



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: CENTRA GAS MANITOBA INC'S
2019/20 GENERAL RATE APPLICATION
HEARING CONFERENCE

Before Board Panel:

- Larry Ring, Q.C. - Panel Chair
- Marilyn Kapitany - Vice-Chair
- Michael Watson - Board Member
- Carol Hainsworth - Board Member
- Susan Nemec - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
September 3rd, 2019
Pages 1263 to 1359

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1 --- Upon commencing at 9:08 a.m.

2

3 THE CHAIRPERSON: Good morning,
4 everyone. We don't want any distraction from Mr.
5 Hacault's long-awaited submissions, so we are going to
6 stand adjourned for fifteen (15) minutes.

7

8 --- Upon recessing at 9:08 a.m.

9 --- Upon resuming at 9:47 a.m.

10

11 THE CHAIRPERSON: Good morning, all,
12 again. Thank you for your patience with that the
13 adjournment. Mr. Hacault, have silence and our
14 attention.

15

16 SUBMISSIONS BY MR. ANTOINE HACAULT:

17 MR. ANTOINE HACAULT: Thank you very
18 much, Mr. Chairman, members of the Board. I started
19 by coming into this room and saying it was a wet
20 ceiling, so it's because it's raining on my party, and
21 then I heard all the drilling. I said, This -- this
22 is a bad premonition, just like -- it's like going to
23 a dentist. That's what listening to Hacault is going
24 to be about.

25

Anyways, I think there is some

1 housekeeping rules I need to attend to prior to
2 starting my submission. There is a main submission,
3 which I understand will be marked IGU-19.

4

5 --- EXHIBIT NO. IGU-19: Antoine Hacault's main
6 submission

7

8 MR. ANTOINE HACAULT: During the
9 break, there's a discussion with counsel for Centra,
10 and there was a document called supplement to issue
11 number 6. That should be deleted from the record, and
12 I've spoken to Mil -- Ms. Villegas, and I believe
13 that's already been done.

14 One (1) or two (2) brief comments on
15 that. Centra disagrees, is my understanding, with the
16 visual depictions and some of the points that were
17 made in that document. So we've asked a withdrawal.

18 The -- I'll be getting into this in my
19 submission, but it appears that there's a
20 misunderstanding or a different view of evidence on
21 how the tariff might apply in various circumstances.
22 And as I will detail further in my submission, this is
23 an additional reason why IGU is recommending that the
24 Board facilitate and supervise a process where this
25 tariff and the need for the tariff, because there is a

1 need, be structured appropriately and understood by
2 all. I don't think IGU would have been in a position
3 where it had to withdraw some slides if it understood
4 Centra's position on the tariff as well as Centra had
5 hoped we did.

6 With that, IGU thanks this Board for
7 the opportunity to participate in this hearing. IGU
8 has attempted to deal with the issues which are of
9 common interest to industrial gas users, both customer
10 service, as we've heard, there's that group, and also
11 the T-Service customers, because we have part of the
12 two (2) groups forming IGU.

13 IGU would also like to take -- take
14 this opportunity to thank the parties in this
15 proceeding for their collaboration. We often take
16 this for granted in Manitoba, because this is the way
17 we do things. I would like to thank IGU members, the
18 expert witnesses for their support, and also Centra
19 for its collaboration.

20 We've had some challenges with
21 procedure at one point in time. IGU would like to
22 have the opportunity to maybe comment on the good
23 things that came out of the expedited process, but
24 also the challenges that we faced, the time limits,
25 and other issues. So we always look to improve things

1 and make sure that the -- the Board gets the best
2 information it can.

3 To the extent possible, as you may have
4 seen, IGU collaborated with CAC in order to avoid
5 duplication. We planned this, CAC take -- took a lead
6 role on some issues, and we've taken the lead role in
7 other issues.

8 For that reason, I will also in this
9 presentation attempt to avoid any duplication of Mr.
10 Meronek's argument presented last Fri -- last week on
11 operating and O&A issues, on asset management issues,
12 and the power station issue. IGU's position is
13 generally aligned with those of CAC on the three (3)
14 issues that I've identified.

15 The document we filed on August 29 sets
16 out firstly all the recommendations, the reasons for
17 recommendations, and there is issue briefs supplied
18 for each issue. That's the structure.

19 Dur -- during my presentation, if at
20 any point, any Board members have any questions,
21 please ask them. So I'll start with the
22 recommendations, and then why we've made them will be
23 dealt with on an issue by issue basis.

24 So firstly, there's been discussion on
25 the scope. This is als -- always a challenge when

1 issues are integrated and interrelated. This is a
2 challenge we've had to deal with because we've had
3 several years between applications. And the cost of
4 service in particular hadn't been the subject of a
5 robust review for a very long time.

6 So it leads us to the first
7 recommendation, that when we're considering the scope,
8 the Board should consider the reliability of this
9 information in setting the rates for 2019 and 2020
10 test year, including correcting adjustments to
11 Centra's proposed rates and riders to address known
12 problems with the current cost information.

13 We'll have some comments on the
14 reliability, so I'm at point 2. Our recommendation is
15 that the Board should direct Centra to make any
16 adjustments to nongas rates and revenue requirement on
17 an equal percentage basis to all customer classes.

18 The third issue, the heating value
19 margin deferral account. We say that's clear. It's a
20 problem that's been identified since 19 -- or sorry,
21 2012, and there's no reason not to correct that issue.
22 There's basically consensus that it's an issue that
23 needs to be corrected.

24 The power station minimum margin
25 guarantee. IGU supports the recommendation of the CAC

1 witnesses. This is a compliance issue, we say, and it
2 should be kept at the minimum margin guarantee amount
3 until there's a proper review at the cost of service
4 hearing.

5 On bill mitigation, we've -- also,
6 you'll see in the evidence or submission -- firstly, I
7 want to relate back to item 2, the equal percentage
8 basis you've heard is also a mitigation option. So
9 it's got two (2) hats, but there's additional options
10 that the evidence spoke to.

11 Firstly, under 5(a), adjusting the
12 allocation of the heating value margin deferral
13 account to reflect volumetric revenues, not just
14 volume, and that would have an impact on various
15 customer classes, including high-volume firm,
16 mainline, and also special contract.

17 We've also heard evidence on zones of
18 reasonableness as a way of mitigating impacts of
19 rates. So we are making a recommendation, if I go to
20 the top of page 2 of our recommendations, that the
21 zone of recommend -- of reasonableness should be wider
22 than the one (1) -- ninety-five (95) to one-o-five
23 (105) currently used by Manitoba Hydro. This would
24 just be an interim -- I want to stress that -- interim
25 zone of reasonableness until we have the cost of

1 service issue dealt with.

2 And the last part that you've heard as
3 an option was to defer and amortize increased costs of
4 transportation-related expenses. And the evidence, I
5 think, is pretty clear that this is one (1) of the
6 drivers and major changes that has occurred since the
7 last cost of service study.

8 The last -- or before last issue,
9 balancing fees. You'll recall that when there were
10 Intervenor applications, there was a consensus, and
11 every industrial user and every Intervenor that had
12 any kind of volume was concerned about this, concerned
13 about the proposal, concerned about how it would apply
14 to them. This is a huge issue for the industrial
15 customers.

16 And we say that there's a lack of
17 clarity, and we are therefore recommending that the
18 PUB direct a further process overseen by the Public
19 Utilities Board, T-Service customers, and Centra Gas
20 to develop mitigation options to help T-Service
21 customers and Centra Gas to collectively minimize
22 natural gas imbalances. Secondly, to finalize an
23 appropriate tolerance band and fee structures for
24 charging imbalances.

25 I'll go through it in more detail, but

1 there is, from the evidence, a definite mismatching
2 between what's already a punitive schedule, the TCPL
3 schedule -- it goes from progressively 2 percent, 4
4 percent, and it was explained by Centra that every
5 time you go higher, you get a larger penalty, or a
6 larger incentive is what was used.

7 So the starting point is already
8 punitive. And based on what we've seen so far, if we
9 can't, as industrial users, adapt to this new formula
10 the way it's going to be applied individually -- not
11 as a pool -- is going to lead to results that are
12 multiples of an already punitive formula, and there's
13 got to be a better way to do that. There's got to be
14 more alignment to that, and I'll address that further
15 in my submission.

16 So I'm not going to read each of the
17 subparagraphs (a), (b), and (c), but we feel it's very
18 important that if we're going to be getting it right,
19 that there's some oversight and some monitoring of
20 what actually happens going forward. You don't come
21 with a big shotgun when you don't need one.

22 We haven't had a chance to try and
23 adapt, put the punitive amounts that TCPL is
24 collecting; not more than that to see how people react
25 and how we can deal with the problem that Centra has

1 identified.

2 Last item, operating and administrative
3 expenses, we're recommending for the reasons that
4 follow that Centra also, as was Manitoba Hydro, be
5 directed to target an escalation factor of no more
6 than 1 percent per year.

7 So topic number 1, I don't envy, as Mr.
8 McLaren had said, the Board's issue and the Board's
9 position. We have recommendations, we have reasons
10 for those recommendations, but let's face it, the cost
11 of service study is decades old. There's a lot that's
12 past, and that's an issue in the heating value
13 deferral account and other accounts too.

14 The Board had to incent Centra in the
15 last order to make an application, and when things are
16 old it raises a whole bunch of issues and challenges
17 that we unfortunately have to deal with.

18 Centra's a monopoly, and we say PUB is
19 there to protect customers and ensure that they are
20 only paying for what they caused. The PUB is the
21 protection of the public so that you don't have to pay
22 for things that you didn't cause.

23 Now as we've seen, Ms. Derksen
24 explained that she thought the cost of service
25 studies' issues were caused by substantial investments

1 in transmission and that these were known by Centra
2 for at least four (4) years back in 2015. As a
3 result, in the procedural parts of this hearing, all
4 parties essentially unanimously suggested to this
5 Board that the cost of service review could not
6 adequately be dealt with in this hearing based on the
7 current record. The Board agreed.

8 On one hand, customers were charged for
9 rates which were previously found to be fair and
10 reasonable; on the other hand, there is a cost of --
11 cost of service study which the Board back in 1996
12 found to be reasonable.

13 So you've got two (2) things: cost of
14 service that somebody decided in 1996 was reasonable
15 and the rates that people were paying without new
16 adjustments that somebody found was just and
17 reasonable.

18 How do we deal with that? If in 2015
19 when we knew there were problems with transmission,
20 Centra had come to the Board for a GRA and cost of
21 service and we had reliable information on the level
22 of rates, the answer would be simple, right. We'd
23 know we had a reliable cost of service study. If we
24 had to make adjustments, we'd make adjustments.

25 The question I was asking myself is,

1 what then becomes the status quo? How do you deal
2 with these challenges, and how do you maintain the
3 status quo in advance of this detail cost -- cost of
4 service hearing?

5 Centra doesn't need increased revenue,
6 so we don't have that problem. But should we in this
7 hearing cause a major shift in actual dollars paid by
8 various customer classes to meet that revenue
9 requirement, because that's what we're hearing. The
10 old cost of service study is going to change that
11 waterbed. There's going to be a group that's going to
12 have to pay a lot of more actual dollars even though
13 they haven't changed the way they're using the gas,
14 and we say the answer has to be no.

15 The -- if we're going to page 1-1 of my
16 -- the written submission on the recommendations,
17 there's bullets at the bottom -- bottom, there's three
18 (3) areas which we say where the Board and has reason
19 to conclude from the current cost information that the
20 cost of service study is not useful for ratesetting
21 purposes.

22 Firstly, just looking at the results, I
23 don't think I've ever seen a swing of over 30 percent
24 in a particular class, depending on what you apply as
25 a cost of service study.

