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MANITOBA PUBLIC UTILITIES BOARD

Re:                               CENTRA GAS MANITOBA INC.  
                                  2007 COMPETITIVE LANDSCAPE PROCEEDING

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  
September 21st, 2007  
Vol VIII  
Pages 1513 to 1770

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

2

3 THE CHAIRPERSON: Okay. Good morning  
4 everyone. Seems to be a festive mood in the air,  
5 probably because it's Friday. But, Ms. Murphy, you have  
6 some more exhibits?

7 MS. MARLA MURPHY: I do, Mr. Chairman.  
8 Thank you, and good morning. We have filed the response  
9 to Undertaking number 10, and number 11, which I believe  
10 have been circulated throughout the room, and according  
11 to my book, would be Centra Exhibits number 16 and 17.

12 THE CHAIRPERSON: Thank you.

13

14 --- EXHIBIT NO. CENTRA-16: Response to Undertaking 10

15

16 --- EXHIBIT NO. CENTRA-17: Response to Undertaking 11

17

18 THE CHAIRPERSON: Mr. Hoaken...?

19

20 CENTRA PANEL, Resumed

21 VINCE WARDEN, Resumed

22 HOWARD STEPHENS, Resumed

23 ROBIN WIENS, Resumed

24 GREG BARNLUND, Resumed

25 LLOYD KUCZEK, Resumed

1 CONTINUED CROSS-EXAMINATION BY MR. ERIC HOAKEN:

2 MR. ERIC HOAKEN: Thank you, Mr. Chair.  
3 Good morning, and good morning to the panel. I think  
4 when we broke for the day, you and I were just taking a  
5 look at PUB/CENTRA-39, Mr. Kuczek.

6 Could you just find that?

7

8 (BRIEF PAUSE)

9

10 MR. ERIC HOAKEN: And it was page 2 that  
11 you and I were looking at; that paragraph that starts at  
12 line 12. Do you see that?

13 MR. LLOYD KUCZEK: Yes.

14 MR. ERIC HOAKEN: And I think that as a  
15 result of the discussion you and I had about this, both  
16 of us came away with a slightly better understanding of  
17 what it meant. Is that fair?

18 MR. LLOYD KUCZEK: That would be fair.

19 MR. ERIC HOAKEN: And just to then finish  
20 off the point, if you look at the last sentence, which  
21 starts on line 19, it says:

22 "A final draft of the survey was then  
23 distributed back to Centra and CAC/MSOS  
24 for final feedback, prior to fielding  
25 the survey."

1                   And I understand from the evidence, that  
2 in fact is not what happened. Is that fair?

3                   MR. LLOYD KUCZEK: Well, that -- that's -  
4 - there seems to be some confusion in the way we worded  
5 the response there, and then yes, today that's why I  
6 decided to go down the path of clarifying things by going  
7 through the whole process that was involved with it, so  
8 that everybody was clear. And I think I got to a certain  
9 point and then we stopped. It -- it might be to  
10 everybody's advantage if I may be did that, and then we'd  
11 all be clear.

12                   MR. ERIC HOAKEN: That would be fine.  
13 Thank you.

14                   MR. LLOYD KUCZEK: So, and -- and if  
15 anyone would like to refer to the -- the chronological  
16 order of that research activities that -- we provided  
17 that in response to the retailer IR-60.

18

19   (BRIEF PAUSE)

20

21                   MR. LLOYD KUCZEK: And I should thank  
22 the retailers for asking this question, because we have  
23 to recreate exactly what happened, and it certainly does  
24 facilitate my responding to the process --

25                   MR. ERIC HOAKEN: That's good of you to

1 say, because Ms. Murphy didn't thank me at the time I  
2 made the request.

3 MR. LLOYD KUCZEK: Mr. Meder wasn't very  
4 happy --

5 MS. MARLA MURPHY: You haven't thanked me  
6 since, either.

7 MR. LLOYD KUCZEK: Yeah, Mr. Murphy --  
8 or Mr. Meder wasn't very happy either, because he had to  
9 create this. And I did review it and edit it a bit, but  
10 it -- it took a bit of work for Mr. Metre to create the  
11 document, but I think it's very useful.

12 So if we go to the middle of the first  
13 page there, it says, "survey." And so, this is at March  
14 30th, at this point, and again, I think I mentioned  
15 yesterday that we were running a critical timeline to  
16 meet the important objective of trying to get this  
17 research before the Board in June.

18 So we had basically -- this was the end of  
19 March, we had April, May, and that was basically -- got  
20 two (2) months, maybe a couple weeks after that, and the  
21 hearings were going to start on the lan -- landscape  
22 issues.

23 So on March 30th is when we recer --  
24 received what was, we referred to in this document as the  
25 first draft survey from eNRG. This was the document I

1 referred to yesterday as a real rough cut from eNRG after  
2 our initial meeting. And the -- the issue there was we  
3 had a -- I refer to it as a wish list, but the objectives  
4 were quite broad and quite lengthy, and there was a  
5 significant concern on the part of eNRG, in whether or  
6 not he can capture -- or they can capture all of the  
7 objectives within the market research.

8           So they came back to us with this initial  
9 cut just to have a quick -- for us to have a quick look  
10 at it, and I think in on -- the email it even suggested  
11 that have a quick look at it an -- before you circulate  
12 it to anybody, and we'll come back with some comments.

13           We arranged the meeting with eNRG to  
14 discuss it. We didn't discuss it in a lot of detail. I  
15 attended the meeting -- I don't even think I attended the  
16 meeting for the entire length of the meeting. It was  
17 very high level, and our market research specialist -- if  
18 anybody, was providing some comments back to eNRG at that  
19 point. So that was a real rough cut.

20

21 CONTINUED BY MR. ERIC HOAKEN:

22           MR. ERIC HOAKEN: And just to stop you  
23 there. That meeting you're referring to is the meeting  
24 reference on April 11th, is that right, Mr. Kuczek?

25           MR. LLOYD KUCZEK: Correct.

1 MR. ERIC HOAKEN: All right, carry on.

2 MR. LLOYD KUCZEK: Okay, so -- so one  
3 could refer to that as a draft, but it -- it was really a  
4 fairly high level draft. The -- then -- then they went  
5 away, eNRG went away, and came back with a second draft.

6 It was at this point we decided to  
7 circulate that draft to our internal stakeholders, and  
8 that I had to get some comments back from them. And the  
9 objective at this point was really to try to clean up the  
10 document as much as possible for efficiency purposes  
11 before we circulated it to external stakeholders; and  
12 made sure -- and we wanted to make sure that we had gas  
13 supplies input so that the document was accurately  
14 reflecting the -- the environment.

15 So most of the comments that went into a -  
16 - that we provided back from eNRG, actually came from Mr.  
17 Stephens. So at that point we had -- we received draft  
18 3, which was on April 16th, and our thought was that we'd  
19 send this out to all the external stakeholders, we'd get  
20 comments back, give it back to eNRG, and we'd be done, go  
21 do the survey.

22 So we proceeded down the track of sending  
23 it out. Got comeback -- comments back from the  
24 retailers, and we got a phone call from CAC/MSOS asking  
25 to meet with eNRG directly to provide their comments, and

1 so we accommodated CAC/MSOS and arranged a meeting for  
2 them to do that.

3 At that point I decided that this might be  
4 a good time to share the comments provided by the  
5 retailers with CAC/MSOS, and use that opportunity to  
6 finalize the survey and get on with the process.

7 So we had our first meeting thinking that  
8 we would be able to accomplish that. We were -- we  
9 weren't able to do that in one (1) meeting; had a  
10 subsequent meeting and we thought we were finished. And  
11 eNRG went away, provided us with a fourth draft, and we  
12 sent it over to CAC/MSOS to make sure that they were  
13 happy with it.

14 MR. ERIC HOAKEN: I'm sorry, could I stop  
15 you again, because I want to make sure that I'm just  
16 keeping track of the right dates here.

17 So the feedback you got under April 20th -  
18 - you say you got feedback from Energy Savings, and that  
19 would be the email you got from Ms. Ruzycki?

20 MR. LLOYD KUCZEK: I believe that's  
21 correct, subject to check, but it was an email from --  
22 from, I believe it was her, yes.

23 MR. ERIC HOAKEN: Okay. Take a very  
24 quick look if you will at the brief that we marked as  
25 DEML/ESMLP-6, Tab 7 -- or excuse me, Tab 6. It's the one

1 that says, "eNRG cross-examination" on the front.

2

3

(BRIEF PAUSE)

4

5 MR. ERIC HOAKEN: At Tab 6 , Mr. Kuczek.

6 MR. LLOYD KUCZEK: Yes, this is the one.

7 MR. ERIC HOAKEN: Okay. And then could  
8 you just flip back a tab; this is an email dated the 29th  
9 of April from Andrea Gibbs of Direct Energy.

10 MR. LLOYD KUCZEK: That's correct.

11 MR. ERIC HOAKEN: All right. So as I'm  
12 reading your chronology -- not a big point, but the date  
13 you've got on here for the receipt of feedback from  
14 Direct Energy is not quite correct?

15

16

(BRIEF PAUSE)

17

18 MR. LLOYD KUCZEK: It looks like it's  
19 April 20th that we received that.

20 MR. ERIC HOAKEN: Right. Okay I just  
21 wanted to make sure we were talking about the same thing.

22 Okay, carry on.

23 MR. LLOYD KUCZEK: Okay. So -- and I  
24 would say one (1) of the objectives that we were trying  
25 to achieve here was to make sure that we provided the --

1 the input received from the retailers directly to eNRG,  
2 and -- and we weren't going to be criticized for being  
3 biassed, in terms of influencing eNRG in terms of their  
4 feedback and how that was going to be incorporated to the  
5 document.

6 And I did think that by involving two (2)  
7 individuals representing independent organizations of CAC  
8 and MSOS would be a great way of doing that.

9 MR. ERIC HOAKEN: All right, can I stop  
10 you there again. You knew then by the time that you  
11 forwarded on the comments from Energy Savings and Direct  
12 Energy, that both of those organizations were very  
13 concerned about what they perceived to be bias on the  
14 draft questionnaire?

15 MR. LLOYD KUCZEK: Yes. Actually CAC and  
16 MSOS mentioned the same thing.

17 MR. ERIC HOAKEN: Right. And so what  
18 discussions if any, did you have with eNRG when you  
19 forwarded it on the feedback from Direct Energy and  
20 Energy Savings about the concern of bias?

21 MR. LLOYD KUCZEK: We -- we gave eNRG the  
22 emails directly to -- the emails, which I assume he read;  
23 the discussion of bias was certainly had at the first  
24 meeting with CAC and MSOS.

25 MR. ERIC HOAKEN: All right. And was

1 there any specific -- was there any specific discussion  
2 at that meeting with CAC/MSOS about the retailers'  
3 concern of bias?

4 MR. LLOYD KUCZEK: What we ended up doing  
5 in the process, and I believe Andrew mentioned this --  
6 testified to this, is basically we went through in those  
7 two (2) meetings each question, question by question, we  
8 -- eNRG got input, obviously, directly from CAC/MSOS and  
9 the participants at the meeting from Centra. And we had  
10 -- I think it was Mr. Meder that was actually making sure  
11 that we were in -- taking into account the comments  
12 provided by the retailers.

13 MR. ERIC HOAKEN: Right. Did you hear  
14 the evidence of Mr. Enns? I -- I asked him about this  
15 and I understood him to say -- and of course we'll all be  
16 guided by the transcript -- but I understood him to say  
17 that he -- he got these emails with the draft surveys  
18 marked up by Direct Energy and Energy Savings. And  
19 although he saw the stated concern about bias, it wasn't  
20 abundantly clear to him what specific concerns the  
21 retailers had.

22 Was that something you were aware of?

23 MR. LLOYD KUCZEK: Well, I wouldn't say  
24 that I -- I could make a comment, in terms of how Andrew  
25 interpreted those -- those comments. I -- I can only

1 provide him with the input provided by yourselves, your  
2 clients, and you know, I basically was relying on his  
3 judgment throughout the whole process to ensure that the  
4 survey was drafted in a manner that got -- met the  
5 objectives.

6 MR. ERIC HOAKEN: And I probably should  
7 have asked my question a bit better; but did he tell you  
8 that he -- he didn't feel, from reviewing the emails in  
9 the marked up surveys, that he -- he could determine with  
10 any precision what exactly the retailers were concerned  
11 about when it came to bias?

12 MR. LLOYD KUCZEK: I couldn't speak for  
13 Mr. Enns.

14 MR. ERIC HOAKEN: No, I'm not asking you  
15 to; I'm asking if he told you?

16 MR. LLOYD KUCZEK: Oh. You're testing my  
17 memory, and to be honest with you I honestly don't  
18 remember if he told me that or not.

19 MR. ERIC HOAKEN: Okay. So let's then  
20 just go back to the question that really led you to pull  
21 out this document and take us through the chronology,  
22 which I agree is very helpful.

23 Going though the final sentence in  
24 PUB/CENTRA-39, this suggests that a final draft of the  
25 survey was distributed back to Centra, which we know of

1 course it was, and to CAC/MSOS for final feedback, prior  
2 to fielding the survey, and I'm simply suggesting to you  
3 that that in fact did not happen.

4 MR. LLOYD KUCZEK: Yes. And I -- I --  
5 what I was going to do was finish off the -- the events  
6 that occurred so that we're all clear on what did happen.

7 MR. ERIC HOAKEN: Well, if -- if you need  
8 to that in order to answer my question, go right ahead.  
9 But if you can answer my question without doing it -- I  
10 think I'm familiar with the chronology in the middle,  
11 it's really the end part I'm trying to get clarity on.

12 MR. LLOYD KUCZEK: For my comfort I'd  
13 like to just go through the chronology and -- and  
14 complete it that way because I know that's exactly what  
15 happened.

16 So at this point I guess when we got the  
17 feedback this is the feedback from CAC/MSOS -- CAC/MSOS,  
18 on the fourth draft they provided us with more comments  
19 than what we expected. We went through them and added  
20 our comments and we sent them off to eNRG to incorporate,  
21 and again we thought this would -- this would be the  
22 final draft and we would get on with the survey.

23 I would -- I would like to say though,  
24 that if you look at the email that we sent over to eNRG  
25 on May 1st, you'll see that this is -- this was quite

1 typical of what kind of went on in the meetings as well.  
2 The individuals provided their comments, we provided our  
3 comments, and included in that email I gave Andrew  
4 direction, or I made a comment with regards to, you know,  
5 we were relying on his judgment to incorporate all these  
6 comments. And so that -- that was typical of what went  
7 on in those two (2) meetings, as well.

8           And then at the end of that we got a fifth  
9 draft and that was really just a cleanup draft, and they  
10 were sending it over just to make sure everything was  
11 fine. And at that point only our market specialist went  
12 through that draft, had a few minor comments I believe,  
13 sent it back to eNRG, and eNRG sent the sixth draft I  
14 think that you're referring to back to us which we said  
15 was fine, and that was the final version.

16           MR. ERIC HOAKEN:   Okay.  Very helpful.  
17 So it sounds to me then that the last draft that  
18 CAC/MSOS saw was draft 4, correct?

19           MR. LLOYD KUCZEK:   That's correct.

20           MR. ERIC HOAKEN:   All right.  So then  
21 going back finally to my question, you'll agree with me  
22 then that the IR response here is not completely  
23 accurate, because if it's suggesting that CAC/MSOS got  
24 the final draft to make comments on or feedback, they  
25 didn't?

1 MR. LLOYD KUCZEK: That'd be correct,  
2 yes.

3 MR. ERIC HOAKEN: Now, just to continue  
4 the discussion we started yesterday about the -- the  
5 quality, if I can put it that way, of consultations  
6 between Centra and the retailers, let's just take a look  
7 at a couple of the e-mails from this process of  
8 consultation about the market research.

9 Turn if you will to the brief we've marked  
10 as DEML/ESMLP Exhibit 7. This is the one, Ms. Derksen,  
11 that says on the front, "Brief of Documents Presented to  
12 Andrew Enns."

13

14 (BRIEF PAUSE)

15

16 MR. LLOYD KUCZEK: Just to finish the  
17 last question, I -- I should point out that I -- I did  
18 make a decision at that point not to consult any further  
19 with the external parties to get the survey done. At the  
20 point that we received the -- the final draft we were --  
21 let's look at the dates here -- Centra received the  
22 fourth date, that was April 27th; Centra received a draft  
23 of the survey for -- okay, the commercial -- I have the  
24 fifth version being received May 2nd.

25 And at this point I decided that it was

1 more important to do any further consultations -- what  
2 was more important than that was to actually get the  
3 market research done. I thought we did a fair amount,  
4 and a reasonable amount at that point, and we needed to  
5 proceed to get the market research done.

6 MR. ERIC HOAKEN: So it was more  
7 important to get it done quickly rather than get it done  
8 well?

9 MR. LLOYD KUCZEK: No, actually I think  
10 we did a fairly good job at that point. I mean we could  
11 spend, and based on my experience in the past -- and some  
12 other initiatives, you could spend a year going through  
13 something like this before you're gonna finally agree to  
14 something. So I thought it was more important to get the  
15 market research to the -- before the Board for this  
16 hearing, than to fine tune it to that degree.

17 MR. ERIC HOAKEN: All right. So you made  
18 the decision then to cut off the process of consultation,  
19 in the case of the retailers, after the third draft, and  
20 in the case of CAC/MSOS after the fourth draft?

21 MR. LLOYD KUCZEK: I made the decision  
22 that we must move ahead to undertake the market research  
23 to get it done in time for the hearings.

24 MR. ERIC HOAKEN: And to effectively end  
25 the consultation with those parties?

1 MR. LLOYD KUCZEK: That -- I thought we  
2 had done sufficient consultations at that point, yes.

3 MR. ERIC HOAKEN: Now is there anything  
4 else you'd like to tell me about this chronology before I  
5 move on to my next question?

6 MR. LLOYD KUCZEK: I think you'll have to  
7 tell me where to go now.

8 MR. ERIC HOAKEN: I've been -- I've been  
9 thinking about doing that for the last ten (10) minutes.  
10 Turn to Tab 7 of the brief that I  
11 identified for you, Mr. Kuczek, and this is an email that  
12 Mr. Meder sent to Mr. Enns on the 16th of March, correct?

13 MR. LLOYD KUCZEK: Yes.

14 MR. ERIC HOAKEN: And this was for the  
15 purpose of -- of arranging or scheduling the somewhat  
16 curiously titled, "Internal Workshop," right?

17 MR. LLOYD KUCZEK: That's what -- how Mr.  
18 Meder characterized it, yes.

19 MR. ERIC HOAKEN: Right. And as Mr. Enns  
20 told me it's a bit of a misnomer, in the sense that the  
21 purpose of the meeting was to actually meet with external  
22 parties.

23 MR. LLOYD KUCZEK: I believe that's the  
24 meet -- the meeting, yes; it was internal and external.  
25 I...correct.

1 MR. ERIC HOAKEN: Okay. Gee, I thought  
2 you were going back to the chronology there for a minute.

3 So at the time of this email, it was being  
4 anticipated that this workshop -- let's call it a  
5 meeting, if that's okay; meeting with external and  
6 internal stakeholders -- it was anticipated that this was  
7 gonna be on the 23rd of March, which was exactly a week  
8 hence from the date of the email, right?

9 MR. LLOYD KUCZEK: Yes.

10 MR. ERIC HOAKEN: And you were  
11 anticipating, not you personally, but Manitoba Hydro was  
12 anticipating as of the date of this email, that the  
13 purpose to be served from this meeting was to get input  
14 from external stakeholders that would hopefully prevent  
15 them being dissatisfied with the end result.

16 Is that fair?

17 MR. LLOYD KUCZEK: That -- that was part  
18 of it. And I -- I thought it was reasonable to provide  
19 the external stakeholders with an opportunity to dialogue  
20 directly with eNRG --

21 MR. ERIC HOAKEN: Right.

22 MR. LLOYD KUCZEK: -- in fairness.

23 MR. ERIC HOAKEN: Okay. And what Mr.  
24 Meder says in the email, and I'm sure you'll agree with  
25 this, he says at the end of the second to last paragraph,

1 he says:

2 "We also anticipate this approach will  
3 facilitate participants to take some  
4 ownership of the study and avoid  
5 criticisms of the research process and  
6 findings."

7 So you'd agree that was one of the  
8 objectives of the -- of this meeting?

9 MR. LLOYD KUCZEK: We were hoping --  
10 there's -- there's no doubt that by having the meeting  
11 that was -- it was hoped that we'd receive less  
12 criticism, but I always knew that I would receive  
13 criticism at the end of the day, yeah, going down this  
14 path.

15 MR. ERIC HOAKEN: Right. But I take it  
16 that wasn't gonna prevent you from doing your very best  
17 to consult with external stakeholders, right?

18 MR. LLOYD KUCZEK: I did what I thought  
19 was a good management -- I may -- in my judgement, the  
20 decisions I made were good management decisions, in terms  
21 of managing the project at hand.

22 MR. ERIC HOAKEN: Okay. But just going  
23 back to the passage I just read you from the email,  
24 that's how Mr. Meder has described it, and I'm just -- I  
25 just want to know: Do you agree with the way that he's

1 pitched, or at least characterized the purpose of the  
2 meeting?

3

4 (BRIEF PAUSE)

5

6 MR. LLOYD KUCZEK: It was Mr. Meder's way  
7 of characterizing it --

8 MR. ERIC HOAKEN: And I just want to know  
9 if you agree with how he characterizes it, or if you were  
10 writing the email, would you have characterized it a  
11 different way?

12 MR. LLOYD KUCZEK: I would of  
13 characterized it a different way.

14 MR. ERIC HOAKEN: All right. And you  
15 would have characterized it a different way simply to  
16 express that while you were going to do your best to get  
17 stakeholder input, you didn't necessarily expect that you  
18 were going to be able to avoid criticism of the end  
19 result; is that what you're telling me?

20 MR. LLOYD KUCZEK: No, that part was just  
21 an added comment that I -- I, in my own mind, I knew it  
22 was going to happen at the end of the day.

23 I thought from a management perspective it  
24 was a reasonable thing to do and a -- a prudent thing to  
25 do, in terms of getting input and providing the retailers

1 as well as CAC/MSOS with an opportunity to consult or  
2 voice their -- or provide their input directly to eNRG.

3 MR. ERIC HOAKEN: Right. And I take  
4 you'd include in that though, Direct Energy and Energy  
5 Savings?

6 MR. LLOYD KUCZEK: I'm sorry. Did I  
7 exclude somebody?

8 MR. ERIC HOAKEN: Well you -- you said  
9 you thought it was reasonable to consult with CAC/MSOS  
10 and I --

11 MS. MARLA MURPHY: I think maybe you've  
12 missed the -- the rest of the phrase. I'm quite sure I  
13 heard "and the retailers," but the transcript will guide  
14 that.

15 MR. ERIC HOAKEN: Oh. I -- I must have  
16 missed it then. I -- I apologize.

17 MR. LLOYD KUCZEK: Regardless, that's  
18 what I meant.

19 MR. ERIC HOAKEN: Okay, thank you and I  
20 apologize for that.

21

22 CONTINUED BY MR. ERIC HOAKEN:

23 MR. ERIC HOAKEN: So if that's the case  
24 then can you just help me understand why, as of the date  
25 of this email, no firm decision had been made to actually

1 invite the retailers?

2                   Because if you look at the email you see  
3 in the second paragraph, Mr. Meder says:

4                   "At this time invitations are being  
5 extended to two (2) consumer  
6 associations, CAC/MSOS..."

7                   Do you see that?

8                   MR. LLOYD KUCZEK:    Yes.

9                   MR. ERIC HOAKEN:    And then in the next  
10 paragraph he says "Invitations may..." and he's  
11 underlined the word.  So that suggests to me that there  
12 was uncertainty at this time as to whether or not those  
13 parties, that you've acknowledged you needed to consult  
14 with, were even going to be invited to this meeting.

15                  MR. LLOYD KUCZEK:    Yes.  And I do recall  
16 that because going down this path I was trying to figure  
17 out what was the best way of consulting and what was  
18 appropriate.

19                  One (1) of the concerns that I had in  
20 undertaking the market research, was ensuring that the  
21 customers' interests were taken into account and were of  
22 high priority, in terms of undertaking the market  
23 research.

24                  And I fully understood that the -- and  
25 appreciate that the retailers might have somewhat a

1 different priority than the CAC/MSOS and ourselves, in  
2 terms of that priority. Based on my business education  
3 that I've taken through the MBA, I know that the -- the  
4 highest priority item for a -- a company, is stakeholders  
5 -- stakeholders.

6                   And for a company such as the retailers  
7 that -- the objective there -- the top priority would be  
8 to maximize the value for their shareholders, and for the  
9 other organizations, and including ourselves, it's our  
10 customers' interests are -- which are our stakeholders.

11                   MR. ERIC HOAKEN:     So let me see if I've--

12                   MR. LLOYD KUCZEK:     I never did answer  
13 your question so --

14                   MR. ERIC HOAKEN:     No, you didn't  
15 actually.

16                   MR. LLOYD KUCZEK:     Yeah. So -- so at  
17 that point, I wasn't exactly sure how I was going to  
18 undertake the consultations, and so Mr. Meder came and  
19 asked me who we were going to invite to the meeting, and  
20 I said I would like to take the weekend to think about  
21 it. And I -- I believe I also wanted to consult with  
22 just a couple of the executive, or at least one (1) of  
23 the executive to see what -- get some input on that.

24                   MR. ERIC HOAKEN:     All right.

25                   MR. LLOYD KUCZEK:     So it was after the

1 weekend that the decision was made.

2 MR. ERIC HOAKEN: So you -- you've told  
3 us that timelines were very important. It was important  
4 to push forward as quickly as possible, but  
5 notwithstanding that you -- you wanted some extra time to  
6 reflect on how, if at all, to engage the retailers in  
7 this process?

8 MR. LLOYD KUCZEK: Yeah, that's true.

9 MR. ERIC HOAKEN: And so you then did  
10 decide, as I understand it, by Tuesday morning. And --  
11 and if you turn over the tab in the brief you and I are  
12 looking at, you'll see a email that you've sent on the  
13 20th of March 2007 at 10:07 a.m. Do you see that?

14 MR. LLOYD KUCZEK: Yes.

15 MR. ERIC HOAKEN: And so certainly by  
16 this time you had resolved this issue in your own mind,  
17 that you were in fact going to include the retailers?

18 MR. LLOYD KUCZEK: Correct.

19 MR. ERIC HOAKEN: And this was the first  
20 notice or invitation that they received at the meeting,  
21 fair?

22 MR. LLOYD KUCZEK: Fair.

23 MR. ERIC HOAKEN: And this now -- this  
24 invitation was being extended less that seventy-two (72)  
25 hours prior to the meeting, fair?

1 MR. LLOYD KUCZEK: That's true.

2 MR. ERIC HOAKEN: All right.

3 MR. LLOYD KUCZEK: I did apologize for  
4 that too, by the way.

5 MR. ERIC HOAKEN: And in fact as a result  
6 of the short timeline, a representative of Energy Savings  
7 was unable to attend, correct?

8 MR. LLOYD KUCZEK: Yes. And they asked  
9 if we could arrange a conference call and we did that to  
10 accommodate. And I'm not sure who it was, but it was one  
11 (1) of the retailers for sure so they could participate,  
12 if not two (2).

13

14 (BRIEF PAUSE)

15

16 MR. ERIC HOAKEN: Now we -- we started  
17 this whole discussion late yesterday, Mr. Warden and I  
18 did, about the relationship between Centra, or Manitoba  
19 Hydro, and the retailers, and let me just come back to  
20 that, Mr. Warden.

21 Do you agree that another factor to  
22 consider when evaluating the relationship between  
23 Manitoba Hydro and the retailers, is the fact that  
24 Manitoba Hydro sees itself as a competitor of the  
25 retailers?

1                   MR. VINCE WARDEN:     There is an element  
2 of competition.  I -- I don't think we regard the  
3 retailers as direct competitors, but there's -- there's  
4 definitely overtones of competition in our relationship,  
5 yes.

6                   MR. ERIC HOAKEN:     And you as a competitor  
7 have -- have engaged in efforts to promote your products,  
8 is that fair?

9                   MR. VINCE WARDEN:     Very few, actually.  
10 We would like to do more than we've done.

11                  MR. ERIC HOAKEN:     All right.  And I'm  
12 going to take you in a moment to what you have done.  But  
13 I take it you'll agree with me that the purpose of those  
14 efforts is to persuade consumers to opt for your product,  
15 other than that of the products being offered by the  
16 retailers, correct?

17                  MR. VINCE WARDEN:     No, not at all.

18                  MR. ERIC HOAKEN:     Okay.

19                  MR. VINCE WARDEN:     As we've said time  
20 and time again in these proceedings, and in our filing,  
21 we would -- our objective is to have information in the  
22 hands of the consumers so that they can make informed  
23 choices.

24                  MR. ERIC HOAKEN:     All right.  So to the  
25 extent you're engaging in any advertising, your evidence,

1 Mr. Warden, is it's purely for educational purposes, and  
2 it's not designed to promote your product?

3 MR. VINCE WARDEN: It's for -- the  
4 primary objective is education, not promotion.

5 MR. ERIC HOAKEN: What's the secondary  
6 objective?

7 MR. VINCE WARDEN: Well, I don't think -  
8 - at least in recent times there may have been in -- in  
9 past history there might have been somewhat of a bias  
10 towards the product of Manitoba Hydro, but in most recent  
11 advertisements or information brochures that have been  
12 issued by the Corporation, they have been strictly  
13 informational.

14 MR. ERIC HOAKEN: And if you could turn  
15 up DEML/ESMLP/CENTRA-28, Mr. Warden.

16  
17 (BRIEF PAUSE)

18  
19 MR. ERIC HOAKEN: And if you could look  
20 at -- at Attachment 3.

21  
22 (BRIEF PAUSE)

23  
24 MR. ERIC HOAKEN: I'm sorry, have you got  
25 it?

1 MR. VINCE WARDEN: Sorry, yes, we have it  
2 here.

3 MR. ERIC HOAKEN: Yeah, okay, I'm sorry,  
4 I thought you were still looking for it.

5 And this is an advertisement that was run  
6 by Manitoba Hydro, is that right?

7 MR. VINCE WARDEN: Yes.

8 MR. ERIC HOAKEN: And what -- what  
9 publications was it run in, Mr. Warden, do you know?

10 MR. VINCE WARDEN: As far as I know it  
11 was in the -- the local media, so the Winnipeg Free  
12 Press; the Winnipeg Sun, I believe.

13 MR. ERIC HOAKEN: And do you know in  
14 general terms the timeframe in which this was run?

15 MR. VINCE WARDEN: Yes, it would have  
16 been back in 2003, I believe.

17 MR. ERIC HOAKEN: Okay. And you'll agree  
18 with me that certainly the primary purpose of this ad is  
19 to promote Manitoba Hydro's product, is that fair?

20 MR. LLOYD KUCZEK: I -- I think I'll  
21 respond to that --

22 MR. ERIC HOAKEN: Sure.

23 MR. LLOYD KUCZEK: -- because it was --  
24 the person that created this ad actually was working for  
25 me, and the way she described it to me; the primary

1 purpose was to try to create awareness of the -- the  
2 issue of -- the customers have before them; that is, they  
3 have a choice in terms of buying -- who they can buy from  
4 and what products they can buy from. She was looking to  
5 develop a very creative ad that would create the -- that  
6 would get the attention of consumers and so she was going  
7 down the path of using the fairytales to try to get the  
8 attention in the papers of readers.

9           And the objective she said was -- and I --  
10 I'd have to look at it here, but I recall her telling me  
11 the objective was for her to get the customers to  
12 actually go the website or to ask for a brochure. I'm  
13 not really sure.

14           But she told me there's now way I could  
15 educate consumers totally in an ad. What I've got to do  
16 is I've got to get them to read this ad, generate some  
17 interest, and move forward from there.

18           And I'm not sure if she had a series of  
19 fairytale ads that she was going to try to use to just  
20 generate interest in the public and get awareness, but  
21 that was the path that she was pursuing.

22           And you know it's not uncommon for people  
23 to use stuff like that. It depends on how creative you  
24 are. We've got -- in our local newspaper our telephone  
25 company uses a buffalo. I mean, I thought it was really

1 hokey the first time I seen that thing and it turned to  
2 be a really good way of getting -- advertising for them.

3 So I didn't stop her from advertising this  
4 ad. I thought it was quite creative, actually, myself.

5 MR. ERIC HOAKEN: Well, I'm less  
6 interested I guess in the creative process than I am in  
7 the business decision-making process.

8 Because presumably this person that you've  
9 referred didn't on her own make the decision that  
10 Manitoba Hydro was going to purchase space in local media  
11 and run an ad, right?

12 MR. LLOYD KUCZEK: She showed me the ad  
13 and explained -- and explained what she was trying to  
14 achieve with the ad, as I explained to you, and that's --  
15 I believe she had my -- I'm not sure if we had send it up  
16 to the executive or not, but she certainly had my  
17 approval to place the ad.

18 MR. ERIC HOAKEN: Okay. But leaving  
19 aside what she may have intended, do you agree with me,  
20 Mr. Kuczek, that a reader of this ad would fairly take it  
21 that Manitoba Hydro was promoting its option as the  
22 preferable option; as the one that was quote/unquote  
23 "just right?"

24 MR. LLOYD KUCZEK: I don't know if I can  
25 really agree with that.

1                   MR. ERIC HOAKEN:    I guess I'm going to  
2 have to defer to the Board for their judgment on the ad.

3                   MR. LLOYD KUCZEK:    You know, I think this  
4 ad has been before the Board already and here's been many  
5 discussions about it, so we could have more or -- it's up  
6 to you.

7                   MR. ERIC HOAKEN:    Right.  And you  
8 received complaints from the retailers about this ad,  
9 correct?

10                  MR. LLOYD KUCZEK:    Yes.

11                  MR. ERIC HOAKEN:    And the -- the further  
12 campaign to promote the products of Manitoba Hydro that  
13 you referred to, that then was not pursued further; am I  
14 right about that?

15                  MR. LLOYD KUCZEK:    I think we  
16 accommodated the retailers' concerns and we stopped the  
17 ads.

18                  MR. ERIC HOAKEN:    And there was some, as  
19 you've indicated and we probably don't need to get into  
20 in too much detail, but there was some dialogue with this  
21 Board as well about the appropriateness of these ads, is  
22 that right?

23                  MR. LLOYD KUCZEK:    I believe the dialogue  
24 was before -- during a hearing, if I'm not mistaken.

25                  MR. ERIC HOAKEN:    But just coming to the

1 ad, am I right that the suggestion being made in this ad,  
2 is that for some people the market price of natural gas,  
3 a market price or market base price, is going to be too  
4 volatile?

5 MR. LLOYD KUCZEK: I think the suggestion  
6 is you've got three (3) choices here and --

7 MR. ERIC HOAKEN: Well, let's just start  
8 with the first one, because I just want to -- let's just  
9 take it step by step, Mr. Kuczek. Yeah, you're dying to  
10 give me the big picture and everything, but I'd like to  
11 take it step by step.

12 So just dealing with the first of the  
13 options. The first option that's being positioned here is  
14 a market price or a market price based product, is that  
15 right?

16 MR. LLOYD KUCZEK: I'm actually not sure.  
17 This is the one with the bear with the dollar signs?

18 MR. ERIC HOAKEN: Well, let's just read  
19 the text. It says:

20 "For some people the market price of  
21 natural gas is too volatile."

