

Order No. 98/19

**SECOND PROCEDURAL ORDER IN RESPECT OF CENTRA GAS MANITOBA
INC.'S 2019/20 GENERAL RATE APPLICATION**

July 15, 2019

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

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1.0 Executive Summary

This is the second Procedural Order in respect of the Public Utilities Board (“Board”) review of the 2019/20 General Rate Application (“GRA”) of Centra Gas Manitoba Inc. (“Centra” or the “Utility”). By this Order, the Board establishes a process for the remainder of the hearing, including oral direct evidence and cross-examination, and closing submissions.

The Board also establishes the issues for oral cross examinations to be heard on the oral hearing days set in Order 24/19 Appendix A timetable. These issues will be the subject of oral cross examination only and there will be no direct oral evidence on these issues. The issues for oral cross examination from the Issues List in Order 24/19 are:

1. Rate Changes Requested – only as related to the other issues identified for oral cross examinations;
4. Changes in Finances and Financial Assumptions since Order 85/13 – limited to Operating & Administrative Expense including the accounting treatment of gas meter exchange labour;
5. Finance Expense including Interest Rate Forecast and Debt Management Strategy – to be in scope for oral cross examinations only if there is a material change in the update to be filed by Centra by July 24, 2019, to be confirmed by the Board following the filing of the update;
8. Operating & Administrative Expense, including the accounting treatment of gas meter exchange labour;
11. Capital Expenditures and Rate Base Additions and Retirements since Order 85/13;
13. Demand Side Management – limited to the Continuation of the Furnace Replacement Program and Disposition of the Account Balances;
- 14.(i) Bill Impacts on Consumers – limited to the effect Centra’s proposed rate adjustments will have on the business of industrial customers; and
22. Terms and Conditions of Service – limited to Transportation Balancing Fees and the Customer Equipment Problem Program.

The Cost of Service Study methodology and allocation review issues and options are severed from this GRA and will be deferred for determination through a separate proceeding to be held following the conclusion of the 2019/20 GRA.

The Board will hear oral direct evidence and cross examination on the following limited Cost of Service Study issue:

17. Cost of Service Study Results – limited to options for bill mitigation based on the currently approved and utilized methodology, including the issue of the heating value margin deferral;

All other issues not identified for oral cross examinations and oral direct evidence will be heard and determined by the Board on the basis of the written record in this proceeding.

A timetable for the remaining process steps in the hearing is approved and attached to this Order as Appendix A.

2.0 Procedural History

On November 30, 2018, Centra filed its 2019/20 GRA with the Board. Following a Pre-Hearing Conference held on January 24, 2019, the Board issued Procedural Order 24/19, by which the Board approved Interveners, established the issues included in the scope of the hearing, and established a process and timetable for the orderly exchange of evidence and the conduct of the hearing. Order 24/19 set July 17, 2019 as the date for a second Pre-Hearing Conference to identify issues for oral evidence. Order 24/19 also established the weeks of August 12, 19, 26 and September 3, 2019 as the dates for the public oral hearing, with the dates and days of the week to be finalized at the second pre-hearing conference.

Pursuant to the schedule established in Order 24/19, Intervener evidence has now been filed and parties have filed Information Requests on Intervener evidence, with responses due to be filed on July 19, 2019. Centra is to file a pre-hearing update on July 24, 2019 and any rebuttal evidence on August 2, 2019.

The Order 24/19 timetable initially set July 17 and 18, 2019 as the dates for a possible oral *in camera* hearing on Centra's storage and transportation portfolio ("Tab 9"). By letter of June 27, 2019, the Board determined that the Board's hearing of those issues would be in writing and written submissions from interested Parties were requested.

Also by letter of June 27, 2019, the Board determined that the second Pre-Hearing Conference would be held in writing to more efficiently advance the Board's determination of the GRA issues for oral evidence. Interveners were given the opportunity to file in writing their positions on which, if any issues should be subject of oral evidence together with the reasons for such positions. Interveners were also asked to provide their estimate as to the number of oral hearing days required and their position on whether arguments should be heard in writing or orally, or both.

On July 5, 2019, the Consumers' Association of Canada (Manitoba) Inc. ("CAC"), Koch Fertilizer Canada, ULC ("Koch"), and the Industrial Gas Users ("IGU") filed their written positions. On July 8, 2019, Centra filed its written reply to the positions of CAC, Koch, and IGU. On July 9, 2019, IGU provided further written comments, related to procedural matters raised in Centra's reply submission.

3.0 Submissions Regarding Issues for Oral Evidence and Hearing Process

Centra

Centra's position is that an oral evidentiary hearing is not required for any of the issues determined by the Board to be in scope for the hearing of this GRA. Centra submits that no significant facts appear to be in dispute and that the evidence filed by Interveners largely contains argument and recommendations. Centra states that Intervener positions can be addressed in argument.