1 Secondly, the current method for
2 allocating costs on the heating value margin deferral
3 account, we know that's off by millions. Everybody
4 agrees. Treatment of cost for power station class,
5 Centra itself has proposed to update the method.
6 Well, if was so reliable, why would they have to
7 update the method?

8 And (c), (c) is also proposing a change
9 to Centra's cost allocation.

10 Now, I do want to go back to what
11 happened procedurally, because there were fairly
12 strong positions on what constituted the scope and
13 what didn't constitute the scope. And on page 1-2
14 under 'Discussion and Support,' I start with, and it
15 bears repeating, it'll all be on the record:

16 "In a letter dated July 5, 2019,
17 CAC, through its counsel, was
18 summarizing where we're at. CAC's
19 expert witness also recommends
20 having the SGS class contribute --
21 continue to over contribute to costs
22 and offer the following alternatives
23 to mitigate to some customer classes
24 -- or the impacts to some customer
25 classes."

1 Now, you see the word 'mitigate,' and
2 when they're making the submissions there, we're
3 talking about mitigation. In the final submissions
4 there was a different approach to what was mitigation.

5 The mitigation included capturing costs
6 and transmission investment. It included allocating
7 heating value deferral margin to all classes, espec --
8 except the special contract class.

9 Now, if we go further in that same
10 letter, at the bottom of page -- so line 25 of this
11 argument, we'll see again, contrary to the submissions
12 made in front of this Board in final argument, it's
13 summarizing what IGU put in its evidence.

14 Mr. McLaren spoke to that. He provided
15 all the various options. But how did he characterize
16 those options in that submission leading to the
17 procedural order? IGU recommends that any rate change
18 flowing from Centra's GRA be suspended pending a full
19 cost allocation review or range of revenue to cost
20 rate -- ratios, rather than unity to mitigate.

21 Everybody is talking about mitigation
22 for all the different options that we've discussed in
23 evidence and all the different options that we've been
24 cross-examining on, except in final argument. And
25 then on the top of the next page CAC in that same

1 letter is saying these alternatives and any others
2 that may be raised must be reviewed in a public forum.
3 So there's no question of what those being in scope.

4 And even Centra, that July 8th letter,
5 and it's talking about bill mitigation. Not saying
6 it's out of scope, you're saying based on the
7 foregoing, Centra is the view -- of the view that the
8 evidence filed by CAC, so we looked at those options,
9 IGU, Mr. McLaren's options, and Koch, Koch had options
10 too, on what options to mitigate bill impacts.

11 Going into this process and prior to
12 the final submissions, everybody viewed all these
13 options as bill mitigation options.

14 Now, the Board is going to have to do
15 what it wants to do, but everybody is coming at it in
16 one way, leading to a procedural order, and then when
17 all the evidence is finished they say oh, no, no, just
18 -- what Mr. McLaren is saying is not bill mitigation,
19 or what Koch is saying is not bill mitigation. It's -
20 - it's just very, very narrow scope.

21 And we say that the Board is here to
22 protect the public, it's here to protect, amongst
23 others, the industrial gas users and if to adopt any
24 of what was considered as bill mitigation options
25 leading to this procedural order is an appropriate

1 option, we encourage the Board to adopt that option.

2 Now, I also quoted at lines 12 to 15
3 how some of these submissions were integrated into the
4 Board order. So you see at line 13:

5 "Centra's position is that issues
6 raised in the GRA can be decided on
7 the basis of written evidence filed
8 on options available to mitigate
9 bill impacts."

10 Well, the paragraph right above that
11 talks about what that was. It was all the options are
12 on the table.

13 I am moving to page 1-4, middle of the
14 page, about line 18. I don't intend to go through all
15 the arguments, but I do intend to go through some
16 highlights of it.

17 It's our view, and I'm at line 18,
18 that:

19 "The Board has sufficient
20 information in the current
21 proceedings to conclude that there
22 are material problems with the cost
23 information in at least three
24 areas."

25 Firstly, the reliability. I know

1 you've had different evidence on that, but you've had
2 expert evidence saying that there's some issues with
3 reliability.

4 A heating margin deferral account,
5 again, that's clear enough. We don't think we need to
6 punt that off to another hearing. We've got enough
7 information, everybody agrees with that.

8 Power stations, again, there's an order
9 that was issued, never an application to vary that
10 order. Don't need to punt that to another hearing.

11 So that concludes what I'm going to
12 highlight out of these particular pages. They're
13 there for the Board in more detail.

14 I'll move to topic 2, Reliability of
15 the Cost of Service Study, and more particularly to
16 the IGU summary and/or recommendation.

17 So at line 14 we reference, once again,
18 Board Order 164/16, it was a hydro hearing. But the
19 principle of causation should be paramount and the
20 cost of service study and rate making considerations
21 including fairness and equity should be addressed in a
22 GRA, and not in the cost of service study.

23 We've heard evidence that there is a
24 material reduction in interruptible customers and a
25 substantial investment in transmission plant for

1 capacity reasons.

2 You may recall I -- a lot of it was
3 north of Winnipeg and I distinguished that we had some
4 major users in Brandon that have absolutely no use and
5 no causation with respect to the investments in
6 transmission. And I think that's why you're seeing
7 the recommendation as a possible solution to defer an
8 amortized transmission, because that's a significant
9 new fact that needs to be addressed and looked at.

10 So line 20 we're recommending that the
11 Board should instead direct Centra to make any
12 adjustments to non-gas rates and revenue requirement
13 on an equal percentage basis, and that is consistent,
14 we say, to an approach that was already followed by
15 this Board in order 143/04 when the Board had found
16 that the cost of service methodology was in a state of
17 flux.

18 They haven't even -- hadn't found that
19 it was unreliable. They said well there's things that
20 are in flux and if they're in flux and things are
21 changing, we don't make radical changes making 30
22 percent increases based on something that's in flux.

23 A couple of reminders on the -- what
24 each method does, page 2-2 at line 19. Peak and
25 average, which is what's being used right now, the

1 evidence is clear at line 20, and this is one of the
2 quotes, it wasn't challenged, that:

3 "This recognizes cost causality as
4 well as non-cost causal factors."

5 So we've got a method that's
6 inconsistent with this Board found to be appropriate
7 in order 164 of 16.

8 And the methodology, if we look at line
9 23, this is being a peak and average methodology,
10 would address equity, non-causal -- non-cost causal
11 factors. Considerations associated with interruptible
12 customers, grain dryers, et cetera.

13 I now move to line 31. The CAC when I
14 reviewed in cross-examination the principles
15 acknowledged that the coincident peak allocates cost
16 based on customer class contribution to the design.
17 It's a standard approach used by utilities in the
18 allocation of transmission capacity, and that's one of
19 the issues that we have. And it's viewed as the most
20 cost causal because it's viewed to conform with the
21 planning and design of transmission investment, and we
22 have the lines of Ms. Derksen's evidence on that
23 issue.

24 Now, what about the 1996 hearing and
25 what kind of flux was it in? If we -- we put a table

1 here, which is pulled from that order and I'd like to
2 draw your attention, because we've got another table
3 that shows the impact again sourced from the evidence,
4 interruptible.

5 You'll see that they form a fairly
6 large proportion of the type of bigger users. They're
7 -- at peak day they're twelve thousand five hundred
8 and fourteen (12,514) peak and average -- sorry, in
9 dollars. And peak and average, they would be at \$16
10 million.

11 And the difference between the two (2)
12 of them, if you go to the right-hand column, is about
13 \$3.6 million change on those interruptible customers.
14 Now, we know there's a migration.

15 And if we flip to page 2.5, about the
16 same place, you'll see that the dollars in
17 interruptible are really low compared to what they use
18 to be. Even on the coincident demand and the peak and
19 average we're under a million dollars, and they're
20 only .2 and .5 percent of the total allocation, so
21 there's a big shift there.

22 And I'm kind of a visual guy, so to me
23 it means a bit more when I just -- than just saying,
24 well, there's been a big change. Okay, well, what's a
25 big change?

1 We see that the change between the two
2 (2) methods is less than half a million dollars,
3 whereas, if we flip back to page 2-3, the changes on
4 the right-hand side for interruptible, nearly \$3.7
5 million. Now, that changes the waterbed quite a bit
6 when you change the composition of your waterbed.

7 So, we're saying just be careful
8 because we've got a totally different set of facts
9 underlying how this system's working right now. We've
10 got some facts at the bottom of page 2-3 on the
11 decreasing numbers, so it's at line 19.

12 You'll see that over ten (10) years
13 we've decreased from forty-six (46) to twenty (20).
14 And I'm now going to jump to the next page, 2-4, at
15 line 15.

16 In cross-examination, I put to Ms.
17 Derksen what was happening at the 1996 hearing and
18 whether she recognized the company that did the cost
19 of service study. She said, Yeah, it was R.J. Rudden.

20 And she acknowledged that that company
21 had suggested that cost-based rates, again, if we're
22 going to go to cost-based, would be enhanced by
23 ensuring that customers only pay for -- pay only for
24 that portion of the system that they use.

25 And it would be further enhanced --

1 enhanced rather by recognizing geographic differences
2 where necessary. And she acknowledged that these
3 issues would come up in the generic cost of service
4 hearing.

5

6 (BRIEF PAUSE)

7

8 MR. ANTOINE HACAULT: I'm going to
9 jump to page 2-6 in the submission, please, top table.
10 It's a table we've seen before. Now, this is a table
11 extracted based on Centra evidence assembled by Mr.
12 McLaren.

13 I note just to start -- as a starting
14 point that, if you look under the top right-hand, it
15 says, "GS," for generating stations, and there's
16 numbers under there, 157,009 -- or 798. That is a
17 number that we've heard sometimes but rounded off at
18 158 in comparison to what the power station minimum
19 guarantee should be, at about 948.

20 So, this table doesn't take into
21 account that issue. But what it does show is that, we
22 say, the cost of study for sure in a flux situation.
23 Directionally, we know that, if we look at HVF, so
24 high volume firm, the existing method would say that
25 that group is only contributing to 92 percent of its

1 costs, but the cost causation method would say they're
2 bang on, at a hundred percent.

3 If we go two (2) lines down to, "ML,"
4 which is for mainline, we see that the existing method
5 would say that they're only contributing to 72 percent
6 of their costs, whereas if you change it, you're up to
7 94.

8 Now, in cross-examination by Board
9 counsel, Ms. Steinfeld, they're saying, well, listen,
10 if you make the correction, you might overcorrect.
11 Okay, well, let's think about the math directionally.
12 I'm not saying it's precise because I'm a lawyer.

13 But if we moved 72 percent right up to
14 a hundred percent, what do we have? A 28 percent
15 shift. And we see that mainline, if it was based on
16 cost causation, would be at 94. Directionally, I did
17 94 plus 28 percent. Am I at a hundred percent? I'm
18 way over a hundred percent. They're shifting it way
19 too far to the right.

20 The same thing with the special
21 contract. If we start at 62 percent, you go up to 92
22 percent. Directionally, you say you want to bring
23 them up to a hundred percent, you'd say a hundred
24 percent minus the 62, we've got to move them 38
25 percent.

1 Let's take then again the coincident
2 peak demand. They'd be at 92. But you've already
3 moved them 38 percent directionally. You'd be way
4 over a hundred percent contribution. It's a waterbed.
5 I'd be really careful that we don't do radical changes
6 because then you might have to radically change back.

7 That's why we're status quo, it makes a
8 lot of sense to just keep equal increases until we get
9 the cost of service study right. And we don't make
10 these radical changes, we do what we need to do once
11 we've got a reliable study.

12 Just a general reminder, also, some of
13 the IGU members are also members of what we call
14 MIPUG, Manitoba Industrial Power Users Group. And in
15 cross-examination, I brought out the table over the
16 last twenty (20) years.

