



“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  
August 22nd, 2019  
Pages 859 to 1163

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APPEARANCES

Bob Peters ) Board Counsel  
Dayna Steinfeld )  
Brent Czarnecki (np) ) Centra Gas Manitoba  
Jessica Carvell )  
Helga Van Iderstine (np) )  
Brian Meronek, Q.C. ) Consumers  
 ) Association of  
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 ) Inc.  
Antoine Hacault ) Industrial Gas  
 ) Users  
Lewis Manning (np) ) Koch Fertilizer  
 ) Canada, ULC

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10	Centra to provide that by way of CSI to the Board, the other nominating agent which has about six (6) numbers to give the actual number to the Board of the companies that it's an agent for	1008
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1 --- Upon commencing at 9:00 a.m.

2

3 THE CHAIRPERSON: Good morning, all.

4 Are there any housekeeping matters?

5 MS. JESSICA CARVELL: Good morning.

6 There is one (1) housekeeping matter. Centra has  
7 filed its undertakings, and I'd ask that be -- they be  
8 marked as exhibits.

9 So Undertaking number 1 through 7  
10 should be marked as Exhibit 42 to 48, and Undertaking  
11 number 9 should be marked as 49.

12 THE CHAIRPERSON: Thank you.

13

14 --- EXHIBIT NO. CENTRA-42: Centra Undertaking 1

15

16 --- EXHIBIT NO. CENTRA-43: Centra Undertaking 2

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1 --- EXHIBIT NO. CENTRA-48: Centra Undertaking 7

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3 --- EXHIBIT NO. CENTRA-49: Centra Undertaking 9

4

5 (BRIEF PAUSE)

6

7 THE CHAIRPERSON: And Ms. Carvell,  
8 you're presenting your witnesses this morning?

9

10 EXAMINATION-IN-CHIEF BY MS. JESSICA CARVELL:

11 MS. JESSICA CARVELL: Yes, I am. I  
12 would ask that they give a brief introduction before  
13 they're sworn in.

14 MS. LORI STEWART: Good morning,  
15 panel. My name is Lori Stewart. I have overall  
16 responsibility for the gas supply function at the  
17 Utility, so all of the arrangements that are upstream  
18 or downstream of Centra's distribution system. And  
19 I've been with the Utility or its predecessor  
20 companies for thirty (30) years now. I also have  
21 extensive experience testifying before the National  
22 Energy Board on Centra's behalf.

23 I'm here with my colleague, Mr.  
24 Kostick, who will introduce himself. And as well, I'd  
25 just like to introduce our back row support members.



1 Ms. Foulkes is our manager of gas supply operations.

2 Certainly, F-O-U-L-K-E-S. And Mr.

3 Sigurdson is our senior gas market anal -- analyst.

4 And so all of the monthly deferral reporting that

5 Centra provides to the Board and its -- and its

6 consultants are prepared under Mr. Sigurdson's

7 purview. Thank you.

8

9 (BRIEF PAUSE)

10

11 MR. NEIL KOSTICK: Good morning, panel

12 members. My name is Neil Kostick. I'm the manager of

13 long-term planning and market analysis within the gas

14 supply function at Centra Gas. I've had several

15 different roles within gas supply over the last dozen

16 years, and I believe this will be about the fifth time

17 that I've appeared before a PUB panel. I've also

18 appeared on -- on a few occasions before the National

19 Energy Board as well, and I'm happy to be here and

20 able to talk with you today.

21 THE CHAIRPERSON: Welcome.

22

23 (BRIEF PAUSE)

24

25 CENTRA GAS PANEL NO. 3 re Balancing Fees

1 LORI HEATHER STEWART, Sworn

2 NEIL CURTIS KOSTICK, Sworn

3

4 THE CHAIRPERSON: The record will show  
5 that Ms. Stewart and Mr. Kostick have been sworn in.  
6 And Ms. Carvell...?

7

8 CROSS-EXAMINATION BY MR. BOB PETERS:

9 MR. BOB PETERS: Thank you. If I may,  
10 Mr. Chair, by way of further introductions, I had the  
11 good pleasure this morning to meet some colleagues of  
12 Mr. Hacault. Unfortunately, I only remember them by  
13 their first names, Tyrek (phonetic) and Debbie, but I  
14 thought because Mr. Hacault was ganging up, we put a  
15 call into Fillmore Riley and David Theissen has joined  
16 us, one (1) of our students as well, so that we could  
17 balance out the numbers in the hearing room. I want  
18 to welcome him to hearing room as well.

19 But leaving that aside, Ms. Stewart,  
20 enough about other people. Can you tell the Board  
21 briefly your responsibilities as it relates to the  
22 balancing of Centra's gas supply?

23

24 (BRIEF PAUSE)

25

1 MS. LORI STEWART: Yes, Centra, as the  
2 Utility, has responsibility for balancing to delivery  
3 areas that encompass the Province of Manitoba, the  
4 Manitoba delivery area, as well as the south  
5 Saskatchewan delivery area.

6 So our customers up in the Dauphin,  
7 Binscarth/Russell region are served off of a pipeline  
8 that is -- is contained within the south Saskatchewan  
9 delivery area of the Province.

10 However, the vast majority of our  
11 customers and our meters are situated within the MDA  
12 is what you may hear reference to. So if I use that  
13 lingo, I'm -- I'm broadly referring to both delivery  
14 areas within the Province.

15 Back when T-Service, or transportation  
16 service was -- was -- came into being here in  
17 Manitoba, and that was as a result of Board Order  
18 112/'88, at that time, transportation service  
19 customers retained their own responsibility for  
20 balancing their account directly with the TransCanada  
21 mainline. And over time, that responsibility or  
22 obligation was transitioned to the utilities within  
23 the delivery areas.

24 And as a result, Centra now retains the  
25 overall obligation to the TransCanada mainline to

1 balance its delivery area, balance meaning the amount  
2 of gas that has been nominated onto the pipeline  
3 relative to what is actually being consumed.

4           And so Centra's staff are -- Centra's  
5 staff work three hundred and sixty-five (365) days a  
6 year. We rely on hourly SCADA reporting in order to  
7 be tracking what is the low doing relative to our  
8 forecast hour by hour, and ensuring that at the  
9 opportunities that are available to all customers on  
10 the TransCanada mainline, including transportation  
11 service customers, that we make adaptations as the gas  
12 day unfolds in order to balance as close to zero as we  
13 can.

14           So to bring nominations at various  
15 intraday nomination windows, and make those fine  
16 tuning adjustments to ensure that what's being burned  
17 in our market, that we have sufficient gas supplies on  
18 the TransCanada Pipeline, not more, not less,  
19 recognizing that -- that none of us are able to  
20 balance to zero, but we must tightly manage that, and  
21 we are charged with that responsibility.

22           Now, the importance of that as a  
23 downstream operator, and that's -- that's the phrase  
24 that's used to describe Centra and other utilities'  
25 roles in managing balances on the TransCanada

1 mainline. And so the importance of that is to protect  
2 the integrity of the pipeline.

3           So pipelines can be stressed if there  
4 is too much gas moving through them, and as a result,  
5 it's important that shippers on those pipelines are  
6 very responsible about not pulling more gas off the  
7 system than what they're entitled to by way of their  
8 nominations.

9           So it's twofold. It's to protect the  
10 integrity of the pipeline and this -- the overall  
11 safety of the pipeline system, and as well, if you  
12 think about a bullet pipeline like the TransCanada  
13 mainline that commences at the Alberta/Saskatchewan  
14 border and ultimately is going to be extended all the  
15 way into the Maritimes area of -- or is -- is  
16 providing gas supply all the way to the Maritimes area  
17 of Canada, if customers are not -- if shippers are not  
18 responsible -- very responsible to tight tolerances  
19 about how much gas they take off that pipeline,  
20 ultimately, at the very end of the pipeline, the  
21 supply may not be there.

22           And that's why those two (2) reasons,  
23 the physical, protecting the physical integrity of the  
24 pipeline system as well as protecting the interests of  
25 downstream customers, it's why balancing fees have

1 very onerous penalties. It's why they're incentive-  
2 based structures and not cost-based structures.

3 So that describes for the Panel our  
4 role as Utility, as downstream operator, or DSO, on  
5 the TCPL Mainline.

6 MR. BOB PETERS: Thank you, Ms.  
7 Stewart. I'll remind the panel that should they have  
8 questions at any time during my questions or even  
9 those of Mr. Hacault, to please to jump in. And I see  
10 Ms. Kapitany is going to take us up on that.

11 VICE-CHAIR KAPITANY: Ms. Stewart, you  
12 said at the beginning, I believe, that initially the  
13 transportation service customers had responsibility  
14 themselves for balancing their load, and then  
15 gradually it morphed over to Centra. I think that's  
16 what I heard you say.

17 Can you tell me why that happened?

18

19 (BRIEF PAUSE)

20

21 MR. NEIL KOSTICK: That happened in  
22 the mid to late 1990s when TransCanada identified that  
23 managing the imbalances with every individual shipper  
24 on the TransCanada Mainline was onerous and complex  
25 and inefficient, so during that period of time,

1 TransCanada transitioned that responsibility to  
2 utilities like Centra. Typically, these are  
3 provincial utilities where essentially TransCanada  
4 shifted that responsibility to -- to the utilities.

5                   And to be clear, TransCanada literally  
6 does nothing in terms of the operational management of  
7 balances on the Mainline. It's all at the level of  
8 the gas utilities, whether it's Centra in Manitoba or  
9 Enbridge in Ontario or Energir in Québec.

10                   So whereas TransCanada had that  
11 responsibility, they didn't really want to maintain  
12 that responsibility, it was put on the gas utilities,  
13 and we manager our own areas, and we are the ones  
14 responsible. There is no real operational physical  
15 thing that's done by TransCanada to manage imbalances  
16 on the system. It's all at the -- at the gas utility  
17 -- utility level.

18                   VICE-CHAIR KAPITANY:     So then  
19 initially it would have been each T-Service customer  
20 that was responsible for paying any penalty or  
21 receiving any incentive for keeping the pipeline  
22 imbalance?

23                   MR. NEIL KOSTICK:     Correct. It was  
24 all done at an individual shipper level --

25                   VICE-CHAIR KAPITANY:     Thank you.

1 MR. NEIL KOSTICK: -- between  
2 themselves and TransCanada.

3

4 CONTINUED BY BOB PETERS:

5 MR. BOB PETERS: Mr. Kostick, just to  
6 follow up on Ms. Kapitany's question, there is never a  
7 financial reward to a company that's within balance,  
8 is there?

9 MR. NEIL KOSTICK: No, there's no  
10 reward. The only reward, if you will, is paying lower  
11 fees, but it's not possible for Centra to balance  
12 perfectly. We will have imbalances despite embedding  
13 a tremendous amount of flexibility in our supply,  
14 transportation, storage portfolio.

15 So even though we have some  
16 disadvantages were we don't have local storage in  
17 Manitoba and we only have one pipeline that goes  
18 through Manitoba, that being TransCanada, we, to the  
19 greatest extent possible, built flexibility into our  
20 supply, transport, storage arrangements to minimize  
21 those fees but we cannot get our fees down to zero,  
22 and there's never a reward other than making them as  
23 low as possible, those fees that is.

24 MR. BOB PETERS: All right. Thank  
25 you.



1                   And, Ms. Stewart, as much as try to be  
2 acronym-free or at least minimize it, you slipped one  
3 (1) in on your answer before. I think you called it  
4 SCADA.

5                   Do you remember saying that? Can you  
6 explain to the Panel what that means?

7

8   (BRIEF PAUSE)

9

10                   MR. NEIL KOSTICK: I think I have this  
11 right but I believe SCADA stands for Supervisory  
12 Control and Data Acquisition. That's basically an IT  
13 system, if you will, that gathers all the data related  
14 to consumption on Manitoba systems, so we have remote  
15 monitoring of gas meters throughout Manitoba, and for  
16 our large volume customers we take hourly meter reads  
17 through telecommunications, and it comes into our  
18 SCADA system, if you will, that IT system that gathers  
19 all that info and provides all the operational  
20 information that the Utility needs.

21                   MR. BOB PETERS: And I'll just remind  
22 Ms. Stewart and Mr. Kostick that the questions that  
23 are being asked on behalf of the Board, none of them  
24 are seeking to elicit information that Centra believes  
25 will be confidential and should not be disclosed on

1 the public record.

2 Is that understood and acceptable to  
3 you?

4 MS. LORI STEWART: Yes.

5 MR. BOB PETERS: And, Ms. Stewart and  
6 Mr. Kostick, should any of -- should either of you  
7 believe that to fully respond to a question, and you  
8 need to also provide some confidential information,  
9 we'd ask you to speak to Ms. Carvell who will propose  
10 a process to get that confidential information before  
11 the Board.

12 Would that also be understood and  
13 acceptable?

14 MS. LORI STEWART: Yes.

15 MR. BOB PETERS: From the descriptions  
16 you've given me, would I be correct to say that  
17 neither of you have your hands on the day-to-day  
18 responsibilities for balancing, but that's a matter  
19 that you supervise within the Centra system?

20 MS. LORI STEWART: Yes, that's  
21 correct.

22 MR. BOB PETERS: I'd be correct, would  
23 I, Ms. Stewart, that neither of you communicate  
24 directly with the T-Service customers on a daily basis  
25 about their balancing levels?

1 MS. LORI STEWART: That's correct.

2 MR. BOB PETERS: Ms. Stewart, is it  
3 correct that parties that put natural gas onto the  
4 TransCanada Pipeline Mainline are known as shippers,  
5 and that's a word that you used in one of your  
6 previous answers?

7 MS. LORI STEWART: Yes.

8 MR. BOB PETERS: Centra is a shipper?

9 MS. LORI STEWART: We are, meaning  
10 that we hold a transportation contract on the TCPL  
11 Mainline pipeline.

12 MR. BOB PETERS: And there's many  
13 different types of transportation contracts, but as a  
14 holder of any one (1) of those, you are known as a  
15 shipper on the TCPL system?

16 MS. LORI STEWART: Yes.

17 MR. BOB PETERS: And is it correct  
18 that Centra's transportation service customers are  
19 themselves shippers on the TCPL Mainline?

20 MS. LORI STEWART: Yes. My  
21 understanding is that many, if not most of them, hold  
22 transportation contracts in their own name.

23 MR. BOB PETERS: And so for the  
24 purposes of my questions and your answers, T-Service  
25 customers and transportation service customers mean

1 exactly the same thing.

2 Is that understood and agreed?

3 MS. LORI STEWART: It is.

4 MR. BOB PETERS: And in terms of  
5 transportation service customers, they are responsible  
6 to secure their own natural gas molecules.

7 Is that correct?

8 MS. LORI STEWART: Yes, they are, in  
9 addition to facilitating that gas arriving at Centra's  
10 distribution system. So all of their -- what -- for  
11 ease of reference, I'll refer to it as all upstream of  
12 Centra's distribution system arrangements.

13 MR. BOB PETERS: And I believe, as Ms.  
14 Steinfeld had discussed with some of your colleagues  
15 and other witnesses, these T-Service customers are  
16 responsible to arrange their own transportation on the  
17 TransCanada Pipeline to move their natural gas  
18 molecules to the Manitoba area.

19 MS. LORI STEWART: Yes.

20 MR. BOB PETERS: You -- you included  
21 in one of your answers, Ms. Stewart, the south  
22 Saskatchewan delivery area, correct?

23 MS. LORI STEWART: I did.

24 MR. BOB PETERS: And Manito -- sorry,  
25 and Centra Gas is responsible for balancing that area

1 as well, correct?

2 MS. LORI STEWART: Yes, we are.

3 MR. BOB PETERS: But for the purposes  
4 of our discussion today, Ms. Stewart, and I don't want  
5 any individual T-Service customer's information put on  
6 the record, but is the south Saskatchewan delivery  
7 area an area in which T-Service customers, to your  
8 knowledge, ship?

9 MS. LORI STEWART: Yes.

10 MR. BOB PETERS: Okay.

11

12 (BRIEF PAUSE)

13

14 MR. BOB PETERS: When a T-Service or  
15 transportation service customer of Centra is getting  
16 gas onto the TransCanada Mainline, they do not require  
17 Centra's permission or involvement in those  
18 transactions, do they, Ms. Stewart?

19 MS. LORI STEWART: They do not.

20 MR. BOB PETERS: Ms. Stewart, is it  
21 correct that Centra buys its gas based on energy  
22 content?

23 MS. LORI STEWART: Yes.

24 MR. BOB PETERS: And that's distinct  
25 from buying gas, say, on a volumetric basis, correct?

1 MS. LORI STEWART: That's correct.

2 MR. BOB PETERS: Why does Centra buy  
3 its gas based on energy content?

4 MS. LORI STEWART: It's the nature of  
5 the gas market. Gas is sold in gigajoules and that's  
6 not a volumetric measure. It's a -- an energy  
7 measure.

8 MR. BOB PETERS: And so would it be  
9 correct then that when -- when we say energy content,  
10 that's the same in -- in the industry as heat content  
11 of the gas?

12 MS. LORI STEWART: Yes.

13 MR. BOB PETERS: And you indicated  
14 gigajoules is a unit of measure, and that's a measure  
15 of energy, correct?

16 MS. LORI STEWART: That's correct.

17 MR. BOB PETERS: Ms. Stewart, perhaps  
18 using some rough math, as lawyers often do, would you  
19 accept that an annual residential home would consume  
20 approximately 100 gigajoules a year if you were to  
21 round it up to the closest 100?

22 MS. LORI STEWART: Mr. Sigurdson  
23 counsels that that number may be a little high, but  
24 you're in the neighbourhood, Mr. Peters.

25 MR. BOB PETERS: Well, from my math I

1 fear, okay, we'll -- we'll use that number because  
2 we're throwing around units of energy measurement that  
3 for some of us aren't commonplace, Ms. Stewart. So  
4 you're okay with 100 per residential customer for a  
5 year?

6 MS. LORI STEWART: As an approximate  
7 number, yes.

8 MR. BOB PETERS: Absolutely. And  
9 that's distinct from the other measure of volume that  
10 the gas company uses, which is cubic metres, where  
11 1000 cubic metres or ten three M3s, correct?

12 MS. LORI STEWART: Yes, Centra bills  
13 on a volumetric basis as distinct from the acquisition  
14 of supply, which is on an energy basis.

15 MR. BOB PETERS: And Ms. Stewart, is  
16 it all of Centra's supplies that are purchased on an  
17 energy basis, or just the primary gas supplies?

18 MS. LORI STEWART: All of our -- all  
19 of our gas supplies, primary gas or supplemental gas  
20 are acquired on an energy basis.

21 MR. BOB PETERS: And Ms. Stewart, can  
22 you confirm to the Board that transportation service  
23 customers also buy their natural gas molecules based  
24 on energy content?

25 MS. LORI STEWART: That's correct.

1 MR. BOB PETERS: And for the same  
2 reason, which is that's the industry standard and the  
3 -- the nature in the market?

4 MS. LORI STEWART: That's correct.

5 MR. BOB PETERS: And I believe we've  
6 heard from other witnesses, Ms. Stewart, that  
7 TransCanada pipeline has a minimum and a maximum  
8 energy content that it requires the gas put on its  
9 pipeline to -- to fall within that range.

10 Are you aware of that?

11 MS. LORI STEWART: Yes, the pipeline  
12 within its tariff has a range of acceptable gas  
13 quality as it relates to energy content.

14 MR. BOB PETERS: Is it accepted, Ms.  
15 Stewart, that Centra's gas for its sales service  
16 customers come primarily from western Canadian  
17 sources?

18 MS. LORI STEWART: Yes.

19 MR. BOB PETERS: Which province?

20 MS. LORI STEWART: Well, the actual  
21 molecule could be sourced in either Alberta or  
22 northeastern BC.

23 MR. BOB PETERS: And from wherever  
24 those molecules are sourced, Ms. Stewart, Centra is  
25 also responsible to get them to what you described as



1 the -- the start of the TransCanada pipeline on the  
2 Manitoba -- sorry, on the Saskatchewan-Alberta border?

3 MS. LORI STEWART: Could you rephrase  
4 that question?

5 MR. BOB PETERS: As a shipper on the  
6 TransCanada pipeline, it is Centra's responsibility to  
7 get its molecules to the TransCanada pipeline origin,  
8 correct?

9 MS. LORI STEWART: Well, there is a --  
10 a market hub at the connection of the TransCanada main  
11 line to the upstream gathering system, the Nova Gas  
12 Transmission Limited or NGTL system. And so Centra  
13 acquires some of its gas upstream of the Empress  
14 market hub, but it also acquires significant gas  
15 supply at Empress.

16 MR. BOB PETERS: You're telling the  
17 panel that the parties from whom Centra contracts to  
18 get the molecules sometimes have responsibility in  
19 those contracts to deliver it to Empress, Alberta?

20 MS. LORI STEWART: That's correct.

21 MR. BOB PETERS: Is it also correct  
22 that T-Service customers are responsible for injecting  
23 their own gas supplies onto TCPL?

24 MS. LORI STEWART: Yes, perhaps not  
25 the actual T-Service customer and you know, we have

1 Mr. Labonte in the room, who is a nominating agent on  
2 behalf of T-Service customers.

3 But yes -- but yes, in principle.

4 MR. BOB PETERS: So the customers gas  
5 has to be brought to TCPL, whether it's by the  
6 customer or their nominating agent, some arrangements  
7 are made to do that?

8 MS. LORI STEWART: Or acquired at the  
9 Empress market hub at -- at the commencement of the  
10 TCPL main line, yes.

11 MR. BOB PETERS: And Ms. Stewart,  
12 we've talked about TransCanada pipeline and its main  
13 line system, I think you even called it a bullet  
14 pipeline, if I recall. Why is the TCPL so integral to  
15 our discussions?

16 MS. LORI STEWART: Centra is uniquely  
17 situated in that the TCPL mainline is the only  
18 pipeline by which physical gas supplies can serve the  
19 Manitoba market.

20 And in Centra's evidence I -- you know,  
21 we talked about by comparison, for example, our -- our  
22 utility colleague in Saskatchewan is situated very  
23 differently from Manitoba on two -- two fronts. First  
24 of all, the geography of Saskatchewan has allowed for  
25 the development of multiple storage caverns within the

1 province of Saskatchewan and by the luck of where the  
2 border got drawn, you know, the -- the salt reservoir  
3 narrows once we get into Manitoba such that  
4 development of salt cavern storage doesn't exist here  
5 in Manitoba.

6                   So Trans Gas, as a example, is very  
7 different from Centra in that it has several local  
8 storage reservoirs and it operates them, it owns them,  
9 it's distinct in that regard.

10                   It also is distinct in that it's served  
11 by multiple different pipelines, so Trans Gas has  
12 direct interconnects with the Nova Gas transmission  
13 limited system. It also is a shipper on the TCPL  
14 mainline, it is also served by the foothills system,  
15 it has an interconnect with the US at a point called  
16 portal, and so it is situated differently in that it  
17 is not captive to the TCPL mainline the way that  
18 Centra is.

19                   MR. BOB PETERS:    So not in a  
20 derogatory way, but Manitoba is captive on the  
21 TransCanada pipeline is your evidence?

22                   MS. LORI STEWART:    That's correct. It  
23 -- it's simply our reality.

24                   MR. BOB PETERS:    And in terms of the  
25 TransCanada pipeline, can you indicate where the

1 closest injection site is onto the TransCanada  
2 pipeline west of Manitoba?

3 MS. LORI STEWART: The closest  
4 injection site for gas supplies, or --

5 MR. BOB PETERS: Yes, for -- for a  
6 shipper who wants to put gas on the TransCanada  
7 pipeline, what is the closest injection site to the  
8 western Manitoba border?

9 MS. LORI STEWART: Similar to -- well,  
10 I'm -- I'm imagining my TCPL mainline map right now,  
11 and there is a point called Welwyn, I would have to  
12 confirm whether it is simply a delivery point now or  
13 whether it's also a receipt point.

14 But there are various points along the  
15 TCPL mainline in the province of Saskatchewan on which  
16 gas supplies can move onto the system. Suffield is  
17 another one, it's closer to the Alberta border.

18 Is -- is that the type of information  
19 you're seeking, Mr. Peters?

20 MR. BOB PETERS: That's helpful.  
21 Thank you for that.

22 And is it correct, Ms. Stewart, that in  
23 addition to Centra Gas Manitoba Inc. and the Manitoba  
24 T-Service customers that are shipping gas on  
25 TransCanada pipeline from western Canada, so to do

1 other shippers whose markets are east of Manitoba?

2 MS. LORI STEWART: That's correct.

3 MR. BOB PETERS: And so that would  
4 include large shippers, and I think you mentioned  
5 Enbridge as an example and Energir in Quebec.

6 MS. LORI STEWART: Energir.

7 MR. BOB PETERS: Energir, sorry, yes.  
8 And Union Gas?

9 MS. LORI STEWART: Union is now  
10 integrated or merged with Enbridge, so yes, Enbridge.

11 MR. BOB PETERS: And are some of these  
12 shippers larger shippers, to your knowledge, than  
13 Centra Gas Manitoba Inc.?

14 MS. LORI STEWART: Certainly the  
15 Enbridge market is significantly larger than Centra's  
16 market, in terms of how much gas they ship on the  
17 TransCanada mainline, last -- I -- I recall our  
18 evidence in a National Energy Board hearing as we're  
19 the largest captive shipper on the TCPL mainline, but  
20 I would need to go and look at the contract demand  
21 reporting, Mr. Peters.

22 MR. BOB PETERS: No, I won't ask you  
23 to do that, Ms. Stewart.

24 But would you agree that the amount of  
25 natural gas shipped on TransCanada pipelines mainline

1 by Manitoba's T-Service customers is a very low  
2 percentage of the total gas on the TCPL system?

3 MS. LORI STEWART: Yes, definitely.

4 MR. BOB PETERS: Are you able to put  
5 any numbers to that, other than a very low percentage?

6 MS. LORI STEWART: I -- I think we  
7 should just leave it at the more casual  
8 characterization.

9 MR. BOB PETERS: Fair enough.

10 Do you agree that the gas injected onto  
11 the TransCanada mainline by Centra and by Manitoba T-  
12 Service customers can be of different energy contents?

13

14 (BRIEF PAUSE)

15

16 MR. NEIL KOSTICK: And just because we  
17 had our little side discussion, I'll just ask you to  
18 repeat the question to make sure I've got it right.

19 MR. BOB PETERS: Thank you. You might  
20 have to pull that microphone a little closer, Mr.  
21 Kostick, so that we can pick up your voice.

22 My question, sir, was -- let's start --  
23 let me rephrase it, which is a sign that I don't  
24 remember what I asked you.

25 But the -- Ms. Stewart told the panel

1 that there had to be an acceptable range of heat  
2 content of gas before it can get loaded onto the  
3 TransCanada pipeline. That's correct?

4 MR. NEIL KOSTICK: That's correct.

5 MR. BOB PETERS: And so do you agree  
6 that the gas that Centra injects onto the TransCanada  
7 mainline and the gas injected by Manitoba T-Service  
8 customers can be of different energy contents?

9 MR. NEIL KOSTICK: Practically  
10 speaking, that's probably not really the case. The  
11 fact is the gas is all co-mingled in a single stream,  
12 so all the gas entering the TransCanada mainline from  
13 -- sorry, the vast majority of the gas entering the  
14 TransCanada mainline is coming in at Empress, which is  
15 the border point between Alberta and Saskatchewan.

16 There are -- there is some gas that  
17 moves onto the mainline, the TransCanada mainline from  
18 points in Saskatchewan, but they are relatively small  
19 and they could have a different heat value than that  
20 at Empress.

21 But the gas flowing in at Empress off  
22 of the Nova system in Alberta would all be co-mingled  
23 and practically speaking, if Centra is nominating gas  
24 from the Nova system onto the TransCanada mainline and  
25 T-Service shippers are also doing that on the same

1 day, there's going to be a single heat value reading,  
2 if you will, that TransCanada is measuring at Empress.

3                   And in theory, yes, gas is coming onto  
4 the Nova system in Alberta from all different  
5 locations that will have different heat values. But  
6 ultimately the gas is co-mingled on a single system on  
7 very large pipelines, such that from a practical  
8 perspective the heat values would not differ across  
9 shippers.

10                   MR. BOB PETERS: The only way it would  
11 differ across shippers then, Mr. Kostick, is that if  
12 it got loaded onto the TransCanada mainline at  
13 different locations?

14                   MR. NEIL KOSTICK: That's correct.  
15 And then once it's on the TransCanada mainline, it is  
16 co-mingled in a common stream.

17                   MS. LORI STEWART: Which is to say  
18 that by the time it's consumed on Centra's  
19 distribution system there is one common heating value  
20 and there is one stream of gas.

21                   If some gas came on the system upstream  
22 at a point like Suffield, which is just east of  
23 Empress, if that happened, that those molecules are  
24 coming on and mingling with the other stream, it is a  
25 common stream.



1                   And by the time it hits Centra's meter  
2 stations, there is a single heating value for the  
3 natural gas being consumed on our system.

4                   MR. BOB PETERS:    I think that's  
5 helpful.  Am I correct in understanding then that, if  
6 Centra Gas Manitoba Inc. Sourced a hundred gigajoules  
7 of gas and a Manitoba T-Service customer also sourced  
8 a hundred gigajoules of gas but they loaded it at  
9 different places on the pipeline, the TransCanada,  
10 then the actual volume of gas that those two (2)  
11 shippers put on could be different?

12

13   (BRIEF PAUSE)

14

15                   MS. LORI STEWART:   Theoretically, yes.  
16 However, again, practically speaking, what you're  
17 describing is -- is a distinction that I'm -- I'm not  
18 sure it would be worth making.

19                   MR. BOB PETERS:    Okay.  I have your  
20 point.  You've each stressed that once the gas gets  
21 onto TransCanada, and, Ms. Stewart, you stressed that  
22 once it gets into the Centra delivery system, the gas  
23 has been co-mingled, so it comes -- it -- it considers  
24 having one (1) common energy content.

25   Have I got that right?

1 MS. LORI STEWART: Yes, that's  
2 correct.

3 MR. BOB PETERS: And is it correct  
4 that Centra takes its gas off the TransCanada system  
5 also based on energy content?

6  
7 (BRIEF PAUSE)

8  
9 MS. LORI STEWART: I can confirm that  
10 the commercial transactions are -- are all in energy.  
11 In terms of how each of the meters is -- there could  
12 be volumetric meters.

13 So, I -- I'm not sure I can confirm  
14 what you've asked me.

15 MR. BOB PETERS: I was saying, if  
16 Centra puts a hundred gigajoules of natural gas onto  
17 the TransCanada pipeline, it's also going to take a  
18 hundred gigajoules off of TransCanada's pipeline,  
19 correct?

20  
21 (BRIEF PAUSE)

22  
23 MS. LORI STEWART: Yes, that's  
24 correct.

25 MR. BOB PETERS: And whatever the

1 energy content was at the time it was loaded on  
2 doesn't impact the volume of gas that's going to be  
3 taken off in the Manitoba delivery area because you're  
4 taking the volume off also based on the energy  
5 content?

6 MS. LORI STEWART: That's correct. If  
7 we acquire a hundred gigajoules in a transaction at  
8 Empress, we take delivery of hundred gigajoules in  
9 Manitoba. And there is a -- you know, a slightly  
10 complicating factor in that we have to provide fuel to  
11 move the gas.

12 But absent fuel, if I acquired a  
13 hundred GJs, I'm getting a hundred GJs at -- at the  
14 delivery area.

15 MR. BOB PETERS: And that same would  
16 be true, Ms. Stewart, would it, for the T-Service  
17 customers in Manitoba?

18 MS. LORI STEWART: Yes.

19

20 (BRIEF PAUSE)

21

22 MR. BOB PETERS: So, Ms. Stewart, Mr.  
23 Kostick, on any given -- day, when the energy content  
24 of the natural gas that a shipper puts on the  
25 TransCanada pipeline does not exactly match the energy

1 content of the natural gas the shipper takes off the  
2 TransCanada pipeline in the Manitoba delivery area,  
3 then that shipper has what isn't -- or is what can be  
4 referred to as in an imbalance?

5 MS. LORI STEWART: Not in the context  
6 of balancing as I -- as we're -- I felt like we were  
7 talking about today. So, that imbalance is associated  
8 with the difference between gas being -- that was  
9 nominated to arrive at the delivery area relative to  
10 gas that's being consumed. It has nothing to do with  
11 the energy content of the gas.

12 MR. BOB PETERS: So, Ms. Stewart, when  
13 the energy that is put on the TransCanada system and  
14 the -- and the gas that's put on doesn't match the  
15 energy of the natural gas that's taken off, that's  
16 where the imbalance is?

17

18 (BRIEF PAUSE)

19

20 MR. NEIL KOSTICK: If I got your  
21 question correctly, in terms of the gas put onto  
22 TransCanada by a shipper, that would be the  
23 nomination, the quantity of gas in gigajoules.

24 The amount taken off by that shipper  
25 would be the consumption, also in gigajoules. And if

1 there's a mismatch, there's an imbalance. And outside  
2 of tolerance there are fees that would be paid if you  
3 are the downstream operator, as Centra is.

4 MR. BOB PETERS: All right. And we're  
5 going to -- we're going to start getting into that  
6 area. I thank you, Mr. Kostick, for helping me to get  
7 there.

8 The point that you've made to the  
9 Board, and I think it was also in Ms. Stewart's very  
10 first answer to the panel, if the amount that is  
11 nominated by the shipper onto the pipe is exactly the  
12 same as consumed by the shipper in the Manitoba area,  
13 then they're in balance, they're in perfect balance,  
14 correct?

15 MS. LORI STEWART: Yes. If an  
16 industrial plant's forecast of consumption is conveyed  
17 to the nominee agent, as I expect to burn 500 GJs in  
18 Manitoba tomorrow and the nom agent supplies, or the  
19 customer supplies 500 gigajoules and the plant  
20 actually burns 500 gigajoules, everything's tickety-  
21 boo.

22

23 (BRIEF PAUSE)

24

25 MR. BOB PETERS: That could be a

1 regulatory first use of that phrase, Ms. Stewart, so  
2 we thank you for that.

3                   However, when things aren't tickety-boo  
4 or that there is an imbalance, there are balancing  
5 fees that are charged to Centra by TransCanada  
6 pipeline, correct?

7                   MS. LORI STEWART:    Yes, that's  
8 correct.

9                   MR. BOB PETERS:    And you've each  
10 stressed it in a subtle way, that those imbalances  
11 occur when Centra exceeds a tolerance limit that has  
12 been set by TransCanada pipeline, correct?

13                   MS. LORI STEWART:    That's correct.

14                   MR. BOB PETERS:    And if we can turn to  
15 the Exhibit PUB 25, which is Board counsel's book of  
16 documents.  On page 314, as an example, we see, Ms.  
17 Stewart, some information that Centra provided in the  
18 Information Request stage of the various requirements  
19 that TransCanada pipeline holds Centra to in terms of  
20 deliveries to the Manitoba and the South Saskatchewan  
21 delivery areas, correct?

22                   MS. LORI STEWART:    Yes.

23                   MR. BOB PETERS:    And, in essence,  
24 Centra is required to be lower than 2 percent of net  
25 nominations, or about 2,111 gigajoules, on a daily

1 basis to avoid a penalty?

2 MS. LORI STEWART: That's correct.

3 MR. BOB PETERS: And in addition to  
4 what we see on page 314, we see this is the daily  
5 balance fee, correct?

6 MS. LORI STEWART: Yes.

7 MR. BOB PETERS: And if we move one  
8 (1) page further to page 315 in Board counsel's book  
9 of documents, we see some tier levels that relate to a  
10 cumulative balance, correct?

11 MS. LORI STEWART: That's correct.

12 MR. BOB PETERS: And is it -- would  
13 the Board be correct in understanding that TransCanada  
14 pipeline requires Centra to be within a 4 percent  
15 tolerance on a cumulative basis over the prior thirty  
16 (30) days?

17 MS. LORI STEWART: That's correct.

18 MR. BOB PETERS: So, what's -- what's  
19 the difference between the daily and the cumulative  
20 balancing briefly, Ms. Stewart?

21

22 (BRIEF PAUSE)

23

24 MS. LORI STEWART: The daily imbalance  
25 is the difference between gas nominated and gas

1 consumed that day. And then any imbalance -- if the  
2 500 gigajoules nominated is greater than or less than  
3 what is consumed, that imbalance then rolls forward to  
4 the next day and may form part of a cumulative  
5 imbalance if it is not addressed.

6 So, it simply means that, if your  
7 imbalance on a day is not tidied up, then it will sit  
8 there day after day and it will form part of your  
9 cumulative imbalance.

10 MR. BOB PETERS: Does it follow, Ms.  
11 Stewart, that if Centra is in balance for thirty (30)  
12 days on a daily basis, it'll also be in balance on a  
13 cumulative basis?

14

15 (BRIEF PAUSE)

16

17 MS. LORI STEWART: Yes.

18 MR. BOB PETERS: But the opposite  
19 isn't necessarily correct, is it, Ms. Stewart, that  
20 Centra could be under the -- within the tolerance of  
21 tier 1 of less than 2,111 gigajoules on a daily basis,  
22 so it could be in balance on a daily basis, but  
23 cumulatively, you could offend the -- the cumulative  
24 balancing schedule from TransCanada pipeline?

25 MS. LORI STEWART: If I took no



1 action, yes.

2 MR. BOB PETERS: Now, you've stressed  
3 the point that -- and Ms. Kapitany picked up on it  
4 very early in -- in her questions, that Centra is now  
5 considered the downstream operator for the Manitoba  
6 delivery area and the South Saskatchewan delivery  
7 area, correct?

8 MS. LORI STEWART: Yes.

9 MR. BOB PETERS: Is that by virtue of  
10 the fact of your monopoly position in the market?

11 MS. LORI STEWART: I think Mr.  
12 Kostick, his testimony in terms of how that arose.  
13 And it essentially was the pipeline wanting to offload  
14 the responsibility for managing many shippers'  
15 accounts.

16 So, it wanted to simplify its world,  
17 its life, and have a single entity responsible for  
18 balances within a delivery area instead of having to  
19 chase, you know, fifteen (15) customers in the  
20 Manitoba market, but likely hundreds of customers in a  
21 market like Enbridge's.

22 MR. BOB PETERS: Is it possible that  
23 one (1) of Centra's T-Service customers could be  
24 designated as the downstream system operator such that  
25 they had to do the balancing for the Manitoba delivery

1 area?

2

3

(BRIEF PAUSE)

4

5

MS. LORI STEWART: Any single

6

transportation service customer is -- is served off of

7

a meter within the Manitoba jurisdiction. We have

8

twenty-five (15) meter stations.

9

So, I would suggest that it's -- it's

10

very unlikely that a transportation service customer

11

would be charged with overall responsibility for

12

balancing the market.

13

MR. BOB PETERS: Well, the sheer size

14

of Centra has designated Centra the downstream system

15

operator by TCPL?

16

17

(BRIEF PAUSE)

18

19

MR. NEIL KOSTICK: For clarity, Mr.

20

Peters, it's not really a question of size, it's a

21

question of physical interconnection.

22

So Centra is physically connected to

23

the TransCanada mainline at 25 metered stations as Ms.

24

Stewart alluded to. No T-Service shippers are

25

physically connected to the mainline, and as a result,

1 TransCanada has created delivery areas on its system  
2 that relate to geographic location and the physical  
3 interconnection of gas utilities, such as Centra or  
4 Enbridge or Energir, their physical interconnection  
5 with the TransCanada mainline.

6 MR. BOB PETERS: Thank you for that  
7 clarification, Mr. Kostick.

8 Witnesses, Centra has put on the public  
9 record the number of T-Service customers shipping to  
10 Centra's service territories, has it?

11 MS. LORI STEWART: It has, yes.

12 MR. BOB PETERS: And what is that  
13 number then, Ms. Stewart?

14 MS. LORI STEWART: It is 15 sites, so  
15 there are transportation service customers at 15  
16 different sites within the province and that is some  
17 of our entities, however, have more than one site.

18 So there are 11 T-Service entities  
19 within the province serving 15 sites.

20 MR. BOB PETERS: Centra has also put  
21 evidence forward that all but four of Centra's T-  
22 Service customers have third party nominating agents  
23 that handle the balancing for those customers.