Centra argues that it is in the overall public interest to conduct the GRA in writing. The Utility also emphasizes that it bears the onus in the GRA proceeding and states that its evidence has been tested through first and second round Information Requests.

Centra states that no party has identified a need for oral evidence on Issues 2, 10, 13 (other than the Furnace Replacement Program), 14(ii), 15, 16, 18, 20, 21, and 22 (other than balancing fees) from the Issues List in Order 24/19. Regarding issues identified by Interveners for oral evidence (as detailed below), Centra states that there is no dispute as to the underlying facts on Cost of Service Study issues that would require oral evidence and that a methodology review is more appropriately a matter for a future generic Cost of Service Study methodology review proceeding. Centra's position is that the issues raised in the GRA can be decided on the basis of written evidence filed on options available to mitigate bill impacts arising from the existing Board-approved Cost of Service Study.

Centra also states that it has already engaged in a multi-year consultation process with stakeholders on Transportation Service balancing fees and no consensus was reached. As such, it is Centra's position that there is ample evidence on the written record in the GRA proceeding on which to determine the issue.

Finally, Centra submits that a number of the issues for oral evidence identified by CAC relate to issues beyond the test year, and are therefore issues for future GRA proceedings, or are outside of Centra's control. Centra also states that the issue of consideration of a minimum retained earnings test was already addressed in the Manitoba Hydro electricity GRA and there would be limited value in holding an oral evidentiary hearing on these matters in the Centra GRA.

Centra submits that, should the Board direct an oral evidentiary hearing, the evidence should be limited to cross-examination only, cross examination should be time limited and restricted to discrete topics, parties should be reminded that the purpose of cross examination is to test or challenge evidence on the record, and should any portion of the hearing conclude ahead of schedule parties must be prepared to proceed to the next item on the hearing schedule without delay.

Should the Board determine it requires oral argument, Centra supports the option for parties to also be able to file written argument, provided such argument is filed sufficiently

in advance of any date for oral argument to allow an opportunity to review such written submissions. Centra also submits that any oral argument be reasonably limited in time.

CAC

CAC submits that there must be an oral evidentiary hearing in this proceeding. CAC argues that an oral evidentiary hearing will enhance the comprehension of all parties and the Board of the voluminous record, will allow CAC's witnesses to explain their evidence on technical matters to the Board, and will allow for testing of the positions of Centra and other Interveners. In this regard, CAC notes that there are differences between CAC and Centra on the issues of compliance with Board directives and differences between Interveners regarding the Cost of Service Study. CAC also states that an oral evidentiary hearing will allow for testing of Centra's rebuttal evidence and pre-hearing update on gas costs and the interest rate forecast.

CAC submits that the following issues from the Issues List established in Order 24/19 should be the subject of oral evidence at a public oral hearing:

- 1. Rate changes requested
- 3. and 12. Financial Targets and Return on Rate Base / Return on Equity
- 4. Changes in Finances and Financial Assumptions since Order 85/13
- 5. Finance Expense, including Interest Rate Forecast and Debt Management Strategy
- 6. Accounting Changes and Implementation of IFRS
- 8. O&A Expense
- 9. Integrated Cost Allocation Methodology
- 11. Capital Expenditures and Rate Base Additions / Retirements since Order 85/13
- 13. Demand Side Management – Continuation of the Furnace Replacement Program and Disposition of Account Balances
- 17. and 24. Cost of Service Study Results and Methodology and Rate Design

CAC states that it estimates it will require one and a half days of oral hearing time for cross examination and that one day of oral hearing will be required for the oral evidence of CAC's expert witnesses. CAC advises that it prefers closing submissions be delivered orally.

IGU

IGU submits that the Board should sever the Cost of Service Study methodology issues from the 2019/20 GRA proceeding and not approve any rate adjustments until after a generic Cost of Service Study methodology review proceeding. In the alternative, IGU states that these matters will require oral evidentiary hearing days.

IGU also submits that the balancing fees issue can be deferred to a collaborative process outside of the GRA proceeding, thus avoiding the need for an oral evidentiary hearing. In the alternative, IGU argues that this is a material, substantive issue that will require oral evidentiary hearing days.

IGU states that the disposition of the balances in the heating value margin deferral account can be dealt with on the basis of the written record of the proceeding.

On revenue requirement issues, IGU advises that it has allowed CAC to take the lead on these matters, but states that it expects that these topics will benefit from review at an oral hearing where there are differences in the underlying facts.

