you didn't -- if you just continued with CPI-based increases.

You didn't do the one-time 10 percent increase. Is that -- was that the fear?

MR. REIMER: That was the risk, yes. We were concerned that it might not happen immediately, as we still had some -- some of our employees were still working through their apprenticeship. But the second they became full-fledged journeymen, there was the risk that they would then look for employment elsewhere.

MR. SIDLOFSKY: So that was the reason for the 10 percent bump, because you were already doing CPI increases as of 2010; correct?

MR. REIMER: Yes, so a 2 percent annual -- an additional 2 percent would have actually compounded to more than 10 percent over those preceding five years, so what we did, we came up with a one-time 10 percent to kind of make up for those increases that we hadn't kept in step with.

MR. SIDLOFSKY: And if you're suggesting that going forward you were going to be applying CPI increases plus a 1 or 2 percent -- plus 1 or 2 percent above that on a year-to-year basis, are you concerned that at some point you are going to fall behind again and you are going to need another larger one-time increase?

MR. REIMER: Our intent would be to make sure that annual increases would remain competitive.

MR. SIDLOFSKY: Does that mean you wind up going to CPI plus 2 or 3 percent despite what you have said here about your plan for 1 to 2 percent?

MR. CHILTON: No, going forward what we want to do is, like, reviewing policy, reviewing a number of other structures since I got there anyway. One of the things that I would like to do is, again, have a third pair of eyes take a look at the salary structure and pay increases to match, or come pretty close to what our competitors have in place. So almost coming, like, to a grid and having that so that there are some annual increases also to take into account a lot of these issues.

MR. SIDLOFSKY: And how much turnover have you had since 2010?

MR. CHILTON: It's only one that we terminated, I think, that I know of. Two, I'm sorry. One that when I was there I terminated, but there was another one before that, so...

MR. SIDLOFSKY: And they were both terminated?

MR. REIMER: One was actually during its probationary period we realized that this was not going to work.

MR. SIDLOFSKY: And I don't want to get into any details of that. My question is only whether those two employees were terminated or they left on their own.

MR. CHILTON: They were terminated.

MR. REIMER: Yes.

MR. SIDLOFSKY: Now, I am going to ask maybe just one or two questions about account 5605, but as I said, I am going to keep to the publicly available information on that.

At page 149 of the compendium, FNEI -- sorry, in Exhibit 6, tab 2, schedule 1, page 2 of its application, Five Nations forecasts $604,000 of expenses in 2016 for account 5605, and the actual expenses in 2015 were 598,000.

Were the 2016 forecast executive salaries and expenses based on 2015 actual?

MR. REIMER: Yes and no. There was a one-time --

MR. SIDLOFSKY: I may need an explanation of that.

MR. REIMER: I am trying to walk that fine line between what's public and what's personal. There was a severance payout included in 2015 that was not -- that was not -- that is not in the 2016 projected.

MR. SIDLOFSKY: Yeah, I don't have any further questions on that, so...

MR. REIMER: Okay.

MR. SIDLOFSKY: I don't think I am concerned about confidentiality.

Now, in 2016, actual executive salaries and expenses for that account, and that -- those numbers can be found in the recently filed versions of -- or version of the response to 6-Staff-25, parts N and O. There we go. That's the page. Page 7 of Exhibit -- excuse me -- K1.1.

So actual executive salaries and expenses were $440,000, and that's $164,000 less than the proposed $604,000. And again, without getting into exact numbers, because we are trying to maintain the confidentiality of the information that was filed, but can you explain the substantial decrease between proposed and actual?

MR. REIMER: Part of it has to do with the CEO compensation being less -- being less than what we had anticipated during our planning process. There was also -- there were also less expenditures with board meetings and the associated travel. I believe there were less board meetings actually occurred than were anticipated.

We also usually set aside a certain amount of money to allow for a meeting with the chiefs of that region, and that meeting did not happen in 2016 as was anticipated.

So it was just a general -- less activity occurred in that account than we had anticipated just overall --

MR. SIDLOFSKY: Is that -- sorry, I interrupted you.

MR. REIMER: Just overall there was less activity than we had anticipated.

