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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 12th, 2007  
Vol VI  
Pages 1082 to 1271

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1 --- Upon commencing at 9:10 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.  
4 For Mr. Weiss' benefit we decided we would have an early  
5 start today and get underway before the afternoon reaches  
6 us.

7 Ms. Murphy, I think it's your time to  
8 cross-examine Mr. Weiss.

9

10 RCM/TREE PANEL:

11 STEVEN WEISS, Resumed

12

13 CROSS-EXAMINATION BY MS. MARLA MURPHY:

14 MS. MARLA MURPHY: Thank you, Mr.  
15 Chairman, good morning. Good morning, Mr. Weiss.

16 I wanted to start with your discussion of  
17 externalities. And I take it you're aware the Centra  
18 considers some level of externalities in its DSM planning  
19 process.

20 MR. STEVEN WEISS: Yes I do.

21 MS. MARLA MURPHY: And are you aware that  
22 that's twelve dollars and forty (\$12.40) cents per ton?

23 MR. STEVEN WEISS: I'm aware that it --  
24 it ramps up over a few years, but yes.

25 MS. MARLA MURPHY: Are you also aware of

1 Centra's position the existing costs for purchases from  
2 Alberta may have already been internalized; the land  
3 impacts, the scarcity of resources through royalties  
4 taxes and payment for government services in the cost of  
5 gas?

6 MR. STEVEN WEISS: Yes, to what -- to  
7 what ever -- ever extent is included which -- which some  
8 is, I think. I don't think it's the full cost, but --  
9 but yes.

10 MS. MARLA MURPHY: And I understood from  
11 your evidence in response to CENTRA/RCM-7C, that you  
12 weren't able to break out an amount that would be  
13 included in royalties or taxes, is that right?

14 MR. STEVEN WEISS: That's correct.

15 MS. MARLA MURPHY: And I also understood  
16 your evidence to be, that to whatever extent they were  
17 included, we don't need to add them again.

18 MR. STEVEN WEISS: That's true.  
19 Although, I -- I did say that if -- if those -- if that  
20 added amount is simply used to reduce taxes and it does  
21 not go to mitigation of -- of the -- the damage caused  
22 then -- then you really would have to count it and -- but  
23 I'm not sure exactly what the -- what the money is being  
24 used for, so it's hard to say.

25 MS. MARLA MURPHY: On the issue of future

1 transmission and distribution costs, do I understand your  
2 evidence to be that some component of avoided costs of  
3 future transmission and distribution should be included  
4 in the tail block of an inverted rate structure?

5 MR. STEVEN WEISS: Yes, I do except I  
6 must admit that with -- with the efforts of -- of  
7 citizens and -- and the company that you're seeing a  
8 fall-off in -- in use, so certain -- so you're probably  
9 not going to have as much new -- you're not going to  
10 avoid much because you're not going to incur much as --  
11 as you go on. Although, probably on the electric side  
12 that's not -- that's not happening as much.

13 But yes, I -- I would include the avoided  
14 costs but because the -- the usage is going down it's  
15 probably not that much.

16 MS. MARLA MURPHY: I also understood your  
17 evidence to be that that should be on a revenue-neutral  
18 basis so that the initial block would be reduced?

19 MR. STEVEN WEISS: Yes.

20 MS. MARLA MURPHY: And that would suggest  
21 that at the end of the day when it comes time to build  
22 future transmission and distribution that the customers  
23 who paid the tail block are going to pay for those costs  
24 again?

25 MR. STEVEN WEISS: Well, the customers

1 who pay the tail block are also the same customers who  
2 get the reduced initial block, so, you know, overall the  
3 revenue you collect is still -- is still neutral.

4 Now, there is some shift that the largest  
5 users will pay a little more and the -- the lowest users  
6 will pay a little less, but -- but overall there's no  
7 advanced payment happening. It's just a price signal.  
8 It's not -- you're not collecting money in advance.

9 MS. MARLA MURPHY: You are collecting it  
10 on account of future transmission and distribution  
11 though, correct?

12 MR. STEVEN WEISS: No, you're just giving  
13 a price signal for that. You're not actually collecting  
14 money ahead of time. You're giving a price signal for  
15 that's -- that's the cost that -- if people keep growing  
16 and people keep using more and in the future that's going  
17 to cause Centra to have to expand their system, then  
18 that's a price signal that you should give to people but  
19 you don't actually collect the money ahead of time.

20 MS. MARLA MURPHY: You do collect what  
21 you account for in terms of the cost of that future  
22 transmission in the rate today; do I have that right?

23 MR. STEVEN WEISS: Under -- under your  
24 rate today or under my inverted rate proposal?

25 MS. MARLA MURPHY: Yes.



1 basis that you suggested that -- I don't know if I have  
2 your words right, but that a negative distribution rate  
3 was no big deal?

4 MR. STEVEN WEISS: Right. I -- you know,  
5 it depend -- I -- I guess I should have looked at your  
6 bills, how it -- how they're broken out but do you -- do  
7 you break out the distribution rate and the commodity  
8 rate separately?

9 MS. MARLA MURPHY: Yes.

10 MR. STEVEN WEISS: So they -- so they  
11 would see some sort of negative number there and they  
12 might wonder about it, so you might get some phone calls.  
13 I -- I agree it's a little awkward but as far as how it  
14 affects their bills, it affects their bills reasonably.  
15 It creates a -- a first block of lower priced service and  
16 a tail block of higher priced service.

17 MS. MARLA MURPHY: But for most customers  
18 who are looking only at the bottom line of the bill they  
19 won't see that inverted rate structure, will they?

20 MR. STEVEN WEISS: They won't see the  
21 structure except when they take actions and they will see  
22 it then. If they make a concerted effort to turn down  
23 their thermostats and so on, in the short run, they'll be  
24 pleased that, Gee, my bill went down quite a bit.

25 If they make an investment in a high

1 efficiency furnace or whatever they'll -- they'll say,  
2 Wow, this -- this was really -- this was really a good -  
3 good decision, I -- I saw my bill go down.

4           So people tend to look at their bills and  
5 they remember what they paid last month. They remember  
6 what they pay, even sometimes last year. So when they see  
7 a change in their bills, they do react to the change, but  
8 I don't think they see the technical number -- all those  
9 numbers and the decimal points on that rate.

10           MS. MARLA MURPHY: For the average  
11 customer, they won't see an impact in an inverted rate  
12 structure until they exceed the level of the initial  
13 block by a significant amount, is that right?

14           MR. STEVEN WEISS: No -- well, the  
15 average customer, no. The average customer would see no  
16 difference in their bill.

17           MS. MARLA MURPHY: Do you know what the  
18 crossover or breakeven point would be if the initial  
19 block was, as you suggest, at twelve hundred (1,200) M3s?

20           MR. STEVEN WEISS: I haven't calculated.  
21 You can -- you can kind of make the crossover block  
22 anywhere you want, in -- in some sense. I think --  
23 actually, referring to your -- your analysis, it was --  
24 it was around twenty (20) -- twenty-three hundred (2,300)  
25 or so.

1 MS. MARLA MURPHY: You suggested  
2 yesterday that Centra should study what others are doing  
3 in terms of inverted rates, is that right?

4 MR. STEVEN WEISS: Yes.

5 MS. MARLA MURPHY: Are you aware of any  
6 Canadian natural gas LBCs which employ inverted rates?

7 MR. STEVEN WEISS: I'm not, but I'm not  
8 really an expert in Canadian utilities.

9 MS. MARLA MURPHY: You refer in your  
10 response to CENTRA/RCM-12 to the jurisdictions of which  
11 you practice; Washington, Oregon and Idaho. I think I  
12 have those right, do I?

13 MR. STEVEN WEISS: Yes.

14 MS. MARLA MURPHY: As not having  
15 inverting rates?

16 MR. STEVEN WEISS: On the gas side, so  
17 far the only real utilities that have inverted rates, I  
18 think, are in California right now. In the pa -- you  
19 know, up until fairly recently gas has been so  
20 inexpensive that this whole issue wasn't really on  
21 people's radar.

22 And you would have electric utilities have  
23 inverted rates, but for other reasons they would have  
24 lega -- legacy resources like -- like Manitoba Hydro;  
25 they would have cheap hydro and they would want to give

1 everybody a piece of that and then everything above that  
2 would be more expensive.

3                   There was a natural -- a natural  
4 breakpoint, natural reason for -- for inverted rates on  
5 the electric side and so you see it more commonly. Gas  
6 is just -- in the last few years with the prices just  
7 going crazy and with greenhouse gas issues becoming  
8 prominent, people are starting to talk about it and  
9 right, if you did it you'd be a leader. It would be  
10 great.

11                   MS. MARLA MURPHY: In your response to  
12 PUB/RCM-2D you talked about Washington, Oregon and Idaho  
13 accounting for externalities in ways other than inverted  
14 rates; do I have that right?

15                   MR. STEVEN WEISS: Yes, there's two (2)  
16 ways mainly is -- the first is in their integrated  
17 resource plans, that is when they're planning on what new  
18 measures to take, and the choice is mainly, for a gas  
19 utility, are DSM. Sometimes storage is a -- is a -- is a  
20 -- a possibility because there's quite a differential  
21 between summer and winter gas prices and so sometimes  
22 storage is a, you know, an option. But there aren't that  
23 many options compared to electricity.

24                   But in that -- in doing that they will use  
25 a -- and adder for carbon or other externalities and

1 then -- and then, of course, in their DSM planning where  
2 they decide on the cost effectiveness levels of -- of DSM  
3 they will include externalities, like you do.

4 MS. MARLA MURPHY: The utilities that you  
5 refer to in the response to PUB/RCM-2D are electric  
6 utilities, is that right? I'm referring to PacifiCorp  
7 and Portland.

8 MR. STEVEN WEISS: Yeah, those two (2)  
9 are.

10 MS. MARLA MURPHY: And the way that they  
11 incorporate externalities is in adders to evaluate their  
12 DSM programs, is that right?

13 MR. STEVEN WEISS: Yes. In their  
14 integrated resource plans to evaluate new resources.

15 MS. MARLA MURPHY: And I understood from  
16 you evidence that the value that they incorporate is  
17 eight dollars (\$8) a ton.

18 MR. STEVEN WEISS: Yes, it's eight (8)  
19 for Pacific. I think PGE is -- is now going to ten (10),  
20 but yeah, about that level.

21 MS. MARLA MURPHY: Those adders aren't  
22 added to rates; they're used to evaluate DSM.

23 MR. STEVEN WEISS: Yes, they're --  
24 they're not added to rates. Those utilities do not have  
25 inverted -- well, that's not true. PacifiCorp has --

1 covers six (6) states and I think they might have  
2 inverted rates in -- in one (1) of them. PGE is --  
3 serves only Oregon and they do have a slight inverted  
4 rate. You get a certain initial block at a -- it's not  
5 a huge inversion, though, but you do get an initial block  
6 that's a little lower than -- than a tail block.

7 MS. MARLA MURPHY: I wanted to turn with  
8 you to your comments and your suggestion that Centra  
9 should be undertaking some additional consultation work.

10 And I wondered if you'd had an opportunity  
11 to review Centra's rebuttal evidence in respect of the  
12 consultation that they do undertake?

13 MR. STEVEN WEISS: Yes, I have.

14 MS. MARLA MURPHY: So are you familiar  
15 with Attachment 4 to Centra's rebuttal evidence?

16

17 (BRIEF PAUSE)

18

19 MR. STEVEN WEISS: Yes, I see it.

20 MS. MARLA MURPHY: Have you seen it  
21 before? Had you seen it before you made your comments?

22 MR. STEVEN WEISS: I looked at it  
23 briefly. I didn't -- I didn't --

24

25 (BRIEF PAUSE)

1                   MR. STEVEN WEISS:    Yes, it was -- it was  
2 delivered to me. My -- my comments aren't that you're  
3 not talking to people. What I would like is an advisory  
4 group that -- that brings people together in the same  
5 room from the different -- different perspectives at the  
6 same time because you get a lot of interesting  
7 information. People are surprised by the -- the people -  
8 - trade allies are surprised by sometimes what consumers  
9 say, what other -- what other trade allies say working on  
10 other programs.

11                   So it's not that -- so you are talking to  
12 people and that's -- that's very good but I think a group  
13 that -- that meets, gets to know each other, is looking  
14 into your entire program as a -- as a -- would add  
15 benefit.

16                   MS. MARLA MURPHY:    When you spoke of  
17 decoupling yesterday I wondered if -- if you would agree  
18 with me that one (1) of the reasons that utilities and --  
19 and others advocate decoupling is to remove a  
20 disincentive for utilities to undertake DSM programs?

21                   MR. STEVEN WEISS:    Definitely. That's  
22 probably where it first originated with profit -- for-  
23 profit utilities were -- had an incentive to sell more  
24 commodity. They made more money when they sell more  
25 money and so -- so the original idea for decoupling came

1 as a result of trying to solve that problem.

2 And if that was Centra's only problem, as  
3 you say you do -- you do rate -- you re -- you have rate  
4 cases every two (2) years, you can kind of catch up. You  
5 can forecast your loads so you could sort of forecast how  
6 much your -- your usage was going down. You could  
7 probably deal with that.

8 So the real advantage for a gas utility is  
9 the weather variation. That's -- that's something that -  
10 - so in a sense for it -- it started as -- as a way of  
11 dealing with an issue for -- for-profit utilities and --  
12 but it serves -- it serves a great purpose for gas  
13 utilities that face so much weather volatility.

14 MS. MARLA MURPHY: So you'd agree that  
15 it's not needed in Centra's case for a DSM incentive if  
16 you will?

17 MR. STEVEN WEISS: No, Centra has no  
18 incentive one (1) way or the other to -- to sell more  
19 commodity. They're not a profit -- for-profit company.

20 MS. MARLA MURPHY: Could I ask you to  
21 turn to your response to CENTRA/RCM-3?

22

23 (BRIEF PAUSE)

24

25 MR. STEVEN WEISS: Okay.

1 MS. MARLA MURPHY: This is a question  
2 where we asked you to provide Canadian regulatory rulings  
3 on the topic of providing special rates for low income  
4 customers and you indicated that was outside of your area  
5 of expertise and the scope of your testimony and then  
6 gave I guess at least a partial answer to that.

7 I just wanted to confirm with you that  
8 your knowledge as to regulatory rulings regarding low  
9 income protection is limited to the jurisdictions of  
10 Washington, Oregon, and Idaho?

11 MR. STEVEN WEISS: Yes.

12 MS. MARLA MURPHY: And in those  
13 jurisdictions would you agree with me that those programs  
14 are mandated by the legislatures in those jurisdictions?

15 MR. STEVEN WEISS: Not in every case, no.  
16 They're only mandated actually in the case of Oregon --  
17 Oregon Electric Company. It's an -- and I actually wrote  
18 the law where they -- PGE and Pacific Power are -- are  
19 mandated. Northwest Natural in a settlement -- because I  
20 talked about settlements last time -- agreed to follow  
21 the same pattern but it -- but it was a regulatory  
22 agreement that they did. In Washington there's no law  
23 requiring it but the commissions have allowed it so -- so  
24 some have and some -- some haven't.

25 MS. MARLA MURPHY: You aren't aware of

1 any Canadian jurisdiction in which bill payment programs  
2 have been funded by a charge or levy against utility  
3 customers, are you?

4 MR. STEVEN WEISS: I'm not, no.

5 MS. MARLA MURPHY: If I could just ask  
6 you to turn to the exhibit that was filed yesterday, the  
7 low income assistance program that was filed as Exhibit  
8 6?

9 MR. STEVEN WEISS: Yes?

10 MS. MARLA MURPHY: Do I understand that  
11 to be a paper that's authored by you?

12 MR. STEVEN WEISS: Yes, it is; that's --  
13 that's why I did preface that it's just anecdotal  
14 evidence and I was -- I mean, it's real but, you know, it  
15 wasn't peer reviewed or in a -- in a journal or anything.  
16 It was just my own paper that we put in my own  
17 organization's newsletter.

18 MS. MARLA MURPHY: And did I also  
19 understand correctly that you didn't participate in the  
20 pilot project? You were -- I think you described  
21 yourself as an interested observer?

22 MR. STEVEN WEISS: Yes, and quite after  
23 the fact. I didn't even know about it and then went to a  
24 meeting and there was this guy talking about it and I  
25 chased him down and interviewed him.

1 MS. MARLA MURPHY: Did I understand  
2 correctly that that pilot program commenced in 1988?

3 MR. STEVEN WEISS: Yes, it did.

4 MS. MARLA MURPHY: And are aware of how  
5 many customers the Clark County Utility served in 1988?

6

7 (BRIEF PAUSE)

8

9 MR. STEVEN WEISS: Let's see. Certainly  
10 not exactly. I -- think -- let's see -- probably --  
11 probably in the hundred thousand or so but I'd have to  
12 look that up really.

13 MS. MARLA MURPHY: And Clark County is a  
14 gas utility, do I have that right?

15 MR. STEVEN WEISS: No, it's an electric  
16 utility but this was done as a joint program with  
17 Northwest Natural Gas and Clark and so they covered both  
18 gas and electric users in Clark County. Clark County is  
19 the electric utility.

20 So they didn't -- it didn't go beyond the  
21 -- the Clark utility district but in that utility  
22 district the gas users are -- are served by Northwest  
23 Natural Gas a for-profit company and Clark PUD is a -- is  
24 a public utility.

25 So they offered it to all -- all consumers

1 in that -- in that district whether they were served --  
2 heat with gas or with electricity.

3 MS. MARLA MURPHY: So the references to  
4 forgiving portions of the bills, did that relate to their  
5 electric account or their gas account or both?

6 MR. STEVEN WEISS: That was both. It was  
7 an average for both.

8 MS. MARLA MURPHY: For both electric and  
9 gas services?

10 MR. STEVEN WEISS: Mm-hm.

11 MS. MARLA MURPHY: Are you aware of what  
12 the cost of gas was in 1988?

13 MR. STEVEN WEISS: No, but it was  
14 probably --

15 MS. MARLA MURPHY: You'd agree it was a  
16 fair bit lower?

17 MR. STEVEN WEISS: -- a buck or  
18 something. Yeah, a fair bit lower.

19 MS. MARLA MURPHY: A fair bit lower than  
20 it is today?

21 MR. STEVEN WEISS: Yes. In fact Clark --  
22 Clark thought it was doing -- going to have a great --  
23 great investment. They invested in a -- in a combustion  
24 turbine plant. They thought they would sell electricity  
25 to the region and they got away from bondable power

1 administration which they could -- which they're allowed  
2 to buy power for, which is a hydro utility. And --  
3 because at the time gas was so low that it was even  
4 cheaper than hydro, if you can believe it, and so they  
5 built this plant and they just got killed in the next few  
6 years. It just wiped them out. They had to double their  
7 rates I think. It wasn't a good experience.

8 MS. MARLA MURPHY: Do you know if Clark  
9 County still offers this program today?

10 MR. STEVEN WEISS: I don't know. I think  
11 they do but I'm -- I'm pretty sure they do but I -- I  
12 haven't talked to them lately.

13 MS. MARLA MURPHY: I understood that that  
14 program capped bills to participating customers at 9  
15 percent of their income; is that right?

16 MR. STEVEN WEISS: Yes.

17 MS. MARLA MURPHY: And your report  
18 suggested that customers paid fifty-two dollars (\$52) a  
19 month on account of their utility bills?

20 MR. STEVEN WEISS: Yes.

21 MS. MARLA MURPHY: And at the time that I  
22 did my math I was assuming that was all their gas bill  
23 but does that mean they paid fifty-two dollars (\$52) a  
24 month on gas and electric?

25 MR. STEVEN WEISS: It was -- no, it was -

1 - to make it simple if you were a gas utility this --  
2 this applied to your gas bill. If you were -- I mean if  
3 you were heated with gas it applied to your gas bill. If  
4 you heated with electricity, it applied to your electric  
5 bill. They didn't try to split them apart, so it was  
6 one (1) or the other.

7                   And the -- the 9 percent would be twenty-  
8 nine dollars (\$29) a month; that's what it -- the program  
9 capped it at twenty-nine (29), roughly.

10                   MS. MARLA MURPHY: So what would the  
11 annual income of a person have been for their -- for  
12 twenty-nine dollars (\$29) a month to be 9 percent of  
13 their income?

14                   MR. STEVEN WEISS: Well, that would --  
15 you know, that would work out to be, like, three hundred  
16 (300) a month. They did -- they do -- it is a little  
17 technical. They would not include certain -- certain  
18 things off the top. They had -- and -- and plus these --  
19 these customers were -- were often getting welfare  
20 payments or food stamps and they didn't count that so  
21 they only counted the income that they were getting from  
22 -- from their jobs, so, yeah, probably around three  
23 hundred dollars (\$300) a month. These are poor people.

24                   MS. MARLA MURPHY: People who otherwise  
25 would have assistance from social welfare agencies?

1 MR. STEVEN WEISS: Yes.

2 MS. MARLA MURPHY: I noted that that  
3 exhibit suggested that savings on reduced past due  
4 notices for the Utility was generated for a thousand  
5 customers; is that right?

6 MR. STEVEN WEISS: Yes.

7 MS. MARLA MURPHY: And it also notes that  
8 over two thousand (2,000) customers participated?

9 MR. STEVEN WEISS: Yes.

10 MS. MARLA MURPHY: So does that suggest  
11 that there were still past due notices generated for a  
12 thousand customers?

13 MR. STEVEN WEISS: No, they were looking  
14 at a control group of -- of roughly the same number and  
15 they -- so they looked at how many past due notices --  
16 the difference between how many received past due notices  
17 and if you received -- I think you are allowed to receive  
18 one (1) past due notice and -- and after that you are out  
19 of the program so there was pretty strict -- if you  
20 wanted to stay in the program and be allowed to just pay  
21 9 percent you had to keep up with your payments.

22 So the thousand customers would be the  
23 difference between the control group and the people in  
24 the program.

25 MS. MARLA MURPHY: Are you advocating

1 that Centra should operate the same type of program, that  
2 they would cap customers' bills at a fixed percentage of  
3 their income?

4 MR. STEVEN WEISS: I think this is really  
5 the best type of -- of program, yes. I mean, I think  
6 Centra shouldn't just take my word for it and they should  
7 do some research with other -- other experts; talk to the  
8 agencies that work with low income people right now. But  
9 some sort of program where the customer isn't just handed  
10 money, where the customer is -- is part of the -- the  
11 solution, really helps a lot and that's where a lot of  
12 the money comes from to pay for the program in addition.

13 Also, these programs, the Clark Program,  
14 when you -- when you enrolled you -- you went to an  
15 afternoon -- the customer would go to an afternoon sort  
16 of seminar or presentation on energy savings and turning  
17 down your heat and -- and being, you know, pep -- a  
18 little pep-talk about the program and so on. They did --  
19 they did the same type of thing with the control group.  
20 They had them come in and -- and talked to them but of  
21 course they weren't in the program.

22 So all those kinds of things help but,  
23 yes, I -- I think that some sort of income-based cap is a  
24 -- is a major part of these programs.

25 MS. MARLA MURPHY: Wouldn't such a cap

1 completely eliminate any price signal to those customers?

2 MR. STEVEN WEISS: Well, they can -- if  
3 they -- they can beat it if they can -- if they can keep  
4 their energy use below that cap, then of course they can  
5 save there but, yes, in general it -- it eliminates the  
6 price signal and so you -- you need to deal with that.

7 The program did look into that, where  
8 they're all -- they call it take -- take-backs; that is,  
9 once there are people in the program that they all start  
10 wasting energy and they looked at their energy use and it  
11 really wasn't very much different. People, you know,  
12 people cha -- they just live the way they live.

13 So but you're -- you're certainly right.  
14 And you might -- you might be a little bit more clever  
15 than this than have some sort of cap that -- that would  
16 slide and so if people used a lot of energy it might be,  
17 you know, -- it wouldn't be the whole difference but it  
18 would be slightly higher and slightly lower so people  
19 could -- people could at least get some feel that they  
20 have control.

21 MS. MARLA MURPHY: Thank you, Mr. Weiss.  
22 Mr. Chair, those are my questions.

23 THE CHAIRPERSON: Thank you, Ms. Murphy.  
24 Mr. Peters...?

25 MR. BOB PETERS: Thank you, Mr.

1 Chairman.

2

3 CROSS-EXAMINATION BY MR. BOB PETERS:

4 MR. BOB PETERS: Good morning, Mr. Weiss.

5 MR. STEVEN WEISS: Good morning.

6 MR. BOB PETERS: Mr. Weiss, battling  
7 cleanup here; I'll try to keep clear of the areas that  
8 have been canvassed by Ms. Murphy.

9 Would I -- would the Board be correct in  
10 understanding your evidence, sir, in that you're not  
11 coming to Manitoba to quantify all of the externalities  
12 related to the use of natural gas?

13 MR. STEVEN WEISS: That's true, we -- we  
14 did, through the Pembina Institute last time in 2005, we  
15 -- we attempted to -- to get it down pretty exact. And,  
16 you know, I just didn't start with that -- any -- that.  
17 I -- I think the future cost of carbon is fairly unclear.  
18 It would be difficult to -- to say with any certainty, it  
19 ought to be this dollar amount or that dollar amount, so  
20 my testimony is basically, it's -- it's probably a lot  
21 higher than the twelve dollars (\$12) or a tonne or so  
22 that -- that the Company is now using.

23 MR. BOB PETERS: And what was the amount  
24 used by the Pembina Institute the last time you were  
25 before the Board?

1                   MR. STEVEN WEISS:    It was about eight (8)  
2 cents a -- it -- it came out to be, as the -- the Company  
3 analysed, about twenty-seven dollars (\$27) a tonne and --  
4 if you called it all carbon. Now the reasons were --  
5 well, wait a second.

