

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MANITOBA PUBLIC UTILITIES BOARD

Re: CENTRA GAS MANITOBA INC.
 2007/'08 TO 2008/'09
 GENERAL RATE APPLICATION

Before Board Panel:

Graham Lane - Board Chairman
Len Evans - Board Member
Eric Jorgensen - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
June 8th, 2007
Vol IV
Pages 649 to 884

1 APPEARANCES

2 R.F. Peters)Board Counsel

3

4 Marla Murphy)Manitoba Hydro

5

6 Paul Kerr (np))Coral Energy

7

8 Sandy Boyd (np))Communications, Energy

9

10)and Paper Workers

11)Local 681

12

13 Kris Saxberg)CAC/MSOS

14

15 Eric Hoaken (np))Direct Energy

16 Karen Melnychuk)Marketing Limited

17

18 Nola Ruzycki (np))Energy Savings

19 (Manitoba))Limited

20 Partnership

21

22 Dave Hill (np))Koch Fertilizer

23

24 Nick Gretner (np))J.R. Simplot

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES (CONT)

William Gange)TREE and Resource
Randall McQuaker (np))Conservation Manitoba
Peter Miller)

1	TABLE OF CONTENTS	
2		Page No.
3	List of Exhibits	653
4	List Of Undertakings	654
5		
6		
7	CENTRA'S DSM PANEL:	
8	LLOYD KUCZEK, Sworn	
9	ROBIN WIENS, Sworn	
10	VINCE WARDEN, Resumed	
11	KELLY DERKSEN, Resumed	
12		
13	Examination-In-Chief by Ms. Marla Murphy	658
14	Cross-Examination by Mr. Bob Peters	680
15	Cross-Examination by Mr. William Gange	816
16	Cross-Examination by Mr. Kris Saxberg	858
17		
18		
19		
20	Certificate of Transcript	884
21		
22		
23		
24		
25		

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CENTRA-8	Appendix B from Centra Gas Manitoba	
4		Terms and Conditions of Billing and	
5		Collection Services	658
6	PUB-8	A three (3) page document that was	
7		taken off of the Manitoba Hydro	
8		website stating typical home and	
9		water heating costs	717
10	CENTRA-9	Answer to Undertaking Number 6,	
11		KPMG Report	778
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

	LIST OF UNDERTAKINGS		
1	No.	Description	Page No.
2	21	Using the current electricity prices,	
3		Centra to indicate to Mr. Bob Peters	
4		what the cost of natural gas would	
5		have to rise to, to make exactly the	
6		same economics as heating your home	
7		with electricity for this average	
8		single residence that was shown on	
9		PUB/CENTRA-8	730
10	22	Centra to quantify for Mr. Bob Peters,	
11		the amount that is included in the	
12		Centennial Project for Manitoba Hydro	
13		and Centra overheads that will be	
14		paid for out of the affordable energy	
15		fund if approved as presented	795
16	23	Centra to indicate to Mr. Grange what	
17		the average consumption data or	
18		stratified data for living units	
19		within central heated apartment and	
20		condominium buildings	850
21	24	For Mr. Kuczek to provide breakdown	
22		of the \$1.1 million for residential	
23		programs in the first test year	880
24			
25			

1 --- Upon commencing at 9:07 a.m.

2

3 THE CHAIRPERSON: All right. Good
4 morning, everyone. So on day 4, we have a new panel.
5 Mr. Peters, I believe that I should turn things over to
6 Ms. Murphy to introduce the new panel members and then
7 we'll have Mr. Singh swear them in.

8 MR. BOB PETERS: Yes, Mr. Chairman. The
9 focus today the Board will hear is primarily on the
10 issues of demand side management and related issues and
11 Mr. Lloyd Kuczek is with us today to be the, I think, one
12 (1) of the main respondents to the questions related to
13 demand side management.

14 On my outline of procedures I have him
15 sitting alone and that was a little presumptuous on my
16 part, but he has some of his cost allocation and rate
17 design panel members with him and I will turn it over to
18 Ms. Murphy to introduce the panel before the -- Mr. Wiens
19 and Mr. Kuczek are sworn.

20 MS. MARLA MURPHY: Good morning, Mr.
21 Chairman, members of the Board. I'll just take a minute
22 to introduce the panel. As you know, to my immediate
23 right, Mr. Warden who is Vice-President of Finance
24 Administration and CFO for Centra Gas. To Mr. Warden's
25 right is Mr. Lloyd Kuczek who is the division manager of

1 Consumer Marketing and Sales. And then we have Mr. Robin
2 Wiens, Division Manager of Regulatory Affairs and, as
3 you've met earlier this -- this week, Ms. Kelly Derksen
4 who is the Manager of Gas Rates and Regulatory.

5 Just before the panel is sworn, if I might
6 just attend to a housekeeping matter. You will have had
7 distributed this morning two (2) pages, which are the
8 Centra Gas Manitoba Terms and Conditions of Billing and
9 Collection Services, page 13. This is a revision to the
10 existing billing and collection "Ts" and "Cs" which are
11 contained at Tab 11 of the material as Attachment 4
12 that's being filed in conjunction with updating of the
13 labour rates, which we had earlier undertaken to file.
14 That's the second page in that attachment, which is
15 Appendix B -- which will be Appendix B to the terms and
16 conditions of service which are Attachment 3 in Tab 11.
17 That's what's otherwise called formerly the schedule of
18 sales and transportation rates and services.

19 I don't know whether it's necessary to
20 mark that as an exhibit. Perhaps you might like to mark
21 the Appendix B as an exhibit just so that we keep track
22 of it. What I would suggest with respect to page 13 is
23 that the existing page 13 in your material be removed and
24 this be replaced. The reason it's been updated is that
25 it -- it removes the gas pipeline operational service

1 charge, which is now included on that schedule of labour
2 rates.

3 THE CHAIRPERSON: Very good, thank you.

4 MS. MARLA MURPHY: I think that would
5 make that Exhibit Number 8, if -- if my numbering's
6 correct.

7 THE CHAIRPERSON: Subject to check, thank
8 you.

9

10 --- EXHIBIT NO. CENTRA-8: Appendix B from Centra Gas
11 Manitoba Terms and Conditions
12 of Billing and Collection
13 Services

14

15 MS. MARLA MURPHY: Thank you. We're
16 ready for the panel to be sworn.

17

18 CENTRA'S DSM PANEL:

19

LLOYD KUCZEK, Sworn

20

ROBIN WIENS, Sworn

21

VINCE WARDEN, Resumed

22

KELLY DERKSEN, Resumed

23

24 MS. MARLA MURPHY: Mr. Chairman, as -- as
25 you'll recall, the Witness qualifications of the

1 Witnesses were filed on June the 1st. Mr. Warden's
2 Witness qualification has been filed as Centra Exhibit 4-
3 1. The Witness qualifications of Mr. Kuczek are filed as
4 Centra Exhibit 4-6, Mr. Wiens' is 4-7 and Ms. Derksen is
5 4-4.

6 Those Witness qualifications set out the
7 position of the panel member, their respective areas of
8 responsibility with respect to their testimony; their
9 experience and their educational qualifications, their
10 previous appearances before the Board and their adoption
11 of the pre-filed evidence as it relates to their areas of
12 responsibility. With your permission, I'm ready to
13 proceed.

14 THE CHAIRPERSON: Please.

15

16 EXAMINATION-IN-CHIEF BY MS. MARLA MURPHY:

17 MS. MARLA MURPHY: Mr. Warden, would you
18 please outline your areas of responsibility with respect
19 to this panel?

20 MR. VINCE WARDEN: Yes. Good morning,
21 Mr. Chairman, members of the Public Utilities Board,
22 ladies and gentlemen. My responsibility with respect to
23 this panel is one (1) of general oversight of policy
24 issues related to cost allocation, rate design, and
25 demand side -- demand side management matters.

1 MS. MARLA MURPHY: Mr. Warden, can you
2 please outline for the Board what Centra is seeking
3 approval for in the 2007/'08 and 2008/'09 test years and
4 the impact of Centra's application on the typical
5 residential consumer?

6 MR. VINCE WARDEN: Yes, as noted in
7 Centra's pre-hearing update filed on May the 15th, 2007
8 and as discussed with the revenue requirement panel
9 Centra is seeking approval of a 2 percent rate increase
10 effective May the 1st, 2007, sufficient to generate
11 additional annualized revenue of approximately \$10.7
12 million and approval of a further 1 percent rate increase
13 effective May the 1st, 2008, sufficient to generate
14 annualized revenue of -- of approximately \$5.4 million.

15 When combined with changes in the
16 forecast, non-primary gas costs, the removal of current
17 rate riders and the addition of new rate riders, the
18 annualized bill impact proposed for August the 1st, 2007
19 for a typical residential customer is 3 percent or
20 thirty-seven dollars (\$37) per year. The annual bill
21 impacts for large general service, high volume firm,
22 mainline and interruptible customers, range from an
23 increase of 0.9 percent to 6.0 percent and annualized
24 bill impacts to the special contract class is a reduction
25 of 8.8 percent.

1 The billed rates that are proposed for May
2 the 1st, 2008 result in a typical customer residential
3 customer's bill increasing by approximately 0.9 percent
4 or twelve dollars (\$12) per year. The annual bill impact
5 for the large general service high volume firm mainline
6 and interruptible customers range from an increase of 0.1
7 percent to 1.0 percent. The special contract class' bill
8 impact is 6.4 percent.

9 MS. MARLA MURPHY: Thank you, Mr. Warden.
10 Mr. Kuczek, would you please outline your
11 areas of responsibility with respect to this panel?

12 MR. LLOYD KUCZEK: Good afternoon, Mr.
13 Chairman, Members of the Public Utilities Board, ladies
14 and gentlemen.

15 In my testimony I will be providing
16 evidence with respect to Centra's Demand Side Management
17 Program and the preparation of the load forecast.

18 MS. MARLA MURPHY: Mr. Kuczek, Centra
19 filed its 2006 Power Smart Plan as Attachment 5 to Tab 12
20 of Centra's application; can you please briefly describe
21 the program as it relates to Centra?

22 MR. LLOYD KUCZEK: First it should be
23 noted that the 2006 Power Smart Plan is an integrated DSM
24 plan targeting economic energy efficient opportunities in
25 both natural gas and electricity. The plan is an

1 aggressive plan both in terms of investment and targeted
2 energy savings and is an update and a refinement to the
3 Corporation's 2004 Power Smart Plan and the 2005 Natural
4 Gas Supplement.

5 The 2006 Power Smart Plan targets
6 achieving natural gas savings of 86 million cubic metres
7 and reducing greenhouse gas emissions of 164,000 tons by
8 2017/'18 and involves an investment of 116 million.

9 To the end of 2005/'06 the Power Smart
10 Initiative has already achieved annual reductions of 15
11 million cubic metres which has resulted in 28,000 tons of
12 greenhouse gas emission reductions.

13 MS. MARLA MURPHY: Mr. Kuczek, can you
14 please respond to the suggestion that improvements to
15 Centra's DSM planning process and plan are required?

16 MR. LLOYD KUCZEK: Centra was surprised
17 by the suggestion that Centra's DSM planning process and
18 DSM programs required improvement. As suggested in
19 Centra's rebuttal many of the recommendations made are
20 already a part of Centra's DSM overall planning program
21 design and program delivery strategies and practices.

22 For example, Mr. Weiss is suggesting that
23 the Corporation is lacking a formal method of reviewing
24 and evaluating its Power Smart Programs. Centra and
25 Manitoba Hydro's incentive-based programs are already

1 formally evaluated to report net program savings and
2 costs against targets as well as the cost effectiveness
3 of energy savings. The results of individual program
4 evaluations are aggregated into the Power Smart Annual
5 Review which -- report is reviewed by the Corporation's
6 Planning Review Committee, the Executive Committee, and
7 filed with the Public Utilities Board.

8 As outlined in Centra's rebuttal evidence
9 Centra and Manitoba Hydro are recognized as industry
10 leaders in promoting and achieving energy efficiency.
11 The Corporation's efforts in this area were key to
12 Manitoba being recognized by the Canadian Energy
13 Efficiency Alliance and -- for two (2) years in a row and
14 the Province being provided with an "A" rating, the
15 highest of any province or territory in Canada.

16 The Corporation also received the Energy
17 Star Utility of the Year award, as well as many other
18 advertising and marketing awards. The Corporation's lea
19 -- lead role in promoting energy efficiency and best
20 practices was also demonstrated through many of the
21 specific power smart programs and incentives.

22 MS. MARLA MURPHY: Mr. Kuczek, can you
23 please comment on the recommendation that Centra should
24 establish a conservation group to consult with respect to
25 DSM programming?

1 MR. LLOYD KUCZEK: Centra and Manitoba
2 Hydro consult with a number of stakeholders in the
3 planning and ongoing design of its DSM programs. Centra
4 does not view a generic conservation group as the most
5 efficient and effective means of consultation. Based on
6 experience, Centra and Manitoba Hydro have found that a
7 targeted and customized cust -- consultation process is
8 more effective and efficient.

9 With this approach input is obtained from
10 industry and other third parties that have specific and
11 extensive knowledge of a particular technology, marketing
12 channel issues and targeted marketing issues and --
13 including barriers. This approach has been used with
14 most of Centra's programs as -- and has proven very
15 successful.

16 MS. MARLA MURPHY: Can you please respond
17 to the suggestion that Centra retain a consultant to
18 conduct an evaluation and review of the effectiveness and
19 cohesiveness of Centra's DSM programming?

20 MR. LLOYD KUCZEK: This recommend --
21 well, this recommendation appears to be modelled on the
22 Dunsky Report (phonetic) undertaking for Hydro Quebec.
23 At that time of that review, Hydro Quebec was in the
24 process of ramping up its DSM efforts to bring them more
25 in line with other industry leaders.

1 Centra does not view this type of report
2 as bringing value to Manitoba consumers in light of the
3 Corporation's internalized processes designed to
4 continuously enhance programs and strategies and the fact
5 that many of the suggestions in the consultant's report
6 made for Hydro Quebec are already incorporated into the
7 Corporation's DSM plan.

8 MS. MARLA MURPHY: Mr. Kuczek, can you
9 please update the Board with respect to Centra's plan for
10 programs specifically designed to assist its low income
11 customers?

12 MR. LLOYD KUCZEK: Centra and Manitoba
13 Hydro are currently involved in two (2) -- two (2)
14 community-based pilot projects, close to initiating a
15 third and are in the proc -- process of finalizing
16 details of -- of a province wide low income initiative.

17 Existing community-based initiatives
18 involve retrofitting one hundred and twenty (120) homes
19 in the Centennial neighbourhood and hundred and one (101)
20 homes in the Island Lake communities of Wasagamack, Red
21 Sucker, Garden Hill and St. Teresa Point.

22 The new community-based initiative is
23 anticipated to involve retrofitting a hundred and twenty
24 (120) homes in the Brandon community. Centra and
25 Manitoba Hydro intend to also pursue other community-

1 based low income -- low income projects.

2 The province wide program is expected to
3 be launched in late summer of this year or early fall to
4 allow time for developing, application forms and other
5 marketing materials.

6 MS. MARLA MURPHY: Would you please
7 comment on the suggestion that the budget for low income
8 initiatives should be based upon a percentage of the
9 total residential DSM budget?

10 MR. LLOYD KUCZEK: Centra is -- is of the
11 view that the amounts to be budgeted for low income
12 initiatives in -- in an given time period should be
13 determined by the availability of cost-effective
14 opportunities rather than based on an arbitrary
15 percentage.

16 Centra prefers to take advantage of
17 opportunities to leverage external funds such as the
18 Federal co -- ecoENERGY Retrofit Program to support its
19 Power Smart programs targeting low income customers and
20 Centra prefers to have a consistent and more stable
21 budget in support of individual and community-based
22 initiatives.

23 Centra is also mindful of the availability
24 and the impact of the affordable energy fund which will
25 provide significant additional funding and support of

1 energy efficient opportunities for low income customers.

2 MS. MARLA MURPHY: Thank you, Mr. Kuczek.
3 Mr. Wiens, would you please outline your areas of
4 responsibility with respect to this application?

5 MR. ROBIN WIENS: Good morning, Mr.
6 Chairman, members of the Public Utilities Board, ladies
7 and gentlemen. In my testimony I will be providing
8 evidence related to cost allocation and rate design and
9 terms and conditions of service.

10 Specifically, I will be responding to
11 questions arising with respect to the rate design and
12 cost allocation matters discussed in the evidence of
13 RCM/TREE and Centra's request for approval of a new
14 contract to the special contract class customer.

15 MS. MARLA MURPHY: Mr. Wiens, Mr. Weiss
16 on behalf of TREE/RCM has filed evidence suggesting the
17 incorporation of price signals with respect to
18 environmental and conservation concerns in Centra's rate
19 design and the assessment of conservation programs.

20 Are you familiar with that evidence and
21 the recommendations?

22 MR. ROBIN WIENS: Yes, I am.

23 MS. MARLA MURPHY: Mr Wei -- Weiss is
24 advocating that in addition of all of the normal costs of
25 procuring, transporting and distributing natural gas that

1 are included in Centra's rates, adders be incorporated to
2 reflect environmental externalities, avoided transmission
3 and distribution expansion and pecuniary opportunities.

4 Could you please discuss Centra' position
5 with respect to incorporating these adders into rates?

6 MR. ROBIN WIENS: As outlined in its
7 2005/'06 General Rate Application, Centra does not agree
8 that it is appropriate or necessary to incorporate these
9 factors into rates to consumers. Centra believes that at
10 least some of the externalities identified in Mr. Weiss'
11 evidence are already incorporated into the market price
12 of natural gas through lease payments, resource royalty
13 fees and taxes.

14 Manitoba Hydro already incorporates
15 consideration of greenhouse gases into its planning and
16 reporting and in DSM evaluation. The existence or
17 quantity of pecuniary benefits is likewise insufficiently
18 substantiated, extremely difficult to quantify, and
19 probably nonexistent unless provision is made for this
20 factor all across North America.

21 With respect to the inclusion of avoided
22 costs of transmission and distribution expansion, Mr.
23 Weiss' evidence does not provide any clear justification
24 for requiring Manitobans to pay incremental costs which
25 might occur in another jurisdiction in addition to the

1 documented imbedded costs they already pay for
2 transportation and delivery to them. It is difficult to
3 conceive of any jurisdiction that would require
4 ratepayers to pay both the full imbedded cost and the
5 full incremental cost of any utility service.

6 It's noted that the incremental costs of
7 transportation and delivery are incorporated into
8 Centra's demand side management evaluation of programs
9 targeted in natural gas customers.

10 It is also worth noting that if Mr. Weiss'
11 overall recommendations were adopted, that would in
12 effect -- or they would in effect apply a carbon tax to
13 natural gas home heating, which accounts for only about 4
14 percent of Manitoba -- Manitoba's greenhouse gas output
15 and to no other energy use in the province.

16 MS. MARLA MURPHY: Mr. Wiens, would you
17 please outline for the Board the impact on Centra's rates
18 of Mr. Weiss' proposal to include externalities in
19 Centra's rates?

20 MR. ROBIN WIENS: All the basis of Mr.
21 Weiss' evidence and responses to Information Requests,
22 Centra concludes that Mr. Weiss is proposing an adder of
23 fifteen (15) cents per cubic metre of natural gas. That
24 amount, just to put it in perspective, is equal to
25 approximately 50 percent of the current commodity cost of

1 natural gas.

2 However, in order to recover this amount
3 from all customers, not just Centra system customers, it
4 would be necessary that it be added to Centra's
5 volumetric distribution rate.

6 Centra's current SGS distribution charge
7 today is seven point eight (7.8) cents per cubic metre,
8 so adopting Mr. Weiss' current recommendation or what
9 appears to be his current recommendation, would see that
10 amount increase by up to 200 percent for customers above
11 the modest baseline amount.

12 For customers below the baseline, the
13 distribution charge would have to be negative in order to
14 accommodate that recommendation.

15 MS. MARLA MURPHY: Mr. Weiss also
16 recommends an inverted rate structure as a means to
17 integrate his adders into Centra's rates on a revenue
18 neutral basis. In order to give the correct price signal
19 without over collecting revenues, Mr. Weiss recommends
20 incorporating the adders into rates for only marginal use
21 and pricing the remaining -- remaining or base volumes
22 at lower -- at a lower rate.

23 Can you please comment on this
24 recommendation?

25 MR. ROBIN WIENS: Centra and Manitoba

1 Hydro are not opposed to the concept of inverted rates in
2 principle and where justified. However, Centra is not
3 convinced that inverted rates are justified in the case
4 of natural gas prices. The price of the natural gas
5 commodity fully reflects value in mature functioning
6 markets.

7 The market price of gas imbedded in rates
8 and which is adjusted quarterly reflects marginal cost
9 including at least some externalities and therefore, is a
10 good price signal in itself and without requiring
11 inverted rates.

12 Mr. Weiss' evidence does not convincingly
13 demonstrate the value of externalities not currently
14 incorporated into the market price of natural gas or the
15 existence and value of the so-called pecuniary benefits
16 which provide the basis for his concluding that marginal
17 cost is higher than market rate.

18 Much of Mr. Weiss' proposed adder to
19 arrive at market -- at marginal cost may already be
20 reflected in the market price of natural gas or is more
21 appropriately dealt with in the context of Federal plans,
22 which will, if properly developed and administered,
23 provide a level playing field for all fuels and -- and
24 uses.

25 Centra also notes that it currently

1 collects five (5) cents per cubic metre related to fixed
2 costs in its SPS volumetric charge. This in itself is a
3 form of rate inversion by which costs that should
4 arguably be collected in the monthly basic charge are
5 collected in the volumetric charge.

6 Although this rate design was not
7 developed with externalities in mind, that amount could
8 also reasonably reflect the range of possible
9 externalities until such time as a more comprehensive
10 Canadian policy feeding such externalities as greenhouse
11 gas is implemented.

12 MS. MARLA MURPHY: It has also been
13 suggested that DSM costs should be considered to be akin
14 to a resource acquisition and that -- and allocated on a
15 volumetric basis. Can you please respond to that
16 suggestion?

17 MR. ROBIN WIENS: There a number of
18 implications associated with instituting a fee to be
19 recovered by all customers on an equivalent per unit
20 volume basis as suggested by Mr. Weiss. The result would
21 be to create a cross-subsidy between those who contribute
22 to the program and those who are eligible and able to
23 gain access to the funds. In fact Mr. Weiss' proposal
24 would cause a number of customers to contribute a
25 significant amount and to receive little or no benefit.

1 The imposition of such a charge in this
2 manner is also contrary to the longstanding principle of
3 basing rates on embedded cost espoused by Centra and
4 endorsed by the Public Utilities Board over the past
5 twenty (20) or more years in this jurisdiction.

6 As Ms. Derksen will explain in her
7 evidence Centra's proposal is to allocate demand side
8 management cost based on the benefits received by each
9 customer class.

10 MS. MARLA MURPHY: Mr. Wiens, does Centra
11 have any comment with respect to the recommendation that
12 Centra adopted the decoupling mechanism for residential
13 and small commercial customers whereby adjustments are
14 made to compensate for the fixed cost recovery losses or
15 gains due to weather or conservation?

16 MR. ROBIN WIENS: I just comment here
17 that Centra is not in the same situation as the investor-
18 owned utilities that Mr. Weiss referenced in his pre-
19 filed evidence on page 21, lines 25 to 28.

20 Centra is effectively regulated on a cost
21 of service basis and progress toward its financial
22 targets which includes the recovery of fixed cost is
23 recalibrated in every GRA which typically occurs every
24 two (2) years, so that that supplemented with the fact
25 that over an extended period of time under or over

1 recoveries of fixed costs would tend to come into
2 balance.

3 MS. MARLA MURPHY: Thank you, Mr. Wiens.
4 Ms. Derksen, would you please outline your areas of
5 responsibility with respect to this panel?

6 MS. KELLY DERKSEN: Good morning, Mr.
7 Chairman, Members of the Public Utilities Board, ladies
8 and gentlemen.

9 In my testimony I will be providing
10 evidence related to the 2007/'08 and 2008/'09 Cost
11 Allocation Study and the allocation of the non-primary
12 PGVA and gas cost deferral account balances as at March
13 31, 2007 and the related customer bill impacts for the
14 various customer classes. In addition I will be speaking
15 to the report on lump sum payments and the Residential
16 Class Report.

17 MS. MARLA MURPHY: Ms. Derksen, is the
18 cost allocation methodology used in connection with this
19 rate application consistent with that used in previous
20 applications?

21 MS. KELLY DERKSEN: Yes. Centra is not
22 proposing any substantial changes in its approach to cost
23 allocation in this application. As was done in the
24 2005/'06 and '06/'07 GRA Centra has incorporate non-
25 primary gas costs in its 2008/'09 Cost Allocation Study

1 based on an April 20th, 2007 forecast market cost of gas
2 as a placeholder. Centra will update non-primary gas
3 costs for the '08/'09 test year with more current
4 estimates and make application to the Board in 2008.

5 Centra's allocated DSM cost to those
6 customer classes that can participate in the offered
7 program in the 2007/'08 and '08/'09 test periods is -- it
8 is expected that 60 percent of the program budget will be
9 targeted toward residential customers and 40 percent of
10 the program budget will be targeted towards commercial
11 end use applications, as such, Centra's allocated DSM
12 costs to the SGS and LGS customer classes.

13 MS. MARLA MURPHY: Ms. Derksen, would you
14 please outline the rate riders that Centra is proposing
15 in this application?

16 MS. KELLY DERKSEN: Centra is proposing
17 to implement the following rate riders in conjunction
18 with the 2007 and 2008/'09 General Rate Applications.

19 The first set of rate riders disposes of
20 balances in all non-primary gas PGVAs and gas cost
21 deferral accounts as at March 31st, 2007 including
22 carrying costs and rate rider amortizations to July 31st
23 of 2007. These balances were updated as part of Centra's
24 May 15th, 2007 filing and reflect actual information to
25 the end of Centra's fiscal year, March 31st, 2007.

1 The result of the update was to refund to
2 customers approximately \$9 million as is summarized in
3 Schedule 10.3.1. The non-primary gas rate riders are
4 proposed to be implemented on August the 1st, 2007 and
5 the deferral account balances will be disposed of over a
6 twelve (12) month period to expire July 31st of 2008.

7 Centra has also calculated a rate delay
8 rider. As a result of the timing of this application and
9 hearing, it was not possible to implement new rates
10 flowing from this hearing on May 1st, 2007 as requested.
11 The requested revenue requirement reflects eleven (11)
12 months of revenue for the 2007/'08 test year and a May
13 1st, 2007 effective date.

14 It is anticipated that new rates flowing
15 from this application will be implemented on August 1st.
16 The rate delay rider deals with the difference between
17 the revenues that will be recovered during the period of
18 May 1, 2007 and July 31, 2007 based on existing base
19 rates and the revenues that would have been recovered
20 through new base rates.

21 The difference in revenues as a result of
22 this delay is approximately \$1.1 million owing from
23 customers and Centra proposing to recover each customers
24 classes total shortfall through the distribution to
25 customer charge. It is Centra's preference to recover

1 the revenue gap through the rate delay rider over a nine
2 (9) month period to synchronize it with the expected
3 implementation of new base rates flowing from Centra's
4 2008/'09 test year on May 1, 2008 as well, with the
5 anticipated change to primary gas rates at that time.

6 MS. MARLA MURPHY: Thank you, Ms.
7 Derksen. Mr. Chairman, I might indicate as this point
8 that there's been arrangements made among counsel, as Mr.
9 Peter's referred to this morning that, to accommodate Mr.
10 Kuczek's availability that today will kind of be focussed
11 on DSM issues.

12 The remainder of the cost allocation panel
13 will be back on Monday to address the other issues. I
14 also might note, I'm not sure if the Board is aware that
15 we'll be asking that Mr. Warden be excused this afternoon
16 as he's not available this afternoon, but he will be back
17 on Monday as well.

18 And just before we begin the cross-
19 examination, Mr. Kuczek's in a position to speak to three
20 (3) undertakings that were taken in his area the other
21 day, if you'd like to have those on the record at this
22 point.

23 THE CHAIRPERSON: Please. Mr. Kuczek...?

24 MS. MARLA MURPHY: The first one is with
25 respect to Undertaking number 2 which was taken at

1 transcript page 252 and that was a request through Ms.
2 Derksen to provide updated information reflecting a trend
3 of WTS or competitive landscape -- sorry, of WTS
4 customers in the competitive landscape material.

5 MR. LLOYD KUCZEK: In -- in the schedules
6 that were filed, schedule 4.20, 4.21, 4.22 and 4.23, it
7 provided the -- the number of WTS customers that were
8 existing in the years that were known at that time plus
9 the forecast.

10 The numbers went -- in '04/'05 were
11 thirty-nine thousand (39,000) and in '05/'06 forty-seven
12 thousand (47,000) then it went to fifty-four thousand
13 (54,000) forecast in '06/'07, forecast of sixty-two
14 thousand (62,000) '07/'08 and forecast to sixty-five
15 thousand (65,000) in '08/09.

16 The current information pro -- pro -- that
17 we have today has, as of April 2006, there's now fifty-
18 one thousand (51,000) customers, so the number of
19 customers that were seen signed up with WTS has declined
20 and is different than what was forecast in the -- last
21 year's forecast.

22 MS. MARLA MURPHY: Thank you. With
23 respect to Undertaking number 3, which was taken at
24 transcript page 253, Mr. Peters had posed the question
25 seeking an explanation as to why SGS residential volumes

1 had decline from a double digit increase to a single
2 digit increase and Mr. Kuczek is prepared to speak to
3 that as well.

4 MR. LLOYD KUCZEK: In -- in a--
5 undertaking the load forecast, what we do is use the most
6 current information that we have available at the time
7 and then forecast -- make our forecast based on that.

8 The forecast for WTS customers was based
9 on the information that -- that was available in
10 April/May 2006 and at that time the number of customers
11 signing up with WTS was increasing and that -- that was
12 as a result of a number of -- of issues; primarily the
13 broker activity and also the fact that natural gas prices
14 had gone up the previous year and were a focus of
15 attention to consumers.

16 So based on that information what we did
17 is we forecasted that the trend would likely continue to
18 rise over the next year and two (2) and then level off at
19 that point and that's what the forecast contains. So
20 what you've seen was that double-digit increases for the
21 next year and then flattening off after that so that's
22 why the forecast in '07/'08 I believe went to 6 percent.

23 MS. MARLA MURPHY: Thank you, Mr. Kuczek.

24 Mr. Chairman, I was advised that I've got
25 the numbering a little bit out of whack on the

1 undertakings. The page numbers that I gave you are
2 correct, however, the numbering is such that the
3 undertaking -- the first undertaking was number 3, the
4 one just responded to was number 4, and Mr. Kuczek is
5 also in a position to speak to what would be Undertaking
6 Number 5 taken at page 256 of the transcript, which was
7 to indicate an explanation of why there was a suggestion
8 in the material that WTS customers used less gas than
9 system residential customers.

10 MR. LLOYD KUCZEK: Again, we base our
11 forecasts on the information that we have available at
12 the time and the information that we had was that the
13 customers that were signing up for WTS service were using
14 less and that historical information showed it at 97
15 percent so we continued to forecast that into the future
16 based on the same percentage usage.

17 We don't really understand other --
18 exactly why it's 97 percent. It's not a significant
19 number but, yeah, if there is some significance to it,
20 it's just related to the type of customers' interests in
21 those services.

22 MS. MARLA MURPHY: Thank you, Mr.
23 Chairman. That concludes the response to the
24 undertakings and the panel is available for cross-
25 examination.

1 THE CHAIRPERSON: Thank you, Ms. Murphy.

2 Thank you, panel.

3 Mr. Peters...?

4

5 CROSS-EXAMINATION BY MR. BOB PETERS:

6 MR. BOB PETERS: Thank you, Mr. Chairman,
7 Board Members, ladies and gentlemen. Good morning to the
8 panel. And I'll just repeat for the new members that my
9 questions go to the panel and the panel can fight amongst
10 themselves for who wants to answer them.

