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REFERENCE NO: 003991-0132

March 14, 2022

Via Email

The Public Utilities Board
226 - 408 York Avenue
Winnipeg MB R3C 0C4

Attention: Ms. Rachel McMillin, Assistant Associate Secretary

Dear Ms. McMillin,

**Re: Consumers Association of Canada (Manitoba) Inc. (CAC) –
Written Pre-Hearing Submissions for the Centra Gas Manitoba Inc. (Centra) Cost
of Service Study Methodology Application Review**

1.0 Introduction

CAC is in receipt of your letter of March 7, 2022, requesting detailed Intervenor written submissions to the Manitoba Public Utilities Board (PUB) with respect to the Pre-hearing Conference issues associated with Centra's Cost of Service Methodology (COSM) Application and Review process (COSMR). Your letter also included a copy of Centra's submissions dated February 28, 2022.

The purpose of this letter is to provide CAC's submissions as requested by the PUB and is organized into three main sections:

1. Submissions with respect to scope and issues (Section 2.0);
2. Submissions with respect to expected composition of CAC intervenor evidence (Section 3.0); and
3. Submissions with respect to procedural matters (Section 4.0).

In terms of opening comments on the approach taken by Centra, CAC notes that the Centra submission on scope and process appears to focus primarily on limiting the scope of the PUB's review and Intervenor's participation in the COSMR, as well as minimizing regulatory costs through truncation of a number of the traditional process steps in a generic review of this nature, that provide procedural fairness for interested parties.

CAC's submits that the procedural background and circumstances that have led to the COSMR do not support a constrained scope and limited intervenor participation as advocated by Centra. In CAC's view, the PUB's primary focus should be to ensure there is a robust evidentiary record to carefully weigh various accepted cost allocation methodologies and expert opinions in the context of Centra's operations and ensure that Centra's COSM continues to be adaptable to industry changes and sustainable over the long-term, given the infrequency of COSMR's. Further, CAC also submits that the

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interested parties to this proceeding can provide important intervenor evidence to assist the PUB in meeting its expectations for the COSMR in terms of understanding the advantages and disadvantages of alternative COSM and best practices and to ensure there is a robust record from which the PUB can make an informed decision.

The cost of regulatory proceedings and regulatory efficiency are also important considerations but secondary to ensuring that the principles that come out of the PUB's decisions are robust and result in just and reasonable rates to the various natural gas customer classes. CAC notes that the COSM is essentially a zero-sum game for Centra as all approved revenue requirements are allocated to customers, **but that the proposals under consideration could have a significant impact on a number of customer classes, including the SGS class.** CAC's submissions on procedural matters are designed to balance the robustness of the evidentiary record and procedural fairness for impacted customer groups, with cost and regulatory efficiency considerations.

2.0 CAC Submissions with Respect to Scope and Issues

CAC has the following specific submissions with respect to the scope and issues that should be examined by the PUB as part of the COSMR proceeding.

2.1 The Last Comprehensive PUB Review of the Natural Gas COSM & Rate Design Occurred in 1996, Over 25 Years Ago

The last comprehensive PUB review of Centra's COSM and Rate Design occurred in 1996, which is over 25 years ago. Like the current circumstances, Centra engaged R.J. Rudden Associates Inc. (RJRA) to conduct a review of its cost allocation methodology and rate design principles in 1995, which was used by Centra to develop its positions on the issues for the public hearing.

The outcome of this review is contained in PUB Order 107/96, dated October 17, 1996. Despite the passage of time since Order 107/96, there are a number of PUB findings that remain relevant to issues of scope and procedure in the current proceeding that is before the PUB, as outlined in the following excerpts:

"Cost allocation methodologies are numerous, and experts often have differing opinions as to the appropriate manner of allocating costs of service. It is the **Board's responsibility to weigh those differing views** and to **support a methodology which gives the best guideline** for determining **just and reasonable rates**, and which is not unduly discriminatory, **recognizing that subjective judgements will influence results...**This **public hearing** was to **allow debate of these opinions** and to **arrive at a methodology** which **best reflects the Manitoba circumstance...**The **Board's expectation** is that the

principles herein approved will be adaptable to industry changes and that the results produced should be acceptable for some time into the future...The Board also agrees that the cost of service methodology best suited for a natural gas distribution company should be determined based upon the circumstances of the utility. Those **circumstances must reflect the manner in which the system is designed as well as the manner in which the system is operated.** Giving some weight to the manner of system operation better reflects the cost responsibility than does a methodology which considers only the design parameters” (PUB Order 107/96, Pages 26 to 27, Emphasis Added)

In CAC’s submission, the PUB’s primary focus on conducting the first Natural Gas COSMR in a quarter of a century should be to carefully weigh the advantages and disadvantages of the numerous cost allocation methodologies and various expert opinions of the interested parties in the context of Centra’s operations and ensuring that Centra’s COSMR continues to be adaptable to industry changes while at the same time being sustainable, given the infrequency of COSMRs.

