

1
2
3
4
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MANITOBA PUBLIC UTILITIES BOARD

RE:

CENTRA GAS MANITOBA INC.
2009/10 TO 2010/11
GENERAL RATE APPLICATION

Before Board Panel:

Graham Lane - Board Chairman
Monica Girouard - Board Member
Len Evans - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
June 12, 2009

Pages 1303 to 1426

APPEARANCES

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	TABLE OF CONTENTS	
		Page No.
1		
2		
3	List of Exhibits	1306
4	List of Undertakings	1307
5		
6	CENTRA'S REVENUE REQUIREMENT, DSM, COST ALLOCATION,	
7	AND RATE DESIGN PANEL RESUMED:	
8	VINCE WARDEN	
9	WILLY DERKSEN	
10	GREGORY BARNLUND	
11	LLOYD KUCZEK	
12		
13	Re-Direct Examination by Ms. Marla Murphy	1309
14	Re-Cross-Examination by Mr. Bob Peters	1318
15	Re-Cross-Examination by Mr. Karl Saxberg	1363
16		
17	Certificate of Transcript	1426
18		
19		
20		
21		
22		
23		
24		
25		

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

LIST OF EXHIBITS

Exhibit No.	Description	Page No.
CAC/MSOS-8	Appendix A of the Draft Demand Side Management Guidelines for Natural Gas Distributors	1408
CAC/MSOS-9	One (1) page handout entitled "Lower Your Energy Bills"	1409

	LIST OF UNDERTAKINGS		
	No.	Description	Page No.
1			
2			
3	18	Centra to indicate what the mark-to	
4		-market tracking is for primary gas	
5		rate increases on August the 1st of	
6		2009	1341
7	19	Centra to provide the latest version of	
8		the Manitoba Hydro's Furnace Replacement	
9		Program for Low Income pamphlet	1368
10	20	Centra to remove all third party financing,	
11		to determine what funds that come out of	
12		rates form part of the total budget of	
13		DSM costs as they relate to lower income	
14		customers	1395
15	21	Centra to provide the calculation as to	
16		whether or not the Furnace Replacement	
17		Program could target all of the twelve	
18		thousand (12,000) potential furnaces if	
19		the DSM was continued to be amortized	
20		over fifteen (15) years	1402
21			
22			
23			
24			
25			

1 --- Upon commencing at 9:02 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.
4 Welcome back. It seems like we just stopped two (2)
5 minutes ago and here we are again. I see Mr. Derksen is
6 back. Welcome. We are missing Mr. Cathcart. He is off
7 solving Ontario's problems apparently.

8 Mr. Peters, do you want to remind us where
9 we are?

10 MR. BOB PETERS: Yes, thank you, Mr.
11 Chairman.

12 THE CHAIRPERSON: Not the place, just...

13 MR. BOB PETERS: Where we are in the
14 schedule. The questions that I've had of the Revenue
15 Requirement Panel have been asked and answered yesterday.
16 There may be a couple of undertakings, I'd have to check,
17 remaining.

18 But, at this point, I was going to ask Ms.
19 Murphy to introduce the June 9th revision to the cost
20 allocation and rate design matters. That was filed as
21 Centra Exhibit 12 and it was noted by its colour, the
22 peach colour, I think we've called it. And there was a
23 couple of schedules that her witnesses may want to speak
24 to and once they've addressed that, then I will continue
25 my questions of this panel after Ms. Murphy is complete.

1 And then when I am finished, I will
2 suggest turning to Mr. Saxberg who has questions of this
3 panel, and I believe they are primarily demand side
4 management related questions. And that will probably
5 take us the morning, that is, Mr. Saxberg and if Mr. Boyd
6 has any remaining questions that haven't been asked,
7 those two (2) will have -- there will be an opportunity
8 to answer -- to ask those as well.

9 So I would suggest Ms. Murphy start this
10 morning with the cost of gas issues. I'll follow that
11 and then we'll see where we get.

12 THE CHAIRPERSON: Sounds like good
13 advice.

14 Ms. Murphy...?

15

16 CENTRA'S REVENUE REQUIREMENT, DSM, COST ALLOCATION,
17 AND RATE DESIGN PANEL RESUMED:

18

19 VINCE WARDEN, Resumed

20 WILLY DERKSEN, Resumed

21 GREGORY BARNLUND, Resumed

22 LLOYD KUCZEK, Resumed

23

24 RE-DIRECT EXAMINATION BY MS. MARLA MURPHY:

25 MS. MARLA MURPHY: Thank you. Good

1 morning. I want to start by asking Mr. Derksen to
2 address for you Schedule 4.0.0, which was updated on June
3 9th. It was provided in the material that Centra's given
4 on the peach sheets. I don't believe it's in the Board's
5 book of documents but if you have the update package, it
6 -- it's -- it's there.

7 So, Mr. Derksen, could you please explain
8 the calculation of the revenue requirement that's been
9 provided in that schedule?

10 MR. WILLY DERKSEN: Yes, thank you. The
11 revenue requirement schedule incorporates gas costs per
12 Centra's original application and all of the non-gas cost
13 -- costs of gas components as provided in Centra's
14 update, dated May 29th. The amounts included in --
15 include rate increases of 1 percent on February 1st, 2010
16 and 1 percent on May 1st, 2010.

17 As shown on line 23 of that schedule,
18 these increases will generate net income of two million
19 eight hundred sixty-nine thousand (2,869,000) for test
20 year 2009/'10, and two million eight hundred and four
21 thousand (2,804,000) for test year 2010/'11. I'm sorry,
22 two million eight hundred fourteen thousand (2,814,000).

23 MS. MARLA MURPHY: Thank you. You've
24 also provided a schedule of annualized additional
25 revenue. Could you please explain the information

1 provided in the schedule?

2 MR. WILLY DERKSEN: Yes. For 2009/'10
3 test year, the additional rate increase of 1 percent
4 implemented on February 1st, 2010, will generate an
5 additional one million six hundred eighty-five thousand
6 dollars (\$1,685,000) of revenue for the last two (2)
7 months of the fiscal year.

8 This amount must be annualized in order to
9 calculate rates which are based upon a full twelve (12)
10 months of costs. Annualizing that number results in an
11 adjustment of four million four hundred thousand
12 (4,400,000), and the twelve (12) months revenue that
13 would be generated from that increase totals six million
14 eight-five thousand dollars (\$6,085,000), as shown on
15 line 38 of that schedule.

16 For the 2010/'11 test year, the February
17 1st increase implemented in the previous fiscal year
18 would, over a twelve (12) month period, generate an
19 additional six million eight-five thousand (6,085,000) of
20 revenue, compared to current approved rates.

21 The May 1st 1 percent increase will
22 generate a further five million seven hundred twelve
23 thousand dollars (\$5,712,000) of additional revenue for
24 the eleven (11) remaining months in that year.

25 The annualization adjustment for the extra

1 month equates to four hundred eight thousand (408,000).
2 And the twelve (12) months revenue that would be
3 generated from this increase totals six million one
4 hundred twenty thousand dollars (\$6,120,000).

5 The total annualized additional revenue
6 for both proposed rate increases is twelve million two
7 hundred and five thousand dollars (\$12,205,000). This is
8 based on the 2010/'11 sales forecast, and is shown on
9 line 38 of that schedule.

10 MS. MARLA MURPHY: Thank you, Mr.
11 Derksen. Mr. Barnlund, can you please confirm that
12 Centra's additional information with respect to cost
13 allocation and rate design manners is also included in
14 the package of Centra Exhibit 12?

15 MR. GREG BARNLUND: Yes. Centra filed
16 additional cost allocation schedule -- rate schedule and
17 bill impact schedules on June 9th, to supplement the
18 inflama -- information provided on May 29th and June 1st.

19 MS. MARLA MURPHY: And when does Centra
20 propose to implement rates arising from this application?

21 MR. GREG BARNLUND: Centra is seeking
22 approval of rate changes on August 1st, 2009, February
23 1st, 2010, and May 1st, 2010.

24 MS. MARLA MURPHY: And what does Centra
25 propose to implement on August 1st, 2009?

1 MR. GREG BARNLUND: As discussed in my
2 previous direct testimony, Centra proposes to implement
3 base rates on August 1, 2009, to incorporate the gas
4 costs, as contained in this Application, for the 2008/'09
5 gas year forecast.

6 In addition, Centra proposes to implement
7 rate riders that recover approximately \$9.4 million of
8 gas costs and deferral account balances, as of October
9 31st, 2008, plus carrying costs to July 31st, 2009.
10 These riders are found on schedules 10.3.0, and 10.3.1,
11 dated June 1st, printed on yellow paper.

12 The proposed August 1, 2009, rates are
13 shown in schedules 10.2.1(a), dated June 9th, and are
14 presented on peach coloured paper, and can be found at
15 Tab 52 of Mr. Peter's book of documents.

16 Base rates are created by removing the
17 WACOGs from existing approved base rates that flowed from
18 the fiscal 2008/'09 approved rates, and then
19 incorporating the WACOG from the 2008/'09 gas year, as
20 contained in Centra's current Application.

21 Schedule 9.1.7, filed on June 9th, on
22 peach coloured paper, shows the formation of these rates.
23 The bill impact of these rates compared to annual bills
24 arising from May 1st, 2009, approved rates are found on
25 schedule 10.1.0(a), dated June 9th, also presented on

1 peach coloured paper. These rates are intended to remain
2 in place until January 31st, 2010.

3 MS. MARLA MURPHY: And what does Centra
4 propose to implement on February 1st, 2010?

5 MR. GREG BARNLUND: On February 1st,
6 2010, Centra proposes to implement new non-gas based
7 rates that are designed to recover the additional one
8 million six hundred eight-five thousand dollars
9 (\$1,685,000) of revenue required in the last two (2)
10 months of the 2010/'11 test year. These rates can be
11 found on schedule 10.2.1(b) on peach coloured paper.

12 These rates are produced by allocating the
13 revenue requirement for the 2009/'10 test year, which has
14 been designed to incorporate an additional 4.4 million in
15 order to derive the appropriate annualized rate that
16 produced the required one million six hundred and eight-
17 five thousand dollars (\$1,685,000) of revenue in the
18 months of February and March, 2010.

19 Centra provided schedule 9.1 -- sorry,
20 9.0.1 on June 9th, on peach coloured paper, which
21 reconciles the 2009 and '10 test year cost-of-service
22 with the 2009/'10 test year cost allocation schedules.
23 And these can be found at Tab 65 of Mr. Peters' book of
24 documents.

25 Schedule 9.0.1 removes the gas cost for

1 the fiscal, as incorporated in the original IFF, and
2 incorporates the three hundred and ninety-five million
3 eight hundred and sixty-eight thousand dollars
4 (\$395,868,000) of gas cost forecast for the 2008/'09 gas
5 year.

6 This schedule also reconciles the amounts
7 allocated as net income to each of the customer classes
8 in the Cost Allocation Study. This produces a 2009/'10
9 test year cost allocation of five hundred and forty five
10 million five hundred and ten thousand dollars
11 (\$545,510,000) of revenue requirement, as shown on line
12 19 of that schedule.

13 The bill impacts arising from these
14 February 1 non-gas rates are shown on peach coloured
15 schedule 10.1.0(b), dated June 9th, which represent the
16 difference in annual bills, compared to the rates
17 proposed for August 1, 2009.

18 MS. MARLA MURPHY: Thank you, Mr.
19 Barnlund. And what changes is Centra proposing for the
20 2010/2011 test year?

21 MR. GREG BARNLUND: Centra proposes to
22 implement rates for the 2010/'11 test year on May 1,
23 2010. The proposed rate schedules are found on peach
24 coloured schedule 10.2.2, dated June 9th.

25 Again, referring to schedule 9.0.1 on

1 lines 26 through 50, which identifies the reconciliation
2 of gas costs and net income, between the 2010/'11 test
3 year cost-of-service and the 2010/'11 test year cost
4 allocation model. The schedule indicates a cost-of-
5 service for cost allocation purposes of five hundred and
6 fifty-one million six hundred and forty-four thousand
7 dollars (\$551,644,000), as shown on line 45.

8 As well, the cost allocation model
9 contains a net income allocation that is reflective of
10 the 2010/'11 fiscal year net income of two million eight
11 hundred and fourteen thousand (2,814,000), plus the
12 provision for accounting and other charges of \$5 million
13 and four hundred and eight thousand dollars (\$408,000)
14 for the annualization of the rate increase.

15 The resulting net income for allocation
16 purposes is indicated on line 50 of that schedule. The
17 bill impacts emanating from the proposed May 1, 2010
18 rates are indicated on peach coloured schedule 10.1.1,
19 dated June 9th and can be found at Tab 54 of Mr. Peters'
20 book of documents.

21 In addition, the Attachment 1 to Tab 10
22 has also been re-filed on June 9th. This attachment
23 indicates the time lines associates with the
24 implementation of rates and rate riders for the 2009/'10
25 and 2010 and '11 years, and indicates that the primary

1 gas overheads remain at the previous approved dollar and
2 sixty-three cents (\$1.63) per 10-3-M3 until February 1,
3 2010, when Centra proposed to implement a primary gas
4 overhead rate of one dollar and sixty-seven cents
5 (\$1.67), per 10-3-M3.

6 Thereafter, on May 1st, 2010, Centra
7 proposed to implement a primary gas overhead rate of one
8 dollar and sixty-five cents (\$1.65) per 10-3-M3.

9 MS. MARLA MURPHY: Mr. Barnlund, does
10 Centra seek any additional approvals at this time?

11 MR. GREG BARNLUND: Yes. Centra requests
12 that the PUB approve no new program cost rates for its
13 fixed rate primary gas program. As found on line 49 of
14 peach coloured schedule 9.1.2, dated June 9th, the
15 program cost rate for February 1, 2010 would be two point
16 seven five (2.75) cents per cubic metre, compared to the
17 current approved rate of two point seven seven (2.77)
18 cents per cubic metre.

19 For the 2010/'11 test year Centra proposes
20 to implement a program cost rate of two point seven three
21 (2.73) cents per cubic metre, as shown on line 49 of
22 Schedule 9.2.2, dated June 9th.

23 MS. MARLA MURPHY: Thank you, Mr.
24 Barnlund. Mr. Chairman, I hope that will assist in
25 walking through some of these schedules, and the panel is

1 available for cross-examination.

2 THE CHAIRPERSON: Thank you.

3 Mr. Peters...?

4

5 RE-CROSS-EXAMINATION BY MR. BOB PETERS:

6 MR. BOB PETERS: Thank you. Good
7 morning. Mr. Derksen and Mr. Barnlund, once the PUB
8 deliberates and comes up with a revenue requirement
9 number for the first test year and they approve a revenue
10 requirement number, then Centra has to recover that
11 through rates to its consumers, correct?

12 MR. GREG BARNLUND: Yes.

13 MR. BOB PETERS: And what you've now
14 explained to the Board is if your Application is approved
15 as filed, you've asked the Board to put it into the rates
16 that'll have the rate impacts that you've also indicated
17 in the peach schedules will now impact consumers?

18 MR. GREG BARNLUND: Yes, that's correct.

19 MR. BOB PETERS: And to allocate the
20 costs to the consumer groups and customers in each of
21 those classes, Centra uses a cost allocation methodology
22 that is entirely separate and distinct from the cost
23 allocation methodology that Mr. Derksen uses to allocate
24 Hydro's costs to Centra?

25 MR. GREG BARNLUND: Yes, sir, that's

1 correct.

2 MR. BOB PETERS: This allocation that you
3 do, Mr. Barnlund, is not the integrated cost allocation
4 methodology that Mr. Derksen does?

5 MR. GREG BARNLUND: No, it is not.

6 MR. BOB PETERS: You have to -- when I
7 say, you, I meant Centra, will have to functionalise,
8 classify, and allocate all of the cost items through to
9 the various consumer classes?

10 MR. GREG BARNLUND: Yes, that's correct.

11 MR. BOB PETERS: Would it be fair to say
12 that underpinning the cost allocation methodology is
13 Centra's attempt to use cost causation to allocate the
14 costs?

15 MR. GREG BARNLUND: I'd say, yes, to the
16 extent possible. There are some other non-cost causal
17 factors that are incorporated in terms of the process,
18 but it is largely cost-based.

19 MR. BOB PETERS: If we can start on the
20 peach coloured sheets, which are the June 9th update -- I
21 believe it was Centra Exhibit 12 -- Schedule 9.01 (sic).
22 And as you pointed out, Mr. Barnlund, the Board can find
23 their copy of 9.01 at Tab 65 of the book of documents.

24

25 (BRIEF PAUSE)

1 MR. BOB PETERS: This schedule is a new
2 schedule to the proceedings. It's not just an up -- it's
3 not an update but it's a brand new schedule, is it not?