11 Mr. Kuczek, in respect to the undertakings
12 that you have now answered, at the book of documents that
13 was prepared when I was asking questions, at Tab 20 are
14 copies of schedules that were taken from your forecast
15 and -- and your application. They came from PUB/CENTRA-
16 13 and as I understand what you've now told the Board the
17 -- the forecasts have now changed and those numbers have
18 now changed on those schedules?

19 MR. LLOYD KUCZEK: If we were to
20 undertake a forecast as we currently are in the process
21 of doing, our forecast would indicate a different trend
22 than what was forecast last year, that's correct.

23 MR. BOB PETERS: Is there something
24 available that you can file with the Board to update
25 PUB/CENTRA-13?

1 MR. LLOYD KUCZEK: All I could do is file
2 what I just provided and that's the current
3 information in terms of how many customers are signed up
4 with -- for WTS service. We don't have a formal forecast
5 that I could file at this point.

6 MR. BOB PETERS: All right. So the
7 forecast that you're talking about to the Board is the
8 '06/'07 forecast year?

9 MR. LLOYD KUCZEK: Correct.

10 MR. BOB PETERS: And you don't have
11 updated information for the '07/'08 or the '08/'09 test
12 years?

13 MR. LLOYD KUCZEK: Not that are approved,
14 no.

15 MR. BOB PETERS: When you say that, "not
16 that are approved" there's a process still to go through
17 to finalize them?

18 MR. LLOYD KUCZEK: That's correct. We
19 prepare the forecast and then we have some internal
20 approval processes that we follow.

21 MR. BOB PETERS: And how long does that
22 take or what's the timeline for that to happen?

23 MR. LLOYD KUCZEK: I believe we'll have
24 that forecast approved internally by the end of July.

25 MR. BOB PETERS: In the undertaking that

1 you provided -- I believe it was under -- response to
2 Undertaking Number 4 you were looking at PUB/CENTRA-13
3 found at Tab 20 of the book of documents and you were
4 explaining to the Board that you had forecasted year-
5 over-year migration away from system supply and over to
6 direct purchase offered by brokers, correct?

7 MR. LLOYD KUCZEK: Correct.

8 MR. BOB PETERS: And what you've told the
9 Board is that in the -- is it in -- in only the '08/'09
10 test year that you're forecasting a levelling off or are
11 there changes in the -- in the first test year and -- and
12 also in the current year listed as a forecast, which
13 would have been the fiscal year just concluded?

14 MR. LLOYD KUCZEK: Are you asking me if
15 there's changes to the foreca -- the current forecast in
16 those numbers?

17 MR. BOB PETERS: All right, let me
18 rephrase the question and yes, let's start with this
19 2006/'07 year that is presently shown as a forecast on
20 page 2 of 6. It's in Tab 20 of the book of documents and
21 it's actually the third document in, but it's listed as
22 page 2 of 6.

23 There's a show -- there's an indication
24 that there's an expected 14.2 percent migration away from
25 system supply for residential customers over to a direct

1 purchase, is that correct?

2 MR. LLOYD KUCZEK: Correct.

3 MR. BOB PETERS: Is that number still
4 accurate?

5 MR. LLOYD KUCZEK: No.

6 MR. BOB PETERS: Do you have new numbers
7 for that forecast year?

8 MR. LLOYD KUCZEK: You said '06/'07,
9 correct?

10 MR. BOB PETERS: Yes, sir, that's the
11 year that's shown as a forecast.

12 MR. LLOYD KUCZEK: Right, which would be
13 the actual existing data now.

14 MR. BOB PETERS: I presume so.

15 MR. LLOYD KUCZEK: Yes, it would -- it
16 wouldn't be a forecast anymore. So what I provided
17 earlier was the information we have in terms of the
18 number of customers. I didn't provide an average number
19 and I don't have that available with me, but the current
20 information has an -- as of April 2007, forty-three
21 thousand six hundred and thirty-seven (43,637) customers
22 that are signed up with WTS.

23 So if I wanted to provide you with the
24 actual numbers, I'd have to do the average for the past
25 year and I don't have that available with me.

1 MR. BOB PETERS: I don't want to go down
2 that road of when does your forecast become your actual
3 after your fiscal year end because Mr. Warden and I were
4 jousting on that earlier.

5 But I -- I just -- I now have two (2)
6 numbers and I'm -- I'm more confused, Mr. Kuczek, and I
7 apologize if I'm confusing others. If we turn back to
8 the page 1 of 6 at PUB/CENTRA-13 attachment and if I go
9 down to line 18 and across to the 2006/'07 forecast year,
10 is that new number now forty-three thousand seven hundred
11 (43,700) (sic)?

12 MR. LLOYD KUCZEK: No it would not be.

13 MR. BOB PETERS: I'm sorry, where did the
14 forty-three thousand seven hundred (43,700) come from?

15 MR. LLOYD KUCZEK: The forty-three
16 thousand six hundred (43,600) number came from the --
17 what wa -- it's the number of actual customers signed up
18 as of April 2007. The forecasted number that you were
19 referring to would be the average for that forecasted
20 year and which is a average of the customers signed up
21 over the twelve (12) month period.

22 MR. BOB PETERS: That suggests to me that
23 if the average number was fifty-one thousand (51,000) and
24 the actual number at year end is forty-three thousand six
25 hundred (43,600), there's been a migration away from WTS

1 service back to system supply.

2 MR. LLOYD KUCZEK: That's correct.

3 MR. BOB PETERS: Okay, I think I've got
4 your point. The point that I didn't think you could
5 answer in your undertaking is that you have in your
6 forecast suggested that WTS customers and direct purchase
7 customers use only 97 percent of the amount of gas that
8 system supply customers use for the SGS residential
9 class, correct?

10 MR. LLOYD KUCZEK: Correct.

11 MR. BOB PETERS: And when -- when it
12 asked by way of undertaking -- undertaking to explain why
13 customers of brokers on average use less gas than
14 customers of Centra, I take your answer is you don't
15 know?

16 MR. LLOYD KUCZEK: That's correct.

17 MR. BOB PETERS: It hasn't been -- hasn't
18 been looked and it...

19 MR. LLOYD KUCZEK: Correct.

20 MR. BOB PETERS: Does the Corporation
21 think it's a significant reduction or something that --
22 that may assist in deciding whether consumption can be
23 lowered for other customer classes?

24 MR. LLOYD KUCZEK: No, we -- we didn't
25 think it was significant. We didn't know if it was going

1 to continue into the future, as well. We just observed
2 that's what it was and we used that information to
3 forecast the use -- usage between those two (2) customer
4 classes.

5 THE CHAIRPERSON: Could it suggest a
6 higher proportion of elderly and, I'll call it low income
7 customers opting for broker supply?

8 MR. LLOYD KUCZEK: That's my personal
9 view. That might not be the load forecasting personnel's
10 view, but that was one (1) of the thoughts I had, because
11 the -- there -- there would be a certain characteristic
12 or a customer segment that might be interested in signing
13 up with brokers for various reasons and linked to that
14 might be the fact that they have lower consumption.

15

16 CONTINUED BY MR. BOB PETERS:

17 MR. BOB PETERS: Mr. Warden, I'm not sure
18 if this question was asked when you were absent but I
19 think Mr. Kroeker fielded it as best he could and then he
20 put it over to this panel. And I wasn't sure if it was
21 yourself or -- or Mr. Kuczek but I was asking Mr. Kroeker
22 whether there any major new expansion projects on the
23 horizon into or outside of the City of Winnipeg and my
24 recollection of his answer is, No, not at this time; is
25 that your understanding?

1 MR. VINCE WARDEN: It is.

2 MR. BOB PETERS: And over the next five
3 (5) year horizon that may have -- if that was the -- the
4 timeline, again you're not aware of any major expansions
5 outside of the City of Winnipeg in the next five (5)
6 years?

7 MR. VINCE WARDEN: There are no major
8 expansions planned over that time horizon, no.

9 MR. BOB PETERS: And you sound rather
10 definitive, Mr. Warden. Is that because the economics of
11 it don't appear to prove out?

12

13 (BRIEF PAUSE)

14

15 MR. VINCE WARDEN: Expansions in the
16 rural part of the province are typically initiated by
17 communities that have an interest in natural gas service.
18 We haven't had -- to my knowledge at least, we have not
19 had been approached by those communities for natural gas
20 service as has taken place in the past.

21 MR. BOB PETERS: Why hasn't Centra been
22 more proactive and maybe gone out and sought to provide
23 an extensive gasification program into the rural areas of
24 Manitoba including the towns and villages?

25 MR. LLOYD KUCZEK: It's really driven by

1 economics. The -- the economics of rural expansion are -
2 - are not very attractive. I don't have specific numbers
3 but I've heard numbers like you would need funding from
4 outside organizations such as the Federal Government and
5 Provincial Government to support it, or the
6 municipalities which likely wouldn't be able to come up
7 with the amount of funds required, but it's fairly
8 significant.

9 And so once any of the communities --
10 communities that have expressed an interest have looked
11 into it and because of that they haven't pursued the --
12 so it's -- it's strictly relate -- linked to the
13 economics.

14 MR. BOB PETERS: And that economics is
15 directly linked to the feasibility test that's utilized
16 by the Corporation in assessing whether expansion is --
17 is feasible?

18 MR. LLOYD KUCZEK: Correct.

19 MR. BOB PETERS: Mr. Kuczek, you're aware
20 of the Waverley West expansion inside the City of
21 Winnipeg?

22 MR. LLOYD KUCZEK: Correct.

23 MR. BOB PETERS: And it was my
24 understanding from the previous witnesses that a portion
25 of that expansion or -- has been planned to include

1 geothermal development?

2 MR. LLOYD KUCZEK: Yes.

3 MR. BOB PETERS: Is it 25 percent?

4 MR. LLOYD KUCZEK: It -- the number keeps
5 varying. It started off as 100 percent. It's cur --
6 Waverley West has actually got two (2) land developers
7 Ladco and the Manitoba Housing and Renewal Corporation's
8 developing the second part. It's only the government
9 portion that's actually being referred to or considered
10 for geothermal at this point.

11 There's three (3) areas currently being
12 developed by MHRC which is Manitoba Housing and Renewal
13 Corporation. In those three (3) sections the percentage
14 of geothermal is not definitive or defined in all three
15 (3) as a certainty at this point.

16 The first section is referred to as Phase
17 1A; is targeted for 25 percent. 1B has zero but that's
18 not definitive at this point and 1C is currently being
19 discussed as possibly 100 percent geothermal.

20 MR. BOB PETERS: Approximately how many
21 properties are we talking about in the Waverley West
22 expansion project?

23 MR. LLOYD KUCZEK: If you refer to the
24 entire Waverley West subdivision which includes the
25 development over the next fifteen/twenty (15/20) years

1 there'd be twelve/thirteen thousand (12/13,000) homes.
2 The phases that I were referring to involve a much
3 smaller number of homes.

4 MR. BOB PETERS: Can you indicate how
5 many homes are considered in the MHRC 1A, 1B, and 1C
6 developments, respectively?

7 MR. LLOYD KUCZEK: I'll give you numbers
8 plus/minus five (5) homes per development.

9 Phase 1A is one eighty-six (186), I
10 believe. 1B is, it might be plus/minus twenty (20), one
11 sixty-two (162). And then Phase 1C is a hundred and ten
12 (110). Total, I think is four fifty-eight (458), if that
13 adds up.

14 MR. BOB PETERS: Can you indicate to the
15 Board why only the MHRC portion has some interest in
16 geothermal and the other private developer appears not to
17 have that interest?

18 MR. LLOYD KUCZEK: Yeah. I -- I can't
19 speak to why Ladco would or would not have an interest
20 but, currently, we're talking and working with MHRC and
21 we've had some discussions with Ladco.

22 MR. BOB PETERS: Does that suggest that
23 there is still a possibility that it may be a geothermal
24 expansion development?

25 MR. LLOYD KUCZEK: Ladco will decide

1 that. It's not a Manitoba Hydro driven decision.

2 MR. BOB PETERS: In the --

3 THE CHAIRPERSON: Is MHRC units, are they
4 rentals?

5 MR. LLOYD KUCZEK: Single-family. And
6 there will be some multi-family in there as well.

7 THE CHAIRPERSON: But are they rentals?

8 MR. LLOYD KUCZEK: Oh, sorry. Multi-
9 family might be, but it's -- it's a residential
10 development for the most part. Similar to Lindenwood.

11 THE CHAIRPERSON: But what I'm getting
12 at, is the difference between the Ladco and MHRC the
13 difference that MHRC properties retain -- retain as the
14 property of MHRC? Or do they migrate to private
15 ownership?

16 MR. LLOYD KUCZEK: There's no difference
17 other than the MHRC is government owned. That's -- it's
18 a land developer just like Ladco and the development will
19 be the same. It will migrate to individual ownership.

20

21 CONTINUED BY MR. BOB PETERS:

22 MR. BOB PETERS: Individual ownership
23 with the possible exception of the multi-family portions
24 of those developments?

25 MR. LLOYD KUCZEK: Yes. I'm not sure how

1 those will be developed.

2 MR. BOB PETERS: All right. You -- you
3 indicated in -- a couple of answers ago, Mr. Kuczek, that
4 the penetration rate of geothermal had changed from 100
5 percent down to 25 percent for, I believe it was Phase 1A
6 of the MHRC portion, is that correct?

7 MR. LLOYD KUCZEK: It actually went from
8 100 percent for all of Waverley West to 25 percent. The
9 100 percent was a vision I originally -- that the
10 government asked us to look into. And, as we proceeded
11 down the -- the path of looking into it, a decision was
12 made to not pursue 100 percent at this point.

13 MR. BOB PETERS: Can you tell the Board
14 the reasons that it wasn't being pursued for 100 percent
15 of Waverley West?

16 MR. LLOYD KUCZEK: Partly related to the
17 Manitoba Home Builders' Association not being too excited
18 about it, I guess. And there was a number of discussions
19 with the Association in terms of moving forward it -- the
20 Government decided to reduce the number of geothermal
21 homes that would be put in there.

22 MR. BOB PETERS: When you say the
23 Manitoba Home Builders weren't particularly, I take it,
24 supportive of it being 100 percent geothermal; can you
25 indicate why that might be the case?

1 What would be some of the considerations?

2 MR. LLOYD KUCZEK: I could only speak to
3 what they brought up. But one (1) of them was they
4 suggested -- and they were supportive of geothermal
5 technology -- they suggested that it be phased in as
6 opposed to going 100 percent immediately.

7

8 (BRIEF PAUSE)

9

10 MR. BOB PETERS: Mr. Kuczek, when this
11 Waverley West expansion was envisioned as being 100
12 percent geothermal and now it's moved away from that
13 apparently, have you calculated what the impact on
14 greenhouse gas emissions will be as a result of that
15 decision?

16 MR. LLOYD KUCZEK: As a -- as a result of
17 the decision to move a -- to a lower percentage of
18 geothermal?

19 MR. BOB PETERS: Yes.

20 MR. LLOYD KUCZEK: No, I haven't
21 calculated it.

22 MR. BOB PETERS: Was the greenhouse gas
23 emission concern a factor raised in support of continuing
24 with the geothermal development?

25 MR. LLOYD KUCZEK: No.

1 MR. BOB PETERS: Can you tell the Board
2 what the timeline is for -- for the various developments
3 that you've now mentioned; Phase 1A, 1B and 1C, as well
4 as the Ladco portion of the Waverley West development?

5 MR. LLOYD KUCZEK: I'll start with the
6 Ladco, my -- in my last discussions with Ladco, they're
7 planning to start the development in 2008 -- spring of
8 2008, spring/summer. MHRC has already had a lot -- draw
9 for some of the lots on Phase 1A, so if you drive by
10 there, you'll see all sorts of construction happening
11 there.

12 The first homes there will be starting
13 construction -- is early as August this year, more likely
14 September. Proceeding with Phase 1B and 1C hasn't been
15 decided yet; likely there will be a decision to proceed
16 with one or the other later this fall or sometime this
17 summer, but for 1a -- development in later this fall.

18 And the other phase will be developed in
19 the -- next year.

20 MR. BOB PETERS: Mr. Kuczek, is Centra
21 Gas Manitoba Inc. or its parent aware of any technical
22 concerns or challenges that would preclude the Waverley
23 West development from going 100 percent geothermal?

24 MR. LLOYD KUCZEK: Technically it's
25 feasible.

1 MR. BOB PETERS: And do I take from that
2 answer, sir, then that the only reason it's not going
3 that way is resistance from the developers.

4 MR. LLOYD KUCZEK: There is other
5 considerations, as well, such as economics.

6 MR. BOB PETERS: And specifically, what
7 do you mean by economics?

8 MR. LLOYD KUCZEK: Last year when we were
9 assessing whether or not it made sense to go 100 percent
10 geothermal, we hired a consultant, the consultant told --
11 told us that it was technically and economically
12 feasible. We've been continuing to do more -- undertake
13 more assessments in terms of -- or determining what the
14 economics are and we're currently in the process of iss -
15 - issuing an RFP and that'll determine what the cost will
16 actually be.

17 Up to now, it's just getting cost
18 estimates from drillers verbally without anything, for
19 the most part, in writing, so we have to undergo the RFP
20 process will -- before we'll know the final numbers.

21 MR. BOB PETERS: Mr. Kuczek, are there
22 any current incentives offered from Centra or Manitoba
23 Hydro to encourage individuals to use geothermal?

24 MR. LLOYD KUCZEK: On the residential
25 side we don't have any financial incentives. We do offer

1 financial -- a financial loan to assist customers with
2 geothermal. On the commercial side we offer incentives.

3 MR. BOB PETERS: I'm not sure I
4 understand that, Mr. Kuczek. For the residential
5 customers there's no incentive, but for commercial
6 customers there are?

7 MR. LLOYD KUCZEK: That's correct. The -
8 - it's actually only for electrical consumers that are
9 eligible for incentives. The incentives are driven by
10 the value that you realize who the export market through
11 the -- reduced electrical savings.

12 If you install a geothermal system in an
13 electric serviced area you reduce the electrical
14 consumption. That electrical consumption -- reduced
15 electrical consumption provides the justification for the
16 incentives, so we have an incentive program in the
17 commercial sector and we've had that since the 1990s, I'm
18 not sure exactly which year that came into play.

19 Yeah, we -- we do not have incentives for
20 the residential sector at this point. We considered it,
21 but at this point we do not have it.

22 MR. BOB PETERS: From that answer -- oh,
23 I'm sorry.

24

25 (BRIEF PAUSE)

1 MR. LLOYD KUCZEK: It was suggested that
2 I clarify that there is a difference between incentives
3 and loans. Incentives are basically dollars that are
4 given to a customer that they do not have to repay back.
5 A loan is a -- loan, like from a bank, they pay it back
6 with interest.

7 MR. BOB PETERS: Thank you for that, Mr.
8 Kuczek. And to make sure that I'm clear, for residential
9 customers you -- you have a loan program available that
10 they have to pay back at the Manitoba Hydro interest
11 rates over the five (5) year term.

12 MR. LLOYD KUCZEK: Correct, up over
13 fifteen (15) years for geothermal.

14 THE CHAIRPERSON: I thought I saw a press
15 release that indicated that geothermal loans, the rate
16 had been cut to four point seven fiver (4.75), or
17 something, from six and a half (6 1/2).

18 MR. LLOYD KUCZEK: 4.9 percent. But
19 you're correct for the first five (5) years, not all
20 fifteen (15) years.

21

22 CONTINUED BY MR. BOB PETERS:

23 MR. BOB PETERS: And for the residential
24 customers there is no incentive, as you've defined it.

25 MR. LLOYD KUCZEK: That's correct.

1 MR. BOB PETERS: But for commercial
2 customers there is the incentive and you've explained
3 that that's because there's a net electrical consumption
4 reduction as the benefit back to Manitoba Hydro.

5 MR. LLOYD KUCZEK: Yes, and it is
6 somewhat confusing, but it's related to the history and -
7 - and Manitoba Hydro/Centra deciding how to move forward
8 in terms of providing its customers with consistent
9 service.

10 We -- we ha -- prior to buying Centra gas,
11 we had the commercial program in place and we offered it
12 to our electrical customers and as I said, it was driven
13 by the economic value that we realized in the export
14 market. On the residential side, when we purchased
15 Centra gas we didn't have a residential program and we
16 subsequently developed one, but we did not develop one
17 involving incentives.

18 We had incentives in our plan for 2004 for
19 electric customers planned into the future -- and I don't
20 know the specific year, it might have been 2008/'09 or
21 '10, somewhere's in there --- and the -- the concept was
22 to offer it to consumers at that point.

23 In the earlier years, in 2004/'05 and
24 earli -- '05/'06, we decided not to offer incentives to
25 electric customers because the -- the infrastructure

1 wasn't in place in the geothermal industry; the demand
2 was such that -- or the -- the number of installers was
3 small.

4 We thought if we offered an incentive that
5 it would drive prices up and we didn't think -- and --
6 and the other concern was, is there was no -- nobody
7 really governing the installers. There was an experience
8 in Ontario where they offered incentives in the 1990's
9 and there was all sorts of issues with that program.

10 Based on that experience, based on our
11 consultations with the geothermal industry, they
12 supported that we not offer incentives at that time and
13 our latest discussions with them, they still prefer that
14 we do not offer incentives because of the infrastructure
15 problems.

16 MR. BOB PETERS: And the problem with the
17 infrastructure?

18 MR. LLOYD KUCZEK: No regulation in terms
19 of installers. We -- we actually do see systems that are
20 installed today, not -- not so much today, but in the
21 past few years whether -- if they're not installed
22 correctly, they don't operate properly.

23 So we've been working with the Canadian
24 GeoExchange Coalition to develop proper training in
25 Canada and a certification process and that's currently

1 being developed. And at some point in the near future we
2 expect that the industry will be regulated so that
3 wouldn't be a concern.

4 MR. BOB PETERS: That might be something
5 that Mr. Wall (phonetic) will be interested in and
6 following up at some time.

7 But in dealing with the -- the residential
8 consumer, do I take implicit from one (1) of your
9 answers, Mr. Kuczek, that if a residential customer went
10 to geothermal their electricity consumption would not
11 decrease, in fact it would increase?

12 MR. LLOYD KUCZEK: If a consumer was
13 using natural gas converted to geothermal, his electrical
14 consumption with -- would increase. If he was using
15 electric heat and went to geothermal, his electric
16 consumption would decrease.

17 MR. BOB PETERS: If you switched from
18 natural gas to geothermal, by how much would your
19 electricity consumption increase?

20 MR. LLOYD KUCZEK: I'll use -- use crude
21 numbers here. If you have a geothermal -- if you use a
22 natural -- if you use natural gas for heating your
23 electrical consumption's about 10,000 kilowatt hours. If
24 you have a geothermal system your consumption might be
25 twenty thousand (20,000) and if you're using electric

1 heat it'll be about thirty thousand (30,000); round
2 numbers.

3 MR. BOB PETERS: Sounds to me as if it
4 would double going from gas to geothermal?

5 MR. LLOYD KUCZEK: That's correct.

6 MR. BOB PETERS: In your DSM studies, did
7 you do any tests to see if there are any programs that
8 pass the TRC and the rim test related to geothermal heat?

9 MR. LLOYD KUCZEK: We did.

10 MR. BOB PETERS: And the results showed
11 what?

12 MR. LLOYD KUCZEK: They passed TRC for
13 geothermal. Well, we have a geothermal program right now
14 and we actually did an assessment including offering
15 incentives, and the results of that analysis showed that
16 it does pass TRC, if you offer to electrical consumers
17 only.

18 MR. BOB PETERS: Is that the only test it
19 passes?

20 MR. LLOYD KUCZEK: I can't recall if it
21 passed the RIM test, so that's why it wasn't responding
22 to that.

23 MR. BOB PETERS: And you qualified your
24 answer to me, Mr. Kuczek, by saying it passed the TRC
25 test only if it was for electrical customers.

1 Why wouldn't it work if it was for gas
2 customers?

3 MR. LLOYD KUCZEK: Incentives are
4 justified and -- through the export value. When you
5 offer the incentives to a natural gas customer the
6 electrical consumption goes up and takes away your --
7 your justification for providing those incentives.

8 MR. BOB PETERS: If I want the commercial
9 incentives that -- that you relate to, the geothermal,
10 I'll find that in the Power Smart Plan that you filed in
11 these proceedings, will I?

12 MR. LLOYD KUCZEK: If it's not in the
13 plan, it's on our website for sure.

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: Mr. Kuczek, I understood
18 from your answers that one (1) of the reasons you offer
19 incentives to commercial customers is that that will free
20 up some electricity for the Corporation to -- to
21 ostensibly export; would that correct?

22 MR. LLOYD KUCZEK: We offered because
23 it's an efficient use of electricity and there are
24 economic justifications to provide incentives to do that,
25 yes.

1 MR. BOB PETERS: But the ex -- but the
2 economic incentives have to be based on either the
3 present value of exporting it or the present value of not
4 having to build a new plant to provide the electrons?

5 MR. LLOYD KUCZEK: That's correct.

6 MR. BOB PETERS: And so under those two
7 (2) -- those two (2) choices are the incentives for the
8 commercial customers valued against the export
9 potential of the freed up energy?

10 MR. LLOYD KUCZEK: Yes.

11 MR. BOB PETERS: And that's what
12 justifies the incentives?

13 MR. LLOYD KUCZEK: Yes.

14 MR. BOB PETERS: Would it be the case
15 that even though you free up the electrons from the
16 Manitoba commercial customers by the DSM or use of the
17 geothermal that you may end up selling that -- those
18 electrons on the export market for less money than you
19 would receive from domestic customers?

20 MR. LLOYD KUCZEK: I'm sorry, you'll have
21 to repeat that.

22 MR. BOB PETERS: Well, let -- let me go
23 at this way: You may not be able to get an export price
24 the same and as high as what Manitoba customers are
25 paying?

1 MR. LLOYD KUCZEK: I believe we get
2 higher prices on the export market than what our domestic
3 customers are paying.

4 MR. BOB PETERS: You're suggesting that's
5 on average but not necessarily with every specific
6 electron that leaves Manitoba?

7 MR. LLOYD KUCZEK: There are times during
8 off peak periods and where we sell on the spot market
9 where the price could be less than the domestic market,
10 that's correct.

11 MR. BOB PETERS: And when a -- when a
12 commercial customer takes advantage of your incentives
13 and switches to geothermal, that electricity that would
14 be freed up would be sold on the spot market, would it
15 not?

16 MR. LLOYD KUCZEK: No, it actually would
17 be freed up for the long term and so the -- as part of
18 our portfolio of exports which would -- which would be
19 valued in the long term.

20 MR. BOB PETERS: And using the long-term
21 value, that would exceed the domestic revenue received
22 for the same quantity of electricity?

23 MR. LLOYD KUCZEK: That's correct.

24 MR. BOB PETERS: I'm probably going to
25 get ahead of myself here, Mr. Kuczek, but rather than

1 swear the Chairman in as a witness I understood you to be
2 telling us that the interest rate had dropped for the
3 geothermal loan rate, is that correct?

4 MR. LLOYD KUCZEK: Correct.

5 MR. BOB PETERS: And that was for the
6 five (5) -- first five (5) year term?

7 MR. LLOYD KUCZEK: Of the fifteen (15)
8 years, correct.

9 MR. BOB PETERS: What's the -- what's the
10 last ten (10) years going cost?

11 MR. LLOYD KUCZEK: Six point five (6.5).
12 Sorry, I should correct that. It will be the rate that
13 we'll be offering at that point; the -- the contract that
14 we have with the customer. I don't think -- in fact I
15 know it's not set at this point.

16 The -- you -- if you sign up today you
17 basically pay four point nine (4.9) set for the first
18 five (5) years and the rate at that time will be
19 determined by the rate that we're offering.

20 MR. BOB PETERS: 4.9 percent for the
21 first five (5) years if you're putting in a geothermal.
22 What is the loan interest rate if -- if a consumer is
23 doing some residential retrofit work?

24 MR. LLOYD KUCZEK: Six point five (6.5).

25 MR. BOB PETERS: And the term for the

1 residential customer doing the retrofit is a five (5)
2 year term to pay back the money?

3 MR. LLOYD KUCZEK: Correct.

4 MR. BOB PETERS: I'm sorry, it's five (5)
5 years?

6 MR. LLOYD KUCZEK: Correct.

7 MR. BOB PETERS: The maximum amount has
8 been changed from five thousand dollars (\$5,000) up to
9 seventy-five hundred (7,500) for a residential customer,
10 have I got that right?

11 MR. LLOYD KUCZEK: Correct.

12 MR. BOB PETERS: I see -- can you explain
13 to the Board, Mr. Kuczek, why a geothermal homeowner
14 would get a break on the interest rate and a longer term
15 to pay back the money compared to a residential customer
16 who is struggling to insulate their home and keep their
17 energy bills down?

18 MR. LLOYD KUCZEK: I'll deal with the
19 rate first. The reason -- the rationale for the rate
20 reduction was related to the Bill 11, Affordable Energy
21 Fund. I believe everyone knows that that fund was
22 created last year and part of that fund -- part of the
23 funds were allocated to promoting geothermal. And a
24 decision was made between our CEO and the Minister
25 responsible for Manitoba Hydro to offer that subsidised

1 interest rate loan for geothermal as part of that
2 initiative.

3 MR. BOB PETERS: We've heard in these
4 proceedings that the affordable energy fund has been
5 seeded with, I believe it's \$35 million, Mr. Kuczek.

6 MR. LLOYD KUCZEK: Correct.

7 MR. BOB PETERS: And of that 35 million,
8 16 million was going to go to the gas side of the
9 business, have I got that right?

10 MR. LLOYD KUCZEK: No, I'm not -- it's --
11 it's -- no, I'm not sure if somebody testified to that
12 earlier or where that came from.

13 MR. BOB PETERS: It was in the recesses
14 of my mind, so it's probably wrong, Mr. Kuczek. But has
15 -- has the 35 million been divided up as between the
16 electric and the gas side?

17 MR. LLOYD KUCZEK: No, it's all electric.
18 It's all related to the electric side of the business.
19 Although, there might be benefits to the gas side, as
20 well. But it's a -- the fund is an electric fund, I
21 guess.

22 MR. BOB PETERS: The -- the fund was set
23 up from the net export revenue of electricity from
24 Manitoba Hydro, correct?

25 MR. LLOYD KUCZEK: Correct.

1 MR. BOB PETERS: It's a once only fund
2 set up in consultation with the Minister responsible for
3 Manitoba Hydro Corporation.

4 MR. LLOYD KUCZEK: Correct.

5 MR. BOB PETERS: And if I recall the
6 materials, the -- the percentage of net export revenue
7 that was selected, it was approximately 5.5 percent?

8 MR. LLOYD KUCZEK: Correct.

9 MR. BOB PETERS: And I -- I thought I
10 read and you're correcting me and that -- as between the
11 gas and electric, it's now going to be 100 percent on the
12 electric side.

13 MR. LLOYD KUCZEK: When I say that, the -
14 - the fund is being funded from the electric side.

15 MR. BOB PETERS: I -- I understand that,
16 but I'm wondering about how the monies are going to be
17 paid out, if you -- if there's a decision made as to how
18 much can be paid on account of electric DSM and programs
19 on how much we've paid out on the gas side.

20 MR. LLOYD KUCZEK: No decision has been
21 made in terms of allocating it in that respect. What --
22 what has been decided is that the -- the amounts will be
23 funded from that 35 million to different categories. I
24 think you mentioned 16 -- 16 million to low income; the -
25 - the actual number is 19 million.

1 MR. BOB PETERS: And you told me that
2 some of that 35 million was going to geothermal; do you a
3 price tag for that?

4 MR. LLOYD KUCZEK: 6 million.

5 MR. BOB PETERS: And let's -- let's fill
6 up the -- the balance of the ledger. 6 million for
7 geothermal, 19 million for low income; where's the rest
8 going?

