



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: CENTRA GAS MANITOBA INC. (CENTRA)
COST OF SERVICE STUDY
METHODOLOGY REVIEW

Before Board Panel:

Marilyn Kapitany - Panel Chair
Susan Nemec - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue

Winnipeg, Manitoba

August 17th, 2022

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1 APPEARANCES
2 Sven Hombach) Board Counsel
3
4 Brent Czarnecki) Centra Gas Manitoba
5 Jessica Carvell)
6
7 Brian Meronek, Q.C.) Consumers
8) Association of
9) Canada (Manitoba)
10) Inc.
11
12 Antoine Hacault) Industrial Gas
13) Users and
14) Koch Fertilizer
15) Canada, ULC
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20		Transportation and storage portfolio	
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16		Request Round II - August 5, 2022
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18	PUB-17-1	PUB-ATRIUM Supplemental Information
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13		- April 18, 2022. Design peak hour	
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21		- April 18, 2022. Distribution mains	
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23	CAC-3-13	CAC-CENTRA Information Requests (1-14)	
24		- April 18, 2022. Upstream capacity	
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7		April 18, 2022.
8	CAC-4-1	CAC-ATRIUM Information Requests (1-6) -
9		April 18, 2022. Project background -
10		costing methodology
11	CAC-4-2	CAC-ATRIUM Information Requests (1-6) -
12		April 18, 2022. Theoretical principles
13		of cost allocation
14	CAC-4-3	CAC-ATRIUM Information Requests (1-6) -
15		April 18, 2022. Capacity cost
16		allocation
17	CAC-4-4	CAC-ATRIUM Information Requests (1-6) -
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19	CAC-4-5	CAC-ATRIUM Information Requests (1-6) -
20		April 18, 2022. Gas supply resource
21		allocation
22	CAC-4-6	CAC-ATRIUM Information Requests (1-6) -
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5		Centra COSMR application - April 27,	
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7	CAC-6	CAC letter to PUB re: Reply to Centra	
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11	CAC-7	CAC letter to PUB re: extension to file	
12		Intervener evidence - June 1, 2022.	
13	CAC-8	CAC Intervener pre-filed evidence	
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15		(redactions June 14, 2022).	
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17		June 16, 2022.	
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21		June 16, 2022. Policy and operational	
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2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	CAC-9-4	CAC-IGU Information Requests (1-4) -	
4		June 16, 2022. Direct assignment of	
5		transmission plant.	
6	CAC-10	CAC-KOCH Information Requests (1-4) -	
7		June 16, 2022.	
8	CAC-10-1	CAC-KOCH Information Requests (1-4) -	
9		June 16, 2022. Cost causation	
10	CAC-10-2	CAC-KOCH Information Requests (1-4) -	
11		June 16, 2022. Allocation of demand	
12		related costs	
13	CAC-10-3	CAC-KOCH Information Requests (1-4) -	
14		June 16, 2022. Direct assignment of	
15		transmission plant	
16	CAC-10-4	CAC-KOCH Information Requests (1-4) -	
17		June 16, 2022. Centra's interim rate	
18		adjustment proposal	
19	CAC-11	CAC comments on need and scope for oral	
20		hearing and written submissions - July	
21		7, 2022	
22	CAC-12	Written submission - August 9, 2022	
23	IGU-1	Intervener application including Dale	
24		Friesen's CV - August 5, 2021	
25			

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	IGU-2	IGU reply to Intervener application -	
4		August 19, 2021	
5	IGU-3	IGU letter regarding issues in process	
6		- March 14, 2022	
7	IGU-4	IGU-CENTRA Information Requests (1-9) -	
8		April 18, 2022.	
9	IGU-4-1	IGU-CENTRA Information Requests (1-9) -	
10		April 18, 2022. Implications compared	
11		between previous and current COSS	
12		methodology	
13	IGU-4-2	IGU-CENTRA Information Requests (1-9) -	
14		April 18, 2022. Appendix 3 - COS	
15		allocations	
16	IGU-4-3	IGU-CENTRA Information Requests (1-9) -	
17		April 18, 2022. Transmission and	
18		distribution	
19	IGU-4-4	IGU-CENTRA Information Requests (1-9) -	
20		April 18, 2022. Peak and average	
21		demand	
22	IGU-4-5	IGU-CENTRA Information Requests (1-9) -	
23		April 18, 2022. Special contract and	
24		power stations	
25			

1	LIST OF EXHIBITS	
2	EXHIBIT NO.	DESCRIPTION
		PAGE NO.
3	IGU-4-6	IGU-CENTRA Information Requests (1-9) -
4		April 18, 2022. Unaccounted-for-gas -
5		COMUFG
6	IGU-4-7	IGU-CENTRA Information Requests (1-9) -
7		April 18, 2022. Allocation of rate
8		base to mainline customers
9	IGU-4-8	IGU-CENTRA Information Requests (1-9) -
10		April 18, 2022. Implementation of
11		Atrium recommendations
12	IGU-4-9	IGU-CENTRA Information Requests (1-9) -
13		April 18, 2022. Balancing fees
14	IGU-5	IGU confidential motion - May 20, 2022
15	IGU-6	IGU letter to PUB re: replying to
16		Centra regarding motion to access of
17		confidential information - May 26, 2022
18	IGU-7	IGU email to PUB re: requests for
19		extension to file Intervener evidence
20		- June 1, 2022
21	IGU-8	IGU Intervener pre-filed evidence -
22		June 8, 2022
23	IGU-9	IGU-CAC Information Requests (1-7) -
24		July 16, 2022.
25		

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	IGU-9-1	IGU-CAC Information Requests (1-7) -	
4		July 16, 2022. DSM allocation	
5	IGU-9-2	IGU-CAC Information Requests (1-7) -	
6		July 16, 2022. Special contract	
7		customers	
8	IGU-9-3	IGU-CAC Information Requests (1-7) -	
9		July 16, 2022. Redaction values	
10	IGU-9-4	IGU-CAC Information Requests (1-7) -	
11		July 16, 2022. Cost causation	
12	IGU-9-5	IGU-CAC Information Requests (1-7) -	
13		July 16, 2022. Regulatory assistance	
14		project	
15	IGU-9-6	IGU-CAC Information Requests (1-7) -	
16		July 16, 2022. Extreme conditions and	
17		demands	
18	IGU-9-7	IGU-CAC Information Requests (1-7) -	
19		July 16, 2022. Investments	
20	IGU-10	IGU/Koch comments on need and scope for	
21		oral hearing and written submissions -	
22		July 8, 2022	
23	IGU-11	IGU and KOCH final argument - August 9,	
24		2022.	
25			

LIST OF EXHIBITS		
EXHIBIT NO.	DESCRIPTION	PAGE NO.
KOCH-1	Intervener application - August 5, 2021	
KOCH-2	KOCH-CENTRA Information Requests (1-4)	
	- April 18, 2022	
KOCH-2-1	KOCH-CENTRA Information Requests (1-4)	
	- April 18, 2022. Figure 10: Allocation results of revenue requirements by customer class	
KOCH-2-2	KOCH-CENTRA Information Requests (1-4)	
	- April 18, 2022. Direct assignment approach	
KOCH-2-3	KOCH-CENTRA Information Requests (1-4)	
	- April 18, 2022. Special contact customer class rates	
KOCH-2-4	KOCH-CENTRA Information Requests (1-4)	
	- April 18, 2022. Other cost of service studies	
KOCH-3	KOCH Intervener pre-filed evidence - June 8, 2022.	
CENTRA-18	PowerPoint Presentation of Centra	35
CAC-13	CAC Book of Documents - August 18, 2022	126

1 --- Upon commencing at 8:47 a.m.

2

3 THE PANEL CHAIRPERSON: Morning,
4 everyone. I now call this public hearing to order.
5 On behalf of all in attendance, the Board would like
6 to acknowledge the Treaty 1 lands on which we now
7 gather, and the Treaty 2, 3, 4, and 5 lands included
8 in Manitoba Hydro's service territories which are the
9 traditional territories of the Anishinaabe, Cree, Oji-
10 Cree, Dakota, and Dene peoples, as well as the
11 homeland of the Metis Nation.

12 Today, the Public Utilities Board will
13 hear oral submissions on Centra's Cost of Service
14 Methodology review. This is the last stage of the
15 hearing as the processes to date have been on -- in
16 writing.

17 My name is Marilyn Kapitany. I'm the
18 vice-chair of the Public Utilities Board and the Panel
19 Chair for this matter. I'm joined by my colleague and
20 Board member Susan Nemec.

21 On behalf of the Board and personally,
22 I'd like thank Larry Ring who was initially the chair
23 of this Panel and recently retired from the Public
24 Utilities Board. Larry diligently served on the Board
25 for six (6) years through a number of hearings. He

1 brought a sharp legal mind and keen insight to the
2 Board.

3 His retirement is a loss for the PUB
4 and for all of us, I would argue, and I want to thank
5 him for his years of dedicated service. I feel
6 absolutely certain that Larry is live streaming the
7 process this morning, so good morning, Larry.

8 The Board's Panel is assisted in this
9 hearing by Board secretary Rachel McMillan and
10 judicial hearing assistant Kristen Schubert.

11 Wendy Woodworth from Digi-Tran will be
12 the reporter for today's oral submissions, and a
13 transcript of the submissions will be prepared by
14 Digi-Tran. A copy should be posted on the Board's
15 website tomorrow.

16 In this hearing, the Board is assisted
17 by technical advisors Brady Ryall and David Bonin from
18 Ryall Engineering. Bob Peters and Sven Hombach are
19 Board counsel.

20 On behalf of the Panel, I'd like to
21 welcome Centra Gas Manitoba Inc. and the three (3)
22 Interveners for this hearing: the Consumers'
23 Association of Canada (Manitoba) Inc., Industrial Gas
24 Users, and Koch Fertilizer. I understand that the
25 Industrial Gas Users and Koch Fertilizer are

1 presenting joint submissions.

2 Following today's presentation of oral
3 submissions, the Panel will deliberate to make its
4 determinations and -- on the issues presented and then
5 issue an Order.

6 I will now turn the microphone over to
7 Board counsel to discuss the procedures for the day.
8 Mr. Hombach...?

9 MR. SVEN HOMBACH: Thank you, Madam
10 Chair and Board Member Nemec. Good morning.

11 As you mentioned, this is a proceeding
12 that has taken place largely in writing. Instead of
13 an oral pre-hearing conference, the Board issued a
14 series of procedural Orders to govern the process of a
15 Cost of Service Methodology review.

16 According to those Orders, evidence was
17 to be presented in writing, followed by written
18 submissions from the parties. Today has been reserved
19 as a day for time-limited oral submissions.

20 In the Board's third procedural Order,
21 which is Order 36/'22, the Board found that there are
22 ten (10) issues in scope for this hearing and for the
23 submissions today.

24 First, the application of transmission
25 and distribution plant.

1 Second, the determination of downstream
2 demand allocation factors.

3 Third, the direct assignment of high-
4 pressure transmission plans to customer classes
5 including postage stamp ratemaking.

6 Fourth, the classification and
7 allocation to -- of distribution plant, including the
8 indexing of the service line study to current costs.

9 Fifth, the allocation of upstream
10 capacity resources.

11 Sixth, the allocation of Demand Side
12 Management cost.

13 Seventh, amendments to the Cost of
14 Service Methodology or rate rebundling impacts.

15 Eighth, the elimination of the co-op
16 class.

17 Ninth, the allocation of operation and
18 maintenance, customer service, and administrative
19 expenses.

20 And tenth, the potential in the interim
21 rate impact measure for the special contract class and
22 power station class.

23 The parties may make submissions on any
24 of those in-scope issues today, but by way of a
25 reminder, the Board issued a letter to the parties on

1 Friday, August 12th, limiting the timing of
2 submissions to ninety (90) minutes per party inclusive
3 of questions from the Panel.

4 The Board's letter further indicated
5 that the Board was primarily interested in submissions
6 on issues 1, 2, 3, 5, 6, and 10.

7 Any written documentation filed in this
8 hearing has been assigned an exhibit number, and I
9 would invite the parties to check the Board's exhibit
10 list to ensure that it's complete and advise if they
11 have any document that needs to be added. This
12 includes any copies of PowerPoint presentations or
13 other submissions to be used today.

14 Now, today we will first hear Centra's
15 submissions presented by Mr. Brent Czarnecki or Ms.
16 Jessica Carvell.

17 We'll then hear joint submissions of
18 the Industrial Gas Users and Koch Fertilizer presented
19 by M. Antoine Hacault. Those submissions will be
20 followed by CAC's submissions presented by Mr. Brian
21 Meronek.

22 And I note that the Board has
23 circulated a hearing schedule which is currently
24 presented on the screen. As I indicated, each party
25 will have ninety (90) minutes.

1 Afterwards, if the Interveners have
2 raised a new matter in their submissions, Centra will
3 then have an opportunity to make reply submissions for
4 which we've allocated fifteen (15) minutes today.

5 Ms. McMillan and I are available to
6 field any questions about procedures that may arise.
7 So with that, and any -- subject to any questions from
8 the Panel, I invite the Chair to call on Mr. Czarnecki
9 or Ms. Carvell to provide the oral closing submissions
10 of Centra.

11 THE PANEL CHAIRPERSON: Okay. And,
12 Ms. Carvell, I -- I'm interested in whether you would
13 prefer we ask our questions as you proceed, or would
14 you prefer that we wait till the end of your
15 presentation? I know these buttons are --

16 MS. JESSICA CARVELL: It's been a
17 little while. I would encourage you to stop me at any
18 point if you have questions, and I'll attempt to
19 answer them as I go along. If you have some at the
20 end as well, shoot them off as you have them.

21 THE PANEL CHAIRPERSON: Thank you.

22

23 CLOSING SUBMISSIONS BY CENTRA GAS:

24 MS. JESSICA CARVELL: So you will be
25 hearing just from me this morning. My name is Jessica

1 Carvell. I'm counsel at Manitoba Hydro. I am joined
2 this morning by my colleague Brent Czarnecki, senior
3 counsel with Manitoba Hydro. I'm also joined by
4 Marnie Van Hussen, the department manager for rate
5 analysis and design, and Ms. Shannon Gregorashuk, the
6 director of rates and regulatory.

7 And before I get underway this morning,
8 I want to acknowledge that we're all gathered and
9 joining here today from Treaty 1 territory which is
10 the homeland of the Metis Nation. But Manitoba Hydro
11 does have a presence all across this province on
12 Treaty 1, Treaty 2, Treaty 3, Treaty 4, and Treaty 5
13 lands. And these lands are the original territory of
14 the Anishinaabe, the Cree, the Oji-Cree, Dakota, and
15 Dene peoples, as well as the homeland of the Metis
16 Nation.

17 At Manitoba Hydro, we acknowledge these
18 lands and we pay our respects to the ancestors of
19 these territories. The legacy of the past remains a
20 strong influence on Manitoba Hydro's relationship with
21 Indigenous communities today, and we remain committed
22 to establishing and maintaining strong and mutually
23 beneficial relationships with Indigenous communities.

24 And so my submissions this morning are
25 going to be aided by a PowerPoint presentation that's

1 before you. I'd ask that it be marked as an exhibit,
2 Centra 18.

3

4 --- EXHIBIT NO. CENTRA-18: PowerPoint Presentation of
5 Centra

6

7 MS. JESSICA CARVELL: And if we could
8 go to the next slide, please. You see before you a
9 bit of a road map of the different topics I'm going to
10 touch on this morning, and I do recognize that we have
11 before you some extensive written submissions, and so
12 I'm only intending to focus on a few high-level and
13 key issues.

14 So the first topic I want to touch on
15 is the legal onus in this case, and I don't want to
16 repeat the written reply submissions that Centra has
17 put forward. But in this case, Centra says the onuses
18 on it, it is the applicant, and that onus is to
19 demonstrate on a balance of probabilities that the
20 Cost of Service Methodology is that it's putting
21 forward best reflects the principles of cost
22 causation.

23 A different legal threshold has been
24 put forward in this case by CAC. That is a test that
25 before any party can advance an amendment to Cost of

1 Service Methodologies, they must demonstrate either a
2 substantial change in circumstances or that their
3 proposal will result in clearly superior outcomes.
4 And, frankly, there is no legal basis for that as a
5 test.

6 Similarly, Centra has not suggested or
7 implied in any way that there is a reverse onus on
8 Interveners in this case, nor have we suggested that
9 the onus on the applicant is lesser because of our
10 retention of Atrium Economics as an expert. Rather,
11 it's Centra's view that Atrium's expert opinion should
12 be given a great deal of weight and consideration by
13 this Panel.

14 Now, in this proceeding, you're going
15 to be called upon to consider and weigh expert opinion
16 evidence to determine whether the proposed Cost of
17 Service Methodologies best reflect cost causation.
18 And I know that this Board is no stranger to that task
19 of balancing expert opinions, but it is incumbent on
20 me to make a few comments on this topic.

21 In your task of weighing these
22 conflicting opinions, you need to consider the
23 experts' qualifications, the reasonableness of the
24 underlying methodologies that are used, and the
25 factual foundations and assumptions upon which those

1 opinions are based.

2 And in this regard, I just want to take
3 a moment to highlight the breadth of experience that
4 Atrium has brought to this proceeding. I'm not going
5 to repeat for you their CVs -- they're found at
6 Minimum Filing Requirement 2 -- but I did just want to
7 note that the Atrium representatives have provided
8 expert evidence in over twenty (20) different -- or,
9 sorry, before twenty (20) different utility
10 commissions across North America.

11 And just by way of example, Mr. Ron
12 Amen has participated at approximately thirty (30)
13 different cost allocation and rate design proceedings.
14 And so Centra asks you to keep in mind the diversity
15 and depth of their experience and qualifications as
16 you're weighing the evidence that's before you.

17 It was suggested in CAC's written
18 submissions that Atrium was not an independent expert,
19 and I want to dispel that myth completely. Atrium was
20 wholly independent. The -- the opinions they
21 presented were entirely their own. It was based upon
22 the facts as they set them out and the exercise of
23 their professional judgment.

24 Atrium is the only expert in this
25 proceeding that reviewed Centra's Cost of Service

1 Methodology with completely fresh eyes. They have no
2 prior experience with Centra Gas, with Manitoba Hydro,
3 or with this Board. And the mere fact that Atrium's
4 opinions conflict with those presented by others is
5 not evidence of a bias or a lack of independence.

6 So today -- this morning, you're going
7 to hear the phrase of 'cost causation' a lot. You're
8 going to hear it from me, and I suggest you're going
9 to hear it from my colleagues.

10 The reason you're going to hear that is
11 because this Board ruled in Order 164 of '16 that cost
12 causation is paramount when you're assessing the Cost
13 of Service Study Methodologies.

14 And so what's cost causation? It's the
15 determination of who or what is causing the utility to
16 incur their costs.

17 And so, correspondingly, while cost
18 causation is paramount, conversely, non-cost causal
19 factors should not be part of this analysis. Those
20 cost -- non-cost causal factors should be reviewed at
21 the rate design stage. And there's very good reasons
22 related to transparency for having that as a policy.

23 And in this proceeding, three (3) of
24 the four (4) expert opinions that are before you agree
25 with that statement that the PUB made.

1 The consultants on behalf of CAC are
2 alone in taking an opposing view. And to paraphrase
3 their evidence, at CAC Exhibit 8, page 17, those
4 consultants indicated that consideration of rate-
5 making principles such as fairness are inherently an
6 important part of developing a cohesive and workable
7 cost of service framework. They also opined that it's
8 impractical to remove other costs -- sorry, other
9 rate-making objectives from the Cost of Service
10 Methodology.

11 And Centra submits that it's this
12 divergent view on the role of non-cost causal factors
13 in the Cost of Service Study that's really at the
14 heart of the divergent views that you see in this
15 proceeding.

16 And so --

17 THE PANEL CHAIRPERSON: Ms. Carvell,
18 just before we leave this principles' point, I think I
19 have your point but can you just clarify Centra's view
20 on the argument that the Board cannot separate the
21 issues of cost causation and fairness in rate-making?

22 Can they be split or does the Board
23 have to consider them together?

24 MS. JESSICA CARVELL: Centra's view is
25 they absolutely can be split and we encourage you to

1 do so.

2 THE PANEL CHAIRPERSON: Thank you.

3 MS. JESSICA CARVELL: So if I could
4 summarize cost causation by a few key principles or
5 objectives.

6 First, when you're determining how
7 customers cause the utility to incur costs, that needs
8 to be informed both by how the system is planned and
9 how it's used.

10 Cost causation should take into account
11 the operating characteristics, the reasons for
12 investment, and the business practices of the utility.

13 And cost of service principles such as
14 simplicity and materiality may be considered when
15 you're selecting an appropriate cost of service
16 methodology. You can go to the next slide, please.

17 So one (1) of the most contentious
18 issues that's before you is the use of peak and
19 average and coincident peak methodology. And it's
20 really the distinction between these two (2)
21 methodologies that highlights well this dichotomy in
22 whether rate-making principles should be part of the
23 Cost of Service Methodology.

24 And so, the peak and average
25 methodology allocates costs on the basis of each

1 class's contribution to a weighted average of
2 coincident peak day demand and average daily demand.
3 And this methodology has been used consistently by
4 Centra since 1996 to allocate demand-related costs.