17 Those industrial customers have been at
18 or over about 110 percent contribution for about the
19 last twenty (20) years. I think there was -- one (1)
20 year was the exception. And residential customers
21 were closer to the 90 percent for that twenty (20)
22 year time period.

23 So, I'm not saying it makes a better or
24 it makes it worse, but if we take a subsidization
25 argument, well, there's been subsidies in the electric

1 side by these big customers to the resi -- residential
2 side for over twenty (20) years.

3 Now, I'm moving to page 2-8.

4

5 (BRIEF PAUSE)

6

7 MR. ANTOINE HACAULT: Again, we've
8 quoted some evidence here. We acknowledge that
9 there's differences of opinion between experts. Ms.
10 Derksen said, well, the cost of service study is
11 reliable, it was tested back in 1996, and you've got
12 IGU's expert and Koch's expert saying otherwise.

13 But both the Koch expert and the IGU
14 expert said it's important to understand the
15 confidence level that you have in that study before
16 you start changing the waterbed.

17 And Mr. Collins made a remark. It's at
18 line 27 that we've quoted it:

19 "It's important to keep in mind that
20 cost of service is linked to both
21 class allocation and rate design.

22 It's very important to first get the
23 class cost of service correct. Once
24 that's done, revenue allocation rate
25 design follow. So there's an

1 important link between class cost of
2 service and revenue allocation that
3 ..."

4 And it continues to the top of the next
5 page:

6 "...should not and really cannot be
7 severed."

8 And Mr. Collins also said that he's
9 seeing in other jurisdictions where you've got these
10 cost of service studies and flex that they do an equal
11 rate increase, and we've provided that quote. And
12 we've repeated the quote at lines 3 to 10 from the
13 order 143/04.

14 That brings me to issue number three:
15 heating value margin deferral account. So a basic
16 problem here -- and I did it ineloquently, I'm sure,
17 in my cross-examination -- is that you've got a
18 0.0001 cent, for example -- that was the clearest
19 one -- for a special contract. But they've got huge
20 volumes.

21 That -- the basic problem with this
22 account and the way the formula was set up is they do
23 it on volumes irrespective of how much impact
24 financially there is on Centra. If Centra -- for the
25 residential customers we've seen, it's the residential

1 customers and people who pay based on volume.

2 And when you get the number wrong on
3 your actual cost estimate, it's the people that are
4 paying for the gas that are causing the risk. When
5 you get that number wrong, whether it's over or
6 under -- and we've heard that it can be over in some
7 years and under in some other years -- when you get
8 that number wrong, it's the classes of customers that
9 pay based on the volume that create that difference.

10 The people who don't pay very much at
11 all -- like the power stations and a special contract
12 and even some of the larger users -- T-service 'cause
13 they buy their own gas -- really don't contribute
14 much, if anything, at all to that discrepancy between
15 what's forecasted and what actually happens.

16 And that's a problem that was raised
17 and identified back in 2012. Centra agreed to it.
18 And you may recall, I asked Ms. Derksen: Were you part
19 of writing that answer? I agree. She said yes.
20 They've known about it. They've known it had to be
21 corrected.

22 Now if I flip to page 3-2, we see the
23 problem that has arisen because of the delay and
24 because of the formula. And we've seen this table
25 before.

1 So at the top, we have -- if we just
2 look at volume and start allocating either the
3 positives or negatives just on volume, we see that the
4 residential customers are allocated either 32 percent
5 of the cheque. If a cheque goes out or if a cheque's
6 needed, they pay 32 percent of the bill. And so it
7 goes on with the table.

8 Versus if you link it to what's
9 actually happening and who's causing the problem, you
10 see the lines 8 and 9. Really the residential
11 customers should be getting 72 percent or 71 percent
12 of the cheque. It depends which table you look at.
13 There's one by Centra. Really large general service -
14 - they are really not impacted. But you can see the
15 remaining classes.

16 And then we've got the commercially
17 sensitive on the extreme right-hand side that isn't
18 reproduced but high-volume firm. We're out by
19 8 percent because of that volumetric formula which is
20 not cost base.

21 And main line, we're off. Instead of
22 being 7 percent, it should be 0.2 percent. And for
23 the interruptible, not a huge amount.

24 For those who have access to the CSI,
25 you'll see that the changes are more dramatic for the

1 special contract, I think, and the power stations.

2 Now, we've quoted at pages 2-3 going on
3 to 3-3 extracts of the evidence where Centra agrees
4 that the problems created by the mathematical formula
5 and that the volumetric charge doesn't work. It has
6 to be a charge based on what you pay.

7 I'm moving on to page 3-4. We -- at
8 the bottom, Ms. Steinfeld is cross-examining an IGU
9 witness, Mr. McLaren, and got his view on whether or
10 not this change could be done irrespective of what's
11 happening in the future cost of service hearing. And
12 the quote which continues confirms that Mr. McLaren's
13 view is that you have sufficient evidence to deal with
14 it today.

15 Note again -- and I'm referring back to
16 the July 5 letter that was written by counsel for
17 CAC -- that this could be handled -- it's at
18 page 10 -- I didn't quote that -- but page 10 of
19 Mr. Meronek's letter said that:

20 "This issue could be dealt with by a
21 written argument."

22 It was one of the only issues he said
23 could be dealt with that way. So to me that says,
24 well, there's not really a problem with the facts. We
25 just got to correct the situation.

1 And in its order 98-19, there was
2 actually a segregation of that heating value deferral
3 issue carved out specifically. So we believe that it
4 can be dealt with that way.

5 Centra also agreed -- and we've quoted
6 that on page 3-5 starting at lines 26 and following --
7 when Ms. Steinfeld asked Centra, well -- it was at
8 line 36:

9 "Could the Board nonetheless look at
10 this issue of the disposition of a
11 heating value margin deferral
12 account and we consider the
13 methodology."

14 And at the top, Mr. Chard answers --
15 it's at the top of the next page 3-6:

16 "I think that certainly they could.
17 Yes."

18 So there's no real dispute in our view
19 that this can't be done now and should be done now.

20 Page 3-7 -- and this is where I don't
21 envy the Board. I'm looking at it, and I says, what
22 do I do? I've got a problem here. We've known about
23 it since 2012.

24 And why has it become a problem? That
25 there's no applications to deal with this? Well, I

1 went through this with the witnesses. For three years
2 after that order, there's cheques either being written
3 or collected based on interim orders.

4 What do I want -- God, do I have to
5 tell people going back that far that sorry, the cheque
6 I gave you, I want it back?

7 Well, we're not suggesting that; we're
8 not recommending that. But that's a difficult
9 position the Board's in, because if it had been done
10 correctly, there wouldn't be cheques written; there
11 wouldn't be cheques given,. And the balance with
12 those years -- there's actually more cheques that are
13 written back to Centra than are written to customers.

14 So it would definitely be to the
15 advantage of the industrials if we said, well, for
16 those three (3) years, let's just balance it out, and
17 if there's a difference, write us a cheque 'cause
18 there would be a cheque that would be written to the
19 industrials.

20 We've looked at -- we said listen, let
21 bygones be bygones, the cheques that were sent, they
22 remain sent. The cheques that were collected, we'll
23 collect -- you know, keep them collected. But let's
24 correct the problem after that, please.

25 So we -- I went through with the

1 witnesses the chronology and that chronology is set
2 out in the bullets that are under the heading the
3 summary and the -- the bullet that starts at line 26
4 is the point I'm making for the periods 2015/16
5 through to 2018/19. We'd ask that those amounts and
6 the allocation be based on the table that I showed
7 you.

8 It's our view that the Board can and
9 should adjust the allocation method to better match
10 the risk revenue that existed based on the rate
11 structures in place for the same period.

12 Now, I acknowledge that there was one
13 issue raised by CAC, we're not always on the same
14 page. Page 3-8, line 35, Ms. Derksen says yeah, but
15 what about the T-Service customers? They're buying
16 gas and we have a different heating value. Shouldn't
17 we know something more about that before we make a
18 decision?

19 So Mr. Peters this time can't get all
20 the credit, is asking questions of Mr. Kostick, and
21 it's on page 3-9 at lines 8 that Mr. Kostick deals
22 with this theoretical issue that Ms. Derksen has
23 raised. He seemed -- at line 8, practically speaking,
24 that's probably not really the case.

25 The fact is, the gas is all co-mingled

1 in a single stream, so all the gas entering the Trans-
2 Canada mainline from -- sorry, the vast majority of
3 the gas entering the mainline -- Trans-Canada mainline
4 is coming in at Empress, which is the border point
5 between Alberta and Saskatchewan.

6 So he goes on to explain that although
7 it may be a theoretical issue, it's not a practical
8 issue, and I wanted to deal with that because Ms.
9 Derksen did raise it, but we don't believe that
10 there's a material impact on that issue that can be
11 calculated at all.

12 I'm moving to page 3-11 and that will
13 complete issue 3.

14 The other point we make, and this was
15 brought out in cross-examination by Board counsel
16 again, and it's in the evidence, is that there is not
17 a really significant impact at all on small general
18 service customers. It's about \$5 per year to make
19 that correction.

20 Now, that brings me to power station,
21 issue 4. I don't have very many comments on that.
22 The -- we've extracted some of the problems, and this
23 fits into why the cost of service study needs to be
24 done and isn't reliable also.

25 Ms. Derksen, at the bottom of that page

1 4-1 and in answering questions on my cross-
2 examination, she explained the concern about how the
3 cost of service study is done for the power stations.

4 Remember, it's all waterbed, so you --
5 if you've got a concern with one part of the waterbed,
6 it affects everything else.

7 So she's at the bottom, line 33, part
8 of the concern about the -- the current -- flipping
9 onto the next page, please -- current cost allocation
10 and rate design structures, how do you account for
11 that? How do you deal with, on an annual basis, the
12 fact that in any given year the power stations are
13 going to virtually -- I'm going to skip a couple of
14 lines -- are not going to operate.

15 Line 13 of the submission:

16 "But when they do operate, they're
17 going to operate significantly. So
18 how do you deal with that from a
19 rate-making perspective? This is
20 the issue."

21 And with all due respect to Ms. Derksen
22 in saying that the cost of service study is reliable,
23 she goes at length to describe how it isn't reliable
24 for a power station, which is part of it.

25 We agree that this is a change that is

1 justified and is a compliance requirement. It isn't
2 really a bill mitigation option. And the evidence is
3 clear that Centra did not come to the Board to change
4 this minimum guarantee number, and I've attached
5 extracts of the PUB Act, which make it clear that if
6 there's an existing order and an existing directive,
7 if it isn't changed by this Board, then it doesn't
8 change.

9 Issue topic number 5, bill mitigation
10 options. We don't have too much more to say on that,
11 apart from I'm going to go back to the old '96 order
12 because one of the points that's at page 5-2 of my
13 submission, line 8, party says well, you should
14 consider the picture as a whole, gas and non-gas
15 costs, and if that hasn't moved much, don't worry
16 about it. And they quote the Order of this Board,
17 156/91 in support of that.

18 But every time there is a statement
19 that's made, there's a background to it. So I said
20 okay, well, let's go read that order, see what it
21 says. Let's see whether there's a material
22 difference. And -- and we were talking about, like 30
23 percent increases, 28 percent increases.

24 So Centra correctly quoted the
25 statement that said we should look at the gas costs as

1 a whole, but in the same paragraph the Board's looking
2 and saying well, listen, if we would have deducted the
3 gas costs from the SGS costs, and just compared non-
4 gas, there's a typo there, cost increases would result
5 in an average increase of 7.7 percent, but this is
6 where it is, with a range of 7 to 8.6 percent.