24 Is that correct?

25 MS. LORI STEWART: Yes, that's

1 correct.

2 MR. BOB PETERS: And do we -- does the  
3 -- does the panel then take it that these third party  
4 nominating agents, they handle the balancing for all  
5 of the T-Service customers that they represent?

6 Let me rephrase that.

7 The four customers that do not use  
8 third party nominating agents, they do it all  
9 themselves? Is that simplistic but true?

10 MS. LORI STEWART: That's correct.

11 MR. BOB PETERS: However, for those 15  
12 sites, I'm not sure if it matters, Ms. Stewart if they  
13 were 11 entities, but there are nominating agents that  
14 handle the other 11 sites?

15 MS. LORI STEWART: That's correct.

16 MR. BOB PETERS: The T-Service  
17 customers that do their own nominating have internal  
18 staff handling it? That's your understanding?

19 MS. LORI STEWART: Yes.

20 MR. BOB PETERS: Can you put on the  
21 public record, Ms. Stewart and Mr. Kostick, who  
22 nominates for the power station customers?

23 Let me -- let me ask it this way, and  
24 again, I'm not looking for anything that the company  
25 wants to believe is confidential. But can you

1 indicate whether Centra nominates for the power  
2 station customer class?

3

4 (BRIEF PAUSE)

5

6 MS. LORI STEWART: We have not put on  
7 the record who is the nominating agent for -- for any  
8 of our T-Service customers and we'd prefer to maintain  
9 that line.

10 MR. BOB PETERS: Thank you.

11 If the -- if the panel at some point  
12 requires that information, we'll communicate with your  
13 counsel and we'll seek some information that would be  
14 considered confidential in this process and not placed  
15 on the public record.

16 Would that be satisfactory, Ms.  
17 Stewart?

18 MS. LORI STEWART: It would, yes.

19 MR. BOB PETERS: And Ms. Stewart, I'm  
20 -- I'm still thinking of the 15 sites, 11 of which  
21 have third party nominating agents, correct?

22 MS. LORI STEWART: That's correct.

23 MR. BOB PETERS: Would it be correct  
24 to interpret Centra's evidence as Centra indicating  
25 that the load balancing concerns that it has for 11 of

1 its 15 sites doesn't lay with the customer, but rather  
2 it lies with the nominating agents for those 11 sites?

3 MS. LORI STEWART: We interact with  
4 the nominating agents, however, the root cause of the  
5 problem does involve the customers as well, in terms  
6 of the frequency by which they're providing forecasts  
7 of what they will burn, as well as the accuracy of  
8 those forecasts.

9 MR. BOB PETERS: And the frequency and  
10 the accuracy, you're telling the panel, comes from the  
11 customer, it's not the nominating agent's  
12 responsibility to know all of that?

13 MS. LORI STEWART: That's correct.  
14 The nominating agents within Manitoba are Calgary-  
15 based entities. And so they conceptually do not  
16 understand what the utilization of a plant in Manitoba  
17 is expected to be unless they're provided with  
18 information from the Manitoba site.

19 MR. BOB PETERS: Ms. Stewart, we're  
20 going to get to -- hopefully sooner rather than later  
21 -- the specifics of Centra's existing balancing  
22 policy.

23 But is it correct that there are no  
24 cost consequences currently charged to T-Service  
25 customers unless they have imbalances in excess of

1 2000 gigajoules per day?

2 MS. LORI STEWART: That's correct.

3 The current or status quo approach in  
4 terms of balancing fees in Manitoba is premised on  
5 four conditions, one of which is that the imbalance is  
6 greater than 2000 gigajoules.

7 This is a holdover from the era in  
8 which transportation service came to be in Manitoba.  
9 It was a product of very large consumers of natural  
10 gas, coupled with having very high load factors, so a  
11 plant that -- or an operation that pretty much is  
12 going to use the same amount of gas every day, and we  
13 would refer to that as a very high load factor.

14 Its inefficiencies are -- are very  
15 minimal. So when -- when there were customers like  
16 that, like BC Sugar or Koch's predecessor, there are --  
17 - there is a natural tendency to want to optimize  
18 their own assets.

19 And the reasons for that are twofold.  
20 There -- the magnitude of natural gas that -- that  
21 they're consuming, as well as the fact that they have  
22 very high load factors, relative to the utilities load  
23 factor.

24 MR. BOB PETERS: And if I recall the  
25 math that you were teaching me earlier, Ms. Stewart,

1 that using 100 gigajoules per year as the average  
2 residential consumption, this 2000 gigajoule per day  
3 equates to the consumption of 20 homes over the course  
4 of a year.

5 MS. LORI STEWART: That's correct.  
6 It's a very tight tolerance relative to the portfolio  
7 that Centra manages.

8 MR. BOB PETERS: Ms. Stewart, has the  
9 -- has the TransCanada pipeline balancing fee schedule  
10 that you see on the screen in front of you from pages  
11 315 and 314 of Board counsel's book of documents, has  
12 that been approved by the National Energy Board?

13 MS. LORI STEWART: Yes, it has. It's  
14 a long-standing and fully endorsed balancing fee  
15 structure, and yes, it is approved by the National  
16 Energy Board.

17 MR. BOB PETERS: And I understand from  
18 Centra's evidence that TransCanada pipeline will  
19 charge those balancing fees against Centra regardless  
20 of Centra's position relative to the pipeline position  
21 in terms of whether the pipeline is packed or drafted.

22 Is that correct?

23 MS. LORI STEWART: Yes, that's  
24 correct. It's an incentive-based structure that is  
25 intended to encourage shippers to balance every single



1 day, regardless of what may be happening on the  
2 pipeline itself.

3                   So Centra pays fees -- the pipeline is  
4 drafted and Centra is packed, which helps that  
5 pipeline's draft position.

6                   There is no forgoance of fees in that  
7 circumstance.

8                   MR. BOB PETERS:    So Ms. Stewart, we've  
9 introduced a couple of new words, we'd better just be  
10 careful on here.

11                   When we say a pipeline is packed,  
12 that's a sign -- that's signalling that the pipeline  
13 has more natural gas molecules on it than what -- what  
14 is being consumed by those who put it on?

15                   MS. LORI STEWART:    That's correct.

16                   MR. BOB PETERS:    And then the inverse  
17 is the draft position that is -- there's not enough  
18 molecules have been placed onto the pipeline relative  
19 to the consumption of those who put it on in the first  
20 place?

21                   MS. LORI STEWART:    That's correct.

22                   MR. BOB PETERS:    So you're telling the  
23 panel that even if you're helping TransCanada pipeline  
24 out and helping those people out out in the Maritimes,  
25 at the end of the pipe, to have their supply, you're

1 not getting any break from TransCanada on the  
2 balancing fees charged to Centra?

3 MS. LORI STEWART: That's correct.  
4 There is no waiver of TCPL mainline balancing fees  
5 because on a given day our -- our utility might be  
6 helping the pipeline's position.

7 That's not how balancing fees work.  
8 The objective is clear and simple, you must balance.  
9 And it's -- it's -- it does not matter whether the  
10 pipeline is packed or drafted, it does not matter if a  
11 plant had an operational upset and turns off. This is  
12 important enough that it is as -- as straightforward  
13 as that. No foregoance of fees in either of those  
14 circumstances.

15 MR. BOB PETERS: I hear your answer,  
16 Ms. Stewart, to indicate that there's a -- there's no  
17 excuse or defence that Centra can apply to TransCanada  
18 pipeline to have those balancing fees waived?

19 MS. LORI STEWART: That's correct.

20 VICE-CHAIR KAPITANY: Mr. Peters,  
21 could I just ask a question?

22 MR. BOB PETERS: Please.

23 VICE-CHAIR KAPITANY: Ms. Stewart, a  
24 couple of times I've heard you say that it's an  
25 incentive-based system. I don't understand the

1 incentive part, if there's no forgiving of fees, or  
2 you said that no -- no -- neither a T-Service customer  
3 nor Centra gets anything back.

4 So how is it incentive-based?

5 MS. LORI STEWART: The incentive is  
6 that the worse your performance gets, the higher the  
7 fee you pay.

8 And if we can turn back to page 314,  
9 we're -- page 315 is sitting up here right now, but I  
10 can walk the panel though the tier 1 threshold is 2  
11 percent, and the associated fee with that is 20  
12 percent, it's the 0.2 multiplied by the benchmark  
13 toll.

14 So at a 2 percent tolerance threshold,  
15 the penalty is 20 percent of that benchmark toll for  
16 every gigajoule that you're over the tolerance.

17 And tier 2 moves to -- move to 4  
18 percent. And if you again go to the line that reads  
19 tier 2 daily fee, the fee increases to 50 percent of  
20 the benchmark toll.

21 And moving all the way to tier 4, which  
22 is if you're outside of 10 percent of -- if you're  
23 imbalance is greater than 10 percent, you will pay 100  
24 percent of the benchmark toll.

25 Now, in Centra's proposal, all of those

1 figures are halved, right? So our proposal is to  
2 apply fees for Transportation Service customers at a  
3 level of 50 percent of these.

4                   So, for tier 1, it would be essentially  
5 10 percent of the benchmark toll. Tier 4 would be  
6 only 0.5 of the benchmark toll. But that's what we  
7 mean by an incentive-based structure in that the -- as  
8 you're -- the -- the magnitude of your imbalance  
9 grows, you are hit with more and more stringent  
10 penalties.

11                   Does that help?

12                   MR. MICHAEL WATSON: And a quick  
13 question from myself now, Ms. Stewart. How long has  
14 this balancing fee structure been in place, this --  
15 these rules?

16

17                   (BRIEF PAUSE)

18

19                   MS. LORI STEWART: I don't have the  
20 specifics, but for at least twenty (20) years.

21                   MR. MICHAEL WATSON: Thank you.

22

23 CONTINUED BY MR. BOB PETERS:

24                   MR. BOB PETERS: Ms. Stewart, I  
25 understood your answer to Vice-chair Kapitany

1 indicating that this incentive arrangement is to avoid  
2 negative consequences?

3 MS. LORI STEWART: Yes.

4 MR. BOB PETERS: And I'm not sure it's  
5 an apt analogy, but it might be. In terms of speeding  
6 tickets, the -- the more you're over the limit, I'm  
7 told, the higher the ticket is that you get?

8 MS. LORI STEWART: I think that --  
9 that is an -- an effective analogy, the key being, if  
10 you don't speed, you won't be fined; however, if you  
11 do, the more egregious the -- the behaviour, the  
12 higher the financial consequence, so very, very akin.

13 MR. BOB PETERS: And you -- you told  
14 Board Member Watson that these balancing fees are not  
15 new and that they're at least twenty (20) years old,  
16 correct?

17 MS. LORI STEWART: Yes. They're --  
18 they're longstanding. They're widely accepted by  
19 shippers on the TCPL mainline as being necessary to  
20 manage that pipeline as a system.

21 MR. BOB PETERS: And Centra's ability  
22 to charge T-Service customers and shippers' balancing  
23 fees has long been part of the PUB-approved terms and  
24 conditions for Centra?

25 MS. LORI STEWART: Yes, it has.

1 MR. BOB PETERS: On page 299 of Board  
2 counsel's book of document, Exhibit PUB 25, we have an  
3 extract, Ms. Stewart, from Centra's track changes or  
4 black lined or, in this case, red lined, revisions.

5 And you're familiar with document, Ms.  
6 Stewart?

7 MS. LORI STEWART: Yes.

8 MR. BOB PETERS: And this document  
9 shows the changes that Centra is asking this panel to  
10 approve as part of this current General Rate  
11 Application?

12 MS. LORI STEWART: That's correct.

13 MR. BOB PETERS: And if we go down to  
14 -- on page 299, to the last paragraph now labelled  
15 'N', this is the changes that Centra is asking this  
16 panel to make relative to the balancing fees to be  
17 charged to Centra's T-Service customers?

18 MS. LORI STEWART: Yes.

19 MR. BOB PETERS: These balancing fees,  
20 Ms. Stewart, have been allowed at least since 2007.  
21 Would -- would you agree with that?

22 MS. LORI STEWART: Yes, subject to --  
23 to check.

24 MR. BOB PETERS: Thank you. As these  
25 terms and conditions have been drafted and as proposed

1 to go forward by Centra on page 299 of Board counsel's  
2 book of document, you can confirm, Ms. Stewart, that  
3 there are no specific details in these terms and  
4 conditions now proposed as to the formula Centra wants  
5 to use to charge balancing fees?

6 MS. LORI STEWART: That's correct.

7 MR. BOB PETERS: I understand that  
8 from some of the Intervenor evidence, at least one (1)  
9 of the Intervenor witnesses has never seen a written  
10 policy on balancing fees.

11 Do you recall reading that?

12 MS. LORI STEWART: Yes, I do.

13 MR. BOB PETERS: You'd accept that as  
14 accurate?

15 MS. LORI STEWART: Those customers who  
16 incurred balancing fees under Centra's existing  
17 structure have certainly seen the -- the mechanism of  
18 Centra's structure.

19 Those customers or nominating agents  
20 who have never incurred fees would not have seen that,  
21 correct.

22 MR. BOB PETERS: Why, Ms. Stewart,  
23 doesn't Centra include on page 299 item 'N' the exact  
24 listing of penalties that Centra is proposing to  
25 charge?

1 MS. LORI STEWART: It would be  
2 inconsistent with the terms and conditions of service,  
3 the nature of them, which is meant to describe at a  
4 high level the arrangement between the customer and  
5 the utility.

6 Having said that, certainly all of  
7 Centra's evidence in this proceeding, including our  
8 testimony today, forms part of the record. So, I  
9 struggled with Mr. Hacault's suggestion that Centra's  
10 asking for unfettered discretion as it relates to  
11 balancing fees because we've -- we have provided  
12 significant evidence about the specifics of the fee  
13 structure that we intend to implement.

14 MR. BOB PETERS: Ms. Stewart, from  
15 your second last answer, the panel may have the  
16 impression that not all fifteen (15) sites of your T-  
17 Service customers have been charged balancing fees.

18 That's correct, is it?

19 MS. LORI STEWART: That's correct.

20 MR. BOB PETERS: Let me word it this  
21 way. It -- it's factually accurate that since 2007,  
22 Centra has not applied its balancing fee policy to  
23 each and every T-Service customer that is out of  
24 balance?

25 MS. LORI STEWART: Well, we have



1 applied the existing policy. However, I described  
2 that there are four (4) conditions in that policy  
3 that's outlined at PUB 145(e). And one (1) of those  
4 conditions is that the imbalance must be greater than  
5 2,000 gigajoules per day.

6 And so, that condition is what has --  
7 is what has resulted in smaller users, smaller  
8 Transportation Service customers never having incurred  
9 a fee.

10 MR. BOB PETERS: All right. You've --  
11 you've referenced it a couple of times. On page 312  
12 of Board counsel's book of documents we have the very  
13 Information Request that I think you referenced, Ms.  
14 Stewart.

15 If we can look to the highlighted  
16 portion, answer 'E'. I guess it's not highlighted on  
17 this version, but the answer to 'E'. You're telling  
18 the panel here that, if these four (4) conditions in  
19 'E' are met, Centra levies the balancing fee penalty  
20 to the T-Service customer?

21 MS. LORI STEWART: Yes, that's --

22 MR. BOB PETERS: And --

23 MS. LORI STEWART: -- correct.

24 MR. BOB PETERS: And has that been the  
25 case since 2007?

1 MS. LORI STEWART: It has been, yes.  
2 It has been the case since prior to 2007. So, since  
3 the implementation of Transportation Service, this  
4 structure, this fee structure, was created. And it  
5 was premised on the clearly ill-founded assumption  
6 that Transportation Service would be used by very  
7 large consumers of natural gas.

8 Over time, our evidence describes how  
9 there have been the addition of much smaller users of  
10 natural gas. And this structure was never -- it  
11 wasn't -- it wasn't designed on that premise, that  
12 there might be smaller volume users of natural gas  
13 within the system.

14 MR. BOB PETERS: All right. Let's  
15 turn back to 299. And we'll -- we'll certainly just  
16 jump right back to this page, Ms. Stewart. But on  
17 299, item 'N', we look at the -- the sentence that's  
18 in there.

19 We see that the word, "May," M-A-Y, is  
20 included in the sentence, correct?

21 MS. LORI STEWART: Yes.

22 MR. BOB PETERS: You're telling the  
23 panel that, even though the -- this term and condition  
24 incorporates the word, "May," Centra is applying it as  
25 though it shall impose imbalancing fees on the

1 customers if they are in violation of Centra's  
2 conditions?

3 MS. LORI STEWART: What our -- what we  
4 are proposing is that, absent the absolute dealing  
5 cumulative tolerances that are a part of Centra's  
6 proposal, that if T-Service customer imbalances exceed  
7 that threshold of approximately 7 percent, that the  
8 utility will impose balancing fees.

9 MR. BOB PETERS: All right. I have  
10 your point. Let's turn with the panel to what the  
11 current balancing fee policy is, Ms. Stewart, and on  
12 page 312, we were just looking at it, under item 'E'  
13 of the response.

14 And your evidence so far, Ms. Stewart,  
15 has been that balancing fees are only charged to  
16 Manitoba's T-Service customers when all four (4) of  
17 these conditions are met, correct?

18 MS. LORI STEWART: Yes, that's --

19 MR. BOB PETERS: So --

20 MS. LORI STEWART: -- correct.

21 MR. BOB PETERS: So, the first  
22 condition being that load balancing fees are charged  
23 to Centra for the entire delivery area. The premise  
24 that this is, is that, first of all, Centra has to be  
25 charged a balancing fee by TransCanada pipeline before

1 you'll start looking down to your T-Service customers?

2 MS. LORI STEWART: In the status quo?

3 Yes.

4 MR. BOB PETERS: As we sit here today,  
5 Ms. Stewart?

6 MS. LORI STEWART: Yes.

7 MR. BOB PETERS: We'll call it status  
8 quo. And that applies for whether it's the Manitoba  
9 delivery area or the South Saskatchewan delivery area,  
10 correct?

11 MS. LORI STEWART: That's correct.

12 MR. BOB PETERS: So, the second factor  
13 that needs to be met is that the customer imbalance  
14 has to be greater than 2,000 gigajoules per day,  
15 correct?

16 MS. LORI STEWART: That's correct.

17 MR. BOB PETERS: And your point -- and  
18 we'll come to some -- some charts which show the  
19 relative volumes that are being nominated by the  
20 anonymous T-Service customers, but you have many  
21 customers that are not above 2,000 gigajoules a day  
22 for their normal nominations?

23 MS. LORI STEWART: Yes.

24

25 (BRIEF PAUSE)

1 MR. BOB PETERS: The third factor  
2 listed here in terms of what needs to happen before a  
3 Manitoba T-Service customer is charged a balancing fee  
4 by Centra is that -- that that customer has to be out  
5 of balance by more than 4 percent, correct?

6 MS. LORI STEWART: Yes.

7 MR. BOB PETERS: Now, you -- you said  
8 in an answer just a few minutes ago, Ms. Stewart, that  
9 you're changing that to roughly 7 percent for most of  
10 your customers.

11 Is that what you said?

12 MS. LORI STEWART: That's correct.

13 MR. BOB PETERS: Why have you gone  
14 from 4 percent to 7 percent?

15 MS. LORI STEWART: Because these other  
16 conditions are also changing. So, if you look at the  
17 status quo, it has a tighter percentage imbedded in  
18 the condition.

19 But Centra's proposal is considerably  
20 different than this. And that was a function of our  
21 consultation process with Transportation Service  
22 customers.

23 So, if we recall looking at the TCPL  
24 mainline balancing fee structure, that was page 314 of  
25 Mr. Peters's book of documents, and the 2 percent is

1 the standard.

2                   And Centra originally, in its October  
3 of 2016 proposal, had 2 percent; it -- it mirrored  
4 this. So, our original proposal was that  
5 Transportation Service customers, like Centra, would  
6 need to balance to a 2 percent tolerance in order to  
7 not pay any fees.

8                   However, over the course of many  
9 conference calls with individual T-Service customers,  
10 including with their nominating agents, that proposal  
11 evolved over time to provide greater -- a greater  
12 absolute tolerance than what is imbedded here.

13                   So, the essence of Centra's proposal  
14 today and one (1) of the key reasons why it is a  
15 reasonable proposal from Centra's perspective is  
16 Transportation Service customers essentially will have  
17 -- have tier 1 and tier 2 fees waived under the  
18 circumstance of Centra's proposal.

19                   So, if they are out of balance by  
20 greater than 2 percent, they won't pay. That's tier  
21 1. If they're out of balance by greater than 4  
22 percent, they won't pay. So, tier 2 they're waived  
23 from.

24                   The tolerance that we've provided, the  
25 absolute tolerance meaning plus or minus, is 7

1 percent, which means that customers won't pay fees in  
2 Manitoba unless they've blown through a 7 percent  
3 tolerance, so considerably more generous than the  
4 proposal that exists on the TCPL mainline in that  
5 regard as well as our proposal is that we will have  
6 the fees. And that was contemplating the transition  
7 challenges that T-Service customers would have, but  
8 also weighing the fact that this is a zero-sum game.

9           The more tolerance we afford to  
10 transportation service customers, the more costs that  
11 are borne by sales service customers. Centra is  
12 neutral in this. We do not -- the Utility does not  
13 benefit in any way from the implementation of  
14 balancing fees other than our onus to ensure that when  
15 we're providing services, that the right group of  
16 customers is bearing the right amount of costs.

17           So every bit that we accommodate T-  
18 Service customers more means that the degree of cross  
19 subsidization of them by sales service customers rose.  
20 It is a zero-sum game, here.

21           MR. BOB PETERS: Ms. Stewart, we'll  
22 come -- we'll come back to the current proposal, but  
23 let's stick with page 312, if we could, the status  
24 quo, as you called it, or the current balancing fee  
25 factors that have to be met.

1                   You -- we've talked about the first  
2 three (3). The fourth one deals with the customer  
3 imbalance contributed to the overall delivery area  
4 imbalance, correct?

5                   MS. LORI STEWART:    Yes.

6                   MR. BOB PETERS:    That suggests, does  
7 it not, Ms. Stewart, that if the T-Service customers  
8 imbalance is the opposite way from Centra's overall  
9 imbalance, than the T-Service customer is not charged  
10 balancing fee?

11                  MS. LORI STEWART:    That's correct.

12                  MR. BOB PETERS:    So I'll probably mess  
13 this up a bit, but if a customer...

14

15                                   (BRIEF PAUSE)

16

17                  MR. BOB PETERS:    If TCPL charges  
18 Centra an imbalance fee because what was taken off of  
19 the TransCanada Pipeline was more than what was  
20 injected, but one (1) of Centra's T-Service customers  
21 actually took off less than what they nominated, then  
22 that one (1) T-Service customer did not contribute to  
23 the overall imbalance and would not be charged by  
24 Centra.

25                                   Do you agree?



1 MS. LORI STEWART: I do.

2 MR. BOB PETERS: We talked about  
3 incentives with vice-Chair Kapitany. We see from your  
4 answers, Ms. Stewart, that currently, the balancing  
5 fees are not cost based, are they, by what TCPL levies  
6 as against Centra?

7 MS. LORI STEWART: That's correct.

8 MR. BOB PETERS: And would also be  
9 correct that Centra's existing status quo balancing  
10 fee policy, as well as the one it's proposing, is also  
11 not cost based?

12

13 (BRIEF PAUSE)

14

15 MS. LORI STEWART: The status quo is  
16 not cost based in the fact that there is no accounting  
17 for the opportunity costs or indirect costs that T-  
18 Service imbalances cause. So as you look at Part E of  
19 our response to 14 -- PUB/Centra 145, it's clear that  
20 it -- it's linked to the balancing fees that are  
21 incurred by Centra, except that the costs that Centra  
22 incurs as a result of T-Service imbalances are  
23 actually the other costs in addition to the TCPL  
24 mainline fees are the greater number.

25 And so those opportunity costs, or

1 indirect costs, are part of the -- that's where the  
2 cross-subsidization is coming in in addition to the  
3 fact that a number of T-Service customers today, by  
4 virtue of Centra's status quo approach to balancing  
5 fees, they -- they don't -- they don't pay their way,  
6 and that -- that simply is what flocks out of our  
7 existing approach to this.

8 MR. BOB PETERS: But with that answer,  
9 Ms. Stewart, Centra is not able to quantify what some  
10 of these lost opportunity costs are so that its fee  
11 structure for those who are in an imbalanced position  
12 can't be directly tracked to such a fee structure?

13 MS. LORI STEWART: I -- I don't agree  
14 with that. Centra provided evidence of its estimate  
15 of summer indirect costs or opportunity costs in  
16 excess of a few hundred thousand dollars annually.  
17 And our evidence was explaining the challenges with  
18 precisely calculating the value of a transaction that  
19 we currently don't have the opportunity to execute.  
20 So I can't model and precisely say I would have earned  
21 forty cents (\$0.40) if I could've sold that transport  
22 today, but because I maintain a buffer, because I  
23 don't know which way Ts are moving. Currently, eleven  
24 (11) of them have zero incentive to balance their  
25 accounts, and as a result, my staff have to maintain a

1 buffer in terms of the capacity that we're seeking to  
2 optimize on behalf of our sales service customers, and  
3 that buffer comes with a cost.

4           We typically are long transportation  
5 all summer. We market our capacity on a daily basis,  
6 but I can't market all of it until the very last  
7 nomination window, by which point the value of it has  
8 dropped, not inconsiderably.

9           Our -- our historical experience with  
10 that is that if I could sell capacity a day ahead,  
11 then relative to being able to not sell it until  
12 intraday two (2), I'm going to lose about twenty-five  
13 cents (\$0.25) of value for that transaction. So there  
14 are less buyers and sellers in the market for that  
15 capacity at -- at intraday two (2), which is well  
16 within the actual gas day that's unfolding, versus if  
17 you can market that capacity the day ahead of that gas  
18 -- the day ahead of the gas day in question, that --  
19 that will have significantly more value.

20           So Centra's evidence is that that is  
21 approximately a few hundred thousand dollars. And I  
22 will say that that is a conservative estimate, Mr.  
23 Peters.

24           Then we move to the winter, and  
25 Centra's evidence was that value will range

1 dramatically. So our capacity management earnings in  
2 winter have ranged from -- I think it's around 4.2 or  
3 \$4.3 million in the winter of 2013/'14, and it can  
4 range as low as \$1 million in a winter.

5 So because of that variation in range,  
6 I -- I could have included an average, but the more  
7 accurate way to -- to provide information in this  
8 forum was to explain that due to the wide range, we  
9 have some discomfort with providing an estimate.  
10 However, what there is no question of is there is  
11 foregone capacity management revenue in winter. I may  
12 not be able to precisely value it, but it doesn't mean  
13 that it doesn't exist, and it could be considerable.

14 MR. BOB PETERS: All right. I have  
15 your point, Ms. Stewart. I want to move to two (2)  
16 quick areas before I ask for a recess this morning.  
17 On page --

18 VICE-CHAIR KAPITANY: Could I just ask  
19 one (1) question, first?

20 MR. BOB PETERS: Please.

21 VICE-CHAIR KAPITANY: Ms. Stewart, I  
22 think I heard you say that on page 312 of the book of  
23 documents, E3, you're looking at moving from 4 percent  
24 to 7 percent in terms of where the trigger would be  
25 for charging a balancing fee, but that that would

1 introduce greater cross-subsidization between the  
2 sales service customers and the T-Service customers.

3 MS. LORI STEWART: I -- I think we may  
4 have our wires a bit crossed, then. I -- relative to  
5 the status quo and all of the conditions that are  
6 embedded within that, the four (4) conditions,  
7 which essentially shelter small volume customers from  
8 -- from paying their fair share of balancing fees,  
9 okay.

10 So that status quo, what I was  
11 explaining to Mr. Peters is, if you look at all four  
12 (4) of those conditions, they are all changing in the  
13 proposal. And so one (1) of them is more generous,  
14 Condition 3, the others are more onerous, and on the  
15 whole, Centra's new proposal will significantly reduce  
16 the existing cross-subsidization of T-Service  
17 customers by sales service customers.

18 VICE-CHAIR KAPITANY: Thank you. That  
19 helps.

20

21 CONTINUED BY MR. BOB PETERS:

22 MR. BOB PETERS: Ms. Stewart, on page  
23 318 of Board counsel's Book of Documents, Centra  
24 provides the Board with an indication of what  
25 balancing fees we're talking about on an annual basis,

1 as well as how much of that balancing fee that's been  
2 charged to Centra has been recouped from some of your  
3 T-Service customers, correct?

4 MS. LORI STEWART: Yes.

5 MR. BOB PETERS: Would it be correct  
6 also, Ms. Stewart, that Centra has actually been  
7 charging balancing fees to only three (3) T-Service  
8 customers in accordance with that fourfold test that  
9 you reviewed?

10 MS. LORI STEWART: Our history is that  
11 we've charged four (4) of the fifteen (15) customers,  
12 however, one (1) of them was not charged within the  
13 periods that are reflected on this schedule.

14 MR. BOB PETERS: And the three (3)  
15 that were charged that are reflected on page 318, Ms.  
16 Stewart, are because that they violated the four-part  
17 status quo policy that you've taken us through?

18 MS. LORI STEWART: Yes.

19 MR. BOB PETERS: And earlier on, I  
20 think it was you, Ms. Stewart, who admitted that  
21 Centra is not without sin because Centra also causes  
22 imbalances?

23 MS. LORI STEWART: Yes, that's  
24 correct.

25 MR. BOB PETERS: And Centra causes

1 these imbalances related to its sales service  
2 customers, correct?

3 MS. LORI STEWART: Well, we contribute  
4 to the overall balance, because of course we're  
5 responsible for managing the overall balance which  
6 includes T-Service imbalances, but I'm not attempting  
7 to suggest that my sales service pool does not  
8 contribute to that. It does.

9 MR. BOB PETERS: All right. You put a  
10 refinement on it. The point that the Panel should be  
11 aware is that sales service customers would include  
12 the residential class customers, correct?

13 MS. LORI STEWART: Sales service would  
14 represent all of our system supply customers, so small  
15 general service, large general service. It also  
16 includes our western transportation service customers.

17 MR. BOB PETERS: And you're telling  
18 the Board that there are imbalance problems related to  
19 Centra's sales service customers as well.

20 MS. LORI STEWART: Well, if you think  
21 about the challenges that T-Service customers have  
22 relayed in terms of their -- their problems that they  
23 encounter in terms of things like unscheduled outages,  
24 I'm managing a pool of about 285,000 customers that  
25 are all either turning up their furnace or deciding

1 that they're going to close their business on Sundays  
2 while they didn't last year, and all of those puts and  
3 takes are being managed within the sales service pool.

4 MR. BOB PETERS: And so on this page  
5 318, the Board will see that in the year 2015/16 gas  
6 year, TransCanada Pipeline charged Centra \$214,739  
7 worth of balancing fees, correct?

8 MS. LORI STEWART: Yes.

9 MR. BOB PETERS: Centra, using its  
10 fourfold existing status quo policy, turned around and  
11 charged certain T-Service customers a portion of that  
12 balancing fee penalty.

13 MS. LORI STEWART: Yes.

14 MR. BOB PETERS: And then that  
15 balancing fee is \$201,843 that Centra paid.

16 MS. LORI STEWART: That's correct.

17 MR. BOB PETERS: And when I say Centra  
18 paid, Centra's sales service customers paid.

19 MS. LORI STEWART: Yes.

20 MR. BOB PETERS: And are you able to  
21 tell the Board whether that \$201,843 of balancing fee  
22 penalty for the sales service customer is dollar for  
23 dollar based on the balancing -- the imbalance that  
24 was caused by those customers?

25 MS. LORI STEWART: No, I'm not. Our



1 evidence is that that figure of \$201,000, it has costs  
2 embedded within it that were caused by T-Service  
3 customers and yet are being borne by sales service  
4 customers.

5 MR. BOB PETERS: And so the point Ms.  
6 Kapitany was asking you in terms of the subsidy is,  
7 Centra's evidence that by paying that \$201,843, the  
8 sales service customers are subsidizing some of the T-  
9 Service customers.

10 MS. LORI STEWART: That's correct, and  
11 the subsidization is -- is greater than that for the  
12 reasons I just spoke to, so what are the opportunity  
13 costs associated with T-Service imbalances, and every  
14 time a T-Service customer borrows Centra's asset, we  
15 lose value that would have gone to reduce sales  
16 service customer -- that would have gone to reduce  
17 their costs.

18 And I think as importantly, when T-  
19 Service customers are -- are stepping into Centra's  
20 assets and borrowing them on that day, the -- the  
21 important sort of bright line is, wait a minute, those  
22 assets were contracted for sales service customers,  
23 not T's. T's pay nothing towards our storage. T's  
24 pay nothing towards our transportation capacity. And  
25 we -- we haven't broached this topic yet, but perhaps

1 you will be coming to it.

2                   We talk in our evidence about the  
3 implementation of unlimited pricing discretion on the  
4 TCPL Mainline and how that -- that exacerbated the  
5 situation with T-Service customers, because prior to  
6 that -- so -- so that feature of a National Energy  
7 Board Order, it provided the TCPL Mainline with  
8 considerable market power in setting the prices for  
9 its services like interruptible transportation, and it  
10 did that because that pipeline was having competitive  
11 challenges.

12                   Let's set aside why that happened. But  
13 as of July 1st, 2013, it came into effect, and what  
14 happened then is interruptible transportation on the  
15 pipeline that's bringing gas to Manitoba, you used to  
16 be able to go to the market --

17                   Let's say that your plant is -- is  
18 burning more than you've forecast it to burn, and  
19 nominating agents or customers have information feeds  
20 from Centra about the -- the plant's position, so it's  
21 burning more, which means that it's drafting the  
22 pipeline.

23                   Formerly, a nominating agent or a  
24 customer could go and for a small premium, so if the  
25 daily rate for the firm transport was a dollar, okay,

1 for ten cents you could pay for interruptible  
2 transport. There was a lot of capacity on that  
3 pipeline system, and you could address your draft. So  
4 nominating agents or customers, it's fairly easy if  
5 you are drafting the pipeline to address that.

6                   With the implementation of pricing  
7 discretion, all of a sudden the TCPL Mainline has the  
8 power to set the bid floors for those discretionary  
9 services, and instead of being able to get that  
10 capacity in my example at 110 percent of the daily FT  
11 rate, so at a -- buck ten relative to a buck, all of a  
12 sudden the bid floors are routinely \$3, 200 to 300  
13 percent for that same interruptible transport path,  
14 and on occasion have risen as high as \$40. So bid  
15 floors are being set by the pipeline to maximize  
16 revenue, to address its competitive challenges, and as  
17 a result, when it is a high demand day, bid floors  
18 rise dramatically.

19                   So now that same customer who is --  
20 they're drafting Centra and while it used to be pretty  
21 economic to address that draft, it no longer is  
22 economic at all.

23                   And thus, if you have the opportunity  
24 to ride Centra's assets with no consequence, you are  
25 incented to do so. And that's the circumstance that

1 we face, since the implementation of pricing  
2 discretion, we have had a transportation service  
3 customer, who we were approaching because my staff are  
4 on the phone or are instant messaging with him to try  
5 to adjust these imbalances as the day goes on, we have  
6 had a customer tell us that they sold their transport  
7 for the weekend. It was high-value.

8           So they hold transportation to serve  
9 their plant, but down east markets are -- prices are  
10 spiking and they can use that capacity that was  
11 intended to serve their plant to divert gas to the  
12 east and make a tidy profit.

13           So I need a tool, I need a structure  
14 that will not permit that to happen. That's -- that's  
15 wrong and currently my hands are tied in that I -- I  
16 felt an obligation to not change our practice without  
17 consulting, and in the consultation we are not aligned  
18 at all. We are not aligned on the need for an  
19 incentive-based structure, we are not aligned on the  
20 fact that this is a zero sum game, even though that's  
21 a fact.

22           And so the consultations other than  
23 some adaptations to Centra's original proposal to  
24 afford T-Service customers a little more breathing  
25 room, so we have increased that tolerance to 7

1 percent, but we've made those other conditions --  
2 we've removed those other conditions that afforded  
3 them a lot of breathing room.

4                   So it is a compromise solution, but  
5 Centra needs an incentive-based structure.

6                   MR. BOB PETERS:   Well, Ms. Stewart,  
7 I'll cross off some of my questions later that related  
8 to this, but we've got your position.

9                   Is it also correct though, Ms. Stewart,  
10 that TransCanada pipeline only makes Centra pay for  
11 imbalances but Centra does not have to actually try to  
12 bring the volumes for injections and withdrawals into  
13 balance?

14                   MS. LORI STEWART:   That's not correct.

15                   In the TransCanada mainline tariff  
16 there are emergency operating conditions where --  
17 which TransCanada can implement to address just this  
18 issue.

19                   So if I, as a DSO, was routinely  
20 ranging outside of acceptable tolerances as defined by  
21 this, TransCanada could declare emergency operating  
22 conditions and require me to come into balance.

23                   Now, that's at the far extreme end of -  
24 - of what would happen, but --

25                   MR. BOB PETERS:   Has it happened?

1 MS. LORI STEWART: -- they reserve  
2 that right.

3 MR. BOB PETERS: Has it happened?

4 MS. LORI STEWART: No, because we  
5 adhere to our -- we closely adhere to the thresholds  
6 that are provided.

7 MR. BOB PETERS: And is that  
8 obligation on Centra set out in the TCPL tariff?

9 MS. LORI STEWART: It is. Their  
10 emergency operating conditions are defined in their  
11 tariff.

12 MR. BOB PETERS: Just stepping back,  
13 not -- not dealing with the emergency situation that  
14 you've told us is a rare occurrence, but in terms of  
15 the obligation of Centra as the downstream operator to  
16 balance the deliveries, where is that set out?

17 MS. LORI STEWART: Also in the tariff.

18 MR. BOB PETERS: In the last couple of  
19 quick questions if I could, in the minute or two that  
20 is before the break, Ms. Stewart, in terms of the  
21 dollars and cents issue, we see on page 318, that's on  
22 the screen in front of us, that the order of magnitude  
23 is around -- between 150 and \$200,000 a year that  
24 Centra is paying in terms of balancing fees?

25 MS. LORI STEWART: In terms of

1 balancing fees, yes.

2 MR. BOB PETERS: And we see on page  
3 301 of Board counsel's book of documents that you're  
4 forecasting for the -- for the current gas year  
5 \$250,000?

6 MS. LORI STEWART: As a -- well, that  
7 highlighted item is for the 2018/19 forecast, so yes,  
8 that year is almost concluded. But that was our  
9 forecast for 18/19.

10 MR. BOB PETERS: And that's net of  
11 contributions by the T-Service customers who are  
12 paying under the current four-corner test?

13 MS. LORI STEWART: Yes, it is.

14 MR. BOB PETERS: And the difference  
15 between that forecast and what actually gets  
16 accumulated and charged, Ms. Stewart, is reflected in  
17 the transportation purchase gas variance account that  
18 the Company maintains?

19 MS. LORI STEWART: Yes.

20 MR. BOB PETERS: And so it's that  
21 transportation PGVA that will either refund monies to  
22 sales customers or recover monies from sales  
23 customers, correct?

24 MS. LORI STEWART: Yes.

25 MR. BOB PETERS: There's no obligation

1 on the T-Service customers to contribute to that  
2 transportation PGVA?

3 MS. LORI STEWART: They do not  
4 contribute to the transportation PGVA.

5 MR. BOB PETERS: The amount that we  
6 see here is not included in a -- I'm sorry. Why is  
7 there no test year forecast? You've given us a gas  
8 year forecast, but why -- why don't we have a -- a  
9 test year forecast for 2019/20?

10 MS. LORI STEWART: I think it's a  
11 matter of -- well, actually we do. If you scroll  
12 further down that response. We read that the 19/20  
13 gas year forecast, including balancing fees, will be  
14 filed as part of the pre-hearing update. However, we  
15 can advise that our forecast in the July update will  
16 be \$250,000 and we go on to relay that that's a  
17 reasonable placeholder, given that we do not know how  
18 transportation service customers will respond to the  
19 financial incentive to balance.