4 MR. GREG BARNLUND: It is a brand new
5 schedule, sir.

6 MR. BOB PETERS: And if we can look at a
7 few line items, perhaps the first one we should talk
8 about is line item number 5. It's talking about a cost
9 of gas number of \$451 million.

10 Mr. Barnlund, that's correct?

11 MR. GREG BARNLUND: Yes, it is. It's the
12 original cost of gas that was incorporated in the IFF
13 forecast of which we based our original application.

14 MR. BOB PETERS: All right. And Schedule
15 3.0.0 which was at Tab 3 of the Board's book of
16 documents, that will contain an entirely different cost
17 of gas number then, won't it?

18 MR. GREG BARNLUND: I believe that number
19 would be the updated number that we had used in our May
20 5th update.

21 MR. BOB PETERS: Yes, and the -- the
22 updated number is \$318 million?

23 MR. GREG BARNLUND: Yes.

24 MR. BOB PETERS: Could you have prepared
25 Schedule 9.0.1 using the currently updated cost of gas

1 number of 318 million for the first test year?

2 MR. GREG BARNLUND: Yes, it could have
3 been prepared that way too.

4 MR. BOB PETERS: And in using the -- the
5 old number, you'll acknowledge that that has been
6 superceded by what you're asking for in Schedule 3.0.0?

7 MR. GREG BARNLUND: Yes, it is and would
8 subsequently be removed and -- and we would be
9 substituting the forecast gas costs for the 2008/'09 gas
10 year for cost allocation purposes.

11 MR. BOB PETERS: If the Board goes down
12 to line 16 and 17 on Schedule 9.01, dated June the 9th,
13 is that what you've attempted to do -- is that what
14 Centra's attempted to do there -- is to move from the
15 \$451 million of gas costs and reconcile it down to the
16 318 million?

17 MR. GREG BARNLUND: I believe that we are
18 reconciling it to the gas year cost of gas of three
19 hundred and ninety-five million eight hundred and sixty
20 eight thousand dollars (\$395,868)?

21 MR. BOB PETERS: Correct. That's on line
22 17?

23 MR. GREG BARNLUND: Yes.

24 MR. BOB PETERS: All right. Mr.
25 Barnlund, there was a Centra Exhibit 6 filed, which was

1 that large 11 by 17, or 14 by 17 inch paper where you
2 attempted to reconcile from a fiscal year to a gas year.

3 Do you recall that?

4 MR. GREG BARNLUND: Yes, I do.

5 MR. BOB PETERS: The same process is
6 being done here, but it's using the original cost of gas,
7 is that correct?

8 MR. GREG BARNLUND: Yes, that's correct.

9

10 (BRIEF PAUSE)

11

12 MR. BOB PETERS: On line 21 you're
13 indicating an expectation of net income of 2.869 million
14 for the first fiscal -- sorry, for the first test year?

15 MR. GREG BARNLUND: Yes, that's correct.

16 MR. BOB PETERS: And that's -- that's
17 comprised of the \$1.7 million of additional rate in --
18 rate increases that are to be implemented in the test
19 year?

20 MR. GREG BARNLUND: Yes.

21 MR. BOB PETERS: And that will be added
22 to the expectation of 1.2 million occurring, I suppose,
23 under normal weather.

24 MR. GREG BARNLUND: Yes, that's correct.

25 MR. BOB PETERS: Just while we're on

1 that, the months of April and May have been colder than
2 normal.

3 MR. WILLY DERKSEN: Yes, sir.

4 MR. BOB PETERS: Do you have -- that
5 wasn't really a question, I was just telling you what I
6 already know.

7 It was -- now, my -- my question though
8 does flow is -- in terms of effective degree day heating,
9 is there a calculation, based on those two (2) months,
10 that you already know how much more net income will have
11 been received than would have been received if it was
12 normal weather?

13 MR. WILLY DERKSEN: Yes, it would be in
14 the order of -- of about \$2 million.

15 MR. BOB PETERS: That's \$2 million more
16 than what you would have expected to earn?

17 MR. WILLY DERKSEN: Yes, that's correct.

18 MR. BOB PETERS: And of course you don't
19 know what the balance of the year is going to be like,
20 whether it's going to be normal or not normal.

21 MR. WILLY DERKSEN: We don't know that.

22 MR. BOB PETERS: But we're not looking so
23 good, in terms of normal weather. That extra \$2 million
24 that you've mentioned, that is -- if that's already, so
25 to speak, in the bank, would you agree with me that the

1 new rates that are proposed to go in on February 1st of
2 2010 to raise 1.7 million over February and March, that
3 will ensure that you'll meet your net income target for
4 the year?

5

6 (BRIEF PAUSE)

7

8 MR. WILLY DERKSEN: Mr. Peters, that's
9 very difficult for us to forecast. Weather can turn both
10 directions as we've seen in the past, and wh -- whether
11 it's cold or not for two (2) months -- it could be warm
12 in December, and that can have a substantially opposite
13 effect.

14 MR. BOB PETERS: All right. I'm going to
15 hold you to that, Mr. Derksen, but --

16 THE CHAIRPERSON: And we'd probably look
17 forward to that, Mr. Derksen.

18 MR. WILLY DERKSEN: Me included.

19

20 CONTINUED BY MR. BOB PETERS:

21 MR. BOB PETERS: I'm not sure Mr. Warden
22 will share that view.

23 But on line 21 of schedule 9.0.1, you're
24 forecasting a net income of two point eight six nine
25 (2.869), and that's a -- a normal year forecast, correct?

1 MR. WILLY DERKSEN: Yes, that's correct.

2 MR. BOB PETERS: At this point in time,
3 if from today onward the weather is normal, you will have
4 \$4.869 million rather than \$2.869 million of net income.

5 MR. WILLY DERKSEN: Well, that will
6 depend on a lot of other factors, as well. Weather and
7 sales aren't the only factors that influence net income.
8 But if everything else was exactly as we forecasted, and
9 weather was normal, and conservation and those factors
10 were as projected, yes, we would have an extra \$2
11 million.

12 MR. BOB PETERS: Mr. Barnlund, Mr.
13 Derksen, I skipped over line 18 which we should go back
14 to, to explain to the Board. You've already told the
15 Board that if there's normal weather in February and
16 March of 2010, the Corporation will recover the \$1.7
17 million of additional revenue it's seeking, correct?

18 MR. WILLY DERKSEN: Yes.

19 MR. BOB PETERS: And to recover that 1.7
20 million in those two (2) months, you proposed in these
21 peach sheets a rate increase -- a rate number, correct?

22 MR. WILLY DERKSEN: Yes.

23 MR. BOB PETERS: If that rate was in
24 effect for an entire twelve (12) month period, it would
25 recover not only the 1.7 million, but it would recover an

1 -- an additional \$4.4 million?

2 MR. WILLY DERKSEN: Yes, that's correct.

3 MR. BOB PETERS: And you're showing that
4 then on line 18 to bring it to an annualized rate
5 increase?

6 MR. WILLY DERKSEN: Yes.

7

8 (BRIEF PAUSE)

9

10 MR. BOB PETERS: So, when we get down to
11 line number 19, the \$545.5 million, Mr. Barnlund, that's
12 the figure that's carried forward for cost allocation
13 purposes in the first test year?

14 MR. GREG BARNLUND: Yes, sir, it is.

15 MR. BOB PETERS: All right. Thank you.
16 Mr. Barnlund, in terms of changes to the cost allocation
17 methodology from the last time the Board saw Centra at a
18 general rate application, this time one (1) of the
19 significant changes is that Centra has included a fixed
20 rate offering, correct?

21 MR. GREG BARNLUND: Yes, that's correct.

22 MR. BOB PETERS: And at Tab 50 of the
23 book of documents, is a copy of Schedule 9.1.0 and the
24 June 9th version on peach coloured paper is the sheet I
25 would like to turn to.

1 Have you located that?

2 MR. GREG BARNLUND: Yes, I have.

3 MR. BOB PETERS: Down in the bottom
4 right-hand corner, second actually -- second little box
5 from the bottom right-hand corner is the summary of what
6 appears to be the fixed price offering cost allocation.

7 Have I got that correct?

8 MR. GREG BARNLUND: Yes, sir, that's
9 correct.

10 MR. BOB PETERS: And you've allocated --
11 if I follow the line items across -- gas costs together
12 with the other revenue requirement items?

13 MR. GREG BARNLUND: That's correct.

14 MR. BOB PETERS: You've set the fixed
15 price offering up as a separate customer class, it
16 appears on this allocation.

17 Would that be also correct?

18 MR. GREG BARNLUND: Yes, it would be a
19 separate -- I suppose a service class similar to primary
20 gas, supplemental gas firm, and supplemental gas
21 interruptible.

22 MR. BOB PETERS: Can you explain what you
23 mean by service class, as opposed to customer class?

24 MR. GREG BARNLUND: Well, it's -- the
25 customer class is -- basically, we aggregate customers

1 into classes for allocation purposes to understand how we
2 would allocate costs to those particular customer
3 classes. Each of those customer classes then can choose
4 to have their primary gas supplied by Centra or by
5 another party or they could choose to have a fixed price
6 offering supplied by Centra or another party.

7 And so, we segregate the -- for allocation
8 purposes, primary gas, supplemental gas, and fixed price
9 offering into separate classes. They're not specifically
10 customer classes but I think we'd refer to them as a
11 service class.

12 MR. BOB PETERS: Thank you for that. In
13 -- in short, you've done it so you can allocate direct
14 costs and indirect costs to this offering?

15 MR. GREG BARNLUND: Yes, that's correct.

16 MR. BOB PETERS: And in terms of direct
17 costs for the fixed rate offerings of Centra, Tab 51 of
18 the book of documents contained PUB/CENTRA-108D, dated
19 March 31 of '09 -- you can turn to that, but when you
20 get there, Mr. Barnlund, those numbers will now be
21 outdated, correct?

22 MR. GREG BARNLUND: Yes, they would be
23 outdated because of our update here of May 29th and June
24 1st.

25 MR. BOB PETERS: And would it be correct

1 for the Board to include the line items from line items
2 80 through 87 on Schedule 9.1.0 dated June 9th? That's
3 the peach sheet at Tab 50.

4 Those same numbers could be transposed
5 over to PU -- PUB/CENTRA-108D?

6 MR. GREG BARNLUND: Yes, that's correct.

7

8 (BRIEF PAUSE)

9

10 MR. BOB PETERS: Just as a check on that
11 second last answer, Mr. Barnlund, in the initial
12 Application, Centra was including approximately four
13 hundred and fifty-eight thousand dollars (\$458,000) of
14 non-gas costs to customers who -- who take Centra's fixed
15 price offerings.

16 Do you agree with that?

17 MR. GREG BARNLUND: Yes.

18 MR. BOB PETERS: And mathematically, that
19 -- that worked out to an additional cost of two point
20 seven four (2.74) cents per cubic metre.

21 MR. GREG BARNLUND: I'll take that,
22 subject to check.

23 MR. BOB PETERS: All right. And that two
24 point seven four (2.74) cents that you've taken subject
25 to check is an amount that Centra adds to fixed rate

1 customer's accounts to recoup the costs that are being
2 allocated to that offering.

3 MR. GREG BARNLUND: Yes, that would be
4 the amount that would be imbedded in the fixed rate that
5 would be offered to customers for the -- for the one (1),
6 three (3), of five (5) year service offering.

7 MR. BOB PETERS: All right. So I wasn't
8 -- I'm incorrect to say that it's added, but it's
9 included in the one (1) rate number that consumer sees.

10 MR. GREG BARNLUND: That's correct.

11 MR. BOB PETERS: And when I look, and I
12 don't know that -- on Schedule 9.1.2 dated June 9th, it's
13 on peach sheets, it's not in the book of documents, but
14 9.1.2, you've done another calculation of the fixed rate
15 primary gas fee, and it also works out to two point seven
16 four (2.74) cents per cubic metre.

17 Do you see that, Mr. Barnlund?

18 MR. GREG BARNLUND: Yeah, I -- I would
19 say two point seven five (2.75) if we rounded it.

20 MR. BOB PETERS: All right. So it -- the
21 fact that it -- you've updated the gas costs. The update
22 is -- doesn't cause a significant change in the fixed
23 rate offering allocations.

24 MR. GREG BARNLUND: No, it doesn't.

25 MR. BOB PETERS: Perhaps, as you just

1 mentioned, it's -- it's all in the rounding?

2 MR. GREG BARNLUND: Well, I think that in
3 terms of the -- the update to the gas cost would not
4 necessarily have an affect on this calculation because
5 this is a calculation of non-gas costs that are
6 incorporated in the -- in the program cost rate. So an
7 update or change to gas costs would not necessarily
8 affect this calculation.

9 MR. BOB PETERS: It's Centra's intention
10 to track the impacts of the fixed rate offering co --
11 customers and determine what impact they have on net
12 income, correct?

13 MR. GREG BARNLUND: Yes.

14 MR. BOB PETERS: But you are allocating a
15 portion of your net income to those customers, so there's
16 an expectation that they will contribute to the \$2.89
17 million of forecast net income for the first test year?

18 MR. GREG BARNLUND: Yes.

19 MR. BOB PETERS: Am I correct that it's
20 the intention of Centra to hold other customers who are
21 not subscribing to Centra's fixed rate offering harmless
22 from the costs of the fixed rate offerings?

23 MR. GREG BARNLUND: That's the policy
24 intention from the outset, certainly flowing from Board
25 Order 160 of '07 from the Competitive Landscape Hearing

1 that directed us to create the fixed rate offering.
2 There was a direction in there that -- to the extent
3 possible, that cross-subsidies should be minimized or
4 eliminated and that the costs of providing fixed rate
5 service should be borne by those customers that elect to
6 subscribe to fixed rate service.

7 MR. VINCE WARDEN: Mr. Peters, I might
8 just add to that though. There will be an im -- an
9 impact, one way or the other, on net income, and
10 ultimately retained earnings, which, as we've discussed,
11 retained earnings -- the quantity of retained earnings
12 will have an impact, ultimately, on -- on the rates of
13 other customers.

14 So, indirectly, other customers will be
15 affected by the fixed rate offering.

16 MR. BOB PETERS: Doe that answer mean,
17 Mr. Warden, that if the fixed rate offering loses money,
18 then those customers will be cross-subsidized by the
19 customers who do not take fixed price offerings?

20 MR. VINCE WARDEN: Ultimately, yes, if we
21 take that to the possible outcome. That is, if we were
22 to lose money on -- on the fixed price contracts, there's
23 no other place to recover those costs than other -- than
24 from other -- other customers of Centra.

25 MR. BOB PETERS: Well, that might not be

1 entirely correct, Mr. Warden, because if you've already
2 lost money on the fixed rate offerings, in terms of mark-
3 to-market positions of the unsold gas volumes, I think
4 Mr. Stephens and you are talking about rolling that into
5 the next offering.

6 MR. VINCE WARDEN: I think we talked
7 about that as being an option, Mr. Peters. There --
8 there --

9 MR. BOB PETERS: I accept that, yeah.

10 MR. VINCE WARDEN: -- there's a limit to
11 how far we could go with that. If we were to -- and
12 right now we're talking very modest numbers, so rolling
13 forward is -- is quite plausible. But if we were talking
14 a big number rolling forward, we'd never be able to sell
15 the product.

16 MR. BOB PETERS: Mr. Barnlund, Mr.
17 Warden, the Board approved a volumetric risk premium in
18 setting the fixed price offering rates, correct?

19 MR. VINCE WARDEN: Yes.

20 MR. BOB PETERS: And the volumetric risk
21 premium was set based on the statistical analysis done so
22 that the program wouldn't lose money as initially
23 developed.

24 MR. VINCE WARDEN: That's exactly right.
25 The objective is to break even over the long term. But

1 having said that, that is an objective that may or may
2 not be realized.

3 MR. BOB PETERS: Will you go this far
4 with me, Mr. Warden, to say that if -- if the fixed rate
5 offering program results in a loss of \$1 million of net
6 income, and therefore retained earnings are down by that
7 million dollars, that will be a matter that the Board
8 will have to consider in sub -- in some subsequent rate
9 application?

10 MR. VINCE WARDEN: Yes, and I think
11 that's the point I've been making all along, is the
12 quantum of retained earnings have to be considered with
13 every rate application.

14 MR. BOB PETERS: My point, just to make
15 sure I haven't -- didn't lose it on you, was that it's --
16 - it's ultimately going to be the Board's decision as to
17 whether that \$1 million gets recouped in rate increases
18 to other customers not subscribing to fixed rate
19 offerings.

20 MR. VINCE WARDEN: In the Board's
21 determination of the adequacy of retained earnings going
22 forward, yes.

23 THE CHAIRPERSON: If you roll a loss from
24 one (1) offering into another offering, to some degree it
25 effects obviously the pricing of the next offering.

