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October 22, 2021

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. ("CENTRA")
RATE RE-BUNDLING APPLICATION – FINAL WRITTEN ARGUMENT

Please find enclosed Centra's final argument with respect to its 2021 Rate Re-bundling Application.

Should you have any questions with respect to this submission, please contact the writer at 204-360-3257 or Darryl Martin at 204-360-4487.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES
Per:

Brent Czarnecki
Barrister & Solicitor

PUBLIC UTILITIES BOARD

CENTRA GAS MANITOBA INC.

FINAL ARGUMENT

2021 RATE RE-BUNDLING APPLICATION

October 22, 2021

Manitoba Hydro

CENTRA GAS MANITOBA INC.

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CENTRA GAS MANITOBA INC.

2021 RATE RE-BUNDLING APPLICATION

FINAL ARGUMENT

1 INTRODUCTION

Centra Gas Manitoba Inc. ("Centra") filed its 2021 Rate Re-bundling Application ("Application") on March 23, 2021. Subsequent to its initial filing, Centra responded to information requests on August 13, 2021.

Centra's rate re-bundling proposal is based on sound rate making principles, is supported and endorsed by customer research and will add value to customers, Western Transportation Service ("WTS") marketers and the utility by providing the following benefits:

- Ensuring all Centra's upstream costs are recovered on a fair and equitable basis among system supply and WTS customers;
- Eliminating the complexity of billing percentages and two commodity rates;
- Facilitating a simplified bill for customers while continuing to provide meaningful rate information; and
- Supporting the existing competitive market by maintaining fully transparent and comparable AECO-based Gas Commodity rates among Centra and WTS marketers.

The only party to the proceeding that expressed any opposition to the approval of the Application was the Consumers' Association of Canada ("CAC") whose final written submission effectively repeated the observations of the two consultants ("Consultants") it retained.

2 RATEMAKING PRINCIPLES

Simplification and reduced complexity are the most important benefits of the proposed re-bundling of rates by Centra. Existing PUB approved rate-setting and cost allocation principles will continue to be reflected in Centra's proposed rate structure. Centra is simply proposing to employ a deferral mechanism, the Commodity Cost Balancing Deferral account (the "CCBD"), that eliminates the unnecessary complexity of billing percentages and two commodity rates. This will be accomplished without fundamentally changing Centra's currently approved rate structure:

- The Basic Monthly Charge, Transportation, and Distribution rates are unchanged, with the latter being added together for bill presentation purposes only.
- The Gas Commodity rate is virtually identical to the current Primary Gas rate.
- The Supplemental Gas rate is no longer required with the introduction of the CCBD rate rider, which captures the difference between AECO and non-AECO supply costs on a volumetric basis.

Notably, 4 out of 5 current rate components would be virtually unchanged. In addition, the Gas Commodity rate will continue to be set using a quarterly PUB-approved Rate Setting Methodology, which is formula-driven and relies on established accounting and rate-setting conventions that will not be affected by rate re-bundling.

Centra's re-bundling proposal does not change its overarching rate-making principles. The criteria that Centra followed to develop its single commodity rate solution was clearly identified in the Application[1] as follows:

- Ensure retail competition remains on a fair and level playing field;
- Ensure neither system nor WTS customers are advantaged at another's expense;
- Ensure that WTS gas marketers are not unfairly advantaged or disadvantaged;
- Reduce operational and administrative complexity where possible;
- Ensure that all Centra's upstream costs continue to be collected from customers;
- Maintain the timely price signals inherent in Centra's current default Primary Gas rate;
- Maintain comparability between the various competitive rate offerings; and
- Enable customers, system or WTS, to fix the rate on 100% of their commodity.

Centra's Rate Re-bundling Application is proposing several customer-centric improvements to its rate structure and bill presentation, consistent with energy market transformation towards customer centricity and responsiveness to customer preferences. These proposals will assist in helping customers to understand their bills without negatively impacting price signals, rate transparency, or the ability for customers to participate in the deregulated and competitive natural gas market in Manitoba.

[1] Application, page 12.

3 CUSTOMER RESEARCH RESULTS

The customer research results provide clear support for bill simplification resulting from rate re-bundling.