2.2 The PUB Directed a Comprehensive Review of the Centra COSM in Order 152/19, with the Expectation that Centra’s Application would Address at Least Five Specific Issues Raised during the 2019/20 GRA

CAC submits that it is abundantly clear in Order 152/19 that the PUB’s intent in directing a COSMR was to undertake a comprehensive review of the methodology and that it directed Centra’s Application should include the five specific issues raised by interested parties at the 2019/20 Centra GRA. The following excerpts from the PUB findings in that decision, demonstrate that intent:

“The Board finds that the full cost of service study methodology review should be held prior to the next Centra GRA. **The current methodology was contentious in this proceeding and has not been reviewed for over 23 years.** As the cost of service study is a tool available to be used by the Board in setting rates, the regulatory calendar should be such that the methodology review occurs prior to the next GRA filing...The Board directs Centra to file its Cost of Service Methodology Review by no later than May 1, 2020. Centra is to file details of its cost of service study methodology, explaining the methodology and the classification and allocation factors used, **as well as the information that addresses the specific cost allocation concerns raised in the evidence filed in the present GRA...**The scope of and process for the Cost of Service Study Methodology Review will be determined by the Board Panel after Centra has filed its Application for the review. The timing for the filing of the next GRA will be considered as part of the Cost of Service Study Methodology Review” (PUB Order 152/19, page 84, Emphasis Added)

“28. **Centra shall file all contracts with Power Station customers**, as well as **feasibility tests** and **true-ups** associated with the extension of service to the power stations. **Centra shall include any information supporting the determination of the minimum margin guarantee** as part of the Minimum Filing Requirements **for a future review of Centra’s cost of service study**” (PUB Order 152/19, page 137, Emphasis Added)

“29. **Centra shall file an application for a comprehensive review of its cost of service methodology** by no later than May 1, 2020” (PUB Order 152/19, page 137, Emphasis Added)

A review of the evidence of the 2019/20 GRA, reveals that interested parties raised the following five COSM and Rate Design issues (with references to pre-filed evidence):

1. Use of peak & average to allocate transmission related costs (IGU Exhibit #10, Section 3.4)
2. Direct assignment of costs to the special contract class (KOCH Exhibit #7, pages 10 to 14);
3. Postage stamp ratemaking (IGU Exhibit #10, Section 3.2)
4. Rate Design & Introduction of a Zone of Reasonableness (ZOR) in setting rates (IGU Exhibit #10, Section 3.5); and
5. Approach to cost allocation and rate design for the power station class (CAC Exhibit #8, Section 10.9).

In CAC’s submission, the intent of the PUB was that Centra would file a comprehensive COSMR that would at least address the five issues noted above, in addition to other issues that may require review since 1996.

2.3 Centra’s Own Consultants’ Terms of Reference Contemplated that the Scope of the COSMR would Address Four of the Specific Issues Raised in Order 152/19

It is also clear that the Consultant’s Terms of Reference that Centra developed to engage Atrium to undertake the COSMR contemplated that the scope of the COSMR would address four of the specific issues raised by interested parties in the 2019/20 GRA. The relevant excerpts of this document are provided as follows:

“The **application to review Centra’s Cost of Service Methodology would included** explanations and details of its current cost allocation methods, including the classification and allocation factors used, and **information to address certain specific cost allocation concerns raised by parties to Centra’s most recent rate review**...One area of focus in Centra’s last proceeding was the allocation of transmission costs. Since the 2013/14 GRA, Centra made significant additions to transmission assets causing a change in the relative proportion of rate base that is transmission-related versus that which is distribution-related, resulting in a significant

impact for some customer classes. As a result, **certain issues related to Centra's Cost of Service Study methodology were raised by parties to the GRA**, including:

- (a) Use of peak and average to allocate transmission-related costs;
- (b) Cost allocation based on direct assignment;
- (c) Appropriateness of "postage stamp" ratemaking currently used by Centra; and**
- (d) Introduction of a zone of reasonableness in setting rates compared to Centra's current methodology where the revenue to cost ratio is maintained at unity.**

In establishing the scope of Centra's 2019/20 GRA, the PUB directed that any **exploration of alternate cost allocation or rate design approaches is properly examined through a public hearing process**, separate from a general rate application process, to **ensure that any one methodology change is not considered in isolation of other changes. Centra anticipates alternative approaches and methodologies, some of which are noted above, will be examined as part of the PUB's full Cost of Service Study methodology review**" (Centra COSS Methodology Review – Consultant's Terms of Reference – PUB MFR 1 – Attachment, Background Section 1, Emphasis Added)

In CAC's submission, the above noted excerpts from Centra's own Consultant's Terms of Reference demonstrate the understanding of the intent of the scope of the COSMR that flowed from Order 152/19 in terms of these four issues.

2.4 Centra's COSMR Application and Position on Scope of the Hearing is Limited to Two of the Five Specific Issues Raised in Order 152/19

The Centra Application and submission with respect to the scope of the COSMR appears now to restrict the scope of the proceeding to a few issues as outlined on page three of that submission, as follows:

- Allocation methodology for demand-related costs;
- Allocation methodology for the transmission plant assigned to the Special Contract and Power Station customer classes; and
- Allocation methodology for upstream capacity resources.

Accordingly, in CAC's view, the Centra's Application and position on scope only address the first two specific issues that is noted in Section 2.2 above and fails to address issues three (Postage Stamp Ratemaking), four (Rate Design & Introduction of ZOR) and five (Power Station Cost Allocation & Rate Design).

2.5 CAC Recommends that the PUB Add Postage Stamp Ratemaking, ZOR, Power Station Matters & Customer Class Rate Impacts - to the Final In-Scope Issues List

Based on the foregoing analysis, CAC recommends that the PUB add the following issues to the PUB's preliminary issues list that was provided in the letter of March 7, 2022:

- Postage Stamp Ratemaking;
- Introduction of Zone of Reasonableness;
- Power Station Cost Allocation & Rate Design;
- Amendments to the COSMR for Rate Re-bundling Impacts
- Customer Class Rate Impacts

CAC submits that COSM and Rate Design are not theoretical exercises that can be examined in a "principled" vacuum without the consideration of "real-world" consequences to customers. As the PUB is aware, COSM and Rate design constitute Phase II of the ratemaking process for Centra and the principles used in Phase II have a direct impact in the actual rates that are paid by captive monopoly customers. CAC notes that because Centra's revenue to cost ratios (RCC's) are set at unity, COSM directly impacts rates and rate design and as such, these matters are inextricably linked.

In order to understand rates, and for purposes of rate predictability, customers need to understand the "rules of game" for ratemaking for both Phase I (Revenue Requirements) and Phase II (COSS & Rate Design). Customers also need to understand the potential rate impacts of Centra's COSM proposals and CAC submits that Customer Class Rate Impacts are always inherently on the issues list, whether recognized formally or not. Thus, Customer Class Rate Impacts should formally be on the in-scope issue list and CAC notes that it was the significant rate increases to larger volume customers in the 2019/20 GRA (associated with significant transmission investment by Centra), that was the very catalyst that precipitated the current COSMR in the first place.

Inherently, Centra's proposals with respect to the direct allocation of costs to larger volume customers will bring up considerations of postage stamp ratemaking as raised as part of the 2019/20 GRA and reflected as an issue to be reviewed in Centra in Terms of Reference (MFR 1). As such, CAC submits that this issue should be formally added to the in-scope issues list.

Centra proposes that the issue of a zone of reasonableness (ZOR) be left until the next GRA. CAC sees several problems with this approach and recommends this issue be added to the in-scope issues list:

1. The very purpose of a generic hearing is to set the principles of ratemaking, so that the "rules of the game" are known ahead of time and can be applied when the next GRA is filed by Centra. When the PUB, Centra, and interested parties are

dealing with issues of COSMR and are informed of the issues, it is inefficient to leave this contentious issue to a GRA where there are so many other issues to deal with;