6

7   (BRIEF PAUSE)

8

9                   MR. STEVEN WEISS:    Okay, Dr. Miller here  
10 remembers the exact numbers. The Pembina report had  
11 three (3) ranges of ten dollars (\$10) a tonne, fifteen  
12 dollars (\$15) a tonne and twenty-two dollars (\$22) a  
13 tonne as their -- as their ranges. I used the lowest  
14 one in my testimony at that time.

15                                        But there was also then other  
16 externalities that I added to that and there was a number  
17 of them; the avoided transmission and distribution costs,  
18 a pecuniary benefit for lowering the price of gas -- if  
19 everybody -- if everybody used less gas, that price of  
20 gas would go down for everybody -- and the land impact,  
21 and so on. And so the total amount worked out to about  
22 fifteen (15) cents a cubic metre.

23                   MR. BOB PETERS:    When you were talking  
24 cents or dollars per ton, are you talking the -- the T-O-  
25 N ton or the T-O-N-N-E tonne?

1 MR. STEVEN WEISS: T-O-N-N-E.

2 MR. BOB PETERS: Thank you. The metric  
3 tonne?

4 MR. STEVEN WEISS: Yes.

5 MR. BOB PETERS: And when we asked you in  
6 one (1) of the information requests to -- to come forth  
7 with a number that you felt was the appropriate adder,  
8 your adder came up to approximately fourteen point seven  
9 (14.7) or fifteen (15) cents per cubic metre this year.

10 MR. STEVEN WEISS: Yes.

11 MR. BOB PETERS: And that assumed a  
12 carbon adder of sixty dollars (\$60) a tonne.

13 MR. STEVEN WEISS: Yes.

14 MR. BOB PETERS: What caused you to  
15 reconsider the amount of the carbon adder going up from  
16 what I thought was twenty-seven dollars (\$27) a tonne,  
17 depending on --

18 MR. STEVEN WEISS: It was actually ten  
19 (10); ten (10), fifteen (15) and twenty-two (22), yes.

20 MR. BOB PETERS: Okay, ten (10), fifteen  
21 (15), twenty-two (22) and then going up to sixty dollars  
22 (\$60) this time?

23 MR. STEVEN WEISS: Well as I -- as I  
24 tried to justify in my testimony, there was a number of  
25 things I looked at. I looked at the price of carbon on

1 the European Exchange, the price that Cal -- California  
2 was using as a -- what they called a backstop price or  
3 what the -- the price that Cal -- that Oregon was  
4 suggesting as a safety valve price; that is utilities, if  
5 they couldn't get renewables and so on at less than --  
6 than forty dollars (40) a tonne, that's the number they  
7 would use and that was forty dollars (\$40) a T-O-N tons  
8 and forty dollars (\$40) American and then some of the  
9 other forecasts that -- that people view.

10 So if I could -- went back to my testimony  
11 -- if I can remember where it was.

12 MR. BOB PETERS: Well, we have that as  
13 one (1) of the appendix to your evidence this year.

14 MR. STEVEN WEISS: There were a number of  
15 things and they were all higher than ten dollars (\$10)  
16 that I used last time. They were ranged up over a  
17 hundred dollars (\$100), so I didn't have any scientific  
18 means of just pick up -- of picking sixty (60). It was  
19 somewhat loose.

20 MR. BOB PETERS: Somewhat subjective?

21 MR. STEVEN WEISS: Yes.

22 MR. BOB PETERS: And you'd agree with me  
23 that there is a wide range of views as to what  
24 externality costs are related to natural gas?

25 MR. STEVEN WEISS: Certainly.

1                   MR. BOB PETERS:    A wide range depending  
2 on the scientific community that's discussing them?

3                   MR. STEVEN WEISS:    Yes and also probably  
4 the biggest -- the biggest issue is what it will cost to  
5 avoid carbon, and if we come up with new technologies  
6 that are cheaper then the externality will be lower; if -  
7 - if it turns out that we have to rely on very, very  
8 expensive technologies to avoid coal.

9                   So that's -- it's a technology in the  
10 future really. I think the -- the key number is how much  
11 it will cost to sequester carbon from coal plants because  
12 coal is the vast majority of emission -- of emissions  
13 that are -- that we have to deal with in the States and  
14 China, India and so on.

15                   And so depending on the technology to  
16 remove carbon and sequester carbon from coal, that will  
17 probably set the marginal price of the externality. And  
18 I believe that will be at least forty (40) -- probably  
19 closer to sixty dollars (\$60) a ton.

20                   MR. BOB PETERS:    When you throw out  
21 China, you're talking about them opening hundreds upon  
22 hundreds of coal generating electric stations per year in  
23 that country.

24                   MR. STEVEN WEISS:    Yes. It's daunting,  
25 isn't it?

1                   MR. BOB PETERS:    When we talk about the  
2 dollar values, and I appreciate of late the spread  
3 between the Canadian dollar and the American dollar has  
4 narrowed, but are you quoting the Board in US dollars or  
5 Canadian dollars when you use your terms?

6                   MR. STEVEN WEISS:    I was using Canadian  
7 dollars.

8                   MR. BOB PETERS:    When you talk about the  
9 externalities that should be charged to gas consumers, it  
10 is your evidence to this Board that that should be  
11 incorporated into a rate structure that you call the  
12 inverted rate structure?

13                   MR. STEVEN WEISS:    Yes, I do.

14                   MR. BOB PETERS:    And the externalities  
15 that you want this Board to consider should be charged in  
16 the last rate block or what you've also called the tail  
17 block this morning.

18                   MR. STEVEN WEISS:    Yes.

19                   MR. BOB PETERS:    Would it not be correct,  
20 sir, that the externalities apply to each and every cubic  
21 metre of gas consumed?

22                   MR. STEVEN WEISS:    Yes.   Theoretically,  
23 yes.

24                   MR. BOB PETERS:    And if that's the case,  
25 then wouldn't it theoretically be more appropriate to

1 charge the adder to each and every cubic metre consumed,  
2 not just the tail block?

3 MR. STEVEN WEISS: Yes, it would  
4 ultimately, but you have to make con -- some compromises  
5 in public policy and that -- if doing that would raise  
6 bills, you know, quite drastically for all customers and  
7 that's why inverted rates is a compromise. It -- it  
8 doesn't over collect. If you made every cubic metre at  
9 the marginal cost, then you would over collect from  
10 customers.

11 MR. BOB PETERS: Well let's just explore  
12 that over collection thought. If every cubic metre of  
13 gas should have an externality to it and the externality  
14 is collected from each and every metre, why is there an  
15 over collection?

16 MR. STEVEN WEISS: Well, because the  
17 externalities aren't monetised. You're not -- if the  
18 externalities could be used to mitigate then it -- then  
19 it will make some sense. In my original testimony, in  
20 2005, I said theoretically every unit of gas does --  
21 should be priced at the marginal cost which includes  
22 externalities, but if you did it immediately you would  
23 over collect.

24 However, I suggested that we work that way  
25 twenty (20) years -- twenty-five (25) years and then the

1 extra dollars be used for mitigation so that there  
2 wouldn't be external -- externalities anymore. It will  
3 be internal -- internally used. It would be the price of  
4 gas so that -- so that the extra money would be used for  
5 building renewables, for sequestering carbon, for  
6 efficiencies, paying for more DSM, geothermal, et cetera,  
7 and so you would -- it would no longer be an externality  
8 because it would actually be a cost. Every unit would --  
9 the money would go to mitigate carbon.

10                   However, in the short term you just can't  
11 jump to that. The programs aren't available, the rate  
12 shock to consumers would be -- would be very drastic on  
13 the economy. And so the compromise is tiered rates,  
14 where they get a small block at a very low price;  
15 therefore it's a price signal on the larger block.

16                   MR. BOB PETERS: Mr. Weiss, would you  
17 agree then that from a previous answer you gave me this  
18 morning that if you could determine the cost to sequester  
19 carbon from coal generation, that would then monetize the  
20 -- the externalities?

21                   MR. STEVEN WEISS: Well that would -- that  
22 would provide the price. And then if it was actually  
23 used to sequester -- so yes, if every -- if we actually  
24 use the money to sequester the carbon, that would be --  
25 that would be the price, yes. And it would also have all

1 those other effects; it would be -- it would be  
2 disruptive to the economy and you'd have to decide if you  
3 wanted to do that immediately or phase it in over --  
4 over, you know, a decade or two (2).

5 MR. BOB PETERS: Does that answer, then,  
6 suggest that the sequestering of carbon from coal will  
7 have to become a regulation in Alberta before we can  
8 monetize it here in Manitoba?

9 MR. STEVEN WEISS: Well, it will have to  
10 become a reality somewhere, and then -- and the -- the  
11 regulation in Manitoba would be that the Company has to  
12 collect the money and buy credits or buy carbon credits  
13 from someone. And -- and they would be paying some coal  
14 plant somewhere to sequester.

15 MR. BOB PETERS: Does that suggest, then,  
16 that we shouldn't -- you're suggesting we should recover  
17 this externality even though it may not be monetized and  
18 that is because from a social perspective we should have  
19 confidence that these costs are being incurred even if  
20 they haven't been monetized?

21 MR. STEVEN WEISS: Almost everything you  
22 said I agree with, except we're not -- under the inverted  
23 rate, where we're not paying for some coal plant, we're  
24 simply giving somebody a price signal. You are not  
25 collecting the money. You're not -- you're not actually

1 collecting the money to -- that you wouldn't collect  
2 otherwise. You're collecting only the authorized costs  
3 that the PUB determines, but you're giving people a price  
4 signal to represent their efforts to -- to reduce use, or  
5 -- or the penalty for increased use.

6                   So until you actually monetize it; until  
7 you actually require people to buy carbon credits to do  
8 these things, you only give them a price signal, you  
9 don't actually collect the money.

10                   MR. BOB PETERS: But don't you -- don't  
11 you collect some money, sir, with the second block or the  
12 tail block in your inverted rate structure that is  
13 increased as a result of externalities?

14                   MR. STEVEN WEISS: Well, of course, you  
15 collect the money, but you also don't collect the money -  
16 - as much money on the first block. And so your net bill  
17 -- again, it's -- individual customers are each going to  
18 pay their individual bills, but on average customers will  
19 pay exactly as -- the same amount they pay now.

20                   Your bill wouldn't change -- if you -- if  
21 you're an average customer, your bill probably wouldn't  
22 change at all, and you would -- if the crossover point is  
23 -- is roughly at the average -- average use per year. If  
24 that's the way it's set up, you'd open your bill and it  
25 would be exactly the same as ever. However, what you

1 would notice is if you change your usage, that change  
2 would be larger than -- than we have right now.

3 MR. BOB PETERS: And that's because --  
4 you're saying the first block or the small block should  
5 be below cost?

6 MR. STEVEN WEISS: Yes.

7 MR. BOB PETERS: Well, let's just explore  
8 that for a minute. If the first block is -- is below  
9 cost, who would be taking advantage of that low-cost gas  
10 in Manitoba?

11 MR. STEVEN WEISS: Just about everybody  
12 would be using all of the -- the first block. For  
13 instance, if we had set the first block I had suggested  
14 somewhere between 1,000 and 1,200 cubic metres a year,  
15 the average user -- user would use that entire block and  
16 they would be in the second -- in the tail block.

17 So the average user would get the benefit  
18 of 1,200 cubic metres of very cheap gas.

19 MR. BOB PETERS: All right. And I -- and  
20 I know you used a thousand to 1,200 cubic metres in your  
21 evidence but wouldn't this also incent the -- the natural  
22 gas customer who only uses natural gas for their  
23 barbecue, their fireplace, and perhaps their range?

24 MR. STEVEN WEISS: Right. If you're only  
25 in the first block -- so let's say you're using 800 cubic

1 metres that's very correct, you're now getting incorrect  
2 price signal. Gas is actually too cheap for you and you  
3 might say, Gee, I can use it more but --

4 MR. BOB PETERS: Have more -- have more  
5 barbecues.

6 MR. STEVEN WEISS: Yeah, have more  
7 barbecues. Singe more meat, more carbon in the  
8 atmosphere. So -- so that's very true and only by  
9 pricing every -- every cubic metre at the marginal would  
10 you -- would you erase this effect but it's only a small  
11 number of customers and that's why if you keep that first  
12 block -- and I -- I looked at the customer account -- it  
13 was provided by Centra and it was -- it was a fairly --  
14 it was maybe one-eighth (1/8th) or something of the --  
15 if that, of the people, only use that amount.

16 And you're right. it's probably people  
17 who -- who don't -- well, it's certainly people who don't  
18 heat with gas; they probably have barbecues or gas  
19 fireplaces or a range and that's it. And you're right,  
20 they are not getting the right pricing though but that's  
21 a very small number.

22 MR. BOB PETERS: Mr. Weiss, you might not  
23 be familiar with an exhibit that I put to the Centra  
24 witnesses and it came off of their website but it was a  
25 comparison of the home heating costs from different

1 sources of energy relative to electricity.

2 Are you generally familiar with that  
3 exhibit or have you even seen the one here in Manitoba?

4 MR. STEVEN WEISS: No, I haven't seen it  
5 but I can imagine the numbers.

6 MR. BOB PETERS: Well, then for the  
7 purposes of our discussion imagine that the -- that the  
8 heating of the home with gas and electricity, other than  
9 the highest of efficiency gas furnaces, is -- is  
10 relatively comparable.

11 MR. STEVEN WEISS: Okay.

12 MR. BOB PETERS: Would you accept that as  
13 being reasonable?

14 MR. STEVEN WEISS: Yeah, the -- the lower  
15 efficiency gas furnace, right.

16 MR. BOB PETERS: And I'm not talking the  
17 lowest efficiency which isn't on the market anymore. I  
18 think it's call the "mid-efficiency" but I may have my  
19 terms wrong.

20 MR. STEVEN WEISS: I think it's still a  
21 little bit -- I think it's still better than electricity  
22 but --

23 MR. BOB PETERS: A hundred and thirty  
24 dollars (\$130) a year better?

25 MR. STEVEN WEISS: Yeah, we do have

1 awfully cheap electricity.

2 MR. BOB PETERS: Okay. Well, --

3 MR. STEVEN WEISS: So --

4 MR. BOB PETERS: -- you're -- you're  
5 getting my point. So now let's keep with your example of  
6 the -- the inverted rate structure and electricity in gas  
7 as you sit here today are -- it's a flip of a coin as to  
8 which one you -- you might choose, just based on  
9 economics, if you can accept that?

10 MR. STEVEN WEISS: Right. I think -- I -  
11 - I think I remember a response from Centra that they  
12 were within 20 percent of so now, you're right. So are  
13 you -- I'm -- I'm jumping forward. So you're saying if  
14 we inverted gas rates the difference would be huge?

15 MR. BOB PETERS: Well, I'm supposed to  
16 ask the questions --

17 MR. STEVEN WEISS: Okay.

18 MR. BOB PETERS: -- but -- but let's  
19 just suppose we inverted the gas rate now, Mr. Weiss, and  
20 you've now got a customer who's going to be consuming in  
21 the second or the highest tier and they're looking at  
22 this gas bill and they're saying, Wow, I'm in the second  
23 tier where my gas rate is considerably now higher than my  
24 electric rate, and now you have given me a price signal  
25 to put in electric baseboards or put in a forced air

1 electric heater; that would be a potential price signal  
2 you'd be sending?

3 MR. STEVEN WEISS: Yes, and that would be  
4 a disaster.

5 MR. BOB PETERS: And --

6 MR. STEVEN WEISS: I mean that's  
7 definitely what you don't want to do. And so our -- my  
8 testimony was that you've got to solve that problem and  
9 there's two (2) ways.

10 You either have to also invert the  
11 electric rates, which would be my preference, so that  
12 there isn't this unintended consequence. Or, the second  
13 best is you give incentives to when the -- when that  
14 person goes out to buy the -- his electric baseboard heat  
15 and he sees right next to him -- he talks to the  
16 salesperson and says, Well gee, if you -- if you buy this  
17 high-efficiency gas furnace we'll give a thousand dollars  
18 or we'll put it in for free or whatever -- whatever,  
19 you're going to have to use a big incentive to keep  
20 people on the gas. Best would be the first solution, to  
21 invert both gas and electric rates.

22 MR. BOB PETERS: You prefaced your last  
23 answer to me, Mr. Weiss, by saying it would be a disaster  
24 in Manitoba if the rates were inverted and price signal  
25 was now to use electricity over gas, correct?

1                   MR. STEVEN WEISS:    If it was a huge  
2 difference, yes.

3                   MR. BOB PETERS:    Oh, let's just explore  
4 that.  Why would it be a disaster for the homeowner who  
5 would find that Manitoba Hydro is able to provide them  
6 with unlimited electricity, a lot less expensive than the  
7 second tier or the last block of gas rates and the home  
8 heating bills in Manitoba would be -- would be lower than  
9 what they would be under gas so the homeowner will win.

10                  MR. STEVEN WEISS:   Well except for two  
11 (2) things.  One is the environment, you're going to be  
12 emitting more, but also that -- that same customer's  
13 electric rate is going to go up.  If all -- if a whole  
14 bunch of people switch from gas to electric, your export  
15 sales from Manitoba Hydro are going go way down.  And  
16 those export sales are -- are quite profitable and so you  
17 would lose those export sales.

18                  And, overall, the economy of Manitoba  
19 would -- would be hurt because you wouldn't be getting  
20 that money from the States.  I think most of it's sold to  
21 the States.  Or you wouldn't be getting the export sales  
22 income.  So I -- I -- it wouldn't be a -- it wouldn't be  
23 a good solution.  You don't want people to do that.

24                  MR. BOB PETERS:    So I accept your answer  
25 on the economic side and then on the environment side

1 you're then suggesting that by Manitobans using more  
2 electricity, there's less to export to our friends south  
3 of the border who are presenting using electrons that  
4 have coal for parents?

5 MR. STEVEN WEISS: Yes.

6 MR. BOB PETERS: So in -- in that fashion  
7 what you're suggesting --

8 THE CHAIRPERSON: Who says a lawyer can't  
9 be a poet?

10

11 CONTINUED BY MR. BOB PETERS:

12 MR. BOB PETERS: In the situation that  
13 you want to avoid this disaster, your first solution and  
14 recommendation to this Board is that Manitoba Hydro's  
15 electric rates would also have to be inverted, so there  
16 was no distinct price signal to leave gas in favour of  
17 electricity?

18 MR. STEVEN WEISS: Yes.

19 MR. BOB PETERS: And that would be a pre-  
20 condition in your view to inverting any gas rates would  
21 be simultaneously or in advance inverting the electric  
22 rates?

23 MR. STEVEN WEISS: That would -- that  
24 would be my -- my -- I think that would be definitely the  
25 best way to do it. Like I said, there is a second way

1 but I don't -- I think it's awkward and might not work  
2 very well.

3                   So, yes, I -- I agree that -- that would  
4 be a pre-condition.

5                   MR. BOB PETERS:    And the second rate is -  
6 - the second way was to -- to have lucrative enough  
7 incentives that it would take away the -- the price  
8 signal to switch?

9                   MR. STEVEN WEISS:    Yes, and then that  
10 almost seems like a waste of money, that you're paying  
11 big incentives to keep people from switching. And the  
12 only reason they would switch is because there's  
13 artificial price disparity that -- that really is just an  
14 accident of how you increase rates for one company or you  
15 inverted rates for one company without doing the other.

16                   MR. BOB PETERS:    And just while we're on  
17 that topic, want to go back to some DSM initiatives or  
18 some discussion you had yesterday, and I think it was in  
19 your direct evidence to Mr. Gange.

20                   You suggested that in Manitoba the focus  
21 of DSM programs if I heard your evidence correctly should  
22 be to convince consumers to convert from electricity to  
23 gas.

24                   MR. STEVEN WEISS:    Yes.

25                   MR. BOB PETERS:    And for the reasons that

1 we've now just talked about; that is the environment and  
2 the economic health of the Province.

3 MR. STEVEN WEISS: Yes.

4 MR. BOB PETERS: And to do that you need  
5 to make electricity at least as competitively priced as  
6 natural gas if not more so to avoid the switch over.

7 MR. STEVEN WEISS: Yes.

8

9 (BRIEF PAUSE)

10

11 MR. BOB PETERS: When the Board looks at  
12 the rebuttal evidence that Centra filed in response to  
13 your evidence, Mr. Weiss, on the issue of the Sustainable  
14 Development Act and we won't go too legalistic here, but  
15 do you agree that the -- the difference between your  
16 position and Centra's position appears to be whether or  
17 not full cost accounting has to result in full cost  
18 pricing?

19 MR. STEVEN WEISS: That's probably the  
20 main difference, yes.

21 MR. BOB PETERS: On the inverted rate,  
22 did you agree with -- with Centra that for natural gas  
23 the marginal cost is also the same as the average or  
24 imbedded cost?

25 MR. STEVEN WEISS: Right. Without the

1 externalities, I think. It -- actually, for residential  
2 customers it is a little higher because they're some  
3 collecting some fixed costs volumetrically. So actually,  
4 residential customers do get a small price signal under  
5 Centra's current because they're not -- they don't have  
6 that big three hundred dollar (\$300) fixed charge.

7 MR. BOB PETERS: Right. And -- and --  
8 and the -- the slight price signal is the five (5) cents  
9 a cubic metre, that the gas company has indicated, is  
10 included in the basic monthly charge for fixed costs of  
11 the Corporation that are --

12 MR. STEVEN WEISS: Yes.

13 MR. BOB PETERS: Okay. You -- I don't  
14 think you were yesterday when the discussion on the basic  
15 monthly charge -- or you may have been -- where presently  
16 it's a hundred and twenty dollars (\$120) a year for the  
17 residential customer, are you aware of that?

18 MR. STEVEN WEISS: Yes.

19 MR. BOB PETERS: And that if you  
20 recovered the customer related costs, that would go up  
21 probably over three hundred dollars (\$300) a year.

22 MR. STEVEN WEISS: Yes, and I think it  
23 didn't even include all the fixed costs. There were  
24 some --

25 MR. BOB PETERS: If you included the

1 commodity costs, it would even go up over four hundred  
2 dollars (\$400) a year, for capacity demand costs.

3 MR. STEVEN WEISS: On that that -- yeah,  
4 the capacity -- yes, it would be quite high.

5 MR. BOB PETERS: And what is your  
6 recommendation to this Board as to whether or not that's  
7 one (1) avenue in which to send the price signal to  
8 consumers, and that is to increase the basic monthly  
9 charge?

10 MR. STEVEN WEISS: Well there's --  
11 there's a few problems with that. It does solve one (1)  
12 of the utilities problems; the volatility of weather or  
13 other changes in usage; they would be assured of  
14 collecting their -- their fixed cost. So that -- that's  
15 positive than most -- most utili -- gas utilities. I  
16 always bring that up; is this -- why don't we do this?

17 It has a number of problems, even without  
18 the externality issue. One (1) thing it does is, if you  
19 get it up too high, people will want to turn off their gas  
20 in the -- in the summer. They'll say, gee, I could --  
21 you know, forty (40) bucks a month, maybe I'll -- maybe  
22 I'll just shut it down in the summer.

23 And so you get all these shut offs and  
24 reconnections. And shut offs and reconnections are real,  
25 real expensive; it's just kind of a waste. So -- so

1 that's a unintended consequence you really don't want to  
2 do, but more importantly to my issues, it lowers the  
3 price signal that the -- the commodity charge then is --  
4 is fairly a small part of their overall bill and they  
5 don't see that price signal of -- of changes in usage.  
6 So it's -- it's -- it makes the price signal even worse  
7 than it is now.

8 MR. BOB PETERS: So I distill from that  
9 answer, sir, that you're in favour of keeping the basic  
10 monthly charge relatively low so that the price signal is  
11 greater.

12 MR. STEVEN WEISS: Yes.

13 MR. BOB PETERS: And in terms of price  
14 signals in Manitoba, are you aware that in Manitoba there  
15 is a program offered by the Utility that amounts to an  
16 equal payment plan throughout the year with a true-up at  
17 some point in the year?

18 MR. STEVEN WEISS: Yes.

19 MR. BOB PETERS: Does that also confuse  
20 the consumer by way of not sending appropriate price  
21 signals when they're on the equal payment plan?

22 MR. STEVEN WEISS: Yes it does. It  
23 dilutes the price signal. They do see the signal, but  
24 it's very, very slow; it's not -- it's not in their  
25 monthly bill each month. And -- and so, yeah, it really

1 does dilute the price signal. And that's the other --  
2 that is another reason why I think decoupling is a better  
3 way of -- of doing things.

4           The reason that people have that kind of  
5 payment plan is, of course, they have very high bills in  
6 the wintertime and then low bills in the summer and they  
7 like to spread it out. Decoupling can help with that  
8 because if it's a real cold winter, their re -- their  
9 bills are reduced somewhat; if it's a real warm winter,  
10 their bills are increased somewhat.

11           But I understand the need for -- for that  
12 kind of billing program and it does interfere with the --  
13 the price signal and that's -- that's just one (1) of the  
14 tradeoffs you -- you have to make with public goods.

15           MR. BOB PETERS: Well if we assume  
16 approximately half of the residential customers, and I  
17 know the numbers in the material, but if we assume  
18 approximately half the residential customers are on the  
19 equal payment plan, does that mean that any decoupling  
20 mechanism would only impact the half that aren't on the  
21 EPP Plan?

22           MR. STEVEN WEISS: Pretty -- pretty much  
23 so, yes. Except that even under the Equal Payment Plan,  
24 if you have -- most -- most weather variation is, well,  
25 one (1) month it's cold and one (1) month it's -- it's

1 warm, but you can have periods where the whole winter is  
2 a colder than normal winter or a whole winter is a warmer  
3 than a normal winter.

4                   And so even if the equal payment plan only  
5 trues-up once a year, after a very warm winter it would -  
6 - it would -- the decoupling would -- would affect that  
7 true-up but, if during a very cold year, or after a very  
8 cold year, it would affect that true-up. So it wouldn't  
9 -- it wouldn't -- decoupling wouldn't -- for those  
10 customers, decoupling from month-to-month changes would -  
11 - they wouldn't see it at all.