1 MR. VINCE WARDEN: Yes, that's -- that's
2 right. And may not be competitive with what else might
3 be on the marketplace at that time.

4 THE CHAIRPERSON: And if you do not roll
5 it in and you take a loss, and your next offering comes
6 out and is done in the normal fashion that you do it and
7 you have a profit, the original loss in a sense is
8 recouped, is it not?

9 MR. VINCE WARDEN: Again, it all gets
10 netted into retained earnings at some point.

11 THE CHAIRPERSON: Thank you.

12

13 CONTINUED BY MR. BOB PETERS:

14 MR. BOB PETERS: And while it all gets
15 netted into retained earnings, Mr. Warden, Mr. Derksen
16 and his colleagues are tracking it separately.

17 MR. VINCE WARDEN: We'll always know what
18 the -- the position is, either positive or negative, yes.

19 MR. BOB PETERS: All right. Thank you
20 for that. I do want to turn to -- oh, I guess one (1)
21 topic we don't have to talk about is rate delay rider,
22 Mr. Barnlund. You've done away with it.

23 MR. GREG BARNLUND: That's correct.

24 MR. BOB PETERS: And just for the record,
25 there was an initial request to have a rate delay rider

1 to allow the Corporation to implement rates on August the
2 1st, and to recoup that portion that would have been
3 foregone from, I guess, May 1st to August the 1st.

4 MR. GREG BARNLUND: That was in our
5 original Application, which has subsequently been
6 revised, yes.

7

8 (BRIEF PAUSE)

9

10 MR. BOB PETERS: While it may be
11 hypothetical to the Board and Centra at this time, Mr.
12 Barnlund and Mr. Warden, from a policy perspective the
13 rate delay rider received negative comments from the
14 Board in the last GRA order, is that correct?

15 MR. GREG BARNLUND: Yes.

16 MR. BOB PETERS: And the concern with
17 rate delay riders is that the rate increase ends up being
18 larger than what it would need to be if it was brought in
19 on the effective date of the -- the test year?

20 MR. GREG BARNLUND: I believe so, yes.

21 MR. BOB PETERS: And does it -- does it
22 mean that to get away from a rate rider situation, Centra
23 maybe has two (2) options: One (1) is they could file
24 their applications earlier. Or secondly they could seek
25 an interim -- perhaps interim ex parte application to --

1 to deal with it.

2 MR. GREG BARNLUND: Well, we have a -- a
3 limited number of options at our disposal. We are
4 somewhat constrained with the timelines of the planning
5 process that, as a Utility, we have to -- we have to
6 uphold. And so sometimes the timing of the application
7 obviously is such that we would not have rates available,
8 or a hearing to be held in time for implementation for
9 April 1 of each year.

10 So we -- in one (1) of the IRs we
11 discussed some of the options we had available. One (1)
12 of them was the rate delay rider, and the other was to
13 seek an interim rate, effective April 1, which would go
14 in place prior to holding a public hearing with respect
15 to such an application.

16 MR. BOB PETERS: I think we'll leave it
17 at that, Mr. Barnlund, and the Board may or may not
18 choose to discuss that in its order.

19 I'd like to turn with you though to rate
20 riders and -- and rates in general. Just to help me with
21 my terminology, when the Corporation talks base rates,
22 you're talking the -- the rates which would include
23 things like supplemental gas, transportation, and the
24 distribution components?

25 MR. GREG BARNLUND: Yes, on a forecast

1 basis, where a base rate is -- is im -- is im --
2 comprised of your forecast revenue requirement and
3 doesn't take into consideration amounts from deferral
4 accounts that may be outstanding.

5 MR. BOB PETERS: And base rates, in
6 theory at least, would also include supple -- primary
7 gas.

8 MR. GREG BARNLUND: Correct.

9 MR. BOB PETERS: There's no adjustment
10 included in this application for an August 1st primary
11 gas adjustment, correct?

12 MR. GREG BARNLUND: That's correct, that
13 would be dealt with separately through the process that
14 we have in place for handling primary gas rate changes on
15 a quarterly basis.

16 MR. BOB PETERS: But you're not telling
17 the Board that on August the 1st there won't be a request
18 for a primary gas rate adjustment?

19 MR. GREG BARNLUND: Well, I expect that
20 we would come forward separately in July with a separate
21 application for a primary gas rate change for August 1st.
22 And we would be anticipating receiving an order from the
23 Board prior to August 1st, approving both the primary gas
24 rate for August 1 and the non-primary gas rates that we
25 are requesting in this Application.

1 MR. BOB PETERS: Appreciating that this
2 isn't a primary gas rate application, what is the mark-
3 to-market tracking for primary gas rate increases on
4 August the 1st of 2009?

5

6 (BRIEF PAUSE)

7

8 MR. GREG BARNLUND: I think we don't
9 particularly have an answer for you at this point time,
10 bearing in mind that mark-to-market is one (1) im -- one
11 (1) factor that takes -- is taken into consideration in a
12 primary gas rate change. Certainly there will be PGVA
13 amounts that will be taken into consideration as well.

14 So there are a number of factors that
15 would interplay with each other, in terms of the impact
16 of August 1 rates, and this panel doesn't have that
17 information available at this point in time, I'm sorry.

18 MR. BOB PETERS: Could this panel
19 undertake to speak to their colleagues on the prior panel
20 and provide the Board with a written estimate or
21 indication at this point in time, recognizing that
22 there's uncertainty?

23 MS. MARLA MURPHY: Just so I understand
24 what it is that you're asking us to -- to look at, are
25 you wanting to know what our current expectation would be

1 of a rate change for August 1st, or are you looking for--

2 MR. BOB PETERS: Current -- current
3 expectation for a rate change on primary gas for August
4 1st.

5 MR. VINCE WARDEN: Mr. Peters, so we
6 would base that on the forward strip as of today's date.
7 It -- it's a bit of a calculation we have to go to -- go
8 through to get that number and it may take us a day or
9 two (2) to derive it.

10 We -- we do know that the price -- prices
11 are in a downward trend and they will be lower than they
12 are imbedded in today's rate, most likely. That's the
13 expectation at this point in time. But to run that
14 through our model and come up with the -- our forecast,
15 as of this date, will take a day or two (2) to derive.

16 MR. BOB PETERS: I think it would be
17 helpful to -- to file that information. It doesn't have
18 to be in the next day or two (2), but maybe by closing
19 submissions, because the expectation of the Company is
20 that, in addition to the rate increases that the Board
21 sees on the peach coloured paper, there will also be
22 another rate adjustment coming on August the 1st,
23 correct?

24 MR. VINCE WARDEN: Yes.

25 MR. BOB PETERS: And if -- if you can

1 provide that information by Centra's closing submission,
2 I think that would be beneficial for the Board.

3 MR. VINCE WARDEN: We'll do that.

4 MR. BOB PETERS: Thank you, sir.

5
6 --- UNDERTAKING NO. 18: Centra to indicate what the
7 mark-to-market tracking is
8 for primary gas rate
9 increases on August the 1st
10 of 2009

11

12 CONTINUED BY MR. BOB PETERS:

13 MR. BOB PETERS: Way up in Tab 66,
14 reviewed with your last panel, Mr. Barnlund, is Schedule
15 8.1.4. It's the last document that I inserted in Tab 66,
16 or the second page, actually; it's the last page.

17 And in terms of the base rates, this
18 schedule shows that the base rates that you're asking
19 this Board to approve on August the 1st will cumulatively
20 decrease \$6.24 million?

21 MR. GREG BARNLUND: That's correct.

22 MR. BOB PETERS: You mentioned that base
23 rates do not include rate riders, and so there will be
24 rate riders to reckon with for August 1st as well.

25 And at Tab 56 of the book of documents is

1 Schedule 7.1.0. And Schedule 7.1.0 shows that the rate
2 riders that you're asking to be input into rates on
3 August the 1st of 2009, will cause rates to increase
4 \$9.445 million, correct?

5 MR. GREG BARNLUND: Yes, that's correct.

6 MR. BOB PETERS: Mr. Barnlund, Mr. Warden
7 might recall that when we talked about those rate riders
8 with the cost of gas panel, they acknowledged that the
9 carrying cost calculation shown at four point eight (4.8)
10 -- four hundred and eighty-five thousand dollars
11 (\$485,000) is now likely overstated, in light of the
12 short-term debt rate that would be applied to carrying
13 costs.

14 Are you aware of that?

15 MR. GREG BARNLUND: I believe so, yes.

16 MR. BOB PETERS: I believe they indicated
17 on the transcript it was approximately a hundred thousand
18 dollars (\$100,000) higher than what it probably actually
19 will have been.

20 Is that your understand?

21 MR. GREG BARNLUND: I seem to recall
22 that, yes.

23 MR. BOB PETERS: And if that is the case
24 -- if there was to be an adjustment for that short-term
25 debt rate reconciliation, I suppose one (1) option could

1 be to recalculate this schedule, if the Board so -- so
2 determines that be done.

3 Would that be fair?

4 MR. GREG BARNLUND: Yes.

5 MR. BOB PETERS: Would another option be
6 to do the calculation and just put the difference into
7 the next period deferral account, so that the rate
8 schedules you filed don't need to be recalculated?

9

10 (BRIEF PAUSE)

11

12 MR. GREG BARNLUND: That would be one (1)
13 option.

14 MR. BOB PETERS: Any other options come
15 to mind, other than forgetting about it?

16 MR. GREG BARNLUND: Those are the three
17 (3) options.

18 MR. BOB PETERS: Thank you for the
19 candour, Mr. Barnlund.

20

21 (BRIEF PAUSE)

22

23 MR. BOB PETERS: At Tab 52 of the book of
24 documents, is a -- is a timeline. I was going to call it
25 a bar chart; I don't know that that's right, but almost a

1 Gantt chart.

2 I'd like to just spend a few minutes with
3 you on this to demonstrate to the Board what the requests
4 are of them. Mr. Chairman and Board Members, I have it
5 at Tab 52 of the book of documents. It is dated June the
6 9th. It is Attachment 1 and it is on peach-coloured
7 paper.

8 MR. GREG BARNLUND: I have that, Mr.
9 Peters.

10 MR. BOB PETERS: All right. In terms of
11 reviewing this document, the current '08/'09 base rates
12 shown from May 1st, '08, to July 31st, '08, those are the
13 last rates that this Board has approved and they're shown
14 to be in effect until August 1st of '09?

15 MR. GREG BARNLUND: Yes, that's correct.

16 MR. BOB PETERS: On the line below that,
17 there were some rate riders that this Board approved at
18 the last General Rate Application and they have fallen
19 off it appears on August the 1st of '08, correct?

20 MR. GREG BARNLUND: That's correct.
21 Those were twelve (12) month riders so they would have
22 expired July 31st of '08, yes.

23 MR. BOB PETERS: Would the Board be
24 correct in looking at this schedule to conclude then that
25 the -- the base rate and the billed rate currently are

1 exactly the same?

2 MR. GREG BARNLUND: Yes, that would be
3 correct.

4 MR. BOB PETERS: And that's because
5 there's no rate riders?

6 MR. GREG BARNLUND: That's correct.

7 MR. BOB PETERS: Seldom does that happen,
8 Mr. Barnlund?

9 MR. GREG BARNLUND: It's -- it's pretty
10 rare.

11 MR. BOB PETERS: All right. Down to the
12 third column, the proposed act -- sorry -- proposed
13 August 1st, 2009, proposed rates.

14 Am I correct that this is to depict for
15 the Board this is a base rate only? That's what's
16 intended there?

17 MR. GREG BARNLUND: Yes, that is.

18 MR. BOB PETERS: And if that's the base
19 rate, you've told us by looking at Tab 66 in the book of
20 documents, Schedule 8.1.4, that the base rates are going
21 to come down \$6.2 million in aggregate?

22 MR. GREG BARNLUND: That's correct.

23 MR. BOB PETERS: And you're asking that
24 those base rates start August the 1st of '09, and go to
25 February 1st, 2010.

1 MR. GREG BARNLUND: Yes, that's correct.

2 MR. BOB PETERS: The next line are the
3 proposed '09/'10 base rates, and these again are non-gas
4 cost increases that are being sought in the amount of
5 \$1.7 million over the two (2) month period of February
6 and March 2010?

7 MR. GREG BARNLUND: Yes, sir.

8 MR. BOB PETERS: And so that's going to
9 be seeking an increase of \$1.7 million of revenue in that
10 two (2) month period.

11 MR. GREG BARNLUND: That's correct.

12 MR. BOB PETERS: And if it was left on
13 for the entire twelve (12) month period, you've told me
14 that in addition to the 1.7 million it would be another
15 \$4.4 million.

16 MR. GREG BARNLUND: Yes, sir.

17 MR. BOB PETERS: The next line item is
18 proposed '07/'08, and '08 stub non-primary PGVA riders.

19 And am I correct that this is the schedule
20 of rate riders that we just looked at, that, in
21 aggregate, are going to increase rates approximately
22 \$9.44 million?

23 MR. GREG BARNLUND: You are correct.

24 MR. BOB PETERS: And so that again is
25 requested August the 1st, and you've proposed it run for

1 a full twelve (12) month period.

2 MR. GREG BARNLUND: That is correct.

3 MR. BOB PETERS: Why a twelve (12) month
4 period and not to perhaps end on a gas year?

5 MR. GREG BARNLUND: Typically we have put
6 these riders in place for a twelve (12) month period.
7 The movement to the gas year is simply the movement in
8 terms of tracking the deferral accounts over a different
9 time period, but the recovery of those amounts we would
10 still seek to conform to our past practice.

11 And generally speaking, we would get rates
12 in place August 1, flowing from a general rate
13 application, and so typically we'd want to keep in
14 alignment with that particular timeline.

15 MR. BOB PETERS: Does that mean that its
16 envisioned that the base rate and the bills rate will be
17 exactly the same after August 1st of 2010 until the next
18 ordered increase?

19 MR. GREG BARNLUND: That would depend on
20 the outcome of the deferral account balances at the end
21 of this gas year.

22 Those deferral accounts would then be
23 closed October 31st of '09, and we would be evaluating
24 the potential for filing a -- a gas cost application
25 towards the end of this calendar year, potentially to put

1 rates in place sometime in '10/'11 for adjustments to gas
2 costs. And we would evaluate the impact, or the quantum
3 of the deferral account balances as of October 31st, '09,
4 and make some judgement in terms of how we would seek to
5 recover those balances, and the timing of that recovery
6 in the '10/'11 period.

7 MR. BOB PETERS: And that answer then is
8 an indication that there may be further rate riders that
9 are sought from the Board to take care of deferral
10 accounts that close October 31 of 2009?

11 MR. GREG BARNLUND: Yes, Mr. Peters.

12 MR. BOB PETERS: And the date in which
13 those rate riders would go into rates is yet an open
14 question for the Company.

15 MR. GREG BARNLUND: That's correct.

16 MR. BOB PETERS: All right. In looking
17 at the proposed 2010/'11 base rates, that is for the
18 second test year for the non-gas cost increases that are
19 the subject of this -- this Application?

20 MR. GREG BARNLUND: Yes, sir.

21 MR. BOB PETERS: And depending on --
22 depending on how it's packaged in the sense of rate
23 increases, that will seek an almost equivalent rate
24 increase to what is being sought this year.

25 MR. GREG BARNLUND: Yes, sir.

1 MR. BOB PETERS: All right. Let's turn
2 then to schedules -- the bill impacts, and Schedules 10.

3 Just before I get there, I have a
4 question. The last GRA, there was part of the rate
5 increase put through and recovered by way of increases to
6 the basic monthly charge, correct?

7 MR. GREG BARNLUND: Yes, sir.

8 MR. BOB PETERS: And that was the -- the
9 part that wasn't in basic monthly charge ended up in the
10 volumetric rates.

11 MR. GREG BARNLUND: As it always does,
12 sir.

13 MR. BOB PETERS: And the basic monthly
14 charge was at ten dollars (\$10) historically for a long
15 time.

16 MR. GREG BARNLUND: Indeed, it was.

17 MR. BOB PETERS: And it increased after
18 the '07 -- in '07/'08 to twelve dollars (\$12)?

19 MR. GREG BARNLUND: That's correct.

20 MR. BOB PETERS: And now, it's sitting at
21 thirteen dollars (\$13), as a result of the -- the last
22 approved Board rates?

23 MR. GREG BARNLUND: Yes, sir, and that's
24 the rate of the basic monthly charge which we have
25 applied for in this Application, as well, for the SGS

1 class.

2 MR. BOB PETERS: There's no secret that
3 the basic monthly charge is under-recovering the fixed
4 customer and capacity costs, correct?

