

(Comments from Tom Adams posted December 6th-8th to the New Brunswick Telegraph Journal discussion board associated with the essay “Get past the bombast”)

++++

Our point about labour productivity is that some of the consumer benefits NB will enjoy if the merger plan goes ahead will be derived from labour cost savings. The average productivity of the Quebec economy is much less interesting for NB electricity consumers than the specific comparison of labour productivity of the respective utilities. NB power made progress on labour productivity in 2005/06, but has been slipping backward since.

This discussion continues to slip on oil issues. Oil is a very costly problem for NB consumers so it is important to start with data from the right tables. Oil-fired power generation was up by 30% in 08/09 over 07/08. Remember, oil use for power by NB's competitors is trending down.

++++

Wally Mann,

You say "we are not lacking in ideas". Prove it. Nowhere is there an articulate, fact-based presentation of the No side of the NB Power buyout debate. There seems to be little shortage of conspiracy theories, anti-Quebec diatribes, anti-Irving diatribes, vacuous claims about how replacing David Hay and his team with lower priced help will pay the debt, pleas for the continuation of inefficient employment, and whining from wind developers about the problem of competing with low cost, reliable hydro-electric power but where is the beef?

+++++

HQ has made many serious mistakes but is still a strong, solvent utility with a bright future.

I joined the discussion as a concerned Canadian speaking out against the corrosive demagoguery of Danny Williams. As a recognized analyst of NB Power, often critical, I felt a responsibility to say something positive when a positive solution appeared. I would have preferred a more competition-oriented model, but New Brunswick society has shown reluctance for my competition ideas since I first introduced them in 1996. Part of me is just stubborn. Once, while testifying before the Crown Corporations Committee of the Legislative Assembly, one rude MLA (who happened to be Liberal) referred to me dismissively as “the fly in fly out”. Part of my interest is business development. As a consultant, what I sell are ideas for a smarter grid. I have no clients with interests in the HQ/NB transaction but testing ideas by debate is often revealing.

++++

Mr. McCready,

One mistake in our TJ essay was to under-emphasize my concern that the Graham government badly needs to get experienced expert advice on public utility regulation. NB has very limited experience with this and HQ is very experienced. Examples of administrative issues where NB consumers could get whipped include defining opening rate base when the T&D formula kicks in, pacing of capital budgets before and after the T&D formula kicking in, and rate base asset allocation. These issues are not easily sorted out and there isn't much time before March 31.

On Lepreau, there is some probability that the station will be worth \$4B. There is also a chance it will be worth zero or less like Pickering A. See http://tomadamsenergy.com/?attachment_id=56

I think the heritage pool size is quite fair.

Where is Graham's brain trust on administrative law and regulatory economics?

++++

How much staff and consulting time has HQ invested in studying this deal? I am guessing more than \$20 million.

++++

The best strategy for reducing the risk of Lepreau turning into another Pickering A is to merge it with HQ's G2 or potentially Bruce Power. Not doing so would be imprudent.

In 2011, NB Power will be required to report its costs under IFRS. The debate on NB's electricity future would be very different had NB Power provided an estimate of 08/09 net income based on IFRS. Hands up everyone who thinks HQ has a pretty good guess as to what IFRS statements for NBP for 08/09 would look like.

NBers who think David Hay is overpaid would have no hope of assembling on short notice a team capable of analyzing the deal.