



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

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

Before Board Panel:

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

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
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Pages 709 to 858

1 APPEARANCES

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4

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14 Antoine Hacault) Industrial Gas

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1 --- Upon commencing at 9:01 a.m.

2

3 THE CHAIRPERSON: Good morning, all.

4 Mr. Meronek...?

5 MR. BRIAN MERONEK: Thank you, Mr.

6 Chair, and members of the panel. Good morning,

7 everyone. I've got a couple of -- one (1)

8 housekeeping.

9 After the discussion with Board counsel

10 and Mr. Rainkie on -- I think it was Thursday --

11 dealing with how to treat the 15 million -- \$15.3

12 million. And he was asked how he would make a journal

13 entry. He went home and pondered it, and we have

14 prepared an undertaking. It's kind of a subliminal

15 undertaking, because it wasn't directly asked, but I

16 think it's important to have on the record.

17 So I did -- disseminated that

18 undertaking, and unless there's any objection, it

19 should be CAC under -- Exhibit number 14.

20 MR. BRENT CZARNECKI: Good morning,

21 Mr. Chairman. We did receive the subliminal

22 undertaking as now is being referenced, and we do note

23 that it wasn't solicited as My Friend has. If it is

24 of assistance to the Board in this process, we will

25 not object to the undertaking being filed.

1 THE CHAIRPERSON: Mr. Hacault...?

2 MR. ANTOINE HACAULT: No objection to
3 it being filed.

4 THE CHAIRPERSON: Ms. Steinfeld...?

5 MS. DAYNA STEINFELD: (NO AUDIBLE
6 RESPONSE)

7 THE CHAIRPERSON: Very well. That
8 will be entered as CAC number 14.

9

10 --- EXHIBIT NO. CAC-14: CAC Undertaking No. 1

11

12 THE CHAIRPERSON: And there's no
13 questions of the maker. If we could have Ms. Derksen
14 sworn?

15

16 CAC PANEL:

17 KELLY RAE DERKSEN, Sworn

18

19 EXAMINATION-IN-CHIEF BY MR. BRIAN MERONEK:

20 MR. BRIAN MERONEK: Now, like -- like
21 the witnesses before us, I would ask the indulgence of
22 the Board to have Ms. Derksen provide a very brief
23 background of her experience.

24 MS. KELLY DERKSEN: Good morning, Mr.
25 Chair, members of the Public Utilities Board, ladies

1 and gentlemen. My name is Kelly Derksen. I've been
2 at this for about twenty-five (25) years now. My --
3 virtually my entire twenty-five (25) year career has
4 been spent in rates and regulation. I started in the
5 trenches of regulatory as a -- a regulatory
6 coordinator in the mid -- mid-1990s.

7 I moved on from there to become the
8 regulatory analyst. I was responsible in that job to
9 prepare the corporations. And at that time it was
10 Centra owned by West Coast Energy. I was responsible
11 in that function to prepare the revenue requirement on
12 behalf of the Corporation under the rate-based rate of
13 return methodology that has been talked about to some
14 degree in this proceeding.

15 From there, shortly after the
16 acquisition of Manitob -- of Centra gas by Manitoba
17 Hydro, I -- I became a rate analyst, which is really
18 my passion, the end of the day, for only the good Lord
19 knows why, in -- in terms of cost allocation and rate
20 design. And I spent the next number of years as -- as
21 an analyst, until 2006, approximately, when Mr.
22 Rainkie vacated the manager of rates and regulatory
23 affairs position. It wasn't quite called that at the
24 time. And I -- I assumed that function and that role
25 up until about either late 2009, early 2010 for

1 Manitoba Hydro.

2 And at that point, I moved into the
3 electricity side of the business, at least in part of
4 my role with respect to having responsibility for cost
5 of service matters, for electric operations cost of
6 service and rate design matters, as well for Centra
7 for natural gas -- for the natural gas utility. And
8 subsequent to my departure from Manitoba Hydro and
9 Centra gas in 2017, I have been working with Mr.
10 Rainkie in a -- building a consulting firm primarily
11 focused on rates and regulation.

12 MR. BRIAN MERONEK: Thank you. Mr.
13 Chair, I might advise that we -- because of Ms.
14 Derksen's passion, I'm going to get her some special
15 therapy later on. But in any event, she has prepared
16 a -- a set of slides for her direct presentation.
17 It's been disseminated. There's one (1) slight
18 glitch.

19 There is a -- a slide after slide 10 --
20 that would be slide 11 -- that there was concern
21 in terms of CSI. I have not disseminated this hard
22 copy to anybody who is not entitled, and I would ask
23 that when we get to that slide, that it be -- not be
24 put up on the screen.

25 And with that, I'll turn the mic over

1 to Ms. Derksen.

2 THE CHAIRPERSON: Thank you.

3

4 (BRIEF PAUSE)

5

6 MS. KELLY DERKSEN: Thank you, and
7 good morning again.

8 MS. RACHEL MCMILLIN: Sorry, Kelly,
9 before you begin, I just need to enter that exhibit.

10 It's CAC Exhibit number 15.

11

12 --- EXHIBIT NO. CAC-15: CAC PRESENTATION

13

14 (BRIEF PAUSE)

15

16 MS. KELLY DERKSEN: Thank you. As we
17 are all aware, the Public Utilities Board issued a
18 second procedural order in this application dated July
19 the 15th of 2019 that suspended and deferred all cost
20 allocation issues to a future generic cost allocation
21 review, with the exception of a couple of notable
22 matters that I'll speak to.

23 Some issues by virtue of that order
24 were slotted into written oral -- excuse me, written
25 argument only, and the remaining issues are before us

1 today as part of this oral hearing.

2 So with that in mind, I've attempted to
3 tailor my presentation on that basis, and to the most
4 important issues. That said, I've also addressed some
5 matters that have been raised by IGU as part of their
6 direct evidence in cross-examination on Thursday or
7 Friday.

8

9 (BRIEF PAUSE)

10

11 MS. KELLY DERKSEN: So the thrust of
12 Slide 2 -- I'm not going to go in all the detail
13 because I anticipate to take my full half an hour.

14 The thrust of this slide is that we've
15 pulled a number of findings or conclusions that the
16 Board has made in -- in Orders 98 of '19, as well as
17 Order 24 of '19, the first procedural order issued in
18 this process, and the results of -- of -- of that
19 information is that, in our view, the scope for cost
20 allocation and rate design matters under review in
21 this process is clear and unambiguous.

22 And the Board in particular finds, or
23 found in Order 98 of '19 that all cost of service
24 methodology and allocation issues would be severed
25 from the current GRA and deferred, with the exception

1 of heating value defer -- the heating value deferral
2 and bill mitigation matters.

3 And they go on further to say, the only
4 options identified for ways to mitigate the bill
5 impacts arising from the results of the existing
6 Board-approved cost of service study, not including
7 methodology and/or allocations, except for the heating
8 value margin deferral remain in scope. Next slide,
9 please.

10 So from our perspective, it's clear
11 that only intra-class bill mitigation and heating
12 value deferrals in scope.

13 What do I mean by "intra-class"? What
14 I mean by that is that any bill mitigation can -- must
15 be contained such that the results of the 2019/20
16 revenue requirement by class is unimpacted.

17 So if I can just give a very simple
18 hypothet -- hypothetical example. If Mr. Rainkie is
19 allocated \$10 of cost responsibility flowing from the
20 current cost allocation study and I'm allocated \$15,
21 any bill mitigation measures that are put in place,
22 we've interpreted that Mr. Rainkie is still obligated
23 to pay his \$10 and that I'm still obligated to pay my
24 15. The question becomes, how is that -- how and when
25 are those monies going to be collected.

1 So the possible then bill mitigation
2 measures that have been identified that fit the spirit
3 of that intent in our view include heating value
4 deferral, which does -- could contemplate a -- a
5 change in allocation, as well as a couple of deferral
6 mechanisms that have been discussed at this
7 proceeding, including one (1) that I've recommended,
8 that would be to recover all or a portion of the
9 allocated transmission-related costs of the special
10 contract class through a deferral over time.

11 Again, in the spirit of what we just
12 talked about, this is isolated to what has been --
13 what would be allocated to that class and recovered
14 over a period of time.

15 The second option that Centra's raised,
16 and it's a valid and legitimate option should the
17 Board proceed, is to extend the recovery of the
18 special contract class' allocated deferral costs, and
19 in this case, we -- we tend to refer to those as gas
20 cost deferrals, and for that class we're only talking
21 about heating value and then accounting for gas over a
22 longer period than twelve (12) months. Centra
23 suggests twenty-four (24) months, and in fact one
24 might even consider affording that opportunity to
25 spread the -- the refund of the current deferrals

1 proposed in this application to all customer classes
2 over a 24-month period, given that the size of them
3 has become fairly material.

4 Bill mitigation options with inter-
5 class impacts as recommended by IGU and Koch in our
6 view are clearly out of scope. And again, what do I
7 mean by inter-class? What I mean by that is that any
8 bill mitigation options that changes a class' cost
9 responsibility flowing from the 2019 cost allocation
10 study, other than the heating value deferral, is out
11 of scope.

12 So if I pick up on the analogy that I
13 explained just previously, if any particular bill
14 mitigation option were to change Mr. Rainkie's
15 allocated cost or the amount flowing from the cost
16 allocation study of \$10 and allow him to only pay \$8
17 dollars or to pay \$5 dollars over some period of time,
18 and I would pick up the difference, because we're
19 talking -- this is a waterbed affect -- whatever Mr.
20 Rainkie doesn't pay, I would have to pay. So to the
21 extent then that my allocated costs, or the amount
22 that I have to pay is greater than \$15, that in our
23 view is -- is out of scope.

24 So issues like the option to implement
25 a zone of reasonableness would fall under that

1 category because it does just that.

2 The option to hold in abeyance or
3 suspend class changes in non-gas costs until the
4 generic review of Centra's cost allocation methodology
5 again would fall under that category because it would
6 potentially shift costs between customer classes.

7 And finally, any change to existing
8 methodology that might contemplate, number (1), either
9 direct cost allocation, a change in the peak and
10 average allocator, or postage stamp ratemaking, which
11 is -- which are some of the matters in the Koch
12 evidence, in our view are out of scope for purposes of
13 this proceeding.

14

15 (BRIEF PAUSE)

16

17 MS. KELLY DERKSEN: Centra's cost of
18 service can be relied on for setting 2019/20 rates as
19 it's principled and based on well-accepted industry --
20 industry practice.

21 I want to dispel, Mr. Chair, any notion
22 in evidence to the contrary. The impacts to some
23 customer classes that flow from the current cost
24 allocation study are a result in part of new
25 transmission investment since Centra's 2013/14 General

1 Rate Application.

2 As we discussed at the recent Manitoba
3 Hydro GRA, transmission investment, no different than
4 generation investment, tends to be lumpy with little
5 turn, which means that new transmission investment at
6 current cost when added to existing transmission that
7 is old and highly depreciated, tends to have sizable
8 impacts, and we -- we've seen that to a significant
9 degree in Manitoba Hydro's operations and we're seeing
10 that manifest itself in this application as well.

11 This compared to distribution plant, as
12 we also talked about in the Manitoba Hydro GRA, has
13 much less turn as distribution -- sorry, excuse me,
14 has much more turn as distribution assets are
15 continuously be invest -- being invested in to
16 accommodate growing -- growing cities and urban
17 sprawl.

18 So these -- the outcome of the '19/20
19 cost allocation study is normal and expected, and we
20 deal with this on a routine basis in cost allocation.
21 There is nothing unusual about what we see. The
22 magnitude of the outcome for some customer class
23 without question is sizable, but it's entirely
24 anticipated based on -- on my experience.

25 So on this slide, we just talked about

1 transmission investment being lumpy with little turn.
2 In fact, in 2010 Centra's annualized transmission
3 investment was approximately \$11 million, in 2013,
4 approximately \$10 million, and since that time -- so
5 that's showing how transmission investment has
6 depreciated over that time period, but since 2013 it's
7 increased fairly sizeably because of investments in
8 transmission that the corporation has made.

9 Bill impacts served directly from --
10 bill impacts to those served directly from Centra's
11 transmission system and/or T-Service customers are
12 almost entirely a result of having little other cost
13 responsibility allocated to them, and that's what the
14 intent of this pie chart is -- is to show when all
15 your entire bill is made up of a couple of items only,
16 if one of those items increases by 100 percent, you're
17 going to see a sizable impact and then contrast that
18 then with the SGS customer class, who has not only
19 transmission investment allocated cost to them,
20 distribution investment and gas costs make up sizable
21 portions of the bill.

22 So when you bring in lumpy
23 transmission, the effect of that to the re -- the SGS
24 class gets muted.

25 Impacts flowing from the 19/20 Centra

1 cost allocation study occurs routinely, all utilities
2 face this issue, including Manitoba Hydro, and in
3 particular with the addition of Bipole III that is
4 many, many -- many, many multiples larger in cost
5 compared to what we're talking about here today.

6 So the conclusion of this where I'm --
7 where I'm taking you with this is that the -- the
8 differences that exist in our view compared to what
9 you've heard from IGU and will likely hear from Koch
10 entirely relate to philosophical differences of
11 opinion as to the -- the most appropriate, the -- the
12 best cost allocation methodology to underpin Centra's
13 -- Centra's operation and any evidence that
14 characterizes Centra's cost allocation methodology as
15 being flawed or influx is simply unfounded.

16 The magnitude, as we've talked about,
17 of the 19/20 cost allocation result is -- was entirely
18 predictable and expected. I was aware of this, quite
19 frankly, in probably around 2015 and we had started my
20 -- my staff and I when I was at Manitoba Hydro had
21 started running some sensitivity analysis as to what
22 the impacts of transmission investment would be once
23 the general rate application was filed.

24 An as such, it's not a result of a
25 flawed cost allocation methodology. There are a

1 number of other matters that have given rise or have
2 driven the magnitude of the results that were seen in
3 this application. We talked about the large
4 investment and transmission plant already. We also --
5 this is also being driven by the fact that there has
6 not been a general rate application since 2013, so
7 we're now talking six years later.

8 There has been no cost of gas review
9 since 2015, which means that gas cost deferrals in
10 particular have accumulated over the past four years.

11 And the last matter that has impacted
12 the results of the cost allocation study in this
13 application is the roll back of rates pursuant to
14 order 17 -- 79 of 17. Those rates were implemented on
15 August 1st of 2017.

16 There was some discussion about
17 Manitoba Hydro's operation -- operations and using the
18 recent pronouncements of the regulator in terms of
19 cost of service from that side of the business and
20 applying them to the Centra business, and this slide
21 is intended to capture our perspectives of the
22 appropriateness or not of doing that.

23 And we have concluded that the nature
24 of Centra's operations are fundamentally different for
25 purposes of cost to service or cost allocation from

1 Manitoba Hydro's operations.

2 And why is that? Let's understand
3 first that Centra is a purchaser of natural gas, of
4 the commodity that it supplies to customers at the end
5 of the day. And that commodity that the cost of
6 natural gas represents more than 50 percent of the
7 total costs of providing service to customers.

8 The commodity cost of gas has a
9 benchmark in terms of price, it's priced according to
10 the market, the natural gas market, and tends to have
11 relatively little or minimal controversy in terms of
12 its allocation and a cost allocation study.

13 Manitoba Hydro, on the other hand, is a
14 vertically integrated electric operation. It's the
15 producer of the commodity and it produces that
16 commodity through very large generation facilities and
17 investments.

18 And the complexity from a cost
19 allocation perspective is trying to ascertain the
20 drivers of the cost of generating facilities and
21 including HV transmission that is connected to
22 Manitoba Hydro's generate -- generating facilities.

23 It's also complicated by large export
24 sales and how those revenues get allocated to each
25 customer class.

1 Generation and HVDC transmission, with
2 -- including Bipole III represent likely over 60
3 percent of Manitoba Hydro's \$2 billion dollar revenue
4 requirement and export sales of about \$400 million
5 dollars are used to offset those costs.

6 This is subject to significant debate.
7 Manitoba Hydro, over the course of -- I don't remember
8 anymore, but more than ten (10) years, had these
9 issues to -- to contend with and those were dealt with
10 in -- in the final order of the Board, 164/16 in 2016.

11 And the reason is that there is just a
12 much less certainty as -- again, as to each classes
13 cost responsibility for those costs and those
14 revenues.

15 So it's these kinds of things and other
16 operational distinctions that may result in -- in a
17 philosophical underpinning of cost allocation
18 methodologies to differ between a natural gas utility
19 and electric utility.

20 And the conclusion here is that any
21 suggestion that the PUB's recent pronouncements for
22 electric cost of service must be assumed or are
23 assumed to be equally applied to Centra is concerning
24 from my perspective and at a minimum effectively
25 prejudging the results of a future generic cost of

1 service review for Centra.

2 IGU's representation of Order 164/16,
3 which again is the order pursuant to the cost of
4 service review of Manitoba Hydro electric operations
5 in 2016, in our view, their representation in their
6 materials, before you today, Mr. Chair, is incomplete
7 and I advise that caution must be exercised in drawing
8 the conclusions that they have.

9 One (1) of the conclusions that they're
10 using is that the use of a coincident peak method, as
11 represented in the information request, PUB-IGU 22,
12 their conclusion is that in fact it's consistent with
13 the Board's direction in Order 164/16 and in our view
14 it is inconsistent with the Board's direction in that
15 order.

16 First, let's understand that the
17 analysis that was prepared in that undertaking is
18 exaggerated and results in fairly -- in a fairly
19 extreme view of cost causation and in Order 164/16 the
20 PUB defined cost causation to mean that it both
21 includes how a utility or assets are planned, as well
22 as how those assets are being used.

23 And the point is that the -- the point
24 of why I'm making this first point is that there are
25 many different meanings of cost/causation and those

1 meanings are often subject to significant debate.

2 The allocation of Manitoba Hydro's AC
3 transmission investment per Order 164/16 does not use
4 a single peak to allocate AC transmission, rather, it
5 uses top 50 winter peaks. And the affect of doing
6 that is that the more peaks that you add to the
7 calculation of a coincident peak the more it starts to
8 feel like an energy allocator and starts moving at
9 least closer to the results of what the current peak
10 and average methodology would produce.

11 Similarly, Manitoba Hydro's HVDC Bipole
12 transmission system, pursuant to the Board's order, is
13 allocated very much consistent with Centra's current
14 peak and average approach.

15 So in conclusion here, the reason for
16 drawing this to the Board's attention is because IGU
17 is assuming the results of a fairly extreme coincident
18 peak allocator or calculation to support the
19 implementation of a zone or reasonableness and has
20 used that analysis to conclude that an 85 to 115 zone
21 of reasonableness is -- is appropriate.