20 MR. BOB PETERS: Ms. Stewart and Mr.  
21 Chair, with that I'd ask that the panel consider a  
22 morning recess.

23 When we come back we'll turn to what  
24 Centra is now proposing to charge its T-Service  
25 customers and also deal with some of the financial



1 consequences of the proposal.

2 THE CHAIRPERSON: Thank you. We'll  
3 stand adjourned for fifteen (15) minutes.

4

5 --- Upon recessing at 10:48 a.m.

6 --- Upon resuming at 11:06 a.m.

7

8 THE CHAIRPERSON: Mr. Peters...?

9 MR. BOB PETERS: Yes. Thank you, Mr.  
10 Chair.

11

12 CONTINUED BY MR. BOB PETERS:

13 MR. BOB PETERS: Witnesses, on page  
14 314 of Board counsel's book of documents, Ms. Stewart,  
15 you took the panel to the -- to the balancing fee  
16 schedule and tariff, if I can, as to what Centra faces  
17 relative to TCPL, correct?

18 MS. LORI STEWART: Yes.

19 MR. BOB PETERS: And in addition,  
20 we've talked about the fourfold test on page 312(e)  
21 that Centra currently follows when it charges its own  
22 T-Service customers for balancing fees, correct?

23 MS. LORI STEWART: Yes.

24 MR. BOB PETERS: Would it be correct  
25 for the panel to understand, Ms. Stewart, that what

1 Centra is asking for of this Board is to essentially  
2 use the same balancing formula that TCPL does but with  
3 two (2) modifications?

4 One (1) of those is related to the 50  
5 percent of the reference toll, and the other is volume  
6 tolerances.

7 Are you with me on that?

8 MS. LORI STEWART: Yes, that's  
9 correct.

10 MR. BOB PETERS: And you agree with  
11 that? Before I leave page 312, part 'E', would you  
12 agree with me, Ms. Stewart, that, in terms of what  
13 Centra's now proposing, factors number 1 and number 4  
14 aren't going to be considered anymore?

15 MS. LORI STEWART: That's correct.  
16 And additionally, factor 2 is altered in that the  
17 percentage tolerance becomes the threshold, the new 7  
18 percent.

19 MR. BOB PETERS: Yeah. And we're  
20 going to come to that.

21 MS. LORI STEWART: Okay.

22 MR. BOB PETERS: But I just wanted to  
23 have the panel understand that -- that changes are  
24 afoot in what you've proposed and you are making,  
25 essentially, two (2) modifications on the TCPL

1 methodology, one (1) being for the -- using 50 percent  
2 of a reference toll, and the other is the volume  
3 tolerances?

4 MS. LORI STEWART: The absolute  
5 thresholds, yes.

6 MR. BOB PETERS: All right. So, if we  
7 go to page 316 of Board counsel's book of documents,  
8 you'll see an advisor-prepared document. Have you had  
9 a chance to -- to look at that prior to today, Ms.  
10 Stewart?

11 MS. LORI STEWART: My -- my staff did,  
12 Mr. Peters, yes.

13 MR. BOB PETERS: Did anybody have any  
14 skating criticisms of it or its inaccuracy or  
15 otherwise?

16 MS. LORI STEWART: No. They advised  
17 that it accurately represents the situation.

18 MR. BOB PETERS: All right. And what  
19 this shows the panel, Ms. Stewart, is that at  
20 different tolerance levels there's a balancing fee  
21 that TCPL will levy.

22 And then you have in the far right-hand  
23 column what Centra is proposing to charge its T-  
24 Service customers if they fit into that level of  
25 imbalance?

1 MS. LORI STEWART: Yes.

2 MR. BOB PETERS: The short form is  
3 that you've taken whatever TransCanada pipeline is  
4 charging for various tier imbalances and dividing it  
5 in half?

6 MS. LORI STEWART: Yes.

7 MR. BOB PETERS: Why half?

8 MS. LORI STEWART: We -- we talk about  
9 that within our evidence. Primarily half to mitigate  
10 the impacts for our T-Service customers. We're  
11 proposing a change.

12 That change will be quite different for  
13 the eleven (11) smaller volume customers, and it was  
14 in recognition of the need to make some effort to  
15 mitigate the impacts for them and hoping that, as we  
16 go along this -- this new ride, the new proposal, that  
17 they are able to adapt because our objective is to  
18 collect nothing in balancing fees from Transportation  
19 Service customers.

20 That would be the ideal outcome, for  
21 Centra to collect nothing.

22 MR. BOB PETERS: And they would  
23 collect nothing only if those T-Service customers were  
24 within balance?

25 MS. LORI STEWART: That's correct.

1 MR. BOB PETERS: And that's part of  
2 your incentive, if I may?

3 MS. LORI STEWART: It's -- it explains  
4 the need for an incentive-based structure.

5 MR. BOB PETERS: In that answer you've  
6 given me, Ms. Stewart, do I take that Centra still  
7 wants to retain the discretion to maybe go higher than  
8 50 percent of the TCPL penalty and charge that to T-  
9 Service customers?

10 MS. LORI STEWART: That was our  
11 evidence at the time that we filed our application,  
12 Ms. Peters. We -- not knowing how T-Service customers  
13 will respond to the incentive creates some uncertainty  
14 for us.

15 Clearly, collecting fees at a hundred  
16 percent of the TCPL mainline balancing fee levels, it  
17 is appropriate. Transportation Service customers  
18 formerly paid fees at that level prior to the DSO  
19 arrangement.

20 It would have been valid for us to  
21 apply for that; however, it was listening to our  
22 customers and the types of operations that they have  
23 and the challenges that they face.

24 I spent more than fifty (50) hours on  
25 conference calls with T-Service customers listening to

1 their challenges. And it was by virtue of listening  
2 to that, that the proposal came forward at the 50  
3 percent level.

4 MR. BOB PETERS: So, you listen to  
5 their challenges. You accept their challenges as  
6 legitimate, correct?

7 MS. LORI STEWART: I do.

8 MR. BOB PETERS: And the discretion  
9 that Centra is now proposing to exercise is to only  
10 charge 50 percent of the TCPL penalty through to the  
11 T-Service customers?

12 MS. LORI STEWART: That's correct.  
13 And our evidence in the application was that we would  
14 prefer to retain discretion. At -- at this stage, if  
15 it's causing some uncertainty for T-Service customers,  
16 we expect them to respond, to rationally respond to  
17 the financial incentive and to manage their -- those  
18 costs down. That's what Centra does today.

19 Ms. Foulkes staff of traders and  
20 schedulers do a remarkable job of attending to the  
21 financial incentive to manage balancing fees to the  
22 lowest possible level.

23 A lot of their attention is directed at  
24 that. And so, we expect Transportation Service  
25 customers to respond in the same way; it's a rational

1 response.

2                   And as a result of -- however, as a  
3 result of having that uncertainty, we did include in  
4 our evidence the fact that they're -- we would like to  
5 retain the discretion for that to range up to as much  
6 as 100 percent. However, clearly, that's causing IGU  
7 members some distress.

8                   Mr. Hacault's opening comments are  
9 talking about how there's, you know, absolutely no  
10 constraints on Centra's ask. And I'm taking us back  
11 to -- well, our proposal is extremely well defined.  
12 It is clear. It is based on an NEB-approved structure  
13 at 50 percent.

14                   However, if it would cause the Board  
15 and perhaps T-Service customers more comfort for  
16 Centra to ta -- to say today we can agree to cap it at  
17 50 percent of those fees going forward unless we apply  
18 otherwise, Centra can live with that.

19                   The key is to turn the corner to an  
20 incentive-based structure.

21                   MR. BOB PETERS: Thank you. I'm sure  
22 we'll hear Ms. Carvell's closing submissions relative  
23 to that, Ms. Stewart. But back on page 314 and 315  
24 we've got these -- these are PowerPoint slides that  
25 Centra had prepared and presented at -- at certain

1 consultation meetings, correct?

2 MS. LORI STEWART: Yes.

3 MR. BOB PETERS: And while it says  
4 that these are the mainline balancing fee structure  
5 applicable to Centra, is it correct that this same  
6 balancing fee structure applies to each and every T-  
7 Service customer that enters into contracts with  
8 TransCanada pipeline?

9 MS. LORI STEWART: Well, no. If it  
10 did, then Transportation Service customers in Manitoba  
11 wouldn't be paying Centra fees, so, no, that's not  
12 correct.

13 MR. BOB PETERS: All right. And so,  
14 even though these are charged through to Centra,  
15 Centra has used its discretion in saying we want to  
16 turn the corner and we want to charge 50 percent of  
17 them through to the T-Service customers?

18 MS. LORI STEWART: That's correct.

19 MR. BOB PETERS: Now, when we -- when  
20 we see that there's 50 percent being charged through  
21 and 50 percent not, does it fall to the sales service  
22 customers to pick up the balance that isn't paid for  
23 by the T-Service customers?

24 MS. LORI STEWART: It does.

25 MR. BOB PETERS: And that's currently



1 the situation that exists, as well, correct?

2 MS. LORI STEWART: Correct,  
3 recognizing that Centra's evidence is that the  
4 proposal will significantly mitigate the degree of  
5 cross-subsidization relative to status quo.

6 MR. BOB PETERS: We started talking  
7 after the recess, Ms. Stewart, about the two (2)  
8 modifications Centra was proposing. We've talked  
9 about the 50 percent level of the fee that's going to  
10 be charged through.

11 And the second has to do with Centra's  
12 modification of the volume tolerance based on the T-  
13 Service customer's average daily consumptions,  
14 correct?

15 MS. LORI STEWART: Yes.

16 MR. BOB PETERS: And on page 327 of  
17 Board counsel's book of documents, at the top of the  
18 page, we see that there's a chart, Ms. Stewart, which  
19 contains the volume tolerance that is proposed by  
20 Centra, correct?

21 MS. LORI STEWART: Yes.

22 MR. BOB PETERS: And Centra has given  
23 different volume tolerances based on the average daily  
24 consumption of the T-Service customers, correct?

25 MS. LORI STEWART: Yes.

1 MR. BOB PETERS: And so, the smaller -  
2 - the smallest of the T-Service customers would have  
3 an absolutely daily tolerance of plus or minus 50  
4 gigajoules and the largest would -- would have plus or  
5 minus 500 gigajoules a day?

6 MS. LORI STEWART: That's correct.

7 MR. BOB PETERS: And Centra has  
8 attempted to tailor this chart to specific customers'  
9 average daily consumptions.

10 Is that correct?

11

12 (BRIEF PAUSE)

13

14 MS. LORI STEWART: Yes. We were  
15 weighing a number of things. We were looking to  
16 basically categorize Transportation Service customers,  
17 and then apply a con -- consistent approach to those  
18 categories.

19 We have a huge range of gas consumed by  
20 Centra's Transportation Service customers today. And,  
21 as a result, it required -- it required  
22 acknowledgement of that range. And -- and that's the  
23 chart that you see in front of you.

24 MR. BOB PETERS: You can confirm that  
25 the current imbalance that is tolerated by Centra is

1 1,999 gigajoules a day for each T-Service customer?

2 MS. LORI STEWART: Not in isolation  
3 though, right, in combination with the other  
4 conditions.

5 MR. BOB PETERS: All right. Back on  
6 page 312 of Board counsel's book of documents, I'm not  
7 disagreeing with your point, Ms. Stewart, but the 'E'  
8 part at the bottom, the customer end balance now is  
9 shown at plus or minus 2000 gigajoules, correct?

10 MS. LORI STEWART: Yes.

11 MR. BOB PETERS: And your point was  
12 it's one of four conditions?

13 MS. LORI STEWART: That's correct.

14 MR. BOB PETERS: All right. But the -  
15 - the consumption point related to 2000 gigajoules per  
16 day?

17 MS. LORI STEWART: Yes.

18 MR. BOB PETERS: And so every one --  
19 if we go back to 327 please, of the book of documents,  
20 and we look in the chart, every one of your T-Service  
21 customers will have a tighter absolute daily tolerance  
22 under Centra's proposal?

23 MS. LORI STEWART: They will.

24 MR. BOB PETERS: Does Centra reassess  
25 which category these T-Service customers will be in on

1 an annual basis?

2 MS. LORI STEWART: Yes, we've been  
3 refreshing their consumption patterns so as to  
4 accurately reflect any changes in the amount of gas  
5 that the plant is consuming.

6 So for example, if a plant were to  
7 expand and the equipment that it -- it installs is  
8 such that the plant will use more gas, then it would  
9 migrate up a category.

10 And I can't recall whether I said we've  
11 been doing that on an annual basis, so refreshing with  
12 the most current annual consumption for each customer.

13 MR. BOB PETERS: On page 327, and I  
14 think in some of your previous answers to vice-chair  
15 Kapitany, you suggested that the tolerances worked out  
16 to about 7 percent for most, if not all, of your T-  
17 Service customers.

18 Did I hear that right?

19 MS. LORI STEWART: For most, yes.

20 MR. BOB PETERS: All right. Not for  
21 all?

22 MS. LORI STEWART: That's correct.

23 MR. BOB PETERS: And the 7 percent  
24 number was as a result of the consultations you had  
25 with these customers?

1 MS. LORI STEWART: The consultation  
2 that we had is that the 2 percent threshold, that that  
3 was too tight. They felt it was unreasonable and  
4 particularly in the case of some very small users  
5 transportation service customers on this system, it  
6 would have resulted in volumes that really the market  
7 wouldn't even transact around.

8 So if someone is trying to buy 10  
9 gigajoules from me, I mean that's -- we don't operate  
10 like that. It needs to be a greater volume, a higher  
11 volume for the market to attend to that.

12 The -- the effort associated with  
13 executing a transaction for 10 gigajoules, it -- it  
14 isn't worth it.

15 So it was in recognition of trying to  
16 bring that tolerance level up to a point at which we  
17 could agree that the market would actually transact  
18 around.

19 So if someone was trying to clear a 50  
20 GJ imbalance, if you've done enough business with  
21 them, they'll respond to that. It's still very low.  
22 It's not typical for us to transact in the hundreds of  
23 gigajoules, we're typically transacting in the  
24 thousands, so.

25 MR. BOB PETERS: Ms. Stewart, I want

1 to tie that answer into a chart on page 327. If we  
2 can go back to page 316, please, of Board counsel's  
3 book of documents.

4 I had understood you to be telling the  
5 panel previously that under Centra's proposal it will  
6 end up that for most customers they will not be  
7 exposed to a tier 1 or a tier 2 penalty.

8 Did I hear that correctly?

9 MS. LORI STEWART: Yes, that's  
10 correct.

11 MR. BOB PETERS: And that's premised  
12 on the penalties kicking in when they're absolute  
13 daily tolerance is approximately 7 percent?

14 MS. LORI STEWART: Yes.

15 MR. BOB PETERS: So what you've said  
16 is that in the -- in the sheet that's in front of us  
17 here in terms of the penalties, using the Centra  
18 absolute daily tolerances by customer classification  
19 based on consumption, most but not all will never face  
20 a penalty in tier 1 or tier 2.

21 MS. LORI STEWART: Yes.

22 MR. BOB PETERS: All right, I've got  
23 your point.

24 MS. LORI STEWART: Mr. Labonte  
25 recommended, and I think we see that on page 330 of

1 Board counsel's book of documents please, at the  
2 bottom. He has the same chart that we looked at, but  
3 also in terms of his evidence, saying that look it, if  
4 -- if everybody is sitting at 2000 under status quo,  
5 maybe the approach should be to go to 500 GJs of daily  
6 imbalance per customer.

7                   You understand that to be a  
8 recommendation he wants this Board to consider?

9                   MS. LORI STEWART: I do. I don't  
10 agree with his evidence in that he makes an assumption  
11 that the tolerance for each customer under Centra's  
12 status quo arrangement is 2000 gigajoules.

13                   And I can understand why he -- why he  
14 may have interpreted it like that, but the reality is  
15 that if there are 15 T-Service customers within the  
16 province, and if each of them were afforded a 2000  
17 gigajoule tolerance, that -- that comes to the T-  
18 Service customers being able to be out of balance to  
19 the tune of 30,000 GJs, when Centra's tolerance is  
20 2000. That's not a practical interpretation of it.

21                   In reality, those small users of  
22 natural gas, who are using less than 2000 GJs a day,  
23 they -- they never had a tolerance defined for them.

24                   I don't know if I'm --

25                   MR. BOB PETERS: I'm understanding

1 your evidence and -- to the panel to be that even  
2 though Centra had a customer imbalance of 2000  
3 gigajoules as one of its four conditions.

4 That 2000 GJ per day imbalance didn't  
5 apply to many of the smaller users, simply because  
6 they were well below that volume threshold.

7 MS. LORI STEWART: Yes. So for -- for  
8 Mr. Labonte to then leap to we have a 2000 GJ a day  
9 tolerance today, I don't -- I don't agree with that.  
10 That's somewhat nonsensical given that our limit is  
11 2000 a day to manage the entire sales service pool and  
12 all 15 T-Service customers, but his evidence is  
13 suggesting that T-Service customers today could bring  
14 us out of balance by 30,000 GJs a day.

15 If that was happening routinely, Centra  
16 would have filed an off-cycle proposal sooner than  
17 where I'm sitting here today in front of you.

18 That -- that -- that doesn't make any  
19 sense. And respectfully, his proposal that T-Service  
20 customers should be afforded 500 gigajoules a day,  
21 again I'm going to do the same arithmetic, 500 GJs  
22 times 15 customers is 7,500 gigajoules. Our daily  
23 tolerance can be as low as 2111.

24 And another aspect of IGU's evidence  
25 is, you know, like many people in the room, I spend a



1 lot of weekends at work this summer. And our  
2 schedulers work 365 days a year, so there's two  
3 schedulers in on weekends. And I walk in and I say  
4 how, you know, what's -- what's happening with the  
5 load? That's what I always ask them.

6 And their answers are invariably the Ts  
7 are packing or -- it was summer, they were packing.

8 So it's not -- when they move, they  
9 move like this in a lot of circumstances. We were  
10 packing too. It was really warm, the entire market  
11 there -- you know, the forecast for what was going to  
12 be consumed, we were consuming less than that. Centra  
13 was, and all the Ts were driving in the same  
14 direction. And that's what --

15 MR. BOB PETERS: That's your point,  
16 Ms. Stewart, is that they were in lock step relatively  
17 in terms of everybody was in the -- going in the same  
18 direction, so there was no countervailing effects.

19 MS. LORI STEWART: Yes, because Mr.  
20 Hacault's example, which -- in his opening comments,  
21 it was suggestive that this magically works out, that  
22 one customer will over-consume by 500 gigajoules and  
23 then another customer will magically offset that, and  
24 perfectly.

25 But that's not at all how the market

1 behaves in reality. And I -- I am not saying and  
2 Centra's evidence has been very careful in this  
3 regard, does it sometimes happen that they have offset  
4 one another. It does sometimes happen.

5 But multiple times this summer the  
6 message from my schedulers has been the Ts are  
7 packing. And the -- if it was minus 30, they'd all be  
8 drafting.

9 So you know, this -- this sense that  
10 somehow their positions would offset one another,  
11 that's not based in our experience, that's not what we  
12 experienced in real time.

13 MR. BOB PETERS: Let's go to what you  
14 do experience in real time on page --

15 BOARD MEMBER WATSON: I'm sorry.  
16 Quick question for Ms. Stewart.

17 Can you just take me through the gas  
18 day on your nominations and how they change? I  
19 believe the gas day is, what, 9 until 9 and your  
20 adjustments throughout the day?

21 So if the T customers were packing or  
22 drafting, you'd then change that so many times per  
23 day, correct?

24

25 CONTINUED BY MR. BOB PETERS:

1                   MR. BOB PETERS:    And at the risk of  
2 interrupting my client's questions, I would just ask  
3 the -- the witness to refer to page 364 of Board  
4 counsel's book of documents, and this may be an area  
5 that we don't need to then canvas later, it's a timely  
6 question at this point.

7                   So if that helps, Ms. Stewart, in  
8 addressing Board Member Watson's question.

9                   MS. LORI STEWART:    Yes, certainly.

10                  So the gas day does operate from 9:00  
11 a.m. til 9:00 a.m. and there are two day ahead  
12 nomination windows.

13                  So it's Thursday today and yesterday  
14 there would be opportunities, two of them, the timely  
15 window is the most frequently used, where we put in  
16 our -- our first estimate to the pipeline.

17                  What is the market -- so yesterday what  
18 is the market going to burn today, starting at 9 a.m.  
19 So that happens one day ahead of time that those --  
20 it's a little bit less than that, but just for  
21 simplicity.

22                  And then that evening, so yesterday  
23 evening there's another opportunity called the evening  
24 window, to make an adjustment for today's gas day.

25                  Then we all go home for -- for the

1 evening and we come back again in the morning and now  
2 we're into the gas day, it has started at 9 a.m. and  
3 there are two windows, intraday one -- sorry, three  
4 windows.

5                   Intraday one, intraday two, and  
6 intraday three. So now you're in the gas day and you  
7 have the opportunity to, we call it fine tune. So  
8 you're watching your hourly SCADA reads, which are  
9 telling you what the market's burning and you're  
10 looking at what you've got nominated and you're making  
11 those adjustments as the day goes on.

12                   Then this schedule -- so those are the  
13 five standard North American Energy Standards Board,  
14 or NAESB, nomination windows.

15                   And then on specific pipelines there  
16 can be additional windows. So there are five NAESB  
17 standard windows and then on the TCPL mainline, those  
18 entities who have storage are allowed additional  
19 windows, and that STS 11, STS 1700 and if you scroll  
20 down there's a couple more, STS 1, STS 5, those are  
21 storage transportation service nomination windows.

22                   And for Centra, we use one of those  
23 windows, I think it's the 5:00 a.m. window, the 5:00  
24 a.m. window to make one last fine-tune during the  
25 winter months when we have access to storage.

1                   So Centra has six (6) windows that it  
2 uses. In general though, the market has five (5) opp  
3 -- five opportunities to put its nomination for gas on  
4 the pipe.

5                   BOARD MEMBER WATSON:    Okay, thank you.  
6 And just a follow-up question. Earlier in the day you  
7 said if you don't react to the imbalance and reaction  
8 you were referring to is adjusting the nominations, or  
9 is there actually other tools or other things you can  
10 do to react to changes?

11                  MS. LORI STEWART:    I was primarily  
12 thinking about the -- the additional nomination  
13 windows that are available to the market. That's what  
14 I was primarily thinking of. But yes, there are other  
15 tools.

16                  We talk in our evidence about the TCPL  
17 mainline offering a park and loan service for  
18 customers to -- to pay for the ability, if they're  
19 long, to park their gas on the pipe. And if they're  
20 short, to -- to get a loan. Those -- those services  
21 are not -- are not cheap.

22                  But on occasion, in order to help the  
23 pipeline to balance, they do offer them. However,  
24 they're interruptible services. So if the pipeline  
25 truly is, you know, being significantly drafted, if

1 you try to go to it and get a loan, it would say we're  
2 not offering loans today.

3                   So it -- it's a service that's  
4 available, but it's interruptible, so it may or may  
5 not be there on -- on the day that you're looking for  
6 it.

7                   BOARD MEMBER WATSON:    Okay.  Are you  
8 allowed to trade yourself with, let's say, Ontario, if  
9 it's really mild there, very cold here, you're allowed  
10 to take off and deal directly with Ontario?

11                   MS. LORI STEWART:    I think my  
12 colleague, Mr. Kostick, is -- is probably the best  
13 person to respond to that.

14                   MR. NEIL KOSTICK:    We're able to  
15 transact with virtually any counter-party in the  
16 natural gas market during standard NAESB nomination  
17 windows.  The STS windows are strictly for taking more  
18 storage gas from your storage.  But during the NAESB  
19 five standard nomination windows, any other party  
20 that's active in the natural gas market, we can  
21 transact with, that could include other LDCs.  More  
22 typically, it's with natural gas marketers who are  
23 active throughout the gas day and will trade at all  
24 the nomination windows.

25                   But we can do any number of

1 transactions, that's available to Centra and all T-  
2 Service shippers as well.

3 BOARD MEMBER WATSON: And that's just  
4 one of the other tools that you can use to balance the  
5 -- the day?

6 MS. LORI STEWART: Yes, definitely.  
7 We -- we do that routinely and Mr. Brown's evidence on  
8 behalf of Koch Canada Energy Services describes how  
9 Centra and CKES, or KCES do business routinely.

10 We also transact with other  
11 transportation service customers and there has been a  
12 -- a -- I don't know, it feels like a very muddy  
13 record on that issue, and we're quite frankly a bit  
14 confused by that, because that is a fact. Mr. Labonte  
15 refers to this as buy/sells, he also refers to it as  
16 title transfers.

17 But the fact is that the TCPL mainline,  
18 at any of the delivery areas, buyers and sellers can  
19 acquire gas or sell gas to one another. I mean, every  
20 entity has its own rules or guidelines around that.  
21 You know, Centra wants -- will always have a -- a  
22 NAESB contract in place with an entity that its buying  
23 and selling with.

24 We assess the credit worthiness of the  
25 counter-parties that we do business with, such that

1 we're not exposing our customers to the risk of, you  
2 know, financial default.

3                   But other than those kinds of kind of  
4 internal rules to manage risk, there should be no  
5 debate about the fact that Centra can transact with T-  
6 Service customers, we do. We do today. Mr. Brown's  
7 evidence states that and we transact with other T-  
8 Service customers today.

9                   BOARD MEMBER WATSON:    Okay, and the  
10 last question, is the park and load feature, how often  
11 in a given year would you use those features to remain  
12 in balance, approximately?

13                   MS. LORI STEWART:    I'm sorry, I didn't  
14 catch the question.

15                   BOARD MEMBER WATSON:    The park and  
16 load feature that TCIP offers, how many times a year  
17 do you use it, approximately?

18                   MS. LORI STEWART:    Ms. Foulkes has  
19 relayed that she thinks it's -- it's, you know, maybe  
20 fifteen (15) to twenty (20) times a year that we would  
21 use park and loan. We typically rely on market  
22 transactions with others first.

23                   BOARD MEMBER WATSON:    Okay, thank you.

24

25 CONTINUED BY MR. BOB PETERS



1                   MR. BOB PETERS:    If we could go back,  
2 please, to page 327 of Board counsel's book of  
3 documents, Ms. Stewart and Mr. Kostick.

4                   This chart at the top of the page was -  
5 - it contained Centra's proposal before this Board in  
6 terms of what would be the absolute daily tolerances,  
7 as well as the absolute cumulative tolerances afforded  
8 various T-Service customers under the proposal that's  
9 before the Board, correct?

10                  MS. LORI STEWART:    Yes.

11                  MR. BOB PETERS:    Now, you gave some  
12 answers as to what happens in reality, and if we turn  
13 to page 308 of Board counsel's book of documents,  
14 would the panel be correct in understanding that the  
15 chart on 308 reflects the reality, at least maybe that  
16 was the 2017/18 gas year, I'm guessing, Ms. Stewart?

17                  MS. LORI STEWART:    I would say that  
18 the chart, particularly the column titled "Average  
19 absolute daily imbalance" as a percentage of average  
20 daily available.  It's basically a measure of  
21 balancing performance, right?

22                  MR. BOB PETERS:    Would the panel be  
23 correct in understanding this chart as indicating that  
24 the average daily imbalances of the T-Service  
25 customers range from a low of 2 percent to a high of

1 23 percent?

2 MS. LORI STEWART: Yes, that's  
3 correct.

4 MR. BOB PETERS: And again, leaving  
5 aside the actual volume amounts, the maximum absolute  
6 daily imbalance has been measured as low as 43 percent  
7 to a high of 151 percent?

8 MS. LORI STEWART: That's correct.

9 MR. BOB PETERS: And this doesn't tell  
10 us which side that is, whether that's a pack or a  
11 draft imbalance, but it doesn't matter, does it, Ms.  
12 Stewart?

13 MS. LORI STEWART: No, it doesn't.  
14 It's an average of literally 365 days worth of -- of  
15 performance.

16 MR. BOB PETERS: Now, if we turn to  
17 page 320 of Board counsel's book of documents, we're  
18 going to find what I think Centra has called a pro-  
19 forma calculation, assuming that Centra's proposed  
20 balancing fee schedule was in effect back in 2016/17  
21 as well as 2017/18, Ms. Stewart?

22 MS. LORI STEWART: Yes. Following the  
23 -- the kickoff presentation that we held in October of  
24 2016 with T-Service customers, one of the things that  
25 we committed to them to assist them with their

1 transition in terms of readying themselves for  
2 balancing fees, was to provide monthly reporting,  
3 which actually includes daily detail, but to provide  
4 monthly reporting of what the impacts would be so that  
5 they had full visibility on how their plant was  
6 performing and we hoped that that would serve as an  
7 incentive to kind of improve their performance over  
8 time.

9                   But you know, in terms of consultation,  
10 we wanted to ensure that we -- that we were genuinely  
11 meeting those benchmarks, right, in terms of was  
12 adequate notice provided, were there opportunities to  
13 mitigate or mitigation opportunities defined within  
14 the proposal.

15                   So we had that as top of mind that we  
16 were, you know, we were wanting this to unfold as best  
17 it could. And over time, you know, the -- the  
18 consultation did not move to consensus, but I'm not  
19 sure that should be -- should be judged. I think that  
20 the parties, IGU members are -- are looking after  
21 their company's interests and that's -- that -- again,  
22 that's a rational thing to do.

23                   So we didn't move to -- we didn't move  
24 to a consensus position. But at the end of the day,  
25 that's -- this is one of the features that we

1 committed to customers to provide, is to provide  
2 monthly reporting so that they had clear line of sight  
3 in terms of how their plant was behaving in terms of  
4 balancing and perhaps that would cause some thinking  
5 in their shops about how they could perform -- improve  
6 their forecasting.

7 MR. BOB PETERS: And Ms. Stewart, on  
8 page 320 that's in front of the panel, is it correct  
9 that in every instance assuming the customer does not  
10 change its behaviour, the T-Service customer will pay  
11 more than what was charged pursuant to the existing  
12 balancing fee methodology?

13 MS. LORI STEWART: Yes.

14 MR. BOB PETERS: And if we look at  
15 this chart, we see the totals at the bottom of the  
16 2016/17 as well as the 2017/18 gas year.

17 Those are highlighted on the screen,  
18 Ms. Stewart?

19 MS. LORI STEWART: I see them.

20 MR. BOB PETERS: And if we keep those  
21 in mind and turn to page 333 of Board counsel's book  
22 of documents, we see that the totals that would be  
23 charged to T-Service customers. We also have in that  
24 chart the actual amount that TCPL did charge Centra in  
25 each of those two year gas years, correct?

1 MS. LORI STEWART: Yes, we do. And I  
2 think it's appropriate to just caution that Pro-Forma  
3 results are -- are just that.

4 So the incentive didn't exist and one -  
5 - one can infer that the behaviour of those, once the  
6 incentive actually exists, will change.

7 MR. BOB PETERS: And under the new  
8 methodology, if we're looking on the chart under the  
9 2016/17 gas year, Ms. Stewart, on a Pro-Forma basis  
10 and again assuming the customers don't change any  
11 behaviour, Centra would collect a \$920,602 of  
12 balancing fees from its T-Service customers?

13 MS. LORI STEWART: Yes, that's  
14 correct.

15 MR. BOB PETERS: And that's -- well,  
16 it's almost 4 times what actual amount has been  
17 charged to Centra by TCPL on this Pro-Forma sheet,  
18 correct?

19 MS. LORI STEWART: That's the  
20 arithmetic.

21 MR. BOB PETERS: And under this  
22 arithmetic, Ms. Stewart, who does -- who gets the  
23 benefit of the \$676,000 in 2016 or the \$488,000 in  
24 2017/18?

25 MS. LORI STEWART: Sales service

1 customers to offset the opportunity costs associated  
2 with the imbalances.

3 MR. BOB PETERS: It's to offset the  
4 opportunity costs that are incapable of being  
5 precisely calculated?

6 MS. LORI STEWART: Yes.

7 MR. BOB PETERS: Does that amount, Ms.  
8 Stewart, to the T-Service customers subsidizing the  
9 sales service customers costs?

10 MS. LORI STEWART: No, it doesn't. It  
11 still doesn't offset the indirect costs that Centra  
12 believes are being incurred.

13 MR. BOB PETERS: In terms of the  
14 unquantified benefits that Centra envisions if their  
15 proposal is accepted, that would also include less  
16 effort by the Centra employees to coax T-Service  
17 customers or their agents to get into balance?

18 MS. LORI STEWART: It would.

19 MR. BOB PETERS: And Ms. Stewart, is  
20 there an equivalent full-time position or positions  
21 that would become redundant if this proposal was  
22 accepted by the Board?

23 MS. LORI STEWART: One moment, please.

24

25 (BRIEF PAUSE)

1

2 MS. LORI STEWART: I'm -- I'm pausing  
3 because, as a result of the voluntary departure  
4 program, we have already reduced our scheduling staff  
5 by one (1), and so I needed to confirm -- prior to  
6 that, I would have had the answer at the tip of my  
7 tongue, but it is not an -- like, one (1) individual  
8 doesn't do this full-time.

9

So, it's a team. And they're --  
10 certainly, it will reduce the level of effort that is  
11 required. It would -- having Centra's proposal  
12 implemented will also reduce the friction because  
13 there are times where our schedulers are in conflict  
14 with T-Service customers and -- because the schedules  
15 are trying to live up to their obligation to balance  
16 the DSO. And if -- or balance the delivery areas.

17

And if the Ts are not responding, it --  
18 it becomes -- it becomes, you know, not alarming, but  
19 upsetting for them, right. They're trying unfold --  
20 or attend to their obligations, but the Ts aren't  
21 responding.

22

And that speaks again to -- to my  
23 testimony, which is that an incentive-based structure  
24 is required. But does it equate precisely to one (1)  
25 EFT? No, it doesn't, it's something less than that.

1 MR. BOB PETERS: Ms. Stewart, on page  
2 319 of Board counsel's book of documents, in the start  
3 of the first full paragraph, it indicates that Centra  
4 maintains a buffer to contend with certain  
5 uncertainties.

6 Do you see that?

7 MS. LORI STEWART: I do.

8 MR. BOB PETERS: And I'm not looking  
9 for -- for specifics of that, but -- but this buffer  
10 is to allow Centra to try to maintain balances for at  
11 least the sale service customers. Would that be fair?

12 MS. LORI STEWART: It's in order to  
13 ensure that we haven't overcommitted Centra's assets,  
14 or under committed them, relative to what each of the  
15 fifteen (15) T-Service customers are doing.

16 MR. BOB PETERS: Right. So, the  
17 buffer is related, not to the sale service customers,  
18 but to the T-Service customers?

19 MS. LORI STEWART: It is.

20 MR. BOB PETERS: And if Centra's  
21 proposal before this Board was accepted by this Board,  
22 would Centra keep this buffer, or could they do away  
23 with it?

24 MS. LORI STEWART: Well, we would  
25 never be able to do away with it completely. But if



1 T-Service customers' balancing performance improves,  
2 we should be able to reduce it, yes.

3                   And -- and to clarify, Mr. Peters, the  
4 buffer that's being referenced in this evidence is  
5 associated with T-Service customers, but Centra, on a  
6 daily basis, retains a buffer in terms of what  
7 capacity it sells relative to the sales service pool  
8 in addition to this.

9                   MR. BOB PETERS:     So, there's a second  
10 buffer?

11                   MS. LORI STEWART:    There is, yeah.

12                   MR. BOB PETERS:     And who pays --

13                   MR. NEIL KOSTICK:    If I could just add  
14 possibly, Mr. Peters --

15                   MR. BOB PETERS:     Yes.

16                   MR. NEIL KOSTICK:    -- as far as the  
17 continuation of the buffer, part of that would be  
18 driven by experience and the degree to which T-Service  
19 customers have improved their balancing performance,  
20 but it also speaks to the need for the purpose of  
21 incentive-based fees like this is -- really the reason  
22 behind it is predictability and consistency.

23                   So, the reason why the TransCanada  
24 mainline has these fees that are imposed on Centra Gas  
25 and Enbridge and Energir and other downstream

1 operations is to know and have some understanding and  
2 predictability of what we are all going to do as far  
3 as balancing our delivery areas.

4           And while TransCanada doesn't actively  
5 manage the balancing, it's done by us, TransCanada  
6 wants to know consistently and predictably that we are  
7 going to be doing that so that they know what the line  
8 pack position is of their pi -- of their pipeline.

9           And line pa -- line pack is jargon for,  
10 basically, the pressure on their pipeline system.  
11 They want to know that it's not going to trend too  
12 high or too low. They know in advance, essentially,  
13 that the utilities, like Centra, are going to balance.

14           In our case, with greater  
15 predictability and consistency and balancy -- and  
16 balancing from T-Service shippers, that buffer should  
17 be able to be minimized. Eliminated 100 percent? We  
18 can't really say. But that would allow us to have  
19 that predictability as far as how T-Service shippers  
20 are going to react.

21           And that would allow for us to take  
22 greater advantage of the opportunities for capacity  
23 management transactions, and also to ensure that, when  
24 we do have to transact in terms of buying gas or  
25 selling gas in order for ourselves to balance, that we

1 can do it earlier in the gas day at an earlier  
2 nomination window where the value is better for  
3 Centra, either we can sell at a higher price or buy at  
4 a lower price, as opposed to having to wait to the  
5 very last nomination window on an intraday basis to  
6 make those transactions where the market liquidity has  
7 shrunk considerably and the value for Centra has  
8 shrunk accordingly.

9                   So, it's all about predictability and  
10 consistent balancing. And that's the purpose of the  
11 fees, from our perspective, along with the fundamental  
12 proposition of needing to carry out our responsibility  
13 as a downstream operator on the TransCanada mainline.

14

15                   (BRIEF PAUSE)

16

17                   MR. BOB PETERS: Ms. Stewart, in terms  
18 of the buffer that Centra maintains with respect to T-  
19 Service customers, who pays for that buffer?

20                   MS. LORI STEWART: Sales service  
21 customers.

22

23                   (BRIEF PAUSE)

24

25                   MR. BOB PETERS: Ms. Stewart, I'm just

1 pausing. I believe it's on the public record in terms  
2 of the dollar amount, but I won't ask you for that  
3 here and now. If, for some reason, I'm not able to  
4 locate it, I will come back through your counsel to  
5 see if we have that information.

6 Is that acceptable?

7 MS. LORI STEWART: Yes.

8 MR. BOB PETERS: And is also correct,  
9 if we're looking at the chart on page 320 of Board  
10 counsel's book of documents, that if a T-Service  
11 customer's behaviour, if I may, is incented to improve  
12 by 10 percent, then it would be expected that the  
13 balancing fees charged would be reduced by  
14 approximately 10 percent?

15 MS. LORI STEWART: Yes, in fact, by at  
16 least 10 percent.

17 MR. BOB PETERS: All right. And --  
18 and, directionally, a 50 percent improvement over what  
19 they now do would cause a T-Service customer's  
20 balancing fees to be reduced by at least 50 percent of  
21 what's shown?

22 MS. LORI STEWART: That's correct.

23 MR. BOB PETERS: Mr. Chair, I believe  
24 I can finish my questions in approximately fifteen  
25 (15) minutes if the panel wants to indulge me.

1 Alternatively, I should remind the panel that at one  
2 o'clock we do have a presenter who will be here, and I  
3 could fit in after that, but at the panel's pleasure,  
4 I'd be guided.

5 THE CHAIRPERSON: Proceed.

6 MR. BOB PETERS: Thank you, sir.

7

8 CONTINUED BY MR. BOB PETERS:

9 MR. BOB PETERS: Ms. Stewart, you went  
10 through with Board Member Watson the nomination  
11 windows. You can confirm, can you, that Centra has  
12 more nomination windows than do its T-Service  
13 customers?

14 MS. LORI STEWART: Yes, by virtue of  
15 Centra contracting for storage.

16 MR. BOB PETERS: And if we look on  
17 Board counsel's book of documents to page 364,  
18 conveniently highlighted in yellow are the storage  
19 windows that are open if the shipper has storage  
20 transportation service?