9 MR. LLOYD KUCZEK: 8 million is for
10 community energy development, .25 million is for
11 expanding the eligibility of Power Smart programs in
12 Manitoba to include residential homes heated with un --
13 other energy forms, and that's been announced publically;
14 oil, propane and wood. And we have 0.75 million
15 allocated for rural and northern support and outreach and
16 1 million is allocated for special projects which were
17 undefined at this point.

18 MR. BOB PETERS: Contingency fund, that
19 last one?

20 MR. LLOYD KUCZEK: Yes, we have some
21 ideas, but --

22 MR. BOB PETERS: Yeah, you had to be here
23 yesterday to get that joke, but sorry about that. You --
24 you mentioned an \$8 million community centre fund out of
25 the 35 million, affordable energy fund.

1 Can you explain to the Board what this is
2 targeted for?

3 MR. LLOYD KUCZEK: It's targeted for
4 generation projects; they could be small wind, they could
5 be low flow hydro. But it's more on the generation side.

6 MR. BOB PETERS: The seven hundred and
7 fifty thousand (750,000) earmarked for -- for rural and
8 northern projects, what are the types of projects that
9 are envisioned for that money?

10 MR. LLOYD KUCZEK: The seven hundred and
11 fifty thousand (750,000) you...?

12 MR. BOB PETERS: Yes, I -- I took you to
13 say it was .75 million on rural and northern projects.

14 MR. LLOYD KUCZEK: Yeah, we haven't found
15 exactly what we're going to do with that, so, it would be
16 premature for me to suggest what we're going to do
17 exactly.

18 We did consider possibly hiring a few more
19 staff to assist those communities in geothermal.

20 Another option could be supporting a
21 community-based initiative such as the Government had
22 supported through the C4 initiative a year ago -- or two
23 (2) years ago.

24 MR. BOB PETERS: When you told the Board
25 there was \$19 million of the affordable energy fund total

1 of 35 million potentially targeted for low income
2 matters, is that for low income demand side management
3 programs?

4 MR. LLOYD KUCZEK: Correct.

5 MR. BOB PETERS: And are those low income
6 programs on demand side management to be related to gas-
7 heated homes or electric-heated homes or does it matter?

8 MR. LLOYD KUCZEK: It doesn't matter.

9 MR. BOB PETERS: Does that suggest then
10 that the program is a weatherization program to improve
11 the envelope of the home regardless of the heat source?

12 MR. LLOYD KUCZEK: It'll -- it'll be
13 regardless of the heat -- heat source, correct.

14 MR. BOB PETERS: Does it include the free
15 -- the free supply of materials?

16 MR. LLOYD KUCZEK: It'll depend on the --
17 the particular project. With the Centennial project and
18 the Island Lake project that's what we did with that
19 project and both those projects were funded out of that
20 19 million.

21 We're envisioning moving forward with more
22 or less a province-wide program which would include
23 community-based initiatives as part of that and how
24 that's going to unfold will be determined after we
25 announce the program and get it approved.

1 MR. BOB PETERS: All right. I'm -- I'm
2 certainly getting ahead of myself in my notes here, Mr.
3 Kuczek, but the -- the \$19 million fund, in essence
4 you're telling the Board, you don't have all of the
5 program specifically worked out yet and I think in your
6 evidence to Ms. Murphy you suggested to the Board that
7 that would be a matter that would be probably completed,
8 was it late summer of this year?

9 MR. LLOYD KUCZEK: We're actually hoping
10 to take something to our executive earlier than that with
11 the launch of it occurring later this summer or fall.

12 MR. BOB PETERS: And when you say "the
13 launch of it," would that be the launch of the other
14 items of the 35 million?

15 MR. LLOYD KUCZEK: No, those would be
16 launched individually as they're approved.

17 MR. BOB PETERS: And so the -- the
18 launching that you're talking about in getting your own
19 internal Board approval is -- is to how to allocate the
20 \$19 million of the Affordable Energy Fund on low income
21 initiatives?

22 MR. LLOYD KUCZEK: For the -- yeah, it
23 would be approval to proceed with the low income program;
24 whether all 19 million would be used up with that program
25 is to be determined.

1 MR. BOB PETERS: Thank you.

2 THE CHAIRPERSON: Have you developed a
3 concrete view as to what is low income?

4 MR. LLOYD KUCZEK: Again, we don't have
5 that approved but for the Centennial project we used the
6 -- it's -- I refer to it as "the HIL," H-I-L criteria.
7 It -- it varies depending on the number of people in a
8 household and the income of the household.

9
10 CONTINUED BY MR. BOB PETERS:

11 MR. BOB PETERS: Mr. Kuczek, can you
12 indicate to the Board what the natural gas penetration
13 rate is in the market for your new construction?

14 MR. LLOYD KUCZEK: Natural gas
15 penetration for heating or hot water?

16 MR. BOB PETERS: Well, it's an
17 interesting division. Let's start with heating and --
18 and deal with that first.

19 MR. LLOYD KUCZEK: For heating it's
20 approximately 96 percent in natural gas serviced areas.
21 For hot water it's much lower. It's -- new homes in
22 natural gas serviced areas are virtually all natural gas
23 at this point.

24 MR. BOB PETERS: You may have misspoken--

25 MR. LLOYD KUCZEK: Electric, I mean.

1 Sorry.

2 MR. BOB PETERS: All right. What you're
3 saying is that in new construction virtually 100 percent
4 of the hot water heaters are electric?.

5 MR. LLOYD KUCZEK: Yes.

6 MR. BOB PETERS: Can you explain to the
7 Board why that's the case?

8 MR. LLOYD KUCZEK: Well, the market
9 transformed a number of years ago and it wasn't that long
10 ago, but when high efficient furnaces came along the
11 venting requirements changed for tho -- for high
12 efficient furnaces such that it became uneconomic for the
13 home builders to put in -- or more economic for them to
14 put electric hot water tanks and that's why they're being
15 put in now.

16 Homes aren't even designed -- the new
17 homes, the mass market doesn't design chimneys even
18 anymore, they're side vented, so if you put in a hot
19 water elect -- natural gas hot water tank, they're -- the
20 costs are higher. With electric, all you're doing is
21 putting electrical service to it and there's no venting
22 required.

23 MR. BOB PETERS: So the -- the gains in
24 the high efficiency gas furnace are causing consumers not
25 to want to build chimneys into their home and that's

1 because the gas furnace is vented to the side and,
2 therefore, rather than build a chimney for just the hot
3 water tank, they go to an electric source.

4 MR. LLOYD KUCZEK: Yes, it's driven by
5 economics.

6 MR. BOB PETERS: How much does a chimney
7 cost? I don't mean that -- I mean, that was a little
8 silly, but -- but it -- does it have to be a full chimney
9 or is it just a vent stack or how is it -- what's the
10 most economical way and what's the cost of that to -- to
11 provide to consumers?

12 MR. LLOYD KUCZEK: I actually don't have
13 the cost with me, so I couldn't provide that, but I know
14 the home builders are always looking at saving every
15 dollar and so they've assessed it and it's more economic
16 to -- to put in the electric hot water tanks. But I
17 don't know the specific number.

18 MR. BOB PETERS: And there's new
19 technology coming along on -- on gas hot water tanks so
20 that they can be vented out the side of the home as well.

21 MR. LLOYD KUCZEK: That's my
22 understanding.

23 MR. BOB PETERS: And is that technology
24 now being used?

25

1 (BRIEF PAUSE)

2

3 MR. LLOYD KUCZEK: We don't have -- we --
4 we're not -- we're not aware of very many people or if
5 any actually that are using it right now.

6

7 (BRIEF PAUSE)

8

9 MR. BOB PETERS: Mr. Kuczek, you'd
10 indicated that there was a 96 percent penetration rate of
11 gas for home heating in new developments within your
12 franchised territories?

13 MR. LLOYD KUCZEK: Correct.

14 MR. BOB PETERS: Is that market
15 penetration -- what do you understand to be the reason
16 for the market penetration rate being so high for natural
17 gas?

18 MR. LLOYD KUCZEK: Economics.

19 MR. BOB PETERS: All right. Maybe a good
20 segue unrehearsed, Mr. Kuczek, I left with your counsel
21 this morning and I put on some people's chairs typical
22 home and water heating costs, a three (3) page document
23 that was taken off of the Manitoba Hydro website,
24 possibly yesterday.

25 You're familiar with that document, sir?

1 MR. LLOYD KUCZEK: Correct.

2 MR. BOB PETERS: You can identify it as
3 being one that was created by Manitoba Hydro and Centra
4 Gas?

5 MR. LLOYD KUCZEK: Correct.

6 MR. BOB PETERS: Just for the tidiness of
7 the record, Mr. Chairman, I'll propose that this be
8 marked as Centra Exhibit 8 unless there are any
9 objections from My Friends.

10 MS. MARLA MURPHY: I think it should be
11 9.

12 MR. BOB PETERS: PUB Exhibit 8 or do you
13 want it as -- I won't fight you for it, Ms. Murphy.

14 MS. MARLA MURPHY: No, if you want to
15 mark it as a PUB one, that's fine.

16 MR. BOB PETERS: All right. I just
17 thought since I was introducing. I'll call it a PUB
18 Exhibit Number 8, Mr. Chairman.

19 THE CHAIRPERSON: So be it.

20

21 --- EXHIBIT NO. PUB-8: A three (3) page document
22 that was taken off of the
23 Manitoba Hydro website
24 stating typical home and
25 water heating costs

1

2 CONTINUED BY MR. BOB PETERS:

3 MR. BOB PETERS: And, Mr. Kuczek, the top
4 half (1/2) of the front page with the -- the graphs, the
5 bar graphs, is about heating the home and the bottom is
6 about heating water in the home; have I got that right?

7 MR. LLOYD KUCZEK: Correct.

8 MR. BOB PETERS: This is information that
9 you publish on your website to consumers as a way of
10 providing them with objective information about home
11 heating costs?

12 MR. LLOYD KUCZEK: Correct.

13 MR. BOB PETERS: When one looks at the
14 home heating costs, you indicated to the Board that the
15 96 percent market penetration rate for new residential
16 construction was related to economics, correct?

17 MR. LLOYD KUCZEK: Correct.

18 MR. BOB PETERS: Using PUB Exhibit number
19 8, can you demonstrate to the Board what you mean by the
20 economics of the home heating supporting such a high
21 penetration rate of gas-heated homes?

22 MR. LLOYD KUCZEK: Well, when I say the
23 driver is economics, I should probably add it's also
24 trend -- trends and the current practices of -- and past
25 practices of the home builders and consumers desires and

1 expectations, I guess.

2 Because with the home builders asso --
3 what we found out is they don't like to change the
4 method, the way they do things, from year to year and
5 they've been putting in natural gas heating systems for
6 years and years. And so you have to have significant
7 differences for -- not significant differences, but you
8 have to have a significant or enough of an economic
9 advantage for them to change.

10 If you look at the cost of heating a
11 natural gas home based on this information with a high-
12 efficient furnace, it costs you nine hundred and ninety-
13 one dollars (\$991) and a comparable furnace would be
14 eleven hundred and twenty-three dollars (\$1,123) for an
15 electric.

16 So it's more economic to install a natural
17 gas furnace from an operating perspective.

18 MR. BOB PETERS: Historically, the
19 advantages of natural gas were -- were much higher than
20 they are on this chart, PUB Exhibit 8, correct?

21 MR. LLOYD KUCZEK: Correct.

22 MR. BOB PETERS: And that's -- that's --
23 that was a function of whatever the commodity cost of gas
24 was?

25 MR. LLOYD KUCZEK: Correct.

1 MR. BOB PETERS: Would -- would you agree
2 with me, Mr. Kuczek, that the trend in the cost of
3 natural gas has been to increase with some significance
4 over the last decade?

5 MR. LLOYD KUCZEK: Yes.

6 MR. BOB PETERS: And the cost of
7 electricity over that same time hasn't kept the same
8 pace?

9 MR. LLOYD KUCZEK: Correct.

10 MR. BOB PETERS: And, therefore, the --
11 whatever price advantage does exist or did exist for
12 natural gas, it's at least much less than it used to be?

13 MR. LLOYD KUCZEK: Correct.

14 MR. BOB PETERS: And, Mr. Warden, from a
15 policy perspective, would you agree with me that long-
16 term, Centra is getting advice that the commodity cost of
17 natural gas is not likely to decrease?

18 MR. VINCE WARDEN: Correct.

19 MR. BOB PETERS: And would it be correct
20 to say, Mr. Warden, that the advice that Centra is
21 getting including from EEA who have filed -- whose
22 material has been filed in these proceedings, that the --
23 the next five (5) years the -- the cost of gas could be
24 between the eight (8) and the ten dollar (\$10) Canadian
25 per gigajoule mark, and that wouldn't be a surprise to --

1 to most people.

2 MR. VINCE WARDEN: It wouldn't be a
3 surprise to -- to Centra Gas, at least.

4 MR. BOB PETERS: And if it does go to
5 that eight (\$8) to ten dollar (\$10) range, that would be
6 more than it presently is?

7 MR. VINCE WARDEN: Well, the price of
8 natural gas is very volatile and it s currently very
9 close to that -- the lower -- lower part of that eight
10 (\$8) to ten dollar (\$10) range. But it's certainly been
11 above that as well.

12 MR. BOB PETERS: Right. And -- and you
13 would expect -- and I believe, and I'm not going to put
14 words into the EEA report, but there -- there will be
15 weather-affected impacts on the cost of natural gas over
16 the next five (5), ten (10) years and that's a certainty?

17 MR. VINCE WARDEN: Do you mean weather
18 events that will cause the price of natural gas to spike
19 at certain times?

20 MR. BOB PETERS: Yes. What I was
21 specifically meaning was there could be more hurricanes
22 or --

23 MR. VINCE WARDEN: Yes.

24 MR. BOB PETERS: -- things of that
25 nature, and that will cause natural gas prices to be

1 impacted.

2 MR. VINCE WARDEN: Based on past
3 experience, yes, that will be the case.

4 MR. BOB PETERS: And most of the weather-
5 related impacts have the -- have the affect of increasing
6 gas prices, Mr. Warden, not decreasing them, correct?

7 MR. VINCE WARDEN: That's been the
8 experience, yes.

9 MR. BOB PETERS: And even when the
10 weather is great and sunny and bright like today and gets
11 hot, what ends up happening is that there's a demand for
12 airconditioning and many of the markets rely on
13 electricity for that generated through natural gas
14 turbines.

15 MR. VINCE WARDEN: Correct.

16 MR. BOB PETERS: So, again, the demand
17 for gas would -- would increase even if the weather is
18 good?

19 MR. VINCE WARDEN: That happens, yes.

20 MR. BOB PETERS: Mr. Warden, would you be
21 prepared to say that on PUB/CENTRA Exhibit 8, this is
22 probably the best-looking scenario that one would, on
23 average, expect over the next five (5) to ten (10) years
24 in terms of the price competitiveness between gas and
25 electricity?

1 (BRIEF PAUSE)

2

3 MR. VINCE WARDEN: No, I wouldn't like to
4 speculate on that. We -- we do have forecasts of -- of
5 both commodities increasing over that period of time and
6 I haven't projected this chart to determine whether it's
7 -- this is the best time or not in terms of
8 competitiveness.

9 It is what it is today and we don't
10 attempt for -- to project that in the future for purposes
11 of assisting customers with their decision making. We --
12 we do our best to provide information to customers based
13 on current conditions but for the reasons we talked about
14 changes will occur in the future that to a large extent
15 are beyond the control of Manitoba Hydro so we -- we
16 don't speculate on what the -- those prices about --
17 those comparative prices might be five (5) years from
18 now.

19 MR. BOB PETERS: You -- you do
20 acknowledge though that natural gas used to be a better
21 option that it is today in terms of competitiveness? It
22 used to be cheaper to heat your home with gas than it is
23 for the typical home now of nine hundred and ninety-one
24 dollars (\$991) a year?

25 MR. VINCE WARDEN: It used to be

1 considerably cheaper, yes.

2 MR. BOB PETERS: And so the
3 competitiveness that natural gas had or the advantage
4 that it had has -- is -- has been largely eroded?

5 MR. VINCE WARDEN: As Mr. Kuczek just
6 reviewed, yes, it's the -- the comparativeness is very
7 close today between the two (2) -- two (2) sources of
8 fuel.

9 MR. BOB PETERS: Has anybody on the panel
10 done a crossover or a point where what would have to be
11 the gas price to -- to make those -- the economics
12 neutral -- absolutely neutral from a dollar perspective?

13 MR. VINCE WARDEN: It could be easily
14 done but I don't think we've -- we've done that, that I'm
15 aware of.

16 MR. BOB PETERS: Gas wouldn't have to go
17 up a whole lot more than electricity to -- to make it
18 entirely economically neutral as to which -- which source
19 of home heat would be used?

20 MR. VINCE WARDEN: Correct.

21 MR. BOB PETERS: And in that instance one
22 (1) of the decisions that would have to be made would be
23 the decision on whether to convert from your existing
24 heat source to electricity if you're not using
25 electricity already?

1 MR. VINCE WARDEN: Yes, I agree.

2 MR. BOB PETERS: And conversion has --
3 conversion will have costs attached to it?

4 MR. VINCE WARDEN: Absolutely.

5 MR. BOB PETERS: And there may be
6 expenses related to getting the home ready to receive
7 electric -- electric heat if the conversion was from gas
8 to electricity?

9 MR. VINCE WARDEN: Yes.

10 MR. BOB PETERS: Is it generally the case
11 that electric furnaces are less expensive than gas
12 furnaces? Or are you able to comment on that, Mr. Kuczek?

13 MR. LLOYD KUCZEK: Electric furnaces are
14 generally less than natural gas furnaces but with new
15 home construction the industry has matured to the point
16 where natural gas furnaces are quite low in cost.

17 MR. BOB PETERS: Can you give the Board
18 some relative, at least ballpark prices?

19 MR. LLOYD KUCZEK: I -- I don't have what
20 --what they would pay for electric because I don't --
21 because the industry's actually buying natural gas
22 furnaces right now, but what I do know is they can buy
23 natural gas furnaces in bulk for under a thousand
24 dollars.

25 MR. BOB PETERS: Those -- those are gas

1 furnaces?

2 MR. LLOYD KUCZEK: High efficient gas
3 furnaces.

4 MR. BOB PETERS: Really. And what about
5 the electric furnaces that have -- the forced-air
6 electric furnaces; what would be an approximate cost of
7 those?

8 MR. LLOYD KUCZEK: I don't have a number
9 for that because like I say the industry isn't buying
10 those in bulk and I'm not sure what the cost is retail
11 for those -- those but if they converted -- what I would
12 suggest is if the -- the market went that way and they
13 started buying bulk, electric should be cheaper than
14 natural gas so it would be less than a thousand (1,000)
15 dollars.

16 MR. BOB PETERS: Do I take, Mr. Warden
17 and Mr. Kuczek, from the answers so far this morning,
18 that natural gas would not be competitive for building a
19 new home outside of existing franchise areas?

20 MR. LLOYD KUCZEK: It wouldn't be
21 competitive if natural gas service is not available?

22 MR. BOB PETERS: That's what I was trying
23 to get at, Mr. Kuczek; is if -- if natural gas services
24 are not already available but you had to extend them to
25 accommodate some new houses, that's generally not an

1 economical prospect?

2 MR. LLOYD KUCZEK: From a rural expansion
3 perspective, no. Depends how far you would have to
4 expand, I guess is.

5 MR. BOB PETERS: Well, looking at PUB
6 Exhibit Number 8, if you had to expand your mains and do
7 it such that your feasibility test was -- was going to
8 cost a consumer a hundred and thirty dollars (\$130) then
9 it's cheaper to go electric?

10 MR. LLOYD KUCZEK: It wouldn't take much,
11 so, you're correct.

12 MR. BOB PETERS: Mr. Warden, would you
13 think it reasonable that if relative to electricity the
14 price of gas increased by 30 percent, there would be no
15 growth in the gas market?

16 MR. VINCE WARDEN: I think that's a
17 logical conclusion, Mr. Peters. Everything else being
18 equal, but as always happens, everything doesn't stay the
19 same. If that situation were to occur and -- and be a --
20 a permanent feature of gas prices, there would be an
21 impact on electricity distribution systems.

22 If we had mass conversion from -- from
23 natural gas to electricity, the cost of electricity would
24 have to rise as well because distribution systems could
25 not handle that -- that mass conversion over from natural

1 gas.

2 So -- so it's a complicated question or a
3 complicated answer, I guess. It's -- it's -- but it's --
4 it's not as -- as simple as looking at a -- at a 1:1
5 ratio.

6 MR. LLOYD KUCZEK: Mr. Peters, I'd like
7 to add that there -- there's other considerations too
8 that we find in the marketplace. Consumers actually have
9 a preference for natural gas for other reasons other than
10 heating. And so once -- even if the price was level,
11 there would still be a preference for natural gas.

12 Those uses -- usages are related to
13 natural gas fireplaces as opposed to electric fireplaces.
14 We're hearing from the home builders consu -- there's a
15 number of consumers that actually like using natural gas
16 for heating; they like the convenience of having natural
17 gas for barbeques as well.

18 MR. BOB PETERS: Mr. Warden, at what
19 point in time does Manitoba Hydro, the -- the parent
20 company, stand up to consumers and say, hold a second
21 here, long-term, economically better to use electricity,
22 let's not start bringing gas infrastructure into these
23 new developments because it's going to cost millions and
24 millions of dollars and it will plant that will largely
25 be unutilized?

1 MR. VINCE WARDEN: Well, it is an issue.
2 It's a very important issue that we are currently
3 thinking a lot about and we don't have a good answer for
4 it at this time, but, the whole economics of natural gas
5 and the outflows of dollars from the province to --
6 largely to Alberta, the environmental impacts of
7 electricity versus natural gas.

8 The whole export equation that we would
9 have to consider, the impacts on distribution systems
10 that -- that I referenced earlier. So it -- we would
11 have to consider all of those things before we stand up
12 and say -- make any kind of announcement to customers
13 that they can rely on for the future and we're just not
14 at that point yet.

15 THE CHAIRPERSON: Mr. Peters, I am going
16 to have to ask you to pause for a moment. We are going
17 to take a fifteen (15) minute break now.

18 MR. BOB PETERS: Certainly, thank you,
19 Mr. Chairman.

20
21 --- Upon recessing at 10:40 a.m.

22 --- Upon resuming at 11:02 a.m.

23

24 THE CHAIRPERSON: Okay, folks. Mr.
25 Peters, do you want to resume?

1 CONTINUED BY MR. BOB PETERS:

2 MR. BOB PETERS: Yes, thank you, Mr.
3 Chairman. Just looking over my notes, Mr. Kuczek, I
4 wonder if you could undertake, recognizing you don't have
5 the calculation done, to provide a calculation to the
6 Board showing where -- what the cost of natural gas would
7 have to rise to, to make exactly the same economics as
8 heating your home ele -- with electricity for this
9 typical -- sorry, for this average single residence that
10 you've shown on PUB/CENTRA- 8.

11

12 --- UNDERTAKING NO. 21: Using the current electricity
13 prices, Centra to indicate to
14 Mr. Bob Peters what the cost
15 of natural gas would have to
16 rise to, to make exactly the
17 same economics as heating
18 your home with electricity
19 for this average single
20 residence that was shown on
21 PUB/CENTRA-8

22

23 MS. MARLA MURPHY: We can undertake to do
24 that. I was just clarifying we'll assume the current
25 electricity prices, is that what you're asking for?

1 MR. BOB PETERS: I haven't seen a rate
2 increase application, Ms. Murphy, so let's make that
3 assumption.

4 MS. MARLA MURPHY: Fair enough.

5
6 CONTINUED BY MR. BOB PETERS:

7 MR. BOB PETERS: All right. Thank you.

8 MR. LLOYD KUCZEK: We -- we can do that
9 calculation fairly quick and probably have it back to you
10 because it -- it's just a question of how much primary
11 gas is going to go up and -- and to get those two (2)
12 numbers to be equal, so it's not a complicated
13 calculation. It's about 20 percent.

14 MR. BOB PETERS: Agreed. And we just
15 wanted to have the number on the record in the event that
16 it was -- if -- the event it was required.

17

18 (BRIEF PAUSE)

19

20 MR. BOB PETERS: If there's confusion or
21 clar -- clarification required, just -- we'd certainly be
22 pleased to speak to Ms. Murphy about that.

23 Mr. Kuczek, Mr. Warden has acknowledged
24 that the economics of heating your home with natural gas
25 have changed significantly over the past decade and I

1 wonder if it's possible, sir, for you to provide, again
2 as a further undertaking, a recreation of PUB Exhibit 8,
3 but take the Board back to the pre-acquisition days of --
4 of -- when Manitoba Hydro acquired the gas company, what
5 it would have back, say in 1999.

6 Would you be able to do that?

7 MR. LLOYD KUCZEK: Yes.

8 MR. BOB PETERS: And -- and without
9 peaking at the end of the -- end of the book, Mr. Kuczek,
10 what it will show is what I suggested to Mr. Warden, is
11 that relative to electricity, natural gas was a
12 considerably more economic option for home heating,
13 including water heating.

14 MR. LLOYD KUCZEK: Yes.

15 MR. BOB PETERS: Okay, we'll look forward
16 to seeing those results. Mr. Kuczek, for the current and
17 past few years do you have information on how many gas
18 customers have currently high efficiency furnaces, mid
19 efficiency furnaces and conventional furnaces?

20 MR. LLOYD KUCZEK: What I have is data on
21 that information for '07/'08 in our database, if you
22 would like that.

23 MR. BOB PETERS: Yes, it would be helpful
24 to the Board. Can you put that on the record now or do
25 you need to that by way of an under -- an undertaking?

1 MR. LLOYD KUCZEK: No, I can provide that
2 now. It -- it's -- if you're okay with our forecast.
3 This is what -- this is based on existing information and
4 just forecasting going forward. And what we have for --
5 you're wanting to know what the saturation is for the
6 different efficiencies for furnaces?

7 MR. BOB PETERS: That's what I would like
8 and when -- just to make sure, I want to know that -- is
9 this for the forecast year that ends in '07?

10 MR. LLOYD KUCZEK: Ends in Ap -- no, '08.

11 MR. BOB PETERS: We'll take the -- the
12 forecast amounts, please.

13 MR. LLOYD KUCZEK: Okay. So for the 60
14 percent efficient furnaces the saturation is 24.9 percent
15 of all customers that have natural gas service; have 60
16 percent efficient furnaces. The 82 percent furnaces is
17 thirty-eight point four (38.4). And high efficient
18 furnaces is twenty-one point nine (21.9).

19 MR. BOB PETERS: In terms of how that is
20 trending, Mr. Kuczek, can you tell -- explain to the
21 Board what trends the Corporation has seen with respect
22 to those efficiencies of furnaces?

23 MR. LLOYD KUCZEK: The trends are
24 certainly away from -- or certainly towards no more 60
25 percent efficient furnaces because they're not on the --

1 available on the market and it would be below regulations
2 now, Canadian regulations, to bring those into Canada,
3 but they're not manufactured. So all installations going
4 in the replacements are a minimum 82 percent or the code
5 requires seventy-eight (78), but they're generally about
6 82 percent so the shift is towards high-efficient
7 furnaces though.

8 THE CHAIRPERSON: Mr. --

9 MR. LLOYD KUCZEK: More and more people
10 in the retrofit market as well as the new home market are
11 putting high-efficient furnaces in.

12 THE CHAIRPERSON: Mr. Kuczek, just to
13 check something, the table you read or what I have, it
14 doesn't add up to a hundred. Did I mishear you?

15 MR. LLOYD KUCZEK: No, we actually -- I
16 said that was a percentage of all our natural gas
17 customers. There are some customers that have boiler
18 systems. 4.9 percent have boiler systems.

19 There are some customers that are in --
20 what I gave you was just the single family dwellings. We
21 actually have another category called -- we call it
22 multi-family but it actually is a catch-all for condos,
23 duplexes, triplexes, all the other type of buildings. In
24 there there's -- you can add another 3.9 percent for the
25 60 percent efficient, 3.4 percent for the multi- -- for

1 the 82 percent mid-efficient and 1.1 percent for the high
2 efficient.

3 And now if you add all that up you'll get
4 closer to a hundred percent but you're still not going to
5 get a hundred percent. There's -- we have some customers
6 that actually -- it's 1.5 percent that take natural gas
7 service that don't heat with natural gas for some reason
8 or another.

9 MR. BOB PETERS: Mr. Kuczek, just for
10 the tidiness of the record could you maybe provide that
11 in chart form to the Board as well?

12 MR. LLOYD KUCZEK: It's actually in our
13 response to PUB-16.

14 MR. BOB PETERS: Six zero (60)?

15 MR. LLOYD KUCZEK: One (1) -- one six
16 (16).

17 MR. BOB PETERS: In terms of the
18 conversion or migration over the last several years I
19 believe the information that you're also referencing
20 indicates that there's approximately six thousand (6,000)
21 furnace change-outs a year going on in the service
22 territory. Have I recalled that number correctly?

23 MR. LLOYD KUCZEK: That's a number that
24 I'm not familiar with.

25 MR. BOB PETERS: Maybe I'll ask it the

1 other way then is: What do your records reflect as being
2 the expected number of gas furnaces that will be replaced
3 in the next year?

4 MR. LLOYD KUCZEK: I actually don't know
5 that off the top of my head.

6 MR. BOB PETERS: I might come back to
7 that with you, sir.

8 But back to the -- the methods of heating
9 a --a home is the Corporation seeing much migration from
10 electric furnaces to natural gas furnaces?

11 MR. LLOYD KUCZEK: No.

12 MR. BOB PETERS: Again, is the reason
13 economics as well as customer preference being the -- the
14 only understanding you have as to why that's the case?

15 MR. LLOYD KUCZEK: Generally speaking if
16 a customer has a natural gas furnace and is replacing
17 that furnace, they replace it with the same type of fuel
18 furnace as they originally had.

19 MR. BOB PETERS: Do they not have a
20 chance at that point in time to decide whether they want
21 to change the source of their heat?

22 MR. LLOYD KUCZEK: That's correct.

23 MR. BOB PETERS: And when they do that is
24 there any input provided by Manitoba Hydro as to what
25 options they should consider?

1 MR. LLOYD KUCZEK: Customers do phone us
2 on a I guess a regular basis asking for advice so what we
3 do is just provide customers with information on the --
4 the two (2) fuel choices and let the customer choose
5 themselves which is best for them.

6 MR. BOB PETERS: When you say you provide
7 them with information, is it anymore information than
8 what's -- what's visible here in PUB Exhibit 8?

9 MR. LLOYD KUCZEK: This is generally what
10 we provide. If anymore information is provided by
11 individual employees I -- I couldn't speak to that.

12 MR. BOB PETERS: So generally it's
13 Manitoba Hydro and Centra's position that if consumers
14 are needing information on the economics of home heating
15 and water heating, you refer them to this chart on your
16 website?

17 MR. LLOYD KUCZEK: Yes. And if we're
18 having discussions we would suggest that they take into
19 account other considerations such as where they think
20 prices are going and those sort of issues.

21 MR. BOB PETERS: Does Manitoba Hydro and
22 Centra Gas proactively educate the customer in that area
23 or do you wait for the customer to make the inquiries of
24 Manitoba Hydro or Centra Gas?

25 MR. LLOYD KUCZEK: Proactive in the sense

1 that we put it on our website but not proactive in terms
2 of marketing it in newspapers, sending it in bill
3 inserts, no.

4 MR. BOB PETERS: Do you have any idea
5 what percentage of customers changing out furnaces every
6 year do, in fact, contact Centra or Manitoba Hydro
7 looking for advice?