22 In our view, a zone of reasonableness
23 as a bill mitigation option conflicts with the
24 procedural orders that we've talked about and picking
25 up from a comment of Centra, on Thursday, in my view,

1 it's likely not viable at this time either. And I'll
2 address what I -- what that means.

3 In our view, the implementation of a
4 zone of reasonableness is a fundamental change in
5 Centra's cost allocation and rate design methodology,
6 conflicting with procedural orders.

7 It also has the effect, like I talked
8 about this morning, of shifting costs to other
9 customer classes, which in our view is inconsistent
10 with the spirit and intent of what the Board was
11 directing in its order.

12 It also implicitly results in
13 retroactively the implementation of a zone of
14 reasonableness also implicitly results in
15 retroactively shifting cost responsibility back from
16 the 2010/11 GRA, among customer classes, and most
17 notably, the SGS class due to the rate rollback that
18 occurred in 2017.

19 And I commented that implementing a
20 zone of reasonableness at this time is not a viable
21 solution. In part I make -- I draw that conclusion
22 because, number 1, we have to pull out gas costs from
23 that calculation because gas costs are passed onto
24 customers on a pass through mechanism through a PGVA.

25 So customers are held one for one in

1 terms of those PGVA pass -- cost pass throughs.

2 It's also complicated by the unbundled
3 rate structure of Centra -- of Centra. Mr. Hacault
4 was -- meticulously took you through the rate
5 structure of Centra on Thursday, I think it was, last
6 week.

7 And the point here is that in every
8 rate on Centra's bill, and there is many rates, with
9 the exception of the basic multi charge, embeds in it
10 non gas costs.

11 So Centra has to strip out those non-
12 gas costs because that would be what the zone of
13 reasonableness would be subject to. And then it has
14 to address the fact that every rate on the bill has
15 non gas costs embedded in it. It's not impossible.
16 It will take a fair amount of work to operationalize
17 how one might go ahead and do that in the comple --
18 with the complex rate structure that it has.

19 We also believe that any recommendation
20 to freeze changes in non-gas costs conflict with the
21 procedural orders of the Board. These recommendations
22 are implicit -- implicitly asking the Board to
23 prejudge the conclusion of generic cost allocation
24 review before it even takes place.

25 And, finally, as we talked just briefly

1 a few minutes ago about IGU's recommendation of an 85
2 to 115 zone of reasonableness, in our view, is
3 unreasonable.

4 Manitoba Hydro's zone of reasonableness
5 is 95 to 105. And implicit in what they're saying
6 then is there's a greater amount of certainty with
7 respect to cost allocation with Manitoba Hydro despite
8 the fact that it owns very significant generation and
9 transmission assets and export revenue than Centra Gas
10 with gas costs that represent more than 50 percent of
11 the allocated costs to serve customers. And there's
12 just something illogical, from my perspective, that
13 doesn't make sense.

14

15 (BRIEF PAUSE)

16

17 MS. KELLY DERKSEN: I'll move on to
18 the next slide, please. We've talked about the fact
19 that, in our view, the 1920 results are expected and
20 reasonable. And once total commodity is factored in
21 to all customers' bill impacts, bill mitigation
22 appears to be unnecessary.

23 But if the PUB finds that some interim
24 relief is required, the exclusion of the special
25 contract class from the disposition of the heating

1 value deferral may be reasonable.

2 But I will not go as far as agreeing
3 that any fur -- to any further changes that shift cost
4 responsibility related to the heating value deferral
5 away from large volume customer classes to the SGS
6 customer class at this time.

7 One (1) of my concerns is that there --
8 T-Service volumes which represent a significant amount
9 of the volume that flows through Centra's city gates
10 is flowing through Centra's city gages at some unknown
11 and actual heat content that may be causing the
12 heating value for all customer classes to be something
13 that -- that it otherwise would not be in the absence
14 of those volumes.

15 And so, I have come up with a
16 hypothetical here because it may be a bit confusing.
17 It's not the best, I'll grant it, but here we go. I
18 think you'll get the point that I'm trying to make.

19 If I'm sitting at a red light in my car
20 and someone from behind me hits my car which causes me
21 to hit the car in front of -- in front of me, what
22 accountability does the person that hit me have to the
23 car that -- to the -- to the person that I hit at the
24 end of the day?

25 And that's the point that I'm trying to

1 make with heating value, is all this gas is coming on
2 the system, the origins of which for T-Service
3 customers we don't know. Centra may not be able to
4 calculate. It may be practically unfeasible to do so.

5 But there's at least an argument to be
6 made that that could be -- could -- could be
7 contributing to heating value. And so, the conclusion
8 --

9 VICE-CHAIR KAPITANY: Sorry, Ms.
10 Derksen.

11 MS. KELLY DERKSEN: Sorry.

12 VICE-CHAIR KAPITANY: Could you just
13 go through that example again?

14 MS. KELLY DERKSEN: Sure. Okay.
15 Hopefully, this is -- this is okay. So, my example
16 was, if I'm sitting at a red light in my car and
17 someone hits me from behind which causes me to hit the
18 car in front of me, what accountability does the car
19 who hit me have to the person that I hit since they
20 caused the accident in the -- in the first place?

21 I'm not looking at it from an MPI
22 perspective. You know, they'll deal with it however
23 they deal with it.

24 VICE-CHAIR KAPITANY: Okay, I'm not on
25 MPI.

1 MS. KELLY DERKSEN: Oh, good.

2 VICE-CHAIR KAPITANY: Yeah. I just
3 didn't get the link between that and -- and the
4 heating value deferral.

5 MS. KELLY DERKSEN: So, what happens
6 is natural gas comes onto Centra's system. It's
7 procured in part by Centra through the TCPL mainline.
8 It's procured by T-Service customers on their own
9 behalf, but it all comes to Centra's city gates.

10 And the tolerances on the TCPL mainline
11 that we've heard in this proceeding can vary quite
12 substantially, which means that T-Service volumes can
13 deliver heating value at the low end, 36 gigajoules
14 per ten three.

15 It can also deliver a heating value at
16 the high end of their tolerance, at about 41. And
17 that is contributing to the overall heat content which
18 is causing customers to use more or less gas at the
19 end of the day and which is, therefore, causing the
20 deferral.

21 And so, I think that there's at least
22 some argument to be made that, because we don't know
23 the magnitude of the impact that that could have, that
24 I am reluctant at this point to say that all cost
25 responsibility -- not all, but a very significant

1 portion of cost responsibility be shifted to the SGS
2 class.

3 I think the next slide that we're not
4 going to put on the screen, for those who are looking
5 at it, I won't speak to numbers.

6 The -- the concept here on the left-
7 hand side of the page is to show what the impact from
8 a dollar perspective is, although I haven't given you
9 the dollars respecting the -- what I thought was
10 respecting CSI, but those are the various outcomes of
11 the allocation of heating value deferral based on the
12 three alternatives that have been spoken to are raised
13 in this proceeding.

14 That's on the left-hand side. And I've
15 isolated only the impact of the IGU recommendation to
16 show that, you know, the -- the SGS class will have a
17 material contribution or will be materially allocated
18 heating value deferral under that alternative.

19 Moving along to slide 12 with respect
20 to the power station's minimum margin guarantee. We
21 view that the reestablishment of the minimum margin
22 guarantee is necessary for compliance with Order
23 118/03.

24 We believe that the direction flowing
25 from that Board Order is also clear and unambiguous.

1 And, in fact, at the 2013/'14 General Rate
2 Application, ironically, CAC recommended to this Board
3 as part of that proceeding to take that minimum margin
4 guarantee and apply it against net income so that all
5 customer classes would benefit through lower revenue
6 requirement.

7 And Manitoba Hydro Centra Gas's
8 perspective which I was a part of the time -- our
9 perspective was hold off on flowing the minimum margin
10 guarantee into revenue requirement until the
11 feasibility tests with respect to the power stations,
12 the final true-up could be made and -- and understood.

13 So, there was definitely expectation,
14 from our perspective, internally that that minimum
15 margin guarantee would continue in perpetuity for the
16 -- for the life of the -- of the power stations.

17 Centra's opposition in this application
18 appear to be, number 1, that the power stations, which
19 are Manitoba Hydro, were not provided adequate notice
20 of the proposed bill impact as a result of
21 reestablishing that minimum margin guarantee and that,
22 in order to reestablish the minimum margin guarantee
23 to address a bill mitigation, what they've
24 characterized of my evidence as a bill mitigation
25 effort or measure to reduce transmission-related

1 allocation of cost to other customer classes would
2 cause a bill mitigation issue for power stations for
3 Manitoba Hydro.

4 Moving on to slide 13. We haven't
5 recommended that Centra go back and collect the
6 minimum margin guarantee from the power stations back
7 to 2013, which I understand was the date of the last
8 payment made by the power stations to Manitoba Hydro,
9 but we do recommend that the minimum margin guarantee
10 be reimplemented and included as other income. And
11 I've proposed an allocation treatment as part of my
12 evidence.

13 And, on a sidenote, although not the
14 reason for our recommendation with respect to the
15 minimum margin guarantee re-implementation, in
16 retrospect, it also affords bill mitigation for the
17 special contract class.

18 Centra's change to the power station's
19 allocation methodology as part of its updated
20 application on July the 24th of 2019, in our view,
21 conflicts with Order ni -- 98 of 19.

22 As part of the updated application,
23 Centra changed the methodology for allocating
24 capacity-related costs to the power stations. It
25 appears -- this has not been tested, but it appears

1 that this has been done to address concerns that have
2 been raised about the inadequacy of the allocation of
3 capacity-related cost to the power stations.

4 I couldn't put the numbers on the
5 record, so I'm simply giving you the references to
6 where you can find the numbers for those of you who
7 have access to the information.

8 In Centra's ini -- initial application,
9 the capacity-related transmission costs that were
10 allocated to the power stations can be found on
11 schedule 10.1.1 dated March the 22nd, line 20.

12 Centra's updated application allocates
13 very minimal, but slightly more transmission capacity-
14 related costs. And that can be found on schedule
15 10.1.1 dated July the 24th, again, line 20.

16 I want to note for the Board that this
17 has not resolved the concerns that we've raised. It
18 also was an unplanned methodology change updated -- or
19 in -- incorporated with its updated application with
20 virtually no supporting analysis that is untested and
21 occurred subsequent to the issuance of Order 98 of 19.

22 The concerns raised and on a final
23 note, and this is a really important one, in my view,
24 the concerns that have been raised regarding the power
25 stations and the -- the allocation of transmission-

1 related cost to the power stations are not a function
2 of a flawed cost allocation methodology or a flawed
3 rate design methodology.

4 It entirely relates to how to
5 reasonably incorporate very intermittent and
6 unpredictable usage of the power stations, who's a
7 very customer, into the cost of service and rate
8 design study. And that issue would exist regardless
9 of the underlying methodology used to allocate costs.

10 Subject to any questions, further
11 questions that you may have of me, that conclusions my
12 direct evidence this morning.

13 THE CHAIRPERSON: Thank you, Ms.
14 Derksen. I believe counsel will have some questions.

15 MS. DAYNA STEINFELD: Mr. Chair, if I
16 may just before you turn to Ms. Van Iderstine, could I
17 have a thirty (30) second sidebar off the record with
18 Ms. Derksen and her counsel?

19 MS. HELGA VAN IDERSTINE: Sorry, if I
20 might interrupt, as well. I was going to ask,
21 actually, for about ten (10) minute break before I
22 cross. I think I can reduce my -- my cross-
23 examination to account for my time if I have that
24 break.

25 So, if we just want to take that in

1 accordance with that, then we can deal with all that
2 together.

3 THE CHAIRPERSON: We'll break for ten
4 (10) minutes. Thank you.

5

6 --- Upon recessing at 9:50 a.m.

7 --- Upon resuming at 10:03 a.m.

8

9 THE CHAIRPERSON: Ms. Van
10 Iderstine...?

11

12 CROSS-EXAMINATION BY MS. HELGA VAN IDERSTINE:

13 MS. HELGA VAN IDERSTINE: Thank you.
14 And thank you for the break, I think that was very
15 helpful and hopefully it'll be helpful for all of us.

16 So Ms. Derksen, I'd like to take you
17 back to some of your comments about the deferral of
18 transmission related costs.

19 And one of the documents that I -- I'm
20 going to refer you to is the IGU Centra, the first
21 round, it's 18 and it's -- it's several parts, A to C
22 and if we can look at page 2, which is the answer to
23 the question B.

24 I'm going to try and move it over here
25 then, we'll see how that works. And thank you for

1 interrupting, any time if I'm not clear, please do.
2 I'd rather it be on the record than not. So, thank
3 you.

4 So first of all, can I confirm with you
5 that what we're talking about when you're talking
6 about the deferral of transmission costs, are we
7 talking about the North West Transmission Project?

8 MS. KELLY DERKSEN: It could be, yes.

9 MS. HELGA VAN IDERSTINE: And just to
10 be clear, the North West Transmission Project was a
11 project that was designed to improve services to
12 Selkirk, Gimli, Riverton, and it would be considered a
13 system betterment project. Is that your understanding
14 of that project?

15 MS. KELLY DERKSEN: Yes, I think there
16 was a -- a looping kind of feed that fed around the
17 Lockport area up, maybe not quite as far north as
18 Gimli, but yes.

19 MS. HELGA VAN IDERSTINE: And you'd
20 agree that it would be Centra's usual practice not to
21 receive and customer -- customer contributions to
22 projects that are system betterment projects?

23 MS. KELLY DERKSEN: Yes.

24 MS. HELGA VAN IDERSTINE: And in the
25 response on page 2 of the IR that we were just looking

1 at, Centra shows a table that indicates an estimate of
2 finance expenses, depreciation and capital taxes that
3 would be born in the revenue requirement for the years
4 shown as a result of the transmission plan being in
5 service. Is that correct?

6 MS. KELLY DERKSEN: Yes, I see that.

7 MS. HELGA VAN IDERSTINE: And it --
8 you'd agree that an estimate like that has some
9 limitations as noted in their response and the way
10 they describe it above?

11 MS. KELLY DERKSEN: Yes, this is not
12 quite what I had envisioned in terms of a deferral,
13 but perhaps you'll be taking me there and I can
14 address that when the -- the time is appropriate.

15 MS. HELGA VAN IDERSTINE: Right, thank
16 you.

17 And the limitation is that an operation
18 expense might impact or it might be very difficult to
19 determine and calculate because such a project may
20 have operating costs associated with it, but the
21 benefits of the project is that it may reduce
22 operating costs elsewhere in Centra's operations.

23 Is that fair?

24 MS. KELLY DERKSEN: Yes, that's fair.

25 MS. HELGA VAN IDERSTINE: And so given

1 those kind of caveats, we can see that this table on
2 page 2 of that IR shows an estimated revenue
3 requirement impact of 2.1 million and then declining
4 to \$2 million dollars in the years that are shown?

5 MS. KELLY DERKSEN: Yes.

6 MS. HELGA VAN IDERSTINE: Now, if I
7 could take you to round 2, question PUB Centra 254.
8 And -- and this is the confidential -- not the
9 confidential version, sorry. This is the public
10 version, and that's the one I wanted to take to.

11 And in that IR, the PUB had asked
12 Centra to model the impact of the estimated \$2.1
13 million dollars of added revenue requirement on each
14 customer class. Do you see that?

15 MS. KELLY DERKSEN: I see that.

16 MS. HELGA VAN IDERSTINE: And in the
17 redacted -- or in the table, we see that the
18 allocation of 2.1 million of the cost of service study
19 to each of the Centra customer classes. Do you see
20 that?

21 MS. KELLY DERKSEN: Yes.

22 MS. HELGA VAN IDERSTINE: And if we
23 look across the table to the column "special
24 contracts", we see the classes estimated to be
25 responsible for about \$106,783. Do you see that?

1 MS. KELLY DERKSEN: Yes, I do.

2 MS. HELGA VAN IDERSTINE: Or about 5.1
3 percent of the revenue requirement associated with the
4 combination of the Winnipeg North West phases 1 and 2?

5 MS. KELLY DERKSEN: I see that, yes.

6 MS. HELGA VAN IDERSTINE: So if I
7 could just now get you to turn to the PUB's counsel's
8 book of documents at pages 272 and 273, and that's PUB
9 CAC-2.

10 I note just in case people are looking
11 at it and it looks familiar, it's also at pages 265
12 and 266 of the PUB's book of documents, so it comes up
13 twice, but it's the same -- it's the same document.

14 So can I just get you to confirm, Ms.
15 Derksen, that you're not suggesting that the PUB
16 disallow any of the capital costs of the resulting
17 revenue requirement impacts of the projects we just
18 discussed, are you?

19 MS. KELLY DERKSEN: Absolutely not,
20 no.

21 MS. HELGA VAN IDERSTINE: And so in
22 your recommendations, if we look onto page 273 of that
23 document, your recommendation reads, at the bottom of
24 the page:

25 "For the classes that participate, a

1 portion of their class revenue
2 requirement flowing from the 2019/20
3 cost allocation study could be
4 captured in a deferral including
5 carrying costs disposed of through a
6 rate rider for that class over a
7 five year period."

8 And that's your position today?

9 MS. KELLY DERKSEN: Yes. What that is
10 attempting to day, perhaps it's not worded very well,
11 is to say to the extent that bill mitigation is -- is
12 viewed to be appropriate by the Board, this is an
13 option available to it. And the idea is to capture
14 some transmission-related costs, let's say for the
15 special contract class, it could be -- I wasn't
16 thinking of it as specifically as defined in it
17 related to or having to calculate it to the degree
18 that you just took me through. But some amount of
19 that cost could be captured in a deferral for that
20 class.

21 The amount would be reflective of the
22 19/20 cost allocation study, pull some amount of that,
23 maybe it's 25 percent, maybe it's 10 percent, I -- I'm
24 not sure what the number is, and set it aside for them
25 to repay or to pay for that amount over time.

1 MS. HELGA VAN IDERSTINE: So just to
2 be clear, and I'm sorry I want to go through it, the
3 North West transmission plant is already in service,
4 so that's already being depreciated on Manitoba
5 Hydro's counts, is --

6 MS. KELLY DERKSEN: This is a rate-
7 making issue, so I view it separate and distinct from
8 that.

9 There are options available to the
10 Board for that purpose.

11 MS. HELGA VAN IDERSTINE: But to be
12 clear, you're not suggesting the special contract
13 class be excused from the cost responsibilities?

14 MS. KELLY DERKSEN: I am not.

15 MS. HELGA VAN IDERSTINE: And if we
16 were talking about the North West Transmission
17 Project, and it -- it's an amount in the order of
18 about \$107,000 as we've seen previously.

