

**Order No. 78/22**

**THIRD PROCEDURAL ORDER IN RESPECT OF CENTRA GAS MANITOBA INC.'S  
COST OF SERVICE STUDY METHODOLOGY REVIEW**

---

**July 22, 2022**

**BEFORE:**

Marilyn Kapitany, B.Sc., (Hon), M.Sc., Board Vice-Chair  
Susan Nemec, FCA, FCPA, Member

**Table of Contents**

1.0 Executive Summary..... 3

2.0 Procedural History..... 4

3.0 Submissions Regarding Issues for Oral Evidence and Hearing Process ..... 6

4.0 Board Findings ..... 9

5.0 IT IS THEREFORE ORDERED THAT:..... 10

## 1.0 Executive Summary

This is the third Procedural Order in respect of the Public Utilities Board's ("Board") review of the Cost of Service Study Methodology Review (the "COSSM Review") by Centra Gas Manitoba Inc. ("Centra" or the "Utility").

Centra's Cost of Service Study ("COSS") is used to allocate costs among the utility's different customer classes. The COSS methodology is intended to identify the costs of serving the different customer classes based on the nature of the costs that are incurred and the services provided. The output of the COSS may then be used as a tool in determining the rate design and the specific rates for each of the different customer classes.

Centra's COSS methodology was last the subject of a comprehensive review by the Board in 1996. That review resulted in Order 107/96, which established the Board's approved methodology for Centra's COSS.

In this Order, the Board has determined that an oral evidentiary proceeding in Centra's COSSM Review is not required.

By this Order, the Board requests written submissions from all parties on all in-scope issues that the party wants to address. Centra's written submissions are to be filed with the Board and copied to all Interveners by no later than August 5, 2022. Intervener written submissions are to be filed no later than August 9, 2022, and any written Reply by Centra is to be filed by August 11.

Additionally, the Board invites all parties to appear before the Board to provide time-limited oral submissions on August 17, 2022.

## 2.0 Procedural History

Following several Applications to Review and Vary the filing date, Centra filed its Cost of Service Study Methodology Review (“COSSM Review”) with the Board on June 15, 2021.

In the Board’s first Procedural Order 80/21, dated July 26, 2021, the Board provided direction to Centra in respect of public notice and invited applications for Intervener status from Interveners in prior Board hearings, registered Natural Gas Marketers in Manitoba, and customers of Centra.

By way of a letter to the parties on March 7, 2022, the Board approved Intervener status for Consumers’ Association of Canada (Manitoba) Inc. (“CAC Manitoba”), Industrial Users Group (“IGU”), and Koch Fertilizer Canada, ULC (“Koch”).

In the Board’s second Procedural Order 36/22, dated April 7, 2022, the Board approved a list of in-scope issues for the COSSM Review proceeding as well as a timetable for the initial process steps needed to facilitate the Board’s adjudication of Centra’s COSSM Review:

*...the Board finds that in-scope topics for this proceeding include:*

- 1. Allocation of Transmission and Distribution Plant;*
- 2. Determination of Downstream Demand Allocation Factors;*
- 3. Direct Assignment of High-Pressure Transmission Plant to Customers Classes including Postage Stamp Ratemaking;*
- 4. Classification and Allocation of Distribution Plant including the indexing of the service line study to current costs;*
- 5. Allocation of Upstream Capacity Resources;*
- 6. Allocation of demand-side management costs;*
- 7. Amendments to the COSS methodology for Rate Re-bundling impacts;*
- 8. Elimination of the Co-op class;*
- 9. Allocation of operation & maintenance, customer service, and administrative expenses; and*

*10. Near-term rate impact measure for the Special Contract Class and Power Station Class.*

*The Board further finds that the following topics are not in-scope for Centra's COSS Methodology Review Application:*

- Minimum margin guarantee for the Power Stations class;*
- Matters of Rate Design & introduction of a Zone of Reasonableness; and*
- Customer Class Rate Impacts.*