5 And peak and average as a methodology
6 was originally proposed by Centra in 1996 to
7 incorporate non-cost causal factors. And you see on
8 the screen that there's a quote. It's from R.J.
9 Rutten (phonetic), a consultant retained by Centra in
10 1996, and they opined on the peak and average
11 methodology, indicating that: (as read)

12 "It is an approach which makes a
13 recognition that average daily
14 demand plays some role in
15 determining the level of demand-
16 related costs. The proposition is
17 not based on engineering -- any
18 engineering basis, but, rather,
19 reflects an equity consideration."

20 Centra believes that its historic use
21 of peak and average allocator has been a reasonable
22 and a practical approach to incorporate fairness
23 considerations into the allocation of costs.

24 But in light of this Board's guidance
25 in Order 164 of '16, and upon considering the expert

1 opinions of Atrium, Brubaker (phonetic), and
2 Intergroup, it's now an appropriate time for you to
3 reconsider the use of that methodology.

4 And I want to pause for a moment to
5 make one thing very clear. Adopting a new Cost of
6 Service Methodology at this time does not render the
7 last two (2) decades of rates wrong, unfair, or
8 inequitable as was suggested by CAC.

9 That view would fetter your discretion
10 and it would result in a cost of service methodology
11 that's frozen in time.

12 As part of this proceeding to justify
13 the continued use of peak and average, CAC has
14 conveniently attempted to reframe peak and average by
15 arguing that it does not consider non-cost causal
16 factors but, rather, aligns with, what's termed, a
17 broad theory of cost causation.

18 And I submit to you that this attempt
19 by CAC to recast the peak and average methodology
20 should be rejected.

21 In 1996, it was explicit that the peak
22 and average was being put forward to reflect equity
23 considerations. And these same CAC experts, when they
24 gave evidence before this Board in 2019/2020 GRA,
25 shared that view.

1 In their evidence, they recognized that
2 the peak and average contained a recognition of cost
3 causal and non-cost causal factors. And that the
4 methodology would address equity considerations, which
5 they expressly termed as non-cost causal.

6 So if it's no longer appropriate to use
7 peak and average, what should we replace it with? And
8 Centra is putting forward a proposal related to the
9 coincident peak methodology.

10 And so, this methodology allocates
11 costs to each customer class in proportion to that
12 class's contribution to the system peak. Next slide,
13 please.

14 And so, Centra's proposal is to use
15 this coincident peak method using a design day
16 allocator to allocate the costs associated with
17 transmission plant, that's classified as demand,
18 distribution plant, that's classified as demand, and
19 pipeline costs that are classified as demand which, in
20 this proceeding, has also been referred to as year-
21 round pipeline capacity.

22 And just to take this back to the
23 issues list in Order 36 of '22, that's issues 1, 2,
24 and half of part 5.

25 So the costs associated with each of

1 these assets that are -- are really incurred to meet
2 Centra's peak load on the demand day. Centra's
3 transmission and distribution systems are designed and
4 constructed to meet its design day peak demand.

5 Centra doesn't distinguish between a
6 base load service and a peak service when it's
7 incurring costs to provide service to Manitobans. Nor
8 does Centra build its system to serve only the average
9 demand.

10 And as Mr. Collins (phonetic) noted in
11 his evidence, if you had a system that only served
12 average demand, it would not be able to serve
13 customers in the cold weather months.

14 And so, to summarize, Centra fully
15 supports Atrium's recommendation that the peak and
16 average methodology using a design day allocator most
17 accurately affects the drivers of the costs that are
18 incurred by the utility. And it removes non-cost
19 causal considerations from the Cost of Service Study.
20 And so, it should be selected for that reason.

21 BOARD MEMBER NEMEC: Ms. Carvell, can
22 I interrupt for one (1) moment.

23 Okay. What steps are left to be done
24 by Centra to work through the impact of Centra's
25 proposals on issues 1 and 2, if the Board were to

1 accept those proposals? Specifically, wondering what
2 Centra still has to do in terms of developing design
3 day allocator.

4 MS. JESSICA CARVELL: If you just give
5 me one (1) moment, I know that there is an IR and I
6 would like to find the reference.

7

8 (BRIEF PAUSE)

9

10 MS. JESSICA CARVELL: Thank you for
11 that brief moment. So I'm advised that, for further
12 details, Centra did provide a response. It's PUB IR-8
13 and -9. But essentially, the process is to scale up
14 the existing peak that's used in the peak and average
15 allocator.

16 We have committed that that allocator
17 will be -- that work will be done before the next GRA.

18

19 (BRIEF PAUSE)

20

21 MS. JESSICA CARVELL: Was there any
22 further questions?

23 BOARD MEMBER NEMEC: No, thank you. I
24 was...

25 MS. JESSICA CARVELL: So, I'd like to

1 turn now to Centra's proposal to directly assign
2 certain transmission plant to the special contract and
3 power station classes. This is issue 3 in Order 36 of
4 '22.

5 And so direct assignment is a process
6 to specifically identify and allocate the costs that
7 are incurred to serve exclusively a specific customer
8 or a group of customers.

9 And there's complete agreement amongst
10 all the experts in this proceeding that direct
11 assignment is the gold standard. It's the preferred
12 approach where it's appropriate.

13 And that's because it most accurately
14 reflects the principle of cost causation. The only
15 area of dispute appears to be whether the transmission
16 plant that was identified by Atrium is really clearly
17 identifiable and exclusively used to serve these two
18 (2) customers.

19 So, when we look at this question about
20 whether the assets are clearly identifiable and
21 exclusively used to serve the power station and
22 special contract customer, I want to take a moment to
23 note, CAC had made a comment that it's unrealistic to
24 expect that a significant portion of plant and
25 expenses could be directly assigned.

1 And I don't think Centra disagrees with
2 that, but we're not proposing to directly assign a
3 significant portion of plant. What Centra has
4 proposed is to use direct assignment to allocate the
5 costs of very discreet assets.

6 And you can see from the schematic on
7 the screen, which I appreciate is small, it also is
8 reproduced in Atrium's initial report at page 18, and
9 then a version of this is in Atrium's rebuttal
10 evidence at page 19.

11 But what you can see in this schematic
12 is the assets that we're talking about. So, with
13 respect to the special contract customer, Centra's
14 proposing to allocate the cost of the two (2)
15 transmission mains, that are highlighted in yellow,
16 that flow from the Brandon primary station to the
17 customer's location.

18 We're also proposing to allocate assets
19 that are within the Brandon primary station that are
20 exclusively used to serve that customer. And those
21 assets include a flow metre, metre isolation valves,
22 some pipe, and some fittings.

23 In the case of the power station
24 customer, Centra is proposing to allocate costs
25 related to one (1) transmission main that's

1 highlighted in purple on the schematic and similar
2 assets within the Brandon primary station.

3 So, in the context of Centra's overall
4 system, what we're discussing is really a very limited
5 and clearly identifiable plant. These assets are not
6 used to serve any other customers except in
7 insinuating circumstances. And this -- these assets
8 are not integrated or commingled with a broader
9 transmission service.

10 THE PANEL CHAIRPERSON: So, just
11 before we leave this issue, Ms. Carvell, I just wanted
12 to explore it a little bit in the context of postage
13 stamp rates. And just your comments -- Centra's
14 comments on the suggestion that direct assignment
15 violates the principle of postage stamp rates.

16 And in particular, I'm interested in
17 your views of whether it matters how many customers
18 there are in the special contract class, and also,
19 does the location matter?

20 If the customer were located elsewhere,
21 would we be hearing this same argument?

22 MS. JESSICA CARVELL: Certainly. So,
23 Centra does not believe that this direct assignment
24 proposal conflicts with the principles of postage
25 stamp rates.

1 What we are talking about is the direct
2 assignment of a clearly identifiable plant. It is not
3 attached to the location of these two (2) customers.
4 It's the nature of their service and the fact that
5 these assets are used exclusively to serve them, which
6 makes it appropriate to directly assign and doesn't
7 conflict with postage stamp rates.

8 THE PANEL CHAIRPERSON: And if there
9 were more customers in this class, would that make a
10 difference to your argument?

11 MS. JESSICA CARVELL: No, I don't
12 think it would make a difference to this argument.
13 The analysis is really on whether the assets are
14 clearly identifiable and exclusively serve one (1)
15 customer or a group of customers.

16 So, if there were additional customers
17 in either of these two (2) classes, you would have to
18 do an analysis to identify whether those assets are
19 used to exclusively serve them or if they're
20 intermingled and used by other customers.

21 THE PANEL CHAIRPERSON: Thank you.

22 BOARD MEMBER NEMEC: And, Ms. Carvell,
23 I think you said this, but can Centra confirm that the
24 transmission to serve a special contract class is
25 actually not used to supply any other part of the

1 system?

2 MS. JESSICA CARVELL: That's correct,
3 yes.

4 BOARD MEMBER NEMEC: Thank you.

5 MS. JESSICA CARVELL: And it's
6 important when we're having this discussion to
7 recognize that these two (2) customers are unable to
8 utilize other -- other elements or aspects of the
9 system, because they have unique service requirements.
10 They require high pressure gas and they
11 require unodourized gas. These are unique within
12 Centra's overall system.

13 BOARD MEMBER NEMEC: Ms. Carvell, I
14 have one (1) other question on this issue before we
15 continue. And the question has to do with comments on
16 cross-subsidization.

17 Does Centra have any position on
18 whether there has been cross-subsidization in the past
19 and should the amount of past -- if there is cross-
20 subsidization in the past, should the amount of past
21 cross-subsidization influence the choice of a future
22 costing methodology?

23 MS. JESSICA CARVELL: Sure, just give
24 me one (1) moment.

25

1 (BRIEF PAUSE)

2

3 MS. JESSICA CARVELL: My colleagues
4 have helpfully reminded me of the principle of
5 retroactive rate-making. And so, we want to express
6 caution about looking in the past. Rates have been
7 set by this Board. Historically, they -- that were
8 determined to be just and reasonable.

9 So we want to express caution about
10 taking a hindsight approach to view if there's cross-
11 subsidization between the classes. I also want to
12 caution about have a Cost of Service Methodology
13 that's frozen in time and doesn't reflect the current
14 operations of the system.

15 MS. RACHEL MCMILLAN: Sorry, Ms.
16 Carvell, can I just get you to pull the mic just a
17 little bit closer. It -- we were just having some --

18 MS. JESSICA CARVELL: Absolutely.

19 THE PANEL CHAIRPERSON: -- trouble
20 picking you up there. Thank you.

21

22 (BRIEF PAUSE)

23

24 BOARD MEMBER NEMEC: So, I guess my
25 additional question was: Does Centra have any position

1 on cross-subsidization, and your comment is it's
2 really --

3 MS. JESSICA CARVELL: We don't view
4 there -- there has been cross-subsidization.

5 BOARD MEMBER NEMEC: Thank you.

6 MS. JESSICA CARVELL: I can move on
7 unless there's more questions on this topic? Okay.
8 Go to the next slide, please.

9 I'll just touch very quickly on Demand
10 Side Management. This is issue 6 from the Board's
11 list of issues. Centra currently functionalizes DSM
12 cost to transmission. It classifies these as energy
13 and allocates them based on a forecast of customer
14 class participation.

15 And in Centra's view, this current
16 treatment aligns with cost causation because it
17 directly assigns the cost of DSM programming. That
18 programming is targeted at specific markets and it
19 aligns with the -- pardon me, It assigns those costs
20 with the associated customer class.

21 And so, Centra is recommending that we
22 retain at this current methodology and that position
23 is supported by Atrium, IGU, and KOCH in this
24 proceeding.

25 THE PANEL CHAIRPERSON: So, I just

1 have a couple questions about DSM before you go on to
2 the next issue, if I might.

3 Is Centra's view that gas DSM has
4 reduced the current requirement for upstream pipe --
5 pipeline capacity?

6 Well, I guess, I'll go on to that
7 question since you're asking. Could it reduce the
8 need for upstream pipeline capacity in the future?
9 So, that's kind of two (2) parts of the question.

10

11 (BRIEF PAUSE)

12

13 MS. JESSICA CARVELL: So, yes. The
14 answer to both of those questions is 'yes'. In
15 theory, the use of DSM has reduced upstream capacity
16 and it will continue to do so in the future.

17 How we quantify that amount is -- is
18 incredibly difficult and we haven't done that in this
19 proceeding.

20 THE PANEL CHAIRPERSON: So then...

21 MS. JESSICA CARVELL: The
22 clarification that I was just shared with me, DSM does
23 reduce gas consumption, which can have a corresponding
24 impact on upstream capacity requirements.

25 THE PANEL CHAIRPERSON: But -- but

1 it's hard to measure, is what you're saying.

2 MS. JESSICA CARVELL: Correct.

3 THE PANEL CHAIRPERSON: Okay. So
4 then, moving to the downstream issue then, kind of the
5 same questions.

6 Has DSM reduced or deferred the need
7 for investments in downstream transmission and
8 distribution? Has it, in the past, in your view, or
9 could it, in the future, reduce the need for
10 investment in transmission and distribution?

11

12 (BRIEF PAUSE)

13

14 MS. JESSICA CARVELL: So it's -- it's
15 a similar answer. Yes, in theory, it has impacted
16 downstream requirements. But when determining the
17 marginal value of DSM programming, that is not
18 captured into that analysis.

19 THE PANEL CHAIRPERSON: In -- when you
20 say, not captured in that analysis, I'm not sure what
21 you mean by that.

22 MS. JESSICA CARVELL: So, the marginal
23 value of gas DSM, is entirely based on a reduction of
24 gas purchases and transmission and it does not capture
25 that lower investment.

1 THE PANEL CHAIRPERSON: So your sense
2 is that the -- the investment would be lower, but
3 again, you can't quantify by how much. Thank you.

4 BOARD MEMBER SUSAN NEMEC: And maybe
5 I'll just add to that. So, if -- say one class, like
6 the residential customer reduces demand through DSM,
7 so the question is: Do those benefits only flow to
8 that class or do some benefits, therefore, flow to all
9 classes or other classes?

10 MS. JESSICA CARVELL: There may be
11 some benefits that flows to other classes beyond the -
12 - from that reduction in gas. But I think Centra's
13 position is that none of the allocation methodologies
14 that have been discussed in this proceeding really
15 appropriately address what those potential benefits
16 are.

17 And so, if you're looking at how to
18 capture and quantify those benefits and how to
19 appropriately consider that in the Cost of Service
20 Methodology, it requires the development of a
21 completely new allocator.

22 BOARD MEMBER NEMEC: Thank you.

23 MS. JESSICA CARVELL: If we could go
24 to the next slide please.

25 So, I'd like to speak now about the

1 allocation of upstream capacity resources and this is
2 issue 5.

3 And this is really divided into two (2)
4 primary components. As I indicated earlier, Centra is
5 proposing to replace the current peak and average
6 allocator with the coincident peak design day
7 allocator, to allocate the costs of the upstream
8 pipeline capacity.

9 And those are really the fixed costs
10 that are associated with transporting gas to Manitoba
11 on the TCPL mainline.

12 The second component of upstream
13 capacity resources are costs that are associated with
14 upstream contracted pipeline and cap -- storage
15 capacity resources. And these assets include summer
16 transportation for storage injections, storage
17 capacity, storage deliverability and winter
18 transportation.

19 As a bundle, these are sometimes
20 referred to as storage and related transportation
21 costs. And these costs are specifically contracted to
22 meet the needs of the winter season.

23 And Centra is proposing to allocate
24 these costs using a winter season demand in excess of
25 summer season demand method.

1 And this methodology is preferable to
2 the current peak and average method because the
3 current peak and average method does not recognize the
4 incremental costs that are incurred to serve low --
5 low load factor customers in the winter. Rather, it
6 includes an annual usage which really has no bearing
7 on these costs that are incurred.

8 Now, IGU relying upon the evidence of
9 Intergroup, has suggested that this Board should
10 accept one of the two (2) methodologies that was put
11 forward by Atrium; that's the seasonal stacked
12 resource analysis or the winter season demand in
13 excess of summer season demand.

14 But they suggest to you that you should
15 defer making a selection between one of these two (2)
16 methodologies until there's further analysis at the
17 next GRA.

18 And Centra disagrees with that
19 approach. The evidence in this proceeding supports
20 that the seasonal resource stacked methodology is
21 complex. It requires individual modeling for each
22 pipe and storage resource and it would -- would
23 require substantial alliance on commercially sensitive
24 information.

25 And so, similar to this Board's finding

1 in Order 164 of '16, when they were considering
2 equivalent peaker (phonetic) method, we say that the
3 seasonal stacked methodology is too complex and it may
4 open the door for continuing argument about the
5 appropriate implementation of the methodology.

6 You can take confidence that the winter
7 season demand in excess of summer season demand is
8 reflective of cost causation. It's much easier to
9 understand and implement and it would be an
10 improvement on the existing peak and average
11 methodology.

12 And so, Centra submits there's
13 sufficient evidence on the record of this proceeding
14 to determine, on a balance of probabilities, that the
15 winter season demand in excess of summer season demand
16 is an appropriate and cost causal allocator for the
17 storage and related transportation costs.

18 BOARD MEMBER NEMEC: I just want to be
19 clear on -- on the -- the two (2) different
20 methodologies. So the stack -- I believe I read the
21 stack base analysis for -- or the winter -- the
22 excess, the winter demand, was estimated to be similar
23 to what the results of the stacked base approach would
24 be. Are -- but you didn't say that, I think, today.

25 Do you still put forward that the

1 proposed methodology would still be a good analysis
2 that compares to what the stack approach would be?

3 MS. JESSICA CARVELL: Yes. So
4 preliminary analysis suggest that the seasonal
5 resource stacked methodology would produce similar
6 results to the winter demand in excess of summer
7 season demand methodology.

8 BOARD MEMBER NEMEC: And I guess I
9 would -- my question was: How do you know or how do
10 you come to the conclusion that the two (2) would
11 approximate each other, without going through the
12 process?

13

14 (BRIEF PAUSE)

15

16 MS. JESSICA CARVELL: So Centra was
17 able to arrive at that conclusion together with our
18 rate analysis and our gas supply folks to look at the
19 seasonal stacked resource methodology. They consider
20 the nature of our storage portfolio and the different
21 resources within that and were able to do a
22 preliminary analysis to determine the materiality of
23 the difference between the two (2) methodologies.

24 BOARD MEMBER NEMEC: And is that --
25 was that preliminary analysis presented anywhere or

1 that was...

2 MS. JESSICA CARVELL: So, no, that was
3 not filed. It was just clarified for me. It was just
4 looking at the materiality of the different resources
5 within the -- the portfolio, and it was -- I don't
6 want to say 'assessment' is the word that's being
7 used.

8 BOARD MEMBER NEMEC: Would that be
9 something -- I'm trying to understand -- for us to
10 understand how close and how good of an estimate it
11 is, is that something that could be presented and
12 provided before the next GRA?

13

14 (BRIEF PAUSE)

15

16 MS. JESSICA CARVELL: In order to do
17 this seasonal resource stacked analysis to be able to
18 do a full -- a fulsome comparison, I'm advised it
19 would likely require external resources to help
20 support that work.

21 So, I'm not in a position to tell you
22 right now exactly whether that could be provided
23 before the next GRA given kind of the uncertainty of
24 when that GRA may occur.

25 THE PANEL CHAIRPERSON: So even the

1 preliminary analysis that you have done?

2 MS. JESSICA CARVELL: I was advised
3 it's not committed to paper, so in order to do that,
4 it would take some work.

5

6 (BRIEF PAUSE)

7

8 THE PANEL CHAIRPERSON: So I'm -- I
9 guess I'm a bit confused by this now, but -- and I
10 think I heard you say that this -- the seasonal stack
11 analysis is too complex and could put in doubt --
12 could -- it could be put in doubt as an appropriate
13 methodology.

14 Is -- is that what you said earlier in
15 your presentation?

16 MS. JESSICA CARVELL: So it is a very
17 complex methodology, and it requires numerous steps.
18 And while -- in Centra's view, the implementation of
19 all of those different steps, given the complexity of
20 the methodology, could put kind of the implementation
21 and ongoing application of the methodology as a
22 contentious issue going forward.

23 THE PANEL CHAIRPERSON: Thank you.

24

25 (BRIEF PAUSE)

1

2 BOARD MEMBER NEMEC: Ms. Carvell, is
3 this the end of your conversation on issue 5?

4 MS. JESSICA CARVELL: It is, so --

5 BOARD MEMBER NEMEC: Then I have one
6 (1) question --

7 MS. JESSICA CARVELL: Perfect.

8 BOARD MEMBER NEMEC: -- that probably
9 wasn't yet addressed, but here's my question:

10 What is Centra's view on the issue
11 raised by CAC that the working capital associated with
12 gas in storage is not a true upstream capacity
13 resource, and therefore not in scope? That's per
14 issue 5.

15

16 (BRIEF PAUSE)

17

18 MS. JESSICA CARVELL: Well, my first
19 comment would be that the issue list that was in Order
20 36 of '22 was inclusive, it wasn't exclusive. But I
21 recognize that that topic wasn't expressly listed.

22 But there's no suggestion by any party
23 that there's been prejudice in Centra putting forward
24 this proposal now. IGU had presented evidence on the
25 matter, and CAC had the opportunity to seek

1 information through the Information Request process,
2 and it is a relatively simple and minor adjustment.
3 It should be accepted now rather than deferring the
4 issue to the next GRA.