In opposing the Application, CAC has wholly adopted the positions and observations of the Consultants in its final submissions, including those related to customer research. Centra notes that CAC put forward Mr. Rainkie and Ms. Derksen as technical and policy experts. However, neither has any specific expertise in the area of market or customer research. This was implicitly acknowledged by CAC as it contemplated retaining a professional research firm to provide evidence on matters relating to customer input.[2] Accordingly, Centra submits that the PUB ought to exercise extreme caution when reviewing evidence of the Consultants which is not squarely within their areas of expertise. Zero or very little weight should be afforded to such evidence.

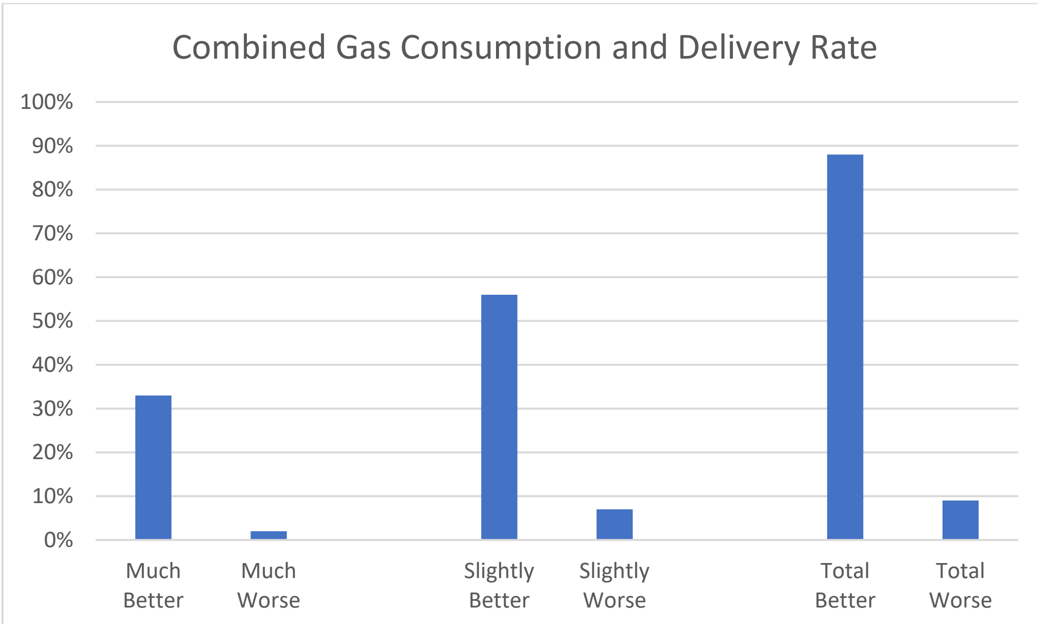
The Consultants' lack of expertise in this area is reflected in their criticism of the focus group research results, asserting that a "strong preference" is only indicated by adding "both the participants that indicated the re-bundled bills are much better (32% to 33%) and that the bills are slightly better (36% to 56%)".[3]

This assertion is unfounded, misleading, and ignores the standard market research practice of asking participants whether they strongly or somewhat hold a perception, but ultimately grouping results back to a dichotomous format to reflect participants' overall preference regarding a binary decision. Whether to re-bundle rates or not is a dichotomous decision so participant responses are appropriately presented in a similar binary way. In the case of Centra's re-bundling proposal in this Application (one commodity rate and a combined delivery charge), the research results are very compelling - 88% favourable versus 9% unfavourable.

Regardless of how the focus group data is presented, the results are clear and overwhelmingly in favour of the bill simplification proposed by Centra. The following chart directly compares the focus group perceptions of bill simplification versus the status quo in three different ways:

[2] Exhibit No. CAC-2-0 and CAC-3. CAC also reiterated in its February 2019 comments that customer engagement out to be "undertaken by a firm with specific expertise in consumer engagement" referring to this as "critical", CAC/CENTRA I-8 a) Attachment, page 3.
[3] CAC Evidence page 23.