7 It wasn't a big issue or a big deal.
8 We've got a small range. It -- so when you looked at
9 it, the facts are materially different in that
10 decision, and if the gas costs are deducted, we don't
11 see a narrow range increase of 7 to 8.6 percent.

12 So yes, statements are made, but
13 they've got to be put in context. And Mr. Collins
14 addressed that issue in his presentation. I'm just
15 summarizing at line 21, but we've got the quote.

16 Gas costs are primarily a flow-through
17 for Centra. Non-gas costs, however, are much more
18 reflective of planning and operating decisions made by
19 Centra and they're what matters for the T-Service and
20 the special contract. That's what they pay.

21 I'm on page 5-3, line 10.

22 Mr. Collins also explained that
23 including gas costs, it doesn't tell the real story of
24 the actual substantial real dollar increases. And I
25 can't put them on the record, but if you go to CSI,

1 and you see what those increases would be, they are
2 substantial.

3 Secondly, we ask this Board to consider
4 that the costs of gas service, so that's what we refer
5 to as non-gas costs, is a material cost that affects
6 the competitiveness of the industry in Manitoba.

7 Mr. Curran-Blaney addressed that, you
8 may recall this slide, if you look at all the costs
9 and they compare.

10 Most of the companies in this province
11 don't have local markets, they're competing
12 internationally. And if they're competing
13 internationally, if those rates go up and they're not
14 cost-based, it affects their competitiveness, it can
15 potentially affect jobs. We heard Mr. Curran-Blaney
16 say he operates on a zero budget. If he gets hit with
17 some of these costs, he's got to find some kind of
18 cost-savings somewhere else. That's just the way he
19 has to operate, because he can't pass it on to the
20 consumer.

21 And on the bottom of page 5-4 at line
22 32, I also make some comments with respect to
23 fertilizer production. We also have on the record how
24 that facility has to absorb that and the gas costs,
25 they'll be what they be when they buy them. If they

1 buy them on larger markets, Mr. Brown explained that.

2 So that doesn't represent something
3 that other companies don't have to deal with. But the
4 costs of service, because Centra is a monopoly, that's
5 where it makes the difference.

6 So for those reasons, we ask the Board
7 at the top of 5-5 to -- to find that the magnitude of
8 the proposed increases are material and adverse to
9 large industry in Manitoba and warrant implementing
10 bill mitigation options.

11 I make other points in this part of the
12 submission and the next page is that the zone of
13 reasonableness is a way to deal with the existing
14 uncertainty, and there's evidence on that point. The
15 heading is at line 19 and 20 on this page, 5-5.

16 That's one of the reasons why zone of
17 reasonableness is adopted. That's in Ms. Derksen's
18 evidence and it's in Mr. McLaren's evidence and we say
19 that it's appropriate to adopt an interim zone of
20 reasonableness to deal with the issues.

21 And Mr. McLaren's recommendations were
22 that something in the ranges of 910 to 110 would be
23 appropriate.

24 There is also discussion in this issue
25 paper about transmission costs. I think there's

1 general consensus that that is the least preferable
2 option if we're going to be adopting an option for
3 bill mitigation, because it just defers the problem
4 and you have to deal with it eventually anyways.

5 There's one other small point that I'm
6 making on page 5-10, just alerting that this is an
7 issue that I think we're going to need to deal with in
8 the upcoming hearings.

9 We've heard evidence in this hearing on
10 the life of transmission, and that some of the
11 transmission that's being inspected is in better shape
12 and has longer lives than expected. Why is that
13 important? Because on the depreciation table, if
14 extend the lives the depreciation expense, on an
15 annual basis, decreases. If your expense decreases,
16 your revenue requirement decreases.

17 Topic 6, the difficult one, balancing
18 fees. This is the one that got all the companies
19 excited and caused this group to be created, at least
20 in part. On the face of it, if we look at the
21 proposal, there's really nothing much to it. I looked
22 at the wording, and I said, Well, I've put at line 5,
23 this is all the Board's being asked to deal with. The
24 first one reads:

25 "If the T-Service customer or its

1 authorized agent causes delivery
2 imbalances relating to the delivery
3 of gas to the Company's distribution
4 system, the Company may impose any
5 imbalancing costs or charges on the
6 customer."

7 And that's changed slightly to the
8 bottom, "may impose balancing fees."

9 So it's discretionary, but no detail.
10 The Company comes to me and says, Mr. Hacault, where
11 are the terms and conditions?

12 Well, they're in the contract.

13 Okay, show me the contract.

14 Sure.

15 Tell me what it means.

16 Well, I know it's changed from costs or
17 charges, so before, it had to be linked to actual
18 costs, it had to be linked to actual charges, and now
19 they're saying it's going to be a fee without any
20 causal link, so they can charge you a fee. I can tell
21 you that much.

22 Well, when are they going to charge me?

23 I don't know. The word says "may," and
24 that's what the Board approved. There's a lot of
25 evidence that's been put in this hearing, but I can't

1 tell you for sure.

2 When are they going to do?

3 Well, it says "may." I guess they have
4 the discretion to do it or not. So far they haven't
5 been charging people based on a policy.

6 Mr. Hacault, has the policy been
7 approved?

8 Not that I can find anywhere in a Board
9 order.

10 Have they given it to everybody?

11 No. They gave it to four (4)
12 customers, not to everybody else. That was what the
13 evidence was.

14 So I don't know if that helps explain,
15 but customers need some certainty. I asked questions.
16 Well, was the TCPL tariff approved at one point in
17 time? Yes, it was. It's detailed.

18 And we've seen some changes in policy
19 on what is being proposed. We've also seen -- I don't
20 know if this was because there was a problem child.
21 We've had some references to, Well, this customer
22 wasn't reacting at all. We asked him to tell us what
23 they were going to estimate, and they didn't -- that
24 person didn't do anything. So we need a big hammer.

25 Well, maybe you need a hammer, but how

1 big does it need to be? And do you adopt an extreme
2 formula, and I'm going to go through some numbers, to
3 correct what a problem child is doing and apply that
4 to everybody, irrespective of whether other people are
5 doing their best to balance?

6 So as we understand Centra's evidence,
7 there is additional changes on this balancing fee
8 calculation that are being proposed. There's a table
9 that's starts at line 32. I'll recall the evidence is
10 that people nominate a certain amount the day before.
11 Mr. Peters went through all this in a lot of detail,
12 and there's a table, and when you could nominate, and
13 when you -- and then the next day, you say, Okay,
14 what's the actual consumption? All things be equal,
15 we stop at that step, because there are intraday
16 nominations. I've come to learn some of these things.

17 This table is saying an absolute daily
18 intolerance of a certain amount for different customer
19 levels. And then you recall on the right-hand side,
20 there's a cumulative amount that's over thirty (30)
21 days that has to be managed.

22 So we've heard evidence in the rebuttal
23 that TransCanada is going allow people to transact
24 back and forth. You know, you can sell your gas, you
25 know, as T-Service customers, everything. But where

1 in the formula does it say that once you've hit a
2 daily imbalance, even though you've transacted it,
3 that you're not going to get hit with the penalty?
4 Where is that term and condition?

5 We don't know where it is. It's of
6 concern. And for Centra to say, Well, don't worry, we
7 may or may not charge it, sorry, it doesn't cut it.

8 There's a difference between doing
9 transactions and how tariff is going to apply. And it
10 may very well be and -- that Centra is not proposing
11 to charge their balance fees. That's its intention.
12 That's fantastic. We applaud it. But we need that
13 certainty, and that's an additional reason why we're
14 recommending to the Board that this be monitored,
15 because we've made two (2) attempts as IGU to reach
16 out and see if we can work on something and get more
17 clarity, and haven't been successful on that.

18 So you've seen evidence from Mr. Brown,
19 from Mr. Labonte, and we reference that at page 6-2,
20 that based on their understanding of what's proposed
21 to be implemented, they've said, Well, you've got a
22 hammer, but you need to give us mitigation options, a
23 way to deal it. Either your formula deals with it, or
24 you allow us to deal with in another way.

25 And we've recommended -- this is at

1 line 14 -- that the PUB director for the process
2 overseen by T-Service customers and Centra Gas to
3 develop it -- mitigation options that help both T-
4 Service customers and Centra to collectively minimize
5 natural gas imbalances and to finalize appropriate
6 tolerance bands and fee structures for ongoing bal --
7 imbalances.

8 Now, in making these submissions, IGU
9 acknowledges there's a problem that needs to be fixed.
10 We've seen through the evidence that there is an
11 evolution of how things were done before the T-
12 Services dealt directly, and weren't part of the DSO,
13 designated service operator, by Centra. We hear
14 historically how things have changed. We agree there
15 needs to be a solution.

16 But the question is, what is that
17 solution? The one (1) of the things that we hope that
18 a working group could do under the PUB direction is
19 provide some structure to this on a cost-based basis.
20 And we, at the top of 6-3, line 3, reiterate, for the
21 record, IGU's willingness to participate in such a
22 process, both before and during the hearing.

23 And again, we've got a problem, been
24 sitting there for a while. We hadn't had a chance to
25 discuss it. What are we doing on an interim basis?

1 Well, we're recommending, and this is actually quite
2 favourable, we've -- believe to the customer service
3 clients, that on an interim basis, you at least keep
4 the part of the policy that says the fees are capped
5 at the total amount that Centra pays to TCPL. Surely
6 T-Service customers can't be more than 100 percent
7 responsible for balancing.

8 If they pay 250 grand, because that's
9 what Centra paid, and I'll go through that in a little
10 bit more detail, the underlying assumption is that the
11 T-Service class is the only cause for Centra having to
12 write that cheque. If it is all paid by T-Service,
13 the underlying assumption is that it is only caused by
14 T-Service and by nobody else, which is a false
15 assumption based on the evidence.

16 So we also recommend, and this is at
17 line 9:

18 "That the PUB should reject Centra's
19 proposal to increase T-Service
20 eligibility with terms and
21 conditions from 200 gigajoules to
22 2,500."

23 The entry point is too high.

24 We've put some discussion points in
25 this on page 6-4. Centra had quoted an Order 112 --

1 so we're at the top, line 1 -- was 112/88, so going
2 back several decades, to educate me presumably because
3 I wasn't around doing these, and other people, as to
4 what was happening when this was created.

5 And the Board I thought made some -- or
6 set out good principles, that they should be guided by
7 the basic principle of facilitating direct purchases,
8 so they shouldn't preclude that option from Manitoba
9 customers, while ensuring that the remaining system
10 customers are saved harmless. Remember, we act in IGU
11 for we're both groups, T-Service and the one that's
12 customer service.

13 In our respectful view, one group
14 should not be penalized but the same holds true of the
15 other group. It should be cost-based. Whoever's
16 portion needs to be paid, whether it's the customer
17 service group at a certain percentage, and the T-
18 Service at a certain percentage, they should be paying
19 it. If one group is causing more of a problem, they
20 should be paying it.

21 So the next statement at line 6:

22 "The Board is of the opinion direct
23 purchasers must assume inherent
24 risks associated with their --
25 arranging their own gas supply."

1 But that was in a context where they
2 weren't further restricted by Centra being the DSO,
3 and those companies were directed to cooperate on
4 that. Obviously they were -- some of them weren't
5 good listeners, according to Centra; they were problem
6 childs (sic).

7 But we say that this process should be
8 cost-based, so cost recovery, and there's problems
9 with the formula. Line 18, and this is confirmed also
10 in Centra's responses to IRs:

11 "Centra intends to charge T-Service
12 customers even when the Utility is
13 not charged anything."

14 That was confirmed in IRs. The
15 references, there's two (2) of them that confirm this
16 issue, IR -- PUB/Centra IR 147, subparagraph (d) and
17 (3) and the responses to those.