19 MS. KELLY DERKSEN: Again, I wasn't
20 focussed on the very details of that project, but I --
21 what has given rise to the magnitude of the impacts
22 for some customer classes, including the special
23 contract class, has been an increase in transmission
24 investment, likely largely attributable to the project
25 that we're talking about. It wasn't focussed on the

1 specific details, if the amount of that project were
2 500, capture that amount in an account and defer it
3 over time.

4 It could be \$200, it might be a portion
5 of the total amount that's being allocated to the
6 special contract class on account of transmission
7 capacity related costs.

8 So it wasn't focussed in the details as
9 what you have taken me through.

10 MS. HELGA VAN IDERSTINE: So what --
11 if I understand, that you -- you're not actually
12 identifying a specific amount of money to defer, and -
13 - is that fair?

14 MS. KELLY DERKSEN: That -- that would
15 be fair.

16 MS. HELGA VAN IDERSTINE: And it
17 doesn't need to relate to any specific transmission
18 costs is also what you're saying?

19 MS. KELLY DERKSEN: Yes, we know
20 flowing from the 19/20 cost allocation study the
21 amount of transmission related capacity costs that
22 have been allocated to the class. We also know what
23 was allocated to the class in the previous general
24 rate application.

25 There is some sizable portion

1 difference between the last cost allocation study and
2 this cost allocation study. The last time it might
3 have been \$100, this time it might be \$50. You might
4 want to take that \$50 difference, which is
5 contributing to the magnitude of the -- the bill
6 impact for the class and defer it over a period of
7 time.

8 Maybe it's something smaller than that.
9 Maybe it's specific to the -- the project that we're
10 talking about.

11 So it was more of a generic kind of
12 recommendation, as opposed to isolating very specific
13 revenue requirement costs associated with that
14 transmission investment.

15 MS. HELGA VAN IDERSTINE: Thank you.

16 I'd like to now turn to the topic of
17 the minimum margin guarantee for the power class
18 station.

19 And you -- in your comments you
20 referenced a \$683,000 number, but you realize of
21 course that the recommendation that you're making will
22 result in the collection of approximately \$790,000
23 that's in excess of the allocated costs of that class.
24 Is that correct?

25 MS. KELLY DERKSEN: Yes, the \$683,000

1 that I referenced in my comments this morning were the
2 -- was the approximate amount anticipated to collect
3 as a minimum margin guarantee from the power stations
4 as a result of the -- the 13/14 year. I don't know
5 what the actual amount was at the end of the day.

6 It was at that -- at that time it was
7 based on a forecast and every year when that minimum
8 margin guarantee is in place, it's a function of --
9 you could do it either way. It has historically been
10 a function of actual costs of the power stations
11 rather than forecast.

12 But yes, the answer to your question is
13 that number will change, it could be higher than 683,
14 it might be lower than 683, depending on the
15 allocation.

16 MS. HELGA VAN IDERSTINE: So just to
17 be clear, let's go to Centra Rainkie, Derksen round 1-
18 1, IR 1. And if we have that up and we go down to --
19 just the end of the question there, do you see the
20 question? Please explain how Ms. Derksen proposes to
21 treat the amount of revenue in excess of allocation
22 costs 948 minus 15778 for cost allocation purposes.

23 That's what we're talking about, is
24 that correct?

25 MS. KELLY DERKSEN: In our discussion

1 here, of course, Centra's updated its application, so
2 those numbers will be different yet again, but I've
3 got the thrust of -- of the point.

4 MS. HELGA VAN IDERSTINE: So 790 was
5 the -- is the difference there?

6 MS. KELLY DERKSEN: Yes.

7 MS. HELGA VAN IDERSTINE: So -- and
8 you recommend that the 790,000 be functionalized as a
9 transmission related and classified as 100 percent
10 demand. Is that correct?

11 MS. KELLY DERKSEN: Yes, that's
12 correct.

13 MS. HELGA VAN IDERSTINE: And am I
14 correct in understanding you that you're proposing
15 this is a measure to reduce transmission costs which
16 are contributing to the bill impacts the T-Service
17 customers, including the special contract class?

18 MS. KELLY DERKSEN: This is an -- an
19 issue of compliance in our view. The minimum margin
20 guarantee was put on play -- in place. The
21 expectation was that that, as directed by the PUB in
22 order 113/03, was that that was going to continue
23 beyond the length of the initial ten year contract of
24 the power stations and so -- so it happens to be -- so
25 that was the thrust of -- of my evidence. It happens

1 to be that there's a side-benefit here that it will
2 indeed benefit or offset transmission related costs of
3 all customer classes if my recommendation is accepted.

4 MS. HELGA VAN IDERSTINE: Would you
5 agree that the use of the minimum margin guarantee, as
6 other income as you've proposed is not in any way tied
7 to the original purpose of the feasi -- financial
8 feasibility?

9 MS. KELLY DERKSEN: Yes, it's not and
10 this again though is an issue of compliance flowing
11 from 118/03 and so it should have never been not
12 billed to them unless the corporation sought approval
13 of this Board to have removed it.

14

15 (BRIEF PAUSE)

16

17 MS. HELGA VAN IDERSTINE: Ms. Derksen,
18 would you agree that what you're proposing amounts to
19 charge in the power station costs well in excess of
20 its allocated costs for the benefit of other customer
21 classes?

22 MS. KELLY DERKSEN: This is a
23 compliance matter, it's -- it's an issue of the fact
24 that the company removed a minimum margin guarantee
25 that the -- that this Board, in a prior membership,

1 antici -- expected and directed the corporation to
2 continue beyond the initial term of the contract.

3 Its intent and purpose at the time that
4 it was created was to deal -- to provide revenue
5 stability in terms of determining what appropriate
6 contribution that the customer -- the customers in the
7 class would make for financial feasibility purposes
8 and un -- unrelated to rate making at the time.

9 So, it should have never come off.

10 MS. HELGA VAN IDERSTINE: Ms. Derksen,
11 I'm going to interrupt because I think what you're
12 giving me is your legal analysis of that -- of that --
13 that document.

14 MS. KELLY DERKSEN: No, no --

15 MS. HELGA VAN IDERSTINE: And --

16 MS. KELLY DERKSEN: -- I'm -- I'm not.

17 MS. HELGA VAN IDERSTINE: Let me
18 finish. And what I would ask -- the question I asked
19 of you was whether or not what you're now proposing --
20 forget about what the order -- you -- your
21 interpretation of the order may be, is to charge the
22 power class station well in excess of its allocated
23 costs, and which would then benefit the other customer
24 classes.

25 Is that what you are proposing?

1 MS. KELLY DERKSEN: First, let's make
2 it known that that's my interpretation of our
3 understanding at Centra --

4 MS. HELGA VAN IDERSTINE: Ms. -- Ms.
5 Derksen --

6 MS. KELLY DERKSEN: -- at the time
7 that I was there.

8 MS. HELGA VAN IDERSTINE: Ms. --

9 MS. KELLY DERKSEN: So --

10 MS. HELGA VAN IDERSTINE: Ms. Derksen
11 --

12 MS. KELLY DERKSEN: -- with that basis
13 --

14 MS. HELGA VAN IDERSTINE: I -- I don't
15 want you to be --

16 MS. KELLY DERKSEN: On that basis --

17 MS. HELGA VAN IDERSTINE: --
18 interpreting things that you did while you were at
19 Centra, so -- or giving legal interpretation, so
20 answer my question, please.

21 MS. KELLY DERKSEN: That was the
22 advice provided by the lawyers at the Corporation at
23 the time I was employed there.

24 MS. HELGA VAN IDERSTINE: Ms. Derksen
25 --

1 MS. KELLY DERKSEN: The answer to the
2 question is that it is unrelated to cost allocation
3 and rate design and is intended to be put in place for
4 a period of time until the Corporation is able to deal
5 with the cost allocation and rate design issues that -
6 - that we've raised in our evidence.

7 MS. HELGA VAN IDERSTINE: Okay. And I
8 don't want to belabour this too far, but you still
9 haven't answered my question, that what you are
10 proposing is to charge the power class station well in
11 excess of its allocated costs which would then benefit
12 the other customer classes.

13 Is that not correct?

14 MS. KELLY DERKSEN: That may be
15 correct in this application, but I don't have a
16 comfort that the amount that's being allocated to the
17 power station's class today is indeed the right
18 amount.

19 MS. HELGA VAN IDERSTINE: So, what --

20 MS. KELLY DERKSEN: It could be -- it
21 could be un -- still under allocating cost to the
22 power stations once that analysis is undertaken.

23 MS. HELGA VAN IDERSTINE: And what --
24 I'll come back to that analysis in a moment. But what
25 you are suggesting is that, in your proposal, the

1 power station class would subsidize the other classes

2 --

3 MS. KELLY DERKSEN: No, I'm --

4 MS. HELGA VAN IDERSTINE: -- and that

5 contribution -- the current contribution that the

6 power station class is currently putting in was

7 determined by the feasibility test that was done as

8 required by the PUB in 2003. That's the amounts that

9 they're currently placing?

10

11 (BRIEF PAUSE)

12

13 MS. KELLY DERKSEN: I apologize, could

14 you ask that to me again --

15 MS. HELGA VAN IDERSTINE: So --

16 MS. KELLY DERKSEN: -- please?

17 MS. HELGA VAN IDERSTINE: -- there was

18 a feasibility test required by the PUB in 2003 that

19 determined the amounts of the power class -- power

20 station class's contribution.

21 Is that correct?

22 MS. KELLY DERKSEN: Yes.

23 MS. HELGA VAN IDERSTINE: And that's

24 the amount that we're currently talking about that you

25 would use to subsidize the other power -- other

1 classes.

2 Is that correct?

3 MS. KELLY DERKSEN: No, that's not
4 correct.

5 MS. HELGA VAN IDERSTINE: Can I turn
6 though to -- your proposal, if adopted by the Board,
7 would result, would you agree, in a fundamental change
8 to the customer class and a 500 percent increase in
9 the power station class about which they've had no
10 notice?

11

12 (BRIEF PAUSE)

13

14 MS. KELLY DERKSEN: That minimum
15 margin guarantee was not to have been taken off. So,
16 whether that constitutes a significant rate in --
17 increase at this time, that's something for -- for the
18 Corporation to have addressed.

19 And the fact that it was removed for
20 reasons beyond that that I understand, that -- that's
21 up to the Corporation. It should not have -- it
22 should not have been removed.

23 MS. HELGA VAN IDERSTINE: Ms. Derksen,
24 in your slide 14 you talk about the methodology not
25 being a flawed cost allocation methodology.

1 Do you recall that?

2 MS. KELLY DERKSEN: Yes, ma'am.

3 MS. HELGA VAN IDERSTINE: And so,
4 would you agree that the -- the heart of what you're
5 talking about now is a cost allocation issue?

6 MS. KELLY DERKSEN: That has been
7 raised by the Corporation by virtue of its updated
8 application. And I'm simply commenting on that.

9 MS. HELGA VAN IDERSTINE: Yes. So,
10 you're talking about cost allocation issue now.
11 That's what we're talking about?

12 MS. KELLY DERKSEN: We are.

13 MS. HELGA VAN IDERSTINE: And on all
14 of the other issues you've talked about today, about
15 cost allocation issues, we've ta -- you've made the
16 recommendation that this be deferred to the cost
17 allocation study on a future date.

18 Isn't that correct?

19 MS. KELLY DERKSEN: And including this
20 change that the Company has made as part of its
21 updated application, yes.

22

23 (BRIEF PAUSE)

24

25 MS. HELGA VAN IDERSTINE: Thank you,

1 Ms. Derksen. Those are my questions.

2 THE CHAIRPERSON: Thank you, Counsel.

3 Mr. Hacault...?

4

5 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

6 MR. ANTOINE HACAULT: Yes. Good
7 morning, all. I notice we have in our room some
8 additional attendees, Mr. Lewis Manning, on behalf of
9 IGU, and -- and some representatives of Koch. Good
10 morning to them, too.

11 Good morning, Ms. Derksen.

12 MS. KELLY DERKSEN: Good morning.

13 MR. ANTOINE HACAULT: I will start my
14 discussion in the reverse order of your slides, taking
15 off from the questioning that was put to you by Centra
16 Gas on the power station issue.

17 In your slide 12, you set out the
18 history of this particular guarantee, correct?

19 MS. KELLY DERKSEN: Some of it, yes.

20 MR. ANTOINE HACAULT: Okay. And until
21 the updated information, is it correct that your
22 understanding is that Centra forecast load for power
23 stations based on a three (3) year average of recent
24 historical load?

25 MS. KELLY DERKSEN: That was my

1 understanding, yes.

2 MR. ANTOINE HACAULT: Yeah. In your
3 evidence, the reference is page 120, you state that
4 this approach is not effective or appropriate or words
5 to that effect, correct?

6 We can bring that --

7 MS. KELLY DERKSEN: I think what my --
8 I think what my evidence is -- is intending to say is
9 that that needs to be reevaluated.

10 MR. ANTOINE HACAULT: Okay. So, that
11 was at lines 3 to 6 of that evidence, just to be fair
12 to you.

13 MS. KELLY DERKSEN: Yes, I see that.
14 Thank you.

15 MR. ANTOINE HACAULT: So, I tried to
16 use the words that you had, that it was not effective,
17 nor appropriate. That was your evidence?

18 MS. KELLY DERKSEN: I -- I think
19 that's fair, yeah.

20 MR. ANTOINE HACAULT: Okay. Now, in
21 the July 2019 update, Centra filed a different
22 approach to the allocation. And at page 20, lines 33
23 and 34, Centra looked at, and I'm quoting:

24 "System coincident peak day
25 contribution over the ten (10)

1 previous years in which the power
2 station class consumed natural gas
3 on the system peak day."

4 You're aware that they've made that
5 change?

6 MS. KELLY DERKSEN: Yes. And -- and
7 thanks for bringing that -- that point up, Mr.
8 Hacault, because that -- by very virtue of the fact
9 that Centra went back and reevaluated how to allocate
10 capacity-related costs to the power station class is
11 exactly the point that I was trying to make, that
12 there is an issue here.

13 And they're giving credence exactly to
14 the comments and -- and the evidence that I've put on
15 the record. So, the trouble is, is that we have had
16 no opportunity to evaluate that, but, yes, you're
17 right.

18 MR. ANTOINE HACAULT: And based on
19 what I understood your evidence this morning, Centra
20 has been aware that this is a live issue for quite
21 some time. Do you have an idea of how long Centra has
22 been aware that this has been an issue?

23 MS. KELLY DERKSEN: My recollection,
24 Mr. Hacault, is that my staff and I at the time --

25 MS. HELGA VAN IDERSTINE: Excuse me.

1 May I just interrupt a moment. I -- I get a little
2 concerned when Ms. Derksen speaks about communication
3 she had while she was employed at Centra in her
4 capacity as manager of gas.

5 It seems to me that that is -- should
6 be and is covered by her obligations to Centra in her
7 legal capacity. Now, certain information, of course,
8 is on the public record, and that's fair game. But
9 information that's not on the public record I think is
10 somewhat more controversial, should be very -- shou --
11 and care should be taken.

12 MR. BRIAN MERONEK: A couple of
13 comments in response. It's my understanding, whatever
14 obligation Ms. Derksen had with respect to
15 confidentiality vis-a-vis her employment with Hydro is
16 over.

17 But more importantly, what she's
18 speaking about now is on the public record at the last
19 GRA.

20 THE CHAIRPERSON: Satisfied?

21 MS. HELGA VAN IDERSTINE: Yes. If
22 it's on the public record, that's obviously of no
23 concern.

24 THE CHAIRPERSON: Thank you.

25 MS. KELLY DERKSEN: Hopefully, if I

1 can remember -- recall your -- your question now, Mr.
2 Hacaault, what we advised the regulator at the last
3 GRA, if I could frame it then more appropriately, is
4 that we were starting to look at this issue we -- in
5 terms of -- of the power stations.

6 We knew that that minimum margin
7 guarantee was connected to the ten (10) year contract
8 of the power stations to pro -- protect the margin as
9 a part of the feasibility test but that we didn't want
10 to in perpetuity continue to bill that minimum margin
11 since the feasibility was go -- the ten (10) year
12 true-up, the final true-up, was going to be calculated
13 shortly after the conclusion of the '13/'14 GRA and
14 that we anticipated to bring forward at the next GRA,
15 which is now this GRA, a rate design -- cost
16 allocation rate design proposal that embedded in it
17 some margin protection, if you will.

18

19 CONTINUED BY MR. ANTOINE HACAULT:

20 MR. ANTOINE HACAULT: Okay. Thank
21 you. And for reasons unknown to you, Centra, whose
22 parent is Manitoba Hydro, has decided not to put this
23 in the application, but you raised it as part of your
24 evidence, correct?

25 MS. KELLY DERKSEN: Yes, sir, I did.

1 MR. ANTOINE HACAULT: Okay. And I
2 won't be very long on this, but I think we need to put
3 a little bit of context. These gas power stations
4 don't run very often in most years.

5 Is that correct?

6 MS. KELLY DERKSEN: That's correct.

7 MR. ANTOINE HACAULT: But in the event
8 of a drought or loss of electrical -- electrical
9 transmission lines, they might be required to run more
10 often than they do in a typical year.

11 Isn't that correct?

12 MS. KELLY DERKSEN: Yes, and -- and
13 more extreme circumstances. They would -- they're a
14 very large customer on -- on Centra's system, so that
15 is part of the -- the concern about the -- the current
16 cost allocation and rate design structure is how do
17 you account for that, how do you deal with that on an
18 annual basis with the fact that in any given year the
19 power stations are going to be virtually unop -- unop
20 -- unoper -- is that a word -- is -- are not going to
21 operate.

22 But when they do operate, they're going
23 to operate significantly, so how do you deal with that
24 from a -- from a rate-making perspective is -- is the
25 issue.

1 MR. ANTOINE HACAULT: And the problem
2 caused by the power stations is they are firm clients.
3 They not -- they're not interruptible. If they want
4 that power, you have to keep that capacity in the pipe
5 available for them at all times to serve those
6 clients.

7 Isn't that correct?

8 MS. KELLY DERKSEN: That's correct.
9 The capacity has been put in place to serve that
10 customer and they are obligated to pay in addition to
11 the incremental costs which are subject to the
12 feasibility test that we have -- have not seen, the --
13 the true-up.

14 In addition to that, they're obligated
15 to pay for ongoing costs to operate Centra, including
16 the cost of that -- that pipe, which would be embedded
17 in all tran -- transmission costs at this point, but,
18 yes.

19 So how do you -- how do you allocate
20 costs on that basis?

21 MR. ANTOINE HACAULT: Okay. And do I
22 take it that your point is, then, because it's a
23 compliance matter with the old Order, it's in scope
24 even though it affects intra-class allocation?