- Much Better vs. Much Worse
- Slightly Better vs. Slightly Worse
- Total Better vs. Total Worse (standard dichotomous outcome).



When focusing solely on Much Better versus Much Worse, the results show a heavy preference towards Much Better (33% vs. 2%). In addition, a 33% finding of "Much Better" is a strong result, as a subject like utility bill presentation is not necessarily expected to evoke strong views in either direction.[4] 33% is particularly strong when directly compared to the Much Worse result of 2%.

Centra reiterates that PRA's key findings from the focus groups provide a broad and reasonable picture of customer perceptions and preferences, as the participants in these focus groups were generally reflective of Centra's residential and small commercial customers and there was a strong consensus among participants.

Centra also conducted a phone survey on natural gas bill perceptions, which found that only 2% of customers could identify all the core gas rate components without prompting and 62% were unable to identify any components without prompting.[5] Despite these findings, the Consultants appear to criticize *any* potential form of rate re-bundling by noting a survey finding that "a majority (66%) of phone survey respondents indicated that the bill

[4] Application, Appendix 6, PRA Report to MH on Focus Group Results at page 4 and 14.
[5] Application page 10, lines 11-13.

components provide useful information and a minority (26%) indicated that they find the bill components confusing."[6]

As noted in Centra's response to CAC/CENTRA 9 d)-e), the phone survey did not provide a sample simplified bill as an alternative to consider. Therefore, if a customer felt having some level of detail on their bill was a good idea, they were likely to have chosen "Provides useful information" even if they found the bill to be complex. Furthermore, Centra's proposal within this Application will retain substantial useful information on a customer's bill and available through the Manitoba Hydro website.[7]

Focus groups were the logical follow-up to Centra's phone survey and were an ideal means of presenting sample simplified bills and gathering feedback from actual customers. Focus groups were fully supported by the Executive Director of CAC, and clearly demonstrated strong support for bill simplification. Notably, despite placing a priority on "direct consumer input using various forms of consumer engagement and stakeholder panels"[8] and apparently having contact with approximately 8,000 consumers in the preceding two years,[9] CAC filed no evidence relating to its own customer engagement. Rather, CAC relies exclusively on the misleading observations and non-expert opinions of the Consultants. Centra submits the PUB may draw an adverse inference that the CAC's own customer engagement was not supportive of its opposition to this Application.

Providing simple and understandable gas rate information on customer bills is important, and the focus groups provided clear guidance on the right balance in this regard. The current bill with two commodity rates, billing percentages, and distinct transportation and distribution charges is unnecessarily complex and provides little value for customers which was demonstrated by the results of both the focus groups and Customer Satisfaction Tracking Study.[10]

Centra's Application proposes to continue to provide useful gas rate information for customers but in a more straightforward way, simplifying the presentation into a single commodity charge, a single delivery charge, and a basic monthly charge. In addition,

[6] CAC Evidence page 23.
[7] See PUB/CENTRA 3 b) for an example of the proposed external website presentation.
[8] Exhibit No. CAC-2-1, Organization Background, page 4.
[9] Exhibit No. CAC-3, Letter dated July 9, 2021, page 2.
[10] Both the Focus Groups and the Customer Satisfaction Tracking Study found that only a minority of customers look at the natural gas components of their bill on a regular basis, Application, page 10, lines 7-15 and Appendix 6, page 14.

customers' ability to compare Gas Commodity rates between Centra and WTS marketers will not be impaired in any way.

4 STAKEHOLDER ENGAGEMENT

Centra's stakeholder engagement process was comprehensive and involved engaging:

- Its customers including residential, small/medium commercial, and large institutional and industrial customers;
- WTS marketers; and
- CAC.

The stakeholder engagement process was successful in achieving:

- A clear research outcome when sample simplified bills were presented to focus group participants;
- No concerns expressed from larger customers; and
- Support from WTS marketers.

CAC was engaged by Centra in the stakeholder process and on how focus group research should be conducted. Despite this, the Consultants have claimed in their evidence that there should have been additional engagement with CAC to discuss the focus group research results and whether to advance a rate re-bundling proposal.[11]

As discussed in Section 3 on customer research, Centra reiterates that the PUB should place no or very little weight on evidence that falls outside of the Consultants' expertise. Centra disagrees with the Consultants' assertion that additional stakeholder engagement was required in this case in light of the customer and stakeholder engagement and the compelling results in favour of proceeding with the proposed bill simplification.