8 MR. LLOYD KUCZEK: No, I don't.

9 MR. BOB PETERS: That's something that's
10 not tracked?

11 MR. LLOYD KUCZEK: Correct.

12 MR. BOB PETERS: It would be a very low
13 percentage, you would estimate?

14 MR. LLOYD KUCZEK: Very low.

15 MR. BOB PETERS: Can I push you to give
16 the Board an order of magnitude of -- of what percentage
17 of customers you think would contact the Corporation
18 looking for advice prior to changing out their home
19 heating furnace?

20 MR. LLOYD KUCZEK: Less than 1 percent.

21 MR. BOB PETERS: One of the matters we
22 talked about before the break, Mr. Kuczek, was that on
23 top of the economics of the cost of fuel source, there
24 would also have to be conversion costs considered.

25 MR. LLOYD KUCZEK: That's correct.

1 MR. BOB PETERS: And when we talk about
2 conversation costs, that would include things such as
3 replacing the actual furnace unit and perhaps having to
4 install duct work if it's not presently there?

5 MR. LLOYD KUCZEK: Yes, and if you're
6 considering electric furnace you would have to
7 potentially upgrade your panel. If you're going to a
8 high efficient furnace, you have to consider ducting or
9 venting considerations.

10 MR. BOB PETERS: All right. I think
11 we've mixed sources of heat there, but let's start with
12 the natural gas side of things.

13 If a person was converting, and you're
14 telling the Board that the trend is if you have a natural
15 gas furnace and it goes, whatever that means, you usually
16 you replace it with another natural gas furnace?

17 MR. LLOYD KUCZEK: That's correct.

18 MR. BOB PETERS: And now that would be
19 replaced with either a mid efficiency or a high
20 efficiency furnace?

21 MR. LLOYD KUCZEK: Correct.

22 MR. BOB PETERS: And the capital cost of
23 those high efficiency gas furnaces, at least from the new
24 home construction industry, they're available for
25 approximately a thousand (\$1,000) dollars per unit?

1 MR. LLOYD KUCZEK: That's right. And
2 then retrofits including labour, installation, you get
3 prices ranging from thirty-five hundred (3,500) to fifty-
4 five (5,500) for a replacement.

5 MR. BOB PETERS: And --

6 MR. LLOYD KUCZEK: That includes, you
7 know, having to do venting, adjustments to your duct work
8 and anything else that needs to be done, permits.

9 MR. BOB PETERS: Is that work that's done
10 at all by the Corporation?

11 MR. LLOYD KUCZEK: No.

12 MR. BOB PETERS: That would be done by
13 the private HVAC industry?

14 MR. LLOYD KUCZEK: Corr -- correct.

15 MR. BOB PETERS: And when you -- would it
16 be correct to say that if the new homeowners are
17 acquiring the high efficiency gas furnaces for, let's
18 say, approximately a thousand dollars (\$1,000), the HVAC
19 industry would have them at comparable prices?

20 MR. LLOYD KUCZEK: Only the larger guys.
21 You -- you have to buy directly from the manufacturer to
22 get those sort of prices and you have to have volumes --
23 volume purchases to get those prices, otherwise, you'll
24 be paying higher prices.

25 MR. BOB PETERS: All right. If it's a

1 thousand dollars (\$1,000) to the homeowner -- or to the
2 home building -- the home builders who buy through
3 volume, similar prices, you think, might be available
4 through the larger HVAC dealers in the city?

5 MR. LLOYD KUCZEK: It would -- they --
6 they should be if they're good negotiators.

7 MR. BOB PETERS: All right. And -- and
8 let's take it for the -- the smaller HVAC dealers, Mr.
9 Kuczek, who do not have potentially the advantage of --
10 of volume purchases, how much would that thousand dollar
11 (\$1,000) high efficient gas furnace cost to them?

12

13 (BRIEF PAUSE)

14

15 MR. LLOYD KUCZEK: You're -- you're
16 ranging from that thousand dollars (\$1,000) upwards to
17 fifteen hundred (1,500).

18 MR. BOB PETERS: And when you tell the
19 Board that there are conversion costs and installation
20 costs can be somewhere between thirty-five hundred
21 (3,500) and five (5) -- fifty-five hundred dollars
22 (\$5,500), if those were your numbers, in addition to the
23 furnace, some of that might include duct work?

24 MR. LLOYD KUCZEK: Correct.

25 MR. BOB PETERS: But if the duct work is

1 already there then, of course, there's no additional cost
2 for that, correct?

3 MR. LLOYD KUCZEK: Sometimes you have to
4 -- the size of the units are different, so what they have
5 do to is either add duct work to bring it down lower or
6 make some adjustments because of that. But that's --
7 that's probably a small component of that cost, but
8 that's what that's involved with.

9 MR. BOB PETERS: And another component of
10 that cost would be the -- the labour provided, correct?

11 MR. LLOYD KUCZEK: The labour, the
12 venting, the permits that are required, removal of the
13 old furnace usually's included in the price as well and
14 disposing of it.

15 MR. BOB PETERS: And you sound very
16 familiar with this, Mr. Kuczek, but would the -- the
17 labour component of that be -- are we talking here a two
18 (2) or three (3) or four (4) hour job to change out
19 furnaces?

20 MR. LLOYD KUCZEK: I would suggest it's
21 between four (4) and six (6) hours.

22 MR. BOB PETERS: And what do you
23 understand to be the prevailing market rates for the
24 services provided to convert people over from one furnace
25 to another?

1 MR. LLOYD KUCZEK: The quotes that I gave
2 you earlier wouldn't be those rates. They range quite
3 widely in the market if you were to go out and get a
4 quote, so it depends on the company. And that's typical
5 of a lot of markets. Some companies quote high when they
6 have a lot of work, so they're not too concerned about
7 getting the particular job. And they also, I guess, have
8 made a number of sales that way because some customers
9 don't always get additional quotes.

10 MR. BOB PETERS: That answer sounds to
11 me, Mr. Kuczek, that -- that you're aware that some
12 dealers -- HVAC dealers may be charging whatever the
13 market will bear, so to speak, rather than based on
14 costs?

15 MR. LLOYD KUCZEK: Yes, but it's -- it's
16 certainly a competitive market, though.

17 MR. BOB PETERS: Competitive if
18 individuals shop around and make the various inquiries or
19 the appropriate inquiries?

20 MR. LLOYD KUCZEK: Correct.

21 MR. BOB PETERS: And sometimes the
22 individual may not be aware of to whom they should make
23 those inquiries, are they?

24 MR. LLOYD KUCZEK: That -- that could be
25 true. And it's true of a lot of products, I guess, if

1 you don't shop around. And when I say that range, too,
2 sometimes what also happens with the -- or is involved
3 with the ranges, some customers get quoted different
4 features with those furnaces and they -- so part of that
5 price is related to those features. It could be a high
6 efficient fur -- motor that's included, could be the
7 controls, could be the thermostat and it could be the
8 warranty's longer than other customers.

9 So there -- there's various other factors.
10 It wouldn't be just a simple -- an ex -- two thousand
11 dollars (\$2,000) profit, necessarily.

12 MR. BOB PETERS: When --

13 THE CHAIRPERSON: Would you be surprised,
14 Mr. Kuczek, that you can get three (3) quotes and they're
15 all virtually within 2 to 3 percent of each?

16 MR. LLOYD KUCZEK: That would surprise
17 me.

18 THE CHAIRPERSON: And all at the high end
19 of the range that you're talking about?

20 MR. LLOYD KUCZEK: No, actually the
21 market's competitive enough that I think there's guys out
22 there that -- or companies out there that'll give you
23 reasonable quotes, you just have to phone the right
24 companies.

25

1 CONTINUED BY MR. BOB PETERS:

2 MR. BOB PETERS: And having said that,
3 Mr. Kuczek, how does the Joe Average with the furnace
4 going in the middle of the night know who those right
5 companies are to phone?

6 MR. LLOYD KUCZEK: The middle of the
7 night is that bad one (1) because that's usually when
8 you're in a situation where you -- you want a furnace
9 now, so there's, no doubt the companies take that into
10 consideration when they're quoting.

11 MR. BOB PETERS: All right. And Manitoba
12 Hydro provides assistance to the homeowner whether
13 they're phoning in the middle of the night or in the
14 morning, Mr. Kuczek, and that's by way of a loan to
15 finance the costs of the installation of the upgraded
16 furnace.

17 MR. LLOYD KUCZEK: We provide that
18 assistance, yes.

19 MR. BOB PETERS: And that's part of the
20 Power Smart Loan Program that you have in your materials?

21 MR. LLOYD KUCZEK: Correct.

22 MR. BOB PETERS: And that loan program
23 used to be a five thousand dollar (\$5,000) maximum and
24 has been increased in the filing for this year up to
25 seventy-five hundred dollars (\$7,500)?

1 MR. LLOYD KUCZEK: Correct.

2 MR. BOB PETERS: Why was it increased by
3 twenty-five hundred dollars (\$2,500)?

4 MR. LLOYD KUCZEK: It was in response to
5 consultations with industry and -- that consumers needed
6 additional money to do retrofit work, not just furnaces.
7 It wasn't related to furnaces, but just so -- so the
8 adjustment was made because of consumer demand.

9 MR. BOB PETERS: Consumer demand coming
10 to you from the HVAC industry?

11 MR. LLOYD KUCZEK: Not just the HVAC
12 industry; people installing insulation co -- or companies
13 installing insulation, companies installing windows,
14 doors.

15 MR. BOB PETERS: That reflects that the
16 cost of the upgrades was exceeding the five thousand
17 dollar (\$5,000) maximum of the loan?

18 MR. LLOYD KUCZEK: Correct.

19 MR. BOB PETERS: And with respect to the
20 interest rate, you've told us before it was 6.5 percent
21 and that's the same rate that would apply for the furnace
22 change outs?

23 MR. LLOYD KUCZEK: Correct.

24 MR. BOB PETERS: And in addition to the
25 loan, Manitoba Hydro also has incentive programs related

1 to high efficiency appliances, including furnaces?

2 MR. LLOYD KUCZEK: Correct.

3 MR. BOB PETERS: So that -- Manitoba
4 Hydro will not only provide the financing for the person
5 changing their furnace, but there would also be a rebate
6 attached to that.

7 MR. LLOYD KUCZEK: Correct.

8 MR. BOB PETERS: Why does Manitoba Hydro
9 or Centra provide the rebate for the gas furnace?

10 MR. LLOYD KUCZEK: It's -- it's a DSM
11 program that we have under our DSM portfolio.

12 MR. BOB PETERS: Likewise for
13 airconditioning, there's a rebate available?

14 MR. LLOYD KUCZEK: Airconditioning is on
15 an electric base but there's no rebate for
16 airconditioning.

17 MR. BOB PETERS: And on the furnace
18 rebate on the gas side approximately how much is that
19 rebate, sir?

20 MR. LLOYD KUCZEK: The lady behind me
21 will correct me if I'm wrong but I believe it's two
22 forty-five (245).

23 MR. BOB PETERS: Mr. Kuczek, I just want
24 to get back to Mr. Warden. In the event that you're made
25 aware that an application comes in for the financing of a

1 furnace installation you will see the actual amount
2 expended for the various services and goods provided;
3 would I have that right, Mr. Kuczek?

4 MR. LLOYD KUCZEK: Sorry, I daydreamed
5 for just a second. I thought you were -- said Mr.
6 Warden. It was a break.

7 MR. BOB PETERS: No, I -- I mean to give
8 you one but I wanted to set the questions up for -- for
9 Mr. Warden.

10 When a consumer applies for Manitoba Hydro
11 to finance their furnace replacement, Manitoba Hydro will
12 see a copy of the consumer invoice on that; is that how
13 it would practically work?

14 MR. LLOYD KUCZEK: Yes.

15 MR. BOB PETERS: So when you were
16 answering questions to myself and the Chairman, you will
17 see invoices that go from the low, low end of the
18 spectrum all the way to the high, high end of the
19 spectrum?

20 MR. LLOYD KUCZEK: Yes, and they might be
21 outside that range that I provided you with as well.

22 MR. BOB PETERS: You're now suggesting
23 that, you know, that range can be lower than thirty-five
24 hundred (3,500) and higher than fifty-five hundred
25 (5,500)?

1 MR. LLOYD KUCZEK: Yeah. The data I gave
2 you was based on just an experience that I'm aware of. I
3 -- I didn't actually or we didn't undertake an analysis
4 to see what the full range is, but I would suggest that a
5 large percentage of the quotes would come in within that
6 range. You do get some people that are installing
7 furnaces on the side. They don't run a company but
8 they're qualified to install them and I have heard of
9 installations as low as three thousand dollars (\$3,000).

10 MR. BOB PETERS: Well, -- and, Mr.
11 Warden, maybe this is where we can let Mr. Kuczek have a
12 little bit of a break but in -- in the -- in the
13 situations where Manitoba Hydro sees an installation on
14 one (1) -- for one (1) customer at three thousand dollars
15 (\$3,000) and an installation for another customer at
16 fifty-five hundred dollars (\$5,500), Manitoba Hydro will
17 also see the goods and services that were included in
18 that invoice as I understand from Mr. Kuczek.

19 Is there not an obligation on Manitoba
20 Hydro to perhaps scrutinize it and see if any of those
21 invoices look out of line or if the consumer is paying
22 more than what Manitoba Hydro and Centra thinks it ought
23 to?

24 MR. VINCE WARDEN: Mr. Peters, I really
25 don't think it's our place to interfere with the free

1 market. As Mr. Kuczek indicated customers certainly have
2 the capability of going out and getting appropriate
3 quotes. And we assume that the -- the relationship
4 between the contractor and the customer is -- is
5 performed in a businesslike manner.

6 And I don't -- this is an issue that's
7 never -- we've never talked about as a corporation but I
8 -- I don't think there's widespread abuse out there. If
9 it came to our attention that there was that happening
10 then perhaps we would intervene but that has never
11 happened to-date, to my knowledge.

12 MR. BOB PETERS: Could I not infer, Mr.
13 Warden, from some of Mr. Kuczek an -- Kuczek's answers
14 that -- that there may be some abuse going on out there
15 in terms of customers not knowledgeable, not shopping
16 around, not knowing where to shop around and they may be
17 being taken advantage of?

18 Is -- is that not an actual assumption
19 that could be made from some of the practical experiences
20 that Mr. Kuczek and his colleagues have experienced?

21 MR. VINCE WARDEN: But I think that
22 applies to any product that a consumer buys. It's not
23 restricted to furnaces or anything the consumer may buy
24 in the natural gas or electricity marketplace.

25 MR. BOB PETERS: Well, I -- I appreciate

1 that, Mr. Warden, but this is a situation where Manitoba
2 Hydro is being asked to finance the -- the installation
3 of goods and services that -- that may -- that may cause
4 somebody to say that this just doesn't look quite right
5 relative to what services and goods were provided?

6 MR. VINCE WARDEN: Well, the best answer
7 I can give you is that Manitoba Hydro doesn't play the
8 role of the -- of a regulator and I -- I don't think
9 that's our -- our role.

10 MR. BOB PETERS: Does Manitoba Hydro
11 think that on its website it could put up typical home,
12 furnace and water tank installation charges; a schedule
13 showing the various costs or the approximate costs that -
14 - that seem typical in the industry?

15 MR. LLOYD KUCZEK: Our -- our general
16 practise has been, and I'm just confirming it with Mr.
17 Warden has said, is to let the industry play its role and
18 to work with industry. If we interfere with industry,
19 they won't work with us in terms of achieving our results
20 and I think it's quite important for us to maintain our
21 role and stay out of the industry otherwise we would
22 certainly see a significant backlash.

23 And this experience we're exper --
24 expressing in terms of the price quotes for geo -- or
25 furnaces is similar in other energy efficient technology

1 applications including geothermal installation retrofit
2 applications in a home.

3 MR. BOB PETERS: You understand, Mr.
4 Kuczek and Mr. Warden, that it might be a marketing -- a
5 marketing program to suggest to the homeowner that by
6 converting from your one (1) furnace to another, it's
7 going to pay for itself over -- over a period of years?

8 MR. LLOYD KUCZEK: We usually would prov
9 -- we -- we would provide the consumer with some indic --
10 indication of what that could be, but, again, we usually
11 would qualify that by depending -- it depends on the
12 price that you get quoted.

13 An example would be, geothermal will give
14 a typical payback period on a geothermal system, but it
15 depends on so many factors and -- and one (1) of them
16 certainly being the price that you get quoted for your
17 system.

18 MR. BOB PETERS: But the payback or the
19 suggestion that your already paying for it on your energy
20 bills is an inducement to consumers to -- to do some of
21 the upgrades?

22 MR. LLOYD KUCZEK: We provide a generic
23 payback if asked and, yes -- but again the payback really
24 depends on what industry charges. We provide just a
25 typical number; there's a lot of factors that have to be

1 taken into account in terms of what that cost is. And so
2 we encourage the customers to take those considerations
3 into account when they make their decisions.

4 MR. BOB PETERS: But you don't provide a
5 range of typical prices that might be charged on the
6 marketplace for the type of work being done?

7 MR. LLOYD KUCZEK: We don't provide that
8 on our website, no.

9 MR. BOB PETERS: And on your website,
10 there's not a calculator or a -- a methodology for
11 consumers to access general information of that nature?

12 MR. LLOYD KUCZEK: No.

13 THE CHAIRPERSON: Mr. Kuczek, you do not
14 have in your program, you don't have, say for example,
15 approved shops like Autopac does with their autobody
16 work?

17 MR. LLOYD KUCZEK: No, we don't.

18 THE CHAIRPERSON: You'll take
19 applications from any installer with respect to furnaces
20 put in?

21 MR. LLOYD KUCZEK: That's correct.

22 THE CHAIRPERSON: Thank you.

23 Mr. Peters...?

24

25 (BRIEF PAUSE)

1 CONTINUED BY MR. BOB PETERS:

2 MR. BOB PETERS: Mr. Kuczek, changing
3 gears and perhaps what you were expecting a bit more of
4 this morning, turning to some of the DSM and Power Smart
5 questions that I have. Is your -- is -- is the sole
6 motivation of Centra in providing DSM Programs to reduce
7 the consumption of natural gas?

8 MR. LLOYD KUCZEK: The motivation is a
9 number of things, but it's to encourage the efficient use
10 of natural gas. It's to provide customers with
11 assistance in terms of knowledge with regards to those
12 opportunities. And it also supports our environmental
13 strategic goal for the Company.

14 MR. BOB PETERS: And in terms of natural
15 gas, efficient use means less use of natural gas?

16 MR. LLOYD KUCZEK: Correct.

17 MR. BOB PETERS: And in the -- the last
18 General Rate Application of the Board, the Board asks
19 Centra to report on its DSM proposals including
20 consideration on the revising of its DSM Loan Program,
21 its terms and its rates, you'll recall that from the
22 previous Board order, Mr. Kuczek?

23 MR. LLOYD KUCZEK: Correct.

24 MR. BOB PETERS: And the Board also
25 wanted to know if the Corporation could provide its focus

1 on the low-income residential programs and that's
2 something that you've now included in the application
3 before the Board.

4 MR. LLOYD KUCZEK: Correct.

5 MR. BOB PETERS: As for revising the DSM
6 loan program, I believe the only two (2) revisions you've
7 told the board about are, you extended the rate -- I'm
8 sorry, you extended the -- you extended the amount that
9 can be borrowed from \$5,000 to \$7,500, but you did not
10 extend the interest -- you did not, sorry, extend the
11 term of payback or the -- reduce the amount of the
12 interest.

13 MR. LLOYD KUCZEK: No, those
14 considerations are being considered as part of our low-
15 income program.

16 MR. BOB PETERS: So they would -- if they
17 do become available, they will become available only for
18 consumers that fit the definition of low income?

19 MR. LLOYD KUCZEK: Yes, that's our current
20 thinking at this point.

21 MR. BOB PETERS: Mr. Kuczek, overall we
22 see that there's an annual cost of DSM programs on the
23 gas side of approximately \$10 million a year, each and
24 every year out to 2017 and '18.

25 Would that be a fair -- fair statement?

1 MR. LLOYD KUCZEK: That's how I recall it,
2 yes.

3 MR. BOB PETERS: And whereas last time the
4 Board saw it, it was 50/50 split between residential and
5 consumer, it's now 60/40, weighted in favour of
6 residential programs.

7 MR. LLOYD KUCZEK: Correct.

8 MR. BOB PETERS: Mr. Warden and Mr.
9 Kuczek, there's been an indication from prior witnesses
10 that, as a result of changes to accounting practices,
11 there may have -- there may be changes where the deferred
12 charges of various costs are not allowed to continue to
13 be deferred, but rather they would have to be expensed in
14 the year in which they were incurred.

15 Have I generally got that correct?

16 MR. VINCE WARDEN: That's correct.

17 MR. BOB PETERS: And I think we've heard
18 from Mr. Matwichuk that that, at this point, is not a
19 certainty but there still is ongoing dialogue with
20 respect those exposure drafts.

21 MR. VINCE WARDEN: That's correct.

22 MR. BOB PETERS: Now, Mr. Warden and Mr.
23 Kuczek, in the event that those changes to GAAP,
24 Generally Accepted Accounting Principles, are
25 implemented, that may impact on the DSM and the Power

1 Smart programs that the Corporation provides.

2 Would that be a fair suggestion?

3 MR. VINCE WARDEN: I think -- well, for
4 sure, if -- if those changes are implemented, then --
5 then it would affect the accounting. I don't think,
6 though, it would affect the programs, necessarily.

7 MR. BOB PETERS: When we say it won't
8 affect the programs, I'm wondering, Mr. Kuczek, if you
9 have examined whether or not under the new accounting
10 rules there would be any impact on the -- on the rate
11 impact measure test that would have to be conducted, as
12 well as the total resource cost test?

13 MR. LLOYD KUCZEK: Yeah, we would have --
14 we would -- it would impact the -- the rate impact
15 measure, but would not impact the TRC.

16

17 (BRIEF PAUSE)

18

19 MR. BOB PETERS: What you're suggesting to
20 the Board is that if the rules under GAAP change, then
21 the benefit-to-cost ratio under the RIM test may also
22 change.

23 MR. LLOYD KUCZEK: At a high level, it
24 would -- we recover our costs from over 15 years, and so
25 the cost would have to be recovered immediately, so, it

1 would impact the rates differently.

2 MR. BOB PETERS: And in the event that it
3 did that, it may violate -- the programs that you're
4 planning may -- may violate the tests that you use and
5 screen them against.

6 Would that be correct?

7 MR. LLOYD KUCZEK: Well, the primary test
8 that we use for our programs is the TRC for choosing the
9 opportunities, the energy-efficient opportunities that
10 we're going to pursue.

11 The RIM test is used more for helping us
12 determine how much the company is going to contribute
13 towards the cost of implementing that measure, relative
14 to the customer's contribution. So it might impact the
15 program design.

16

17 (BRIEF PAUSE)

18

19 MR. BOB PETERS: I'm just not quite
20 following it through and I'm not sure if you're agreeing
21 with Mr. Warden or disagreeing and do you foresee that if
22 there are changes in GAAP that it may impact the amount
23 of money that the Corporation can spend on DSM?

24 MR. LLOYD KUCZEK: I -- I think I was
25 suggesting that we would -- when -- when we design our

1 programs, we take into account the consideration for the
2 customers that aren't participating as well.

3 So if the rate impacts were -- if the
4 impacts to the -- the RIM test were significant enough,
5 we might consider redesigning the program. I'm not,
6 however, sure that that would happen and if that was the
7 case, then the answer's the same as Mr. Warden gave and
8 it likely wouldn't impact the program then.

9 MR. BOB PETERS: I'm just not -- I'm just
10 not quite following that through, Mr. Kuczek, that if --
11 if the RIM test is -- is used to set the level of funding
12 that the Corporation would spend on its DSM programs.

13 Do we agree on that?

14 MR. LLOYD KUCZEK: It helps us determine
15 that, yes.

16 MR. BOB PETERS: And if the -- if the RIM
17 test shows that the funding level drops, then the amount
18 of money that you can spend on your DSM programs would --
19 would also drop?

20 MR. LLOYD KUCZEK: Well, the RIM test is
21 done from -- from a long-term perspective, so, if you
22 have to recover it in the one (1) case, the way it is
23 today, the costs are recovered over fifteen (15) years.

24 So, when we do our RIM test, it takes into
25 account the -- the impacts to rates over that period of

1 time.

2 The other analysis would have the impacts
3 occurring in one (1) year as opposed to the fifteen (15)
4 year period, so, I'm not sure because of the time, value,
5 and money how much that would impact that calculation.
6 We would have to do that to see.

7 MR. VINCE WARDEN: I might also add, Mr.
8 Peters, that the RIM test was developed based on our
9 knowledge of accounting practices and if -- if those
10 accounting practices changed, as we've been discussing,
11 then the RIM test would most likely be revised
12 accordingly.

13

14 (BRIEF PAUSE)

15

16 MR. BOB PETERS: Can I conclude on that
17 by indicating that once this accounting convention gets
18 straightened out, if the funding under the RIM test
19 falls, so will the number of programs or the amount of
20 money at least allocated to those programs have to fall
21 from the corporate -- Corporation's view?

22 MR. VINCE WARDEN: No. No, I don't think
23 that's our position. I think the -- the funding would be
24 justified in some other manner presented to this Board
25 for approval, recognizing that the impact on rates may

1 have to be smoothed in some different manner than what we
2 are -- we're doing or maybe identical to what we're
3 doing, but, changes to the accounting rule should not
4 drive the -- the benefits that would be derived from good
5 energy efficiency programs.

6 MR. BOB PETERS: Thank you, Mr. Warden.

7 Mr. Kuczek, in terms of what you're asking
8 for the -- of the Board in this application, there is
9 approximately eight hundred and seventeen thousand
10 dollars (\$817,000) in revenue requirement in 2007/'08
11 that you're asking approval on; have I got that right?

12 MS. KELLY DERKSEN: Yes, sir, you do.

13 MR. BOB PETERS: Thank you, Ms. Derksen.
14 And the -- the plan, Ms. Derksen, is to continue to amorti
15 -- amortise these DSM expenditures over fifteen (15)
16 years?

17 MS. KELLY DERKSEN: Yes, sir.

18 MR. BOB PETERS: And for the second test
19 year, Ms. Derksen, you've included \$1.6 million in the
20 revenue requirement and you plan to amortise that also
21 over -- those expenditures continue over fifteen (15)
22 years?

23 MS. KELLY DERKSEN: I just want to be
24 clear that the \$1.6 million in the second test year is
25 the amortised amount.

1 MR. BOB PETERS: Correct, it's -- maybe
2 it's one-fifteenth of the actual expenditures that are
3 left unamortized to-date?

4 MS. KELLY DERKSEN: Fair enough, yes.

5 MR. BOB PETERS: Okay. Thank you. At
6 the last GRA there was some discussion about whether the
7 amortisation period was appropriate at fifteen (15) years
8 or whether it should be expensed more quickly.

9 Do you recall that discussion? I'm not
10 sure if that was you, Ms. Derksen, or -- or others on the
11 panel but do you remember that?

12 MS. KELLY DERKSEN: I do recall the
13 discussion, yes, Mr. Peters.

14 MR. BOB PETERS: And in -- in Tab 32 of
15 the book of documents you have answered PUB/CENTRA-169
16 and you're telling the Board in PUB/CENTRA-169 found at
17 Tab 32 of the documents that other jurisdictions treat
18 the DSM expenditures differently than does Centra Gas and
19 Manitoba Hydro.

20 MS. KELLY DERKSEN: Yes, I think that's
21 what we've concluded, Mr. Peters.

22 MR. BOB PETERS: Well, Embridge, for an
23 example, expenses the DSM costs in the year they're
24 incurred, correct?

25 MS. KELLY DERKSEN: That's my

1 understanding. Yes.

2 MR. BOB PETERS: As does Union?

3 MS. KELLY DERKSEN: Yes.

4 MR. BOB PETERS: As does SaskEnergy?

5 MS. KELLY DERKSEN: Yes, sir.

6 MR. BOB PETERS: And Terasen uses a
7 three-year amortization period, correct?

8 MS. KELLY DERKSEN: Based on my
9 understanding, yes.

10 MR. BOB PETERS: All right. And when you
11 look and see other jurisdictions expensing DSM either in
12 the year in which they are incurred -- the costs are
13 incurred -- or over a maximum of three (3) years, does
14 that give Centra Gas cause to pause and consider whether
15 or not the amortization period is appropriate in this
16 jurisdiction?

17 MR. VINCE WARDEN: We've -- we've done
18 that, Mr. Peters. We -- we always look at other
19 utilities for what their accounting practices may be or -
20 - or, in this case, the amortization periods for DSM;
21 look at that, consider our own and conclude whether or
22 not our own is appropriate in our circumstances. And
23 we've -- we've come to that conclusion, that our
24 amortization period is appropriate.

25 MR. BOB PETERS: And you acknowledge, Mr.

1 Warden, that the varied DSM programs in Manitoba might be
2 the same ones that Embridge, Union and SaskEnergy are
3 also running?

4 MR. VINCE WARDEN: They could be.

5 MR. BOB PETERS: And those jurisdictions
6 expense those costs in the year when they're incurred and
7 in Manitoba those costs will be amortized with carrying
8 costs over fifteen (15) years.

9 MR. VINCE WARDEN: Well, there's
10 different motivations for either expensing a cost or --
11 or amortizing. Our fundamental principle is that we
12 attempt to match the benefits that ratepayers derive from
13 any expenditures, and -- to ensure that there is inter-
14 generational equity in terms of which ratepayers pay the
15 costs that are incurred.

16 So, if the benefits of the DSM program
17 extend over fifteen (15) years, it's only appropriate
18 that the ratepayers pay for those costs over that period
19 of time.

20 MR. BOB PETERS: You will acknowledge
21 that if in 2010 GAAP rules change, this discussion we're
22 having now, Mr. Warden, would be academic, and you'd have
23 to expense them in the year in which they were incurred?

24 MR. VINCE WARDEN: That's true unless
25 there are other provisions for deferring cost for the

1 very reason I just mentioned; for the matching principle,
2 which is still a very sound accounting principle which I
3 personally wouldn't -- would -- don't think it makes
4 sense to depart from and that's been the position of --
5 of Manitoba Hydro in any comments we've made on the -- on
6 the direction the accounting profession is going.

7 MR. BOB PETERS: Is it Centra's position
8 that the average long-term benefit of all of the DSM
9 programs is fifteen (15) years, and that's why fifteen
10 (15) years was -- was selected?

11 MR. VINCE WARDEN: Yes. Some -- the
12 benefits of some programs are longer and some are shorter
13 but, on average, we think fifteen (15) is appropriate.

14 MR. BOB PETERS: Are the programs
15 designed to have a fifteen (15) year time horizon, or is
16 that just an accounting --

17 MR. VINCE WARDEN: No.

18 MR. BOB PETERS: -- number selected?

19 MR. VINCE WARDEN: No, they're not
20 designed specifically with a fifteen (15) year target in
21 mind.

22 MR. BOB PETERS: When you talk about the
23 benefits of these DSM programs, Mr. Warden, is it correct
24 that the benefits you talk of are benefits to consumers
25 and not benefits to Centra Gas?

1 MR. VINCE WARDEN: In the case of the gas
2 side of our business, yes, that's correct.

3 MR. BOB PETERS: And is it correct that -
4 - well, you qualified it, and you're suggesting that on
5 the electric side there may be a benefit to the
6 Corporation and that would be by way of freeing up energy
7 for Manitoba Hydro to export it?

8 MR. VINCE WARDEN: That's right.

9 MR. BOB PETERS: But on the gas side of
10 the business, some of these programs won't have a fifteen
11 (15) year shelf life, will they?

12 MR. VINCE WARDEN: Not in terms of -- of
13 Manitoba Hydro's or Centra Gas's bottom line.

14 MR. BOB PETERS: And some programs are
15 going to be replaced with other programs along the way.
16 So some programs will become -- will become antiquated or
17 outdated?