22 So I -- I would call that option number 1.  
23 So yes, I guess that's the bear with the dollar -- well,  
24 that's the bear with the thunderbolt probably.

25 The next choice is long-term fixed

1 contract prices that can be too expensive; that's the  
2 bear with the dollar signs, right?

3 MR. LLOYD KUCZEK: Well, I don't really  
4 know. It could be that the bear is going to be saving  
5 money. I really don't know. It's thinking about  
6 dollars. I -- I don't -- you know, like how -- how you --  
7 -- we're into discussions, I guess, that we've already  
8 had. And how you interpret this, and I would interpret  
9 it one (1) way, and another person interpret it another  
10 way.

11 And the intent wasn't to try to influence  
12 the consumer to pick one (1) of these particular  
13 products. The intent was to create awareness and  
14 interest, so that they would look into the decision that  
15 they had before them.

16 MR. ERIC HOAKEN: Let me make sure I got  
17 that right. You're saying the intention of this ad  
18 wasn't to advocate for any one (1) of these three (3)  
19 choices?

20 MR. LLOYD KUCZEK: That was my  
21 understanding.

22 MR. ERIC HOAKEN: Okay. So when you say  
23 in the first paragraph, of the smaller text:

24 "for many people Manitoba Hydro's  
25 primary gas rates can be just right."

1                   Now you don't describe any of the other  
2 options in those terms do you?

3

4                                   (BRIEF PAUSE)

5

6                   MR. LLOYD KUCZEK:   That's the way it's  
7 described, yes.

8                   MR. ERIC HOAKEN:   Right. And you're also  
9 telling consumers who read this ad that you don't charge  
10 a profit, and the inference, presumably, you're hoping  
11 they're gonna draw from that, is that the pricing of your  
12 product will be advantageous to them?

13

14                                   (BRIEF PAUSE)

15

16                   MR. LLOYD KUCZEK:   It's providing some  
17 information on the profit aspect, yes.

18                   MR. ERIC HOAKEN:   For the purpose of  
19 having them conclude, 'cause I'm sure you know this from  
20 your business training, that the whole purpose of  
21 spending money on marketing is to influence decisions of  
22 consumers, right?

23                   MR. LLOYD KUCZEK:   Yes.

24                   MR. ERIC HOAKEN:   And so, what you're  
25 trying to do here, is you're trying to tell consumers

1 that your product, because it doesn't incorporate a  
2 product margin, is gonna be cheaper for them. It doesn't  
3 seem to me that's a big stretch, Mr. Kuczek.

4 MR. LLOYD KUCZEK: Well, I had this  
5 discussion way -- way back then in 2003, with the  
6 individual that was creating the ad, and if I recall, she  
7 was trying to provide some information on our product --  
8 because we had -- and I think I testified to this earlier  
9 -- and we've had a lot of discussions internally about  
10 this -- how you describe our product, because it's a  
11 fairly complicated product.

12 Whereas a -- I think the thought was that  
13 if you're buying a five (5) year fixed rate product, it's  
14 fairly straight forward. If you're buying a three (3)  
15 month fixed rate product, that would be straight forward.  
16 But our product wasn't that straight forward.

17 In fact, what she was -- she was going  
18 down the path of thinking of maybe branding it with this  
19 rate protection program where, I guess, it wasn't that --  
20 she had it -- she had a term that she was thinking of  
21 using even back then to try to address that.

22 MR. ERIC HOAKEN: That's an excellent  
23 point though. Sorry, I'll let you and Mr. Stephens  
24 confer.

25

1 (BRIEF PAUSE)

2

3 MR. ERIC HOAKEN: So just to followup on  
4 what you just said, that's a very good point: How do you  
5 describe your product? There's a description here of the  
6 market price of natural gas, so you're -- you're not in  
7 this ad describing your product as based on the market  
8 price of natural gas, is that right?

9 MR. LLOYD KUCZEK: That's correct.

10 MR. ERIC HOAKEN: Okay. So then how are  
11 you characterizing or describing your product in this ad?

12 MR. LLOYD KUCZEK: In this ad we're  
13 saying:

14 "We use a variety of financial tools,  
15 quarterly adjustment rates, and storage  
16 in the summer to give you stability in  
17 your gas bill."

18 MR. ERIC HOAKEN: All right. And all of  
19 that designed to lessen the exposure to the volatile  
20 market for natural gas? Is that the intention of that  
21 script that you just read?

22 MR. LLOYD KUCZEK: I think the intent is  
23 to try to give the consumer some knowledge of what that  
24 product is.

25 MR. ERIC HOAKEN: Okay. And just coming

1 back to what you've said about this being intended to  
2 educate consumers, you -- you don't in any way, or you --  
3 in -- sorry -- you don't in any place make reference to  
4 the retailers by name, or to a place where information  
5 can be obtained about their products?

6 MR. LLOYD KUCZEK: That's correct.

7 MR. ERIC HOAKEN: Now, just flip forward  
8 a few pages in this same IR response that we've been  
9 looking at, and look at Attachment 1 if you will, Natural  
10 Gas from Manitoba Hydro. Do you see that?

11 MR. LLOYD KUCZEK: Yes.

12 MR. ERIC HOAKEN: And I'm just not clear  
13 on what this is. Is this an advertisement that's been  
14 run in a newspaper?

15 MR. LLOYD KUCZEK: That's correct.

16 MR. ERIC HOAKEN: And actually I do now  
17 see at the top, I'm sorry, I missed it; there's a  
18 reference to Free Press, which I take it to be the  
19 Winnipeg Free Press?

20 MR. LLOYD KUCZEK: Yes.

21 MR. ERIC HOAKEN: And I take it from  
22 that, this ad was run in that publication?

23 MR. LLOYD KUCZEK: I believe so.

24 MR. ERIC HOAKEN: Yeah. And what  
25 timeframe, do you have any idea?

1                   MR. LLOYD KUCZEK:    I can only go by what  
2 was on the -- in the response to the IR, and it was a  
3 2003 publication, so I assume in -- in that timeframe.

4                   MR. ERIC HOAKEN:    Okay.  Do you know, in  
5 relation to the ad we'd just been looking at, if it was  
6 before or after that one?

7                   MR. LLOYD KUCZEK:    I couldn't say for  
8 certain.

9                   MR. ERIC HOAKEN:    Okay.  Is there any way  
10 of finding out?

11                  MR. LLOYD KUCZEK:    There probably is, I  
12 don't know how easy that would be but --

13                  MR. ERIC HOAKEN:    Well, can I take an  
14 undertaking on a best efforts basis, to see what you can  
15 find out?

16                  MR. LLOYD KUCZEK:    Okay.

17

18 --- UNDERTAKING NO. 8:            Centra to determine for  
19    DEML/ESMLP when the ad in the  
20    Winnipeg Free Press was run

21

22 CONTINUED BY MR. ERIC HOAKEN:

23                  MR. ERIC HOAKEN:    Thank you.  Now, I must  
24 confess I'm a little confused by this publication,  
25 because as you and I have just agreed, in looking at the

1 last ad, you -- you're not describing the Manitoba Hydro  
2 product as a market based product.

3 But in this ad, it appears to me you  
4 actually are, 'cause in the first line you say:

5 "Choosing Manitoba Hydro means you pay  
6 a rate based on the market price of  
7 natural gas."

8 Isn't there something inconsistent about  
9 how you're describing your product between those two (2)  
10 ads?

11 MR. LLOYD KUCZEK: When you're trying to  
12 describe our product to consumers in a newspaper ad, it's  
13 -- it's a very difficult thing, and you chose words that  
14 you think are best, in terms of doing that. I -- I  
15 believe this ad was intended to try to educate consumers  
16 on what we were do -- what we were doing to try to help  
17 them with their -- the gas price volatility at the time.

18 Mr. Stephens could probably correct me if  
19 I'm wrong, but I believe that was the period when  
20 consumers were very concerned about gas prices; it was in  
21 the media a lot, and what not.

22 MR. ERIC HOAKEN: All right. Well, I  
23 guess we'll get a better sense of the timing once you are  
24 able to answer the undertaking, if you are.

25 Now I think then, you've acknowledged, Mr.

1 Warden, that to at least some degree then, Manitoba Hydro  
2 is a competitor of the retailers, right?

3 MR. VINCE WARDEN: To a degree.

4 MR. ERIC HOAKEN: And in addition though,  
5 I take it, Manitoba Hydro sees its role as promoting or  
6 facilitating competition in the natural gas market. Is  
7 that fair?

8 MR. VINCE WARDEN: We don't raise  
9 barriers to competition within Manitoba. And we -- I  
10 think if -- if -- the history going back over the past  
11 ten (10) plus years demonstrates that we've done our best  
12 to facilitate that competitive market in Manitoba.

13 MR. ERIC HOAKEN: All right. Well, you  
14 said you -- you don't raise barriers; I want to put it in  
15 a more positive sense.

16 Is it fair to say that Centra, or Manitoba  
17 Hydro, sees it's role as including that of a supplier of  
18 services to enable participation in the market by other  
19 companies, such as the retailers?

20 MR. VINCE WARDEN: I would agree with  
21 that, yes.

22 MR. ERIC HOAKEN: Yeah. And I don't  
23 think it's controversial, because I think you've more or  
24 less said that in your pre-filed evidence.

25 And so in -- in that sense then, I take it

1 you'd agree with me, Mr. Warden, that the retailers are  
2 dependent on Manitoba Hydro to implement and administer  
3 some of the elements that they rely upon to do their  
4 business, is that fair?

5 MR. VINCE WARDEN: Fair.

6 MR. ERIC HOAKEN: And so on the other  
7 hand, the retailers are in the position of being  
8 dependent or reliant on Manitoba Hydro, but on the other  
9 hand they're also a competitor of Manitoba Hydro, is that  
10 fair?

11 MR. VINCE WARDEN: I think we've agreed  
12 there's a -- a degree of competition there.

13 MR. ERIC HOAKEN: All right. So tell me  
14 this, do you think it's at least a plausible theory that  
15 that somewhat unusual market dynamic has been a factor in  
16 the development of the competitive market here in  
17 Manitoba?

18 MR. VINCE WARDEN: Well, I'll agree it's  
19 somewhat unusual; it's an unusual market dynamic that we  
20 have here in Manitoba.

21 MR. ERIC HOAKEN: And do you think that  
22 for a company that was considering entry to the Manitoba  
23 market, that that would be a positive or a negative in  
24 their analysis of whether to enter the market?

25 MR. VINCE WARDEN: I don't really know

1 the answer to that.

2 MR. ERIC HOAKEN: Now, I don't want to  
3 leave this overall theme of the relationship without just  
4 going back to you, Mr. Kuczek, to finish up the  
5 discussion that you had with Mr. Peters, I believe it  
6 was, about the EPP adjustments that arose. Or the  
7 problem with the EPP adjustments that arose.

8 You're looking surprised. You do recall  
9 that evidence?

10 MR. LLOYD KUCZEK: I was hoping you were  
11 going to go back to how the relationship improved and how  
12 we responded to your concerns about the ads, and the  
13 process that we used subsequent to that to try to develop  
14 some ads that we were all -- we were all happy with.

15 MR. ERIC HOAKEN: Well, I was hoping I  
16 was going to win the lottery but I haven't, so.

17 So I guess unfortunately this exercise  
18 being what it is, I'm the one who gets to decide what  
19 we're going to talk about.

20 So let's go back to the EPP adjustment  
21 issue. And as I heard your evidence, you -- you were  
22 acknowledging that there had been an error on the part of  
23 Manitoba Hydro that had contributed to this problem. Is  
24 that fair?

25 MR. LLOYD KUCZEK: Contribute to which

1 problem now?

2 MR. ERIC HOAKEN: Well, to the problem of  
3 having ten thousand five hundred (10,500) customers who  
4 had a variance greater than 100 percent of their EPP  
5 amount.

6 MR. LLOYD KUCZEK: Yes. We -- we didn't  
7 undertake part of the process which we should have,  
8 correct.

9 MR. ERIC HOAKEN: Right. And had you  
10 done what your processes had required, then this  
11 difficulty would not have arisen. I -- that's what I  
12 took from your evidence, is that fair?

13 MR. LLOYD KUCZEK: Maybe I wasn't clear  
14 on it. I suspect we would have still had some customers  
15 that would have been in that category but I couldn't tell  
16 you how many it would have been, but it certainly would  
17 have been less.

18 MR. ERIC HOAKEN: And certainly  
19 considerably less than ten thousand five hundred  
20 (10,500)?

21 MR. LLOYD KUCZEK: I don't know what we  
22 normally have, so it's tough for me to say.

23 MR. ERIC HOAKEN: Now you learned from  
24 the retailers that they were receiving a very high volume  
25 of calls from irate customers who thought that this issue

1 was a result of something the retailers had done, right?

2 MR. LLOYD KUCZEK: You're going to have  
3 to repeat that, I'm sorry.

4 MR. ERIC HOAKEN: Sure. You -- and I'm  
5 using the "you" to connote Manitoba Hydro, not you  
6 personally, Mr. Kuczek.

7 MR. LLOYD KUCZEK: Okay. I took that as  
8 me.

9 MR. ERIC HOAKEN: All right. I should be  
10 more precise then. Manitoba Hydro received telephone  
11 calls from the retailers in late August to indicate that  
12 the retailers had been receiving calls from irate  
13 customers who were concerned about the size of the  
14 adjustments. Is that right?

15 MR. LLOYD KUCZEK: I understand that  
16 there was calls from the retailers to Manitoba Hydro  
17 expressing some concerns about the customers coming to  
18 them and the situation, yes.

19 MR. ERIC HOAKEN: And an email was sent  
20 on the 27th of August by Tiffany Yarmie of Direct Energy  
21 to Pam Mansky; Did you see a copy of that email?

22 MR. LLOYD KUCZEK: No, I did not.

23 MR. ERIC HOAKEN: All right. And I'll  
24 tell you why I ask is because Ms. Mansky then  
25 subsequently responds on the 30th of August, and you are

1 shown as receiving a copy of that. Does that help  
2 refresh your recollection?

3 MR. LLOYD KUCZEK: I did read the email  
4 that she sent back but I didn't follow the trail of  
5 emails. I generally can't do that. I get so many emails  
6 and if I follow the trails that's -- that's even worse.

7 MR. ERIC HOAKEN: And so on the 27th of  
8 August, Ms. Yarmie was indicating that not only were they  
9 getting calls from customers who were concerned, but they  
10 were also getting calls from customers who said they'd  
11 called the call centre for Manitoba Hydro and had been  
12 told that this was actually the fault of the retailers.

13 Was that something that was brought to  
14 your attention?

15 MR. LLOYD KUCZEK: I think it was  
16 characterized that way by the retailers, but I don't  
17 think that was our understanding of what actually  
18 transpired.

19 We -- we just explained to the customers  
20 what the reasons were for it, and I think at that time  
21 when we communicated with the customers, our reps would  
22 not have been aware that that process hadn't been  
23 followed.

24 We were -- because of the complaints, we  
25 were subsequently following up with why this wasn't

1 picked up.

2 MR. ERIC HOAKEN: But in -- in a general  
3 sense at least, you and your staff -- now I should stop  
4 there.

5 Do I take it that you were responsible for  
6 the call centre, is that right?

7 MR. LLOYD KUCZEK: Yes.

8 MR. ERIC HOAKEN: Okay. So you and your  
9 staff were aware that the retailers were receiving a much  
10 higher volume of calls than usual about the budget plan.

11 Is that fair?

12 MR. LLOYD KUCZEK: I -- I became aware  
13 that this situation arose, yes.

14 MR. ERIC HOAKEN: And that situation  
15 involved the retailers getting a high volume of calls?

16 MR. LLOYD KUCZEK: Yes, that's -- that --  
17 well, I don't -- I wasn't told it was a high volume of  
18 calls. In fact, the email only had a short list of  
19 customers identified that Pam Mansky responded to, and it  
20 might have been a handful.

21 MR. ERIC HOAKEN: All right. Would it  
22 surprise you to know that between the first of June and  
23 the 17th of September of this year, that Direct Energy  
24 received a hundred and thirteen (113) calls from Centra  
25 customers concerned about the budget plan?

1                   MR. LLOYD KUCZEK:    No, it wouldn't  
2 concern me because -- or it wouldn't shock me because  
3 given what had occurred and it seemed to me the -- the  
4 problem -- not -- not just the problem but what -- the  
5 situation was such that a number of customers went from a  
6 rate that was in the twenties to the thirties and it was  
7 a substantial increase, and if there was no adjustment  
8 made to accommodate the -- that in the equal payment  
9 plan, obviously their bills would be substantial in  
10 August, so.

11                   MR. ERIC HOAKEN:    And if it were to be  
12 the -- the evidence of Direct Energy that that's a  
13 significantly higher volume of calls than usual, for a  
14 time period such as that, for inquiries about the budget  
15 plan, does that seem right to you?

16                   MR. LLOYD KUCZEK:    I couldn't comment on  
17 your volume.

18                   MR. ERIC HOAKEN:    Now, just coming back  
19 then to how Manitoba Hydro addressed some of the concerns  
20 of the retailers, you did see this e-mail that Ms. Mansky  
21 sent back to Ms. Yarmie and Ms. Melnychuk of Direct  
22 Energy, on the 30th of August?

23                   MR. LLOYD KUCZEK:    Yes.

24                   MR. ERIC HOAKEN:    And she then outlined  
25 how the cases of certain customers who were referenced in

1 the earlier email had been deal with?

2 MR. LLOYD KUCZEK: I believe so.

3 MR. ERIC HOAKEN: And I don't know if you  
4 have the email there; I have a copy. I'm reluctant to  
5 put it in the record because it is the names of customers  
6 and so I'd prefer not to, but I can give you an  
7 opportunity to look at it if you like.

8 But there was no acknowledgement in this  
9 e-mail that these issues had arisen as a result of an  
10 error on the part of Manitoba Hydro, is that fair?

11 MR. LLOYD KUCZEK: That's fair. And at  
12 that -- at the point that Pam had sent it out, I'm not  
13 sure if she was aware either. I don't know the date that  
14 we realized what the -- well, realized that the process  
15 hadn't been followed exactly the way we had laid it out,  
16 and so it's difficult for me to respond whether she knew  
17 or not at that point.

18 MR. ERIC HOAKEN: Okay. But if you go  
19 back to the email that Ms. Yarmie sent on the 27th -- and  
20 I appreciate you said you may not have seen this -- but  
21 in this email there was an expressed request; I'll read  
22 it to you. She says:

23 "Direct Energy also requests that  
24 Centra contact the Public Utilities  
25 Board immediately to advise them of the

1                   situation that has arisen. Please  
2                   notify us when this has been  
3                   completed."

4                   Now, did that happen do you know?

5                   MR. LLOYD KUCZEK: Well, I don't recall  
6 reading that part, and I'd have to get Ms. Murphy for  
7 that.

8                   MS. MARLA MURPHY: You can swear me if  
9 you like but I did copy the Board with the -- the email  
10 that was sent back to Direct Energy in response.

11                  MR. ERIC HOAKEN: The -- the one that was  
12 sent on the 30th of August?

13                  MS. MARLA MURPHY: I don't have it in  
14 front of me, but the email that Pam Mansky (sic) sent --  
15 that detailed the four (4) customer complaints and  
16 explained the background which caused the change in the  
17 rate to those customers -- was provided to Mr. Singh at  
18 the Public Utilities Board and subsequently to Mr.  
19 Gaudreau.

20                  MR. ERIC HOAKEN: All right, thank you.  
21 And -- and if you could just on -- I'm just wondering if  
22 you could, by way of undertaking, could you file that  
23 response, please?

24                  MS. MARLA MURPHY: You'd like a copy of  
25 what was sent to the Public Utilities Board?

1                   MR. ERIC HOAKEN:    Yeah, and showing the  
2   date that it was sent.

3                   MS. MARLA MURPHY:    I can do that.  It  
4   will raise the same concern that you just raised about  
5   putting the customers' names on the record.

6                   MR. ERIC HOAKEN:    I'm content for you to  
7   redact it.

8                   MS. MARLA MURPHY:    Thank you.

9

10  --- UNDERTAKING NO. 9:            Centra to provide DEML/ESMLP  
11                                    with email Ms. Yarmie sent  
12                                    that detailed the four (4)  
13                                    customer complaints and  
14                                    explained the background  
15                                    which caused the change in  
16                                    the rate to those customers

17

18  CONTINUED BY MR. ERIC HOAKEN:

19                   MR. ERIC HOAKEN:    So as of the 30th of  
20   August when the email was sent by Ms. Mansky, you're  
21   telling me that there had not yet been a clear  
22   realization by Manitoba Hydro that these issued -- these  
23   issues had arisen as a result of an error or a failure to  
24   follow procedure.  Is that right?

25                   MR. LLOYD KUCZEK:    I'm -- I have to

1 apologize. Just to make sure I respond correctly could  
2 you repeat that again?

3 MR. ERIC HOAKEN: Sure. As of the 30th  
4 of August when Ms. Mansky sent this email there had not  
5 yet as far as you're aware been any clear recognition by  
6 Manitoba Hydro that there had been an error or a failure  
7 to follow procedure?

8 MR. LLOYD KUCZEK: I -- I can't speak for  
9 all the staff at Manitoba Hydro, but I took this very  
10 serious myself and I actually started investigating it  
11 even myself. because I felt that if there -- this  
12 happened we've got to make sure we -- and the process  
13 wasn't in place to address this, we need to make some  
14 changes.

15 So I believe it was the week that we had a  
16 break here from these Hearings that I actually was  
17 talking to staff that was responsible for this directly  
18 myself, to find out what the process was; what went  
19 wrong. And we actually had some discussions and I  
20 suggested we -- we need to make sure that we address the  
21 price changes associated with the direct purchase  
22 customers in the future, so that this doesn't happen  
23 again.

24 So -- and that meeting is scheduled for  
25 after this Hearing, so we're still looking at making sure

1 that we address this in the future.

2 MR. ERIC HOAKEN: So sometime between the  
3 30th of August and, I believe it was Wednesday of this  
4 week when you testified about this issue, sometime  
5 between those two (2) dates then you did come to a  
6 realization of exactly how this problem had arisen.

7 MR. LLOYD KUCZEK: I would of been made  
8 aware of it, I guess, in my discussions with the staff in  
9 those -- in that department, yes.

10 MR. ERIC HOAKEN: All right. And when  
11 you say, "you would have been made aware," what you mean  
12 is you would have acquired the understanding that you  
13 then testified to in your evidence with Mr. Peters?

14 MR. LLOYD KUCZEK: That's correct.

15 MR. ERIC HOAKEN: All right. And when  
16 you acquired that understanding then, did you take any  
17 steps, or did anyone to your knowledge at Manito --  
18 Manitoba Hydro take any steps to communicate that finding  
19 to the retailers and to apologize to the impact that this  
20 had had on the retailers?

21 MR. LLOYD KUCZEK: I'm not aware of that  
22 actually occurring.

23 MR. ERIC HOAKEN: Right. And certainly  
24 you -- you understood that the customers of the  
25 retailers would be disproportionately affected by this

1 problem, right?

2 MR. LLOYD KUCZEK: I don't know what  
3 portion of your customers would be affected by it -- or  
4 your client's customers would be affected by it, because  
5 I -- I don't have the breakdown of who the customers were  
6 that were impacted.

7 MR. ERIC HOAKEN: Well, let's do it this  
8 way, Mr. Kuczek. You said it's ten thousand five hundred  
9 (10,500) customers who have a variance of more than a 100  
10 percent, right?

11 MR. LLOYD KUCZEK: Correct.

12 MR. ERIC HOAKEN: And roughly speaking,  
13 don't think this is controversial, the market share that  
14 the retailers have is approximately 20 percent?

15 MR. LLOYD KUCZEK: 18 is my  
16 understanding.

17 MR. ERIC HOAKEN: All right. Let --  
18 let's call it 18, for the sake of discussion. So I'm  
19 simply suggesting to you that by virtue of this problem --  
20 -- the nature of this problem, considerably more than 18  
21 percent of the ten thousand five hundred (10,500)  
22 customers were retailer customers?

23 MR. LLOYD KUCZEK: It's conceivable, but  
24 I -- you know, I'm -- sworn on oath, so I can't say for  
25 certain because I don't know.

1                   MR. ERIC HOAKEN:   All right.  How would  
2 you determine that?

3                   MR. LLOYD KUCZEK:   Well, I'd have to go  
4 back and ask staff to see if they can do a run.  I'm not  
5 sure if we'd have to get our IT people to actually  
6 implement or develop a package to actually do the run.  I  
7 -- I'm not sure how we'd do it.

8                   MR. ERIC HOAKEN:   Okay.  I'd -- I'd like  
9 you to do that then.  I'd like you to make those  
10 inquiries.  I -- I'm surprised by your answer, because I  
11 would have thought, given the way that this problem  
12 arose, that it would be fairly self-evident that broker  
13 customers would be disproportionately represented.

14                   So I will, by way of undertaking, take  
15 that: for you to go back and again use best efforts to  
16 determine of the ten thousand five hundred (10,500)  
17 customers what portion were retailer customers.

18                   MS. MARLA MURPHY:   We're prepared to take  
19 that undertaking, subject to the understanding that best  
20 efforts won't extend to expending a great deal of money  
21 having people reprogram Banner in order to run the kind  
22 of information that you're requesting.  If it's available  
23 without us incurring additional costs, then yes, we'll do  
24 it.

25                   MR. ERIC HOAKEN:   Well, as you know, Ms.

1 Murphy, I like to take things one (1) step at a time, so  
2 perhaps once you've made the inquiries, then we can have  
3 a further discussion about what would be onerous, or too  
4 onerous.

5 MS. MARLA MURPHY: That's fine.

6  
7 --- UNDERTAKING NO. 10: Centra to determine for  
8 DEML/ESMLP, if possible, of  
9 the ten thousand five hundred  
10 (10,500) customers what  
11 portion were retailer  
12 customers  
13

14 CONTINUED BY MR. ERIC HOAKEN:

15 MR. ERIC HOAKEN: So as part of your  
16 answer to one of my earlier questions, Mr. Kuczek, I  
17 think you said that you, and again I mean Manitoba Hydro,  
18 has been looking at ways, going forward, of avoiding this  
19 problem in the future. Is that right?

20 MR. LLOYD KUCZEK: Well, it's not good  
21 for the customers, it's not good for the retailers, and  
22 it's not good for Manitoba Hydro to have a situation like  
23 this happen, so yes, we want to make sure that we address  
24 it.

25 MR. ERIC HOAKEN: Okay. And what things

1 are you thinking about? I appreciate it's at a fairly  
2 early stage, but are there any specific proposals under  
3 consideration now about how you could avoid this? And  
4 I'm -- I'm speaking about the -- the problem as it arises  
5 for retailer customers.

6 MR. LLOYD KUCZEK: Yeah, we spoke  
7 specifically about that to address that and I -- the  
8 meeting that we have arranged includes an IT person, and  
9 I believe we might be talking to -- I think -- I believe  
10 a Gas Supply person is supposed to be involved as well.

11 And the process that we're thinking that  
12 we need to implement is that any time a customer signs on  
13 with a retailer for direct purchase or comes off of it,  
14 we need to somehow has this process that checks to see if  
15 the price change will impact the customers EPP pla --  
16 budget amount.

17 MR. ERIC HOAKEN: All right. And since,  
18 as you've acknowledged the retailers were effected by  
19 this problem, do you think it would be reasonable to  
20 include them in the discussions aimed at finding a  
21 solution?

22 MR. LLOYD KUCZEK: I think it would be  
23 reasonable to as -- once we develop a solution, to inform  
24 the retailers of what we're going to do and see if  
25 they're satisfied with that.

1 MR. ERIC HOAKEN: Okay. Is that -- is  
2 that consultation?

3 MR. LLOYD KUCZEK: I guess the last part  
4 should -- would be -- could be considered consultation.

5 MR. ERIC HOAKEN: Right. Well, it seems  
6 to me -- tell me if you agree with this. But it seems to  
7 me that it would be reasonable for the retailers to have  
8 some input into the solution, because their customers and  
9 their business are going to be effected, right?

10 MR. LLOYD KUCZEK: That's true, but we -  
11 - from our perspective we see this as a -- a situation  
12 that we need to manage, and I would have thought that we  
13 would -- if we put a process in place that addressed  
14 that, there shouldn't be any issues then if we provide  
15 you -- the retailers with that information and they're  
16 okay with it; satisfied that that should be sufficient.

17 MR. ERIC HOAKEN: And -- and if they're  
18 not okay with it, then what are you prepared to do? Are  
19 you prepared to listen to their concerns and attempt to  
20 accommodate them?

21 MR. LLOYD KUCZEK: I'm always prepared  
22 to listen.

23 MR. ERIC HOAKEN: And attempt to  
24 accommodate the concerns?

25 MR. LLOYD KUCZEK: As long as they're

1 reasonable.

2 MR. ERIC HOAKEN: And implement them in  
3 the final solution?

4 MR. LLOYD KUCZEK: As long as they're  
5 reasonable.

6 MR. ERIC HOAKEN: All right. So it  
7 sounds to me you're agreeing then, that this has got to  
8 be a fairly open and transparent process. As you work  
9 towards developing a solution, you will be keeping the  
10 retailers involved and informed so that they can make a  
11 meaningful contribution. Is that fair?

12 MR. LLOYD KUCZEK: To a reasonable  
13 extent. Now -- you know, we got to keep in mind that  
14 there's a difference between consultation and keeping the  
15 retailers informed, as opposed to co-managing our  
16 business.

17 MR. ERIC HOAKEN: I completely agree with  
18 you.

19

20 (BRIEF PAUSE)

21

22 MR. ERIC HOAKEN: Just one (1) final  
23 question on this, Mr. Kuczek. Do you know if prior to  
24 the discovery of this problem, if retailers had been told  
25 that in fact the EPP balances were being recalculated

1 when customers enrolled with retailers?

2 MR. LLOYD KUCZEK: The only thing I'm  
3 aware of is the email that Pam Mansky sent to the -- the  
4 retailers. Now Pam Mansky has dialogue, I understand,  
5 quite frequently -- and I don't -- and when I say  
6 frequently, I don't know how frequent -- but I understand  
7 she dialogues quite frequently with the retailers, and I  
8 though there some sort of dialogue to keep them informed  
9 of any issues that the retailers might have, related to  
10 our activities.

11 MR. ERIC HOAKEN: And -- and I guess I  
12 should have been more clear in my question. I really  
13 meant sometime earlier in the year, before there was any  
14 hint of a problem, had the retailer been told that it was  
15 the practice of Centra or Manitoba Hydro to recalculate  
16 EPP balances when customers enrolled?

17 MR. LLOYD KUCZEK: I don't believe so.  
18 But I couldn't say for sure what Pam Mansky -- the  
19 dialogue that went on between Pam Mansky and the  
20 retailers.

21 MR. ERIC HOAKEN: All right.

22

23 (BRIEF PAUSE)

24

25 MR. ERIC HOAKEN: Okay. You'll be

1 delighted to know, Mr. Kuczek, I'm going to now switch to  
2 another area. I may even get to Mr. Wiens this morning.

3 Let's talk about the fixed price product  
4 that Centra thinks it would like to offer.

5 The -- the first thing that I understand  
6 from what you've told us so far, Mr. Warden, is that the  
7 primary driving factor in Centra's initiative here is  
8 that customers want Manitoba Hydro to offer these  
9 products. Is that right?

10 MR. VINCE WARDEN: Yes.

11 MR. ERIC HOAKEN: And what I think some  
12 combination of you and Mr. Kuczek may have told Mr.  
13 Peters, was that you've reached this conclusion about  
14 customers wanting you to do this from your review of the  
15 various market studies and market research studies you've  
16 done. Am I right about that?

17 MR. VINCE WARDEN: Well largely, although  
18 you know, we have a relationship with our customers, such  
19 that we talk to them virtually everyday and so we have a  
20 good knowledge of what our customers are thinking and  
21 what their requirements are.

22 We also have, as I mentioned earlier, six  
23 thousand (6,000) employees at Manitoba Hydro who are also  
24 customers and expressed their opinions and wants and  
25 needs, with respect to the products being offered by the

1 Utility.

2 MR. ERIC HOAKEN: And just on that first  
3 point then about speaking to your customers, how does  
4 Centra keep track of that information and compile that  
5 information?

6 So if you were, for example, if you were  
7 reaching the conclusion about what customers want based  
8 on those dialogues, I mean how would you compile the  
9 information that you receive from customers about what  
10 they want?

11 MR. VINCE WARDEN: Well, I think I'm  
12 talking about informal communications with customers. So  
13 there's a body of knowledge is built up by our customer  
14 representatives that is communicated throughout the  
15 organization.

16 MR. ERIC HOAKEN: And -- and just done  
17 verbally you mean?

18 MR. VINCE WARDEN: I would say verbally,  
19 for the most part, yes.

20 MR. ERIC HOAKEN: Right. Because I  
21 understood from Mr. Kuczek that you do keep logs pretty  
22 carefully of calls you get from customers. Am I right  
23 about that?

24 MR. VINCE WARDEN: I think Mr. Kuczek was  
25 talking about the contact centre who keeps track of

1 complaints and -- and complaints, as he referred to it  
2 as.

3 MR. ERIC HOAKEN: All right. And is  
4 there then some other -- and I'm sorry if I'm confused  
5 about how it works -- but is -- is there some other part  
6 of Manitoba Hydro that would field calls from customers,  
7 apart from what Mr. Kuczek's talking about?

8 MR. VINCE WARDEN: Well, we have  
9 approximately seventy (70) district offices throughout  
10 the Province that take calls on -- on a regular basis and  
11 interact -- interface with customers directly, everyday.

12 MR. ERIC HOAKEN: And do they typically  
13 log their calls?

14 MR. LLOYD KUCZEK: The calls at the  
15 districts aren't logged in the same way as the contact  
16 centre, no.

17 MR. ERIC HOAKEN: All right. So I'm just  
18 trying to understand, Mr. Warden, ultimately how  
19 information of this sort, that you -- you've  
20 characterized as anecdotal and I accept that, but how it  
21 would get to you.

22 And so it's not getting to you in the form  
23 of any report that says this month we had a hundred (100)  
24 customers who called and say they want Manitoba Hydro to  
25 offer these products, right?

1 MR. VINCE WARDEN: That's fair, yes.

2 MR. ERIC HOAKEN: Okay. And I certainly  
3 accept that as part of its business, Manitoba Hydro would  
4 keep its ear to the ground, so to speak, to try and  
5 understand what customers want.

6 But I take it you'll agree with me that a  
7 more systematic way of ascertaining the preferences of  
8 customers would be to do customer market research, which  
9 you do in fact do, as well.

10 MR. VINCE WARDEN: Sure.

11 MR. ERIC HOAKEN: And I think -- and I'm  
12 sorry, Mr. Kuczek, I do now have to come back to you --  
13 but I think what you said in answer to Mr. Peters was  
14 that there were a variety of studies that you relied on  
15 for your conclusion that customers want Manitoba Hydro to  
16 offer these products. Am I right about that?

17 MR. LLOYD KUCZEK: That's correct.

18 MR. ERIC HOAKEN: And one of the studies  
19 that you referred to was the 2004 study, which is the  
20 Western Opinion Research study, is that right?

21 MR. LLOYD KUCZEK: Correct.

22 MR. ERIC HOAKEN: And I have to be honest  
23 with you, I have carefully reviewed the questions and  
24 tried to identify the ones -- questions and answers that  
25 -- that would have revealed the preference for consumers

1 to have those products offered by Manitoba Hydro.