5 COMPETITION AND CUSTOMER CHOICE

There are no current or anticipated competitive issues in the Manitoba natural gas market and customers will continue to enjoy customer choice, as evidenced by the following competitive options from which they can choose:

- A default quarterly variable rate from Centra;
- Fixed price options from both WTS marketers and Centra; and

[11] CAC Evidence page 25.

- T-Service for large customers wishing to be responsible for both their upstream transportation and gas supply.

Centra's Application introduces no issues related to competition or customer choice in Manitoba, now or in the future. The competitive service options in Manitoba are not altered in any way by the Application and demonstrate a fully competitive market in Manitoba. Further, no WTS marketer has expressed any concern about re-bundled rates or moving the WTS delivery point from Empress to AECO.[12] In spite of this, CAC's Consultants needlessly suggest that an in-depth analysis of competition in Manitoba is somehow a condition precedent for the approval of the Application and would somehow assist in the evaluation of Centra's Application.[13] The Consultants presented no evidence on how the current broad range of competitive options in Manitoba is lacking or what an analysis of competition would entail or accomplish. The reality is that since WTS was introduced, competition has only been enhanced with the introduction of Centra's fixed rate gas service as a further option for customers.

The Consultants also make the following claim:

> *…it is difficult to assess whether it is a step backwards to return to a natural gas rate structure that is similar to that which existed prior to the introduction of WTS..*.[14]

The assertion that Centra's proposal would make its rate structure similar to pre-WTS is patently incorrect.

Prior to WTS, Centra's bill had only two rate components: a basic monthly charge and a gas charge.[15] This structure <u>did not support gas commodity competition</u>. Unbundling allowed for distinct delivery-related rates (Transportation and Distribution) in addition to a distinct Primary Gas rate that supported competition for Western Canadian supply among Centra and WTS marketers at a common location (Empress). Centra's proposal will maintain a distinct delivery-related charge (with separate Transportation and Distribution rate information available online) and its Gas Commodity rate <u>will similarly support competition</u> for Western Canadian supply among Centra and WTS marketers at a common location (AECO).

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[12] Only one WTS marketer intervened in this proceeding and it did not file evidence, which demonstrates the absence of competitive concerns.
[13] CAC Evidence page 17.
[14] Ibid.
[15] Application, Appendix 4, slide 6.

Both Centra's and WTS marketers' Gas Commodity rates will be AECO-based and distinct from all other charges, providing complete comparability and transparency for competition and customer choice, unlike the pre-WTS rate structure.

6 COST BENEFIT ANALYSIS

CAC is concerned that Centra did not quantify the administrative cost savings associated with its rate re-bundling proposal and did not perform a Net Present Value ("NPV") analysis to justify the rate re-bundling initiative.[16] As provided in Centra's response to CAC/CENTRA 12 c), Centra did not indicate an expectation of cost savings in the Application and does not have a cost savings estimate because this was not a driver in Order 65/11 or for Centra's re-bundling proposal. Despite not being specifically quantified, it is however, more than reasonable to assume that approval of the Application would reduce the complexity of administering gas related charges, resulting in efficiencies and related cost savings (e.g., the elimination of dual commodity rates and associated billing percentages would eliminate the need to perform monthly billing percentage analysis and customer billing would have fewer bill components to program). Notably, the CAC did not deny there would be cost savings associated with a reduction in administrative complexities.

With respect to a Net Present Value analysis of the total costs and benefits, Centra notes that its rate re-bundling proposal includes a number of benefits that do not lend themselves to quantification such as the benefit to customers of a simpler and easier to understand natural gas bill, and the benefits associated with eliminating the difficulties with disposing of the Supplemental Gas PGVA in warmer years, the elimination of distorted price signals for Supplemental Gas and the elimination of the difficulties for WTS marketers in forecasting their Primary Gas requirements due to quarterly changes to billing percentages.[17] As such, performing an NPV analysis was not warranted or reasonable in the circumstances of this rate re-bundling proposal.