5 BOARD MEMBER NEMEC: Thank you.

6

7 (BRIEF PAUSE)

8

9 MS. JESSICA CARVELL: If we could go
10 to the next slide, please. Thank you. So Centra
11 recognizes, in the ordinary course, customer rates
12 would not be adjusted through a generic Cost of
13 Service Methodology Review.

14 However, Centra also acknowledges that
15 the illustrative rate impacts that were filed with
16 this application indicates there may be significant
17 rate impacts on certain customer classes if the
18 methodologies that are being proposed are adopted.

19 And so in recognition of the potential
20 impacts of the direct assignment approach, in
21 particular, Centra has identified what it views to be
22 a practical and interim rate adjustment that this
23 Board could consider.

24 It involves two (2) steps, the first
25 being to reinstate the special contract class non-gas

1 portion of their rates as they existed prior to the
2 2019/'20 GRA with Order 152 of '19.

3 The second component is to recognize
4 that there would be a revenue deficiency for Centra.
5 And recognizing the impact of direct assignment on the
6 allocation of costs to the power station customer,
7 we're proposing that the power station customer class
8 would correspondingly absorb the revenue deficiency
9 that's created by a revenue -- or rate reduction for
10 the special contract class.

11 There would be no impacts to any other
12 customer class, and this proposal would provide
13 greater alignment between revenues and costs
14 attributable to these two (2) customers in a timely
15 fashion. Again, assuming that the direct assignment
16 approach is accepted by this Board.

17 We're also proposing that this rate
18 adjustment be made on an interim basis, that it can be
19 reviewed and finalized at a subsequent proceeding.

20 THE PANEL CHAIRPERSON: So then this
21 would be an interim rate under the meaning of the
22 Public Utilities Board Act; that's what you're
23 requesting?

24 MS. JESSICA CARVELL: Yes, that's what
25 we're proposing.

1 BOARD MEMBER NEMEC: And if I can add
2 -- add to that: Why is Centra proposing the eight
3 hundred and thirty-eight thousand (838,000) in rate
4 relief per year and not a different amount? For
5 example, we've seen a number of one point two two nine
6 (1.229) million. Where did you land on eight thirty-
7 eight (838)?

8

9 (BRIEF PAUSE)

10

11 MS. JESSICA CARVELL: We recognize we
12 could have picked kind of any number that was between
13 the indicative rates and something lesser, but Centra
14 elected to choose the rates that were in effect prior
15 to Order 152 of '18 before the last GRA. And to be
16 clear, that is the non-gas components of those rates.

17 BOARD MEMBER NEMEC: Look forward,
18 what financial and cost service information would
19 Centra seek to finalize that interim rate? Will it be
20 based on financial information for a future year as
21 opposed to now?

22

23 (BRIEF PAUSE)

24

25 MS. JESSICA CARVELL: So Centra's

1 proposing similar to any time we're looking to
2 finalize our interim rates, we would be providing
3 financial information within that proceeding that both
4 relates to that current test year that will allow
5 adequate testing the interim rate.

6 BOARD MEMBER NEMEC: Looking forward,
7 if the final rate is different than the interim rate,
8 how would Centra propose to handle that; lump sum,
9 additional charge? Is there -- have they thought
10 forward?

11 MS. JESSICA CARVELL: I think it's
12 very premature for Centra to express an opinion on
13 that. We do recognize that if the interim rate is
14 different than the finalized rate, there needs to be
15 something to reconcile that. But it's premature to
16 comment on how Centra would propose to deal with that.

17

18 (BRIEF PAUSE)

19

20 THE PANEL CHAIRPERSON: So just one
21 (1) more question on this area, and this is more, you
22 know, a principles-based question.

23 So I just wanted to explore a bit the
24 appropriateness of the PUB to approve an interim
25 measure that affects two (2) customer classes, and yet

1 for all the other customer classes, we're saying that
2 we will wait till the GRA to make any rate changes
3 that would come out of this cost methodology.

4 MS. JESSICA CARVELL: I think we
5 appreciate that it's an unusual situation, but really
6 recognizing that the illustrative rate impacts did
7 demonstrate some pretty significant impacts to these
8 two (2) customer classes, they are by far the two (2)
9 most impacted customers if all of the proposals are
10 adopted.

11 It's open to you at this time to
12 determine that an interim rate is just and reasonable.

13

14 (BRIEF PAUSE)

15

16 MS. JESSICA CARVELL: So I do want to
17 address the two (2) specific questions that the Board
18 had in its letter sent out last Friday.

19 In this proceeding, Centra's proposed
20 to conduct a minimum systems study to enable a more
21 fulsome assessment of the proportion between demand
22 and customer classifications of distribution mains.

23 And Centra's also proposed to review
24 the matter of unaccounted for gas and its treatment
25 within the Cost of Service Study.

1 And again, recognizing that these are
2 just proposals and they're subject to the Order that
3 you may make, it's my submission that it's premature
4 to establish definitive time lines for the completion
5 of this work.

6 Centra is hesitant to make any
7 representations about the timing of the completion of
8 this work prior to the next GRA given the uncertainty
9 of when that GRA may occur and the competing resources
10 -- or, sorry, competing priorities for limited
11 internal resources.

12 That being said, and as indicated in
13 Centra's final written argument, the UFG study in
14 particular will be a significant undertaking and the
15 last one as any indication took twelve (12) months to
16 complete.

17 Centra has had some preliminary
18 discussions, assuming the Board accepts these
19 proposals about how it can implement and complete this
20 work. And those discussions have included assessing
21 whether the work will be performed internally or using
22 external resources.

23 So Centra requests that the Board not
24 make any Order establishing deadlines for the
25 completion of this work. Centra will be using

1 reasonable efforts to perform this work in a very
2 timely way if ordered to do so by the Board, and we
3 will provide updates to the PUB on that status at the
4 next GRA or at the frequency requested by this Board.

5 THE PANEL CHAIRPERSON: So just to go
6 to the first issue, we asked in a letter about the --
7 the Diameter Links Study.

8 Does Centra still plan to update that
9 Diameter Links Study as an interim measure, or do you
10 plan to undertake the Minimum Systems Study instead?

11

12 (BRIEF PAUSE)

13

14 MS. JESSICA CARVELL: Centra's
15 proposing to utilize the Minimum Systems Study to
16 replace the Diameter Systems Study (sic). But, as
17 noted by Atrium, there is some gaps in our -- the
18 information and data we have available, so there would
19 be some assumptions that have to be made in that
20 Minimum Systems Study.

21 THE PANEL CHAIRPERSON: And you have
22 no sense really of when that work would be done then?

23 MS. JESSICA CARVELL: Not at this
24 time, no.

25 THE PANEL CHAIRPERSON: So then do you

1 have a plan for the next GRA as to how you would
2 proceed on this issue?

3 MS. JESSICA CARVELL: Well, certainly
4 we hope and we intend to use all reasonable efforts to
5 be able to have this work done before the next GRA.
6 But we're -- given the uncertainty of when that GRA
7 may occur, if -- and the other competing resources,
8 we're just not in a position to make a firm commitment
9 at this time.

10 But absolutely, at the next GRA, if
11 we're not bringing you a Minimum Systems Study to
12 review, we'll be providing you with a progress update.

13 THE PANEL CHAIRPERSON: And then the
14 same question really for the unaccounted for gas. You
15 said that the last study took a year, so this is a
16 longer-term thing, and so you don't really have a
17 sense of when you might be able to do this with your
18 competing resources.

19 So what would be the plan for
20 unaccounted for gas then for the next General Rate
21 Application?

22 MS. JESSICA CARVELL: Well, if we do
23 not have a new treatment to bring forward for you
24 without tying our hands, I would suggest -- we've
25 recommended to use the existing study. And if we

1 don't have a different proposal, I feel fairly
2 confident that we would continue to use what has been
3 used by this Board for the past ten (10) years.

4

5 (BRIEF PAUSE)

6

7 MS. JESSICA CARVELL: So I just want
8 to conclude this morning by highlighting the three (3)
9 main methodology propo -- changes that are being
10 proposed by Centra. If we could go to the next slide.

11 We're proposing to replace the peak and
12 average allocator with a coincident peak design day
13 allocator for transmission and distribution demand-
14 related costs and upstream capacity costs.

15 We're proposing to replace peak and
16 average allocator with a winter season demand in
17 excess of summer season demand for storage and related
18 transportation costs.

19 And Centra is proposing to utilize
20 direct assignment of specifically identified
21 transmission plant to the special contract and power
22 station customer classes.

23 And if you accept these proposals,
24 Centra has always -- has also put forward an interim
25 rate adjustment for two (2) of those customer classes.

1 Now, this four (4) point bulleted list
2 is just a high-level summary. There is a complete
3 list of all of the relief that's sought by Centra.
4 It's found at pages 1 through 3 of our final
5 submission.

6 And so I -- I want to thank the Board
7 for its time and attention this morning. I want to
8 thank all the parties, particularly PUB staff and
9 their advisors, Intervener counsel, and consultants
10 for their contributions to this proceeding.

11 And subject to any further questions
12 you may have, that's my comments this morning.

13 BOARD MEMBER NEMEC: I just have one
14 (1) clarification, and it had to do with issue 10.
15 And my question was: If the final rate is different
16 than the interim rate, how would Centra propose to
17 handle it with their lump-sum additional charge?

18 And I think you answered that would be
19 something that needs to be reconciled and then looking
20 -- and looking back at sort of what was charged. So I
21 wanted to understand if you're considering looking at
22 what was charged and revising it, or what that -- what
23 exactly that meant.

24 MS. JESSICA CARVELL: So any time an
25 interim rate is not finalized, it's varied. There are

1 many different options that the Board could take. It
2 could be a lump-sum refund. It could be a rate rider.
3 It could be nothing depending on what the Board feels
4 is just and reasonable.

5 And so it's premature for Centra to
6 make comments on what that proposal could look like at
7 this time.

8 BOARD MEMBER NEMEC: Thank you.

9 THE PANEL CHAIRPERSON: Okay. I think
10 that's all our questions. Thank you for the
11 presentation, and we'll take a fifteen (15) minute
12 break. Thank you.

13

14 --- Upon recessing at 9:48 a.m.

15 --- Upon resuming at 10:06 a.m.

16

17 THE PANEL CHAIRPERSON: M. Hacault, if
18 you're ready to start, I'll ask the same question that
19 we asked of Ms. Carvell and that's whether you'd
20 prefer we hold our questions to the end of your
21 presentation or whether you'd prefer that we interrupt
22 as you go along.

23 MR. ANTOINE HACAULT: I'll leave it to
24 the Board to decide what it wants to do. Most likely,
25 it makes sense to ask me the questions while I'm

1 dealing with the subject but whatever the Board's
2 preference is, I'm okay.

3 THE PANEL CHAIRPERSON: Thank you.

4

5 CLOSING SUBMISSIONS BY IGU AND KOCH FERTILIZER:

6 MR. ANTOINE HACAULT: Bonjour, Madam
7 Chair, and Board Member Nemec. I also wish to take
8 the time to recognize the extraordinary contribution
9 of Board Member Ring, who I've known as Master Ring in
10 -- in my litigation life, both for his public service
11 and his contribution to this Board and -- and the
12 decisions, including a dissenting decision.

13 I also wish, at the outset, to -- to
14 thank, on behalf of Koch and IGU, Board Staff, Board
15 counsel, other counsel involved in this proceeding,
16 all advisors, and support staff, and participants in
17 this process.

18 The focus of Koch in this intervention
19 has largely been focussed on a -- on approved focus
20 issues and particular impact on it. Koch is a member
21 of IGU and has collaborated with these other users in
22 this intervention.

23 There are three (3) classes represented
24 by this Intervener: Firstly, the special contract;
25 secondly, the mainline class, which is a very small

1 group -- I'll be addressing that a bit more with
2 respect to the mainline proposition that we have --
3 and, then, finally, one high-volume firm customer,
4 which is a bigger class. They're, I think, over a
5 hundred (100) in that class.

6 To a large extent, my presentation this
7 morning will cover some of the matters in our written
8 submission. I don't propose to go through all of it.
9 In addition, I intend to deal with some of the issues
10 that were raised in the CAC submission, which was
11 filed on the same day as ours, and some matters in the
12 Centra rebuttal submission.

13 I, like Centra, will start on the issue
14 of onus. I have a couple -- I'm not going to repeat
15 what Ms. Carvell has said but there's some things that
16 are in the evidence, which I'd like to bring to the
17 attention of the Board.

18 When I, as counsel, retain experts, I
19 always require them to specifically understand, and
20 state, that their primary duty is to provide opinion
21 evidence to the PUB that is fair, objective, and non-
22 partisan, and make sure they understand that just
23 because they are hired by a particular client, their
24 duty is to this Board. And you will see, in the
25 introductory paragraph of Mr. Collins' (phonetic)

1 evidence and in the introductory paragraphs of Mr.
2 Bowman's evidence, that specific statement and
3 acknowledgment of their duty.

4 Why do I raise this? In my respectful
5 view, with those expressed statements that they're
6 here to assist the Board, although they've been hired
7 by parties, I would suggest that it's also appropriate
8 to view them as independent experts, who were here to
9 try and assist the Board.

10 And we submit that the Board is
11 entitled to put weight on the fact that three (3)
12 independent experts concur in the class of service
13 methodology. There's consistency and that
14 consistency, in and of itself, is not determinative.
15 I'll acknowledge that.

16 But, given that the last in-depth
17 review was in 1996, the Board is certainly entitled to
18 be attentive to evidence in this hearing and be open
19 to implementation of opinions and recommendations of
20 Atrium, Mr. Collins, and Mr. Bowman.

21 The -- I also want to address the
22 experience of Atrium. I also focussed not only on the
23 fact that -- you know, is this company do a lot of
24 work in the U.S. and the CVs confirm that they've been
25 hired in Alberta, British Columbia, Ontario, Quebec,

1 and New Brunswick. So, they are very familiar with
2 the Canadian landscape which, in my respectful view,
3 is important, if you're considering the weight to put
4 on opinions of experts opining on Canadian matters.
5 And the CVs also confirm extensive experience in costs
6 of service, which is the area that we're concerned
7 about.

8 Conversely, we submit that the Board
9 should view the CAC evidence critically. There's one
10 set of experts which have a different view. Okay.
11 Why do you have that different view?

12 They do an extensive job of trying to
13 explain that but when you have three (3) people
14 rolling in one (1) direction and one people wants to
15 stay with an old methodology, I think it merits a very
16 serious review of that evidence to see whether it --
17 it -- it stands up to the current circumstances.

18 Although CAC experts criticize
19 recommendations by Atrium, they have not adduced
20 evidence of wide said -- widespread current acceptance
21 of keeping the old methodology; nor have they adduced
22 evidence that the factual background of jurisdictions
23 who have elected to keep peak and average methodology
24 are materially similar to the factual background here
25 in Manitoba and I say that's an important

1 consideration.

2 So, in the evidence in PUB Koch
3 Interrogatory 1, Mr. Collins explains why four (4)
4 jurisdictions used peak and average. One (1) of those
5 was settled, not adjudicated. The other three (3)
6 used that method because the Commission was not
7 approaching the choice of method based on cost
8 causation.

9 Why do I bring these examples up?
10 Because hip -- other people are doing it and not based
11 on cost causation, and you focus on cost causation.
12 It's -- it's -- it's explaining why other
13 jurisdictions may use it if they're not concerned with
14 the cost causation test and Mr. Bowman -- Yes?

15 THE PANEL CHAIRPERSON: Mr. Hacault,
16 could you repeat that point. Could you just clarify,
17 then, your client's view on the argument that the
18 Board cannot separate cost causation and fairness in
19 ratemaking and, in your view, can they be split or do
20 they have to be considered together?

21 MR. ANTOINE HACAULT: Well, the -- if
22 you take fairness as meaning, for example, do we have
23 to avoid rate shock or do we have to get in to all
24 these other things that, in our respective view, is
25 part of the ratemaking. You have quite a bit of

1 flexibility, once you've determined cost causation, to
2 deter -- to determine a whole bunch of issues of
3 fairness and -- and that may be that you widen the
4 margin.

5 Right now, we're at Unity 1 and
6 everybody needs to be brought there. In -- in Hydro
7 hearings were -- we've got a 10 percent margin on, you
8 know, do they fall within that margin or not when
9 we're setting rates.

10 All those things can be dealt with at
11 the rate-setting level, in my respectful view.

12 And while on that subject -- and sorry,
13 for referring to some additional evidence here because
14 it relates to submissions by CAC that we hadn't seen.
15 Mr. Bowman also commented on another example where
16 peak and average was used. It was the Enstar example
17 in Alaska.

18 And he explained why it was used there
19 and the facts were different and the -- the
20 circumstances were materially different than Centra.

21 So we say that, viewing the evidence as
22 a whole, there's no compelling evidence of relevant
23 examples indicating that the best practice is
24 consistent with CAC expert evidence.

25 We submit that, to the contrary, the

1 evidence of Atrium, Mr. Collins, and Mr. Bowman is
2 consistent with best practice on the choice of methods
3 which reflect cost causation.

4 Now, I'll address for a short while the
5 -- I'm going to call the alleged new test. We are of
6 the same view that the new test is not consistent with
7 cost causation. And there's some quotes put to this
8 Board by Centra, and we've put quite a few quotes in
9 our written submission too.

10 Now, there was some apparent
11 disagreement -- or it seemed to be disagreement on,
12 Well, the narrow approach is not considering use. We
13 say that that is not consistent with the evidence.
14 Mr. Collins said that his approach was consistent with
15 cost causation which considered both design and use,
16 in interrogatories and in the evidence.

17 Mr. Bowman also explained that he was
18 considering design and use, as long as it all related
19 to who was causing the cost. And he was of the
20 opinion that the recommended changes represented a
21 material and important improvement to the Cost of
22 Service Methodology. That was in CAC-IGU
23 Interrogatory 2.

24 Now, when I read the materials, both
25 the evidence and the submissions of CAC, what struck

1 me is the number of times that CAC focused on, what it
2 called, policy. In fact, I just did a word search in
3 the PDF of the submissions. The word 'policy'
4 appeared seventy-eight (78) times.

5 Oddly enough, nowhere in that
6 submission is the statutory test. And the statutory
7 test in the PUB Act is whether the proposed method is
8 just and reasonable. That's the test that the Board
9 applies.

10 Words in the statute and in regulatory
11 law also use words -- so unjust, unreasonable,
12 insufficient, or unjustly discriminatory or
13 preferential. You'll find that in Section 77 of the
14 PUB Act.

15 So allocation of responsibility based
16 on causation is a widely accepted principle in various
17 areas; not only regulatory areas. Master Ring would
18 have been familiar having to allocated responsibility
19 for losses and expenses based on who caused those
20 losses and expenses.

21 And we think about our children or even
22 our neighbours, Well, why should I pay for my
23 neighbour's heating costs when I should just pay for
24 my own heating costs in my house? It would be unjust
25 for me -- and children will point that out really

1 quickly -- listen, grandchildren too -- and the same
2 principles of -- in my respectful submission apply in
3 the regulatory world.

4 We do our best when we can directly
5 assign and we can discretely and distinctly assign
6 costs. They shouldn't be paid for by others and vice
7 versa. It works both ways.

8 So -- and maybe it's just -- I'm going
9 to say -- the tone of the CAC submissions but, for
10 example, at page 6 of its submission, at lines 28 to
11 30, CAC urged the PUB as follows:

12 "As a result of the significance of
13 the proposed cost changes and the
14 potential magnitude of the negative
15 impact on SGS class, CAC submits
16 that the PUB should proceed
17 carefully before adopting any
18 proposed changes."

19 Well, we've got a lot of changes
20 happening. Is it just that special contract continue
21 to pay based on preliminary analysis somewhere between
22 eight hundred (800) and, at one point, nearly three
23 million dollars (\$3 million)? Is that just?

24 There's others who are also affected
25 and there's a lot of changes happening; but that

1 shouldn't discourage the Board from bending one way or
2 the other. Let's just look at the way it leads to a
3 just and reasonable classification.

4 And CAC actually then quoted a one-
5 point-seven million dollar (\$1.7 million) annual
6 change in rates potentially, with an MPV of some
7 thirty-four million dollars (\$34 million).

8 Well, the same analysis could be done
9 related to others that are on the other side, who have
10 been perhaps under other methods, paying different
11 amounts, which aren't related purely to cost
12 causation.

13 I'm going to be going to issues 3 and
14 10 now as a discrete issue. It's the special contract
15 and the direct allocation to that special contract.
16 And that's at pages 11 to 14 of our submission. I
17 don't need you to go there, but I just wanted to put
18 it on for the record.

19 One (1) of the assertions by CAC
20 experts and in the submission is that the plant
21 serving the special contract class is -- they used the
22 word 'fungible'. It's basically a part of a big
23 system. And that, we say, is inconsistent with the
24 evidence.

25 And if Ms. Schubert could bring up

1 Atrium rebuttal at Appendix A. I think it's pages 18
2 to 20.

3

4 (BRIEF PAUSE)

5

6 MR. ANTOINE HACAULT: Although it's
7 not the complete evidence, it's just the evidence of
8 Atrium. It was filed after considering all other
9 evidence. And the facts -- in other words, how the
10 system is actually set up, used -- totally unique and
11 totally distinct -- have not been challenged.

