CENTRA GAS MANITOBA INC. RATE-BUNDLING APPLICATION
INTERVENER EVIDENCE INFORMATION REQUESTS
PUB/CAC (RAINKIE-DERKSEN)
OCTOBER 8, 2021

PUB/CAC I-1

Reference: CAC Evidence, page 9; 2010/11 Cost of Gas CAC/MSOS/Centra 12

Preamble:

At page 9, CAC states: "As part of the 2011/12 Cost of Gas proceeding, which resulted in Order 65/11, the PUB reviewed changes to Centra's gas transportation portfolio that resulted in Centra de-contracting and not recontracting some of its firm capacity, in response to continued uncertainty and escalation of tolls on the TCPL Mainline. In order to maintain sufficient capacity to serve the load in Manitoba, Centra arranged for additional delivered service in shoulder months.

In that proceeding, CAC supported Centra's changes to its supply portfolio but noted that the increased reliance on delivered service means that Supplement Gas was no longer used only when weather is colder than normal, but rather was now an integral part of Centra's normal weather supply portfolio."

Order 19/00 at page 14 states: "Storage and peaking gas consists of gas obtained by Centra from U.S. sources and Delivered Services purchased by Centra and received at Centra's City Gate including U.S. sourced peaking gas to meet short-term high demand periods."

In CAC/MSOS/Centra – 12 from the 2010/11 Cost of Gas proceeding, CAC postulated: "It has been CAC/MSOS' understanding that, consistent with the 2008/09 forecast and with the idea that the basic purpose of Supplemental volumes is to provide supply resources in excess of forecast or "normal weather" volumes, Supplemental Storage inventory is primarily a "buffer" against colder than forecast weather and will not be required under forecast conditions. Is that understanding incorrect, and if so in what respect?"

Centra responded: "The premise stated above is incorrect. As detailed in Schedule 8.1.2 of Centra's 2009/10 & 2010/11 General Rate Application, Centra forecast a requirement for 2,340,226 GJ of Supplemental Gas volumes for the 2008/09 Gas Year under normal weather conditions."

Question:

a) Did CAC disagree at the time with Centra’s response to CAC/MSOS/Centra – 12 at the 2010/11 Cost of Gas proceeding? If so and if available, provide references to CAC evidence or argument reflecting CAC’s views.

b) Reconcile CAC’s current view in the Rate Re-bundling application with Centra’s response to the above referenced CAC/MSOS/Centra – 12

c) Does CAC’s premise of Supplemental Gas being used for colder than normal weather align with the Board’s description of Storage and Peaking Gas (as Supplemental Gas was then known) in Order 19/00? Does CAC expect a normal weather year to have short term periods of high demand when Primary Gas supplies are insufficient to serve Centra’s customers?

Response:

Response to a), b) and c):

The passage from Page 9 of the Rainkie/Derksen Evidence in the current proceeding is simply a paraphrasing from the PUB findings on page 28 of Order 65/11 and not a reference to CAC evidence or arguments in the 2010/11 Cost of Gas proceeding. The 2010/11 Cost of Gas proceeding documents are no longer available on the PUB's website and as such it is not possible to verify or provide the requested references to CAC's prior positions.

As it relates to the current rate re-bundling proceeding, the Rainkie/Derksen understanding, and Evidence is consistent with the PUB description of Supplemental Gas from Order 19/00.

PUB/CAC I-2

Reference: CAC Evidence, page 24

Preamble:

At page 24 of its evidence, CAC states: “However, based on the above information, there appears to be a missed opportunity for additional stakeholder engagement in general in advance of the filing of the Application, and engagement with CAC in particular, to discuss perspectives on the results of the Customer Focus Groups and whether there was a compelling justification to move forward with the rate re-bundling proposals.”

Question:

What specific and additional customer engagement does CAC feel is necessary before a decision is made to proceed with rate re-bundling?