12                   But if -- but if we experienced a whole  
13 season that was especially cold or especially warm, they  
14 would see it in their -- in the true-up.

15                   MR. BOB PETERS: I'm not sure how  
16 familiar you are with the efforts of the Gas Utility to  
17 hedge its primary gas. But my one -- my question to you  
18 was whether or not that hedging in an attempt to mitigate  
19 price volatility also mutes the price signal that was  
20 otherwise to be sent?

21                   MR. STEVEN WEISS: Well, customers don't  
22 see a tremendous -- well I guess it depends on which  
23 customers, but it mutes it a little bit but the long term  
24 price signal that we're talking about is decades here is  
25 -- is the future -- long term future.

1                   So I don't think it really affects that  
2 that much.

3                   MR. BOB PETERS:    Mr. Weiss, in terms of  
4 the immediacy of the Demand Side Management Programs, is  
5 it your recommendation that the Corporation should  
6 redesign the incentives for space and water heat to avoid  
7 switching of fuels?

8                   MR. STEVEN WEISS:   Well they should look  
9 at them altogether and they should decide what is the  
10 best choice, which I think is mostly gas -- gas for most  
11 users. I mean it depends on the house and on venting and  
12 all that stuff; it comes down to -- to one house, one  
13 homeowner obviously.

14                   But in general, yes, they should consider  
15 all the incentives from the electric side and the gas  
16 side together and decide what incentives to -- to offer  
17 and they should be generally aimed at -- at getting  
18 people to use high efficiency gas furnaces, yes.

19                   MR. BOB PETERS:    Even if that means  
20 switching from electricity to gas in your evidence?

21                   MR. STEVEN WEISS:    Yes. Now you're going  
22 to have to balance that if that's going to take twelve  
23 thousand dollars (\$12,000) of house repairs it doesn't --  
24 it doesn't matter what incentive you give, people aren't  
25 going to do that and it would be silly to -- to make them

1 do that.

2                   So you don't want to just say -- pass a  
3 law that says you have to use gas. But insofar as you  
4 can give incentives, yes, you should encourage people to  
5 use high efficiency gas.

6                   MR. BOB PETERS: And to the extent that  
7 this incentive is provided at a time when there's  
8 inverted rates, the adder on the inverted rates is one  
9 that I think you -- you're telling the Board or  
10 suggesting that they should phase it in over a period of  
11 time?

12                   MR. STEVEN WEISS: No. What I was --  
13 what I was saying -- so first put aside -- let's assume  
14 then that its simultaneous or pretty close to dealing  
15 with the inverted rates on the electric side. But the  
16 phasing in over time, right, might be just, you know, two  
17 (2) or three (3) years at most; you don't have to take a  
18 long time to phase it in because like I said, most  
19 people's bills aren't going to change.

20                   The phase-in over fifteen (15) twenty (20)  
21 years that I was talking about is -- is getting rid of  
22 that first low price block and monetising all the -- all  
23 the cost of carbon and so on. And that -- that you don't  
24 want to do until you come up with a whole carbon trading  
25 scheme and so on, and you're really getting serious

1 about.

2 MR. BOB PETERS: You indicated yesterday  
3 that if there were unintended consequences of going to a  
4 two (2) block rate structure, you could make it a three  
5 (3) block rate structure.

6 Did I hear your evidence correctly?

7 MR. STEVEN WEISS: Yes. And many  
8 utilities don't have -- they do have, you know, three (3)  
9 blocks. I think with electric rates California has five  
10 (5) blocks.

11 MR. BOB PETERS: Can you tell this Board  
12 what unintended consequences you were thinking about when  
13 you -- when you gave that evidence?

14 MR. STEVEN WEISS: Well, I can't really  
15 think of them -- of any. The -- the Company in its  
16 rebuttal brought this up as -- as though it was an issue  
17 that they were concerned with, so although didn't -- they  
18 didn't -- they just said it was pretty steep -- pretty  
19 steep switch or change from the first block to the second  
20 block.

21 So I don't see any problem with it but if  
22 there is problems with it, you could ask the Company what  
23 they thought the problem was.

24

25

(BRIEF PAUSE)

1                   MR. BOB PETERS:    When I turn to the Low  
2   Income Program evidence that you've provided, your  
3   criticisms are that there were no benchmarks or goals and  
4   prioritization appeared to be lacking.  Would you agree  
5   that those are perhaps symptoms seen in the infancy or  
6   the development stages of low income programs?

7                   MR. STEVEN WEISS:    Definitely, yes.

8                   MR. BOB PETERS:    And in terms of the  
9   funding for low income, you have no issue with the  
10  Corporation trying to lever funding from other sources,  
11  including governments?

12                  MR. STEVEN WEISS:    No problem at all.

13                  MR. BOB PETERS:    And in terms of express  
14  cross-subsidization from existing ratepayers, likewise,  
15  you don't have a concern about there being an express  
16  cross- subsidization for the benefit of low income?

17                  MR. STEVEN WEISS:    Well, not -- I don't -  
18  - it's -- it's a matter of degree.  I mean there's a  
19  point where cross-subsidization obviously is -- is just  
20  too much.  On the other hand, the amounts that are  
21  generally used for low income programs are so low that  
22  they're almost -- you can't even see them in the -- in  
23  your bill.

24                  In Oregon, for instance, a program I  
25  started when I was a Board of a public utility -- elected

1 Board for twelve (12) years, and I started a program  
2 there; we called it a penny a day. We raised everybody's  
3 rates a penny a day, thirty (30) cents a month, this was  
4 electric, and that funded a program that -- that helped  
5 an enormous number of people.

6 I mean a penny a day, nobody's going to  
7 notice that. So a certain -- so you say, Oh, we're  
8 cross- subsidizing by a penny a day and I just don't -- I  
9 just don't think it's -- it's that big a deal. We have  
10 cross- subsidization in everything in rates. There's all  
11 sorts of cross subsidies that you cannot get rid of.

12 The biggest one (1) -- one (1) of the ones  
13 the Company mentioned was postage stamp rates, where I'm  
14 closer to the -- to the main than my neighbour and so  
15 shouldn't I pay a little less than the other guy. And  
16 isn't there a bad price signal there because wouldn't you  
17 want to give the people a price signal that they should -  
18 - they should build houses close to the -- to the system?

19 But we say, as a social good, as a public  
20 good, we're not going to try to tell people where to live  
21 and so we charge them all the same, roughly. But when it  
22 gets to much of a deal, when you want to build way out  
23 there all by yourself and you want the Company to run a  
24 pipe out to you, then we have a facilities charge and we  
25 say, you know, We're -- a small amount of subsidization

1 okay, but we're not going to -- we're not going to do a  
2 tremendous amount. So it's a matter of degree.

3 And secondly, the biggest issue is that  
4 these programs generally pay for themselves. There is no  
5 cross- subsidization. If anything they subsidize back;  
6 that the money saved by the other customers in having  
7 this program, the low income programs, actually saves  
8 them money, it's an investment.

9 MR. BOB PETERS: Well, when you say that,  
10 you would agree that the only evidence before the Board  
11 in this case is the anecdotal evidence you provided in  
12 your RCM/TREE Exhibit 6?

13 MR. STEVEN WEISS: No, we provided  
14 several studies. There were two (2) studies in Oregon:  
15 the Oregon of the Northwest Natural Gas Program and of  
16 the Eugene Water and Electric Board Program; which were  
17 done by an independent consultant, I had nothing to do  
18 with it, that came out with one point one (1.1) and one  
19 point six (1.6) benefits over cost.

20 There was a California low income public  
21 purpose test, evidence I provided that California uses to  
22 judge its programs that -- that also came out with  
23 positive benefits.

24 And then there's a hi -- an Ohio study  
25 that we provided as a -- as a URL, I guess. We didn't...

1                   MR. BOB PETERS:    Yes, we -- I appreciate  
2 your qualification to -- to my question.

3                   MR. STEVEN WEISS:    Right.  So we did --  
4 we did provide some studies.

5                   MR. BOB PETERS:    And the upshot of those  
6 studies is that, while it may be difficult to comprehend  
7 as to how that would happen, it appears to be happening  
8 that the programs pay for themselves by the esteem that  
9 people who are receiving the benefits put back into the  
10 program with cash.

11                  MR. STEVEN WEISS:    Mostly, but also  
12 avoidance of shut-offs.  Very often -- I don't -- I don't  
13 remember what Centra's shut-off fee is.  A lot of  
14 companies, like Northwest Natural Gas has a forty-five  
15 dollar (\$45) fee if you -- well they shut you off, you  
16 don't pay for shut-off.  You haven't paid your bill so  
17 they come out and shut you off, but then to get re --  
18 turned back on, they charge forty-five dollars (\$45).

19                  So you ask the company, Well, how much  
20 does it actually cost you to turn somebody back on?  It's  
21 way more than forty-five dollars (\$45).

22                  So -- so avoiding that cost, avoiding the  
23 collection write-offs, the arrearages, the -- and a lot  
24 of it is just time, the people who you get -- I bet if  
25 they talk to the frontline -- it's probably the 80 --

1 80:20 rule. 80 percent of their time is spent with those  
2 20 percent of the customers who are having trouble paying  
3 their bills.

4 They're calling, they're saying, Can I get  
5 a week? Can I -- what can I do? and et cetera, et  
6 cetera, et cetera. So there's many other costs besides  
7 the one that you mentioned.

8 MR. BOB PETERS: And the recommendation  
9 you gave to the Board in your evidence to Mr. Gange was  
10 that at the very least the Board should consider having  
11 the Utility do a pilot program in this area.

12 MR. STEVEN WEISS: Yes.

13 MR. BOB PETERS: And in the -- in the  
14 pilot program, would it be correct that the -- the target  
15 would be the customers who are causing the -- of the 20  
16 percent of the customers who are causing 80 percent of  
17 the problems, you'd narrow that down and find, in your  
18 words, the worst of the worst?

19 MR. STEVEN WEISS: Yes, especially the  
20 very high users; they're probably living in very old  
21 homes and drafty homes or big families and so on. Yes.  
22 Disabled people -- the general priorities have been the  
23 disabled. Seniors on fixed incomes and low income single  
24 -- single parents with -- with young children. So  
25 there's various criteria that you could use but -- but

1 those are some examples.

2 MR. BOB PETERS: What size of pilot would  
3 have to be run to make it a meaningful study on which you  
4 could draw some significant conclusions?

5 MR. STEVEN WEISS: Well, I'm not a  
6 statistician. I mean, you could talk to a statistician,  
7 he could tell you it's probably -- you know, probably a  
8 couple hundred or something for a sample size.

9 MR. BOB PETERS: And for how long does  
10 this program have to run as a pilot?

11 MR. STEVEN WEISS: I think you -- I think  
12 you'd get -- you'd -- you'd start getting an indication  
13 after -- after a year. You'd get a very good indication  
14 of how things are going.

15 MR. BOB PETERS: Still on the issue of  
16 low income, is it correct in your evidence you are  
17 suggesting that there should be a further inverted rate  
18 for low income consumers and that would be independent of  
19 any other inverted rate structure?

20 MR. STEVEN WEISS: Well, I was just  
21 suggesting if -- if the -- if the Board at this time is  
22 not comfortable, for all the other reasons, looking at  
23 the Manitoba Hydro rates and so on for -- of instituting  
24 a -- an inverted rate for all customers, one (1) thing  
25 they could do to just help low income customers is -- is

1 offer those customers an inverted rate, where they would  
2 have a small block in a lower price.

3           The second block would not be higher-  
4 price, it would simply be the average price. So this  
5 would be a subsidy and so this would be one way of  
6 providing an assistance program.

7           Again, though, I think the better  
8 programs, if you look around the country, around North  
9 America, you'll find the better programs are more of  
10 these percentage of income type programs. So -- so just  
11 giving the customers a -- a break on their bill isn't as  
12 effective as actually setting up rules for how people  
13 stay in the program and give them some education and so  
14 on.

15           So that was a suggestion I'd -- I'd  
16 probably rather go, if I had the choice, go with the  
17 pilot program and go with the -- with a -- instead, not  
18 just give every low income person a rate break.

19

20   (BRIEF PAUSE)

21

22           MR. STEVEN WEISS: But for -- for  
23 instance, Seattle City Light, I think, gives every  
24 senior, low income senior, 50 percent rate, and just give  
25 them all -- give them all a deal.

1                   MR. BOB PETERS:    One (1) question that I  
2 noted when you were talking to Mr. Gange, was that in the  
3 DSM side you thought there would be merit for the Gas  
4 Utility to certify installers under its various DSM  
5 programs, including its loan programs.

6                   Did I hear that right?

7                   MR. STEVEN WEISS:    Yes.

8                   MR. BOB PETERS:    And when you say its up  
9 to the -- the gas company should certify the installers,  
10 you took that to mean the gas company would then be  
11 responsible for ensuring that minimum training standards  
12 were met and also consistency of prices charged by the  
13 installers?

14                   MR. STEVEN WEISS:    Well, I think the  
15 prices charged is probably more difficult, but definitely  
16 the standards. This is done in Oregon right now; the --  
17 it's called the "Energy Trust" but it's funded by the --  
18 by the companies from -- the Energy Trust which runs  
19 their programs for them. So the Utility just writes the  
20 cheque.

21                   The Energy Trust has a list of -- of  
22 certified installers. To get on that list you have to go  
23 through a short training program and you have to agree to  
24 have a certain number of onsite inspections and that if  
25 you fail a certain number of inspections, you're tossed

1 off the list. So it really works well.

2 MR. BOB PETERS: Should the industry not  
3 have responsibility to police itself?

4 MR. STEVEN WEISS: Well, I think  
5 unfortunately there's -- there's -- I'm not -- I'm not  
6 familiar with -- with the Canadian experience so maybe  
7 there's licences and so on that installers have to have  
8 that already go through this kind of process. But from  
9 the discussion, I think it was on the Friday transcript  
10 that I read through, it sounded like there was still some  
11 problems with people not getting good service and so on.

12 So if there's -- if there's an alternative  
13 way of -- of certifying people, then that would be fine.  
14 But there's a direct connection; this is a really good  
15 one. If you want to qualify for the rebate, you have to  
16 go to the list and get somebody who -- who we know is  
17 certified; and that means going through training.

18 And the training is -- is specific for  
19 energy efficiency. So maybe they -- maybe every  
20 installer has a general contracting licence with kind of  
21 covers the general safety and health issues, but they  
22 haven't had the specific DSM training.

23 And the specific DSM training, there's  
24 been studies that show how you install insulation, how  
25 you get into the corners, how you make sure that the --

1 when you blow in insulation it actually gets to where  
2 it's suppose to go; duct ceiling is very difficult to do  
3 right.

4 That specific training really helps. So -  
5 - so that's why I was thinking that to be on this list,  
6 an installer would have to have gone through the -- get  
7 some certification that's very specific to DSM.

8 MR. BOB PETERS: You're not aware of the  
9 specific training and the levels of expertise by the  
10 contractors here in Manitoba but this is --

11 MR. STEVEN WEISS: No, I'm not.

12 MR. BOB PETERS: -- a generic suggestion?

13 MR. STEVEN WEISS: Yes.

14 MR. BOB PETERS: All right. Can you  
15 indicate who would be responsible for funding the  
16 training if it was to go that route?

17 MR. STEVEN WEISS: Well in Oregon, the  
18 installers, the contractors, pay for it because they want  
19 to be on the list. So -- but the workshops that have  
20 been -- the trainer -- the -- the person who does the  
21 training has been paid for by the utilities, but the time  
22 and materials and so on are paid for by the contractors.

23 I mean, all those are fairly small details  
24 you can work out.

25 MR. BOB PETERS: When you talk in your

1 evidence about the allocation of demand side management  
2 costs on a volumetric basis, you recognize that by that  
3 suggestion, you would be -- you would be allocating some  
4 of the DSM costs incurred by the Utility to customer  
5 classes that do not have the option of even implementing  
6 that DSM plan.

7 MR. STEVEN WEISS: Yes. And I was a  
8 little surprised by that that the Company doesn't offer  
9 programs to all customers. So my -- my first  
10 recommendation is that -- is that they do offer programs  
11 to all customers. Large industrial customers, there are  
12 -- there are measure that they can -- they can also take  
13 to save energy.

14 But if, for instance I know you sell gas  
15 to your -- your power station. I mean, I don't know what  
16 they can do, so -- so maybe you might exempt them from  
17 the fee.

18 But in general I think it ought to be  
19 volumetric and that you should offer programs to all --  
20 all customers. But if a customer I guess has -- if a  
21 customer class for -- for whatever reason has not  
22 opportunity to take advantage of a -- of a program, then  
23 probably they shouldn't at least pay the full -- full  
24 amount. Even that customer is getting the externality  
25 benefits, however so -- so perhaps they should pay part

1 of the costs.

2 MR. BOB PETERS: Well, and -- and those  
3 externality benefits or the societal benefits is really  
4 the underpinning of your argument as to why every class  
5 should pay some of the DSM costs?

6 MR. STEVEN WEISS: Yes.

7 MR. BOB PETERS: And then you're  
8 prepared to consider the -- recommend to the Board to  
9 consider some exceptions for some classes where the  
10 opportunity to invoke energy efficiency may not even be  
11 feasible such as you gave the power generating station as  
12 an example?

13 MR. STEVEN WEISS: Yes.

14

15 (BRIEF PAUSE)

16

17 MR. STEVEN WEISS: Okay. Professor  
18 Miller just told me that the Company's website does have  
19 an industrial process optimization program, so I'm not  
20 sure how much -- how that -- that does but they offered  
21 something.

22 One (1) idea, though, that -- that in the  
23 law that I wrote in Oregon for conservation is, that  
24 every customer paid 3 percent of their revenue and of  
25 course so that's based on revenue not on volume but

1 volume follows revenue pretty -- pretty well, especially  
2 in the big customers when it goes to DSM. However,  
3 customers above a certain size -- and it was electric so  
4 it was above 1 megawatt, which is a pretty big customer -  
5 - the customer above 1 megawatt had a choice.

6           They could either pay the fee and perhaps  
7 there were some programs but maybe they didn't have a  
8 program. The other thing they could do is they could do  
9 self-conservation. If they could show, through invoices  
10 and so on, that they had done energy efficiency in their  
11 own plant on their own, they could -- up to this 3  
12 percent amount, they were exempt from paying it to the  
13 Utility.

14           So it was an incentive for companies to  
15 know that use it or lose it. If -- If I can use it in my  
16 own plant, I can -- I don't have to send the money to the  
17 Utility but if I can't, then I've got to send the money  
18 to the Utility. And the large customers wanted that  
19 provision in the law because they felt that they knew  
20 their own plants better than the Utility could ever run a  
21 program and -- and they would rather just be able to  
22 access the money themselves.

23           And so many of the largest customers do  
24 that. They just -- they have this fund. They know that  
25 if they can -- if they can spend it on their own plant.

1 And there's rules about you -- you don't have to do it  
2 every single year. You have to do it in a three (3) year  
3 period so they can save up the money for three (3) years  
4 in a large -- a large thing so --

5 MR. BOB PETERS: Mr. -- Mr. Weiss,  
6 specifically on this area, are you aware of the business  
7 run by the customer that is in the special contract  
8 customer class?

9 MR. STEVEN WEISS: No, I'm not.

10 MR. BOB PETERS: This is a customer that  
11 to my understanding uses the natural gas as a feedstock  
12 in the commercial production of agricultural fertilizers.  
13 And in this situation the natural gas is used as a  
14 feedstock not as a primary space heating or other  
15 requirement.

16 And it's also a customer where the  
17 Board has been made aware that hundreds of millions of  
18 dollars have been spent in recent years upgrading,  
19 enhancing the plant and making it more efficient from  
20 certainly a -- a production and competitive point of  
21 view.

22 You wouldn't be aware of any of those  
23 details?

24 MR. STEVEN WEISS: No, but those -- that  
25 sounds good to me.

1                   MR. BOB PETERS:    And -- and what -- what  
2 doesn't sound good to them from you is your suggestion  
3 that they should pay for some of the DSM costs for the --  
4 for the residential customer or the small commercial  
5 customer when they have spent hundreds of millions of  
6 dollars improving their own efficiencies for which the  
7 residential customers in other classes haven't paid or  
8 contributed any money?

9                   MR. STEVEN WEISS:   Right.  And that's why  
10 this -- this last suggestion would -- would apply very  
11 well to them.  Large customers have their own needs; they  
12 have their own timelines.  Often things are very lumpy.  
13 They don't do anything for three (3) years and then all  
14 of a sudden they have to change a bunch of motors out and  
15 stuff and that's when they put in a whole large amount of  
16 money.

17                   So I think special rules should be devised  
18 with -- with their help to make sure that if they're  
19 doing great stuff that they shouldn't be penalized; that  
20 should be credited toward any -- any charge that they  
21 would have to pay.

22                   MR. BOB PETERS:    In your evidence, one  
23 (1) of your suggestions in running the DSM Program by the  
24 Utility was that they should consider outsourcing the  
25 program.

1                   Have I understood that correctly?

2                   MR. STEVEN WEISS:   Well they should  
3 consider it.  It has been done in some -- some areas.  
4 Oregon outsources the entire DSM Programs.  They simply  
5 turn over the money.  And they are on a Board of the  
6 Directors of this third party and so they have input.

7                   And it can have big advantages because you  
8 can hire specialists and you can have a deb -- you can  
9 have an organization that is focussed only on one (1)  
10 thing, it isn't distracted by the other issues and it can  
11 work.  But I think my -- my recommendation that was more  
12 RFPs; that is they should -- they should do more with the  
13 competitive bidding and not try to have in-house experts  
14 on every type of conservation that you can imagine.  And  
15 it sounds like they're actually doing some of that; that  
16 they do put out a lot of their projects for bid.

17                   MR. BOB PETERS:   Let me -- let me be sure  
18 that the record is clear, Mr. Weiss, on the distinction  
19 between those two (2) concepts.  On the one (1) hand,  
20 Centra would fund a separate agency mandated and focussed  
21 on the task of implementing DSM, and the other hand would  
22 be to put out to RFP for specific DSM programs looking  
23 for contractors or people to implement the specifics.

24                   Is that what you've draw a distinction  
25 with?

1                   MR. STEVEN WEISS:    Yes.  And -- and a  
2   good hybrid is where people at Centra are simply contract  
3   managers.  They -- they don't have -- Centra would not  
4   have installers, would not have anything except people  
5   who supervise contracts and manage contracts and  
6   everything would be done through third party contracting.  
7   And that would be -- Centra would still have control of  
8   the money and would still have their hand -- and would  
9   still be able to use the synergies of -- of customer  
10  contacts and so on.

11                   The reason that the total separateness is  
12  done in -- in other places is because the utilities are  
13  for profit utilities and -- and the public policy was,  
14  you can't trust the for pub -- for pub -- for profit  
15  utilities to -- to really truly want to do conservation  
16  because ultimately -- even with decoupling -- ultimately  
17  they like to build the company and they want to sell more  
18  -- sell more commodity.

19                   So -- so we were forced in Oregon because  
20  we just couldn't break down that issue of passing a law  
21  which took away all the conservation and gave it to a  
22  third party.  But probably you don't have to do that with  
23  a nonprofit and so my recommendation would be more closer  
24  to being project managers -- contract managers -- I mean  
25  contract managers and that would be Centra's role.

1 (BRIEF PAUSE)

2

3 MR. BOB PETERS: Is it your evidence, Mr.  
4 Weiss, that DSM -- excuse me, that DSM efforts eventually  
5 bring down the consumption of low -- of natural gas and  
6 that will also, at some time, bring down the  
7 corresponding price of natural gas?

8 MR. STEVEN WEISS: Yes.

9 MR. BOB PETERS: And that's premised on  
10 the perhaps economic theory that as consumption drops,  
11 the demand will also fall, and if the demand falls, then  
12 the price should also fall.

13 MR. STEVEN WEISS: Yes.

14 MR. BOB PETERS: And if that happens,  
15 would that also be for the benefit of every customer  
16 class, regardless of how that DSM initiative was  
17 targeted?

18 MR. STEVEN WEISS: Yes, and not just  
19 every customer here, but everybody -- every customer in  
20 North America, probably, is connected to the gas  
21 pipelines system.

22 MR. BOB PETERS: Mr. Weiss, the last area  
23 in which you provided recommendations to the Board was to  
24 do with the efficiency of the regulatory process. And in  
25 your evidence through -- through Mr. Gange, you thought

1 that settlement discussions -- discussions would add an  
2 element to the proceedings that's presently lacking.

3 MR. STEVEN WEISS: Yes.

4 MR. BOB PETERS: And in these  
5 proceedings, sir, did -- did you on behalf of RCM/TREE  
6 approach the Utility prior to your filing your evidence  
7 and indicating some of the issues that you were  
8 advocating?

9 MR. WILLIAM GANGE: No. We -- this --  
10 this is a process, Mr. Peters, that -- that Mr. Weiss has  
11 been discussing with Professor Miller and myself and  
12 rather than  
13 -- rather than bringing them prior -- rather than  
14 bringing them to your attention prior to the whole  
15 process, we felt that the appropriate way would be to  
16 bring -- bring it all together as one (1) package.

17

18 CONTINUED BY MR. BOB PETERS:

19 MR. BOB PETERS: Fair enough. Thank you,  
20 Mr. Gange.

21 From that answer, Mr. Weiss, do you then -  
22 - you felt it would be inappropriate to approach the  
23 Utility prior to their filing the GRA with some  
24 suggestions?

25 Is that how you felt in this process?

1                   MR. STEVEN WEISS:    I wasn't sure of -- of  
2    you know, not being real familiar with the PUB whether  
3    that would be appropriate.  But I -- to tell you the  
4    truth, we were -- I was only engaged, you know, by the  
5    time we -- starting to pay attention when we first got  
6    the filing from Centra so I wasn't too involved with it.