25 Is that it?

1 MS. KELLY DERKSEN: I wouldn't have
2 myself considered this issue in -- in this scope of
3 this proceeding, but Centra has considered it a bill
4 mitigation issue, and on that basis, then, I wanted to
5 address it.

6 MR. ANTOINE HACAULT: Okay. And one
7 (1) or two (2) more questions on this, and then I'll
8 move to another subject. Would you be aware whether
9 or not Manitoba Hydro, for capacity planning purposes,
10 looks at the worst five (5) year drought on record and
11 wants to have these power stations available for that
12 kind of time period, if necessary?

13 MS. KELLY DERKSEN: Did you say five
14 (5) years? I thought it was way beyond five (5)
15 years.

16 MR. ANTOINE HACAULT: No, a five (5)
17 year time period, the five (5) worst years on drought.
18 Is there planning criteria for capacity at Manitoba
19 Hydro?

20

21 (BRIEF PAUSE)

22

23 MR. ANTOINE HACAULT: If you aren't
24 aware, that's okay.

25 MS. KELLY DERKSEN: You know, I, like,

1 I'll take it subject to check.

2 MR. ANTOINE HACAULT: Okay. But
3 you'll confirm in the last three (3) years we weren't
4 in drought years?

5 MS. KELLY DERKSEN: Correct.

6 MR. ANTOINE HACAULT: Thank you. I'll
7 move on to a discrete issue. In your testimony -- it
8 wasn't on the slides, but I understood you to say that
9 Centra was aware that cost of service was an issue
10 that would have to be addressed going back to 2015.

11 Did I get that more or less summarized
12 correctly?

13 MS. KELLY DERKSEN: I don't recall
14 saying that, so I'm -- I'm not sure that I could
15 answer.

16 MR. ANTOINE HACAULT: Okay. My -- my
17 note had indicated, and the transcript will confirm
18 whether or not you're right or wrong, that you're
19 seeing that there was a lot of transmission investment
20 as early as 2015, and you are seeing that -- that was
21 going to affect cost of service results; something to
22 that effect.

23 Does that ring a bell?

24 MS. KELLY DERKSEN: I was aware of
25 that, yes.

1 MR. ANTOINE HACAULT: Okay. Now we've
2 had some discussion about that. But this Board's put
3 in a difficult situation, because although Centra may
4 have been aware that these large transmission
5 investments might cause some movement in the cost of
6 service, it hasn't had an application until three (3)
7 or four (4) years later than Centra was aware of that
8 problem, correct?

9 MS. KELLY DERKSEN: Yes, Mr. Hacault.
10 And if I take you back to the Manitoba Hydro General
11 Rate Application that recently concluded, which was
12 absent of a cost -- of a cost of service study, and I
13 recommended to the Board that a cost a service study
14 must be incorporated or prepared more frequently, and
15 particularly when large investment comes online.

16 So I -- I agree there wasn't one to --
17 to have the -- the full implications of what that
18 meant to Centra customers.

19 MR. ANTOINE HACAULT: And you've made
20 quite a few comments in your slides with respect to
21 the last cost of service study done, resulting in the
22 Order back in 2013.

23 But you'll acknowledge to me that your
24 views may not be the view of this Board or other
25 advisors on a full review of a cost of service study,

1 which might be conducted next year, for example?

2 MS. KELLY DERKSEN: For sure, I accept
3 that.

4

5 (BRIEF PAUSE)

6

7 MR. ANTOINE HACAULT: Now, I don't
8 think this is CSI the way I'll word it, but I'll put
9 it on the record, and if people think it is, could you
10 confirm that the special contract class is located in
11 the western part of the Province, and not north of
12 Winnipeg?

13 MS. KELLY DERKSEN: I can confirm
14 that.

15

16 (BRIEF PAUSE)

17

18 MR. ANTOINE HACAULT: I'll move to the
19 heating value deferral account subject.

20

21 (BRIEF PAUSE)

22

23 MR. ANTOINE HACAULT: Now, in your
24 slide presentation, at slide number 10, the fourth
25 full bullet, you advocate that the IG -- IGU solution

1 may be aggressive, correct?

2 MS. KELLY DERKSEN: Yes. As I -- as I
3 sit here today, I'm just -- I don't have confidence
4 that the IGU result -- or the IGU recommendation will
5 not result in overallocation of cost to the SGS class.

6 I would be prepared to go down that
7 path if I had some assurance that T-Service customers
8 in -- in particular make no contribution to heat
9 value, because at the end of the day, IGU's
10 recommendation would virtually allocate no costs to --
11 to the larger -- or at least very little cost to the
12 larger volume customer classes, and primarily shift
13 responsibility of costs toward the SGS class.

14 And that's the -- the basis of my
15 concern is that they don't have confidence that it
16 won't result in an over -- in an overallocation to the
17 SGS class.

18 MR. ANTOINE HACAULT: And the reason
19 you are taking that position, as I understand,
20 described in the very last bullet on this page that
21 Centra has stated this to be so, but hasn't given the
22 evidence to support it, is -- is that part of your
23 reasoning?

24 MS. KELLY DERKSEN: I think so. I
25 also -- I'm not entirely certain that the analysis --

1 I'm not entirely certain of what analysis could be
2 done to make that determination. I just don't know.

3 MR. ANTOINE HACAULT: Okay. And can
4 you confirm that if Centra doesn't have the data, you
5 don't have the data either?

6 MS. KELLY DERKSEN: I don't.

7 MR. ANTOINE HACAULT: Now I had a -- a
8 discussion with Centra panel on the revenue risk, and
9 you referred the panel to that, saying, Mr. Hacault
10 went through all the details of how we unbundled
11 rates. And I had shown the example where the special
12 contract class only paid point triple-zero-one (.0001)
13 on the volumetric issues.

14 Do you recall that?

15 MS. KELLY DERKSEN: Yes, I do.

16 MR. ANTOINE HACAULT: Okay. And
17 without getting into the math, would you agree that
18 the revenue risk to Centra from variations in heating
19 value is different for diff -- different customer
20 classes due to their differences in rate design?

21

22 (BRIEF PAUSE)

23

24 MS. KELLY DERKSEN: I think that's
25 part of it, yes. The other part of it is this unknown

1 that we talk about, and that is what gives rise to the
2 value of heat content in the first place.

3 MR. ANTOINE HACAULT: And that's issue
4 that you have no data on, is this unknown, correct?

5 MS. KELLY DERKSEN: It's -- it's
6 unknown, and what we do know is that TCPL allows a
7 fairly large tolerance in terms of what gas -- in
8 terms of the delivery of gas on its system and the
9 energy content in it that is quite a wide range.

10 MR. ANTOINE HACAULT: Now, if we go to
11 the Board Book of Documents at page 269, there's
12 Centra's rebuttal at page 8, there's a table there
13 where we had looked at the difference in the two (2)
14 methodologies with respect to the heating value.

15 Do you see that table?

16 MS. KELLY DERKSEN: Yes, sir.

17 MR. ANTOINE HACAULT: And if we go
18 back to Board Book of Documents at page 257, at the
19 bottom of the page, there's Recommendation 30.

20 Do you see that?

21 MS. KELLY DERKSEN: Yes, sir.

22 MR. ANTOINE HACAULT: And that
23 recommendation was with respect to the heating value
24 deferral, which is what we're talking about, correct?
25 CA, which --

1 MS. KELLY DERKSEN: Yeah.

2 MR. ANTOINE HACAULT: -- is Christian

3 --

4 MS. KELLY DERKSEN: That was a "yes".

5 MR. ANTOINE HACAULT: Yes. CA, which
6 is Christian (sic) and Associates recommends that
7 Centra should only include customers with monthly
8 bills that are determined according to energy sales
9 volumes in the disposition of different differentials
10 attributed to heating value.

11 Does that correctly paraphrase their
12 recommendation?

13 MS. KELLY DERKSEN: Yes. At the time
14 that was the discussion that we had with Christensen.

15 MR. ANTOINE HACAULT: And you
16 participated in preparing the answer which follows,
17 correct?

18 MS. KELLY DERKSEN: Yes, sir.

19 MR. ANTOINE HACAULT: And that answer
20 on behalf of Centra was that Centra accepts CA's
21 recommendation with respect to the allocation of the
22 disposition of the heating value deferral, correct?

23

24 (BRIEF PAUSE)

25

1 MS. KELLY DERKSEN: Yes.

2 MR. ANTOINE HACAULT: And there's
3 further explanation, which is on the record, I don't
4 need to read again.

5 Now, the problem again that the Board
6 finds itself in is that there was a consultant
7 recommendation made back in 2012 by Christian (sic)
8 and Associates, correct?

9 MS. KELLY DERKSEN: Yes.

10 MR. ANTOINE HACAULT: And it's left
11 ratepayers unable to deal with that issue until this
12 hearing because Centra chose not to, in interim rate
13 applications or otherwise, put this issue in front of
14 the Board so that we could hash it out, correct?

15 MS. KELLY DERKSEN: Yes, sir.

16 MR. ANTOINE HACAULT: And we reviewed
17 some of that history the other day. Since the 2013/14
18 order, Centra has either refunded or collected from
19 customers for three (3) consecutive years, correct?

20 MS. KELLY DERKSEN: Sorry, can you ask
21 me that again, please?

22 MR. ANTOINE HACAULT: For the first
23 three (3) years thereafter, that's after the 2013
24 decision, where we have this report, but the difficult
25 position that's putting -- that this Board has been

1 put to is as a result of an interim decision, or
2 interim decisions, Centra has actually either refunded
3 on this particular heating value account or asked for
4 cheques without giving parties an opportunity to
5 challenge that happening, correct?

6 MS. KELLY DERKSEN: I guess I have a
7 couple of comments. So the first would be, that would
8 have occurred between, let's say, 2013 and 2015, and
9 no issuance of refunds or cheques have occurred since
10 2015 because this is the first application to have
11 dealt with it. So that's -- that's issue number 1 or
12 point number 1.

13 And number 2 is, you know, Mr. Hacault,
14 picking up on your comments about the importance of
15 having hearings more than every six (6) years or every
16 -- for general rate applications or every four (4)
17 years for cost of gas applications, is a part of this
18 issue. This issue was never -- never looked at this
19 when -- when I was at Centra as a material issue.

20 It was a housekeeping matter that
21 needed to be addressed, because the dollars sitting in
22 that account in any given year were fairly
23 inconsequential, and now that -- that the amount of
24 time lag has allowed the -- the accumulation into the
25 account to be -- to come to the point where it's

1 become very controversial. So that was the second
2 point that I wanted to make.

3 MR. ANTOINE HACAULT: Okay, thank you.
4 I'm going to move subjects now to deal with some of
5 your evidence, including on the slides, with respect
6 to bill mitigation and what you say with respect to
7 the current cost of service methodology, just to give
8 you an idea of where I'm going to.

9 I refer you to page 110 of your
10 evidence.

11

12 (BRIEF PAUSE)

13

14 MR. ANTOINE HACAULT: And you describe
15 later -- and the page, it's -- yes. Yeah, that's
16 great -- a method called the coincident peak
17 allocator. And at line 16 you state in your evidence:

18 "This is a standard approach used by
19 utilities in the allocation of
20 transmission capacity-related
21 investment, which is viewed as the
22 most cost causal because it's viewed
23 to conform to the planning and
24 design of transmission investment."

25 That is your evidence, correct?

1 MS. KELLY DERKSEN: Yes.

2 MR. ANTOINE HACAULT: Okay. And at
3 page 95 of your evidence, you describe at the very
4 top, starting at line 2, two-thirds of the way:

5 "The cost allocation study analyses
6 which customer or group of customers
7 caused the Utility to incur the
8 costs to provide service."

9 That's your evidence, Ms. Derksen?

10 MS. KELLY DERKSEN: Yes, sir.

11 MR. ANTOINE HACAULT: And I don't
12 think we need to go to your evidence to this, but when
13 you talk about groups of customers, do I take it that
14 you're looking at the classes that we have in Centra,
15 of customers?

16 MS. KELLY DERKSEN: That -- that's
17 fair. At times there could be very few customers in a
18 class, but generally, yes.

19 MR. ANTOINE HACAULT: So in this
20 proceeding we have the SGS class, which is largely the
21 residential group, correct?

22 MS. KELLY DERKSEN: Residential small
23 commercial, yes.

24 MR. ANTOINE HACAULT: And then the
25 large general service class, GS class?

1 MS. KELLY DERKSEN: Yes, sir.

2 MR. ANTOINE HACAULT: Then there is
3 the high volume customers, which could be either sales
4 or T-service, correct?

5 MS. KELLY DERKSEN: Yes.

6 MR. ANTOINE HACAULT: And there's the
7 mainline class, correct?

8 MS. KELLY DERKSEN: Yes, sir.

9 MR. ANTOINE HACAULT: There is the
10 special contract class, correct?

11 MS. KELLY DERKSEN: Yes.

12 MR. ANTOINE HACAULT: There's the
13 power station class and finally the interruptible
14 class, correct?

15 MS. KELLY DERKSEN: Yes.

16 MR. ANTOINE HACAULT: And if we go
17 back to when the last cost of service study analysis
18 was done back in Order 107 of '96, one (1) of the
19 major issues being dealt with in those reasons, and in
20 that case was an issue call -- caused by interruptible
21 service customers, correct?

22 MS. KELLY DERKSEN: Can you reframe --
23 restate that or ask me that again, please?

24 MR. ANTOINE HACAULT: One (1) of the
25 important issues which was dealt with by this Public

1 Utilities Board in Order 107/96, so the factual
2 matrix, was the number of interruptible customers and
3 how to deal with it, correct?

4 MS. KELLY DERKSEN: I'd say that was
5 one (1) -- of many issues that were -- was dealt with,
6 is my understanding of that review.

7 MR. ANTOINE HACAULT: One (1) of the
8 issues was that some of these interruptible customers
9 were going to cease to be interruptible customers as
10 soon as their interruptible contracts ended and they
11 would then go to firm service, correct?

12 MS. KELLY DERKSEN: You know, I'm not
13 -- I don't know that.

14 MR. ANTOINE HACAULT: Okay. Well, the
15 decision reads the way it is. I don't -- I can deal
16 with that in argument, but -- so in your evidence, if
17 I flip back to page 98, lines 19 and 20, it was your
18 view in reading that order that the cost of service
19 peak and average methodology was approved to
20 incorporate the concept of fairness at the cost
21 allocation step.

22 That's your interpretation of that
23 decision?

24 MS. KELLY DERKSEN: Yes, and -- and
25 understanding what fairness in -- in this context

1 meant was how does the use of this system, so how does
2 ener -- energy use in every day of the year other than
3 the peak day get reflected in the cost allocation
4 methodology, and there are a couple of ways to do it.
5 One (1) is through the methodology itself, which is
6 what the Board approved in 107/96.

7 The other way is to capture that
8 through the use of a different allocator and a zone of
9 reasonableness, for example.

10 MR. ANTOINE HACAULT: I don't know if
11 staff was able to find the decision 107/96. If -- if
12 you have it, could you put it up on the screen,
13 please?

14

15 (BRIEF PAUSE)

16

17 MR. ANTOINE HACAULT: And could you
18 bring this panel to page 26 of that decision, please?
19 The last paragraph. We're into the Board findings.

20 So that, for context, back in 2003, or
21 sorry, 1996, the Board did the full review and it
22 changed the cost allocation method, correct?

23 MS. KELLY DERKSEN: Yes.

24 MR. ANTOINE HACAULT: And in doing so,
25 it was looking at the particular circumstances of that

1 utility at that point in time, correct?

2 MS. KELLY DERKSEN: Yes, recog -- and
3 recognizing though that natural gas utilities don't
4 tend to change a whole lot from year to year. They do
5 the same things, they put distribution plant in, read
6 metres, put transmission plant in.

7 But yes, I'll accept that.

8 MR. ANTOINE HACAULT: Okay. And the
9 Board states, for example, about four or five lines,
10 in those circumstances must reflect the manner in
11 which the system is designed, as well as the manner in
12 which it's operated. That's just basically your
13 evidence, correct?

14 MS. KELLY DERKSEN: Yes, and very much
15 consistent with the Board's findings in the recent
16 order of 164/16 flowing from Manitoba Hydro's cost of
17 service review.

18 MR. ANTOINE HACAULT: And if we go to
19 the top of page 27, and we'll see reference to
20 interruptible customers fairly often in this decision,
21 the Board gives an example of a system designed to
22 interrupt particular customers on a peak day so that
23 firm customers can continue to receive service should
24 the peak not be met however those interruptible
25 customers can -- or customer -- there's a typo there -

1 - continue to receive service.

2 So the Board was alive to that
3 circumstance in that decision, correct?

4 MS. KELLY DERKSEN: Yes, I -- I think
5 the Board was alive to the issue and if we can just
6 put some numbers around it, Mr. Hacault, if PUB IGU-
7 122 could be brought up, it was part of Mr. McLaren's
8 direct evidence as well.

9 It's -- it's a table that I'm referring
10 to.

11 MR. ANTOINE HACAULT: I think she's
12 looking for the attachment. Yes, there is it.

13 MS. KELLY DERKSEN: So I just wanted
14 to share with the Board the issue that we're talking
15 about right now.

16 Mr. Hacault is saying the Board at the
17 time in 1996 was very much alive to the fact that it -
18 - interruptible customers in the absence of the peak
19 and average methodology that was adopted at the time,
20 would as I -- as I referred to in -- in my evidence
21 would be a -- essentially free riders, and these
22 numbers directionally show that very well, if you look
23 on line 5 the RCC ratio under the coincident demand
24 method, under the interruptible column at the very
25 right-hand side of the page, line 5, shows, you know,

1 almost a 300 percent revenue to cost ratio, which in
2 that kind of methodology would mean that the
3 interruptibles customer class would require that
4 magnitude of a rate reduction and the reason is is
5 because that methodology assumes that interruptible
6 customers are not on the peak at the time of Centra's
7 coincident peaks.

8 So -- and that typically happens in a
9 very cold winter day. Interruptibles are assumed to
10 be curtailed on that day and despite the fact that
11 they use the system 364 days every -- in every other
12 day of the year, so that was very much a concern.
13 It's -- it's still a concern, there are other ways to
14 address it without question.

15 But that -- that's the issue at hand.

16 MR. ANTOINE HACAULT: Yes. And the
17 point I was bringing up is that I was suggesting to
18 you that the mix of interruptible customers has
19 changed since the 2003 decision, isn't that correct?

20 MS. KELLY DERKSEN: The mix has
21 changed. A lot of the customers though -- the -- the
22 institutional customers, university, hospitals, those
23 kind of customers still are interruptible and form
24 part of that class.