2. There is no indication from Centra when the next GRA might occur – so this contentious issue might be outstanding for a number of years;
3. If the ZOR is not addressed in the COSMR and a determination made by the PUB, the SGS class will not know the “rules of the game” and will be left hanging in terms of whether RCC’s will continue to be set at unity and the SGS will have to pay an increase in rates of \$1.7 million on an annual basis or whether a ZOR will be introduced that could moderate the rate impact of Centra’s proposals. The larger volume classes will be in a similar circumstance in terms of on-going uncertainty of potential rate reductions;
4. This type of a situation unnecessarily reduces the confidence of interested parties in the rate setting process and complicates the next GRA; and
5. It is not clear from Centra’s submissions if the implementation of the rate re-bundling impacts or the Centra proposal to immediately adjust current rates for the Special Contract and Power Station classes will occur based on the assumption of unity in the RCC’s. Resolution of the ZOR in the COSMR proceeding is necessary if the PUB decides to implement these proposals.

CAC would also reiterate (as noted in Section 2.2 above), that consideration of issues related to the Power Stations was directed by the PUB to be considered as part of the COSMR as contained in directive #29 in Order 152/19 and the four other specific issues that were raised by interested parties at the last GRA were to be considered in the COSMR proceeding in accordance with the findings in Order 152/19 (page 84). To CAC’s knowledge, Centra did not file a review and vary application with the PUB to sever these matters from the COSMR proceeding. Finally, Centra has raised the issues associated with the implementation of the rate re-bundling in its submission as directed by the PUB in Order 131/21 (page 25), and as such it should be added to the in-scope issues list.

3.0 CAC Submissions with Respect to the Expected Composition of Its Intervenor Evidence

CAC has the following specific submissions with respect to the expected composition of its intervenor evidence in the COSMR proceeding.

3.1 The PUB Severed COSM Issues to a Generic Proceeding as the Evidentiary Record of the 2019/20 GRA Was Insufficient to Conduct a Full COSMR

The COSS and Rate Design record from the Centra 2019/20 GRA was beneficial in identification of the necessity of reviewing the COSM in a generic proceeding (versus on a piece meal or ad hoc basis) as well as the identification of a number of specific issues that were raised by the interested parties to the GRA. As is the case with any regulatory proceeding, the identification of issues is an important first step for all parties to facilitate their participation in the COSMR. The following excerpts from PUB Orders demonstrate that at the 2019/20 GRA, the COSS and Rate Design issues and evidence were only at an initial stage of identification of potential issues and not fully formed evidence from which the PUB could balance the various interests or make decisions on a sustainable COSM:

“The Board finds that all Cost of Service Study and allocation issues will be severed from the current GRA and deferred to a separate generic Cost of Service Study methodology review proceeding to be held after the conclusion of the 2019/20 GRA. The Board will not hear or determine these issues in the current GRA as the evidentiary record of this proceeding is not sufficient for the Board to conduct such a full review. The Board accepts CAC’s submission that individual methodology changes should not be made in isolation and should instead be considered on a complete evidentiary record on Centra’s Cost of Service Study methodology” (PUB Order 98/19, pages 9 to 10, Emphasis Added)

“4. Other than specified in this Order, the Cost of Service Study methodology and allocation review issues and options are severed from Centra’s 2019/20 GRA and will be deferred for determination through a separate proceeding to be held following the conclusion of the 2019/20 GRA” (PUB Order 98/19, page 14, Emphasis Added)

CAC submits that it is clear from the record of the 2019/20 GRA that COS and Rate Design issues were severed to a separate generic proceeding given that the evidentiary record was insufficient for the PUB to conduct a COSMR.

3.2 The Centra COSMR Application Does Not Appear to Meet PUB Expectations that the Centra COS Expert Would Provide a Variety of COSM Options and a Comprehensive Review of Best Practices

The PUB outlined its expectations with respect to the robustness of Centra’s COS experts review and report, in the following excerpts from Order 49/20:

“The Board notes Centra’s plan to retain an independent consultant to assist in addressing the specific cost allocation concerns raised in the 2019/20 General Rate Application with respect to an appropriate cost of service study methodology. The **Board expects** that the **independent expert** will be in a position **to provide a variety of alternate cost of service study methodology options, each alternative supported by reasons**, such that Centra and **other Parties** will be able to **focus their recommendations** on the **best practices** for **Manitoba’s specific circumstances**. The Board acknowledges that the use of independent experts can bring efficiencies to the public hearing process provided that their evidence is fair, objective, and non-partisan” (PUB Order 49/20, page 8, Emphasis Added)

CAC’s initial review of the Centra COSMR Application and the Atrium report appears to indicate that Centra and Atrium failed to meet the expectations set out by the PUB in terms of variety of COSM options and a comprehensive review of best practices. The Atrium report only addresses two of the specific COS and Rate Design issues (noted in Section 2.4 above) from the 2019/20 GRA, and the review of the alternate COS methods and the advantages and disadvantages of each method is quite limited. The research provided in Appendix C to the Atrium Report on the COSM practices of select natural gas utilities is also limited.