7                   So -- I don't know -- I don't think I  
8    really considered the question, to tell you the truth.

9                   MR. BOB PETERS:    Okay.  In your -- in  
10   your suggestions to the Board, would the meaningful  
11   dialogue between stakeholders and Centra come before  
12   Centra filed its case or immediately after they filed  
13   their case?

14                  MR. STEVEN WEISS:    Well, I think there  
15   should always be contact but the -- the formal settlement  
16   and that's why it's not just a party going to Centra and  
17   talking, it's -- what I'm -- so it would be, to answer  
18   your question directly, yes, it would be after Centra  
19   filed it's original -- initial case so that everybody  
20   could see what the issues were that Centra was asking  
21   for.

22                  And the reason that -- but it is formal in  
23   that everyone is invited, so it's not just a couple of  
24   parties talking to each other.  There are strict rules of  
25   confidentiality so that I can make any suggestion during

1 that discussion and know that I'm not going to hear about  
2 it in cross-examination later; that it's completely free  
3 discussion.

4 So that's why it's -- it can't just be  
5 done informally. It really needs to be done as part of  
6 the process so that you have rules set up for how it's  
7 done.

8 MR. BOB PETERS: Okay. And -- and some  
9 of those rules may take away from the transparency if  
10 there's negotiation behind the scenes before it comes to  
11 the Board.

12 Would you agree with that?

13 MR. STEVEN WEISS: Yes, I would because  
14 you wouldn't let reporters in the room or stuff, there  
15 would only be the Intervenors who -- who had agreed to  
16 the confidentiality requirements. So -- so yes.

17 But remember, right now I can be talking  
18 to them on the side I guess, and people wouldn't know  
19 about it.

20 MR. BOB PETERS: Would it also have the  
21 potential that there may be people who wouldn't be in --  
22 in the settlement discussion room who may have a stake in  
23 the outcome of the proceedings?

24 MR. STEVEN WEISS: Yes. And nothing --  
25 nothing is -- everything that's decided in settlement

1 still has to come to the Board in the form of testimony  
2 and in forum and be able to cross-examination.

3                   So for instance, let's say they agreed --  
4 let's say we had -- we had had these discussions and we  
5 agreed on some issue like a pilot program for DSM and we  
6 said, Okay in the settlement discussions all the parties  
7 agree that this is a good thing. And we write up a  
8 proposal and then that proposal doesn't carry any weight  
9 until we have a joint witness and present, they proposal  
10 to the Board, anyone can cross-examine, maybe some of the  
11 people in the room didn't agree and so didn't sign; it's  
12 a partial settlement only between some of the -- some of  
13 the parties. They can be cross-examined; questions from  
14 PUB. It still has to go through the approval process and  
15 any outsider who wishes to make comment would, at that  
16 point, be able to read all the proposal and make  
17 comments.

18                   MR. BOB PETERS: And you'd agree with me,  
19 Mr. Weiss, that when you're in those settlement  
20 discussions there is, in the vernacular, horse trading  
21 going on?

22                   MR. STEVEN WEISS: Yes, there is.

23                   MR. BOB PETERS: And -- and to put that a  
24 bit more bluntly, you might say to Centra, If you agree  
25 with me on the decoupling mechanism, I'll agree with you

1 on the DSM Program studies that you've done.

2 Or you --

3 MR. STEVEN WEISS: Or more seriously -- I  
4 mean -- or I'll agree not to question your rate of  
5 return, you know. I mean, yes, there's horse trading  
6 that goes on.

7 MR. BOB PETERS: And in -- in terms of  
8 that horse trading, whether or not that horse trading is  
9 in the public interest or not you say it will ultimately  
10 be for the Board to have to make the decision on the --  
11 on the end result of the settlement?

12 MR. STEVEN WEISS: Yes.

13 MR. BOB PETERS: And along the way the  
14 Board will not be told that -- that the Gas Company  
15 agreed with decoupling because this Intervenor agreed not  
16 to challenge formally the return on equity; that -- that  
17 infor -- that evidence would not go before the Board?

18 MR. STEVEN WEISS: That's true. The  
19 discussions of how the agreement came about would --  
20 would be private.

21 MR. BOB PETERS: Okay. I think we  
22 understand the strengths and weaknesses of -- of that  
23 point, unless you've got anything further to add, sir?

24

25 (BRIEF PAUSE)

1                   MR. BOB PETERS:    Then, Mr. Chairman, with  
2 -- with those answers to my questions I would like to  
3 thank Mr. Weiss and those conclude my questions of him.  
4 Thank you.

5                   THE CHAIRPERSON:    Thank you, Mr. Peters,  
6 Mr. Weiss.  Perhaps we'll take our break now and give Mr.  
7 Gange an opportunity for re-direct?

8                   MR. WILLIAM GANGE:    Yes, we're not  
9 certain that there will be, Mr. Chair, but -- but if --  
10 if we could do that over the break that would be great  
11 and then we'll advise you of our position --

12                   THE CHAIRPERSON:    Sure.

13                   MR. WILLIAM GANGE:    -- upon the return.

14                   THE CHAIRPERSON:    Give you an opportunity  
15 to think about it.

16                   MR. WILLIAM GANGE:    That would be -- that  
17 would be --

18                   THE CHAIRPERSON:    Okay.  We'll --

19                   MS. MARLA MURPHY:    Mr. Chairman...?

20                   THE CHAIRPERSON:    Yes, Ms. Murphy?

21                   MS. MARLA MURPHY:    Sorry, just before we  
22 break I do have a package of responses to undertakings  
23 that I would like to file if you don't mind taking them  
24 now?

25                   THE CHAIRPERSON:    Of course.

1 MS. MARLA MURPHY: They have been  
2 provided to the Board Secretary.

3 The first one is Undertaking Number 7  
4 taken at transcript page 304 and I propose that that be  
5 marked as Centra Exhibit Number 10.

6

7 --- EXHIBIT NO. CENTRA-10: Response to Undertaking 7

8

9 THE CHAIRPERSON: Very good.

10 MS. MARLA MURPHY: The next is the  
11 response to Undertaking Number 8 taken at transcript --  
12 transcript page 305 and I'd propose that it be number 11.

13

14 --- EXHIBIT NO. CENTRA-11: Response to Undertaking 8

15

16 THE CHAIRPERSON: Yes.

17 MS. MARLA MURPHY: The next page includes  
18 the response to Undertaking Number 9 on the first page  
19 and as you flip the page over the response to Undertaking  
20 Number 10 is also there. I would propose that that be  
21 marked as Centra Exhibit Number 12, collectively.

22 THE CHAIRPERSON: Very good.

23

24 --- EXHIBIT NO. CENTRA-12: Responses to Undertakings 9  
25 and 10

1 MS. MARLA MURPHY: Next is a response to  
2 Undertaking Number 11, 15, 16, and 17 which is all in the  
3 -- the two (2) page package which I believe should be  
4 Centra Exhibit Number 13.

5 THE CHAIRPERSON: Okay.

6

7 --- EXHIBIT NO. CENTRA-13: Responses to Undertakings 11,  
8 15, 16, and 17

9

10 MS. MARLA MURPHY: Response to  
11 Undertaking Number 13 is a single page and I would  
12 propose to mark it as Centra Exhibit Number 14.

13 THE CHAIRPERSON: Okay.

14

15 --- EXHIBIT NO. CENTRA-14: Response to Undertaking 13

16

17 MS. MARLA MURPHY: And finally we have  
18 the response to Undertaking Number 25 which doesn't have  
19 a transcript reference as of it -- it was taken yesterday  
20 morning -- but I propose that that be Exhibit Number  
21 CENTRA-15.

22

23 --- EXHIBIT NO. CENTRA-15: Response to Undertaking 25

24

25 THE CHAIRPERSON: Thank you, Ms. Murphy.

1 Thank you to the back row.

2 MS. MARLA MURPHY: Thank you.

3 THE CHAIRPERSON: You have been busy.

4 Okay, we'll take our break now.

5

6 --- Upon recessing at 10:45 a.m.

7 --- Upon resuming at 11:08 a.m.

8

9 THE CHAIRPERSON: Mr. Gange, do you have  
10 any re-direct for Mr. Weiss?

11 MR. WILLIAM GANGE: Thank you, Mr. Chair.

12

13 RE-DIRECT EXAMINATION BY MR. WILLIAM GANGE:

14 MR. WILLIAM GANGE: Mr. Weiss, in -- in  
15 reviewing the questions that were asked of you this  
16 morning, the -- Mr. Peters reviewed a number of the  
17 issues related to pre-conference discussions and  
18 settlement discussions.

19 Have you anything to add to that?

20 MR. STEVEN WEISS: Yes, I would. And --  
21 and first I'd like to say, because I just wanted to point  
22 out that in much of my testimony I've talked about what  
23 Oregon does or California does or Washington and it all  
24 sounds like, Oh, they're doing great stuff and you guys  
25 just aren't doing anything and it's not true.

1                   I make the same arguments there about  
2 tiered rates. Many -- only California has -- I mean  
3 inverted rates -- only California has inverted rates so  
4 far on the gas side. DSM, you know, programs are just  
5 beginning. Gas, un -- until about 1999 or 2000, when gas  
6 prices were low, no gas company had anything except maybe  
7 a small reb -- rebate for a high efficiency furnace.  
8 They didn't insulate houses; they didn't do anything.

9                   So this is in its infancy and I don't mean  
10 to -- to imply that you guys are backwater. And -- and,  
11 in many ways, you're leading on -- on a lot of these  
12 issues.

13                   But back to the question -- you could tell  
14 I was a school teacher. I kind of always think I have  
15 the floor.

16                   Yes, there's one (1) other type of  
17 procedural in-between that -- that would be useful. Very  
18 often what the Board will hear at a -- at a hearing and  
19 so on is -- is this party's idea and that party's idea  
20 and this party's idea and the Board sort of has to pick.  
21 We call it in the States, bring me a rock; that is, you  
22 tell somebody -- somebody brings you a rock and you say,  
23 that's the right rock or it's the wrong rock, but you --  
24 you never know why. And so they have to bring another --  
25 find another rock and -- and say yes or no. And -- and

1 it's -- it's a really -- a not a very good way to -- to  
2 have to come up with things because you don't know why  
3 they rejected your -- your proposal in the first place.

4           And so one (1) response that's in between  
5 those is, for instance, on DSM -- on low income. I'll  
6 hope, for instance, that the Board feels that the  
7 program's -- they're convinced by the testimony that  
8 maybe they're -- maybe something should be done, but  
9 they're not sure of whose idea is the best one (1).

10           So what they could do is what -- what  
11 happens often in the -- in the states is, the Board,  
12 instead of just saying, Well, bring me another program  
13 and I'll see if I -- if I like that one, is they direct  
14 to have workshop and they'll -- and so the Board's  
15 directive will be, We believe that the company should  
16 have a workshop and come -- come forward with a proposal  
17 on -- on how they should begin a -- a low income program.

18           And the workshop would -- would be  
19 semiformal in that it would -- it -- the company would  
20 invite people to come, they would work on a proposal,  
21 there would be testimony of people about that proposal  
22 and the -- but there would be an attempt to -- to have  
23 consensus. Often you would hire a consultant to run the  
24 process, background studies and so on, and then that  
25 would be the way that a low income program would then be

1 brought to the Board.

2 So workshops that are -- and consultants  
3 that are hired by the -- to facilitate those workshops  
4 are a third way of -- of coming up with the proposals.

5 MR. WILLIAM GANGE: Sorry, anything else  
6 from the questions that -- that you'd like to comment on  
7 in re-direct?

8 MR. STEVEN WEISS: No.

9 MR. WILLIAM GANGE: Okay, thank you. Mr.  
10 Chair, that concludes our -- our testimony.

11 THE CHAIRPERSON: Thank you, Mr. Gange.  
12 Thank you very much Mr. Weiss, I appreciate your  
13 testimony. And now we'll turn back to Mr. Peters who has  
14 a few things.

15

16 (WITNESS STANDS DOWN)

17

18 MR. BOB PETERS: Yes, thank you, Mr.  
19 Chairman. I just want to turn to the undertakings that  
20 Ms. Murphy handed out and had marked as exhibits, prior  
21 to the morning recess. And in the time available, I  
22 reviewed them and I have one (1) further request with  
23 respect to Undertaking Number 8, which was marked as  
24 Centra Exhibit Number 11.

25 And a schedule was propo -- was provided

1 to restate what was shown in PUB/CENTRA-78B, and it was  
2 restated here on a weather normalized basis. And I  
3 believe after I asked the question, Mr. Chairman,  
4 yourself and your colleagues wanted the schedule prepared  
5 which would reflect the corporate allocation as a  
6 discrete item, and I wonder if I could ask, through Ms.  
7 Murphy, that -- that the schedule be re-filed showing as  
8 a discrete line item, the corporate allocation, including  
9 in the years it was taken, but not brought before the  
10 Board.

11 And I know it's marked here as -- as the  
12 years in which was the first year of the corporate  
13 allocation, but there was also an indication, I think  
14 from the Witnesses, that there was a corporate allocation  
15 taken in the prior years.

16 THE CHAIRPERSON: Mr. Peters, just to  
17 provide further guidance, what we were thinking of was  
18 there was in our understanding three (3) years in which  
19 no corporate allocation was charged and we were looking  
20 to have, if you like, a simulation with those 12 million  
21 in those three (3) years put in, and the effect that that  
22 would have on the overall equity.

23 MR. BOB PETERS: Yes, thank you, Mr.  
24 Chairman. I was perhaps a little clumsy in my wording.

25 But the -- the narrative part of what is

1 prepared as Undertaking Number 8 in the schedule  
2 indicates that it was owned by West Coast until July of  
3 1999 and 2002/'03 was the first year of the corporate  
4 allocation. And the request is to include in the years  
5 from when Manitoba Hydro acquired it, a notional if you  
6 will, corporate allocation so that that can be followed  
7 through on the retained earnings line.

8 MS. MARLA MURPHY: We can undertake to do  
9 that. I think we misunderstood perhaps your request. We  
10 thought we were -- you were asking that we indicate when  
11 the corporate allocation commenced which is why there's  
12 the note there that it does.

13 THE CHAIRPERSON: No, it's -- it's  
14 helpful. It just helps us.

15 MS. MARLA MURPHY: So as I understand it  
16 you would now like the years 2000 -- 2000/2001,  
17 2001/2002?

18 THE CHAIRPERSON: I believe it was three  
19 (3) years.

20 MS. MARLA MURPHY: And the -- the partial  
21 year the '99/2000 to -- to display the net income as if a  
22 \$12 million corporate allocation had been taken?

23 THE CHAIRPERSON: As if it had been  
24 charged in those years, yes.

25

1 --- UNDERTAKING NO. 27: Centra to show Board the net  
2 income if a \$12 million  
3 corporate allocation had been  
4 charged in the years  
5 1999/2000, 2000/20001 and  
6 2001/2002  
7

8 MS. MARLA MURPHY: We'll -- we'll  
9 certainly undertake to do the best we can. There are  
10 some accounting issues I understand that will have to be  
11 considered to be able to do that.

12 THE CHAIRPERSON: Well, at the end of the  
13 day if you produce the schedule that we have in mind it -  
14 - it won't reflect the reality of your financial  
15 statements. It will be like a model if you like as if  
16 the corporate allocation was charged and -- and taken in  
17 those three (3) years just as it was since then.

18 MS. MARLA MURPHY: Thank you.

19 MR. BOB PETERS: Mr. Chairman, thank you  
20 for that clarification. The -- the last point I have  
21 related to the undertakings was Undertaking Number 11  
22 filed as Centra Exhibit Number 13. This dealt with the  
23 current plans for the AMI Program and its spending, and  
24 it also included a request in Undertaking 15 to file a  
25 January 4th, 2006 letter that was provided to the Board

1 and answer a couple of more questions in terms of  
2 expenditures and the service life.

3 All of that information was filed  
4 collectively as Centra Exhibit 13 and it includes a  
5 letter dated January 4th, 2006 to the Board. And  
6 attached to that letter is a status update on the AMR and  
7 the Meter Access Program and perhaps through a brief scan  
8 of mine I -- I don't see the issues that were discussed  
9 when Mr. Boyd was here, and that being the safety issues  
10 set out. So there may be still some issue there on the  
11 safety matters that you commented on as well before.

12 THE CHAIRPERSON: Well, just to add to  
13 that, Mr. Peters, we have had a chance to look at the  
14 transcripts and the Board's interest at that time  
15 wasn't directly related to this safety of the employee;  
16 it was more related to safety -- system safety -- and not  
17 people's safety.

18 If you look at transcript pages 1353 and  
19 1354 of June 13th, 2005, in Mr. Boyd's testimony, he  
20 talks about the types of things that when the Centra or  
21 Hydro employee went to the residence what they would look  
22 at when they were looking at the meter that was there and  
23 the attachments and things of that nature. That might  
24 help.

25 Is that it, Mr. Peters?

1 MR. BOB PETERS: Yes, those are my points  
2 and subject to any other comments I believe we're now at  
3 the point on the schedule were Mr. Saxberg will introduce  
4 Dr. Roger Higgin to the Board and provide his evidence.

5

6 (BRIEF PAUSE)

7

8 THE CHAIRPERSON: So we go over now to  
9 Mr. Saxberg if you could introduce your witness and then  
10 we'll have Mr. Singh swear him.

11 MR. KRIS SAXBERG: Thank you, Mr.  
12 Chairman, Board Members, ladies and gentlemen.

13 To my right is Dr. Roger Higgin and he is  
14 ready to be sworn in.

15

16 ROGER HIGGIN, Sworn

17

18 THE CHAIRPERSON: Thank you, Mr. Singh.  
19 Mr. Saxberg...?

20

21 (VOIR DIRE COMMENCED)

22

23 EXAMINATION-IN-CHIEF BY MR. KRIS SAXBERG:

24 MR. KRIS SAXBERG: Thank you, sir. Dr.  
25 Higgin, are you responsible for the preparation of

1 certain written evidence in this proceeding?

2 Is that correct?

3 DR. ROGER HIGGIN: Yes, that's correct.

4 MR. KRIS SAXBERG: And for everyone's  
5 edification, it is marked as CAC/MSOS-4.

6 You're also responsible for the  
7 preparation of responses to interrogatories directed at  
8 you?

9 DR. ROGER HIGGIN: Yes, that's also  
10 correct.

11 MR. KRIS SAXBERG: Now, are you solely  
12 responsible for your evidence and -- and the  
13 interrogatory responses?

14 DR. ROGER HIGGIN: Yes, it was prepared by  
15 me directly.

16 MR. KRIS SAXBERG: Do you have any  
17 corrections to make to your evidence and IR responses?

18 DR. ROGER HIGGIN: Yes. I have a couple  
19 of minor reference corrections. So if we could turn up  
20 my pre-filled evidence and go to page 8.

21

22 (BRIEF PAUSE)

23

24 DR. ROGER HIGGIN: The correction is with  
25 respect to reference number nine (9); that then talks

1 about a previous citation and it says page 34. So it  
2 should read page 37 of that reference.

3 The second one is found again in my pre-  
4 filed evidence and it's Appendix B of that -- that  
5 evidence. If you could find Appendix B.

6 And underneath the table, it says source -  
7 - that's page 16 in my copy.

8 "Source 2006 Power Smart Plan Appendix  
9 C, Table B4."

10 That should read "B5," okay?

11 Thank you. Those are my corrections.

12 THE CHAIRPERSON: Thank you, sir. Mr.  
13 Saxberg, do you want to talk a little bit about the  
14 witnesses credentials?

15

16 CONTINUED BY MR. KRIS SAXBERG:

17 MR. KRIS SAXBERG: That was my very next  
18 question. Could you please describe your qualifications  
19 and experience, Dr. Higgin?

20 DR. ROGER HIGGIN: Yes. Well, the company  
21 that I'm affiliated with is called Econalysis Consulting  
22 Services and we're an energy regulatory company. We  
23 provide support to public interest groups exclusively  
24 across Canada, from BC right through into Quebec and  
25 occasionally into the -- the Maritimes. And so that's

1 our business.

2                   We are affiliated with a somewhat large  
3 company that's run by a fellow called John Todd, called  
4 Elenchus Research Associates. We are the -- the poor  
5 cousin there terms of the public interest group. We  
6 don't quite charge the high fees that might our -- other  
7 people do.

8                   So we split it up, and my consulting  
9 practice is mostly in the natural gas sector, although I  
10 do provide some support in a couple of areas for  
11 incentive regulation and cost-of-service for electricity  
12 transmission and distribution. So I have about seven (7)  
13 years of energy regulatory experience in Canada, with  
14 seven years with the Ontario Energy Board. I had two (2)  
15 stints with the Board; one in around 1990 and the other  
16 one later, '96 to 2000.

17                   I retired from there due to health reasons  
18 in 2000 and then since then I've been with this company  
19 as an energy regulation consultant.

20                   So that's my background, and very  
21 specifically, I have been qualified as an expert in  
22 regulatory matters, including frameworks for and the  
23 treatment of costs of residential demand side management  
24 for both gas and electric utilities. And my detailed CV  
25 is filed as Appendix C, to my evidence.

1 MR. KRIS SAXBERG: Perhaps we could turn  
2 to that. I have a few questions that flow directly from  
3 your resume. Page 18 in particular under the heading,  
4 "Regular -- Regulatory Testimony Expert Opinion," there's  
5 a listing of Boards.

6 Have you been qualified as an expert in --  
7 when you testified before these Boards listed on page 18?

8 DR. ROGER HIGGIN: Yes, that's correct.  
9 I -- the scope of right -- of the qualification might  
10 have been slightly different, but basically, it was  
11 regulatory matters with a particular focus related to the  
12 particular hearing. Some of them were DSM or -- or  
13 energy efficiency and some were other matters, regulatory  
14 matters.

15 MR. KRIS SAXBERG: Can you describe what  
16 the purpose of your appearance was in 2004 before the  
17 Manitoba Public Utility Board?

18 DR. ROGER HIGGIN: Yes. Although it's  
19 not stated here, this was a joint hearing between the  
20 Public Utilities Board and the Clean -- Clean Environment  
21 Commission, looking into Manitoba Hydro's plans for the  
22 Wuskwatim Generation Project. So that was the -- the --  
23 the hearing and I was retained with one (1) of my  
24 colleagues, a Mr. Bill Harper, to provide testimony on  
25 behalf of the CAC/CMOS -- MSOS, sorry.

1                   And basically, my area was demand side  
2 management, the Power Smart Plan, as -- as it looked out  
3 into the future; wind power, one (1) of the renewables;  
4 and also, looked at the business partnership arrangements  
5 between Manitoba Hydro and the -- the First Nations.  
6 That was the scope of my particular evidence and I was  
7 qualified by that combined Board as an expert on those  
8 matters.

9                   MR. KRIS SAXBERG:    Thank you, sir.  If I  
10 could get you to flip to the next page, which deals with  
11 your employment history.  You -- you've already indicated  
12 that you were a member of the Ontario Energy Board on two  
13 (2) incidences, as you said.

14                   My question to you is:  Did you ever, as a  
15 member of the Board, hear and adjudicate upon DSM  
16 applications and proposals by the utilities in Ontario?

17                   DR. ROGER HIGGIN:    Yes.  In 1996 the  
18 Board had a generic hearing on DSM, which was EBO-169,  
19 and that set up of framework for DSM programs in Ontario.  
20 So that had happened just before I joined and then from  
21 then on, every rates case of the two (2) gas utilities  
22 had a component of DSM and DSM plans that was PUB --  
23 before the Board for review and approval.

24                   So I would like to hesitate a guess,  
25 probably five (5) or six (6) main rates cases during my

1 time with the OEB in which I looked at DSM.

2 MR. KRIS SAXBERG: And after your  
3 retirement from the OEB, did you stay in connection or  
4 connected to DSM initiatives in Ontario?

5 DR. ROGER HIGGIN: Yes. As part of my  
6 regulatory consulting practice I was a member of the so-  
7 called consultatives that were operated by Union Gas and  
8 Enbridge Gas Distribution, as it is now -- well, it used  
9 to be Consumers Gas in those days -- which was a  
10 stakeholder consultation process related to the design  
11 development and review, meaning post -- post review of  
12 their programs. That included for us other -- other  
13 things; the audit by independent auditors and the review  
14 of the audit reports and so on.

15 So we were -- I have been a member of  
16 those consultatives for about five/six (5/6) years.

17 MR. KRIS SAXBERG: Are those  
18 consultatives that you're describing, are they similar to  
19 the recommendations that we heard made by Mr. Weiss  
20 yesterday?

21 DR. ROGER HIGGIN: Yes, they have some  
22 similarities and some differences. Because, as we would  
23 realize, Union Gas and Enbridge are investor owned  
24 utilities and basically one (1) of the things that they  
25 get, as part of their DSM Program, is a lost revenue

1 adjustment mechanism and they also get an SSM or  
2 shareholder incentive.

3                   So a lot of the, should we say, tugging  
4 and pulling in those consultatives tends to go with  
5 respect to those two (2) things; the lost revenue and the  
6 -- and the SSM incentive. However, apart from that, yes,  
7 they do with the -- they deal with all of the design and  
8 proposals for new programs, amendments to programs and  
9 also review the audit reports and so on. So those --  
10 it's a -- that's a little different scope, but similar.

11                   MR. KRIS SAXBERG:   Mm-hm.  Dr. Higgin,  
12 prior to your first stint on the Ontario Energy Board,  
13 which began in 1988, I understand that were Assistant  
14 Deputy Minister.