IGU estimates that, should the Board not accept IGU's recommendations to sever the Cost of Service Study and balancing fee issues from the GRA proceeding, it will require two to three hearing days to cross examine Centra's witnesses and for direct evidence from IGU's witnesses on these topics. IGU expects that it will require one hearing day for cross examination of Centra's evidence on revenue requirement issues, focused on areas of specific interest to industrial customers not already canvassed by other counsel in cross examination.

Koch

Koch submits that the Cost of Service Study methodology and allocation matters should be deferred to a separate proceeding, through which those matters can be tested in an oral evidentiary hearing, prior to the Board accepting any of the rates proposed by Centra in the GRA. Koch further submits that the issues of the Integrated Cost Allocation Methodology and macro-economic impacts of the proposed rates should be the subject of an oral evidentiary hearing.

Koch estimates that it will require two to three hours to cross examine Centra on the Cost of Service Study issues and two to four hours for the oral evidence of Koch's expert. Koch submits that the Cost of Service Study issues can be argued in writing.

4.0 Board Findings

Issues for Oral Evidence

The Board has considered the submissions of the parties and has determined that the Board will hold an oral evidentiary proceeding only on the issues for oral evidence that the Board has identified below. The issues identified by the Board are the subject of material disagreement between parties, the underlying facts are in dispute on the written record, and/or the understanding of all parties and the Board will be enhanced by testing of the evidence on these issues through cross examination.

The Board has concluded that time-limited direct evidence presentations will be permitted only on the Cost of Service Study issues determined to be in scope for oral evidence to enhance the understanding of all parties as to the options identified for bill mitigation. All other issues for oral evidence will be limited to oral cross examination and will not include oral direct evidence presentations by witnesses.

The Board finds that all Cost of Service Study methodology and allocation issues will be severed from the current GRA and deferred to a separate generic Cost of Service Study methodology review proceeding to be held after the conclusion of the 2019/20 GRA

proceeding. The Board will not hear or determine these issues in the current GRA as the evidentiary record of this proceeding is not sufficient for the Board to conduct a such a full review. The Board accepts CAC's submission that individual methodology changes should not be made in isolation and should instead be considered on a complete evidentiary record on Centra's Cost of Service Study methodology.

As such, as detailed below, only the options identified for ways to mitigate the bill impacts arising from the results of the existing Board-approved Cost of Service Study, not including methodology and/or allocation changes except for the heating value margin deferral, remain in scope in the 2019/20 GRA and will be the subject of both direct oral evidence and oral cross-examination.

The Board has determined that the following issues from the Order 24/19 Issues List, as limited or modified below, are in scope for oral cross examinations:

1. Rate Changes Requested – only as related to the other issues identified for oral cross examinations;
4. Changes in Finances and Financial Assumptions since Order 85/13 – limited to Operating & Administrative Expense including the accounting treatment of gas meter exchange labour;
5. Finance Expense including Interest Rate Forecast and Debt Management Strategy – to be in scope for oral cross examinations only if there is a material change in the update to be filed by Centra by July 24, 2019, to be confirmed by the Board following the filing of the update;
8. Operating & Administrative Expense, including the accounting treatment of gas meter exchange labour;
11. Capital Expenditures and Rate Base Additions and Retirements since Order 85/13;
13. Demand Side Management – limited to the Continuation of the Furnace Replacement Program and Disposition of the Account Balances;
14. (i) Bill Impacts on Consumers – limited to the effect Centra's proposed rate adjustments will have on the business of industrial customers; and

22. Terms and Conditions of Service – limited to Transportation Balancing Fees and the Customer Equipment Problem Program.

The Board will hear oral direct evidence and oral cross-examination on the following limited Cost of Service Study issue:

17. Cost of Service Study Results – limited to options for bill mitigation based on the currently approved and utilized methodology, including the issue of the heating value margin deferral;

Excepting the review of the Cost of Service Study Methodology and Allocation, which is deferred to a separate process to be held after the conclusion of this GRA, all other issues will be heard by the Board on the basis of the written record in the proceeding.

Hearing Process

The oral evidentiary hearing will be held on the dates of August 14, 15, 16, 20, 21, 22, 27, and 28, 2019. Each hearing day will commence at 9:00 am. Parties should be prepared to sit into the late afternoon or early evening as required to complete the oral evidentiary portion of the hearing. Should portions of the hearing conclude ahead of schedule parties should also be prepared to proceed to the next item on the hearing schedule without delay.

Parties will be given the opportunity to provide brief oral opening comments on the issues identified for oral evidence on August 14, 2019.

As detailed above, all oral evidence will be limited to oral cross examination, except on Issue 17 (as limited in scope pursuant to this Order). On Issue 17, Centra and Interveners who filed evidence on this issue will have the opportunity to provide time-limited oral direct evidence presentations prior to oral cross-examination.