2                   Would you be good enough to turn to the  
3 brief that I provided. It's DEML/ESMLP-6, and it's at  
4 Tab 4, I believe, Mr. Kuczek. Exhibit 6, which says,  
5 "eNRG Panel cross-examination." At Tab 4, yeah.

6

7                   (BRIEF PAUSE)

8

9                   MR. LLOYD KUCZEK: Okay.

10                  MR. ERIC HOAKEN: And if you could turn  
11 to page 55 of this document. This is where the actual  
12 questionnaire that was used for the quantitative study in  
13 2004 is contained, is that right?

14                  MR. LLOYD KUCZEK: Yes.

15                  MR. ERIC HOAKEN: And in the interest of  
16 time, here's what I'm gonna suggest, I think we're  
17 approaching a time this morning when it may make sense to  
18 take a quick break, and I wonder if you'd be good enough  
19 to just go through this questionnaire over the break.

20                  And if you could just put a mark in your  
21 copy next to the questions that you think are relevant to  
22 this issue of whether consumers want a fixed price  
23 product, or other product offerings from Manitoba Hydro,  
24 that would then speed things along when we come back. Is  
25 that something you can do?

1                   MR. LLOYD KUCZEK:    I'll try to accomplish  
2 that.

3                   MR. ERIC HOAKEN:    Okay.  That would be  
4 great.  Is that all right?

5                   MR. CHAIRPERSON:   That's just fine.  So  
6 we'll come back in 15 minutes.

7                   MR. ERIC HOAKEN:    All right.  Thank you,  
8 Mr. Chair.

9  
10 --- Upon recessing at 10:20 a.m.  
11 --- Upon resuming at 10:44 a.m.

12  
13                   THE CHAIRPERSON:   We're all here, so.

14  
15 CONTINUED BY MR. ERIC HOAKEN:

16                   MR. ERIC HOAKEN:    All right.  Thank you,  
17 Mr. Chair.

18                   Back to you Mr. Kuczek.  You were gonna  
19 look at the 2004 questionnaire, and just so you and I  
20 don't get off on the wrong path here, let's be clear  
21 about what I'm asking you.  I'm asking you to point out  
22 for me questions, and the answers to those questions,  
23 that would have permitted Manitoba Hydro to conclude that  
24 its customers wanted to offer other products, including  
25 fixed price products.

1 MR. LLOYD KUCZEK: Yes. I believe I  
2 testified yesterday, and -- I believe it was yesterday --  
3 but I said the information that we got out of the '04  
4 market research didn't provide definite -- definitive  
5 information to indicate that. What I stated was that  
6 there was -- the results of the survey provided us with  
7 an indication that consumers have a preference for  
8 different -- likely have a preference for different  
9 products, and then --

10 MR. ERIC HOAKEN: Okay. Stopping there  
11 then. Would you be good enough to point me out to the  
12 question and the answer that lead you to that conclusion?

13 MR. LLOYD KUCZEK: I could point you to  
14 the findings that led me to that conclusion.

15 MR. ERIC HOAKEN: Well, I think -- maybe  
16 we're talking about the same thing, but presumably you're  
17 referring to answers that customers gave, is that right?

18 MR. LLOYD KUCZEK: I'm referring to the  
19 conclusion of the reports in the Executive Summary that--

20 MR. ERIC HOAKEN: Okay. Which is not  
21 really what I'm directing my question to. So let me just  
22 state my question again so that we're on the same track  
23 here.

24 What specific question and what specific  
25 answer permitted you to reach the conclusion you just

1 stated?

2 MR. LLOYD KUCZEK: It's not a specific  
3 question and an answer. It's the conclusions from the  
4 report that indicated that customers have -- likely have  
5 a preference for these different products. That, in  
6 combination with the --

7 MR. ERIC HOAKEN: Okay. Can you point me  
8 out that statement?

9 MR. LLOYD KUCZEK: It would be in the --  
10 page 4, Executive Summary Key Findings. And again, being  
11 the person that's interested in the market, what I do is  
12 I look at these reports and I try to get a sense for what  
13 our customers are looking for, and if there's any gaps in  
14 terms of the services we're offering and what's being  
15 provided. So in the Executive Summary Key Findings, in  
16 the box on top, it says:

17 "When informed about Manitoba Hydro's  
18 current hedging activities that are  
19 aimed at reducing month-to-month  
20 fluctuations at a small cost and asked  
21 to choose between three (3) possible  
22 scenarios: increasing, decreasing, and  
23 keeping activities at the same level;  
24 53 percent of the respondents said that  
25 they would like to see current levels

1                   maintained while an additional 13  
2                   percent wanted to see an increase in  
3                   hedging activities."

4                   And so what that told me was that there  
5                   likely is a -- a group of customers out there that --  
6                   well there's a number of groups of customers, but they  
7                   have varying tolerances for risk aversion as -- and they  
8                   have probably different preferences for different  
9                   products in the marketplace.

10                   MR. ERIC HOAKEN:    Okay.  But there's  
11                   already products in the marketplace for those consumers,  
12                   right?

13                   MR. LLOYD KUCZEK:    Yes.  Unless you  
14                   combine that with some of the other conclusions that came  
15                   out of the report, you wouldn't conclude that -- or at  
16                   least have an indication that maybe there's a gap, in  
17                   terms of what customer's preferences are out there and  
18                   what's being provided.

19                   MR. ERIC HOAKEN:    All right.  So you're -  
20                   - you can't conclude from this finding that customers are  
21                   saying they want Manitoba Hydro to offer other products.  
22                   Is that fair?

23                   MR. LLOYD KUCZEK:    I -- I would say it's  
24                   fair that you can't conclude from this report for  
25                   certainty that customers want that.



1 information that I observed, as I mentioned customers  
2 have preferences -- different preferences, and likely  
3 have a preference for different products. And so, you  
4 know, from this it -- it told me that there were likely  
5 was a number of customers that may have the preference  
6 for these long term fixed products, but weren't being  
7 served by the market for other reasons.

8 And if you look at bullet 2 it says:

9 "Among the many reasons..."

10 And this is responding to reasons for not  
11 signing with a broker.

12 "Among the many reasons given by the  
13 respondents for not switching to an  
14 independent broker are the following.  
15 They feel comfortable with Manitoba  
16 Hydro: 19 percent.  
17 They trust Manitoba Hydro: 14 percent.  
18 They do not trust brokers: 16 percent.  
19 They are unaware that brokers exist: 19  
20 percent.

21 And that Manitoba's less expensive: 13  
22 percent."

23 And then if you read the third bullet it  
24 adds to that.

25 "When examining those who are currently

1 with a broker, yet unaware of this  
2 arrangement which is 41 percent of the  
3 -- and equals five hundred (500)  
4 brokers supplied resi -- residences.  
5 The main reasons why these customers --  
6 consumers report not wanting to used  
7 broker services include:  
8 They feel comfortable with Manitoba  
9 Hydro: 26 percent.  
10 Are unaware of existing brokers: 18  
11 percent.  
12 See brokers as being more expensive: 17  
13 percent.  
14 And they do not trust brokers: 8  
15 percent."

16 So the inference that I got from this was  
17 that there's potentially a group of customers out there  
18 that may want a long term fixed term product -- fixed  
19 price products, but are not signing up with the brokers  
20 because they're not comfortable or don't trust brokers.

21 So there may be a group of customers out  
22 there that have needs that aren't being satisfied.

23 MR. ERIC HOAKEN: All right. And that's  
24 really the highest you can put it, right, that it may be  
25 the case? You can't draw any definitive conclusion about

1 that, right?

2 MR. LLOYD KUCZEK: I agree with that and  
3 that's what I testified earlier, yes.

4 MR. ERIC HOAKEN: Right. And in fact, in  
5 the 2007 study there was a question that specifically  
6 asked the question about whether consumers wanted  
7 Manitoba Hydro to offer these products, and you didn't  
8 ask a similar question in the 2004 study.

9 MR. LLOYD KUCZEK: The objective of the  
10 '04 study was different than the '07 study and we did  
11 not ask that specific question then, yes.

12 MR. ERIC HOAKEN: Thank you. So I think  
13 then, as part of your answer the other day, I believe it  
14 was to Mr. Peters, you also said there was internal  
15 market research that had been done by Manitoba Hydro that  
16 had led it to this conclusion, is that right?

17 MR. LLOYD KUCZEK: Yes. We did some  
18 further market research --

19 MR. ERIC HOAKEN: Okay. And sorry, let  
20 me just ask my question, because I was going to ask a  
21 question. I want to make sure you and I -- we're on the  
22 same page.

23 In the answer to DEML and CENTRA-14, which  
24 may be where you were going, there is some of that market  
25 research has been provided as an answer to an information

1 request, correct?

2 MR. LLOYD KUCZEK: Correct.

3 MR. ERIC HOAKEN: And is this the  
4 research that you were referring to in your answer to Mr.  
5 Peters?

6 MR. LLOYD KUCZEK: Yes.

7 MR. ERIC HOAKEN: All right. Let me just  
8 find it.

9

10 (BRIEF PAUSE)

11

12 MR. ERIC HOAKEN: And in -- in this  
13 market research you also didn't ask a question comparable  
14 to the one in the 2000 study; namely, you didn't ask  
15 consumers the question, Do you want Manitoba Hydro to  
16 offer more products?

17 Is that right?

18 MR. LLOYD KUCZEK: We didn't ask that  
19 question, we asked different questions?

20 MR. ERIC HOAKEN: Right. And in question  
21 37 for example, the question is:

22 "If both Manitoba Hydro and natural gas  
23 marketers offered the same primary gas  
24 products..."

25 Which of course they don't, right?

1 MR. LLOYD KUCZEK: Correct.

2 MR. ERIC HOAKEN: But if they did, From  
3 whom, I think would be grammatically correct:

4 "...from whom would you prefer to  
5 purchase your primary natural gas?"

6 That's the question you asked?

7 MR. LLOYD KUCZEK: That's one (1) of the  
8 questions.

9 MR. ERIC HOAKEN: All right. And what  
10 that question is telling you is that if that product was  
11 offered that these would be the preferences of consumers?

12 MR. LLOYD KUCZEK: Yes.

13 MR. ERIC HOAKEN: Now, it seems to me --  
14 and I know you're not a statistician so I don't want to  
15 take you out of your comfort zone -- but this is a pretty  
16 small sample, right?

17 MR. LLOYD KUCZEK: The combined sample is  
18 about five (5) -- four-seventy (470), four-eighty (480)

19 MR. ERIC HOAKEN: Okay. Let me just  
20 understand that, because at the top of the page -- and  
21 maybe I'm reading this incorrectly -- you can set me  
22 straight but, you see, this has results for in fact two  
23 (2) surveys, right, one (1) done in September and one (1)  
24 done in January?

25 MR. LLOYD KUCZEK: Correct.

1 MR. ERIC HOAKEN: And that's September  
2 '06 and January '07?

3 MR. LLOYD KUCZEK: Correct.

4 MR. ERIC HOAKEN: And what I'm taking  
5 from this is that the sample for the survey in September  
6 is two hundred and forty-six (246)?

7 MR. LLOYD KUCZEK: Correct.

8 MR. ERIC HOAKEN: And the sample for the  
9 January survey is two hundred and thirty-five (235)?

10 MR. LLOYD KUCZEK: Yes.

11 MR. ERIC HOAKEN: So those are two (2)  
12 separate surveys; you wouldn't combine the samples,  
13 right?

14

15 (BRIEF PAUSE)

16

17 MR. LLOYD KUCZEK: My market research  
18 specialist says you can go either way, so I -- I don't...

19 MR. ERIC HOAKEN: Well, I wish we had Mr.  
20 Enns here, but I know he probably is glad he's not here.

21 But -- but this is a considerably smaller  
22 sample than the one that you used in the 2007 market  
23 research?

24 MR. LLOYD KUCZEK: In the -- yes.

25 MR. ERIC HOAKEN: And in the 2004 market

1 research?

2 MR. LLOYD KUCZEK: Yes.

3 MR. ERIC HOAKEN: And you would agree  
4 with what you've heard from the expert, Mr. Enns, that as  
5 your sample size comes down, the degree of confidence in  
6 the results also decreases; is that fair?

7 MR. LLOYD KUCZEK: That's fair.

8 MR. ERIC HOAKEN: Okay. And so in any  
9 case then this was a question -- to the extent that in  
10 this series of market research you ask questions about  
11 the preferences of consumers; for other products from  
12 Hydro you asked this question.

13 Is there any other question that you asked  
14 that is relevant to that issue?

15 MR. LLOYD KUCZEK: Well, relevant to the  
16 issue of what customers want and -- what their  
17 preferences are, and whether or not their -- their needs  
18 are being served in the market --

19 MR. ERIC HOAKEN: And -- and specifically  
20 the issue of whether they want Manitoba Hydro, as opposed  
21 to some other market participant, to offer these  
22 products?

23 MR. LLOYD KUCZEK: Again I combined  
24 question 38 and used that information in conjunction with  
25 the response at 37. And it's -- again supports the --

1 the concern or -- that I had or the indication that  
2 possibly customers are wanting certain products out there  
3 and are not buying them from brokers because of the trust  
4 issue. And it shows up in the first two (2) categories  
5 under question 38.

6 And question 38 is dealing with -- we're  
7 probing why the customer isn't -- or why they would be  
8 purchasing the product or preferring to purchase the  
9 product from those entities.

10 MR. ERIC HOAKEN: Okay. But just on the  
11 trust point, there's really two (2) separate issue,  
12 right?

13 One (1) is whether respondents say they  
14 trust Manitoba Hydro, right?

15 MR. LLOYD KUCZEK: Yes.

16 MR. ERIC HOAKEN: And the other is  
17 whether they say that they don't trust the retailers?

18 MR. LLOYD KUCZEK: Yes.

19 MR. ERIC HOAKEN: And those are two (2)  
20 separate considerations, fair?

21 MR. LLOYD KUCZEK: Yes, but they're both  
22 responding to the question about why you're -- you're  
23 going with a particular party, and I suspect when you're  
24 answering a question or -- well, I'll just leave it at --

25 MR. ERIC HOAKEN: Okay. But simply

1 saying in response to this question that you trust  
2 Manitoba Hydro, doesn't necessarily equate to saying I  
3 want Manitoba Hydro to offer more products in the  
4 marketplace?

5 MR. LLOYD KUCZEK: I'll give you that.  
6 The question -- that specific question is not asked in  
7 this survey.

8 MR. ERIC HOAKEN: All right. And my  
9 point was simply you can't infer -- it wouldn't be a  
10 reasonable inference to draw from the answers about  
11 trusting Hydro, that that means customers want Manitoba  
12 Hydro to offer more products; is that fair?

13 MR. LLOYD KUCZEK: I think the conclusion  
14 I got was and again it's -- nothing's definitive here.  
15 It's -- it's -- there's an indication that customers --  
16 there's a need for -- customers have certain preferences  
17 out there, and there's an indication based on this  
18 information that there's -- there's potentially a group  
19 of customers not being served in that marketplace because  
20 of these issues.

21 MR. ERIC HOAKEN: And you're drawing that  
22 inference from this question about trust?

23 MR. LLOYD KUCZEK: This question, the  
24 previous question that we had, and then when you actually  
25 look at the '07 market research it confirms those

1 indications, as well.

2 MR. ERIC HOAKEN: Okay. And we're going  
3 to come to that, I promise. But let's just stick to my  
4 question, 'cause I think it got overlooked in the process  
5 there.

6 I'm simply going to ask you to agree with  
7 me, Mr. Kuczek, that it would not be reasonable to infer  
8 from the responses about trusting Hydro, that that  
9 necessarily means respondents want Mani -- Manitoba  
10 Hydro to offer other products?

11 MR. LLOYD KUCZEK: If you wanted to know  
12 for certain, you would need to ask the customers that  
13 question.

14 MR. ERIC HOAKEN: Right. And it's not a  
15 reasonable inference therefore to draw from this?

16 MR. LLOYD KUCZEK: I'm not sure I can go  
17 that far.

18 MR. ERIC HOAKEN: Okay. I do appreciate  
19 you answering my question though.

20 Now let's turn to the 2007 study, and  
21 that's contained in a number of places, I'm sure. I have  
22 it in DEML/ESMLP-6.

23

24

(BRIEF PAUSE)

25

1                   MR. ERIC HOAKEN:    Sorry, I'm looking in  
2   the wrong place.  If you look at Tab 1 of this brief,  
3   page 63 of the report; is the portion of the  
4   questionnaire that details some of the questions about  
5   customer preferences.

6                   So tell me when you've turned that up, Mr.  
7   Kuczek.

8                   MR. LLOYD KUCZEK:    I have page 63 of the  
9   report.

10                  MR. ERIC HOAKEN:    That's right.  And this  
11   is the portion of the questionnaire, correct?

12                  MR. LLOYD KUCZEK:    Yes.

13                  MR. ERIC HOAKEN:    And we've got the  
14   heading, "Hydro Possible Products," and there's a series  
15   of three (3) questions under that heading, right?

16                  MR. LLOYD KUCZEK:    I see four (4) for  
17   some reason.

18                  MR. ERIC HOAKEN:    I'm sorry, four (4),  
19   you're quite right.  And the -- the whole premise of  
20   these questions is that if there's going to be other  
21   products, there's product -- they're products that are  
22   going to be offered by Manitoba Hydro?

23                  MR. LLOYD KUCZEK:    Yes.

24                  MR. ERIC HOAKEN:    So in other words, what  
25   I'm getting at is you didn't ask consumers the general

1 question about whether they would like to see more  
2 products or different products in the market irrespective  
3 of who actually provided them. The specific question  
4 that you pursued, was you -- you linked the providing of  
5 new products to Manitoba Hydro. Is that fair?

6 MR. LLOYD KUCZEK: Well we earlier asked  
7 a question about what customers what -- what products --  
8 well we gave them, I think it was four (4) choices, in  
9 terms of what products they'd like to see; that question  
10 was directed towards trying to find out what customer's  
11 preferences were.

12 We didn't specifically ask the question  
13 that you're suggesting, no.

14 MR. ERIC HOAKEN: Right, because now,  
15 when you proposing to respondents that new products could  
16 be made available, the premise of these four (4)  
17 questions is that those products would only be made  
18 available by Manitoba Hydro, is that fair?

19 MR. LLOYD KUCZEK: I think one (1) of  
20 the objectives of this market research was to determine  
21 whether or not customers wanted us to offer these  
22 products.

23 MR. ERIC HOAKEN: Okay. So you -- you  
24 really are going to have to answer my question though.

25 The premise of these questions was solely

1 that Manitoba Hydro would be the provider of new  
2 products, right?

3 MR. LLOYD KUCZEK: That was the  
4 objective of these questions here, yes.

5 MR. ERIC HOAKEN: Right. And there was  
6 no suggestion in these questions or elsewhere, that if  
7 new products were going to be made -- were going to be  
8 made available, that they would be made available by  
9 other market participants, is that right?

10 MR. LLOYD KUCZEK: We didn't ask those  
11 questions.

12 MR. ERIC HOAKEN: Right. And you also --  
13 well, let me back up. Let me put this question generally  
14 to the panel. I don't think it's going to be  
15 controversial.

16 But Centra or Manitoba Hydro is prohibited  
17 from offering other products by virtue of this Board's  
18 ruling in 15/98, right?

19 MR. LLOYD KUCZEK: Yes.

20 MR. ERIC HOAKEN: And the reason for that  
21 restriction was because it was felt that if Manitoba  
22 Hydro were to offer other products, that that could  
23 adversely effect the development of a competitive market  
24 in this province, correct?

25 MR. VINCE WARDEN: I think that was the

1 thinking at the time, Mr. Hoaken.

2 MR. ERIC HOAKEN: Okay. And so the  
3 consumers are answering this question are gonna have no  
4 idea at all that the reason that Manitoba Hydro has not  
5 been offering these products is because it's restricted  
6 from doing so, right?

7 MR. LLOYD KUCZEK: We weren't trying to -  
8 - try to under -- try to under -- we weren't doing market  
9 research to get an understanding of whether customers  
10 understood why we weren't offering different products.  
11 We were only trying to get a -- a sense for whether they  
12 wanted us to or --

13 MR. ERIC HOAKEN: You --

14 MR. LLOYD KUCZEK: -- or had a preference  
15 for us to.

16 MR. ERIC HOAKEN: You have yet again  
17 answered a question I didn't ask. I'm simply gonna ask  
18 you to agree, Mr. Kuczek, that the average Manitoban  
19 answering this question would not be aware that the  
20 reason that Manitoba Hydro has not been offering these  
21 products is because it's restricted from doing so by this  
22 Board.

23 MR. LLOYD KUCZEK: You're asking me if  
24 the average respondent is -- is not aware that -- why  
25 we're restricted to offering one (1) product? Or more

1 than one (1) product?

2 MR. ERIC HOAKEN: Let me ask the question  
3 again.

4 MR. LLOYD KUCZEK: You're getting to know  
5 me now.

6 MR. ERIC HOAKEN: Yes, I am. I -- I'm  
7 simply suggesting that the average Manitoban answering  
8 these questions, would not be aware that the reason that  
9 Manitoba Hydro doesn't offer these products is because  
10 it's restricted from doing so by this Board.

11

12 (BRIEF PAUSE)

13

14 MR. LLOYD KUCZEK: We don't know for  
15 certain, I guess.

16 MR. ERIC HOAKEN: No, I know you don't  
17 know for certain, but Mr. Warden just told me that you  
18 keep your ear to the ground and you speak to your  
19 consumers.

20 Are you telling me you have no idea about  
21 whether they would or wouldn't be aware of this Board's  
22 ruling in 1998?

23 MS. MARLA MURPHY: I think Mr. Kuczek has  
24 already answered that question, Mr. Chairman.

25 MR. ERIC HOAKEN: Well, I -- I think with

1 respect, Mr. Chairman, I think it's an important point.  
2 I don't think the Witness has answered my question, but  
3 even if he had that's never a legitimate objection in  
4 cross-examination. There's no rule that says you only  
5 get to ask a question once.

6 MS. MARLA MURPHY: There's no rule you  
7 get to badger a witness either.

8 MR. ERIC HOAKEN: Well, I don't think I  
9 am badgering the witness and I'll defer to the Chair on  
10 that. If he thinks I am, I expect him to give me  
11 direction on that.

12 THE CHAIRPERSON: I think he was simply  
13 asking Mr. Kuczek whether Mr. Kuczek was aware if -- if  
14 the customer's answering this particular question were  
15 aware of 15/98.

16 MR. LLOYD KUCZEK: And they likely  
17 wouldn't be aware of that. The general consumer wouldn't  
18 be aware of the PUB orders.

19

20 CONTINUED BY MR. ERIC HOAKEN:

21 MR. ERIC HOAKEN: Right. And so the  
22 average consumer and I -- I don't want to cause you to  
23 stretch this too much, but you know, just given what you  
24 know about consumers Mr. Kuczek they might conclude from  
25 the fact that Manitoba Hydro had not offered other

1 products, is that it had simply decided not to.

2 MR. LLOYD KUCZEK: They may have  
3 concluded that. I don't know.

4 MR. ERIC HOAKEN: Right. And that  
5 Manitoba Hydro now in asking these questions was  
6 considering whether it should voluntarily enter this  
7 market.

8 MR. LLOYD KUCZEK: They potentially could  
9 interpret it that way, yes.

10 MR. ERIC HOAKEN: And do you think if  
11 respondents to these questions had been aware a) of the  
12 fact that Manitoba Hydro had been restricted from  
13 offering these products, and b) of the reason for the  
14 restriction, that that might of effected their answers to  
15 these questions?

16 MR. LLOYD KUCZEK: That I couldn't  
17 answer.

18 MR. ERIC HOAKEN: And you -- you didn't  
19 ask respondents to the questionnaire -- and I think maybe  
20 you've told me this already -- but you -- you didn't ask  
21 them generally about wanting new products from other  
22 companies, you asked them specifically about products  
23 from Manitoba Hydro, correct?

24 MR. LLOYD KUCZEK: In this section that's  
25 true. And we did not ask them anywhere else in the

1 market research, if that was the case, yeah.

2 MR. ERIC HOAKEN: All right. Now, I  
3 think it was you Mr. Barnlund who was making reference to  
4 a decision out of Ontario where there had been customer  
5 support for the idea that the Utility would offer a fixed  
6 price offering, and that despite that customer support  
7 the OEB had decided not to permit that to happen.

8 Am I right about that?

9 MR. GREG BARNLUND: Yes, I believe that  
10 was in the course of the natural gas forum proceeding.

11 MR. ERIC HOAKEN: All right. So I'd take  
12 it you'd agree that while customer perceptions, whatever  
13 they are and we can certainly have a debate about that,  
14 while they may be important, they're not gonna carry the  
15 day in helping a regulator decide what the most  
16 appropriate thing is for the market.

17 MR. GREG BARNLUND: The regulator has to  
18 consider a number of different factors.

19 MR. ERIC HOAKEN: In addition to customer  
20 preferences, or perceptions of customer preferences.

21 MR. GREG BARNLUND: In addition to, yes.

22 MR. ERIC HOAKEN: Okay. Now just one  
23 technical issue I want to clear up, and I'm not sure who  
24 Mr. Peters asked this question of. Actually I do know.  
25 It was in his examination of Mr. Enns.

1                   There was some discussion about the cost  
2 of the eNRG study, and I think Mr. Peters suggested to  
3 Mr. Enns that one of the IR responses had been to the  
4 effect that the study cost forty-three thousand (\$43,000)  
5 dollars.

6                   Now I think we've subsequently determined,  
7 looking at the IRs, that that actually was the costing  
8 for the 2004 study. Is that right, Mr. Kuczek?

9                   MR. LLOYD KUCZEK:    That's correct.

10                  MR. ERIC HOAKEN:    Okay. Can you tell  
11 this Board then what was the cost of the work that was  
12 done by eNRG?

13                  MR. LLOYD KUCZEK:    The total cost of the  
14 project, just for the market research or including the  
15 testifying and responding to the IRs?

16                  MR. ERIC HOAKEN:    That's a very good  
17 distinction to draw. Why don't we -- let's cut it off at  
18 the point where they delivered the focus group report,  
19 which I think was the 4th of July or 3rd of July.

20                  MR. LLOYD KUCZEK:    And I'll say  
21 approximately fifty-five thousand (55,000).

22                  MR. ERIC HOAKEN:    And that would be for  
23 both the focus group report and the customer research?

24                  MR. LLOYD KUCZEK:    Correct.

25                  MR. ERIC HOAKEN:    Now, let me just

1 explore a bit further with your, Mr. Warden. I started  
2 just by asking you about customer preferences for  
3 Manitoba Hydro offering these products. Let me just  
4 understand a little bit more what Manitoba Hydro has done  
5 to date to consider the possibility of offering these  
6 products.

7 As I understand what you and your  
8 colleagues have said, there's no specific design at this  
9 point, but you have been considering it sort of at a  
10 fairly high level. Is that right?

11 MR. VINCE WARDEN: Right.

12 MR. ERIC HOAKEN: And I -- I take it  
13 though it's more than just a water cooler conversation  
14 with Mr. Stephens. Has there been some systematic  
15 approach within Manitoba Hydro to considering and  
16 reviewing this option, even at a high level?

17 MR. VINCE WARDEN: Not really. No. I  
18 think they've been quite informal conversations we've had  
19 to date. We didn't think there was much point in -- in  
20 pursuing this until we had the authorization of this  
21 Board to go down that path.

22 MR. ERIC HOAKEN: All right. And can you  
23 just help us understand what context in which those  
24 discussions -- or the context in which those discussions  
25 occurred.

1                   Was -- you say "informal discussions;" was  
2 it in the course, for example, of department meetings or  
3 something of that nature?

4                   MR. VINCE WARDEN:    It -- it could be  
5 department meetings.  It could be the water cooler you  
6 referred to.  It -- actually in -- in the renewal of the  
7 Nexen contract -- contract, we certainly considered it  
8 there because we wanted to make sure we had the  
9 flexibility; if we chose to offer a fixed price product  
10 that we would -- we would have that flexibility, and we  
11 wouldn't be locked in to a variable offering for the full  
12 two (2) year term.

13                  MR. ERIC HOAKEN:    All right.  But I take  
14 it that before coming to the Board in this proceeding to  
15 raise the possibility of offering these products, that  
16 Centra has devoted some time and effort and attention to  
17 the possibility?

18                  MR. VINCE WARDEN:    Some.

19                  MR. ERIC HOAKEN:    Yeah.  You're -- so,  
20 you're -- you're not just here winging it in other words.

21                  MR. VINCE WARDEN:    It -- it may seem that  
22 way.

23                  MR. ERIC HOAKEN:    I wasn't gonna suggest  
24 that of you, Mr. Warden.  Now, just in a general level  
25 though, you -- you've, I take it, thought about some

1 guiding principles, if I can call them that, that would  
2 shape how any product that Manitoba Hydro did come up  
3 with was offered. Is that fair?

4 MR. VINCE WARDEN: Again, in a quite  
5 informal way, we -- we've had some discussions about  
6 that. And there's various options that we could pursue  
7 and I think we and -- in gas supply -- people have talked  
8 about it. We haven't really had any formal discussions  
9 with the customer service and marketing people, so those  
10 two (2) groups -- at least those two (2) groups -- would  
11 have to get together and make sure that we're -- we are  
12 together in what we think would be the -- the most  
13 appropriate product for the marketplace, should we go  
14 that direction.

15 MR. ERIC HOAKEN: All right. But do I  
16 take it that at least at this early stage in the  
17 consideration, Manitoba Hydro has concluded that if it  
18 enters this market, it -- it needs to do so -- and this  
19 expression has been used by other witnesses -- on a level  
20 playing field.

21 MR. VINCE WARDEN: Well, I think that  
22 definition of what exactly is a level playing field would  
23 have to be clarified. But, you know --

24 MR. ERIC HOAKEN: And I'm --

25 MR. VINCE WARDEN: -- I -- I think the

1 level playing field is -- is a consideration, but the  
2 most important consideration what's in the best interest  
3 of our customers.

4 MR. ERIC HOAKEN: Right. And it  
5 certainly wouldn't be in the best interest of customers  
6 for Centra to have some unfair competitive advantage over  
7 other market participants, right?

8 MR. VINCE WARDEN: Don't know, it might  
9 be.

10 MR. ERIC HOAKEN: All right so -- that's  
11 an interesting point. So you can envision a circumstance  
12 where, if Centra is offering a fixed price product, that  
13 if it has an unfair competitive advantage over existing  
14 market participants, that that would be an acceptable  
15 outcome?

16 MR. VINCE WARDEN: If it's in the best  
17 interest of our customers, I -- it could be an acceptable  
18 outcome.

19 MR. ERIC HOAKEN: And if it's in the best  
20 interests of Centra customers, it may not be in the best  
21 interests -- interest of the broker's customers?

22 MR. VINCE WARDEN: I'm thinking of the --  
23 the larger population of customers, so -- so I think it  
24 would be in the best interest of all customers -- natural  
25 gas consumers in Manitoba.

1                   MR. ERIC HOAKEN: All right. So then if  
2 I'm understanding it correctly, having an unfair  
3 advantage in this enterprise may not necessarily be a  
4 problem?

5                   MR. VINCE WARDEN: No. We're -- Centra  
6 Gas Manitoba is a very, very small player in the overall  
7 scheme of things. Much smaller than Direct Energy or  
8 others -- Energy Savings Corporation.

9                   Does that constitute an unfair advantage?  
10 I --I don't know. I think we -- we have to look at what  
11 we can bring to the -- the marketplace given the  
12 respective strengths that we -- we have and see what we  
13 can do in the best interests of the Manitoba consumer.

14                  MR. ERIC HOAKEN: And when you talk about  
15 the marketplace, obviously, Mr. Warden, you're referring  
16 to Manitoba?

17                  MR. VINCE WARDEN: Manitoba, yes.

18                  MR. ERIC HOAKEN: Right. And so that's  
19 really what we need to focus on. We don't need to, for  
20 the purposes of this discussion, talk about what other  
21 markets the brokers might be in.

22                  MR. VINCE WARDEN: Oh, I think we do, if  
23 you're talking a level playing field.

24                  MR. ERIC HOAKEN: Well --

25                  MR. VINCE WARDEN: I don't know what

1 resources the other brokers might -- might bring to  
2 Manitoba. I'm -- I'm assuming there -- there's -- those  
3 resources are substantial.

4 MR. ERIC HOAKEN: Well, even on a level  
5 playing field, Mr. Warden, surely you'll agree with this.  
6 There may be players who are stronger and faster and  
7 bigger. And that's not unfair, and that doesn't make it  
8 an un-level playing field, right?

9 MR. VINCE WARDEN: I agree with that.

10 MR. ERIC HOAKEN: And it's only when we  
11 get into things like the use of performance-enhancing  
12 drugs; That's an unfair advantage, right?

13 MR. VINCE WARDEN: I'll accept that  
14 analogy.

15 MR. ERIC HOAKEN: And that start -- and -  
16 - and that starts to make it an un-level playing field?

17 MR. VINCE WARDEN: Well, I think we  
18 started this discussion as to -- you asked the question  
19 as whether it should be a level playing field. And I  
20 think we have to define what that level playing field is  
21 before we can properly address that question.

22 MR. ERIC HOAKEN: Okay. And -- all  
23 right. And that's fair enough. So, I think based on  
24 what you just said to me, you'd agree with me that a  
25 level playing field doesn't mean necessarily that all

1 market participants have the same size or the same  
2 structure or the same resources, fair?

3 MR. VINCE WARDEN: Fair.

4 MR. ERIC HOAKEN: And -- but what it does  
5 mean is that one (1) of the market participants must not  
6 have or have access to or actually use an unfair  
7 advantage.

8 MR. VINCE WARDEN: Well, again, it  
9 depends on what would constitute an unfair advantage.

10 MR. ERIC HOAKEN: Well, would it  
11 constitute, in your view, Mr. Warden, an unfair advantage  
12 if Company 1, in order to build its brand, had to spend  
13 \$5 million to advertise and put branding on its product,  
14 perhaps sponsor a stadium, and the other competitor did  
15 not have to invest any of its own capital.

16 Would that in -- in your analysis of what  
17 constitutes an unfair advantage, would that be an unfair  
18 advantage?

19 MR. LLOYD KUCZEK: Maybe I'll help Mr.  
20 Warden here. That -- that same situation is confronted  
21 with every market participant that enters the  
22 marketplace, whether it's one (1) retailer against  
23 another retailer. They come into the marketplace with a  
24 certain brand or lack of brand, and they have to address  
25 that in terms of competing in the market, and that's what

1 competition's all about.

2 MR. ERIC HOAKEN: Right. So, just help  
3 me with that analogy then, Mr. Kuczek. If -- let's say  
4 that there's a broker who, at this point, is not in the  
5 Manitoba market, and has no presence in the Manitoba  
6 market, you would expect that broker would have to expend  
7 some considerable resources to establish both a presence  
8 in Manitoba, but also a brand awareness among consumers?

9 MR. LLOYD KUCZEK: There would be a  
10 market entry cost for a -- a retailer considering to  
11 enter the market, and that would be part of the costs.

12 MR. ERIC HOAKEN: Right. And on the  
13 other hand, if Manitoba Hydro enters the fixed price  
14 market, it -- it doesn't have that same market-entry cost  
15 to get consumers to recognize it's brand because, as  
16 you've told us, it's already very well known.

