

Order No. 108/19

**CENTRA GAS MANITOBA INC.
2019/20 GENERAL RATE APPLICATION:
FINAL ORDER IN RESPECT OF STORAGE & TRANSPORTATION COSTS
EFFECTIVE APRIL 1, 2020**

July 24, 2019

BEFORE: Larry Ring, Q.C., Panel Chair
Marilyn Kapitany, B.Sc.(Hon), M.Sc., Member
Carol Hainsworth, C.B.A., Member
Susan Nemec, FCA, FCPA, Member
Mike Watson, Member

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1.0 Summary

By this Order, the Public Utilities Board (the “Board”), on application by Centra Gas Manitoba Inc. (“Centra”), approves the costs associated with certain storage and transportation arrangements to be effective April 1, 2020 (“Storage and Transportation Arrangements”).

Since 1993, Centra has made use of its storage and transportation portfolio to reduce the amount of firm transportation capacity required to transport its natural gas supplies to Manitoba, thereby providing substantial cost savings to Centra and its customers. Centra’s existing storage and transportation arrangements, which have been in place since 2013, will expire on March 31, 2020.

On November 30, 2018, Centra filed its 2019/20 General Rate Application (“GRA”). As part of its Application, as well as part of its submissions at the January 24, 2019 Pre-Hearing Conference, Centra requested approval, by July 31, 2019, of the Storage and Transportation Arrangements. Pursuant to the process established in Procedural Board Orders 24/19 and 98/19, the Board will adjudicate the remainder of Centra’s GRA in a future Board Order.

This Order further directs Centra to file a customer notification and consultation plan with the Board for comment and approval no later than 12 months prior to the commencement of negotiations regarding the future renewal or replacement of any of the storage and transportation arrangements that are the subject of this Order.

The Board also directs Centra to notify the Board when the Storage and Transportation Arrangements related to the costs approved in this Order become publicly available, including through filings in other jurisdictions.

Pursuant to Board decisions on motions by Centra to keep information related to the Storage and Transportation Arrangements confidential, Centra’s evidence was received in confidence by the Board; however, the Consumers’ Association of Canada (Manitoba) Inc. (CAC), one of ten approved Interveners in this GRA, applied for and received access

to Storage and Transportation Arrangements information, and participated in the review of the information held in confidence. CAC retained a gas market expert to review Centra's proposed storage and transportation arrangements.

Consistent with the Board's prior decisions on the confidentiality of the Storage and Transportation Arrangements information, the Board finds that it continues to be in the public interest to maintain specific information on Centra's storage and transportation arrangements in confidence.

Appendix A to this Board Order is a confidential Appendix that discusses the evidence received in confidence from Centra and CAC's expert and elaborates further on the Board's findings. The contents of Appendix A are not placed on the public record and remain confidential until further Order of the Board.

2.0 Procedural History

Background

On November 30, 2018, Centra filed its 2019/20 General Rate Application (GRA). As part of its Application, as well as part of its submissions at the January 24, 2019 Pre-Hearing Conference, Centra requested approval, by July 31, 2019, of the Storage and Transportation Arrangements, which would become effective April 1, 2020.

On February 26, 2019, by way of letter to the parties approved to participate in the review process for Centra's 2019/20 GRA as well as by further related decisions on June 7, June 11, July 3, and July 11, 2019, the Board accepted Centra's requests that certain information about the Storage and Transportation Arrangements be held in confidence pursuant to Rule 13 (2) (a) and (b) of the Board's Rules of Practice and Procedure.

CAC was the only approved Intervener in the GRA to apply for and receive (with Centra's consent) access to the Storage and Transportation Arrangements. CAC tested Centra's confidential evidence related to the costs of the Storage and Transportation Arrangements and filed its own evidence through its expert witness Richard DeWolf. Portions of Mr. DeWolf's evidence on Centra's proposed storage and transportation arrangements were received in confidence by the Board in accordance with Rule 13 of the Board's Rules of Practice and Procedure.

Centra's confidential information related to the Storage and Transportation Arrangements was subjected to two rounds of written Information Requests.

On June 21, 2019, CAC filed evidence from its expert, which provided further review and findings related to Centra's proposed storage and transportation costs. On July 15, 2019, CAC also filed responses to the Board's Information Requests regarding Mr. DeWolf's evidence.

On July 15, 2019 CAC and Centra filed written submissions on the Storage and Transportation Arrangements. Centra also filed a written Reply submission on July 17, 2019.

3.0 Evidence and Intervener Submissions

Centra Gas Manitoba Inc. (Centra)

Since 1993, Centra has made use of storage and transportation arrangements to reduce the amount of firm transportation capacity required to supply Manitoba customers, thereby providing substantial cost savings to Centra and its customers. Centra's existing storage and transportation arrangements, which have been in place since 2013, will expire on March 31, 2020.

In Directive 6 of Board Order 112/12, the Board directed Centra to file with the Board, by September 30, 2017, a proposed stakeholder notification and consultation process with respect to a potential renewal or replacement of its storage and transportation arrangements. On September 28, 2017, Centra proposed to meet with Board staff and Board counsel in order to clarify the expectations of any stakeholder engagement process. After meeting with Board staff and counsel on October 26, 2017, Centra subsequently filed submissions regarding the Board Order 112/12 Directive 6 stakeholder engagement process.

On December 6, 2017, Centra advised the Board that it had contacted CAC, its Transportation Service customers, and its Interruptible customers to canvas their interest in participating in a stakeholder consultation session on the renewal or replacement of Centra's storage and transportation arrangements. Centra subsequently advised that interest was expressed by a limited number of stakeholders. On December 15, 2017, Centra held a stakeholder conference, which was attended by Board staff, Board advisors, CAC, and a few large volume gas customers.