CAC submits that the interested parties to this proceeding can provide significant assistance to the PUB in meeting its expectations for the COSMR in terms of understanding the advantages and disadvantages of alternative COSM and best practices and to ensure there is a robust record from which the PUB can make an informed and sustainable decision.

3.3 CAC Views All of Centra’s COSM Proposals as Contested Issues Given the Significance of the Proposed Changes and the Potential Rate Impact to the SGS Class that these Proposals Represent

By Centra’s own admission, the Atrium recommendations and Centra’s COSM proposals represent a significant change to the natural gas COSM and that Centra appears to be indicating that with the benefit of evidence and closing submissions from the interested parties, that it might consider changing its position on the issues, in its own closing submissions. The following excerpts from Order 51/21 demonstrate these facts:

“**Centra further advises that Atrium has recommended significant changes** to Centra’s **existing COSS methodology** and based on the nature of those recommendations Centra estimates it will require until mid-June 2021 to thoroughly evaluate Atrium’s recommendations and to file Centra’s COSS methodology review submission. Centra has also advised the Board that while Centra will

provide its initial position as part of its COSS methodology review submission, **Centra seeks to reserve the right to provide its final position at the conclusion of the Board's COSS methodology review process, after Centra has the benefit of stakeholders' feedback and positions**" (PUB Order 51/21, pages 4 and 5, Emphasis Added)

"2. Directive 2 of Order 130/20 BE AND IS HEREBY VARIED such that **Centra shall file an application for a comprehensive review of its cost of service study methodology by no later than June 15, 2021**" (PUB Order 51/21, page 6, Emphasis Added)

CAC also notes that its understanding of the indicative calculation of the additional revenue requirement that the SGS customers would bear in terms of increased rates is in the order of \$1.7 million on an annual basis and in perpetuity¹, which would equate to a net present value (NPV) cost of approximately \$34.0 million to the SGS class².

CAC submits that the proposals with respect to demand allocation and direct assignment of costs to the Special Customer Class represent fundamental changes to Centra's overarching rate-making framework and COSM policy in terms of the 100% weighting to design considerations in the case of demand allocation and departing from postage stamp ratemaking in the case of the direct assignment of costs to the Special Customer Class.

As a result of the significance of the proposals and magnitude of the impact to the SGS customer class, CAC views all Centra proposals as contested issues and that it intends to vigorously test the proposals through the discovery process, filing of intervenor evidence, and cross examination of witnesses (for those issues dealt with through an oral hearing).

3.4 The CAC COS & Rate Design Evidence at the 2019/20 GRA was Largely Limited to the Assessment of Whether the Results of the Study were Reasonable & Procedural Recommendations

The CAC COS and Rate Design Evidence presented at the 2019/20 GRA was largely limited to two primary focuses:

1. Rate Setting for the 2019/20 Test Year: whether the results of the 2019/20 COSS were consistent and reasonable when considering the PUB approved COSM and the changes in investment and costs since the Centra 2013/14 GRA; and

¹ Centra Application, Figure 10, Page 38

² The NPV of \$1 in perpetuity can be calculated as 1/discount rate. Assuming a social discount rate of 5% for illustrative purposes, the \$1.7 million annual increase in the SGS revenue requirement would represent an NPV cost of approximately \$34.0 million = \$1.7 million/.05.

2. Recommendations on GRA Scope: recommendations to the PUB with respect to the appropriateness of making one-off fundamental changes to the Centra COSM in absence of a full methodological review and issues that the Centra should be directed by the PUB to review such as the cost allocation and rate design for the Power Station customer class. The ultimate recommendation to the PUB was that the number of issues was such that they were best dealt with through a generic COSM review.

Despite the intimation by Centra that CAC's COSM and Rate Design evidence from the 2019/20 GRA may be sufficient for the purposes of the current proceeding, CAC contests that assertion. As noted above, CAC's evidence was provided in the context of setting rates in the GRA and for procedural purposes and CAC had no advance notice at that point in time that Centra would make proposals that would fundamentally change the natural gas COSM in Manitoba compared to COSM in place going back four decades to at least the 1980's³, and negatively impact the SGS class which it represents. If CAC is to appropriately represent the interests of the SGS class, then it is going to require sufficient discovery and intervenor evidence in the 2022 COSMR.