17 MR. LLOYD KUCZEK: Yes. We -- we have  
18 different entry costs as well as the retailers, yes.

19 MR. ERIC HOAKEN: So, just help me  
20 underst -- and -- and that awareness, by the way, has  
21 been paid for by rate payers; that to the extent that  
22 you've advertised or issued promotional literature, the  
23 cost of doing that has been recovered in the amounts that  
24 you charge --

25 MR. LLOYD KUCZEK: I think --

1 MR. ERIC HOAKEN: -- all ratepayers.

2 MR. LLOYD KUCZEK: I think -- I believe,  
3 Mr. Warden answered a similar question. His response was  
4 yes.

5 MR. ERIC HOAKEN: All right. So, in the  
6 one case, in the example of the broker entering the  
7 market, it and it's shareholders have to shoulder the  
8 cost not knowing whether or not they're going to be able  
9 to sell enough products to recover the cost, right?

10 MR. LLOYD KUCZEK: That would be true.

11 MR. ERIC HOAKEN: Right. And in the case  
12 of Manitoba Hydro, the cost of creating the brand  
13 awareness has already been paid, and it's been paid by  
14 someone other than Manitoba Hydro?

15 MR. LLOYD KUCZEK: That's true. And  
16 paid for by -- well, to the extent that it -- it's  
17 embedded in our costs, yes.

18 MR. ERIC HOAKEN: Right. None of  
19 Manitoba Hydro's capital was at risk in funding the  
20 advertising that we looked at this morning as part of  
21 DEML/CENTRA-28?

22 MR. LLOYD KUCZEK: When you say  
23 "capital", you mean capital as opposed to operating  
24 costs?

25 MR. ERIC HOAKEN: Well, I mean money, I

1 guess.

2 MR. LLOYD KUCZEK: Yes. And adding to  
3 that, I guess, that if we entered the market and added  
4 benefit, those same consumers that paid for the brand  
5 would be reaping the benefits from it.

6 MR. ERIC HOAKEN: Reaping the benefits  
7 from it in what sense, Mr. Kuczek?

8 MR. LLOYD KUCZEK: In the sense of their  
9 utility offering different products that might serve  
10 their needs.

11 MR. ERIC HOAKEN: All right. But leaving  
12 that aside for a minute, in the example I've just taken  
13 you through, clearly Manitoba Hydro would have an  
14 advantage in the sense that it wouldn't need to embed in  
15 the price of its product, the cost of creating the brand  
16 awareness, whereas the broker that we just talked about  
17 hypothetically would, is that fair?

18 MR. LLOYD KUCZEK: I think it's fair to  
19 say that both entities are -- are different and including  
20 different retailers are different, and they have  
21 different costs to enter the marketplace, yes.

22 MR. ERIC HOAKEN: All right. And you're  
23 aware this potential use or misuse of a brand advantage  
24 has been one (1) of the reason that some regulators, at  
25 least, have said there should not be a fixed price

1 product offered by the Utility.

2 Looks like it's over to you, Mr. Barnlund.

3 MR. GREG BARNLUND: I think that might be  
4 one of the factors, yes.

5 MR. ERIC HOAKEN: Right. And the -- the  
6 concern is that the brand advantage would give the  
7 incumbent Utility an unfair advantage; I guess I've used  
8 that word twice in the same question.

9

10 (BRIEF PAUSE)

11

12 MR. GREG BARNLUND: Well, I think that  
13 it's -- it's one (1) factor. If you look at the  
14 situation in British Columbia, for example, where Terasen  
15 had applied for a gas marketer licence to be able to  
16 participate in commodity sales in that newly unbundled  
17 market, there was a considerable amount of debate that  
18 occurred after they made their application for their  
19 licence, and it ended up culminating in a written  
20 hearing, and a lot of exchange of Information Requests  
21 and argument.

22 At the end of it, Terasen had determined  
23 that, in their view, it wasn't a level playing field  
24 that they were entering into in their own Province,  
25 because they were being held to a different standard by

1 the British Columbia Utilities Commission in being  
2 subjected to scrutiny and a significant review. Whereas  
3 all other marketers that applied for a licence, assuming  
4 they posted their bond and had sufficient financials,  
5 were approved to have their application within three (3)  
6 or four (4) weeks.

7 MR. ERIC HOAKEN: But didn't the BCUC, in  
8 that case, Mr. Barnlund, didn't it conclude that for  
9 Terasen to enter that market, and to use the Terasen name  
10 would give it -- and brand -- would give it an unfair  
11 advantage and would cause quote/unquote "un-level playing  
12 field."

13 That was one of the conclusions of the  
14 commission, correct?

15 MR. GREG BARNLUND: That was one of the  
16 conclusions by them, yes.

17 MR. ERIC HOAKEN: All right. So how  
18 would that conclusion not apply to the Manitoba market?  
19 If -- let me ask a better question.

20 If a use of a brand advantage by the  
21 incumbent utility in British Columbia created an un-level  
22 playing field, why wouldn't it create an un-level playing  
23 field in Manitoba?

24 MR. GREG BARNLUND: Well, I think the  
25 situation if British Columbia is significantly different

1 because of -- of the pace at which unbundling has not  
2 proceeded in British Columbia until this time.

3 And in fact, as of May 1 this year and  
4 actually until November 1 when gas first flows, they'll  
5 only be catching up to where Manitoba was in May 1 of  
6 2000.

7 So they are significantly behind Manitoba  
8 in terms of unbundling their market. So they're at a  
9 very critical stage in terms of the early development of  
10 that marketplace.

11 They're also well aware that Terasen has  
12 put them on notice that they are spending at least \$11  
13 million to put that program -- the unbundling program --  
14 into place.

15 And that Terasen's primary consideration,  
16 or certainly one of their primary considerations, was not  
17 to be at risk for disallowance of the implementation of  
18 this program. And --

19 MR. ERIC HOAKEN: Which would be a  
20 concern -- I don't mean to interrupt you -- but that  
21 obviously would be a concern to Manitoba Hydro as well?

22 MR. GREG BARNLUND: Well, in any  
23 regulated environment, obviously, that could be a  
24 concern. So --

25 MR. ERIC HOAKEN: That's sort of one (1)

1 the worst things that can happen to you.

2 MR. GREG BARNLUND: That and other  
3 things, I suppose. But anyhow --

4 MR. ERIC HOAKEN: It's -- it's certainly  
5 on the short list, Mr. Barnlund.

6 MR. GREG BARNLUND: Back to British  
7 Columbia for a moment. The situation there is where the  
8 -- the BCUC is concerned that the uptake to the  
9 unbundling program needs to be as significant as  
10 possible, so that the assets and the program that's being  
11 put in place are indeed useful; and would be that Terasen  
12 could reasonably expect to earn the return on the -- on  
13 the investment that they're making to provide unbundling  
14 in that province.

15 MR. ERIC HOAKEN: And could I just stop  
16 you there, as well, on that point, because I -- that's an  
17 important point.

18 In Manitoba -- and I think this goes back  
19 to the things you said about your hopes and expectations  
20 coming out of the generic hearing in '96 -- but in  
21 Manitoba, that same principle would hold true.

22 Would it not be in the interest of  
23 everybody, including consumers, for the uptake for  
24 brokers' products to be as high as possible?

25 MR. GREG BARNLUND: But I think that

1 this situation is different in terms of the lapse -- the  
2 time that's elapsed between, I guess, the pace of  
3 deregulation, I should say, in Manitoba has been much  
4 faster and has been -- the experience has been much more  
5 extensive than it is in British Columbia.

6 So we have had -- a significant amount of  
7 time has elapsed since unbundling has occurred here.  
8 There's been a lot of time for marketers to be able to  
9 enter the Province and establish their own brand.

10 And in fact, one of the companies,  
11 Municipal Gas, seems to receive still some fairly large  
12 brand recognition within this Province. So by  
13 participating in this market since the early 1990's, that  
14 particular marketer has been able to achieve a certain  
15 amount of brand prominence.

16 So, it's a different situation here than  
17 it is in British Columbia. British Columbia is right at  
18 the starting gate. It's all brand new, Customers don't  
19 know anything about unbundling.

20 And so the BCUC, in its perhaps over-  
21 concern about the uptake for the program, has, I would  
22 say, created not a level playing field, but an un-level  
23 playing field that is, in certain ways, tipped against  
24 the incumbent LDC.

25 MR. ERIC HOAKEN: Now just dealing with

1 the context of brand advantage in Manitoba. I think your  
2 colleagues have already acknowledged there is a brand  
3 advantage that Manitoba Hydro enjoys over the brokers,  
4 correct?

5 MR. GREG BARNLUND: So I've heard.

6 MR. ERIC HOAKEN: And I -- I know you now  
7 well enough, Mr. Barnlund, that if you disagreed with  
8 that, you would of piped in by now. Right?

9 MR. GREG BARNLUND: Correct.

10 MR. ERIC HOAKEN: And if you look at the  
11 research that was done internally, that I just discussed  
12 with Mr. Kuczek, what it tells you is that if Manitoba  
13 Hydro offered the same products as the retailers, the  
14 overwhelming proportion of consumers -- all other things  
15 being equal, assuming, the same products, same price --  
16 would choose Manitoba Hydro, right?

17 MR. GREG BARNLUND: You know, I can't  
18 even speak to that, I'm sorry, because I haven't really  
19 paid any attention to the market research aspect of this  
20 at all, so I'm not really in a position to comment on  
21 that.

22 MR. ERIC HOAKEN: I'm -- I'm disappointed  
23 to hear you weren't following what I thought was a  
24 rivetting line of questioning. But just take a look at  
25 it right now. Why don't you turn it up while we're

1 talking. Look at DEML/CENTRA-14, page 7 of 8, Attachment  
2 1.

3

4

(BRIEF PAUSE)

5

6

MR. GREG BARNLUND: I have that.

7

8

MR. ERIC HOAKEN: Okay. And it was  
question 37 that I was just taking you to.

9

10

11

12

13

14

And so your -- your point, as I understand  
it when you were answering my earlier question, is that  
in Manitoba there's been a sufficient period of time for  
retailers to establish a brand, so you wouldn't expect  
the brand advantage of the incumbent Utility to be a  
significant factor.

15

16

Is that a fair -- a fair sort of  
paraphrase of what you said, Mr. Barnlund?

17

18

19

MR. GREG BARNLUND: Well, I said that --  
that the marketers have had the opportunity to establish  
their own brand, yes.

20

21

22

23

24

25

MR. ERIC HOAKEN: All right. And, for  
whatever reason, when you look at the answer to question  
37, it certainly appears that when offered the choice of  
buying precisely the same product from the retailers or  
from Manitoba Hydro, the overwhelming proportion of  
respondents say they would buy it from Manitoba Hydro.

1                   MR. GREG BARNLUND: Referring to question  
2 37, that appears to be the case.

3                   MR. ERIC HOAKEN: Okay. And I -- I'm  
4 gonna suggest to you that that is very clear evidence of  
5 the brand advantage that Manitoba Hydro enjoys in this  
6 marketplace. Tell me if you read it a different way, Mr.  
7 Barnlund.

8                   MR. GREG BARNLUND: Well, I think it's a  
9 -- a combination of a number of things, including the  
10 brand. But it -- it could be a reflection of our overall  
11 service that we provide customers with, in terms of  
12 responding to gas furnace problems in the wintertime, to  
13 connection concerns, and -- and it's our overall business  
14 that contributes to that, I -- I would suggest.

15                   MR. ERIC HOAKEN: Right. And they're  
16 having more contact with Manitoba Hydro personnel,  
17 perhaps, then they have on a day-to-day or a week-to-week  
18 basis with personnel from the brokers, is that fair?

19                   MR. GREG BARNLUND: Yes.

20                   MR. ERIC HOAKEN: And just coming back,  
21 Mr. Barnlund, to some of the things that you said about  
22 the British Columbia decision; and I -- I take it you're  
23 saying you -- you find that to be a distinguishable and  
24 somewhat -- what's the right word -- maybe anomalous  
25 decision. Is that right?

1 MR. GREG BARNLUND: Well, I find the  
2 decision, probably from the position of Terasen, was very  
3 unfortunate, and that -- that in terms of the perhaps  
4 fairness of the decision, or the fairness of the approach  
5 that was taken with regards to Terasen creating affiliate  
6 -- affiliate, raises some concerns in my mind,  
7 definitely.

8 MR. ERIC HOAKEN: Right. And spoken like  
9 an employee of an incumbent Utility, right? I mean --

10 MR. GREG BARNLUND: Well, spoken as a --  
11 as a -- as a general observation of the process that  
12 unfolded in British Columbia.

13 MR. ERIC HOAKEN: Now, British Columbia  
14 is not the only jurisdiction that has expressed concern  
15 over the advantage that a Utility can get if it uses its  
16 brand, right?

17 MR. GREG BARNLUND: I think that that's  
18 been probably canvassed in many jurisdictions,  
19 definitely.

20 MR. ERIC HOAKEN: Right. And it's  
21 certainly one (1) of the reasons why we see an affiliate.  
22 In affiliate relationship codes, there's a clear  
23 restriction on the use of the Utility name in offering  
24 unregulated products. Is that fair?

25 MR. GREG BARNLUND: Well I think that

1 affiliate codes tend to focus on providing a clear  
2 identification in the name; that this is an unregulated  
3 company, and that either the rates and prices that are  
4 associated with that company are not approved by a local  
5 Utilities Commission, or that they are clearly identified  
6 as a subsidiary of the other company.

7 But in a lot of ways, there isn't, per se,  
8 an outright ban on the use of the name.

9 MR. ERIC HOAKEN: Well, let me read you  
10 Section 2.5.3 of the Ontario Affiliate Relationships  
11 Code.

12 MR. GREG BARNLUND: Could you point me  
13 to that? I think that was filed, and I just would like  
14 to turn that up.

15 MR. ERIC HOAKEN: I -- I actually don't  
16 know where it is. If it was filed, I -- I'm afraid I  
17 can't tell you. I pulled it off somewhere else.

18 MR. GREG BARNLUND: Okay. Well it was  
19 an Information Request, I believe, that PUB made of us.

20 MR. ERIC HOAKEN: Yeah, I don't know if  
21 someone can find that.

22 MR. GREG BARNLUND: Just give me a  
23 second, I'm going to take a look.

24

25 (BRIEF PAUSE)

1 THE CHAIRPERSON: Just going to take a  
2 three (3) minute break.

3

4 (BRIEF PAUSE)

5

6 MR. GREG BARNLUND: PUB/CENTRA-38, I  
7 believe, had requested the filing of that and I'll just  
8 turn up the section. The section number you're referring  
9 to?

10 THE CHAIRPERSON: Just hold on, Mr.  
11 Barnlund, one (1) of our members isn't here right now.

12

13 CONTINUED BY MR. ERIC HOAKEN:

14 MR. ERIC HOAKEN: I'm sorry, Mr.  
15 Barnlund. PUB/CENTRA-38.

16 MR. GREG BARNLUND: Yes.

17

18 (BRIEF PAUSE)

19

20 THE CHAIRPERSON: Okay, Mr. Hoaken.

21 MR. ERIC HOAKEN: Thank you, Mr. Chair.

22

23 CONTINUED BY MR. ERIC HOAKEN:

24 MR. ERIC HOAKEN: You've now had an  
25 opportunity, Mr. Barnlund, to turn that up which we

1 identified as being in PUB/CENTRA-38, correct?

2 MR. GREG BARNLUND: Yes, I did, yes.

3 MR. ERIC HOAKEN: And -- okay -- and you  
4 had a chance to look at the section I was going to take  
5 you; 2.5.3?

6 MR. GREG BARNLUND: And I believe that  
7 it's exactly as I had just simply described to you.

8 MR. ERIC HOAKEN: Oh, I haven't even  
9 asked my question yet. The -- the question I was going  
10 to ask you, Mr. Barnlund, is that the presence of this  
11 provision in the Affiliate Code is a recognition by the  
12 Ontario Regulator that the brand advantage of the  
13 incumbent Utility could be used to the detriment of other  
14 market participants, correct?

15 MR. GREG BARNLUND: Well, I'm not really  
16 sure exactly what it represents in terms of how you --  
17 how you've characterized it there, but it is embedded as  
18 part of the -- the Affiliate Relations Code in Ontario.

19 MR. ERIC HOAKEN: All right. But you  
20 know a lot about these things. Just thinking about it  
21 from a very common sense perspective, doesn't that seem a  
22 reasonable explanation for the presence of a provision  
23 like this in the Affiliate Relationship Code?

24 MR. GREG BARNLUND: Well, I think back to  
25 the discussions that occurred here in this Province in

1 the 1990's with regards to setting up a code of conduct  
2 when Westcoast had Centra Energy Services as an  
3 unregulated affiliate within this Province doing water  
4 heater rentals and natural gas vehicle programs.

5 And the -- it was important that the  
6 identification was made at that point in time to  
7 distinguish the differences between a regulated entity  
8 and an unregulated entity.

9 MR. ERIC HOAKEN: Now let's come back to  
10 this discussion I started with Mr. Warden, and maybe I  
11 should more appropriately continue it with you, Mr.  
12 Barnlund.

13 But, just thinking about the high-level  
14 principles that would guide any effort by Manitoba Hydro  
15 to offer a fixed price product.

16 One (1) of the things, I took it from your  
17 evidence already, that's been decided, is that Manitoba  
18 Hydro will use the assets and the information that it has  
19 in its possession already as the regulated Utility to  
20 enter the competitive market, is that right?

21 MR. GREG BARNLUND: And I think what  
22 we're referring to is that we were -- we were intending  
23 to offer new products and services within the regulated  
24 Utility itself and so, by extension of that, the assets  
25 that -- some assets that we may have in our possession in

1 our operation would be used in -- in the offering of  
2 those products.

3 MR. ERIC HOAKEN: And what I took from  
4 reading one of the Information Request responses is that  
5 Centra is proposing that there be no restrictions  
6 whatsoever on its use of assets or information in its  
7 possession. Is that right?

8 MR. GREG BARNLUND: I'm not -- can you  
9 direct me to that IR? I can't remember what -- which IR  
10 that was.

11 MR. ERIC HOAKEN: I can't either. It --  
12 it might DEML/CENTRA-22. Why don't we look at that? But  
13 -- but just before we do that, Mr. Barnlund, leaving  
14 aside -- maybe I'm wrong about the Information Request --  
15 but is that Centra's position that it should have  
16 unrestricted access to and use of its assets and its  
17 customer information and its databases in order to enter  
18 the fixed price market?

19 MR. GREG BARNLUND: Well first I'd like  
20 to turn up the record and see what exactly we did put on  
21 the record, and then I'd like to -- you refer to that in  
22 terms of your answer. Just a moment please.

23

24

(BRIEF PAUSE)

25

1 MR. GREG BARNLUND: Mr. Hoaken, I'm told  
2 that PUB/CENTRA-6 asks a series of questions like that.

3 MR. ERIC HOAKEN: Thank you. Just give  
4 me a moment if you will, to find it.

5

6 (BRIEF PAUSE)

7

8 MR. ERIC HOAKEN: That's great. Thank  
9 you very much, I appreciate that. So I didn't make up  
10 the term "unrestricted access" then; I'm delighted.

11 That's a term -- or at least concept that  
12 comes up in your answer to 6A, right?

13 "Centra's of the view that there should  
14 be no restrictions on the utilization  
15 of assets in customer databases."

16 MR. GREG BARNLUND: I see that, yes.

17 MR. ERIC HOAKEN: So my question really  
18 wasn't a stretch. Centra's position is that it should  
19 have unrestricted access to the assets and database and  
20 information that it has in its possession at the current  
21 time, correct?

22 MR. GREG BARNLUND: That's what our  
23 response says, yes.

24 MR. ERIC HOAKEN: Oh, I liked it more the  
25 way I said it, which is why I asked you the question.

1 And turning to another IR response, which was the one (1)  
2 that I was about to take you to, DEML/CENTRA-22.

3 MR. GREG BARNLUND: Can you just give me a  
4 moment?

5 MR. ERIC HOAKEN: Yep.

6

7 (BRIEF PAUSE)

8

9 MR. GREG BARNLUND: I have that. Thank  
10 you.

11 MR. ERIC HOAKEN: All right. And if you  
12 see in the answer, Mr. Barnlund, starting at about line  
13 11, the answer says:

14 "Centra has all the traditional  
15 capabilities of a natural gas LDC ..."

16 And it goes on. Do I take that to mean  
17 that -- that Centra believes those capabilities would be  
18 advantageous to it in entering the fixed price product  
19 market?

20 MR. GREG BARNLUND: Well, I think that  
21 what we're saying is that at a minimum, any entity would  
22 be well served by having those -- those capabilities.  
23 And again, it's not a matter of -- of, you know, one (1)  
24 or -- one (1) competitor or one (1) offer of a product is  
25 gonna have certain advantages over another, and -- and in

1 certain other areas that competitor or entity could have  
2 an advantage over the LDC. And, therefore, it becomes a  
3 bit of a pointed discussion in terms of what becomes  
4 unfair, because there's gonna be advantages and  
5 disadvantages between each of the parties.

6 MR. ERIC HOAKEN: Right. And I -- I  
7 don't think I inserted "unfair" into my question. If I  
8 did, it was subconscious. But, in any case, the only  
9 point I was trying to make, which I don't think is a  
10 controversial one (1), is that Centra believes that it  
11 has certain capabilities that would be of use to it in  
12 entering the fixed price product market.

13 MR. GREG BARNLUND: That's fair.

14 MR. ERIC HOAKEN: And those are  
15 capabilities that had been acquired at the expense of the  
16 Manitoba ratepayer.

17 MR. GREG BARNLUND: You know, I'm just  
18 gonna stop it and just re -- refocus that a little bit,  
19 because I want to use another example just to try to  
20 provide a little better context for that.

21 If you look at, for example, the situation  
22 in New Brunswick where Enbridge Gas New Brunswick is a  
23 greenfield utility that started up in 2001. They intend  
24 on serving six (6) communities in New Brunswick. Small  
25 population; there are between forty (40) and seventy

1 thousand (70,000) customers per community. But Enbridge,  
2 its shareholders are investing upwards of a hundred and  
3 twenty (120), maybe \$180 million right now in terms of  
4 building out the infrastructure to serve those  
5 communities.

6                   So they're undertaking the risk in terms  
7 of digging up the streets, putting pipes in the ground,  
8 and preparing to attach customers that may not attach to  
9 that system. They currently have about ten thousand  
10 (10,000) customers. It's gonna take more than ten  
11 thousand (10,000) customers to pay back that \$150 or \$180  
12 million worth of investment.

13                   That's what an LDC faces. The LDC, at  
14 some point in time, is gonna make a decision in terms of  
15 putting plant in the ground with no guarantee that those  
16 customers are gonna attach to it. So I think that there  
17 is -- that needs to be understood in terms of the context  
18 of the evolution of an LDC to the point where a marketer  
19 then may want to go in afterwards and start doing  
20 business with those customers.

21                   But the risk has been borne by that LDC  
22 and by whether it be a Crown corporation, or by the  
23 shareholders of that LDC for a significant amounts of  
24 capital that have absolutely no guarantee of return.

25                   MR. ERIC HOAKEN: But you're a pretty

1 long way away from being a greenfield operation. Right,  
2 Mr. Barnlund?

3 MR. GREG BARNLUND: Well I think it's a  
4 point that needs to be understood in the context that  
5 it's not as simple a factor as what we may have been  
6 talking about here before this Board.

7 MR. ERIC HOAKEN: Right. But Manitoba  
8 Hydro and its predecessors, as the gas monopoly in this  
9 Province, have had ample time to receive return on their  
10 capital, correct?

11 MR. GREG BARNLUND: Well, I think we  
12 talked about it in an Information Request, too; about the  
13 cross- subsidies that exist back and forth. And,  
14 clearly, the market development work that a LDC does,  
15 provides customers for that marketer to be able to market  
16 to. Without the LDC undertaking the attachment of those  
17 customers and the maintenance of good service to those  
18 customers, there is no customer base by which the  
19 marketers can market to.

20 So there is a cross-subsidy that exists to  
21 the marketers that is very difficult to define and  
22 quantify. But it certainly exists.

23 MR. ERIC HOAKEN: Right. And I'll come  
24 back to that, because I think you've now entered  
25 something I didn't ask you about. But let me just go

1 back to this point that is referenced in the IR response.  
2 Is that -- I think where we've gotten so far, is that  
3 Centra has certain capabilities that it feels it can use  
4 to enter the fixed price product market, correct?

5 MR. GREG BARNLUND: That's correct.

6 MR. ERIC HOAKEN: And it has acquired  
7 those capabilities in the course of serving as the LDC?

8 MR. GREG BARNLUND: That's correct.

9 MR. ERIC HOAKEN: And it has recovered  
10 the costs of acquiring those capabilities through the  
11 rates that have been charged to its customers?

12 MR. GREG BARNLUND: Provided that those  
13 costs were prudent, approved, and allowed to be  
14 recovered.

15 MR. ERIC HOAKEN: I -- I accept that  
16 qualification. And just coming back then to the point  
17 about the use that Manitoba Hydro will make, if it's  
18 permitted to enter this market, of its assets and  
19 information in customer data bases.

20 As I understand it, Manitoba Hydro's  
21 position is that it can use its existing customer  
22 information to market its fixed price products, is that  
23 right? And -- and you're looking at Mr. Kuczek, so  
24 you're probably right; that probably was a better  
25 question for him.

1                   MR. LLOYD KUCZEK:     You know, at a high  
2 level, and I didn't discuss the customer information  
3 database and whether or not it was appropriate to or not,  
4 but the general philosophy we have is that the assets  
5 that we have are -- been paid for by the shareholders or  
6 the ratepayers in Manitoba, and then what we -- if we're  
7 entering this market to offer a product to the customers,  
8 we're doing so for the benefit of the customers.

9                   So, if we are using resources that end up  
10 benefiting our customers, we think that we should be  
11 doing that.

12                  MR. ERIC HOAKEN:     Now, you probably have  
13 some experience in doing direct mail, don't you, Mr.  
14 Kuczek?

15                  MR. LLOYD KUCZEK:     Not a lot.

16                  MR. ERIC HOAKEN:     Okay. Well you -- you  
17 tell me when you get out of your comfort zone, but I  
18 think this is pretty basic stuff. If you are a company  
19 that wants to market its products through a direct mail  
20 campaign, one (1) of the first things you have to do is  
21 get a list of customers, right?

22                  MR. LLOYD KUCZEK:     That sounds correct.

23                  MR. ERIC HOAKEN:     And you have to have a  
24 list of customers that gives you names and addresses,  
25 otherwise the materials that you're spending money on are

1 not going to reach the intended recipients, fair?

2 MR. LLOYD KUCZEK: Fair.

3 MR. ERIC HOAKEN: And so a retailer who  
4 is attempting to increase its market share, and  
5 attempting to do so through a direct mail campaign, is  
6 going to have to acquire a customer list from somewhere,  
7 right?

8 MR. LLOYD KUCZEK: Yes, and I'm not sure  
9 what that would cost.

10 MR. ERIC HOAKEN: Right, but there is a  
11 cost to it, right?

12 MR. LLOYD KUCZEK: I don't even know  
13 that, to be honest with you.

14 MR. ERIC HOAKEN: All right. Well, I  
15 wouldn't have thought there would be much issue about  
16 this. You can't just go out and get somebody to give you  
17 a customer list. This is information that has some value  
18 in the marketplace, and if you want it, you have to pay  
19 for it. That's not too much of a stretch, is it?

20 Yeah, the -- the phone book though, that  
21 the gentleman just whispered in you ear, that doesn't  
22 have addresses does it, and postal codes? You can't  
23 generate a list out of the phone book.

24 MR. LLOYD KUCZEK: Actually, you can.

25 MR. ERIC HOAKEN: That wouldn't

1 necessarily be the most effective way to run a campaign,  
2 would it Mr. Kuczek?

3 MR. LLOYD KUCZEK: It -- it would take  
4 some labour to do that --

5 MR. ERIC HOAKEN: Right.

6 MR. LLOYD KUCZEK: -- but I know -- I do  
7 know that you can do that, and you can get postal codes  
8 through some source that's free.

9 MR. ERIC HOAKEN: Okay, so even accepting  
10 your friend's example of the phone book, there's still  
11 going to be -- I think you just conceded -- there's still  
12 going to be some time and effort required to put it into  
13 a form that would be useful in running a direct marketing  
14 campaign, fair?

15 MR. LLOYD KUCZEK: Yes.

16 MR. ERIC HOAKEN: All right. So, on the  
17 other hand, if you were Manitoba Hydro and you want to do  
18 a direct mail campaign that is designed to market or  
19 promote your fixed price product, it's a lot simpler,  
20 isn't it?

21 MR. LLOYD KUCZEK: I would think we --  
22 it would be, yes.

23 MR. ERIC HOAKEN: Yes, because you don't  
24 -- first of all, you don't need to buy a list, because  
25 you know who the customers are, and in fact you send them

1 a love letter every month?

2 MR. LLOYD KUCZEK: We correspond with  
3 them every month, yes.

4 MR. ERIC HOAKEN: Right. And in fact,  
5 what you can do with very little marginal cost, is simply  
6 add something to the envelope, right?

7 MR. LLOYD KUCZEK: Yes.

8 MR. ERIC HOAKEN: And so that is an  
9 advantage that Manitoba Hydro has, and will have, over  
10 market participants -- other participants -- if it enters  
11 the fixed-price product market, correct?

12 MR. LLOYD KUCZEK: Yes, we all have  
13 advantages and disadvantages, and that would be one (1)  
14 of the advantages that Manitoba Hydro would have.

15 MR. ERIC HOAKEN: Okay. What advantages  
16 can you think of that the retailers would have in  
17 reaching their customers and corresponding with their  
18 customers? And I'm talking cost advantages.

19 MR. LLOYD KUCZEK: Well, cost-effective  
20 advantages would be related to potentially the marketing  
21 strategies that -- sales strategies that you would use as  
22 opposed to ourselves such as going door-to-door. And I  
23 assume they are cost effective; we likely wouldn't do  
24 that.

25 MR. ERIC HOAKEN: Okay. Well, I'm very

1 confused by that answer because one (1) of the few things  
2 I thought I understood so far in this Hearing was to  
3 door-to-door is one (1) of the most expensive sales  
4 channels you can use to market products, right?

5 MR. LLOYD KUCZEK: I agree that it's a  
6 more -- I -- I did say that, but I -- I assume it's cost  
7 effective though for the retailers.

8 MR. ERIC HOAKEN: Well, okay, that may or  
9 may not be and we don't really need to get into that  
10 right now, but that's not a sales channel that Manitoba  
11 Hydro will use, right?

12 MR. LLOYD KUCZEK: I wouldn't commit to  
13 it, but I think I suggested that we would likely not use  
14 that sales channel.

15 MR. ERIC HOAKEN: No, that's -- that's  
16 quite fair. You -- you didn't rule it out and I'm not  
17 suggesting that you did, but you would generally plan, if  
18 you were running the marketing campaign -- which you may  
19 well -- you would look to use other means that are more  
20 cost effective?

21 MR. LLOYD KUCZEK: We would look to use  
22 other means that more cost effective but not necessarily  
23 effective.

24 MR. ERIC HOAKEN: Okay. So then I think  
25 what you're telling me is that the -- the cost, the raw

1 cost or sheer cost of door-to-door, has to be viewed in  
2 relation to the results that it gets you?

3 MR. LLOYD KUCZEK: I believe so.

4 MR. ERIC HOAKEN: But even using that  
5 analysis, which I accept, door-to-door is still an  
6 expensive sales channel when compared to, for example,  
7 stuffing a bill envelope or telemarketing or Internet  
8 marketing, fair?

9 MR. LLOYD KUCZEK: If you're just looking  
10 at the cost, but if you're assessing the -- the business  
11 decision, you have to look at what your expected return  
12 would be on the overall decision.

13 MR. ERIC HOAKEN: All right. So I guess  
14 then we got down this track because I'd asked you to tell  
15 me about some of the marketing advantages, in a cost  
16 sense, that you believe retailers have over Manitoba  
17 Hydro.

18 So is it your evidence to this Board that  
19 it is an advantage -- a cost advantage -- in marketing  
20 the products for brokers to be able to go door-to-door?  
21 Is that your evidence?

22 MR. LLOYD KUCZEK: I hate to say you're  
23 confusing me a bit there. I'll have to ask you to ask  
24 that again.

25 MR. ERIC HOAKEN: Sure. Let me just

1 orient you as to where we were in the questioning. You'd  
2 agreed with me that it's an advantage for Manitoba Hydro  
3 to be able to market to its customers by stuffing the  
4 bill envelope, correct?

5 MR. LLOYD KUCZEK: Correct.

6 MR. ERIC HOAKEN: And I think as part of  
7 that answer you also said, Yes, we had that advantage,  
8 but brokers may also have advantages over us; does that  
9 start to ring a bell for you, Mr. Kuczek?

10 MR. LLOYD KUCZEK: Yes.

11 MR. ERIC HOAKEN: Okay. So then where I  
12 was going was, well, can you tell me specifically what  
13 advantages brokers have from a cost point of view in  
14 marketing to their customers that Manitoba Hydro doesn't  
15 have?

16 MR. LLOYD KUCZEK: Yeah. I -- I -- it's  
17 difficult for me to answer that. I mean once -- one (1)  
18 possibility would be your labour rates are lower than our  
19 labour rates, but I don't know that for certain so I  
20 couldn't even say that.

21 MR. ERIC HOAKEN: Okay. That's --  
22 that's very fair. So you're -- you're speculating that  
23 there may be advantages, but you can't give us a concrete  
24 example at this time, right?

25 MR. LLOYD KUCZEK: I have not analysed

1 the cost advantages that the retailers would have  
2 relative to Manitoba Hydro.

3 MR. ERIC HOAKEN: Okay. Now, I don't  
4 know if this is the right question for you or maybe for  
5 Mr. Barnlund, but carrying on in this theme about the  
6 information that Manitoba Hydro has; it has all of this  
7 information about who its customers are and what their  
8 practices and patterns of behaviour have been, correct?

9 MR. GREG BARNLUND: We have consumption  
10 information by account.

11 MR. ERIC HOAKEN: And you know, for  
12 example, how quickly they typically pay their bill,  
13 things like that?

14 MR. GREG BARNLUND: We would have  
15 collection and credit information.

16 MR. ERIC HOAKEN: Right, but in addition  
17 to that customer-related information, you also have very  
18 detailed information about the relationships that  
19 retailers have with their customers, correct?

20 MR. LLOYD KUCZEK: I'm not sure I  
21 understand what you mean by "detailed".

22 MR. ERIC HOAKEN: Well, do you have a  
23 copy of each contract that the retailers have with their  
24 customers?

25 MR. GREG BARNLUND: We would have an im -

1 - an image of the contract that had been signed with the  
2 -- between the marketer agency agreement appointing that  
3 marketer to act on behalf of the customer.

4 MR. ERIC HOAKEN: So you know then, from  
5 that document or image of a document, Mr. Barnlund, you  
6 then know what the term of the contract is, right?

7 MR. GREG BARNLUND: That's correct.

8 MR. ERIC HOAKEN: You know when it starts  
9 and you know when it stops?

10 MR. GREG BARNLUND: That's correct.

11 MR. ERIC HOAKEN: And you also know the  
12 unit price that's being paid by the consumer?

13 MR. GREG BARNLUND: Well certainly,  
14 because if the customer is going to be billed using the  
15 ABC which is generally the case, that we need that  
16 billing or -- for that unit rate information for the  
17 billing.