5 MR. GREG BARNLUND: Yes, that's true.

6 MR. BOB PETERS: And it's probably
7 recovering about 47 percent of customer-related costs
8 from PUB/CENTRA-111?

9 MR. GREG BARNLUND: I'll take that,
10 subject to check. I would think that -- that's --
11 numbers are close, yes.

12 MR. BOB PETERS: And if you've figured
13 out the total customer and capacity costs, it's only
14 recovering 34 percent of those costs? Again, the same
15 Information Request.

16 MR. GREG BARNLUND: Yeah, that's correct.

17 MR. BOB PETERS: My impression of
18 discussing this with this panel and perhaps Mr. Warden
19 last time, was that there is or was a concern about a
20 human outcry from the customers over increases to the
21 basic monthly charge.

22 Do I have that correct, or recall
23 correctly?

24 MR. GREG BARNLUND: I think so, yes.

25 MR. BOB PETERS: What was the customer

1 response to this increase on the basic monthly charge?

2 MR. GREG BARNLUND: I'm not aware of any
3 particular level of outcry that arose from that, sir.

4 MR. BOB PETERS: Mr. Warden, is -- the
5 Corporation have any negative reports with respect to
6 putting the rate increase partly through the basic
7 monthly charge last time?

8 MR. VINCE WARDEN: I haven't heard one.

9 MR. BOB PETERS: Turning to Tab 53 of the
10 book of documents, this is where we'll find four (4)
11 revised bill impact schedules and they're all labelled
12 Schedule 10.1.0, and there's an 'A' series and a 'B'
13 series, correct, Mr. Barnlund?

14 MR. GREG BARNLUND: Yes, that's correct.

15 MR. BOB PETERS: And the 'A' series is
16 for August the 1st, 2009?

17 MR. GREG BARNLUND: Yes.

18 MR. BOB PETERS: And I guess I'll turn to
19 the base rates first, which happens to be page 2 of 2 of
20 10.1.A dated June 9, 2009. The base rates, you've told
21 the Board, are going to -- the new base rates will
22 reflect overall reduction in -- in non-primary gas costs
23 of \$6.2 million?

24 MR. GREG BARNLUND: Yes, sir.

25 MR. BOB PETERS: And that's why we see --

1 and we'll pick the typical residential customer only
2 because it's highlighted here -- that rates will go down
3 approximately .4 percent or five dollars (\$5) on an
4 annual --

5 MR. GREG BARNLUND: Yes.

6 MR. BOB PETERS: -- on an annual basis?

7 MR. GREG BARNLUND: Yes, that's correct.

8 MR. BOB PETERS: I don't have many
9 questions on that schedule, Mr. Barnlund, but one (1)
10 matter that did somewhat jump off the -- the sheet was
11 the power stations down on lines 40 and 41. They appear
12 to be expecting an increase in their base rates come
13 August the 1st of '09, correct?

14 MR. GREG BARNLUND: Well, the problem
15 with the bill impact schedule for the special contract
16 and power station classes are that the basis of
17 presentation of this information for those two (2)
18 classes is different. These customers transport their
19 own gas and so gas -- primary gas costs and supplemental
20 gas costs aren't considered in this calculation.

21 The impact on the power stations is simply
22 being represented in the manner that it does because the
23 forecast volumes are doubling from the previous test year
24 to the current test year, and that change in consumption
25 volume is really what's driving the -- the bill impact

1 that's represented here.

2 MR. BOB PETERS: I actually see it as a
3 change in the demand rate that's doubled, not just the
4 volumes being doubled.

5 MR. GREG BARNLUND: Right. So the
6 revenue would be estimated on a total bill basis. So the
7 combination of -- well, I think it's the combination of
8 doubling the usage of this facility -- there's probably
9 an increased amount of demand that would be billed to
10 that customer -- as well as increased throughput.

11 And so, as a result of that it appears as
12 an increase, as represented on this schedule. But it's
13 essentially driven by the doubling of the consumption of
14 that particular customer.

15 MR. BOB PETERS: All right, understood.
16 And turning to Schedule 10.1.0(a), page 1 of 2, this is
17 the billed versus billed comparison. This is also then
18 going to be the -- this is -- this is going to be what
19 the customer sees.

20 Is that correct?

21 MR. GREG BARNLUND: Yes, sir. That would
22 be -- the base rates would then have the rate riders
23 layered upon them. So we would end up with a combination
24 of a \$6 million decrease in base rates and the beginning
25 of the recovery of \$9.4 million of rate riders, and the

1 net impact of that then is a bill to the typical
2 residential customer, an increase of fifteen dollars
3 (\$15) over a year or 1.4 percent.

4 MR. BOB PETERS: And what this billed
5 versus billed schedule shows the Board is the netting, as
6 you say, of the -- of the non-primary gas cost decreases
7 of 6.2 million against the \$9.5 million of increased
8 riders?

9 MR. GREG BARNLUND: That's correct, the
10 billed rate would be the end result of those.

11 MR. BOB PETERS: And so this schedule is
12 recovering approximately \$3 million over an annual basis?

13 MR. GREG BARNLUND: That would be the net
14 affect, yes.

15 MR. BOB PETERS: And when -- when this
16 presentation is looked at by the Board again, it's --
17 this is what the customer would see, that, based on what
18 they -- on their current bills compared to what they will
19 be on the day of the rate increase, they will see a 1.4
20 percent increase, which would be about fifteen dollars
21 (\$15) a year?

22 MR. GREG BARNLUND: Yes, and that, of
23 course, excludes any change in primary gas that may be
24 applied for separately for August 1.

25 MR. BOB PETERS: Understood. And it's a

1 good thing it's on the transcript. I was going to hold
2 Mr. Warden to the -- to the decrease in primary gas cost,
3 but we'll -- we'll -- he said it'll depend on a lot of
4 factors, but we'll -- we'll expect that undertaking, and
5 that'll give the Board some advise.

6 But come August the 1st, you're going to
7 want all of the different rates to hit the customer at
8 the same time?

9 MR. GREG BARNLUND: That's correct.

10 MR. BOB PETERS: Just while I'm on this
11 schedule 10.1.0(a), page 1 of 2, it's presented as a 1.4
12 percent increase to most customers but, again, you get
13 down to some customer classes, like special contract
14 customer, and they're showing a rate reduction. Can you
15 explain that to the Board?

16 MR. GREG BARNLUND: The rate reduction
17 for the special contract class would be as a result of, I
18 would say, changes to unaccounted for gas. If we look at
19 the basic charge of 1.55 million, it remains unchanged
20 between billed and proposed rates. So the changes in
21 commodity and the change in commodity would be driven by
22 the reduction in -- in gas costs, non-primary gas costs,
23 which are, essentially, reductions to the unaccounted for
24 gas that this customer would be paying.

25 And given that this customer class is

1 somewhat unique in that we settle our deferral accounts
2 with them on a one (1) time lump sum payment basis in
3 August of -- of this year, that rider effect is
4 basically captured separately in -- in the settlement we
5 would have with that customer.

6 MR. BOB PETERS: All right, thank you.
7 When the Board looks at a schedule, like 10.1.0(a), page
8 1 of 2, and looking at the billed impacts to customers,
9 is it correct that these impacts will contain the high
10 and the low for each of the indicated customer classes?

11 MR. GREG BARNLUND: Well, I think that
12 it's representative of -- of the majority of the
13 customers within those classes. I think that the -- the
14 bill impact tables do a good job of representing the
15 range in customer for small general service and large
16 general service customers.

17 For the contract customer classes, like
18 high volume firm, interruptible, and mainline, the
19 presentation, I think, captures the majority of customers
20 that exist in those classes, but -- and we had revised
21 this in, I think, around 2003 to expand the breadth of
22 which we were examining these bill impacts.

23 So it provides a reasonable arrangement.
24 It may not capture all customers that may be in each of
25 those customer classes, but I would also want to advise

1 the -- the Board that the large volume customers in those
2 customer classes have major and key account
3 representatives that work with them in terms of their
4 electricity and natural gas needs.

5 And there are certain web-based tools that
6 the Company provides to major and key account reps, and
7 to those customers to help them evaluate their individual
8 bill impacts of different potential rate changes, or
9 different purchase options for those customers.

10 So -- so the individual customers
11 themselves may not necessarily be relying on the
12 information contained within the bill impact tables, but
13 would have some customized service available to them to
14 be able to understand the content of our Rate
15 Application.

16 MR. BOB PETERS: Okay, I appreciate that
17 answer, but if let's just hypothetically say a high
18 volume firm customer picks up the phone and phones the
19 Board and said, I want to know what my rate impact is. I
20 haven't heard from my major and key account rep yet. Can
21 you look in the filing and tell me what -- what the high,
22 what the low is, and I -- I'm sure I'll be somewhere
23 between those two (2).

24 This table wouldn't answer that for the
25 Board?

1 MR. GREG BARNLUND: This table would have
2 to be expanded to probably capture that.

3 MR. BOB PETERS: There's not a
4 significant number of customers necessarily in -- in --
5 I'm thinking mainline firm and high volume firm. So
6 there's not that there's a large number of customers, but
7 they may all have specific characteristics.

8 MR. GREG BARNLUND: That's true. I think
9 that in total for our non-general service customers, in
10 other words the contract customer class that we're
11 referring to, the customer count is probably in the
12 neighbourhood of a hundred and fifty (150) customers in
13 total.

14 MR. BOB PETERS: All right, thank you. I
15 want to turn to Schedule 10.1.0(b), and there's page 1 of
16 2 and 2 of 2 also found at Tab 50 -- I think it's at Tab
17 52 of the book of documents. I am correct. It's, I
18 guess, Tab 53 of the book of documents.

19 This June 9th update of the billed versus
20 billed on the one point (1.) -- 10.1.0(b) series, this is
21 what you're asking the Board to implement on February 1st
22 of 2010, correct?

23 MR. GREG BARNLUND: Yes, sir, that's
24 correct.

25 MR. BOB PETERS: And I suppose we can

1 look at the base versus base rates, and this is the rate
2 increase for non-gas cost items of approximately \$1.7
3 million.

4 If the Company's Application is
5 successful, that would go into -- into rates?

6 MR. GREG BARNLUND: Yes, sir.

7 MR. BOB PETERS: And the \$1.7 million
8 would be recovered again over two (2) calendar months?

9 MR. GREG BARNLUND: Yes, sir.

10 MR. BOB PETERS: And if we follow it
11 through on the -- on the -- I guess it doesn't matter if
12 it's the base or the billed, but there's a -- there's a
13 slight difference between the -- between the base and the
14 billed, I see, so that suggests that the denominator has
15 been different in these calculations?

16 MR. GREG BARNLUND: Indeed, sir. The
17 bill impact is both fourteen dollars (\$14) and adjusted
18 it would be a different base that it would be referenced
19 to.

20 MR. BOB PETERS: Would you agree with me,
21 Mr. Barnlund, that if the Board was to say, "No, recover
22 your 1.7 million starting August the 1st of 2009," we'll
23 make this hypothetical, that the rate increase would be,
24 instead of the one point one seven (1.17) or one point
25 two two (1.22), it would be more in the neighbourhood of

1 the point three (.3)?

2 MR. GREG BARNLUND: I think that's fair.

3 MR. BOB PETERS: But if that happened,
4 and the 1.7 million was recovered over the remaining
5 months of the fiscal year, there would be a larger rate
6 increase come May 1st needed to recover the second test
7 year that you're seeking --

8 MR. GREG BARNLUND: That's correct, yes.

9 MR. BOB PETERS: -- relief on?

10 MR. GREG BARNLUND: Yeah.

11 MR. BOB PETERS: All right. I'm not sure
12 Mr. Warden and I agreed on that the first day of the
13 hearing, but that was a bit awkward between us.

14 The -- is -- is it -- would it be correct
15 to say that part of the rate strategy here is to have a 1
16 percent increase on February 1, and then another 1
17 percent increase on May 1, and that'll take care of the
18 entire non-primary gas revenue requirement for the two
19 (2) test years?

20 MR. GREG BARNLUND: I think that that's
21 fair. I mean, we're looking at this over a two (2) year
22 period, and so taking in -- in consideration, the one (1)
23 leads to the other.

24 MR. BOB PETERS: In my hypothetical
25 example, if the -- if the rate increase on August the 1st

1 to recover the \$1.7 million of the revenue deficiency was
2 about .3 of a percent rate increase, come May the 1st
3 instead of a 1 percent rate increase it probably would
4 have to double, closer to 2 percent rate increase, would
5 that be correct?

6 MR. GREG BARNLUND: I think that's
7 correct, yes.

8 MR. BOB PETERS: Just in order of
9 magnitude?

10 MR. GREG BARNLUND: Yeah, yeah.

11 MR. BOB PETERS: That's fair. Thank you,
12 sir.

13 To finish up with these rate schedules, if
14 we can turn to Tab 54 of the book of documents, and we
15 look at Schedule 10.1.1, 10.1.1, what we're looking at
16 here, Mr. Barnlund, is the proposed rate impacts for
17 rates that will be implemented on May the 1st, 2010?

18 MR. GREG BARNLUND: Yes, sir.

19 MR. BOB PETERS: And this would be to
20 recover the remaining revenue deficiency that isn't
21 picked up by the 1 percent increase carrying on from the
22 prior test year?

23 MR. GREG BARNLUND: It's to pick up the
24 revenue deficiency as outlined by Mr. Derksen in his
25 testimony, for the second test year I should say.

1 MR. BOB PETERS: Yes, and -- and part of
2 the revenue deficiency for the second test year is coming
3 by way of the rate that will be put in place on February
4 1 of 2010?

5 MR. GREG BARNLUND: Yes.

6 MR. BOB PETERS: If that's not obvious,
7 it's -- by -- by recovering the 1.7 million in only two
8 (2) months, you need a larger rate increase, and that
9 rate increase will continue in -- in rates through -- I
10 guess forever, and it'll help recover the second year's
11 revenue deficiency?

12 MR. GREG BARNLUND: Yes, sir.

13 MR. BOB PETERS: All right. I think
14 we're on the same page on that.

15

16 (BRIEF PAUSE)

17

18 MR. BOB PETERS: Mr. Chairman, those
19 conclude my questions on the cost allocation and rate
20 design matters, subject to any matters the Board would
21 like -- have questions on or ask me to proceed further
22 on.

23 So I would like to thank Messrs. Warden,
24 Derksen, Barnlund, Kuczek, and Petursson, for their help.
25 Those conclude my questions.

1 THE CHAIRPERSON: Thank you, Mr. Peters.
2 We did note a very civil and thorough exchange between
3 yourself and the panel. It is greatly appreciated.

4 We are going to move on now to Mr.
5 Saxberg, and before we do I think we will take a break.

6

7 --- Upon recessing at 10:12 a.m.

8 --- Upon resuming at 10:38 a.m.

9

10 THE CHAIRPERSON: Welcome back,
11 everybody.

12 Mr. Saxberg...?

13

14 RE-CROSS-EXAMINATION BY MR. KRIS SAXBERG:

15 MR. KRIS SAXBERG: Good morning to
16 everybody. I've tried to move over a bit so -- so you
17 can see me, Mr. Kuczek.

18 MR. LLOYD KUCZEK: I was trying to look
19 the other way.

20 MR. KRIS SAXBERG: I noticed that. I
21 don't think we should have too tough a time on -- on
22 these issues, but let me just start with: Would you
23 agree that the Low Income Furnace Placement Program is a
24 means of providing bill assistance?

25 MR. LLOYD KUCZEK: I've never really

1 thought of our energy efficiency programs that way, but
2 the -- the result of them certainly is -- is to lower
3 bills for customers, so it -- it is valid in that sense.

4 MR. KRIS SAXBERG: So that you're
5 agreeing it has that effect?

6 MR. LLOYD KUCZEK: Correct.

7 MR. KRIS SAXBERG: And would you agree
8 that it -- it does provide more indirect benefits than a
9 low income rate, for instance, because, along with the
10 assistance provided through the subsidy in the form of
11 reduced heating bills, there's also carbon emission
12 savings and potential for less construction of gas
13 infrastructure?

14 MR. LLOYD KUCZEK: Correct.

15 MR. KRIS SAXBERG: Now for nineteen
16 dollars (\$19) a month, paid for five (5) years only, a
17 qualifying customer can replace his or her standard
18 efficiency furnace and reap savings of up to one-third of
19 their yearly gas bill. Is that fair?

20 MR. LLOYD KUCZEK: One-third (1/3) of
21 their space heating bill.

22 MR. KRIS SAXBERG: And if a customer
23 signs up for the Low Income Furnace Program, they are
24 instantly in the money in that the estimated monthly
25 savings are thirty-three dollars (\$33), with GST

1 included, compared to the cost of nineteen dollars (\$19),
2 is that fair?