3.5 CAC Intends to File Intervenor Evidence that Will Address the Merits of Various COSS Methodologies & Add Additional Perspectives on Leading COSM Practices - for the In-Scope Issues

In summary, CAC intends to file Intervenor Evidence that is consistent with the expectations that were outlined by the PUB in Order 49/20 and in doing so will address the merits of the various COS methodologies that are commonly used and will add additional perspectives on leading COSM practices - in relation to the in-scope issues as determined by the PUB. CAC's rationale for requiring intervenor evidence is as follows:

1. To ensure that there is a full evidentiary record for the PUB to make informed decision on the COSMR;
2. To appropriately represent the interests of the SGS class of customers;
3. Recognizing the significance of Centra's COSM proposals, the magnitude of the rate impact to the SGS class; and
4. Recognizing that its 2019/20 COSS and Rate Design evidence was largely limited to setting rates in the GRA and procedural matters.

³ Prior to the approval of the PAVG methodology flowing from 107/96, Centra used a modified partial plant methodology largely consistent with the PAVG methodology. Prior to the modified partial plant methodology, Centra (and its predecessor) employed the PAVG methodology.

4.0 CAC Submissions with Respect to Procedural Matters

CAC has the following specific submissions with respect to procedural matters to ensure a robust evidentiary record and procedural fairness to all interest parties.

4.1 CAC Should be Provided Access to COSMR CSI Materials Upon Execution of a Confidentiality Undertaking by Legal Counsel & Experts, Consistent with the Procedure at the 2019/20 GRA

Centra asserts that the PUB ruled in Order 80/21 that all intervenors can fully participate in the COSMR without the need to access confidential information. CAC disagrees with Centra's interpretation of this Order, which appears to be based on a misreading of the last sentence in the paragraph in the following excerpt from that Order:

"To the that extent access to confidential information is sought by approved Intervenors, Intervenor**s need to first communicate with Centra** to resolve the disclosure issues. If **disclosure issues are unable to be resolved** by communication with Centra, the **Board will adjudicate any requests for access by Intervenor**s to confidential information. That said, the Board notes that the **information redacted** by Centra **may not be required** for Intervenor**s** to participate fully in the proceeding, and as such, Intervenor access to this information may not be necessary" (PUB Order 80/21, page 8, Emphasis Added)

CAC firmly believes in the rights of consumers of captive monopoly utilities to be informed and have access to information that impacts the rates they are charged for utility services and that every effort should be made to provide Centra's application materials on the public record. CAC also understands that there is select information that if provided on the public record may negatively impact the overall public interest of the utility and consumers.

The PUB has spent considerable time and effort over the years developing procedures that reconcile these two realities by allowing intervenor legal counsel and experts access to confidential or commercially sensitive information, after the signing of confidentiality undertakings, in order to represent the interests of their respective customer classes. These procedures are not unique to Manitoba and are commonly used in other regulatory jurisdictions in Canada.

CAC notes that there were redactions to COS materials filed in the 2019/20 GRA and it was able to gain access to confidential materials after executing confidentiality undertakings. Further, the very nature of COSM issues is such that an impact to one customer class has impacts to other customer classes and as such it is necessary that interested parties have access to the COSM materials in order to appropriately balance the interests. CAC can advise the PUB and Centra that it will seek access to confidential material in the COSMR and would expect that there should be no issues as the material

is of a similar nature to the last GRA. However, CAC notes that Centra was unwilling to provide it with access to the Rate Re-bundling confidential material and if this situation occurs again, it will request the PUB to adjudicate.

4.2 Centra's Comments on Intervenor Budgets Should be Limited to Changes that Intervenor Make as a Result of Second Procedural Order of the PUB

The PUB's direction in the March 7, 2022 letter that following further procedural guidance that it will provide on scope and process, Intervenor will be required to submit detailed budgets for their participation.

CAC notes that it provided a detailed budget for the COSMR in the PUB required format on August 9, 2021, and that Centra has already had an opportunity to provide detailed comments on both the CAC intervenor registration and budget estimates in its letter of August 12, 2021. CAC also notes that it provided a reply to Centra's comments on August 18, 2021 but that this letter has not been included or provided an exhibit number on the PUB's website.