15                   What you were you the Assistant Deputy  
16 Minister of?

17                   DR. ROGER HIGGIN:   Well, as it says here,  
18 I was in charge of the Ontario Ministry of Energies  
19 Programs and Technology Division.  And that division ran  
20 a very large conservation and renewable energy program.  
21 As we would all go back to those days when oil prices  
22 were predicted to reach seventy-five (\$75) a barrel from  
23 the -- then around thirty (30) and eventually, the  
24 programs were wound down, simply because that didn't  
25 happen.  And so many of the conservation and a lot of the

1 renewables were just not going to be cost effective with  
2 oil around twenty dollars (\$20) a barrel or less, which  
3 is what happened.

4 So -- however, we pioneered, in a very  
5 large way, conservation across all sectors and we also  
6 pioneered a lot on solar wind and other -- other  
7 technologies, which now are all back again, now the oil  
8 prices are looking towards seventy-five (75) bucks a  
9 barrel, we're back there again.

10 So that's what I did.

11 MR. KRIS SAXBERG: Thank you, Dr. Higgin,  
12 and with that, Mr. Chair and members of the Board, I  
13 would ask that you accept Dr. Higgin as an expert in  
14 regulatory matters, including the frameworks for and the  
15 treatment of DSM programs and costs.

16 THE CHAIRPERSON: Any comment, Ms.  
17 Murphy?

18 MS. MARLA MURPHY: No, sir.

19 THE CHAIRPERSON: Mr. Gange...?

20 MR. WILLIAM GANGE: No.

21 THE CHAIRPERSON: And we have no problem,  
22 either. Thank you.

23

24 (VOIR DIRE CONCLUDED)

25

1 EXAMINATION-IN-CHIEF BY MR. KRIS SAXBERG:

2 MR. KRIS SAXBERG: Thank you, Mr.  
3 Chairman. Dr. Higgin, could you please discuss how your  
4 testimony -- your pre-filed testimony is organized and  
5 the issues that you were asked to deal with by CAC/MSOS?

6 DR. ROGER HIGGIN: Yes. This was a bit  
7 of a last minute thing by -- by the -- by our clients  
8 because they had some concerns about the proposals or  
9 lack of information regarding the proposals about the  
10 adequacy, accessibility of the Power Smart programs,  
11 particularly the new proposed one called the "Hard to  
12 Reach Program" for low income and seniors. So that was  
13 their concern and they felt that I should come and try  
14 and provide some commentary with respect to that  
15 particular program.

16 So I focussed my initial comments, in my  
17 pre-file testimony, on residential low-rise owner  
18 occupied or rental housing. And it didn't address the  
19 social housing market or the high-rise condominium; that  
20 was mainly due to time and budget and scope, so that was  
21 my pre-filed evidence.

22 And the topics there were talking about  
23 the issues that are there in terms of barriers to  
24 participation by low income customers and so on; what's  
25 going on in some other provinces that might be useful to

1 learn about here in Manitoba, particularly Ontario and  
2 Quebec; and the approaches, their views, to try and deal  
3 with the problems of -- of low participation rates by --  
4 by those Hard to Reach customers; and that basically, how  
5 they targeted those customers, how they did the  
6 demographic research to try and identify those groups,  
7 and then to design programs that would be tailored to  
8 target those pro -- those customers.

9                   So that basically was my initial pre-filed  
10 evidence.

11                   MR. KRIS SAXBERG: What are the  
12 attributes for successful DSM programs for the Hard to  
13 Reach groups of Centra's customers?

14                   DR. ROGER HIGGIN: I've listed these in  
15 the evidence and I -- I'll just briefly reiterate the  
16 main points.

17                   First of all, in my testimony, I've  
18 proposed dedicated budgets. A key point meaning, just  
19 for example, a fixed minimum floor percentage of the  
20 residential budget being allocated to targeted programs  
21 for these Hard to Reach customers. Also, because of the  
22 barrier that ex -- of the financial barriers, they place  
23 higher financial incentives than the standard programs.

24                   Also, because another barrier, awareness  
25 and motivation, increased education and promotion; then

1 don't go with the normal direct utility channels. Try  
2 and work through the community groups that deal with  
3 these people all the time on their other problems, that  
4 service these people.

5                   So develop delivery channels and agents  
6 that are non-governmental organizations, for example.  
7 The key point is, if you're going to spend this kind of  
8 targeted money, you need to be sure that you've:

9                   A) Identified the right priorities.  
10 You've been in the homes; in the housing units. You've  
11 done an audit. You know where the problems are and you  
12 prioritize things based on that. So that's the pre-  
13 audit.

14                   But importantly, to make sure that those  
15 measures have actually been installed and are working and  
16 they're saving money for those people, you should do a  
17 post-audit, as well. And that's not always done, but  
18 it's the best practice and we -- it's one I recommend  
19 that we should be doing for this particular segment of  
20 these customers.

21                   Another problem that arises because most  
22 of these low income customers are not customers directly  
23 of the thing -- of the Gas Utility. These low income  
24 family predominantly live in rental housing; it could be  
25 social housing or it could be market rate, as I call it,

1 private housing.

2                   So there's a number of other issues that  
3 you need to deal with -- with respect to the -- getting  
4 the right incentives in place to the landlord and making  
5 sure that those benefits will flow through to those  
6 people in terms of reduced rent, for example. And that's  
7 a major problem that happens everywhere and it's a --  
8 it's a -- a thorny issue that most utilities avoid, but  
9 some of them are finding ways to try and deal with that  
10 particular problem. It's just called spit incentive  
11 between the landlord and the tenant.

12                   And so then the other thing I recommend is  
13 that in any portfolio that involves low income, there  
14 should always be participant cost test performed; that's  
15 set out in the standard manual. It's not always done.  
16 In Quebec it is. We had to push to get it done in  
17 Ontario and now it's the standard, as well.

18                   So basically, participant cost tests  
19 should be done for at least those programs and I would  
20 advocate for all of the residential programs, as well.

21                   And finally, monitoring the actual  
22 participation rates. It's not good enough to know -- not  
23 to know, to guess how many low income families, how many  
24 seniors are actually availing themselves of your  
25 programs. You have to know that, and you have to track

1 it and you have to keep those statistics and you have to  
2 feed that back into the design of the program going  
3 forward. So basically, that is an important thing,  
4 tracking the participation rates.

5 MR. KRIS SAXBERG: From the materials  
6 filed in this proceeding, do you have a view as to  
7 whether Centra's Hard to Reach Program has any or all of  
8 these attributes?

9 DR. ROGER HIGGIN: Well, initially, I  
10 found very little details with respect to this program.  
11 The responses to IRs, and so on, were all very general,  
12 talking about their other programs, and the only thing  
13 that you could actually identify was the Centennial Pilot  
14 Project as being a targeted low income program.

15 So -- but from what's going on now in  
16 terms of testimony and so on, there's more information  
17 coming out, and I think that the -- the message is  
18 getting through that these attributes are so critical to  
19 designing a low income program or program that's targeted  
20 to senior and so on, to have these attributes.

21 So the answer is, in a nutshell: Well, I  
22 don't know yet because I haven't seen the design of the  
23 program and whether it will have these attributes.

24 MR. KRIS SAXBERG: Thank you, sir. Is  
25 there a problem with relying on the Affordable Energy

1 Fund?

2 DR. ROGER HIGGIN: Yes, I think that what  
3 we have to really focus on is this application; what --  
4 what is before this Board; what Centra is asking for in  
5 this application. And it is that they're asking for  
6 approval of their DSM budgets globally for 2007/2008 and  
7 2008/2009. Included in there is this placeholder for the  
8 Hard to Reach Program.

9 So that's what they're asking for; that's  
10 their application. And this is supposed to be -- the  
11 Hard to Reach Program is supposed to be a targeted  
12 program paid for out of gas rates. And absent that  
13 program I would advocate and suggest that there is a  
14 major mismatch between costs and benefits for low income  
15 customers.

16 In other words the low income customers  
17 are paying in rates for DSM, residential DSM programs,  
18 but because of the huge barriers that they face they're  
19 not able to participate. Participant rates, I don't know  
20 what they are but they're going to be very low, and  
21 that's why you need targeted programs like the Centennial  
22 pilot project, so basically to correct that. So in  
23 essence there's a cross-subsidy going on and has been  
24 going on since -- since the program was put in place.

25 So that's my problem with -- that needs to

1 be corrected. Okay. So the question is having said that  
2 we put in for -- place that a floor program -- I call it  
3 a "floor" -- which allocates a certain amount of money to  
4 correct that mismatch between costs and benefits. So we  
5 put that -- that in place then, by all means because  
6 there's -- these people just need -- their needs are so  
7 great; to top that up with money from the Affordable  
8 Energy Fund is obviously a great idea, a thing that  
9 should be done.

10 But the point is when and if that money  
11 runs out, then there should be a floor in place all the  
12 way to the horizon of this Power Smart Program is 2017 --  
13 that's ten (10) years out -- there should be that floor  
14 in place and it should continue regardless of the -- of  
15 other funds such as the -- the Affordable Energy Fund or  
16 the Federal Eco-Retrofit Program and these other  
17 programs.

18 So we -- we say that floor should be in  
19 place and therefore that's what I'm trying to advocate  
20 here. And so it's a great idea then to top that up  
21 because the enormity of the task is -- is huge as I'll --  
22 I'll mention in a minute.

23 So in other provinces where there are  
24 other programs such as electric utilities, the Ontario  
25 Power Authority in Ontario, the Federal programs, that's

1 -- they still put in place a dedicated budget floor. So  
2 much of the residential budget as the requirement for low  
3 income Hard to Reach customers and then those -- that  
4 amount is topped up by these other programs.

5 MR. KRIS SAXBERG: In testimony the other  
6 day Manitoba Hydro indicated to the Board that \$19  
7 million dollars of the Affordable Energy Fund will be  
8 spent on low income families and seniors. The Affordable  
9 Energy Fund will be integrated with the Hard to Reach  
10 Program.

11 Does this change your view of the  
12 appropriate regulatory approach the Board should  
13 proclaim?

14 DR. ROGER HIGGIN: No, I think that the  
15 same regulatory principles apply whether the source of  
16 funds is gas rates or electricity export revenues and  
17 that is that there should be funded out of rates, a floor  
18 that makes sure there isn't a mismatch between the costs  
19 and benefits for low income and other Hard to Reach  
20 customers.

21 And so that should be a long-term  
22 commitment, and that's the key, going out to the horizon  
23 of the current program 2017. And that should be based on  
24 some metric -- I've recommended the number of low income  
25 seniors and other customers as being one (1) -- one (1)

1 metric that you can then use to say, how much should we  
2 allocate. In other words, simplistic terms. If there's  
3 25 percent low income, depending on how you define it,  
4 then 25 percent of the residential budget should be  
5 dedicated to programs for those customers. That's  
6 basically -- it's -- it's as simple as that. That's one  
7 (1) me -- one (1) way to do it.

8                   There are other ways, but that's the one  
9 (1) that I am familiar with, it's the way we did it in  
10 Ontario, it's the way -- when I say we; we negotiated in  
11 a settlement in Ontario, that level, which in Ontario  
12 happens to be 14 percent. And in Quebec, we did the same  
13 thing and it's 13 percent. And I think I've provided  
14 evidence on that from -- from in my testimony.

15                   So that's -- that's basically what I'm  
16 saying. And then this floor should be leveraged by the  
17 Affordable Energy Fund and the Federal EcoENERGY Retrofit  
18 Program.

19                   So 19 million sounds an awful lot of  
20 money, but if you consider the enormity of the task, if  
21 we look at say three thousand dollars (\$3,000) per home  
22 for weatherstripping and so on, and that's a number that  
23 is close to where Enbridge Gas distribution is in the  
24 design of their Low Income Program. So it's not my  
25 number. Three (3) -- three thousand dollars (\$3,000).

1                   Then that -- the AEF would retrofit six  
2 thousand (6,000) homes or an equivalent number of social  
3 housing units, okay.

4                   The main constraint, I think, going  
5 forward is the capacity to execute a reasonable number of  
6 retrofits. Getting to five hundred (500) will be a  
7 challenge, getting to a thousand (1,000) would be a very  
8 big challenge, in terms of homes and/or social housing  
9 units.

10                   So there is that question of capacity to  
11 actually do that work and that comes to another question  
12 of how should you deliver that program, how can you make  
13 sure that you have the capacity? You build that capacity  
14 to be able to do that.

15                   And that's something that the utilities  
16 should have as a challenge and should be a feature of its  
17 program design, and that's building the capacity to  
18 deliver.

19                   So I think that the situation here with  
20 the Affordable Energy Fund is a little bit analogous to  
21 the situation in Quebec; what the Regie was facing.  
22 Although, the source of funds is different, it's the  
23 export revenues of Manitoba Hydro. In Quebec, when they  
24 went to incentive regulation in about 2000, then the  
25 efficiency gains, which is the CPI minus "X" bit, of the

1 efficiency gain was to be rebated to the customers.

2                   However, there was a deal negotiated that  
3 only 60 percent of that would be rebated to the customers  
4 and the other 40 percent would go into a fund, which  
5 became the FEEE (sic). If I can try and say Le Fonds  
6 pour efficacite energetique. In other words, it's an  
7 energy efficiency fund. So that money went in and was  
8 about, I think, \$9 million was -- was -- has been put in  
9 and it's allowed to add interest to that.

10                   So that has been funding, up to this  
11 point, the low income initiatives of Gas Metropolitan.  
12 So that's the way the FEE is structured.

13                   However, as I point out in my testimony,  
14 the Regie now, though, has gone and approved a global 13  
15 percent of total residential funds to be allocated to low  
16 income and social housing programs and part of that will  
17 come out of rates, as well as from the fund. So that's  
18 the situation in Quebec.

19                   And another key point is that Gas Metro  
20 was directed by the Regie to invest the fund at market  
21 rates, to grow it, to increase it so that it would last  
22 longer, it would have a broader reach. So that was  
23 another thing that the Regie did with the -- with the  
24 fund.

25                   MR. KRIS SAXBERG:    What are your

1 recommendations?

2 DR. ROGER HIGGIN: Well these are listed  
3 at page 13, and I'll try to summarize them very quickly.  
4 First of all, we need to understand who these Hard to  
5 Reach customers are in terms of their demographics, where  
6 they live, their domicile, their income levels and so on.  
7 We need to -- we need to know that. We need to do those  
8 studies.

9 First of all -- second is dedicated  
10 budgets. I talked about that and I can't overemphasize  
11 that as being a floor that will ensure a sustained effort  
12 over the horizon of the Power Smart Program which to now  
13 is 2017. And then this -- then add to that the  
14 investment from the Affordable Energy Fund and if we can  
15 the ecoENERGY Retrofit Program, the Federal Government's  
16 program.

17 Eligibility criteria should be clear. Who  
18 is low income, for example? Who is senior? Are you  
19 fifty-five (55)? Are you sixty (60) You're sixty-five  
20 (65)?

21 Okay. Are you 100 percent of the low  
22 income cutoff for families or should you raise that  
23 because people might fall between the cracks for  
24 eligibility as has been done in Ontario and Quebec to 125  
25 percent, okay?

1                   So there should then be consultation on  
2 these particular elements of the program with those  
3 people that service low income groups.

4                   So use NGOs where possible to deliver the  
5 programs, consider what to do about some of the landlord/  
6 tenant issues; that's less of a problem in the social  
7 housing sector because the -- the social housing  
8 corporation, the co-ops and so on are not for profit, and  
9 there's less incentive to not pass the savings through  
10 and then as we said leverage the pro -- the program's  
11 funds.

12                   MR. KRIS SAXBERG:    Do you -- do you have  
13 a recommendation as to how the Board should deal with  
14 Centra's '07/'08 and '08/'09 application for approval of  
15 the proposed Hard to Reach Program?

16                   DR. ROGER HIGGIN:    I suggested that, in  
17 my testimony, that the Board should make its approval, in  
18 this GRA application, conditional upon Centra bringing  
19 forward more details of the Hard to Reach Program for  
20 Board approval after it's consulted with groups  
21 representing low income gas customers and seniors and  
22 after it's done the requisite demographic studies and  
23 analysis.

24                   However, I would recommend that they start  
25 the program as a pilot as soon as possible. We shouldn't

1 delay while we're doing that. So that would be my view;  
2 is start it off as a pilot; build on the Centennial Pilot  
3 Program that's already in place, build -- build from that  
4 and run it as a pilot. So that's what I would -- I  
5 recommend.

6 MR. KRIS SAXBERG: You provided some  
7 information in the form of answers to Information  
8 Requests about why your evidence did not address other  
9 sectors of the housing market that are important to low  
10 income families and seniors.

11 DR. ROGER HIGGIN: Yes, that's correct.  
12 My original scope as I mentioned was limited to low-rise  
13 owner/occupied housing units, but the Board staff asked  
14 me about the high-rise rental market, and also in  
15 particular about the social housing sector, and I  
16 provided more information about the initiatives in Quebec  
17 and Ontario.

18 MR. KRIS SAXBERG: Do you have anything  
19 to add about the social housing sector?

20 DR. ROGER HIGGIN: Yes, I think that  
21 Manitoba Hydro and Centra should target this segment of  
22 the housing market, preferably through a well designed  
23 program with the Manitoba Housing Renewal Corporation for  
24 many of the reasons that I outlined earlier; and that is  
25 that the -- the co-ops and the not-for-profit agencies

1 that operate social housing projects are strapped for  
2 funds and, therefore, have major constraints on being  
3 able to invest and recover these costs from -- from their  
4 tenants.

5                   So as a result I would hazard a guess that  
6 they're less able to participate than commercial  
7 landlords and so the increasing costs of utilities put  
8 pressure on these agencies and then it puts pressure on  
9 the tenants, on the low income tenants in these -- in  
10 these housing developments.

11                   So I would say again we should be using an  
12 approach similar to what I recommended for the  
13 residential, that it should be a floor based on the total  
14 commercial DSM spending and then that should be topped up  
15 by funds from the Affordable Energy Program and from,  
16 preferably, the Federal Eco Retrofit Program, if those  
17 buildings are eligible, i.e., fit with that program.

18                   MR. KRIS SAXBERG: Can you comment on the  
19 matter of pre and post audits?

20                   DR. ROGER HIGGIN: My assumption is that  
21 a properly discerned -- designed, sorry, and executed  
22 retrofit will cost about three thousand (3,000) for a  
23 single home, maybe a little less for a social housing  
24 unit. But this would be mostly weatherstripping energy  
25 saving devices such as aerators shower heads and so on;

1 thermostats where applicable and so on.

2                   So that's the kind of scope of that. It  
3 doesn't include replacement of furnaces. It doesn't  
4 include the costs of replacing the appliances, which will  
5 be a much higher cost. So basically, three thousand  
6 dollars (\$3,000).

7                   So in my view, if you spent 10 percent on  
8 pre and post audit, that would still be a good  
9 investment. So three hundred dollars (\$300), and from  
10 what I can see, depending on how you do the pre, and  
11 particularly the post audit, that should be enough to do  
12 a reasonable job of verifying the savings on the post.

13                   Now there's lots of computer tools  
14 available to -- to do the -- the audits be -- and also,  
15 to do the pre -- sorry, the post audit evaluations. So  
16 my view would be, it's a good investment, it's the only  
17 way you can be sure that you're actually achieving your  
18 goals and therefore, the -- the -- it's become a best  
19 practice.

20                   Enbridge has it, Union Gas has it and the  
21 Federal Government requires it and the new PGE Programs  
22 under gas metro will also require it.

23                   So basically, I think it's best practice  
24 to do pre and post audits.

25                   MR. KRIS SAXBERG: Does that conclude

1 your evidence?

2 DR. ROGER HIGGIN: Yes, that does. Thank  
3 you very much.

4 MR. KRIS SAXBERG: Thank you, Dr. Higgin.  
5 The Witness is available for a cross-examination and  
6 lunch.

7 THE CHAIRPERSON: I take that as a  
8 suggestion. Thank you, Mr. Saxberg, Dr. Higgin.

9 Okay. We'll take the lunch now. Come  
10 back at 1:15 and begin with the cross-examination of Dr.  
11 Higgin. Thanks again.

12

13 --- Upon recessing at 11:56 a.m.

14 --- Upon resuming at 1:21 p.m.

15

16 THE CHAIRPERSON: Okay, folks. I  
17 believe, Mr. Gange, it's over to you.

18

19 CROSS-EXAMINATION BY MR. WILLIAM GANGE:

20 MR. WILLIAM GANGE: Thank you, Mr. Chair.  
21 Dr. Higgin, I have a few questions, not very many. On  
22 page 4 of your written evidence, you make the comment  
23 that the goal of targeted DSM programs is to achieve a  
24 fair matching of costs and benefits among customers. And  
25 by that I mean insuring that all customers have equal

1 potential to access the programs and receive the overall  
2 commodity cost reduction of participation in DSM.

3 Now the question: Since equal potential  
4 and equal opportunity, those two (2) concepts are  
5 difficult to measure, how would one know whether that  
6 goal was being met?

7 DR. ROGER HIGGIN: Well, anybody running  
8 DSM programs should track and monitor participation  
9 rights. What they don't normally do, though, is  
10 distinguish whether or not who those customers are, with  
11 respect to participation.

12 In other words, they wouldn't  
13 differentiate between a senior's or somebody who's not a  
14 senior, or low income, who's not. So that's the --  
15 that's the challenge.

16 And so what they have to do for -- if --  
17 is to ram -- ramp it up, basically, and to understand  
18 their customer base and to -- to monitor participant --  
19 participation rates based on demographic factors, so that  
20 they would, therefore, be able to, in future, once they  
21 can do that, then they'd know how many low income people  
22 were participating in either a standard DSM Program, or  
23 in the Low Income Program, they would know.

24 MR. WILLIAM GANGE: And -- and the goal,  
25 the target, would then be that -- that the low income

1 customers had at least the same participation rate as --  
2 as others in the -- in the programs, is that correct,  
3 sir?

4 DR. ROGER HIGGIN: Well, I think there's  
5 two (2) -- two (2) metrics there we -- we're talking  
6 about. One (1) is the participation and then the other  
7 is the benefit.

8 So that -- the -- you have to look at, if  
9 you would really want to try and match costs and  
10 benefits, then you have to monitor both and ensure, if  
11 you like, the amount of money, that's the costs that is  
12 flowing to low income customers, is commensurate with --  
13 with what's flowing to non low income customers, and  
14 also, that the benefits are flowing commensurate with the  
15 costs.

16 So you have to look at both. You're  
17 trying to match the costs and the benefits. I think I  
18 outlined that in one (1) of my -- my IR responses. I  
19 don't know whether that's helpful. If you'd like me, I  
20 could -- could go on a bit more, but in the short, that's  
21 basically what I'm trying to advocate.

22 MR. WILLIAM GANGE: And -- and one (1) of  
23 the -- the points that you made in your direct testimony  
24 today, was that it appears that there is a major mismatch  
25 between the costs and the benefits; that -- that the low

1 income group is contributing through -- through the rate  
2 structure to DSM, but they are not participating.

3           And the comment that you made is that  
4 there is a cross subsidy. And I take it that what you're  
5 meaning by that is that -- that the low income people, by  
6 paying for the DSM Program but not participating at -- at  
7 a -- at a proportional rate, that they are, in effect,  
8 cross-subsidizing and paying for the DSM programs that  
9 are being undertaken by -- by the rest of -- of the  
10 income groups.

11           DR. ROGER HIGGIN: You said it very well.  
12 That is -- that -- that is exactly what I'm trying to  
13 say.

14           Now one (1) of the ways in which you  
15 correct that is to target the group, identify them, and  
16 then you create a program that will increase that  
17 participation rate and ensure that they receive  
18 commensurate amount of benefits from participating in  
19 DSM. That's what I'm trying to suggest as being -- being  
20 the solution. And that's what a low income program, for  
21 example, is designed to do -- to do.

22           And the Low Income Program has certain  
23 attributes if you're going -- if you're going to be  
24 successful in doing that, and I think I outlined in my  
25 evidence, some of those attributes that I would hope that

1 the Hard to Reach Program, which is the topic here, would  
2 be -- would have those attributes, when and if -- when  
3 it's rolled out.

4 But we -- right now we're in a guessing  
5 game as to whether it has those attributes.

6 MR. WILLIAM GANGE: And -- and I take it,  
7 sir, from what you've said, that -- that it may be that --  
8 - that -- that in the rolling out, in order to make the  
9 Hard to Reach Program successful, it may cost extra  
10 money, but that that -- that that extra money is  
11 necessary in order to -- to be inclusive of the Hard to  
12 Reach group, and that would be something that you'd be in  
13 favour of?

14 DR. ROGER HIGGIN: Yes, I would be favour  
15 of that. But again, my basic premise is a matching of  
16 costs and benefits from rates.

17 However, apparently very fortunate in this  
18 circumstance that there is another significant source of  
19 funds available to top it up so that you can also  
20 increase the -- the amount of benefits, that you can  
21 extend the reach, do more homes a year, more units a year  
22 and that's what the Affordable Energy Program will allow  
23 Centra/Manitoba Hydro to do.

24 And also, of course, if we can leverage  
25 off the Federal program which has 300 million total,

1 that's another thing.

2                   So that we can then both increase the  
3 amount of retrofit in terms of scope, we can do  
4 weatherization, we can do furnace upgrades, we can do  
5 plants change outs, because have got more money available  
6 to be able to do that. And I think this is a very  
7 fortunate opportunity here to make a big impression on  
8 the sector.

9                   MR. WILLIAM GANGE:   Following up the --  
10 the comments about the weatherization and the retrofit,  
11 in your testimony you mentioned a -- a pre-audit and  
12 post-audit.

13                  DR. ROGER HIGGIN:   Mm-hm.

14                  MR. WILLIAM GANGE:   I wasn't certain,  
15 sir, in that -- in that suggestion whether you were  
16 suggesting that that ought to be done with respect to  
17 every application or whether it ought to be a  
18 representative sample?