18 MR. ERIC HOAKEN: Right. And you will  
19 then have some idea of what that particular consumer's  
20 price tolerance is? They're willing to pay a premium for  
21 a fixed price product, is that fair?

22 MR. GREG BARNLUND: Well all we would  
23 know is basically the -- the customer, the account and  
24 the price that's being charged to them so --

25 MR. ERIC HOAKEN: Well --

1                   MR. GREG BARNLUND:    -- whatever we could  
2   -- whatever you want infer from that.

3                   MR. ERIC HOAKEN:    Wouldn't you know more  
4   than that?  Wouldn't you know that this is a consumer who  
5   is risk adverse and finds the concept of a fixed price  
6   product attractive?

7                   MR. LLOYD KUCZEK:   Not all customers seem  
8   to know what they've purchased, so I don't know if we'd  
9   know that with all customers.

10                  Certainly some of the customers that would  
11   be true.

12                  MR. ERIC HOAKEN:    Well, I think one of  
13   the few things that Dr. Van Audenrode and I agreed on, is  
14   that consumers aren't dummies.

15                  So let's -- let's assume that -- I mean, I  
16   accept your point, maybe that's true -- but let's assume  
17   that the majority of consumers are going to have some  
18   idea of what they purchased and at least why they think  
19   they purchased it.

20                  Is that an unreasonable assumption for  
21   you, Mr. Kuczek?

22                  MR. LLOYD KUCZEK:    I couldn't go with  
23   majority because I think our market research shows that  
24   half of our customers don't even know who they're  
25   receiving their service from.

1                   MR. ERIC HOAKEN:   All right.  And so  
2   that's the market that you'd be chasing if you go to a  
3   fixed price product, is people who don't know what  
4   they're buying and why they're buying it?

5                   MR. LLOYD KUCZEK:   No.  The market that  
6   we would be pursuing is the market that we believe  
7   there's currently a gap in right now, if we're to pursue  
8   the -- a particular market.

9                   MR. ERIC HOAKEN:   And that's the one (1)  
10   year product?

11                  MR. LLOYD KUCZEK:   Well I'm not going  
12   restrict it to just that.  There -- I -- I do get a sense  
13   from the market research that there are customers that  
14   would like a -- a longer term price product -- a fixed  
15   price product, that just aren't comfortable with brokers.

16                  I've even had some consideration to maybe  
17   discussing opportunities with the retailers to maybe  
18   serving that need through -- through ourselves.

19                  MR. ERIC HOAKEN:   So those consumers  
20   would know what they're buying and why they're buying it,  
21   as contrasted with the three (3) to five (5) year  
22   consumers who, you've told me, you're not comfortable  
23   telling this Board that the majority of them would know  
24   what they're doing?

25                  MR. LLOYD KUCZEK:   I really don't know if

1 they know what they're doing.

2 MR. ERIC HOAKEN: But -- back to you, Mr.  
3 Barnlund, you agree with me that having that information  
4 about which customers have found these products  
5 attractive or potentially found them attractive, and what  
6 they've paid for those products would be valuable  
7 information for Manitoba to have, in deciding how and to  
8 whom the market its -- its fixed price products.

9 MR. LLOYD KUCZEK: Well potentially yes.

10 MR. ERIC HOAKEN: All right. That may be  
11 a good time to break for lunch, Mr. Chair.

12 THE CHAIRPERSON: Very good, Mr. Hoaken.  
13 See if we can get back no later than 1:10.

14 MR. ERIC HOAKEN: Thank you.

15

16 --- Upon recessing at 12:00 p.m.

17 --- Upon resuming at 1:16 p.m.

18

19 THE CHAIRPERSON: Well, we may not be on  
20 time, but we're not as late as Air Canada usually is.  
21 Anytime you are ready, Mr. Hoaken.

22 MR. ERIC HOAKEN: Well, I've actually got  
23 Air Canada joke. I won't tell it now, but maybe some  
24 other time.

25 I think that during the break Ms. Murphy

1 has distributed -- she and her team have distributed a  
2 document and maybe she wants to speak to that before I  
3 continue.

4 THE CHAIRPERSON: Ms. Murphy...?

5 MS. MARLA MURPHY: Thank you. Yes, we  
6 did distribute the response to the undertaking that was  
7 taken a little bit earlier this morning. It's  
8 Undertaking number 14 and I believe it would be Centra  
9 Exhibit number 18. Thank you.

10

11 --- EXHIBIT NO. CENTRA-18: Response to Undertaking 14

12

13 THE CHAIRPERSON: Thank you, Ms. Murphy.  
14 Okay, Mr. Hoaken.

15

16 CONTINUED BY MR. ERIC HOAKEN:

17 MR. ERIC HOAKEN: Thank you, Mr. Chair.  
18 Just while we have that in front of us, could I go back  
19 to you on that, Mr. Kuczek, just looking at the  
20 undertaking, or at least the -- the exhibit that's been  
21 furnished in answer to the undertaking.

22 So we can see from this -- it appears to  
23 me that the first communication by Centra or Manitoba  
24 Hydro with the PUB about this issue, was on the 3rd of  
25 September. Am I correct about that?

1                   And I'm happy if Ms. Murphy -- if -- if  
2 she knows the answer and wants to add, I'm certainly  
3 happy for her to do that.

4                   MS. MARLA MURPHY:    My understanding was  
5 that this information had been communicated from the  
6 broker group to the Public Utilities Board, prior to  
7 that. This is, as far as I know, the on -- the first  
8 communication between Hydro and the Public Utilities  
9 Board, as to the response that was sent to the brokers.

10  
11 CONTINUED BY MR. ERIC HOAKEN:

12                   MR. ERIC HOAKEN:    All right, thank you.  
13 And just to followup on that, we -- we know from the  
14 email that I discussed with you this morning, the August  
15 27 email that Ms. Yarmie of Direct Energy sent, that she  
16 specifically requested that Centra bring this to the  
17 attention of the PUB and that it confirm with Direct  
18 Energy when it had done so.

19                   Do you know if any confirmation was  
20 provided to Direct Energy, that the PUB had been notified  
21 of this issue?

22                   MR. VINCE WARDEN:    I don't know.

23                   MS. MARLA MURPHY:    Sorry, I don't,  
24 either.

25

1 CONTINUED BY MR. ERIC HOAKEN:

2 MR. ERIC HOAKEN: All right, thank you.  
3 If you determine that Direct Energy was notified, would  
4 you be good enough to let me know?

5 MS. MARLA MURPHY: Certainly.  
6

7 --- UNDERTAKING NO. 11: Centra to determine for  
8 DEML/ESMLP if confirmation  
9 was provided to Direct  
10 Energy, that the PUB had been  
11 notified of the issue  
12 detailed in the August 27  
13 email that Ms. Yarmie of  
14 Direct Energy sent  
15

16 CONTINUED BY MR. ERIC HOAKEN:

17 MR. ERIC HOAKEN: Thank you. Let me  
18 continue this afternoon, Mr. Warden, with you. And I  
19 want to continue on the theme I began before lunch about  
20 sort of the high level principles that would guide the --  
21 the design and implementation of any Manitoba Hydro  
22 product. Is that all right?

23 MR. VINCE WARDEN: Okay.

24 MR. ERIC HOAKEN: And as I understand  
25 what you've told us so far, you don't know the precise

1 pricing of any such product, but what you do think is  
2 that Manitoba Hydro would have a pricing advantage over  
3 the competitive retailers, is that fair?

4 MR. VINCE WARDEN: Yes.

5 MR. ERIC HOAKEN: And that advantage, as  
6 I understand it, lies in the fact that it is not  
7 necessary for Manitoba Hydro to earn a profit in the same  
8 way that it is for public companies such as the brokers.  
9 Is that right?

10 MR. VINCE WARDEN: Correct.

11 MR. ERIC HOAKEN: And is it fair to say  
12 that one (1) of the reasons that brokers are entitled to  
13 earn a profit is because they're assuming a risk?

14 MR. VINCE WARDEN: Yes.

15 MR. ERIC HOAKEN: And conversely, one (1)  
16 of the reasons that Manitoba Hydro in this scenario,  
17 would not be charging or earning a profit is that, it  
18 itself is not absorbing the risk that is associated with  
19 offering this product, is that fair?

20 MR. VINCE WARDEN: Well, to the extent  
21 that there is a risk associated with a product, that risk  
22 will ultimately befall to our customers.

23 MR. ERIC HOAKEN: That's right. And so  
24 could I ask you to look at the pre-filed evidence of  
25 Direct Energy and Energy Savings.

1 (BRIEF PAUSE)

2

3 MR. ERIC HOAKEN: And it's page 4  
4 paragraph 13 that I wanted to draw your attention to Mr.  
5 Warden.

6

7 (BRIEF PAUSE)

8

9 MR. ERIC HOAKEN: And -- just if you read  
10 the lead-in to the quote that's part of that paragraph,  
11 you see that in the Ontario proceeding, which is the  
12 natural gas forum hearings, the Utility was suggesting  
13 that the -- the regulated supply option is better for  
14 consumers than a competitive supply option because  
15 there's no profit margin, right?

16 MR. VINCE WARDEN: That appears to be the  
17 case, yes.

18 MR. ERIC HOAKEN: Yeah. And then you see  
19 the part that we've excerpted is taken out of the Board's  
20 decision. And if you read that analysis the -- the Board  
21 appears to be saying what you and I just discussed, which  
22 is that it's not really a fair comparison to say that the  
23 Utility does not earn a profit and the brokers do,  
24 because the risk profile and ultimately the absorption,  
25 or assumption of risk, is different as well.

1                   Is that fair?

2                   MR. VINCE WARDEN:    Yeah, I think that's  
3 pretty much what we said.

4                   MR. ERIC HOAKEN:    And so is -- is there  
5 any reason why the analysis of the Ontario Energy Board  
6 in that case, wouldn't be applicable here?

7                   MR. VINCE WARDEN:    To the extent that the  
8 conclusion is drawn from the section you just pointed me  
9 to, yes, I -- I think they're comparable.

10                  MR. ERIC HOAKEN:    Now, have you given any  
11 thought, Mr. Warden, in the general thinking and planning  
12 that's gone on about this, have you given any thought to  
13 what the impact of Centra offering alternative products  
14 in the market place would be on potential market  
15 entrants?

16                               Is it gonna make it more likely or less  
17 likely that other brokers from the competitive sector  
18 come into Manitoba?    What's your thinking on that?

19                  MR. VINCE WARDEN:    We -- we really  
20 haven't given a lot of thought to that at this point.

21                  MR. ERIC HOAKEN:    And have you given any  
22 thought to whether or not it will be necessary to hire  
23 more staff, if you do indeed offer this product?

24                  MR. VINCE WARDEN:    I think we talked  
25 briefly about that earlier and our position is that the

1 incremental costs will be very minimal for -- for Centra  
2 Gas.

3 MR. ERIC HOAKEN: Okay. And you --  
4 you're right, you did say that and maybe I didn't  
5 understand it in the sense in which you had meant it.

6 But do you mean by that, that it will not  
7 be necessary to hire new staff, and simply some notional  
8 portion of the time of existing staff could be allocated  
9 to the fixed priced product? Is that what you're saying?

10 MR. VINCE WARDEN: Yeah, I think if we're  
11 talking new staff it might be in the order of magnitude  
12 of one (1) or two (2) employees.

13 MR. ERIC HOAKEN: All right. But in  
14 addition to what those new employees might do, you also  
15 contemplate, at least at a general level, that existing  
16 employees of Manitoba Hydro would spend some portion of  
17 their time on this project. Is that fair?

18 MR. VINCE WARDEN: That's fair.

19 MR. ERIC HOAKEN: And have you given any  
20 thought about what the proportions of that would be?

21 MR. VINCE WARDEN: Not really, no.

22 MR. ERIC HOAKEN: Okay. Now in going  
23 forward with a product and ultimately rolling it out,  
24 you're -- you're gonna have to decide what the price of  
25 the product is, right?

1 MR. VINCE WARDEN: Yes.

2 MR. ERIC HOAKEN: And that price is going  
3 to have to embed or reflect the cost of acquiring the gas  
4 that you're contracting with the customer to sell, right?

5 MR. VINCE WARDEN: Sure.

6 MR. ERIC HOAKEN: And it's also going to  
7 have to embed all of the costs that are incurred with the  
8 development and offering of the product; is that fair?

9 MR. VINCE WARDEN: I would think so, yes.

10 MR. ERIC HOAKEN: And is it fair to say,  
11 Mr. Warden, that it -- it is never gonna be possible in  
12 advance, and by that what I mean is, before you set the  
13 price of the product, to know exactly what the costs are  
14 going to be, is that fair?

15 MR. VINCE WARDEN: Well, I -- I would  
16 expect that we would have a very close estimate of those  
17 costs, so yeah, I think we'd have a good handle on those  
18 costs before we went in.

19 MR. ERIC HOAKEN: Okay. Well, let's --  
20 let's go through an example, just to make sure that I  
21 understand how you're approaching this correctly. Let's  
22 say, for example, that you incur a million dollars of  
23 costs in researching the product, in developing it,  
24 perhaps, and getting regulatory approval, and ultimately  
25 rolling it out to customers and then marketing it to

1 customers. So let's use my figure of a million dollars.

2 And let's say that Centra assumes that it  
3 is going to get ten thousand (10,000) people to subscribe  
4 for this product, it would then have a notional cost --  
5 and I know this is a silly example, but I'm using numbers  
6 that I can calculate quickly in my head -- that would  
7 mean that there would be ten thousand dollars (\$10,000)  
8 of costs that would have be absorbed in the product, is  
9 that fair, for -- for each unit you're selling?

10

11 (BRIEF PAUSE)

12

13 MR. ERIC HOAKEN: I'm delighted to see  
14 Mr. Barnlund is picking up a calculator.

15 MR. VINCE WARDEN: It sounds pretty high  
16 to me, ten thousand (10,000). But one hundred dollars  
17 (\$100), perhaps, in your example, sounds more like it,  
18 yeah.

19 MR. ERIC HOAKEN: Oh, okay, let me have  
20 Barnlund give the answer. Barnlund, give the answer.

21 MR. GREG BARNLUND: One hundred dollars  
22 (\$100).

23 MR. ERIC HOAKEN: Thank you. I've just -  
24 - I've just done what Mr. Peters says lawyer shouldn't  
25 do.

1                   So, thank you; a hundred dollars (\$100).  
2                   So, that is, in the example that I'm using, that is the  
3                   cost that you're then going to have to embed in the  
4                   product and ultimately recover from the people to whom  
5                   you sell the product, is that right?

6                   MR. VINCE WARDEN:    Yeah, in -- in your  
7                   example, a million dollars, like that to me, would be  
8                   quite a bit higher than what I would expect.  But if it -  
9                   - let's just assume that there are some initial start up  
10                  costs, some entry costs, that we would have to incur to  
11                  get into this marketplace.

12                  So in that situation I would expect that  
13                  we would look at some way of spreading those costs over  
14                  the -- what we expect to be a reasonable timeframe,  
15                  rather than load up the front end.

16                  MR. ERIC HOAKEN:    Okay, how would that  
17                  work, because that was really what I was going to come to  
18                  is -- so let's say, for exam -- because you're quite  
19                  right, no one has to recover all of their product  
20                  development costs in the first year of selling the  
21                  product.

22                  But if -- if you were trying to forecast  
23                  those costs and then forecast the timeframe over which  
24                  you would recover the costs, what would your thinking be  
25                  about you'd approach that?

1                   MR. VINCE WARDEN: Well, it's like any  
2 other cost that we defer and amortise, we would look at  
3 when we would expect to receive the benefits from that --  
4 from that upfront investment. So on the example we're  
5 talking about, I would think that something like five (5)  
6 years might be a reasonable time frame.

7                   MR. ERIC HOAKEN: All right. So, let --  
8 let's then say in my example that you do forecast five  
9 (5) years to recover those costs, and at the end of the  
10 five (5) years you find to your chagrin, that the uptake  
11 for the product has not been what you hoped it would be;  
12 such that you have not earned enough revenue from the  
13 product to recover all those costs.

14                   That's certainly a possible scenario,  
15 right?

16                   MR. VINCE WARDEN: It is possible, Mr.  
17 Hoaken, although it would be a situation we would be  
18 thinking very carefully about to avoid, so we didn't get  
19 ourselves into that situation.

20                   MR. ERIC HOAKEN: Yeah. I -- I  
21 completely accept that, but even doing everything  
22 perfectly, you -- you can still -- in advance, you can  
23 misjudge the appetite for the product, is that fair?

24                   MR. VINCE WARDEN: Well, let's follow  
25 that scenario through. Okay, we'll go along -- I'll go

1 along with that.

2 MR. ERIC HOAKEN: Well, I'm just -- I  
3 don't want to have you agree with anything you're  
4 uncomfortable with, but it seems to me that just as we  
5 can't predict what the market is going to do with any  
6 precision, we -- we also can't say for sure what the  
7 customer uptake of the product is going to be; that's one  
8 (1) variable, right?

9 MR. VINCE WARDEN: Correct.

10 MR. ERIC HOAKEN: And so if the uptake is  
11 less than what you hope it's going to be and what you  
12 project it's going to be, one (1) scenario is that at the  
13 end of your five (5) year period you can be left with  
14 costs that have not been recovered from the sales of the  
15 product, fair?

16 MR. VINCE WARDEN: Yeah, that is  
17 possible.

18 MR. ERIC HOAKEN: Okay. And then also, I  
19 take it that this may be in the same category, but on the  
20 volume side as Mr. Stephens said, when he was explaining  
21 the product, he quite candidly acknowledged that there's  
22 both, what he described, a price risk and a volume risk,  
23 right?

24 MR. HOWARD STEPHENS: That's correct.

25 MR. ERIC HOAKEN: And so that also --

1 those risks are such that after some notional period of  
2 time they could result in an imbalance, or I think the  
3 term we've used in this proceeding is a "mismatch," a  
4 mismatch between what you have forecast to recover in  
5 revenue and what you've actually incurred. Is that fair?

6 MR. VINCE WARDEN: Well, Mr. Hoaken, you  
7 -- you asked me not to agree with you if I wasn't  
8 comfortable, and I'm really not comfortable with the  
9 scenario you are painting because I think we would do  
10 everything possible to avoid that scenario. We wouldn't  
11 get ourselves into that situation. We would enter the  
12 market -- I visualize entering the market in a very  
13 controlled way, a small --

14 MR. ERIC HOAKEN: Like --

15 MR. VINCE WARDEN: -- a small way at  
16 first, and making sure that we didn't have the risks that  
17 you're alluding to.

18 MR. ERIC HOAKEN: Okay. But how can you  
19 -- and I'm not meaning to suggest for a moment that you  
20 would do this in an imprudent fashion, so if you're  
21 taking that from my question, I certainly don't mean to  
22 suggest that.

23 All I'm trying to suggest is that even  
24 when you act prudently and in accordance with clearly  
25 defined conservative principles, you can still end up in

1 a position other than the one you'd hoped you be in,  
2 right?

3 MR. VINCE WARDEN: We -- we could with  
4 the -- with the -- given the comments I made earlier,  
5 that that could happen, yes.

6 MR. ERIC HOAKEN: Yeah. And I mean,  
7 isn't the hedging program a good example of that, because  
8 you, in 2006/2007 as we've discussed, had a substantial  
9 loss or addition to gas cost, probably is a better way to  
10 put it, and you had that even though you exercised your  
11 hedges in a manner that was precisely as contemplated by  
12 your policy, right?

13 MR. VINCE WARDEN: No. No, I don't think  
14 that is a good analogy because with -- with the hedging  
15 program our -- our objective is to mitigate volatility;  
16 that's what it does. And there is a methodology in place  
17 to recover any pluses or minuses that might result  
18 therefrom.

19 What we're talking about here is offering  
20 a product for which we want to be absolutely sure that we  
21 recover all our costs in the price of that product.

22 MR. ERIC HOAKEN: But that's, I guess,  
23 what I -- I just can't accept. I mean, are you telling  
24 this Board that Centra will be able to design a product,  
25 market the product, and recover revenue from the product

1 in a fashion that has the revenue match up completely  
2 with the costs, because that's just not possible.

3 MR. VINCE WARDEN: Well, I think it might  
4 very well be. We -- we have to be somewhat creative, but  
5 I think we've got creative people and we can -- we can  
6 design a product that's virtually risk free.

7 MR. ERIC HOAKEN: Okay. So explain that  
8 to me. Just tell me how you'd that, because I'm having  
9 trouble swallowing that as a general principle so you'd  
10 better give me a specific example of how you do it.

11 MR. VINCE WARDEN: Well, we're getting in  
12 now to the design of the product we might offer, and I --  
13 I think it's premature to do that.

14 MR. ERIC HOAKEN: No, but you're --  
15 you're making a very definitive statement, Mr. Warden,  
16 and so I think if -- if the Board is going to take your  
17 statement at face value I think we need to put a bit of  
18 meat on the bones here.

19 I'm suggesting to you that taking into  
20 account the risks that Mr. Stephens has very candidly  
21 acknowledged exist, that you simply cannot eliminate the  
22 possibility that there are going to be mismatches that  
23 result in costs that have not been and cannot be  
24 recovered from your fixed price customers.

25 Are you saying that's not the case?

1                   MR. VINCE WARDEN:    I'm saying that we can  
2 design the products such that we can minimize those risks  
3 so that --

4                   MR. ERIC HOAKEN:    Okay.  You can minimize  
5 the risks.  So I think we're making progress now, because  
6 I heard you a moment ago; I thought you said you were  
7 quite confident you could eliminate the risk?

8                   MR. VINCE WARDEN:    I think I said  
9 virtually risk free.

10                  MR. ERIC HOAKEN:    All right.  So at least  
11 you've now acknowledged there is some risk that, despite  
12 your very best efforts, may remain.  Is that fair?  Are  
13 you comfortable with that?

14                  MR. VINCE WARDEN:    There could be a small  
15 plus or minus residual.

16                  MR. ERIC HOAKEN:    All right.

17                  MR. VINCE WARDEN:    But it will be small.

18                  MR. ERIC HOAKEN:    Okay.  And just tell  
19 us how you're so confident it will be small, Mr. Warden,  
20 with this product that has not been designed, not yet  
21 priced, and not yet costed.

22                  MR. VINCE WARDEN:    Well, because I think  
23 we have an obligation to our customers, to our  
24 ratepayers, to ensure that whatever we introduce will --  
25 will have low risk attached to it.  So that's the

1 confidence I have and I -- I think there are ways of  
2 accomplishing that, but again it's premature to get into  
3 that kind of a detailed discussion.

4 MR. ERIC HOAKEN: Right. What are the  
5 implications, though? Let's follow that on. And I  
6 don't want to take you into a level of detail you're  
7 uncomfortable with, but what are the implications of that  
8 for pricing?

9 'Cause it seems to me that if you are  
10 going to approach this on the conservative basis that  
11 you're saying, where you try to virtually eliminate the  
12 risk, that you're gonna have to price your product  
13 extremely conservatively.

14 MR. VINCE WARDEN: Well, I think that  
15 gets into how good we are at negotiating with our  
16 suppliers.

17 MR. ERIC HOAKEN: Okay. But that --  
18 that's the price risk that Mr. Stephens talked about,  
19 right? That -- so that doesn't deal, does it Mr.  
20 Stephens, with the volume risk?

21 MR. HOWARD STEPHENS: Well, we could --  
22 we could potentially deal with both.

23 MR. ERIC HOAKEN: Okay. So just to help  
24 me understand that, how would you -- how would you  
25 negotiate with your suppliers in a way that absolved you

1 of the volume risk, or at least minimized the exposure on  
2 the volume risk?

3 MR. VINCE WARDEN: Well, one (1) way  
4 would be to go to our suppliers for a -- a fixed quantity  
5 of gas, and -- and with the confidence that we can  
6 dispose of that fixed quantity of gas, no matter what the  
7 weather or other conditions that might prevail.

8 MR. ERIC HOAKEN: And -- and if you did  
9 that, you would be contracting presumably for a fixed  
10 quantity of gas; would you be doing that at a fixed price  
11 or at an index price?

12 MR. VINCE WARDEN: Again, that depends  
13 what we can negotiate with our suppliers. It would -- I  
14 think the -- yeah -- no I'll leave it there. It depends  
15 what we can negotiate.

16 MR. ERIC HOAKEN: So you would consider  
17 either one of those options?

18 MR. VINCE WARDEN: We would definitely  
19 consider the option that's most attractive to us, yes.

20 MR. ERIC HOAKEN: So you would consider  
21 either one of those options?

22 MR. VINCE WARDEN: I think we would.

23 MR. ERIC HOAKEN: Okay. And so if you  
24 contracted on a fixed price basis, isn't there then  
25 risks? Because what happens if you've contracted in this

1 scenario, that you and I are discussing, for a fixed  
2 quantity of gas at a fixed price, and you've therefore,  
3 got the risk that you're gonna be stuck with too much gas,  
4 right?

5 MR. VINCE WARDEN: Not necessarily. If  
6 we can negotiate a price that's attractive, that we would  
7 go to the marketplace with a fixed quantity of gas; that  
8 when that gas is gone it's gone. And I would expect that  
9 it would be at an attractive enough price that there  
10 would be no risk.

11 MR. ERIC HOAKEN: Now I don't know, do  
12 you have any chinooks in Manitoba?

13 MR. VINCE WARDEN: We have -- we have  
14 weather variations for sure.

15 MR. ERIC HOAKEN: Sure. So you -- you  
16 can't predict -- as attractively as you price the gas,  
17 the demand for it isn't gonna be based on how  
18 attractively you price it; it's gonna be based to a large  
19 extent on the weather variations, right?

20 MR. VINCE WARDEN: But we know what those  
21 -- we know the range of those weather variations in  
22 Manitoba.

23 MR. ERIC HOAKEN: You -- you know what  
24 the range is likely to be, but you don't know what the  
25 exact experience is going to be. And you'll have to

1 agree with me, that there may well be a mismatch between  
2 what you expect and what actually happens.

3 MR. VINCE WARDEN: But again -- no I  
4 won't have to agree with you, because it depends on how  
5 that's structured; how much gas we allocate to the  
6 customers that subscribe for that gas.

7 MR. ERIC HOAKEN: Well, maybe I  
8 misunderstood the premise. I thought what you were  
9 talking about, Mr. Warden, was in order to support the  
10 obligations, you would assume to fixed price customers,  
11 you would go to your supplier in this example, and  
12 contract for a fixed quantity of gas at a fixed price.  
13 Did I misunderstand you?

14 MR. VINCE WARDEN: No, you didn't  
15 misunderstand --

16 MR. ERIC HOAKEN: Okay.

17 MR. VINCE WARDEN: -- that part.

18 MR. ERIC HOAKEN: All right. Just the  
19 other part, right? So you would in -- in that scenario,  
20 you would contract with your supplier to purchase a fixed  
21 quantity of gas, in circumstances where your fixed price  
22 customers had no contractual obligation to buy any fixed  
23 quantity from you. Fair?

24 MR. VINCE WARDEN: At that point, yes.

25 MR. ERIC HOAKEN: Okay. And it's at

1 least possible that there would be a mismatch between the  
2 quantity you had contracted with the supplier for, and  
3 the quantity that your customers ultimately needed from  
4 you.

5 MR. VINCE WARDEN: Well, again Mr. Hoaken  
6 we're getting into probably a level of detail that's --  
7 that's premature, but I think we would be -- be structure  
8 this in such a way that whatever gas we contracted for we  
9 would be confident that we would be able to dispose of.

10 MR. ERIC HOAKEN: Yeah, but you -- you  
11 keep saying that, and I think the problem is that we need  
12 more than that. If it -- if this --

13 MR. VINCE WARDEN: Well, I don't know why  
14 you need more. I mean, the -- all we're looking is the  
15 authority at this point in time to go forward and -- and  
16 negotiate the best deal possible.

17 MR. ERIC HOAKEN: Right.

18 MR. VINCE WARDEN: And then we'll come  
19 back with the specific details of how that's gonna be  
20 structured and seek regulatory approval.

21 MR. ERIC HOAKEN: Right.

22 MR. VINCE WARDEN: Well, that would be  
23 the time when we get more detail.

24 MR. ERIC HOAKEN: All right. So you  
25 don't feel that you need to tell this Board how it is you

1 can eliminate virtually all the risk? You think it's  
2 enough to tell them that you feel you can do it?

3 MR. VINCE WARDEN: That's what I'm saying  
4 at this point in time, yes.

5 MR. ERIC HOAKEN: All right. And you'll  
6 agree with me though, that -- let's assume worst-case  
7 scenario despite your very best efforts, you can't  
8 eliminate that risk.

9 The -- the practical effect of that would  
10 be there would be costs that had been incurred in  
11 connection with a fixed price offering that you could not  
12 recover from those customers, correct?

13 MR. VINCE WARDEN: Well, I -- I think  
14 we're going down that same path that we were down  
15 previously, but that would not be our objective to have a  
16 residual at the end; that would have to be recovered  
17 elsewhere.

18 MR. ERIC HOAKEN: Okay. But I'm asking  
19 you to assume now.

20 MR. VINCE WARDEN: Okay.

21 MR. ERIC HOAKEN: Let's assume that  
22 despite your very best efforts there is a residual, to  
23 use your words, so there are some costs left over that  
24 are in excess of what you forecast when you priced your  
25 product, okay? Assume that.

1 MR. VINCE WARDEN: Okay. We'll assume  
2 that.

3 MR. ERIC HOAKEN: So those costs have to  
4 be paid by somebody, right?

5 MR. VINCE WARDEN: Yes.

6 MR. ERIC HOAKEN: And you -- you can't go  
7 back to the fixed price customers you contracted with and  
8 get it from them, can you?

9 MR. VINCE WARDEN: Well, a contract's a  
10 contract, we couldn't go back, no.

11 MR. ERIC HOAKEN: Yeah, I distinctly  
12 remember Mr. Stephens saying exactly the same thing  
13 during the Cost of Gas Hearing, when he was describing  
14 the significance of signing with Nexen.

15 So that's not an option. You're not going  
16 to be able to recover any costs. And again this is  
17 hypothetical.

18 You can't recover those costs from fixed  
19 price customers, so who else is going to pay those costs?

20 MR. VINCE WARDEN: Well, again, this is  
21 your scenario that -- that -- in which there is residual,  
22 and it could be plus or minus of course.

23 MR. ERIC HOAKEN: And again I'm just  
24 asking you to assume it's a minus.

25 MR. VINCE WARDEN: Okay. We -- we could

1 take that minus residual and -- and build it into a  
2 product going forward. That's one (1) way of recovering  
3 it.

4 MR. ERIC HOAKEN: Okay. Can I stop you  
5 there?

6 MR. VINCE WARDEN: Sure.

7 MR. ERIC HOAKEN: So you would be asking  
8 the next generation, if I can put it that way, of fixed  
9 price customers to pay a price that reflected not only  
10 the costs of providing their product, but the cost of  
11 providing the previous generation's product?

12

13 (BRIEF PAUSE)

14

15 MR. VINCE WARDEN: Well, we would have to  
16 recover the costs of the program one way or another, and  
17 again in the scenario you're painting where there's a  
18 minus we would have to recover that from the program. So  
19 we go forward with a small minus and we -- and we build  
20 that into the contract price for the contracts that are  
21 being, either renewed or -- or new contracts we're --  
22 we're engaging in.

23 MR. ERIC HOAKEN: Now, depending on the  
24 size of the minus though, that you needed to build into  
25 the new contracts, that could have the effect of making

1 the price of those new contracts over-market, right?

2 MR. VINCE WARDEN: That could happen.

3 MR. ERIC HOAKEN: Okay. And so in that  
4 circumstance the appeal of those products would be less.  
5 Is that fair?

6 MR. VINCE WARDEN: Less than would  
7 otherwise be, yes.

8 MR. ERIC HOAKEN: Yes, yes. And --

9 MR. VINCE WARDEN: Yes.

10 MR. ERIC HOAKEN: -- and so in that  
11 circumstance you might have a perpetuating problem, in  
12 that the costs associated with that second generation of  
13 products now were going to be stranded because you had  
14 less uptake. Isn't that a possible scenario?

15 MR. VINCE WARDEN: Could happen.

16 MR. ERIC HOAKEN: All right. So is there  
17 at least in this hypothetical because I have your  
18 evidence loud and clear that you don't think you're ever  
19 going to be in this position, but let's assume that there  
20 is a variance of this nature. There would be potentially  
21 a limitation on recovering those stranded costs from  
22 future generations of fixed price customers. Fair?

23 MR. VINCE WARDEN: Under the scenario,  
24 yes.

25 MR. ERIC HOAKEN: And it wouldn't be --

1 in that scenario it certainly wouldn't be an option to  
2 recover the costs from those customers of Manitoba Hydro  
3 that were variable rate customers, right?

4 MR. VINCE WARDEN: Wouldn't seem to be  
5 the thing to do, no.

6 MR. ERIC HOAKEN: No, because that would  
7 be what the economists have described as cross-  
8 subsidization, and we know that that's a bad thing,  
9 right?

10 MR. VINCE WARDEN: We don't like to do  
11 that.

12 MR. ERIC HOAKEN: Right. It's not -- I  
13 think the economists would say it's not a desirable  
14 outcome. So, then, if -- if you can't get it from your  
15 fixed-rate customers and you can't get it from the  
16 variable-rate customers, then how are you going to  
17 recover those costs?

18 MR. VINCE WARDEN: Well, I think, Mr.  
19 Hoaken, there's -- there's probably some value to the  
20 scenario that you did portray here. Because if we go  
21 into the fixed price offerings -- we -- we did -- abs --  
22 absolutely have to go into this with our eyes wide open,  
23 and we will certainly try to structure this such, that  
24 there will be limited risk that we won't recover our  
25 cost. But in the event that we do, we have to recognise



1 it work the other way? My doomsday scenario was premised  
2 upon there being not sufficient uptake.

3                   If the uptake was dramatically more than  
4 you had forecast or hypothesised, could you also not end  
5 up in a situation where you had contracted with your  
6 customers -- so you had signed, you know, a hundred  
7 thousand (100,000) customers on fixed price contracts,  
8 instead of the ten thousand (10,000) that Mr. Kuczek had  
9 forecast in my example -- couldn't you then end up in a  
10 situation where you had entered into contractual  
11 commitments with these customers to supply the gas, and  
12 you had not yet lined up the gas?

13                   Isn't that a possible scenario?

14                   MR. VINCE WARDEN: Well, no. I think  
15 going in, we would make it very, very clear to our  
16 customers that such a program has limits, and therefore  
17 we wouldn't oversubscribe to the -- to the maximum gas --  
18 or the amount of gas that we have available for sale at  
19 fixed price.

20                   MR. ERIC HOAKEN: We had some discussion  
21 earlier this week about the premium that is charged for  
22 fixed rate products. And I think it was two (2) days ago  
23 Mr. Peters took various members of the witness panel  
24 through what became Centra Exhibit 12, which was the  
25 chart that compared the analyses that had been done about

1 savings or not saving. Is that a document you can  
2 recall, Mr. Warden?

3 MR. VINCE WARDEN: Yes, I do.

4 MR. ERIC HOAKEN: And that really started  
5 -- there was an undertaking -- or an IR response which  
6 had referenced a 10 percent premium, and then I think as  
7 we went through Exhibit 12 -- and you can certainly turn  
8 it up if you want -- there was then some reference to  
9 either an 8 or a 9 percent premium, depending upon how  
10 you calculated it?