MR. SIDLOFSKY: Two questions from that. First, the meeting with the chiefs, is that effectively a customer engagement kind of process that you are involved in or an update to your membership or what would that meeting be for?

MR. CHILTON: The chiefs expect updates, whether it be at Mushkegowuk annual assemblies where they would like an update of what is going on, because they feel that they are the ones who created Five Nations Energy over the 20, 25 years ago, so they want regular updates. And on the other hand, to maintain regular contact with them, because there is a lot of development or plans for development, mining development, is very politically sensitive, and we have to know really what's on their minds, the direction they are thinking. It varies from time to time where -- their position, depending on who -- new chiefs and new influences, so it's best to keep the finger on the pulse. We have to know what's going on politically, and that's what we are there for.

But I try to attend the odd chiefs meeting. The last one I attended was in December last year.

MR. SIDLOFSKY: As far as your board of directors costs, is 2016 actual reflective of what you expect those costs to be going forward or was 2016 an anomaly?

MR. REIMER: 2016 was less than what was anticipated and what we anticipate going forward.

MR. SIDLOFSKY: At page 137 of the compendium -- and this was in part P to your response to Staff interrogatory 25, you indicated that the average cost of a board of directors meeting in 2013 was $35,000, and we can see at page 137 of the compendium that you have a table there breaking out honoraria, disbursements, travel costs.

Is the average cost generally the same today?

MR. REIMER: It would be very close. Travel costs have definitely increased since 2013. We have maintained the same honorary rate well over --

MR. SIDLOFSKY: And --

MR. REIMER: -- at least for the past ten years.

MR. SIDLOFSKY: And you have how many meetings a year? Is it four board meetings a year?

MR. REIMER: Generally.

MR. SIDLOFSKY: And those are face-to-face meetings.

MR. REIMER: Yes.

MR. SIDLOFSKY: Have you considered reducing the number of face-to-face meetings and using other technology?

MR. CHILTON: This year we have. We have had phone-ins, we have had video conferencing calls with them, so less travel for a few of the board members, and so it works out.

MS. FRY: Excuse me, can you remind me how many people are on your board?

MR. CHILTON: We have an eight-member board.

MS. FRY: An eight-member board, okay, thanks.

MR. REIMER: The issue that we have always run into is that the communities we serve are isolated. It's not that we bump into our board members at the local Tim Hortons. If we are going to see them and interact with them, if they are going to familiarize themselves with the operation, that has to be purposed, right. It has to be planned, it has to be paid for; it doesn't just happen.

So while from time to time we, you know, as Pat has said, if we need to, we will call for a teleconference or video conference. But generally speaking, for the long-term smooth operations of FNEI, it's vitally important that we have these face-to-face meetings where people can sit down, where they can interact, where if there's any conversations they want to have with the operations manager, with myself, or any of the other -- whoever, it's very important. I need to stress that.

Yes, the technology is there, but this is generally the only time that our board members have a chance to interact.

MR. SIDLOFSKY: Your costs were lower in 2016. How many face-to-face meetings did you have last year?

MR. REIMER: Bear with me one second.

MR. SIDLOFSKY: In addition to this, I should mention to you we have financed an HR committee and usually we try to the get them together a few hours or the day before the actual board meeting. So they have to travel in from their communities a someday ahead of time, so.

MR. SIDLOFSKY: So the travel costs would be the same, but you would have some extra lodging costs.

MR. CHILTON: Yes, yes.

MR. REIMER: There were about four full face to face, and then there was few other finance committee meetings.

MR. SIDLOFSKY: So then that was a typical number of face-to-face meetings then last year, right?

MR. REIMER: Yes.

MR. SIDLOFSKY: Okay.

MR. REIMER: I should also state that we also provide for some ongoing development and ongoing training opportunities for directors, should they choose to avail themselves of that. There are some conferences, conferences that take place whether here in Toronto, whether in Thunder Bay, that allow directors to become more familiar with the electricity industry, with what's happening, just to help them fulfil their role on the board. And we generally make one or two -- one or two opportunities a year available. Not everybody takes advantage of; this some do, some don't. That's also included in this 5605, in those costs.

MR. SIDLOFSKY: So that's training costs, executive training -- or, sorry, directors training. Those are budgeted into your -- into that 5605 total.