The Board will require oral submissions from parties only on the issues identified for oral evidence. Oral submissions will be heard on September 3, 4, and the morning of September 5, 2019. Parties may also choose to file written submissions on the issues

identified for oral evidence. Any such written submissions on the issues identified for oral evidence are required to be filed with the Board and circulated to all parties on or by **4:00 pm on August 29, 2019**.

Time limits for opening comments, cross-examination on issues identified for oral evidence, direct evidence on Issue 17 (as limited in scope pursuant to this Order), and oral submissions on issues identified for oral evidence will be set in a detailed hearing schedule to be circulated by Board staff or Board counsel.

All issues not identified in this Order as issues for oral evidence will be heard and determined by the Board based on the written record in the proceeding. Written submissions on the issues that will be heard and determined by the Board based on the written record in the proceeding are to be filed with the Board and circulated to all parties as follows:

- Centra's written submissions on or by **Monday, August 12, 2019**,
- Intervener written response submissions on or by **Friday, August 23, 2019**,
- Centra's written reply submission, if any, in response to new or unanticipated issues raised in the Intervener written submissions on or by **Tuesday August 27, 2019**.

Any references to matters determined by the Board to be confidential should be redacted on the public version of any written submissions, with the confidential version circulated only to the Board and any party or individual granted access to that information by the Board.

Appendix "A" to this Order sets out a revised hearing timetable.

5.0 IT IS THEREFORE ORDERED THAT:

1. The process as set out in section 4.0 of this Order be, and hereby is, established for the hearing of Centra's 2019/20 General Rate Application,
2. The following issues are identified as issues for oral cross-examination at the oral evidentiary portion of the hearing of Centra's 2019/20 GRA:
 - a. Rate Changes Requested – only as related to the other issues identified for oral cross examinations;
 - b. Changes in Finances and Financial Assumptions since Order 85/13 – limited to Operating & Administrative Expense including the accounting treatment of gas meter exchange labour;
 - c. Finance Expense including Interest Rate Forecast and Debt Management Strategy – to be in scope for oral cross examinations only if there is a material change in the update to be filed by Centra by July 24, 2019, to be confirmed by the Board following the filing of the update;
 - d. Operating & Administrative Expense, including the accounting treatment of gas meter exchange labour;
 - e. Capital Expenditures and Rate Base Additions and Retirements since Order 85/13;
 - f. Demand Side Management – limited to the Continuation of the Furnace Replacement Program and Disposition of the Account Balances;
 - g. (i) Bill Impacts on Consumers – limited to the effect Centra's proposed rate adjustments will have on the business of industrial customers; and
 - h. Terms and Conditions of Service – limited to Transportation Balancing Fees and the Customer Equipment Problem Program.

3. The following issue is identified as an issue for oral direct evidence and oral cross examination at the oral evidentiary portion of Centra's 2019/20 GRA:
 - a. Cost of Service Study Results – limited to options for bill mitigation based on the currently approved and utilized methodology, including the issue of the heating value margin deferral.
4. Other than as specified in this Order, the Cost of Service Study methodology and allocation review issues and options are severed from Centra's 2019/20 GRA and will be deferred for determination through a separate proceeding to be held following the conclusion of the 2019/20 GRA; and
5. The Timetable attached as Appendix "A" to this Order be, and hereby is, established for the hearing of Centra's 2019/20 GRA.

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. 98/19
issued by The Public Utilities Board



Assistant Associate Secretary

Appendix A

Revised Timetable for Centra's 2019/20 GRA

Item	Date
Intervener Information Responses on Tab 9 Issues only	Friday July 12, 2019
Written Submissions on Tab 9 Issues	By Monday July 15, 2019
Centra's Pre-Hearing Update (Tabs 8-11 and interest rate update)	Wednesday July 24, 2019
Intervener Information Request Responses	Friday July 19, 2019
Centra Rebuttal Evidence	Friday August 2, 2019
Centra Written Closing Submissions on all Issues not Identified for Oral Evidence	Monday August 12, 2019
Public Oral Evidentiary Hearing on Issues Identified for Oral Evidence	Wednesday August 14, 2019 Thursday August 15, 2019 Friday August 16, 2019 Tuesday August 20, 2019 Wednesday August 21, 2019 Thursday August 22, 2019 Tuesday August 27, 2019 Wednesday August 28, 2019
Intervener Responding Closing Submissions on all Issues not Identified for Oral Evidence	Friday August 23, 2019
Centra Reply Written Submissions on all Issues not Identified for Oral Evidence	Tuesday August 27, 2019
Optional Written Submissions on Issues Identified for Oral Evidence	Thursday August 29, 2019 (by 4:00 pm)
Public Oral Submissions on Issues Identified for Oral Evidence	Tuesday September 3, 2019 Wednesday September 4, 2019 Thursday September 5, 2019 (morning only)