

**CENTRA GAS 2019/20 GENERAL RATE APPLICATION**

**INTERVENER EVIDENCE INFORMATION REQUESTS**

**CAC (RICHARD DEWOLF)**

**JULY 5, 2019**

**PUB/CAC(DeWolf)-15**      Reference: DeWolf Evidence pp. 9-15 CAC/Centra I-109a-g

**Request:**

Given ongoing North American gas market changes and uncertainties, please further explain Mr. DeWolf's evaluation, findings, and views relative to the appropriateness of Centra's proposed durations for the proposed arrangements and whether longer or shorter durations may have been preferred.

**Response:**

Based upon the filings of Centra and my examination of the North American natural gas markets, the 10-year contract term for ANR/GLGT Storage and Transportation portfolio appears reasonable (keeping in mind the original contract was for 20 years and the subsequent contract was for 7 years). While the North American natural gas market continues to evolve and uncertainties within the market will continue, it is always a balancing act to determine the appropriate timeframe in setting a contract term.

As Centra's filings stated, it was Centra's decision to establish the 10-year term prior to its negotiations with ANR and GLGT. Without second guessing Centra's rationale for the 10-year term, Centra did successfully negotiate significant reductions in the rates on GLGT and ANR, which I am assuming was due, in part, to Centra's commitment to the 10-year term.

As I noted in my pre-filed evidence there appears to be a movement towards longer term transportation contracts, particularly on the NGTL and TCPL Mainline systems. TCPL has negotiated with its shippers significantly lower rates for the longer term contracts in order to compete with alternative US gas supplies, while NGTL is in the process of adding significant new pipeline capacity to bring on incremental gas supplies

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from Northeast British Columbia, all of which require long term firm commitments for financing purposes. I also believe it is important to recognize all these entities are controlled and owned by TransCanada (now called TC Energy). While many of these new capacity contracts exceed 10 years, a 10-year period in my opinion can still be considered a long-term contract.

Additionally, with the addition of incremental pipeline capacity on the NGTL and access to incremental liquid rich natural gas from British Columbia, it is likely natural gas prices will remain low over the foreseeable future and coupled with the new long-term fixed TCPL Mainline tolls, overall natural gas delivered costs to Manitoba from Western Canada should remain relatively constant.

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**PUB/CAC(DeWolf)-16**      Reference: DeWolf Evidence pp. 3-5, and 15

**Request:**

Please further explain Mr. DeWolf's recommendation regarding the use of independent 3<sup>rd</sup> party gas procurement consultants. Specifically:

- a) Does Mr. DeWolf recommend that 3<sup>rd</sup> party consultants be retained to review Centra's gas supply, transportation, and storage plans prior to the start of each new gas year? If so, please explain the benefits to ratepayers of this approach.

**Response:**

No. I do not see the necessity of retaining a 3<sup>rd</sup> party consultant prior to the start of each gas year and the provision of an annual report. See additional comments in the following response PUB/CAC(DeWolf)-16 b).

- b) Does Mr. DeWolf recommend that 3<sup>rd</sup> party consultants be retained to assist Centra in future contract negotiations with gas supply, transportation, or storage providers (e.g. prior to the award of a new Primary Gas supply contract, prior to the renewal or replacement of the proposed arrangements, etc.)? If so, please explain the benefits to ratepayers of this approach.

**Response:**

Yes, while, I noted in my response to the prior question that a consultant need not be retained on an annual basis, I believe the retention of a 3<sup>rd</sup> party consultant with a written report when Centra is negotiating or renegotiating gas supply, transportation, or storage providers (e.g. prior to the award of a new Primary Gas supply contract, prior to the renewal or replacement of the proposed arrangements, etc.) would be beneficial to all parties including Centra, the Board and ratepayers.

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Gas supply and related transportation and storage are significant costs to ratepayers. While the Board and other interested parties have retained 3<sup>rd</sup> party consultants to assess Centra's negotiated gas supply, transportation and storage arrangements, any assessment by a 3<sup>rd</sup> party consultant for the Board and other parties is done after the fact rather than based upon detailed first-hand knowledge at the time of Centra's negotiations. Centra would benefit from the insight of an independent 3<sup>rd</sup> party consultant with broader knowledge, experience and research in these matters. Rate payers and the Board would benefit from the knowledge that an independent 3<sup>rd</sup> party consultant was involved and provided their expertise and experience beyond that of Centra's staff.

- c) Does Mr. DeWolf recommend that 3<sup>rd</sup> party consultants be retained to produce evaluation reports that supplement Centra's gas cost evidence prior to future Cost of Gas or General Rate Applications before the Board? If so, please explain the benefits to ratepayers of this approach.

**Response:**

Yes, as I noted in my prior responses, while I do not believe an annual report is required, all parties should benefit from the expertise of 3<sup>rd</sup> party consultant who were involved in providing their expertise and advice to Centra when gas supply, transportation and storage arrangements are negotiated.

Based upon my past experience in providing independent expertise to clients, like Centra, the ability to obtain confidential information and insight in negotiating services like storage and transportation services while being part (yet independent) of the team greatly enhanced my ability to assess the reasonableness and prudence of corporate decisions, as compared to attempting to assess corporate decisions on an after-the-fact basis.

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I would also like to add an additional concern, that while Intervenors in the past have been able to retain natural gas consultants to assist in assessing Centra's gas supply, transportation and storage arrangements, I am concerned this resource may prove more difficult in the future.

There appears to be very few independent sole-practice oil and natural gas consultants, as well as larger natural gas consulting firms that are prepared to provide their expertise and assistance over numerous months without regular monthly remuneration (which is a normal billing period), at hourly rates below current commercial arrangements and with the potential risk of some of their consulting hours being reduced on an after the fact basis.

Having Centra retain an independent 3<sup>rd</sup> party consultant(s) would likely resolve these concerns while ensuring the Board and Centra's rate payers are provided independent expertise in future applications. In many ways I see a report from an independent 3<sup>rd</sup> party consultant similar in nature to an audit report from an accounting firm.