In addition, further benefits will be realized with the adoption of the CCBD. Centra's re-bundling proposal includes mechanistic quarterly adjustments to the CCBD rate rider, which will keep it relatively current with market conditions while avoiding the accumulation of balances over extended periods.[18] As proposed in the Application, quarterly CCBD rate rider

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[16] CAC Final Argument page 2-3.
[17] Application, page 11 line 6 to page 12 line 21.
[18] Application, page 23, lines 6-22.

adjustments would be included as part of quarterly variable Gas Commodity rate applications. Combining quarterly processes for interim ex parte approval will achieve regulatory efficiency while providing the PUB with the most up-to-date cost and recovery information for both AECO supply and non-AECO supply.[19] Customers will benefit from greater alignment between cost incurrence and the recovery or refund of the cost difference.[20]

7 RATE STRUCTURES OF COMPARABLE NATURAL GAS DISTRIBUTORS

The Consultants also raised the notion of conducting an "analysis of the rate structures of other comparable natural gas LDC's [sic] in Canada" as part of the review of Centra's Application. It is disingenuous for CAC and its Consultants to raise this in evidence when they had the opportunity to 1) ask about other LDC rates in the information request process; and 2) present their own evidence on other LDC rates. They did neither.

The reality is that each LDC is situated differently in terms of their sources of supply, their use of upstream transportation, their storage (e.g. upstream vs. local), and their distribution system, making comparisons as to the appropriateness of rate structure extremely difficult if not meaningless.

In any event, no Canadian LDC has billing percentages as Centra does. As previously stated, Centra is not proposing to fundamentally change its rate structure but to employ a deferral mechanism (CCBD) that eliminates the unnecessary complexity of billing percentages and two commodity rates.

8 ELIMINATION OF BILLING PERCENTAGES AND DUAL COMMODITY RATES

As discussed in Centra's evidence and responses to information requests, the elimination of billing percentages and dual commodity rates means that the maximum daily quantity ("MDQ") that will be delivered by WTS marketers to Centra will rise modestly. Despite this evidence, the Consultants allege that there is uncertainty in relation to how the WTS marketer MDQ can increase modestly while Centra provides all non-AECO supply for the market.[21] There is no such uncertainty as stipulated in CAC/CENTRA 19 f):

[19] Application, page 24, lines 15-21.
[20] PUB/CENTRA 6.
[21] CAC Evidence page 20

"As discussed in PUB/CENTRA I-5, the elimination of Primary and Supplemental Gas rates and associated billing percentages will result in all customers being charged a single AECO-based Gas Commodity rate, by either Centra or a WTS marketer. [1] *Currently, billing percentages result in WTS broker maximum daily quantities ("MDQ") being reduced by the Supplemental Gas billing percentage. This treatment would no longer be required with a single AECO-based Gas Commodity rate and with the CCBD accounting for the difference in Centra's AECO and non-AECO supply costs. Accordingly, the aggregate WTS marketer MDQ will rise modestly relative to status quo.*[2] *This would be similar in effect to the aggregate WTS marketer MDQ increasing modestly due to growth in customer enrolments; that is, no increase in Centra's firm transportation capacity would be required, rather the proportional use of the capacity would shift marginally between WTS and Centra supply."*

Accordingly, WTS marketer deliveries to Centra at AECO (currently Empress) will increase modestly to account for the elimination of billing percentages, and the Gas Commodity rate offered by a WTS marketer will be applied to all gas volumes consumed by the WTS customer. The modest shift in the proportional use of Centra's firm transportation capacity from Western Canada does not disadvantage system supply customers in any way, as Centra's AECO-based Gas Commodity rate will be applied to all gas volumes consumed by system supply customers.