19                  DR. ROGER HIGGIN:   Okay. So start with  
20 the pre -- pre-audit. Again, in -- there are protocols  
21 that are established for doing this, there are computer  
22 programs that assist you do that, so the main purpose of  
23 the pre-audit is to identify where the energy's being  
24 used, both in the place the gas or if you're looking at a  
25 combined program, includes the electric. I mean, it

1 doesn't make any sense to go into a house and just look  
2 at, say, the heating system, you've got to look at system  
3 the as -- the house as a system.

4           So the -- the costs of doing that range  
5 anywhere in the range of about one hundred and fifty  
6 (\$150) and two hundred dollars (\$200) to -- to go in -- a  
7 qualified person go in and identify that. If you don't  
8 do that, you might miss the main opportunities; if you  
9 don't do that. So that's the -- that's the -- so you  
10 make sure the investments are prioritized.

11           So then on the post-audit, I think there  
12 are two (2) features here, as default you do every one  
13 (1), but that's probably not a practical thing because  
14 you get involved with a suite of measures which are  
15 usually fairly standard, fairly standard measures and you  
16 then have contractors. Now, there's huge differences  
17 between contractors in terms of how well they do the  
18 work.

19           So you could go to a sampling type of  
20 audit where you would do, say, one (1) in five (5) or if  
21 you have a number of contractors, at least one (1) in  
22 five (5) for every contractor, so that you're keeping on  
23 top of that. And the idea is to make sure that the  
24 measures have been installed properly.

25           Ultimately, of course, if you want to get

1 sophisticated, you can look at the -- the impact on the  
2 bills and that's another step. But I'm not immediately  
3 advocating that that should be the post-audit. So you  
4 can go on a sample basis.

5 MR. WILLIAM GANGE: Thank you. I'm going  
6 to move to page 6 of -- of your evidence. And on page 6  
7 you make the comment that, I think it might be in the  
8 heading, that claims with respect to collat -- collateral  
9 benefits to Centra and its customers from low income  
10 programs, such as reductions in shut offs in collection  
11 expenses are large anecdotal rather than based on  
12 rigorous analysis.

13 Is there -- in -- in your reading are  
14 there any studies that -- that would disprove that --  
15 that statement?

16 DR. ROGER HIGGIN: Okay. Well, first  
17 answer is that I relied on Canadian sources that I had  
18 read. One of those sources was Mr. Weiss's testimony and  
19 -- in the GRA in 2005 and I basically noted when -- in my  
20 footnote number 7, that there is at certainty potential  
21 savings to be had, such as the reduction in shut offs and  
22 so on. But I'm saying that I didn't see evidence, solid  
23 evidence, filed in this case that those -- those benefits  
24 were real and applicable to Centra in this case. So  
25 that's -- that's all.

1                   On the other hand, I would agree with you  
2 that -- that it's intuitive that there should be some of  
3 these collateral value -- benefits and amongst other  
4 things, as well, could be a very important one, as I note  
5 here, is comfort; is -- is a collateral benefit for  
6 people that are recipients of these programs.

7                   So in terms of your direct question, I  
8 have not read anything that says that they don't exist,  
9 these collateral benefits, but I have not seen an  
10 analysis based on Canadian data for a Canadian utility  
11 that says, Here it is, we've done the analysis, here it  
12 is and it's real and we can rely on it.

13                   MR. WILLIAM GANGE:    If such collateral  
14 benefits were reasonably quantified do you believe that  
15 those savings -- where -- where should those savings be  
16 counted?

17                   Should they be counted in budgeting for  
18 those programs and -- and where should they be counted in  
19 evaluating their cost effectiveness?

20                   DR. ROGER HIGGIN:    Well, I thought about  
21 that a little bit and I don't have a good answer,  
22 because when I look at the standard tests -- for example,  
23 those in the California Manual -- I can't actually say  
24 which term would I slot this collateral benefit in into -  
25 - in the tests. For example, you could say okay, well,

1 you could go right back to avoided cost, and say there's  
2 an overall avoided cost here and therefore that will have  
3 a system-wide benefit ad that flows through into -- as a  
4 benefit in terms of all DSM.

5           You know, there are a number of ways to do  
6 it. But in terms of actually methodologically being able  
7 to say oh, well, you modify this term in order to be able  
8 to say collateral values -- benefits should be added into  
9 that term, no. I mean, unlike, for example,  
10 externalities there's provisions in some of those terms  
11 to add a cost of carbon or whatever.

12           So I -- I -- so I'm hedging my bets a bit  
13 because I just don't know how you would treat it, but  
14 it's a very interesting study to extend that and say if  
15 the collateral values can be -- benefits can be  
16 identified, how do we then take that into account in the  
17 development and design of the programs. Or, as you  
18 suggested, should we just flow that directly as an added  
19 benefit that should be -- increase the budget for the low  
20 income people, you know? That's -- that's certainly one  
21 (1) option.

22           MR. WILLIAM GANGE: Thank you, sir. On -  
23 - on page 9 of your evidence you state that there's no  
24 single answer as to how much utilities should invest in  
25 DSM. And you note that the general rule appears to be

1 from 1 to 2 percent of total revenues, according to the  
2 Best Practices Report commissioned by the Canadian  
3 Association of Members of Public Utility Tribunals.

4 And then -- and then you make a comment  
5 that -- that this tribunal's rationale for this figure  
6 seems to be no good reason was found for this except for  
7 the history of industry practice.

8 DR. ROGER HIGGIN: Mm-hm.

9 MR. WILLIAM GANGE: So -- so you seem to  
10 be raising this issue of -- of it's difficult to come  
11 forward and -- and make a suggestion as to what the  
12 proper amount ought to be but is there -- is there any  
13 basis to justify CAMPUT's level other -- other than the -  
14 - the past history context that they put it in?

15 DR. ROGER HIGGIN: I -- I honestly don't  
16 know of any other basis to say what the numbers should  
17 be. A very quick back-of-the-envelope review of total --  
18 total revenues seem to say that Centra was -- was well up  
19 there in terms of percentage, relative to for example the  
20 Enbridge Gas Distribution and Union even though they've  
21 just ramped up their DSM spend -- overall DSM spending;  
22 that's based on -- on revenues or customers.

23 So those are the two (2) main metrics for  
24 benchmarking this. But what it should be I -- I think  
25 that's a very big question. I think the -- the whole lot

1 of things go into how much you should spend on -- on DSM  
2 that are specific to the Utility, its customers, its  
3 environment, the economy and so on. And so I don't have  
4 an answer as to whether or not CAMPUT is right or wrong  
5 and whether that range is appropriate or not. I can only  
6 say that certainly Centra is not on the low side; if  
7 anything, on the high side, overall.

8 MR. WILLIAM GANGE: Would -- would one  
9 (1) of the ways of looking at that be to look at the  
10 potential cost effectiveness, the lost opportunities and  
11 the capability of the infrastructure?

12 DR. ROGER HIGGIN: Yes, certainly, that's  
13 -- when -- when most utilities go into developing DSM  
14 programs -- and this is the case particularly when we  
15 did the look at Centra or we now say Manitoba Hydro, in  
16 2003 rolled out their long-term Power Smart Program and  
17 basically they did the normal things. They looked at the  
18 -- the avoided cost. They looked at the cost of  
19 conserved energy. They did the potentials by sector.  
20 They did all of the right -- right things in terms of  
21 that to come up with the Power Smart Program.

22 And I think our analysis at that time said  
23 that they'd done a good job in terms of identifying the -  
24 - both the economic potential and achievable potentials.  
25 So I hadn't any criticism at that point overall.

1 Although, it was a big debate and your clients were on  
2 the other side of saying that -- that it was too -- too  
3 little and there should be much higher targets, as we  
4 would know.

5                   So I think our clients sort of, more or  
6 less, went along with about a two (2) times the  
7 achievable potential, was what -- was what we were  
8 recommended at that time, for the Manitoba Hydro Power  
9 Smart. And I think your clients were probably somewhere  
10 around five (5) times achievable potential.

11                   So there's got to be a kind of stretch  
12 factor here. So, leaving that aside, I think Manitoba  
13 Hydro at least did the right things. And we could debate  
14 whether or not they've -- they've got it at the right  
15 level or it should be twice as much or -- or three times;  
16 I don't know.

17                   So, that's all I can say. There's your  
18 methodologies. It's been undertaken -- the review of the  
19 overall Power Smart Program, and then by the Centra one  
20 in 2005. The gas addition in 2005 was reviewed by this  
21 Board and I believe that the Board found that the -- the  
22 overall longer-term program was appropriate.

23

24

(BRIEF PAUSE)

25

1                   MR. WILLIAM GANGE:    You've attached the  
2 report from the Toronto Environmental Alliance to the  
3 Ontario Power Authority and -- and there's a -- a  
4 recommendation of setting program goals based on a target  
5 of eliminating energy poverty in ten (10) years and  
6 resourcing the program appropriately.

7                   What do you understand -- that concept of  
8 eliminating energy poverty?  What does that energy  
9 poverty mean?

10                  DR. ROGER HIGGIN:    Well, as I mentioned  
11 on -- in my -- my evidence, most of the literature seems  
12 to indicate that for a typical family that spends more  
13 than 10 percent of their disposable income on  
14 energy/utilities -- meaning -- might include water, it  
15 will include gas and electric -- they are then at then  
16 point where they're perceived to be energy poor if  
17 there's.  If -- so that's a traditional level of 10  
18 percent of disposable income.

19                  So that's what I would understand by the  
20 term of energy poor.

21                  MR. WILLIAM GANGE:    Would you agree that  
22 setting a target based on need is the appropriate way of  
23 -- of defining this target?

24                  DR. ROGER HIGGIN:    I think there's two  
25 (2) different questions here.  One (1) is, what is an

1 appropriate level of funds that should be paid out of  
2 rates in order to correct this mismatch between costs and  
3 benefits?

4                   And then the other is, what should be an  
5 appropriate -- we'll call it public policy, in terms of  
6 dealing with the energy poor; the -- the energy poor  
7 component of low income people.

8                   The second one, I would say, is the one  
9 that I would hope that the Affordable Energy Program is  
10 going after. The -- the setting a target, though -- I  
11 mean we have fifty-one thousand (51,000) people that fall  
12 between and 19 million, by my calculations, into fifteen  
13 (15) -- 51 million, is not a lot of money for each one of  
14 those. So the needs are bigger -- bigger than the  
15 available funds.

16                   But I don't disagree with you that if your  
17 goal is to try and reduce energy poor, then you should  
18 have a much more aggressive higher target than just  
19 trying to just simply achieve a matching of costs and  
20 benefits for the customers of the Utility.

21                   MR. WILLIAM GANGE: The -- the goal or  
22 the -- the -- the goal set out in -- in the -- the  
23 Toronto Report is to eliminate in ten (10) years; would -  
24 - would you agree with that -- with that timeframe?

25                   DR. ROGER HIGGIN: I'd say it was very,

1 very aggressive. It depends on the -- course percentage  
2 of low income. In Ontario the -- the Tier Report  
3 (phonetic) talks about 18 percent; that's looking at --  
4 at it from an electricity perspective. The gas is  
5 slightly lower.

6                   So they're saying 18 percent of households  
7 are before -- below the low income cutoff line and so if  
8 you translate that 18 percent to the number of  
9 electricity customers in Ontario, you know, again, it --  
10 it -- the task is just enormous, you know, in terms of  
11 trying to deal with that.

12                   So I think that having a target for the  
13 Government sponsored programs, such as -- as we have in  
14 Ontario, the Ontario Power Authority, and such as the  
15 Affordable Energy Fund, should be based on making a dent,  
16 I'll call it, in -- in trying to do something about the  
17 energy poor.

18                   And you're dealing, though, with one (1)  
19 element of their disposable income, which is causing a  
20 lot of pressure. The other one (1) is rent; that --  
21 that's huge, you know, in terms of shelter itself, the  
22 cost of shelter.

23                   So you -- you can't -- you have to take a  
24 holistic view about how to deal with poverty. This is  
25 one (1) way to go at it -- through targeted programs,

1 through affordable energy funds -- but you still have the  
2 rest of the problem to deal with.

3 MR. WILLIAM GANGE: And then putting that  
4 evidence into the context of Manitoba and Centra's  
5 application, on page 11 you -- you make the statement  
6 that Centra's proposed budget for Hard to Reach customers  
7 would retrofit two hundred and fifty (250) homes in -- in  
8 '07/'08 and two hundred and seventy (270) the following  
9 year.

10 DR. ROGER HIGGIN: Mm-hm.

11 MR. WILLIAM GANGE: And we know from  
12 Centra's response to one (1) of our information requests  
13 that there are approximately fifty-one thousand (51,000)  
14 low income homes using low -- using gas space heat and --  
15 and by our calculations, that's a retrofit rate of -- a  
16 time span of about two hundred (200) years.

17 DR. ROGER HIGGIN: Mm-hm.

18 MR. WILLIAM GANGE: What would your  
19 recommendation be with respect to how many units per year  
20 ought to be -- ought to be under consideration?

21 DR. ROGER HIGGIN: Okay. So this was --  
22 this evidence was provided based on the budget and the  
23 proposals for rate funded low income programs, okay? So  
24 that's what I -- just identified about two hundred and  
25 fifty (250), two hundred and seventy (270) homes.

1                   There is a practical level; it depends on  
2 how much capacity you can build. I think I mentioned  
3 that this morning. I think that initially five hundred  
4 (500) homes a year would be a challenge, but I think you  
5 could probably try to build capacity up to a thousand  
6 (1,000) homes/social housing units a year in that -- that  
7 order.

8                   So I think that if we have ten (10) years  
9 to go under the Power Smart Program, then you can  
10 multiply the math, it's a thousand (1,000) times ten  
11 (10). That's still a -- you know, it's a significant  
12 dent. And assuming that not all of those homes are very  
13 bad, old homes; I mean, vintage of the home should be one  
14 (1) of your criteria when we design -- design the  
15 programs as well, as well as the vintage of the people  
16 that live in them as well, okay?

17                   MR. WILLIAM GANGE: Thank you, Mr. Chair,  
18 those are my questions. Thank you very much, Dr. Higgin.

19                   DR. ROGER HIGGIN: Thank you.

20                   THE CHAIRPERSON: Thank you, Mr. Gange.

21                   Ms. Murphy...?

22

23 CROSS-EXAMINATION BY MS. MARLA MURPHY:

24                   MS. MARLA MURPHY: Thank you, Mr. Chair.

25 Good afternoon, Mr. Higgin. I just have a few questions

1 for you. The first one respect -- is in respect of your  
2 suggestion that energy audits are a critical part of the  
3 Hard to Reach Program.

4 And I wondered if you agreed with the  
5 evidence of Mr. Kuczek, which he gave on Friday, that  
6 when you deal with low income homes there's sort of a  
7 standard group of efficiency improvements that are  
8 needed; things like attic insulation, weatherization and  
9 basement insulation?

10 DR. ROGER HIGGIN: Yes, that's commonly  
11 the case, yes.

12 MS. MARLA MURPHY: So would that suggest  
13 to you that perhaps an energy audit isn't necessary in  
14 every circumstance?

15 DR. ROGER HIGGIN: I don't say it's not  
16 necessary. I think it's a case of what level of audit  
17 you wish to do. Because if those things, for exam --  
18 those particular measures are in reasonable shape -- for  
19 example, the attic insulation has been upgraded -- then  
20 you look at other opportunities. And there -- there --  
21 especially in a combined gas/electric, one of those big  
22 opportunities is to change out the appliances.

23 So your audit should be more complete  
24 especially with your situation where you have a combined  
25 opportunity. So therefore, I would suggest that -- that

1 there are two (2) things about audits; you're  
2 prioritizing the measures that are most cost effective  
3 and secondly you have a -- you have an obligation when  
4 you run a program to ensure that it meets the screening  
5 tests for the measures that you're funding.

6 So there's another reason why you need an  
7 audit because although those -- weatherization is a very  
8 broad topic, but it depends on the vintage of the house,  
9 the structure of the house, is it brick, is it siding;  
10 you -- you know, all of those factors make huge  
11 differences between two (2) houses, even those built in  
12 similar times.

13 So I agree with you in -- in -- partially  
14 agree that you should design a fairly standard type of  
15 audit that will apply largely to the majority of homes  
16 and it's more or less a check list. It's a -- it's a  
17 walkthrough and it's a check list. And then based on  
18 that you can prioritize, all right? So I'm agreeing  
19 partly.

20 MS. MARLA MURPHY: On page 7 of your  
21 evidence, you cite what you consider your main issue to  
22 be, the fairness and the equity in matching costs and  
23 benefits in utility-sponsored DSM?

24 DR. ROGER HIGGIN: Yes.

25 MS. MARLA MURPHY: And I -- as I

1 understood your pre-filed evidence, you were suggesting  
2 that low income budget should be set as a percentage of  
3 the total residential DSM budget, based on the number of  
4 -- or the percentage of low income customers in the  
5 population?

6 DR. ROGER HIGGIN: That's correct. The  
7 way you allocate costs for DSM is on a class basis and  
8 that's why we try to look at the budget as being for the  
9 residential class, because most utilities allocate the  
10 costs on a class basis.

11 So then you need to know the demographics  
12 of your customer base, as to how many of them are low  
13 income, as to -- as you may define it; how many may be  
14 seniors, there's -- there's an oval out there, et cetera;  
15 and then based on that you allocate to ensure that -- out  
16 of that total residential budget, which I recollect  
17 something like 7 million for your programs, a portion  
18 that's appropriate is allocated and dedicated to that  
19 target group.

20 MS. MARLA MURPHY: And I thought I  
21 understood you to say earlier today, in your oral  
22 testimony, something a little bit different; that is  
23 that, that percentage should form the floor or the base  
24 in every year and that perhaps some years you would  
25 exceed that?

1 DR. ROGER HIGGIN: Correct. What I'm  
2 saying is that you design the program to provide that  
3 floor long-term for the horizon of the program, and then  
4 you use opportunities to leverage those ratepayers funds  
5 any which way you can.

6 And you've got a great opportunity now  
7 with the Affordable Energy Program to leverage those  
8 funds to do more; to -- to extend the scope of the  
9 program in terms of what's covered under the program, the  
10 level of incentives and the number of housing units you  
11 can retrofit every year.

12 So that's what I would suggest is that --  
13 and that's why I call it a "floor." It's not a ceiling,  
14 a floor, okay?

15 MS. MARLA MURPHY: In terms of leveraging  
16 funds we actually have another opportunity right now,  
17 which is the Federal --

18 DR. ROGER HIGGIN: Mm-hm.

19 MS. MARLA MURPHY: -- ecoENERGY  
20 Efficiency Program as well.

21 DR. ROGER HIGGIN: Yes.

22 MS. MARLA MURPHY: So do you agree with  
23 Centra's view that it should have some flexibility in its  
24 budget in terms of allocating more funds at a time when  
25 there's the opportunity to leverage additional outside

1 sources of money?

2 DR. ROGER HIGGIN: Yes, I -- I -- more  
3 funds is great but I'm just saying that when those funds  
4 aren't there then that floor is still there and it stays  
5 there for the rest of the duration of your horizon, which  
6 is 2017. That's all I'm saying.

7 So yes, the other problem I think with the  
8 Federal program that we didn't talk much about but I did  
9 in my testimony, you need to coordinate activities.  
10 You're in a very fortunate situation to coordinate your  
11 activities between Manitoba Hydro and -- and Centra  
12 obviously; that -- that -- not many utilities are in that  
13 position.

14 But it's a big challenge to coordinate  
15 with the Federal Government program because you don't  
16 want -- these customers are probably pretty -- how can we  
17 say -- they're not -- not aware, less aware, than many,  
18 in terms of DSM opportunities. They probably don't react  
19 very well to people knocking on their doors and offering  
20 stuff. So you have another role there in terms of  
21 coordinating your activities, both the -- the rate-funded  
22 and the -- and the Affordable Energy Fund with the  
23 Federal Government.

24 I would like to see there's actual  
25 Federal/ provincial agreements as we used to have in the

1 '80s, but if those things are out for political reasons,  
2 which I suspect, there could be Enercan Utility  
3 agreements. There can be -- where you would take a lead,  
4 you would do the audits, and you would verify the  
5 eligibility and all of the things for the Federal  
6 Government. And so you make it seamless for the  
7 customer; that's what I think is -- is the critical  
8 thing.

9 MS. MARLA MURPHY: What I wanted to  
10 explore with you is sort of the flipside of that  
11 equation, where you have the discretion or the  
12 flexibility in a -- in a particular year to increase the  
13 amount that's dedicated to low income. If you have a  
14 floor that stays at a set level in the following years,  
15 you will in effect be cross-subsidizing those customers,  
16 won't you?

17 DR. ROGER HIGGIN: Just run that past me  
18 again? If -- if you exceed the floor out of rates or  
19 from other sources because that's --

20 MS. MARLA MURPHY: Out of rates. I'm  
21 just focussing on rates.

22 DR. ROGER HIGGIN: Just -- just --

23 MS. MARLA MURPHY: If we exceed the  
24 floor --

25 DR. ROGER HIGGIN: -- because that's --

1 that's what the floor is about.

2 MS. MARLA MURPHY: Mm-hm.

3 DR. ROGER HIGGIN: It's about funded out  
4 of rates, okay, yes.

5 MS. MARLA MURPHY: If --

6 DR. ROGER HIGGIN: If you exceed it --

7 MS. MARLA MURPHY: If we exceed that  
8 floor, for example, in the next four (4) years given that  
9 we have the ability to capitalize on the Federal money  
10 that's available through the Eco-efficiency Program and  
11 in the following four (4) years we don't reduce the floor  
12 then in effect haven't all other customers subsidized low  
13 income customers?

14 DR. ROGER HIGGIN: That depends on  
15 whether or not you're leveraging the -- the standard  
16 programs and how -- to what degree as well. You're  
17 focussing only on that little segment of the low income  
18 or Hard to Reach Program. I would hope that you're  
19 actually leveraging the Federal funds into all of your  
20 programs, therefore the standard ones as well.

21 MS. MARLA MURPHY: But leaving aside the  
22 additional money that's leveraged in, if you just look at  
23 the amount that's dedicated in rates, if the percentage  
24 is a given floor in every year, and you accept that that  
25 floor is the amount which -- which ensures that there's

1 no cross-subsidy between customers within the class, if  
2 in some years we exceed that amount with money out of  
3 rates, but in other years correspondingly decrease that  
4 amount in effect we've cross-subsidized those customers,  
5 haven't we?

6 DR. ROGER HIGGIN: Yes, you have. But on  
7 the other hand since 2002 those customers have cross-  
8 subsidized all of the other ratepayers for their  
9 programs. Until the Low Income Program is in place  
10 that's exactly what they've done for the last four (4)  
11 years. So basically that's my problem.

12 So I think you -- you have a bit of a -- a  
13 catchup to do because of the last four (4) years.

14 MS. MARLA MURPHY: If I could jut take  
15 you to Appendix B of your evidence?

16 DR. ROGER HIGGIN: Right.

17 MS. MARLA MURPHY: You've summarized  
18 there the total gas DSM budget for 2007/'08 and 2008/'09.

19 Do you have that?

20 DR. ROGER HIGGIN: Appendix B?

21 MS. MARLA MURPHY: Yes.

22 DR. ROGER HIGGIN: Yes.

23 MS. MARLA MURPHY: It's page 16 of your  
24 evidence.

25 DR. ROGER HIGGIN: Mm-hm.

1 MS. MARLA MURPHY: For the 2007/'08 year  
2 the budget is 4.5 million and for the 2008/'09 year it's  
3 approximately 6.5 million which brings the total gas DSM  
4 budget to \$11 million for the two (2) test years,  
5 correct?

6 DR. ROGER HIGGIN: Correct.

7 MS. MARLA MURPHY: And, of that, you  
8 understand that Centra has allocated approximately \$1.6  
9 million to the Hard to Reach Program over those two  
10 years?

11 DR. ROGER HIGGIN: Yes.

12 MS. MARLA MURPHY: Did you calculate what  
13 that percentage was?

14 DR. ROGER HIGGIN: I think I did and I  
15 think I mentioned that there were two (2) factors. It  
16 was well above what I thought might be the number,  
17 meaning you have -- you have now confirmed, I believed --  
18 you had originally sixty-five thousand (65,000) was in --  
19 was in one (1) of your IR responses.

20 Am I correct?

21 MS. MARLA MURPHY: You're talking about  
22 the number of customers?

23 DR. ROGER HIGGIN: Yes.

24 MS. MARLA MURPHY: Well --

25 DR. ROGER HIGGIN: The low income.

1 MS. MARLA MURPHY: -- I think you --

2 DR. ROGER HIGGIN: Now, you've said it's  
3 fifty-one thousand (51,000).

4 So, with that new one I haven't, but I  
5 said in my evidence that it seems that the -- that it's  
6 not increased -- it was high at the front end. I -- 2007  
7 was -- was above what I would estimate which might be 18  
8 to 20 percent of the total customers, low income.

9 I don't know that number, you see. And  
10 you have a definition for low income which may be  
11 different to mine. Is it 100 percent of the Stats Canada  
12 low income cutoff for families? Or is it whatever this  
13 HILs is? Or is it one twenty-five (125)? I don't know,  
14 you see.

15 So, in principle, I could say 2007 looks  
16 as if it could be above the -- above the target, but then  
17 the problem is that when you go to 2008/2009, it drops to  
18 12 percent; that was my calculation.

19 MS. MARLA MURPHY: And over the two (2)  
20 test years it's approximately 14 1/2 percent?

21 DR. ROGER HIGGIN: Yes. Mm-hm.

22 MS. MARLA MURPHY: Which would be  
23 consistent with the numbers you suggested coming out of  
24 Ontario and Quebec?

25 DR. ROGER HIGGIN: Consistent but -- no,

1 it's based on need; number of customers. So you  
2 shouldn't use 14 percent from Quebec; that is based on  
3 their estimate of doing the demographic study, coming up  
4 with a number of low income customers, multiplying that  
5 to 125 percent of low income cutoff, okay?