18 Now, here if we can put up that IR, or
19 the Book of Documents, Board Book of Documents, pages,
20 I think 320, and there's also 318.

21

22 (BRIEF PAUSE)

23

24 MR. ANTOINE HACAULT: The numbers are
25 quite small when we put them side by side, but Board

1 Council reviewed these two (2) pages with Centra, and
2 you can see on the top line that was highlighted on
3 the -- page 318, that in 2000 -- material one would be
4 2016/17. The total cheque or transaction that Centra
5 had to pay to TCPL was in the order of 244,000. The
6 exact number, 243,857.

7 Now, if we go under that same year but
8 on the page 320, the formula applied would have
9 collected 920,602.

10 Now, as I understand the evidence, that
11 entire cheque is kept by Centra and the difference
12 between the 243,856 (sic) and 920, assuming you can't
13 do the balancing stuff, would go to the general
14 service people.

15 Now again I get back to the TCPL
16 formula is already punitive. We don't get to the 243
17 without having the imbalances of 2 percent, 4 percent,
18 et cetera, which is progressively worse as you get on
19 further in imbalance.

20 What Centra is proposing in my
21 respectful submission is, well, it's punitive but I'd
22 like to make it three (3) or four (4) or five (5)
23 times more punitive, as a starting point by the way.

24 Now, it gets -- I know it's just a stub
25 year, but the one (1) year that counsel didn't go

1 through, Board counsel in cross-examination, was
2 2018/19 year-to-date. So that was based on the little
3 asterisk at the bottom of the table between November
4 of 2018 through to March 2019. Centra paid \$51,708.

5 Now, what would have Centra collected
6 based on the pro forma? Look on the other side.
7 Close to four hundred (400) grand, eight (8) times.
8 You've got this formula that's going like this. We
9 say that's unreasonable, unwarranted, discriminatory.

10 There's nothing in the evidence that
11 suggests that Centra needs to start with a formula
12 which needs multiples of what's already a punitive
13 structure.

14 Now, I'll flip back to 6.5 of my
15 submission, page 6-5. This is a legal point, I'm not
16 going to dwell on it, but in our respectful view this
17 utility does not have the power to impose this
18 punitive fee, which is not cost-based. The wording
19 does not allow that.

20 It allows them to charge reasonable
21 rates, rates that are not discriminatory, rates that
22 aren't preferential to a group or another, but not to
23 impose something that may range from three (3) to
24 eight (8) the already punitive formula.

25 I don't remember the backdrop. This

1 utility is a monopoly and a service provider. We
2 don't have an option to go elsewhere as industrial
3 users.

4 And in that Order 112 of 88 that was
5 quoted by Centra, on the background of -- of all of
6 this, at page 48 that Board also held any customer
7 wishing T-Service should be entitled to it.

8 There's no reason to change that
9 approach. If there's a cost consequence to providing
10 the extra service, we've heard there's half to a third
11 of staff, if it takes another half a staff, well, they
12 can come back and say it take another half staff.

13 Now, I briefly said that in my
14 respectful submission the amounts paid by Centra to
15 TCPL are not solely caused by T-Service customers.
16 Why do I say that?

17 In cross-examination I was -- I will
18 admit, Ms. Stewart was a very assertive witness, I put
19 to her well, are you suggesting that out of the
20 numbers that we put on the table, if we eliminated T-
21 Service from the people that you have to deal with,
22 that you would see a zero there each and every year?
23 She responded "No".

24 Also, in cross-examination by Board
25 counsel to say well, she acknowledged on behalf of the

1 company that Centra can't always get it 100 percent
2 right. But 280,000 customers, it's got high-volume
3 customers, it will cause the same type of problems as
4 the T-Service if they go down, causes a problem. If
5 they don't call in or have any -- think that they're
6 going to spike or have a shut down, it causes a
7 problem. These are issues that Centra has to deal
8 with with its own customers.

9 I also asked questions about what's the
10 makeup of the usage. And some of the answers were
11 provided by CSI and they can't be put on the public
12 record. But in the summer I think the answer, I'll
13 paraphrase it, the majority, and it's a relative
14 majority, is different than in the winter when you get
15 the high heating loads from the residential customers.

16 Why do I bring that up? If the large
17 majority mathematically is off by 2 percent, that
18 number may be bigger than all the T-Service customers
19 put together if you exclude special contract. A very
20 small problem on the imbalance with a big portion.
21 And I did the calculations too. It has a bigger
22 impact.

23 Now, in fairness Centra says well, we
24 can't calculate that imbalance and who causes it and
25 who doesn't. Hm, can't understand that. Why is that

1 being said? Because we keep track hourly all the T-
2 Service people as to what they use, they keep track of
3 the daily imbalance, they keep track of the cumulative
4 imbalance for all the T-Service customers, including
5 special class.

6 They have all that information, they
7 can compile it in an Excel spreadsheet and say well,
8 cumulatively the imbalance between -- on a daily basis
9 was X, linking yourselves. That's not a huge problem.

10 Cumulative imbalance for the T-Service,
11 link all yourselves. You've got A of your equation.
12 Centra has explained how it does its own estimating
13 for its own customers, based on history and facts. It
14 has to do a nomination, like everybody else. It has
15 to keep track of what its customer base is using, like
16 everybody else. You have a pretty good starting point
17 there of all the data that you need to know to have a
18 sense where my nomination is right, did I create an
19 imbalance that day that I have to react to it.

20 It's not the complete answer, but it's
21 a pretty good starting point and it's not that
22 complicated. I think we can do a lot better of a job
23 to try and drill down on causation and just say we've
24 got a problem with T-Service customers, give them 100
25 percent of the bill.

1 Now, we say that the tool is poorly
2 designed and that was illustrated by me referring to
3 those tables. We've tried in this, it's a fairly
4 lengthy submission, we've got recommendations, so I'll
5 flip back to page 6-7, line 11.

6 We say that if you were going to impose
7 onerous penalties, you have to balance that by giving
8 people all the available options to be able to deal
9 with them. I don't like analogies, those are never
10 good. But if you have a speeding limit of 130, if you
11 can't take your foot off the pedal in every way
12 possible, and you can only do it under situations A, B
13 and C, they're not fair.

14 If you could deal with a situation by a
15 fourth option, why shouldn't you have that option?
16 Why should you incur that penalty?

17 They're only effective if people have a
18 way to respond, and that's why we've recommended that
19 the PUB be involved in making sure that all reasonable
20 options be available.

21 We've also heard evidence, and it's at
22 page 6-9, line 16, that the main reason for the Trans-
23 Canada mainline fees are to incent balancing for
24 purposes of consist -- consistency and predictability,
25 because they don't manage the balance. It's done by

1 downstream -- downstream operators line Centra Gas.

2 Now, if that's the purpose, why can't
3 we work together to achieve that purpose? Why can't
4 we make sure that all available and reasonable options
5 are there so we can achieve that purpose together, as
6 T-Service customers and Centra?

7 Now, I'm turning to page 6-10, so I'm
8 not too sure whether implicitly Centra is saying well,
9 approve my policy or dis -- disapprove of my policy.
10 Mr. Peters went through this policy in quite a bit of
11 detail in cross-examination and went through some of
12 the protections that each of those policy items would
13 give, which appears to no longer exist. We're not
14 absolutely sure.

15 Policy 1 would prevent Centra from
16 collecting fees from T-Service customers Centra hasn't
17 paid. That's an issue, Centra has agreed it's going
18 to collect, even though it hasn't paid. It's an
19 important one to keep, it shouldn't be taken out.

20 Policy number 4 is also important. We
21 can go down to line 17. It's the one (1) that says
22 the customer has to have contributed. Well, there may
23 be a day where T-Service customers on that particular
24 day didn't contribute to the imbalance at all, yet
25 they would be required to pay. That's not cost/

1 causation at all.

2 The point number 2, which was a 2,000
3 gigajoule imbalance minimum be acknowledged, needs to
4 be dealt with. But there needs to be more discussion
5 on how to do that because, even with the table that we
6 went through, where you have the plus or minus 50,
7 plus or minus a hundred, plus or minus 150 and going
8 down on daily imbalances, and even just applying 50
9 percent of the punitive doesn't match.

10 There's something that is going wrong.
11 I've got my own ideas mathematically what's happening
12 and why that's so, but it's clear the formula doesn't
13 work. And if it doesn't work, it needs to be changed.

14

15 (BRIEF PAUSE)

16

17 MR. ANTOINE HACAULT: Now, you may
18 also recall that I asked Centra on the pro formas,
19 well, what formulas did you use, because the formulas,
20 in fairness, changed over the years, the policies
21 changed.

22 If you're going to get people to
23 change, isn't it important to know what the formulas
24 were. What needs to be addressed? Well, I can only
25 tell you if I know the formula and what's -- how it's

1 going to be applied.

2

3

(BRIEF PAUSE)

4

5

MR. ANTOINE HACAULT: So, again, I'm
6 not too sure what parts of this policy are being asked
7 to be approved or disapproved or changed. We know
8 that the policy was given to at least four (4)
9 customers. It was being used for four (4) customers.

10

To my knowledge and research, it's
11 never something that Centra put to this Board for
12 approval or not. And this leads me to another point.
13 I was thinking, well, if I was sitting on the Board,
14 well, why don't I just solve the problem myself. I've
15 got enough information. You know, I've got this. And
16 let's just do up a formula.

17

The one (1) thing, at least from my
18 perspective, when I started going through numbers, and
19 I think that was fur -- further illustrated, I had
20 thought I had put a illustration. I painstakingly got
21 information from the evidence.

22

And Centra says, Well, Antoine, you
23 don't understand it, there's a problem here, there's a
24 problem here in what you did. That leaves me to the
25 conclusion that, even though I would try and do my

1 best because I'm not in the business every day
2 transacting and doing stuff, that I'm kind of ill
3 placed to craft a solution myself.

4 And that's why we recommend and urge
5 this Board to put a process that it directs with
6 certain principles a working product that leads us to
7 a good product and a good formula because it's -- it's
8 too challenging to try and do it on your own, in my
9 respectful submission.

10

11 (BRIEF PAUSE)

12

13 MR. ANTOINE HACAULT: Just a couple
14 other small points. We've heard that, on occasion,
15 Centra deals with, and T-Service customers deal with
16 themselves, as between themselves, to balance on a
17 mutual basis.

18 That occurs, as I understood Ms.
19 Stewart's evidence and Mr. Brown's evidence, on a
20 fairly regular basis between the special contract and
21 Centra.

22 So, the reason I bring that up is we
23 aren't only seeing problems here. And, again, I can't
24 get into CSI, but I've seen some of the numbers on
25 balancing which are not public record, and they're

1 very positive news stories.

2 So, if people work together, I think
3 they can achieve something that's very good.

4 Page 6-19. I'm very close to the end
5 of that subject. I thank the Board for its patience.
6 I did quote that part which I indicated verbally to
7 this Board out of Order 112/18, at the same paragraph
8 that dealt with how the Board was going to approach
9 this T-Service issue.

10 And I think it bears repeating the --
11 at line 5:

12 "The Board will order that T-
13 Service, both firm and
14 interruptible, will be made
15 available for each individual
16 customer. There will likely be a
17 minimum annual consumption level
18 below, which it will not be
19 economically feasible for a customer
20 to arrange for T-Service.
21 However, the Board is of the opinion
22 that any consumer wishing T-Service
23 should be entitled to it."

24 And we say that in the context of
25 Centra being a monopoly and having to provide

1 reasonable service to Manitobans and, in particular,
2 these customers.

3 There's -- and we faced the sa -- same
4 issue in the hydro hearings with the -- the huge
5 increases or changes. We say that there's no -- and
6 this point 'B' at line 11:

7 "There's no support or indication
8 for the overwhelming level of
9 increase from 200 gigajoules to
10 2,500 gigajoules even though this
11 could have future economic impacts
12 for Manitoba.

