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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 March 7, 2022 letter from the PUB
Our Matter Nos. 0173216 and 0186305 AFH

We acknowledge receipt of the Public Utilities Board ("PUB" or "Board") March 7, 2022 Decision Letter. The Industrial Gas Users ("IGU") and Koch Industries ("Koch") are in receipt of the Manitoba Public Utilities Board ("PUB") Decision Letter of February 18, 2022, and subsequent response provided by Centra Gas Manitoba ("Centra") on February 28, 2022.

IGU and Koch acknowledge the Board's approval of IGU and Koch as Interveners of Record in this proceeding. Both parties have reviewed the Centra Gas Manitoba 2021 Cost of Service Study Application, filed on June 15, 2021, along with subsequent correspondence and evidence filed in related proceedings, and express their intention to actively participate in the hearing process, introduce information that adds to the Board's understanding of the issues, and avoid duplication.

IGU and Koch will seek cooperation with other Interveners of Record following the Board's finalization of the topics that are in-scope to avoid duplication. Updates to the previously submitted budget for participation in this proceeding will be prepared reflecting the Board's determination of scope.

The parties are aware of Centra's concern regarding the use of consultants by interveners and provide their responses below. IGU and Koch will address the specific use and scope of their external consultants once the Board finalizes topics that are in-scope. Costs for external consultants (if any) will be included in subsequent budget submissions.



For clarity, and as addressed more fully below, IGU and Koch do not agree with Centra's assertion that, "...considering the objective and comprehensive review conducted by Atrium ... there is no need for additional comprehensive reviews and assessments of Centra's cost of service methodology, including Centra's cost of service model, and evaluating Atrium's report for completeness" (MH Letter of February 28, 2022, PDF p. 5)

Such suggestion is antithetical to the core principles of open and transparent reviews of information before a quasi-judicial panel and properly informed participation by approved intervenors. Such a practice has never been applied in previous proceeding within Manitoba, nor anywhere else in Canada so far as IGU/Koch are aware, and would certainly not represent best practice before a public regulator.

Further to this proceeding, IGU and Koch note that although the previous GRA included some general evidence and comments from parties related to Cost-of-Service Studies ("COSS"), the review of cost-of-service methodologies was explicitly excluded from the GRA process per Order 98/19 (Pdf p.9), and as such, comprehensive positions and testing from the intervening parties were not developed. Centra appears to rely on the idea that intervening parties should already be versed in their own detailed positions on COSS based on their previous participation in the GRA – clearly, this is not the case. Parties to the previous GRA would have been well-advised to limit their consideration of Centra's COSS based on the determinations in Order 98-19, and in doing so, it is now incorrect to assert that the parties' positions should already be well-developed.

Comments in Respect to Scope and Process

IGU and Koch acknowledge the Board's expectation that all Parties focus the scope of their participation and COSSMR recommendations on the best practices applicable to Centra's natural gas distribution system and its customers. IGU and Koch have reviewed Centra's response of February 28, 2022, detailing its proposed amendments to the COSSMR that relate to the Board's decisions in Order 131/22 pertaining to Rate Restructuring and have considered the comments and expressions contained therein.

Recognizing the Board's agreement with Centra's suggestion that Interveners advise the Board in written Pre-Hearing Conference submissions, IGU and Koch provide the following:

1) Whether the Intervener intends to challenge the qualifications or independence of Atrium, and if so, why:

IGU and Koch do not at this time have any intention, subject to information gained in the discovery or examination process, to challenge Atrium's independence in undertaking a



review of the approved Centra cost allocation methodology. Similarly, the parties do not have any intention to challenge Atrium's expertise.

However, IGU and Koch note that although Atrium is accepted as independent, this acceptance does not mean that Atrium has been fully and equally versed in the perspectives of all interested parties in completing their assessment. Indeed, it appears that the only party which Atrium engaged and received instruction from was Manitoba Hydro (Centra).

The parties also take issue with the apparent position of Centra that evidence from one independent expert, retained by the Applicant, somehow obviates the need for thorough testing by and evidence from other independent experts. In the Manitoba Hydro Cost-of-Service hearing, the utility engaged Christensen Associates, who were not disputed as independent and possessing expertise in the subject area. Notwithstanding this acceptance of Christensen, the Board retained Daymark Consultants as their own independent advisors. Additionally, the Board received, and in many cases accepted, the independent expert evidence from individuals retained by MIPUG (Bowman), the Small Business intervenor (Goulding), the Consumer's Coalition (Harper), the Green Action Centre (Chernick), and the City of Winnipeg (Todd). Through this efficient and vibrant process, the Board was able to integrate the knowledge and information of each of these independent experts. Each of these consultants were accepted as independent experts and contributed important and useful perspectives that led to a more robust and just outcome. There is no reason to expect that a review of Centra's COSS application will not benefit from a similar complementarity of expert perspectives.