3 MR. LLOYD KUCZEK: That's fair.

4 MR. KRIS SAXBERG: And the yearly savings
5 are close to four hundred dollars (\$400) a year, correct?

6 MR. LLOYD KUCZEK: Correct.

7 MR. KRIS SAXBERG: And so if you had your
8 standard efficiency furnace and it had ten (10) years of
9 life left, for instance, and then you enrolled in the
10 program, for a thousand one hundred and forty dollars
11 (\$1,140) over five (5) years, you could save
12 approximately eight thousand dollars (\$8,000)?

13 And I get the eight thousand (8,000) as
14 four hundred (400) times ten (10) years for four thousand
15 (4,000) and the other four thousand (4,000) related to
16 the furnace, installation and insulation. Does that
17 sound about right, just as a ballpark?

18 MR. LLOYD KUCZEK: So you're assuming the
19 installed insulation, as well?

20 MR. KRIS SAXBERG: Yes.

21 MR. LLOYD KUCZEK: There is interactive
22 effects so if I had to give you a ballpark figure of the
23 average home, do an insulation and a furnace replacement,
24 I would suggest that the number might be around six fifty
25 (650).

1 MR. KRIS SAXBERG: The -- the savings per
2 year?

3 MR. LLOYD KUCZEK: Yes.

4 MR. KRIS SAXBERG: So, when you added to
5 the six fifty (650), times it by ten (10), six thousand
6 five hundred (6,500), you added to that the cost of the
7 furnace and the installation, we're looking at between
8 eight (8) and ten thousand dollars (\$10,000) over ten
9 (10) years for the very small cost of one thousand one
10 hundred and forty dollars (\$1,140) paid over five (5)
11 years, is that fair?

12 MR. LLOYD KUCZEK: Yes, the customer is
13 certainly much better off.

14 MR. KRIS SAXBERG: I mean, it's an
15 amazing program, isn't it, in terms of if you're lucky
16 enough to -- to qualify and sign up?

17 MR. LLOYD KUCZEK: I agree.

18 MR. KRIS SAXBERG: And I believe
19 yesterday -- well, I more than believe, I know because I
20 have the transcript -- you said, "The ordinary qualifying
21 customer, if reasonably informed about the program," you
22 couldn't -- you wouldn't -- you wouldn't see a reason why
23 they wouldn't participate?

24 MR. LLOYD KUCZEK: Only if they didn't
25 understand the numbers.

1 MR. KRIS SAXBERG: Now in terms of how
2 information about this program is getting out, has there
3 been a bill stuffer in -- in -- that's been circulated to
4 all of your customers?

5 MR. LLOYD KUCZEK: No, we haven't done
6 that, that I'm aware of.

7 MR. KRIS SAXBERG: And to date, there
8 hasn't been any direct marketing of the program, has
9 there?

10 MR. LLOYD KUCZEK: We've done some direct
11 marketing in the -- in the sense of dropping off
12 brochures and I believe some community groups have
13 dropped off some brochures. Well, I know they have in
14 certain targeted areas. And we're -- we're currently
15 looking and doing a mailer based on postal codes right
16 now in a couple of areas.

17 MR. KRIS SAXBERG: Yes, it's something
18 that you're contemplating but -- but hasn't been done
19 yet, correct?

20 MR. LLOYD KUCZEK: Correct.

21 MR. KRIS SAXBERG: And there haven't been
22 any surveys done yet or telemarketing to determine who
23 has a standard efficiency furnace?

24 MR. LLOYD KUCZEK: That's correct.

25 MR. KRIS SAXBERG: And there haven't been

1 any TV or radio ads?

2 MR. LLOYD KUCZEK: No.

3 MR. KRIS SAXBERG: How about news
4 releases? Any -- any communication with the media?

5 MR. LLOYD KUCZEK: There was when we
6 announced the program last July.

7 MR. KRIS SAXBERG: Now, in terms of -- of
8 information, I've handed out one (1) of Manitoba Hydro's
9 pamphlets. It's a --

10 MR. LLOYD KUCZEK: I have it.

11 MR. KRIS SAXBERG: -- coloured document.
12 When was this produced or when was it finished?

13 MR. LLOYD KUCZEK: I don't see a date on
14 this. This -- this isn't the latest version but last
15 year, maybe?

16 MR. KRIS SAXBERG: Okay, sorry. Maybe
17 you could undertake to provide me with the latest version
18 then. I thought that I had asked. And I -- I did go
19 through all the information that I received and I didn't
20 see anything else, but that might have been my mistake,
21 I'm not sure.

22 MR. LLOYD KUCZEK: We'll provide that.

23

24 --- UNDERTAKING NO. 19: Centra to provide the latest
25 version of the Manitoba

1 Hydro's Furnace Replacement
2 Program for Low Income
3 pamphlet
4

5 CONTINUED BY MR. KRIS SAXBERG:

6 MR. KRIS SAXBERG: But this is -- other
7 than there being an updated version, this would be the
8 only sort of promotional material on the Furnace
9 Replacement Program for low income?

10 MR. LLOYD KUCZEK: That I'm aware of,
11 yes.

12 MR. KRIS SAXBERG: And if you flip to the
13 second side, under the heading "What will I get from this
14 program?" number 3 deals with the furnace upgrade. It
15 indicates the cost of nineteen dollars (\$19) per month
16 for five (5) years.

17 And then the very last line is, "The
18 monthly energy savings should more than cover the
19 payments." Do you see that?

20 MR. LLOYD KUCZEK: I see that.

21 MR. KRIS SAXBERG: Isn't that a little
22 bit understated, you know, considering what we just went
23 through in terms of the value of this program?
24

25 (BRIEF PAUSE)

1 MR. LLOYD KUCZEK: Well, I guess,
2 generally speaking, it -- it would seem fairly clear. If
3 you have a normal winter and -- from year to year, that
4 the savings -- energy savings that you would realize by
5 just participating in the furnace component of the
6 program would be greater than what the payments would be
7 because it's the thirty-three dollars (\$33) compared to
8 the nineteen dollars (\$19).

9 During a colder winter, the difference
10 might be -- the gap would narrow. And then we don't know
11 what a customer is going to do from year to year in terms
12 of how they're going to operate their home and whatnot.
13 So I -- I think my staff were probably just being fairly
14 careful there.

15 MR. KRIS SAXBERG: But it doesn't even --
16 I mean, I don't believe it clearly communicates that
17 people are getting the value of a free -- of a furnace,
18 along with installation.

19 And above, it does mention that the --
20 that the -- most of the cost of insulation will be paid
21 for, as well.

22 MR. LLOYD KUCZEK: Yes, but not all
23 customers have those opportunities available to them,
24 so...

25 MR. KRIS SAXBERG: I mean, in effect, if

1 the Company's forecasts are accurate, that one thousand
2 one hundred and forty dollars (\$1,140) paid over five (5)
3 years creates a benefit which has a net present value of
4 like handing the customer a three thousand dollar
5 (\$3,000) cheque on day one (1).

6 MR. LLOYD KUCZEK: The cost of the
7 program is roughly -- for the first program, is in the
8 range of twenty-five (25) to three thousand dollars
9 (\$3,000), yes. Is that what you're getting -- where
10 you're getting the number from or...

11 MR. KRIS SAXBERG: No, I just mean the
12 ten thousand dollars (\$10,000), the net present value of
13 ten thousand dollars (\$10,000) over ten (10) years is
14 probably around three thousand (3,000) bucks.

15 MR. LLOYD KUCZEK: Okay.

16 MR. KRIS SAXBERG: That's a very rough
17 estimate.

18 MR. LLOYD KUCZEK: Yeah.

19 MR. KRIS SAXBERG: It's just...

20 MR. LLOYD KUCZEK: You know, again, when
21 you came up with the ten (10), I think you were assuming
22 insulation, so some customers will --

23 MR. KRIS SAXBERG: Yeah.

24 MR. LLOYD KUCZEK: -- have those
25 opportunities, but not all customers. Again, we're

1 careful in what we say because there was one (1) instance
2 where -- it was just on the news the other day, about a
3 furnace company that was guaranteeing savings on their
4 bill.

5 And that went to court and I believe the
6 customer won because the savings weren't there because it
7 was a colder winter and you don't really know what a
8 customer's going to do with their home. So I think your
9 point is -- is probably suggesting that we should be more
10 aggressive in terms of informing our customers about the
11 potential savings and -- which is a different point, but
12 we do have to be careful with what we do say because of
13 what I just mentioned.

14 MR. KRIS SAXBERG: Would you agree that
15 you could be a bit more -- the -- the brochure could be a
16 bit more explicit in terms of the potential savings?

17 MR. LLOYD KUCZEK: I would agree with
18 that.

19 MR. KRIS SAXBERG: And in terms of the
20 budget for the Furnace Replacement Program, the marketing
21 and outreach, the promotion dollars set aside, do I have
22 it right that they're two hundred and sixty thousand
23 dollars (\$260,000)?

24

25 (BRIEF PAUSE)

1 MR. LLOYD KUCZEK: Correct.

2 MR. KRIS SAXBERG: And that's for the
3 entire life of the program until the expiry in 2011,
4 correct?

5 MR. LLOYD KUCZEK: Yes.

6 MR. KRIS SAXBERG: So you'd agree that's
7 not going to buy a lot of advertising space in the
8 Winnipeg Free Press?

9 MR. LLOYD KUCZEK: No, we were thinking
10 of -- I believe our approach is to use community groups
11 as much as possible, and possible some target marketing.

12 And there is a contingency within the
13 budget, too, so if we, as we go forward, we feel that we
14 need to do more marketing that's going to cost some
15 dollars, we would -- we would look at that contingency
16 for possibly paying for that additional cost.

17 MR. KRIS SAXBERG: And -- and similarly
18 it's -- it doesn't really take into account a radio or a
19 TV campaign?

20 MR. LLOYD KUCZEK: Not for those dollars,
21 no.

22 MR. KRIS SAXBERG: And you're going to
23 use -- or the idea is to use the grassroots community
24 based groups to a large extent, correct?

25 MR. LLOYD KUCZEK: That was our original

1 approach. What we found out so far, based on our
2 experience, is that the participation through the
3 community groups isn't -- isn't as aggressive as we would
4 have liked, and we're finding individuals that are coming
5 through the individual track to be working quite well.

6 So as we move forward we might be
7 adjusting what we believe we'll get in terms of those two
8 (2) different tracks in terms of participation.

9 MR. KRIS SAXBERG: Thank you, and I,
10 editorial, I'm a big fan of the community groups;
11 however, they don't have the -- the reach to be able to
12 contact all of the low income customers that -- that
13 Centra has, correct?

14 MR. LLOYD KUCZEK: They don't have the
15 reach, and I'm not sure it would be the most cost
16 effective way to get to all the customers regardless, as
17 opposed to using a combination of the individual track
18 approach and the community approach. I think using the
19 combination is -- is valuable.

20 The -- the hurdles that the community
21 based organizations are having are linked to some of the
22 staff that they're hiring.

23 We have talked to them about, you know,
24 getting more participants, and what they can do to get
25 those participants, but the initial challenges were more

1 focussed on getting the infrastructure in place, and
2 processes in place, and getting their staff trained.

3 And -- and I -- you know, I don't want to
4 go into details about some of those issues there, but
5 there are some issues that have caused some -- that have
6 slowed the progress up there.

7 MR. KRIS SAXBERG: And the -- the two
8 hundred and sixty thousand (260,000) wouldn't cover
9 hiring door-to-door canvassers to -- to survey with
10 respect to lower income standard efficiency furnace
11 opportunities?

12 MR. LLOYD KUCZEK: No. With the
13 community based -- well, this isn't -- this money isn't
14 set aside for the community based groups anyways, so...

15 MR. KRIS SAXBERG: Now I just want to
16 talk about the scope of this program. Firstly, you've
17 already confirmed that it only runs until 2011. That's --
18 -- that's the end of March 2011, correct?

19 MR. LLOYD KUCZEK: Correct.

20 MR. KRIS SAXBERG: And at that time,
21 there will be about \$1.4 million left in the bank as a
22 contingency for the program, correct?

23 MR. LLOYD KUCZEK: I believe that number
24 is correct.

25 MR. KRIS SAXBERG: Now Centra's estimate

1 is that there are around thirty-eight thousand (38,000)
2 low income owner occupied homes with gas heat. Is that
3 fair?

4 MR. LLOYD KUCZEK: That's fair.

5 MR. KRIS SAXBERG: And another perhaps
6 six thousand (6,000) renters?

7 MR. LLOYD KUCZEK: Sounds correct.

8 MR. KRIS SAXBERG: Now with respect to
9 owner occupied, the Company estimates that 32 percent of
10 the systems in those homes are low standard, low
11 efficiency furnaces, and another 5 percent are boilers?

12 MR. LLOYD KUCZEK: That's our best
13 estimate at this point, yes.

14 MR. KRIS SAXBERG: And if you do the math
15 on that, and you include the renters, this results in
16 about twelve thousand (12,000) to fourteen thousand
17 (14,000) low income standard furnaces, and two thousand
18 (2,000) boilers?

19 MR. LLOYD KUCZEK: That sounds about
20 right.

21 MR. KRIS SAXBERG: So the proposal in
22 this case is to convert nineteen hundred (1,900) to the
23 end of the program, is that right?

24 MR. LLOYD KUCZEK: That is our estimate
25 of what we're going to achieve, yes.

1 MR. KRIS SAXBERG: And when I put those
2 two (2) numbers together, then that is that the program
3 is going to be available to 13 percent of all low income
4 standard efficiency furnace homes. Is that right?

5 MR. LLOYD KUCZEK: It's available to them
6 all. It's just a question of who's going to participate
7 but that's correct in terms of who's participating.

8 MR. KRIS SAXBERG: Okay. And that's --
9 that's the point that I'm going to come to. But just
10 before I get to that, if you put funding aside for a
11 moment and if the demand increases above the 13 percent
12 between now and the end of the program, I take it from
13 your evidence yesterday, Centra could accommodate some of
14 that?

15 MR. LLOYD KUCZEK: Yes.

16 MR. KRIS SAXBERG: And you had indicated
17 that it's not about a bottleneck, at least at this point,
18 it is a question of communicating information to those
19 that would be available to avail themselves to this
20 program. Is that fair?

21 MR. LLOYD KUCZEK: I -- I think that's
22 the reason for not having greater participation myself,
23 yes.

24 MR. KRIS SAXBERG: And -- and one (1) of
25 the things that you had agree with the Chairman on

1 yesterday was that because of the extra stimulus package
2 offered by the federal government at this time, promoting
3 and communicating on -- on a more -- on a larger basis is
4 certainly warranted in this next year?

5 MR. LLOYD KUCZEK: I would agree with
6 that.

7 MR. KRIS SAXBERG: And would you agree --
8 well, I think you already have -- that the program should
9 be universally available to all low income customers that
10 have standard efficiency furnaces?

11 MR. LLOYD KUCZEK: I agree.

12 MR. KRIS SAXBERG: And would you agree
13 that it would be inequitable if somehow, through the
14 marketing of the program, only a certain select group of
15 low income customers was made aware of this opportunity?

16 MR. LLOYD KUCZEK: We have that problem
17 with all our programs that we offer and services. You
18 know, we try to advertise and -- and inform our customers
19 about these programs and some customers do know about the
20 programs and choose not to participate. Other customers
21 are not aware of it and -- 'cause they don't see our ads,
22 don't read our ads and, yeah, that is a fact of life.

23 MR. KRIS SAXBERG: But it's something
24 that the company has to concern itself with? It has to
25 make sure that it's methodology in communicating about

1 this program reaches, to the largest extent possible,
2 everybody so everyone has a chance of participating. Is
3 that fair?

4 MR. LLOYD KUCZEK: I think that's fair.

5 MR. KRIS SAXBERG: And because
6 ultimately, when you're shutting it down after 2011, it's
7 a first come, first service program, except I do
8 understand you have the ability to take on some more and
9 you may do that. Is that fair?

10 MR. LLOYD KUCZEK: That's a fair
11 statement.

12

13 (BRIEF PAUSE)

14

15 MR. KRIS SAXBERG: Now, what if there's a
16 -- there was a lot of -- this is just a hypothetical and
17 I -- I know, probably not supposed to ask hypotheticals -
18 - but just say the media got wind of this amazing program
19 and -- and was really making a lot of hay about how
20 effective it is and -- and you had 50 percent of the --
21 of the -- of the number of people approached you this
22 year or any year or before the end of 2011, what would --
23 what would you do?

24 MR. LLOYD KUCZEK: If we had more
25 participants than we had funding to support the program

1 for? Is that...?