MR. REIMER: Yes, over and above meeting costs.

MR. SIDLOFSKY: Okay.

MR. REIMER: Yes.

MR. SIDLOFSKY: If I can take you to page 136 of the compendium, you filed a table as part of your response to part M of Board Staff interrogatory 6-Staff-25, and that table highlighted the decrease in Five Nations' compensation costs and the decrease in outside services between 2010 and 2016. And the net increase in 2016 was about $350,000.

Mr. Yauch asked you some questions about that. I just have a few more.

So is it fair to say that the incremental costs of bringing additional staffing in-house represents 35 percent, roughly 35 percent of that proposed increase in OM&A between 2010 and 2016?

MR. REIMER: Where did you get that 35 percent? It's sounds --

MR. SIDLOFSKY: 349,000 versus 981,000.

MR. REIMER: Yes, that's correct.

MR. SIDLOFSKY: Okay. And moving to page 131 of the compendium, at part F of your response to 6-Staff-25, you provided your rationale for hiring additional technical staff rather than relying on outside services.

And part of your response was that with respect to using -- utilizing Hydro One's resources, you felt that your needs were secondary to those of Hydro One and that caused delays. Is that accurate --

MR. REIMER: That's correct.

MR. SIDLOFSKY: -- an accurate representation of your Statement?

MR. REIMER: Yes.

MR. SIDLOFSKY: Okay. And another part of the response was that it was very difficult to find qualified external contractors that were agreeable to spending time far away from home for three to four days at a time.

MR. REIMER: That's correct.

MR. SIDLOFSKY: I am not sure we have seen any evidence that Hydro One was treating your needs as a secondary priority. So do you have any examples of that? What do you base that statement on?

MR. REIMER: That would be anecdotal, based on discussions with the operations manager where we'd have scheduled trips, we'd have work that was scheduled to be done. Something would come up at Hydro One's plant and that would take precedent, and so then the trip would have to be scrubbed, postponed for a later date.

MR. SIDLOFSKY: And do your own in-house staff have to be moved out to work sites? I mean, they are centred in Timmins, so I am assuming they have to be sent to work sites; I am assuming they have to stay away from home for extended periods as well.

Can you explain how that is different from using external resources?

MR. REIMER: That's the expectation they have when they are hired. That's one of the first question we ask any prospective applicant: Do you understand where FNEI operates? Yes. Do you have any problem spending significant time at those sites? Yes? See you later.

That's just the expectation. And so whereas an outside contractor -- Hydro One staff, they are used to being home every night. That's their expectation; that's their corporate culture, that's their understanding. If they are asked by their supervisor, hey, can you spend the next three days in Attawapiskat, what's in it for me or how much overtime am I going to get? What are the inducements for me to go up there? Because that's not part of their regular work. The people we hire, the people we train, that's their expectation. A lot of them are from there, and actually grew up there. So it's just part of their -- part of the expectation.

MR. SIDLOFSKY: Just on your comment about external staff expecting overtime for remote work, that would suggest that your costs are higher by using external staff, would it not, because those costs are being passed on to you, correct?

MR. REIMER: Yes.

MR. SIDLOFSKY: So that suggests that your costs would be higher if you were using external staff, and I am trying to reconcile that with what's in the table where it appears that costs haven't gone down by having brought the work in-house.

MR. REIMER: And again as I stated earlier and as in the evidence, there was a lot of maintenance work that just wasn't able to be done with external contractors. So it's very difficult to get a dollar-for-dollar comparison when you are talking the operational and the field staff.

Yes, if we had outside contractors doing the exact same amount of work, the exact same maintenance procedures, the same testing, the same crawling on their hands and knees pulling grass out of the station stone, the cost would be significantly higher. You don't see a corresponding -- you don't see the difference here, because a lot of that maintenance work was just never done. The assets were new, work wasn't required. We realized that if we don't start taking care of this equipment it's going to start failing. Our unplanned outages will significantly increase. We don't want to run that risk.

MR. SIDLOFSKY: This actually gets me to the next question I had for you, which was -- and you may have just answered it, but I am going to ask it anyway.