25 MR. ANTOINE HACAULT: Now, I'd like to

1 flip back to the decision. Thank you for providing
2 this additional explanation which you did to that
3 table, it helps put things in context, but at page 14.

4 MS. DAYNA STEINFELD: And Mr. Hacault,
5 I certainly don't mean to interrupt your questioning,
6 but I'm wondering if you can frame your approach to
7 these issues in terms of the matters that are in scope
8 before the Board in this hearing.

9

10 CONTINUED BY MR. ANTOINE HACAULT:

11 MR. ANTOINE HACAULT: Thank you for
12 your comment. They are dealing directly with the
13 evidence in the slides and the position of IGU that
14 the current costs of service study is unreliable, and
15 that accordingly, the Board has a lot of bill
16 mitigation options from applying an equal increase
17 across the Board until we have a cost of service to
18 other options, which were discussed by Intergroup's
19 consultant, Mr. McLaren.

20 So it's dealing directly with -- with
21 her slides and her comments on that issue.

22 I don't -- so, on page 14 the -- under
23 the heading 8.1 do you remember reading the decision
24 and what the preference to RJRA would be? Were they
25 the consultants that were doing the cost of service

1 study?

2 MS. KELLY DERKSEN: Yes, it was a firm
3 call to R.J. Rudden, which was a -- eventually merged
4 into Navigant Consulting.

5 MR. ANTOINE HACAULT: Okay. And if we
6 go into the second full sentence, four lines down,
7 those consultants suggested that cost-based rates are
8 enhanced by unbundling between upstream services,
9 supply, transportation, and storage, and downstream
10 transportation and delivery.

11 Am I correct so far?

12 MS. KELLY DERKSEN: Yes.

13 MR. ANTOINE HACAULT: And further, by
14 ensuring that customers pay only for that portion of
15 the system that they use. That was another
16 recommendation, correct?

17 MS. KELLY DERKSEN: Yes.

18 MR. ANTOINE HACAULT: And finally,
19 another recommendation that those consultants made was
20 that it also needed to recognize geographic cost
21 differences were necessary. Correct?

22 MS. KELLY DERKSEN: They make the
23 statement, I'm not entirely sure there was -- I don't
24 recall specifically what that was referring to. I'd
25 have to do some investigation.

1 But it was specific to a matter at hand
2 at the time.

3 MR. ANTOINE HACAULT: Now, I'd suggest
4 to you that those may be issues that are going to come
5 up in the cost of service hearing that's coming up.
6 Do you agree or disagree?

7 MS. KELLY DERKSEN: I fully expect
8 that, yes.

9 MR. ANTOINE HACAULT: I think you --
10 we can go back to the IGU 22, but your point in
11 bringing us to that table was that the two methods
12 have an impact in varying degrees on various classes,
13 depending on the methods that you choose, being the
14 existing method or the coincident demand method,
15 correct?

16 MS. KELLY DERKSEN: Yes, and
17 importantly how the coincident demand is calculated,
18 which is the point of my evidence this morning.

19 MR. ANTOINE HACAULT: Yes. Although
20 we refer to -- and for those who had to enduring being
21 the cost of service in Manitoba Hydro, we had a big
22 debate on how many peaks that we were going to have
23 and the coincident peak and how you were going to
24 formulate it, although you have those methods, there's
25 a lot of variations in those methods to try and

1 reflect the circumstances that the company finds
2 itself in, correct?

3 MS. KELLY DERKSEN: Yes, and it can
4 range from some -- the results of which could range
5 from something that's fairly extreme in difference
6 compared to the existing methodology as you see on the
7 screen to something if you -- dependent how you
8 calculate that coincident demand, that could result in
9 an outcome that is very much consistent with the
10 existing method today.

11 MR. ANTOINE HACAULT: And getting
12 close to the end of my torture here. I'd like to
13 refer you to page 99 of your evidence at lines 30 and
14 31, please.

15

16 (BRIEF PAUSE)

17

18 MR. ANTOINE HACAULT: Your point here
19 in your evidence was that there is a change in
20 circumstance being significant addition of new
21 transmission plant investment, which is complicating
22 the 2019/20 results with other things, correct?

23 MS. KELLY DERKSEN: The complication
24 part was pertaining to the rate rollback, is what I
25 meant.

1 MR. ANTOINE HACAULT: Okay, thank you
2 for clarifying that.

3 But you'll agree that there has been a
4 lot of investment in transmission plant since the 1996
5 decision that we looked at, correct?

6 MS. KELLY DERKSEN: I haven't looked
7 at that number, so I -- I couldn't quantify what a lot
8 means. I just don't know.

9 MR. ANTOINE HACAULT: But it's
10 significant enough that you chose to bring it out in
11 your evidence as a new circumstance, correct?

12 MS. KELLY DERKSEN: Since 2013/14
13 there's been significant transmission plant investment
14 made, but since 2006, which was your original
15 question, I just couldn't comment on that.

16 MR. ANTOINE HACAULT: Okay. And I'll
17 do one (1) more flip back to the decision made in
18 1996, page 28, second last paragraph on that page.

19 There's a paragraph where the Board
20 explains what it wants Centra to do with respect to
21 interruptible customers. The paragraph reads as
22 follows:

23 "The Board directs Centra to provide
24 detailed information with respect to
25 those interruptible customers who

1 will be required to accept firm
2 service at the expiration of their
3 interruptible contracts. This
4 information should discuss the
5 potential impacts not only to those
6 customers, but also the effects of
7 such a move on other system
8 customers."

9 Do you see that?

10 MS. KELLY DERKSEN: Yes, I do.

11 MR. ANTOINE HACAULT: Okay. Now, I
12 just need clarification at pages -- or page 97 of your
13 evidence, or also it's at page -- I'll go to page 99,
14 lines 4 and 5. So, lines 4 and 5.

15 I just want to clarify for the record,
16 at line 4 when you say:

17 "Residential customers whose RCC was
18 at or near 97 percent"

19 Was that before the PUB applied the new
20 method in 1996, or was it after?

21 MS. KELLY DERKSEN: The new -- the new
22 method.

23 MR. ANTOINE HACAULT: I can bring you
24 to another reference, before you try and answer, at
25 page 97, lines 28 to 31.

1 MS. KELLY DERKSEN: I can hardly
2 remember what I did this morning, and so I'm trying to
3 recall. I think that would have been in conjunction,
4 Mr. Hacault, with the -- with Centra's 1997 general
5 rate application.

6 My recollection is that the residential
7 class -- classes RCC in that general rate application
8 where Centra was proposing to move to unity, was at 98
9 percent and that large industrial customers, I'm not
10 sure how to define that, that's the -- the best of my
11 recollection, where at the other end of the zone of
12 reasonableness of 103, so -- and the zone of
13 reasonableness at the time was 97 to -- to 103.

14 So both the residential class, as well
15 as the industrials, were within the zone of
16 reasonableness at the time.

17 MR. ANTOINE HACAULT: Okay. That was
18 a long answer. Could you try and look at lines 28 to
19 31 and -- and just give me a short answer on whether
20 or not the residential group was at 97 percent revenue
21 to cost ratio prior to the PUB making its order in
22 1996?

23

24

(BRIEF PAUSE)

25

1 MS. KELLY DERKSEN: I don't know that,
2 Mr. Hacault.

3 MR. ANTOINE HACAULT: Thank you. But
4 in any event, by 1997, your evidence is, at that time,
5 I'm sure it was at 97 percent, and there was a request
6 to move everybody to unity instead of staying at the
7 97 to 103 range, correct?

8 MS. KELLY DERKSEN: Yes.

9 MR. ANTOINE HACAULT: And you'll agree
10 that, directionally, the peak and average method for
11 residential has the result of showing a higher ratio
12 of cost to coverage ra -- allocation to the
13 residential customer, so if under the peak and demand
14 method that we've seen in the table, they were at 106
15 directionally, the peak and average brought them up tu
16 107 RCC?

17 MS. KELLY DERKSEN: Can you ask that
18 to me again, please?

19 MR. ANTOINE HACAULT: Directionally,
20 the peak and average increases the RCC ratio of the
21 residential customers, correct?

22 MS. KELLY DERKSEN: Compared to what?

23 MR. ANTOINE HACAULT: Compared to
24 coincident peak.

25 MS. KELLY DERKSEN: Again -- and my

1 point this morning was it all depends on how
2 coincident peak is calculated. It also depends on
3 whether the utility employee's a zone of
4 reasonableness.

5 So, they're -- I can't just make that -
6 - I -- I wouldn't conclude you could just make that
7 blanket statement.

8 MR. ANTOINE HACAULT: Okay. Let's go
9 to page 108, line 29. I promise I'm getting close.
10 Page 108, line 29, your evidence is that the peak and
11 average methodology recognizes both cost causality and
12 not -- non-cost causal factors, correct?

13 MS. KELLY DERKSEN: Yes. And non-cost
14 causal is defined in the context to mean average use
15 through the year.

16 MR. ANTOINE HACAULT: Okay. There was
17 one (1) question asked of the Centra panel, I think it
18 was by Board of -- Board counsel, with respect to
19 whether Centra had the resources to be able to provide
20 to this Board, I'm going to say, a compliance filing,
21 that if it decided, for example, as a mitigation
22 issue, assuming it decides it's in scope just for the
23 purposes of the question, whether or not there was
24 anything on the record to actually show what that
25 would mean for rates.

1 Now, my question -- and -- and there
2 was nothing on the record. But my question to is,
3 based on your knowledge of the capacity and resources
4 of Centra, if the Board were to order a compliance
5 filing saying we've decided as an interim measure,
6 mitigation measure, to adopt a zone of reasonableness
7 of 90 to 110, please provide us what those rates would
8 look at -- look like if we assume that people within
9 that range, we would say, they're in compliance -- or
10 they're -- they're paying their revenue to cost
11 coverage ratio.

12 Are you following my question?

13 MS. KELLY DERKSEN: (NO AUDIBLE
14 RESPONSE).

15 MR. ANTOINE HACAULT: Do you think the
16 resources would be there if there was a compliance
17 filing to say, listen, that's what we've chosen as a
18 method, could you give us what the rates would look
19 like?

20 MS. KELLY DERKSEN: So, you're asking
21 me whether there's staff available to be able to do
22 those calculations?

23 MR. ANTOINE HACAULT: Well, whether
24 they can be done. I don't know. I don't know enough
25 about your system, number 1, to know whether they can

1 be done and whether or not you've got the internal cap
2 -- or Centra has the capability of doing it.

3 MS. KELLY DERKSEN: I can't comment on
4 what Centra's internal capability is at this point.
5 I'm fairly far removed. But what I can tell you based
6 on my experience is that, based on the complexity of
7 Centra's rate design structure and the fact that we're
8 -- I think we're talking about non-gas costs here as
9 opposed to gas costs, we'd be stripping out non-gas
10 costs from gas cost.

11 I think there's a fair amount of -- of
12 effort involved to try and operationalize that. I
13 just -- I don't have the sense. It's not impossible.
14 In fact, other utilities maybe with not -- not quite
15 as complex a rate structure as Centra has, but other
16 utilities do have a zone of reasonableness.

17 But given the complexity of Centra's
18 rate structure, I just don't have a good sense of how
19 long that might take to implement that. I just don't
20 know.

21 MR. ANTOINE HACAULT: Okay. Thank
22 you. You've made quite a bit of reference to hydro
23 and cost of service in your evidence, and even in your
24 slides. Could we have IGU15 up, please?

25 In this Hearing, what you're raising is

1 the possibility of subsidization of the residential
2 group because they're at 107 revenue cost coverage
3 ratio versus other customer classes being below unity,
4 which is a hundred percent, correct?

5 MS. KELLY DERKSEN: That's absolutely
6 a concern for --

7 MR. ANTOINE HACAULT: Yeah.

8 MS. KELLY DERKSEN: -- the client I
9 represent, yes.

10 MS. KELLY DERKSEN: And this table, if
11 we look at the larger industrial classes, say, for
12 example, GSL greater than 100 kV, if we go down that
13 line for each of the years, 1991 to 2011, there isn't
14 one (1) year where it's below -- I think the lowest I
15 see is 109.5 percent.

16 So, there's not once in twenty (20)
17 years where the industrials were as low as the
18 residentials are in Centra Gas, correct?

19 MS. KELLY DERKSEN: Thi -- this is
20 like comparing apples to oranges, Mr. Hacault. The --
21 the issues at play for Manitoba Hydro are -- are
22 vastly different than those of Centra.

23 One (1) of the issues at hand -- the
24 reason why you see revenue to cost ratios in that
25 magnitude had very significantly to do with the

1 allocation of large export revenues which were growing
2 in -- in magnitude, particularly in the mid 1990s and
3 into the mid 2000s.

4 So, to -- to use this as any basis of
5 reference and apply it to some kind of potential zone
6 of reasonableness to -- to Centra to me is flawed.

7 MR. ANTOINE HACAULT: I understand
8 your point. But you'll agree with me there were very
9 real dollars attached to this. And if everybody had
10 been at unity, the industrials would have paid
11 significantly less and the residential groups would
12 have paid significantly more, correct?

13 MS. KELLY DERKSEN: You know, Mr.
14 Hacault, I just -- I -- I can't concede on that
15 because of the fundamental underlying issues that were
16 at stake under this. I just -- I can't accept that,
17 I'm sorry.

18 MR. ANTOINE HACAULT: Okay. The last
19 questions on your IGU CAC Round 1 number 6. In your
20 response midway through the paragraph, you have a
21 discussion with respect to -- perhaps we could go to
22 the question first.

23

24

(BRIEF PAUSE)

25

1 MR. ANTOINE HACAULT: So, the question
2 related to PUB Order 164/'16, which is the Hydro
3 order, correct?

4 MS. KELLY DERKSEN: Flowing from the
5 electric cost of service review, yes.

6 MR. ANTOINE HACAULT: Yeah. And the
7 question was whether or not you believed the statement
8 in that order, which was:

9 "Well, results of the cost of
10 service study appear to
11 arithmetically exact, cost of
12 service study involves considerable
13 judgment."

14 We asked you to explain whether you
15 agreed with that statement or not, correct?

16 MS. KELLY DERKSEN: Yes.

17 MR. ANTOINE HACAULT: And then midway
18 through the paragraph, and the entire paragraph is
19 there for everybody to read in due course, but one (1)
20 of the things you say about five (5) or six (6) down,
21 in the middle, there's the word, "First comma."

22 Do you see that?

23 MS. KELLY DERKSEN: Yes.

24 MR. ANTOINE HACAULT: So, before that,
25 you say:

1 "A zone of reasonableness is often
2 employed by utilities to assist in
3 evaluating the RCC ratios
4 considering several factors.
5 First, the results of a cost of
6 service study are approximate given
7 the judgment involved, data quality,
8 and data limitations. And a zone of
9 reasonableness may be employed to
10 recognize the range of the
11 uncertainty that's involved in the
12 cost allocation."

13 Is that your evidence?

14 MS. KELLY DERKSEN: Yes. As a matter
15 of principle, I find favour with a zone of
16 reasonableness -- with a zone of reasonableness for --
17 for the reasons that I articulate in -- in the
18 response.

19 But I think the situation at hand is a
20 product of a methodology that has been employed for a
21 long period of time has served Centra, in my view,
22 well, and it could go back to that kind of
23 methodology.

24 But for purposes of bill mitigation, I
25 don't think it's an appropriate mechanism to deal with

1 the issues at hand before the -- the regulator today.

2 MR. ANTOINE HACAULT: Okay. But in
3 this answer and the last four (4) sentences, you say:

4 "There are other rate-making
5 objectives to be achieved, including
6 rate stability."

7 And you say:

8 "Methodology and cost changes can
9 result in RCCs that vary from year
10 to year."

11 Am I reading that correctly so far?

12 MS. KELLY DERKSEN: Yeah. That's an
13 intended to say, like, look, if a residential class is
14 going to be at 99.99 percent and you're going to move
15 them to a hundred percent this year just to move them
16 back to 99 percent next year, a zone of reasonableness
17 allows for flexibility to not -- to -- to smooth in
18 those rate changes.

19 I think the issue at hand is very
20 different than that. We're talking about RCCs that
21 diverge to a very significant degree flowing from this
22 application.

23 MR. ANTOINE HACAULT: Okay. And the
24 next point that you make in this response, and I'm
25 quoting:

1 "This may include imposing a rate
2 increase for a class in one (1) year
3 and a rate decrease the next year
4 period. A zone of reasonableness
5 would allow for flexibility to avoid
6 rate instability that might
7 otherwise occur."

8 Correct?

9 MS. KELLY DERKSEN: Right. So, in --
10 in the context of the zone that we're talking about,
11 yes, that's true.

12 MR. ANTOINE HACAULT: And the table
13 that you brought me to being IGU22 showed a variance
14 of over 30 percent depending on the method that's
15 chosen for special contract from 62 percent, do you
16 find that on the table, up to 92 percent?

17 MS. KELLY DERKSEN: Again, this is a
18 very extreme view of one (1) alle -- what -- of what
19 one (1) allocator could produce.

20 The likeliness that this is what we'd
21 land on based on what I know of Manitoba Hydro's
22 operations, based on what I know of other natural gas
23 utilities in Canada, it's extreme, so I would exercise
24 a great caution in drawing conclusions that that kind
25 of divergent or movement in rates is likely to occur

1 flowing out of a cost of service review, certainly not
2 without some kind of grand fathering or mitigation
3 factors or options.

4 MR. ANTOINE HACAULT: But I think
5 you've acknowledged in my cross-examination that
6 that'll be for this Board to decide at the next
7 hearing, and it'll be fully debated between cost of
8 service experts, correct?

9 MS. KELLY DERKSEN: I do. But I don't
10 want to leave the idea with the Board today that
11 somehow the existing methodology is flawed and
12 unreliable, which is the evidence of Mr. -- of Mr.
13 McLaren based on -- on these results.

14 This is the mathematical outcome of --
15 of one (1) option. And the likeliness that it get
16 adopted is probably fairly small, especially if no
17 consideration is given to grand fathering in the
18 impacts of that change in methodology over time.

19 MR. ANTOINE HACAULT: Okay. Thank
20 you. And -- and you're prejudging the likelihood of
21 this. Mr. McLaren, as you've acknowledged, has a
22 different point of view, correct?

23 MS. KELLY DERKSEN: My point is that
24 this is a very extreme example and it needs to be
25 recognized as that.

1 MR. ANTOINE HACAULT: Thank you very
2 much, Ms. Derksen. Thank you to the Board for having
3 indulged in -- in my questioning. I know it was
4 longer than allocated to be.

5 I had some discussion with counsel for
6 Koch who didn't think he was going to need all his
7 time, and I -- we tried to collaborate and -- and
8 ensuring that as much as possible I asked all the
9 questions.