6 MS. MARLA MURPHY: Thank you.

7 DR. ROGER HIGGIN: So that's the  
8 methodology. If that comes to 14 percent, then we're --  
9 then we're -- we're talking the same.

10 MS. MARLA MURPHY: Good.

11 DR. ROGER HIGGIN: Okay?

12 MS. MARLA MURPHY: You recommended  
13 earlier to day that Centra undertake a low income pilot  
14 project; did I have that right?

15 DR. ROGER HIGGIN: What I said was that I  
16 think that given the lack of information that's before  
17 everybody now about this new low income program, the Hard  
18 to Reach Program, and its -- and its criticality, as I  
19 see it, for the low income seniors and so on, I think  
20 that while you're getting the rest of the design for that  
21 program together, doing the demographic studies and so  
22 on, you should carry on with, in essence, a pilot  
23 program; continue the Centennial Project.

24 Either broaden it, carry it on, continue  
25 it and learn from that, and continue that going until you

1 get the other program ready. And then I would hope it  
2 would come back to this Board for a -- for a quality  
3 check when -- when -- when it's ready.

4 MS. MARLA MURPHY: Thank you. One (1)  
5 final question I have is with respect to your familiarity  
6 with the Ontario Energy Board. And I'm wondering if  
7 you're aware of what the Ontario Energy Board has ruled  
8 with respect to the DSM allocations in recent years?

9 DR. ROGER HIGGIN: Right. I think my  
10 testimony says, and I think if I can -- there is an  
11 extract which I can probably point you to from one (1) of  
12 those decisions. I think you --

13 MS. MARLA MURPHY: I may have misled  
14 you. I was asking about the allocation of DSM costs.

15 DR. ROGER HIGGIN: Oh, the costs. Okay,  
16 sorry. Cost allocation. Costs are allocated on a cost  
17 causality basis to the classes that cause them and  
18 benefit; that's what it is. It's not volumetric. It's  
19 based on the costs allocated to the class.

20 So, basically, if you want to -- it's per  
21 customer in essence.

22 MS. MARLA MURPHY: Thank you Mr. Higgin -  
23 - Dr. Higgin.

24 DR. ROGER HIGGIN: Thank you.

25 MS. MARLA MURPHY: Those are my

1 questions.

2 DR. ROGER HIGGIN: Thank you.

3 THE CHAIRPERSON: Thank you, Ms. Murphy.

4 Mr. Peters...?

5

6 CROSS-EXAMINATION BY MR. BOB PETERS:

7 MR. BOB PETERS: Thank you, Mr. Chairman.

8 Good afternoon, Dr. Higgin.

9 DR. ROGER HIGGIN: Good afternoon.

10 MR. BOB PETERS: Dr. Higgin, if your  
11 counsel, Mr. Saxberg, has available a book of documents  
12 that I provided to him earlier on in this proceeding, I'd  
13 ask if he could turn it to Document number 38, Tab 38.  
14 It's a copy of an Information Request PUB/CENTRA-123,  
15 Attachment 1, page 41 of 44 is where I'd like you to  
16 turn. And that's, coincidentally, the last page, I  
17 think, in the book of documents.

18 DR. ROGER HIGGIN: Yes, I see it.

19 MR. BOB PETERS: In that document, Dr.  
20 Higgin, there is a calculation done by Manitoba Hydro and  
21 Centra that indicates that the low income totals in  
22 Manitoba have essentially self declared an annual low  
23 income of less than thirty thousand (30,000) and that's  
24 where the number of fifty-one thousand (51,000) came  
25 from.

1 DR. ROGER HIGGIN: Okay. Thank you for  
2 that clarification.

3 MR. BOB PETERS: All right. Your  
4 microphone is on and maybe -- just a little closer just  
5 to make sure that it's being picked up, sir.

6 DR. ROGER HIGGIN: Thank you. Okay.

7 MR. BOB PETERS: Now, when I -- when we  
8 look at this number, fifty-one thousand (51,000), and you  
9 had some discussion with my colleague, Ms. Murphy, about  
10 Appendix B, you weren't sure whether or not this was the  
11 appropriate demographic from which to start.

12 DR. ROGER HIGGIN: Correct.

13 MR. BOB PETERS: And having seen -- and  
14 I'm not sure you can digest while the microphone is on,  
15 the source of the information, are you suggesting to this  
16 Board that Centra's numbers need some refinement?

17 DR. ROGER HIGGIN: Well, I haven't seen  
18 the base study so my only comment would be this:

19 That it's been found important to go  
20 beyond 100 percent of the Stats Can low income cutoff  
21 level, and you should go to 125 percent of that as a  
22 qualifying level. And I don't know whether that  
23 corresponds or not to thirty thousand dollars (\$30,000)  
24 for a household income.

25 MR. BOB PETERS: Under the Centra

1 methodology I suppose there would be variables, including  
2 the number of people living in that household, which  
3 isn't factored into these materials on its face?

4 DR. ROGER HIGGIN: Mm-hm, that's right.

5 MR. BOB PETERS: And you're familiar with  
6 the low income cutoffs used in Ontario where they rely on  
7 Statistics Canada data?

8 DR. ROGER HIGGIN: Correct.

9 MR. BOB PETERS: And in the Statistics  
10 Canada data, they analyse the homes based on the number  
11 of occupants -- presumably, the number of adults, number  
12 of children, and then the income level of the entire  
13 household?

14 DR. ROGER HIGGIN: Correct.

15 MR. BOB PETERS: If the --

16 DR. ROGER HIGGIN: And that's -- just --  
17 that's the number that is identified in the Toronto  
18 Environmental Alliance or T-Report, as being eighteen  
19 thousand (18,000) in that report prepared for the OPA,  
20 Ontario Power Authority.

21 MR. BOB PETERS: I'm sorry. The eighteen  
22 thousand (18,000) referred to...?

23 DR. ROGER HIGGIN: That is in the T-  
24 Report.

25

1 (BRIEF PAUSE)

2

3 DR. ROGER HIGGIN: Sorry. The 18  
4 percent. Did I -- I misspoke myself. I meant 18 percent  
5 of -- of qualifying, and that is based on that criterion  
6 that you've just outlined. So that's the 18 percent.

7 MR. BOB PETERS: Thank you for that  
8 clarification, Dr. Higgin.

9 How long does it take to refine the  
10 numbers that Centra has presently presented, to your  
11 knowledge?

12 DR. ROGER HIGGIN: Well, as I said I  
13 haven't seen the base study so it may be very simple. It  
14 may be simply taking this number, if it's based on 100  
15 percent equivalent to the Ontario LICO and taking it to  
16 125 percent and coming up with that number. It could be  
17 as simple as that. So having not seen the base study --  
18 if it has been filed in evidence, I haven't seen it. Has  
19 it been? Can I ask that?

20 MR. BOB PETERS: I'm sure Mr. Saxberg can  
21 dig it out for you and that's -- in terms of what's filed  
22 on the record, but it may not be that the information you  
23 are seeking is available at this time, so.

24 DR. ROGER HIGGINS: Okay.

25 MR. BOB PETERS: But let's go from the

1 premise of identified number of low income customers in  
2 Manitoba.

3                   And would you expect that the number of  
4 customers who suffer from energy poverty, by your  
5 definition, would exceed the number identified by virtue  
6 of an annual household income of less than thirty  
7 thousand dollars (\$30,000.00)?

8                   DR. ROGER HIGGINS:    The two (2) criteria  
9 overlap but they may be different. One (1) is based on  
10 10 percent of disposable income is the -- is the  
11 criterion that is often used as being, quote "energy  
12 poor" and --

13                   MR. BOB PETERS:    And -- I'm sorry.

14                   DR. ROGER HIGGIN:    -- that may be  
15 different than this particular calculation. They're two  
16 (2) different calculations, I'd have to compare the two  
17 (2).

18                   MR. BOB PETERS:    All right. Well, having  
19 said that I'm asking you whether you would agree that  
20 those suffering from energy poverty in number, would  
21 exceed the numbers shown here as being in a home with  
22 annual household income of less than thirty thousand  
23 dollars (\$30,000).

24                   DR. ROGER HIGGIN:    I would suspect, yes,  
25 it would be considerably higher.

1 MR. BOB PETERS: Any idea how much  
2 higher?

3 DR. ROGER HIGGIN: No, not without doing  
4 the -- doing the analysis. But, for example, this is for  
5 a family -- an average family's usually about six (6)  
6 persons living in a -- in -- in a housing unit and so  
7 there are also the -- the seniors and other parties that  
8 may not be included in here.

9 There's an overlap between seniors and low  
10 income that needs to be dealt with and -- and the way you  
11 look at seniors has to be slightly different depending on  
12 what you're trying to achieve. If it's energy poor  
13 poverty you're looking at then you have to include a  
14 different approach. If you're looking at how many people  
15 are low income by definition of Stats Can then that's  
16 fairly straightforward.

17 MR. BOB PETERS: But if we're talking  
18 energy poverty and we know the gross income is around  
19 thirty thousand (30,000), we can assume that the net  
20 income or disposable income might be around twenty-four  
21 thousand (24,000) --

22 DR. ROGER HIGGIN: Mm-hm.

23 MR. BOB PETERS: -- and then the  
24 utilities that would -- to put persons into energy  
25 poverty the -- the utilities would have to add up to the

1 twenty-four hundred dollars (\$2,400) a year.

2 DR. ROGER HIGGIN: That's right.

3 MR. BOB PETERS: And your expectation is  
4 that those would exceed the number that are simply  
5 identified as having incomes lower than thirty thousand  
6 (30,000)?

7 DR. ROGER HIGGIN: That's my expectation.  
8 However, not having done the analysis I'm -- would be  
9 happy if I had the data to do the analysis.

10 MR. BOB PETERS: Understood and -- and  
11 that data may not be available on the public record --

12 DR. ROGER HIGGIN: Okay.

13 MR. BOB PETERS: -- at this time.

14 DR. ROGER HIGGIN: My only point is, just  
15 to reiterate, is that it's been found inadequate to go  
16 with the low income cutoff level. You've got to go to  
17 125 percent and that's the only thing that I would --  
18 would repeat and I don't know whether this has been done  
19 on that basis.

20 MR. BOB PETERS: Well then just before I  
21 -- I think you've made that point already --

22 DR. ROGER HIGGIN: Mm-hm.

23 MR. BOB PETERS: -- but you want 125  
24 percent of the low income cutoff, as identified by Stats  
25 Canada?

1 DR. ROGER HIGGIN: Yes.

2 MR. BOB PETERS: And your explanation for  
3 that is so that people do not fall between -- I think you  
4 said, fall between the cracks?

5 DR. ROGER HIGGIN: Yes, right.

6 MR. BOB PETERS: All right. And those  
7 would people who would be on the margin of whether the  
8 program was applicable to them or not?

9 DR. ROGER HIGGIN: Exactly.

10 MR. BOB PETERS: But by making it 125  
11 percent I suppose you can argue that you're just changing  
12 the -- you're drawing the line in a different location  
13 and there still will be people who fall outside the  
14 line?

15 DR. ROGER HIGGIN: That's right.

16 MR. BOB PETERS: Yeah.

17 DR. ROGER HIGGIN: Wherever you draw the  
18 line there will be people above or below the line.

19 MR. BOB PETERS: Is it also correct that  
20 energy poverty and the low income cutoffs may have some  
21 relationship to the size of community in which the -- the  
22 home is located?

23 DR. ROGER HIGGIN: Size of community? I  
24 think it's more with the economic conditions. And also  
25 with the type of housing; means the vintage -- the age of

1 the -- of the homes and so on. But generally I think  
2 most people know that there are low income neighbourhoods  
3 in most cities and most provinces. In fact I assume -- I  
4 assume that the Centennial district was chosen for its --  
5 for the pilot program because it was a -- a low income  
6 neighbourhood and that they wanted to try out the  
7 program, so.

8 MR. BOB PETERS: But the LICO tables, the  
9 low income cutoff tables that you reference from Stats  
10 Canada are included in there as a variable for the size  
11 of the -- the town, village, or city?

12 DR. ROGER HIGGIN: Yes, that's correct.

13 MR. BOB PETERS: All right.

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: When we talk about  
18 audits and I know you've talked to both Mr. Gange and Ms.  
19 Murphy, relative to the audits, there's a -- there's a  
20 view that those audits cost money, correct?

21 DR. ROGER HIGGIN: Correct.

22 MR. BOB PETERS: And depending on the  
23 numbers, and I think you -- you gave the Board some  
24 numbers in -- in your evidence this afternoon of the pre-  
25 audit being up to two hundred dollars (\$200). You didn't

1 give a dollar value for the post-audit, unless I missed  
2 it.

3 DR. ROGER HIGGIN: No, I didn't. I see  
4 numbers in the range of one-fifty (150) to two hundred  
5 (200), again depending on how we do it.

6 If it requires a person to actually go and  
7 inspect the installation of all the measures, then that  
8 gets to be fairly -- fairly expensive and that's where  
9 sampling -- especially looking at the competence of your  
10 contractors -- may be a way out.

11 If on the other hand, you get an  
12 equivalent certificate that simply says from the  
13 contractor, I did A, B, C, and D, and then you run it  
14 through the HOT 2000 or whatever program, then you can  
15 come up with an estimate of the post-installation cos --  
16 energy use. So there's another way to do that.

17 MR. BOB PETERS: But it -- And the reason  
18 you're providing these suggestions is that the less money  
19 you need to spend on audits, the more -- the money that's  
20 available on programs can go right to the weatherization  
21 or the actual program itself?

22 DR. ROGER HIGGIN: Exactly.

23 MR. BOB PETERS: And you don't have any  
24 difficulty with the contractor verifying the installation  
25 of materials and providing, in essence, the post-audit?

1 DR. ROGER HIGGIN: As long as somebody  
2 audits the contractors. I'm afraid to say, the ultimate  
3 responsibility goes back to the Utility. And basically,  
4 how they do that -- is it part of the program design, but  
5 they have to -- they have to make that the contractors  
6 are doing the job, that the materials are all installed;  
7 they haven't been sold to the next uncle or aunt of the  
8 contractor. And they -- so they have to -- it's like big  
9 fleas have little fleas upon their backs to bite them,  
10 you know. And the Utilities have to do that role.

11

12 (BRIEF PAUSE)

13

14 MR. BOB PETERS: In the programs you've  
15 cited and in the calculations in your evidence, Dr.  
16 Higgin, you focus on approximately three thousand  
17 (\$3,000) per retrofit home for the low income --

18 DR. ROGER HIGGIN: Mm-hm.

19 MR. BOB PETERS: -- programs, is that  
20 correct?

21 DR. ROGER HIGGIN: Yes. That number is  
22 derived primarily from the Enbridge Low Income Home  
23 Energy Pilot Program Retrofit. I think I filed that. I  
24 can't remember where the reference is but that is the  
25 number.

1                   And they're actually proposing for the  
2 main measures, that's the weatherization measures and so  
3 on, to have a cap about that level. That doesn't include  
4 changing out the furnace and doesn't include any changing  
5 out of appliances.

6                   Now, Enbridge, specifically, has got a  
7 proposed furnace replacement program for low income. On  
8 top of that it still requires Board approval. That would  
9 be about nine hundred and fifty-thousand dollars  
10 (\$950,000) a year, on top of their low income  
11 weatherization energy kits/ thermostats program which is  
12 going to be about \$1.3 million. So that -- So they've got  
13 -- they have a separate program. Other utilities include  
14 that in theirs.

15                   So my view would be that certainly  
16 changing out the furnace has got to be one of the top  
17 priorities if it's a standard efficiency furnace. And  
18 the question is whether or not the costs of that can be  
19 accommodated in the program budgets. That's always a big  
20 challenge.

21                   MR. BOB PETERS: I provided to your  
22 counsel an extra copy of PUB Exhibit Number 8. And this  
23 document was taken from the Manitoba Hydro/Centra Gas  
24 webpage where they had typical home and water heating  
25 costs displayed and compared from different fuel sources.

1 Have you had a chance to --

2 DR. ROGER HIGGIN: Briefly yes. About --

3 MR. BOB PETERS: All right.

4 DR. ROGER HIGGIN: -- one minute.

5 MR. BOB PETERS: Well, then, in the top  
6 half of the page under the natural gas portion of the bar  
7 chart, there's an indication that under a conventional  
8 furnace it might cost approximately fourteen hundred and  
9 fifty-five dollars (\$1,455) to heat an average single  
10 family residence for a year.

11 DR. ROGER HIGGIN: Yes.

12 MR. BOB PETERS: Do you see that?

13 DR. ROGER HIGGIN: I do.

14 MR. BOB PETERS: And if you contrast that  
15 with the bar to the left, two (2) to the left, which  
16 would be the high-efficiency gas furnace, it would only  
17 be nine hundred and ninety-one dollars (\$991) a year.

18 DR. ROGER HIGGIN: Correct.

19 MR. BOB PETERS: That tells the Board and  
20 tells you that there's approximately, with my rough math,  
21 four hundred and sixty dollars (\$460) annual savings that  
22 could be expected.

23 DR. ROGER HIGGIN: Right.

24 MR. BOB PETERS: Correct?

25 DR. ROGER HIGGIN: Correct.

1                   MR. BOB PETERS:    And that's a fairly high  
2 rate of return on an investment in a new furnace, would  
3 you agree?

4                   DR. ROGER HIGGIN:    Very good.

5                   MR. BOB PETERS:    And probably better than  
6 some of the weatherization efforts including  
7 weatherstripping and insulation in some homes?

8                   DR. ROGER HIGGIN:    It could very well be  
9 and it should be considered.  The problem is that the  
10 typical low income customer doesn't have the money to buy  
11 a high efficiency furnace, especially if they don't have  
12 to because the -- the existing furnace is broken.  That's  
13 the -- that's the fundamental issue.

14                   MR. BOB PETERS:    All right.  But from --  
15 and that's the barrier to it being done --

16                   DR. ROGER HIGGIN:    Yes.

17                   MR. BOB PETERS:    -- by the homeowner when  
18 they are either suffering from energy poverty or are in a  
19 low income category.

20                   DR. ROGER HIGGIN:    Yes.  And that's why -  
21 - that's why Enbridge has particularly tried to create a  
22 program to address that.  And this is this, as I  
23 mentioned, the fuel switching.  It's not a DSM program.  
24 I don't want to get into great details, but there's been  
25 huge debates in Ontario whether furnace switch-outs are

1 fuel switching or whether they are DSM. And you can come  
2 down on either side of the debate.

3 But the environmental groups in Ontario  
4 are adamant that fuel switching was not DSM, okay? So it  
5 had to be dealt with as a separate budget and as a  
6 separate thing to the DSM programs and that's why it's  
7 ended up the way it is in Ontario.

8 MR. BOB PETERS: Can you tell this Board,  
9 Dr. Higgin, how many furnace replacements does that nine  
10 hundred and fifty thousand dollars (\$950,000) a year, set  
11 aside by Enbridge, take care of?

12 DR. ROGER HIGGIN: They're -- they're  
13 estimating approximately four hundred (400) -- four  
14 thousand five hundred dollars (\$4,500) per unit. So you  
15 can do the math.

16 MR. BOB PETERS: If I could, it would be  
17 roughly two thousand (2,000) per --

18 DR. ROGER HIGGIN: Yes.

19 MR. BOB PETERS: -- per -- per furnace.

20 DR. ROGER HIGGIN: That's right.

21 MR. BOB PETERS: And that's --

22 DR. ROGER HIGGIN: Two thousand (2,000)  
23 furnaces, right?

24 MR. BOB PETERS: I'm sorry, it would  
25 include, at forty-five (45) --

1 DR. ROGER HIGGIN: Forty-five hundred  
2 (4,500) for the costs of the replacement including  
3 installation, making sure the venting is okay and, you  
4 know, all of the -- all of the proper installation. And  
5 so you do the math and I think it's around two thousand  
6 (2,000). It's fairly...

7

8 (BRIEF PAUSE)

9

10 MR. BOB PETERS: Would it -- I may have  
11 led you astray with my math in public here, Dr. Higgin,  
12 but are we talking two hundred and eleven (211) furnace  
13 replacements?

14 DR. ROGER HIGGIN: Yes. Around -- that's  
15 what I said. Ballpark, around two thousand (2,000)  
16 furnace replacements a year for the duration of the  
17 program. Right now it's approved as a three (3) year  
18 program.

19 So, again, that particular program,  
20 because it's fuel substitution, is subject to the OEB's  
21 approval. The environmental groups actually have opposed  
22 that investment because they think that the money should  
23 go into DSM, not fuel switching. They think that fuel  
24 switching, at least for an investor-owned utility, is  
25 load-building and, therefore, it shouldn't be classed

1 along with DSM.

2 MR. BOB PETERS: I still think the math  
3 might be wrong on the record, Dr. Higgin.

4

5 (BRIEF PAUSE)

6

7 THE CHAIRPERSON: Three (3) years, I  
8 think he said, Mr. Peters, that's probably what maybe the  
9 confusion is.

10 DR. ROGER HIGGIN: It's nine hundred and  
11 fifty thousand (950,000) a year, times three (3) years  
12 for the program.

13

14 CONTINUED BY MR. BOB PETERS:

15 MR. BOB PETERS: And divided that by four  
16 hundred and -- four thousand five hundred dollars  
17 (\$4,500) per conversion.

18 DR. ROGER HIGGIN: Yes.

19 MR. BOB PETERS: All right. And that  
20 might be more like six hundred and thirty-three (633) --

21 DR. ROGER HIGGIN: Mm-hm.

22 MR. BOB PETERS: -- furnaces over the  
23 three (3) year period or two hundred and eleven (211)  
24 furnaces per year.

25 DR. ROGER HIGGIN: Correct.

1                   MR. BOB PETERS:    And you are telling the  
2 Board that that's over and above the three thousand  
3 dollars (\$3,000) per year, but it sounds like that that's  
4 over and above the three thousand dollars (\$3,000) per  
5 household renovation, because there's a fight over fuel  
6 switching or DSM, so it's coming out of a different  
7 program.

8                   DR. ROGER HIGGIN:    Exactly.

9                   MR. BOB PETERS:    While in Manitoba Hydro  
10 and Centra's case, if they were to include furnace  
11 efficiency change outs, that is going from a conventional  
12 gas furnace to a high efficiency gas furnace, that could  
13 be included in their DSM Program, but that would simply  
14 limit the number of low income homes to whom they could  
15 offer the service in a given year.

16                  DR. ROGER HIGGIN:    Yes, definitely for  
17 rate funded, that would be extremely constraining.  
18 Whereas -- if, on the other hand, it was found to be a  
19 measure that was worthwhile and that was funded out of  
20 the Affordable Energy Program then that -- that would be  
21 a different situation.

22

23

(BRIEF PAUSE)

24

25

MR. BOB PETERS:    Dr. Higgin, I'd like you

1 to provide the Board with your views on whether the  
2 programs delivered to the low income consumer ought to be  
3 delivered by the Utility or through what -- I think has  
4 been called, a non-government organization.

5 DR. ROGER HIGGIN: I think the -- the key  
6 word is "delivered." First of all, the non-government  
7 organization, social agencies and so on, have contact  
8 with these customers, probably more than the Utility,  
9 except every now and then they get called because they're  
10 in default. So basically, that is the key to use that  
11 capability, but whether they have capability to deliver  
12 programs, that's a totally different question.

13 So how can we say the Utility needs to  
14 work in cooperation with those people so that customers  
15 that they deal with all of the time on low income issues,  
16 are made aware of the programs, are encouraged to come in  
17 through the program, and then there is that further step  
18 whether the Utility should try to build capability  
19 amongst any of those groups.

20 Now, there is one (1) group in Quebec  
21 where the Utility has done that under the -- the FEE  
22 Program -- it's called ASEF (phonetic), and don't ask me,  
23 I'm afraid what the French translation is -- but they  
24 actually go around and knock on the doors and they  
25 deliver the program. And that's a rather of an



1 big challenge and I would say that the Utility is going  
2 to have to deal with this and it may become in,  
3 initially, a constraint on how much they can do, how  
4 quickly.

5 MR. BOB PETERS: Do I take from that  
6 answer the you're comfortable recommending that Centra  
7 certainly be the source of funding for the DSM programs  
8 and the low income programs, and Centra should have a say  
9 in the final design of the programs, although you'd like  
10 them to consult with other potential stakeholders, but  
11 when it comes time to carrying out the programs, that's  
12 where Centra's involvement should cease and another  
13 agency take over.

14 DR. ROGER HIGGIN: No, I am not saying  
15 that. It's not a one (1) size fits all solution to how  
16 you get your program delivered. You get it delivered the  
17 best way you can. If that means that you have to  
18 contract directly with contractors to go and do it from -  
19 - out of Centra, you do that.

20 So for example, there may be areas of the  
21 province where there isn't any capabilities on the  
22 ground. Universality should be available on these  
23 programs everywhere in the province for people that are  
24 eligible.

25 So they -- so what I'm saying is to engage

1 the social house -- social housing corporation would be a  
2 no-brainer and try to build -- look at how to build  
3 capability. But that's only one (1) channel. The other  
4 channels you may have to find different ways to try to  
5 create those channels and in the end Centra may have to  
6 deliver directly.

7 MR. BOB PETERS: All right. Thanks for  
8 that clarification. One of the other areas where you  
9 felt that low income program success was dependent was  
10 the -- not only the direct installation of the DSM  
11 measures that we've talked about but also from a  
12 landlord/tenant perspective to make sure there was a cost  
13 benefit disclosure to the tenants.

14 DR. ROGER HIGGIN: Mm-hm.

15 MR. BOB PETERS: Is that -- that's  
16 correct?

17 DR. ROGER HIGGIN: That's correct.

18 MR. BOB PETERS: And is --

19 DR. ROGER HIGGIN: Go ahead.

20 MR. BOB PETERS: I was just going to say,  
21 is that designed so that the tenants will put pressure on  
22 the landlord to reflect the savings in rates?