Following the release of the PUB's second procedural Order, CAC will review its detailed budget based on the determinations made by the PUB and submit any required revisions. Given that there has already been significant time and cost incurred by CAC and Centra in the exchange of positions on the registration documents and detailed budgets, CAC requests that the PUB ensures that there is no further duplication of previous efforts by limiting Centra's further comments to changes that are made to the CAC budget as a result of the second procedural Order.

4.3 CAC Will Test the Analysis, Recommendations and Opinions of Atrium but Does Not Plan to Challenge Its Qualifications or Independence

CAC does not plan to challenge the qualifications or independence of Atrium. However, this should not be mis-construed to mean that CAC agrees with the analysis and recommendations of Atrium. Inherently, Atrium's report is opinion evidence (and not fact) and the development of such evidence involves exercising considerable judgement with respect to policy and technical issues associated with COS and Rate Design and applying this judgement to Centra's specific circumstances. Different experts have differing professional opinions on the appropriate COSM options. This point can be demonstrated by considering that Christensen & Associates was engaged by Manitoba Hydro to review its COS and also reviewed Centra's COSM and came to substantially different conclusions and recommendations than Atrium (PUB MFR#8). Accordingly, CAC plans to test the analysis, recommendations and opinions of Atrium as part of the 2022 COSMR proceeding.

4.4 CAC Does Not Believe that a Workshop is Necessary in this Proceeding but Will Participate if the PUB and Other Intervenors Find Value in a Workshop

As outlined in the following excerpts of PUB Orders, it appears to CAC that the PUB's direction to hold a COSMR workshop prior to the filing of Centra's Application was to ensure that interested parties understood the basis for the existing COSM and that the variance of that direction to hold a workshop after the filing of the Application was to assist interested parties with determining which of the issues remain contested:

"4. The **Board directs Centra to hold**, by no later than April 1, 2021, a **pre-filing workshop** for past Intervenors of record and Board staff and advisors **to review Centra's existing COSS methodology** and the **basis for the methodology used**" (PUB Order 130/20, page 15, Emphasis Added)

"Based on the updated information provided by Centra regarding the timelines for the independent consultant and the preparation of Centra's submission, the **Board finds** that a **pre-filing workshop may not achieve the intended process efficiencies**. The **Board further finds** that, as submitted by Centra, the process will be enhanced and there will be **value to the Board** and to **parties** as a **result of a workshop** being held **following Centra's filing of its COSS review submission...Rescheduling the workshop** to a date **after** the consultant has completed its final report and after **Centra has filed its COSS methodology review submission** would allow **interested parties** the opportunity to review and discuss that evidence **to determine what, if any, issues remain contested**. This rescheduling may lead to a more efficient public hearing process" (PUB Order 135/20, pages 5 and 6, Emphasis Added)

"2. **Directive 4 of Order 130/20 BE AND IS HEREBY VARIED** such that, on a date to be determined by the Board, **Centra shall, following Centra's filing of its Cost of Service Methodology Review submission, hold a workshop** to review its consultant's report and to review Centra's filed submission" (PUB Order 135/20, page 7, Emphasis Added)

Considering the passage of time since the filing of the Centra COSMR Application and the desire to restart the associated hearing process in a timely manner, CAC can advise the PUB that it does not require a workshop for the stated purposes of understanding of the existing methodology (CAC's experts have significant experience on the policy and technical aspects of the current COSM) or determining contested issues (CAC's views on contested issues are provided in Section 3.3 above). If there are trade-offs required for scheduling purposes, CAC would see more value in a second round of information

requests rather than a workshop. However, if the PUB does determine that the workshop is of value to it or other intervenors, CAC would intend on participating in the workshop.

4.5 Two Rounds of Information Requests are Necessary Given the Significance of the Proposed COSM Changes & Infrequency of COSMR's and PUB Approval of Information Requests is Not Necessary

CAC submits that two rounds of information requests are necessary in the circumstance of the COSMR proceeding based on the significance/magnitude of the proposed changes (for the reasons outlined in Section 3.3) and that the infrequency of COSMR's is such that a second round of discovery is of significant value before interested parties take or finalize positions on the issues and the PUB makes decisions of an enduring nature.

CAC also submits that the PUB approval of information requests as proposed by Centra in its submission is not necessary for the COSMR proceeding. This additional step in the process was unique to the circumstances of the recent Manitoba Hydro interim application that resulted in Order 137/21 with a severely constrained scope, process and timeline, necessitated by urgent drought conditions. Given the very different circumstances of the COSMR, this step would be cumbersome, time consuming, and not produce any net value, considering the subject matter involved.