As stated throughout its evidence, Centra will purchase all non-AECO supply and the CCBD rate rider will be recovered from or refunded to all Sales Service customers[22] because Sales Service customer load cannot be met with AECO supply alone. Currently, the Supplemental Gas billing percentage reflects a forecast of the annual volume of Supplemental Gas that will be purchased by Centra for all Sales Service customers, which results in the billing of Supplemental Gas *as a second and distinct commodity rate*. In other words, the current billing percentage and dual commodity paradigm is simply a mechanism to bill Supplemental Gas to all Sales Service customers while facilitating competition for Primary Gas. The CCBD replaces this cumbersome approach by simply *billing the difference* in Centra's actual AECO and non-

[22] Sales Service includes system supply, WTS, and Fixed Rate Gas Commodity Service customers.

AECO supply costs to all Sales Service customers through a rate rider, the mechanics of which are discussed in the response to PUB/CENTRA 5 d).[23]

Rate re-bundling will allow the fixed rates offered by WTS marketers or Centra to be applied to 100% of a customer's consumption, as all customers will be charged a single AECO-based Gas Commodity rate. Total customer costs will still be impacted by all other rates and riders charged as part of receiving gas service. This includes the CCBD rate rider which as noted will be very small compared to a customer's Gas Commodity rate, could be positive, negative, or zero at any given time, and indicatively amounts to $4 *annually* for a typical residential customer.[24] CAC has confused this matter in its final argument by incorrectly claiming that Centra's position is that "WTS Marketers [sic] customers will now be able to fix 100% of their commodity costs."[25] Clearly, a customer's commodity costs are driven by their gas volumes consumed, and fixing a commodity rate will not fix a customer's costs.

Centra's proposed approach to rate re-bundling and the CCBD eliminates the complexity of billing percentages and two commodity rates, facilitates a simplified bill for customers while providing meaningful rate information, and supports competition by maintaining fully transparent and comparable AECO-based Gas Commodity rates among Centra and WTS marketers. The approach also ensures that all Centra's costs are recovered on a fair and equitable basis among system supply and WTS customers.

9 <u>THERE ARE NO OUTSTANDING MATTERS RELATED TO ORDER 65/11</u>

CAC is incorrect in its assertion that the "primary thrust" of the Order 65/11 directive, which it claims was to ensure the rate structure is appropriate given changes to Centra's transportation portfolio impacting the distinction between Primary and Supplemental Gas, remains unaddressed.[26] Centra explains in PUB/CENTRA 1 a) that:

- Centra resolved the "Delivered Service" issue in the 2013/14 GRA;
- Centra acknowledged that this directive also considered bill simplification and that stakeholder consultation was required in this regard; and

[23] To underscore the fact that the CCBD rate rider is a cost differential and not a distinct commodity rate, Centra notes the small magnitude of the indicative quarterly CCBD rate rider in the Application of $0.001/m3 [Application page 24, line 4]. Centra further notes that the CCBD rider could be zero if Centra's average AECO and non-AECO supply costs are the same on a $/GJ basis, or the CCBD rider could be negative.
[24] Schedule 4.3, line 11.
[25] CAC Final Argument page 4.
[26] CAC Final Argument page 9.

- Centra's approach was accepted by the PUB in Order 85/13.

CAC acknowledges that the Delivered Service issue "gave rise to the directive" and that Centra has addressed it "as well as bill simplification".[27]

There has been no ambiguity in relation to the definitions of Primary Gas and Supplemental Gas since the 2013/14 GRA, and the Primary Gas volumes that WTS marketers can provide have accordingly not been impacted. There will also be no ambiguity in relation to AECO supply and non-AECO supply; rather, the elimination of billing percentages and dual commodity rates has the benefit of making this distinction irrelevant in relation to the gas volumes that WTS marketers will be able to provide.

In addition, Centra's response to CAC/CENTRA 19 b) explained why Centra is the sole provider of Supplemental Gas today and will be the sole provider of non-AECO supply going forward. It is therefore clear that the issues raised in Order 65/11 have already been addressed, or in the case of simplifying Centra's rate structure, will be addressed by the approval of Centra's rate re-bundling proposal by the PUB.

10 FIRM AND INTERRUPTIBLE CUSTOMERS WILL NOT BE RESPONSIBLE FOR THE SAME COSTS

As discussed in CAC/CENTRA 15 a)-e), the Supplemental Gas (or non-AECO) cost differential between the Firm and Interruptible classes maintained in the current dual commodity rate structure is unnecessary given that Centra purchases gas volumes to meet aggregate daily market demand without regard for whether the gas is serving Firm or Interruptible customers.