18 MR. VINCE WARDEN: Well, that's true.
19 And I think I agreed with you earlier; some -- some have
20 longer lives than others, but the average, we determined
21 to be fifteen (15) years.

22 MR. BOB PETERS: And -- and Mr. Warden,
23 if the benefit that you suggest on average extends
24 fifteen (15) years, is a benefit to the consumer, why
25 should the consumer have to continue to have those costs

1 amortised over such a long period of time rather than
2 having them paid for at the time the programs are -- are
3 introduced and -- and funded?

4 MR. VINCE WARDEN: Well the benefit to
5 the consumer is, through amortisation, is a benefit in
6 terms of lower rates than they would otherwise have.
7 During that period of time they're -- they're paying the
8 costs of the -- of that program at the same time as
9 they're driving the benefits. So it's -- it's getting
10 back to the matching of -- of costs and benefits.

11 MR. BOB PETERS: You will acknowledge
12 that some of these programs will cause the costs for
13 which will be paid for by -- by other generations or
14 other present nonusers of gas.

15 MR. VINCE WARDEN: I'm not sure I follow
16 that question.

17 MR. BOB PETERS: Oh, I'm just suggesting
18 that for some of the expenditures that -- that are made
19 this year, they will continue to be -- they will be --
20 continue to be paid for in consumer rates by consumers
21 who presently maybe aren't even gas consumers and don't
22 have the benefit of those -- of those programs.

23 MR. VINCE WARDEN: Well, the expenditures
24 are for the benefit of gas consumers now and in the
25 future, so if we've determined our fifteen (15) year

1 amortisation period correctly, which I think we have,
2 then no, I wouldn't agree with you. I think the -- the
3 benefits -- the right people are benefiting from -- from
4 the costs that are being charged to them at the time.

5 MR. BOB PETERS: Mr. Warden and Mr.
6 Kuczek, can you tell from these other jurisdictions where
7 the DSM costs are all expensed within the year in which
8 they're incurred, whether the amount that they devote to
9 DSM is impacted by that accounting decision?

10 MR. LLOYD KUCZEK: I couldn't speak on
11 their behalf, but I do know that their expenditures as a
12 percentage of their revenues is lower than what our
13 budgets are.

14 MR. BOB PETERS: Does that suggest then,
15 Mr. Kuczek, that their accounting practices have lead to
16 a lower investment in DSM programs?

17 MR. LLOYD KUCZEK: I couldn't speak on
18 their behalf.

19 MR. VINCE WARDEN: I think, though, from
20 discussions with other utilities, they've been, quite
21 frankly, slower to introduce energy efficiency programs
22 than has Manitoba Hydro/Centra Gas and I think they're
23 ramping up perhaps more than -- then they have in the
24 past and I think you'll see more expenditures --
25 expenditures in these jurisdictions than -- than -- as a

1 percentage of revenue then than has occurred in the past.

2 MR. BOB PETERS: And just so we
3 understand, Mr. Warden, and the Board is clear, that some
4 of these expenses that are being capitalized with include
5 internal costs of salaries, as well as external costs of
6 salaries.

7 MR. LLOYD KUCZEK: Correct.

8

9 (BRIEF PAUSE)

10

11 MR. BOB PETERS: Mr. Warden, one of the
12 answers I think you gave me a couple of questions ago was
13 that the fifteen (15) year amortisation period is used
14 for the reasons that you've cited in terms of the
15 benefits accruing for that period of time, but to bring
16 those costs into rates in a one (1) year period or the
17 current year in which those are -- the costs are expended
18 would result in some rate impacts, is that correct?

19 MR. VINCE WARDEN: I think it depends.
20 It depends on how those recovery -- recovery of those
21 costs are put forward to this Board for approval and how
22 this Board ultimately determines they should be
23 recovered.

24 MR. BOB PETERS: Okay. Help me with that
25 and help the Board with that, Mr. Warden. I -- I was

1 thinking that from your previous answer you were
2 suggesting to the Board that if the amortization period
3 was reduced from fifteen (15) years to the -- to one (1)
4 year, that would in and of itself cause rates to
5 increase.

6 MR. VINCE WARDEN: Well I don't think
7 there's necessarily a direct relationship between the
8 costs and the rates and if this Board so chose, they
9 could -- they could smooth that impact over a number of
10 rate changes.

11 MR. BOB PETERS: When -- when you say
12 "the impact," you're saying if everything was converted
13 at this point in time, all of the costs were brought
14 current from -- from the prior years, there would be a
15 need to smooth that?

16 MR. VINCE WARDEN: Well, I would think so
17 and not only that, but costs of the future could also be
18 smoothed in -- in a like manner.

19 MR. BOB PETERS: Well, if Ms. Derksen
20 tells us that we're spending approximately a -- or were -
21 - the Corporation is asking for about -- approximately a
22 million dollars of revenue requirement to support the DSM
23 Programs in the -- in the first test year, we know that,
24 on average, the actual costs are \$10 million.

25 So I'm just wondering if -- if by bringing

1 it forward instead of \$1 million rate inc -- \$1 million
2 in rates, the Corporation would then be asking for the
3 full \$10 million to go into rates each and every year of
4 the DSM Program as -- as planned?

5 MR. VINCE WARDEN: Well, and that's what
6 I'm saying. Potentially, that could be the case, but an
7 alternative would be to look at some way of smoothing
8 that \$10 million. It would depend, I think, to what
9 degree we -- we foresee the -- the market being converted
10 such that expenditures on DSM may not be required to the
11 level they are today.

12 MR. BOB PETERS: In -- in your answers,
13 Mr. Warden, you're suggesting that the rate impacts don't
14 necessarily have to parallel the -- the regulated
15 accounting treatment and financial reporting.

16 Have you any proposals as to how the --
17 how if those costs were brought -- brought into the
18 current they could be put into rates?

19 MR. VINCE WARDEN: Well, I don't have a
20 specific proposal, but as we proceed more towards
21 international accounting standards, this will become more
22 of an issue for us and we will have to develop a specific
23 proposal.

24 It does though, I think, speak to another
25 reason for having an ade -- adequate level of retained

1 earnings in Centra such that we can have more flexibility
2 in dealing with -- with such matters.

3 MR. BOB PETERS: In the few minutes
4 before the lunch break, I wonder if I could, Mr. Kuczek,
5 just get a confirmation from you that the residential gas
6 DSM Programs are sim -- that are -- that you're proposing
7 now in your Power Smart Program are similar to those at
8 the last gas General Rate Application?

9 MR. LLOYD KUCZEK: I believe they're
10 similar, yes.

11 MR. BOB PETERS: And at tab 37 of the
12 book of documents, page 2 of 3 in rec -- it's an
13 Information Request from RCM/TREE to CENTRA-55, there was
14 a chart provided with some information and with apologies
15 for the photocopying and the reproduction.

16 I think each Intervenors asked for a chart
17 and each one got progressively more information on it and
18 I believe this one may contain most of that information.

19 This shows that from the residential
20 perspective, up in the top left area, there's the Energy
21 Star Appliance Program, the Furnace Replacement Program,
22 Insulation and New Home Programs and those are the four
23 (4) existing programs for residential customers, Mr.
24 Kuczek?

25 MR. LLOYD KUCZEK: Yes, but the Energy

1 Star Appliance Program is actually an electric program
2 and nur -- we're just recording the interac -- or the,
3 not the interactive effects, but the results and impacts
4 from one (1) of those appliances that are -- result in
5 reduced gas consumption. There's -- there's no cost to
6 the gas company.

7 MR. BOB PETERS: Understood. It's for
8 the energy efficient appliances only on the electric
9 side, as you've indicated, but there's a suggestion from
10 one (1) of the Intervenors that perhaps Centra should be
11 offering an incentive for consumers to go to high
12 efficiency gas water heating.

13 Are you aware of that recommendation?

14 MR. LLOYD KUCZEK: I -- I'm aware that
15 one (1) of the Intervenors is suggesting that we have a
16 program to encourage customers to use natural gas for
17 water heating.

18 MR. BOB PETERS: And I believe it was Mr.
19 Weiss who -- who made that recommendation.

20 Can you indicate whether or not that is
21 something that is being looked at by the company in light
22 of the fact that you've told us that the new mar -- the -
23 - the penetration rate for gas hot water in the new home
24 market is virtually zero?

25 MR. LLOYD KUCZEK: It's an issue that

1 we're currently looking at, yes.

2 MR. BOB PETERS: And on that PUB Exhibit
3 8 document that I had used earlier this morning, Mr.
4 Kuczek, in the bottom half of the page and I'm not going
5 to dwell on the water heating costs, but there is
6 reference to a side vent 59 percent water heater.

7 I take it this is the market's response to
8 the natural gas manufacturer's market response to their
9 lunch being eaten by the electric hot water heating
10 manufacturers?

11 MR. LLOYD KUCZEK: I would presume so as
12 well, yes.

13 MR. BOB PETERS: And I did gather from
14 yourself earlier that this side vent water heater is, at
15 best, in its infancy and there's not -- it's not being
16 used regularly in Manitoba?

17 MR. LLOYD KUCZEK: I should -- I should
18 correct that. I'm not fully knowledgeable as in how much
19 it's being used. It -- it could be. I would have to get
20 more information to give you more accurate data in terms
21 of how much it's being used.

22 MR. BOB PETERS: All right. Well, just --
23 -- let's finish off on these programs then, sir. The --
24 the Furnace Replacement Program, we've talked a fair bit
25 today about furnace replacements but this is to go to new

1 high efficiency furnaces?

2 MR. LLOYD KUCZEK: Correct.

3 MR. BOB PETERS: And I think you told us
4 in PUB/CENTRA-123, according to my notes, that consumers
5 would save 294 cubic metres of gas as a result of their
6 conversions?

7 MR. LLOYD KUCZEK: Sounds right.

8 MR. BOB PETERS: Okay. The Insulation
9 Rebate Program, sir, this is to upgrade insulation in
10 people's homes?

11 MR. LLOYD KUCZEK: Correct.

12 MR. BOB PETERS: And in the materials,
13 sir, you're suggesting that there are as many as a
14 hundred and twenty thousand (120,000) natural gas heated
15 homes that have fair or poor insulation?

16 MR. LLOYD KUCZEK: I would accept that as
17 what we have provided.

18 MR. BOB PETERS: And this insulation
19 rebate program will pay for up to 100 percent of all
20 material costs?

21 MR. LLOYD KUCZEK: The amount that we pay
22 for depends on the application but it approaches 100
23 percent, I believe.

24

25 (BRIEF PAUSE)

1 MR. BOB PETERS: On the -- on the Power
2 Smart residential loans, Mr. Kuczek, I wanted to just
3 touch base on the interest rate.

4 I heard there was an interest rate
5 reduction if you had geothermal. You explained to the
6 Board how that came to pass and the interest rate now at
7 6.5 percent, I'm wondering why Centra can't offer that
8 lower, perhaps closer to your short-term debt rate or
9 something -- something at least a bit more attractive
10 than six point five (6.5) if you want to get greater
11 market penetration.

12 MR. LLOYD KUCZEK: We -- we could but
13 what we do is generally offer the loan program as a cost
14 of service.

15 The six point five (6.5) is based on what
16 our cost is to provide that loan and the incentives that
17 we provide to customers are designed for the specific
18 application.

19 And so we prefer to actually -- if we're
20 going to provide some dollars to encourage customers to
21 install a -- an energy efficient measure, we'd provide it
22 with the technology program because we know what the
23 paybacks and the benefits are associated with that.

24 With the loan program you have a wide
25 range of opportunities that you can do out there and some

1 aren't very cost effective such as windows and we
2 wouldn't want to provide the same incentives for all
3 those opportunities through the loan program. So it
4 doesn't really make sense from our perspective.

5 MR. BOB PETERS: So rather than lower the
6 interest rate, you're going to target the money to where
7 you think there's a bigger bang for the buck?

8 MR. LLOYD KUCZEK: Yes, design it for
9 each specific application and it's more appropriate to do
10 it that way.

11 MR. BOB PETERS: Thank you.

12 Mr. Chairman, I would suggest this would
13 be an appropriate time for the -- the lunch recess. I
14 would come back after lunch and I would just like to
15 finish with this panel on the issue of low income and I
16 have one (1) other issue related to Koch Fertilizers that
17 I will chat to this panel on but I will finish shortly
18 after lunch and then turn the microphone over to Mr.
19 Gange.

20 THE CHAIRPERSON: Thank you, Mr. Peters.
21 We look forward to your resuming your cross-examination.

22 So we'll come back at 1:15. Thank you.

23 MR. BOB PETERS: Thank you.

24

25 --- Upon recessing at 12:02 p.m.

1 --- Upon resuming at 1:24 p.m

2

3 THE CHAIRPERSON: Okay, welcome back,
4 everyone. Mr. Warden, I believe was to be away this
5 afternoon, so his empty spot is understood.

6 Mr. Peters, do you want to commence again?

7 MS. MARLA MURPHY: If I could just
8 interject before Mr. Peters starts, you will have had
9 distributed, I believe, Undertaking Number 6, which was
10 taken at transcript page 271, that's the KPMG Report that
11 was requested and perhaps it could be marked as Centra
12 Exhibit Number 9.

13 THE CHAIRPERSON: Yes, it is 9, thank
14 you.

15 MS. MARLA MURPHY: Thank you.

16

17 --- EXHIBIT NO. CENTRA-9: Answer to Undertaking Number
18 6, KPMG Report

19

20 MR. BOB PETERS: I believe that concludes
21 Ms. Murphy's matter, so I'll continue with this panel,
22 Mr. Chairman.

23

24 CONTINUED BY MR. BOB PETERS:

25 MR. BOB PETERS: I want to turn to issues

1 revolve -- involving low income and demand side
2 management programs.

3 Mr. Kuczek, would it be correct as a
4 starting point to say that all Power Smart DSM programs
5 are available to all of Centra's customers regardless of
6 income level?

7 MR. LLOYD KUCZEK: Yes.

8 MR. BOB PETERS: And in fact, you've told
9 me this morning that you've even extended some of the
10 Power Smart DSM programs to alternate fuels; is that
11 correct?

12 MR. LLOYD KUCZEK: That's correct.

13 MR. BOB PETERS: And that was -- I think
14 it was two hundred and fifty thousand dollars (\$250,000)?

15 MR. LLOYD KUCZEK: Two hundred and fifty
16 thousand dollars (\$250,000), yes, but it's funded from a
17 different source.

18 THE CHAIRPERSON: Mr. Kuczek, on that
19 point, if one (1) wanted to convert from propane to
20 electricity, does it apply to this person in that
21 position?

22 MR. LLOYD KUCZEK: There wouldn't be an
23 incentive in that case. It's only -- it only extends to
24 the programs that they're eligible for, so the -- the
25 programs would be insulation and the new homes program,

1 as well as insulation on new homes program, I guess.

2 And you mentioned the new furnace program,
3 so there -- there is -- or you mentioned the electricity
4 furnace, there is no program for that.

5 THE CHAIRPERSON: But a person that was
6 on propane could get the free insulation?

7 MR. LLOYD KUCZEK: Yeah, it's not all
8 free, though. We say up to 100 percent, so it depends on
9 the application and how much money you actually get for
10 installations for our program.

11 THE CHAIRPERSON: Okay, thank you.

12

13 CONTINUED BY MR. BOB PETERS:

14 MR. BOB PETERS: And the -- the question
15 following up, Mr. Kuczek, to install instead of changing
16 -- changing out a propane furnace to putting in a
17 natural gas furnace would not qualify the homeowner for
18 the -- for the loan program.

19 MR. LLOYD KUCZEK: I believe we allow
20 that under our loan program.

21 MR. BOB PETERS: So when you told the
22 Chairman it didn't apply to conversions to new furnaces,
23 you were saying for the cost of the furnace itself?

24 MR. LLOYD KUCZEK: The -- the incentive
25 for natural gas furnaces we were allowing customers that

1 had propane to -- if they bought a high efficiency
2 furnace -- natural gas furnace, we allowed -- we allowed
3 them to be eligible for that incentive under the new
4 furnace program.

5 MR. BOB PETERS: All right and you'd
6 acknowledge to the Board that the level of income is a
7 huge barrier for low income customers and prevents their
8 participation in many of the demand side management
9 programs?

10 MR. LLOYD KUCZEK: It's one (1) of the
11 barriers, yes.

12 MR. BOB PETERS: And it's probably one
13 (1) of the greatest barriers?

14 MR. LLOYD KUCZEK: I suspect so, yes.

15 MR. BOB PETERS: And -- and another
16 barrier would be where a tenant perhaps exists in a low
17 income situation and those utilities aren't separately
18 billed or metered to the tenant; that would be another
19 difficult barrier to overcome in getting relief to the
20 low income customers?

21 MR. LLOYD KUCZEK: Yes.

22 MR. BOB PETERS: Would you agree that
23 most of your focus on low income is targeting those who
24 are not tenants in multi-tenant dwellings but rather
25 single occupancy units?

1 MR. LLOYD KUCZEK: Our focus is on that,
2 yes.

3 MR. BOB PETERS: And when we talk about
4 low income programs and -- and the Board reviews the
5 materials, they'll see reference to the hard-to-reach
6 program but from Centra's perspective the hard-to-reach
7 program is the DSM program for low income?

8 MR. LLOYD KUCZEK: Yes.

9 MR. BOB PETERS: And in this case I
10 believe in the materials there's an indication that
11 Centra has -- has hired or at least has staff dedicated
12 to the issues of low income; have I got that correct?

13 MR. LLOYD KUCZEK: Correct.

14 MR. BOB PETERS: Can you advise the Board
15 how many staff are dedicated to low income issues and
16 DSM?

17 MR. LLOYD KUCZEK: We have one (1) staff
18 person right now working on it.

19 MR. BOB PETERS: And in terms of the
20 actual programs, I understand from your evidence that
21 those programs are still considered in the development
22 stage?

23 MR. LLOYD KUCZEK: The low income
24 program?

25 MR. BOB PETERS: Yes.

1 MR. LLOYD KUCZEK: Correct.

2 MR. BOB PETERS: And at this point in
3 time they haven't been approved by Centra's Board?

4 MR. LLOYD KUCZEK: That's correct but we
5 have moved forward with a few pilot projects and sought
6 approval separately for those.

7 MR. BOB PETERS: Those separate projects
8 include the Centennial Project and the Island Lakes
9 Projects you referenced?

10 MR. LLOYD KUCZEK: That's correct and
11 we're working with Brandon right now to get one (1) set
12 up there.

13 MR. BOB PETERS: In the Power Smart
14 Program, Mr. Kuczek, you provided a page on incentives
15 and I think it was in Appendix C. And when one looks
16 through it down to the low income levels, there was
17 indication of expenditures of approximately six hundred
18 and forty thousand dollars (\$640,000) in '06/'07 to low
19 income customers.

20 Are you familiar with that?

21 MR. LLOYD KUCZEK: Yes.

22 MR. BOB PETERS: Can you tell the Board
23 whether that six hundred and forty thousand dollars
24 (\$640,000) of incentives has actually been paid now in
25 the '07 fiscal year?

1 MR. LLOYD KUCZEK: Possibly a small
2 portion but only linked to our pilot programs.

3 MR. BOB PETERS: And then over the
4 forecast period provided in -- in your schedules, you're
5 showing that there's significant expenditures of
6 approximately seven hundred thousand dollars (\$700,000)
7 in the next three (3) years after the '07 year and then
8 the spending drops down to a hundred and seventy-five
9 thousand dollars (\$175,000) per year for the low income
10 initiatives?

11 MR. LLOYD KUCZEK: That's correct.

12 MR. BOB PETERS: And I take it this is
13 all done by way of a forecast at this point because you
14 don't have the specifics?

15 MR. LLOYD KUCZEK: That's correct.

16 MR. BOB PETERS: Can you tell the Board
17 why the forecast would fall off from seven hundred and
18 seventy-one thousand dollars (\$771,000) on incentives for
19 low income in the year -- in the year 2010 and then in
20 the following year they would drop to a hundred and
21 seventy-five thousand dollars (\$175,000) for the balance
22 of the planning horizon out to 2017?

23 MR. LLOYD KUCZEK: As I recall, at the
24 time when we developed this plan we were thinking of
25 developing a four (4) year plan and -- and reviewing it

1 year by year as we go forward so we only put a four (4)
2 year budget in our current plan.

3 MR. BOB PETERS: And then the hundred and
4 seventy-five thousand dollars (\$175,000) thereafter then
5 is, to maybe use Mr. Warden's new word that he taught me,
6 a placeholder.

7 MR. LLOYD KUCZEK: That's correct.

8 MR. BOB PETERS: And --

9 MR. LLOYD KUCZEK: Having said that, we
10 do expect, and I'm -- I'm not -- I was just trying to
11 think as I'm talking here, but the current four (4) years
12 we're certainly planning to spend more because of the
13 Federal Eco Energy Retrofit Program and we cer -- because
14 of that, we see that there's going to be significant --
15 significantly more participation because of it.

16 MR. BOB PETERS: The total planning
17 horizon costs for the low income DSM programs that you're
18 looking at is -- is between 4 and \$5 million, am I
19 correct?

20 MR. LLOYD KUCZEK: Correct.

21 MR. BOB PETERS: And at this point in
22 time you've indicated you've prepared that by way of a
23 forecast, not by way of an individual program analysis,
24 correct?

25 MR. LLOYD KUCZEK: That's correct.

1 MR. BOB PETERS: And there has been a
2 suggestion by Intervenors in these proceedings that in
3 terms of budgeting, instead of forecasting a number as
4 you're doing, why not dedicate a percentage of your -- of
5 your DSM costs to the low income programs and you're
6 aware of that suggestion?

7 MR. LLOYD KUCZEK: Yes.

8 MR. BOB PETERS: It's done elsewhere?

9 MR. LLOYD KUCZEK: In some jurisdictions,
10 yes.

11 MR. BOB PETERS: Done with success
12 elsewhere?

13 MR. LLOYD KUCZEK: I don't know if I can
14 make a comment whether or not it's successful or not.

15 MR. BOB PETERS: You're not aware of it
16 failing, either, then?

17 MR. LLOYD KUCZEK: Well I'm only aware of
18 a few recent ones that were -- have minimum requirements
19 placed on them in Canada and I'm not sure if there's a
20 minimum necessarily in the States. A lot of the US ones
21 have -- are funded through a -- well, there's very --
22 various sources and methods of funding.

23 Some it's fed -- funded through Federal
24 programs, some of it's funded through a surcharge on the
25 utility bills, so it varies, but just recently in Ontario

1 is where they placed minimum budgets, that I'm aware of,
2 on low income.

3 MR. BOB PETERS: But you're not
4 suggesting in your evidence that by putting it as a
5 percentage of their budget that it's not a successful
6 idea.

7 MR. LLOYD KUCZEK: No, it's -- it's --
8 it's possibly one (1) method of dealing with it in the --
9 those jurisdictions.

10 MR. BOB PETERS: At tab 38 of the Book of
11 Documents there is a reproduction of PUB/CENTRA-123 and
12 I'd like to bring the Board's attention to page 41 of 42
13 of that IR response and I guess that's the last page in
14 the Book of Documents here.

15 This is Manitoba Hydro's and Centra's
16 determination as to the number of low income households
17 in the Province of Manitoba?

18 MR. LLOYD KUCZEK: I -- it was a proxy
19 for what the number of low incomes are in Manitoba. We
20 generally don't have a database of salaries and income
21 levels for our customers. When we did our residential
22 survey in 2003, we asked for that information, so,
23 depending on the criteria if your criteria's just simply
24 income, this would -- that would provi -- that's where
25 those numbers came from.

1 We've been working with the province and
2 our contacts there and we've asked them for some
3 information in terms of low inco -- numbers of low income
4 households in Manitoba and received another number that
5 suggests that it's about sixty-five thousand (65,000),
6 but it -- it's in the range of fifty (50) to sixty-five
7 thousand (65,000) and I believe the sixty-five thousand
8 (65,000) was using the HIL requirement, if I'm not
9 mistaken.

10 MR. BOB PETERS: Well you had referenced
11 that to the Chairman in an answer earlier today, but this
12 information that you've provided in PUB/CENTRA-123 wasn't
13 prepared on the -- on the HIL criteria.

14 MR. LLOYD KUCZEK: That's correct.

15 MR. BOB PETERS: And this appears that
16 customers were asked of their annual household income
17 level and they responded and you've interpellated that
18 data to what you've presented here.

19 MR. LLOYD KUCZEK: That's correct.

20 MR. BOB PETERS: Another option, Mr.
21 Kuczek, would have been to take the low income cutoff
22 tables, perhaps prepared by Stats Canada, and made some
23 decisions.

24 MR. LLOYD KUCZEK: It -- it provides us
25 with a benchmark of how many low income customers there

1 are in Manitoba.

2 Moving forward in terms of designing the
3 program, that benchmark is just going to be used by us to
4 determine budgets and participation rates that we -- we
5 think we're going to realize and participation rates is
6 probably going to be driven a significantly amount by
7 community-based organizations that are willing to work
8 with us.

9 MR. BOB PETERS: When the Board looks at
10 PUB-CENTRA-123, page 41 of 44 in the Tab 38 of the book
11 of documents, is it correct that -- does this table
12 include social housing units?

13 MR. LLOYD KUCZEK: This would be based on
14 a survey of our customers that was sent out, so it should
15 include all households that are our customers.

16 MR. BOB PETERS: And it's then
17 representative of the household's --

18 MR. LLOYD KUCZEK: Yes.

19 MR. BOB PETERS: -- that heat -- that
20 heat with natural gas.

21 MR. LLOYD KUCZEK: Yes.

22

23 (BRIEF PAUSE)

24

25 MR. BOB PETERS: In terms of the low

1 income DSM Programs, Mr. Kuczek, funding is one of those
2 barriers that -- that concerns the Corporation?

3 MR. LLOYD KUCZEK: Funding is a concern
4 in terms of how successful the program's going to be.
5 And if there isn't sufficient funding to promote the
6 program there's alternative methods of still having low
7 income -- low income programs and that's through
8 providing financing and that's one (1) option that was
9 considered.

10 The preferred option would be to, I guess
11 in the ideal cases, have no financial contribution
12 required by the customer. However, even in that regard,
13 sometimes there is concern because then there might not
14 be a commitment from the customer. So -- but the -- the
15 smaller amount that the customer has to provide, the --
16 the higher the participation that we expect.

17 MR. BOB PETERS: Can you tell the Board
18 whether all of your programs are going to require a
19 customer contribution for the low income DSM Programs?

20 MR. LLOYD KUCZEK: We're currently hoping
21 not. Right now we're working with the Provincial
22 Government and the -- with the Federal ecoENERGY Retrofit
23 Program and our Power Smart programs and the Affordable
24 Energy Fund, we think that we can, with a community-based
25 organiza -- or a projects, we're hoping that we could

1 fund most of that through those funding mechanism.

2 The individual, I suspect, will require
3 some funding on behalf of the low income participants.

4 MR. BOB PETERS: In terms of leveraging
5 funds from other sources, I understand the Federal
6 Government's Low Income Energy Guide Program or EnerGuide
7 Program that you talked about in the last G -- GRA is no
8 longer available?

9 MR. LLOYD KUCZEK: That's correct.

10 MR. BOB PETERS: That program was folded
11 on the change of governments?

12 MR. LLOYD KUCZEK: Correct.

13 MR. BOB PETERS: And in its place, you
14 just referenced the EcoEnergy Efficiency Program and
15 that's a replacement, if I can, to the prior program?

16 MR. LLOYD KUCZEK: No, actually it's a
17 replacement for the -- another program that they have the
18 -- I believe it was called the EnerGuide Grant Program,
19 so this replaces that. They haven't necessarily replaced
20 the low income program at this point.

21 MR. BOB PETERS: But you've -- you see
22 merit in this EcoEnergy Efficiency Program to lever some
23 funds to use for low income DSM?

24 MR. LLOYD KUCZEK: Correct.

25 MR. BOB PETERS: And I understand that

1 this EcoEnergy Efficiency Program was launched a couples
2 months ago, April 1st of '07?

3 MR. LLOYD KUCZEK: I believe they
4 announced it then, but it didn't actually take -- well,
5 you could -- you couldn't participate in the program till
6 you had some audits and the audit -- the mechanisms
7 weren't in place to undertake audits till I believe early
8 in May, if I'm not mistaken.

9 MR. BOB PETERS: And can you explain to
10 the Board what Centra Gas's involvement is with respect
11 to that EcoEnergy Efficiency Program?

12 MR. LLOYD KUCZEK: We offer the audit
13 service in Manitoba and by -- through offering that audit
14 service, we educate our consumers at the same time about
15 the EnerGuide -- or the EcoEfficiency (sic) Retrofit
16 Program, which offers grants.

17 MR. BOB PETERS: Do I -- do I take from
18 that answer, Mr. Kuczek, that it will be limited to
19 providing the audit services?

20 MR. LLOYD KUCZEK: No, we -- we actually
21 help cons -- well, we -- we're helping consumers become
22 aware of the pro -- the grants that are available. We
23 effectively integrated it into our Power Smart portfolio
24 through the audits -- audit -- home auditing service that
25 we offer our -- our customers.

1 MR. BOB PETERS: And I'm still not
2 understanding, Mr. Kuczek, is the -- is the money that's
3 coming from the Federal Government under the Ecoenergy
4 Efficiency Program, is it paying for the salaries of
5 Centra Gas employees or --

6 MR. LLOYD KUCZEK: No, actually the
7 grants go directly to the customer. What we do, when I
8 say "integrated it into our program" we -- we provide the
9 audit and we go to customers and we provide them with the
10 applications, help them fill it out, and they get the
11 grants after they -- if they implement the measures but
12 they certainly can participate in the ecoENERGY
13 efficiency or our Retrofit Program -- Federal Program --
14 without our participation.

15 MR. BOB PETERS: And the costs for your
16 assistance to the customers are -- are found where in the
17 application? Which -- where is that coming from in -- in
18 terms of the funding? Is that -- out of which source of
19 revenue?

20 MR. LLOYD KUCZEK: It -- it would be
21 under customer service initiatives -- well, Energuide is
22 what we call it. But -- but at that time that was the --
23 no, I guess the program was cancelled so that was the
24 auditing service that we were still providing. We
25 continued to provide that service after it was cancelled.

1 MR. BOB PETERS: The other source of
2 funding -- well, before I leave that I'm not sure if I
3 heard anything in those -- in that description which
4 would make it specifically available for low income
5 programs. Can you clarify that for the Board as to
6 whether there are low income program opportunities
7 through that Ecoenergy Efficient Program (sic)?

8 MR. LLOYD KUCZEK: It's -- the Ecoenergy
9 Efficiency Program will be integrated into our low income
10 program. There's certainly some challenges in terms of
11 doing that but it -- it'll be integrated as part of it.

12 MR. BOB PETERS: And does the money
13 flowing from that program flow to the customers or to
14 Manitoba Hydro and Centra?

15 MR. LLOYD KUCZEK: It'll be flowing to
16 the customer.

17

18 (BRIEF PAUSE)

19

20 MR. BOB PETERS: On the Affordable Energy
21 Fund that we've talked about a fair bit here can you just
22 remind me how much of the -- the gas DSM initiatives for
23 low income customers will be funded in your forecast
24 through the Affordable Energy Fund?

25 MR. LLOYD KUCZEK: We don't have a

1 forecast at this point on that.

2 MR. BOB PETERS: Can you tell the Board
3 whether any monies from the Affordable Energy Fund will
4 be used to pay for Manitoba Hydro and Centra Gas overhead
5 costs?

6

7 (BRIEF PAUSE)

8

9 MR. LLOYD KUCZEK: Some of it might, yes.

10 MR. BOB PETERS: Have you forecasted how
11 much that would be?

12 MR. LLOYD KUCZEK: No.

13 MR. BOB PETERS: When would that be done?

14 MR. LLOYD KUCZEK: Well, we're seeking
15 approval for initiatives project by project, and so as
16 part of the project that would be a consideration at that
17 time and approvals would be sought if it -- if we asked
18 for approvals to use part of the funding for that.