21 MS. LORI STEWART: Yes.

22

23 (BRIEF PAUSE)

24

25 MR. BOB PETERS: And in terms of the

1 discussion you had with Board Member Watson on  
2 shippers executing purchases and sales between or  
3 amongst themselves, those purchases and sales have to  
4 refer to the TransCanada pipeline system, and not the  
5 Centra delivery system.

6 Have I got that right?

7 MR. NEIL KOSTICK: That's correct.  
8 There's a great deal of flexibility in the existing  
9 gas market and, in this case, on the TransCanada  
10 mainline to execute transactions at all the standard  
11 nomination windows, those being the five (5) NASB  
12 (phonetic) nomination windows.

13 MR. BOB PETERS: And during those five  
14 (5) nomination windows that are shown on page 364 of  
15 Board counsel's Exhibit 25, one (1) T-Service customer  
16 can, in essence, transfer title to gas to a second T-  
17 Service customer that's shipping to Manitoba?

18 MR. NEIL KOSTICK: Yes, they  
19 absolutely can. That's facilitated by the TransCanada  
20 mainline. And it can be -- it can be executed at the  
21 MDA, the Manitoba delivery area, which is a notional  
22 location on the TransCanada mainline.

23 Even though the MDA itself is twenty-  
24 five (25) meter stations, TransCanada treats it at --  
25 as one (1) location, which greatly facilitates the --

1 the market transactions that can be done by shippers  
2 at the MDA with each other at all of the standard  
3 nomination windows.

4 MR. BOB PETERS: In theory, Mr.  
5 Kostick, could all fifteen (15) T-Service customers  
6 pool their resources during this window to -- to come  
7 in balance?

8 MR. NEIL KOSTICK: They could  
9 accomplish that through, for example, a single  
10 nomination agent who is aware of all of their  
11 positions. And that can be facilitated by the  
12 TransCanada mainline.

13 And if one (1) nomination agent is  
14 handling the -- the supply for a number of customers,  
15 they could shift that amongst customers through  
16 TransCanada mainline transactions.

17 MR. BOB PETERS: Is there any  
18 impediment to this pooling or buying and selling  
19 between and among T-Service customers from Centra's  
20 perspective?

21 MR. NEIL KOSTICK: There is no  
22 impediment other than a willingness for shippers to  
23 transact in the existing gas market.

24 MR. BOB PETERS: They just have to let  
25 Centra know how much gas is coming off the TCPL when

1 it gets to the Manitoba delivery area?

2 MR. NEIL KOSTICK: That's correct.

3 MR. BOB PETERS: I heard -- Ms.

4 Stewart, you say that you've been providing daily and  
5 hourly consumption reports to certain customers. Did  
6 you say that?

7 MS. LORI STEWART: Yes, I did.

8 MR. BOB PETERS: And Centra's been  
9 doing that since 2016?

10 MS. LORI STEWART: It's been doing  
11 that prior to 2016. The reference to since October of  
12 2016 was related to the pro forma reporting of  
13 balancing fees.

14 MR. BOB PETERS: Can you tell the  
15 panel, Ms. Stewart, whether that giving those  
16 customers or their nominating agents the daily and  
17 hourly consumption reports has caused the balancing  
18 fees to be decreased?

19

20 (BRIEF PAUSE)

21

22 MS. LORI STEWART: Overall, there has  
23 been -- there has been an improvement. We see that in  
24 the results, the 2016/'17 results relative to the  
25 2017/'18 results. We looked at that in one (1) of



1 your documents, Mr. Peters.

2 So, there's been some improvement as --  
3 you know, looking at all of them in aggregate.

4 MR. BOB PETERS: We hear that other  
5 jurisdictions have mitigation tools that Centra is  
6 telling this Board aren't relevant to the Manitoba  
7 market, correct, Ms. Stewart?

8 MS. LORI STEWART: That's correct.

9 MR. BOB PETERS: And one (1) of those  
10 was you explained about the local storage that's  
11 available to our neighbours to the west, in  
12 Saskatchewan, that doesn't extend, for some reason,  
13 into Manitoba?

14 MS. LORI STEWART: Geographic  
15 misfortune.

16 MR. BOB PETERS: Some might say. It  
17 also appears that other jurisdictions use things like  
18 peak shaving plants to help them manage these  
19 temperature-related swings.

20 You're familiar with that?

21 MS. LORI STEWART: Yes, I am.

22 MR. BOB PETERS: And Centra doesn't  
23 have that capability, do they?

24 MS. LORI STEWART: We do not. And it  
25 would cost tens of millions of dollars in order to put

1 those types of facilities in place.

2 MR. BOB PETERS: I understood from Mr.  
3 Labonte's evidence that certain customers in the Union  
4 Gas or Excel Energy Service territories can end up  
5 buying back imbalances on a monthly basis for what I  
6 thought was described as a punitive price.

7 Are you aware of that?

8 MR. NEIL KOSTICK: We're aware of the  
9 evidence filed by Mr. Labonte. One (1) -- or a couple  
10 of very largely distinguishing factors between Centra  
11 and Union is Union is not captive to the TransCanada  
12 mainline.

13 The Union system probably has five (5)  
14 or six (6) major interstate or interprovincial  
15 pipelines connecting with its own system. It itself  
16 is a major transportation pipeline.

17 Union also has local storage located at  
18 the Dawn hub, which is one (1) of the largest and most  
19 liquid natural gas hubs in North America.

20 And one (1) thing that we do know from  
21 previous proceedings where we were involved with Union  
22 before, the Natural Energy Board, for example, is that  
23 Union makes use of all of the STS nomination windows  
24 whereas Centra uses only one (1) STS nomination  
25 window, that is the 5:00 a.m. STS nomination window.

1 Union can make use of every STS nomination window.

2 I believe there is -- there are at  
3 least four (4). And that is facilitated by their  
4 access to their own local storage, but they don't have  
5 to rely on the nomination windows of any other  
6 pipelines. They can divert gas into their own stores  
7 or out of their own storage and get onto the  
8 TransCanada mainline through their STS nomination  
9 windows, and that gives them a great deal more  
10 flexibility than Centra has to manage imbalances.

11 In our case, because our storage is  
12 located remotely, you actually have to go through two  
13 (2) additional pipelines just to get to the  
14 TransCanada mainline, and then get to Centra's  
15 distribution system. In the case of Union, their  
16 storage is on their system, and if they need to use  
17 TransCanada to get to their delivery areas in Ontario,  
18 they can use those multiple STS nomination windows at  
19 will, because they're not constrained by other  
20 pipelines in between themselves and TransCanada.

21 MR. BOB PETERS: Centra hasn't  
22 calculated what a punitive price would be to have --  
23 allow T-Service customers to -- to buy back their  
24 imbalances?

25 MS. LORI STEWART: No, we -- we

1 haven't -- our proposal -- our incentive-based  
2 proposal addresses the need that we've identified.

3 MR. BOB PETERS: Another option that  
4 appeared in, I think, the IGU evidence came from  
5 Michigan, where a pooling option is available from the  
6 Utility for customers to pool their imbalances for a  
7 fee.

8 You're familiar with that, Mr. Kostick,  
9 as well?

10 MR. NEIL KOSTICK: We're familiar with  
11 that. And as we get into a US jurisdiction, it's  
12 important to highlight some major differences between  
13 utilities on the TransCanada mainline, such as  
14 ourselves, and those who operate in -- in the United  
15 States.

16 The TransCanada mainline is somewhat  
17 unique in its delivery area system, where utilities  
18 have designated delivery areas, where they have  
19 multiple interconnections with the TransCanada, but  
20 TransCanada treats them as one (1) location for the  
21 purpose of transactions and balancing. So in the case  
22 of Manitoba, we have the MDA, or Manitoba delivery  
23 area, and we have T-Service customers located in  
24 Brandon, or Portage la Prairie, or Winnipeg, and  
25 because of TransCanada's MDA, or delivery area, those

1 shippers could all transact with each other as if they  
2 were in the same location, even though they may be 200  
3 kilometres apart, in Brandon, in Portage, in Winnipeg,  
4 and Selkirk. So that's tremendous flexibility that  
5 already exists and is facilitated by the TransCanada  
6 mainline and their delivery area system.

7           In the US, if you have, for example, a  
8 Michigan utility who is taking gas -- let's just say,  
9 for example, off of the Great Lakes pipeline system in  
10 Michigan, and if you have two (2) customers served off  
11 of Great Lakes by the same gas utility who are 200  
12 kilometres apart, there's no delivery area facilitated  
13 by Great Lakes where those customers are treated as  
14 being in the same location.

15           If they want to trade with each other,  
16 and they're 200 kilometres apart on the Great Lakes  
17 system in Michigan, they actually have to facilitate -  
18 - facilitate the transportation between those two (2)  
19 locations in order to transact.

20           So I can't speak to the origins of  
21 pooling and all the details and complications  
22 associated with that in the Michigan area, but it's  
23 truly not necessary in Manitoba, because you have a  
24 delivery area where customers throughout southern  
25 Manitoba are treated as though they're in one (1)

1 area.

2 Now, the trade-off of that for Centra  
3 is that we have to manage that delivery area. That's  
4 our obligation, as we've talked about earlier today.  
5 We have to manage all those customers across our  
6 system, and that responsibility falls on us to do that  
7 on behalf of the TransCanada mainline.

8 MR. BOB PETERS: The last topic I want  
9 to talk to these witnesses about, Mr. Chair and Board  
10 members, is the topic of volume eligibility  
11 thresholds.

12 And if we start back on page 296 of  
13 Board -- of Board counsel's book of documents...

14

15 (BRIEF PAUSE)

16

17 MR. BOB PETERS: We see that the  
18 proposal before the Board is to change the volume  
19 eligibility for T-Service customers from the current  
20 200 gigajoules a day up to 2500 gigajoules per day,  
21 correct?

22 MS. LORI STEWART: Yes.

23 MR. BOB PETERS: And Centra is also  
24 indicating that it would propose to grandfather the  
25 existing T-Service customers, but provide and use a

1 more restrictive definition and qualification for T-  
2 Service going forward?

3 MS. LORI STEWART: That's correct.

4 MR. BOB PETERS: When we turn to page  
5 308 of the book of documents...

6

7 (BRIEF PAUSE)

8

9 MR. BOB PETERS: We see the average  
10 daily available volumes for every customer exceeds the  
11 200 gigajoules per day.

12 Am I reading that right?

13 MS. LORI STEWART: Yes.

14 MR. BOB PETERS: Would it be correct,  
15 then, that the 200 gigajoules a day, even if it wasn't  
16 grandfathered, wouldn't kick any of the existing  
17 fifteen (15) customers off the T-Service list?

18 MS. LORI STEWART: That's correct.  
19 The lowest average daily available volume is 285  
20 gigajoules.

21

22 (BRIEF PAUSE)

23

24 MR. BOB PETERS: But without  
25 grandfathering, only three (3) or four (4) of the

1 existing T-Service customers would be admitted to T-  
2 Service with a 2500 gigajoule per day threshold,  
3 correct?

4 MS. LORI STEWART: Yes, we've -- we've  
5 responded to that in an IR. I believe it was four (4)  
6 of fifteen (15), and my recollection is that our  
7 evidence referenced a customer who has an expansion  
8 underway, and that -- that would flop them over the  
9 2000 -- sorry, 2500 GJs a day threshold.

10 MR. BOB PETERS: Mr. -- Mr. Kostick,  
11 do you agree that if Centra's proposed balancing fee  
12 structure was approved by this Board and the customers  
13 are either incented to respond or get their  
14 chequebooks out, would you agree that adjusting the  
15 eligibility limits becomes a nonfactor, because those  
16 T-Service customers that don't balance are going to  
17 pay for it?

18

19 (BRIEF PAUSE)

20

21 MS. LORI STEWART: We -- we don't  
22 agree, Mr. Peters, and hence our proposal, which is to  
23 increase the volumetric threshold for entry into  
24 transportation service.

25 This is a service, as we've described,



1 that has a daily balancing requirement, and in which  
2 literally there are many nomination windows. So for  
3 each day of gas, I've described to member Watson how  
4 there are five (5) opportunities where you may be  
5 watching and nominating.

6           For us as the DSO monitoring the  
7 adjustments, and we would need to be accounting for  
8 them. So it -- it's not as though -- like, I guess  
9 what I'm explaining is that each customer that gets  
10 added as a transportation service customer, there is  
11 significant effort associated with monitoring their  
12 performance, and with -- potentially, that could even  
13 increase if -- if nominating agents or customers are  
14 actually entering into the intraday windows to make  
15 adjustments.

16           So today, that's not as frequent as  
17 what we would expect or prefer to see. With the  
18 financial incentive implemented, that should increase  
19 the transactional activity as they are required, you  
20 know, to -- to look after their own interests, right?

21           MR. BOB PETERS:    So it's a volume of  
22 work issue, not a balancing fee penalty issue?

23           MS. LORI STEWART:   Correct, yeah.

24           MR. BOB PETERS:    All right.

25           MS. LORI STEWART:   It's -- it's the

1 administrative burden associated with it, and it's  
2 also the disconnect with what I described earlier,  
3 which is who are the customers that transportation  
4 service was created for? What do they look like?  
5 What are their characteristics?

6                   And transportation service in Manitoba  
7 with, you know, a customer burning 285 gigajoules a  
8 day, compare that -- well, I can't, because it's CSI -  
9 - compare that to another user who is burning many,  
10 many multiples of that, so.

11                   MR. BOB PETERS:    Mr. Chair and panel  
12 members, I'd like to thank Ms. Stewart and Mr. Kostick  
13 for their responses. The -- those complete my  
14 questions. Thank you.

15                   THE CHAIRPERSON:    Thank you. We're  
16 adjourned until 1:10.

17                   MR. BOB PETERS:    Mr. Chair, sorry, I  
18 may have misspoke earlier. I believe the arrangement  
19 is for the presenter to arrive at one o'clock, and is  
20 given from one o'clock to 1:10.

21                   MR. ANTOINE HACAULT:    I don't think  
22 it's -- it will be an issue if it's put off by ten  
23 (10) minutes, Mr. Peters.

24                   MR. BOB PETERS:    All right, if 1:10 is  
25 the choice. Thank you, Mr. Chair.

1 THE CHAIRPERSON: 1:10.

2

3 (CENTRA PANEL NO. 3 RETIRES)

4

5 --- Upon recessing at 12:15 p.m.

6 --- Upon reconvening at 1:12 p.m.

7

8 THE CHAIRPERSON: Good afternoon.

9 Yes, Mr. Hacault.

10 MR. ANTOINE HACAULT: Good afternoon,

11 members of the Panel. Sitting to my left is Morgan

12 Curran-Blaney. I understand he is to be sworn in.

13 And he has a presentation which we would propose to

14 have marked as IGU 17, so Exhibit 17. I believe

15 that's the correct number.

16

17 --- EXHIBIT NO. IGU 17: Presentation of Morgan

18 Curran-Blaney

19

20 PUBLIC PRESENTATION:

21 MORGAN DANIEL CURRAN-BLANEY, Sworn

22

23 MR. ANTOINE HACAULT: The witness

24 having now been sworn, I'd ask him to proceed with his

25 presentation, members of the Board, if that's okay.

1 THE CHAIRPERSON: Please proceed.

2

3 PRESENTATION BY MORGAN CURRAN-BLANEY:

4 MR. MORGAN CURRAN-BLANEY: Thank you  
5 very much for having me here today, for your time.

6 I'd like to walk you through a quick introduction to  
7 Maple Leaf Foods, our impact to the Province of  
8 Manitoba, explain our business, and then explain how  
9 the proposed increases in penalties would impact our  
10 business as well.

11 So Maple Leaf Foods is Canada's leading  
12 consumer packaged goods company. We have operations  
13 all across Canada, but more importantly in Manitoba we  
14 have five (5) feed mills, over a hundred barns, a  
15 prepared meats facility in Winnipeg, a primary  
16 processing plant in Brandon, Manitoba, and a regional  
17 office and distribution centres.

18 We have over four thousand (4,000)  
19 employees in Manitoba, and we contribute approximately  
20 \$753 million in direct economic benefits to the  
21 province. We also export products to over twenty (20)  
22 global markets. Next slide, please.

23 So just to give you some size and  
24 context of our Brandon plant, it's about 650,000  
25 square feet, we have over 1,950 employees, and we have

1 a processing capacity of 18,000 pigs a day. Next  
2 slide.

3 I'd like to explain our business and --  
4 and just a bit of the background on the international  
5 pork markets. Our business is commodity driven. It's  
6 based off free markets, and the base price of meat  
7 which is used to set the pricing is based off the USDA  
8 market index. Our margins are thin in the commodity  
9 area. That's why we don't like to play in it very  
10 often.

11 The opportunity for us to increase our  
12 margins is to add value to the meat. So the ways we  
13 do that are further conversion of those primal cuts to  
14 get them out of a commodity base and into a value-  
15 added product, specialty programs like raised without  
16 antibiotics and high quality products for the Asian  
17 marj -- markets, specifically for Japan and China.  
18 Next slide, please.

19 So just to give you some -- some  
20 background on -- on the Brandon plant and -- and our  
21 hog processing operations, I'll just walk you through  
22 the plant. The hogs, they end up -- received in the  
23 hog receiving barn, they're processed and stored in  
24 the coolers for approximately eighteen (18) to twenty  
25 (20) hours, and then the next day the carcasses are --

1 are cut and packaged and then shipped out to our  
2 distribution centres.

3                   It's a very linear process. If one (1)  
4 part goes down, typically the whole department goes  
5 down. So an example of on a cut floor, if one (1)  
6 line goes down, there's six hundred and seventeen  
7 (617) people standing there until we can get that back  
8 up and going.

9                   We have a committed number of hogs we  
10 need to process every week. Otherwise, we have hog --  
11 hog barns that back up, so this -- this really is  
12 while our plant is very linear, in fact it's -- it's  
13 really linear all the way down to the nurseries,  
14 because when a pig is shipped to market, there's  
15 another pig ready to go in its place. We don't have  
16 the luxury of any kind of time delay, so we need to  
17 keep them moving through the cycle. Next slide,  
18 please.

19                   Natural gas is a significant cost to  
20 Maple Leaf. It -- it is -- it is critical in our  
21 process and it's used in the heating of process water  
22 for things like sanitation, sterilization, and  
23 dehairing.

24                   Our operations are typically stead --  
25 steady state, however, we're vulnerable to disruptions

1 from breakdowns and road closures.

2                   While competing in the global market  
3 creates challenges for Canadian companies, one (1) of  
4 our advantages actually being in Manitoba is our  
5 relatively reasonable electricity and gas rates. And  
6 I'd like to show you the next slide and explain it a  
7 little bit.

8                   This is an Agri-Stats comparison. So  
9 we benchmark ourselves with other agri-food companies,  
10 and this is specific to pork processing. And you can  
11 see, the -- the green bar is -- is the Brandon utility  
12 cost per carcass kilogram. The -- the red line is the  
13 US average, and the blue line is the Canadian average.  
14 So even with those favourable rates in gas and  
15 electricity in Manitoba, we are still at a  
16 disadvantage from an overall utility cost per kilogram  
17 in -- in our competitive set. Okay. Next slide,  
18 please.

19                   The agri-business has had a very  
20 volatile year. We've had trade disputes, we've had a  
21 loss of the critical Chinese market, that's not only  
22 caused financial hardship for us but it's -- it's  
23 caused a shift in business as producers have scrambled  
24 to find other markets for their products.

25                   Due to the commodity nature of our

1 business, when the cost increases on -- on fresh pork,  
2 we're not able to increase -- to pass those on fully  
3 to the consumer.

4                   And while Canadian pork has enjoyed a  
5 premium for quality, the gap between ourselves and the  
6 US has also closed, so we're now under increased  
7 pricing pressure from the US and we don't have that  
8 differentiation in product like we used  
9 to. Next slide.

10                   As I mentioned before, disruptions are  
11 not -- are typically out of our control, with things  
12 like breakdown, hog supply shortages, road closures.  
13 We're required to process a certain amount of pigs a  
14 week, as I mentioned, and when -- when these events  
15 happen, we still have our customer commitments that we  
16 have to deliver on, but more importantly, we have our  
17 producers that need room in their barns, as incoming  
18 pigs have already been booked, and -- and we need to  
19 make sure that we -- we have a spot for them.

20                   So in order to do that when we have  
21 these disruptions, we often have to have a make-up  
22 Saturday shift that is -- is on overtime and requires  
23 us to run an -- an additional day.

24                   Centra's proposal will penalize us  
25 twice in this situation, once for the shortage from



1 the unplanned disruption, and then again when we have  
2 the unplanned production shift. And again, these are  
3 usually things that are completely out of our control,  
4 but we have to continue.

5                   This has come at a time when we're  
6 already facing increased cost due to the -- the  
7 disruption and -- and subsequent make-up days, so it -  
8 - it really -- it's coming at the wrong time for us.

9                   Maple Leaf Foods, we operate under a  
10 zero-based budgeting scheme. It's meant to drive out  
11 unnecessary costs and avoid increases to consumer. I  
12 can tell you as a -- a father of five (5) boys, I  
13 really appreciate that, because food is -- is by far  
14 my biggest monthly cost in our household, okay.

15                   So these proposed increases when --  
16 when -- if they were to come through, they would have  
17 to be found somewhere within the system that we  
18 already have today. Just passing it on is not an  
19 option.

20                   In the short term, this usually is in  
21 the form of discretionary spend, employee headcount,  
22 reduced capital spend, and donations. In the long  
23 term, it looks to move into more competitive markets  
24 to do that value-added work.

25                   Many in the industry of done this

1 already. We've seen it as -- as people have moved  
2 boning operations into the US and even into Mexico.

3 We understand -- sorry, the next slide.

4 We understand the balancing concern and  
5 -- and the need for accuracy from Centra. We work  
6 diligently with BP to provide accurate estimates and  
7 we'll continue to do so.

8 Our concern really is around the non-  
9 gas cost increase and the balancing fee penalties as  
10 they are coming at a time when the whole industry is  
11 under pressure.

12 I appreciate the -- the opportunity to  
13 -- to share our concerns with the PUB. If there's any  
14 questions, I'd be happy to answer them.

15

16 (BRIEF PAUSE)

17

18 VICE-CHAIR KAPITANY: Thank you, Mr.  
19 Curran-Blaney. I'm looking at your Slide 7, and  
20 you've got utility costs per kilo, and that is  
21 electric and gas utility combined?

22 MR. MORGAN CURRAN-BLANEY: That would  
23 be electric, gas, water, all of our utilities in -- in  
24 the -- yeah. Yeah. Wastewater would be in there as  
25 well.

1 VICE-CHAIR KAPITANY: Do you have a  
2 sense of what the -- the picture would look like for  
3 gas?

4 MR. MORGAN CURRAN-BLANEY: We don't  
5 have that broken down, no. This -- we -- we work with  
6 a company that compiles everything and -- and they --  
7 they try to give you an idea but not make it so you  
8 can pick out who the individual companies are, so we  
9 don't break it down to that level.

10 VICE-CHAIR KAPITANY: Okay, thank you.

11 THE CHAIRPERSON: Any questions of  
12 counsel?

13

14 (BRIEF PAUSE)

15

16 CROSS-EXAMINATION BY MS. JESSICA CARVELL:

17 MS. JESSICA CARVELL: Yes, just three  
18 (3) quick questions.

19 If we could first turn to Slide 5. I  
20 see the numbers 61 percent there, and I'm wondering if  
21 you could just explain how you reached that  
22 calculation.

23 MR. MORGAN CURRAN-BLANEY: That's  
24 based on our -- our non-gas portion. So Centra  
25 provides us what the penalty would be for the

1 imbalance, they've been sending us monthly emails that  
2 way, and we did the calculation based on -- on our  
3 non-gas charges.

4 MS. JESSICA CARVELL: If we could turn  
5 to the next slide.

6 In that first bullet point, you have  
7 natural gas represents approximately 3.26 million  
8 annually.

9 MR. MORGAN CURRAN-BLANEY: Yes.

10 MS. JESSICA CARVELL: Can you just  
11 confirm, is that within Manitoba or all of Canada?

12 MR. MORGAN CURRAN-BLANEY: That's  
13 within Manitoba. That's our -- our two (2) major  
14 operations.

15 MS. JESSICA CARVELL: And you referred  
16 to BP. Can you just confirm that is Maple Leaf's  
17 nominating agent?

18 MR. MORGAN CURRAN-BLANEY: Yes, it is.

19 MS. JESSICA CARVELL: Thank you so  
20 much.

21

22 (BRIEF PAUSE)

23

24 CROSS-EXAMINATION BY MR. BOB PETERS:

25 MR. BOB PETERS: Thank you, Mr. Chair.

1 Mr. Curran-Blaney, I just would want you to tell the  
2 Panel what are some of the impediments to Maple Leaf  
3 improving its balancing performance at this time.

4 MR. MORGAN CURRAN-BLANEY: Our main  
5 challenge is the -- the unplanned events. We run a  
6 very, fairly steady state. It's when we have things  
7 that are out of control like -- like hog shortages,  
8 breakdowns, that's -- that's our challenge right now.

9 MR. BOB PETERS: I'm looking on page  
10 9, and I should have drawn your attention there, sir.  
11 If we can -- so the -- the breakdowns that you  
12 reference would be in the plant?

13 MR. MORGAN CURRAN-BLANEY: Yes.

14 MR. BOB PETERS: Mechanical  
15 breakdowns?

16 MR. MORGAN CURRAN-BLANEY: Mechanical,  
17 electrical breakdowns, yes.

18 MR. BOB PETERS: And hog supplier  
19 shortages is again not contracting far enough in  
20 advance or is there some --

21 MR. MORGAN CURRAN-BLANEY: No. That -  
22 - that would be elements like barns are unable to load  
23 or -- or they had problems with their herd health and  
24 were set to deliver and they couldn't deliver that  
25 week. We have approximately two hundred (200) trucks

1 come in a day, into Brandon.

2 MR. BOB PETERS: I guess that answers  
3 the next point about road closures, if you're  
4 experiencing two hundred (200) --

5 MR. MORGAN CURRAN-BLANEY: Yes.

6 MR. BOB PETERS: -- trucks a day that  
7 you're -- you're dependent on. And those closures are  
8 weather related, I take it?

9 MR. MORGAN CURRAN-BLANEY: Weather  
10 related on -- on the Trans-Canada, yes.

11 MR. BOB PETERS: Is there -- we've  
12 heard before you were here from the Company, and the  
13 Company has indicated that they are providing  
14 customers with daily, if not hourly, information about  
15 their consumption.

16 Are you aware of that?

17 MR. MORGAN CURRAN-BLANEY: We get a  
18 monthly email on our -- our daily consumption, I  
19 believe, or our overages.

20 MR. BOB PETERS: I'm sorry, that's a  
21 monthly contact?

22 MR. MORGAN CURRAN-BLANEY: Yes.

23 MR. BOB PETERS: Okay. Do you know if  
24 you get anything more often than that from --

25 MR. MORGAN CURRAN-BLANEY: I -- I

1 don't know. I -- I -- I get something every month.

2 MR. BOB PETERS: When we look at these  
3 outages on -- on page 9 of your presentation, Mr.  
4 Curran-Blaney, the -- is this the type of information  
5 that you share with your nominating agent?

6 MR. MORGAN CURRAN-BLANEY: When we  
7 can, we do, but often our -- our first priority is --  
8 is trying to get the plant up and running.

9 MR. BOB PETERS: So there are  
10 circumstances when -- when you're not able to advise  
11 your nominating agent that you've had a breakdown or  
12 there's a hog supply shortage or a road closure?

13 MR. MORGAN CURRAN-BLANEY: There are.  
14 And the challenge is more around how long. So every  
15 time I call a mechanic they tell me it's another 15  
16 minutes, another 15 minutes. And -- and you know, we  
17 -- we keep a certain amount of people there at -- you  
18 know, the next step would be four hours and do we shut  
19 down for a day.

20 So there's a lot of decisions, it's  
21 fluid and we can't -- I don't want to be in a position  
22 where we short ourselves. So we -- we look to try and  
23 get as many hogs processed during this time.

24 MR. BOB PETERS: I think on the same  
25 page you were explaining to the panel that under

1 Centra's proposal it will amount to Maple Leaf being  
2 essentially hit twice in terms of what will happen as  
3 a result of the balancing fees. Did I understand that  
4 correctly?

5 MR. MORGAN CURRAN-BLANEY: Yes.

6 MR. BOB PETERS: And so the -- the  
7 first hit, if it -- well, the first of two hits is  
8 simply that you're not able to get your production out  
9 as scheduled?

10 MR. MORGAN CURRAN-BLANEY: Yes. So we  
11 -- we have a -- a shortage and -- and we -- we don't  
12 consume as much gas on that breakdown day, we'll call  
13 lit.

14 MR. BOB PETERS: And -- and then the  
15 second hit is on the make up day you need more gas  
16 than you presumably had scheduled?

17 MR. MORGAN CURRAN-BLANEY: Yes. We  
18 would have scheduled very little through Saturday and  
19 we have to make up that shift on the Saturday.

20 MR. BOB PETERS: And Mr. Curran-  
21 Blaney, are you aware of what opportunities that --  
22 that BP or your nominating agent and Maple Leaf have  
23 in terms of adjusting the volumes for the next day?

24 MR. MORGAN CURRAN-BLANEY: Myself, no.

25 MR. BOB PETERS: Thank you. Mr.



1 Chair, I'd like to thank Mr. Curran-Blaney for his  
2 assistance. Those are my questions.

3 THE CHAIRPERSON: Mr. Curran-Blaney,  
4 thank you very much for appearing.

5 MR. MORGAN CURRAN-BLANEY: Thank you.

6 THE CHAIRPERSON: Good day.

7 MR. MORGAN CURRAN-BLANEY: Thank you.

8

9 (WITNESS STANDS DOWN)

10

11 THE CHAIRPERSON: After that little  
12 bit of musical chairs, I believe you're ready to go,  
13 Mr. Hacault?

14

15 CONTINUED CENTRA GAS PANEL 3 re Balancing Fees

16 LORI STEWART, Previously Sworn

17 NEIL KOSTICK, Previously Sworn

18

19 CROSS-EXAMINATION BY MR. ANTOINE HACAULT

20 MR. ANTOINE HACAULT: Yes, I am.

21 Thank you, Mr. Chair and members of the panel, and  
22 good morning to the Centra panel.

23 As I had explained off the record  
24 earlier this morning, I'll give you the same caution  
25 as my colleague across the way. I don't intend to

1 illicit any CSI and if there's anything that might  
2 assist this Board, if you were giving CSI, you can  
3 speak to your counsel and we'll make some kind of  
4 arrangement to make sure the Board gets the  
5 information it needs to better understand all the  
6 issues.

7 I'd also like to thank you for your  
8 very informative answers this morning. That was  
9 helpful.

10 The first issue I'll go through, and  
11 I'll try to, members of the panel, avoid as many  
12 possible overlaps from Mr. Peters' questioning. He  
13 covered a lot of stuff, and I was expecting him to do  
14 that, otherwise I -- I would have thought I'd be more  
15 than an hour and a half, and I thank him for that too.

16 The first issue I -- I just want to  
17 have a little bit of clarification on is the issue we  
18 talked about of changing, I'll call it the entry  
19 point. And this is at Board book of documents, page  
20 296, it's one of the changes that's being proposed.  
21 The changed entry point from 200 gigajoules to 2500  
22 gigajoules, and that's at the letter B on that page,  
23 part of the special terms and conditions of  
24 transportation service.

25 You've clarified that there's about

1 four companies that wouldn't be affected if we applied  
2 that today.

3 My question is, and again I'm not  
4 trying to solicit any CSI or names, are there any  
5 known companies which are expected to hook up in the  
6 upcoming years who might not be eligible to reach that  
7 2500 gigajoule threshold if they were to hook up in  
8 the next years?

9 MS. LORI STEWART: Mr. Hacault, you  
10 have mentioned either in your opening comments or  
11 perhaps even dating back to order 24/19 reference to  
12 Roquette a pea processing plant that is in -- in the  
13 midst of building a facility here. And yes, it would  
14 -- its daily burn would be considerably in excess of  
15 2500 gigajoules.

16 MR. ANTOINE HACAULT: Okay, thank you.  
17 I may be putting it the wrong way, but  
18 any other company that wouldn't meet the 2500  
19 gigajoule threshold would be captive to Centra as a  
20 sales service company and/or -- and wouldn't have the  
21 option of having the flexibility of a T-Service  
22 option, that's correct?

23 MS. LORI STEWART: Well, perhaps I'll  
24 clarify. So, a customer whose daily nomination would  
25 be lower than 2500 gigajoules, there are two service

1 options, other service options, in addition to  
2 transportation service within our market.

3                   The first would be system supply and  
4 that -- that's where customers, all of their  
5 requirements are managed by Centra and there is no  
6 balancing requirement of customers who are system  
7 supply customers.

8                   And the second is western  
9 transportation service, which provides customers with  
10 the opportunity to competitively source their primary  
11 gas or the -- you know, the largest component of their  
12 gas supply.

13                   And so in that circumstance again,  
14 there is no requirement for western transportation  
15 service customers to balance on a daily basis to  
16 forecast their load. Those aren't requirements of  
17 those other service options.

18                   So both of those are available to  
19 someone who wouldn't meet this threshold.

20                   MR. ANTOINE HACAULT: Thank you very  
21 much for that additional information.

22                   Again, without eliciting any CSI, it's  
23 my understanding that there's one nominating agent who  
24 is an agent for three companies of the 15 companies.  
25 Is that a correct understanding?

1 MS. LORI STEWART: Yes, that's  
2 correct. And that was in his evidence, so I don't  
3 believe it's CSI.

4 MR. ANTOINE HACAULT: And I believe  
5 there's another nominating agent who has about half a  
6 dozen of those 15 companies, is that correct?

7 MS. LORI STEWART: Yes.

8 MR. ANTOINE HACAULT: Can you put on  
9 the record the number, or probably not eh? If I say  
10 about half a dozen, that's about as close as we can  
11 get having a good record?

12 MS. LORI STEWART: I -- I could  
13 confirm that and come -- I could undertake to provide  
14 that for you.

15 MR. ANTOINE HACAULT: To the Board, so  
16 maybe you can provide that by way of CSI to the Board,  
17 the other nominating agent which has about six (6)  
18 numbers to give the actual number to the Board of the  
19 companies that it -- it's an agent for.

20 Is that undertaking sufficient for the  
21 court reporter? Okay.

22 I -- I don't know what undertaking it  
23 is. 10, I believe.

24

25 --- UNDERTAKING NO. 10: Centra to provide that

1 by way of CSI to the  
2 Board, the other  
3 nominating agent which  
4 has about six (6)  
5 numbers to give the  
6 actual number to the  
7 Board of the companies  
8 that it's an agent for.

9

10 CONTINUED BY MR. ANTOINE HACAULT:

11 MR. ANTOINE HACAULT: And the other  
12 point which maybe you could help the Board understand  
13 is which provinces have an entry point of 2500  
14 gigajoules for a service that's similar to a T-Service  
15 option?

16 MS. LORI STEWART: I -- I don't have  
17 that information, Mr. Hacault. We -- we haven't done  
18 a comprehensive review of other utilities as  
19 described, their circumstances are very likely  
20 different than Centra's, and as a result we've built  
21 our proposal here in Manitoba based on our  
22 circumstances.

23 MR. ANTOINE HACAULT: But you didn't  
24 consult anybody to see if the entry point is that high  
25 elsewhere and how that's going to impact options of

1 bigger users, obviously they may not be exactly 2500,  
2 but options of bigger users here compared to other  
3 provinces. That's not something the company has done?

4 MS. LORI STEWART: Well, we've assured  
5 existing large users that they will be grandfathered.  
6 We've talked about the prospective customer that we  
7 both have knowledge of who would qualify as a T-  
8 Service customer if that's their intention.

9 Other -- other than that, I don't have  
10 any information.

11 MR. ANTOINE HACAULT: Okay, thank you.

12 And -- and just to clarify further, we  
13 saw in some of the answers to the interrogatories that  
14 some of the T-Service customers migrated from T-  
15 Service to sales service, for example, there were two  
16 in 2014 and 15.

17 Those customers, if they were under  
18 that 2500 threshold, would no longer be able to opt  
19 for T-Service unless they met that new threshold,  
20 correct?

21 MS. LORI STEWART: That's correct.

22 MR. ANTOINE HACAULT: In your  
23 testimony this morning, you explained that there's  
24 nothing that prevents customer A, who is in a packed  
25 position -- I'm starting to learn all this stuff, I

1 don't know if it understand it -- and then customer B  
2 is in a draft position that's about the same ones over  
3 by X-amount and we had the ones under by x-amount,  
4 there's nothing that prevents them between themselves  
5 to pool and balance between those two customers,  
6 nothing prevents that from happening.

7 Am I understanding that correctly?

8 MR. NEIL KOSTICK: That's correct.  
9 All shippers on the TransCanada mainline are free to  
10 transaction with each other.

11 And that's not only at the MDA in  
12 Manitoba, but if a T-Service shipper in Manitoba is  
13 long gas, meaning they have too much gas, they could  
14 use their mainline firm transportation to move that  
15 gas to a high valuer market, such as the Emerson  
16 borrow point into the US or the Dawn market in  
17 southern Ontario.

18 Firm transportation allows what are  
19 known as divergens. That means diverting from your  
20 regular contract path, which would be to Manitoba for  
21 T-Service shippers. They can move it anywhere in  
22 Canada, essentially, that the TransCanada mainline  
23 services.

24 So, if they do need to sell gas because  
25 they're long, it doesn't have to even be an exchange



1 with another T-Service customer in Manitoba, it can be  
2 anywhere on the TransCanada mainline, where the  
3 greatest value is for that shipper.

4 MR. ANTOINE HACAULT: And I guess the  
5 issue that's been raised in this Hearing is that if  
6 'A' is in a pact position that attracts some penalties  
7 according to the proposed tariff in my illustration  
8 and if customer 'B' is in a draft position, the same  
9 level, so it also attracts this incentive you call it,  
10 I'd call it a penalty, between the two (2) of them,  
11 they may be perfectly balanced, but both of them will  
12 incur a fee and there's a tariff, as proposed,  
13 correct?

14 MS. LORI STEWART: If they're not  
15 tracking the pattern of their consumption and if they  
16 don't respond to that pattern by making changes to the  
17 amount of gas that's coming to the market on their  
18 behalf at the intraday windows.

19 So, after ID3 is closed, 7:00 p.m. of  
20 the same gas day, at that point, none of us have --  
21 have any opportunity to alter our ending position.  
22 And that's true of Centra, as well, other than in  
23 winter, when Centra has a storage asset that it  
24 contracts for on behalf of its sale customers.

25 So, that provides it -- the -- having

1 storage and paying those costs allows Centra an  
2 additional nomination window. But there's nothing  
3 preventing a Transportation Service customer from also  
4 contracting for storage and availing themselves of an  
5 STS contract on the TCPL mainline.

6 They could do the same thing.

7 MR. ANTOINE HACAULT: Okay. So, one  
8 (1) of the issues is, as I understand it, if there's a  
9 plant breakdown at five o'clock, that might cause, for  
10 example, Ma -- Maple Leaf to be out of balance.

11 And they -- let's say they had BP and  
12 BP had somebody else and said, well, listen, we've got  
13 this room now because Maple Leaf shut down their  
14 drafting, right?

15 So, they would call the other customer  
16 up and say, well, you can ramp up, but in doing so,  
17 customer 'B' would be in a pact position. So, both,  
18 in my example, after five o'clock, Maple Leaf would  
19 incur a penalty under the tariff.

20 And even though BP tried to balance  
21 that with one (1) of its other customers and was  
22 successful in doing it, it may cause this other  
23 customer to also be charged under that same tariff,  
24 correct?

25

1 (BRIEF PAUSE)

2

3 MS. LORI STEWART: If the plant shuts  
4 down at -- at 5:00 p.m., there would be limited  
5 opportunities for -- for a nominating agent or the  
6 plant to -- to facilitate some changes; that's  
7 correct.

8 In the normal course, there appear to  
9 be routine communication breakdowns between customer  
10 and nominating agent and Centra. So, you know, the  
11 very fact that there is an intermediary results in  
12 some friction in the system.