13 We say Centra did not consider this
14 in its proposed increased amount and
15 the impacts it could have on bigger
16 users."

17 I asked specifically the question,
18 Could Centra indicate, is there any other
19 jurisdiction, well, maybe there's other people across
20 the country doing this, that had similarly high
21 barriers for T-Service eligibility, and none could be
22 identified. To me, that in and of itself indicates an
23 extreme measure.

24 The -- if there's a problem child and
25 if there's extra services required, it's a cost of

1 service industry, they need an extra half person. I'm
2 repeating myself. Customers can be changed for that.

3 We did hear about other options that
4 are available for customers, Western Transportation
5 and sales service. And say, Well, if they don't like
6 us and they can't handle the penalties, they can move.

7 With due respect, if their competitors
8 have T-Service options elsewhere, why shouldn't
9 Manitoba allow the same kind of service here? Why
10 force them to something which is more costly and which
11 they don't like?

12 I have dealt with that subject. Unless
13 there's questions, I have a couple comments on
14 operating administrative expenses and the
15 recommendation at 1 percent. We've heard the Maple
16 Leaf operates on 0 percent.

17 We've heard the evidence that Ms.
18 Bauerlein -- that staff are told, give me a budget
19 with a 2 percent target. But what do you think
20 staff's going to do? Give her what she wants.

21 I asked her, Did you ask them to do a 1
22 percent? She said, No. Well, if she had asked them
23 to do 1 percent, I suggest staff would have been
24 forced to think where can I get that 1 percent
25 efficiency, these are the projects that would be

1 affected or the changes I'd have to make.

2 Then at least you'd know, apart from
3 having that big scare, oh, well, the walls of Jericho
4 are going to come down and safety and security are not
5 going to be good. You'd be forced to do that
6 exercise.

7 I'm not here to give evidence. But
8 I've sat on university boards, and we're forced to go
9 through the exercise of a zero percent rate increase,
10 and we haven't always had a 2 percent. And it's a
11 very effective way to get your staff to look at what
12 can and can't be done.

13 If you don't ask them, at least, I get
14 back to Centra has the onus. They knew that the hydro
15 utility was tasked to do a 1 percent. They didn't
16 even take the time to ask their staff. I would say
17 you have to be very careful on how much weight you
18 give to evidence to say that it can't be done.

19 I've put in an attachment relevant
20 sections, and also a quote from a Centra Gas case
21 decided in 1997 which supports some of the positions
22 I've put in it. I've actually referenced some of
23 those things in my submission, but it's all there for
24 reading. It's more technical in nature because it's
25 legal and a court case, so I don't propose to comment

1 further on that.

2 With that, I'd like to thank the Board
3 and all those present for the opportunity to present
4 our recommendations and the reasons for those
5 recommendations. Thank you. I'm open for questions
6 if there would be any.

7

8 (BRIEF PAUSE)

9

10 THE CHAIRPERSON: Thank you, Mr.
11 Hacault. We've listened very carefully to all of your
12 submission, especially that part that dealt with
13 people having more options to deal with speeding
14 tickets than others.

15 Mr. Czarnecki, do you have a reply
16 submission?

17 MR. BRENT CZARNECKI: I do, Mr.
18 Chairman.

19 THE CHAIRPERSON: And would you like a
20 short break before?

21 MR. BRENT CZARNECKI: I would. And I
22 note that I believe there was forty-five (45) minutes
23 scheduled, and I think that would be sufficient. But,
24 ultimately, I'm in your hands.

25 THE CHAIRPERSON: We'll break -- we'll

1 break for fifteen (15) minutes. And then we'll hear
2 your submission. Thank you.

3

4 --- Upon recessing at 11:38 a.m.

5 --- Upon resuming at 12:31 p.m.

6

7 THE CHAIRPERSON: Thank you, all, for
8 accommodating that change in schedule. Mr. Czarnecki.

9

10 REPLY BY MR. BRENT CZARNECKI:

11 MR. BRENT CZARNECKI: Thank you,
12 Mr. Chairman, and good afternoon, panel members. The
13 extra time was appreciated on my end, so thank you.

14 In marathon speak, I think we're --
15 we've hit the 26-mile mark, which means we have
16 0.2 miles to go. So I hope you're hanging in there,
17 and you have a little more attention left in the tank
18 as I get through this reply of Centra.

19 Now to begin with, I want to make a few
20 general comments about the tone of CAC's closing
21 submission. And I would have preferred that
22 Mr. Meronek were here in person, but I understood that
23 he couldn't be here to hear my submission. But I am
24 happy that Ms. Desorcy is here so CAC is represented.

25 There were comments made in the closing

1 referring to professional jealousy, fearmongering,
2 mention of an Armageddon, Chicken Little and the sky
3 is falling, a reference to the VDP as the purge, and
4 for Centra needing to be out on the streets
5 panhandling.

6 These comments serve no purpose and do
7 not address the actual merits of Centra's evidence.
8 The inflammatory comments result in this proceeding
9 becoming more adversarial.

10 There were multiple times in CAC's oral
11 submissions that inappropriately alluded to dishonesty
12 on the part of the Utility. There were inappropriate
13 comments made about particular individual Centra
14 witnesses implying that they were untruthful.

15 There is no foundation for these
16 comments or insinuations. They are not warranted in
17 this venue or in the context of this application.
18 They are not at all constructive.

19 That said, I would like to address some
20 of the specific comments that were made on the record.

21 It was suggested by Mr. Meronek in
22 two (2) different context that Ms. Bauerlein's
23 evidence was anecdotal and cannot be relied upon. The
24 first time was at page 1212 of the transcript when
25 referring to the detailed O&A budgets. Mr. Meronek

1 stated:

2 "There is no ability on the part of
3 this Board or intervenor to test
4 these changes that were anecdotally
5 mentioned in evidence."

6 Mr. Meronek went on to repeat his
7 comment at page 1212 of the transcript saying that:

8 "The new numbers when it comes to
9 taking out the contingency were not
10 tested, as I say, beyond the
11 anecdotal evidence of Ms. Bauerlein
12 based on material that she says we
13 can't even see at this point in
14 time. It's a blackout."

15 Let's be clear. There is nothing
16 anecdotal about the detailed O&A budget evidence filed
17 by Centra on July 24th. Centra's detailed O&A budget
18 for the 2019/'20 test year is on the record of this
19 proceedings. All parties can view it. It was not
20 impacted by the election blackout period as was
21 suggested.

22 More importantly, the Board and all
23 intervenors had the full opportunity to test Centra's
24 O&A evidence in the oral portion of this proceeding.

25 Ms. Bauerlein's evidence is not

1 anecdotal. She is the corporate controller with
2 direct and intimate knowledge of the financial matters
3 of the integrated utility, including Centra's O&A.
4 She lives it. Using Mr. Meronek's words, she is
5 currently within the inner sanctum.

6 As such, Ms. Bauerlein was specifically
7 made available to answer any and all questions CAC or
8 the Board had of her, and she did that without
9 exception. It is simply inaccurate and untrue to say
10 that there was no ability to test the detailed O&A
11 budget.

12 Now, moving on at page 1217 of the
13 transcript, Mr. Meronek repeated his characterization
14 of Ms. Bauerlein's evidence as anecdotal in reference
15 to the evidence that the 4 percent VDP savings
16 allocator was materializing in 2018/'19 results.

17 Again, as corporate controller,
18 Ms. Bauerlein provided candid, viva voce evidence
19 under oath and was available to answer any questions
20 on this topic through cross-examination. To suggest,
21 as Mr. Meronek did, that her evidence cannot be relied
22 upon is without any merit and should be rejected by
23 this panel.

24 CAC again referred to the election
25 blackout and appeared to imply it is intentionally

1 being used by Centra as some sort of excuse to deprive
2 intervenors and perhaps this Board of evidence.

3 I ask you, panel, to completely reject
4 that implication. As was set out in Centra's
5 undertaking number 1 filed as Centra Exhibit 42,
6 Centra made a request to the Province, and we did not
7 receive authorization to file its 2018/'19 audited
8 financial statements with the PUB.

9 The Election Financing Act contains
10 clear prohibitions on the publishing of information in
11 the 90 days before an election. This is a legal
12 requirement and was triggered by government action
13 completely beyond Centra's control. We are required,
14 of course, to follow the law.

15 Now to close on this subject, the
16 unfounded attacks on the credibility of Centra's
17 witnesses are not constructive criticism, as
18 Mr. Meronek reported them to be. Centra asks this
19 panel to disregard the inappropriate and inflammatory
20 comments made by CAC's counsel in his closing
21 submission.

22 CAC counsel also stated that this Board
23 is dealing with setting rates. It shouldn't worry
24 about what the Board of Directors of Manitoba Hydro
25 dictates. And that's at 1222 of the transcript.

1 Again, Centra does not understand this
2 attitude. Centra's Board of Directors are not
3 dictators. They are responsible to set the course for
4 Centra's operations and are ultimately responsible for
5 overseeing how Centra fulfills its mandate.

6 The current management of the Utility
7 who have direct and personal knowledge of the impacts
8 of the VDP and the financial ends of the corporation
9 today have come before you in this proceeding and
10 provided clear evidence on what is required to fulfill
11 the mandate that Centra is solely motivated by: That
12 is to provide safe and reliable energy at a high level
13 of customer service to Manitobans.

14 The Utility's evidence is that it can
15 only achieve recommended reductions in O&A targets at
16 the expense of cutting services and programs it offers
17 or through further debt financing. There is no magic
18 wand that Centra has.

19 CAC would have you disregard the
20 evidence of the individuals who are most familiar with
21 the current operations of the Utility when determining
22 the revenue requirement. Centra submits doing so
23 would only serve to set rates at artificially low
24 levels risking the service levels provided to
25 customers and increase the need for another costly and

1 time-intensive process within a short period of time.

2 Now turning to a topic I've titled
3 "regulatory efficiency," CAC has advocated that its
4 recommendations to reduce the revenue requirement
5 should be accepted, and if Centra does not achieve the
6 reduced targets, it can simply come to this Board at a
7 later date and ask for a rate increase. And that's at
8 page 1214 of the transcript.

9 Mr. Meronek asserted, and I quote:

10 "If the total actuals are materially
11 higher in terms of overall revenue
12 requirement, Centra can always come
13 in and seek a rate increase. That's
14 how it works.

15 Conversely, if there's a material
16 change such that the actuals are
17 substantially lower than forecast,
18 they can come in, and hopefully
19 would come in for a rate decrease.
20 That's when you deal with these
21 things.

22 You don't pick and choose just
23 because it's your benefit."

24 Mr. Chairman and panel, how it works
25 and when you deal with these things is now. We have

1 an evidentiary record spanning nine (9) months that is
2 now before you. We started this process at the end of
3 November 2018. It is now September, and school for my
4 children, Madian (phonetic) and Michael (phonetic), is
5 starting again.

6 This is a resource-intensive process
7 and comes at a substantial cost to ratepayers. And
8 even now some parties are still asking you to defer
9 all matters and kick the can further down the road
10 until a future proceeding is completed.

11 General rate applications are not an
12 expedited process, as Mr. Meronek suggests. They are
13 long, arduous, and adversarial and re -- and require a
14 substantial amount of resources.

15 And naturally, as Mr. Meronek has
16 correctly pointed out, there will be variations from
17 the forecast. And the rate setting process is in this
18 regard is enduring and self-correcting.

19 And because Centra's a Crown-owned
20 utility, the benefit is that there is no harm to
21 customers due to these inevitable variations as they
22 will occur over time.