12 So I don't intend to read everything in
13 this. I just say it -- you know, if you're going to
14 look at some evidence, this is part of the evidence,
15 part of the -- of Atrium that deals with the facts on
16 this issue.

17 And they support that by having given a
18 schematic -- that's on the next page of this PDF -- to
19 illustrate this. And it's similar to the schematic
20 that was selected by Centra in its submission this
21 morning, except it has some additional explanations on
22 the right-hand side on the valves being closed, et
23 cetera.

24 Now, CAC, in its submission, says that
25 the whole issue of odourized gas not being used by

1 Koch, special contract in the power stations, is a red
2 herring. I respectfully disagree. And why? There is
3 specific evidence by Centra and by a Koch expert on
4 that issue.

5 PUB to Centra, 11(a) explains the
6 sulfur contained in the odourant is considered a
7 contaminant to the process used by the special
8 contract class that will result in equipment damage.
9 Same response is provided by Koch in the Centra
10 Question 2 Koch IR2

11 So, my understanding is that utilizing
12 any infrastructure after the point of odourization is
13 simply not a possibility. They can't do it. It'll
14 damage their equipment. Now, how is that fungible?
15 How is that considered to be part of the system? They
16 can't use it. It'll damage their plant.

17 We say other assertions are made by CAC
18 without clear evidence. It's asserted that all
19 customers have paid for the infrastructure dedicated
20 for special contract. It may be that the cost of
21 transmission upgrades were rolled in to rate base,
22 however, if we look at the overall system, who pays
23 for all that infrastructure. At least the evidence we
24 have, at this point, is that there's some eight
25 hundred thousand (800,000) to \$1.3 million of over-

1 payment by Koch.

2 So, what's Koch been paying for? The
3 infrastructure around Winnipeg that's been added? The
4 additional infrastructure elsewhere that it can't use
5 which will -- because the gas will damage its
6 equipment?

7 We say that there's no concrete
8 evidence to show that there's some kind of inequity
9 because, hey, we, yeah, everybody paid for these lines
10 that are in yellow and purple. There is no clear
11 evidence that there's been a subsidy by everybody else
12 in those lines. In fact, the overall evidence is that
13 there's been overpayment by Koch in several areas,
14 which it shouldn't have had to pay.

15 And the evidence is that the 1996
16 pipeline which was installed and designed to support
17 the major expansion, and that's the reference to CAC
18 Centra 11(a), page 203, there is no evidence of any
19 potential new user which could make use of this
20 infrastructure, without adversely affecting special
21 contract operations.

22 In fact, the opposite has occurred.
23 Prior to October 2011, there was a further isolation
24 of pipeline network made to support the increased gas
25 demand for a special contract customer and that's

1 11(a), page 303.

2 Now, subject to any questions on the
3 uniqueness and -- and specificity of the
4 infrastructure that we're looking at on the screen and
5 as further described by Centra, I'll move to the
6 interim rate proposal.

7 THE PANEL CHAIRPERSON: So, I just
8 have one question about this. This is more on a
9 theoretical basis. In your view, when you make the
10 argument about direct assignment, does it matter how
11 many customers there are in the class and if the loca
12 -- if the customers were -- were located elsewhere in
13 the province, would your argument be different?

14 MR. ANTOINE HACAULT: In -- no, and,
15 in fact, I was going to refer that, in my submission,
16 as it relates to mainline because there's maybe a
17 little bit more than half a dozen at least. There was
18 half a dozen at some point in time. We don't have the
19 exact numbers for mainline.

20 But there's specific evidence that
21 shows that for mainline some distribution items, and
22 even the definition of that class, is that the reason
23 why they were created is they had direct
24 infrastructure used only for them and if you can
25 identify that, something like I started initially

1 says, well, why should I pay for the heating of my
2 neighbour's house.

3 It doesn't matter where the house is
4 located, whether it's in southern Manitoba, northern
5 Manitoba, or Winnipeg, if I don't use it and can't use
6 it, why should I pay? It's not just.

7 It doesn't matter whether it's five (5)
8 people that are in that situation. For example, we do
9 have the -- the turbines in Manitoba Hydro. Same
10 thing. They've got a dedicated line of unodourized
11 gas because nobody else in the system can use that and
12 they can't -- once it's gone into odourization,
13 they're not going to tap in to it either.

14 So, number and location doesn't make a
15 difference because you look at the cost causation.
16 How is that used? How was it designed? And that's
17 why I went through the evidence from 1996 and gave you
18 the references of how it was designed and how it's
19 been used since then.

20 BOARD MEMBER NEMEC: I do have a
21 question and I think you mentioned that there has been
22 some cross-subsidization but it's happened in many
23 different ways.

24 MR. ANTOINE HACAULT: Well, we don't
25 have great information on that. The only response in

1 an IR by Centra, and I think I can give you the
2 reference. I think it's 11(d), so, CAC-Centra, 11(d),
3 was that all the upgrades in the Brandon area were
4 paid by all the customers.

5 But there's no specific analysis that
6 you'd see in an accounting perspective, say, for
7 example, you know, it cost \$10 million to do this
8 line. How much did special contract pay of that \$10
9 million over fifteen (15) years? How much Manitoba
10 Hydro power stations pay over, you know, the last
11 fifteen (15) years? And how much did the special
12 contract pay for distribution in areas of the
13 infrastructure which were totally unrelated to it and
14 would cause damage. There isn't that level of
15 analysis to be able to provide to the Board in this
16 hearing.

17 BOARD MEMBER NEMEC: Just to further
18 that, without that information -- or should that
19 amount, that we can't estimate at this point, should
20 it influence the choice of a future costing
21 methodology? How does impact the costing methodology?

22 MR. ANTOINE HACAULT: In my respectful
23 submission, it should not. I mean, I guess we've seen
24 in other rate hearings where you start to do rate
25 riders and you start to calculate retroactively what

1 should have happened. Well, if we start doing that
2 for Koch, you know, when we were doing the 2019
3 hearing, Koch had its own separate counsel and -- and
4 Mr. Collins, again, as the expert, and they were
5 saying, well, listen, don't impose rate shock on us by
6 increasing our rates by 64 percent. Please give us a
7 break.

8 And this gets me in to the interim
9 rate. We -- we can't, unfortunately, -- I would love
10 to be able to argue to this Board we should do
11 retroactive rates; that would be very beneficial for
12 Koch and, probably, it would be very unfavourable for
13 the power stations who haven't been paying, according
14 to what they directly use.

15 But, unfortunately, we're caught in a
16 situation and last time, we were in the same thing, we
17 were saying, well, listen, you know, could the Board,
18 please, be slow in increasing rates. You know, rate
19 shock at 64 percent is a lot. We think that the
20 analysis when we do direct assignment and how it
21 should be done from a cost causation perspective will
22 show that we've been overpaying for a long time.

23 We had the same issue last hearing on
24 balancing. You know, how -- at one point in time
25 there was a lot of subsidies by one area over the

1 other, according to a retroactive analysis, but if you
2 start to get into that retroactive analysis of facts
3 and adjustments, it becomes very complicated.

4 And although it, you know, I probably
5 would -- if -- if we could do retroactive ratemaking,
6 I guess it gets into the question of, well, how do we
7 adjust it if our interim rate was too high for the
8 special contract. Do we say, well, you know, all
9 classes have to start taking out of their pockets and
10 we're going to amortize the additional cost to bring
11 back Koch where it needs to be. How are we going to
12 deal with the fact that they've been overpaying for a
13 long time.

14 Well, it works both ways. So, it
15 shouldn't make a difference in the analysis of cost
16 causation. Maybe at the General Rate Application,
17 there's going to be various submissions and approaches
18 -- say, well, listen to the rates, we can do this, we
19 can do that, we can try to address, you know, the --
20 the fairness and what's happened in this way, but from
21 this analysis on cost causation, in my respectful
22 submission, these issues should not be a factor.

23 BOARD MEMBER NEMEC: And -- and just
24 to -- to further that, if the Board were to determine
25 at the next GRA that the reduction in rates charged to

1 the special contract class was too much, how -- what
2 would your expectation to see -- whether you see there
3 being a collection of the excess or how would you see
4 that being handled?

5 MR. ANTOINE HACAULT: I'd like to see
6 what the facts are because if the rate adjustment was
7 too much, okay, but for how many years has Koch been
8 paying \$1.3 million too much.

9 If -- if the Board decided, for
10 example, that it should only get a seven hundred
11 thousand dollar (\$700,000) adjustment instead of the
12 eight hundred (800) interim. By the time we get to
13 the next rate hearing, as of today, because in
14 2019/2020, we bumped up Koch rates by 64 percent.

15 If, under the approved method by this
16 Board, they shouldn't have been paying 1.3 million, it
17 should have just been around seven hundred (700), well
18 what happens with respect to the six hundred (600)
19 it's been paying too much since 2019?

20 It's best left, in my respectful
21 submission, to the rate hearing and the facts and once
22 we know what this Board decides on methodology, what
23 that methodology leads to, because right now the
24 directional information that we have from Manitoba
25 Hydro is based on coincident peak not design day.

1 And, somewhat of speculation, but I
2 would expect directionally, if the Board approves
3 Centra's request to do a design day peak, that that
4 will mean that there's even a greater amount owing --
5 or say, greater reduction of Koch's rates.

6 Because the design day peak is meant to
7 say to you and I, when we hit that minus 40 with the
8 big 40 mile an hour winds, we're going to be able to
9 heat your house, that's the -- the -- the design that
10 the system is meant for.

11 The high load factor companies, so the
12 ones that are -- that use a lot and don't get
13 influenced by a lot of the temperature, have very,
14 very little impact on that pronounced peak. They're
15 included in the calculation, but their usage is
16 relatively flat. It's the extra design and the extra
17 build that's required to meet that very extraordinary
18 peak that causes that high additional expense. And
19 that's why peak day is cost causation.

20 If we didn't have to worry about
21 heating our houses in minus 40 with 40 mile an hour
22 winds, that would be great, 'cause then we'd have a
23 balanced load. We wouldn't have these peaks. We
24 wouldn't have to have all this big infrastructure to
25 meet that peak.

1 I don't know if that answers your
2 question.

3 BOARD MEMBER NEMEC: Thank you.

4 THE PANEL CHAIRPERSON: M. Hacault,
5 just on this point, you know, how -- is it appropriate
6 that the -- that the Board would approve an interim
7 rate for -- that really only affects two (2) customer
8 classes, when other customer classes are going to have
9 to wait to see the rate impacts when we do go to a
10 General Rate Application?

11 MR. ANTOINE HACAULT: That's a
12 challenging thing that is facing the Board.

13 The way I look at it is where balancing
14 between two (2) mainline users, the power stations,
15 and Koch. Where direct users have specific
16 infrastructure that gives them unodourized gas and if
17 we're concerned about not impacting other classes,
18 which would include, you know, high volume, that's one
19 of my clients in -- in IGU, would be left alone for
20 now.

21 It doesn't cause any unfairness to
22 anybody else. It doesn't take out of anybody's
23 pocket. It just reallocates between the power
24 stations and the special contract being Koch.

25 And it's maybe not that persuasive, but

1 I -- I think, well, you know when we went through the
2 1920 (sic) General Rate Application, we thought that
3 it was a -- we were going to get a GRA -- or the cost
4 of service filed in 2020 which might have meant by the
5 fall of 2020 or early 2021, we would have done a GRA
6 and everybody's rates would be re-balanced according
7 to the Board's discretion based, in part, on the Cost
8 of Service Study and then based, next, on all the
9 ratemaking adjustments.

10 But it looks now that instead of 2020,
11 or maybe 2021, we're looking at 2023. And the main
12 beneficiary of not changing this, based on the
13 material I've seen, unless submitted in -- or written
14 submission, one (1) of the main beneficiaries of that
15 delay is Centra's parent.

16 So, I -- I say, Koch will have overpaid
17 for -- until -- if the Board in its wisdom decides to
18 give an interim rate, it'll have overpaid
19 directionally for a lot longer than anybody thought,
20 number one. And at least it provides an interim
21 relief which doesn't affect all the other classes, it
22 just affects the two (2) big users of unodourized gas.

23 So, that's why I -- I respectfully
24 submit, that it's appropriate for the Board to
25 exercise its discretion to leave all other rates

1 alone, not touch them at all.

2 And the interim rate adjustment is very
3 conservative, based on any calculations we've seen.
4 Now the calculations that were provided by Centra, and
5 this is Koch Centra Response 3, so IR-3.

6 You'll see that the proposal, if you
7 look at other material, is about an eighty-hundred-
8 and-thirty thousand dollar (\$830,000) reduction.

9 But if you look at what Centra believes
10 directionally would happen, is that the interim
11 proposed rates would be lower -- it would be the
12 difference between the two-point-two-nine-eight
13 (2.298) and the interim proposed rates. You'll see
14 they pay the one-million-four-sixty (1,460,000),
15 that's the impact of an Order on interim rates.

16 And then, the proposed methodology
17 would suggest that they should not be paying two-point
18 -- we'll round that off -- three million dollars (\$2.3
19 million). They should only paying around a million
20 dollars.

21 So it's conservative, in my respectful
22 submission. If you decide to do direct assignment,
23 it's a very conservation number. You've got nearly --
24 nearly four-hundred-thousand dollars (\$400,000), if
25 you look at the difference between one-point-four-six

1 (1.46) and you subtract one-point-zero-six-nine
2 (1.069), you've nearly got four hundred thousand
3 dollars (\$400,000) of -- let me say -- comfort zone.
4 So that it's not a radical request or an aggressive
5 request. It's a very conservative request.

6 THE PANEL CHAIRPERSON: I think I
7 heard you say that if the Board were to approve this,
8 it would be not -- it would not be unfair to anyone
9 else.

10 But then, you also said that the
11 beneficiary of this would be Centra's parent company.
12 Centra's parent company has ratepayers as well. So do
13 you have any comment on that?

14 MR. ANTOINE HACAULT: Well,
15 irrespective of who owns the facility -- whether it's
16 Koch, whether it's Hydro, whether it's a Rocet
17 (phonetic), whether it's a Simplot, they should be
18 paying a just rate.

19

20 (BRIEF PAUSE)

21

22 MR. ANTOINE HACAULT: Now, I'll move
23 to highlight certain parts of our written submission.

24 In the introduction, at page 2, there's
25 one (1) addition that I'd like the Board to consider,

1 and I'll discuss it a bit later. It's on the issue of
2 main line and the dedicated distribution assets.

3 We'll be submitting that that issue
4 should have a final determination at the next GRA.
5 And I'll explain why. And that wasn't included in --
6 in this written submission.

7

8 (BRIEF PAUSE)

9

10 MR. ANTOINE HACAULT: With respect to
11 the general remedies, I've listened attentively to the
12 Board's questions on -- on when the next studies will
13 be done for unaccounted gas and distribution.

14 I would encourage the Board to do a
15 little bit like what it did in -- in some of the Hydro
16 hearings, to require reasonable reporting at a
17 reasonable interval. At least the Board has an idea
18 of what's happening.

19 Otherwise, we've somehow sometimes
20 faced where we come -- and this happened in the MPI
21 hearing -- there was a direction to do something by
22 the next GRA. And by the next GRA, it was reported
23 that nothing had been done. That was the report.

24 It would have been nice to -- to know -
25 - and there's some other things that were addressed,

1 but not the way they were -- the Board intended to
2 have it addressed.

3 So for that reason, I -- I would
4 suggest that it's appropriate to monitor some progress
5 or at least have interim reports on -- on the
6 monitoring of the progress. And that way, the Board
7 has a better idea of -- of where Centra is at and --
8 and what it's able to do and what it isn't able to do.
9 And whether it's decided to hire independent help
10 because they're short staffed. I know the staff is
11 really hard-pressed to try and do everything it needs
12 to do.

13 So for any recommendations or
14 directions on further studies for unaccounted for gas
15 or the development of the customer component of
16 distribution means, we'd encourage reporting.

17 And on the issue of distribution means,
18 we also have some comments in our present written
19 submission that we recommend that there be
20 distinctions between the distribution component and
21 transmission component.

22 Now, I'll go to page 5, the second last
23 paragraph. We have additional quotes on the whole
24 issue of cost causation and the peak and average, et
25 cetera. I don't intend to go to all of them.

1 But in the second paragraph, we provide
2 a quote taken from the 1996 cost of service
3 methodology. That also confirms -- on the second line
4 of the second last paragraph -- that the peak and
5 average was intended to reflect the inclusion of the
6 non-cost causal factors. And that's why Ruten
7 (phonetic) and Associates recommended the use of peak
8 and average methodology.

9 The next parts of that submission
10 quotes parts -- and this is page 6, in the middle,
11 there's a quote from CAC, that:

12 "The definition of causation is
13 broader than only considering strict
14 engineering design parameters."

15 In our respectful view, if we go to the
16 next paragraph on that page, there isn't really
17 anybody that I've been able to identify that
18 disagrees. That goes beyond just pure design.

19 So when Atrium looked and analyzed
20 things, they look at operation. They look at use.
21 Not just the design.

22 Mr. Bowman agrees with that. And Mr.
23 Collins agrees with that. As long as it's related to
24 causing cost.

25 So quoting Mr. Bowman, at the bottom of

1 this page:

2 "Both design and operation can be
3 relevant to cost causation. Cost
4 causation can take different forms.
5 One form is the fact that an asset
6 was planned and costs incurred for a
7 particular purpose. The second form
8 is the fact that an asset may be
9 used and ongoing costs incurred for
10 a different purpose."

11 And then, he gives an example, which I
12 won't go through, as the Manitoba Hydro -- Manitoba
13 Hydro Brandon combustion turbines. That there's a
14 particular design but, ultimately, the use is
15 different. It doesn't mean that they shouldn't get
16 direct allocation or that they aren't causing costs.

17 On the next page, at page 7, after the
18 first full quote, we've given you a quote again from
19 Atrium accepting that cost causation -- when they
20 looked at it, they looked at in-depth understanding of
21 planning, engineering, and operations of the utility,
22 as well as the basic economics of unbundled (phonetic)
23 thought components of the utility system.

24 So we say that there has been an
25 appropriate consideration by all other experts of all

1 cost causal factors.

2 And Atrium, in their rebuttal -- and
3 I'm on page 8. There's a quote in -- after the second
4 full paragraph, page 8. It was clear in their
5 rebuttal -- and I'm going to read it.

6 "CAC desires an outcome that ignores
7 true cost responsibility, punishes
8 economic efficiency, distorts market
9 signals, and encourages inefficient
10 energy choices. The position is
11 untenable."

12 I don't think you can get clearer than
13 that.

14 Now, that moves me on to the coincident
15 peak. And I'll jump to factual underpinnings of this.
16 They weren't addressed that much in Centra's
17 submission.

18 On page 9 -- that's perfect, Ms.
19 Schubert -- we've quoted from Centra evidence in the
20 original application.

21 "To meet reliability -- to reliably
22 meet the requirements of all
23 customers, the transmission and
24 distribution must be able to supply
25 the peak demand on the system.

1 Design day corresponds to the day
2 with the highest coincident peak
3 conditions that the system is
4 designed to meet under extreme
5 weather conditions."

6 And the practical example I think of is
7 that forty (40) degree day with the big wind that
8 causes that peak. That's how it's meant to be used.
9 That's how it's designed. That's how the system
10 operates.

11 You can't have a system and a headline
12 that says, Sorry, we haven't designed our system. We
13 haven't got the adequate storage. You're not going to
14 have heat today. But -- it's just untenable to think
15 that a system would be designed that way in our
16 climate.

17 The -- there's been a lot of
18 explanation in the evidence as to why peak and average
19 is non cost causal. Brian Collins explains that you
20 weight the average twice; once when you look at the
21 average and the average again in the peak portion of
22 the peak and average. So there's some double counting
23 of the average.

24 So you're really not looking at cost
25 causation at all when you're using that method.

1 There's some -- been some criticisms in
2 saying, Well, listen, that is used everywhere. It's
3 accepted in the Naruck Manals (phonetic) and that's
4 why I started my submission by saying, Well, okay, you
5 can say that, but where is the comparable example to
6 Manitoba where they use peak and average?

7 They haven't described that example.
8 In fact, the examples that have been identified are
9 different or they're not causation choices.

10 So IGU supports the recommendations of
11 Atrium, using the coincident peak methodology for
12 demand-related costs.

13 That brings me to Centra's design peak.
14 And under that heading, on page 10, the second-last
15 paragraph, we've quoted from PUB-CENTRA IR 9-A, and
16 this relates to part of the questions asked by the
17 Board as to when Centra -- what Centra is going to
18 have as a design day metric prior to the next GRA.

19 So I've quoted to you how the system is
20 designed. It's designed to meet that extreme cold
21 temperature day. And accordingly, it's appropriate to
22 use the design peak because it's reflective of cost
23 causation. And I'm moving on to page 11.

24 There's some discussion in the evidence
25 at various places, and we've quoted it, and part of

1 the quotes I bring to your attention today is Mr.
2 Collins' evidence, where he says:

3 "Therefore, the use of design day
4 demand is an appropriate -- is
5 appropriate as compared to actual
6 peak demands or average multiple
7 annual peak demands because the
8 system is designed and costs
9 incurred by Centra to meet the
10 expected system design day demand."

11 If you were designing for multiple
12 annual demands or the average of multiples, you'd have
13 that forty (40) degree -- minus forty (40) degree with
14 the big wind where you couldn't meet demand. And
15 you're not building based on something inferior to
16 your expected design day demand.