Do you believe that if you were relying on contractors to the same extent today as you did previously, then overall labour costs -- for the same work, then overall labour costs would be higher or lower than what you are proposing in your application?

MR. REIMER: Significantly higher. If we contracted out all the work that our employees are doing now, it would be significantly higher.

MR. SIDLOFSKY: And the last question in this particular area: Was the decision to bring more services in-house related to the decision to build a new head office? Or put another way, did you build a new head office because of the decision to bring additional staff in-house?

MR. REIMER: I guess the best way to answer that question would be to say we realized we needed, as the company began to mature, as we started understanding the magnitude of the maintenance work that was required of us, we realized we had to bring in -- bring on additional staff. It became pretty obvious that we couldn't operate out of the same location.

So did one follow the other or did one -- did we decide to build a new office and now we have extra space so we need to hire more people to fill it? No, it's more of a -- it's kind of -- it's part of a very young -- a very small company maturing and growing and developing and bringing additional staff in-house, realizing that we need -- now we need a proper place to work from where we can bring equipment in, where we can test this equipment, where we can set up the relays, do the programming, you know, at the home location so that when we get to the remote site all we have to do is plug and play instead of having things drop-shipped to the site, get there, then attempt to program, troubleshoot, install things.

So it's -- there is no easy -- there is no easy answer to that question. It's like...

MR. SIDLOFSKY: But the new building seems to have given you the ability to bring on more staff because you built it for that?

MR. REIMER: We would have brought -- we needed to bring on additional staff. Had we found suitable rental places, suitable leased places, we would have operated out of that.

MR. SIDLOFSKY: Okay. I've got one area that I expect will take about 15 minutes. My thought would be that I would go through that, and that should take us to about five o'clock.

MS. DUFF: Well, the Panel had a few questions on this particular topic. Maybe it will just take a second. But I don't know. I just had one question before we left this area, and I was just trying -- maybe I am not following it.

The benefits of hiring the full-time people, the full-time people who are prepared to basically relocate for the period when they need to be doing this maintenance work, are you expecting overtime to go down because they are just on a regular basis going to be at the site, you know, they will be available to come back tomorrow, versus, you know, trying to maybe squeeze everything in, you know, in a one-day period, you know, working past the eight or nine hours? I was trying to follow how that works when you have full-time people and they are prepared to locate on-site versus a contractor.

MR. REIMER: I guess part of that answer is a comment that was -- or a question that was made about FNEI's overtime policy, whether it's, you know, just time and a half or whether it's double time or double time and a half.

Our understanding is a lot of contractors need to provide additional inducements like double time, double time and a half if an employee is expected to work outside of their home base, travel to the a place like Attawapiskat, for example.

What I was trying to communicate was that when people are brought on-board at FNEI, they are hired with the expectation that during the summer months, you know, starting in spring, they will be expected to spend three to four days, maybe not every week, sometimes it's every week, but generally no more than three nights away from home doing the maintenance work.

During the times that they are up there they will be expected -- or the opportunity is there to work past the eight hours. They would then be compensated, you know, at time and a half.

And this does two things. It allows FNEI to get more work done in one specific trip, in one four-day period, there is more maintenance work that could be done, and then it gives the employees the opportunity to then take additional time off, spend time with their family, or take it in, you know, take the overtime in pay.

So what we have put in evidence of a 30 percent overtime, which Energy Probe had indicated was significantly higher, this is to take into consideration that during the times that they are up at site they will be putting in -- they will be putting in the long days.

MS. DUFF: And the ratio is the 1.5.

MR. REIMER: Yes.

MS. DUFF: That had been agreed to for, you know, First -- Five Nation, and I don't think I had heard before, you were saying that perhaps the demand for overtime, the rate on that when it's external contractors, would exceed 1.5?

MR. REIMER: Yes, I have seen invoices where their time is billed out at different factors depending on how remote it is, how long they have had to spend in that location.

MS. DUFF: And from your perspective do you have a preference whether they take the overtime or the time off? I mean, are there downtime periods where it would be more convenient for the company just to have them not come in in certain periods when they are not as in demand?