In Order 58/22, dated May 31, 2022, the Board denied motions filed by CAC Manitoba and IGU that sought to gain access to Centra's COSS computer model (or a proxy model) and to information that the Board received from Centra in confidence. In its decision of the motions, the Board found:

*Given that all Parties to Centra's COSSMR Application proceeding accepted Atrium as an expert cost of service study consultant, qualified to review Centra's existing COSS methodology and to review Centra's existing COSS computer model, a key step in this review has been completed. Based on the submissions filed, the Board finds no need in having CAC Manitoba's or IGU's experts also review the existing COSS computer model or a proxy model. Likewise, with one limited exception, the Board finds that to make their COSS recommendations, Interveners do not need access to the limited customer-specific and gas supply arrangement information that has been filed in confidence with the Board and not placed on the public record.*

Additionally, in Order 58/22 the Board approved a revised timetable for the continuation of the orderly review of Centra's COSSM Review. This timetable was further revised by the Board by way of a letter to the parties on June 3, 2022.

On July 7 and 8, 2022, pursuant to the Board's revised timetable of June 3, 2022, the Board received submissions from Centra, CAC Manitoba, and IGU/Koch (joint submission) regarding the need and scope for an oral hearing and written submissions with respect to the COSSM Review.

### **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 COSSM Review proceeding.

Centra submits that the written evidence filed to date in this proceeding is largely opinion based and that the difference in CAC Manitoba's opinion from the view of other parties is clear. Further, Centra maintains that there does not appear to be disputed facts and, therefore, neither oral evidence nor cross-examination will materially contribute to the parties' or the Board's understanding of the issues. As such, Centra submits that all issues should now be subject to final written submissions by all parties, with Centra requesting the right to provide written reply to the final written submissions of other parties.

However, should the Board determine a need for an oral hearing, Centra's alternative submission is that the oral evidence be limited to the most contentious and significant issues, namely:

- Issues 1 & 2: Downstream demand allocation of Transmission and Distribution plant;
- Issue 3: Direct allocation of high-pressure Transmission plant; and
- Issue 6: Allocation of demand-side management costs.

In Centra's alternative submission, all other in-scope issues would be addressed via written submissions only.

In terms of the format to be used for any oral hearing, should the Board ultimately decide one is needed, Centra proposes to utilize two witness panels. The first panel would use the concurrent evidence format where all expert witnesses (i.e. Atrium and the experts from CAC Manitoba, IGU, and Koch) would make individual opening comments and then undergo cross-examination by Board counsel and representatives of the parties. If

required, Centra would make available a second panel consisting of witnesses from its own staff that would provide factual clarifications through direct evidence and cross-examination by Board counsel and the Interveners who are adverse to Centra's position. Further, Centra recommends that any oral evidentiary hearing use full and consecutive business days in order to more efficiently utilize all hearing resources, including Atrium which has limited availability for this proceeding.

### **CAC Manitoba**

CAC Manitoba advocates for an oral evidentiary hearing as its positions regarding Centra's COSSM Review are in opposition to all other parties and also because the members of the Small General Service class, represented by CAC Manitoba, are vulnerable to a substantial long-term shift in cost allocation methodologies. CAC Manitoba submits that the Board will benefit from hearing from witnesses during an oral hearing as the cost of service subject matter is complex and specialized.

In CAC Manitoba's view, there are six issues in this proceeding that are subject of material disagreement, involve facts that are in dispute, and where the understanding of all parties and the Board could be enhanced by testing through an oral evidentiary hearing:

- Issues 1 & 2: Downstream demand allocation of Transmission and Distribution plant
- Issue 3: Direct allocation of high-pressure Transmission plant
- Issue 5: Allocation of upstream capacity resources
- Issue 6: Allocation of demand-side management costs
- Issue 10: Near-term rate impact measure for Special Contract class

CAC Manitoba recommends that the above-listed issues be addressed in an oral evidentiary hearing, with the remaining in-scope issues from Order 36/22 considered based on the existing written record and final written arguments filed after the closing of the oral issues.