11 MR. VINCE WARDEN: Well, I think the 8 or  
12 9 percent referred to the numbers of contracts, I  
13 believe.

14 MR. ERIC HOAKEN: Oh, I'm sorry. I  
15 thought it was -- I thought it was the amount that was  
16 paid, and I see Mr. Wiens leaning forward. Nice to hear  
17 from you, Mr. Wiens.

18 MR. ROBIN WIENS: Good afternoon, Mr.  
19 Hoaken. Yeah, you're right, it was -- it was 8 -- 8 or 9  
20 percent, depending on what you assumed in the PGDR, and  
21 it was the outcome of each of those contracts on an  
22 unweighted basis.

23 MR. ERIC HOAKEN: All right, thank you.  
24 And I may come back to that analysis, just to understand  
25 the number a bit more.

1                   But for the sake of my questions going  
2 forward, let's assume the premium to be in the order of 8  
3 to 9 percent. Is that all right?

4                   MR. ROBIN WIENS:    Yes.

5                   MR. ERIC HOAKEN:    Okay. So that premium  
6 is an amount that brokers have to recover their costs out  
7 of, right?

8                   MR. ROBIN WIENS:    I -- I would expect  
9 that, yeah.

10                  MR. ERIC HOAKEN:    And they would also be  
11 entitled to a premium for assuming some risk?

12                  MR. ROBIN WIENS:    I think we've agreed  
13 with that.

14                  MR. ERIC HOAKEN:    And so that's coming  
15 out of the 8 or 9 percent. And then there's also a  
16 return to shareholders who are entitled to a return on  
17 their capital similar to the return, I suppose, that  
18 Centra earns on its capital. Is that fair?

19                  MR. ROBIN WIENS:    I think that would be  
20 fair, too.

21                  MR. ERIC HOAKEN:    All right. And --

22                  MR. ROBIN WIENS:    Yeah, it -- it's also  
23 true though that what we're talking about here is a  
24 premium over and above Centra's product. It doesn't  
25 refer to the margins that are available to the brokers,

1 and we did put that on the record when were discussing  
2 this.

3 MR. ERIC HOAKEN: Yes, thank you. But  
4 just as I understood it -- maybe I -- I didn't understand  
5 it correctly, but there is no margin on the Centra  
6 product that is the basis for comparison in this  
7 analysis, isn't that right?

8

9 (BRIEF PAUSE)

10

11 MR. GREG BARNLUND: Maybe just from  
12 what I'll clarify, in terms of the margins, we had  
13 referred previously to a quarterly report of energy  
14 savings, a financial report.

15 And in that quarterly report, they were  
16 referencing gross margins on an annual basis per  
17 customer, and I think that number was right -- one  
18 hundred and seventy (170) or one hundred and eighty  
19 dollars (\$180), somewhere in that regard, so --

20 MR. ERIC HOAKEN: Now I understood you  
21 when you made that comment earlier this week, that that  
22 was what you had determined to be the customer  
23 acquisition cost, not the total margin. Am I wrong about  
24 that?

25 MR. GREG BARNLUND: I had spoken about

1 the customer acquisition costs and, coincidentally, I think  
2 the number is about the same number.

3 MR. ERIC HOAKEN: I see, okay.

4 MR. GREG BARNLUND: Yeah.

5 MR. ERIC HOAKEN: But -- but that margin,  
6 presumably, for energy savings is not specific to the  
7 Manitoba market?

8 MR. GREG BARNLUND: I believe that that  
9 number was reported Canada-wide in total for energy  
10 savings operations.

11 MR. ERIC HOAKEN: All right. So let's --  
12 let's come back to -- to the province of Manitoba, and  
13 talk about Centra Exhibit 12.

14 So, the comparison that we're seeing that  
15 yields the conclusion about a 8 or 9 percent premium is  
16 between the cost of the products offered by the retailers  
17 when compared to the cost of Centra's variable-priced  
18 offering. Isn't that right?

19 MR. ROBIN WIENS: Yes. And in each case  
20 meas -- measured over the lifetime of a -- of a specific  
21 contract and the outcome taken on an unweighted basis  
22 with the experience with all the other contracts, and an  
23 average cost determined on that basis.

24 MR. ERIC HOAKEN: All right, thank you.  
25 Just coming back, if I may, to some of the

1 conceptualizing about the fixed price product, you -- you  
2 -- it's not something you can do, obviously, unless you  
3 have the gas, right, Mr. Stephens?

4 MR. HOWARD STEPHENS: It makes it very  
5 difficult if you don't have the gas.

6 MR. ERIC HOAKEN: I think it's known as a  
7 bait-and-switch if you don't have the gas. And you are -  
8 - as I understand it, you -- you are the point-person  
9 from the Manitoba Hydro point of view when it comes to  
10 purchasing gas. Am I right about that?

11 MR. HOWARD STEPHENS: Yeah, that sort of  
12 falls in my lap.

13 MR. ERIC HOAKEN: I -- I'm sure you've  
14 got a fancier title than that, but I can't remember it  
15 right now.

16 MR. HOWARD STEPHENS: Neither can I.

17 MR. ERIC HOAKEN: And -- and you've made  
18 reference, as I understood it -- maybe it was Mr. Warden  
19 who said this -- but, as I understand it, there's already  
20 been at least some informal conversation with Nexen about  
21 this. Is that right?

22 MR. HOWARD STEPHENS: We've had some,  
23 yes, very informal discussion with respect to it, but it  
24 was something on -- on our radar screen as a part of the  
25 negotiation process. So it's something that we did

1 discuss.

2 MR. ERIC HOAKEN: All right. Part of the  
3 negotiation process that resulted in the new contract you  
4 signed late last year?

5 MR. HOWARD STEPHENS: That's correct.

6 MR. ERIC HOAKEN: All right. And so in  
7 what sense did the possibility of fixed price offering  
8 come up in those negotiations?

9 Was there a need to build in flexibility  
10 to that contract to accommodate the possibility that you  
11 would be offering a fixed price product?

12 MR. HOWARD STEPHENS: I believe we ended  
13 up with language -- very loose language -- that they  
14 would work with us in terms of developing fixed price  
15 products to the extent that we were interested in doing  
16 so.

17 MR. ERIC HOAKEN: And -- and how much did  
18 it cost you to get that concession?

19 MR. HOWARD STEPHENS: Not a nickel.

20 MR. ERIC HOAKEN: I see. Well, that's  
21 impressive. So you didn't have to pay for that, but you  
22 had to pay for the concession that changed enrollments?

23 MR. HOWARD STEPHENS: Yes, sir.

24 MR. ERIC HOAKEN: All right. And so how  
25 was it that the one (1) concession required a premium and

1 the other one didn't?

2 MR. HOWARD STEPHENS: Well, one (1) is  
3 just a very loose agreement to talk. There's no  
4 agreement to do anything tangible, one or the other was,  
5 I mean, a secure commitment to provide an additional  
6 level of service at a very minimal cost.

7 MR. ERIC HOAKEN: Well, if what you're  
8 describing as a loose agreement has no value, then why  
9 would it be in the contract in the first place?

10 MR. HOWARD STEPHENS: We could have taken  
11 it out and had the same conversations.

12 MR. ERIC HOAKEN: But how are you  
13 planning -- maybe that's too strong a word. But, as you  
14 stand around the water cooler and think about a fixed  
15 price product, what are the various options you would  
16 have for procuring gas to fulfil those commitments you  
17 would assume under fixed price contracts?

18 MR. HOWARD STEPHENS: Well, I think I  
19 indicated earlier that, I mean -- and we are far from  
20 closure on this, but we can do it through a fixed price  
21 offering through our supplier and stream the gas to the  
22 consumers that have elected that choice.

23 MR. ERIC HOAKEN: Okay.

24 MR. HOWARD STEPHENS: Or --

25 MR. ERIC HOAKEN: Can I just --

1                   MR. HOWARD STEPHENS:    Or I can continue  
2 to buy gas on the same basis that we do, and that we  
3 would hedge that gas and build some premium in to absorb  
4 the volume risk that we have.

5                   MR. ERIC HOAKEN:    Isn't there -- under  
6 that scenario where you continue to buy gas as you do  
7 right now, isn't there also price risk?

8                   MR. HOWARD STEPHENS:    Well, only to the  
9 extent that I don't hedge the appropriate amount of gas,  
10 that's right.

11                  MR. ERIC HOAKEN:    And so the -- the price  
12 risk arises from the fact that your contract with Nexen  
13 is an indexed price?

14                  MR. HOWARD STEPHENS:    No, if we were to  
15 do -- if it's a fixed price contract, I mean, under the  
16 Nexen contract, we're talking about now taking a --  
17 hiving off a portion of the contract volu -- annual  
18 contract volumes, and fixing the price associated with  
19 that. So I've got no -- no concerns with respect to  
20 that.

21                  The other alternative is to buy the gas  
22 from them under the existing contract provisions, and  
23 then going out and hedging it -- and to the extent that  
24 we hedge the appropriate volume, I've eliminated or shed  
25 the risk.

1                   MR. ERIC HOAKEN:    Okay.  And I'm sorry, I  
2  didn't understand those two (2) distinct options the  
3  first time you said it.

4                   So, dealing with the first of those two  
5  (2) options, you hive off, as you say, part of the  
6  volumes that -- that are at least currently dealt with  
7  under the Nexen contract.  And by that, I take it, what  
8  you mean is you identify a fixed volume that is going to  
9  be priced by Nexen on a fixed basis to you?

10                  So not --

11                  MR. HOWARD STEPHENS:    Mis -- Mr. Hoaken,  
12  I guess we went down this, or I think I was going down  
13  this line of questioning with somebody else, and we have  
14  not come to closure with respect to how these issues will  
15  finally be resolved.  And so from that perspective, I'm a  
16  little bit reluctant to put it on the record, in terms of  
17  how we're going to do this.

18                  MR. ERIC HOAKEN:    No, I -- and I'm not  
19  asking you to commit to anything.  I just think it's  
20  important that we all understand what the options  
21  potentially are.

22                  MR. HOWARD STEPHENS:    Yeah, but I'm  
23  afraid that my experience is that, notwithstanding -- and  
24  I may not be committing to anything, though I'm on the  
25  record.  It is still on the record and it'll be fed back

1 to me sometime in the future.

2 MR. ERIC HOAKEN: All right. So you're  
3 not even prepared, in this proceeding, to say  
4 hypothetically what the approaches are that you would  
5 pursue to source the gas and supply the gas for fixed  
6 price contracts?

7 MR. HOWARD STEPHENS: I think I've given  
8 you, right now, a pretty significant component of the  
9 information associated with it. So for me, to get into  
10 any more detail is -- would be, I mean, ripe with, I  
11 mean, speculation on my part, in terms of how we're gonna  
12 proceed with this.

13 And there's the number of issues that need  
14 to be resolved, and certainly I need approval from the  
15 people that are running the company and -- I mean, it is  
16 a significant change in terms of how we operate. So I'm  
17 not prepared to put my stake in the ground, in terms of  
18 telling you exactly what all the considerations are and  
19 how we're gonna land on them.

20 MR. ERIC HOAKEN: Okay. And I -- I  
21 didn't mean to do that, if that's what you thought I was  
22 -- I think I'm just trying to get a better understanding,  
23 which I think this Board will benefit from as well, of  
24 what the options potentially are. I'm not asking you to  
25 commit to anything, and I'm not asking you to commit --

1 to that you've told me today all the options that  
2 theoretically exist.

3 I'm just saying, to the extent, Mr.  
4 Stephens, that you've thought about it as of today, and  
5 clearly you have, what are the options?

6 And so I think what you've told me is that  
7 one (1) option is, as you say, to hive off part of the  
8 Nexen contract and to have them supply a fixed quantity  
9 at a fixed price. Is that right?

10 MR. HOWARD STEPHENS: I didn't -- I  
11 didn't say fixed quantity, necessarily.

12 MR. ERIC HOAKEN: Oh, okay. But to  
13 supply some indeterminate quantity at a fixed price?

14 MR. HOWARD STEPHENS: That's correct.

15 MR. ERIC HOAKEN: Okay. And is that  
16 something you've discussed so far with Nexen, or no?

17 MR. HOWARD STEPHENS: Well, I in fact --  
18 I did a report with respect to these matters back in  
19 July, 2005 and that was one (1) of the things that was  
20 discussed in that paper and we had, in fact, at that  
21 point, had some discussions with respect to price.

22 MR. ERIC HOAKEN: Okay. So, just for the  
23 purposes of our discussion here today, can I call that  
24 option 1?

25 MR. HOWARD STEPHENS: You can call it

1 option Z, if you like.

2 MR. ERIC HOAKEN: Well, just to try and  
3 keep us organized.

4

5 (BRIEF PAUSE)

6

7 MR. ERIC HOAKEN: So --

8 MR. HOWARD STEPHENS: I'm getting some  
9 legal advice.

10 MR. ERIC HOAKEN: Oh, I can see that.  
11 Option 2 -- or if you'd like to call it option X, you can  
12 call it that -- but option 2 would be where you get the  
13 gas from Nexen, but you pay a price that is indexed?

14 MR. HOWARD STEPHENS: I don't necessarily  
15 -- it -- I mean, the underlying price for Nexen certainly  
16 would be indexed. We could negotiate with them to fix  
17 that price or we can just take -- go to the market and  
18 hedge that volume of gas, just as we hedge the gas that  
19 we're buying from them right now.

20 MR. ERIC HOAKEN: Okay, but option 1 is  
21 the fixed price from Nexen; I thought I understood that  
22 much.

23 MR. HOWARD STEPHENS: Option 1 is where  
24 we ask Nexen to provide us with a fixed price.

25 MR. ERIC HOAKEN: Right, and they do so.

1 MR. HOWARD STEPHENS: That's correct.

2 MR. ERIC HOAKEN: Okay, option 2 then is  
3 -- I thought what you told me earlier, is where you  
4 purchased the gas from Nexen at something other than a  
5 fixed price, but then you go out and you hedge.

6 MR. HOWARD STEPHENS: Yeah, the existing  
7 contract formula price stands the same and we would go  
8 out and hedge the gas that we've identified as being  
9 required for the -- whatever offering we're providing.

10 MR. ERIC HOAKEN: And you're hedging, in  
11 that scenario, Mr. Stephens -- you're hedging to manage  
12 the risk that the indexed price from Nexen is going to  
13 exceed the price that you've contracted with your fixed  
14 price customers to supply them gas at, is that right?

15 MR. HOWARD STEPHENS: Did you say exceed?

16 MR. ERIC HOAKEN: Exceed.

17 MR. HOWARD STEPHENS: I'm going to hedge  
18 the price at whatever price I can possibly -- I mean the  
19 lowest potential price I can get in terms of a swap for  
20 that gas so that I can pass on the best price to the  
21 customers that have chosen that option.

22 MR. ERIC HOAKEN: Okay. Can I ask you  
23 the question again, just so I make sure that we're  
24 talking about the same thing; and it was a very long  
25 question and I apologise.

1                   But the -- in this second scenario, the  
2 purpose of hedging is to manage the risk that the index  
3 price you're paying from Nexen is going to, over the life  
4 of your fixed- term contract, exceed the price that  
5 you've contracted with the customer at?

6                   MR. HOWARD STEPHENS:    No, I won't concede  
7 that --

8                   MR. ERIC HOAKEN:     No, I'm not asking to  
9 concede it, I'm asking you to explain it to me; what is -  
10 - what, then, are you hedging?

11                  MR. HOWARD STEPHENS:   Well, I'm simply to  
12 going from a -- a fixed price to a -- no, from a floating  
13 price to a fixed price swap.

14                  MR. ERIC HOAKEN:     And so the -- so the --  
15 the purpose in that scenario, then, of the hedging is to  
16 make your acquisition cost be as close as possible to the  
17 cost of supplying the gas to your customers?

18                  MR. HOWARD STEPHENS:   That's right --

19                  MR. ERIC HOAKEN:     All right.

20                  MR. HOWARD STEPHENS:   I mean and the co -  
21 - we've come to an agreement with the customers through a  
22 contract -- a contract that we're going to provide a  
23 fixed price at X number of dollars and we were going to  
24 put into place the next necessary instruments to ensure  
25 that we come to -- come to that price.

1                   MR. ERIC HOAKEN:    Right.  And although  
2  I'm sure you would do precisely what Mr. Warden says; do  
3  that prudently and in a way designed to eliminate risk,  
4  there still is risk there because when you're hedging,  
5  you don't know what quantity your customers are going to  
6  buying from you, isn't that right?

7                   MR. HOWARD STEPHENS:   That's right, we  
8  will have -- there will be an element of volume risk that  
9  we will have to assume.  As Mr. Warden indicated, we were  
10 going -- trying to minimize that as much as we can, but  
11 there are ways that we can manage that volume risk that  
12 are perfectly acceptable from a rate-making perspective -  
13 - from my perspective, too.

14                  MR. ERIC HOAKEN:    All right.  And when  
15 you say "manage the risk," you mean minimize it, but not  
16 completely eliminate it, is that fair?

17                  MR. HOWARD STEPHENS:   Well, it's almost  
18 impossible to completely eliminate it, but we can  
19 certainly make it small enough that it's not going to  
20 make a big difference to the marketplace.

21                  MR. ERIC HOAKEN:    All right.  So, just so  
22 I understand then, where we are, at least, where Manitoba  
23 Hydro is on its thinking about a fixed price product.  At  
24 this point, as you've now told the Board several times,  
25 Mr. Warden, you have some ideas about the products or

1 product that you might offer if you got the green light.

2 But you don't know with any certainty  
3 exactly what those products would be. Is that fair?

4 MR. VINCE WARDEN: That's fair. I  
5 indicated step two (2) was once we get that green light,  
6 is to start negotiating in earnest with our supplier,  
7 which may or may not be Nexen. We are bound to Nexen for  
8 the next couple of years but, you know, that's -- that  
9 goes by in a hurry.

10 MR. ERIC HOAKEN: All right. And as I  
11 understand it, as well -- and this is probably so obvious  
12 I don't need to say it, but, in these circumstances, you  
13 don't yet know what the precise costs will be of  
14 developing the capability to offer a fixed price product  
15 and actually offer it?

16 MR. VINCE WARDEN: We don't know  
17 precisely at this point in time; that's correct.

18 MR. ERIC HOAKEN: And even imprecisely,  
19 have you done any budgeting or forecasting?

20 MR. VINCE WARDEN: No, ju -- simply to --  
21 as I said earlier, we don't expect those costs to be  
22 significant.

23 MR. ERIC HOAKEN: And part of the  
24 exercise of ultimately determining those costs will be  
25 deciding what costs Centra is already incurring or has

1 already incurred should be allocated to the fixed price  
2 product? Is that fair?

3 MR. VINCE WARDEN: That's fair.

4 MR. ERIC HOAKEN: And so, for example,  
5 would you propose to allocate some portion of the eNRG  
6 study -- given that you canvassed the market's interest  
7 in a fixed price product, would you be proposing to  
8 allocate some portion of that to the cost of the fixed  
9 price offering?

10 MR. VINCE WARDEN: Not likely, no.

11 MR. ERIC HOAKEN: Okay. And just help me  
12 understand why that is.

13 MR. VINCE WARDEN: Well, the costs are, I  
14 think, as Mr. Kuczek indicated earlier -- earlier, around  
15 fifty-five thousand dollars (\$55,000), so there are  
16 certain incidental costs that get covered by our overhead  
17 rates, which -- which I would be satisfied would be  
18 included in that -- in that allocation.

19 MR. ERIC HOAKEN: And would ultimately be  
20 paid by your variable-rate customers?

21 MR. VINCE WARDEN: Va -- variable and --  
22 and fixed.

23 MR. ERIC HOAKEN: All right. I'll let  
24 Ms. Murphy finish her consultation with you before I ask  
25 the next question.

1 (BRIEF PAUSE)

2

3 MR. VINCE WARDEN: Just -- as was pointed  
4 out to me, not that it's significant, but the fifty-five  
5 thousand dollars (\$55,000) would have been charged  
6 against our -- the distribution cost, so therefore not  
7 really included in the -- in the gas rates; variable or  
8 fixed.

9 MR. ERIC HOAKEN: All right. That was my  
10 next question. So actually by passing it through as a  
11 distribution charge, then customers or brokers are also  
12 paying for that customer research?

13 MR. VINCE WARDEN: Correct.

14 MR. ERIC HOAKEN: All right. So  
15 customers and brokers are being paid to help Centra  
16 develop information to come up with a product that will  
17 compete with brokers?

18 MR. GREG BARNLUND: The -- one other  
19 aspect I just want to put on the record here is that  
20 through the course of this proceeding, by having the  
21 research and the underlying data set disclosed, that  
22 information is now in the public domain, and so it's  
23 available for use by other participants.

24 And, therefore, it is not exclusively for  
25 the use of Centra.

1                   MR. ERIC HOAKEN:    Yeah, I think we may  
2    have some debate as the proceeding goes on about the  
3    value of that, but I accept that, Mr. Barnlund.

4                   So then how about the costs of the  
5    planning in work you've done to date?  How are those  
6    going to be allocated to fixed price product?

7                   MR. VINCE WARDEN:    Yeah.  The -- the --  
8    we haven't been tracking any kind of planning work done  
9    to date, because those costs are incidental at this point  
10   in time.

11                  MR. ERIC HOAKEN:    And are you including  
12   the costs of this proceeding in that answer?

13                  MR. VINCE WARDEN:    Well -- well, this --  
14   this proceeding is wide-ranging, so we haven't attempted  
15   to allocate any of the -- the costs of this proceeding to  
16   -- to any type of product we might develop or might be  
17   given the authority to develop.

18                  MR. ERIC HOAKEN:    And in your answer to  
19   PUB/CENTRA-30, and I'll give you a moment to turn that  
20   up.

21

22                                       (BRIEF PAUSE)

23

24                  MR. ERIC HOAKEN:    And -- and it's -- it's  
25   part B I'm looking at, Mr. Warden.  Do I understand it

1 correctly that Manitoba Hydro or Centra take the position  
2 that there's no further work that can be done to fill in  
3 some of the blanks; so such as what kind of product  
4 you're going to offer, what the costs are going to be,  
5 what the price is going to be?

6 Is it your position that you can't do that  
7 until the Board gives you some approval to move forward?

8 MR. VINCE WARDEN: Well we could, but,  
9 you know, there is a point at which we do start incurring  
10 some costs on, and if there's no point in incurring those  
11 costs, then -- then our position is we shouldn't do that.

12 MR. ERIC HOAKEN: And also if you incur  
13 the costs and the product does not get approved, or you  
14 don't get the green light, to use Mr. Peter's expression,  
15 you then run the risk of a disallowance, is that fair?

16 MR. VINCE WARDEN: Fair.

17 MR. ERIC HOAKEN: Sorry, I didn't hear an  
18 answer.

19 MR. VINCE WARDEN: Oh, I'm sorry, I  
20 agreed with you on your comment.

21 MR. ERIC HOAKEN: Oh, I'm sorry, I didn't  
22 hear that. I'm usually very good at hearing when  
23 witnesses agree with me, 'cause it happens so rarely.  
24 Now early on in his cross-examination of your panel, Mr.  
25 Peters asked you about the deregulation of the wholesale

1 gas market in North America.

2 And I think the question he asked -- and  
3 to be honest with you I forget who answered the question  
4 -- but I think he -- he asked the question as to whether  
5 deregulation of that market has been a success. And I  
6 think somebody said "yes." Was that you, Mr. Stephens?

7 MR. HOWARD STEPHENS: Yeah, I think that  
8 was part of a long rambling on --

9 MR. ERIC HOAKEN: And is it fair to say  
10 that over the last fifteen (15) or twenty (20) years  
11 there's also been an unbundling and deregulation in the  
12 retail natural gas market in North America?

13 MR. HOWARD STEPHENS: That's correct.

14 MR. ERIC HOAKEN: And we're talking about  
15 two (2) different things.

16 MR. HOWARD STEPHENS: That's correct.

17 MR. ERIC HOAKEN: Right. And I'm not  
18 sure who this question is best for -- maybe you, Mr.  
19 Barnlund -- but is -- is it fair to say that one (1) of  
20 the regulatory themes that has developed in the course of  
21 deregulation of the retail gas market is that any natural  
22 gas default supply product must be carefully designed to  
23 ensure that the Utilities offering does not impair the  
24 function of the competitive market?

25 It's a long question, but is it -- is it

1 fair to say that that is a regulatory theme that has  
2 emerged in the course of the deregulation in the retail  
3 natural gas market?

4 MR. GREG BARNLUND: I think there was  
5 and IR asked on that. I just want to check in on that.

6 MR. ERIC HOAKEN: Sure.

7

8 (BRIEF PAUSE)

9

10 MR. GREG BARNLUND: I apologize for the  
11 time it is taking.

12

13 (BRIEF PAUSE)

14

15 MR. ERIC HOAKEN: I'm just wondering if  
16 we should take a short break, Mr. Chair.

17 THE CHAIRPERSON: We might as well.

18 Okay, we'll -- we'll take our break now, and then we'll  
19 just carry on through the end.

20 MR. ERIC HOAKEN: Thank you.

21

22 --- Upon recessing at 2:16 p.m.

23 --- Upon resuming at 2:37 p.m.

24

25 MS. MARLA MURPHY: Mr. Chair, Mr. Warden

1 is just finishing up on the phone. I understand Mr.  
2 Hoaken to have posed a question to Mr. Barnlund, so we  
3 could perhaps start, if you don't mind going --

4 THE CHAIRPERSON: Sure. Mr. Hoaken...?

5 MS. MARLA MURPHY: -- without Mr. Warden.

6

7 CONTINUED BY MR. ERIC HOAKEN:

8 MR. ERIC HOAKEN: That's fine with me.

9 Thank you. Over to you Mr. Barnlund.

10 MR. GREG BARNLUND: I'm ready. You had  
11 asked a question.

12 MR. ERIC HOAKEN: Yes, and you had  
13 wanted, in order to answer the question, to find  
14 something. You've now found it, I presume, but can't  
15 remember my question?

16 MR. GREG BARNLUND: Back to you then.

17 MR. ERIC HOAKEN: All right. And brace  
18 yourself. It was, as I recall it, a long question. We  
19 were talking about trends in deregulation in the gas  
20 markets, both wholesale and retail.

21 Do you remember that?

22 MR. GREG BARNLUND: I do recall, yes.

23 MR. ERIC HOAKEN: Okay. And I had asked  
24 you to agree that one of the regulatory themes that has  
25 developed in the context of the retail gas market is that

1 the pricing of any natural gas default supply product  
2 must be carefully designed to ensure that the Utilities  
3 offering does not impair the competitive market.

4 Is that fair?

5 MR. GREG BARNLUND: Well, I recognize the  
6 -- the quote, and I understand it was in your clients --  
7 or in your evidence in the submission. And I believe  
8 that we had dealt with it in the rebuttal, so I had to  
9 pull up our rebuttal evidence.

10 And I think that if we look at certainly  
11 in the Canadian jurisdictions that wouldn't necessarily  
12 be the case to the extent that the system supply that  
13 certainly exists in Manitoba, British Columbia and, for  
14 the most part, in Ontario, is designed to take a number  
15 of considerations into mind.

16 MR. ERIC HOAKEN: And is the one (1) that  
17 I just referenced one (1) of those considerations that's  
18 arisen in those jurisdictions you just referenced?

19 MR. GREG BARNLUND: Well, it may be one  
20 (1), but it certainly isn't the only consideration,  
21 because I think that other regulators have also  
22 referenced the fact that -- that they have an obligation,  
23 in terms of the public interest, to take into  
24 consideration the impacts on customers who would remain  
25 on systems supply in terms of how that -- how that

1 product is designed to incorporate hedging and the  
2 frequency of rate changes and that type of thing.

3 MR. ERIC HOAKEN: I think the transcript  
4 will bear me out on this. I didn't suggest or mean to  
5 suggest it was the only one, but certainly, it is a theme  
6 that has arisen in regulatory decisions.

7 MR. GREG BARNLUND: It is a theme, yes.

8 MR. ERIC HOAKEN: All right. And just  
9 going to that, why don't we take a look at that together  
10 then -- if you go to Direct Energy and ESMLP's evidence -  
11 - and I think you already referenced this Mr. Barnlund in  
12 your evidence earlier.

13 MR. GREG BARNLUND: If you -- if you could  
14 just give me one second, sorry.

15 MR. ERIC HOAKEN: Absolutely.

16

17 (BRIEF PAUSE)

18

19 MR. GREG BARNLUND: I have your evidence.  
20 If you could direct me to the page.

21 MR. ERIC HOAKEN: Paragraph 16, page 5.

22 MR. GREG BARNLUND: I have that.

23 MR. ERIC HOAKEN: And this is a reference  
24 to the forum report from the OEB. You've read that  
25 document, I assume?

1 MR. GREG BARNLUND: Yes, I have.

2 MR. ERIC HOAKEN: And I think you -- you  
3 already referenced this part of the decision. There were  
4 -- there were two (2) reasons, really, that the Board --  
5 this is the Ontario Energy Board -- pointed to in  
6 commenting on the appropriateness of utilities offering  
7 fixed priced, fixed-term contracts, right?

8 MR. GREG BARNLUND: Yes.

9 MR. ERIC HOAKEN: And the first I think  
10 you already commented on was the mobility issue, but let  
11 me ask you to look at the second one, and in this quote  
12 it says, second:

13 "The fix-priced aspect would compete  
14 with the product offered by the retail  
15 marketers."

16 Now stopping there, that is what Centra is  
17 proposing to do if and when it enters the market here, is  
18 that fair?

19 MR. GREG BARNLUND: So -- sorry, so we're  
20 currently talking about not the default supply of  
21 pricing, but about fixed price introduction to the  
22 market, correct?

23 MR. ERIC HOAKEN: That's exactly right.

24 MR. GREG BARNLUND: And that was the --  
25 the words of the OEB.

1                   MR. ERIC HOAKEN:    That wasn't my  
2 question.  The OEB says what they've just said here,  
3 which is the fixed price aspect would compete with the  
4 product offered by the retail marketers, and my question  
5 was, that is what Centra is proposing to do; is to offer  
6 a product that would compete with the products offered by  
7 the marketers, is that fair?

8                   MR. GREG BARNLUND:    I think so, yes.

9                   MR. ERIC HOAKEN:    Okay.  And the Board  
10 then, in that factual context, goes on and says it would  
11 move the regulated supply away from being a default  
12 supply.

13                   Now, stopping there, do you agree with me  
14 that as soon as the utility starts offering a fixed price  
15 product in addition to its other product offerings, it's  
16 no longer just a default supplier?

17                   MR. GREG BARNLUND:    Well, it remains --  
18 it retains that role as a def -- a default supplier and  
19 supplier of last resort, but its introducing additional  
20 product offerings into that marketplace.

21                   MR. ERIC HOAKEN:    You just said it much  
22 better than I did.  And the -- the Board then says:

23                   "A fixed-term fixed price contract  
24 offer would require substantial  
25 additional regulatory oversight related

1 to the underlying contracting, the  
2 customer utility interface and the  
3 allocation of risk."

4 So that conclusion -- I want to ask for  
5 your thoughts on it, Mr. Barnlund -- are those  
6 considerations or conclusions applicable to the situation  
7 in Manitoba and if so, how, and if not, why not?

8 MR. GREG BARNLUND: Well, I would take  
9 some issue with the way that the OEB has characterised  
10 that because I believe -- the Company believes that  
11 there's a way to structure the product and to structure  
12 the delivery of the product so that certainly regulatory  
13 costs and regulatory processes can be -- regulatory  
14 processes could be made efficient in dealing with it, and  
15 regulatory costs can be minimised by doing so.

16 MR. ERIC HOAKEN: All right, but you'd  
17 agree with me that there is more involved in terms of  
18 regulatory oversight when a utility steps out of the role  
19 -- exclusively the role of default supplier and moves  
20 into a competitive role in the marketplace, is that fair?

21 MR. GREG BARNLUND: No, I wouldn't agree  
22 with that. I think that overall, certainly in this  
23 jurisdiction, the Public Utilities Board has very broad  
24 operational and financial review of Centra Gas's  
25 operations. And I don't believe that there would be

1 significant changes or increases required in terms of  
2 that oversight, given the manner in which we're planning  
3 on proceeding forward with -- with developing or offering  
4 this product.

5 MR. ERIC HOAKEN: Okay. One (1) of the  
6 things that the Board would have to do that it doesn't do  
7 now is look at your allocation of costs that relate to  
8 the offering of a fixed price product, is that fair?

9 MR. GREG BARNLUND: Well, to the extent  
10 that we have an allocation of costs that has occurred to  
11 our current system gas product -- and there's been some  
12 review of that over the -- over the period of time --  
13 there would have to be some similar cost allocation that  
14 would be agreed upon for the new product offering.

15 But assuming that once that structure had  
16 been established, that the upkeep of that would be fairly  
17 modest in terms of -- the numbers certainly may -- the  
18 numbers of ea -- in each category might change from year  
19 to year, but the categories themselves should be defined  
20 upfront.

21 MR. ERIC HOAKEN: And in this decision,  
22 this part that you and I have just looked at, there's  
23 also a reference to regulatory oversight that's related  
24 to contracting.

25 So what are we talking about there, Mr.

1 Stephens?

2 MR. HOWARD STEPHENS: You're going to  
3 have to give me some contact, sir.

4 MR. ERIC HOAKEN: Sure, do you have that  
5 portion of the decision in front of you? If not, maybe,  
6 Mr. Barnlund will share it with you.

7 MR. HOWARD STEPHENS: Just a -- just a  
8 sec.

9 MS. MARLA MURPHY: Mr. Hoaken, you're not  
10 asking him to interpret that Order, but rather to suggest  
11 what the answer might be in the case of Centra, is that  
12 right?

13 MR. ERIC HOAKEN: That's right.

14 MR. GREG BARNLUND: While Mr. Stephens  
15 is thinking, I just want to, I guess, clarify the  
16 response a little bit, Mr. Hoaken. And you had started  
17 out rather broadly talking about, in general, regulatory  
18 jurisdictions, and their role in terms of the role of the  
19 default supplier and system supply, and I just want to  
20 make sure that we understand that this has been narrowed  
21 down from that point, to simply what the OEB says.

22 This is -- can't be interpreted as being  
23 what the BCUC says, or what the Manitoba Public Utilities  
24 Board has said, or for that matter, any other  
25 jurisdiction over Utilities Board.

1

2 CONTINUED BY MR. ERIC HOAKEN

3 MR. ERIC HOAKEN: I agree with you we're  
4 looking at a decision of the OEBA. I didn't mean to  
5 mislead anybody on that.

6 MR. GREG BARNLUND: That's correct, and  
7 only the OEB.

8 MR. ERIC HOAKEN: I don't think it  
9 purports to be anything other than that.

10 MR. GREG BARNLUND: I just wanted to  
11 make sure, because we had started off with a very broad  
12 premise, and I just wanted to make sure that that wasn't  
13 be applied right across the board.

14 MR. ERIC HOAKEN: Right. No, but I think  
15 you quite fairly agreed with me about the themes that  
16 have been adopted in regulation, and I think the  
17 transcript will say what it says on that.

18 Now, how are you doing over there, Mr.  
19 Stephens? Do you want me to ask the question again?

20 MR. HOWARD STEPHENS: I don't know  
21 whether it's going to help or not. Yeah, sure.

22 MR. ERIC HOAKEN: Well, I rather liked  
23 the way Ms. Murphy asked it, but let me approach it this  
24 way.

25 In -- in your view, if a fixed price

1 product is offered by Centra, is there going to have to  
2 be regulatory oversight of the quote/unquote, "underlying  
3 contracting"? And I take that to be the contracting for  
4 the acquisition of gas used to fulfill the commitments to  
5 customers.