10 THE CHAIRPERSON: Thank you, Counsel.
11 We'll take a fifteen (15) minute break.

12

13 --- Upon recessing at 11:32 a.m.

14 --- Upon resuming at 11:47 a.m.

15

16 THE CHAIRPERSON: Yes, Ms. Steinfeld,
17 I understand that Koch has no questions at this point
18 and that you are going to start us off?

19 MS. DAYNA STEINFELD: That's my
20 understanding, Mr. Chair. And good morning to Ms.
21 Derksen, to the Panel.

22 Ms. Villegas, if we could please put up
23 on the screen Centra's July 24th update of schedule
24 11.2.1. And we could just zoom in on that first page,
25 that's perfect, thank you.

1 CROSS-EXAMINATION BY MS. DAYNA STEINFELD:

2 MS. DAYNA STEINFELD: Ms. Derksen, you
3 are familiar with this document?

4 MS. KELLY DERKSEN: Yes, I am.

5 MS. DAYNA STEINFELD: And I believe
6 either this version of it or a version of it prior to
7 the update you discussed in -- in general terms with
8 Mr. Hacault earlier this morning, is that fair?

9 MS. KELLY DERKSEN: In very general
10 terms, yes.

11 MS. DAYNA STEINFELD: I'd like to get
12 into a little bit more detail of this chart, Ms.
13 Derksen, starting with the very first highlighted line
14 on the screen. Your understanding is that this
15 schedule shows the base rates only for the rate
16 schedules?

17 MS. KELLY DERKSEN: Yes.

18 MS. DAYNA STEINFELD: And if we go
19 down to the top highlighted section under
20 "availability", would your understanding be that this
21 section give us a one-sentence summary description of
22 the seven customer classes?

23 MS. KELLY DERKSEN: Yes, and I suppose
24 we'll find the interruptible class at the next page.

25 MS. DAYNA STEINFELD: Fair enough.

1 And if we go down so that we are
2 looking at what follows the line distribution to
3 customers, if we scroll down to that, please.

4 And would this then be the detail of
5 Centra's proposed based rates to be effective November
6 1st, 2019?

7 MS. KELLY DERKSEN: I can't really see
8 what -- what particular rate schedule is, but yes,
9 I'll accept that.

10 This is the complexity that I spoke to
11 of the number of -- of rates that would go into play -
12 - into effect as a particular point in time.

13 MS. DAYNA STEINFELD: And just so
14 we're clear, when we look at this chart we can see
15 that transportation service or -- or what is
16 abbreviated to T-Service isn't itself a separate
17 customer class, but a service offering. Is that
18 correct?

19 MS. KELLY DERKSEN: Yes, that's
20 correct.

21 MS. DAYNA STEINFELD: And in general
22 terms, T-Service is a service offering -- that Centra
23 offers in which a customer arranges to buy its own
24 natural gas molecules and its own transportation to
25 Manitoba, is that correct?

1 MS. KELLY DERKSEN: Yes.

2 MS. DAYNA STEINFELD: And that would
3 be in contrast to being a sale service customer where
4 Centra would buy the gas and arrange the
5 transportation to Manitoba?

6 MS. KELLY DERKSEN: Yes.

7 MS. DAYNA STEINFELD: And you can
8 have, within the same customer class in certain
9 circumstances, both sales service customers and T-
10 Service customers?

11 MS. KELLY DERKSEN: Yes, for the
12 larger volume customer classes, that's true.

13 MS. DAYNA STEINFELD: And is it your
14 evidence, Ms. Derksen, that when it comes to the
15 heating value margin deferral, you're recommending
16 different treatment for the T-Service customers in the
17 high volume firm class than compared to the T-Service
18 customers in the special contract class.

19 Is that your evidence?

20 MS. KELLY DERKSEN: I think that's the
21 ultimate conclusion of it. I would frame it
22 differently to say I think it's likely that even
23 excluding the special contract class from the
24 allocation of heating value deferral is an early
25 Christmas present, if you will, to that customer

1 class.

2 I raise some concerns about T-Service
3 in general and their contributions ultimately to heat
4 value. But in the absence of any information to
5 understand what the impact of that might be, I would
6 be prepared to go as far as to exclude T-Service on
7 account primarily of the fact that their two-part bill
8 is virtually fixed every single month.

9 It -- moving forward, if there is
10 information or analysis that is done that is
11 suggestive that T-Service contribute to a greater
12 impact than what we understand today to heating the
13 energy content of gas that's delivered to customers in
14 Manitoba, that may need to be revisited.

15 MS. DAYNA STEINFELD: So, let's maybe
16 unpack that a little bit, Ms. Derksen, to make sure
17 that I'm following.

18 But if we look at the special contract
19 customer class on this page, and Mr. Hacault reviewed
20 this, I believe, with Centra, maybe using slightly
21 different numbers, but we can see that the special
22 contract T-Service customers pay a large monthly basic
23 charge in the area of approximately \$192,000, is that
24 correct?

25 MS. KELLY DERKSEN: Right. So all of

1 the rate -- or all of the costs that are allocated to
2 that customer class are incorporated in a fixed
3 monthly charge, as opposed to being broken down into a
4 basic monthly charge, a demand charge and a -- a
5 volumetric charge, like we see with other customer
6 classes.

7 MS. DAYNA STEINFELD: And if we're
8 going to be technically correct, which Mr. Ryall tells
9 me is the best kind of correct, the special contract
10 class does have a very minuscule volumetric charge in
11 the area of 0.0001, is that fair?

12 MS. KELLY DERKSEN: Yes, and that was
13 my point prior, that I believe has to do with
14 unaccounted for gas.

15 MS. DAYNA STEINFELD: And so in
16 unpacking your earlier answer, I -- I'd like your help
17 in -- in walking through how all of this works,
18 starting with the very beginning of the molecules
19 being supplied, all the way through to the recovery of
20 costs.

21 So to start, you'll agree that Centra
22 purchases its gas from Conoco Philips based on energy?

23 MS. KELLY DERKSEN: I'm not sure who
24 the supplier is anymore. I -- I didn't focus on -- on
25 that in this application.

1 But yes, my understanding is they do
2 purchase the molecules of gas on an energy basis.

3 MS. DAYNA STEINFELD: And so I'm going
4 to -- just to help my own understanding, use a very
5 simplistic example. So let's -- let's say that the
6 purchase for the sake of this example is 100
7 gigajoules of energy.

8 Are you willing to go there with me?

9 MS. KELLY DERKSEN: Sure.

10 MS. DAYNA STEINFELD: And you'll agree
11 that T-Service customers buy gas from their suppliers
12 based on energy?

13 MS. KELLY DERKSEN: I don't know.

14

15 (BRIEF PAUSE)

16

17 MS. DAYNA STEINFELD: Would you accept
18 though, Ms. Derksen, that once you're nominating it --
19 once T-Service customers are nominating onto the TCPL,
20 they're doing so on an energy basis?

21 MS. KELLY DERKSEN: It -- it's
22 possible, I'm not quite familiar enough with the
23 physical operations, but given the fact that TCPL
24 requires certain tolerances in terms of energy content
25 to be delivered on its system, which we've talked

1 about this morning between 30 -- 36 gigajoules at ten,
2 three, two, I think the number was 41 gigajoules, a
3 ten, three by virtue of that fact is suggestive to me
4 that might be true.

5 MS. DAYNA STEINFELD: And if we assume
6 or you take it subject to check that it's 100
7 gigajoules as well for the T-Service customer what --
8 that what you've identified to this panel is that
9 Centra's 100 gigajoules and the T-Service customer is
10 100 gigajoules co-mingle in the TCPL pipeline.

11 Do I -- do I have that?

12 MS. KELLY DERKSEN: Dependent where
13 the T-Service customers gas is coming from and that I
14 don't know -- I -- I presume a portion of it will come
15 on the TCPL mainline, but I don't know what the
16 origins of all of its gas would be.

17 MS. DAYNA STEINFELD: But at a certain
18 point, the T-Service customer gas would joint on to
19 the TCPL pipeline to be delivered to Manitoba?

20 Do you accept that?

21 MS. KELLY DERKSEN: I'm just not
22 entirely aware of whether gas could be delivered south
23 of the border and what that means entirely.

24 MS. DAYNA STEINFELD: When Centra
25 takes gas off a of a TCPL pipeline, do you agree that

1 that's done on the basis of energy?

2 MS. KELLY DERKSEN: Yes.

3 MS. DAYNA STEINFELD: So in our
4 examples, Centra would take that 100 gigajoules that
5 was put on by its supplier, it would take that 100
6 gigajoules off the pipeline?

7 MS. KELLY DERKSEN: I hope that's the
8 case. That's my understanding.

9 MS. DAYNA STEINFELD: And would you
10 take subject to check that the T-Service customer also
11 takes the gas off the TCPL pipeline based on energy?

12 And I do have an IR reference for you,
13 but I'm hoping you'll take that subject to check.

14 MS. KELLY DERKSEN: Assuming that that
15 gas is being delivered to Centra's gate stations, I
16 would presume that that's being delivered to Centra on
17 the basis of energy.

18 MS. DAYNA STEINFELD: And when we have
19 a Centra sales service customer and they need to
20 consume 100 gigajoules of energy to heat their house
21 at the level they like it, you'll agree with me that
22 that customer's metre will record the consumption
23 based on volume, so a cubic metre as opposed to based
24 on energy or the -- the gigajoule equivalent?

25 MS. KELLY DERKSEN: Correct.

1 MS. DAYNA STEINFELD: And would you
2 agree that the same is true if a T-Service customer
3 consumes 100 gigajoules of energy, their metre will
4 record consumption based on cubic metres or volume?

5 MS. KELLY DERKSEN: I think that's
6 true, yes.

7 MS. DAYNA STEINFELD: And you'll agree
8 with me that there could be and perhaps likely are
9 variations between the volumetric consumption and the
10 amount of energy, and we've used 100 gigajoules in our
11 example?

12 MS. KELLY DERKSEN: Yes, I -- I think
13 what you're asking me is because of the energy content
14 in gas and that it changes over time could cause the
15 customer to use more or less once it's registered
16 through the metre.

17 MS. DAYNA STEINFELD: So, you're
18 saying that, on a volumetric basis, there may be
19 differences. They may consume more or less on a
20 volumetric basis than on the hundred gigajoules of
21 energy because of the differences in heating value?

22

23 (BRIEF PAUSE)

24

25 MS. KELLY DERKSEN: I believe that's

1 true.

2 MS. DAYNA STEINFELD: And you
3 mentioned, I think, a few times this morning that
4 there's a range of acceptable heating values on the
5 TCPL pipeline?

6 MS. KELLY DERKSEN: Yes. I -- I
7 pulled that from Centra's evidence.

8 MS. DAYNA STEINFELD: And is it -- for
9 the purposes of the heating value deferral account, or
10 maybe more accurately, for the purposes of the
11 customers' consumption, is it the heating value that
12 matters, the heating value of the gas that's being
13 taken off the pipeline, including any co-mingling of
14 gas that has occurred prior to that point?

15 MS. KELLY DERKSEN: My quandary is, in
16 the absence of T-Service customers, if the -- the mo -
17 - if the gas that is consumed by the customer would be
18 at 37 -- I'm just pulling a number out of the air here
19 -- at 37 gigajoules per ten threes or whether, because
20 of the co-mingling of gas and the delivery of gas by
21 T-Service customers onto Centra's system, if that now
22 number is different than 37, which would give rise to
23 the customer using more or less than it would have
24 otherwise consumed in the absence of T-Service
25 deliveries.

1 MS. DAYNA STEINFELD: And I'm not
2 wanting to belabour the point, Ms. Derksen. I'm --
3 I'm hoping to try to understand your evidence, so the
4 fault is on me here for maybe being repetitive.

5 But I'm trying to understand, and maybe
6 you can explain, how that has bearing on the heating
7 value margin deferral account, the concern that you've
8 identified about different customers putting gas on
9 the system that may have different heating values.

10 MS. KELLY DERKSEN: In the absence of
11 -- and I don't know the answer to this, and -- and
12 we've asked, and there hasn't been any analysis done
13 to understand what the implications.

14 My understanding of Centra's evidence
15 is that there hasn't been analys done -- analysis done
16 to understand what the implications of this might or
17 might not be.

18 But my query is whether, in the absence
19 of a T-Service customer, that the contribution to the
20 deferral at the end of the day would be a little bit
21 more or a little bit less because the contribution to
22 the actual heat value of gas is different.

23 MS. DAYNA STEINFELD: Ms. Derksen, you
24 -- you discussed with Mr. Hacault earlier, and we see
25 it on this schedule 11.2.1, that Centra recovers its

1 costs from customers based on different rates and --
2 and rate structures.

3 You -- you agree with that?

4 MS. KELLY DERKSEN: Yes.

5 MS. DAYNA STEINFELD: And we've
6 already touched on this with the special contract
7 class, but each class has different volumetric rates
8 which can be as minuscule as zero point zero zero zero
9 one (0.0001) for the special contract class?

10 MS. KELLY DERKSEN: Yes.

11 MS. DAYNA STEINFELD: And do you
12 accept that customers whose costs are recovered
13 through rates with a larger proportion of volumetric
14 charges will potentially contribute more to Centra
15 having a revenue mismatch between what Centra paid for
16 its gas and what it recovered from the customer on the
17 other hand?

18 MS. KELLY DERKSEN: I accept that's --
19 that's reasonable. I don't know that that is the full
20 picture though is -- is the issue at hand for me.

21 MS. DAYNA STEINFELD: And so, I -- I
22 take it what you're saying is that the -- the issue
23 is, at least in part, as a result of the volumetric
24 rate structure for some customer classes, or the
25 differences in that rate structures, but that you're

1 concerned that there may also be an issue of the
2 actual heating value variations being caused by
3 different customers.

4 Do I have that right?

5 MS. KELLY DERKSEN: Right. And so, if
6 we're -- if we're going to go down the path and assign
7 virtually -- I won't say all, but a very significant
8 portion of heating value deferral to the SGS class and
9 virtually no heating value deferral to the large
10 volume customer classes, let's make certain that that
11 is not going to result in an over allocation of cost
12 to the SGS class because of the fact that T-Service
13 customers deliver volumes -- energy onto Centra's
14 system that may be giving rise to why the deferral is
15 there, in part, in the first place.

16 So, I don't want to go to that extreme
17 end of the allocation spectrum if there is a potential
18 that some of that cost is in fact caused by T-Service
19 customers.

20 MS. DAYNA STEINFELD: Would you be
21 willing to accept that the T-Service cause of
22 variations in heating value as a result of bringing
23 their own supplier's gas into the mix is negligible?

24 MS. KELLY DERKSEN: There's -- there's
25 no evidence on the record. I -- I don't know.

1 MS. DAYNA STEINFELD: Thank you, Ms.
2 Derksen. If we can please put on the screen page 269
3 of PUB Exhibit 25, Board counsel book of documents.

4

5 (BRIEF PAUSE)

6

7 MS. DAYNA STEINFELD: And this is the
8 table from Centra's rebuttal evidence that you looked
9 at with Mr. Hacault earlier. You're familiar with
10 this, Ms. Derksen?

11 MS. KELLY DERKSEN: Yes.

12 MS. DAYNA STEINFELD: And when we look
13 at this chart, do you accept that at least it comes
14 very close to showing that the SGS class
15 responsibility for the accumulation into the heating
16 value margin deferral account is 71 percent or
17 thereabouts?

18 Do you accept that?

19

20 (BRIEF PAUSE)

21

22 MS. KELLY DERKSEN: Yes, on account of
23 potentially a portion of the issue, which is how non-
24 gas costs are recovered through variable rates in
25 Centra's rate structure.

1 MS. DAYNA STEINFELD: And I understand
2 you've raised concerns about the methodology
3 recommended by Mr. McLaren which is shown in row 6 of
4 this chart.

5 Do you agree, however, that if Mr.
6 McLaren's methodology was accepted, the impact to an
7 individual SGS customer would be quite small, I
8 believe in the area of five dollars (\$5) a month for
9 the average residential user?

10 MS. KELLY DERKSEN: I -- I appreciate
11 that. But it's also an extreme allocation methodology
12 that, if we're going to go in that direction, let's
13 make sure that the cus -- that those customers who are
14 no longer being allocated those costs in fact do not
15 cause at least a portion of them to be incurred.

16 MS. DAYNA STEINFELD: You've suggested
17 that one (1) option would be to exclude the special
18 contract class, correct?

19 MS. KELLY DERKSEN: Yes.

20 MS. DAYNA STEINFELD: If that option
21 was accepted, would we not still see variation between
22 what's shown on this chart as line 9 and line 6 in
23 terms of the -- the difference between cost volumetric
24 revenue and class volumes?

25 MS. KELLY DERKSEN: There's absolutely

1 a movement of cost responsibility toward the SGS and
2 other customer classes. And the table that I put in
3 my direct evidence this morning that has been, I'll
4 call it redacted, identifies the difference between
5 all three (3) of those methodologies.

6 So, the exclusion of the special
7 contract class from the allocation of heating value
8 deferral will result in an allocation to each customer
9 class with the exception of that class that lands in-
10 between.

11 So, it's not the current approach, it's
12 not the IGU approach, but it's somewhere in-between.

13

14 (BRIEF PAUSE)

15

16 MS. DAYNA STEINFELD: Ms. Derksen, I -
17 - I don't believe this has been touched yet, and I
18 apologize if it has. But one (1) of the things that
19 you recommend in your evidence is eliminating the
20 heating value margin deferral account all together.

21 Is that correct?

22 MS. KELLY DERKSEN: Yes. It was an
23 option that I suggested might be worth exploring in
24 the future.

25 MS. DAYNA STEINFELD: So, it's not

1 something you would suggest that the Board do in the
2 current proceeding?

3 MS. KELLY DERKSEN: Someone put on the
4 rec -- on the record in the last couple of days, and I
5 apologize because I can't recall who, but someone put
6 -- it may have been Mr. McLaren, said that may be a
7 viable option for future, but we still have to deal
8 with the deferral balances at hand today.

9 And I -- I agree with Mr. McLaren in
10 that respect.

11 MS. DAYNA STEINFELD: So, we should
12 close the book on the heating value deferral account
13 before we look at getting rid of it all together?

14 MS. KELLY DERKSEN: Ye -- yes. And,
15 you know, we're talking a number of millions of
16 dollars in heating value deferral that's accumulated
17 since 2015 now.

18 That -- if you moved to that -- to
19 eliminating that heating value, Centra Gas would have
20 to absorb that in -- in net income with net income of
21 \$3 million where it's already starting off at a loss,
22 so that doesn't appear to be a reasonable solution in
23 my mind.