Contrary to the assertion by the Consultants, however, eliminating distinct Firm and Interruptible Supplemental Gas rates does not make Interruptible customers responsible for gas costs "equivalent to a firm customer".[28] Interruptible customers will continue to incur different costs as follows:

- Distinct delivery rates relative to firm customer classes; and
- Cost of Alternate Supply and exclusion of the Alternate Supply volumes delivered by Centra from the determination of the monthly billing demand

Furthermore, Interruptible customers will not be assessed the CCBD rate rider while curtailed or consuming Alternate Supply, which is again contrary to the Consultants' assertion that they

[27] CAC Final Argument page 8
[28] CAC Evidence page 29

are "responsible for a portion of all gas costs (i.e. equivalent to a firm customer) as well as alternate supply during periods of curtailment."[29]

Ultimately, a common CCBD rate rider applied to Firm and Interruptible customers is appropriate and recognizes that the CCBD is only a *differential* between AECO and non-AECO supply costs (both of which will also be updated on a quarterly basis), and as such, is not a full unit cost per GJ of non-AECO supply. As demonstrated in the Application, both the example of the annualized CCBD rate rider and the indicative quarterly CCBD rate rider are minor – tenths of a cent per cubic meter of natural gas consumption.[30]

While there is the potential that extraordinary market conditions could lead to larger CCBD balances and rate riders, the PUB and Centra have the ability to examine whether such a balance reflects any inequity across customer or service classes and the level of materiality should such conditions arise. As an example, the winter of the 2013/14 gas year represented an extraordinary market circumstance and the PUB approved a temporary rate rider treatment in order to most appropriately reflect cost responsibility and subsequent recovery.

Centra also notes that the "commensurate rate increase for Firm customers"[31] that arises from the elimination of distinct Supplemental Gas treatment for Firm and Interruptible customers is so immaterial that it is lost in the rounding of the calculation of the CCBD rider[32].

It is also important to address CAC's incorrect summarization of Centra's position that because Centra does not distinguish operationally between gas commodity purchases, "it is reasonable to combine primary and supplemental gas costs and rates to reduce bill complexity."[33] Centra has not proposed to combine Primary and Supplemental Gas. To the contrary, Centra will maintain a clear distinction between AECO supply and non-AECO supply in order to support competition in the form of directly comparable AECO-based Gas Commodity rates among Centra and WTS marketers. In addition, the CCBD rate rider will be assessed to all Sales Service customers to account for the difference in Centra's actual AECO and non-AECO supply costs.

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[29] CAC Evidence page 29.
[30] Application page 22, line 28 and page 24, line 4.
[31] CAC Final Argument page 7.
[32] CAC/CENTRA 15 a)-e).
[33] CAC Final Argument page 9.

11 CURTAILMENT AND ALTERNATE SUPPLY

The Consultants claim that "it remains unclear how the point at which curtailment is necessary [sic]."[34] The Consultants are mistaken in their apparent assumption that the provision of Interruptible service would change if moving away from a dual commodity rate paradigm. Rather, curtailment of Interruptible customers occurs based on operational factors. For example, curtailment may occur due to cold weather on a particular day; Centra forecasts its total load and its available aggregate supply for the day and curtails Interruptible customers if there is a supply shortfall. After this operational decision has been made, Interruptible customers are offered Alternate Supply, if available. Alternate Supply is distinct from all other sources of supply and, as it is billed directly to Interruptible customers, does not affect rates.

The Consultants also claim that Centra proposes to only offer Alternate Supply based on a price threshold[35], which is incorrect. The price threshold referenced in the Terms & Conditions is clearly related to notice only. If Alternate Supply is expected to cost more than the price threshold, Interruptible customers will be notified, and they can decline the offer of Alternate Supply and stop consuming natural gas. If Alternate Supply is expected to be equal to or cost less than the price threshold, the Alternate Supply will be provided without notice. This is no different than Centra's current practice, with the only change being the price threshold itself (due to the elimination of Supplemental Gas). This is strictly an administrative matter and has no bearing on whether Alternate Supply will be offered. If Alternate Supply is available in the market, it will continue to be offered by Centra to Interruptible customers.