17 I'm going to move on to page 14 of our
18 submission. The interim pages deal with special
19 contract and direct allocation. It's the allocation
20 of upstream capacity resources. That's a fairly
21 narrow issue.

22 Atrium, in its report, made the primary
23 recommendation of using a stacked base approach. That
24 was its primary recommendation because it's a superior
25 method.

1 We've heard today that there's some
2 back of -- maybe it's a little bit too -- say back of
3 the envelope, but it's not committed to writing --
4 some preliminary analysis.

5 I would submit that it's premature if
6 you haven't committed something to writing and you --
7 on some kind of a preliminary analysis -- to then say,
8 Oh, there wouldn't be a material impact.

9 How can you be sure if you didn't do
10 enough analysis and you haven't shown the analysis,
11 and the analysis hasn't been tested as to whether it
12 is a material impact? It may not be. And if it
13 isn't, then we'll go with a simplified method; not
14 something that goes into complicated calculations that
15 requires confidential information and repeated review
16 over the years.

17 But we don't know that based on the
18 evidence that's in front of this Board. So we say
19 that further analysis and information gathering ought
20 to be made with respect to the primary recommendation
21 by Atrium.

22 Again, Atrium had no particular reason
23 to do that, except for their extensive expertise.
24 They know that that's the best way.

25 So we have recommended that there not

1 be a final approval on how to deal with this
2 allocation of upstream capacity resources, which is
3 basically used for winter, until the -- we get more
4 information, and we can deal with that at the next
5 hearing.

6 Unfortunately -- not unfortunate -- I
7 mean, if we're going to go at a high level analysis of
8 which cost causation methodology is appropriate, then
9 some of the things that require a more detailed
10 analysis are appropriately pushed to a next hearing.
11 That's -- it's just the way we structured this
12 hearing.

13 We had asked for more detail that was
14 confidential and that motion was rejected because we
15 were focused on methodology general principles. And
16 don't get me wrong, there's nothing wrong with doing
17 that. It just means that maybe -- we maybe cannot
18 make all the decisions in this hearing because we
19 maybe don't have all of the relevant information to
20 make those decisions.

21 Now, I'm going to deal with page 19
22 matters, which are outside the original Atrium
23 recommendations. And there's -- so that's at --
24 sorry, page 15. I said page 19 incorrectly.

25 Again, it's not intended to be a

1 criticism, but perhaps more a recommendation. If the
2 Utility is going to be hiring an independent
3 consultant, best practice we would suggest in our
4 written submission -- and I'm repeating that
5 suggestion now -- is that they take time to ask the
6 other Interveners if there's additional issues that
7 should be looked at or dealt with.

8 The reason we got into this quandary is
9 that the cost of service had been filed in the 2019
10 application. Then there was a decision that we needed
11 to get in a separate hearing for it which, again, is
12 not criticizing that. But there wasn't an analysis of
13 the cost of service and, therefore, really, no
14 opportunity for everybody to identify all the -- what
15 they thought would be material issues that needed to
16 be addressed.

17 So we have four (4) key recommendations
18 by Atrium as a result of the scope that was set by
19 Centra. But that scope was set without speaking to
20 the parties. CAC may have wished to have additional
21 input on -- on the scope. And IGU would have
22 appreciated having additional input on the scope. So
23 it's more a recommendation going forward.

24 And this is why there's some issues
25 that have evolved which aren't part of the

1 recommendations in the original report. And they're
2 dealt with on pages 15 on and in our written
3 submissions. And one of them is Demand Side
4 Management.

5 And on page 16, I think the quote
6 addresses some of the questions that this Panel had of
7 Centra. Well, you know, doesn't it -- it might not
8 have an effect on the past and future upstream and
9 downstream costs.

10 Well, in Hydro, that became important
11 because of the deferral not -- not the expenses; the
12 deferral of the expense had a huge MPV.

13 If Demand Side Management was allowing
14 the deferral of a ten billion dollar (\$10 billion)
15 generating station, that deferral had a value. And
16 so, if we're considering the value, at one point in
17 time -- because we're going to get population growth
18 in Winnipeg and in Manitoba -- your demand is going to
19 continue to increase.

20 The question is: When do you have to
21 incur that next cost and what's the value of that
22 deferral? And there's isn't a good answer to that
23 here.

24 And we've quoted from Efficiency
25 Manitoba, in the middle -- that's in front of you --

1 on the screen at the bottom of the screen:

2 "It's Efficiency Manitoba's
3 understanding that there are no
4 avoided cost components within the
5 natural gas marginal benefits
6 associated with the deferral of
7 natural gas distribution or
8 transmission facilities."

9 So the best evidence we have is that
10 there isn't a big value to this. Although Centra has
11 indicated, Well, we haven't done the analysis.

12 We would submit that there isn't that
13 system resource deferral which is equivalent to
14 Manitoba Hydro. And therefore, for all the other
15 reasons that we've set out, it's appropriate to
16 allocate costs directly to the people who are causing
17 them.

18 It's easy to identify. It's a discrete
19 cost. If it goes to a SGS, residential. If it goes
20 to special contract, they're discrete expenses that
21 relate to savings that they'll have on their energy
22 consumption.

23 So it makes sense to link that cost to
24 the people who are going to be getting the direct
25 benefit, given that there's no deferral advantage.

1 I'm moving on to page 17. Storage
2 costs and rate base. It's our understanding that
3 Centra has agreed with the recommendation of Mr.
4 Bowman on the refinement, which was suggested by him.

5 So, we accept that revision that's
6 suggested and believe that that would deal with the
7 issue that we've raised under that heading.

8 On unaccounted for gas, we've heard
9 that that may be a -- bottom of the project, at least
10 that's what I thought I understood and maybe more, we
11 don't know.

12 It would be important from our
13 respectful submission, and I direct the attention of
14 the Board, to the bottom of page 18 going on to the
15 top of page 19.

16 The comment on no target completion
17 date being unacceptably vague, and I've made my
18 recommendation on some reporting. The reporting we
19 suggest should include the allocation of unquantified
20 residual components of the unaccounted for gas to
21 transmission versus distribution as appropriate.

22 It's explained in our submission why
23 that's so, because there's different allocators for
24 transmission and distribution and if most of the
25 unaccounted for gas is in distribution, well, it makes

1 sense to put more weight on the distribution to bear
2 that cost, as opposed to transmission of --
3 transmission facilities are not the cause of
4 unaccounted for gas.

5 Mainline is the last major subject that
6 I intend to deal with. It ties in, somewhat, to the
7 question that Madam Chair asked me about, well, what
8 if there's more. What if it's located in a different
9 place? Or different places?

10 And it is important because -- and if
11 we could -- some of the background is in PUB-MFR-7,
12 page 36 of 102. We've quoted other places. But mid-
13 way through that cost of service review document, it's
14 explained at line 19 -- thank you for increasing the
15 font, it helps my vision -- it raised issues with
16 respect to the allocation of demand-related costs.

17 In nine -- one (1) of the
18 characteristics of mainline customers is that they do
19 not use the entire transmission and distribution
20 system. They are served readily -- from readily
21 identifiable transmission and distribution lines,
22 whose costs could be separately calculated and
23 directly assigned.

24 So, this issue was raised, even back in
25 1996. Now, is that a big job? I'll address why I --

1 based on the record, I would respectfully submit that
2 it's probably not as complicated as suggested.

3 I've looked and, unfortunately, there
4 wasn't a specific IR to ask how many mainline
5 customers we have today. I can kind of glean,
6 perhaps, from the appendix to Atrium, where they
7 identify on all the different infrastructure diagrams.
8 We see Simplot there, we see Maple Leaf there, and
9 they all show where they are in the -- on the
10 distribution and the direct lines to them, et cetera
11 on what's considered distribution.

12 In 1996, there were only six (6). My
13 understanding is we're not anywhere near high volume,
14 which is over a hundred (100). It's a separate class.

15 And, just to put the matter into
16 context, if we go to -- this is Appendix 4, Ms.
17 Schubert, page 5 of 16.

18 On the right-hand side, you'll see --
19 and in the evidence there's reference to large general
20 service. There is high volume. These are separate
21 classes and they -- especially high volume have a lot
22 of participants in that class.

23 If we go to the next page, a distinct
24 class, in the top right-hand side -- or on the top
25 line, you'll see Cooperative Co-op and then mainline

1 and then following special contracts and power
2 stations.

3 It's my understanding, based on the
4 evidence, that the mainline group is a fairly small
5 group and, therefore, even to -- if we look -- and
6 I'll look at the definition, 'cause we have that in
7 our materials.

8 There's two (2) ways that you can apply
9 for and be part of that group. You either have to get
10 in at the high pressure or, I'll call it the
11 intermediate pressure over 700 kilopascals, plus a
12 minimum amount of volume. That's why there's so many
13 -- or so little participants in there.

14 But, we say going to page 19 of our --
15 or sorry, before we go there, if you look down to
16 distribution plant and then under that there's about
17 five (5) or six (6) lines down it says, "measuring and
18 reg equipment." Yes, the cursor is about there. And
19 we move across, we can see that there's about \$2.2
20 million allocated to this small group of customers in
21 that category.

22 And there isn't, in our respectful
23 submission, enough detail in this application, as we
24 weren't entitled to have spreadsheets et cetera, to be
25 able to drill down and see whether or not they're

1 properly assigned, all of those costs, especially
2 given the definition. And I'll go through the
3 definition and the history that I've just taken you
4 to, that there are dedicated separately identifiable
5 distribution components that are attributable to them
6 and that they don't use a lot of the -- the general
7 transmission and distribution system.

8 So, if we look at page 19, I've quoted
9 the definition, in the middle of the page. So,
10 they're defined as customers who receive gas through
11 one (1) meter; where the customer is served directly
12 from the company's transmission system or -- so that's
13 the high pressure, directly from the transmission
14 system -- or through dedicated distribution facilities
15 at pressures in excess of medium pressure.

16 Now, the definition and the reference
17 for that is IGU-Centra IR-3(I). The definition of
18 dedicated distribution facilities at pressures in
19 excess of medium pressure is that it needs to be over
20 700 kilopascals and they need to reach a volume
21 680,000 cubic meters before they can participate in
22 that class; that's why there's so little of them.

23 Now, if we say for the same reasons
24 that were applied to the special contract and the
25 power stations because you have those dedicated

1 distribution and the explanation that was provided in
2 the quote that I set out to you, that it's appropriate
3 to analyse this further and to deal with it at the
4 next GRA.

5 We've given another quote at the bottom
6 of this particular page of our submission. Again,
7 reaffirming that -- the quote is:

8 "In order to make the rate cost
9 reflective of the applicable -- and
10 applicable to the specific situation
11 of these handful of customers, it is
12 necessary to restrict the class to
13 those customers that are clearly
14 served directly and exclusively from
15 the transmission system through
16 dedic -- dedicated or strictly
17 identifiable facilities."

18 And we say that, based on the
19 definition, we are, all fours with what's happening to
20 the power stations and the special contract and it
21 warrants that additional analysis, so that we do the
22 cost causation for that small group of users.

23 BOARD MEMBER NEMEC: May I just ask a
24 clarification question. I think you -- you mentioned
25 that the mainline customers don't use a lot of the

1 transmission distribution system. Is that what you --

2 MR. ANTOINE HACAULT: Well, I -- I
3 intended to paraphrase what I quoted to you in the PUB
4 -MFR-7 and, if I misstated myself, I apologize. It's
5 -- they explained it this way.

6 One (1) character -- characteristic of
7 mainline customers is that they do not use the entire
8 transmission and distribution system. Mainline
9 customers are served from readily identifiable
10 transmission and distribution lines whose costs could
11 be separately calculated and directly assigned. So,
12 that's -- if I said something that would --

13 BOARD MEMBER NEMEC: So those lines
14 would not --

15 MR. ANTOINE HACAULT: -- imply
16 something different, I would retract that.

17 BOARD MEMBER NEMEC: So, would your
18 line -- or would your comments say that those lines
19 are not used by anyone else?

20 MR. ANTOINE HACAULT: That is the
21 additional detail that has not been provided, in our
22 respectful submission and, based on the information we
23 do have, the only way you can be in that category is
24 you have a direct connection to the main transmission
25 line or you have dedicated and strictly identifiable

1 facilities at a lower pressure with a high volume of
2 gas.

3 So, if you have those specifically
4 dedicated and strictly identifiable -- so, our
5 respectful submission is that you should be able to
6 say, well, that cost is caused by the mainline
7 customer and used by the mainline customer and nobody
8 else.

9 There's one (1) smaller point, on page
10 20, in the middle of the page, Number 1, based on page
11 20 of 25 of the Centra submission, they acknowledge,
12 with respect to Number 1 here, being some assets are
13 functionalized at transmission, which should not be
14 considered transmission, as the pressures are too low.

15 At page 20 of 25 of Centra, it's
16 indicated and, hopefully, I'm quoting the evid -- the
17 -- fairly accurately:

18 "At least six (6) primary gas
19 stations currently functionalized as
20 transmission could be
21 refunctionalized because they're
22 lower pressures."

23 So, there's some agreement by Centra
24 Gas on the recommendation here of refunctionalizing
25 some of the transmission.

1 The -- that brings me to page 21 and
2 close to my -- the conclusion of my submissions,
3 subject to any questions.

4 So, we've set out in our submission
5 that we believe that the direct allocation principle
6 is clear and it should also apply to mainline
7 customers, similar to the similar -- special contract
8 customer. They should receive a direct allocation of
9 all distribution assets relevant to their service
10 class, and shouldn't receive any further allocation of
11 distribution system costs.

12 Now, there is precedent, we say, for
13 deferring issues like this in a cost of service, and
14 getting more information, and there is one (1) such
15 example in the Cost of Service hearing that had been
16 done in Manitoba Hydro, Order 164/'16. Ms. Schubert,
17 if we could bring up that Order and, in particular,
18 page 80 of that decision.

19 There was a C10 allocator that was in
20 issue in that hearing. I had the cross-examination on
21 it and saying, well, listen, are you sure that they
22 use all the services that are put in that allocator?
23 It seems to me, based on the information, that, you
24 know, underlie -- underground -- under -- lines don't
25 go to major facilities, et cetera.

1 And we didn't have all the information
2 that was required and we identified \$1.2 million
3 costs that were in that category and that needed
4 further detail, we said, before a final decision was
5 made, and there was a preliminary finding in that
6 decision and a direction by Mani -- to Manitoba Hydro
7 to come back and give us more detail.

8 When we came back in 2018, by Order
9 59/'18, there was further information provided with
10 respect to that allocator, at page 187, is where it's
11 discussed. There's a heading called 'Customer Service
12 Costs C10 Allocator'.

13 And as you can see from the second
14 paragraph under that heading, the Board, as regards
15 that allocator, was considering cost causality; in
16 other words, who was causing particular costs to be
17 incurred.

18 And the second paragraph, which starts:
19 "Building moves, safety watches,
20 contact centre, outline, outages,
21 line locates, and marketing research
22 should not be allocated to the
23 general service larger
24 (INDISCERNIBLE) thirty to one
25 hundred KV in general service large

1 over a hundred KV classes."

2 Well, that -- that, the only reason I'm
3 bringing that up is because we didn't have that level
4 of detail and we only had one (1) round of
5 interrogatories in this hearing and, for the reasons
6 set out in our submission, we say that, with respect
7 to the mainline issue that I've raised, and is in our
8 submission, that it would be appropriate to defer that
9 to the General Rate Application, get additional
10 information and, then, have a decision made at that
11 point.

12 I believe I've covered all the general
13 topics. I know Centra has said on the mainline that,
14 again, it doesn't think that there's going to be much
15 difference but there's no evidence of any analysis
16 that would lead you to that conclusion and they have,
17 at page 4 of 6 of their rebuttal -- just, again, we
18 didn't have that when we did the submission --
19 indicated what they would need to do with respect to
20 these five (5) or six (6) customers or maybe it's ten
21 (10), I don't know.

22 What they'd need to do to be able to
23 analyze that issue further and what issue -- what
24 needed to be provided to the Board, if the Board was
25 inclined to defer that. So, thanks, Ms. Schubert,

1 you've put it on the screen.

2 They'd have to sub-functionalize the
3 account, based on outlet pressure because we know that
4 there's two (2) categories of mainline: either they're
5 directly from the transmission or have a higher
6 pressure, over seven hundred (700) kilopascals and
7 high volume. They'd have to allocate it, all non-
8 dedicated transmission that was useful, which control
9 valves, stations should be included or not included,
10 and determine approximate costs of the dedicated
11 station as well as -- I don't know if you're --
12 exactly how many. But it's not in the hundreds, as I
13 understand it. It's only a select few customers that
14 fall in this category.

15 So we say that it -- we -- we should be
16 able to provide that granularity. And it certainly
17 doesn't appear to be as much work as the unaccounted
18 for gas or other major undertakings that would need to
19 be had.

20 Thank you, members of the Panel.
21 Hopefully I've answered your questions.

22 BOARD MEMBER NEMEC: I just have one
23 (1) final question, and it's not something that you
24 addressed verbally, but it's:

25 What is IGU's view on the issue raised

1 by CAC that the working capital associated with gas
2 and storage is not a true upstream capacity resource
3 and, therefore, not in scope for issue 5? Issue 5
4 being the allocation of upstream capacity.

5 MR. ANTOINE HACAULT: Well, firstly,
6 it was squarely dealt with in the evidence to object
7 to something at a late stage shouldn't affect it. And
8 if we aren't going to deal with it now, at least in
9 part -- and unaccounted for gas it looks like -- or
10 storage facilities, we're going to deal with it once
11 from -- and everybody's had a chance to adduce their
12 evidence, to ask IRs on it.

13 I really don't see the prejudice to
14 anybody. And if it's a necessary part of the
15 determination of cost causation and allocation, it
16 should be dealt with.

17 BOARD MEMBER NEMEC: Thank you.

18 MR. SVEN HOMBACH: Madam Chair, I note
19 it's 11:30. The schedule for today had envisioned a
20 lunch break from 12:15 to 1:00 p.m. We could leave it
21 up to the panel as to when you would like us to
22 reconvene for the afternoon session.

23 THE PANEL CHAIRPERSON: Mr. Meronek,
24 we -- as Mr. Hombach points out, the schedule
25 contemplates a lunch break and so you would have been

1 building that into your planning, I'm sure. So would
2 you like to see the lunch break and reconvene after
3 forty-five (45) minutes? You're on.

4 MR. BRIAN MERONEK: It's so long since
5 I've been here, I've forgot how to use this.

6 I contemplated longer submissions. I
7 would request a lunch break now and come back earlier.

8 THE PANEL CHAIRPERSON: Okay. So
9 11:15, does that work for you? Sorry, 12:15.

10 MR. BRIAN MERONEK: Can we make it
11 12:30?

12 THE PANEL CHAIRPERSON: Sure.

13 MR. BRIAN MERONEK: Okay.

14 THE PANEL CHAIRPERSON: Okay. So
15 we'll reconvene at 12:30.

16 MR. BRIAN MERONEK: Thank you.

17

18 --- Upon recessing at 11:33 a.m.

19 --- Upon resuming at 12:34 p.m.

20

21 THE PANEL CHAIRPERSON: Mr.
22 Meronek...? And I'll ask the same question that I
23 posed to others; whether you'd prefer we hold our
24 questions until the end or ask as we go along.

25 MR. BRIAN MERONEK: I'm going to be a

1 little different than my predecessors.

2 We've anticipated your questions and
3 we've -- hopefully we're going to cover them off as we
4 go along in topic. If, at the end, we don't cover
5 what you want to ask, feel free to ask.

6 THE PANEL CHAIRPERSON: As you're
7 going or at the end? At the end, you said?

8 MR. BRIAN MERONEK: At the end.

9 THE PANEL CHAIRPERSON: Okay. Sure.

10 MR. BRIAN MERONEK: If you don't mind.

11 THE PANEL CHAIRPERSON: No, that's
12 fine.

13 MR. BRIAN MERONEK: It's better
14 cadence that way.

15

16 (BRIEF PAUSE)

17

18 CLOSING SUBMISSIONS BY CONSUMERS ASSOCIATION OF CANADA
19 (MANITOBA):

20 MR. BRIAN MERONEK: Thank you. Good
21 afternoon, Madam Chair and Panel Member Nemec.

22 I have with me two (2) characters that
23 you're probably well familiar with. Mr. Rainkie on my
24 left and Ms. Derkson on my right, who will be my
25 bodyguards in case a brouhaha breaks out, which I hope

1 is not the case.

2 The -- what I intend to do in the time
3 allotted is not to read my -- the written argument.
4 We can all read -- if you haven't read it, I recommend
5 it to you highly when you can't sleep at night. It'll
6 get you to sleep.

7 The -- what I intend to do is, at a
8 high level, go through what our positions are and why
9 we say that our recommendations on page 2 of our
10 written submission should be sanctioned by the Board.

11 Now, what I've done is I've also --
12 because I'm a Luddite when it comes to technology -- I
13 have put in hard copy some aid memoirs that you have
14 in front of you. Whether they get an exhibit number
15 or not, I'll leave it up to the parties. But I'm
16 going to refer to them as we go along.

17

18 --- EXHIBIT NO. CAC-13: CAC Book of Documents -
19 August 18, 2022.

