

March 21, 2022

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Dr. D. Christle, Board Secretary and Executive Director

Dear Dr. Christle:

**RE: CENTRA GAS MANITOBA INC.
REPLY SUBMISSION TO INTERVENER WRITTEN PRE-HEARING SUBMISSIONS FOR CENTRA
GAS'S COST OF SERVICE METHODOLOGY REVIEW APPLICATION**

Centra Gas Manitoba Inc. ("Centra") is in receipt of the Public Utilities Board ("PUB" or "Board") Decision letter issued March 7, 2022, advising parties of the Board's approved interveners and inviting written submissions from interveners on all pre-hearing conference issues regarding Centra's Cost of Service Methodology Review Submission ("COSMR"). Centra is also in receipt of the March 14, 2022 submissions of the Consumers Association of Canada (Manitoba) Inc. ("CAC"), the Industrial Gas Users ("IGU") and Koch Industries ("Koch") with respect to scope, issues and procedural matters. The purpose of this letter is to reply to the March 14th submissions of the CAC, IGU and Koch.

Matters of Scope

Centra notes that the parties appear to be in agreement in large part on the primary issues in scope for this proceeding.

CAC submits that Centra's Application and position on scope fails to include the issue of postage stamp rate making. It appears there may have been a misunderstanding with respect to Centra's position. Centra notes that the allocation of transmission investment including the specific issue of direct assignment are already included on the list of in-scope items as part of items 1 and 3 on the Board's list and is consistent with Centra's inclusion of allocation methodology for demand-related costs. In Centra's view, the consideration of the direct assignment methodology necessarily encompasses consideration of postage stamp rate making principles.

CAC, IGU and Koch recommend the inclusion of Zone of Reasonableness ("ZOR") as part of this review. Centra reiterates its position from its February 28, 2022 letter that this matter is most appropriately and efficiently addressed at its next general rate application once the cost of service methodology has been determined. This approach is consistent with past practice, where the PUB eliminated Centra's use of a +/- 3% ZOR at a rate application as a direct result of changes it had approved in a preceding cost of service methodology review:

*"In approving Centra's new cost of service methodology and rate design proposals in Order 107/96, the Board accepted the peak and average demand allocator as being appropriate because it was of the opinion that this method reflected the proper mix of system capacity cost causation and system operation. In that Order, the Board expressed the hope that this allocation methodology could be used for many years. The Board considers that concepts of customer class equity and fairness have been accommodated at the cost of service phase and agrees that further equity and fairness considerations, as reflected by RIC requirements, should be based on recovering 100% of the costs as determined by the cost of service study. The Board will require that RIC ratios be at unity."*¹

Establishing a ZOR as part of the next general rate application, as proposed by Centra, will allow for a more informed determination of the range that may be required.

CAC submits that customer class rate impacts ought to be included on the list of issues in scope. Centra appreciates that its proposals, if accepted, will impact customer rates in the future. However, Centra reiterates its position that rate impacts ought not influence consideration of cost of service methodology. As set out in the Board Order 164/16 at page 38, cost of service methodology is to be driven by cost causation, not bill impacts: "If the COSS methodology is driven by considerations other than cost causation, then the final results of the COSS are muddled." Centra submits including customer rate impacts as a primary issue in scope of this proceeding will conflict with past Board direction and the generally accepted view amongst cost of service experts and regulators that cost of service methodology ought to be determined and settled prior to any consideration of the resulting bill impacts.

Process

Centra submits that the interveners' proposed scope of evidence and process jeopardizes the efficiencies to be gained by the use of an Independent Expert; increasing the costs to be borne by customers without a proportionate, corresponding benefit to the COSMR process.

¹ Order 8/97 at page 59.

Evidence Should Focus on Contentious Issues and Best Practices for Manitoba

Centra's position on the ability of interveners to provide expert evidence is largely aligned with CAC, IGU and Koch. To clarify, Centra has not suggested that parties be prevented from submitting expert evidence where the expert's opinion would further the PUB's understanding of the issues and not solely duplicate the work of Atrium. Nor has Centra submitted that the parties be prevented from testing Centra or Atrium's conclusions, which can be accomplished through information requests as proposed. Rather, Centra's position with respect to the need for, and nature of, additional expert evidence is aligned with the Board's expectations in Order 49/20 and 130/20 related to bringing efficiencies to the public hearing process. By utilizing and benefiting from the independent work already completed by Atrium, other Parties should focus their opinions on the best practices for Manitoba's specific circumstances, without the need to duplicate the extensive review already conducted by Atrium or expert evidence previously filed on behalf of the intervenors as part of Centra's 2019/20 GRA process.

Centra notes that it appears that each of the interveners intend to introduce additional evidence beyond that filed on the record of the 2019/20 GRA. CAC, IGU and Koch submit that the evidence in the 2019/20 GRA on cost of service was limited and the parties' positions were not well-developed. Each of these intervenors suggest their work in the 2019/20 GRA was high-level and limited to the results of the cost of service study only, which they submit justifies filing of new and further additional expert evidence. With respect, these submissions are wholly inconsistent with the actual record of that proceeding. CAC, IGU and Koch each introduced expert evidence discussing the same, or very similar, cost of service methodology principles which were reviewed by Atrium and discussed in its report, such as the appropriateness of direct assignment, embedded vs. marginal costs, and demand allocation methodologies, including the use of peak and average methodology.² Notably, the same consultant proposed to be used by CAC, Ms. Kelly Derksen, provided 29 pages of written evidence, detailing her opinions on Centra's cost of service methodology.