24 MS. DAYNA STEINFELD: And that point
25 that you've just made is, if the heating value margin

1 deferral were to be eliminated, whether in this
2 proceeding or in another proceeding, the results of
3 variations in heating value would flow to Centra's net
4 income.

5 Do I have that right?

6 MS. KELLY DERKSEN: It would be
7 implicit in that, yes.

8 MS. DAYNA STEINFELD: And so, if
9 eliminated, do you agree that there will be periods of
10 time when customers would be sold lean gas and -- and,
11 therefore, consume more in terms of volumes which
12 could cause an -- an over contribution of revenues by
13 customers to Centra?

14 MS. KELLY DERKSEN: There will be ebbs
15 and flows without question, yes.

16 MS. DAYNA STEINFELD: And -- and given
17 that there would be ebbs and flows, and we've seen
18 recently a period of time where there was a year-over-
19 year refund to customers, is it your view that those
20 ebbs and flows would be acceptable to both customers
21 and the utility?

22 MS. KELLY DERKSEN: I won't speak on
23 behalf of the utility; they will let you know. On
24 behalf of customers from -- from the -- the client
25 that I represent, I'm not sure what their position

1 will be on this at the end of the day.

2 I think it's a viable solution. We --
3 the magnitude of the heating value deferral today,
4 which is at several million dollars, is atypical
5 because it's accumulated over the course of the last
6 four (4) years.

7 We tend to see balances in that heating
8 value deferral account of a couple or several hundred
9 thousand dollars; it's not a lot.

10 So, from that perspective, I think it's
11 -- it's a viable alternative.

12 MS. DAYNA STEINFELD: And is one (1)
13 of the things that you're saying with that answer, Ms.
14 Derksen, that, whether the Board eliminates the
15 deferral account or maintains it, there needs to be
16 more regular review through regulatory proceedings?

17 MS. KELLY DERKSEN: That is absolutely
18 without question one (1) of the perspectives we will
19 be raising, yes, or -- and have raised.

20

21 (BRIEF PAUSE)

22

23 MS. DAYNA STEINFELD: Mr. Chair, if
24 you were going to indulge me, I could take another ten
25 (10) minutes with this witness before we break for

1 lunch.

2 THE CHAIRPERSON: Please continue.

3 MS. DAYNA STEINFELD: Thank you.

4

5 CONTINUED BY MS. DAYNA STEINFELD:

6 MS. DAYNA STEINFELD: Ms. Derksen,
7 just to get into a -- a little bit more detail on
8 matters that you've already addressed extensively with
9 Ms. Van Iderstine and Mr. Hacault, I did want to turn
10 just briefly to the -- the bill mitigation matters
11 that you've raised and discussed.

12 Starting with the recommendation that
13 there could be a deferred recovery of the revenue
14 requirement for recent transmission investments, are -
15 - are you able to go there with me now?

16 MS. KELLY DERKSEN: Yes.

17

18 (BRIEF PAUSE)

19

20 MS. DAYNA STEINFELD: If the Board
21 ultimately accepts your deferral recommendation, are
22 you able to explain what would happen if, following a
23 cost of service methodology review, the Board
24 ultimately determines that the current allocation for
25 the transmission investments is acceptable?

1 MS. KELLY DERKSEN: Can you ask that
2 to me again, please?

3 MS. DAYNA STEINFELD: If we assume
4 that the cost of service study methodology review
5 results in the Board accepting the current allocation
6 methodology, what would it look like, given that
7 there's been a -- a deferral of revenue collection
8 over a period of time? Is that -- would -- would
9 there be any impact?

10 MS. KELLY DERKSEN: I view these
11 issues completely separate and distinct from one --
12 one another. The -- the methodology issue is the
13 methodology issue. It's there to be dealt with in a
14 future period. The results of that review are unknown
15 today.

16 What we do know today is that
17 potentially, there is a -- the -- there may be a bill
18 mitigation issue for this customer class, or other
19 customer classes, and one (1) of the options that I
20 raised was to transfer some amount of monies related
21 to transmission allocated cost of the special contract
22 class into a deferral to be recovered over time.

23 I'm not wedded to that particular
24 approach. I think Manitoba Hydro's approach of -- of
25 lengthening the def -- the deferral period, it -- it

1 is a reasonable approach as well, as long as the --
2 this is a significant caveat -- that the allocation
3 results are held intact as a result of any alternative
4 ultimately put in place.

5 MS. DAYNA STEINFELD: And -- and what
6 you're saying there is just that the special contract
7 customer class should still cover the revenue
8 requirement, it's just over a period of time. It
9 shouldn't be deferred in some way to the other
10 customer classes?

11 MS. KELLY DERKSEN: Correct, through a
12 zone of reasonableness or some other mechanism.
13 That's exactly what I'm saying.

14 MS. DAYNA STEINFELD: If the -- if we
15 take the option of deferring the recovery of the
16 revenue requirement, whether through the option you've
17 raised or the option Centra has raised, would you
18 agree that you're essentially kicking the build rate
19 impact down the road?

20 MS. KELLY DERKSEN: Yes, and I think
21 that's the essence of bill mitigation.

22 MS. DAYNA STEINFELD: And I take it
23 you -- you've been clear that your recommendation
24 relates to the special contract class. So would you
25 accept that those options would not result in any

1 mitigation to other customer classes who have -- are
2 allocated a large proportion of transmission costs?

3 MS. KELLY DERKSEN: If other customer
4 classes wish to participate in that kind of bill
5 mitigation, I think that -- that's fair for those
6 customer -- customer classes to raise that as -- as a
7 potential.

8 MS. DAYNA STEINFELD: Just briefly, on
9 Board counsel's book of documents, page 286, if we
10 scroll down, I believe near the bottom of this page,
11 just -- sorry, just up a little bit. Yeah, that's
12 perfect. Thank you.

13 One (1) of the points that you make in
14 your evidence about the zone of reasonableness is a
15 concern that this would exacerbate an overcontribution
16 by the SGS class since 2013/'14.

17 Do I have that right?

18 MS. KELLY DERKSEN: You do, and -- and
19 upon retrospect, I think the first bullet should have
20 been that in -- in my view, the results of the current
21 cost allocation study are reasonable, reliable, and
22 ought to be used by this Board for setting rates in
23 2019/'20, and secondly, then, the concern is that if
24 that -- if a zone of reasonableness, for whatever
25 reason, was adopted by this Board, then yes, the SGS

1 have been over-contributing at some point.

2 We don't know when, because zone of
3 reas -- or -- and a revenue to cost ratio is a point
4 in time calculation that Centra made the point of, and
5 -- and that's a fair comment. It's somewhat of a
6 shifting ground, if you will, in terms of that
7 calculation.

8 So yes, they have been overcontributing
9 at some point during that period of time.

10 MS. DAYNA STEINFELD: And so you're
11 putting a -- a -- I think a further refinement on this
12 that we don't -- we don't know that they -- that class
13 has been overcontributing over the period since
14 2013/'14, but that the results now in this proceeding
15 show that their revenue to cost coverage ratio is at
16 about 107 percent?

17 MS. KELLY DERKSEN: We don't know at
18 what point the pendulum started swinging in the other
19 way. We only know what we know today, but it would
20 have had to occur at some point during that time. We
21 just don't know when.

22 MS. DAYNA STEINFELD: And right now, a
23 hundred and seven (107) is more than a hundred, so
24 they're overcontributing by about 7 percent, if we use
25 a hundred as the marker?

1 MS. KELLY DERKSEN: Yeah. It -- it's
2 sizable dollars for the SGS class.

3 MS. DAYNA STEINFELD: A hundred and
4 seven (107), though, is pretty close to the overall
5 system, 103 percent.

6 Is that correct?

7 MS. KELLY DERKSEN: I'm sorry, can you
8 say that again to me, please?

9 MS. DAYNA STEINFELD: Of course. The
10 SGS class revenue to cost coverage ratio of 107
11 percent is pretty close to the overall system revenue
12 to cost coverage ratio of 103 percent.

13 Do you accept that?

14 MS. KELLY DERKSEN: It's still several
15 -- even if I accept that, I'm not sure yet. I have to
16 think about that. It's still a number of a million of
17 dollars higher than what it -- it should be, but I
18 think that on an over -- I think it needs to be looked
19 at from a basis of one (1) and not one-o-three (103).

20 MS. DAYNA STEINFELD: If SGS rates are
21 reduced to eliminate the funding of the furnace
22 replacement program, would you accept that the overall
23 system revenue to cost coverage ratio would decrease
24 to a hundred percent with that change?

25 MS. KELLY DERKSEN: And other changes

1 as well.

2 MS. DAYNA STEINFELD: And if we
3 assumed that the same zone of reasonableness of -- as
4 Manitoba Hydro, ninety-five (95) to a hundred and five
5 (105) would use, that same elimination of the funding
6 of the furnace replacement program would also move the
7 small general service class into that zone.

8 Is that fair?

9

10 (BRIEF PAUSE)

11

12 MS. KELLY DERKSEN: I think you're
13 asking me -- or I'm -- I'm going to clarify if this is
14 what you're asking me. You're asking me whether once
15 you remove the furnace replacement program that
16 residential or SGS customers are cur -- currently
17 funding, that that would move the class down to
18 somewhere order of magnitude of 104 percent, let's
19 say, and on that basis, it's within the zone of
20 reasonableness established by Manitoba Hydro of
21 ninety-five (95) to one-o-five (105).

22 Is that what you're asking me?

23 MS. DAYNA STEINFELD: That is a -- a
24 much more clear way of asking what I was trying to ask
25 you, yes. That is my question.

1 MS. KELLY DERKSEN: I accept that is
2 approximately the math. I don't agree what the --
3 with the implementation of Manitoba Hydro's zone of
4 reasonableness of ninety-five (95) to one-o-five
5 (105).

6 MS. DAYNA STEINFELD: Thank you, Ms.
7 Derksen. And one (1) of the points that you raised in
8 your direct evidence, and maybe we'll pull up slide 7
9 of that evidence.

10

11 (BRIEF PAUSE)

12

13 MS. DAYNA STEINFELD: So one (1) of
14 the points that you raised that I think relates to the
15 concern that you just addressed is the differences in
16 the nature of Centra's operations.

17 Do I have that right?

18 MS. KELLY DERKSEN: Between Manitoba
19 Hydro and Centra, yes.

20 MS. DAYNA STEINFELD: And I take it
21 you're quite familiar with the Board's Order 164/'16,
22 the cost of service study methodology review in the
23 Manitoba Hydro case?

24 MS. KELLY DERKSEN: Yes, I am.

25 MS. DAYNA STEINFELD: And would you

1 accept that the Board in that Order for Manitoba Hydro
2 determined that cost/causation should be the guiding
3 principle?

4 MS. KELLY DERKSEN: No different than
5 what was ascribed by the Board flowing -- pursuant to
6 Order 106/'96. And I'm not sure if there was a --
7 another Board Order that dealt with this issue
8 explicitly since 1996. That is -- that is what the
9 Board -- both this Board under different membership --
10 under different memberships have concluded, and
11 Centra's current cost allocation methodology meets
12 that objective.

13 MS. DAYNA STEINFELD: And just to
14 close out on -- on this point, the first bullet where
15 you referenced the over 50 percent of the cost of the
16 commodity, being a large factor of Centra's overall
17 costs, and subject to minimal controversy from a cost
18 allocation perspective, would you accept that those
19 facts that you've put into evidence make it easier to
20 implement cost causation principles when we're talking
21 about Centra than Manitoba Hydro, where you've raised
22 areas of significant controversy around things like
23 generation and transmission?

24

25

(BRIEF PAUSE)

1 MS. KELLY DERKSEN: That -- that's
2 true. I wanted to say it in -- in a bit of a
3 different way, which is what I was thinking about, how
4 better to frame that, at least from my own
5 perspective, and the only way -- top of my head that I
6 can think of right now, though I'll probably shoot
7 myself later on once I actually think about the right
8 way that I really want to say it -- is that there
9 tends to be -- because of the fact that Manitoba Hydro
10 has generation and transmission investment that is
11 common infrastructure, and there is a significant
12 uncertainty as to how one allocates very large
13 generation and transmission investment, that I think
14 there is a -- a reasonable argument to be made that if
15 a zone of reasonableness were to emp -- be employed
16 for Centra at this point or some point in the future,
17 it likely should be tighter than Manitoba Hydro's
18 ninety-five (95) to one-o-five (105).

19 MS. DAYNA STEINFELD: Thank you, Ms.
20 Derksen. I'm -- I do appreciate that thoughtful
21 response.

22 Those are my questions of this witness,
23 Mr. Chair. I thank Ms. Derksen for her time in
24 assisting the Board.

25 THE CHAIRPERSON: Thank you, Ms.

1 Derksen. At this point, we're adjourned for lunch,
2 and we will reconvene at 1:30.

3

4 (WITNESS STANDS DOWN)

5

6 --- Upon recessing at 12:29 p.m.

7 --- Upon resuming at 1:31 p.m.

8

9 THE CHAIRPERSON: Good afternoon, all.

10 Ms. Steinfeld, you have a comment?

11 MS. DAYNA STEINFELD: Thank you, Mr.

12 Chair. Just a housekeeping matter before we welcome

13 Mr. Manning and Mr. Collins to the hearing room.

14 I'd like to mark Order 156 of 91 which
15 was referred to by a number of witnesses and counsel
16 last week, as PUB Exhibit 27. Ordinarily, we wouldn't
17 mark Board orders as an exhibit, but this one is not
18 available on the website, so for ease of reference we
19 thought it would be helpful.

20

21 --- EXHIBIT NO. PUB-27: Order 156/91.

22

23 MR. ANTOINE HACAULT: Along those

24 lines, I had to get Order 107 of 96 also. It's not

25 available online anywhere. Ms. Villegas kindly dug it

1 out of the archives and sent it to me.

2 So perhaps that can also be marked as
3 an exhibit.

4 THE CHAIRPERSON: The number. It
5 would be IGU-16. IGU 1-6.

6

7 --- EXHIBIT NO. IGU-16: PUB order 107/96.

8

9 MR. BRIAN MERONEK: Mr. Chairman,
10 since they're not on the website, I would be much
11 obliged if they could be disseminated online to the
12 parties.

13 MS. DAYNA STEINFELD: Mr. Meronek, I
14 believe Ms. Villegas will include them in the
15 distribution of exhibits from today when she sends
16 that out.

17 THE CHAIRPERSON: Okay, back to the
18 main event. Mr. Manning, welcome.

19 MR. LEWIS MANNING: Thank you, Mr.
20 Chairman, thank you Board members.

21 I'm pleased to be here today on behalf
22 of Koch, appearing as counsel. With me is Mr. Brian
23 Collins, who is appearing before you as an expert
24 witness on behalf of Koch.

25 Mr. Collins is currently a principle

1 with the firm of Brubaker and Associates Incorporated,
2 which is an energy economic and regulatory consulting
3 firm. And as I indicated, he's here today as an
4 expert witness for the benefit of the Board and
5 provide his independent advice.

6 This is Mr. Collins' first appearance
7 before the Board, so I'm going to ask him to turn up
8 his statement of qualifications, which is attached as
9 Exhibit A to his pre-filed evidence, just so he can
10 introduce himself and give you some idea of his
11 background and his industry experience, which spans 25
12 years in the public utility field, and then Mr.
13 Collins is going to go through his direct evidence.

14 THE CHAIRPERSON: Very good, Mr.
15 Manning.

16 MR. LEWIS MANNING: Yes, thanks very
17 much.

18 THE CHAIRPERSON: And we'll have him
19 sworn.

20

21 KOCH PANEL:

22 BRIAN CARL COLLINS, Sworn

23

24 THE CHAIRPERSON: The record will show
25 that Mr. Collins has been sworn in. Yes, sir?

1 EXAMINATION-IN-CHIEF BY MR. LEWIS MANNING:

2 MR. BRIAN COLLINS: Thank you, Mr.
3 Chairman and members of the Board. Yes, I would like
4 to give you an idea of my background and experience.

5 I have a bachelors of science degree in
6 electrical engineering, as well as a masters in
7 business administration.

8 With respect to my industry experience
9 I have approximately 25 years of utility and
10 regulatory experience.

11 I started my career in 1994 with the
12 Illinois Commerce Commission; that agency is the
13 government body responsible for the regulation of
14 public utilities in the state of Illinois.

15 I worked on various utility matters
16 pertaining to gas and electric utilities for
17 approximately four years there. My position was an
18 economic analyst.

19 These matters included rate cases, fuel
20 costs, reviews, as well as what it cost reviews.

21 I next worked as a planning engineer
22 for a municipal electric utility in Springfield,
23 Illinois, as a planning engineer. This utility was a
24 combination of water and electric utility and I worked
25 there approximately three (3) years.

1 Finally, I've been in my current
2 position as a regulatory economic consultant with
3 Brubaker and Associates for over eighteen (18) years.
4 Our consulting clients primarily include large
5 industrial and institutional users of gas,
6 electricity, water and waste water utility services.

7 I have presented evidence to 19 state
8 public utility commissions in the United States. My
9 testimony has previously primarily focussed on class
10 cost of service issues.

11 I have also assisted the managing
12 principles at Brubaker and Associates on numerous rate
13 matters in other states in the United States, as well
14 as the provinces of Alberta and Nova Scotia.

15 So this would conclude my statement of
16 qualifications.

17 MR. LEWIS MANNING: Thank you, Mr.
18 Collins. If you please go through your direct
19 evidence.

20 MR. BRIAN COLLINS: Thank you again
21 for the opportunity to appear before you today on
22 behalf of Koch.

23 I just have a brief summary of my
24 opinions and recommendations that form the basis of my
25 direct evidence that I would like to present to you

1 today.

2 It is my understanding that one of the
3 purposes of this proceeding is to determine the degree
4 of bill mitigation appropriate for the rates that
5 would result from Centra's class cost of service
6 study.

7 It is also my understanding that class
8 cost of service issues are to be decided for another
9 day in a future separate proceeding.

10 However, it is important to recognize
11 and keep in mind that the purpose of a class cost of
12 service study is to guide both class revenue
13 allocation and rate design.

14 That being said, I think it's important
15 to understand how we got to where we are today, so I
16 would like to briefly provide some pertinent
17 background information to frame the issue of -- of
18 bill mitigation.

19 So Centra's class cost of service study
20 is based on the peak and average cost allocation
21 method. Based on the results of this study, the
22 overall system change and non-gas revenue requirements
23 resulting from the study result in a small decrease.

24 In spite of this small overall system
25 decrease, transportation customers would see

1 significant proposed increases, particularly for the
2 special contract customer class.

3 Based on my review of the data that was
4 provided to me, the impact of the special contract
5 customer class, to me, those cost of service study
6 results are uncertain at -- at best.