4.6 CAC Intends to File Intervenor Evidence in the COSMR Proceeding and is of the View that Information Requests on Intervenor Evidence is Appropriate

CAC intends to file Intervenor Evidence in the COSMR proceeding for the reasons that are outlined in detail in Section 3.0 above. CAC is of the view that it is procedurally fair and beneficial to the process that the PUB, Centra and intervenors have an opportunity to ask information requests on any intervenor evidence that is filed in this proceeding.

4.7 Centra Should Have the Ability to File Rebuttal Evidence to Clarify Contested Issues in Advance of the Hearing and Closing Submission Phases of the Proceeding

CAC is of the view that it is procedurally fair and beneficial to the process that Centra have an opportunity to file rebuttal evidence on any intervenor evidence that is filed in this proceeding, to clarify the in-scope issues in advance of the hearing and closing submission phases of the COSMR proceeding.

4.8 It is Premature for the PUB to Rule on a Written or Oral Hearing & Closing Submissions – these Decisions Can Be Determined Through a Procedural Order Closer to the Commencement of the Hearing

CAC submits that it is premature at this time for the PUB to render its decisions on whether the hearing and closing submissions will occur on a written or oral basis or a combination of the two methods. The significant passage of time since the last review of the COSM and the complexity of the underlying issues are such that these procedural issues can be decided by the PUB close to the commencement of the hearing and closing submissions phase of the proceeding, once a more robust evidentiary record is before the PUB.

This approach is similar to how the PUB dealt with the Centra 2019/20 GRA when it issued Order 98/19 shortly before the commencement of the oral hearing which delineated those in-scope issues that were the subject of oral direct evidence, cross examination and closing submissions and those that would be heard and determined on the basis of written evidence and closing submissions only. In that situation, the PUB provided Centra and interested parties with the opportunity to make submission on those issues that would be determined on an oral and written basis. CAC submits this process makes sense in the current circumstances of the COSMR, as well.

4.9 An Illustrative Timeline for CAC's Recommended Procedural Steps Results in a Hearing & Closing Submission Phase of the Proceeding that Could Commence in Early September of 2022

In accordance with the PUB request to provide an approximate timeline for recommended procedural steps, CAC has developed a proposed process timetable that is attached to this submission to assist the PUB in its deliberations. The highlights of the illustrative timetable are as follows:

- PUB second procedural order (scope & process) – end of March;
- Two rounds of information requests of Centra & Atrium – April and May;
- Intervenor evidence & information requests – June;
- Centra rebuttal evidence – July;
- PUB third procedural order (oral and written issues) – August
- Commencement of hearing & closing submissions – early September

5.0 Closing

Given the quarter century since the last generic review of the Centra COSM, the significant impacts to the SGS class of Centra's proposals and the infrequent review of the COSM, CAC's recommendations on scope, intervenor evidence and procedural

matters are designed to ensure that there is a robust evidentiary record for the PUB to make important COS and Rate Design decisions that need to be adaptable to industry changes and sustainable for many years into the future.

Yours truly,

DD WEST LLP

Per:



Brian J. Meronek, Q.C.

BJM /yw

Atts.

c.c. PUB Counsel & Approved Intervenors (email)

Centra Gas Manitoba Inc. (Centra)
Cost of Service Methodology Review
Consumers' Association of Canada (Manitoba) Inc.
Indicative Timetable

Item	Date
Procedural Order Issued - Scope & Process	Monday, March 28, 2022
First Round Information Requests to Centra	Friday, April 8, 2022
Centra Responses to First Round Information Requests	Friday, April 29, 2022
Second Round Information Requests to Centra	Friday, May 13, 2022
Centra Responses to Second Round Information Requests	Friday, May 27, 2022
Intervenors to File Evidence	Friday, June 10, 2022
Information Requests on Intervenor Evidence	Friday, June 24, 2022
Intervenor Information Request Responses	Friday, July 8, 2022
Centra Rebuttal Evidence	Friday, July 22, 2022
Comments from Centra and Intervenors - Need & Scope for Oral Hearing	Friday, August 5, 2022
Procedural Order Issued - Oral and/or Written Issues	Friday, August 19, 2022
Public Hearing Commences	TBD
PUB Issues Order	TBD