20

21 MR. BRIAN MERONEK: So let me begin.
22 The lines have been drawn. Not surprisingly. And
23 they have been for a long time. Back in the 2019/2020
24 GRA, the IGU and Koch were pretty clear in what they
25 were expecting, what they wanted, and what they were

1 going to be advocating.

2 Atrium provided a scorecard in its
3 rebuttal evidence. And I'll talk about that in a
4 minute. I found it quite unusual that an independent
5 expert, in rebuttal evidence, would show a scorecard
6 purporting to show that -- who supported him or it
7 versus who didn't. That's not the role of an
8 independent expert. But we'll get into that in a
9 minute.

10 But the scorecard is something like
11 this. The -- special contract customers and the
12 industrials have a vested commercial interest in
13 lowering the rates substantially. And as such, will
14 take a position with any result that achieves that
15 goal, however narrowly focused. And I say it's
16 narrowly focused because of what they're purporting.

17 Another way of describing their
18 position is that they want to adopt a methodology that
19 intuitively gives them the best results.

20 Nothing wrong with that. As Mr.
21 Hacault said, you know, we think we're out a -- one-
22 point-two million dollars (\$1.2 million) and that's
23 important to us. But it's not here in the rate-making
24 component.

25 We say we're taking a vested interest

1 in the best interests of the vast majority of
2 customers on the system. The SGS class and,
3 presumably, the LGS class because nobody's talked
4 about them really. Because this decision that the
5 Board makes will resonate for decades.

6 And, 2, all we're saying with respect
7 to -- the implications are that on a net present value
8 basis it -- it could be well -- it could be well in
9 excess of thirty-four million dollars (\$34 million) in
10 perpetuity. We're not -- what we're saying is it's
11 important to us as well.

12 It's not just this -- sometimes people
13 fall back into, Well, it's only fifty (50) cents on a
14 consumer's bill. That's not what you look at. You
15 look at the overall magnitude and that's what we're
16 trying to say when we say, You've got to look at this
17 seriously before you make any changes.

18 We largely argue to retain the current
19 methodology because it best represents the Board's
20 long-standing policy. And let me stop there because
21 I'm going to get into what that policy is. And Mr.
22 Hacault, again, took issue with the word 'policy'.
23 Well, it's not in the statute.

24 'Policy' is another word for saying
25 decisions of the Board. That's the policy. That's

1 their decision. Or as they say in -- in court lingo,
2 That's the radio (phonetic) of the case.

3 So there's no magic in calling it
4 policy. That's what the Board has ordained.

5 And that long-standing policy relates
6 to cost allocation and nothing has changed in any
7 substantive way to cause that policy to require a new
8 cost allocation methodology.

9 Centra, on the other hand,
10 respectfully, is primarily a surrogate of what Atrium
11 is saying. And unfortunately has, in our view,
12 abdicated its role to independently look at all sides.
13 Especially since they've been using peak and average
14 for -- since God was a child. And they haven't
15 demonstrated, in our respectful submission, that
16 there's anything wrong with it.

17 I don't want to give Mr. Hacault too
18 much air time, but he also says that peak and average
19 is old, an old methodology. Well, I'm old. Does that
20 mean I shouldn't come back here? Because, you know --
21 because I'm over the hill?

22 'Old' means it's been around for a long
23 time. It's used. It's been used for a long time.
24 It's tried and true. So there's nothing sinister
25 about the fact that it -- it's been -- it's been

1 around. Everything -- all of these methodologies have
2 been around.

3 We say that Centra has chosen a cost
4 allocation methodology that is radically different
5 than its course of cost attribution going back to even
6 before 1996. And what is advocated in practice for
7 many years.

8 It doesn't say anywhere that it's wrong
9 or that the Board is wrong. It couldn't say that.
10 It's now saying that there's something superior and we
11 -- we will dispute that.

12 I want to talk a bit about onus. I
13 know it's been talked about, but it's very critical
14 here.

15 The -- Centra has the onus, in what we
16 call a balance of probabilities, that in -- in the
17 overall course of things and in looking at the overall
18 system-wide use of its operations, its proposed
19 changes are a better way of cost allocation than what
20 has served the -- the needs of customers for years in
21 a balanced way.

22 Now, what does 'balance of
23 probabilities' mean? It means on the -- on the best
24 evidence that the -- that there should be a -- that
25 the application should be granted, rather than

1 rejected.

2 Now, the Board -- the question the
3 Board has to ask itself is: Why should a fundamental
4 change be incorporated at this time unless the change
5 fundamentally better represents the Board's view of
6 the world, or unless Centra can demonstrate that the
7 Board's consistent pronouncements no longer should be
8 applied?

9 And we can't pay lip service to the
10 onus. There are two (2) aspects to the burden. One,
11 we all agree that a tribunal is not bound by previous
12 decisions. They're not slave to previous decisions.
13 But there must be a cogent basis upon which -- to
14 overturn precedent. It can't be just because.

15 It must be demonstrated that the
16 methodology or methodologies is or are superior to the
17 ones in place on an overall system basis -- based on
18 this utility's circumstances.

19 And I remind the Board that that's one
20 of the prerequisites for this hearing. That we have
21 to look at Centra's specific circumstances. And I'll
22 deal with that more carefully later on.

23 We're not here just because some LDC
24 somewhere in the -- on the continent uses a different
25 methodology.

1 And contrary to what Centra posits,
2 'superior', in our view, doesn't mean a higher
3 standard is being applied. It's another word for
4 saying that you've got to move the needle past the 50
5 percent. There's got to be a superior way of doing
6 things.

7 Furthermore, there has to be
8 consistency for all stakeholders. And that's why the
9 Board has prescribed a -- whatever methodology was
10 chosen to be in place for a -- time tested and
11 durable.

12 Only where there is a discernible
13 change in circumstances, such that what has been
14 workable is no longer workable because the system has
15 changed in a meaningful fashion should a different
16 methodology be employed. And, again, we say that
17 hasn't happened here. There's no evidence of that.

18 So, the rhetorical question, in our
19 view, is this: Is there superior allocation method
20 which would demonstrate that the Board's policy of
21 cost allocation, on a PA -- in a peak and average
22 basis is no longer tenable either because for several
23 decades it was wrong in the first place, or there's
24 been a change in circumstances.

25 Remember, when cost allocation is

1 shifted, some parties, some classes benefit, others
2 suffer. It's the old whac-a-mole principle. The
3 costs remain neutral.

4 Now, the -- the -- the gravamen of this
5 case, is that there's a major misconception on the
6 part of Centra and the other Interveners, either by
7 way of misunderstanding or otherwise, that we are
8 advocating non-cost causal considerations, contrary to
9 the edicts of Board Order 164/'16. That's the
10 mischief in their argument. And that simply is not
11 the case.

12 Now, before I -- before I get into
13 that, I just want to -- I want to talk about the
14 elephant in the room for a minute, and that's the
15 Atrium independence.

16 No one contested that they're experts.
17 Everybody looks good on a CV. They -- they've -- they
18 got a wealth of experience all over -- all over North
19 America, primarily in the States. But the -- but what
20 they had to be was independent.

21 Now, they appeared to be independent
22 initially, and as such, we didn't have any objection.
23 They -- we take issue with Atrium's report; they take
24 a -- they take issue with ours. That's fair game.
25 But what was required? And this is in Board Order

1 49/'20, at page 8, was that, 'independence' meant that
2 what was required of the expert was a fair, objective
3 and non-partisan report.

4 Here's where the rubber hits the road.
5 Atrium filed rebuttal evidence. In Board Order 36/'22
6 in Appendix B, there was no provision for Atrium to
7 file rebuttal evidence. Only Centra was to file
8 rebuttal evidence. They should have not filed
9 rebuttal evidence. They had no business doing so.

10 But what is even more egregious is that
11 when you look into that rebuttal evidence, it smacks
12 of partisanship. It was doing Centra's bidding. It
13 was a set -- essentially assisting Centra's
14 application.

15 Now if -- if Centra had filed rebuttal
16 evidence in the same nature, we'd have a different
17 issue because Centra's not independent.

18 But -- but Atrium is supposed to be.
19 What it was doing was it -- it was interpreting
20 previous Board Orders. Experts aren't there to
21 interpret what the -- what this Board knows that it
22 decided. Parties do that.

23 Expert evidence is to provide evidence
24 beyond the purview and expertise of the Board. That
25 is not beyond your purview and expertise.

1 Moreover, they -- they -- they were --
2 they were supporting, in rebuttal evidence, evidence
3 of other experts. That's not evidence. That's
4 argument. They were arguing a position.

5 It was nothing more than pure and
6 simple advocacy. And I've been around for almost 50
7 years and I know advocacy when I see it in a report.
8 And so, I'm saying strongly, whatever you do with
9 Atrium, in terms of their report, so be it, but that
10 rebuttal evidence should be dismissed. It should not
11 be considered.

12 You know, Mr. Hacault, goes on to talk
13 about, you know, how -- how qualified they are and,
14 let me just say this quite bluntly. They never ran a
15 -- a utility. They never -- they never create a
16 utility's cost of service. They don't know the inner
17 workings, the inner sanctum of Centra. Guess who
18 does? There isn't anybody more, in this room, that
19 knows about it than Mr. Rainkie and Ms. Derkson who
20 lived it, who developed it, who knew what the
21 rationale was over the course of years.

22 So, when you're looking at experts, you
23 don't score them the same. In this particular
24 incidents (sic), these individuals have much more
25 experience and expertise, with all due respect, than

1 Atrium does.

2 Now let's -- let's look at the borders
3 because interestingly enough, no one's talked about
4 them. But let's go to paragraph -- sorry, Tab 1, in
5 our Book of Documents and we have put side-by-side,
6 Board Order 107/'96 and Board Order 164/'16 in -- in
7 terms of the critic -- critical passages.

8 So, I want you to look at the first
9 paragraph and in Board Order 107/'96, it says, in the
10 middle:

11 "The Board further expects that the
12 primary driver will be cost
13 causation with due regard to
14 Centra's current operations in
15 Manitoba et cetera."

16 Primary driver. It doesn't say
17 'exclusive driver', or 'only driver'.

18 Secondly, in the second paragraphs, it
19 -- second paragraph, it says:

20 "Cost allocations are not a precise
21 science and contain elements of
22 judgment at -- at most phases."

23 And that's what we're dealing with. A
24 lot of judgment here and it can't be simply by taking
25 a engineering abacus and -- and -- and divining what -

1 - what causes -- create the system.

2 The third aspect is what I want to read
3 out in the middle of the second paragraph. Halfway
4 down it says:

5 "The Board also agrees that the Cost
6 of Service Methodology best suited
7 for natural gas distribution --
8 natural gas distribution companies
9 should be determined based on the
10 circumstances of the utility."

11 It said it back in 1996. What are the
12 circumstances? And they're different than other
13 utilities.

14 Now, you haven't been around as long as
15 some of us, but Centra has said repeatedly, and it's
16 without contest, that it's a unique utility. It's --
17 it's captive in the middle of the continent. It
18 doesn't have ready access to storage. It doesn't have
19 -- it -- it doesn't have the ability, as other
20 utilities, to access a different pipelines.

21 And -- and that has been the case for
22 years. And so, what did Centra do? They tried to
23 ameliorate that by having storage capacity to -- to
24 everybody's benefit. But that's what we're dealing
25 with.

1 Now, it goes on to say:

2 "Those circumstances must reflect
3 the manner in which the system is
4 designed."

5 Stop there, it -- it's not full stop,
6 design only.

7 "As well, as the manner in which the
8 system is operated, giving some
9 weight to the manner of the system
10 better -- operation, better reflects
11 the cost responsibility than does a
12 methodology which considers only the
13 design parameters."

14 You can't be much clearer than that.
15 You can't be.

16 So, when you talk about coincident peak
17 or design day, you're just talking about design
18 parameters. You're not talking about the system, how
19 it's operated.

20 So, that's in 1996, people want to say,
21 well, that -- that's in the old days, things have
22 changed.

23 Let's go to Board Order 164/'16 and,
24 again, the Board says:

25 "The Board finds that in the process

1 to determine the appropriate COSS
2 methodology, the principle of costs
3 causation is paramount."

4 Different words, says the same thing,
5 'primary', 'paramount'. Doesn't say 'exclusive'.

6 "The Board finds that Manitoba's --
7 Manitoba Hydro's Ratemaking
8 principles and goals of rate
9 stability et cetera, should be left
10 for a GRA and not to be in the Cost
11 of Service Methodology."

12 And it goes on to define costs
13 causation. It's defined by the Board --

14 "...as defined by the Board, takes
15 into account both how an asset is
16 planned and how that asset is used."

17 That's the connective tissue between
18 this Order and back in 1996. How was it operated?
19 How was it used?

20 This takes into account how an asset
21 fits into the Manitoba Hydro current system planning
22 as well as the current use. Then, it goes on to say:

23 "The Board also finds that costs
24 causation requires consideration of
25 all the uses and benefits of an

1 asset to recognize that both primary
2 and secondary benefits influence the
3 planning and justification of
4 assets."

5 Nobody talked about that. Now, I -- I
6 would -- the Board knows better than I what it meant
7 by that but, it seems to me, that there's something
8 more than design parameters that have to be taken into
9 account in cost causation.

10 "These con -- considerations should
11 be assessed over a -- a range of
12 years and over a range of
13 conditions, in order to capture all
14 of the uses and benefits of an asset
15 in determining costs causation."

16 So, what are the take-aways here? The
17 cost of service, which weights a hundred percent of
18 cost based only on design parameters, is in violation
19 of the principle articulated, the policy, the Order
20 articulated in these two (2) Orders, which is the op -
21 - opponents of the current Cost of Service Methodology
22 urge upon the Board, because a design day, based on
23 the coldest temperature on one (1) day, over a span of
24 several decades, which rarely ever happens, if at all,
25 is a hundred percent peak.

1 The weight -- and there's supposed to
2 be a weight in here, and weight that is given is a
3 hundred percent to design and zero to anything else.
4 Just think about that for a moment.

5 It would mean that these decisions are
6 meaningless; that -- that you can ignore it in the
7 abstract, the uses and the operations that are cost --
8 caus -- cost causal.

9 PAVG, peak and average, does take in to
10 account, primarily a -- a -- a component to design
11 that's peak and less to base load, which is a load
12 factor. We're not saying that PA -- peak and average
13 is perfect. Otherwise, it would be universally
14 accepted but, conversely, nor is CP perfect, for the
15 same reason. It's not universally accepted. They're
16 all acknowledge in their own fashion and in their own
17 specific circumstances to be appropriate by a Board or
18 by a Commission or a Tribunal.

19 Contrary to what the parties would have
20 you believe, there is no best industry practice.
21 There isn't one. There -- there's been some attempt
22 by Centra and other Interveners to suggest that we're
23 con -- contravening what the Board said by Centra and
24 IGU challenging what was advocated by parties and
25 experts in 1996.

1 I say, who cares. Who cares what the
2 parties said? It's what the Board said. That's what
3 you look at. The full transcript is not before the
4 Board and we're not here to debate that hearing all
5 over again. We're here to get guidance from what this
6 Board has said historically.

7 What is important is what the Board
8 ruled, as I say, and the Board ruled that some weight
9 must be given to aspects other than design parameters
10 to reflect operations.

11 The Board never said to reflect
12 operations is a non-cost causal consideration. After
13 all, we're dealing with an integrated, six hundred
14 million plus rate base facility with a network serving
15 hundreds of thousands of customers. System operations
16 or use include costs factors that must be considered.

17 So, the latest and greatest epiphany
18 from the Board, in Order 2016, I say is applicable
19 here. It should be. It should be an overall
20 principle guidance to everybody. What it -- what it
21 did do? What did the Board do? It based costs
22 allocation not on a peak hour basis exclusively but on
23 a combination of system load factor for generation,
24 bipole transmission, U.S. transmission, and DSM, and,
25 for AC transmission, it approved, not a design day,

1 but the top fifty winter hours averaged over eight
2 years.

3 In neither case, did the Board Order
4 use a 100 percent weight factor based on design
5 parameters and zero weight based on operations. In
6 other words, the Board did not order that extreme
7 measures of cost allocation be used.

8 Now, Centra says, well, you can't
9 compare Manitoba Hydro to Centra. You can't compare
10 it because, first of all, or one of the reasons is,
11 the -- the split between energy and demand to ut -- to
12 utilities is different. It's not equivalent.

13 We say that may be but it's irrelevant.
14 The fact is that there has to be some weighting. Now,
15 there is some weighting between design, that's peak,
16 and operations, that's energy, in both utilities. And
17 we say it can't be more apparent when we look at what
18 we call a poster child for comparison and that's the
19 bipoles.

20 We say that the bipoles valued in the
21 billions of dollars is a primary example of comparable
22 treatment, based on energy/demand and that's in our
23 argument at page 12.

24 Paradoxically, Centra's argument with
25 respect to the relevance of bipoles actually supports

1 our arguments and conflicts with their own. In
2 Centra's reply submission, at page 6, Centra asserts
3 that the cost allocation treatment of bipoles is:

4 "In recognition of the role they
5 play in Manitoba Hydro's system,
6 that is, they are an extension of
7 the generation system and are
8 treated consistent with other
9 generation assets. That is not a
10 broad view of costs causation. It
11 simply and accurately reflects
12 proper cost causation."

13 That's the end of the quote.

14 However, if the cost allocation
15 treatment of the bipoles was based on a narrow
16 perspective and given 100 percent weight trans --
17 design parameters only, then the bipoles, as a
18 transition -- transmission asset, would be sized
19 solely based on capacity, and would be treated like
20 any other transmission asset. They aren't.

21 The logical extent of Centra's argument
22 is that bipoles which are driven by capacity, not
23 energy, should be allocated a hundred percent based on
24 demand, which is not the case. It is based on 61
25 percent energy to reflect the use of the poles and

1 wires in transmitting energy from north to the south.

2 The even greater ignorminity (sic) --
3 ignominy, pardon me, in Centra's position, is that
4 our:

5 "Broad-based definition is somehow
6 manufactured out of thin air".

7 I think that the -- the language use
8 that Atrium used. It -- it some -- that it somehow
9 takes into account non-cost causal considerations,
10 whereas Centra's narrow definition does not. It's
11 categorically incorrect.

12 CAC's so-called broad-based definition
13 is cost based. It takes into account design
14 considerations, uses, and benefits, primary and
15 secondary, in accordance with the Board Orders.

16 Now, I want to just go back to one (1)
17 thing that Ms. Carvell said this morning and, if we
18 could pull up our -- Cent -- CAC's evidence, Exhibit
19 8, page 17.

20

21 (BRIEF PAUSE)

22

23 MR. BRIAN MERONEK: Page 17, yeah.

24 There we go. She quoted part of number 3 that says:

25 "The consideration in part -- the

1 consideration of other rate making
2 objectives such as fairness,
3 stability, administrative ease,
4 underst -- and understandability are
5 inherently an important element of
6 developing a cohesive and workable
7 COS framework."

8 What she didn't point out was below
9 number 3. It says:

10 "Conclusion number 3 above is
11 contentious, but is not the key in
12 deciding upon the issues in this
13 proceeding. The issue is a more
14 pragmatic matter in applying
15 judgment to the COS proposals."

16 This was a -- a comment made that was
17 made after we had set out page -- at pages 15 and 16,
18 the way we say that the -- non-causal -- non-cost
19 causal factors have been considered by Centra.

20 What we're saying is it's contentious.
21 Nowhere do we support that. If you read our eviden --
22 our -- our argument, it doesn't say that one -- at
23 all.

24 You know, in answer to your question,
25 Madam Chair, can you segregate these matters and the

1 answer is, yes, you can, but it's practically
2 difficult to do so. It doesn't mean you don't do it.

3 The -- the problem is that you -- these
4 words get used ubiquitously; for different reasons for
5 different meetings. But the fact is we are not using
6 rate-making factors in coming to our determination.
7 So, the answer simply is, yes, it -- it can be done.
8 It's practically difficult as the parties on pages 15
9 and 16 have -- have acknowledged.

10

11 (BRIEF PAUSE)

12

13 MR. BRIAN MERONEK: Now, I want to
14 deal briefly before we get into the -- the issues. We
15 have to -- the various forms of cost allocation
16 methodology. It's beyond dispute that not one size
17 fits all. There are several methodologies employed in
18 the industry, as I said, either predicated on a Board
19 or commission's view of the utility's makeup.

20 I say -- as I say, peak and average is
21 not perfect, but it does employ a cost allocation
22 approach. By definition, any allocation approach has
23 judgment. Our argument is simply that it's better;
24 superior to the other methods such as CP.

25 And the reasons? CMP over simplifies

1 the nature and circumstances of a utility down to one
2 (1) rare and extreme factor and that's that one (1)
3 day in -- in thirty (30) years, the design day.

4 As -- as if all decisions on investment
5 and cost that Centra made on this one (1) factor
6 alone. Atrium and IGU say that it's reasonable to
7 give way to use and operations, but essentially don't
8 do that in their recommendations.

9 CAC submits that the peak and average
10 provides more significant weight to design factors,
11 but also provides a lower weighting to use and
12 operational considerations.

13 The peak and average is not a
14 compromise of cost causation, rather it is a balanced
15 approach. And I'll deal with that later on with --
16 with a visual that I have.

17 Now, IGU, in my submission,
18 mischaracterizes our approach by using words such as
19 'loose', 'vague', 'the antitheses of cost causation
20 framework'. And we get that in IGU's final argument
21 at pages 7 and 8.