23 DR. ROGER HIGGIN: Yes. Well this --  
24 this is the -- this is the problem. The Ontario Power  
25 Authority specifically is grappling with this issue now

1 for its multi-family buildings program.

2                   And they've had meetings, for example,  
3 with the organization that represents landlords for what  
4 we call "market rate housing." Market rate means not  
5 subsidized, not low incomes, social housing and so on --  
6 this is market rate -- but where some of the tenants may  
7 still be low income.

8                   The -- the answer from the -- the  
9 Landlords Association was, in a nutshell, no way juse are  
10 we going to disclose the -- the savings to the tenants.  
11 That was -- that was exactly what they said.

12                   On the other hand, the tenants  
13 organizations are on the other side of this debate saying  
14 we -- we should be told what that has been, how much  
15 money the landlord has received and what the expected  
16 impact of that on the utility bill.

17                   And secondly, we are part of the solution  
18 because one of the things they will do is go into our  
19 suites, they'll put in CFLs, water saving kits and so on.  
20 And we're part of the solution, so we have a right to  
21 know.

22                   So there you are. I've tried to give you  
23 the two (2) sides of the -- the debate and basically -- I  
24 don't think either in Ontario or Quebec they have an  
25 answer to this. It's a big, big issue and it's something

1 that the Utility will have to deal with.

2                   Finally, I'd say that -- that it's not as  
3 big a problem with the social housing sector because they  
4 basically have every incentive to pass through the  
5 savings to their tenants. Because that's what they're  
6 there for, is to provide low income subsidized  
7 accommodation. So it's not a big problem with them.  
8 It's -- it's the market rates sector.

9                   MR. BOB PETERS: Dr. Higgin, that leads  
10 me to another area with you. The bulk of your evidence  
11 has been on how to provide initiatives for low income  
12 consumers to reduce their energy bill, primarily through  
13 conservation technique, correct?

14                   DR. ROGER HIGGIN: Yes.

15                   MR. BOB PETERS: And one of the areas you  
16 don't mention is that inverted rates might be of  
17 assistance to the low income group. Have you given  
18 thought to that prospect?

19                   DR. ROGER HIGGIN: Well, I think my  
20 answer is that I'm not really an advocate of fiddling  
21 with rights as a tool to deal with this problem, partly  
22 because you always end up advantaging or hurting one  
23 group of customers.

24                   For example, if you went to inverted  
25 rates, then the assumption you hope you're making is that

1 low income customers and seniors, low consumers of gas --  
2 in this case gas -- and that they will be helped by that.

3 But, in fact, many of them live in the  
4 worst type of housing; that has standard efficiency  
5 furnaces, that has leaky -- no insulation. So basically,  
6 you can -- you may not assist those people. In fact, you  
7 may hurt them, unless you do other things in parallel.

8 So you have to take a more holistic  
9 approach. And that's why bringing in DSM, retrofits, and  
10 so on as an adjunct. And the question is: Chicken and  
11 egg, which one should you go to first?

12 So I'm basically saying let's deal with  
13 the chicken and we just get the DSM programs in place,  
14 get them going, and not do anything with rates until  
15 those things have taken hold, people are able to access  
16 those programs fully and can take advantage.

17 So that's basically -- my chicken and  
18 egg's analogy is, that's the chicken.

19 MR. BOB PETERS: Okay. And you're saying  
20 focus on the chicken and solve the problems with the  
21 chicken before you deal with the problems with the egg?

22 DR. ROGER HIGGIN: Yes, that's right.

23 MR. BOB PETERS: All right. One of the  
24 things you do mention in your evidence is to include a  
25 participant cost test.

1 DR. ROGER HIGGIN: Mm-hm.

2 MR. BOB PETERS: And doesn't that really  
3 mean that the cost to the participant has to be  
4 outweighed by the benefits that will accrue?

5 DR. ROGER HIGGIN: Exactly.

6 MR. BOB PETERS: And that participant  
7 cost test, I thought you told me earlier on, that even  
8 though these programs may pass the participant cost test,  
9 you wouldn't want to just hand over the hardware to the  
10 homeowner and say here, go put in your set-back  
11 thermostat.

12 DR. ROGER HIGGIN: Correct.

13 MR. BOB PETERS: Do you -- are you aware  
14 of programs that wouldn't pass the participant cost test  
15 from what we've been talking about, or would they all  
16 pass that test?

17 DR. ROGER HIGGIN: I think it's just a  
18 kind of protection to ensure that that is met in -- by  
19 the program.

20 Secondly, I think it's good to track  
21 participants and participant costs. So that's another  
22 metric that I think is good -- best practice is to screen  
23 programs for that, make sure that's correct, and then  
24 also, as I said earlier to track participants.  
25 Particularly those that you're trying to identify

1 targets, such as low income, such as seniors, and so on.  
2 So most utilities that -- best practises participant cost  
3 tests are done and PCTs for each program at the program  
4 level are reported.

5 MR. BOB PETERS: I want to close, Dr.  
6 Higgin, with just a confirmation of my understanding of  
7 your criticism of the overall budget for low income  
8 measures. And in the Power Smart Program, and it was in  
9 the Appendix C, there was an indication that  
10 approximately \$4.2 million would be spent on low income  
11 initiatives over the approximate next ten (10) years.

12 DR. ROGER HIGGIN: Mm-hm.

13 MR. BOB PETERS: You're aware of that?

14 DR. ROGER HIGGIN: Yes, I'm aware of  
15 that.

16 MR. BOB PETERS: And your -- you  
17 commented that in the current year -- or, sorry -- in the  
18 year that just closed for the Utility, plus the next  
19 three (3) years, there's spending -- between the seven  
20 hundred (\$700,000) and eight hundred thousand dollar  
21 (\$800,000) level, approximately.

22 DR. ROGER HIGGIN: Yes, that's correct.

23 MR. BOB PETERS: With which you're  
24 generally satisfied with the amount if it correlates to a  
25 corresponding percentage of low income customers in

1 Centra's actual demographics?

2 DR. ROGER HIGGIN: Yes, with respect to  
3 the rate funded programs as a floor; that's -- so that --  
4 given that. And also that the demographics have been  
5 confirmed.

6 MR. BOB PETERS: Yes. And you made that  
7 point, I think, to Ms. Murphy in her questioning of you.  
8 But after the 2009/'10 year, the funding on the planning  
9 document falls off to a placeholder of a hundred and  
10 seventy-five thousand dollars (\$175,000) a year and  
11 that's of concern to you?

12 DR. ROGER HIGGIN: It would be of  
13 concern. I believe -- from reading the transcript --  
14 that Mr. Kuczek said that was in essence a placeholder  
15 and there might be a renewal or extension of many of the  
16 programs. So -- but it would be a major concern because  
17 then we're back in to the fact that we -- that the best -  
18 - we've still got another forty thousand (40,000) low  
19 income customers that haven't been helped and they are  
20 then back into subsidizing the rest again.

21 You know, so it would be a major concern.

22 MR. BOB PETERS: But that concern that  
23 you have would be alleviated if there was the floor  
24 established in correlation to the -- the number of low  
25 income households in Manitoba by an objective standard,

1 multiplied against the DSM budget for the residential  
2 class going forward.

3 DR. ROGER HIGGIN: That's correct.

4 MR. BOB PETERS: All right. I think I  
5 have your evidence and understand it and I -- I will  
6 conclude my questioning there. I wish to thank you, Dr.  
7 Higgin.

8 DR. ROGER HIGGIN: Thank you.

9 MR. BOB PETERS: Mr. Chairman, those  
10 conclude my questions of Dr. Higgin. Thank you.

11 THE CHAIRPERSON: Thank you, Mr. Peters,  
12 Dr. Higgin.

13 Mr. Saxberg, do you wish a break or can  
14 you do redirect now?

15 MR. KRIS SAXBERG: I don't have any  
16 redirect.

17 THE CHAIRPERSON: Well, very good, then.  
18 I guess the heat won't have to oppress us anymore today  
19 then, will it?

20

21 (WITNESS STANDS DOWN)

22

23 THE CHAIRPERSON: Mr. Peters, do you want  
24 to remind us on our next step? If I read this correctly,  
25 we're now going on to the Cost of Gas Panel?

1                   MR. BOB PETERS:    Yes, Mr. Chairman, in an  
2 effort to the economical with the Board's availability  
3 and time and subject to the variable of the heat  
4 oppression that you've mentioned, the Cost of Gas Panel  
5 is available this afternoon.

6                   And subject to the Board's direction and  
7 ability to assimilate a change of pace and perhaps some  
8 different information at this time, if Ms. Murphy would  
9 introduce her Cost of Gas Panel, put in her direct and  
10 then I would commence my questioning of them.

11                   But that would be subject to the Board's  
12 plans this afternoon.

13

14   (BRIEF PAUSE)

15

16                   MR. BOB PETERS:    I can indicate, Mr.  
17 Chairman, that if we do proceed this afternoon, we will  
18 certainly be slightly ahead of the schedule that had been  
19 placed before the Board in terms of the calendar.  And at  
20 this point, without making any promises, it was --  
21 there's an expectation that the evidentiary phase of this  
22 Hearing would be concluded tomorrow because the Cost of  
23 Gas Panel, in many respects, probably has not many  
24 contentious issues before the Board, and then the last  
25 Witness would be Mr. Stauff on behalf of CAC/MSOS who

1 will be available tomorrow, should that schedule pan out.

2 THE CHAIRPERSON: Well, given that we  
3 would normally take a break right now, the alternative,  
4 what we could do is, Ms. Murphy could introduce the cost  
5 of gas panel, Mr. Singh could swear them in, and then we  
6 could adjourn until tomorrow. And then we'll start  
7 fresh, hopefully with the air conditioner working.

8 Does that work for you, Ms. Murphy?

9 MS. MARLA MURPHY: I guess we're at your  
10 pleasure, Mr. Chairman. We do have the panel here, so if  
11 we can proceed to move things on, it certainly would be  
12 our preference, but we're at -- at your pleasure.

13 THE CHAIRPERSON: All right, then, we'll  
14 have our break and we'll come back in fifteen (15)  
15 minutes and we'll start and we'll run then through to  
16 4:00. Thank you.

17

18 --- Upon recessing at 2:40 p.m.

19 --- Upon resuming at 2:59 p.m.

20

21 THE CHAIRPERSON: Okay, welcome back,  
22 those of us who are still here. So, Mr. Czarnecki,  
23 you've taken over for Ms. Murphy for the rest of the  
24 afternoon?

25 MR. BRENT CZARNECKI: I have, on the

1 promise that it would be cooler up here than it was  
2 behind me and I think it's going to be a broken promise  
3 by the end of the day.

4 THE CHAIRPERSON: Well, actually I was  
5 glad to hear that you were just as warm there as we are  
6 here.

7 MR. BRENT CZARNECKI: Certainly.

8 THE CHAIRPERSON: A sense of equality  
9 involved in the whole thing. I was threatening that we'd  
10 switch places; you'd all come up here and we'd go back  
11 there. But if it's worse back there, we'll stick it out  
12 here.

13 Anyway, Mr. Czarnecki, do you want to  
14 introduce your panel, please, so that Mr. Singh can swear  
15 them in?

16 MR. BRENT CZARNECKI: Yes. Good  
17 afternoon, Mr. Chairman and members of the Public  
18 Utilities Board. We have the Cost of Gas Panel with me  
19 today. We have Mr. Warden, Mr. Stephens and Mr.  
20 Sanderson, who I believe are all familiar to the Board.  
21 And perhaps we could start by having Mr. Singh swear in  
22 Mr. Stephens and Mr. Sanderson.

23

24 CENTRA'S COST OF GAS PANEL:

25 HOWARD STEPHENS, Sworn

1 BRENT SANDERSON, Sworn

2 VINCE WARDEN, Resumed

3

4 THE CHAIRPERSON: Thank you, Mr. Singh.

5 MR. BRENT CZARNECKI: Mr. Chairman,  
6 Centra had provided the witness qualification of Ms. Lori  
7 Stewart and it was marked as Exhibit -- Centra Exhibit 49  
8 and, unfortunately, Ms. Stewart is unavailable today and  
9 if available tomorrow, we could have her sworn in then.

10 THE CHAIRPERSON: Very good, sir.

11

12 EXAMINATION-IN-CHIEF BY MR. BRENT CZARNECKI:

13 MR. BRENT CZARNECKI: Witness  
14 qualifications of Mr. Warden, Mr. Stephens and Mr.  
15 Sanderson have been marked as Exhibits 41, 48 and 410  
16 respectively.

17 These witness qualifications set out the  
18 positions of each panel member, their experience and  
19 education, previous appearance before the Board, and  
20 their areas of responsibility with respect to this  
21 application and, finally, their adoption of the pre-filed  
22 evidence as it relates to their area of responsibilities.

23 Now, Mr. Warden, would you please outline  
24 your areas of responsibility with respect to this panel?

25 MR. VINCE WARDEN: Yes. Good afternoon,

1 Mr. Chairman, members of the Public Utilities Board. My  
2 responsibility with respect to this panel is one of  
3 general oversight of policy issues related to gas supply  
4 matters and terms and conditions of service.

5 MR. BRENT CZARNECKI: Mr. Chairman, just  
6 stepping back a second to a DSM-related question. And,  
7 Mr. Warden, at page 854 of the transcript, the Chairman  
8 invited Centra to consider the possibility of having a  
9 small volumetric levy to assist low income people in  
10 achieving DSM efforts; would you please comment on that,  
11 sir?

12 MR. VINCE WARDEN: Yes. I had an  
13 opportunity to discuss this matter with Mr. Brennan this  
14 morning, and his position is that we would certainly  
15 consider the concept of a small levy on customers' bills  
16 for the specific purpose of assisting low income  
17 customers with the installation of high-efficiency  
18 furnaces and properly installed insulation and  
19 weatherstripping.

20 Such assistance could be in the form of  
21 low interest loans or in the form of direct incentives.  
22 We do intend to give this matter further consideration  
23 and develop a program if we conclude that it has  
24 sufficient benefits for low income customers.

25 THE CHAIRPERSON: Thank you, sir.

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CONTINUED BY MR. BRENT CZARNECKI:

MR. BRENT CZARNECKI: Thank you, Mr. Warden. Mr. Stephens, would you please outline your area of responsibility with respect to the application?

MR. HOWARD STEPHENS: Certainly. Good afternoon, Mr. Chairman, members of the Board, ladies and gentlemen. In my testimony I'll be providing evidence with respect to Centra's gas supply, storage and transportation arrangements, including its Renewed Primary Gas Supply Contact and the Capacity Management Program and its results.

MR. BRENT CZARNECKI: Mr. Stephens, have there been changes to Centra's gas supply, storage and transportation arrangements since the '06/'07 non-primary gas costs application, reflected in this application?

MR. HOWARD STEPHENS: There have been no changes to Centra's gas supply, transportation and storage arrangements since Centra's 06/'07 non-primary gas cost application. However, Centra's supply arrangements for primary gas that will expire on October 31st, 2007 were renewed in March 2007 with Nexen Marketing. The term of the renewed agreement is two (2) years, effective November 1st, 2007 and expiring October 31st, 2009.

1                   MR. BRENT CZARNECKI:    Mr. Stephens, could  
2 you outline for the Board the reason Centra chose to re-  
3 contract its primary gas supply with Nexen?

4                   MR. HOWARD STEPHENS:    Given the  
5 favourable terms of the existing contract and the  
6 provision therein to renew upon a mutual agreement,  
7 Centra elected to engage in discussions with Nexen  
8 regarding such a renewal.

9                   After several negotiation sessions, the  
10 parties agreed to pricing terms very similar to the  
11 existing contract and accommodated Centra's requirements  
12 at a minimal cost. Centra believes that Manitoba  
13 consumers will be well served by this contracted.

14                  MR. BRENT CZARNECKI:    Mr. Stephens, could  
15 you please supply the Board with a brief update on the  
16 recent Trans-Canada Regulatory Proceedings and the impact  
17 of those proceedings on Centra?

18                  MR. HOWARD STEPHENS:    I will. It's a  
19 little bit -- little bit longer. Trans-Canada and its  
20 stakeholders reached a five (5) year settlement on  
21 February 23rd, 2007, regarding 2007 tolls and costs for  
22 the years 2008 through 2011. Trans-Canada filed its  
23 associated application for approval of a negotiated  
24 mainline settlement and 2000 mainline tolls with the  
25 National Energy Board on March 21st, 2007.

1 Under separate cover, and concurrent with  
2 the settlement application, an application by Trans-  
3 Canada for approval of mainline interim tolls effective  
4 for 2007, was filed and then approved by the NEB on March  
5 22nd.

6 These tolls incorporate the elements of  
7 the settlement application adjusted for the interim  
8 revenue adjustment for the period January 1st to March  
9 31st, 2007.

10 The approved interim tolls are based upon  
11 Eastern Zone Toll of a dollar three (\$1.03) per  
12 gigajoule, of which Centra pays approximately one-third  
13 (1/3).

14 The impact of the April 1st, 2007, interim  
15 tolls as compared to the January 1st toll -- interim  
16 tolls, utilized for the compilation of the cost of gas  
17 portion of the initial '07/'08 and '08/'09 GRA filing is  
18 a \$1.2 million increase on an annualized basis for fiscal  
19 '07/'08.

20 The other Trans-Can -- if you followed all  
21 of that -- the rest is not too bad.

22 The other Trans-Canada matter that Centra  
23 is monitoring is the Keystone pipeline project.

24 In February 2007, the NEB approved the  
25 transfer of 860 kilometres of Line 1 of the mainline to a

1 wholly-owned subsidiary of Trans-Canada, Keystones  
2 Pipeline Group GP Limited, for the purpose of converting  
3 that portion of the line from natural gas transmission to  
4 oil transmission.

5                   The NEB has scheduled a public hearing  
6 beginning June 4, 2007, regarding Keystone facilities  
7 application filed in December 2006 for approval to  
8 construct and operate the Canadian Facilities and  
9 approval of the tolls and tariff for the pipeline.

10                   MR. BRENT CZARNECKI: Mr. Stephens, has  
11 there been any changes to Centra's Capacity Management  
12 Program since the '06/'07 non-primary gas cost  
13 application?

14                   MR. HOWARD STEPHENS: There have been no  
15 changes to Centra Gas -- Centra's Capacity Management  
16 Program. For the '06/'07 fiscal year, actual capacity  
17 management revenues, excluding carrying costs, totalled  
18 \$7.9 million, as shown on Schedule -- updated Schedule  
19 7.2.1. The particulars of the types of transactions and  
20 the revenues generated from each, are also detailed on  
21 this schedule.

22                   For the '07/'08 fiscal year, Centra has  
23 forecast capacity management revenues at \$5.1 million,  
24 excluding carrying costs, based on the five (5) year  
25 rolling average of Centra's actual capacity management

1 results, up to and including fiscal '05-'06 results.  
2 These forecast amounts have been included at updated  
3 Schedule 8.1.3(a), line 50.

4 MR. BRENT CZARNECKI: Mr. Stephens, the  
5 evidence of Mr. Stauff expressed an opinion about the  
6 manner in which Centra calculates its forecast of  
7 capacity management revenues.

8 Would you comment on Mr. Stauff's  
9 supposition?

10 MR. HOWARD STEPHENS: Certainly. I would  
11 like to address Mr. Stauff's suggestion that Centra  
12 develop a forward-looking -- forward-looking forecast of  
13 capacity management revenues. The primary concern is the  
14 level of effort that Centra would have to expend to  
15 create -- and somebody didn't get my edits in this, but  
16 I'm going to take it from there anyways.

17 It is true that Centra assembled a  
18 forward-looking information for the purpose of creating  
19 its purchase gas costs budget. However, the value of the  
20 budget is generally in the four (4) to five (5) -- \$450  
21 million range, versus the capacity management revenues  
22 that have fluctuated from 4.1 million to \$7.9 million  
23 over the most recent five (5) years.

24 To expend a similar effort to create a  
25 forward-looking forward -- forecast for the Capacity

1 Management Program isn't, respectfully, a productive use  
2 of time. Particularly when one considers that any  
3 variation forecast -- from forecast is addressed by way  
4 of a variance account.

5                   And to complete the thought, Mr. Stauff  
6 opens his comments on this topic by stating that:

7                   "An historical rolling average approach  
8                   to forecasting costs and revenues is  
9                   most appropriate when the relevant  
10                  variables appear to vary more or less  
11                  at random."

12                  Given that weather is the most -- the  
13 single most important variable in forecasting capacity  
14 management revenues, and given the volatility of weather  
15 in Manitoba, the merit of -- or investing a huge effort  
16 to create a forecast relative to which actuals will  
17 consistently vary is questionable.

18                  MR. BRENT CZARNECKI:   And finally, Mr.  
19 Stephens, Board Order 175/06 outlined a request that  
20 Centra file a business plan with respect to its Capacity  
21 Management Program.

22                  Could you provide an update for the Board  
23 on this matter?

24                  MR. HOWARD STEPHENS:   Yes. Centra is in  
25 the process of drafting a capacity management business

1 plan that should facilitate better understanding of the  
2 program and its interrelationship with our physical  
3 operations for the Board and the Intervenors. Centra  
4 expects to complete and file this business plan later  
5 this summer.

6 MR. BRENT CZARNECKI: Thank you, Mr.  
7 Stephens. Mr. Sanderson, would you please outline your  
8 areas of responsibility with respect to this Panel?

9 MR. BRENT SANDERSON: Good afternoon, Mr.  
10 Chairman, Members of the Board, Ladies and Gentlemen.

11 In my testimony, I'll be providing  
12 evidence related to Centra's gas costs for the period  
13 April 1, 2006 to March 31st, 2007, as well as the related  
14 PGVA and other gas cost deferral balances and derivative  
15 hedging results for the period from April 1st, 2006  
16 through March 31st, 2007.

17 I will also be providing evidence with  
18 respect to Centra's gas cost forecast for its 2007/2008  
19 fiscal year.

20 In addition I'm appearing in support of  
21 the proposed changes to the Western Transportation and  
22 Agent Billing and Collection Terms and Conditions of  
23 Service.

24 MR. BRENT CZARNECKI: One of the  
25 approvals that Centra is seeking is final approval of gas

1 costs for the period April 1st, 2006 to March 31st, 2007.

2                   These amounts were detailed in Centra's  
3 pre-hearing update filed with the Board on May 15th, 2007  
4 based on actual information up to March 31st, 2007.

5 Could you please provide the Board with the twelve (12)  
6 month actual gas cost for the '06/'07 period for which  
7 Centra is seeking approval?

8                   MR. BRENT SANDERSON:    As outlined by Ms.  
9 Derksen, one of the approvals that Centra is seeking is  
10 final approval of gas costs for the period from April  
11 1st, 2006 through March 31st, 2007.  Pre-hearing update  
12 Schedule 7.0.0 identifies that final gas costs were in  
13 the amount of \$419.2 million for the period April 1st,  
14 2006 through March 31st, 2007.

15                   MR. BRENT CZARNECKI:    And Mr. Sanderson,  
16 would you please outline the PGVA and other gas cost  
17 deferral balances for which Centra is seeking approval?

18                   MR. BRENT SANDERSON:    Centra's requesting  
19 final approval of all non-primary gas PGVA and gas cost  
20 deferral balances to March 31st, 2007 with carrying costs  
21 and the amortization of rate riders through to July 31st,  
22 2007 totalling approximately \$9 million owing to  
23 customers.

24                   MR. BRENT CZARNECKI:    And would you  
25 please outline the 2007/'08 forecast gas cost for which

1 Centra is seeking final approval?

2 MR. BRENT SANDERSON: Centra's pre-  
3 hearing update of its forecast gas costs for 2007/2008  
4 included a forward price strip taken, as of April 20th,  
5 2007. The resulting gas cost forecast for the 2007/2008  
6 period is \$408.9 million as per updated Schedule  
7 8.1.3(a). This includes a forecast addition to gas costs  
8 of \$4.5 million as a result of Centra's derivative  
9 hedging activities for the 2007/2008 fiscal year.

10 Of the \$408.9 million gas cost forecast  
11 for 2007/2008, approximately \$49.9 million is non-primary  
12 gas costs. This amount represents an increase of  
13 approximately \$1.2 million compared to the non-primary  
14 gas cost that would be recovered with the existing base  
15 rates. And that is shown on updated Schedule 8.1.4.

16 MR. BRENT CZARNECKI: And finally, Mr.  
17 Sanderson, would you please summarize the changes to the  
18 WTS and ABC terms and conditions of service which Centra  
19 is seeking PUB approval for?

20 MR. BRENT SANDERSON: As a result of the  
21 execution of a new two (2) years primary gas supply  
22 agreement recently concluded between Centra and Nexen  
23 Marketing, Centra will be in a position to accommodate  
24 monthly broker customer enrollments as at the  
25 commencement of the coming gas year effective November

1 1st, 2007.

2 Other proposed changes to the WTS and ABC  
3 terms and conditions of service relate to the  
4 determination and valuation of storage gas loans to  
5 brokers, broker credit policies and the requirement for  
6 Centra to retain the right to designate alternate receipt  
7 points for the transfer of broker primary gas supplies to  
8 Centra during extraordinary market events.

9 MR. BRENT CZARNECKI: Thank you, Mr.  
10 Sanderson. Mr. Chairman, that concludes our -- our  
11 direct testimony for this panel and it is available for  
12 cross-examination.

13 THE CHAIRPERSON: So, Mr. Peters, you're  
14 going to pick this up starting tomorrow morning?

15 MR. BOB PETERS: That would be fine, Mr.  
16 Chairman, yes.

17 THE CHAIRPERSON: Okay. So we'll adjourn  
18 for the day and let's hope it's cooler tomorrow. Thank  
19 you.

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21 (PANEL RETIRES)

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23 --- Upon adjourning at 3:15 p.m.

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Certified Correct,

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Ashley Guillemin