

Writer's Name	Antoine F. Hacault
Direct Telephone	204-934-2513
E-mail Address	afh@tdslaw.com
Direct Fax	204-934-0530

August 19, 2021

VIA E-MAIL

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

Attention: Ms. Rachel McMillin, Assistant Associate Secretary

Re: Reply to August 12, 2021 submission by Centra
Our Matter Nos. 0173216 and 0186305 AFH

On August 5, 2021, the Industrial Gas Users (“IGU”) filed their Application for Status in the Centra Gas Manitoba 2021 Cost-of-Service Study Methodology Review. In its Comments on Applications for Intervener Status filed with the Manitoba Public Utilities Board (“PUB”) on August 12, 2021, Centra Gas Manitoba (“Centra”) noted several objections to the IGU application. Notable among these objections were the following items:

- Limitations to the “core” membership of IGU and the lack of a formalized legal standing or governance of IGU into an accountable member association or organizations.
- Suggestions that an informal IGU association does not represent the interests of a substantial number of ratepayers and has not demonstrated that it represents interests beyond the sole business and monetary interest of these five customers.
- Identification of key issues that IGU intends to address with its involvement in the PUB proceeding.
- Objections to the proposed use of three expert consultants based on Centra Manitoba’s perception that this will result in duplication, be excessive and unreasonable, and not add value to the PUB and ratepayers.
- Adequacy of Mr. Friesen’s experience and qualification for adding value to this proceeding.

Centra also raised an issue with the participation of Koch Fertilizer Canada Inc (“Koch”) as a participant in its own application for status, as well as the application for status submitted by IGU, suggesting potential duplication between the interventions.

The IGU responds to these concerns as follows:

If no conflict of interest arises between Koch and the other parties participating in the proposed IGU Intervention, the fact that Koch has decided to retain the same legal counsel to deal with its specific Special Contract Class (instead of retaining separate counsel) should result in efficiencies and lowering of overall regulatory costs as compared to having to deal with separate counsel for Koch and separate counsel for IGU. Centra’s suggestion raises the prospect of additional requirements and costs for coordination with separate counsel. TDS Law (specified legal counsel for both Koch and IGU) intends to separately record time for any work that applies solely to Koch and will bill Koch for such without seeking reimbursement through the PUB process.

It is also noted that the 2019/20 General Rate Application (“2019/20 GRA”) expressly excluded an in-depth analysis of the Centra Cost of Service Study (“COSS”). It is the understanding of both Koch and IGU, that the PUB intended for an extensive review of the COSS to be undertaken after Centra had engaged an independent consultant to review its existing cost-of-service methodology, which has remained largely unchanged for about two decades. The consultant was also expected to provide recommendations in respect to best practices currently employed by the industry that would be reviewed through a separate Cost-of-Service Study review.

It is also noted that, as was the case with the 2019/20 GRA, Brian Collins is hired to specifically address the COSS as it relates to the Special Contract Class. We confirm that attempts will be made to avoid duplication between the evidence of Patrick Bowman/Dale Friesen/Unspecified Expert (“IGU Evidence”) and that of Brian Collins (“Koch Evidence”).

It is unknown at present, what position CAC Expert Consultants will take on the independent analysis of Atrium Economics LLC (“Atrium”). If the CAC Evidence challenges that independent analysis, and the IGU experts hold a differing view, then IGU should be able to adduce evidence. The fact that the IGU experts may agree with some or most of the recommendations of Centra and Atrium does not mean that the role of the IGU independent experts is either redundant or unnecessary.

It is also noted that Centra, at the 2019/20 GRA, had a differing view on COSS and disagreed with the expert evidence of Andrew McLaren (IGU Expert Consultant) and Brian Collins (Koch Expert Consultant). It is further recognized that CAC Experts at that proceeding, supported the previous Centra position on COSS.

The IGU recognizes that its membership as indicated in its Application for Status is relatively small, but as was the case in the IGU intervention at the 2019/20 GRA, the organization, its counsel, expert consultants, and members, consulted with others in the classes which they represent (High Volume, Mainline, Special Contract, and related T-Service). The IGU also anticipates that it will consult with others who share the same interests (large scale users with high load factors) such as the Canadian Manufacturers and Exporters, which includes members participating in the respective classes addressed by the IGU intervention, thus ensuring a degree of representation of those classes in which common interests are shared. In many aspects, these large high-volume natural gas users share common interests and priorities in respect to COSS and the related impacts of costs allocations to these classes. IGU also confirms, as noted by Centra, that there are additional companies that could become members, with which IGU is presently in communication.