19 MR. BOB PETERS: Can you tell the Board
20 whether some of the programs envision using Affordable
21 Energy Fund money to pay for Manitoba Hydro and Centra
22 Gas overheads?

23 MR. LLOYD KUCZEK: I'm sorry, Mr. Peters,
24 can you repeat that?

25 MR. BOB PETERS: Well, I'm just wondering

1 if -- if at this point in time you know whether your
2 programs are -- are proposing to use some of the
3 Affordable Energy Fund to pay Manitoba Hydro's overhead
4 costs?

5

6 (BRIEF PAUSE)

7

8 MR. LLOYD KUCZEK: I believe on the
9 Centennial project there's a portion of the costs that
10 are actually charged to the Affordable Energy Fund
11 related to the incremental administrative costs
12 associated with that project as opposed to what we would
13 normally experience under just a Power Smart program.

14 MR. BOB PETERS: That's not reflected in
15 the application that's currently filed in the Power Smart
16 Program that's currently filed, is it?

17 MR. LLOYD KUCZEK: No, it's not.

18 MR. BOB PETERS: Can you quantify that --
19 that amount for the Board, that is included in the
20 Centennial Project for Manitoba Hydro and Centra
21 overheads that will be paid for out of the affordable
22 energy fund if it's approved, as you've presented it?

23 MR. LLOYD KUCZEK: I would have to take
24 that as an undertaking.

25 MR. BOB PETERS: All right, I'd accept

1 that to keep matters moving, Mr. Kuczek.

2

3 --- UNDERTAKING NO. 22: Centra to quantify for Mr.
4 Bob Peters, the amount that
5 is included in the Centennial
6 Project for Manitoba Hydro
7 and Centra overheads that
8 will be paid for out of the
9 affordable energy fund if
10 approved as presented

11

12 CONTINUED BY MR. BOB PETERS:

13 MR. BOB PETERS: Mr. Kuczek, in term of
14 other sources of funding for low income DSM, has Centra
15 Gas considered a cross subsidization from other customer
16 classes?

17 MR. LLOYD KUCZEK: No.

18 MR. BOB PETERS: Why is that?

19 MR. LLOYD KUCZEK: I'm not sure, I think
20 that's more of an accounting question, actually.

21 MR. BOB PETERS: Well maybe -- let -- let
22 me ask it this way and maybe Ms. Derksen can -- can
23 assist. But if -- has Centra determined if there is any
24 interest or appetite of some of your customers to pay
25 more than their gas costs to assist those who could use

1 some DSM initiatives, particularly for the low income
2 customers?

3 MR. LLOYD KUCZEK: We -- we have the
4 Neighbours Helping Neighbours Program that does that.
5 No, it's not for DSM, actually, as pointed out to me by
6 Mr. Robins here, but it's for bill assistance, is what it
7 is.

8 MR. BOB PETERS: All right, but at -- in
9 turning to -- to demand side management, would you -- has
10 Centra ever considered asking for the non low income
11 customers to pay an amount for the low income DSM
12 programs?

13 MR. LLOYD KUCZEK: I'm not aware of us
14 considering that, no.

15 MR. BOB PETERS: Is there a -- is there a
16 specific reason of which you're aware that that hasn't
17 been thought of or considered?

18 MS. MARLA MURPHY: Mr. Peters, you're
19 talking about a separate adder on the bill, is that what
20 you're referring to?

21 MR. BOB PETERS: It could be administered
22 in a number of ways, I suppose, Ms. Murphy, you're right,
23 but I'm just wondering if cross-subsidization from other
24 rate classes was an option for the Corporation to
25 consider to fund DSM programs for low income.

1 (BRIEF PAUSE)

2

3 MR. LLOYD KUCZEK: But to answer your
4 question and to -- why -- there's no particular reason
5 that we haven't considered it, it's something that I --
6 it certainly hasn't crossed my mind. If it did cross my
7 mind, I'm not sure I would pursue it regardless, but it's
8 just something that we haven't discussed in our shop.

9 MR. BOB PETERS: All right.

10 THE CHAIRPERSON: Mr. Kuczek, I'm just
11 wondering, if I understand it properly right now, the
12 Corporation engages in DSM projects that involve customer
13 investments, okay, upfront if you'd like.

14 And the people who make these investments
15 are obviously people who are not, generally speaking, low
16 income because they can afford to put the money into the
17 programs.

18 But the cost of the DSM are spread against
19 all of the SGS customers, so in a sense, it's a form of
20 subsidies in it by the low income people who are not
21 participating in the program because they don't have the
22 upfront money?

23 MR. LLOYD KUCZEK: To that degree it is.
24 We -- we don't track who's participating and who's not
25 participating and -- based on income, so we don't have

1 strong evidence to, I guess, substantiate what -- what
2 you're suggesting.

3 We did -- the only thing that we --

4 THE CHAIRPERSON: Just in concept.

5 MR. LLOYD KUCZEK: In concept, what
6 you're saying is true, if the low income people were not
7 participating.

8 What I was going to add to that is the --
9 what we did do, and we filed it in response -- I'm not --
10 to one (1) of the IRs is we looked at just based on
11 applications in a low income area, if there -- if people
12 were participating in those areas, and this was the
13 Centennial area, and we found that there were people
14 participating there, but we couldn't -- we don't ask them
15 whe -- when they participate what their income level is,
16 so, we don't know for sure how -- what percent of the low
17 income people are actually participating in the programs.

18

19 CONTINUED BY MR. BOB PETERS:

20 MR. BOB PETERS: Mr. Kuczek, just to
21 summarize then, what I understand for your low income or
22 hard-to-reach program, those project concepts are not yet
23 approved by the executive of Centra?

24 MR. LLOYD KUCZEK: Correct.

25 MR. BOB PETERS: Except for the three (3)

1 of Centennial, Island Lakes, and the Brandon pilot?

2 MR. LLOYD KUCZEK: Brandon's actually not
3 approved at this point.

4 MR. BOB PETERS: All right. The other
5 two (2) are?

6 MR. LLOYD KUCZEK: Yes.

7 MR. BOB PETERS: And those pro -- those
8 programs together with anymore are being presented to
9 your executive for approval, is it late summer/early
10 fall?

11 MR. LLOYD KUCZEK: We're actually hoping
12 to go fairly soon to the executive with a program design
13 concept and...

14 MR. BOB PETERS: It makes it sound like
15 it's going to be early summer?

16 MR. LLOYD KUCZEK: I was hoping it was
17 spring, but it's now going to be summer.

18 MR. BOB PETERS: All right. The one (1)
19 program I just want to take a couple of minutes on is
20 that Centennial project that you've reference a few
21 times.

22 Centra is involved in that Centennial
23 project which is an area in the City of Winnipeg in which
24 you are attempting to do some -- have some home
25 renovations and retrofish -- retrofits done; would that

1 be fair?

2 MR. LLOYD KUCZEK: Yes.

3 MR. BOB PETERS: And it primarily
4 involves the use of insulation to attics and basements?

5 MR. LLOYD KUCZEK: The -- when we first
6 started out it involved attics, insul -- adding
7 insulation to attics, basements, and doing weatherization
8 and we're still pursuing all three (3) of those.
9 However, the project evolved to primarily involve --
10 installing insulation to this point in the basements and
11 they're now -- now moving towards adding insulation to
12 the attics. Part of that was due to the wintertime and
13 they preferred to do the attic insulation in the winter.

14 Weatherization. There are some issues
15 that they're experiencing there with the homes that
16 they're going into. They're rental homes or I think
17 they're MHRC homes which are being rented out and the
18 tenants aren't always cooperative and there's some issues
19 there.

20 MR. BOB PETERS: The tenants aren't --
21 aren't prepared to fund any of the initiatives is what
22 you're suggesting?

23 MR. LLOYD KUCZEK: It's more to do with
24 when you go in there and do weatherization. You have to
25 do caulking. You've got to move furniture around. And

1 some of the tenants aren't too excited about you touching
2 their furniture and being in their house.

3 MR. BOB PETERS: Does that suggest that
4 the barrier of knowledge exists for these customers in
5 terms of providing the opportunity to do those retrofits
6 and that weatherization?

7 MR. LLOYD KUCZEK: It's probably more
8 than just knowledge. It's a different culture, a -- a
9 class of people that you're dealing with in some cases
10 that creates a -- creates a challenge.

11 MR. BOB PETERS: And what steps are you
12 finding can effectively address those challenges?

13 MR. LLOYD KUCZEK: Well, we're working
14 with the Centennial neighbourhood group to figure out how
15 to address those challenges and move forward and in some
16 cases we're not going to pursue the weatherization if
17 that's going to be an issue in those application, so.

18 MR. BOB PETERS: When you say the -- the
19 Centennial group that you work with, I understand this is
20 a multi-partnered project?

21 MR. LLOYD KUCZEK: Yes, there's --
22 there's a number of funders but there's the Centennial
23 Community Group, that's the group that's providing most
24 of the advice and leadership in terms of how to move
25 forward in the community.

1 MR. BOB PETERS: All right and do I take
2 it then that Centra's involvement is -- is from provide -
3 - it's -- is to provide the materials?

4 MR. LLOYD KUCZEK: Provide the materials.
5 Provide some education, training, and advice in terms of
6 how to implement the measures.

7 MR. BOB PETERS: Does it include
8 providing the supplies to affect the installations?

9 MR. LLOYD KUCZEK: We're providing most
10 of the material for the retrofit work, if not all.

11 MR. BOB PETERS: When you say "materials"
12 you're talking the insulation and the vapour barriers?

13 MR. LLOYD KUCZEK: Insulation, vapour
14 barriers, nails, caulking material, weather stripping.

15 MR. BOB PETERS: And in terms of the
16 labour, that's not provided by Centra or Manitoba Hydro?

17 MR. LLOYD KUCZEK: That was the
18 arrangement we worked out for this project, yes.

19 MR. BOB PETERS: And it's managed by the
20 Centennial Community Group?

21 MR. LLOYD KUCZEK: Correct.

22 MR. BOB PETERS: Are there any strings
23 attached to Manitoba Hydro's provision of the materials
24 under this program; that is if somebody meets the
25 qualifications does Manitoba Hydro have any further say

1 on whether the -- the program benefits are available to
2 those who make application?

3 MR. LLOYD KUCZEK: We're lea -- we're
4 leaving it to the community to find the applicants and
5 they're working through the Manitoba Housing Renewal
6 Corporation, for the most part.

7 The criteria that they must meet is that
8 the -- they meet our low income requirements which is
9 related to that HIL requirement and also that the -- the
10 tenant, if it's a tenant in that case, realized the
11 benefits associated with the -- the measures being
12 implemented.

13 MR. BOB PETERS: But as you told the
14 Chairman you can't be certain that the tenants or the
15 people occupying the premises do qualify for the low
16 income compared to the HIL criteria?

17 MR. LLOYD KUCZEK: We're not -- our --
18 our qual -- our requirement under that program basically
19 qualified all of MHRC's housing. And to qualify for
20 MHRC's housing I think you -- you automatically qualified
21 as low income.

22 MR. BOB PETERS: What is the conclusion
23 date for this project, sir?

24 MR. LLOYD KUCZEK: It -- it originally
25 was -- I think the -- well, the dates got extended, so

1 they've done approximately fifty (50) of the homes right
2 now without completing the attic insulations which --
3 which should be done fairly soon.

4 And there's a hundred and twenty (120)
5 homes and I believe they're doing at -- ten (10) a month
6 or twelve (12) a month, roughly. So fifty (50), one
7 twenty (120); so that's another seven (7) months, a
8 little less maybe.

9 MR. BOB PETERS: Can you tell the Board
10 how much money Manitoba Hydro and Centra have flowed into
11 this project so far and what their total expenditures
12 plan to be?

13 MR. LLOYD KUCZEK: The total expenditures
14 from Manitoba Hydro were approximately three hundred and
15 sixty thousand (\$360,000) dollars, that's what was
16 budgeted, and Affordable Energy Fund was providing two
17 hundred and sixty-five (265). The -- the split will be
18 determined by the -- the measures that are actually
19 implemented.

20 In other words, if they qualify for Power
21 Smart incentives, that would be paid out of Power Smart.
22 If it was over and above the -- or if it didn't qualify
23 for Power Smart incentives that -- or under the criteria
24 in the Power Smart Programs, it would be paid for through
25 the Affordable Energy Fund.

1 MR. BOB PETERS: So the first recourse is
2 -- are -- is to the Power Smart Program before you turn
3 to the Affordable Energy?

4 MR. LLOYD KUCZEK: Correct.

5 MR. BOB PETERS: And that's the same for
6 other programs as well?

7 MR. LLOYD KUCZEK: That -- that's our
8 thinking with all our low income programs, yes.

9 MR. BOB PETERS: In terms allocating the
10 costs of DSM Programs, am I correct that currently if
11 expenditures are made for the SGS residential class,
12 those DSM costs are allocated to be recovered only from
13 the SGS residential class?

14 MS. KELLY DERKSEN: I'll suggest to you
15 this, Mr. Peters, in response to your question, and that
16 is to the extent that we have identified certain DSM
17 expenditures to occur in the test periods that we've
18 identified approximately 60 percent of residential
19 customers participating in those programs and we will
20 allocate those costs on that basis to the class.

21 MR. BOB PETERS: I thought mine was an
22 easy question. Ms. Derksen, in -- in terms of that
23 allocation, you have to make a determination on what
24 percentage of residential customers compared to
25 commercial customers take up the DSM initiative before

1 you decide on what allocation to make, is that correct?

2 MS. KELLY DERKSEN: Yes.

3 MR. BOB PETERS: And it is your best
4 estimate to the Board that of every dollar spent on DSM
5 initiatives, 60 percent is for the benefit SGS
6 residential and 40 percent is for the LGS commercial or
7 the LGS -- or SGS commercial or the LGS class?

8 MS. KELLY DERKSEN: Yes. So what that
9 equates to, at the end of the day, Mr. Peters, is that
10 approximately 75 percent of the DSM amortized costs for
11 the -- for the fiscal -- for the test year, '07/'08 and
12 '08/'09, 75 percent will reside in the SGS class, 25
13 percent is the LGS class.

14 MR. BOB PETERS: And by that distinction,
15 you've included in the SGS class both the DSM
16 expenditures that are being amortized for the benefit
17 residential customers and for commercial customers?

18 MS. KELLY DERKSEN: The commercial cu --
19 customers that belong in the SGS class, yes.

20 MR. BOB PETERS: Another option, Ms.
21 Derksen, would be for you to allocate all DSM costs
22 against all customer classes served by Centra Gas on a
23 volumetric basis; would that be correct as being another
24 option?

25 MS. KELLY DERKSEN: We agree that it is

1 an option, yes.

2 MR. BOB PETERS: It's not one (1) that
3 you've given favour to in your rebuttal evidence, though.

4 MS. KELLY DERKSEN: No, sir, we have not.

5 MR. BOB PETERS: Can you explain to the
6 Board why that wouldn't be -- wouldn't be a recommended
7 approach?

8 MS. KELLY DERKSEN: As we've outlined in
9 our rebuttal evidence, Mr. Peters, we believe that those
10 who are -- have the opportunity to participate in those
11 programs, should be allocated those costs.

12 Those who do not have the opportunity to
13 participate in those programs from the Corporation's
14 perspective, should not be allocated those costs and that
15 has ultimately resulted in our decision to allocate those
16 costs to the participating customers in the SGS and LGS
17 customer classes.

18 MR. BOB PETERS: Are you aware as to
19 whether or not there have been DSM initiatives carried on
20 by the higher volume customers?

21 MS. KELLY DERKSEN: I would expect that
22 they have done some type of energy efficiency -- taken on
23 some energy efficiency programs of -- of their various
24 facilities, yes.

25 MR. BOB PETERS: But those have not been

1 included in any DSM plans put forward by Mr. Kuczek.

2 MS. KELLY DERKSEN: Those would have been
3 taken on by the individual company or commercial type
4 customer.

5 MR. BOB PETERS: And in your rebuttal
6 evidence, and I was looking specifically, Ms. Derksen, at
7 page 53 of 56, you calculate what you sus -- what you had
8 -- would be the impact of allocating DSM costs on a
9 volumetric basis rather than as presently done.

10 MS. KELLY DERKSEN: That's what this
11 shows, yes, Mr. Peters.

12 MR. BOB PETERS: And in this particular
13 case, the customers who consume the higher volumes, but
14 do not have available the very DSM programs for which the
15 costs are incurred, would be charged some of the costs.

16 MS. KELLY DERKSEN: That's true.

17 MR. BOB PETERS: And the higher the
18 volume, the greater percentage of the costs that those
19 customers would pay.

20 MS. KELLY DERKSEN: Yes, sir.

21 MR. BOB PETERS: And that would be --
22 even it was, as you say, even if there was no benefit
23 specifically to any customer in the class.

24 MS. KELLY DERKSEN: Correct, we've --
25 many of these larger volume customers have already taken

1 on energy efficient -- efficiency programs and have paid
2 for them, separate and distinct, as part of the ongoing
3 costs of their operation.

4 MR. BOB PETERS: Mr. Chairman, I'd like
5 to thank the panel for their answers to my questions. I
6 appreciate the information they've provided and I'd be
7 pleased to turn the microphone over to Mr. Gange at his
8 convenience and yours.

9 THE CHAIRPERSON: Thank you, Mr. Peters.
10 Just before we go there, just a couple of
11 followup with Mr. Kuczek. I don't want to lose him too
12 quickly here. You indicated before that Hydro had one
13 (1) employee dedicated to low income matters.

14 MR. LLOYD KUCZEK: Correct.

15 THE CHAIRPERSON: Is this the same person
16 that was referred to in the 2005 hearing as the intention
17 to hire a low income coordinator?

18 MR. LLOYD KUCZEK: Oh, well we've gone
19 through two (2) now, so which was the time frame, I'm
20 sorry?

21 THE CHAIRPERSON: 2005 when we were here.

22 MR. LLOYD KUCZEK: The -- we've hired --
23 no -- that individual actually joined us and helped us
24 with trying to design a program and actually did a lot of
25 work up to when the Federal Government cancelled their

1 low income program.

2 Subsequent to that, she moved on to
3 another job at Manitoba Hydro and we hired another
4 individual last -- just this past winter.

5 THE CHAIRPERSON: Basically, it's the
6 successor then to that position.

7 MR. LLOYD KUCZEK: Yeah, that's the short
8 answer.

9 THE CHAIRPERSON: What is the mandate of
10 this staff member?

11 MR. LLOYD KUCZEK: The mandate of the --
12 the staff member was to -- originally to design the
13 program and launch it and after that likely part of it
14 would be to increase the resources if we needed to or at
15 least coordinate the -- the low income programs that we
16 would have.

17 And that's still the mandate. The mandate
18 has expanded to also help work with the pilot programs
19 that we've launched right now and to pursue some other
20 ones.

21 THE CHAIRPERSON: Who does the person
22 report to?

23 MR. LLOYD KUCZEK: She reports to the
24 Manager of Marketing and Sales.

25 THE CHAIRPERSON: So this person does

1 research into low income programs in other jurisdictions,
2 for example?

3 MR. LLOYD KUCZEK: She does that for us,
4 yes.

5 THE CHAIRPERSON: When you're considering
6 DSM programs, could we assume that you're paying
7 attention to the objectives of the Sustainable
8 Development Act as well as the normal objectives of
9 Centra?

10 MR. LLOYD KUCZEK: Yes.

11 THE CHAIRPERSON: In the matter of low
12 income, when you're talking about people that you
13 mentioned before that may not be able to invest directly
14 upfront in DSM, how can you pursue the SDA objectives
15 without recognizing the fact that the participants can't
16 invest directly and then await compensation later?

17 MR. LLOYD KUCZEK: For participants that
18 didn't have the financial means prior to this, we -- we --
19 -- we're relying on our loan program for those customers
20 to use to be able to participate, and that was the
21 mechanism that we -- well, that -- that was our mechanism
22 to address that barrier.

23 THE CHAIRPERSON: Does the person that's
24 involved in the low income, are they familiar with sort
25 of modelling budgets, different income levels depending

1 on the number of people and the circumstances or any
2 thing of that nature?

3 I'm just wondering again, testing this
4 concept of being able even to take on a loan and meet
5 payments at different income levels. How familiar are
6 they with family budgets, if you like?

7 MR. LLOYD KUCZEK: What -- what we're
8 trying to do is design our -- we're trying to design the
9 program, and we've been trying to do this for a year and
10 a half, so that the amount of money that the low-income
11 participant has to provide as part of that program is
12 very low. And so our focus hasn't been on that. Our
13 focus has been on trying to secure funds to support our
14 program and move forward in that direction.

15 With the Federal program that was in place
16 last year, there was no requirement for a low-income
17 person to provide any financial contribution to
18 participate in the program in our estimate.

19 THE CHAIRPERSON: But to be, like
20 specific, if you like, there's no program, for example,
21 that would assist low-income people with a conventional
22 furnace to upgrade to a high efficiency furnace?

23 MR. LLOYD KUCZEK: No.

24 THE CHAIRPERSON: It was indicated
25 earlier, you were also talking about that when you were

1 giving the list of the type of heating plants that were
2 out there, and you were indicating that there some multi-
3 unit housing, for example, that were heated still by
4 conventional furnaces.

5 MR. LLOYD KUCZEK: Correct.

6 THE CHAIRPERSON: And those tenants,
7 under your current program, they would be responsible for
8 the heating bills, correct?

9 MR. LLOYD KUCZEK: In some cases I
10 believe that could be the case, but not necessarily. The
11 data that I provided you with wouldn't tell me whether or
12 not the tenant or the landlord is paying for the energy.

13 THE CHAIRPERSON: I was just wondering
14 how you deal with a landlord that doesn't seem to be too
15 inclined to upgrade the heating plant given that the
16 landlord's not responsible for paying the utility bill?

17 MR. LLOYD KUCZEK: Well, we're having
18 some discussions right now about how to address that.
19 And we've -- the -- the most recent discussions is to
20 possibly do a pilot with West Broadway. Try to find a
21 landlord and -- that's willing to work with us and see if
22 we can figure out some way of addressing that.

23 One (1) of the options that was considered
24 is the landlord has to have some incentive to want to do
25 this and, so, we're considering some options in that

1 regard, but nothing is finalized at this point. But
2 we're thinking we need to work with a community-based
3 organization like West Broadway possibly to explore those
4 barriers and see what we can do to make it work.

5 THE CHAIRPERSON: Okay. Thank you, Mr.
6 Kuczek. Now we'll switch, I think -- I think there's
7 been an understanding. Mr. Boyd, you -- he's not here.
8 Ms. Melnychuk's not here, so Mr. Gange, it's over to you.

9 MR. WILLIAM GANGE: Thank you, Mr. Chair.
10

11 CROSS-EXAMINATION BY MR. WILLIAM GANGE:

12 MR. WILLIAM GANGE: Mr. Kuczek, would you
13 please have with you the Information Requests of TREE?

14 MR. LLOYD KUCZEK: I have --

15 MR. WILLIAM GANGE: Do you have that
16 binder in front of you?

17 MR. LLOYD KUCZEK: I have the questions
18 from TREE that pertain to DSM in my areas, so I should be
19 okay.

20 MR. WILLIAM GANGE: Okay. Thank you,
21 sir. If -- if you could turn to Information Request 62.

22

23 (BRIEF PAUSE)

24

25 MR. LLOYD KUCZEK: My method will work,

1 it's just not every efficient. I'm there.

2 MR. WILLIAM GANGE: Thank you, sir. And
3 -- and 62B on -- on the second full paragraph, I believe,
4 has -- the -- the reference to fuel switching from
5 natural gas to electricity would reduce greenhouse gas
6 emissions within Manitoba but would likely increase them
7 elsewhere. You -- you see that -- that reference, sir?

8 MR. LLOYD KUCZEK: Yes.

9 MR. WILLIAM GANGE: I take it from that -
10 - that Centra -- Centra's understanding of this is that
11 switching customers from natural gas to either
12 electricity or geothermal does not necessarily reduce
13 greenhouse reductions because it reduces the electricity
14 exports that substitute for fossil fuels; is that
15 correct, sir?

16 MR. LLOYD KUCZEK: That's correct.

17 MR. WILLIAM GANGE: And on -- on page 3
18 of that response, the -- the final -- or the -- the
19 paragraph at the bottom of that page starts off:

20 "that there is no clear environmental
21 or economic justification for a general
22 fuel switching program away from
23 natural gas."

24 That conclusion with respect to an
25 economic justification, what -- what does that mean?

1 MR. ROBIN WIENS: It -- it pertains to
2 looking at the easily available alternatives to natural
3 gas which, in this case, are electricity, either directly
4 through an electric furnace or baseboards or through
5 geothermal. And in terms of -- and again, these are not
6 absolutely precise calculations, but I think they're
7 reasonable calculations.

8 And what they're saying is if -- if you're
9 looking and -- and there's other criteria which to make
10 these judgments, for sure, but if you're looking to
11 minimize the greenhouse gas emissions, that natural gas
12 for space heating is -- is the most appropriate choice
13 within Manitoba.

14 You know, again, within the framework of
15 saying, electricity if it's used in Manitoba, it's
16 diverted away from possible export and when it flows into
17 the export markets, we're assuming that it is displacing
18 either natural gas fired or coal fired, which is
19 typically what's on the margin in the -- in the States
20 into which Manitoba Hydro electricity is exported.

21 So there are a number of assumptions in
22 here, but we feel that those are reasonable conclusions
23 to come to.

24 MR. WILLIAM GANGE: Thank you, Mr Wiens,
25 And Mr. Wiens, following up on that, sir, I -- I take it

1 that -- that part of that answer with respect to the
2 economic justification is, therefore, that -- that
3 switching out of natural gas actually costs Manitoba
4 Hydro money because there is -- there is less export
5 sale?

6 MR. ROBIN WIENS: Switching out of
7 natural gas in favour of electricity --

8 MR. WILLIAM GANGE: Yes.

9 MR. ROBIN WIENS: -- yes, that diverts a
10 power from the export market and typically, although not
11 always, typically the returns to Manitoba Hydro are
12 better if it's exported.

13 MR. WILLIAM GANGE: Yes, thank you. I'm
14 -- I'm next going to refer, Mr. Kuczek, to the
15 Information Request 15 and -- and, in particular, 15E and
16 -- and I -- I appreciate, sir, that Mr. Peters went over
17 some of this area dealing with -- with water heaters.

18 That -- that I -- I take it from the --
19 the response that Mr. Wiens gave that the switch with
20 respect to water heaters where it says:

21 "approximately 96 percent of new homes
22 install electric water heaters,"

23 that that costs -- the fact that -- that
24 they are using electric water heaters, in effect, costs
25 Manitoba Hydro money?

1 MR. ROBIN WIENS: Correct.

2 MR. WILLIAM GANGE: Thank you. And --
3 and also the fact that there is more use of -- of
4 electrical water heaters would also -- it -- it follows
5 that it increases the greenhouse gas effect downstream?

6 MR. ROBIN WIENS: Yes.

7 MR. WILLIAM GANGE: Thank you, sir. I'm
8 going to go to number 44 now, sir.

9

10 (BRIEF PAUSE)

11

12 MR. WILLIAM GANGE: Reference was made in
13 -- in forty-four (44) that pricing all units at marginal
14 cost would be more appropriate in a context in which all
15 energy resources, and in particular electric --
16 electricity, gasoline, diesel fluid and propane, were
17 being treated in the same way so that consumer choices
18 among energy products were not being distorted.

19 For the -- for our discussion, though,
20 sir, the -- the -- the energy products that we're talking
21 about here, are -- are natural gas and electricity
22 because those are the only ones where the pricing is
23 within the Utility's control, is that correct, sir?

24

25 (BRIEF PAUSE)

1 MR. WILLIAM GANGE: Mr. Wiens...?

2 MR. ROBIN WIENS: That's correct.

3 MR. WILLIAM GANGE: Thank you.

4 MR. ROBIN WIENS: You know, I -- I will
5 say though that if you look at some of the other diesel
6 fuel and propane, truly they are not within the Utility's
7 control, but they are sold on a market and if the markets
8 are functioning well, they will be selling at
9 approximately the marginal cost of those commodities.

10 MR. WILLIAM GANGE: Thank you, and -- and
11 -- and from that -- that comment that I just read out of
12 RCM/TREE/CENTRA-44, do I take it from that, sir, that --
13 that what you're saying is that consumer choices are --
14 are therefore distorted if pricing is not consistent
15 between the energy resources?

16 MR. ROBIN WIENS: There is potential for
17 some distortion if the -- if -- if the choices are
18 available to consumers and pricing is not consistent,
19 then there is some potential for distortion. Now you'll
20 appreciate, as well, that not all products are available
21 in all areas.

22 MR. WILLIAM GANGE: Yes, I -- I do.
23 Thank you, sir. Then in terms of -- of this issue of the
24 -- the fact that -- that virtually all new homes are --
25 are having electric water heaters installed, does it not

1 say, sir, that -- that -- that there's something wrong in
2 terms of the Utility's prices for electricity and gas
3 where -- where electricity is being so overwhelmingly --
4 well, almost exclusively chosen on that water heater?

5 MR. ROBIN WIENS: I think we've -- we
6 have recognized that on the electric side we may have
7 some pricing issues, but I'm not sure that they're as
8 dramatic as -- as -- as some might think.

9 Electric water heating has other
10 advantages that over and above the -- the cost of the
11 energy -- or the relative cost of the energy between the
12 -- them and natural gas, so typically the life cycle cost
13 is lower; also due to the fact that capital costs are
14 lower. And my understanding is, although someone may
15 correct me on this, is that they have a longer life, as
16 well.

17 So the -- the -- the advantages related to
18 more than just the -- the relative price. Currently
19 today, if you're looking at an efficiency equivalent,
20 natural gas is probably priced in the order of, electric
21 equivalent, about four and a half (4 1/2) cents a
22 kilowatt hour.

23 So it is still -- the natural gas price is
24 still below on an equivalent kilowatt hour basis. It's
25 still below the electric price, even though the electric

1 price is arguably not up to full marginal cost. So -- so
2 we have -- we -- we have other factors at play as well in
3 here, not simply the relationship of the price of the two
4 (2) commodities.

5 MR. WILLIAM GANGE: And -- thank you.
6 And would there therefore be ways that -- that Centra
7 could provide inducements to the homebuilders? Because
8 as I understand it from -- from Mr. Kuczek's testimony
9 earlier to Mr. Peters, it -- it is the homebuilders, and
10 with respect to new homes, that is -- the -- the
11 homebuilders themselves are significantly driving this
12 issue.

13 They're the ones that are picking the
14 electric heaters, are they not, Mr. Kuczek?

15 MR. ROBIN WIENS: That's correct.

16 MR. WILLIAM GANGE: And -- and are there
17 inducements that -- that Hydro could offer that would
18 make the -- the -- it -- it more -- well, attractive to -
19 - to homebuilders to use electric -- or pardon me,
20 natural gas water heaters?

21 MR. ROBIN WIENS: Yes, there are.

22 MR. WILLIAM GANGE: And -- and has Hydro
23 developed a plan with respect to that?

24 MR. ROBIN WIENS: I couldn't say we've
25 developed a plan. I -- what I can say -- I think I

1 mentioned this to Mr. Peters, but I'll -- I'll say it
2 again. We are currently looking at the situation for the
3 reasons that you're bringing up and we think there's a
4 big enough issue here that it needs to be address and a
5 decision made within the Corporation.

6 MR. WILLIAM GANGE: Thank you, sir.
7 Which then leads me I -- I guess to one (1) of the issues
8 that we dis -- that -- that you talked about earlier and
9 that is that -- that, in your view, it's -- it's far
10 better not to have a standing committed with respect to
11 issues like conservation. I think the words that -- that
12 you used to -- to Ms. Murphy was "generic committee," but
13 rather that you would rather target specific issues to
14 specific groups.