13 And we heard today from the Maple Leaf  
14 -- Maple Leaf executive member that that often is not  
15 their first priority. And that's -- that is very  
16 similar to the feedback that I -- I sat on many  
17 conference calls and I learned about these customers'  
18 business. And I learned about what can cause the  
19 variance between gas nominated and gas being consumed.

20 And, at the end of the day, however, if  
21 that is a routine attribute of your business, then  
22 perhaps Transportation Servish -- Service which  
23 requires daily balancing is not the best service  
24 option for that customer.

25 Remember that there is system supply.

1 There is western transportation service which would  
2 allow them to competitively source their commodity in  
3 the natural gas market.

4 And neither of those services require a  
5 customer to attend to forecasting what they will burn,  
6 to communicating with their nominating -- nominating  
7 agent, so it would just be a much simpler process for  
8 them if, in the -- you know, it's a killing plant.  
9 And he described how that can get disrupted routinely.

10 But having said that, Transportation  
11 Service is not the only option available to them.

12 MR. ANTOINE HACAULT: Thank you for  
13 that explanation, but I asked a pretty clear question  
14 and a pretty clear example, and I don't think we have  
15 a clear record or a clear answer for this Board on my  
16 question. I'll try and repeat it again.

17 If customer 'A', whether it's Maple  
18 Leaf or whoever else, has a breakdown at five o'clock,  
19 the nominating agent can go to another one (1) of its  
20 customers and say, customer 'A' is in a draft, we've  
21 got this room, I know you -- you could use that extra  
22 room, in that situation, both customer 'A', who is an  
23 involuntary draft, and customer 'B', who would want to  
24 assist in rectifying the balancing problem, would both  
25 be charged, correct?

1 MS. LORI STEWART: I did answer your  
2 question, Mr. Hacault. I agreed --

3 MR. ANTOINE HACAULT: Yes, sir (sic).  
4 Okay.

5 MS. LORI STEWART: -- that -- that is  
6 the case. However, what you're describing is -- it's  
7 extremely unlikely that that's what would occur. The  
8 Maple Leaf executive sat here and explained that, in  
9 the current scenario, they don't even contract their  
10 nominating agent to let them know that something's  
11 happened at the plant that will cause the mismatch.

12 So, now you're taking that a step  
13 further. And the Maple Leaf suggesting that staff at  
14 the Maple Leaf plant who aren't even contacting their  
15 nominating agent, the direct line of contract to  
16 mitigate balancing fees, that they're not doing that,  
17 but somehow they're going to start phoning up other  
18 industrial customers within the province and asking  
19 them can you ramp up your production in the next two  
20 (2) hours, that doesn't sound very likely to me.

21 MR. ANTOINE HACAULT: I'll move on. I  
22 think you're -- and my -- the record will indicate  
23 what Mr. Morgan Blaney said and didn't say. And it'll  
24 also reflect what I proposed to this witness as an  
25 example.

1 MR. NEIL KOSTICK: And I would just  
2 like to clarify one (1) matter, Mr. Hacault, is that,  
3 in this example, BP would have the opportunity to  
4 transact anywhere in the market.

5 I don't think BP would have its hands  
6 tied, that it needs to address the excess gas at the  
7 plant that went down by transacting with another  
8 shipper, another T-Service customer, at the MDA.

9 As long as BP has reserved some FT  
10 capacity and hasn't committed it to another  
11 transactions completely unrelated to the plants that  
12 they serve, BP would be able to make a transaction  
13 anywhere on the TransCanada mainline because the ID3  
14 nomination window would still be available.

15 And parties do transact at ID3 for  
16 different locations, including Emerson, Dawn and other  
17 higher value points on the pipeline.

18 MR. ANTOINE HACAULT: Thank you for  
19 that clarification. I'll move on to a different  
20 subject.

21 And I brought to your attention, Ms.  
22 Stewart, again this morning, and to your counsel's  
23 attention, that Centra had explained its position to  
24 T-Service that its position was that an application  
25 for approval of the change in practice in assessing

1 balancing fees was neither required, nor necessary,  
2 and that's an application to the Public Utilities  
3 Board.

4 Is that correct?

5 MS. LORI STEWART: If I could ask you  
6 for the -- the date of the email, Mr. Hacault?

7 MR. ANTOINE HACAULT: I -- I can show  
8 it to you again. It's dated April 11 of 2017.

9

10 (BRIEF PAUSE)

11

12 MR. ANTOINE HACAULT: I don't think we  
13 need to enter it, but just so the witness can look at  
14 it again.

15 MS. LORI STEWART: I -- I'm -- I'm  
16 fine.

17

18 (BRIEF PAUSE)

19

20 MS. LORI STEWART: Oh, thank you.  
21 Thank you. I -- I trusted you. So, yes, when Centra  
22 initially reached out to Transportation Service  
23 customers and -- and proposed the concept that we  
24 would be making changes we outlined our need -- our  
25 presentation as part of -- part of the record here.

1                   And, at that stage, our view was that  
2 this is an operational matter. We are the DSO who's  
3 charged with -- who -- who's charged with overseeing  
4 this, and it clearly wasn't working from our  
5 perspective.

6                   So, we engaged in discussions with  
7 customers. And from there, based on customer  
8 feedback, we adapted our position.

9                   MR. ANTOINE HACAULT:   And Centra's  
10 position as of April 2017 was that all it needed to do  
11 was to advise the Board of the changes that Centra  
12 would make on how balancing fees were assessed to all  
13 T-Service customers going forward.

14                   That was Centra's view, correct?

15                   MS. LORI STEWART:   It -- I was our  
16 view at that time, yes.

17                   MR. ANTOINE HACAULT:   And when we're  
18 talking about this new balancing fee -- fee proposal,  
19 that's what we saw at pages 314 and 315 of the Board  
20 book of documents, is those two (2) slides.

21                   Is that what we're talking about?

22

23                   (BRIEF PAUSE)

24

25                   MS. LORI STEWART:   That's part of --



1 part of Centra's evidence, yes.

2 MR. ANTOINE HACAULT: Okay. But that  
3 was how Centra was proposing to assess balancing fee  
4 to all T-Service customers, correct?

5 MS. LORI STEWART: I -- I described  
6 earlier we made a number of adaptations to the  
7 proposal, to the manner in which we intended to bring  
8 the proposal forward.

9 So, we talked to our customers and we  
10 took their feedback into account, yes.

11 MR. ANTOINE HACAULT: I was just -- my  
12 question was focussed on trying to determine what  
13 Centra was proposing to implement on its own as of  
14 when it was telling customers in April of 2017 it was  
15 going to change the balancing fee formula.

16 So, I was trying to confirm that, as of  
17 April 2017, Centra was telling people here's what I  
18 presented to you on my new fee schedule, being slides  
19 314 and 315, and this is going to be what we're going  
20 to charge you, correct?

21 MS. LORI STEWART: So, Mr. Hacault,  
22 just to ensure that there isn't any crossing of wires  
23 on this, an attachment to PUB Centra 149, I believe  
24 it's Attachment 1, is Centra's presentation, the  
25 kickoff presentation with our customers to say we've

1 identified an issue, there's considerable cross-  
2 subsidization going on, here's -- do you understand  
3 balancing, because that's one (1) of the issues that  
4 we face with customers who rely on nominating agents  
5 as they become very disconnected from their  
6 obligations and the expectations of the service,  
7 because the nominating agent takes care of it for  
8 them.

9                   And so back in October of 2016, the  
10 essence of what we're proposing to implement is in  
11 this presentation and it aligns with whatever -- I'm  
12 not sure what the source of that other document was,  
13 it might be the same, but without me cross-referencing  
14 documents here, the essence of it is the same,  
15 recognizing that at a certain point along the way in  
16 our consultation with customers, we adapted our  
17 proposal.

18                   And what I'm pausing around is you're  
19 asking me to confirm that it's exactly the same. But  
20 I don't recall the date on which we made the decision  
21 and started talking to customers about okay, we've  
22 heard you on the absolute tolerance of 2 percent being  
23 too tight and -- and working through that mechanics --  
24 those mechanics with the 15 different sites, because  
25 each time we made a change, we would get on the phone

1 with the site, talk to the plant manager, they would  
2 often dial in folks from head offices and all the  
3 rest.

4                   So that's why I'm pausing or why I feel  
5 like we're doing this.

6                   MR. ANTOINE HACAULT:    Okay.

7                   MS. LORI STEWART:    But I think my --  
8 my testimony is clear that at a certain point after  
9 listening to our customers, we determined that, you  
10 know, this could be viewed one of two -- this could be  
11 viewed in either way.

12                   Centra's former position I -- I believe  
13 I could still advocate for it today.  But we heard our  
14 customers loud and clear, they were upset about the  
15 change.  They said we think you need to take this to  
16 the regulator, the regulator should hear about this,  
17 and we adapted as a result.

18                   MR. ANTOINE HACAULT:    All of that  
19 information I thank you for repeating it.  But  
20 unfortunately I have a limited amount of time and I  
21 tried to focus a question that we could get a quick  
22 answer on.  And -- and if you are uncertain about as  
23 to whether slides 314 or 315 were not what was  
24 presented at that time, if you could just so indicate  
25 then I can move on to kind of the next question,

1 because otherwise I'm -- I'm afraid I'm not going to  
2 be able to finish in my time limit.

3                   So if -- if you could try and help me  
4 and focus a little bit more on answering the question  
5 that I'm asking, please, that would be appreciated.

6                   It -- the document you referred to  
7 would -- would be helpful to probably refresh your  
8 memory, if we go back to attachment 1 to PUB Centra  
9 149A at page 5 of 20. If we zoom in and -- and look  
10 at the wording of the sections that you've quoted  
11 under the heading "Terms and Conditions of Service  
12 Applicable to T-Service", the paragraph that you're  
13 quoting is O, that's before the revisions that are  
14 being proposed to this Board. Correct?

15                   If we look, the revisions had said may  
16 impose any balancing fees, so there's a change from  
17 this presentation, Centra is proposing the to change  
18 the words at the very bottom where it says the company  
19 may impose any instead of imbalancing it is now  
20 proposed balancing. And it's deleted the words costs  
21 or charges and substituted that with fees.

22                   So that's the change you're requesting  
23 this Board to accept, correct?

24                   MS. LORI STEWART: Yes. Mr. Peters  
25 covered that this morning.

1 MR. ANTOINE HACAULT: And the other  
2 thing which might be of assistance to help your  
3 recollection is by going to page 17 of 20 in this PDF.

4 It set out what Centra was proposing as  
5 a balancing fee structure to be implemented as of  
6 November 2017, correct?

7 MS. LORI STEWART: My recollection is  
8 that we were proposing it to be implemented for  
9 November 1st of 2018.

10 MR. ANTOINE HACAULT: Okay.

11 MS. LORI STEWART: Sorry, let me just  
12 think about that. October 1st of '16. Yes.

13 I'll start again. Yes, I can confirm  
14 that.

15 MR. ANTOINE HACAULT: Okay, thank you.

16 Now, subject to check, there's nothing  
17 in this document and in fairness to you, said that  
18 evolved, talking about changing how this daily  
19 imbalance applies. We saw a further chart that Mr.  
20 Peters took you to where you allocated different entry  
21 levels based on the customer usage.

22 That wasn't part of this initial  
23 proposal because it -- it evolved as a result of the  
24 discussions you said you had, correct?

25 MS. LORI STEWART: Yes.

1 MR. ANTOINE HACAULT: Now, this is  
2 just more a clarification point. But earlier in these  
3 proceedings we looked at schedule 11.2.0 appendix A,  
4 and it listed, conveniently, because it was all the  
5 tariff schedule, all the types of services that were  
6 under the service classes like high volume, mainline.

7 Could you just list them, or do you  
8 think you could list them by heart, which ones are all  
9 in the service class, and then which ones overlap  
10 between the service class and the T-Service? Can you  
11 do that for us, please?

12 MS. LORI STEWART: I could undertake  
13 to provide that information, but no, I'm not  
14 comfortable --

15 MR. ANTOINE HACAULT: Okay. Maybe we  
16 can go to the schedule 11.2.0. And if we go a bit  
17 further down in the document, does this document  
18 assist you in answering the question right now?

19 If I suggest to you in the sales  
20 service, we've got special general class, you had  
21 mentioned that in speaking to Mr. Peters. Large  
22 general class. Are you with me so far?

23 MS. LORI STEWART: Yes, I'm following  
24 the schedule.

25 MR. ANTOINE HACAULT: Because there's

1 headings sales service, and I'm just going down.

2 There's high volume firm that's sales service,

3 correct?

4 MS. LORI STEWART: Yes.

5 MR. ANTOINE HACAULT: And then there's

6 cooperative, mainline, that's also a sales service and

7 that completes the description on this document at

8 least, correct?

9 MS. LORI STEWART: It -- it does.

10 MR. ANTOINE HACAULT: And where

11 there's an overlap if we move to the next column, and

12 we can see in the commodity volumetric charge, for T-

13 Service customers we see that it also has the high

14 volume firm type of customers, correct?

15 MS. LORI STEWART: I -- I see that,

16 yes.

17 MR. ANTOINE HACAULT: And it also has

18 the mainline class, correct?

19 MS. LORI STEWART: It does.

20 MR. ANTOINE HACAULT: And those would

21 be larger users, they're not like homes, like under

22 the small general class, correct?

23 MS. LORI STEWART: That's right, the

24 schedule ranges from the smallest consumption being

25 captured in the small general class, and then upwards

1 from there with potentially some exceptions, but in  
2 general that's the trend.

3 MR. ANTOINE HACAULT: Okay, thank you.

4 I have a question with respect to pages  
5 314 and 315 of the book of documents. My  
6 understanding is that, firstly, this is basically  
7 lifting a tariff that the National Energy Board  
8 approved, is that correct?

9 MS. LORI STEWART: It's describing the  
10 TCPL's mainlines balancing fee structure, and yes,  
11 that is National Energy Board Approved.

12 MR. ANTOINE HACAULT: So at one point  
13 in time there would have been a discussion at the  
14 National Energy Board and it would have made a  
15 decision to approve this type of fee schedule on the  
16 daily balance, which we're looking at, which is page  
17 314 and it would also have decided to specifically  
18 approve all the details shown on page 315.

19 Am I correct in understanding that?

20 MS. LORI STEWART: I -- I don't know  
21 the answer to that. I -- I don't have knowledge of  
22 how the approval came to be or what level of specifics  
23 were provided. I don't know.

24 MR. ANTOINE HACAULT: Is it your  
25 understanding that the National Energy Board would



1 have just said TCPL you're entitled -- you may charge  
2 balancing fees?

3                   Is it -- is that what NEB approved, or  
4 did they go further and actually approve specific  
5 wording as shown on slides or the pages 314 and 315?  
6 Do you have any knowledge of that, or does anybody on  
7 the panel have any knowledge of that?

8                   MS. LORI STEWART: I -- again, I don't  
9 know that, but I would find it very surprising that  
10 the Board wouldn't have had some type of details  
11 similar to Centra's evidence before this Board.

12                   So the details of the balancing  
13 structure that Centra is proposing is outlined before  
14 us. We've looked at it numerous times, it's committed  
15 to paper. I've -- I just put my hand on a Bible and  
16 swore that that's the company's evidence. There's no  
17 doubt that this is what Centra's proposing, other than  
18 it seems like in your mind you have some doubts about  
19 that, but there isn't in mine.

20                   MR. ANTOINE HACAULT: So what I'm  
21 hearing you say then, or am I hearing you say what we  
22 should do is we should read the proposed wording that  
23 you're suggesting be approved and then it would read  
24 something like Centra may charge a balancing fee  
25 calculated in accordance with these schedules which

1 detail how they're going to be calculated.

2 That's what you're saying you're asking  
3 this Board to do?

4 MS. LORI STEWART: If -- if the Board  
5 -- if that provides the Board with some comfort or  
6 provides Mr. -- your clients or your members, Mr.  
7 Hacault, with some comfort, Centra is -- is not -- we  
8 would be fine with that.

9 I guess what I'm saying is that after  
10 having written evidence, gone through two rounds of  
11 IRs and had a public hearing on this matter, the first  
12 day that this proposal goes into effect, I'm not going  
13 to arbitrarily alter that it's the KPUC benchmark  
14 toll. That's what was proposed and if the Board  
15 approves it, it defacto is approving that which is in  
16 Centra's evidence.

17 MR. ANTOINE HACAULT: If I could bring  
18 you to Tab 12 of the evidence at page 8, lines 15 to  
19 19, so page 8, lines 15 to 19. I have it -- we may  
20 have the wrong --

21 MS. LORI STEWART: It might be the  
22 difference between the hard copy page number and the  
23 PDF page number.

24 MR. ANTOINE HACAULT: But the  
25 reference I had was -- yes, there it is.

1                   If we look at lines 15 to 19, there's  
2 an explanation that the T-Service customers have been  
3 advised that any intentions of changing their natural  
4 gas service effective November 1, 2019, will need to  
5 be communicated by the latter of July 31, 2019, or  
6 you're telling them when the PUB's going to approve  
7 what you've asked for, that's what you're telling  
8 them, or receipt of the confirmation of the PUB's  
9 approval?

10                   So, as soon as the PUB does what you've  
11 asked it to do, you're going to make them make a  
12 choice?

13                   MS. LORI STEWART:   Well, they don't  
14 need to make a choice. We're advising them of the  
15 time lines, which would allow Centra to react if  
16 they're coming back to sales service or WTS.

17                   I have to put capacity in place if  
18 they're not going to be managing their own  
19 transportation arrangements. I have to respond to  
20 that and put some -- contract for more capacity.

21                   MR. ANTOINE HACAULT:   It's just maybe  
22 me. I -- I would have thought that I would have said  
23 -- or if the PUB, in its discretion, decides to  
24 approve the changes.

25                   But you're telling people that, once

1 you get the confirmation, that the PUB is going to do  
2 what you've asked it to do. They're going to be  
3 making a choice, correct?

4 MS. LORI STEWART: Mr. Hacault, you're  
5 picking one (1) word out of literally thousands that  
6 are on the record here. If that's how you're  
7 interpreting it, fair enough. That's not what Centra  
8 intended.

9 And clearly, Centra's practices that,  
10 when we bring an application forward, we accept that  
11 the Board may approve it, the Board may deny it, the  
12 Board may alter it. That's the Board's purview. We -  
13 - we understand that.

14 So, if a word in one (1) sentence is  
15 suggesting otherwise, I can clear that up now.

16 MR. ANTOINE HACAULT: Let's maybe get  
17 a bit more clarification on what exactly the proposal  
18 is and -- and how the pro forma works at page 320 of  
19 the Board book of documents, so page 320.

20 Mr. Peters kindly put a table there.  
21 And I just want to confirm firstly, this table is  
22 based on the formulas set out at pages 314 and 315 of  
23 this same book of documents. That is referenced on  
24 the left-hand side of the table?

25 MS. LORI STEWART: That's correct.

1                   MR. ANTOINE HACAULT:    The thing the  
2 table doesn't tell us is whether or not the utility is  
3 also applying the formulas put at page 327. Perhaps  
4 we can look at again. Mr. Peters put that to you.

5                   Does this table also apply the formulas  
6 set out at page 327 of the book of documents?

7                   MS. LORI STEWART:    I des -- described  
8 how the proposal evolved over time, so I would have to  
9 -- I would have to undertake to confirm which --  
10 precisely which months incorporated new information or  
11 whether or not it's in '18/'19 that this proposal --  
12 like, we didn't go back and recalculate all of the pro  
13 forma reporting that we had already performed for  
14 customers.

15                   You see why I'm -- I'm trying to  
16 understand and why your clients want to try and  
17 understand. You're unable to tell the Board today, or  
18 our clients today, whether the pro formas that you've  
19 been sending them and the table that you put at page  
20 320 incorporate this second calculation that's shown  
21 in page 327 of the book of documents.

22                   Am I understanding you correctly?

23                   MS. LORI STEWART:    Well, I think I  
24 would characterize it differently. What I described  
25 for you was that immediately after kicking off the

1 proposal Centra, commenced pro forma reporting on the  
2 basis of its proposal at that time.

3           And as the proposal evolved, we -- I --  
4 I would have to go and confirm when that occurred and  
5 which pro forma results are impacted by the prior  
6 proposal.

7           And I am confirming that we did not go  
8 back and reissue pro forma reporting for fees that are  
9 not being paid. This is pro forma. This is to  
10 provide a directional indicator of the impact.

11           The evolution to what is on page 327 of  
12 the Board's documents is considerably more favourable  
13 for T-Service customers. And Centra -- clearly,  
14 having a 7-percent tolerance is going to be -- reduce  
15 your balancing fees relative to what they would have  
16 been had the tolerance been 2 percent. I can  
17 absolutely confirm that.

18           What I'm saying is Centra had already  
19 undergone significant effort to model pro forma  
20 outcomes. So, customers are not paying these fees as  
21 of today. They are being provided with representative  
22 reporting.

23           And once we implemented the  
24 recommendation or the -- the preferences by virtue of  
25 consulting with customers, we did not go back and

1 restate pro forma results because, quite frankly, I  
2 think that everyone that I talked to clearly  
3 understood that it would reduce the fees. That was  
4 the whole point of making the change.

5 MR. ANTOINE HACAULT: I don't think  
6 you've answered my question yet. My question was --  
7 at page 320 there's a table. And I've been trying to  
8 clarify over the last ten (10) minutes whether that  
9 table applies.

10 So, if we go back to 320, as part of  
11 Round 1 interrogatories, you provided information to  
12 this Board that, if the formulas had been applied for  
13 the years 2016/2017 and the years 2017/2018, this  
14 would have been the results.

15 And what I'm trying to determine is  
16 what formulas did you apply. Did you apply only pages  
17 314 and 315 or did you also apply page 327?

18 MS. LORI STEWART: And my answer is, I  
19 don't know. I would need to go back and confirm the  
20 point in time at which we made that change. However,  
21 it is important or germane to the discussion that  
22 we're having, Mr. Hacault, that these would be the  
23 worst case results and that had the table on page 327  
24 not been incorporated yet, which I fully expect is the  
25 case for at least the '16/'17 gas year at minimum, the

1 outcomes would be lesser balancing fees for customers.

2 That was why we made the change.

3 MR. ANTOINE HACAULT: It's up to you.

4 But if you don't know, I -- maybe better not to  
5 speculate. I mean, the clients are trying to get  
6 information. And if you don't know, that's okay, I'll  
7 move on.

8 MS. LORI STEWART: Mr. Hacault, I do  
9 know that the impact of changing the absolute  
10 tolerances from 2 percent to 7 percent --

11 MR. ANTOINE HACAULT: I'll agree with  
12 that.

13 MS. LORI STEWART: -- will reduce the  
14 outcome -- the balancing fees.

15 MR. ANTOINE HACAULT: I -- I agree  
16 with that.

17 MS. LORI STEWART: Well, then -- then  
18 please don't challenge that I do know that. I simply  
19 don't know which months within the twenty-four (24)  
20 month period, when that change was implemented.

21 MR. ANTOINE HACAULT: Okay. Let's go  
22 one (1) further down then. For the year to date,  
23 2018/2019, can you advise the Board whether or not  
24 those calculations apply both the tables at page 314,  
25 315, and 327?



1 MS. LORI STEWART: I -- I can  
2 undertake to provide that to the Board. I'd be happy  
3 to do so.

4 MR. ANTOINE HACAULT: My question is,  
5 do you know? Ques -- it's a simple I don't know or I  
6 do know.

7 MS. LORI STEWART: I've already said I  
8 don't know.

9 MR. ANTOINE HACAULT: Okay. Well --  
10 but I hadn't asked you, in fairness, with respect to  
11 the -- the most recent one (1).

12 Now, at Board book of documents, page  
13 37, I'd like to get another clarification. Sorry, I  
14 didn't have the line, but it -- it's where the  
15 evidence is indicating that absolute and daily  
16 cumulative tolerances will be assigned and set.

17

18 (BRIEF PAUSE)

19

20 MR. BOB PETERS: Mr. Hacault, it may  
21 be page 327 --

22 MR. ANTOINE HACAULT: Three two seven?

23 MR. BOB PETERS: -- item C on 327.

24 MR. ANTOINE HACAULT: Yeah. Thank  
25 you.

1 CONTINUED BY MR. ANTOINE HACAULT:

2 MR. ANTOINE HACAULT: So, absolutely  
3 daily and cumulative tolerances will be assigned and  
4 set a year at a time. And, again, that's relating to  
5 this table.

6 I think I understand the first word,  
7 but help me make sure I understand it. Assigning  
8 would be you'd look at what the customer average is.  
9 And depending where the customer average is in  
10 gigajoules, you would assign them to a particular  
11 category.

12 Is that what's meant?

13 MS. LORI STEWART: Yes.

14 MR. ANTOINE HACAULT: Okay. Now, the  
15 second part is what I'm not too sure of, is whether or  
16 not the utility is saying to this Board that it's  
17 going to set those tolerances.

18 So, that means it could change the  
19 tolerances shown in the table, so if we go back up to  
20 the table, one (1) year at a time.

21 Is Centra saying to this Board that, if  
22 it decides that instead of plus or minus 50  
23 gigajoules, plus or minus 75 gigajoules works better,  
24 Centra intends to set that annually?

25 MS. LORI STEWART: No, we don't intend

1 to alter the categories that have -- that are captured  
2 in the table on whatever -- I can't see the page, 327.

3 So, what that evidence was -- was  
4 discussing was the reevaluation on an annual basis  
5 because customers' annual consumption can change year  
6 over year.

7 MR. ANTOINE HACAULT: Okay. So, it  
8 was more where do you put the client as opposed to  
9 resetting the categories of daily tolerances?

10 MS. LORI STEWART: That's correct.

11 MR. ANTOINE HACAULT: Okay. Thank you  
12 for that clarification. Now, would you agree with me  
13 that tracking who is causing costs in a balancing  
14 sheet would require underlying data to make that  
15 conclusion?

16

17 (BRIEF PAUSE)

18

19 MS. LORI STEWART: I guess I would ask  
20 about the relevance of that in an incentive-based  
21 balancing fee structure.

22 MR. ANTOINE HACAULT: Unfortunately,  
23 I'm the one asking questions. And unless your counsel  
24 objects to the questions, I'd ask you to please answer  
25 the question.

1                   My question is, to understand cost  
2 causation and track who is causing costs, that  
3 requires underlying data, correct?

4                   MS. LORI STEWART:    In your  
5 hypothetical, yes, I think I can agree with that  
6 statement.

7                   MR. ANTOINE HACAULT:    Okay.  And let's  
8 talk just a little bit about my limited understanding  
9 of the gas market.  When we talk about a low load  
10 factor, we would be talking about users like a  
11 residential home.

12                   Would that be an example, Ms. Stewart?

13                   MS. LORI STEWART:    Yes, that's  
14 correct.

15                   MR. ANTOINE HACAULT:    Yeah.  And is  
16 that because most homes in Manitoba might use -- if  
17 they're using gas, the most significant time they  
18 would use gas in -- is in winter for heating, so that  
19 would cause a higher load at that time, and a higher  
20 peak, but in the summer, their peak might be lower,  
21 because they might not use much gas at all, maybe a  
22 hot water tank.

23                   Is that fair?

24                   MS. LORI STEWART:    It -- it is.

25                   MR. ANTOINE HACAULT:    Okay.  And that

1 would be contrasted with the special contract  
2 customers where their loads really aren't much  
3 affected by how much they have to heat their plant.  
4 They have a pretty consistent loads to produce  
5 whatever they're producing in their plants, and they  
6 would be a high load customers, correct?

7 MS. LORI STEWART: Yes.

8 MR. ANTOINE HACAULT: Okay. And those  
9 proportions would change throughout the year, in the  
10 sense of -- sorry, I'll have to reword that. Are you  
11 able to give this Board an idea of the proportion of  
12 the total gas that Centra -- Centra manage -- manages  
13 for sale service compared to T-Service load in the  
14 summer? I don't know, for example, there's a -- you  
15 know, in the summer, is the T-Service load including a  
16 special contract 50 percent of Centra's sale service  
17 load, or what's the proportion?

18 Do you have a sense of it? It doesn't  
19 have to be accurate, just some kind of a sense.

20 MS. LORI STEWART: I -- I think it  
21 does need to be accurate, but...

22 MR. ANTOINE HACAULT: Okay.

23

24 (BRIEF PAUSE)

25

1 MS. LORI STEWART: We're ranging into  
2 CSI territory, here. Ms. Carvell informs me that  
3 those relative percentages or that relationship, so to  
4 speak, is -- is CSI, so I'd prefer not to provide that  
5 information.

6 MR. ANTOINE HACAULT: I'd ask that you  
7 please undertake to provide that information to the  
8 Board on a CSI basis, so the undertaking would be --  
9 and I'd ask for winter, also.

10 So it would be to undertake to provide  
11 to the Board on a CSI basis and to the parties who  
12 would be entitled to see it -- I don't know if I am or  
13 not; I don't know if my CSI clout pulls that far --  
14 would be the proportions of the total gas that Centra  
15 manages for sale service compared to the T-Service  
16 load firstly for the summer and secondly for the  
17 winter.

18 And it -- if there's a way to kind of  
19 give a range that you can put an answer on the public  
20 record, I'd -- I'd ask that. If it can just, like,  
21 be, you know, in the summer, the majority would be T-  
22 Service, and it would reverse in the winter, if that  
23 kind of an answer could be put on the public record, I  
24 -- I'd appreciate that. If it can't, then I'll live  
25 with the specific undertaking to have that information

1 provided to the Board.

2 Is that acceptable?

3

4 (BRIEF PAUSE)

5

6 MS. LORI STEWART: Yes, I accept that  
7 undertaking.

8 MR. ANTOINE HACAULT: Okay. I think  
9 it's Undertaking 11.

10

11 --- UNDERTAKING NO. 11: Centra to provide to the  
12 Board on a CSI basis the  
13 proportions of the total  
14 gas that Centra manages  
15 for sale service compared  
16 to the T-Service load,  
17 firstly for the summer and  
18 secondly for the winter

19

20 CONTINUED BY MR. ANTOINE HACAULT:

21 MR. ANTOINE HACAULT: Next, my  
22 question is -- and maybe it's because I don't have  
23 access to this -- are there any tables or spreadsheets  
24 which Centra has filed in this proceeding which would  
25 show daily and monthly proportions between what Centra

1 manages for sale service compared to what the T-  
2 Service load is?

3 Is it on the record somewhere, do you  
4 think?

5 MS. LORI STEWART: It's...

6

7 (BRIEF PAUSE)

8

9 MS. LORI STEWART: The information  
10 that you referenced or that you have inquired about,  
11 it -- it is on the record on an annual basis, and it  
12 may be on the record on a monthly basis. I would have  
13 to -- I would have to check, and as well, I'd have to  
14 check in terms of who are the parties who are privy to  
15 -- to seeing that.

16 MR. ANTOINE HACAULT: Okay. So as  
17 part of the undertaking, could you point out where  
18 that information is, if it exists, please. That's a  
19 further refinement to the undertaking. Is that  
20 acceptable?

21 MS. LORI STEWART: Okay. I feel -- I  
22 feel like I understood Undertaking 11. Is there a  
23 different piece to it in terms of your --

24 MR. ANTOINE HACAULT: Well --

25 MS. LORI STEWART: -- additional



1 request?

2 MR. ANTOINE HACAULT: My first request  
3 was the proportion for summer and winter, and the  
4 second one is, was there CSI tables which would show  
5 daily and monthly proportions between Centra sale  
6 service load and the T-Service load?

7 So perhaps we can make that Undertaking  
8 12? Is that acceptable?

9 MS. LORI STEWART: That sounds good.

10

11 --- UNDERTAKING NO. 12: Centra to provide CSI  
12 tables which would show  
13 daily and monthly  
14 proportions between Centra  
15 sale service load and the  
16 T-Service load

17

18 CONTINUED BY MR. ANTOINE HACAULT:

19 MR. ANTOINE HACAULT: Okay. And my  
20 next question, are there any publicly filed tables or  
21 spreadsheets which analyze for each day what the  
22 Centra imbalance was on the system versus what the T-  
23 Service imbalance was on the system?

24 MS. LORI STEWART: The Centra  
25 imbalance includes us responding to the T-Service

1 imbalance. That's what we do today, is we have to  
2 step in and adjust what we would otherwise or ideally  
3 do in order to offset T-Service imbalances. So no,  
4 there wouldn't be information on that, because on a  
5 daily basis, we're looking at what Ts are doing and  
6 trying to offset them such that they don't put us into  
7 penalty.

8 MR. ANTOINE HACAULT: Okay. But I'll  
9 try and drill down a little bit further. Are there  
10 any tables or spreadsheets that show where Centra  
11 would have been on an -- a balance or imbalance basis  
12 were it not for the fact it had to deal with the T-  
13 Service issues?

14

15 (BRIEF PAUSE)

16

17 MS. LORI STEWART: No, I don't ask my  
18 staff to pretend that something is happening, or in  
19 effect, and to track what they would have done. We  
20 track what we do.

21 MR. ANTOINE HACAULT: Well, let me  
22 just try and explain, then maybe try to answer it  
23 better. You said to Mr. Peters, as I understood, that  
24 Centra can't perfectly balance all the time either.  
25 On its own, for sale service, it might be over or

1 under.

2 Do I get that right? Is that -- did I  
3 understand that evidence right?

4 MS. LORI STEWART: Yes.

5 MR. ANTOINE HACAULT: Okay. So what  
6 I'm trying to determine, you also said at one point in  
7 time, Well, we may be driving the same way, so I may  
8 going -- be going into a packed situation as Centra,  
9 totally independent from sale service, and the sale  
10 service may be going in that direction of being packed  
11 also.

12 Did I get that evidence right?

13 MS. LORI STEWART: Yes.

14 MR. ANTOINE HACAULT: Okay. And I'm  
15 trying to understand what data Centra has to say what  
16 its sale service imbalance responsibility is, because  
17 it knows it can't balance, correct?

18 MS. LORI STEWART: Yes. We have a  
19 table in the Book of Documents. If you just give me a  
20 minute, I can -- I can find it. It's also in an IR  
21 response which illustrates what is Centra's share of -  
22 - of the T-Service imbalances. You might recall --

23 MR. ANTOINE HACAULT: I --

24 MS. LORI STEWART: -- that.

25 MR. ANTOINE HACAULT: Yeah. I

1 remember the numbers, but what I'm trying to  
2 understand is, is whether -- and I think I've heard  
3 you say that Centra doesn't keep track of its  
4 imbalance issue independently of the T-Service  
5 imbalance issue.

6 Am I correct in understanding your  
7 evidence?

8 MS. LORI STEWART: No, not quite. I  
9 said we can't do that. We can't do that because our  
10 job is to respond to the imbalance as it develops in  
11 our market and to address it. That's the role that we  
12 play.

13 And so isolating Centra's -- Centra's  
14 share of that would require us to model, first of all  
15 to predict, well, if I wasn't having to respond to T-  
16 Service imbalances, what would I do? And I'm saying  
17 that I don't ask my staff to pretend something that  
18 isn't the case and to track that as though it has  
19 happened. We track what does happen.

20 MR. ANTOINE HACAULT: Okay. Let's  
21 talk about what does happen.

22 MS. LORI STEWART: Okay.

23 MR. ANTOINE HACAULT: What does happen  
24 is that you've provided tables to each of the T-  
25 Service customers that would show their imbalance on a

1 particular day after that day is completed, correct?

2 MS. LORI STEWART: Yes.

3 MS. LORI STEWART: And what you do do,  
4 and you know what happens, is that you tell them,  
5 because you've got that second formula on page 315 of  
6 the Board Book of Documents that talks about a 30-day  
7 cumulative balance -- so that you can actually track,  
8 and you've told all customers what those numbers are,  
9 correct?

10 MS. LORI STEWART: Yes.

11 MR. ANTOINE HACAULT: Now, my question  
12 to you is, has Centra put any tables in this  
13 proceeding that show to this board what Centra's daily  
14 imbalance is, leading to a cumulative number for  
15 Centra sales service customers?

16

17 (BRIEF PAUSE)

18

19 MR. NEIL KOSTICK: Mr. Hacault, I  
20 think -- I'll try to state it another way perhaps, is  
21 the data that you're asking about doesn't exist  
22 because Centra's nomination behaviour is influenced by  
23 what T-Service customers are doing. We need to  
24 respond to T-Service customers not addressing their  
25 imbalances. So there is no independent Centra sales

1 service imbalance or non-imbalance, as you seem to be  
2 asking for. So it doesn't exist.

3 T-Service customers can operate in  
4 isolation. They either balance or they don't balance  
5 or they balance somewhere in between. Centra has to  
6 respond to what T-Service customers are doing or not  
7 doing because we have responsibility for the entire  
8 delivery area, including fifteen (15) T-Service  
9 customers and over 280,000 sales service customers.  
10 So there is no Centra imbalance in isolation of what  
11 T-Service customers are doing.

12 MR. ANTOINE HACAULT: Okay. So you  
13 wouldn't track, for example then, if I understand your  
14 evidence correctly, whether a high volume, and we've  
15 heard one (1) transferred from a T-Service to a high  
16 volume, shuts down without telling you and your  
17 numbers are off.

18 You wouldn't track that. You wouldn't  
19 know what that does to your balance or imbalance. Is  
20 that correct?

21 MS. LORI STEWART: Well, given that we  
22 have 280,000 customers, that would be impossible.

23 MR. ANTOINE HACAULT: Okay. But I'm  
24 asking a very specific one. It's an example of  
25 somebody -- you see where -- what the problem is, is

1 if that person is a T-Service, it gets tracked and it  
2 gets a penalty. It just moves to sales service. He's  
3 causing the same problem but he pays zero. He doesn't  
4 get the penalty.

5                   It's -- it's buried into numbers that  
6 we don't know anything about. Isn't that right?

7                   MS. LORI STEWART: Well, Mr. Hacault,  
8 I think we're missing something fundamental in this  
9 example. The high volume firm customer who is sitting  
10 in the system supply or in the broader sales service  
11 category, they're paying Centra's transportation and  
12 commodity rates. So they're paying for the storage  
13 asset that allows Centra to respond to the fact that  
14 their imbalance is occurring.

15                   That's why we hold storage. That's why  
16 we pay premiums for -- for -- I can't say that.  
17 That's why we structure our commodity contracts in the  
18 manner that we do, because we need the flexibility to  
19 accommodate those high volume firm customers, one of  
20 whom might be burning less, another might be burning  
21 more.

22                   However, transportation service  
23 customers do not contribute; they don't pay those  
24 rates. They shouldn't have access to Centra's storage  
25 service when they're not paying for it. Conversely,

1 the high volume firm customer is -- that's what I  
2 described. Those are service options where there is  
3 no requirement for the customer to balance.

4 The customer doesn't have to forecast  
5 what they're going to do, they don't have to balance  
6 on a daily basis, and --

7 MR. ANTOINE HACAULT: Sorry --

8 MS. LORI STEWART: -- they're paying  
9 for that in their rates.

10 MR. ANTOINE HACAULT: You've repeated  
11 that answer a number of times. Again, I've got a  
12 limited time. I really apologize for having  
13 interrupted you, but I asked a very specific question  
14 as to whether you keep that data, and my understanding  
15 is that, no, you don't for reasons that you explained.  
16 Is that correct?

17 MS. LORI STEWART: Mr. Hacault, you  
18 took the question further and you laid out a premise  
19 for this board, that somehow it was unfair that a high  
20 volume firm customer who was not in balance, that they  
21 didn't get any penalty but the T-Service customer did,  
22 and I'm saying that's the very nature of the  
23 difference in the two (2) services.

24 Of course the T-Service customer pays  
25 the penalty. They're not contributing to Centra's



1 storage costs.

2 So I'm not not answering your question.  
3 I'm responding to a premise that you put on the  
4 record.

5 MR. ANTOINE HACAULT: Thank you for  
6 clarifying you didn't answer it. Anyways, I'll move  
7 on.

8 If we go to, I think it's page 320.  
9 Mr. Peters took you there.

10

11 (BRIEF PAUSE)

12

13 MR. ANTOINE HACAULT: If the formula  
14 was kept at 50 percent of the TCPL toll, we see the  
15 results on this table, correct?