22 And in that -- on page 7, Mr. Bowman
23 states that:

24 "CAC is incorporating "any use" in
25 cost allocation whether it derives

1 costs or not."

2 I don't know where he gets that from, I
3 really don't. He goes on to identify CAC's cost
4 causation rationale as a loose principle, which is,
5 and I quote:

6 "Just charge everyone who uses
7 something something simply because
8 they use it or were originally
9 intended to use it when it was
10 planned. That is the antithesis of a
11 cost causation framework."

12 That's at page 7.

13 That is cost causation. It's not the
14 antithesis of cost causat -- of a cost of service.
15 It's the very purpose. At it's -- that's why it is
16 vital that use and operation of Centra's system be
17 afforded weight. It's not an all-or-nothing
18 proposition.

19 And IGU incorrectly asserts, again,
20 that we are saying that any use is somehow
21 incorporated into cost causation. On the contrary, we
22 are asserting that there are operational uses, costs
23 and benefits that exist that are not demand driven
24 even though they've been ignored in the -- Centra's
25 proposals.

1 And what we have done is we have, on
2 tab 2, cited Centra operational use cost/benefit
3 examples, which are not designed, but they're cost
4 causal. In the first five (5), you can read them.
5 They come from the CPJ for the -- the northwest
6 transmission plant construction justification. And --
7 and I'll talk about those later on.

8 But those -- you can find that in that
9 CPJ. And they're not -- they're operational. They're
10 not designed and they're -- they're considered as
11 justification for the thirty-one million dollars
12 (\$31,000,000) or whatever else it cost to build that
13 plant.

14 The sixth one is capacity management
15 revenues. Capacity management is an operational use
16 which saves costs. Corresponding way of saying,
17 because of the way the system is configured and -- and
18 the management risk associated, you can save money,
19 less cost.

20 Seven. And these are all in Centra's
21 answer -- answers and responses to IRs. 7,
22 Diversification and risk management benefits for
23 reliability purposes to moderate the potential for
24 system outages, et cetera.

25 Eight. Lower commodity cost. The use

1 of storage allows for all system supply customers --
2 to benefit from lower commodity costs at Centra.

3 These are all costs which Centra incurs
4 to serve customers. CP would not capture these
5 operational costs. Peak and average does. And
6 remember, let's harken back to the Bible.

7 The Bible says you'll look at benefits
8 as well, primary and secondary. Now, what's important
9 in -- in our respectful submission, is to convince the
10 Board that our recommendations are consistent with
11 what the -- it's appropriate here in the
12 circumstances.

13 And so, I'm going to talk about four
14 (4) things and I'm going to weave the in-scope issues
15 that we want to talk about into this. The four (4)
16 issues are -- or themes of this:

17 One, Centra's circumstances. I've
18 talked about that generally.

19 Two, industry pra -- practice. I've
20 talked about that generally.

21 Internal cost allocation between Centra
22 and Manitoba Hydro, or ICAM (phonetic). I haven't
23 talked about that.

24 And PUB's longstanding edicts, which I
25 have talked about.

1 So, let's talk about consistency with
2 Centra's circumstances. In PUB Order 36/'22, and I've
3 got it in tab 3 and it's vary -- it's vary cryptic but
4 it's good to remind ourselves that, at page 15, second
5 sentence, third line:

6 "Instead Interveners are to focus
7 their submissions on the
8 appropriateness of Atrium --
9 Atrium's and Centra's COSS
10 recommendations or provide
11 alternative methodologies of
12 appropriate for Centra-specific
13 circumstances in Manitoba."

14 There's -- there it is in black and
15 white.

16 Now, as I say, peak and average is
17 consistent with Centra's operations as a public
18 utility in terms of complexity, scale, scope, variety
19 of customers, and uses of gas.

20 It's integrated. It's co-mingled.
21 There is fungible plant that can change over time and
22 be used in a wide range of conditions -- operating
23 conditions. And you'll find that in our argument at
24 page 10. Our written argument.

25 Now, I want to deal with issue 1, this

1 -- this comes into play with consistency. And that's
2 the allocation of -- well, 1 and 2, in my view, are --
3 are -- we're dealing with them together. And that's
4 the downstream transmission and distribution.

5 And it's been in place -- the peak and
6 average has been in place for decades as it replicates
7 Centra's load estimation process based on simplified
8 characteristics of their operation.

9 Now, as I've said before, the design
10 day coincident peak is not the only factor to justify
11 the investment of Centra's system and to serve
12 customers.

13 And now, I want to take you to the
14 proof of that. I want to take you to tab 4. And what
15 tab 4 is is really a response to Mr. Bowman's argument
16 at page 9 of IGU's final argument, where he says that
17 the -- that the northwest CPJ is a prime example to
18 support peak day arguments.

19 But by pointing out that this project -
20 - one of the most major transmission plant additions
21 in the past decade (INDISCERNIBLE) to demonstrate the
22 capacity was a sole consideration.

23 Now, what -- in his passage, what he --
24 what he fails to do is cite the full CPJ
25 justification. And this is phase 2. And we have

1 highlighted certain aspects that deal not with just
2 design, but operational considerations. And I'm not
3 going to read them all. They're there for your
4 reading pleasure.

5 But I do want to concentrate on page 5
6 of 9.

7

8 (BRIEF PAUSE)

9

10 MR. BRIAN MERONEK: It's under -- keep
11 going. Yeah, there we go. Yeah.

12 Now, Mr. Bowman recites number -- the
13 first rationale for completing this project. But he
14 doesn't tell us about the other justifications for the
15 project.

16 One being, number 3, to provide the
17 ability to shift load from the heavy -- heavily
18 utilized pipeline on the east side of the city to the
19 under utilized pipeline. That's an operational
20 consideration.

21 Four, to provide full redundant supply
22 to the communities of -- north of Winnipeg, et cetera.

23 Five, to improve operational
24 flexibility to permit planned inspection maintenance
25 and construction activities.

1 Six, the -- the reactive approach where
2 smaller projects are built in response to specific
3 customer system needs. So -- and we have others.

4 But the point simply is this. The
5 engineer, the justification for projects isn't just
6 designed. They take into account all of these
7 operational considerations, which are cost causation.
8 That's what supports going to management, to the
9 executive, and say, We need thirty-one million dollars
10 (\$31 million) to build this.

11 One of the other perious (sic) things
12 is that Centra concedes that it doesn't even use a
13 design day CP for downstream planning of its overall
14 system. It uses a number of delivery points,
15 takeoffs, that are discretely independently (AUDIO
16 CUTS OUT) using different peaks.

17 So how can you say a design day CP is a
18 sole consideration where you give 100 percent, when
19 that's not what they even do.

20 Now, in reality, the downstream system
21 is not planned that way. It is planned by virtue of a
22 number of individual segments at a localized level.
23 Each with different peaks.

24 Now, it's interesting to note -- and I
25 hate to kick Atrium when they're down -- but Atrium

1 didn't even talk about that. They purported to know
2 the system. They didn't even talk about what Centra -
3 - how Centra plans its system for downstream capacity.

4 Either they didn't know or they just
5 ignored it. In either event, it doesn't stand them in
6 good stead.

7 Nor did they take a look, supposedly,
8 at the biggest -- one of the biggest transmission
9 projects in the last ten (10) years -- and that's the
10 Centra's Northwest Project -- to show how a major
11 piece of asset is planned and how it's costed.

12 Again, you want to -- you have to
13 wonder how much information they had or chose to rely
14 upon.

15 Now, I want to go to issue number 5,
16 which is -- and it's out of order, but I'll -- I'll
17 come back to 3.

18 Issue number 5, that's upstream TCPL
19 and storage. We say consistent with downstream
20 capacity, peak and average is superior as it weights
21 not only the peak, but usage. And it's consistent
22 with Centra's gas supply operations.

23 It's critical to bear in mind that
24 Centra's upstream investments are integrated and
25 optimized together to provide a least cost portfolio.

1 And that they're trying -- Centra's -- in its winter
2 over summer excess, is trying to dis-aggregate.

3 And I know it's hard to get our heads
4 around it. But storage is an upstream asset, even
5 though it's physically downstream. And so, you can't
6 dis-aggregate it.

7 So without storage, costs of capacity
8 on TCPL go up. The more storage you have, the less
9 capacity on TCPL is required. So it's -- it's
10 integrated. And so, it's inconsistent to have two (2)
11 methodologies for integrated upstream capacity. One is
12 the winter over summer excess. And one coincident
13 peak.

14 And -- and I might say, just
15 tangentially, winter over summer excess is probably
16 more weighted to energy than our peak and average.

17

18 (BRIEF PAUSE)

19

20 MR. BRIAN MERONEK: And bringing it
21 back to the -- the bi-pole example. We argue that
22 TCPL Investment made by Centra is an analogous to
23 Manitoba Hydro's bi-poles, in that they both carry
24 energy long distance from a generation source to load
25 centers in Winnipeg.

1 The only difference is ownership and
2 that's irrelevant. Manitoba Hydro may own the
3 generation statements -- stations, Centra doesn't
4 produce the gas. But the ownership is irrelevant.
5 It's the use and, unfortunately, Centra fails to
6 recognize this analogous circumstance in its reply
7 argument.

8 So, we say that peak and average is
9 conceptually consistent with the Manitoba Hydro
10 system, the load factor method used for bi-poles and,
11 as such, is a superior treatment compared to Centra's
12 bifurcated coincident peak in which your over summer
13 access proposed approaches.

14 Now, I want to get into DSM. Trying to
15 look at my cheat sheet to see if there's any
16 questions. So, the questions coming up on DSM.

17 Issue Number 6, DSM. When using a
18 policy driven approach on DSM an alternative --
19 alternate treatment to allocate DSM on a similar basis
20 to electric DSM with considerable merit.

21 Current treatment of gas DSM as a
22 direct assignment in participating classes is too
23 narrow. Gas DSM provides benefits that extend beyond
24 the reduction of participants gas/commodity charges.

25 And as conceded by Centra, in answer to

1 your question, Madam Chair, there are benefits of DSM
2 for gas downstream and upstream now and in -- in the
3 future. That is why we use peak and average.

4 And the -- the fact that there's been
5 no calculation of the benefits in Centra's assessment
6 doesn't derogate from the responsibility to ascribe
7 something to it. It may be difficult, but if it's
8 appropriate then some measure has to be incorporated.

9 And at the energy -- and Efficiency
10 Manitoba didn't say, there are no benefits to gas,
11 DSM, just said the calculation of benefits has not
12 been made. That's an entirely different story.

13 So, what we are saying, however, and we
14 acknowledge Centra's argument in -- in part, that the
15 -- in its final argument at pages 18 to 19, that peak
16 and averages more weighted to peak than to average
17 such that this proportion is may -- may be slightly
18 off, given that commodity benefits are likely greater
19 than capacity benefits.

20 So, if that's the case, it's -- it's a
21 valid alternative. What we're saying is, direct
22 assignment is not. We would prefer peak and average
23 as being more appropriate, but an allocation based on
24 energy is a valid alternative.

25 Now the second aspect is the

1 consistency with industry practice. I've been through
2 that. Peak and average is one of the three (3)
3 generally acceptable methods for allocation, demand
4 related costs. It's been around for eons. It has
5 survived the test of time.

6 Now, it's quite important in pointing
7 out to the Board and -- and if you look at Tab 5, this
8 is a IR-10(a) passed by us, by CAC, and answered by
9 Centra.

10 And the question is:

11 "Centra states that one (1) of the
12 reasons that it moved to a PAVG
13 methodology is that it addressed the
14 concern that interruptible customers
15 would not otherwise contribute to
16 the recovery of any capacity costs.
17 Please explain the other factors
18 that lead Centra's adoption of the
19 PAVG methodology."

20 And the response?

21 "Centra adopted the peak and average
22 allocator after its 1996 Cost of
23 Service Methodology review. At the
24 time of adoption, the following
25 factors were identified as

1 influencing Centra's position.
2 Peak and average recognized the
3 utilization of the system as an
4 explicit factor to be included in
5 determining cost responsibility.
6 Two. Peak and average is relatively
7 simple and straightforward.
8 Three. Peak and average is a widely
9 accepted method of cost allocation."

10 Next bullet.

11 "Peak and average is considered cost
12 causal in many state and provincial
13 jurisdictions.

14 And four. Peak and average produced
15 results that were close to the PUB's
16 approved class revenue requirements
17 at the time."

18 Now, I ask you: What's different
19 today? Looks pretty -- a pretty solid reason for
20 picking peak and average. But what has changed those
21 parameters or criteria? There's nothing on the record
22 that says that those considerations are no longer
23 valid.

24 The third theme is the consistency with
25 internal cost allocation between Centra and -- and

1 Manitoba Hydro and that was -- that was dealt within
2 the '19/'20 GRA.

3 And euphemistically known as the ICAM
4 (phonetic) and we say there's a consistency here.
5 Peak and average is a composite allocator. It's an
6 allocator that gives weight to more than one cost
7 driver.

8 Centra's now unwillingness to look at
9 the merits of PA -- peak and average is curious, in
10 that, it uses composite allocators weighted between
11 numbers of customers, corporate assets and corporate
12 activity charges to allocate hundreds of millions of
13 dollars of common cost between Centra and Manitoba
14 Hydro.

15 Use of composite allocators, like peak
16 and average, is common in utility -- in the utility
17 industry, for both internal cost allocations to set
18 revenue requirements and for external cost revenues to
19 set rates.

20 Unfortunately, Centra, when thinking of
21 cost between the two (2) utilities, accepts composite
22 or multifaceted cost allocators, as they call it,
23 whereas when considering external allocations, among -
24 - that is among various classes, it advocates only one
25 cost driver, design day -- (INDISCERNIBLE) design day.

1 Now the fourth theme is the consistency
2 with the long standing Board policy edicts which I've
3 -- which I -- I'm not going to go over again, only to
4 say, the two (2) Orders are strikingly similar and we
5 have to take the Board's own words and not having --
6 and having done so there is no Board command, either
7 then or now, that CP alone applies to Centra.

8 And -- and -- well, they'll say, well,
9 Manitoba Hydro didn't -- didn't deal with Centra, but
10 the principles are the same.

11 Now, we -- we -- CAC provides a number
12 of examples to demonstrate the broader policy view of
13 cost causation and that's in our pre-filed evidence at
14 pages 13 and 14. We say that Centra's apparent new
15 policy of a narrow view and weighting of cost
16 causation is inconsistent with how Centra plans and
17 operates its systems and, thus, how costs are incurred
18 is inconsistent with past policy, and results in gas
19 Cost of Service Methodology that lacks cohesiveness
20 and is inconsistent with the Manitoba Hydro Cost of
21 Service Methodology, and we say that these
22 characteristics are undesirable regulatory outcomes
23 that should be not endorsed.

24 Now, what we've done here, well, if you
25 can look at tab 6. What we've tried to do is -- the

1 first thing is that we've got two (2) slides, one is
2 the current cost causation spectrum involved with
3 Manitoba Hydro and Centra and one is -- the second one
4 is Centra's proposed cost causation spectrum and, as
5 they say, a picture's worth a thousand words.

6 We don't purport this is drawn to
7 scale. We don't purport that the arrows are
8 necessarily in the -- the right place but we're do --
9 we're doing this for illustration purposes as to where
10 broad cost causation comes in and where narrow cost
11 causation comes in.

12 So, when you look at the current cost
13 causation for Manitoba Hydro, generation, bipoles,
14 U.S. transmission, and DSM, based on a system load
15 factor, and the -- Centra current system is of
16 upstream TCPL capacity, storage, and related
17 transmission distribution as based on peak and
18 average. It's in the middle.

19 Manitoba Hydro's segregated out AC
20 transmission with it -- which is a one CP of fifty
21 (50) winter hours. It's more than to the narrow.
22 Then, you go over to DSM and it's right at the --
23 right at the end of the narrow cost causation.

24 When you go to the next slide, this is
25 -- Centra's proposed cost causation spectrum. You see

1 for the storage and related pipe upstream, that the
2 winter excess summer demand is weighted way towards
3 energy. Manitoba Hydro's cost causation hasn't
4 changed.

5 THE PANEL CHAIRPERSON: Sorry, Mr.
6 Meronek. Could you just speak up a little more?

7 MR. BRIAN MERONEK: Oh. I'm sorry.
8 Yeah. Okay. Well --

9 THE PANEL CHAIRPERSON: You're kind of
10 fading out a bit there.

11 MR. BRIAN MERONEK: I'm sorry. I'll
12 start over. My name is Mr. Meronek. Where do you --
13 where did you lose me?

14 THE PANEL CHAIRPERSON: When you
15 started talking about these two (2) diagrams.

16 MR. BRIAN MERONEK: Okay.

17 THE PANEL CHAIRPERSON: Yeah.

18 MR. BRIAN MERONEK: All right. Let me
19 -- let me go back. Okay. Briefly. Okay.

20 They purport to show a comparison of
21 Manitoba Hydro's and Centra's current cost causation
22 spectrum and the second one is Centra's proposed cost
23 causation spectrum.

24 And what I indicated was we're not --
25 we're not saying it's -- it's drawn to scale or that

1 the -- the arrows are definitively in the right place.
2 It's just directionally but it illustrates where these
3 cost causation methodologies are in the narrow versus
4 broad cost causation spectrum.

5 And I -- I indicated that Manitoba
6 Hydro is -- is, with respect to generation bipoles,
7 U.S. transmission, and DSM, it's based on load factor,
8 system load factor. Centra's is based on peak and
9 average. It's more in the centre and Mani -- Manitoba
10 Hydro, in AC transmission, is more to the right, and,
11 then, at the extreme right is Centra's current
12 treatment direct assignment of DSM.

13 So, when you look over at the proposed
14 cost causation spectrum, Centra's upstream treatment
15 of storage and related pipe is now more over -- way
16 over to -- to energy and Manitoba Hydro's cost
17 causation methodologies don't change nor does it --
18 nor does its position with respect to AC transmission.

19 But, when you look at what Centra's
20 proposing, it's -- the upstream TCPL capacity, the
21 transmission and distribution are way over to the
22 right. They're -- they're at the extreme and that
23 can't be and I wish Mr. Peters was here 'cause he
24 loves golf analogies. We're hitting the ball in the
25 middle of the fairway. Centra's proposal is hitting

1 the ball in the rough.

2 So that, pictorially, in -- in our
3 view, shows that the current methodologies for
4 Manitoba Hydro and Centra are reasonably balanced and
5 Centra's propo -- proposed change is at -- is at the
6 extreme end of the cost causation spectrum.

7 Now, I want to speak about direct
8 assignment of transmission costs and that's Item
9 Number 3 and, then, I'll talk about Item Number 10
10 following.

11 You -- you can't get around the fact
12 that -- that the very nature of Centra's utility plan
13 is that the ass -- assets are common use and fungible.
14 It is desirable to directly assign costs but it can
15 only be done, or should only be done, when costs are
16 renably -- sorry, readily identifiable as clearly
17 belonging to a specific customer or group of
18 customers.

19 Now, in answer to your question about
20 direct assignment and location and number of
21 customers, they -- it both matter -- they both matter.
22 You have to look at the total -- totality of the load.
23 You -- to put them in a cla -- to put identical or
24 equivalent users in the same class. If they had
25 different characteristics, you wouldn't have them in

1 the same class.

2 The issue here is the parties get away
3 with it because there's only one (1) special contract
4 customer and location is a -- as we call it, a -- an
5 accident of location. It happens to be there. If it
6 was somewhere else, we wouldn't be talking about that,
7 and, to do otherwise, is to be -- is contrary to
8 postage stamp ratemaking.

9 So, when we talk about readily
10 identifiable, we talk about things like costs on site,
11 customers' premises, such as metering and regulation,
12 but it's unrealistic to expect that a significant
13 portion of a utility plant can be directly assigned
14 due to the nature of the utility plant.

15 Now, we saw this pretty picture a
16 couple times of the Koch and power stations but it
17 doesn't tell the full picture. What I'm showing you
18 now is Ap -- Appendix A to the, I believe, it's the
19 Atrium Report, and -- and what it shows, it's not cut
20 and paste, it doesn't show half the system.

21 What -- what is shows here is that
22 there's a connection with -- with the southwest part
23 of -- of the province, south of these -- of these
24 lines, and that's been historical, and it's been paid
25 for by everybody.

1 So, you can't just scissor and glue
2 this out of -- out of the system and say, well, it's -
3 - it's -- it -- it's clearly readily identifiable as
4 only being used by a special customer and the power
5 station.

6 As a matter of fact, there -- as I say,
7 there's a substantial network south that's
8 interconnected and had excess capacity which was
9 relied upon by this special customer without having to
10 increase their lines.

11 So, there is a quid pro quo here. And
12 -- and Koch upgraded its system, expanded its system
13 on at least a couple of occasions. And the -- it was
14 paid for by the system. It's like saying, residents
15 in Winnipeg don't use the Brandon systems, so we
16 shouldn't pay for it. That's not the way it works.

17 Maybe if this had been a standalone
18 system from day one (1) it would be different, but
19 it's not.

20 And secondly, it's like the -- the
21 property tax argument. Well, I shouldn't be pay -- my
22 property taxes shouldn't go -- if I'm in the south,
23 shouldn't go to pay for the Arlington Street bridge,
24 because we never use it. It doesn't work that way.