12 MATTERS DEFERRED TO FUTURE REGULATORY PROCESSES

CAC claims that it is unclear whether PUB approval of Centra's Application at this time will hinder their decision making authority in future review or whether any delays in the Cost of Service Methodology Review or a potential 2022 Cost of Gas Application will impact either the August 2022 FRGCS offerings or the November 1, 2022 implementation date.[36]

Centra submits the CAC has overstated this concern. To be certain, this PUB panel cannot fetter the discretion of future panels on these or other matters.

[34] CAC Evidence page 29.
[35] CAC Evidence page 29.
[36] CAC Evidence page 26.

Centra submits that treating NGTL transportation costs and TCPL compressor fuel costs at Empress as Transportation costs is a straightforward and logical change that can and should be approved by the PUB in this proceeding, as noted by Centra in its responses to PUB/CENTRA 7 a) and PUB/CENTRA 8 a).

It is also reasonable for the PUB to approve the move of the WTS delivery point to AECO at this time. There are no cost consequences associated with this transition and: 1) the move to AECO is fully supported by WTS marketers; and 2) there are clear benefits to Centra of greater access to the highly liquid AECO hub, as described in Centra's response to PUB/CENTRA 13. As the 2022 regulatory agenda/schedule has not been confirmed at this time, a delay in the implementation of re-bundled rates and FRGCS to November 1, 2023 could be necessary. However, approval of the transition of the WTS marketer delivery point and Centra's commodity reference point to AECO is not dependent on further regulatory process and should be implemented November 1, 2022.

Finally, Centra's position has been unequivocal that the PUB will review the cost consequences of Centra's NGTL expansion capacity as part of Centra's next Cost of Gas or General Rate Application.[37]

13 CONCLUSION

Centra's proposed approach to re-bundling its natural gas rate structure incorporates the original underlying principles on which competition in the Manitoba natural gas market is based (i.e. Orders 15/98, 19/00 and 65/11), is strongly supported by the customer research and incorporates improvements to past changes that were administratively complex and did not add value for customers (i.e. changing from 5 bill components to 3 components).

In addition, Centra's NGTL expansion capacity will facilitate the logical move of the WTS delivery point and Centra's commodity reference point to AECO, the major gas hub in Western Canada. With this transition, NGTL transportation costs and TCPL compressor fuel costs at Empress (both pipeline costs) will no longer have to be treated as commodity costs, which has always been anomalous.

CAC is the only party that has expressed any opposition to moving on with the approval of the rate re-bundling proposal. Unfortunately, as detailed above, CAC's final position is tenuous and without merit, being premised on incorrect assumptions and misguided notions

[37] PUB/CENTRA 11 a)

as to the scope of changes proposed by Centra. CAC's position is not supported by credible evidence, research or suggested alternatives and as such, added little or no value to the review process for what amounts to a straightforward Application. Importantly CAC's denial of the clear support from customers for re-bundling among focus groups ignores standard market research guidance and practice.

Overall, Centra submits that its rate re-bundling proposal is premised on sound rate-making principles and will add value to customers, WTS marketers and the utility by:

- Ensuring all Centra's costs are recovered on a fair and equitable basis among system supply and WTS customers;
- Eliminating the complexity of billing percentages and two commodity rates;
- Facilitating a simplified bill for customers while continuing to provide meaningful rate information; and
- Supporting the existing competitive market by maintaining fully transparent and comparable AECO-based Gas Commodity rates among Centra and WTS marketers.

Centra further notes that WTS marketers are fully supportive of the changes proposed in this Application. Furthermore, none of the industrial and institutional customers that attended the January 2019 Stakeholder presentation have expressed any concerns on the proposed re-bundled rate structure.

As supported by the evidence provided in this Application and for all of the above noted reasons, Centra submits that the approval of the Application is clearly in the public interest. Accordingly, Centra respectively requests that the PUB approve the Application as expeditiously as possible.