16 MS. LORI STEWART: Yes.

17 MR. ANTOINE HACAULT: If we move to a  
18 hundred percent, which means, okay, the T-Service  
19 customer is out, we're going to impose a hundred  
20 percent of what TCPL charges us. Following me so far?

21 MS. LORI STEWART: Yes.

22 MR. ANTOINE HACAULT: And for the  
23 first number, applying the formulas on an individual  
24 company basis instead of on a pooled basis, would mean  
25 that we'd have a total which would be double for

1 2016/17 of nine twenty-six-o-two.

2 Are you following me so far?

3 MS. LORI STEWART: I am.

4 MR. ANTOINE HACAULT: Yeah. And that  
5 would lead to over \$1.8 million of penalties, correct?

6 MS. LORI STEWART: Correct, if that  
7 was Centra's proposal, and it's not.

8 MR. ANTOINE HACAULT: And we know by  
9 the numbers that Mr. Peters referred you to, going  
10 back several pages before, or sorry, that actually the  
11 number he had done multiples of the 920 was four times  
12 the multiples but all of a sudden it would become 8  
13 times the multiples, so Centra would be charged X and  
14 applying the formula to each customer at 100 percent  
15 would collect 8 times what the overall charge is to  
16 Centra, correct?

17 MS. LORI STEWART: I'm sorry, I'm not  
18 following. We're -- where you're getting the 4 times  
19 and 8 times.

20 MR. ANTOINE HACAULT: Well, okay. Mr.  
21 Peters took you there, so I didn't think I'd have to  
22 do it again, sorry.

23 MR. BOB PETERS: Perhaps it's page  
24 333, Mr. Hacault.

25 MR. ANTOINE HACAULT: Yes, I'm sure

1 that would be a useful page.

2 Two places, there was page -- that's  
3 useful also, but I'm 215 -- 216, 217, so the total  
4 charges on pages is 243,856 on page 318, 3-1-8 of the  
5 book of documents.

6 That's the total charges to Centra,  
7 correct? For that year?

8 MS. LORI STEWART: I'm sorry. Could  
9 you repeat the value?

10 MR. ANTOINE HACAULT: For 2016/17 the  
11 total charges by TCPL to Centra for MDA and SSDA is  
12 243,856?

13 MS. LORI STEWART: That's correct.

14 MR. ANTOINE HACAULT: And if you apply  
15 the same formula individually to each company in the  
16 T-Service, and we flip back to page 320, so two pages  
17 down, because this table just tells us what 50 percent  
18 would be if we charged 100 percent for that particular  
19 year, applying the same formula that's applied to TCPL  
20 to the T-Service customers would mean you would  
21 collect over \$1.8 million dollars, versus you would  
22 just have paid to TCPL \$243,856, correct?

23 MS. LORI STEWART: Mr. Hacault, I was  
24 with you in terms of if Centra's proposal included 100  
25 percent of the TCPL mainline fees. Then on a pro-

1 forma basis the value of 920,000 would double --

2 MR. ANTOINE HACAULT: Correct.

3 MS. LORI STEWART: -- because this is  
4 premised on 50 percent of the TCPL mainline fees.

5 But then you're taking me to page 318,  
6 which is a different scenario with --

7 MR. ANTOINE HACAULT: I'm just taking  
8 it for the number, sorry, I'm not taking it for any of  
9 the other information except for the number right  
10 under 2016/2017, I'm just trying to get numbers on the  
11 record, if you could follow me, please.

12 MS. LORI STEWART: Well, they are on  
13 the record, but you're trying to relate them and I'm  
14 saying that's where I'm not with you.

15 MR. ANTOINE HACAULT: Okay. And I'm  
16 going to suggest to you on a simplified approach this  
17 simplified approach assumes that the T-Service  
18 customers are 100 percent responsible each and every  
19 day and each and every 30 day period for the imbalance  
20 fees, the 243,856. If that's used as a starting  
21 point, it has to be the assumption that only those 15  
22 customers are causing that and Centra has no role  
23 whatsoever in causing the imbalance related to its  
24 sale service customers.

25 Do you agree with that?

1 MS. LORI STEWART: No, Mr. Hacault, I  
2 don't. We have extensive evidence on the record as to  
3 how in order to -- in order to undergo and meet the  
4 obligations that I have as the downstream operator,  
5 the -- Centra uses the assets that it has at its  
6 disposal today, we must, because otherwise we would  
7 routinely be out of balance to a far greater degree  
8 than what these numbers represent.

9 So the 201,000 the -- or actually,  
10 let's go to the line of TCPL balancing charges, what  
11 I'm relaying is that those numbers would be  
12 considerably higher were -- if Centra could, if we had  
13 the option, to simply ignore T-Service and let them to  
14 whatever they want, but we don't. We step in and if  
15 they're all packing, we're offsetting them.

16 So we're using our assets on a routine  
17 basis and that's why I'm -- I can't -- like, this  
18 number you're trying to compare it with the proposal,  
19 well those are under two very different scenarios.

20 MR. ANTOINE HACAULT: Okay. Are you  
21 suggesting to this Board, going specifically to this  
22 number 2016/2017, 243,856, that Centra if it  
23 eliminated the T-Service class, we'd see a zero there  
24 for each and every year?

25 MS. LORI STEWART: I did not say that,

1 Mr. Hacault, so --

2 MR. ANTOINE HACAULT: That's what I  
3 was trying to get at is that we can't assign that  
4 number 100 percent to T-Service because you can't  
5 guarantee to this Board that if you got rid of T-  
6 Service class altogether, that the numbers on that  
7 table would be zero in each and every year for TCPL.

8 MS. LORI STEWART: Mr. Hacault, your  
9 premise is that Centra is like another T-Service  
10 customer and we're not.

11 My colleague described how a T-Service  
12 customer has nothing to worry about, no other factors,  
13 except its nomination and its consumption.

14 It is an island unto itself. Centra is  
15 anything but that, as the downstream operator. We  
16 have oversight and responsibility for what's happening  
17 with balancing for all T-Service customers, plus a  
18 very large sales service pool.

19 So I -- we're not on the same page on  
20 this. You're trying to compare -- you're trying to  
21 say if T-Service customers share of the imbalance was  
22 this, but you're not recognizing that Centra isn't  
23 another T-Service customer. We have a completely  
24 different role in this market to play.

25 MR. ANTOINE HACAULT: My question was

1 pretty simple. It was are you suggesting to this  
2 Board that if you got rid of T-Service totally, and I  
3 still don't have an answer, that the number we see at  
4 the top of this table on page 318 of the book of  
5 documents would be zero in each and every year, there  
6 would be no imbalance fees that Centra would have to  
7 pay?

8 MS. LORI STEWART: I have answered  
9 that question and the answer is no. I've acknowledged  
10 that the system sales -- sorry, the sales service pool  
11 also has imbalances.

12 What you seem to be ignoring is that I  
13 spend a lot of our ratepayer's money on assets to make  
14 sure that I can respond to the imbalances.

15 That's the difference.

16 MR. ANTOINE HACAULT: Okay. One more  
17 use of this table, then I'll move on, because --  
18 company --

19 THE CHAIRPERSON: Mr. Hacault --

20 MR. ANTOINE HACAULT: Yes, can we take  
21 a break?

22 THE CHAIRPERSON: -- will you be much  
23 longer?

24 MR. ANTOINE HACAULT: If we take a  
25 break, quite frankly, I -- I've been trying to

1 communicate to the witness and maybe it's the way I'm  
2 asking questions, members of the panel, I've tried  
3 once or twice, maybe I'm not asking them right, just  
4 like before I really didn't have issues about keeping  
5 with my time, but I'm really having challenges because  
6 instead of just --

7 THE CHAIRPERSON: Mr. Hacault, my  
8 question was will you be much longer?

9 MR. ANTOINE HACAULT: I -- I would  
10 think I'm still going to be a half an hour at this  
11 rate.

12 THE CHAIRPERSON: We're going to take  
13 a fifteen (15) minute break.

14

15 --- Upon recessing at 2:55 p.m.

16 --- Upon reconvening at 3:14 p.m.

17

18 THE CHAIRPERSON: Welcome back, all.  
19 Mr. Hacault...?

20 MR. ANTOINE HACAULT: Yes. Thank you.  
21 I've going through my papers and, hopefully, this  
22 won't be too long. I have two (2) sheets.

23

24 CONTINUED BY MR. ANTOINE HACAULT:

25 MR. ANTOINE HACAULT: The second last



1 issue I'd like to understand a bit more about, Ms.  
2 Stewart, is with respect to how Centra does its  
3 balancing predictions today for tomorrow.

4                   There's some description of that in the  
5 IRs, so I won't go through it. My specific question  
6 is, is there a computer model -- modelling that's used  
7 to assist Centra in predicting today what's going to  
8 be used tomorrow for its customer service class?

9                   MS. LORI STEWART: For -- our  
10 forecasters rely on a couple of things. They go back  
11 in history and do a like-day analysis. So, they're  
12 searching in their weather history within a certain  
13 range of days for similarly situated days to evaluate  
14 how much did the loan -- did the load burn.

15                   So, they can insert a range of  
16 temperatures, average daily temperatures. So, they  
17 can insert, okay, the forecast is suggesting that I ca  
18 -- I might burn between, comparatively, a minus 21  
19 Celsius and minus 25 Celsius.

20                   They'll insert features, such as  
21 whether's cloud cover or not which significantly  
22 influences how much gas gets burned, wind speeds,  
23 those types of things.

24                   Then they ask their database to go and  
25 find like days, so based on what the forecast is --

1 multiple weather forecasts are suggesting. Then they  
2 search their historical weather database in order to  
3 have it inform what their pick is for the day.

4 MR. ANTOINE HACAULT: And that fairly  
5 describes how -- what the starting point is to  
6 estimate what the customer service class will use as  
7 far as energy?

8 MS. LORI STEWART: The sales services  
9 pool, yes.

10 MR. ANTOINE HACAULT: Okay. Is there  
11 anything else that's done apart from that kind of  
12 analysis to assist in getting an estimate for the  
13 following day that you're going to nominate at, or is  
14 that a pretty complete description?

15 MS. LORI STEWART: That's complete.  
16 And then, once we're into the day, of course, we're  
17 relying on the hourly meter reads.

18 MR. ANTOINE HACAULT: I'm not there  
19 yet.

20 MS. LORI STEWART: Okay.

21 MR. ANTOINE HACAULT: A day before,  
22 what assumption is made by your staff on T-Service  
23 balance or imbalance?

24 MS. LORI STEWART: It depends on what  
25 their prior day's performance was. So, that varies

1 considerably. If they -- for example, our staff have  
2 to look at, okay, are Ts packed as a group, what --  
3 what is the net imbalance of the Ts.

4 And they may have operational  
5 information that's been shared with them by the  
6 various nominating agents. For example, if a plant is  
7 experience disruptions, then that information ideally  
8 would be shared with our staff so that they can, you  
9 know, incorporate that into their thinking.

10 MR. ANTOINE HACAULT: So, am I  
11 understanding you correctly that part of the process  
12 then is say, for example -- we've talked at the  
13 beginning.

14 There's a nominating agent that has  
15 about six (6) companies it takes care of, another one  
16 (1) that has three (3). And then there's special  
17 contract customers that you talked about that you  
18 communicate with fairly often.

19 That would be imputed by the utility in  
20 its modelling and -- and what it's going to ask for as  
21 a nomination amount today for tomorrow, correct?

22

23 (BRIEF PAUSE)

24

25 MS. LORI STEWART: Mr. Hacault, so the

1 forecast model that I was talking about where we go  
2 and do a like-day search, that is for the sales  
3 service load, okay?

4                   And then we're also -- you know, that's  
5 part of their job, is to take in whatever other  
6 sources of information they have, including whatever  
7 might be happening operationally with the T-Service  
8 customers.

9                   In addition, has a T-Service customer  
10 been trending in a certain direction? That routinely  
11 happens, where they're under forecasting for a few  
12 days in a row or over forecasting what will be used.

13                   So, they're -- they're taking in all of  
14 that various information.

15                   MR. ANTOINE HACAULT:    Okay. And if  
16 I'm understanding correctly, Centra will use its  
17 communications with special contract customers to  
18 assist in balancing issues if needed?

19                   MS. LORI STEWART:    Could you re --  
20 repeat that?

21                   MR. ANTOINE HACAULT:    Centra would be  
22 communicating with the special contract customers to  
23 assist as required in helping it balance on various  
24 days?

25

1 (BRIEF PAUSE)

2

3 MS. LORI STEWART: I think what you're  
4 describing is the types of transactions that we do  
5 with Nominating agents. Is -- is that correct, or...?

6 MR. ANTOINE HACAULT: Well, I guess  
7 so.

8 MS. LORI STEWART: Well, except that  
9 the plant isn't where the gas business is done, right?

10 MR. ANTOINE HACAULT: Yeah.

11 MS. LORI STEWART: The gas business is  
12 done in Calgary. So, no, we don't talk to the plant.  
13 The plant's job is to communicate with whomever's  
14 making gas decisions on its behalf.

15 MR. ANTOINE HACAULT: Thank you for  
16 that clarification. That's -- that's useful. Thank  
17 you.

18 The last subject. And here I think  
19 it's just a 'yes' or 'no' question, but we'll see.  
20 Were you aware that IGU is a new association?

21 MS. LORI STEWART: Yes.

22 MR. ANTOINE HACAULT: Okay. And were  
23 aware that, since its creation in 2019, IGU reached  
24 out to Centra to attempt to collaborate in finding a  
25 solution on the balancing fee issue?

1 MS. LORI STEWART: Yes, I am, Mr.  
2 Hacault.

3 MR. ANTOINE HACAULT: And were you  
4 aware that IGU reached out to Centra to see if it was  
5 willing to collaborate after the Hearing in trying to  
6 find a solution to the balancing fee issue?

7 MS. LORI STEWART: I'm aware that IGU  
8 reached out to Centra in late July and very recently,  
9 either yesterday or today, in order to explore whether  
10 or not the utility had an interest in -- in setting  
11 aside this issue and trying to resolve it outside of -  
12 - of the Hearing room.

13 Is that what you're referring to?

14 MR. ANTOINE HACAULT: No. I'm  
15 referring to only the issue of seeking to collaborate  
16 on finding a solution.

17

18 (BRIEF PAUSE)

19

20 MS. LORI STEWART: Yeah. If you could  
21 clarify the dates that you reached out counsel to  
22 counsel, that would be helpful, so that we ensure that  
23 we're understanding --

24 MR. ANTOINE HACAULT: Okay.

25 MS. LORI STEWART: -- your

1 characterization.

2 MR. ANTOINE HACAULT: The last  
3 communication was during this Hearing. It was one (1)  
4 of the counsel in the -- in the back.

5 And I'm just asking for the record  
6 whether you were aware that we had reached out, me, on  
7 behalf of IGU, to see if Centra was willing to meet  
8 with IGU representatives after the Hearing to  
9 collaborate on trying to find a solution to the  
10 balancing fee issue.

11

12 (BRIEF PAUSE)

13

14 MS. LORI STEWART: So, yes, I am  
15 aware. Counsel certainly spoke with me about that.  
16 And I would like to go on though, Mr. Hacault, to  
17 explain that we did not take Mr. Hacault up on that  
18 offer. It came -- firstly, it came in the midst of a  
19 process.

20 And, secondly, I have described for the  
21 panel how there are fundamental differences of opinion  
22 in terms of how balancing fees should unfold within  
23 the jurisdiction, the -- firstly, being the difference  
24 between incentive-based versus cost-based.

25 THE CHAIRPERSON: Ms. Stewart --

1 MS. LORI STEWART: Yeah.

2 THE CHAIRPERSON: -- I -- I've got  
3 your answer.

4 MS. LORI STEWART: Okay. Good.

5 MR. ANTOINE HACAULT: With that,  
6 members of the panel, I'd like to thank the Centra  
7 panel for doing their best to answer my questions. I  
8 know it wasn't always easy. But that completes my  
9 questioning of this panel.

10 And just for the record, too, that two  
11 (2) of the witnesses on the next panel have flights  
12 tonight, so that's another reason why I skipped  
13 through a lot of stuff, because I'm trying to get them  
14 out tonight on a flight.

15 THE CHAIRPERSON: Very good. Thank  
16 you, Mr. Hacault. Thank you, Ms. Stewart and Ms.  
17 Kostick -- Mr. Kostick. Any -- any re-direct?

18 MS. JESSICA CARVELL: No.

19 BOARD MEMBER WATSON: For Ms. Stewart,  
20 you -- you were in the room when Maple Leaf answered a  
21 couple of questions in regards to when they get their  
22 daily volume sent to them once a month.

23 Your evidence this morning was that you  
24 actually have it on hourly and daily?

25 MS. LORI STEWART: Yes. We just



1 reached out to our office. And I would -- I would be  
2 pleased to undertake -- do we -- actually, I've got it  
3 right here.

4 BOARD MEMBER WATSON: Okay.

5 MS. LORI STEWART: So, the Maple Leaf  
6 Brandon plant receives hourly consumption reports at 8  
7 a.m. and 4 p.m. daily. And that was -- the frequency  
8 of the reporting is at the customer's request. And  
9 those recipients, there are six (6) individuals from  
10 Maple Leaf who are receiving the report. I can put  
11 this into the record formally, I'd like to.

12 Of the Maple Leaf Carberry plant -- or,  
13 actually, for all three (3), Maple Leaf Carberry  
14 plant, Maple Leaf Brandon, and BP, the nominating  
15 agent for Maple Leaf receive daily position reports at  
16 7:15 a.m. and 12:15 p.m. daily.

17 Maple Leaf Carberry only recipients, I  
18 have the names of two (2) individuals at Maple Leaf  
19 there that receive this reporting. And BP itself  
20 receives yesterday's hourly consumption at 4:00 p.m.  
21 daily and today's hourly consumption at 8:00 a.m. and  
22 4:00 p.m. daily.

23 So, Maple Leaf staff are obtaining  
24 daily position reporting and hourly consumption  
25 reporting, several members of the Maple Leaf company.

1 BOARD MEMBER WATSON: Perfect. That  
2 was just right in time. Another question is, to move  
3 forward to assist the 'T' customers with their  
4 balancing, does Centra Gas have any proposals or any  
5 ideas how to assist them with their daily balancing,  
6 either with procedures or technical information, like,  
7 from your computer system SCA -- SCA -- SCADA?

8 MS. LORI STEWART: SCADA.

9 BOARD MEMBER WATSON: SCADA.

10

11 (BRIEF PAUSE)

12

13 MS. LORI STEWART: So, as I've  
14 described, they could obtain -- and Centra is -- is  
15 very readily able to provide more frequent hourly  
16 reporting if that -- if they would find that to be  
17 helpful.

18 We have talked with each of the  
19 customers about how important it is that they actually  
20 have someone assigned to be forecasting what will  
21 happen in their plant.

22 But, unfortunately, that seems to be  
23 part of the breakdown, is, if they have other  
24 priorities in their business, then they tend -- that  
25 drops off the table in terms of being something that

1 they do on a daily basis.

2 In fact, currently, most of them do not  
3 forecast on a daily basis. They've relaid that to us.  
4 One (1) of the customers provides a monthly forecast  
5 which, in our business, is just -- like, we forecast  
6 the next six (6) hours, not a month out. So, much can  
7 change.

8 So, I think that, ultimately, the  
9 customers are going to have to truly synthesize what  
10 their obligations are in this service and make the  
11 decision about whether it's the right service option  
12 for them.

13 If it is, then we're certainly -- we're  
14 available to help them. We've spent a lot of time on  
15 the phone with customers ensuring that they understand  
16 how it works, why it works the way it does.

17 And for those customers who have  
18 nominating agents, I mean, Mr. Labonte and Mr. --  
19 folks like Mr. Labonte and Mr. Brown understand all of  
20 the -- the nomination windows and what's available to  
21 them.

22 They -- Mr. Brown, in particular, is a  
23 very active market participant. Mr. Labonte's hands  
24 are tied a little bit given the way his -- his  
25 relationship with his customers is organized, so.

1                   But, certainly, Centra staff would be  
2 more than happy to convene conference calls prior to  
3 implementation in order to answer any questions that  
4 our T-Service customers have.

5                   BOARD MEMBER WATSON:    So, a 'T'  
6 customer can opt to go down to high volume and have  
7 then the storage capacity available to them if their  
8 volumes change?

9                   MS. LORI STEWART:    They can.

10                  BOARD MEMBER WATSON:   And it's up to  
11 their -- fully up to their discretion?

12                  MS. LORI STEWART:    It is. I need  
13 enough notice to get capacity in place to serve them  
14 because I don't currently hold transportation  
15 capacity. But there is currently capacity available  
16 on the TCPL mainline.

17                  And so, as long as I have that notice a  
18 few days -- a few days in advance of November the 1st  
19 of this year, I could bring them into my pool.

20                  BOARD MEMBER WATSON:   Okay. Thank  
21 you, Ms. Stewart.

22                  BOARD MEMBER NEMEC:    My question is  
23 for Ms. Stewart, as well. I believe T-Service started  
24 in 1988 or thereabout, and that was just on the TCP --  
25 with TCPL.

1                   And then later on, can you confirm the  
2 date that Centra actually began -- began being  
3 responsible for the T-Service customers?

4                   MS. LORI STEWART:    Yeah.  So, the 1988  
5 order, that Order 112 of 88, that's a PUB order.  And  
6 it actually introduced Transportation Service here in  
7 the Manitoba market.  I would have to undertake to  
8 find out when that transition happened, where  
9 utilities became the DSOs, but I -- I can undertake to  
10 provide that.

11                  BOARD MEMBER NEMEC:    Just maybe a  
12 followup to that.  And I'm assuming it was relatively  
13 close to thereafter.  My question was, when balancing  
14 for Centra, you must have a infrastructure in place.

15                  And then once you -- the T-Service  
16 customers were brought online, what impact did that  
17 have on Centra?  Did it impact your infrastructure,  
18 your staffing?  How -- what was that cost impact to  
19 you to -- to bring on the -- the 'T' customer servi --  
20 T-Service customers?

21                  MS. LORI STEWART:    Well, I've -- I've  
22 talked about how monitoring those customers and what  
23 they're -- what they're doing on an hourly basis and  
24 at different nomination windows and accepting their  
25 nominations.  That definitely is an effort for us.

1                   Historically, I would -- I would  
2 suggest it was about an EFT historically. We've  
3 tightened up our own operations over the last sort of  
4 ten (10) years. And I've talked about how we are down  
5 a scheduler relative to historical after the voluntary  
6 departure program at Manitoba Hydro.

7                   And so, it's less than that now, but --  
8 but, yeah, it's, you know, somewhere between a half  
9 and two thirds of a person who's responsible for that  
10 in our operation.

11                   BOARD MEMBER NEMEC:    Okay. Thank you.

12                   THE CHAIRPERSON:    Ms. Carvell, you  
13 were going to file an exhibit?

14                   MR. BOB PETERS:    Mr. Chair, I wonder  
15 if that's a matter that I could speak first with Ms.  
16 Carvell about, if it's the exhibit that Ms. Stewart  
17 was referencing, if that would be acceptable?

18                   THE CHAIRPERSON:    We can defer that  
19 matter. And one (1) --

20                   MR. BOB PETERS:    Okay. Thank you.  
21 Thank you.

22                   THE CHAIRPERSON:    And one (1) more  
23 time, no re-examination?

24                   MS. JESSICA CARVELL:    No, sir.

25                   THE CHAIRPERSON:    We're going to take

1 five (5) minutes off the record just to do a musical  
2 chair shuffle again.

3

4 --- Upon recessing at 3:35 p.m.

5 --- Upon resuming at 3:38 p.m.

6

7 THE CHAIRPERSON: We're all ready, Mr.  
8 Hacault. You have some witnesses?

9 MR. ANTOINE HACAULT: Yes. I think  
10 we've done our musical chair trade off here, and we  
11 have three (3) witnesses here which we'll ask to have  
12 sworn at this point. I don't know if we're going to  
13 have Mr. McLaren be sworn in again. It doesn't appear  
14 so.

15 So if we can ask the Board secretary to  
16 come up and do that, please.

17

18 IGU PANEL NO. 2:

19 TROY BROWN, Sworn

20 GIL LABONTE, Sworn

21 ANDREW MCLAREN, Previously Sworn

22 THE CHAIRPERSON: Let the record show  
23 that Troy Brown and Gil Labonte were sworn. Mr.  
24 McLaren, you remain under oath. Introductions?

25

1 EXAMINATION-IN-CHIEF BY MR. ANTOINE HACAULT:

2 MR. ANTOINE HACAULT: Yes, and prior  
3 to doing that, I had spoken to Board counsel. There  
4 was one (1) minor correction or clarification in one  
5 (1) of the witnesses' evidence. That Mr. Labonte's  
6 evidence at page 7. It's actually also at page 382 of  
7 the Board book of documents -- 8382 of the Board book  
8 of documents.

9 There is -- in the second bullet, the  
10 sentence starts with, "There is no other pipeline that  
11 I work with." It should read "comma, except Xcel  
12 Energy, comma," and the sentence continues.

13 Mr. Labonte, perhaps you can just  
14 confirm that change, and then introduce yourself, and  
15 then we'll have Mr. Brown introduce himself.

16 MR. GIL LABONTE: Good afternoon. I  
17 do confirm the change. Gil Labonte. I work with  
18 France Financial Consulting Limited. We represent,  
19 along with my two (2) partners, roughly twenty-five  
20 (25) clients within Canada and the US who are large --  
21 typically large consumers of natural gas. Our  
22 specialty is procuring supply on behalf of our  
23 clients.

24 I've been in the business in the oil  
25 patch since 1982 and in the natural gas market since



1 1996.

2 THE CHAIRPERSON: Thank you.

3 MR. ANTOINE HACAULT: Mr. Brown, could  
4 you also do the same, now, please?

5 MR. TROY BROWN: Troy Brown. I work  
6 for Koch Canada Energy Services. We manage the supply  
7 that goes into Koch Fertilizer in Brandon, Manitoba.  
8 Both companies are part of Koch Ag and Energy  
9 Services, which is -- reports up through Koch  
10 Industries.

11 THE CHAIRPERSON: Ms. Carvell...?

12

13 CROSS-EXAMINATION BY MS. JESSICA CARVELL:

14 MS. JESSICA CARVELL: Thank you. Good  
15 afternoon, gentlemen. My first few questions are  
16 going to be generally to all three (3) of you, so I  
17 would invite anyone who feels they can answer to jump  
18 on in, and if you disagree with your fenal -- fellow  
19 panel member, please also jump in.

20 We've heard a lot today about Centra's  
21 obligations as a downstream operator on the TCPL  
22 mainline. Do you each agree that Centra has  
23 obligations to maintain a balance on that pipeline?

24

25 (BRIEF PAUSE)

1 MS. JESSICA CARVELL: Sure.

2 MR. TONY BROWN: Could you rephrase  
3 the question, please?

4 MS. JESSICA CARVELL: Do you agree  
5 that Centra, as a downstream operator on the mainline  
6 may be subject to imbalance fees if it does not  
7 balance its delivery area?

8 MR. TONY BROWN: I'm not familiar with  
9 Centra's contracts on TCPL.

10

11 (BRIEF PAUSE)

12

13 MS. JESSICA CARVELL: Are you aware  
14 that Centra is charged imbalance fees if it does not  
15 balance its delivery area under the TransCanada  
16 tariff?

17 MR. TONY BROWN: I don't know the  
18 answer to that one either. Sorry.

19 MS. JESSICA CARVELL: Mr. Labonte, I  
20 understood from your prefiled evidence that you  
21 acknowledge there's a need for Centra to incent its T-  
22 Service customers to more balance -- tightly balance  
23 their accounts.

24 Is that fair?

25 MR. GIL LABONTE: I did make that

1 comment.

2 MS. JESSICA CARVELL: And Mr. Brown,  
3 in your prefiled evidence, you've stated that it's  
4 your understanding only a few customers are not  
5 managing their imbalance levels well. You've heard a  
6 lot today.

7 Do you still hold that view?

8 MR. TONY BROWN: That is my  
9 understanding.

10 MS. JESSICA CARVELL: So could we pull  
11 up the PUB Exhibit 25, which is the book of documents,  
12 and I'm looking at page 357.

13

14 (BRIEF PAUSE)

15

16 MS. JESSICA CARVELL: Have you seen  
17 this chart before, Mr. Brown?

18

19 (BRIEF PAUSE)

20

21 MR. TONY BROWN: I'm not familiar with  
22 it, no.

23

24 (BRIEF PAUSE)

25

1 MS. JESSICA CARVELL: This chart was  
2 provided by Centra in response to an information  
3 request, and it demonstrates the average absolute  
4 daily imbalances as a percentage of average daily  
5 available. That's the middle chart.

6 Do you see that?

7 MR. TONY BROWN: I see what you're  
8 referring to, yes.

9 MS. JESSICA CARVELL: And if we look  
10 at this chart, we see that only three (3) customers  
11 have average daily imbalances below 10 percent.

12 Would you agree with me?

13 MR. TONY BROWN: If that's what the  
14 chart is saying.

15 MS. JESSICA CARVELL: And are you  
16 aware of said -- the tolerance that TCPL applies to  
17 its mainline?

18 MR. TONY BROWN: I'm not familiar with  
19 that, no.

20 MS. JESSICA CARVELL: Are you familiar  
21 with the imbalance that's permitted on the NGTL  
22 system?

23 MR. TONY BROWN: Yes, I'm familiar  
24 with that.

25 MS. JESSICA CARVELL: And what's the

1 tolerance permitted there?

2 MR. TONY BROWN: It changes  
3 periodically.

4 MS. JESSICA CARVELL: What would it be  
5 today?

6 MR. TONY BROWN: Today as in the 22nd  
7 of August?

8 MS. JESSICA CARVELL: Yes.

9 MR. TONY BROWN: I think it is minus  
10 two (2) plus one (1) of previous months.

11 MS. JESSICA CARVELL: Okay. Thank  
12 you. So if we look at this chart, and I'm looking  
13 again at that middle column, would you agree with me  
14 that approximately 80 percent of T-Service customers  
15 are not managing their accounts within a 10 percent  
16 tolerance?

17 MR. TONY BROWN: That's what the chart  
18 seems to say, yes.

19 MS. JESSICA CARVELL: Now, Mr.  
20 McLaren, I wasn't clear from your evidence, but do you  
21 believe that there is an issue here that Centra's  
22 trying to solve?

23 MR. GIL LABONTE: I think I -- I agree  
24 with my colleagues, that there is an issue that Centra  
25 and its customers should work together to solve, yes.

1 MS. JESSICA CARVELL: Thank you. So  
2 I've seen from IGU's evidence it's suggested that  
3 Centra needs to be providing additional services or  
4 tools to its T-Service customers before implementing  
5 this set balancing fee proposal. I just want to talk  
6 about some of those services and tools that it's  
7 currently providing.

8 So are each of you aware that Centra  
9 provides other service offerings to its large-volume  
10 customers that don't require customers to manage their  
11 gas supply and transportation on a daily basis?

12 MR. GIL LABONTE: I am.

13 MS. JESSICA CARVELL: And those two  
14 (2) service offerings, which we heard about this  
15 afternoon, are system supply and Western  
16 transportation service?

17 MR. GIL LABONTE: I am not familiar  
18 with the names, but I have heard that today, so I  
19 presume that to be the case.

20 MS. JESSICA CARVELL: Thanks. And  
21 would you agree with me that Centra actually makes  
22 available to its T-Service customers a significant  
23 amount of information about a customer's consumption?

24 MR. TONY BROWN: That information is  
25 provided daily to Koch, that we have two (2) reports

1 and at any one time that we can get hourly burns.

2 MS. JESSICA CARVELL: Okay, so we are  
3 talking about the daily position reports and hourly  
4 consumption reports?

5 MR. TONY BROWN: We refer to them as  
6 the 6:15 and the 11:15 email.

7 MS. JESSICA CARVELL: I'm trying to  
8 make sure we're all talking about the same documents -  
9 -

10 MR. TONY BROWN: Okay.

11 MS. JESSICA CARVELL: -- but that's  
12 fine. And using those emails that you receive, a T-  
13 Service customer and nominating agent can determine  
14 whether customer is causing an imbalance?

15 MR. TONY BROWN: We can back into  
16 those numbers, but it's not always explicit.

17 MS. JESSICA CARVELL: And using that  
18 information, you can actually make adjustments on an  
19 intraday basis, correct?

20 MR. TONY BROWN: Correct.

21 MS. JESSICA CARVELL: And there's  
22 actually options available to T-Service customers and  
23 their nominating agents in the existing market that  
24 can help them manage their account.

25 Is that correct?

1 MR. TONY BROWN: Could you rephrase  
2 that question?

3 MS. JESSICA CARVELL: Sure. Well, why  
4 don't we talk about a specific example? So a T-  
5 Service customer, depending on the terms of their  
6 supply contracts, they can alter their gas volume  
7 nominations on a daily or intradaily basis.

8 That's true?

9 MR. TONY BROWN: I'm -- I'm sorry --

10 MS. JESSICA CARVELL: Of course,  
11 you're --

12 MR. TONY BROWN: -- I was getting a  
13 note, could you rep -- repeat that?

14 MS. JESSICA CARVELL: T-Service  
15 customers, depending on the terms of their supply  
16 contracts, are able to alter their nominations on a  
17 daily or intradaily basis?

18 MR. TONY BROWN: That's generally  
19 correct.

20 MS. JESSICA CARVELL: And they can use  
21 that to help balance their accounts?

22 MR. TONY BROWN: Generally, yes.

23 MS. JESSICA CARVELL: And T-Service  
24 customers may also transact in the natural gas market,  
25 so buy and sell at trading hubs on the mainline?



1 MR. TONY BROWN: For the next day  
2 products, yes, that's correct.

3 MS. JESSICA CARVELL: And they can use  
4 that to help balance their accounts?

5 MR. TONY BROWN: For a forecast for  
6 tomorrow, correct.

7 MS. JESSICA CARVELL: And T-Service  
8 customers or their nominating agents are also able to  
9 use the park and loan service on the mainline?

10 MR. TONY BROWN: When it's available  
11 by TransCanada, yes, that is an option.

12 MS. JESSICA CARVELL: And finally, T-  
13 Service customers may also contract for storage and  
14 related transportation. Is that correct?

15 MR. TROY BROWN: T-Service customers  
16 generally would own transportation to get to the  
17 Centra MDA, correct.

18 MS. JESSICA CARVELL: And they can use  
19 that option to help them balance their accounts.

20 MR. TROY BROWN: Correct.

21 MS. JESSICA CARVELL: But you would  
22 agree with me that each of those options that we just  
23 discussed come at a cost to the T-Service customer?

24 MR. TROY BROWN: There's never a free  
25 lunch.

1 MS. JESSICA CARVELL: And that would  
2 be true for Centra as well?

3 MR. TROY BROWN: I'm not familiar with  
4 Centra's arrangements.

5 MS. JESSICA CARVELL: But it would not  
6 be free?

7 MR. TROY BROWN: There's never a free  
8 lunch.

9 MS. JESSICA CARVELL: In each of your  
10 evidence, you referred to another -- a number of tools  
11 or mechanisms that will help customers avoid balancing  
12 fees, and we've heard about reference to pooling,  
13 greater daily tolerances or imbalance trading. But  
14 would you agree with me that the simplest way to avoid  
15 balancing fees is to just balance the amount of gas  
16 nominated with consumption?

17 MR. TROY BROWN: Definitely simpler  
18 for Centra Manitoba.

19

20 (BRIEF PAUSE)

21

22 MS. JESSICA CARVELL: Thank you,  
23 gentlemen. That's all my questions.

24 THE CHAIRPERSON: Mr. Meronek...?

25 MR. BRIAN MERONEK: I'm not familiar

1 with the regulatory term that Ms. Stewart used about  
2 everything being tickety-boo. I am familiar with the  
3 regulatory term, everything's hunky-dory, so I have no  
4 questions.

5 THE CHAIRPERSON: Mr. Peters...?

6

7 CROSS-EXAMINATION BY MR. BOB PETERS:

8 MR. BOB PETERS: Not being of  
9 Ukrainian origin, I'm not sure what Meronek is talking  
10 about but I'll keep moving.

11 Gentlemen, I want to caution the three  
12 of you before I begin my questions that none of my  
13 questions are seeking to elicit information that  
14 Centra believes is confidential and that you've been -  
15 - that your client may believe is confidential and  
16 therefore shouldn't be put on the public record.

17 Is that understood and acceptable?

18 MR. TROY BROWN: Yes, I understand.

19 MR. BOB PETERS: And I have also told  
20 witnesses, and Mr. McLaren well may have heard this  
21 before, that should any witness believe that to fully  
22 respond to the Board in an answer and you need to  
23 provide information that may be confidential, we would  
24 ask you to speak and notify Mr. Hacault immediately,  
25 and then he will propose a method to get that

1 confidential information before the Board.

2 Would that be acceptable to you?

3 MR. TROY BROWN: Yes.

4 MR. BOB PETERS: And, Mr. Brown, the  
5 position that you have makes me a little bit more  
6 cautious because, from what I'm hearing and reading in  
7 your evidence, you serve a T-Service customer in  
8 Manitoba and maybe only one (1) of them.

9 Would that be -- would that be  
10 understood?

11 MR. TROY BROWN: Correct.

12 MR. BOB PETERS: And I'm not looking  
13 for any proprietary or confidential information that  
14 would be disadvantageous to the Manitoba customer. Do  
15 you understand that?

16 MR. TROY BROWN: I do.

17 MR. BOB PETERS: All right. And, Mr.  
18 Labonte, I believe your evidence is that you have as  
19 many as three (3) transportation service clients in  
20 Manitoba that are served on the Centra system.

21 Is that accurate?

22 MR. GIL LABONTE: It is.

23 MR. BOB PETERS: And likewise, sir,  
24 I'm not asking that you divulge on the public record  
25 any proprietary information related to those clients

1 individually or collectively.

2                   Would that be acceptable to you?

3                   MR. GIL LABONTE:    It is.

4                   MR. BOB PETERS:    All right.  And as  
5 Ms. Carvell also asked you, that I'll put the  
6 questions out, and I do have people whose names I've  
7 attached to my questions, but when I ask one of you a  
8 question, if the other two -- they're certainly at  
9 liberty to provide a response.

10                   And more importantly, a response, if  
11 you don't agree with what one of your panel colleagues  
12 said or you want to put a refinement on what one of  
13 your panel colleagues said, would that be acceptable  
14 and understood?

15                   MR. TROY BROWN:    Yes.

16                   MR. BOB PETERS:    All right.  Mr.  
17 McLaren, you're the veteran in this -- in this group,  
18 so let's start with you, sir.  And on page 358 of  
19 Board counsel's Book of Documents, and you'll see it  
20 on the monitors in front of you momentarily, or  
21 instantly, you recommend that the Board should not  
22 approve Centra's T-Service changes as they're  
23 proposed, correct?

24                   MR. ANDREW MCLAREN:   Correct.

25                   MR. BOB PETERS:    And the first of the

1 three (3) reasons that you provide is that the  
2 proposal is not a cost-based rate, correct?

3 MR. ANDREW MCLAREN: I believe I  
4 provided that as context for the Board in terms of  
5 when they evaluate the proposal. We spent a lot of  
6 time up till now in this proceeding talking about  
7 embedded cost of service studies and things that are  
8 based on actual direct costs that Centra matters, and  
9 I think Centra agreed this morning that this proposal  
10 is not in that universe. It's not -- it's not  
11 designed as a cost-base rate.

12 It's a different standard, it's a  
13 different type of proposal, and so some of that is  
14 just giving the Board that context, and partly for my  
15 benefit too, so I change gears when I'm thinking about  
16 this. I'm not in the embedded cost of service world.  
17 I'm in a different type of world.

18 MR. BOB PETERS: Maybe have your  
19 microphone a little closer, if you could, Mr. McLaren,  
20 just so we -- we can accurately record what you've  
21 indicated.

22 So -- so recognizing that this is not  
23 an embedded cost of service world, is there anything  
24 inherently wrong with a balancing fee policy that is  
25 not strictly cost-based?