25 It's a system integrated sophisticated

1 complex system that has to recognize the integration
2 of all of these players.

3 And -- and lastly on that point, if you
4 could go to tab 8, which is page 32 of -- of Centra's
5 application.

6 And -- and here -- here's the nuance.
7 I think Ms. Carvell said today that -- that it -- it's
8 only used by others in extenuating circumstances.
9 Okay. But that's not exclusive. There are
10 extenuating circumstances.

11 And in their -- in their own submission
12 they say, in the first -- in line 2 that:

13 "It's based on conditions assume the
14 Cost of -- of Service Study that is
15 -- that is normal operating
16 conditions."

17 Not all operating conditions. And line
18 6:

19 "The pipelines that serve this
20 customer class predominantly have a
21 one-way relationship."

22 In line 10:

23 "The Brandon Power Station cannot
24 generally be used to serve load
25 requirements."

1 And line 14, they -- it says:

2 "The power station in Brandon do not
3 serve any other customers under
4 normal operating systems."

5 All of those words are qual --
6 qualifications of the word 'direct assignment
7 exclusive use'. Okay. And so that's why we say it's
8 not reasonable to have direct assignment.

9 Now, when it comes to the interim rate
10 reduction, the -- the question I've asked myself is
11 well, why should I care. It's just one (1) large
12 customer giving money to another large customer. And
13 -- the class I represent is going to be saved
14 harmless.

15 And -- and that's a pretty good
16 question to ask one's self. But the -- but the fact
17 is that there -- there are principles here at stake.
18 And one (1) of the principles is that we're dealing
19 with interim rate -- interim rates which -- although
20 they're in -- they're in scope.

21 In reality belong -- don't belong here,
22 they believe at a GRA. Usually when you have interim
23 rate hearings, it's based on the best evidence
24 available at the time, which everybody can look at and
25 make a determination whether the rate -- the interim

1 rates are appropriate.

2 Sure, they'll get adjusted -- adjusted
3 by circumstances down the road. We don't have that
4 here. We have an incomplete and an unreliable
5 customer impact analysis, which is out of scope in any
6 event, which provides no reasonable basis for interim
7 rate reduction.

8 I think, in answer to your question
9 today, and I -- and I stand corrected if I'm wrong,
10 that in answer to a question from Board Member Nemec
11 to Mr. Hacault, I think you used the word
12 'speculative'.

13 So, it's really incompatible with an
14 interim rate application. And quite frankly, in -- in
15 our experience it's extraordinary if not
16 unprecedented. And to -- to just have a rate --
17 interim rate for two (2) parties and wait until the
18 GRA to see the overall impact for the whole customer
19 base, I think is -- it's not only inappropriate, I
20 think it's dangerous.

21 And if -- if -- of course, if you use -
22 - if you accept our recommendations then it's a moot
23 point. But in any event, I think there are too many
24 unanswered questions and there were too many questions
25 that were asked by this Panel that couldn't be

1 answered, in my view, satisfactorily to say, well, you
2 know, let's wait and see. I don't think that's the
3 way that -- that interim rates are supposed to be
4 looked at.

5 So, I have a conclusion, but if you
6 want to ask me some questions -- oh, I know there's
7 one (1) question about Panel Member Nemec and working
8 capital in gas and storage. It's the same on an
9 unaccounted for gas and the mainline issue. They're
10 aren't in scope. They aren't -- they weren't on the
11 menu. And unfortunately, they came up in IRs.

12 Now remember there was one (1) IR. So,
13 you ask a question in IR, get an answer. And somehow
14 that you take an out-of-scope matter and put it into
15 scope by make -- by asking a question in IRs? I don't
16 think so.

17 We could have -- we could have asked a
18 lot of questions dealing with matters out of scope,
19 but we paid by the gruels (phonetic) and we looked at
20 the scoresheet and said, hey, that's -- that's out of
21 scope, so we weren't dealing with it. So, to say we
22 could have, we had lots of opportunity. I think it's
23 just in -- disingenuous.

24 Yeah, all I'm going to say then in
25 conclusion, because my time is just about up, we're

1 perceived to be the outliers here. A scorecard
2 assembled by Atrium would seem to suggest as much.
3 However, this isn't an application based on majority
4 rules. Remember, the majority can -- can vote in the
5 same manner, but they could be wrong.

6 It's what makes the most sense from a
7 balanced perspective. In reality, all of the other
8 parties are on the edge with 100 percent we -- 100
9 percent weight to extreme factors and even Centra is
10 inconsistent when it uses different methodologies for
11 his upstream capacity.

12 In the end, we say that Centra has not
13 discharged it's burden of demonstrating that it's
14 current long-standing cost of methodology is infer --
15 inferior and ought to be replaced. We say that it's a
16 balanced approach and it's -- it's -- internally
17 consistent.

18 So, unless you have some questions that
19 I didn't contemplate.

20 THE PANEL CHAIRPERSON: There's a lot
21 there, Mr. Meronek. So, I'm not sure so much these
22 are questions or as are just a couple things I'd like
23 to confirm --

24 MR. BRIAN MERONEK: Oh, sure. No, no.

25 THE PANEL CHAIRPERSON: -- that --

1 that I heard correctly and --

2 MR. BRIAN MERONEK: Yeah.

3 THE PANEL CHAIRPERSON: -- Ms. Nemec
4 may have the same -- the same issues. So, you say
5 then that your client -- or your client says that
6 there must be a significant change in circumstances in
7 order for there to be a change in long-standing cost-
8 of-service policies.

9 MR. BRIAN MERONEK: That's the word we
10 use, yes.

11 THE PANEL CHAIRPERSON: And I think
12 that this was what you were talking about when you had
13 said, Yes, but it's practically difficult.

14 That was a question that we asked to
15 both Centra and to IGU about the concept of just and
16 reasonable rates and whether or not that could be
17 separated from cost causation in a Cost of Service
18 Study.

19 And you said, Yes, but it would be
20 practically difficult.

21 MR. BRIAN MERONEK: It is practically
22 difficult. That's all we were saying when we -- when
23 we -- when that passage is recited in our evidence.
24 We're not -- our main thrust is we're not using
25 ratemaking principles here. We're using cost

1 causation principles.

2 And -- but, you know, there -- these
3 words, they get thrown around interchangeably and it's
4 sometimes hard --

5 THE PANEL CHAIRPERSON: Yeah. I'm
6 still not getting why you say it's practically
7 difficult though.

8 MR. BRIAN MERONEK: Well, it's hard to
9 -- hard to measure some of these things is really what
10 I'm saying.

11 THE PANEL CHAIRPERSON: So it's a
12 measurement issue, really?

13 MR. BRIAN MERONEK: Exactly. Yeah.

14

15 (BRIEF PAUSE)

16

17 MR. BRIAN MERONEK: And I -- and I
18 think I said earlier, at pages 15 and 16 of our
19 evidence, that, you know, the parties say they don't
20 do that. But we say, in our evidence, that there are
21 examples where they do do that. Where they use
22 ratemaking principles to -- when it comes to cost of
23 service -- cost causation.

24 But I -- but I want to be clear, we're
25 not -- it would be -- it seems that the Board Orders

1 are pretty clear that you don't use ratemaking --
2 That's -- some of these principles are left for rate-
3 making. We -- we subscribe to that.

4 We -- we may not agree with it
5 historically, but we -- we have to live by the law.
6 So at the end of the day, what we're saying is we
7 don't use -- we don't use ratemaking principles to
8 make our case.

9 THE PANEL CHAIRPERSON: And then, just
10 one more issue that I wasn't clear on.

11 When you were talking about the
12 allocation of upstream capacity, you said that storage
13 is both an upstream and a downstream function.

14 MR. BRIAN MERONEK: No.

15 THE PANEL CHAIRPERSON: No?

16 MR. BRIAN MERONEK: No, it's upstream.

17 THE PANEL CHAIRPERSON: Okay. I -- I
18 misheard you.

19 MR. BRIAN MERONEK: What I -- what I -
20 - it's physically located downstream.

21 THE PANEL CHAIRPERSON: Oh, okay.
22 Okay.

23 MR. BRIAN MERONEK: The storage is in
24 Michigan, so that's --

25 THE PANEL CHAIRPERSON: Yeah.

1 MR. BRIAN MERONEK: And, you know,
2 it's hard to get your head around the fact that it's
3 downstream.

4 THE PANEL CHAIRPERSON: Sorry, I
5 thought you were saying it was both an upstream and a
6 downstream function. So that's why I was confused.
7 So thank you for that clarification.

8 MR. BRIAN MERONEK: Lawyers do talk
9 out of both sides of their mouth at the same time, but
10 I wasn't there.

11 BOARD MEMBER NEMEC: I have just one
12 -- well, one clarification, one question.

13 On your tab 7 of the -- your
14 presentation today, I believe -- I just wanted to
15 clarify what you said.

16 I think you said Koch expanded its
17 system and it was paid for by the rest of the system.
18 So when you said Koch expanded its -- its system, what
19 -- whose system is 'its system'? I'm just trying to
20 understand the ownership. Is it its system or were
21 you really referring to, like pipeline, the Centra
22 system?

23

24 (BRIEF PAUSE)

25

1 MR. BRIAN MERONEK: My alter ego says
2 that Centra -- sorry, Koch upgraded its system on at
3 least two (2) occasions.

4 But Centra didn't have to build greater
5 capacity in order to service that.

6

7 (BRIEF PAUSE)

8

9 MR. BRIAN MERONEK: I -- I see where
10 there was a confusion. They didn't expand the
11 pipeline. They expanded their system, their
12 operations and --

13 BOARD MEMBER NEMEC: Operations, you
14 mean their plant, their own --

15 MR. BRIAN MERONEK: Yeah. Exactly.

16 BOARD MEMBER NEMEC: --

17 (INDISCERNIBLE) operations, okay. Thank you.

18 And then, you did -- one (1) of the
19 issues I guess you talked about was that it was paid
20 for by the rest of -- and you said it was paid for by
21 the rest of the system.

22

23 (BRIEF PAUSE)

24

25 MR. BRIAN MERONEK: Again, they didn't

1 have to build extra capacity. It was there on the
2 system that was paid for by the system.

3 BOARD MEMBER NEMEC: And I guess
4 that's -- we've talked about that as, sort of, a cross
5 -- some of the words have been used in the past --
6 cross-subsidization. And I -- and I wonder -- and
7 it's a question I posed before to Centra and to IGU.

8 Is should the amount -- if there has
9 been cross-subsidization in the past, considering the
10 presentation of -- of the proposal put forward, should
11 that influence a choice of a future costing
12 methodology?

13 I'll just put that to you also.

14 And maybe the second part of that is if
15 a new special contract customer was being added, who
16 hadn't made any past contributions or received any
17 benefits, but -- would you still have the same
18 concern?

19 MR. BRIAN MERONEK: I think everybody
20 agrees that we're into retroactive ratemaking. And,
21 you know, what happened in the past happened and it's
22 crystallized.

23 So I think it's probably not
24 appropriate to talk about cross-subsidization. It was
25 just and reasonable at the time, and -- and we can't

1 go back in time.

2 BOARD MEMBER NEMEC: Just my -- my
3 second and, I think, final, question is one of the --
4 CAC recommended that Centra be directed to file two
5 (2) versions of the Cost of Service Study if changes
6 were approved; the existing methodology and the
7 methodology that is approved.

8 I'm just wondering what information
9 that would be used -- useful for and used for.

10 MR. BRIAN MERONEK: I think it came up
11 when Ms. Carvell was asked about, you know, how do you
12 -- how do you reconcile the interim rates with the --
13 the final rates?

14 And -- and the answer, from our
15 perspective, is you have two (2) cost of service
16 studies. One done with the approved changes and one
17 done with no changes. And that's we're recommending,
18 so you can see the -- see the dichotomy, if any.

19

20 (BRIEF PAUSE)

21

22 BOARD MEMBER NEMEC: And if you -- you
23 saw that what would it be used for? I think you said
24 that you would see the difference and then how would
25 you use that information?

1 MR. BRIAN MERONEK: Well, to identify
2 where there should be any adjustments in the final
3 analysis when it comes to grades.

4 BOARD MEMBER NEMEC: Thank you.

5 MR. BRIAN MERONEK: Thank you.

6 THE PANEL CHAIRPERSON: Thank you, Mr.
7 Meronek. Those were all of our questions. So we're
8 going to take a break now and then, we're going to
9 have reply by Centra following the break.

10 Ms. Carvell, I just wanted to maybe
11 suggest to you that, in your reply, you might want to
12 consider elaborating a little bit on what you said
13 about the design day study and scaling it up.

14 And were you thinking there about using
15 consumption data or engineering design data when you
16 made that comment? Is fifteen (15) minutes enough
17 time for you, Ms. Carvell?

18 MS. JESSICA CARVELL: If possible, I'd
19 appreciate a half an hour to address both the
20 questions that you had and have the opportunity to
21 look at some of the new documents we've seen from CAC.

22 THE PANEL CHAIRPERSON: Okay. We'll
23 come back at 2:30 then.

24 MS. JESSICA CARVELL: Thank you very
25 much.

1 --- Upon recessing at 2:04 p.m.

2 --- Upon resuming at 2:32 p.m.

3

4 THE PANEL CHAIRPERSON: Ms.

5 Carvell...?

6

7 REPLY BY CENTRA:

8 MS. JESSICA CARVELL: Thank you very
9 much. And so I'd like to start my reply comments with
10 by -- providing a response to the question you just --

11 THE PANEL CHAIRPERSON: Can you just
12 speak up a little?

13 MS. JESSICA CARVELL: Absolutely. Is
14 that better? Please feel free to wave if I'm not
15 clear.

16 So, I'm going to start by responding to
17 Madam Chair's question about the design of a design
18 day allocator.

19 And so, Centra is proposing to design
20 that allocator, first by using hourly information to
21 tabulate gas daily information for all the complex gas
22 customers, that's High Volume Firm, Mainline Firm,
23 Interruptible, Special Contract and Power Station,
24 customers individually. And then for all the
25 remaining SGS and LGS customers, collectively.

1 A weather normalized model is going to
2 be created that will leverage the previous three (3)
3 years of historical data. And it'll be used to
4 develop an approximate class contribution to the
5 design day of temperature, rather than the expected
6 peak.

7 So a weather normalized model and a
8 monthly billing data will then be used to calculate
9 each class's peak for the SGS residential, SGS
10 commercial and LGS customers.

11 And so, when we talk about scaling up
12 the existing peak, what we're really talking about is
13 using a weather normalized model to get from the
14 expected peak, that's part of our current peak and
15 average allocator, to a design day peak.

16 Are there any questions?

17 THE PANEL CHAIRPERSON: No, thank you
18 for that.

19 MS. JESSICA CARVELL: Perfect.

20 THE PANEL CHAIRPERSON: Especially so
21 quickly.

22 MS. JESSICA CARVELL: We are supported
23 by a wealth of experience and staff and so all thanks
24 go directly to them.

25 And so I -- I want to start, also by

1 comment -- addressing some of the comments that were
2 made this afternoon by Mr. Meronek about the relative
3 experience of Atrium as compared to the CAC experts.

4 And I highlighted for you this morning
5 the diversity of experience that Atrium has. And I
6 submit to you that it's not accurate that working
7 exclusively or primarily within one (1) jurisdiction
8 makes an expert's opinion more superior, more reliable
9 than any other.

10 You need to balance the relative
11 qualifications of each of the experts and I know you
12 guys are in a great position to do so.

13 It was suggested that Atrium didn't
14 consider Manitoba's specific circumstances or Centra's
15 operations and that the CAC experts, by virtue of
16 their past experience, were able to do so.

17 And I suggest to you that if you look
18 at the evidence that's before you, particularly
19 Atrium's report, you will see exactly the opposite.
20 They set out very well the facts that they relied upon
21 and how carefully they considered Centra's specific
22 circumstances and applied their professional judgment.

23 There really is no monopoly on
24 understanding Centra's specific circumstance and you
25 don't need to work at a utility for a particular

1 length of time to be able to gather information and
2 apply your professional judgment.

3 It was also suggested by Mr. Meronek
4 that Centra failed to critically review Atrium's
5 recommendations and they were just accepted without
6 consideration. And that's just not accurate.

7 We -- Centra received Atrium's report.
8 It carefully considered each of the recommendations
9 and decided what of there to put those forward.

10 And I would suggest you don't have to
11 look any further than Centra's position on the stacked
12 resource analysis to see that in action.

13 For the first time this afternoon, you
14 heard submissions that Atrium's rebuttal evidence
15 should be disregarded and that it failed to comply
16 with the procedural Order of this Board.

17 That rebuttal evidence was filed on
18 June 13th and Centra's prejudiced by raising this at
19 such a late stage. It was entirely within Centra's
20 right to file rebuttal evidence of its own and on
21 behalf of Atrium. And the content of that rebuttal
22 evidence was also appropriate.

23 It is entirely appropriate for Atrium
24 to have responded to the criticisms of it and of its
25 expert opinions that it expressed.

1 There was a comment made that Atrium's
2 rebuttal evidence interpreted Board Orders and that
3 was somehow inappropriate.

4 I find that comment a little bit
5 interesting if you look at the evidence that was
6 provided by CAC. There is a fairly lengthy
7 consideration of previous Board Orders and, frankly,
8 that's appropriate and experts should consider
9 previous Board direction when they are expressing
10 their professional judgment and opinion.

11 So, Centra submits that Atrium's
12 rebuttal evidence does not show bias. It is
13 independent and it should be accepted by this Board.

14 If you have concerns with respect to
15 that, we suggest that the appropriate remedy is to
16 give lighter weight to that rebuttal evidence, not to
17 disregard it entirely, as was advocated here.

18 I just want to make a quick comment on
19 some of the material that was provided by CAC in their
20 Book of Documents.

21 And, in particular, I just want to make
22 it clear, Tab 2, which contains this list of examples,
23 this is not evidence by Centra. Frankly, it's not
24 evidence by any party. We -- this is the first time
25 we've seen this list and so we would be asking that

1 you don't give -- apply any weight to that document.

2 Similarly, there are two (2) new
3 documents at Tab 6 of that Book of Documents and I
4 take Mr. Meronek's point that this is an illustrative
5 example. Again, this is a new document that we
6 haven't had the opportunity to fully review or test
7 and we'd ask that it be given no weight.

8 So, with respect to the issue of direct
9 assignment to some transmission plant, CAC would have
10 you look at the fact that the system is designed with
11 an interconnection point to the system, and ignore the
12 fact that operationally that interconnection point on
13 the schematic provides no benefits or ability for the
14 power station customer or the special contract
15 customer to use that interconnection.

16 And, frankly, this is really in direct
17 contravention or contradiction to their position that
18 you shouldn't look at design of the system, you should
19 also consider use. And unfortunately, their position
20 on direct assignment appears to only consider design.
21 It doesn't consider the actual use of our system.

22 I'd also like to address some comments
23 that were made by Mr. Hacault this morning with
24 respect to the allocation of mainline customer
25 classes.

1 Mr. Hacault referred to MFR-7 at PDF
2 page 36 and he did so referring to the fact that
3 distribution lines are directly assigned -- or
4 directly used by mainline customers, and we need to be
5 pretty careful about the terminology that we're using
6 here.

7 Distribution lines, as confirmed by the
8 evidence in this proceeding, because they are directly
9 assigned, mainline doesn't receive any allocation of
10 those larger systems. And you can see that in
11 Appendix 4 to Centra's primary application, at page 6.
12 You can see that the mainline class receives zero
13 dollars or zero allocation for distribution mains.

14 Centra had understood that the concern
15 IGU raised with respect to the allocation of mainline
16 costs really relates to measuring and regula --
17 regulating equipment. That's referred to as Account
18 477.

19 And, to be clear, some of the mainline
20 customers are served with dedicated regulating
21 stations. That's true but others are served with
22 dedicated mains that are downstream of the town
23 (INDISCERNIBLE) stations and that fact is what makes
24 it not as simple as it was suggested by Mr. Hacault to
25 do the direct assignment that he's advocating for.

1 So, to determine how you would allocate
2 those regulating stations, you need -- there are two
3 (2) challenges that Centra faces. The first is there
4 is a lack of data relating to those regulating
5 stations. We've -- simply, our accounting records
6 were not set up to capture that level of granularity
7 and that proves a pretty large challenge.

8 The second challenge in doing this type
9 of direct allocation is that some of the mainline
10 customers continue to utilize or have a benefit of
11 some of the upstream equipment that is in that Account
12 477 and you'd be required to determine how to allocate
13 a portion of those upstream equipment and the costs
14 associated with it.

15 And so, it's -- as -- although we would
16 wish it would be as simple as was suggested it,
17 frankly, is not, and, for that reason, Centra doesn't
18 think it's a worthwhile refinement, if it's possible
19 at all.

20 So, I've tried to keep within my
21 fifteen (15) minutes. Those are my -- the points I
22 had. Was there any questions?

23 THE PANEL CHAIRPERSON: No. No
24 questions. Thank you.

25 MS. JESSICA CARVELL: Thank you very

1 much.

2 THE PANEL CHAIRPERSON: So, then, this
3 concludes the oral submission portion of our process.
4 I'd like to thank everybody for their attendance and
5 their assistance to the Board today and wish you all a
6 good afternoon.

7

8 --- Upon adjourning at 2:45 p.m.

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11 Certified Correct,

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Wendy Woodworth, Ms.

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