15 That -- that was -- that's your sense of
16 the best way of proceeding, sir?

17 MR. ROBIN WIENS: In terms of seeking
18 input from stakeholders?

19 MR. WILLIAM GANGE: Yes.

20 MR. ROBIN WIENS: I guess, so, yes. It's
21 not a guess, so it is. So we -- it -- it really comes
22 down to efficiency of resources as well, and seeking
23 input in -- in an efficient manner.

24 We're not opposed to seeking input at
25 various levels. We've gone through various experiences,

1 and we're always interested in discussing matters with
2 whoever can bring value to the table.

3 Where we've evolved to is a more complex
4 way of and custom approach to seeking advice that we
5 think is very effective and efficient right now, in terms
6 of designing our programs.

7 And in 2004, back then, we -- we were
8 seeking consultation at a high level. We did do some
9 program specific consultation. The high level
10 consultation didn't really go anywhere. We had a few
11 meetings and we didn't see that going anywhere so we
12 didn't continue with that.

13 We did also seek a high level consultation
14 when we did our market potential study. Prior to that we
15 had a number of individuals involved to start with that
16 dropped off to, I believe, it was two (2) or three (3) at
17 the end. And the value through that process wasn't --
18 there wasn't a lot of value at the end through that
19 process as well.

20 MR. WILLIAM GANGE: Thank you. When --
21 when I heard you talking about the -- the targeted group,
22 the -- the players that you seem to mention were those
23 that, I think your word was stakeholders, which would
24 include the builders themselves. For instance, an issue
25 like this would include the builders, themselves.

1 Does it also include a wider range so that
2 groups interested in conservation or interested in -- in
3 efficiencies would be included in that -- in that
4 process?

5 MR. ROBIN WIENS: Where we've evolved to
6 is we -- we don't, other than Dr. Miller, we don't have a
7 lot of people on the -- from conservation groups that
8 have expressed an interest in consulting with us and so
9 we're not aware of a number of individuals out there that
10 are interested in being part of this process.

11 MR. WILLIAM GANGE: But generally
12 speaking, sir, would you see that -- that there is a
13 benefit to having more than just the industry input on
14 this?

15 MR. ROBIN WIENS: Oh, for sure. I can
16 give you an example where we -- we found a lot of value
17 was we -- actually, we found an individual through one of
18 those high level stakeholder consultation processes in
19 2004 that I would say there was -- I'm not sure if he was
20 part of an environmental group, but he was an individual
21 that was interested in environmental issues and he ended
22 up getting hired by Manitoba Hydro and providing that
23 environmental viewpoint to us in Manitoba Hydro.

24 So we -- we actually were able to hire an
25 individual that was providing that viewpoint, we thought,

1 internally.

2 MR. WILLIAM GANGE: Thank you very much,
3 sir. I'm next going to move to RCM/TREE/CENTRA-26.

4

5 (BRIEF PAUSE)

6

7 MR. WILLIAM GANGE: And -- and in
8 particular, sir, page 4 of 5. And -- and I'll tell you
9 that in reference to this -- this is a discussion of new
10 service hookup fees and just above paragraph "E" there's
11 the sentence:

12 "Adding to the price of a lot through
13 an increased service fee would likely
14 not be received very favourably by the
15 home building industry during this
16 economic climate."

17 With respect to that, sir, has Hydro
18 considered the idea of -- of doing the opposite and that
19 is reducing the hookup fee in order to act as an
20 inducement?

21 MR. LLOYD KUCZEK: Well, no, but an
22 alternative strategy was to increase the fee but offer a
23 reduction on the fee if they built a Power Smart home.

24 MR. WILLIAM GANGE: Having suggested to
25 you, do you see that there -- that there could be some

1 benefit -- potential benefit in -- in doing it the
2 opposite way of -- of lowering the fee for homes built to
3 Power Smart standards?

4 MR. LLOYD KUCZEK: Yes, I didn't explain
5 myself very well. The strategy that I was proposing was
6 effectively the same but I just -- we were going -- it
7 was my personal strategy of increasing the fees without
8 linking it to the -- the program and then subsequently
9 doing what you were suggesting; offering a reduction.

10 MR. WILLIAM GANGE: Thank you, sir. I'm
11 going to move to Information Request 31.

12 And -- and this one, sir, I'll tell you is
13 not my thought process because it's far beyond my
14 capabilities, but on page 2 of -- of CENTRA-31 there's a
15 natural gas demand side management savings table --

16 MR. LLOYD KUCZEK: Correct.

17 MR. WILLIAM GANGE: -- which shows a
18 total net Power Smart Plan savings cost at the bottom of
19 five hundred and eighty-four point seven (584.7); do you
20 see that?

21 MR. LLOYD KUCZEK: Correct.

22 MR. WILLIAM GANGE: And my understanding
23 is that -- that that represents a total utility cost of
24 one \$116.2 million which comes --

25 MR. LLOYD KUCZEK: Correct.

1 MR. WILLIAM GANGE: Okay. Thank you,
2 sir. I'm glad you've got the great backup as do I,
3 fortunately for us all.

4 And -- and the -- the math that I've been
5 provided is that if -- if one divides 116.2 million by
6 that five hundred and eighty-four point seven (584.7) it
7 gives you about twenty (20) cents per metre cubed.

8 MR. LLOYD KUCZEK: I'll accept your math.

9 MR. WILLIAM GANGE: And -- and then the
10 problem that I -- that we don't understand is that on --
11 on the next page of the Information Request in "B"
12 there's an amount referred to as seven point nine (7.9)
13 cents per cubic metre?

14 MR. LLOYD KUCZEK: Yes.

15 MR. WILLIAM GANGE: Could you -- do you
16 know why those two (2) numbers are different from -- from
17 the twenty (20) cents per cubic metre to the seven point
18 nine (7.9) cents?

19 MR. LLOYD KUCZEK: I believe it's because
20 of discounting. The seven point nine (7.9) is calculated
21 using a levelized formula which require -- which involves
22 a discounted calculation.

23 MR. WILLIAM GANGE: Okay. Does it take
24 into account an assumption that once an energy efficient
25 measure is installed that there's a very high assurance

1 that the customer will replace it at the end of its
2 lifetime with an equally or even more efficient measure,
3 even -- even if there is no future rebate?

4 MR. LLOYD KUCZEK: Yes, our program --
5 some -- I can't say for sure all our programs do that
6 but most of our programs assume something like, yes.

7 MR. WILLIAM GANGE: Make that assumption?

8 MR. LLOYD KUCZEK: Yes.

9 MR. WILLIAM GANGE: Thank you, sir. I'm
10 going to go back to Number 15.

11

12 (BRIEF PAUSE)

13

14 MR. WILLIAM GANGE: And if you can go to
15 page 3 of 5. There's reference to influences in
16 consumers' consumption habits in -- in 15F, the first
17 sentence:

18 "A significant portion of the 5.4
19 percent decrease in average use was
20 assumed to be a one (1) time change
21 caused by a changed in consumers'
22 consumption habit."

23 Do you see that, sir?

24 MR. LLOYD KUCZEK: Yes.

25 MR. WILLIAM GANGE: And -- and could you

1 advise, what -- what are those changes in consumption
2 habits?

3 MR. LLOYD KUCZEK: Well, the entire 5.4
4 percent reduction we attributed to a number of things.
5 One (1) was the participation in our insulation program;
6 also pers -- installing high efficient furnaces; and then
7 the other -- the other component that's been referred to
8 is, we felt that the only way the reduction that could've
9 happened that we've seen was due to consumers changing
10 their behaviour in terms of how they heat their homes.

11 And the -- what we expected was that
12 customers lowered their temperature settings in their
13 homes to accomo -- adjust for the higher heating costs.

14 MR. WILLIAM GANGE: So they were using
15 less and -- and, therefore, paying less?

16 MR. LLOYD KUCZEK: That's what we think
17 happened, yes.

18

19 (BRIEF PAUSE)

20

21 MR. WILLIAM GANGE: And in -- in terms of
22 giving that answer, sir, was -- did -- did Centra do or
23 conduct an examination of -- of why that drop occurred?
24 Or is -- or is the answer that you just gave me sort of
25 your gut reaction to -- to the drop?

1 MR. LLOYD KUCZEK: It wasn't just my gut
2 reaction, it was our load forecasting staff, that was
3 their assessment of what happened.

4 MR. WILLIAM GANGE: Yes, but did they
5 conduct a -- a formal study on that point, sir?

6 MR. LLOYD KUCZEK: No formal study, no.

7 MR. WILLIAM GANGE: Okay. So it's not
8 your gut reactions, it's their gut reaction?

9 MR. LLOYD KUCZEK: Mr. Miller -- Dr.
10 Miller was right.

11 MR. WILLIAM GANGE: He often is.

12 MR. LLOYD KUCZEK: I -- I could add some
13 information on -- on that. We did monitor how
14 consumption went as we moved into the next year and we
15 didn't see a continued drop in consumption as we moved
16 forward, so.

17 MR. WILLIAM GANGE: If -- if you could
18 move forward to CENTRA -- or RCM/TREE/CENTRA-63.

19

20 (BRIEF PAUSE)

21

22 MR. WILLIAM GANGE: And -- and it
23 references me there that the study was undertaken, which
24 indicated that a simple payback period would -- would
25 take twenty-seven (27) years; you see that, sir?

1 MR. LLOYD KUCZEK: Yes.

2 MR. WILLIAM GANGE: Was this payback
3 figure for a retrofit of a typical existing home or a new
4 home construction?

5 MR. LLOYD KUCZEK: I couldn't tell you
6 for sure, but I -- I think in a new home application,
7 I've heard quotes myself of at least thirty-five hundred
8 (3,500), so it -- I don't think it's -- a retrofit might
9 even be a little more.

10 I would comfortable saying that this is
11 the quote you would migh -- you would probably get even
12 on a new home application.

13 MR. WILLIAM GANGE: You think it might
14 apply to either; is that -- I'm sorry, I didn't
15 understand?

16 MR. LLOYD KUCZEK: I think a retrofit
17 might cost a little bit more.

18 MR. WILLIAM GANGE: Oh, I see, okay. Did
19 -- did the study that was done look at multi-family units
20 served with central water heat?

21 MR. LLOYD KUCZEK: No, this was looking
22 at single family homes.

23 MR. WILLIAM GANGE: Okay. And -- and can
24 you tell me this, did the study assume any reduction in
25 costs over time or through economies of scale if a

1 program were designed to serve several hundred stone --
2 several hundred homes?

3 MR. LLOYD KUCZEK: No, the study was done
4 at a high level and I don't think a significant --
5 significant amount of work was done after the payback
6 period was -- of twenty-seven (27) years was determined.

7 MR. WILLIAM GANGE: Okay. Thank you,
8 sir. I'm also going to refer to -- to Centra's rebuttal
9 evidence if you happen to have that?

10

11 (BRIEF PAUSE)

12

13 MR. WILLIAM GANGE: And -- and, sir, on -
14 - on page 45 of Centra's rebuttal evidence...

15

16 (BRIEF PAUSE)

17

18 MR. WILLIAM GANGE: ...and I'm not sure
19 if this is for you, Mr. Kuczek, or if it's for Mr. Wiens
20 given the opening statements that -- that were made but
21 I'll -- I'll let whoever wants to jump in on it.

22

23 In -- in reference to Mr. Weiss' comments
24 about the Power Smart Residential Loan Program the -- the
25 comment at lines 7 and 8 is that the program has proven
to be an effective program for addressing the capital or

1 first costs barrier associated with implementing a number
2 of high energy -- a number of -- of energy efficient
3 measures and -- and in line 11 it makes the comment that
4 the program has been successful.

5 I'm just wondering what -- what criteria
6 were used to determine that the program has been
7 effective and successful?

8 MR. LLOYD KUCZEK: I believe the criteria
9 that we're using is what we -- we had some established
10 targets. What we thought that customers would
11 participate in the program in terms of implementing those
12 measures and we've -- since 2001 have provided financing
13 of about \$121 million and we've had about thirty-five
14 thousand (35,000) customers participate in that program,
15 so, we feel it's successful based on that.

16 MR. WILLIAM GANGE: I'm sorry, sir, I
17 didn't catch that. How many residential customers have
18 there been?

19 MR. LLOYD KUCZEK: I believe it's thirty-
20 five thousand (35,000); that's -- that's rounding. I
21 think it's thirty-four (34) something.

22 MR. WILLIAM GANGE: Okay. And what is
23 the potential number, the potential number, of cost-
24 effective retrofits?

25 MR. LLOYD KUCZEK: That's a number I

1 don't have.

2 MR. WILLIAM GANGE: Do -- do you have --
3 do you know what the target is? What's the benchmark on
4 an annual basis for this program?

5

6 (BRIEF PAUSE)

7

8 MR. LLOYD KUCZEK: Four thousand four
9 hundred and sixty-four (4,464) loans.

10 MR. WILLIAM GANGE: That's the target per
11 year?

12 MR. LLOYD KUCZEK: Per year, yes.

13 MR. WILLIAM GANGE: Thank you. And --
14 and has Centra analysed this to determine what are the
15 major factors which limit the number of -- of retrofits
16 each year?

17 MR. LLOYD KUCZEK: Our analysis that we
18 did last year or -- yeah, last year I guess, led to us
19 increasing the loan limit to seventy-five hundred (7,500)
20 and so to the degree that we felt that the amount that we
21 were allowing customers to borrow for NG retrofit
22 measures was -- we felt it was limiting the opportunity,
23 so, we increased it.

24 MR. WILLIAM GANGE: Of the four hundred
25 (400) -- four thousand, six hundred and forty-four

1 (4,644) as a target, what has been the actual experience
2 over the past several years?

3

4 (BRIEF PAUSE)

5

6 MR. LLOYD KUCZEK: Assuming I'm lining up
7 my years right here, in 2000 and -- well, we'll work
8 backwards.

9 The -- the last year, which is '06/'07,
10 there was eight thousand, one hundred and twenty-four
11 (8,124); previous year, six thousand, thirty (6,030);
12 previous year, forty-eight, sixty-eight (4,868);
13 previous, forty, twenty-six (4,026); three thousand two
14 hundred and forty-two (3,242); four thousand, six hundred
15 and thirty (4,630); and the prior year was just a partial
16 year.

17 MR. WILLIAM GANGE: And -- and, sir, this
18 -- is there an evaluation program to check on the quality
19 of the retrofits that are done?

20 MR. LLOYD KUCZEK: No, this is purely a
21 financing arrangement similar to a bank, a convenient
22 financing arrangement for customers.

23 MR. WILLIAM GANGE: Mm-hm. And -- and
24 this is similar to the question that was asked with
25 respect to the furnaces and I -- I suspect your answer's

1 going to be the same, but does Centra certify contractors
2 so that customers can have confidence in the quality of
3 the work?

4 MR. LLOYD KUCZEK: The answer would be
5 the same as before, we do not.

6 MR. WILLIAM GANGE: Thank you.

7

8 (BRIEF PAUSE)

9

10 MR. WILLIAM GANGE: Sir, on -- on page 47
11 of the rebuttal, line 21 is what I'm going to refer to
12 and the -- the statement is made that:

13 "Centra/Manitoba Hydro disagrees with
14 Mr. Weiss' conclusion that the
15 Corporation does not have a strategy to
16 deal with the low income market
17 segment."

18 So similar to the -- the set of questions
19 that I just asked you, what is Centra's criteria for
20 judging its -- its low income programs?

21 MR. LLOYD KUCZEK: My comment was that --
22 in the rebuttal was that we disagree that we have a
23 strate -- that we don't have a strategy. We have a
24 strategy in place and that involves designing and
25 launching a low income program that -- that we discussed

1 earlier.

2 MR. WILLIAM GANGE: And -- and I'd -- my
3 understanding from what you've said earlier is that you -
4 - you don't know how many low income residential
5 customers that you service?

6 MR. LLOYD KUCZEK: We have a -- a fairly
7 good idea. It's in the range of sixty-five thousand
8 (65,000). That would be based on the information that I
9 got from our government contacts.

10 MR. WILLIAM GANGE: Thank you. Is -- if
11 -- if that's the case, what is the potential number of
12 cost-effective retrofits? Do -- do you have that?

13 MR. LLOYD KUCZEK: I don't have that, no,
14 but if -- if you design a program the way were
15 envisioning it, most retrofits that involve insulation --
16 adding insulation to the basement are cost effective.
17 Adding insulation to the attics can be cost effective
18 depending on what the -- you're starting with.

19 Weatherization, generally, is cost
20 effective with older homes and I'm assuming, you know, if
21 we're referring to low income people, the homes aren't
22 necessarily new and likely not new, so they would be cost
23 effective. Those measures are cost effective.

24 MR. WILLIAM GANGE: And -- and on this
25 point, sir, do you -- do you have a target for the number

1 of units per year that -- that you're targeting for --
2 for retrofits?

3 MR. LLOYD KUCZEK: I can tell you that
4 we're hoping to get around two thousand (2,000) a year,
5 once we get up and running.

6 MR. WILLIAM GANGE: And how's that number
7 determined?

8 MR. LLOYD KUCZEK: Well, it -- it's going
9 to be limited by more by finding the customers, our
10 marketing efforts and the community-based organizations
11 that we can involve in helping us with pursuing this
12 program.

13 MR. WILLIAM GANGE: In your analysis,
14 sir, do -- do you see the same choke points, the same --
15 the same difficulties, and that is that -- that -- that
16 we mentioned with respect to the -- my last question
17 where you said it was mostly price.

18 Are -- are there additional ones with
19 respect to the retrofit?

20 MR. LLOYD KUCZEK: Rentals a real
21 challenge. Are you talking about measures?

22 MR. WILLIAM GANGE: Yes, in -- in terms
23 of -- of how many -- how many retrofits that you're going
24 -- that -- that are going to be able to go through this
25 program in a year.

1 MR. LLOYD KUCZEK: Yes, and I should
2 clarify, you know, the two thousand (2,000) number is
3 just a number that we've thrown around in the office as a
4 potential bar that we should target ourselves to. I
5 personally think it's going to be a challenge and I don't
6 know if we can achieve that, so that -- that might not be
7 realistic.

8 So, we really don't have a lot of
9 experience with a program like this and the person that
10 we've hired has actually talked to other organisations
11 across Canada to see what kind of participation and how
12 things are evolving there, so, we'll base our programs
13 and our targets based on what their experience so far and
14 what we think we can accomplish here.

15 THE CHAIRPERSON: Mr. Gange, if you don't
16 mind, we're just going to have a short break now.

17 MR. WILLIAM GANGE: That's fine, thanks.

18 THE CHAIRPERSON: Okay, we'll be back at
19 3:00.

20

21 --- Upon recessing at 2:48 p.m.

22 --- Upon resuming at 3:05 p.m.

23

24 THE CHAIRPERSON: Thank you, Mr. Gange,
25 you can continue.

1 CONTINUED BY MR. WILLIAM GANGE:

2 MR. WILLIAM GANGE: Mr. Kuczek, if you
3 could go to page 49 of the rebuttal evidence. And at
4 lines 12 to 14 Centra's position is that Centra has
5 concluded that the perceived benefits set forth in Mr.
6 Weiss' testimony are much smaller than suggested by Mr.
7 Weiss and that these perceived benefits are very
8 difficult to verify.

9 On that point, sir, does Centra follow up
10 low income customers who have received DSM services?

11 MR. LLOYD KUCZEK: No, we don't track
12 customers -- we don't ask customers when they participate
13 in a low in -- in -- in our programs whether or not
14 they're low income.

15 MR. WILLIAM GANGE: And -- and -- and,
16 therefore, you wouldn't track usage afterwards and bill
17 payment behaviour?

18 MR. LLOYD KUCZEK: No.

19 MR. WILLIAM GANGE: Thank you. And --
20 and -- and as a result of that, you'd have no information
21 with respect to whether there are arrears where there --
22 whether there are collections or anything like that.

23 MR. LLOYD KUCZEK: No, our analysis was
24 looking at Mr. -- Mr. Weiss' information and trying to
25 ascertain the validity to his assumptions and whether or

1 not we can use those estimates or something of our own to
2 help justify programs.

3 MR. WILLIAM GANGE: And -- and then
4 following up on that, sir, the next page, page 50, lines
5 2 and -- 2 to 4, I -- I take it is -- is a restatement of
6 what you just said,

7 "that the evidence presented by Mr.
8 Weiss is not sufficiently robust to
9 permit the conclusion that bill payment
10 assistance for low income customers of
11 Centra can be funded by cost savings
12 thereby induced."

13 Again, there wa -- there isn't anything
14 that you can point to that -- that -- that says that Mr.
15 Weiss is wrong, you're simply saying, well, you -- Mr.
16 Weiss, you haven't convinced us.

17 MR. LLOYD KUCZEK: Well, it's a little
18 more than that in the sense that we try to rationalize
19 the -- what the potential savings could be and it was
20 very difficult for us to see that if a customer
21 participated.

22 And I know on the margin, you're always
23 going to have customers that are -- are the low income
24 category that two hundred dollars (\$200) would be
25 significant for them and it might impact that, but, a two

1 hundred dollar (\$200) savings for low income
2 participants, or anybody, but even for low income
3 participants, we just have a hard time seeing where that
4 would have a significant impact on all those costs --
5 operating cost reductions that were suggested.

6 The biggest one (1) that was suggested
7 was, I think, a reduction of a bad debt. I think when it
8 comes to people that don't pay their bills, there's many,
9 many issues associated with those individuals and I'm not
10 an expert in -- in those, but I have had some personal
11 experiences where an extra two hundred dollars (\$200)
12 with those individuals, or a large portion of them, isn't
13 going to significantly impact the end result. There's
14 other drivers that are causing them to get in those
15 situations.

16

17 (BRIEF PAUSE)

18

19 MR. WILLIAM GANGE: When you're talking
20 about your personal experience, Mr. Kuczek, have you got
21 your brothers to use fluorescent light bulbs yet?

22 MR. LLOYD KUCZEK: No, I haven't.

23 MR. WILLIAM GANGE: Does the -- the
24 website makes reference to that when Manitobans need
25 affordable energy, Manitoba Hydro is there. And I just

1 want to refer to affordability on -- on a -- for a couple
2 of questions.

3 Affordability depends, in part, on the
4 size of the bill received for a given family, whether
5 it's twenty five hundred dollars (\$2,500) per year or
6 seven hundred and fifty dollars (\$750) per year; that's -
7 - that's one (1) component of it, sir?

8 MR. LLOYD KUCZEK: Yes.

9 MR. WILLIAM GANGE: And -- and the size
10 of the bill is a function of both how much is consumed
11 and the price of gas, obviously?

12 MR. LLOYD KUCZEK: Yes.

13 MR. WILLIAM GANGE: And -- and the
14 affordability is not -- is not the same as just keeping
15 rates low; is that -- isn't that correct, sir?

16 In other words, affordability can be
17 achieved not only through -- through keeping rates low
18 but -- but also by reducing consumption through
19 efficiencies?

20 MR. LLOYD KUCZEK: Yes, we like that --
21 the -- that option the best.

22 MR. WILLIAM GANGE: And -- and can we
23 conclude, sir, that -- that when Manitobans need
24 affordable energy, the most effective ways to achieve
25 that goal are -- are to promote bill reduction through

1 efficiency and conservation measures and to provide
2 special focus on bill reduction for higher consuming low
3 income customers?

4 MR. LLOYD KUCZEK: I -- I like the first
5 part of what you said; I'm just not sure about that
6 second part.

7 MR. WILLIAM GANGE: The second part was
8 to provide special focus on -- on reducing the costs for
9 -- for higher consuming low income customers.

10 MR. LLOYD KUCZEK: Through energy-
11 efficient opportunities?

12 MR. WILLIAM GANGE: Yes.

13 MR. LLOYD KUCZEK: With that qualifier I
14 agree, yes.

15 MR. WILLIAM GANGE: Yes, thank you.
16 There -- I have a couple of questions, sir, that I -- I
17 should go back to the Information Requests, in
18 particular, number -- number 50 -- RCM/TREE/CENTRA-50.

19

20 (BRIEF PAUSE)

21

22 MR. WILLIAM GANGE: And -- and does this
23 residential end use survey for the SGS residential class
24 include apartments and -- and condominiums?

25 MR. LLOYD KUCZEK: It includes all

1 customers I believe -- all residential customers.

2 MR. WILLIAM GANGE: Okay. And -- and
3 centrally heated apartments or condos, are they
4 classified as commercial SGS or LGS customers?

5

6 (BRIEF PAUSE)

7

8 MR. LLOYD KUCZEK: While they're talking
9 can I ask you to repeat the question again?

10 MR. WILLIAM GANGE: I'm wondering, sir,
11 if centrally heated apartments and condos are classified
12 as commercial SGS and LGS customers as opposed to
13 residential SGS customers.

14 MR. LLOYD KUCZEK: It appears the
15 expert's in the other room.

16 MR. ROBIN WIENS: We can tell you that
17 for large buildings the meter size is going to determine
18 what class they're in. For large buildings they would
19 tend to be in the LGS class. What we're just not sure of
20 is -- having some discussion about -- is the distinction
21 between SGS residential and SGS commercial.

22 Although for the purposes of rates today,
23 there -- there is no distinction, but you're thinking
24 there may be some distinction in terms of whether or not
25 they're included in this table?

1 MR. WILLIAM GANGE: Yes, that's correct,
2 sir, that's -- that's the point of the question.

3

4 (BRIEF PAUSE)

5

6 MR. WILLIAM GANGE: We'll -- we'll move
7 on and -- and if you can answer that question, you will,
8 sir? Thank you.

9 MR. ROBIN WIENS: We will.

10 MR. WILLIAM GANGE: Is there -- is there
11 average consumption data or -- or stratified data for
12 living units within central heated apartment and
13 condominium buildings?

14 MR. LLOYD KUCZEK: I'm not sure of that.

15 MR. WILLIAM GANGE: Okay.

16

17 (BRIEF PAUSE)

18

19 MR. WILLIAM GANGE: Would the missing
20 expert be able to -- to answer that?

21 MS. MARLA MURPHY: Perhaps you could give
22 us your question again, as the missing expert's in the
23 room.

24 MR. WILLIAM GANGE: Okay. The -- the
25 question that I asked was, whether there's consumption

1 data for living units -- average consumption data or
2 stratified data, as in customer accounts, for living
3 units within central heated apartment and condominium
4 buildings?

5

6 (BRIEF PAUSE)

7

8 MR. LLOYD KUCZEK: I -- I'm fairly sure
9 we have that in our database, so if you wanted that
10 information, we can get it. I'm not sure it's -- whether
11 or not it's included in this -- this category is all our
12 residential gas customers, so.

13 MR. WILLIAM GANGE: Yes. And -- and I
14 guess the -- what -- what we're wondering is whether you
15 can tell how many customers there are or how many -- how
16 many units there are per building from -- from this data?

17 MR. LLOYD KUCZEK: Well, most -- most of
18 it would be the single family. I'm just wondering about
19 the condominiums myself, is what I'm wondering.

20 MR. WILLIAM GANGE: Yes. Okay. So if
21 you can -- if -- if that information becomes available,
22 could you provide it to us please?

23 MR. ROBIN WIENS: What we'll do is we'll
24 check to see if we can produce a report out of our
25 billing system that would provide that information. I --

1 I think it may be possible, but I'm not certain.

2

3 --- UNDERTAKING NO. 23: Centra to indicate to Mr.
4 Grange what the average
5 consumption data or
6 stratified data for living
7 units within central heated
8 apartment and condominium
9 buildings

10

11 MR. WILLIAM GANGE: Thank you, sir.

12

13 (BRIEF PAUSE)

14

15 MR. WILLIAM GANGE: With respect to Power
16 Smart standards, can you confirm that the Power Smart
17 home standard requires less insulation, less wall
18 insulation, for a gas heated home than an electric heated
19 home?

20 MR. LLOYD KUCZEK: That's correct.

21 MR. WILLIAM GANGE: And is there a reason
22 for that?

23 MR. LLOYD KUCZEK: Yes, there is a reason
24 for that. There was a couple reasons, but one (1) of the
25 reasons was the -- was linked to the cost -- cost-

1 effectiveness of adding rigid insulation on typical homes
2 in gas serviced areas. We have a lot of cab-over designs
3 and the costs are much higher for putting rigid
4 insulation on those homes.

5 And so when we were designing the program
6 in consultation with the Manitoba Home Builders
7 Association, it was agreed that we would not require that
8 as part of the new home program specifications for
9 natural gas homes.

10 In residential areas where you have larger
11 spaces for building homes, the typical home is a re -- a
12 bungalow and so there's a lower cost associated with
13 adding that ridg -- rigid insulation.

14 MR. WILLIAM GANGE: As -- as -- is part
15 of that an historical difference due to the -- or -- due
16 to the longstanding difference in -- in gas prices versus
17 electrical prices?

18 MR. LLOYD KUCZEK: The difference is more
19 related to the type of homes being built in Winnipeg
20 because of the small lots.

21 MR. WILLIAM GANGE: And then now that --
22 that the -- the difference between gas and -- and
23 electricity are -- are as -- as we discussed this morning
24 getting so much smaller has consideration been given to
25 changing those Power Smart standards, sir?

1 MR. LLOYD KUCZEK: What I can tell you is
2 we're actually in the process of reevaluating the entire
3 program at this point and we'll be working with the
4 homebuilders to see what makes sense in terms of
5 adjustments to the program to make it more successful in
6 the future.

7 MR. WILLIAM GANGE: And -- and when
8 you're talking to the Homebuilders' Association is it
9 your sense or not that the homebuilders at this point
10 would support the highest efficiency gas-heated homes?

11 MR. LLOYD KUCZEK: High efficient gas --
12 high efficient furnaces?

13 MR. WILLIAM GANGE: No, high -- the
14 highest -- highest standards.

15 So that -- in other words moving to a -- a
16 hundred percent Power Smart?

17 MR. LLOYD KUCZEK: Well, there's a whole
18 group of them in that association and I don't think that
19 they would -- they -- they may verbally say that -- that
20 their prime driver is business and they want to keep
21 homes affordable. And when they talk about affordable,
22 they're talking about the capital costs as opposed to the
23 capital or operating cost considerations.

24 THE CHAIRPERSON: And we've seen that
25 with new homes, Mr. Kuczek. For example, sump pumps that

1 are ten dollars (\$10) less expensive than better ones
2 burning out in six (6) months.

3 MR. LLOYD KUCZEK: I experienced that
4 personally. When they installed my sump pump the guy
5 told me right there and then as soon as it burns out, buy
6 yourself a good one.

7 THE CHAIRPERSON: Same experience.

8 MR. LLOYD KUCZEK: So I installed a dual
9 one right now waiting for that other one to fail.

10

11 CONTINUED BY MR. WILLIAM GANGE:

12 MR. WILLIAM GANGE: And -- and I -- I
13 take it then, sir, that -- that your sense is that there
14 would be significant resistance among the homebuilders to
15 be dealing with -- with power smart standards that are
16 dealing more in terms of -- of operating costs than --
17 than the actual cost of construction?

18 MR. LLOYD KUCZEK: The homebuilders
19 aren't too concerned about the operating costs but I -- I
20 should be careful in how I word that. I shouldn't speak
21 on their behalf.

22 MR. WILLIAM GANGE: Right. In the law we
23 have a comment, "res ipsa loquitur" and I guess that
24 applies with respect to this.

25 One (1) second, sir, I just need to

1 discuss something with Ms. -- with Professor Miller.

2

3

(BRIEF PAUSE)

4

5 THE CHAIRPERSON: While Mr. Gange is
6 doing this I'll just take a second in the interest of
7 economy.

8 I've got a general question, Mr. Kuczek,
9 I'd like you to think about. Mr. Peters raised the
10 question of whether Centra had considered a bill
11 surcharge to provide a fund to support low income DSM and
12 I believe he suggested perhaps that some other utilities
13 have taken this route.