1 MR. ANDREW MCLAREN: I think when  
2 we're in that area of what Centra may call an  
3 incentive-based model, I would call penalty-based  
4 model, that you're in a area where the -- the standard  
5 is not exclusively cost-based. You are trying to --  
6 it's a -- it's a stick rather than a carrot, and it's  
7 not fully about recovering direct costs. It's about  
8 providing some type of price signal to incent a  
9 particular behaviour.

10 MR. BOB PETERS: All right. So  
11 recognizing that's the intent from the Utility's  
12 perspective, that in and of itself shouldn't  
13 disqualify it from being an approp -- a fee that gets  
14 charged to the customer, should it?

15 MR. ANDREW MCLAREN: That in and of  
16 itself doesn't disqualify it, no. It's more provided  
17 as context for the Board to think about the  
18 repercussions of imposing that type of structure.

19 MR. BOB PETERS: And, Mr. McLaren,  
20 would applying 100 percent of the TransCanada Pipeline  
21 tariff based on the TransCanada Pipelines limits make  
22 it a cost-based rate?

23 MR. ANDREW MCLAREN: I don't think it  
24 would, no.

25 MR. BOB PETERS: Mr. Brown, I've got

1 more questions for you, but I -- I was intrigued by  
2 one of your answers to Ms. Carvell.

3 On page 314 and 315, and maybe start at  
4 314 of the Board counsel's Book of Documents that  
5 you'll see on the monitor, Centra has provided this  
6 board with the balancing fees that TransCanada  
7 Pipeline charges to Centra.

8 Have you ever seen that before?

9 MR. TROY BROWN: Not before today.

10 MR. BOB PETERS: All right. And, Mr.  
11 Brown, T-Service customers are required to enter into  
12 contracts with TransCanada Pipeline to get their gas  
13 to the Manitoba delivery area?

14 MR. TROY BROWN: That would be  
15 generally correct, yes.

16 MR. BOB PETERS: And in those  
17 contracts with -- with TransCanada Pipeline, the T-  
18 Service customer would know that the downstream system  
19 operator is Centra?

20 MR. TROY BROWN: I can't answer that  
21 on behalf of other people, but I am personally aware  
22 of that for Koch's benefit, yes.

23 MR. BOB PETERS: All right. And --  
24 appreciate that.

25 And being aware that Centra is the



1 downstream operator, you would also be aware that  
2 Centra has to enter into contractual arrangements and  
3 has tariff obligations to TransCanada Pipelines?

4 MR. TROY BROWN: Once again I'm not  
5 familiar with Centra's arrangements with TransCanada.

6 MR. BOB PETERS: Does it surprise you  
7 that TransCanada has a requirement of Centra that  
8 Centra maintain the deliveries to and the consumption  
9 in their service territory within a tolerance?

10 MR. TROY BROWN: Could you rephrase  
11 that? I'm not quite sure I quite understand that  
12 question.

13 MR. BOB PETERS: Did you hear the  
14 evidence of the Company that TransCanada Pipeline  
15 affords them tolerance levels to bring gas to  
16 Manitoba?

17 MR. TROY BROWN: No, I never.

18 MR. BOB PETERS: From your experience,  
19 Mr. Brown, is it customary that a pipeline operator  
20 requires shippers to be in bal -- in balance as  
21 between what they nominate and what they -- what they  
22 consume?

23 MR. TROY BROWN: Well, Koch has a  
24 number of plants across a number of jurisdictions, and  
25 every jurisdiction is slightly different. Consumption

1 and the gas brought onto the system is never matched  
2 perfectly. It's nearly impossible to do that.

3 MR. BOB PETERS: So -- so the customer  
4 that you're providing the services for, Mr. Brown,  
5 will tell you what -- how many gigajoules of gas they  
6 require.

7 Would that be the -- would that be a  
8 reasonable expectation?

9 MR. TROY BROWN: So, there's a bunch  
10 of nuances that go into that. There is an assumption  
11 of what is going to be consumed, but those are never  
12 quite right. And I feel like you are asking if a GJ  
13 is homogenous, and it's not quite. We deal with it  
14 quite literally as a homogenous object, but it's not  
15 always, so there's different factors that could make  
16 that different.

17 MR. BOB PETERS: If one of your  
18 clients requires so many GJ's of gas, you do your best  
19 to provide that volume of G -- sorry, that -- those  
20 GJ's to that client.

21 MR. TROY BROWN: Correct.

22 MR. BOB PETERS: And if the number is  
23 they want a hundred, you try to provide them with a  
24 hundred GJ's.

25 MR. TROY BROWN: Correct.

1 MR. BOB PETERS: You're telling this  
2 board that on some occasions they may tell you they  
3 want a hundred, but they end up consuming a different  
4 number. That's what I understood you to say  
5 previously?

6 MR. TROY BROWN: So our plant  
7 consumes a volumetric measurement of gas. The GJ is  
8 not -- the -- the energy equivalent that's delivered  
9 to them is not always the -- what's in -- involved  
10 inside that volumetric measurement.

11 So you could ask for 10 cubic meters of  
12 gas and that's what the plant consumes through their -  
13 - their plant, but what actually is the GJ number of  
14 that, it is a lot of extenuating circumstances that  
15 could change that number.

16 MR. BOB PETERS: And we did hear from  
17 Ms. Stewart and Mr. Kostick this morning of -- of the  
18 co-mingling of what customers procure, and getting it  
19 to the TransCanada system off the NOVA system and then  
20 transporting it through to Manitoba. So we -- we've  
21 heard a bit about that.

22 MR. TROY BROWN: Okay.

23 MR. BOB PETERS: But what you're  
24 telling this board, that that may be different, and  
25 again I want you to be careful in how much you want to

1 tell this board on the public record, that in your  
2 client's situation, the gigajoules isn't the unit of  
3 measure that drives the client. They're more  
4 concerned with a volumetric measure.

5 MR. TROY BROWN: No. Let me rephrase  
6 that. They measure at the plant gate in a volumetric  
7 measurement. We supply them with a gigajoule volume  
8 or energy.

9 MR. BOB PETERS: All right. Where I  
10 was starting with you, Mr. Brown, and -- you're not  
11 aware that Centra has obligations to TransCanada to  
12 try to keep the Manitoba delivery area within a range  
13 of balance. You're not aware of that?

14 MR. TROY BROWN: Once again I'm not  
15 familiar with Centra's --

16 MR. BOB PETERS: Does that -- is that  
17 something you've come across in any other  
18 jurisdiction?

19 MR. TROY BROWN: I don't -- I have  
20 never worked for an operator such as Centra, and I'm  
21 not familiar with those -- those structures.

22 MR. BOB PETERS: Would it be correct  
23 that TransCanada Pipeline has a tariff of terms and  
24 conditions?

25 MR. TROY BROWN: TransCanada does have

1 a tariff, yes.

2 MR. BOB PETERS: And you're aware of  
3 that?

4 MR. TROY BROWN: I am, yes.

5 MR. BOB PETERS: And does that tariff  
6 of their -- of TransCanada's terms and conditions  
7 outline the balancing requirements to all shippers?

8 MR. TROY BROWN: I'm not familiar with  
9 that section specifically.

10 MR. BOB PETERS: So as you sit here  
11 and testify before the Board, are you assuming that  
12 there's no balancing requirements on you for your  
13 Manitoba customer?

14 MR. TROY BROWN: I'm not willing to  
15 make that assumption, I'm sorry, no.

16

17 (BRIEF PAUSE)

18

19 MR. BOB PETERS: Mr. McLaren, you and  
20 I started this chat, and I asked you that if -- if  
21 Centra's balancing fees that were going to be charged  
22 through to T-Service customers was exactly the same as  
23 the one that appears on the screen in front of you,  
24 does that make a cost-based rate?

25 MR. ANDREW MCLAREN: I think my answer

1 to that was, no.

2 MR. BOB PETERS: But if -- if the --  
3 and if TransCanada charges a cost to Centra, wouldn't  
4 Centra charging the cost through to the T-Service  
5 customers then make it cost-based?

6 MR. ANDREW MCLAREN: I think if the --  
7 the difference is the -- the breadth of the tolerance  
8 range is applicable to each customer and whether an  
9 individual customer with a smaller tolerance range  
10 might be out of balance, but Centra as a whole may not  
11 be.

12 And so, a hundred percent charge may  
13 not be incurred by Centra in those situations.

14 MR. BOB PETERS: You're aware that  
15 Centra, Mr. McLaren, has to pay balancing fees,  
16 according to the evidence of their -- of Centra's  
17 witnesses, regardless of Centra's position as compared  
18 to the pipeline's position?

19 MR. ANDREW MCLAREN: I heard them say  
20 that, yes.

21 MR. BOB PETERS: And you understand  
22 that to be TCPL's method of levying fees?

23 MR. ANDREW MCLAREN: I've never dealt  
24 with TCPL on that issue directly, but I accept that  
25 Centra's correct.

1 MR. BOB PETERS: And, Mr. McLaren,  
2 back on page 358...

3

4 (BRIEF PAUSE)

5

6 MR. BOB PETERS: You indicate that, in  
7 evaluating the merits of this proposal, you'd want the  
8 Board to consider that the fees would apply even when  
9 customers have no ability to respond to imbalances.

10 Do you see that point, sir?

11 MR. ANDREW MCLAREN: Yes.

12 MR. BOB PETERS: But if Centra has to  
13 pay TransCanada pipeline regardless the reason for the  
14 imbalances, why shouldn't T-Service customers have  
15 that same obligation to Centra?

16 MR. ANDREW MCLAREN: I think what  
17 we're highlighting here is part of the same issue  
18 around the penalty. And a significant concern I have  
19 heard from customers about this is relating to their  
20 ability to respond.

21 A penalty or an incentive, in some  
22 ways, is only effective if people can actually  
23 respond. And I think the specific example people have  
24 brought up is situations around power outages, that  
25 they -- causes their plant to drop load and looking

1 for a little bit of certainty or a little bit of  
2 clarity around what will the process be between Centra  
3 and Manitoba Hydro in those types of situations.

4 MR. BOB PETERS: And as you sit before  
5 this panel, if Manitoba Hydro turns off the  
6 electricity for whatever reason, Centra's not prepared  
7 to grant dispensation to the T-Service customers whose  
8 load would then become imbalanced?

9 MR. ANDREW MCLAREN: I understand  
10 that, absent varying from the proposal, that that is  
11 what would happen, yes. I believe at one point there  
12 was an IR response that said something to the effect  
13 of customers could address this with Manitoba Hydro,  
14 but...

15

16 (BRIEF PAUSE)

17

18 MR. BOB PETERS: Does the -- Ms.  
19 Carvell spoke with witnesses on the panel and provided  
20 various options that would allow T-Service customers  
21 to -- to try to balance their loads.

22 Do you remember hearing that, Ms.  
23 McLaren?

24 MR. ANDREW MCLAREN: Yes.

25 MR. BOB PETERS: And that included



1 using the nominating windows that are available on  
2 TCPL. There was buy/sell arrangements or park and  
3 loan or storage and transportation?

4 MR. ANDREW MCLAREN: I recall hearing  
5 that. We may be getting into an area where Mr.  
6 Labonte or Mr. Brown can provide some more clarity  
7 around how that works in practice.

8 MR. BOB PETERS: Okay, you're going to  
9 call a friend on that?

10 MR. ANDREW MCLAREN: I'm -- we're --  
11 we're --

12 MR. BOB PETERS: Before you do -- and  
13 I don't -- I don't stop anybody from interjecting.  
14 But don't those other options allow the T-Service  
15 customer who's lost electricity to find a way to try  
16 to stay in balance?

17 MR. ANDREW MCLAREN: I don't know if  
18 that's how that works in practice. I don't have  
19 firsthand knowledge of that, no.

20 MR. BOB PETERS: All right. Mr.  
21 Brown, has it ever been the case that your client in  
22 Manitoba has had an imbalance because Manitoba Hydro  
23 electric's electrons stopped flowing to the plant?

24 MR. TROY BROWN: I feel like that  
25 would conflict and be giving propriety information.

1 MR. BOB PETERS: All right. Thank  
2 you.

3

4 (BRIEF PAUSE)

5

6 MR. BOB PETERS: Mr. Labonte, do any  
7 of the clients that you serve in Manitoba who are T-  
8 Service customers of Centra Gas have situations where  
9 the electricity isn't available and, therefore, their  
10 plant suffers an imbalance?

11 MR. GIL LABONTE: Yes, our clients  
12 have experienced that incident.

13 MR. BOB PETERS: Is that a common  
14 incident or is that relatively rare?

15 MR. GIL LABONTE: I would say  
16 relatively rare.

17 MR. BOB PETERS: And when it happens,  
18 it gets reported to you?

19 MR. GIL LABONTE: Yes.

20 MR. BOB PETERS: Every time?

21 MR. GIL LABONTE: Not every time.  
22 Most of the time.

23 MR. BOB PETERS: How do you know it  
24 doesn't get reported to you every time?

25 MR. GIL LABONTE: Well, I know, if

1 they haven't reported within a couple hours, that they  
2 didn't, right.

3 MR. BOB PETERS: And once you're aware  
4 that there's been an electricity outage, you have  
5 tools available to assist that T-Service customer in  
6 Manitoba, do you not?

7 MR. GIL LABONTE: I have tools on  
8 Centra (Manitoba) that allows me to buy or sell gas  
9 without incurring penalties.

10 MR. BOB PETERS: Sorry, you have -- is  
11 that on Centra's system or on the TransCanada pipeline  
12 system?

13 MR. GIL LABONTE: Centra's system,  
14 right. So, I could -- could sell a pack on a day.  
15 So, I can do that with Centra (Manitoba).

16 MR. TROY BROWN: May -- may I  
17 interject quickly? In my experience, power outages  
18 usually happen in the late evening when there's  
19 electrical storms in the area.

20 There isn't very many options after  
21 5:00 p.m. mountain time for much reaction. The next  
22 available window is 9:00 a.m. mountain time.

23 MR. BOB PETERS: All right. So, with  
24 that clarification, Mr. Brown, you're telling the  
25 Board that the hardship, if there's a power outage,

1 would -- would be exacerbated if it happens after the  
2 evening window closes, at 5:00 or 6:00 p.m., because  
3 you have to wait until the following morning?

4 MR. TROY BROWN: Exacerbated wouldn't  
5 be the word I would use, but it would be difficult to  
6 do anything until the morning.

7 MR. BOB PETERS: Impossible to do  
8 anything until the morning?

9

10 (BRIEF PAUSE)

11

12 MR. TROY BROWN: I don't like the word  
13 'impossible' either, sorry. But TransCanada recently  
14 changed their nomination wi -- their nomination system  
15 on August 1st.

16 So, currently, underneath their new  
17 energy bulletin board there is no availability on  
18 their current system to update any nominations after  
19 that last window closes. That is correct.

20 MR. BOB PETERS: Okay. On page 364 of  
21 Board counsel's book of documents, I believe Board  
22 Member Watson reviewed this with the Centra witnesses.  
23 And pretending that I understand it, sir, the -- the  
24 answer you just gave me, if I go down to intraday 3,  
25 there's an ID3 nomination deadline of 7:00 p.m.

1 do you see that, sir?

2 MR. TROY BROWN: Ye -- yes.

3 MR. BOB PETERS: And is this an  
4 indication that, if the electricity to the plant goes  
5 off after 7:00 p.m., then T-Service customers are  
6 generally stuck until the following morning to do  
7 anything about it?

8 MR. TROY BROWN: Is that 7:00 p.m.  
9 central time?

10 MR. BOB PETERS: It says the top,  
11 "Time shifts, all times in CCT."

12 MR. TROY BROWN: Okay. Thank --

13 MR. BOB PETERS: And that's means  
14 central time to you?

15 MR. TROY BROWN: Yes. Yeah, that --  
16 that is correct. So, after the ID3 window closes  
17 there is not an ability to adjust nominations and  
18 reduce gas flowing to any one (1) delivery area.

19 MR. BOB PETERS: And I think we had  
20 understood the evidence from Ms. Stewart and Mr.  
21 Kostick to be that, if -- if the shipper held storage  
22 transportation services, or STS service, they had a  
23 couple more windows that opened for them, one (1) at  
24 11:00 p.m. And it looks like the last one (1) is at  
25 about 3:00 a.m.

1 Do you see that?

2 MR. TROY BROWN: I'm not familiar with  
3 who TCPL will grant STS to.

4 MR. BOB PETERS: All right. You're  
5 telling us that, from your knowledge, once that  
6 intraday 3 window at 7:00 p.m. closes, there's no more  
7 opportunity for the customer to directly change its  
8 nomination?

9 MR. TROY BROWN: That is my  
10 understanding.

11

12 (BRIEF PAUSE)

13

14 MR. BOB PETERS: Mr. McLaren, with the  
15 help of Messrs Brown and Labonte, if a T-Service  
16 customer finds themselves in a position where they're  
17 going to be out of balance, those T-Service customers  
18 can pool together on the TransCanada pipeline mainline  
19 without any involvement of Centra.

20 Is that true?

21 MR. ANDREW MCLAREN: I'm going to have  
22 to defer to Mr. Brown and Mr. Labonte to answer that  
23 question.

24 MR. TROY BROWN: Please repeat the  
25 question then.

1 MR. BOB PETERS: I'm asking Mr. Brown  
2 and Mr. Labonte that, if a TransCa -- sorry, if a T-  
3 Service customer in Manitoba finds that they are in a  
4 position of imbalance, they could pool together on the  
5 TransCanada pipeline with other TCPL mainline  
6 customers to try to get themselves back into balance?

7 MR. TROY BROWN: T-Service customers  
8 generally have -- let me rephrase that, please. Koch  
9 has a number of assets that we use to manage a number  
10 of our plants throughout a number of jurisdictions,  
11 that we have the ability to adjust flow to any one (1)  
12 of our plants within the regular nomination windows.

13 MR. BOB PETERS: Again, Mr. Brown, be  
14 careful if I'm pushing too far, but are you indicating  
15 that there is another client that you serve downstream  
16 from the Manitoba delivery area that could assist you  
17 in balancing and solving your balancing problems in  
18 the Manitoba delivery area?

19 MR. TROY BROWN: No. Sorry if you  
20 misunderstood me there. Koch Industries Inc. owns a  
21 number of different types of plants in a number of  
22 different jurisdictions. And, therefore, we have a  
23 number of different options available to us that other  
24 T-Service customers may not have because we manage a  
25 number of different plants.

1 MR. BOB PETERS: Does that apply with  
2 respect to your Manitoba client, that there are  
3 options available in other jurisdictions that can  
4 balance in Manitoba?

5 MR. TROY BROWN: There are no other  
6 options to balance in Manitoba --

7 MR. BOB PETERS: All right.

8 MR. TROY BROWN: -- currently.

9 MR. BOB PETERS: Thank you. We heard  
10 from the Centra witnesses that customers that have --  
11 or don't even want -- that don't want to manage their  
12 imbalances or find they can't manage their imbalances,  
13 that those customers in Manitoba can elect to get  
14 their gas to their plant via Centra's sales services.

15 Did you hear that? Are you aware of  
16 that?

17 MR. GIL LABONTE: I am.

18 MR. BOB PETERS: And so that, in  
19 addition to a Transportation Service customer, any  
20 customer could also become a sales service customer.

21 That's your understanding, Mr. Labonte?

22 MR. GIL LABONTE: It is.

23 MR. BOB PETERS: And in addition to  
24 becoming a sales service customer, that customer could  
25 -- could al -- alternatively elect to become a western



1 Transportation Service customer.

2 Are you aware of that?

3 MR. GIL LABONTE: I'm not intimate  
4 with the details, but that is my impression.

5 MR. BOB PETERS: Okay. On the western  
6 Transportation Service, and -- my understanding is  
7 that the customer's natural gas molecules could still  
8 be sourced by a third party, but when it comes time to  
9 bringing those molecules from, let's say, the --  
10 Empress, Alberta to Winnipeg, Centra takes over and  
11 does that.

12 Centra gets the -- the transportation  
13 capacity. You're not familiar with that service?

14 MR. GIL LABONTE: I'm familiar with  
15 the service but not the details. I've never managed  
16 that on behalf of our clients.

17 MR. BOB PETERS: All right. When you  
18 heard Ms. Stewart speak about that today, is there any  
19 possible practical application of that to any of the  
20 T-Service customers that -- that France Financial  
21 manages?

22 MR. GIL LABONTE: I don't know the  
23 answer to that question.

24 MR. BOB PETERS: That's fair. Mr.  
25 McLaren, back on page 358 we were just going down the

1 list of your three (3) items that the Board should  
2 consider when evaluating Centra's proposal.

3                   And one (1) of them was that -- the  
4 third one was that Centra doesn't provide a forecast  
5 of balancing fees or the revenues for the test year.

6                   Do you see that?

7                   MR. ANDREW MCLAREN:    Yes.

8                   MR. BOB PETERS:    Why is that going to  
9 be important in terms of whether the Board should or  
10 should not approve what Centra is proposing in this  
11 case?

12                   MR. ANDREW MCLAREN:    I think, from my  
13 perspective, it provides an indication of the  
14 uncertainty of how effective this proposal will be and  
15 what it will -- how it will unfold in practice once  
16 it's applied.

17                   And so, that, to me, suggests some need  
18 for caution and perhaps some staging or phasing in  
19 order to make sure that we -- because we don't have a  
20 good forecast, this is a new structure, we're not sure  
21 how it will perform in practice that, in my view, that  
22 provides some reasons why there should be some caution  
23 about how quickly this has rolled out, what types of  
24 approvals are in place, what types of monitoring, what  
25 types of reporting to make sure that, if it is

1 implemented or a variation of it is implemented, that  
2 we're not having unintended impacts or we're not  
3 having effects that weren't intended.

4 MR. BOB PETERS: When you say that,  
5 "We don't want any unintended effects or  
6 consequences," do you acknowledge that consequences  
7 and effects would come to roost on the sales service  
8 customers and not the T-Service customers?

9 MR. ANDREW MCLAREN: No, I don't think  
10 I would agree with that.

11 MR. BOB PETERS: You heard the Company  
12 has included an approximate two hundred and fifty  
13 thousand dollar (\$250,000) estimate for balancing fees  
14 in the 2018/'19 gas year?

15 MR. ANDREW MCLAREN: Yes.

16 MR. BOB PETERS: Is that reasonable?

17 MR. ANDREW MCLAREN: I understand  
18 that's consistent with the recent actual experience.

19 MR. BOB PETERS: So, you think it is  
20 reasonable?

21 MR. ANDREW MCLAREN: It's reasonable  
22 under the current framework.

23 MR. BOB PETERS: And if Centra gets  
24 that number wrong, where the difference accumulate?

25 MR. ANDREW MCLAREN: As I understand

1 it, under the existing proposal, they would collect  
2 more revenue from their Transportation Service  
3 customers and credit that additional revenue to the  
4 sales service customers.

5

6 (BRIEF PAUSE)

7

8 MR. BOB PETERS: Do you acknowledge,  
9 Mr. McLaren, that Centra is losing out on opportunity  
10 costs because of the efforts that Centra expends to  
11 try to keep T-Service customers in balance?

12 MR. ANDREW MCLAREN: I understood they  
13 -- I understand they have said that, yes.

14 MR. BOB PETERS: Do you agree that  
15 they are missing out on those opportunity costs?

16 MR. ANDREW MCLAREN: I have no ability  
17 to independently evaluate that --

18 MR. TROY BROWN: Could you define  
19 opetune -- 'opportunity costs' in your...?

20 MR. BOB PETERS: Thank you, Mr. Brown.  
21 Mr. Brown, do you acknowledge that, if Centra has to  
22 hold capacity or provide some of its assets to assist  
23 the balancing of the T-Service customers, then Centra  
24 can't release that capacity onto the secondary market  
25 and -- and recover some fixed costs?

1

2

(BRIEF PAUSE)

3

4

MR. TROY BROWN: That's a very grey  
5 area of a lot of assumptions. And I think it's a very  
6 hard thing to pin down at -- in a meeting like this.

7

MR. BOB PETERS: All right. We've --  
8 we've, I think, got Centra to agree that it's hard to  
9 pin down a dollar amount. But in theory, doesn't it  
10 follow that, if Centra's resources are being used to  
11 assist T-Service customers, those resources aren't  
12 available for sale on the secondary market?

13

MR. TROY BROWN: Once again, theory's  
14 a hard thing to do in such a market. And I don't know  
15 Centra's load balancing and their tools available to  
16 them to make that assumption.

17

18

(BRIEF PAUSE)

19

20

MR. BOB PETERS: Mr. McLaren, let's  
21 stay with you on page 358 of Board counsel's book of  
22 documents. You provide this Board with three (3)  
23 recommendations, sir.

24

Is that correct?

25

MR. ANDREW MCLAREN: Maybe we can

1 scroll down the page to --

2 MR. BOB PETERS: Yes. Sorry, at the  
3 bottom half of the page, do you recall that?

4 MR. ANDREW MCLAREN: Yes.

5 MR. BOB PETERS: And your first  
6 recommendation is that Centra should be directed to  
7 work further with its customers to further revise the  
8 T-Service change propo -- charge proposal, correct?

9 MR. ANDREW MCLAREN: That would be my  
10 preference, yes.

11 MR. BOB PETERS: And short of this  
12 Board ordering that or making that a directive of the  
13 utility, you've heard that the utility doesn't have an  
14 appetite for further consultations?

15 MR. ANDREW MCLAREN: I have heard  
16 that, yes.

17 MR. BOB PETERS: Hasn't the utility  
18 and the T-Service customers been at this for two and a  
19 half (2 1/2) to three (3) years?

20 MR. ANDREW MCLAREN: I think there is  
21 probably some dispute about how inclusive or  
22 meaningful the cons -- consultation to date has been.

23 MR. BOB PETERS: You're saying more  
24 could have done or more, at least, can be done going  
25 forward?

1 MR. ANDREW MCLAREN: I'm probably an -  
2 - an optimist. I think these are issues that are  
3 often difficult for boards to cobble together a  
4 solution.

5 My preference in most of these  
6 situations is to get the utility and the customers to  
7 work together.

8 MR. BOB PETERS: And, Mr. McLaren,  
9 what time line would you put on it being reasonable  
10 for that to happen if the Hearing ended today?

11 MR. ANDREW MCLAREN: I think, from Mr.  
12 Hacault's cross-examination this morning, we've  
13 reached out and said we're willing to do this. It's  
14 not something I want to have go on for very long. If  
15 the Board wanted to give people a relatively short  
16 time line, put a -- put a sunset date on it, I think I  
17 would consider that reasonable.

18 MR. BOB PETERS: Well, I was pressing  
19 you for that -- for that time line, and you've tried  
20 to avoid me on that, Mr. McLaren. What's your time  
21 line?

22 MR. ANDREW MCLAREN: I would think  
23 somewhere less than a year but probably more than a  
24 few weeks.

25 MR. BOB PETERS: Mr. Brown, do you

1 think consultations are going to --

2 MR. TONY BROWN: Can I -- can I make a  
3 remark just on that last -- I'm -- I'm part of a num -  
4 - number of other jurisdictions that we have constant  
5 disputes on. TransCanada mainline has been  
6 negotiating theirs for a number of a number of -- a  
7 number of years. NOVA is an ongoing process. These  
8 things sometimes take multiple, multiple years with  
9 lot -- lots of consultation and lots of meetings.

10 I think NOVA is...

11

12 (BRIEF PAUSE)

13

14 MR. BOB PETERS: Sorry, Mr. Brown,  
15 you're trailing off on --

16 MR. TONY BROWN: Sorry, I was just  
17 trying to confer with Ms. -- or Mr. Labonte. NOVA has  
18 been consulting with their customers for well over  
19 three (3) years, in my recollection.

20 MR. BOB PETERS: They're no further  
21 ahead today than they were when they started?

22 MR. TONY BROWN: That's a -- that's a  
23 different conversation for a different day, but it is  
24 a constant ongoing battle. There is currently a rate  
25 -- or a meeting going on at this very moment in



1 Calgary about matters on Nova.

2 MR. BOB PETERS: Well, Mr. Brown, do  
3 you think more consultation on the issue of balancing  
4 fees in Manitoba is a worthwhile venture, or is it a  
5 waste of time?

6 MR. TONY BROWN: We're here at this  
7 meeting because we all feel like it's a worthwhile  
8 venture to have -- come to a -- an agreement that  
9 everybody can live with rather than -- than one  
10 overhanded remark from the Utility itself.

11 MR. BOB PETERS: What timeline are you  
12 suggesting is a reasonable timeline to wrestle this to  
13 the ground?

14 MR. TONY BROWN: I would have to  
15 confer with my in-house legal on something like that.

16 MR. BOB PETERS: Mr. Labonte, I didn't  
17 mean to shut you out, but do you think there's any  
18 merit to further consultations in light of what's  
19 happened to date?

20 MR. GIL LABONTE: Yes, there is.

21 MR. BOB PETERS: Why do you say that,  
22 sir?

23 MR. GIL LABONTE: So I've been quite  
24 involved in the consultation process, with the kickoff  
25 meeting in October 2016, and my impression -- and no

1 disrespect to Centra Manitoba -- is I don't feel that  
2 the process was very collaborative or very extended.  
3 And I have prepared notes that has the timing of the  
4 process we -- what we've been through, and I don't  
5 have the feeling it's been collaborative in any way,  
6 shape, or form.

7 MR. BOB PETERS: Mr. Labonte, Mr.  
8 Brown, Mr. McLaren, if there was collaboration, is  
9 there are a -- a one-size-fits-all in this instance?

10 MR. TONY BROWN: That's an overarching  
11 assumption. There is only -- if you -- fifteen (15)  
12 T-Service customers in Centra that need to come to an  
13 agreement, it's not like we're asking all two hundred  
14 and eighty thousand (280,000) of their customers to  
15 come to agreement. There could be something that  
16 makes most people tolerable, I guess.

17 MR. BOB PETERS: All right. Mr.  
18 McLaren, continuing with your recommendations or  
19 asking this Board to consider the second point is that  
20 you're suggesting that the -- whatever is done should  
21 be phased in starting at 25 percent of the TCPL  
22 structure, but cap the fees equal to what Centra  
23 actually is charged by TCPL.

24 Have I got that right?

25 MR. ANDREW MCLAREN: Yes, I'm

1 suggesting a more moderate approach to phasing in the  
2 charges, yes.

3 MR. BOB PETERS: And that goes hand in  
4 hand, does it, sir, with your third recommendation to  
5 track the number of imbalance events and the total  
6 imbalance volumes and compare performance over the  
7 three (3) prior years?

8 MR. ANDREW MCLAREN: Yes. I think  
9 part of this is to understand how is this working in  
10 practice, and is it doing what people expected it to  
11 do, and -- and hope that it would do?

12

13 (BRIEF PAUSE)

14

15 MR. BOB PETERS: During this phase-in  
16 period, Mr. McLaren, would you recommend that Centra  
17 stop implementing its operational buffer that  
18 currently helps absorb the T-Service customer  
19 imbalances?

20 MR. ANDREW MCLAREN: I don't have the  
21 expertise to make a recommendation of that sort.

22 MR. BOB PETERS: And Mr. Brown and Mr.  
23 Labonte, are you aware of -- of whether Centra uses an  
24 operational buffer using the sale service assets to  
25 assist T-Service customers who are in balance?

1 MR. GIL LABONTE: I am not, other than  
2 what I've heard here today.

3 MR. BOB PETERS: So prior to today,  
4 you weren't aware of that?

5 MR. GIL LABONTE: That they were using  
6 -- no. No.

7 MR. BOB PETERS: And Mr. Brown, I  
8 think your flight didn't let you get here early  
9 enough, but you'll -- are you aware of -- of the  
10 operational buffer that the Utility uses to help  
11 shield T-Service customers from imbalance fees?

12 MR. TONY BROWN: I'm not aware with  
13 Centra's balancing structure. I do understand that  
14 they use and ask T-Service customers on a frequent  
15 basis to help them balance their system as well,  
16 though.

17 MR. BOB PETERS: I'm just -- and I've  
18 heard you say that twice, and I'm wondering if that's  
19 not a different issue, Mr. Brown. Your company wears  
20 a number of hats --

21 MR. TONY BROWN: Correct.

22 MR. BOB PETERS: -- and you -- you'd  
23 be careful if I'm getting too close to this line that  
24 we don't want to cross, but one (1) of your company's  
25 clients is Centra Gas?

1 MR. TONY BROWN: Correct.

2 MR. BOB PETERS: And then on top of  
3 that one (1) of your clients is also one (1) of Centra  
4 Gas's customers?

5 MR. TROY BROWN: We have mutual  
6 benefit that we work towards, yes.

7 MR. BOB PETERS: Now, I'm -- my  
8 questions are really focused on the T-Service customer  
9 in Manitoba and you're working with Centra on gas  
10 supply or transportation arrangements that's on a  
11 secondary market unrelated to a specific client you  
12 have in Manitoba. Would that be correct?

13 MR. TROY BROWN: It was my  
14 understanding that I was asked to come here because of  
15 my expert knowledge of the greater workings of many  
16 systems.

17 MR. BOB PETERS: And I'm not disputing  
18 that, sir. I'm just saying that in -- in terms of  
19 you're indicating that you enter into arrangements to  
20 help Centra out, that's to help Centra out on the  
21 secondary market, but not specifically necessarily  
22 related to your Manitoba T-Service customer.

23 MR. TROY BROWN: Could you define  
24 "secondary market" for me in your point --

25 MR. BOB PETERS: I -- I define the

1 secondary market as a market where companies will  
2 electronically buy and sell molecules in  
3 transportation in -- in a short window of time.

4 MR. TROY BROWN: Centra and -- and  
5 Koch do not transact on the electronic bulletin board  
6 in any fashion. We communicate directly over phone or  
7 chat.

8 MR. BOB PETERS: And -- and you would  
9 have competitors who do use the electronic market?

10 MR. TROY BROWN: They cannot directly  
11 -- it's all -- it's all done without knowledge of  
12 who's on the other side of any deal at one point in  
13 time, if you're doing it on the electronic system.

14 MR. BOB PETERS: All right and -- and  
15 maybe what I'm -- and I'm getting too far afield with  
16 you, Mr. Brown, but your focus is more on customers  
17 who are related to the company that you're working  
18 with.

19 MR. TROY BROWN: I'm not sure if I  
20 follow your line of questioning.

21 MR. BOB PETERS: All right, let me  
22 try it this way.

23 We've heard that there's fifteen (15)  
24 T-Service customers or approximately that many in  
25 Manitoba. Certainly that many sites in Manitoba.

1 You represent only one (1) of those, correct?

2 MR. TROY BROWN: I represent Koch  
3 Canada Energy Services who is part -- as a sister  
4 company to Koch Fertilizer who is a T-Service  
5 customer.

6 MR. BOB PETERS: Yes and -- and put it  
7 another way, do you have any other customers in  
8 Manitoba other than the fertilizer company? If you  
9 are at liberty to answer that.

10 MR. TROY BROWN: I'm -- yeah, that --  
11 that would be confidential.

12 MR. BOB PETERS: Okay. All right,  
13 thank you. Mr. Brown, what makes transportation  
14 service offered by this utility so attractive to your  
15 Manitoba client.

16 MR. TROY BROWN: The Koch fertilizer  
17 plant is a sizable load and having a known cost of our  
18 -- our gas from our point of source gives us the  
19 ability to hedge and manage our exposure to the input  
20 cost. We use gas to manufacture another commodity  
21 which is then put on top of another commodity.

22 So managing the price exposure to  
23 various commodities is important to the profitability  
24 and the longevity of the plant.

25 MR. BOB PETERS: And if your Manitoba

1 client could -- could -- could still source its gas  
2 molecules, as you've described, would your client be  
3 indifferent as to who arranged the transportation for  
4 their molecules?

5 MR. TROY BROWN: Could you repeat  
6 that, please.

7 MR. BOB PETERS: All right. You told  
8 the Board that having a known gas cost provides  
9 certain benefits to your Manitoba customer; correct?

10 MR. TROY BROWN: Correct.

11 MR. BOB PETERS: And that's the  
12 molecule cost; would that be fair?

13 MR. TROY BROWN: It gives us the  
14 ability to understand the full cost structure from  
15 source until plant gate, yes.

16 MR. BOB PETERS: All right but I'm  
17 talking the gas molecules will be a number that --  
18 that you can provide some certainty on to the plant --  
19 to your client in Manitoba.

20 MR. TROY BROWN: Correct.

21 MR. BOB PETERS: In addition to the  
22 gas molecule, you need to bring that gas molecule to  
23 the Manitoba delivery area, correct?

24 MR. TROY BROWN: Correct.

25 MR. BOB PETERS: And the ability to



1 bring it to the Manitoba delivery area requires your  
2 using TransCanada Pipeline.

3 MR. TROY BROWN: There is only one (1)  
4 pipeline that gets to the Manitoba delivery area and  
5 that is TransCanada.

6 MR. BOB PETERS: So you're agreeing  
7 with my --

8 MR. TROY BROWN: Yes, I am.

9 MR. BOB PETERS: And so my question to  
10 you is, if your client in Manitoba could continue to  
11 source its gas and provide -- get the certainty that  
12 it does -- that you're providing them, would your  
13 client be indifferent as to who arranged the  
14 transportation from the Alberta-Saskatchewan border to  
15 the Manitoba delivery area?

16 MR. TROY BROWN: There's a lot of  
17 nuances and different things that would be attributed  
18 to another non-Koch entity doing that.

19 MR. BOB PETERS: All right. You'd  
20 have concerns about the proprietary involvement of a  
21 third party?

22 MR. TROY BROWN: Correct.

23 MR. BOB PETERS: Okay. I -- I have  
24 your point.

25 Mr. Labonte, France Financial

1 Consulting has the ability to pool T-Service customers  
2 on the TransCanada Pipeline system delivering to the  
3 Manitoba delivery area, correct?

4 MR. GIL LABONTE: Not all of the time,  
5 but on the occasion we can, it cannot be done without  
6 triggering the proposed penalties.

7 MR. BOB PETERS: Okay. I think Ms.  
8 Stewart was somewhat cryptic in one of her answers to  
9 the Board on this, and I don't want to go too far,  
10 again if I'm not allowed to put it on the public  
11 record, but the understanding that exists in my mind  
12 from the evidence, and I want to make sure the Panel  
13 here has the correct evidence, is that T-Service  
14 customers can get together and pool amongst themselves  
15 so long as they do that at the time they're putting  
16 the gas onto the TransCanada Pipeline or through one  
17 (1) of the nomination windows that is open.

18 Is my -- is that understanding  
19 accurate?

20 MR. GIL LABONTE: One more time,  
21 please.

22 MR. BOB PETERS: All right. I'm  
23 suggesting that transportation service customers can  
24 pool their requirements and trade imbalances between  
25 and amongst each other, if they do it on the

1 TransCanada system.

2

3

(BRIEF PAUSE)

4

5 MR. TROY BROWN: They can -- they can  
6 trade those imbalances before they reach the MDA,  
7 Centra Manitoba delivery area, yes, before it reaches  
8 the Manitoba system.

9 MR. BOB PETERS: All right. And you  
10 agree with that, Mr. Labonte?

11 MR. GIL LABONTE: I do.

12 MR. BOB PETERS: Is that a viable  
13 option for T-Service customers, is to form their own  
14 pool to make sure that they know if somebody's not in  
15 balance and somebody's drafting and somebody's  
16 packing, that they can -- they can offset each other  
17 through a transaction on the TransCanada Pipeline?

18 MR. TROY BROWN: That is sometimes  
19 correct.

20 MR. BOB PETERS: And, Mr. Labonte, is  
21 that a process you've ever utilized?

22 MR. GIL LABONTE: No, and the reason  
23 for it is the imbalances are on the Centra Manitoba  
24 side. That -- that's how we're dealing with --

25 MR. BOB PETERS: What you're saying to

1 the Board is, TransCanada isn't charging your Manitoba  
2 clients, Mr. Labonte, with balancing fees, so you  
3 don't have any balancing concerns on the TransCanada  
4 Pipeline.

5 MR. GIL LABONTE: No. So our model is  
6 a bit different. Like I said right up -- up front, is  
7 we secure supply from reputable suppliers. They hold  
8 whatever pipe they need to, to manage our -- our load,  
9 they hold whatever tools they need downstream to  
10 provide us that flexibility, and when we go to market,  
11 they charge us a fee, and those costs are embedded in  
12 the fees we have with our suppliers.