Response:

The concern addressed on Page 25 of the Rainkie/Derksen Evidence is that there appears to be a missed opportunity for additional stakeholder engagement between the stakeholder engagement activities at the front end of the rate re-bundling initiative and the filing of the Application by Centra in March of 2021. The missed opportunity was to discuss perspectives on the results of the Customer Focus Groups, gain a better understanding of Centra's proposals, and whether there was a compelling justification, before moving forward with the rate re-bundling proposals through an application by Centra, as was recommended by CAC in January of 2019.

It is noted that Centra is requesting a decision from the PUB on its Application by November 1 of 2021 as it requires a 12-month notice period to WTS Marketers in order to transition their supply arrangements from Empress to AECO by the November 1, 2022 implementation date. Accordingly, it was understood that there was no potential for additional customer engagement in the form of additional surveys or focus groups etc. in advance of a PUB decision on the Application.

PUB/CAC I-3

Reference: **CAC Evidence, page 26**

Preamble:

> At page 26 of its evidence, CAC states: "Centra is proposing that AECO to Empress transportation tolls and fuel costs be functionalized as transportation related and recovered through the transportation rate, the methodology of which it is seeking approval of as part of its Cost of Service Methodology Review: Further to point #1 above, Centra indicated that it will seek approval of the proposed methodology changes associated with transportation-related changes as part of its concurrent Cost of Service Methodology Review or as part of this Application, if required."

Question:

Please identify the problems or issues that may arise if the WTS delivery point is moved effective November 1, 2022 but the Cost of Service Methodology review process is incomplete and thus changes to the functionalization of NGTL tolls and TCPL compressor fuel are not implemented.

Response:

As discussed in Rainkie/Derksen Evidence in Sections 5.2, 5.8 and 5.9, there are numerous issues. Most notably is the concern that costs may not be aligned with the service provided, and thus customers would intentionally not be paying rates commensurate with the costs they cause. And in the absence of clearly articulated rate making objectives, it is unclear whether such a cross subsidy is due or undue.

Section 5.7 of the Rainkie/Derksen Evidence also raises the concern that the accommodation of the delivery point change, which results from changes to Centra's gas supply contract (s), with incremental cost impacts over those currently incurred, has yet to be reviewed in a public forum by the PUB. It is unclear that if the PUB approves the change in delivery point from Empress to AECO for purposes of WTS in this Application if the PUB is implicitly approving the change to Centra's gas supply portfolio and the resulting cost consequences.

PUB/CAC I-4

Reference: CAC Evidence p.27

Preamble:

> At page 27 of its evidence, CAC states: "Since at least 1999, distinction of Supplemental Gas Rates between Firm and Interruptible Customers was necessary to recognize difference in service levels: Over the past couple of decades, Centra has recognized differences in gas commodity service levels between Firm and Interruptible customers. Centra followed a hierarchical approach in which Firm customers were served on a priority basis, receiving first call on Primary Gas commodity sources."

Question:

In CAC's view, is there a cost causal reason for giving firm customers first call on Primary Gas supplies? Please explain why or why not.

Response:

It is important to note that understanding what service is provided is the basis by which cost responsibility is determined, it is not assessing cost responsibility to determine whether the level of service provided is reasonable. Thus, whether first call on Primary Gas supplies ought to be provided to firm customers is a function of what service the utility (Centra) provides or intends to provide to firm customers, the decision of which then should drive their cost responsibility. The simplifying assumption underpinning Centra's Application to re-bundle rates is to pool firm and interruptible customers for commodity gas supply costs but with no apparent change in service levels (that is, firm customers appear still to be given first call on Primary Gas supplies and interruptible customers continue to receive service on a lower priority basis). The results are that 1) Interruptible customers benefit through an overall proposed rate reduction, with a commensurate rate increase for firm customers, and 2) Interruptible customers are responsible for supplemental supply (non-AECO) costs, notwithstanding being responsible for alternate supply (if available) during periods of upstream curtailment. The potential cost differential between Primary Gas and Supplemental Gas can be extreme, as was the case in the winter of 2014. It is unclear that in the absence of a change in service levels, whether such a shift in cost responsibility can be viewed as cost causal.