2 MR. KRIS SAXBERG: Well, what I'm saying
3 is that you -- you've agreed it should be universally
4 available, should be communicated to the people that
5 could qualify on an equal basis so that they all have the
6 same opportunity. And what I'm saying is, if it turns
7 out that a lot more than 13 percent respond, does the
8 company not have an obligation to follow through on its
9 promise to those individuals?

10 MR. LLOYD KUCZEK: We do.

11 MS. MARLA MURPHY: I -- I think we're
12 getting into a funny area here. You're alleging a
13 promise the Utility has made and I'm not sure you've
14 really established a basis for that so we need to be
15 careful about where your -- your questions are going, I
16 think.

17 MR. KRIS SAXBERG: Well, I didn't mean to
18 go back to first year law or anything 'cause that's what
19 it sounded like. I -- I just -- I just want to know what
20 the policy is, as to whether or not -- what's going to
21 happen if we get more than 13 percent in the next two (2)
22 years.

23 MS. MARLA MURPHY: Yeah, and I think Mr.
24 Kuczek's trying to answer your question on that basis,
25 but just to be clear that, you know, going back to those

1 contract principles, that we need to be mindful that
2 you're making some assumptions that may not hold.

3

4 CONTINUED BY MR. KRIS SAXBERG:

5 MR. KRIS SAXBERG: Yeah. Yes. And is
6 there a potential for embarrassment to the company if, at
7 the end of the program, 2011, low income customers learn
8 about the program and -- and feel that they've somehow
9 been treated unfairly because the door is closed and they
10 can't access it anymore?

11 MR. LLOYD KUCZEK: No, I don't -- I don't
12 view that as an embarrassment. We offer programs.
13 Programs come to an end all the time and we deal with
14 customers that don't participate. And we also deal with
15 customers that come to us and they had just installed the
16 -- the energy efficient measure prior to our program, but
17 we have to have our guidelines that we stay with when a
18 program starts.

19 We treat all our customers in a consistent
20 fair manner and we tell them that they're eligible for
21 the program when it starts and the program ends. If they
22 missed a deadline, they missed a deadline. It's not an
23 embarrassment to the Company. It's similar to any other
24 service offered in the -- the business world.

25 MR. KRIS SAXBERG: Yeah, you know, and I

1 -- I want to take back the word "embarrass." I didn't --
2 I didn't mean it that way. What I meant is, is it -- is
3 there a potential for sort of a negative PR as a result
4 of the program closing down and people still wanting to -
5 - to get a part of -- to get a piece of it because it --
6 it is so attractive?

7 MR. LLOYD KUCZEK: I -- I guess, for us
8 it's more of a challenge of how we're going to move
9 forward once the funds are used up, and -- because, as we
10 discussed earlier in the hearing, we do anticipate there
11 will be more standard efficient furnaces out there that
12 need to be replaced and we're going to want to have a
13 program, a lower income program, that assists customers
14 in some way, so that's our focus at this point.

15 And our focus at this point is more
16 towards increasing participation. And we're not really
17 worried about hitting a limit at this point, it's more of
18 a challenge of getting -- getting those five thousand
19 (5,000) -- over five thousand (5,000) customers in -- at
20 our door.

21

22 (BRIEF PAUSE)

23

24 MR. KRIS SAXBERG: So the -- the Company
25 doesn't consider that there -- there may be a risk that,

1 if it advertises this program too well, it'll be far over
2 subscribed?

3 MR. LLOYD KUCZEK: There -- there's
4 always that risk there. We don't see that risk as very
5 likely, based on what we've seen to date, I guess.

6 MR. KRIS SAXBERG: Well, do -- do you
7 know why that is, or do you have a view, or does the
8 Company have a view as to why that is, given that -- I
9 mean, I couldn't imagine a more attractive program, you
10 know, unless you got rid of the nineteen dollars (\$19).

11 MR. LLOYD KUCZEK: You know, I -- I
12 always try to understand why people don't participate or
13 why they don't hear about these things. It's very
14 difficult for me to say.

15 We -- we've already had the media talk
16 about this program in the -- in the press. It's had
17 press, as you've mentioned. They talked about the
18 nineteen dollar (\$19) payment, as I believe, already.

19 So, yeah, if a customer sees that, why
20 wouldn't they participate? There's -- there's various
21 reasons, and some -- some customers are focussed on other
22 things. Maybe they didn't read the article. Next time
23 it's in the paper, they might, and they might be
24 encouraged. But you can never get 100 percent
25 participation, we -- we do know that. It's a question of

1 what level can we get, I guess.

2 MR. KRIS SAXBERG: Now, I want to talk
3 about the level of DSM spending overall. Do I have it
4 right that the Company reports its DSM spending level as
5 1.9 percent of revenue? I have that at PUB-184A.

6

7 (BRIEF PAUSE)

8

9 MR. LLOYD KUCZEK: And the percentage
10 that you mentioned?

11 MR. KRIS SAXBERG: One point nine (1.9)
12 percent of revenue.

13 MR. LLOYD KUCZEK: That's what I'm seeing
14 there, so that's what we spent for '07/'08, yes.

15 MR. KRIS SAXBERG: And I believe in the
16 direct evidence --

17 MR. LLOYD KUCZEK: I'm just clarifying
18 that it's not our budget as opposed to on the actual
19 expenditure.

20 We'll have to confirm that. That might
21 have been the budget number that was used, but we -- I'm
22 trying to recall in '07/'08 if we were under expended or
23 not, but it -- it's in that range in terms of going
24 forward, I believe.

25 MR. KRIS SAXBERG: And -- and that's what

1 the Company is characterising as aggressive levels of
2 spending on DSM?

3 MR. LLOYD KUCZEK: I would say so, yes.

4 MR. KRIS SAXBERG: And there's a process
5 going on in Ontario that I'm sure that you're familiar
6 with.

7 MR. LLOYD KUCZEK: Somewhat. I'm not
8 following it real close.

9 MR. KRIS SAXBERG: But I had included in
10 the book of documents the Board discussion -- Board staff
11 discussion paper on demand side management guidelines for
12 natural gas that comes out of the Ontario Energy Board.
13 Are you familiar with that document?

14 MR. LLOYD KUCZEK: I'm -- I'm familiar
15 with the discussion paper. The Appendix A,
16 unfortunately, I didn't have printed out and didn't get
17 that until just at the break here, but I did take a quick
18 look through it as much as I could during the break.

19 MR. KRIS SAXBERG: Okay. I just wanted
20 to note that in -- and we don't need to go to it. I
21 really just want to have this available because,
22 obviously, it's -- it's doing some of the work that this
23 Board will eventually be doing.

24 MR. VINCE WARDEN: Mr. Saxberg, I might
25 just -- just clarify that 1.9 percent was based on actual

1 expenditures for 2007/'08, the actual expenditure being
2 10.1 million. We have a forecast in the test years as
3 going up to 14 million and 13 million, so considerably
4 higher than 1.9 percent of -- of total revenue for the
5 test years.

6 MR. KRIS SAXBERG: Okay, for the test
7 years. For the life of the program though, the amount
8 that's expended, I believe, of \$144 million, maybe you
9 can undertake -- but where does that fit in terms of the
10 percentage of revenue metric?

11 MR. LLOYD KUCZEK: The percentage goes
12 down over time because the -- the budget is forecast to
13 decrease over time. And that's based on what we're
14 forecasting in terms of available opportunities into the
15 future.

16 The -- the big opportunities with natural
17 gas in terms of energy efficient savings is with the
18 insulation and furnace replacements, and so clearly
19 furnace replacements will be taken care of within the
20 next, let's say five (5) years, but you know, not
21 totally.

22 And insulation we've been running the
23 program for a number of years, and we're cleaning up the
24 market in that area. And I forget the year that we're
25 forecasting to end the program, but the -- the forecasted

1 end date is when we would have a certain portion of the
2 market cleaned up, and the opportunities kind of
3 disappear after that.

4 And when I discussed these -- this subject
5 with my counterparts in other natural gas utilities,
6 that's one (1) of the big challenges, is where are you
7 going to get the energy efficiencies going forward once
8 you do capture those two (2). There is some other
9 opportunities, but those are the big ones.

10 MR. KRIS SAXBERG: Sure, thank you.
11 Other than, I suppose, through improvement of
12 technologies?

13 MR. LLOYD KUCZEK: Yeah, the -- there's
14 only so much you can do with furnaces when you're at 92
15 percent, 94 percent, you can only go to 100 percent.

16 On terms of the, you know, the insulation,
17 you can clearly add more insulation but as you add more
18 insulation into a home there's only -- there's a limit to
19 where it's cost effective.

20 MR. KRIS SAXBERG: Now just in terms of
21 that \$144 million budget, for some reason I have written
22 down on my paper that it's over sixteen (16) years. Is
23 that --

24 MR. LLOYD KUCZEK: You know, we call our
25 -- our Power Smart plan a fifteen (15) year period but we

1 actually have sixteen (16) years in that because the year
2 that we launched the program is -- we're into the year --
3 that first year already. It's -- so...

4 MR. KRIS SAXBERG: Okay. So when I do my
5 math, I say 144 million divided by sixteen (16), about 9
6 million a year if you're -- if you're just being sort of
7 general about it, is that fair?

8 MR. LLOYD KUCZEK: Sure.

9 MR. KRIS SAXBERG: Now, the Ontario
10 Board's staff discussion paper indicates at page 7 and --
11 that environmental groups and others are -- were
12 recommending in that procedure -- proceeding -- or
13 recommending for Ontario to adopt a guideline of 3
14 percent of -- of overall revenue.

15 MR. LLOYD KUCZEK: Yeah, there's a --
16 there's a group of people out there these days that are
17 taking a top down approach as to -- as opposed to a
18 bottom up approach. And the -- the difference being when
19 you take a bottom up approach is you look at where the
20 opportunities are and you design programs and budgets
21 based on what you think you need to achieve those
22 opportunities.

23 The top down approach is -- is that you
24 just pick a percentage out of the air of your revenues or
25 some number like that and you say, Here you go and go get

1 it and that's -- that's -- and aggressive utilities are
2 at the -- well, and the electric side is more like 3
3 percent of revenues.

4 On the natural gas side, it's more
5 accepted that it's more like one point five (1.5) -- 2
6 percent today and so some of the discussions I've had in
7 industry meetings is that can you sustain this one (1)
8 point -- 1 to 2 percent in the gas industry going
9 forward?

10 And some consultants that were involved in
11 one (1) meeting, they thought, oh, sure you can, why
12 can't you? Everybody else is talking about doing that.
13 But when they looked into it, they realized you can't
14 because of what I discussed -- if you -- if you take into
15 account cost effectiveness.

16 MR. KRIS SAXBERG: Okay. And really, I'm
17 just trying to get a picture of how Centra compares with
18 other utilities. In -- in the staff discussion paper,
19 the staff of the OEB notes that Union, one of the
20 utilities in -- in Ontario, favours a top down
21 characterization of 5 percent of distribution. And --

22 MS. MARLA MURPHY: Sorry, Mr. Saxberg,
23 could you give us a reference for that?

24

25 CONTINUED BY MR. KRIS SAXBERG:

1 MR. KRIS SAXBERG: At page 7.

2 MR. LLOYD KUCZEK: I've read that.
3 That's -- that's what they said, yes.

4 MR. KRIS SAXBERG: Yeah, it's the -- it's
5 the bottom paragraph on page 7.

6 MS. MARLA MURPHY: Thank you. I have it.
7

8 CONTINUED BY MR. KRIS SAXBERG:

9 MR. KRIS SAXBERG: And if we were to try
10 to figure out where Centra fits into that level, I -- I -
11 - I'm interpreting distribution to be non-gas. I'm not
12 sure that that's what it is.

13 MR. LLOYD KUCZEK: Yeah, the theory
14 behind that -- that metric, as opposed to using total
15 revenues, is because it's more stable. Primary gas, as
16 you know, is volatile so some people in the industry
17 think instead of using that percentage of total revenue,
18 use a percentage of distribution and it will be more
19 consistent over the years.

20 MR. KRIS SAXBERG: So, if I took the --
21 the last test year, the 2010/'11 test year, it's
22 approximately 155 million of non-gas revenue requirement
23 and 5 percent of that is under 8 million. So Centra
24 right now is very close to the 5 percent of distribution,
25 or above the 5 percent of distribution. Would you agree

1 with that?

2 MR. LLOYD KUCZEK: Yeah, yes, I would.

3 MR. KRIS SAXBERG: And you'd agree though
4 that the -- the targets in the United States, you had
5 indicated that you had spoken or made some inquiries of
6 utilities in the United States?

7 MR. LLOYD KUCZEK: There was a report
8 actually written by -- and don't ask me what the acronym
9 stands for because I can't remember anymore, but ACEEE.
10 They did a report a few years back and they did a survey
11 of what utilities were spending.

12 And they reported as a percentage of
13 revenue and they reported it as a percentage of -- I
14 think it was per capita and both in the electric side and
15 the natural gas side, we were on the top of all utilities
16 in North America in both those categories as measured,
17 using those two (2) metrics.

18 And on the natural gas side, the 1 1/2 to
19 2 percent range was the most that anybody was spending,
20 as I recall.

21 MR. KRIS SAXBERG: Sorry. And what year
22 was that?

23 MR. LLOYD KUCZEK: If I had to guess, it
24 would be two (2) years ago. It's in that range anyways.

25 MR. KRIS SAXBERG: And just finally on

1 level of spending, overall targets, in Board Order 99/07
2 the Board indicated that there would be merit in Centra
3 commissioning a study to -- to look into the level of
4 spending, and there's all -- the Board also mentioned
5 perhaps engaging external expertise on that study.

6 Is there a process underway?

7

8 (BRIEF PAUSE)

9

10 MR. LLOYD KUCZEK: You know, I don't
11 recall the actual Order that asked us to hire a
12 consultant to look at the level of spending, although I
13 could be wrong.

14 I do recall that the -- the Board
15 recommending that we seek the advice of a consultant to
16 review our overall programs, which you could interpret to
17 include the budget, I guess. And -- and we mentioned
18 earlier that we've hired Mr. Dunsky to review our
19 programs.

20 MR. KRIS SAXBERG: Now in terms of the
21 low income spending, will you agree that the information
22 provided in this proceeding is that the low income DSM
23 investment level is 9.3 percent? That's excluding the
24 AEF. And that's at PUB-184B.

25

1 (BRIEF PAUSE)

2

3 MR. BOB PETERS: Excuse me, Mr. Saxberg,
4 I think that's Tab 43 of the PUB book of documents, if
5 that's of help to the Board and your questions.

6 MR. LLOYD KUCZEK: Maybe I could just get
7 you to repeat the question now that I have the -- the IR
8 in front of me.

9

10 CONTINUED BY MR. KRIS SAXBERG:

11 MR. KRIS SAXBERG: Well, my understanding
12 was that when you take out the AEF, the low income
13 percentage of the total DSM budget is 9.3 percent.

14

15 (BRIEF PAUSE)

16

17 MR. LLOYD KUCZEK: I don't have the math
18 in front of me here.

19

20 (BRIEF PAUSE)

21

22 MS. MARLA MURPHY: Mr. Saxberg, your
23 question was that excluding the AEF that it's nine point
24 three (9.3)? I think if you look at the response to Part
25 (b) in that IR, Centra's funding including contributions

1 from Power Smart furnace replacement and affordable
2 energy is shown in the chart. So the 9.3 percent there
3 includes the AEF.

4

5 CONTINUED BY MR. KRIS SAXBERG:

6 MR. KRIS SAXBERG: I don't think it's
7 kicked in at that point in that year.

8 MR. LLOYD KUCZEK: Oh, which year are you
9 referring to?

10 MR. KRIS SAXBERG: '08/'09. Well, maybe
11 you could just take it as an undertaking. If you take
12 the AEF out of the mix -- if you take all third party
13 funding out of the mix, what's the percentage of Centra
14 dollars?

15 MR. LLOYD KUCZEK: Okay, I have -- I'm
16 just looking at a sheet here, but there's seven hundred
17 and sixty-seven thousand (767,000) included out of the
18 AEF fund in that calculation. So, yeah, it's a small
19 portion. It's -- it's -- of the total budget for
20 '08/'09.

21 MR. KRIS SAXBERG: And perhaps you could
22 give me that undertaking to -- to remove all third party
23 financing and determine what -- what funds, that come out
24 of rates essentially, form part of the total budget of
25 DSM costs as they relate to lower income customers.

1 MR. LLOYD KUCZEK: We'll do that.

2

3 --- UNDERTAKING NO. 20: Centra to remove all third
4 party financing, to determine
5 what funds that come out of
6 rates form part of the total
7 budget of DSM costs as they
8 relate to lower income
9 customers

10

11 CONTINUED BY MR. KRIS SAXBERG:

12 MR. KRIS SAXBERG: And, I mean, it's --
13 intuitively you could agree that most of the money for
14 the low income programs is coming out of the AEF in the
15 next short while, is that fair?