13 MR. BOB PETERS: So what you're  
14 telling the Panel is that it's not -- you're not  
15 nimble enough, you don't have the flexibility to -- to  
16 change during the day because these suppliers have  
17 already made commitments to your clients that you  
18 can't get them out of.

19 MR. GIL LABONTE: No. Our suppliers  
20 have the flexibility to -- to make changes.

21 MR. TROY BROWN: I -- I think there's  
22 a -- there's a miscommunication here, if I may  
23 interject, is that if there is an imbalance on the  
24 Manitoba system, you cannot bring that gas back onto  
25 the TransCanada system and then -- then deal with it

1 on somebody else. The -- TransCanada does not allow  
2 Centra Manitoba to receive gas onto the TCPL system.

3 MR. BOB PETERS: Okay. I -- I got  
4 your point, and my point was a bit different or I  
5 thought it was different, and maybe I'll give the  
6 example where a T-Service customer in Manitoba knows  
7 they're going to be drafting, as we've learned that  
8 word, and one (1) of your other clients knows that  
9 they're going to be packing on the system.

10 What's to prevent those two (2) clients  
11 from getting together and solving their imbalances if  
12 they're exactly opposite each other before their gas  
13 reaches the Manitoba delivery area?

14 Is there any -- any prohibition on  
15 that?

16 MR. TROY BROWN: It's usually what  
17 causes that pack and draft at that time.

18 MR. BOB PETERS: Sorry --

19 MR. TROY BROWN: So if -- if Plant A  
20 is having problems and it goes down and Plant B is  
21 just coming up from a problem, they both have to know  
22 and they have to align properly to do that, and  
23 there's a lot of -- because there's -- it's such a  
24 small market area in that area, people hold that close  
25 to their chest and they don't want the general market

1 to know that their plant is having problems one way or  
2 another, because as we heard from a number of  
3 different people, we all make different widgets that  
4 are all part of a different market and that  
5 information getting out into the general market can  
6 cause impacts on other commodity markets.

7 MR. BOB PETERS: Okay. I've got your  
8 point.

9 Mr. Labonte, anything different on  
10 that?

11 MR. GIL LABONTE: So when the -- any  
12 outages scheduled, and we know about it ahead of time,  
13 certainly our supplier has the flexibility and we can  
14 adjust the nomination into Centra Manitoba.

15 The reason we haven't done that to date  
16 is because of the current tolerance bans. We haven't  
17 had to, all right. So the problem is when the outage  
18 happens at night, that imbalance then is on the Centra  
19 side, which cannot be managed on the TransCanada side.  
20 So we do have the flexibility with our supplier on the  
21 known outage to transact on the TransCanada side.

22 MR. BOB PETERS: Mr. Labonte, by the  
23 time your client's gas gets to the Manitoba delivery  
24 area and there's imbalances, it's too late to do  
25 anything. Is that correct?

1 MR. GIL LABONTE: It depends when the  
2 outage occurs, right. So I get a call first thing in  
3 the morning, I could in theory ask our supplier to  
4 reduce its nomination before it ever gets to Centra  
5 Manitoba.

6 MR. BOB PETERS: But once it gets to  
7 Centra Manitoba's delivery area, it's too late to do  
8 anything?

9 MR. GIL LABONTE: It's too late to  
10 avoid any penalties at that point in time.

11 MR. BOB PETERS: There was evidence,  
12 Mr. McLaren, I'm not sure if it was yours, but as a  
13 footnote to one (1) of the information responses, that  
14 Michigan offers a pooling service.

15 Are you familiar with that, sir?

16 MR. ANDREW MCLAREN: Not me.

17 MR. BOB PETERS: Okay. Mr. Brown...?

18 MR. TROY BROWN: Sorry --

19 MR. BOB PETERS: Okay. Are you  
20 familiar, Mr. Labonte --

21 MR. GIL LABONTE: No -- no, I'm not.  
22 I'm now thinking North Dakota, no. I have no idea  
23 what goes on in north Michigan.

24 MR. BOB PETERS: Okay.

25 MR. TROY BROWN: I never presented any

1 testimony on anything that happens in Michigan.

2 MR. BOB PETERS: All right. Thank you  
3 for that.

4 MR. TROY BROWN: To my recollection.

5 MR. BOB PETERS: Mr. Labonte, this is  
6 not a time for self-modesty, but is France Financial  
7 Consulting open for business from all of the Manitoba  
8 fifteen (15) T-Service customers?

9 MR. GIL LABONTE: If they approach us,  
10 yes, but we have never approached any other --

11 MR. BOB PETERS: And -- and --

12 MR. GIL LABONTE: -- any other client.

13 MR. BOB PETERS: And I'm happy with  
14 that answer, Mr. Labonte, but I'm suggesting that, is  
15 it possible that one (1) nominating agent could handle  
16 the nominations for all fifteen (15) T-Service  
17 customers in Manitoba?

18 MR. GIL LABONTE: It's possible.

19 MR. BOB PETERS: Mr. Brown, you've --  
20 you've told us that there's proprietary reasons that  
21 you don't want third parties meddling in your client's  
22 business.

23 MR. TROY BROWN: So just to  
24 supplement, it's possible but if one (1) market  
25 participant -- participant owns the entire market, we



1 don't have price discovery and it makes the entire  
2 market inefficient, so it would be detrimental to  
3 everybody if that was the situation.

4 MR. BOB PETERS: But is the nominating  
5 agent a price taker or a market price setter?

6 MR. TROY BROWN: Both.

7 MR. BOB PETERS: Okay. Mr. McLaren,  
8 my last question of you was to do with the eligibility  
9 threshold. And you're aware, and if we turn I think  
10 to the very first page, 296 of Board counsel's Book of  
11 Documents, we see that Centra is asking this board to  
12 change the eligibility criteria for the energy  
13 consumed daily by a customer before they're eligible  
14 for T-Service, correct?

15 MR. ANDREW MCLAREN: Yes.

16 MR. BOB PETERS: And is that -- why is  
17 that offensive to -- to you?

18 MR. ANDREW MCLAREN: I don't know if I  
19 would say offensive that strongly, but it is something  
20 we have some concern about in terms of restricting  
21 access to this service, and I've had customers come to  
22 me as part of this, as part of our discussion,  
23 pointing out the fact that there would then be very  
24 few -- if this was applied across Centra's entire  
25 system, there'd be very few customers who would be

1 eligible for this service and that would be a concern  
2 for them.

3

4

(BRIEF PAUSE)

5

6 MR. BOB PETERS: And you're aware, Mr.  
7 McLaren, that Centra's proposal includes, in their  
8 words, the grandfathering or leaving the T-Service  
9 customers that are already existing alone and leaving  
10 them in the T-Service class?

11 MR. ANDREW MCLAREN: I understand  
12 that's what they have said, yes. I think some of --  
13 some of the concerns people have expressed about  
14 whether plant expansions would be grandfathered, would  
15 that be counted, I think there's some lack of clarity,  
16 at least in some of the customers' minds that I've  
17 talked to, about how that might be implemented.

18 MR. BOB PETERS: Does that, and I  
19 hadn't thought of it till you said that, Mr. McLaren,  
20 but does that mean if an existing T-Service customer  
21 has a site in Manitoba and they want to open a second  
22 site that maybe isn't as large as their first one (1),  
23 whether they could -- whether the customer could be  
24 treated in totality as a T-Service customer?

25 MR. ANDREW MCLAREN: It might mean

1 that. It might also mean if a customer is currently  
2 500 GJ's and does an expansion to 700 on average, is  
3 that 200 still eligible because the first 500 was,  
4 that was something we weren't clear on.

5 MR. BOB PETERS: And have you obtained  
6 any clarity from the Utility through this process on  
7 that?

8 MR. ANDREW MCLAREN: We haven't -- in  
9 fairness, we haven't specifically put the question to  
10 them that way.

11 MR. BOB PETERS: All right. On page  
12 308 of Board counsel's Book of Documents, we have some  
13 average daily available volumes for various T-Service  
14 customers that are given letter -- letter  
15 identification. And do you see that, Mr. McLaren?

16 MR. ANDREW MCLAREN: Yes.

17 MR. BOB PETERS: And every one of  
18 these customers, if they applied tomorrow under  
19 Centra's new proposal, would meet the volume criteria,  
20 correct?

21 I'm sorry, let me -- let me rephrase  
22 that.

23 Because of the grandfathering, you  
24 acknowledge that all of these customers would -- would  
25 be allowed to stay on as T-Service customers?

1 MR. ANDREW MCLAREN: My understanding  
2 is that existing customers would be allowed to stay on  
3 even if they didn't meet the new hire threshold, yes.

4 MR. BOB PETERS: All right. So now if  
5 a customer is a current T-Service customer and expands  
6 their plant like you mentioned, wouldn't -- they would  
7 remain a T-Service customer or are you thinking that  
8 they might get kicked out?

9 MR. ANDREW MCLAREN: That's one (1) of  
10 the -- that's one (1) of the concerns people have  
11 expressed to me about whether that -- and sometimes  
12 it's maybe not as neat, but it is something we would  
13 like to have clarified as part of any tariff that's --

14 MR. BOB PETERS: All right. I think  
15 Ms. Carvell took that as an opportunity for her  
16 closing submission to include something in reference  
17 to that, and we'll -- we'll see if that happens.

18 MR. ANDREW MCLAREN: We'd appreciate  
19 that.

20 MR. BOB PETERS: Mr. Brown...

21

22 (BRIEF PAUSE)

23

24 MR. BOB PETERS: I'm just not sure in  
25 my notes here, but you've acknowledged that your

1 client receives, or you receive fairly regular reports  
2 from Centra relative to the position of your Manitoba  
3 client?

4 MR. TROY BROWN: Correct. We receive  
5 three (3) emails daily, currently.

6 MR. BOB PETERS: Do you want more?

7 MR. TROY BROWN: We actually asked for  
8 only three (3).

9 MR. BOB PETERS: You want fewer?

10 MR. TROY BROWN: We -- we're  
11 comfortable with the three (3) that we receive.

12 MR. BOB PETERS: And the three (3)  
13 that you're receiving, you're finding that that's  
14 sufficient to allow you to try to achieve the balance  
15 that Centra is asking you to achieve?

16 MR. TROY BROWN: On normal operating  
17 days. That's -- yeah, on normal operating days,  
18 that's correct.

19 MR. BOB PETERS: And what makes a day  
20 abnormal?

21 MR. TROY BROWN: That's a -- that --  
22 the Brandon facility is a large old plant. There's a  
23 lot of things that can cause hiccups and that's beyond  
24 my knowledge of what those are.

25 MR. BOB PETERS: You're saying that,

1 for the most part, the plant is operational every day.  
2 But there are on abnormal circumstances outages for  
3 reasons that occur.

4 MR. TROY BROWN: Correct and generally  
5 we experience a hiccup, if you can use that term, more  
6 trip, generally every six (6) weeks it would be my  
7 estimate on that for one (1) reason or another.

8 MR. BOB PETERS: Now if Ms. Stewart  
9 can use the word to tickety boo, you can use the word  
10 'hiccup' so I think there's no problem with that, sir.

11 There was another point, Mr. Brown,  
12 that you clarified that I don't think anybody else did  
13 and that was on page 362 of Board counsels' book of  
14 documents.

15 You referenced elapsed prorated  
16 scheduled quantity.

17 MR. TROY BROWN: Correct.

18 MR. BOB PETERS: EPSQ for those who  
19 know what that means, right?

20 MR. TROY BROWN: Correct. This resist  
21 is going to be more complicated then packs and drafts.

22 MR. BOB PETERS: And would it be  
23 simple enough for -- for a lawyer to understand that  
24 it would be accurately summarized as, basically, the  
25 later in the day or the later you are in the gas day,

1 the less ability you have in lowering your gas  
2 nomination?

3 MR. TROY BROWN: Correct. If we look  
4 at page 363, it kind of lays out pretty generally the  
5 percentages that you are allowed to reduce nominations  
6 by.

7 MR. BOB PETERS: Okay. So here's a  
8 point that I don't think the panel has heard before is  
9 that even if the T-Service customer wanted to change  
10 its nominations, it has some restrictions that are  
11 imposed, correct?

12 MR. TROY BROWN: Correct. The  
13 TransCanada tariff aligns itself with the North  
14 American gas market and these are set out in their  
15 tariff. And since we earlier discussed that the  
16 Manitoba delivery area is captive to the TransCanada  
17 pipeline, this is the standard.

18 MR. BOB PETERS: And -- and what  
19 you're telling the panel here, Mr. Brown, is that the  
20 later in the day that the customer gets, the less  
21 ability that you would have to lower their gas  
22 nominations?

23 MR. TROY BROWN: Correct.

24 MR. BOB PETERS: And I say "lower  
25 their gas nominations" because if you wanted to up

1 their gas nominations, you don't have this EPSQ  
2 restriction?

3 MR. TROY BROWN: Correct. There is  
4 currently other marketing conditions coming from the  
5 Alberta/Saskatchewan border. The location is called  
6 Empress that limits customer's ability to import more  
7 gas into the MDA system that is currently what the  
8 conversation in Alberta at this moment is about.

9 MR. BOB PETERS: All right. I don't  
10 want to go too far down that path but --

11 MR. TROY BROWN: It's -- it's a dark  
12 rabbit hole.

13 MR. BOB PETERS: Okay but the  
14 suggestion is if you want to lower the amount that you  
15 want delivered in Manitoba you've got some  
16 restrictions over and above the nomination windows  
17 themselves.

18 MR. TROY BROWN: Correct.

19 MR. BOB PETERS: But if you want to  
20 increase the volumes, there's now discussion going on  
21 in Alberta as to whether and how much you should be  
22 allowed to increase those nominations?

23 MR. TROY BROWN: No. The -- in normal  
24 operating circumstances there is no tariff implication  
25 to increase it. There is a current constraint in the



1 Alberta market that does not allow mark -- your  
2 nomination to increase.

3 MR. BOB PETERS: So it's not that TCPL  
4 is objecting to it or wanting to charge a tariff on it  
5 or --

6 MR. TROY BROWN: It's NOVA. NOVA  
7 which is also a TransCanada owned asset which is why  
8 it gets slippery here.

9 MR. BOB PETERS: Thank you. Would the  
10 theory behind this EPSQ, Mr. Brown, be that once the  
11 gas is on the pipeline the pipeline operator has less  
12 capabilities to remove the gas from the pipeline the  
13 later you are in the day?

14 MR. TROY BROWN: I guess in -- in the  
15 most simplistic way that I can explain it is as we --  
16 we go through -- as the pipeline operates through the  
17 day, they are firing their compressors and moving gas  
18 further and further down and their ability to reduce  
19 or minimize the flow that has already happened from an  
20 upstream connecting pipeline becomes difficult.

21 And so there is an industry standard  
22 and this is pretty much across most pipelines in North  
23 America regulated by FERC which is a US government  
24 entity that has kind of laid these standards out.

25 MR. BOB PETERS: We see on Board

1 counsels' book of documents, page 327, Centra's  
2 proposed tolerance table.

3 Mr. Brown, were you aware of those  
4 tolerance tables before today?

5 MR. TROY BROWN: No, I didn't -- not  
6 before I saw this document earlier this week.

7 MR. BOB PETERS: Are you in a  
8 position, Mr. Brown, because of your experience  
9 elsewhere to explain to this Panel how these tolerance  
10 levels compare to other jurisdictions?

11 MR. TROY BROWN: As I -- as I remarked  
12 earlier, jurisdictions have a number of different ways  
13 that they've worked with their large industry  
14 customers to ensure that the safety of -- of each  
15 operating plant is -- is workable.

16 This would be extremely narrow in my  
17 experience with other customers. As an example, we  
18 have another plant in another jurisdiction in Canada  
19 that would be in the third tier there and the  
20 tolerance there is 10 times as much, on the absolute  
21 GJ volume.

22 MR. BOB PETERS: And we heard from the  
23 Utility that in some of those other jurisdictions they  
24 have mechanisms that are available to help them manage  
25 those intolerances, such as, not being captive on one

1 (1) pipeline such as having local storage or peaking  
2 plants.

3 Is -- is that a limiting factor that  
4 you acknowledge as --

5 MR. TROY BROWN: Define "peaking  
6 plant," sorry. Do you mean electricity peaking  
7 plants?

8 MR. BOB PETERS: Well, it could be for  
9 that purpose if -- if that's a natural gas  
10 consumption.

11 MR. TROY BROWN: We -- we don't -- I  
12 don't personally manage any peaking plants currently.  
13 As I mentioned, every market is -- is different and  
14 there's a number of different nuances to each  
15 jurisdiction.

16 MR. BOB PETERS: And so that maybe  
17 that's why tier 3 in Manitoba isn't directly  
18 comparable to tier 3 in this other jurisdiction you're  
19 thinking of?

20 MR. TROY BROWN: No, the other  
21 jurisdiction that I'm thinking of has worked with  
22 their customers to make other intraday balances  
23 available to them. There isn't directly storage next  
24 to them. It's in Ontario so it's a large area, but  
25 they are as close to a storage facility as we are

1 sitting in this room.

2 MR. BOB PETERS: And which other  
3 jurisdiction are you referring to?

4 MR. TROY BROWN: It was in Ontario.

5 MR. BOB PETERS: When you say that  
6 you're recommending Centra come up with more  
7 opportunities for T-Service customers to mitigate  
8 their imbalances, you're focused primarily on the  
9 after hours or after the intraday three (3) window has  
10 closed; correct?

11 MR. TROY BROWN: The conversation --  
12 reading my testimony afterwards, I understand why that  
13 was taken the way it was.

14 But my intent was not to lay that out;  
15 that there was going to be some secret back door  
16 window for customers to balance after the fact.

17 MR. BOB PETERS: Okay. One (1) of the  
18 points you do reference in your testimony, Mr. Brown,  
19 is that balancing fees should not be a revenue  
20 generator for Centra.

21 MR. TROY BROWN: Could you -- could  
22 you point to specifically the line and page so I could  
23 read it?

24 MR. BOB PETERS: How about page 4.

25 MR. TROY BROWN: Of -- of my

1 testimony?

2 MR. BOB PETERS: Yes, sir. That's IGU  
3 Exhibit 9 I believe. And you don't use line numbers  
4 and I'm not criticizing you for that, but it's under  
5 point number 10, found on page 4.

6 MR. TROY BROWN: Okay.

7 MR. BOB PETERS: Balancing fees should  
8 not be a revenue generator for the company, nor be a  
9 customer subsidy. I read that correctly?

10 MR. TROY BROWN: Correct.

11 MR. BOB PETERS: In this instance, do  
12 you agree with the Utility that T-Service customers  
13 should not be subsidized by sale service customers?

14 MR. TROY BROWN: I don't understand  
15 the nuances of the Centra Manitoba balancing and the -  
16 - how that relationship works of the subsidization  
17 that you're referring to.

18 MR. BOB PETERS: On that point, Mr.  
19 Labonte, you've heard evidence today. Do you believe  
20 that Manitoba sale service customers should be cross-  
21 subsidizing the T-Service customers?

22 MR. GIL LABONTE: I have no opinion on  
23 that whatsoever.

24 MR. BOB PETERS: Mr. Brown, on page  
25 320 of Board counsels' book of documents, if we can go

1 back there. This was described as a pro forma  
2 calculation done at a point in time by the Utility  
3 admittedly before its proposal to -- before this Board  
4 was fully refined.

5 MR. TROY BROWN: Okay.

6 MR. BOB PETERS: And you understand it  
7 as that?

8 MR. TROY BROWN: I'll take it that  
9 that, yes.

10 MR. BOB PETERS: All right. And I  
11 take it other than in the last few days you haven't  
12 been familiar with this document?

13 MR. TROY BROWN: That's correct. I  
14 only saw it earlier this week.

15 MR. BOB PETERS: All right. The  
16 upshot I took from your suggestion that balancing fees  
17 should not be a revenue generator is your concern is  
18 that under that 2016/'17 column the Utility would  
19 collect nine hundred and twenty thousand dollars  
20 (\$920,000) of balancing fees from T-Service customers  
21 but we know from other evidence that there are only  
22 being charged on a net basis about a hundred and  
23 fifty-six thousand dollars (\$156,000).

24 MR. TROY BROWN: I'll take you at your  
25 word on those numbers.

1 MR. BOB PETERS: And so your point is,  
2 this has the appearance of charging T-Service  
3 customers for their imbalance and then rewarding it to  
4 somebody else?

5 MR. TROY BROWN: Yeah, it looks -- if  
6 those numbers are correct there's approximately, what,  
7 that three-quarter of millions of dollars (sic)  
8 difference between what T-Service customers would be  
9 charged there and what was actually paid to balance.

10 MR. BOB PETERS: And -- and in  
11 fairness to the Utility, this pro forma assumes that  
12 the T-Service customers do not change their behaviour  
13 one bit, and they don't respond to what the Company  
14 calls an incentive and I think what Mr. McLaren calls  
15 a penalty and this would be the result.

16 You'll accept that?

17 MR. TROY BROWN: Yeah, the -- as refer  
18 -- as referred to it if you were going to use another,  
19 a carrot and a stick, this would be the stick.

20 MR. BOB PETERS: And if you rewarded  
21 and returned this money to the T-Service customers,  
22 wouldn't that defeat the -- the overall intention of  
23 getting T-Service customers to stop incurring  
24 imbalances?

25 MR. TROY BROWN: I think that our --

1 Koch's standpoint on this is that what it would be as  
2 that would be your carrot. Is that if you had an  
3 overcollection beyond the toll -- the tolls that  
4 Centra has to pay to balance, the other T-Service  
5 customers for being in balance would be rewarded. And  
6 there would be approximately three-quarters of a  
7 million dollars that would be distributed amongst  
8 them.

9                   So those customers that are  
10 continuously problematic in balancing would be  
11 punished; where every -- all the other T-Service  
12 customers would be rewarded.

13                   MR. BOB PETERS:    And you don't think  
14 that skews the intent of the balancing fee to -- to  
15 bring customers into line?

16                   MR. TROY BROWN:    You would see the  
17 person being hit with a stick come back into line very  
18 quickly I would imagine.

19                   MR. BOB PETERS:    You don't believe the  
20 sale service customers should participate in that  
21 balancing fee surplus?

22                   MR. TROY BROWN:    As -- as we heard  
23 earlier in testimony today that Centra Manitoba  
24 manages a number of assets that to balance their sale  
25 service customers and if the reason for imbalances on



1 their system is because of T-Service customers and T-  
2 Service customers alone, that should be dealt  
3 separately from the sale service customers because  
4 their ability to balance is already embedded into the  
5 costs of receiving that gas on the Manitoba system.

6 MR. BOB PETERS: All right, thank you.  
7 Mr. Labonte, perhaps a little late in my questioning  
8 for you, sir, but France Financial Consulting is not a  
9 natural gas customer Manitoba; correct?

10 MR. GIL LABONTE: Correct.

11 MR. BOB PETERS: Do you categorize  
12 yourself, perhaps as Centra has, as a nominating  
13 agent?

14 MR. GIL LABONTE: We do.

15 MR. BOB PETERS: We've heard from Mr.  
16 Brown as to the occasions where his Manitoba clients  
17 are in a position of imbalance.

18 Is at the same situation that befalls  
19 your Manitoba clients in that they find themselves out  
20 of balance, particularly after hours? That's the  
21 problem.

22 MR. GIL LABONTE: That is the problem  
23 when you're trying to take care of an imbalance on the  
24 Centra Manitoba side after hours is much more  
25 difficult.

1 MR. BOB PETERS: Do you feel that  
2 France Financial Consulting has the ability to manage  
3 the imbalances when the windows are open up until,  
4 whatever it was, seven o'clock?

5 MR. GIL LABONTE: We do. Like I  
6 mentioned earlier, we always ensure that our suppliers  
7 are large and reputable, have all the tools to allow  
8 the utmost flexibility to deliver gas at the MDA.

9 MR. BOB PETERS: A point that I'm not  
10 sure I've adequately address, Mr. Labonte, and I want  
11 to give you a chance to further address it was, I  
12 asked you about France Consulting -- France Financial  
13 Consulting's clients pooling amongst themselves their  
14 imbalances to try to find a narrower imbalance.

15 Do you recall that?

16 MR. GIL LABONTE: Was that in my  
17 testimony or -- or today --

18 MR. BOB PETERS: No, no, it was in my  
19 question, sir. Let me try -- try to come at it this  
20 way. If France Financial has a client in Manitoba  
21 that is drafting the system and you have another one  
22 that is packing on the system, to use the words that  
23 Ms. Stewart has taught us, France Financial can do  
24 something on the TransCanada system to solve that  
25 problem, were to -- to ameliorate that problem to some

1 extent, as long as there's a -- a nominating window  
2 available.

3 MR. GIL LABONTE: I agree, but I will  
4 prefix that without -- cannot do that without  
5 incurring proposed imbalance fees.

6 MR. BOB PETERS: All right. And  
7 that's the part I didn't understand. I want to make  
8 sure the Panel understands, is that if you know in  
9 advance that one (1) customer is drafting and one (1)  
10 customer is packing and let's just hypothetically  
11 assume it's the same number of gigajoules each way,  
12 why would those customers incur a penalty on the  
13 Manitoba system if you -- if you did something on the  
14 TransCanada system before that gas got here?

15 MR. GIL LABONTE: Okay, so this is a  
16 theoretical situation, right? We haven't had to do  
17 that to date because of the current tolerance bans.  
18 Okay, so it's a theoretical question.

19 Yes, in theory, we could reduce the  
20 deliveries and increase the deliveries coming out of  
21 Alberta to offset those packs and drafts if we know  
22 about them ahead of time.

23 MR. BOB PETERS: And that doesn't have  
24 any involvement with Centra Gas, correct?

25 MR. GIL LABONTE: Correct.

1 MR. BOB PETERS: From your second last  
2 answer, Mr. Labonte, would I be correct in  
3 understanding that if your Manitoba customer  
4 imbalances are currently below the tolerance levels  
5 set by Centra, but they're still out of balance but  
6 not beyond the tolerance limit, then there's no effort  
7 made to try to bring them into tighter balance?

8 MR. GIL LABONTE: Correct.

9 MR. BOB PETERS: Mr. Labonte, you see  
10 on pages 316 of Board Counsels' book of documents, you  
11 see the tolerance levels that are set in the proposal  
12 that the Utility has before the Board, correct?

13 MR. GIL LABONTE: Correct.

14 MR. BOB PETERS: And in terms of those  
15 balancing tolerances, do you find those comparable to  
16 other jurisdictions?

17 MR. GIL LABONTE: No, as Mr. Brown  
18 stated, based on our experience and many US and  
19 Canadian jurisdictions, there is some of the tightest  
20 tolerances that we would be dealing with.

21 MR. BOB PETERS: And do you accept  
22 that in Manitoba the tools that are available for the  
23 gas company to manage those intolerances may be fewer  
24 than exist in other jurisdictions?

25 MR. GIL LABONTE: I don't know that to

1 be true across all jurisdictions.

2 MR. BOB PETERS: Mr. Labonte, on page  
3 312 of Board Counsels' book of documents is the  
4 current or the status quo, four (4) corner criteria,  
5 that Centra uses in charging T-Service customers  
6 balancing fees today.

7 Are you aware of -- of those four (4)  
8 factors?

9 MR. GIL LABONTE: I was not. For some  
10 context, I've been nominating every day, 365 days a  
11 year since 2008. I wasn't aware of the four (4)  
12 criteria but I certainly was operating under the  
13 criteria detailed under Item 2.

14 MR. BOB PETERS: All right. So your  
15 primary focus was to balance plus or minus 2,000  
16 gigajoules per day?

17 MR. GIL LABONTE: In the absence of  
18 any written documentation, that -- that's what I  
19 understood as the policy.

20 MR. BOB PETERS: And because of that  
21 tolerance band of plus or minus 2,000 gigajoules a  
22 day, if your Manitoba customers weren't out of  
23 balance, then there was no requirement for France  
24 Financial to do anything to bring them closer into  
25 balance?

1 MR. GIL LABONTE: In theory, but --  
2 but we did manage to tighter tolerance bans.

3 MR. BOB PETERS: So even though Centra  
4 was affording a plus or minus 2,000 gigajoule balance,  
5 according to your understanding, you operated and  
6 tried to manage down to a tighter balance, correct?

7 MR. GIL LABONTE: Yeah. Centra  
8 Manitoba Hydro performed the analysis on our existing  
9 three (3) client base, that would be self-evident. It  
10 would -- it would be much tighter than the 2,000.

11 MR. BOB PETERS: I'm not sure I  
12 understood your answer, so I'm going to take you to  
13 page 318, Mr. Labonte. And on page 318 in the chart,  
14 we talk about there's three (3) three customers who  
15 have been charged balancing fees, correct?

16 Is this what you were referring to when  
17 you said it becomes self-evident that the tolerances  
18 are tighter than 2,000?

19 MR. GIL LABONTE: No. My apologies.  
20 If you look at our three (3) clients --

21 MR. BOB PETERS: Oh, I'm sorry. I --  
22 and I --

23 MR. GIL LABONTE: -- and their  
24 balancing history, yeah, would have been nowhere near  
25 the plus or minus 2,000.

1 MR. BOB PETERS: All right then. I --  
2 I misunderstood your answer and I apologize, sir.

3

4 (BRIEF PAUSE)

5

6 MR. BOB PETERS: As I understood your  
7 evidence, and I'm looking for is, you -- you tried to  
8 balance down to plus or minus a hundred gigajoules a  
9 day.

10 Is that -- is that accurate?

11 MR. GIL LABONTE: Since 2016, upon --  
12 upon listening to Centra Manitoba's presentation  
13 October 2016, we voluntary -- voluntarily attempted to  
14 get much tighter, much tighter tolerance bans.

15 MR. BOB PETERS: And is that as low as  
16 the plus or minus 100 gigajoules a day?

17 MR. GIL LABONTE: That's the attempt  
18 generally speaking every day.

19 MR. BOB PETERS: Always successful?

20 MR. GIL LABONTE: No.

21 MR. BOB PETERS: Never successful?

22 MR. GIL LABONTE: No.

23 MR. BOB PETERS: So, the impediments,  
24 are they any different than what we've talked about  
25 with Mr. Brown and Mr. McLaren in terms of why you're

1 not able to get down to a tighter balance?

2 MR. GIL LABONTE: No. Just on a much  
3 smaller scale than Mr. Brown, but it's just the nature  
4 of plants, right. Even without any, I'll use the term  
5 hiccup, just normal operation of a plant, there are --  
6 there are discrepancies during the day on the hourly  
7 take, and then you throw on top of that significant  
8 events, it will lead us to the outside of that plus or  
9 minus 100.

10 MR. BOB PETERS: All right.

11

12 (BRIEF PAUSE)

13

14 MR. BOB PETERS: Mr. Labonte, I took  
15 from some of the evidence attributed to you, sir, that  
16 you are recommending this panel consider balancing  
17 tolerances that are shown on page 327 of Board  
18 counsels' Book of Documents, being adjusted, and  
19 they've been adjusted down from the 2,000 gigajoules  
20 to -- per day, down to what we now see as Centra's  
21 proposal.

22 Your suggestion was plus or minus 500  
23 gigajoules a day for all T-Service customers, correct?

24 MR. GIL LABONTE: Correct.

25 MR. BOB PETERS: And was that 500



1 gigajoules a day for each and every one (1) of or  
2 collectively for all fifteen (15) of the T-Service  
3 customers?

4 MR. GIL LABONTE: Each and every one  
5 (1).

6 MR. BOB PETERS: And so if we -- if we  
7 -- if we do your math, as I guess Ms. Stewart did,  
8 that would -- that would amount to a plus or minus  
9 7,500 gigajoules a day.

10 MR. GIL LABONTE: yeah.

11 MR. BOB PETERS: And you acknowledge  
12 that that exceeds the tolerance limit that TransCanada  
13 is extending to Centra Gas?

14 MR. GIL LABONTE: I do.

15 MR. BOB PETERS: And so you would  
16 acknowledge that by restricting or -- or using 500  
17 gigajoules a day, there would almost certainly be  
18 balancing fees incurred by Centra from TCPL?

19 MR. GIL LABONTE: Yeah, on a  
20 standalone basis that statement is accurate, but right  
21 following that, the recommendation was we be willing  
22 to sit with the PUB and develop tools that would allow  
23 T-Service clients to take care of their imbalances  
24 prior to penalties being assessed.

25 MR. BOB PETERS: And so not only sit

1 with the PUB as you are now but sit with the Company.

2 MR. GIL LABONTE: Sit with the  
3 company.

4 MR. BOB PETERS: All right. I've got  
5 your point.

6  
7 (BRIEF PAUSE)

8  
9 MR. BOB PETERS: When we talk about  
10 additional tools, Mr. Labonte, you mentioned in your  
11 evidence at the end of each month some utilities such  
12 as Union Gas and Xcel Energy allow customers to buy  
13 back their month end imbalances.

14 Have I understood that correctly?

15 MR. GIL LABONTE: That is true for  
16 Xcel.

17 MR. BOB PETERS: Okay. I've got it  
18 wrong for Union?

19 MR. GIL LABONTE: Yeah. The mechanism  
20 is slightly different in Union.

21 MR. BOB PETERS: Okay. But where Xcel  
22 allows ship -- customers to buy back their month end  
23 imbalances, was it you who described it as a punitive  
24 price?

25 MR. GIL LABONTE: Yes.

1 MR. BOB PETERS: So what -- what  
2 you're saying is, companies are going to be punished  
3 for their monthly imbalances?

4 MR. GIL LABONTE: On Xcel, if we're  
5 talking Xcel.

6 MR. BOB PETERS: We are.

7 MR. GIL LABONTE: Xcel gives you the  
8 opportunity to be out of tolerance throughout the  
9 whole month, provided that you're close to zero by the  
10 end of the month.

11 MR. BOB PETERS: And so you've heard  
12 from Centra that TransCanada has a daily tolerance  
13 limit on Centra, as well as a cumulative 30-day  
14 tolerance, correct?

15 MR. GIL LABONTE: Correct.

16 MR. BOB PETERS: And because Centra is  
17 exposed to a daily balancing fee, doesn't that make  
18 the Xcel tool unavailable in Manitoba?

19 MR. GIL LABONTE: I'm not sure. I  
20 would look at it a little differently. So the -- all  
21 the jurisdictions we deal with have different set of  
22 operating circumstances. Some have storage; some  
23 don't. Some are captive to a pipeline; some are not.  
24 And the reason they all have a different balancing  
25 mechanism is because they're unique.

1                   It doesn't prevent them from offering a  
2 service. It allows them to offer different service  
3 based on their operating circumstances. So -- and  
4 they also provide the tools to allow a customer to  
5 offset their imbalances before penalties are incurred.

6                   MR. BOB PETERS: I -- I hear you say  
7 that, but when I -- I want to look at specific tools.

8                   Is there a tool that you believe would  
9 work in Manitoba that is currently not available from  
10 Centra or from TCPL?

11                   MR. GIL LABONTE: Yes. In the -- I  
12 believe it's October 17th, two thousand -- October  
13 7th, 2016, report, a presentation where all T-Service  
14 clients were invited to participate, as well as  
15 agents. Those tools were brought forth in that  
16 meeting. It was aggregated -- or agents able to  
17 aggregate imbalances. It was parties able to buy and  
18 sell before penalties were imposed. There was others  
19 that I can't remember, but those were all presented to  
20 Centra Manitoba in October 2016.

21                   MR. BOB PETERS: And I don't want to  
22 repeat some of what we talked about, Mr. Labonte, but  
23 the aggregating of the imbalances, I think you've  
24 agreed with me that in theory that can occur on the  
25 TransCanada Pipeline today, correct?

1 MR. GIL LABONTE: In theory, yes.

2 MR. BOB PETERS: It -- it doesn't  
3 occur on the Centra system, correct?

4 MR. GIL LABONTE: Not in the context  
5 of incurring imbalance fees.

6 MR. BOB PETERS: And when you talk  
7 about buy-sells, and I want to make sure the Panel  
8 understands what you mean by that, but you mean one  
9 (1) T-Service customer buying or selling to another T-  
10 Service customer?

11 MR. GIL LABONTE: Yeah. So we've had  
12 -- so here's an example. First client, plant goes  
13 down seven o'clock at night, right, so now we have a  
14 500 pack. Client B's plant comes up unexpectedly.  
15 They're down; they come up in the middle of the night.  
16 Now they've got a 500 draft.

17 So what we've requested in a lot of  
18 conversations with Centra Manitoba is just allow those  
19 two (2) parties to transfer 500 amongst each other  
20 before it gets to TransCanada, and then there's no  
21 penalties assessed.

22 MR. BOB PETERS: And is there an  
23 impediment for -- and I'm looking at page 364, Board  
24 counsel's Book of Documents.

25 What is the impediment for those two

1 (2) -- Client A and Client B netting each other off to  
2 zero on the TransCanada system using the nomination  
3 windows that are available?

4 MR. GIL LABONTE: It's because those  
5 two (2) events that I just described happened late at  
6 night, so it -- the imbalance occurred on the Centra  
7 side and not on the TransCanada side.

8 MR. BOB PETERS: You're meaning the  
9 gas is already --

10 MR. GIL LABONTE: It's been delivered  
11 to Centra Manitoba.

12 MR. BOB PETERS: All right.

13 MR. TROY BROWN: If I may, I think  
14 there's a slight nuance here that might help the Board  
15 understand.

16 So the ID3 window -- scroll down  
17 slightly. The ID3 window there has a nomination  
18 deadline, but the gas day doesn't end until 9:00 a.m.  
19 Central, so there's a number of hours that gas is  
20 continuing to flow after that nom -- nomination cycle.

21 MR. GIL LABONTE: Twelve (12) hours.

22 MR. TROY BROWN: Yeah. Which is a lot  
23 of time. And that's -- that's where it becomes  
24 problematic in that situation.

25 MR. BOB PETERS: All right. Mr.

1 Labonte, in -- in -- and I wasn't at the October 7th,  
2 2016, meeting or -- or involved in the preparation of  
3 the report, but when you looked for all of these tools  
4 that could be available, do T-Service customers  
5 acknowledge that there should be -- they should be  
6 done at a fee that is charged to T-Service customers?

7 MR. GIL LABONTE: Haven't given much  
8 thought, but I guess it's something that we would look  
9 at.

10 MR. BOB PETERS: Mr. Brown is supposed  
11 to pipe in that there's no free lunch, but I didn't --  
12 I didn't hear him on that.

13 All right, Mr. Chair and Board members,  
14 I'd like to thank at this time Messrs. McLaren, Brown,  
15 and Labonte, for their responses to my questions. I  
16 have no further questions of them and again I thank  
17 them and wish them safe travels. Thank you.

18 THE CHAIRPERSON: Thank you, Mr.  
19 Peters. Any redirect, Mr. Hacault?

20 MR. ANTOINE HACAULT: No.

21 THE CHAIRPERSON: Mr. Peters, there  
22 may or may not have been some massaging of the  
23 schedule, so we are adjourned to --

24 MR. BOB PETERS: This is where I'm  
25 supposed to say, where is Ms. Steinfeld when we need

1 her, but I won't say that on the record.

2 We are adjourned until Wednesday,  
3 August 28th, at 9:00 a.m., when Ms. Carvell and her  
4 colleague, Mr. Czarnecki, will be before you to make  
5 their oral closing submissions on the issues that came  
6 before you at the oral hearing.

7 Later that day, that same day, Mr.  
8 Meronek will be providing closing submissions on  
9 behalf of his client.

10 I can inform the parties that after  
11 Wednesday, August 28th, we will revert back to  
12 Tuesday, September 3rd, to hear from Mr. Hacault on  
13 behalf of the Industrial Gas Users, Mr. Manning on  
14 behalf of Koch, and on that same Tuesday, September  
15 3rd date, Mr. Czarnecki and Ms. Carvell will be given  
16 an opportunity for -- for reply, but only on proper  
17 oral reply issues. And that is the current schedule.

18 THE CHAIRPERSON: You did very well in  
19 the absence of your co-counsel.

20 Thank you all. Good evening.

21

22 --- Upon adjourning at 5:24 p.m.

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Certified correct,

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Donna Whitehouse, Ms.