14 And I understood you to say that such help
15 to low income is not being considered with respect to,
16 for example, acquiring a high efficiency furnace and
17 properly installed installation. I can even imagine that
18 some low income people may apply for a loan and get
19 turned down for legitimate credit reasons because of
20 their income levels.

21 Has Centra considered the possibility of a
22 small levy of, say, ten (10) cents a gigajoule to raise,
23 say, 6 million a year, to assist conversions and properly
24 installed insulation, when and only when no upfront
25 participant contribution is available, but the owner is

1 willing to sign a note and a lien could be placed on the
2 property?

3 Such a loan could perhaps be at low
4 interest or very modest rate and the return to Hydro
5 would occur on sale -- transfer of the property.

6 Presumably in such a case you'd have
7 willing participants given the fact that improvements of
8 that nature can obviously reduce future bills, reduce
9 credit risks for Centra and as well, of course, perhaps
10 improve the property value and encourage further
11 improvement in time.

12 Also would not such a plan, just to think
13 about, allow Centra to enjoy through, say for example, a
14 transparent RFP to seek out a contractor to install at a
15 very competitive rates such furnaces, with their
16 arrangements open to view to serve as a benchmark in the
17 future for both Centra and its customers.

18 Perhaps you could think about it. Every
19 party has a high regard for DSM, the issue seems to be
20 just how to move things ahead more quickly and,
21 particularly, how to move things ahead with low income.

22 Given the number of households you
23 indicated that were there and the number of properties
24 that you could work through in a year, it would appear it
25 would be half (1/2) a century before one was able to

1 reach under the current system.

2 So it's just a thought to leave with you
3 if you wanted to give it some thought.

4 MR. LLOYD KUCZEK: Just to add to that, I
5 did think about the part about asking -- working with a
6 contractor to install high efficient furnaces at a
7 reasonable price for low income households and have had a
8 discussion with one (1) individual, in particular, and he
9 had expressed some interest, so, it's -- it's something
10 that did cross my mind in terms of dealing with some of
11 those issues.

12 THE CHAIRPERSON: Thank you, sir. I'll
13 leave it with you.

14 Mr. Gange...?

15

16 CONTINUED BY MR. WILLIAM GANGE:

17 MR. WILLIAM GANGE: Yes, thank you, Mr.
18 Chairman. I -- I just have a couple of more questions.

19 Mr. Kuczek, is there anybody in Centra,
20 generally, that tracks provincial and national policy
21 with respect to code development and -- and things like
22 monitoring of -- or assessment of -- of greenhouse gas
23 levels?

24 MR. LLOYD KUCZEK: Two (2) separate
25 individuals. On the code development we actually hired

1 an individual and that was part of his responsibility.

2 On the greenhouse gas emissions, we have
3 another individual that tracks that.

4 MR. WILLIAM GANGE: And -- and Professor
5 Miller's brought to my attention a National Round Table
6 on the Environment and Economy recommendation that energy
7 use that -- that -- with respect to energy use, that
8 increasing energy efficiency is the key and that by -- by
9 increasing energy efficiency we could achieve
10 approximately 40 percent of the targeted goal of -- with
11 respect to greenhouse gas emissions of reducing it by 60
12 percent.

13 Would that be within that person's mandate
14 to be watching those kinds of things?

15 MR. LLOYD KUCZEK: Correct.

16 MR. WILLIAM GANGE: And -- and in -- in
17 planning DSM targets, are -- does -- does Centra take
18 into account those kinds of target of reducing greenhouse
19 gases?

20 MR. LLOYD KUCZEK: Our targets on DSM are
21 -- are primarily deter -- primarily determined by the
22 energy component. The -- we don't -- they're not driven
23 by the greenhouse gas emission component, it's driven by
24 the -- the energy fuel reduction, whether electricity or
25 natural gas.

1 MR. WILLIAM GANGE: Thank you, sir.
2 Thank you for being so patient with me, those are my
3 questions.

4 THE CHAIRPERSON: Okay, Mr. Saxberg...?

5 MR. KRIS SAXBERG: Thank you, Mr.
6 Chairman. And I appreciate that it's sunny and warm
7 outside and we're about to start the weekend, so, that
8 should be an incentive for efficiency on this end and
9 perhaps on the other side of the table.

10 And I should disclose at the outset that I
11 have a slight conflict of interest in that the -- the two
12 (2) girls on the -- in the Power Smart ads are -- are my
13 nieces and so I -- I'm a big supporter of the program,
14 but having said that, we do have a few minor issues.

15 THE CHAIRPERSON: Glad to hear that you
16 weren't rejected for one (1) of their loans.

17

18 CROSS-EXAMINATION BY MR. KRIS SAXBERG:

19 MR. KRIS SAXBERG: That could well
20 happen. Earlier Mr. Warden was talking about matching of
21 costs and benefits for DSM; did you hear that?

22 MR. LLOYD KUCZEK: Yes.

23 MR. KRIS SAXBERG: And I'm sure you
24 agreed with that as well?

25 MR. LLOYD KUCZEK: Yes.

1 MR. KRIS SAXBERG: And indeed, that's an
2 expressed goal, an object, of the Utility to match the
3 costs with the benefits?

4 MR. LLOYD KUCZEK: Yes.

5 MR. KRIS SAXBERG: Now, you indicated low
6 income and seniors have greater barriers to participation
7 in these programs; correct?

8 MR. LLOYD KUCZEK: They have different
9 barriers. Each customer segment has different barriers
10 and without getting into that -- what those barriers are
11 but they're -- they're certainly distinct ones with low
12 income individuals.

13 MR. KRIS SAXBERG: And one (1) thing is
14 that you just don't know the level of -- at which those
15 barriers are precluding participation in these DSM
16 programs?

17 MR. LLOYD KUCZEK: Correct.

18 MR. KRIS SAXBERG: So theoretically,
19 though, you want to do as much as possible to remove
20 those barriers to ensure that the costs and benefits are
21 symmetrical?

22 MR. LLOYD KUCZEK: That would be an
23 objective, yes.

24 MR. KRIS SAXBERG: And that is the raison
25 d'etre of this soon-to-be-finalized hard-to-reach

1 program, correct?

2 MR. LLOYD KUCZEK: That's part of it,
3 yes.

4 MR. KRIS SAXBERG: And if -- if you
5 aren't able to remove those barriers, then, it does
6 result in what the Chairman suggested and that being,
7 essentially, a subsidy form these low income customers to
8 customers that can afford to invest and access DSM
9 programs?

10 MR. LLOYD KUCZEK: That's correct.

11 MR. KRIS SAXBERG: Now, the total DSM for
12 residential in the test years for low income, sorry, in
13 residential in test years is \$1.6 million; is that right?

14 MR. LLOYD KUCZEK: I have to look it up
15 but I can take your word for that.

16 MR. KRIS SAXBERG: And I can give you the
17 reference, it's CAC --

18 MR. LLOYD KUCZEK: I have it in our plan.
19 I just have to add the numbers.

20 MR. KRIS SAXBERG: For everyone else's
21 reference, CAC-70, about 1.6 million?

22

23 (BRIEF PAUSE)

24

25 MS. MARLA MURPHY: Did you arrive at that

1 just by adding up all the numbers in the columns? Is
2 that where you got your number from?

3 MR. KRIS SAXBERG: I was looking at CAC-
4 70, page 2 of 6, the -- where it says "Low Income
5 Program" and then it lists the costs.

6 MR. LLOYD KUCZEK: Okay.

7

8 CONTINUED BY MR. KRIS SAXBERG:

9 MR. KRIS SAXBERG: And just to be clear
10 that -- that low income program, that's the hard-to-reach
11 program that's --

12 MR. LLOYD KUCZEK: Correct.

13 MR. KRIS SAXBERG: So there's \$1.6
14 million that's been forecast for the two (2) test years
15 but that's going to be amortized and so the impact, of
16 course, in rates is much smaller than that, correct?

17 MR. LLOYD KUCZEK: Correct.

18 MR. KRIS SAXBERG: Now, does that mean
19 then or would you agree with me then that the question
20 really becomes -- and you have to -- you have to follow
21 me here.

22 Just put aside the Affordable Energy Fund
23 for a moment and put aside the -- the ecoENERGY dollars,
24 but does the issue then become -- is that \$1.6 million
25 enough to assure that we've got an appropriate matching

1 of costs and benefits; in other words, is it enough to
2 remove to barriers that you spoke of?

3 I'm -- I'm just asking is that the issue?

4 MR. LLOYD KUCZEK: In terms of trying to
5 match the benefits to the costs?

6 MR. KRIS SAXBERG: Yes.

7 MR. LLOYD KUCZEK: If your -- if your
8 sole objective was to try to match the benefits of your
9 DSM programs to the costs of the DSM programs to the
10 different customer classes, you would have to do an
11 analysis that we don't have the information on. Part of
12 that -- we would have to start to track the income levels
13 of our customers that are participating to find out
14 whether or not they are actually participating or not
15 currently and into the future and we -- we currently
16 don't do that.

17 We have concluded that without doing any
18 analysis and we don't -- we don't believe we need to do
19 the analysis, that we should be pursuing some low income
20 programs and targeting those customers without
21 undertaking that analysis.

22 MR. KRIS SAXBERG: And my question is
23 just about how the Utility determines the level of
24 funding when you set aside the -- the AEF and the other
25 programs. And I'm saying -- and I'm just asking at a

1 very high level, should one of the things that the Board
2 considers be, is that 1.6 million enough to address these
3 barriers?

4 MR. LLOYD KUCZEK: From our perspective,
5 what we're -- we're hoping to do is figure out what we
6 can achieve with out low-income program and then
7 establish our budget based on what the participation's
8 going to be on those programs. And we're -- we're -- we
9 really didn't consider it from a benefits perspective.

10 Our concern is trying to pursue our
11 strategy of not requiring the customer to make a
12 financial contribution or, at least, minimize the amount,
13 and to maximize the number of customers that are going to
14 participate in our programs over the next four (4) years.

15 MR. KRIS SAXBERG: So I guess the short
16 answer is you hadn't considered it from -- from the
17 perspective that I put to you?

18 MR. LLOYD KUCZEK: That's correct.

19 MR. KRIS SAXBERG: Now, when we plug in
20 the money from the Affordable Energy Fund; and we're
21 talking about 19 million, is that correct?

22 MR. LLOYD KUCZEK: Correct.

23 MR. KRIS SAXBERG: That's a lot higher
24 than the 1.6 million, so one might then presume that, if
25 anything, when this program kicks into high gear, we're

1 probably going to have costs that are at least equal to
2 benefits and maybe that the benefits will be higher than
3 the costs.

4 MR. LLOYD KUCZEK: It's possible, yes.

5 MR. KRIS SAXBERG: And -- and the same
6 when you plug in the ecoENERGY funding, correct?

7 MR. LLOYD KUCZEK: Correct.

8 MR. KRIS SAXBERG: But my question to you
9 is -- those programs are finite. I mean that money,
10 unfortunately, isn't going to be around forever; it's
11 going to get spent.

12 MR. LLOYD KUCZEK: Correct.

13 MR. KRIS SAXBERG: And that AEF is a one
14 (1) time venture, I understand?

15 MR. LLOYD KUCZEK: It is right now, yes.

16 MR. KRIS SAXBERG: So what happens when
17 the Affordable Energy Fund is depleted and the program --
18 the ecoENERGY program has ended? At that point will the
19 Utility be considering a fixed floor at which it will
20 ensure that a low-income program is available to remove
21 this problem of matching costs and benefits?

22 MR. LLOYD KUCZEK: That would be one of
23 the considerations that I believe we would give.

24 MR. KRIS SAXBERG: Now, just in terms of
25 defining low income in order to determine who's going to

1 have access to this \$19 million, I think you've indicated
2 that your definition is coming from someone in -- in the
3 Government and --

4 MR. LLOYD KUCZEK: The criteria that --
5 that I referred to as HIL; and it stands for the Manitoba
6 Housing Income Limits, and they update these limits each
7 year. It's based on the number of people living in a
8 household and the income of the household. So it varies
9 by each household.

10 MR. KRIS SAXBERG: Do you know how it
11 compares or relates to the Stats Can low income cutoff?

12 MR. LLOYD KUCZEK: I don't, but my staff
13 might.

14 MR. KRIS SAXBERG: Well, perhaps you
15 could take is as an undertaking to let us know what the
16 differences are or how it relates?

17 MR. LLOYD KUCZEK: Okay.

18 MR. KRIS SAXBERG: And then, I'm sure
19 you've heard or read in the evidence that in other
20 jurisdictions -- in Ontario and in Quebec -- what the gas
21 companies do is to not only look at the Stats Can low
22 income cutoff, but to look above it at a -- at a 125
23 percent of that cutoff.

24 Are you aware of that?

25 MR. LLOYD KUCZEK: I'm not aware of

1 exactly what they're doing, but my staff have provided me
2 with some information on others doing that but we've also
3 considered doing that ourselves.

4 MR. KRIS SAXBERG: Right. And the reason
5 would be to make sure that no one falls through the
6 cracks just by way of -- of the criteria for identifying
7 low income?

8 MR. LLOYD KUCZEK: Yes. And these limits
9 might be too low. They might be outdated, so.

10 MR. KRIS SAXBERG: Do you know what
11 percentage of Manitoba households are below or at low
12 income according to your criteria?

13 MR. LLOYD KUCZEK: I don't know the
14 criteria that was used from the number that I was given
15 from the government contact that I had, but, I believe it
16 was the -- the HIL levels that -- when I gave out the
17 sixty-five thousand (65,000) number.

18 MR. KRIS SAXBERG: But do you know what
19 percentage of Manitoba households then using that
20 criteria would be low income?

21 MR. LLOYD KUCZEK: That would be sixty-
22 five thousand (65,000) divided by the total number of
23 households in Manitoba, I guess, in terms of percentage.

24 MR. KRIS SAXBERG: I don't suppose you
25 know that number?

1 MR. LLOYD KUCZEK: It would be about 10-
2 12 percent.

3 MR. KRIS SAXBERG: Okay. Are you aware
4 that -- that according to that "T" report that's
5 referenced by Mr. Higgin that the -- in Ontario the
6 number is 18 percent? It's determined using their
7 criteria.

8 MR. LLOYD KUCZEK: I'll accept that
9 number.

10 MR. KRIS SAXBERG: And -- and just while
11 we're on that -- or while I'm on it anyway because I know
12 you don't have it before you, but I'm -- I'm looking at
13 the -- the "T" report and in it they identify some core
14 principles that should -- that should be adopted into low
15 income programs.

16 And the very first one is that there
17 should be no cost to low income participants; do you
18 agree with that core principle?

19 MR. LLOYD KUCZEK: I've got mixed
20 feelings on that. I -- I -- sometimes I think it's
21 better to have the low income or at least the participant
22 have a vested interest so that they're more interested in
23 persistency, for example, in the measures.

24 When the CFLs if you're installing one or
25 if you install it for them, they -- they would care and

1 they would continue if that -- when that CFL burns out
2 they would replace it with a CFL. You'd like them to be
3 interested to the degree that they would lower the
4 temperature on the thermostat, use the setback
5 thermostat.

6 So, to some degree on one (1) side I -- I
7 guess I would say I -- I would like them to have some an
8 -- a vested interest; on the other hand, I think it would
9 reduce the success of the program in terms of the number
10 of participants but -- so it's a tradeoff.

11 MR. KRIS SAXBERG: And that's something I
12 -- I guess that will -- a final decision will be made
13 when the programs are approved?

14 MR. LLOYD KUCZEK: Correct.

15 MR. KRIS SAXBERG: Now, the -- the second
16 principle is one that I'm sure you don't have any problem
17 with and that's that the low income individuals should
18 see lower bills as a result of the program?

19 MR. LLOYD KUCZEK: Definitely.

20 MR. KRIS SAXBERG: And that education and
21 outreach are a key element of the program?

22 MR. LLOYD KUCZEK: We like that, too,
23 yeah.

24 MR. KRIS SAXBERG: And with respect to
25 outreach that -- one (1) of the best ways to deliver the

1 program is through community -- other low income
2 organizations?

3 MR. LLOYD KUCZEK: We like that approach,
4 yes.

5 MR. KRIS SAXBERG: And -- and that the --
6 the program should be simple from the participant's
7 perspective?

8 MR. LLOYD KUCZEK: Yes.

9 MR. KRIS SAXBERG: Now, with respect to
10 seniors, they have a different -- different set of
11 barriers would you say than -- than low income in -- in
12 some cases?

13 MR. LLOYD KUCZEK: Yes.

14 MR. KRIS SAXBERG: And so it may take a
15 slightly different approach then to remove the barriers
16 since they -- they're different in nature in some cases,
17 correct?

18 MR. LLOYD KUCZEK: Yes.

19 MR. KRIS SAXBERG: Now, how do you define
20 seniors?

21 MR. LLOYD KUCZEK: We don't have a
22 definition of seniors in Manitoba Hydro I don't believe,
23 do we? But we do work with the Manitoba Society of
24 Seniors and I -- I believe their definition is a little
25 lower than I like because I'm now in that category.

1 MR. KRIS SAXBERG: Intuitively one would
2 thing it would be pretty easy to -- to determine or set a
3 limit and I -- I think that the Manitoba Society of
4 Seniors use fifty-five (55); is that correct?

5 MR. LLOYD KUCZEK: Oh, I'm not in that
6 category. We -- we've had a program with them and worked
7 with them for a number of years. We set a limit I
8 believe, and I could be wrong on this, but I'm pretty
9 sure I'm right is at sixty (60) years the first time and
10 then we lowered it to fifty-five (55) after that to
11 increase participation in that program but I do believe
12 it's -- I thought it was actually fifty (50), their
13 criteria, but maybe I'm wrong.

14 MR. KRIS SAXBERG: And maybe I'm wrong
15 but that was my information.

16 Now, the Winter Heating Cost Control Act
17 says that focus of the Affordable Energy Fund is to be on
18 people living in rural and northern Manitoba, those with
19 low incomes, and seniors in ensuring that -- that those
20 categories have access to programs and services described
21 in the Act. Do -- do you agree with that?

22 MR. LLOYD KUCZEK: Correct.

23 MR. KRIS SAXBERG: So taking seniors then
24 is one (1) discreet component.

25 You mentioned an existing program and

1 that's the WISE Program?

2 MR. LLOYD KUCZEK: Yes.

3 MR. KRIS SAXBERG: And that would stand
4 for Wisdom in Saving Energy?

5 MR. LLOYD KUCZEK: Correct.

6 MR. KRIS SAXBERG: That program is fairly
7 modest at this point, correct?

8 MR. LLOYD KUCZEK: Yes.

9 MR. KRIS SAXBERG: And, in fact -- well,
10 do you know the total cost of the program offhand?

11

12 (BRIEF PAUSE)

13

14 MR. LLOYD KUCZEK: I -- I don't know the
15 total budget.

16 MR. KRIS SAXBERG: You'd agree that it's
17 fairly small.

18 MR. LLOYD KUCZEK: I -- it's modest.

19 MR. KRIS SAXBERG: Now so is the new Hard
20 to Reach Program going to introduce a new senior's
21 program or is it going to expand the WISE Program?

22 MR. LLOYD KUCZEK: We plan on meeting
23 with the Manitoba Society of Seniors to discuss that.

24 MR. KRIS SAXBERG: Okay, and so at this
25 point you haven't allocated any of the funds from the AEF

1 to seniors versus low income versus northern -- well, I -
2 - I do believe there was some allocation to the northern.

3 MR. LLOYD KUCZEK: Well, they would
4 certainly be eligible for the low income program, as well
5 as seniors, but we do want to talk to the Association and
6 see how we could expand that program to capture the
7 seniors that are low income.

8 MR. KRIS SAXBERG: Now, and just on that
9 point, I -- I -- I presume that it was the Minister that
10 determined the split of the \$35 million in funds.

11 MR. LLOYD KUCZEK: The Minister in
12 consultation with the CEO of Manitoba Hydro.

13 MR. KRIS SAXBERG: Okay. Now with
14 respect to social housing, the -- there is a -- there's
15 some information in the material that -- that there's
16 an --

17 MR. LLOYD KUCZEK: Excuse me, I should
18 rephrase that. It was actually the CEO in consultation
19 with the Minister, it's the other way around.

20 MR. KRIS SAXBERG: Okay. There are
21 thirty-three thousand (33,000) units in the social
22 housing sector?

23 MR. LLOYD KUCZEK: Yes.

24 MR. KRIS SAXBERG: And is there going to
25 be a targeted program with respect to -- to that sector?

1 MR. LLOYD KUCZEK: They're going to part
2 of our low income program.

3 MR. KRIS SAXBERG: So -- it -- it --
4 you're not -- this program is going to be one (1) sort of
5 blanket program as opposed to targeting these specific
6 groups?

7 MR. LLOYD KUCZEK: With the community-
8 based organizations, it'll be similar to what we've done
9 with Centennial, is they'll -- they'll decide on the --
10 what -- we'll work with them, but it'll be their
11 decisions which -- whether they pursue the social homes
12 or the individuals but, I guess, I should be careful
13 there because we might require them to do a cer -- at
14 least a minimum percentage of individual based homes, as
15 well.

16 MR. KRIS SAXBERG: Thank you for that.
17 With respect to the ecoENERGY program, it's essentially
18 offering grants of between a thousand (1,000) and five
19 thousand dollars (\$5,000)?

20 MR. LLOYD KUCZEK: It's lower than that,
21 you can -- you can get as much as thirty dollars (\$30)
22 for installing a window and so it depends on the measures
23 you put in.

24 MR. KRIS SAXBERG: Would -- would the
25 incentives that -- the low-income incentives that are

1 offered or going to be offered under your prospective
2 program, be in addition to that grant so that you could
3 put the grant together with one (1) of your initiatives
4 and thereby eliminate the need to fund?

5 MR. LLOYD KUCZEK: That's -- that's the
6 plan, yes. And they're -- yeah, that -- that is the
7 plan.

8 MR. KRIS SAXBERG: And your role --
9 direct role with respect to that ecoENERGY Program is to
10 do the audit function at the beginning.

11 Do you also do the audit function at the
12 tail end?

13 MR. LLOYD KUCZEK: Correct.

14 MR. KRIS SAXBERG: And so you'd agree
15 that that's something that is an important feature of low
16 income programs?

17 MR. LLOYD KUCZEK: Mixed feelings on
18 that. Audit program -- audits themselves are very
19 costly. I believe in actually putting the money into the
20 measures themselves as opposed to the audits. While
21 they're -- the federal program is in existence, I would --
22 - will require that the participants participate in the
23 audit program because they'll be bringing money into --
24 into the project.

25 But, no, if you actually assess that audit

1 program, it's not always cost effective. To give you an
2 example, if -- to provide that service, it costs about
3 four hundred dollars (\$400) if you're in Winnipeg and if
4 all you need is a furnace replacement, they'll give you
5 five hundred dollars (\$500), so you spent four hundred
6 dollars (\$400) just to get five hundred bucks (\$500).

7 So I think it's a waste of money and I
8 would sooner that the -- instead of going through the
9 audit program, you would get the five (5) -- four hundred
10 dollars (\$400) plus the five hundred dollars (\$500) for
11 your furnace replacement program.

12 So there -- there's a number of industry
13 participants that are aware of this, as well, and the
14 cost for audits in rural areas is even higher, so it
15 doesn't always make sense. The measures -- the energy
16 efficient measures are fairly straightforward when you
17 have a program. If you've got a community-based
18 organization, you -- they know what needs to be done.

19 It's usually the typical measures the --
20 basement insulation, attic insulation, weatherization;
21 that's what usually your low income programs are all in -
22 - about. So you don't necessarily have to spend the
23 money doing the audit to -- to figure that out.

24 MR. KRIS SAXBERG: I might've missed
25 something in that and if I did, I apologize, but it -- is

1 Manitoba Hydro charging that level to do the audit at the
2 tail end?

3 MR. LLOYD KUCZEK: No, the -- the audits
4 -- there's two (2) audits to participate in the Federal
5 program: the pre-audit and the post-audit. So we charge
6 our customers -- if you -- this is non-low -- non-low
7 income customers we charge a hundred and eighty (\$180)
8 dollars for the first audit and we charge you a hundred
9 and twenty-five (\$125) for the second audit and if you do
10 it -- a minimum of four hundred (\$400) dollars worth of
11 Federal money incentives, we will reduce that to twenty-
12 five (\$25) dollars.

13 The audit is subsidized by Manitoba Hydro,
14 Centra and the Provincial Government.

15 MR. KRIS SAXBERG: Okay. So with respect
16 to the low income program, is there going to be a pre and
17 post-audit --

18 MR. LLOYD KUCZEK: There will be, yes.

19 MR. KRIS SAXBERG: And that'll be a
20 subsidized audit? Well...

21 MR. LLOYD KUCZEK: That'll be a designed
22 detail that we have to get approved.

23 MR. KRIS SAXBERG: And would you agree
24 though that post-audit will help you to assess the amount
25 of savings that the average participant benefits from?

1 MR. LLOYD KUCZEK: That's one (1) of the
2 advantages of the audits. It helps you -- well, it helps
3 you actually do the audit to make sure the services or on
4 -- energy efficient opportunities were implemented.

5 MR. KRIS SAXBERG: And it's going to help
6 you fine tune the program for future delivery?

7 MR. LLOYD KUCZEK: The audit itself? Not
8 necessarily, no.

9 MR. KRIS SAXBERG: Just along those
10 lines, does the Utility have a participant benefit test?

11 MR. LLOYD KUCZEK: We actually look at
12 the cost effectiveness of our measures whenever we look
13 at -- assess opportunities and we generally use the
14 payback period to give us an indication of the cost
15 effectiveness of con -- participating consumers.

16 MR. KRIS SAXBERG: So a successful
17 measure would be one that had a short payback period?

18 MR. LLOYD KUCZEK: Yes. It varies
19 depending on the market sector for what we think is
20 required to -- for a program to be successful and have a
21 reasonable participation level.

22 MR. KRIS SAXBERG: In -- attached to Mr.
23 Higgin's material is this California manual that has a --
24 a formula for a participant cost test that they -- which
25 I looked at it and it gives me a giant headache -- it's

1 got all these numbers all over the place -- but is there
2 a similar formula like that at Manitoba Hydro?

3 MR. LLOYD KUCZEK: We -- we have a
4 formula for the participant cost test, yes.

5 MR. KRIS SAXBERG: And what is that?

6 MR. LLOYD KUCZEK: The -- it's a benefit-
7 cost ratio that has the benefits which would be the
8 reduced operating costs; any reduced maintenance costs on
9 -- for the benefits. On the denominator, it would have
10 the costs associated with implementing the measure from
11 the customer's perspective so that that would be net of
12 any incentives that we provide and it takes into account
13 differences in maintenance costs.

14 MS. KELLY DERKSEN: So down the road,
15 would you be able to produce a average participant net
16 benefit figure? Is that something that would be
17 calculable?

18 MR. LLOYD KUCZEK: When we know what the
19 participant costs are, yes. We don't always know that
20 though.

21 MR. KRIS SAXBERG: And I'm coming to a
22 close here. I -- I would like to you to turn to PUB-36.

23

24

(BRIEF PAUSE)

25

1 MR. KRIS SAXBERG: Do you have that?

2 MR. LLOYD KUCZEK: Yes.

3 MR. KRIS SAXBERG: Now, this is an
4 indication of total internal and external expenses for
5 residential programs in -- in the top part of the -- the
6 grid indicating in the first test year a forecast of
7 internal costs of 1.1 million. Do you see that?

8

9 (BRIEF PAUSE)

10

11 MR. LLOYD KUCZEK: I'm struggling in
12 finding the 1.1 million.

13 MR. KRIS SAXBERG: Sorry. I'm looking at
14 residential total under the column Internal.

15 MR. LLOYD KUCZEK: Oh, one point one
16 (1.1), yes, sorry, I was looking at '06/'07.

17 MR. KRIS SAXBERG: And you'd agree that
18 to the -- I know you indicated you have one (1) staff
19 member but it would be -- it would be very nice if that
20 was the salary, and I'm sure it isn't.

21 But to the extent that staff are working
22 on -- on these DSM programs, they would otherwise be
23 working in other functions, correct?

24 MR. LLOYD KUCZEK: We hired staff
25 dedicated to DSM initiatives.

1 other functions; whether or not then that is -- you'll
2 confirm that, as it's being deferred, it's taken out of
3 the -- the regular O&A expense?

4 MR. LLOYD KUCZEK: What I -- what I --
5 when -- when you say they're doing other work, we do have
6 some staff that don't -- their full-time jobs aren't DSM,
7 so there are staff that charge to it that are involved in
8 DSM programs.

9 MR. KRIS SAXBERG: Right. And -- and so
10 whenever someone is working on a DSM program, presumably
11 they're going to be time sheeting to that program?

12 MR. LLOYD KUCZEK: That's correct.

13 MR. KRIS SAXBERG: And their costs that
14 would otherwise be expensed in O&A then are deferred over
15 fifteen (15) years?

16 MR. LLOYD KUCZEK: That's what happens.

17 Yes. MR. KRIS SAXBERG: And those are all my
18 questions. I'd like to thank the panel.

19 THE CHAIRPERSON: Thank you, Mr. Saxberg.
20 I think the large thanks are due to Mr. Kuczek and the
21 rest of the panel and Ms. Murphy. And subject --

22 MS. MARLA MURPHY: Mr. Chair, just before
23 we adjourn for the day, Mr. Kuczek has an Undertaking
24 he'd like to get off his chest. He took it earlier
25 today.

1 THE CHAIRPERSON: Well, we certainly want
2 to relieve him before the weekend comes.

3 MS. MARLA MURPHY: He's hoping to leave
4 here with a clean conscience, so there was an Undertaking
5 that Mr. Peters requested. I have it recorded as number
6 18, although I don't have a transcript page reference for
7 it as of yet. It was earlier today.

8 The request was to provide the calculation
9 of the cost of natural gas and what it would be to make
10 it equal to electricity at the current electricity rates.
11 Mr. Kuczek is prepared to speak to it.

12 MR. LLOYD KUCZEK: We did the calculation
13 and it turned out to be 20.8 instead of 20 percent.

14 THE CHAIRPERSON: Pretty good guess.

15 MR. LLOYD KUCZEK: 20.8 percent, yes.

16 THE CHAIRPERSON: Thank you. Anything
17 else, Ms. Murphy?

18 MS. MARLA MURPHY: No, I believe that's
19 all, thank you.

20 THE CHAIRPERSON: Mr. Peters, is there
21 any closing thoughts that you have?

22 MR. BOB PETERS: Just to remind the
23 parties that on Monday morning this panel will resume and
24 address any remaining questions that are related to cost
25 allocation and rate design. And I believe Mr. Warden

1 will also be back, so if there were questions that Mr.
2 Gange or Mr. Saxberg had related on policy issues, he
3 would certainly be available. And perhaps, also, he'll
4 have time to consider the questions that you posed, Mr.
5 Chairman.

6 And after the Centra Cost Allocation and
7 Rate Design Panel, we would hear from the RCM/TREE
8 witness, Mr. Steven Weiss, which I believe My Friend, Mr.
9 Gange, is aware could be as early as -- as Monday.

10 And then following Mr. Weiss, probably on
11 the Tuesday, would be Mr. Roger Higgin, the witness on
12 behalf of CAC/MSOS. So that's the next couple of days in
13 a -- in a forward-looking mode, Mr. Chairman, of what the
14 Board can look forward to hearing.

15 THE CHAIRPERSON: Thank you, I can hardly
16 wait. Okay, everyone --

17 MR. WILLIAM GANGE: Mr. Chair, I can you
18 advise you that Mr. Weiss will be here Monday morning to
19 -- to start off the day. So -- so whenever we're
20 finished with the panel, Mr. Weiss will be available.

21 THE CHAIRPERSON: Thank you, sir. Okay,
22 good night, we'll see you all Monday.

23

24 --- Upon adjourning at 3:59 p.m.

25

1

2

3

4 Certified Correct,

5

6

7

8

9 Ashley Guillemine

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25