16 MR. LLOYD KUCZEK: That's fair.

17 MR. KRIS SAXBERG: And would you agree
18 with me that the -- the AEF is third party financing,
19 it's not coming out of rates?

20 MR. LLOYD KUCZEK: Well, when we -- when
21 we look at the -- I agree with you, it doesn't come out
22 of Centra's rates. What we look at the funding is, we --
23 we look at the funding coming from the -- the combined
24 utility and we're not really thinking about that as third
25 party funding in that sense. It's funding that's coming

1 from the utility to support the program. And you are
2 right, it's not paid for by the Centra ratepayers though.

3 MR. KRIS SAXBERG: And -- and I -- I'm
4 inferring that you're considering that it perhaps might
5 have come out of the electric rates. And I know that
6 might have been the source way back when, but it was only
7 through the action of the province of Manitoba that this
8 fund was created. So, I mean, isn't it better to treat
9 it as a distant third party source of funding?

10 MR. LLOYD KUCZEK: Well, again, you know,
11 I -- I don't look at it that way because what we're
12 trying to do is design a program, and design a program so
13 that it's effective.

14 And we really try to take into account all
15 funding available to a customer when we determine how
16 much we're going to provide through the utility. And
17 through the utility could be either the Affordable Energy
18 Fund or Power Smart or -- well, I'm not sure what other
19 mechanism, but that -- those are the two (2) primary
20 ones. And, of course, we --

21 MR. VINCE WARDEN: Sorry, just to be
22 clear, there was no funding provided by the province of
23 Manitoba. It all came from the utility.

24 MR. KRIS SAXBERG: The -- the AEF exists
25 because of provincial legislation.

1 MR. VINCE WARDEN: Well, I just don't see
2 that as being relevant. Whether legislation established
3 it or not, the funding did come from Manitoba Hydro.

4 MR. KRIS SAXBERG: I don't want to debate
5 semantics, but didn't the government take the money
6 first, essentially?

7 MR. VINCE WARDEN: No.

8 MR. KRIS SAXBERG: And -- but it was
9 earmarked from profits from the export of electricity?

10 MR. VINCE WARDEN: Well, that's the basis
11 of the calculation, yes, but the money did come from the
12 utility. That's a point I wanted to make clear.

13 MR. KRIS SAXBERG: I understand there are
14 19 percent of Centra's customers that would qualify as
15 low income customers.

16 MR. LLOYD KUCZEK: That's -- that's an
17 approximate number. We don't know exactly, but it's in
18 that range.

19 MR. KRIS SAXBERG: And would you not
20 agree that it would be appropriate, in terms of the money
21 generated through rates for DSM, that there be a target
22 amount of that money, of 19 percent to be directed
23 towards low income programs?

24 MR. LLOYD KUCZEK: We look at it from a
25 combined perspective right now in terms of the -- the

1 money available through all avenues, and so we haven't --
2 we haven't concluded that that would be the best
3 approach, and it probably isn't right now, because the
4 Affordable Energy Fund dollars are flowing just to the
5 low income customers.

6 And -- and I haven't done the math, but
7 they might even be getting a larger portion of all the
8 funds available if you include those going forward, but
9 it's currently not how we're looking at it.

10 MR. KRIS SAXBERG: Okay, and I -- and I
11 understand that. I mean, with the AEF it's about 40
12 percent, I understand?

13 MR. LLOYD KUCZEK: It's a big number,
14 yes.

15 MR. KRIS SAXBERG: And -- but a few years
16 down the road, when the funds from the AEF are gone, is
17 that something that Centra's going to consider in terms
18 of balancing the level of low income customers with the
19 funding for low income customers?

20 MR. LLOYD KUCZEK: Yeah, going forward,
21 we're certainly going to consider options available to
22 us, and that would be one (1) of them in terms of funding
23 low income programs.

24 We certainly are committed to continuing
25 with some sort of low income program, and we'll have to

1 decide as decisions are made by the provincial government
2 and federal government in terms of what they're going to
3 do, and then how we fit into that in terms of helping our
4 customers out.

5 MR. KRIS SAXBERG: Thank you. And in
6 terms of amortization, there's no debate that Centra
7 asked for a fifteen (15) year amortization of DSM at the
8 last GRA, and that was approved by the Board, correct?

9 MR. VINCE WARDEN: Yes.

10 MR. KRIS SAXBERG: And the increase in
11 amortization expense is \$6.5 million through the end of
12 the test years as a result of Centra changing to a five
13 (5) year amortization?

14 MR. VINCE WARDEN: I don't have those
15 numbers immediately in front of me, Mr. Saxberg, but that
16 does sound like the right order of magnitude, yes.

17 MR. KRIS SAXBERG: And for the record, I
18 get that from PUB-45(d). And another way to look at it
19 is if we look at Schedule 9.0.0, the peach coloured
20 schedule...

21

22 (BRIEF PAUSE)

23

24 MS. MARLA MURPHY: Did you say 9.0.0? Is
25 that what you meant?

1 MR. KRIS SAXBERG: I -- yeah, I thought I
2 did. I hope that's the right number.

3 MS. MARLA MURPHY: We start at 9.0.1.

4 MR. KRIS SAXBERG: Sorry, I -- that's my
5 fault. I meant Schedule 4.0.0, the very first.

6 MS. MARLA MURPHY: Thank you.

7

8 CONTINUED BY MR. KRIS SAXBERG:

9 MR. KRIS SAXBERG: And just comparing
10 2008/'09 preliminary, which I understand is as close as
11 we can get on this record to the actual for that year,
12 but if we compare the actual depreciation and
13 amortization of 25.2 million to the 2010/'11 test year,
14 there's a difference of about 7 million, correct?

15 MR. WILLY DERKSEN: Yes, sir.

16 MR. KRIS SAXBERG: And that's pretty much
17 as a result of the change in the DSM treatment from
18 fifteen (15) year to five (5) year amortization?

19 MR. WILLY DERKSEN: That would be the
20 main contributor, yes.

21 MR. KRIS SAXBERG: And so the overall --
22 I'm not --

23 MR. WILLY DERKSEN: Sorry, I need to
24 correct that. That's as a result of higher expenditures
25 in DSM because both periods had five (5) year

1 amortization.

2 MR. KRIS SAXBERG: I could -- it's a
3 combination of the higher spending and the move to the --
4 well, no, it's all amortization.

5 MR. WILLY DERKSEN: Both periods had five
6 (5) year amortization, so it's due to the higher spending
7 that occurred subsequent to the 2007/'08 test year.

8 MR. KRIS SAXBERG: But the increase would
9 be lower by the order of magnitude of 7 million if five
10 (5) year -- sorry, fifteen (15) year amortization had
11 continued -- had never been changed.

12 MR. WILLY DERKSEN: It would be something
13 less than the 7 million because fifteen (15) year
14 amortization would still show an increase due to the
15 higher levels of spending in the -- in the period in
16 question.

17 MR. KRIS SAXBERG: Well, probably the six
18 point five (6.5) that Centra advised in PUB-45(d).

19 MR. WILLY DERKSEN: Yes.

20 MR. KRIS SAXBERG: Now does -- does the
21 finance expense decrease then with the change in the
22 amortization?

23 MR. WILLY DERKSEN: Yes, it would.

24 MR. KRIS SAXBERG: Now Mr. Oppenheim has
25 done a calculation at PUB/CAC/MSOS-2 with respect to the

1 monies available for more aggressive replacement of
2 standard efficiency furnaces.

3 Does Centra have any disagreement with --
4 with the math, or his calculation?

5 MR. VINCE WARDEN: Could you be more
6 specific?

7 MR. KRIS SAXBERG: It's PUB/CAC-2, there's
8 a depreciation schedule.

9
10 (BRIEF PAUSE)

11
12 MR. WILLY DERKSEN: I haven't checked the
13 schedule specifically, Mr. Saxberg, so I -- I'd have to
14 look at that.

15 MR. KRIS SAXBERG: If you wouldn't mind.
16 I -- I noted it wasn't a matter in issue in the rebuttal
17 but I -- the calculation as to whether or not the Furnace
18 Replacement Program could target all of the twelve
19 thousand (12,000) potential furnaces if the DSM was
20 continued to be amortized over fifteen (15) years.

21 MR. WILLY DERKSEN: I'll review that
22 schedule and get back to you.

23 MR. KRIS SAXBERG: Thank you.

24

25 --- UNDERTAKING NO. 21: Centra to provide the

1 calculation as to whether or
2 not the Furnace Replacement
3 Program could target all of
4 the twelve thousand (12,000)
5 potential furnaces if the DSM
6 was continued to be amortized
7 over fifteen (15) years
8

9 CONTINUED BY MR. KRIS SAXBERG:

10 MR. KRIS SAXBERG: Now, Centra
11 understands that Mr. Oppenheim is endorsing a ten (10)
12 year amortization for all the incremental spending he's
13 recommending, correct?

14 MR. WILLY DERKSEN: Yes.

15 MR. KRIS SAXBERG: And ten (10) year, in
16 between the five (5) and the fifteen (15), you can
17 confirm that that is the length of the amortization that
18 is used on the electric side?

19 MR. WILLY DERKSEN: Yes.

20 MR. KRIS SAXBERG: And that BC Hydro and
21 Quebec Hydro also amortize DSM over a maximum ten (10)
22 years?

23 MR. WILLY DERKSEN: I don't have that
24 information.

25 MR. KRIS SAXBERG: And I get that from

1 the Public Utility Board's Order 116/08, but you can take
2 it subject to check, I guess.

3 MR. WILLY DERKSEN: Yes.

4 MR. KRIS SAXBERG: And that Terasen has
5 now been authorised to amortize its DSM over ten (10)
6 years?

7 MR. WILLY DERKSEN: Yes.

8 MR. KRIS SAXBERG: So that the BCUC,
9 having considered a request for twenty (20) years, has --
10 has said it can be amortized over no more than ten (10),
11 fair?

12 MR. WILLY DERKSEN: That's my
13 understanding, yes.

14 MR. KRIS SAXBERG: And in Ontario -- and
15 there was information in Mr. Oppenheim's evidence about
16 this but I've also handed out Appendix A to this -- to
17 the Ontario Energy Board's discussion paper on guidelines
18 for -- for natural gas, and in it, there's a reference to
19 accounting treatment of DSM.

20 And without having to go to it because it
21 has been mentioned in Mr. Oppenheim's evidence and I
22 don't think it was rebutted, but -- it's on page 38, by
23 the way, under "Cost Allocation." The first paragraph
24 reads, quote:

25 "Utilities should use a fully allocated

1 costing methodology for all distributor
2 delivered DSM activities. Capitalized
3 assets associated with DSM activities
4 that are funded through rates will be
5 included in rate base and will be
6 treated in the same manner as
7 distribution assets."

8 And it goes on, end quote. And I
9 understand, with respect to Terasen, that the DSM also
10 forms part of rate base?

11 MR. GREG BARNLUND: In Terasen's case,
12 yes. I just want to point out that in Ontario, typically
13 speaking, the past practice and -- and I assume the
14 current practice for both Union Gas and Enbridge has been
15 to essentially expense most of the DSM investment.

16 There are deferral account mechanisms.
17 They're involved -- those are shareholder savings
18 mechanisms. There are also deferral mechanisms that are
19 to track differences between actual and forecast
20 investment DSM, loss revenue adjustment mechanisms which,
21 if DSM activity should be producing greater conservation
22 effects than forecasts, that the shareholder -- the
23 Utility is kept whole in that regard.

24 Those are generally short-term deferral
25 accounts, probably two (2) to three (3) years most

1 duration. And I think that they would be limited to
2 those -- to those mechanisms in Ontario currently.

3 MR. KRIS SAXBERG: And -- and you may be
4 correct in that these are guidelines going forward, that
5 are being recommended going forward for DSM. Is that
6 your understanding?

7 MR. GREG BARNLUND: I believe so, yes.

8 MR. KRIS SAXBERG: But you'd also agree
9 that spending in Ontario on DSM was lower than is being
10 proposed in these guidelines. And with that, would you
11 agree that the issue of amortization is less important
12 when the DSM spending is low?

13 MR. GREG BARNLUND: Well, I think that in
14 Ontario, the situation is, amortization is not
15 essentially entered into the considerations there.
16 There's a -- given that the investment has been largely
17 expensed, as I said, that the -- the issue of
18 amortization is not the same in Ontario as it would be,
19 potentially, in British Columbia or here, perhaps.

20 MR. KRIS SAXBERG: Now we certainly agree
21 that the DSM costs or expenditures are regulatory assets?

22 MR. VINCE WARDEN: Yes.

23 MR. KRIS SAXBERG: And the -- the report
24 on IFRS to the Company indicates that IFRS does not
25 preclude the recognition of regulatory assets, that's

1 correct?

2 MR. VINCE WARDEN: That's yet to be
3 determined, yes.

4 MR. KRIS SAXBERG: Yeah, either side of
5 it. So it doesn't preclude it and there's been no
6 decision on it?

7 MR. VINCE WARDEN: There's been no
8 decision on that at this time.

9 MR. KRIS SAXBERG: And that, from PUB-
10 10C, the Company has indicated, quote:

11 "Information from the IASB staff points
12 to a potential change in direction,
13 such that some form of rate regulated
14 accounting may be established in IFRS."
15 End quote.

16 MR. VINCE WARDEN: With emphasis on the
17 "may;" it's very uncertain at this time.

18 MR. KRIS SAXBERG: But that's information
19 that the Company's obtained?

20 MR. VINCE WARDEN: Yes.

21 MR. KRIS SAXBERG: And the Company's
22 position in PUB-150 was that it would be premature to --
23 to compute the impact of IFRS not recognizing regulatory
24 accounting, correct? And you may want to look at that,
25 PUB-150.

1 MR. VINCE WARDEN: I'll accept that.

2 MR. KRIS SAXBERG: Now, in fairness, I --
3 I think you said that before the application was updated.

4 MR. VINCE WARDEN: And that's still our
5 position.

6 MR. KRIS SAXBERG: In terms of evaluation
7 of the DSM Program, there's a plan that's -- that's being
8 developed?

9 MR. LLOYD KUCZEK: That's correct.

10 MR. KRIS SAXBERG: And in the Appendix A
11 of the Draft Demand Side Management Guidelines for
12 Natural Gas Distributors there's -- there's a lot of
13 information about evaluations, and I'll just leave that
14 with the Company. It was also included in Mr.
15 Oppenheim's evidence, but perhaps I should mark this as
16 an exhibit.

17 It would be --

18 MR. BOB PETERS: You're referring, Mr.
19 Saxberg, to the Appendix A?

20 MR. KRIS SAXBERG: Yes.

21 MR. BOB PETERS: The Board has set aside
22 Exhibit CAC/MSOS number 8 for that document.

23

24 --- EXHIBIT NO. CAC/MSOS-8:

25 Appendix A of the Draft Demand Side

1 Management Guidelines for Natural Gas
2 Distributors
3

4 MR. BOB PETERS: And while I'm on the
5 microphone, CAC/MSOS Exhibit 9 would be the one (1) page
6 handout entitled "Lower Your Energy Bills," for which
7 you've asked for the most current copy to be undertaken
8 and filed, but the one (1) that you did hand out would be
9 marked CAC/MSOS Exhibit 9, if that meets your and Ms.
10 Murphy's concurrence.

11 MR. KRIS SAXBERG: Yes, thank you.

12

13 --- EXHIBIT NO. CAC/MSOS-9:

14 One (1) page handout entitled "Lower
15 Your Energy Bills"
16

17 CONTINUED BY MR. KRIS SAXBERG:

18 MR. KRIS SAXBERG: Sorry, and -- and when
19 -- is there a time table for the evaluation plan to be
20 put forward?

21 MR. LLOYD KUCZEK: It would be fairly
22 soon. I -- I think that the plan is, is to take
23 something to the Advisory Committee and share it with
24 them, seek their input, and then finalize it after that.

25 We do evaluations all the time in our

1 programs, so this is -- this one (1) is just another
2 program with some variations, but one (1) of them, of
3 course, being seeking the input from the Advisory Group.

4 MR. KRIS SAXBERG: Thank you. Now in
5 terms of doing the evaluation, does the Company conduct
6 combustion efficiency tests before replacing a furnace?

7 MR. LLOYD KUCZEK: No.

8 MR. KRIS SAXBERG: So is there -- there's
9 no testing to be able to determine the actual savings
10 from replacing a standard efficiency furnace in any
11 particular location with the high efficiency furnace?