6 MR. HOWARD STEPHENS: I -- I don't really  
7 see a necessity for it any more then there is a necessity  
8 now for the Board to side off, if you will, on our  
9 existing primary gas contract.

10 I mean, certainly if you wanted to be  
11 mindful of what the terms of conditions with it, et  
12 cetera, but I don't anticipate that they would approve  
13 those contracts. If that's what you're asking?

14 MR. ERIC HOAKEN: Okay, no, that's --  
15 that's helpful. But would there not be some potential  
16 for the -- the gas supply that's required to fulfill  
17 commitment to variable-rate customers, to be used to  
18 balance the commitments that are being made to fixed  
19 rates -- rate customers?

20 MR. HOWARD STEPHENS: In order to  
21 maximize the benefit to the consumers, there may be some  
22 -- well, I hate to use the word --

23 MR. ERIC HOAKEN: You weren't going to  
24 say cross-subsidization, were you, Mr. Stephens?

25 MR. HOWARD STEPHENS: Yeah, I'm trying --

1 trying to avoid that word, because --

2 MR. ERIC HOAKEN: Yeah, I can tell.

3 MR. HOWARD STEPHENS: -- it's out there  
4 now. There may be, I mean, circumstances where it would  
5 be beneficial for the customer for us to take gas to  
6 balance off a day under the existing contract, with the  
7 intention that we would have to try and reconcile that at  
8 the end of the period so that the overall balances were  
9 correct.

10 And I'm only thinking of it being a very  
11 minor basis, and here you're pushing me into the level of  
12 details I that I didn't want to get into, 'cause they're  
13 not well thought through.

14 MR. ERIC HOAKEN: They're not well  
15 thought -- thought through, but I guess what I'm just  
16 trying to understand is how we can be so certain that the  
17 additional regulatory oversight involved is going to be  
18 minimal, but on the other hand, we don't seem to have a  
19 very good picture of what the product is going to look  
20 like, or how it's going to be fulfilled.

21 So I guess it's a long-winded way of  
22 saying how can we be so sure that the additional  
23 regulatory oversight is not going to be in the nature of  
24 what the OEB described; which was, they said that it  
25 would be substantial additional oversight that was

1 required.

2 MR. HOWARD STEPHENS: Well I don't want  
3 to speak on behalf of PUB, but that doesn't necessarily  
4 mean that they have to follow suit, and I mean -- I  
5 believe that there's a significant amount of scrutiny in  
6 terms of when we sign gas supply contracts to provide for  
7 system supplies.

8 So, from that perspective, I don't see a  
9 large difference.

10 MR. GREG BARNLUND: I might add, Mr.  
11 Hoaken, that the OEB is regulating Enbridge and Union Gas  
12 in Southern Ontario. They have a system and a supply  
13 situation, and supply contracts that are likely vastly  
14 different than what we have here, and maybe there may be  
15 more inherent complexity in that jurisdiction at this  
16 point than there would be here, so we can't make any  
17 judgement based on that.

18 MR. ERIC HOAKEN: All right. You're --  
19 you're speculating about differences. You don't know for  
20 sure, but you're speculating that, for example, the  
21 contracting arrangements may be difficult -- may -- may  
22 be different.

23 MR. GREG BARNLUND: Well from what you  
24 can tell in looking at the filings of Union Gas and  
25 Enbridge, they certainly source their gas in far

1 different proportions and from different locations, and  
2 through different pipelines, and utilize storage far  
3 differently than we do.

4                   So based on that simple assessment, I'd  
5 say there are significant differences.

6                   MR. ERIC HOAKEN:    Right.  What about the  
7 pricing under those contracts?

8                   MR. GREG BARNLUND:   Well, that's  
9 something that would be far more complex than the  
10 arrangement that we likely have, given the variety of  
11 supply origins and basins that they're dealing from.  But  
12 that would be the extent of what we have paid attention  
13 to Ontario's situation.

14                  MR. ERIC HOAKEN:    And -- so do I hear you  
15 saying, Mr. Barnlund, that the concerns then expressed by  
16 the OEB in this passage about the implications of  
17 permitting the Utility to offer a fixed price product, do  
18 not apply in this jurisdiction?  Is that your evidence?

19                  MR. GREG BARNLUND:    They may not.

20                  MR. ERIC HOAKEN:    May not, but you can't  
21 say for sure?

22                  MR. GREG BARNLUND:    I can't say with 100  
23 percent certainty.  But I would say that based on the  
24 significant differences between the Utilities and the way  
25 they would be doing business in Ontario, that that's

1 likely the case.

2 MR. ERIC HOAKEN: All right. Now to  
3 switch gears. Can we talk about the ABC fee. Who is the  
4 best person for me to direct my questions on that to?  
5 Mr. Barnlund, or Mr. Wiens?

6 MR. ROBIN WIENS: Mr. Hoaken, you can  
7 start with me, and if it looks like I'm not the one, we  
8 can move on.

9 MR. ERIC HOAKEN: You've -- you've  
10 definitely been under utilized this afternoon, so it's  
11 certainly your turn.

12 As I understand it, Mr. Wiens, the  
13 position of Centra is that the 25 cent ABC charge does  
14 not cover the actual costs that it incurs in performing  
15 the billing and collection function for broker customers  
16 -- or retailer customers. Is that right?

17 MR. ROBIN WIENS: That -- that's also my  
18 understanding.

19 MR. ERIC HOAKEN: Okay. And -- and we  
20 talked earlier in this proceeding about Ms. Murphy being  
21 prophetic, but maybe it's Ms. Derksen who's prophetic  
22 because she anticipated where I was gonna go with this  
23 question.

24 You don't know precisely what the costs  
25 are of the billing services that are being provided to

1 broker customers, is that fair?

2 MR. ROBIN WIENS: That's fair, and we --  
3 we've always maintained that.

4 MR. ERIC HOAKEN: And just so I  
5 understand how Centra recovers the costs that it incurs  
6 for billing -- and I'm now speaking about billing  
7 generally of all customers for all line items -- those  
8 costs -- am I correct that those costs are recovered  
9 through the distribution line?

10 MR. ROBIN WIENS: Yes, they are.

11 MR. ERIC HOAKEN: And that distribution  
12 line, as we well know, is included on the bill of every  
13 customer, system supply or direct purchase, correct?

14 MR. ROBIN WIENS: That is correct.

15 MR. ERIC HOAKEN: And if the ABC fee was  
16 increased, you would expect that retailers would turn  
17 around and look to their customers for an additional  
18 amount in contracts going forward in order to recover  
19 those costs. Does that seem reasonable to you?

20 MR. ROBIN WIENS: I can't say precisely  
21 where retailers would look to do that, but that's one (1)  
22 option that they would have.

23 MR. ERIC HOAKEN: All right, that's --  
24 that's fair. And if -- if they did that, would direct  
25 purchase customers not then be paying for those billing

1 costs twice; both through the price they're paying for  
2 their commodity to the retailer, and through the  
3 distribution charge?

4 MR. ROBIN WIENS: Well, if -- if you want  
5 to depict it that way, then that is the case today. But  
6 the twenty-five (25) cent ABC fee was set up to recover  
7 on some basis, whatever the additional costs were or  
8 perhaps what the additional value was of the -- of the  
9 Utility providing that service to the brokers, which is  
10 billing for the primary gas supplied by the marketers,  
11 and remitting the revenue so received to the marketers.

12 MR. ERIC HOAKEN: So, did I understand  
13 you to say in that answer, Mr. Wiens, that the twenty-  
14 five (25) cents was designed to capture the additional  
15 benefit that retailers got or the -- the entire benefit  
16 that they got by having the billing service performed on  
17 their behalf?

18 MR. ROBIN WIENS: We -- we don't know  
19 what the entire benefit that they got. It might well be  
20 well in excess of the fee; we just don't know what it is.  
21 That was set as a -- as a nominal amount that was  
22 reflective of the desire to -- to bill for that  
23 particular service.

24 MR. ERIC HOAKEN: All right. But back to  
25 your point then, in a certain sense then, that twenty-

1 five (25) cent charge already constitutes a double  
2 dipping at the expense of retailer customers, doesn't it?

3 Because, let's assume that there was no  
4 twenty-five (25) cent ABC charge, there would then be one  
5 (1) pot of billing expenses incurred by Centra, right?

6 MR. ROBIN WIENS: Yes, I -- I can follow  
7 that.

8 MR. ERIC HOAKEN: Okay. And that pot  
9 then would be allocated equally among all customers, be  
10 they direct purchase or system supply, through the  
11 distribution charge?

12 MR. ROBIN WIENS: That's how most of it  
13 is collected today.

14 MR. ERIC HOAKEN: And so in that  
15 instance, again leaving aside the twenty-five (25) cents,  
16 all of the costs of billing, be it billing to direct  
17 purchase customers or system supply customers, would be  
18 then recovered or flowed through to those customers.

19 MR. ROBIN WIENS: It would be flowed  
20 through to all customers -- on an approximately equal  
21 basis, to all customers.

22 MR. ERIC HOAKEN: All right. And at the  
23 risk of asking a dumb question, what's the problem with  
24 that?

25 MR. ROBIN WIENS: This is -- the current

1 arrangements were established subsequent to -- or as part  
2 of the Western Transportation System, because it is an  
3 additional service that is provided to the brokers to  
4 bill for primary gas and to remit those billings.

5 MR. ERIC HOAKEN: I see. So the twenty-  
6 five (25) cents -- and I can tell Barnlund wants to jump  
7 and I don't want to prevent that, but let me just ask  
8 this question.

9 The -- the twenty-five (25) cents then is  
10 intended to recognise the fact that primary gas is being  
11 billed by the Utility on behalf of retailers?

12 MR. ROBIN WIENS: On behalf of third  
13 parties.

14 MR. ERIC HOAKEN: All right. And I've  
15 learned over the course of our discussion about how you  
16 would propose to offer a fixed price product that you  
17 like, incremental costing, is that right? Not you  
18 personally, Mr. Wiens, but Manitoba Hydro.

19 MR. ROBIN WIENS: Incremental costing and  
20 a share of the appropriate imbedded costs.

21 MR. ERIC HOAKEN: Right. So, when I was  
22 speaking with Mr. Warden earlier about how you might  
23 identify and allocate certain costs for a fixed price  
24 product, I understood him to say -- and he can jump in if  
25 I've got this wrong -- that he would try your best to

1 identify what portion of a person's time, for example,  
2 was being spent in connection with a fixed price  
3 offering.

4 And you would then presumably divide that  
5 person's salary, allocate some overhead, and that would  
6 more or less be how you would determine the incremental  
7 cost of the service that person was providing for the  
8 fixed price product.

9 Is that more or less it?

10 MR. VINCE WARDEN: Yes, Mr. Hoaken, I  
11 think you've captured that --

12 MR. ERIC HOAKEN: Okay --

13 MR. VINCE WARDEN: -- accurately.

14 MR. ERIC HOAKEN: And I guess, then, if  
15 you're trying to determine what value to put on that  
16 primary gas charge that is being levied by Manitoba Hydro  
17 on behalf of retailers, you would engage in a similar  
18 exercise?

19 MR. ROBIN WIENS: Sorry, repeat, please.

20 MR. ERIC HOAKEN: Sure. If -- if you  
21 were trying to put a value on that line item, the primary  
22 gas line item that's being billed by Manitoba Hydro for  
23 retailers, you would engage in a similar exercise. You  
24 would try and understand what portion of the overall cost  
25 that is attributed to billing, is attributable to putting

1 that line item on the bill for retailers.

2

3

(BRIEF PAUSE)

4

5 MR. ROBIN WIENS: Mr. Hoaken, I think  
6 over the years there has been considerable discussion on  
7 this matter, and I think it has been recognized and  
8 explained that the twenty-five (25) cent ABC is a nominal  
9 amount; it's not derived on the basis of trying to  
10 undertake a study of what the specific incremental costs  
11 are of -- of billing for third party suppliers.

12 MR. GREG BARNLUND: If tomorrow the  
13 retailers decided to go their own way and bill their own  
14 customers, what sort of reduction would you expect there  
15 to be in the billing costs of Manitoba Hydro?

16 MR. GREG BARNLUND: I think that if that  
17 were the case we would probably see at least a short-term  
18 significant increase in costs required to make system --  
19 investment and system changes. Because for the marketers  
20 to undertake billing their own customers would require an  
21 exchange of information, such as monthly consumption.

22 And I'm not aware that our system is  
23 currently capable of accomplishing that, and so that  
24 would have to be scoped out. And there would have to be  
25 some -- some process put in place to make some changes to

1 be able to accommodate that.

2 So there could be significant incremental  
3 costs, certainly in terms of system development, to  
4 accomplish that.

5 MR. ERIC HOAKEN: And I've spent more  
6 days than I care to recall listening to the details of  
7 CIS systems and things like that in Ontario proceedings,  
8 but I take it from your answer, Mr. Barnlund, that there  
9 would be a not insubstantial capital cost associated with  
10 those system changes that you're talking about?

11 MR. GREG BARNLUND: Yes. It would depend  
12 on the nature and the scope of the changes. But I think  
13 comparatively speaking, if we look at -- certainly with  
14 some other jurisdictions, British Columbia is levying a  
15 fee of forty (40) cents per bill, per month, per broker  
16 customer. I think Ontario, perhaps, Union is even over a  
17 dollar (\$1) in terms of their ABC fee --

18 MR. ERIC HOAKEN: No, and I've seen that  
19 in your evidence --

20 MR. GREG BARNLUND: -- and it's not  
21 unheard of so --

22 MR. ERIC HOAKEN: -- and I appreciate  
23 that. No, I -- I appreciate that, but I guess I'm trying  
24 to get a better sense -- and I think what you just helped  
25 me understand better than I did before, is that in terms

1 of efficiencies, the -- the present system of having the  
2 broker's primary gas charge billed on the Manitoba Hydro  
3 bill may, in fact, be the most efficient way of billing.  
4 Most efficient both from Manitoba Hydro and, perhaps,  
5 most efficient for the retailers.

6 MR. GREG BARNLUND: And therefore lowest  
7 costs for the customer in the province in the NBS  
8 (phonetic) --

9 MR. ERIC HOAKEN: Right.

10 MR. GREG BARNLUND: -- definitely.

11 MR. ERIC HOAKEN: Okay, thank you.

12

13 (BRIEF PAUSE)

14

15 MR. ERIC HOAKEN: I'm sorry. If I could  
16 just have a moment, Mr. Chair.

17

18 (BRIEF PAUSE)

19

20 MR. ERIC HOAKEN: All right. Just to  
21 pick up on that last point, Mr. Barnlund, is it not the  
22 case that as things presently stand, the retailers could,  
23 if they so chose, bill their own small commercial  
24 customers?

25 MR. GREG BARNLUND: Well -- and in fact,

1 I believe that under the terms in Manitoba now, should a  
2 broker decide to bill their own customer, they could  
3 conceivably do so. But we wouldn't know what the cost  
4 would be for the Utility in that regard.

5 MR. ERIC HOAKEN: And -- and when I heard  
6 you saying, as part of your earlier answer, is that if  
7 the retailers decided tomorrow that they wanted to do  
8 that, you -- you wouldn't be in a position to  
9 immediately accommodate that request?

10 MR. GREG BARNLUND: That's correct.

11 MR. ERIC HOAKEN: And, do you have any  
12 idea of what the -- the timeframe would be, in order for  
13 Manitoba Hydro to be able to accommodate that request?

14 MR. GREG BARNLUND: No idea whatsoever  
15 because that would have to be, you know, determined in  
16 terms of the scope of changes that would be needed, and  
17 again, an understanding as to who would be actually  
18 paying for the cost of those -- those required changes.

19 MR. ERIC HOAKEN: And just with that last  
20 part of your answer, are you suggesting that the  
21 retailers would be accountable for some portion of the  
22 costs?

23 MR. GREG BARNLUND: It's quite possible.  
24 And in fact, I mean, if you look at the situation in  
25 Alberta, if a retailer wants to take up business in

1 Alberta they have to do their own billing system; and it  
2 could be two (2) or three dollars (\$3) a bill for  
3 somebody to do that, so that's expensive, yeah.

4 MR. ERIC HOAKEN: But -- but I -- I think  
5 you and I are discussing something different. I'm  
6 talking about unscrambling the omelette, effectively. So  
7 where the retailers decide that, thanks but no thanks,  
8 we're going to now do our own billing, there's nothing  
9 that currently requires, at least in the case of the  
10 small commercial customers, that requires them to be on  
11 your bill. Isn't that right?

12 MR. GREG BARNLUND: That's correct.

13 MR. ERIC HOAKEN: Okay. So, if they  
14 exercise the right, that they apparently have, to exit  
15 the bill, then just help me understand the scenario in  
16 which Centra or Manitoba Hydro would be entitled to  
17 recover anything from the retailers.

18 MR. GREG BARNLUND: Well first of all, we  
19 have no provision to provide any information to the  
20 retailers, so we have a bit of a -- an issue that needs  
21 to be resolved at the outset. So it's a hypothetical  
22 situation that when we get to that bridge I guess we'll  
23 have to cross it.

24 MR. ERIC HOAKEN: But can I just follow  
25 up on that last point, though? What you're saying is

1 that you have information that the retailers would need  
2 in order to do their business and bill their customers,  
3 and that you would expect that because they need that  
4 information they would pay you for it?

5 MR. GREG BARNLUND: Well, I'm saying that  
6 depending on the situation, that the -- we would have to  
7 understand what the costs are of being able to change  
8 systems to make that information available, and there  
9 would have to be some kind of an understanding arrived at  
10 in terms of how those costs were going to be paid.

11 MR. ERIC HOAKEN: All right. But what  
12 the retailer said they didn't need the information, they  
13 could independently go and bill their customers, then  
14 what?

15 MR. GREG BARNLUND: Well again, I guess  
16 it's the information of who's going to provide the  
17 consumption information, so I think it's awfully  
18 hypothetical to be discussing these things at this point.  
19 I'm sorry.

20 MR. ERIC HOAKEN: I think I agree with  
21 you.

22 And just so we're doing an apples-to-  
23 apples comparison, because I think we've, over the past  
24 few weeks, become rather fond of those, you -- you just  
25 referenced the Alberta example, but in Alberta the

1 retailers are billing not only primary gas but they're  
2 billing every component. They take over the function  
3 altogether.

4 MR. GREG BARNLUND: Well, I understand  
5 that to be the case, but I -- in other words, the -- the  
6 retailer is required to do all the billing by law in  
7 Alberta. And that's as a result of a significant amount  
8 of legislative change in industry restructuring that's  
9 happened in Alberta that hasn't happened, and will not  
10 likely happen here in this province.

11 MR. ERIC HOAKEN: All right. So it  
12 sounds like you're agreeing with me, different situation  
13 there than it is here?

14 MR. GREG BARNLUND: And only -- I was  
15 just pointing out the fact that -- that there are brokers  
16 who do business in Alberta and they have to face  
17 significant costs on their own, to be able to provide the  
18 billing service.

19 MR. ERIC HOAKEN: Right. But on the  
20 other hand their customers then are not being billed  
21 through the distribution rate for the costs of billing of  
22 the Utility?

23 MR. GREG BARNLUND: That's true.

24 MR. ERIC HOAKEN: Okay, thank you.

25 Now, I think this is you again, Mr.

1 Barnlund, so take a drink and sit back, but  
2 telemarketing, you talked about that earlier -- I think  
3 it was you.

4 MR. GREG BARNLUND: That's correct.

5 MR. ERIC HOAKEN: And you are aware, I  
6 think you've already told us, that in Ontario, natural  
7 gas products such as the ones we've been discussing, can  
8 be sold through telemarketing and indeed contracts can be  
9 entered into over the telephone.

10 MR. GREG BARNLUND: If you could just  
11 give me a moment, I want to check something.

12

13 (BRIEF PAUSE)

14

15 MR. GREG BARNLUND: And we were referring  
16 to Ontario, correct?

17 MR. ERIC HOAKEN: That's right.

18 MR. GREG BARNLUND: And your question  
19 was, was I aware of the situation of telemarketing with  
20 regards to sales in Ontario?

21 MR. ERIC HOAKEN: I think that's right.

22 MR. GREG BARNLUND: I'm looking at  
23 something from Ontario Energy Board called "Consumer  
24 Protection Rules You should Know."

25 MR. ERIC HOAKEN: Now, is this an IR

1 response?

2 MR. GREG BARNLUND: I'm sorry. This is  
3 just information from the OEB that hasn't been entered as  
4 evidence here as yet but I was just going to refer to it  
5 and --

6 MR. ERIC HOAKEN: Okay. Well, let me ask  
7 the question first. It usually works better that way.

8 MR. GREG BARNLUND: Well, I thought you  
9 had asked me a question.

10 MR. ERIC HOAKEN: No, I asked if you were  
11 familiar and I -- I thought you just said you were.

12 MR. GREG BARNLUND: I believe you had  
13 asked me about the allowance of telemarketing practices  
14 in Ontario.

15 MR. ERIC HOAKEN: Yes. So I'm sorry, I'd  
16 understood --

17 MR. GREG BARNLUND: And I haven't  
18 answered that yet.

19 MR. ERIC HOAKEN: I thought you'd said  
20 you -- you were aware of that.

21 MR. GREG BARNLUND: Well, and I -- my --  
22 my information here suggests that where it says that,

23 "a contract negotiated at your home or  
24 office, the marketer or retailer  
25 salesperson must provide you with a

1 copy of the paperwork that you signed."

2 So that leads me to believe that a paper  
3 contract must be executed.

4 ERIC HOAKEN: I see. So what inquiries  
5 have you made, if any, about how contracts are being -  
6 what's the right word - executed in Ontario?

7 MR. GREG BARNLUND: I haven't -- like in  
8 terms of the Ontario agreements, I don't have any other  
9 specific information from the OEB with regards to that.

10 MR. ERIC HOAKEN: All right. So are you  
11 telling this Board that your understanding of how things  
12 work in Ontario is that they're similar to this province  
13 and that it's not possible to enroll customers over the  
14 telephone; is that your understanding?

15 MR. GREG BARNLUND: I do know that they  
16 require -- or that they would do a telephone verification  
17 followup with a customer that was put on a contract.

18 MR. ERIC HOAKEN: Okay, but I just want  
19 to make sure we're talking about the same thing. Quite  
20 apart from verification, I'm talking about formalization  
21 of the agreement.

22 And is it your understanding that the  
23 rules in Ontario do not permit a retailer to enroll a  
24 customer over the telephone?

25 MR. GREG BARNLUND: Just one (1) second,

1 please.

2

3

(BRIEF PAUSE)

4

5 MR. GREG BARNLUND: I'm sorry. I don't  
6 have any information one (1) way or the other with  
7 regards to that.

8 MR. ERIC HOAKEN: Okay. Well, I thought  
9 you already told me that your best information -- you  
10 were just referring to a document in your binder, that  
11 your best information was that it's not permitted in  
12 Ontario.

13 So are you now saying you're not sure?

14 MR. GREG BARNLUND: I'm not sure.

15 MR. ERIC HOAKEN: Okay. And so even  
16 though -- and I see you're not being rescued by any of  
17 your colleagues so I assume that means they're not sure  
18 either?

19 MR. GREG BARNLUND: Carry on.

20 MR. ERIC HOAKEN: So, as I understand it,  
21 Centra has developed a position on the appropriateness of  
22 telemarketing and its position is that it should not be  
23 permitted?

24 MR. GREG BARNLUND: That's our -- our  
25 position is that in terms of a customer entering into a

1 contract, that a written agreement should be executed.  
2 So, certainly, if a marketer wishes to use telemarketing  
3 methods to be able to communicate with a customer, that's  
4 fine, so long as a written agreement is executed at the  
5 end of the day.

6 MR. ERIC HOAKEN: All right. And in  
7 formulating that position then, Centra has not taken  
8 steps to determine what the practice is in Ontario?

9 MR. GREG BARNLUND: Well, not in Ontario.  
10 I think we're more familiar with BC perhaps, but not  
11 Ontario.

12 MR. ERIC HOAKEN: All right. And Ontario  
13 is the market in Canada where there's the greater --  
14 greatest amount of activity by retailers, correct?

15 MR. GREG BARNLUND: Well, I don't know if  
16 you could say that. I understand that there's probably a  
17 larger penetration in Ontario.

18 MR. ERIC HOAKEN: Well, it's a larger  
19 market, first of all.

20 MR. GREG BARNLUND: It is a larger  
21 market.

22 MR. ERIC HOAKEN: And you've got a  
23 greater penetration rate. So doing the math, that tells  
24 me you've probably got more broker customers in Ontario  
25 than anywhere else in Canada.

1 Does that not seem right to you, Mr.  
2 Barnlund?

3 MR. GREG BARNLUND: Yes, but you had  
4 asked me about broker activity and --

5 MR. ERIC HOAKEN: Okay.

6 MR. GREG BARNLUND: -- and I was  
7 referring to activity that might be occurring in the  
8 marketplace in BC right now. Sorry.

9 MR. ERIC HOAKEN: All right. So if --  
10 take it from me; assume for the purposes of this question  
11 that retailers in Ontario can, indeed, enroll customers  
12 over the telephone; that would lead you to conclude that  
13 the Ontario Energy Board has found this to be an  
14 acceptable practice, is that fair?

15 MR. GREG BARNLUND: One (1) would assume  
16 so, yes.

17 MR. ERIC HOAKEN: Right. And the Ontario  
18 Energy Board is certainly a well-respected and  
19 sophisticated energy regulator in this country.

20 MR. GREG BARNLUND: Well, they are, but  
21 they're not the only one (1) and obviously dif --  
22 different jurisdictions have different views and  
23 different takes on this.

24 MR. ERIC HOAKEN: No, I -- I didn't, for  
25 a moment suggest, they weren't the only regulator, Mr.

1 Barnlund, but they would be just as concerned as this  
2 regulator is about the protection of consumers?

3 MR. GREG BARNLUND: Correct.

4 MR. ERIC HOAKEN: And if there's been a -  
5 - or at least, if it's been possible in Ontario to find  
6 an appropriate way to enroll customers over the  
7 telephone, and by that, I mean a way that passes muster  
8 with the OEB, doesn't that seem to you that you can't  
9 rule out the possibility that that could be done in  
10 Manitoba?

11 MR. GREG BARNLUND: Well, I mean, it's  
12 been accomplished in Ontario but, then again, when you  
13 look at British Columbia which is just opening the market  
14 right now, they have a different set of rules and -- and  
15 they would like the customer to execute a written  
16 agreement after being telemarketed to, or an agreement  
17 through the Internet.

18 MR. ERIC HOAKEN: But you ex -- oh, I'm  
19 sorry, I thought you were finished.

20 MR. GREG BARNLUND: And I was just going  
21 to say that -- that -- so, it's not necessarily the one-  
22 size-fits-all in that regard, but there may be other  
23 approaches that can be taken to it.

24 MR. ERIC HOAKEN: Right, but you -- you  
25 made the point, actually, very effectively earlier that

1 some of this -- some of the distinctions in what we've  
2 seen the BC regulator do, so, for example, the treatment  
3 of Terasen that you obviously are aggrieved by, but that  
4 was on the basis of it being a relatively new and  
5 greenfield market.

6 So wouldn't it also be reasonable to think  
7 that the approach that's been taken in British Columbia  
8 to enrolling customers over the telephone is also a  
9 reflection of this being a fairly new phenomenon in  
10 British Columbia?

11 MR. GREG BARNLUND: Well, and I -- and I  
12 think that what they've said is that they certainly want  
13 to be adding an enhanced level of consumer protection in  
14 terms of the development of that market; which isn't to  
15 say that in Manitoba, we shouldn't be concerned about an  
16 enhanced level of consumer protection ourselves.

17 MR. ERIC HOAKEN: But let's assume -- and  
18 I guess that's all you can do because you don't know  
19 exactly what's happening in Ontario; but assume that  
20 consumers can be enrolled over the telephone in Ontario,  
21 and assume that the OEB requires there to be a tape-  
22 recording kept of that transaction; that would provide an  
23 enhanced level of consumer protection, would it not?

24 MR. GREG BARNLUND: Well, that would be  
25 one (1) step, I would imagine, yes.

1                   MR. ERIC HOAKEN: All right. So if we're  
2 sort of blue-skying about what steps one might take to  
3 provide what you describe as enhanced consumer  
4 protection, that would certainly be one (1) of them?

5                   MR. GREG BARNLUND: That would be.

6                   MR. ERIC HOAKEN: Right, because you and  
7 your colleagues have talked about the door-to-door model  
8 and one (1) of the concerns you've expressed is, well,  
9 you never know exactly what gets said at the door, right?

10                  MR. GREG BARNLUND: No, that's true.

11                  MR. ERIC HOAKEN: And you certainly  
12 overcome that problem if there's a requirement that a  
13 tape-recording of the transaction be maintained.

14                  MR. GREG BARNLUND: And that is true,  
15 yes.

16                  MR. ERIC HOAKEN: Right. And so I guess  
17 I'm a little curious, then, why it is that Centra would  
18 have developed and expressed, in these materials, a  
19 position on the appropriateness of telemarketing in this  
20 Province without canvassing the practices in a number of  
21 other jurisdictions.

22                         You've told me you've looked at British  
23 Columbia, but why wouldn't you look at Ontario?

24                  MR. GREG BARNLUND: Well, I'm not  
25 necessarily saying we didn't look at Ontario, and in

1 fact, now that I'm looking at some information I've got  
2 in front of me, it sort of jogged my memory here back to  
3 where -- where we were a few minute ago.

4 MR. ERIC HOAKEN: Oh, come on. Give me  
5 some of the credit. I put all those assumptions to you,  
6 and they started to sound familiar, didn't they?

7 MR. GREG BARNLUND: I -- I owe you a debt  
8 of gratitude. But, in terms of our formulating our  
9 position, I think it's as much also based on the fact  
10 which was -- or the information that has been turned up  
11 in -- in consumer surveys in the past. I hate to track  
12 back into the consumer survey world, but where we end up  
13 with a -- an indication where there are a number -- a  
14 sizable number of customers that may be on broker supply  
15 that may still be unaware that they're on broker supply.

16 So that is sort of a fundamental concern  
17 that we have in terms of the appropriate functioning of  
18 the marketplace, and the understanding that customer's  
19 have and the amount of information that they have.  
20 Because if, at a fundamental level, a residential  
21 customer isn't aware that they are under contract with a  
22 broker for gas supply, that is a -- a bit of an issue in  
23 terms of ensuring that customers do have a full  
24 understanding of -- of the environment that they're doing  
25 business in.

1 MR. ERIC HOAKEN: But wouldn't hearing  
2 the entire encounter between the retailer's  
3 representative and the customer help you understand?

4 If, in fact, customers continued to be  
5 unaware, wouldn't it help you to understand the reasons  
6 for that if you could hear the extent of the transaction  
7 between the parties?

8 MR. GREG BARNLUND: I'm not sure exactly  
9 what's being posed here; like in terms of a question.

10 MR. ERIC HOAKEN: Well you are, I guess,  
11 saying to me, as I understand it -- maybe I'm reading you  
12 wrong, Mr. Barnlund, but I think part of what you're  
13 saying is that:

14 "Well okay. If this model that you're  
15 describing, Mr. Hoaken, is in fact used  
16 in Ontario, it might still not be  
17 appropriate in Manitoba. And one (1)  
18 of the reasons for that is because a  
19 large proportion of consumers in  
20 Manitoba seem to be unaware that  
21 they're actually on broker supply."

22 Right?

23 MR. GREG BARNLUND: Well, as I say, the  
24 consumer protect aspects that we are concerned about are,  
25 I guess, highlighted by the fact that we have a large

1 percentage of customers that have shown up in these  
2 surveys as being unaware as to who their true supplier  
3 was.

4 MR. ERIC HOAKEN: Right. Or, in fact,  
5 think that their supplier is Manitoba Hydro?

6 MR. GREG BARNLUND: Or that case, too.

7 MR. ERIC HOAKEN: Right. And I guess  
8 what I'm trying to suggest to you, in my inelegantly  
9 worded question, is that wouldn't it help you to  
10 understand why it is customers are unaware that they're  
11 signing up with a broker if you could hear a tape  
12 recording of the transaction in which they actually  
13 signed up with a broker?

14 MR. GREG BARNLUND: I just -- I'm having  
15 a difficulty conceiving of the mechanics of what we're  
16 describing here. Because if you're going out and  
17 marketing to, say, several thousand customers, and you  
18 generate several thousand voice recordings and -- and  
19 interactions and transactions, what is it -- like, I  
20 don't understand what you're -- are you expecting us, as  
21 the Utility, to -- you're asking us what would we -- what  
22 would we understand from that information that you're  
23 talking about?

24 MR. ERIC HOAKEN: No. I think you're  
25 misinterpreting my question.

1 MR. GREG BARNLUND: I think I am.

2 MR. ERIC HOAKEN: I'll try and make it  
3 even clearer. You're expressing the concern that,  
4 according, at least, to your survey data, some customers  
5 in Manitoba who've enrolled with retailers don't appear  
6 to know that they've done so.

7 MR. GREG BARNLUND: That seems to be the  
8 case.

9 MR. ERIC HOAKEN: Okay. So the next step  
10 in my question is that wouldn't it -- and -- and I take  
11 it you're also saying you're not exactly sure of the  
12 reasons for that.

13 MR. GREG BARNLUND: Oh, we're not.

14 MR. ERIC HOAKEN: Right. So, wouldn't it  
15 help you to understand the reasons if you could hear a  
16 tape of the transaction in which someone signed up with a  
17 broker. So if that person later said, "Gee, I had no  
18 idea that that's what I did," you'd at least get some  
19 better understanding of how it had come about.

20 MR. GREG BARNLUND: I guess that's  
21 possible, and that's probably the reason why there's a  
22 requirement to retain those taped messages for, say, the  
23 duration of the contract; so that if there was a contract  
24 dispute, that tape could be retrieved or that voice  
25 message could be retrieved, and there could be some

1 verification made in terms of who entered in the  
2 contract.

3                   But, really, the issue that we're talking  
4 about, and the position we've taken in our -- in our  
5 submission here is that we prefer customers to take the  
6 active voice, and to take the action in terms of  
7 enrolling or entering into a contract, and entering into  
8 a renewal.

9                   So, in other words, while originally our  
10 position was we were sort of nervous about using the  
11 internet, I think that we are much more comfortable with  
12 using the internet than we are voice transactions.  
13 Because when you use the internet, you sit down to your  
14 computer and you would likely, through some requirement,  
15 have to enter in your account number or some other valid  
16 means of identifying yourself, and then you have to  
17 actively click through that web page to accept the terms  
18 and conditions of service.

19                   So you're undertaking a definite  
20 affirmative response to that contract, and it really  
21 becomes, at that point, that you've got a very good  
22 indication that that customer has entered into that  
23 agreement willingly with knowledge, you know, with as  
24 much knowledge as -- as they had when they sat down to  
25 that computer, but they actively went and they entered

1 into that agreement.

2                   The issue I have with voice contracting  
3 and voice recording, and even with door-to-door, is that  
4 we have an environment here where you have -- you have  
5 people of different language skills, you have people of  
6 different ethnic backgrounds, and you have people that  
7 may not have a grasp of the English language; or may not,  
8 you know, if, are -- do they know what they're talking  
9 about when they're answering the phone or when they're  
10 responding to somebody, and so --

11                   MR. ERIC HOAKEN: Or when they're  
12 clicking the mouse on the Internet; isn't that also an  
13 issue potentially?