MR. REIMER: I wouldn't say we have a preference. There are definitely times where the focus is on record-keeping, on -- focus is on doing planning, focus is on making sure that all the procedures are in place, work that's in the office, you know, during the winter months. So it's basically at the employees' -- at the employees' discretion.

We don't allow -- like, normally at the end of the fiscal year we sit down and say, "Okay. How much of this are you carrying forward?" We only allow a certain amount to be carried forward, make sure that that's taken care of on an annual basis, so...

MS. DUFF: Thank you.

MS. LONG: I just had a corollary question. You had spoken to Mr. Yauch this morning, and he had raised -- had a discussion with you, I guess, third-party contractors and how they are a bit more, I guess, tactile and kind of can plug and play when you need them, but for the reasons that you have explained to us you have chosen to go with full-time employees.

So how do you manage that to make sure that your employees are fully utilized throughout the year when really operations are of a cyclical nature? Is that something, Mr. Chilton, that you do with your operations manager, kind of map out the year, when you are going to need people, and it just takes more planning on your part?

MR. CHILTON: Yes, we talk to Vladimir -- I mean the operations manager about it. Rod's also involved in that because we are just kind of a little triangle of offices where we yell orders across the road, across the hallway.

So yes, it's kept that way. It's kept simple and the planning for the overtime, it's -- normally what you find with the young men, and they are all young men, they want to take their overtime and use that anyways, hunting, fishing, that type of activity.

MS. DUFF: They prefer the time off?

MR. CHILTON: They prefer the time off. So yeah, we do sit down and talk about it.

MS. FRY: When you look at the year as a whole, what is the peak period for doing work out there in the remote areas, generally speaking?

MR. CHILTON: I will leave it to Rod, because he has been at Five Nations a lot more --

MS. FRY: I don't need it to the day, just to get a general idea.

MR. REIMER: I'd say if we go by seasons, it's after break-up when the main rivers break up. I don't know how else to explain it.

MS. FRY: Like March, April?

MR. REIMER: No, we are talking the end of April, beginning of May, right probably until the end of October, and sometimes into November.

MS. FRY: Okay.

MR. REIMER: I should also added that the apprentices have to spend time in school as part of their training. So we always make sure that that's scheduled the January, the February, during the slow time. So if they do need to spend time in school, that's when they would go.

MS. FRY: I am just thinking about your two new hires. So have you kind of missed the calendar for the peak period for 2017, or you think there is still some useful work time if you hired them on soon?

I am sorry, it's all useful work time, but in terms of the peak work period.

MR. REIMER: The apprentice we have selected that we hope will start shortly will definitely hit the ground running and be kept very, very busy over the next couple of months.

MS. FRY: Okay. And the other person?

MR. REIMER: The substation electrician? There again, we would have to sit down -- we would sit down with our operations manager and see exactly where this person -- where his specific skills and experience, where he would fit into the team. If there's any type of additional training that this individual would need, and then make sure that that person is utilized as efficiently as possible.

MS. FRY: So I guess what I am hearing is he might make the period this year or he might not, depending.

MR. REIMER: Yes.

MS. FRY: Thank you.

MR. REIMER: Yeah.

MS. DUFF: Given that it's five to five, I think it's a bit late to start a new topic.

MR. SIDLOFSKY: I do think it will take about ten or 15 minutes.

MS. DUFF: Okay, great. So the Board will recess for now for the end of today, and tomorrow we are scheduled to be back at 9:30.

Now, I think there was some discussion about which hearing room. Perhaps, Mr. Sidlofsky, you could advise me. How much more time do you think that you are going to require for cross?

MR. SIDLOFSKY: I am expecting about three hours so, we should be finished by lunchtime. The other room is available, though, for tomorrow. In fact, Staff have gone ahead and booked it for tomorrow, if you would like to move.

MS. DUFF: There is another hearing room, it's a bit larger and the configuration is a bit easier as well. So it's just the north side. Then why don't we relocate the hearing then? Tomorrow's people know where to show up.

MR. SIDLOFSKY: It's also not quite as hot as this hearing room.

MS. DUFF: Yes, I do find the small room is getting quite uncomfortable right now. All right. So we will start at 9:30 in the north hearing room.

All right. Thank you very much everybody.

--- Whereupon the hearing adjourned at 4:57 p.m.