7 My prefiled evidence included in --
8 included an analysis based on the direct assignment of
9 cost to the special contract class and this analysis
10 determined the specific and discreet facilities used
11 to serve the special contract class. And this
12 analysis indicated that since those rates were more
13 than adequate to recover the costs of providing
14 deliver service to Koch.

15 In addition, a coincident demand
16 allocation was also provided by Centra, which also
17 indicated that the special contract class was much
18 closer to cost of service as compared to the results
19 of its peak and average study.

20 So as a result, based on my review,
21 believe since there's class costs of service study
22 results are -- are suspect. And when I use the term
23 "suspect" I really mean that when one looks at the
24 circumstances surrounding service to the special
25 contract customer class and the nature of the

1 transmission investments that currently are taking
2 place on the Centra system, one can come to that
3 conclusion.

4 So how do we justify any change in
5 rates with a class cost of service study whose rates
6 are -- are certain and possibly suspect? Where does
7 an uncertain class cost of service study leave us in
8 terms of bill impacts?

9 When my -- in my experience bill
10 mitigation has been utilized to soften the impacts of
11 large increases to customers. I've seen this used for
12 both small and large customers.

13 Bill mitigation is particularly
14 important when a significant increase is at
15 issue, such as the increase proposed by Centra for the
16 special contract class in this proceeding. Mitigation
17 helps prevent rate shock to customers, it is a fair
18 and reasonable approach for customers when they are
19 faced with large increases.

20 Several approaches can be used for bill
21 mitigation and I would like what -- like to discuss a
22 few of those today.

23 One approach, and this is my
24 recommendation based on my review, that any rate
25 changes be deferred until Centra's class cost of

1 service methodology is fully reviewed by the Board,
2 and this position is consistent with the
3 recommendation of IGU in the direct evidence of Mr.
4 McLaren.

5 There are many reasons why this would
6 be an appropriate approach. One, current rates have
7 been found to be reasonable by the Board. There is a
8 real risk that any proposed rate change may be in the
9 wrong direction, if the Board later determines a
10 change in cost allocation methods is warranted, and
11 this would not promote rate stability by deferring
12 changes until the review of the cost of service
13 methodologies are final. This would promote rate
14 stability.

15 And this is particularly important when
16 the driver of the proposed transmission rate charge --
17 changes are suspect.

18 It is my recommendation that if a
19 change in rates has to be made at this time, an equal
20 percent change for all rate classes would be
21 preferable. In my experience I have seen this
22 approach used in the past when faced with an
23 unreliable class of cost of service study treating
24 each class the same in terms of rate impact is
25 reasonable. It results in a fair and equitable

1 approach for all rate classes.

2 Another approach would be to expand the
3 zone of reasonableness. In my opinion, this would be
4 the least preferred solution.

5 In order for measures of reasonableness
6 to have meaning, the class cost of service study has
7 to be robust.

8 In this proceeding the measures of
9 reasonableness are based on suspect results from
10 Centra's class cost of service study. This cost of
11 service study may be unreasonable, so the question
12 becomes how can a zone of rates derive from such a
13 study also be reasonable.

14 It's important to keep in mind that
15 cost of service is linked to both class allocation and
16 rate design, and it's very important to first get the
17 class cost of service correct. Once that is done,
18 revenue allocation and rate design follow.

19 So there is an important link between
20 class cost of service and revenue allocation that
21 should not and really cannot be severed.

22 And another point that I would like to
23 discuss today is the question that has been raised in
24 this proceeding as to whether gas costs should be
25 considered in overall impacts really to special

1 contract class customers.

2 In my opinion, when considering the
3 impact of utility transportation costs for a
4 transportation customer, it's not very helpful to look
5 at a customer's gas supply costs, and there are many
6 reasons why that is.

7 You know, gas costs are not incurred by
8 Centra to serve customers. It is my opinion that
9 delivery service rates should be designed so that a
10 utility is really indifferent between providing
11 service to a sales customer who purchases gas from
12 Centra, or to a transportation customer, such as Koch,
13 who purchases its own gas supply.

14 Again, it's my opinion that examining
15 irrelevant externalities does not provide assistance
16 in determining class of cost of service.

17 So, the question becomes: Where is the
18 line drawn when considering production costs
19 independent of utilities cost for determining
20 reasonable transportation rates.

21 There's one (1) other point that I
22 would like to make; it's not really on the slides
23 here. There's been a lot of discussion about possibly
24 using deferral of transmission costs for bill
25 mitigation.

1 And I would think that would probably
2 be a much less preferable approach than the ones that
3 I have discussed here today. I agree that I think
4 deferring those costs is really kicking the can into
5 the future.

6 We still have the -- the determination
7 of how those costs are allocated. Plus, by deferring
8 those costs, we're going to have to pay additional
9 costs for carrying costs related to deferring those
10 transmission assets.

11 So, in summary, in closing, I would
12 like to again reiterate that, based on my review of
13 this proceeding, I would recommend any rate changes be
14 deferred until Centra's class of cost of service
15 methodology is fully reviewed by the Board.

16

17 (BRIEF PAUSE)

18

19 MR. LEWIS MANNING: Thank you, Mr.
20 Chairman. That concludes Mr. Collins's direct. And
21 he's available to answer any questions from my
22 friends.

23 THE CHAIRPERSON: Thank you. Mr.
24 Czarnecki...?

25 MR. BRENT CZARNECKI: Good afternoon,

1 Mr. Chairman and Board members. Centra doesn't have
2 any questions of this witness.

3 THE CHAIRPERSON: Mr. Meronek...?

4 MR. BRIAN MERONEK: I started off by
5 making a cross-examination of Brian Meronek (sic).
6 Because we have the first -- same first names, I got
7 confused as to who was cross-examining who.

8 And without any disrespect to Mr.
9 Collins, I think bill mitigation has been dealt with
10 to death. And the -- the rest of his testimony, while
11 helpful, really, in my view, is out of scope, so I
12 don't have any questions either. Thank you.

13 THE CHAIRPERSON: Thank you, Mr.
14 Meronek. Yes, Ms. Steinfeld?

15 MS. DAYNA STEINFELD: I so have some
16 questions for Mr. Collins if the panel will allow me.
17 I believe we have time.

18

19 CROSS-EXAMINATION BY MS. DAYNA STEINFELD:

20 MS. DAYNA STEINFELD: Again, welcome,
21 Mr. Collins. I'd like to start. My understanding is
22 that your evidence is that the cost of service study
23 of Centra is flawed.

24 Is that correct?

25 MR. BRIAN COLLINS: Yes, that was my

1 position in my pre-filed direct evidence.

2 MS. DAYNA STEINFELD: And without
3 getting into the detail of methodologies, is the
4 reason that you believe the study is flawed because of
5 the use of the peak and average allocator for the
6 transmission costs?

7 MR. BRIAN COLLINS: Well, I was not
8 provided the electronic version of the class of cost
9 of service study, so I was really unable to really
10 dive into the -- the methods and check the numbers of
11 the results that were produced by the class of cost of
12 service study.

13 It may be that peak and average is
14 driving the results that we're seeing, you know, in
15 the class of cost of service study with respect to the
16 large transportation customers.

17 Again, based on the results, I'm just
18 not exactly sure what it was referring inside the
19 study.

20 MS. DAYNA STEINFELD: So, is it the
21 results that is driving your conclusion that the study
22 itself is unreliable?

23 MR. BRIAN COLLINS: Yes, the results
24 of the study for the special contract customer class
25 indicate that they would need in excess of a, you

1 know, 60 percent increase.

2 And this really causes me some pause
3 and concern when I look at the overall system
4 increase, again, results in a -- in a small change to
5 the overall, you know, revenue requirement.

6 MS. DAYNA STEINFELD: And I take it
7 that, as a result of that view, your primary position
8 is that this Board should not approve any rate changes
9 to any customer class until after a cost of service
10 study methodology review is complete.

11 Do I have that right?

12 MR. BRIAN COLLINS: Yes, that's
13 correct.

14 MS. DAYNA STEINFELD: And on your, I
15 think it was, slide 4 in the slide numbers, maybe 5 --
16 slide 4, yes -- oh, wait, no.

17

18 (BRIEF PAUSE)

19

20 MS. DAYNA STEINFELD: Slide 5. Let's
21 try slide 3. Sorry, 3. Yes, this is the one (1).
22 Thank you.

23 So, down near the bottom of this page,
24 one (1) of the reasons you give for that primarily
25 position is that the current rates have been found to

1 be reasonable by the Board.

2 Do you see that there, Mr. Collins?

3 MR. BRIAN COLLINS: Yes, I do.

4 MS. DAYNA STEINFELD: And in saying
5 that, are you referring to the Board's decision in the
6 2013/'14 GRA?

7 MR. BRIAN COLLINS: I believe that is
8 the one (1) that pertains to the current rates that
9 are in effect.

10 MS. DAYNA STEINFELD: And on your
11 primary position, do I take it that your view is
12 Centra would still fully recover its revenue
13 requirement?

14 Is that correct?

15 MR. BRIAN COLLINS: Yes.

16 MS. DAYNA STEINFELD: But would you
17 accept that, if this position were accepted, that
18 certain customer classes who would otherwise be
19 entitled to a rate reduction would not receive that
20 reduction?

21 MR. BRIAN COLLINS: I guess if you're
22 meaning to look at the results of the current class of
23 cost of service study, if you're measuring whether
24 that rate change would be appropriate in terms of the
25 current class of cost of service study that's been

1 provided in this proceeding, I think I would agree
2 with your statement.

3 MS. DAYNA STEINFELD: Thank you. And
4 if we advance one (1) slide just for reference, your -
5 - let's call it your alternative recommendation
6 regarding an equal percent change for all rate
7 classes.

8 That's what the letter 'B' on this
9 slide is dealing with, Mr. Collins?

10 MR. BRIAN COLLINS: Yes.

11 MS. DAYNA STEINFELD: You're aware
12 that Centra is proposing removing funding for the
13 furnace replacement program in this proceeding?

14 MR. BRIAN COLLINS: I believe I heard
15 that mentioned today, yes.

16 MS. DAYNA STEINFELD: Do you accept
17 that that change should be made?

18 MR. BRIAN COLLINS: I really have not
19 looked at that issue, so I really don't have an
20 opinion.

21 MS. DAYNA STEINFELD: If the change
22 that Centra is proposing is made, would you agree that
23 the change would be for the SGS class that is
24 currently funding the program?

25 MR. BRIAN COLLINS: I believe that's

1 my understanding.

2 MS. DAYNA STEINFELD: And I believe
3 Ms. Derksen discussed this with me earlier today, but
4 do you accept that when you remove the funding of the
5 furnace replacement program, the SGS class revenue to
6 cost coverage ratio decreases to approximately one
7 hundred (100)?

8 MR. BRIAN COLLINS: I believe that's
9 what I heard today, I believe.

10 MS. DAYNA STEINFELD: And so, with
11 that in mind, would you accept that the small decrease
12 in overall system non-gas revenue requirement that
13 you've identified, the reason for that is the removal
14 of the funding of the furnace replacement program?

15 MR. BRIAN COLLINS: Again, I've not
16 really looked at that issue, but I would agree,
17 subject to check.

18 MS. DAYNA STEINFELD: And -- and
19 subject to check, if -- accepting that that's the
20 reason for the small decrease, would you then accept
21 that all other rate changes in this proceeding are
22 essentially just rebalancing between the classes of
23 the revenue requirement recovery?

24 MR. BRIAN COLLINS: Yes. It really is
25 just a matter of shifting cost between classes. And

1 the overall revenue requirement for Centra is
2 basically flat.

3 MS. DAYNA STEINFELD: Okay. So, with
4 -- with that in mind, would you agree that there are
5 no other non-gas rate changes to be made in this
6 proceeding?

7 MR. BRIAN COLLINS: I believe that's a
8 fair statement.

9 MS. DAYNA STEINFELD: So, if we go
10 back to slide number 4, what's -- slide 4. Thank you.
11 What's listed there at the top of the screen, in this
12 proceeding, an equal percent change for all rate cra -
13 - rate classes, would I be right in understanding that
14 that would equate to no rate change for any rate class
15 at all?

16 MR. BRIAN COLLINS: That's correct.

17

18 (BRIEF PAUSE)

19

20 MS. DAYNA STEINFELD: And I take it
21 from the bottom half of this slide that, should this
22 Board determine that there should, at this time, be
23 rate changes, you do recommend that there be some bill
24 mitigation for the special contract class?

25 Is that fair?

1 MR. BRIAN COLLINS: That's a fair
2 statement, yes.

3 MS. DAYNA STEINFELD: And one (1) of
4 the things that you said in your evidence earlier
5 related to the consideration of gas costs.

6 Do you recall that?

7 MR. BRIAN COLLINS: Yes.

8 MS. DAYNA STEINFELD: I take it that
9 you agree that the Board should not look at gas costs
10 when designing class rates?

11 MR. BRIAN COLLINS: Yes, I agree.

12 MS. DAYNA STEINFELD: Would you agree,
13 however, that it would be reasonable to consider gas
14 costs when determining if there should be bill
15 mitigation?

16 MR. BRIAN COLLINS: I would not agree.

17 MS. DAYNA STEINFELD: And why is that?

18 MR. BRIAN COLLINS: Again, I believe
19 that the gas costs are really irrelevant when -- when
20 determining bill mitigation.

21 MS. DAYNA STEINFELD: And just help me
22 understand that, Mr. Collins. Why would they be --
23 why would looking at the overall bill and the
24 percentage change of the overall bill be irrelevant
25 when considering bill mitigation?

1 MR. BRIAN COLLINS: Well, I think when
2 you look at the percents of rate change that includes
3 gas costs, I'm not sure that you can just exactly look
4 at the percent change in a vacuum. I think you have
5 to look at the -- the overall magnitude of the
6 increase.

7 I've seen this approach used in several
8 utilities in the United States where they include gas
9 costs in their filing for an increase in delivery
10 service rates.

11 And really the main reason for that is
12 to, you know, soften the appearance of the overall
13 delivery service rate increase. When looking at the -
14 - the amount of money that's at stake in this
15 proceeding for the special contract customer class,
16 you know, the -- the level of -- of the dollar amount
17 is -- is real money.

18 So, I think when you look at a
19 percentage that includes gas costs, it really doesn't
20 tell the whole story.

21 MS. DAYNA STEINFELD: Thank you for
22 that. Staying on this slide, your number 2, it says
23 there:

24 "In order for measures of
25 reasonableness to have meaning --"

1 And here we're talking about the -- the
2 zone of reasonableness. Is that correct?

3 MR. BRIAN COLLINS: Yes, that's
4 correct.

5 MS. DAYNA STEINFELD: So, it says:
6 "In order for measures of
7 reasonableness to have meaning, the
8 class cost of service study has to
9 be robust."

10 Do you see that there?

11 MR. BRIAN COLLINS: I -- I do.

12 MS. DAYNA STEINFELD: And I'm
13 wondering if you could help me understand. If -- if a
14 utility or a regulator is fully confident in the cost
15 of service study, why would you need to have a zone or
16 reasonableness at all?

17 MR. BRIAN COLLINS: I'm sorry, could
18 you repeat the question again?

19 MS. DAYNA STEINFELD: If it was
20 determined that the class cost of service study in a
21 proceeding was robust, why would you need to use a
22 zone of res -- reasonableness?

23 MR. BRIAN COLLINS: Well, in my
24 experience, you know, I -- I have seen utilities
25 propose to set rates based on class of cost of service

1 study.

2 You know, one (1) reason to use a zone
3 of reasonableness is, again, you know, class of cost
4 of service studies can at times be, you know,
5 imprecise.

6 I have seen a zone the reasonableness
7 used before in -- in other jurisdictions in the -- in
8 the states. So, you know, my opinion is that, if you
9 have, you know, a high level of confidence in the
10 class of cost of service study, then I think it would
11 be appropriate to set those rates based on, you know,
12 class of cost of service study.

13 But I think zone of reasonableness is
14 really up to the -- you know, the utility board or
15 commission that's really making the determination. It
16 really depends on their comfort level, you know, with
17 -- with the class of cost of service study.

18 MS. DAYNA STEINFELD: And did you hear
19 Mr. McLaren's evidence whatever day that was, I'm
20 losing track of time, but his evidence that I'll
21 summarize as being the more unreliable you consider
22 your cost of service study to be, the more you need a
23 zone of reasonableness and in fact the broader the
24 zone of reasonableness should be?

25 MR. BRIAN COLLINS: I did not hear his

1 testimony, but I did look at the transcript. And I do
2 recall seeing that in his presentation.

3 MS. DAYNA STEINFELD: And do I take it
4 from your last answer that you agree with Mr.
5 McLaren's view on the zone of reasonableness?

6 MR. BRIAN COLLINS: Yes, I agree. I
7 think, if you have, you know, much less confidence in
8 the cost of service study, it would be, you know,
9 prudent to definitely expand the zone of
10 reasonableness.

11

12 (BRIEF PAUSE)

13

14 MS. DAYNA STEINFELD: And, Mr.
15 Collins, I'm not intending to -- to put you on the
16 spot. You haven't touched on in your evidence, I
17 don't believe, in -- in writing or today the heating
18 value margin deferral account.

19 Is that something that you were not
20 asked to look at in this proceeding?

21 MR. BRIAN COLLINS: Well, that issue
22 is being handled by Mr. McLaren in IGU. And to avoid
23 any duplication of evidence, IGU is handling that
24 issue.

25 MS. DAYNA STEINFELD: Okay.

1 MR. BRIAN COLLINS: So, I do not have
2 an opinion on that.

3 MS. DAYNA STEINFELD: Thank you. That
4 was going to be my question. Thank you, Mr. Collins.
5 Mr. Chair, those are my questions of this witness.

6

7 (BRIEF PAUSE)

8

9 THE CHAIRPERSON: Mr. Collins, thank
10 you.

11 MR. LEWIS MANNING: Thank you, Mr.
12 Chairman. I think there's a housekeeping matter to
13 assign Mr. Collins's direction examination. And
14 Exhibit number -- I believe it's number 9.

15

16 (BRIEF PAUSE)

17

18 THE CHAIRPERSON: Yes. Thank you,
19 sir.

20 MR. BRIAN COLLINS: Thank you very
21 much.

22

23 --- EXHIBIT KOCH-9: Koch Presentation.

24

25 (WITNESS STANDS DOWN)

1 THE CHAIRPERSON: And that completes
2 our proceedings for the day. We are now adjourned to
3 Thursday at nine o'clock. Good afternoon.

4 MR. LEWIS MANNING: Thank you.

5

6 --- Upon adjourning at 2:01 p.m.

7

8

9 Certified Correct,

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12 _____

13 Donna Whitehouse, Ms.

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