In addition, each of the interveners tested Centra's cost of service methodology through information requests.³ While some new issues have arisen as a result of the Atrium review and report, the most contentious issues of direct assignment and allocation methodology for demand-related costs were extensively canvassed in the 2019/20 GRA.

² CAC-8, Written Evidence by Darren Rainkie and Kelly Derksen - June 26, 2019 at pages 94-123; IGU-10, Pre-Filed Testimony of Andrew McLaren - Public Version - June 25, 2019 at pages 4-10; CAC/IGU -I-3, CAC/IGU-I-4; KOCH-7, Koch Written Evidence of Brian C. Collins - June 21, 2019 at pages 2-14; CAC/KOCH-I-3, CAC/KOCH-I-4.

³ CAC Round I IRs: 20,21,23,25,26,27,30,31; CAC Round II IRs: 136,137,139,140,141,142; IGU Round I IRs: 8,9,11,12,13; IGU Round II IRs 24,27.

Centra submits that there is no basis for any intervener to now replicate and duplicate prior work at the direct and additional expense of Centra's customers. To reiterate, any expert opinion that is offered on behalf of interveners must build upon past evidence filed and focus on the appropriateness of the conclusions and recommendations put forth by Atrium, or provide any other alternative methodologies that the experts may now identify as being more appropriate for Centra's specific circumstances in Manitoba. Doing so still provides all parties the fair opportunity to offer their respective positions and recommendations to the Board for its consideration while facilitating a focussed and efficient COSMR process without duplicating the effort and significant costs already expended in the 2019/20 GRA.

Atrium's Report Meets PUB Expectations

CAC argues that Atrium did not appear to meet the PUB's expectations in providing a comprehensive review of cost of service methodology options, and as such it intends to lead evidence that will address the merits of various cost of service methodologies. While making this assertion, Centra notes that CAC has not provided any specific example or related information relating to any other alternative cost of service methodology that it believes should be considered as a "best practice" for Manitoba and that was missed by Atrium in its review, which included review of the submissions of expert evidence filed on behalf of interveners at Centra's 2019/20 GRA.

Centra submits that Atrium's report delivered on expectations in terms of topic and budget. While their review was comprehensive, the Atrium report focussed on the contentious issues, presented their recommendations clearly with supporting explanations and addressed other options. The alleged deficiencies in Atrium's report are not supported and do not justify the extensive expert evidence suggested by CAC.

In any event, one would expect, and it is now open for, any expert to identify, propose and opine on any such alternative methodologies that Atrium may have overlooked in its review that are viable for the circumstances in Manitoba. Now the process as envisioned, will have the Board and interveners posing information requests to receive any clarifying information from Atrium on its report as the independent and objective expert. Experts may then choose to provide their respective opinions, conclusions and recommendations to be further tested by the PUB and other parties. Utilizing Atrium in this manner will result in a more focussed and value-added process by avoiding duplication in efforts and costs amongst the consultants and by eliminating any bias originating from either party's experts, consistent with the expectations of the Board.

Two Rounds of Information Requests Should not be Required

The interveners seek two rounds of Information Requests ("IRs") for different reasons. CAC submits two rounds is necessary given the rate impacts of the proposed changes and the infrequency of generic cost of service methodology reviews. Centra submits that the rate

impacts of the proposed changes and the frequency of generic reviews are not relevant to the determination of procedural matters. IRs are for "the purpose of a satisfactory understanding of the matters to be considered".⁴ Centra submits that all parties, with the assistance of their expert witnesses and having the benefit of their participation in the 2019/20 GRA, can gain a satisfactory understanding of the issues without need for two rounds of IRs.

IGU and Koch jointly submit concerns about the completeness or adequacy of Centra's previous IR responses as a reason for requiring two rounds of IRs. In the event any party is unsatisfied with the adequacy of Centra's responses, such concerns are more appropriately and efficiently addressed through determination by the Board in accordance with Rule 15(2) of the PUB Rules of Practice and Procedure, and not through a second round of IRs. Rule 15(2) reads as follows:

(2) Where there is a dispute with respect to the adequacy of a response to an information request, the Board may orally or in writing direct all parties:

- a) To appear before the Board or a member of the Board at a specified time and place for a conference; or*
- b) To submit in writing their position and views on the matter for the purpose of assisting the Board*

Centra appreciates the opportunity to provide these reply comments and is looking forward to receiving additional procedural direction from the Board such that the hearing and determination of the COSMR can occur as soon as is reasonably possible. Should you have any questions with respect to this submission, please contact the writer at 204-360-5580 or Darryl Martin at 204-360-4487.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES

Per:



Jessica Carvell
Barrister & Solicitor

⁴ PUB Rules of Practice and Procedure, Rule 14(1).