As part of its 2019/20 GRA, Centra provided further evidence in support of certain storage and transportation arrangements. Pursuant to Procedural Board Order 24/19, Centra also filed additional information related to the Storage and Transportation Arrangements as part of its responses to two rounds of Information Requests submitted by the Board and CAC.

Confidential Appendix A of this Board Order contains additional information regarding Centra's storage and transportation arrangements from its Application.

Consumers' Association of Canada (Manitoba) Inc. (CAC)

CAC retained the services of an expert in the North American natural gas market, Mr. Richard DeWolf. Mr. DeWolf was previously retained by Centra in the 1990s to provide advice on storage and transportation arrangements. Mr. DeWolf was later retained by the Board in its 2012 review of Centra's proposed storage and transportation arrangements.

Confidential Appendix A of this Board Order contains additional information regarding CAC's submissions with respect to Centra's proposed storage and transportation arrangements effective April 1, 2020.

Mr. DeWolf reviewed Centra's evidence, including the commercially sensitive information, and concluded that Centra's proposed storage and transportation arrangements are appropriate. Mr. DeWolf also recommended that Centra, the Board, and all parties involved would have been better served had Centra engaged a third party consultant to provide an independent review of these matters, as opposed to the after-the-fact review being conducted by himself and the Board in the current General Rate Application. In Mr. DeWolf's view, a third party consultant would have the benefit of discussions with Centra and other parties and could provide independent expertise to Centra in its decision making.

CAC adopts the position of Mr. DeWolf and supports the Board approving the costs of Centra's Storage and Transportation Arrangements. However, CAC concurs with Mr. DeWolf's recommendation that Centra would have benefited from third party advice and research. Furthermore, CAC argues that the review in this GRA of these arrangements was limited on account of the inability of an after-the-fact review to understand the inputs and decision making that Centra was faced with at that time. As a result, CAC recommends that Centra retain a third party consultant to assist in the review of potential future changes to its storage and transportation arrangements, and to file the consultant's

evaluation report with future Board proceedings. CAC states that an added benefit of such third party expertise is that, with the attrition currently occurring within Centra and Manitoba Hydro, Centra's expertise may be diminished in the future.

4.0 Board Findings

The Board approves the costs consequences associated with Centra's Storage and Transportation Arrangements to be effective April 1, 2020 without any amendments. The Board finds that the annual costs for the proposed storage and transportation arrangements will help lower Centra's overall gas costs as compared to other available alternatives. This will in turn benefit Centra's ratepayers.

The Board is also satisfied with Centra's response to Directive 6 of Board Order 112/12, which dealt with stakeholder consultations in advance of the renewal or replacement of its current storage and transportation arrangements. The Board continues to be of the view that customers, and their representative organizations, should be afforded the opportunity to provide input at the onset of Centra's process to renew or replace its storage and transportation arrangements.

Consequently, the Board directs Centra to file a customer notification and consultation plan with the Board for comment and approval no later than 12 months prior to the commencement of negotiations regarding the future renewal or replacement of the new storage and transportation arrangements. Upon receipt of Centra's notification and consultation plan, the Board will consider what, if any, improvements to the consultation process should be made. Such improvements may include the opportunity for customer groups, such as CAC, to engage natural gas market expertise to assist in the consultation process.

The Board acknowledges that specific information regarding Centra's storage and transportation arrangements has been received in confidence pursuant to Rule 13 of the Board's Rules of Practice and Procedure. However, the Board finds that, consistent with prior communications to the parties on February 26, 2019 as well as in June and July 2019, holding this information in confidence outweighs the public interest in disclosure of this information. Confidential Appendix A of this Board Order provides more details regarding the submissions received from Centra and CAC, as well as additional Board findings.

The Board expects that at some point in the future, the details of the storage and transportation arrangements that are the subject of this Board Order will become publicly available. Should that occur, through other regulatory developments or otherwise, Centra is to notify the Board at the earliest opportunity. At that time, the Board will determine if and whether any information provided in the course of this GRA is to be made public.

Finally, the Board also finds that the cost associated with a third party consultant engaged by Centra to review future changes to the approved storage and transportation arrangements is unnecessary. However, the Board expects Centra to make use of outside consultants in advance of potential future changes to its storage and transportation arrangements should Centra identify internal gaps in market knowledge or following significant natural gas market changes. Should Centra opt to retain third party experts in the future, the Board further expects that Centra file the consultant's report in Board proceedings related to Centra's storage and transportation arrangements.

Pursuant to the process established in Procedural Board Orders 24/19 and 98/19, the Board will adjudicate the remainder of Centra's 2019/20 GRA.

5.0 IT IS THEREFORE ORDERED THAT:

1. The costs associated with Centra's proposal for certain storage and transportation arrangements to be effective April 1, 2020 **BE AND HEREBY ARE APPROVED.**
2. Centra is to file a customer notification and consultation plan with the Board for comment and approval no later than 12 months prior to the commencement of negotiations regarding the future renewal or replacement of the approved storage and transportation arrangements.
3. Centra is to notify the Board when the storage and transportation arrangements related to the costs approved in Directive 1 of this Order become public knowledge.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Larry Ring, Q.C."
Panel Chair

"Rachel McMillin, B.Sc."
Assistant Associate Secretary

Certified a true copy of Order No. 108/19
issued by The Public Utilities Board



Assistant Associate Secretary

**APPENDIX A – CONFIDENTIAL PARTY POSITIONS AND BOARD
REASONS
(COMMERCIALY SENSITIVE INFORMATION)**