

1 **REFERENCE:** Written Evidence of Patrick Bowman

2 **QUESTION:**

3 Please provide a copy of the retainer letter, terms of reference and/or instructions provided
4 to the witness on behalf of IGU. If no such instructions or direction was provided, describe
5 how IGU's consultant identified and developed the scope of evidence

6 **ANSWER:**

7 Mr. Bowman does not have a retainer letter, terms of reference, or instructions for
8 participating in this proceeding.

9 Mr. Bowman briefly participated in the scoping of the IGU participation in the 2019-20
10 GRA, and through that process, was aware that the IGU members, and the gas users they
11 represent, are primarily customers in the Special Contract and Mainline Firm classes, as
12 well as some usage in the High Volume Firm class.

13 Beyond this, Mr. Bowman was aware that the customers were concerned by the lack of a
14 Cost-of-Service study in the previous GRA and sought to ensure that a principled
15 allocation of costs was being undertaken by Centra. Mr. Bowman was under no other
16 directions than to provide the Board with an independent principled review of matters of
17 typical concern to large users.

1 **REFERENCE:** Written Evidence of Patrick Bowman

2 **QUESTION:**

3 Please clarify what, if any, role Mr. Dale Friesen played in the development and drafting
4 of the evidence.

5 **ANSWER:**

6 The evidence was prepared by Mr. Patrick Bowman.

7 Mr. Dale Friesen provided assistance in collection and organization of information, and
8 provided information into how customer connections function, including new connection
9 or service design, system limits on new connection and system expansion, and how
10 assignment of customers to classes occurs in practice, consistent with his past experience
11 at Hydro. He also participated in drafting and review of interrogatories based on the
12 evidence filed by Centra and Atrium.

13 It is Mr. Bowman's understanding that Mr. Friesen is a Professional Engineer and expert
14 in energy utilization, with more than 30-years' experience (more than 25 years at Manitoba
15 Hydro/Centra Gas) in assessing the impacts that changes in customer behavior impose
16 on utility infrastructure. Mr. Friesen had senior Director (Division Manager) level
17 responsibility for the technical team at Manitoba Hydro supporting assessments of
18 changes in customers behavior (including demand-side management, energy efficiency,
19 demand response, time-of-use rates, expansions/economic development, etc.) that
20 impact both capacity and energy requirements imposed on Manitoba Hydro and Centra
21 Gas infrastructure. These assessments served as key inputs into examinations of
22 resource adequacy (resource planning), service extension capacity, and resulting cost
23 allocations. Mr. Friesen has also participated in numerous reviews of service extension
24 policy, including considerations for extension pricing based on cost allocations attributed
25 to the supply and delivery of energy. Beyond this experience, Mr. Friesen has recently
26 participated as an expert consultant into matters requiring consideration of cost allocations
27 in proceedings before the Alberta Utilities Commission.

1 **REFERENCE:** Written Evidence of Patrick Bowman Section 3.1, page 13

2 **PREAMBLE:**

3 The Evidence provides: *"In an ideal model, CGM would be able to track assets,*
4 *costs and loads by tiers of usage, similar to that used by Manitoba Hydro with*
5 *respect to the General Service Large subclasses (e.g., >100 kV, 30-100 kV and 0-*
6 *30 kV). In some jurisdictions, gas transmission (>700 kPa) is owned separately*
7 *from distribution (700 kPa or less) such that for transmission served customers,*
8 *there is assurance that they are not allocated costs of the low pressure distribution*
9 *system (since it makes up no part of the transmission utility's revenue*
10 *requirement). In CGM's case, this is not the corporate structure, as transmission,*
11 *intermediate and distribution assets are all owned by the same entity and included*
12 *in a single revenue requirement."* page 13

13 **QUESTION:**

- 14 a) Please advise if you are aware of any jurisdictions where a utility owns both the
15 transmission and distribution assets that distinguish loads served from intermediate
16 pressure from those served from low pressure
- 17 b) If yes, please provide a summary of their customer classes.

18 **ANSWER:**

19 **a) and b)**

20 Mr. Bowman notes that this is not a recommendation within his submission, only a possible
21 direction for evolution.

22 The closest example Mr. Bowman is aware of is ATCO in Alberta (Canadian Utilities, Inc.),
23 which owns both transmission and distribution assets that are each regulated by the
24 Alberta Utilities Commission (AUC), as separate operations. The ATCO Pipelines (AP)
25 (transmission) revenue requirement is collected from tolls charged by Nova Gas
26 Transmission Limited (NGTL), who takes the AP revenue requirement in combination with
27 the NGTL revenue requirement and sets transmission tolls for the transmission service
28 (NGTL is regulated by the Canada Energy Regulator due to interprovincial operations, but
29 ATCO Pipelines is not). The NGTL/AP tolls apply to large users like industrial or power
30 generators who connect directly to transmission.

- 31 ATCO Gas distribution has rates regulated by the AUC.
- 32 Mr. Bowman is not aware of any definitions used in Alberta for intermediate versus low
33 pressure within the rate structures of ATCO.
- 34 The key principle is ensuring parts of the system only used by smaller distribution
35 customers are not allocated to larger customers (like High Volume Firm), who generally
36 would make little to no use of these smaller, lower-capacity assets. Further detail on the
37 facts behind how the mathematics are conducted and the relative usage levels versus
38 cost allocation could help clarify whether this type of evolution is required.

1 **REFERENCE:** Written Evidence of Patrick Bowman, page 12;
2 IGU/CENTRA I-1 c) Attachment 1, page 20 of 28.

3 **PREAMBLE:**

4 The Evidence provides: *“As indicated in CGM’s interrogatory responses, the*
5 *balance of Rate Base related to Gas in storage is material, at \$53,559,521. CGM*
6 *should be directed to implement this allocation in their final COS methods from this*
7 *review.”*

8 **QUESTION:**

- 9 a) Please confirm that IGU/CENTRA I-1 c) Attachment 1, page 20 of 28 shows \$0 related
10 to Gas in Storage and that the value of Gas in Storage included in Rate Base is
11 \$33,178,755 as shown on page 18?
- 12 b) If confirmed, how does this impact the recommendation made by IGU’s consultant?

13 **ANSWER:**

14 a) Confirmed. Mr. Bowman misread the small font paper version of the cost of service
15 study tables.

16

17 b) As to materiality, this would not change the principle of the recommendation.

18

19 Spending on storage is appropriately identified by Atrium as something that should be
20 allocated based on winter usage above summer usage. Mr. Bowman cannot see a
21 reason why the same principle would not apply to seasonal storage capacity spending
22 as to the rate base costs of the inventory maintained in that storage capacity.

23

24 A total of \$33 million in rate base remains material.