14                   MR. GREG BARNLUND: Well, I think that  
15 generally speaking, if you're going to sit down and go to  
16 Direct Energy or Energy Savings Manitoba web site, search  
17 that out, and then search out the page where you can make  
18 an application, and then take your utility bill and enter  
19 in your account number, and then click that you accept  
20 the terms and conditions; that to me is significantly  
21 different, I'm sorry.

22                   MR. ERIC HOAKEN: Okay. No, don't be  
23 sorry. So what I hear you saying is that you -- you  
24 support the use of the Internet sales channel and you  
25 think it would be appropriate for this Board to permit

1 the use of it in this province?

2 MR. GREG BARNLUND: I think we do; yes.

3 MR. ERIC HOAKEN: Yes. And so, just  
4 going back then to the telephone channel, you -- you've  
5 now explained to me in some detail the reasons why  
6 Manitoba Hydro does not use it itself, you've got  
7 reservations that you've just described; right?

8 MR. GREG BARNLUND: I'm sorry, can you  
9 repeat that?

10 MR. ERIC HOAKEN: Sorry. You -- you've  
11 just explained to me the reasons why Manitoba Hydro does  
12 not currently use the phone channel, and, I take it,  
13 wouldn't use it if it was offering a fixed price product?

14 MR. LLOYD KUCZEK: Well, I'm -- I'm not  
15 sure if we would or not, but I suspect we would not, and  
16 it would probably be related to the same reasons that we  
17 wouldn't use door-to-door and that's more to do with it's  
18 -- it's generally perceived that customers don't -- don't  
19 prefer to have -- don't prefer to be bothered by door-to-  
20 door sales or phone calls.

21 MR. ERIC HOAKEN: Right. That's the  
22 judgment that you've made about how you'd like to  
23 interface with your customers.

24 MR. LLOYD KUCZEK: We don't want to annoy  
25 our customers.

1                   MR. ERIC HOAKEN:    Right.  And I -- it's  
2 then, I guess, up to your competitors in the market to  
3 decide if they want to annoy their customers; right?  
4 What -- why do you get to decide, I guess is my question,  
5 what sales channels your competitors use?

6                   MR. GREG BARNLUND:   Well, we have no  
7 objection to the sales channels you use for distributing  
8 information to your customers.

9                   What we're expecting is that those  
10 customers, once they receive the information, will make a  
11 positive election, either by signing their name on the  
12 appropriate paper agreement and executing it that way, or  
13 executing it through the Internet.

14                  MR. ERIC HOAKEN:    But if they do it over  
15 the telephone in a voice-recorded message that's  
16 maintained in the way that we've described, you know,  
17 even if Centra decides that, for its own reasons, it  
18 doesn't want to do that, why should the retailers not be  
19 permitted to do that?

20                  MR. GREG BARNLUND:   Well, for the very  
21 reasons that I had just described.  And I -- and I will  
22 just state that I think that that's an objection that  
23 Centra has with regards to that particular means of  
24 attract -- of putting a customer onto a natural gas  
25 contract.

1 MR. ERIC HOAKEN: So, as a competitor of  
2 Centra, you're -- or excuse me, of the retailers, you're  
3 now trying to influence the regulator to make a decision  
4 about how your competitors can sell their products.  
5 That's effectively what you're doing, isn't it?

6 MS. MARLA MURPHY: Mr. Chair, I -- excuse  
7 me. Mr. Chair, I think we've -- we've gone kind of off  
8 of the rails here. We were asked to make a submission in  
9 this proceeding with respect to marketing practices and  
10 we've done that, and those recommendations are before the  
11 Board the same as any other party's recommendations.

12 So, I'm -- I'm not sure that this line of  
13 questioning is -- is appropriate.

14 MR. ERIC HOAKEN: Well, except that Mr.  
15 Barnlund hasn't said, you know, we don't have a horse in  
16 this race and we'd leave it to Board. He's taking -- as  
17 I understand it, Centra's taking an active position.

18 So, I hear what Ms. Murphy says; they may  
19 have been smoked out by an Information Request, but  
20 they're taking an active position, and that's very  
21 different from sitting back and saying we're neutral and  
22 we'll leave it to the good judgment of the Board. And in  
23 those circumstances, in my respectful submission, I'm  
24 entitled to question on this.

25 THE CHAIRPERSON: Keep going, Mr. Hoaken.

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CONTINUED BY MR. ERIC HOAKEN

MR. ERIC HOAKEN: Well, to be perfectly honest, I think I was almost finished, in any case, but in your Information Request response, Mr. Barnlund -- it's PUB/CENTRA-19, you may want to put that in front of you.

MR. GREG BARNLUND: I have that.

MR. ERIC HOAKEN: So, if we talk about enhanced consumer protection, if the PUB were to permit the contracting for natural gas over the telephone, and impose requirements similar to those imposed by the OEB, that would -- and I think maybe you've already agreed with this -- that would provide some level of consumer protection, correct?

MR. GREG BARNLUND: That's correct.

MR. ERIC HOAKEN: And another element of consumer protection that would already exist would be the CRTC rules that you've referenced in your IR response, correct?

MR. GREG BARNLUND: That's correct.

MR. ERIC HOAKEN: And so there's nothing more that needs to happen if the retailers do commence marketing their products and contracting for their products over the telephone. The CRTC rules are going to

1 apply and this Board need do nothing more to make them  
2 apply, correct?

3 MR. GREG BARNLUND: Except that the  
4 Board has a role in determining the way in which natural  
5 gas contracts are executed in this province, and that's  
6 within their jurisdiction.

7 MR. ERIC HOAKEN: I -- I don't dispute  
8 that, but just dealing with the CRTC rules, they apply  
9 regardless of what the Board does, if this is a sales  
10 channel that is permitted?

11 MS. MARLA MURPHY: I'm not sure Mr.  
12 Barnlund's in a position to give the legal opinion that's  
13 being requested of him.

14 MR. ERIC HOAKEN: And I certainly didn't  
15 mean to illicit a legal opinion. I guess this is a  
16 fairly sophisticated witness, and I was just asking for  
17 his understanding. If he's not comfortable answering the  
18 question, I don't have any problem with that.

19 MR. GREG BARNLUND: I think I'll just  
20 leave it at that.

21

22 CONTINUES BY MR. ERIC HOAKEN:

23 MR. ERIC HOAKEN: Okay. And I think you  
24 and perhaps your colleague, Mr. Kuczek, have agreed that  
25 marketing and selling over the telephone would be a

1 cheaper sales channel than door-to-door sales, is that  
2 fair?

3 MR. GREG BARNLUND: That's possible.

4 MR. ERIC HOAKEN: Okay. And if -- if  
5 that possibility did in fact get realized, and retailers  
6 were able to sell their products with lower marketing  
7 costs -- lower customer acquisition costs -- those  
8 savings might well get passed on to consumers?

9 MR. GREG BARNLUND: If the market were  
10 sufficiently competitive to force that. However, the  
11 changes we're talking about in this particular hearing  
12 may not be sufficient to attract another competitor into  
13 the market that would be providing additional discipline  
14 in terms of pricing.

15 And I think that's evident by the fact  
16 that in terms of direct purchase participation, we have  
17 the two incumbent marketers here present this hearing,  
18 but we don't have any representation from any marketers  
19 that are not currently doing business in the  
20 jurisdiction.

21 And so it's difficult for us to determine  
22 whether any of these changes should -- if they would be  
23 made, would translate into -- certainly they would  
24 translate into improved gross margins for the incumbent  
25 marketers --

1                   MR. ERIC HOAKEN:    Unless they passed the  
2 cost savings on to their consumers.

3                   MR. GREG BARNLUND:    Unless there was  
4 sufficient competition or competitive pressure to ensure  
5 that those cost savings were passed on to the consumers.

6                   MR. ERIC HOAKEN:    Or they -- or they  
7 otherwise chose to do it.

8                   MR. GREG BARNLUND:    Potentially.

9                   MR. ERIC HOAKEN:    Thank you.    Now, could  
10 I ask you to turn -- and I'm not sure who I'm asking to  
11 turn, maybe you, Mr. Barnlund -- could you turn to  
12 PUB/CENTRA-14?  And this is the -- the explanation that  
13 Centra or Manitoba Hydro has provided about the degree of  
14 quote/unquote "subsidy" that is provided to brokers, is  
15 that right?

16                   MR. GREG BARNLUND:    That's correct.  And  
17 as I understand the intention of this IR response, it was  
18 to enumerate what Manitoba Hydro perceives to be the  
19 benefits that accrue to retailers as a result of current  
20 arrangements in the marketplace, is that a fair summary,  
21 Mr. Barnlund?

22                   MR. GREG BARNLUND:    I believe so, yes.

23                   MR. ERIC HOAKEN:    And in point number 2,  
24 there's reference to the backstopping capability or  
25 responsibility of the Utility.  Do you see that?

1 MR. GREG BARNLUND: I do.

2 MR. ERIC HOAKEN: And there's a  
3 suggestion that this is a benefit, because a consumer who  
4 might be otherwise concerned about the security of supply  
5 and therefore, unwilling to contract with a broker, will  
6 contract with a broker if he or she knows that the  
7 Utility is going to backstop. Is that the gist of the  
8 suggestion you're making in this paragraph?

9 MR. GREG BARNLUND: I think that's the  
10 gist of it, yes.

11 MR. ERIC HOAKEN: Okay. And -- and I --  
12 I seem to remember, and maybe we need to go back to it,  
13 but wasn't there some discussion in the focus groups  
14 about the fact that most customers didn't, in fact, know  
15 that they had security of supply through the backstopping  
16 capability of the Utility?

17 MR. LLOYD KUCZEK: I couldn't say most.  
18 I do recall one (1) of the focus groups, and it was one  
19 (1) individual that brought it up, but --

20 MR. ERIC HOAKEN: All right.

21 MR. GREG BARNLUND: I might add to that,  
22 that this is a -- a long-standing situation here, and  
23 that I think that this was certainly an important aspect  
24 when the market was originally opened up in 1991. And  
25 customers, at that point in time, were facing a -- an

1 entirely new environment in terms of direct purchase.

2 And had customers perceived that they were  
3 entirely at risk for their heat supply, that it could  
4 have affected and negatively affected the uptake of  
5 direct purchase in Manitoba from the outset.

6 MR. ERIC HOAKEN: But I guess what I'm  
7 getting at, Mr. Barnlund, is that do we really know that  
8 broker customers would be aware that if the -- the broker  
9 they contract with is, for some reason, unable to fulfill  
10 its commitment, that they will, nonetheless, have  
11 security of supply from the utility?

12

13 (BRIEF PAUSE)

14

15 MR. GREG BARNLUND: Sorry, Mr. Hoaken,  
16 can you repeat that one more time?

17 MR. ERIC HOAKEN: Probably not -- not  
18 verbatim, in any case. Does Centra have any information  
19 to suggest that broker customers, when they contract, are  
20 aware that if their broker defaults on its obligations,  
21 the Utility will supply backstop?

22 MR. GREG BARNLUND: I really don't know  
23 what they would be aware of in that regard, sir.

24 MR. ERIC HOAKEN: Okay. And -- and just  
25 thinking about it logically, which occasionally we do in

1 these proceedings, you -- you wouldn't really expect a  
2 retailer, as part of its marketing pitch, to say to a  
3 customer, "Oh, by the way, if we happen to go bankrupt or  
4 disappear during the life of this contract, don't worry.  
5 You'll be taken care of by Manitoba Hydro."

6 That wouldn't necessarily be the most  
7 intuitively successful marketing pitch, would it, Mr.  
8 Barnlund?

9 MR. GREG BARNLUND: No, I think it would  
10 be very absurd. But the fact is that customers in this  
11 jurisdiction definitely need a source of heat in  
12 December, January and February.

13 And if they had any hesitation or any  
14 thought that by inta -- undertaking this agreement that  
15 they might go wi -- without heat, it would certainly be a  
16 detriment to them entering into those agreements. And  
17 that's really all this section says.

18 MR. ERIC HOAKEN: Yeah. And -- and I'm  
19 not trying to read too much into it. I guess I'm really  
20 questioning the extent to which a customer even considers  
21 that at the time of contracting. And I think you've  
22 quite fairly told me that Centra doesn't have any  
23 information one way or the other.

24 MR. GREG BARNLUND: Yes.

25

1 (BRIEF PAUSE)

2

3 MR. GREG BARNLUND: Just hold on a  
4 second.

5 MR. ERIC HOAKEN: Yes.

6

7 (BRIEF PAUSE)

8

9 MR. GREG BARNLUND: I've been saved.

10 MR. ERIC HOAKEN: Amen. You've been  
11 handed, I'm sure, a copy of the residential guide. Now  
12 that's not really marketing material of the retailers, is  
13 it, Mr. Barnlund?

14 MR. GREG BARNLUND: But it is the  
15 requirement that all customers have that in their  
16 possession when they enter into an agreement.

17 MR. ERIC HOAKEN: Yeah, fair enough, but  
18 it's not something that the retailers are, of their own  
19 volition, bringing to the attention of customers. It's,  
20 as I understand it, a publication that has been jointly  
21 developed, approved by the PUB, and is required by the  
22 PUB Code of Conduct to be distributed to customers.

23 MR. GREG BARNLUND: That's correct. And  
24 it does make mention of the potential for backstopping or  
25 bridging services, so, yes.



1 also described in there and no one understands that  
2 either, right?

3 MR. GREG BARNLUND: That -- there's a few  
4 people that understand it, but...

5 MR. ERIC HOAKEN: Yeah, and they're all  
6 on the witness panel, as I understand it. Now, let's  
7 change gears, Mr. Barnlund. You've been earmarked in  
8 this proceeding as one (1) of the few people -- you and  
9 Mr. Stephens, I suppose -- who were around at the last  
10 hearing in this -- or at least on these topics.

11 And you, I take it, keep a copy of Board  
12 Order 1598 on your night stand and turn to it from time  
13 to time, is that fair?

14 MR. GREG BARNLUND: Carry on.

15 MR. ERIC HOAKEN: And you're aware that  
16 in that decision, the Board said -- and permit me just to  
17 read and excerpt, and if you want to go to the text, we  
18 can do that. At -- at page 65, Mr. Barnlund, it said  
19 that:

20 "While not all Manitobans have chosen  
21 to purchase natural gas through brokers,  
22 all consumers have benefited from the  
23 evolution in the marketplace."

24 MR. GREG BARNLUND: That's what it says.

25 MR. ERIC HOAKEN: And -- and so that's a

1 recognition, and I'm sure you'll agree with me, that all  
2 consumers, irrespective of whether they contract with  
3 retailers, do in fact benefit from the presence in the  
4 marketplace of the retailers, fair?

5 MR. GREG BARNLUND: And to that point in  
6 time and to the extent, I guess as well, that the  
7 wholesale market had been deregulated and that wholesale  
8 market changes were slowly being able to flow through to  
9 our system supply changes over time.

10 MR. ERIC HOAKEN: All right, so there  
11 were a number of benefits. I think you're quite fairly  
12 pointing out there were a number of factors, but  
13 certainly one (1) of the factors that created a benefit  
14 to all consumers -- all natural gas consumers in Manitoba  
15 -- was the presence in the market of retailers, fair?

16 MR. GREG BARNLUND: That's correct.

17 MR. ERIC HOAKEN: And I take it that at  
18 the time of the hearing in 1996 and, indeed, at the time  
19 of the release of the decision you and I have been  
20 reading from, that Centra agreed with that observation;  
21 that the -- the presence in the marketplace of  
22 competitors was good for everybody.

23 MR. GREG BARNLUND: I'd say so, yes.

24 MR. ERIC HOAKEN: And I'm afraid I don't  
25 have a reference I can point you to in the materials, but

1 are you familiar with the Board's Order 19/00 issued  
2 February 14, 2000?

3 MR. GREG BARNLUND: Just give us a  
4 minute, please.

5 MR. ERIC HOAKEN: Yeah, and it -- it may  
6 help you to know this was the WTS hearing.

7

8 (BRIEF PAUSE)

9

10 MR. GREG BARNLUND: Is there a specific  
11 section of it you want to refer to, because I know we're  
12 having a hard time locating the whole thing.

13 MR. ERIC HOAKEN: Sure, I was going to  
14 ask you to go to page 16 when you find it.

15 MR. GREG BARNLUND: I believe we're  
16 there. Carry on.

17 MR. ERIC HOAKEN: Thank you. And on page  
18 16 under the heading 10.6 WTS Incremental Costs, there is  
19 some description of a category of costs that are  
20 described as service and implementation costs totalling  
21 \$1.254 million; do you see that?

22 MR. GREG BARNLUND: I see that.

23 MR. ERIC HOAKEN: And are those costs --  
24 just leaving aside exact numbers for a moment, Mr.  
25 Barnlund -- are they comparable in character to the WTS

1 administration costs that your Panel has spoken of and  
2 that you've estimated as being in the order of seven  
3 hundred and fifty thousand dollars (\$750,000)?

4 MR. GREG BARNLUND: No. These are the  
5 one-time implementation costs associated with introducing  
6 WTS and ABC service. So those were the up-front costs of  
7 developing the service; providing information to our call  
8 centre staff; making changes to information systems;  
9 also, some regulatory costs and also some public  
10 communication costs. And I think probably the cost of  
11 publishing the original guide to direct purchase were  
12 included in that.

13 So it's really the up-front costs  
14 associated with launching -- developing and launching WTS  
15 and ABC service and -- and putting that into motion in  
16 Manitoba.

17 MR. ERIC HOAKEN: All right. And in the  
18 first paragraph under that heading there's a reference to  
19 the fact that Centra submitted, in that proceeding, that  
20 those costs are the costs of providing choice to all  
21 customers and therefore all customers should pay these  
22 costs.

23 Is that an accurate summary of the  
24 submission that was made by Centra in that proceeding?

25 MR. GREG BARNLUND: Certainly. That was

1 with regards to the, at least for the -- or for both  
2 implementation and -- and ongoing operating costs, both,  
3 yes.

4 MR. ERIC HOAKEN: All right. And as I  
5 read it, Centra didn't make its submission in that regard  
6 conditional upon retailers obtaining a certain percentage  
7 of market penetration; right?

8 MR. GREG BARNLUND: No, I think at the  
9 time what we were looking to do was flow those costs  
10 through to all customers. Because with the introduce --  
11 introduction, sorry, of Western Transportation Service,  
12 it was changing the environment in which marketers could  
13 do business and which the customers could contract with  
14 them for gas supply, and to introduce that service we at  
15 that time were -- were suggesting that the costs be  
16 spread amongst all customers.

17 MR. ERIC HOAKEN: And, certainly, since  
18 that time, there's been an increase, both in absolute  
19 terms and in percentage terms, of customers in Manitoba  
20 who are purchasing their -- purchasing their gas from  
21 retailers; correct?

22 MR. GREG BARNLUND: Well, I'd like to  
23 take a look back at our -- at our submission, because we  
24 do have a graph that shows sort of the relative levels of  
25 customer utilization of direct purchase.

1                   And so I'm just going to take a moment and  
2 flip back to our submission. I think it's in Tab 2 or --

3                   MR. ERIC HOAKEN:    Okay.

4                   MR. GREG BARNLUND:    -- something like  
5 that. Let me just --

6                   MR. ERIC HOAKEN:    And -- and in fact what  
7 I was going to ask you to look at as well -- so maybe  
8 when you find your graph, we can also look at Centra -- I  
9 believe it's Centra's Exhibit 15, which is updated list,  
10 I think, that came from. Mr. Kuczek, just showing the  
11 numbers of customers.

12                   MR. GREG BARNLUND:    Okay. If you just  
13 give us a second.

14                   MR. ERIC HOAKEN:    Yeah.

15

16                                   (BRIEF PAUSE)

17

18                   MR. GREG BARNLUND:    Ready to go, Mr.  
19 Hoaken.

20

21                                   (BRIEF PAUSE)

22

23                   MR. ERIC HOAKEN:    All right. So, just  
24 tell me what you're looking at and I'll tell you what I'm  
25 looking at.

1 MR. GREG BARNLUND: Okay. I'm starting  
2 out on Tab 2, Attachment 1. Page 1 of 2 shows a  
3 graphical representation of participation and direct  
4 purchase by small-volume customers.

5 MR. ERIC HOAKEN: Okay. Got it, thank  
6 you. So, are you going to answer my question, or do you  
7 want me to...

8 MR. GREG BARNLUND: Could you rephrase it  
9 or --

10 MR. ERIC HOAKEN: Yeah, sure. Just -- I  
11 -- I read you that portion of the Boards Order in 2000,  
12 and referenced a -- a submission that Centra had made at  
13 that time.

14 And so I guess what I was asking you to  
15 agree with me about, is that since the time of that  
16 submission, there has been an increase, both in absolute  
17 terms and in percentage terms, in the customers who are  
18 purchasing their gas from retailers?

19 MR. GREG BARNLUND: Well, the data that I  
20 see pictured in this graph, certainly in the top of the  
21 page, "participation by Small Volume Customers", it's  
22 hard to draw that inference from it. I think that the  
23 data looks like the -- it seems to be relatively stable,  
24 in terms of small volume customer participation;  
25 somewhere in the fifty thousand (50,000) customer level,

1 which system supply customers seem to be thereabouts two  
2 hundred thousand (200,000) customers. And that seems to  
3 be fairly consistent with some plus or minuses and puts  
4 and takes across the years there.

5 So, to me the, data looks like we have a  
6 fairly flat, stable situation.

7 MR. ERIC HOAKEN: All right, well, can I  
8 just ask you to look at Exhibit 15, 'cause maybe I'm not  
9 reading this the right way. But what I see, if we take a  
10 snapshot, is that in the 2000/2001 year we've got --

11 MR. GREG BARNLUND: Sorry, which --  
12 which attachment --

13 MR. ERIC HOAKEN: I'm sorry, Mr.  
14 Barnlund, it's -- gee, what does it say, it says -- say's  
15 "attachment updated September 19, 2007", so it's -- it's  
16 the first document after the cover page.

17 MR. GREG BARNLUND: And that's number of  
18 customers by customer class?

19 MR. ERIC HOAKEN: Yes.

20 MR. GREG BARNLUND: I have that.

21 MR. ERIC HOAKEN: Yeah.

22 MS. MARLA MURPHY: We're all on page 1 of  
23 6. Is that where we're supposed to be?

24 MR. ERIC HOAKEN: That's exactly right,  
25 thank you.

1

2 CONTINUED BY MR. ERIC HOAKEN

3 MR. ERIC HOAKEN: So just looking at  
4 that, if you look down the column for 2000/2001, what  
5 we're seeing here is this was the year where the  
6 buy/sells were eliminated and the WTS was implemented; is  
7 that right?

8 MR. GREG BARNLUND: Well, I don't think  
9 the buy/sell was -- the buy/sell -- there were no new  
10 buy/sells that were put in the market, but there were  
11 certainly buy/sells that had to expire over a multi year  
12 period, so...

13 MR. ERIC HOAKEN: Much better way of  
14 putting it. But what I guess I meant was, from that  
15 point forward, there were no new buy/sells, and to the  
16 extent that brokers or retailers were selling their  
17 products, they were doing it through the new W2 -- WTS  
18 regime; is that fair?

19 MR. GREG BARNLUND: That's correct.

20 MR. ERIC HOAKEN: Okay. And so I guess  
21 what I was suggesting to you is, in absolute terms, there  
22 has been some increase since that year of the number of  
23 customers on direct purchase than was the case in 2000 or  
24 2001?

25 MR. GREG BARNLUND: Really difficult to

1 understand from this table, because you'd have to sum the  
2 buy/sell customers with the Western T Service customers.  
3 And without having doing -- done these calculations, I  
4 think it's really hard to draw some generalization.

5                   However, yeah, it's pretty hard for me to  
6 do here on this one.

7                   MR. ERIC HOAKEN:    Okay.  But just going  
8 back, if we can, to the Order that I took you to; Order  
9 19/00.

10                   In 2000, it was Centra's premise that all  
11 customers benefited from the presence of retailers in the  
12 market, irrespective of whether they purchased their gas  
13 from retailers?

14                   MR. GREG BARNLUND:    Well, I think more  
15 accurately what we said was -- and what I'd said in  
16 previous testimony was that at the time of developing  
17 Western Transportation Service, that we viewed that to  
18 provide that additional service and that choice to those  
19 cust -- to all customers, that it was reasonable, at that  
20 time, to recover those costs from all customers.

21                   However, I went on to say in my testimony  
22 that seven (7) years have passed -- and as we can see, I  
23 think the pictures are probably a little bit better  
24 representation than looking at the table.

25                   So if we look at the Attachment 1 on Tab 2

1 again, where we see that the numbers seem to be  
2 reasonably stable at the fifty thousand (50,000) mark for  
3 direct purchase customers, and reasonably stable around  
4 the two hundred thousand (200,000) mark for system supply  
5 customers, that you could -- one could assume, and I  
6 think what the company's position here clearly is that --  
7 that those customers that have elected to go to direct  
8 purchase have gone to direct purchase. Those customers  
9 who have elected to stay with System Supply remain on  
10 System Supply.

11           And given that particular situation, that  
12 now is an appropriate time, given that the Utilities  
13 Board has asked us for us comments, in terms of how cost  
14 should be recovered from brokers, that we look at  
15 structuring broker fees to recover the ongoing  
16 administration costs that we can readily identify of  
17 administering direct purchase and buy/sell -- or, sorry,  
18 direct purchase and -- and WTS type of activities for the  
19 brokers.

20           And again, the dollars that we talked  
21 about, the 1.2 million of implementation, have likely  
22 already been recovered from all customers, because those  
23 would have been amortized over likely a five (5) year  
24 period at -- subject to check.

25           So those costs have already been paid by

1 the customers in the system and so we're proposing the --  
2 the change in terms of methodology, in how we recover  
3 ongoing administration costs for direct purchase.

4 MR. ERIC HOAKEN: So, do I understand  
5 you, then, you -- you're making an assumption that when  
6 you look at these graphs and you see a -- a number of  
7 retailer customers from year to year to year, that those  
8 are the same customers?

9 MR. GREG BARNLUND: I'm not necessarily  
10 saying that. I'm saying that the participation rate is  
11 stable; it is the same.

12 MR. ERIC HOAKEN: But -- but I thought  
13 what I heard you say was that those customers who've  
14 chosen direct purchase have chosen it, and those who've  
15 chosen to stay on system supply have chosen to do so.

16 It's not irrevocably the case. You would  
17 expect that in any given year you would have customers  
18 who were deciding for the first time to try a fixed price  
19 contract, and conversely you might have some who had  
20 tried it and decided to go back to system supply.

21 MR. GREG BARNLUND: And I think that the  
22 net effect is that over all the numbers seem to be  
23 staying within a very tight range of proportion.

24 MR. ERIC HOAKEN: Right. But I guess  
25 what I'm saying to you, Mr. Barnlund, is that if we

1 looked at the graph, or even if I could persuade you to  
2 go back to the table that you and I were just looking at  
3 and we look, for example, for the 2006/2007 year, and it  
4 has the number of direct purchase customers -- say for  
5 the sake of this discussion it's fifty thousand (50,000)  
6 customers -- we -- we certainly can't conclude that those  
7 fifty thousand (50,000) customers have been on direct  
8 purchase the whole time.

9 MR. GREG BARNLUND: No, but what we're  
10 saying is that we're providing a level of service to  
11 brokers in Manitoba, to be able to transact with those  
12 customers, whether those are the same customers or  
13 different customers, new customers, or old customers, is  
14 immaterial.

15 The transaction that we're talking about  
16 is being able to provide services to the brokers that --  
17 that want to do business in Manitoba, that will be using  
18 Western Transportation Service, and there are certain  
19 costs associated with that. And the cost of  
20 administrating that, we're saying we would certainly like  
21 to recover from those marketers in the form of broker  
22 fees.

23 MR. ERIC HOAKEN: Okay. And you've told  
24 me that a couple times. But really, I guess, what I'm  
25 getting at is in 2000, in the submission that was made to

1 this Board, you -- you saw that these were costs that  
2 were being incurred for the benefit of consumers, to give  
3 consumers choice. In 2007, what I hear you saying is  
4 that, Well these costs are now for the benefit of  
5 retailers.

6                   And I guess what I'm trying to suggest to  
7 you, Mr. Barnlund, is that when we look at the present  
8 situation of X number of customers having chosen to buy  
9 their gas through direct purchase, it doesn't mean that  
10 it's only that number of customers who have benefited  
11 from competition.

12                   There may be many more customers who have,  
13 over the life of the WTS, benefited from it, in the sense  
14 that at one time or another they purchased their gas  
15 through Direct Purchase.

16                   MR. GREG BARNLUND: Well, I think more  
17 accurately though, is that all customers since 1985 have  
18 benefited from deregulation. It's probably impossible to  
19 be hiving it off as thinly as we may be discussing here.

20                   And it is really quite simply a matter  
21 that we did not know in 2000 what we know today, in terms  
22 of the participation rates. And had we known that the  
23 participation rates would only remain fifty thousand  
24 (50,000) customers per year, Mr. Hoaken, I submit that  
25 potentially our application in 1999 could significantly

1 have been different in that regard.

2 MR. ERIC HOAKEN: Well, it -- it's  
3 interesting you say that, because I was going to point  
4 out that in 2000, unless you did and I don't know about  
5 it, you -- you didn't do any market research to  
6 determine the interest of consumers in paying the cost --  
7 all consumers -- in paying the costs associated with the  
8 WTS, right?

9 MR. GREG BARNLUND: We did no market  
10 research with regards to that.

11 MR. ERIC HOAKEN: Right, and so then if  
12 we fast-forward to 2007, you have done, as we all know,  
13 customer research. And customers that you surveyed,  
14 first of all, I'm not suggesting this is the exclusive  
15 conclusion, but one (1) of the things that you learned is  
16 that customers, even those who don't purchase their gas  
17 from retailers, feel they benefit from competition in the  
18 marketplace, is that fair?

19 MR. LLOYD KUCZEK: I don't have the  
20 numbers at my fingertips, but I recall that general  
21 impression.

22 MR. ERIC HOAKEN: Okay. And I'm going to  
23 suggest to you it's not a stretch to interpret that as  
24 meaning that a large portion of consumers feel they  
25 benefit from having a choice of suppliers, is that fair,

1 Mr. Kuczek? Is that a reasonable interpretation, you  
2 think, of that finding?

3 MR. LLOYD KUCZEK: Yeah, the que -- I  
4 actually -- I found the question. We ask the customers:  
5 "Do you agree or disagree that, as a consumer in  
6 Manitoba, you benefit from having competing choices in  
7 who to purchase natural gas from?" And 65 percent of  
8 resident -- residential Manitoba Hydro customers agreed  
9 and 83 percent of the market -- direct-purchase customers  
10 agreed.

11 MR. ERIC HOAKEN: All right, but that  
12 percentage then -- I think you said sixty-five (65) -- of  
13 Manitoba Hydro customers feel they're getting a benefit,  
14 is that right?

15 MR. LLOYD KUCZEK: Correct.

16 MR. ERIC HOAKEN: And if the  
17 administrative costs associated with the WTS were then  
18 borne only by direct- purchase customers, wouldn't  
19 system-supply customers be getting a benefit that they're  
20 not paying for?

21

22 (BRIEF PAUSE)

23

24 MR. GREG BARNLUND: Sorry for the delay.  
25 Could you just repeat that question?

1                   MR. ERIC HOAKEN:    Sure.  I think just  
2 before I asked the ultimate question, the penultimate  
3 question was, based on the results of your market  
4 research, approximately 65 percent of customers --  
5 Manitoba Hydro customers -- feel they'd benefit from  
6 competition in the marketplace, and I think Mr. Kuczek  
7 agreed with that.

8                   So, my next question is:  If the WTS  
9 administration costs are borne only by retailer  
10 customers, wouldn't the system-supply customers be  
11 getting a benefit that they're not paying for?

12                   MR. LLOYD KUCZEK:   Well, I just added  
13 some more information on the market research.  We did  
14 ask, also, the question to the respondents whether or not  
15 -- should all consumers pay the additional cost of  
16 competition.

17                   MR. ERIC HOAKEN:    And -- and I promise  
18 I'm coming to that.

19                   MR. LLOYD KUCZEK:    Okay.

20                   MR. ERIC HOAKEN:    But just sticking with  
21 my question, Mr. Kuczek; if the WTS administration costs  
22 are paid only by retailer customers, wouldn't system-  
23 supply customers be getting a benefit they're not paying  
24 for?

25

1 (BRIEF PAUSE)

2

3 MR. LLOYD KUCZEK: I think I could only  
4 respond by saying what the market research was, so I'd be  
5 repeating myself. But I think that's what you're asking  
6 me, anyways, isn't it?

7 MR. ERIC HOAKEN: Not really. Now, I  
8 know -- I know, Mr. Wiens, that Ms. Derksen was urging  
9 you to wade into the fray. Do you have something you'd  
10 like to say in response to my question?

11 MR. ROBIN WIENS: I -- I guess you're  
12 correct in that customers have identified that there is a  
13 benefit from -- from competition. And I think most  
14 people who are asked that type of a question with respect  
15 to a product that they're purchasing, would agree with  
16 that position.

17 MR. ERIC HOAKEN: All right.

18 MR. ROBIN WIENS: And that -- that does  
19 not seem on an a priori basis, does not seem unreasonable  
20 that somebody would agree with that. Do they tell us how  
21 much they feel they benefit from that competition? They  
22 do give us some clues in the other information that Mr.  
23 Kuczek was wanting to reference you to.

24 MR. ERIC HOAKEN: In -- in terms of how  
25 much they'd be willing to pay?

1                   MR. ROBIN WIENS:    In terms of how much  
2 they'd be willing to pay and who they thought should pay  
3 for it.

4                   MR. ERIC HOAKEN:    Or -- or, yeah, I guess  
5 a couple of things.

6                   First of all, whether they'd be willing to  
7 pay, and if so, how much they'd be willing to pay.

8                   MR. LLOYD KUCZEK:    That's correct.

9                   MR. ERIC HOAKEN:    Okay.  And that --  
10 that's very fair, and let me take you to that, because I  
11 was going to go to that.

12                   I don't know what your plans are, Mr.  
13 Chair.  I don't know if you can --

14                   THE CHAIRPERSON:    We were thinking at  
15 some point that we might take a break --

16                   MR. ERIC HOAKEN:    Really?

17                   THE CHAIRPERSON:    -- for the weekend,  
18 yes.  I don't know about you but --

19                   MR. ERIC HOAKEN:    That's a novel thought.  
20 I'm sorely disappointed by the work ethic.  Although I  
21 know that Ms. Melnychuk has to go fishing this weekend,  
22 so I'll be in trouble if I don't wrap this up.  I'm  
23 completely in your hands, if you want to break now, I --  
24 I can do that.  If -- it looks like --

25                   THE CHAIRPERSON:    And then what we'll do

1 is --

2 MR. ERIC HOAKEN: -- going over to Monday  
3 morning.

4 THE CHAIRPERSON: -- when we come back on  
5 Monday, you can pick from where you left off. How's  
6 that?

7 MR. ERIC HOAKEN: Thank you very much.

8 THE CHAIRPERSON: So we wish all of you a  
9 good weekend. We will see you on Monday.

10

11 (PANEL RETIRES)

12

13 --- Upon adjourning at 4:07 p.m.

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17 Certified correct,

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22 Wendy Warnock, Ms.

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