12 MR. LLOYD KUCZEK: We -- we don't use
13 that method for determining the savings, no.

14 MR. KRIS SAXBERG: But on an actual
15 basis, and maybe even just on an audit basis of actuals,
16 wouldn't it be helpful in evaluating the program to have
17 that information?

18 MR. LLOYD KUCZEK: You know, I'm not
19 certain about that. The -- if you take a furnace prior
20 to, and -- and after -- well, you'd have to look at the
21 benefit cost of actually doing these tests. And you can
22 -- you can spend a lot of money trying to figure out
23 exactly whether you saved 9 million cubic metres, or nine
24 point three (9.3) cubic metres.

25 And at the end of the day, you know,

1 there's -- there's judgments in terms of spillovers and
2 free riders that probably kill that margin of error
3 anyways, and it's just not worth doing.

4 The -- the furnaces are tested by a
5 standard -- well, I'm not sure whether those tests are
6 actually done, but they -- they do undergo tests, and
7 they -- they have to meet certain standards.

8 So when they say it's 92 percent, it might
9 be ninety-two (92), and if it's installed a certain way,
10 it might be ninety-two point five (92.5), it might be
11 ninety-one point five (91.5), but at the end of the day
12 on average it's probably pretty close to ninety-two (92),
13 and we're comfortable with that.

14 The other problem, of course, is you don't
15 really know what you're replacing, too, so you'd have to
16 do the same test prior to, if you want to know exactly
17 what you're achieving in terms of savings.

18 Probably a better method, or approach,
19 that we're looking at doing with the low income program
20 is actually looking at customer bills because you got the
21 interactive effects with the insulation, the air sealing,
22 and there's so much going on there, just to get an
23 overall feel for what we're achieving in terms of the
24 savings, and through the bills.

25 And if you have enough customers

1 participating, the statistics will probably work things
2 out, and we'll be fairly comfortable with -- with the
3 numbers that we're achieving. And we can do the weather
4 adjustments, as well.

5 MR. KRIS SAXBERG: Okay. Well, and on
6 that, are you collecting information, or you have
7 information about the customers bills before they
8 participate in the furnace replacement program that you'd
9 be able to compare a few years down the road to after
10 they participate?

11 MR. LLOYD KUCZEK: Yeah, we do actually,
12 and just out of interest that you might find interesting,
13 we actually looked at two (2) customers that participated
14 prior to this previous winter, and both customers saved
15 over six hundred dollars (\$600) on their bills, but I
16 don't believe that was weather adjusted yet. But -- and
17 it was a colder winter. I spent 20 percent more on my
18 energy bill this past winter.

19 MR. KRIS SAXBERG: You don't get a deal?

20 MR. LLOYD KUCZEK: I get to work some
21 weekends.

22 MR. KRIS SAXBERG: But the Company, in
23 doing its inspections of all of the new furnaces
24 installed, does it take information with respect to -- to
25 the efficiency of the furnace?

1 MR. LLOYD KUCZEK: Yes, we do.

2 MR. KRIS SAXBERG: And in terms of
3 extending the program to -- to renters, you indicated
4 that that's something that's coming down the pike;
5 however, there's less than two (2) years left in the
6 program. How -- how soon is it -- is the program going
7 to be available?

8 MR. LLOYD KUCZEK: Oh, we're hoping that
9 this is going to happen the same time as the fixed price
10 offerings is going to occur, and that would be shortly
11 after that vacation season.

12 MR. KRIS SAXBERG: Now I understand that
13 the contract with respect to the -- sorry, the contract
14 with respect to the contractors who are being used in the
15 Low Income Furnace Replacement Program is confidential.

16 However, can you tell or advise my clients
17 on an order of magnitude basis, and I don't mean to put
18 you on the spot here but I have been asked to, what a
19 reasonable range is for -- for a high -- price for a high
20 efficiency furnace?

21 MS. MARLA MURPHY: Are you asking the
22 range within the contracts, or are you asking --

23 MR. KRIS SAXBERG: No, no --

24 MS. MARLA MURPHY: -- the range in the
25 market?

1 MR. KRIS SAXBERG: -- in the market.

2 MR. LLOYD KUCZEK: You know, I think I
3 might have even gone on record last year or two (2) years
4 ago, saying you can get a furnace from anywhere from
5 thirty-five (35) to fifty-five hundred (5,500), and even
6 higher than that as we seen in the -- the news media
7 recently, but it -- it ranges quite a bit.

8 There are different options that customers
9 offer, but -- or suppliers. You know, it varies in terms
10 of warranty period. There are some options with ECM
11 motor that makes a difference, the filters, I believe,
12 and so -- and the installation, there's variations in
13 costs, as well, and we -- we are aware of that when we
14 negotiated the contracts with the customers, too.

15 So each customer, you know, we -- needs to
16 be careful, and get quotes, and make a decision
17 themselves in terms of what they're comfortable with in
18 terms of a price.

19

20 CONTINUED BY MR. KRIS SAXBERG:

21 MR. KRIS SAXBERG: Let me try it just
22 slightly a different way. If a customer calls the call
23 centre about this issue, asking about whether or not the
24 quote they've received is reasonable, are they provided
25 with information?

1 MR. LLOYD KUCZEK: We won't give them
2 specific numbers. And I -- I couldn't say for certain,
3 I'd have to check, but if the contact centre asked me
4 what to say, I would suggest that they provide guidance
5 to the customers in terms of getting more than one (1)
6 quote, and so...

7 MR. KRIS SAXBERG: Now, in terms of the
8 Power Smart Loan Program, the -- the borrowing limit is
9 seventy-five hundred (7,500), correct?

10 MR. LLOYD KUCZEK: Correct.

11 MR. KRIS SAXBERG: And just as an aside,
12 in light of what Mr. McCormick talked about relating to
13 the sale on short-term debt, is -- is there any
14 consideration underway to -- to reducing the interest
15 rate on the Power Smart loans at this time?

16 MR. LLOYD KUCZEK: Well, we just reduced
17 it this past winter from six point five (6.5) to four
18 point nine (4.9), and so, at this point, we're not
19 thinking of reducing it further.

20 We think the incentives in the marketplace
21 for installing furnaces is quite attractive at this
22 point, so we don't think we need to give more ratepayer
23 money towards that at this point.

24 MR. KRIS SAXBERG: Now, when -- when a
25 customer is applying for a Power Smart loan, do Manitoba

1 Hydro employees examine the purpose of the loan, i.e., is
2 it to fund a new furnace?

3 MR. LLOYD KUCZEK: Yes, there is certain
4 measures that qualify and some measures don't -- do not
5 qualify.

6 MR. KRIS SAXBERG: And is that data as to
7 whether it's being used to -- to fund a new furnace
8 recorded and kept track of?

9 MR. LLOYD KUCZEK: We -- we do keep track
10 of what the loans are used for, and a significant portion
11 of the loans are used, actually, for furnace replacements
12 as well as window replacements.

13 MR. KRIS SAXBERG: In the context of the
14 Power Smart loan, if -- if a customer was to say, I need
15 the seventy-five hundred dollar (\$7,500) max to pay for
16 my furnace, which is going to cost seventy-five hundred
17 dollars (\$7,500), is that something that -- that would
18 result in questions being asked?

19 MR. LLOYD KUCZEK: We are -- we have
20 taken a position that we're not going to interfere in the
21 marketplace in terms of a customer so choosing to go with
22 a contractor for a particular price.

23 Our role is to suggest that they get more
24 than one (1) quote, and -- and that's our position on
25 that.

1 MR. KRIS SAXBERG: And does Manitoba
2 Hydro keep track of information about the quality of the
3 workmanship of -- of contractors who do installations?

4 MR. LLOYD KUCZEK: Not per se, but if we
5 get complaints we'll take note of that.

6 MR. KRIS SAXBERG: And -- and I was
7 referring to the -- in the context of the inspections
8 that are being done.

9 MR. LLOYD KUCZEK: Well, we do do the
10 inspections.

11 MR. KRIS SAXBERG: And if -- if there's a
12 consistent pattern of -- of -- that raises issues about
13 the quality of workmanship, is -- is that something
14 that's followed up on my Manitoba Hydro?

15 MR. LLOYD KUCZEK: I'm not aware of that
16 actually occurring, but I would -- I would think that
17 what we would do is discuss it with the contractor if
18 there was some -- there -- there were issues with the
19 inspections.

20

21 (BRIEF PAUSE)

22

23 MR. KRIS SAXBERG: Now for the low income
24 customers who are participating in the Furnace
25 Replacement Program, the contractor is already selected

1 and the price is already determined, essentially,
2 correct?

3 MR. LLOYD KUCZEK: The customer has the
4 choice of contractor, and if there is a choice in brand,
5 and there isn't at this point, but, yes, the price is
6 pre-negotiated.

7 MR. KRIS SAXBERG: Right, sorry. They
8 have a choice of the contractors that have already been
9 selected by Manitoba Hydro, and of which there are five
10 (5) in Winnipeg?

11 MR. LLOYD KUCZEK: Correct.

12 MR. KRIS SAXBERG: And -- but for those
13 non-low income customers, with respect to the selection
14 of -- of contractors to -- to put in furnaces, new
15 furnaces, there, I understand that Manitoba Hydro is --
16 is preparing a brochure?

17 MR. LLOYD KUCZEK: Yeah, we're preparing
18 a brochure, but we do -- actually do have some brochures
19 that we do hand out already. We're -- we were looking at
20 creating a -- another one possibly and we're -- part of
21 the reason it's taking a while is we're looking at --
22 we're considering whether or not we should provide
23 additional information to customers.

24 But we do have three (3) different
25 brochures that talk about the contractor issues. Two (2)

1 of them, I think, are produced by ourselves, one's
2 produced by the CMHC, that we do hand out to our
3 customers.

4 MR. KRIS SAXBERG: And that's happening
5 at present, that if a -- if a customer is part of the
6 program, they'll -- they'll be provided with that
7 information?

8 MR. LLOYD KUCZEK: Part of the low income
9 program?

10 MR. KRIS SAXBERG: No, part of the
11 Furnace Replacement Program for non-low income? Not --
12 well, sorry, I'm using the wrong terminology here. Part
13 -- it's someone who's receiving an incentive to replace
14 their furnace under their Power Smart.

15 MR. LLOYD KUCZEK: Not every customer
16 gets this. We use these brochures at trade shows and I
17 think workshops that we have and I couldn't tell you all
18 the places that we hand out the brochure. It's just one
19 (1) of our many brochures that we have.

20 MR. KRIS SAXBERG: Would you agree that
21 it -- that the brochure that's being developed, it's --
22 it's providing information about contractors and prices
23 and -- and that sort of thing -- should be distributed to
24 all of those customers who are receiving incentives to
25 replace their furnace?

1 MR. LLOYD KUCZEK: Those customers, when
2 they apply to us, have already picked a contractor
3 already. And, in fact, we work through the contractors
4 and I think the -- the paperwork is processed through a
5 lot of the retailers and contractors.

6 MR. KRIS SAXBERG: Okay. Thank you for
7 that. Just a couple quick areas. On -- one more thing
8 on DSM. Just with respect to Mr. Oppenheim's comments
9 about the boiler program -- and he contrasts the Furnace
10 Replacement Program for low income with the -- the Boiler
11 Replacement Program and he has determined that the total
12 costs of heating would increase if the low income
13 customer participates in the program with respect to
14 boilers. Do you have any disagreement with his analysis?

15 MR. LLOYD KUCZEK: If a customer just
16 participates in the Boiler Replacement Program and
17 nothing else, he is going to experience higher costs if
18 you include the financing relative to the savings of his
19 -- that he's going to achieve through the -- the home, if
20 he has a typical home 'cause -- we've already talked
21 about that.

22 But you save approximately four hundred
23 dollars (\$400) and I think in the IR evidence or his
24 evidence, he talked about what the financing costs would
25 be.

1 MR. KRIS SAXBERG: Then the --

2 MR. LLOYD KUCZEK: So it's the difference
3 between the two (2).

4 MR. KRIS SAXBERG: Right. And that the -
5 - the payment of, I understand, six hundred and thirty-
6 four dollars (\$634) over fifteen (15) years overtakes the
7 savings?

8 MR. LLOYD KUCZEK: Yeah, I think the
9 difference is about two hundred dollars (\$200) but I'm
10 not -- yeah -- and it depends on the price, of course.
11 It depends whether or not the customer gets the -- how
12 much the customer gets from the federal government.

13 I'm not sure whether or not that was taken
14 into account and, of course, over the next year, you have
15 the tax incentives, as well, that would be substantial on
16 a boiler replacement.

17 MR. KRIS SAXBERG: Okay, thank you. In
18 terms of cost allocation and rate design, the last
19 independent review was in 1996?

20 MR. GREG BARNLUND: That was the last
21 review in front of this Board in terms of the generic
22 design of cost allocation and rate design here, yes.

23 MR. KRIS SAXBERG: When is the next
24 independent review planned?

25 MR. GREG BARNLUND: We don't have a

1 panel?

2 MR. SANDY BOYD: I do not.

3 THE CHAIRPERSON: Thank you, sir.

4 Ms. Murphy -- oh, Mr. Peters seems to be
5 looking here.

6 MR. BOB PETERS: I -- I will maybe attend
7 to some housekeeping matters afer Ms. Murphy responds to
8 your request as to whether there's any re-direct.

9 MS. MARLA MURPHY: I imagine it's a --
10 it's a question with rela -- relation to re-direct
11 evidence, and we have none to offer. Thank you.

12

13

14 (CENTRA'S REVENUE REQUIREMENT,
15 DSM, COST ALLOCATION,
16 AND RATE DESIGN PANEL STANDS DOWN)

17

18 THE CHAIRPERSON: Thank you. Mr. Peters,
19 you had something to say?

20 MR. BOB PETERS: Well, just on
21 housekeeping if I might, Mr. Chairman.

22 THE CHAIRPERSON: Please.

23 MR. BOB PETERS: Just a few points. I
24 just want to remind the parties that the evidence has now
25 closed, and that the next time the pan -- the Board will

1 sit will be on Wednesday, June 24th, starting at 9:00
2 a.m., to hear closing submissions from Board counsel and
3 Intervenors.

4 And I can indicate, as this is being
5 transcribed, that any Intervenors who aren't present and
6 would prefer to provide written submissions, they should
7 be received by the Board and copied to all parties by the
8 end of business on Tuesday, June 23rd.

9 After the 24th closing submissions, the
10 Board will again meet on Friday the 26th at 1:15 in the
11 afternoon to hear the closing submissions from Centra
12 Gas. And I believe everybody's aware of those changes,
13 and I just wanted to make sure again they were on the
14 record.

15 I should also indicate that the Board's
16 hearing room is going to be utilized between today and
17 when we are next planning to convene on the 24th of June,
18 and therefore all parties are requested to remove their
19 materials.

20 I suppose one (1) last item. In the midst
21 of my cross-examination, I was so intently involved I
22 didn't notice that Matea Carla (sic) Emerson Dzendzara's
23 mother walked into the room, and we would -- oh I guess
24 most would know her as Ms. Kelly Derksen. So I will
25 welcome -- welcome her back, congratulate her on what I

1 understand is her promotion to the most important job in
2 the world, being a parent. Thank you.

3 THE CHAIRPERSON: Thank you, Mr. Peters.

4 Before we adjourn for the day, the Board
5 would like to take the opportunity to thank Centra,
6 CAC/MSOS counsel, and Board advisors, for synthesizing
7 the updates that occurred as late as the eve of the
8 Hearing, and presenting that information in a concised
9 and very focussed way. While CAC/MSOS counsel and Board
10 counsel asked the questions, Centra witnesses assisted
11 with their replies, and we recognize the significant
12 effort that is represented in preparing and updating the
13 Application and participating fully throughout the
14 Hearing.

15 The Board also appreciates the
16 coordination efforts of those who we consider to be the
17 unsung heros, being Ms. Morrison and her backrow Centra
18 colleagues, and those back at the office who have
19 obviously worked long hours and weekends to ensure the
20 Board has detailed updates, for the Application and the
21 information that's been provided.

22 And I would be remiss on behalf of myself
23 and my colleagues to not also thank the Board counsel,
24 Mr. Peters, who has once again done an incredibly good
25 job in the cross-examination of the Centra panels on

1 behalf of the Board.

2 I would also like to thank our other
3 advisors and our staff, and Cheryl Lavigne of Digi-Tran.
4 Without the transcripts, it is extremely difficult
5 sometimes to follow what has already transpired,
6 particularly for those who were not in attendance.

7 And in closing, as Mr. Peters has pointed
8 out, we will reconvene on June the 24th at 9:00 a.m. to
9 begin with the closing statements by Board counsel and
10 CAC/MSOS. Thank you.

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12 --- Upon adjourning at 11:59 a.m.

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14 Certified correct,

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Cheryl Lavigne, Ms.

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