CAC Manitoba submits that the scheduling and length of the oral hearing can be managed by all parties by providing time estimates to Board staff and counsel. However, in CAC Manitoba's view, the COSSM Review oral evidentiary hearing should allow all parties to make opening comments, provide direct evidence, undertake cross-examination of other party witnesses, and make an oral closing submission on the above oral issues. In order to allow the parties sufficient time to focus on the oral hearing issues, written closing submissions on issues not identified for oral evidence should be filed after the closing of the oral hearing.

### **IGU and Koch (joint submission)**

Given the limited, high-level scope of this proceeding, and in the interest of maintaining a cost-effective and efficient regulatory process, both IGU and Koch support a direct move to final written submissions, coupled with an in-person appearance by counsel to the parties to present those submissions to the Board.

IGU and Koch acknowledge that the limited scope evidentiary process has resulted in procedural fairness to all parties and has allowed each of the parties' experts, including the experts of CAC Manitoba, to set forth relevant evidence and address differences in their recommended approaches. As a result, IGU and Koch view the evidentiary foundation for Board decisions to be complete.

However, and alternatively, should the Board wish to have certain issues addressed in an oral evidentiary hearing, IGU and Koch are prepared to make their experts available at an oral hearing on any evidentiary issues identified by the Board.

Given the limited information available to Interveners in this proceeding, IGU submits that the manner in which Centra interprets and implements the COSS methodologies from this proceeding will necessarily require further testing at the next Centra General Rate Application, to be achieved through in-person testimony and cross-examination. Furthermore, there is an expectation by IGU/Koch that, at the next Centra General Rate Application, Interveners will be provided access to unredacted information and COSS worksheets.



## 4.0 Board Findings

The Board considered the submissions of the parties and determines that the Board will not require nor hold an oral evidentiary proceeding in this COSSM Review. The Board finds that with the evidence being heavily opinion based, neither oral evidence nor cross-examination will materially contribute to the Board's further understanding of the issues. While CAC Manitoba claims the facts are disputed, the Board finds that the facts themselves are not in dispute; rather the appropriate methodologies arising from those facts are what is in dispute.

Instead of an oral evidentiary hearing, the Board invites written submissions from all parties on all in-scope issues that the party wants to address. Centra's written submissions are to be filed with the Board by no later than August 5, 2022. Intervener written submissions are to be filed no later than August 9, 2022, and any written Reply by Centra is to be filed by August 11, 2022. Parties are to copy all other parties with their written submissions that are filed with the Board.

After the filing of written submissions, all parties are invited to provide time-limited oral submissions to the Board on August 17, 2022. Following the Board's review of the written submissions, the Board may restrict the issues on which it requires oral submissions and will notify all parties prior to August 17, 2022.

Subject to revision and timelines fixed by the Board, Centra's oral submissions will be followed by IGU's/Koch's and then CAC Manitoba's. Should there be any new matters raised in the Interveners' submissions, Centra can request an opportunity to Reply.

## 5.0 IT IS THEREFORE ORDERED THAT:

1. Instead of an oral evidentiary hearing, the Board invites written submissions from all parties on all in-scope issues that the party wants to address. Centra's written submissions are to be filed with the Board by no later than August 5, 2022. Intervener written submissions are to be filed no later than August 9, 2022, and any written Reply by Centra is to be filed by August 11, 2022.
2. All parties are requested to provide time-limited oral submissions to the Board on August 17, 2022.

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](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Marilyn Kapitany"

Board Vice-Chair

"Rachel McMillin, B.Sc."

Associate Secretary

Certified a true copy of Order No. 78/22  
issued by The Public Utilities Board



Associate Secretary