23 And Centra agrees with Mr. Meronek that
24 you don't pick and choose just because it's to your
25 benefit. However, the obvious irony in this

1 proceeding is that CAC does exactly that. They picked
2 and chose potential downward adjustments to set
3 artificially low and unsubstantiated forecasts of
4 costs for Centra, then suggesting that when total
5 actuals come in materially higher than, well, Centra
6 can just come in and file a general rate application
7 seeking a higher rate increase to correct what we know
8 from the beginning to be wrong.

9 Mr. Chairman and panel, I suggest to
10 you that that's a fool's game. Mr. Meronek's su --
11 suggested approach of, well, just come back when you
12 need to, completely ignores the important regulatory
13 principles of rate stability and regulatory
14 efficiency.

15 The public interest is not served if we
16 were to rely upon such a revolving door approach in
17 establishing just and reasonable natural gas rates.
18 Again, the time to deal with these matters is now,
19 after the nine (9) month proceeding we are just
20 concluding today.

21 And I remind you, keep your focus on
22 your role. Set rates that are based on Centra's
23 reasonable forecast of revenue -- revenues and costs.

24 Now moving to proposed rate changes for
25 high-volume firm and mainline service sales customers.

1 At page 2-1 of its written submissions IGU states that
2 Centra's application will result in very large base-
3 rate increases for high-volume firm and mainline
4 customers, both sales service and T-Service. This is
5 not accurate.

6 Sales service customers in the high-
7 volume firm and mainline classes are projected to
8 receive a base rate decrease of between 1.8 percent
9 and 9 percent based on their load factor.

10 The only customers who are projected to
11 see base-rate increases over 1.5 percent are the
12 eleven (11) T-Service customers.

13 Now moving to O&A target. We need to
14 clarify one (1) statement from CAC's closing
15 submission at page 1,211 of the transcript. Counsel
16 for CAC interprets the negative contingency in the
17 detailed O&A budget as Centra's saying it cannot
18 manage to the 61.25 million O&A target.

19 I want to be absolutely clear that that
20 is not Centra's position. As you've heard from Centra
21 repeatedly, the expectation is for management to work
22 to the 61.25 million target. Centra is not here
23 requesting an increase to its O&A budget.

24 Now, turning to the discussion on the
25 2015/'16 productivity factor. And if I could ask that

1 page 22 Adobe from Mr. Meronek's book of documents be
2 put on the screen.

3 You may recall the discussion that Mr.
4 Meronek had with you last week on this particular
5 exhibit that was created. Now, Mr. Meronek alleges in
6 his submission that there were significantly greater
7 cost pressures in 2015/'16 than Centra is currently
8 facing in 2019 and '20 and that the Corporation was
9 able to manage at the time with a 1 percent escalation
10 at the time, being 2015 and '16.

11 Now, if you look, the implicit produ --
12 productivity factor of 2.75 percent in the column of
13 2015 and '16 that was suggested by Mr. Meronek was
14 what Mr. Rainkie at the time referred to as a stretch
15 target.

16 The implicit productivity factor was
17 only achieved by position reductions, as affirmed by
18 Mr. Rainkie on page 507 of the transcript. And I
19 quote:

20 "We committed to three hundred and
21 thirty (330) staff reductions during
22 those three (3) years, and we
23 actually delivered four hundred
24 (400).

25 Significant differences between the

1 expected total cost increase and the
2 budgeted escalation factor cannot be
3 achieved simply through efficiency
4 gains, as was stated by CAC in
5 evidence and in its closing
6 submission.
7 Use of a 1 percent escalation factor
8 requires reductions in the hours
9 charged to Centra and ultimately a
10 reduction in the number of
11 employees, as was achieved in
12 2015/'16 when the reduction of four
13 hundred (400) positions was set as a
14 stretch target and met primarily
15 through attrition."

16 Now, another clarification required
17 with respect to CAC's job loss argument. At page
18 1,218 of the transcript, counsel for CAC challenges
19 Centra's evidence on the impacts of O&A reductions by
20 questioning how there could be a reduction in staff
21 when Centra does not employ any staff.

22 I submit to you that this is a red
23 herring. Despite the fact that Centra does not employ
24 staff directly, we all know that Centra's O&A expenses
25 are in large part activity charges flowing from

1 individuals employed by the integrated utility
2 allocating their time to gas operations.

3 Obviously, if the O&A budget is
4 reduced, less employees will be charging their time to
5 gas operations. Those employees still need to perform
6 work of value. And, as Ms. Bauerlein stated at page
7 396 of the transcript:

8 "If I don't reduce the staff, do I
9 then just tell the billing
10 operations folks somehow you're
11 supposed to do more work associated
12 with the electric operations?"

13 That's now how it works. Even if some
14 of those resources can be reallocated to electric
15 operations, that increases costs allocated to electric
16 operations which has an impact on Manitoba Hydro's
17 electric ratepayers.

18 This is just another example of CAC's
19 refusal to acknowledge that its picking and choosing
20 of downward reductions to Centra's revenue requirement
21 have real and actual consequences to programs
22 and services Centra provides which directly impact
23 upon its ability to successfully deliver upon its
24 mandate to Manitobans.

25 Moving to another topic, of retained

1 earnings and required borrowing. In referring to
2 Centra's evidence on the impacts of O&A reductions at
3 page 1,226 of the transcript, Mr. Meronek states:

4 "To suggest that Centra with 80
5 million in retained earnings will
6 have to borrow is even more
7 disturbing."

8 To clarify and to correct Mr. Meronek's
9 misunderstanding, the Corporation's retained earnings
10 balance is not synonymous with the savings account
11 that is readily accessible.

12 The retained earnings balance
13 represents the accumulated net profit over the life of
14 the Corporation and not a rainy day fund. The
15 retained earnings balance cannot be drawn upon to
16 offset borrowings since there is no cash to be drawn.

17 In any given year, if cash inflows in
18 the form of rate revenues received from the customer
19 are less than the sum of the cash outflows for
20 operating expenses, interest payments and capital
21 expenditures, Centra has only one (1) option to make
22 up the deficit, and that is to increase its
23 borrowings.

24 The recommendations of CAC will clearly
25 result in an increase in Centra's debt as their

1 proposals result -- result in reducing expenses
2 allowed for rate setting purposes on an accounting
3 basis so as to enable corresponding reductions in
4 rates on a cash basis such that net income does not
5 change.

6 So while they promote that rate
7 regulated accounting is net income neutral, they fail
8 to identify that reduced revenues will reduce cash
9 inflows and result in the need for Centra to borrow
10 more.

11 This is not disturbing as CAC counsel
12 suggests, it's simply the way it works in reality.

13 Overall, Centra cautions the Board with
14 respective commentary of CAC's counsel as it pertains
15 to the financial information Centra has put on the
16 panel -- put before the panel, pardon me, as it is
17 often inaccurate or practically misunderstood.

18 Now turning to another theme that I've
19 titled Electric Operations. One theme that is
20 persistent throughout CAC's closing submission is the
21 concept that costs can be passed on to the electric
22 utility and it doesn't matter because of the size of
23 Manitoba Hydro.

24 At page 1218 of the transcript, we
25 heard that with respect to changing the VDP savings

1 allocator, which as a 2.7 million impact on the ONA
2 budget of the electric utility, I quote:

3 "There is a further 2.7 million in
4 savings that is ascribed to Centra
5 for Manitoba Hydro, it's a zero sum
6 game. It's a peccadillo in the
7 operations of Manitoba Hydro. It
8 wouldn't even be noticed."

9 Again, at page 1234 of the transcript,
10 we heard that with respect to the meter exchange issue
11 referring to 15.3 million on the consolidated
12 financial statements of the integrated utility, and I
13 quote:

14 "And it's immaterial to Manitoba
15 Hydro, with a projected revenue
16 retained earnings of \$3 billion
17 dollars."

18 And finally, at page 1257 of the
19 transcript with respect to the minimum margin
20 guarantee, which would represent a direct charge of
21 approximately \$947,000 to the power station customer,
22 and I quote:

23 "Putting it in perspective, whatever
24 you know, approximately million
25 dollars is, comes from Manitoba

1 Hydro, which is a \$25 billion dollar
2 organization."

3 Centra disputes this position that
4 millions of dollars can be passed along and through to
5 the electric utility simply because of the size of
6 Manitoba Hydro. Doing so directly impacts Manitoba
7 Hydro electric ratepayers, and is not the way public
8 regulation works.

9 CAC's comment that the power station
10 class does not require notice of potential bill
11 impacts because of the integrated nature of the
12 utility is also inaccurate.

13 Centra and Manitoba Hydro are not the
14 same legal entity. Centra maintains a separation of
15 responsibilities as it relates to the power station
16 class to ensure Manitoba Hydro is treated as a
17 customer, like any other customer, T-Service or
18 otherwise.

19 And the point on notice is that the
20 application itself and all of the public legal notices
21 that set forth the projected bill impacts for all
22 customers never contemplated or raised such an impact
23 to this particular customer class.

24 Now briefly turning to METSCO for one
25 issue. At page 1245 of the transcript, counsel for

1 CAC summarized METSCO's evidence on asset management
2 as, and I quote: "Let's get on with it, and quickly".

3 I would just like to remind the panel
4 of METSCO's evidence at page 14 of the report, when
5 considering the pace of Centra's asset management
6 program, where METSCO itself cautioned:

7 "A development and implementation of
8 such a risk-based quantitative
9 framework is a costly, complex, and
10 time-intensive initiative. Most
11 North American electricity and
12 natural gas utilities find
13 themselves many years away from
14 asset management excellence. Few,
15 if any utilities, assess all the
16 data and tools they would wish to
17 have at their disposal."

18 Now, turning to balancing fees. I have
19 my first heading is called Voluntary Balancing and
20 it's titled that because IGU suggests that because of
21 an allegedly flawed consultation, voluntary balancing
22 beyond which was required to avoid charges was not a
23 priority for T-Service customers in the period between
24 2016 to the present. And that's at page 6-13 of the
25 written submission.

1 And panel, Mr. Chairman, that comment
2 demonstrates perfectly the issue at hand. Balancing
3 is not and has never been voluntary. Balancing gas
4 delivered with consumption at the customer's facility
5 has been required of all T-Service customers since
6 1988.

7 IGU's comment demonstrates the need for
8 an incentive base balancing fee structure. T-Service
9 customers are not and apparently will not prioritize
10 their obligation of balance absent an incentive to do
11 so.

12 IGU's argument on balancing fees once
13 again fails to recognize the nature of the service
14 these customers signed up for. The suggestion that
15 Centra needs to provide services to these customers,
16 services that these customers have already chosen to
17 procure natural gas supply and transportation from
18 someone else other than Centra, shows IGU's
19 fundamental lack of understanding of this issue.

20 Now to address the legal authority of
21 this Board to establish Centra's balancing fee
22 proposal.

23 IGU submits that there is no statutory
24 authority for Centra to impose balancing fees that are
25 not directly related to costs.

1 In its submission, IGU refers to
2 section 82(1) of the Public Utilities Board Act.
3 Respectfully, there is nothing in section 82 of the
4 Public Utilities Board Act that requires fees be
5 specifically linked to costs.

6 Section 82 speaks to the prohibition
7 against charges or fees being unjust, unreasonable,
8 unjustly discriminatory, or unduly preferential.

9 You have the authority, once you find
10 that the balancing fee proposal does not result in
11 unjust, unreasonable, unjustly discriminatory, or
12 unduly preferential.

13 And I suggest to you that the balancing
14 fee proposal is not dissimilar from the late payment
15 charge, for example. It is not a non-cost -- it is a
16 non-cost based charge, that if properly designed,
17 incents customers to meet their contractual
18 requirements.