If Centra's submissions were accepted, and IGU was not allowed to intervene in the COSS review, then the classes referenced and the companies participating in those classes would have no opportunity to have representation. This restrictive view in Centra's comments is particularly problematic in a review that is precisely about the different interests and concerns held by various different types of users connect to the Centra system. To exclude a specific group of users, as proposed by Centra, would be a gross injustice.

Combining efforts in one intervener application is consistent with PUB Order 80/21, which requested that applicants "combine their intervention(s) with others representing similar interests (page 5 of 9)." IGU notes that Centra's objection to costs and its assertion at Page 6 of its comments that the members of IGU have the option to present their "own or collective case". Forcing industrial high-volume users to have multiple lawyers and multiple witnesses would further increase the cost to other participants in this hearing.

IGU responds to Centra's criticism on identification of key issues by noting that as is the case in other proceedings, it is expected that there will be a pre-hearing conference that will place further emphasis on issues that will be the focus of the hearing. It should also be noted that Centra has not yet identified the time and place at which Atrium will be provided the opportunity to present its findings and recommendations associated with its independent review of Centra's existing cost-of-service methodology. IGU and its members anticipated that a technical conference would be held shortly after filing of Centra's application, enabling the members to develop a more thorough understanding of Atrium's findings and recommendations. Under the present circumstance, participants have limited information on which to base key aspects of their intervention. It is anticipated that a more clearly identified focus will emerge once the technical conference has been held, IRs have been asked, responded to and intervener evidence has been filed.

Regarding the adequacy of Mr. Friesen's experience and qualifications for adding value to this proceeding. Mr. Friesen is a Professional Engineer and expert in energy

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

Given the impact that assessments of customer behavior have on determinations for the use and benefit provided by utility infrastructure and related cost allocations, Mr. Friesen is well positioned to provide evidence on the adequacy of Centra's proposed COSS methodology in respect to the services rendered to and the benefits gained by customers in the classes represented by IGU. While not the focus of this proceeding, it is clearly understood that cost allocations determined by the methodology approved through this review will form the basis for class-specific revenue requirements in future rate proceedings. Mr. Friesen has extensive experience and knowledge regarding the characteristics of consumption exhibited by participants represented in the IGU Application, their capacity and energy needs, and associated reliability requirements.

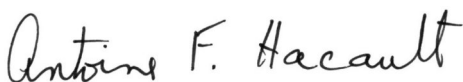
It must be noted that Cost of Service is a process of functionalization, classification and allocation of a set of costs. This work begins with a detailed understanding of why a cost is incurred in the first place, how a utility sets out to meet customer needs, and how a given customer usage behavior drives the cost. This is precisely the areas in which Mr. Friesen spent decades of his career – serving as the interface between customers and internal staff within the utility about the costs incurred to meet customer needs.

On the issue of a third unidentified expert, IGU only proposes inclusion of such a person if there is a need identified during the proceeding. At this time, IGU has not identified that need. As noted previously, clarification of such a need is anticipated once a pre-hearing technical conference is held during which a more thorough understanding of Atrium's independent assessment will be gathered. Consideration of a third expert will also depend on whether the PUB and Centra accept the proposed experts submitted by IGU.

Mr. Bowman and Mr. Friesen are committed to a cooperative effort that avoids duplication and overlap on key issues identified through this proceeding. Mr. Bowman and Mr. Friesen have worked together in previous PUB hearings and share a common objective for efficient and cost-effective participation in matters before the PUB. Issues of relevance are assigned based on their respective experience, expertise and knowledge. It is anticipated that Mr. Friesen will attend the pre-hearing technical conference and represent IGU interests on behalf of the members. Mr. Friesen will also have primary responsibility for client management, consultation with members and class participants, along with preparation of key issues lists.

Yours truly,

THOMPSON DORFMAN SWEATMAN LLP

Per: 

Antoine F. Hacault*

AFH

cc: Centra Counsel (by e-mail)

cc: Mr. Darren Christle, PUB Secretary (by e-mail)

*Services provided through A. F. Hacault Law Corporation