2) Whether the Intervener accepts the Board's preliminary list of in-scope issues as set out above or whether the Intervener recommends the in-scope list be expanded or refined, complete with specific reasons and justification for any additions or revisions to the in-scope list:

The Board's letter of March 7, 2022, outlines the Preliminary Board List of In-Scope Issues (PDF p.3)

1. Allocation of Transmission and Distribution Plant
2. Determination of Demand Allocation Factors
3. Direct Assignment of High-Pressure Transmission Plant to Customers Where Appropriate
4. Classification and Allocation of Distribution Mains
5. Approach to the Allocation of Upstream Capacity Resources
6. Allocation of Demand-Side Management Costs



IGU and Koch accept the Board's recommendation for the above issues being in-scope for this proceeding.

IGU and Koch also highlight the importance of issues in scope for this proceeding as reviewed on PDF p.38-40 of Centra's application, namely necessary near-term revisions to rates to ensure all charges are just and reasonable. This matter is not only included in the requested approvals put forward by Centra's application but is also appropriately in scope and justified as a necessary part of ensuring the goals of the PUB Act are achieved. It is also a matter that merits far more detailed testing than is made possible by Centra's brief two-page summary.

In this regard, IGU and Koch also note that in its letter of February 28, 2022, Centra suggests that several items be withdrawn from the scope of this proceeding, including:

1. Matters of Rate Design including Cost Coverage Ratios
2. Zone of Reasonableness Proposals

IGU and Koch note that discussions and evidence related to cost coverage ratios and zone of reasonableness are integral to ensuring rates are just and reasonable. As such, evidence related to changes in estimated rate class cost coverage ratios arising from proposed changes in the cost allocation methodology should not be excluded from the scope of this proceeding. Without an updated Revenue Requirement, as would arise in a GRA, the scope of the proceeding should include appropriate alternative means to achieve estimates of the RCCs and/or confirmation of timing and schedule for getting updated RCCs included in revised rates.

Specifics of rate design need not be included in the review (e.g., fixed versus variable rates). IGU and Koch therefore concur with Centra that the specifics of rate design shall remain outside of the scope of this proceeding, but discussions related to high level assessments of cost coverage and zone of reasonableness, and required rate changes to ensure fairness, need to be in-scope.

3) Whether the Intervener proposes to file any additional evidence, beyond what is on the record in Centra's 2019/20 General Rate Application, together with the specific reasons and justification as to why such additional evidence is required by the Board:

IGU notes that the expert witness participating on its behalf during the 2019/2020 GRA is not available for the current proceeding.



IGU and Koch will continue their assessment regarding the necessity of submitting evidence upon a further, more detailed review of the Centra filing and discoveries, as well as additional evidence provided in respect to the recommendations and supporting documentation provided by Atrium.

Comments in Respect to Process and Timeline

With respect to process, IGU and Koch note the following:

There are significant potential efficiencies to be gained from a pre-hearing Technical Workshop involving Atrium. This process provides a basic educational function regarding assumptions and details surround system design and operation, along with greater insight into the basis for findings of Atrium. Such a workshop will reduce the extent of IRs required by the parties.

IGU and Koch also submit that:

- 1) Information Requests are a necessary component of a fair and transparent process. IGU and Koch accept that duplication is to be avoided and are aware that Centra can and will cross-reference responses where the same information is requested by multiple parties. This approach eliminates concerns over multiple requests for the same information.

With respect to information requests Centra considers overly extensive or frivolous, Centra always has the ability to contact the requesting party in an effort to determine a narrowed scope that would achieve the core objective and/or rights of appeal to the PUB if the question does not merit a response.

Beyond this, pre-approval of information requests by the PUB has been used in only one prior proceeding – the emergency rate increase requested by Manitoba Hydro when seeking relief for a drought-related event. The current proceeding in no way resembles the Manitoba Hydro 2021/22 Interim Rate proceeding and there should be no basis for requiring pre-approval for any party to receive the information necessary to adequately represent their interests.

The parties also note from past experience that the adequacy of responses from Centra were of low quality or sufficiently incomplete to preclude their effective use. The best approach to resolving this issue is to include a second round of IRs in the schedule, in the case where it is required.



- 2) As to the form of hearing, experience with Manitoba Hydro's cost-of-service proceeding indicated success with a blended format, including written submissions for some topics while retaining the potential for an oral hearing if specific contentious topics required that degree of review. The same approach would be advisable for the Centra COSS review, with division of topics (some oral, some written, or all written) to be determined in a second pre-hearing conference with the PUB following receipt of IR responses and intervenor evidence.

IGU and Koch reserve the option to request due process for accessing confidential information. Both parties are aware of Centra's assertion that access to confidential information is not a necessity for intervention in this proceeding. The Intervener's participation in the 2019/20 GRA proceeding demonstrated that access to this information was essential for a thorough understanding of Centra's position.

IGU and Koch are committed to a cooperative effort that avoids duplication and overlap on key issues identified through this proceeding.

Yours truly,

THOMPSON DORFMAN SWEATMAN LLP

Per: *Antoine F. Hacault*

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