19 Now, turning quickly to the 1997
20 decision of the Manitoba Court of Appeal that Mr.
21 Hacault referenced, that the protection of the public
22 interest, including protecting T-Service customers, is
23 paramount to the interests of Centra.

24 Firstly, for context, that decision of
25 the Court of Appeal related to the jurisdiction of

1 this Board over the interaction between a regulated
2 entity and its non-regulated affiliates, it occurred
3 prior to Crown ownership and is completely unrelated
4 to this issue.

5 Secondly, and perhaps most importantly,
6 it has been very clearly established in Manitoba that
7 the role of a public utility board is to consider the
8 interests of the utilities ratepayers and the
9 financial health of the utility, which together
10 represents the public interest. And I see that all
11 the time in Board orders.

12 The imposition of balancing fees is not
13 an issue of Centra versus T-Service customers. It's
14 doing what's best for all of Centra's customers.

15 Now, similarly to the issue that
16 balancing fees is not contrary to Koch's contract.
17 IGU submits that Centra's proposal is inconsistent
18 with its existing contracts with customers, and that's
19 at page 6-2.

20 In that respect, 6 -- pardon me.
21 Section 65(1) and section 114 of the Public Utilities
22 Board Act grants this board authority to change any
23 rate, tool, or charge within a contract between a
24 public utility and any corporation or person and
25 provides that the Board is not bound to give effect to

1 the terms of any existing contract.

2 And I won't read in section 65(1) or
3 114, but the essence of those sections is, Mr.
4 Chairman and panel, contracting parties cannot fetter
5 the Board's jurisdiction.

6 And I -- I trust that my friends, Mr.
7 Peters and Ms. Steinfeld, will delve further into that
8 for you, if necessary.

9 Now, one (1) other comment in response
10 to Koch's written submission. At page 2, Koch states
11 that its balancing cost would increase under the
12 proposed new structure, particularly when there is a -
13 - when there are large plant upsets caused by either
14 internal or external factors.

15 In a large plant upset, Koch would
16 incur balancing fees under both the current and
17 proposed balancing fee structures. However, this
18 would currently be at 100 percent of TCPL's fees,
19 rather than the 50 percent under Centra's proposal.
20 So accordingly, Koch may actually experience lower
21 fees under Centra's proposal.

22

23 (BRIEF PAUSE)

24

25 MR. BRENT CZARNECKI: Now lastly, I'm

1 going to finish by addressing some of the submissions
2 that we heard first from Mr. Hacault this morning in
3 his oral submissions, and I will do so quickly.

4 But prior to turning to a few specific
5 issues, I would urge the Board to review Centra's
6 evidence on the entire issue of balancing fees very
7 carefully. I would submit to you that what we heard
8 from Mr. Hacault this morning, he took some great
9 liberties, and in fact, in some cases, ignored the
10 evidence of Centra that is clearly before you.

11 And I am not going to go into great
12 detail, because I think it would be improper to do so
13 other to tell -- other than to tell you at this point
14 that Centra's position is clearly on the record, and
15 the answers to Mr. Hacault this morning are found
16 within that evidence.

17 That said, I do want to touch upon a
18 few. Mr. Hacault submitted this morning that there is
19 a lack of clarity on Centra's proposal. Centra
20 disputes that, and I would submit to you that it's not
21 that there is a lack of clarity. There's a lack of
22 will on behalf of the T-Service customers.

23 He also talked about there being no
24 solution. Well, I submit to you, and as the evidence
25 has, that the solution is before you now. It's just,

1 and it's reasonable, and it was based on consultation,
2 and importantly, it's not picked out of the sky. It's
3 based upon the TCPL tariff, which is approved by the
4 NEB.

5 There was also some speak of a problem
6 child, and I would submit quickly that it's not just
7 one (1) problem child. There are several problem
8 children within the T-Service class that are not
9 motivated or incented to balance as they're required
10 by the service to do.

11

12 (BRIEF PAUSE)

13

14 MR. BRENT CZARNECKI: I also want to
15 address his comment that he made -- he and IGU made
16 efforts to reach out to Centra to further discuss and
17 negotiate presumably a balancing fee proposal. I want
18 to be clear that those efforts were made in July of
19 this year, and also a few days last week. I think it
20 was, or two (2) weeks ago. I'll give him the benefit
21 of the doubt.

22 And our response, and this is in our
23 evidence as well, our written argument that we were
24 already in a process. We were well advanced in the
25 process, and that we had his time and IGU's time to

1 offer up solutions was as part of this process. And
2 unfortunately, Mr. Chairman and panel members, IGU has
3 not put an alternative proposal before you.

4 One (1) other issue, IGU suggests that
5 its representation covers all T-Service customers.
6 And at the beginning of Mr. Hacault's remarks, he --
7 he suggested that all T-Service customers were against
8 Centra's balancing fee proposal. That is wrong. Five
9 (1) of the eleven (11) T-Service customers did not
10 intervene in this application, and presumably they
11 don't oppose, or in fact, they may support it. They
12 may want to get on with it.

13

14 (BRIEF PAUSE)

15

16 MR. BRENT CZARNECKI: And the last
17 point of clarification is that Centra acknowledges
18 that this may not be a popular decision for all T-
19 Service customers, but I would submit to you in all
20 the evidence before you is that it is the right
21 decision for all customers that Centra has to serve.

22 Now lastly, I was reminded by Ms.
23 Stewart over the lunch that she wanted me to clarify
24 and to share with you that if the PUB implements
25 Centra's balancing fee solution as we're applying for

1 and strongly advocating for, Ms. Stewart and her staff
2 would be happy to conduct a technical conference with
3 all T-Service customers to further explain how the
4 implementation of the found -- balancing fees proposal
5 would be rolled out so that they would have a
6 technical understanding as a T-Service customer, with
7 the Utility, as to how all matters under the proposal
8 would be implemented and would work in reality.

9 With that, Mr. Chairman and panel
10 members, that concludes Centra's reply submission. If
11 you have any questions, I'm more than happy to take
12 them, but before I do that, if you have any, as Ms.
13 Carvell concluded in her remarks, I too would like to
14 thank the panel. It's been a very long marathon of
15 sorts. Thank you for your careful listening, as we've
16 been here the last few days, and I wish you well in
17 your deliberations, and Centra definitely looks
18 forward to the resulting order.

19 BOARD MEMBER NEMEC: I have one (1)
20 question, and -- and it relates to the balancing fee.
21 And can you -- do you know and -- back in 1988, when
22 Centra became responsible for all the T-Service
23 customers, did each individual T-Service customer have
24 its own tolerance, and did Centra have a tolerance?
25 And where did the two thousand (2,000) per day

1 consumption come from?

2

3

(BRIEF PAUSE)

4

5

MR. BRENT CZARNECKI: I think I can
6 safely answer your first question. And I might have
7 misspoke. I think it was in 1998 that Centra had
8 assumed responsibility for the balancing of T-Service
9 is when TransCanada mainline and their operations
10 handed it off to us. And yes, I think Trans -- Centra
11 as a participant with TransCanada's tariff would have
12 been subjected to the same balancing fees that are in
13 the tariff.

14

Now, the second question on how did we
15 get to the 2,000 GJ level, it was a policy, and I'm
16 going to go so far to say I think it evolved over
17 time, both probably operationally and practically, but
18 beyond that I would need the help of Ms. Stewart to
19 shed a little more light on that.

20

21

(BRIEF PAUSE)

22

23

BOARD MEMBER NEMEC: This is a follow-
24 up to that. Was the tariff different prior to 1998
25 for Centra than post-1998?

1 (BRIEF PAUSE)

2

3 MR. BRENT CZARNECKI: I'll try one
4 more time. Thanks for your patience.

5 I think in 1998, the tariff for
6 TransCanada changed to reflect the fact that T-Service
7 customers would now be encapsulated by the downstream
8 operator, so they no longer had the direct obligation.
9 How that changed from 1988, I'm not sure, and I'm --
10 I'm advised that in 2007, that is when we saw the
11 current language that is in Centra's T-s and C's that
12 we're seeking to amend our proposal -- our proposal
13 seeks to amend.

14 BOARD MEMBER NEMEC: That was my
15 question. Thank you.

16

17 (BRIEF PAUSE)

18

19 THE CHAIRPERSON: Thank you, Mr.
20 Czarnecki.

21 The conclusion of Centra's oral reply
22 submissions brings to a close the oral evidentiary
23 hearing of Centra's 2019-20 General Rate Application.
24 By order of the Board, this General Rate Application
25 was divided into two (2) processes, to promote

1 efficiency and to assist the Panel.

2 Certain issues were identified as being
3 complete, based on the written evidence on which
4 written submissions were invited. The Board has now
5 received all of the written submissions from all of
6 the parties related to those issues.

7 The oral evidentiary portion of this
8 hearing on specifically identified issues commenced on
9 August 14, 2019. Since that date, the Board has heard
10 from three (3) Centra Gas witness panels, six (6)
11 Intervener expert witnesses, as well as a public
12 presenter.

13 This has been a lengthy and complex
14 hearing that has required a great deal of commitment
15 and time from all involved. I would like to take this
16 opportunity on behalf of the Board Panel to thank all
17 parties and witnesses for their efforts in assisting
18 the Board.

19 I would also like to thank all coun --
20 counsel for their professional and cooperative
21 approach in ensuring that the hearing moved forward as
22 -- in as smooth a manner as possible.

23 On behalf of the Hearing Panel, I would
24 like to extend thanks to the Board staff who have
25 assisted in the running of the hearing, thank you, and

1 to Associate Secretary Rachel McMillin, who
2 successfully net navigated this panel through the
3 entire process, including the silencing of the window
4 workers, the first General Rate Application for her,
5 as well as for some of the Panel members, to Judicial
6 Hearing Officer Diana Villegas, who performed double
7 duty in assisting the Panel and all parties in this
8 hearing room, in addition to her other
9 responsibilities at the Board.

10 I would further -- I would like to
11 further thank our Board advisors for their assistance
12 to the Hearing Panel.

13 I would also like to thank my
14 colleagues on the Hearing Panel for their service and
15 dedication over the course of the many months and many
16 meetings during this General Rate Application. The
17 work of the Panel will continue as we embark on
18 deliberations of the evidence and issues in this
19 General Rate Application.

20 Finally, I note that the Board is
21 committed to a continuous improvement process to
22 introduce change -- changes that enhance participation
23 and transparency and promote a more efficient and
24 effective hearing process.

25 The Board welcomes written comments and

1 feedback from all parties in this current hearing
2 process, criticisms as well as constructive
3 suggestions of a general or specific nature.

4 Arising from this hearing, we would
5 invite all parties to review and provide written
6 comments on any matters related to process steps. I
7 repeat, to process steps; and Mr. Hacault expressed a
8 desire to do so in his closing argument.

9 Comments should relate to (a) the
10 content and completeness of the Rate Application; (b)
11 the scoping of the issues and development of the
12 issues, listing both in general and specifically
13 related to which issues would be the subject of the
14 oral hearing process; (c) the Information Request
15 discovery process; (d) the treatment of information
16 considered confidential; (e) the need for technical
17 conferences and workshops; (f) pre-filed evidence of
18 Intervener experts; and (g) ways to enhance public
19 consultation; and finally (h) the oral hearing itself.

20 You may wish to collect your thoughts
21 and provide your comments while your ideas are fresh.
22 Your comments are appreciated and will be considered
23 by the Board.

24 This concludes the hearing of Centra
25 Gas Manitoba Inc.'s -- Incorporated 2019-20 General

1 Rate Application. The Board's written order will be
2 distributed after it is prepared.

3 We stand adjourned. Thank you to all.

4 Good afternoon.

5

6 --- Upon adjourning at 1:16 p.m.

7

8

9 Certified Correct,

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14 Donna Whitehouse, Ms.

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